



PRO REAL ESTATE INVESTMENT TRUST

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2020**

May 13, 2020

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2 Gurdwara, Ottawa, Ontario

Dear fellow Unitholders,

Our world has changed significantly over the past few months due to the global response to the COVID-19 pandemic, resulting in major social and economic impacts including for businesses in Canada and around the globe. In this rapidly changing environment, PROREIT worked to adapt while continuing to operate prudently, with the overriding goal of safeguarding the health and safety of our employees, tenants and the communities in which we own properties.

First quarter results

In this challenging context, I am pleased to report increases in property revenue, net operating income¹, adjusted funds from operations¹ and comparable same property net operating income¹ during the first quarter of 2020. Our AFFO payout ratio¹ increased slightly, due to the lag between the full deployment of funds from our mid-August 2019 equity offering and the timing of our March 2020 acquisition, when we purchased a light industrial property in Moncton, New Brunswick, for \$8.4 million before closing costs, which will contribute to lowering this ratio. From an operational standpoint, 74% of our leases maturing in 2020 have been renewed as of May 13, 2020, with average annual rent increases of 2%.

Strong balance sheet and solid cash flow position

We continued to proactively oversee our balance sheet and costs. We have sufficient liquidity and cash flows for all expected expenses and further we have no mortgages coming due in 2020, and only \$6 million maturing in 2021.

Subsequent to quarter-end, PROREIT's Board of Trustees revised our distribution policy in order to lower our payout and debt ratios and to conserve our sound financial position given the current market environment. We believe that this prudent approach will prove to be an historical opportunity to better allocate our capital towards accretive initiatives to the benefit of our unitholders in the future. This more conservative financial structure is also likely to attract a broader investor base.

We also suspended our DRIP program as we do not believe it is in the best interest of the REIT or its unitholders to issue units at current market prices, which have fallen to a significant discount to net asset value due to COVID-19 related market volatility.

Sound diversification strategy

PROREIT was built on a sound diversification strategy, with properties across sectors mainly in Central and Eastern Canada. Today, the effectiveness of this approach largely accounts for the strong April and May rent collection we have achieved in the current economic context. It also reflects the resilience of our tenant base, 87% of which are national and government tenants. Specifically in the retail sector, our strategic focus on strip malls anchored by needs-based community services including grocery stores, pharmacies and government service providers has served us well.

We benefit from the longstanding and strong relationships with our tenants that we have always strived to maintain over the years. I am pleased to report that, subsequent to quarter-end, we received 92.5% of contractual April 2020 rental payments and entered into temporary rental deferral agreements with 5.3% of gross rent mainly to support smaller local tenants that have recently been hard hit. The majority of the deferrals will be repayable in the second half of 2020. As for our 2.2% gross rent in arrears, discussions are ongoing and these will be managed on a case-by-case basis.

Committed to our long-term plan

Over the coming months, we expect to proactively adapt our strategy in reaction to the developing economic and social impacts of the pandemic and to mitigate any risks facing the business. At this date, April 2020 rent received provides an indication of expected collection capacity for May 2020.

⁽¹⁾ Non-IFRS measure. See "Non-IFRS and Operational Key Performance Indicators"

MANAGEMENT'S DISCUSSION AND ANALYSIS

While it is impossible to predict the extent or the duration of the impact of the COVID-19 pandemic, we remain fully focused and committed to our long-term strategy. With our solid foundation and first quarter results within targets, we believe we are well positioned to meet the challenges ahead and resume our growth plans once markets stabilize to the benefit of our unitholders.

I wish to sincerely thank fellow members of the Board of Trustees for their sound and steady guidance in these unprecedented times. I also want to express my deepest gratitude to our employees, tenants and their clients for their incredible efforts and dedication, with a special thanks to those serving our communities directly and helping Canadians through this difficult period.

Sincerely,

(signed) James W. Beckerleg

President and Chief Executive Officer

MANAGEMENT'S DISCUSSION AND ANALYSIS

PART I

FINANCIAL AND OPERATIONAL HIGHLIGHTS

	March 31 2020	March 31 2019
Operational data		
Number of properties	93	84
Gross leasable area (square feet) ("GLA")	4,580,932	3,702,430
Occupancy rate ⁽¹⁾	98.3%	98.0%
Weighted average lease term to maturity (years)	5.5	5.8
	3 Months Ended March 31 2020	3 Months Ended March 31 2019
<i>(CAD \$ thousands except unit, per unit amounts and unless otherwise stated)</i>		
Financial data		
Property revenue	\$ 17,707	\$ 13,510
Net operating income (NOI) ⁽²⁾	\$ 10,355	\$ 8,458
Total assets	\$ 650,987	\$ 516,875
Debt to Gross Book Value ⁽²⁾	58.06%	58.58%
Interest Coverage Ratio ⁽²⁾	2.7x	2.6x
Debt Service Coverage Ratio ⁽²⁾	1.6x	1.6x
Weighted average interest rate on mortgage debt	3.72%	3.88%
Net cash flows provided from operating activities	\$ 3,300	\$ 4,541
Funds from Operations (FFO) ⁽²⁾	\$ 5,756	\$ 4,360
Basic FFO per unit ⁽²⁾⁽³⁾	\$ 0.1442	\$ 0.1389
Diluted FFO per unit ⁽²⁾⁽³⁾	\$ 0.1415	\$ 0.1359
Adjusted Funds from Operations (AFFO) ⁽²⁾	\$ 5,989	\$ 4,829
Basic AFFO per unit ⁽²⁾⁽³⁾	\$ 0.1500	\$ 0.1539
Diluted AFFO per unit ⁽²⁾⁽³⁾	\$ 0.1473	\$ 0.1505
AFFO Payout Ratio – Basic ⁽²⁾	105.0%	102.3%
AFFO Payout Ratio – Diluted ⁽²⁾	106.9%	104.6%

⁽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 March 31, 2020 was approximately 12,636 square feet of GLA (7,915 square feet of GLA at March 31, 2019).

⁽²⁾ Non-IFRS measure. See "Non-IFRS and Operational Key Performance Indicators".

⁽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") operating strategies, risk profile considerations, business outlook and analysis of its financial performance and condition for the three month period ended March 31, 2020 and 2019. This MD&A is based on financial statements prepared in accordance with International Accounting Standards ("IAS") 34: Interim Financial Reporting as issued by the International Accounting Standards Board ("IASB").

MANAGEMENT'S DISCUSSION AND ANALYSIS

This MD&A should be read in conjunction with the REIT's condensed consolidated interim financial statements and accompanying notes for the three month period ended March 31, 2020 (the "Q1 2020 Financial Statements"), the REIT's audited consolidated financial statements and accompanying notes for the years ended December 31, 2019 and 2018 (the "2019 Annual Financial Statements") and management's discussion and analysis thereon (the "2019 Annual MD&A"), and the REIT's annual information form for the year ended December 31, 2019 (the "2019 Annual Information Form" and together with the 2019 Annual Financial Statements and 2019 Annual MD&A, the "2019 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.sedar.com.

The REIT's reporting currency is the Canadian dollar ("CAD"). All amounts except unit, per unit and square footage 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 May 13, 2020, the date the REIT's board of trustees (the "Board") approved this MD&A and the Q1 2020 Financial Statements.

On May 7, 2019, the REIT commenced trading on the Toronto Stock Exchange (the "TSX") under the symbol "PRV.UN" at which time the trust units of the REIT ("Units") were delisted from, and ceased trading on, the TSX Venture Exchange (the "TSXV"). In connection with the TSX listing, the Units and the special voting units of the REIT ("Special Voting Units", and collectively with the Units, the "Voting Units") were consolidated on the basis of one (1) post-consolidation Voting Unit for three (3) pre-consolidation Voting Units and the Class B limited partnership units ("Class B LP Units") of PRO REIT Limited Partnership ("PRLP") and the units under the REIT's long term incentive plan were concurrently consolidated on the basis of the same consolidation ratio (the "Consolidation"). The Consolidation was implemented after the close of markets on May 6, 2019. The number of Voting Units, Class B LP Units and units under the long-term incentive plan have all been proportionately adjusted within this MD&A for all periods presented to reflect the Consolidation.

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;
- 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 assumptions concerning the REIT's future growth potential, expected capital expenditures, competitive conditions, results of operations, future prospects and opportunities, industry trends remaining unchanged, future levels of indebtedness, the tax laws as currently in effect remaining unchanged and the economic conditions.

