Office
REIT
SLATE

Q3 2017
TSX: SOT.UN

DEAR FELLOW UNITHOLDERS

“The four most dangerous words in investing are: 'this time it's different'.”

- Sir John Templeton

Building on momentum that commenced in the first half of 2017, Slate Office REIT executed on a number of initiatives that contributed to our goal of long-term value creation for unitholders.

- We completed 243,852 square feet of leasing across the portfolio. This activity increased occupancy to 85.9% compared to 84.4% at June 30, 2017. The 129,839 square feet of renewals were completed at leasing spreads of 9.9% above expiring rents while the 114,013 square feet of new leasing were 12.4% above in-place building rents. The weighted average lease-term of the portfolio also increased from 5.7 years to 5.9 years quarter over quarter.

- In addition to the previously disclosed 58,000 square foot Volta Labs lease at Maritime Centre in Halifax, we completed a new, 15-year, 28,000 square foot lease with Cogeco at West Metro Corporate Centre in Toronto. The Cogeco lease is representative of the strong tenant demand that we have seen at our newly acquired assets along Highway 427 in Suburban Toronto with occupancy of these assets increasing by 0.6% in the third quarter.

- Subsequent to quarter end, the success in the Highway 427 corridor has continued, with the completion of a new ten year deal with a security firm for 14,000 square feet and a seven year renewal of Trader Corp. for 51,000 square feet, both at Commerce West. Trader Corp. was expected to vacate at the time of underwriting, so this transaction was a major success. Commencing May 1, 2018, the REIT completed a blend and extend transaction at Fortis Place with Fortis Inc., including an additional 11,036 square feet of space on a 10 year term and extending their existing 23,040 square feet for approximately 3 years to be co-terminus with the new space. With this transaction, the REIT has now leased 16,746 square feet of the 47,332 square foot headlease that expired June 30, 2017.

- On the financing side, we completed an extension and refinancing of West Metro Corporate Centre, with the incremental $20 million of proceeds being used primarily to enhance the REIT’s liquidity, which we had not underwritten at the time of acquisition. We also completed a $40 million first mortgage financing on the Johnson Building in St. John’s, Newfoundland, increasing the REIT’s proportion of fixed rate debt.

- Overall, net operating income (“NOI”) increased by 11.1% compared to the second quarter with same property NOI increasing slightly by 1.2%. Core-funds from operations (“Core-FFO”) was up 8.2% while adjusted funds from operations (“AFFO”) was down 0.3%, primarily as a result of the expiry of the Fortis headlease at Fortis Place in St. John’s.

We remain committed to our primary goals of growing net asset value and providing distributions to the unitholders of Slate Office REIT. We continue to believe that the best way to accomplish this is to acquire and own a portfolio of office assets with similar characteristics: quality assets at a discount to replacement cost with in-place rents below major markets, where we can then deliver superior returns and long term growth by executing our asset management strategies. We believe that this approach is transferable across markets and is a major reason why we are excited about the future of Slate Office REIT. In the future, we will continue to seek opportunities to create synergies by adding properties in markets where we already have a presence.

We are also beginning to explore new markets in North America with the approach that any future acquisitions will be subject to the same discipline and investment rationale that we have applied to date. By expanding our investable universe, we will be able to grow our portfolio opportunistically and with greater diversification of both geography and tenancy. Furthermore, it will allow the unitholders of Slate Office REIT to benefit from the experience and track record of Slate as a global real estate investor and manager, leveraging relationships to source opportunities and create value.

We are excited about the continued evolution of Slate Office REIT and we thank our unitholders for their continued support.

Sincerely,

Scott Antoniak
Chief Executive Officer
November 7, 2017

SLATE Office REIT

Management's Discussion and Analysis

TSX: SOT.UN

September 30, 2017

CONTENTS

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 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 year ended December 31, 2016 ("Annual Information Form"). Factors that could cause actual results to differ materially from those contemplated or implied by forward-looking statements include, but are not limited to: risks incidental to ownership and operation of real estate properties including local real estate conditions; financial risks related to obtaining available equity and debt financing at reasonable costs and interest rate fluctuations; operational risks including timely leasing of vacant space and re-leasing of occupied space on expiration of current leases on terms at current or anticipated rental rates; tenant defaults and bankruptcies; uncertainties of acquisition activities including availability of suitable property acquisitions and integration of acquisitions; competition including development of properties in close proximity to the REIT's properties; loss of key management and employees; potential environmental liabilities; catastrophic events, such as earthquakes and hurricanes; governmental, taxation and other regulatory risks and litigation risks.

Forward-looking statements included in this MD&A are made as of November 7, 2017 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)

	September 30, 2017	June 30, 2017	March 31, 2017	December 31, 2016	September 30, 2016
Summary of Portfolio Information					
Number of properties	**38**	38	35	35	35
Gross leasable area ("GLA")	**6,116,085**	6,116,085	4,990,052	4,990,052	4,990,052
Total assets	**$ 1,353,127**	$ 1,302,622	$ 1,164,104	$ 1,025,522	$ 1,020,671
Total debt	**$ 793,765**	$ 752,312	$ 621,896	$ 604,953	$ 603,671
Occupancy	**85.9%**	84.4%	84.0%	86.4%	86.3%

					Three months ended
	September 30, 2017	June 30, 2017	March 31, 2017	December 31, 2016	September 30, 2016
Summary of Financial Information					
Revenue	**$ 41,208**	$ 36,230	$ 32,318	$ 35,094	$ 31,330
Net operating income ("NOI")(1)	**19,040**	17,131	14,175	15,065	14,446
Net income and comprehensive income	**23,607**	3,482	8,442	14,571	2,984
Funds from operations ("FFO")(1)	**12,372**	11,405	9,495	10,650	9,989
Core-FFO(1)	**12,923**	11,949	10,030	11,177	10,507
Adjusted FFO ("AFFO")(1)	**10,663**	10,694	8,842	9,737	9,004
Per Unit Financial Information					
Weighted average diluted number of trust units (000s)	**62,231**	57,103	46,101	46,071	41,449
FFO per unit(1)	**$ 0.20**	$ 0.20	$ 0.21	$ 0.23	$ 0.24
Core-FFO per unit(1)	**0.21**	0.21	0.22	0.24	0.25
AFFO per unit(1)	**0.17**	0.19	0.19	0.21	0.22
Distributions per unit(1)	**$ 0.1875**	$ 0.1875	$ 0.1875	$ 0.1875	$ 0.1875
FFO pay-out ratio(1)	**94.2%**	102.2%	91.0%	81.0%	78.7%
Core-FFO payout ratio(1)	**90.2%**	97.5%	86.1%	77.2%	74.8%
AFFO pay-out ratio(1)	**109.3%**	108.9%	97.7%	88.6%	87.3%

	September 30, 2017	June 30, 2017	March 31, 2017	December 31, 2016	September 30, 2016
Financial Data					
Weighted average debt interest rate	**3.2%**	3.2%	3.3%	3.3%	3.3%
Interest coverage ratio (times)(1)	**3.0x**	3.1x	3.0x	3.2x	3.2x
Net debt to adjusted EBITDA ratio (times)(1)	**9.9x**	10.7x	10.4x	9.4x	9.8x

(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 Slate Office REIT (TSX: SOT.UN) (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 nine months ended September 30, 2017. 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 September 30, 2017 and for the three and nine months ended September 30, 2017 and 2016. This MD&A should be read in conjunction with those consolidated financial statements. All dollar amounts are in thousands of Canadian dollars, unless otherwise noted.

The information contained in this MD&A is based on information available to the REIT and is dated as of November 7, 2017, 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 constituted in accordance with 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 September 30, 2017, the REIT owned interests in 38 properties comprised of 34 office properties and 4 non-office properties totaling 6.0 million and 0.1 million square feet, respectively, of GLA. The properties are located in geographically diversified markets in Canada.

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 assumed management responsibilities for the REIT 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 Canadian office market was changing and a pure-play office REIT would provide a vehicle to capitalize on future opportunities. Slate is the largest unitholder in the REIT, with an 11.2% interest, 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.

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, 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 non-core assets in major office markets, where millions of people come to work every day. We believe that non-core assets provide superior risk-adjusted returns relative to conventional Class A office towers pursued by many other large investors. This non-core office product comprises approximately two-thirds of Canadian office inventory that is often overlooked by large institutional investors. Accordingly, these assets can frequently be purchased at a significant discount to peak and replacement value while retaining stable operating fundamentals that together allow superior risk-adjusted returns, relative to core assets. 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.

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 2017 and 2018:

- 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.

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, 2016, 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 September 30, 2017:

Leasing

- The REIT completed a total of 243,852 square feet of leasing, comprised of 129,839 square feet of renewals and 114,013 square feet of new lease deals.
- Leasing spreads overall in the quarter increased 10.9% over expiring rents. Renewals were 9.9% above expiring rents while new deals were 12.4% above in-place building rent. In-place occupancy for the portfolio increased to 85.9% compared to 84.4% at Q2 2017 and the weighted average lease term increased to 5.9 years from 5.7 years at the end of the second quarter 2017.
- Completed a new 5-year lease deal with Volta Labs at the Maritime Centre for 58,178 square feet. This new tenant will occupy a significant portion of the space previously occupied by BCE Inc. (formerly, Bell Aliant).
- Completed a new lease with Cogeco Peer 1 at West Metro Corporate Centre for 28,276 square feet and a 15 year term, commencing in February 2018. This is space that SNC-Lavalin currently occupies but had a termination right on that could be exercised in December 2017. The REIT negotiated an early termination with SNC-Lavalin to facilitate the new Cogeco Peer 1 deal. This transaction de-risks the property and secures a strong credit tenant for 15 years.
- Subsequent to quarter end, we completed a new ten year deal for 14,000 square feet with a security firm and a seven year renewal of Trader Corp. for 51,000 square feet, both at Commerce West. Trader Corp. was expected to vacate at the time of underwriting, so this transaction was a major success for the REIT. We also completed a blend and extend transaction at Fortis Place with Fortis Inc. that commences May 1, 2018 and includes an additional 11,036 square feet of space on a 10 year term and also extends their existing 23,040 square feet for approximately 3 years to be co-terminus with the new space. With this transaction, we have now leased 16,746 square feet of the 47,332 square foot headlease that expired June 30, 2017.

Financial

- Net income and comprehensive income was $23.6 million, an increase of $20.1 million over the second quarter of 2017, from a recorded a fair value increase to property of $12.1 million for the three months ended September 30, 2017. This increase is primarily related to increased investment pricing in the Greater Toronto Area in addition to value created from leasing.
- Same property NOI was $14.5 million, representing an increase of $0.2 million over the second quarter of 2017 due to positive leasing activity.
- AFFO was $10.7 million representing an increase of $1.7 million over the same period in 2016. Similarly, Core-FFO was $12.9 million, which is $2.4 million more than the same period in 2016. These increases are attributable to the NOI contribution from acquisitions offset by higher interest expense from debt required to finance acquisitions.
- The AFFO payout ratio was 109.3% which has increased from 108.9% in the second quarter of 2017. The increase in AFFO payout ratio is attributable to the equity offering in March 2017, higher interest expense in Q3 2017 from realizing a full quarter of interest on debt financing from acquisitions, as well as a decline in the guaranteed income supplement from the head lease expiry at Fortis Place.

