Slate Office REIT

CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2023 and 2022

Slate Office REIT

CONSOLIDATED FINANCIAL STATEMENTS

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INDEPENDENT AUDITOR'S REPORT

To the Unitholders of Slate Office REIT

Opinion

We have audited the consolidated financial statements of Slate Office REIT ("the Entity"), which comprise:

- the consolidated statements of financial position as at December 31, 2023 and 2022
- the consolidated statements of loss for the years then ended
- the consolidated statements of comprehensive loss for the years then ended
- the consolidated statements of changes in equity for the years then ended
- the consolidated statements of cash flows for the years then ended
- and notes to the consolidated financial statements, including a summary of material accounting policy information

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "*Auditor's Responsibilities for the Audit of the Financial Statements*" section of our auditor's report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 (iii) in the financial statements, which indicates that the Entity is subject to significant liquidity pressures including a significant amount of borrowings coming due in the next 12 months. The requirement to reduce financial leverage is also necessary to comply with future debt covenants.

As stated in Note 2 (iii) in the financial statements, these events or conditions along with other matters as described in Note 2 (iii) in the financial statements, indicated that a material uncertainty exists that may cast significant doubt on the Entity's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2023. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matters described below to be the key audit matters to be communicated in our auditor's report.

Evaluation of the fair value of investment properties

Description of the matter

We draw attention to Note 3 (xv) and Note 6 to the financial statements. Investment properties are measured at fair value. The fair value is determined by management, and from time to time in conjunction with independent real estate valuation experts using recognized valuation techniques. The Entity has recorded investment properties (included those presented as assets held for sale) at fair value for an amount of $1,661,351 thousand. Significant assumptions in determining the fair value of investment properties include:

- future cash flows to be generated by the investment properties
- the terminal capitalization rates and discount rates applied to these cash flows

Why the matter is a key audit matter

We identified the evaluation of the fair value investment properties as a key audit matter. This matter represented an area of significant risk of material misstatement given the high degree of estimation uncertainty in determining the fair value of investment properties. In addition, significant auditor judgement and involvement of those with specialized skills and knowledge were required in evaluating the results of, our audit procedures due to the sensitivity of the fair value of investment properties to minor changes in significant assumptions.

How the matter was addressed in the audit

The following are the primary procedures we performed to address this key audit matter:

For a selection of investment properties, we assessed the Entity's ability to accurately forecast by comparing the future cash flows to be generated by the investment properties used in the prior year's estimate of the fair value of investment properties to actual results.

For a selection of investment properties, we compared the future cash flows to be generated by the investment properties used by management and independent real estate valuation experts to the actual historical cash flows. We took into account the changes in conditions and events affecting the investment properties to assess the adjustments, or lack of adjustments, made by management and independent real estate valuation experts in arriving at those future cash flows.

We involved valuations professionals with specialized skills and knowledge, who assisted in evaluating the appropriateness of the terminal capitalization rates and discount rates of the overall investment property portfolio used by management and independent real estate valuation experts. These rates were evaluated by comparing them to published reports of real estate commentators and the implied rates from recent sales of similar properties while considering the features of the specific investment property.

We evaluated the competence, capabilities, and objectivity of the independent real estate valuation experts by:

- Inspecting evidence that the independent real estate valuation experts are in good standing with the Appraisal Institute.
- Considering whether the independent real estate valuation experts have the appropriate knowledge in relation to the specific types of investment properties.
- Reading the reports of the independent real estate valuation experts which refers to their independence.

Other Information

Management is responsible for the other information. Other information comprises:

- the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions as at the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditor's report.

We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity 's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

- Determine, from the matters communicated with those charged with governance, those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants
The engagement partner on the audit resulting in this auditor's report is Farah Bundeali.
Toronto, Canada

February 15, 2024

Slate Office REIT

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(in thousands of Canadian dollars)

	Note	December 31, 2023	December 31, 2022
ASSETS			
Non-current assets			
Investment properties	6	$ 1,362,188	$ 1,754,338
Finance lease receivable	7	39,401	43,213
Other assets	8	2,087	538
Derivatives	12	15,030	26,476
Restricted cash		5,856	5,300
		$ 1,424,562	**$ 1,829,865**
Current assets			
Assets held for sale	6	299,163	—
Finance lease receivable	7	3,812	3,580
Other assets	8	2,909	5,668
Current tax receivable		49	—
Accounts receivable	9	6,095	10,344
Cash		11,270	19,905
		$ 323,298	**$ 39,497**
Total assets		**$ 1,747,860**	**$ 1,869,362**
LIABILITIES AND UNITHOLDERS' EQUITY			
Non-current liabilities			
Debt	10	$ 647,175	$ 779,226
Other liabilities	11	5,284	5,918
Deferred taxes	26	254	454
Class B LP units	13	4,281	22,832
		$ 656,994	**$ 808,430**
Current liabilities			
Debt	10	335,837	374,027
Debt held for sale	10	195,722	—
Other liabilities	11	1,381	1,222
Accounts payable and accrued liabilities	14	42,556	39,712
Taxes payable	26	—	1,605
		$ 575,496	**$ 416,566**
Total liabilities		**$ 1,232,490**	**$ 1,224,996**
Unitholders' equity		**$ 515,370**	**$ 644,366**
Total liabilities and unitholders' equity		**$ 1,747,860**	**$ 1,869,362**

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

Slate Office REIT

CONSOLIDATED STATEMENTS OF LOSS

(in thousands of Canadian dollars)

		Year ended December 31,	
	Note	2023	2022
Rental revenue	17	$ 197,621	$ 196,515
Property operating expenses		(109,976)	(104,117)
Finance income on finance lease receivable	7	2,840	3,057
Interest income		562	485
Interest and finance costs	18	(64,831)	(52,944)
General and administrative expenses	19	(14,246)	(11,191)
Change in fair value of financial instruments	20	(9,068)	39,144
Change in fair value of investment properties	6	(131,551)	(87,665)
Depreciation of hotel asset	6	(966)	(966)
Transaction costs	5	—	(1,240)
Deferred income tax recovery	26	204	2,405
Current income tax expense	26	(1,358)	(1,584)
Net loss before Class B LP units		**$ (130,769)**	**$ (18,101)**
Change in fair value of Class B LP units	13	18,551	3,594
Distributions to Class B LP unitholders	16	(899)	(2,112)
Net loss		**$ (113,117)**	**$ (16,619)**

Slate Office REIT

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

(in thousands of Canadian dollars)

		Year ended December 31,	
	Note	2023	2022
Net loss		$ (113,117)	$ (16,619)
Other comprehensive income (loss) to be subsequently reclassified to profit or loss:			
Foreign currency translation income (loss)	15	(2,309)	11,139
Total other comprehensive income (loss)		(2,309)	11,139
Net comprehensive loss		**$ (115,426)**	**$ (5,480)**

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

Slate Office REIT

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(in thousands of Canadian dollars)

	Note		Trust units		Retained earnings		Accumulated other comprehensive income		**Total equity**
December 31, 2022		$	578,380	$	60,819	$	5,167	**$**	**644,366**
Equity offering, net of issuance costs	15		26		—		—		**26**
Distributions	16		—		(13,596)		—		**(13,596)**
Net loss and comprehensive loss			—		(113,117)		(2,309)		**(115,426)**
December 31, 2023		**$**	**578,406**	**$**	**(65,894)**	**$**	**2,858**	**$**	**515,370**

	Note		Trust units		Retained earnings		Accumulated other comprehensive income		**Total equity**
December 31, 2021		$	518,888	$	109,051	$	(5,972)	**$**	**621,967**
Equity offering, net of issuance costs	15		60,202		—		—		**60,202**
Distributions	16		—		(31,613)		—		**(31,613)**
Repurchase of units	15		(710)		—		—		**(710)**
Net income (loss) and comprehensive income (loss)			—		(16,619)		11,139		**(5,480)**
December 31, 2022		**$**	**578,380**	**$**	**60,819**	**$**	**5,167**	**$**	**644,366**

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

Slate Office REIT

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands of Canadian dollars)

