Management's Discussion & Analysis

March 6, 2025

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, 2024. 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 2023 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 Developments Ltd. (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 6, 2025. Disclosure contained in this MD&A is current to March 6, 2025, 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 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 2025 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.

The REIT is party to an agreement, pursuant to which, among other things, Melcor (the Purchaser) proposes to acquire its unowned equity interest (approximately 44.6%) in Melcor REIT Limited Partnership (REIT LP) for $5.50 per unit in cash consideration, the proceed from which the REIT proposes to redeem and cancel the outstanding participating trust units of the REIT. The transaction pursuant to the agreement is structured as a statutory plan of arrangement under the Business Corporations Act (Alberta) (the “New Arrangement”). There can be no assurances that the New Arrangement will be completed on the terms set out in the agreement or within the expected timeframe, or at all. For further details on the New Arrangement, please see “Outlook – Strategic Review Process” and the risk factors set out herein and refer to the management information circular, which will be mailed to holders of Units and Special Voting Units, and will be available on SEDAR+ at sedarplus.ca, in the coming weeks.

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.

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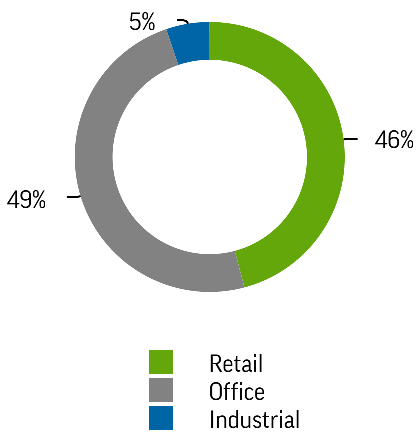
Our Business

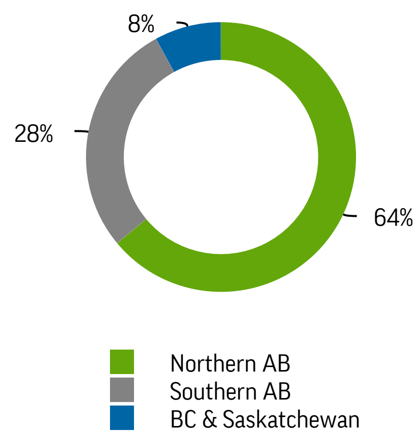
The REIT has an established and diversified portfolio of 35 income-producing office, retail and industrial properties representing 3.05 million square feet (sf) in gross leasable area (GLA) in western Canada at year-end.

As at December 31, 2024 our portfolio is comprised and characterized as follows:

GLA by Property Type



GLA by Region



These 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 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, or REIT LP) 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 51.7% of the outstanding shares of Melcor and pursuant to IAS 24, Related Party Disclosures, is the ultimate controlling shareholder.

Strategic Review Process

In February 2024, the REIT established an Independent Committee to oversee a broad-based strategic review with a focus on unlocking unitholder value. The Independent Committee retained BMO as financial advisor to evaluate a broad range of strategic alternatives for the purpose of maximizing unitholder value.

On September 12, 2024, Melcor ("the Purchaser") and the REIT announced that they entered into an arrangement agreement (the "Arrangement Agreement") with Melcor REIT GP Inc. (the "GP") pursuant to which, among other steps, Melcor would acquire its unowned equity interest (approximately 44.6%) in REIT LP for $4.95 per unit in cash consideration (the "REIT LP Sale"). Melcor's unowned equity interest in REIT LP comprises all the REIT LP's outstanding Class A LP Units (approximately 13.0 million units). The REIT would use the proceeds from the REIT LP Sale to redeem and cancel all of the REIT's participating trust units.

On November 25, 2025, the REIT and Melcor entered into an Amended and Restated Arrangement Agreement (the "Amended Agreement") which provides for, among other things, consideration of $5.50 per unit and a new and extended 90-day "go-shop" period which expired on February 24, 2025 during which it was permitted to solicit third-party interest in submitting a proposal which is superior to the proposal made by Melcor. Melcor did not have the right to match any superior proposal. The Amended Agreement also includes customary provisions, including non-solicitation by the REIT of alternative transactions following the conclusion of the go-shop period, and a $5.8 million termination fee payable to Melcor under certain customary circumstances, including in the event the REIT is successful in soliciting a superior proposal. In addition, Melcor has agreed to (i) forego all termination and change of control payments it would otherwise be entitled to under the property management and asset management agreements in the event of a superior proposal; and (ii) reimburse the REIT for the reasonable costs and expenses incurred by it in connection with the Amended Arrangement (including all financial advisor costs and legal costs), subject to certain exceptions.

It is anticipated that a new special meeting (the "New Meeting") of the holders of participating trust units (Units) and special voting units (the "Voting Unitholders") will be called to approve the New Arrangement (as defined below) with such New Meeting having a new record date for entitlement to vote. The REIT has applied to the Court of King's Bench of Alberta (the "Court") for an Interim Order providing for the updated transaction terms and timeline. The REIT will provide further disclosure to its unitholders, including with respect to the date of the New Meeting, once available. Unitholders are not required to take any action at this time.

The transaction pursuant to the Amended Agreement is structured as a statutory plan of arrangement under the Business Corporations Act (Alberta) (the "New Arrangement"). Completion of the New Arrangement, which is expected to occur in the second quarter of 2025 is subject to various closing conditions, including, without limitation, Court approval including the approval of at least (i) two-thirds (66 2/3%) of the votes cast by Voting Unitholders present in person or represented by proxy at the New Meeting (each holder of Units and special voting units being entitled to one vote per Unit or special voting unit, as applicable) and (ii) the majority of the holders of Units present in person or represented by proxy at the New Meeting, excluding the votes of the Purchaser and any other Voting Unitholders whose votes are required to be excluded for the purposes of "minority approval" under Multilateral Instrument 61-101 – Protection of Minority Security Holders in Special Transactions.

On March 5, 2025, the REIT and Melcor announced jointly that they have entered into voting support agreements with each of Telsec Property Corporation, Richard Van Grieken, Bonnie Van Grieken and Kris Van Grieken (collectively, the "Telsec Group") and FC Private Equity Realty Management Corp. and its affiliates (collectively, the "FC Group") in connection with Melcor's proposed acquisition of Melcor REIT. Pursuant to the voting support agreements, each of the Telsec Group and the FC Group have, among other things, agreed to vote (or cause to be voted) all of the Trust Units owned by them, or over which they have control or direction, in favour of the New Arrangement at the New Meeting scheduled for April 11, 2025. The Voting Support Agreements contain customary representations, warranties, covenants and termination provisions for agreements of this nature. The Telsec Group and the FC Group collectively own or exercise control or direction over approximately 4,057,515 Trust Units.

The New Arrangement provides for a distribution by the REIT to holders of Units ("Unitholders") of record immediately prior to closing in an amount equal to the REIT's estimate of its taxable income, including taxable income to be allocated from the REIT LP to the REIT, in its current taxation year. Such distribution will be payable by the issuance of additional Units which will immediately be consolidated.

Strategy

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. Our strategy is contingent on favourable capital market conditions, which have proven unfavourable over the past several years.

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 costs while at the same time increasing client satisfaction. In 2023, we upgraded MelCARE to a new software to provide a more comprehensive customer care experience. We were able to upgrade our MelCARE software at a much lower annual cost while providing our team with a more sophisticated platform to improve response and completion time. Strong customer satisfaction contributes to other key metrics, including retention rate, which is 85.4% in 2024 (2023 - 87.9%). The MelCARE platform also provides for recurring preventative maintenance work and thus lowering operating costs, improving building efficiency and contributing to a longer life cycle of building science.

We enjoy strong, long-term relationships with our clients, some of whom have been with Melcor for over 30 years.

Asset Enhancement

We incrementally improve our assets with value-adding investments to enhance the quality of our properties, with a goal of improved occupancy and higher 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.

ASSET ENHANCEMENT STRATEGY	
PRESERVE	**Inner works** (boilers, roof, maintenance) • Maintain asset value through routine care • Improve efficiencies and sustainability through upgrades to lower building operating costs • Decisions driven by ongoing building and equipment condition assessments
ENHANCE	**Visible** (common area, landscaping, aesthetics) **and comfort enhancing** (HVAC) **improvements** • Upgrades that assist with tenant attraction and retention • Decisions driven by lease expiries/vacancies and need

Our buildings undergo annual assessments that identifies future capital investment and aides in the review of recurring preventative maintenance. We monitor and log all equipment and maintenance activity. Many of our ongoing 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 mechanical 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.

Melcor has joined the Edmonton Corporate Climate Leaders Program. We completed benchmarking our energy usage at Edmonton-based office buildings in 2022. We continue to monitor the Canadian ESG reporting requirements and once finalized will set targets for our business.

Streamline Portfolio

We continually review our asset portfolio to identify opportunities to strategically acquire or dispose assets. We remain focused on pruning non-core assets with a view to mitigate against market and tenancy exposures and maximize return on investment.

In 2024, we sold three properties including:

- Richter Street (sold: May 10, 2024); a 29,000 sf office property located in Kelowna, BC, for gross proceeds of $7.80 million, or net proceeds of $7.48 million after transaction costs.
- Lethbridge Industrial (sold: October 1, 2024); a 49,000 sf Industrial property located in Lethbridge, AB, for gross proceeds of $4.50 million, or net proceeds of $4.34 million after transaction costs.
- Parliament Place (sold: November 22, 2024); a 25,000 sf office property located in Regina, SK, for gross proceeds of $5.00 million, or net proceeds of $4.83 million after transaction costs.

Subsequent to year end, on February 24, 2025, we closed on the sale of Melcor Crossing, a 283,000 sf retail property located in Grande Prairie, AB for gross proceeds of $48.00 million less transaction costs.

Net proceeds from the sale of assets is used to repay outstanding debt.

Key Metrics

Metric	Target	2024	2023
Debt/gross book value excluding debentures(1)	50-55%	**54%**	50%
Debt/gross book value including debentures(1)	55-60%	**54%**	56%
Tenant retention	75%	**85.4%**	87.9%
Occupancy	90%+	**86.5%**	87.6%

(1) Debt to GBV is a Non-GAAP ratio. Refer to the Non-GAAP and Non-Standard Measures section on page 44 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 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 - 2024 we achieved:
    - a 19% reduction in electricity consumption or CO_2 equivalent of 10,500 tonnes
    - a 18% reduction in natural gas consumption or CO_2 equivalent of 907 tonnes
    - a 51% reduction in emission intensity or CO_2 equivalent of 14,200 tonnes

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 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

Melcor's management team oversees the management and operations of the REIT's portfolio and of the management team 39% are female and 15% are visible minorities. The REIT Board is comprised of 29% female trustees (2 of 7) as at December 31, 2024.

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, 2024 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
- 25% of the REIT's independent trustees are female
- 29% of the full board of trustees are female
- Half of the REIT's executive team is female

In 2024, the REIT formed an Independent Committee made up of independent trustees to oversee a broad-based strategic review with a focus on unlocking unitholder value. The Independent Committee has retained BMO as financial advisor and DLA Piper (Canada) LLP as legal counsel.

Glossary of Acronyms

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

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

Please refer to Non-GAAP and Non-Standard Measures on page 44 for further information and reconciliation to GAAP measures where applicable.

2024 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 44.

Financial Highlights	Three-months ended December 31			Year ended December 31		
($000s)	***2024***	*2023*	*△%*	***2024***	*2023*	*△%*
Non-Standard KPIs						
Net operating income (NOI)(5)	***11,095***	*11,530*	*(3.8)%*	***45,836***	*46,635*	*(1.7)%*
Same-asset NOI(5)	***9,996***	*10,169*	*(1.7)%*	***40,699***	*41,216*	*(1.3)%*
Funds from Operations (FFO)(5)	***2,827***	*5,654*	*(50.0)%*	***18,147***	*23,869*	*(24.0)%*
Adjusted Funds from Operations (AFFO)(5)	***753***	*3,567*	*(78.9)%*	***10,131***	*15,178*	*(33.3)%*
Adjusted Cash Flows from Operations (ACFO)(5)	***881***	*3,691*	*(76.1)%*	***10,637***	*15,654*	*(32.0)%*
Rental revenue	***18,118***	*18,502*	*(2.1)%*	***72,335***	*73,900*	*(2.1)%*
Income before fair value adjustment(5)	***2,046***	*2,763*	*(26.0)%*	***13,623***	*12,154*	*12.1 %*
Fair value adjustment on investment properties(1)	***(2,628)***	*(8,429)*	*nm*	***(25,515)***	*(16,794)*	*nm*
Cash flow from operations	***784***	*3,197*	*(75.5)%*	***16,009***	*11,993*	*33.5 %*
Distributions to unitholders	***–***	*1,555*	*(100.0)%*	***518***	*6,222*	*(91.7)%*
Special non-cash distribution to unitholders	***4,667***	*–*	*nm*	***4,667***	*–*	*nm*
Distributions(2)	***$–***	*$0.120*	*(100.0)%*	***$0.040***	*$0.480*	*(91.7)%*
Special non-cash distribution to unitholders (2)	***$0.360***	*$–*		***$0.360***	*$–*	
Per Unit Metrics						
Net income (loss)						
Basic	***($0.51)***	*($0.12)*		***($2.36)***	*$1.26*	
Diluted	***($0.49)***	*($0.21)*		***($2.36)***	*$0.06*	
Weighted average number of units for net income (loss) (000s):(3)						
Basic	***12,963***	*12,963*	*– %*	***12,963***	*12,963*	*– %*
Diluted	***12,963***	*29,088*	*(55.4)%*	***12,963***	*29,088*	*(55.4)%*
FFO						
Basic(6)	***$0.10***	*$0.19*		***$0.62***	*$0.82*	
Diluted(6)	***$0.11***	*$0.18*		***$0.63***	*$0.75*	
Payout ratio(6)	***–%***	*62%*		***6%***	*58%*	
AFFO						
Basic(6)	***$0.03***	*$0.12*		***$0.35***	*$0.52*	
Payout ratio(6)	***–%***	*98%*		***11%***	*92%*	
ACFO						
Basic(6)	***$0.03***	*$0.13*		***$0.37***	*$0.54*	
Payout ratio(6)	***–%***	*95%*		***11%***	*89%*	
Weighted average number of units for FFO, AFFO & ACFO (000s):(4)						
Basic	***29,088***	*29,088*	*– %*	***29,088***	*29,088*	*– %*
Diluted	***33,414***	*36,255*	*(7.8)%*	***34,050***	*36,255*	*(6.1)%*

(1) The abbreviation nm is shorthand for not meaningful and is used through this MD&A where appropriate.
(2) Cash distributions for 2024 were $0.04 per unit in the month of January 2024, and were suspended in February 2024. On December 20, 2024, the REIT announced a special non-cash distribution in the amount of $0.36 per unit payable at the close of business on December 31, 2024. The payment of the special distribution was made by the issuance of additional trust units based on the closing market price of the units on the Toronto Stock Exchange on December 31, 2024. Immediately following the special distribution, the number of outstanding trust units were consolidated so that each unitholder will hold exactly the same number of trust units after the consolidation as each unitholder held immediately prior to the special distribution. Cash distributions in the comparative period were paid out at $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. On December 12, 2024, the convertible debentures were fully redeemed.
(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 44 for further information.
(6) Non-GAAP ratio. Refer to the Non-GAAP and Non-Standard Measures section on page 44 for further information.

