TRUE NORTH COMMERCIAL
REAL ESTATE INVESTMENT TRUST

MANAGEMENT'S DISCUSSION AND ANALYSIS
OF CONSOLIDATED FINANCIAL RESULTS

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2018

November 8, 2018

MANAGEMENT’S DISCUSSION AND ANALYSIS

The following Management’s Discussion and Analysis (“MD&A”) of the consolidated financial results of True North Commercial Real Estate Investment Trust (the “REIT”) for the three and nine months ended September 30, 2018 should be read in conjunction with the REIT’s annual audited consolidated financial statements for the year ended December 31, 2017 and the unaudited condensed consolidated interim financial statements for the three and nine months ended September 30, 2018 and 2017 and accompanying notes thereto. These documents are available on SEDAR at www.sedar.com.

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

Certain statements contained in this MD&A constitute forward-looking information within the meaning of Canadian securities laws. Forward-looking statements are provided for the purposes of assisting the reader in understanding the REIT’s financial performance, financial position and cash flows as at and for the periods ended on certain dates and to present information about management’s current expectations and plans relating to the future. Readers are cautioned such statements may not be appropriate for other purposes. Forward-looking information may relate to future results, performance, achievements, events, prospects or opportunities for the REIT or the real estate industry and may include statements regarding the financial position, business strategy, budgets, projected costs, capital expenditures, financial results, taxes, plans and objectives of or involving the REIT. In some cases, forward-looking information can be identified by such terms as “may”, “might”, “will”, “could”, “should”, “would”, “expect”, “plan”, “anticipate”, “believe”, “intend”, “seek”, “aim”, “estimate”, “target”, “goal”, “project”, “predict”, “forecast”, “potential”, “continue”, “likely”, or the negative thereof or other similar expressions suggesting future outcomes or events.

Forward-looking statements involve known and unknown risks and uncertainties, which may be general or specific and which give rise to the possibility that expectations, forecasts, predictions, projections or conclusions will not prove to be accurate, assumptions may not be correct and objectives, strategic goals and priorities may not be achieved. A variety of factors, many of which are beyond the REIT’s control, affect the operations, performance and results of the REIT and its business, and could cause actual results to differ materially from current expectations of estimated or anticipated events or results. These factors include, but are not limited to, risks related to the trust units of the REIT (“Units”) and risks related to the REIT and its business. See “Risks and Uncertainties”. The reader is cautioned to consider these and other factors, uncertainties and potential events carefully and not to put undue reliance on forward-looking statements as there can be no assurance actual results will be consistent with such forward-looking statements.

Information contained in forward-looking statements is based upon certain material assumptions applied in drawing a conclusion or making a forecast or projection, including management’s perception of historical trends, current conditions and expected future developments, as well as other considerations believed to be appropriate in the circumstances, including the following: the Canadian economy will remain stable over the next 12 months; inflation will remain relatively low; interest rates will remain relatively stable; conditions within the real estate market, including competition for acquisitions, will be consistent with the current climate; the Canadian capital markets will provide the REIT with access to equity and/or debt at reasonable rates when required; Starlight Group Property Holdings Inc. (“Starlight”) or an affiliate of Starlight will continue its involvement as asset manager of the REIT in accordance with its current asset management agreement; and the risks referenced above, collectively, will not have a material impact on the REIT. While management considers these assumptions to be reasonable based on currently available information, they may prove to be incorrect.

The forward-looking statements made relate only to events or information as of the date on which the statements are made in this MD&A. Except as specifically required by applicable Canadian law, the REIT undertakes no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise, after the date on which the statements are made or to reflect the occurrence of unanticipated events.

NON-IFRS FINANCIAL MEASURES

Certain terms used in this MD&A such as funds from operations ("FFO"), adjusted funds from operations ("AFFO"), net operating income ("NOI"), same property net operating income ("Same Property NOI"), indebtedness ("Indebtedness"), gross book value ("GBV"), Indebtedness to GBV ratio and adjusted cash provided by operating activities are not measures defined by International Financial Reporting Standards ("IFRS") as prescribed by the International Accounting Standards Board ("IASB"), do not have standardized meanings prescribed by IFRS and should not be compared to or construed as alternatives to profit/loss, cash flow from operating activities or other measures of financial performance calculated in accordance with IFRS. FFO, AFFO, NOI, Same Property NOI, Indebtedness, GBV, Indebtedness to GBV ratio and adjusted cash provided by operating activities as computed by the REIT may not be comparable to similar measures presented by other issuers.

FFO is a measure of operating performance based on the funds generated from the business of the REIT before reinvestment or provision for capital needs. The REIT calculates FFO in accordance with the guidelines set out by the Real Property Association of Canada ("Realpac"). Management considers this non-IFRS measure to be an important measure of the REIT's operating performance.

AFFO is an important performance measure to determine the sustainability of future distributions paid to holders of Units ("Unitholders"). In calculating AFFO, the REIT makes certain non-cash adjustments to FFO such as: amortization of fair value mark-to-market adjustments on assumed mortgages, amortization of deferred financing costs, straight-line rent, instalment note receipts and non-cash compensation expense related to Unit-based incentive plans and a deduction of a reserve for capital expenditures, tenant inducements, and leasing costs. The method applied by the REIT to calculate AFFO differs from the definition of AFFO as defined by Realpac. Management considers these non-cash adjustments important in determining the amount of sustainable cash available to fund future distributions to Unitholders.

NOI is defined by the REIT as rental revenue from property operations less property operating costs and property taxes. NOI is presented in this MD&A because management considers this non-IFRS measure to be a valuable measure for evaluating the operating performance of the REIT's properties.

Same Property NOI is defined by the REIT as NOI for properties that were owned for an entire quarter or annual reporting period in both the current and comparative year. Adjustments are made to NOI to exclude non-cash items such as amortization of tenant inducements, leasing costs and straight-line rent. Same Property NOI is presented in this MD&A because management considers this non-IFRS measure to be a valuable measure for evaluating the operating performance of the REIT's properties excluding the impact attributable to acquisitions and dispositions.

Indebtedness is defined in the REIT's second amended and restated declaration of trust ("DOT") made as of May 22, 2014, and is a measure of the amount of leverage utilized by the REIT. GBV is defined in the DOT and is a measure of the value of the REIT's total assets. The Indebtedness to GBV ratio is a compliance measure in the DOT and establishes the limit of financial leverage for the REIT. The Indebtedness to GBV ratio is presented in this MD&A as management considers this non-IFRS measure to be an important measure of the REIT's financial position.

Adjusted cash provided by operating activities measures the amount of sustainable cash provided by operating activities less interest expense. Adjusted cash provided by operating activities is presented in this MD&A because management considers this non-IFRS measure to be an important measure of the REIT's operating performance.

TABLE OF CONTENTS

BASIS OF PRESENTATION

The REIT's unaudited condensed consolidated interim financial statements for the three and nine months ended September 30, 2018 and 2017 have been prepared in accordance with International Accounting Standards ("IAS") 34, Interim Financial Reporting. The REIT's presentation currency is the Canadian dollar. Unless otherwise stated, dollar amounts expressed in this MD&A are in thousands of dollars, except for Unit and per Unit information.

Certain time periods used in this MD&A are used interchangeably such as three months ended June 30, 2018 ("Q2-2018), three and nine months ended September 30, 2018 ("Q3-2018") and ("YTD-2018"), respectively, and three and nine months ended September 30, 2017 ("Q3-2017") and ("YTD-2017"), respectively.

OVERVIEW AND STRATEGY

The REIT is an unincorporated, open-ended real estate investment trust established pursuant to the DOT, and governed by the laws of the Province of Ontario. The registered and head office of the REIT is 1400 – 3280 Bloor Street West, Centre Tower, Toronto, Ontario, Canada, M8X 2X3. The Units are listed on the Toronto Stock Exchange ("TSX") under the symbol TNT.UN. As at September 30, 2018, the REIT owned and operated a portfolio of 45 commercial properties consisting of approximately 3.7 million square feet across Canada.

The objectives of the REIT are to:

- generate stable cash distributions on a tax-efficient basis;
- expand the asset base of the REIT and increase its distributable cash flow through acquisitions of commercial rental properties across Canada and such other jurisdictions where opportunities exist; and
- enhance the value of the REIT's assets to maximize long-term Unit value through active management of its assets.

The REIT seeks to identify potential acquisitions using investment criteria that focus on the security of cash flow, capital appreciation, value enhancement through more efficient management of the assets being acquired and growth of FFO and AFFO per Unit.