		Year ended December 31,	
	Note	2023	2022
OPERATING ACTIVITIES			
Net loss		$ (113,117)	$ (16,619)
Items not affecting cash:			
Depreciation of hotel asset	6	966	966
Change in fair value of investment properties	6	131,551	87,665
Straight-line rent and other changes	6	11,366	9,115
Change in fair value of Class B LP units	13	(18,551)	(3,594)
Change in fair value of financial instruments	20	9,068	(39,144)
Deferred income tax recovery	26	(204)	(2,405)
Finance income on finance lease receivable	7	(2,840)	(3,057)
Finance interest payments received on finance lease receivable	7	2,840	3,057
Distributions declared to Class B LP unitholders	16	899	2,112
Distributions paid to Class B LP unitholders	16	(1,075)	(2,112)
Interest income		(562)	(485)
Interest received		562	485
Interest and finance costs	18	64,831	52,944
Interest paid		(59,535)	(46,462)
Subscription receipt equivalent amount paid		—	(1,121)
Changes in working capital items		13,920	8,218
		$ 40,119	**$ 49,563**
INVESTING ACTIVITIES			
Acquisitions of investment properties	4	(3,979)	(223,308)
Dispositions of investment properties	5	—	85,493
Convertible debentures receivable	10	—	81,043
Capital expenditures	6	(9,975)	(22,924)
Leasing costs	6	(17,750)	(12,535)
Proceeds from vendor-take-back loan	8	1,763	500
Principal payments received on finance lease receivable	7	3,580	3,363
		$ (26,361)	**$ (88,368)**
FINANCING ACTIVITIES			
Settlement of Euro forward contract	12	—	(156)
Proceeds from issuance of units	15	—	62,600
Equity issuance costs	15	—	(2,398)
Repurchase of units	15	—	(710)
Distributions on REIT units	16	(16,261)	(31,204)
Mortgage advances	27	41,108	38,961
Issuance of convertible debentures, net	10	—	45,000
Convertible debentures costs	27	—	(2,566)
Mortgage repayments	27	(57,999)	(99,517)
Financing costs on debt	27	(2,993)	(7,157)
Draws on revolving and term facilities, net	27	20,941	46,900
		$ (15,204)	**$ 49,753**
Foreign exchange loss on cash held in foreign currency		(7,189)	(952)
(Decrease) increase in cash		**$ (8,635)**	**$ 9,996**
Cash, beginning of period		**19,905**	**9,909**
Cash, end of period		**$ 11,270**	**$ 19,905**

The accompanying notes are an integral part of the consolidated 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"). Subsequent to December 31, 2023, the Declaration of Trust was amended on January 15, 2024 (see note 28). At December 31, 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 consolidated financial statements have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IASB").

ii. Approval of the consolidated financial statements

The consolidated financial statements were approved by the trustees of the REIT and authorized for issuance on February 15, 2024.

iii. Basis of measurement and going concern

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

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

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

During the year ended December 31, 2023, the REIT amended its debt agreements with certain of its lenders to modify certain covenants, including financial leverage and debt service coverage covenants. These amendments are temporary and in addition, the overall commitment level will decrease in scheduled intervals. The calculation of the maximum capacity on a property by property basis, a greater net operating income divisor and changes in prevailing interest rates are collectively expected to reduce the maximum drawings available by $34.8 million for March 31, 2024. From June 30, 2024, the maximum availability of the revolving facilities reduces to $150,000 and from September 30, 2024, reduces to $100,000 (see note 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 $460.8 million of 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, 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 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 December 31, 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 is not appropriate as of December 31, 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. MATERIAL ACCOUNTING POLICIES

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

i. Basis of consolidation

The consolidated financial statements include the accounts of the REIT and its subsidiaries in accordance with IFRS 10, *Consolidated Financial Statements*. Intercompany transactions and balances have been eliminated on consolidation.

A subsidiary is an entity over which the REIT has control. Control exists when the REIT has power over an investee; is exposed, or has rights, to variable returns from its involvement with the investee; and has the ability to use its power over the investee to affect its returns. The financial statements of a subsidiary are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of a subsidiary are changed when necessary to align them with the policies applied by the REIT in these consolidated financial statements.

Changes in the REIT’s ownership interests in subsidiaries that do not result in the REIT losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the REIT’s interests and any non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the unitholders of the REIT. When the REIT loses control of a subsidiary, for example through sale or partial sale, a gain or loss is recognized and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets and liabilities of the subsidiary and any non-controlling interests.

ii. Joint arrangements

A joint arrangement is a contractual arrangement in which the REIT has joint control, established by contracts requiring unanimous consent for decisions about the activities that significantly affect the return of an arrangement. The REIT classifies joint arrangements as either joint operations or joint ventures.

A joint operation is a joint arrangement wherein the parties have rights to the assets and obligations for the liabilities. The REIT's interest in a joint operation is accounted for based on the REIT’s interest in those assets, liabilities, revenues, and expenses.

iii. Investment properties

Investment properties are held primarily to earn rental income for capital appreciation or for both, but are not for sale in the ordinary course of business. The REIT accounts for its investment properties in accordance with IAS 40, Investment Property (“IAS 40”). For acquired investment properties that meet the definition of a business, the acquisition is accounted for as a business combination. Acquisitions of investment properties that do not meet the definition of a business are initially measured at cost including directly attributable transaction costs.

Subsequent to acquisition, investment properties are measured at fair value, which is determined based on available market evidence at the statement of financial position date. The determination of fair value of investment properties requires the use of significant assumptions such as future cash flows from investment properties including, but not limited to tenant profiles, future revenue streams and overall repair and condition of the property, terminal capitalization rates and discount rates applicable to those investment properties. Changes in fair value of investment properties are recognized in income (loss) in the period in which they arise.

The carrying value of investment properties includes the impact of straight-line rent, capital expenditure, tenant inducements, direct leasing costs, and adjustments related to the impact of IFRIC 21, Levies ("IFRIC 21") adjustments.

Direct leasing costs include leasing commissions, lease incentives, and legal fees directly attributable to negotiating and arranging a lease. Lease incentives that are spent on improvements are referred to as tenant improvements and are capitalized. All other lease incentives are referred to as tenant inducements. Lease incentives that do not provide benefits beyond the initial lease term are included in the carrying amount of investment properties and are amortized on a straight-line basis over the term of a lease as a reduction of revenue.

An investment property held under an operating lease that meets the definition of an investment property is recognized in the REIT's consolidated statements of financial position and measured at fair value.

When an investment property is disposed of, the gain or loss is determined as the difference between the sales price and the carrying amount of the property and is recognized in income (loss) in the period of disposal as a change in the fair value of investment property. Sales costs are recorded as disposition costs on the consolidated statement of income (loss).

iv. 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 assets held for sale is classified as liabilities held for sale on the statement of financial position.

v. Revenue recognition

Revenue from investment properties includes rents from tenants under lease agreements, percentage rents, property tax and operating cost recoveries and other incidental income. Lease components, including rents from tenants, percentage rents, and property tax recoveries are accounted for pursuant to IFRS 16, *Leases* ("IFRS 16") and are therefore outside the scope of IFRS 15, Revenue from Contracts with Customers ("IFRS 15"). Non-lease components, which includes operating costs recoveries, are within the scope of IFRS 15. The REIT has retained substantially all of the risks and benefits of ownership of its investment properties and therefore accounts for leases with its tenants as operating leases. Revenue recognition under a lease commences when the tenant has a right to use the leased asset. This occurs on the lease inception date or, where the REIT is required to make additions to the property in the form of tenant improvements that enhance the value of the property, upon substantial completion of those improvements. The total amount of contractual rent to be received from operating leases is recognized on a straight-line basis over the term of the lease. Straight-line rent, which is included in the carrying amount of the investment property, is the difference between the cumulative rental revenue recorded and the contractual amount received. Operating cost recoveries are recognized in the period that services are performed and are chargeable to tenants.

vi. Income taxes

The REIT is a mutual fund trust and real estate investment trust pursuant to the Income Tax Act (Canada). Under current tax legislation, a real estate investment trust that meets prescribed conditions is entitled to deduct distributions of taxable income such that it is not liable to pay income taxes in Canada provided its taxable income is fully distributed to unitholders. The REIT intends to distribute all of its taxable income to unitholders. The REIT is liable to pay income taxes in foreign countries on earnings from investment properties it owns in those locations.

