Q2 2018
TSX: SOT.UN

DEAR FELLOW UNITHOLDERS

The second quarter of 2018 was a very active quarter for Slate Office REIT and we are pleased that the operating results reflect the hard work of our management team during the past year and are aligned with our goal of creating value for unitholders over time.

Let me begin with sharing some of the second quarter highlights with you and then move on to discuss some very exciting/positive new strategic developments that occurred subsequent to quarter end.

- Completed a total of 441,222 square feet of leasing, comprised of 345,055 square feet of renewals and 96,167 square feet of new lease deals. This is our most active leasing quarter to date and represents 5.9% of the REITs total net rentable area;
- Portfolio occupancy increased to 86.8%, up 90 basis points from the first quarter of 2018 and 240 basis points from the second quarter of 2017;
- Excluding properties under redevelopment, second quarter 2018 occupancy stands at 89.1%, up 90 basis points and 270 basis points from the previous quarter and year over year, respectively;
- As importantly, the leasing was completed at spreads that were on average 9.2% over expiring rents which is consistent with our core investment thesis of acquiring quality assets with in-place rents below market. Specifically, renewals were 8.9% above expiring rents while new deals were 10.3% above in-place building rent;
- Same property net operating income was up 11.7% compared to the same period in the prior year;
- Net operating income, funds from operations and adjusted funds from operations increased 25%, 31% and 27% respectively from the prior quarter;
- Net operating income, funds from operations and adjusted funds from operations per unit also increased, showing increases of 6%, 31% and 6% respectively from the first quarter of 2018;

These results support our strategy of buying well and then providing best-in-class asset management to create value for unitholders. Accordingly, we continue to seek new opportunities for the REIT that are consistent with this approach and complimentary to the existing portfolio.

Last quarter we expressed our desire to pursue compelling acquisitions in certain key markets in Canada and the United States. I am extremely pleased to share with you that Slate Office REIT has just acquired its second asset in downtown Chicago. 120 South LaSalle is a 656,080 square foot building located in the Central Loop, in close proximity to our 20 South Clark Asset. 120 South LaSalle is the U.S. headquarters of the recently acquired CIBC Private Bank, now simply referred to as CIBC. CIBC is the lead tenant in the building, occupying approximately 45% of the net rentable area until 2029.

Part of the continued evolution of Slate Office REIT contemplates the strategic recycling of capital into new opportunities, such as 120 South LaSalle. On July 27 we entered into a firm agreement to sell 139 Water Street and the adjacent Water Street properties in St. John's, Newfoundland for $17.5 million, a premium of approximately 40% to IFRS book value at March 31, 2018. We also completed the previously announced sale of 135 Queen's Plate in Etobicoke for $16.7 million, which was approximately 10% higher than our IFRS book value at December 31, 2017. Queen's Plate was a stabilized, non-strategic asset for Slate Office REIT and thus was targeted for disposition. We expect to continue with the disposition of certain non-core holdings as a means of recycling capital for future growth.

As always, we thank our unitholders for their continued support.

Sincerely,

Scott Antoniak
Chief Executive Officer
August 3, 2018

Management's Discussion and Analysis

TSX: SOT.UN

June 30, 2018

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FORWARD LOOKING STATEMENTS

Certain information in this Management's Discussion and Analysis ("MD&A") constitutes "forward-looking statements" within the meaning of applicable securities legislation. These statements reflect Management's expectations regarding objectives, plans, goals, strategies, future growth, results of operations, performance and business prospects and opportunities of the Slate Office REIT (TSX: SOT.UN) (the "REIT") including expectations for the current financial year, and include, but are not limited to, statements with respect to Management's beliefs, plans, estimates and intentions, and similar statements concerning anticipated future events, results, circumstances, performance or expectations that are not historical facts. Statements that contain words such as "could", "should", "would", "can", "anticipate", "expect", "does not expect", "believe", "plan", budget", "schedule", "estimate", "intend", "project", "will", "may", "might", "continue" and similar expressions or statements relating to matters that are not historical facts constitute forward-looking statements.

These forward-looking statements are not guarantees of future events or performance and, by their nature, are based on the REIT's current estimates and assumptions, which are subject to significant risks and uncertainties. The REIT believes that these statements are made based on reasonable assumptions; however, there is no assurance that the events or circumstances reflected in these forward-looking statements will occur or be achieved. A number of factors could cause actual results to differ materially from the results discussed in the forward-looking statements including, but not limited to the risks that are more fully discussed under the "*Risk Factors*" section of the annual information form of the REIT for the ("Annual Information Form"). Factors that could cause actual results to differ materially from those contemplated or implied by forward-looking statements include, but are not limited to: risks incidental to ownership and operation of real estate properties including local real estate conditions; financial risks related to obtaining available equity and debt financing at reasonable costs and interest rate fluctuations; operational risks including timely leasing of vacant space and re-leasing of occupied space on expiration of current leases on terms at current or anticipated rental rates; tenant defaults and bankruptcies; uncertainties of acquisition activities including availability of suitable property acquisitions and integration of acquisitions; competition including development of properties in close proximity to the REIT's properties; loss of key management and employees; potential environmental liabilities; catastrophic events, such as earthquakes and hurricanes; governmental, taxation and other regulatory risks and litigation risks.

Forward-looking statements included in this MD&A are made as of August 3, 2018 and accordingly are subject to change after such date. The REIT does not undertake to update any forward-looking statements that are included in this MD&A, whether as a result of new information, future events or otherwise, except as expressly required by applicable securities laws. Certain statements included in this MD&A may be considered "financial outlook" for purposes of applicable securities laws, and such financial outlook may not be appropriate for purposes other than this MD&A. Investors are cautioned against placing undue reliance on forward-looking statements.

FINANCIAL AND INFORMATIONAL HIGHLIGHTS

(in thousands of dollars except per unit amounts)

	June 30, 2018	March 31, 2018	December 31, 2017	September 30, 2017	June 30, 2017
Summary of Portfolio Information					
Number of properties	**45**	45	38	38	38
Gross leasable area ("GLA")	**7,463,073**	7,462,679	6,116,085	6,116,085	6,116,085
Total assets	**$ 1,689,148**	$ 1,660,947	$ 1,364,854	$ 1,353,127	$ 1,302,622
Total debt	**$ 1,016,926**	$ 1,003,951	$ 795,591	$ 793,765	$ 752,312
Occupancy	**86.8%**	85.9%	85.8%	85.9%	84.4%

					Three months ended
	June 30, 2018	March 31, 2018	December 31, 2017	September 30, 2017	June 30, 2017
Summary of Financial Information					
Revenue	**$ 52,056**	$ 44,289	$ 42,380	$ 41,208	$ 36,230
Net operating income ("NOI")[1]	**25,212**	20,112	18,489	19,040	17,131
Net income	**23,592**	7,904	14,174	23,607	3,482
Funds from operations ("FFO")[1]	**14,810**	11,292	11,221	12,372	11,405
Core-FFO[1]	**15,389**	11,862	11,782	12,923	11,949
Adjusted FFO ("AFFO")[1]	**12,836**	10,108	9,528	10,663	10,694
Per Unit Financial Information					
Weighted average diluted number of trust units (000s)	**75,139**	62,874	62,266	62,231	57,781
FFO per unit[1]	**$ 0.20**	$ 0.18	$ 0.18	$ 0.20	$ 0.20
Core-FFO per unit[1]	**0.20**	0.19	0.19	0.21	0.21
AFFO per unit[1]	**0.17**	0.16	0.15	0.17	0.19
Distributions per unit[1]	**$ 0.1875**	$ 0.1875	$ 0.1875	$ 0.1875	$ 0.1875
FFO pay-out ratio[1]	**95.1%**	110.4%	103.9%	94.2%	102.2%
Core-FFO payout ratio[1]	**91.5%**	105.1%	99.0%	90.2%	97.5%
AFFO pay-out ratio[1]	**109.7%**	123.4%	122.4%	109.3%	108.9%

	June 30, 2018	March 31, 2018	December 31, 2017	September 30, 2017	June 30, 2017
Financial Data					
Loan-to-value ("LTV") ratio	**60.2%**	60.5%	58.3%	58.7%	57.8%
Weighted average debt interest rate	**3.8%**	3.7%	3.6%	3.2%	3.2%
Interest coverage ratio (times)[1]	**2.5x**	2.5x	2.6x	3.0x	3.1x
Net debt to adjusted EBITDA ratio (times)[1]	**10.3x**	12.4x	10.7x	9.9x	10.7x

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

PART I - OVERVIEW

INTRODUCTION

This Management's Discussion and Analysis ("MD&A") of the financial position and results of operations of the REIT is intended to provide readers with an assessment of performance and summarize the financial position and results of operations of the REIT for the three and six month periods ended June 30, 2018. The presentation of the REIT's financial results, including the related comparative information, contained in this MD&A are based on the REIT's condensed consolidated interim financial statements (the "consolidated financial statements") as at June 30, 2018 and for the three and six month periods ended June 30, 2018 and 2017. This MD&A should be read in conjunction with those consolidated financial statements. All dollar amounts are in thousands of Canadian dollars, unless otherwise noted.

The information contained in this MD&A is based on information available to the REIT and is dated as of August 3, 2018, which is also the date the Board of Trustees, upon the recommendation of its Audit Committee, approved the contents of this MD&A.

SLATE OFFICE REIT PROFILE

The REIT 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 December 17, 2014, as amended on March 16, 2015, May 25, 2015 and March 21, 2016. On June 30, 2018, the REIT owned interests in 45 properties comprised of 42 office properties and 3 non-office properties totaling 7.4 million and 0.1 million square feet, respectively, of GLA. The properties are located in geographically diversified markets in Canada and the United States ("the U.S.").

The REIT is externally managed and operated by Slate Management Corporation ("SMC"), a subsidiary of Slate Asset Management L.P., (collectively, "Slate" or the "Manager"). Slate has an experienced and dedicated team of real estate professionals with a proven track record of success in real estate investment and management. Management's interests are aligned with the unitholders of the REIT through its sponsorship and as a significant unitholder of the REIT. Slate is the largest unitholder in the REIT, with an 9.3% interest at June 30, 2018, and accordingly, is highly motivated to increase the value of the REIT on a per unit basis and provide reliable returns to the REIT's unitholders. Slate assumed management responsibilities for the REIT in 2014 with the vision of creating a pure-play office REIT focused on "non-core" real estate assets. This vision was premised on the belief that the office market was changing and a pure-play office REIT would provide a vehicle to capitalize on future opportunities.

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

NON-IFRS MEASURES

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

STRATEGY

Our strategy is to own an institutional quality portfolio of assets in major office markets, where millions of people come to work every day. We believe that in seeking out assets that can be purchased at a significant discount to peak and replacement value while retaining stable operating fundamentals allow the potential for superior risk-adjusted returns. We believe that approximately two-thirds of office inventory is often overlooked by large institutional investors for various reasons. The REIT's portfolio of office properties provides diversification, an ability to generate cash flow to provide distributions to unitholders, while also providing the opportunity to grow net asset value on a per unit basis.

Recently we have taken note that similar characteristics exist in numerous markets throughout the U.S. and have developed a robust pipeline of assets that meet our investment criteria. Management believes the REIT's strategy is applicable in the U.S. and will continue to look to expand into scalable markets while maintaining an active pipeline in Canada.

While our primary goals are to grow net asset value on a per unit basis and provide distributions to unitholders, we are focused on the following areas to achieve the REIT's objectives through 2018 and 2019:

- Proactive property and asset management that results in NOI growth while minimizing property and portfolio vacancy exposure;
- Prudent and disciplined management of capital outlays that will maintain and increase the attractiveness of the REIT's portfolio and achieve increased rents;
- Continue to increase the REIT's financial strength and flexibility through robust balance sheet management;

- Maintain a conservative AFFO pay-out ratio taking into account the REIT's other available opportunities and capital allocation requirements; and
- Continue to selectively dispose of non-strategic assets and recycle capital to appropriately manage leverage and acquire office properties on an opportunistic basis.

Overall, we believe that the REIT has positioned its portfolio and capital structure to grow in the current economic environment and capitalize on opportunities in the future.

TOTAL RETURN TO UNITHOLDERS

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

Over the past number of years, the REIT has consistently provided a meaningful total return to unitholders. In the 2017 year, the REIT created $0.81 of value per unit. Of this $0.81 a total of $0.75 was returned to unitholders in the form of a distribution and $0.06 was retained in the REIT, which served to increase IFRS net asset value. Importantly, this $0.81 of value creation per unit is equivalent to a 9.6% total return on a per unit basis. Similarly, in 2016 the REIT created $0.97 of value per unit, of which $0.22 was retained in the REIT, and in aggregate is equivalent to a total return of 11.9%. It is the objective of Management to continue to provide strong total returns to unitholders of the REIT through growing the value of the REIT's portfolio and finding new opportunities for value creation.

Beginning with 2018, we continued to return capital in the way of distributions at an annual yield, when compared to IFRS net asset value, of 9.0%. To date in 2018, total returns were negatively impacted by the equity and convertible debenture issuances in January 2018 and transaction costs required to complete the $296.6 million of acquisitions in the first quarter. Management believes that these initiatives will deliver positive per unit net asset value growth.

A large portion of this total return to unitholders is provided by way of distributions. For 2017 and 2016 100.0% and 90.2%, respectively, of the distributions received by unitholders were treated as a return of capital for taxation purposes, resulting in a meaningful deferral of the taxation of returns being provided. We expect the taxation deferral to continue to be meaningful in 2018, however, the extent of any return of capital will be impacted to the extent of capital gains on any asset sales, if any.

The following reconciliation shows the change in IFRS net asset value of the REIT on a total and per unit basis for the six months ended June 30, 2018 and the years ended December 31, 2017 and 2016:

	Six month period ended June 30, 2018		Year ended December 31, 2017		Year ended December 31, 2016	
	IFRS Net Asset Value (1)	**Per Unit**	IFRS Net Asset Value (1)	Per Unit	IFRS Net Asset Value (1)	Per Unit
Beginning of period	**$ 528,051**	**$ 8.48**	$ 387,862	$ 8.42	$ 289,540	$ 8.19
Core-FFO	**27,251**	**0.39**	46,684	0.81	39,948	1.01
Property fair value changes	**1,305**	**0.02**	15,126	0.26	7,933	0.20
Other fair value changes	**(587)**	**(0.01)**	1,930	0.03	602	0.02
Depreciation on hotel	**(450)**	**(0.01)**	(799)	(0.01)	(590)	(0.01)
Foreign exchange	**2,588**	**0.04**	—	—	—	—
Unit issuances	**98,734**	**(0.13)**	127,760	(0.12)	82,689	(0.10)
Distributions	**(26,546)**	**(0.38)**	(43,607)	(0.75)	(30,026)	(0.75)
DRIP units	**730**	**—**	1,014	(0.01)	866	(0.01)
Unit repurchases	**(1)**	**—**	—	—	(384)	0.01
Other	**(2,332)**	**(0.04)**	(7,919)	(0.15)	(2,716)	(0.14)
End of period	**$ 628,743**	**$ 8.36**	$ 528,051	$ 8.48	$ 387,862	$ 8.42

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

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

RISKS AND UNCERTAINTIES

The REIT's business is subject to a number of risks and uncertainties which are described in its most recently filed Annual Information Form for the year ended December 31, 2017, available on SEDAR at www.sedar.com. Additional risks and uncertainties not presently known to the REIT or that the REIT currently considers immaterial also may impair its business and operations and cause the price of the REIT's units to decline in value. If any of the noted risks actually occur, the REIT's business may be harmed and the financial condition and results of operations may suffer significantly. In that event, the trading price of the units could decline, and unitholders may lose all or part of their investment.