PORTFOLIO SUMMARY

At September 30, 2018 the REIT's portfolio was comprised of 45 commercial properties totaling approximately 3.7 million square feet of gross leasable area. The following tables highlights certain information about the REIT's properties as at September 30, 2018:

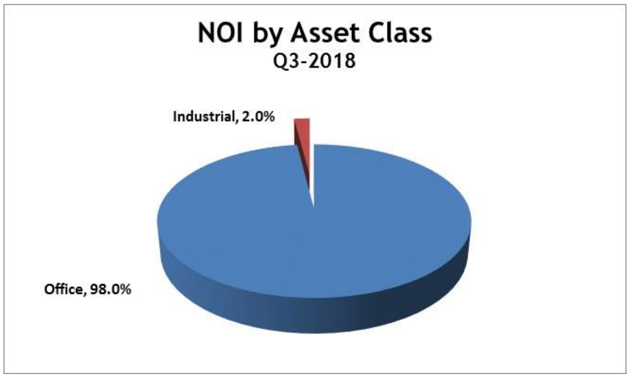
Property Name	City	Type	Occupancy	Remaining Lease Term [1]	GLA
Alberta					
855 8th Avenue SW	Calgary	Office	97%	2.7 years	75,700
4500 & 4520 - 16th Avenue NW	Calgary	Office	91%	6.1 years	77,600
1020 68th Avenue NE	Calgary	Office	100%	5.3 years	148,400
13140 St. Albert Trail	Edmonton	Office	100%	2.5 years	96,800
British Columbia					
810 Blanshard Street	Victoria	Office	100%	1.3 years	34,400
727 Fisgard Street	Victoria	Office	100%	1.3 years	47,600
32071 South Fraser Way	Abbotsford	Office	100%	6.0 years	52,300
New Brunswick					
500 Beaverbrook Court	Fredericton	Office	100%	3.3 years	55,600
295 Belliveau Avenue	Shediac	Office	100%	3.3 years	42,100
410 King George Highway	Miramichi	Office	62%	3.4 years	73,200
551 King Street	Fredericton	Office	100%	3.8 years	85,300
495 Prospect Street	Fredericton	Office	100%	3.4 years	85,000
845 Prospect Street	Fredericton	Office	100%	3.4 years	39,000
414-422 York Street	Fredericton	Office	73%	3.1 years	33,600
440-470 York Street	Fredericton	Office	92%	3.6 years	60,100
Nova Scotia					
36 & 38 Solutions Drive	Halifax	Office	99%	4.4 years	129,200
120, 130, 134 & 140 Eileen Stubbs Avenue	Halifax	Office	95%	4.8 years	298,000

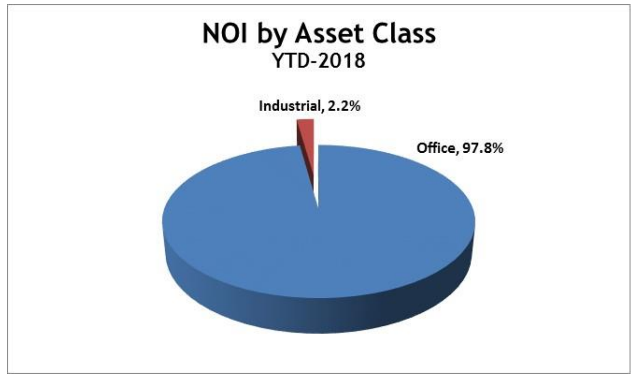
[1] Weighted by expected annualized gross revenue.

Property Name	City	Type	Occupancy	Remaining Lease Term [1]	GLA
Ontario					
1595 16th Avenue	Richmond Hill	Office	100%	3.2 years	120,200
251 Arvin Avenue	Hamilton	Office	100%	5.8 years	6,900
61 Bill Leathem Drive	Ottawa	Office	100%	4.3 years	148,100
777 Brock Road	Pickering	Office	100%	4.4 years	98,900
400 Carlingview Drive	Toronto	Office	100%	9.4 years	26,800
6865 Century Avenue	Mississauga	Office	100%	2.8 years	63,800
1161 Crawford Drive	Peterborough	Office	100%	3.5 years	32,500
197-199 Dundas Street	London	Office	72%	1.4 years	20,200
417 Exeter Road	London	Office	88%	2.6 years	35,200
520 Exmouth Street	Sarnia	Office	100%	3.2 years	34,700
529-533 Exmouth Street	Sarnia	Office	100%	1.7 years	15,400
5900 Explorer Drive	Mississauga	Office	100%	1.9 years	40,000
3115 Harvester Road	Burlington	Office	100%	2.9 years	78,800
135 Hunter Street East	Hamilton	Office	100%	4.8 years	24,400
1035 Industrial Road	Waterloo	Industrial	100%	7.9 years	156,300
63 Innovation Drive	Hamilton	Industrial	100%	5.2 years	45,900
340 Laurier Avenue West	Ottawa	Office	99%	2.1 years	279,100
400 Maple Grove Road	Ottawa	Office	100%	5.9 years	107,200
78-90 Meg Drive	London	Office	100%	1.7 years	11,300
301 & 303 Moodie Drive	Ottawa	Office	85%	4.2 years	149,300
8 Oakes Avenue	Kirkland Lake	Office	100%	3.5 years	41,000
5160 Orbitor Drive	Mississauga	Office	100%	1.5 years	31,400
534 Queens Avenue	London	Office	100%	2.7 years	19,000
231 Shearson Crescent	Cambridge	Office	100%	5.6 years	60,600
6 Staples Avenue	Richmond Hill	Office	100%	15.0 years	122,000
3650 Victoria Park Avenue	Toronto	Office	94%	4.8 years	154,300
80 Whitehall Drive	Markham	Office	100%	9.7 years	60,800
5775 Yonge Street	Toronto	Office	94%	3.7 years	274,400
Average/Total			97%	4.3 years	3,692,400

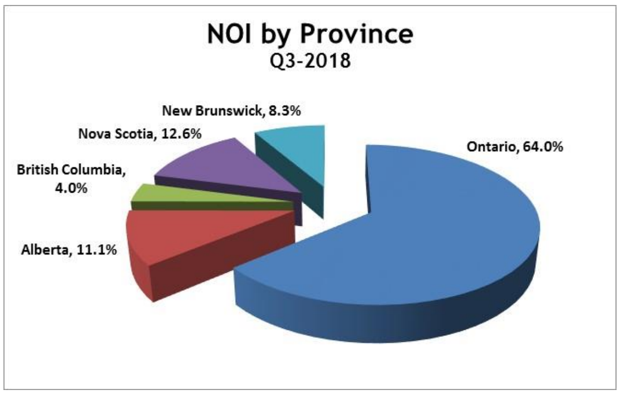
[1] Weighted by expected annualized gross revenue.

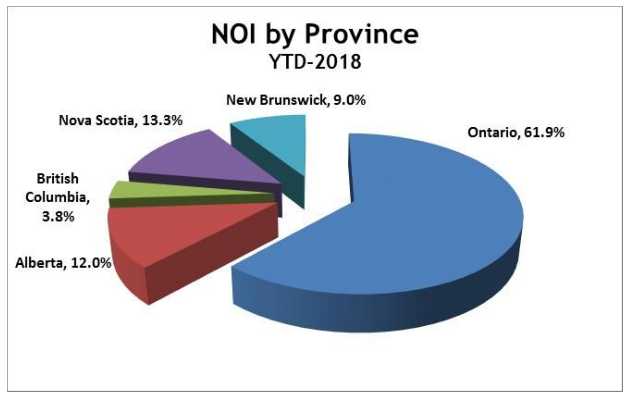
COMPOSITION BY ASSET CLASS





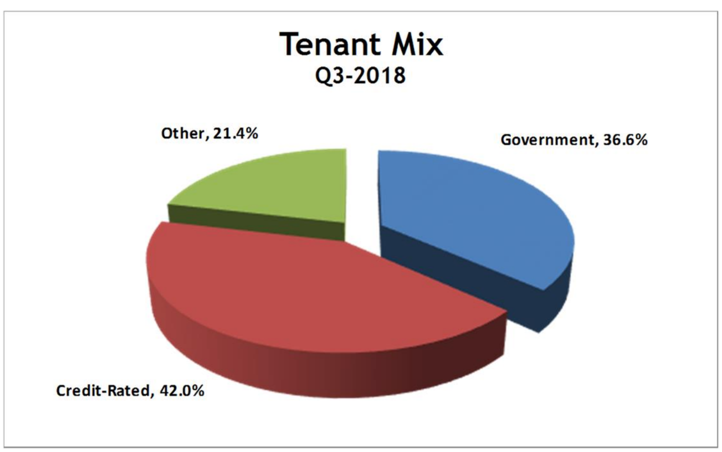
COMPOSITION BY GEOGRAPHIC REGION





TENANT MIX

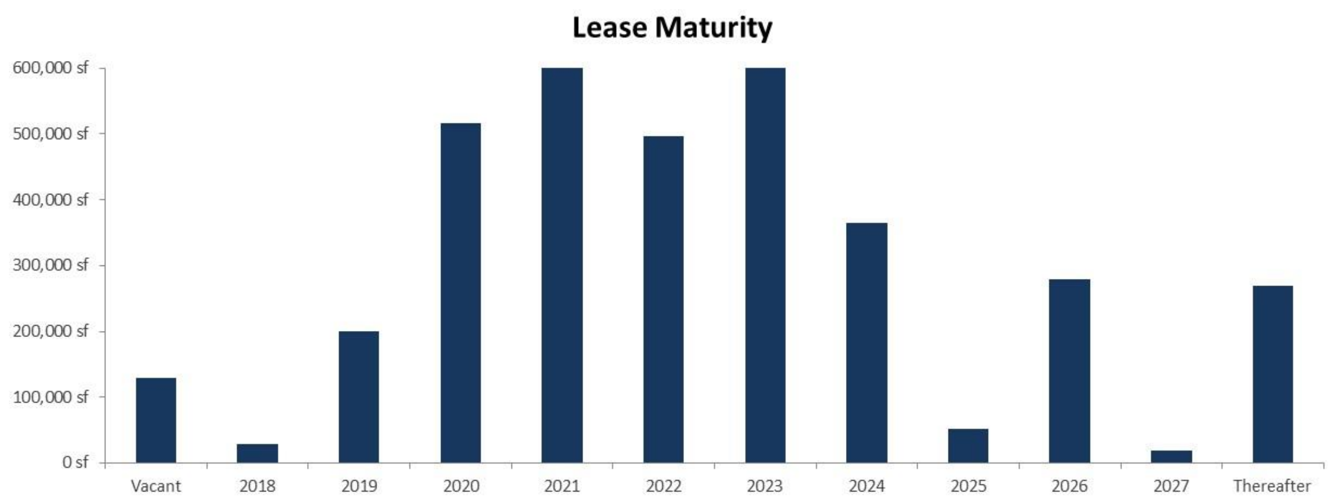
The percentage of revenue generated from tenants that are government institutions, credit-rated or other was as follows:



The tenant mix is based on expected annualized gross revenue.

LEASE ROLLOVER PROFILE

As at September 30, 2018 the lease rollover profile of the REIT was as follows:



Lease maturity is based on the square footage of the REIT’s leases.