Current income tax assets and liabilities are measured at the amount expected to be received from or paid to tax authorities based on the tax rates and laws enacted or substantively enacted at the date of the consolidated statement of financial position. Deferred tax liabilities are measured by applying the appropriate tax rate to temporary differences between the carrying amounts of assets and liabilities, and their respective tax basis. The appropriate tax rate is determined by reference to the rates that are expected to apply to the year and the jurisdiction in which the assets are expected to be realized or the liabilities settled. Deferred tax assets are recorded for all deductible temporary differences, carry forwards of unused tax credits and unused tax losses, to the extent that it is probable that deductions, tax credits and tax losses can be utilized. For the determination of deferred tax assets and liabilities where the property is measured using the fair value model, the presumption is that the carrying amount of an investment property is recovered through sale, as opposed to presuming that the economic benefits of an investment property will be substantially consumed through use over time. Current and deferred income taxes are recognized in correlation to the underlying transaction in net income (loss).

vii. Trust units

The REIT's trust units are redeemable at the option of the holder and, therefore, are considered puttable instruments. In accordance with IAS 32, *Financial instruments: Presentation* ("IAS 32"), puttable instruments are classified as financial liabilities, except where certain conditions are met; in which case, the puttable instruments are classified as equity. The REIT has determined that it has met the conditions set out in IAS 32 that permit instruments that otherwise meet the definition of a financial liability to be classified as equity. Accordingly, the REIT's trust units are classified and accounted for as equity instruments.

Distributions on trust units are recorded in retained earnings in the period they are approved.

viii. Class B LP units

Class B limited partnership units ("Class B LP units") of certain limited partnership subsidiaries of the REIT are exchangeable into trust units of the REIT at the option of the holder. As described above, the REIT's trust units are puttable instruments and, therefore, the Class B LP units meet the definition of a financial liability under IAS 32. The Class B LP units are designated as fair value through profit and loss ("FVTPL"). The fair value of the Class B LP units is remeasured at the end of each reporting period with changes in fair value recorded in net income (loss). Distributions paid on the Class B LP units are recorded in loss when declared as distributions to Class B LP unitholders in net income (loss). Upon exchange into REIT units of the REIT, the carrying amount of the liability representing the fair value of the Class B LP units on exchange date is reclassified to unitholders' equity.

ix. Financial instruments

Financial instruments are classified as follows: (i) amortized cost, (ii) FVTPL, (iii) fair value through other comprehensive income (loss) ("FVTOCI"). The REIT has made the following classifications:

Financial instrument	Classification
Cash	Amortized cost
Restricted cash	Amortized cost
Accounts receivable	Amortized cost
Other assets	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Debt	Amortized cost
Debt held for sale	Amortized cost
Other liabilities	Amortized cost
Derivatives	FVTPL
Hedges of net investments	FVTOCI
Class B LP units	FVTPL

All financial assets and liabilities are measured at fair value on initial recognition.

Transaction costs, other than those related to financial instruments classified as FVTPL, are capitalized to the carrying amount of the instrument. These costs include amortization of discounts or premiums on borrowings, fees and commissions paid to agents, brokers and advisers, transfer taxes, and duties that are incurred in connection with the arrangement of borrowings.

Subsequent to initial recognition, financial instruments are measured at amortized cost, using the effective interest rate method. Financial instruments classified as FVTPL are measured at fair value with gains and losses recognized in net income (loss) and comprehensive income (loss). Hedges of net investments are measured at fair value with unrealized gains and losses recognized in other comprehensive income (loss) ("OCI").

The REIT derecognizes a financial asset or liability when its contractual rights or obligations expire, or it transfers its rights or obligations in a transaction in which substantially all the risks and rewards of ownership are transferred. Any rights and obligations created or retained by the REIT in a transfer are recognized as separate assets or liabilities.

x. Compound financial instruments

Components of a financial instrument that contain both a financial liability and an equity component are recognized separately. The carrying amount assigned to the equity component on initial recognition is the residual amount after deducting the fair value of the financial liability from the fair value of the financial instrument as a whole.

Transaction costs relating to the issuance of compound instruments are allocated to the liability and equity components in proportion to the allocation of proceeds.

xi. Convertible debentures

Convertible debentures issued by the REIT are convertible into a fixed number of units at the option of the holder and are redeemable by the REIT under certain conditions. The convertible debentures are separated into their debt component and embedded derivative features which are accounted for separately. The debt component of the convertible debentures is recognized initially at the fair value of a similar debt instrument without the embedded derivative features. Subsequent to initial recognition, the debt component is measured at amortized cost using the effective interest method. The embedded derivative features include a holder conversion option at any time and an issuer redemption option under certain conditions. The multiple embedded derivative features are treated as a single compound embedded derivative liability and initially recognized at fair value. Subsequent to initial recognition, changes in fair value are recognized in net income (loss). Upon issuance, any directly attributable costs are allocated to the debt component and embedded derivative liability in proportion to their initial carrying amounts.

For the debt component, the financing costs are reflected in the determination of the effective interest rate. For the embedded derivative liability, the financing costs are immediately expensed. Upon conversion, the carrying amount of the debt component and the related fair value of the derivative liability as of the date of conversion are transferred to equity. Upon redemption, the redemption proceeds are compared to the carrying amount of the debt component and the related fair value of the embedded derivative extinguished as of the date of redemption, and any gain or loss on redemption is recognized in net income (loss).

xii. Fair values

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the REIT considers the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date, unless otherwise noted.

Except as noted, the carrying value of the REIT's financial assets and short term financial liabilities approximate their fair values because of the short period until receipt or payment of cash. The fair values of other financial liabilities are estimated based on discounted future cash flows using discount rates that reflect current market conditions for instruments with similar terms and risks. Fair value measurements recognized in the statements of financial position are categorized using a fair value hierarchy that reflects the significance of inputs used in determining the fair values:

- Level 1: Quoted prices in active markets for identical assets or liabilities that the REIT can access at the measurement date.
- Level 2: Inputs other than quoted prices included in level 1, which are observable for the asset or liability, either directly or indirectly.
- Level 3: Inputs that are not based on observable market data.

Each type of fair value is categorized based on the lowest level input that is significant to the fair value measurement in its entirety.

Class B LP units and deferred units are measured at fair value based on the market trading price of REIT units consistent with level 1. The fair values of derivative instruments are calculated using quoted rates. An interest rate valuation methodology, which is a level 2 input, is used to value interest rate swaps and interest rate caps. When such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments. Investment properties and all other fair value measurements for non-derivative financial instruments are measured using level 3 inputs.

xii. Deferred unit incentive plan

The REIT has a deferred unit incentive plan (“Trustee DUP”) whereby Trustees of the REIT may elect to receive all or a portion of their Trustee fees in the form of deferred units that vest immediately upon grant. The deferred units are equivalent in value to REIT units and accumulate additional deferred units at the same rate that distributions are paid on REIT units in relation to the market value of REIT units, as defined by the Trustee DUP. 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 REIT units. The value of deferred units when converted to cash will be equivalent to the market value of REIT units on the date of the redemption request. Deferred units have been classified as a liability and measured at fair value. Changes in the fair value of deferred units is recorded as a gain or loss in net loss and comprehensive loss in the period of the change.

The REIT also has a deferred unit plan for officers of the REIT ("Officer DUP"). The Officer DUP provides officers of the REIT the opportunity to receive deferred units of the REIT. The maximum number of deferred units reserved for issuance under the Officer DUP is 1% of total units outstanding. One deferred unit, which vests immediately on the grant date, is equal to one REIT unit. Any units issued under the Officer DUP will result in an equal reduction in the asset management fee payable to SMULC, based on the trading price of units on the day of issuance. The deferred units may be redeemed by a participant after two years following the date the units were issued in whole or in part for cash or REIT units. The value of the deferred units when converted to cash will be equivalent to the market value of REIT units on the date of the redemption request. Deferred units have been classified as a liability and measured at fair value. Changes in the fair value of deferred units is recorded as a gain or loss in net loss in the period of the change.

xiii. Foreign exchange

The REIT accounts for its investment in its U.S. wholly owned subsidiaries as U.S. dollar functional currency foreign operations and for its Irish wholly owned subsidiaries as Euro functional currency operations. Assets and liabilities of foreign operations are translated into Canadian dollars at the exchange rates in effect at the consolidated statement of financial position dates and revenue and expenses are translated at the average exchange rates for the reporting periods. The foreign currency translation adjustment is recorded as a separate component of accumulated other comprehensive income until there is a reduction in the REIT's net investment in the foreign operations.

