Management's Discussion & Analysis

March 5, 2024

The following Management's Discussion and Analysis (MD&A) of Melcor Real Estate Investment Trust's (the REIT) results should be read in conjunction with the consolidated financial statements and related notes for the year ended December 31, 2023. The discussion outlines strategies and provides analysis of our financial performance for the fourth quarter and the full year.

The financial information in this MD&A, including 2022 comparative information, has been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards) unless otherwise noted. All dollar amounts included in this MD&A are Canadian dollars unless otherwise specified.

Throughout this MD&A we make reference to the terms "we", "our" and "management". These terms are used to describe the activities of the REIT through the eyes of management, as provided by Melcor under the asset management and property management agreements.

The REIT's Board of Trustees, on the recommendation of the Audit Committee, approved the content of this MD&A on March 5, 2024. Disclosure contained in this MD&A is current to March 5, 2024, unless otherwise indicated.

Regulatory Filings

Additional information about the REIT, including our annual information form, information circular and quarterly reports, is available on our website at MelcorREIT.ca and on SEDAR+ at www.sedarplus.ca.

Non-standard Measures

We refer to terms and measures which are not specifically defined in the CPA Canada Handbook and do not have any standardized meaning prescribed by IFRS Accounting Standards. These measures include funds from operations (FFO), adjusted funds from operations (AFFO), adjusted cash flow from operations (ACFO) and net operating income (NOI), which are key measures of performance used by real estate businesses. We believe that these measures are important in evaluating the REIT's operating performance, financial risk, economic performance, and cash flows. These non-standard measures may not be comparable to similar measures presented by other companies and real estate investment trusts and should not be used as a substitute for performance measures prepared in accordance with IFRS Accounting Standards.

Non-standard measures included in this MD&A are defined in the Non-GAAP and Non-Standard Measures section.

Caution Regarding Forward-looking Statements

In order to provide our investors with an understanding of our current results and future prospects, our public communications often include written or verbal forward-looking statements.

Forward-looking statements are disclosures regarding possible events, conditions, or results of operations that are based on assumptions about future economic conditions or courses of action and include future-oriented financial information.

This MD&A and other materials filed with the Canadian securities regulators contain statements that are forward-looking. These statements represent the REIT's intentions, plans, expectations, and beliefs and are based on our experience and our assessment of historical and future trends, and the application of key assumptions relating to future events and circumstances. Forward-looking statements may involve, but are not limited to, comments with respect to our strategic initiatives for 2024 and beyond, future leasing, acquisition and financing plans and objectives, targets, expectations of the real estate, financing and economic environments, our financial condition or the results of or outlook for our operations.

By their nature, forward-looking statements require assumptions and involve risks and uncertainties related to the business and general economic environment, many beyond our control. There is significant risk that the predictions, forecasts, valuations, conclusions or projections we make will not prove to be accurate and that our actual results will be materially different from targets, expectations, estimates or intentions expressed in forward-looking statements. We caution readers of this document not to place undue reliance on forward-looking statements. Assumptions about the performance of the Canadian economy and how this performance will affect the REIT's business are material factors we consider in determining our forward-looking statements. For additional information regarding material risks and assumptions, please see the discussion under Business Environment and Risks.

On February 22, 2024 the Board of Trustees announced the establishment of an Independent Committee to oversee a broad-based strategic review with a focus on unlocking unitholder value. There can be no assurances that the strategic review will result in the REIT pursuing any transaction or that any alternative transaction will be available to the REIT. The Board and the Independent Committee have not set a specific timeline for completing this process, and the REIT does not intend to share further developments unless it deems disclosure necessary or appropriate.

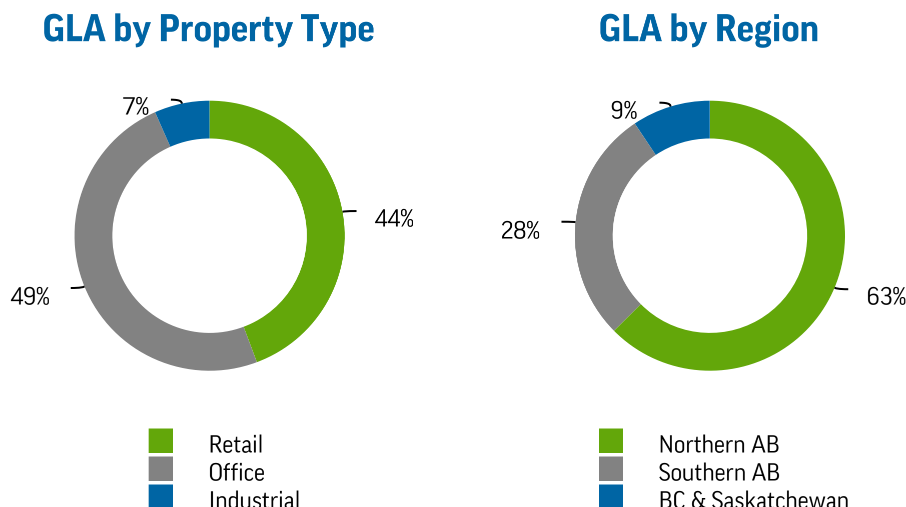
Readers should carefully consider these factors, as well as other uncertainties and potential events, and the inherent uncertainty of forward-looking statements. Except as may be required by law, we do not undertake to update any forward-looking statement, whether written or oral, made by the REIT or on its behalf.

TABLE OF CONTENTS

Our Business	2	Investment Properties	18
Corporate Sustainability	5	Liquidity & Capital Resources	20
2023 Highlights & Key Performance Indicators	7	Off Balance Sheet Arrangements	23
Consolidated Revenue & Net Operating Income	10	Quarterly Results	24
Property Profile	12	Fourth Quarter	25
Regional Analysis	13	Outlook	27
General & Administrative Expense	13	Business Environment & Risks	28
Finance Costs	14	Other Financial Information	35
Income Taxes	14	Internal Controls over Financial Reporting and Disclosure Controls	36
Funds from Operations, Adjusted Funds from Operations & Adjusted Cash Flow from Operations	14	Non-GAAP and Non-Standard Measures	36

Our Business

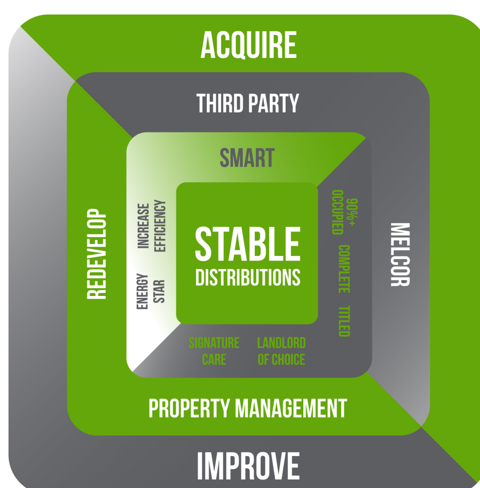
The REIT has an established and diversified portfolio of 38 income-producing office, retail and industrial properties representing 3.15 million square feet (sf) in gross leasable area (GLA) in western Canada at year-end. As at December 31, 2023 our portfolio is comprised and characterized as follows:



These high-quality properties feature stable occupancy and a strong mix of tenants, some of whom have been in place for over 25 years. The REIT is externally managed, administered and operated by Melcor Developments Ltd. (Melcor) pursuant to the asset management and property management agreements entered into in conjunction with the Initial Public Offering (IPO). Melcor, a real estate company founded in 1923, has a rich history of growth and performance in real estate development and asset management.

Melcor holds an approximate 55.4% effective interest in the REIT through ownership of all Class B LP units of Melcor REIT Limited Partnership (the partnership) and a corresponding number of special voting units of the REIT. The Class B LP units are economically equivalent to, and are exchangeable for, trust units. Furthermore, Melton Holdings Ltd. owns approximately 51.2% of the outstanding shares of Melcor and pursuant to IAS 24, Related Party Disclosures, is the ultimate controlling shareholder.

Our strategy is to **focus on building value within our portfolio and improve our asset base**, and our objective is to **provide stable monthly cash distributions to unitholders**. We maintained a stable distribution of $0.04 per unit per month from August 2021 to January 2024. In February 2024, the Board of Trustees made the decision to suspend its monthly distributions to strengthen its financial position including the commencement of a strategic review process.



Improve

There are two key components to improving our existing assets – property management and asset enhancement. The goals of our property management and asset enhancement programs are to:

- Maximize occupancy
- Maximize tenant retention
- Increase rental income

Property Management

We are committed to providing consistent, high quality service to our clients, thus ensuring that our occupancy rates remain high and that our space is leased at attractive rates.

Efficient property management optimizes operating costs, occupancy and rental rates. Our hands-on, on-site building management team identifies issues early on for prompt resolution, and with continuous logging and monitoring of all maintenance activity, we are able to make informed capital investment decisions to sustain long-term operating margins.

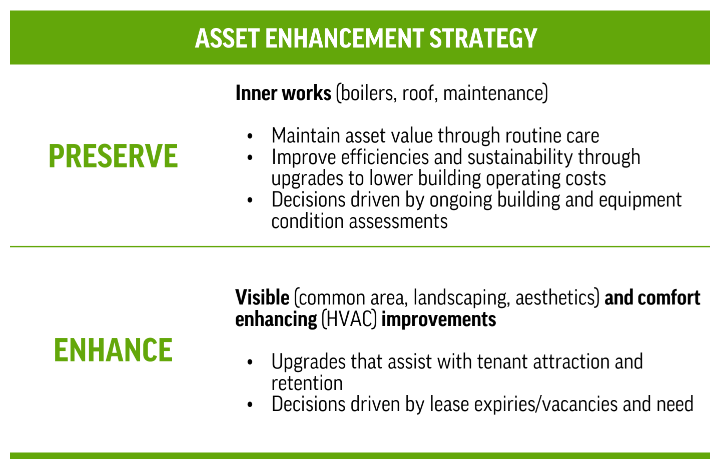
Our property management practices are designed to improve operating efficiency and reduce cost while at the same time increasing client satisfaction and thus retention rates. We enjoy strong, long-term relationships with our clients, some of whom have been with Melcor for over 30 years.

In Q3-2023, we upgraded our MelCARE.ca to a new software to provide a more comprehensive customer care experience. Already receiving positive feedback from tenants, the updated MelCARE.ca tenant service portal allows users to submit requests online with enhanced tracking and communication, access building information, review scheduled services or events and reserve amenities. We were able to upgrade the MelCARE software at a much lower annual cost while providing our team with a more sophisticated system to improve response time and provide tenants with a 30 minute or less response time.

Our property management practices are designed to improve operating efficiency and reduce cost while at the same time increasing client satisfaction. Our customer care software, MelCARE, provides a simple, digital experience for submitting service requests while maintaining our dedication to high-quality service. Strong customer satisfaction contributes to other key metrics, including retention rate, which is at 88% in 2023.

Asset Enhancement

We continually improve our assets with value-adding investments to enhance the quality of our properties, which leads to higher occupancy and rental rates. These upgrades typically focus on increasing operating efficiency, property attractiveness, functionality and desirability. We use our intimate knowledge of the buildings we operate to support capital investment decisions, optimize operating efficiency and continuously improve our buildings for enhanced client satisfaction.



Our buildings undergo annual assessments to identify preventative maintenance and capital investment requirements, and we continue to monitor and log all equipment and maintenance activity. Many of our continuous improvement initiatives focus on sustainability and energy reduction strategies to ensure our buildings are working towards becoming more energy efficient. As we upgrade and replace equipment, we do so with technology that promotes energy efficiency. We also engage specialists to monitor and analyze our energy usage to identify ways it can be improved.

In 2021, Melcor joined the Edmonton Corporate Climate Leaders Program. We completed benchmarking our energy usage at Edmonton-based office buildings in 2022. We continue to understand the new standards being presented and work towards setting appropriate targets for our business.

Streamline Portfolio

We continually review our asset portfolio to identify opportunities to recycle capital. Our capital recycling strategy focuses on pruning non-core assets with a view to mitigate against market and tenancy exposures and maximize return on investment. In Q1-2023, we sold the Kelowna Business Centre for $19.50 million ($272.24/sf). This property was a 71,600 sf office building with main floor retail on a 2.8 acre site in Kelowna.

During the year, we also reclassified three retail properties in Saskatchewan as held for sale as we shift focus to our Alberta markets. The assets included as held for sale as at December 31, 2023 are:

- University Park Shopping Center: 41,000 sf retail property located Regina, SK
- Towers Mall: 114,000 sf retail property located Regina, SK
- Market Mall: 43,000 sf retail property located Regina, SK

Acquire

We continue to seek out suitable acquisitions to expand our asset base as conditions allow. No acquisitions have been completed since 2019. We have a capital improvement plan in place looking at future spend required on our portfolio of assets which resulted in an update to future reserves at the end of 2022 (normalized capital expenditures and normalized tenant incentives and leasing commissions) to account for spend required in the coming years.

We focus on two channels to support our acquisition growth strategy:

- ***Acquiring properties via our proprietary pipeline***: As Melcor completes development and leasing of commercial and residential properties, the REIT has a first right to purchase each asset for its portfolio. This organic pipeline is unique to the REIT. Over the past 10 years, the REIT has vended in 1.05 million sf for $247.88 million.
- ***Acquiring accretive income-producing properties***: We actively seek strategic third party property acquisitions that fit our SMART investment criteria: properties that are Strategic, are in the right Market, Accretive to ACFO per unit, at the Right price and in our Target locations. Potential acquisitions include properties where we identify the opportunity to increase value through expansion, redevelopment or improved property management. Over the past 10 years, we have acquired 0.75 million sf for $141.83 million via third party acquisitions.

The following table describes components of our SMART acquisition strategy:

SMART ACQUISITION STRATEGY	
Strategic	**Acquisition Targets**
Market	• Stable, accretive properties • Penetrate existing geographic markets • Expand into adjacent markets • Potential for redevelopment and/or repositioning
Accretive	**Acquisition & Integration Strengths**
Right Price	• Proven due diligence process • Agility to quickly execute on decisions • Ability to close within 30 days resulting in preferred access to unmarketed opportunities
Targeted	• Clustering of properties for efficient management and strong market knowledge

Key Metrics & 2023 Accomplishments

Metric	Target	2023
Debt/gross book value excluding debentures[1]	50-55%	**50 %**
Debt/gross book value including debentures[1]	55-60%	**56 %**
Tenant retention	75 %	**87.9 %**
Occupancy	90%+	**87.6 %**

(1) Debt to GBV is a Non-GAAP ratio. Refer to the Non-GAAP and Non-Standard Measures section on page 36 for further information.

Corporate Sustainability

We are committed to corporate sustainability - in environmental practice, social responsibility, governance of the REIT and as stewards of the areas where we operate. Attaining best practice in all aspects of our business is our constant aspiration. To ensure that our corporate sustainability goals and practices are meaningfully aligned with our business, Environmental, Social and Governance (ESG) oversight was added to the Board's mandate in December 2021.

Here are the steps the REIT is taking to prepare for anticipated ESG reporting requirements:

- we are assessing the material ESG risks and opportunities that apply to the REIT and determining how we will benchmark, measure and report on these topics as requirements are adopted.
- we are broadening our initial building inventory/benchmarking beyond Edmonton. Our Edmonton office building climate inventory was completed in 2022 in conjunction with our involvement with Edmonton's Corporate Climate Leaders program and we are currently determining our reduction targets on the inventoried buildings and extending our benchmarking to buildings beyond Edmonton.
- we are establishing baseline data on Social and Governance topics.

The following sections detail our current practices and achievements with respect to ESG.

Environmental Commitment

Our property management practices are designed to improve operating efficiency and reduce cost while at the same time increasing client satisfaction and thus retention rates. Our capital spending strategy focuses on equipment upgrades and maintenance initiatives that will reduce energy consumption in our properties.

Examples of our commitment to environmental best practices include:

- LED lights in all properties
- Motion-sensing lights in 80% of our office properties
- Active recycling programs in all buildings
- We engage specialists to monitor and analyze our energy usage and identify potential improvements. Of 12 properties benchmarked from 2012 - 2023 we achieved:
    - a 18% reduction in electricity consumption or CO2 equivalent of 10,400 tonnes
    - a 22% reduction in natural gas consumption or CO2 equivalent of 1,200 tonnes
    - a 51% reduction in emission intensity or CO2 equivalent of 14,200 tonnes, a decrease of almost 2,000 tonnes over 2022.