Redevelopment

- During the third quarter of 2017, the landlord redevelopment of 2285 Speakman Drive was completed with SNC-Lavalin Nuclear commencing fixturing in accordance with the property redevelopment plan. Rent commences in January 2018 at 2285 Speakman. This is a major milestone for the REIT and the completion of Mississauga's Sheridan Business Park. In this quarter, 2285 Speakman Drive was reclassified from redevelopment to income producing property and 2599 Speakman Drive was reclassified as a redevelopment property. SNC-Lavalin Nuclear will continue to occupy 2599 Speakman until February 2018, when they expect to be complete their transitions to 2285 Speakman. We continue to engage in preliminary discussions with prospective tenants regarding the leasing of 2599 Speakman Drive.

Financing and Re-financing Proceeds

- During the quarter, the REIT completed a refinancing and extension of the recently acquired West Metro Corporate Centre. The new financing has a term of 4 years and provided an additional $20.0 million in proceeds, which were used to reduce the REIT's credit facilities and increase the REIT's liquidity.
- On September 29, 2017, the REIT completed the refinancing of a mortgage on the Johnson Building in the amount of $40.0 million, maturing September 30, 2020. In conjunction with the refinancing, the Johnson Building was removed as a secured property from the REIT's revolving operating facility.

OUTLOOK

The following are some of the more significant items that Management expects will impact the REIT during the remainder of 2017 and 2018:

Deployment of Capital

- The acquisition pipeline is active and the REIT remains disciplined in underwriting new opportunities. In the near-term, management expects to deploy the remaining equity raise proceeds ($9.0 million) as well as the proceeds from the 250 King and 460 Two Nations financing ($15.0 million) and the West Metro Corporate Centre refinancing ($20.0 million). A potential acquisition (or acquisitions) using available liquidity is expected to be highly accretive to AFFO.

Leasing Upside

- Renewal spreads are expected to continue to be strong as the current in-place rent is an estimated 6.0% below market.
- At Maritime Centre, BCE Inc. 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. At the end of the third quarter 2017, 136,022 square feet of former BCE Inc. 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. Overall, the BCE Inc. space has been leased at an average rent that is 49% above the expiring BCE Inc. lease rate. The Maritime Centre presents an opportunity to grow same property NOI through meaningful rent increases.
- The Sheridan Exchange had a 48,902 square foot vacancy as of January 1, 2017 and the 48,203 square foot head lease at Fortis Place expired July 1, 2017. Both properties have seen an increase in tenant demand with 8,400 square feet being leased at the Sheridan Exchange and 5,702 square feet of new leasing was completed at Fortis Place.

Development Progress

- The REIT completed the redevelopment of 2251 Speakman Drive and turned over the property to SNC-Lavalin Nuclear in July 2016. At that time the REIT reclassified the property from redevelopment to income-producing and reclassified 2285 Speakman Drive from income-producing to redevelopment.
- During the third quarter of 2017, 2285 Speakman Drive redevelopment was completed and the space was delivered to SNC-Lavalin Nuclear for fixturing. Rent will commence in January 2018. The property was reclassified from redevelopment to income producing. 2599 Speakman, which will be occupied until February 2018, was reclassified from income producing to redevelopment during the quarter. There is keen interest for 2599 Speakman; for which the REIT is in discussion with prospective tenants, and any leasing completed will provide incremental NOI for the REIT.
- The redevelopment of 114 Garry Street in Winnipeg, MB was completed in the third quarter of 2017, which de-risks and stabilizes the asset which is fully leased on a long-term lease with the Province of Manitoba.

PART II - LEASING AND PROPERTY PORTFOLIO

LEASING

The REIT had a strong quarter by continuing to renew and extend leases to drive occupancy and value. In aggregate, 243,852 square feet of leasing was completed, comprising 129,839 square feet of lease renewals and 114,013 square feet of new lease deals. Leasing spreads in the quarter were 10.9% overall with lease renewals at 9.9% above expiring rents and new deals at 12.4% above building in-place rent. Overall, in-place occupancy at September 30, 2017 increased 150 basis points to 85.9% compared to 84.4% at June 30, 2017, while the weighted average lease term increased to 5.9 years from 5.7 years for the same period.

Looking forward to the remainder of 2017, 0.7% of the portfolio GLA is maturing and Management generally expects normal course renewals. The REIT has completed new lease deals that are not reflected in in-place occupancy as the leases commence subsequent to September 30, 2017. During the quarter, the REIT completed a new 5-year lease deal with Volta Labs at the Maritime Centre for 58,178 square feet. This new tenant will occupy a significant portion of the space previously occupied by BCE Inc. The team also completed a new lease with Cogeco Peer 1 at West Metro Corporate Centre for 28,276 square feet for a 15 year term, commencing in February 2018.

The REIT is focused on the remaining 2017 and 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 September 30, 2017			Three months ended June 30, 2017		
	GLA	**Occupancy (square feet)**	**Occupancy (%)**	GLA	Occupancy (square feet)	Occupancy (%)
Occupancy, beginning of period	**6,116,085**	**5,161,144**	**84.4%**	4,990,052	4,192,499	84.0%
Acquisitions	**—**	**—**	**—**	1,159,313	1,053,323	90.9%
Dispositions	**—**	**—**	**—**	(33,280)	—	—
Change in same property occupancy	**—**	**90,835**	**—**	—	(84,678)	—
Occupancy, end of period	**6,116,085**	**5,251,979**	**85.9%**	6,116,085	5,161,144	84.4%
Redevelopment properties	**265,650**	**159,614**	**60.1%**	280,459	63,646	22.7%
Occupancy, excluding redevelopments	**5,850,435**	**5,092,365**	**87.0%**	5,835,626	5,097,498	87.4%

The REIT's objective is to maintain high levels of occupancy throughout the portfolio. At September 30, 2017, the REIT's occupancy, excluding redevelopment office properties, was 87.0%, which has declined by 40 bps from the portfolio's occupancy excluding redevelopment at June 30, 2017. Occupancy has increased in the quarter as a result of the reclassification of 2285 Speakman from redevelopment to income producing as the space was delivered to SNC-Lavalin Nuclear for fixturing and is fully occupied. The in-place occupancy of the REIT's total portfolio including redevelopment assets was 85.9% at the end of the quarter compared to 84.4% at June 30, 2017, an increase of 150 basis points. The increase in occupancy is attributable to the transition of 2285 Speakman Drive from redevelopment to income producing property, as the property is 100% occupied by SNC-Lavalin Nuclear, coupled with positive leasing activity.

LEASE MATURITIES

The REIT generally enters into leases with an initial term to maturity between 2 and 10 years. The weighted average remaining term to maturity at September 30, 2017 was 5.9 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:

	September 30, 2017			June 30, 2017		
	Weighted average years to maturity (1)	**GLA**	**% of GLA**	Weighted average years to maturity (1)	GLA	% of GLA
Atlantic	**6.0**	**2,121,008**	**34.7%**	6.1	2,165,088	35.4%
Ontario	**5.2**	**2,567,999**	**42.0%**	4.9	2,433,084	39.8%
Western	**8.6**	**562,972**	**9.2%**	7.9	562,972	9.2%
	5.9	**5,251,979**	**85.9%**	5.7	5,161,144	84.4%
Vacant (2)		**864,106**	**14.1%**		954,941	15.6%
Total		**6,116,085**	**100.0%**		6,116,085	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 September 30, 2017.

The following is a profile of the maturities of the REIT's leases without including the impact of tenant extension options at September 30, 2017:

	GLA	**% of portfolio**	**Weighted average in-place rent (per square foot)(1)**
Month-to-month	180,038	2.9%	$ 14.61
Remainder of 2017	44,188	0.7%	14.31
2018	657,734	10.8%	15.04
2019	514,161	8.4%	16.53
2020	748,543	12.2%	16.56
2021	205,042	3.4%	18.86
2022	1,008,415	16.5%	14.29
2023 and later	1,893,858	31.0%	18.49
Vacant	864,106	14.1%	
Total/weighted average	**6,116,085**	**100.0%**	**$ 16.63**

(1) Future weighted average in-place rents include contractual step-ups, which in certain leases, have not yet been realized by the REIT.

IN-PLACE AND MARKET RENTS

During the three months ended September 30, 2017, the REIT completed 243,852 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 September 30, 2017:

	GLA	**Number of leases**	**Weighted average expiring rent (per square foot)**	**Weighted average new rent (per square foot)**	**Increase (decrease) in rent**
Renewed leases	129,839	20	$ 17.40	$ 19.12	9.9%
New leases	114,013	15	13.51	15.18	12.4%
Total / weighted average	243,852	35	$ 15.58	$ 17.28	10.9%
Less: leases not renewed / vacated	(58,794)	5			
Net total	185,058				

During the quarter, on a weighted average basis, renewed and new leases were completed at a 9.9% and 12.4% increase to expiring rents, respectively. The rental rate spread on new leases and renewals is consistent with Management's expectations for the portfolio.

The weighted-average in-place rent of the REIT's portfolio at September 30, 2017 is $14.89 per square foot. Management estimates the current weighted average market rate to be $15.78 per square foot for the markets in which the REIT's properties are located, or $0.89 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
Q3 2016	257,551	11	77,680	13	335,231	24
Q4 2016	33,000	15	26,834	10	59,834	25
Q1 2017	45,893	8	192,757	11	238,650	19
Q2 2017	92,484	13	53,473	17	145,957	30
Q3 2017	129,839	20	114,013	15	243,852	35

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 September 30, 2017, which together represent 46.1% of base rental receipts:

Tenant	Credit rating (1)	GLA (square feet)	Number of properties	% of base rental receipts	Weighted average lease term (years)
BCE Inc.	BBB	325,236	7	11.2%	6.3
SNC-Lavalin Group Inc. (2)	BBB	573,157	2	9.9%	5.7
Government of Canada	AAA	333,952	8	7.8%	5.3
Province of New Brunswick	AA	257,002	4	4.7%	4.5
Johnson Insurance (3)	A	154,018	1	3.1%	10.0
Blue Cross	Unrated	192,745	2	2.8%	10.5
Bank of Nova Scotia	AA	93,112	5	1.7%	4.3
Province of Nova Scotia	AA	131,877	1	1.9%	1.4
Province of Manitoba	AA	90,136	2	1.5%	21.4
Concentrix Technologies	Unrated	103,179	1	1.5%	4.3
Total		**2,254,414**		**46.1%**	**6.6**

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

PROPERTY PROFILE

The REIT's property portfolio at September 30, 2017, comprises wholly-owned interests in thirty-four office properties, two industrial properties, two retail properties and one hotel. The portfolio comprises 6.1 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 nine months ended September 30, 2017, the REIT acquired four office properties, the West Metro Corporate Centre and 401-405 The West Mall in Etobicoke, ON ("Commerce West"), and 250 King and 460 Two Nations in Fredericton, NB, for an aggregate purchase price of $244.5 million, net of adjustments.

The West Metro Corporate Centre is a 616,364 square foot Class A office complex, consisting of three office buildings with strong location and high visibility. The West Metro Corporate Centre has investment grade tenants and will contribute strong operating results to the REIT's portfolio with occupancy at September 30, 2017 of 93.0%. Commerce West is a 411,842 square foot suburban office complex with occupancy at September 30, 2017 of 84.7%.

250 King and 460 Two Nations are two Class B office building consisting of 80,162 and 50,945 square feet, respectively, located in Fredericton, NB. Both buildings are single tenanted and 100% occupied by the Province of New Brunswick.

