Management's Discussion & Analysis

July 30, 2024

The following Management's Discussion and Analysis (MD&A) of Melcor Real Estate Investment Trust's (the REIT) results should be read in conjunction with the unaudited condensed interim consolidated financial statements and related notes for the quarter ended June 30, 2024 and the MD&A and consolidated financial statements and related notes for the year ended December 31, 2023. The discussion outlines strategies and provides analysis of our financial performance for the second quarter of 2024.

The underlying financial statements in this MD&A, including 2023 comparative information, have been prepared in accordance with IFRS Accounting Standards applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting. All dollar amounts included in this MD&A are Canadian dollars unless otherwise specified.

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

The REIT's Board of Trustees, on the recommendation of the Audit Committee, approved the content of this MD&A on July 30, 2024. Disclosure contained in this MD&A is current to July 30, 2024, unless otherwise indicated.

Regulatory Filings

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

Non-GAAP and 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, courses of action and include future-oriented financial information.

This MD&A and other materials filed with the Canadian securities regulators contain statements that are forward-looking. These statements represent the REIT's intentions, plans, expectations, and beliefs and are based on our experience and our assessment of historical and future trends, and the application of key assumptions relating to future events and circumstances. Forward-looking statements may involve, but are not limited to, comments with respect to our strategic initiatives for 2024 and beyond, future leasing, acquisitions, disposals and financing plans and objectives, targets, expectations of the real estate, financing and economic environments, our financial condition or the results of or outlook of 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 in the 2023 annual management's discussion and analysis.

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

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

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Our Business

The REIT has an established and diversified portfolio in western Canada. We own 37 income-producing office, retail and industrial properties representing 3.12 million square feet (sf) in gross leasable area (GLA). These high-quality properties feature stable occupancy and a diversified mix of tenants. We are externally managed, administered and operated by Melcor Developments Ltd. ("Melcor") pursuant to the asset management and property management agreements.

As at July 30, 2024, Melcor, through an affiliate, holds an approximate 55.4% effective interest in the REIT through ownership of all Class B LP Units. Furthermore, Melton Holdings Ltd. owns approximately 51.5% of the outstanding shares of Melcor and pursuant to IAS 24, Related Party Disclosures, is the ultimate controlling shareholder.

Melcor, a real estate company founded in 1923, had a rich history of growth and performance prior to the formation of the REIT. Our strategy is to grow and improve our asset base, and our objective is to provide stable monthly cash distributions to unitholders. Our growth strategy is contingent on favourable capital market conditions, which have proven unfavourable over the past several years.

Our strategy is to focus on building value within our portfolio. 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 and increase rental income.

In February 2024, the REIT announced the commencement of a strategic review and suspension of the distribution to strengthen its financial position during the review process. The Board believes this decision is prudent and in the best decision of the REIT unitholders. The distribution suspension is expected to enable the REIT to retain approximately $1.2 million of cash monthly, improving the REIT's financial flexibility as it continues advancing its short and long-term objectives. The Board and management will continue to monitor the REIT's financial performance, operating environment, and strategic review process to determine an appropriate time to provide clarity on cash flows or to reinstate a distributions.

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 system to improve response time and provide tenants with a 30 minute or less response time. Strong customer satisfaction contributes to other key metrics, including retention rate, which is 88.7% in the second quarter of 2024, and was 87.9% in fiscal 2023.

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

Asset Enhancement

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

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

In 2021, Melcor joined the Edmonton Corporate Climate Leaders Program. We completed benchmarking our energy usage at Edmonton-based office buildings in 2022 and are working on setting appropriate targets for our business.

Acquisitions & Dispositions

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.

As of June 30, 2024, we have classified four retail properties as held for sale, including three located in Regina, SK, and one located in Grande Prairie, AB outside our core Alberta market with a combined 481,000 sf. These assets were listed for sale due to their geographic location and is consistent with our strategic decision to focus on our core Alberta markets and on debt repayment. Net cash from the sale of these assets is expected to be used to pay down the revolving credit facility and reduce our overall debt.

On May 10, 2024, we sold our Richter Street property. This property was 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. This property was pledged as collateral on a different investment property and as such the bank required $5.08 million from the net proceeds be held as additional security in short term investments. Net cash of $2.40 million was used to reduce borrowings on our credit facility.