SIGNIFICANT HIGHLIGHTS

The following are the significant highlights for the quarter ended June 30, 2018:

Leasing

- The REIT completed a total of 441,222 square feet of leasing, comprised of 345,055 square feet of renewals and 96,167 square feet of new lease deals, increasing occupancy to 86.8% at June 30, 2018 from 85.9% at March 31, 2018.
- Leasing spreads were 9.2% over expiring rents. Renewals were 8.9% above expiring rents while new deals were 10.3% above in-place building rent. In-place occupancy for the portfolio increased to 86.8% compared to 85.9% at March 31, 2018 and the weighted average lease term was 5.5 years at June 30, 2018 compared to 5.6 years at March 31, 2018.
- Other leasing highlights include:
    - At the Maritime Centre in Halifax, the REIT completed a new lease for 52,400 square feet with an engineering firm. Rent will commence for this lease in the second quarter of 2019 as the space is currently occupied by the Province of Nova Scotia. The Province of Nova Scotia are relocating elsewhere in the building as part of a previously completed renewal. The Maritime Centre continues to see strong demand and the REIT's planned renovations should continue to drive an increase in net rents.
    - In Fredericton, the REIT completed a 15,376 square foot new office deal at King's Place that will commence in Q4 2018 for a term of 5 years.
    - The Winnipeg portfolio continues to be solid, with the REIT completing a 24,825 square foot renewal with Dillon Consulting at 1000 Waverley Street.
    - At 20 South Clark in Chicago, the REIT secured 5,103 square feet of new lease deals at the property, all of which commence subsequent to the second quarter. The REIT has seen very strong leasing demand for the property since deploying its pro-active and hands on asset management approach.
    - The REIT completed some key deals in the Highway 427 portfolio, including 114,593 square feet of renewal activity at Commerce West, most notably two 5 year extensions of 76,568 square feet and 20,092 square feet.

Financial

- Net income was $23.6 million for the second quarter of 2018, an increase from $3.5 million for the second quarter of 2017. This increase is primarily related to increased property net operating income and positive property fair value adjustments in the second quarter of 2018 compared to the same period in the prior year.
- Same property net operating income was up 11.7% for the second quarter of 2018 compared to the same period in the prior year and up 6.8% compared to the first quarter of 2018. A significant portion of this increase is a result of the leasing completed by the REIT in 2017.
- FFO, Core-FFO and AFFO in the second quarter of 2018 have increased from the first quarter of 2018 by $3.5 million, $3.5 million and $2.7 million respectively as a result of positive property net operating income in addition to portfolio acquisitions in the first quarter of 2018.
- FFO increased $0.02 per unit, while Core-FFO and AFFO increased $0.01 per unit in the second quarter of 2018 compared to the first quarter of 2018 despite higher weighted average units outstanding in the second quarter of 2018.

Recycling Capital

- On February 1, 2018 the REIT executed on its strategy of expanding into the U.S. with the acquisition of a 31-storey 379,903 square foot office building located at 20 South Clark Street in downtown Chicago, IL. At acquisition, this building was approximately 84% occupied with in place rents estimated to be approximately 18% below market, providing upside opportunity.
- Subsequent to June 30, 2018, the REIT agreed to purchase a 656,080 square foot office building which includes 21,633 square feet of retail space located at 120 South LaSalle Street ("120 South LaSalle") in downtown Chicago, IL for U.S.$155.5 million. 120 South LaSalle is located in close proximity to the REIT's existing 20 South Clark office building which creates marketing and leasing synergies for the REIT. This building is the U.S. head office for the Canadian Imperial Bank of Commerce and is 84.3% occupied which provides the REIT with upside leasing opportunity. The REIT will finance the acquisition with existing liquidity and new debt financing. This acquisition will serve to increase the REIT's debt, relative to its gross book value, however, the REIT expects to reduce debt in the short-term through the sale of fully valued and non-strategic assets.

- On March 27, 2018, the REIT acquired seven office properties located in the greater Toronto area (the "GTA") and Atlantic Canada, for an aggregate purchase price of $191.4 million (the "7 Asset Portfolio"). The 7 Asset Portfolio increased the REIT's GLA by approximately 1.0 million square feet compared to December 31, 2017.
- On July 12, 2018, the REIT disposed of one office property located at 135 Queens Plate Drive in Etobicoke, ON for $16.7 million. This sale is in excess of the REIT's IFRS fair value for this property at December 31, 2017. The REIT reduced outstanding debt, creating additional liquidity for future acquisitions and reinvestment in the portfolio.
- On July 27, 2018 the REIT agreed to dispose of 139 Water Street and the Water Street properties for gross proceeds of $17.5 million. As part of this transaction, the REIT has agreed to issue a $2.7 million vendor take back note for a term of 24 months bearing interest at 8%. The REIT expects this transaction to close in the third quarter of 2018 and intends to use the proceeds to reduce outstanding debt.
- The acquisition pipeline is active and the REIT remains disciplined in underwriting new opportunities in Canada and the U.S.

Redevelopment

- The REIT recently announced the $10+ million redevelopment of Maritime Centre in downtown Halifax, Nova Scotia (www.maritimecentre.ca). Maritime Centre has large efficient floor plates (25,000 SF split into two wings: North 15,000 SF and South 10,000 SF) with abundant exposure to natural light. The redevelopment will include the addition of a new glass façade that will see the lobby brought down to the Barrington Street level which will host a 6,000 square foot restaurant on Barrington Street. The redevelopment also includes the conversion of the existing food court level to parking, adding more than 100 parking spaces, an important feature in the Halifax market.

OUTLOOK

The following are some of the more significant items that Management expects will impact the REIT during 2018:

Leasing

- Renewal spreads are expected to continue to be strong as the current in place rent is an estimated 7.7% below market.
- The REIT's portfolio had large transitional vacancies in 2017 at properties that were acquired knowing the tenants would be departing and therefore accounted for in our acquisition prices. In 2018, there are fewer known vacancies and the REIT has completed lease deals to reduce the existing vacancy and expects to see growth in occupancy throughout the year.
- At Maritime Centre, Bell Aliant vacated 193,861 square feet on April 30, 2017 and Management has been working with existing sub-tenants and new tenants to drive occupancy and rent growth. In 2017, 136,022 square feet of former Bell Aliant space was leased, most notably, the REIT completed a new 5-year lease deal with Volta Labs for 58,178 square feet, of which 18,284 square feet was already being leased by Volta. The REIT recently renewed 62,614 square feet and 18,686 square feet with two government tenants for terms of 84 and 120 months, respectively. The REIT has also been successful in securing a lease with a multi-disciplined engineering firm which will take occupancy of 52,400 square feet in May 2019. Overall, the Bell Aliant space has been leased at an average rent that is 49% above the expiring Bell Aliant lease rate. The Maritime Centre presents an opportunity to grow same property NOI through meaningful rent increases and higher occupancy.

PART II - LEASING AND PROPERTY PORTFOLIO

LEASING

The REIT had a strong quarter continuing to renew and extend leases to drive occupancy and value. In aggregate, 441,222 square feet of leasing was completed, comprising 345,055 square feet of lease renewals and 96,167 square feet of new lease deals. Leasing spreads in the quarter were 9.2% overall with lease renewals at 8.9% above expiring rents and new deals at 10.3% above building in place rent. Overall, in place occupancy at June 30, 2018 increased 90 basis points to 86.8% compared to 85.9% at March 31, 2018, while the weighted average lease term decreased to 5.5 years from 5.6 years for the prior period.

Looking forward to the remainder of 2018, 2.6% of the portfolio GLA is maturing and Management expects normal course renewals. The REIT has completed new lease deals that are not reflected in the current in place occupancy as the leases commence subsequent to June 30, 2018. The REIT is focused on 2018 leasing expiries as well as a number of significant proposals in the markets in which we operate. Overall, Management expects to continue a trend of positive rental spreads, increased occupancy, improved tenant quality and longer weighted-average lease term. The goal is to continue to drive organic growth in the portfolio and focus on creating meaningful per unit net asset value accretion.

OCCUPANCY

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

	Three months ended June 30, 2018			Three months ended March 31, 2018		
	GLA	**Occupancy (square feet)**	**Occupancy (%)**	GLA	Occupancy (square feet)	Occupancy (%)
Occupancy, beginning of period	**7,462,679**	**6,413,137**	**85.9%**	6,116,085	5,245,225	85.8%
Acquisitions	**—**	**—**	**—%**	1,374,994	1,226,862	89.2%
Dispositions	**—**	**—**	**—%**	(28,400)	—	—%
Remeasurement	**394**	**—**	**—%**	—	—	—%
Change in same property occupancy	**—**	**67,174**	**—%**	—	(58,950)	—%
Occupancy, end of period	**7,463,073**	**6,480,311**	**86.8%**	7,462,679	6,413,137	85.9%
Redevelopment properties	**265,650**	**63,927**	**24.1%**	265,650	63,646	24.0%
Occupancy, excluding redevelopments	**7,197,423**	**6,416,384**	**89.1%**	7,197,029	6,349,491	88.2%

The REIT's objective is to maintain high levels of occupancy throughout the portfolio. At June 30, 2018, the REIT's occupancy, excluding redevelopment office properties, was 89.1%, an increase of 90 basis points. The in-place occupancy of the REIT's total portfolio including redevelopment assets was 86.8% compared to 85.9% at March 31, 2018, an increase of 90 basis points.

Looking forward to the remainder of 2018, the REIT has completed new lease deals that will commence subsequent to June 30, 2018 and are expected to increase occupancy through the remainder of the year.

LEASE MATURITIES

The REIT generally enters into leases with an initial term to maturity between 2 and 10 years. The weighted average remaining term to maturity at June 30, 2018 was 5.5 years, not including tenants on month-to-month leases. Management considers the current average duration of rents to be indicative of the stability of the portfolio's cash flow generation abilities and diversified maturity risk.

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

	June 30, 2018			March 31, 2018		
	Weighted average years to maturity (1)	**GLA**	**% of GLA**	Weighted average years to maturity (1)	GLA	% of GLA
Atlantic	**5.5**	**2,377,404**	**31.9%**	5.6	2,316,420	31.0%
Ontario	**5.1**	**3,224,739**	**43.2%**	5.1	3,215,988	43.1%
Western	**8.4**	**562,971**	**7.5%**	8.4	562,971	7.5%
USA	**5.0**	**315,197**	**4.2%**	4.7	317,757	4.3%
	5.5	**6,480,311**	**86.8%**	5.6	6,413,136	85.9%
Vacant (2)		**982,762**	**13.2%**		1,049,543	14.1%
Total		**7,463,073**	**100.0%**		7,462,679	100.0%

(1) The calculation of weighted average term to maturity does not include month-to-month tenants.
(2) Does not include committed leases commencing after June 30, 2018.

The following is a profile of the maturities of the REIT's leases excluding the impact of tenant extension options at June 30, 2018:

	GLA	% of portfolio	Weighted average in place rent (per square foot)(1)
Month-to-month	76,018	1.0%	$ 12.52
Remainder of 2018	192,538	2.6%	15.15
2019	609,122	8.1%	14.81
2020	797,095	10.7%	14.93
2021	507,189	6.8%	17.20
2022	990,424	13.3%	15.03
2023	542,701	7.3%	14.47
2024 and later	2,765,224	37.0%	17.60
Vacant	982,762	13.2%	
Total/weighted average	**7,463,073**	**100.0%**	**$ 16.19**

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

IN PLACE AND MARKET RENTS

During the three months ended June 30, 2018, the REIT completed 441,222 square feet of leasing comprised of both new deals and renewals.

The following table summarizes the REIT's leasing activity during the three months ended June 30, 2018:

	GLA	Number of leases	Weighted average expiring rent (per square foot)	Weighted average new rent (per square foot)	Increase (decrease) in rent
Renewed leases	345,055	29	$ 16.11	$ 17.55	8.9%
New leases	96,167	13	12.59	13.88	10.3%
Total / weighted average	441,222	42	$ 15.34	$ 16.75	9.2%
Less: leases not renewed / vacated	(50,748)	(24)			
Net total	390,474	18			

During the quarter, on a weighted average basis, renewed and new leases were completed at a 8.9% and 10.3% increase to expiring rents, respectively. The rental rate spread on new leases and renewals outperformed Management's expectations for the portfolio.

The weighted-average in-place rent of the REIT's office portfolio at June 30, 2018 is $16.19 per square foot. Management estimates the current weighted average market rate to be $17.54 per square foot for the markets in which the REIT's office properties are located, or $1.35 per square foot higher than the REIT's current in place rental rates. This estimate of current market rent is based on Management's estimates, third party valuations and leasing data obtained from actual new and renewed leasing activity. While there are no assurances that maturing leases will be renewed at rates in excess of current in place rents, or at all, Management compares in place to market rents to determine the future revenue capacity of the REIT's current portfolio and roll-over revenue risk.

The following is a summary of the REIT's new and renewal leasing activity for the past five quarters:

	Renewals		New leases		Total	
Quarter	GLA	Number of leases	GLA	Number of leases	GLA	Number of leases
Q2 2017	92,484	13	53,473	17	145,957	30
Q3 2017	129,839	20	114,013	15	243,852	35
Q4 2017	288,765	29	68,898	17	357,663	46
Q1 2018	170,903	23	54,330	19	225,233	42
Q2 2018	345,055	29	96,167	13	441,222	42

TENANT PROFILE

Management's strategy includes ensuring that the REIT's tenants are diversified and of high credit quality. A higher quality tenant base increases the durability of the REIT's income through economic cycles, which directly relates to their continued ability to meet their lease obligations to the REIT and continue to retain their workforce, which directly impacts their need for office space.

The following are the REIT's top 10 largest tenants at June 30, 2018, which together represent 37.5% of base rental receipts:

Tenant	Credit rating (1)	GLA	Number of properties	% of base rental receipts	Weighted average lease term (years)
SNC-Lavalin Inc. (2)	BBB	448,899	3	7.2%	6.2
Government of Canada	AAA	369,163	9	5.7%	4.6
Province of New Brunswick	AA	312,898	5	3.5%	3.9
Thales Rail Signalling Solutions Inc.	A2	219,198	1	3.0%	7.3
Blue Cross	Unrated	192,345	4	3.0%	9.8
Bell Canada Enterprises	BBB	171,895	5	7.2%	8.4
Kraft Canada Inc.	BBB-	156,426	1	2.2%	7.9
Johnson Insurance (3)	A	154,018	1	2.2%	10.0
Province of Nova Scotia	AA	131,877	1	1.7%	6.4
Bank of Nova Scotia	AA	103,362	3	1.8%	3.9
Total		**2,260,081**		**37.5%**	**6.5**

(1) Source: DBRS, Moody's
(2) Includes 338,983 square feet of SNC-Lavalin Nuclear Inc.
(3) Johnson Insurance is a sub-tenant of Bell Canada and will take occupancy in the Johnson building on December 1, 2020.

PROPERTY PROFILE

The REIT's property portfolio at June 30, 2018, comprises wholly-owned interests in 45 properties, comprised of 42 office properties and three non-office properties. The portfolio comprises 7.5 million square feet of GLA. Of the REIT's property portfolio, three of its office properties are currently classified as redevelopment. For a listing of all of the REIT's properties see PART VI of this MD&A.

Acquisitions

During the six months ended June 30, 2018, the REIT acquired eight office properties for a total of $296.6 million.

On February 1, 2018 the REIT acquired a wholly-owned interest in a 379,903 square foot, 31-storey office building located at 20 South Clark Street, in downtown Chicago, IL, for a purchase price of U.S. $85.6 million ("20 South Clark"). This building was 84% occupied on acquisition with a weighted average lease term of 5.0 years and is located in Chicago's downtown 'Central Loop' submarket, surrounded by the city's legal, government and financial centres. This is the REIT's first acquisition in the U.S. and the REIT will continue to assess its pipeline of assets in the U.S. that meet its investment criteria.