Q3 AND YTD 2018 HIGHLIGHTS

Q3 2018 HIGHLIGHTS

- Successful Unit offering of 9,012,550 Units at a price of $6.38 per Unit for aggregate gross proceeds of approximately $57,500
- Acquired four office properties in Greater Toronto Area (“GTA”), Ontario, Abbotsford, British Columbia and Calgary, Alberta totaling 383,500 square feet for $102,100 plus closing costs
- FFO basic and diluted per Unit of $0.14 compared to $0.16 and $0.15 in Q3-2017
- AFFO basic and diluted per Unit of $0.14 compared to $0.15 in Q3-2017
- AFFO basic and diluted payout ratio of 106% and 107% compared to 99% and 100% in Q3-2017
- Excluding the timing differential between the Unit offering in July 2018 and the deployment of funds into property acquisitions, FFO basic and diluted per Unit would be $0.16 and $0.15, respectively, AFFO basic and diluted per Unit would be $0.15, and AFFO basic and diluted payout ratios would be 98% and 96%, respectively
- Increased revenue $8,484 or 61% from Q3-2017 to $22,501
- Increased NOI $4,541 or 52% from Q3-2017 to $13,305
- Portfolio occupancy increased to 97% at September 30, 2018 from 95% at June 30, 2018
- Government and credit-rated tenants represented 79% of revenue
- Contractually leased 11,200 and 23,000 square feet at 414-422 York Street, Fredericton, New Brunswick, and 130 Eileen Stubbs Avenue, Halifax, Nova Scotia, for five-year and ten-year terms effective January 1, 2019 and February 1,2019, respectively
- Indebtedness to GBV ratio decreased to 56% at September 30, 2018 compared to 57% at June 30, 2018
- Weighted average fixed interest rate of 3.37% at September 30, 2018 compared to 3.29% at June 30, 2018
- Declared distributions of $9,095

YTD 2018 HIGHLIGHTS

- Completed the acquisition of six office properties in GTA, Ontario, Abbotsford, British Columbia and Calgary, Alberta totaling 736,800 square feet for $210,000 plus closing costs
- Completed two successful Unit offerings totaling 15,337,550 Units for aggregate gross proceeds of approximately $97,790
- FFO basic and diluted per Unit of $0.45 and $0.44, respectively, compared to $0.47 and $0.46 in YTD-2017
- AFFO basic and diluted per Unit of $0.43 compared to $0.45 in YTD-2017
- AFFO basic and diluted payout ratios of 103% and 104% compared to 99% and 100% in YTD-2017
- Excluding the timing differential between the Unit offerings in March 2018 and July 2018 and the deployment of funds into property acquisitions, FFO and AFFO basic and diluted per Unit would be $0.49 and $0.47 per Unit, respectively, and AFFO basic and diluted payout ratio would be 94% and 95%, respectively
- Increased revenue $22,471 or 57% from YTD-2017 to $62,121
- Increased NOI $12,271 or 50% from YTD-2017 to $36,866
- Declared distributions of $23,923

UNIT OFFERING

On July 20, 2018, the REIT issued 9,012,550 Units at a price of $6.38 per Unit, including 1,175,550 Units issued on the full exercise of the over-allotment option, for aggregate gross proceeds of approximately $57,500 (the "Offering").

ACQUISITIONS

The REIT acquired the following office properties in Q3-2018:

Property Name	Location	Acquisition Date	Property Type	Square Feet	Purchase Price
80 Whitehall Drive	Markham, ON	August 16, 2018	Office	60,800	$20,350
32071 South Fraser Way	Abbotsford, BC	August 30, 2018	Office	52,300	$22,000
6 Staples Avenue	Richmond Hill, ON	September 7, 2018	Office	122,000	$33,000
1020 68th Avenue NE	Calgary, AB	September 14, 2018	Office	148,400	$26,750
					$102,100

On August 16, 2018, the REIT acquired a 60,800 square foot office property located at 80 Whitehall Drive, Markham, Ontario for an aggregate purchase price of $20,350 plus closing costs. The purchase price was satisfied by the proceeds from the Offering and mortgage financing of $12,275 with an annual interest rate of 3.75% for a five-year term.

On August 30, 2018, the REIT completed the acquisition of a 52,300 square foot office property located at 32071 South Fraser Way, Abbotsford, British Columbia for an aggregate purchase price of $22,000 plus closing costs. The purchase price was satisfied by the proceeds from the Offering and mortgage financing of $14,250 with an annual interest rate of 3.94% for a five-year term.

On September 7, 2018, the REIT acquired a 122,000 square foot office property located at 6 Staples Avenue, Richmond Hill, Ontario for an aggregate purchase price of $33,000 plus closing costs. The purchase price was satisfied by the proceeds from the Offering and mortgage financing of $21,500 with an annual interest rate of 3.88% for a ten-year term.

On September 14, 2018, the REIT acquired a 148,400 square foot office property located at 1020 68^{th} Avenue NE, Calgary, Alberta for an aggregate purchase price of $26,750 plus closing costs. The purchase price was satisfied by the proceeds from the Offering and a combination of new and assumed mortgage financing of $17,191 with an annual weighted interest rate of 4.02% for a four-year term.

SUBSEQUENT EVENTS

On October 1, 2018, the REIT acquired a 40,000 square foot office property located at 2300 St. Laurent Boulevard, Ottawa, Ontario for an aggregate purchase price of $6,300 plus closing costs. The purchase price was satisfied by the proceeds from the Offering and mortgage financing of $4,410 with an annual interest rate of 3.92% for a five-year term.

On November 7, 2018, the REIT acquired a 91,000 square foot office property located at 9200 Glenlyon Parkway, Burnaby, British Columbia for $35,250 plus closing costs. The purchase price was satisfied by the proceeds from the Offering and mortgage financing of $22,550 with an annual interest rate of 4.04% for an eight-year term.

FINANCIAL AND OPERATIONAL HIGHLIGHTS

	Three months ended September 30		Nine months ended September 30	
	2018	2017	2018	2017
Revenue	$22,501	$14,017	$62,121	$39,650
NOI	$13,305	$8,764	$36,866	$24,595
Income and comprehensive income	$10,000	$10,331	$29,957	$25,677
FFO	$8,558	$5,964	$23,892	$16,465
FFO per Unit - basic (1)	$0.14	$0.16	$0.45	$0.47
FFO per Unit - diluted (1)	$0.14	$0.15	$0.44	$0.46
AFFO	$8,326	$5,777	$23,006	$15,905
AFFO per Unit - basic (1)	$0.14	$0.15	$0.43	$0.45
AFFO per Unit - diluted (1)	$0.14	$0.15	$0.43	$0.45
AFFO payout ratio - basic	106%	99%	103%	99%
AFFO payout ratio - diluted	107%	100%	104%	100%
Units outstanding for FFO and AFFO per Unit:				
Weighted average (000s) – basic (1)	59,362	38,387	53,120	35,231
Add: Unexercised Unit options	727	352	674	349
Weighted average (000s) – diluted (1)	60,089	38,739	53,794	35,580

Notes:

(1) For purposes of calculating FFO and AFFO per Unit, class B limited partnership units ("Class B LP Units") of True North Commercial Limited Partnership ("Partnership") are included as Units outstanding on both a basic and diluted basis. Diluted amounts assume the conversion of any vested, unexercised, in the money Unit options of the REIT ("Unit Options").

The REIT acquired fifteen properties since the second half of 2017, with nine acquisitions in the latter half of 2017 and six acquisitions in 2018. As a result, Q3-2018 revenue increased $8,484 or 61% from Q3-2017 and $22,471 or 57% from YTD-2017. Q3-2018 NOI increased $4,541 or 52% from Q3-2017 and $12,271 or 50% from YTD-2017.

Both FFO and AFFO per Unit were negatively impacted during the quarter and year to date as a result of the timing differential between the Unit offerings in March and July 2018 and the deployment of funds into property acquisitions. This impacts the REIT’s quarterly and year to date metrics as the results are based on a larger number of Units outstanding without the immediate benefit of increased NOI generated from property acquisitions.

Excluding this dilution, QTD-2018 FFO basic and diluted per Unit would be $0.16 and $0.15, AFFO basic and diluted per Unit would be $0.15 and basic and diluted AFFO payout ratios would be 98% and 100%.

Excluding this dilution, YTD-2018 FFO basic and diluted per Unit would be $0.49, AFFO basic and diluted per Unit would be $0.47 for YTD-2018 and basic and diluted AFFO payout ratios would be 94% and 95%.

QUARTERLY INFORMATION

The following table provides select information pertaining to the REIT's operations for the periods noted.