In 2023, we sold the Kelowna Business Center ("KBC"). This property was a 71,600 sf office building with main floor retail on a 2.8 acre site in Kelowna and sold for net proceeds of $19.03 million. Proceeds from the sale were used to repay the outstanding principal balance on the mortgage of $8.73 million with the remaining cash of $9.03 million being used to reduce borrowings on our credit facility.

Glossary of Acronyms

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

Common Acronyms			
ACFO	adjusted cash flows from operations	**KPI**	key performance indicators
AFFO	adjusted funds from operations	**NCIB**	normal course issuer bid
FFO	funds from operations	**NOI**	net operating income
DOT	declaration of trust	**sf**	square feet
GAAP	generally accepted accounting principles	**SLR**	straight-line rent
GBV	gross book value	**WABR**	weighted average base rent
GHG	greenhouse gas	**nm**	not meaningful
GLA	gross leasable area		

Please refer to Non-GAAP and Non-Standard Measures on page 21 for further information and reconciliation to GAAP measures where applicable.

Highlights & KPI's

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 of the MD&A.

KPI's:

	Three months ended June 30			Six months ended June 30		
($000's)	**2024**	2023	△%	**2024**	2023	△%
NOI[1]	**11,482**	11,689	(1.8)	**23,143**	23,211	(0.3)
Same-asset NOI[1]	**9,765**	9,870	(1.1)	**19,616**	19,640	(0.1)
FFO[1]	**5,459**	6,173	(11.6)	**10,855**	12,181	(10.9)
AFFO[1]	**3,426**	4,081	(16.0)	**6,778**	7,740	(12.4)
ACFO[1]	**3,550**	4,198	(15.4)	**7,027**	7,974	(11.9)
Rental revenue	**17,858**	18,123	(1.5)	**36,763**	37,113	(0.9)
Income before fair value adjustments[1]	**4,526**	3,245	39.5	**8,318**	6,260	32.9
Fair value adjustment on investment properties	**(958)**	(7,830)	nm	**(10,014)**	(9,416)	nm
Cash flows from operations	**2,633**	3,087	(14.7)	**7,481**	4,969	50.6
Distributions paid to unitholders	**–**	1,555	(100.0)	**519**	3,111	(83.3)
Distributions paid[2]	**$–**	$0.12	(100.0)	**$0.04**	$0.24	(83.3)

1. *Non-GAAP financial measure. Refer to the Non-GAAP and Non-Standard Measures section for further information.*
2. *Distributions for 2024 were $0.04 per unit in the month of January 2024, and were suspended in February 2024. Distributions in the comparative period were paid out at $0.04 per unit per month.*

Operational Highlights:

	June 30, 2024	December 31, 2023	△%
Number of properties	**37**	38	(2.6)
GLA (sf)	**3,121,673**	3,150,646	(0.9)
Occupancy (weighted by GLA)	**86.9 %**	87.6 %	(0.8)
Retention (weighted by GLA)	**88.7 %**	87.9 %	0.9
Weighted average remaining lease term (years)	**3.48**	4.31	(19.3)
Weighted average base rent (per sf)	**$17.05**	$17.06	(0.1)

Balance Sheet Highlights:

	June 30, 2024	December 31, 2023	△%
Total assets ($000s)	**687,565**	700,998	(1.9)
Equity at historical cost ($000s)[1]	**288,196**	288,196	–
Indebtedness ($000s)[2]	**411,660**	420,339	(2.1)
Weighted average interest rate on debt	**4.54 %**	4.52 %	0.4
Debt to GBV, excluding convertible debentures (maximum threshold - 60%)[3]	**49.0 %**	50.0 %	(2.0)
Debt to GBV (maximum threshold - 65%)[3]	**55.1 %**	56.0 %	(1.8)
Finance costs coverage ratio[4]	**2.08**	2.21	(5.9)
Debt service coverage ratio[5]	**1.87**	1.93	(3.1)

1. *Calculated as the sum of trust units and Class B LP Units at their historical cost value. 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 the Liquidity & Capital Resources section of the MD&A, starting on page 16 for 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 convertible debentures, excluding unamortized discount and transaction costs. Please refer to the Liquidity & Capital Resources section of the MD&A, starting on page 16 for calculation of Indebtedness.*
3. *Debt to GBV is a Non-GAAP ratio. Refer to the Non-GAAP and Non-Standard Measures section for further information.*
4. *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 Non-GAAP and Non-Standard Measures section for further information.*
5. *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 Non-GAAP and Non-Standard Measures section for further information.*