Assets and liabilities denominated in a currency other than the functional currency are translated into the functional currency at the exchange rates in effect at the consolidated statement of financial position dates and revenue and expenses are translated at the actual exchange rate on the date incurred, with any gain (loss) recorded in net income (loss), unless the asset or liability is designated as a hedge of the REIT's net investment in its U.S. or Irish subsidiaries, in which case the related gain (loss) is also included as a foreign currency translation adjustment in accumulated other comprehensive income.

xiv. Levies

Under IFRS Interpretations Committee Interpretation 21, *Levies* ("IFRIC 21") realty taxes payable by the REIT are considered levies. IFRIC 21 provides guidance on when to recognize a liability for levies that are accounted for in accordance with the requirements of IAS 37, *Provisions, Contingent Liabilities and Contingent Assets,* and those where the timing and amount of the levy are certain. Levies are outflows from an entity imposed by a government in accordance with legislation. The REIT has assessed property taxes as being within the scope of IFRIC 21, given that property taxes are non-reciprocal charges imposed by a government, in accordance with legislation, and are based on the assessed value of property. IFRIC 21 confirms that an entity recognizes a liability for a levy when, and only when, the triggering event specified in the legislation occurs. The REIT has determined that the liability to pay property taxes on its investment properties should be recognized at a point in time, being the start of the fiscal year. This resulted in the REIT recognizing the annual property tax liability and expense on its investment properties.

xv. Use of estimates and judgments

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the amounts reported in the consolidated financial statements and accompanying disclosures. Although these estimates are based on management's knowledge of current events and actions the REIT may undertake in the future, actual results may differ from these estimates.

Judgments

Information about critical judgments in applying accounting policies that have the most significant effect on amounts recognized in the consolidated financial statements are discussed below:

- Orderly transactions

  Judgment is required when determining whether a disposition transaction reflects fair value. When an asset disposition may have to be conducted in an accelerated basis with limited time for marketability and limited buyers available, judgment needs to be assessed if such a sale represents fair value. Management further assesses its ability to accept or reject offers and what if any other conditions may require a sales process that would not be done in a customary process.

- Income taxes

  The REIT has determined that it qualifies as a mutual fund trust under the Income Tax Act (Canada). Therefore it is not subject to Canadian income taxes as it intends to continue to meet prescribed conditions under the Income Tax Act (Canada) and make distributions not less than the amount necessary to ensure that it is not liable to pay income taxes under current Canadian tax legislation. The REIT is subject to foreign taxes in respect of its earnings from investment properties held in jurisdictions outside of Canada.

Estimates

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Estimates that have the most significant impact on the consolidated financial statements include:

- Valuation of investment properties

  The fair value of investment properties is determined by management, and from time to time in conjunction with independent real estate valuation experts using recognized valuation techniques. The determination of the fair value of investment property requires the use of significant assumptions such as future cash flows from investment properties including, but not limited to tenant profiles, future revenue streams and overall repair and condition of the property, terminal capitalization rates, and discount rates applicable to those investment properties. These estimates are based on market conditions existing at the reporting date.

  The discounted cash flow method is used by management, together with independent real estate valuation experts, in their determination of the fair value of the investment properties. Fair values are primarily determined by discounting 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, terminal capitalization rates, and discount rates are the most significant assumptions in determining fair value. The REIT uses leasing history, market reports, tenant profiles and available appraisals, among other things, in determining the most appropriate assumptions.

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

xvi. Application of new and revised IFRSs

The REIT has adopted the following new accounting standards:

Amendments to IAS 1 and IFRS Practice Statement 2

In February 2021, the IASB issued amendments to IAS 1, *Presentation of Financial Statements* ("IAS 1") and IFRS Practice Statement 2 *Making Materiality Judgements*, which aimed to make disclosures more useful by replacing the requirement for disclosure of 'significant accounting policies' with a requirement to disclose 'material accounting policy information', as well as providing additional guidance on the application of the materiality concept in terms of policy disclosures. The amendments to IAS 1 were effective for annual periods beginning on or after January 1, 2023, with early adoption permitted. The amendments to IFRS Practice Statement 2 provide non-mandatory guidance on the definition of materiality as it applies to accounting policy information and thus the IASB did not issue an effective date. The REIT adopted the amendments for the fiscal year ended December 31, 2023. The amendments did not result in a material impact to the consolidated financial statements and were limited to minor changes to the Material Accounting Policies note disclosure.

Amendments to IAS 8

In February 2021, the IASB issued amendments to IAS 8, *Definition of Accounting Estimates* ("IAS 8"), to help entities to distinguish between accounting policies and accounting estimates by introducing a new definition of 'accounting estimates'. The amendment further clarified how entities use measurement techniques and inputs to develop accounting estimates. The amendments were effective for annual periods beginning on or after January 1, 2023, with early adoption permitted. The REIT adopted the amendments for the fiscal year ended December 31, 2023. The amendments had no material impact to the REIT's consolidated financial statements.

xvii. Future accounting policies

Amendments to IAS 1

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

- Right to defer settlement – that if an entity's right to defer settlement is subject to compliance with future covenants, the entity has a right to defer settlement of the liability regardless of compliance with such covenants at the end of the reporting period.
- Expected deferrals – that the classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer the settlement of the liability for at least twelve months following the reporting period even if settlement occurs prior to the authorization of the issuance of the financial statements.

(in thousands of Canadian dollars)

- Settlement by way of own instruments – that settlement by way of an entity's own equity instruments is considered settlement for classification purposes with the exception of a conversion option that itself is classified as an equity instrument.

The amendment also provided for additional disclosures surrounding non-current liabilities for which a right to defer settlement is subject to compliance with future covenants within twelve months. The amendments are effective for annual periods beginning on or after January 1, 2024, with early adoption permitted, and will be applied retrospectively. Management is currently assessing the impact of these amendments.

4. ACQUISITIONS

In the year ended December 31, 2023, the REIT completed an acquisition on August 23, 2023, whereby the REIT acquired the remaining 25% interest 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 a vendor-take-back loan of $2.9 million as described in note 10.

A summary of the acquisition completed in 2023 is as follows:

	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	239
Investment properties	$ 28,614
Working capital	(657)
Debt principal amount assumed	(23,978)
Investment	**$ 3,979**

Consideration provided for the acquisition during the year ended December 31, 2023 was comprised of the following:

	West Metro Corporate Centre
Cash	$ 1,093
Vendor-take-back loan	2,886
Total Investment	**$ 3,979**

In the year ended December 31, 2022, the REIT completed the following acquisitions:

- 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 (see note 15).
- On November 1, 2022, the REIT acquired a newly retrofitted Class A office property in Chicago, Illinois ("275 North Field") for $26.9 million. The acquisition was partially funded by cash on hand and by proceeds of the sale of $45.0 million of 7.50% convertible unsecured subordinated debentures of the REIT.

(in thousands of Canadian dollars)

A summary of the acquisitions completed in 2022 are as follows:

	275 North Field	Yew Grove	Total
Acquisition date	November 1, 2022	February 7, 2022	
Location	Chicago, IL	Ireland	
Number of properties	1	23	**24**
REIT's interest	100 %	100 %	
Purchase price	$ 26,919	$ 255,614	**$ 282,533**
Transaction costs	489	10,066	**10,555**
Investment properties	$ 27,408	$ 265,680	**$ 293,088**
Working capital	—	2,208	**2,208**
Adjustments	252	—	**252**
Debt principal amount assumed	—	(72,240)	**(72,240)**
Investment	**$ 27,660**	**$ 195,648**	**$ 223,308**

5. DISPOSITIONS

2023 Dispositions

During the year ended December 31, 2023, the REIT did not dispose of any investment properties.

2022 Dispositions

During the year ended December 31, 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	(484)	(756)	**(1,240)**
Discharge of mortgage	(19,636)	(30,712)	**(50,348)**
Net proceeds	**$ 12,151**	**$ 22,994**	**$ 35,145**

(in thousands of Canadian dollars)

6. INVESTMENT PROPERTIES

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

		Year ended December 31,	
	Note	2023	2022
Beginning of period		$ 1,754,338	$ 1,591,958
Acquisitions [1]	4	28,614	293,088
Capital expenditures		9,975	22,924
Leasing costs		17,750	12,535
Dispositions	5	—	(92,712)
Depreciation of hotel asset		(966)	(966)
Foreign exchange		(5,443)	24,134
Change in fair value		(131,551)	(87,665)
IFRIC 21 property tax adjustment		—	157
Straight-line rent and other changes		(11,366)	(9,115)
Transfer to assets held for sale		(299,163)	—
End of period		**$ 1,362,188**	**$ 1,754,338**

[1]Represents the purchase price and transaction costs.