Social Responsibility

We demonstrate social responsibility through our relationships with tenants and in the communities where we operate. The REIT's asset and property manager, Melcor Developments Ltd. is committed to fostering a diverse, inclusive and safe work environment. Melcor places people at the heart of its strategy and one of three core values is to "empower and care for our exceptional team."

Melcor emphasizes health and wellness for employees, including mental health. The benefit available to employees for psychological services was doubled in 2020. In 2021 and 2022, managers participated in The Working Mind, management training for recognizing and managing mental health challenges in the workplace. Encouraging managers to check in on the mental and emotional well-being of staff has been a priority.

Being invested in the communities where we do business is an important part of who we are. As we pursue excellence in our business, we also want the communities where we do business to be the best they can be. We give where we live to build strong communities. Our giving and involvement focuses on key pillars of strong communities: education, health, youth, sports, public gathering places such as libraries, and social programs that lend a helping hand to those in need.

This commitment goes beyond financial and volunteer support. We take pride in the way our properties look. Entrances to office buildings have seasonal floral arrangements, beautifying the street. We have public art installations in, on and around a number of our properties.

Our focus on relationships extends to our service providers as well. The majority of our service providers are local and many are small businesses that support our local economies.

Diversity & Inclusion

Of the Melcor management team that oversees, leases and manages the REIT's portfolio, 51% are female and 30% are visible minorities. The REIT Board is comprised of 43% female trustees as at December 31, 2023.

Effective Governance

We are committed to effective corporate governance practices as a core component of our operating philosophy. Strong governance practices form the foundation of a sustainable company and long-term value creation for unitholders. The REIT's board of trustees reviews our corporate governance practices annually to better align the REIT with industry best practices.

Examples of our commitment to effective corporate governance practices as at December 31, 2023 include:

- The majority of our trustees (4 of 7) are independent
- We appoint a lead trustee as the chair is Melcor's nominee and thus a related party
- All arrangements with Melcor require approval by a majority of our independent trustees, providing independent oversight on all transactions to represent the interests of minority unitholders
- The audit and compensation and governance committees are comprised of 100% independent trustees
- Half of the REIT's independent trustees are female
- 43% of the full board of trustees are female
- Half of the REIT's executive team is female

Glossary of Acronyms

Common acronyms used throughout our MD&A are defined here.

Common Acronyms			
ACFO	adjusted cash flows from operations	**GLA**	gross leasable area
AFFO	adjusted funds from operations	**KPI**	key performance indicators
FFO	funds from operations	**NCIB**	normal course issuer bid
DOT	declaration of trust	**NOI**	net operating income
GAAP	generally accepted accounting principles	**sf**	square feet
GBV	gross book value	**SLR**	straight-line rent
GHG	greenhouse gas	WABR	weighted average base rent

Please refer to Non-GAAP and Non-Standard Measures on page 36 for further information and reconciliation to GAAP measures where applicable.

2023 Highlights & Key Performance Indicators

Readers are reminded that established key performance measures may not have standardized meaning under GAAP. For further information on the REIT's non-standard measures, non-GAAP measures, operating measures and non-GAAP ratios, refer to the Non-GAAP and Non-Standard Measures section on page 36.

Financial Highlights

	Three-months ended December 31			Year ended December 31		
($000s)	**2023**	2022		**2023**	2022	
Non-Standard KPIs						
Net operating income (NOI)[5]	**11,530**	11,460	1 %	**46,635**	46,319	1 %
Same-asset NOI[5]	**10,961**	10,801	1 %	**44,049**	43,178	2 %
Funds from Operations (FFO)[5]	**5,654**	5,781	(2)%	**23,869**	24,725	(3)%
Adjusted Funds from Operations (AFFO)[5]	**3,567**	3,523	1 %	**15,178**	17,248	(12)%
Adjusted Cash Flows from Operations (ACFO)[5]	**3,691**	3,679	– %	**15,654**	17,873	(12)%
Rental revenue	**18,502**	18,797	(2)%	**73,900**	74,105	– %
Income before fair value adjustment[5]	**2,763**	3,529	(22)%	**12,154**	13,260	(8)%
Fair value adjustment on investment properties[1]	**(8,429)**	(9,130)	nm	**(16,794)**	(11,995)	nm
Cash flow from operations	**3,197**	4,394	(27)%	**11,993**	11,936	– %
Distributions to unitholders	**1,555**	1,555	– %	**6,222**	6,222	– %
Distributions[2]	**$0.120**	$0.120	– %	**$0.480**	$0.480	– %
Per Unit Metrics						
Net income (loss)						
Basic	**($0.12)**	($0.09)		**$1.26**	$2.28	
Diluted	**($0.21)**	($0.09)		**$0.06**	$0.59	
Weighted average number of units for net income (loss) ($000s):[3]						
Basic	**12,963**	12,963	– %	**12,963**	12,964	– %
Diluted	**29,088**	36,255	(20)%	**29,088**	29,089	– %
FFO						
Basic[6]	**$0.19**	$0.20		**$0.82**	$0.85	
Diluted[6]	**$0.18**	$0.19		**$0.75**	$0.82	
Payout ratio[6]	**62%**	60%		**58%**	56%	
AFFO						
Basic[6]	**$0.12**	$0.12		**$0.52**	$0.59	
Payout ratio[6]	**98%**	99%		**92%**	81%	
ACFO						
Basic[6]	**$0.13**	$0.13		**$0.54**	$0.61	
Payout ratio[6]	**95%**	95%		**89%**	78%	
Weighted average number of units for FFO, AFFO & ACFO (000s):[4]						
Basic	**29,088**	29,088	– %	**29,088**	29,089	– %
Diluted	**36,255**	36,255	– %	**36,255**	36,256	– %

(1) The abbreviation nm is shorthand for not meaningful and is used through this MD&A where appropriate.
(2) Distributions for the current and comparative periods have been paid out at a rate of $0.04 per unit per month.
(3) For the purposes of calculating per unit net income (loss) the basic weighted average number of units includes Trust Units and the diluted weighted average number of units includes Class B LP Units and convertible debentures, to the extent that their impact is dilutive.
(4) For the purposes of calculating per unit FFO, AFFO and ACFO the basic weighted average number of units includes Trust Units and Class B LP Units.
(5) Non-GAAP financial measure. Refer to the Non-GAAP and Non-Standard Measures section on page 36 for further information.
(6) Non-GAAP ratio. Refer to the Non-GAAP and Non-Standard Measures section on page 36 for further information.

	2023	2022	△%
Total assets ($000s)	**700,998**	730,769	(4)%
Equity at historical cost ($000s)[(1)]	**288,196**	288,196	– %
Indebtedness ($000s)[(2)]	**420,339**	440,688	(5)%
Weighted average interest rate on debt	**4.52%**	4.01%	13 %
Debt to GBV, excluding convertible debentures (maximum threshold - 60%)[(5)]	**50%**	51%	(2)%
Debt to GBV (maximum threshold - 65%)[(5)]	**56%**	57%	(2)%
Finance costs coverage ratio[(3)]	**2.21**	2.32	(5)%
Debt service coverage ratio[(4)]	**1.93**	1.88	3 %

(1) Calculated as the sum of trust units and Class B LP Units at their historical cost. In accordance with IFRS Accounting Standards the Class B LP Units are presented as a financial liability in the consolidated financial statements. Please refer to page 20 for the calculation of Equity at historical cost.
(2) Calculated as the sum of total amount drawn on revolving credit facility, mortgages payable, Class C LP Units, excluding convertible debentures, unamortized discount and transaction costs. Please refer to the Liquidity & Capital Resources section on page 20 for the calculation of Indebtedness.
(3) Non-GAAP financial ratio. Calculated as the sum of FFO and finance costs; divided by finance costs, excluding distributions on Class B LP Units and fair value adjustment on derivative instruments. This metric is not calculated for purposes of covenant compliance on any of our debt facilities. Please refer to page 36 for further discussion and analysis.
(4) Non-GAAP financial ratio. Calculated as FFO; divided by sum of contractual principal repayments on mortgages payable and distributions of Class C LP Units. This metric is not calculated for purposes of covenant compliance on any of our debt facilities. Please refer to page 36 for further discussion and analysis.
(5) Debt to GBV is a Non-GAAP ratio. Refer to the Non-GAAP and Non-Standard Measures section on page 36 for further information.

Operational Highlights

	2023	2022	△%
Number of properties	**38**	39	(3)%
Gross leasable area (GLA) (sf)	**3,150,646**	3,216,141	(2)%
Occupancy (weighted by GLA)	**87.6%**	88.1 %	(1)%
Retention (weighted by GLA)	**87.9%**	86.1 %	2 %
Weighted average remaining lease term (years)	**4.31**	4.25	1 %
Weighted average base rent (per sf)	**$17.06**	$16.55	3 %

Annual Highlights:

Our portfolio produced stable results in the year despite rising costs and inflationary pressures in all our markets. We are focussed on retaining current tenants and leasing up vacant space to help combat these rising costs. We completed 108,581 sf of new leasing and 541,010 sf in renewals and holdovers for a 88% retention rate. Occupancy remains strong at 88% with committed occupancy at 89%. Weighted average base rents (WABR) improved 3% since year-end despite challenging market conditions and our weighted average lease term remaining was at 4.31 years.

Retail properties continue to anchor our portfolio, and have seen a slight reduction in occupancy offset by an improvement in WABR compared to last year. Retail represents 44% of our total GLA as at December 31, 2023 and 60% of net rental income for the year ended December 31, 2023. Our office properties continue to navigate downward pressure on rental rates and increased supply in some of our key geographic areas, specifically our Edmonton office properties which have seen an increase in new development of office space in recent years.

With a focus on increasing liquidity and reducing debt, we are actively seeking strategic opportunities to sell certain assets and allow us to focus on our core assets. In Q1-2023, we sold Kelowna Business Centre for $19.50 million, with proceeds being used to reduce our line of credit. During the year, we also reclassified three retail properties in Saskatchewan as assets held for sale as we shift focus to our Alberta markets. Under our revolving credit facility, we currently support a borrowing base of $46.07 million and as at December 31, 2023 had $37.86 million drawn.

In the quarter rental revenue was down 2% and has remained stable year-to-date. Net rental income was down 1% in the quarter and year-to-date. We saw a 1% increase in NOI in the quarter and year-to-date. Our same-asset NOI calculations, which normalize out Kelowna Business Center, which was sold in 2023, as well as assets held for sale, is up 1% in the quarter and 2% year-to-date.

Our investment properties are revalued as a minimum of every two years, or as market conditions dictate. Revaluations in 2023 resulted in fair value losses of $16.79 million (2022 - losses of $12.00 million). Rising interest rates have increased the cost of borrowing and overall risk of investing driving up capitalization rates. An increase in capitalization rate has an inverse impact on property values.

We adjusted our normalized capital expenditures estimates in 2022 to account for increases required to properly manage our assets to attract and retain tenants. This increase in estimate resulted in a reduction in our year-to-date adjusted funds from operations, which was down 17%, as well as adjusted cash from operations which was down 12% year to date. These reductions had an inverse effect on our payout ratios, which have gone up compared to 2022.

We remain focused on navigating the challenges associated with inflation, such as rising operating costs and leasing costs and higher interest costs as mortgages come up for renewal in a higher interest rate environment. We expect to see continuing pressure on operating cash flow resulting from reductions in office lease rates, higher tenant incentives, increasing operating costs and continuing higher financing costs.

In response to these pressures, in February 2022 the Board of Trustees announced the suspension of the distribution, with an aim to preserve cash flow as a strategic review takes place under the oversight of and Independent Committee comprised of the independent members of the Board of Trustees. Despite stable financial results, the REIT has felt downward pressure on operating cash flows, including our ACFO and AFFO metrics, largely driven by higher tenant incentive and capital expenditure costs. The suspension of the distribution during this review process is estimated to conserve $1.20 million in cash, monthly.

FINANCIAL HIGHLIGHTS

- Revenue was steady at $73.90 million (2022 - $74.11 million).
- NOI was up 1% to $46.64 million (2022- $46.32 million).
- FFO was down 3% to $23.87 million or $0.82 per unit (2022 - $24.73 million or $0.85 per unit).
- ACFO was down 12% to $15.65 million or $0.54 per unit (2022 - $17.87 million or $0.61 per unit).

Management believes FFO best reflects our true operating performance and ACFO best reflects our cash position and therefore our ability to pay distributions. Non-cash fair value adjustments may cause significant variability in results, making comparisons less meaningful. Fair value adjustments on Class B LP units, investment properties, and derivative instruments (convertible debenture conversion feature and swaps on floating for fixed interest rates) impact comparative results. Net income in the current and comparative period is significantly impacted by the non-cash fair value adjustments and thus not a meaningful metric to assess financial performance.

ACFO in the year was impacted by changes in estimates on our normalized capital expenditures and normalized tenant incentives and direct leasing costs. We adjusted our estimates for future spend required to attract and retain tenants. As at December 31, 2023 we had $3.29 million in cash and $3.42 million in additional capacity under our revolving credit facility.

In 2023, we had four mortgages up for renewal with a maturing principal balance of $46.12 million of which, we renewed three mortgages for a combined total of $42.21 million. We also paid out two mortgages in the year for $12.66 million which includes $8.73 million that was repaid from the proceeds from sale of the Kelowna Business Centre and $3.93 million related to Princeton Place using proceeds from our revolving credit facility.

In the year, we repaid $14.26 million from one of our Class C mortgages, using $12.74 million in funds from a new mortgage at a rate of 4.62% with the remaining balance repaid using our revolving credit facility. Interest rates on renewals and new mortgages during the year ranged from fixed rates of 4.62% to 8.01%.

We have a revolving credit facility agreement with two western Canadian financial institutions. We amended this agreement on February 10, 2023 to increase our limit from $35.00 million to $50.00 million. Depending on the form under which the credit facility is accessed, rates will vary between prime plus 1.25% or bankers acceptance plus 2.25% stamping fee. The facility matures June 1, 2024, with management currently entering into negotiations, expected to renew in Q2-2024.

OPERATING HIGHLIGHTS

We are pleased with the volume of new leasing, renewals and holdovers completed in 2023. Positive leasing activity renewals representing 541,010 sf (including holdovers) for a retention rate of 88% at December 31, 2023, and increase of 2% over 2022 (86%). New leasing has been steady across the portfolio with 108,581 sf in new deals commencing in 2023 and an additional 29,995 sf committed for future occupancy. Leasing efforts yielded a WABR increase of 3% across the portfolio to $17.06 per sf (2022 - $16.55 per sf).

On May 1, 2023 we celebrated REIT's 10th year of business. The REIT has faced the headwinds of significant economic challenges over the past 10 years, yet has consistently posted stable results.

UNITHOLDER HIGHLIGHTS

We paid stable monthly distributions at a rate of $0.04 per unit from January to December. Our annual payout ratio was 89% based on ACFO (2022 - 78%) and 58% based on FFO (2022 - 56%).

SUBSEQUENT EVENTS

Distributions

On January 15, 2024 we declared a monthly distribution of $0.04 per share, payable on February 15, 2024 to unitholders of record on January 31, 2024. On February 22, 2024 the REIT announced the suspension of its monthly distribution which is expected to enable the REIT to retain approximately $1.20 million of cash, monthly, improving the REIT's financial flexibility moving forward.

Strategic review

The Board of Trustees also announced on February 22, 2024 the establishment of an Independent Committee to oversee a broad-based strategic review with a focus on unlocking unitholder value. The Independent Committee will retain a financial advisor to evaluate strategic alternatives to maximize unitholder value. This committee is comprised of the independent members of the Board of Trustees of the REIT, and is chaired by Richard Kirby.

There can be no assurances that the strategic review will result in the REIT pursuing any transaction or that any alternative transaction will be available to the REIT. Furthermore, the Independent Committee has not set a timeline on the completion of this process and we do not intend to comment further on the review until we determine that additional disclosures are appropriate or required.

