Slate Office REIT

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three and nine months ended September 30, 2023

(unaudited)

Slate Office REIT

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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Slate Office REIT

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION

(in thousands of Canadian dollars)
(unaudited)

	Note	September 30, 2023	December 31, 2022
ASSETS			
Non-current assets			
Investment properties	6	$ 1,553,082	$ 1,754,338
Finance lease receivable	7	40,376	43,213
Other assets	8	2,078	538
Derivatives	12	25,923	26,476
Restricted cash		6,845	5,300
		$ 1,628,304	**$ 1,829,865**
Current assets			
Assets held for sale	6	157,421	—
Finance lease receivable	7	3,753	3,580
Other assets	8	5,294	5,668
Accounts receivable	9	8,090	10,344
Cash		19,541	19,905
		$ 194,099	**$ 39,497**
Total assets		**$ 1,822,403**	**$ 1,869,362**
LIABILITIES AND UNITHOLDERS' EQUITY			
Non-current liabilities			
Debt	10	$ 560,522	$ 779,226
Other liabilities	11	5,454	5,918
Deferred taxes	26	208	454
Class B LP units	13	6,924	22,832
		$ 573,108	**$ 808,430**
Current liabilities			
Debt	10	539,219	374,027
Debt held for sale	10	90,971	—
Other liabilities	11	841	1,222
Accounts payable and accrued liabilities	14	46,399	39,712
Taxes payable		159	1,605
		$ 677,589	**$ 416,566**
Total liabilities		**$ 1,250,697**	**$ 1,224,996**
Unitholders' equity		**$ 571,706**	**$ 644,366**
Subsequent events	28		
Total liabilities and unitholders' equity		**$ 1,822,403**	**$ 1,869,362**

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

Slate Office REIT

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF INCOME (LOSS)

(in thousands of Canadian dollars)
(unaudited)

	Note	Three months ended September 30, 2023	Three months ended September 30, 2022	Nine months ended September 30, 2023	Nine months ended September 30, 2022
Rental revenue	17	$ 51,034	$ 50,959	$ 148,834	$ 147,882
Property operating expenses		(24,498)	(23,749)	(85,826)	(80,851)
Finance income on finance lease receivable	7	703	758	2,151	2,313
Interest income		232	111	445	330
Interest and finance costs	18	(17,648)	(14,078)	(47,587)	(39,504)
General and administrative expenses	19	(3,579)	(2,846)	(12,040)	(7,428)
Change in fair value of financial instruments	20	(1,936)	11,407	1,508	43,844
Change in fair value of investment properties	6	(41,520)	(3,164)	(79,436)	9,210
Depreciation of hotel asset	6	(243)	(243)	(724)	(724)
Transaction costs	5	—	(1,218)	—	(1,218)
Deferred income tax (expense) recovery	26	(197)	(320)	246	(4,461)
Current income tax expense	26	(460)	(317)	(1,056)	(1,009)
Net (loss) income before Class B LP units		**$ (38,112)**	**$ 17,300**	**$ (73,485)**	**$ 68,384**
Change in fair value of Class B LP units	13	3,541	1,585	15,908	3,435
Distributions to Class B LP unitholders	16	(159)	(528)	(846)	(1,584)
Net (loss) income		**$ (34,730)**	**$ 18,357**	**$ (58,423)**	**$ 70,235**

Slate Office REIT

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(in thousands of Canadian dollars)

	Note	Three months ended September 30, 2023	Three months ended September 30, 2022	Nine months ended September 30, 2023	Nine months ended September 30, 2022
Net (loss) income		$ (34,730)	$ 18,357	$ (58,423)	$ 70,235
Other comprehensive income (loss) to be subsequently reclassified to profit or loss:					
Foreign currency translation income (loss)	15	3,021	10,955	(1,441)	5,846
Total other comprehensive income (loss)		3,021	10,955	(1,441)	5,846
Net comprehensive (loss) income		**$ (31,709)**	**$ 29,312**	**$ (59,864)**	**$ 76,081**

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

Slate Office REIT

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY

(in thousands of Canadian dollars)
(unaudited)

	Note	Trust units	Retained earnings	Accumulated other comprehensive income	**Total equity**
December 31, 2022		$ 578,380	$ 60,819	$ 5,167	**$ 644,366**
Distributions	16	—	(12,796)	—	**(12,796)**
Net loss and comprehensive loss		—	(58,423)	(1,441)	**(59,864)**
September 30, 2023		**$ 578,380**	**$ (10,400)**	**$ 3,726**	**$ 571,706**

	Note	Trust units	Retained earnings	Accumulated other comprehensive loss	**Total equity**
December 31, 2021		$ 518,888	$ 109,051	$ (5,972)	**$ 621,967**
Equity offering, net of issuance costs	15	60,471	—	—	**60,471**
Distributions	16	—	(23,616)	—	**(23,616)**
Net income and comprehensive income		—	70,235	5,846	**76,081**
September 30, 2022		**$ 579,359**	**$ 155,670**	**$ (126)**	**$ 734,903**

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

Slate Office REIT

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS

(in thousands of Canadian dollars)
(unaudited)

	Note	Nine months ended September 30, 2023	2022
OPERATING ACTIVITIES			
Net (loss) income		$ (58,423)	$ 70,235
Items not affecting cash:			
Depreciation of hotel asset	6	724	724
Change in fair value of investment properties	6	79,436	(9,210)
IFRIC 21 property tax adjustment	6	3,479	2,995
Straight-line rent and other changes	6	8,439	6,883
Change in fair value of Class B LP units	13	(15,908)	(3,435)
Change in fair value of financial instruments	20	(1,508)	(43,844)
Deferred income tax expense	26	(246)	4,461
Finance income on finance lease receivable	7	(2,151)	(2,313)
Finance interest payments received on finance lease receivable	7	2,151	2,313
Distributions declared to Class B LP unitholders	16	846	1,584
Distributions paid to Class B LP unitholders	16	(969)	(1,584)
Interest income		(445)	(330)
Interest received		445	330
Interest and finance costs	18	47,587	39,504
Interest paid		(43,873)	(33,487)
Subscription receipt equivalent amount paid		—	(1,121)
Changes in working capital items		4,621	3,303
		$ 24,205	**$ 37,008**
INVESTING ACTIVITIES			
Acquisitions of investment properties	4	(3,961)	(195,612)
Deposit on property		—	(968)
Dispositions of investment properties	5	—	85,515
Capital expenditures	6	(6,852)	(19,041)
Leasing costs	6	(14,886)	(10,574)
Proceeds from vendor-take-back loan	8	1,476	500
Principal payments received on finance lease receivable	7	2,664	2,502
		$ (21,559)	**$ (137,678)**
FINANCING ACTIVITIES			
Settlement of Euro forward contract	12	—	(156)
Proceeds from issuance of units	15	—	62,600
Equity issuance costs	15	—	(2,129)
Distributions on REIT units	16	(14,660)	(23,202)
Mortgage advances	27	41,108	2,402
Issuance of convertible debentures, net	10	—	81,043
Mortgage repayments	27	(55,305)	(57,708)
Financing costs on debt	27	(1,278)	(4,640)
Draws on revolving and term facilities, net	27	27,549	58,848
		$ (2,586)	**$ 117,058**
Foreign exchange (loss) gain on cash held in foreign currency		(424)	10,806
(Decrease) increase in cash		**$ (364)**	**$ 27,194**
Cash, beginning of period		**19,905**	**9,909**
Cash, end of period		**$ 19,541**	**$ 37,103**

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

1. DESCRIPTION OF THE REIT AND OPERATIONS

Slate Office REIT (the "REIT") is an unincorporated, open-ended real estate investment trust governed by the laws of the Province of Ontario pursuant to an amended and restated Declaration of Trust dated as of March 21, 2016, as amended on 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"). At September 30, 2023, the REIT's portfolio consists of 54 commercial properties located in Canada, the United States, and Ireland. The units of the REIT trade on the Toronto Stock Exchange ("TSX") under the symbol "SOT.UN".

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

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

2. BASIS OF PREPARATION

i. Statement of compliance

These condensed consolidated interim financial statements (the "consolidated financial statements") have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting. Certain information and note disclosures normally included in the annual consolidated financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") have been omitted or condensed. As a result, these consolidated financial statements should be read in conjunction with the REIT's audited annual consolidated financial statements as at and for the year ended December 31, 2022.

ii. Approval of the consolidated financial statements

The consolidated financial statements were approved by the trustees of the REIT and authorized for issuance on November 14, 2023.

iii. Basis of measurement

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

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

The REIT's borrowings provided by its revolving facility and other debt require compliance with covenants, which if breached could lead to lenders demanding repayment or reduced availability of drawings to the REIT. Additionally, certain of the REIT's debt, including the REIT's revolving credit facility, includes cross default provisions, generally for defaults on debt in excess of $5.0 million. These covenants are described in more detail in note 10 and 24.

At September 30, 2023, the REIT exceeded financial leverage and debt service coverage covenants pertaining to certain of its debt. The REIT has subsequently amended or is in process of amending its debt agreements with its lenders to modify such covenants. The REIT has classified the affected debt in the amount of $557.1 million as a current liability on the condensed consolidated interim statements of financial position. The amendments to the financial leverage and debt service coverage covenants are temporary and in addition, the overall commitment level will decrease in scheduled intervals (see note 10). Accordingly, the REIT is required to significantly reduce financial leverage to comply with such future covenants and restrictions or obtain additional amendments or waivers within the next twelve months.