	Q3-18	Q2-18	Q1-18	Q4-17	Q3-17	Q2-17	Q1-17	Q4-16
Revenue	$ 22,501	$ 19,902	$ 19,718	$ 16,364	$ 14,017	$ 12,614	$ 13,019	$ 11,762
Property operating costs	9,196	7,967	8,092	6,421	5,253	4,550	5,252	4,835
NOI	13,305	11,935	11,626	9,943	8,764	8,064	7,767	6,927
General and administration expenses	(783)	(854)	(819)	(742)	(613)	(557)	(657)	(423)
Finance costs	(4,169)	(3,610)	(3,442)	(2,846)	(2,410)	(2,185)	(2,162)	(1,987)
Distributions on Class B LP Units	(634)	(634)	(634)	(638)	(639)	(640)	(639)	(640)
Fair value adjustment of Class B LP Units	86	(811)	1,067	(943)	(1,335)	(344)	86	1,292
Fair value adjustment of investment properties	2,065	(4,503)	10,605	(1,859)	5,833	(1,651)	7,740	(4,069)
Unrealized gain (loss) on change in fair value of derivative instruments	130	(34)	65	154	731	528	(4)	630
Income and comprehensive income for the period	$ 10,000	$ 1,489	$ 18,468	$ 3,069	$ 10,331	$ 3,215	$ 12,131	$ 1,730
FFO per Unit - basic	$ 0.14	$ 0.15	$ 0.16	$ 0.15	$ 0.16	$ 0.16	$ 0.15	$ 0.14
AFFO per Unit - basic	$ 0.14	$ 0.15	$ 0.15	$ 0.15	$ 0.15	$ 0.15	$ 0.15	$ 0.14
AFFO per Unit - diluted	$ 0.14	$ 0.15	$ 0.14	$ 0.15	$ 0.15	$ 0.15	$ 0.15	$ 0.14
AFFO payout ratio - basic	106%	100%	102%	101%	99%	96%	101%	105%
AFFO payout ratio - diluted	107%	101%	104%	102%	100%	97%	102%	106%
Number of investment properties	45	41	40	39	33	33	30	30

Revenue, operating costs and NOI increased in Q3-2018 compared to Q2-2018 mainly due to a full quarter of operations from 5775 Yonge Street, Toronto, Ontario acquired in June 2018 as well as the four acquisitions completed during Q3-2018. Operating costs were also impacted as a result of the above average temperatures in the Ontario portfolio, which was offset by a decrease in realty taxes at certain properties.

General and administration expenses decreased in Q3-2018 compared to Q2–2018 due to a decrease in Unit-based compensation offset by an increase in asset management fees. Finance costs increased in Q3-2018 compared to Q2-2018 due to additional debt associated with the acquisitions completed during 2018.

ANALYSIS OF FINANCIAL PERFORMANCE

The REIT's financial performance and results of operations for the three and nine months ended September 30, 2018 and 2017 are summarized below.

	Three months ended September 30		Nine months ended September 30	
	2018	**2017**	**2018**	**2017**
Revenue	$ 22,501	$ 14,017	$ 62,121	$ 39,650
Expenses:				
Property operating costs	5,519	2,991	15,162	8,865
Realty taxes	3,677	2,262	10,093	6,190
NOI	$ 13,305	$ 8,764	$ 36,866	$ 24,595
Other income (expenses):				
General and administration expenses	(783)	(613)	(2,456)	(1,827)
Finance costs	(4,169)	(2,410)	(11,221)	(6,757)
Distributions on Class B LP Units	(634)	(639)	(1,902)	(1,918)
Fair value adjustment of Class B LP Units	86	(1,335)	342	(1,593)
Fair value adjustment of investment properties	2,065	5,833	8,167	11,922
Unrealized gain on change in fair value of derivative instruments	130	731	161	1,255
Income and comprehensive income	$ 10,000	$ 10,331	$ 29,957	$ 25,677

PROPERTY OPERATIONS

Revenue includes all income earned from the REIT's properties, including rental income and all other miscellaneous income paid by the tenants under the terms of their existing leases, such as base rent, parking, operating costs and realty tax recoveries, as well as adjustments for the straight-lining of rents and amortization of tenant inducements.

Property operating costs include building maintenance, heating, ventilation and air-conditioning, elevator, insurance, utilities, management fees and other operational costs.

The REIT increased its portfolio by nine properties representing 1,018,000 square feet in the latter half of 2017 and six properties totaling 736,800 square feet in 2018. These acquisitions resulted in significant comparative increases in revenue, operating costs, realty taxes and NOI.

Occupancy for the property portfolio increased to 97% in Q3-2018 compared to 95% in Q2-2018 mainly due to the property acquisitions completed in Q3-2018 which had a weighted average occupancy rate of 100% and the leasing initiatives completed in the New Brunswick and Nova Scotia portfolios.

SAME PROPERTY ANALYSIS

Same Property NOI includes investment properties that were owned for a full quarterly period in both the current and comparative period.

	Three months ended September 30		Nine months ended September 30	
	2018	2017	2018	2017
Number of properties	33	33	30	30
Revenue	$ 13,389	$ 14,016	$ 36,035	$ 37,974
Expenses:				
Property operating	3,212	2,989	8,930	8,698
Realty taxes	2,141	2,262	5,827	5,904
NOI	$ 8,036	$ 8,765	$ 21,278	$ 23,372
Add / (deduct):				
Amortization of leasing costs and tenant inducements	152	131	586	322
Straight-line rent	506	31	1,227	36
Same Property NOI	$ 8,694	$ 8,927	$ 23,091	$ 23,730

Same Property Occupancy

	As at September 30	
	Q3 2018	Q3 2017
Alberta	96.5%	99.2%
British Columbia	100.0%	100.0%
New Brunswick	91.1%	92.1%
Ontario	98.5%	98.6%
Total	96.7%	97.3%

Same Property NOI

	Three months ended September 30			
	2018	2017	Variance	% Variance
Alberta	$ 1,400	$ 1,563	$ (163)	(10.4%)
British Columbia	261	262	(1)	(0.4%)
New Brunswick	1,172	1,262	(90)	(7.1%)
Ontario	5,861	5,840	21	0.4%
Same Property NOI	$ 8,694	$ 8,927	$ (233)	(2.6%)

Same Property NOI decreased $233 or 2.6% compared to Q3-2017 partially due to a decline in the same property occupancy from 97.3% to 96.7%. In addition, the impact of the Q1-2018 renewal with Alberta Infrastructure at 855 8th Avenue SW, Calgary, Alberta at lower rental rates continued to impact same property results.

While, contractually the New Brunswick portfolio's occupancy has remained relatively stable when compared to Q3-2017, the impact of new leasing initiatives has not yet been realized in the REIT's results. The REIT's largest portfolio which is located in Ontario experienced a 0.4% increase in Same Property NOI.

With the significant urbanization and increase in size of the REIT's portfolio in the second half of 2017 and 2018, management expects same property results to return to levels consistent with those achieved historically.

GENERAL AND ADMINISTRATION EXPENSES

General and administration expenses include items such as legal and audit fees, trustee fees, investor relations expenses, trustees' and officers' insurance premiums, costs associated with the REIT's Unit option plan and other general and administrative expenses associated with the operation of the REIT. Also included in general and administration expenses are asset management fees payable to an affiliate of Starlight. See "Related Party Transactions and Arrangements – Arrangements with Starlight".

General and administration expenses increased $170 or 28% in Q3-2018 compared to Q3–2017 mainly due to increased asset management fees as a result of the additional properties owned by the REIT offset by a decrease in Unit-based compensation expense and increase in interest income.

General and administration expenses increased $629 or 71% YTD-2018 compared to YTD–2017 due to increased asset management fees associated with the property acquisitions in the latter half of 2017 and YTD-2018 offset by an increase in interest income.

FINANCE COSTS

The REIT's finance costs for the three and nine months ended September 30, 2018 and 2017 are summarized below. Finance costs exclude both distributions and fair value adjustments on Class B LP Units.

	Three months ended September 30		Nine months ended September 30	
	2018	2017	2018	2017
Interest on mortgages payable	$ 3,922	$ 2,257	$ 10,540	$ 6,381
Other interest expense and standby fees	48	37	138	100
Amortization of mortgage discounts	2	(5)	4	(45)
Amortization of financing costs	197	121	539	321
Total finance costs	$ 4,169	$ 2,410	$ 11,221	$ 6,757

Interest on mortgages payable increased by $1,665 in Q3-2018 compared to Q3-2017 and by $4,159 YTD-2018 compared to YTD-2017 due to additional borrowing associated with the acquisitions in the latter half of 2017 and YTD-2018.

Other interest expense and standby fees relate to costs incurred on the REIT's Credit Facility.

DISTRIBUTIONS ON CLASS B LP UNITS

The REIT currently pays monthly distributions of $0.0495 per Class B LP Unit or $0.594 per Class B LP Unit on an annualized basis. Distributions declared were $634 for Q3-2018 and $639 for Q3-2017 and $1,902 for YTD-2018 and $1,918 for YTD-2017.

FAIR VALUE ADJUSTMENT OF CLASS B LP UNITS

The fair value change in Class B LP Units represents the change in the trading price of the Units (given the Class B LP Units have economic and voting rights equivalent, in all material aspects, to the Units). Any resulting change in the fair value of the Class B LP Units is reported in the period such change occurs. The fair value gain of $86 for Q3-2018 is due to a decrease in the trading price of the Units from $6.65 at June 30, 2018 to $6.63 at September 30, 2018. The fair value gain of $342 for YTD-2018 is due to a decrease in the trading price of the Units from $6.71 at December 31, 2017 to $6.63 at September 30, 2018.

FAIR VALUE ADJUSTMENT OF INVESTMENT PROPERTIES

The REIT has selected the fair value method to account for real estate classified as investment property and records properties at their purchase price (less any purchase price adjustments) in the quarter of acquisition. Any changes in the fair value of investment properties are recognized as fair value adjustments in the statement of income and comprehensive income in the quarter in which they occur.

The REIT determines the fair value of investment properties by developing a range of acceptable values based on the discounted cash flow method and direct capitalization method, both of which are generally accepted appraisal methodologies. Fair value is based on, among other things, assumptions of future cash flows in respect of current and future leases, capitalization rates, terminal capitalization rates, discount rates, market rents, tenant inducements and leasing cost assumptions and expected lease renewals. Fair values are supported by a combination of internal financial information, market data and external independent valuations.

The fair value gain was $2,065 for Q3-2018 and was comprised of write offs of $2,268 for the capital expenditures and capitalized transaction costs incurred during the quarter, offset by an increase in fair value of $4,333. YTD-2018 fair value gain was $8,167 and was made up of an increase in fair value of $19,769 offset by write offs of capital expenditures and capitalized transaction costs of $11,602.

