



**FAM Real Estate
Investment Trust**

FAMREIT.COM

**Management's Discussion and Analysis
of Results of Operations and Financial Condition
For the three and twelve months ended December 31, 2014**

Dated March 5, 2015

LETTER TO UNITHOLDERS

“The price of doing the same thing is far higher than the price of change.”

- Bill Clinton

Fellow Unitholders,

It is a privilege to be writing my inaugural letter to you at such an important time. FAM REIT is in the early stages of an exciting transition that began in late 2014 with the formal announcement of changes in ownership, management and strategy.

This year you will see the REIT build on that transformation. We will aggressively pursue our plan to increase returns by refocusing the REIT as a pure play office REIT targeting the value in what we call “non-core” properties – a term that encompasses a wide spectrum of office real estate beyond the highly competitive market for “core” office buildings in the downtown areas of Canada’s largest cities. To demonstrate our commitment to this strategy, we have also announced a name change to “Slate Office REIT”.

It is our sincere belief that the current management team is extremely well qualified to pursue and execute the REIT’s new strategic direction that holds the prospect of improved long term performance for unitholders.

Management

The REIT begins 2015 with a strong and dedicated new management team that we believe will provide unitholders with the best opportunity for growth and prosperity going forward. By virtue of its acquisition of Huntingdon Capital Corporation, Slate Asset Management LP—known simply as “Slate”—became the manager of the REIT in November and is now responsible for all strategic, operational and administrative functions required to manage the REIT and its assets. In addition to a dedicated CEO and CFO, myself and Brian Moncik, respectively, the REIT now benefits from the combined expertise of the entire team at Slate. Led by Blair and Brady Welch, the real estate investment and asset management firm has an outstanding track record having acquired and operated in excess of \$3.0 billion of real estate over the course of its 10-year history.

Strategy

Up to now, the REIT has employed a strategy based on asset diversification, resulting in its ownership of office, industrial and retail properties in markets across the country. It is our belief that a targeted investment approach, focused on non-core office properties, is the right strategy to grow the REIT in an accretive and effective manner. We believe that there is a fundamental disconnect between the investment returns and the operating performance of non-core office properties, providing the REIT the opportunity to achieve high quality, risk adjusted returns via this investment strategy. Simply put, acquiring assets below replacement cost with in-place rents below market offers returns well in excess of those from more highly sought after “core” property investments.

With this change in direction, there will be properties that we identify as no longer fitting with our long-term objectives. Management’s goal is to dispose of these properties in a prudent fashion and where opportunities exist. The proceeds will be used to strengthen the balance sheet and to fund new strategic acquisitions.

Growth

On December 17th, 2014, the REIT completed the acquisition of the seven property Greater Toronto Area Office Portfolio from Slate for \$190 million. This was a landmark transaction for the REIT for a number of reasons. First, it provides clear and immediate evidence of the ability of the new management team to deliver on our defined strategy of accretive growth through investment in non-core office properties and illustrates the benefit of the REIT being affiliated with the Slate platform. Second, the acquisition dramatically shifts the

portfolio gross leasable area allocation from 52.7% to 70.2% office and, perhaps more importantly, gives the REIT a strong and visible footprint in the Greater Toronto Area, Canada's largest office market, with 60.9% of the REIT's total gross leasable area now located there. Finally, it increases the gross book value of the REIT by 64.7% via a single transaction.

The second material investment undertaken by the REIT in 2014 was a 50% interest in the MTS Data Centre, a 64,000 square foot state-of-the-art data centre facility in Winnipeg. The project is 100% pre-leased for 15 years to MTS, one of Canada's top five telecommunication companies and rated BBB by Dominion Bond Rating Service (DBRS). Construction is proceeding well and on schedule for completion in June 2015. This transaction is highly accretive to the REIT, generating incremental Funds from Operations of \$0.12 per unit and Adjusted Funds from Operations of \$0.11 per unit on an annualized basis.

2014 Results

The REIT's operating performance during the three months and twelve months ended December 31, 2014 was negatively impacted by four vacancies, dilution from its investment in a project under construction and not yet generating income and from the one-time expense of a strategic review. As a result, the REIT's Funds from Operations in the year decreased from \$10.9 million (\$1.13 per unit) in 2013 to \$6.0 million (\$0.43 per unit) in 2014, and in the quarter decreased from \$3.1 million (\$0.27 per unit) in 2013 to \$0.2 million (\$0.01 per unit) in 2014.

Many of the events of 2014 will have a positive impact on the future of the REIT. The acquisition of the Greater Toronto Area Office Portfolio increased Gross Book Value from \$289.5 million at September 2014 to \$476.7 million and will have a positive impact on operating results in 2015 and beyond. In addition, certain vacancies encountered in 2014 have or are expected to be occupied in 2015 which will increase the portfolio's occupancy. The MTS Data Centre is expected to complete construction in the year with rent commencement beginning in June. Lastly, the Strategic Review is complete and the REIT will benefit in 2015 both from the outcome and by not incurring the same expense.

Management believes that the changes incurred in 2014, along with its new strategic vision for the REIT will result in increased returns for unitholders in 2015.

Looking Ahead

I started as CEO of the REIT at the beginning of February – four short weeks ago. In that brief period of time my excitement regarding the future prospects for the REIT has only increased. With an experienced and motivated management team and a defined and executable investment strategy, I believe that the REIT is very well positioned to deliver consistent returns to our unitholders.

I would like to thank our investors for their continued support.

"Scott Antoniak"

Scott Antoniak
Chief Executive Officer
March 5, 2015

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Management's Discussion and Analysis of Results of Operations and Financial Condition

Section 1. OBJECTIVES

Basis of Presentation

This Management's Discussion and Analysis of Results of Operations and Financial Condition ("MD&A") for the three and twelve months ended December 31, 2014 has been prepared and includes material financial information as of March 5, 2015. This MD&A should be read in conjunction with the audited consolidated financial statements of FAM Real Estate Investment Trust ("FAM REIT" or the "REIT") for the year ended December 31, 2014, prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

All dollar amounts in this MD&A are in Canadian dollars.

Additional information relating to the REIT, including the REIT's annual information form for the year ended December 31, 2014 is available on SEDAR at www.sedar.com.

Forward-Looking Statements

Certain information herein constitutes "forward-looking statements" within the meaning of applicable securities legislation. Forward-looking statements include statements about management's expectations regarding objectives, plans, goals, strategies, future growth, operating results and performance, business prospects and opportunities of the REIT. Forward-looking statements can be identified by the use of forward-looking terminology such as "believes", "expects", "may", "might", "should", "seeks", "intends", "plans", "pro-forma", "estimates" or "anticipates"; or variations of such words; and phrases or statements that certain actions, events or results "may", "could" or "might" occur or be achieved; or the negative connotation thereof. Forward-looking statements are made based on reasonable assumptions, however, there is no assurance that the events or circumstances reflected in forward-looking statements will occur or be achieved. Forward-looking statements are based on numerous assumptions of factors that if untrue, could cause actual results to differ materially from those that are implied by such forward-looking statements. These factors include but are not limited to: general and local economic and real estate business conditions; the financial condition of tenants; occupancy rates; rental rates; the ability of the REIT to refinance maturing debt; the REIT's ability to source and complete accretive acquisitions; changes in government, environmental and tax regulations; inflation and interest rate fluctuations; the REIT's ability to obtain equity or debt financing for additional funding requirements; and adequacy of insurance.

Forward-looking statements are subject to risks and uncertainties, many of which are beyond the REIT's control. These risks and uncertainties include, but are not limited to: risks related to general and local financial conditions including 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; governmental, environmental, taxation and other regulatory risks; litigation risks and other risks and factors described from time to time in the documents filed by the REIT with the securities regulators.

The REIT has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking statements. However, there may be other factors that could cause results to not be as

anticipated, estimated or intended. Forward-looking statements are provided to inform readers about management's current expectations and plans and allow investors and others to better understand the REIT's operating environment. However, readers should not place undue reliance on forward-looking statements, as forward-looking statements involve significant risks and uncertainties and should not be read as guarantees of future performance or results, or of the timing that such performance or results will be achieved. Forward-looking statements included in this MD&A are made as of March 5, 2015 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. Additional information about risks and uncertainties is contained in FAM REIT's annual information form for the year ended December 31, 2014 available on SEDAR at www.sedar.com.

Non-IFRS Financial Measures

The REIT has included certain non-IFRS financial measures throughout this MD&A. Management believes that in addition to conventional measures prepared in accordance with IFRS, investors in the real estate industry use these non-IFRS financial measures to evaluate the REIT's performance and ability to generate cash flows. Accordingly, these non-IFRS financial measures are intended to provide additional information and should not be considered in isolation or as a substitute for performance measures prepared in accordance with IFRS. In addition, they do not have standardized meanings and may not be comparable to measures used by other issuers in the real estate industry or other industries. The non-IFRS financial measures included in this MD&A are as follows:

Net operating income ("NOI")

The REIT calculates net operating income as revenue from investment properties less property operating expenses.

Same property metrics

Same property metrics represent the operating results for the same properties over both reporting periods, and is intended to measure the period-over-period performance of the same asset base. These metrics adjust for the impact of properties that have been sold or acquired during the current period.

Same property net operating income on an accounting basis, which includes straight-line rent and amortization of leasing costs, highlights period-over-period differences driven by changes in occupancy, miscellaneous revenue, and property expenses.

Same property net operating income on a cash basis, which excludes straight-line rent and amortization of leasing costs, reflects the impact of contractual rental rate increases and the expiry of rent-free periods in the lease agreement.

Adjusted earnings before interest, taxes, depreciation and amortization ("Adjusted EBITDA")

The REIT calculates Adjusted EBITDA as net income before income taxes, depreciation and amortization, fair value adjustments to investment properties and financial instruments, realized gains or losses on disposals of investment properties, share of net income or loss from equity accounted investment, and finance costs excluding interest income.

Funds From Operations ("FFO – As Reported") and Adjusted Funds From Operations ("AFFO – As Reported")

Funds From Operations ("FFO") and Adjusted Funds From Operations ("AFFO") are commonly acceptable and meaningful indicators of financial performance for the commercial real estate industry. However, FFO and AFFO are not measures defined under IFRS.

The REIT calculates FFO – As Reported in accordance with the *Real Property Association of Canada ("REALpac") White Paper on FFO for IFRS* which was revised April 2014. Specifically, the REIT calculates FFO – As Reported as net income calculated in accordance with IFRS; adjusted for most non-cash expenses including: amortization of capitalized leasing costs; gains and losses on dispositions of investment properties; fair value adjustments to investment properties; fair value adjustments to Class B LP units and warrants which are puttable instruments classified as financial liabilities; share of net income or loss from equity accounted investment; and distributions on Class B LP units.

In calculating AFFO – As Reported, the REIT makes certain adjustments to FFO – As Reported for certain items including: amortization of straight-line rent; accretion on the vendor take-back loan; amortization of deferred transaction costs; fair value adjustments to interest rate swaps; capital expenditures (recoverable and non-recoverable) and capitalized leasing costs; de-recognition and amortization of mark-to-market adjustments on mortgages refinanced or discharged; and the interest rate and capital expenditure subsidies (as described under "Section 4 – Financial Condition, Interest Rate and Capital Expenditures Subsidies" of this MD&A). The method applied by the REIT to calculate AFFO – As Reported 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.

Funds From Operations - Core ("FFO – Core") and Adjusted Funds From Operations - Core ("AFFO – Core")

Management believes that the computation of FFO – As Reported and AFFO – As Reported includes certain items that are not indicative of the results provided by the REIT's operating portfolio and affect the comparability of the REIT's period-over-period performance. These items include, but are not limited to, non-recurring expenses such as defeasance costs related to the discharge of mortgages, aborted transaction costs, and Special Committee related expenses. Therefore, in addition to FFO – As Reported and AFFO – As Reported, management uses FFO – Core and AFFO – Core to normalize for such items. Management believes that FFO – Core and AFFO – Core are useful supplemental measures, however, these may not be comparable to the adjusted or modified FFO or AFFO of other REITs.

Debt to Adjusted EBITDA leverage ratio and Net Debt to Adjusted EBITDA leverage ratio

The REIT calculates its leverage ratio using two methods: 1) the average debt outstanding divided by annualized Adjusted EBITDA and 2) the average debt outstanding net of cash at period end divided by annualized Adjusted EBITDA. Debt consists of mortgages payable, vendor take-back loan, and the revolving credit facility at face value, excluding deferred transaction costs. These ratios are widely used and meaningful metrics for the assessment of creditworthiness and debt default probability. The Debt to Adjusted EBITDA leverage ratio 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 takes into consideration the cash on hand to decrease debt.

Indebtedness ratio (also referred to as Debt to Gross Book Value, or “Debt/GBV”)

The REIT calculates its indebtedness ratio as total debt divided by total assets at period-end. The indebtedness ratio is a measure of the REIT’s financial risk and determines the percentage of the REIT’s assets financed by debt.

Interest coverage ratio

The REIT calculates the interest coverage ratio as Adjusted EBITDA for the period divided by interest expensed during the period. Specifically, interest expense is computed as net finance costs adjusted for the interest rate subsidy and interest income, less non-cash items including gains and losses from interest rate swaps, de-recognition or amortization of mark-to-market adjustments on mortgages, amortization of deferred financing costs, accretion on the vendor take-back loan, distributions on Class B LP units, and defeasance costs. The interest coverage ratio is a measure of the REIT’s ability to service its debt.

Debt service coverage ratio

The REIT calculates the debt service coverage ratio 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 measure of the REIT’s ability to meet annual interest and principal payments.

AFFO – Core pay-out ratio

The REIT calculates the AFFO – Core pay-out ratio as total distributions divided by AFFO – Core for the period. The AFFO – Core pay-out ratio is a measure of the REIT’s ability to sustain its total distributions, when compared to its cash flow capacity. The REIT also calculates the AFFO – Core pay-out ratio, net of distributions reinvested in trust units (“AFFO – Core pay-out ratio, net of DRIP”) as cash distributions divided by AFFO – Core for the period.

Review and Approval by the Board of Trustees

The Board of Trustees approved the contents of this MD&A on March 5, 2015.

Core Business and Objectives

FAM REIT’s trust units and warrants are listed on the Toronto Stock Exchange (“TSX”) and traded under the symbols “F.UN” and “F.WT”, respectively.

The REIT is an unincorporated, open-ended real estate investment trust which was created pursuant to a Declaration of Trust dated August 27, 2012, as amended and restated on December 27, 2012 and December 17, 2014, under the laws of the Province of Ontario and the applicable laws of Canada. On December 28, 2012, the REIT completed its initial public offering of offered units, which comprised of trust units and warrants, and acquired a portfolio of 27 income-producing office, industrial, and retail properties located in four provinces and one territory of Canada (the “Initial Properties”). The REIT had no operations prior to December 28, 2012.