Consolidated Revenue & Net Operating Income

	Year ended December 31		
($000s)	**2023**	**2022**	△%
Base rent	**48,290**	48,177	– %
Recoveries	**27,313**	26,814	2 %
Other	**2,281**	2,388	(4)%
Amortization of tenant incentives	**(3,975)**	(3,725)	7 %
Straight-line rent adjustments	**(9)**	451	(102)%
Rental revenue	**73,900**	74,105	– %
Operating expenses	**15,079**	14,691	3 %
Utilities and property taxes	**16,170**	16,369	(1)%
Direct operating expenses	**31,249**	31,060	1 %
Net rental income	**42,651**	43,045	(1)%
NOI[1]	**46,635**	46,319	1 %
Same-asset NOI[1]	**44,049**	43,178	2 %
Operating margin[2]	**58 %**	58 %	– %

(1) Non-GAAP financial measure. Refer to the Non-GAAP and Non-Standard Measures section on page 36 for further information.
(2) Supplementary financial measure. Refer to the Non-GAAP and Non-Standard Measures section on page 36 for further information.

Revenue

Rental revenue was flat over 2022. Higher revenue from base rent and recoveries was offset by a swing in straight-line rent adjustments and amortization of tenant incentives and other revenues over 2022.

In 2023 we completed 541,010 sf of lease renewals (including holdovers) and had 108,581 sf in new leases commence for a steady occupancy of 87.6% (2022 - 88.1%). We continue to see activity and opportunity across our portfolio in all asset classes continues and held a healthy retention rate of 87.9% (2022 - 86.1%) on our portfolio of assets.

The table below summarizes leasing activity for 2023:

	Square feet	**Weighted average base rent (per sf)**	**Occupancy %**
Opening occupancy	**2,832,467**	**$16.55**	**88.1 %**
Expiring leases	(615,484)	$13.66	
Other terminations	(28,084)	$18.91	
Renewals/holdovers	541,010	$13.39	
New leasing	108,581	$13.86	
Lease amendments	(7,204)	–	
Investment property sold	(71,629)	$14.26	
Closing occupancy	**2,759,657**	**$17.06**	**87.6 %**

Year-end weighted average base rent was up 3% to $17.06 (2022 - $16.55). Occupancy was down slightly at 87.6% (2022 - 88.1%).

Rates on new leasing and renewals/holdovers are impacted by lease structure and asset class and can vary significantly from period to period.

The table below summarizes the REIT's average base rent, GLA, occupancy and retention:

	Dec 31, 2023	Dec 31, 2022	△%
Weighted average base rent (per sf)	**$17.06**	$16.55	3 %
Weighted average remaining lease term	**4.31**	4.25	1 %
GLA	**3,150,646**	3,216,141	(2)%
Occupancy	**87.6 %**	88.1 %	(1)%
Retention	**87.9 %**	86.1 %	2 %

Recoveries are amounts recovered from tenants for direct operating expenses incurred and include a nominal administrative charge. We typically expect recovery revenue to correlate with changes in recoverable operating expenses. Compared to 2022, both recovery revenue and direct operating expenses increased 2% and 1% respectively. Our recovery ratio (recoveries divided by direct operating expenses) increased slightly to 87% (2022 - 86%).

Other revenue includes parking revenue and other miscellaneous revenue that is ancillary to our business and fluctuates from period to period.

Amortization of tenant incentives can fluctuate based on the timing of lease rollovers and leasing incentives. Straight-line rent (SLR) adjustments relate to new leases which have escalating rent rates and/or rent-free periods. SLR fluctuates due to the timing of signed leases and the rent-steps under individual leases.

Direct operating expenses

Direct operating expenses were up 1% over 2022 due to inflationary pressures which includes utility and property taxes as well as building operating costs.

Utilities and property taxes were down 1% over 2022. Utility costs, including heating and air conditioning costs, fluctuate depending on weather conditions in the regions where our assets are located as well as prevailing utility rates, which are generally higher in Alberta where the majority of our properties are located. Operating expenses saw an increase of 3% over 2022. Operating expenses vary period by period depending on the timing of maintenance projects undertaken.

Inflationary pressures impacted operating expenses in 2023, and we expect to see these increases continue throughout 2024.

NOI and Same-Asset NOI

NOI and same-asset NOI are non-GAAP financial measures used in the real estate industry to measure the performance of investment properties. The IFRS Accounting Standards measure most directly comparable to NOI and same-asset NOI is net income. Refer to the Non-GAAP Measures section starting on page 36 of this MD&A for more information.

NOI and same-asset NOI were up 1% in the quarter and 2% year-to-date over 2022.

Same-asset NOI in the current and comparative periods exclude Kelowna Business Centre an asset sold as of February 1, 2023 and three properties classified as held for sale as December 31, 2023.

The calculation of same-asset NOI is as follows (refer to Non-standard Measures for calculation of NOI and reconciliation to net income):

	Year ended December 31		
($000s)	**2023**	**2022**	△%
Same-asset NOI[1]	**44,049**	43,178	2 %
Disposals / Asset held for sale	**2,586**	3,141	
NOI[1]	**46,635**	46,319	1 %
Amortization of tenant incentives	**(3,975)**	(3,725)	
Straight-line rent adjustments	**(9)**	451	
Net rental income	**42,651**	43,045	(1)%

(1) Non-GAAP financial measure. Refer to the Non-GAAP and Non-Standard Measures section on page 36 for further information.

Property Profile

At December 31, 2023 our portfolio includes interests in 38 (2022 - 39) retail, office and industrial income-producing properties located in western Canada for a total of 3,150,646 sf of GLA, and a land lease community. On February 1, 2023, we sold an office building in Kelowna, BC. This reduced our portfolio by one income-producing property and 71,629 sf of GLA over 2022. Additionally, we have reclassified three properties in Saskatchewan as held for sale. The below analysis removes these properties from same-asset NOI.

The following table summarizes the composition of our properties by property type:

Property Type	Number of Properties	GLA (sf)/Lots	% of Portfolio (GLA)	Fair Value of Investment Properties ($000s)[1]	Net Rental Income 2023 ($000s)
Retail	14	1,396,486	44.3 %	409,030	25,750
Office	20	1,546,069	49.1 %	227,456	12,910
Industrial	3	208,091	6.6 %	38,496	2,949
Land Lease Community	1	308 lots	n/a	16,800	1,042
	38	**3,150,646**	**100.0 %**	**691,782**	**42,651**

(1) Supplementary financial measure. Refer to the Non-GAAP and Non-Standard Measures section on page 36 for further information.

The following table details key financial and operational metrics for each property type for the years ended December 31:

	Retail		Office		Industrial		Land Lease Community	
	2023	**2022**	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**
Year ended December 31 ($000s)								
Rental revenue	**38,570**	38,142	**29,986**	30,837	**3,899**	3,731	**1,445**	1,395
Net rental income	**25,750**	25,555	**12,910**	13,644	**2,949**	2,846	**1,042**	1,000
Same-asset NOI[1]	**24,116**	23,735	**15,693**	15,304	**3,199**	3,139	**1,042**	1,000
As at December 31								
Weighted average base rent (sf)	**$20.67**	$19.90	**$13.48**	$13.30	**$15.19**	$14.92	**n/a**	n/a
Occupancy	**93.0 %**	94.4 %	**81.0 %**	81.1 %	**100.0 %**	100.0 %	**100.0 %**	100.0 %

(1) Non-GAAP financial measure. Refer to the Non-GAAP and Non-Standard Measures section on page 36 for further information.

Retail - our 14 retail properties include 6 multi-building retail power centres, 7 neighborhood shopping centres and a single tenant property. Rental revenue and net rental income remained stable and same-asset NOI was up 2% over 2022.

Occupancy on our retail properties saw a slight reduction of 1% to 93% compared to 2022, offset by an increase in WABR of $0.77 per sf. Tenant retention was strong at 90% including renewals and holdovers and we completed 19,915 sf in new leasing during 2023.

Office - our 20 office properties include low and medium-rise buildings located in strategic urban and suburban centres. Our office portfolio is our most geographically diverse asset class, with properties across Alberta, in Regina, SK and in Kelowna, BC. Rental revenue saw a decline of 3% and net rental income declined 5% over 2022. This was a direct result of the sale of the Kelowna Business Centre. Excluding the sale of the Kelowna Business Centre, same asset NOI increased 3% comparative to 2022.

Despite market challenges in the office market, occupancy remained stable at 81% and WABR increased slightly up $0.18 per sf over 2022. Including renewals and holdovers we saw a retention rate of 86% and 88,666 sf of new leasing.

Industrial - our 3 industrial properties include single and multi-tenant buildings. Our industrial assets remained fully occupied through 2023. Direct operating expenses were up 7% in the year as inflationary pressures are felt across the industry. Rental revenue experienced a 5% increase over 2022, due to higher recoveries as a result of inflationary pressures reflected in higher direct operating expenses. Net rental income remained stable over 2022.

Weighted average base rent was up $0.27 per sf due to rent step-ups on current leases during 2023.

Land Lease Community – we have one land lease community in Calgary, AB consisting of 308 pad lots. It was 100% occupied at December 31, 2023 (2022 – 100%). Revenue and NOI on our land lease community was stable in 2023.

Regional Analysis

The following table summarizes the composition of our properties at December 31, 2023 by geographic region:

Geographic Region	Number of Properties	GLA (sf)	% of Portfolio (GLA)	Fair Value of Investment Properties ($000s)[1]	Net Rental Income 2023 ($000s)
Northern Alberta	22	1,963,955	62.4 %	423,600	24,407
Southern Alberta	10	889,283	28.2 %	218,907	14,881
Saskatchewan & British Columbia	6	297,408	9.4 %	49,275	3,363
	38	**3,150,646**	**100.0 %**	**691,782**	**42,651**

(1) Supplementary financial measure. Refer to the Non-GAAP and Non-Standard Measures section on page 36 for further information.

The following table details key financial and operational metrics for each of our geographic regions for the years ended December 31:

	Northern Alberta		Southern Alberta		Saskatchewan & British Columbia	
	2023	**2022**	**2023**	**2022**	**2023**	**2022**
Year ended December 31 ($000s)						
Rental revenue	**44,204**	43,666	**23,397**	23,121	**6,299**	7,318
Net rental income	**24,407**	24,298	**14,881**	15,024	**3,363**	3,723
Same-asset NOI[1]	**27,060**	26,359	**15,834**	15,827	**1,155**	992
As at December 31						
Weighted average base rent (per sf)	**$17.37**	$16.82	**$17.49**	$17.31	**$13.91**	$13.49
Occupancy	**84.0 %**	84.9 %	**93.9 %**	92.4 %	**92.7 %**	94.2 %

(1) Non-GAAP financial measure. Refer to the Non-GAAP and Non-Standard Measures section on page 36 for further information.

Northern Alberta - our Northern Alberta assets are located throughout the greater Edmonton area, including Leduc and Spruce Grove, and in Red Deer and Grande Prairie. Rental revenue was up 1% and net rental income was steady over 2022. Same-asset NOI increased 3% over 2022.

Occupancy declined 1% over 2022, offset by an increase in WABR of $0.55 per sf. Retention remained strong at 81% in the region and new leasing of 82,710 sf commencing in the year.

Southern Alberta - our Southern Alberta assets are located throughout the greater Calgary area, including Chestermere and Airdrie, and in Lethbridge. Rental revenue saw an increase of 1% with net rental income seeing a slight decrease of 1% over 2022. Same-asset NOI remained stable compared to 2022.

Occupancy saw a modest increase of 2% and WABR increasing $0.18 per sf. Retention in the Southern Alberta region was strong at 98% with 20,056 sf of new leasing.

Saskatchewan and British Columbia - our Saskatchewan and British Columbia assets are located in Regina, Saskatchewan and Kelowna, British Columbia. Rental revenue and net rental income were down 14% and 10% respectively due to the sale of the Kelowna Business Centre which was sold in Q1-2023. Same-asset NOI in the above calculations excludes the Kelowna Business Centre sold in the year, along with the three retail assets classified as held for sale at year end. Same asset NOI increased 16% over 2022 due to an increase in occupancy and WABR.

Retention in Saskatchewan and British Columbia remained strong at 96% with 2,819 sf of new leasing.

General & Administrative Expense

	Year ended December 31		
($000s)	**2023**	**2022**	△%
Asset management fee	**1,890**	1,916	(1)%
Professional fees	**462**	691	(33)%
Public company costs	**369**	342	8 %
Other	**391**	409	(4)%
	3,112	3,358	(7%)

General & administrative (G&A) expense were $3.11 million (4.2% of rental revenue) in 2023 compared to $3.36 million (4.5% of rental revenue) in 2022. The 7% reduction in G&A was primarily due to a decrease in legal and accounting professional fees in 2022 related to

prospectus related services incurred, including financing options on the expiring 2017 Debenture, which did not occur due to market conditions. In 2022 we also had higher appraisal fees as our investment properties are valued on a rotational basis and we had a disproportionately high amount of scheduled appraisals in the year.

Asset management fees, which are based on the gross book value of the portfolio, remained consistent as the portfolio is unchanged from the prior period. We are committed to prudent financial stewardship and carefully monitor discretionary G&A expenses to ensure maximum value to our unitholders. We expect G&A to be approximately 5% of rental revenue.

Finance Costs

	Year ended December 31		
($000s)	**2023**	2022	△%
Interest on mortgages payable and revolving credit facility	**14,498**	11,898	22 %
Interest on Class C LP Units	**1,168**	1,374	(15)%
Interest on convertible debentures	**2,347**	3,553	(34)%
Accretion on convertible debentures	**476**	625	(24)%
Fair value adjustment on derivative instruments	**1,300**	(8,027)	nm
Amortization of deferred financing fees	**1,218**	1,268	(4)%
Finance costs before distributions	**21,007**	10,691	96%
Distributions on Class B LP Units	**7,740**	7,740	— %
Finance costs	**28,747**	18,431	56 %

Finance costs were significantly impacted by non-cash fair value adjustments on derivative financial instruments. In 2023 we recorded fair value loss of $1.30 million compared to gains of $8.03 million in 2022, a swing of $9.33 million. Excluding these adjustments, finance costs before distributions were up 5% and finance costs were up 4%.

Distributions on Class B LP Units are equal to those declared on trust units have been consistent at $0.48 per unit in 2023 and 2022.

Interest rate increases and higher outstanding balances on our revolving credit facility contributed to the increase in finance costs comparative to 2022. As at December 31, 2023, the weighted average interest rate on our revolving credit facility, mortgages payable, Class C LP Units and convertible debentures was 4.52% based on period end balances (December 31, 2022 – 4.01%). Significant increases on borrowings correlate to Bank of Canada prime interest rates which saw additional rate changes of 0.75 bps in the year.

Income Taxes

As at December 31, 2023, the REIT qualifies as a mutual fund trust within the meaning of the Income Tax Act (Canada) and as a real estate investment trust eligible for the 'REIT Exception' under the Specified Investment Flow-Through (SIFT) rules; accordingly, no current or deferred income tax expense has been recognized on income earned or capital gains recognized subsequent to the formation of the REIT. The REIT intends to make distributions that are equal to or greater than the taxable income that would otherwise be reported by the REIT.

FFO, AFFO & ACFO

Funds From Operations (FFO), Adjusted Funds From Operations (AFFO) and Adjusted Cash Flow From Operations (ACFO) are non-GAAP financial measures used in the real estate industry to measure the operating and cash flow performance of investment properties. Refer to the Non-GAAP Measures section starting on page 36 of this MD&A for more information.

FFO & AFFO

We use Real Property Association of Canada (REALpac) definitions for some measures. REALpac is a national association representing commercial real estate in Canada. REALpac defines Funds FFO as net income (calculated in accordance with IFRS Accounting Standards), adjusted for, among other things, fair value adjustments, amortization of tenant incentives and effects of puttable instruments classified as financial liabilities (distributions on Class B LP Units). The REIT calculates FFO in accordance with REALpac.

We believe that FFO is an important measure of operating performance and the performance of real estate properties, while AFFO is an important cash flow measure. AFFO is not a substitute for cash flow from operations as it does not include changes in operating assets and liabilities.

FFO and AFFO are not a substitute for net income established in accordance with IFRS when measuring the REIT's performance. While our methods of calculating FFO and AFFO comply with REALpac recommendations, they may differ from and not be comparable to those used by other entities.