	2024	2023	△%
Total assets ($000s)	**662,876**	700,998	(5.4)%
Equity at historical cost ($000s)(1)	**288,196**	288,196	– %
Indebtedness ($000s)(2)	**395,057**	420,339	(6.0)%
Weighted average interest rate on debt	**5.09%**	4.52%	12.6 %
Debt to GBV, excluding convertible debentures (maximum threshold - 60%)(5)	**53.6%**	50.1%	6.9 %
Debt to GBV (maximum threshold - 65%)(5)	**53.6%**	56.3%	(4.8)%
Finance costs coverage ratio(3)	**1.89**	2.21	(14.5)%
Debt service coverage ratio(4)	**1.54**	1.93	(20.2)%

(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, and backstop loan excluding convertible debentures, unamortized discount and transaction costs. Please refer to the Liquidity & Capital Resources section on page 22 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 44 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 44 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 44 for further information.

Operational Highlights

	2024	2023	△%
Number of properties	**35**	38	(7.9)%
Gross leasable area (GLA) (sf)	**3,046,450**	3,150,646	(3.3)%
Occupancy (weighted by GLA)	**86.5%**	87.6 %	(1.3)%
Retention (weighted by GLA)	**85.4%**	87.9 %	(2.8)%
Weighted average remaining lease term (years)	**4.55**	4.31	5.6 %
Weighted average base rent (per sf)	**$17.19**	$17.06	0.8 %

ANNUAL HIGHLIGHTS

The real estate industry continues to face challenges. Office properties, in particular urban office, have continued to see the largest impact reflected by reduced occupancy and lower base rent on new and renewing base rents. These challenges have resulted in decreased valuations on our office properties, and to date in 2024 we have recorded losses of $17.97 million on office properties alone (2023 - $10.97 million loss). We also recorded net losses of $11.52 million on our retail properties (2023: $4.84 million loss). Due to age on some of our properties, we are faced with increasing capital spend on capital repairs and improvements required to attract and retain tenants.

In 2024, we completed 85,146 sf of new leasing and 363,471 sf in renewals and holdovers for an 85.4% retention rate. Occupancy was down compared to 2023 at 86.5% (December 31, 2023: 87.6%) with commitment on an additional 11,535 sf bringing committed occupancy up to 86.9%. We continue to feel the impact of inflationary pressures and increased costs putting downward pressure on metrics such as NOI and FFO . Despite a focus on leasing efforts, overall occupancy has decreased by 1.1% over 2023. WABR was up $0.13 per sf or 0.8% at $17.19 compared to year-end (December 31, 2023: $17.06).

Retail properties continue to anchor our portfolio, however, they are also seeing compression in both net rental revenue and NOI. Occupancy has decreased to 92.3%, down from 93.0% in 2023. Retail represents 45.9% of our total GLA as at December 31, 2024, and 59.9% of net rental income for the twelve months ended December 31, 2024.

In 2024, we closed on the sale of three properties including:

- Richter Street property (sold: May 10, 2024); a 29,000 sf office property located in Kelowna, BC, for gross proceeds of $7.80 million, or net proceeds of $7.48 million after transaction costs.
- Lethbridge Industrial (sold: October 1, 2024); a 49,000 sf Industrial property located in Lethbridge, AB, for gross proceeds of $4.50 million, or net proceeds of $4.34 million after transaction costs.
- Parliament Place (sold: November 22, 2024); a 25,000 sf office property located in Regina, SK, for gross proceeds of $5.00 million, or net proceeds of $4.83 million after transaction costs.

Subsequent to year end, on February 24, 2025, we closed on the sale of Melcor Crossing, a 283,000 sf retail property located in Grande Prairie, AB for gross proceeds of $48.00 million less transaction costs.

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.

FINANCIAL HIGHLIGHTS

- Revenue was down 2.1% to $72.34 million (2023 - $73.90 million).
- NOI was down 1.7% to $45.84 million (2023 - $46.64 million).
- FFO was down 24.0% to $18.15 million or $0.62 per unit (2023 - $23.87 million or $0.82 per unit).
- ACFO was down 32.0% to $10.64 million or $0.37 per unit (2023 - $15.65 million or $0.54 per unit).

Net income in the current and comparative periods can be significantly impacted by non-cash fair value adjustments and thus not a meaningful metric to assess operating performance. Non-cash fair value adjustments include fair value adjustments on investment properties Class B Units and derivative financial instruments.

Rental revenue was down 2.1% over 2023 and net rental income decreased 3.2%. NOI saw a 1.7% reduction over 2023. Our same-asset NOI calculations, which normalize out the assets sold in the 24-trailing months, as well as the assets currently classified as held for sale, was down 1.3% over 2023.

In 2024, fair value on investment properties was a loss of $25.52 million compared to a loss of $16.79 million in 2023. These losses include a $17.97 million loss from our office properties and a $11.52 million loss from our retail properties. Fair value adjustment on Class B Units, which have an inverse relationship with the REIT unit price, resulted in a loss of $17.74 million recorded in 2024 compared to gains of $22.25 million recorded in 2023. Fair value adjustment on derivative instruments resulted in a loss of $0.97 million in 2024 and a loss of $1.30 million in 2023.

Higher G&A costs significantly impacted our financial metrics in 2024. G&A expenses were up $3.53 million or 113.4% to $6.64 million in 2024 (2023 - $3.11 million). The increase is primarily attributed to costs associated with the establishment of the Independent Committee and the strategic review process established and costs associated with the Arrangement Agreement and the Amended Agreement entered into between Melcor and the REIT. Refer to page 2 for additional details on the Strategic Review Process and Arrangement Agreement. Higher professional fees associated with this process include related to legal and advisory costs as well as higher public company costs related to fees paid to the committee members. G&A costs impact not only net income, but also FFO and ACFO which were down significantly over 2023.

Excluding the above items, our remaining G&A expense categories remain on budget, and fairly stable over the prior year. Our G&A expenses tend to vary quarter over quarter depending on when certain fees are incurred. Our upper target for G&A is 5.0% of rental revenue. In 2024, G&A was 9.2% of revenue (2023: 4.2%).

Finance costs before distributions and excluding non-cash adjustments was up 3.8% or $0.74 million to $20.45 million (2023 - $19.71 million) as a result of increased interest on mortgages payable and our revolving credit facility, which was up 6.0% or $0.85 million due to rising interest rates on mortgage renewals. This increase also had a negative impact on our 2024 results including FFO and ACFO.

Management believes that FFO most accurately reflects our actual operating performance, while ACFO provides the best indication of our cash flow and, therefore, our capacity to pay distributions. However, both metrics should be considered in conjunction with our overall liquidity position.

Distributions

In January 2024 we declared a cash distribution of $0.04 per unit. On February 22, 2024, we announced the suspension of monthly cash distributions. In light of the uncertainties surrounding the REIT's capital and property market conditions, management and the Board carefully conducted a comprehensive review of the REIT's capital structure and operations to ensure the long-term viability of the REIT's cash flow and preserve value for its unitholders. As a result, the REIT determined that a suspension of the distribution was warranted and the Board believes this decision was prudent and in the best interests of the REIT and its unitholders.

On December 20, 2024, a special non-cash distribution in the amount of $0.36 per outstanding trust units was declared payable to unitholders of record as at December 31, 2024. Immediately following the special distribution, the number of outstanding trust units were consolidated so that each unitholder held exactly the same number of trust units after the consolidation as each unitholder held immediately prior to the special distribution. The amount of the special distribution was equal to the REIT's estimated taxable income and capital gains for the 2024 taxation year net of any deductions available to the REIT from cash distributions made in the year. The special distribution was intended to reduce the REIT's taxable income for the 2024 taxation year to nil.

Financing

As at December 31, 2024, based on our borrowing base calculation, we have access to $38.57 million of the $50.00 million credit facility and have drawn $23.53 million leaving $15.04 million in undrawn liquidity under our revolving credit facility. We also have additional commitments, including outstanding accounts payable and tenant security deposits and prepayments, reducing our available liquidity to $11.38 million.

The 2024, the distribution suspension enabled the REIT to retain approximately $12.76 million in cash, compared to distributions paid in 2023. If distributions had continued at a rate of $0.04 per unit per month, consistent with 2023, our spend would have exceeded our available liquidity, demonstrating the positive impact of the distribution suspension on the REIT's liquidity.

As at March 6, 2025 access to the facility was reduced to $38.22 million, a decrease of $0.36 million since December 31, 2024. This decrease is the result changes NOI over December 31, 2024 on properties pledged as collateral on our facility.

In 2024, six mortgages were up for renewal for a combined total of $43.91 million, with a weighted average interest rate of 4.09%. In the year, we refinanced one of these mortgages with a maturing principal balance of $7.02 million for $11.00 million at a rate of 6.00%, providing additional proceeds of $3.98 million, and renewed an additional five mortgages for a combined total of $35.29 million at a weighted average rate of 5.25%. Included with one of these renewals was a $1.60 million pay down to the principal balance. The REIT continues to monitor its secured debts and proactively engage with lenders in regard to upcoming maturities

On December 12, 2024 the REIT redeemed all outstanding convertible debentures. The aggregate principal amount of the Debentures, $46.00 million, was repaid using funds drawn on the backstop loan from Melcor which was contemplated and negotiated as part of the Arrangement Agreement. The backstop loan is an unsecured subordinated loan to the REIT LP, as borrower, up to aggregate principal amount of the debentures outstanding on redemption, excluding any accrued and unpaid interest thereon. The backstop loan was subject to consent of the REIT's senior lenders, which was received prior to funding. Amounts advanced on the backstop loan mature three years from the date of advance with a fixed interest rate of 10.75%, paid semi-annually and is prepayable, in whole or in part, at anytime prior to maturity with no penalty. Additionally, the REIT is required to make mandatory prepayments equal to 50% of net cash proceeds from certain asset sales during the loan term.

In connection with consent received from the REIT's senior lenders regarding repayment of the convertible debentures, the REIT's $50.00 million revolving credit facility's maturity date was set at June 1, 2026.

The REIT continues to monitor its secured debts in order to identify opportunities and risks, and proactively engages with lenders in regard to upcoming maturities.

Consolidated Revenue & Net Operating Income

	Year ended December 31		
($000s)	**2024**	**2023**	△%
Base rent	**47,820**	48,290	(1.0)%
Recoveries	**26,632**	27,313	(2.5)%
Other	**2,446**	2,281	7.2 %
Amortization of tenant incentives	**(3,879)**	(3,975)	(2.4)%
Straight-line rent adjustments	**(684)**	(9)	7,500.0 %
Rental revenue	**72,335**	73,900	(2.1)%
Operating expenses	**15,476**	15,079	2.6 %
Utilities and property taxes	**15,586**	16,170	(3.6)%
Direct operating expenses	**31,062**	31,249	(0.6)%
Net rental income	**41,273**	42,651	(3.2)%
NOI(1)	**45,836**	46,635	(1.7)%
Same-asset NOI(1)	**40,699**	41,216	(1.3)%
Operating margin(2)	**57.1 %**	57.7 %	(1.0)%

(1) Non-GAAP financial measure. Refer to the Non-GAAP and Non-Standard Measures section on page 44 for further information.
(2) Supplementary financial measure. Refer to the Non-GAAP and Non-Standard Measures section on page 44 for further information.

Revenue

Rental revenue was down 2.1% in the year over 2023. The reduction in rental revenue was primarily a result of lower base rent and recoveries, as well as higher straight-line rent adjustments provided to tenants in the year and was impacted by the sales in the current and comparative periods. These decreases were partially offset by a swing in amortization of tenant incentives and higher other revenues over 2023.

In the year, we sold three income properties, which directly impacted our year-over-year comparatives. Excluding these sales, rental revenues was down 1.5% or $1.00 million year-to-date over 2023. Straight-line rent adjustment was the largest factor reducing rental revenue on a same-asset basis, with a swing of $0.59 million over 2023, negatively impacting offset by a slight reduction of amortization of tenant incentives down $0.04 million. Additionally, we sold one income property in February 2023 that impacted current and comparative revenues and has been excluded on a same-asset basis.