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; fixed costs; financing risks and leverage; liquidity of real property investments; current global capital market conditions; public health crises (including the duration and impact of the COVID-19 pandemic on the business, operations and financial condition of the REIT); acquisition and development; potential conflicts of interest; competition; geographic concentration; general uninsured losses; access to capital; interest rate exposure; environmental matters; litigation risk; potential undisclosed liabilities; internal controls; security of information technology; indexation for inflation and duration of lease contracts; limit on activities; insurance renewals; joint venture/partnership arrangements; foreclosure; appraisals; occupancy by tenants; lease renewals and rental increase; taxation matters; change of tax laws; ownership by securityholders; acquisition of future properties; volatile market price for units; cash distributions are not guaranteed; restrictions on redemptions; subordination of the units; 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 2019 Annual Information Form, elsewhere in this MD&A and the 2019 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 AND OPERATIONAL KEY PERFORMANCE INDICATORS

The following non-IFRS and operational key performance indicators are important measures used by management in evaluating the REIT's underlying operating performance and debt management. These measures are not defined by IFRS, do not have a standardized meaning, may not be comparable with similar measures presented by other income trusts or enterprises and should not be construed as alternatives to other financial measures determined in accordance with IFRS.

Net Operating Income ("NOI")

NOI is 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 does not include charges for interest and other amortization. This non-IFRS measurement is an important measure used by the REIT 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 inducements amortized to revenue in order to highlight the 'cash impact' of contractual rent increases embedded in the underlying lease agreements. Same property performance is a meaningful measure of operating performance because it allows management to assess rent growth and leasing activity of its portfolio on a REIT property basis and the impact of capital investments. See "Part III – Results of Operations – Overall Analysis – Same Property NOI Analysis".

Funds from Operations ("FFO")

Management believes FFO is an important measure of the REIT's operating performance. This non-IFRS measurement is a commonly used measure of performance of real estate operations; 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 *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 ("Realpac"). Management believes that FFO 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 in the table under "Part IV – Distributions and Adjusted Funds from Operations". FFO adds back to net income items that do not arise from operating activities, such as fair value adjustments. FFO, however, still includes non-cash revenues related to accounting for straight-line rent and makes no deduction for the recurring capital expenditures necessary to sustain the existing earnings stream.

Adjusted Funds from Operations ("AFFO")

The REIT does not calculate AFFO in accordance with the FFO and AFFO White Paper. AFFO is defined by the REIT as FFO of the REIT, subject to certain adjustments, including: (i) amortization of fair value mark-to-market adjustments on mortgages acquired, amortization of deferred financing costs, amortization of tenant incentives and leasing costs, straight-line adjustments to rent and compensation expense related to unit-based incentive plans; (ii) deducting normalized maintenance capital expenditures and normalized leasing costs, as determined by the REIT, and (iii) one time costs including transaction costs and debt settlement costs. Normalized leasing costs represent leasing costs paid and amortized over the new lease term. Other adjustments may be made to AFFO as determined by the trustees of the REIT in their discretion. Management believes AFFO is an important measure of the REIT's economic performance and is indicative of the REIT's ability to pay distributions. This non-IFRS measurement 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 has been reconciled to net comprehensive income in the table under "Part IV – Distributions and Adjusted Funds from Operations" and to cash flow provided from operating activities in the table under "Part IV – Distributions and Adjusted Funds from Operations – Distributions".

Adjusted Cashflow from Operations ("ACFO")

ACFO is a non-IFRS financial measure developed by Realpac for use by the real estate industry as a sustainable economic cash flow metric. ACFO should not be considered as an alternative to cash generated from operating activities determined in accordance with IFRS. The REIT calculates its ACFO in accordance with Realpac's *White Paper on Adjusted Cashflow from Operations for IFRS* issued in February 2019 (the "Realpac White Paper on ACFO"). The purpose of this white paper is to provide guidance on the definition of ACFO to promote consistent disclosure amongst reporting issuers. The use of ACFO, combined with the required IFRS presentations, has been included for the purpose of improving the understanding of operating cash flow of the REIT. Management believes that ACFO is a sustainable economic cash flow metric that, when compared period-over period, reflects the impact on cash flow generated from operating activities after providing for net interest and other financing charges and operating capital requirements. ACFO has been reconciled to cash flow provided from operating activities in the table under "Part IV – Distributions and Adjusted Funds from Operations – Distributions".

AFFO Payout Ratio ("AFFO Payout Ratio")

The AFFO Payout Ratio is a non-IFRS measure of the sustainability of the REIT's distribution payout. The REIT uses this metric to provide transparency on performance and the overall management of the existing portfolio assets. Management considers the AFFO Payout Ratio the best measure of the REIT's distribution capacity. The AFFO Payout Ratio is calculated as distributions per unit divided by the AFFO per unit.

Gross Book Value ("Gross Book Value")

Gross Book Value is a non-IFRS measure defined in the REIT's Declaration of Trust (as defined herein) and is a measure of the REIT's asset base and financial position. Refer to the table under "Part IV – Capitalization and Debt Profile – Debt Ratios" for the calculation of Gross Book Value.

Debt to Gross Book Value ("Debt to Gross Book Value")

Debt to Gross Book Value is a non-IFRS measure and the REIT has adopted an indebtedness ratio guideline which management uses as a measure to evaluate its leverage and the strength of its equity position. Refer to the table under "Part IV – Capitalization and Debt Profile – Debt Ratios" for the calculation of Debt to Gross Book Value.

Adjusted EBITDA ("Adjusted EBITDA")

Adjusted EBITDA is a non-IFRS measure and is used by the REIT to monitor the REIT's ability to satisfy and service its debt as well as monitor requirements imposed by the REIT's lenders. Specifically, Adjusted EBITDA is used to monitor the REIT's Interest Coverage Ratio and Debt Service Coverage Ratio, which the REIT uses to measure its debt profile and assess its ability to satisfy its obligations, including servicing its debt. Adjusted EBITDA represents earnings before interest, income taxes, depreciation and amortization, fair value gains (losses), while also excluding non-recurring items. Refer to the table under "Part IV – Capitalization and Debt Profile – Adjusted EBITDA" for the calculation of Adjusted EBITDA.

Interest Coverage Ratio ("Interest Coverage Ratio")

Management believes this non-IFRS measurement is an important measure in determining the REIT's ability to service the interest requirements of its outstanding debt. The REIT calculates its Interest Coverage Ratio by dividing Adjusted EBITDA by the REIT's interest obligations for the period. Management uses this 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.

Debt Service Coverage Ratio ("Debt Service Coverage Ratio")

The Debt Service Coverage Ratio is determined 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. The Debt Service Coverage Ratio is a useful measure and is used by the REIT's management to monitor the REIT's ability to meet annual interest and principal payments. Refer to the table under "Part IV – Capitalization and Debt Profile – Debt Service Coverage Ratio" for the calculation of the Debt Service Coverage Ratio.

PART II

REIT OVERVIEW

The REIT is an unincorporated open ended real estate investment trust established 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") and was established under the laws of the Province of Ontario. On May 7, 2019, the Units commenced trading on the TSX under the symbol "PRV.UN" at which time the Units were delisted from, and ceased trading on, the TSXV. In connection with the TSX listing, the REIT implemented the Consolidation after the close of markets on May 6, 2019. 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 retail, office, commercial mixed-use and industrial properties. At March 31, 2020, the REIT owned approximately 4.6 million square feet of GLA across Canada.

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 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

To meet its objectives, the REIT has implemented the following key strategic elements:

Stable Cash Distributions

- **High-quality commercial real estate.** The REIT's portfolio is diversified by property type and geography across Canada. The majority of the properties are situated in prime locations within their respective markets, along major traffic arteries benefitting from high visibility and access. Management believes the quality and diversity 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 secondary markets across Canada, with a particular focus on Quebec, Atlantic Canada, and Ontario in the East, and, selectively in Western Canada. Management believes that its strategy of focusing on stable markets in Eastern Canada and selective expansion in high growth 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 long term leases.** The REIT has a diversified tenant profile reflecting an attractive mix of government, national, regional and local tenants as well as a diversified mix of tenants by industry. The REIT's portfolio lease maturities are well staggered into the future. Management of the REIT believes it has fostered strong relationships with its tenants, which management 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.

Enhance Value

- **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, acquisitions, and financing experience in the Canadian real estate industry. They have extensive relationships with a broad network of real estate industry owners and service professionals across Canada, and expect 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.