	West Metro Centre	250 King Street	460 Two Nations	Commerce West	Total
REIT's interest	100%	100%	100%	100%	
Number of properties	1	1	1	1	
Acquisition date	April 25, 2017	April 25, 2017	April 25, 2017	May 25, 2017	
Purchase price [(1)]	$ 135,613	$ 9,750	$ 9,465	$ 89,660	**$ 244,488**
Transaction costs	7,451	210	202	4,506	**12,369**
Properties	143,064	9,960	9,667	94,166	**256,857**
Working capital	(729)	(154)	(15)	(309)	**(1,207)**
Debt assumed [(2)]	(75,256)	—	—	(68,384)	**(143,640)**
Total investment	$ 67,079	$ 9,806	$ 9,652	$ 25,473	**$ 112,010**

(1) Net of adjustments from the vendor related to tenant improvements and other.
(2) Includes the impact of the mark-to-market adjustment and financing costs.

Consideration was comprised of cash for all acquisitions in 2017 and $10.0 million of financing from a private placement which closed on April 25, 2017.

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 REIT. While the number of opportunities is high we will continue to be disciplined in our underwriting and pricing. During 2017, and in particular since the beginning of the third quarter of 2017, the REIT has decided to pass on or has been outbid on a number of potential property acquisitions in the markets in which it currently operates. 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 build.
- *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.

Currently, we are primarily focused on opportunities in markets where we have a presence and that reinforces our focus on suburban nodes of primary markets and attractive opportunities in secondary or tertiary cities. We would be interested in expanding to markets we currently are not in, however, we would either need to be able to do so with appropriate scale or where Slate has historical operating expertise.

Dispositions

During the nine month period ended September 30, 2017, the REIT disposed of a vacant industrial building located at 7001 96th Street in Grande Prairie, AB ("Grande Prairie"), for gross proceeds of $4.4 million. As Grande Prairie was vacant, its sale will positively contribute to NOI, due to the required holding costs of ownership. The sale of Grande Prairie is a continuation of our strategy to dispose of non-strategic assets and recycle capital appropriately to manage leverage.

	7001-96th Street
Disposition date	May 12, 2017
Location	Grand Prairie, AB
Sale price	$ 4,400
Working capital	(41)
Disposition costs	(146)
Net proceeds	**$ 4,213**

Redevelopment Properties

The REIT has classified the following properties as redevelopment during the quarter ended September 30, 2017:

Property Address	Property Name	City, Province	Year Built / Renovated / Expanded	Ownership Interest	Square feet of GLA	Occupancy
2599 Speakman Drive		Mississauga, ON	1971/2011	100%	111,461	86.1%
Various	Water Street Properties	St. John's, NL	Various	100%	71,541	54.4%
139 Water Street	Fortis Building	St. John's, NL	1968 / 1994	100%	82,648	29.9%

In St. John's, NL, the Water Street Properties and the 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. Fortis Building was formerly occupied by Fortis Corporation which has moved its head-office to the REIT's Fortis Place property. The Fortis Building and Water Street Properties are owned by the REIT at a cost base of $122 per square foot and have the potential for redevelopment as a regional head-office, possibly for an energy industry user. The REIT's low cost base would allow for significant capital to be allocated towards a redevelopment of the Water Street Properties and Fortis Building with competitive economics against other properties and new construction, which we estimate to be between $450 and $550 per square foot in St. John's. The short-term strategy for these assets is to drive cash flow through short-term leases that allow flexibility for building redevelopment or tenant relocation.

2599 Speakman Drive is one of three 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 of the REIT's entering 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 quarter, the REIT reclassified 2599 Speakman Drive to redevelopment and 2285 Speakman Drive to income producing property. Rent commences at 2285 Speakman in January 2018 and SNC-Lavalin will continue 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 September 30, 2017 had an estimated IFRS fair value of $1.3 billion, with a weighted average going-in capitalization rate of 6.26%. It is important to highlight that this capitalization rate reflects the current economics of the REIT's properties, including its 85.9% in-place occupancy which includes its redevelopment assets and current in-place rents of $14.89 per square foot, which Management estimates to be on average $0.89 per square foot below market rents of $15.78. Overall, the average estimated IFRS fair value per square foot of the REIT's portfolio is $205 with an average cost to the REIT of $182 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, depending on the property. In certain markets, such as St. John's, NL, the cost to construct is significantly higher.

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 September 30, 2017 and December 31, 2016:

	September 30, 2017			December 31, 2016		
	Discount rate	**Terminal cap rate**	**Capitalization rate (1)**	Discount rate	Terminal cap rate	Capitalization rate (1)
Minimum	**6.25%**	**5.75%**	**4.24%**	6.75%	6.25%	4.16%
Maximum	**11.00%**	**9.00%**	**11.76%**	11.00%	9.00%	11.92%
Weighted average	**7.40%**	**6.90%**	**6.26%**	7.55%	7.05%	6.37%

(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 6.26%, 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 4.24% and 11.76%, 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 of 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. These properties include the REIT's redevelopment properties and one vacant Alberta industrial property. After removing the NOI contribution of these properties from the REIT's calculation of its going-in capitalization rate of 6.26%, the rate would be adjusted to 6.44%.

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

Property continuity

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

	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	**2017**	2016
Balance, beginning of period	**$ 1,223,073**	$ 843,257	**$ 946,939**	$ 729,089
Acquisitions (1)	**61**	86,336	**256,857**	173,122
Capital expenditures	**6,843**	5,835	**18,551**	21,762
Direct leasing costs	**11,557**	2,856	**25,413**	9,521
Dispositions	**—**	—	**(4,400)**	(4,275)
Depreciation of hotel asset	**(204)**	(149)	**(584)**	(428)
Change in fair value	**12,070**	(1,497)	**9,908**	6,911
Straight line rent and other changes	**539**	522	**1,255**	1,458
Balance, end of period	**$ 1,253,939**	$ 937,160	**$ 1,253,939**	$ 937,160

(1) Acquisitions represents the total purchase price and costs of acquisition.

Capital expenditures are incurred by the REIT for maintaining or improving its office 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 nine months ended September 30, 2017 is primarily the result of 2017 acquisition activity. The REIT acquired four office properties in the second quarter of 2017, the West Metro Corporate Centre and Commerce West in Etobicoke, ON, and 250 King and 460 Two Nations in Fredericton, NB for combined purchase price of $244.5 million, net of adjustments, plus transaction costs of $12.4 million. Capital and direct leasing spend, as well as positive leasing activity throughout the portfolio, have also contributed to the increase in value. Only minor modifications to cash flows, discount and capitalization rates were made at certain other properties, having the largest impact on Commerce West.

PART III - RESULTS OF OPERATIONS

SUMMARY OF RESULTS OF OPERATIONS

The following is a summary of the results of operations:

	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	**2017**	2016
Rental revenue	**$ 41,208**	$ 31,330	**$ 109,756**	$ 87,096
Property operating expenses	**(21,629)**	(16,362)	**(58,155)**	(46,658)
Finance income on finance lease receivable	**973**	1,006	**2,944**	3,043
Interest income	**15**	20	**56**	50
Interest and finance costs	**(7,042)**	(5,005)	**(19,135)**	(13,638)
General and administrative	**(1,537)**	(1,168)	**(3,965)**	(3,130)
Change in fair value of properties	**12,070**	(1,497)	**9,908**	6,911
Change in fair value of financial instruments	**969**	96	**(1,435)**	(962)
Disposition costs	**(13)**	(15)	**(146)**	(221)
Depreciation of hotel asset	**(204)**	(149)	**(584)**	(428)
Net income before Class B LP units	**$ 24,810**	$ 8,256	**$ 39,244**	$ 32,063
Change in fair value of Class B LP units	**(212)**	(4,281)	**(740)**	(7,241)
Distributions to Class B LP unitholders	**(991)**	(991)	**(2,973)**	(2,973)
Net income and comprehensive income	**$ 23,607**	$ 2,984	**$ 35,531**	$ 21,849

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 September 30, 2017 was $24.8 million compared to $8.3 million for the same period in 2016. NOI increased from acquisition activity in the second quarter of 2017 as well as certain acquisitions from the latter half of 2016. Interest and finance costs for the three months ended September 30, 2017 increased to $7.0 million compared to $5.0 million for the same period in 2016. The increase is from additional borrowings to finance acquisitions and increased interest rates on floating rate debt. The change in fair value of investment property was $12.1 million for the three months ended September 30, 2017 compared to a loss of $1.5 million for the three months ended September 30, 2016. The increase in investment properties in the quarter is due to additional spending on value- add capital and leasing costs as well as minor modifications to cash flow, discount and capitalization rates at certain properties, having the largest impact at the REIT's Commerce West property.

The change in net income before Class B LP units for the nine months ended September 30, 2017 when compared to the same period in 2016 increased by $7.2 million. Net property income increased by $11.2 million as a result of portfolio growth attributable to acquisition activity, but offset by higher interest expense of $5.5 million and an increase in the change in fair value of properties of $3.0 million.

NET INCOME AND COMPREHENSIVE INCOME

For the three months ended September 30, 2017, net income and comprehensive income was $23.6 million, an increase of $20.6 million compared to the same period in 2016. This increase is due to higher net income before Class B LP units, as well as a smaller change in fair value of the Class B LP units for the three months ended September 30, 2017 of $0.2 million compared to $4.3 million for the same period in 2016. The change in fair value of Class B LP units is directly correlated with the change in the unit price of the REIT's units during each respective period. Class B LP units are recorded as a liability by the REIT.

The change in net income and comprehensive income for the nine months ended September 30, 2017 was an increase of $13.7 million which is due to higher net income before Class B LP units.

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. 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:

	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	2017	2016
Revenue	**$ 41,208**	$ 31,330	**$ 109,756**	$ 87,096
Property operating expenses	**(21,629)**	(16,362)	**(58,155)**	(46,658)
Straight-line rents and other changes	**(539)**	(522)	**(1,255)**	(1,458)
Net operating income	**$ 19,040**	$ 14,446	**$ 50,346**	$ 38,980

The increase in NOI of $4.6 million for the three months ended September 30, 2017 and $11.4 million for the nine months ended September 30, 2017 compared to the same periods in 2016 was primarily the result of portfolio growth from acquisitions. In the second quarter of 2017, the REIT completed the acquisition of the West Metro Corporate Centre and Commerce West in Etobicoke, ON and 250 King Street and 460 Two Nations in Fredericton, NB. These acquisition have positively contributed to NOI with a combined occupancy rate of 90.8%.

In 2016, the REIT completed the acquisition of the remaining interest in the St. John's Places through two partial interest acquisitions. The first being the acquisition of an additional 19% ownership in June 2016 and the second a further 51% in September 2016, increasing ownership to 100% at the end of 2016. The REIT also completed the acquisition of 365 Hargrave St. in September 2016. These acquisitions have both positively contributed to NOI in the current quarter with smaller corresponding contributions in the comparative quarter.

The additions to NOI from acquisitions were offset by same-property NOI changes due to maturing leases. BCE Inc.'s lease matured at Brunswick Square occupying 41,389 square feet and MMM Group Limited's lease matured at the Sheridan Exchange creating 48,902 square feet of transitional vacancy. In addition, BCE Inc. vacated 193,861 square feet at Maritime Centre in Halifax, NS on April 30, 2017. As at the end of the quarter, management had leased 155,891 square feet of these vacancies.

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.

The same-property NOI comparison to the three months ended June 30, 2017, excludes the REIT's recently acquired West Metro Corporate Centre, Commerce West, 250 King Street and 460 Two Nations. The comparison also excludes the REIT's Grande Prairie property which was an industrial asset disposed of in the quarter. This analysis also excludes the impact of the REIT's hotel asset due to seasonality.

