Condensed consolidated interim financial statements of

SLATE OFFICE REIT

For the three and six month periods ended June 30, 2017

(unaudited)

SLATE OFFICE REIT
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(unaudited)

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SLATE OFFICE REIT
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION
(in thousands of Canadian dollars)
(unaudited)

	Note		June 30, 2017		December 31, 2016
ASSETS					
Non-current assets					
Properties	*4*	**$**	**1,223,073**	$	946,939
Finance lease receivable	*7*		**59,816**		60,965
Other assets	*8*		**2,419**		2,600
Restricted cash			**1,405**		1,404
			1,286,713		1,011,908
Current assets					
Finance lease receivable	*7*		**2,261**		2,191
Other assets	*8*		**6,193**		3,162
Accounts receivable	*9*		**5,173**		4,009
Cash			**2,282**		4,252
			15,909		13,614
Total assets		**$**	**1,302,622**	$	1,025,522
LIABILITIES AND EQUITY					
Non-current liabilities					
Debt	*10*	**$**	**469,036**	$	462,644
Other liabilities	*11*		**4,217**		4,019
Derivatives	*12*		**1,770**		2,482
Class B LP units	*13*		**42,281**		41,753
			517,304		510,898
Current liabilities					
Debt	*10*		**283,276**		142,309
Other liabilities	*11*		**2,989**		2,852
Accounts payable and accrued liabilities	*14*		**31,461**		23,751
			317,726		168,912
Total liabilities			**835,030**		679,810
Equity			**467,592**		345,712
Total liabilities and equity		**$**	**1,302,622**	$	1,025,522

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

SLATE OFFICE REIT
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE INCOME
(in thousands of Canadian dollars)
(unaudited)

		Three months ended June 30,		Six months ended June 30,	
	Note	**2017**	2016	**2017**	2016
Rental revenue	*17*	**$ 36,230**	$ 28,197	**$ 68,548**	$ 55,766
Property operating expenses	*21*	**(18,833)**	(14,994)	**(36,526)**	(30,296)
Finance income on finance lease receivable	*7*	**981**	1,015	**1,971**	2,037
Interest income		**24**	15	**41**	30
Interest and finance costs	*19*	**(6,883)**	(4,430)	**(12,093)**	(8,633)
General and administrative	*18*	**(1,279)**	(922)	**(2,428)**	(1,962)
Change in fair value of properties	*4*	**(2,389)**	6,470	**(2,162)**	8,408
Change in fair value of financial instruments	*20*	**(3,266)**	(247)	**(2,404)**	(1,058)
Disposition costs	*6*	**(133)**	(206)	**(133)**	(206)
Depreciation of hotel asset	*4*	**(191)**	(143)	**(380)**	(279)
Net income before Class B LP units		**$ 4,261**	$ 14,755	**$ 14,434**	$ 23,807
Change in fair value of Class B LP units	*13*	**212**	1,480	**(528)**	(2,960)
Distributions to Class B LP unitholders	*16*	**(991)**	(991)	**(1,982)**	(1,982)
Net income and comprehensive income		**$ 3,482**	$ 15,244	**$ 11,924**	$ 18,865

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

SLATE OFFICE REIT
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY
(in thousands of Canadian dollars)
(unaudited)

	Note		Trust units		Retained earnings		Total equity
December 31, 2016		**$**	**310,201**	**$**	**35,511**	**$**	**345,712**
Issuance, net of costs	*15*		**127,730**		**—**		**127,730**
Distributions	*16*		**—**		**(18,305)**		**(18,305)**
Units issued pursuant to DRIP	*15*		**531**		**—**		**531**
Net income and comprehensive income			**—**		**11,924**		**11,924**
June 30, 2017		**$**	**438,462**	**$**	**29,130**	**$**	**467,592**
December 31, 2015		$	227,030	$	25,127	$	252,157
Issuances, net of cost	*15*		33,710		—		33,710
Distributions	*16*		—		(11,553)		(11,553)
Units issued pursuant to DRIP	*15*		558		—		558
Repurchases of units	*15*		(384)		26		(358)
Net income and comprehensive income			—		18,865		18,865
June 30, 2016		$	260,914	$	32,465	$	293,379

SLATE OFFICE REIT
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
(in thousands of Canadian dollars)
(unaudited)

	Note	Six months ended June 30, 2017	2016
Operating activities			
Net income and comprehensive income		**$ 11,924**	$ 18,865
Items not affecting cash:			
Straight-line rent and other changes	*4*	**(716)**	(936)
Change in fair value of financial instruments	*20*	**2,404**	1,058
Change in fair value of properties	*4*	**2,162**	(8,408)
Change in fair value of Class B LP units	*13*	**528**	2,960
Depreciation of hotel asset	*4*	**380**	279
Interest income		**(41)**	(30)
Interest received		**41**	30
Interest and finance costs	*19*	**12,093**	8,633
Interest paid		**(11,640)**	(8,169)
Finance income on finance lease receivable	*7*	**(1,971)**	(2,037)
Finance interest payments received	*7*	**1,971**	2,037
Distributions to Class B LP unitholders	*16*	**1,982**	1,982
Distributions paid to Class B LP unitholders	*16*	**(1,982)**	(1,982)
Working capital items		**(1,128)**	(5,413)
		16,007	8,869
Investing activities			
Acquisition of properties	*5*	**(111,949)**	(41,920)
Principal payments received on finance lease receivable	*7*	**1,079**	1,013
Capital expenditures	*4*	**(11,708)**	(15,927)
Direct leasing costs	*4*	**(13,856)**	(6,665)
Proceeds from dispositions of property	*6*	**4,226**	2,314
		(132,208)	(61,185)
Financing activities			
Proceeds from issuance of units	*15*	**133,154**	35,569
Costs of issuance of units	*15*	**(5,424)**	(1,859)
Repurchases of units	*15*	**—**	(358)
Debt financing advanced	*10*	**23,500**	13,700
Debt principal payments	*10*	**(2,961)**	(1,668)
Transaction costs on debt	*10*	**(773)**	(1,659)
Draws (repayments) on revolving facilities, net	*10*	**(16,500)**	13,800
Distributions on REIT units	*16*	**(16,765)**	(10,995)
		114,231	46,530
Decrease in cash		**(1,970)**	(5,786)
Cash, beginning of period		**4,252**	8,917
Cash, end of period		**$ 2,282**	$ 3,131

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

1. Description of the REIT and operations

Slate Office REIT (the "REIT") is an unincorporated, open-ended real estate investment trust constituted in accordance with the laws of the Province of Ontario pursuant to an amended and restated Declaration of Trust dated December 17, 2014, as amended on May 25, 2015 and March 21, 2016 (the "Declaration of Trust"). As of June 30, 2017, the REIT's portfolio consists of 38 commercial properties located in Canada. The units of the REIT trade on the Toronto Stock Exchange ("TSX") under the symbol "SOT.UN".