On March 27, 2018 the REIT acquired seven office properties located in the Greater Toronto Area (the "GTA") and Atlantic Canada, for an aggregate purchase price of $191.4 million. These seven assets are 93% occupied with a weighted average lease term of 4.9 years. The REIT expects these assets to be immediately accretive to AFFO per unit on a leverage-neutral basis and increased the REIT's GLA by approximately 1.0 million square feet compared to December 31, 2018.

A summary of these acquisitions are as follows:

	20 South Clark (1)	7 Asset Portfolio	Total
REIT's interest	100%	100%	
Location	Chicago, IL	Various (2)	
Number of properties	1	7	**8**
Acquisition date	February 1, 2018	March 27, 2018	
Purchase price	$ 105,247	$ 191,400	**$ 296,647**
Transaction costs	2,930	7,703	**10,633**
Adjustments	(404)	(1,242)	**(1,646)**
Debt principal amount assumed	—	(82,159)	**(82,159)**
Net investment	$ 107,773	$ 115,702	**$ 223,475**

(1) Amounts converted to Canadian dollars using the prevailing exchange rate on the date of acquisition.
(2) Four assets are located in the Greater Toronto Area and three assets are located in Eastern Canada.

The net investment in acquisitions has been allocated as follows:

	20 South Clark (1)	7 Asset Portfolio	Total
Properties	$ 107,154	$ 194,057	**$ 301,211**
Working capital	619	(614)	**5**
Income supplement (2)	—	2,270	**2,270**
Debt (3)	—	(80,011)	**(80,011)**
Net assets acquired	$ 107,773	$ 115,702	**$ 223,475**

(1) Amounts converted to Canadian dollars using the prevailing exchange rate on the date of acquisition.
(2) The REIT was provided an income supplement in the aggregate amount of $2.4 million to be received in equal quarterly installments in each of the eight calendar quarters following the acquisition of the 7 Asset Portfolio by Slate Canadian Real Estate Opportunity Fund I L.P. ("SCREO I L.P."). The income supplement is recorded as an other asset and initially measured at its present value.
(3) Includes the impact of mark-to-market adjustments.

Consideration for each acquisition during the six months ended June 30, 2018 was comprised of cash.

Acquisition pipeline

The REIT currently has a significant pipeline of active opportunities in the cities in which we operate and in markets that are new to the REIT. While the number of opportunities is high we will continue to be disciplined in our underwriting and pricing. We will not sacrifice long-term value creation for short-term income and accordingly have not pursued acquisitions that do not meet appropriate return expectations.

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

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

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

Dispositions

During the first quarter of 2018, the REIT disposed of a vacant industrial building located at 35 Martin Way in Brooks, AB ("Brooks" or "35 Martin Way"), for gross proceeds of $1.0 million. As Brooks was vacant, its sale had a positive contribution to NOI, due to the required holding costs of ownership. The sale of Brooks is a continuation of our strategy to dispose of non-strategic assets and recycle capital appropriately to manage leverage.

	35 Martin Way
Disposition date	January 15, 2018
Location	Brooks, AB
Sale price	$ 1,025
Working capital	—
Disposition costs	(54)
Net proceeds	**$ 971**

On July 12, 2018, the REIT disposed of 135 Queen's Plate in Etobicoke, ON for $16.7 million, which was approximately 10% higher than the REIT's IFRS book value at December 31, 2017. The REIT used the net proceeds to repay debt and create liquidity for future opportunities.

Redevelopment Properties

The REIT has classified the following properties as redevelopment at June 30, 2018:

Property Address	Property Name	City, Province	Year Built / Renovated / Expanded	Ownership Interest	Square feet of GLA	Occupancy
Various	Water Street Properties	St. John's, NL	Various	100%	71,541	53.0%
139 Water Street		St. John's, NL	1968 / 1994	100%	82,648	31.4%
2599 Speakman Drive		Mississauga, ON	1971 / 2011	100%	111,461	—%

In St. John's, NL, the Water Street Properties and 139 Water Street (formerly "Fortis Building") form a contiguous group of properties well located at the northeast end of downtown with prime views of the St. John's Harbour and the Narrows. 139 Water Street was formerly occupied by Fortis Corporation which has moved its head-office to the REIT's Fortis Place property. On July 27, 2018 the REIT entered into a definitive agreement to sell these properties for gross proceeds of $17.5 million. The REIT expects this sale to be completed in the third quarter of 2018.

2599 Speakman Drive is one of five properties owned by the REIT in Mississauga's Sheridan Business Park. The REIT entered into a 10-year lease with SNC-Lavalin Nuclear whereby the REIT constructed a campus style office complex comprised of 2285 and 2251 Speakman Drive, which includes highly functional, contemporary facilities with modern amenities. Sheridan Business Park offers excellent accessibility to major arterial roadways including Erin Mills Parkway, Winston Churchill Boulevard, and highways including the Queen Elizabeth Way, 401, 403 and 407 ETR. In addition, being on the Mississauga-Oakville border means Sheridan Business Park is serviced at various locations by the routes of two transit commissions with connections to GO Transit and the TTC subway.

At the time the REIT entered into the lease with SNC-Lavalin Nuclear in September 2015, SNC-Lavalin Nuclear occupied 2285 and 2599 Speakman Drive. In July 2016, the REIT completed its redevelopment of 2251 Speakman Drive and delivered the space to SNC-Lavalin Nuclear, and accordingly reclassified 2251 Speakman Drive from redevelopment to income producing property. The next phase of the redevelopment required the REIT to complete a modernization of 2285 Speakman Drive which was reclassified to redevelopment property in the third quarter of 2016. Construction commenced on 2285 Speakman Drive in the first quarter of 2017 and was completed in the third quarter of 2017 and the space was delivered to SNC Lavalin Nuclear for fixturing. During the third quarter of 2017, the REIT reclassified 2599 Speakman Drive to redevelopment and 2285 Speakman Drive to income producing property. Rent commenced at 2285 Speakman in January 2018 and SNC-Lavalin continued to pay rent at 2599 Speakman until February 2018. The REIT is continuing to engage in discussions with prospective tenants regarding the redevelopment and leasing of 2599 Speakman Drive.

IFRS fair value

The REIT's property portfolio at June 30, 2018 had an estimated IFRS fair value of $1.6 billion, with a weighted average going-in capitalization rate of 6.39%. It is important to highlight that this capitalization rate reflects the current economics of the REIT's properties, including its 86.8% in place occupancy which includes its redevelopment assets and current weighted average in place rents of $16.19 per square foot, which Management estimates to be on average $1.35 per square foot below estimated market rents of $17.54. Overall, the average estimated IFRS fair value per square foot of the REIT's portfolio is $215 with an average cost to the REIT of $208 per square foot. Management believes that this average value per square foot is significantly lower than replacement cost, which Management estimates to be on average between $250 and $350 per square foot. In certain markets, such as St. John's, NL, the cost to construct is significantly higher. Furthermore, the difference between the IFRS fair value per square foot of $215 compared to an average cost to the REIT of $208 per square foot represents approximately $52 million of value creation from ownership, based on the REIT's current portfolio.

The following table presents a summary of the discount, terminal capitalization and going-in capitalization rates for the fair value of the REIT's properties at June 30, 2018 and December 31, 2017:

	June 30, 2018			December 31, 2017		
	Discount rate	**Terminal cap rate**	**Capitalization rate (1)**	Discount rate	Terminal cap rate	Capitalization rate (1)
Minimum	**6.25%**	**6.25%**	**4.33%**	6.25%	6.25%	4.37%
Maximum	**11.00%**	**9.00%**	**11.92%**	11.00%	9.00%	11.85%
Weighted average	**7.30%**	**6.75%**	**6.39%**	7.27%	6.81%	6.21%

(1) Represents the going-in capitalization rate on the REIT's properties based on Management's estimate of twelve-month forward NOI. The figures presented are inclusive of both those properties where the direct capitalization approach has been used as well as those properties where the primary valuation methodology was the discounted cash flow approach.

While the weighted average capitalization rate is 6.39%, which represents the going-in capitalization rate on the REIT's properties based on Management's estimate of twelve-month forward NOI, the minimum and maximum capitalization rates are 4.33% and 11.92%, respectively. The lower end of the range represents a single tenant property with below market rents located in the Greater Toronto Area ("GTA"), while the upper end of the range represents a retail property located in Manitoba. Both of these properties have an estimated fair value below $5.5 million, individually.

Various properties within the REIT's portfolio are either vacant, or significantly below normalized occupancy, and certain of which are expected to be so for all or a portion of the next twelve-month period.

The fair value of properties are measured individually without consideration to their aggregate value on a portfolio basis. No consideration is given to diversification benefits related to single property tenant risk and geography, the value of assembling a portfolio or to the utilization of a common management platform, amongst other benefits. As a result, the fair value of the REIT's properties taken in aggregate may differ from the fair value of properties measured individually in the REIT's consolidated statements of financial position. For the three months ended June 30, 2018, the REIT recognized a gain on fair value of investment property of $10.5 million. The change in fair value of investment properties for three months ended June 30, 2018 is the result of certain asset revaluations, particularly on properties under contract for sale. The fair value of the REIT's remaining investment properties are consistent with March 31, 2018.

Property continuity

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

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	**2018**	2017
Balance, beginning of period	**$ 1,581,997**	$ 959,249	**$ 1,279,509**	$ 946,939
Acquisitions (1)	**31**	256,796	**301,211**	256,796
Capital expenditures	**3,298**	7,199	**4,861**	11,708
Direct leasing costs	**5,990**	6,543	**10,311**	13,856
Dispositions	**—**	(4,400)	**(1,025)**	(4,400)
Depreciation of hotel asset	**(228)**	(191)	**(450)**	(380)
Foreign exchange	**2,362**	—	**7,619**	—
Change in fair value	**10,535**	(2,389)	**1,305**	(2,162)
IFRIC 21 property tax adjustment(2)	**585**	—	**1,113**	—
Straight line rent and other changes	**(118)**	266	**(2)**	716
Balance, end of period	**$ 1,604,452**	$ 1,223,073	**$ 1,604,452**	$ 1,223,073

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

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

The change in carrying value of the REIT's properties during the three months ended June 30, 2018 is a result of certain asset revaluations, particularly on properties under contract for sale. The REIT acquired 20 South Clark in February 2018 and the 7 Asset Portfolio in March 2018 for combined property value of $301.2 million contributing to the change in carrying value for the six months ended June 30, 2018. Only minor modifications to cash flows, discount and capitalization rates were made at certain other properties in determining the REIT's estimate of IFRS fair value.

PART III - RESULTS OF OPERATIONS

SUMMARY OF RESULTS OF OPERATIONS

The following is a summary of the results of operations:

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	**2018**	2017
Rental revenue	**$ 52,056**	$ 36,230	**$ 96,345**	$ 68,548
Property operating expenses	**(26,377)**	(18,833)	**(49,910)**	(36,526)
Finance income on finance lease receivable	**946**	981	**1,901**	1,971
Interest income	**40**	24	**77**	41
Interest and finance costs	**(10,094)**	(6,883)	**(20,419)**	(12,093)
General and administrative	**(2,106)**	(1,279)	**(3,714)**	(2,428)
Change in fair value of properties	**10,535**	(2,389)	**1,305**	(2,162)
Change in fair value of financial instruments	**116**	(3,266)	**5,164**	(2,404)
Disposition costs	**—**	(133)	**(54)**	(133)
Depreciation of hotel asset	**(228)**	(191)	**(450)**	(380)
Deferred income tax recovery (expense)	**(305)**	—	**485**	—
Net income before Class B LP units	**$ 24,583**	$ 4,261	**$ 30,730**	$ 14,434
Change in fair value of Class B LP units	**—**	212	**2,748**	(528)
Distributions to Class B unitholders	**(991)**	(991)	**(1,982)**	(1,982)
Net income	**$ 23,592**	$ 3,482	**$ 31,496**	$ 11,924
Other comprehensive income to be subsequently reclassified to profit or loss:				
Foreign currency translation	**854**	—	**2,588**	—
Comprehensive income	**$ 24,446**	$ 3,482	**$ 34,084**	$ 11,924

NET INCOME BEFORE CLASS B LP UNITS

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

Net income before Class B LP units for the three months ended June 30, 2018 when compared to the same period in 2017 increased by $20.3 million primarily due to an increase in fair value of investment property of $12.9 million, an increase in net property operating income of $8.3 million and a change in fair value of financial instruments of $3.4 million, offset by higher interest expense of $3.2 million. The increase in interest expense is from additional borrowings to finance acquisitions and increased interest rates on floating rate debt. Certain of the REIT's office properties were revalued during the three months ended June 30, 2018, resulting in a fair value gain of $10.5 million. The offsetting increase in net property operating income is a result of the acquisition of the 7 Asset Portfolio and 20 South Clark in the first quarter of 2018.

NET INCOME AND COMPREHENSIVE INCOME

For the three months ended June 30, 2018, net income was $23.6 million compared to $3.5 million for the same period in 2017. This increase is due to higher net income before Class B LP units for the three months ended June 30, 2018. As a result of the REIT's acquisition of 20 South Clark in Chicago, IL the REIT recognized other comprehensive income of $0.9 million related to the foreign exchange impact from the REIT's U.S. dollar net investment in the property. Distributions to Class B LP unitholder have remained consistent across both comparable periods.

NET OPERATING INCOME

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

The following is a calculation of NOI for the three and six month periods ended June 30, 2018 and 2017:

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	**2018**	2017
Revenue	**$ 52,056**	$ 36,230	**$ 96,345**	$ 68,548
Property operating expenses	**(26,377)**	(18,833)	**(49,910)**	(36,526)
IFRIC 21 property tax adjustment(1)	**(585)**	—	**(1,113)**	—
Straight-line rents and other changes	**118**	(266)	**2**	(716)
Net operating income	**$ 25,212**	$ 17,131	**$ 45,324**	$ 31,306

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

The increase in NOI of $8.1 million for the three months ended June 30, 2018 and $14.0 million for the six months ended June 30, 2018 compared to the same periods in 2017 resulted from positive property performance and acquisitions occurring in the first quarter of 2018. The REIT completed the acquisition of 20 South Clark, in Chicago, IL, in February 2018 and the acquisition of the 7 Asset Portfolio at the end of March 2018 which contributed positively to the three months ended June 30, 2018. Throughout the portfolio, the REIT benefited from the impact of higher rental rates on renewals and increased occupancy.

SAME-PROPERTY NOI

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

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

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

The same-property NOI comparison to the three months ended March 31, 2018, excludes the impact of 20 South Clark Street acquired in February 2018, the 7 Asset Portfolio acquired in March 2018, one vacant industrial building sold in the first quarter of 2018 and the REIT's hotel asset due to seasonality.

	Three months ended	
	June 30, 2018	March 31, 2018
Number of properties	**37**	37
GLA	**6,087,685**	6,087,685
Revenue	**$ 42,377**	$ 41,563
Property operating expenses	**(21,750)**	(22,447)
Straight-line rents and other changes	**394**	(59)
Same-property NOI (including hotel asset)	**21,021**	19,057
NOI attributable to hotel asset	**(725)**	(55)
Same-property NOI (excluding hotel asset)	**20,296**	19,002
Quarter-over-quarter change - $	**$ 1,294**	
Quarter-over-quarter change - %	**6.8%**	

Same-property NOI, excluding the REIT's hotel asset, for the three months ended June 30, 2018 compared to the most recently completed quarter, increased by $1.3 million or 6.8%. The increase in same property NOI quarter over quarter is a result of positive leasing and rental growth across the portfolio including the commencement of numerous leases in the Greater Toronto Area properties acquired in 2017 and the previously vacated Bell Aliant space at Maritime Centre. This is further benefited by the completed redevelopment of 2285 Speakman Drive and lower operating costs in the quarter due to the timing of property operating expenses.