In 2024 we completed 363,471 sf of lease renewals (including holdovers) and had 85,146 sf in new leases commence bringing year end occupancy to 86.5% (2023 - 87.6%). We continue to see activity and opportunity across our portfolio in all asset classes continues and held a healthy retention rate of 85.4% (2023 - 87.9%) on our portfolio of assets.

The table below summarizes leasing activity for 2024:

	Square feet	Weighted average base rent (per sf)	Occupancy %
Opening occupancy	**2,759,657**	**$17.06**	**87.6 %**
Expiring leases	(425,799)	$16.73	
Other terminations	(29,157)	$18.13	
Renewals/holdovers	363,471	$16.32	
New leasing	85,146	$15.47	
Lease amendments	(14,423)	$14.81	
Investment property sold	(103,227)	$10.96	
Closing occupancy	**2,635,668**	**$17.19**	**86.5 %**

Year-end weighted average base rent was up 0.8% to $17.19 (2023 - $17.06). Occupancy was down slightly at 86.5% (2023 - 87.6%). 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, 2024	Dec 31, 2023	△%
Weighted average base rent (per sf)	**$17.19**	$17.06	0.8 %
Weighted average remaining lease term	**4.55**	4.31	5.6 %
GLA	**3,046,450**	3,150,646	(3.3)%
Occupancy	**86.5 %**	87.6 %	(1.3)%
Retention	**85.4 %**	87.9 %	(2.8)%

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 2023, both recovery revenue and direct operating expenses decreased 2.5% and 0.6% respectively. On a same-asset basis, recoveries were down $0.46 million or 1.9% over 2023. Our recovery ratio (recoveries divided by direct operating expenses) decreased to 85.7% (2023 - 87.4%) as a result of lower occupancy.

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

Property taxes and utilities were down 3.6% over 2023, as a result of the recent dispositions of assets and the efforts of our operation mitigating the increases seen in the market place. On a same-asset basis, property taxes and utilities were down 3.1% over 2023 primarily the result of decreased assessed values. Although we have seen utility costs, including heating and power costs increase over the last 12 months related to government policies and regulations, due to the efforts of our operations team we have been able to mitigate these rising costs by implementing energy efficient practices and investing in capital projects across our portfolio as seen by the reduction in our utilities compared to 2023. Additionally, due to property tax assessment reviews completed during the year, we were able to reduce property taxes on specific properties, contributing to the overall decrease compared to 2023. Utility costs are also impacted by weather conditions which can vary significantly period over period.

Operating expenses also include maintenance projects, which can vary significantly period over period depending on property needs and weather conditions. Overall, we have seen increases in costs as a result of inflationary pressures, with operating expenses up 2.6% over 2023. On a same-asset basis, operating expenses were up 3.6% over 2023.

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 44 of this MD&A for more information.

NOI was down 1.7% and same-asset NOI was down 1.3% compared to 2023. The decrease in same-asset NOI was driven by a $0.46 million reduction in recoveries and a $0.59 million increase in the straight-line rent adjustment over 2023.

Same-asset NOI exclude assets sold in the current and comparative periods along with the assets currently classified as held for sale. Assets excluded in our same-asset NOI calculation include Kelowna Business Centre (sold Q1-2023), Richter Street (sold Q2-2024), Lethbridge Industrial (sold Q4-2024), Parliament Place (sold Q4-2024), and Melcor Crossing currently classified as held for sale as of December 31, 2024. We closed on the sale of Melcor Crossing subsequent to year end on February 24, 2025.

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)	2024	2023	△%
Same-asset NOI(1)	40,699	41,216	(1.3)%
Disposals / Asset held for sale	5,137	5,419	
NOI(1)	45,836	46,635	(1.7)%
Amortization of tenant incentives	(3,879)	(3,975)	
Straight-line rent adjustments	(684)	(9)	
Net rental income	41,273	42,651	(3.2)%

(1) Non-GAAP financial measure. Refer to the Non-GAAP and Non-Standard Measures section on page 44 for further information.

Property Profile

At December 31, 2024 our portfolio includes interests in 35 (2023 - 38) retail, office and industrial income-producing properties located in western Canada for a total of 3,046,450 sf of GLA, and a land lease community. In the year, we sold three properties including two office properties and one industrial property reducing our portfolio by 103,227 sf of GLA over 2023. Additionally, we have reclassified one property in Grande Prairie as held for sale at year end. 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 2024 ($000s)
Retail	14	1,397,067	45.9 %	398,259	24,732
Office	18	1,490,297	48.9 %	197,335	12,630
Industrial	2	159,086	5.2 %	36,127	2,809
Land Lease Community	1	308 lots	n/a	18,900	1,102
	35	3,046,450	100.0 %	650,621	41,273

(1) Supplementary financial measure. Refer to the Non-GAAP and Non-Standard Measures section on page 44 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	
	2024	2023	2024	2023	2024	2023	2024	2023
Year ended December 31 ($000s)								
Rental revenue	38,117	38,570	28,972	29,986	3,720	3,899	1,526	1,445
Net rental income	24,732	25,750	12,630	12,910	2,809	2,949	1,102	1,042
Same-asset NOI(1)	21,524	22,387	15,360	14,967	2,713	2,824	1,102	1,038
As at December 31								
Weighted average base rent (sf)	$20.70	$20.67	$13.26	$13.48	$16.70	$15.19	n/a	n/a
Occupancy	92.3 %	93.0 %	79.6 %	81.0 %	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 44 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 was down 1.2% and net rental income was down 4.0% over 2023. The decline in rental revenue was a result of a decrease in overall recoveries over 2023, along with a rise in amortization of tenant incentives and straight-line rent adjustment provided to tenants over 2023. On a same-asset basis, NOI was down 3.9% over 2023 due to similar factors, including lower recoveries and higher straight-line rent adjustments throughout the year. Same-asset NOI excludes assets sold or held for sale in the current and comparative periods. We have excluded one retail property located in Grande Prairie, AB which has been classified as held for sale as at December 31, 2024. This property sold subsequent to year end on February 24, 2025.

Occupancy on our retail properties saw a slight reduction of 0.7% to 92.3% and WABR increased $0.03 per sf compared to 2023. In 2024, our leasing team completed 130,431 sf of renewals and holdovers, achieving a retention rate of 85.8% in 2024. Additionally, we secured 40,657 sf in new leasing in the year.

Office - our 18 office properties include low and medium-rise buildings located in strategic urban and suburban centres with properties across Alberta and in Regina, SK. Prior to the sale of Richter Street (Q2-2024), and Kelowna Business Centre (Q1-2023), we also held properties in Kelowna, BC.

Rental revenue saw a decline of 3.4% and net rental income declined 2.2% over 2023. This was a direct result of the property sales over the trailing 24 months, including the Kelowna Business Centre, Richter Street, and Parliament Place. Excluding these sales, same-asset NOI increased 2.6% compared to 2023.

Occupancy declined to 79.6%, down from 81.0% in 2023. Market pressures impacted WABR, which decreased by $0.22 per sf to $13.26 per sf. Throughout 2024, we completed 144,342 sf of renewals and holdovers, achieving a retention rate of 78.0% in 2024. Additionally, we secured 44,489 sf in new leasing in the year.

Industrial - our 2 industrial properties include single and multi-tenant buildings. In the year, we sold one industrial property located in Lethbridge, AB reducing our overall GLA and total industrial properties owned over 2023. This property has been excluded from our same-asset calculations in the current and comparative period. Our remaining industrial assets were fully occupied throughout 2024.

Rental revenue was down 4.6% and net rental income was down 4.7% over 2023. The reduction in rental revenue and net rental income is a direct result of market pressures contributing to a reduction in base rent over 2023. WABR was up $1.51 per sf as a direct result of the property sale in the current period, which had a lower base rent than our remaining industrial properties impacting our year-over-year comparative.

On a same-asset basis, NOI was down 3.9% as a result of the lower WABR over 2023, which is down 4.9% or $0.86 per sf on the remaining properties (same-asset).

Land Lease Community – we have one land lease community in Calgary, AB consisting of 308 pad lots. It was 100% occupied at December 31, 2024 (2023 – 100% occupied). Revenue increased 5.6% and NOI increased of 6.2% over 2023. This growth in revenue and NOI is directly attributed to the increase in base rent charged in 2024.

Regional Analysis

The following table summarizes the composition of our properties at December 31, 2024 by geographic region:

Geographic Region	Number of Properties	GLA (sf)	% of Portfolio (GLA)	Fair Value of Investment Properties ($000s)[1]	Net Rental Income 2024 ($000s)
Northern Alberta	22	1,965,824	64.5 %	395,210	22,970
Southern Alberta	9	840,859	27.6 %	216,719	15,417
Saskatchewan	4	239,767	7.9 %	38,692	2,886
	35	**3,046,450**	**100.0 %**	**650,621**	**41,273**

(1) Supplementary financial measure. Refer to the Non-GAAP and Non-Standard Measures section on page 44 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	
	2024	**2023**	**2024**	**2023**	**2024**	**2023**
Year ended December 31 ($000s)						
Rental revenue	**42,656**	44,204	**23,836**	23,397	**5,843**	6,299
Net rental income	**22,970**	24,407	**15,417**	14,881	**2,886**	3,363
Same-asset NOI[1]	**21,989**	22,772	**16,057**	15,456	**2,653**	2,988
As at December 31						
Weighted average base rent (per sf)	**$17.06**	$17.37	**$18.32**	$17.49	**$14.14**	$13.91
Occupancy	**83.7 %**	84.0 %	**92.4 %**	93.9 %	**89.3 %**	92.7 %

(1) Non-GAAP financial measure. Refer to the Non-GAAP and Non-Standard Measures section on page 44 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 down 3.5% and net rental income down 5.9% over 2023. The reduction in rental revenue and net rental revenue is a result of a lower recoveries and higher amortization of tenant incentives and straight-line rent adjustment provided to tenants provided in 2024.

Our same-asset calculations excludes properties sold, or classified as held for sale. As at December 31, 2024, we have excluded Melcor Crossing, a 283,000 sf retail property located in Grande Prairie which was classified as held for sale at year end and sold subsequent to year end on February 24, 2025. On a same-asset basis, NOI decreased 3.4% over 2023.

Occupancy was down over 2023 at 83.7% (2023 - 84.0%), with market pressures driving a reduction in WABR of $0.31 per sf to $17.37 per sf. In 2024, we completed 259,991 sf renewals and holdovers for a retention rate of 90.0% and completed 60,468 sf of new leasing.

Southern Alberta - our Southern Alberta assets are located throughout the greater Calgary area, including Chestermere and Airdrie, and in Lethbridge. On October 1, 2024, we sold Lethbridge Industrial, a 49,000 sf building located in Lethbridge, AB. This disposal impacts our results comparative to 2023, and is adjusted for in our same-asset NOI calculations.

Rental revenue increased 1.9% and net rental income increased 3.6% compared to 2023, despite the sale of Lethbridge Industrial on October 1, 2024. The increase can be attributed to an increase in overall base rent, along with an increase in other revenues. Other revenues can fluctuate from period to period. On a same-asset basis, NOI increased 3.9% over 2023.

Occupancy decreased 1.5% and WABR increased $0.83 per sf compared to 2023. In 2024, we completed 57,933 sf in renewals and holdovers, yielding a retention rate of 73.5%, and we secured an additional 10,441 sf in new leasing.

Saskatchewan and British Columbia - our Saskatchewan and British Columbia assets are located in Regina, Saskatchewan and Kelowna, British Columbia. In 2023, we sold two properties in this region including Richter Street (Kelowna, British Columbia) on April 16, 2024, and Parliament Place (Regina, Saskatchewan) on November 22, 2022. In 2023, we sold Kelowna Business Centre (Kelowna, British Columbia). As at December 31, 2024 we have no remaining assets located in British Columbia and have four remaining properties in Regina, Saskatchewan.

Rental revenue and net rental income were down 7.2% and 14.2% respectively due to recent disposal of properties noted above. Same-asset NOI which excludes the assets sold in 2024 and 2023 decreased 11.2% over 2023. The reduction in same-asset NOI is a direct result of a reduction in base rent and recoveries compared to 2023.

In the year, we renewed 88,699 sf for an impressive retention rate of 100.0%, contributing to our overall occupancy of 89.3% in 2024. Changes in occupancy for the region were also impacted by current year dispositions.

General & Administrative Expense

	Year ended December 31		
($000s)	**2024**	**2023**	△%
Asset management fee	**1,873**	1,890	(1)%
Professional fees	**3,659**	462	692 %
Public company costs	**654**	369	77 %
Other	**454**	391	16 %
	6,640	3,112	113%

General & administrative (G&A) expenses were up $3.53 million or 113.4% to $6.64 million in 2024 (2023 - $3.11 million). This increase is primarily attributed to costs associated with the strategic review process, the arrangement agreement and amended arrangement agreement, which includes professional fees incurred by the REIT in connection with the foregoing. Refer to page 2 for additional details on the strategic review process.

Also included in professional fees are fees related to the appraisals of our investment properties by qualified independent external valuation professionals. Due to the cyclical nature of these appraisals, in 2024 we have valued 37 legal phases (of 49 legal phases) comparaed to 18 legal phases (of 52 legal phases) in 2023 resulting in higher appraisal costs.

Excluding these items, 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 5.0% of rental revenue. In 2024, G&A was 9.2% of revenue (2023: 4.2%).