The objectives of the REIT are to: (i) provide unitholders with stable and growing cash distributions from investment properties initially focused in Canada, on a tax efficient basis; (ii) enhance the value of the REIT’s assets and maximize long-term trust unit value through active management; and (iii) expand the asset base of the REIT and increase the REIT’s AFFO per trust unit, including through accretive acquisitions.

New Management and Strategy

Concurrent with the acquisition of Huntingdon Capital Corp. ("Huntingdon") by Slate Capital Corp. (Slate Capital Corp. and its affiliates are collectively referred to as "Slate"), FAM REIT announced a \$190.0 million purchase (before transaction costs of \$3.2 million and net closing adjustments of \$5.6 million) from Slate of seven office properties consisting of 1.1 million sq. ft. of gross leasable area within Greater Toronto Area (the "Acquisition Properties"), which has an in-place occupancy of 87.9% at December 31, 2014 and a committed occupancy of 89.7%. As the occupancy for the Acquisition Properties are below stabilized occupancy, FAM REIT expects to generate cash flow growth through near term leasing opportunities.

The purchase of the Acquisition Properties was financed through a combination of (i) \$144.0 million in cash, (ii) the issuance of 2,794,363 trust units at a price of \$9.00 per unit, and (iii) the issuance of 2,096,686 Class B LP units at a price of \$9.00 per unit of FAM II LP, along with 2,096,686 special voting units that provide the same voting rights as the trust units of FAM REIT to Slate (the Class B LP units and the corresponding voting units, collectively, "Class B Units"), and (iv) the REIT's existing liquidity. The issuance of the Class B Units and the trust units at a price of \$9.00 per unit represents an estimated \$1.83 premium per unit over the fair value of the trust units of \$7.17 per unit as at December 17, 2014, resulting in a total premium of \$9.0 million.

Slate's strategy for FAM REIT includes:

- Focus FAM REIT as a pure play Office REIT - Slate will divest of existing retail and industrial portfolios in a disciplined and orderly fashion to maximize unitholder value. This strategy is consistent with FAM REIT's acquisition of the Acquisition Properties. At December 31, 2014, FAM REIT had 70.2% of its portfolio invested in offices.
- Continue to focus near term growth on non-core office assets in downtown and suburban locations.
- Create an institutional quality investment vehicle - Slate is a sophisticated and professional manager with over \$2 billion in assets and a proven track record of originating deals to grow the platform.

As the manager and a significant investor in FAM REIT, Slate is highly motivated to increase the value of the portfolio and provide stable, reliable and growing returns for our unitholders.

Section 2. FINANCIAL HIGHLIGHTS AND KEY PERFORMANCE INDICATORS

(\$000s unless otherwise noted and except per unit amounts)	December 31, 2014	September 30, 2014	December 31, 2013
Portfolio:			
Number of properties	35	28	28
Gross leasable area ("GLA") in square feet ("sq. ft.")	2,905,756	1,849,875	1,828,574
Total assets	\$ 476,670	\$ 289,500	\$ 271,265
Total debt	281,239	136,757	141,484
Same-property occupancy			
Office	94.2%	94.2%	95.5%
Industrial	96.3%	96.3%	100.0%
Retail	90.7%	90.7%	100.0%
Occupancy			
Office	90.8%	94.0%	96.5%
Industrial	96.3%	96.3%	100.0%
Retail	90.7%	90.7%	100.0%

(\$000s unless otherwise noted and except per unit amounts)	Three months ended December 31, 2014	Three months ended December 31, 2013	Twelve months ended December 31, 2014	Twelve months ended December 31, 2013
Operating:				
Revenue from investment properties	\$ 8,917	\$ 8,228	\$ 33,087	\$ 28,478
Net operating income	4,752	4,823	19,287	17,559
Same-property net operating income, cash basis	2,991	3,230	12,574	13,456
Net income and comprehensive income	435	1,827	2,861	14,215
Weighted average number of trust units (000s)	15,830	11,504	14,100	9,663
Funds from operations – As Reported	168	3,141	6,018	10,927
Funds from operations – Core	2,601	2,703	11,069	9,281
FFO per unit (basic and diluted) ⁽¹⁾⁽³⁾ – As Reported	\$ 0.01	\$ 0.27	\$ 0.43	\$ 1.13
FFO per unit (basic and diluted) ⁽¹⁾⁽³⁾ – Core	\$ 0.16	\$ 0.23	\$ 0.79	\$ 0.96
Adjusted funds from operations – As Reported	128	2,186	6,782	6,746
Adjusted funds from operations – Core	1,482	2,126	8,658	7,611
AFFO per unit (basic and diluted) ⁽¹⁾⁽³⁾ – As Reported	\$ 0.01	\$ 0.19	\$ 0.48	\$ 0.70
AFFO per unit (basic and diluted) ⁽¹⁾⁽³⁾ – Core	\$ 0.09	\$ 0.18	\$ 0.61	\$ 0.79
Distributions per unit ⁽¹⁾⁽²⁾	\$ 0.19	\$ 0.19	\$ 0.75	\$ 0.75
AFFO – Core pay-out ratio ⁽²⁾⁽³⁾	212%	102%	125%	96%
Cash distributions per unit – basic and diluted ⁽²⁾	\$ 0.17	\$ 0.13	\$ 0.56	\$ 0.64
Net operating income by asset class				
Office	\$ 3,220	\$ 2,999	\$ 12,689	\$ 10,153
Industrial	1,309	1,448	5,459	5,789
Retail	223	376	1,139	1,617
	\$ 4,752	\$ 4,823	\$ 19,287	\$ 17,559
Net operating income by geographic location				
Ontario	\$ 2,416	\$ 2,210	\$ 9,389	\$ 6,158
Manitoba	1,882	1,706	7,341	7,523
Saskatchewan	59	291	489	1,404
Alberta	300	484	1,579	1,950
Northwest Territories	95	132	489	524
	\$ 4,752	\$ 4,823	\$ 19,287	\$ 17,559

(1) The weighted average number of units outstanding used in the per unit calculations includes the weighted average of all REIT units and Class B LP units.

(2) Excludes distributions related to the four-day stub period from December 28, 2012 to December 31, 2012.

(3) The reconciliation between FFO – As Reported and FFO – Core is on page 26 of this MD&A. The reconciliation between AFFO – As Reported and AFFO – Core is on page 28 of this MD&A.

	December 31, 2014	September 30, 2014	December 31, 2013
Financing:			
Weighted average mortgage interest rate	4.0%	4.7%	4.7%
Interest coverage ratio	1.8x	3.0x	2.9x
Debt to Adjusted EBITDA leverage ratio (times)	12.9x	7.8x	8.0x
Net Debt to Adjusted EBITDA leverage ratio (times)	12.5x	7.4x	7.9x

Portfolio Performance

Same-property occupancy was 95.1% as at December 31, 2014, which was the same at September 30, 2014 and down from 98.1% on a year-over-year basis as at December 31, 2013.

A summary of occupancy for the same-property portfolio is set out in the following table:

	Same-property Occupancy Rate (%)				As at	As at
	Office	Industrial	Retail	Total	September 30, 2014	December 31, 2013
	As at December 31, 2014				Total	Total
Ontario	100.0%	100.0%	—%	100.0%	100.0%	100.0%
Manitoba	97.1%	100.0%	100.0%	98.7%	98.7%	98.7%
Saskatchewan	72.6%	—	—	72.6%	72.6%	82.0%
Alberta	—	70.9%	43.9%	67.2%	67.2%	100.0%
Northwest Territories	—	—	100.0%	100.0%	100.0%	100.0%
Total	94.2%	96.3%	90.7%	95.1%	95.1%	98.1%
As at September 30, 2014	94.2%	96.3%	90.7%	95.1%		
As at December 31, 2013	95.5%	100.0%	100.0%	98.1%		

On December 17, 2014, FAM REIT closed on the acquisition of the Acquisition Properties, which had an in-place occupancy of 87.9% at December 31, 2014 and a committed occupancy of 89.7%. As the occupancy for the Acquisition Properties were below stabilized occupancy, FAM REIT expects to generate cash flow growth through near term leasing opportunities.

As a result of this acquisition, the portfolio has increased 58.9% in GLA since September 2014.

The composition of the portfolio of investment properties is set out in the following table:

	Gross Leasable Area (sq. ft.)					As at September 30, 2014		As at December 31, 2013	
	Office	Industrial	Retail	Total	%	Total	%	Total	%
Ontario	1,510,156	258,960	—	1,769,116	60.9%	692,616	37.9%	692,623	37.9%
Manitoba	445,995	414,037	63,439	923,471	31.8%	923,318	50.5%	922,796	50.5%
Saskatchewan	84,243	—	—	84,243	2.9%	84,243	4.6%	84,243	4.6%
Alberta	—	97,680	15,771	113,451	3.9%	113,451	6.2%	113,437	6.2%
Northwest Territories	—	—	15,475	15,475	0.5%	15,475	0.8%	15,475	0.8%
Total	2,040,394	770,677	94,685	2,905,756	100.0%	1,829,103	100.0%	1,828,574	100.0%
Percentage (%)	70.2%	26.5%	3.3%	100.0%					
As at September 30, 2014									
Total	963,741	770,677	94,685	1,829,103					
Percentage (%)	52.7%	42.1%	5.2%	100.0%					
As at December 31, 2013									
Total	963,226	770,677	94,671	1,828,574					
Percentage (%)	52.7%	42.1%	5.2%	100.0%					

Overall portfolio occupancy, inclusive of the Acquisition Properties, occupancy was 92.3% as at December 31, 2014, down from 94.8% as at September 30, 2014 and 98.2% on a year-over-year basis as at December 31, 2013.

Occupancy Rate (%)

	As at December 31, 2014				As at September 30, 2014	As at December 31, 2013
	Office	Industrial	Retail	Total	Total	Total
Ontario	89.9%	100.0%	—	91.4%	96.8%	98.7%
Manitoba	97.3%	100.0%	100.0%	98.7%	98.7%	99.1%
Saskatchewan	72.6%	—	—	72.6%	72.6%	82.0%
Alberta	—	70.9%	43.9%	67.2%	67.2%	100.0%
Northwest Territories	—	—	100.0%	100.0%	100.0%	100.0%
Total	90.8%	96.3%	90.7%	92.3%	94.8%	98.2%
As at September 30, 2014	94.0%	96.3%	90.7%	94.8%		
As at December 31, 2013	96.5%	100.0%	100.0%	98.2%		

On a year-over-year basis, the overall portfolio occupancy loss was partially due to the above noted purchase of the Acquisition Properties and on a same store basis, the following factors contributed to the variance:

- i. In July 2014, there was a rent default that lead to the prior management terminating an energy services tenant lease (28,000 sq. ft.) at a single-tenant industrial property in Brooks, Alberta;
- ii. In July 2014, there was a rent default that lead to the prior management terminating a furniture store tenant lease (9,000 sq. ft.) at a multi-tenant retail property in Cochrane, Alberta;
- iii. In July 2014, there was a scheduled lease expiration of a charitable organization (7,000 sq. ft.) at 4211 Yonge St, a multi-tenant office building; and
- iv. Prior to the fourth quarter of 2014, several tenants elected not to renew at Saskatchewan Place.

Subsequent to year-end, FAM REIT can report the following activity with respect to these properties:

- i. In Brooks, Alberta, FAM REIT has engaged in lease discussions with a prospective tenant to lease the entire building. Despite the negative impact on FAM REIT's overall portfolio occupancy rate, the Brooks industrial property represents less than 1% of FAM REIT's investment property portfolio value under IFRS as at December 31, 2014.
- ii. In Cochrane, Alberta, subsequent to December 31, 2014, FAM REIT has signed a 10-year lease with a federal Crown corporation, which will result in a relocation of their smaller store and fully absorb the space previously occupied by the former furniture store. FAM REIT is pleased with the leasing interest for this asset and is optimistic on prospects to backfill the pending vacancy.
- iii. At 4211 Yonge St, there was some transitional vacancy during the third quarter of 2014. This property is located in the North Yonge corridor, which is one of the GTA's fundamentally strongest suburban office nodes in terms of vacancy, asking rents, and limited new supply. FAM REIT is currently working through several tenant relocations and expansions, and have firm or conditional deals for the majority of the existing vacancies.
- iv. At Saskatchewan Place, several tenants decided not to renew in 2014. Most notably, a federal government lease for 5,495 sq. ft. vacated in January 2014. FAM REIT is currently working on a strategy to reposition this asset in the market. Saskatchewan Place is a well located asset in Regina but it requires modest capital investment to improve the aesthetics and basic infrastructure of the building in order to retain and attract tenants.

Net operating income

The REIT achieved NOI of \$4.8 million for the three months and \$19.3 million for the twelve months ended December 31, 2014, compared to \$4.8 million and \$17.6 million for the same periods in 2013.

The properties acquired in 2013 (4211 Yonge, The Promontory, 1700 Ellice) and the Acquisition Properties purchased in 2014 generated NOI of \$1.7 million for the three months and \$6.5 million for the twelve months ended December 31, 2014, compared to \$1.4 million for the three months and \$2.9 million for the twelve months ended December 31, 2013. These increases were partially offset by the loss of NOI attributable to properties that were sold in 2013, specifically 220 Portage and Humboldt Mall, which contributed NOI of \$0.1 million for the three months and \$0.8 million for the twelve months ended December 31, 2013.

On a same-property basis, NOI was impacted by tenants vacating in both Brooks and Cochrane, and several tenants not renewing at Saskatchewan Place. Furthermore, there were higher operating costs, which resulted in lower NOI of \$0.4 million for the three months and \$1.1 million for the twelve months ended December 31, 2014.

Funds From Operations (As Reported and Core)

FFO - As Reported was \$0.01 per unit for the three months ended December 31, 2014. After adjusting for the \$0.07 per unit (\$1.1 million) non-cash fair value loss on the interest rate swaps and the \$0.08 per unit (\$1.4 million) special Committee related expenses, FFO - Core was \$0.16 per unit.

FFO - As Reported was \$0.27 per unit for the three months ended December 31, 2013. After adjusting for a \$0.03 per unit (\$0.4 million) fair value gain on interest rate swaps and a \$0.01 per unit (\$0.1 million) reimbursement of aborted transaction costs, FFO - Core was \$0.23 per unit.