The key valuation assumptions for the REIT’s investment properties as at September 30, 2018 and 2017 are as follows:

	September 30 2018	September 30 2017
Terminal and direct capitalization rates - range	5.00% - 10.25%	5.00% - 11.50%
Terminal and direct capitalization rate - weighted average	6.63%	6.93%
Discount rates - range	6.00% - 10.25%	6.00% - 12.00%
Discount rate - weighted average	7.36%	7.65%

UNREALIZED GAIN/(LOSS) ON CHANGE IN FAIR VALUE OF DERIVATIVE INSTRUMENTS

The REIT holds a number of interest rate swap agreements to effectively fix the interest rate on certain mortgages. These derivative instruments are measured at fair value at each reporting date and changes in the fair value are recognized as an unrealized gain or loss in the statements of income and comprehensive income.

The notional principal amounts of the outstanding interest rate swap contracts at September 30, 2018 were $67,304 (December 31, 2017 - $69,053). Total unrealized gain on change in the fair value of the derivative instruments totaled $130 in Q3-2018 (unrealized gain $161 – YTD-2018) compared to an unrealized gain of $731 in Q3-2017 ($1,255 – YTD-2017).

FFO AND AFFO RECONCILIATIONS

FFO

The REIT calculates FFO in accordance with the guidelines set out by Realpac. Reconciliation of income and comprehensive income determined in accordance with IFRS, to FFO is as follows:

	Three months ended September 30		Nine months ended September 30	
	2018	2017	2018	2017
Income and comprehensive income	$ 10,000	$ 10,331	$ 29,957	$ 25,677
Add / (deduct):				
Fair value adjustment of Unit-based compensation	1	92	26	132
Fair value adjustment of investment properties	(2,065)	(5,833)	(8,167)	(11,922)
Fair value adjustment of Class B LP Units	(86)	1,335	(342)	1,593
Distributions on Class B LP Units	634	639	1,902	1,918
Unrealized gain on change in fair value of derivative instruments	(130)	(731)	(161)	(1,255)
Amortization of leasing costs and tenant inducements	204	131	677	322
FFO	$ 8,558	$ 5,964	$ 23,892	$ 16,465
FFO per Unit - basic (1)	$0.14	$0.16	$0.45	$0.47
FFO per Unit - diluted (1)	$0.14	$0.15	$0.44	$0.46
Weighted average Units outstanding:				
Basic - (000s) (1)	59,362	38,387	53,120	35,231
Add:				
Unexercised Unit options	727	352	674	349
Diluted - (000s) (1)	60,089	38,739	53,794	35,580

Notes:

(1) For purposes of calculating FFO per Unit, Class B LP Units are included as Units outstanding on both a basic and diluted basis. Diluted amounts also assume the conversion of any vested, unexercised, in the money Unit Options.

The REIT experienced significant growth in revenue, FFO and AFFO as a result of the acquisition activities in 2017 and 2018. FFO increased $2,594 or 44% in Q3-2018 compared to Q3-2017 ($7,427 or 45% compared to YTD-2017).

FFO per Unit was negatively impacted during the quarter and year to date as a result of the timing differential between the Unit offerings in March and July 2018 and the deployment of funds into property acquisitions. This impacts the REIT's quarterly and year to date metrics as the results are based on a larger number of Units without the immediate benefit of increased NOI generated from property acquisitions.

FFO basic and diluted per Unit decreased to $0.14 in Q3-2018 from $0.16 and $0.15, respectively, in Q3-2017, and $0.45 and $0.44, respectively, in YTD-2018 from $0.47 and $0.46, respectively, in YTD-2017. Excluding this dilution, FFO basic and diluted per Unit would be $0.16 and $0.15, respectively, for Q3-2018 and $0.49 in YTD-2018.

AFFO

Reconciliation of FFO to AFFO is as follows:

	Three months ended September 30		Nine months ended September 30	
	2018	2017	2018	2017
FFO	$ 8,558	$ 5,964	$ 23,892	$ 16,465
Add / (deduct):				
Non-cash compensation expense	27	25	80	75
Amortization of financing costs	197	121	539	321
Amortization of mortgage discounts	2	(5)	4	(45)
Instalment note receipts	46	49	141	187
Straight-line rent	357	31	730	36
Capital reserve (1)	(861)	(408)	(2,380)	(1,134)
AFFO	$ 8,326	$ 5,777	$ 23,006	$ 15,905
AFFO per Unit - basic (2)	$0.14	$0.15	$0.43	$0.45
AFFO per Unit - diluted (2)	$0.14	$0.15	$0.43	$0.45
Distributions declared	$ 9,095	$ 5,789	$ 23,923	$ 15,784
AFFO payout ratio - basic	106%	99%	103%	99%
AFFO payout ratio - diluted	107%	100%	104%	100%

Notes:

(1) Based on an estimate of $100 (2017 - $0.75) per square foot per annum and represents a reserve for capital expenditures, tenant inducements and leasing costs.

(2) For purposes of calculating AFFO per Unit, Class B LP Units are included as Units outstanding on both a basic and diluted basis. Diluted amounts assume the conversion of any vested, unexercised, in the money Unit Options.

AFFO per Unit and AFFO basic and diluted payout ratios were negatively impacted by the REIT's Unit offerings in March and July 2018 and the deployment of funds into property acquisitions. This impacts the REIT's quarterly and year to date metrics as the results are based on a larger number of Units outstanding without the immediate benefit of increased NOI generated from property acquisitions.

Q3-2018 AFFO increased $2,549 or 44% compared to Q3-2017 ($7,101 or 45% compared to YTD-2017). Excluding this timing differential, AFFO basic and diluted per Unit would be $0.15 per Unit in Q3-2018 and $0.47 per Unit in YTD-2018. Basic and diluted AFFO payout ratio would be 98% and 100% for Q3-2018, respectively, and 94% and 95% for YTD-2018, respectively.

RECONCILIATION OF ADJUSTED CASH FLOW PROVIDED BY OPERATING ACTIVITIES TO AFFO

Adjusted cash flow provided by operating activities represents cash provided by operating activities less interest paid. The reconciliation of adjusted cash flow provided by operating activities to AFFO measures the amount generated by operations and available for distribution to Unitholders. See "Distributions".

	Three months ended September 30		Nine months ended September 30	
	2018	2017	2018	2017
Adjusted cash flow provided by operating activities	$ 7,913	$ 6,771	$ 26,956	$ 17,459
Non-cash compensation expense	(24)	2	(70)	8
Change in finance costs payable	(264)	(38)	(354)	(34)
Instalment note receipts	46	49	141	187
Capital reserve (1)	(861)	(408)	(2,380)	(1,134)
Change in non-cash operating working capital	1,516	(599)	(1,287)	(581)
AFFO	$ 8,326	$ 5,777	$ 23,006	$ 15,905

Notes:

(1) Based on an estimate of $100 (2017 - $0.75) per square foot per annum and represents a reserve for capital expenditures, tenant inducements and leasing costs.

AFFO of $8,326 was less than distributions declared by $769 and exceeded distributions paid by $142 for Q3-2018. AFFO of $23,006 was less than distributions declared by $917 and exceeded distributions paid by $1,629 for YTD-2018. The shortfall in AFFO from distributions declared is due to the timing of the Unit offerings and the deployment of funds into target acquisitions. Distributions declared were based on a larger number of Units outstanding without the immediate benefit of increased NOI generated from property acquisitions. The REIT subsequently deployed all proceeds from the Unit offering into property acquisitions and expects to be able to fund distributions from cash flow provided by operating activities on a go forward basis.

CAPITAL RESERVE

The REIT considers many factors when determining an appropriate capital reserve. Items such as, property age and asset class, tenant mix, prior capital investment, lease term, recoverability from tenants and current market conditions are all considered. The REIT also engages independent expert consulting firms to perform a comprehensive property condition assessment prior to the acquisition of a property. The report contains a five or ten year projection of estimated sustaining capital expenditures. The detailed analysis considers the quality of construction, age of the building, use of the property, recent capital expenditures and anticipated future maintenance requirements. The estimates generated by the independent consultants help form the basis for estimating the REIT's on-going reserve. The REIT reviews its capital reserve estimate on an annual basis and makes appropriate adjustments.

The REIT includes a normalized capital reserve adjustment based on historical experience when arriving at AFFO as recoverable and non-recoverable capital expenditures, tenant inducements and leasing costs are fundamental to the operating activities of a real estate company and are not considered discretionary investments. These expenditures are required to preserve rental income and should be taken into consideration when determining the amount of sustainable cash available to fund future distributions. The capital reserve adjustment is an estimate and there is no guarantee that future capital expenditures will reflect historical trends.

Effective 2018, the REIT increased its annual normalized capital reserve from $0.75 per square foot per annum to $1.00 per square foot per annum.

DISTRIBUTIONS

The REIT currently pays monthly distributions of $0.0495 per Unit or $0.594 per Unit on an annualized basis.

The trustees of the REIT ("Trustees") determine the level of cash distributions based on the level of cash flow from operations before working capital changes, less actual and planned capital expenditures. In any given period, distributions may differ from cash provided by operating activities, primarily due to fluctuations in working capital. It is expected that normal fluctuations in working capital will be funded from the REIT's cash resources as described in "Liquidity and Capital Investment". In addition, the distributions declared include a component funded by the REIT's distribution reinvestment plan ("DRIP").

The following table shows the amount of distributions declared, non cash distributions under the DRIP and cash distributions paid by the REIT on both Units and Class B LP Units.