Additionally, changes in interest rates driven by central banks in Canada, the U.S. and Europe seeking to reduce inflationary pressures and the broad market sentiment towards the office sector as a whole have reduced the availability of and increased the cost of financing which gives rise to the risk of the REIT not being able to service its debt costs. The REIT has significant borrowings that mature in the next twelve months and beyond that may be affected by these factors.

The REIT has undertaken various actions in order to increase liquidity and reduce its financial leverage and borrowings. These actions include, a program to dispose of certain investment properties (the "Portfolio Realignment Plan"), working with lenders to provide additional flexibility and liquidity to the REIT, a suspension of its cash distribution to unitholders (see note 28), and a program to reduce capital investment and general and administrative expenses.

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

The REIT will continue to seek to dispose of certain investment properties, to refinance existing maturing debt and in certain cases to amend the terms of existing borrowings (as described in notes 10 and 28). However, the REIT may not be able to complete such dispositions or financing activities on terms and conditions acceptable to the REIT, or at all, which would have an adverse material effect on the REIT's liquidity. Additionally, by selling certain of its properties under its Portfolio Realignment Plan the REIT may be required to dispose of properties at amounts less than the estimated fair value at September 30, 2023. This difference could be material, especially in instances where there is limited purchaser interest or limited or no financing available for potential purchasers.

As a result, these events and conditions indicate that a material uncertainty exists that may cast significant doubt on the REIT's ability to continue as a going concern. The outcome is dependent on the successful completion of the disposition and financing activities described above. If the going concern assumption was not appropriate as of September 30, 2023, material adjustments to the carrying values of assets and liabilities would be necessary.

iv. Functional and presentation currency

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

i. Significant accounting policies

These consolidated financial statements have been prepared using the same accounting policies and methods disclosed in the REIT's audited annual consolidated financial statements for the year ended December 31, 2022 with the addition of the following:

ii. Assets and liabilities held for sale

The REIT classifies investment properties as held for sale when it is expected that the carrying amount will be recovered through a sale transaction rather than its continued use. In order to be classified as held for sale, the investment property must be available for immediate sale in its present condition, subject only to terms that are usual and customary for sales of such property, and its sale must be highly probable. Once classified as held for sale, the investment property continues to be measured at its fair value and is presented separately on the consolidated statement of financial position. Debt to be repaid upon sale or assumed by the purchaser of investment properties held for sale is classified as liabilities held for sale on the statement of financial position.

(in thousands of Canadian dollars)

4. ACQUISITIONS

In the nine months ended September 30, 2023, the REIT completed the following acquisition:

- On August 23, 2023, the REIT acquired the remaining 25% of an office property located in Toronto, Ontario, of which it owned 75%. The purchase price of the property was $28.4 million and the acquisition was partially funded by cash and by a vendor-take-back loan of $2.9 million as described in note 10.

		West Metro Corporate Centre
Acquisition date		August 23, 2023
Location		Toronto, ON
Number of properties		1
REIT's interest		25 %
Purchase price	$	28,375
Transaction costs		221
Investment properties	$	28,596
Working capital		(657)
Debt principal amount assumed		(23,978)
Investment	**$**	**3,961**

Consideration provided for the acquisition during the nine months ended September 30, 2023 was comprised of the following:

		West Metro Corporate Centre
Cash	$	1,075
Vendor-take-back loan		2,886
Total Investment	**$**	**3,961**

In the nine months ended September 30, 2022, the REIT completed the following acquisition:

- On February 7, 2022, the REIT acquired a portfolio of 23 office, life sciences and lite-industrial properties located in Ireland ("Yew Grove"). The total asset value of the portfolio at the time of acquisition was approximately $264.4 million. The acquisition was partially funded by cash on hand and by:
    - The proceeds of the sale of 11,225,000 subscription receipts (“Subscription Receipts”), which closed on November 19, 2021, at a price of $4.90 per Subscription Receipt for gross proceeds of approximately $55.0 million (the "Offering"), and the proceeds of the sale of $75.0 million aggregate principal amount of 5.50% extendible unsecured subordinated convertible debentures of the REIT (note 10), which closed on November 19, 2021, as well as the sale of an additional $9.2 million aggregate principal amount of convertible debentures pursuant to the partial exercise of the convertible debenture over-allotment option granted by the REIT to the syndicate of underwriters in connection with the Offering, which closed on December 17, 2021. The subscription receipts became units of the REIT on February 7, 2022;
    - The private placement of 1,183,800 units of the REIT to SLAM at a price of $4.90 per unit for gross proceeds of approximately $5.8 million.

(in thousands of Canadian dollars)

A summary of the acquisition is as follows:

	Yew Grove
Acquisition date	February 7, 2022
Location	Ireland
Number of properties	23
REIT's interest	100 %
Purchase price	$ 255,567
Transaction costs	10,030
Investment properties	$ 265,597
Working capital	2,255
Debt principal amount assumed	(72,240)
Investment	**$ 195,612**

5. DISPOSITIONS

2023 Dispositions

During the nine months ended September 30, 2023, the REIT did not dispose of any investment properties.

2022 Dispositions

During the nine months ended September 30, 2022, the REIT made the following investment property dispositions:

	95 Moatfield Drive	105 Moatfield Drive	Total
Disposition date	September 23, 2022	September 23, 2022	
Location	Toronto, ON	Toronto, ON	
Number of properties	1	1	**2**
Interest disposed	100 %	100 %	
Sale price	$ 37,837	$ 59,183	**$ 97,020**
Capital adjustments	(1,680)	(2,628)	**(4,308)**
Working capital	(3,886)	(2,093)	**(5,979)**
Transaction costs	(475)	(743)	**(1,218)**
Discharge of mortgage	(19,636)	(30,712)	**(50,348)**
Net proceeds	**$ 12,160**	**$ 23,007**	**$ 35,167**

(in thousands of Canadian dollars)

6. INVESTMENT PROPERTIES

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

		Three months ended September 30,		Nine months ended September 30,	
	Note	2023	2022	2023	2022
Beginning of period		$ 1,708,814	$ 1,870,287	$ 1,754,338	$ 1,591,958
Acquisitions [1]	4	28,596	—	28,596	265,597
Capital expenditures		2,010	3,878	6,852	19,041
Leasing costs		5,282	2,764	14,886	10,574
Dispositions	5	—	(92,712)	—	(92,712)
Depreciation of hotel asset		(243)	(243)	(724)	(724)
Foreign exchange		7,000	26,517	(2,091)	14,611
Change in fair value		(41,520)	(3,164)	(79,436)	9,210
IFRIC 21 property tax adjustment		3,490	2,943	(3,479)	(2,995)
Straight-line rent and other changes		(2,926)	(2,593)	(8,439)	(6,883)
Transfer to assets held for sale		(157,421)	—	(157,421)	—
End of period		**$ 1,553,082**	**$ 1,807,677**	**$ 1,553,082**	**$ 1,807,677**

[1]Represents the purchase price and transaction costs.

Investment properties at September 30, 2023 are comprised of the REIT's interests in 44 properties, which includes one mixed-use hotel and office asset, and excludes nine assets held for sale (described below) and a data centre in Winnipeg, Manitoba (the "Data Centre"), which is classified as a finance lease (note 7). The REIT owns an undivided interest in all investment properties with the exception of four office properties in the Greater Toronto Area in which the REIT owns a 75% interest (December 31, 2022: five office properties).

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

The REIT determines the fair value of investment properties based upon either the overall income capitalization rate method, discounted cash flow method, direct comparison approach or through a combination of these methods. All methods are generally accepted appraisal methodologies. The appropriate methodology is selected by management and by independent real estate valuation experts considering the nature of the property and availability of information. The direct comparison approach and overall income capitalization method were not used in the nine months ended September 30, 2023 and 2022. Under the discounted cash flow method, fair values are primarily determined by discounting the future cash flows, generally over a term of 10 years, including a terminal value based on the application of a terminal capitalization rate to estimated year 11 net operating income. Future cash flows, discount rates and terminal capitalization rates are the most significant assumptions in determining fair value. The REIT uses leasing history, market reports, tenant profiles and available appraisals, among other evidence including current market conditions, in determining the most appropriate assumptions. At the balance sheet date there exists a limited number of observable comparable transactions and certain of the observable comparable transactions may have occurred by seller distress, financing pressure or other factors specific to those particular market participants and transactions. Accordingly, estimation uncertainty with determining the fair value of investment properties remains high.

The fair values of investment properties are measured individually without consideration to their aggregate value on a portfolio basis. No consideration is given to diversification benefits related to single property tenant risk and geography, the value of assembling a portfolio or the utilization of a common management platform, amongst other benefits. As a result, the fair value of the REIT's investment properties taken in aggregate may differ from the fair value of investment properties measured individually in the REIT's consolidated statements of financial position. Under the fair value hierarchy, the fair value of the REIT's investment properties is determined using the methodology described above and using level 3 inputs.

During the three and nine months ended September 30, 2023, the REIT initiated a Portfolio Realignment Plan to dispose of certain of its properties to raise capital in order to increase liquidity and reduce its outstanding borrowings. As at September 30, 2023, the REIT classified nine investment properties with a total estimated fair value of $157.4 million and outstanding debt principal of $91.0 million as held for sale. To achieve the REIT's goal of increasing its liquidity and reducing its outstanding borrowings by selling certain of its properties the REIT may be required to dispose of such properties at amounts materially less than the estimated fair value at

(in thousands of Canadian dollars)

September 30, 2023, especially in instances where there is limited purchaser interest or limited or no financing available for potential purchasers. The REIT did not classify any assets held for sale as at December 31, 2022.