Finance Costs

	Year ended December 31		
($000s)	**2024**	2023	△%
Interest on mortgages payable and revolving credit facility	**15,099**	14,247	6.0 %
Interest on Class C LP Units	**1,021**	1,168	(12.6)%
Interest on convertible debentures	**2,235**	2,347	(4.8)%
Interest on backstop loan	**298**	–	– %
Accretion on convertible debentures	**506**	476	6.3 %
Defeasance costs	**135**	251	(46.2)%
Fair value adjustment on derivative instruments	**967**	1,300	nm
Amortization of deferred financing fees	**1,154**	1,218	(5.3)%
Finance costs before distributions	**21,415**	21,007	1.9%
Distributions on Class B LP Units	**645**	7,740	(91.7)%
Finance costs	**22,060**	28,747	(23.3)%

Total finance costs were down 23.3% over 2023. The reduction in overall finance costs is directly correlated with lower distributions on Class B Units. In February 2024, distributions were suspended which impacted both our trust units where distributions are recorded through equity, as well as Class B LP Units where distributions are recorded as a finance cost, as shown above. Distributions are recorded in the period they are declared to unitholders.

On December 20, 2024, the REIT declared a special non-cash distribution of $0.36 per unit on our trust units. The special non-cash distribution was payable by the issuance of additional Units which were immediately consolidated. No distributions were declared on our Class B LP Units at this time; therefore, the distribution had no impact on finance costs.

Finance costs before and after distributions are impacted by non-cash fair value adjustments on derivative financial instruments. Included in the fair value adjustment on derivative instruments is the mark to market on interest rate swaps adjustment related to certain floating rate mortgages as well as the revaluation of the conversion feature on our convertible debenture. The fair value is impacted by market forces, such as interest rates and unit price which are outside of management's control and are non-cash items. In 2024, we recorded fair value loss on these derivatives of $0.97 million compared to a loss of $1.30 million in 2023.

Finance costs before distributions and excluding non-cash adjustments was up 3.8% or $0.74 million to $20.45 million (2023 - $19.71 million) as a result of increased interest on mortgages payable and our revolving credit facility, which was up 6.0% or $0.85 million due to rising interest rates on mortgage renewals.

Interest rate changes over the last 12-24 months impact the interest paid on our variable rate credit facility and the rate at which mortgages are being renewed. We continue to focus on debt reduction to help minimize the impact of rising interest rates.

In the year, we made net repayments on the revolving credit facility of $12.90 million using net proceeds from the disposal of properties.

Interest paid on convertible debentures was down 4.8% or $0.11 million in the year as the debentures were redeemed on December 12, 2024. The aggregate principal amount of the Debentures outstanding was $46.00 million.

The redemption of the convertible debenture was funded by a backstop loan agreement entered between Melcor and the REIT, subject to an annual interest rate of 10.75% per annum, payable semi-annually in arrears on June 30 and December 31. In the year, the REIT paid interest in the amount of $0.30 million (2023 - $nil) on the backstop loan.

Income Taxes

As at December 31, 2024, 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 has made distributions that are equal to or greater than the taxable income that would otherwise be reported by the REIT.

On December 20, 2024, a special non-cash distribution in the amount of $0.36 per outstanding trust unit was declared payable to unitholders of record as at December 31, 2024. The amount of the special distribution was equal to the REIT's estimated taxable income and capital gains for the 2024 taxation year net of any deductions available to the REIT from cash distributions made in the year. The special distribution was intended to reduce the REIT's taxable income for the 2024 taxation year to nil.

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 44 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 accounting standards 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.

	Year ended December 31		
($000s, except per unit amounts)	**2024**	**2023**	△%
Net (loss) income for the year	**(30,597)**	16,313	
Add (deduct)			
Fair value adjustment on investment properties	**25,515**	16,794	
Fair value adjustment on Class B LP Units	**17,738**	(22,253)	
Amortization of tenant incentives	**3,879**	3,975	
Distributions on Class B LP Units	**645**	7,740	
Fair value adjustment on derivative instruments	**967**	1,300	
Funds From Operations (FFO)(1)	**18,147**	23,869	(24.0)%
Add (deduct)			
Straight-line rent adjustments	**684**	9	
Normalized capital expenditures	**(3,000)**	(3,000)	
Normalized tenant incentives and leasing commissions	**(5,700)**	(5,700)	
Adjusted Funds from Operations (AFFO)(1)	**10,131**	15,178	(33.3)%
FFO/Unit(2)	**$0.62**	$0.82	
AFFO/Unit(2)	**$0.35**	$0.52	
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 44 for further information.
(2) Non-GAAP ratio. Refer to the Non-GAAP and Non-Standard Measures section on page 44 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:

	Year ended December 31		
($000s, except per unit amounts)	**2024**	**2023**	△%
Base rent	**47,820**	48,290	
Recoveries	**26,632**	27,313	
Other revenue	**2,446**	2,281	
Straight-line rent adjustments	**(684)**	(9)	
Direct operating expenses	**(31,062)**	(31,249)	
General & administrative expense	**(6,640)**	(3,112)	
Interest on mortgages payable and revolving credit facility	**(15,099)**	(14,247)	
Interest on Class C LP Units	**(1,021)**	(1,168)	
Interest on convertible debentures	**(2,235)**	(2,347)	
Interest on backstop loan	**(298)**	–	
Defeasance costs	**(135)**	(251)	
Accretion on convertible debentures	**(506)**	(476)	
Amortization of deferred financing fees	**(1,154)**	(1,218)	
Interest income	**83**	62	
FFO[1]	**18,147**	23,869	(24.0)%

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

Prior to redemption, our convertible debentures could be converted into trust units at the holder's option and were considered dilutive instruments. On December 12, 2024, we redeemed our 5.10% convertible debenture, impacting our diluted weighted average of units compared to 2023.

The following table calculates diluted FFO and diluted FFO/Unit:

	Year ended December 31		
($000s, except per unit amounts)	**2024**	**2023**	△%
Funds From Operations (FFO)[(1)]	**18,147**	23,869	(24.0)%
Interest on convertible debentures	**2,235**	2,347	
Amortization of deferred financing fees	**497**	465	
Accretion on convertible debentures	**506**	476	
Funds From Operations - Diluted (FFO - Diluted)[(1)]	**21,385**	27,157	(21.3)%
Add (deduct)			
Straight-line rent adjustments	**684**	9	
Normalized capital expenditures	**(3,000)**	(3,000)	
Normalized tenant incentives and leasing commissions	**(5,700)**	(5,700)	
Adjusted Funds From Operations - Diluted (AFFO - Diluted)[(1)]	**13,369**	18,466	(27.6)%
FFO - Diluted/Unit[(2)]	**$0.63**	$0.75	
AFFO - Diluted/Unit[(2)]	**$0.39**	$0.51	
Diluted weighted average number of units (000s):[(3)]	**34,050**	36,255	(6.1)%

*(1) Non-GAAP financial measure. Refer to the Non-GAAP and Non-Standard Measures section on page 44 for fu*rther information.
(2) Non-GAAP ratio. Refer to the Non-GAAP and Non-Standard Measures section on page 44 for further information.
(3) Diluted weighted average number of units includes Trust Units, Class B LP Units and convertible debentures in the comparative year. On December 12, 2024, the 5.10% convertible debenture was redeemed, impacting the number of diluted weighted average of units as at December 31, 2024.

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 investments typically focus on increasing operating efficiency, property attractiveness, functionality and desirability, as well as initiatives focused on sustainability and energy reduction. 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 expenditures 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)	2024	2023
Actual capital expenditures	**2,721**	5,295
Normalized capital expenditures	**3,000**	3,000
Variance	**(279)**	2,295

Actual capital expenditures were lower than normalized capital expenditures by $0.28 million for the year ended December 31, 2024 (2023 - higher by $2.30 million). In 2024, we focused on parkade and sidewalk work contributing to $1.10 million of our total capital expenditures, roof repairs contributing to $0.52 million of our total capital expenditures and HVAC repairs and upgrades contributing to $0.28 million of our total capital expenditures. We had planned capital projects in 2024 of $3.00 million.

Due to the age of some of the assets in our portfolio, we are seeing additional capital expenditure needs arise. Our operations team is focused on completing the work that is required, but deferring non-essential projects due to limited cash availability.

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 (sometimes in future periods). 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)	2024	2023
Payment of tenant incentives and direct leasing costs	**4,436**	8,516
Normalized tenant incentives and direct leasing expenditures	**5,700**	5,700
Variance	**(1,264)**	2,816

Actual tenant incentives and direct leasing expenditures were lower than normalized amounts by $1.26 million. The timing and type of leasing activity and market conditions cause fluctuations in spending during the year. 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 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 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 the type and size of leases signed.

In 2024 tenant incentives and direct leasing expenditures paid were below both budget and our normalized tenant incentives primarily as a result of lower leasing activity and constrained cash availability. Our operations team is also prudently managing spend, and aiming to negotiate lease renewals and new leases in a way to reduce the up front cash spend required.

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.

($000s)	Year ended December 31 2024	2023	△%
Cash flows from operations	**16,009**	11,993	33.5 %
Distributions on Class B LP Units	**645**	7,740	
Actual payment of tenant incentives and direct leasing costs	**4,436**	8,516	
Changes in operating assets and liabilities	**(599)**	(2,677)	
Amortization of deferred financing fees	**(1,154)**	(1,218)	
Normalized capital expenditures	**(3,000)**	(3,000)	
Normalized tenant incentives and leasing commissions	**(5,700)**	(5,700)	
Adjusted Cash Flows from Operations (ACFO)(1)	**10,637**	15,654	(32.0)%
ACFO/Unit(2)	**$0.37**	$0.54	
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 44 for further information.
(2) Non-GAAP ratio. Refer to the Non-GAAP and Non-Standard Measures section on page 44 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, the REIT must allocate substantially all taxable income. In February 2024, the REIT suspended cash distributions as a result of available liquidity and in order to strengthen its financial position. On December 20, 2024, a special non-cash distribution in the amount of $0.36 per outstanding unit was declared payable to unitholders of record as at December 31, 2024. The special distribution does not impact ACFO, as it is a non-cash item. Cash distributions of $0.52 million were paid to our trust Units, and $0.65 million were paid to Class B LP Units in January 2024. No cash distributions have been paid since.

The REIT continually assesses its distribution policy in the normal course of operations. In light of uncertainties surrounding current capital and market conditions, management and the Board carefully conducted a comprehensive review of the REIT as a result has suspended cash distributions since February 2024. The Board continues to review its ability to pay distributions, and believes this decision is prudent and in the best interest of the REIT and its unitholders based on the REIT's current available liquidity.

As at December 31, 2024, based on our borrowing base calculation, we have access to $38.57 million of the $50.00 million credit facility and have drawn $23.53 million leaving $15.04 million in undrawn liquidity under our revolving credit facility. We also have additional commitments, including outstanding accounts payable and tenant security deposits and prepayments, reducing our available liquidity to $11.38 million.

The 2024, the distribution suspension enabled the REIT to retain approximately $12.76 million in cash, compared to distributions paid in 2023. If distributions had continued at a rate of $0.04 per unit per month, consistent with 2023, our spend would have exceeded our available liquidity, demonstrating the positive impact of the distribution suspension on the REIT's liquidity.

The most similar IFRS Accounting Standards measure is cash flow from operations. Swings in operating assets and liabilities was the largest contributing factor in the swing in ACFO and is reflective of higher collection on tenant receivables at period end, as well as the payment of lease inducements during 2024 that were accrued at year-end.

Cash flow from operations before Class B LP Unit distributions paid before total distributions paid was down $3.08 million in 2024 to $16.65 million (2023: $19.73 million).

($000s)	Year ended December 31 2024	2023	△%
Cash flows from operations	**16,009**	11,993	33.5 %
Distributions on Class B LP Units	**645**	7,740	(91.7)%
Cash flows from operations before Class B LP Unit distributions	**16,654**	19,733	(15.6)%
Distributions to unitholders	**(518)**	(6,222)	(91.7)%
Distributions on Class B LP Units	**(645)**	(7,740)	(91.7)%
Total distributions	**(1,163)**	(13,962)	(91.7)%
Cash flows from operations before Class B LP Unit distributions less total distributions	**15,491**	5,771	168.4 %
Total distributions as a % of cash flows from operations before Class B LP Unit distributions	**7 %**	71 %	(90.1)%

Investment Properties

As at December 31, 2024 we owned 35 income-producing office, retail and industrial properties representing 3.05 million sf in GLA and a fair value of $650.62 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, 2023	**629,993**	**32,143**	**662,136**
Additions:			
Direct leasing costs	1,096	–	**1,096**
Property improvements	2,721	–	**2,721**
Fair value adjustment on investment properties	(22,378)	(3,137)	**(25,515)**
Other adjustments	–	706	**706**
Assets held for sale reclassified to investment properties	31,338	(31,338)	**–**
Investment properties reclassified to assets held for sale	(65,876)	65,876	**–**
Disposals	–	(16,858)	**(16,858)**
Investment Properties	576,894	47,392	**624,286**
Straight-line rent adjustments	7,107	371	**7,478**
Tenant incentives	18,620	237	**18,857**
Balance, December 31, 2024	**602,621**	**48,000**	**650,621**

(1) Supplementary financial measure. Refer to the Non-GAAP and Non-Standard Measures section on page 44 for further information.

Additions – during 2024 we invested $2.72 million in property improvements, down from $5.30 million in 2023. This reduction in a result of efforts from our management and operations team to conserve cash and focus completing ongoing work and deferring non-essential projects. The majority of property improvements are recoverable from tenants over 5-25 years. We also spent $1.10 million on direct leasing costs, down from $1.34 million in 2023.