The following is a summary of the same-property NOI compared to the prior quarter:

		Three months ended
	September 30, 2017	June 30, 2017
Number of properties	**34**	34
GLA	**4,956,772**	4,956,772
Revenue	**$ 32,137**	$ 31,126
Property operating expenses	**(16,776)**	(16,121)
Straight-line rents and other changes	**(265)**	(208)
Same-property NOI (including hotel asset)	**15,096**	14,797
NOI attributable to hotel asset	**(581)**	(455)
Same-property NOI (excluding hotel asset)	**14,515**	14,342
Quarter-over-quarter change - $	**$ 173**	
Quarter-over-quarter change - %	**1.2%**	

Same-property NOI, excluding the REIT's hotel asset, for the three months ended September 30, 2017 compared to the most recently completed quarter, increased by $0.2 million or 1.2%. The increase in same property NOI quarter over quarter is a result of positive leasing activity from various smaller lease deals in the REIT's Ontario portfolio. These increases are offset by timing of property operating expenses.

The same-property NOI comparison to the three months ended September 30, 2016 excludes the REIT's newly acquired West Metro Corporate Centre, Commerce West, 250 King Street and 460 Two Nations. The analysis also excludes the 2016 acquisition of 365 Hargrave St. which was acquired on September 8, 2016, as well as Grande Prairie, which is an industrial asset sold in the current quarter. The REIT's interest in the St. John's Places is included at 49% as this was the REIT's ownership consistently throughout both comparative periods. However, the operations of the REIT's hotel asset are included when comparing to the prior year as the seasonal variations are consistent.

The following is a summary of the same-property NOI compared to the same period in the prior year:

			Three months ended
		September 30, 2017	September 30, 2016
Number of properties		**34**	34
GLA		**4,727,414**	4,727,414
Revenue	**$**	**29,789**	$ 30,725
Operating expenses		**(15,818)**	(15,995)
Straight-line rents and other changes		**(264)**	(523)
Same-property NOI (including hotel asset)		**13,707**	14,207
Period-over-period change - $	**$**	**(500)**	
Period-over-period change - %		**(3.5)%**	

Same-property NOI for the three months ended September 30, 2017 compared to the same period in 2016 has decreased by $0.5 million or 3.5%. The decline in same-property NOI is a result of transitional vacancies. BCE Inc.'s lease maturity at Brunswick Square in St. John, NB, and Maritime Centre in Halifax, NS which occupied 41,389 square feet and 193,861 square feet, respectively, contributed in part to the decline in NOI. These vacancies were known at the time of acquisition of the Fortis Portfolio and adjusted for in the REIT's valuation underwriting. As well, MMM Group Limited vacated 48,902 square feet of space at the Sheridan Exchange in Mississauga, ON. These transitional vacancies have been offset by positive leasing throughout the portfolio, including a 154,018 square foot lease with Johnson Insurance in St. John's, NL. Johnson Insurance is a sub-tenant of BCE Inc. until 2020. The new lease has secured Johnson Insurance in the building for an additional 10 years, through to 2030.

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. Core-FFO also removes the impact of mortgage discharge fees (if any).

Reconciliation of FFO and Core-FFO

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

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

	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	2017	2016
Cash flow from operating activities	**5,924**	12,476	**21,931**	21,345
Add (deduct):				
Leasing costs amortized to revenue	**384**	168	**845**	477
Disposition costs	**13**	15	**146**	221
Subscription receipts equivalent amount (1)	**—**	—	**926**	—
Working capital items	**4,994**	(4,149)	**6,122**	1,454
Straight-line rent and other changes	**539**	522	**1,255**	**1,458**
Interest and other finance costs	**(7,042)**	(5,005)	**(19,135)**	**(13,638)**
Interest paid	**6,569**	4,971	**18,209**	**12,950**
Distributions paid to Class B unitholders	**991**	991	**2,973**	2,973
FFO	**$ 12,372**	$ 9,989	**$ 33,272**	$ 27,240
Finance income on finance lease receivable	**(973)**	(1,006)	**(2,944)**	(3,043)
Finance lease payments received	**1,524**	1,524	**4,574**	4,574
Core-FFO	**$ 12,923**	$ 10,507	**$ 34,902**	$ 28,771

(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 $0.9 million has been recorded in interest and finance costs.

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

	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	2017	2016
Net income and comprehensive income	**$ 23,607**	$ 2,984	**$ 35,531**	$ 21,849
Add (deduct):				
Leasing costs amortized to revenue	**384**	168	**845**	477
Change in fair value of properties	**(12,070)**	1,497	**(9,908)**	(6,911)
Change in fair value of financial instruments	**(969)**	(96)	**1,435**	962
Disposition costs	**13**	15	**146**	221
Depreciation of hotel asset	**204**	149	**584**	428
Change in fair value of Class B LP units	**212**	4,281	**740**	7,241
Distributions to Class B unitholders	**991**	991	**2,973**	2,973
Subscription receipts equivalent amount (1)	**—**	—	**926**	—
FFO	**$ 12,372**	$ 9,989	**$ 33,272**	$ 27,240
Finance income on finance lease receivable	**(973)**	(1,006)	**(2,944)**	(3,043)
Finance lease payments received	**1,524**	1,524	**4,574**	4,574
Core-FFO	**$ 12,923**	$ 10,507	**$ 34,902**	$ 28,771
Weighted average number of units outstanding (2)	**62,231**	41,449	**55,503**	37,449
FFO per unit (diluted)	**$ 0.20**	$ 0.24	**$ 0.60**	$ 0.73
Core-FFO per unit (diluted)	**$ 0.21**	$ 0.25	**$ 0.63**	$ 0.77

(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 $0.9 million has been recorded in interest and finance costs.
(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 September 30, 2017, FFO was $12.4 million or $0.20 per unit compared to FFO for the three months ended September 30, 2016, which was $10.0 million or $0.24 per unit, representing an increase of $2.4 million and a decrease of $0.04 per unit. During the nine months ended September 30, 2017, FFO increased by $6.0 million and decreased by $0.13 per unit. The increase in FFO is a result of increased NOI from acquisitions, primarily due to the acquisition of the West Metro Corporate Centre and Commerce West in Etobicoke, ON and 250 King Street and 460 Two Nations in Fredericton, NB in the second quarter of 2017. The average occupancy of these acquisition properties is 90.8%. FFO per unit is lower in the current period as a result of the additional equity offerings completed to finance acquisition activity.

Core-FFO for the three and nine months ended September 30, 2017 was $12.9 million and $34.9 million, respectively, compared to $10.5 million and $28.8 million for the same periods in 2016. Core-FFO per unit has declined in each comparable periods by $0.04 and $0.14, respectively. The increases in Core-FFO on a dollar basis and the decreases on a per unit 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 measure 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 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.

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. 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.

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 September 30,		Nine months ended September 30,	
	2017	2016	**2017**	2016
Cash flow from operating activities	**$ 5,924**	$ 12,476	**$ 21,931**	$ 21,345
Add (deduct):				
Working capital items	**4,994**	(3,959)	**6,122**	1,454
Principal repayments on finance lease receivable	**551**	518	**1,630**	1,531
Distributions paid to Class B LP unitholders	**991**	991	**2,973**	2,973
Subscription receipts equivalent amount (1)	**—**	—	**926**	—
Disposition costs	**13**	15	**146**	221
Guaranteed income supplement	**40**	352	**1,308**	946
Interest rate subsidy	**108**	108	**324**	108
Normalized direct leasing and capital costs	**(1,958)**	(1,497)	**(5,161)**	(4,044)
AFFO	**$ 10,663**	$ 9,004	**$ 30,199**	$ 24,534

(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 $0.9 million has been recorded in interest and finance costs.

The following table reconciles AFFO from NOI:

		Three months ended September 30,			Nine months ended September 30,	
		2017	2016		**2017**	2016
Net operating income	**$**	**19,040**	$ 14,446	**$**	**50,346**	$ 38,980
Add (deduct):						
General and administrative		**(1,537)**	(1,168)		**(3,965)**	(3,130)
Finance lease payments received		**1,524**	1,524		**4,574**	4,574
Cash interest		**(6,554)**	(4,761)		**(17,227)**	(12,900)
Interest rate subsidy		**108**	108		**324**	108
Guaranteed income supplement		**40**	352		**1,308**	946
Normalized direct leasing and capital costs		**(1,958)**	(1,497)		**(5,161)**	(4,044)
AFFO	**$**	**10,663**	$ 9,004	**$**	**30,199**	$ 24,534

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

		Three months ended September 30,			Nine months ended September 30,	
		2017	2016		2017	2016
Core-FFO	**$**	**12,923**	$ 10,507	**$**	**34,902**	$ 28,771
Add (deduct):						
Guaranteed income supplements		**40**	352		**1,308**	946
Amortization of deferred transaction costs		**624**	351		**1,337**	855
Amortization of debt mark-to-market adjustments		**(151)**	(127)		**(411)**	(167)
Interest rate subsidy		**108**	108		**324**	108
Amortization of straight-line rent		**(923)**	(690)		**(2,100)**	(1,935)
Normalized direct leasing and capital costs		**(1,958)**	(1,497)		**(5,161)**	(4,044)
AFFO	**$**	**10,663**	$ 9,004	**$**	**30,199**	$ 24,534
Weighted average number of units outstanding (1)		**62,231**	41,449		**55,503**	37,449
AFFO per unit (diluted)	**$**	**0.17**	$ 0.22	**$**	**0.54**	$ 0.65

(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 September 30, 2017, AFFO was $10.7 million or $0.17 per unit, whereas AFFO for the three months ended September 30, 2016 was $9.0 million or $0.22 per unit, representing an increase of $1.7 million while AFFO per unit decreased by $0.05. During the nine months ended September 30, 2017, AFFO increased by $5.7 million to $30.2 million from $24.5 million and decreased by $0.11 per unit to $0.54 from $0.65. AFFO has increased from the additional contribution to NOI from the completion of the acquisition of the West Metro Corporate Centre and Commerce West, in Etobicoke, ON and 250 King Street and 460 Two Nations in Fredericton, NB in the second quarter of 2017. The average occupancy of these acquisition properties is 90.8%, and have contributed positively to operating results during the quarter. These increases to NOI were offset by the Fortis Place headlease expiry in June 2017, which decreased the guaranteed income supplement by approximately $0.3 million per quarter. Subsequent to quarter end, a blend and extend transaction was completed at Fortis Place with Fortis Inc. that commences May 1, 2018 and includes an additional 11,036 square feet of space on a 10 year term and also extends their existing 23,040 square feet for approximately 3 years to be co-terminus with the new space. With this transaction, we have now leased 16,746 square feet of the 47,332 square foot headlease that expired June 30, 2017.

AFFO per unit has decreased from the comparable period as a result of the equity offering in March 2017.

Reconciliation of FFO, Core-FFO and AFFO

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

	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	2017	2016
Net income and comprehensive income	**$ 23,607**	$ 2,984	**$ 35,531**	$ 21,849
Add (deduct):				
Leasing costs amortized to revenue	**384**	168	**845**	477
Change in fair value of properties	**(12,070)**	1,497	**(9,908)**	(6,911)
Change in fair value of financial instruments	**(969)**	(96)	**1,435**	962
Disposition costs	**13**	15	**146**	221
Depreciation of hotel asset	**204**	149	**584**	428
Change in fair value of Class B LP units	**212**	4,281	**740**	7,241
Distributions to Class B unitholders	**991**	991	**2,973**	2,973
Subscription receipts equivalent amount (1)	**—**	—	**926**	—
FFO	**12,372**	9,989	**33,272**	27,240
Finance income on finance lease receivable	**(973)**	(1,006)	**(2,944)**	(3,043)
Finance lease payments received	**1,524**	1,524	**4,574**	4,574
Core-FFO	**12,923**	10,507	**34,902**	28,771
Guaranteed income supplements	**40**	352	**1,308**	946
Amortization of deferred transaction costs	**624**	351	**1,337**	855
Amortization of debt mark-to-market adjustments	**(151)**	(127)	**(411)**	(167)
Interest rate subsidy	**108**	108	**324**	108
Amortization of straight-line rent	**(923)**	(690)	**(2,100)**	(1,935)
Normalized direct leasing and capital costs	**(1,958)**	(1,497)	**(5,161)**	(4,044)
AFFO	**$ 10,663**	$ 9,004	**$ 30,199**	$ 24,534

(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 $0.9 million has been recorded in interest and finance costs.