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

	September 30, 2023		December 31, 2022	
	Discount rate	Terminal capitalization rate	Discount rate	Terminal capitalization rate
Minimum	6.75%	6.75%	6.50%	6.25%
Maximum	10.75%	10.25%	10.75%	10.25%
Weighted average	7.80%	7.35%	7.64%	7.05%

The following table presents the estimated fair value of the REIT's investment properties when there is an increase or decrease to the discount and terminal capitalization rates:

	September 30, 2023	December 31, 2022
25 basis-point increase	$ (67,152)	$ (68,669)
25 basis-point decrease	72,186	73,956

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

Three months ended	Number of investment properties	Fair Value
December 31, 2022	6	$ 414,550
March 31, 2023	—	—
June 30, 2023	—	—
September 30, 2023	15	466,989
Total	**21**	**$ 881,539**

7. FINANCE LEASE RECEIVABLE

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

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

	Nine months ended September 30, 2023	Year ended December 31, 2022
Beginning of period	$ 46,793	$ 50,156
Lease payments received	(4,815)	(6,420)
Finance income on finance lease receivable	2,151	3,057
End of period	**$ 44,129**	**$ 46,793**

(in thousands of Canadian dollars)

The following is a summary of the undiscounted future minimum lease payments receivable and the imputed interest and principal portions thereof. The principal portion represents the amount recorded on the condensed consolidated interim statement of financial position at September 30, 2023:

	Future minimum lease payments	Interest portion of minimum lease payments	Principal portion of minimum lease payments
Less than one year	$ 6,420	$ 2,667	$ 3,753
Greater than one year but less than 5 years	26,798	7,958	18,840
Greater than 5 years	23,343	1,807	21,536
Total			**$ 44,129**

The following is a summary of the undiscounted future minimum lease payments receivable and the imputed interest and principal portions thereof. The principal portion represents the amount recorded on the condensed consolidated interim statement of financial position at December 31, 2022:

	Future minimum lease payments	Interest portion of minimum lease payments	Principal portion of minimum lease payments
Less than one year	$ 6,420	$ 2,840	$ 3,580
Greater than one year but less than 5 years	26,546	8,817	17,729
Greater than 5 years	28,410	2,926	25,484
Total			**$ 46,793**

8. OTHER ASSETS

Other assets are comprised of the following:

	September 30, 2023	December 31, 2022
Prepaid expenses	$ 5,119	$ 3,064
Mortgage interest reserves	1,622	—
Vendor-take-back loan	—	2,450
Investment tax credit receivable	528	606
Utilities deposits	103	86
Total	**$ 7,372**	**$ 6,206**

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

	September 30, 2023	December 31, 2022
Current	$ 5,294	$ 5,668
Non-current	2,078	538
Total	**$ 7,372**	**$ 6,206**

Included in other assets are mortgage interest reserves totaling $1.6 million held by two of the REIT's lenders. The REIT expects the reserves of $0.9 million and $0.7 million to be repaid upon maturity, in May and December 2025, respectively.

The REIT provided a $2.7 million vendor-take-back loan as partial consideration in connection with the disposition of certain investment properties. The vendor-take-back loan bearing interest at 8.0% annually was partially repaid on July 19, 2023, with a net repayment of $1.5 million after related professional fees. The REIT realized a credit loss of $1.2 million on the balance of the loan.

The REIT is eligible for a Manitoba data processing investment tax credit as a result of its development of the Data Centre. The REIT expects to receive the tax credit in installments through to 2029. Half of the tax credit is payable to the Data Centre tenant as the credits are received. The tax credit payable is included in other liabilities (see note 11).

(in thousands of Canadian dollars)

9. ACCOUNTS RECEIVABLE

Accounts receivable is comprised of the following:

	September 30, 2023	December 31, 2022
Rent receivable	$ 3,466	$ 4,183
Accrued recovery income	1,158	801
Other amounts receivable	3,623	6,246
Allowance	(157)	(886)
Total	**$ 8,090**	**$ 10,344**

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

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

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

The change in allowance is as follows:

	Nine months ended September 30, 2023	Year ended December 31, 2022
Beginning of period	$ (886)	$ (184)
Change in allowance	(629)	(799)
Bad debt write-off	1,358	97
End of period	**$ (157)**	**$ (886)**

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

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

	September 30, 2023	December 31, 2022
Current to 30 days	$ 2,070	$ 1,534
31 to 90 days	640	610
Greater than 90 days	599	1,153
Total	**$ 3,309**	**$ 3,297**

(in thousands of Canadian dollars)

10. DEBT

Debt held by the REIT at September 30, 2023 is as follows:

	Maturity	Coupon	Properties provided as security	Fair value of security	Maximum available	Principal	Letters of credit	Available to be drawn [1]
Mortgages [2 3 4]	Various	Various	16	$ 962,851	$ 601,592	$ 601,592	$ —	$ —
Revolving facilities [4 5 6 7]	Oct. 14, 2024	Various	15	480,701	308,075	315,784	150	(7,859)
Term loan [4 8]	Apr. 5, 2027	Euribor+265 bps	23	266,271	134,329	134,329	—	—
Convertible debentures	Feb. 28, 2026	9.0%	—	—	28,750	28,750	—	—
Convertible debentures	Dec. 31, 2026	5.5%	—	—	84,200	84,200	—	—
Convertible debentures	Dec. 31, 2027	7.5%	—	—	45,000	45,000	—	—
Total			**54**	**$1,709,823**	**$1,201,946**	**$1,209,655**	**$ 150**	**$ (7,859)**

[1]Debt is only available to be drawn subject to certain covenants and other requirements. As a result of an increase in 5-year government bond yields, the REIT was overdrawn on its revolving credit facility as at September 30, 2023. Subsequent to September 30, 2023, the REIT satisfied the overdrawn amount (see note 28).

[2]The weighted average remaining term to maturity of mortgages is 1.4 years with maturities ranging from September 30, 2023 to October 1, 2030 and the weighted average interest rate of mortgages is 6.31% with coupons ranging from 2.53% to 10.00%.

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

[4]Certain amounts have been translated from U.S. dollars and Euros to Canadian dollars using the prevailing exchange rates on September 30, 2023.

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

[6]Principal balance includes $249,800 and U.S. $48,600 of revolving facilities. Subsequent to September 30, 2023 (see note 28), the REIT amended the terms for calculating its borrowing base as follows: The maximum availability of the revolving facilities is the lesser of (i) $252,000 and U.S. $43,700, (ii) the sum of the margined fair value of the property securing the facility and (iii) the amount which can be serviced (both monthly principal and interest) by the quotient obtained by dividing the net operating income by 1.25 and assuming (a) a 25 year amortization period, and (b) an interest rate compounded semi-annually, equal to the greater of (i) 4.5%, and (ii) the relevant five year government bond yield plus 2.50%. From March 31, 2024, the maximum availability of the revolving facilities is calculated on an individual property basis and the net operating income divisor increases from 1.25 to 1.30. From June 30, 2024, the maximum availability of the revolving facilities reduces to $150,000 and U.S. $38,000 and the net operating income divisor increases from 1.30 to 1.40. From September 30, 2024, while maintaining the same calculation, the maximum availability of the revolving facility's Canadian dollar tranche reduces to $100,000. The calculation of the maximum capacity on a property by property basis and with a greater net operating income divisor from March 31, 2024 is expected to reduce the maximum available by $42.9 million. The contractual remaining term to maturity of revolving facilities is 1 year and the weighted average interest rate is 7.62%.

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

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

The carrying value of debt held by the REIT at September 30, 2023 is as follows:

	Principal	Mark-to-market ("MTM") adjustments and costs	Accumulated amortization of MTM adjustments, costs and other	Carrying amount	Current [1]	Non-current
Mortgages	$ 601,592	$ (4,462)	$ 2,575	$ 599,705	$ 315,307	$ 284,398
Revolving facilities	315,784	(6,473)	5,572	314,883	314,883	—
Term loan	134,329	(4,927)	1,363	130,765	—	130,765
Convertible debentures [2]	28,750	(1,464)	—	27,286	—	27,286
Convertible debentures [2]	84,200	(6,479)	1,253	78,974	—	78,974
Convertible debentures [2]	45,000	(6,252)	351	39,099	—	39,099
Total	**$ 1,209,655**	**$ (30,057)**	**$ 11,114**	**$ 1,190,712**	**$ 630,190**	**$ 560,522**

[1]Included in current liabilites and shown as debt held for sale on the condensed consolidated interim statement of financial position is $91.0 million of principal associated with assets held for sale as described in note 6. Total debt of $557.1 million was impacted due to covenant breaches as at September 30, 2023, all of which has been presented in current liabilities.

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

(in thousands of Canadian dollars)

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

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

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

	Maturity	Coupon	Properties provided as security	Fair value of security	Maximum available	Principal	Letters of credit	Available to be drawn [1]
Mortgages [2 3 4]	Various	Various	16	$ 947,623	$ 591,592	$ 591,592	$ —	$ —
Revolving facilities [4 5 6]	Oct. 14, 2024	Various	15	532,248	330,760	288,110	900	41,750
Term Loan [4 7]	Apr. 5, 2027	Euribor+265 bps	23	273,867	135,723	135,723	—	—
Convertible debentures	Feb. 28, 2023	5.25%	—	—	28,750	28,750	—	—
Convertible debentures	Dec. 31, 2026	5.50%	—	—	84,200	84,200	—	—
Convertible debentures	Dec. 31, 2027	7.50%	—	—	45,000	45,000	—	—
Total			**54**	**$1,753,738**	**$1,216,025**	**$ 1,173,375**	**$ 900**	**$ 41,750**

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

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

[3]Security includes the Data Centre, which was accounted for as a finance lease receivable and not included in the REIT's investment properties.

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

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

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

[7]The term loan facility was secured by 23 properties in Ireland.