- **Strategic relationship with Lotus Crux enhances geographical expertise, especially in Ontario and in Western Canada, and provides a pipeline for future acquisitions and investment opportunities.** The REIT is a party to a strategic investment agreement with Lotus Crux Acquisition LP ("Lotus Crux"), which management of the REIT believes it will provide the REIT with enhanced coverage of major Canadian markets, especially in Western Canada, as well as access to Lotus Crux's network of relationships with real estate market participants in these markets, resulting in access to a pipeline of potential acquisition and investment opportunities not otherwise available to 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.
- Acquiring a broad range of commercial properties within its target markets to maximize diversification within its portfolio.
- Pursuing selective development and expansion opportunities within the REIT's portfolio.

SUMMARY OF SIGNIFICANT EVENT

On March 16, 2020, the REIT announced the closing of its acquisition of a 100% interest in a 135,494 square-foot light industrial property in Moncton, New Brunswick for \$8,360 before closing costs representing a going-in capitalization rate of 6.8%. The building is 100% occupied by a national logistics company with a long-term lease that includes annual rent steps up until December 2032. The property includes approximately an additional 6 acres of land that could be used for building expansion or other opportunities. The purchase price was financed by proceeds from a new \$5,750 7-year first mortgage at a rate of 2.64% per annum. The balance of the purchase price of \$2,610 was satisfied through a draw on available operating facilities that were previously paid down from a public offering of Units on August 16, 2019 for total gross proceeds of \$57,558 (the "August 2019 Offering").

SUBSEQUENT EVENTS

During and subsequent to quarter end, the evolving response to the COVID-19 pandemic by the federal and provincial governments in Canada and governments of certain foreign jurisdictions includes continuing and new emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and physical distancing, have caused significant disruption to businesses in Canada and globally, resulting in an economic slowdown. Global capital markets have also experienced significant volatility. The governments have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The REIT is continuing to monitor the impact of the COVID-19 pandemic on its business, liquidity and results of operations.

The duration and impact of the COVID-19 pandemic is unknown at this time, as is the efficacy of the government's interventions. As a result of COVID-19, the REIT is working with all tenants to review their situation and to consider rent deferral as necessary. Deferrals are being considered on a case-by-case basis. The federal government has also introduced legislation to assist landlords and small businesses with their rent obligations which the REIT is monitoring. Subsequent to quarter end, the REIT received 92.5% of contractual April 2020 rental payments and entered into deferral agreements with tenants representing approximately 5.3% of contractual April 2020 rents due. Based on the information available at this date, the REIT expects similar figures with respect to collections for May 2020 rent.

The REIT's tenant mix is well-diversified by industry sector. 87% of the portfolio base rent is from national and government tenants and the top ten tenants represent 34.4% of annual base rent. 65% of the base rent in the retail segment is from tenants providing necessary services to the public, including groceries, pharmacies, financial institutions, government offices and medical offices. The dynamic nature of the situation, which continues to evolve day-to-day, makes it difficult to determine how much rent will be withheld in the months ahead.

In response to COVID-19 and subsequent to the approval of the Board, the REIT announced on April 22, 2020 the revision of its monthly distributions to \$0.0375 per Unit for the month of April 2020 or \$0.45 on annualized basis. This revision to the REIT's monthly distributions, which were previously \$0.0525 per Unit, will allow for a reduction of the REIT's leverage and for flexibility in allocating capital to the benefit of the unitholders.

In addition, in response to the market disruption and volatility caused by the COVID-19 pandemic, the REIT announced on April 22, 2020 the suspension of its distribution reinvestment plan ("DRIP"), effective immediately. The DRIP will remain suspended until further notice and distributions of the REIT will be paid only in cash. Upon reinstatement of the DRIP, 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The REIT has a term loan with an alternative lender to finance acquisitions and fund deposits on future acquisitions. The alternative lender has without notice reduced the term loan, from \$30,000 to \$9,000 in April 2020, which is now fully drawn. Although the REIT's current cash flow position does not require further cash from this source, the term loan may be replaced with a new facility lender in the future.

On April 22, 2020, the REIT announced a cash distribution of \$0.0375 per Unit for the month of April 2020. The distribution is payable on May 15, 2020 to unitholders of record as at April 30, 2020.

OUTLOOK

Throughout the ongoing COVID-19 global pandemic, the REIT has remained fully committed to ensuring the health and safety of its employees, tenants and the communities in which it owns properties.

The REIT continues to operate and manage its business prudently, while maintaining its long-standing and strong relationships with its tenants. The REIT expects to be required to offer rent deferrals to a portion of its smaller tenants and this will be evaluated on a case-by-case basis.

The REIT will also continue to proactively adapt its strategy in reaction to the developing economic and social impacts of the pandemic and to mitigate any risks facing the business. While it is impossible to predict the extent or the duration of the impact of the COVID-19 pandemic, once the situation stabilizes, the REIT expects to be well positioned to leverage its strengths and resume its long-term growth strategy, including the acquisition of high-quality, low-risk real estate in favourable secondary markets to the benefit of its unitholders.

PART III

RESULTS OF OPERATIONS

	3 Months Ended March 31 2020	3 Months Ended March 31 2019
<i>(CAD \$ thousands)</i>		
Property revenue	\$ 17,707	\$ 13,510
Property operating expenses	7,352	5,052
Net operating income (NOI) ⁽¹⁾	10,355	8,458
General and administrative expenses	683	523
Long-term incentive plan expense	(3,258)	1,272
Depreciation of property and equipment	74	18
Amortization of intangible assets	93	93
Interest and financing costs	3,889	3,225
Distributions - Class B LP Units	398	429
Fair value adjustment - Class B LP Units	(9,388)	3,355
Fair value adjustment - investment properties	(42)	49
Other income	(509)	(526)
Other expenses	278	319
Transaction costs	-	31
Net income (loss) and comprehensive income (loss)	\$ 18,137	\$ (330)

⁽¹⁾ See "Non-IFRS and Operational Key Performance Indicators".

Comparison of the Results from Operations

The REIT's results of operations for the three month period ended March 31, 2020 are not directly comparable to the three month period ended March 31, 2019, given the REIT's growth primarily through acquisitions period over period. The REIT owned 93 investment properties at March 31, 2020, compared to 84 properties it owned at March 31, 2019. The REIT acquired 9 investment properties in the twelve month period ended March 31, 2020. Notwithstanding the foregoing, year-over-year figures for the three month period ended March 31, 2020 are presented in this MD&A. The principal reason for the 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 month period ended March 31, 2020, property revenue increased by \$4,197 to \$17,707 compared to the same period in 2019. The increase is principally due to the incremental revenues from the acquisition of 9 investment properties in the twelve month period ended March 31, 2020.

Property Operating Expenses

Property operating expenses are expenses directly related to real estate operations and are generally charged back to lessees 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 lessees 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 month period ended March 31, 2020, property operating expense increased by \$2,300 to \$7,352, compared to the same period in 2019. The increase is primarily driven by the incremental expenses from the acquisition of 9 investment properties in the twelve month period ended March 31, 2020.

Same Property NOI Analysis

Same Property NOI analysis includes properties that were owned for a full quarterly reporting in both current and comparative periods.

The following is the Same Property NOI excluding non-cash adjustments such as straight-line rent:

<i>(CAD \$ thousands)</i>	3 Months Ended March 31 2020	3 Months Ended March 31 2019
Number of same properties	84	84
Property revenue	13,421	13,262
Property operating expenses	5,270	5,052
Same Property NOI ⁽¹⁾	\$ 8,151	\$ 8,210

⁽¹⁾ See "Non-IFRS and Operational Key Performance Indicators".

The marginal decrease in the overall Same Property NOI for the three month period ended March 31, 2020 is principally driven by the decrease in occupancy in the retail, office and commercial mixed use segments offset by certain contractual rent increases and higher rental rates on lease renewals compared to the same period in 2019.

Same Property NOI by asset class for the three month period ended March 31, 2020 and 2019:

<i>(CAD \$ thousands)</i>	3 Months Ended March 31 2020	3 Months Ended March 31 2019
Retail	\$ 3,593	\$ 3,663
Office	1,287	1,339
Commercial Mixed Use	878	895
Industrial	2,393	2,313
Same Property NOI ⁽¹⁾	\$ 8,151	\$ 8,210

⁽¹⁾ See "Non-IFRS and Operational Key Performance Indicators".

Same Property NOI decreased for the three month period ended March 31, 2020 in retail, office and commercial mixed use segments as a result of increased vacancy offset by certain contractual increases in rent.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The increase in Same Property NOI for the industrial segment for the three month period ended March 31, 2020 was driven by both the increase in occupancy and the contractual increases in rent and higher rental rates on lease renewals compared to the same period in 2019.