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

	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	**2017**	2016
FFO per unit (diluted)	**$ 0.20**	$ 0.24	**$ 0.60**	$ 0.73
Core FFO per unit (diluted)	**0.21**	0.25	**0.63**	0.77
AFFO per unit (diluted)	**$ 0.17**	$ 0.22	**$ 0.54**	$ 0.65

DISTRIBUTIONS

During the year, the REIT paid monthly distributions equal to $0.0625 per unit, 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 consideration of 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.

The following table summarizes distributions made to unitholders of the REIT and Class B LP unitholders:

				Three months ended September 30,		
			2017			2016
	Trust units	**Class B LP units**	**Total**	Trust units	Class B LP units	Total
Distributions declared	**$ 10,666**	**$ 991**	**$ 11,657**	$ 6,871	$ 991	$ 7,862
Distributions reinvested in trust units	**233**	**—**	**233**	139	—	139
Distributions made in cash	**$ 10,433**	**$ 991**	**$ 11,424**	$ 6,732	$ 991	$ 7,723

The following table summarizes distributions made to unitholders of the REIT and Class B LP unitholders:

	Nine months ended September 30, 2017			2016		
	Trust units	**Class B LP units**	**Total**	Trust units	Class B LP units	Total
Distributions declared	**$ 28,971**	**$ 2,973**	**$ 31,944**	$ 18,424	$ 2,973	$ 21,397
Distributions reinvested in trust units	**694**	**—**	**694**	586	—	586
Distributions made in cash	**$ 28,277**	**$ 2,973**	**$ 31,250**	$ 17,838	$ 2,973	$ 20,811

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 nine months ended September 30, 2017 resulted in 30,921 and 96,438 trust units issued/issuable under the DRIP, respectively. For the June 2017 distribution, approximately 2.2% 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.

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**
2016 per $ of distribution	90.2%	3.8%	6.0%
2015 per $ of distribution	1.8%	79.8%	18.4%
2014 per $ of distribution	100.0%	—	—

The level 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 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 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 REIT will consider adjustments to its distribution policy.

The increase in the AFFO pay-out ratio in the current year is the result of overall portfolio growth from acquisition activities offset by higher distributions declared from the issuance of units in addition to vacancies, primarily at the Sheridan Exchange and Maritime Centre, that the REIT underwrote on acquisition. The AFFO payout ratio is expected to decline in the future periods to the extent available capital is deployed for purposes of one or more property acquisitions.

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

	Three months ended September 30, 2017	2016	Nine months ended September 30, 2017	2016
FFO	**$ 12,372**	$ 9,989	**$ 33,272**	$ 27,240
REIT unit and Class B LP distributions declared	**11,657**	7,862	**31,944**	21,397
Excess of FFO over distributions declared	**715**	2,127	**1,328**	5,843
Cash retained from DRIP	**233**	139	**694**	586
Excess of FFO over cash distributions	**$ 948**	$ 2,266	**$ 2,022**	$ 6,429
FFO payout ratio	**94.2%**	78.7%	**96.0%**	78.5%
FFO payout ratio after DRIP (1)	**92.3%**	77.3%	**93.9%**	76.4%

(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 September 30,		Nine months ended September 30,	
	2017	2016	**2017**	2016
Core-FFO	**$ 12,923**	$ 10,507	**$ 34,902**	$ 28,771
REIT unit and Class B LP distributions declared	**11,657**	7,862	**31,944**	21,397
Excess of Core-FFO over distributions declared	**1,266**	2,645	**2,958**	7,374
Cash retained from DRIP	**233**	139	**694**	586
Excess of Core-FFO over cash distributions	**$ 1,499**	$ 2,784	**$ 3,652**	$ 7,960
Core-FFO payout ratio	**90.2%**	74.8%	**91.5%**	74.4%
Core-FFO payout ratio after DRIP (1)	**88.4%**	73.5%	**89.5%**	72.3%

(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 September 30,		Nine months ended September 30,	
	2017	2016	**2017**	2016
AFFO	**$ 10,663**	$ 9,004	**$ 30,199**	$ 24,534
REIT unit and Class B LP distributions declared	**11,657**	7,862	**31,944**	21,397
Excess/ (shortfall) of AFFO over distributions declared	**(994)**	1,142	**(1,745)**	3,137
Cash retained from DRIP	**233**	139	**694**	586
Excess/ (shortfall) of AFFO over cash distributions	**$ (761)**	$ 1,281	**$ (1,051)**	$ 3,723
AFFO payout ratio	**109.3%**	87.3%	**105.8%**	87.2%
AFFO payout ratio after DRIP (1)	**107.1%**	85.8%	**103.5%**	84.8%

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

Distributions declared, excluding Class B LP distributions, were in excess of cash from operating activities of $4.7 million for the three months ended September 30, 2017 and $7.0 million for the nine months ended September 30, 2017. The shortfall of cash from operating activities over distributions declared during the three and nine months ended September 30, 2017 was a return of capital and funded through cash on hand and the REIT's revolving credit and operating facilities. The REIT has maintained a consistent distribution rate despite period over period variance in cash from operating activities.

SEGMENTED INFORMATION

The REIT has net operating income from three geographic locations. The following is the REIT's NOI by geographic region:

			Three months ended September 30,	
		2017		2016
	NOI	**Percentage (%)**	NOI	Percentage (%)
Atlantic	**$ 8,395**	**44.1%**	$ 7,591	52.5%
Ontario	**8,964**	**47.1%**	5,557	38.4%
Western	**1,681**	**8.8%**	1,298	9.0%
	$ 19,040	**100.0%**	$ 14,446	99.9%

The following is the REIT's NOI by geographic region:

			Nine months ended September 30,	
		2017		2016
	NOI	**Percentage (%)**	NOI	Percentage (%)
Atlantic	**$ 23,475**	**46.6%**	$ 20,556	52.7%
Ontario	**22,121**	**43.9%**	14,540	37.3%
Western	**4,750**	**9.4%**	3,884	10.0%
	$ 50,346	**99.9%**	$ 38,980	100.0%

Atlantic

	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	**2017**	2016
# of properties	**13**	11	**13**	11
Owned GLA (000s of square feet)	**2,583**	2,452	**2,583**	2,452
Occupancy rate (%) (period-end)	**82.1%**	88.6%	**82.1%**	88.6%
Revenue	**$ 19,017**	$ 17,242	**$ 55,890**	$ 49,277
Property operating expenses	**(10,600)**	(9,517)	**(31,985)**	(28,265)
Straight-line rent and other changes	**(22)**	(134)	**(430)**	(456)
NOI	**$ 8,395**	$ 7,591	**$ 23,475**	$ 20,556

NOI for the Atlantic properties has increased by $0.8 million for the three months ended September 30, 2017 and $2.9 million for the nine months ended September 30, 2017, compared to the same periods in 2016. The increase in NOI in the current quarter is a result of the REIT's acquisition activity. On April 25, 2017, the REIT acquired two fully occupied office buildings in Fredericton, NB, located at 250 King Street and 460 Two Nations. Both of these newly acquired buildings are occupied by government tenants, one of which is under a long-term lease. In 2016, the REIT acquired the remaining interest in St. John's Places assets. As at the beginning of the third quarter 2016, the REIT owned 49% of St. John's Places. A further 51% was acquired on September 8, 2016 to increase total ownership to 100% at the end of 2016. The additional ownership of St. John's Places assets has positively contributed to NOI for an additional 8 days in the current quarter.

These increases to NOI from acquisition activity have been offset by maturing leases, specifically, BCE Inc.'s lease maturity at Brunswick Square in St. 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.

Ontario

	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	**2017**	2016
# of properties	**14**	12	**14**	12
Owned GLA (000s of square feet)	**2,890**	1,862	**2,890**	1,862
Occupancy rate (%) (period-end)	**88.9%**	83.8%	**88.9%**	83.8%
Revenue	**$ 19,076**	$ 11,278	**$ 44,546**	$ 29,383
Property operating expenses	**(9,654)**	(5,482)	**(21,816)**	(14,266)
Straight-line rent and other changes	**(458)**	(239)	**(609)**	(577)
NOI	**$ 8,964**	$ 5,557	**$ 22,121**	$ 14,540

NOI for the three months ended September 30, 2017 was $9.0 million compared to NOI of $5.6 million for the three months ended September 30, 2016, representing an increase of $3.4 million year over year. The increase in NOI for the nine months ended September 30, 2017 was $7.6 million. The increase in NOI is from the acquisitions of the West Metro Centre and Commerce West on April 25, 2017 and May 25, 2017, respectively, both located in Etobicoke, ON, which have positively contributed to NOI during the quarter.

Acquisition activity and positive contributions to NOI in 2017 have been offset by maturing leases, specifically at the Sheridan Exchange in Mississauga, ON, where a tenant occupying 48,902 square feet vacated in the first quarter of 2017. At the end of September 2017, 8,400 square feet of this vacancy had been re-leased.

Western

	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	**2017**	2016
# of properties	**11**	12	**11**	12
Owned GLA (000s of square feet)	**643**	676	**643**	676
Occupancy rate (%) (period-end)	**87.6%**	83.1%	**87.6%**	83.1%
Revenue	**$ 3,115**	$ 2,810	**$ 9,320**	$ 8,436
Property operating expenses	**(1,375)**	(1,363)	**(4,354)**	(4,127)
Straight-line rent and other changes	**(59)**	(149)	**(216)**	(425)
NOI	**$ 1,681**	$ 1,298	**$ 4,750**	$ 3,884
NOI from Data Centre	**1,525**	1,525	**4,575**	4,574
NOI including Data Centre	**$ 3,206**	$ 2,823	**$ 9,325**	$ 8,458

NOI for the three months ended September 30, 2017 was $3.2 million including the income from the Data Centre, which is an increase of $0.4 million over the comparable period. Similarly, NOI for the nine months ended September 30, 2017 was 10.3% higher than in the same period in 2016.

Changes to NOI are attributable to same property leasing activity as well as the disposition of Grande Prairie, 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.

REVENUE

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

	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	**2017**	2016
Property base rent	**$ 21,534**	$ 16,758	**$ 59,925**	$ 47,001
Operating cost and tax recoveries	**16,435**	11,705	**41,854**	32,545
Hotel	**2,700**	2,345	**6,722**	6,092
Straight-line adjustments and other	**539**	522	**1,255**	1,458
	$ 41,208	$ 31,330	**$ 109,756**	$ 87,096

For the three months ended September 30, 2017, revenue from properties was $41.2 million compared to $31.3 million for the same period in 2016. The increase in revenue for the nine months ended September 30, 2017 was $22.7 million and is resulting from overall portfolio growth from acquisition activity. The REIT completed the acquisition the West Metro Corporate Centre and Commerce West in Etobicoke, ON and 250 King Street and 460 Two Nations in Fredericton, NB. These acquisition have positively contributed to revenue during the quarter. In 2016, the REIT acquired the Gateway Complex located in Markham, ON in June 2016, 365 Hargrave St., in Winnipeg, ON in September 2016, as well as the additional ownership acquired in the St. John's Places from 49% June 15, 2016 to 100% at the end of the 2016. The 2016 acquisitions had full quarter of contributions in 2017, increasing revenue.

