



Office  
REIT

**Q2 2016**  
TSX: SOT.UN

## DEAR FELLOW UNITHOLDERS

*"However beautiful the strategy, you should occasionally look at the results."*

-Winston Churchill

In the second quarter of 2016, Slate Office REIT continued to build on the positive momentum created over the past 18 months. We saw continued improvement in a number of key financial metrics and completed a successful equity offering in order to finance a pair of accretive acquisitions. We are pleased with these results and realize that we are still in the early stages of what will be an exciting journey. We remain convinced that our strategy is sound and we are prepared to execute on that basis.

### Financial Highlights

The REIT had a very successful quarter and showed improvement across all key financial measures. Many investors are attracted to REITs in part for their yield paying attributes. We are extremely focused on the quality and sustainability of our monthly distribution. The REIT's AFFO payout ratio for Q2 2016 was 84.4% - down from 90.3% in the first quarter, but even more importantly down from 128.3% for the same period in 2015. With over 40% of the REIT's income being generated from investment grade tenancies we are confident of both the quality and the sustainability of the monthly distribution.

In addition to payout ratio, the REIT delivered strong financial results, notably:

- NOI increased 8.4% quarter over quarter and 67.1% for the same period in 2015
- Core FFO per unit increased 8.0% quarter over quarter and 12.5% from Q2 2015
- Finally, AFFO per unit increased 9.5% quarter over quarter and 27.8% from Q2 2015

These results are indicative of the hard work of our team and their focused efforts in delivering on our strategy and asset management targets.

### Capital Raising

The REIT was active in both the debt and equity markets during the last quarter. With no material debt maturities in 2016, we turned our attention to 2017, specifically debt on the suburban GTA portfolio, and worked with the existing lender to extend the maturity of the \$144 million facility to January 2021. In addition to renewing the \$144 million existing financing, we were able to upsize to an additional \$24 million to include 2251 Speakman and partially fund the redevelopment of the SNC-Lavalin Nuclear campus in Mississauga.

On the equity side, on June 24<sup>th</sup>, the REIT closed a bought deal for \$50 million of equity, \$35 million from treasury and an additional \$15 million secondary offering. The majority of the proceeds from the treasury units were used to initially repay debt and then finance the acquisition of Gateway Centre and a further 19% interest in the "Places" assets in St. John's, Newfoundland. Both of these acquisitions are expected to be positive contributions to the robustness of the REIT's earnings.

### Acquisitions

As referenced above, the REIT completed two acquisitions in the second quarter of 2016. While immediately accretive to AFFO, these acquisitions are illustrative of what we are aiming to achieve at Slate Office REIT. That is to acquire well located assets with strong operating histories and high quality rent rolls at values below replacement cost. In the case of Gateway Centre in Markham, the property is located directly across the street from our existing Woodbine Complex thereby ensuring that we had unmatched insight into the opportunity from a market and competitive perspective.

The "Places" acquisition continues to build on the platform that we established in Atlantic Canada through the Fortis acquisition and highlights our ability to grow via a pipeline of deals with our existing partners.

### **Leasing**

The REIT executed over 180,000 square feet of leasing in the second quarter of 2016 and the portfolio saw improvements in occupancy, rental rate spreads, weighted-average lease term and tenant covenant. In-place occupancy increased by 80 basis points, rental rate spreads were 6.1% higher than average in-place or expiring rents and the weighted-average lease term increased from 5.4 years to 5.9 years. In addition, the acquisition of Gateway Centre and the additional investment in the "Places" improves both our asset and tenant quality. These results have been consistent over the past several quarters and we are confident that they will continue. Management estimates the portfolio in-place rents are ~6% below market and we believe our dedicated team, working with best-in-class leasing agents, will continue to drive the organic growth of the portfolio.

### **Outlook**

As I stated at the outset, Slate Office REIT is uniquely positioned to take advantage of a tremendous opportunity in the Canadian office market - and we are just getting started. We believe that the headwinds facing many of our peers will be a source of opportunity for Slate Office REIT in the coming months as existing portfolios are rationalized and rebalanced. The past quarter was indicative of the kind of opportunities that are available in the market and of our ability to execute on them. We remain steadfast in our investment thesis - acquiring well located, quality office assets at values below replacement cost, with in-place rents below market and applying our asset management expertise to generate consistent returns for our unitholders. Circling back to Mr. Churchill, the strong results we delivered in Q2 2016 confirm that our strategy is indeed on track.

We thank our fellow unitholders for their continued trust and support.

Sincerely,

A handwritten signature in blue ink, appearing to read "S. Antoniak".

Scott Antoniak  
Chief Executive Officer  
August 4, 2016



Office  
REIT

## Management's Discussion and Analysis

TSX: SOT.UN

**June 30, 2016**

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## FORWARD LOOKING STATEMENTS

Certain information in this management's discussion and analysis ("MD&A") constitutes "forward-looking statements" within the meaning of applicable securities legislation. These statements reflect management's expectations regarding objectives, plans, goals, strategies, future growth, results of operations, performance and business prospects and opportunities of the 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, 2015 ("Annual Information Form"). Factors that could cause actual results to differ materially from those contemplated or implied by forward-looking statements include, but are not limited to: risks incidental to ownership and operation of real estate properties including local real estate conditions; financial risks related to obtaining available equity and debt financing at reasonable costs and interest rate fluctuations; operational risks including timely leasing of vacant space and re-leasing of occupied space on expiration of current leases on terms at current or anticipated rental rates; tenant defaults and bankruptcies; uncertainties of acquisition activities including availability of suitable property acquisitions and integration of acquisitions; competition including development of properties in close proximity to the REIT's properties; loss of key management and employees; potential environmental liabilities; catastrophic events, such as earthquakes and hurricanes; governmental, taxation and other regulatory risks and litigation risks.

Forward-looking statements included in this MD&A are made as of August 4, 2016 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)

	June 30, 2016	March 31, 2016	June 30, 2015
<b>Summary of Portfolio Information</b>			
Number of properties	34	34	48
Gross leasable area ("GLA")	4,727,414	4,436,293	5,262,636
Total assets	\$ 926,179	\$ 817,233	\$ 801,946
Total debt	\$ 564,882	\$ 493,496	\$ 493,235
Occupancy	85.8%	85.0%	90.0%

	Three months ended		
	June 30, 2016	March 31, 2016	June 30, 2015
<b>Summary of Financial Information</b>			
Revenue	\$ 28,197	\$ 27,569	\$ 14,390
Net operating income	12,760	11,774	7,634
Net income and comprehensive income	15,244	3,621	10,480
Funds from operations ("FFO")	9,078	8,173	4,719
Core FFO	9,588	8,676	4,763
Adjusted FFO	8,192	7,338	3,684

### Per Unit Financial Information

Weighted average diluted number of trust units (000s)	35,674	35,334	20,032
FFO per unit	\$ 0.25	\$ 0.23	\$ 0.24
Core FFO per unit	0.27	0.25	0.24
AFFO per unit	0.23	0.21	0.18
Distributions per unit	0.1875	0.1875	0.1875
FFO pay-out ratio	76.1%	81.0%	100.2%
AFFO pay-out ratio	84.4%	90.3%	128.3%

	June 30, 2016	March 31, 2016	June 30, 2015
<b>Financial Data</b>			
Weighted average debt interest rate	3.3%	3.2%	3.9%
Interest coverage ratio (times)	3.3x	3.2x	2.5x
Net Debt to Adjusted EBITDA ratio (times)	10.2x	9.7x	9.8x

## **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 six months ended June 30, 2016. 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 as at and for the three and six months ended June 30, 2016 and 2015 (the "consolidated financial statements"), which have been prepared by management in accordance with International Financial Reporting Standards ("IFRS"). This MD&A should be read in conjunction with those financial statements. All amounts are in thousands of Canadian dollars, unless otherwise noted.

The information contained in this MD&A is based on information available to the REIT and is dated as of August 4, 2016, 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 June 30, 2016, the REIT owned interests in thirty-four properties comprised of twenty-nine office properties and five non-office properties totaling 4.6 million and 0.2 million square feet ("sq.ft."), respectively, of GLA at our interest. 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 in Canada. 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 a 17.5% interest, and accordingly, is highly motivated to increase the value of the REIT on a per unit basis and provide reliable growing returns to the REIT's unitholders.

Additional information on the REIT, including its annual information form, is available on SEDAR at [www.sedar.com](http://www.sedar.com) and on the REIT's website at [www.slateofficereit.com](http://www.slateofficereit.com).

### **STRATEGY AND OUTLOOK**

Our strategy is to own an institutional quality portfolio of non-trophy assets in major office markets across Canada, where millions of Canadians come to work every day. We believe that non-trophy assets provide superior risk-adjusted yields 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 yields, relative to trophy assets. The REIT's portfolio of office properties provides diversification, enhancing our ability to continue to provide steady and reliable distributions to unitholders.

We are focused on the following areas to achieve the REIT's objectives through 2016 and 2017:

- 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 to continue to provide steady and reliable distributions to unitholders; 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, capital structure and distribution strategy to effectively grow in the current economic environment and to capitalize on opportunities in the future.

### **NON-IFRS MEASURES**

We disclose a number of financial measures in this MD&A that are not measures used under 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 the 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.