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

The same-property NOI comparison to the three months ended June 30, 2017 excludes two industrial properties in Alberta that were previously disposed of and West Metro Corporate Centre, Commerce West, 250 King Street and 460 Two Nations Crossing which were acquired in the second quarter of 2017. In addition, the current quarter also excludes 20 South Clark Street which was acquired in February 2018 and the 7 Asset portfolio

which was acquired at the end of March 2018. However, the operations of the REIT's hotel asset are included when comparing to the prior year as the seasonal variations are consistent.

		Three months ended		
		June 30, 2018		June 30, 2017
Number of properties		**33**		33
GLA		**4,928,372**		4,928,372
Revenue	**$**	**33,116**	$	31,125
Operating expenses		**(17,116)**		(16,085)
Straight-line rents and other changes		**561**		(208)
Same-property NOI (including hotel asset)		**16,561**		14,832
Period-over-period change - $	**$**	**1,729**		
Period-over-period change - %		**11.7%**		

Same-property NOI for the three months ended June 30, 2018 compared to the same period in 2017 increased by $1.7 million or 11.7%. The increase in same-property NOI is attributable to positive leasing and rental growth across the portfolio, including contractual rent increases and lease commencements throughout 2017 and early 2018, primarily in Atlantic Canada with numerous lease commencements in the former Bell Aliant space. This is offset by increased property operating expenses for three months ended June 30, 2018 from the REIT's hotel due to increased occupancy and timing of expenses year over year.

FUNDS FROM OPERATIONS

Funds from operations

Funds from operations ("FFO") is a non-IFRS measure for evaluating real estate operating performance. The REIT calculates FFO in accordance with the definition provided by the Real Property Association of Canada ("RealPAC") in its White Paper on Funds From Operations, as revised in February 2017.

Core-FFO

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

Reconciliation of FFO and Core-FFO

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

The following is a reconciliation of FFO and Core-FFO for the three and six months ended June 30, 2018 and 2017 from cash flow from operating activities:

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	**2018**	2017
Cash flow from operating activities	**$ 12,120**	$ 8,161	**$ 19,617**	$ 16,007
Add (deduct):				
Leasing costs amortized to revenue	**930**	239	**1,338**	461
Disposition costs	**—**	133	**54**	133
Subscription receipts equivalent amount (1)	**—**	926	**1,597**	926
Working capital items	**1,306**	937	**2,580**	1,128
Straight-line rent and other changes	**(118)**	266	**(2)**	716
Interest and other finance costs	**(10,094)**	(5,957)	**(18,822)**	(11,167)
Interest paid	**9,675**	5,709	**17,758**	10,714
Distributions paid to Class B unitholders	**991**	991	**1,982**	1,982
FFO	**$ 14,810**	$ 11,405	**$ 26,102**	$ 20,900
Finance income on finance lease receivable	**(946)**	(981)	**(1,901)**	(1,971)
Finance lease payments received	**1,525**	1,525	**3,050**	3,050
Core-FFO	**$ 15,389**	$ 11,949	**$ 27,251**	$ 21,979

(1) On March 27, 2018 each subscription receipt issued by the REIT on January 26, 2018 was exchanged for one unit and a cash distribution equivalent payment of $0.125 (being equal to the aggregate amount of distributions paid by the REIT per unit for which record dates occurred between January 26, 2018 and March 27, 2018). The cash distribution equivalent payment of $1.6 million has been recorded in interest and finance costs for the six months ended June 30, 2018.

The following is a reconciliation of FFO and Core-FFO for the three and six months ended June 30, 2018 and 2017 from net income and comprehensive income:

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
Net income	**$ 23,592**	$ 3,482	**$ 31,496**	$ 11,924
Add (deduct):				
Leasing costs amortized to revenue	**930**	239	**1,338**	461
Change in fair value of properties	**(10,535)**	2,389	**(1,305)**	2,162
IFRIC 21 property tax adjustment(1)	**(585)**	—	**(1,113)**	—
Change in fair value of financial instruments	**(116)**	3,266	**(5,164)**	2,404
Disposition costs	**—**	133	**54**	133
Depreciation of hotel asset	**228**	191	**450**	380
Deferred income tax expense	**305**	—	**(485)**	—
Change in fair value of Class B LP units	**—**	(212)	**(2,748)**	528
Distributions to Class B unitholders	**991**	991	**1,982**	1,982
Subscription receipts equivalent amount (2)	**—**	926	**1,597**	926
FFO	**$ 14,810**	$ 11,405	**$ 26,102**	$ 20,900
Finance income on finance lease receivable	**(946)**	(981)	**(1,901)**	(1,971)
Finance lease payments received	**1,525**	1,525	**3,050**	3,050
Core-FFO	**$ 15,389**	$ 11,949	**$ 27,251**	$ 21,979
Weighted average number of units outstanding (3)	**75,139**	57,781	**69,107**	52,834
FFO per unit (diluted)	**$ 0.20**	$ 0.20	**$ 0.38**	$ 0.40
Core-FFO per unit (diluted)	**$ 0.20**	$ 0.21	**$ 0.39**	$ 0.42

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

(2) On March 27, 2018 each subscription receipt issued by the REIT on January 26, 2018 was exchanged for one unit and a cash distribution equivalent payment of $0.125 (being equal to the aggregate amount of distributions paid by the REIT per unit for which record dates occurred between January 26, 2018 and March 27, 2018). The cash distribution equivalent payment of $1.6 million has been recorded in interest and finance costs for the six months ended June 30, 2018.

(3) Represents the diluted weighted average number of units outstanding and includes the weighted average of all REIT units, DUP units and Class B LP units.

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

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
Rental revenue	**$ 52,056**	$ 36,230	**$ 96,345**	$ 68,548
Property operating expenses	**(26,377)**	(18,833)	**(49,910)**	(36,526)
Finance income on finance lease receivable	**946**	981	**1,901**	1,971
Interest income	**40**	24	**77**	41
Interest and finance costs	**(10,094)**	(6,883)	**(20,419)**	(12,093)
General and administrative	**(2,106)**	(1,279)	**(3,714)**	(2,428)
IFRIC 21 property tax adjustment	**(585)**	—	**(1,113)**	—
Leasing costs amortized to revenue	**930**	239	**1,338**	461
Subscription receipts equivalent amount (1)	**—**	926	**1,597**	926
FFO	**$ 14,810**	$ 11,405	**$ 26,102**	$ 20,900
Finance income on finance lease receivable	**(946)**	(981)	**(1,901)**	(1,971)
Finance lease payments received	**1,525**	1,525	**3,050**	3,050
Core-FFO	**$ 15,389**	$ 11,949	**$ 27,251**	$ 21,979
Weighted average number of units outstanding (2)	**75,139**	57,781	**69,107**	52,834
FFO per unit (diluted)	**$ 0.20**	$ 0.20	**$ 0.38**	$ 0.40
Core-FFO per unit (diluted)	**$ 0.20**	$ 0.21	**$ 0.39**	$ 0.42

(1) On March 27, 2018 each subscription receipt issued by the REIT on January 26, 2018 was exchanged for one unit and a cash distribution equivalent payment of $0.125 (being equal to the aggregate amount of distributions paid by the REIT per unit for which record dates occurred between January 26, 2018 and March 27, 2018). The cash distribution equivalent payment of $1.6 million has been recorded in interest and finance costs for the six months ended June 30, 2018.
(2) Represents the diluted weighted average number of units outstanding and includes the weighted average of all REIT units, DUP units and Class B LP units.

For the three months ended June 30, 2018, FFO was $14.8 million or $0.20 per unit compared to FFO for the three months ended June 30, 2017, which was $11.4 million or $0.20 per unit, representing an increase of approximately $3.4 million, with no change on a per unit basis. For the six months ended June 30, 2018, FFO increased $5.2 million from the same period in the prior year. The increase in FFO is a result of increased NOI from acquisitions, primarily the acquisition of 20 South Clark Street in Chicago, IL, in February 2018, the 7 Asset portfolio in Ontario and Atlantic Canada in March 2018. In addition, the acquisitions of West Metro Corporate Centre and Commerce West in Etobicoke, ON and 250 King Street and 460 Two Nations Crossing in Fredericton, NB contributed partially to FFO in the second quarter of 2017. The average occupancy of these acquisitions properties is 90.3% at June 30, 2018. FFO per unit has decreased $0.02 for the six months ended June 30, 2018 resulting from the equity offering in March 2018.

Core-FFO for the three months ended June 30, 2018 was $15.4 million compared to $11.9 million for the same period in 2017 and $27.3 million for the six months ended June 30, 2018 compared to $22.0 million for the six months ended June 30, 2017. Core-FFO per unit has decreased by $0.01 for three months ended June 30, 2018 and $0.03 for six months ended June 30, 2018 compared to the same periods in the prior year resulting from the equity offering in March 2018. The increase in Core-FFO on a dollar basis are a result of the changes described for FFO.

ADJUSTED FUNDS FROM OPERATIONS

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

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

Guaranteed income supplements are cash amounts received from vendors or properties acquired by the REIT that are not recognized in income. Such amounts were negotiated between the REIT and certain vendors to compensate the REIT for lost income related to free rent periods and/or vacancies. Amounts related to vacancies expired in mid-2017 while the free rent supplements continue through to 2020 at approximately $160 thousand annually. Additionally, the REIT was provided an income supplement in the aggregate amount of $2.4 million to be received in equal quarterly installments in each of the eight calendar quarters following the acquisition of the 7 Asset Portfolio from Slate Canadian Real Estate Opportunity Fund I L.P. ("SCREO I L.P."). The income supplement from SCREO I L.P. is recorded as an other asset on the consolidated statement of financial position and initially measured at its present value. The REIT recognizes interest income related to the difference between the present value on acquisition and the $2.4 million principal amount of which $0.30 million has been received through to June 30, 2018. Accordingly, the REIT recognizes in AFFO the cash portion received in excess of any amount already included in net income. Also in conjunction with the 7 Asset Portfolio, the REIT

entered into a one-year head lease with Cominar REIT whereby Cominar REIT will provide payments to the REIT to compensate it for the existing vacancy to the extent the REIT does not otherwise release the vacant space at 225 Duncan Mill in Toronto, ON. The maximum receivable from Cominar REIT is approximately $3.2 million. Amounts received under the head lease arrangement are not recognized in AFFO for the three and six months ended June 30, 2018.

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

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

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

The method applied by the REIT to calculate AFFO may differ from methods applied by other issuers in the real estate industry and differs from the definition of AFFO as defined by RealPAC in its White Paper, as issued in February 2017.

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

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	**2018**	2017
Cash flow from operating activities	**$ 12,120**	$ 8,161	**$ 19,617**	$ 16,007
Add (deduct):				
Working capital items	**1,306**	937	**2,580**	1,128
Principal repayments on finance lease receivable	**579**	544	**1,149**	1,079
Distributions paid to Class B LP unitholders	**991**	991	**1,982**	1,982
Subscription receipts equivalent amount (1)	**—**	926	**1,597**	926
Disposition costs	**—**	133	**54**	133
Interest rate subsidy	**108**	108	**216**	216
Guaranteed income supplements	**300**	634	**340**	1,268
Normalized direct leasing and capital costs	**(2,568)**	(1,740)	**(4,591)**	(3,203)
AFFO	**$ 12,836**	$ 10,694	**$ 22,944**	$ 19,536

(1) On March 27, 2018 each subscription receipt issued by the REIT on January 26, 2018 was exchanged for one unit and a cash distribution equivalent payment of $0.125 (being equal to the aggregate amount of distributions paid by the REIT per unit for which record dates occurred between January 26, 2018 and March 27, 2018). The cash distribution equivalent payment of $1.6 million has been recorded in interest and finance costs for the six months ended June 30, 2018.

The following table reconciles AFFO from NOI:

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	**2018**	2017
Net operating income	**$ 25,212**	$ 17,131	**$ 45,324**	$ 31,306
Add (deduct):				
General and administrative	**(2,106)**	(1,279)	**(3,714)**	(2,428)
Finance lease payments received	**1,525**	1,525	**3,050**	3,050
Cash interest	**(9,635)**	(5,685)	**(17,681)**	(10,673)
Interest rate subsidy	**108**	108	**216**	216
Guaranteed income supplements	**300**	634	**340**	1,268
Normalized direct leasing and capital costs	**(2,568)**	(1,740)	**(4,591)**	(3,203)
AFFO	**$ 12,836**	$ 10,694	**$ 22,944**	$ 19,536

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

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
Core-FFO	**$ 15,389**	$ 11,949	**$ 27,251**	$ 21,979
Add (deduct):				
Amortization of deferred transaction costs	**515**	382	**1,310**	713
Amortization of debt mark-to-market adjustments	**(96)**	(134)	**(246)**	(260)
Amortization of straight-line rent	**(812)**	(505)	**(1,336)**	(1,177)
Interest rate subsidy	**108**	108	**216**	216
Guaranteed income supplements	**300**	634	**340**	1,268
Normalized direct leasing and capital costs	**(2,568)**	(1,740)	**(4,591)**	(3,203)
AFFO	**$ 12,836**	$ 10,694	**$ 22,944**	$ 19,536
Weighted average number of units outstanding (1)	**75,139**	57,781	**69,107**	52,834
AFFO per unit (diluted)	**$ 0.17**	$ 0.19	**$ 0.33**	$ 0.37

(1) Represents the diluted weighted average number of units outstanding and includes the weighted average of all REIT units, DUP units and Class B LP units.

For the three months ended June 30, 2018, AFFO was $12.8 million or $0.17 per unit, whereas AFFO for the three months ended June 30, 2017 was $10.7 million or $0.19 per unit, representing an increase of $2.1 million and a decrease of $0.02 per unit. For the six months ended June 30, 2018, AFFO was $22.9 million, an increase of $3.4 million and a decrease of $0.04 per unit from the same period in the prior year. AFFO has increased from the additional contribution to NOI from the acquisition of 20 South Clark Street in Chicago, IL in February 2018, the 7 Asset Portfolio in March 2018, West Metro Corporate Centre and Commerce West, in Etobicoke, ON and 250 King Street and 460 Two Nations Crossing in Fredericton, NB in the second quarter of 2017. On a per unit basis, AFFO has declined as a result of the issuance of additional units in March 2017 and 2018.

Reconciliation of FFO, Core-FFO and AFFO

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

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	**2018**	2017
Net income	**$ 23,592**	$ 3,482	**$ 31,496**	$ 11,924
Add (deduct):				
Leasing costs amortized to revenue	**930**	239	**1,338**	461
Change in fair value of properties	**(10,535)**	2,389	**(1,305)**	2,162
IFRIC 21 property tax adjustment(2)	**(585)**	—	**(1,113)**	—
Change in fair value of financial instruments	**(116)**	3,266	**(5,164)**	2,404
Disposition costs	**—**	133	**54**	133
Depreciation of hotel asset	**228**	191	**450**	380
Deferred income tax recovery	**305**	—	**(485)**	—
Change in fair value of Class B LP units	**—**	(212)	**(2,748)**	528
Distributions to Class B unitholders	**991**	991	**1,982**	1,982
Subscription receipts equivalent amount (1)	**—**	926	**1,597**	926
FFO	**14,810**	11,405	**26,102**	20,900
Finance income on finance lease receivable	**(946)**	(981)	**(1,901)**	(1,971)
Finance lease payments received	**1,525**	1,525	**3,050**	3,050
Core-FFO	**15,389**	11,949	**27,251**	21,979
Amortization of deferred transaction costs	**515**	382	**1,310**	713
Amortization of debt mark-to-market adjustments	**(96)**	(134)	**(246)**	(260)
Amortization of straight-line rent	**(812)**	(505)	**(1,336)**	(1,177)
Interest rate subsidy	**108**	108	**216**	216
Guaranteed income supplements	**300**	634	**340**	1,268
Normalized direct leasing and capital costs	**(2,568)**	(1,740)	**(4,591)**	(3,203)
AFFO	**$ 12,836**	$ 10,694	**$ 22,944**	$ 19,536

(1) On March 27, 2018 each subscription receipt issued by the REIT on January 26, 2018 was exchanged for one unit and a cash distribution equivalent payment of $0.125 (being equal

to the aggregate amount of distributions paid by the REIT per unit for which record dates occurred between January 26, 2018 and March 27, 2018). The cash distribution equivalent payment of $1.6 million has been recorded in interest and finance costs for the six months ended June 30, 2018.
(2) In accordance with IFRIC 21, the REIT recognizes property tax liability and expense on its existing U.S. properties as at January 1 of each year, rather than progressively, i.e. ratably throughout the year. The recognition of property taxes as a result of IFRIC 21 has no impact on NOI, FFO or AFFO.