These positive contributions to NOI from acquisition activity were offset by changes in same-property rental revenue due to transitional vacancy, primarily at the Sheridan Exchange in Mississauga, ON (48,902 square feet), Brunswick Square in St. John, NB (41,389 square feet) and Maritime Centre, in Halifax, NS (193,861 square feet). These transitional vacancies have been offset by positive leasing throughout the portfolio, including a 154,018 square foot lease with Johnson Insurance in St. John's, NL. Johnson Insurance is a sub-tenant of BCE Inc. until 2020. The new lease has secured Johnson Insurance in the building for an additional 10 years, through to 2030. The REIT also 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.

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 $16.4 million for the three months ended September 30, 2017 compared to $11.7 million for the same period in 2016, while recoveries for the nine months ended September 30, 2017 and 2016 were $41.9 million and $32.5 million, respectively. Property operating recoveries and expenses have increased in-line with the increase in property base rent, mainly attributable to acquisition activity offset by transitional vacancies.

GENERAL AND ADMINISTRATIVE

General and administration expenses are primarily comprised of asset management fees, professional fees, trustee fees, and other amounts. For the three months ended September 30, 2017, general and administrative expenses have increased by $0.4 million when compared to the same period in 2016. The increase in expenses is a result of higher asset management fees of $0.3 million, while professional and other fees have remained consistent period over period. General and administrative expenses have increased by $0.8 million for the nine months ended September 30, 2017 when compared to the same period in 2016. The increase is also attributable to higher asset management fees of $0.7 million for that period. The increase in asset management fees is directly correlated with the increase in portfolio assets from acquisitions as it is calculated as a fixed percentage of gross book value.

During the quarter, the REIT recorded $0.1 million in general and administrative expenses related to costs for property acquisition opportunities that the REIT decided not to pursue, due to its investment parameters having not been met. The REIT also incurred approximately $0.2 million to $0.3 million of additional costs subsequent to September 30, 2017, which will be recorded in general and administrative expense in the fourth quarter of 2017.

INTEREST AND FINANCE COSTS

Interest and finance costs are comprised of the following:

	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	**2017**	2016
Mortgage interest	**$ 3,920**	$ 2,552	**$ 9,789**	$ 6,877
Interest on other debt	**2,649**	2,229	**7,494**	6,073
Amortization of deferred transaction costs	**624**	351	**1,337**	855
Amortization of debt mark-to-market adjustment	**(151)**	(127)	**(411)**	(167)
Subscription receipts equivalent amount(1)	**—**	—	**926**	—
	$ 7,042	$ 5,005	**$ 19,135**	$ 13,638

(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 $0.9 million has been recorded in interest and finance costs.

For the three months ended September 30, 2017, interest and finance costs were $7.0 million, which has increased by $2.0 million when compared to the same period in 2016. Interest and finance costs have increased by $5.5 million for the nine months ended September 30, 2017. During the quarter, the REIT completed the acquisition of the West Metro Corporate Centre and Commerce West in Etobicoke, ON and 250 King Street and 460 Two Nations in Fredericton, NB. The REIT assumed mortgages in connection with the acquisition of the West Metro Corporate Centre and Commerce West, which has contributed to the increase in interest costs. Rising interest rates further contributed to increased interest costs as the one month bankers acceptance rate increased by 35 and 12 basis points for the three and nine months ended September 30, 2017, respectively compared to the respective periods in the preceding year. As well, in 2016, the REIT acquired 51% of St. John Places assets in September 2016 increasing ownership to 100%, as well the acquisition of the Gateway Complex in June 2016 and 365 Hargrave St. in September 2016. These assets were partially financed by debt which increased interest costs. The weighted average interest rate on the REIT's debt has remained consistent at 3.2%. Amortization of deferred transaction costs is $0.6 million and $1.3 million for the three and nine month periods ended September 30, 2017 compared to $0.4 million and $0.9 million for the same period in 2016. The increase is attributable to additional deferred transaction costs incurred on new debt facilities.

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 revenue earned on the property is recorded as interest income on finance lease. Interest income recognized on the finance lease for the three and nine months ended September 30, 2017 was $1.0 million and $2.9 million, respectively, which is comparable to interest income recognized for the same periods in 2016. Interest income for the comparative periods in 2016 was $1.0 million and $3.0 million, respectively.

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

CHANGE IN FAIR VALUE OF PROPERTIES

The fair value of properties increased $13.6 million for the three months ended September 30, 2017 and $3.0 million for the nine months ended September 30, 2017. The quarterly changes to properties are from capital and direct leasing spend, as well as positive leasing activity throughout the portfolio. The REIT received third party appraisals on the REIT's Atlantic portfolio which were in excess of management's prior estimates which positively contributed to the change in fair value in the nine month comparable period. The increase in fair value in the three month comparable period is related to increased investment pricing in the Greater Toronto Area in addition to value created from leasing. The largest impact was realized at Commerce West.

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 and deferred unit liabilities on deferred units issued to Trustees and Officers of the REIT, as well, in the current quarter, a loss on the change in fair value of subscription receipts has been recognized. The change for the three and nine months ended September 30, 2017 was an increase of $0.9 million and a decrease $0.5 million, respectively, compared to the same periods in 2016.

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. Therefore, the REIT has not recognized any current or deferred income taxes in its consolidated financial statements.

QUARTERLY INFORMATION

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

	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015
Revenue	**$ 41,208**	$ 36,230	$ 32,318	$ 35,094	$ 31,330	$ 28,197	$ 27,569	$ 29,939
Operating costs	**(21,629)**	(18,833)	(17,693)	(19,404)	(16,362)	(14,994)	(15,302)	(17,295)
Straight-line rent and other	**(539)**	(266)	(450)	(625)	(522)	(443)	(493)	(318)
Net operating income	**$ 19,040**	$ 17,131	$ 14,175	$ 15,065	$ 14,446	$ 12,760	$ 11,774	$ 12,326
Net income and comprehensive income	**$ 23,607**	$ 3,482	$ 8,442	$ 14,571	$ 2,984	$ 15,244	$ 3,621	$ 13,201
Weighted average diluted units (1)	**62,231**	57,103	46,101	46,071	41,449	35,674	35,334	35,519
Net income and comprehensive income per unit	**$ 0.38**	$ 0.06	$ 0.18	$ 0.32	$ 0.07	$ 0.43	$ 0.10	$ 0.37
Distributions (2)	**11,657**	11,651	8,636	8,629	7,862	6,912	6,623	6,646
Distributions per unit	**0.1875**	0.1875	0.1875	0.1875	0.1875	0.1875	0.1875	0.1875
FFO(3)	**12,372**	11,405	9,495	10,650	9,989	9,078	8,173	7,513
FFO per unit - diluted(3)	**0.20**	0.20	0.21	0.23	0.24	0.25	0.23	0.21
FFO payout ratio(3)	**94.2%**	102.2%	91.0%	81.0%	78.7%	76.1%	81.0%	88.5%
Core-FFO(3)	**12,923**	11,949	10,030	11,177	10,507	9,588	8,676	8,528
Core-FFO per unit - diluted(3)	**0.21**	0.21	0.22	0.24	0.25	0.27	0.25	0.24
Core-FFO payout ratio(3)	**90.2%**	97.5%	86.1%	77.2%	74.8%	72.1%	76.3%	77.9%
AFFO(3)	**10,663**	10,694	8,842	9,737	9,004	8,192	7,338	7,409
AFFO per unit - diluted(3)	**0.17**	0.19	0.19	0.21	0.22	0.23	0.21	0.21
AFFO payout ratio(3)	**109.3%**	108.9%	97.7%	88.6%	87.3%	84.4%	90.3%	89.7%
Properties	**1,253,939**	1,223,073	959,249	946,939	937,160	843,257	741,681	729,089
Total assets	**1,353,127**	1,302,622	1,164,104	1,025,522	1,020,671	926,179	817,233	812,995
Debt	**793,765**	752,312	621,896	604,953	603,671	564,882	493,496	495,604
IFRS net asset value ("NAV")	**523,214**	509,873	389,298	387,465	383,200	333,599	291,953	289,417
Diluted units outstanding (1)	**62,256**	62,215	46,101	46,079	46,042	39,914	35,369	35,344
IFRS NAV per unit	**$ 8.40**	$ 8.20	$ 8.44	$ 8.41	$ 8.32	$ 8.36	$ 8.25	$ 8.19
LTV ratio	**58.7%**	57.8%	59.5%	59.1%	59.2%	61.1%	60.5%	61.1%
Net debt to adjusted EBITDA	**9.9x**	10.6x	10.3x	9.3x	9.8x	10.2x	9.6x	9.2x
Interest coverage ratio(3)	**3.0x**	3.1x	3.0x	3.2x	3.2x	3.3x	3.2x	3.0x
Debt service coverage ratio(3)	**0.2x**	2.4x	3.9x	2.7x	2.6x	2.7x	2.7x	2.4x
Leasing activity (square feet)	**243,852**	145,957	238,650	59,834	335,231	187,375	211,270	107,315
Leasing activity as a % of portfolio	**4.0%**	2.4%	4.8%	1.2%	6.7%	4.0%	4.8%	2.4%
Number of properties	**38**	38	35	35	35	34	34	34
Office GLA	**5,972,771**	5,972,771	4,813,458	4,813,458	4,813,458	4,550,820	4,243,928	4,243,928
Total GLA	**6,116,085**	6,116,085	4,990,052	4,990,052	4,990,052	4,727,414	4,436,293	4,436,293
Occupancy - excluding redevelopment	**87.0%**	87.4%	87.7%	90.2%	90.2%	89.7%	89.4%	89.7%
Occupancy	**85.9%**	84.4%	84.0%	86.4%	86.3%	85.8%	85.0%	85.4%

(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

LIQUIDITY AND CAPITAL RESOURCES

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

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

The REIT's available liquidity is as follows:

	September 30, 2017	December 31, 2016
Cash	$ **20,787**	$ 4,252
Undrawn operating and credit facilities	**32,486**	38,196
Undrawn construction facility	**16,921**	7,501
Liquidity	$ **70,194**	$ 49,949

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.

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. While the REIT's credit facilities represent one element of our funding strategy, this will be coupled with the REIT's proven access to financing alternatives from multiple financial institutions at competitive rates. In addition, the REIT's increasing 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.

During the quarter end, the REIT completed a refinancing and extension of the recently acquired West Metro Corporate Centre. The new financing has a term of 4 years and provided an additional $20.0 million in financing, the proceeds of which were used to reduce the REIT's credit facilities, increasing the REIT's liquidity. The REIT had not underwritten this repatriation of capital at acquisition.

On September 29, 2017, the REIT completed the refinancing of a mortgage on the Johnson Building in the amount of $40.0 million, with a fixed interest rate of 3.25%, maturing September 30, 2020. In conjunction with the refinancing, the Johnson Building was removed as a secured property from the REIT's revolving operating facility.