## 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, 2015, available on SEDAR at [www.sedar.com](http://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 DEVELOPMENTS

The successful repositioning of the REIT's portfolio in 2015 to a pure-play office portfolio has provided the foundation for the strong operating results realized during the second quarter of 2016. The following are the significant highlights in the quarter:

- On June 30, 2016, the REIT acquired Gateway Centre, a suburban office complex located at 3000 and 3100 Steeles Avenue East in Markham, Ontario, for an aggregate purchase price of \$57.5 million. Gateway Centre is located on a prominent corner with excellent highway connectivity throughout the Greater Toronto Area and is adjacent to the REIT's Woodbine Complex property. Gateway Centre totals 235,673 square feet of Class A space comprised of two mid-rise office towers that are connected through a single story commercial corridor. The property is 95.1% occupied by a diversified mix of predominately service oriented companies.
- The REIT increased its interest in its three co-owned office properties (the "Co-owned Properties") by 19% to 49% on June 15, 2016, for an additional investment of approximately \$27.4 million. The acquired interest was funded by the REIT through a combination of cash and an assumption of mortgage financing. The Co-owned Properties comprise three well situated Class A office towers in St. John's, Newfoundland.
- On June 24, 2016, the REIT completed the issuance of 4,531,137 units for gross proceeds of approximately \$35.6 million. The net proceeds were initially used to reduce debt, which was subsequently redrawn, in part, to fund the acquisition of Gateway Centre.
- On June 15, 2016, the REIT completed the sale of 125-185 First Street located in Cochrane, Alberta for \$4.1 million. The sale generated net proceeds of \$2.3 million after the repayment of related mortgage debt and disposal costs. The sale occurred at the REIT's March 31, 2016 IFRS estimate of fair value. This property represented a non-core retail asset, the proceeds of which were used to fund, in part, the acquisition of Gateway Centre.
- The REIT completed a total of 187,375 square feet of leasing during the second quarter of 2016 - this was comprised of 154,375 square feet of renewals and 33,000 square feet of new deals. Notable leasing transactions include a 16,000 square foot new lease deal with a technology company at Kings Place, in New Brunswick, a 101,170 square foot renewal of the Province of Nova Scotia at Maritime Centre, in Nova Scotia and a 27,618 square foot renewal with SNC-Lavalin Nuclear Inc., who exercised their option for additional space at 2285 Speakman as part of the redevelopment project.
- Rental rate increases for the quarter continued a positive trend. During the quarter, the REIT achieved a weighted-average rental rate increase of 6.1%, which was comprised of a 10.2% increase on renewals and a 13.2% discount on new deals. The renewal of the Province of Nova Scotia did not include a rent increase; as such, the renewal spreads excluding that deal were 25.8%, which was primarily driven by continued success growing rental rates in the GTA. The new lease spread was also skewed by a 6,455 square foot deal at one of the REIT's redevelopment properties, where the tenant is paying a below market rent in exchange for agreeing to landlord redevelopment and termination rights.
- Same-property NOI for the three months ended June 30, 2016, which excludes the REIT's Atlantic Canada hotel asset due to the seasonality of the asset, increased 2.5% to \$12.3 million over the three month ended March 31, 2016, primarily as a result of increased rents from new leases moving to market rents as well as a slight increase in occupancy.
- AFFO was \$8.2 million for the second quarter of 2016 representing an increase of \$0.9 million over the first quarter of 2016. The increase is attributable to better same property performance, increased contribution from the hotel operations as a result of seasonality, and slightly lower general and administrative costs. This represents an AFFO payout ratio of 84.4% compared to 90.3% for March 31, 2016 and 128.3% in the same period during 2015. We believe that a continually reduced payout ratio represents a more appropriate margin of safety to provide unitholders with greater assurance on the continued ability of the REIT to deliver distributions to unitholders while having the ability to reinvest undistributed earnings in the REIT.
- The REIT agreed with its lender to renew \$144.0 million of mortgages secured by 12 properties originally expiring in January 2017 for an additional 5 year term. In conjunction with this refinancing the lender has also agreed to provide up to \$24.0 million of additional debt related to the REIT's revitalization of its Speakman Drive assets. Two of these assets are to be 100% occupied by SNC-Lavalin Group Inc.'s nuclear division under a 10 year lease signed during the fourth quarter of 2015.



## PART II - LEASING AND PROPERTY PORTFOLIO

### LEASING

The REIT's asset management team had a successful quarter in continuing to renew and extend leases. In aggregate, 187,375 square feet of leasing was completed, representing 33,000 square feet of new deals and 154,375 square feet of renewals. Leasing spreads were 6.1% above expiring or building in-place rents. Notable leasing transactions include a 16,000 square foot new deal with a technology company at Kings Place, a 101,170 square foot renewal of the Province of Nova Scotia at Maritime Centre and a 27,618 square foot renewal with SNC-Lavalin Nuclear Inc., who exercised their option for additional space at 2285 Speakman as part of the redevelopment project.

Overall, in-place occupancy increased by 80 bps, to 85.8%, and the weighted-average lease term for the portfolio increased from 5.4 years to 5.9 years. Subsequent to quarter-end, the Federal Government exercised their extension option early for an additional three years for 82,955 square feet at 280 Broadway in Winnipeg, MB. This shifts the maturity of this tenant from July 2019 to July 2022.

For the remainder of 2016, 3.4% of the portfolio is maturing and management expects normal course renewals with the exception of a 48,902 square foot tenant at the Promontory in Mississauga, ON, that will be vacating at the end of 2016 as previously disclosed. Management is also focused on 2017 and 2018 major leasing renewals 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 terms; these metrics will continue to drive the organic growth of the portfolio.

### OCCUPANCY

The following is a continuity of the change in the in-place occupancy of the REIT's properties from March 31, 2016 to June 30, 2016:

	Three months ended June 30, 2016			Three months ended March 31, 2016		
	GLA	Occupancy (sq. ft.)	Occupancy (%)	GLA	Occupancy (sq. ft.)	Occupancy (%)
Occupancy, beginning of period	4,436,293	3,772,570	85.0%	4,436,293	3,790,119	85.4%
Acquisitions	306,892	293,415	95.6%	—	—	—%
Dispositions	(15,771)	(11,134)	70.6%	—	—	—%
Change in same property occupancy	—	1,581	—%	—	(17,549)	—
Occupancy, end of period	4,727,414	4,056,432	85.8%	4,436,293	3,772,570	85.0%
Redevelopment properties	269,771	56,496	20.9%	269,771	49,095	18.2%
Occupancy, excluding redevelopments	4,457,643	3,999,936	89.7%	4,166,522	3,723,475	89.4%

The REIT's objective is to maintain high levels of occupancy throughout the portfolio. At June 30, 2016, the REIT's occupancy, excluding redevelopment office properties, was 89.7% compared to 89.4% at March 31, 2016. This occupancy level is higher by 30 basis points primarily due to higher occupancy levels at the Gateway Centre acquired in the quarter.

At June 30, 2016, the in-place occupancy of the REIT's total portfolio including redevelopment assets was 85.8%. This occupancy level has increased 80 basis points from the first quarter of 2016 as a result of the disposition of a non-core property with a low occupancy level, the acquisition of Gateway Centre and an additional 19% of the Co-owned Properties in June 2016 with a combined occupancy of 95.6%.

### LEASE MATURITIES

The REIT generally enters into leases with an initial term to maturity between 2 and 10 years. Accordingly, the average in-place remaining term to maturity is shorter than the initial term. The weighted average remaining term to maturity at June 30, 2016 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:

	June 30, 2016			March 31, 2016		
	Weighted average years to maturity <sup>(1)</sup>	GLA	% of GLA	Weighted average years to maturity <sup>(1)</sup>	GLA	% of GLA
Atlantic	5.7	1,988,267	42.1%	5.1	1,913,134	43.1%
Ontario	5.1	1,559,007	33.0%	4.6	1,339,137	30.2%
Western	9.4	509,158	10.8%	8.8	520,299	11.7%
	5.9	4,056,432	85.9%	5.4	3,772,570	85.0%
Vacant <sup>(2)</sup>		670,982	14.1%		663,723	15.0%
Total		4,727,414	100.0%		4,436,293	100.0%

<sup>(1)</sup> The calculation of weighted average term to maturity does not include month-to-month tenants.

<sup>(2)</sup> Does not include committed leases commencing after June 30, 2016.

The following is a profile of the maturities of the REIT's leases without including the impact of tenant extension options at June 30, 2016:

	GLA	% of portfolio	Weighted average in-place rent (per sq.ft.) <sup>(1)</sup>
Month-to-month	120,655	2.6%	\$ 15.74
Remainder of 2016	161,218	3.4%	15.52
2017	594,248	12.6%	14.36
2018	697,260	14.7%	15.35
2019	436,123	9.2%	15.97
2020	602,614	12.7%	17.16
2021	230,037	4.9%	19.47
2022 and later	1,347,997	28.5%	18.97
Vacant	537,262	11.4%	—
Total/weighted average	4,727,414	100.0%	\$ 16.94

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

## IN-PLACE AND MARKET RENTS

During the three months ended June 30, 2016, the REIT completed 187,375 square feet of leasing comprised of both new deals and renewals. The following table summarizes the REIT's leasing activity during the three months ended June 30, 2016:

	GLA	Number of leases	Weighted average expiring rent (per sq.ft.)	Weighted average new rent (per sq.ft.)	Increase in rent
Renewed leases	154,375	16	\$ 12.99	\$ 14.32	10.2 %
New leases	33,000	7	14.47	12.56	(13.2)%
Total / weighted average	187,375	23	\$ 13.25	\$ 14.01	6.1 %
Less: leases not renewed / vacated	15,144	12			
Net total / weighted average	172,231				

Overall, during the quarter, the REIT was able to achieve rents on renewed leases at a 10.2% premium to expiring rents and new leases were completed at a 13.2% discount to in-place building rents. The renewal of the Province of Nova Scotia did not include a rent increase; as such, the renewal spreads excluding that deal were 25.8%, which was primarily driven by success growing rents in the GTA. The new lease spread included a 6,455 square foot new deal at one of the REIT's redevelopment properties, where the tenant is paying a below market rent in exchange for agreeing to landlord redevelopment and termination rights.