Held for sale – included in our opening balance as of December 31, 2023, were three properties classified as held for sale, all located in our Saskatchewan region for a cumulative value of $32.14 million. None of these properties sold in 2024, and have been reclassified to investment properties in 2024.

As at December 31, 2024 we classified one investment property, located in Grande Prairie, Alberta, with a book value of $48.00 million (including investment property of $47.39 million and other assets of $0.61 million). This property sold subsequent to year end on February 24, 2025.

Dispositions – during the year ended December 31, 2024, we sold three properties:

- Richter Street (sold: May 10, 2024); a 29,000 sf office property located in Kelowna, BC, for gross proceeds of $7.80 million, or net proceeds of $7.48 million after transaction costs.
- Lethbridge Industrial (sold: October 1, 2024); a 49,000 sf Industrial property located in Lethbridge, AB, for gross proceeds of $4.50 million, or net proceeds of $4.34 million after transaction costs.
- Parliament Place (sold: November 22, 2024); a 25,000 sf office property located in Regina, SK, for gross proceeds of $5.00 million, or net proceeds of $4.83 million after transaction costs.

Fair value adjustments – 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, 2024	Dec 31, 2023
Number of properties	**35**	38
Total GLA (sf)	**3,176,550**	3,346,240
GLA (REIT owned %) (sf)	**3,046,450**	3,150,646
Fair value of portfolio ($000s)	**650,621**	691,782
Value per square foot	**$214**	$220
NOI ($000s)	**45,836**	46,635
Weighted average capitalization rate	**7.18 %**	7.24 %
Weighted average terminal cap rate	**7.28 %**	7.31 %
Weighted average discount rate	**8.19 %**	8.19 %

Investment properties were valued by Melcor's internal valuation team with the assistance of qualified independent external valuation professionals. In 2024, external valuation professionals valued 37 legal phases (of 49 legal phases) with fair value of $447.15 million (including amounts presented as tenant incentives and straight-line rent adjustments), resulting in a fair value loss of $25.52 million.

In 2023, external valuation professionals valued 18 legal phases (of 52 legal phases) with fair value of $256.85 million (including amounts presented as tenant incentives and straight-line rent adjustments), resulted in fair value loss of $16.79 million.

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. Each investment property may contain one ore more legal phases. 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)	2024	2023	$△
Northern Alberta	**(28,140)**	(10,842)	(17,298)
Southern Alberta	**976**	(4,476)	5,452
Saskatchewan & British Columbia	**1,649**	(1,476)	3,125
	(25,515)	(16,794)	(8,721)

A breakdown of our fair value adjustment on investment properties by property type is as follows:

For the years ended December 31 ($000s)	2024	2023	$△
Retail	**(11,515)**	(4,838)	(6,677)
Office	**(17,972)**	(10,967)	(7,005)
Industrial	**1,889**	(950)	2,839
Land Lease Community	**2,083**	(39)	2,122
	(25,515)	(16,794)	(8,721)

Our valuation program requires the revaluation of each legal phase every two years or as market conditions dictate. In 2024 we had a disproportionate amount of scheduled appraisals in the year.

Fair value adjustments represent a change of approximately 3.9% (2023 - 2.4%) in the fair value of our portfolio. In 2024, the Alberta real estate market continues to face ongoing changes, particularly in the office sector where declining demand has resulted in sustained pressure on occupancy rates and a significant reduction in lease rates. In order to mitigate these challenges, we have seen an increase in tenant inducements to attract and retain tenants, which is further eroding return on investments. Additionally, capital expenditures for property upgrades are essential to stay competitive and attract tenants. These added costs particularly impacted our office property and have resulted in a decline in our office property values. In 2024, our office properties saw a reduction in value of $17.97 million (2023 - $10.97 million).

Our retail properties have also seen a reduction in value of $11.52 million 2024. Included in this reduction is $5.80 million attributed to one property, which accounts for 50.4% of the total reduction of our fair value loss within our retail properties. The market pressures have influenced the retail properties impacting properties values in both the Edmonton and Calgary region.

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, 2024			December 31, 2023		
	Min	Max	Weighted Average	Min	Max	Weighted Average
Capitalization rate	5.50%	10.50%	7.18%	5.50%	10.50%	7.24%
Terminal capitalization rate	6.00%	9.50%	7.28%	6.00%	9.25%	7.31%
Discount rate	6.75%	10.50%	8.19%	6.75%	10.25%	8.19%

A capitalization rate increase of 50 basis points (+0.5%) would decrease the fair value of investment properties by $42.90 million (2023 - $44.90 million) while a 50 basis points decrease (-0.5%) would increase it by $49.30 million (2023 - $51.50 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, 2024			December 31, 2023		
	Min	Max	Weighted Average	Min	Max	Weighted Average
Retail	6.00%	9.25%	6.99%	5.75%	9.25%	6.95%
Office	7.00%	10.50%	8.17%	6.25%	10.50%	8.11%
Industrial	7.00%	7.50%	7.23%	7.00%	8.50%	7.48%

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)	2024	2023	$△
Cash from operating activities	16,009	11,993	4,016
Cash from investing activities	9,916	14,563	(4,647)
Cash used in financing activities	(24,539)	(26,571)	2,032
Increase (decrease) in cash and cash equivalents	1,386	(15)	1,401
Cash and cash equivalents, beginning of year	3,289	3,304	(15)
Cash and cash equivalents, end of year	4,675	3,289	1,386

Operating activities

Cash from operating activities was up $4.02 million to $16.01 million in 2024 (2023 - $11.99 million). This increase was directly related to the distribution suspension, as distributions on our Class B units are recorded as finance costs and reduce net income. Distributions on Class B Units was down $7.10 million compared to 2023. The remaining increase is primarily related to lower tenant incentives and direct leasing costs paid in 2024, down $4.08 million over 2023.

General and administrative expenses increased 113.4% or $3.53 million over 2023 to $6.64 million. This increase is primarily attributed to costs associated with the strategic review process, the arrangement agreement and amended arrangement agreement, which includes professional fees incurred by the REIT in connection with the foregoing. The increase in overall general and administrative expenses had a negative impact on operating cash flows by reducing net income.

Rent collections remain strong in 2024. Operating assets and liabilities fluctuate period over period, and contributed to cash inflows of $0.60 million in 2024 (2023 - $2.68 million cash inflows).

Investing activities

We invested $2.72 million in our 2024 capital program (2023 - $4.46 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.

In 2024, we sold three investment properties for total net proceeds $16.66 million. Proceeds from the sale of these assets were used to pay off the remaining mortgages of the properties and reducing overall borrowings on our credit facility. A portion of the proceeds from the sale of one of the properties was used to purchase $5.08 million in short term investments (included in other assets) maturing on a monthly basis until May 2025, with interest rates ranging from 5.00% to 5.22%.

In 2023, we closed on the sale of one investment property for net proceeds of $19.03 million (including $1.00 million of restricted cash held at year end). Proceeds from this sale were used to pay off the mortgage on the property, with remaining cash used to reduce borrowings on our credit facility

Financing activities

In 2024, cash used in financing activities was $24.54 million, down slightly from $26.57 million in 2023. This includes a net reduction to our credit facility of $12.90 million and repayments on mortgages payable of $21.73 million, which includes both scheduled amortization on mortgages and mortgage pay downs. In 2024, we remained focused on debt reduction and improving overall liquidity in the REIT with asset sales.

We completed the renewal of five mortgages in 2024 for a combined total of $35.29 million, and refinanced one property for $11.00 million (net proceeds of $3.98 million). The weighted average interest rate on mortgage renewals was 5.25%, up from 4.09% on the expiring mortgages. Proceeds from investment property sales was used to pay out two mortgages with a cumulative balance of $3.01 million in the year which is included in cumulative amount of repayment of mortgage payables. We also amended and extended our revolving credit facility in 2024. The facility matures on June 1, 2026.

The reduction in cash distributions paid in 2024 substantially impacted the cash used in financing activities. Total cash distributions on trust units in 2024 were $0.52 million compared to $6.22 million in 2023, down $5.70 million as a result of the distribution suspension announced in February 2024.

Additionally, in 2023 we repaid our Class C LP units using a proceeds from a new mortgage, reducing repayment on Class C units to $1.65 million in the year (2023 - $16.17 million), positively impacting our cash flow from financing activities $14.52 million.

On December 12, 2024, the REIT redeemed the convertible debentures. The principal amount of the Debentures outstanding was $46.00 million. The redemption of the convertible debenture was funded by a backstop loan agreement entered between Melcor and the REIT, subject to an annual interest rate of 10.75% per annum, payable semi-annually in arrears on June 30 and December 31. In the year, the REIT paid interest in the amount of $0.30 million (2023 - $nil) on the backstop loan to Melcor.

As at December 31, 2024, based on our borrowing base calculation, we have access to $38.57 million of the $50.00 million credit facility and have drawn $23.53 million leaving $15.04 million in undrawn liquidity under our revolving credit facility. We also have additional commitments, including outstanding accounts payable and tenant security deposits and prepayments, reducing our available liquidity to $11.38 million.

The 2024, the distribution suspension enabled the REIT to retain approximately $12.76 million in cash, compared to distributions paid in 2023. If distributions had continued at a rate of $0.04 per unit per month, consistent with 2023, our spend would have exceeded our available liquidity, demonstrating the positive impact of the distribution suspension on the REIT's liquidity.

We believe that due to cash preservation efforts in 2024, which included the distribution suspension earlier in the year, 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 and capital expenditure requirements. We regularly review our credit facility limits and manage our liquidity requirements accordingly.

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 53.6% as at December 31, 2024 (2023 - 50.1% and 56.3% including convertible debentures).

As at December 31, 2024, the REIT's total capitalization was $683.25 million (2023 - $708.54 million), comprised as follows:

($000s)	Dec 31, 2024	Dec 31, 2023
Revolving credit facility[1]	25,000	37,901
Mortgages payable[1]	304,075	314,808
Class C LP Units	19,982	21,630
Backstop loan	46,000	–
Indebtedness, excluding convertible debentures	**395,057**	374,339
Convertible debentures[2]	–	46,000
Indebtedness	**395,057**	420,339
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	**683,253**	708,535
Gross Book Value ("GBV")[4]	**737,596**	746,957
Debt to GBV, excluding convertible debentures (maximum threshold - 60%)[5]	**53.6 %**	50.1 %
Debt to GBV (maximum threshold - 65%)[5]	**53.6 %**	56.3 %

(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. As at December 12, 2024, the Convertible debentures were paid out.
(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 44 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, 2024, 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	2025	2026	2027	2028	2029	Thereafter
Revolving credit facility	25,000	–	25,000	–	–	–	–
Mortgages payable	304,075	94,165	54,346	18,086	33,861	61,298	42,319
Class C LP Units	19,982	9,822	10,160	–	–	–	–
Backstop loan	46,000	8,242	–	37,758	–	–	–
Total	**395,057**	**112,229**	**89,506**	**55,844**	**33,861**	**61,298**	**42,319**
% of portfolio	100.0 %	28.4 %	22.7 %	14.1 %	8.6 %	15.5 %	10.7 %

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 2024, we had six mortgages up for renewal with a maturing principal balance of $43.91 million at an interest rate of 4.09%. In 2024, we refinanced one mortgage with a maturing principal balance of $7.02 million for $11.00 million at a rate of 6.00%, providing additional proceeds of $3.98 million, and renewed five mortgages for a combined total of $35.29 million at a weighted average rate of 5.25%. Included with one of these renewals was a $1.60 million pay down to the principal balance. The REIT continues to monitor its secured debts and proactively engage with lenders in regard to upcoming maturities.

We have a revolving credit facility agreement with two Canadian financial institutions. On May 27, 2024, the REIT formalized the renewal of the credit facility. Under the terms of the amending agreement, the REIT maintains an available credit limit based on the carrying value of specific investment property to a maximum of $50.00 million, available to use for general corporate purposes and acquisitions, including a $5.00 million swing line sub-facility. The facility matures June 1, 2026.

On December 12, 2024, the REIT redeemed its convertible unsecured debenture, having a maturity date of December 31, 2024. The aggregate principal amount of the Debentures outstanding was $46.00 million.

The redemption of the convertible debenture was funded by a backstop loan agreement entered between Melcor and the REIT, subject to an annual interest rate of 10.75% per annum, payable semi-annually in arrears on June 30 and December 31. In the year, the REIT paid interest in the amount of $0.30 million (2023 - $nil).

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	25,000	–	25,000	5.84 %	1.42
Mortgages payable	304,075	304,075	–	4.19 %	3.47
Class C LP Units	19,982	19,982	–	4.90 %	1.18
Backstop loan	46,000	46,000	–	10.75 %	2.94
Total	**395,057**	**370,057**	**25,000**	**5.09 %**	**3.16**

The weighted average interest rate on our debts was 5.09% (December 31, 2023 - 4.52%).

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 cash 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 44 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)	2024	2023
FFO	**18,147**	23,869
Scheduled amortization on mortgages payable	**10,105**	10,467
Scheduled amortization on Class C LP Units	**1,648**	1,911
Debt service coverage ratio(1)	**1.54**	1.93
FFO plus finance costs	**38,595**	43,576
Finance costs(2)	**20,448**	19,707
Finance costs coverage ratio(1)	**1.89**	2.21

(1) Non-GAAP ratio. Refer to the Non-GAAP and Non-Standard Measures section on page 44 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 following table summarizes the trust units issued and the fully diluted number of units outstanding:

	December 31, 2024		December 31, 2023	
Issued and fully paid units ($000s)	**Units**	**$ Amount**	**Units**	**$ Amount**
Balance, beginning of year[1]	**12,963,169**	**127,989**	12,963,169	127,989
Issuance of trust units pursuant to special non-cash distribution	**888,903**	**–**	–	–
Consolidation of trust units	**(888,903)**	**–**	–	–
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
Diluted balance, end of year	**29,088,316**	**288,196**	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. The convertible debentures were all redeemed on December 12, 2024.