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

2. Basis of presentation

i. Statement of compliance

These condensed consolidated interim financial statements (the "consolidated financial statements") have been prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting*. Certain information and note disclosures normally included in the annual consolidated financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") have been omitted or condensed. As a result, these consolidated financial statements should be read in conjunction with the REIT's audited comparative consolidated financial statements as at and for the year ended December 31, 2016 (the "annual consolidated financial statements").

ii. Approval of the consolidated financial statements

The consolidated financial statements were approved by the trustees of the REIT and authorized for issuance on August 3, 2017.

iii. Basis of measurement

The consolidated financial statements have been prepared on a going concern basis and are measured at historical cost except for the following items:

- Properties are measured at fair value; and
- Financial instruments classified as fair value through profit or loss are measured at fair value.

iv. Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars, which is the REIT's functional currency and the functional currency of all of its subsidiaries.

3. Significant accounting policies

i. Significant accounting policies

These consolidated financial statements have been prepared using the same accounting policies and methods disclosed in the REIT's annual consolidated financial statements for the year ended December 31, 2016, except for the adoption of the new accounting policy discussed below.

ii. New accounting policy

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

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

Supplemental cash flow information disclosures have been included in the REIT's consolidated financial statements (note 26).

iii. Future accounting policies

IFRS 2, *Share based payments* ("IFRS 2")

The amendments to IFRS 2 provide clarification on how to account for certain types of share-based payment transactions. The amendments provide requirements on the accounting for: the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; share-based payment transactions with a net settlement feature for withholding tax obligations; and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. The amendments apply for annual periods beginning on or after January 1, 2018. As a practical simplification, the amendments can be applied prospectively. Retrospective, or early, application is permitted if information is available without the use of hindsight. The extent of the impact of adoption of the amendments has not yet been determined.

(all tabular amounts are expressed in thousands of Canadian dollars, unless otherwise noted)

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

IFRS 9, which replaces IAS 39, *Financial Instruments: Recognition and Measurement*, establishes principles for the financial reporting of financial assets and financial liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows. Under IFRS 9, financial assets are classified and measured based on the business model in which they are held and the characteristics of their cash flows. In addition, under IFRS 9 for financial liabilities measured at fair value, changes in fair value attributable to changes in credit risk will be recognized in other comprehensive income, with the remainder of the changes recognized in profit or loss. However, if this requirement creates or enlarges an accounting mismatch in profit or loss, the entire change in fair value will be recognized in profit or loss. This new standard is effective for annual periods beginning on or after January 1, 2018. Early adoption is permitted. The 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.

4. Properties

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

		Three months ended June 30,		Six months ended June 30,	
		2017	2016	**2017**	2016
Balance, beginning of period		**$ 959,249**	$ 741,681	**$ 946,939**	$ 729,089
Acquisitions	*5*	**256,796**	86,786	**256,796**	86,786
Capital expenditures		**7,199**	9,828	**11,708**	15,927
Direct leasing costs		**6,543**	2,467	**13,856**	6,665
Dispositions	*6*	**(4,400)**	(4,275)	**(4,400)**	(4,275)
Depreciation of hotel asset		**(191)**	(143)	**(380)**	(279)
Change in fair value		**(2,389)**	6,470	**(2,162)**	8,408
Straight line rent and other changes		**266**	443	**716**	936
Balance, end of period		**$ 1,223,073**	$ 843,257	**$ 1,223,073**	$ 843,257

Properties at June 30, 2017 are comprised of the REIT's interests in 38 properties, which includes one mixed-use hotel and office asset. The hotel portion of the REIT's mixed-use asset does not meet the definition of an investment property under IAS 40, *Investment Properties*, and accordingly is measured at cost less depreciation, with depreciation charged to income over the estimated useful life of the components of the hotel asset.

(all tabular amounts are expressed in thousands of Canadian dollars, unless otherwise noted)

The REIT's properties are classified into income producing and development as follows:

		June 30, 2017		December 31, 2016
Income producing	$	**1,177,236**	$	907,343
Development		**45,837**		39,596
	$	**1,223,073**	$	946,939

The REIT determines the fair value of properties based upon either the overall income capitalization rate method, 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 and location of the properties. Under the overall income capitalization rate method, year one income is stabilized and capitalized at a rate appropriate for each investment property. Under the discounted cash flow method, fair values are primarily determined by discounting the expected future cash flows, generally over a term of 10 years, including a terminal value based on the application of a capitalization rate to estimated year 11 net operating income. Capitalization and discount rates are the most significant assumptions in determining fair value. The REIT uses leasing history, market reports, tenant profiles and available appraisals, among other evidence, in determining the most appropriate assumptions.

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

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

	June 30, 2017			December 31, 2016		
	Discount rate	**Terminal capitalization rate**	**Capitalization rate (1)**	Discount rate	Terminal capitalization rate	Capitalization rate (1)
Minimum	**6.25%**	**5.75%**	**4.21%**	6.75%	6.25%	4.16%
Maximum	**11.00%**	**9.00%**	**12.09%**	11.00%	9.00%	11.92%
Weighted average	**7.41%**	**6.92%**	**6.16%**	7.55%	7.05%	6.37%

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

At June 30, 2017, a 25 basis-point increase in discount, terminal capitalization and stabilized capitalization rates would decrease the estimated fair value of the REIT's properties by approximately $43.7 million (December 31, 2016 – $37.2 million).