The weighted-average in-place rent of the REIT's portfolio at June 30, 2016 is \$14.44 per sq.ft. Management estimates that current weighted average market rate to be \$15.23 per sq.ft. for the markets in which the REIT's properties are located, or \$0.79 per sq.ft. higher than the REIT's current in-place rental rate expiring in 2016. 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.

## TENANT PROFILE

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

The following are the REIT's top 10 largest tenants at June 30, 2016, which together represent 45.6% of base rental receipts:

Tenant	Credit rating <sup>(1)</sup>	GLA (SF)	Number of properties	% of base rental receipts	Weighted average lease term (years)
Manitoba Telecom Services Inc.	BBB (high)	66,439	2	8.8%	13.6
Government of Canada	AAA	271,974	7	8.7%	5.0
Bell Canada Enterprises	BBB	495,144	3	8.1%	3.9
SNC-Lavalin Nuclear Inc.	BBB	223,401	2	4.5%	6.4
Blue Cross	Unrated	160,433	2	4.0%	3.2
Province of New Brunswick	AA	126,609	2	3.7%	4.5
Province of Nova Scotia	AA	131,877	1	2.5%	2.6
The Minacs Group Inc.	Unrated	103,179	1	2.2%	5.6
Province of Manitoba	AA	102,876	2	2.1%	19.9
Extendicare REIT	B (high)	50,187	1	1.0%	3.5
		<b>1,732,119</b>		<b>45.6%</b>	<b>5.7</b>

(1) Source: DBRS, Moody's

(2) The credit rating for SNC-Lavalin Nuclear Inc. reflects that of its parent, SNC-Lavalin Group Inc.

## PROPERTY PROFILE

The REIT's property portfolio at June 30, 2016, comprises wholly-owned interests in twenty-six office properties, three industrial properties, two retail properties, one hotel and a 49% interest in three office properties located in St. John's, Newfoundland. The portfolio comprises 4.7 million square feet of GLA. Of the REIT's property portfolio, three of its office properties are currently under redevelopment. For a listing of all of the REIT's properties see PART VI of this MD&A.

### Acquisitions

On June 30, 2016, the REIT acquired Gateway Centre, a suburban office complex located at 3000 and 3100 Steeles Avenue East in Markham, Ontario, for an aggregate purchase price of \$57.5 million. Gateway Centre occupies a prominent corner location with excellent highway connectivity to the Greater Toronto Area and is adjacent to the REIT's Woodbine Complex property. Gateway Centre totals 235,673 square feet of Class A space comprising two mid-rise office towers that are connected through a single story commercial corridor, is 95.1% occupied and comprised of a diversified mix of predominately service oriented companies. In connection with the acquisition of Gateway Centre, the REIT assumed an existing mortgage in the amount of \$23.7 million and arranged a second mortgage from the existing lender in the amount of \$13.7 million at a 3.10% fixed rate, each maturing in December 2021. The acquisition agreement provided for approximately \$2.3 million in favour of the REIT to be held in escrow and released to the REIT over the term to maturity to compensate the REIT for the assumption of the above market existing mortgage. The effective rate of the existing mortgage and new second mortgage after giving effect to this escrow arrangement is 2.91%.

The REIT also increased its interest in the Co-owned Properties by 19% to 49% on June 15, 2016 for an additional investment of approximately \$27.3 million, which was satisfied by the REIT through a combination of cash and assumption of mortgage financing. The Co-owned Properties comprise three well situated Class A office towers in St. John's, Newfoundland.

The following is a summary of the property interest acquired by the REIT during 2016:

	Gateway Centre	Co-owned Properties	Total
REIT's interest	100%	19%	
Number of properties	1	3	
Acquisition date	June 30, 2016	June 15, 2016	
Purchase price	\$ 57,525	\$ 27,406	\$ 84,931
Transaction costs	1,581	274	1,855
Investment properties	59,106	27,680	86,786
Working capital	(1,390)	126	(1,264)
Interest rate subsidy	2,368	—	2,368
Debt, including mark-to-market adjustment	(26,020)	(19,950)	(45,970)
Total acquisition cost	\$ 34,064	\$ 7,856	\$ 41,920

### Acquisition pipeline

The REIT currently has a significant pipeline of active opportunities in the cities in which we operate. We are also seeing an increasing number of interesting opportunities in certain markets in which we currently do not have meaningful exposure, including Alberta. The REIT was successful in acquiring Gateway Centre during the quarter, however, there have been a number of opportunities that the REIT has either passed on, or where we remained disciplined in our pricing.

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

- *Meaningful discount to replacement cost:* We 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. A property purchased well below replacement cost also provides opportunity for investment in leasing or asset repositioning, with favourable economic returns to the REIT in excess of 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 that allow us to move existing rents to market, increase occupancy through focused leasing, or repositioning are opportunities that we find attractive and believe are capable of building value.

'Non-trophy' office properties in Canada will often satisfy these two characteristics. In contrast to 'trophy' assets, which often trade in excess of replacement cost with optimized tenanting, we believe that the risk-return profile of 'non-trophy' 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 reinforce our focus on suburban nodes of primary markets and core 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 a historical operating expertise.

### Dispositions

On June 15, 2016, the REIT completed the sale of 125-185 First Street located in Cochrane, Alberta for \$4.1 million. The sale generated net proceeds of \$2.3 million after the repayment of related mortgage debt and disposal costs. The sale occurred at the REIT's March 31, 2016 IFRS estimate of fair value. This property represented a non-core retail asset, the proceeds of which were used to fund, in-part, the acquisition of Gateway Centre.

The following is a summary of the sale of 125-185 First Street:

	125-185 First Street East
Disposition date	June 15, 2016
Number of properties	1
Location	Cochrane, AB
Sale price	\$ 4,275
Working capital	(223)
Discharge of mortgages	(1,532)
Disposition costs	(206)
<b>Net proceeds</b>	<b>\$ 2,314</b>

## IFRS fair value

The REIT's property portfolio at June 30, 2016 had an estimated IFRS fair value of \$843.3 million, with a weighted average going-in capitalization rate of 6.34%. It is important to highlight that this capitalization rate reflects the current economics of the REIT's properties, including its 85.8% in-place occupancy which includes its redevelopment assets and current in-place rents of \$14.44, which management estimates to be \$0.79 below market rents. Overall, the average estimated IFRS value per sq.ft. of the REIT's portfolio is \$178.38. Management believes that this average value per sq.ft. is significantly lower than replacement cost, which management estimates to be between \$250 and \$400 per sq.ft., depending on the property.

The following table presents a summary of the discount, terminal capitalization and going-in capitalization rates for the fair value of the REIT's properties at June 30, 2016 and December 31, 2015:

	June 30, 2016			December 31, 2015		
	Discount rate	Terminal cap rate	Capitalization rate <sup>(1)</sup>	Discount rate	Terminal cap rate	Capitalization rate <sup>(1)</sup>
Minimum	6.75%	6.25%	4.50%	7.00%	6.25%	4.50%
Maximum	11.00%	9.00%	13.17%	11.00%	9.00%	13.17%
Weighted average	7.63%	7.10%	6.34%	7.83%	6.93%	6.77%

(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 6.34%, 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 4.50% and 13.17%, respectively. The lower end of the range represents a property with redevelopment excess density, while the upper end of the range represents a property with a single tenant under shorter duration lease. Both of these properties have an estimated fair value of less than \$4.0 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 development properties, the Speakman Drive assets and the two vacant Alberta industrial properties. After removing the NOI contribution of these properties from the REIT's calculation of its going-in capitalization rate of 6.34%, the rate would be adjusted to 6.89%.

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

## Property continuity

A continuity of the REIT's property interests, including acquisitions, dispositions, capital and other changes is summarized below:

	Three months ended June 30,		Six months ended June 30,	
	2016	2015	2016	2015
Balance, beginning of period	\$ 741,681	\$ 448,062	\$ 729,089	\$ 448,012
Acquisitions	86,786	308,648	86,786	308,648
Capital expenditures	9,828	214	15,927	417
Direct leasing costs	2,467	2,136	6,665	3,566
Dispositions	(4,275)	(6,700)	(4,275)	(6,700)
Depreciation of hotel asset	(143)	—	(279)	—
Provisions	—	(47)	—	(5)
Change in fair value	6,470	(5,412)	8,408	(7,539)
Straight line rent and other changes	443	369	936	871
<b>Balance, end of period</b>	<b>\$ 843,257</b>	<b>\$ 747,270</b>	<b>\$ 843,257</b>	<b>\$ 747,270</b>

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 three months ended June 30, 2016 is primarily the result of capital and other additions and small modifications to discount and capitalization rates certain of which were to align to the third party appraisals received by the REIT.