Off Balance Sheet Arrangements

As at December 31, 2024, 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 $1.306 million (2023 - $1.36 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, 2024 the loan balance was $2.94 million (2023 - $3.06 million).

Quarterly Results

	2024				2023			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenue ($000s)	**18,118**	17,454	17,858	18,905	18,502	18,285	18,123	18,990
Net income (loss) ($000s)[1]	**(6,665)**	(44,798)	10,514	10,352	(1,616)	7,075	7,198	3,656
Net operating income (NOI)[4]	**11,095**	11,598	11,482	11,661	11,530	11,894	11,689	11,522
Funds from operations (FFO) ($000s)[4]	**2,827**	4,465	5,459	5,396	5,654	6,034	6,173	6,008
Adjusted funds from operations (AFFO) ($000s)[4]	**753**	2,600	3,426	3,352	3,567	3,871	4,081	3,659
Adjusted cash flows from operations (ACFO) ($000s)[4]	**881**	2,729	3,550	3,477	3,691	3,989	4,198	3,776
Per unit metrics								
Earnings (loss) per unit (basic)	**($0.51)**	($3.46)	$0.81	$0.80	($0.12)	$0.54	$0.56	$0.28
FFO (basic)[5]	**$0.10**	$0.15	$0.19	$0.19	$0.19	$0.21	$0.21	$0.21
AFFO (basic)[5]	**$0.03**	$0.09	$0.12	$0.12	$0.12	$0.13	$0.14	$0.13
ACFO (basic)[5]	**$0.03**	$0.09	$0.12	$0.12	$0.13	$0.14	$0.14	$0.13
Annualized distribution rate[3]	**$–**	$–	$–	$0.160	$0.480	$0.480	$0.480	$0.480
FFO Payout Ratio[5]	**–%**	–%	–%	22%	62%	58%	57%	58%
AFFO Payout Ratio[5]	**–%**	–%	–%	35%	98%	90%	86%	95%
ACFO Payout Ratio[5]	**–%**	–%	–%	33%	95%	88%	83%	92%
Period-end closing unit price	**$5.25**	$4.86	$2.77	$3.22	$4.15	$4.55	$4.69	$5.35
Annualized distribution yield on closing unit price (%)[2]	**– %**	– %	– %	4.97 %	11.57 %	10.55 %	10.23 %	8.97 %

(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) Cash distributions from August 2021 to January 2024 were paid out at $0.04 per unit per month from August 2021 to January 2024. Cash distributions were suspended in February 2024.

(4) Non-GAAP financial measure. Refer to the Non-GAAP and Non-Standard Measures section on page 44 for further information.

(5) Non-GAAP ratio. Refer to the Non-GAAP and Non-Standard Measures section on page 44 for further information.

Our quarterly financial results are influenced by factors such as property dispositions, leasing activities, transaction costs related to the agreements with Melcor (see page 2), and fair value adjustments on investment properties, REIT units, and derivative financial instruments..

Fourth Quarter Results

Consolidated Revenue & Net Operating Income

	Three months ended December 31		
($000s)	2024	2023	△%
Base rent	11,797	12,216	(3.4)%
Recoveries	6,648	6,836	(2.8)%
Other	555	494	12.3 %
Amortization of tenant incentives	(781)	(956)	(18.3)%
Straight-line rent adjustment	(101)	(88)	14.8 %
Rental revenue	18,118	18,502	(2.1)%
Operating expenses	4,116	4,162	(1.1)%
Utilities and property taxes	3,789	3,854	(1.7)%
Direct operating expenses	7,905	8,016	(1.4)%
Net rental income	10,213	10,486	(2.6)%
NOI(1)	11,095	11,530	(3.8)%
Same-asset NOI(1)	9,996	10,169	(1.7)%
Operating margin(2)	56.4 %	56.7 %	(0.5)%

(1) Non-GAAP financial measure. Refer to the Non-GAAP and Non-Standard Measures section on page 44 for further information.
(2) Supplementary financial measure. Refer to the Non-GAAP and Non-Standard measures section on page 44 for further information.

Financial Highlights for the Quarter

- Revenue was down 2.1% to $18.12 million (Q4-2023 - $18.50 million).
- NOI was down 3.8% to $11.10 million (Q4-2023 - $11.53 million).
- FFO was down 50.0% to $2.83 million or $0.10 per unit (Q4-2023 - $5.65 million or $0.19 per unit).
- ACFO was down to $0.88 million or $0.03 per unit (Q4-2023 - $3.69 million or $0.13 per unit).

Fourth quarter rental revenue was down 2.1% over Q4-2023. Direct operating expenses were down 1.4% over Q4-2023. NOI and same-asset NOI were down 3.8% and 1.7% respectively over Q4-2023 due to lower rental revenue offset by lower operating costs over the comparative period. Same-asset NOI was adjusted to remove the properties sold and the properties classified as held for sale at year-end.

In the quarter, we closed on the sale of two properties including:

- Lethbridge Industrial (sold: October 1, 2024); a 49,000 sf Industrial property located in Lethbridge, AB, for gross proceeds of $4.50 million, or net proceeds of $4.34 million after transaction costs.
- Parliament Place (sold: November 22, 2024); a 25,000 sf office property located in Regina, SK, for gross proceeds of $5.00 million, or net proceeds of $4.83 million after transaction costs.

REIT and Melcor entered into an Amended and Restated Arrangement Agreement on November 25, 2025, which provides for, among other things, consideration of $5.50 per unit and a new and extended 90-day "go-shop" period which expired on February 24, 2025. For additional information on the strategic review process, and agreement with Melcor refer to the Strategic Review Process section on page 2.

General & Administrative Expense

	Three months ended December 31		
($000s)	2024	2023	△%
Asset management fee	462	472	(2.1)%
Professional fees	2,243	134	1,573.9 %
Public company costs	196	111	76.6 %
Other	116	101	14.9 %
	3,017	818	268.8 %

G&A expenses in Q4-2024 were up 268.8% over Q4-2023. This increase is the result of higher public company costs associated with the establishment of the Independent Committee and higher professional fees, including legal and advisory costs, incurred in connection with agreements entered into between Melcor and the REIT as described further inthe Strategic Review Process section on page 2.

Asset management fees are paid quarterly to Melcor to manage the REIT assets. Due to dispositions throughout 2023 and 2024, the asset management fee has decreased year over year.

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 Q4-2024 G&A was 16.7% of revenue.

Finance Costs

	Three months ended December 31		
($000s)	**2024**	**2023**	△%
Interest on mortgages payable and revolving credit facility	**3,601**	3,722	(3.3)%
Interest on Class C LP Units	**246**	269	(8.6)%
Interest on convertible debentures	**475**	587	(19.1%)
Interest on backstop loan	**298**	–	NA
Defeasance costs	**135**	–	NA
Accretion on convertible debentures	**128**	124	3.2%
Fair value adjustment on derivative instruments	**(206)**	2,400	(108.6)%
Amortization of deferred financing fees	**306**	284	7.7 %
Finance costs before distributions	**4,983**	7,386	(32.5%)
Distributions on Class B LP Units	**–**	1,935	(100.0)%
Finance costs	**4,983**	9,321	(46.5)%

Finance costs for the fourth quarter were down $4.34 million or 46.5% compared to Q4-2023. Excluding non-cash fair value adjustments on derivative instruments, finance costs were down 25.0% or $1.73 million.

In February 2024 cash distributions were suspended. The suspension impacted both our Class A LP units (trust units) where distributions are recorded through equity, as well as Class B LP Units where distributions are recorded as a finance cost, as shown above. In Q4-2023 we recorded $1.94 million in finance costs related to distributions; none were recorded in Q4-2024.

Interest paid on convertible debentures was down 19.1% or $0.11 million in the quarter as the debentures were redeemed on December 12, 2024, for the aggregate principal amount of $46.00 million. The redemption was funded by a backstop loan agreement between Melcor and the REIT, subject to an annual interest rate of 10.75% per annum, payable semi-annually in arrears on June 30 and December 31. In the quarter, the REIT paid interest in the amount of $0.30 million (Q4-2023 - $nil).

Finance costs before distributions and excluding fair value adjustments were up 4.1% over Q4-2023 at $5.19 million (2023 - $4.99 million) as we continue to renew mortgages at higher rates.

FFO & AFFO

($000s, except per unit amounts)	Three months ended December 31 2024	2023	△%
Net loss for the period	(6,665)	(1,616)	
Add (deduct)			
Fair value adjustment on investment properties	2,628	8,429	
Fair value adjustment on Class B LP Units	6,289	(6,450)	
Amortization of tenant incentives	781	956	
Distributions on Class B LP Units	–	1,935	
Fair value adjustment on derivative instruments	(206)	2,400	
Funds From Operations (FFO)(1)	2,827	5,654	(50.0)%
Add (deduct)			
Straight-line rent adjustments	101	88	
Normalized capital expenditures	(750)	(750)	
Normalized tenant incentives and leasing commissions	(1,425)	(1,425)	
Adjusted Funds from Operations (AFFO)(1)	753	3,567	(78.9)%
FFO/Unit(2)	$0.10	$0.19	
AFFO/Unit(2)	$0.03	$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 44 for further information.
(2) Non-GAAP ratio. Refer to the Non--GAAP and Non-Standard Measures section on page 44 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 50.0% over Q4-2023. The largest contributing factor was due to an increase in general and administrative expenses, up 268.8% $2.20 million over Q4-2023 as previously discussed. AFFO was down 78.9% over Q4-2023 as a result of the increase in general and administrative expenses, with a reduction in base rent and recoveries down slightly over 2023 due to property disposals in current and comparative period. There were no distributions to Class B LP unitholders in the fourth quarter (2023 - $1.56 million).

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

($000s, except per unit amounts)	Three months ended December 31 2024	2023	△%
Cash flows from operations	784	3,197	(75)%
Distributions on Class B LP Units	–	1,935	
Actual payment of tenant incentives and direct leasing costs	931	4,158	
Changes in operating assets and liabilities	1,647	(3,140)	
Amortization of deferred financing fees	(306)	(284)	
Normalized capital expenditures	(750)	(750)	
Normalized tenant incentives and leasing commissions	(1,425)	(1,425)	
Adjusted Cash Flows from Operations (ACFO)(1)	881	3,691	(76)%
ACFO/Unit(2)	$0.03	$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 44 for further information.
(2) Non-GAAP ratio. Refer to the Non-GAAP and Non-Standard Measures section on page 44 for further information.
(3) The diluted weighted average number of units includes Trust Units, Class B LP Units.

Outlook

Strategic Review Process

In February 2024, the REIT established an Independent Committee to oversee a broad-based strategic review with a focus on unlocking unitholder value. The Independent Committee retained BMO as financial advisor to evaluate a broad range of strategic alternatives for the purpose of maximizing unitholder value.

On September 12, 2024, Melcor and the REIT announced that they entered into the Arrangement Agreement with the GP pursuant to which, among other steps, Melcor would acquire its unowned equity interest (approximately 44.6%) in REIT LP for $4.95 per unit in cash consideration. Melcor's unowned equity interest in REIT LP comprises all the REIT LP's outstanding Class A LP Units (approximately 13.0 million units). The REIT would use the proceeds from the REIT LP Sale to redeem and cancel all of the REIT's participating trust units.

On November 25, 2024, the REIT, the GP and Melcor entered into an Amended Agreement, which provides for, among other things, consideration of $5.50 per unit, which is $0.55 per Unit or an 11% increase over the prior consideration. Pursuant to the Amended Agreement, the REIT had a 90-day "go-shop" period that extended from November 25, 2024 to February 24, 2025, during which it was permitted to solicit third-party interest in submitting a proposal which is superior to the proposal made by Melcor. Melcor did not have the right to match a superior proposal and agreed to sell its interest in the REIT under any superior proposal that was accepted by the Independent Committee, subject to certain terms as set out in the Amended Agreement, including the termination of and release under all agreements between the Purchaser and the REIT. The Amended Agreement also includes customary provisions, including non-solicitation by the REIT of alternative transactions following the conclusion of the Go-Shop Period, and a $5.8 million termination fee payable to Melcor under certain customary circumstances, including in the event the REIT is successful in soliciting a superior proposal. In addition, Melcor has agreed to (i) forego all termination and change of control payments it would otherwise be entitled to under the property management and asset management agreements in the event of a superior proposal; and (ii) reimburse the REIT for the reasonable costs and expenses incurred by it in connection with the New Arrangement (including all financial advisor costs and legal costs), subject to certain exceptions. The go-shop process has since ended. No superior proposal was received.

The transaction pursuant to the Amended Agreement is structured as a statutory plan of arrangement under the Business Corporations Act (Alberta). The New Arrangement provides for a distribution by the REIT to Unitholders of record immediately prior to closing in an amount equal to the REIT's estimate of its taxable income, including taxable income to be allocated from the REIT LP to the REIT, in its current taxation year. Such distribution will be payable by the issuance of additional Units which will immediately be consolidated.

Completion of the New Arrangement, which is expected to occur in the second quarter of 2025 is subject to various closing conditions, including, without limitation, Court approval including the approval of at least (i) two-thirds (66 2/3%) of the votes cast by Voting Unitholders present in person or represented by proxy at the New Meeting (each holder of Units and special voting units being entitled to one vote per Unit or special voting unit, as applicable) and (ii) the majority of the holders of Units present in person or represented by proxy at the New Meeting, excluding the votes of the Purchaser and any other Voting Unitholders whose votes are required to be excluded for the purposes of "minority approval" under Multilateral Instrument 61-101 – Protection of Minority Security Holders in Special Transactions. Further details regarding the applicable voting requirements will be contained in a new management information circular (the "New Circular") to be filed with applicable regulatory authorities and mailed to Voting Unitholders in connection with the New Meeting to approve the New Arrangement.