The decrease in FFO – Core of \$0.07 per unit for the three months ended December 31, 2014 over the three months ended December 31, 2013 is attributable to the following:

- The dilutive impact of the April 2014 equity issue of \$0.02 per unit to fund development of the MTS Data Centre which is not generating any FFO contribution during the construction period;
- The dilutive impact of the lower leverage arising from the April 2014 equity issue of \$0.02 per unit;
- The decline in same-property NOI of \$0.02 per unit (\$0.4 million), as noted earlier; and
- The decline in NOI related to the sale of Humboldt Mall of \$0.01 per unit (\$0.1 million).

On an annualized basis, the incremental year one contribution from the MTS Data Centre to FFO – Core will be approximately \$2.3 million, or \$0.12 per unit upon rent commencement which is slated for June 2015.

Adjusted Funds From Operations (As Reported and Core)

AFFO – As Reported was \$0.01 per unit for the three months ended December 31, 2014. After adjusting for \$0.08 per unit (\$1.4 million) of Special Committee related expenses, AFFO – Core was \$0.09 per unit.

AFFO - As Reported and AFFO - Core were \$0.19 per unit and \$0.18 for the three months ended December 31, 2013, respectively.

The decrease in AFFO – Core of \$0.09 per unit for the three months ended December 31, 2014 over the three months ended December 31, 2013 was mainly due to higher leasing costs and capital expenditures incurred in the fourth quarter of 2014, as well as the lower FFO - Core in the current period.

The timing and magnitude of actual capital expenditures and leasing costs can vary significantly from quarter to quarter. Since FAM REIT does not utilize “normalized” reserves for capital expenditures and leasing costs in deriving AFFO, it is important to note that quarterly AFFO can be volatile.

On an annualized basis, the incremental year one contribution from the MTS Data Centre to AFFO - Core will be approximately \$2.2 million, or \$0.11 per unit upon rent commencement which is slated for June 2015.

Pay-out Ratio

The distribution pay-out ratio as a percentage of AFFO – Core was 212% for the three months ended December 31, 2014, which was higher than the pay-out ratio of 102% for the same period in 2013. The distribution pay-out ratio as a percentage of AFFO – Core was 125% for the twelve months ended December 31, 2014, which was higher than the pay-out ratio of 96% for the same period in 2013.

The distributions declared for the three months and twelve months ended December 31, 2014 was greater than AFFO – Core by \$1.7 million and \$2.2 million, respectively, due to higher capital expenditures and leasing costs incurred in the current period. In addition, the distributions made during the three months ended December 31, 2014 include the trust units related to the April 2014 equity raise to fund the development of a data centre in Winnipeg, Manitoba, as described in the "Recent Developments" section of this MD&A, which is not generating any AFFO contribution during the current period. The shortfall in AFFO - Core over cash distributions for the three months ended December 31, 2014 was funded using the REIT's existing liquidity.

On a pro-forma basis, if the data centre was operational at the beginning of the year, the Acquisition Properties were purchased at the beginning of the year, and the capital expenditures and leasing costs were comparable to prior year, the pro forma AFFO – Core pay-out ratio would have been 91% for the three months and 69% for the twelve months ended December 31, 2014.

Cash flows from operations for the three months and twelve months ended December 31, 2014 was in excess of the distributions declared by \$1.7 million and \$6.0 million, respectively. Management believes that the current level of distributions is sustainable, as the Acquisition Properties will generate cash flow growth through near-term leasing opportunities, and the data centre development is slated for substantial completion in May 2015 and rent commencement in June 2015. The cash required for future capital expenditures and leasing costs will be funded using the REIT's existing revolving credit facility, and from the proceeds arising from the divestment of existing retail and industrial portfolios.

Net Income

Net income for the three months ended December 31, 2014 was \$0.4 million compared to \$1.8 million for the same period in 2013. The decrease was primarily due to an increase in finance costs of \$1.6 million largely due to the non-cash loss on interest rate swap, and Special Committee related expenses of \$1.4 million. This was partially offset by a favourable change in fair value adjustments to investment properties of \$0.9 million, and the share of net income from the equity accounted investment of \$0.6 million. In addition, the three months ended December 31, 2013 included a loss on disposal of investment properties of \$0.1 million.

Recent Developments

Amended Management Agreement

In connection with the announcement by Huntingdon, the REIT's manager, (the "Manager") that it had entered into a definitive agreement with Slate, whereby Slate will purchase all of the issued and outstanding shares of Huntingdon pursuant to a plan of arrangement transaction (the "Huntingdon Transaction"), the REIT entered into an amended and restated management agreement (the "Amended Management Agreement") with Huntingdon that became effective upon the completion of the Huntingdon Transaction on November 4, 2014.

Office Properties Purchase

On December 17, 2014, the REIT completed the acquisition of the Acquisition Properties from Slate GTA Suburban Office Inc., an affiliate of Slate, for consideration of \$190.0 million, before transaction costs of \$3.2 million and net closing adjustments of \$5.6 million. The purchase of the Acquisition Properties was financed through a combination of (i) \$144.0 million in cash, (ii) the issuance of 2,794,363 trust units at a price of \$9.00 per unit, (iii) the issuance of 2,096,686 Class B Units of FAM II LP at a price of \$9.00 per unit, and (iv) the REIT's existing liquidity.

The issuance of the Class B Units and the trust units at a price of \$9.00 per unit represents an estimated \$1.83 premium per unit over the fair value of the trust units of \$7.17 per unit as at December 17, 2014, resulting in a total premium of \$9.0 million, which has been reflected as a reduction in the purchase price.

The cash portion of the consideration was funded by a \$144.0 million floating rate mortgage with a 24 month term maturing on December 17, 2016, bearing interest of 2.25% over the 90-day Canadian Bankers' Acceptance rate and secured by each of the Acquisition Properties. No acquisition fee will be paid to the REIT's manager in connection with the Acquisition Properties. Transaction costs of \$3.2 million were incurred.

Investment in MTS Data Centre development

On April 22, 2014, the REIT entered into an agreement to invest in a fully pre-leased 64,000 sq. ft. data centre development in Winnipeg, Manitoba (the "MTS Data Centre"). The REIT acquired a 50% equity ownership interest in a limited partnership that will own the MTS Data Centre through a \$9.5 million investment.

In connection with the investment in the MTS Data Centre, the REIT issued a \$6.6 million mezzanine loan (the "Mezzanine Loan") at an interest rate of 13.3% to its 50% limited partner, an arms' length company to fund a portion of its required capital contribution.

The debt financing for the MTS Data Centre development (on a 100% ownership basis) presently consists of the following:

- Loan facility of \$37.0 million with a fixed interest rate of 4.38% that will mature 15 years after the earlier of (i) the completion of the Data Centre development, and (ii) July 15, 2015.
- Short term revolving facility of \$2.0 million with a floating interest rate of prime plus 0.50% to fund GST. All amounts received by the Partnership as input tax credits on the MTS Data Centre development will be applied as a reduction to the short term revolving facility.
- Non-revolving facility of \$2.9 million with a floating interest rate of prime plus 1.00% to fund the Manitoba retail sales taxes during construction. This non-revolving facility is payable in six equal and consecutive quarterly installments of principal, plus interest thereon. The first quarterly installment shall be due and payable on the first day of the third complete month following the completion of the Data Centre development.

As at December 31, 2014, the limited partnership had cash on hand of approximately \$0.7 million, restricted cash of \$35.5 million, \$37.0 million was drawn on the loan facility, \$0.7 million on the short term revolving facility, and \$0.2 million on the non-revolving facility.

The 15-year lease for the MTS Data Centre is expected to commence in June 2015, following substantial completion of the development project in May 2015. The MTS Data Centre is expected to generate approximately \$6.1 million of annualized net operating income in the first year of the lease (on a 100% ownership basis), with contractual rent increases of approximately 5.2% in years six and eleven. There are three consecutive five-year lease renewal options beyond the initial term, as well as a \$12.0 million purchase option at the end of the 15-year lease in favour of the

tenant. The lease for the MTS Data Centre is a quadruple net lease whereby the tenant pays all realty taxes, operating costs, utilities, repairs and maintenance in respect of the building and equipment.

On May 13, 2014, in connection with the investment in the MTS Data Centre, the REIT completed a public offering of 1,955,000 trust units, inclusive of 255,000 trust units issued pursuant to the full exercise of the over-allotment option at a price of \$8.85 per trust unit, for gross proceeds of approximately \$17.3 million (the "May 2014 Offering").

Concurrent with the closing of the May 2014 Offering, the REIT issued 831,639 trust units on a private placement basis to Huntingdon, at a purchase price of \$8.85 per trust unit for gross proceeds of \$7.4 million.

After deducting issuance costs of \$1.3 million, net proceeds of \$23.4 million from the May 2014 Offering and the private placement were used to (i) fund the investment in the MTS Data Centre including the Mezzanine Loan and any additional amounts payable for closing costs, (ii) to fully repay amounts drawn on the REIT's revolving credit facility, and (iii) for general corporate purposes.

MTS Data Centre development progress update

Development is proceeding well with the building shell completed in November 2014, and substantial completion is expected in May 2015. Building turnover to the tenant is slated for June 2015 upon commissioning.

On October 30, 2014, FAM REIT and its partner exercised an early lock on the \$37.0 million loan. The fixed mortgage interest rate over the 15 year term has now been locked in at 4.38%, which is well below our initial underwriting assumption.

The estimated project budget has increased from \$53 million to \$57 million to account for the additional interest related to the project primarily as a result of the early rate lock on the full \$37 million (as this loan is now fully disbursed into the project account as of October 29, 2014), and the Manitoba retail sales tax which was not accounted for previously in the initial budget.

Section 3. REVIEW OF FINANCIAL AND OPERATIONAL RESULTS

Summary of Selected Financial Information

(\$000s unless otherwise noted)	Three months ended December 31, 2014	Three months ended December 31, 2013	Twelve months ended December 31, 2014	Twelve months ended December 31, 2013
Revenue from investment properties	\$ 8,917	\$ 8,228	\$ 33,087	\$ 28,478
Property operating expenses	(4,165)	(3,405)	(13,800)	(10,919)
Net operating income	\$ 4,752	\$ 4,823	\$ 19,287	\$ 17,559
General and administration	\$ (494)	\$ (351)	\$ (2,033)	\$ (2,425)
Special Committee related expenses	(1,354)	—	(1,876)	—
Finance costs, net	(3,477)	(1,851)	(11,898)	(6,169)
Share of net income from equity accounted investment	577	—	1,501	—
Fair value adjustments to financial instruments	281	71	2,500	4,193
Fair value adjustments on investment properties	150	(777)	(4,620)	1,232
Loss on disposal of investment property	—	(88)	—	(175)
Net income and comprehensive income	\$ 435	\$ 1,827	\$ 2,861	\$ 14,215
Total assets*	476,670	271,265		
Total debt ^{(1)*}	281,239	141,484		

* At period-end

(1) Includes mortgages payable, vendor take-back loan, and amounts drawn under revolving credit facility at face value.

Review of Financial Results

Revenue from Investment Properties

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.

For the three months ended December 31, 2014, revenue from investment properties was \$8.9 million compared to \$8.2 million for the same period in 2013. The increase in revenue from investment properties was driven by incremental revenues from the Acquisition Properties of \$1.0 million, which was purchased in December 2014, and 1700 Ellice of \$0.1 million, which was purchased in December 2013. This increase was partially offset by a rent default that led to the prior management terminating an energy services tenant lease (28,000 sq. ft.) at a single-tenant industrial property in Brooks, Alberta; a rent default that led to the prior management terminating a furniture store tenant lease (9,000 sq. ft.) at a multi-tenant retail property in Cochrane, Alberta; several tenants electing not to renew at Saskatchewan Place; and the disposition of Humboldt Mall, totaling \$0.4 million.

For the twelve months ended December 31, 2014, revenue from investment properties was \$33.1 million compared to \$28.5 million for the same period in 2013. The growth in revenue from investment properties of \$4.6 million was mainly due to incremental revenues from the Acquisition Properties in 2014, as well as the acquisitions of 4211 Yonge, The Promontory, and 1700 Ellice in 2013, totaling \$6.8 million. This increase was partially offset by a rent default that led to the prior management terminating an energy services tenant lease (28,000 sq. ft.) at a single-tenant industrial property in Brooks, Alberta; a rent default that led to the prior management terminating a furniture store tenant lease (9,000 sq. ft.) at a multi-tenant retail property in Cochrane, Alberta; several tenants electing not

to renew at Saskatchewan Place; and the dispositions of 220 Portage and Humboldt Mall in 2013, totaling \$2.1 million.

Property Operating 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 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 \$3.3 million for the three months and \$12.0 million for the twelve months ended December 31, 2014, compared to \$3.0 million and \$9.8 million for the same periods in 2013.

For the three months ended December 31, 2014, property operating expenses were \$4.2 million compared to \$3.4 million for the same period in 2013. The increase in property operating expenses of \$0.8 million was due to incremental expenses related to the Acquisition Properties of \$0.6 million and higher operating costs of \$0.2 million.

For the twelve months ended December 31, 2014, property operating expenses were \$13.8 million compared to \$10.9 million for the same period in 2013. The increase in property operating expenses was primarily due to incremental expenses related to the Acquisition Properties in 2014, as well as the acquisitions of 4211 Yonge, The Promontory, and 1700 Ellice in 2013 totaling \$3.2 million. This increase was slightly offset by the sale of 220 Portage and Humboldt Mall totaling \$0.7 million. Property operating expenses for the twelve months ended December 31, 2014 were also impacted by higher operating costs of \$0.3 million and bad debt expense of \$0.1 million.

General and administration

General and administration expenses are primarily comprised of asset management fees, professional fees, trustee fees, and other reporting fees.

For the three months ended December 31, 2014, general and administration expenses increased by \$0.1 million, compared to the same prior period. During the three months ended December 31, 2013, the REIT received a reimbursement of aborted transaction costs of \$0.1 million.

General and administration expenses decreased by \$0.4 million during the twelve months ended December 31, 2014, primarily due to aborted transaction costs of \$0.2 million and post-closing IPO costs of \$0.2 million that were incurred during the prior year.

Special Committee related expenses

In February 2014, the REIT established a Special Committee to assess the implications of Huntingdon's strategic review on the REIT. Special Committee related expenses include legal, financial advisory and trustee fees, which totaled \$1.4 million for the three months and \$1.9 million for the twelve months ended December 31, 2014. The outcome of the Special Committee's review is the purchase of the Acquisition Properties, as disclosed in the "Recent Developments" section of this MD&A.

The following table summarizes the Special Committee related expenses incurred for the three months and twelve months ended December 31, 2014 and 2013:

	Three months ended December 31, 2014	Three months ended December 31, 2013	Twelve months ended December 31, 2014	Three months ended December 31, 2013
Financial advisory	\$ 1,322	\$ —	\$ 1,415	\$ —
Legal	—	—	282	—
Trustee fees	—	—	130	—
Other	32	—	49	—
	\$ 1,354	\$ —	\$ 1,876	\$ —

Share of net income from equity accounted investment

During the three months and twelve months ended December 31, 2014, the REIT recorded income of \$0.6 million and \$1.5 million, respectively, from its equity accounted investment in the Data Centre. The equity income was largely driven by a fair value adjustment to its investment property under development.