## PART III - RESULTS OF OPERATIONS

### SUMMARY OF RESULTS OF OPERATIONS

The following is a summary of the results of operations for the three and six months ended June 30, 2016 and 2015:

	Three months ended June 30,		Six months ended June 30,	
	2016	2015	2016	2015
Rental revenue	\$ 28,197	\$ 14,390	\$ 55,766	\$ 28,472
Property operating expenses	(14,994)	(6,387)	(30,296)	(12,841)
Income from equity accounted investment	—	1,250	—	2,440
Finance income on finance lease receivable	1,015	173	2,037	173
Interest income	15	108	30	395
Interest and finance costs	(4,430)	(2,835)	(8,633)	(5,595)
General and administrative	(922)	(798)	(1,962)	(1,391)
Change in fair value of investment properties	6,470	(5,412)	8,408	(7,539)
Change in fair value of financial instruments	(247)	5,818	(1,058)	4,070
Depreciation on hotel asset	(143)	—	(279)	—
Disposition costs	(206)	(228)	(206)	(228)
<b>Net income before Class B LP units</b>	<b>\$ 14,755</b>	<b>\$ 6,079</b>	<b>\$ 23,807</b>	<b>\$ 7,956</b>
Change in fair value of Class B LP units	1,480	5,353	(2,960)	3,197
Distributions to Class B LP unitholders	(991)	(952)	(1,982)	(1,903)
<b>Net income and comprehensive income</b>	<b>\$ 15,244</b>	<b>\$ 10,480</b>	<b>\$ 18,865</b>	<b>\$ 9,250</b>

#### NET INCOME BEFORE CLASS B LP UNITS

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

Net income before Class B LP units for the three months ended June 30, 2016 was \$14.8 million compared to \$6.1 million for the same period in 2015. Net income before Class B LP units for the six months ended June 30, 2016 and 2015 was \$23.8 million and \$8.0 million, respectively. The higher net income before Class B LP units for the three and six months ended June 30, 2016 was primarily due to a favourable fair value adjustment on the revaluation of investment properties of \$6.5 million and \$8.4 million, respectively.

#### NET INCOME

For the three months ended June 30, 2016 net income was \$15.2 million, representing an increase of \$4.8 million compared to the same period in 2015. This increase was primarily due to the change in net income before Class B LP units described above, together with a gain of \$1.5 million as a result of an decrease in fair value of the Class B LP units, which are directly correlated with the share price of the REIT's units. Class B LP units are recorded as a liability by the REIT. Distributions to Class B LP units remained consistent with the comparative period.

#### NET OPERATING INCOME

Net operating income ("NOI") 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 for the three and six months ended June 30, 2016 and 2015:

	Three months ended June 30,		Six months ended June 30,	
	2016	2015	2016	2015
Revenue	\$ 28,197	\$ 14,390	\$ 55,766	\$ 28,472
Operating expenses	(14,994)	(6,387)	(30,296)	(12,841)
Straight-line rents and other changes	(443)	(369)	(936)	(871)
<b>Net operating income</b>	<b>\$ 12,760</b>	<b>\$ 7,634</b>	<b>\$ 24,534</b>	<b>\$ 14,760</b>

The increase in NOI of \$5.1 million for the three months ended June 30, 2016 compared to the same period in 2015 was the result of portfolio growth, most notably the portfolio acquisitions in June 2015 offset by the sale of the industrial and retail assets at the end of 2015. Net operating income for the six months ended June 30, 2016 and 2015 were \$24.5 million and \$14.8 million, respectively.

## SAME-PROPERTY NOI

Same-property NOI is a non-GAAP 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, but excluding 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-asset 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.

As a result of the REIT's transition during 2015 from a diversified portfolio to a pure-play office REIT as well as the significant level of acquisition and disposition activity, management compares same-property NOI for the current quarter to the most recently completed comparative quarter. The same-property comparison includes all of the REIT's properties owned during the quarter, but reflecting only a 30% interest the REIT's three St. John's assets as only 30% of those assets were owned consistently throughout the first and second quarter of 2016. The following is a calculation of same-property NOI for the three months ended June 30, 2016 as compared to the three months ended March 31, 2016:

	Three months ended	
	June 30, 2016	March 31, 2016
Number of properties	33	33
GLA	4,420,522	4,420,522
Revenue	\$ 28,009	\$ 27,504
Operating expenses	(14,883)	(15,197)
Straight-line rents and other changes	(443)	(492)
Same-property NOI (including hotel asset)	12,683	11,815
NOI attributable to hotel asset	422	(142)
Same-property NOI (excluding hotel asset)	\$ 12,261	\$ 11,957
Quarter-over-quarter change - \$	\$ 304	
Quarter-over-quarter change - %	2.5%	

Same-property NOI for the three months ended June 30, 2016 increased 2.5% to \$12.3 million primarily as a result of increased rents from new leases moving to market rents coupled with a slight increase in occupancy. In accordance with the REIT's definition of same-property NOI, these results exclude the impact of the REIT's Atlantic Canada hotel asset due to the seasonality of such asset, which generally experiences decreased levels of business in the winter months and heightened activity during spring and summer.

## 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 April 2014.

### Core-FFO

Core-FFO 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.

## Reconciliation of FFO and Core-FFO

Management believes that FFO and Core-FFO are important measures of the operating performance and are used by the REIT in evaluating the combined performance of its operations including the impact of its capital structure and are useful for investors to evaluate the performance of the REIT. The following is a reconciliation of FFO and Core-FFO for the three and six months ended June 30, 2016 and 2015 from net income and comprehensive income:

	Three months ended June 30,		Six months ended June 30,	
	2016	2015	2016	2015
<b>Net income and comprehensive income</b>	\$ 15,244	\$ 10,480	\$ 18,865	\$ 9,250
Add (deduct):				
Leasing costs amortized to revenue	197	7	308	104
Fair value adjustment in equity accounted investment	—	(1,189)	—	(2,507)
Fair value adjustments of investment property	(6,470)	5,412	(8,408)	7,539
Fair value adjustments to financial instruments	247	(5,818)	1,058	(4,070)
Disposition costs	206	228	206	228
Depreciation of hotel asset	143	—	279	—
Change in fair value of Class B LP units	(1,480)	(5,353)	2,960	(3,197)
Distributions to Class B unitholders	991	952	1,982	1,903
<b>FFO</b>	\$ 9,078	\$ 4,719	\$ 17,250	\$ 9,250
Finance income on finance lease receivable	(1,015)	(173)	(2,037)	(173)
Finance lease payments received	1,525	217	3,050	217
<b>Core - FFO</b>	\$ 9,588	\$ 4,763	\$ 18,263	\$ 9,294
Weighted average number of units outstanding <sup>(1)</sup>	35,674	20,032	35,503	20,024
FFO per unit (diluted)	\$ 0.25	\$ 0.24	\$ 0.49	\$ 0.46
Core- FFO per unit (diluted)	\$ 0.27	\$ 0.24	\$ 0.51	\$ 0.46

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

For the three months ended June 30, 2016 FFO was \$9.1 million or \$0.25 per unit whereas FFO for the three months ended June 30, 2015 was \$4.7 million or \$0.24 per unit, representing an increase of \$4.4 million or \$0.01 per unit. FFO for the six months ended June 30, 2016 was \$17.3 million, which is \$8.0 million higher than FFO from the same period in 2015. The increase in FFO for the three and six month periods is primarily attributable to portfolio growth, most notably, the portfolio acquisitions in June 2015 offset by the disposition of the industrial and retail properties in December 2015. The REIT also acquired an additional 20% interest in the Co-owned Properties in December 2015 and an additional 19% in June 2016 which has contributed to the increase in NOI period over period.

Core-FFO for the three months ended June 30, 2016 was \$9.6 million compared to \$4.8 million for the same period in 2015. The increase in Core-FFO in the current quarter is attributable to the increase in FFO.

## ADJUSTED FUNDS FROM OPERATIONS

Adjusted FFO ("AFFO") is a non-IFRS measure that is widely used by the real estate industry and investors to measure the cash generated from operations, after debt service and certain capital and leasing costs and also after reversing the impact of non-cash interest and revenue amounts. It is also a meaningful measure used to evaluate the cash available for distribution to unitholders.

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; amortization of straight-line rent and normalized direct leasing and capital costs. Guaranteed income supplements relate to income sources to the REIT that are not recognized in NOI. The income sources are from free rent adjustments on the acquisition of the suburban office portfolio in December 2014 and headlease payments receivable at Fortis Place, in St. John's, NL. The income supplement from headlease payments will end in the mid-2017. The free rent income supplement continues through to 2020.

The method applied by the REIT to calculate AFFO may differ from methods applied by other issuers in the real estate industry and therefore may not be comparable with measures reported by such issuers.



A reconciliation of Core-FFO to AFFO for the three and six months ended June 30, 2016 as compared to the same period in the prior year is as follows:

	Three months ended June 30,		Six months ended June 30,	
	2016	2015	2016	2015
<b>Core - FFO</b>	\$ 9,588	\$ 4,763	\$ 18,263	\$ 9,294
Add (deduct):				
Guaranteed income supplements <sup>(1)</sup>	356	88	594	242
Amortization of deferred transaction costs	273	74	504	146
Amortization of debt mark-to-market adjustments	(65)	(65)	(40)	(120)
Amortization of straight-line rent	(640)	(376)	(1,245)	(975)
Normalized direct leasing and capital costs	(1,320)	(800)	(2,547)	(1,563)
<b>AFFO</b>	\$ 8,192	\$ 3,684	\$ 15,529	\$ 7,024
Weighted average number of units outstanding <sup>(2)</sup>				
Basic and diluted	35,674	20,032	35,503	20,024
AFFO per unit (diluted)	\$ 0.23	\$ 0.18	\$ 0.44	\$ 0.35

(1) Guaranteed income supplements relate to free rent periods and vacancies from acquired properties, which primarily mature in mid-2017.

(2) The basic and diluted weighted average number of units outstanding includes the weighted average of all REIT units and Class B LP units.

For the three months ended June 30, 2016 AFFO was \$8.2 million or \$0.23 per unit whereas AFFO for the three months ended June 30, 2015 was \$3.7 million or \$0.18 per unit, representing an increase of \$4.5 million or \$0.05 per unit, respectively. The increase in AFFO is attributable to the growth in the portfolio over the year. AFFO for the six months ended June 30, 2016 was \$15.5 million compared to \$7.0 million in the same period in 2015. This represents an increase per unit of \$0.09.