($000s, except per unit amounts)	Year ended December 31 2023	2022	△%
Net income for the year	16,313	29,610	
Add (deduct)			
Fair value adjustment on investment properties	16,794	11,995	
Fair value adjustment on Class B LP Units	(22,253)	(20,318)	
Amortization of tenant incentives	3,975	3,725	
Distributions on Class B LP Units	7,740	7,740	
Fair value adjustment on derivative instruments	1,300	(8,027)	
Funds From Operations (FFO)(1)	23,869	24,725	(3)%
Add (deduct)			
Straight-line rent adjustments	9	(451)	
Normalized capital expenditures	(3,000)	(2,514)	
Normalized tenant incentives and leasing commissions	(5,700)	(4,512)	
Adjusted Funds from Operations (AFFO)(1)	15,178	17,248	(12)%
FFO/Unit(2)	$0.82	$0.85	
AFFO/Unit(2)	$0.52	$0.59	
Weighted average number of units (000s):(3)	29,088	29,089	– %

(1) Non-GAAP financial measure. Refer to the Non-GAAP and Non-Standard Measures section on page 36 for further information.
(2) Non-GAAP ratio. Refer to the Non-GAAP and Non-Standard Measures section on page 36 for further information.
(3) For the purposes of calculating per unit FFO and AFFO the basic weighted average number of units includes Trust Units and Class B LP Units.

FFO can be calculated as well using the direct method, as outlined in the below table:

($000s, except per unit amounts)	Year ended December 31 2023	2022	△%
Base rent	48,290	48,177	
Recoveries	27,313	26,814	
Other revenue	2,281	2,388	
SLR adjustment	(9)	451	
Direct operating expenses	(31,249)	(31,060)	
General & administrative expense	(3,112)	(3,358)	
Interest on mortgages payable and revolving credit facility	(14,498)	(11,898)	
Interest on Class C LP Units	(1,168)	(1,374)	
Interest on convertible debentures	(2,347)	(3,553)	
Accretion on convertible debentures	(476)	(625)	
Amortization of deferred financing fees	(1,218)	(1,268)	
Interest income	62	31	
FFO1	23,869	24,725	(4)%

(1) Non-GAAP financial measure. Refer to the Non-GAAP and Non-Standard Measures section for further information.

Our convertible debentures can be converted into trust units at the holder's option and are considered dilutive instruments. The following table calculates diluted FFO and diluted FFO/Unit:

	Year ended December 31		
($000s, except per unit amounts)	**2023**	**2022**	△%
Funds From Operations (FFO)[1]	**23,869**	24,725	(3)%
Interest on convertible debentures	**2,347**	3,553	
Amortization of deferred financing fees	**465**	769	
Accretion on convertible debentures	**476**	625	
Funds From Operations - Diluted (FFO - Diluted)[1]	**27,157**	29,672	(8)%
Add (deduct)			
Straight-line rent adjustments	**9**	(451)	
Normalized capital expenditures	**(3,000)**	(2,514)	
Normalized tenant incentives and leasing commissions	**(5,700)**	(4,512)	
Adjusted Funds From Operations - Diluted (AFFO - Diluted)[1]	**18,466**	22,195	(17)%
FFO - Diluted/Unit[2]	**$0.75**	$0.82	
AFFO - Diluted/Unit[2]	**$0.51**	$0.61	
Diluted weighted average number of units (000s):[3]	**36,255**	36,256	– %

(1) Non-GAAP financial measure. Refer to the Non-GAAP and Non-Standard Measures section on page 36 for further information.
(2) Non-GAAP ratio. Refer to the Non-GAAP and Non-Standard Measures section on page 36 for further information.
(3) The diluted weighted average number of units includes Trust Units, Class B LP Units and convertible debentures.

Capital Expenditures

We continually invest in our assets with value-adding investments that enhance property quality, which contributes to higher occupancy and rental rates. These upgrades typically focus on increasing operating efficiency, property attractiveness, functionality and desirability, as well as initiatives focused on sustainability and energy reduction strategies to ensure our buildings meet meet environmental targets. Asset enhancement and preservation investments fluctuate based on the nature and timing of projects undertaken, and are impacted by many factors including, but not limited to, the age and location of the property, and the leasing profile and strategy. The majority of building improvement expenditures are recoverable from tenants over 5-25 years. As actual expenditures can vary from one period to another, the REIT uses a normalized capital expenditure in determining AFFO and sustainable, economic cash flow of investment properties.

Normalized capital expenditures exclude new property development initiatives such as densification and non-recoverable capital as these are discretionary in nature. Normalized capital expenditures are calculated based on a trailing 5 year historical actual spend plus 5 year projected spend.

The following summarizes our actual expenditures compared to normalized amounts.

For the years ended December 31 ($000s)	**2023**	**2022**
Actual capital expenditures	**5,295**	3,452
Normalized capital expenditures	**3,000**	2,514
Variance	**2,295**	938

Actual capital expenditures exceeded normalized capital expenditures by $2.30 million for the year ended December 31, 2023 (2022 - $0.94 million). Our 2023 actual capital expenditures include some previously delayed projects during the pandemic. In the year, significant projects included $1.95 million of work completed at our Edmonton Innovate property on the amenity and boiler upgrade, $1.25 million completed at our Melcor Centre in Lethbridge for roof, elevator and HVAC repairs, and $1.02 million at our Sterling Business Centre property for parkade and HVAC repairs. These projects are meant to improve building attractiveness for existing and potential tenants. Some capital projects undertaken in 2023 which will reduce operating expenditures in future years.

Tenant Incentives & Direct Leasing Expenditures

Tenant incentives and direct leasing expenditures are part of our leasing strategy to attract and retain tenants. Tenant incentives are directly correlated with base rent achieved on leasing deals, with higher tenant incentives carrying higher base rent. Expenditures on any particular building are impacted by many factors including, but not limited to, the lease maturity profile and strategy, market conditions and the property's location and asset class. As actual expenditures can vary from one period to another, the REIT uses a normalized capital expenditure in determining AFFO and sustainable, economic cash flow of investment properties. Normalized tenant incentives are calculated based on a trailing 5 year historical actual spend plus 5 year projected spend.

The following summarizes our actual expenditures compared to normalized amounts:

For the years ended December 31 ($000s)	2023	2022
Actual tenant incentives and direct leasing expenditures	6,796	8,663
Normalized tenant incentives and direct leasing expenditures	5,700	4,512
Variance	1,096	4,151

Tenant incentives and direct leasing costs trended above our normalized estimates. The timing and type of leasing activity and market conditions causes fluctuations in spending during the year.

Actual tenant incentives and direct leasing expenditures were higher than normalized amounts by $1.10 million. In the year, we were able to successfully complete the early renewal of a 76,241 sf single-tenant space that was coming up for renewal in 2024. Associated with that renewal was $2.00 million tenant incentive that has been accrued in the $6.79 million above.

We adjusted our estimate for normalized tenant incentives and direct leasing costs at the end of 2022 as we have seen costs increase in the recent past and project increased future spend required to attract and retain tenants. Normalized tenant incentives and direct leasing expenditures look at trailing 5 year actual spend plus 5 year projected spend, and therefore will vary period over period depending on they type and size of leases signed.

ACFO

REALpac defines Adjusted Cash Flow from Operations (ACFO) as cash flow from operations adjusted for, among other things, changes in operating assets and liabilities, payments of tenant incentives and direct leasing costs, non-cash finance costs, normalized capital expenditures and normalized tenant incentives and direct leasing costs. We calculate ACFO in accordance with the guidelines set out by REALpac; however, our calculation may differ from and not be comparable to other entities. We will continue to focus our discussion and performance analysis on ACFO.

	Year ended December 31		
($000s)	2023	2022	△%
Cash flows from operations	11,993	11,936	– %
Distributions on Class B LP Units	7,740	7,740	
Actual payment of tenant incentives and direct leasing costs	8,516	8,779	
Changes in operating assets and liabilities	(2,677)	(2,288)	
Amortization of deferred financing fees	(1,218)	(1,268)	
Normalized capital expenditures	(3,000)	(2,514)	
Normalized tenant incentives and leasing commissions	(5,700)	(4,512)	
Adjusted Cash Flows from Operations (ACFO)[1]	15,654	17,873	(12)%
ACFO/Unit[2]	$0.54	$0.61	
Weighted average number of units (000s):[3]	29,088	29,089	– %

(1) Non-GAAP financial measure. Refer to the Non-GAAP and Non-Standard Measures section on page 36 for further information.
(2) Non-GAAP ratio. Refer to the Non-GAAP and Non-Standard Measures section on page 36 for further information.
(3) The diluted weighted average number of units includes Trust Units and Class B LP Units.

In order to continue to qualify for the 'REIT Exception', as provided under the SIFT rules, we must allocate substantially all taxable income. As such, we allocate monthly distributions to unitholders as determined and approved by the Board of Trustees. 2023 distributions were $0.04 per unit, unchanged from August 2021. Distributions to unitholders during the year were $6.22 million (2022 - $6.22 million).

Distributions made during the year ended December 31, 2023 represent a payout ratio of approximately 89% of ACFO (2022 - 78%). On an FFO basis, distributions represent a payout ratio of 58% (2022 - 56%).

We use ACFO in evaluating our ability to continue to fund distributions. The most similar IFRS Accounting Standards measure is cash flow from operations. Cash flow from operations, which includes Class B LP Unit distributions as a financing charge, exceeded distributions by $5.77 million in 2023 (2022 - $5.71 million) as illustrated below:

	Year ended December 31		
($000s)	**2023**	2022	△%
Cash flows from operations	**11,993**	11,936	– %
Distributions on Class B LP Units	**7,740**	7,740	– %
Cash flows from operations before Class B LP Unit distributions	**19,733**	19,676	– %
Distributions to unitholders	**(6,222)**	(6,222)	– %
Distributions on Class B LP Units	**(7,740)**	(7,740)	– %
Total distributions	**(13,962)**	(13,962)	– %
Cash flows from operations before Class B LP Unit distributions less total distributions	**5,771**	5,714	1 %
Total distributions as a % of cash flows from operations before Class B LP Unit distributions	**71 %**	71 %	– %

Investment Properties

As at December 31, 2023 we owned 38 income-producing office, retail and industrial properties representing 3.15 million sf in GLA and a fair value of $691.78 million. The change in the fair value of our portfolio is summarized as follows:

	Investment Properties	Investment Property Held for Sale	Fair Value of Portfolio(1)
Balance, December 31, 2022	**700,182**	**19,500**	**719,682**
Additions:			
Property improvements	5,295	–	5,295
Direct leasing costs	1,338	–	1,338
Tenant incentive additions	5,458	–	5,458
Dispositions	–	(19,500)	(19,500)
Investment property classified as held for sale during the year	(33,774)	33,774	–
Straight-line rent adjustments	(9)	–	(9)
Amortization of tenant incentives	(3,975)	–	(3,975)
Fair value adjustment on investment properties	(16,794)	–	(16,794)
Other adjustments	287	–	287
Balance, December 31, 2023	**658,008**	**33,774**	**691,782**

(1) Supplementary financial measure. Refer to the Non-GAAP and Non-Standard Measures section on page 36 for further information.

Additions – during 2023 we invested $5.30 million in property improvements as we remain focused on improving our assets to retain and attract tenants and to increase energy efficiency, up from $3.45 million in 2022. The majority of these investments are recoverable from tenants over 5-25 years. We also spent $6.80 million on tenant incentives and direct leasing costs to lease 649,591 sf ($10.46 per sf) in 2023, down from $7.27 million spent on 502,197 sf ($16.62 per sf) in 2022.

Held for sale – as at December 31, 2023 we classified three investment properties with a fair value of $33.78 million for sale in our Saskatchewan region. This includes $32.14 million in investment properties and $1.64 million in other assets (tenant incentives and SLR) was reclassified as held for sale.

Dispositions – as at February 1, 2023, we sold an investment property for previously held for sale with a fair value of $19.50 million. The property was a 71,600 sf office building with main floor on a 2.8 acre site in Kelowna and sold for gross proceeds of $19.50 million ($272.24/sf).

Fair value adjustment – we carry our investment properties at fair value in accordance with IFRS 13, Fair value measurement. The following table summarizes key metrics of our investment properties and components of the fair value calculation:

	Dec 31, 2023	Dec 31, 2022
Number of properties	**38**	39
Total GLA (sf)	**3,346,240**	3,346,240
GLA (REIT owned %) (sf)	**3,150,646**	3,216,141
Fair value of portfolio ($000s)	**658,008**	719,682
Value per square foot	**$209**	$224
NOI ($000s)	**46,635**	46,319
Weighted average capitalization rate	**7.24 %**	7.08 %
Weighted average terminal cap rate	**7.31 %**	7.16 %
Weighted average discount rate	**8.19 %**	8.04 %

Investment properties were valued by Melcor's internal valuation team with the assistance of qualified independent external valuation professionals. In 2023, external valuation professionals valued 18 investment properties (of 52 legal phases) with fair value of $256.85 million (including amounts presented as tenant incentives and straight-line rent adjustments), resulting in a fair value loss of $16.79 million.

In 2022, external valuation professionals valued 44 investment properties (of 53 legal phases) with fair value of $578.35 million (including amounts presented as tenant incentives and straight-line rent adjustments), resulted in fair value loss of $12.00 million. Please refer to note 26 to the consolidated statements for additional information on the calculation of fair value adjustments.

Phases are a result of the property development process when a larger project is developed over an extended period of time and subdivided into legal phases for increased flexibility. As leases turn over, unit and/or building GLA is remeasured, resulting in changes to GLA.

A breakdown of our fair value adjustment on investment properties by geographic region is as follows:

For the years ended December 31 ($000s)	2023	2022	$△
Northern Alberta	**(10,842)**	(8,940)	(1,902)
Southern Alberta	**(4,476)**	(7,362)	2,886
Saskatchewan & British Columbia	**(1,476)**	4,307	(5,783)
	(16,794)	(11,995)	(4,799)

Our valuation program requires the revaluation of each legal phase every two years or as market conditions dictate. In 2022 we had a disproportionate amount of scheduled appraisals in the year.

Fair value adjustments represent a change of approximately 2.6% (2022 - 1.7%) in the fair value of our portfolio. In 2023, the market saw a significant increase to interest rates, causing an increase in the cost of borrowing and overall risk of investing. With an increase cost of borrowing and risk reflected by an increase in capitalization rates property values were negatively impacted. We saw the largest impact on our office properties, consistent with current market conditions.

The REIT will continue to monitor its portfolio and the market in assessing fair value changes and cautions readers that further fair value adjustments may be required in the future.

Fair values are most sensitive to changes in capitalization rates.

	December 31, 2023			December 31, 2022		
	Min	**Max**	**Weighted Average**	Min	Max	Weighted Average
Capitalization rate	5.50%	10.50%	7.24%	5.50%	10.00%	7.08%
Terminal capitalization rate	6.00%	9.25%	7.31%	6.00%	8.75%	7.16%
Discount rate	6.75%	10.25%	8.19%	6.25%	9.75%	8.04%

A capitalization rate increase of 50 basis points (+0.5%) would decrease the fair value of investment properties by $44.90 million (2022 - $47.30 million) while a 50 basis points decrease (-0.5%) would increase it by $51.50 million (2022 - $54.50 million).

Capitalization rates are influenced by many property specific factors and vary significantly within the portfolio due to the size and composition of our assets. Capitalization rates by property type are as follows:

	December 31, 2023			December 31, 2022		
	Min	**Max**	**Weighted Average**	Min	Max	Weighted Average
Retail	5.75%	9.25%	6.95%	5.75%	8.75%	6.95%
Office	6.25%	10.50%	8.11%	6.00%	10.00%	7.56%
Industrial	7.00%	8.50%	7.48%	6.75%	8.50%	7.28%

Liquidity & Capital Resources

We employ a range of strategies to fund operations and facilitate strategies in order to ensure long-term sustainability. Our principal liquidity needs are to:

- Fund recurring expenses;
- Meet debt service requirements;
- Make distribution payments;
- Fund capital projects; and
- Purchase investment properties.

Within the comparative period we had cash conservation strategies in place to ensure long-term sustainability. We remain mindful of our cash position.

Cash Flows

The following table summarizes cash flows from operating, investing and financing activities:

	Year ended December 31		
($000s)	**2023**	**2022**	$△
Cash from operating activities	**11,993**	11,936	57
Cash from (used in) investing activities	**14,563**	(4,452)	19,015
Cash used in financing activities	**(26,571)**	(11,435)	(15,136)
Decrease in cash and cash equivalents	**(15)**	(3,951)	3,936
Cash and cash equivalents, beginning of year	**3,304**	7,255	(3,951)
Cash and cash equivalents, end of year	**3,289**	3,304	(15)

Operating activities

Cash from operating activities was consistent 2022 at $11.99 million. Rent collections remain strong in 2023. Operating assets and liabilities fluctuate period over period. Cash before adjustments for working capital and payments of tenant incentives and direct leasing costs was down $0.60 million year-to-date.