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

	Principal	MTM adjustments and costs	Accumulated amortization of MTM adjustments, costs and other	Carrying amount	Current	Non-current
Mortgages	$ 591,592	$ (3,542)	$ 1,800	$ 589,850	$ 345,277	$ 244,573
Revolving facilities	288,110	(6,356)	4,435	286,189	—	286,189
Term loan	135,723	(4,783)	660	131,600	—	131,600
Convertible debentures [1]	28,750	(1,128)	1,128	28,750	28,750	—
Convertible debentures [1]	84,200	(6,644)	734	78,290	—	78,290
Convertible debentures [1]	45,000	(6,497)	71	38,574	—	38,574
	$ 1,173,375	**$ (28,950)**	**$ 8,828**	**$ 1,153,253**	**$ 374,027**	**$ 779,226**

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

(in thousands of Canadian dollars)

Future repayments of mortgages payable by year of maturity at September 30, 2023 are as follows:

	Weighted average interest rate of principal maturities [1]	Amortizing principal payments	Principal repayments on maturity	Total repayments
Remainder of 2023	8.29%	$ 1,248	$ 292,130	$ 293,378
2024	5.99%	4,985	2,887	7,872
2025	4.36%	4,842	247,000	251,842
2026	4.25%	3,269	—	3,269
2027	4.58%	3,247	28,570	31,817
Thereafter	4.38%	7,519	5,895	13,414
	6.31%	**$ 25,110**	**$ 576,482**	**$ 601,592**
Unamortized financing costs				(1,887)
Total				**$ 599,705**

[1]The weighted average interest rate of principal maturities is calculated using the rates in effect at September 30, 2023.

Future principal payments and maturities for all debt at September 30, 2023 are as follows:

Remainder of 2023	$ 609,162
2024	7,871
2025	251,842
2026	140,345
2027	187,021
Thereafter	13,414
	$ 1,209,655
Unamortized financing costs	(18,943)
Total	**$ 1,190,712**

Convertible Debentures

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

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

(in thousands of Canadian dollars)

On November 19, 2021, the REIT issued $84.2 million of 5.50% extendible convertible unsecured subordinated debentures of the REIT (the "2021 Convertible Debentures"). The proceeds from the issuance of the 2021 Convertible Debentures were received on February 7, 2022 and were used to partially fund the acquisition of Yew Grove.

The 2021 Convertible Debentures are convertible into freely tradable units at the option of the holder at any time prior to the close of business on the earliest of: (i) the last business day before the Final Maturity Date; or (ii) if called for redemption, the business day immediately preceding the date specified by the REIT for redemption of the debentures, at a conversion price of $6.50 per unit. Convertible debenture holders converting their debentures will, in addition to the applicable number of units to be received on conversion, receive accrued and unpaid interest, if any, for the period from the last interest payment date on their convertible debentures (or the date of the Offering closing if no interest has yet been paid on the convertible debentures) to and including the last record date set by the REIT occurring prior to the date of conversion for determining the unitholders entitled to receive a distribution on the units.

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

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

On January 27, 2023, the REIT amended the terms of its 2018 Convertible Debentures. The amendments: (i) increased the interest rate of the Debentures from 5.25% to 9.00%, effective February 28, 2023; (ii) decreased the conversion price of the Debentures from $10.53 per trust unit of the REIT to $5.50 per unit; (iii) extended the maturity date of the Debentures from February 28, 2023 to February 28, 2026; and (iv) provided that the Debentures are not redeemable prior to February 28, 2025 and, at any time after February 28, 2025, the REIT will be permitted to redeem the amended Debentures, in whole or in part at a price equal to the principal amount thereof plus accrued and unpaid interest to, but excluding, the date of the redemption. Convertible debenture holders converting their debentures will, in addition to the applicable number of units to be received on conversion, receive accrued and unpaid interest, if any, for the period from the last interest payment date on their convertible debentures to and including the last record date set by the REIT occurring prior to the date of conversion for determining the unitholders entitled to receive a distribution on the units. On and from February 28, 2025, and prior to February 28, 2026, the convertible debentures may be redeemed by the REIT, in whole at any time or in part from time to time, at a price equal to the principal amount thereof plus accrued and unpaid interest on not more than 60 days' and not less than 30 days' prior written notice.

11. OTHER LIABILITIES

Other liabilities are comprised of the following:

	Note	September 30, 2023	December 31, 2022
Security deposits		$ 5,403	$ 5,655
Deferred units	15	628	1,182
Investment tax credit payable		264	303
Total		**$ 6,295**	**$ 7,140**

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

	September 30, 2023	December 31, 2022
Current	$ 841	$ 1,222
Non-current	5,454	5,918
Total	**$ 6,295**	**$ 7,140**

(in thousands of Canadian dollars)

The REIT is eligible to receive a Manitoba data processing investment tax credit in connection with the development of the Data Centre (see note 8). Half of the tax credit to be received is payable to the tenant of the Data Centre, the amount for which is recorded as an other liability. The credit is expected to be received through to 2029 and has been recorded in other liabilities at its discounted amount determined upon establishment of the liability.

12. DERIVATIVES

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

Derivatives are comprised of the following:

	September 30, 2023	December 31, 2022
Fair value of conversion option on convertible debentures	$ (1,822)	$ (4,216)
Fair value of interest rate swaps	23,679	25,289
Fair value of cross currency swap	590	1,570
Fair value of interest rate caps	3,476	3,833
Derivatives, net	**$ 25,923**	**$ 26,476**

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

	Nine months ended September 30,	
	2023	2022
Fair value, beginning of period	$ 26,476	$ (11,118)
Initial recognition of embedded derivatives on issuance of convertible debentures	(1,464)	(2,804)
Fair value change of convertible debenture embedded derivatives	3,858	2,004
Fair value change of interest rate swaps	8,875	33,049
Net (receipts) payments on interest rate swaps	(10,499)	3,192
Foreign exchange gain on U.S. interest rate swap	14	462
Fair value change of cross currency interest rate swap	(980)	7,910
Fair value change of interest rate caps	(328)	—
Foreign exchange (loss) gain on U.S. and Euro interest rate caps	(29)	—
Foreign exchange (loss) gain of Euro forward contract	—	(547)
Settlement of Euro forward contract	—	156
Fair value, end of period	**$ 25,923**	**$ 32,304**

Interest rate protection instruments

The REIT enters into interest rate derivatives to reduce the impact of interest rate risk of certain debt with floating interest rates. The REIT currently has in place certain pay-fixed receive-float interest rate swaps and two interest rate caps. Swaps are derivative financial instruments that require a periodic exchange of payments with counter-parties without the exchange of the notional amount on which the payments are based. The recorded interest expense on the underlying mortgages payable reflects payments made and received under the interest rate swaps.

On April 12, 2023, the REIT entered into a $59.0 million notional amount pay-fixed receive-float interest rate swap. The interest rate swap has a fixed rate of 4.36%, and a start date of April 12, 2023, expiring May 1, 2025.

On August 28, 2023, the REIT entered into a $82.1 million notional amount pay-fixed receive-float interest rate swap. The interest rate swap has a fixed rate of 5.61%, and a start date of September 1, 2023, expiring April 20, 2024.

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.

(in thousands of Canadian dollars)

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

			Notional amount [2]		Fair value	
Maturity date	Floating interest rate [1]	Fixed interest rate	September 30, 2023	December 31, 2022	September 30, 2023	December 31, 2022
April 12, 2023	1 month BA	1.90%	$ —	$ 58,281	$ —	$ 568
April 12, 2023	1 month CDOR	2.04%	—	73,550	—	704
April 12, 2023	1 month CDOR	2.04%	—	34,735	—	332
August 14, 2023	1 month BA	2.77%	—	17,303	—	137
February 1, 2024	1 month U.S. SOFR [3]	1.80%	67,885	67,770	945	2,303
March 22, 2024	1 month CDOR	1.90%	100,000	100,000	1,775	3,436
April 20, 2024	1 month CDOR	5.61%	82,050	—	(51)	—
March 3, 2025	1 month BA	1.23%	62,500	62,500	3,848	4,199
March 3, 2025	1 month BA	1.23%	10,000	10,000	616	672
March 3, 2025	1 month BA	4.31%	8,000	8,000	139	11
May 1, 2025	1 month BA	4.36%	59,003	—	1,044	—
September 10, 2025	1 month U.S. SOFR [3]	2.18%	137,230	136,997	7,436	7,229
October 30, 2026	1 month CDOR	2.30%	100,000	100,000	7,927	5,698
Total			**$ 626,668**	**$ 669,136**	**$ 23,679**	**$ 25,289**

[1]"BA" means the Bankers' Acceptances rate, "SOFR" means the Secured Overnight Financing Rate, and "CDOR" means the Canadian Dollar Offered Rate.
[2]The notional amount of the U.S. dollar pay-fixed receive-float interest rate swaps, maturing September 10, 2025 and February 1, 2024, are U.S. $101.1 million and U.S. $50.0 million respectively.
[3]The floating interest rate was receive-floating of U.S. London Interbank Offering Rate as at December 31, 2022.

In connection with the Yew Grove acquisition, the REIT entered into a cross currency interest rate swap transaction on November 16, 2021 to pay a fixed rate of 3.72% and receive a fixed rate of 5.50%, effective on January 31, 2022 and maturing on December 31, 2026. Interest payments are payable semi-annually on or around June 30 and December 30, commencing June 30, 2022. During the nine months ended September 30, 2023, the REIT recorded a fair value loss of $1.0 million (September 30, 2022: gain of $7.9 million), which is recorded in the condensed consolidated interim statement of income (loss).