On March 5, 2025, the REIT and Melcor announced jointly that they have entered into voting support agreements with each of Telsec Property Corporation, Richard Van Grieken, Bonnie Van Grieken and Kris Van Grieken (collectively, the "Telsec Group") and FC Private Equity Realty Management Corp. and its affiliates (collectively, the "FC Group") in connection with Melcor's proposed acquisition of Melcor REIT. Pursuant to the voting support agreements, each of the Telsec Group and the FC Group have, among other things, agreed to vote (or cause to be voted) all of the Trust Units owned by them, or over which they have control or direction, in favour of the New Arrangement at the New Meeting currently scheduled for April 11, 2025. The Voting Support Agreements contain customary representations, warranties, covenants and termination provisions for agreements of this nature. The Telsec Group and the FC Group collectively own or exercise control or direction over approximately 4,057,515 Trust Units.

Distribution Suspension

On February 22, 2024, we announced the suspension of the monthly cash distributions. In light of the uncertainties surrounding the REIT's capital and property market conditions, management and the Board carefully conducted a comprehensive review of the REIT's capital structure and operations to ensure the long-term viability of the REIT's cash flow and preserve value for its unitholders. As a result, the REIT determined that a suspension of the distribution was warranted and the Board believes this decision was prudent and in the best interests of the REIT and its unitholders

On December 20, 2024, a special non-cash distribution in the amount of $0.36 per outstanding trust unit was declared payable to unitholders of record as at December 31, 2024. Immediately following the special distribution, the number of outstanding trust units were consolidated so that each unitholder will hold exactly the same number of trust units after the consolidation as each unitholder held immediately prior to the special distribution. The amount of the special distribution was equal to the REIT's estimated taxable income and capital gains for the 2024 taxation year net of any deductions available to the REIT from cash distributions made in the year. The special distribution was intended to reduce the REIT's taxable income for the 2024 taxation year to nil.

As at December 31, 2024, based on our borrowing base calculation, we have access to $38.57 million of the $50.00 million credit facility and have drawn $23.53 million leaving $15.04 million in undrawn liquidity under our revolving credit facility. We also have additional commitments, including outstanding accounts payable and tenant security deposits and prepayments, reducing our available liquidity to $11.38 million.

The 2024, the distribution suspension enabled the REIT to retain approximately $12.76 million in cash, compared to distributions paid in 2023. If distributions had continued at a rate of $0.04 per unit per month, consistent with 2023, our spend would have exceeded our available liquidity, demonstrating the positive impact of the distribution suspension on the REIT's liquidity.

As at March 6, 2025, we support $38.22 million of the $50.00 million credit facility, down $0.35 million since year end (December 31, 2024 - $38.57 million) which is the result of lower overall NOI on properties pledged on the facility.

Operations
We own a 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 86.5% compared to 87.6% at the end of the 2023. 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 10.8% of total GLA expiring in 2025, 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
2025	–	84,695	8,828	**93,523**	176,000	53 %	6.48 %
2026	25,000	47,453	9,670	**82,123**	203,200	40 %	2.91 %
2027	–	12,235	–	**12,235**	15,400	79 %	4.81 %
2028	–	28,661	–	**28,661**	56,750	51 %	4.28 %
2029	–	56,975	–	**56,975**	173,600	33 %	4.04 %
Thereafter	–	39,180	–	**39,180**	102,300	38 %	2.98 %
Total	25,000	269,199	18,498	**312,697**	727,250		

Over the next twelve months, seven mortgages are up for renewal with a maturing principal balance of $84.70 million with a weighted average interest rate of 6.48%, and one Class C LP Units with an interest rate of 6.68% maturing in May 2025. 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.

U.S. tariffs on Canadian goods could pose significant risks to the Canadian, and more specifically Alberta economy. Alberta relies heavily on exports, particularly in oil, gas, and agriculture, so higher tariffs would make its products more expensive and less competitive in the U.S. market. The energy sector could see reduced profitability and investment, while farmers could lose access to key markets. This could lead to revenue losses, job cuts, and slower economic recovery, especially as Alberta continues to rebound from the pandemic.

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, 92% is located in Alberta at December 31, 2024. 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, 2024.

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
2025	85	320,683	10.5 %	$15.58
2026	96	327,964	10.8 %	$20.20
2027	73	340,104	11.2 %	$16.07
2028	94	471,748	15.5 %	$17.84
2029	68	272,047	8.9 %	$20.87
Thereafter	135	903,124	29.6 %	$15.66
Vacant Space	–	410,780	13.5 %	–
	551	**3,046,450**	**100.0 %**	

The following table illustrates the 2025 maturities by portfolio type and geographic area:

Property Type	Northern Alberta	Southern Alberta	Saskatchewan	Total
Retail	10,091	–	–	**10,091**
Office	98,841	18,686	86,158	**203,685**
Industrial	82,902	16,696	7,309	**106,907**
	191,834	**35,382**	**93,467**	**320,683**

2025 lease maturities includes 7 sf of leases (25 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 2025 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	4.2 %	93,928	3.1 %	11	4	---
2	Staples	3.5 %	96,891	3.2 %	6	3	---
3	Shoppers Drug Mart	3.1 %	44,228	1.5 %	4	3	BBB/-/BBB(high)
4	NDT Global	2.8 %	44,328	1.5 %	1	1	---
5	BasinTek LLC	2.6 %	88,699	2.9 %	9	1	---
6	Fountain Tire Ltd	2.3 %	33,031	1.1 %	5	1	---
7	Canadian Brewhouse	1.9 %	24,348	0.8 %	5	4	---
8	RONA	1.8 %	92,207	3.0 %	2	2	BBB+/Baa1/BBB(high)
9	TD Bank	1.6 %	25,675	0.8 %	4	4	AA-/Aa2/AA(high)
10	Michaels of Canada	1.5 %	41,646	1.4 %	3	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 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.

Arrangement Agreement with Melcor

Voting Unitholders should consider a number of risk factors relating to the Arrangement Agreement with Melcor and the REIT. Additional risks and uncertainties, including those currently unknown to or considered immaterial by the REIT may also adversely affect the Unitholders, the Arrangement and the REIT. The following risk factors are not an exhaustive list of all risk factors associated with the Arrangement Agreement, the Arrangement and related matters. Capitalized terms not otherwise defined have the definitions in the Amending Agreement filed on SEDAR+ at sedarplus.ca.

Please refer to the management information circular to be filed in connection with the New Meeting in respect of the New Arrangement for additional risk factors, which will be mailed to holders of Units and Special Voting Units and available on SEDAR+ at sedarplus.ca.

Risks Relating to the Arrangement:

a. *The Arrangement is Subject to Satisfaction or Waiver of a Number of Conditions*

   The completion of the Arrangement is subject to a number of conditions precedent, some of which are outside of the control of the REIT and Melcor, including, without limitation, receipt of Voting Unitholder Approval, the Final Order and Dissent Rights not having been validly exercised by holders of greater than 10% of the issued and outstanding Units. There can be no certainty, nor can the REIT provide any assurance, that all conditions precedent to the Arrangement will be satisfied or waived, or, if satisfied or waived, when they will be satisfied or waived, and as such, completion of the Arrangement is uncertain. A substantial delay in satisfying the conditions precedent to the Arrangement could have a material adverse effect on the operations, financial condition or results of operations of the REIT or result in the termination of the Arrangement Agreement.

   Since the Arrangement constitutes a "business combination" under MI 61-101, to be effective, the Arrangement Resolution must be approved by a majority of the votes cast by disinterested Voting Unitholders entitled to vote in person or represented by proxy at the Meeting. This approval is in addition to the requirement that the Arrangement Resolution be approved by at least two-thirds of the votes cast by Voting Unitholders present in person or represented by proxy at the Meeting. There can be no certainty, nor can the REIT provide any assurance, that the requisite Voting Unitholder Approval will be obtained. If such approval is not obtained and the Arrangement is not completed, the market price of the Units may decline.

b. Occurrence *of a Material Adverse Effect*

The completion of the Arrangement is subject to the condition that, among other things, there shall not have occurred Material Adverse Effect in respect of the REIT. Although a Material Adverse Effect excludes certain events, including events in some cases that are beyond the control of the REIT, there can be no assurance that a Material Adverse Effect will not occur prior to the Effective Time. If such a Material Adverse Effect occurs, the Arrangement may not proceed.

c. *Conduct of the REIT's Business*

Except in certain circumstances (including as a direct or indirect consequence of any approval by, or action taken (or omitted to be taken) by Melcor (excluding a Permitted Action), in any of its Capacities, or its Representatives), pursuant to the terms of the Arrangement Agreement, prior to the completion of the Arrangement or the termination of the Arrangement Agreement, the REIT shall, and shall, to the extent it has the ability to do so, cause the Limited Partnership to conduct its business in the Ordinary Course and in accordance with applicable Law in all material respects and to the extent consistent with the foregoing, preserve intact the current business organization of the REIT and its Subsidiaries and, to the extent it has the ability to do so, the Joint Ventures. In addition, prior to completion of the Arrangement or termination of the Arrangement Agreement, the REIT and its Subsidiaries are subject to certain covenants prohibiting or restricting such parties from taking certain actions which may delay or prevent the REIT from pursuing certain business opportunities that may arise or preclude actions that would otherwise be advisable if the REIT were to remain a publicly traded issuer. These covenants cover a broad range of activities and business practices. Consequently, it is possible that a business opportunity will arise that is out of the ordinary course or is not consistent with past practices, and that neither the REIT nor its Subsidiaries will be able to pursue or undertake the opportunity due to its covenants.

d. *Termination of the Arrangement Agreement*

Each of the REIT and Melcor have the right, in certain circumstances, to terminate the Arrangement Agreement. Accordingly, there can be no certainty, nor can the REIT provide any assurance, that the Arrangement Agreement will not be terminated by either Party prior to the completion of the Arrangement. Further, if the Arrangement Agreement is terminated, under certain circumstances the REIT may be required to pay the REIT Termination Fee. Failure to complete the Arrangement could materially negatively impact the market price of the Units.

e. Another Strategic Transaction May Not Be Available

If the Arrangement is not completed, there can be no assurance that the REIT will be able to find a party willing to pay an equivalent or greater price than the price to be provided by Melcor pursuant to the terms of the Arrangement Agreement or willing to proceed at all with a similar transaction or any alternative transaction. Moreover, the REIT may experience difficulty in securing an alternative transaction with a third party given Melcor's significant ownership and control position in the REIT.

f. *Restrictions on the REIT's Ability to Solicit Acquisition Proposals from Other Potential Purchasers*

While the Original Arrangement Agreement and Arrangement Agreement permitted the REIT to solicit alternative proposals during the Initial Go-Shop Period and Go-Shop Period, respectively, following the Go-Shop Period the REIT is restricted from soliciting third parties to make an Acquisition Proposal and from negotiating or engaging with, or furnishing non-public information to, any third parties in respect of an Acquisition Proposal, except in limited circumstances. Further, the Arrangement Agreement requires that in order to constitute a Superior Proposal, among other conditions, an Acquisition Proposal must result in a transaction more favourable from a financial point of view to Unitholders than the Arrangement. Finally, given Melcor's holdings of the REIT, potential bidders may be discouraged from making an offer on terms more favourable than the Arrangement due to a concern that Melcor could reject a proposed transaction.

g. *The REIT Termination Fee may Discourage Other Parties from Making a Superior Proposal*

Pursuant to the Arrangement Agreement, as a condition to entering into a definitive agreement in respect of a Superior Proposal, the REIT may be required to pay Melcor the REIT Termination Fee. While this term is typical in a transaction such as the Arrangement, the REIT Termination Fee may discourage other parties from making a Superior Proposal, even if they would otherwise have been willing to acquire the REIT on more favourable terms than the Arrangement. A REIT Termination Fee could also become payable by the REIT in circumstances in which it does not have a party willing to pay such amount on behalf of the REIT (for instance, if there is no alternative transaction available). In such circumstance, the REIT may not otherwise have funds available to satisfy such payment, in which case the REIT would be in default of this obligation, which could result in a material adverse effect on the REIT's business, financial condition and results of operations.

h. *Even if the Arrangement Agreement is Terminated Without Payment of a REIT Termination Fee, the REIT may, in the Future, be Required to Pay a Termination Fee in Certain Circumstances*

Under the Arrangement Agreement, the REIT may be required to pay a REIT Termination Fee to Melcor at a date subsequent to the termination of the Arrangement Agreement if the Arrangement Agreement is terminated by the REIT or Melcor for failure to obtain the requisite Voting Unitholder Approval or for occurrence of the Outside Date, if: (i) prior to such termination, a *bona fide* Acquisition Proposal is made or publicly announced, or any Person publicly announces an intention to make an Acquisition Proposal other than Melcor (or any Affiliate of Melcor); and (ii) within nine (9) months of such termination, the REIT enters into a definitive agreement in respect of such Acquisition Proposal which is subsequently completed (provided that, for the purpose of clause (ii), references to "20%" in the definition of "Acquisition Proposal" being deemed to be references to "50%").

i. *The Pending Arrangement may Divert the Attention of the REIT's Management*

The pending Arrangement could cause the attention of the REIT's management to be diverted from the day-to-day operations. Such diversions could be exacerbated by a delay in the completion of the Arrangement and could result in lost opportunities or negative impacts on performance, which could have a material and adverse effect on the business, operating results or prospects of the REIT regardless of whether the Arrangement is ultimately completed.

j. *Uncertainty Surrounding the Arrangement Could Adversely Affect the REIT's Retention of Tenants and Suppliers*

The Arrangement is dependent upon satisfaction of various conditions, and as a result, its completion is subject to uncertainty. In response to this uncertainty, the REIT's tenants and suppliers may delay or defer decisions concerning the REIT. Any change, delay or deferral of those decisions by tenants and suppliers could negatively impact the REIT's business, operations and prospects, regardless of whether the Arrangement is ultimately completed.

k. *Risks Related to Tax Matters*

Although management of the REIT is of the view that all expenses to be claimed by the REIT will be reasonable and deductible, there can be no assurance that the CRA will agree. If the CRA successfully challenges the REIT in such respect, this may affect the Canadian federal income tax considerations described herein.