#### Reconciliation of FFO, Core-FFO and AFFO

A reconciliation of net income to FFO, Core-FFO and AFFO for the three and six months ended June 30, 2016 as compared to the same period in the prior year is as follows:

	Three months ended June 30,		Six months ended June 30,	
	2016	2015	2016	2015
<b>Net income and comprehensive income</b>	\$ 15,244	\$ 10,480	\$ 18,865	\$ 9,250
Add (deduct):				
Leasing costs amortized to revenue	197	7	308	104
Fair value adjustment in equity accounted investment	—	(1,189)	—	(2,507)
Fair value adjustments of investment property	(6,470)	5,412	(8,408)	7,539
Fair value adjustments to financial instruments	247	(5,818)	1,058	(4,070)
Disposition costs	206	228	206	228
Depreciation of hotel asset	143	—	279	—
Change in fair value of Class B LP units	(1,480)	(5,353)	2,960	(3,197)
Distributions to Class B unitholders	991	952	1,982	1,903
<b>FFO</b>	9,078	4,719	17,250	9,250
Finance income on finance lease receivable	(1,015)	(173)	(2,037)	(173)
Finance lease payments received	1,525	217	3,050	217
<b>Core - FFO</b>	9,588	4,763	18,263	9,294
Guaranteed income supplements <sup>(1)</sup>	356	88	594	242
Amortization of deferred transaction costs	273	74	504	146
Amortization of debt mark-to-market adjustments	(65)	(65)	(40)	(120)
Amortization of straight-line rent	(640)	(376)	(1,245)	(975)
Normalized direct leasing and capital costs	(1,320)	(800)	(2,547)	(1,563)
<b>AFFO</b>	\$ 8,192	\$ 3,684	\$ 15,529	\$ 7,024

The following is FFO and AFFO expressed on a per unit basis for the three and six months ended June 30, 2016 as compared to the same period in the prior year:

	Three months ended June 30,		Six months ended June 30,	
	2016	2015	2016	2015
FFO per unit (diluted)	\$ 0.25	\$ 0.24	\$ 0.49	\$ 0.46
Core- FFO per unit (diluted)	0.27	0.24	0.51	0.46
AFFO per unit (diluted)	0.23	0.18	0.44	0.35

The following table reconciles AFFO from cash flow from operating activities for the three and six months ended June 30, 2016 and 2015:

	Three months ended June 30,		Six months ended June 30,	
	2016	2015	2016	2015
<b>Cash flow from (used in) operating activities</b>	\$ (2,632)	\$ 11,396	\$ 8,203	\$ 13,788
Add (deduct):				
Working capital items <sup>(1)</sup>	10,493	(8,057)	6,490	(7,451)
Principal repayments on finance lease receivable	510	333	1,013	333
Distributions paid to Class B LP unitholders	991	952	1,982	1,903
Disposition costs	(206)	(228)	(206)	(228)
Guaranteed income supplement	356	88	594	242
Normalized direct leasing and capital costs	(1,320)	(800)	(2,547)	(1,563)
<b>AFFO</b>	\$ 8,192	\$ 3,684	\$ 15,529	\$ 7,024

(1) Working capital items has been adjusted to reflect the interest rate subsidy receivable included in working capital related to the acquisition of Gateway Centre.

The following table reconciles AFFO from NOI for the three and six months ended June 30, 2016 and 2015:

	Three months ended		Six months ended	
	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
<b>Net operating income</b>	\$ 12,760	\$ 7,634	\$ 24,534	\$ 14,760
Add (deduct):				
General and administrative	(922)	(798)	(1,962)	(1,391)
Finance lease payments received	1,525	217	3,050	217
Other earnings from equity accounted investments	—	(112)	—	(241)
Cash interest	(4,207)	(2,545)	(8,140)	(5,000)
Guaranteed income supplement	356	88	594	242
Normalized direct leasing and capital costs	(1,320)	(800)	(2,547)	(1,563)
<b>AFFO</b>	\$ 8,192	\$ 3,684	\$ 15,529	\$ 7,024

## DISTRIBUTIONS

During the year, the REIT paid 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 15<sup>th</sup> day of the month following declaration.

The following table summarizes distributions made during the three months ended June 30, 2016 and 2015 to unitholders of the REIT and Class B LP unitholders:

	Three months ended June 30, 2016			Three months ended June 30, 2015		
	Trust units	Class B		Trust units	Class B	
		LP units	Total		LP units	Total
Distributions declared	\$ 5,921	\$ 991	\$ 6,912	\$ 3,777	\$ 952	\$ 4,729
Distributions reinvested in trust units	112	—	112	160	—	160
Distributions made in cash	\$ 5,809	\$ 991	\$ 6,800	\$ 3,617	\$ 952	\$ 4,569

The following table summarizes distributions made during the six months ended June 30, 2016 and 2015 to unitholders of the REIT and Class B LP unitholders:

	Six months ended June 30, 2016			Six months ended June 30, 2015		
	Trust units	Class B LP units	Total	Trust units	Class B LP units	Total
Distributions declared	\$ 11,553	\$ 1,982	\$ 13,535	\$ 6,579	\$ 1,903	\$ 8,482
Distributions reinvested in trust units	447	—	447	277	—	277
Distributions made in cash	\$ 11,106	\$ 1,982	\$ 13,088	\$ 6,302	\$ 1,903	\$ 8,205

The REIT has a distribution reinvestment plan (the "DRIP"), where eligible unitholders, which include holders of Class B LP units, that elect to participate in the DRIP will have their cash distributions used to purchase trust units of the REIT. The distributions declared during the three and six months ended June 30, 2016 resulted in 14,206 and 61,858 trust units issued/ issuable under the DRIP, respectively. For the June 2016 distribution, approximately 2.1% 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.

### AFFO PAYOUT RATIO

The AFFO payout ratio is a non-IFRS measure that provides a representation of the distributions made by the REIT compared to AFFO generated by the REIT. Management uses this measure on a total and per unit basis to evaluate the REIT's ability to sustain its distributions. The AFFO payout ratio is calculated by dividing aggregate distributions made in respect of units of the REIT and Class B LP units by AFFO during the period of measurement.

One of the REIT's key objectives is to maintain a conservative AFFO payout ratio to continue to provide steady and reliable distributions to unitholders. As a result, the REIT is focused on maintaining a policy that provides a high level of certainty that the distribution will be maintained or increased over time.

For the three months ended June 30, 2016, the AFFO payout ratio was 84.4%, compared to the payout ratio of 128.4% for the same period in 2015. The decrease in the AFFO pay-out ratio in the current year when compared to the prior year is the result of overall portfolio growth coupled with strong results from the REIT's hotel operations in Q2 2016 as well as additional NOI contribution from the acquisition of an additional 19% of the Co-owned Properties in June 2016. Management believes that the now current distribution level is more appropriate to meet the REIT's objective to provide a high level of certainty over ongoing distributions.

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

	Three months ended June 30,		Six months ended June 30,	
	2016	2015	2016	2015
AFFO	\$ 8,192	\$ 3,684	\$ 15,529	\$ 7,024
REIT unit and Class B LP distributions declared	6,912	4,729	13,535	8,482
Excess (deficiency) of AFFO over distributions declared	1,280	(1,045)	1,994	(1,458)
Cash retained from DRIP	112	160	447	277
Excess (deficiency) of AFFO over cash distributions	\$ 1,392	\$ (885)	\$ 2,441	\$ (1,181)
AFFO payout ratio	84.4%	128.4%	87.2%	120.8%
AFFO payout ratio after DRIP <sup>(1)</sup>	83.0%	124.0%	84.3%	116.8%

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

### SEGMENTED INFORMATION

The REIT has earnings from three geographic locations:

	June 30, 2016		March 31, 2016		Three months ended June 30, 2015	
	NOI	Percentage (%)	NOI	Percentage (%)	NOI	Percentage (%)
Atlantic	\$ 6,952	54.5%	\$ 6,084	51.7%	—	—%
Ontario	4,551	35.7%	4,336	36.8%	5,700	74.7%
Western	1,257	9.8%	1,354	11.5%	1,934	25.3%
	\$ 12,760	100.0%	\$ 11,774	100.0%	\$ 7,634	100.0%

## Atlantic

(\$000s unless otherwise noted)	Three months ended		
	June 30, 2016	March 31, 2016	June 30, 2015
# of properties (period-end)	11	11	—
Owned GLA (000s of sq. ft.) (period-end)	2,261	2,190	—
Occupancy rate (%) (period-end)	87.9%	87.4%	—
Revenue from investment properties	\$ 16,152	\$ 15,564	\$ —
Property operating expenses	(9,200)	(9,480)	—
Net operating income	\$ 6,952	\$ 6,084	\$ —

NOI for the Atlantic properties has increased \$0.9 million during the three months ended June 30, 2016 compared to the three months ended March 31, 2016. The increase in NOI is attributable to the incremental contribution from the 19% purchase of three Co-owned Properties in St. John's, Newfoundland in June 2016 as well as increased contribution from the hotel property as a result of seasonality. There is no comparative NOI for the three months ended June 30, 2015 as the Atlantic Canadian portfolio was purchased on June 30, 2015.

## Ontario

(\$000s unless otherwise noted)	Three months ended		
	June 30, 2016	March 31, 2016	June 30, 2015
# of properties (period-end)	12	11	15
Owned GLA (000s of sq. ft.) (period-end)	1,862	1,626	1,769
Occupancy rate (%) (period-end)	83.7%	82.4%	89.8%
Revenue from investment properties	\$ 8,970	\$ 8,795	10,325
Property operating expenses	(4,419)	(4,459)	(4,625)
Net operating income	\$ 4,551	\$ 4,336	5,700

NOI for the three months ended June 30, 2016 was \$4.6 million compared to NOI of \$5.7 million for the three months ended June 30, 2015. Net operating income for the three months ended March 31, 2016 was \$4.3 million. NOI has increased slightly over March 31, 2016 as a result of increased occupancy levels at the REIT's Ontario properties.