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

			Notional amount [1]		Fair value	
Maturity date	Pay Euro interest rate	Receive $ interest rate	September 30, 2023	December 31, 2022	September 30, 2023	December 31, 2022
December 31, 2026	3.72%	5.50%	$ 75,000	$ 75,000	$ 590	$ 1,570
Total			**$ 75,000**	**$ 75,000**	**$ 590**	**$ 1,570**

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

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

			Notional amount[1]		Fair value	
Maturity date	Reference	Cap rate	September 30, 2023	December 31, 2022	September 30, 2023	December 31, 2022
July 8, 2024	3 month Euribor	1.60%	$ 134,329	$ 135,723	$ 3,045	$ 3,454
November 1, 2025	1 month U.S. SOFR	3.75%	16,157	16,129	431	379
Total			**$ 150,486**	**$ 151,852**	**$ 3,476**	**$ 3,833**

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

(in thousands of Canadian dollars)

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

	Nine months ended September 30,	
	2023	2022
Beginning of the period	$ 3,833	$ —
Fair value changes	(328)	—
Foreign exchange loss	(29)	—
End of period	**$ 3,476**	**$ —**

Foreign exchange rate protection instruments

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

The REIT entered into one derivative contract and no foreign exchange contracts during the nine months ended September 30, 2023 as described above. The REIT settled one foreign exchange transaction during the nine months ended September 30, 2022 as described above.

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

13. CLASS B LP UNITS

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

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

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

The change in Class B LP units for the three months ended September 30, 2023 and 2022 is as follows:

	Three months ended September 30, 2023		Three months ended September 30, 2022	
	Units	Amount	Units	Amount
Beginning of period	5,285,160	$ 10,465	5,285,160	$ 24,576
Fair value changes	—	(3,541)	—	(1,585)
End of period	**5,285,160**	**$ 6,924**	**5,285,160**	**$ 22,991**

The change in Class B LP units for the nine months ended September 30, 2023 and 2022 is as follows:

	Nine months ended September 30, 2023		Nine months ended September 30, 2022	
	Units	Amount	Units	Amount
Beginning of period	5,285,160	$ 22,832	5,285,160	$ 26,426
Fair value changes	—	(15,908)	—	(3,435)
End of period	**5,285,160**	**$ 6,924**	**5,285,160**	**$ 22,991**

(in thousands of Canadian dollars)

14. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities are comprised of the following:

	Note	September 30, 2023	December 31, 2022
Accounts payable and accrued liabilities		$ 35,087	$ 25,974
Distributions payable	16	854	2,841
Prepaid rent		8,864	10,865
Tenant improvements payable		1,594	32
Total		**$ 46,399**	**$ 39,712**

15. UNITHOLDERS' EQUITY

The REIT is authorized to issue an unlimited number of trust units. Each trust unit represents a proportionate undivided beneficial interest and voting right in the REIT and entitles the holder to an equal participation in distributions of the REIT. The trust units are redeemable at the option of the holder at any time.

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

The change in trust units during the three and nine months ended September 30, 2023 is as follows:

	Three months ended September 30, 2023		Nine months ended September 30, 2023	
	Units	Amount	Units	Amount
Beginning of period	80,023,409	$ 578,380	80,023,409	$ 578,380
End of period	**80,023,409**	**$ 578,380**	**80,023,409**	**$ 578,380**

The change in trust units during the three and nine months ended September 30, 2022 is as follows:

		Three months ended September 30, 2022		Nine months ended September 30, 2022	
	Note	Units	Amount	Units	Amount
Beginning of period		80,174,209	$ 579,554	67,765,409	$ 518,888
Issued on public offering	4	—	—	11,225,000	56,799
Issued on private placement	4	—	—	1,183,800	5,801
Equity issuance costs		—	(195)	—	(2,129)
End of period		**80,174,209**	**$ 579,359**	**80,174,209**	**$ 579,359**

Normal course issuer bid

On June 22, 2022, the REIT renewed its normal course issuer bid ("NCIB"), whereby the REIT may purchase up to 6,252,619 trust units, subject to certain restrictions. The renewed NCIB expired on June 21, 2023. The REIT did not repurchase any units under its NCIB during the nine months ended September 30, 2023 and 2022.

At the Market Program

On June 17, 2022, the REIT established an at the market equity program ("ATM program") that allows the REIT to issue, at its discretion, up to $40.0 million of trust units to the public from time to time through its agents. Issuance pursuant to the ATM program will be made in accordance with the terms of an equity distribution agreement dated June 17, 2022 entered into among the REIT and its agents. The ATM program expired on May 29, 2023. The REIT did not issue units under its ATM program during the nine months ended September 30, 2023 and 2022.

(in thousands of Canadian dollars)

Trustee deferred unit plan

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

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

At September 30, 2023, the liability associated with the deferred units issued under the Trustee DUP was $0.6 million (December 31, 2022: $1.1 million), and the number of outstanding deferred units was 465,081 (December 31, 2022: 260,332 units).

Officer deferred unit plan

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

The deferred units may be redeemed by a participant after two years following the date the units were issued in whole or in part for cash or trust units. The value of the deferred units when converted to cash will be equivalent to the market value of trust units on the date of the redemption request. If a participant ceases to be an officer of the REIT, the deferred units must be redeemed no later than two years following that date.

At September 30, 2023, the liability associated with deferred units issued under the Officer DUP was $19 thousand (December 31, 2022: $57 thousand), and the number of deferred units was 14,053 units (December 31, 2022: 13,170 units).

The change in DUP units during the three and nine months ended September 30, 2023 is as follows:

		Three months ended September 30, 2023			Nine months ended September 30, 2023		
	Note	Units		Amount	Units		Amount
Beginning of period		391,252	$	775	273,502	$	1,182
Issued		80,615		108	184,196		378
Reinvested distributions		7,267		11	21,436		56
Fair value adjustment	20	—		(266)	—		(988)
End of period		**479,134**	**$**	**628**	**479,134**	**$**	**628**

The change in DUP units during the three and nine months ended September 30, 2022 is as follows:

		Three months ended September 30, 2022			Nine months ended September 30, 2022		
	Note	Units		Amount	Units		Amount
Beginning of period		196,216	$	912	163,836	$	815
Issued		14,411		62	39,879		187
Reinvested distributions		4,389		20	11,301		55
Fair value adjustment	20	—		(58)	—		(121)
End of period		**215,016**	**$**	**936**	**215,016**	**$**	**936**

(in thousands of Canadian dollars)

Weighted average diluted units outstanding

The following is the weighted average diluted number of units outstanding during the three and nine months ended September 30, 2023 and 2022. 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,	
	2023	2022	2023	2022
Basic weighted average units outstanding	80,023,409	80,174,209	80,023,409	78,446,976
Class B LP units	5,285,160	5,285,160	5,285,160	5,285,160
Basic weighted average deferred units outstanding	394,675	198,397	334,826	181,493
Diluted weighted average units outstanding	**85,703,244**	**85,657,766**	**85,643,395**	**83,913,629**

Diluted units outstanding

The following is the diluted number of units outstanding as at September 30, 2023 and 2022. The diluted number of units outstanding is determined as if all of the Class B LP units and deferred units had been converted to units of the REIT:

	September 30, 2023	September 30, 2022
Trust units outstanding	80,023,409	80,174,209
Class B LP units	5,285,160	5,285,160
Deferred units	479,134	215,016
Diluted units outstanding	**85,787,703**	**85,674,385**

Accumulated other comprehensive income (loss) consists of the below:

	Nine months ended September 30, 2023			Nine months ended September 30, 2022		
	Foreign currency translation	Net investment hedges	Total	Foreign currency translation	Net investment hedges	Total
Beginning of period	$ 9,987	$ (4,820)	$ 5,167	$ (1,152)	$ (4,820)	$ (5,972)
Currency translation	(1,441)	—	(1,441)	5,846	—	5,846
End of period	**$ 8,546**	**$ (4,820)**	**$ 3,726**	**$ 4,694**	**$ (4,820)**	**$ (126)**

16. DISTRIBUTIONS

Pursuant to the Declaration of Trust, the income of the REIT is distributed on dates and in amounts as determined by the Board of Trustees. Distributions to Class B LP unitholders are recorded in net income. All distributions settled during the nine months ended September 30, 2023 and 2022 have been paid in cash. The REIT decreased monthly distributions from $0.0333 to $0.0100 per unit beginning the month of April 2023. In November 2023, the REIT suspended its monthly cash distribution to unitholders and holders of Class B LP units (refer to note 28).

The following table presents the distributions during the three and nine months ended September 30, 2023:

	Three months ended September 30, 2023		Nine months ended September 30, 2023	
	Trust units	Class B LP units	Trust units	Class B LP units
Distributions declared during the period	$ 2,401	$ 159	$ 12,796	$ 846
Add: Distributions payable, beginning of period	801	53	2,665	176
Less: Distributions payable, end of period	(801)	(53)	(801)	(53)
Distributions paid during the period	**$ 2,401**	**$ 159**	**$ 14,660**	**$ 969**

(in thousands of Canadian dollars)

The following table presents the distributions during the three and nine months ended September 30, 2022:

	Three months ended September 30, 2022		Nine months ended September 30, 2022	
	Trust units	Class B LP units	Trust units	Class B LP units
Distributions declared during the period	$ 8,010	$ 528	$ 23,616	$ 1,584
Add: Distributions payable, beginning of period	2,670	176	2,256	176
Less: Distributions payable, end of period	(2,670)	(176)	(2,670)	(176)
Distributions paid during the period	**$ 8,010**	**$ 528**	**$ 23,202**	**$ 1,584**

17. RENTAL REVENUE

Rental revenue is comprised of the following:

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Property base rent [1]	$ 27,620	$ 27,151	$ 82,959	$ 78,454
Operating cost recoveries	15,862	14,831	44,632	44,588
Tax recoveries	6,897	8,080	21,315	24,453
Hotel	3,581	3,490	8,367	7,270
Straight-line rent and other changes	(2,926)	(2,593)	(8,439)	(6,883)
Total	**$ 51,034**	**$ 50,959**	**$ 148,834**	**$ 147,882**

[1]Includes parking revenue earned at properties.