	Three months ended September 30	Nine months ended September 30	Year ended December 31	
	2018	2018	2017	2016
Distributions declared	$ 9,095	$ 23,923	$ 22,544	$ 15,180
Less: DRIP	(911)	(2,546)	(2,849)	(2,641)
Cash distributions paid	$ 8,184	$ 21,377	$ 19,695	$ 12,539

The following table provides a reconciliation of the REIT's cash flow and adjusted cash flow provided by operating activities to its declared and cash distributions:

	Three months ended September 30	Nine months ended September 30	Year ended December 31	
	2018	2018	2017	2016
Income (loss) and comprehensive income (loss)	$ 10,000	$ 29,957	$ 28,746	$ (101)
Cash flow provided by operating activities	11,619	37,280	30,389	24,347
Less: Interest paid	(3,706)	(10,324)	(8,980)	(7,349)
Adjusted cash flow provided by operating activities	7,913	26,956	21,409	16,998
Declared basis:				
Excess (shortfall) of income (loss) and comprehensive income (loss) over distributions	905	6,034	6,202	(15,281)
Excess (shortfall) of adjusted cash flow provided by operating activities over declared distributions	(1,182)	3,033	(1,135)	1,818
Cash basis:				
Excess (shortfall) of income (loss) and comprehensive income (loss) over cash distributions	1,816	8,580	9,051	(12,640)
Excess (shortfall) of adjusted cash flow provided by operating activities over cash distributions	(271)	5,579	1,714	4,459

For Q3-2018, adjusted cash flow provided by operating activities was less than declared distributions by $1,182 and cash distributions by $271. The shortfall is due to the timing of the Offering and the deployment of funds into property acquisitions as distributions declared were based on a larger number of Units outstanding without the immediate benefit of the increased NOI generated from property acquisitions. The REIT subsequently deployed all proceeds from the Unit offering into property acquisitions and expects to be able to fund distributions from cash flow provided by operating activities on a go forward basis.

For YTD-2018, adjusted cash flow provided by operating activities exceeded distributions declared by $3,033 and cash distributions paid by $5,579. The REIT has not been required to fund distributions from alternate sources such as debt, mortgages and other financing instruments.

ANALYSIS OF FINANCIAL POSITION

INVESTMENT PROPERTIES

The following table summarizes changes in the REIT's investment properties for the nine months ended September 30, 2018 and 2017:

	Investment Properties
Balance at December 31, 2016	$ 427,078
Acquisitions	55,143
Additions	3,383
Amortization of leasing costs, tenant inducements and straight-line rents	(358)
Fair value adjustment	11,922
Balance at September 30, 2017	497,168
Acquisitions	161,190
Additions	671
Amortization of leasing costs, tenant inducements and straight-line rents	557
Fair value adjustment	(1,859)
Balance at December 31, 2017	657,727
Acquisitions	216,999
Additions	5,193
Amortization of leasing costs, tenant inducements and straight-line rents	1,365
Fair value adjustment	8,167
Balance at September 30, 2018	**$ 889,451**

ACQUISITIONS

During 2018, the REIT acquired six properties for an aggregate purchase price of $210,000 plus closing costs. The REIT funded these acquisitions from the proceeds from the Offering and from the proceeds of a combination of assumed and new mortgage financing. The acquisitions have been accounted for as asset acquisitions.

ADDITIONS

Additions to investment properties for the nine months ended September 30, 2018 were $5,193, consisting of the following:

- Capital expenditures of $1,891 for elevator modernization, parking upgrades, heating and air-conditioning upgrades and roof replacements at certain properties; and
- Tenant inducements and leasing costs of $3,302, which include costs incurred to improve space for tenant retention, as well as leasing commissions paid to renew and obtain new tenants.

INSTALMENT NOTES RECEIVABLE

The REIT received non-interest bearing instalment notes from the vendors of certain properties acquired in December 2014. The instalment payments allows the REIT to achieve an effective interest rate of 3.3% per annum on certain assumed mortgages. These instalment notes mature on various dates, co-terminously with the assumed mortgages.

The following tables summarize the instalment notes receivable and principal receipts for the nine months ended September 30, 2018:

Balance at December 31, 2017	$	744
Principal receipts on instalment notes receivable		(115)
Balance at September 30, 2018	$	629

PREPAID EXPENSES AND OTHER ASSETS

At September 30, 2018, the REIT had $4,397 in prepaid expenses and deposits, compared to $3,082 at December 31, 2017. The increase is due to the increase in prepaid realty taxes offset by the reduction in deposit amounts related to property acquisitions.

LIABILITIES

As at September 30, 2018, the overall leverage, as represented by the ratio of Indebtedness to GBV was 56.2% compared to 57.2% at December 31, 2017. The maximum allowable ratio under the DOT is 75%. Below is a calculation of the REIT's Indebtedness to GBV ratio as at September 30, 2018 and December 31, 2017.

		September 30, 2018		December 31, 2017
Total assets	$	909,561	$	674,441
Deferred financing costs		3,978		3,339
GBV	$	913,539	$	677,780
Mortgages payable		511,297		386,290
Unamortized financing costs and mark to market mortgage adjustments		2,386		1,718
Indebtedness	$	513,683	$	388,008
Indebtedness to GBV		56.2%		57.2%

The REIT's objectives are to maintain a combination of short, medium and long-term debt maturities appropriate for the overall debt level of the REIT, to extend the current weighted average term to maturity and achieve staggered debt maturities while taking into account the availability of financing, market conditions and the financial characteristics of each property. Per the DOT, at no time shall the REIT incur debt aggregating more than 20% of GBV at floating interest rates or having maturities less than one year (excluding debt with an original maturity of one year or more falling due in the next 12 months or variable rate debt for which the REIT has entered into interest rate swap agreements to fix the interest rate for a one year period or more).

Financing costs on mortgages and the Credit Facility are netted against the related debt and amortized on an effective interest basis over the expected life of the debt.

As at September 30, 2018, 0% (December 31, 2017 – 0%) of the REIT's debt was at floating rates.

MORTGAGES PAYABLE

The following table sets out, as at September 30, 2018, scheduled principal repayments and amounts maturing on the REIT's mortgages over each of the next five fiscal years:

	Scheduled principal payments	Debt maturing during the year	Total mortgages payable	Scheduled interest payments	Percentage of total mortgages payable
2018 - remainder of year	3,685	10,308	13,993	4,264	2.7%
2019	14,647	32,301	46,948	16,397	9.1%
2020	12,144	76,399	88,543	13,423	17.2%
2021	11,411	29,003	40,414	12,111	7.9%
2022	8,884	147,050	155,934	9,587	30.4%
Thereafter	8,052	159,799	167,851	7,638	32.7%
	$ 58,823	$ 454,860	513,683	$ 63,420	100.0%
Unamortized mark to market mortgage adjustments			283		
Unamortized financing costs			(2,669)		
			$ 511,297		

The mortgages carry a weighted average fixed interest rate of 3.37% (December 31, 2017 – 3.22%), after giving effect to the instalment notes receipts and a weighted average term to maturity of 3.82 years (December 31, 2017 – 3.62 years).

CREDIT FACILITY

On April 16, 2018, the REIT restructured its floating rate revolving credit facilities into one credit facility with a Canadian chartered bank ("Credit Facility").

The $30,000 Credit Facility bears interest on cash advances at 205 basis points per annum over the floating banker's acceptance rate or 100 basis points above the prime rate.

The Credit Facility was undrawn as at September 30, 2018 and December 31, 2017.

CLASS B LP UNITS

The Class B LP Units meet the definition of a financial liability under IAS 32, Financial Instruments – Presentation ("IAS 32") and are classified as fair value through profit or loss financial liabilities under IAS 32. The Class B LP Units are measured at fair value at each reporting period with any changes in fair value recorded in the statements of income and comprehensive income.

The Class B LP Units, together with the related special voting units, have economic and voting rights equivalent, in all material aspects, to Units. They are exchangeable at the option of the holder on a one-for-one basis for Units. Each Class B LP Unit entitles the holder to receive distributions from True North Commercial Limited Partnership equivalent to the distributions such holder would have received if they were holding Units.

As at September 30, 2018 and December 31, 2017 there were 4,268,837 Class B LP Units issued and outstanding. The Class B LP Units were valued at $28,302 as at September 30, 2018 compared to $28,644 as at December 31, 2017. The change in value is due to a decrease in the Unit price from $6.71 at December 31, 2017 to $6.63 at September 30, 2018.

The REIT has the following Class B LP Units outstanding as of November 8, 2018:

	Units
Balance at September 30, 2018	4,268,837
Issuance of Class B LP Units	-
Balance at November 8, 2018	4,268,837

UNITHOLDERS' EQUITY

OUTSTANDING UNITS

The REIT is authorized to issue an unlimited number of Units and an unlimited number of special voting units in the capital of the REIT.

The following table summarizes changes in the Unit capital of the REIT for the nine months ended September 30, 2018:

	Units		Amount
Balance at December 31, 2017	41,287,734	$	245,259
Issuance of Units - public offering	15,337,550		97,790
Issuance of Units - non-executive Trustee Unit issuance plan	10,505		70
Issuance of Units - DRIP	397,699		2,546
Issuance of Units - options exercised	913		6
Issuance costs	-		(5,692)
Balance at September 30, 2018	57,034,401	$	339,979

The number of Units outstanding as of November 8, 2018 is as follows:

Balance at September 30, 2018	57,034,401
Issuance of Units - DRIP	56,454
Balance at November 8, 2018	57,090,855

NORMAL COURSE ISSUER BID ("NCIB")

On December 5, 2017, the REIT renewed its NCIB for a further twelve months. Pursuant to the renewal, the REIT has the ability to purchase for cancellation up to a maximum of 100,000 Units, representing 0.27% of the REIT's public float of 36,761,708 Units as at November 30, 2017. The NCIB commenced on December 8, 2017 and expires on December 7, 2018.

During YTD-2018, nil Units (YTD-2017 – nil) were repurchased under the NCIB.

SHORT FORM BASE SHELF PROSPECTUS

Under the REIT's short-form base shelf prospectus which expired on May 27, 2018, the REIT issued 6,325,000 Units for gross proceeds of $40,290 on March 1, 2018. During 2017, the REIT issued 11,555,250 Units for gross proceeds of $72,413.