## Western

(\$000s unless otherwise noted)	Three months ended		
	June 30, 2016	March 31, 2016	June 30, 2015
# of properties (period-end)	11	12	26
Owned GLA (000s of sq. ft.) (period-end)	605	621	1,072
Occupancy rate (%) (period-end)	84.2%	83.8%	91.0%
Revenue from investment properties	\$ 2,632	\$ 2,717	\$ 3,696
Property operating expenses	(1,375)	(1,363)	(1,762)
Net operating income	\$ 1,257	\$ 1,354	\$ 1,934
Net operating income from Data Centre	1,525	1,525	—
Net operating income including Data Centre	\$ 2,782	\$ 2,879	\$ 1,934

NOI for the three months ended June 30, 2016 was \$2.8 million including the net operating income from Data Centre which is accounted for as a finance lease and corresponding interest income is recorded below net operating income. The decrease in NOI from the three months ended March 31, 2016 is as a result of decreased NOI contribution from the sale of the Cochrane retail property in June 2016.

## REVENUE

Revenue from investment 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 June 30,		Six months ended June 30,	
	2016	2015	2016	2015
Property base rent	\$ 15,159	\$ 7,923	\$ 30,243	\$ 15,701
Operating cost and tax recoveries	10,305	6,098	20,840	11,900
Hotel	2,290	—	3,747	—
Straight-line adjustments and other	443	369	936	871
	\$ 28,197	\$ 14,390	\$ 55,766	\$ 28,472

For the three months ended June 30, 2016, revenue from investment properties was \$28.2 million compared to \$14.4 million for the same period in 2015. The increase in revenue is as a result of overall portfolio growth, most notably, the acquisition of the portfolio and co-owned properties from Fortis Properties Corp. in June 2015 offset by the sale of the industrial portfolio in December 2015, increased rents and hotel operations. These transactions were instrumental in the REIT's repositioning of the portfolio to a pure-play office REIT.

For the six months ended June 30, 2016, revenue from investment properties was \$55.8 million. The increase in revenue for the six months ended June 30, 2016 compared to the six months ended June 30, 2015 is attributable to overall portfolio growth, increased rents and hotel operations.

## 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 investment properties and amounted to \$10.3 million for the three months ended June 30, 2016 compared to \$6.1 million for the same periods in 2015, while recoveries for the six month periods ended June 30, 2016 and 2015 were \$20.8 million and \$11.9 million, respectively.

## GENERAL AND ADMINISTRATIVE

General and administration expenses are primarily comprised of asset management fees, professional fees, trustee fees, and other reporting fees. For the three months ended June 30, 2016, general and administrative expenses increased by \$0.1 million compared to the three months ended June 30, 2015 due to the timing of expenses. General and administrative expenses for the six months ended June 30, 2016 were higher than the same period in 2015 by \$0.6 million due to portfolio growth impacting asset management fees and the timing of professional fees incurred.

## INTEREST AND FINANCE COSTS

Interest and finance costs are comprised of the following:

	Three months ended June 30,		Six months ended June 30,	
	2016	2015	2016	2015
Mortgage interest	\$ 2,200	\$ 2,618	\$ 4,325	\$ 5,239
Interest on other debt	2,022	139	3,844	192
Interest on vendor take-back loan	—	69	—	138
Amortization of deferred transaction costs	273	74	504	146
Amortization of mark-to-market adjustment on mortgages	(65)	(65)	(40)	(120)
	\$ 4,430	\$ 2,835	\$ 8,633	\$ 5,595

For the three months ended June 30, 2016, finance costs resulted in expenses of \$4.4 million compared to \$2.8 million in the same period in 2015. Interest and finance costs for the six months ended June 30, 2016 were \$8.6 million compared to \$5.6 million. The increase in finance costs in 2016 compared to the same period in 2015 is as a result of portfolio growth.

## 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 meet the requirements for classification as a finance lease because the minimum lease payments amount 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 six months ended June 30, 2016 was \$1.0 million and \$2.0 million, respectively. The lease commenced on June 5, 2015 and as a result there is no interest income recorded in the comparative period.

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 \$6.0 million annually from lease payments.

## INCOME TAXES

The REIT is a mutual fund trust and real estate investment trust pursuant to the Income Tax Act (Canada). Under the Income Tax Act (Canada), 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:

	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015	Q4 2014	Q3 2014
Revenue	\$ 28,197	\$ 27,569	\$ 29,939	\$ 29,133	\$ 14,390	\$ 14,082	\$ 8,917	\$ 7,991
Operating costs	(14,994)	(15,302)	(17,295)	(14,808)	(6,387)	(6,454)	(4,165)	(3,148)
Straight-line rent and other	(443)	(493)	(318)	(426)	(369)	(502)	(64)	(46)
Net operating income	\$ 12,760	\$ 11,774	\$ 12,326	\$ 13,899	\$ 7,634	\$ 7,126	\$ 4,688	\$ 4,797
Net income (loss) and comprehensive income (loss)	\$ 15,244	\$ 3,621	\$ 13,201	\$ 4,830	\$ 10,480	\$ (1,230)	\$ 435	\$ 4,652
Weighted average diluted units <sup>(1)</sup>	35,674	35,334	35,519	35,565	20,032	20,016	19,126	14,973
Distributions <sup>(2)</sup>	6,912	6,623	6,646	6,664	4,729	3,753	3,138	2,811
Distributions per unit	0.1875	0.1875	0.1875	0.1875	0.1875	0.1875	0.1875	0.1875
FFO	9,078	8,173	7,513	9,525	4,720	4,530	1,125	2,712
FFO per unit - diluted	0.25	0.23	0.21	0.27	0.24	0.23	0.06	0.18
Core-FFO	9,588	8,676	8,528	9,867	4,764	4,530	2,479	2,896
Core-FFO per unit - diluted	0.27	0.25	0.24	0.28	0.24	0.23	0.13	0.19
AFFO	8,192	7,338	7,409	8,293	3,685	3,339	1,971	2,411
AFFO per unit - diluted	0.23	0.21	0.21	0.23	0.18	0.17	0.10	0.16
AFFO payout ratio	84.4%	90.3%	89.7%	80.4%	128.3%	112.4%	159.2%	116.6%
Properties	843,257	741,681	729,089	728,053	747,270	448,062	448,012	262,866
Total assets	926,179	817,233	812,995	813,571	801,946	476,293	476,670	289,500
Total debt	564,882	493,496	495,604	498,573	490,656	281,210	280,486	136,126
LTV ratio	61.1%	60.5%	61.1%	61.4%	61.3%	59.2%	59.0%	47.3%
Number of properties	34	34	34	48	48	35	35	28
Office GLA	4,550,820	4,243,928	4,243,928	4,204,054	4,343,891	2,038,036	2,040,294	963,748
Total GLA	4,727,414	4,436,293	4,436,293	5,054,812	5,262,636	2,903,398	2,905,756	1,829,103
Occupancy - excluding redevelopment	89.7%	89.4%	89.7%	90.7%	90.7%	91.7%	92.3%	94.8%
Occupancy	85.8%	85.0%	85.4%	89.2%	90.0%	91.7%	92.3%	94.8%

(1) The weighted average number of basic units reflects the REIT units and includes the conversion of the Class B LP units and is shown in thousands.

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

## PART IV - FINANCIAL CONDITION

### LIQUIDITY AND CAPITAL RESOURCES

The principal liquidity needs of the REIT arise from working capital requirements, distributions to unitholders, planned funding of maintenance capital expenditures and 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.

### DEBT STRATEGY

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

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.

### INDEBTEDNESS RATIO

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 the gross book value, which is defined by the Declaration of Trust as total assets less restricted cash. The REIT's indebtedness ratio at June 30, 2016 was 61.1% which is consistent with the ratio as at December 31, 2015. Property acquisitions were financed with borrowings at a leverage ratio greater than the REIT's pre-existing properties offset by the impact of the REIT's equity offering in June 2016, which reduced debt. Subject to market conditions and the growth of the REIT, management's target is to maintain total indebtedness at approximately 55%. The success of this strategy is dependent upon debt market parameters existing at the time of borrowing, as well as the particular features and quality of the underlying assets being financed. If this strategy is unsuccessful, debt principal repayments would be funded by operating cash flows, additional draws under the REIT's revolving credit facility, financing of unencumbered income-producing properties or by issuances of equity or debt securities.

The REIT's indebtedness level is calculated as follows:

	June 30, 2016	December 31, 2015
Total assets	\$ 926,179	\$ 812,995
Less: restricted cash	(1,404)	(1,403)
Gross book value	924,775	811,592
Debt	\$ 564,882	\$ 495,604
Leverage ratio	61.1%	61.1%

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 nonrecurring 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. Similar adjustments are made to the REIT's share of net income or loss from its equity accounted investment when calculating adjusted EBITDA.