Investment properties at December 31, 2023 are comprised of the REIT's interests in 39 (December 31, 2022 - 53) properties, which includes one mixed-use hotel asset, and excludes 14 assets held for sale (December 31, 2022 - nil) (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.

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.

During the year ended December 31, 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 December 31, 2023, the REIT classified 14 investment properties with a total estimated fair value of $299.2 million and outstanding debt principal of $195.7 million as held for sale. To achieve the REIT's goal of increasing its liquidity and reducing its outstanding borrowings by selling certain of its properties the REIT may be required to dispose of such properties on an accelerated basis and at amounts materially less than the estimated fair value at December 31, 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:

	December 31, 2023		December 31, 2022	
	Discount rate	Terminal capitalization rate	Discount rate	Terminal capitalization rate
Minimum	6.75%	6.75%	6.50%	6.25%
Maximum	11.50%	10.50%	10.75%	10.25%
Weighted average	7.99%	7.43%	7.64%	7.05%

The following table presents the estimated change to fair value of the REIT's investment properties in thousands when there is an increase or decrease to the discount and terminal capitalization rates ("TCR") at December 31, 2023:

		Discount Rate				
		50 bps-	25 bps-	No change	25 bps+	50 bps+
	50 bps-	$ 142,394	$ 107,890	$ 74,203	$ 41,313	$ 9,197
	25 bps-	102,168	68,579	35,784	3,763	(27,505)
TCR	No change	64,701	31,964	—	(31,211)	(61,690)
	25 bps+	29,716	(2,225)	(33,413)	(63,868)	(93,609)
	50 bps+	(3,026)	(34,222)	(64,684)	(94,431)	(123,482)

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

	December 31, 2023
1% increase	$ 19,131
1% decrease	(19,131)

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

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

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:

	Year ended December 31,	
	2023	2022
Beginning of period	$ 46,793	$ 50,156
Lease payments received	(6,420)	(6,420)
Finance income on finance lease receivable	2,840	3,057
End of period	**$ 43,213**	**$ 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 consolidated statement of financial position at December 31, 2023:

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

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

	December 31, 2023	December 31, 2022
Prepaid expenses	$ 2,733	$ 3,064
Mortgage interest reserves	1,622	—
Vendor-take-back loan	—	2,450
Investment tax credit receivable	538	606
Utilities deposits	103	86
Total	**$ 4,996**	**$ 6,206**

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

	December 31, 2023	December 31, 2022
Current	$ 2,909	$ 5,668
Non-current	2,087	538
Total	**$ 4,996**	**$ 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 $1.8 million after related professional fees. The REIT realized a credit loss of $0.9 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:

	December 31, 2023	December 31, 2022
Rent receivable	$ 2,000	$ 4,183
Accrued recovery income	904	801
Other amounts receivable	3,248	6,246
Allowance	(57)	(886)
Total	**$ 6,095**	**$ 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:

	Year ended December 31, 2023	Year ended December 31, 2022
Beginning of period	$ (886)	$ (184)
Change in allowance	(529)	(799)
Bad debt write-off	1,358	97
End of period	**$ (57)**	**$ (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:

	December 31, 2023	December 31, 2022
Current to 30 days	$ 951	$ 1,534
31 to 90 days	443	610
Greater than 90 days	549	1,153
Total	**$ 1,943**	**$ 3,297**

(in thousands of Canadian dollars)

10. DEBT

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

	Maturity	Coupon	Properties provided as security	Fair value of security	Maximum available	Principal	Available to be drawn [1]
Mortgages [2 3 4]	Various	Various	16	$ 920,513	$ 595,571	$ 595,571	$ —
Revolving facilities [4 5 6 7]	Oct. 14, 2024	Various	15	476,918	309,872	307,672	2,200
Term loan [4 8]	Apr. 5, 2027	Euribor+265 bps	23	263,240	136,658	136,658	—
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**	**$1,660,671**	**$1,200,051**	**$ 1,197,851**	**$ 2,200**

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

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

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

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

[5]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. $43,700 of revolving facilities. During the year ended December 31, 2023, the REIT amended the terms for calculating its borrowing base as follows: The maximum availability of the revolving facilities is the lesser of (i) $252,000 and U.S. $43,700, (ii) the sum of the margined fair value of the property securing the facility and (iii) the amount which can be serviced (both monthly principal and interest) by the quotient obtained by dividing the net operating income by 1.25 and assuming (a) a 25 year amortization period, and (b) an interest rate compounded semi-annually, equal to the greater of (i) 4.5%, and (ii) the relevant five year government bond yield plus 2.50%. From March 31, 2024, the maximum availability of the revolving facilities is calculated on an individual property basis and the net operating income divisor increases from 1.25 to 1.30. From June 30, 2024, the maximum availability of the revolving facilities reduces to $150,000 and U.S. $38,000 and the net operating income divisor increases from 1.30 to 1.40. From September 30, 2024, while maintaining the same calculation, the maximum availability of the revolving facility's Canadian dollar tranche reduces to $100,000. The calculation of the maximum capacity on a property by property basis, a greater net operating income divisor from March 31, 2024 and changes in prevailing interest rates are collectively expected to reduce the maximum drawings available by $34.8 million. The change in the maximum available drawings is highly sensitive to changes in property valuations and changes in applicable prevailing interest rates. The contractual remaining term to maturity of revolving facilities is 0.8 years and the weighted average interest rate is 8.18%.

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

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

The carrying value of debt held by the REIT at December 31, 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	$ 595,571	$ (5,114)	$ 3,005	$ 593,462	$ 225,198	$ 368,264
Revolving facilities	307,672	(7,224)	5,913	306,361	306,361	—
Term loan	136,658	(5,013)	1,634	133,279	—	133,279
Convertible debentures [2]	28,750	(1,464)	—	27,286	—	27,286
Convertible debentures [2]	84,200	(6,479)	1,429	79,150	—	79,150
Convertible debentures [2]	45,000	(6,252)	448	39,196	—	39,196
Total	**$ 1,197,851**	**$ (31,546)**	**$ 12,429**	**$ 1,178,734**	**$ 531,559**	**$ 647,175**

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

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

(in thousands of Canadian dollars)

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

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

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

Debt held by the REIT at December 31, 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.

(in thousands of Canadian dollars)

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.

Future repayments of mortgages payable by year of maturity at December 31, 2023 are as follows:

	Weighted average interest rate of principal maturities [1]	Amortizing principal payments	Principal repayments on maturity	Total repayments
2024	7.93%	$ 5,841	$ 147,333	$ 153,174
2025	5.87%	4,888	389,464	394,352
2026	4.28%	3,317	—	3,317
2027	4.55%	3,314	28,000	31,314
2028	4.38%	2,548	—	2,548
Thereafter	4.38%	4,971	5,895	10,866
	6.29%	**$ 24,879**	**$ 570,692**	**$ 595,571**
Unamortized financing costs				(2,109)
Total				**$ 593,462**

[1]The weighted average interest rate of principal maturities is calculated using the rates in effect at December 31, 2023.