Debt held by the REIT at September 30, 2017 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	19	$ 706,857	$ 488,857	$ 488,857	$ —	$ —
Revolving operating facility(3)	Jun. 30, 2018	BA+200 bps	7	263,248	171,902	171,900	—	2
Revolving credit facility (3)	Nov. 30, 2017	BA+200 bps	5	78,492	45,000	12,000	516	32,484
Construction facility	May 4, 2021	CDOR+300 bps	1	40,373	16,921	—	—	16,921
Term loan	Jun. 30, 2019	BA+213 bps	5	163,219	120,000	120,000	—	—
Other facility (6)	Oct. 1, 2025	4.27%	1	61,526	2,586	2,586	—	—
			38	**$ 1,313,715**	**$ 845,266**	**$ 795,343**	**$ 516**	**$ 49,407**

(1) The weighted average remaining term to maturity of mortgages is 4.4 years with maturities ranging from 0.4 to 13.1 years.
(2) The weighted average interest rate of mortgages is 3.4% with coupons ranging from 2.65% to 4.95%.
(3) Stand-by fees incurred on the unutilized amounts on the revolving operating facility and the revolving credit facility is 0.40%, charged and paid quarterly.
(4) "BA" means the one-month Bankers' Acceptances rate; "CDOR" means the Canadian Dealer Offered Rate; "bps" means basis point or 1/100th of one percent.
(5) Debt is only available to be drawn subject to certain covenants.
(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.

The carrying value of debt held by the REIT at September 30, 2017 is as follows:

	Principal	Mark-to-market ("MTM") adjustments and costs	Amortization of MTM adjustments and costs	Carrying amount	Current	Non-current
Mortgages	$ 488,857	$ (832)	$ 452	$ 488,477	$ 10,786	$ 477,691
Revolving operating facility	171,900	(2,002)	1,454	171,352	171,352	—
Revolving credit facility	12,000	(655)	622	11,967	11,967	—
Term loan	120,000	(741)	153	119,412	—	119,412
Other facility	2,586	(36)	7	2,557	151	2,406
	$ 795,343	**$ (4,266)**	**$ 2,688**	**$ 793,765**	**$ 194,256**	**$ 599,509**

Management is in the process of re-negotiating the revolving credit facility which is up for renewal on November 30, 2017 and expects to receive borrowing terms similar to those currently in place.

INDEBTEDNESS RATIO

The indebtedness ratio is a non-IFRS measure calculated by the REIT. In accordance with the REIT's Declaration of Trust the REIT's indebtedness may not exceed 65% of gross book value, which is defined by the Declaration of Trust as total assets less restricted cash. The REIT’s indebtedness ratio at September 30, 2017 was 58.7% which is lower by 40 basis points compared to December 31, 2016. Property acquisitions were financed at a leverage ratio less than the REIT's pre-existing properties, coupled with the impact of the REIT's equity offering in March 2017, which reduced debt and was in part subsequently redrawn to make acquisitions and fund redevelopment projects. 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 lease 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 REIT's indebtedness level is calculated as follows:

	September 30, 2017	December 31, 2016
Total assets	**$ 1,353,127**	$ 1,025,522
Less: restricted cash	**1,405**	1,404
Gross book value	**1,351,722**	1,024,118
Debt	**$ 793,765**	$ 604,953
Leverage ratio	**58.7%**	59.1%

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, 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 September 30,		Nine months ended September 30,	
	2017	2016	**2017**	2016
Net income and comprehensive income	**$ 23,607**	$ 2,984	**$ 35,531**	$ 21,849
Finance income on finance lease receivable	**(973)**	(1,006)	**(2,944)**	(3,043)
Net operating income from the Data Centre	**1,525**	1,524	**4,575**	4,574
Interest income	**(15)**	(20)	**(56)**	(50)
Interest and finance costs	**7,042**	5,005	**19,135**	13,638
Change in fair value of properties	**(12,070)**	1,497	**(9,908)**	(6,911)
Change in fair value of financial instruments	**(969)**	(96)	**1,435**	962
Disposition costs	**13**	15	**146**	221
Depreciation of hotel asset	**204**	149	**584**	428
Change in fair value of Class B LP units	**212**	4,281	**740**	7,241
Distributions to Class B LP unitholders	**991**	991	**2,973**	2,973
Adjusted EBITDA	**$ 19,567**	$ 15,324	**$ 52,211**	$ 41,882

The following is a calculation of adjusted EBITDA:

	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	**2017**	2016
Rental revenue	**$ 41,208**	$ 31,330	**$ 109,756**	$ 87,096
Property operating expenses	**(21,629)**	(16,362)	**(58,155)**	(46,658)
Net operating income from the Data Centre	**1,525**	1,524	**4,575**	4,574
General and administrative	**(1,537)**	(1,168)	**(3,965)**	(3,130)
Adjusted EBITDA	**$ 19,567**	$ 15,324	**$ 52,211**	$ 41,882

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 September 30,		Nine months ended September 30,	
	2017	2016	**2017**	2016
Debt	**$ 793,765**	$ 603,671	**$ 793,765**	$ 603,671
Less: Cash on hand	**20,787**	2,973	**20,787**	2,973
Net debt	**772,978**	600,698	**772,978**	600,698
Adjusted EBITDA (1)	**78,268**	61,296	**69,615**	55,843
Net debt to Adjusted EBITDA	**9.9x**	9.8x	**11.1x**	10.8x

(1) Adjusted EBITDA for three and nine 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 September 30,		Nine months ended September 30,	
	2017	2016	**2017**	**2016**
Adjusted EBITDA	**$ 19,567**	$ 15,324	**$ 52,211**	$ 41,882
Interest expense	**6,569**	4,781	**17,283**	12,950
Interest coverage ratio	**3.0x**	3.2x	**3.0x**	3.2x

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 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 September 30,		Nine months ended September 30,	
	2017	2016	**2017**	2016
Adjusted EBITDA	**$ 19,567**	$ 15,324	**$ 52,211**	$ 41,882
Interest expense	**6,569**	4,781	**17,283**	12,950
Principal repayments	**77,174**	1,077	**80,135**	2,745
Debt service requirements	**$ 83,743**	$ 5,858	**$ 97,418**	$ 15,695
Debt service coverage ratio	**0.2x**	2.6x	**0.5x**	2.7x

DEBT REPAYMENT SCHEDULE

The following table outlines the REIT's annual principal payments and maturity schedule, together with the weighted average annual interest rates at September 30, 2017:

	Annual Principal Payments	**Principal Repayments on Maturity** (1)	**Total**	**Percentage (%)**	**Weighted Average Contractual Interest Rate on Maturing Debt (%)**
Remainder of 2017	$ 2,201	$ 12,000	$ 14,201	1.8%	2.9%
2018	8,897	173,984	182,881	23.0%	2.9%
2019	9,325	130,376	139,701	17.6%	3.2%
2020	9,135	101,029	110,164	13.9%	3.1%
2021	6,635	267,445	274,080	34.5%	3.3%
Thereafter	$ 24,091	$ 50,225	$ 74,316	9.4%	4.0%

(1) Includes payments under interest rate swaps.

During the quarter end, the REIT completed a refinancing and extension of its recently acquired West Metro Corporate Centre. The new financing has a term of 4 years and provided an additional $20.0 million in financing, the proceeds of which were used to reduce the REIT's credit facilities, increasing the REIT's liquidity.

On September 29, 2017, the REIT completed the refinancing of a mortgage on the Johnson Building in the amount of $40.0 million, with a fixed interest rate of 3.25%, maturing September 30, 2020. In conjunction with the refinancing, the Johnson Building was removed as a secured property from the REIT's revolving operating facility.

At September 30, 2017, excluding the mortgages associated with interest rate swaps, the REIT had a floating rate mortgage and debt of $542.6 million (December 31, 2016 – $465.2 million). The following table presents the annualized impact of a change in floating interest rates of 25 basis points on finance costs:

	September 30, 2017	December 31, 2016
Change of 25 bps	**$ 1,357**	$ 1,163

COMITTMENTS AND CONTRACTUAL OBLIGATIONS

The following is a summary of the REIT's contractual obligations over the next five years at September 30, 2017:

	Total contractual cash flow	**Remainder of 2017**	**2018-2019(1)**	**2020-2021**	**Thereafter**
Accounts payable and accrued liabilities	$ 28,683	$ 28,683	$ —	$ —	$ —
Amortizing principal repayments on debt	60,284	2,201	18,222	15,770	24,091
Principal repayments on maturity of debt	735,059	12,000	304,360	368,474	50,225
Interest on debt(1)	77,931	6,286	39,341	22,933	9,371
Interest rate swaps(2)	3,791	696	1,317	1,221	557
Other liabilities	6,543	2,059	1,103	883	2,498
Total	**$ 912,291**	**$ 51,925**	**$ 364,343**	**$ 409,281**	**$ 86,742**

(1) Interest amounts on floating debt have been determined using floating rates at September 30, 2017.
(2) Interest rate swap obligations have been calculated as the difference between the pay-fixed rate and receive-float rate based on the September 30, 2017 floating rate.

In connection with the REIT's redevelopment of 2251 and 2285 Speakman Drive as per the SNC-Lavalin lease agreement, the REIT has committed to spend $40.8 million of capital and redevelopment costs. At September 30, 2017, $35.9 million of the improvements has been spent. This redevelopment project will be funded through working capital and draws from the revolving credit and operating facilities as well as the construction facility.

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.

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

		Notional amount		Fair value	
Maturity date	**Fixed interest rate**	**September 30, 2017**	December 31, 2016	**September 30, 2017**	December 31, 2016
August 14, 2023	4.60%	**$ 20,794**	$ 21,231	**$ 956**	$ 1,765
May 1, 2023	3.64%	**30,501**	22,664	**(125)**	730
				$ 831	$ 2,495

The following is a reconciliation of the change in the fair value liability of derivative instruments, which include the interest rate cap and interest rate swaps:

	September 30, 2017	December 31, 2016
Balance, beginning of period	**$ 2,482**	$ 3,153
Fair value change of interest rate swaps	**(1,664)**	811
Fair value change of interest rate cap	**(21)**	—
Balance, end of period	**$ 797**	$ 3,964

Changes in the fair value of the interest rate swaps is dependent on changes in the underlying swap curve which impacts the future expectation of net payments to be made by the REIT over the term to maturity.

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:

	Nine months ended September 30,	
	2017	2016
Net change in cash related to:		
Operating	**$ 21,931**	$ 21,345
Investing	**(140,131)**	(102,728)
Financing	**134,735**	75,439
Increase (decrease) in cash	**$ 16,535**	$ (5,944)

The change in cash for the nine months ended September 30, 2017 and 2016 was the result of the following factors:

- Operating – cash flows for the nine months ended September 30, 2017 increased by $0.6 million when compared to the same period in 2016. 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 nine months ended September 30, 2017 were $140.1 million compared to cash outflows of $102.7 million in the same period in 2016. The cash outflows in the current quarter were increased due to acquisitions with a net cash outflow of $102.0 million. The REIT also spent $18.6 million and $25.4 million on capital expenditures and direct leasing costs adding value to the REIT's properties.
- Financing – cash flows for the nine months ended September 30, 2017 relate to proceeds from the equity offering completed in March 2017, of $123.2 million less issuance costs of $5.5 million. The equity offering was completed to finance a portion of the acquisitions.

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 trust units are traded on the TSX with a closing ask price of $8.04 as at September 30, 2017.

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 March 15, 2017, the REIT issued 14,820,000 subscription receipts at an issuance price of $8.10 per unit, for gross proceeds of $120.0 million in connection with the acquisition of three office properties, the West Metro Corporate Centre in Etobicoke, ON and 250 King and 460 Two Nations in Fredericton, NB. The acquisitions closed on April 25, 2017 and the subscription receipts were converted into trust units on this date. The REIT also completed a private placement for 1,234,568 units at an issuance price of $8.10 for gross proceeds of $10.0 million when the acquisition closed.

