# PRO REAL ESTATE INVESTMENT TRUST

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION
FOR THE THREE AND SIX MONTH PERIODS ENDED JUNE 30, 2023

August 9, 2023

PROREIT
CELEBRATING 10 YEARS

# Built for Sustainable Growth and Performance

## ABOUT PROREIT

PROREIT is a Canadian industrial-focused real estate investment trust, owning and managing a portfolio of high-quality commercial properties located in mid-sized cities benefiting from robust economies. Founded in 2013, we are present in ten Canadian provinces, with a high concentration in Eastern and Central Canada.

| 129 | 6.5M | 99% |
|---|---|---|
| Number of Properties[1] | Gross Leasable Area (Square Feet) [1] | Occupancy Rate [2] |

## HIGH QUALITY PORTFOLIO WITH A STRONG INDUSTRIAL FOCUS

80%
GLA - Industrial[1]

14%
GLA - Retail[1]

6%
GLA - Office[1]

## Q2 2023 HIGHLIGHTS (FOR THE SIX MONTH PERIOD)

| $1.06B | $1.4M | 2.3% | 50.9% |
|---|---|---|---|
| Total Assets[1] | Fair Value Gains on Investment Properties | Net Operating Income Increase [3][4] | Debt to Gross Book Value [3] |
| **91.8%** | **$0.2022** | **$14.8M** | **$42M** |
| AFFO Payout Ratio – Basic[3] | Basic FFO per Unit [3] | Net Income and Comprehensive Income | In Available Credit Facility [1] |

## SIGNIFICANT VALUE EMBEDDED IN OUR PORTFOLIO

| 85.0% | 68.3% |
|---|---|
| of 2023 GLA has been Renewed at 43.2% Positive Average Spreads[1] | of Base Rent from National and Government Tenants[1] |

## OUR COMMITMENT TO SUSTAINABILITY

> Second annual ESG report published in May 2023

> Creation of ESG steering committee, responsible for day-to-day management of ESG program

(1) As at June 30, 2023. Of the 129 properties, 87 are 100% owned and 42 are 50% owned. For properties that are 50% owned, GLA numbers reported herein represent 50% of the total GLA of such properties.
(2) Includes committed space of approximately 182,563 square feet, as at June 30, 2023. The occupancy rate at June 30, 2023 excludes a retail property and an industrial property totalling 84,000 square feet under redevelopment.
(3) This is a non-IFRS measure. See "Non-IFRS Measures".
(4) Comparison period is the six month period ended June 30, 2022.

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120 Troop Avenue, Dartmouth, Nova Scotia

To my fellow unitholders:

As I completed my first quarter as PROREIT's CEO, I am truly pleased with our capacity to execute as a team, while remaining focused on our longer-term objectives. In this context, we delivered a strong operational and financial performance for the second quarter of 2023, which reflects our solid operating environment and the strength of our balance sheet.

**Sound execution in the second quarter of 2023**

With a 99% occupancy rate at June 30, 2023, including committed occupancy, we continued to benefit from a long-standing and robust tenant base. Leasing activity also remained very favourable, as evidenced by our capacity to successfully renew 85% of GLA maturing in 2023 at 43.2% positive average rental rate spreads.

Most of our key financial metrics were up in the second quarter of 2023, compared to the same prior-year quarter. The temporary vacancy of a 102,000 square foot industrial property in Montreal, which has been fully re-leased with 10-year terms at an average positive spread of 55%, had a temporary impact on the quarter, namely on our Same Property NOI[(1)] and our AFFO Payout Ratio[(1)]. We look forward to the full benefit of this compelling renewal being reflected in our fourth quarter results for this fiscal year.

With respect to our balance sheet, I am delighted to note that we significantly increased our Available Liquidity[(1)] this quarter to approximately $57.8 million, successfully closing a $35 million convertible debentures offering in addition to receiving a new $10 million term loan. With $33.8 million of maturing mortgages remaining for 2023, we also continue to benefit from a well-staggered debt profile with limited material maturities until 2026.

Our Debt to Gross Book Value[(1)] stood at 50.9% at June 30, 2023, as it was temporarily impacted by the excess cash position and annual property tax payments, in addition to the non-cash impact of the fair market value adjustments, mainly in our office portfolio.

Our industrial segment now accounts for 80.5% of GLA and 70.6% of base rent at June 30, 2023. As per our strategy to strengthen our portfolio, we sold one non-core office property for gross proceeds of $2.1 million during the quarter. On June 29, 2023, we also entered into a binding agreement to sell two other non-core office properties for gross proceeds of $9.1 million, subject to customary closing conditions.

**Committed to our strategy**

We continue to evolve in a high-interest rate environment with macro-economic challenges. While mindful of these factors, we remain committed to increasing our footprint in the light industrial sector through organic growth and disciplined acquisitions, with sound capital allocation. We have the right team and the right strategy to maximize long-term value for the benefit all our stakeholders.

(signed) Gordon G. Lawlor, CPA
President and Chief Executive Officer

[(1)] Non-IFRS measure. See "Non-IFRS Measures".

## PART I

## FINANCIAL AND OPERATIONAL HIGHLIGHTS

| | **June 30 2023** | June 30 2022 |
|---|---|---|
| **Operational data** | | |
| Number of properties | **129** | 120 |
| Gross leasable area (square feet) ("GLA") | **6,483,576** | 6,589,970 |
| Occupancy rate (1) | **99.0 %** | 98.3 % |
| Weighted average lease term to maturity (years) | **4.1** | 4.4 |

| *(CAD $ thousands except unit, per unit amounts and unless otherwise stated)* | **3 Months Ended June 30 2023** | 3 Months Ended June 30 2022 | **6 Months Ended June 30 2023** | 6 Months Ended June 30 2022 |
|---|---|---|---|---|
| **Financial data** | | | | |
| Property revenue | **$ 24,945** | $ 23,724 | **$ 50,223** | $ 48,054 |
| Net operating income (NOI) (2) | **$ 14,450** | $ 14,270 | **$ 28,990** | $ 28,350 |
| Same Property NOI (2) | **$ 11,939** | $ 11,847 | **$ 24,209** | $ 23,519 |
| Net income and comprehensive income | **$ 1,742** | $ 11,969 | **$ 14,790** | $ 58,491 |
| Total assets | **$ 1,057,548** | $ 1,041,296 | **$ 1,057,548** | $ 1,041,296 |
| Debt to Gross Book Value (2) | **50.90 %** | 51.26 % | **50.90 %** | 51.26 % |
| Interest Coverage Ratio (2) | **2.5x** | 2.9x | **2.6x** | 2.9x |
| Debt Service Coverage Ratio (2) | **1.5x** | 1.6x | **1.6x** | 1.6x |
| Debt to Annualized Adjusted EBITDA Ratio (2) | **10.3x** | 10.2x | **10.1x** | 10.2x |
| Weighted average interest rate on mortgage debt | **3.75 %** | 3.40 % | **3.75 %** | 3.40 % |
| Net cash flows provided from operating activities | **$ 619** | $ 2,200 | **$ 11,201** | $ 8,929 |
| Funds from Operations (FFO) (2) | **$ 7,270** | $ 7,836 | **$ 12,218** | $ 15,945 |
| Basic FFO per unit (2)(3) | **$ 0.1203** | $ 0.1296 | **$ 0.2022** | $ 0.2638 |
| Diluted FFO per unit (2)(3) | **$ 0.1187** | $ 0.1272 | **$ 0.1989** | $ 0.2592 |
| Adjusted Funds from Operations (AFFO) (2) | **$ 6,990** | $ 7,862 | **$ 14,804** | $ 15,675 |
| Basic AFFO per unit (2)(3) | **$ 0.1156** | $ 0.1301 | **$ 0.2450** | $ 0.2593 |
| Diluted AFFO per unit (2)(3) | **$ 0.1142** | $ 0.1276 | **$ 0.2410** | $ 0.2548 |
| AFFO Payout Ratio – Basic (2) | **97.3 %** | 86.5 % | **91.8 %** | 86.8 % |
| AFFO Payout Ratio – Diluted (2) | **98.5 %** | 88.2 % | **93.4 %** | 88.3 % |

(1) Occupancy rate includes lease contracts for future occupancy of currently vacant space. Management believes the inclusion of this committed space provides a more balanced reporting. The committed space at June 30, 2023 was approximately 182,563 square feet of GLA (117,096 square feet of GLA at June 30, 2022). The occupancy at June 30, 2023 excludes a retail property and an industrial property totalling 84,000 square feet under redevelopment.

(2) Non-IFRS measure. See "Non-IFRS Measures”.

(3) Total basic units consist of Units (as defined herein) and Class B LP Units (as defined herein). Total diluted units also includes deferred trust units and restricted trust units issued under the REIT's long-term incentive plan.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

This management discussion and analysis (“MD&A”) sets out PRO Real Estate Investment Trust’s (the “REIT” or “PROREIT”) operating strategies, risk profile considerations, business outlook and analysis of its financial performance and condition for the three and six month periods ended June 30, 2023. This MD&A is based on financial statements prepared in accordance with IAS 34 Interim financial reporting using accounting policies consistent with International Financial Reporting Standards (‘’IFRS’’) issued by the International Accounting Standards Board (‘’IASB’’) and IFRS Interpretations Committee (‘’IFRIC’’).

This MD&A should be read in conjunction with the REIT’s condensed consolidated interim financial statements and accompanying notes for the three and six month periods ended June 30, 2023 and 2022 (the “Q2 2023 Financial Statements"), the REIT’s audited consolidated financial statements and accompanying notes for the years ended December 31, 2022 and 2021 (the “2022 Annual Financial Statements”) and management’s discussion and analysis thereon (the “2022 Annual MD&A”), and the REIT’s annual information form for the year ended December 31, 2022 (the “2022 Annual Information Form” and together with the 2022 Annual Financial Statements and 2022 Annual MD&A, the “2022 Annual Reports”). These documents and additional information regarding the business of the REIT are available under the REIT’s profile on the System for Electronic Document Analysis and Retrieval (“SEDAR+”) at www.sedarplus.ca.

The REIT’s reporting currency is the Canadian dollar (“CAD”). All amounts except unit, per unit, square footage and per square feet amounts and as otherwise stated, are in thousands of CAD and have been rounded to the nearest CAD thousand. Unless otherwise stated, in preparing this MD&A, the REIT has considered information available to it up to August 9, 2023, the date the REIT’s board of trustees (the “Board”) approved this MD&A and the Q2 2023 Financial Statements.

## FORWARD-LOOKING STATEMENTS

This MD&A contains forward-looking statements and forward-looking information (collectively, “forward-looking statements”) within the meaning of applicable securities legislation, including statements relating to certain expectations, projections, growth plans and other information related to REIT’s business strategy and future plans. Forward-looking statements can, but may not always, be identified by the use of words such as “seek”, “anticipate”, “plan”, “continue”, “estimate”, “expect”, “may”, “will”, “project”, “predict”, “potential”, “targeting”, “intend”, “could”, “might”, “would”, “should”, “believe”, “objective”, “ongoing”, “imply”, “assumes”, “goal”, “likely” and similar references to future periods or the negatives of these words and expressions and by the fact that these statements do not relate strictly to historical or current matters. These forward-looking statements are based on management’s current expectations and are subject to a number of risks, uncertainties, and assumptions, including market and economic conditions, business prospects or opportunities, future plans and strategies, projections and anticipated events and trends that affect the REIT and its industry. Although the REIT and management believe that the expectations reflected in such forward-looking statements are reasonable and are based on reasonable assumptions and estimates as of the date hereof, there can be no assurance that these assumptions or estimates are accurate or that any of these expectations will prove accurate.  Forward-looking statements are inherently subject to significant business, economic and competitive risks, uncertainties and contingencies that could cause actual events to differ materially from those expressed or implied in such statements.

Some of the specific forward-looking statements in this MD&A include, but are not limited to, statements with respect to the following:

- the intention of the REIT to distribute a portion of its available cash to securityholders and the amount of such distributions;
- the ability of the REIT to execute its growth strategies and increase its assets;
- the expected tax treatment of the REIT’s distributions to unitholders;
- the REIT’s capital expenditure requirements for its properties;
- the ability of the REIT to qualify for the exclusion from the definition of "SIFT trust" in the Income Tax Act (Canada) (the "Tax Act");
- the expected occupancy and the performance of the REIT’s properties; and
- the debt maturity profile of the REIT.

Actual results and developments are likely to differ, and may differ materially, from those anticipated by the REIT and expressed or implied by the forward-looking statements contained in this MD&A. Such statements are based on a number of assumptions and risks which may prove to be incorrect. Important assumptions relating to the forward-looking statements contained in this MD&A include, but are not limited, to the various assumptions set forth in this MD&A as well as the following: (i) the REIT will receive financing on favourable terms; (ii) the future level of indebtedness of the REIT and its future growth potential will remain consistent with the REIT’s current expectations; (iii) there will be no changes to tax laws adversely affecting the REIT’s financing capacity or operations; (iv) the workforce of the REIT will remain stable and consistent with the REIT’s current expectations; (v) the impact of the current economic climate and the current global financial conditions on the REIT’s operations, including its financing capacity, and asset value, will remain consistent with the REIT’s current expectations; (vi) there will be no material changes to government and environmental regulations adversely affecting the REIT’s operations; (vii) the performance of the REIT’s investments in Canada will proceed on a basis consistent with the REIT’s current expectations; (viii) conditions in the real estate market, including competition for acquisitions, will be consistent with the REIT’s expectations; and (ix) capital markets will provide the REIT with readily available access to equity and/or debt.

Many factors could cause the REIT’s actual results, performance or achievements to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements, including, without limitation, risks and uncertainties relating to: real property ownership; diversification risk; dependence on key personnel; COVID-19 and public health crises; appraisals and reporting investment property at fair value; joint venture/partnership arrangements; fixed costs; financing risks and leverage; liquidity of real property investments; current global capital market conditions; acquisition, development and dispositions; potential conflicts of interest; competition; geographic concentration; general uninsured losses; access to capital; interest rate exposure; environmental matters; climate change risk; litigation risk; potential undisclosed liabilities; internal controls, data governance and decision support; security of information technology; indexation for inflation and duration of lease contracts; limit on activities; insurance renewals; foreclosure; occupancy by tenants; lease renewals and rental increase; taxation matters; change of tax laws; significant ownership; volatile market price for units; cash distributions are not guaranteed; restrictions on redemptions; subordination of the units; tax related risk factors; nature of investment; unitholder liability; and dilution. These factors are not intended to represent a complete list of the factors that could affect the REIT; however, these factors, as well as those risk factors presented under the heading “Risk Factors” in the 2022 Annual Information Form, elsewhere in this MD&A and the 2022 Annual Reports and in other filings that the REIT has made and may make in the future with applicable securities authorities, should be considered carefully.

Should one or more of these risks or uncertainties materialize, or should assumptions underlying the forward-looking statements prove incorrect, actual results, performance or achievements could vary materially from those expressed or implied by the forward-looking statements contained in this MD&A.

These factors should be considered carefully and prospective investors should not place undue reliance on the forward-looking statements. Although the forward-looking statements contained in this MD&A are based upon what management currently believes to be reasonable assumptions, the REIT cannot assure prospective investors that actual results, performance or achievements will be consistent with these forward-looking statements.