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

	September 30, 2023	December 31, 2022
Not later than one year	$ 115,697	$ 119,654
Later than one year and not later than five years	343,501	363,379
Later than five years	192,618	228,695
Total	**$ 651,816**	**$ 711,728**

Future minimum lease payments for the Data Centre are excluded from the above as the lease is classified as a finance lease. Future minimum lease payments for the Data Centre are disclosed in note 7.

18. INTEREST AND FINANCE COSTS

Interest and finance costs are comprised of the following:

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Mortgage interest	$ 8,790	$ 6,579	$ 23,561	$ 19,619
Interest on other debt	4,861	3,606	12,562	10,095
Amortization of financing costs	1,343	1,374	3,743	3,844
Amortization of debt mark-to-market adjustments	(9)	971	(29)	1,052
Subscription receipts equivalent amount [1]	—	—	—	373
Interest on convertible debentures [2 3 4]	2,663	1,548	7,750	4,521
Total	**$ 17,648**	**$ 14,078**	**$ 47,587**	**$ 39,504**

[1]On February 7, 2022, each subscription receipt issued by the REIT on November 19, 2021 was exchanged for one unit and a cash distribution equivalent payment of $0.0666 (being equal to the aggregate amount of distributions paid by the REIT per unit for which record dates occurred between December 15, 2021 and January 17, 2022). $0.4 million was recorded in interest and finance costs for the nine months ended September 30, 2022.

(in thousands of Canadian dollars)

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

[3]The convertible debentures issued on November 19, 2021 pay interest at 5.50%. Payments are made semi-annually on or about June 30th and December 31st. The amount above represents the interest accrued and paid.

[4]The convertible debentures issued on October 24, 2022 pay interest at 7.50%. Payments are made semi-annually on or about June 30th and December 31st. The amount above represents the interest accrued and paid.

19. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses are comprised of the following:

		Three months ended September 30,		Nine months ended September 30,	
	Note	2023	2022	2023	2022
Asset management fees	21	$ 1,393	$ 1,517	$ 4,210	$ 4,365
Professional fees		1,305	334	4,280	1,015
Trustee fees		124	110	444	349
Bad debt expense, net		345	577	1,683	559
Other		412	308	1,423	1,140
Total		**$ 3,579**	**$ 2,846**	**$ 12,040**	**$ 7,428**

20. CHANGE IN FAIR VALUE OF FINANCIAL INSTRUMENTS

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

		Three months ended September 30,		Nine months ended September 30,	
	Note	2023	2022	2023	2022
Interest rate swaps	12	$ 1,177	$ 9,039	$ 8,875	$ 33,049
Net payments made (receipts) on interest rate swaps	12	(1,711)	(1,063)	(10,499)	3,192
Interest rate caps	12	(511)	—	(328)	—
Convertible debenture embedded derivatives	12	(942)	649	3,858	2,004
Deferred units	15	266	58	988	121
Performance payment		—	(616)	—	(1,210)
Subscription receipts		—	—	—	(674)
Foreign exchange forwards	12	—	—	—	(547)
Cross currency swap	12	(215)	3,340	(980)	7,909
Loss on extinguishment of debt		—	—	(406)	—
Total change in fair value of financial instruments recognized in net income (loss)		**$ (1,936)**	**$ 11,407**	**$ 1,508**	**$ 43,844**

21. RELATED PARTY TRANSACTIONS

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

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

(in thousands of Canadian dollars)

Slate held the following interests in the REIT:

	September 30, 2023	December 31, 2022
REIT units	3,302,040	2,871,051
Class B LP units	5,285,160	5,285,160
Total	**8,587,200**	**8,156,211**
Economic interest	10.0%	9.5%

During the nine months ended September 30, 2023, Slate purchased 430,989 REIT units (September 30, 2022: 1,183,800).

The Management Agreement provides for the following fees:

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

[1]Gross revenue is defined as all revenues received by and/or on behalf of the REIT from the leasing and/or licensing of the REIT's investment properties.
[2]Gross book value is defined as the book value of the REIT's assets as shown on the previous quarter's consolidated financial statements, less restricted cash.
[3]Leasing fees are charged to the REIT net of any third party brokerage fees paid to leasing agents retained by the REIT. No fee is charged to the REIT where such third party fees are equal to or greater than the lease fee payable to Slate.
[4]Acquisition fees are 1.00% on the first $100.0 million of acquisitions; 0.75% on the next $100.0 million of acquisitions and 0.50% for acquisitions in excess of $200.0 million.

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

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

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Property management	$ 1,391	$ 1,499	$ 4,228	$ 4,287
Asset management	1,393	1,517	4,210	4,365
Leasing, financing and construction management	1,169	549	1,950	2,491
Acquisition	43	—	43	1,993
Transaction fees [1]	—	—	—	2,899
Total	**$ 3,996**	**$ 3,565**	**$ 10,431**	**$ 16,035**

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

Property administration fees are generally recoverable under the tenants' leases relating to assets or resources of the Manager that are directly attributable to the management of the REIT's investment properties. Property administration fees were $7.7 million for the nine months ended September 30, 2023 (September 30, 2022: $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 at market rents which expires October 31, 2029. In 2022, the REIT agreed to lease approximately 4,000 additional square feet to Slate at the same property and at the same rent rate and expiration. Total rent of $431 thousand was received under this lease for the nine months ended September 30, 2023 (September 30, 2022: $243 thousand). There were no amounts receivable related to this lease at September 30, 2023 and December 31, 2022.

(in thousands of Canadian dollars)

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

	September 30, 2023	December 31, 2022
Accounts receivable	$ 112	$ 412
Accounts payable and accrued liabilities	(968)	(220)
Class B LP units	(6,924)	(22,832)

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

	September 30, 2023	December 31, 2022
REIT units	15,110,200	13,302,000
Deferred units	18,233	—
Total	**15,128,433**	**13,302,000**
Economic interest	17.6%	15.5%

G2S2 also held an aggregate principal amount of $12.0 million (December 31, 2022: $9.5 million) of the REIT's convertible debentures as at September 30, 2023. If G2S2 was the sole convertible debenture holder to convert to trust units, it would indirectly own a total of 17,251,328 trust units (December 31, 2022: 15,020,154), representing an economic interest of approximately 19.6% (December 31, 2022: 17.2%) on a diluted basis.

The REIT entered into an agreement to lease approximately 17,000 square feet of office space to G2S2 at one of its properties at market rents which expired June 30, 2023. G2S2 vacated the property subsequent to June 30, 2023. Total rent of $118 thousand was received under this lease for the nine months ended September 30, 2023 (September 30, 2022: $177 thousand). There were no amounts receivable related to this lease at September 30, 2023 and December 31, 2022.

22. FAIR VALUES

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

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

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

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

To achieve the REIT's goal of increasing its liquidity and reducing its outstanding borrowings by selling certain of its properties under its Portfolio Realignment Plan the REIT may be required to dispose of properties at amounts less than the estimated fair value at September 30, 2023. This difference could be material, especially in instances where there is limited purchaser interest or limited or no financing available for potential purchasers.

(in thousands of Canadian dollars)

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

			Fair value		
September 30, 2023	Note	Carrying amount	Level 1	Level 2	Level 3
Assets					
Investment properties	6	$ 1,553,082	$ —	$ —	$ 1,553,082
Assets held for sale	6	157,421	—	—	157,421
Derivatives, net	12	25,923	—	25,923	—
Restricted cash		6,845	6,845	—	—
Total assets		**$ 1,743,271**	**$ 6,845**	**$ 25,923**	**$ 1,710,503**
Liabilities					
Class B LP units	13	(6,924)	(6,924)	—	—
Debt	10	(1,099,741)	—	(1,102,999)	—
Debt held for sale	10	(90,971)	—	(90,971)	—
Total liabilities		**$ (1,197,636)**	**$ (6,924)**	**$ (1,193,970)**	**$ —**

			Fair value		
December 31, 2022	Note	Carrying amount	Level 1	Level 2	Level 3
Assets					
Investment properties	6	$ 1,754,338	$ —	$ —	$ 1,754,338
Derivatives, net	12	26,476	—	26,476	—
Restricted cash		5,300	5,300	—	—
Total assets		**$ 1,786,114**	**$ 5,300**	**$ 26,476**	**$ 1,754,338**
Liabilities					
Class B LP units	13	(22,832)	(22,832)	—	—
Debt	10	(1,153,253)	—	(1,156,914)	—
Total liabilities		**$ (1,176,085)**	**$ (22,832)**	**$ (1,156,914)**	**$ —**

23. RISK MANAGEMENT

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

Liquidity risk

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

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

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

(in thousands of Canadian dollars)

The REIT's liquidity is impacted by various covenants, certain of which are described in note 24. Compliance with the requirements of the revolving facility, which are more restrictive from March 31, 2024, as described in note 10, and the covenants applicable to the REIT's Declaration of Trust, term loans and mortgages are dependent on the REIT achieving its financial forecasts including disposition of certain assets through the execution of its Portfolio Realignment Plan. The REIT's availability of capital from its revolving facility is subject to a calculation of availability, which is dependent on the appraised value of the secured properties under the revolver, 5-year government bond yields, and achieved property income levels. Accordingly, decreases in appraised values of the secured properties under the revolver and achieved property income levels and increases in 5-year government bond yields would decrease the availability level of the REIT's revolving facility and such decreases could be material. Market conditions are difficult to predict and there is no assurance that the REIT will achieve its forecasts. In the event of non-compliance, the REIT’s lenders have the right to demand repayment of the amounts outstanding under the current lending agreements or pursue other remedies including provision of waivers for financial covenants. At September 30, 2023, the REIT exceeded certain covenants required by debt agreements. The REIT has subsequently amended or is in process of amending its debt agreements with its lenders to modify such covenants. Although the REIT is seeking and expects to be provided with relief on these breached covenants, there is a risk that its lenders of these defaulted loans will demand repayment, will not refinance maturing debt on terms and conditions acceptable to the REIT or on any terms at all. The REIT will continue to work to remediate the breach of these covenants and will carefully monitor its compliance with its covenants and seek waivers as the need arises.