On June 1, 2018, the REIT filed a short-form base shelf prospectus ("Prospectus"). The Prospectus was filed with the securities regulatory authorities in each of the provinces and territories of Canada and is valid for a 25 month period, during which time the REIT may issue the following securities: (i) Units; (ii) preferred Units; (iii) unsecured debt securities; (iv) subscription receipts exchangeable for Units and/or other securities of the REIT; (v) warrants exercisable to acquire Units and/or other securities of the REIT; and (vi) securities comprised of more than one of Units, debt securities, subscription receipts and/or warrants offered together as a Unit, or any combination thereof in amounts, at prices and on terms based on market conditions at the time of sale and set forth in an accompanying prospectus supplement, for an aggregate offering amount of up to $300,000.

On July 20, 2018, the REIT issued 9,012,550 Units for gross proceeds of $57,500 pursuant to the Prospectus.

UNIT OPTIONS

The total number of Units reserved under the REIT's Unit-based compensation plan may not exceed 10% of the Units and Class B LP Units outstanding. Options outstanding at September 30, 2018 consist of the following:

Exercise price (1)	Unit Options Outstanding	Unit Options exercisable	Expiry Date
$6.15	480,000	480,000	January 8, 2020
$6.04	195,000	129,994	August 5, 2021
$6.28	247,500	82,493	November 14, 2021
$6.17	280,000	93,328	August 11, 2022
$6.44	306,500	-	November 16, 2022
$6.43	322,500	-	March 9, 2023
$6.66	329,000	-	September 20, 2023
	2,160,500	785,815	

(1) In actual dollars.

LIQUIDITY AND CAPITAL INVESTMENT

LIQUIDITY

Cash flow from operating activities represents the primary source of liquidity to fund distributions, debt service, capital improvements, tenant inducements and leasing costs. The REIT's cash flow from operating activities is dependent upon the occupancy level of its investment properties, the rental rates on its leases, the collectability of rent from its tenants, and other factors. Material changes in these factors may adversely affect the REIT's net cash flow from operating activities and hence its liquidity. A more detailed discussion of these risks can be found under the "Risks and Uncertainties" section in the annual information form of the REIT ("AIF") dated March 7, 2018. Also see "Risks and Uncertainties".

The REIT expects to be able to meet all of its obligations, including distributions to Unitholders, and capital expenditure requirements as they become due and to provide for the future growth of the business. The REIT has a number of financing sources available to fulfill its commitments including: (i) cash flow from operating activities; (ii) mortgage debt secured by investment properties; (iii) the Credit Facility; and (iv) issuances of debt and equity.

CASH FLOW

The following table details the changes in cash and cash equivalents:

		Three months ended September 30			Nine months ended September 30		
		2018		2017		2018		2017
Cash provided by operating activities	$	11,619	$	9,027	$	37,280	$	23,906
Cash used in investing activities		(90,321)		(1,253)		(194,644)		(58,659)
Cash provided by financing activities		87,146		20,769		161,034		41,667
Decrease in cash and cash equivalents		8,444		28,543		3,670		6,914
Cash and cash equivalents, beginning of period		2,642		3,155		7,416		24,784
Cash and cash equivalents, end of period	$	11,086	$	31,698	$	11,086	$	31,698

Cash provided by operating activities increased in Q3-2018 and YTD-2018 compared to Q3-2017 and YTD-2017 primarily due to increased NOI resulting from the acquisitions acquired from latter half of 2017 and YTD-2018.

Cash used in investing activities increased in Q3-2018 compared to Q3-2017 due to the acquisition of four properties in Q3-2018 compared to nil in Q3-2017. Cash used in investing activities increased in YTD-2018 compared to YTD-2017 due to six acquisitions completed compared to three in YTD-2017.

Cash provided by financing activities increased in Q3-2018 compared to Q3-2017 mainly a result of the mortgage proceeds of $135,109 associated with the acquisitions in Q3-2018 and a larger Unit offering completed in Q3-2018 compared to Q3-2017. YTD-2018 also includes proceeds from the March 2018 Unit offering and new mortgage financing relating to the acquisitions completed in January 2018 and June 2018. These increases were offset by distributions to Unitholders of $7,227 in Q3-2018 and $19,088 for YTD-2018.

CAPITAL INVESTMENT

The REIT's properties require ongoing capital expenditures and leasing expenditures. Leasing expenditures include the cost of tenant inducements, leasing commissions and leasehold improvements incurred in connection with the leasing of vacant space and the renewal or replacement of current tenants. The REIT plans to continue to invest capital in all its properties throughout 2018 and beyond. Expenditures are expected to be funded through cash flow generated by operations, the Credit Facility and cash on hand. For the nine months ended September 30, 2018 and 2017, the REIT invested $5,193 and $3,383 respectively, in capital and leasing expenditures.

COMMITMENTS AND CONTINGENCIES

From time to time in the normal course of business, the REIT is involved in litigation and claims in relation to its investment properties. In the opinion of management, none of these, individually or in aggregate, could result in a liability that would have a significant adverse effect on the financial position of the REIT. The REIT has agreed to indemnify, in certain circumstances, the Trustees and officers of the REIT.

As at September 30, 2018, the REIT had entered into commitments for building renovations totaling $1,207 (December 31, 2017 - $330).

At September 30, 2018, the REIT had no commitments for future minimum lease payments under non-cancellable operating leases.

RELATED PARTY TRANSACTIONS AND ARRANGEMENTS

Starlight is considered a related party to the REIT as Starlight is controlled by the Chairman of the Board, President and Chief Executive Officer ("CEO") of the REIT, who is also a significant Unitholder.

ARRANGEMENTS WITH STARLIGHT

Pursuant to the asset management agreement dated December 14, 2012 ("Asset Management Agreement"), which was assigned to a Starlight affiliate effective January 1, 2018, Starlight provides advisory, asset management and administrative services to the REIT. The REIT is administered and operated by the REIT's CEO and Chief Financial Officer ("CFO") and an experienced team of real estate professionals from Starlight.

The Asset Management Agreement has an initial term of ten years and is renewable for successive five-year terms, unless and until the Asset Management Agreement is terminated in accordance with its termination provisions.

Starlight is entitled to the following fees pursuant to the Asset Management Agreement:

(a) Base annual management fee calculated and payable on a monthly basis, equal to 0.35% of the sum of:

- the historical purchase price of properties owned by the REIT; and
- the cost of capital expenditures incurred by the REIT or any of its affiliates in respect of the properties owned by the REIT.

(b) Acquisition fee equal to:

- 1.0% of the purchase price of a property, on the first $100,000 of properties announced to be acquired in each fiscal year;
- 0.75% of the purchase price of a property on the next $100,000 of properties announced to be acquired in each fiscal year; and
- 0.50% of the purchase price on properties announced to be acquired in excess of $200,000 in each fiscal year.

(c) An annual incentive fee is payable by the REIT equal to 15% of the REIT's FFO per Unit in excess of FFO per Unit for fiscal 2013 plus 50% of the annual increase in the weighted average consumer price index (or other similar metric, as determined by the Trustees) of the jurisdictions in which the investment properties are located.

(d) Capital expenditures fee equal to 5% of all hard construction costs incurred on each capital project with costs in excess of $1,000 excluding work done on behalf of tenants or any maintenance capital expenditures.

In addition, the REIT is required to reimburse Starlight for all reasonable and necessary out-of-pocket costs and expenses incurred by Starlight in connection with the performance of the services described in the Asset Management Agreement or such other services which the REIT and Starlight agree in writing are to be provided from time to time.

The following table presents the costs incurred for the three and nine months ended September 30, 2018 and 2017:

	Three months ended September 30		Nine months ended September 30	
	2018	2017	2018	2017
Asset management fees	$ 687	$ 421	$ 1,851	$ 1,160
Acquisition fees	741	-	1,800	536
Other expenses	22	26	66	113
Total	$ 1,450	$ 447	$ 3,717	$ 1,809

At September 30, 2018, $252 (December 31, 2017 - $197) was included in accounts payable and accrued liabilities. No incentive fees were earned or capital expenditure fees were charged for the nine months ended September 30, 2018 and 2017.

RISKS AND UNCERTAINTIES

There are certain risks inherent in an investment in the securities of the REIT and in the activities of the REIT. Risks and uncertainties are disclosed below and the REIT's annual MD&A dated March 7, 2018 for the year ended December 31, 2017 and in the AIF. The annual MD&A and AIF are available on SEDAR at www.sedar.com. Current and prospective Unitholders of the REIT should carefully consider such risk factors.

Management is not aware of any significant changes in risks and uncertainties since March 7, 2018.

USE OF ESTIMATES

The preparation of the REIT's unaudited condensed consolidated interim financial statements in conformity with IFRS requires management to make estimates and assumptions which affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and expenses. Actual results could differ from those estimates.

In making estimates, management relies on external information and observable conditions where possible, supplemented by internal analysis as required. Those estimates have been applied in a manner consistent with prior periods and there are no known trends, commitments, events or uncertainties management believes will materially affect the methodology or assumptions utilized in making those estimates in its unaudited condensed consolidated interim financial statements.

The estimates used in determining the recorded amount for assets and liabilities in the unaudited condensed consolidated interim financial statements include the following.

INVESTMENT PROPERTIES

The estimates used when determining the fair value of investment properties are discount, terminal capitalization, capitalization rates and future cash flows. The discount, terminal capitalization and capitalization rates applied are reflective of the characteristics, location and market of the investment property. The future cash flows of the investment property are based upon rental income from current leases and assumptions about occupancy rates and market rents from future leases reflecting current conditions, less future cash outflows relating to such current and future leases. Management determines fair value utilizing internal financial information, external market data and capitalization rates provided by independent industry experts and third-party appraisals.