Per Unit Metrics:

	Three months ended June 30			Six months ended June 30		
	2024	2023	△%	**2024**	2023	△%
Net income (loss)						
Basic	**$0.81**	$0.56		**$1.61**	$0.84	
Diluted	**$0.11**	($0.05)		**($0.03)**	$0.04	
Weighted average number of units for net income (loss) (000s):[1]						
Basic	**12,963**	12,963	–	**12,963**	12,963	–
Diluted	**29,088**	29,088	–	**29,088**	29,088	–
FFO						
Basic[2]	**$0.19**	$0.21		**$0.37**	$0.42	
Diluted[2]	**$0.18**	$0.20		**$0.37**	$0.40	
Payout ratio[2]	**– %**	57 %		**10.7%**	57.0%	
AFFO						
Basic [2]	**$0.12**	$0.14		**$0.23**	$0.27	
Payout ratio[2]	**– %**	86 %		**17%**	90%	
ACFO						
Basic[2]	**$0.12**	$0.14		**$0.24**	$0.27	
Payout ratio[2]	**– %**	83 %		**16.6%**	87.5%	
Weighted average number of units for FFO, AFFO and ACFO (000s):[3]						
Basic	**29,088**	29,088	–	**29,088**	29,088	–
Diluted	**34,257**	34,257	–	**34,257**	34,257	–

1. *For the purposes of calculating per unit net income 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.*
2. *Non-GAAP ratio. Refer to the Non-GAAP and Non-Standard Measures section for further information.*
3. *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 and the diluted weighted average number of units includes convertible debentures.*

HIGHLIGHTS:

Despite facing challenges in the real estate market, our portfolio has shown resilience in the second quarter. To date in 2024, we have completed 50,586 sf of new leasing and 271,250 sf in renewals and holdovers for a 88.7% retention rate. Occupancy was down slightly at 86.9% (December 31, 2023: 87.6%) with commitment on an additional 17,025 sf bringing committed occupancy up to 87.4%. The market continues to feel the impact of inflationary pressures and increased costs putting downward pressure on metrics such as FFO and ACFO. We continue to focus on leasing efforts however overall occupancy has decreased by 0.8% since year-end. WABR remain stable compared to year-end and is up 1.4% ($0.25 per sf) compared to Q2-2023.

Valuations on our office properties have declined due to both a decrease in NOI and rising capitalization rates. To date in 2024, we have recorded net losses on our office properties of $10.62 million (2023: $10.97 million loss). Inflationary pressures are driving up the cost of new deals and our aging portfolio requires increased spend on capital repairs.

Retail properties continue to anchor our portfolio, and have seen slight improvements in WABR over Q2-2023, with occupancy remaining strong at 91.8%. Retail represents 44.7% of our total GLA as at June 30, 2024, and 60.0% of net rental income for the six months ended June 30, 2024. Our office properties continue to feel pressure on renewal rates and new leasing due to changing market needs as well as an increase in supply in some of our key geographic areas, specifically our Edmonton office properties which have seen an increase in new development of office space in recent years. In the quarter we sold our Richter Street property, a 29,000 sf office property located in Kelowna, BC for gross proceeds of $7.80 million, resulting in net proceeds of $7.48 million.

In the quarter and year-to-date, rental revenue has declined slightly with a 1.5% reduction in the period to $17.86 million and a 0.9% reduction to $36.76 million over 2023. Net rental income saw similar results with a 1.9% decrease over Q2-2023 to $10.41 million, and a 1.3% decrease over 2023 to $20.98 million. The decrease over 2023 is due to a reduction in recoveries and larger SLR adjustments (non-cash) which vary period over period depending on lease commencements and terms. Excluding SLR adjustments and amortization of tenant incentives, NOI was down 1.8% over Q2-2023 and steady year-to-date. Our same-asset NOI calculations, which normalize out Kelowna Business Center (sold in Q1-2023), Richter Street (sold in Q2-2024), as well as assets classified as held for sale under IFRS Accounting Standards, are down 1.1% over Q2-2023 and down 0.1% year-to-date.