Finance costs, net

Finance costs primarily consist of mortgage interest expense, distributions to unitholders of Class B LP units, defeasance costs, interest on both the vendor take-back loan and the revolving credit facility, non-cash accretion expense, the de-recognition or amortization of the mark-to-market adjustment on mortgages, and gains or losses on interest rate swaps.

Finance costs is presented net of interest income, and is comprised of the following:

	Three months ended December 31, 2014	Three months ended December 31, 2013	Twelve months ended December 31, 2014	Twelve months ended December 31, 2013
Mortgage interest	\$ 1,701	\$ 1,531	\$ 6,227	\$ 5,494
Defeasance costs	—	—	—	598
Distributions on Class B LP units	689	500	2,364	1,934
Accretion on vendor take-back loan	74	72	291	279
Interest on vendor take-back loan	68	68	276	275
Interest on revolving credit facility	24	56	166	247
Amortization of deferred transaction costs	64	57	253	196
Amortization of mark-to-market adjustment on mortgages	(55)	(55)	(221)	(343)
De-recognition of mark-to-market adjustment on mortgages	—	—	—	(725)
Loss (gain) on interest rate swaps	1,079	(378)	3,175	(1,786)
Interest income	(167)	—	(633)	—
	\$ 3,477	\$ 1,851	\$ 11,898	\$ 6,169

For the three months ended December 31, 2014, finance costs were \$3.5 million compared to \$1.9 million for the same prior period. The increase of \$1.6 million was due to the fluctuations in fair value adjustments related to interest rate swaps of \$1.4 million and additional distributions related to the Class B LP units of \$0.2 million.

For the twelve months ended December 31, 2014, finance costs were \$11.9 million compared to \$6.2 million in the same period in 2013. The increase in finance costs of \$5.7 million was primarily due to the fluctuations in fair value adjustments related to interest rate swaps of \$5.0 million. In addition, finance costs during the prior period were favorably impacted by the de-recognition of mark-to-market adjustments on mortgages of \$0.7 million.

Fair value adjustments to financial instruments

The Class B LP units are exchangeable into trust units of the REIT on a one-for-one basis at the option of the unitholder. Under IFRS, the Class B LP units are considered puttable financial instruments to the REIT, and are recognized in the consolidated financial statements as financial liabilities measured at fair value through profit or loss. The fair value is re-measured at the end of each reporting period based on the quoted closing price of the trust units into which they are exchangeable.

During the three months ended December 31, 2014, the REIT recognized a \$0.2 million unrealized fair value gain related to the Class B LP units, representing a change in the fair value per unit from \$7.95 at September 30, 2014 and the fair value per unit of \$7.17 related to the Class B LP units issued on December 17, 2014 to \$7.58 at December 31, 2014. During the three months ended December 31, 2013, the fair value adjustments to Class B LP units were nominal. The fair value per unit decreased slightly from \$8.70 at September 30, 2013 to \$8.69 at December 31, 2013.

During the twelve months ended December 31, 2014, the REIT recognized a \$2.4 million unrealized fair value gain representing a change in the fair value per unit from \$8.69 at December 31, 2013 and the fair value per unit of \$7.17 related to the Class B LP units issued on December 17, 2014 to \$7.58 at December 31, 2014. During the twelve months ended December 31, 2013, the REIT recognized a \$3.5 million unrealized fair value gain representing a decrease in the fair value per unit from \$10.10 at December 31, 2012 to \$8.69 at December 31, 2013.

Under IFRS, the trust unit purchase warrants issued on December 28, 2012 in connection with the REIT's IPO are considered puttable instruments to the REIT, and are recognized in the consolidated financial statements as financial liabilities measured at fair value through profit or loss. The fair value is re-measured at the end of each reporting period based on the quoted closing price of the warrants.

During the three months ended December 31, 2014, the fair value adjustment to warrants were nominal. The fair value per warrant decreased from \$0.03 at September 30, 2014 to \$0.005 at December 31, 2014. During the three months ended December 31, 2013, the REIT recognized a \$0.1 million unrealized fair value gain representing a decrease in the fair value per warrant from \$0.10 at September 30, 2013 to \$0.04 at December 31, 2013.

During the twelve months ended December 31, 2014, the fair value adjustment to warrants were \$0.1 million. The fair value per warrant decreased from \$0.04 at December 31, 2013 to \$0.005 at December 31, 2014. During the twelve months ended December 31, 2013, the REIT recognized a \$0.7 million unrealized fair value gain representing a decrease in the fair value per warrant from \$0.48 at December 31, 2012 to \$0.04 at December 31, 2013.

Fair value adjustments to investment properties

In accordance with IFRS, the REIT measures its investment properties at fair value at the end of each reporting period. The fair values of investment properties are determined either internally by management or externally by nationally-recognized qualified third party appraisers using a number of approaches including the discounted cash flow and direct capitalization approaches.

During the three months ended December 31, 2014, the REIT recognized a net fair value gain of \$0.2 million primarily related to the fair value gain of \$6.0 million for the Acquisition Properties, offset by a fair value loss of \$5.8 million related to the existing properties driven by tenant failures and changes in leasing assumptions. The fair value loss of \$4.6 million during the twelve months ended December 31, 2014 was driven by a fair value loss of \$10.6 million attributable to tenant failures and changes in leasing assumptions to the properties in place at December 31, 2013, partially offset by a fair value gain of \$6.0 million associated with the Acquisition Properties.

The fair value loss of \$0.8 million during the three months ended December 31, 2013 was primarily due to capital expenditures and leasing costs of \$0.6 million and the write-off of acquisition costs of \$0.1 million related to 1700 Ellice. The fair value gain of \$1.2 million during the twelve months ended December 31, 2013 reflects the gain associated with the sale of 220 Portage, partially offset by the write-off of acquisition costs of \$2.0 million related to both The Promontory and 4211 Yonge, capital expenditures and leasing costs of \$1.8 million, and changes to discount and capitalization rates for certain properties.

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. It therefore has not recognized any current or deferred income taxes in its consolidated financial statements for the three and twelve months ended December 31, 2014 and 2013.

Segmented Information

The REIT invests in three property asset classes and currently operates in five geographic locations. Management measures the performance of the REIT on a combined basis of financial and operating results by asset class and geographic location as follows:

Net operating income

	Three months ended December 31, 2014	Three months ended December 31, 2013	Twelve months ended December 31, 2014	Twelve months ended December 31, 2013
(\$000s except percentages)				
Revenue from investment properties	\$ 8,917	\$ 8,228	\$ 33,087	\$ 28,478
Property operating expenses	(4,165)	(3,405)	(13,800)	(10,919)
Net operating income	4,752	4,823	19,287	17,559
Margin (%)	53.3%	58.6%	58.3%	61.7%

The following tables summarize NOI by asset class and geographic location for the three months and twelve months ended December 31, 2014:

Net Operating Income						
Three months ended December 31, 2014						
(\$000s except percentages)	Office	Industrial	Retail	Total	Percentage (%)	
Ontario	\$ 1,996	\$ 420	\$ —	\$ 2,416	50.9%	
Manitoba	1,165	613	104	1,882	39.6%	
Saskatchewan	59	—	—	59	1.2%	
Alberta	—	276	24	300	6.3%	
Northwest Territories	—	—	95	95	2.0%	
	\$ 3,220	\$ 1,309	\$ 223	\$ 4,752	100.0%	
Percentage (%)	67.8%	27.5%	4.7%	100.0%		

Net Operating Income						
Twelve months ended December 31, 2014						
(\$000s except percentages)	Office	Industrial	Retail	Total	Percentage (%)	
Ontario	\$ 7,646	\$ 1,743	\$ —	\$ 9,389	48.7%	
Manitoba	4,554	2,343	444	7,341	38.1%	
Saskatchewan	489	—	—	489	2.5%	
Alberta	—	1,373	206	1,579	8.2%	
Northwest Territories	—	—	489	489	2.5%	
	\$ 12,689	\$ 5,459	\$ 1,139	\$ 19,287	100.0%	
Percentage (%)	65.8%	28.3%	5.9%	100.0%		

The following tables summarize NOI by asset class and geographic location for the three months and twelve months ended December 31, 2013:

Net Operating Income						
Three months ended December 31, 2013						
(\$000s except percentages)	Office	Industrial	Retail	Total	Percentage (%)	
Ontario	\$ 1,760	\$ 450	\$ —	\$ 2,210	45.8%	
Manitoba	1,040	574	92	1,706	35.5%	
Saskatchewan	199	—	92	291	6.0%	
Alberta	—	424	60	484	10.0%	
Northwest Territories	—	—	132	132	2.7%	
	\$ 2,999	\$ 1,448	\$ 376	\$ 4,823	100.0%	
Percentage (%)	62.2%	30.0%	7.8%	100.0%		

Net Operating Income
Twelve months ended December 31, 2013

(\$000s except percentages)	Office	Industrial	Retail	Total	Percentage (%)
Ontario	\$ 4,379	\$ 1,779	\$ —	\$ 6,158	35.1%
Manitoba	4,741	2,310	472	7,523	42.8%
Saskatchewan	1,033	—	371	1,404	8.0%
Alberta	—	1,700	250	1,950	11.1%
Northwest Territories	—	—	524	524	3.0%
	\$ 10,153	\$ 5,789	\$ 1,617	\$ 17,559	100.0%
Percentage (%)	57.8%	33.0%	9.2%	100.0%	

Office Properties

The actual results of operations for the three months and twelve months ended December 31, 2014 are set out below:

(stated in \$000s, unless otherwise noted)	Three months ended December 31, 2014	Three months ended December 31, 2013	Twelve months ended December 31, 2014	Twelve months ended December 31, 2013
# of properties (period-end)			21	14
Owned GLA (000s of sq. ft.) (period-end)			2,040	963
Occupancy rate (%) (period-end)			90.8%	96.5%
Revenue from investment properties	\$ 6,623	\$ 5,627	\$ 23,655	\$ 18,139
Property operating expenses	(3,403)	(2,628)	(10,966)	(7,986)
Net operating income	\$ 3,220	\$ 2,999	\$ 12,689	\$ 10,153
Margin %	48.6%	53.3%	53.6%	56.0%

Net operating income for office properties increased by \$0.2 million for the three months ended December 31, 2014, when compared to the same period in 2013. The growth in net operating income was driven by incremental net operating income of \$0.4 million related to the purchase of the Acquisition Properties in December 2014, partly offset by a decrease of \$0.2 million in same property net operating income of related to several tenants electing not to renew at Saskatchewan Place and higher operating costs

Net operating income for office properties increased by \$2.5 million for the twelve months ended December 31, 2014, compared to 2013. This increase was due to incremental net operating income of \$3.6 million related to the Acquisition Properties in December 2014, as well as the acquisitions of 4211 Yonge, The Promontory, and 1700 Ellice in 2013. These were slightly offset by a decrease of \$1.1 million related to same property net operating income at Saskatchewan Place due to several tenants electing not to renew, higher operating costs, and the disposition of 220 Portage.

Industrial Properties

The actual results of operations for the three months and twelve months ended December 31, 2014 are set out below:

(stated in \$000s, unless otherwise noted)	Three months ended December 31, 2014	Three months ended December 31, 2013	Twelve months ended December 31, 2014	Twelve months ended December 31, 2013
# of properties (period-end)			11	11
Owned GLA (000s of sq. ft.) (period-end)			771	771
Occupancy rate (%) (period-end)			96.3%	100.0%
Revenue from investment properties	\$ 1,850	\$ 1,936	\$ 7,595	\$ 7,711
Property operating expenses	(541)	(488)	(2,136)	(1,922)
Net operating income	\$ 1,309	\$ 1,448	\$ 5,459	\$ 5,789
Margin %	70.8%	74.8%	71.9%	75.1%

Net operating income for industrial properties decreased by \$0.1 million for the three months and \$0.3 million for the twelve months ended December 31, 2014 compared to the same periods in 2013. These decreases were mainly due to a rent default that led to the prior management terminating an energy services tenant lease.

Retail Properties

The actual results of operations for the three months and twelve months ended December 31, 2014 are set out below:

(stated in \$000s, unless otherwise noted)	Three months ended December 31, 2014	Three months ended December 31, 2013	Twelve months ended December 31, 2014	Twelve months ended December 31, 2013
# of properties (period-end)			3	3
Owned GLA (000s of sq. ft.) (period-end)			95	95
Occupancy rate (%) (period-end)			90.7%	100.0%
Revenue from investment properties	\$ 444	\$ 665	\$ 1,837	\$ 2,628
Property operating expenses	(221)	(289)	(698)	(1,011)
Net operating income	\$ 223	\$ 376	\$ 1,139	\$ 1,617
Margin %	50.2%	56.5%	62.0%	61.5%

Net operating income for retail properties decreased by \$0.2 million for the three months and \$0.5 million for the twelve months ended December 31, 2014 compared to the same periods in 2013. These declines were mainly due to the prior management terminating a furniture store tenant lease in Cochrane, Alberta and the sale of Humboldt Mall in December 2013.

Same Property Analysis

The comparative net operating income results on a same property and sequential basis are as follows:

Net Operating Income, Accounting Basis

(\$000s)	Q4 2014	Q3 2014	Q2 2014	Q1 2014	Q4 2013	Q3 2013	Q2 2013	Q1 2013
Office	\$ 1,501	\$ 1,655	\$ 1,550	\$ 1,479	\$ 1,599	\$ 1,807	\$ 1,704	\$ 1,723
Industrial	1,309	1,315	1,387	1,448	1,448	1,445	1,447	1,449
Retail	223	324	314	278	285	316	327	318
Total	\$ 3,033	\$ 3,294	\$ 3,251	\$ 3,205	\$ 3,332	\$ 3,568	\$ 3,478	\$ 3,490

Net Operating Income, Cash Basis

(\$000s)	Q4 2014	Q3 2014	Q2 2014	Q1 2014	Q4 2013	Q3 2013	Q2 2013	Q1 2013
Office	\$ 1,522	\$ 1,648	\$ 1,589	\$ 1,476	\$ 1,579	\$ 1,766	\$ 1,695	\$ 1,709
Industrial	1,245	1,259	1,317	1,366	1,367	1,364	1,370	1,372
Retail	224	336	315	277	284	311	325	314
Total	\$ 2,991	\$ 3,243	\$ 3,221	\$ 3,119	\$ 3,230	\$ 3,441	\$ 3,390	\$ 3,395

On a same property basis, net operating income on cash basis for the three months ended December 31, 2014 was lower compared to prior quarters in 2014 and 2013. This was mainly due to a rent default that led to the prior management terminating an energy services tenant lease in July 2014, a rent default that led to the prior management terminating a furniture store tenant lease in July 2014, several tenants electing not to renew at Saskatchewan Place, and higher operating costs.