The following table summarizes the number of external appraisals obtained during the three month periods from June 30, 2016 to June 30, 2017 and the fair values that were represented by those appraisals:

	Number of properties		Fair Value
June 30, 2016	11	$	354,698
September 30, 2016	—		—
December 31, 2016	—		—
March 31, 2017	1		55,450
June 30, 2017	11		462,459

(all tabular amounts are expressed in thousands of Canadian dollars, unless otherwise noted)

5. Acquisitions

On April 25, 2017, the REIT acquired wholly-owned interests in three office properties, West Metro Corporate Centre in Etobicoke, ON ("West Metro Centre") and 250 King and 460 Two Nations in Fredericton, NB for an aggregate purchase price of $154.8 million. The acquisition of West Metro Centre included the assumption of a mortgage with a principal amount of $75.5 million bearing interest at Canadian Dealer Offered Rate ("CDOR") plus 185 basis points and maturing in May 2018.

On May 25, 2017, the REIT acquired a wholly-owned interest in a suburban office complex in Etobicoke, ON ("Commerce West"), for an aggregate purchase price of $89.7 million. The acquisition of Commerce West included the assumption of a mortgage with a principal amount of $68.3 million bearing interest at a fixed rate of 3.0% and maturing in October 2020.

The net assets acquired in respect of these acquisitions are as follows:

	West Metro Centre	250 King Street	460 Two Nations	Commerce West	Total
REIT's interest	100%	100%	100%	100%	
Number of properties	1	1	1	1	
Acquisition date	April 25, 2017	April 25, 2017	April 25, 2017	May 25, 2017	
Purchase price (1)	$ 135,613	$ 9,750	$ 9,465	$ 89,660	**$ 244,488**
Transaction costs	7,428	198	190	4,492	**12,308**
Properties	143,041	9,948	9,655	94,152	**256,796**
Working capital	(729)	(154)	(15)	(309)	**(1,207)**
Debt assumed (2)	(75,256)	—	—	(68,384)	**(143,640)**
Total investment	$ 67,056	$ 9,794	$ 9,640	$ 25,459	**$ 111,949**

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

Consideration provided for the acquisitions during the six month period ended June 30, 2017 was comprised of the following:

	West Metro Centre	250 King Street	460 Two Nations	Commerce West	Total
Cash	$ 58,268	$ 9,188	$ 9,034	$ 25,459	**$ 101,949**
Trust units (note 15)	8,788	606	606	—	**10,000**
Total investment	$ 67,056	$ 9,794	$ 9,640	$ 25,459	**$ 111,949**

6. Dispositions

During the six month period ended June 30, 2017, the REIT made the following property disposition:

	7001-96th Street
Disposition date	May 12, 2017
Location	Grand Prairie, AB
Sale price	$ 4,400
Working capital	(41)
Disposition costs	(133)
Net proceeds	**$ 4,226**

7. Finance lease receivable

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

(all tabular amounts are expressed in thousands of Canadian dollars, unless otherwise noted)

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

	Six months ended June 30, 2017	Year ended December 31, 2016
Balance, beginning of period	**$ 63,156**	$ 65,214
Lease payments received	**(3,050)**	(6,099)
Finance income on finance lease receivable	**1,971**	4,041
Balance, end of period	**$ 62,077**	$ 63,156

The following is a summary of the undiscounted future minimum lease payments receivable and the imputed interest and principal portions thereof. The principal portion represents the amount recorded on the consolidated statements of financial position at June 30, 2017:

	Future minimum lease payments	Interest portion of minimum lease payments	Principal portion of minimum lease payments
Less than one year	$ 6,099	$ 3,838	$ 2,261
Greater than one year but less than 5 years	25,061	13,748	11,313
Greater than 5 years	64,586	16,083	48,503
			$ 62,077

8. Other assets

Other assets are comprised of the following:

	June 30, 2017	December 31, 2016
Prepaid expenses	**$ 5,087**	$ 2,118
Other assets	**234**	189
Interest rate subsidy	**1,938**	2,153
Investment tax credit receivable	**1,353**	1,302
	$ 8,612	$ 5,762

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

	June 30, 2017	December 31, 2016
Current	**$ 6,193**	$ 3,162
Non-current	**2,419**	2,600
	$ 8,612	$ 5,762

In connection with the acquisition of the Gateway Complex on June 30, 2016, the acquisition agreement provided for an interest rate subsidy in the initial amount of $2.4 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 an above market mortgage.

In connection with development of the Data Centre, the REIT is eligible for a Manitoba data processing investment tax credit (the "tax credit"). The REIT expects to receive the tax credit in installments through to 2029. A portion of the tax credit is payable to Manitoba Telecom Services ("MTS"). The portion of the tax credit owing to the REIT's previous other limited partner was paid by the REIT in full in 2016. The portion payable to MTS will be paid as the credits are received (note 11). The tax credit receivable has been included in other assets as at June 30, 2017.

(all tabular amounts are expressed in thousands of Canadian dollars, unless otherwise noted)

9. Accounts receivable

Accounts receivable is comprised of the following:

		June 30, 2017		December 31, 2016
Rent receivable	$	2,507	$	1,559
Accrued recovery income		805		1,022
Other amounts receivable		2,005		1,525
Allowance		(144)		(97)
	$	5,173	$	4,009

Rent receivable consists of base rent and operating expense recoveries receivable from tenants. Accrued recovery income represents amounts that have not been billed to tenants and are generally billed and paid in the period following the period to which they relate.

Included in other amounts receivable is $0.4 million (December 31, 2016 – $0.5 million) due from Slate (as defined in note 21) relating to an acquisition in 2014 for future free rent adjustments, tenant inducements and leasing commissions. The receivable will be collected as the related items are paid or incurred in connection with the tenant lease agreements. The receivable is non-interest bearing and unsecured.

The change in allowance for doubtful accounts is as follows:

		June 30, 2017		December 31, 2016
Balance, beginning of period	$	(97)	$	(159)
Change in allowance		(92)		(120)
Bad debt write-off		12		83
Bad debt recovery		33		99
Balance, end of period	$	(144)	$	(97)

An allowance is provided when collection is no longer reasonably assured, which primarily includes bankruptcy, financial difficulty, abandonment and certain tenant disputes.

The aging analysis of rents receivable past due, net of allowance is as follows:

		June 30, 2017		December 31, 2016
Current to 30 days	$	1,472	$	911
31 to 90 days		654		187
Greater than 90 days		237		364
	$	2,363	$	1,462

10. Debt

During the six month period ended June 30, 2017, the REIT increased an existing mortgage on 4211 Yonge Street by $8.5 million, resulting in a lowered combined interest rate of 3.64% with no change to the loan's maturity.