Future principal payments and maturities for all debt at December 31, 2023 are as follows:

2024	$ 460,845
2025	394,352
2026	140,811
2027	188,429
2028	2,548
Thereafter	10,866
	$ 1,197,851
Unamortized financing costs	(19,117)
Total	**$ 1,178,734**

Convertible Debentures

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

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

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

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

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

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

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

(in thousands of Canadian dollars)

11. OTHER LIABILITIES

Other liabilities are comprised of the following:

	Note	December 31, 2023	December 31, 2022
Security deposits		$ 5,907	$ 5,655
Deferred units	15	489	1,182
Investment tax credit payable		269	303
Total		**$ 6,665**	**$ 7,140**

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

	December 31, 2023	December 31, 2022
Current	$ 1,381	$ 1,222
Non-current	5,284	5,918
Total	**$ 6,665**	**$ 7,140**

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:

	December 31, 2023	December 31, 2022
Fair value of conversion option on convertible debentures	$ (435)	$ (4,216)
Fair value of interest rate swaps	13,613	25,289
Fair value of cross currency swap	(626)	1,570
Fair value of interest rate caps	2,478	3,833
Derivatives, net	**$ 15,030**	**$ 26,476**

(in thousands of Canadian dollars)

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

	Year ended December 31, 2023	2022
Fair value, beginning of period	$ 26,476	$ (11,118)
Initial recognition of embedded derivatives on issuance of convertible debentures	(1,464)	(6,798)
Fair value change of convertible debenture embedded derivatives	5,245	2,582
Fair value change of interest rate swaps	4,643	35,558
Net (receipts) payments on interest rate swaps	(16,196)	390
Foreign exchange (loss) gain on U.S. interest rate swap	(123)	133
Fair value change of cross currency interest rate swap	(2,196)	2,287
Premium paid on interest rate caps	—	3,161
Fair value change of interest rate caps	(1,372)	628
Foreign exchange gain on U.S. and Euro interest rate caps	17	44
Foreign exchange loss of Euro forward contract	—	(547)
Settlement of Euro forward contract	—	156
Fair value, end of period	**$ 15,030**	**$ 26,476**

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	December 31, 2023	December 31, 2022	December 31, 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%	66,215	67,770	318	2,303
March 22, 2024	1 month CDOR	1.90%	100,000	100,000	858	3,436
April 20, 2024	1 month CDOR	5.61%	81,300	—	(97)	—
March 3, 2025	1 month BA	1.23%	62,500	62,500	2,670	4,199
March 3, 2025	1 month BA	1.23%	10,000	10,000	427	672
March 3, 2025	1 month BA	4.31%	8,000	8,000	44	11
May 1, 2025	1 month BA	4.36%	59,003	—	227	—
September 10, 2025	1 month U.S. SOFR [3]	2.18%	133,854	136,997	4,839	7,229
October 30, 2026	1 month CDOR	2.30%	100,000	100,000	4,327	5,698
Total			**$ 620,872**	**$ 669,136**	**$ 13,613**	**$ 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 year ended December 31, 2023, the REIT recorded a fair value loss of $2.2 million (December 31, 2022: gain of $2.3 million), which is recorded in the consolidated statement of 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	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
December 31, 2026	3.72%	5.50%	$ 75,000	$ 75,000	$ (626)	$ 1,570
Total			**$ 75,000**	**$ 75,000**	**$ (626)**	**$ 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	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
July 8, 2024	3 month Euribor	1.60%	$ 136,658	$ 135,723	$ 2,251	$ 3,454
November 1, 2025	1 month U.S. SOFR	3.75%	15,737	16,129	227	379
Total			**$ 152,395**	**$ 151,852**	**$ 2,478**	**$ 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:

	Year ended December 31, 2023	2022
Beginning of the period	$ 3,833	$ —
Premiums paid	—	3,161
Fair value changes	(1,372)	628
Foreign exchange loss	17	44
End of period	**$ 2,478**	**$ 3,833**

Foreign exchange rate protection instruments

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

The REIT entered into two derivative contracts and no foreign exchange contracts during the year ended December 31, 2023 as described above. The REIT settled one foreign exchange transaction during the year ended December 31, 2022 as described below.

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 loss.

The change in Class B LP units for the years ended December 31, 2023 and 2022 is as follows:

	2023		2022	
	Units	Amount	Units	Amount
Beginning of period	5,285,160	$ 22,832	5,285,160	$ 26,426
Fair value changes	—	(18,551)	—	(3,594)
End of period	**5,285,160**	**$ 4,281**	**5,285,160**	**$ 22,832**

(in thousands of Canadian dollars)

14. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities are comprised of the following:

	Note	December 31, 2023	December 31, 2022
Accounts payable and accrued liabilities		$ 32,263	$ 25,974
Distributions payable	16	—	2,841
Prepaid rent		7,970	10,865
Tenant improvements payable		2,323	32
Total		**$ 42,556**	**$ 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, with certain limitations on the quantity of trust units that may be redeemed for cash.

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

The change in trust units during the years ended December 31, 2023 and 2022 is as follows:

		2023		2022	
	Note	Units	Amount	Units	Amount
Beginning of period		80,023,409	578,380	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
Issued pursuant to the Trustee deferred unit plan		25,653	26	—	—
Equity issuance costs		—	—	—	(2,398)
Repurchase of units		—	—	(150,800)	(710)
End of period		**80,049,062**	**$ 578,406**	**80,023,409**	**$ 578,380**

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 years ended December 31, 2023 and 2022.

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.

(in thousands of Canadian dollars)

At December 31, 2023, the liability associated with the deferred units issued under the Trustee DUP was $0.5 million (December 31, 2022: $1.1 million), and the number of outstanding deferred units was 588,311 (December 31, 2022: 260,332 units). During the year ended December 31, 2023, 30,555 units were redeemed for trust units under the Trustee deferred unit plan by a former Trustee of the REIT (December 31, 2022 - nil).

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 December 31, 2023, the liability associated with deferred units issued under the Officer DUP was $12 thousand (December 31, 2022: $57 thousand), and the number of deferred units was 14,294 units (December 31, 2022: 13,170 units).

The change in DUP units during the years ended December 31, 2023 and 2022 is as follows:

		2023		2022	
	Note	Units	Amount	Units	Amount
Beginning of period		273,502	$ 1,182	163,836	$ 815
Issued		329,998	486	93,499	420
Reinvested distributions		29,661	66	16,167	77
Redemption of units		(30,555)	(31)	—	—
Fair value adjustment	20	—	(1,214)	—	(130)
End of period		**602,606**	**$ 489**	**273,502**	**$ 1,182**

Weighted average diluted units outstanding

The following is the weighted average diluted number of units outstanding during the years ended December 31, 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:

	Year ended December 31,	
	2023	2022
Basic weighted average units outstanding	80,025,307	78,857,525
Class B LP units	5,285,160	5,285,160
Basic weighted average deferred units outstanding	370,260	190,561
Diluted weighted average units outstanding	**85,680,727**	**84,333,246**

Diluted units outstanding

The following is the diluted number of units outstanding as at December 31, 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:

	December 31, 2023	December 31, 2022
Trust units outstanding	80,049,062	80,023,409
Class B LP units	5,285,160	5,285,160
Deferred units	602,606	273,502
Diluted units outstanding	**85,936,828**	**85,582,071**

(in thousands of Canadian dollars)

Accumulated other comprehensive income consists of the below:

	Year ended December 31, 2023			Year ended December 31, 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	(2,309)	—	(2,309)	11,139	—	11,139
End of period	**$ 7,678**	**$ (4,820)**	**$ 2,858**	**$ 9,987**	**$ (4,820)**	**$ 5,167**

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

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 loss. All distributions settled during the years ended December 31, 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 and in November 2023, the REIT suspended its monthly cash distribution to unitholders and holders of Class B LP units.

The following table presents the distributions during the years ended December 31, 2023 and 2022:

	2023		2022	
	Trust units	Class B LP units	Trust units	Class B LP units
Distributions declared during the period	$ 13,596	$ 899	$ 31,613	$ 2,112
Add: Distributions payable, beginning of period	2,665	176	2,256	176
Less: Distributions payable, end of period	—	—	(2,665)	(176)
Distributions paid during the period	**$ 16,261**	**$ 1,075**	**$ 31,204**	**$ 2,112**

17. RENTAL REVENUE

Rental revenue is comprised of the following:

	Year ended December 31,	
	2023	2022
Property base rent [1]	$ 110,359	$ 112,308
Operating cost recoveries	59,613	56,268
Tax recoveries	27,343	26,873
Hotel	11,672	10,181
Straight-line rent and other changes	(11,366)	(9,115)
Total	**$ 197,621**	**$ 196,515**

[1]Includes parking revenue earned at properties.

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

	December 31, 2023	December 31, 2022
Not later than one year	$ 113,231	$ 90,055
Later than one year and not later than five years	335,349	376,141
Later than five years	178,570	245,531
Total	**$ 627,150**	**$ 711,727**

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.