Rising interest rates and increased draws on our revolving credit facility contributed to interest on mortgages and revolving credit facility increasing 22% from $11.90 million in 2022 to $14.50 million in 2023. These amounts are included in finance costs and negatively impacted cash from operations.

We continue to focus efforts on leasing, and in the past few years have seen a significant increase in costs related to tenant incentives and direct leasing costs associated with leasing. Timing of commencement of new leases and renewals can significantly impact the year-over year comparatives. In the current year we saw a reduction of 3% to tenant incentives and direct leasing costs over 2022.

Investing activities

We invested $4.46 million in our 2023 capital program (2022 - $3.45 million). We remain committed to strategic value-adding asset enhancement and preservation projects as a integral component of our strategy to improve our assets and retain and attract tenants. Asset enhancement investments fluctuate based on the nature and timing of projects undertaken.

On February 1, 2023 we closed on the sale of Kelowna Business Centre for net proceeds of $19.03 million (including $1.00 million of restricted cash held at year end). These proceeds were used to pay off the mortgage on the property, with remaining cash of $9.03 million being used to reduce borrowings on our credit facility

Financing activities

During 2023 we had four mortgages up for renewal with a maturing principal balance of $46.12 million. During the year we completed the renewal of mortgages on three properties for a combined total of $42.20 million (at JV%) and the payout of two mortgages including $3.93

million related to Princeton Place using our revolving credit facility and $8.73 million that was repaid from the proceeds from the sale of the Kelowna Business Centre. In the year we also paid out $14.26 million of one of our Class C mortgages with $12.74 million in proceeds from a new mortgage signed in the year at a rate of 4.62% over a five year term, with the remaining balance paid out using our revolving credit facility. Interest rates on renewals during the year ranged from fixed rates of 4.62% to 8.01%.

In the comparative period we completed financing renewals on 6 properties, totaling $44.64 million in renewals (at JV%) for net proceeds of $11.05 million.

Our net credit facility borrowings in 2023 were $6.20 million comparative to $31.70 million. In 2022 included in the net credit facility borrowings are $22.98 million related to the payout of the 2017 debenture.

Our 2023 monthly distribution remained stable during at $0.04 per unit. Distributions to unitholders for the year were $6.22 million (2022 - $6.22 million).

We believe that internally generated cash flows, supplemented by borrowings through our revolving credit facility and mortgage financings, where required, will be sufficient to cover our normal operating, debt service, distribution and capital expenditure requirements. We regularly review our credit facility limits and manage our capital requirements accordingly.

As at December 31, 2023, we had $3.29 million in cash and cash equivalents and $3.42 million in undrawn liquidity under our revolving credit facility.

Capital Structure

We define capital as the total of trust units, Class B LP Units, Class C LP Units, mortgages payable, convertible debentures and amounts drawn under our revolving credit facility.

Pursuant to the Declaration of Trust (DOT) Degree of Leverage Ratio, we may not incur or assume any indebtedness if, after incurring or assuming such indebtedness, the total indebtedness of the REIT would be more than 60% (65% including any convertible debentures) of Gross Book Value (GBV). Throughout the year, we were in compliance with the Degree of Leverage Ratio and had a ratio of 50% as at December 31, 2023 (56% including the convertible debenture) (2022 - 51% and 57% respectively).

As at December 31, 2023, the REIT's total capitalization was $708.54 million (2022 - $728.88 million), comprised as follows:

($000s)	**Dec 31, 2023**	**Dec 31, 2022**
Revolving credit facility[1]	37,901	31,697
Mortgages payable[1]	314,808	325,193
Class C LP Units	21,630	37,798
Indebtedness, excluding convertible debentures	**374,339**	394,688
Convertible debentures[2]	46,000	46,000
Indebtedness	**420,339**	440,688
Class B LP Units at Historical Cost[3]	160,207	160,207
Trust Units, excluding transaction costs	127,989	127,989
Equity at Historical Cost	**288,196**	288,196
Total capitalization	**708,535**	728,884
Gross Book Value ("GBV")[4]	**746,957**	766,457
Debt to GBV, excluding convertible debentures (maximum threshold - 60%)[5]	**50 %**	51 %
Debt to GBV (maximum threshold - 65%)[5]	**56 %**	57 %

(1) Debts are presented excluding unamortized transaction costs and discount on bankers acceptance (as applicable).
(2) Convertible debentures are presented at face value, excluding unamortized transaction costs and amounts allocated to conversion feature.
(3) Class B LP Units are classified as equity for purposes of this calculation and are included at their historical cost.
(4) GBV is calculated as the cost of the total assets acquired and development costs less dispositions.
(5) Debt to GBV is a Non-GAAP ratio. Refer to the Non-GAAP and Non-Standard Measures section on page 36 for further information.

We are also subject to financial covenants on our revolving credit facility. The covenants include a maximum debt to GBV ratio of 60% (excluding convertible debentures), a minimum debt service coverage ratio of 1.25, and a minimum adjusted unitholders' equity of $140.00 million as defined within our credit agreement. As at December 31, 2023, and throughout the period, we were in compliance with our financial covenants, obligations and debt covenants. We prepare financial forecasts to monitor changes to our debt and capital levels and manage our ability to meet our financial covenants.

Indebtedness

Debt Repayment Schedule – the following table summarizes our contractual obligations and illustrates certain liquidity and capital resource requirements:

		as at December 31					
($000s)	**Total**	**2024**	**2025**	**2026**	**2027**	**2028**	**Thereafter**
Revolving credit facility	37,901	37,901	–	–	–	–	–
Mortgages payable	314,808	53,698	57,196	54,379	18,103	35,500	95,932
Class C LP Units	21,630	1,648	9,822	10,160	–	–	–
Convertible debentures	46,000	46,000	–	–	–	–	–
Total	**420,339**	**139,247**	**67,018**	**64,539**	**18,103**	**35,500**	**95,932**
% of portfolio	100 %	34 %	16 %	15 %	4 %	8 %	23 %

We ladder the renewal and maturity dates on our borrowings as part of our capital management strategy. This mitigates the concentration of interest rate and financing risk associated with refinancing in any particular period. In addition, we try to match the maturity of our debt portfolio with the weighted average remaining lease term on our properties.

In 2023, we had four mortgages up for renewal with a maturing principal balance of $46.12 million at an interest rate of 4.40%. In the year, we renewed three mortgages including for a total of $34.41 million (at JV%) at a rate of 5.69% to 8.01%. Included in this amount was our Melcor Centre, located in Lethbridge, AB at a rate of 8.01%. This rate is deemed to be an outlier of normal mortgage renewal rates due to lease negotiations occurring during the time of renewal.

We have also paid out two mortgages in the year for $12.66 million total which includes $8.73 million that was repaid from the proceeds from the sale of the Kelowna Business Centre, and $3.93 million related to Princeton Place, which was paid out using proceeds from our revolving credit facility. In 2024, our revolving credit facility matures on June 1, 2024. Management is currently in discussion on the renewal of the facility, with expectations to renew in Q2-2024.

In the year, we repaid $14.26 million from one of our Class C mortgages, using $12.74 million in funds from a new mortgage at a rate of 4.62% with the remaining balance repaid using our revolving credit facility.

We have a revolving credit facility agreement with two western Canadian financial institutions. We amended this agreement on February 10, 2023 to increase our limit from $35.00 million to $50.00 million, available to use for general corporate purposes and acquisitions, including a $5.00 million swing line sub-facility. The available credit limit is based on the carrying value of specific investment properties pledged as collateral. An additional $15.00 million is available by way of an accordion feature, subject to lender approval. Depending on the form under which the credit facility is accessed, rates of interest will vary between prime plus 1.25% or bankers acceptance plus 2.25% stamping fee. The facility matures June 1, 2024.

The REIT continues to monitor its secured debts in order to identify opportunities and risks, and proactively engages with lenders in regards to upcoming maturities. We expect to be able to re-finance these debts at market competitive terms.

Debt Analysis – our Class C LP Units and convertible debentures bear interest at fixed rates, all our mortgages payables are held at fixed rates (fixed includes four variable rate mortgage fixed via a floating for fixed interest rate swap contract); our revolving credit facility bears interest at variable rates.

The following table summarizes the interest rates and terms to maturity:

($000s)	**Total**	**Fixed**	**Variable**	**Weighted average interest rate**	**Weighted average term to maturity**
Revolving credit facility	37,901	–	37,901	7.91 %	0.42
Mortgages payable	314,808	314,808	–	4.00 %	3.85
Class C LP Units	21,630	21,630	–	4.97 %	2.15
Convertible debentures	46,000	46,000	–	5.10 %	1.00
Total	**420,339**	**382,438**	**37,901**	**4.52 %**	**3.14**

The weighted average interest rate on our debts was 4.52% (December 31, 2022 - 4.01%).

Debt Service Coverage Ratio and Finance Costs Coverage Ratio – Debt service coverage ratio is a non-GAAP ratio that we calculate as FFO divided by principal repayments on mortgages payable and Class C LP Units made during the period. Finance costs coverage ratio is a non-GAAP ratio that we calculate as FFO plus finance costs divided by finance costs expensed during the period, less distributions on Class B LP Units. We consider these measures to be useful in evaluating our ability to service our debt. Refer to the Non-GAAP Measures section starting on page 36 of this MD&A for more information. These metrics are not calculated for purposes of covenant compliance on any of our debt facilities.

For the years ended December 31 ($000s)	2023	2022
FFO	23,869	24,725
Principal repayments on Mortgages payable	10,467	10,792
Principal repayments on Class C LP Units	1,911	2,362
Debt service coverage ratio[1]	1.93	1.88
FFO plus finance costs	43,576	43,443
Finance costs[2]	19,707	18,718
Finance costs coverage ratio[1]	2.21	2.32

(1) Non-GAAP ratio. Refer to the Non-GAAP and Non-Standard Measures section on page 36 for further information.
(2) Finance costs excluding finance expense recognized on Class B LP Unit distributions and fair value adjustment on derivative instruments.

Equity

The REIT is authorized to issue an unlimited number of trust units and an unlimited number of special voting units. Each trust unit represents a holder's proportionate undivided beneficial ownership interest in the REIT and will confer the right to one vote at any meeting of unitholders and to receive any distributions by the REIT. Special voting units have no economic entitlement in the REIT but entitle the holder to one vote per special voting unit. Special voting units may only be issued in connection with securities exchangeable into trust units (including Class B LP Units).

Class B LP Units of the Partnership are economically equivalent to, and exchangeable into, trust units at the option of the holder, and therefore, are considered a dilutive instrument. The Class B LP Units are classified as financial liabilities in accordance with IAS 32, Financial Instruments – presentation, due to their puttable feature.

The REIT had an NCIB in place from April 1, 2021 to March 31, 2022. The daily maximum repurchase amount was 3,824 units to be purchased at market price at the time of acquisition. In 2023, there was no repurchased units (2022 - 3,824 units, $0.03 million). The NCIB was not renewed to preserve liquidity.

The following table summarizes the trust units issued and the fully diluted number of units outstanding:

	December 31, 2023		December 31, 2022	
Issued and fully paid units ($000s)	Units	$ Amount	Units	$ Amount
Balance, beginning of year[1]	12,963,169	127,989	12,966,993	128,027
Repurchase of trust units	–	–	(3,824)	(38)
Balance, end of year[1]	12,963,169	127,989	12,963,169	127,989
Dilutive securities				
Class B LP Units Historical Cost[2]	16,125,147	160,207	16,125,147	160,207
Convertible debentures[3]	5,168,542	46,000	5,168,542	46,000
Diluted balance, end of year	34,256,858	334,196	34,256,858	334,196

(1) Trust units are presented excluding transaction costs.
(2) A corresponding number of special voting units are held by Melcor through an affiliate.
(3) Convertible debentures are presented at face value, excluding unamortized transaction costs and amounts allocated to conversion feature.

Off Balance Sheet Arrangements

As at December 31, 2023, we had no off-balance-sheet arrangements outside of the following commitments and contingencies.

In the normal course of operations we enter into lease agreements with tenants which specify tenant incentive payments upon completion of the related tenant improvements. The REIT has entered into lease agreements that may require tenant incentive payments of approximately $1.36 million (2022 - $2.29 million).

The REIT also retains a loan guarantee related to the mortgage transferred as part of the January 31, 2018 property sale. As at December 31, 2023 the loan balance was $3.17 million (2022 - $3.17 million).

Quarterly Results

	2023				2022			
	Q4	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**
Revenue ($000s)	**18,502**	18,285	18,123	18,990	18,797	18,189	18,154	18,965
Net income (loss) ($000s)[1]	**(1,616)**	7,075	7,198	3,656	(1,062)	19,151	18,059	(6,538)
Net operating income (NOI)[4]	**11,530**	11,894	11,689	11,522	11,460	11,613	11,391	11,855
Funds from operations (FFO) ($000s)[4]	**5,654**	6,034	6,173	6,008	5,781	6,306	6,108	6,530
Adjusted funds from operations (AFFO) ($000s)[4]	**3,567**	3,871	4,081	3,659	3,521	4,464	4,352	4,911
Adjusted cash flows from operations (ACFO) ($000s)[4]	**3,691**	3,989	4,198	3,776	3,679	4,623	4,506	5,767
Per unit metrics								
Earnings (loss) per unit (basic)	**($0.12)**	$0.54	$0.56	$0.28	($0.09)	$1.48	$1.39	($0.50)
FFO (basic)[5]	**$0.19**	$0.21	$0.21	$0.21	$0.20	$0.22	$0.21	$0.22
AFFO (basic)[5]	**$0.12**	$0.13	$0.14	$0.13	$0.12	$0.15	$0.15	$0.17
ACFO (basic)[5]	**$0.13**	$0.14	$0.14	$0.13	$0.13	$0.16	$0.15	$0.20
Annualized distribution rate[3]	**$0.480**	$0.480	$0.480	$0.480	$0.480	$0.480	$0.480	$0.480
FFO Payout Ratio[5]	**62%**	58%	57%	58%	60%	55%	57%	53%
AFFO Payout Ratio[5]	**98%**	90%	86%	95%	99%	78%	80%	71%
ACFO Payout Ratio[5]	**95%**	88%	83%	92%	95%	76%	77%	61%
Period-end closing unit price	**$4.15**	$4.55	$4.69	$5.35	$5.53	$5.75	$6.19	$7.23
Annualized distribution yield on closing unit price (%)[2]	**11.57 %**	10.55 %	10.23 %	8.97 %	8.68 %	8.35 %	7.75 %	6.64 %

(1) Net income (loss) is significantly impacted by the results of non-cash fair value adjustments on assets and liabilities carried at fair value. Management believes that FFO is a better measure of operating performance and that AFFO is a better measure of cash flows.

(2) Annualized distribution yield is calculated as the annualized distribution rate divided by the period-end closing price.

(3) Monthly distributions were consistent at $0.04 per unit for the trailing 8 quarters above.

(4) Non-GAAP financial measure. Refer to the Non-GAAP and Non-Standard Measures section on page 36 for further information.

(5) Non-GAAP ratio. Refer to the Non-GAAP and Non-Standard Measures section on page 36 for further information.

Fourth Quarter Results

Consolidated Revenue & Net Operating Income

	Three months ended December 31		
($000s)	**2023**	**2022**	△%
Base rent	**12,216**	12,114	1 %
Recoveries	**6,836**	6,929	(1)%
Other	**494**	631	(22)%
Amortization of tenant incentives	**(956)**	(962)	(1)%
Straight-line rent adjustment	**(88)**	85	(204)%
Rental revenue	**18,502**	18,797	(2)%
Operating expenses	**4,162**	4,081	2 %
Utilities and property taxes	**3,854**	4,133	(7)%
Direct operating expenses	**8,016**	8,214	(2)%
Net rental income	**10,486**	10,583	(1)%
NOI[1]	**11,530**	11,460	1 %
Same-asset NOI[1]	**10,961**	10,801	1 %
Operating margin[2]	**57 %**	56 %	2 %

(1) Non-GAAP financial measure. Refer to the Non-GAAP and Non-Standard Measures section on page 36 for further information.
(2) Supplementary financial measure. Refer to the Non-GAAP and Non-Standard measures section on page 36 for further information.