Same property occupancy by asset class excluding any committed space:

	Same Properties 3 month period ended March 31	
	2020	2019
Retail	96.5%	97.3%
Office	93.6%	94.2%
Commercial Mixed Use	96.6%	96.7%
Industrial	100.0%	98.9%
Total	97.8%	97.6%

General and Administrative Expenses

General and administrative expenses include corporate expenses, office expenses, legal and professional fees, executive officers' salaries as of April 1, 2019, and other overhead expenses which are indirectly associated with the operation and leasing of investment properties.

On April 1, 2019 the REIT internalized its asset management function in accordance with the terms of a management agreement (the "Management Agreement") with the REIT's former external manager, Labec Realty Advisors Inc. (the "Manager"). The Manager is controlled by the President and Chief Executive Officer of the REIT, James W. Beckerleg, and the Executive Vice President, Chief Financial Officer and Secretary of the REIT, Gordon G. Lawlor. The internalization resulted in the termination of the Management Agreement and the elimination of the asset management and acquisition fees payable to the Manager thereunder. As a result of the internalization, the REIT's executive officers, James W. Beckerleg and Gordon G. Lawlor, are employed directly by the REIT since April 1, 2019.

General and administrative expenses for the three month period ended March 31, 2020 were \$683 compared to \$523 for the same period in 2019. The increase of \$160 is indicative of the REIT's growth and more specifically due to the increase of certain expenses such as executive officers' salaries in excess of asset management fees the REIT incurred in the same period in 2019.

Long-Term Incentive Plan

Long-term incentive plan gain of \$3,258 for the three month period ended March 31, 2020 relates to deferred and restricted units which vest over a period of one to three years, and is a non-cash item. The amount includes amortized costs, reinvested distributions and related fair value adjustments for the period.

Interest and Financing Costs

Interest and financing costs were \$3,889 for the three month period ended March 31, 2020. The increase of \$664 over the same period in 2019 is due to the increase in debt related to the addition of 9 investment properties in the twelve month period ended March 31, 2020, offset by the decrease in weighted average interest rate on mortgage debt to 3.72% from 3.88%.

Distributions – Class B LP Units

During the three month period ended March 31, 2020 and the same period in 2019, the REIT paid monthly distributions of \$0.0525 per Class B LP Units or 0.63 per Class B LP units on an annualized basis. Distributions on the Class B LP Units were \$398 for the three month period ended March 31, 2020. The decrease is due to the decrease of Class B LP Units in 2020 compared to the same period in 2019.

Fair Value Adjustment – Class B LP Units

A fair value gain of \$9,388 on the Class B LP Units was recorded for the three month period ended March 31, 2020, 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 comprehensive income in the quarter in which they occur.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The fair value gain of \$42 on investment properties for the three month period ended March 31, 2020, is due to changes in projected future cash flows, changes in capitalization rates and market rent assumptions on certain of the REIT's properties, fair value gains on certain acquisitions completed throughout the respective periods offset by certain non-recoverable expenditures and leasing costs incurred.

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.

Other income and Other expenses

Pursuant to the acquisition of the assets of Compass Commercial Realty Limited on June 27, 2018, a property management firm headquartered in Halifax, Nova Scotia, the REIT records revenues generated as well as relevant expenses incurred ("other expenses") not related to the properties owned by the REIT in the condensed consolidated interim statement of comprehensive income. The acquired property management firm currently manages 85 of the REIT's properties.

SEGMENTED ANALYSIS

The REIT's segments include four classifications of investment properties – Retail, Office, Commercial Mixed Use and Industrial. 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.

	Retail		Office		Commercial Mixed Use		Industrial		Total	
	\$	%	\$	%	\$	%	\$	%	\$	
<i>(CAD \$ thousands)</i>										
3 Months Ended March 31, 2020										
Property revenue	5,611	31.7	3,244	18.3	3,983	22.5	4,869	27.5	17,707	
Net operating income (NOI) ⁽¹⁾	3,621	35.0	1,678	16.2	1,812	17.5	3,244	31.3	10,355	
3 Months Ended March 31, 2019										
Property revenue	5,633	41.7	2,669	19.8	1,583	11.7	3,625	26.8	13,510	
Net operating income (NOI) ⁽¹⁾	3,776	44.6	1,360	16.1	908	10.7	2,414	28.5	8,458	

	Retail		Office		Commercial Mixed Use		Industrial		Total	
	\$	%	\$	%	\$	%	\$	%	\$	
<i>(CAD \$ thousands)</i>										
At March 31, 2020										
Investment properties	212,725	33.8	99,620	15.9	110,200	17.6	205,161	32.7	627,706	
Mortgages payable	104,916	31.9	50,150	15.3	51,355	15.6	122,088	37.2	328,509	
At December 31, 2019										
Investment properties	212,725	34.5	99,620	16.1	110,200	17.9	194,621	31.5	617,166	
Mortgages payable	105,698	32.5	50,392	15.5	51,684	15.9	117,188	36.1	324,962	

⁽¹⁾ Non-IFRS measure. See "Non-IFRS and Operational Key Performance Indicators".

As at March 31, 2020, the Retail segment consists of 49 properties (March 31, 2019 – 49 properties), having a total GLA of approximately 1,078,000 square feet (March 31, 2019 – ~1,079,000 square feet).

As at March 31, 2020, the Office segment consists of 10 properties (March 31, 2019 – 9 properties), having a total GLA of approximately 492,000 square feet (March 31, 2019 – ~435,000 square feet).

MANAGEMENT'S DISCUSSION AND ANALYSIS

As at March 31, 2020, the Commercial Mixed Use segment consists of 8 properties (March 31, 2019 – 7 properties), having a total GLA of approximately 723,000 square feet (March 31, 2019 – ~444,000 square feet).

As at March 31, 2020, the Industrial segment consists of 26 properties (March 31, 2019 – 19 properties), having a total GLA of approximately 2,287,000 square feet (March 31, 2019 – ~1,745,000 square feet).

PORTFOLIO PROFILE

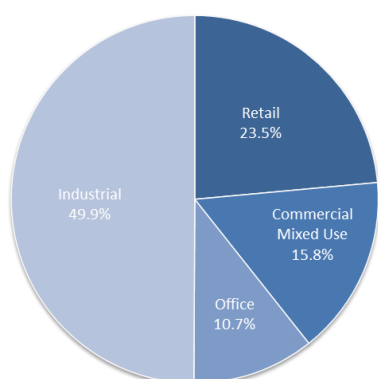
At March 31, 2020, the REIT's portfolio consisted of 93 properties, located in prime locations within their respective markets, representing a total GLA of 4,580,932 square feet. The increase of 878,502 square feet compared to March 31, 2019 is a result of the addition of 9 investment properties in the twelve month period ended March 31, 2020.

<i>(CAD \$ thousands unless otherwise stated)</i>	3 Month Period Ended/ At March 31, 2020				3 Month Period Ended/ At March 31, 2019			
	# of Properties	Occupancy ⁽¹⁾	GLA (sq. ft.)	NOI ⁽²⁾	# of Properties	Occupancy ⁽¹⁾	GLA (sq. ft.)	NOI ⁽²⁾
Retail	49	96.8%	1,078,477	\$ 3,621	49	97.6%	1,079,074	\$ 3,776
Office	10	94.1%	492,446	1,678	9	94.1%	435,005	1,360
Commercial Mixed Use	8	98.4%	723,066	1,812	7	97.4%	443,678	908
Industrial	26	99.8%	2,286,943	3,244	19	99.3%	1,744,673	2,414
Total	93	98.3%	4,580,932	\$ 10,355	84	98.0%	3,702,430	\$ 8,458

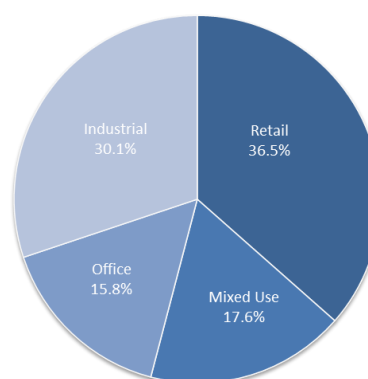
⁽¹⁾ Occupancy rate includes lease contracts for future occupancy of currently vacant space. Management believes the inclusion of this committed space provides a more balanced reporting. The committed space at March 31, 2020 was approximately 12,636 square feet of GLA (7,915 square feet of GLA at March 31, 2019).

⁽²⁾ Non-IFRS measure. See "Non-IFRS and Operational Key Performance Indicators".