These forward-looking statements are made as of the date of this MD&A and the REIT does not intend, and does not assume any obligation, to update these forward-looking statements, except as required by law. The REIT cannot assure investors that such statements will prove to be accurate as actual results and future events could differ materially from those anticipated in such statements. Investors are cautioned that forward-looking statements are not guarantees of future performance and accordingly investors are cautioned not to put undue reliance on forward-looking statements due to the inherent uncertainty therein.

## NON-IFRS MEASURES

The Q2 2023 Financial Statements are prepared in accordance with IAS 34 Interim financial reporting using accounting policies consistent with IFRS, issued by the IASB. In addition to reported IFRS measures, industry practice is to evaluate real estate entities giving consideration, in part, to certain non-IFRS financial measures, non-IFRS ratios and other specified financial measures (collectively, “non-IFRS measures”) described below. Management believes these non-IFRS measures are helpful to investors because they are widely recognized measures of a REIT’s performance and provide a relevant basis for comparison among real estate entities. In addition to the IFRS results, the REIT also uses these non-IFRS measures internally to measure the operating performance of its investment property portfolio. These non-IFRS measures should not be construed as alternatives to net income, net cash flows provided by operating activities, total assets, total equity, or comparable metrics determined in accordance with IFRS as indicators of the REIT’s performance, liquidity, cash flows and profitability and may not be comparable to similar measures presented by other real estate investment trusts or enterprises. These non-IFRS measures are defined below and are cross referenced, as applicable, to a reconciliation contained within this MD&A to the most comparable IFRS measure. Non-IFRS measures are not standardized financial measures under IFRS, and might not be comparable to similar financial measures disclosed by other issuers. The REIT believes these non-IFRS measures provide useful information to both management and investors in measuring the financial performance and financial condition of the REIT for the reasons outlined above and below.

**Non-IFRS Financial Measures**

***Adjusted Earnings before Interest, Tax, Depreciation and Amortization ("Adjusted EBITDA")***

Adjusted EBITDA is a non-IFRS financial measure used by the REIT to monitor the REIT's ability to satisfy and service its debt and to monitor requirements imposed by the REIT's lenders. Specifically, Adjusted EBITDA is used by management to monitor the REIT's Interest Coverage Ratio, Debt Service Coverage Ratio, and Debt to Annualized Adjusted EBITDA Ratio which the REIT uses to measure its debt profile and assess its ability to satisfy its obligations, including servicing its debt. The measure is also intended to be used by investors to help determine the REIT’s ability to service its debt, finance capital expenditures and provide for distributions to its unitholders. Adjusted EBITDA is defined as the REIT’s net income and comprehensive income before interest and financing costs, depreciation of property and equipment, amortization of intangible assets, fair value adjustments, distributions on Class B LP Units, straight-line rent, long-term incentive plan expense, CEO succession plan costs, transaction costs and debt settlements costs. A reconciliation to net income and comprehensive income, its most directly comparable IFRS measure, is included in the table under “Part IV – Capitalization and Debt Profile – Adjusted EBITDA”.

***Annualized Adjusted Earnings before Interest, Tax, Depreciation and Amortization ("Annualized Adjusted EBITDA")***

Annualized Adjusted EBITDA is a non-IFRS financial measure defined as Adjusted EBITDA for the current year-to-date period annualized. Management believes Annualized Adjusted EBITDA is a useful metric for management and investors to monitor the REIT’s ability to satisfy and service its debt and to monitor requirements imposed by the REIT’s lenders. A reconciliation of Adjusted EBITDA to net income and comprehensive income, its most directly comparable IFRS measure, is included in the table under “Part IV – Capitalization and Debt Profile – Adjusted EBITDA”.

***Adjusted Funds from Operations ("AFFO")***

AFFO is a non-IFRS financial measure. The REIT does not calculate AFFO in accordance with the *White Paper on FFO and AFFO for IFRS* (the “FFO and AFFO White Paper”) issued in February 2019 by the Real Property Association of Canada. The REIT defines AFFO as FFO less amortization of straight-line rents, maintenance capital expenditures and normalized stabilized leasing costs, as determined by the REIT, plus long-term incentive plan expenses, amortization of financing costs, accretion expense - Convertible Debentures and one-time costs such as debt settlement costs, CEO succession plan costs and transaction costs. Normalized stabilized leasing costs represent leasing costs paid and amortized over the new lease term. Management believes AFFO is useful to both management and investors at it is an important measure of the REIT’s economic performance and is indicative of the REIT’s ability to service its debt, fund capital expenditures and pay distributions. This non-IFRS measure is commonly used for assessing real estate performance; however, it does not represent cash generated from operating activities, as defined by IFRS, and is not necessarily indicative of cash available to fund the REIT’s needs. AFFO is reconciled to net income and comprehensive income, its most directly comparable IFRS measure, in the table under “Part IV – Distributions and Adjusted Funds from Operations” and to net cash flow provided by operating activities in the table under “Part IV – Distributions and Adjusted Funds from Operations – Distributions”.

***Available Liquidity ("Available Liquidity")***

Available Liquidity is a non-IFRS financial measure defined by the REIT as the sum of cash and undrawn revolving credit facility at the reporting period. Management believes that available liquidity is a useful measure to investors and management in determining the REIT's resources available at period-end to meet the REIT's ongoing obligations and future commitments. Refer to the table under “Part IV – Liquidity and Capital Resources – Available Liquidity” for the calculation of the Available Liquidity.

***Funds from Operations ("FFO")***

FFO is a non-IFRS financial measure of operating performance widely used by the Canadian real estate industry. However, it does not represent net income and comprehensive income nor cash generated from operating activities, as defined by IFRS, and is not necessarily indicative of cash available to fund the REIT's needs. The REIT calculates FFO in accordance with the FFO and AFFO White Paper. FFO is defined as net income and comprehensive income adjusted for fair value changes of (i) long-term incentive plan, (ii) investment properties, (iii) Class B LP Units, and (iv) derivative financial instrument, plus distributions on Class B LP Units and amortization of intangible assets. FFO, however, still includes noncash revenues related to accounting for straight-line rent and makes no deduction for the recurring capital expenditures necessary to sustain the existing earnings stream. Management believes that FFO is useful to both management and investors as it provides an operating performance measure that, 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 and comprehensive income determined in accordance with IFRS. FFO has been reconciled to net income and comprehensive income, its most directly comparable IFRS measure, in the table under "Part IV – Distributions and Adjusted Funds from Operations".

***Gross Book Value ("Gross Book Value")***

Gross Book Value is a non-IFRS financial measure defined in the REIT's Declaration of Trust (as defined herein). The REIT calculates Gross Book Value by adding back to its total assets the amount of accumulated depreciation on property and equipment and intangible assets. Management believes Gross Book Value is a useful measure for management and investors to assess the growth in the REIT's total portfolio and it is also used by management to monitor the REIT's Debt to Gross Book Value. The most directly comparable IFRS measure to Gross Book Value is total assets. Refer to the table under "Part IV – Capitalization and Debt Profile – Debt Ratios" for the calculation of Gross Book Value.

***Net Operating Income ("NOI")***

NOI is a non-IFRS financial measure defined by the REIT as revenues from investment properties less property operating expenses such as taxes, utilities, property level general administrative costs, advertising, repairs and maintenance. NOI (net operating income) is presented in the primary financial statements of the REIT. Management of the REIT considers this metric to be an important measure for management and investors in evaluating property operating performance. Refer to the table under "Part III – Results of Operations" and the table under "Part V – Summary of Quarterly Results" for the calculation of NOI.

***Same Property NOI ("Same Property NOI")***

Same Property NOI is a non-IFRS financial measure used by the REIT to assess the period over period performance of those properties owned by the REIT in both periods. In calculating Same Property NOI, NOI for the period is adjusted to remove the impact of straight-line rent revenue and tenant incentives amortized to revenue in order to highlight the 'cash impact' of contractual rent increases embedded in the underlying lease agreements. Management believes Same Property NOI is a meaningful measure for management and investors to gauge the change in asset productivity and asset value, as well as measure the additional return earned by incremental capital investments in existing assets. The most directly comparable primary financial statement measure is NOI (net operating income). See "Part III – Results of Operations – Overall Analysis – Same Property NOI Analysis".

**Non-IFRS Ratios**

***AFFO Payout Ratio - Basic ("AFFO Payout Ratio - Basic") and AFFO Payout Ratio - Diluted ("AFFO Payout Ratio - Diluted")***

The AFFO Payout Ratio - Basic and AFFO Payout Ratio - Diluted are non-IFRS ratios which are measures of the sustainability of the REIT's distribution payout. Management believes these non-IFRS ratios are useful measures to investors since these measures provide transparency on performance and the overall management of the existing portfolio assets. Management also considers these non-IFRS ratios to be an important measure of the REIT's distribution capacity. These non-IFRS ratios should not be considered as an alternative to other ratios determined in accordance with IFRS. AFFO Payout Ratio – Basic is calculated by dividing the distributions declared per Unit and Class B LP Unit by Basic AFFO per Unit, and AFFO Payout Ratio – Diluted is calculated by dividing the distributions declared per Unit and Class B LP Unit by Diluted AFFO per Unit. See the table under "Part IV – Distributions and Adjusted Funds from Operations".

***Basic AFFO per Unit ("Basic AFFO per Unit") and Diluted AFFO per Unit ("Diluted AFFO per Unit")***

Basic AFFO per Unit and Diluted AFFO per Unit are non-IFRS ratios and reflect AFFO on a weighted average per unit basis. Management believes these non-IFRS ratios are useful measures to management and investors since the measures indicate the impact of AFFO in relation to an individual per unit investment in the REIT. Management believes that AFFO per unit ratios are useful measures of operating performance similar to AFFO. These non-IFRS ratios are not standardized financial measures under IFRS and should not be considered as an alternative to other ratios determined in accordance with IFRS. Basic AFFO per Unit is calculated by using AFFO divided by the total of the weighted average number of basic Units added to the weighted average number of basic Class B LP Units. Diluted AFFO per Unit is calculated by using AFFO divided by the weighted number of diluted units. Diluted units include Units, Class B LP Units, and deferred trust units and restricted trust units issued under the REIT's long-term incentive plan. See the table under "Part IV – Distributions and Adjusted Funds from Operations".

***Basic FFO per Unit ("Basic FFO per Unit") and Diluted FFO per Unit ("Diluted FFO per Unit")***

Basic FFO per Unit and Diluted FFO per Unit are non-IFRS ratios and reflect FFO on a weighted average per unit basis. Management believes these non-IFRS ratios are useful measures to management and investors since the measures indicate the impact of FFO in relation to an individual per unit investment in the REIT. Management believes that FFO per unit ratios are useful measures of operating performance similar to FFO. These non-IFRS ratios are not standardized financial measures under IFRS and should not be considered as an alternative to other ratios determined in accordance with IFRS. Basic FFO per Unit is calculated by using FFO divided by the total of the weighted average number of basic Units added to the weighted average number of basic Class B LP Units. Diluted FFO per Unit is calculated by using FFO divided by the weighted number of diluted units. Diluted units include Units, Class B LP Units, and deferred trust units and restricted trust units issued under the REIT's long-term incentive plan. See the table under "Part IV – Distributions and Adjusted Funds from Operations".

***Debt to Annualized Adjusted EBITDA Ratio (“Debt to Annualized Adjusted EBITDA Ratio”)***

Debt to Annualized Adjusted EBITDA Ratio is a non-IFRS ratio calculated by the REIT as total debt excluding unamortized financing costs, Convertible Debentures at face value, and credit facility excluding unamortized financing costs divided by Annualized Adjusted EBITDA. Management considers this non-IFRS ratio is a useful measure of the REIT's ability to service its outstanding debt. Refer to the table under "Part IV – Capitalization and Debt Profile – Annualized Adjusted EBITDA Ratio" for the calculation of the Debt to Annualized Adjusted EBITDA Ratio.

***Debt to Gross Book Value (“Debt to Gross Book Value”)***

Debt to Gross Book Value is a non-IFRS ratio intended to be used by investors to assess the leverage of the REIT. Management uses this ratio to evaluate the leverage of the REIT and the strength of its equity position. Debt to Gross Book Value is defined as the total of debt excluding unamortized financing costs, Convertible Debentures at face value and credit facility excluding unamortized financing costs divided by Gross Book Value. See the table under "Part IV – Capitalization and Debt Profile – Debt Ratios".

***Debt Service Coverage Ratio (“Debt Service Coverage Ratio”)***

The Debt Service Coverage Ratio is a non-IFRS ratio calculated by the REIT as Adjusted EBITDA divided by the debt service requirements for the period, whereby the debt service requirements reflect principal repayments and interest expensed during the period. Payments related to prepayment penalties or payments upon discharge of a mortgage are excluded from the calculation. This non-IFRS ratio is a useful measure of the REIT's ability to meet annual interest and principal payments. Refer to the table under "Part IV – Capitalization and Debt Profile – Debt Service Coverage Ratio" for the calculation of the Debt Service Coverage Ratio.

***Interest Coverage Ratio (“Interest Coverage Ratio”)***

The Interest Coverage Ratio is a non-IFRS ratio calculated by the REIT as Adjusted EBITDA divided by the REIT's interest obligations for the period. This non-IFRS ratio is a useful measure of the REIT's ability to service the interest requirements of its outstanding debt. Management also use this non-IFRS ratio to measure and limit the REIT's leverage. Refer to the table under "Part IV – Capitalization and Debt Profile – Interest Coverage Ratio" for the calculation of the Interest Coverage Ratio.

***Net Asset Value ("NAV") per Unit***

NAV per Unit is a non-IFRS ratio that is a useful measure to management and investors as it reflects management's view of the intrinsic value of the REIT and enables investors to determine if the REIT's Units price is trading at a discount or premium relative to the NAV per Unit at each reporting period. The REIT calculates NAV per Unit as total assets less total current and non-current liabilities excluding Class B LP Units divided by the total number of Units and Class B LP Units outstanding. Refer to the table under "Part IV – Capitalization and Debt Profile – NAV per Unit" for the calculation of the NAV per Unit.

## PART II

## REIT OVERVIEW

The REIT is an unincorporated open ended real estate investment trust established under the laws of the Province of Ontario pursuant to a declaration of trust dated February 7, 2013 and amended and restated on December 21, 2018 (as amended from time to time, the "Declaration of Trust"). The REIT's trust units ("Units") are listed on the Toronto Stock Exchange (the "TSX") under the symbol PRV.UN. The principal, registered and head office of the REIT is located at 2000 Mansfield Street, Suite 1000, Montréal, Quebec, H3A 2Z7.

The REIT owns a portfolio of Canadian commercial investment properties, comprised of industrial, retail, and office properties. At June 30, 2023, the REIT owned 129 properties (of which 87 are 100% owned and 42 are 50% owned) across Canada, comprising approximately 6.5 million square feet of GLA. For properties not 100% owned by the REIT, the GLA of the REIT is the REIT's interest in the total GLA of the property.

## OBJECTIVES AND STRATEGIES

**Objectives**

The objectives of the REIT are to: (i) provide unitholders with stable and growing cash distributions from investments in real estate properties in Canada, on a tax efficient basis; (ii) expand the asset base of the REIT and enhance the sustainable value of the REIT's assets to maximize long-term Unit value; and (iii) increase the REIT's NOI and AFFO per Unit, through internal growth strategies and accretive acquisitions.