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

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	**2018**	2017
FFO per unit (diluted)	**$ 0.20**	$ 0.20	**$ 0.38**	$ 0.40
Core FFO per unit (diluted)	**0.20**	0.21	**0.39**	0.42
AFFO per unit (diluted)	**$ 0.17**	$ 0.19	**$ 0.33**	$ 0.37

DISTRIBUTIONS

The REIT pays monthly distributions equal to $0.0625 per unit which is equal to quarterly distributions of $0.1875 per unit or $0.75 per unit on an annualized basis. Distributions paid to unitholders are paid at the same rate to holders of the REIT's Class B LP units and are paid on or about the 15th day of the month following declaration.

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

The REIT has a distribution reinvestment plan (“DRIP”), where eligible unitholders, which include holders of Class B LP units, that elect to participate in the DRIP will have their cash distributions used to purchase trust units of the REIT. The distributions declared during the three and six months ended June 30, 2018 resulted in 63,569 and 94,773 trust units issued under the DRIP, respectively. For the June 30, 2018 distribution, approximately 2.5% of the trust units outstanding subscribed to the REIT’s DRIP. To the extent unitholders participate in the DRIP additional cash will be retained by the REIT.

The following table summarizes distributions made during the three month period ended June 30, 2018 and 2017 to unitholders of the REIT and Class B LP unitholders:

	Three months ended June 30, 2018			Three months ended June 30, 2017		
	Trust units	**Class B LP units**	**Total**	Trust units	Class B LP units	Total
Distributions declared	**$ 13,086**	**$ 991**	**$ 14,077**	$ 10,660	$ 991	$ 11,651
Distributions reinvested in trust units	**492**	**—**	**492**	251	—	251
Distributions, net of DRIP	**$ 12,594**	**$ 991**	**$ 13,585**	$ 10,409	$ 991	$ 11,400

The following table summarizes distributions made during the six month period ended June 30, 2018 and 2017 to unitholders of the REIT and Class B LP unitholders:

	Six months ended June 30, 2018			Six months ended June 30, 2017		
	Trust units	**Class B LP units**	**Total**	Trust units	Class B LP units	Total
Distributions declared	**$ 24,564**	**$ 1,982**	**$ 26,546**	$ 18,305	$ 1,982	$ 20,287
Distributions reinvested in trust units	**763**	**—**	**763**	461	—	461
Distributions, net of DRIP	**$ 23,801**	**$ 1,982**	**$ 25,783**	$ 17,844	$ 1,982	$ 19,826

Distributions declared to unitholders of the REIT of $24.6 million in 2018 were more than cash flow from operating activities of $19.6 million. When distributions are less than cash flow from operating activities the REIT finances such amounts from cash on hand and/or borrowings and represent a return of capital.

Taxation of distributions

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

Taxation year	Return of capital	Capital gains	Other income
2017 per $ of distribution	100.0%	—	—
2016 per $ of distribution	90.2%	3.8%	6.0%
2015 per $ of distribution	1.8%	79.8%	18.4%

The rate of capital gains in 2015 are a result of the disposition strategy the REIT executed to dispose of non-office properties in order to reposition the REIT as a pure play office REIT.

FFO, CORE-FFO AND AFFO PAYOUT RATIOS

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

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

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

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	**2018**	2017
FFO	**$ 14,810**	$ 11,405	**$ 26,102**	$ 20,900
REIT unit and Class B LP distributions declared	**14,077**	11,651	**26,546**	20,287
Excess of FFO over distributions declared	**733**	(246)	**(444)**	613
Cash retained from DRIP	**492**	251	**763**	461
Excess of FFO over cash distributions	**$ 1,225**	$ 5	**$ 319**	$ 1,074
FFO payout ratio	**95.1%**	102.2%	**101.7%**	97.1%
FFO payout ratio after DRIP (1)	**91.7%**	100.0%	**98.8%**	94.9%

(1) Impact after DRIP represents actual DRIP levels during the period.

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

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	**2018**	2017
Core-FFO	**$ 15,389**	$ 11,949	**$ 27,251**	$ 21,979
REIT unit and Class B LP distributions declared	**14,077**	11,651	**26,546**	20,287
Excess of Core-FFO over distributions declared	**1,312**	298	**705**	1,692
Cash retained from DRIP	**492**	251	**763**	461
Excess of Core-FFO over cash distributions	**$ 1,804**	$ 549	**$ 1,468**	$ 2,153
Core-FFO payout ratio	**91.5%**	97.5%	**97.4%**	92.3%
Core-FFO payout ratio after DRIP (1)	**88.3%**	95.4%	**94.6%**	90.2%

(1) Impact after DRIP represents actual DRIP levels during the period.

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

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	**2018**	2017
AFFO	**$ 12,836**	$ 10,694	**$ 22,944**	$ 19,536
REIT unit and Class B LP distributions declared	**14,077**	11,651	**26,546**	20,287
Excess/ (shortfall) of AFFO over distributions declared	**(1,241)**	(957)	**(3,602)**	(751)
Cash retained from DRIP	**492**	251	**763**	461
Excess/ (shortfall) of AFFO over cash distributions	**$ (749)**	$ (706)	**$ (2,839)**	$ (290)
AFFO payout ratio	**109.7%**	108.9%	**115.7%**	103.8%
AFFO payout ratio after DRIP (1)	**105.8%**	106.6%	**112.4%**	101.5%

(1) Impact after DRIP represents actual DRIP levels during the period.

The FFO, Core-FFO and AFFO pay-out ratio have decreased for the three months ended June 30, 2018 compared to the same period in 2017 resulting from increased property net operating income as a result of accretive acquisitions in 2018 and positive leasing throughout the portfolio. The AFFO payout ratio is expected to continue to decline in future periods.

The REIT's distributions declared, excluding Class B LP distributions were in excess of AFFO by $1.2 million and $3.6 million for the three and six months ended June 30, 2018, respectively. The REIT has maintained a consistent distribution rate despite period over period variances in cash from operating activities.

SEGMENTED INFORMATION

The REIT has net operating income from four geographic locations. The following is the REIT's NOI by geographic region for the three months ended June 30 2018 and 2017:

			Three months ended June 30,	
		2018		2017
	NOI	**Percentage (%)**	NOI	Percentage (%)
Atlantic	**$ 9,829**	**39.0%**	$ 8,239	48.1%
Ontario	**11,879**	**47.1%**	7,324	42.8%
Western	**2,085**	**8.3%**	1,568	9.1%
USA	**1,419**	**5.6%**	—	—%
	$ 25,212	**100.0%**	$ 17,131	100.0%

The following is the REIT's NOI by geographic region for the six months ended June 30, 2018 and 2017:

			Six months ended June 30,	
		2018		2017
	NOI	**Percentage (%)**	NOI	Percentage (%)
Atlantic	**$ 17,332**	**38.3%**	$ 15,077	48.2%
Ontario	**21,541**	**47.5%**	13,160	42.0%
Western	**3,853**	**8.5%**	3,069	9.8%
USA	**2,598**	**5.7%**	—	—%
	$ 45,324	**100.0%**	$ 31,306	100.0%

Atlantic

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	**2018**	2017
# of properties	**16**	13	**16**	13
Owned GLA (000s of square feet)	**2,795**	2,583	**2,795**	2,583
Occupancy rate (%) (period-end)	**85.0%**	83.8%	**85.0%**	83.8%
Revenue	**$ 20,868**	$ 18,790	**$ 39,841**	$ 36,873
Property operating expenses	**(11,336)**	(10,376)	**(22,860)**	(21,388)
Straight-line rent and other changes	**297**	(175)	**351**	(408)
NOI	**$ 9,829**	$ 8,239	**$ 17,332**	$ 15,077

NOI for the Atlantic properties has increased by $1.6 million and $2.3 million for the three and six months ended June 30, 2018, respectively compared to the same periods in 2017. The increase in NOI over prior year is a result of positive leasing, particularly pertaining to Bell Aliant's lease maturity at Brunswick Square in Saint John, NB, and Maritime Centre in Halifax, NS which occupied 41,389 square feet and 193,861 square feet, respectively. To date 153,288 square feet of vacated space has been re-leased at 32.0% premium to previously in place rents. This is compounded by the REIT's acquisition activity. In March 2018 the REIT acquired three office buildings in Atlantic Canada as part of the 7 Asset Portfolio and on April 25, 2017, the REIT acquired two fully occupied office buildings in Fredericton, NB. These acquisitions have contributed positively to NOI and are primarily occupied by government tenants.

Ontario

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	**2018**	2017
# of properties	**18**	14	**18**	14
Owned GLA (000s of square feet)	**3,673**	2,890	**3,673**	2,890
Occupancy rate (%) (period-end)	**87.8%**	84.2%	**87.8%**	84.2%
Revenue	**$ 24,071**	$ 14,347	**$ 43,805**	$ 25,470
Property operating expenses	**(12,149)**	(6,985)	**(22,185)**	(12,159)
Straight-line rent and other changes	**(43)**	(38)	**(79)**	(151)
NOI	**$ 11,879**	$ 7,324	**$ 21,541**	$ 13,160

NOI for the three months ended June 30, 2018 was $11.9 million compared to NOI of $7.3 million for the three months ended June 30, 2017, representing an increase of $4.6 million year over year. For the six months ended June 30, 2018 NOI was $21.5 million compared to $13.2 million for the same period in the prior year. The increase in NOI is from the acquisitions of West Metro Centre and Commerce West in the second quarter of 2017 and the 7 Asset Portfolio in March 2018 of which 4 properties are located in Ontario. These acquisitions have positively contributed to NOI compared to the respective periods in the prior year. The increase is furthered by the completed redevelopment of 2285 Speakman Drive which is now occupied at favourable rental rates.

Western

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	**2018**	2017
# of properties	**10**	11	**10**	11
Owned GLA (000s of square feet)	**615**	643	**615**	643
Occupancy rate (%) (period-end)	**91.6%**	87.6%	**91.6%**	87.6%
Revenue	**$ 3,555**	$ 3,093	**$ 6,823**	$ 6,205
Property operating expenses	**(1,419)**	(1,472)	**(2,842)**	(2,979)
Straight-line rent and other changes	**(51)**	(53)	**(128)**	(157)
NOI	**$ 2,085**	$ 1,568	**$ 3,853**	$ 3,069
NOI from Data Centre	**1,525**	1,525	**3,050**	3,050
NOI including Data Centre	**$ 3,610**	$ 3,093	**$ 6,903**	$ 6,119

NOI for the three months ended June 30, 2018 was $3.6 million including the income from the Data Centre, an increase of $0.5 million over the comparable period in the prior year. For the six months ended June 30, 2018 NOI increased to $6.9 million from $6.1 million in the comparable period. Changes to NOI are attributable to same property leasing activity as well as the disposition of 35 Martin Way, in Alberta, which was a vacant building contributing negatively to NOI. The Data Centre is accounted for as a finance lease and corresponding interest income is recorded below net operating income and principal repayments reduce the balance of the lease receivable.

United States

		Three months ended June 30,			Six months ended June 30,	
		2018	2017		**2018**	2017
# of properties		**1**	—		**1**	—
Owned GLA (000s of square feet)		**380**	—		**380**	—
Occupancy rate (%) (period-end)		**82.9%**	—%		**82.9%**	—%
Revenue	**$**	**3,562**	$ —	**$**	**5,876**	$ —
Property operating expenses		**(1,473)**	—		**(2,023)**	—
IFRIC 21 property tax adjustment(1)		**(585)**	—		**(1,113)**	—
Straight-line rent and other changes		**(85)**	—		**(142)**	—
NOI	**$**	**1,419**	$ —	**$**	**2,598**	$ —

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

NOI for the three months ended June 30, 2018 was $1.4 million and $2.6 million for the six months ended June 30, 2018 which represents three and five months of operating activity, respectively.

REVENUE

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

		Three months ended June 30,			Six months ended June 30,	
		2018	2017		**2018**	2017
Property base rent(1)	**$**	**26,494**	$ 18,666	**$**	**48,708**	$ 35,236
Operating cost recoveries		**15,786**	10,154		**29,862**	19,860
Tax recoveries		**6,952**	4,634		**12,882**	8,714
Hotel		**2,942**	2,510		**4,895**	4,022
Straight-line adjustments and other		**(118)**	266		**(2)**	716
	$	**52,056**	$ 36,230	**$**	**96,345**	$ 68,548

(1) Includes parking revenue earned at properties.

For the three months ended June 30, 2018, revenue from properties was $52.1 million, higher than $36.2 million for the same period in 2017. Revenue from properties was $96.3 million for the six months ended June 30, 2018 compared to $68.5 million for the comparative period in 2017. The increase over prior periods is resulting from overall portfolio growth from positive leasing and acquisition activity. In the first quarter of 2018, the REIT acquired 20 South Clark in Chicago, IL and the 7 Asset Portfolio in Ontario and Atlantic Canada, which has contributed to revenue growth in addition to West Metro Corporate Centre and Commerce West in Etobicoke, ON and 250 King Street, 460 Two Nations Crossing in Fredericton, NB in the second quarter of 2017.

PROPERTY OPERATING RECOVERIES AND EXPENSES

Property operating expenses consist of property taxes, property management fees and other expenses such as common area costs, utilities, and insurance. The majority of the REIT's property operating expenses are recoverable from tenants in accordance with the terms of the tenants' lease agreements. Operating cost recoveries are included in revenue from properties and amounted to $15.8 million for the three months ended June 30, 2018 compared to $10.2 million for the same period in 2017 and $29.9 million and $19.9 million for the six months ended June 30, 2018 and 2017, respectively. Property tax recoveries increased to $7.0 million for the three months ended June 30, 2018 compared to $4.6 million for the same period in 2017. For the six months ended June 30, 2018, property tax recoveries were $12.9 million and $8.7 million in the comparative period. Property operating recoveries and expenses have increased in-line with the increase in property base rent, mainly attributable to acquisition activity.

GENERAL AND ADMINISTRATIVE

General and administrative expenses are primarily comprised of asset management fees, professional fees, trustee fees, and other amounts. For the three months ended June 30, 2018, general and administrative expenses have increased by $0.8 million when compared to the same period in 2017. The increase in expenses is a result of higher asset management fees of $0.4 million due to portfolio growth, and marginally higher listing and regulatory fees in comparison to the prior year due to the REIT's increased market capitalization. For the six months ended June 30, 2018, general and administrative expenses were $3.7 million, an increase of $1.3 million from the comparative period for the reasons mentioned above.