The Arrangement will generally be a taxable transaction for Canadian federal income tax purposes (and may also be a taxable transaction under other applicable tax Laws) and, as a result, Unitholders may be required to pay taxes on any income or capital gains that result from the receipt of the amount paid pursuant to the Special Distribution or the Per Unit Consideration. The actual consideration to be received by Unitholders in connection with the Arrangement depends, in part, on whether there are any Pre-Arrangement Distributions made by the REIT, or any applicable taxes required to be withheld. The actual consideration to be distributed to Unitholders could be materially different from the expected amounts disclosed in this Circular.

Management of the REIT currently anticipates that the amount of its Taxable Income that will be paid or made payable by the REIT to Unitholders pursuant to the Special Distribution

The actual consideration to be received by Unitholders in connection with the Arrangement depends, in part, on whether there are any Pre-Arrangement Distributions made by the REIT, or any applicable taxes required to be withheld. The actual consideration to be distributed to Unitholders could be materially different from the expected amounts disclosed.

In the event that the Arrangement is not completed during the year ended December 31, 2025 or at all, the Taxable Income of the REIT for its December 31, 2025 taxation year and any subsequent taxation periods will still be allocated to the Unitholders and the amount of such allocations will depend upon a number of factors, including, without limitation, the amounts paid or payable, or deemed to be paid or payable, by the REIT to the Unitholders in such taxation years, the timing of distributions from the Limited Partnership as a result of the disposition of property or assets or otherwise, the characterization of any gain (or loss) realized by the REIT or any of its Subsidiaries on a disposition of property or assets as either a capital gain (or capital loss) or ordinary income (or ordinary loss) from income generating activities and certain tax attributes of the REIT and its Subsidiaries.

l. *Risks Related to Securities Class Actions, Derivative Lawsuits and Other Legal Claims*

The REIT and Melcor may be the target of securities class actions and derivative lawsuits which could result in substantial costs and may delay or prevent the Arrangement from being completed. Securities class action lawsuits and derivative lawsuits may be brought against companies that have entered into an agreement to acquire a public company or to be acquired. Third parties may also attempt to bring claims against the REIT or Melcor seeking to restrain the Arrangement or seeking monetary compensation or other remedies. Even if the lawsuits are without merit, defending against these claims can result in substantial costs and divert management time and resources. Additionally, if a plaintiff is successful in obtaining an injunction prohibiting consummation of the Arrangement, then that injunction may delay or prevent the Arrangement from being completed.

m. *Negative Publicity*

Public attitudes towards the Arrangement could result in negative press coverage and other adverse public statements affecting the REIT. Adverse press coverage and other adverse statements could lead to investigations by regulators, legislators and law enforcement officials or in legal claims, or otherwise negatively impact the ability of the REIT to take advantage of various business and market opportunities. The direct and indirect effects of negative publicity, and the demands of responding to and addressing it, may have a material adverse effect on the REIT's business, financial condition and results of operations.

n. *Fees, Costs and Expenses of the Arrangement Not Recoverable*

The REIT expects to incur a number of non-recurring transaction-related costs associated with the Arrangement which will be incurred whether or not the Arrangement is completed. If the Arrangement is not completed, the REIT will not receive any reimbursement from Melcor for any of the fees, costs and expenses it has incurred in connection with the Arrangement, other than the expenses of the Independent Committee's financial advisor in connection with preparation of the Updated Ventum Formal Valuation and Fairness Opinion in accordance with the terms of the Arrangement Agreement. Such other fees, costs and expenses include, without limitation, legal fees, financial advisor fees, depositary fees, proxy solicitation fees, and printing and mailing costs, which will be payable whether or not the Arrangement is completed and are substantial and could have an adverse effect on the REIT's future results of operations, cash flows and financial condition.

o. *Trustees and Senior Officers of the REIT may have Interests in the Arrangement that are Different from those of Voting Unitholders*

In considering the recommendation of the REIT Board (with the Cross Trustee abstaining) to vote FOR the Arrangement Resolution, Voting Unitholders should be aware that certain Trustees and officers of the REIT have interests in connection with the Arrangement that differ from, or are in addition to, those of Voting Unitholders generally as a result of the Cross Trustees, being Mr. Andrew Melton, Ms. Stefura and Mr. Young, in addition to being trustees and/or officers of the REIT, directors and/or officers of Melcor.

The REIT Board established an Independent Committee comprised of independent Trustees to evaluate the Arrangement and advise the full REIT Board on whether the Arrangement is in the best interests of the REIT and its stakeholders, and is fair to Unitholders. The unanimous recommendation of the REIT Board (with the Cross Trustees abstaining) was based, in part, on the unanimous recommendation of the Independent Committee that the Arrangement is fair, from a financial point of view, to the Unitholders. Nevertheless, Voting Unitholders should consider these interests in connection with their vote on the Arrangement Resolution.

Risks if the Arrangement is not Completed

a. *Risks of Non-Completion of the Arrangement on the Business of the REIT*

There are risks to the REIT of the Arrangement not being completed, including the costs to the REIT incurred in pursuing the Arrangement, the consequences and opportunity costs of the suspension of strategic pursuits of the REIT in accordance with the terms of the Arrangement Agreement and the risks associated with the temporary diversion of management's attention away from the conduct of the REIT 's business in the ordinary course. If the Arrangement is not completed for any reason, there are risks that the announcement of the Arrangement and the dedication of substantial resources of the REIT to the completion thereof could have a negative impact on the REIT's current business relationships and could have a material adverse effect on the current and future operations, financial condition, results of operations, and prospects of the REIT. If the Arrangement is not completed and the REIT Board decides to seek an alternative transaction, there can be no assurance that it will be able to find a party willing to pay consideration for the Units that is equivalent to, or more attractive than, the Per Unit Consideration to be received by the Unitholders pursuant to the Arrangement. Certain costs related to the Arrangement, such as legal costs, and certain financial advisor fees, must be paid by the REIT even if the Arrangement is not completed. Failure to complete the Arrangement or a change in the terms of the Arrangement could each have a material adverse effect on the REIT's business, financial condition and results of operations.

Without limiting the generality of the foregoing, if the Arrangement is not completed, absent an alternative strategic or financing transaction completed in the short term (which at present is uncertain given that the REIT already completed a strategic review process and go-shop process and evaluated the options available to it), the REIT will continue to face the risks that it currently faces with respect to its affairs, business and operations and future prospects, and elsewhere in these Risk Factors. Such an alternative strategic or financing transaction may not be available, or may not be available on terms acceptable to the REIT, which could have a material adverse effect on the REIT's on-going operations.

b. *Failure to Complete the Arrangement Could Negatively Impact the Unit Price*

If the Arrangement is not completed, the market price of the Units may be materially adversely affected to the extent that the current market price reflects a market assumption that the Arrangement will be completed.

c. *Risk of Default under the Backstop Loan Agreement*

To hedge against the risk that the Arrangement would not be completed prior to the maturity date of the Debentures, being December 31, 2024, the REIT negotiated the Backstop Loan Agreement, as amended by an amending agreement dated December 12, 2024, which permitted the REIT, through the Limited Partnership, as borrower, to borrow the Debenture Repayment Amount from Melcor. On December 12, 2024, the REIT redeemed all of the issued and outstanding Debentures in accordance with their terms pursuant to a notice of redemption to the holders of the Debentures issued by the REIT on November 7, 2024. In accordance with the terms of the Backstop Loan Agreement, the Limited Partnership loaned the REIT the Debenture Repayment Amount in final satisfaction of amounts owing pursuant to the Debenture Proceeds Note. The Debenture Repayment Amount bears interest at a rate of 10.75% per annum. If the REIT is unable to repay the Debenture Repayment Amount or an event of default occurs in respect of the Backstop Loan Agreement, it could have a material adverse effect on the REIT's business, cash flows, financial condition and operations.

d. *Ability to Access Public and Private Capital*

The REIT's business requires additional and ongoing financing. There can be no assurance that the additional capital or other types of financing will be available or that, if available, the terms of such financing will be favourable to the REIT or its Subsidiaries or Affiliates. If the Arrangement is not completed, risks may materialize (including, but not limited to, default under the Senior Credit Agreement or Backstop Loan Agreement and requirement to fund a REIT Termination Fee) and may materially and adversely affect the REIT's business, financial results and the price of the Units. This could result in the delay or indefinite postponement of the REIT's current business objectives or the REIT ceasing to carry on business. If the REIT is able to raise additional debt financing, payment of the associated interest costs is likely to impose a substantial financial burden on the REIT and may involve restrictions on its financing and operating activities. Debt financing may be convertible into securities of the REIT which may result in immediate or resulting dilution. In either case, additional financing may not be available to the REIT.

e. *Viability, Liquidity and Capital Constraints*

Prior to executing the Original Arrangement Agreement and the Arrangement Agreement, the Independent Committee, with the assistance of its legal and financial advisors, conducted a careful review of the REIT's ability to remain a viable publicly traded real estate investment trust and the potential risks and impact on Unitholders related thereto. This analysis was conducted primarily on the current operating environment for office real estate characterized by declining market rents, increasing market vacancies, increasing operating and leasing costs to retain existing tenants or attract new tenants, specifically related to the REIT's office portfolio which comprises 48.9% of the REIT's gross leasable area. These factors in combination with the REIT's limited existing liquidity profile, mortgages and credit facilities, as well as headwinds associated with accessing meaningful additional debt capital funding and headwinds associated with the REIT's ability to access the equity capital markets, demonstrated that there are material risks to the REIT's business. In addition, the REIT has had limited success in its efforts to sell properties publicly listed for sale with real estate brokers throughout 2023 and 2024 (particularly with respect to its properties in Saskatchewan), adding to the risks associated with the REIT's ability to remain a viable publicly traded real estate investment trust. Such risks impose significant time and capital impediments to the REIT's ability to sustain Unitholder equity value, further exacerbated by the headwinds in the REIT's current operating environment.

f. *Risks Relating to the REIT*

If the Arrangement is not completed, the REIT will continue to face the risks that it currently faces with respect to its affairs, business and operations and future prospects. Such risk factors are set forth and described in the REIT's Annual Information Form for the year ended December 31, 2024 which is available under the REIT's issuer profile on SEDAR+ at www.sedarplus.ca.

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.

Unitholders are urged to consult their own tax advisors to determine the particular tax effects to them of the Arrangement Agreement should it proceed, and any other consequences to them in connection with the Arrangement under Canadian federal, provincial, or local tax laws and under foreign tax laws, having regard to their own particular circumstances.

Insurance

The REIT maintains insurance coverage for cyber risks, director & officer liability, comprehensive general liability, fire, flood, extended coverage and rental loss 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 has 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 2024, we had three joint arrangements (2023 - 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, 2024	Dec 31, 2023
Revenue	**5,610**	5,536
Earnings	**3,973**	1,928
Assets	**67,939**	66,620
Liabilities	**29,421**	32,021

Joint arrangement activity at 100% ($000s)	Dec 31, 2024	Dec 31, 2023
Revenue	**11,220**	11,072
Earnings	**7,946**	3,856
Assets	**135,878**	133,240
Liabilities	**58,842**	64,042

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

Please refer to ***note 5*** within the consolidated financial statements for information pertaining to the new and amended accounting standards.

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, 2024. 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, 2024.

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, 2024, 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 6, 2025, 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)	**2024**	**2023**	△%	**2024**	**2023**	△%
Net income/(loss)	**(6,665)**	(1,616)		**(30,597)**	16,313	
Net finance costs	**4,944**	9,305		**21,977**	28,685	
Fair value adjustment on Class B LP Units	**6,289**	(6,450)		**17,738**	(22,253)	
Fair value adjustment on investment properties	**2,628**	8,429		**25,515**	16,794	
General and administrative expenses	**3,017**	818		**6,640**	3,112	
Amortization of tenant incentives	**781**	956		**3,879**	3,975	
Straight-line rent adjustment	**101**	88		**684**	9	
NOI	**11,095**	11,530	(3.8)%	**45,836**	46,635	(1.7)%

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 16.

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 16.

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 16.

***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 16.

Adjusted cash flows from operations (ACFO): ACFO 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 16.

***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 16.

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 16.

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 22.

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 22.

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 22.

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)	**2024**	**2023**	△%	**2024**	**2023**	△%
Net income/(loss)	**(6,665)**	(1,616)		**(30,597)**	16,313	
Fair value adjustment on Class B LP Units	**6,289**	(6,450)		**17,738**	(22,253)	
Fair value adjustment on investment properties	**2,628**	8,429		**25,515**	16,794	
Fair value adjustment on derivative instruments	**(206)**	2,400		**967**	1,300	
Income before fair value adjustment	**2,046**	2,763	(26)%	**13,623**	12,154	12 %

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).