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

The following table summarizes the estimated future contractual maturities of the REIT’s financial liabilities at September 30, 2023:

	Note	Total contractual cash flow	Remainder of 2023	2024-2025	2026-2027	Thereafter
Accounts payable and accrued liabilities	14	$ 46,399	$ 46,399	$ —	$ —	$ —
Amortizing principal repayments on debt	10	55,268	1,248	9,827	36,674	7,519
Principal repayments on maturity of debt [1]	10	1,154,387	607,914	249,886	290,692	5,895
Interest on debt [2]		123,008	46,806	52,754	22,237	1,211
Interest rate swaps [3]		(17,949)	(9,394)	(8,421)	(134)	—
Other liabilities	11	6,295	841	1,277	802	3,375
Total		**$ 1,367,408**	**$ 693,814**	**$ 305,323**	**$ 350,271**	**$ 18,000**

[1]Included in remainder of 2023 is $557.1 million of loans in breach of certain financial covenants as at September 30, 2023, and as a result are in default and due on demand. Refer to note 28 for REIT refinancings subsequent to September 30, 2023.

[2]Interest amounts on floating rate debt have been determined using rates at September 30, 2023.

[3]Interest rate swap obligations have been calculated as the difference between the pay-fixed rate and receive-float rate based on the forward rates determined at September 30, 2023.

Interest rate risk

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

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

(in thousands of Canadian dollars)

At September 30, 2023, after the impact of interest rate swaps and caps, the REIT had floating rate debt of $155.8 million (December 31, 2022: $75.4 million). The following table presents the annualized impact of a change in floating interest rates of 25 bps on finance costs:

	September 30, 2023	December 31, 2022
Change of 25 bps	$ 390	$ 188

Credit risk

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

Foreign currency risk

Foreign currency risk is the risk that the fair value of future cash flows of an exposure will fluctuate due to changes in foreign exchange rates. Foreign currency forwards may be used from time-to-time to hedge the REIT's net investment in foreign operations. Refer to notes 12 and 20 for details of the REIT's forward currency transactions. The REIT is exposed to foreign currency risk on its foreign exchange forward transaction and its cross currency swap which were set to mitigate the foreign exchange risk of its Irish assets and U.S. assets as well as monetary assets and liabilities denominated in U.S. dollars and Euros. In order to mitigate a portion of this risk, the REIT has financed its U.S. operations with U.S. dollar denominated debt and its Irish operations with Euro denominated debt, acting as a natural hedge.

24. CAPITAL MANAGEMENT

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

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

	September 30, 2023	December 31, 2022
Debt	$ 1,190,712	$ 1,153,253
Class B LP units	6,924	22,832
Equity	571,706	644,366
Total	**$ 1,769,342**	**$ 1,820,451**

(in thousands of Canadian dollars)

The Declaration of Trust provides that the REIT is not permitted to incur or assume additional “indebtedness” (being certain defined obligations set out in the REIT’s Declaration of Trust) that would cause (as at the time of incurrence or assumption, as applicable) the REIT to achieve financial leverage in excess of 65% of its gross book value, which is defined in the Declaration of Trust as the REIT’s total assets less restricted cash. For certainty, under the REIT’s Declaration of Trust, the measurement of any indebtedness against the REIT’s gross book value is completed only at the time of the incurrence or assumption of the indebtedness in question (which would exclude the refinancing of existing debt that is outstanding) and is not a determination that is continually assessed over time against the REIT’s gross book value. Due to a decrease in investment property valuations, the REIT’s indebtedness ratio at September 30, 2023 increased to 65.6% (December 31, 2022: 61.9%) and calculated as follows:

	September 30, 2023	December 31, 2022
Total assets	$ 1,822,403	$ 1,869,362
Less: Restricted cash	(6,845)	(5,300)
Gross book value	**$ 1,815,558**	**$ 1,864,062**
Debt	1,190,712	1,153,253
Leverage ratio	**65.6%**	**61.9%**

Management's short-term target is to reduce the REIT’s total indebtedness below 65% of its gross book value by executing on the Portfolio Realignment Plan to decrease leverage and generate equity to pay down the REIT's revolving credit and operating facilities. However, if such plan is unsuccessful and other financing is not available, and the REIT’s gross book value declines further, total indebtedness may further exceed 65% of the REIT’s gross book value. In order to provide for greater flexibility, and while management pursues the Portfolio Realignment Plan to decrease leverage, subsequent to September 30, 2023, the REIT announced that it intends to seek approval of the REIT’s unitholders to amend the Declaration of Trust prior to the end of 2023, to remove the restriction imposed on the REIT not to incur or assume additional indebtedness that would cause the REIT to achieve financial leverage in excess of 65% of its gross book value (see note 28). If such approval is obtained, the REIT’s Board of Trustees intend to adopt operating guidelines, pursuant to which the REIT’s Board of Trustees will determine the appropriate financial leverage of the REIT. Additional investment and operating guidelines are provided for by the Declaration of Trust. The REIT is in compliance with these guidelines.

Financial covenants

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

At September 30, 2023, the REIT breached its maximum leverage ratio and debt service coverage ratio covenants with certain lenders. The REIT has subsequently amended or is in process of amending its debt agreements with its lenders to modify such covenants. As a result of amending various debt agreements (see notes 10 and 28), the REIT's debt was modified to include the following financial leverage, debt service coverage and minimum unitholders equity covenants.

- Total debt to gross book value of 70% or less effective for September 30, 2023 to March 31, 2024, and 65% or less thereafter. At September 30, 2023 the REIT's total debt to gross book value was 65.6%.
- Senior debt, which is total debt excluding the REIT's convertible debentures to gross book value, of 60% or less effective for September 30, 2023 to March 31, 2024, and 55% or less thereafter. At September 30, 2023 the REIT's senior debt to gross book value was 57.6%.
- Debt service coverage ratio not less than 1.25:1. At September 30, 2023 the REIT's debt service coverage ratio was 1.35:1.
- Minimum unitholders' equity, which includes the REIT's Class B LP Units, of $425.0 million. For purposes of the REIT's revolving credit facility, this amount decreases to $350.0 million subsequent to March 31, 2024. At September 30, 2023 the REIT's unitholders' equity was $578.6 million.

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

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

(in thousands of Canadian dollars)

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

25. SEGMENTED DISCLOSURES

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

	September 30, 2023	December 31, 2022
Canada	$ 1,112,637	$ 1,118,886
United States	331,595	361,585
Ireland	266,271	273,867
Total	**$ 1,710,503**	**$ 1,754,338**

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

	Nine months ended September 30, 2023			
	Canada	United States	Ireland	**Total**
Property revenue	$ 99,387	$ 40,986	$ 16,900	**$ 157,273**
Property operating expenses	(55,593)	(23,355)	(3,399)	**(82,347)**
Net operating income	**$ 43,794**	**$ 17,631**	**$ 13,501**	**$ 74,926**
Straight-line rent and other changes				**(8,439)**
IFRIC 21 property tax adjustment				**(3,479)**
Finance income on finance lease receivable				**2,151**
Interest income				**445**
Interest and finance costs				**(47,587)**
General and administrative				**(12,040)**
Change in fair value of financial instruments				**1,508**
Change in fair value of investment properties				**(79,436)**
Depreciation of hotel asset				**(724)**
Deferred income tax recovery				**246**
Current income tax expense				**(1,056)**
Net loss before Class B LP units				**$ (73,485)**
Change in fair value of Class B LP units				**15,908**
Distributions to Class B LP unitholders				**(846)**
Net loss				**$ (58,423)**

(in thousands of Canadian dollars)

	Nine months ended September 30, 2022			
	Canada	United States	Ireland	**Total**
Property revenue	$ 107,081	$ 34,168	$ 13,516	**$ 154,765**
Property operating expenses	(55,760)	(18,573)	(3,523)	**(77,856)**
Net operating income	**$ 51,321**	**$ 15,595**	**$ 9,993**	**$ 76,909**
Straight-line rent and other changes				**(6,883)**
IFRIC 21 property tax adjustment				**(2,995)**
Finance income on finance lease receivable				**2,313**
Interest income				**330**
Interest and finance costs				**(39,504)**
General and administrative				**(7,428)**
Change in fair value of financial instruments				**43,844**
Change in fair value of investment properties				**9,210**
Depreciation of hotel asset				**(724)**
Transaction costs				**(1,218)**
Deferred income tax recovery				**(4,461)**
Current income tax expense				**(1,009)**
Net income before Class B LP units				**$ 68,384**
Change in fair value of Class B LP units				**3,435**
Distributions to Class B LP unitholders				**(1,584)**
Net income				**$ 70,235**

(in thousands of Canadian dollars)