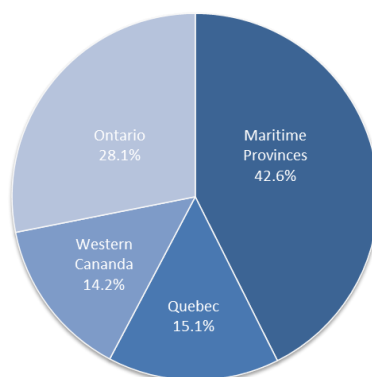
GLA by Asset Class March 31, 2020 ⁽¹⁾



Base Rent by Asset Class ⁽¹⁾



Base Rent by Region ⁽¹⁾



¹ Based on annualized in-place and committed base rent at March 31, 2020.

Top Ten Tenants

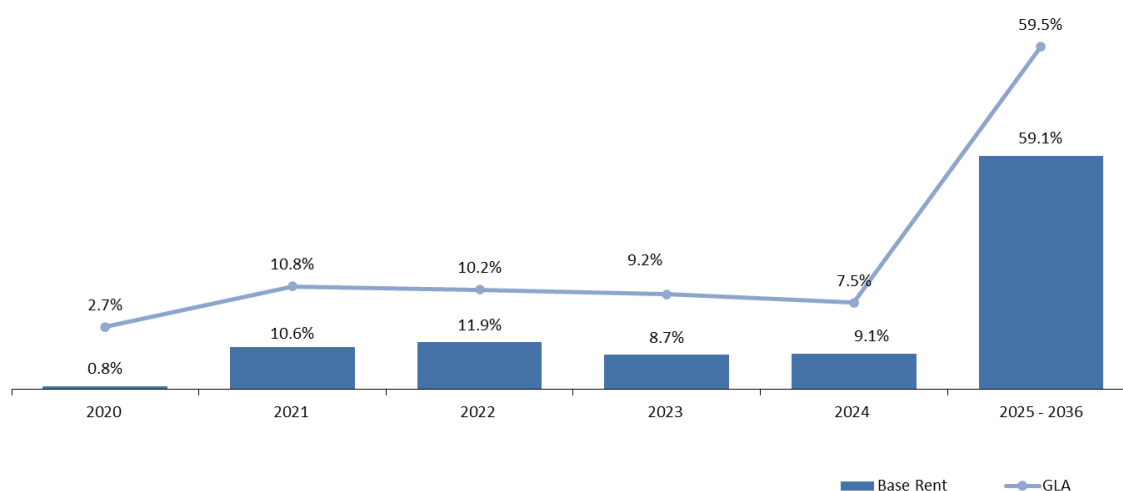
The ten largest tenants in the REIT's portfolio accounted for approximately 35.3% on annualized in-place and committed base rent and comprise approximately 7.2 years of remaining average lease term.

Tenant	% in-Place Base Rent ⁽¹⁾	GLA (Sq. Ft.)	Remaining Average Lease Term (years)	Credit Rating ⁽²⁾
Rexall	6.1%	104,929	9.3	Baa2/BBB+/na
Sobeys	5.9%	222,491	7.4	na/BB+/BBB
DRS Technologies Canada	5.4%	127,334	4.8	Ba1/BB+/BBB-
Government of Canada	3.5%	81,611	4.4	Aaa/AAA/AAA
Shoppers Drug Mart	3.4%	66,083	5.0	na/BBB/BBB
Versacold	3.3%	224,334	9.8	na
Ribbon Communications Canada	2.8%	98,057	9.8	na
Barry Callebaut	1.7%	176,070	5.2	Baa3/BBB-/na
Lawtons Pharmacy	1.6%	40,901	6.5	na/BB+/BBB
Province of New Brunswick	1.6%	20,219	10.8	Aa2/A+/AH
Total	35.3%	1,162,029	7.2	

⁽¹⁾ Based on annualized in-place and committed base rent at March 31, 2020.

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

The REIT's diverse tenant base has a staggered lease maturity profile with no more than 11.9% of base rent maturing in any given period before 2025.



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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

<i>(CAD \$ thousands)</i>	3 Months Ended March 31 2020	3 Months Ended March 31 2019
Cash provided from (used in):		
Operating activities	\$ 3,300	\$ 4,541
Financing activities	7,553	(303)
Investing activities	(10,381)	(1,607)
Change in cash during the period	472	2,631
Cash, beginning of period	5,302	4,116
Cash, end of period	\$ 5,774	\$ 6,747

Three Month Period Ended March 31, 2020

Cash flows from operating activities relate primarily to the collection of rent and payment of operating expenses. The cash provided by operating activities of \$3,300 for the three month period ended March 31, 2020 was impacted mainly by the timing of cash receipts and settlement of payables.

Cash provided by financing activities during the three month period ended March 31, 2020 of \$7,553 is attributed to the increase in debt of \$5,750, the increase in borrowings on the credit facility of \$9,500 offset by the repayment of debt of \$2,311, distributions paid of \$5,242 and financing costs incurred of \$144.

Cash used in investing activities of \$10,381 during the three month period ended March 31, 2020 primarily consists of the acquisition of an investment property of \$8,483, additions of non-recoverable capital expenditures and leasing costs of \$1,782 and the additions to property and equipment of \$116.

CAPITALIZATION AND DEBT PROFILE

<i>(CAD \$ thousands)</i>	March 31 2020
Mortgages payable (net of financing costs of \$2,494)	\$ 328,509
Term loans (net of financing costs of \$521)	6,279
Vendor take-back mortgage	750
Credit facility (net of financing costs of \$301)	39,699
Class B LP Units	8,922
Unitholders' Equity	249,180
Total Capitalization	\$ 633,339

The REIT has a revolving credit facility of \$45,000 which bears interest at prime plus 125.0 basis points or bankers' acceptance rate plus 225.0 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 \$92,125 at March 31, 2020. At March 31, 2020, advances under the revolving credit facility was \$40,000.

As at March 31, 2020, all mortgages payable were at fixed rates with a weighted average contractual rate of approximately 3.72% (December 31, 2019 - 3.74%). The mortgages payable are secured by first charges on certain investment properties with a fair value of approximately \$571,781 at March 31, 2020.

The REIT also had two term loans at March 31, 2020.

The REIT's first term loan is to finance acquisitions and fund deposits on future acquisitions with a maximum available at March 31, 2020 of \$30,000. The term loan is interest bearing only at a rate equal to the greater of 7.95% or the financial institution prime rate plus 4.50% per annum and matures February 2022. Effective February 1, 2020 the interest decreased to a rate equal to the greater of 7.50% or the financial institution prime rate plus 3.55% per annum. The term loan is secured by a pool of second and third charges on certain investment properties with a fair value of approximately \$67,925 at March 31, 2020. At March 31, 2020, advances under the term loan amounted to \$5,000. Subsequent to March 31, 2020, the lender, without notice, has reduced the term loan from \$30,000 to \$9,000 which is fully drawn as of the date of this MD&A (see "Subsequent Events" section). The REIT was and continues to be in compliance with its covenants under the term loan.

The REIT's second term loan is in the amount of \$1,800 bearing interest only at 6.25% per annum with a January 2022 maturity date. This term loan is secured by a second charge on an investment property with a fair value of approximately \$7,500.

The debt is repayable no later than 2033.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Contractual Obligations

The following table represents the REIT's contractual obligations at March 31, 2020:

(CAD \$ thousands)

Due within:	1 Year	1-2 Years	2-3 Years	3-4 Years	4-5 Years	Later
Debt principal instalments	\$ 9,613	\$ 9,573	\$ 7,775	\$ 6,162	\$ 4,992	\$ 14,510
Debt principal maturities	-	49,721	45,367	60,929	19,246	110,665
Debt interest	12,879	12,208	9,327	6,991	4,910	11,634
Credit facility	40,000	-	-	-	-	-
Accounts payable and other liabilities	12,293	-	-	-	-	-
Rent	84	84	84	84	7	-
	\$ 74,869	\$ 71,586	\$ 62,553	\$ 74,166	\$ 29,155	\$ 136,809

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.

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 of this, the REIT will make 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:

<i>(CAD \$ thousands unless otherwise stated)</i>	March 31 2020
Total assets, including investment properties stated at fair value	\$ 650,987
Accumulated depreciation on property and equipment and intangible assets	1,037
Gross Book Value ⁽¹⁾	652,024
Debt, excluding unamortized financing costs	338,553
Credit facility, excluding unamortized financing costs	40,000
Debt	\$ 378,553
Debt, as above, as a percentage of Gross Book Value ⁽¹⁾	58.06%

⁽¹⁾ Non-IFRS measure. See "Non-IFRS and Operational Key Performance Indicators".