(in thousands of Canadian dollars)

18. INTEREST AND FINANCE COSTS

Interest and finance costs are comprised of the following:

	Year ended December 31,	
	2023	2022
Mortgage interest	$ 32,601	$ 26,051
Interest on other debt	16,512	13,715
Amortization of financing costs	5,335	5,068
Amortization of debt mark-to-market adjustments	(39)	1,041
Subscription receipts equivalent amount [1]	—	373
Interest on convertible debentures [2 3 4]	10,422	6,696
Total	**$ 64,831**	**$ 52,944**

[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 year ended December 31, 2022.

[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.

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

19. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses are comprised of the following:

		Year ended December 31,	
	Note	2023	2022
Asset management fees	21	$ 5,589	$ 5,837
Professional fees	21	4,890	1,756
Trustee fees		566	652
Bad debt expense, net		1,419	1,324
Other		1,782	1,622
Total		**$ 14,246**	**$ 11,191**

(in thousands of Canadian dollars)

20. CHANGE IN FAIR VALUE OF FINANCIAL INSTRUMENTS

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

		Year ended December 31,	
	Note	2023	2022
Interest rate swaps	12	$ 4,643	$ 35,558
Net payments made (receipts) on interest rate swaps	12	(16,196)	390
Interest rate caps	12	(1,372)	628
Convertible debenture embedded derivatives	12	5,245	2,582
Deferred units	15	1,214	130
Performance payment		—	(1,210)
Subscription receipts		—	(674)
Foreign exchange forwards	12	—	(547)
Cross currency swap	12	(2,196)	2,287
Loss on extinguishment of debt		(406)	—
Total change in fair value of financial instruments recognized in net loss		**$ (9,068)**	**$ 39,144**

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.

Slate held the following interests in the REIT:

	December 31, 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%

(in thousands of Canadian dollars)

During the year ended December 31, 2023, Slate purchased 430,989 REIT units (December 31, 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:

	Year ended December 31,	
	2023	2022
Property management	$ 5,600	$ 5,745
Asset management	5,589	5,837
Leasing, financing and construction management	2,493	4,146
Acquisition	43	2,091
Transaction fees [1]	—	2,899
Total	**$ 13,725**	**$ 20,718**

[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 $10.5 million for the year ended December 31, 2023 (December 31, 2022: $9.9 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 $0.6 million was received under this lease for the year ended December 31, 2023 (December 31, 2022: $0.5 million). There were no amounts receivable related to this lease at December 31, 2023 and December 31, 2022.

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

	December 31, 2023	December 31, 2022
Accounts receivable	$ 13	$ 412
Accounts payable and accrued liabilities	(178)	(220)
Class B LP units	(4,281)	(22,832)

(in thousands of Canadian dollars)

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:

	December 31, 2023	December 31, 2022
REIT units	15,110,200	13,245,400
Deferred units	35,839	—
Total	**15,146,039**	**13,245,400**
Economic interest	17.6%	15.5%

G2S2 also held an aggregate principal amount of $12.1 million (December 31, 2022: $7.7 million) of the REIT's convertible debentures as at December 31, 2023. If G2S2 was the sole convertible debenture holder to convert to trust units, it would indirectly own a total of 17,282,165 trust units (December 31, 2022: 14,624,155), representing an economic interest of approximately 19.6% (December 31, 2022: 16.8%) 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 year ended December 31, 2023 (December 31, 2022: $236 thousand). There were no amounts receivable related to this lease at December 31, 2023 and December 31, 2022. In connection with a settlement agreement signed on February 16, 2023, between the REIT and G2S2, the REIT agreed to reimburse G2S2 for out-of-pocket fees and expenses including legal fees relating to the agreement. During the year end December 31, 2023, the REIT reimbursed G2S2's legal fees of $161 thousand and recorded the cost to professional fees (December 31, 2022: nil).

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 December 31, 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		
December 31, 2023	Note	Carrying amount	Level 1	Level 2	Level 3
Assets					
Investment properties	6	$ 1,362,188	$ —	$ —	$ 1,362,188
Assets held for sale	6	299,163	—	—	299,163
Derivatives, net	12	15,030	—	15,030	—
Restricted cash		5,856	5,856	—	—
Total assets		**$ 1,682,237**	**$ 5,856**	**$ 15,030**	**$ 1,661,351**
Liabilities					
Class B LP units	13	(4,281)	(4,281)	—	—
Debt	10	(983,012)	—	(993,720)	—
Debt held for sale	10	(195,722)	—	(192,780)	—
Total liabilities		**$ (1,183,015)**	**$ (4,281)**	**$ (1,186,500)**	**$ —**

			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; 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 values 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. During the year ended December 31, 2023, the REIT amended its debt agreements with certain of its lenders to modify covenants. Although the REIT has been provided with relief on these covenants, there is a risk that its lenders of these loans 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 December 31, 2023:

	Note	Total contractual cash flow	2024	2025-2026	2027-2028	Thereafter
Accounts payable and accrued liabilities	14	$ 42,556	$ 42,556	$ —	$ —	$ —
Amortizing principal repayments on debt	10	55,558	5,840	32,749	11,998	4,971
Principal repayments on maturity of debt	10	1,142,293	455,005	502,414	178,979	5,895
Interest on debt [1]		115,938	61,951	46,394	6,915	678
Interest rate swaps [2]		(14,478)	(8,539)	(5,939)		—
Other liabilities	11	6,665	1,381	1,035	1,199	3,050
Total		**$ 1,348,532**	**$ 558,194**	**$ 576,653**	**$ 199,091**	**$ 14,594**

[1]Interest amounts on floating rate debt have been determined using rates at December 31, 2023.

[2]Interest rate swap obligations have been calculated as the difference between the pay-fixed rate and receive-float rate based on the forward rates determined at December 31, 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 December 31, 2023, after the impact of interest rate swaps and caps, the REIT had floating rate debt of $132.3 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:

	December 31, 2023	December 31, 2022
Change of 25 bps	$ 331	$ 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 and finance lease receivable. The REIT controls risks by avoiding undue concentration of assets in any geographic location, in any industry or with any specific tenants. This risk is further mitigated by signing long-term leases with tenants who have investment-grade credit ratings and investing cash and cash equivalents in large financial institutions with strong credit ratings. The REIT has credit policies to address credit risk, which are applied during lease negotiations and may include the analysis of the financial position of the debtor, and a review of credit limits, credit history and credit performance.

Foreign currency risk

Foreign currency risk is the risk that the fair value of future cash flows of an exposure will fluctuate due to changes in foreign exchange rates. Foreign currency forwards may be used from time-to-time to hedge the REIT's net investment in foreign operations. Refer to notes 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, increase the amount of distributions paid to unitholders, return capital to unitholders, or reduce debt.

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

	December 31, 2023	December 31, 2022
Debt	$ 1,178,734	$ 1,153,253
Class B LP units	4,281	22,832
Equity	515,370	644,366
Total	**$ 1,698,385**	**$ 1,820,451**

(in thousands of Canadian dollars)

As at December 31, 2023, the Declaration of Trust provided 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 December 31, 2023 increased to 67.7% (December 31, 2022: 61.9%) and calculated as follows:

	December 31, 2023	December 31, 2022
Total assets	$ 1,747,860	$ 1,869,362
Less: Restricted cash	(5,856)	(5,300)
Gross book value	**$ 1,742,004**	**$ 1,864,062**
Debt	1,178,734	1,153,253
Leverage ratio	**67.7%**	**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 December 31, 2023, the REIT announced that, at its special meeting of unitholders held on January 15, 2024, a special resolution authorizing and approving an amendment to the REIT's declaration of trust for the purposes of removing 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 (the "Restriction"), as such amendment may be varied by the trustees of the REIT in their discretion, was passed (see note 28). The trustees of the REIT have decided to exercise their discretion to implement the proposed amendment to the declaration of trust in the form of a waiver of the Restriction until December 31, 2025, rather than implement the proposed amendment as a blanket removal of the Restriction. In addition to the foregoing, and as previously disclosed, the board of trustees intends to adopt the Restriction within the board's operating guidelines, with the board having discretion to waive the Restriction to the extent that the board determines that doing so is in the best interests of the REIT. Additional investment and operating guidelines are provided for by the Declaration of Trust. The REIT is in compliance with these guidelines.

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.