Funds From Operations (As Reported and Core)

FFO is a supplemental non-IFRS financial measure of operating performance widely used in the Canadian real estate industry. FFO is not defined under IFRS and should not be used as a substitute to net income, cash flow from operations, or any other operating or liquidity measure prescribed under IFRS. Instead, FFO has been included to provide readers and investors of the REIT with additional information to improve their understanding of the operating results of the REIT. FFO when compared period over period reflects the impact on operations of trends in occupancy levels, rental rates, operating costs and property taxes, acquisition activities and interest costs, and provides a perspective of the financial performance that is not immediately apparent from net income determined in accordance with IFRS.

The REIT calculates FFO – As Reported in accordance with the REALpac White Paper on Funds from Operations and FFO – Core as described in the “Non-IFRS Measures” section of this MD&A.

The reconciliation of FFO – As Reported and FFO – Core to net income is as follows:

(\$000s unless otherwise noted and except per unit amounts)	Three months ended December 31, 2014	Three months ended December 31, 2013	Twelve months ended December 31, 2014	Twelve months ended December 31, 2013
Net income	\$ 435	\$ 1,827	\$ 2,861	\$ 14,215
Add (deduct):				
Amortization of leasing costs	52	20	174	28
Loss on disposition of investment properties	—	88	—	175
Distributions on Class B LP units	689	500	2,364	1,934
Share of net income from equity accounted investment	(577)	—	(1,501)	—
Fair value adjustments to financial instruments	(281)	(71)	(2,500)	(4,193)
Fair value adjustments to investment properties	(150)	777	4,620	(1,232)
Funds from operations – As Reported	\$ 168	\$ 3,141	\$ 6,018	\$ 10,927
Add (deduct):				
Fair value adjustments to interest rate swaps	1,079	(378)	3,175	(1,786)
Special Committee related expenses	1,354	—	1,876	—
De-recognition of mark-to-market adjustment on mortgages refinanced or discharged	—	—	—	(725)
Defeasance costs	—	—	—	598
Aborted transaction costs	—	(60)	—	267
Funds from operations – Core	\$ 2,601	\$ 2,703	\$ 11,069	\$ 9,281
Weighted average number of units outstanding (000s) ⁽¹⁾ :				
Basic and diluted	15,830	11,504	14,100	9,663
Per unit (basic and diluted)				
FFO per unit – As Reported	\$ 0.01	\$ 0.27	\$ 0.43	\$ 1.13
FFO per unit – Core	\$ 0.16	\$ 0.23	\$ 0.79	\$ 0.96

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

FFO - As Reported was \$0.01 per unit for the three months ended December 31, 2014. After adjusting for the \$0.07 per unit (\$1.1 million) non-cash fair value loss on the interest rate swaps and the \$0.08 per unit (\$1.4 million) Special Committee related expenses, FFO - Core was \$0.16 per unit.

FFO - As Reported was \$0.27 per unit for the three months ended December 31, 2013. After adjusting for the \$0.03 per unit (\$0.4 million) fair value gain on interest rate swaps and the \$0.01 per unit (\$0.1 million) reimbursement of aborted transaction costs, FFO - Core was \$0.23 per unit.

FFO - As Reported was \$0.43 per unit for the twelve months ended December 31, 2014. After adjusting for the \$0.23 per unit (\$3.2 million) non-cash fair value loss on the interest rate swaps and the \$0.13 per unit (\$1.9 million) Special Committee related expenses, FFO - Core was \$0.79 per unit.

FFO - As Reported was \$1.13 per unit for the twelve months ended December 31, 2013. After adjusting for the \$0.18 per unit (\$1.8 million) fair value gain on interest rate swaps, \$0.08 per unit (\$0.7 million) de-recognition of non-cash mark-to-market adjustment on mortgages refinanced or discharged, \$0.06 per unit (\$0.6 million) defeasance costs, and \$0.03 per unit (\$0.3 million) aborted transaction costs, FFO - Core was \$0.96 per unit.

The decrease in FFO – Core of \$0.07 per unit for the three months ended December 31, 2014 over the three months ended December 31, 2013 is attributable to the following:

- The dilutive impact of the April 2014 equity issue of \$0.02 per unit to fund development of the MTS Data Centre which is not generating any FFO contribution during the construction period;
- The dilutive impact of the lower leverage arising from the April 2014 equity issue of \$0.02 per unit;
- The decline in same-property NOI of \$0.02 per unit (\$0.4 million), as noted earlier; and
- The decline in NOI related to the sale of Humboldt Mall of \$0.01 per unit (\$0.1 million).

The decrease in FFO – Core of \$0.17 per unit for the twelve months ended December 31, 2014 over the twelve months ended December 31, 2013 is attributable to the following:

- The dilutive impact of the April 2014 equity issue of \$0.05 per unit to fund development of the MTS Data Centre which is not generating any FFO contribution during the construction period;
- The dilutive impact of the lower leverage arising from the April 2014 equity issue of \$0.07 per unit; and
- The decline in same-property NOI of \$0.08 per unit (\$1.1 million).

On an annualized basis, the incremental year one contribution from the MTS Data Centre to FFO – Core will be approximately \$2.3 million, or \$0.12 per unit upon rent commencement which is slated for June 2015.

Adjusted Funds from Operations (As Reported and Core)

The operations of a real estate business require capital expenditures to both maintain and increase the occupancy and rental revenue streams of existing properties. These expenditures include replacements and major repairs of component parts of the underlying properties (for example: roofing, heating, ventilating and air conditioning equipment, paving) referred to as capital expenditures. In addition to capital expenditures, leasing costs including leasing commissions, tenant improvements and inducements, are fundamental to the operating activities of a real estate business. AFFO is a widely used non-IFRS financial measure in the Canadian real estate industry to indicate available cash flow after capital expenditures and leasing costs. AFFO is not defined under IFRS and the method applied by the REIT to calculate AFFO may differ from methods applied by other issuers in the real estate industry and, as a result, may not be comparable with measures used by such other issuers.

In calculating AFFO – As Reported and Core, the REIT makes certain adjustments to FFO – As Reported for other non-cash items as described in the “Non-IFRS Measures” section of this MD&A.

The reconciliation of AFFO – As Reported and Core to the REIT’s FFO – As Reported is as follows:

(\$000s except per unit amounts)	Three months ended December 31, 2014	Three months ended December 31, 2013	Twelve months ended December 31, 2014	Twelve months ended December 31, 2013
Funds from operations – As Reported	\$ 168	\$ 3,141	\$ 6,018	\$ 10,927
Add (deduct):				
Interest rate subsidy ⁽¹⁾	111	117	418	503
Accretion on vendor take-back loan	74	72	291	279
Amortization of deferred transaction costs	64	57	253	196
De-recognition of mark-to-market adjustments on mortgages refinanced or discharged	—	—	—	(725)
Amortization of mark-to-market adjustments on mortgages	(55)	(55)	(221)	(343)
Amortization of straight-line rent	(116)	(138)	(485)	(503)
Capital expenditures	(739)	(248)	(1,470)	(581)
Leasing costs net of tenant improvement payable	(458)	(382)	(1,197)	(1,221)
Fair value adjustments to interest rate swaps	1,079	(378)	3,175	(1,786)
Adjusted funds from operations – As Reported	\$ 128	\$ 2,186	\$ 6,782	\$ 6,746
Add:				
Special Committee related expenses	1,354	—	1,876	—
Defeasance costs	—	—	—	598
Aborted transaction costs	—	(60)	—	267
Adjusted funds from operations – Core	1,482	2,126	8,658	7,611
Weighted average number of units outstanding (000s) ⁽²⁾ :				
Basic and diluted	15,830	11,504	14,100	9,663
Per unit (basic and diluted)				
AFFO per unit – As Reported	\$ 0.01	\$ 0.19	\$ 0.48	\$ 0.70
AFFO per unit – Core	\$ 0.09	\$ 0.18	\$ 0.61	\$ 0.79

(1) The interest rate subsidy is described in further detail under “Section 4 – Financial Condition, Interest Rate and Capital Expenditures Subsidies” of this MD&A.

(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 December 31, 2014, AFFO - As Reported was \$0.01 per unit. After adjusting for \$0.08 per unit (\$1.4 million) of Special Committee related expenses, AFFO - Core was \$0.09 per unit.

For the three months ended December 31, 2013, AFFO - As Reported and AFFO - Core were \$0.19 per unit and \$0.18 per unit respectively.

For the twelve months ended December 31, 2014, AFFO - As Reported was \$0.48 per unit. After adjusting for \$0.13 per unit (\$1.9 million) of Special Committee related expenses, AFFO - Core was \$0.61 per unit.

For the twelve months ended December 31, 2013, AFFO - As Reported was \$0.70 per unit. After adjusting for \$0.06 per unit (\$0.6 million) defeasance costs, and \$0.03 per unit (\$0.3 million) aborted transaction costs, AFFO - Core was \$0.79 per unit.

The decrease in AFFO - Core of \$0.09 per unit for the three months ended and of \$0.18 per unit for the twelve months ended December 31, 2014 over the same periods in 2013 was mainly attributable to higher leasing costs and capital expenditures incurred in the fourth quarter of 2014, as well as a lower FFO - Core in the current periods.

The timing and magnitude of actual capital expenditures and leasing costs can vary significantly from quarter to quarter. Since FAM REIT does not utilize “normalized” reserves for capital expenditures and leasing costs in deriving AFFO, it is important to note that quarterly AFFO can be volatile.

On an annualized basis, the incremental year one contribution from the MTS Data Centre to AFFO - Core will be approximately \$2.2 million, or \$0.11 per unit upon rent commencement which is slated for June 2015.

Leasing costs and maintenance capital expenditures can vary from period to period depending on various factors including the lease expiry profile of the REIT’s properties, tenant quality, asset type, local market conditions, seasonality and other building requirements. There is often a delay between lease commencement and the expenditures on leasing costs and maintenance capital expenditures due to the timing of the installation of tenant improvements and the required inspections and certifications. As a result, AFFO can experience volatility when comparing period-over-period results.

Leasing costs and capital expenditures (net of tenant improvement payables) for the three months and twelve months ended December 31, 2014 and 2013 were as follows:

(\$000s)	Three months ended December 31, 2014	Three months ended December 31, 2013	Twelve months ended December 31, 2014	Twelve months ended December 31, 2013
Tenant improvements and leasing commissions				
New leasing	\$ 112	\$ 392	\$ 208	\$ 923
Renewals				
Office	340	(50)	814	231
Industrial	—	5	146	22
Retail	6	35	29	45
	458	382	1,197	1,221
Recoverable capital expenditures				
Major maintenance items	644	192	1,077	394
Recurring capital expenditures	95	35	386	166
	739	227	1,463	560
Non-recoverable capital expenditures				
	—	21	7	21
Total	\$ 1,197	\$ 630	\$ 2,667	\$ 1,802

Leasing costs for new tenants were \$0.1 million for the three months and \$0.2 million for the twelve months ended December 31, 2014. Leasing costs related to existing or renewing tenants were \$0.3 million for the three months and \$1.0 million for the twelve months ended December 31, 2014.

Recoverable capital expenditures were \$0.7 million for the three months and \$1.5 million for the twelve months ended December 31, 2014. These costs were primarily attributable to roof replacements or repairs, elevator upgrades at one office property, HVAC replacements, underground parkade repairs, as well as fire panel and security access upgrades.

Distributions

The REIT's Board of Trustees has full discretion with respect to the timing and extent of distributions, including the adoption, amendment or revocation of any distribution policy. In determining the amount of monthly cash distributions paid to unitholders, the Board of Trustees applies discretionary judgment to forward-looking cash flow information, including forecasts and budgets. As net income calculated in accordance with IFRS recognizes certain revenues and expenses at time intervals that do not match the receipt of or the payment of cash, the Board of Trustees considers AFFO when establishing cash distributions to unitholders, as well as other factors. The excess of AFFO over cash distributions represents a measure of operating cash flow retained in the business.

It is the REIT's intention to make distributions to unitholders at least equal to the amount of net income and net realized capital gains of the REIT as is necessary to ensure that the REIT will not be liable for current income taxes.

On March 21, 2013, the REIT implemented a distribution reinvestment plan (the "DRIP"). The DRIP came into effect with the distribution of \$0.0625 per trust unit that was payable on May 15, 2013 to unitholders of record on April 30, 2013. 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 and will also receive a "bonus distribution" of units equal in value to 3% of each distribution.

The REIT may initially issue up to 295,000 trust units of the REIT under the DRIP. During the year ended December 31, 2014, the REIT received approval from the TSX to reserve an additional 750,000 trust units of the REIT pursuant to the DRIP. The REIT may increase the number of trust units available to be issued under the DRIP at any time in its discretion subject to (a) the approval of the REIT's Board of Trustees, (b) the approval of any stock exchange upon which the trust units trade, and (c) public disclosure of such increase.

The distributions declared during the twelve months ended December 31, 2014 resulted in 356,465 trust units issued or issuable under the DRIP.

During the twelve months ended December 31, 2014 and 2013, the REIT declared monthly distributions of \$0.0625 per unit, with the exception of January 2013. The REIT announced a cash distribution of \$0.0707 for the month of January 2013 to include distributions related to the four day stub-period from December 28, 2012 to December 31, 2012. The distributions were paid on or about the 15th day of the month following declaration.

The following table summarizes the distribution payments for the three months and twelve months ended December 31, 2014 and 2013:

(\$000s)	Three months ended December 31, 2014		Twelve months ended December 31, 2014	
	Trust units	Class B LP units	Trust units	Class B LP units
Cash distributions	\$ 2,251	\$ 503	\$ 7,386	\$ 503
Distributions reinvested in trust units	198	186	1,066	1,861
Distributions declared	\$ 2,449	\$ 689	\$ 8,452	\$ 2,364
Less: distributions payable, end of period	(933)	(317)	(933)	(317)
Plus: distributions payable, beginning of period	753	186	561	186
Distributions paid or settled	\$ 2,269	\$ 558	\$ 8,080	\$ 2,233

(\$000s)	Three months ended December 31, 2013		Twelve months ended December 31, 2013	
	Trust units	Class B LP units	Trust units	Class B LP units
Cash distributions	\$ 1,516	\$ —	\$ 5,137	\$ 1,120
Distributions reinvested in trust units	162	500	273	814
Distributions declared	\$ 1,678	\$ 500	\$ 5,410	\$ 1,934
Less: distributions payable, end of period	(561)	(186)	(561)	(186)
Plus: distributions payable, beginning of period	556	157	—	—
Distributions paid or settled	\$ 1,673	\$ 471	\$ 4,849	\$ 1,748

As at December 31, 2014, approximately 3.8% of the trust units and 0% of the Class B LP units outstanding were subscribed to the REIT's DRIP.