On February 22, 2024, the Board of Trustees of Melcor REIT announced the establishment of an Independent Committee (the "Independent Committee") to oversee a broad-based strategic review with a focus on unlocking unitholder value. The Independent Committee has retained BMO Capital Markets as financial advisor and DLA Piper (Canada) LLP as legal counsel to evaluate a broad range of strategic alternatives to maximize unitholder value. The review process is ongoing, and at this time no additional information is available on the results of the review.

Funds from operations was down 11.6% in the period and 10.9% year-to-date, and adjusted funds from operations was down 16.0% in the period and 12.4% year-to-date. The reduction of funds from operations and adjusted funds from operation is a result of an increase in general and administrative expenditures primarily the result of additional costs related to the establishment of the Independent Committee and the strategic review process, along with a reduction in recoveries, and an increase in interest on mortgage payable and revolving credit facilities.

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

Financial highlights of our performance are summarized below.

Second quarter:

- Revenue was down 1.5% to $17.86 million (Q2-2023: $18.12 million)
- NOI was down 1.8% to $11.48 million (Q2-2023: $11.69 million)
- FFO was down 11.6% to $5.46 million or $0.19 per unit (Q2-2023: $6.17 million or $0.21 per unit)
- ACFO was down 15.4% to $3.55 million or $0.12 per unit (Q2-2023: $4.20 million or $0.14 per unit)

Year-to-date:

- Revenue was down 0.9% to $36.76 million (2023: $37.11 million)
- NOI was stable at $23.14 million (2023: $23.21 million)
- FFO was down 10.9% to $10.86 million or $0.37 (2023: $12.18 million or $0.42 per unit)
- ACFO was down 11.9% to $7.03 million or $0.24 per unit (2023: $7.97 million or $0.27 per unit)

As at June 30, 2024, we had $3.29 million in cash and $10.61 million in undrawn liquidity under our revolving credit facility. We have six mortgages up for renewal in 2024 for a combined total of $43.91 million. In the quarter, we refinanced one of the mortgages up for renewal for $11.00 million at a rate of 6.00%, providing additional proceeds of $3.98 million in the period, and renewed an additional two mortgages maturing in the period for a combined total of $4.32 million.

On May 27, 2024 the REIT formalized the renewal of its $50.00 million revolving credit facility, including a $5.00 million swing line sub-facility. The facility matures on the earlier of June 1, 2026 or October 31, 2024 if the convertible debentures have not been extended, or redeemed or if the REIT has not secured funds to satisfy the convertible debentures by its maturity date. 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.

Management believes FFO best reflects our true operating performance and ACFO best reflects our cash flow and therefore our ability to pay distributions.

Net income in the current and comparative periods is 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 and fair value adjustments on Class B Units. To date in 2024, fair value on investments properties was a loss of $10.01 million compared to a loss of $9.42 million in Q2-2023. To date in 2024, these losses primarily relate to our office properties where we have recorded losses of $10.62 million to date. Fair value adjustment on Class B Units, which have an inverse relationship with the REIT unit price, resulted in gains of $22.25 million recorded to date in 2024 compared to gains of $13.55 million recorded in 2023.

OPERATING HIGHLIGHTS

We are pleased with the volume of new leasing activity across our portfolio. Leasing in the quarter includes 321,836 sf of new and renewed leases (including holdovers) and we have retained 88.7% of expiring leases. Future leasing is promising, with commitments on an additional 17,025 sf in new deals which would bring committed occupancy up to 87.4%.

DISTRIBUTIONS

In January 2024 we declared a distribution of $0.04 per unit. On February 22, 2024, we announced the suspension of the monthly distribution concurrent with the commencement of a strategic review. In the comparative quarter and six-months ended June 30, distributions were paid at a rate of $0.04 per unit per month.

There were no distributions paid in the quarter, to date in 2024 we have paid $0.04 per unit (January 2024) resulting in a year-to-date payout ratio of 16.6% (2023 - 87.5%) based on ACFO. FFO had a year-to-date payout ratio in the period of 10.7% (2023 - 57.0%). As noted above, distributions were suspended in February 2024 impacting the payout ratios in the current period. Distributions to unit holders and on Class B LP Units are recorded in the period they are declared to unitholders.

The REIT intends to make distributions that are equal to or greater than the taxable income that would otherwise be reported by the REIT.