On April 25, 2017, in conjunction with the acquisition of the West Metro Centre, the REIT assumed a mortgage in the amount of $75.5 million with an interest rate of CDOR plus 1.85% and maturing May 1, 2018.

On May 25, 2017, in conjunction with the acquisition of Commerce West, the REIT assumed a mortgage in the amount of $68.3 million with a fixed interest rate of 3.0%, maturing October 1, 2020. As the interest rate assumed on the debt was above the average market interest rate on comparable debt, the REIT has recorded a mark-to-market ("MTM") adjustment on the debt in the amount of $0.3 million.

On June 30, 2017, the REIT completed the renewal of the REIT's outstanding $105.0 million term loan due June 30, 2017. The terms of the renewal provide for the extension of the term loan to June 30, 2019 and an increase in amount to $120.0 million.

(all tabular amounts are expressed in thousands of Canadian dollars, unless otherwise noted)

Debt held by the REIT at June 30, 2017 is as follows:

	Maturity	Coupon (4)	Properties provided as security	Fair value of security	Maximum available	Principal	Letters of credit	Available to be drawn (5)
Mortgages (1)(2)	Various	Various	18	$ 627,212	$ 430,994	$ 430,994	$ —	$ —
Revolving operating facility (3)	Jun. 30, 2018	BA+200 bps	8	317,797	202,875	183,200	—	19,675
Revolving credit facility (3)	Nov. 30, 2017	BA+200 bps	5	77,684	45,000	16,500	1,159	27,341
Construction facility	May 4, 2021	CDOR+300 bps	1	35,172	7,501	—	—	7,501
Term loan	Jun. 30, 2019	BA+213 bps	5	163,208	120,000	120,000	—	—
Other (6)	Oct. 1, 2025	4.27%	1	62,077	2,623	2,623	—	—
			38	**$1,283,150**	**$ 808,993**	**$ 753,317**	**$ 1,159**	**$ 54,517**

(1) The weighted average remaining term to maturity of mortgages is 4.3 years with maturities ranging from 0.7 to 13.3 years.
(2) The weighted average interest rate of mortgages is 3.43% with coupons ranging from 2.65% to 4.95%.
(3) Stand-by fees incurred on the unutilized amounts on the revolving operating facility and the revolving credit facility is 0.40%, charged and paid quarterly.
(4) "BA" means the one-month Bankers' Acceptances rate; "CDOR" means the Canadian Dealer Offered Rate; "bps" means basis point or 1/100th of one percent.
(5) Debt is only available to be drawn subject to certain covenants.
(6) Secured by the Data Centre, which is accounted for as a finance lease receivable and not included in the REIT's properties. The value above represents the carrying value of the finance lease receivable.

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

	Principal	Mark-to-market ("MTM") adjustments and costs	Amortization of MTM adjustments and costs	Carrying amount	Current	Non-current
Mortgages	$ 430,994	$ 190	$ 290	$ 431,474	$ 84,237	$ 347,237
Revolving operating facility	183,200	(2,002)	1,274	182,472	182,472	—
Revolving credit facility	16,500	(655)	572	16,417	16,417	—
Term loan	120,000	(717)	73	119,356	—	119,356
Other facility	2,623	(36)	6	2,593	150	2,443
	$ 753,317	**$ (3,220)**	**$ 2,215**	**$ 752,312**	**$ 283,276**	**$ 469,036**

Debt held by the REIT at December 31, 2016 is as follows:

	Maturity	Coupon (4)	Properties provided as security	Fair value of security	Maximum available	Principal	Letters of credit	Available to be drawn (5)
Mortgages (1)(2)	Various	Various	16	$ 385,848	$ 281,608	$ 281,608	$ —	$ —
Revolving operating facility (3)	Jun. 30, 2018	BA+200 bps	8	300,375	210,546	183,200	—	27,346
Revolving credit facility (3)	Nov. 30, 2017	BA+200 bps	5	76,361	45,000	33,000	1,150	10,850
Construction facility	May 4, 2021	CDOR+300 bps	1	35,172	7,501	—	—	7,501
Term loan	Jun. 30, 2017	BA+213 bps	3	143,370	105,000	105,000	—	—
Other facility (6)	Oct. 1, 2025	4.27%	1	63,156	2,696	2,696	—	—
			34	$ 1,004,282	$ 652,351	$ 605,504	$ 1,150	$ 45,697

(1) The weighted average remaining term to maturity of mortgages is 5.9 years with maturities ranging from 0.3 to 13.8 years.
(2) The weighted average interest rate of mortgages is 3.64% with coupons ranging from 2.65% to 4.95%.
(3) Stand-by fees incurred on the unutilized amounts on the revolving operating facility and the revolving credit facility is 0.40%, charged and paid quarterly.
(4) "BA" means the one-month Bankers' Acceptances rate; "CDOR" means the Canadian Dealer Offered Rate; "bps" means basis point or 1/100th of one percent.
(5) Debt is only available to be drawn subject to certain covenants.
(6) Other facility is secured by the Data Centre, which is accounted for as a finance lease receivable and not included in the REIT's properties. The value above represents the carrying value of the finance lease receivable.

(all tabular amounts are expressed in thousands of Canadian dollars, unless otherwise noted)

The carrying value of debt held by the REIT as at December 31, 2016 is as follows:

	Principal	MTM adjustments and costs	Amortization of MTM adjustments and costs	Carrying amount	Current	Non-current
Mortgages	$ 281,608	$ 406	$ 302	$ 282,316	$ 4,367	$ 277,949
Revolving operating facility	183,200	(1,962)	938	182,176	—	182,176
Revolving credit facility	33,000	(655)	472	32,817	32,817	—
Term loan	105,000	(66)	46	104,980	104,980	—
Other facility	2,696	(36)	4	2,664	145	2,519
	$ 605,504	$ (2,313)	$ 1,762	$ 604,953	$ 142,309	$ 462,644

Future principal payments and maturity schedule, excluding amortization of mark-to-market adjustments and transaction costs, on debt as at June 30, 2017 are as follows:

Remainder of 2017	$ 21,148
2018	266,589
2019	137,892
2020	68,070
2021	185,301
Thereafter	74,317
	$ 753,317

11. Other liabilities

Other liabilities are comprised the following:

	June 30, 2017	December 31, 2016
Security deposits	**$ 5,232**	$ 4,922
Provisions	**1,298**	1,298
Investment tax credit payable	**676**	651
	$ 7,206	$ 6,871

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

	June 30, 2017	December 31, 2016
Current	**$ 2,989**	$ 2,852
Non-current	**4,217**	4,019
	$ 7,206	$ 6,871

The REIT is eligible to receive a Manitoba data processing investment tax credit in connection with the development of the Data Centre (note 8). The portion of the tax credit payable to the tenant of the Data Centre will be paid as the credits are received through to 2029 and has been recorded in other liabilities at June 30, 2017 at its discounted amount determined upon establishment of the liability.