The distributions on the REIT's trust units for the year ended December 31, 2014 represent an approximate 100% return of capital for the year.

The following table reconciles AFFO – As Reported to cash flow from operating activities reported in the consolidated financial statements of the REIT for the three months and twelve months ended December 31, 2014 and 2013.

(\$000s)	Three months ended December 31, 2014	Three months ended December 31, 2013	Twelve months ended December 31, 2014	Twelve months ended December 31, 2013
Cash flow from operating activities	\$ 3,423	\$ 3,109	\$ 11,366	\$ 8,109
Add (deduct):				
Changes in non-cash working capital	(2,934)	(881)	(5,201)	(1,214)
Leasing costs	(458)	(382)	(1,197)	(1,221)
Capital expenditures	(739)	(248)	(1,470)	(581)
Distributions on Class B LP units paid in cash	186	—	186	1,120
Distributions on Class B LP units reinvested in trust units	372	471	2,047	628
Interest rate subsidy ⁽¹⁾	111	117	418	503
Defeasance costs	—	—	—	(598)
Interest income accrued	167	—	633	—
Adjusted funds from operations – As Reported	\$ 128	\$ 2,186	\$ 6,782	\$ 6,746

(1) The interest rate subsidy is described in further detail under "Section 5 – Financial Condition, Interest Rate and Capital Expenditures Subsidies" of this MD&A.

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

(\$000s)	Three months ended December 31, 2014	Three months ended December 31, 2013	Twelve months ended December 31, 2014	Twelve months ended December 31, 2013
Adjusted funds from operations – As Reported	\$ 128	\$ 2,186	\$ 6,782	\$ 6,746
Add:				
Special Committee related expenses	1,354	—	1,876	—
Defeasance costs	—	—	—	598
Aborted transaction costs	—	(60)	—	267
Adjusted funds from operations – Core	\$ 1,482	\$ 2,126	\$ 8,658	\$ 7,611
Total distributions paid or payable in cash – trust units and Class B LP units	2,754	1,516	7,889	6,257
Less: distributions related to four day stub- period from December 28 - 31, 2012	—	—	—	(69)
Distributions paid or payable in cash, excluding four day stub-period	\$ 2,754	\$ 1,516	\$ 7,889	\$ 6,188
Excess (shortfall) of AFFO - Core over cash distributions	\$ (1,272)	\$ 610	\$ 769	\$ 1,423

The shortfall of AFFO - Core in comparison to the cash distributions declared for the three months ended December 31, 2014 was primarily due to higher capital expenditures and leasing costs incurred during the current period. As leasing costs and capital expenditures can vary from period to period, AFFO - Core will be subject to volatility when comparing period-over-period results. In addition, the distributions include the trust units related to the April 2014 equity offering to fund the development of the MTS Data Centre, which is not generating any AFFO contribution during the current period. The shortfall in AFFO - Core over cash distributions for the three months ended December 31, 2014 was funded using the REIT's existing liquidity.

On a pro-forma basis, if the data centre was operational at the beginning of the year, the Acquisition Properties were purchased at the beginning of the year, and the capital expenditures and leasing costs were comparable to prior year, the pro forma AFFO – Core pay-out ratio would have been 91% for the three months and 69% for the twelve months ended December 31, 2014.

Management believes that the current level of distributions is sustainable, as the Acquisition Properties will generate cash flow growth through near-term leasing opportunities, and the MTS Data Centre is slated for substantial completion in May 2015 and rent commencement in June 2015.

Summary of Selected Quarterly Information

(\$000s unless otherwise noted, except per unit amount)	Q4 2014	Q3 2014	Q2 2014	Q1 2014	Q4 2013	Q3 2013	Q2 2013	Q1 2013
Revenues from investment properties	\$ 8,917	\$ 7,991	\$ 7,972	\$ 8,207	\$ 8,228	\$ 7,568	\$ 6,601	\$ 6,081
Net income (loss) and comprehensive income (loss)	435	4,652	(1,872)	(354)	1,827	1,228	4,162	6,998
Per Unit								
- Basic ⁽¹⁾	\$ 0.03	\$ 0.39	\$ (0.18)	\$ (0.04)	\$ 0.20	\$ 0.16	\$ 0.71	\$ 1.19
- Diluted	\$ 0.06	\$ 0.18	\$ (0.18)	\$ (0.04)	\$ 0.20	\$ (0.03)	\$ 0.42	\$ 0.85

(1) The weighted average number of basic units reflects the REIT units, and excludes the Class B LP units.

The growing trend in revenues from investment properties was largely driven by the 4211 Yonge acquisition in May 2013, The Promontory acquisition in August 2013, 1700 Ellice acquisition in December 2013, and purchase of the Acquisition Properties in December 2014. The incremental revenues from these acquisitions were partially offset by the dispositions of 220 Portage in April 2013 and the Humboldt Mall in December 2013. The third quarter and fourth quarter of 2014, however, was negatively impacted by the early lease termination at a single-tenant industrial property at Brooks, Alberta and the office space turnover in Saskatchewan Place.

Net income (loss) and comprehensive income (loss) for each of the periods in the table above reflect fluctuations arising from fair value adjustments on investment properties, Class B LP units, warrants, and interest rate swaps.

Summary of Selected Annual Information

(\$000s except per unit amount)	2014		2013		2012
Revenues	\$	33,087	\$	28,478	\$ 234
Net income and comprehensive income		2,861		14,215	12,348
Net income per unit					
Basic	\$	0.26	\$	1.99	\$ 2.10
Diluted	\$	0.20	\$	1.31	\$ 1.50
Total assets		476,670		271,265	203,085
Total non-current liabilities		295,642		153,169	124,834
Distributions declared per unit	\$	0.75	\$	0.75	\$ —

The growing trend in revenues, assets and non-current liabilities are driven by additions to the investment property portfolio, which includes the purchase of the Acquisition Properties in December 2014, as well as the acquisitions of 4211 Yonge, The Promontory, and 1700 Ellice in 2013. The REIT has financed these acquisitions through equity issuances, mortgage financing, or the proceeds from the sale of investment properties.

Net income for each of the periods in the table above reflect fluctuations arising from fair value adjustments in investment properties, Class B LP units, warrants and interest rate swaps.

Section 4. FINANCIAL CONDITION

Liquidity and Capital Resources

The principal liquidity needs of the REIT arise from working capital requirements; debt servicing and repayment obligations, which include mortgages payable, amounts drawn on the revolving credit facility and a vendor take-back loan; 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.

Cash flows from operating the REIT's property portfolio, available funding under the REIT's revolving credit facility and cash on hand represent the primary sources of liquidity. Cash flows from operations are dependent upon rental occupancy levels, rental rates, collection of rents, recoveries of operating costs and operating costs.

Debt Strategy

The REIT's obligations with respect to debt repayments, redemption of outstanding trust units which are puttable at the option of the unitholders and funding requirements for future investment property acquisitions will be primarily funded by refinancing the REIT's maturing debt, financing unencumbered properties, or future issuances of trust units and debentures.

The REIT's overall borrowing policy is to obtain secured mortgage 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 (i) achieve and maintain staggered debt maturities that reduce its exposure to interest rate fluctuations and re-financing risk in any particular period and (ii) fix rates and extend loan terms when borrowing conditions are favourable; and (iii) provide flexibility with respect to property operations. Subject to market conditions and the growth of the REIT, management currently intends to maintain total indebtedness at approximately 55% of the REIT's gross book value ("GBV"). 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, mortgage 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. As at December 31, 2014, the REIT's unencumbered income-producing properties had a fair value of \$2.3 million.

In accordance with the Declaration of Trust dated August 27, 2012, which was amended and restated on December 27, 2012 and December 17, 2014 ("DOT"), the REIT may not incur or assume any indebtedness if, after giving effect to the incurring or assumption of such indebtedness, the total indebtedness of the REIT would exceed 65% of the GBV of the REIT's assets. As a result of the REIT's purchase of the Acquisition Properties on December 17, 2014, as described in the "Recent Developments" section of the MD&A, the REIT successfully secured a \$144.0 million floating rate mortgage increasing the REIT's indebtedness ratio at December 31, 2014 to 59.0%, which was slightly higher than the stated target level of approximately 55%, but lower than the level permitted in the Declaration of Trust. The mortgage also increased the REIT's exposure to floating rate debt at year-end. These changes to the capital structure are expected to be temporary as the REIT intends to align its capital structure to return to the stated target level following the expected disposition of the REIT's retail and industrial properties.

Indebtedness Ratio

(\$000s unless otherwise noted)	As at December 31, 2014		As at December 31, 2013	
Mortgages payable	\$	270,559	\$	130,554
Vendor take-back loan		9,180		9,180
Revolving credit facility		1,500		1,750
Total debt at year end	\$	281,239	\$	141,484
Total assets at year end		476,670		271,265
Indebtedness ratio		59.0%		52.2%

Interest rates and debt maturities are reviewed regularly by the REIT's Board of Trustees to ensure the appropriate debt management strategies are implemented.

Leverage and Interest Coverage Ratios

(\$000s)	Three months ended December 31, 2014		Three months ended December 31, 2013		Twelve months ended December 31, 2014		Twelve months ended December 31, 2013	
Weighted average:								
Mortgages payable	\$	148,982	\$	130,878	\$	134,094	\$	113,868
Vendor take-back loan		9,180		9,180		9,180		9,180
Revolving credit facility		168		3,554		2,138		4,532
Weighted average amount of indebtedness	\$	158,330	\$	143,612	\$	145,412	\$	127,580
Deduct: Weighted average amount of cash		(5,223)		(2,264)		(4,966)		(3,383)
Weighted average amount of indebtedness, net of cash	\$	153,107	\$	141,348	\$	140,446	\$	124,197

(\$000s unless otherwise noted)	Three months ended December 31, 2014		Three months ended December 31, 2013		Twelve months ended December 31, 2014		Twelve months ended December 31, 2013	
Adjusted EBITDA	\$	3,071	\$	4,472	\$	16,011	\$	15,134
Debt to Adjusted EBITDA leverage ratio (times)		12.9x		8.0x		9.1x		8.4x
Net Debt to Adjusted EBITDA leverage ratio (times)		12.5x		7.9x		8.8x		8.2x
Interest expense	\$	1,682	\$	1,545	\$	6,251	\$	5,546
Interest coverage ratio (times)		1.8x		2.9x		2.6x		2.7x
Debt service requirements:								
Interest expense	\$	1,682	\$	1,545	\$	6,251	\$	5,546
Principal repayments		1,018		971		3,995		3,340
Total debt service requirements	\$	2,700	\$	2,516	\$	10,246	\$	8,886
Debt service coverage ratio (times)		1.1x		1.8x		1.6x		1.7x

The interest coverage ratio and debt service coverage ratio for the three months and twelve months ended December 31, 2014 have declined in comparison to the prior periods primarily due to the negative impact of Special Committee related expenses on Adjusted EBITDA in the current periods.

Mortgage Repayment Schedule

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 outlines the REIT's annual principal payments and mortgage maturity schedule, together with the annual weighted average interest rates:

For the years ending December 31,	Annual Principal Payments (\$000s)	Principal Repayments on Maturity (\$000s)	Total (\$000s)	Percentage (%)	Weighted Average Contractual Interest Rate (%) ⁽¹⁾⁽²⁾
2015	\$ 4,103	\$ 13,952	\$ 18,055	6.7%	4.0%
2016	3,457	154,624	158,081	58.4%	4.2%
2017	3,334	6,750	10,084	3.7%	4.4%
2018	2,553	18,674	21,227	7.8%	4.3%
2019	2,377	18,652	21,029	7.8%	4.2%
Thereafter	7,508	34,575	42,083	15.6%	4.2% ⁽³⁾
	\$ 23,332	\$ 247,227	\$ 270,559	100.0%	

(1) Pursuant to the acquisition agreement with Huntingdon, the total purchase price payable for the Initial Properties acquired on December 28, 2012 was reduced by \$1.9 million in respect of an interest rate subsidy. The interest rate subsidy will be used to subsidize the REIT's mortgage interest payments to achieve an annual blended cash interest rate of 4.5% for the years 2013 to 2017.

(2) Includes payments under interest rate swaps.

(3) Represents the weighted average interest rate as at December 31, 2019.

Total Debt Repayments

The following table outlines the repayment schedule for the REIT's contractual obligations:

(\$000s)	For the periods ending December 31,						
	Total	2015	2016	2017	2018	2019	Thereafter
Mortgages payable							
- principal and interest ⁽¹⁾	\$ 306,326	\$ 28,910	\$ 167,513	\$ 14,143	\$ 24,189	\$ 23,666	\$ 47,905
Vendor take-back loan ⁽¹⁾	9,316	9,316	—	—	—	—	—
Revolving credit facility ⁽²⁾	1,500	1,500	—	—	—	—	—
Accounts payable and other liabilities ⁽¹⁾	11,847	\$ 11,847	—	—	—	—	—
Provisions and other non-current liabilities	3,120	\$ 578	365	372	438	467	900
Ground lease payments ⁽³⁾	7,891	366	366	366	366	366	6,061
	\$ 340,000	\$ 52,517	\$ 168,244	\$ 14,881	\$ 24,993	\$ 24,499	\$ 54,866

(1) The amounts for accounts payable and liabilities excludes accrued interest on mortgages payable and vendor take-back loan which is included in the contractual payments of the mortgages payable and vendor take-back loan, respectively.

(2) The amounts for the revolving credit facility is for the principal amount only.

(3) Ground lease payments relate to one industrial property which expires in 2036.

As at December 31, 2013, the REIT had a \$14.0 million revolving credit facility that expired on November 30, 2014 and was secured by two investment properties. The interest rate was at prime plus 1.5% per annum and a standby fee of 0.6% charged quarterly in arrears based on the average daily undrawn amount.

In February 2014, the REIT increased its revolving credit facility limit from \$14.0 million to \$17.0 million. The expiry date has been extended from November 30, 2014 to November 30, 2015 and is secured by four investment properties. The amended revolving credit facility bears interest at prime plus 1.25% per annum and a standby fee of 0.5% charged quarterly in arrears based on the average daily undrawn amount.