The following is a reconciliation from net income and comprehensive income to adjusted EBITDA for the three and six months ended June 30, 2016:

	Three months ended June 30,		Six months ended June 30,	
	2016	2015	2016	2015
Net income and comprehensive income	\$ 15,244	\$ 10,480	\$ 18,865	\$ 9,250
Fair value adjustment for equity accounted investment	—	(1,250)	—	(2,440)
Finance income on finance lease receivable	(1,015)	(173)	(2,037)	(173)
Net operating income from Data Centre	1,525	—	3,050	—
Interest income	(15)	(108)	(30)	(395)
Interest expense and other changes	4,430	2,835	8,633	5,595
Fair value adjustments on financial instruments	247	(5,818)	1,058	(4,070)
Fair value adjustments on investment property	(6,470)	5,412	(8,408)	7,539
Fair value adjustments on Class B LP units	(1,480)	(5,353)	2,960	(3,197)
Class B LP distributions	991	952	1,982	1,903
Depreciation of hotel asset	143	—	279	—
Acquisition and disposition costs	206	228	206	228
<b>Adjusted EBITDA</b>	<b>\$ 13,806</b>	<b>\$ 7,205</b>	<b>\$ 26,558</b>	<b>\$ 14,240</b>

The following is a calculation of adjusted EBITDA for the three and six months ended June 30, 2016 and 2015:

	Three months ended June 30,		Six months ended June 30,	
	2016	2015	2016	2015
Rental revenue	\$ 28,197	\$ 14,390	\$ 55,766	\$ 28,472
Property operating expenses	(14,994)	(6,387)	(30,296)	(12,841)
Net operating income from Data Centre	1,525	—	3,050	—
General and administrative	(922)	(798)	(1,962)	(1,391)
<b>Adjusted EBITDA</b>	<b>\$ 13,806</b>	<b>\$ 7,205</b>	<b>\$ 26,558</b>	<b>\$ 14,240</b>

## 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 adjusted EBITDA for the three and six months ended June 30, 2016 and 2015:

	Three months ended June 30,		Six months ended June 30,	
	2016	2015	2016	2015
Debt, net	\$ 564,882	\$ 281,210	\$ 564,882	\$ 281,210
Adjusted EBITDA <sup>(1)</sup>	55,224	28,820	53,116	28,480
Net debt to Adjusted EBITDA	10.2x	9.8x	10.6x	9.9x

(1) Adjusted EBITDA for three and six months is based on three and six months adjusted EBITDA annualized.



### 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 adjusted EBITDA for the three and six months ended June 30, 2016 and 2015:

	Three months ended June 30,		Six months ended June 30,	
	2016	2015	2016	2015
Adjusted EBITDA	\$ 13,806	\$ 7,205	\$ 26,558	\$ 14,240
Interest expense	4,222	2,826	8,169	5,569
Interest coverage ratio	3.3x	2.5x	3.3x	2.6x

### 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 adjusted EBITDA for the three and six months ended June 30, 2016 and 2015:

	Three months ended June 30,		Six months ended June 30,	
	2016	2015	2016	2015
Adjusted EBITDA	\$ 13,806	\$ 7,205	\$ 26,558	\$ 14,240
Interest expense	4,222	2,826	8,169	5,569
Principal repayments	1,060	1,034	1,668	2,068
Debt service requirements	\$ 5,282	\$ 3,860	\$ 9,837	\$ 7,637
Debt service coverage ratio	2.6x	1.9x	2.7x	1.9x

### DEBT REPAYMENT SCHEDULE

The following table outlines the REIT's annual principal payments and maturity schedule, together with the weighted average annual interest rates at June 30, 2016:

	Annual Principal Payments	Principal Repayments on Maturity <sup>(1)</sup>	Total	Percentage (%)	Weighted Average Contractual Interest Rate (%)
Remainder of 2016	\$ 2,198	\$ —	\$ 2,198	0.4%	0.0%
2017 <sup>(1)</sup>	4,543	84,450	88,993	15.7%	3.0%
2018	4,665	204,784	209,449	37.0%	2.9%
2019	4,842	10,376	15,218	2.7%	4.4%
2020	4,658	—	4,658	0.8%	0.0%
Thereafter	\$ 28,506	\$ 216,675	\$ 245,181	43.4%	3.5%

(1) Includes payments under interest rate swaps.

## CONTRACTUAL OBLIGATIONS

The following is a summary of the REIT's contractual obligations over the next five years at June 30, 2016:

	Total contractual cash flow	Remainder of 2016	2017-2018 <sup>(1)</sup>	2019-2020	Thereafter
Accounts payable and other liabilities	\$ 17,087	\$ 17,087	\$ —	\$ —	\$ —
Amortizing principal repayments on debt	49,411	2,198	9,208	9,499	28,506
Principal repayments on maturity of debt	516,285	—	289,234	10,376	216,675
Interest on debt <sup>(1)</sup>	72,138	9,134	29,006	18,262	15,736
Interest rate swaps <sup>(2)</sup>	4,323	328	1,294	1,202	1,499
Security deposits	5,102	1,220	843	1,093	1,946
<b>Total</b>	<b>\$ 664,377</b>	<b>\$ 29,967</b>	<b>\$ 329,585</b>	<b>\$ 40,432</b>	<b>\$ 264,362</b>

(1) Interest amounts on floating debt have been determined using floating rates at June 30, 2016.

(2) Interest rate swap obligations have been calculated as the difference between the pay-fixed rate and receive-float rate based on the June 30, 2016 floating rate.

## DERIVATIVES

### Interest rate swaps

As at June 30, 2016, the REIT has interest rate swaps that entitle the REIT to receive interest at floating rates and pay interest at fixed rates. Interest rate swaps are measured at fair value with fair values calculated as the present value of contractual cash flows based on current forward curves.

On June 30, 2016 and December 31, 2015 the REIT had the following interest rate swap agreements:

Maturity date	Fixed interest rate	Notional amount		Fair value	
		June 30, 2016	December 31, 2015	June 30, 2016	December 31, 2015
Aug. 14, 2023	4.60%	21,514	21,790	2,669	2,163
May 1, 2023	3.68%	23,008	23,347	1,542	990
			\$	4,211	\$ 3,153

The following is a reconciliation of the change in the balance of the interest rate swap liability during the Six months ended June 30, 2016:

	Six months ended June 30, 2016	Year ended December 31, 2015
Balance, beginning of period	\$ 3,153	\$ 2,239
Extinguishment	—	(651)
Fair value changes	1,058	1,565
Balance, end of period	\$ 4,211	\$ 3,153

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.

### Interest rate caps

The REIT entered into an interest rate cap with a \$125.0 million notional amount, a strike price of 1.90% based on one month bankers acceptances, and has a maturity of July 2018. The cost to the REIT was \$0.05 million.

## 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 for the six months ended June 30, 2016 and 2015:

	Six months ended June 30,	
	2016	2015
Net change in cash related to:		
Operating	\$ 8,203	\$ 13,788
Investing	(61,185)	(317,481)
Financing	47,196	315,819
Increase (decrease) in cash	\$ (5,786)	\$ 12,126

The change in cash for the six months ended June 30, 2016 and 2015 was the result of the following factors:

- Operating – cash flows for the six months ended June 30, 2016 decreased when compared to the same period in 2015, mainly due the changes in non-cash working capital items. Net operating income increased significantly in the quarter when compared to the same quarter in 2015 attributable to growth in the portfolio.
- Investing – cash outflows for the six months ended June 30, 2016 were attributable to the acquisition of the Gateway Centre and an additional 19% interest in the Co-owned Properties in St. John's, NL of \$41.9 million along with \$15.9 million and \$6.7 million spent on on capital and leasing costs, respectively.
- Financing – cash flows for six months ended June 30, 2016 related proceeds from the public offering on June 24, 2016 of \$35.6 million and additional borrowings of \$13.8 million to fund capital and redevelopment projects.

## 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 \$7.61 as at June 30, 2016.

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 were no preferred units created or issued during the period ended June 30, 2016.

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 Centre and an additional 19% ownership interest in the Co-owned Properties. In connection with the offering, a secondary offering of 1,838,863 units of Subcore Equities Inc., a private corporation managed by Greystone Managed Investments Inc. for gross proceeds of \$14.4 million was completed. The REIT received no proceeds from the secondary offering.

As at June 30, 2016, the total number of trust units outstanding was 34,601,353. As at August 4, 2016, the total number of trust units outstanding was 34,607,136.

### Normal course issuer bid

On January 15, 2016, the REIT renewed its NCIB, whereby the REIT may purchase up to 2,334,509 trust units, subject to certain restrictions. The renewed NCIB expires on the earlier of January 25, 2017 and repurchase of the maximum number of trust units.

For the six months ended June 30, 2016, 50,813 trust units were purchased and subsequently canceled under the NCIB for a total cost, including transaction costs, of \$0.4 million at an average price of \$7.04 per unit. No new purchases have been made since renewing the NCIB.

### Potential trust units

	June 30, 2016	December 31, 2015
Class B LP units	5,285,160	5,073,818
Deferred units	27,897	17,440
	5,313,057	5,091,258

The Class B LP units are exchangeable into trust units of the REIT on a one-for-one basis, subject to anti-dilution adjustments. Each Class B LP unit is accompanied by one special voting unit of the REIT providing the same voting rights in the REIT as the trust units of the REIT and is entitled to distributions of cash equal to the cash distributions paid to holders of trust units by the REIT. The Class B LP units are recognized in the REIT's consolidated financial statements as financial liabilities measured at fair value through profit and loss. Upon exchange into trust units of the REIT, the carrying amount of the liability representing the fair value of the Class B LP units on exchange date will be reclassified to unitholders' equity. During the three months ended June 30, 2016, there were no Class B LP units exchanged for the REIT's trust units.

## DEFERRED UNIT PLAN

Effective May 26, 2015, the REIT adopted a Deferred Unit Plan ("DUP"). Trustees of the REIT who are neither full nor part-time employees of the REIT, Slate, or any of their subsidiaries, are eligible to participate in the 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 REIT units on the date of the redemption request.

The REIT measures deferred units as a liability at their fair value, which is equivalent to the fair value of trust units. Changes in the measurement of deferred units is recorded as a gain or loss.

As at June 30, 2016, the total number of deferred units outstanding was 27,897.

## 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 is also the manager of the REIT's three Co-owned Properties in St. John's, Newfoundland.