During the year ended December 31, 2023, the REIT amended its debt agreements with certain of its lenders to modify covenants. As a result of amending various debt agreements (see note 10), 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 December 31, 2023 the REIT's total debt to gross book value was 67.7%.
- 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 December 31, 2023 the REIT's senior debt to gross book value was 59.3%.
- Debt service coverage ratio not less than 1.25:1. At December 31, 2023 the REIT's debt service coverage ratio was 1.29:1.
- 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 December 31, 2023 the REIT's unitholders' equity was $520.1 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 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:

	December 31, 2023	December 31, 2022
Canada	$ 1,079,490	$ 1,118,886
United States	318,621	361,585
Ireland	263,240	273,867
Total	**$ 1,661,351**	**$ 1,754,338**

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

	Year ended December 31, 2023			
	Canada	United States	Ireland	**Total**
Property revenue	$ 133,240	$ 53,500	$ 22,247	**$ 208,987**
Property operating expenses	(74,527)	(30,637)	(4,812)	**(109,976)**
Net operating income	**$ 58,713**	**$ 22,863**	**$ 17,435**	**$ 99,011**
Straight-line rent and other changes				**(11,366)**
Finance income on finance lease receivable				**2,840**
Interest income				**562**
Interest and finance costs				**(64,831)**
General and administrative				**(14,246)**
Change in fair value of financial instruments				**(9,068)**
Change in fair value of investment properties				**(131,551)**
Depreciation of hotel asset				**(966)**
Deferred income tax recovery				**204**
Current income tax expense				**(1,358)**
Net loss before Class B LP units				**$ (130,769)**
Change in fair value of Class B LP units				**18,551**
Distributions to Class B LP unitholders				**(899)**
Net loss				**$ (113,117)**

(in thousands of Canadian dollars)

	Year ended December 31, 2022			
	Canada	United States	Ireland	**Total**
Property revenue	$ 139,705	$ 46,571	$ 19,354	**$ 205,630**
Property operating expenses	(74,131)	(25,349)	(4,637)	**(104,117)**
Net operating income	**$ 65,574**	**$ 21,222**	**$ 14,717**	**$ 101,513**
Straight-line rent and other changes				**(9,115)**
Finance income on finance lease receivable				**3,057**
Interest income				**485**
Interest and finance costs				**(52,944)**
General and administrative				**(11,191)**
Change in fair value of financial instruments				**39,144**
Change in fair value of investment properties				**(87,665)**
Depreciation of hotel asset				**(966)**
Transaction costs				**(1,240)**
Deferred income tax recovery				**2,405**
Current income tax expense				**(1,584)**
Net loss before Class B LP units				**$ (18,101)**
Change in fair value of Class B LP units				**3,594**
Distributions to Class B LP unitholders				**(2,112)**
Net loss				**$ (16,619)**

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 years ended December 31, 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 December 31, 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:

	Year ended December 31,	
	2023	2022
Beginning of period	$ (454)	$ (2,750)
Deferred income tax recovery	204	2,405
Foreign exchange	(4)	(109)
End of period	**$ (254)**	**$ (454)**

(in thousands of Canadian dollars)

A reconciliation of the expected income taxes based upon the 2023 statutory rates and the income tax recovery recognized during the years ended December 31, 2023 and 2022 are as follows:

	Year ended December 31,	
	2023	2022
Net loss before Class B LP units and taxes	$ (129,615)	$ (18,922)
Canadian statutory tax rate	26.5%	26.5%
	$ (34,348)	$ (5,014)
Income not subject to tax	21,324	4,319
Valuation allowance	15,956	287
Tax rate differential	(1,778)	(413)
Current and deferred income tax expense (recovery)	**$ 1,154**	**$ (821)**

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 December 31, 2023.

The Income Tax Act (Canada) contains legislation affecting the tax treatment of SIFT which include publicly-listed income trusts (the "SIFT Rules"). Under the SIFT Rules, certain distributions from a SIFT are not deductible in computing a SIFT's taxable income, and the SIFT is subject to tax on such distributions at a rate that is substantially equivalent to the general tax rate applicable to a Canadian corporation. However, distributions paid by a SIFT as returns of capital are generally not subject to tax. The SIFT Rules do not apply to a real estate investment trust that meets prescribed conditions relating to the nature of its assets and revenue (the "REIT Conditions"). Instead, a real estate investment trust that meets the REIT Conditions is not liable to pay Canadian income taxes provided that its taxable income is fully distributed to unitholders during the period.

At December 31, 2023 and December 31, 2022, the REIT had tax losses carried forward available to reduce future years' taxable income, which expire as follows:

Year of expiry	December 31, 2023	December 31, 2022
2037	$ 268	$ 268
2038	2,751	2,751
2042	5,619	—
Total non-capital losses	**$ 8,638**	**$ 3,019**
Total capital losses	**—**	**—**

At December 31, 2023, a subsidiary of the REIT had U.S. $9.4 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. The recently passed "Cares Act" provides that the 80% limitation is suspended for tax years beginning before January 1, 2021.

(in thousands of Canadian dollars)

27. SUPPLEMENTAL CASH FLOW INFORMATION

Changes in liabilities arising from financing activities for the year ended December 31, 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	December 31, 2023
Derivatives, net	$ (26,476)	$ —	$ 16,196	$ —	$ —	$ 106	$ (4,856)	$ —	$ (15,030)
Facilities[1]	286,189	30,029	(9,088)	(894)	—	(1,377)	—	1,502	306,361
Mortgages[1]	589,850	41,108	(57,999)	(2,119)	23,978	(3,088)	—	1,732	593,462
Term loan	131,600	—	—	(198)	—	909	—	968	133,279
Convertible debentures[2]	145,614	—	—	218	—	—	(1,294)	1,094	145,632
Class B LP units	22,832	—	—	—	—	—	(18,551)	—	4,281
Total	**$ 1,149,609**	**$ 71,137**	**$ (50,891)**	**$ (2,993)**	**$ 23,978**	**$ (3,450)**	**$ (24,701)**	**$ 5,296**	**$ 1,167,985**

[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 year ended December 31, 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	December 31, 2022
Derivatives, net	$ 11,118	$ —	$ (3,551)	$ —	$ —	$ (2,073)	$ (31,970)	$ —	$ (26,476)
Facilities[1]	297,633	13,760	(30,352)	(1,478)	—	4,370	—	2,256	286,189
Mortgages[1]	638,918	38,961	(99,517)	(1,185)	—	10,467	—	2,206	589,850
Bridge loan	—	135,732	(72,240)	(4,494)	72,240	(298)	—	660	131,600
Convertible debentures	108,991	45,000	—	(2,566)	—	—	(6,798)	987	145,614
Class B LP units	26,426	—	—	—	—	—	(3,594)	—	22,832
Total	**$ 1,083,086**	**$ 233,453**	**$ (205,660)**	**$ (9,723)**	**$ 72,240**	**$ 12,466**	**$ (42,362)**	**$ 6,109**	**$ 1,149,609**

[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 December 31, 2023:

i. On January 12, 2024, the REIT extended the mortgage in the amount of $34.0 million secured by one of its Ontario properties for a term of three months with an option to extend, subject to certain conditions, for an additional three months.

ii. On January 12, 2024, the REIT announced that the REIT and G2S2 agreed to amend the settlement agreement to, among other things, (i) reduce the size of the Board from eight to six trustees at the REIT's next annual general meeting, and (ii) to terminate certain restrictions applicable to G2S2 including restrictions on G2S2 acquiring additional securities of the REIT. G2S2 also agreed to provide credit support for certain obligations that the REIT has undertaken in connection with its pursuit of leasing opportunities, such as tenant inducements.

iii. On January 15, 2024, at the REIT's special meeting of unitholders, a special resolution authorizing and approving an amendment to the REIT's declaration of trust for the purposes of removing 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, as such amendment may be varied by the trustees of the REIT in their discretion, was passed. The trustees of the REIT decided to exercise their discretion to implement the proposed amendment to the declaration of trust in the form of a waiver of the Restriction until December 31, 2025, rather than implement the proposed amendment as a blanket removal of the Restriction. In addition to the foregoing, and as previously disclosed, the board of trustees intends to adopt the Restriction within the board's operating guidelines, with the board having discretion to waive the Restriction to the extent that the board determines that doing so is in the best interests of the REIT.

iv. On February 1, 2024, the REIT disposed of an Ontario property for a gross purchase price of $19.2 million and discharged $16.8 million of debt.