**Strategy**

In order to meet its objectives, the REIT has implemented the following key strategic elements:

**FOCUS ON HIGH QUALITY, LOW RISK INDUSTRIAL ASSETS**

- **High-quality commercial real estate.** The REIT is focused on the industrial sector in selected geographies across Canada. The majority of the properties in the portfolio are high-quality properties in the industrial sector, located in prime locations within their respective markets, along major traffic arteries benefitting from high visibility and convenient access. Management believes the quality and prime locations of the portfolio will enable the REIT to attract new tenants and retain existing tenants.

- **Geographical focus on stable Eastern Canadian markets, with careful growth in Western Canadian markets.** The REIT targets property acquisitions in primary and strong secondary markets across Canada, with a particular focus on Quebec, Atlantic Canada and Ontario, and selectively in Western Canada. Management believes that its strategy focusing on stable markets in Eastern Canada and selective expansion in specific markets in Western Canada will enable the REIT to assemble a portfolio underpinned by strong and consistently stable economic fundamentals, with exposure to organic growth opportunities.

- **High-quality tenants with diversified lease terms.** The REIT benefits from a diversified tenant base reflecting an attractive mix of government, national, regional and local tenants, as well as a mix of tenants by industry. The REIT's portfolio lease maturities are well staggered into the future. Management believes it has fostered strong relationships with its tenants, which it expects to be an important factor in the REIT's ability to attract tenants to new properties or replace leases as vacancies arise in the REIT's properties.

**LEVERAGE DEEP EXPERIENCE OF MANAGEMENT AND BOARD TO ENHANCE VALUE**

- The REIT benefits from an experienced management team and Board with a proven track record of value creation. In aggregate, the REIT's executive officers and trustees have over 100 years of operating, acquisition and financing experience in the Canadian real estate industry, including in the industrial sector. They have extensive relationships with a broad network of real estate industry owners and service professionals across Canada, and seek to leverage these relationships to source accretive high-quality acquisitions. Given the management team's experience in the Quebec, Atlantic Canada, Ontario and Western Canadian markets, it possesses a unique and valuable set of skills and relationships that can be leveraged to the benefit of the REIT.

**Expand the Asset Base**

- **Internal Growth Strategies**
  The REIT's internal growth strategy includes the following:

  - Nurturing existing tenant relationships, ensuring tenant retention and accommodating tenant growth.
  - Increasing rental income and minimizing operating expenses through operating improvements and preventative maintenance programs.
  - Pursuing expansion and redevelopment opportunities within the REIT's portfolio.

- **External Growth Strategies**
  The REIT's external growth strategy includes the following:

  - Acquiring stable investment properties that are accretive to the REIT.
  - Pursuing expansion in the industrial sector in attractive mid-sized Canadian cities.
  - Pursuing selective development and expansion opportunities within the REIT's portfolio.

## SUMMARY OF SIGNIFICANT EVENTS

On October 4, 2022, the REIT announced that Gordon G. Lawlor would succeed James W. Beckerleg as President and Chief Executive Officer of the REIT and join the REIT's Board of Trustees, effective April 1, 2023, at which time Mr. Beckerleg would retire as an executive officer of the REIT and be named Vice Chair of the Board and Co-Founder, as part of the REIT's CEO succession plan. In June 2023, Mr. Beckerleg was elected Chair of the Board. In connection with the CEO succession plan, the REIT incurred approximately $2,240 of one-time costs. Mr. Beckerleg had been President and Chief Executive Officer and a Trustee of the REIT since 2013. The REIT also announced that Alison Schafer would be appointed Chief Financial Officer and Secretary of the REIT concurrently with these changes.

On April 21, 2023, the REIT sold a 50,000 square foot non-core office property for gross proceeds of $2,100 (excluding closing costs). Proceeds of the sale were used for general business and working capital purposes.

On May 26, 2023, the REIT issued $35,000 of unsecured subordinated debentures bearing 8.00% interest per annum payable semi-annually and maturing in June 2028 (the "Convertible Debentures"). The interest is payable in arrears on June 30 and December 31 each year, commencing December 31, 2023. The Convertible Debentures are convertible at the holder's option at any time before June 2028, at a conversion price of $7.00 per Unit. The proceeds of the issuance were used to partially repay approximately $33,000 of the credit facility, which may be subsequently redrawn, and the balance used for general business and working capital purposes.

On June 1, 2023, the REIT closed on a new mortgage to refinance six industrial properties located in Winnipeg, Manitoba for $20,500. The rate on the new mortgage was fixed at 5.07% with a term of seven years. Proceeds of the refinancing were used to repay approximately $16,600 of mortgages maturing in July 2023, $53 in yield maintenance fees and the balance used for general business and working capital purposes.

On June 29, 2023, the REIT received a $10,000 three year term loan at rate of 6.79%. Approximately $3,000 of the proceeds was used to partially repay the credit facility on June 29, 2023 with another $5,000 partial repayment on July 7, 2023. The staggered repayment was a result of a July 2023 maturity date of the borrowings under the bankers' acceptance facility. The remaining balance was used for general business and working capital purposes.

## SUBSEQUENT EVENTS

On June 29, 2023, the REIT entered into a binding agreement with a third party purchaser to sell two non-core office properties totalling approximately 60,000 square feet for gross proceeds of $9,100 (excluding closing costs). Proceeds of the sale will be used to repay approximately $5,700 in related mortgages that are to mature in December 2023, with the balance of the proceeds to be used for general business and working capital purposes. The closing of the sale is scheduled for the third quarter of 2023 and is subject to standard closing conditions.

On July 19, 2023, the REIT announced a cash distribution of $0.0375 per Unit for the month of July 2023. The distribution is payable on August 15, 2023 to unitholders of record as at July 31, 2023.

## OUTLOOK

Economic activity in Canada has been strong in 2023, and the REIT has benefited from this economic activity, including the demand for commercial space especially in the industrial sector.

In the context of global geopolitical tensions, ongoing supply chain issues, labour shortages and related inflationary pressures, the Bank of Canada has increased its policy interest rate by 500 basis points since the beginning of 2022. Additional rate hikes may occur in 2023 or in the future to control inflation. The REIT believes it is well positioned in this environment given its staggered debt maturities, and potential upside on revenues with current below market rents in the portfolio.

The REIT also benefits from a low-risk tenant base that is expected to withstand the impact of inflation and that has successfully demonstrated its resilience to the pressures posed by the pandemic since 2020.

## PART III

## RESULTS OF OPERATIONS

| *(CAD $ thousands)* | **3 Months Ended June 30 2023** | 3 Months Ended June 30 2022 | **6 Months Ended June 30 2023** | 6 Months Ended June 30 2022 |
|---|---|---|---|---|
| Property revenue | **$ 24,945** | $ 23,724 | **$ 50,223** | $ 48,054 |
| Property operating expenses | **10,495** | 9,454 | **21,233** | 19,704 |
| **Net operating income**[(1)] | **14,450** | 14,270 | **28,990** | 28,350 |
| General and administrative expenses | **1,278** | 1,324 | **4,796** | 2,526 |
| Long-term incentive plan expense | **395** | (1,201) | **976** | (276) |
| Depreciation of property and equipment | **108** | 99 | **213** | 188 |
| Amortization of intangible assets | **93** | 93 | **186** | 186 |
| Interest and financing costs | **5,473** | 4,804 | **10,604** | 9,516 |
| Distributions - Class B LP Units | **157** | 159 | **314** | 318 |
| Fair value adjustment - Class B LP Units | **(964)** | (1,807) | **(992)** | (861) |
| Fair value adjustment - investment properties | **6,250** | (833) | **(1,401)** | (41,134) |
| Fair value adjustment - derivative financial instrument | **21** | – | **21** | – |
| Other income | **(748)** | (677) | **(1,583)** | (1,139) |
| Other expenses | **398** | 340 | **819** | 535 |
| Debt settlement costs | **53** | – | **53** | – |
| Transaction costs | **194** | – | **194** | – |
| **Net income and comprehensive income** | **$ 1,742** | $ 11,969 | **$ 14,790** | $ 58,491 |

(1) Non-IFRS measure. See "Non-IFRS Measures".

**Comparison of the Results from Operations**

The REIT's results of operations for the three and six month periods ended June 30, 2023 are not directly comparable to the three and six month periods ended June 30, 2022. The REIT owned 129 investment properties (including a 50% ownership interest in 42 investment properties) at June 30, 2023, compared to 120 investment properties it owned at 100% at June 30, 2022. During the twelve month period ended June 30, 2023, the REIT acquired a 50% interest in 21 investment properties, sold a 50% interest in 21 other investment properties, and sold a 100% interest in 12 investment properties. Notwithstanding the foregoing, year over year figures for the three and six month periods ended June 30, 2023 and 2022 are presented in this MD&A. The principal reason for variances between the financial figures presented in such year over year periods is the net increase in the number of properties and their respective results of operations during such comparative periods.

**Overall Analysis**

**Property Revenue**

Property revenue includes rents from tenants under lease agreement, straight-line rent, percentage rents, property taxes and operating cost recoveries and other incidental income.

For the three and six month periods ended June 30, 2023, property revenue increased by $1,221 and $2,169 respectively, compared to the same periods in 2022. The increase is principally due to the incremental revenues from the net increase in the number of properties during the twelve month period ended June 30, 2023 as described in the "Comparison of the Results from Operations" section of this MD&A.

**Property Operating Expenses**

Property operating expenses are expenses directly related to real estate operations and are generally charged back to tenants as provided for in the contractual terms of the leases. Operating expenses include property taxes and public utilities, costs related to indoor and outdoor maintenance, heating, ventilation and air conditioning, elevators, insurance, janitorial services and management and operating fees. The amount of operating expenses that the REIT can recover from its tenants depends on the occupancy rate of the properties and the nature of the existing leases containing clauses regarding the recovery of expenses. The majority of the REIT's leases are net rental leases under which tenants are required to pay their share of the properties' operating expenses.

For the three and six month periods ended June 30, 2023, property operating expenses increased by $1,041 and $1,529 respectively, compared to the same periods in 2022 primarily due to the net increase in the number of properties during the twelve month period ended June 30, 2023 as described in the "Comparison of the Results from Operations" section of this MD&A.

**Same Property NOI Analysis**

Same Property NOI analysis includes properties that were owned for a full quarterly reporting in both current and comparative periods. Same Property NOI excludes non-cash adjustments such as straight-line rent and tenant incentives amortized to revenue flowing through the three and six month periods ended June 30, 2023 and 2022. The following table reconciles net operating income as reported in the Q2 2023 Financial Statements to Same Property NOI.

| *(CAD $ thousands)* | **3 Months Ended June 30 2023** | 3 Months Ended June 30 2022 | **6 Months Ended June 30 2023** | 6 Months Ended June 30 2022 |
|---|---|---|---|---|
| Property revenue | **$ 24,945** | $ 23,724 | **$ 50,223** | $ 48,054 |
| Property operating expenses | **10,495** | 9,454 | **21,233** | 19,704 |
| NOI (net operating income) as reported in the financial statements (1) | **14,450** | 14,270 | **28,990** | 28,350 |
| Straight-line rent adjustment | **(457)** | (105) | **(578)** | (223) |
| NOI after straight-line rent adjustment (1) | **13,993** | 14,165 | **28,412** | 28,127 |
| | | | | |
| NOI (1) sourced from: | | | | |
| Acquisitions | **(2,066)** | (287) | **(4,147)** | (572) |
| Dispositions | **12** | (2,031) | **(56)** | (4,036) |
| **Same Property NOI (1)** | **$ 11,939** | $ 11,847 | **$ 24,209** | $ 23,519 |
| **Number of same properties** | **105** | 105 | **105(2)** | 105(2) |

(1) Non-IFRS measure. See "Non-IFRS Measures".

(2) Includes 21 properties 50% owned at June 30, 2023 (100% owned at June 30, 2022). The comparative period has been updated to reflect 50% ownership.

The overall increase in Same Property NOI for the three and six month periods ended June 30, 2023 of $92 and $690 or 0.8% and 2.9% respectively, compared to the same periods in 2022 is attributed to the increase in occupancy in the office and retail asset class, contractual increases in rent and higher rental rates on lease renewals. The decrease in occupancy in the industrial asset class for the three and six month periods ended June 30, 2023 is driven by a temporary vacancy of a 102,000 square foot property in Montreal, Quebec as of April 1, 2023. The property has been fully re-leased with occupancy starting in the third quarter of 2023. The overall increase in the Same Property NOI, adjusted to exclude the NOI of the temporary vacancy of one industrial property for the three and six month periods ended June 30, 2023, was $451 and $1,051 or 3.9% and 4.6% respectively.

The following is the Same Property NOI by asset class for the three and six month periods ended June 30, 2023 and 2022:

| | 3 Months Ended | | | 6 Months Ended | | |
|---|---|---|---|---|---|---|
| *(CAD $ thousands)* | Number of same properties | **June 30 2023** | June 30 2022 | Number of same properties | **June 30 2023** | June 30 2022 |
| Industrial [1] | 65 | **$ 7,962** | $ 8,050 | 65 | **$ 16,265** | $ 15,979 |
| Retail | 33 | **2,798** | 2,740 | 33 | **5,595** | 5,471 |
| Office | 7 | **1,179** | 1,057 | 7 | **2,349** | 2,069 |
| **Same Property NOI [2]** | 105 | **$ 11,939** | $ 11,847 | 105 | **$ 24,209** | $ 23,519 |

(1) Includes 21 properties 50% owned at June 30, 2023 (100% owned at June 30, 2022). The comparative period has been updated to reflect 50% ownership.
(2) Non-IFRS measure. See "Non-IFRS Measures".

The following table is the Same Property NOI and Same Property NOI by asset class for the three and six month periods ended June 30, 2023 and 2022, adjusted to exclude the NOI of the temporary vacancy of one industrial property for the three and six month periods ended June 30, 2023 and 2022 :

| | 3 Months Ended | | | 6 Months Ended | | |
|---|---|---|---|---|---|---|
| *(CAD $ thousands)* | Number of same properties | **June 30 2023** | June 30 2022 | Number of same properties | **June 30 2023** | June 30 2022 |
| **Same Property NOI[1]** | 105 | **$ 11,939** | $ 11,847 | 105 | **$ 24,209** | $ 23,519 |
| NOI of the temporary vacancy of 1 industrial property | (1) | **141** | (218) | (1) | **(81)** | (442) |
| **Same Property NOI (Adjusted for One Temporary Vacancy) [1]** | 104 | **$ 12,080** | $ 11,629 | 104 | **$ 24,128** | $ 23,077 |
| Industrial (excluding 1 temporary vacant property) [2] | 64 | **$ 8,103** | $ 7,832 | 64 | **$ 16,184** | $ 15,537 |
| Retail | 33 | **2,798** | 2,740 | 33 | **5,595** | 5,471 |
| Office | 7 | **1,179** | 1,057 | 7 | **2,349** | 2,069 |
| **Same Property NOI (adjusted for one temporary vacancy) [1]** | 104 | **$ 12,080** | $ 11,629 | 104 | **$ 24,128** | $ 23,077 |

(1) Non-IFRS measure. See "Non-IFRS Measures".
(2) Includes 21 properties 50% owned at June 30, 2023 (100% owned at June 30, 2022). The comparative period has been updated to reflect 50% ownership.