Consolidated Revenue & Net Operating Income

	Three months ended June 30			Six months ended June 30		
($000s)	**2024**	2023	△%	**2024**	2023	△%
Base rent	**12,012**	11,983	0.2	**24,158**	23,969	0.8
Recoveries	**6,342**	6,691	(5.2)	**13,578**	13,974	(2.8)
Other	**579**	525	10.3	**1,192**	1,130	5.5
Amortization of tenant incentives	**(933)**	(993)	(6.0)	**(1,892)**	(2,051)	(7.8)
SLR adjustment	**(142)**	(83)	71.1	**(273)**	91	(400.0)
Rental revenue	**17,858**	18,123	(1.5)	**36,763**	37,113	(0.9)
Operating expenses	**3,769**	3,525	6.9	**7,768**	7,438	4.4
Utilities and property taxes	**3,682**	3,985	(7.6)	**8,017**	8,424	(4.8)
Direct operating expenses	**7,451**	7,510	(0.8)	**15,785**	15,862	(0.5)
Net rental income	**10,407**	10,613	(1.9)	**20,978**	21,251	(1.3)
NOI[1]	**11,482**	11,689	(1.8)	**23,143**	23,211	(0.3)
Same-asset NOI[1]	**9,765**	9,870	(1.1)	**19,616**	19,640	(0.1)
Operating margin[2]	**58 %**	59 %	(1.7)	**57 %**	57 %	–

1. *Non-GAAP financial measure. Refer to the Non-GAAP and Non-Standard Measures section for further information.*
2. *Supplementary financial measure. Refer to the Non-GAAP and Non-Standard Measures section for further information.*

Revenue

Rental revenues were down 1.5% in the period and 0.9% year-to-date. Lower recovery revenue, and swings in SLR adjustments (non-cash) were the contributing factors of this reduction in the period and year-to-date. SLR adjustment is significantly impacted by timing and commencement of new leases and can fluctuate period over period.

Recoveries are amounts recovered from tenants for direct operating expenses and include a nominal administrative charge. We typically expect recovery revenue to correlate with changes in recoverable operating expenses. In the quarter, recovery revenue was down 5.2% in the period and 2.8% year-to-date. Direct operating expenses were down 0.8% in the period and down 0.5% year-to-date over Q2-2023. Our recovery ratio can vary quarter over quarter due to variability of expenditures within our portfolio, and the timing of expenses incurred. Prior year recovery adjustments can also impact our recovery ratio and are generally recognized in the first quarter. Overall occupancy has also declined comparable to year-end (87.6%) and Q2-2023 (87.2%) also contributing to lower amounts recovered from tenants.

Other revenue includes parking, storage, lease amendment and termination fees as well as 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. 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 7.6% in the quarter and 4.8% year-to-date. These reductions are a combination of the disposal of assets in our recent periods and the efforts of our Properties team mitigating the increases seen within the market. On a same-asset basis down 8.2% in the quarter and down 4.5% year-to-date . 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 Properties 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 comparative to Q2-2023. Additionally, due to some property tax assessment reviews completed during the year, our Properties team was able to reduce property taxes on specific properties, contributing to the overall decrease comparative 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. In Q2-2024, operating expenses were up 6.9% in the period and 4.4% year-to-date. On a same-asset basis, operating expenses were up 6.7% in the period and 6.8% year-to-date.

NOI and Same-asset NOI

NOI and same-asset NOI are non-standard metrics 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 and Non-Standard Measures section for reconciliation of NOI to net income.

Same-asset NOI in the current and comparative periods exclude Kelowna Business Center, located in Kelowna, BC (sold Q1-2023), Richter Street (sold Q2-2024), and assets classified as held for sale (under IFRS Accounting Standards) which includes three retail properties located in Regina SK, and one retail property located in Grande Prairie AB. NOI was down 1.8% in the period and steady year-to-date over 2023, with same-asset NOI was down 1.1% in the period and steady year-to-date over 2023.