The REIT was in compliance with the above requirement as well as all required covenants as at March 31, 2020.

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, and (ii) the Debt Service Coverage Ratio. All of these measures are non-IFRS measures. See "Non-IFRS and Operational Key Performance Indicators".

MANAGEMENT'S DISCUSSION AND ANALYSIS

Adjusted EBITDA

Adjusted EBITDA is used by the REIT to monitor the REIT's ability to satisfy and service its debt as well as monitor requirements imposed by the REIT's lenders. Specifically, Adjusted EBITDA is used to monitor the REIT's 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 the Adjusted EBITDA for the three month periods ended March 31, 2020 and 2019:

<i>(CAD \$ thousands)</i>	3 Months Ended March 31 2020	3 Months Ended March 31 2019
Net income (loss) and comprehensive income (loss)	\$ 18,137	\$ (330)
Interest and financing costs	3,889	3,225
Depreciation of property and equipment	74	18
Amortization of intangible assets	93	93
Fair value adjustment - Class B LP Units	(9,388)	3,355
Fair value adjustment - investment properties	(42)	49
Distributions – Class B LP Units	398	429
Straight-line rent	(191)	(205)
Long-term incentive plan expense	(3,258)	1,272
Transaction costs	-	31
Adjusted EBITDA ⁽¹⁾	\$ 9,712	\$ 7,937

⁽¹⁾ Non-IFRS measure. See "Non-IFRS and Operational Key Performance Indicators".

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 month periods ended March 31, 2020 and 2019:

<i>(CAD \$ thousands)</i>	3 Months Ended March 31 2020	3 Months Ended March 31 2019
Adjusted EBITDA ⁽¹⁾	\$ 9,712	\$ 7,937
Interest expense	\$ 3,611	\$ 3,058
Interest Coverage Ratio ⁽¹⁾	2.7x	2.6x

⁽¹⁾ Non-IFRS measure. See "Non-IFRS and Operational Key Performance Indicators".

Debt Service Coverage Ratio

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following is a calculation of the Debt Service Coverage Ratio for the three month period ended March 31, 2020 and 2019:

<i>(CAD \$ thousands)</i>	3 Months Ended March 31 2020	3 Months Ended March 31 2019
Adjusted EBITDA ⁽¹⁾	\$ 9,712	\$ 7,937
Interest expense	3,611	3,058
Principal repayments	2,311	1,830
Debt Service Requirements	\$ 5,922	\$ 4,888
Debt Service Coverage Ratio ⁽¹⁾	1.6x	1.6x

⁽¹⁾ Non-IFRS measure. See "Non-IFRS and Operational Key Performance Indicators".

DISTRIBUTIONS AND ADJUSTED FUNDS FROM OPERATIONS

<i>(CAD \$ thousands except unit, per unit amounts and unless otherwise stated)</i>	3 Months Ended March 31 2020	3 Months Ended March 31 2019
Net income (loss) and comprehensive income (loss) for the period	\$ 18,137	\$ (330)
Add:		
Long-term incentive plan	(3,442)	764
Distributions - Class B LP Units	398	429
Fair value adjustment - investment properties	(42)	49
Fair value adjustment - Class B LP Units	(9,388)	3,355
Amortization of intangible assets	93	93
FFO ⁽¹⁾	\$ 5,756	\$ 4,360
Deduct:		
Straight-line rent adjustment	\$ (191)	\$ (205)
Stabilized leasing costs	(46)	(66)
Add:		
Long-term incentive plan	184	508
Amortization of financing costs	286	201
Transaction costs	-	31
AFFO ⁽¹⁾	\$ 5,989	\$ 4,829
Basic FFO per unit ⁽¹⁾⁽²⁾	\$ 0.1442	\$ 0.1389
Diluted FFO per unit ⁽¹⁾⁽²⁾	\$ 0.1415	\$ 0.1359
Basic AFFO per unit ⁽¹⁾⁽²⁾	\$ 0.1500	\$ 0.1539
Diluted AFFO per unit ⁽¹⁾⁽²⁾	\$ 0.1473	\$ 0.1505
Distributions declared per Unit and Class B LP unit	\$ 0.1575	\$ 0.1575
AFFO Payout Ratio – Basic ⁽¹⁾	105.0%	102.3%
AFFO Payout Ratio – Diluted ⁽¹⁾	106.9%	104.6%
Basic weighted average number of units ⁽²⁾⁽³⁾	39,928,437	31,384,791
Diluted weighted average number of units ⁽²⁾⁽³⁾	40,670,737	32,087,484

⁽¹⁾ Non-IFRS measure. See "Non-IFRS and Operational Key Performance Indicators".

⁽²⁾ FFO and AFFO per unit is calculated as FFO or AFFO, as the case may be, divided by the total of the weighted number of basic or diluted units, 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The increase in FFO of \$1,396 to \$5,756 and the increase in AFFO of \$1,160 to \$5,989 for the three month period ended March 31, 2020, compared to the same period in 2019, is directly related to the addition of 9 investment properties in the twelve month period ended March 31, 2020. Basic and diluted AFFO per Unit were \$0.1500 and \$0.1473 respectively for the three month period ended March 31, 2020 with a corresponding basic and diluted AFFO Payout Ratio of 105.0% and 106.9%.

The AFFO Payout Ratio for the three month period ended March 31, 2020 reflects the lag between the full deployment of the net proceeds of the August 16 2019 Offering, the REIT's largest offering as of the date of this MD&A, and the timing of the REIT's latest acquisitions on March 16, 2020 (see "Summary of Significant Events" section).

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.

On April 22, 2020, the REIT declared a cash distribution of \$0.0375 per Unit for the month of April 2020, or \$0.45 on an annualized basis. The monthly distributions were previously of \$0.0525 per Unit, or \$0.63 on an annualized basis.

The REIT has implemented a 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 market disruption and 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, 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 (see "Summary of Significant Events" section).

The distributions declared during the three month period ended March 31, 2020 resulted in 97,069 Units being issued or issuable under the DRIP.

Distributions of \$0.1575 per Unit and Class B LP Unit were declared during the three month period ended March 31, 2020. 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:

<i>(CAD \$ thousands)</i>	3 Months Ended March 31 2020	3 Months Ended March 31 2019
Cash flow provided from operating activities	\$ 3,300	\$ 4,541
Add (deduct):		
Changes in non-cash working capital	2,411	(88)
Distributions – Class B LP Units	398	429
Stabilized leasing costs	(46)	(66)
Depreciation of property and equipment	(74)	(18)
Transaction costs	-	31
Adjusted Funds From Operations (AFFO) ⁽¹⁾	\$ 5,989	\$ 4,829

⁽¹⁾ Non-IFRS measure. See "Non-IFRS and Operational Key Performance Indicators".

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

<i>(CAD \$ thousands)</i>	3 Months Ended March 31 2020	3 Months Ended March 31 2019
Adjusted Funds From Operations (AFFO) ⁽¹⁾	\$ 5,989	\$ 4,829
Total distributions paid or payable – Units and Class B LP Units	6,291	4,945
Shortfall of AFFO over distributions paid or payable	\$ (302)	\$ (116)

⁽¹⁾ Non-IFRS measure. See “Non-IFRS and Operational Key Performance Indicators”.

For the three month period ended March 31, 2020 and 2019, the REIT's distribution paid or payable in cash and in DRIP units exceeded the AFFO generated during the respective periods. The main driver in for the three month period ended March 31, 2020 was a result of the lag in the redeployment of funds from the August 2019 Offering. The REIT financed the shortfall for the three month period ended March 31, 2020 and 2019, using cash on hand and/or using the REIT's revolving credit facility of \$45,000 which bears interest at prime plus 125.0 basis points or bankers' acceptance rate plus 225.0 basis points.

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

<i>(CAD \$ thousands)</i>	3 Months Ended March 31 2020	3 Months Ended March 31 2019
Cash flow provided from operating activities	\$ 3,300	\$ 4,541
Add (deduct):		
Change in non-cash working capital balances not indicative of sustainable cash flows ⁽¹⁾	646	102
Stabilized leasing costs	(46)	(66)
Amortization of deferred financing costs	(286)	(201)
Adjusted Cashflow from Operations (ACFO) ⁽²⁾	\$ 3,614	\$ 4,376

⁽¹⁾ Change in non-cash working capital balances not indicative of sustainable cash flows adjustments primarily includes adjustments for prepaid taxes and insurance as their levels vary considerably over the course of the year as well as certain other adjustments as specified in the most recent Realpac White Paper on ACFO issued February 2019. Comparative periods have been updated to reflect these adjustments.