The change in industrial Same Property NOI for the three and six month periods ended June 30, 2023 was a decrease of $88 or 1.1% and an increase of $286 or 1.8%, respectively, compared to the same periods in 2022. The decrease for the three month period ended June 30, 2023 is mainly driven by a temporary vacancy of a 102,000 square foot property in Montreal, Quebec partially offset by as contractual increases in rent and higher rental rates on lease renewal compared to the same period in 2022. The increase for the six month period ended June 30, 2023 compared to the same period in 2022 relates to contractual increases in rent and higher rental rates on lease renewals, offset by a decrease in occupancy. The increase in the industrial Same Property NOI, adjusted to exclude the NOI of the temporary vacancy of one industrial property for the three and six month periods ended June 30, 2023, was $271 and $647 or 3.4% and 4.2% respectively.

The increase in retail Same Property NOI for the three and six month periods ended June 30, 2023 was $58 and $124 or 2.1% and 2.3%, respectively, compared to the same periods in 2022. The main driver for the increase is due to a slight increase in occupancy as well as contractual increases in rent and higher rental rates on lease renewals compared to same periods in 2022.

The increase in office Same Property NOI for the three and six month periods ended June 30, 2023 was $122 and $280 or 11.5% and 13.5% respectively, compared to the same periods in 2022. The increase for the three and six month periods ended June 30, 2023 compared to the same periods in 2022, is mainly due to the increase in occupancy in one of the seven properties and a one-time negative adjustment in the second quarter of 2022 of $137 related to a prior period adjustment. At June 30, 2023, approximately 15,730 square feet of vacant office space has been leased in 2023 with terms ranging between five and ten years commencing between July 1, 2023 and December 31, 2023.

The following is the same property average occupancy by asset class excluding any committed space for the three and six month periods ended June 30, 2023 and 2022:

| | **Same Properties 3 Months Ended June 30** | | **Same Properties 6 Months Ended June 30** | |
|---|---|---|---|---|
| | **2023** | 2022 | **2023** | 2022 |
| Industrial | **96.7 %** | 97.1 % | **96.5 %** | 99.0 % |
| Retail | **97.5 %** | 97.2 % | **97.6 %** | 97.3 % |
| Office | **90.6 %** | 88.5 % | **91.4 %** | 86.7 % |
| Total | **96.4 %** | 96.6 % | **96.3 %** | 97.9 % |

**General and Administrative Expenses**

General and administrative expenses include corporate expenses, office expenses, legal and professional fees, salaries, and other overhead expenses which are indirectly associated with the operation and leasing of investment properties.

General and administrative expenses for the three and six month periods ended June 30, 2023 were $1,278 and $4,796 respectively, a decrease of $46 and an increase of $2,270 over the same periods in 2022. The increase for the six month period ended June 30, 2023, is primarily due to the one-time retirement fee of approximately $1,600 plus other one-time costs associated with the CEO succession of approximately $600 (see "Summary of Significant Events" section of this MD&A).

**Long-Term Incentive Plan**

Long-term incentive plan expense of $395 and $976 during the three and six month periods ended June 30, 2023 relates to deferred and restricted units which vest over a period of one to three years, and is a non-cash item.

**Interest and Financing Costs**

Interest and financing costs were $5,473 and $10,604 for the three and six month periods ended June 30, 2023. The increase of $669 and $1,088 over the same periods in 2022 is due to the net increase in the number of properties during the twelve month period ended June 30, 2023 as described in the "Comparison of the Results from Operations" section of this MD&A, the increase in the variable interest rates on the credit facility, as well as the increase in the weighted average interest rate on mortgage debt to 3.75% as at June 30, 2023 from 3.40% as at June 30, 2022.

**Distributions – Class B LP Units**

The REIT currently pays monthly distributions of $0.0375 per Class B limited partnership units ("Class B LP Units") of PRO REIT Limited Partnership ("PRLP") or $0.4500 per Class B LP units on an annualized basis. Distributions on the Class B LP Units were $157 and $314 for the three and six month periods ended June 30, 2023.

**Fair Value Adjustment – Class B LP Units**

A fair value gain of $964 and fair value gain of $992 on the Class B LP Units was recorded for the three and six month periods ended June 30, 2023 respectively, resulting from a change in the quoted market price of the REIT's publicly traded Units. This is a non-cash item.

**Fair Value Adjustment – Investment Properties**

The REIT has selected the fair value method to account for real estate classified as investment property and records investment properties at their purchase price including transaction costs (less any purchase price adjustments) in the quarter of acquisition. Any changes in the fair value of investment properties are recognized as fair value gains and losses in the statement of income and comprehensive income in the quarter in which they occur. During the three and six month periods ended June 30, 2023, 3 and 20 properties were respectively revalued by independent external appraisers.

The fair value loss of $6,250 and fair value gain of $1,401 on investment properties for the three and six month periods ended June 30, 2023 is due to changes in projected future cash flows, changes in capitalization rates and market rent assumptions on certain of the REIT's properties, offset by certain non-recoverable expenditures and leasing costs incurred. The REIT's growth in income achieved through lease deals and increasing market rents, predominately in the industrial sector, is offset by a slight expansion in capitalization rates due to market conditions.

The REIT calculates fair value using both the discounted cash flow method and direct capitalization method, 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 rollovers. Fair values are supported by a combination of internal financial information, market data and external independent valuations.

| *(CAD $ thousands)* | Industrial | Retail | Office | Total |
|---|---|---|---|---|
| **At June 30, 2023** | | | | |
| Fair value of investment properties | **$ 800,235** | **$ 157,845** | **$ 68,630** | **$ 1,026,710** |
| Fair value of investment properties per square feet | **$ 153.37** | **$ 178.19** | **$ 180.64** | **$ 158.36** |
| | | | | |
| At June 30, 2022 | | | | |
| Fair value of investment properties | $ 751,679 | $ 184,470 | $ 84,160 | $ 1,020,309 |
| Fair value of investment properties per square feet | $ 144.84 | $ 186.62 | $ 204.38 | $ 154.83 |

The significant valuation metric used in the direct capitalization method are stabilized capitalization rates. The following table summarizes stabilized capitalization rates by asset class as at June 30, 2023 and 2022:

| | **As at June 30, 2023** | | As at June 30, 2022 | |
|---|---|---|---|---|
| | **Range %** | **Weighted Average % (1)** | Range % | Weighted Average % (1) |
| Industrial | **4.5% - 8.3%** | **5.8 %** | 4.3% - 6.8% | 5.4 % |
| Retail | **4.5% - 9.0%** | **6.8 %** | 5.3% - 9.0% | 6.9 % |
| Office | **6.8% - 10.0%** | **7.2 %** | 5.5% - 9.0% | 6.3 % |
| **Total portfolio** | **4.5% - 10.0%** | **6.0 %** | 4.3% - 9.0% | 5.7 % |

(1) Weighted average percentage based on fair value of investment properties.

The following table summarizes stabilized capitalization rates by region as at June 30, 2023 and 2022:

| | **As at June 30, 2023** | | **As at June 30, 2022** | |
|---|---|---|---|---|
| | **Range %** | **Weighted Average % (1)** | Range % | Weighted Average % (1) |
| Maritime provinces | **4.5% - 9.0%** | **6.3 %** | 5.3% - 9.0% | 6.2 % |
| Ontario | **5.0% - 10.0%** | **5.9 %** | 4.5% - 6.5% | 5.1 % |
| Quebec | **5.0% - 6.5%** | **5.4 %** | 4.3% - 6.5% | 5.1 % |
| Western Canada | **5.5% - 8.5%** | **6.0 %** | 5.5% - 8.3% | 6.0 % |
| **Total portfolio** | **4.5% - 10.0%** | **6.0 %** | 4.3% - 9.0% | 5.7 % |

(1) Weighted average percentage based on fair value of investment properties.

**Other Income and Other Expenses**

The REIT acquired the assets of Compass Commercial Realty Limited ("Compass") on June 27, 2018, a property management firm headquartered in Halifax, Nova Scotia. The REIT records revenues generated ("other income") as well as relevant expenses incurred ("other expenses") by Compass not related to the properties owned by the REIT in the condensed consolidated interim statements of net income and comprehensive income. At June 30, 2023, Compass manages all 129 of the REIT's properties plus third party properties totalling approximately 10.8 million square feet.

**Investment in Joint Operations**

On August 4, 2022, the REIT acquired a 50% interest in 21 investment properties owned by a third party and sold a 50% interest in 21 investment properties it owned 100% prior to this transaction. As a result of this transaction, the REIT is a co-owner in 42 investment properties that are subject to joint control based on the REIT’s decision-making authority with regard to the relevant activities of the investment properties. The REIT recognizes its rights to and obligations for the assets, liabilities, revenue and expenses of these joint operations in the respective lines in the Q2 2023 Financial Statements.

Compass acts as the sole property manager for the entire 50% owned 42-property portfolio and collects 100% of the property management fees.

The following amounts are included in the Q2 2023 Financial Statements and represent the REIT's proportionate share of the results of operations of its co-owned properties:

| *(CAD $ thousands)* | | **3 Months Ended June 30 2023** | | 3 Months Ended June 30 2022 | | **6 Months Ended June 30 2023** | | 6 Months Ended June 30 2022 |
|---|---|---|---|---|---|---|---|---|
| Property revenue | **$** | **6,072** | $ | – | **$** | **11,976** | $ | – |
| Property operating expenses (excluding the undernoted property management fees) | | **2,491** | | – | | **4,951** | | – |
| Property management fees | | **175** | | – | | **348** | | – |
| Net operating income [1] | | **3,406** | | – | | **6,677** | | – |
| Interest and financing costs | | **1,352** | | – | | **2,707** | | – |
| Fair value adjustment - investment properties | | **(4,374)** | | – | | **(4,066)** | | – |
| **Net income and comprehensive income** | **$** | **6,428** | $ | – | **$** | **8,036** | $ | – |

(1) Non-IFRS measure. See "Non-IFRS Measures".

## SEGMENTED ANALYSIS

The REIT's segments include three classifications of investment properties – Industrial, Retail, and Office. All of the REIT's activities are located in one geographical segment – Canada. The accounting policies followed for each segment are the same as disclosed in the REIT's condensed consolidated interim financial statements. Operating performance is evaluated by the REIT's management primarily based on NOI. General and administrative expenses, depreciation and amortization, interest and financing costs are not allocated to operating segments. Segment assets include investment properties; segment liabilities include mortgages attributable to specific segments, but excludes the REIT's term loans, credit facility and their respective unamortized financing costs. Other assets and liabilities are not attributed to operating segments.

| | **Industrial** | | **Retail** | | **Office** | | **Total** |
|---|---|---|---|---|---|---|---|
| *(CAD $ thousands)* | **$** | **%** | **$** | **%** | **$** | **%** | **$** |
| **Three months ended June 30, 2023** | | | | | | | |
| Property revenue | **17,668** | ***70.8*** | **4,420** | ***17.7*** | **2,857** | ***11.5*** | **24,945** |
| Net operating income (NOI) [1] | **10,387** | ***71.9*** | **2,799** | ***19.4*** | **1,264** | ***8.7*** | **14,450** |
| **Three months ended June 30, 2022** | | | | | | | |
| Property revenue | 16,095 | *67.8* | 5,139 | *21.7* | 2,490 | *10.5* | 23,724 |
| Net operating income (NOI) [1] | 9,727 | *68.2* | 3,407 | *23.8* | 1,136 | *8.0* | 14,270 |

(1) Non-IFRS measure. See "Non-IFRS Measures".

| | **Industrial** | | **Retail** | | **Office** | | **Total** |
|---|---|---|---|---|---|---|---|
| *(CAD $ thousands)* | **$** | **%** | **$** | **%** | **$** | **%** | **$** |
| **Six months ended June 30, 2023** | | | | | | | |
| Property revenue | **35,409** | ***70.5*** | **9,076** | ***18.1*** | **5,738** | ***11.4*** | **50,223** |
| Net operating income (NOI) [1] | **20,709** | ***71.4*** | **5,702** | ***19.7*** | **2,579** | ***8.9*** | **28,990** |
| Investment properties | **800,235** | ***77.9*** | **157,845** | ***15.4*** | **68,630** | ***6.7*** | **1,026,710** |
| Mortgages payable | **364,592** | ***76.8*** | **68,448** | ***14.4*** | **41,955** | ***8.8*** | **474,995** |
| **Six months ended June 30, 2022** | | | | | | | |
| Property revenue | 32,665 | *68.0* | 10,438 | *21.7* | 4,951 | *10.3* | 48,054 |
| Net operating income (NOI) [1] | 19,355 | *68.3* | 6,800 | *24.0* | 2,195 | *7.7* | 28,350 |
| Investment properties | 751,679 | *73.7* | 184,470 | *18.1* | 84,160 | *8.2* | 1,020,309 |
| Mortgages payable | 368,737 | *75.1* | 81,575 | *16.6* | 40,669 | *8.3* | 490,981 |

(1) Non-IFRS measure. See "Non-IFRS Measures".

The main driver for the change in revenues, NOI, fair values of investment properties and mortgages payables is the net increase in the number of properties and their related ownership percentages during the twelve month period ended June 30, 2023 as described in the “Comparison of the Results from Operations” section of this MD&A.

As at June 30, 2023, the Industrial segment consists of 86 properties (June 30, 2022 – 67 properties), having a total GLA of approximately 5,218,000 square feet (June 30, 2022 – ~5,190,000 square feet).

As at June 30, 2023, the Retail segment consists of 35 properties (June 30, 2022 – 45 properties), having a total GLA of approximately 886,000 square feet (June 30, 2022 – ~988,000 square feet).

As at June 30, 2023, the Office segment consists of 8 properties (June 30, 2022 – 8 properties), having a total GLA of approximately 380,000 square feet (June 30, 2022 – ~412,000 square feet).

## PORTFOLIO PROFILE

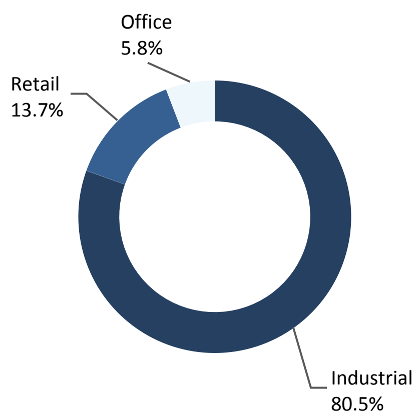
At June 30, 2023, the REIT's portfolio consisted of 129 properties, located in prime locations within their respective markets, representing a total GLA of 6,483,576 square feet. The decrease of 106,394 square feet compared to June 30, 2022 is due to the disposition of 33 investment properties (21 at 50% ownership) offset by the acquisition of 21 investment properties (at 50% ownership).

| | 6 Month Period Ended/ At June 30, 2023 | | | | 6 Month Period Ended/ At June 30, 2022 | | | |
|---|---|---|---|---|---|---|---|---|
| *(CAD $ thousands unless otherwise stated)* | **# of Properties** | **Occupancy[1]** | **GLA (sq. ft.)** | **NOI[2]** | # of Properties | Occupancy[1] | GLA (sq. ft.) | NOI[2] |
| Industrial | **86** | **99.4 %** | **5,217,830** | **$ 20,709** | 67 | 99.0 % | 5,189,696 | $ 19,355 |
| Retail | **35** | **97.8 %** | **885,818** | **5,702** | 45 | 98.2 % | 988,498 | 6,800 |
| Office | **8** | **95.3 %** | **379,928** | **2,579** | 8 | 89.2 % | 411,776 | 2,195 |
| **Total** | **129** | **99.0 %** | **6,483,576** | **$ 28,990** | 120 | 98.3 % | 6,589,970 | $ 28,350 |

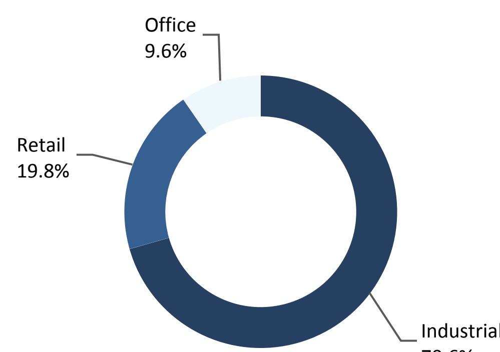
(1) Occupancy rate includes lease contracts for future occupancy of currently vacant space. Management believes the inclusion of this committed space provides a more balance reporting. The committed space at June 30, 2023 was approximately 182,563 square feet of GLA (117,096 square feet of GLA at June 30, 2022). The occupancy at June 30, 2023 excludes a retail property and an industrial property totalling 84,000 square feet under redevelopment.