The amount available for drawdown under the revolving credit facility is computed on the 12 month trailing net operating income and the appraised values of the secured properties, up to a maximum of \$17.0 million, subject to achieving a minimum occupancy threshold by the secured investment properties. As at December 31, 2014, the REIT had \$1.5 million outstanding balance on the revolving credit facility, and was compliant with all financial covenants.

As at March 5, 2015, the REIT had \$1.5 million drawn on its revolving credit facility.

As partial consideration for the acquisition of the Initial Properties on December 28, 2012, the REIT entered into a vendor take-back loan agreement with Huntingdon. The unsecured loan has a face value of \$9.2 million bearing interest at 3.0% per annum payable quarterly, with the principal originally due in full on December 28, 2014. During the year ended December 31, 2014, the loan was renegotiated and extended to mature on June 28, 2015.

Interest rate swaps

As at December 31, 2014, the REIT has interest rate swaps that entitle the REIT to receive interest at floating rates and pay interest at a fixed rate.

Interest rate swaps are re-measured at fair value at the end of each reporting period with fair values calculated as the present value of contractual cash flows based on quoted forward curves and discount rates incorporating the applicable yield curve. At December 31, 2014, the REIT had the following interest rate swap agreements:

	Notional amount	Effective interest rate	Maturity date	Unrealized loss for the year ended December 31, 2014	Cumulative unrealized loss at December 31, 2014
\$	3,840	5.89%	1-Feb-25	\$ 76	634
	22,325	4.60%	14-Aug-23	1,471	1,482
	24,005	3.68%	1-May-23	1,628	123

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 and refinancing of mortgages.

The following table provides an overview of the REIT's cash flows from operating, financing and investing activities for the three months and twelve months ended December 31, 2014 and 2013.

(\$000s)	Three months ended December 31, 2014	Three months ended December 31, 2013	Twelve months ended December 31, 2014	Twelve months ended December 31, 2013
Net change in cash related to:				
Operating	\$ 3,423	\$ 3,109	\$ 11,366	\$ 8,109
Investing	(148,451)	1,117	(166,017)	(63,358)
Financing	142,388	(4,308)	155,933	51,770
Increase (decrease) in cash	\$ (2,640)	\$ (82)	\$ 1,282	\$ (3,479)

The increase (decrease) in net cash flow for the three months and twelve months ended December 31, 2014 compared to the same periods in 2013 was the result of the following factors:

- Operating – cash flows for the three months ended December 31, 2014 increased when compared to the same period in 2013, mainly due to higher net operating income from the purchase of the Acquisition Properties in December 2014, the timing of cash receipts and settlement of payables, offset by higher mortgage interest expense. Cash flows from operating activities for the twelve months ended December 31, 2014 increased when compared to the same period in 2013. This was mainly attributed to higher net operating income arising from the purchase of the Acquisition Properties in December 2014, as well as the acquisitions of 4211 Yonge, The Promontory, 1700 Ellice in 2013, offset by the sale of 220 Portage and Humboldt Mall. In addition, the Class B LP unit distributions in 2014 were largely reinvested into trust units under the DRIP, whereas the Class B LP unit distributions in 2013 were largely settled in cash.
- Investing – cash flows used in investing activities for the three months ended December 31, 2014 were primarily related to the purchase of the Acquisition Properties, as well as capital expenditures and leasing costs. Cash flows from investing activities for the three months ended December 31, 2013 was primarily related to the sale of Humboldt Mall. Cash flows used in investing activities for the twelve months ended December 31, 2014 were primarily related to the purchase of the Acquisition Properties, the investment in the Data Centre, the issuance of a note receivable to the other 50% limited partner of the Data Centre investment, as well as capital expenditures and leasing costs. Cash flows for the twelve months ended December 31, 2013 was mainly related to the acquisitions of 4211 Yonge, The Promontory, and 1700 Ellice, as well as the dispositions of 220 Portage and Humboldt Mall.
- Financing – cash flows from financing activities for the three months ended December 31, 2014 were mainly from the mortgage financing of the Acquisition Properties, and a drawdown on the revolving credit facility, offset by mortgage principal repayments and cash distributions paid on trust units. Cash flows from financing for the twelve months ended December 31, 2014 were largely related to net proceeds on the issuance of trust units in May 2014 and the above noted factors. Cash flows related to financing for the three months ended December 31, 2013 included the repayments on the revolving credit facility and distributions on the trust units. Cash flows from financing for the twelve months ended December 31, 2013 were primarily from the net proceeds on the issuance of trust units in August 2013 and net proceeds from mortgage financing related to asset acquisitions, offset by repayments on the revolving credit facility, mortgage principal payments, and distributions paid on trust units.

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 trust units are traded on the TSX with a closing ask price of \$7.58 as at December 31, 2014.

On December 17, 2014, as partial consideration for the purchase of the Acquisition Properties, the REIT issued 2,794,363 trust units at a price of \$9.00 per unit, and 2,096,686 Class B LP units at a price of \$9.00 per unit of FAM II LP, along with 2,096,686 special voting units that provide the same voting rights as the trust units of FAM REIT to Slate. The issuance of the Class B LP units and the trust units at a price of \$9.00 per unit represents an estimated \$1.83 premium per unit over the fair value of the trust units of \$7.17 per unit as at December 17, 2014, resulting in a total premium of \$9.0 million.

On May 13, 2014, the REIT completed a public offering of 1,955,000 trust units and the issuance of 831,639 trust units to Huntingdon on a private placement basis at a purchase price of \$8.85 per trust unit. After deducting issuance costs of \$1.3 million, net proceeds of \$23.4 million from the May 2014 Offering and private placement were used (i) to fund the investment in the Data Centre including the Mezzanine Loan and any additional amounts payable for closing costs, (ii) to fully repay amounts drawn on the REIT's revolving credit facility, and (iii) for general corporate purposes.

On August 2, 2013, the REIT completed a public offering of 2,564,500 trust units at a purchase price of \$9.00 per trust unit. Concurrent with the August 2013 Offering, the REIT issued 425,532 trust units in a private placement to Huntingdon at a purchase price of \$9.40 per trust unit. After deducting issuance costs of \$1.5 million, net proceeds of \$25.6 million from the August 2013 Offering and private placement were used to (i) partially fund the acquisition of the Promontory, (ii) to repay amounts drawn on the revolving credit facility.

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 twelve months ended December 31, 2014.

As at December 31, 2014, the total number of trust units outstanding was 14,935,795. As at March 5, 2015, the total number of trust units outstanding was 14,944,485.

Potential trust units:

	Number of Units	
	December 31, 2014	December 31, 2013
Class B LP Units	5,073,818	2,977,132
Warrants	1,598,550	1,598,550
	6,672,368	4,575,682

As partial consideration for the acquisition of the Initial Properties from Huntingdon, FAM LP issued 2,513,700 Class B LP units of FAM LP to Huntingdon. During the year ended December 31, 2013, FAM LP issued 466,094 Class B LP units to Huntingdon in connection with the acquisition of 1700 Ellice. In December 2014, in connection with the purchase of the Acquisition Properties from Slate, 2,096,686 Class B LP units of FAM II LP were issued to Slate. 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 and twelve months ended December 31, 2014, there were no Class B LP units exchanged for the REIT's trust units.

As at December 31, 2014 and March 5, 2015, the total number of Class B LP units outstanding was 5,073,818.

Each whole warrant entitles the holder to acquire one trust unit of the REIT at an exercise price of \$10.50 per trust unit at any time until December 28, 2015. The warrants are recognized in the consolidated financial statements of the REIT as financial liabilities measured at fair value through profit or loss. Upon exercise, the carrying amount of the liability representing the fair value of the warrants on exercise date will be reclassified to unitholders' equity. The warrants are traded on the TSX with a closing ask price of \$0.005 as at December 31, 2014.

As at December 31, 2014 and March 5, 2015, the total number of warrants outstanding was 1,598,550.

Interest Rate and Capital Expenditures Subsidies

On December 28, 2012, in connection with the acquisition of the Initial Properties, the total purchase price payable by the REIT was reduced by \$4.9 million in respect of interest rate and capital expenditures subsidies. Of the amount retained, \$1.9 million is to be used to subsidize the REIT's interest payments on mortgages payable (including interest paid under the interest rate swap) related to the Initial Properties to achieve a blended cash interest rate of 4.5% for the five year period to December 2017, representing the market interest rate on similar debt. The remaining \$3.0 million retained is to be used to subsidize capital expenditures on the Initial Properties in excess of the normalized maintenance capital expenditure level of \$675,000 on an annual basis for the five year period to December 2017. The capital expenditures subsidy of \$3.0 million received has been recorded as a contra account to investment properties and will be reduced as the subsidy is utilized.

The amounts retained for both the interest rate and capital expenditures subsidies can be utilized by the REIT for operational matters but must be ultimately replenished to fund the required interest payments and capital expenditures. The table below summarizes the movements related to the interest rate subsidy for the twelve months ended December 31, 2014 and 2013:

(\$000s)	Twelve months ended December 31, 2014		Twelve months ended December 31, 2013	
Balance, beginning of year	\$	1,271	\$	1,874
Amortization of interest rate subsidy		(418)		(503)
Subsidy written-off		—		(100)
Balance, end of year	\$	853	\$	1,271

The interest rate subsidy of \$0.4 million was utilized during the twelve months ended December 31, 2014 to reflect the blended interest rate of 4.5% on the mortgages payable related to the Initial Properties.

The table below summarizes the movements related to the capital expenditures subsidy for the twelve months ended December 31, 2014 and 2013:

(\$000s)	Twelve months ended December 31, 2014		Twelve months ended December 31, 2013	
Balance, beginning of year	\$	2,736	\$	2,991
Subsidy utilized		(68)		—
Subsidy written-off		—		(255)
Balance, end of year	\$	2,668	\$	2,736

Related Party Transactions

The REIT has a Management Agreement with the Manager, as disclosed in the Annual Financial Statements. During the three months and twelve months ended December 31, 2014 and 2013, the REIT incurred the following costs in connection with the Management Agreement:

(\$000s)	Three months ended December 31, 2014	Three months ended December 31, 2013	Twelve months ended December 31, 2014	Twelve months ended December 31, 2013
Property management fees	\$ 250	\$ 222	\$ 936	\$ 752
Asset management fees	239	200	857	712
Leasing, financing, and construction management fees	60	191	374	472
Acquisition fees	8	—	103	823
	\$ 557	\$ 613	\$ 2,270	\$ 2,759

Property administration fees are allowable under the tenants' leases relating to assets or resources of Huntingdon that are directly attributable to the management of the REIT's properties. For the three months ended December 31, 2014, property administration fees were \$0.6 million, compared to \$0.3 million for the same period in 2013. For the twelve months ended December 31, 2014, property administration fees were \$1.3 million, compared to \$0.8 million for the same period in 2013. 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. As at December 31, 2014, included in accounts payable and other liabilities is \$1.0 million due to the Manager (December 31, 2013 - \$0.2 million).

As at December 31, 2014, the REIT has recognized an amount receivable from the Manager of \$0.1 million (December 31, 2013 - \$0.2 million) related to environmental work required on certain of the Initial Properties for which the REIT will be reimbursed by the Manager in accordance with the acquisition agreement. As at December 31, 2014, included in accounts receivable is a receivable from the Manager of \$3.7 million related to the purchase of the Acquisition Properties.

Section 5. SIGNIFICANT ACCOUNTING POLICIES, CRITICAL JUDGMENTS AND KEY ESTIMATES

Significant Accounting Policies

Effective January 1, 2014, the REIT adopted IFRS Interpretations Committee 21, *Levies* ("IFRIC 21"), which provides guidance on accounting for levies in accordance with the requirements of IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*. The interpretation defines a levy as an outflow from an entity imposed by a government in accordance with legislation, and clarifies when a liability for a levy should be recognized. IFRIC 21 did not have an impact on the consolidated financial statements.

Recent accounting pronouncements

IFRS 9, *Financial Instruments* ("IFRS 9"), replaces the guidance in IAS 39, *Financial Instruments: Recognition and Measurement* on the classification and measurement of financial assets and liabilities. 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. The mandatory effective date of IFRS 9 is for annual periods beginning on or after January 1, 2018. The REIT is currently evaluating the impact of IFRS 9 on its consolidated financial statements.

In May 2014, the IASB issued IFRS 15, *Revenue from Contracts with Customers*. The model features 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. The new standard applies to contracts with customers. It does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other IFRSs. The new standard is effective for annual periods beginning on or after January 1, 2017. The REIT does not expect the standard to have a material impact on the financial statements.

In December, 2014, the IASB issued amendments to IAS 1, *Presentation of Financial Statements* as part of its major initiative to improve presentation and disclosure in financial reports (the "Disclosure Initiative"). These amendments will not require any significant change to current practice, but should facilitate improvement in financial statement disclosures. The amendments are effective for annual periods beginning on or after January 1, 2016. The extent of the impact of adoption has not yet been determined.

The preparation of these financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and expenses and disclosures of contingent assets and liabilities. Estimates are based on historical experience and on various assumptions that are reasonable under the circumstances. Actual results could differ from the estimated amounts.

Critical Judgments

The critical judgments made by management, apart from those involving estimations, that have the most significant effect on the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the period are as follows:

Business combinations

The REIT makes certain judgments based on relevant facts and circumstances to determine whether a set of assets acquired and liabilities assumed constitute a business accounted for as a business combination. The REIT has determined that the acquisition of the investment properties on December 17, 2014 constituted an asset acquisition.

Leases

The REIT makes judgments in determining whether certain leases, in particular those leases with long contractual terms where the lessee is the sole tenant in a property and long-term ground leases where the REIT is the lessee, are operating or finance leases. The REIT has determined that none of its leases are finance leases.

Lease incentives

Lease incentives such as rent-free periods and lessee or lessor owned improvements may be provided to lessees to enter into an operating lease. Lease incentives that do not provide benefits beyond the initial lease term are included in the carrying amount of investment properties and are amortized as a reduction of rental revenue on a straight-line basis over the term of the lease. This assessment requires the consideration of several factors, including whether the incentives enhance the value of the property, uniqueness of the improvements, and tenant discretion in use of funds.

Income taxes

The REIT has determined that it is not subject to income taxes as it intends to continue to meet prescribed conditions under the Income Tax Act (Canada) and make distributions not less than the amount necessary to ensure that it is not liable to pay income taxes under current tax legislation.

Assets and liabilities held for sale

The REIT makes judgments in determining whether certain non-current assets or group of assets and liabilities meet the specified criteria under IFRS for classification as held for sale. As at December 31, 2014, the REIT has determined that there were no assets or group of assets and liabilities that met the specified criteria.