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

	Three months ended September 30, 2023			
	Canada	United States	Ireland	**Total**
Property revenue	$ 34,773	$ 13,546	$ 5,641	**$ 53,960**
Property operating expenses	(19,435)	(7,908)	(645)	**(27,988)**
Net operating income	**$ 15,338**	**$ 5,638**	**$ 4,996**	**$ 25,972**
Straight-line rent and other changes				**(2,926)**
IFRIC 21 property tax adjustment				**3,490**
Finance income on finance lease receivable				**703**
Interest income				**232**
Interest and finance costs				**(17,648)**
General and administrative				**(3,579)**
Change in fair value of financial instruments				**(1,936)**
Change in fair value of investment properties				**(41,520)**
Depreciation of hotel asset				**(243)**
Deferred income tax expense				**(657)**
Net loss before Class B LP units				**$ (38,112)**
Change in fair value of Class B LP units				**3,541**
Distributions to Class B LP unitholders				**(159)**
Net loss				**$ (34,730)**

	Three months ended September 30, 2022			
	Canada	United States	Ireland	**Total**
Property revenue	$ 37,058	$ 11,570	$ 4,924	**$ 53,552**
Property operating expenses	(19,016)	(6,439)	(1,237)	**(26,692)**
Net operating income	**$ 18,042**	**$ 5,131**	**$ 3,687**	**$ 26,860**
Straight-line rent and other changes				**(2,593)**
IFRIC 21 property tax adjustment				**2,943**
Finance income on finance lease receivable				**758**
Interest income				**111**
Interest and finance costs				**(14,078)**
General and administrative				**(2,846)**
Change in fair value of financial instruments				**11,407**
Change in fair value of investment properties				**(3,164)**
Depreciation of hotel asset				**(243)**
Transaction costs				**(1,218)**
Deferred income tax expense				**(637)**
Net income before Class B LP units				**$ 17,300**
Change in fair value of Class B LP units				**1,585**
Distributions to Class B LP unitholders				**(528)**
Net income				**$ 18,357**

(in thousands of Canadian dollars)

26. INCOME TAXES

The REIT has reviewed the specified investment flow-through trust ("SIFT") which include publicly-listed income trusts (the "SIFT Rules") and has assessed their application to the REIT's assets and revenues. While there are uncertainties in the interpretation and application of the SIFT Rules, the REIT believes that it has met the REIT Conditions for the nine months ended September 30, 2023 and 2022, and accordingly is not subject to current income taxes in Canada. Accordingly, no provision for current income taxes payable is required, except for amounts incurred by the U.S. and Irish subsidiaries.

As at September 30, 2023 and 2022, there were no taxes payable for the Canadian entity.

The REIT's U.S. and Irish subsidiaries are subject to income tax on taxable income from U.S. and Irish operations respectively. The REIT recognizes deferred tax assets and liabilities at prevailing tax rates when such differences are expected to settle. Based on tax laws enacted at the applicable dates the REIT is subject to the following tax rates:

	September 30, 2023	December 31, 2022
U.S. (combined Federal & strike)	28.51 %	28.51 %
Ireland - rental income	25.0 %	25.0 %
Ireland - capital gains	33.0 %	33.0 %

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

	Nine months ended September 30,	
	2023	2022
Beginning of period	$ (454)	$ (2,750)
Deferred income tax recovery (expense)	246	(4,461)
Foreign exchange	—	(532)
End of period	**$ (208)**	**$ (7,743)**

A reconciliation of the expected income taxes based upon the 2023 statutory rates and the income tax recovery recognized during the nine months ended September 30, 2023 and 2022 are as follows:

	Nine months ended September 30,	
	2023	2022
Net (loss) income before Class B LP units and taxes	$ (72,675)	$ 73,854
Canadian statutory tax rate	26.5%	26.5%
	$ (19,259)	$ 19,571
Income not subject to tax	10,210	(14,414)
Valuation allowance	10,974	26
Tax rate differential	(1,115)	287
Current and deferred income tax expense	**$ 810**	**$ 5,470**

Deferred tax assets are recognized to the extent that realization of the related tax benefit through future taxable profits is probable. Management has determined that it is probable that not all the deferred tax assets will be realized through one or a combination of future reversals of temporary differences and taxable income. A valuation allowance has been recorded for the quarter ended September 30, 2023.

At September 30, 2023, a subsidiary of the REIT had U.S. $8.7 million of U.S. federal and state losses carried forward available to reduce future years' taxable income. These federal losses do not expire, but are limited to 80% of the subsidiary's taxable income in a given year.

(in thousands of Canadian dollars)

27. SUPPLEMENTAL CASH FLOW INFORMATION

Changes in liabilities arising from financing activities for the nine months ended September 30, 2023 are as follows:

		Cash flows			Non-cash changes				
	December 31, 2022	Proceeds	Payments	Financing costs and other	Assumptions	Foreign exchange	Fair value changes	Amortization of MTM adjustments and costs	September 30, 2023
Derivatives, net	$ (26,476)	$ —	$ 10,499	$ —	$ —	$ 995	$ (10,941)	$ —	$ (25,923)
Facilities[1]	286,189	30,022	(2,473)	(116)	—	126	—	1,135	314,883
Mortgages[1]	589,850	41,108	(55,305)	(1,186)	23,978	222	—	1,038	599,705
Term loan	131,600	—	—	(194)	—	(1,361)	—	720	130,765
Convertible debentures[2]	145,614	—	—	218	—	—	(1,294)	821	145,359
Class B LP units	22,832	—	—	—	—	—	(15,908)	—	6,924
Total	**$ 1,149,609**	**$ 71,130**	**$ (47,279)**	**$ (1,278)**	**$ 23,978**	**$ (18)**	**$ (28,143)**	**$ 3,714**	**$ 1,171,713**

[1]Changes in financial instruments that hedge the REIT's liabilities arising from financing activities include the REIT's interest rate swaps. Refer to note 12 for more detail.
[2]Changes in fair value consist of $1.3 million as the equity option on the amendment to the 2018 Convertible Debentures.

Changes in liabilities arising from financing activities for the nine months ended September 30, 2022 are as follows:

		Cash flows			Non-cash changes				
	December 31, 2021	Proceeds	Payments	Financing costs and other	Assumptions[1]	Foreign exchange	Fair value changes	Amortization of MTM adjustments and costs	September 30, 2022
Derivatives, net	$ 11,118	$ —	$ (3,192)	$ —	$ —	$ —	$ (40,230)	$ —	$ (32,304)
Facilities[1]	297,633	13,757	(9,400)	(26)	—	5,792	—	1,904	309,660
Mortgages[1]	638,918	2,402	(57,708)	(85)	—	13,227	—	1,898	598,652
Bridge loan	—	126,731	(72,240)	(4,466)	72,240	119	—	410	122,794
Convertible debentures	108,991	—	—	(63)	—	—	(2,804)	684	106,808
Class B LP units	26,426	—	—	—	—	—	(3,435)	—	22,991
Total	**$ 1,083,086**	**$ 142,890**	**$ (142,540)**	**$ (4,640)**	**$ 72,240**	**$ 19,138**	**$ (46,469)**	**$ 4,896**	**$ 1,128,601**

[1]Changes in financial instruments that hedge the REIT's liabilities arising from financing activities include the REIT's interest rate swaps. Refer to note 12 for more detail.

28. SUBSEQUENT EVENTS

The following events occurred subsequent to September 30, 2023:

i. On October 16, 2023, the REIT paid a distribution of $0.01 per trust unit. Holders of Class B LP units of the REIT were also paid a distribution of $0.01 per unit.

ii. On October 19, 2023, the REIT extended the loan in the amount of $16.8 million secured by one its Ontario properties for a term of six months with an option to extend, subject to certain conditions, for an additional six months.

iii. On November 13, 2023, the REIT filed a notice of meeting and record date on SEDAR+ in connection with a proposed special meeting of the REIT (the "Special Meeting"). The Special Meeting is expected to occur on December 29, 2023. The purpose of the Special Meeting is to seek approval from the REIT's unitholders of a special resolution approving an amendment to the REIT's Declaration of Trust to remove the restriction in the REIT's Declaration of Trust, which currently provides that the REIT's indebtedness cannot exceed 65% of gross book value (which is defined as the REIT's total assets less restricted cash). If the special resolution is passed, the Board of Trustees intend to adopt operating guidelines, pursuant to which the Board of Trustees will determine the appropriate financial leverage of the REIT. This proposed change to the Declaration of Trust is intended to provide greater flexibility, while management pursues the Portfolio Realignment Plan and seeks to use the proceeds generated from the Portfolio Realignment Plan to reduce the REIT's leverage and actively manage the continuing portfolio.

iv. On November 14, 2023, the REIT extended the loans in the amount of $108.2 million for a two year term and $13.6 million for a one year term secured by one of its U.S. Properties.

v. On November 14, 2023, the REIT amended its revolving credit facility. The amended revolving credit facility provided certain financial covenant relief in addition to increased borrowing base availability through to March 31, 2024. The Canadian revolving credit commitment was initially reduced from $260.0 million to $252.0 million and the U.S. dollar revolving credit commitment was reduced from $76.2 million to $59.3 million, with further reductions required at future dates. The terms of the amended revolving credit facility are further described in notes 10 and 24. Concurrently with the amendment, the REIT repaid U.S. $4,900 on the U.S. dollar revolving credit commitment. The drawn amount on the Canadian revolving credit commitment was unaffected.

vi. On November 14, 2023, the REIT announced the suspension of its monthly cash distribution beginning with its November 2023 distribution to unitholders and holders of Class B LP units to retain an additional $10.2 million of cash annually.