(2) Non-IFRS measure. See "Non-IFRS Measures".

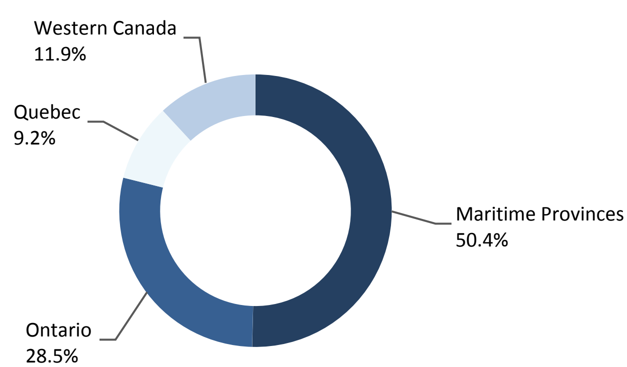
**GLA by Asset Class [1]**




**Base Rent by Asset Class [1]**




**Base Rent by Region [1]**




[1] Based on annualized in-place and committed base rent at June 30, 2023.

**Top Ten Tenants**

As at June 30, 2023, the ten largest tenants in the REIT's portfolio accounted for approximately 27.1% on annualized in-place and committed base rent and had a remaining average lease term of approximately 4.3 years.

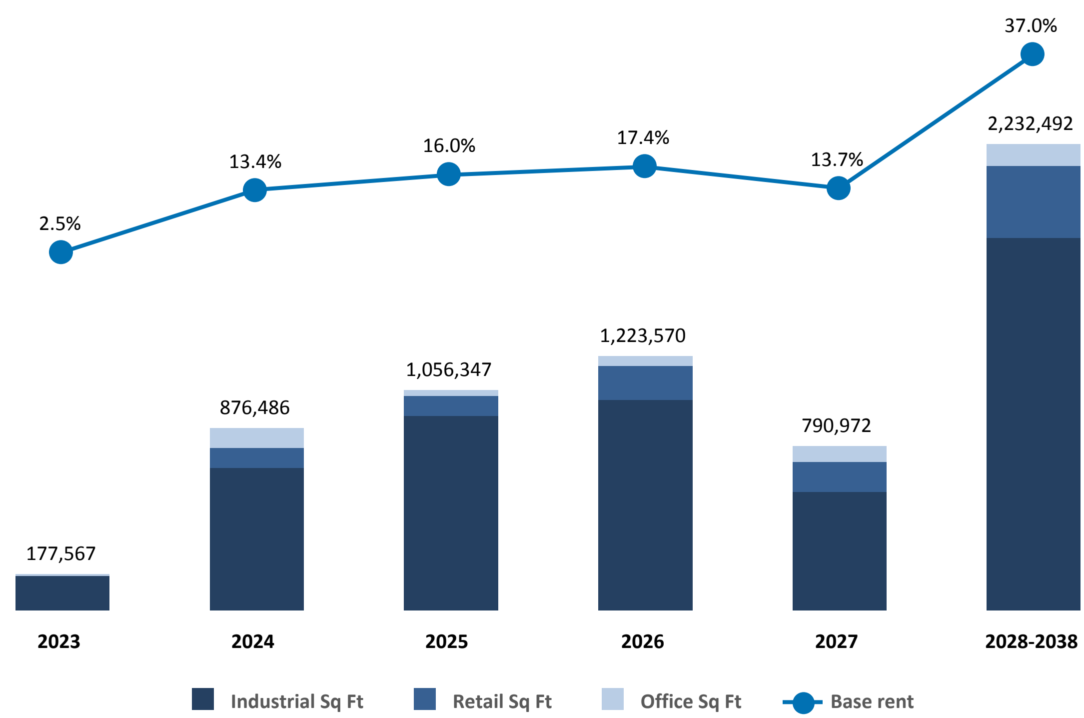
| Tenant | % in-Place Base Rent[(1)] | GLA (Sq. Ft.) | Remaining Average Lease Term (years) | Credit Rating[(2)] |
|---|---|---|---|---|
| Sobeys | **4.2 %** | **222,491** | **4.1** | na/BBB-/BBB |
| DRS Technologies Canada | **4.0 %** | **127,334** | **1.6** | Ba1/BB+/BBB- |
| Sysco Canada Inc. | **3.5 %** | **326,061** | **3.1** | BBB/BBB/BB- |
| Government of Canada | **3.4 %** | **131,433** | **3.6** | Aaa/AAA/AA+ |
| Rexall | **2.8 %** | **62,799** | **6.6** | Baa1/A-/na |
| Versacold | **2.4 %** | **224,334** | **6.1** | na |
| Ribbon Communications Canada | **2.3 %** | **98,057** | **6.5** | na |
| Sherway Warehousing Inc. | **1.7 %** | **156,318** | **3.2** | na |
| ArcelorMittal Tailored Blanks | **1.5 %** | **185,633** | **6.0** | Baa3/BBB-/na |
| Data Communications Management Corp. | **1.3 %** | **172,719** | **5.2** | na |
| **Total** | **27.1 %** | **1,707,179** | **4.3** | |

(1) Based on annualized in-place and committed base rent at June 30, 2023.

(2) Source: Moody's, S&P, and DBRS. Credit rating assigned to tenant or its parent.

The REIT's total portfolio includes 68.3% of base rent from national and government tenants and 35.4% of base rent from credit quality tenants, based on annualized in-place and committed base rent at June 30, 2023.

The REIT's diverse tenant base has a staggered lease maturity profile with no more than 1,223,570 square feet or 18.9% of GLA maturing in any given period before 2028.



| **Weighted average lease term to maturity (years)** | **June 30 2023** | June 30 2022 |
|---|---|---|
| Industrial | **4.0** | 4.2 |
| Retail | **4.5** | 5.0 |
| Office | **4.3** | 4.7 |
| **Total Portfolio** | **4.1** | 4.4 |

**Rental Rates**

Weighted average in-place base rental revenue is contractual base rent and excludes recoverable expense revenue. The following table outlines the weighted average in-place base rental revenue, including committed space, per square foot and by asset class for the REIT's investment property portfolio at June 30, 2023 and June 30, 2022:

| | **June 30, 2023** | | June 30, 2022 | |
|---|---|---|---|---|
| | **Leased GLA (Sq. Ft.)** | **Weighted Average In-Place Rent (per Sq. Ft.)** | Leased GLA (Sq. Ft.) | Weighted Average In-Place Rent (per Sq. Ft.) |
| Industrial | **5,122,534** | **$ 8.12** | 5,139,958 | $ 7.30 |
| Retail | **847,573** | **14.17** | 970,906 | 14.99 |
| Office | **361,940** | **14.90** | 367,472 | 14.23 |
| **Leased total** | **6,332,047** | **$ 9.31** | 6,478,336 | $ 8.84 |
| Properties under redevelopment | **84,000** | | – | |
| Vacant total | **67,529** | | 111,634 | |
| **Portfolio Total** | **6,483,576** | | 6,589,970 | |

The weighted average in-place rent of $9.31 per square foot at June 30, 2023 increased from $8.84 per square foot at June 30, 2022 driven by the increase in leasing rates in the industrial asset class.

## LEASING ACTIVITY

At June 30, 2023, the REIT`s occupancy was 99.0% (including committed space of approximately 182,563 square feet and excluding approximately 84,000 square feet under redevelopment) with a weighted average remaining lease term of 4.1 years. The following table summarizes rental rate spreads achieved on the renewal and replacements during the three and six month periods ended June 30, 2023:

| | **3 Months Ended June 30, 2023** | | **6 Months Ended June 30, 2023** | |
|---|---|---|---|---|
| | **Leased GLA (Sq. Ft.)** | **Rental Rate Spread % [(1)]** | **Leased GLA (Sq. Ft.)** | **Rental Rate Spread % [(1)]** |
| Industrial | **160,289** | **73.4 %** | **842,107** | **49.6 %** |
| Retail | **14,694** | **5.4 %** | **43,932** | **9.1 %** |
| Office | **2,327** | **3.0 %** | **28,625** | **(6.6)%** |
| **Total** | **177,310** | **53.4 %** | **914,664** | **43.2 %** |

(1) Rental rate spread % is calculated as the difference in renewal rent over existing rent.

Overall, approximately 85% of GLA maturing in 2023 has been renewed at 43.2% positive average spreads.

As of April 1, 2023, a 102,000 square foot industrial property located in Montreal, Quebec was vacant. The space has been fully re-leased to two tenants with 10 year lease terms with an average rental rate spread of 55% over the previous tenants. Occupancy will commence in the third quarter of 2023 with contractual annualized base rent of approximately $1,600.

## PART IV

## LIQUIDITY AND CAPITAL RESOURCES

Cash flows from operating activities, available funding under the REIT's credit facility and cash on hand represent the primary sources of liquidity to fund distributions, debt service, capital expenditures, tenant inducements and leasing costs. The REIT's cash flow from operations is dependent upon the rental occupancy levels, the rental rates on its leases, the collectability of rent from its tenants, recoveries of operating costs and operating costs. Material changes in these factors may adversely affect the REIT's net cash flows from operating activities and liquidity (see "Risks and Uncertainties" section).

The REIT expects to be able to meet all of its obligations as they become due in the short-term and the long-term. The REIT expects to have sufficient liquidity as a result of cash on hand, cash flow from operating activities, operating facilities, the ability to refinance properties when required as well as the ability to raise equity in the capital markets when available.

| *(CAD $ thousands)* | **3 Months Ended June 30 2023** | 3 Months Ended June 30 2022 | **6 Months Ended June 30 2023** | 6 Months Ended June 30 2022 |
|---|---|---|---|---|
| **Cash provided from (used in):** | | | | |
| Operating activities | **$ 619** | $ 2,200 | **$ 11,201** | $ 8,929 |
| Financing activities | **7,385** | (1,376) | **3,943** | (6,595) |
| Investing activities | **(3,036)** | (2,814) | **(6,880)** | (4,476) |
| **Change in cash during the period** | **4,968** | (1,990) | **8,264** | (2,142) |
| Cash, beginning of period | **10,827** | 5,792 | **7,531** | 5,944 |
| **Cash, end of period** | **$ 15,795** | **$ 3,802** | **$ 15,795** | $ 3,802 |

**Three Month Period Ended June 30, 2023**

Cash flows from operating activities relate primarily to the collection of rent and payment of operating expenses. The cash provided by operating activities of $619 for the three month period ended June 30, 2023 was impacted mainly by the timing of cash receipts and settlement of payables.

Cash flows from financing activities during the three month period ended June 30, 2023 of $7,385 is attributed to the increase in debt of $30,500, the issuance of Convertible Debentures (net of costs) of $32,671, offset by distributions paid of $6,643, repayment of debt of $19,809, Restricted and Deferred Units settled in cash of $2,382, financing cost incurred of $452 and net decrease in borrowings on the credit facility of $26,500.

Cash used in investing activities of $3,036 during the three month period ended June 30, 2023 primarily consist of the additions of capital expenditures and leasing costs of $4,850 and the additions to property and equipment of $88, offset by the net proceeds of disposal of investment property of $1,902.

**Six Month Period Ended June 30, 2023**

Cash flows from operating activities relate primarily to the collection of rent and payment of operating expenses. The cash provided by operating activities of $11,201 for the six month period ended June 30, 2023 was impacted mainly by the timing of cash receipts and settlement of payables.

Cash flows from financing activities during the six month period ended June 30, 2023 of $3,943 is attributed to the increase in debt of $30,500,  the issuance of Convertible Debentures (net of costs) of $32,671, offset by the repayment of debt of $23,149, net decrease of credit facility of $19,000, distributions paid of $13,288, Restricted and Deferred Units settled in cash of $3,336 and financing costs incurred of $455.

Cash provided by investing activities of $6,880 during the six month period ended June 30, 2023 primarily consist of the additions of capital expenditures and leasing costs of $8,668 and the additions to property and equipment of $114 offset by the net proceeds of disposal of investment property of $1,902.

**Available Liquidity**

The following table represents the REIT's Available Liquidity at June 30, 2023, December 31, 2022 and June 30, 2022:

| *(CAD $ thousands)* | **June 30 2023** | December 31 2022 | June 30 2022 |
|---|---|---|---|
| Cash per condensed consolidated interim financial statements | **$ 15,795** | $ 7,531 | $ 3,802 |
| Undrawn revolving credit facility | **42,000** | 23,000 | 28,000 |
| **Available liquidity [(1)]** | **$ 57,795** | $ 30,531 | $ 31,802 |

(1) Non-IFRS measure. See "Non-IFRS Measures".

## CAPITALIZATION AND DEBT PROFILE

| *(CAD $ thousands)* | June 30 2023 |
|---|---|
| Mortgages payable (net of financing costs of $2,060) | $ 474,995 |
| Term loan (net of financing costs of $115) | 9,885 |
| Convertible Debentures including derivative financial instrument (net of financing costs of $3,253) | 31,787 |
| Credit facility (net of financing costs of $273) | 17,727 |
| Class B LP Units | 7,244 |
| Unitholders' Equity | 489,296 |
| **Total Capitalization** | **$ 1,030,934** |

The REIT has a revolving credit facility of $60,000 which bears interest at prime plus 100.0 basis points or bankers' acceptance rate plus 200.0 basis points. The credit facility is secured by a pool of first and second charges on certain investment properties with a fair value of approximately $112,625 at June 30, 2023. At June 30, 2023, advances under the revolving credit facility were $18,000.

As at June 30, 2023, all mortgages payable were at fixed rates with a weighted average contractual rate of approximately 3.75% (December 31, 2022 – 3.70%). The mortgages payable are secured by first charges on certain investment properties with a fair value of approximately $912,240 at June 30, 2023 (December 31, 2022 - $903,060).

On June 29, 2023, the REIT received a $10,000 three year term loan at rate of 6.79%. Proceeds of the term loan were used to partially repay the credit facility. The term loan is secured by second charges on certain investment properties with a fair value of approximately $116,370 at June 30, 2023.