⁽²⁾ Non-IFRS measure. See “Non-IFRS and Operational Key Performance Indicators”.

The following table represents a breakdown of adjustments for working capital changes used in the calculation of ACFO in the table above. These are working capital changes that, in management's view and based on the Realpac White Paper on ACFO issued February 2019, are not indicative of sustainable cash flows available for distributions:

<i>(CAD \$ thousands)</i>	3 Months Ended March 31 2020	3 Months Ended March 31 2019
Working capital changes related to:		
Property taxes and insurance	\$ (107)	\$ (59)
Other ⁽¹⁾	753	161
Change in non-cash working capital balances not indicative of sustainable cash flows from ACFO	\$ 646	\$ 102

⁽¹⁾ Includes working capital adjustments related to certain deferred expenses and transaction cost accruals related to acquisitions of investment properties.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The table below compares ACFO to distributions paid or payable on Units:

<i>(CAD \$ thousands)</i>	3 Months Ended March 31 2020	3 Months Ended March 31 2019
Adjusted Cashflow from Operations (ACFO) ⁽¹⁾	\$ 3,614	\$ 4,376
Total distributions paid or payable – Units ⁽²⁾	5,893	4,516
Shortfall of ACFO over distributions paid or payable	\$ (2,279)	\$ (140)

⁽¹⁾ Non-IFRS measure. See “Non-IFRS and Operational Key Performance Indicators”.

⁽²⁾ This excludes distributions paid or payable on Class B LP Units given the ACFO has been reduced to this amount.

For the three month period ended March 31, 2020 and 2019, the REIT had an ACFO shortfall to cover the total distributions paid or payable. The shortfall of ACFO over total distributions paid or payable for the three month period ended March 31, 2020 is mainly due the lag in the redeployment of funds from the August 2019 Offering as described in the “Distributions and Adjusted Funds from Operations” section of this MD&A. Furthermore, the shortfall for the three month period ended March 31, 2020 and 2019, is due to changes in timing of working capital. The REIT financed the shortfall for the three month period ended March 31, 2020 using cash on hand and/or planned normal course property refinancing and/or using the REIT's revolving credit facility of \$45,000 which bears interest at prime plus 125.0 basis points or bankers' acceptance rate plus 225.0 basis. The distribution paid or payable Units includes approximately \$651 of Units reinvested under the DRIP for the three month period ended March 31, 2020 (\$554 for the three month period ended March 31, 2019). Prior to its suspension on April 22, 2020, the participation level under the DRIP was approximately 10%, which reduced the cash requirements of the REIT to fund distributions.

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

<i>(CAD \$ thousands)</i>	3 Months Ended March 31 2020	3 Months Ended March 31 2019
Cash flow provided from operating activities	\$ 3,300	\$ 4,541
Net income (loss) and comprehensive income (loss)	\$ 18,137	\$ (330)
Total distributions paid or payable – Units ⁽¹⁾	\$ 5,893	\$ 4,516
Excess (Shortfall) of cash flow from operating activities over distributions paid or payable	\$ (2,593)	\$ 25
Excess (Shortfall) of net income and comprehensive income over distributions paid or payable	\$ 12,244	\$ (4,846)

⁽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 month period ended March 31, 2020, the REIT's distribution paid or payable in cash and in DRIP units exceeded the cash flow provided from (used in) operating activities. This represents a return of capital, rather than a return on capital, since they represent cash payments in excess of cash generated by the REIT's continuing operations during the respective periods. The shortfall of cash flow from operating activities over total distributions is mainly due to the seasonal fluctuations in noncash working capital, distribution on Class B LP Units that are recorded as a reduction of net income and comprehensive income, the impact of stabilized leasing costs which change with lease maturities and lease renewals and nonrecurring items. The REIT financed the shortfall using cash on hand and/or using the REIT's revolving credit facility of \$45,000 which bears interest at prime plus 125.0 basis points or bankers' acceptance rate plus 225.0 basis points and/or planned normal course property refinancings. The REIT has elected to provide distributions partly representing a return of capital in order to maintain the stability of current distribution levels. Management believes that the current monthly distributions of \$0.0375 per Unit, or \$0.45 on an annualized basis, are sustainable given that cash flows from operations.

The shortfall or excess of distributions paid or payable – Units over net income and comprehensive net income for the three month periods ended March 31, 2020 and 2019 is primarily due to non-cash items. Non-cash items relating to the long-term incentive plan expense, depreciation of property and equipment, amortization of intangible assets and fair value adjustments to Class B LP Units and investment properties are deducted from or added to net income and comprehensive income and have no impact on cash available to pay current distributions.

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.

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 May 13, 2020 were 38,161,395.

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 May 13, 2020 were 1,861,628.

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 and settlement 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 May 13, 2020 were 981,929 and 240,898.

Normal Course Issuer Bid

Pursuant to a notice accepted by the TSX, the REIT may, during the period commencing September 24, 2019 and ending September 23, 2020, purchase for cancellation, through the facilities of the TSX and at the market price of the REIT's Units at the time of purchase, up to 1,859,197 representing 5% 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. The REIT did not purchase or cancel any Units during the three month period ended March 31, 2020.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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.

Classification	Measurement	Carrying Value March 31 2020	Fair Value March 31 2020
Loans and Receivables			
Cash (a)	Amortized cost	\$ 5,774	\$ 5,774
Receivables and other excluding prepaid expenses, deposits, deferred acquisition costs and other receivables (a)	Amortized cost	4,710	4,710
		\$ 10,484	\$ 10,484
Financial Liabilities Through Profit and Loss			
Class B LP Units	Fair value (L2)	\$ 8,922	\$ 8,922
Long-term incentive plan	Fair value (L2)	3,256	3,256
		\$ 12,178	\$ 12,178
Other Financial Liabilities			
Accounts payable and other liabilities (a)	Amortized cost	\$ 12,293	\$ 12,293
Credit facility (a)	Amortized cost	39,699	39,699
Distributions payable (a)	Amortized cost	2,099	2,099
Debt (b)	Amortized cost	335,538	335,538
		\$ 389,629	\$ 389,629

- (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) Long-term financial instruments consist of debt. 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.

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 month period ended March 31, 2020.

PART V

CONTROLS AND PROCEDURES

Management is responsible for establishing and maintaining a system of disclosure controls and procedures to provide reasonable assurance that all material information relating to the REIT is gathered and reported to senior management on a timely basis so that appropriate decisions can be made regarding public disclosure.

Management is also responsible for establishing and maintaining adequate internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial reports for external purposes in accordance with IFRS.

In designing such controls, 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.

Details related to disclosure controls and procedures, and internal control over financial reporting, are disclosed in the 2019 Annual MD&A under "Part V – Controls and Procedures".

Changes in Internal Control over Financial Reporting

There were no changes in the REIT's internal controls over financial reporting in the first quarter of 2020 that materially affected or are reasonably likely to materially affect the REIT's internal control over financial reporting.

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 Q1 2020 Financial Statements and the 2019 Annual Reports, particularly under the heading "Risk Factors" in the 2019 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.sedar.com. 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.

COVID-19 Risk

The recent outbreak of coronavirus COVID-19 has resulted in governments worldwide enacting emergency measures to contain the spread of the virus. COVID-19 may lead to voluntary or mandatory building closures, business closures, government restriction on travel and gatherings, quarantines, self isolation and physical distancing. The impact of these measures may lead to a general shutdown of economic activity and disrupt workforce and business operations. COVID-19 could have a material adverse effect on debt and capital markets, the demand for real estate and the ability for tenants to pay. Provincial governments are encouraging landlords to enter into rent deferral arrangements with users whose businesses are required to close or are otherwise impaired. There can be no assurance that deferred rents will be collected in accordance with deferral arrangements or at all. Any inability to collect rents in a timely manner or at all could adversely affect the REIT's business and financial results.

The COVID-19 pandemic has created significant uncertainty in the general economy including the real estate market. Such a pandemic could, if prolonged, adversely impact the REIT's business directly and/or indirectly. Management continues to assess the impact of COVID-19 and governments' responses to it on the REIT. Portions of the REIT's financial results incorporate estimates from management that are subject to increased uncertainty due to the market disruptions caused by the COVID-19 pandemic. Areas of increased estimation uncertainty in the REIT's condensed consolidated interim financial statements include the fair value of its investment properties and the recoverability of amounts receivable.