INTEREST AND FINANCE COSTS

Interest and finance costs are comprised of the following:

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	**2018**	2017
Mortgage interest	**$ 6,106**	$ 3,275	**$ 11,165**	$ 5,869
Interest on other debt	**3,193**	2,434	**5,948**	4,845
Amortization of deferred transaction costs	**515**	382	**1,310**	713
Amortization of debt mark-to-market adjustments	**(96)**	(134)	**(246)**	(260)
Subscription receipts equivalent amount (1)	**—**	926	**1,597**	926
Interest on convertible debentures	**376**	—	**645**	—
	$ 10,094	$ 6,883	**$ 20,419**	$ 12,093

(1) On April 25, 2017 each subscription receipt issued by the REIT on March 15, 2017 was exchanged for one unit and a cash distribution equivalent payment of $0.0625 (being equal to the aggregate amount of distributions paid by the REIT per unit for which record dates occurred between March 15, 2017 and April 25, 2017). The cash distribution equivalent payment of $1.6 million has been recorded in interest and finance costs.

For the three months ended June 30, 2018, interest and finance costs were $10.1 million, which has increased by $3.2 million when compared to the same period in 2017. Interest and finance costs for the six months ended June 30, 2018 increased to $20.4 million from $12.1 million in the prior period. Increased interest costs are primarily related to acquisitions, which have in part been financed by debt, the issuance of the REIT's convertible debentures, and the subscription receipts equivalent amount of $1.6 million for the six months ended June 30, 2018. Also impacting interest costs were higher relative floating interest rates.

FINANCE INCOME ON FINANCE LEASE RECEIVABLE

The REIT has a 15 year lease with Manitoba Telecom Services Inc. for the Data Centre. The terms of the lease at inception met the requirements for classification as a finance lease because the minimum lease payments amounted to at least substantially all of the fair value of the leased asset. As a result of this classification, a portion of the lease payments earned on the property is recorded as interest income on finance lease. Interest income recognized on the finance lease for the three months ended June 30, 2018 was $0.9 million and $1.9 million for the six months ended June 30, 2018, which is comparable to interest income recognized for the same periods in 2017.

The REIT makes an adjustment to recognize the contribution made by the Data Centre to its Core-FFO and AFFO to account for the difference between accounting under IFRS and the lease contributions a cash basis. On a cash basis the Data Centre currently contributes approximately $6.1 million annually from lease payments.

CHANGE IN FAIR VALUE OF PROPERTIES

The change in fair value of properties increased $12.9 million for the three months ended June 30, 2018 compared to the comparative period in 2017. The large portion of the change in fair value of properties relates to the REIT's updated valuations for certain portfolio assets for the three months ended June 30, 2018. The REIT received third party appraisals on 5 of the REIT's properties for the six months ended June 30, 2018. The change in the fair value of properties decreased $3.5 million for the six months ended June 30, 2018 compared to the prior period as a result of transactions costs capitalized in the first quarter of 2018 which are not additive to the REIT's fair value, offset by the changes for the three months ended June 30, 2018.

CHANGE IN FAIR VALUE OF FINANCIAL INSTRUMENTS

The change in fair value of financial instruments represents the change in the fair value of the REIT's interest rate swaps, interest rate cap, subscription receipts and deferred unit liabilities on deferred units issued to Trustees and Officers of the REIT. Additionally, the change for the three months ended June 30, 2018 was an increase of $3.4 million, compared to the same periods in 2017.

INCOME TAXES

The REIT is a mutual fund trust and real estate investment trust pursuant to the Tax Act. Under the Tax Act, so long as the REIT meets prescribed conditions relating to the nature of its assets and revenue (the "REIT Conditions"), the REIT is not liable to pay Canadian income taxes provided that its taxable income is fully distributed to unitholders during the period. Management intends to operate the REIT in a manner that enables the REIT to continue to meet the REIT Conditions and to distribute all of its taxable income to unitholders. The REIT has reviewed the SIFT Rules and has assessed their application to the REIT's assets and revenues. While there are uncertainties in the interpretation and application of the SIFT Rules, the REIT believes that it has met the REIT Conditions for the periods ended June 30, 2018 and 2017, and accordingly is not subject to current income taxes in Canada. Accordingly, no provision for current income taxes is required, except for amounts incurred by the U.S. subsidiary.

The REIT's U.S. subsidiary is subject to federal and state income tax on taxable income from U.S operations. The REIT recognizes deferred tax assets and liabilities at prevailing tax rates when such differences are expected to settle, based on tax laws enacted at the reporting date. The U.S. subsidiary is subject to a combined federal and state rate of 28.51%. The tax effects of temporary differences related to the REIT's properties give rise to the recognition of a deferred tax asset in the amount of $0.5 million.

QUARTERLY INFORMATION

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

	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016
Revenue	**$ 52,056**	$ 44,289	$ 42,380	$ 41,208	$ 36,230	$ 32,318	$ 35,094	$ 31,330
Operating costs	**(26,377)**	(23,533)	(23,776)	(21,629)	(18,833)	(17,693)	(19,404)	(16,362)
IFRIC 21 property tax adjustment	**(585)**	(528)	—	—	—	—	—	—
Straight-line rent and other	**118**	(116)	(115)	(539)	(266)	(450)	(625)	(522)
Net operating income	**$ 25,212**	$ 20,112	$ 18,489	$ 19,040	$ 17,131	$ 14,175	$ 15,065	$ 14,446
Net income	**$ 23,592**	$ 7,904	$ 14,174	$ 23,607	$ 3,482	$ 8,442	$ 14,571	$ 2,984
Weighted average diluted units(1)	**75,139**	62,874	62,266	62,231	57,781	46,101	46,071	41,449
Net income and comprehensive income per unit	**$ 0.31**	$ 0.13	$ 0.23	$ 0.38	$ 0.06	$ 0.18	$ 0.32	$ 0.07
Distributions(2)	**14,077**	12,469	11,663	11,657	11,651	8,636	8,629	7,862
Distributions per unit	**0.1875**	0.1875	0.1875	0.1875	0.1875	0.1875	0.1875	0.1875
FFO(3)	**14,810**	11,292	11,221	12,372	11,405	9,495	10,650	9,989
FFO per unit - diluted(3)	**0.20**	0.18	0.18	0.20	0.20	0.21	0.23	0.24
FFO payout ratio(3)	**95.1%**	110.4%	103.9%	94.2%	102.2%	91.0%	81.0%	78.7%
Core-FFO(3)	**15,389**	11,862	11,782	12,923	11,949	10,030	11,177	10,507
Core-FFO per unit - diluted(3)	**0.20**	0.19	0.19	0.21	0.21	0.22	0.24	0.25
Core-FFO payout ratio(3)	**91.5%**	105.1%	99.0%	90.2%	97.5%	86.1%	77.2%	74.8%
AFFO(3)	**12,836**	10,108	9,528	10,663	10,694	8,842	9,737	9,004
AFFO per unit - diluted(3)	**0.17**	0.16	0.15	0.17	0.19	0.19	0.21	0.22
AFFO payout ratio(3)	**109.7%**	123.4%	122.4%	109.3%	108.9%	97.7%	88.6%	87.3%
Properties	**1,604,452**	1,581,997	1,279,509	1,253,939	1,223,073	959,249	946,939	937,160
Total assets	**1,689,148**	1,660,947	1,364,845	1,353,127	1,302,622	1,164,104	1,025,522	1,020,671
Debt	**1,016,926**	1,003,951	795,591	793,765	752,312	621,896	604,953	603,671
IFRS net asset value ("NAV")	**628,743**	616,761	528,051	523,823	510,399	389,761	387,862	383,491
Diluted units outstanding(1)	**75,180**	75,107	62,283	62,256	62,215	46,101	46,079	46,042
IFRS NAV per unit	**$ 8.36**	$ 8.21	$ 8.48	$ 8.41	$ 8.20	$ 8.45	$ 8.42	$ 8.33
LTV ratio	**60.2%**	60.5%	58.3%	58.7%	57.8%	59.5%	59.1%	59.2%
Net debt to adjusted EBITDA	**10.3x**	12.4x	10.7x	9.9x	10.6x	10.3x	9.3x	9.8x
Interest coverage ratio(3)	**2.5x**	2.5x	2.6x	3.0x	3.1x	3.0x	3.2x	3.2x
Debt service coverage ratio(3)	**2.0x**	1.9x	2.0x	2.3x	2.4x	3.9x	2.7x	2.6x
Leasing activity (square feet)	**441,222**	225,233	357,663	243,852	145,957	238,650	59,834	335,231
Leasing activity as a % of portfolio	**5.9%**	3.0%	5.8%	4.0%	2.4%	4.8%	1.2%	6.7%
Weighted average lease term (years)	**5.5**	5.6	5.8	5.9	5.7	5.7	5.4	5.6
Number of properties	**45**	45	38	38	38	35	35	35
Office GLA	**7,348,159**	7,347,765	5,972,771	5,972,771	5,972,771	4,813,458	4,813,458	4,813,458
Total GLA	**7,463,073**	7,462,679	6,116,085	6,116,085	6,116,085	4,990,052	4,990,052	4,990,052
Occupancy - excluding redevelopment	**89.1%**	88.2%	86.9%	87.0%	87.4%	87.7%	90.2%	90.2%
Occupancy	**86.8%**	85.9%	85.8%	85.9%	84.4%	84.0%	86.4%	86.3%

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

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

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

PART IV - FINANCIAL CONDITION

IFRS NET ASSET VALUE

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

The following is the calculation of IFRS net asset value on a total and per unit basis at March 31, 2018 and December 31, 2017 to the REIT's consolidated financial statements:

		June 30, 2018		December 31, 2017
Equity	**$**	**587,834**	$	484,539
Class B LP units		**40,273**		43,021
Deferred unit liability		**636**		491
IFRS net asset value	**$**	**628,743**	$	528,051
Diluted number of units outstanding (1)		**75,180**		62,283
IFRS net asset value per unit	**$**	**8.36**	$	8.48

(1) Represents the diluted weighted average number of units outstanding and includes the weighted average of all REIT units, DUP units and Class B LP units.

A full reconciliation of the change in IFRS net asset value is included in the Total Return section of this MD&A.

LIQUIDITY AND CAPITAL RESOURCES

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

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

The REIT's available liquidity is as follows:

		June 30, 2018		December 31, 2017
Cash	**$**	**5,709**	$	9,153
Undrawn operating and credit facilities		**28,850**		33,803
Undrawn construction facility		**19,000**		19,000
Liquidity	**$**	**53,559**	$	61,956

DEBT STRATEGY

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

The REIT’s overall borrowing objective is to obtain secured financing, with terms to maturity that are appropriate having regard to the lease maturity profiles of the underlying properties and which allows the REIT to achieve and maintain staggered debt maturities that reduce its exposure to interest rate fluctuations and re-financing risk in any particular period. The REIT also endeavors to have an appropriate amount of fixed rate debt and to extend loan terms when borrowing conditions are favourable, which is actively monitored by Management. In this respect, during the first quarter of 2018 the REIT entered into a $100.0 million notional amount forward starting pay-fixed receive-float interest rate swap. The interest rate swap has a fixed rate of 2.55%, and commenced June 29, 2018 with a five year term. Including this swap, on a pro-forma basis the REIT's fixed rate debt has increased to 45.8% (33.1% - December 31, 2017).

The REIT has multiple sources of financing from its various credit facilities which have borrowing capacity available and provide shorter term flexibility to support the REIT's multiple growth-oriented initiatives. Further, in instances where Management believes that there are meaningful value creation opportunities, the REIT will generally seek to utilize short-term floating rate financing, to allow for maximum debt proceeds when subsequently utilizing term or mortgage debt upon full execution of Management's asset strategy. Additionally, where Management has identified properties for potential sale, the REIT will seek to utilize short-term floating rate financing to prevent value erosion on sale from requiring a purchaser to assume potentially above market low leverage debt. While the REIT's credit facilities represent one element of our funding strategy, this will be coupled with the REIT's access to financing alternatives from multiple financial institutions at competitive rates, which the REIT has consistently done. In addition, the REIT's

development pipeline and associated construction activities are funded by dedicated construction facilities provided by various banking syndicates at attractive rates for appropriate terms commensurate with each respective project.

On February 1, 2018, the REIT renewed its revolving operating facility extending the maturity to February 1, 2021. The available amount of the amended revolving operating facility was increased to $172.0 million and U.S.$56.0 million. In conjunction with the acquisition of 20 South Clark, the REIT was advanced U.S. $55.6 million of the U.S. dollar facility to facilitate the purchase of 20 South Clark in Chicago, IL. The renewal and up-size of this facility addressed the remaining debt maturities in 2018 in addition to providing access to U.S. debt capital, which provides a natural hedge against foreign exchange volatility for U.S. based investments.

Convertible Debentures

On January 26, 2018, the REIT issued $28.8 million of 5.25% convertible unsecured subordinated debentures of the REIT.

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

The convertible debentures may not be redeemed by the REIT prior to February 28, 2021. On and from February 28, 2021, and prior to February 28, 2022, the convertible debentures may be redeemed by the REIT, in whole at any time, or in part from time to time, at a price equal to the principal amount thereof plus accrued and unpaid interest on not more than 60 days' and not less than 30 days' prior written notice, provided that the volume weighted-average trading price of the Units on the TSX for the 20 consecutive trading days ending five trading days preceding the date on which notice of redemption is given is not less than 125% of the Conversion Price. On and from February 28, 2022, and prior to February 28, 2023, the convertible debentures may be redeemed by the REIT, in whole at any time or in part from time to time, at a price equal to the principal amount thereof plus accrued and unpaid interest on not more than 60 days' and not less than 30 days' prior written notice.

Maturity profile

As described above, the REIT has addressed all existing 2018 debt maturities, with future 2018 repayments of debt limited to scheduled principal repayments. The REIT expects to be able to continue to refinance debt on acceptable terms. The following is a summary of future principal repayments and maturities as at June 30, 2018:

Remainder of 2018	$	9,226
2019		205,779
2020		118,189
2021		505,677
2022		7,913
Thereafter		175,943
	$	**1,022,727**

Debt profile

Debt held by the REIT at June 30, 2018 is as follows:

	Maturity	Coupon (4)	Properties provided as security	Fair value of security	Maximum available	Principal	Letters of credit	Available to be drawn (5)
Mortgages (1)(2)	Various	Various	22	$ 871,891	$ 574,607	$ 574,607	$ —	$ —
Revolving facility - CAD (3)	Feb. 1, 2021	BA+200 bps	7	283,986	172,000	168,100	—	3,900
Revolving facility - USD (3)(7)	Feb. 1, 2021	L+200 bps	1	112,680	71,897	71,897	—	—
Revolving credit facility (3)	Nov. 30, 2019	BA+200 bps	8	132,210	82,000	56,900	150	24,950
Construction facility	May 4, 2021	CDOR+300 bps	1	40,079	19,000	—	—	19,000
Term loan	Jun. 30, 2019	BA+213 bps	5	163,006	120,000	120,000	—	—
Other (6)	Oct. 1, 2025	4.27%	1	59,817	2,473	2,473	—	—
Convertible debentures	Feb. 2, 2023	5.25%	—	—	28,750	28,750	—	—
			45	**$ 1,663,669**	**$ 1,070,727**	**$ 1,022,727**	**$ 150**	**$ 47,850**

(1) At June 30, 2018, the weighted average remaining term to maturity of mortgages is 4.4 years with maturities ranging from 1.4 to 12.3 years.
(2) At June 30, 2018, the weighted average interest rate of mortgages is 3.72% with coupons ranging from 2.65% to 7.75%.
(3) Stand-by fees incurred on the unutilized portion of on the revolving operating facility and the revolving credit facility are each 0.40%, charged and paid quarterly.
(4) "BA" means the one-month Bankers' Acceptances rate; "L" means the one month U.S. London Interbank Offering Rate; "CDOR" means the Canadian Dealer Offered Rate; and "bps" means basis point or 1/100th of one percent.
(5) Debt is only available to be drawn subject to certain covenants and other requirements.
(6) Secured by the Data Centre, which is accounted for as a finance lease receivable and not included in the REIT's properties. The value above represents the carrying value of the finance lease receivable.
(7) Amounts have been translated from U.S. to Canadian dollars using the prevailing exchange rate on June 30, 2018.