The debt is repayable no later than 2033.

| *(CAD $ thousands)* | Principal instalments | Principal maturities | Total Principal Payable | % of Total Principal | Weighted Average Interest Rate on Maturity |
|---|---|---|---|---|---|
| 2023 - remainder of year | $ 6,605 | $ 33,795 | $ 40,400 | 8.3 % | 4.33 % |
| 2024 | 12,528 | 25,653 | 38,181 | 7.8 % | 3.42 % |
| 2025 | 12,247 | 40,355 | 52,602 | 10.8 % | 4.58 % |
| 2026 | 10,183 | 130,577 | 140,760 | 28.9 % | 3.51 % |
| 2027 | 6,793 | 48,836 | 55,629 | 11.4 % | 4.91 % |
| Thereafter | 12,279 | 147,204 | 159,483 | 32.8 % | 3.54 % |
| | $ 60,635 | $ 426,420 | $ 487,055 | 100.0 % | |
| Financing costs | | | (2,175) | | |
| **Total balance outstanding as at June 30, 2023** | | | **$ 484,880** | | |

On May 26, 2023, the REIT issued $35,000 aggregate principal amount of convertible unsecured subordinated debentures bearing 8.00% interest per annum payable semi-annually and maturing on June 30, 2028 (the "Maturity Date"). The interest is payable in arrears on June 30 and December 31 each year, commencing December 31, 2023. The Convertible Debentures are convertible at the holder's option at any time prior to the close of business on the earlier of the business day immediately preceding the Maturity Date and the business day immediately preceding the date fixed for redemption of the Convertible Debentures, as applicable, at a conversion price of $7.00 per Unit.

These Convertible Debentures are not redeemable before June 30, 2026 by the REIT. On and from June 30, 2026 and prior to June 30, 2027, the Convertible Debentures may be redeemed by the REIT, in whole at any time, or in part from time to time, at a redemption price equal to their principal amount plus accrued and unpaid interest, provided that the volume weighted average trading price of the Units on the TSX during a period of 20 consecutive trading days ending on the fifth trading day prior to the date on which an advanced notice of redemption (the "Current Market Price") is given is at least 125% of the conversion price. On and from June 30, 2027 and prior to the Maturity Date, the Convertible Debentures may be redeemed by the REIT, in whole at any time, or in part from time to time, at a redemption price equal to their principal amount plus accrued and unpaid interest.

Subject to regulatory approvals and other conditions, the REIT may, at its option, elect to satisfy its obligation to pay the principal amount of Convertible Debentures on redemption or at the Maturity Date, in whole or in part, by delivering the number of freely tradable Units obtained by dividing the principal amount of the Convertible Debentures being repaid by 95% of the Current Market Price on the date of redemption or on the Maturity Date.

**Contractual Obligations**

The following table represents the REIT's contractual obligations at June 30, 2023:

| *(CAD $ thousands)* | 2023 | 2024 | 2025 | 2026 | 2027 | Thereafter |
|---|---|---|---|---|---|---|
| Debt principal instalments [1] | $ 6,605 | $ 12,528 | $ 12,247 | $ 10,183 | $ 6,793 | $ 12,279 |
| Debt principal maturities [1] | 33,795 | 25,653 | 40,355 | 130,577 | 48,836 | 147,204 |
| Debt interest [1] | 8,899 | 16,017 | 14,690 | 11,338 | 7,247 | 10,014 |
| Convertible Debentures | – | – | – | – | – | 35,000 |
| Interest on Convertible Debentures [1] | 1,680 | 2,800 | 2,800 | 2,800 | 2,800 | 1,400 |
| Credit facility | 18,000 | – | – | – | – | – |
| Accounts payable and other liabilities | 17,843 | – | – | – | – | – |
| Rent | 42 | 28 | – | – | – | – |
| | $ 86,864 | $ 57,026 | $ 70,092 | $ 154,898 | $ 65,676 | $ 205,897 |

(1) 2023 amounts represent the period of July 1, 2023 to December 31, 2023

The REIT expects to have sufficient liquidity as a result from cash flow from operating activities, operating facilities, the ability to refinance properties when required as well as the ability to raise equity in the capital markets when available to satisfy these obligations.

**NAV per Unit**

The following is the calculation of NAV per Unit for the three and six month periods ended June 30, 2023 and 2022:

| *(CAD $ thousands)* | June 30 2023 | December 31 2022 | June 30 2022 |
|---|---|---|---|
| Total assets per condensed consolidated interim financial statements | $ 1,057,548 | $ 1,035,928 | $ 1,041,296 |
| Less: Total current and non-current liabilities | (568,252) | (548,238) | (566,394) |
| Adjustment for Class B LP Units | 7,244 | 8,340 | 8,728 |
| **Net Asset Value** [1] | $ 496,540 | $ 496,030 | $ 483,630 |
| Total outstanding Units and Class B LP Units | 60,447,230 | 60,447,230 | 60,447,230 |
| **NAV per Unit** [1] | $8.21 | $8.21 | $8.00 |

(1) Non-IFRS measure. See "Non-IFRS Measures".

**Debt Ratios**

The REIT is free to determine the appropriate level of capital in context with its cash flow requirements, overall business risks and potential business opportunities. As a result, the REIT makes adjustments to its capital based on its investment strategies and changes to economic conditions.

The REIT's objective is to maintain a combination of short, medium and long-term debt maturities that are appropriate for the overall debt level of its portfolio, taking into account availability of financing and market conditions, and the financial characteristics of each property.

The REIT's other objectives when managing capital on a long-term basis include enhancing the value of the assets and maximizing unit value through the ongoing active management of the REIT's assets, expanding the asset base through acquisitions of additional properties and the re-development of projects which are leased to creditworthy tenants, and generating sufficient returns to provide unitholders with stable and growing cash distributions. The REIT's strategy is driven by policies as set out in the Declaration of Trust, as well as requirements from certain lenders.

The requirements of the REIT's operating policies as outlined in the Declaration of Trust include requirements that the REIT will not:

(a) incur or assume indebtedness on properties in excess of 75% of the property's market value; and
(b) incur or assume indebtedness which would cause the total indebtedness of the REIT to exceed 70% of Gross Book Value.

Gross Book Value is calculated as follows:

| *(CAD $ thousands unless otherwise stated)* | **June 30 2023** | June 30 2022 |
|---|---|---|
| Total assets, including investment properties stated at fair value | **$ 1,057,548** | $ 1,041,296 |
| Accumulated depreciation on property and equipment and intangible assets | **3,451** | 2,642 |
| **Gross Book Value (1)** | **1,060,999** | 1,043,938 |
| Debt (2) | **487,055** | 503,135 |
| Convertible Debentures, face value | **35,000** | – |
| Credit facility (2) | **18,000** | 32,000 |
| Total debt (2), Convertible Debentures, face value and credit facility (2) | **$ 540,055** | $ 535,135 |
| **Debt to Gross Book Value (1)** | **50.90 %** | 51.26 % |

(1) Non-IFRS measure. See "Non-IFRS Measures".
(2) Excluding unamortized financing costs.

On June 29, 2023, the REIT received a $10,000 three year term loan at rate of 6.79%. Approximately $3,000 of the proceeds was used to partially repay the credit facility on June 29, 2023 with another $5,000 partial repayment on July 7, 2023. The staggered repayment was a result of a July 2023 maturity date of the borrowings under the bankers' acceptance facility.

The REIT was in compliance with the above requirement as well as all required covenants as at June 30, 2023.

**Financial Measures**

In addition to the REIT's level of indebtedness calculated in accordance with the REIT's Declaration of Trust, management also monitors certain financial measures, which include the (i) Interest Coverage Ratio, (ii) Debt Service Coverage Ratio, and (iii) Debt to Annualized Adjusted EBITDA Ratio. All of these measures are non-IFRS measures. See "Non-IFRS Measures".

**Adjusted EBITDA**

Adjusted EBITDA is used by the REIT to monitor the REIT's ability to satisfy and service its debt and to monitor requirements imposed by the REIT's lenders. Specifically, Adjusted EBITDA is used to monitor the REIT's Interest Coverage Ratio and Debt Service Ratio, which the REIT uses to measure its debt profile and assess its ability to satisfy its obligations, including servicing its debt.

The following is a calculation of Adjusted EBITDA for the three and six month periods ended June 30, 2023 and 2022:

| *(CAD $ thousands)* | **3 Months Ended June 30 2023** | 3 Months Ended June 30 2022 | **6 Months Ended June 30 2023** | 6 Months Ended June 30 2022 |
|---|---|---|---|---|
| Net income and comprehensive income | **$ 1,742** | $ 11,969 | **$ 14,790** | $ 58,491 |
| Interest and financing costs | **5,473** | 4,804 | **10,604** | 9,516 |
| Depreciation of property and equipment | **108** | 99 | **213** | 188 |
| Amortization of intangible assets | **93** | 93 | **186** | 186 |
| Fair value adjustment - Class B LP Units | **(964)** | (1,807) | **(992)** | (861) |
| Fair value adjustment - investment properties | **6,250** | (833) | **(1,401)** | (41,134) |
| Fair value adjustment - derivative financial instrument | **21** | – | **21** | – |
| Distributions - Class B LP Units | **157** | 159 | **314** | 318 |
| Straight-line rent | **(457)** | (105) | **(578)** | (223) |
| Long-term incentive plan expense | **395** | (1,201) | **976** | (276) |
| CEO succession plan costs | **–** | – | **2,240** | – |
| Transaction costs | **53** | – | **53** | – |
| Debt settlement costs | **194** | – | **194** | – |
| **Adjusted EBITDA (1)** | **$ 13,065** | $ 13,178 | **$ 26,620** | $ 26,205 |
| **Annualized Adjusted EBITDA (1)** | **$ 52,260** | $ 52,712 | **$ 53,240** | $ 52,410 |

(1) Non-IFRS measure. See "Non-IFRS Measures".

**Interest Coverage Ratio**

The Interest Coverage Ratio is useful in determining the REIT's ability to service the interest requirements of its outstanding debt. The Interest Coverage Ratio is calculated by dividing Adjusted EBITDA by the REIT's interest obligations for the period. Management utilizes this ratio to measure and limit the REIT's leverage.

The following is a calculation of the Interest Coverage Ratio for the three and six month periods ended June 30, 2023 and 2022:

| *(CAD $ thousands)* | **3 Months Ended June 30 2023** | 3 Months Ended June 30 2022 | **6 Months Ended June 30 2023** | 6 Months Ended June 30 2022 |
|---|---|---|---|---|
| Adjusted EBITDA [(1)] | **$ 13,065** | $ 13,178 | **$ 26,620** | $ 26,205 |
| Interest expense | **$ 5,293** | $ 4,538 | **$ 10,314** | $ 8,986 |
| **Interest Coverage Ratio [(1)]** | **2.5x** | 2.9x | **2.6x** | 2.9x |

(1) Non-IFRS measure. See "Non-IFRS Measures".

**Debt Service Coverage Ratio**

The Debt Service Coverage Ratio is determined as Adjusted EBITDA divided by the debt service requirements for the period, whereby the debt service requirements reflect principal repayments and interest expensed during the period. Payments related to prepayment penalties or payments upon discharge of a mortgage are excluded from the calculation. The Debt Service Coverage Ratio is a useful measure used by the REIT's management to monitor the REIT's ability to meet annual interest and principal payments.

The following is a calculation of the Debt Service Coverage Ratio for the three and six month periods ended June 30, 2023 and 2022:

| *(CAD $ thousands)* | **3 Months Ended June 30 2023** | 3 Months Ended June 30 2022 | **6 Months Ended June 30 2023** | 6 Months Ended June 30 2022 |
|---|---|---|---|---|
| Adjusted EBITDA [(1)] | **$ 13,065** | $ 13,178 | **$ 26,620** | $ 26,205 |
| Interest expense | **5,293** | 4,538 | **10,314** | 8,986 |
| Principal repayments | **3,267** | 3,566 | **6,607** | 7,155 |
| Debt Service Requirements | **$ 8,560** | $ 8,104 | **$ 16,921** | $ 16,141 |
| **Debt Service Coverage Ratio [(1)]** | **1.5x** | 1.6x | **1.6x** | 1.6x |

(1) Non-IFRS measure. See "Non-IFRS Measures".

**Annualized Adjusted EBITDA Ratio**

Debt to Annualized Adjusted EBITDA Ratio is calculated by the REIT as total debt and credit facility, in each case excluding unamortized financing costs, divided by Annualized Adjusted EBITDA. The Debt to Annualized Adjusted EBITDA Ratio is a useful measure for management and investors as it indicates the number of years required for the REIT's Annualized Adjusted EBITDA to repay all outstanding debt. Management considers these metrics a useful measure for evaluating the REIT's ability to service its debt.

The following is a calculation of the Debt to Annualized Adjusted EBITDA Ratio for the three and six month periods ended June 30, 2023 and 2022:

| *(CAD $ thousands)* | **3 Months Ended June 30 2023** | 3 Months Ended June 30 2022 | **6 Months Ended June 30 2023** | 6 Months Ended June 30 2022 |
|---|---|---|---|---|
| Debt [1] | **$ 487,055** | $ 503,135 | **$ 487,055** | $ 503,135 |
| Convertible Debentures, face value | **35,000** | – | **35,000** | – |
| Credit facility [1] | **18,000** | 32,000 | **18,000** | 32,000 |
| Total Debt [1], Convertible Debentures, face value and credit facility [1] | **$ 540,055** | **$ 535,135** | **$ 540,055** | **$ 535,135** |
| | | | | |
| Adjusted EBITDA [2] | **$ 13,065** | $ 13,178 | **$ 26,620** | $ 26,205 |
| Annualized Adjusted EBITDA [2] | **$ 52,260** | $ 52,712 | **$ 53,240** | $ 52,410 |
| **Debt to Annualized Adjusted EBITDA Ratio [2]** | **10.3x** | 10.2x | **10.1x** | 10.2x |

(1) Excluding unamortized financing costs.
(2) Non-IFRS measure. See "Non-IFRS Measures".

## DISTRIBUTIONS AND ADJUSTED FUNDS FROM OPERATIONS

| *(CAD $ thousands except unit, per unit amounts and unless otherwise stated)* | **3 Months Ended June 30 2023** | 3 Months Ended June 30 2022 | **6 Months Ended June 30 2023** | 6 Months Ended June 30 2022 |
|---|---|---|---|---|
| **Net income and comprehensive income for the period** | **$ 1,742** | $ 11,969 | **$ 14,790** | $ 58,491 |
| **Add:** | | | | |
| Long-term incentive plan | **(29)** | (1,745) | **(700)** | (1,055) |
| Distributions - Class B LP Units | **157** | 159 | **314** | 318 |
| Fair value adjustment - investment properties | **6,250** | (833) | **(1,401)** | (41,134) |
| Fair value adjustment - Class B LP Units | **(964)** | (1,807) | **(992)** | (861) |
| Fair value adjustment - derivative financial instrument | **21** | – | **21** | – |
| Amortization of intangible assets | **93** | 93 | **186** | 186 |
| **FFO [1]** | **$ 7,270** | $ 7,836 | **$ 12,218** | $ 15,945 |
| **Deduct:** | | | | |
| Straight-line rent adjustment | **$ (457)** | $ (105) | **$ (578)** | $ (223) |
| Maintenance capital expenditures | **(174)** | (232) | **(359)** | (511) |
| Stabilized leasing costs | **(592)** | (446) | **(1,098)** | (838) |
| **Add:** | | | | |
| Long-term incentive plan | **424** | 544 | **1,676** | 779 |
| Amortization of financing costs | **253** | 265 | **439** | 523 |
| Accretion expense - Convertible Debentures | **19** | – | **19** | – |
| Debt settlement costs | **53** | – | **53** | – |
| Transaction costs | **194** | – | **194** | – |
| CEO Succession plan costs | **–** | – | **2,240** | – |
| **AFFO [1]** | **$ 6,990** | $ 7,862 | **$ 14,804** | $ 15,675 |
| **Basic FFO per unit [1][2]** | **$ 0.1203** | $ 0.1296 | **$ 0.2022** | $ 0.2638 |
| **Diluted FFO per unit [1][2]** | **$ 0.1187** | $ 0.1272 | **$ 0.1989** | $ 0.2592 |
| **Basic AFFO per unit [1][2]** | **$ 0.1156** | $ 0.1301 | **$ 0.2450** | $ 0.2593 |
| **Diluted AFFO per unit [1][2]** | **$ 0.1142** | $ 0.1276 | **$ 0.2410** | $ 0.2548 |
| **Distributions declared per Unit and Class B LP unit** | **$ 0.1125** | $ 0.1125 | **$ 0.2250** | $ 0.2250 |
| **AFFO Payout Ratio – Basic [1]** | **97.3 %** | 86.5 % | **91.8 %** | 86.8 % |
| **AFFO Payout Ratio – Diluted [1]** | **98.5 %** | 88.2 % | **93.4 %** | 88.3 % |
| **Basic weighted average number of units [2][3]** | **60,447,230** | 60,447,230 | **60,429,395** | 60,447,230 |
| **Diluted weighted average number of units [2][3]** | **61,234,171** | 61,625,646 | **61,426,665** | 61,510,654 |

(1) Non-IFRS measure. See "Non-IFRS Measures".