On June 24, 2016, the REIT completed a bought deal offering of 4,531,137 units at an issuance price of $7.85 per unit, for gross proceeds of $35.6 million. Proceeds from the offering were initially used to repay debt, but redrawn in part to finance the acquisition of the Gateway Complex and an additional 19% ownership interest in St. John's Places. In connection with the offering, a secondary offering of 1,838,863 units of Subcore Equities Inc., a private corporation, for gross proceeds of $14.4 million was completed. The REIT received no proceeds from the secondary offering.

On September 7, 2016, the REIT completed a bought deal offering of 6,104,500 units at an issuance price of $8.45, for gross proceeds of $51.6 million. Proceeds from the offering were used to finance the acquisition of 365 Hargrave St. from SMC for $12.3 million and the acquisition of the remaining 51% of the St. John's Places, increasing the REIT's ownership to 100%. Consideration for this acquisition was $73.4 million plus transaction costs. The remainder of the proceeds from the offering were used to pay down the REIT's revolving credit and operating facilities. In connection with the offering, a secondary offering of 795,500 units of Subcore Equities Inc. was completed for gross proceeds of $6.7 million. The REIT received no proceeds from the secondary offering. The combined result of the two secondary offerings has reduced Subcore Equities holdings in the REIT to nil.

As at September 30, 2017, the total number of trust units outstanding was 56,894,643. As at November 7, 2017, the total number of trust units outstanding was 56,904,383.

Normal course issuer bid

On March 2, 2017, the REIT renewed its normal course issuer bid ("NCIB"), whereby the REIT may purchase up to 3,890,593 trust units, subject to certain restrictions. The renewed NCIB expires on the earlier of March 1, 2018 and the repurchase of the maximum number of trust units.

No trust units were purchased during the nine months ended September 30, 2017.

Potential trust units

	September 30, 2017	December 31, 2016
Class B LP units	**5,285,160**	5,285,160
Deferred units	**75,787**	65,725
	5,360,947	5,350,885

The Class B LP units are exchangeable into trust units of the REIT on a one-for-one basis, subject to anti-dilution adjustments. Each Class B LP unit is accompanied by one special voting unit of the REIT providing the same voting rights in the REIT as the trust units of the REIT and is entitled to distributions of cash equal to the cash distributions paid to holders of trust units by the REIT. The Class B LP units are recognized in the REIT's consolidated financial statements as financial liabilities measured at fair value through profit and loss. Upon exchange into trust units of the REIT, the carrying amount of the liability representing the fair value of the Class B LP units on exchange date will be reclassified to unitholders' equity. During the nine months ended September 30, 2017, 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 September 30, 2017, the liability associated with the deferred units was $0.5 million (September 30, 2016 - $0.3 million), and the number of outstanding deferred units was 67,517 (September 30, 2016 - 34,618 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 September 30, 2017, the liability associated with deferred units issued under the Officer DUP was $0.1 million (September 30, 2016 - nil) and the number of deferred units was 8,270 (September 30, 2016 - nil).

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:

	September 30, 2017	December 31, 2016
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	**11.2%**	15.1%

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 SLAM.
(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 September 30,		Nine months ended September 30,	
	2017	2016	**2017**	2016
Property management	**$ 1,185**	$ 857	**$ 3,214**	$ 2,455
Asset management	**976**	719	**2,616**	1,955
Leasing, financing, and construction management	**735**	507	**3,918**	2,245
Acquisition	**—**	588	**2,050**	1,437
	$ 2,896	$ 2,671	**$ 11,798**	$ 8,092

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 $2.3 million and $5.5 million for the three and nine months ended September 30, 2017 (September 30, 2016 – $1.4 million and $4.0 million). Administrative fees are recovered from most tenants by the REIT in accordance with the terms of the leases, whereas property management fees payable by the REIT to the Manager are determined in accordance with the Management Agreement.

The following is a summary of the assets and liabilities included in the consolidated statement of financial position of the REIT related to SMC and Slate:

	September 30, 2017	December 31, 2016
Accounts receivable	**$ 970**	$ 469
Accounts payable and accrued liabilities	**154**	215
Class B LP units	**42,493**	41,753

On September 8, 2016, the REIT acquired 365 Hargrave St. from SMC for consideration of $12.4 million. No acquisition fees were charged by SMC.

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 September 30, 2017 is included on page 10 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

IAS 7, *Disclosure Initiative* ("IAS 7")

The amendments to IAS 7 require disclosures that enable the evaluation of changes in liabilities arising from financing activities, including both changes arising from cash and non-cash changes. The amendments applied prospectively for annual periods beginning on or after January 1, 2017 and were adopted by the REIT in the consolidated financial statements.

The following are the primary disclosures are required for changes in liabilities from financing activities: changes from financing cash flows, changes arising from obtaining or losing control of subsidiaries or other businesses, the effect of changes in foreign exchange rates and changes in fair values.

Supplemental cash flow information disclosures have been included in the REIT's consolidated financial statements.

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 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 new standard is effective for annual periods beginning on or after January 1, 2018. Early adoption is permitted. The REIT has established an impact assessment and implementation team to evaluate the impacts of IFRS 9 on its consolidated financial statements. To date, the REIT has completed the issue identification phase of the transition and has commenced its evaluation of the resulting impact on its consolidated financial statements, reporting system, internal controls and disclosures required by the standard. The REIT will complete its evaluation in the fourth quarter of 2017 and will continue to monitor developments in the standard as part of its ongoing evaluation.

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

IFRS 15 provides a comprehensive framework for recognition, measurement and disclosure of revenue from contracts with customers, excluding contracts within the scope of the standard on leases, insurance contracts and financial instruments. The new standards includes a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. IFRS 15 becomes effective for annual periods beginning on or after January 1, 2018, and is to be applied retrospectively. Early adoption is permitted. Currently the REIT has completed the issue identification phase of the transition, and is in the process of inventorying detailed information on major contracts that may impact revenue recognition on the REIT's major revenue streams at the transition date. Thereafter, the REIT will complete its analysis and assessment on its reporting system, internal controls and additional disclosures required by the standard. The REIT will complete its evaluation in the fourth quarter of 2017 and will continue to monitor developments in the standard as part of its ongoing evaluation.

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 financial statements. The REIT is assessing the impact of this new standard on its consolidated financial statements.

INCOME TAXES AND THE REIT EXEPTION

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 September 30, 2017.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

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

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

ICFR is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS for the nine months ended September 30, 2017.

The REIT's CEO and CFO, along with the assistance of others, have designed disclosure controls and procedures to provide reasonable assurance that material information relating to the REIT is made known to the CEO and CFO, and have designed internal controls over financial reporting and disclosure to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with IFRS.

No changes were made in the REIT's design of ICFR during the nine months ended September 30, 2017, that have materially affected, or are reasonably likely to materially affect, the REIT's ICFR. Based on this evaluation, management has concluded that ICFR was appropriately designed in accordance with the criteria established in the 2013 COSO Framework for the nine months ended September 30, 2017.

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 September 30, 2017 is set out in the table below.

Asset Class	Property Address	Property Name	City, Province	Year Built / Renovated / Expanded	Square feet of GLA	Occupancy
Office - Income Producing						
	1870 Albert Street	Saskatchewan Place	Regina, SK	1985	84,243	70.2%
	280 Broadway Avenue (1)		Winnipeg, MB	1957	112,642	87.4%
	114 Garry Street		Winnipeg, MB	1950 / 2016	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	MTS Data Centre	Winnipeg, MB	2015	64,000	100.0%
	4211 Yonge Street		Toronto, ON	1982	170,972	98.7%
	1189 Colonel Sam Drive		Oshawa, ON	2001	103,179	100.0%
	2655 – 2695 North Sheridan Way	The Sheridan Exchange	Mississauga, ON	1987 / 1989	159,752	70.3%
	7030, 7050, 7100 Woodbine Avenue & 55, 85 Idema Road	Woodbine Complex	Markham, ON	1984 / 2011	359,833	90.9%
	135 Queens Plate		Toronto, ON	1989 / 2012	93,581	85.9%
	1 Eva Road		Toronto, ON	1978 / 2011	91,068	80.9%
	2400 – 2430 Meadowpine		Mississauga, ON	1990	59,095	76.0%
	5395 – 5409 Eglinton Avenue West	Centennial Centre	Toronto, ON	1985	235,299	78.1%
	2251 Speakman Drive		Mississauga, ON	1965 / 2016	115,582	100.0%
	2285 Speakman Drive		Mississauga, ON	1981 / 2017	126,270	100.0%
	3000 - 3100 Steeles Avenue East	Gateway Complex	Markham, ON	1982 / 1987	235,673	90.8%
	644 Main Street	Blue Cross Centre	Moncton, NB	1988 / 2006	320,818	97.2%
	39 King Street (2)	Brunswick Square	Saint John, NB	1976	507,804	73.9%
	440 King Street	King's Place	Fredericton, NB	1974 / 2001	292,022	87.1%
	1505 Barrington Street	Maritime Centre	Halifax, NS	1977 / 1985	547,014	76.1%
	100 New Gower Street	Cabot Place	St. John's, NL	1987	134,632	99.1%
	10 Factory Lane	Johnson Building	St. John's, NL	1980	188,170	100.0%
	5 Springdale Street	Fortis Place	St. John's, NL	2014	142,771	70.8%
	4 Herald Avenue	Fortis Tower	Corner Brook, NL	2014	67,203	86.6%
	140 Water Street	TD Place	St. John's, NL	1980 / 2013	97,433	90.4%
	365 Hargrave Street		Winnipeg, MB	1922/2003	71,472	90.1%
	401-405 The West Mall	Commerce West	Toronto, ON	1982 / 2009	411,842	84.7%
	185-195 The West Mall	West Metro Corporate Centre	Toronto, ON	1986 / 2006	616,364	93.0%
	250 King Street		Fredericton, NB	2000	80,162	100.0%
	460 Two Nations		Fredericton, NB	2008	50,945	100.0%
Office - Redevelopment						
	2599 Speakman Drive		Mississauga, ON	1971/2011	111,461	86.1%
	Various	Water Street Properties	St. John's, NL	Various	71,541	54.4%
	139 Water Street	Fortis Building	St. John's, NL	1968 / 1994	82,648	29.9%
					5,972,771	
Industrial						
	35 Martin Way		Brooks, AB	2005	28,400	0.0%
	5404 36th Street SE	Doka Building	Calgary, AB	1980	36,000	100.0%
					64,400	
Retail						
	200 Manitoba 10	Flin Flon Wal-Mart	Flin Flon, MB	2002	63,439	100.0%
	307 – 311 Airport Road	Airport Road Shopping Centre	Yellowknife, NWT	2001 / 2003	15,475	100.0%
					78,914	
Total - Total Portfolio					**6,116,085**	**85.9%**
Total - Excluding Office Redevelopment					**5,850,435**	**87.0%**

(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.

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 properties in Canada with an emphasis on office properties. The REIT has a current portfolio that spans 6.1 million square feet of GLA and consists of 38 properties located across Canada.

Head office

Slate Office REIT
121 King Street West, Suite 200
Toronto, ON M5H 3T9
Tel: +1 416 644 4264
Fax: +1 416 947 9366
E-mail: info@slateam.com

Stock exchange listing and symbol

The REIT's units are listed on the Toronto Stock Exchange and trade under the symbol SOT.UN

Independent auditors

KPMG LLP
Chartered Professional Accountants
Winnipeg, Canada

Registrar and transfer agent

TSX Trust Company
200 University Avenue, Suite 300
Toronto, Ontario
Tel: +1 416 361 0930
Fax: +1 416 361 0470

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