The amounts recorded in the Q1 2020 Financial Statements are based on the latest reliable information available to management at the time the condensed consolidated interim financial statements were prepared where that information reflects conditions at the date of the condensed consolidated interim financial statements. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the affected asset or liability in the future.

The REIT continues to assess the effect of economic conditions on the creditworthiness of its tenants. As part of this assessment, the REIT reviews the risk profiles of its tenant base to assess which tenants are likely to continue meeting their obligations under their leases and which tenants are at a greater risk of default. The REIT expects that certain tenants may require financial assistance and continues to work with them while monitoring the various government assistance programs as more information becomes available.

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 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 financial instruments.

FUTURE CHANGES IN ACCOUNTING POLICIES

The future changes in accounting policies and future applicable accounting standards are discussed in the REIT's condensed consolidated interim financial statements for the three month period ended March 31, 2020 and the notes contained therein.

RELATED PARTY TRANSACTIONS

Until April 1, 2019, the REIT engaged the Manager to perform certain services as outlined under the Management Agreement. The Manager is controlled by the President and Chief Executive Officer of the REIT, James W. Beckerleg, and the Executive Vice President, Chief Financial Officer and Secretary of the REIT, Gordon G. Lawlor.

On April 1, 2019 the REIT internalized its asset management function in accordance with the terms of the Management Agreement. The internalization resulted in the elimination of the asset management and acquisition fees payable to the Manager. The REIT's executive officers, James W. Beckerleg and Gordon G. Lawlor, are employed directly by the REIT effective April 1, 2019. In accordance with the terms of the Management Agreement, the Manager was entitled to a termination payment equal to one time the management fees and expenses paid to it in the most recent fiscal year prior to the internalization in the approximate amount of \$2,300.

In connection with the services provided by the Manager under the Management Agreement, which was terminated effective April 1, 2019, the following amounts were payable to the Manager, in cash:

- (a) an annual advisory fee payable quarterly, equal to 0.25% of the Adjusted Cost Base of REIT's assets, prorated to take into account any acquisitions or dispositions during any monthly period, where "Adjusted Cost Base" means the book value of the assets of the REIT, as shown on its most recent condensed consolidated interim statement of financial position, plus the amount of accumulated depreciation and amortization shown thereon, less cash raised by REIT in equity issues which is not yet invested in properties or other assets.

For the three month period ended March 31, 2020, the costs of these services amounted to \$Nil (\$272 for the three month period ended March 31, 2019).

- (b) an acquisition fee equal to (i) 1.00% of the purchase price paid by the REIT for the purchase of a property, on the first \$100,000 of properties acquired in each fiscal year; (ii) 0.75% of the purchase price paid by the REIT for the purchase price of a property on the next \$100,000 of properties acquired in each fiscal year, and (iii) 0.50% of the purchase price paid by the REIT for the purchase of a property, on properties in excess of \$200,000 acquired in each fiscal year.

For the three month period ended March 31, 2020, the costs of these services amounted to \$Nil (\$Nil for the three month period ended March 31, 2019).

- (c) a property management fee equal to the then applicable market rate for property management services when such services are not otherwise delegated or subcontracted to third parties.

For the three month period ended March 31, 2020, the costs of these services amounted to \$Nil (\$Nil for the three month period ended March 31, 2019).

On September 30, 2014, the REIT entered into a strategic investment agreement (the "Strategic Investment Agreement") with Lotus Crux Acquisition LP ("Lotus Crux Acquisition"). Pursuant to the Strategic Investment Agreement, Lotus Crux Acquisition will receive a fee of 0.875% of the purchase cost from the REIT on acquisitions of certain properties owned by Lotus Crux Acquisition or related parties. Lotus Crux Acquisition LP is controlled by a general partner controlled by two trustees of the REIT, Peter Aghar and Shenoor Jadavji, who also have an interest in Lotus Crux Acquisition LP and the REIT.

Pursuant to the Strategic Investment Agreement, the REIT advanced \$1,500 as a secured loan to two related parties to Lotus Crux in as part of the financing for the acquisition of a 74,000 square feet multi-tenant commercial building well located in Greater Ottawa. The loan is on market terms as negotiated between parties acting at arm's length, bears interest at 9% per annum and matures November 2020. In accordance with the terms of the Strategic Investment Agreement, and as a result of the loan, the REIT has been granted an option to purchase the property.

MANAGEMENT'S DISCUSSION AND ANALYSIS

SUMMARY OF QUARTERLY RESULTS

<i>(CAD \$ thousands except unit, per unit amounts and unless otherwise stated)</i>	3 Months Ended Mar 31 2020	3 Months Ended Dec 31 2019	3 Months Ended Sept 30 2019	3 Months Ended June 30 2019	3 Months Ended Mar 31 2019	3 Months Ended Dec 31 2018	3 Months Ended Sept 30 2018	3 Months Ended June 30 2018
Property revenue	\$ 17,707	\$ 17,315	\$ 13,241	\$ 13,561	\$ 13,510	\$ 12,207	\$ 10,210	\$ 9,075
Property operating expenses	7,352	7,265	4,716	5,113	5,052	4,546	3,567	3,220
Net operating income (NOI) ⁽¹⁾	10,355	10,050	8,525	8,448	8,458	7,661	6,643	5,855
General and administrative expenses	683	598	623	574	523	513	458	472
Long-term incentive plan expense	(3,258)	714	662	395	1,272	(305)	335	383
Depreciation of property and equipment	74	60	65	54	18	19	13	10
Interest and financing costs	3,889	3,847	3,094	3,325	3,225	2,922	2,636	2,096
Distributions - Class B LP Units	398	407	407	419	429	452	438	372
Fair value adjustment - Class B LP Units	(9,388)	466	155	571	3,355	(3,100)	(107)	459
Fair value adjustment - investment properties	(42)	2,554	(3,255)	(6,777)	49	588	(6,767)	444
Transaction costs	-	131	-	3,045	31	-	26	475
Other income	(509)	(425)	(599)	(819)	(526)	(646)	(553)	-
Other expenses	278	287	370	491	319	557	368	-
Amortization of intangible assets	93	93	93	93	93	185	-	-
Net income (loss) and comprehensive income (loss)	\$ 18,137	\$ 1,318	\$ 6,910	\$ 7,077	\$ (330)	\$ 6,476	\$ 9,796	\$ 1,144
Debt to Gross Book Value ⁽¹⁾	58.06%	57.52%	56.72%	58.26%	58.58%	58.63%	51.05%	60.11%
FFO ⁽¹⁾	\$ 5,756	\$ 5,017	\$ 4,410	\$ 1,509	\$ 4,360	\$ 3,921	\$ 3,344	\$ 2,522
AFFO ⁽¹⁾	\$ 5,989	\$ 5,676	\$ 5,070	\$ 4,848	\$ 4,829	\$ 4,234	\$ 3,652	\$ 3,256
Basic FFO per unit ⁽¹⁾⁽²⁾	\$ 0.1442	\$ 0.1259	\$ 0.1234	\$ 0.0480	\$ 0.1389	\$ 0.1251	\$ 0.1317	\$ 0.1021
Diluted FFO per unit ⁽¹⁾⁽²⁾	\$ 0.1415	\$ 0.1233	\$ 0.1205	\$ 0.0467	\$ 0.1359	\$ 0.1230	\$ 0.1287	\$ 0.0998
Basic AFFO per unit ⁽¹⁾⁽²⁾	\$ 0.1500	\$ 0.1425	\$ 0.1419	\$ 0.1541	\$ 0.1539	\$ 0.1350	\$ 0.1437	\$ 0.1318
Diluted AFFO per unit ⁽¹⁾⁽²⁾	\$ 0.1473	\$ 0.1395	\$ 0.1386	\$ 0.1501	\$ 0.1506	\$ 0.1326	\$ 0.1407	\$ 0.1289
AFFO Payout Ratio – Basic ⁽¹⁾	105.0%	110.6%	111.0%	102.2%	102.3%	116.7%	109.6%	119.6%
AFFO Payout Ratio – Diluted ⁽¹⁾	106.9%	112.9%	113.6%	104.9%	104.6%	118.8%	111.9%	122.1%
Number of commercial properties	93	92	91	84	84	84	76	73
GLA (square feet)	4,580,932	4,445,498	4,396,004	3,701,132	3,702,430	3,702,901	3,041,030	3,039,510
Occupancy rate	98.3%	98.4%	98.2%	97.9%	98.0%	98.2%	98.1%	97.6%
Weighted average lease term to maturity	5.5	5.6	5.6	5.7	5.8	6.1	6.5	6.6

⁽¹⁾ See "Non-IFRS and Operational Key Performance Indicators".

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