UNIT OPTION PLAN

The estimates used when determining the fair value of the Unit option plan are the average expected unit option holding period, the average expected volatility rate, and the average risk-free interest rate. The average expected unit option holding period used is estimated as half the life of the respective option agreement applied to that Unit option upon vesting. The average expected volatility rate applied is estimated based on the historical volatility of the Units. The average risk-free interest rate is based on the Government of Canada bonds with terms consistent with the average expected unit option holding period. Management determines the fair value internally, utilizing the aforementioned inputs, some of which are provided by external market data and some through internal financial information. Unit options granted are carried at fair value which is estimated using the Black Scholes option pricing model.

FINANCIAL INSTRUMENTS

Financial instruments are classified as one of the following: (i) fair value through profit and loss ("FVTPL"), (ii) loans and receivables, (iii) held-to-maturity, (iv) available-for-sale, or (v) other liabilities. Financial instruments are recognized initially at fair value. Financial assets and liabilities classified as FVTPL are subsequently measured at fair value with gains and losses recognized in profit and loss. Financial instruments classified as held-to-maturity, loans and receivables or other liabilities are subsequently measured at amortized cost. Available-for-sale financial instruments are subsequently measured at fair value and any unrealized gains and losses are recognized through other comprehensive income and presented in the fair value reserve in equity. The REIT derecognizes a financial asset when the contractual rights to the cash flows from the asset expire.

Financial liabilities are classified as FVTPL when the financial liability is either classified as held-for-trading or designated as FVTPL. A financial liability may be designated as FVTPL upon initial recognition if it forms part of a contract containing one or more embedded derivatives, and IAS 39, Financial Instruments - Recognition and Measurement, permits the entire combined contract (asset or liability) to be designated as FVTPL.

Financial assets and financial liabilities are accounted for based on their classification as described below. Their classification depends on the purpose for which the financial instruments were acquired or issued, their characteristics and the designation of such instruments.

	Classification
Financial assets:	
Instalment notes receivable	Amortized cost
Derivative instrument	Fair value
Deposits	Amortized cost
Tenant and other receivables	Amortized cost
Restricted cash	Amortized cost
Cash and cash equivalents	Amortized cost
Financial liabilities:	
Mortgages payable	Amortized cost
Class B LP Units	Fair value
Credit facility	Amortized cost
Tenant rental deposits and prepayments	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Unit Option Plan	Fair value

The fair values of the REIT's instalment notes receivable, deposits, tenant and other receivables, restricted cash and cash and cash equivalents, as well as the Credit Facility, tenant rental deposits, accounts payable and accrued liabilities approximate their recorded values due to their short-term nature at the date of the unaudited condensed consolidated interim financial position.

The fair value of mortgages payable disclosed in the notes to the REIT's unaudited condensed consolidated interim financial statements is estimated based on the present value of future payments, discounted at the yield on a Government of Canada bond with the nearest maturity date to the underlying mortgage, plus an estimated credit spread at the reporting date for a comparable mortgage.

Class B LP Units are carried at fair value and the fair value of the Class B LP Units has been determined with reference to the trading price of the Units. Unit options granted are carried at fair value which is estimated using the Black Scholes option pricing model.

Derivative instruments, such as interest rate swaps, are valued using a valuation technique. The most frequently applied valuation technique includes forward pricing models, using present value calculations. The models incorporate various inputs including forward rates and interest rate curves.

These fair value estimates may not necessarily be indicative of the amounts that might be paid or received in actual transactions.

SIGNIFICANT ACCOUNTING POLICIES AND CHANGES IN ACCOUNTING POLICIES

The REIT implemented the following new standards and amendments to standards effective January 1, 2018.

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

The REIT adopted IFRS 9 on January 1, 2018 which introduces a new expected credit loss impairment model and limited changes to the classification and measurement requirements for financial assets and liabilities. Upon transition to IFRS 9, the REIT's financial assets previously classified as loans and receivables and financial liabilities previously classified as other liabilities under IAS 39 are now classified at amortized cost. The financial assets and financial liabilities previously classified as fair value through profit or loss continue to be categorized as fair value through profit and loss.

There were no changes in the measurement attributes for any of the REIT's financial assets and financial liabilities upon transition to IFRS 9 and adoption of the new expected credit loss impairment model did not result in any change to the REIT's allowance for impairment.

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

The REIT adopted IFRS 15 on January 1, 2018 on a modified retrospective basis. IFRS 15 provides a comprehensive framework for recognition, measurement and disclosure of revenue from contracts with customers, excluding contracts within the scope of the standard on leases, insurance contracts and financial instruments. As the REIT's most material revenue stream, rental revenue, is outside the scope of the new standard, the adoption of IFRS 15 did not have a material impact to the unaudited condensed consolidated interim financial statements. Service components, including the recovery of costs within lease arrangements, fall within the scope of IFRS 15; however the REIT has concluded that the pattern of revenue recognition is unchanged.

The following new standard has been issued but not yet effective and accordingly, it has not been applied in preparing the unaudited condensed consolidated interim financial statements.

IFRS 16, Leases ("IFRS 16"):

IFRS 16, Leases, supersedes the following accounting standards: IAS 17 Leases, IFRS Interpretations Committee 4 Determining whether an Arrangement contains a Lease, Standards Interpretation Committee ("SIC") - 15 Operating Leases - Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 eliminates the distinction between operating and finance leases from the perspective of the lessee. All contracts that meet the definition of a lease will be recorded in the statement of financial position with a "right of use" asset and a corresponding liability. The asset is subsequently accounted for as property, plant and equipment or investment property and the liability is unwound using the interest rate inherent in the lease. The accounting requirements from the perspective of the lessor remain largely in line with previous IAS 17 Leases requirements.

IFRS 16 is not yet effective for the three and nine months ended September 30, 2018 and, accordingly has not been applied in preparing these unaudited condensed consolidated interim financial statements. The REIT intends to adopt this standard on its effective date of January 1, 2019.

The REIT has assessed the impact of the new standard and there are no significant changes expected to the unaudited condensed consolidated interim financial statements.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

The REIT maintains information systems, procedures and controls to ensure all information disclosed externally is as complete, reliable and timely as possible. Such internal controls over financial reporting are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the unaudited condensed consolidated interim financial statements for external purposes in accordance with IFRS.

All control systems have inherent limitations, including well-designed and operated systems. No control system can provide complete assurance the objectives of the control system will be met. Furthermore, no evaluation of controls can provide absolute assurance that all control issues, including instances of fraud, if any, will be detected or prevented. These inherent limitations include, without limitation, the possibility management's assumptions and judgments may ultimately prove to be incorrect under varying conditions and circumstances and the impact of isolated errors. As a growing enterprise, management anticipates that the REIT will be continually evolving and enhancing its systems of controls and procedures.

Additionally, controls may be circumvented by the unauthorized acts of individuals, by collusion of two or more people, or by management override. The design of any system of controls 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.

The CEO and CFO evaluated the effectiveness of the REIT's disclosure controls and procedures (as defined in National Instrument 52-109 – *Certification of Disclosure in Issuers' Annual and Interim Filings* ("NI 52-109") and concluded that the design and operation of the REIT's disclosure controls and procedures were effective for the three and nine months ended September 30, 2018.

The CEO and CFO evaluated the design and effectiveness of the REIT's internal controls over financial reporting (as defined in NI 52-109) and concluded that the design and effectiveness of internal controls over financial reporting continue to be appropriate and were effective for the three and nine months ended September 30, 2018.

OUTLOOK

On October 24th, 2018, the Bank of Canada ("BoC") pivoted from an 'accommodative' to a 'neutral' interest rate strategy and announced they would be increasing the targeted overnight rate to 1.75%, the highest level in 10 years. In raising the rate and employing the term 'neutral', BoC Governor Stephen Poloz, indicated that the BoC would be targeting the banks' neutral rate range going forward, between 2.5% and 3.5%. This implies that, barring any unforeseen circumstances, it can be expected that a further three to four rate hikes will be seen before the end of 2019.

There appears to be three primary factors behind the shift in policy: 1) the US-Mexico-Canada Agreement replacing the North American Free Trade Agreement, which removed approximately half of the negative impact the BoC had factored into their outlook related foreign trade issues; 2) household spending is moderating and adapting to previous rate hikes well, and wage increases imply this will continue; 3) overall growth in the economy continues to improve based on broad, diversified support from all sectors, save commodities, and fueled by the return of business investment which had been restrained since 2008.

Domestically, the Conference Board of Canada is projecting continued steady, but somehat muted growth in markets where the REIT is active: 2.4% in Toronto and 2.9% in Vancouver, held back by cooling housing markets; 2.9% in Calgary and 2.4% in Edmonton, due to energy transportation bottlenecks; 2.2% in Ottawa and 2.4% in Victoria, are expected to be supported by broad based economic growth beyond just public sector, primarily the technology sector; and 1.9% in Halifax, related to ongoing shipyard works.

Globally, the BoC continues to describe conditions as 'solid'. The conclusion of the USMCA removed a great deal of uncertainty, although that continues to be balanced by the escalating tariff war between the United States and China. Global GDP is expected to remain in-line with previous forecasts and grow by 3.8% in 2018, then tempering to a still-healthy 3.4% to 3.6% range through 2020.

Management maintains our view that overall real estate fundamentals will remain stable throughout 2019 as Canada remains a strong and stable economy, and a safe-haven for global capital, which continues to arrive in Canada looking for opportunity. While borrowing costs may increase marginally in reaction to the rate increases, the global supply of debt capital seeking Canadian assets will help to keep borrowing rates near historic lows, and lenders accommodating in their underwriting.

Management remains focused on improving revenue and NOI through active portfolio management, maintaining strong tenant relationships and utilizing leasing optimization tactics. Management is also focused on further diversifying the geographic concentration of the portfolio through acquisitions. Management believes the geographic diversification of the property portfolio will serve to add stability to the REIT's cash flow as it reduces the REIT's vulnerability to economic fluctuations affecting any particular region in Canada.

Additional information relating to the REIT including the REIT's annual information form, can be found on SEDAR at www.sedar.com.

Dated: November 8, 2018
Toronto, Ontario, Canada