Slate directly and indirectly held the following interests in the REIT at June 30, 2016 and December 31, 2015:

	June 30, 2016	December 31, 2015
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	17.5%	19.7%

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 revenues
Asset management	0.3% of gross book value
Leasing	5% on new leases, 2% on renewals <sup>(1)</sup>
Financing	0.25% of debt placed
Construction	5.0% of costs
Acquisition	Variable <sup>(2)</sup>

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

(2) Acquisition fees are 1.0% on the first \$100 million of acquisitions; 0.75% on the next \$100MM of acquisitions and 0.50% for acquisitions in excess of \$200 million.

For the three and six months ended June 30, 2016 and 2015 the REIT incurred the following fees under the Management Agreement:

	Three months ended June 30,		Six months ended June 30,	
	2016	2015	2016	2015
Property management	\$ 795	\$ 383	\$ 1,598	\$ 771
Asset management	622	356	1,236	712
Leasing, financing, and construction management	1,181	752	1,738	1,479
Acquisition	849	2,267	849	2,360
	\$ 3,447	\$ 3,758	\$ 5,421	\$ 5,322

Property administration fees are allowable under the tenants' leases relating to assets or resources of the Manager that are directly attributable to the management of the REIT's properties. For the three months ended June 30, 2016, property administration fees were \$2.7 million, compared to \$0.7 million for the same period in 2015. These fees are recovered from the tenants by the REIT and payable by the REIT to the Manager under the terms of the Management Agreement.

Assets and liabilities included in the consolidated statement of financial position of the REIT related to SMC and Slate as at June 30, 2016 and December 31, 2015:

	June 30, 2016	December 31, 2015
Accounts receivable	\$ 761	\$ 1,424
Accounts payable and accrued liabilities	—	2,748
Class B LP units	40,220	37,260

On October 1, 2015, the REIT acquired 2251 Speakman Drive from Slate. SMC and Slate have not provided any mortgage guarantees at June 30, 2016 (December 31, 2015 – \$1.6 million).

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

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 assumption in determining fair value. The REIT uses leasing history, market reports, tenant profiles and available appraisals, among other things, in determining the most appropriate assumptions.

#### *Direct comparison approach*

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

A summary of the significant assumptions used in the REIT's estimate of fair value as at June 30, 2016 is included on page 7 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

The REIT adopted the following new accounting policy beginning on January 1, 2016:

IAS 1, *Presentation of Financial Statements* ("IAS 1")

IAS 1 was amended to clarify guidance on materiality and aggregation, the presentation of subtotals, the structure of financial statements and disclosure of accounting policies. The amendment to IAS 1 are effective for annual periods beginning on or after January 1, 2016.

The amendments include the following guidance:

- i. the entity shall not aggregate or disaggregate information applicable to each of the primary financial statements, the notes and each specific disclosures required by IFRSs in a manner that obscures useful information;
- ii. specific line items in the primary financial statements can be disaggregated;
- iii. the entity has flexibility in the order of the notes to the financial statements; and
- iv. an entity's share of other comprehensive income from equity accounted associates and joint ventures will be presented in aggregate, classified between amounts that will and will not be reclassified to profit and loss.

Amendments to IFRS 11, *Joint Arrangements* ("IFRS 11")

The amendments to IFRS 11 require business combination accounting to be applied to acquisitions of interests in a joint operation that constitute a business. The amendments apply prospectively for annual periods beginning on or after January 1, 2016.

These amendments did not have a material impact on 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. The extent of the impact of adoption of the amendments has not yet been determined.

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. The extent of the impact of adoption of the amendments has not yet been determined.

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 extent of the impact of adoption of the standard has not yet been determined.

For each of the above changes in accounting policy the REIT expects to adopt such changes at the time of their required adoption. The REIT continues to assess the impact of the changes in accounting policy on its consolidated financial statements, however, there is currently no identified impact on the REIT's business.

## DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

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

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

ICFR is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The REIT has adopted the *Internal Control – Integrated Framework (2013)* published by the Committee of Sponsoring Organizations of the Treadway Commission for the design of its ICFR for the period ended June 30, 2016.

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 three month period ended June 30, 2016, that have materially affected, or are reasonably likely to materially affect, the REIT's ICFR.

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

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

## PART VI - PROPERTY TABLE

A summary of details of the REIT's property portfolio as at June 30, 2016 is set out in the table below.

Asset Class	Property Address	Property Name	City, Province	Year Built / Renovated / Expanded	Interest	Sq ft. of GLA	Occupancy
<b>Office - Income Producing</b>							
	1870 Albert Street	Saskatchewan Place	Regina, SK	1985	100%	84,243	67.1%
	280 Broadway Avenue <sup>(1)</sup>		Winnipeg, MB	1957	100%	112,642	99.0%
	114 Garry Street		Winnipeg, MB	1950 / 2016	100%	74,248	100.0%
	895 Waverley Street		Winnipeg, MB	1991	100%	34,364	100.0%
	1000 Waverley Street		Winnipeg, MB	1966 / 1998	100%	58,668	91.3%
	MTS Data Centre	MTS Data Centre	Winnipeg, MB	2015	100%	64,000	100.0%
	4211 Yonge Street		Toronto, ON	1982	100%	170,972	95.2%
	1189 Colonel Sam Drive		Oshawa, ON	2001	100%	103,179	100.0%
	2655 – 2695 North Sheridan Way	The Promontory	Mississauga, ON	1987 / 1989	100%	159,752	99.3%
	7030, 7050, 7100 Woodbine Avenue & 55, 85 Idema Road	Woodbine Complex	Markham, ON	1984 / 2011	100%	359,833	87.6%
	135 Queens Plate		Toronto, ON	1989 / 2012	100%	93,581	84.8%
	1 Eva Road		Toronto, ON	1978 / 2011	100%	91,068	72.9%
	2400 – 2430 Meadowpine Boulevard		Mississauga, ON	1990	100%	59,095	75.9%
	5395 – 5409 Eglinton Avenue West	Centennial Centre	Toronto, ON	1985	100%	235,299	76.4%
	2285 Speakman Drive		Mississauga, ON	1981	100%	126,270	100.0%
	2599 Speakman Drive		Mississauga, ON	1971 / 2011	100%	111,461	86.1%
	3000 - 3100 Steeles Avenue East	Gateway Centre	Markham, ON	1982 / 1987	100%	235,673	95.1%
	644 Main Street	Blue Cross Centre	Moncton, NB	1988 / 2006	100%	320,818	98.2%
	39 King Street <sup>(2)</sup>	Brunswick Square	Saint John, NB	1976	100%	507,804	85.2%
	440 King Street	King's Place	Fredericton, NB	1974 / 2001	100%	292,022	81.5%
	1505 Barrington Street	Maritime Center	Halifax, NS	1977 / 1985	100%	547,014	94.9%
	100 New Gower Street	Cabot Place	St. John's, NL	1987	49%	65,970	99.1%
	10 Factory Lane	Fort William Building	St. John's, NL	1980	100%	188,170	100.0%
	5 Springdale Street	Fortis Place	St. John's, NL	2014	49%	69,958	100.0%
	4 Herald Avenue	Fortis Tower	Corner Brook, NL	2014	100%	67,203	92.4%
	140 Water Street	TD Place	St. John's, NL	1980 / 2013	49%	47,742	90.4%
<b>Office - Redevelopment</b>							
	173 Water Street	Water Street Properties	St. John's, NL	Various	100%	71,541	45.0%
	2251 Speakman Drive		Mississauga, ON	1965 / 2016	100%	115,582	0.0%
	139 Water Street	Fortis Building	St. John's, NL	1968 / 1994	100%	82,648	29.4%
						<b>4,550,820</b>	<b>86.6%</b>
<b>Industrial</b>							
	35 Martin Way		Brooks, AB	2005	100%	28,400	0.0%
	5404 36th Street SE	Doka Building	Calgary, AB	1980	100%	36,000	100.0%
	7001 96th Street		Grande Prairie, AB	2006	100%	33,280	0.0%
						<b>97,680</b>	<b>36.9%</b>
<b>Retail</b>							
	200 Manitoba 10	Flin Flon Wal-Mart	Flin Flon, MB	2002	100%	63,439	100.0%
	307 – 311 Airport Road	Airport Road Shopping Centre	Yellowknife, NWT	2001 / 2003	100%	15,475	100.0%
						<b>78,914</b>	<b>100.0%</b>
<b>Total - Total Portfolio</b>						<b>4,727,414</b>	<b>85.8%</b>
<b>Total - Excluding Office Redevelopment</b>						<b>4,457,643</b>	<b>89.7%</b>

(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 4.7 million square feet of GLA and consists of 34 properties located across Canada.

### Head office

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Toronto, ON M5H 3T9  
Tel: +1 416 644 4264  
Fax: +1 416 947 9366  
E-mail: [info@slateam.com](mailto:info@slateam.com)

### Independent auditors

KPMG LLP  
Chartered Professional Accountants  
Winnipeg, Canada

### Stock exchange listing and symbol

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

### Registrar and transfer agent

Computershare Investor Services Inc.  
100 University Avenue, 8th Floor  
Toronto, Ontario  
Tel: +1 416 263 9481  
Fax: +1 416 981 9679

The REIT's website [www.slateam.com/reits/office/](http://www.slateam.com/reits/office/) 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.

### Trustees

John O'Bryan <sup>(3)</sup>  
Corporate Director

Pam Spackman <sup>(1)(2)(3)</sup>  
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Blair Welch  
Partner and Co-founder  
Slate Asset Management L.P.

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

<sup>(1)</sup> Compensation, Governance and Nomination Committee

<sup>(2)</sup> Audit Committee

<sup>(3)</sup> Investment Committee