The calculation of same-asset NOI is as follows:

	Three months ended June 30			Six months ended June 30		
($000s)	**2024**	2023	△%	**2024**	2023	△%
Same-asset NOI[1]	**9,765**	9,870	(1.1)	**19,616**	19,640	(0.1)
Disposals / Assets held for sale	**1,717**	1,819		**3,527**	3,571	
NOI[1]	**11,482**	11,689	(1.8)	**23,143**	23,211	(0.3)
Amortization of tenant incentives	**(933)**	(993)		**(1,892)**	(2,051)	
SLR adjustment	**(142)**	(83)		**(273)**	91	
Net rental income	**10,407**	10,613	(1.9)	**20,978**	21,251	(1.3)

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

The following table summarizes leasing activity for the 2024 year-to-date:

	Square feet	Weighted average base rent (per sf)	Occupancy %
Opening occupancy	**2,759,657**	**$17.06**	**87.6 %**
Expiring leases	(305,852)	$16.51	
Other terminations	(20,250)	$14.48	
Renewals/holdovers	271,250	$15.91	
New leasing	50,586	$13.05	
Lease amendments	(14,606)	–	
Investment property sold	(28,751)	$13.35	
Closing occupancy	**2,712,034**	**$17.05**	**86.9 %**

To date, we have signed 321,836 sf of new and renewed leasing (including holdovers). In 2024, we have 427,668 sf of our portfolio maturing, including month-to-month tenants.

As at June 30, 2024, we have retained 88.7% (271,250 sf) of expiring leases and have received commitment on an additional 17,025 sf of future renewals representing a committed occupancy of 87.4%. As of Q2-2024, we completed 50,586 sf in new leases. Richter Street, a 29,000 sf office asset was removed from both total GLA and closing occupancy upon sale that occurred May 10, 2024.

The following table summarizes our average base rent, GLA, occupancy and retention:

	June 30, 2024	June 30, 2023	△%	December 31, 2023	△%
Weighted average base rent (per sf)	**$17.05**	$16.80	1.5	$17.06	(0.1)
Weighted average remaining lease term	**3.48**	4.08	(14.7)	4.31	(19.3)
GLA	**3,121,673**	3,148,015	(0.8)	3,150,646	(0.9)
Occupancy %	**86.9 %**	87.2 %	(0.3)	87.6 %	(0.8)
Retention %	**88.7 %**	92.2 %	(3.8)	87.9 %	0.9

Q2-2024 occupancy was 86.9%, down over the comparative period (Q2-2023: 87.2%) and year-end (Q4-2023: 87.6%). WABR increased by $0.25 over Q2-2023 to $17.05 and was down $0.01 over year-end (Q4-2023: $17.06). Rates across asset classes on new leasing and renewals/holdovers are impacted by tenant incentives and lease structures and can vary significantly from period to period.

Property Analysis

At June 30, 2024 our portfolio included interests in 37 retail, office and industrial income-producing properties located in western Canada for a total of 3,121,673 sf of GLA, and a land lease community.

The following table summarizes the composition of our properties at June 30, 2024 by property type:

Property Type	Count	GLA (sf)/ Lots	% of Portfolio (GLA)	Fair Value of Investment Properties[1]	Net Rental Income	% of Net Rental Income
Retail	14	1,396,486	44.7 %	406,275	12,589	60.0 %
Office	19	1,517,096	48.6 %	208,747	6,363	30.3 %
Industrial	3	208,091	6.7 %	39,796	1,486	7.1 %
Land Lease Community	1	308 lots	n/a	18,900	540	2.6 %
	37	3,121,673	100.0 %	673,718	20,978	100.0 %

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

The following table details key financial and operational metrics for each of our asset classes for the three and six months ended June 30:

	Retail		Office		Industrial		Land Lease Community	
	2024	2023	**2024**	2023	**2024**	2023	**2024**	2023
Three months ended June 30 ($000s)								
Rental revenue	**9,525**	9,573	**6,977**	7,213	**974**	976	**382**	361
Net rental income	**6,222**	6,468	**3,153**	3,141	**744**	739	**288**	265
Same-asset NOI[1]	**4,748**	4,942	**3,962**	3,861	**767**	802	**288**	265
Six months ended June 30 ($000s)								
Rental revenue	**19,419**	19,335	**14,628**	15,124	**1,969**	1,941	**747**	713
Net rental income	**12,589**	12,865	**6,363**	6,392	**1,486**	1,474	**540**	520
Same-asset NOI[1]	**9,653**	9,899	**7,862**	7,628	**1,561**	1,593	**540**	520
As at June 30								
WABR (sf)	**$20.85**	$20.36	**$13.30**	$13.15	**$14.59**	$15.19	**n/a**	n/a
Occupancy	**91.8 %**	93.4 %	**80.5 %**	79.9 %	**100.0 %**	100.0 %	**100.0 %**	100.0 %

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

Retail – our 14 retail properties include 6 multi-building regional power centres, 7 neighborhood shopping centres and a single tenant property.