The carrying value of debt held by the REIT at June 30, 2018 is as follows:

	Principal	Mark-to-market ("MTM") adjustments and costs	Accumulated amortization of MTM adjustments, costs and other	Carrying amount	Current	Non-current
Mortgages	$ 574,607	$ (2,943)	$ 345	$ 572,009	$ 18,036	$ 553,973
Revolving facility - CAD	168,100	(2,778)	2,105	167,427	—	167,427
Revolving facility - USD	71,897	(590)	80	71,387	—	71,387
Revolving credit facility	56,900	(566)	134	56,468	—	56,468
Term loan	120,000	(666)	331	119,665	119,665	—
Other facility	2,473	(36)	9	2,446	156	2,290
Convertible debentures (1)	28,750	(1,320)	94	27,524	—	27,524
	$ 1,022,727	**$ (8,899)**	**$ 3,098**	**$ 1,016,926**	**$ 137,857**	**$ 879,069**

(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 amount of $0.2 million, are accounted for separately. These embedded derivative features are included within derivatives on the REIT's consolidated statements of financial position.

INDEBTEDNESS RATIO

The indebtedness ratio is a non-IFRS measure calculated by the REIT. In accordance with the REIT's Declaration of Trust, the REIT's indebtedness may not exceed 65% of gross book value, which is defined by the Declaration of Trust as total assets less restricted cash. The REIT’s indebtedness ratio at June 30, 2018 was 60.2% which is higher by 190 basis points compared to December 31, 2017. Though the REIT's gross book value has increased as at June 30, 2018 mainly due to the acquisition of additional properties, debt has also increased as a result of these acquisitions. Additional financing was obtained for purposes of the acquisition, as well as the assumption of $82.1 million of mortgages related to the Cominar properties. Subject to market conditions and the growth of the REIT, Management's medium term target is to maintain total indebtedness at approximately 55%. The success of this strategy is dependent upon debt market parameters existing at the time of borrowing, as well as the particular features and quality of the underlying assets being financed. Management believes that this objective will require at least two years to achieve. If this strategy is unsuccessful, debt principal repayments may need to be funded by operating cash flows, additional draws under the REIT’s revolving credit and operating facilities, financing of unencumbered income-producing properties or by issuances of equity or debt securities.

The acquisition of 120 South LaSalle will increase the REIT's leverage ratio, however, the REIT expects to reduce debt in the short-term through the sale of fully valued and non-strategic assets. The first step in this plan is the REIT's agreement to dispose of 139 Water Street and the Water Street

properties for gross proceeds of $17.5 million which is expected to close in the third quarter of 2018. The REIT intends to use the sale proceeds to reduce outstanding debt.

The REIT's indebtedness level is calculated as follows:

		June 30, 2018		December 31, 2017
Total assets	$	1,689,148	$	1,364,845
Less: restricted cash		594		594
Gross book value		1,688,554		1,364,251
Debt	$	1,016,926	$	795,591
Leverage ratio		60.2%		58.3%

Additional investment and operating guidelines are provided for by the Declaration of Trust. The REIT is in compliance with these guidelines.

ADJUSTED EBITDA

Adjusted EBITDA is a non-IFRS measure and is used by the REIT to monitor the REIT's ability to satisfy and service its debt as well as monitor requirements imposed by the REIT's lenders. Specifically, adjusted EBITDA is used to monitor the REIT's leverage ratio, interest coverage ratio and debt service ratio, which the REIT uses to measure its debt profile and assess its ability to satisfy its obligations, including servicing its debt. Management views adjusted EBITDA as a proxy for operating cash flow prior to interest costs. Adjusted EBITDA represents earnings before interest, income taxes, IFRIC 21 property tax adjustments, depreciation, fair value gains (losses) from both financial instruments and investment properties, while also excluding non-recurring items such as transaction costs from dispositions, acquisitions or other events and adjusting income received from the Data Centre to cash received as opposed to finance income recorded for accounting purposes.

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

	Three months ended June 30,				Six months ended June 30,			
		2018		2017		2018		2017
Net income and comprehensive income	$	23,592	$	3,482	$	31,496	$	11,924
Finance income on finance lease receivable		(946)		(981)		(1,901)		(1,971)
Net operating income from the Data Centre		1,525		1,525		3,050		3,050
Interest income		(40)		(24)		(77)		(41)
Interest and finance costs		10,094		6,883		20,419		12,093
Change in fair value of properties		(10,535)		2,389		(1,305)		2,162
IFRIC 21 property tax adjustment[(1)]		(585)		—		(1,113)		—
Change in fair value of financial instruments		(116)		3,266		(5,164)		2,404
Distributions to Class B shareholders		991		991		1,982		1,982
Disposition costs		—		133		54		133
Depreciation of hotel asset		228		191		450		380
Change in fair value of Class B LP units		—		(212)		(2,748)		528
Deferred income tax (recovery) expense		305		—		(485)		—
Adjusted EBITDA	$	24,513	$	17,643	$	44,658	$	32,644

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

The following is a calculation of adjusted EBITDA:

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	**2018**	2017
Rental revenue	**$ 52,056**	$ 36,230	**$ 96,345**	$ 68,548
Property operating expenses	**(26,377)**	(18,833)	**(49,910)**	(36,526)
IFRIC 21 property tax adjustment[(1)]	**(585)**	—	**(1,113)**	—
Net operating income from the Data Centre	**1,525**	1,525	**3,050**	3,050
General and administrative	**(2,106)**	(1,279)	**(3,714)**	(2,428)
Adjusted EBITDA	**$ 24,513**	$ 17,643	**$ 44,658**	$ 32,644

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

INTEREST COVERAGE

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

Net debt to adjusted EBITDA leverage ratio

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

The following is a calculation of net debt to adjusted EBITDA:

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	**2018**	2017
Debt	**$ 1,016,926**	$ 752,312	**$ 1,016,926**	$ 752,312
Less: Cash on hand	**5,709**	2,282	**5,709**	2,282
Net debt	**1,011,217**	750,030	**1,011,217**	750,030
Adjusted EBITDA [(1)]	**98,052**	70,572	**89,316**	65,288
Net debt to Adjusted EBITDA (times)	**10.3x**	10.6x	**11.3x**	11.5x

(1) Adjusted EBITDA for three and six months is based on actuals annualized, using the following formula: (Adjusted EBITDA in the period / No. of quarters in the period x 4).

Interest coverage ratio

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

The following is a calculation of interest coverage ratio:

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	**2018**	2017
Adjusted EBITDA	**$ 24,513**	$ 17,643	**$ 44,658**	$ 32,644
Cash interest paid	**9,675**	5,709	**17,758**	10,714
Interest coverage ratio (times)	**2.5x**	3.1x	**2.5x**	3.0x

Debt service coverage ratio

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

The following is a calculation of debt service coverage ratio:

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	**2018**	2017
Adjusted EBITDA	**$ 24,513**	$ 17,643	**$ 44,658**	$ 32,644
Cash interest paid	**9,675**	5,709	**17,758**	10,714
Principal repayments	**2,892**	1,781	**5,160**	2,961
Debt service requirements	**$ 12,567**	$ 7,490	**$ 22,918**	$ 13,675
Debt service coverage ratio	**2.0x**	2.4x	**1.9x**	2.4x

DEBT REPAYMENT SCHEDULE

The following table outlines the REIT's annual principal payments and maturity schedule, together with the weighted average annual interest rates at June 30, 2018:

	Annual Principal Payments	**Principal Repayments on Maturity**	**Total**	**Percentage (%)**	**Weighted Average Contractual Interest Rate on Maturing Debt (%)**
Remainder of 2018	$ 9,226	$ —	$ 9,226	0.9%	4.0%
2019	18,503	187,276	205,779	20.1%	3.8%
2020	17,160	101,029	118,189	11.6%	3.1%
2021	12,398	493,279	505,677	49.4%	3.8%
2022	7,617	296	7,913	0.8%	7.3%
Thereafter	$ 32,284	$ 143,659	$ 175,943	17.2%	4.0%
Weighted average interest rate					**3.8%**

The REIT has managed indebtedness to ensure the REIT is not exposed to liquidity risk due to concentration of debt maturities. As part of this strategy, the REIT is proactive in negotiating renewals for near term debt maturities. On February 1, 2018, the REIT renewed its revolving operating facility expiring June 30, 2018. As part of this renewal, the facility was extended to $172.0 million, expiring February 1, 2021 on comparable terms. This renewal addressed the remaining debt maturities for the 2018 year. At June 30, 2018, excluding the mortgages associated with interest rate swaps, the REIT had a floating rate mortgage and debt of $554.4 million (December 31, 2017 – $533.2 million). The following table presents the annualized impact of a change in floating interest rates of 25 basis points on finance costs:

	June 30, 2018	December 31, 2017
Change of 25 bps	**$ 1,386**	$ 1,333

COMMITMENTS AND CONTRACTUAL OBLIGATIONS

The following is a summary of the REIT's contractual obligations over the next five years at June 30, 2018:

	Total contractual cash flow	**2018**	**2019-2020**	**2021-2022**	**Thereafter**
Accounts payable and accrued liabilities	$ 35,380	$ 35,380	$ —	$ —	$ —
Amortizing principal repayments on debt	97,188	9,226	35,663	20,015	32,284
Principal repayments on maturity of debt	925,539	—	288,305	493,575	143,659
Interest on debt[(1)]	113,200	18,114	60,359	18,422	16,305
Interest rate swaps[(2)]	16,026	3,223	9,549	3,254	—
Other liabilities	7,338	1,418	1,579	1,162	3,179
Total	**$ 1,194,671**	**$ 67,361**	**$ 395,455**	**$ 536,428**	**$ 195,427**

(1) Interest amounts on floating debt have been determined using floating rates at June 30, 2018.
(2) Interest rate swap obligations have been calculated as the difference between the pay-fixed rate and receive-float rate based on the June 30, 2018 floating rate.

In connection with the REIT's redevelopment of 2251 and 2285 Speakman Drive as per the SNC-Lavalin lease agreement, the REIT spent $41.3 million in capital and redevelopment costs. At June 30, 2018, all of the improvement capital and redevelopment costs have been spent. This redevelopment project was funded through working capital and draws from the revolving credit and operating facilities.

DERIVATIVES

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

The REIT currently has in place certain pay-fix and receive-float interest rate swaps and an interest rate cap. The swaps are derivative financial instruments that require a periodic exchange of payments with counter-parties without the exchange of the notional amount on which the payments are based. The recorded interest expense on the underlying mortgages payable reflects payments made and received under the interest rate swaps. These swaps are not designated as hedging instruments that qualify for hedge accounting under IFRS. The REIT has an interest rate cap with a $125.0 million notional amount, a strike price of 1.90% based on one month bankers acceptances and a maturity of July 2018. The cost to the REIT was $0.05 million. The interest rate cap is measured at its fair value.

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.

During the first quarter of 2018, the REIT entered into a pay-fix and receive-float interest rate swap for a notional amount of $100.0 million which started on June 29, 2018 with a maturity of June 29, 2023. This derivative increased the REIT's fixed debt ratio by 12.7% to 45.8% at June 30, 2018 from December 31, 2017. The REIT expects to continue to monitor the interest rate environment and will seek to obtain long term fixed rate financing when advantageous rates exist or where economical, enter into derivative instruments to synthetically fix interest rates.

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

		Notional amount		Fair value	
Maturity date	**Fixed interest rate**	**June 30, 2018**	December 31, 2017	**June 30, 2018**	December 31, 2017
August 14, 2023	4.60%	**$ 20,342**	$ 20,645	**$ 572**	$ 811
May 1, 2023	3.64%	**29,752**	30,254	**(459)**	(264)
June 29, 2023	2.55%	**100,000**	—	**703**	—
		$ 150,094	$ 50,899	**$ 816**	$ 547

FINANCIAL CONDITION

The REIT's primary sources of capital are cash generated from operating, financing and investing activities. Management expects to meet all of the REIT's obligations through current cash and cash equivalents, cash flows from operations, the REIT's revolving credit facility, and refinancing of mortgages and equity.

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

	Six months ended June 30,	
	2018	2017
Net change in cash related to:		
Operating	**$ 19,617**	$ 16,007
Investing	**(234,018)**	(132,208)
Financing	**211,163**	114,231
Foreign exchange gain on cash held in foreign currencies	**(206)**	—
Decrease in cash	**$ (3,444)**	$ (1,970)

The change in cash for the six months ended June 30, 2018 and 2017 was the result of the following factors:

- Operating – cash flows for the six months ended June 30, 2018 increased by $3.6 million when compared to the same period in 2017. NOI has increased period over period from contributions from acquisition activity offset by higher interest and finance costs incurred to partially finance the acquisitions.
- Investing – cash outflows for the six months ended June 30, 2018 were $234.0 million compared to cash outflows of $132.2 million in the same period in 2017. The cash outflows in the current period were increased due to acquisitions with a net cash outflow of $221.0 million.
- Financing – cash flows for the six months ended June 30, 2018 primarily relate to proceeds from the equity and convertible debenture offering completed during the first quarter of 2018 for gross proceeds of $103.5 million and $28.75 million. The offering was completed to finance a portion of the REIT's acquisition activity.

EQUITY

The REIT is authorized to issue an unlimited number of trust units. Each trust unit represents a proportionate undivided beneficial interest and voting right in the REIT and entitles the holder to an equal participation in distributions of the REIT. The trust units are redeemable at the option of the holder at any time. The REIT's trust units are traded on the TSX and had a closing price of $7.62 on June 30, 2018.

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

On January 26, 2018 the REIT issued 12,778,800 subscription receipts of the REIT (the "Subscription Receipts") at a price of $8.10 per Subscription Receipt for gross proceeds of $103.5 million. The proceeds of the Subscription Receipts were used, in part, to finance the REIT's acquisitions in the first quarter of 2018. Concurrently with the acquisition of the 7 Asset Portfolio on March 27, 2018, the Subscription Receipts were automatically exchanged for one unit and a cash distribution equivalent payment of $0.125 (being equal to the aggregate amount of distributions paid by the REIT per unit for which record dates occurred between January 26, 2018 and March 27, 2018). The cash distribution equivalent payment of $1.6 million has been recorded in interest and finance costs for the six months ended June 30, 2018.

As at June 30, 2018, the total number of trust units outstanding was 69,811,498. As at August 3, 2018, the total number of trust units outstanding was 69,826,091.

Normal course issuer bid

On May 15, 2018, the REIT renewed its normal course issuer bid ("NCIB"), whereby the REIT may purchase up to 6,785,339 trust units, subject to certain restrictions. The renewed NCIB expires on the earlier of May 14, 2019 and the repurchase of the maximum number of trust units.

Potential trust units

	June 30, 2018	December 31, 2017
Class B LP units	**5,285,160**	5,285,160
Deferred units	**83,492**	60,300
	5,368,652	5,345,460

The Class B LP units are exchangeable into trust units of the REIT on a one-for-one basis, subject to anti-dilution adjustments. Each Class B LP unit is accompanied by one special voting unit of the REIT providing the same voting rights in the REIT as the trust units of the REIT and is entitled to distributions of cash equal to the cash distributions paid to holders of trust units by the REIT. The Class B LP units are recognized in the REIT's consolidated financial statements as financial liabilities measured at fair value through profit and loss. Upon exchange into trust units of the REIT, the carrying amount of the liability representing the fair value of the Class B LP units on exchange date will be reclassified to unitholders' equity. During the three months ended June 30, 2018, there were no Class B LP units exchanged for the REIT's trust units.