12. Derivatives

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

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

(all tabular amounts are expressed in thousands of Canadian dollars, unless otherwise noted)

Interest rate derivatives are measured at fair value with fair values estimated as the present value of contractual cash flows based on forward curves and an applicable discount rate.

The following are the terms and fair values of the REIT's interest rate swaps for the six month period ended June 30, 2017 and the year ended December 31, 2016:

		Notional amount		Fair value	
Maturity date	Fixed interest rate (1)	**June 30, 2017**	December 31, 2016	**June 30, 2017**	December 31, 2016
August 14, 2023	4.60%	**$ 20,941**	$ 21,231	**$ 1,380**	$ 1,765
May 1, 2023	3.64%	**30,746**	22,664	**403**	730
				$ 1,783	$ 2,495

(1) During the six month period ended June 30, 2017, the REIT increased its existing mortgage on 4211 Yonge Street by $8.5 million, resulting in a lowered combined interest rate of 3.64% with no change to the loan's maturity (note 10).

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

	June 30, 2017	June 30, 2016
Balance, beginning of period	**$ 2,482**	$ 3,153
Fair value change of interest rate swaps	**(712)**	1,058
Fair value change of interest rate cap	**—**	—
Balance, end of period	**$ 1,770**	$ 4,211

13. Class B LP units

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

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

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

The change in Class B LP units for the three month period ended June 30, 2017 and 2016 is as follows:

	Three months ended June 30, 2017		Three months ended June 30, 2016	
	Units	**Amount**	Units	Amount
Balance, beginning of period	**5,285,160**	**$ 42,493**	5,285,160	$ 41,700
Fair value changes	**—**	**(212)**	—	(1,480)
Balance, end of period	**5,285,160**	**$ 42,281**	5,285,160	$ 40,220

The change in Class B LP units for the six month period ended June 30, 2017 and 2016 is as follows:

	Six months ended June 30, 2017		Six months ended June 30, 2016	
	Units	**Amount**	Units	Amount
Balance, beginning of period	**5,285,160**	**$ 41,753**	5,285,160	$ 37,260
Fair value changes	**—**	**528**	—	2,960
Balance, end of period	**5,285,160**	**$ 42,281**	5,285,160	$ 40,220

(all tabular amounts are expressed in thousands of Canadian dollars, unless otherwise noted)

14. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities are comprised of the following:

	Note		June 30, 2017		December 31, 2016
Trade payables and accrued liabilities		**$**	**18,929**	$	17,758
Distributions payable	*16*		**3,884**		2,875
Prepaid rent			**3,323**		2,373
Tenant improvements payable			**5,325**		745
		$	**31,461**	$	23,751

15. Unitholders' equity

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

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

The change in trust units during the three and six month periods ended June 30, 2017 is as follows:

		Three months ended June 30, 2017			**Six months ended June 30, 2017**		
	Note	**Units**		**Amount**	**Units**		**Amount**
Balance, beginning of period		**40,780,384**	**$**	**310,497**	**40,743,637**	**$**	**310,201**
Issued on public offering		**14,820,000**		**123,154**	**14,820,000**		**123,154**
Issued on private placement		**1,234,568**		**10,000**	**1,234,568**		**10,000**
Issued pursuant to DRIP	*16*	**28,770**		**235**	**65,517**		**531**
Cost of issuances		**—**		**(5,424)**	**—**		**(5,424)**
Balance, end of period		**56,863,722**	**$**	**438,462**	**56,863,722**	**$**	**438,462**

The change in trust units during the three and six month periods ended June 30, 2016 is as follows:

		Three months ended June 30, 2016			Six months ended June 30, 2016		
	Note	Units		Amount	Units		Amount
Balance, beginning of period		30,058,236	$	227,111	30,041,430	$	227,030
Issued on public offering		4,531,137		35,569	4,531,137		35,569
Issued pursuant to DRIP	*16*	11,980		93	79,599		558
Cost of issuance		—		(1,859)	—		(1,859)
Repurchase of units		—		—	(50,813)		(384)
Balance, end of period		34,601,353	$	260,914	34,601,353	$	260,914

Public offerings

On March 15, 2017, the REIT issued 14,820,000 subscription receipts at a price of $8.10 per subscription receipt, for gross proceeds of $120.0 million in connection with the acquisition of West Metro Centre, 250 King and 460 Two Nations. Concurrently with the acquisition of those properties on April 25, 2017, the subscription receipts were automatically exchanged for one unit and a cash distribution equivalent payment of $0.0625 (being equal to the aggregate amount of distributions paid by the REIT per unit for which record dates occurred between March 15, 2017 and April 25, 2017). The cash distribution equivalent payment of $0.9 million has been recorded in interest and finance costs (note 19). The difference between the $8.10 offered price per unit and the closing price of $8.31 per unit on the day of conversion of the subscription receipts to units was recorded in net income and comprehensive income as a $4.0 million and $3.1 million fair value change of financial instruments for the three and six month periods ended June 30, 2017, respectively (note 20). The REIT also completed a private placement for 1,234,568 units at an issuance price of $8.10 for gross proceeds of $10.0 million when the acquisition closed on April 25, 2017 (note 5).

(all tabular amounts are expressed in thousands of Canadian dollars, unless otherwise noted)

On September 7, 2016, the REIT completed a bought deal offering of 6,104,500 units at an issuance price of $8.45 per unit, for gross proceeds of $51.6 million.

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.