Rental revenue was steady over the period and year-to-date. Net rental income was down 3.8% in the period and 2.1% year-to-date due to an increase in operating expenses both in the period and year-to-date. Same-asset NOI was also down 3.9% in the quarter and 2.5% year-to-date due to an increase in operating expenses. Same-asset NOI excludes assets sold or held for sale in the current and comparative periods. We have therefore excluded three retail properties located in Regina, SK, and one retail property located in Grande Prairie, AB which have been classified as held for sale.

WABR increased by $0.49 since Q2-2023, and occupancy decreased slightly to 91.8% (Q2-2023: 93.4%). Our team has continued to deliver strong results contributing to 81,248 sf of renewals to date with a retention rate of 82.0% as of Q2-2024, including renewals and holdovers.

Office – our 19 office properties include low and medium-rise buildings located in strategic urban and suburban centres. Our office portfolio is our most geographically diverse asset class, with properties in Alberta and Saskatchewan. Prior to the sale of Richter Street (Q2-2024) and Kelowna Business Centre (Q1-2023) we also held office properties in BC.

In the quarter and year-to-date rental revenue was down 3.3%. Net rental income has remained steady both in the period and year-to-date. We have recently sold two office properties including Kelowna Business Centre (Q1- 2023) and Richter Street (Q2-2024), both located in Kelowna, BC, impacting our current and comparative period results. Our same-asset NOI excludes these properties for a direct asset base comparison. On a same-asset basis, NOI was up 2.6% in the period and 3.1% year-to-date.

Occupancy has increased slightly to 80.5% (Q2-2023: 79.9%) and decreased slightly since year-end (Q4-2023: 81.0%). Our focus remains on leasing vacant space in the competitive Edmonton market where the majority of our office assets are located. We retained 85.8% or 101,303 sf of space that was up for renewal to date in 2024, including both renewals and holdovers. We have also signed 28,974 sf in new leases to date in Q2-2024.

WABR increased $0.15 over Q2-2023 to $13.30 sf and is down $0.18 sf since year-end (Q4-2023: $13.48).

Industrial – our 3 industrial properties include both single- and multi-tenant buildings. These assets remain fully occupied to date and continue to provide the REIT with stable results on new leasing.

Rental revenue was stable in the period, and is up 1.4% year-to-date. As tenants are nearing the end of their lease terms we are seeing a reduction in base rents reducing our WABR by $0.60 compared to both Q2-2023 and year-end (Q4-2023: $15.19).

The reduction in rental income was offset by an increase in recoveries and a reduction in SLR adjustment, allowing net rental income to remain stable over Q2-2023 in both the period and year-to-date.

Land Lease Community – we have one land lease community in Calgary, AB, consisting of 308 pad lots. It remains 100% occupied at June 30, 2024. Our land lease community continues to provide stable rental revenue and NOI.

Regional Analysis

The following table summarizes the composition of our properties at June 30, 2024 by geographic region:

Region	Count	GLA (sf)	% of Portfolio (GLA)	Fair Value of Investment Properties[1]	Net Rental Income	% of Net Rental Income
Northern AB	22	1,963,960	62.9 %	412,272	11,705	55.7 %
Southern AB	10	889,283	28.5 %	218,946	7,604	36.3 %
Saskatchewan & BC	5	268,430	8.6 %	42,500	1,669	8.0 %
	37	3,121,673	100.0 %	673,718	20,978	100.0 %

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

The following table details key financial and operational metrics for each of our geographic regions for the three and six months ended June 30:

	Northern AB		Southern AB		Saskatchewan & BC	
	2024	2023	**2024**	2023	**2024**	2023
Three months ended June 30 ($000s)						
Rental revenue	**10,480**	10,887	**5,845**	5,699	**1,533**	1,537
Net rental income	**5,910**	6,136	**3,716**	3,644	**781**	833
Same-asset NOI[1]	**5,571**	5,678	**3,953**	4,006	**241**	186
Six months ended June 30 ($000s)						
Rental revenue	**21,648**	22,261	**11,957**	11,588	**3,158**	3,264
Net rental income	**11,705**	12,140	**7,604**	7,489	**1,669**	1,622
Same-asset NOI[1]	**11,065**	11,201	**8,079**	8,065	**472**	374
As at June 30						
WABR (sf)	**$17.12**	$16.96	**$17.80**	$17.58	**$13.98**	$13.53
Occupancy	**83.7 %**	84.1 %	**92.9 %**	92.4 %	**90.0 %**	92.4 %

1. *Non-GAAP financial measure. Refer to the Non-GAAP and Non-Standard Measures section 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 3.7% in the period and 2.8% year-to-date over 2023. Net rental income was down 3.7% in the period and 3.6% year-to-date over 2023.