DEFERRED UNIT PLAN

Trustee deferred unit plan

Effective May 26, 2015, the REIT adopted a deferred unit plan for Trustees of the REIT (the "Trustee DUP"). 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 Trustee DUP. Participants may elect to receive all or a portion of their annual retainer, meeting fees and additional compensation (including travel fees), in deferred units. One deferred unit, which vests immediately on the grant date, is equivalent to one trust unit. Additional deferred units accumulate at the same rate that distributions are paid on the trust units.

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

At June 30, 2018, the liability associated with the Trustee DUP was $0.5 million (June 30, 2017 - $0.4 million), and the number of outstanding deferred units was 74,612 (June 30, 2017 - 57,648 units).

Officer deferred unit plan

On March 21, 2016, the REIT adopted a deferred unit plan for officers of the REIT (the "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 trust unit. Any units issued under the Officer DUP will result in an equal reduction and offsetting in the asset management fee payable to SMC, based on the trading price of units on the day of issuance.

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

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

As at June 30, 2018, the liability associated with deferred units issued under the Officer DUP was $0.1 million (June 30, 2017 - $0.1 million) and the number of deferred units was 8,880 (June 30, 2017 - 8,077).

RELATED PARTY TRANSACTIONS

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

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

	June 30, 2018	December 31, 2017
REIT units	**1,687,251**	1,687,251
Class B LP units	**5,285,160**	5,285,160
Total	**6,972,411**	6,972,411
Economic interest	**9.3%**	11.2%

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

The Management Agreement provides for the following fees:

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

(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 the REIT's 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 SMC.
(4) Acquisition fees are 1.0% on the first $100 million of acquisitions; 0.75% on the next $100 million of acquisitions and 0.50% for acquisitions in excess of $200 million.

The REIT incurred the following fees under the Management Agreement:

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	**2018**	2017
Property management	**$ 1,519**	$ 1,081	**$ 2,701**	$ 2,029
Asset management	**1,244**	872	**2,268**	1,640
Leasing, financing, and construction management	**562**	1,166	**1,245**	3,183
Acquisition	**—**	2,050	**2,284**	2,050
	$ 3,325	$ 5,169	**$ 8,498**	$ 8,902

Property administration fees are generally recoverable under the tenants’ leases relating to assets or resources of the Manager that are directly attributable to the management of the REIT’s properties. Property administration fees were $2.4 million and $4.4 million for the three and six months ended June 30, 2018 (June 30, 2017 – $1.7 million and $3.3 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.

As part of the REIT's acquisition of the 7 Asset Portfolio on March 27, 2018, the REIT was provided an income supplement in the aggregate amount of $2.4 million to be received in equal quarterly installments in each of the eight calendar quarters following the acquisition of the 7 Asset Portfolio by SCREO I L.P., an entity managed by Slate. The income supplement is recorded as an other asset on the consolidated statement of financial position at amortized cost. During the six months ended June 30, 2018, the REIT recorded $20 thousand as interest income in the consolidated statement of income.

The following are the assets and liabilities included in the consolidated statement of financial position of the REIT related to SMC, Slate and SCREO I L.P.:

	June 30, 2018	December 31, 2017
Income supplement receivable	**$ 1,991**	$ —
Accounts receivable	**339**	461
Accounts payable and accrued liabilities	**1,237**	1,028
Class B LP units	**40,273**	43,021

PART V - ACCOUNTING AND CONTROL

CRITICAL ACCOUNTING ESTIMATES

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

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

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

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

Overall income capitalization approach

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

Discounted cash flow method

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

Direct comparison approach

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

A summary of the significant assumptions used in the REIT's estimate of fair value as at June 30, 2018 is included on page 11 of this MD&A. Changes in these assumptions would have a significant impact on the REIT's estimate of fair value, which can be impacted by changes in demand for properties similar to those owned by the REIT, expectations of market rents, the covenant quality of tenants and the general economic environment. Further, these changes can occur at different times and magnitudes for each of the REIT's Western, Ontario and Atlantic regions based on the investment environments in each of their respective markets.

NEW ACCOUNTING POLICIES

IFRS 9, *Financial Instruments* ("IFRS 9")

IFRS 9, which replaces IAS 39, *Financial Instruments: Recognition and Measurement*, establishes principles for the financial reporting of financial assets and financial liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity’s future cash flows. Under IFRS 9, financial assets are classified and measured based on the business model in which they are held and the characteristics of their cash flows. In addition, under IFRS 9 for financial liabilities measured at fair value, changes in fair value attributable to changes in credit risk will be recognized in other comprehensive income, with the remainder of the changes recognized in profit or loss. However, if this requirement creates or enlarges an accounting mismatch in profit or loss, the entire change in fair value will be recognized in profit or loss. This standard also introduces a new expected credit loss model for financial instruments which requires continuous monitoring and forward looking information regarding changes in credit quality, resulting in timely recognition of provisions for expected credit losses.

The amendments to IFRS 9 were adopted retrospectively for periods beginning on January 1, 2018 by the REIT. The adoption of the amendments was not material to the consolidated financial statements.

IFRS 15, *Revenue from Contracts with Customers* ("IFRS 15")

IFRS 15 replaces IAS 18, *Revenue,* and IAS 11, *Construction contracts,* and is effective January 1, 2018. The REIT has elected to apply the standard on a modified retrospective basis.

The adoption of the new standard did not have a material impact to the REIT's consolidated statements of income. The recovery of costs related to common area maintenance services is considered within the scope of IFRS 15 and the REIT has concluded that the pattern of revenue recognition remains unchanged. As a result of the adoption of IFRS 15, the REIT discloses revenue recognized from contracts with customers related to common area maintenance recoveries separately from other sources of revenue, including those included within gross leases. There was no adjustment to opening retained earnings on the adoption of this standard.

Supplementary accounting policy disclosure

In 2018, the REIT applied accounting policies for certain transactions, events and conditions that differ in substance or that did not occur in periods prior to 2018. The REIT's significant accounting policies related thereto are described below:

Taxation

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 statements 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 forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax credits and unused tax losses can be utilized. For the determination of deferred tax assets and liabilities for property 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 investment property will be substantially consumed through use over time. Current and deferred income taxes are recognized in correlation to the underlying transaction either in OCI or directly in equity.

Foreign exchange

The REIT accounts for its investment in its U.S. wholly owned subsidiaries as U.S. dollar functional currency foreign operations. Assets and liabilities of foreign operations are translated into Canadian dollars at the exchange rates in effect at the consolidated statements 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 (loss) until there is a reduction in the REIT’s net investment in the foreign operations. The accumulated unrealized gains or losses arising from the translation of these obligations are recorded as a foreign currency translation adjustment in accumulated other comprehensive income (loss). 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 statements 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, unless the asset or liability is designated as a hedge.

Levies

Under IFRS Interpretations Committee Interpretation 21, *Levies* (“IFRIC 21”) realty taxes payable by the REIT are considered levies. Based on the guidance of IFRIC 21, the REIT recognizes the full amount of annual U.S. realty tax liabilities at the point in time when the realty tax obligation is imposed.

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 and 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. 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 transaction costs are reflected in the determination of the effective interest rate. For the embedded derivative liability, the transaction 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.

FUTURE ACCOUNTING POLICIES

The IASB has issued the following new standards that will be relevant to the REIT in preparing its consolidated financial statements in future periods:

IFRS 16, *Leases* ("IFRS 16")

This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than twelve months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. This standard substantially carries forward the lessor accounting requirements of IAS 17, *Leases*, while requiring enhanced disclosures to be provided by lessors. Other areas of the lease accounting model have been impacted, including the definition of a lease. The new standard is effective for annual periods beginning on or after January 1, 2019, which is when the REIT intends to adopt IFRS 16 in its consolidated financial statements. The REIT is assessing the impact of this new standard on its consolidated financial statements.

INCOME TAXES AND THE REIT EXCEPTION

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

The Tax Act imposes a special taxation regime (the "SIFT Rules") applicable to certain publicly traded income trusts (each a "SIFT"). A SIFT includes a trust resident in Canada with publicly traded units that holds one or more "non-portfolio properties". "Non-portfolio properties" include certain investments in real properties situated in Canada and certain investments in corporations and trusts residents in Canada and in partnerships with specified connections in Canada. Under SIFT Rules, a SIFT is subject to tax in respect of certain distributions that are attributable to the SIFT's "non-portfolio earnings" (as defined in the Tax Act; generally, income (other than certain dividends) from, or capital gains realized on, "non-portfolio properties", which does not include certain investments in non-Canadian entities), at a rate substantially equivalent to the combined federal and provincial corporate tax rate on certain types of income. The SIFT Rules are not applicable to a SIFT that meets certain specified criteria relating to the nature of its revenues and investments in order to qualify as a real estate investment trust for purposes of the Tax Act (the "REIT Exception"). The REIT qualifies for the REIT Exception as of June 30, 2018.

The REIT's U.S. subsidiary is subject to federal and state income tax on taxable income from the operations of 20 South Clark. The REIT recognizes deferred tax assets on unused tax losses and deductible temporary tax differences. The REIT recognizes deferred tax liabilities on deferred tax assets and liabilities are measured at prevailing tax rates when such differences are expected to settle, based on tax laws enacted at the reporting date.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

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

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

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

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

In the design of of its internal controls the REIT uses the 2013 framework published by the Committee of Sponsoring Organizations of the Treadway Commission. No changes were made in the REIT's design of ICFR during the 2018 year, that have materially affected, or are reasonably likely to materially affect, the REIT’s ICFR.

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

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

PART VI - PROPERTY TABLE

A summary of details of the REIT's property portfolio as at June 30, 2018 is set out in the table below.

Asset Class	Property Address	Property Name	City, Province	Year Built / Renovated /	Square feet of GLA	Occupancy
United States Office						
	20 South Clark	20 South Clark	Chicago, IL		380,297	82.9 %
Greater Toronto Area Office						
	5500 North Service Road		Burlington, ON	2001	221,484	76.1 %
	7030, 7050, 7100 Woodbine Avenue & 55, 85 Idema Road	Woodbine & Steeles Corporate Centre	Markham, ON	1984 / 2011	359,833	93.8 %
	3000 - 3100 Steeles Avenue East	Gateway Centre	Markham, ON	1982 / 1987	235,673	96.2 %
	2655 – 2695 North Sheridan Way	The Sheridan Exchange	Mississauga, ON	1987 / 1989	159,752	70.1 %
	2400 – 2430 Meadowpine Boulevard	Meadowpine Corporate Centre	Mississauga, ON	1990	59,095	72.4 %
	2285 Speakman Drive		Mississauga, ON	1981	126,270	100.0 %
	2599 Speakman Drive (3)		Mississauga, ON	1971 / 2011	111,461	0.0 %
	2251 Speakman Drive		Mississauga, ON	1965/2016	115,582	100.0 %
	1189 Colonel Sam Drive		Oshawa, ON	2001	103,179	100.0 %
	4211 Yonge Street		Toronto, ON	1982	170,972	97.4 %
	135 Queens Plate		Toronto, ON	1989 / 2012	93,581	88.5 %
	1 Eva Road		Toronto, ON	1978 / 2011	91,068	72.2 %
	5395 – 5409 Eglinton Avenue West	Centennial Centre	Toronto, ON	1985	235,299	84.1 %
	185-195 The West Mall	West Metro Corporate Centre	Toronto, ON	1986 / 2006	616,364	93.2 %
	401-405 The West Mall	Commerce West	Toronto, ON	1982 / 2009	411,842	88.1 %
	225 Duncan Mill		Toronto, ON	1978	155,872	87.7 %
	105 Moatfield Drive		Toronto, ON	1982	248,981	100.0 %
	95 Moatfield Drive		Toronto, ON	1982	156,426	100.0 %
Greater Toronto Area Office					3,672,734	87.8 %
Atlantic Office						
	440 King Street	Kings Place	Fredericton, NB	1974 / 2001	292,022	86.7 %
	250 King Street		Fredericton, NB	2000	80,162	100.0 %
	460 Two Nations Crossing		Fredericton, NB	2008	50,945	100.0 %
	570 Queen Street		Fredericton, NB	1989	69,708	88.5 %
	644 Main Street	Blue Cross Centre	Moncton, NB	1988 / 2006	320,818	97.3 %
	81 Albert Street		Moncton, NB	2002	64,954	100.0 %
	39 King Street (2)	Brunswick Square	Saint John, NB	1976	507,804	75.3 %
	4 Herald Avenue	Fortis Tower	Corner Brook, NL	2014	67,203	86.6 %
	100 New Gower Street	Cabot Place	St. John's, NL	1987	134,632	100.0 %
	10 Factory Lane	The Johnson Building	St. John's, NL	1980	188,170	100.0 %
	139 Water Street (3)		St. John's, NL	1968 / 1994	82,648	31.4 %
	5 Springdale Street	Fortis Place	St. John's, NL	2014	142,771	81.1 %
	140 Water Street	TD Place	St. John's, NL	1980 / 2013	97,433	88.9 %
	173 Water Street (3)	Water Street Properties	St. John's, NL	Various	71,541	53.0 %
	1505 Barrington Street	Maritime Centre	Halifax, NS	1977 / 1985	547,014	83.4 %
	84-86 Chain Lake Drive		Halifax, NS	2008 / 2011	77,666	88.5 %
Atlantic Office					2,795,491	85.0 %
Western Office						
	280 Broadway Avenue (1)		Winnipeg, MB	1957	112,642	87.4 %
	114 Garry Street		Winnipeg, MB	1950 / 1995	74,248	100.0 %
	895 Waverley Street		Winnipeg, MB	1991	34,364	100.0 %
	1000 Waverley Street		Winnipeg, MB	1966 / 1998	58,668	91.3 %
	1450 Waverley Street		Winnipeg, MB	2015	64,000	100.0 %
	365 Hargrave Street		Winnipeg, MB	Various	71,472	90.1 %
	1870 Albert Street	Saskatchewan Place	Regina, SK	1985	84,243	70.2 %
Western Office					499,637	89.7 %
Office					**7,348,159**	**86.6 %**

Asset Class	Property Address	Property Name	City, Province	Year Built / Renovated / Expanded	Square feet of GLA	Occupancy
Non-office						
	5404 36th Street SE	Doka Building	Calgary, AB	1980	36,000	100.0%
	200 Manitoba 10	Walmart Flin Flon	Flin Flon, MB	2002	63,439	100.0%
	307 – 311 Airport Road	Airport Road Shopping Centre	Yellowknife, NWT	2001 / 2003	15,475	100.0%
Non-office					114,914	**100.0%**
Total Portfolio					**7,463,073**	**86.8%**
Excluding Office Redevelopment					**7,197,423**	**89.1%**

1. Includes a seven-storey office building at 280 Broadway Avenue, a three-storey multi-family residential building located at 70 Smith Street and two parking lots located at 286 Broadway Avenue and 68 Smith Street; excludes occupancy from residential tenants at 70 Smith Street.
2. Includes Delta Brunswick Hotel.
3. Property currently under redevelopment.

CORPORATE INFORMATION

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

Head office

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Independent auditors

KPMG LLP
Chartered Professional Accountants
Toronto, Canada

Toronto Stock Exchange listings

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

Registrar and transfer agent

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Tel: +1 416 361 0930
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The REIT's website **www.slateofficereit.com** provides additional information regarding the REIT's portfolio, investment strategy, management and corporate governance. Additionally, the Investor section includes news, presentations, events, regulatory filings and trading information.

Trustees

John O'Bryan, Chair [3]
Corporate Director

Pam Spackman [1][2]
Corporate Director

Monty Baker [1][2]
Corporate Director

Nora Duke [2][3]
Executive Vice-President, Sustainability and
Chief Human Resources Officer, Fortis Inc.

Thomas Farley [1][3]
Corporate Director

Blair Welch [3]
Partner and Co-founder
Slate Asset Management L.P.

Brady Welch
Partner and Co-founder
Slate Asset Management L.P.

(1) Compensation, Governance and Nomination Committee
(2) Audit Committee
(3) Investment Committee