FOURTH QUARTER HIGHLIGHTS

- Revenue was down 2% at $18.50 million (Q4-2022 - $18.80 million).
- NOI was up 1% to $11.53 million (Q4-2022- $11.46 million).
- FFO was down 2% to $5.65 million or $0.19 per unit (Q4-2022 - $5.78 million or $0.20 per unit).
- ACFO was stable at $3.69 million or $0.13 per unit (Q4-2022 - $3.68 million or $0.13 per unit).

Fourth quarter rental revenue was down 2% over Q4-2022. Direct operating expenses were down 2% over Q4-2022. NOI and same-asset NOI were up 1% and 1% respectively over Q4-2022 due to lower rental revenue offset by lower operating costs over the comparative period. Same-asset NOI was adjusted to remove the asset sold and held for sale in the current and comparative periods. No other acquisitions or sales have been completed within the trailing 12 months.

General & Administrative Expense

	Three months ended December 31		
($000s)	**2023**	**2022**	△%
Asset management fee	**472**	479	(1)%
Professional fees	**134**	296	(55)%
Public company costs	**111**	87	28 %
Other	**101**	115	(12)%
	818	977	(16)%

G&A expenses in Q4-2022 were professional fees were elevated due to prospectus-related professional fees for the expiring 2017 Debentures as well as higher appraisal fees. Our investment properties are valued on a rotational basis and in 2022 we had a disproportionately high amount of scheduled appraisals in the year. 2023 expenses for both the quarter and year-to-date were on budget.

Asset management fees are paid quarterly to Melcor to manage the REIT assets. As the REIT sold an asset in Q1-2023, this fee decreased slightly compared to 2022.

Our remaining G&A expense categories remain on budget, and fairly stable over the prior year. These expenses tend to vary quarter over quarter depending on when certain fees are incurred. Our upper target for G&A is 5% of rental revenue. In Q4-2023 G&A was 4% of revenues.

Finance Costs

	Three months ended December 31		
($000s)	2023	2022	△%
Interest on mortgages payable and revolving credit facility	3,722	3,088	21 %
Interest on Class C LP Units	269	367	(27)%
Interest on convertible debentures	587	889	(34%)
Accretion on convertible debentures	124	158	(22%)
Fair value adjustment on derivative instruments	2,400	(991)	(342)%
Amortization of deferred financing fees	284	294	(3)%
Finance costs before distributions	7,386	3,805	**94%**
Distributions on Class B LP Units	1,935	1,290	50 %
Finance costs	9,321	5,095	**83 %**

Finance costs for the fourth quarter were up $4.23 million or 83% over Q4-2022. Before distributions, finance costs were up 94% due to rising interest rates impacting both our interest on mortgages payable and revolving credit facility and interest on Class C LP Units as well as higher overall debt levels. This was partially offset by a decrease in amortization of deferred financing fees and swings in the fair value adjustment on derivative instruments. Finance costs before distributions excluding fair value adjustments were up 4% over Q4-2022 at $4.99 million (2022 - $4.80 million).

Distributions on Class B LP Units are recorded in the period that they are declared. Monthly distributions for both the current and comparative periods above remained steady at $0.04 per unit per month. Due to timing of the declaration Q4-2023 includes three months distributions, and Q4-2022 includes two months of distributions.

FFO & AFFO

	Three months ended December 31		
($000s, except per unit amounts)	2023	2022	△%
Net (loss)/income for the period	(1,616)	(1,062)	
Add (deduct)			
Fair value adjustment on investment properties	8,429	9,130	
Fair value adjustment on Class B LP Units	(6,450)	(3,548)	
Amortization of tenant incentives	956	962	
Distributions on Class B LP Units	1,935	1,290	
Fair value adjustment on derivative instruments	2,400	(991)	
Funds From Operations (FFO)[1]	5,654	5,781	(2)%
Add (deduct)			
Straight-line rent adjustments	88	(83)	
Normalized capital expenditures	(750)	(750)	
Normalized tenant incentives and leasing commissions	(1,425)	(1,425)	
Adjusted Funds from Operations (AFFO)[1]	3,567	3,523	1 %
FFO/Unit[2]	$0.19	$0.20	
AFFO/Unit[2]	$0.12	$0.12	
Weighted average number of units (000s):[3]	29,088	29,088	– %

(1) Non-GAAP financial measure. Refer to the Non-GAAP and Non-Standard Measures section on page 36 for further information.
(2) Non-GAAP ratio. Refer to the Non--GAAP and Non-Standard Measures section on page 36 for further information.
(3) For the purposes of calculating per unit FFO and AFFO the basic weighted average number of units includes Trust Units and Class B LP Units.

FFO was down 2% over Q4-2022. The largest contributing factor was due to an increase in cash finance costs in the period. AFFO was up 1% over Q4-2022 due to a swing in straight-line rent adjustments in the period. Fourth quarter distributions to unitholders were $1.56 million (2022 - $1.56 million).

A reconciliation of cash flows from operations to ACFO is as follows.

	Three months ended December 31		
($000s)	**2023**	**2022**	△%
Cash flows from operations	**3,197**	4,394	(27)%
Distributions on Class B LP Units	**1,935**	1,290	
Actual payment of tenant incentives and direct leasing costs	**4,158**	2,060	
Changes in operating assets and liabilities	**(3,140)**	(1,596)	
Amortization of deferred financing fees	**(284)**	(294)	
Normalized capital expenditures	**(750)**	(750)	
Normalized tenant incentives and leasing commissions	**(1,425)**	(1,425)	
Adjusted Cash Flows from Operations (ACFO)[1]	**3,691**	3,679	– %
ACFO/Unit[2]	**$0.13**	$0.13	
Weighted average number of units (000s):[1]	**29,088**	29,088	

(1) Non-GAAP financial measure. Refer to the Non-GAAP and Non-Standard Measures section on page 36 for further information.
(2) Non-GAAP ratio. Refer to the Non-GAAP and Non-Standard Measures section on page 36 for further information.
(3) The diluted weighted average number of units includes Trust Units, Class B LP Units and convertible debentures.

Outlook

Strategic Review Process
On February 22, 2024 the Board announced that they have established an Independent Committee (the "Independent Committee") to oversee a broad-based strategic review with a focus on unlocking unitholder value. The Independent Committee will retain a financial advisor to evaluate a broad range of strategic alternatives to maximize unitholder value. DLA Piper (Canada) LLP has been retained as legal counsel to the Independent Committee. The Independent Committee is being chaired by Richard Kirby and is comprised of the independent members of the Board.

There can be no assurance that the strategic review process will result in the REIT pursuing or consummating any transaction or alternative, nor any assurance as to its outcome or timing. The Independent Committee has not set a completion date for the culmination of the strategic review process and the REIT does not intend to comment further on the review until it determines that additional disclosure is appropriate or required.

Distribution Suspension
In the normal course, the REIT reassesses its distribution policy. In light of the uncertainties surrounding the current capital and property market conditions, management and the Board carefully conducted a comprehensive review of the REIT's capital structure and operations in order to ensure the long-term viability of the REIT's cash flow and preserve value for its unitholders. As a result, the REIT has determined that a suspension of the distribution is warranted at this time.

The Board believes this decision is prudent and in the best interests of the REIT and its unitholders. The distribution suspension is expected to enable the REIT to retain approximately $1.20 million of cash, monthly, improving the REIT's financial flexibility as it continues advancing its short and long-term objectives. The Board and management will continue to monitor the REIT's financial performance, operating environment, and strategic review process to determine an appropriate time to provide additional clarity on cash flows or to reinstate a regular cash distribution.

Operations
We own a high quality portfolio of income-producing assets. Alberta, our main market, has undergone dramatic changes over the past ten years due to fluctuating oil price, pandemic related declines in economic activity, and fluctuations in net migration, which is currently trending to the highest in-migration levels of the past decade.

Our portfolio continues to face competitive pressure due to the significant new supply of office property in downtown Edmonton. This pressure contributes to increased costs associated with renewals and securing new leases as evidenced by increasing tenant incentives and direct leasing costs over the past several years. We continue to execute our strategic leasing program and continue to see positive interest across our portfolio.

Occupancy at year end was 88% compared to 88% at the end of the 2022. Our tenants include a diversified mix of national, regional and local businesses operating in a variety of industries. This diversified tenant base helps mitigate our exposure to negative trends occurring in any one sector.

With 11% of total GLA expiring in 2024, we continue to work towards securing early renewals, particularly on larger tenants. There can be no assurance that this strategy will be successful or that we will continue to meet our retention rate target.

The following table summarizes maturing mortgage balances, Class C LP Units, and the revolving credit facility and their respective weighted average interest rates relative to the fair value of encumbered assets:

($000s, except as indicated)	Revolving credit facility	Mortgages payable	Class C LP Units	Total	FV of Collateral	Leverage (%)	Weighted Average Interest Rate
2024	37,901	43,907	–	**81,808**	162,550	51 %	4.20 %
2025	–	48,863	8,828	**57,691**	102,400	60 %	1.60 %
2026	–	47,453	9,670	**57,123**	118,800	53 %	2.67 %
2027	–	12,235	–	**12,235**	19,800	70 %	3.54 %
2028	–	30,349	–	**30,349**	61,850	57 %	4.42 %
Thereafter	–	88,331	–	**88,331**	214,600	55 %	6.52 %
Total	37,901	271,138	18,498	**327,537**	680,000		

As at December 31, 2023 the REIT had one unencumbered asset with a fair value of $8.70 million.

Over the next twelve months, six mortgages are up for renewal with a maturing principal balance of $43.91 million with a weighted average interest rate of 4.08%. The financing environment, including commercial lending, has been significantly impacted by rising interest rates in the past 12 months. We continue to proactively look at upcoming renewals to assess the best time to refinance properties, and work with our lenders to re-finance debts at market competitive terms. We continually monitor our upcoming mortgage renewals to identify opportunities and risks.

We continue to seek out and complete suitable acquisitions to expand our asset base as conditions allow. We also continue to improve existing assets through asset enhancement programs and efficient and effective property management. Our disciplined approach helps to ensure that our assets remain profitable over the long-term while at the same time achieving our objective of providing stable monthly cash distributions to unitholders.

With a strong, diversified portfolio, focus on property management and client relationships, we remain positioned to navigate changing times.

Business Environment & Risks

In addition to the specific risks discussed below, we are exposed to various risks and uncertainties, many of which are beyond our control. These risks could have an impact our business, financial condition, results of operations, cash flows, properties, and the value of our trust units and physical assets. We take steps to mitigate these risks; however, there is no assurance that the steps taken will avoid future loss. Unitholders should consider these risks and uncertainties when assessing the investment potential of the REIT.

General Risks

We are subject to market conditions in the geographic areas where we own and manage properties. Where strong market conditions prevail, we are able to achieve higher occupancy rates. Market conditions are influenced by outside factors such as general inflation and interest rate fluctuations; population growth and migration; financing and economic environments; job creation and employment patterns; consumer confidence; government policies, regulations and taxation; and availability of credit and financing.

Adverse Global Market, Economic and Political Conditions

Adverse Canadian and global market, economic and political conditions, including credit market volatility and general economic uncertainty, unexpected or ongoing geopolitical events (including disputes between nations, war, terrorism or other acts of violence), could have a material adverse effect on our business, results of operations and financial condition. Potential impacts include the value of our properties, the availability of financing on favourable terms, our ability to make principal and interest payments on, or refinance, any outstanding debt when due, the occupancy rates in our properties, and our tenants ability to enter into new leases or satisfy rental payments under existing leases.

Real Estate Ownership

Real estate ownership is subject to varying levels of risk. These risks include changes to general economic conditions (including interest rates and the availability of mortgage financings and other types of credit), government and environmental regulations, local supply and demand (for example, oversupply of office or other commercial properties or reduced demand for real estate in a specific area), the attractiveness of our properties to potential tenants or purchasers, our ability to provide adequate maintenance at competitive costs, and competition from other real estate companies with similar available space.

Real estate assets are relatively illiquid. As a result, the REIT may not be able to rebalance its portfolio in response to changing economic or investment conditions. In recessionary times, it may be difficult to dispose of certain types of real estate. Holding costs associated with real estate are considerable, and we may be forced to dispose of properties at prices lower than appraised value to generate sufficient cash to make distributions and interest payments.

Other real property risks include:

- The value of the property and any improvements made to it;
- Rollover of leases and the ability to rent unleased suites;
- Financial stability of tenants and their ability to pay rent and fulfill their lease obligations; and
- Geographic concentration.

Cash available for distribution will be adversely affected if a significant number of tenants are unable to meet their obligations under their leases or if a significant amount of space in our properties becomes vacant and cannot be leased on economically favourable lease terms.

The ongoing and significant carrying costs of real estate assets include property taxes, maintenance costs, mortgage payments, insurance and related charges. These costs must be paid whether or not the property is producing income sufficient to pay such costs. In order to preserve the desirability of rental space, we must maintain and sometimes improve our properties to meet market expectations.This may involve costs that we cannot pass on to tenants.

General declines in real estate markets, including changes in demand for real estate resulting from the global pandemic and related economic conditions, will impact fair values reported or the cash flows associated with owning or disposing of such properties. Market assumptions applied for valuation purposes do not necessarily reflect the REIT's specific history or experience, and the conditions for realizing the fair values through a sale may change or may not be realized. Consequently, there is a risk that the actual fair values may differ, and the differences may be material. In addition, there is an inherent risk related to the reliance on and use of a single appraiser as this approach may not adequately capture the range of fair values that market participants would assign to the real estate properties. Certain ratios and covenants could be negatively affected by downturns in the real estate market and could have significant impact on the REIT's operating revenues and cash flows, as well as the fair values of the real estate properties.

Retail Shift to Online

Shifting consumer preferences toward e-commerce may result in a decrease in the demand for physical space by retail tenants. Retailers reducing the physical space leased from the REIT could adversely affect our financial performance. To mitigate this risk, our neighbourhood shopping centres are concentrated on convenience services such as grocer, gas, pharmacy, banks, etc. that face less pressure from online alternatives.

Concentration of Properties and Tenants

Of our total GLA, 91% is located in Alberta at December 31, 2023. Consequently, the market value of the REIT's properties, the income generated by the REIT and the REIT's performance are particularly sensitive to changes in Alberta's real estate markets and general economic conditions. The factors impacting the real estate markets in Alberta and the Alberta economy in general may differ from those affecting other regions of Canada.

Adverse changes in economic conditions in Alberta may have a material adverse effect on the REIT's business, cash flows, financial condition and results of operations and on our ability to make distributions to unitholders. The Alberta economy is sensitive to the price of oil and gas. To mitigate against this risk, the REIT endeavors to achieve a diverse mix of tenants representing a variety of industries, as well as a mix of regional, local and national tenants. The table below shows our tenant mix at December 31, 2023.

TENANT INDUSTRY	GLA %	RENT %	TENANT PROFILE	GLA %	RENT %
Finance & Insurance	6	8	Local	34	34
Government	7	6	National	47	47
Hospitality	11	16	Regional	19	19
Industrial/Manufacturing	5	5			
Medical	7	7			
Oil & Gas	3	3			
Other	5	4			
Professional	22	18			
Retail	34	33			

Demand for Commercial Real Estate

The COVID pandemic and corresponding government and private responses have changed work dynamics, particularly impacting office properties and tenants serving the needs of workers in the downtown core of the areas where we operate. Off-site work, work from home and hybrid type arrangements have had a negative impact on both the REIT (demand for commercial real estate) and our tenants (demand for retail products and services). It is uncertain whether tenant demand for commercial property and visitor traffic in downtown areas will recover to or surpass pre-COVID levels.

Competitive Conditions

The real estate market is highly competitive, with a large number of well-financed companies operating in the same markets as the REIT. We may compete for real property acquisitions with individuals, corporations, institutions and other entities, which may increase the purchase price and reduce the yield of an acquired property. The REIT's rights under the Development and Opportunities Agreement entered into with Melcor may help to mitigate this competition risk.

We also compete with other developers, managers and property owners in attracting tenants. Some of our competitors are better capitalized or financially stronger, and would be in a better position to withstand an economic downturn. The existence of competition for tenants could have an adverse effect on our ability to lease space in our properties and on the rents charged or concessions granted, and could materially and adversely affect our cash flows, operating results and financial condition.

The REIT focuses on providing exceptional customer care and building solid relationships with our clients to increase the likelihood that they will renew leases.