Key Estimates

The key estimates and assumptions made by management about the future and other major sources of estimation uncertainty at the date of the consolidated financial statements that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

Valuation of investment properties

The fair values of investment properties, including the investment property under development held by the equity-accounted investee, are determined by management using recognized valuation techniques with a portion of fair values supported by externally qualified third party appraisers. The critical estimates and assumptions underlying the valuation of investment properties include, among other things, rental revenue from current leases, rental revenue from future leases in light of current conditions, future cash outflows in respect of leasing costs, capital expenditures, property operations, and capitalization and discount rates based on market data within the applicable market segment and geographical location. In addition, critical estimates for the investment property under development also include the exercise of the purchase option by the tenant and the stage of completion. Valuations are most sensitive to changes in discount rates and capitalization rates. Changes to the estimates and assumptions used by management or to local and general economic conditions can result in a significant change to the valuation of investment properties, which will be recognized as fair value adjustments during the periods the changes occur.

Section 6. RISKS AND UNCERTAINTIES

For a full list and explanation of the REIT's risks and uncertainties, please refer to the REIT's Annual Information Form for the year ended December 31, 2014, available on SEDAR.

In the normal course of business, the REIT is exposed to financial risks that arise from its financial instruments. The mandate of the REIT's Board of Trustees includes identifying and managing the REIT's risk exposure. Other than the use of interest rate swaps to reduce the impact of floating rate mortgages, 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. Refer to the discussion under "Section 5 – Financial Condition on Liquidity and Capital Resources" of the REIT.

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. The Canadian economy in recent years has been in a low interest rate environment. A reversal of this trend, however, could significantly affect the REIT's ability to meet its financial obligations. 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 its floating rate mortgages. As at December 31, 2014, the REIT had three interest rate swaps outstanding with a notional amount of \$50.1 million.

As at December 31, 2014, excluding the mortgages associated with interest rate swaps, the REIT had one floating rate mortgage of \$144.0 million.

The REIT is required under the revolving credit facility agreement to maintain certain financial ratios at the end of each reporting period and a minimum unitholders' equity balance at all times. As at December 31, 2014, the REIT is compliant with all financial covenants under the revolving credit facility.

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, accounts receivable, and note 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 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 an analysis of the financial position of the debtor, and a review of credit limits, credit history and credit performance. The credit risk associated with the note receivable is mitigated by obtaining collateral in the form of additional equity ownership in the partnership, as disclosed in "Section 2 - Financial Highlights and Key Performance Indicators". In the event of a tenant default, delays or limitations in enforcing rights of the lessor may be experienced and substantial costs in protecting the REIT's investment may be incurred. Furthermore, at any time, a tenant of the REIT's properties may seek the protection of bankruptcy, insolvency or similar laws that could result in the rejection and termination of such tenant's lease and thereby cause a reduction in the cash flow available to the REIT. An allowance for doubtful accounts or

other impairment provisions are established based upon factors surrounding credit risk, historical trends and other information. As at December 31, 2014, the allowance for doubtful accounts or any other impairment provisions recognized in the REIT's consolidated financial statements was \$0.1 million.

Lease Rollover Risk

Upon the expiry of any lease, there can be no assurance that the lease will be renewed or the tenant replaced. In addition, the terms of any subsequent leases may be less favourable than the existing lease terms. The REIT's ability to re-lease vacant space upon their lease expiry is affected by many factors. The failure to lease vacant space on a timely basis or at all could have a material adverse effect on the REIT's financial condition and results of operations.

To mitigate lease rollover risk, the REIT attempts to stagger its lease expiry profile so that the REIT is not faced with disproportionate amounts of space expiring in any one year.

The following tables summarizes the weighted average remaining lease term by asset class and geographic location:

**Weighted Average Remaining Lease Term (years)
As at December 31, 2014**

	Industrial	Office	Retail	Weighted average remaining lease term by province
Manitoba	6.2	7.4	7.9	6.9
Ontario	11.4	3.2	—	4.5
Saskatchewan	—	0.9	—	0.9
Alberta	7.5	—	3.7	7.2
Northwest Territories	—	—	1.3	1.3
Weighted average remaining lease term by asset class	8.1	4.1	6.4	5.3

The following table outlines the expiries of tenant leases, by square footage, with respect to the REIT's property portfolio as at December 31, 2014:

	Lease Expiries by Asset Class							Total
	Month-to-month	2015	2016	2017	2018	2019	2020 and beyond	
Industrial								
Sq. ft. (000s)	—	—	50	89	36	2	565	742
Sq. ft. (%)	—	—	6.7%	12.0%	4.9%	0.3%	76.1%	100.0%
Office								
Sq. ft. (000s)	12	253	445	162	297	383	301	1,853
Sq. ft. (%)	0.6%	13.7%	24.0%	8.7%	16.0%	20.7%	16.3%	100.0%
Retail								
Sq. ft. (000s)	—	—	14	3	1	5	63	86
Sq. ft. (%)	—	—	16.3%	3.5%	1.2%	5.7%	73.3%	100.0%
Total Sq.ft. (000s)	12	253	509	254	334	390	929	2,681

Lease Expiries by Geographic Location (sq. ft. in 000s)

	Month-to-month	2015	2016	2017	2018	2019	2020 and beyond	Total
Manitoba	—	24	108	108	112	105	455	912
Ontario	6	184	387	139	185	275	440	1,616
Saskatchewan	6	45	—	4	—	5	1	61
Alberta	—	—	1	—	37	5	33	76
Northwest Territories	—	—	13	3	—	—	—	16
Total Sq.ft. (000s)	12	253	509	254	334	390	929	2,681
Percentage (%)	0.4%	9.4%	19.0%	9.5%	12.5%	14.5%	34.7%	100.0%

Environmental Risks

The REIT is subject to various federal, provincial and municipal laws relating to environmental matters, primarily dealing with costs of removal of certain hazardous substances and remediation of certain hazardous locations. The failure to remove or remediate such substances or locations, if any, could adversely affect the REIT's ability to sell or finance affected assets, and potentially result in claims against the REIT. Management is not aware of any material non-compliance with environmental laws or regulations with respect to the REIT's properties or of any pending or threatened investigations, actions, or claims against the REIT relating to environmental matters.

Land Leases

The REIT has one single tenant property that is situated on land leased from the Winnipeg Airport Authority in Winnipeg, Manitoba. There can be no assurance that the Winnipeg Airport Authority will renew the ground lease upon expiry in 2036. If the ground lease is not renewed, or if the REIT defaults under the ground lease, the REIT would be unable to operate the building situated on the leased land and may be required to relocate the tenant to comparable space. Under this circumstance, the REIT may seek to acquire the replacement property. There can be no assurance that such property will be available for acquisition on favourable terms to the REIT or that any such acquired property will generate anticipated operating results. If the REIT is unable to provide alternative suitable space for its tenant, including construction of new buildings, the REIT would lose its tenant.

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 its unitholders in order to avoid paying income taxes. In the event that the REIT fails to meet the REIT Conditions or to distribute the required amount of income to its unitholders, the REIT will be subject to current taxes at the combined Canadian federal and provincial tax rate. The applicable combined Canadian federal and provincial tax rate as at December 31, 2014 was 45.0%. As at December 31, 2014, the REIT has satisfied the REIT Conditions and is not liable to pay Canadian income taxes.

Competition

The real estate business is competitive. Numerous other developers, managers and owners of properties will compete with the REIT in seeking tenants. Some of the properties located in the same markets as the REIT's properties are newer, better located, less levered or have stronger tenant profiles than the REIT's properties. Some owners with properties located in the same markets as the REIT's properties may be better capitalized and may be stronger

financially and hence better able to withstand an economic downturn. Competition from developers, managers and owners in the markets in which the REIT operates could have a negative effect on the REIT's ability to lease space, rental rates charged, or concessions granted, which could have an adverse effect on the REIT's financial condition and results of operation and decrease the amount of cash available for distribution to unitholders.

Competition for acquisitions of real properties can be intense and some competitors may have the ability or inclination to acquire properties at a higher price or on terms less favourable than those that the REIT may be prepared to accept. Increases in the availability of funds from investors and interests in real property investments, or a decrease in interest rates may increase competition, thereby increasing the prices paid by the REIT for property acquisitions and reducing the yield on the investments.

Current Economic Environment

Continued concerns and uncertainties surrounding inflation, deflation or stagflation, and the systemic impact of increased unemployment, volatile energy costs, geopolitical issues, the availability and cost of credit, the Canadian mortgage market and a softening commercial real estate market can contribute to increased market volatility and weakened business and consumer confidence. This difficult operating environment could adversely affect the REIT's ability to maintain occupancy rates and generate revenues, thereby reducing its operating income and net earnings. If these economic conditions continue, the REIT's tenants and operators may be unable to meet their rental payments and other obligations due to the REIT, which could have a material adverse effect on the REIT's financial position.

Property Development and Construction Risks

The REIT will engage in development activities with respect to the MTS Data Centre. In doing so, it will be subject to certain risks involved with development and construction of the MTS Data Centre. While the REIT has attempted to mitigate the development and construction risks that it may have in connection with its investment in the MTS Data Centre by entering into a fixed price construction contract for the development with a \$25 million performance bond and a \$25 million labour and material bond thereon, there is no guarantee that the foregoing arrangements will in fact cover all risks relating to cost overruns, penalties relating to construction delays, the risk of default by the construction contractor or other risks associated with the development of properties comparable to the MTS Data Centre. In the event there are cost overruns, penalties relating to construction delays or the contractor defaults on its obligations under the construction contract or other risks associated with the development of the property that are not otherwise covered pursuant to the foregoing arrangements, they may materially impact the financial position of the REIT.

Section 7. 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 year ended December 31, 2014.

As required by NI 52-109, the REIT's CEO and CFO have evaluated the effectiveness of the REIT's DC&P and ICFR. Based on such evaluations, they have concluded that the design and operation of the REIT's DC&P and ICFR, as applicable, are adequately designed and effective, as at December 31, 2014. No changes were made in the REIT's design of ICFR during the three and twelve months ended December 31, 2014, 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.

Appendix A - Property Table as at December 31, 2014

A summary of details of the REIT's property portfolio as at December 31, 2014 is set out in the table below.

Asset Class	Property Name	City, Province	Year Built / Renovated / Expanded	(sq. ft.)	GLA Occupancy
OFFICE					
1.	Saskatchewan Place	Regina, SK	1985	84,243	72.6%
2.	280 Broadway Avenue ⁽²⁾	Winnipeg, MB	1957	115,354	96.7%
3.	585 Century Street ⁽³⁾	Winnipeg, MB	1959	9,680	100.0%
4.	220 Cree Crescent	Winnipeg, MB	1980	18,000	100.0%
5.	1680 Ellice Avenue ⁽³⁾	Winnipeg, MB	1980	29,843	89.8%
6.	1700 Ellice Avenue ⁽³⁾	Winnipeg, MB	1956 / 1959 ⁽⁶⁾	30,268	100.0%
7.	1030 – 1040 Empress Street	Winnipeg, MB	1956 / 1983	33,478	100.0%
8.	114 Garry Street	Winnipeg, MB	1950 / 1995	74,248	100.0%
9.	1336 – 1340 Sargent Avenue	Winnipeg, MB	1950 / 1995	42,092	100.0%
10.	895 Waverley Street	Winnipeg, MB	1991	34,364	100.0%
11.	1000 Waverley Street	Winnipeg, MB	1966 / 1998	58,668	91.3%
12.	4211 Yonge Street ⁽⁴⁾	Toronto, ON	1982	170,624	88.2%
13.	1189 Colonel Sam Drive	Oshawa, ON	2001	103,179	100.0%
14.	The Promontory ⁽⁵⁾	Mississauga, ON	1987 / 1989	159,752	100.0%
15.	Woodbine Complex ⁽⁸⁾	Markham, ON	1984 / 2011	359,827	90.4%
16.	135 Queens Plate ⁽⁸⁾	Toronto, ON	1989 / 2012	93,581	71.2%
17.	1 Eva Road ⁽⁸⁾	Toronto, ON	1978 / 2011	91,068	83.4%
18.	Meadowpine Blvd ⁽⁸⁾	Mississauga, ON	1990	59,095	91.9%
19.	Centennial Centre ⁽⁸⁾	Toronto, ON	1985	235,299	85.0%
20.	2285 Speakman ⁽⁸⁾	Mississauga, ON	1981	126,270	100.0%
21.	2599 Speakman ⁽⁸⁾	Mississauga, ON	1971 / 2011	111,461	86.1%
TOTAL – OFFICE				2,040,394	90.8%
INDUSTRIAL					
22.	35 Martin Way	Brooks, AB	2005	28,400	0.0%
23.	5404 36th Street SE	Calgary, AB	1980	36,000	100.0%
24.	7001 96th Street	Grande Prairie, AB	1980	33,280	100.0%
25.	891 – 895 Century Street	Winnipeg, MB	1961 / 1968	51,841	100.0%
26.	110 Lawson Crescent	Winnipeg, MB	1996	60,903	100.0%
27.	130 Lawson Crescent	Winnipeg, MB	1999	25,672	100.0%
28.	119 – 130 Plymouth Street	Winnipeg, MB	1977 / 1999	43,364	100.0%
29.	1271 Sargent Avenue	Winnipeg, MB	1981 / 1984	40,893	100.0%
30.	1855 Sargent Avenue	Winnipeg, MB	1953 / 1998	77,500	100.0%
31.	1935 Sargent Avenue ⁽¹⁾	Winnipeg, MB	1962 / 1997	113,864	100.0%
32.	505 Industrial Drive	Milton, ON	1987 / 1991	258,960	100.0%
TOTAL – INDUSTRIAL				770,677	96.3%
RETAIL					
33.	125 – 185 First Street	Cochrane, AB	1998	15,771	43.9%
34.	Flin Flon Wal-Mart	Flin Flon, MB	2002	63,439	100.0%
35.	Airport Road Shopping Centre	Yellowknife, NWT	2001 / 2003 ⁽⁷⁾	15,475	100.0%
TOTAL – RETAIL				94,685	90.7%
TOTAL PROPERTIES				2,905,756	92.3%

Notes:

- (1) Leasehold interest with ground lease expiring in 2036.
- (2) 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 the residential tenants at 70 Smith Street.
- (3) 1680 Ellice Avenue, 1700 Ellice Avenue and 585 Century Street comprise the Century Business Park.
- (4) The REIT acquired 4211 Yonge Street on May 1, 2013.
- (5) The REIT acquired The Promontory on August 14, 2013.
- (6) The REIT acquired 1700 Ellice Avenue on December 20, 2013.
- (7) The Airport Road Shopping Centre consists of two buildings. 307 Old Airport Road was originally built in 1993 and subsequently renovated in 2003. 309 Old Airport Road was originally built in 1982 and subsequently renovated in 2001.
- (8) The REIT acquired the Acquisition Properties on December 17, 2014.