Normal course issuer bid

On March 2, 2017, the REIT renewed its normal course issuer bid ("NCIB"), whereby the REIT may purchase up to 3,890,593 trust units, subject to certain restrictions. The renewed NCIB expires on the earlier of March 1, 2018 and the repurchase of the maximum number of trust units. No trust units were purchased during the six month period ended June 30, 2017 (June 30, 2016 - 50,813 trust units).

Trustee deferred unit plan

Effective May 26, 2015, the REIT adopted a deferred unit plan for Trustees of the REIT (the “Trustee DUP”). Trustees who are not employees of the REIT or the Manager, Slate Asset Management L.P., or any of their subsidiaries, are eligible to participate in the Trustee DUP. Participants may elect to receive all or a portion of their annual retainer, meeting fees and additional compensation (including travel fees), in deferred units. One deferred unit, which vests immediately on the grant date, is equivalent to one trust unit. Additional deferred units accumulate at the same rate that distributions are paid on the trust units.

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

As at June 30, 2017, the liability associated with the deferred units issued under the Trustee DUP was $0.4 million (June 30, 2016 - $0.2 million), and the number of outstanding deferred units was 57,648 (June 30, 2016 - 27,897 units).

Officer deferred unit plan

On March 21, 2016, the REIT adopted a deferred unit plan for officers of the REIT (the "Officer DUP"). The Officer DUP provides officers of the REIT the opportunity to receive deferred units of the REIT. The maximum number of deferred units reserved for issuance under the Officer DUP is 1% of total units outstanding. One deferred unit, which vests immediately on the grant date, is equal to one trust unit. Any units issued under the Officer DUP will result in an equal reduction and offsetting in the asset management fee payable to Slate Management Corporation, based on the trading price of units on the day of issuance.

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

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

As at June 30, 2017, the liability associated with deferred units issued under the Officer DUP was $0.1 million (June 30, 2016 - nil), and the number of deferred units was 8,077 (June 30, 2016 - nil).

The change in DUP units during the three and six month periods ended June 30, 2017 is as follows:

	Three months ended June 30, 2017		Six months ended June 30, 2017	
	Units	**Amount**	**Units**	**Amount**
Balance, beginning of period	**57,566**	**$ 464**	**49,859**	**$ 395**
Issued	**6,820**	**54**	**13,335**	**107**
Reinvested distributions	**1,339**	**11**	**2,531**	**20**
Fair value adjustment	**—**	**(3)**	**—**	**4**
Balance, end of period	**65,725**	**$ 526**	**65,725**	**$ 526**

(all tabular amounts are expressed in thousands of Canadian dollars, unless otherwise noted)

The change in DUP units during the three and six month periods ended June 30, 2016 is as follows:

	Three months ended June 30, 2016		Six months ended June 30, 2016	
	Units	Amount	Units	Amount
Balance, beginning of period	25,802	$ 203	17,436	$ 123
Issued - Trustee DUP	7,597	58	15,498	119
Reinvested distributions	625	5	1,090	8
Redemption of units	(6,127)	(48)	(6,127)	(48)
Fair value adjustment	—	(6)	—	10
Balance, end of period	27,897	$ 212	27,897	$ 212

Weighted average units outstanding

The following is the weighted average number of units outstanding during the three and six month periods ended June 30, 2017 and 2016 on a basic and diluted basis. The diluted weighted average trust units outstanding is determined as if all of the Class B LP units and DUP units have been converted to units of the REIT:

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	**2017**	2016
Basic weighted average units outstanding	**51,759,209**	30,362,491	**47,494,432**	30,196,158
Impact of Class B LP units	**5,285,160**	5,285,160	**5,285,160**	5,285,160
Deferred units	**58,203**	26,113	**54,044**	21,892
Diluted weighted average units outstanding	**57,102,572**	35,673,764	**52,833,636**	35,503,210

16. Distributions

Pursuant to the Declaration of Trust, the income of the REIT is distributed on dates and in amounts as determined by the Board of Trustees. During the six month period ended June 30, 2017, the REIT declared distributions each month of $0.0625 per unit.

The following table summarizes the distributions during the three and six month periods ended June 30, 2017:

	Three months ended June 30, 2017		**Six months ended June 30, 2017**	
	Trust units	**Class B LP units**	**Trust units**	**Class B LP units**
Cash distributions	**$ 10,409**	**$ 991**	**$ 17,844**	**$ 1,982**
DRIP distributions	**251**	**—**	**461**	**—**
Distributions declared during the period	**10,660**	**991**	**18,305**	**1,982**
Add: Distributions payable, beginning of period	**2,549**	**330**	**2,545**	**330**
Less: Distributions payable, end of period	**(3,554)**	**(330)**	**(3,554)**	**(330)**
Distributions paid or settled during the period	**$ 9,655**	**$ 991**	**$ 17,296**	**$ 1,982**

The following table summarizes the distributions during the three and six month periods ended June 30, 2016:

	Three months ended June 30, 2016		Six months ended June 30, 2016	
	Trust units	Class B LP units	Trust units	Class B LP units
Cash distributions	$ 5,809	$ 991	$ 11,106	$ 1,982
DRIP distributions	112	—	447	—
Distributions declared during the period	5,921	991	11,553	1,982
Add: Distributions payable, beginning of period	1,851	330	1,878	330
Less: Distributions payable, end of period	(2,163)	(330)	(2,163)	(330)
Distributions paid or settled during the period	$ 5,609	$ 991	$ 11,268	$ 1,982

(all tabular amounts are expressed in thousands of Canadian dollars, unless otherwise noted)

The REIT has a distribution reinvestment program ("DRIP") where unitholders, including 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. During the six month period ended June 30, 2017, the REIT declared distributions resulting in 65,517 units (June 30, 2016 - 79,599 units) issued/ issuable under the DRIP.