Fixed Costs

The failure to lease vacant space on a timely basis or at all would likely have an adverse effect on the REIT's financial condition and results of operation and decrease the amount of cash available for distributions. Certain significant expenditures, including property taxes, ground rent, maintenance costs, mortgage payments (including those associated with Class C Retained Debt), insurance costs and related charges must be made throughout the period of ownership of real property regardless of whether a property is producing any income. If the REIT is unable to meet mortgage payments on any property (including those associated with the Class C Retained Debt), losses could be sustained as a result of the mortgagee's exercise of its rights of foreclosure or sale or the landlord's exercise of remedies. Costs may also be incurred in making improvements or repairs to properties required by a new tenant.

The timing and amount of capital expenditures by the REIT will indirectly affect the amount of cash available for distribution to unitholders. Distributions may be reduced, or even eliminated, at times when the REIT deems it necessary to make significant capital or other expenditures.

Financing & Interest Rates

We require access to capital to maintain our properties and fund our growth strategy. There is no assurance that capital will be available when needed or on favourable terms. Our access to third-party financing is subject to a number of factors, including general market conditions, the market's perception of our growth potential, our current and expected future earnings, our cash flow, cash distributions and cash interest payments, and the market price of our units.

We use debt and other forms of leverage in the ordinary course of business to execute on our strategy. There is a risk that interest rates will continue to increase, which could result in a significant increase in the amount required to service debt. The following are potential impacts to our financial condition and results of operations:

- Refinancing terms may not be as favourable as the original terms;
- Payments of principal and interest on borrowings may leave us with insufficient cash resources to pay operating expenses;
- Cash flows may be insufficient to meet required payments of principal and interest;
- A high level of debt will reduce the amount of funds available for the payment of distributions to unitholders and interest payments on our debentures;
- We may not be able to refinance indebtedness on our assets at maturity due to company and market factors;
- The fair market value of our assets may be impacted;
- Rising interest rates generally correspond to a decrease in demand for properties and could have a material adverse effect on our ability to sell any of our properties if desired.

We attempt to mitigate these risks through the use of long-term debt and diversifying terms and maturity dates.

The terms of various credit agreements and other financing documents require that we comply with a number of financial and other covenants, such as maintaining debt service coverage and leverage ratios, and minimum insurance coverage. These covenants may limit our flexibility in our operations, and breaches of these covenants could result in defaults under the instruments governing the indebtedness, even if we had satisfied our payment obligations.

If we are unable to refinance assets/indebtedness on acceptable terms, or at all, we may need to use available liquidity, which would reduce our ability to pursue new investment opportunities. Alternately we may be required to dispose of one or more of our assets on disadvantageous terms.

A large proportion of our capital is invested in physical, long-lived assets, which can be difficult to liquidate, especially if local market conditions are poor. This circumstance could limit our ability to diversify our portfolio of assets promptly in response to changing economic or investment conditions.

The liabilities of the REIT have fixed and floating interest rate components resulting in exposure to interest rate fluctuations. These fluctuations in interest rates may impact the earnings of the REIT. The REIT's financial and operating results could be materially adversely affected by higher interest rates.

The REIT may implement hedging programs in order to offset the risk of revenue losses and to provide more certainty regarding the payment of distributions to unitholders should current variable interest rates increase. However, to the extent that the REIT fails to adequately manage these risks, its financial results, and its ability to pay distributions to unitholders and interest payments on debt and future financings may be adversely affected. Increases in interest rates generally cause a decrease in demand for properties. Higher interest rates and more stringent borrowing requirements, whether mandated by law or required by banks, could have a material adverse effect on the REIT's ability to sell any of its properties.

We may enter into financing commitments in the normal course of business and, as a result, may be required to fund these, particularly through joint arrangements. If we are unable to fulfill any of these commitments, damages could be pursued against the REIT.

Lease Maturity Risk

We are subject to lease maturity risk as there is no assurance that we will be able to renew or replace expiring leases on similar terms. Our cash flow and financial position would be adversely affected if our tenants were unable to meet their lease obligations, or if a significant amount of vacant space could not be leased on economically favourable terms. We manage our lease maturity risk by pro-actively engaging tenants whose leases are expiring for early identification of potential vacancy risk. In addition, where possible we ladder maturity dates to minimize exposure in any particular period and to maintain a diversified portfolio.

The following table illustrates the number of leases maturing over the next five years and beyond.

Year of Maturity	Number of Leases	Renewal GLA (sf)	% of GLA	Average Base Rent Expiring Per Annum
2024	99	412,937	13.1 %	$16.14
2025	100	361,340	11.5 %	$18.60
2026	91	341,654	10.8 %	$19.69
2027	77	390,822	12.4 %	$15.72
2028	92	450,593	14.3 %	$17.35
Thereafter	130	802,311	25.5 %	$16.22
Vacant Space	–	390,989	12.4 %	–
	589	**3,150,646**	**100.0 %**	

The following table illustrates the 2024 maturities by portfolio type and geographic area:

Property Type	Northern Alberta	Southern Alberta	Saskatchewan & British Columbia	Total
Retail	53,243	12,526	47,649	**113,418**
Office	148,973	46,131	15,716	**210,820**
Industrial	88,699	–	–	**88,699**
	290,915	**58,657**	**63,365**	**412,937**

2024 lease maturities includes 119,237 sf of leases (28 leases) on month-to-month.

Credit Risk

We are subject to credit risk as our tenants may not be able to fulfill their financial obligations on current balances and contracted future rents. We manage our credit risk through careful selection of tenants and look to obtain national tenants or tenants in businesses with a long standing history, or perform financial background checks including business plan review for smaller tenants. We manage our concentration risk by renting to an expansive tenant base, with no dependency on rents from any one specific tenant.

The following table illustrates the ten largest tenants for the portfolio, as measured by their percentage contribution to the total contracted future minimum lease payment for 2024 and corresponding areas leased by each tenant:

Rank	Top Ten Tenants (Parent Name)	% of Total Minimum Rent	Lease GLA (sf)	% of Total Owned GLA	Remaining Term (yrs)	No. of Locations in Properties	Credit Rating (S&P/ Moody's/DBRS)
1	Alberta Health Services	4.0 %	93,079	3.0 %	12	2	---
2	Staples	3.4 %	96,891	3.1 %	8	3	---
3	Shoppers Drug Mart	3.1 %	44,228	1.4 %	5	3	BBB/-/BBB(high)
4	NDT Global	2.8 %	44,328	1.4 %	2	1	---
5	Government of Alberta	2.5 %	89,099	2.8 %	1	6	A+ /Aa3/AA(low)
6	Fountain Tire Ltd	2.2 %	32,748	1.0 %	5	1	---
7	Canadian Brewhouse	1.9 %	24,348	0.8 %	6	4	---
8	RONA	1.8 %	92,207	2.9 %	3	2	BBB+/Baa1/BBB(high)
9	Royal Bank of Canada	1.8 %	18,067	0.6 %	3	4	AA-/Aa2/AA(high)
10	Michaels of Canada	1.5 %	41,646	1.3 %	2	2	---

Pandemics, Natural Disasters or Other Unanticipated Events

The occurrence of pandemics, natural disasters, or other unanticipated events, in any of the areas where we or our partners and suppliers operate could disrupt operations. In addition, pandemics, natural disasters or other unanticipated events could have a material adverse effect on our business, financial condition, results of operations and cash flows. The COVID-19 pandemic resulted in restrictive government measures. Future outbreaks of viruses or other contagions, epidemic or pandemic diseases including subsequent outbreaks of COVID may lead to prolonged voluntary or mandatory building and/or business closures, restrictions on travel and gatherings, quarantines, self-isolation and physical distancing. The impact of these measures may cause a general shutdown of economic activity and disrupt workforce and business operations in the regions where we operate. An occurrence such as this, including the COVID-19 pandemic, could have material adverse effects and increased risk, including but not limited to:

- negative impact on pricing and availability of Canadian debt and equity capital markets
- material reduction in rental revenue and related collections due to financial hardship and government ordered closures of certain business
- reduced demand for commercial real estate leading to a material increase in vacancy and decline in revenue
- trading price of the REIT's securities
- negative impact to real estate valuations from declining revenue and lack of market activity
- ability to access capital markets at a reasonable cost
- uncertainty regarding delivering services due to illness, REIT or government imposed isolation programs, restrictions on the movement of personnel, closures and supply chain disruptions
- impact of additional legislation, regulation, fiscal and monetary policies and other government interventions

This is not an exhaustive list of all risk factors. To mitigate these risks, we have a comprehensive health and safety program and have expanded it to include pandemics. We have introduced new policies and practices both internally and at the properties that we manage to reduce the spread of COVID-19.

Significant Ownership by Melcor

Melcor holds a 55.4% effective interest in the REIT, where each Class B LP Unit is attached to a Special Voting Unit of the REIT. Melcor also holds all of the Class C LP Units of the Partnership. The Class C LP Units entitle Melcor to priority distributions over holders of Class A LP and Class B LP Units in an amount that is expected to be sufficient (without any additional amounts) to permit Melcor to satisfy amounts payable under the Retained Debt.

In addition, the DOT grants Melcor the right to nominate Trustees to the REIT board. For so long as Melcor maintains a significant effective interest in the REIT, Melcor will have the ability to exercise certain influence with respect to the affairs of the REIT and may significantly affect the outcome of unitholder votes, and may have the ability to prevent certain fundamental transactions. As a result, Melcor has the ability to influence many matters affecting the REIT.

Accordingly, the units may be less liquid and trade at a relative discount compared to such units in circumstances where Melcor did not have the ability to influence or determine matters affecting the REIT. Additionally, Melcor’s significant effective interest in the REIT may discourage transactions involving a change of control of the REIT, including transactions in which an investor, as a holder of the units, might otherwise receive a premium for its units over the then-current market price.

Pursuant to the Exchange Agreement, each Class B LP Unit is exchangeable at the option of the holder for one unit of the REIT (subject to customary anti-dilution adjustments). If Melcor exchanges some or all of its Class B LP Units for units and subsequently sells such units in the public market, the market price of the units may decrease. Moreover, the perception in the public market that these sales will occur could also produce such an effect.

Dependence on Melcor

We rely on Melcor Developments for management, administrative and operating services relating to the REIT's business via the Asset Management and Property Management Agreements. The Asset Management Agreement has a term of 5 years (commenced May 26, 2022), with automatic 5 year renewals. The Asset Management Agreement may at times in the future not reflect current market terms for duties and responsibilities of Melcor. There is a risk that, because of the term and termination provisions of the Asset Management Agreement, termination of the Asset Management Agreement may be uneconomical for the REIT and accordingly not in the best interest of the REIT.

Should Melcor terminate the Asset Management Agreement or the Property Management Agreement, the REIT may be required to engage the services of an external asset manager and/or property manager. The REIT may be unable to engage an asset manager and/or property manager on acceptable terms, in which case the REIT's operations and cash available for distribution may be materially adversely affected. Alternatively, it may be able to engage an asset manager and/or property manager on acceptable terms or it may elect to internalize its external management structure, but the process undertaken to engage such managers or to internalize management could be costly and time-consuming and may divert the attention of management and key personnel away from the REIT's business operations, which could materially adversely affect its financial condition.

Additionally, the Development and Opportunities Agreement provides that, subject to certain exceptions, the REIT will not engage a party other than Melcor or its affiliates to perform any of the services to be performed by Melcor pursuant to the Asset Management Agreement.

While the Trustees have oversight responsibility with respect to the services provided by Melcor pursuant to the Asset Management Agreement and the Property Management Agreement, the services provided by Melcor under such agreements will not be performed by employees of the REIT or the Partnership, but by Melcor directly, and through entities to which it may subcontract its duties. Further, the foregoing arrangements are subject to limited termination rights in favor of the REIT. As a result, Melcor directly, and indirectly through entities to which it may subcontract, has the ability to influence many matters affecting the REIT and the performance of its properties now and in the foreseeable future.

While the Melcor name and trade-mark and related marks and designs will be licensed to the REIT by Melcor under a non-exclusive, royalty-free trademark license agreement, such license will not be on a perpetual basis and may be terminated by Melcor at any time on 30 days' notice following the date of termination of the Asset Management Agreement. Termination of the license would require the REIT to rebrand its business, which could be costly and time-consuming and may divert attention of management and key personnel from the REIT's business operations, which could materially adversely affect its financial condition.

Potential Conflicts of Interest with Melcor

Melcor's continuing businesses may lead to conflicts of interest between Melcor and the REIT. The REIT may not be able to resolve any such conflicts, and, even if it does, the resolution may be less favourable to the REIT than if it were dealing with a party that was not a holder of a significant interest in the REIT. The agreements that the REIT entered into with Melcor at the initial public offering may be amended upon agreement between the parties, subject to applicable law and approval of the independent Trustees. As a result of Melcor's significant holdings in the REIT, the REIT may not have the leverage to negotiate any required amendments to these agreements on terms as favourable to the REIT as those the REIT could secure with a party that was not a significant unitholder.

Taxation Matters

Although we currently meet the requirements of the REIT Exception, there can be no assurance that the REIT will continue to qualify for the REIT Exception to remain tax exempt by the SIFT Rules in future years.

The SIFT Rules may have an adverse impact on the REIT and the unitholders, on the value of the units and on the ability of the REIT to undertake financings and acquisitions and if the SIFT Rules were to apply, the distributable cash of the REIT may be materially reduced. The effect of the SIFT Rules on the market for the units is uncertain.

Insurance

The REIT carries comprehensive general liability, fire, flood, extended coverage and rental loss insurance with policy specifications, limits and deductibles customarily carried for similar properties. There are, however, certain types of risks, generally of a catastrophic nature, such as wars or environmental contamination, which are either uninsurable or not insurable on an economically viable basis. Should an uninsured or underinsured loss occur, we could lose our investment in, and anticipated profits and cash flows from, one or more of our properties, but the REIT would continue to be obliged to repay any recourse mortgage indebtedness on such properties.

Changes in Law

We are subject to applicable federal, provincial, municipal, local and common laws and regulations governing the ownership and leasing of real property, taxes and other matters. It is possible that future changes in such laws or regulations, or changes in their application, enforcement or regulatory interpretation, could result in changes in the legal requirements affecting the REIT (including with retroactive effect). In addition, the political conditions in the jurisdictions in which we operate are also subject to change. Changes in investment policies or shifts in political attitudes may adversely affect our investments. Any changes in the laws to which the REIT is subject in the jurisdictions where we operate could materially affect our rights and title in and to the properties and the revenues we are able to generate from our investments.

Environmental Risk & Climate Change

The REIT is subject to various requirements (including federal, provincial and municipal laws) relating to environmental matters. The REIT bears the risk of assessment, remediation or removal of contamination, hazardous substances or other residual pollution that may be present at or under its properties. Such requirements often impose liability without regard to whether the owner or operator knew of, or was

responsible for, the release or presence of such substances. Additional liability may be incurred by the REIT with respect to the release of such substances from the REIT's properties to properties owned by third parties, including properties adjacent to the REIT's properties or with respect to the exposure of persons to such substances. The failure to remove or otherwise address such substances may materially adversely affect the REIT's ability to sell such property, maximize the value of such property or borrow using such property as collateral security, and could potentially result in claims or other proceedings against the REIT.

The discovery of any residual pollution or contamination on the sites and/or in the buildings, particularly in connection with the lease or sale of properties or borrowing using the real estate as security, could trigger claims for rent reductions or termination of leases for cause, for damages and other breach of warranty claims against the REIT. The remediation of any contamination and the related additional measures the REIT would have to undertake could have a materially adverse effect and could involve considerable additional costs that the REIT may have to bear. The REIT will also be exposed to the risk that recourse against the polluter or the previous owners or occupants of the properties might not be possible, for example, because they cannot be identified, no longer exist or have become insolvent. Moreover, the existence or even the mere suspicion of the existence of contamination, hazardous materials or other residual pollution can materially adversely affect the value of a property and our ability to lease or sell such a property.

Our properties may be exposed to the impact of events caused by climate change, such as natural disasters and increasingly frequent severe weather such as floods, blizzards and rising temperatures, resulting in damage to the REIT's properties. The extent of our casualty losses and loss in operating income in connection with such an event depends on the severity of the event and the total amount of exposure in the affected area. We are also exposed to risks associated with inclement winter weather, including increased need for maintenance and repair of our buildings. Severe weather conditions could also result in increases to property insurance, and/or utility costs at our properties. Natural disasters, severe weather and climate change may all increase expenses and reduce cash flow.