(2) FFO and AFFO per unit is calculated as FFO or AFFO, as the case may be, divided by the total of the weighted average number of basic or diluted units, as applicable, added to the weighted average number of Class B LP Units outstanding during the period.

(3) Total basic units consist of Units and Class B LP Units. Total diluted units also includes deferred trust units and restricted trust units issued under the REIT's long-term incentive plan.

The decrease in FFO of $566 and $3,727 and AFFO of $872 and $871 for the three and six month periods ended June 30, 2023 compared to the same periods in 2022 is related to a temporary vacancy in one industrial property (see "Leasing Activity" section of this MD&A), an increase in variable interest rates on the credit facility, higher weighted average interest rates on mortgage debt as well as certain one-time costs including debt settlement costs of $53, transaction costs of $194, and CEO succession plan costs of $2,240 (see "Summary of Significant Events" section of this MD&A).

Basic AFFO per Unit was $0.1156 and $0.2450 for the three and six month periods ended June 30, 2023 with a corresponding AFFO Payout Ratio – Basic of 97.3% and 91.8% respectively. The increase in the AFFO Payout Ratio – Basic compared to the same periods in 2022 is driven in part by a temporary vacancy in one industrial property (see "Leasing Activity" section of this MD&A) with occupancy to start in the third quarter of 2023, an increase in variable interest rates on the credit facility, as well as increased weighted average interest rates on mortgage debt.

**Distributions**

The Board 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 applies discretionary judgment to forward-looking cash flow information, including forecasts and budgets. Management considers AFFO to be a meaningful measure of cash flow performance because it more clearly measures normalized and stabilized cash flow, as opposed to cash flow from operating activities calculated in accordance with IFRS, which reflects seasonal fluctuations in working capital and other items. 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.

The REIT has implemented a distribution reinvestment plan ("DRIP") pursuant to which holders of Units or Class B LP Units may elect to have their cash distributions of the REIT or PRLP automatically reinvested in additional Units at a 3% discount to the weighted average price of the Units for the last five trading days preceding the applicable distribution payment date. In response to the stock market volatility caused by the COVID-19 pandemic, the REIT has suspended its DRIP effective April 22, 2020. The DRIP will remain suspended until further notice and distributions of the REIT will be paid only in cash. Upon reinstatement of the DRIP, as applicable, plan participants enrolled in the DRIP at the time of its suspension and who remain enrolled at the time of its reinstatement will automatically resume participation in the DRIP.

The distributions declared during the three and six month periods ended June 30, 2023 resulted in Nil Units being issued or issuable under the DRIP respectively.

Distributions of $0.1125 and $0.2250 per Unit and Class B LP Unit were declared during the three and six month periods ended June 30, 2023 and 2022. Distributions were paid on or about the 15th day of the month following the declaration.

The following reconciles AFFO to cash flows from operating activities reported in the condensed consolidated interim financial statements:

| *(CAD $ thousands)* | **3 Months Ended June 30 2023** | 3 Months Ended June 30 2022 | **6 Months Ended June 30 2023** | 6 Months Ended June 30 2022 |
|---|---|---|---|---|
| **Cash flow provided from operating activities** | **$ 619** | $ 2,200 | **$ 11,201** | $ 8,929 |
| Add (deduct): | | | | |
| Changes in non-cash working capital | **6,841** | 6,280 | **2,472** | 7,965 |
| Distributions – Class B LP Units | **157** | 159 | **314** | 318 |
| Maintenance capital expenditures | **(174)** | (232) | **(359)** | (511) |
| Stabilized leasing costs | **(592)** | (446) | **(1,098)** | (838) |
| Depreciation of property and equipment | **(108)** | (99) | **(213)** | (188) |
| Debt settlement costs | **53** | – | **53** | – |
| Transaction costs | **194** | – | **194** | – |
| CEO succession plan costs | **–** | – | **2,240** | – |
| **Adjusted Funds From Operations (AFFO) (1)** | **$ 6,990** | $ 7,862 | **$ 14,804** | $ 15,675 |

(1) Non-IFRS measure. See "Non-IFRS Measures".

The table below compares AFFO to total distributions paid or payable on Units and Class B LP Units:

| *(CAD $ thousands)* | **3 Months Ended June 30 2023** | 3 Months Ended June 30 2022 | **6 Months Ended June 30 2023** | 6 Months Ended June 30 2022 |
|---|---|---|---|---|
| Adjusted Funds From Operations (AFFO) (1) | **$ 6,990** | $ 7,862 | **$ 14,804** | $ 15,675 |
| Total distributions paid or payable – Units and Class B LP Units | **6,800** | 6,800 | **13,602** | 13,600 |
| **Excess of AFFO over distributions paid or payable** | **$ 190** | $ 1,062 | **$ 1,202** | $ 2,075 |

(1) Non-IFRS measure. See "Non-IFRS Measures".

For the three and six month periods ended June 30, 2023 and 2022, the REIT had sufficient AFFO to cover the distributions paid or payable.

The following table compares cash flows provided from operations to total distributions paid or payable:

| *(CAD $ thousands)* | | **3 Months Ended June 30 2023** | | 3 Months Ended June 30 2022 | | **6 Months Ended June 30 2023** | | 6 Months Ended June 30 2022 |
|---|---|---|---|---|---|---|---|---|
| Cash flow provided from operating activities | **$** | **619** | $ | 2,200 | **$** | **11,201** | $ | 8,929 |
| Net income and comprehensive income | **$** | **1,742** | $ | 11,969 | **$** | **14,790** | $ | 58,491 |
| Total distributions paid or payable – Units [(1)] | **$** | **6,643** | $ | 6,641 | **$** | **13,288** | $ | 13,282 |
| **Shortfall of cash flow from operating activities over distributions paid or payable** | **$** | **(6,024)** | $ | (4,441) | **$** | **(2,087)** | $ | (4,353) |
| **Excess (shortfall) of net income and comprehensive income over distributions paid or payable** | **$** | **(4,901)** | $ | 5,328 | **$** | **1,502** | $ | 45,209 |

(1) This excludes distributions paid or payable on Class B LP Units given cash flows from operating activities and net income and comprehensive income have been reduced by this amount.

For the three and six month periods ended June 30, 2023 and 2022, there was a shortfall of cash flow from operating activities over distributions paid or payable mainly due to seasonal fluctuations in non-cash working capital, distribution on Class B LP Units that are recorded as a reduction of net income and comprehensive income and non-recurring items. For the three month period ended June 30, 2023, there was a shortfall of net income and comprehensive income over distributions paid or payable. The shortfall of net income and comprehensive income over distributions paid or payable is mainly due to unrealized fair value adjustments and distribution on Class B LP Units that are recorded as a reduction of net income and comprehensive income. The REIT financed the shortfalls using cash on hand and/or using the REIT's revolving credit facility of $60,000 which bears interest at prime plus 100.0 basis points or bankers' acceptance rate plus 200.0 basis points and/or planned normal course property refinancings.

## ISSUED AND OUTSTANDING SECURITIES AND NORMAL COURSE ISSUER BID

The REIT is authorized to issue an unlimited number of Units and an unlimited number of special voting units (the "Special Voting Units").

**Units**

Each Unit confers the right to one vote at any meeting of unitholders and to participate pro rata in all distributions by the REIT and, in the event of termination or winding-up of the REIT, in the net assets of the REIT. The unitholders have the right to require the REIT to redeem their Units on demand in accordance with the Declaration of Trust. The Units have no par value. Upon receipt of the redemption notice by the REIT, all rights to and under the Units tendered for redemption shall cease and the holder thereof shall be entitled to receive a price per Unit ("Redemption Price"), as determined by a formula outlined in the Declaration of Trust. The Redemption Price will be paid in accordance with the conditions provided for in the Declaration of Trust.

Total Units outstanding as of August 9, 2023 were 59,170,187.

**Class B LP Units and Special Voting Units**

Special Voting Units have no economic entitlement in the REIT, but entitle the holder to one vote per Special Voting Unit at any meeting of the unitholders of the REIT. Special Voting Units may only be issued in connection with or in relation to Class B LP Units, for the purpose of providing voting rights with respect to the REIT to the holders of Class B LP Units. A Special Voting Unit will be issued in tandem with each Class B LP Unit issued.

The Class B LP Units are issued by PRLP and holders of Class B LP Units are entitled to receive distributions equal to those provided to holders of Units. The Class B LP Units are indirectly exchangeable on a one-for-one basis for Units at any time at the option of their holder, unless the exchange would jeopardize the REIT's status as a "mutual fund trust" under the Income Tax Act. The Class B LP Units are presented as a financial liability in the statement of financial position.

Total Class B LP Units outstanding as of August 9, 2023 were 1,354,231.

**Deferred Units and Restricted Units**

The REIT has a long term incentive plan pursuant to which it may grant deferred units or restricted units to its trustees and senior officers and certain of its employees and consultants. Units are issued to participants in the plan upon vesting of the deferred units or restricted units, unless deferred in accordance with the terms of the plan.

Total deferred units and restricted units outstanding as of August 9, 2023 were 1,230,725 and 186,109.

**Normal Course Issuer Bid**

Pursuant to a notice accepted by the TSX, the REIT may, during the period commencing September 26, 2022 and ending September 25, 2023, purchase for cancellation, through the facilities of the TSX and at the market price of the Units at the time of purchase, up to 1,771,049 Units representing 3% of the REIT's issued and outstanding Units at the beginning of the normal course issuer bid. The actual number of Units that may be purchased and the timing of any such purchases will be determined by the REIT, and will be made in accordance with the requirements of the TSX. The REIT is making the normal course issuer bid because it believes that the market price of the Units does not always reflect their underlying value, and that purchasing Units for cancellation may from time to time be an appropriate use of available resources and in the best interests of the REIT. Unitholders can obtain a copy of the notice filed with TSX, without charge, by contacting the REIT at 514-933-9552. There were no Units repurchased and cancelled during the three and six month periods ended June 30, 2023.

## FINANCIAL INSTRUMENTS

The REIT does not acquire, hold or issue derivative financial instruments for trading purposes. The following table presents the classification, measurement subsequent to initial recognition, carrying values and fair values (where applicable) of financial assets and liabilities.

| *(CAD $ thousands)* | **Measurement** | **Carrying Value June 30 2023** | **Fair Value June 30 2023** |
|---|---|---|---|
| **Loans and Receivables** | | | |
| Cash (a) | Amortized cost | **$ 15,795** | **$ 15,795** |
| Receivables and other excluding prepaid expenses, deposits and other receivables (a) | Amortized cost | **2,898** | **2,898** |
| | | **$ 18,693** | **$ 18,693** |
| **Financial Liabilities Through Profit and Loss** | | | |
| Class B LP Units | Fair value (L2) | **$ 7,244** | **$ 7,244** |
| Long-term incentive plan | Fair value (L2) | **6,504** | **6,504** |
| Derivative financial instrument (b) | Fair value (L3) | **1,959** | **1,959** |
| | | **$ 15,707** | **$ 15,707** |
| **Other Financial Liabilities** | | | |
| Accounts payable and other liabilities (a) | Amortized cost | **$ 17,843** | **$ 17,843** |
| Credit facility (a) | Amortized cost | **17,727** | **17,727** |
| Distributions payable (a) | Amortized cost | **2,267** | **2,267** |
| Debt (c) | Amortized cost | **484,880** | **455,376** |
| Convertible Debentures (d) | Amortized cost | **29,828** | **32,900** |
| | | **$ 552,545** | **$ 526,113** |

(a) Short-term financial instruments, comprising cash, accounts receivable, accounts payable and other liabilities, credit facility and distributions payable are carried at amortized cost which, due to their short-term nature, approximates their fair value.

(b) Derivative financial instrument fair value is based on forward rates considering the market price, rate of interest and volatility and takes into account the credit risk of the financial instrument (Level 3). Such fair value estimates are not necessarily indicative of the amounts the REIT might pay or receive in actual market transactions.

(c) Debt is a long-term financial instrument. The fair value of debt is based upon discounted future cash flows using discount rates, adjusted for the REIT's own credit risk, that reflect current market conditions for instruments with similar terms and risks. Such fair value estimates are not necessarily indicative of the amounts the REIT might pay or receive in actual market transactions.

(d) Convertible Debentures are a long-term financial liability. The fair value of Convertible Debentures includes the conversion option and is based on the TSX trading price at the reporting date (Level 1).

The fair value of the Class B LP Units and long-term incentive plan are estimated based on the market trading prices of the Units (Level 2).

**Off Balance Sheet Arrangements**

The REIT had no off balance sheet arrangements during the three and six month periods ended June 30, 2023.

# PART V

## CONTROLS AND PROCEDURES

The applicable rules of the Canadian Securities Administrators require the REIT's certifying officers, its Chief Executive Officer ("CEO") and its Chief Financial Officer ("CFO"), to establish and maintain disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR"), as those terms are defined in such rules. In compliance with these rules, the REIT has filed applicable certifications signed by the CEO and the CFO that, among other things, report on the design of each of DC&P and ICFR.

**Disclosure Controls and Procedures**

The CEO and CFO have designed, or caused to be designed under their supervision, DC&P to provide reasonable assurance that (i) material information regarding the REIT is accumulated and communicated to the REIT's management, including the CEO and CFO, in a timely manner so that appropriate decisions can be made regarding public disclosure and information, and (ii) information required to be disclosed in the REIT's 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 applicable securities legislation.

**Internal Control Over Financial Reporting**

In addition, the CEO and CFO have designed, or caused to be designed under their supervision, ICFR to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the REIT's accounting and reporting standards.

**Changes in Internal Control over Financial Reporting**

There were no changes in the REIT's ICFR in the six months of 2023 that materially affected or are reasonably likely to materially affect the REIT's ICFR.