17. Rental revenue

Rental revenue is comprised of the following:

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	**2017**	2016
Property base rent	**$ 20,251**	$ 15,159	**$ 38,391**	$ 30,243
Operating cost and tax recoveries	**13,203**	10,305	**25,419**	20,840
Hotel	**2,510**	2,290	**4,022**	3,747
Straight-line rent and other changes	**266**	443	**716**	936
	$ 36,230	$ 28,197	**$ 68,548**	$ 55,766

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

	June 30, 2017	December 31, 2016
Not later than one year	**$ 71,676**	$ 64,400
Later than one year and not later than five years	**234,391**	184,978
Later than five years	**174,831**	125,703
	$ 480,898	$ 375,081

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

18. General and administrative

General and administrative expenses are comprised of the following:

		Three months ended June 30,		Six months ended June 30,	
	Note	**2017**	2016	**2017**	2016
Asset management fees	*21*	**$ 872**	$ 622	**$ 1,640**	$ 1,236
Professional fees		**114**	106	**228**	292
Trustee fees		**108**	83	**212**	190
Bad debt expense (recovery), net	*9*	**23**	27	**47**	(27)
Other		**162**	84	**301**	271
		$ 1,279	$ 922	**$ 2,428**	$ 1,962

(all tabular amounts are expressed in thousands of Canadian dollars, unless otherwise noted)

19. Interest and finance costs

Interest and finance costs are comprised of the following:

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	**2017**	2016
Mortgage interest	**$ 3,275**	$ 2,200	**$ 5,869**	$ 4,325
Interest on other debt	**2,434**	2,022	**4,845**	3,844
Amortization of deferred transaction costs	**382**	273	**713**	504
Amortization of debt mark-to-market adjustment	**(134)**	(65)	**(260)**	(40)
Subscription receipts equivalent amount (1)	**926**	—	**926**	—
	$ 6,883	$ 4,430	**$ 12,093**	$ 8,633

(1) On April 25, 2017 each subscription receipt issued by the REIT on March 15, 2017 was exchanged for one unit and a cash distribution equivalent payment of $0.0625 (being equal to the aggregate amount of distributions paid by the REIT per unit for which record dates occurred between March 15, 2017 and April 25, 2017). The cash distribution equivalent payment of $0.9 million has been recorded in interest and finance costs. See also note 15.

20. Change in fair value of financial instruments

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

		Three months ended June 30,		Six months ended June 30,	
	Note	**2017**	2016	**2017**	2016
Interest rate swaps	*12*	**$ 723**	$ (247)	**$ 712**	$ (1,058)
Interest rate cap	*12*	**9**	—	**—**	—
Deferred units	*15*	**3**	—	**(4)**	—
Subscription receipts	*15*	**(4,001)**	—	**(3,112)**	—
		$ (3,266)	$ (247)	**$ (2,404)**	$ (1,058)

The subscription receipts issued by the REIT are settled by delivering a fixed number of the REIT's units for a fixed amount of cash. The REIT's trust units are puttable instruments and therefore the subscription receipts meet the definition of a liability under IAS 32, *Financial instruments: presentation.* The subscription receipts are designated as fair value through profit or loss. The fair value of the subscription receipts are remeasured at the end of each reporting period with changes in fair value recorded in net income and comprehensive income. The difference between the $8.10 offered price per unit and the closing price of $8.31 per unit on the day of conversion of the subscription receipts to units was recorded in net income and comprehensive income as a $4.0 million and $3.1 million fair value change of financial instruments for the three and six month periods ended June 30, 2017, respectively.

21. Related party transactions

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

SMC and SLAM collectively held the following interests in the REIT:

	June 30, 2017	December 31, 2016
REIT units	**1,687,251**	1,687,251
Class B LP units	**5,285,160**	5,285,160
Total	**6,972,411**	6,972,411
Economic interest	**11.2%**	15.1%

(all tabular amounts are expressed in thousands of Canadian dollars, unless otherwise noted)

The Management Agreement provides for the following fees:

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

(1) Gross book value is defined as the book value of the REIT's assets as shown on the previous quarter's consolidated financial statements, less restricted cash.
(2) Leasing fees are charged to the REIT net of any third party brokerage fees paid to leasing agents retained by the REIT. No fee is charged to the REIT where such third party fees are equal to or greater than the lease fee payable to SLAM.
(3) Acquisition fees are 1.0% on the first $100 million of acquisitions; 0.75% on the next $100 million of acquisitions and 0.50% for acquisitions in excess of $200 million.

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

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

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	**2017**	2016
Property management	**$ 1,081**	$ 795	**$ 2,029**	$ 1,598
Asset management	**872**	622	**1,640**	1,236
Leasing, financing, and construction management	**1,166**	1,181	**3,183**	1,738
Acquisition	**2,050**	849	**2,050**	849
	$ 5,169	$ 3,447	**$ 8,902**	$ 5,421

Property administration fees are generally recoverable under the tenants' leases relating to assets or resources of the Manager that are directly attributable to the management of the REIT's properties. Property administration fees were $1.7 million and $3.3 million for the three and six month periods ended June 30, 2017, respectively (June 30, 2016 – $1.5 million and $2.7 million). Administrative fees are recovered from most tenants by the REIT in accordance with the terms of the leases, whereas property management fees payable by the REIT to the Manager are determined in accordance with the Management Agreement.

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

	June 30, 2017	December 31, 2016
Accounts receivable	**$ 404**	$ 469
Accounts payable and accrued liabilities	**319**	215
Class B LP units	**42,281**	41,753

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

22. Fair values

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

Level 1 - quoted prices in active markets;

Level 2 - inputs other than quoted prices in active markets or valuation techniques where significant inputs are based on observable market data; and

(all tabular amounts are expressed in thousands of Canadian dollars, unless otherwise noted)

Level 3 - valuation technique for which significant inputs are not based on observable market data.

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

The following tables summarize the fair value measurements recognized on the consolidated statement of financial position or disclosed in the REIT's consolidated financial statements, categorized by fair value hierarchy:

			Fair value		
June 30, 2017	**Note**	**Carrying amount**	**Level 1**	**Level 2**	**Level 3**
Recorded at fair value					
Properties	*4*	$ 1,223,073	$ —	$ —	$ 1,223,073
Derivatives	*12*	(1,770)	—	(1,770)	—
Class B LP units	*13*	(42,281)	(42,281)	—	—
Fair values disclosed					
Cash		$ 2,282	$ 2,282	$ —	$ —
Restricted cash		1,405	1,405	—	—
Debt	*10*	(752,312)	—	(754,337)	—

			Fair value		
December 31, 2016	**Note**	**Carrying amount**	**Level 1**	**Level 2**	**Level 3**
Recorded at fair value					
Properties	*4*	$ 946,939	$ —	$ —	$ 946,939
Derivatives	*12*	(2,482)	—	(2,482)	—
Class B LP units	*13*	(41,753)	(41,753)	—	—
Fair values disclosed					
Cash		$ 4,252	$ 4,252	$ —	$ —
Restricted cash		1,404	1,404	—	—
Debt	*10*	(604,953)	—	(608,623)	—

23. Risk management

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

Liquidity risk

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

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

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

(all tabular amounts are expressed in thousands of Canadian dollars, unless otherwise noted)

There is a risk that lenders will not refinance maturing debt on terms and conditions acceptable to the REIT or on any terms at all. The risk associated with the refinancing of maturing debt is mitigated by matching debt maturities with lease renewals to optimize the value of the assets with the leverage to achieve the best value for pricing. In addition, the REIT staggers the maturity dates of the REIT's mortgage portfolio over a number of years.