We have formal policies and procedures to review and monitor environmental exposure, including the requirement to obtain Phase I environmental site assessments conducted by an independent and experienced environmental consultant prior to acquiring a property. Where a Phase I environmental site assessment warrants further investigation, it is the REIT's operating policy to conduct further environmental investigations. Although such environmental assessments provide the REIT with some level of assurance about the condition of the properties, the REIT may become subject to liability for undetected contamination or other environmental conditions of its properties against which it cannot insure, or against which the REIT may elect not to insure where insurance premium costs are considered to be disproportionate to the assessed risk, which could have a material adverse effect on the REIT's business, cash flows, financial condition and results of operations and ability to make distributions to unitholders.

Our sustainability program supports capital and operating improvements that focus on:

- decreasing energy and water use; reducing waste and emissions
- creating excellence in energy and environmental management that result in green building certifications
- collecting consistent data that tracks and validates its performance towards its objectives
- reporting transparency
- engaging investors, employees and tenants to support its initiatives

Climate change continues to attract the focus of governments, regulators and the general public as an important threat as the emission of greenhouse gases and other activities continue to negatively impact the planet.We face the risk that our properties will become subject to more stringent environmental laws and other government initiatives aimed at countering climate change and reducing greenhouse gas emissions, which could impose constraints on our operational flexibility or cause us to incur financial costs to comply with various reforms. Compliance with more stringent environmental laws or requirements, the identification of currently unknown environmental issues or an increase in the costs required to address a currently known condition may have a material adverse effect on the REIT's business, cash flows, financial condition and results of operations and ability to make distributions to unitholders. The REIT will make the necessary capital and operating expenditures to ensure compliance with environmental laws and regulations.

Cyber Security Risk

Cyber security has become an increasingly problematic issue for issuers and businesses in Canada and around the world, including for the REIT and the real estate industry in general. Cyber attacks may focus on financial fraud, obtaining sensitive data for inappropriate use or to disrupt business operations. A cyber incident is any adverse event that threatens the confidentiality, integrity or availability of the organization's information resources, including intentional or unintentional events to gain unauthorized access to information systems to disrupt operations, corrupt data or steal confidential information.

As our reliance on technology has increased, so have our risk of a cyber security breach. Business disruptions, utility outages and information technology system and network disruptions due to cyber-attacks could seriously harm our operations and materially adversely affect our operating results. The REIT's primary risks that could directly result from the occurrence of a cyber incident include operational interruption, damage to our reputation, damage to our business relationships with tenants, disclosure of confidential information regarding our tenants, employees and third parties with whom we do business, and may result in negative consequences, including remediation costs, loss of revenue, additional regulatory scrutiny and litigation.

To remain resilient to these risks, the REIT has implemented processes, procedures and controls to help mitigate these risks, including installing firewalls and antivirus programs on its networks, servers and computers, and staff training. However, these measures, as well as our increased awareness of a risk of a cyber incident, do not provide assurance that our efforts will be effective or that attempted security breaches or disruptions will not be successful or damaging. Cyber-attacks and methods are evolving rapidly and we may not have the resources or technical sophistication to anticipate, prevent or recover from an attack.

Joint Arrangements

Some of our properties are jointly owned. These joint arrangements may involve risks that would not otherwise be present if the third parties were not involved, including the possibility that the partners have different economic or business interests or goals. Also, within these arrangements, the REIT may not have sole control of major decisions relating to these assets, such as: decisions relating to the sale of the assets and businesses; timing and amount of distributions of cash from such entities to the REIT and its joint arrangement partners; and capital expenditures. The REIT may also be exposed to risk if the partners experience financial difficulties or seek the protection of bankruptcy, insolvency or other laws, which may result in additional financial demands on the REIT.

Volatile Market Price of the REIT's Securities

Financial markets have experienced significant price and volume fluctuations in recent years. In many cases volatile market movement impacts a wide variety of issuers unrelated to the operating performance, underlying asset values or prospects of such issuers. The market price of the REIT's securities may decline even if the our financial performance, underlying asset values or prospects have not changed. Additionally, these factors, as well as other related factors, may cause decreases in asset values that are deemed to be other than temporary, which may result in losses. As well, certain institutional investors may base their investment decisions on consideration of the REIT's environmental, governance and social practices and performance according to such institutions' respective investment guidelines and criteria, and failure to meet such criteria may result in a limited investment or no investment in the REIT's securities by those institutions. There can be no assurance that continuing fluctuations in price and volume will not occur. If such increased levels of volatility and market turmoil exist for a protracted period of time, our operations and the trading price of our securities could be adversely affected.

Other Financial Information

Joint Arrangements

We record only our share of the assets, liabilities, revenue and expenses of our joint arrangements. In 2023, we had three joint arrangements (2022 - three). Refer to note 21 to the consolidated financial statements for additional information. The following table illustrates selected financial data related to joint arrangements at 100% as well as the net portion relevant to the REIT:

Joint arrangement activity at JV% ($000s)	**Dec 31, 2023**	Dec 31, 2022
Revenue	**5,536**	5,379
Earnings	**1,928**	4,194
Assets	**66,620**	68,006
Liabilities	**32,021**	33,188

Joint arrangement activity at 100% ($000s)	**Dec 31, 2023**	Dec 31, 2022
Revenue	**11,072**	10,758
Earnings	**3,856**	8,388
Assets	**133,240**	136,012
Liabilities	**64,042**	66,376

Related Party Transactions

Please refer to note 20 to the consolidated financial statements for information pertaining to transactions with related parties.

Subsequent Events

Please refer to note 27 to the consolidated financial statements for information pertaining to subsequent events.

Critical Accounting Estimates

The discussion and analysis of our financial condition and results of operations are based on our consolidated financial statements, which have been prepared in accordance with IFRS Accounting Standards. In applying IFRS Accounting Standards, we make estimates and assumptions that affect the carrying amounts of assets and liabilities, disclosure of contingent liabilities and the reported amount of income for the period. Actual results could differ from estimates previously reported. We have discussed the development, selection and application of our key accounting policies, and the critical accounting estimates and assumptions they involve, with the Audit Committee and the Board of Trustees.

Our material accounting policies and accounting estimates are contained in the consolidated financial statements. Please refer to note 3 to the consolidated financial statements for a description of our accounting policies and note 4 for a discussion of accounting estimates and judgments.

Changes in Accounting Policies

IAS 1, Presentation of financial statements amendments were made to IAS 1, Presentation of financial statements in order to clarify how to classify debt and other liabilities as either current or non-current.

The amendment to IAS 1 is required to be applied for annual periods beginning on or after January 1, 2024. The classification of our Class B LP Units will be impacted by this amendment, resulting in the Class B LP Units being classified as a current liability.

Internal Control over Financial Reporting and Disclosure Controls

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant and material information is gathered and reported to senior management, including the Chief Executive Officer (CEO) and Chief Financial Officer (CFO), in a timely manner. Under the supervision of the CEO and CFO, we carried out an evaluation of the effectiveness of our disclosure controls and procedures as defined in Canada by National Instrument 52-109 as of December 31, 2023. Based on this evaluation, our CEO and CFO concluded that the design and operation of our disclosure controls and procedures related to the REIT and its subsidiaries and joint arrangements were effective.

Internal control over financial reporting are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS Accounting Standards. Management designed these controls based on the criteria set out in Internal Control - Integrated Framework (COSO 2013 Framework) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The CEO and CFO have certified that the internal controls over financial reporting were properly designed and effective for the year ended December 31, 2023.

There has been no change in the REIT’s disclosure controls and procedures of internal control over financial reporting during the year ended December 31, 2023, that materially affected, or is reasonably likely to materially affect, the REIT’s internal control over financial reporting.

Notwithstanding the foregoing, no assurance can be made that the REIT’s controls over disclosure and financial reporting and related procedures will detect or prevent all failures of people to disclose material information otherwise required to be set forth in the REIT’s reports.

Declaration of Trust

The investment guidelines and operating policies of the REIT are outlined in the Amended and Restated Declaration of Trust (DOT) dated May 1, 2013. A copy of the DOT is filed on SEDAR+ at www.sedarplus.ca and is available on request to all unitholders. At March 5, 2024, the REIT was in compliance with all investment guidelines and operating policies stipulated in the DOT.

Non-GAAP and Non-Standard Measures

The REIT's financial statements are prepared in accordance with IFRS Accounting Standards. Throughout this MD&A, we refer to terms known as non-GAAP financial performance measures that are not specifically defined in the CPA Canada Handbook or in IFRS Accounting Standards. These non-standard measures may not be comparable to similar measures presented by other companies. We use REALpac definitions for FFO, ACFO and AFFO.

We believe that these non-standard measures are useful in assisting investors in understanding components of our financial results.

The non-standard terms that we refer to in this MD&A are defined below and are cross referenced, as applicable, to a reconciliation contained within this MD&A to the most comparable IFRS Accounting Standards measure.

Calculations

We use the following calculations in measuring our performance.

Operating margin: is calculated as net rental income divided by rental revenue.

Net operating income (NOI): NOI is a non-GAAP financial measure and is defined as rental revenue, adjusted for amortization of tenant improvements and straight-line rent adjustments, less direct operating expenses as presented in the statement of income and comprehensive income. A reconciliation of NOI to the most comparable IFRS Accounting Standards measure, net income, is as follows:

	Three months ended December 31			Year ended December 31		
($000s)	**2023**	**2022**	△%	**2023**	**2022**	△%
Net income/(loss)	**(1,616)**	(1,062)		**16,313**	29,610	
Net finance costs	**9,305**	5,084		**28,685**	18,400	
Fair value adjustment on Class B LP Units	**(6,450)**	(3,548)		**(22,253)**	(20,318)	
Fair value adjustment on investment properties	**8,429**	9,130		**16,794**	11,995	
General and administrative expenses	**818**	977		**3,112**	3,358	
Amortization of tenant incentives	**956**	962		**3,975**	3,725	
Straight-line rent adjustment	**88**	(83)		**9**	(451)	
NOI	**11,530**	11,460	1 %	**46,635**	46,319	1 %

Further discussion over NOI can be found under the Consolidated Revenue & Net Operating Income section of the MD&A starting on page 10.

Same-asset NOI: Same-asset NOI is a non-GAAP financial measure that compares the NOI on assets that have been owned for the entire current and comparative period and are classified for continuing use. Assets held for sale are not classified for continued use and are therefore adjusted for when calculating same-asset NOI. Further discussion over same-asset NOI can be found in the Consolidated Revenue & Net Operating Income section of the MD&A starting on page 10.

Funds from operations (FFO): FFO is a non-GAAP financial measure and is defined as net income in accordance with IFRS Accounting Standards, excluding: (i) fair value adjustments on investment properties; (ii) gains (or losses) from sales of investment properties; (iii) amortization of tenant incentives; (iv) fair value adjustments, interest expense and other effects of redeemable units classified as liabilities; (v) acquisition costs expensed as a result of the purchase of a property being accounted for as a business combination; and (vi) fair value adjustment on derivative instrument, after adjustments for equity accounted entities, joint ventures and non-controlling interests calculated to reflect FFO on the same basis as consolidated properties. Further discussion over FFO, including a reconciliation from net income, can be found in the Funds from Operations, Adjusted Funds from Operations & Adjusted Cash Flow from Operations section of the MD&A starting on page 14.

FFO per unit: FFO per unit is a non-GAAP ratio and is defined as FFO divided by weighted average trust units and weighted average Class B LP Units outstanding. Dilutive FFO includes the effect of the convertible debentures to the extent that their impact is dilutive. Further discussion over FFO per unit can be found in the Funds from Operations, Adjusted Funds from Operations & Adjusted Cash Flow from Operations section of the MD&A starting on page 14.

Adjusted funds from operations (AFFO): AFFO is a non-GAAP financial measure and is defined as FFO subject to certain adjustments, including: (i) adjusting for any differences resulting from recognizing property revenues on a straight-line basis; (ii) deducting a reserve for normalized maintenance capital expenditures, tenant inducements and leasing costs, as determined by us. Other adjustments may be made to AFFO as determined by the Board in its discretion. Further discussion over AFFO, including a reconciliation from net income, can be found in the Funds from Operations, Adjusted Funds from Operations & Adjusted Cash Flow from Operations section of the MD&A starting on page 14.

AFFO per unit: AFFO per unit is a non-GAAP ratio and is defined as AFFO divided by weighted average trust units and weighted average Class B LP Units outstanding. Further discussion over AFFO per unit can be found in the Funds from Operations, Adjusted Funds from Operations & Adjusted Cash Flow from Operations section of the MD&A starting on page 14.

Adjusted cash flows from operations (ACFO): ACFO is is a non-GAAP financial measure and is defined as cash flows from operations subject to certain adjustments, including: (i) fair value adjustments and other effects of redeemable units classified as liabilities; (ii) payments of tenant incentives and direct leasing costs; (iii) changes in operating assets and liabilities which are not indicative of sustainable cash available for distribution; (iv) amortization of deferred financing fees; and (v) deducting a reserve for normalized maintenance capital expenditures, tenant inducements and leasing costs, as determined by us. Other adjustments may be made to ACFO as determined by the Board in its discretion. Further discussion over ACFO, including a reconciliation from net income, can be found in the Funds from Operations, Adjusted Funds from Operations & Adjusted Cash Flow from Operations section of the MD&A starting on page 14.

ACFO per unit: ACFO per unit is a non-GAAP ratio and is defined as ACFO divided by weighted average trust units and weighted average Class B LP Units outstanding. Further discussion over ACFO per unit can be found in the Funds from Operations, Adjusted Funds from Operations & Adjusted Cash Flow from Operations section of the MD&A starting on page 14.

FFO, AFFO and ACFO Payout ratio: FFO, AFFO and ACFO payout ratios are non-GAAP ratio and is calculated as per unit distributions divided by basic per unit FFO, AFFO and ACFO. Further discussion over FFO per unit can be found in the Funds from Operations, Adjusted Funds from Operations & Adjusted Cash Flow from Operations section of the MD&A starting on page 14.

Finance costs coverage ratio: Finance costs coverage ratio is a non-GAAP ratio and is calculated as FFO plus finance costs for the period divided by finance costs expensed during the period excluding distributions on Class B LP Units and fair value adjustment on derivative instruments. Further discussion over finance costs coverage ratio, including a calculation, can be found in the Liquidity & Capital Resources section of the MD&A starting on page 20.

Debt service coverage ratio: Debt service coverage ratio is a non-GAAP ratio and is calculated as FFO for the period divided by principal repayments on mortgages payable and Class C LP Units made during the period. Further discussion over debt service coverage ratio, including a calculation, can be found in the Liquidity & Capital Resources section of the MD&A starting on page 20.

Debt to Gross Book Value: Debt to Gross Book Value is a non-GAAP ratio and is calculated as the sum of total amount drawn on revolving credit facility, mortgages payable, Class C LP Units, liability held for sale (as applicable) and convertible debenture, excluding unamortized discount and transaction costs divided by Gross Book Value (GBV). GBV is calculated as the total assets acquired in the Initial Properties, subsequent asset purchases and development costs less dispositions. Further discussion over debt to GBV, including a calculation, can be found in the Liquidity & Capital Resources section of the MD&A starting on page 20.

Income before fair value adjustment : Income before fair value adjustment is a non-GAAP financial measure and is calculated as net income excluding fair value adjustments for Class B LP Units, investment properties and derivative instruments. A reconciliation of income before fair value adjustment to the most comparable IFRS Accounting Standards measure, net income, is as follows:

	Three months ended December 31			Year ended December 31		
($000s)	2023	2022	△%	2023	2022	△%
Net income/(loss)	**(1,616)**	(1,062)		**16,313**	29,610	
Fair value adjustment on Class B LP Units	**(6,450)**	(3,548)		**(22,253)**	(20,318)	
Fair value adjustment on investment properties	**8,429**	9,130		**16,794**	11,995	
Fair value adjustment on derivative instruments	**2,400**	(991)		**1,300**	(8,027)	
Income before fair value adjustment	**2,763**	3,529	(22)%	**12,154**	13,260	(8)%

Fair value of investment properties: Fair value of investment properties in the Property Profile and Regional Analysis sections of the MD&A starting on page 12 is a supplementary financial measure and is calculated as the sum of the balance sheet balances for investment properties, asset held for sale, and other assets (TI's and SLR).