**Inherent Limitations on Effectiveness of DC&P and ICFR**

It should be recognized that due to inherent limitations, any controls, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives and may not prevent or detect misstatements. Additionally, management is required to use judgment in evaluating controls and procedures.

## RISKS AND UNCERTAINTIES

Certain factors may have a material adverse effect on the REIT's business, financial condition and results of operations. Current and prospective investors should carefully consider the risks and uncertainties and other information contained in this MD&A, the Q2 2023 Financial Statements and the 2022 Annual Reports, particularly under the heading "Risk Factors" in the 2022 Annual Information Form, and in other filings that the REIT has made and may make in the future with applicable securities authorities, including those available under the REIT's profile on SEDAR+ at www.sedarplus.ca. The risks and uncertainties described herein and therein are not the only ones the REIT may face. Additional risks and uncertainties that the REIT is unaware of, or that the REIT currently believes are not material, may also become important factors that could adversely affect the REIT's business, financial condition and results of operations. If any of such risks actually occur, the REIT's business, financial condition, results of operations, and future prospects could be materially and adversely affected. In that event, the trading price of the Units (or the value of any other securities of the REIT) could decline, and the REIT's securityholders could lose part or all of their investment.

## CRITICAL ACCOUNTING ESTIMATES

In the process of applying the REIT's accounting policies, management has made the following estimates and assumptions which have the most significant effect on the amounts recognized in the financial statements:

(i) Valuation of investment properties – Investment properties are presented at fair value at the reporting date. Currently, any change in fair value is determined by management and by independent real estate valuation experts using recognized valuation techniques. The techniques used by management and by independent real estate valuation experts comprise of the discounted cash flow and direct capitalization methods of valuation and includes estimating, among other things, capitalization rates and future net operating income and discount rates and future cash flows applicable to investment properties, respectively.

(ii) Fair value of financial instruments – Where the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, they are determined using valuation techniques including the discounted cash flow model. Inputs to these models are taken from observable markets where possible, but where this is not feasible a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported value of the financial instruments.

(iii) Goodwill impairment and impairment of indefinite lived intangible assets – Goodwill is tested for impairment annually and whenever events or changes in circumstances indicate that the carrying amount of goodwill has been impaired. In order to determine if the value of goodwill has been impaired, the cash-generating unit to which goodwill has been allocated must be valued using present value techniques. When applying this valuation technique, the REIT relies on a number of factors, including historical results, business plans, forecasts and market data. Changes in the conditions for these judgments and estimates can significantly affect the assessed value of goodwill. Management assesses intangible assets with indefinite lives for impairment on an annual basis. This assessment takes into account factors such as economic and market conditions as well as any changes in the expected use of the asset.

(iv) Contractual rents and other tenant receivables presented net of an allowance for doubtful accounts – Estimates and assumptions used in determining the allowance for doubtful accounts, include the historical credit loss experience adjusted for current conditions and forward-looking information including future expectations of likely default events based on actual or expected insolvency filings, likely deferrals of payments due and potential abatements to be granted by the REIT through tenant negotiations or under government programs, and macroeconomic conditions.

(v) Derivative financial instrument – Derivative financial instrument, including embedded derivatives, are recognized on the condensed consolidated interim statements of financial position at fair value. Subsequent to initial recognition, the embedded derivatives are measured at fair value. The fair value of the the derivative instruments is based on forward rates considering the market price, rate of interest and volatility. Changes in estimated fair value at each reporting date are included in the condensed consolidated interim statements of net income and comprehensive income. Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics are risks of the host contract and the embedded derivative is not closely related and if the entire contract is not measured at fair value with changes in fair value recognized in the condensed consolidated interim statements of net income and comprehensive income.

## MATERIAL ACCOUNTING POLICIES AND FUTURE CHANGES IN ACCOUNTING POLICIES

Accounting standards effective in the period, future changes in accounting policies and future applicable accounting standards are discussed in the REIT's condensed consolidated interim financial statements for the three and six month periods ended June 30, 2023 and the notes contained therein.

## SUMMARY OF QUARTERLY RESULTS

| *(CAD $ thousands except unit, per unit amounts and unless otherwise stated)* | **3 Months Ended Jun 30 2023** | 3 Months Ended Mar 31 2023 | 3 Months Ended Dec 31 2022 | 3 Months Ended Sep 30 2022 | 3 Months Ended Jun 30 2022 | 3 Months Ended Mar 31 2022 | 3 Months Ended Dec 31 2021 | 3 Months Ended Sep 30 2021 |
|---|---|---|---|---|---|---|---|---|
| Property revenue | **$ 24,945** | $ 25,278 | $ 25,070 | $ 24,086 | $ 23,724 | $ 24,330 | $ 22,932 | $ 19,588 |
| Property operating expenses | **10,495** | 10,738 | 10,491 | 9,278 | 9,454 | 10,250 | 9,574 | 7,488 |
| **Net operating income (NOI)** [(1)] | **14,450** | 14,540 | 14,579 | 14,808 | 14,270 | 14,080 | 13,358 | 12,100 |
| General and administrative expenses | **1,278** | 3,518 | 1,360 | 1,274 | 1,324 | 1,202 | 1,152 | 1,064 |
| Long-term incentive plan expense | **395** | 581 | 1,042 | (75) | (1,201) | 925 | 840 | 349 |
| Depreciation of property and equipment | **108** | 105 | 126 | 103 | 99 | 89 | 97 | 86 |
| Amortization of intangible assets | **93** | 93 | 93 | 93 | 93 | 93 | 93 | 93 |
| Interest and financing costs | **5,473** | 5,131 | 5,182 | 5,843 | 4,804 | 4,712 | 4,554 | 4,408 |
| Distributions – Class B LP Units | **157** | 157 | 157 | 159 | 159 | 159 | 164 | 166 |
| Fair value adjustment – Class B LP Units | **(964)** | (28) | 332 | (650) | (1,807) | 946 | 89 | (325) |
| Fair value adjustment – investment properties | **6,250** | (7,651) | 166 | (11,573) | (833) | (40,301) | (58,620) | 2,576 |
| Fair value adjustment - derivative liability | **21** | – | – | – | – | – | – | – |
| Other income | **(748)** | (835) | (781) | (382) | (677) | (462) | (556) | (664) |
| Other expenses | **398** | 421 | 439 | 195 | 340 | 195 | 363 | 279 |
| Debt settlement costs | **53** | – | 7 | 274 | – | – | 141 | – |
| Transaction costs | **194** | – | – | – | – | – | – | – |
| **Net income and comprehensive income** | **$ 1,742** | $ 13,048 | $ 6,456 | $ 19,547 | $ 11,969 | $ 46,522 | $ 65,041 | $ 4,068 |
| **Debt to Gross Book Value** [(1)] | **50.90 %** | 49.22 % | 49.73 % | 49.82 % | 51.26 % | 51.21 % | 53.06 % | 58.19 % |
| **Total assets** | **$ 1,057,548** | $ 1,054,881 | $ 1,035,928 | $ 1,040,368 | $ 1,041,296 | $ 1,032,176 | $ 989,963 | $ 769,085 |
| **FFO** [(1)] | **$ 7,270** | $ 4,948 | $ 7,485 | $ 6,845 | $ 7,836 | $ 8,108 | $ 6,924 | $ 6,349 |
| **AFFO** [(1)] | **$ 6,990** | $ 7,814 | $ 7,687 | $ 7,931 | $ 7,862 | $ 7,813 | $ 7,354 | $ 6,556 |
| **Basic FFO per unit** [(1)(2)] | **$ 0.1203** | $ 0.0819 | $ 0.1238 | $ 0.1132 | $ 0.1296 | $ 0.1341 | $ 0.1158 | $ 0.1315 |
| **Diluted FFO per unit** [(1)(2)] | **$ 0.1187** | $ 0.0805 | $ 0.1215 | $ 0.1111 | $ 0.1272 | $ 0.1321 | $ 0.1136 | $ 0.1284 |
| **Basic AFFO per unit** [(1)(2)] | **$ 0.1156** | $ 0.1293 | $ 0.1272 | $ 0.1312 | $ 0.1301 | $ 0.1293 | $ 0.1230 | $ 0.1358 |
| **Diluted AFFO per unit** [(1)(2)] | **$ 0.1142** | $ 0.1271 | $ 0.1247 | $ 0.1287 | $ 0.1276 | $ 0.1273 | $ 0.1206 | $ 0.1325 |
| **AFFO Payout Ratio – Basic** [(1)(3)] | **97.3 %** | 87.0 % | 88.5 % | 85.7 % | 86.5 % | 87.0 % | 91.5 % | 82.8 % |
| **AFFO Payout Ratio – Diluted** [(1)(3)] | **98.5 %** | 88.5 % | 90.2 % | 87.4 % | 88.2 % | 88.4 % | 93.3 % | 84.9 % |
| **Basic weighted average number of units**[(3)] | **60,447,230** | 60,447,230 | 60,447,230 | 60,447,230 | 60,447,230 | 60,447,230 | 59,786,374 | 48,287,486 |
| **Diluted weighted average number of units**[(3)] | **61,234,171** | 61,469,854 | 61,625,646 | 61,625,646 | 61,625,646 | 61,394,385 | 60,964,929 | 49,466,041 |
| Number of commercial properties | **129** | 130 | 130 | 132 | 120 | 120 | 120 | 104 |
| GLA (square feet) | **6,483,576** | 6,531,305 | 6,530,196 | 6,544,630 | 6,589,970 | 6,588,760 | 6,588,181 | 5,407,664 |
| Occupancy rate [(4)] | **99.0 %** | 98.6 % | 98.5 % | 97.9 % | 98.3 % | 98.5 % | 98.4 % | 98.5 % |
| Weighted average lease term to maturity | **4.1** | 4.1 | 4.1 | 4.2 | 4.4 | 4.6 | 4.6 | 4.8 |

(1) Non-IFRS measure. See "Non-IFRS Measures".

(2) FFO and AFFO per unit is calculated as FFO or AFFO, as the case may be, divided by the total of the weighted average number of basic or diluted Units, as applicable, added to the weighted average number of Class B LP Units outstanding during the period.

(3) Total basic units consist of Units and Class B LP Units. Total diluted units also include deferred trust units and restricted trust units issued under the REIT's long-term incentive plan.

(4) Occupancy rate includes lease contracts for future occupancy of currently vacant space. Management believes the inclusion of this committed space provides a more balanced reporting.

The following table presents the calculation of Gross Book Value and Debt to Gross Book Value [(1)]:

| *(CAD $ thousands except unit, per unit amounts and unless otherwise stated)* | **3 Months Ended Jun 30 2023** | 3 Months Ended Mar 31 2023 | 3 Months Ended Dec 31 2022 | 3 Months Ended Sep 30 2022 | 3 Months Ended Jun 30 2022 | 3 Months Ended Mar 31 2022 | 3 Months Ended Dec 31 2021 | 3 Months Ended Sep 30 2021 |
|---|---|---|---|---|---|---|---|---|
| Total assets, including investment properties stated at fair value | **$ 1,057,548** | $ 1,054,881 | $ 1,035,928 | $ 1,040,368 | $ 1,041,296 | $ 1,032,176 | $ 989,963 | $ 769,085 |
| Accumulated depreciation on property and equipment and intangible assets | **3,451** | 3,251 | 3,054 | 2,838 | 2,642 | 2,450 | 2,268 | 2,046 |
| Gross Book Value [(1)] | **1,060,999** | 1,058,132 | 1,038,982 | 1,043,206 | 1,043,938 | 1,034,626 | 992,231 | 771,131 |
| Debt [(2)] | **487,055** | 476,364 | 479,704 | 492,225 | 503,135 | 507,856 | 511,445 | 420,752 |
| Convertible Debentures, face value | **35,000** | – | – | – | – | – | – | – |
| Credit facility [(2)] | **18,000** | 44,500 | 37,000 | 27,500 | 32,000 | 22,000 | 15,000 | 28,000 |
| Total Debt [(2)], Convertible Debentures, face value and credit facility [(2)] | **$ 540,055** | **$ 520,864** | **$ 516,704** | **$ 519,725** | **$ 535,135** | **$ 529,856** | **$ 526,445** | **$ 448,752** |
| **Debt to Gross Book Value [(1)]** | **50.90 %** | 49.22 % | 49.73 % | 49.82 % | 51.26 % | 51.21 % | 53.06 % | 58.19 % |

(1) Non-IFRS measure. See "Non-IFRS Measures".
(2) Excluding unamortized financing costs.

The following table reconciles FFO [(1)] and AFFO [(1)] to net income and comprehensive income:

| *(CAD $ thousands except unit, per unit amounts and unless otherwise stated)* | **3 Months Ended Jun 30 2023** | 3 Months Ended Mar 31 2023 | 3 Months Ended Dec 31 2022 | 3 Months Ended Sep 30 2022 | 3 Months Ended Jun 30 2022 | 3 Months Ended Mar 31 2022 | 3 Months Ended Dec 31 2021 | 3 Months Ended Sep 30 2021 |
|---|---|---|---|---|---|---|---|---|
| **Net income and comprehensive income** | **$ 1,742** | $ 13,048 | $ 6,456 | $ 19,547 | $ 11,969 | $ 46,522 | $ 65,041 | $ 4,068 |
| **Add:** | | | | | | | | |
| Long-term incentive plan | **(29)** | (671) | 281 | (731) | (1,745) | 689 | 157 | (229) |
| Distributions - Class B LP Units | **157** | 157 | 157 | 159 | 159 | 159 | 164 | 166 |
| Fair value adjustment – investment properties | **6,250** | (7,651) | 166 | (11,573) | (833) | (40,301) | (58,620) | 2,576 |
| Fair value adjustment - Class B LP Units | **(964)** | (28) | 332 | (650) | (1,807) | 946 | 89 | (325) |
| Fair value adjustment - derivative financial instrument | **21** | – | – | – | – | – | – | – |
| Amortization of intangible assets | **93** | 93 | 93 | 93 | 93 | 93 | 93 | 93 |
| **FFO [(1)]** | **$ 7,270** | $ 4,948 | $ 7,485 | $ 6,845 | $ 7,836 | $ 8,108 | $ 6,924 | $ 6,349 |
| **Deduct:** | | | | | | | | |
| Straight-line rent adjustment | **$ (457)** | $ (121) | $ (151) | $ (21) | $ (105) | $ (118) | $ (119) | $ (129) |
| Maintenance capital expenditures | **(174)** | (185) | (191) | (282) | (232) | (279) | (192) | (335) |
| Stabilized leasing costs | **(592)** | (506) | (425) | (387) | (446) | (392) | (387) | (220) |
| **Add:** | | | | | | | | |
| Long-term incentive plan | **424** | 1,252 | 761 | 656 | 544 | 236 | 683 | 578 |
| Amortization of financing costs | **253** | 186 | 201 | 846 | 265 | 258 | 304 | 313 |
| Accretion expense - Convertible Debentures | **19** | – | – | – | – | – | – | – |
| Debt settlement costs | **53** | – | 7 | 274 | – | – | 141 | – |
| Transaction costs | **194** | – | – | – | – | – | – | – |
| CEO succession plan costs | **–** | 2,240 | – | – | – | – | – | – |
| **AFFO [(1)]** | **$ 6,990** | $ 7,814 | $ 7,687 | $ 7,931 | $ 7,862 | $ 7,813 | $ 7,354 | $ 6,556 |

(1) See "Non-IFRS Measures".