The following table summarizes the estimated contractual maturities of the REIT's financial liabilities as at June 30, 2017:

	Total contractual cash flow	Remainder of 2017	2018-2019	2020-2021	Thereafter
Accounts payable and accrued liabilities	$ 31,461	$ 31,461	$ —	$ —	$ —
Amortizing principal repayments on debt	56,810	4,648	15,681	12,424	24,057
Principal repayments on maturity of debt	696,507	16,500	388,800	240,947	50,260
Interest on debt (1)	71,132	11,941	32,168	17,652	9,371
Interest rate swaps (2)	3,967	697	1,332	1,233	705
Other liabilities	7,206	2,870	1,089	899	2,348
	$ 867,083	**$ 68,117**	**$ 439,070**	**$ 273,155**	**$ 86,741**

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

In connection with the REIT's redevelopment of 2251 and 2285 Speakman Drive as per the SNC-Lavalin lease agreement, the REIT has committed to undertake certain improvements, which are estimated to be in aggregate approximately $40.0 million. At June 30, 2017, $26.9 million has been spent on the total project (December 31, 2016 - $17.5 million). This redevelopment project will be funded through working capital and draws from the revolving credit and operating facilities as well as the construction facility.

Interest rate risk

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

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

As at June 30, 2017, excluding the mortgages associated with interest rate swaps, the REIT had a floating rate mortgage and debt of $538.8 million (December 31, 2016 – $465.2 million). The following table presents the annualized impact of a change in floating interest rates of 25 bps on finance costs:

	June 30, 2017	December 31, 2016
Change of 25 bps	**$ 1,347**	$ 1,163

Credit risk

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

24. Capital management

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

(all tabular amounts are expressed in thousands of Canadian dollars, unless otherwise noted)

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

	June 30, 2017	December 31, 2016
Debt, net	**$ 752,312**	$ 604,953
Class B LP units	**42,281**	41,753
Equity	**467,592**	345,712
	$ 1,262,185	$ 992,418

The Declaration of Trust provides that the REIT is not permitted to exceed financial leverage in excess of 65% of gross book value, as defined by the Declaration of Trust, and calculated as follows:

	June 30, 2017	December 31, 2016
Total assets	**$ 1,302,622**	$ 1,025,522
Less: Restricted cash	**(1,405)**	(1,404)
Gross book value	**1,301,217**	1,024,118
Debt, net	**$ 752,312**	$ 604,953
Leverage ratio	**57.8%**	59.1%

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

The REIT's revolving operating facility, revolving credit facility, term loan, construction facility, and some mortgages are subject to financial and other covenants, including customary maximum leverage ratios, interest service coverage ratios, minimum debt service coverage ratios, minimum unitholders' equity among others. The REIT is in compliance with these covenants.

25. Income taxes

The Income Tax Act (Canada) contains legislation affecting the tax treatment of specified investment flow-through ("SIFT") trusts which include publicly-listed income trusts (the "SIFT Rules"). Under the SIFT Rules, certain distributions from a SIFT are not deductible in computing a SIFT's taxable income, and the SIFT is subject to tax on such distributions at a rate that is substantially equivalent to the general tax rate applicable to a Canadian corporation. However, distributions paid by a SIFT as returns of capital are generally not subject to tax.

The SIFT Rules do not apply to a real estate investment trust that meets prescribed conditions relating to the nature of its assets and revenue (the "REIT Conditions"). Instead, a real estate investment trust that meets the REIT Conditions is not liable to pay Canadian income taxes provided that its taxable income is fully distributed to unitholders during the period. The REIT has reviewed the SIFT Rules and has assessed their application to the REIT's assets and revenues. While there are uncertainties in the interpretation and application of the SIFT Rules, the REIT believes that it has met the REIT Conditions for the three and six month periods ended June 30, 2017 and 2016, and accordingly is not subject to current income taxes. The REIT intends to continue to meet the REIT Conditions and to distribute all its taxable income to its unitholders. Accordingly, the REIT has not recognized any deferred income tax assets or liabilities at June 30, 2017 or June 30, 2016.

(all tabular amounts are expressed in thousands of Canadian dollars, unless otherwise noted)

26. Supplemental cash flow information

Changes in liabilities arising from financing activities are as follows:

		Cash flows				Non-cash changes		
	December 31, 2016	Debt proceeds	Assumption of debt on acquisitions	Debt repayments	Transaction costs	Fair value changes	Amortization of MTM adjustments and costs	June 30, 2017
Mortgages	$ 282,316	$ 8,500	$ 143,640	$ (2,888)	$ (82)	$ —	$ (12)	$ 431,474
Revolving operating facility	182,176	9,500	—	(9,500)	(40)	—	336	182,472
Revolving credit facility	32,817	—	—	(16,500)	—	—	100	16,417
Term loan	104,980	15,000	—	—	(651)	—	27	119,356
Other facility	2,664	—	—	(73)	—	—	2	2,593
Class B units	41,753	—	—	—	—	528	—	42,281
Total	**$ 646,706**	**$ 33,000**	**$ 143,640**	**$ (28,961)**	**$ (773)**	**$ 528**	**$ 453**	**$ 794,593**

27. Subsequent events

On July 15, 2017, the REIT declared a monthly distribution of $0.0625 per trust unit. Holders of Class B LP units of the REIT were also entitled to receive a distribution of $0.0625 per trust unit.

On July 27, 2017, the REIT completed an up-financing and extension of the West Metro Centre mortgage. The new financing has a term of 4 years and provides an additional $20.0 million in financing at a rate of CDOR plus 2.00%