A reduction in recovery revenue, and an increase in SLR adjustment in both the period and year-to-date contributed to the reduction in both rental revenue and net rental income. Same-asset NOI calculations currently exclude assets held for sale, including one retail property located in Grande Prairie. On a same-asset basis, NOI was down 1.9% in the period and 1.2% year-to-date over Q2-2023, with the largest source of the variance related to a reduction in recoveries over Q2-2023 both in the period and year-to-date.

Occupancy has decreased over Q2-2023 and increased slightly over year-end (Q4-2023: 84.0%) to 83.7%. WABR is up $0.16 to $17.12 compared to Q2-2023 and down slightly over year-end (Q4-2023: $17.37).

Retention in the quarter was strong at 92.8%, with 193,533 sf of space being renewed, which includes both renewals and holdovers. We also signed 35,692 sf in new leasing in the year in the region.

Southern Alberta - our Southern Alberta assets are located throughout the greater Calgary area, including Chestermere and Airdrie, and in Lethbridge. Rental revenue was up 2.6% in the quarter and 3.2% year-to-date with net rental income was up 2.0% in the quarter and 1.5% year-to-date.

Occupancy has increased to 92.9% compared to Q2-2023 at 92.4% and is down slightly over year-end (Q4-2023: 93.9%). WABR is up $0.22 sf over Q2-2023, and $0.31 over year-end (Q4-2023: $17.49).

Saskatchewan and British Columbia - these assets are located in Regina, SK and Kelowna, BC. Rental revenue was down $0.11 million or 0.3% which directly correlates to the sale of Kelowna Business Center (sold Q1-2023), and Richter Street (sold Q2-2024), both of which were located in Kelowna, BC. WABR increased $0.45 to $13.98 sf over Q2-2023 ($13.53 sf) and is up $0.07 over year-end (Q4-2023 - $13.91 sf).

The same-asset NOI calculations exclude Kelowna Business Center (sold in Q1-2023), Richter Street (sold in Q2-2024) as well as three retail properties currently being held for sale located in Saskatchewan. On a same-asset basis, NOI was up 29.6% in the quarter and up 26.2% year-to-date. The significant increase in same-asset NOI in both the period and year-to-date is a direct result of increased operations from new leasing activity increasing occupancy 5.7% to 89.5%, or an additional 4,056 sf in leasing. As of Q2-2024, we do not hold any properties located in BC.

Occupancy decreased to 90.0% comparative to Q2-2023 at 92.4% and year-end (Q4-2023: 92.7%).

General & Administrative Expense

	Three months ended June 30			Six months ended June 30		
($000s)	2024	2023	△%	2024	2023	△%
Asset management fee	**470**	472	(0.4)	**942**	946	(0.4)
Professional fees	**288**	97	196.9	**521**	209	149.3
Public company costs	**111**	74	50.0	**309**	172	79.7
Other	**145**	93	55.9	**262**	188	39.4
General & administrative expense	**1,014**	736	37.8	**2,034**	1,515	34.3

General & administrative (G&A) expense increased 37.8% in the quarter to $1.01 million and increased 34.3% to $2.03 million year-to-date over 2023. The increase over 2023 is primarily attributed to costs associated with the establishment of the Independent Committee and the strategic review process in February 2024, which includes additional professional fees related to legal and advisory costs as well as higher public company costs related to fees paid to the committee members. 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 thirty properties (legal phases) valued comparative to four properties (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. To date in 2024, G&A was 5.5% of revenue (2023: 4.1%).

Finance Costs

	Three months ended June 30			Six months ended June 30		
($000s)	2024	2023	△%	2024	2023	△%
Interest on mortgages payable and revolving credit facility	3,628	3,447	5.3	7,501	6,957	7.8
Interest on Class C LP Units	259	262	(1.1)	522	623	(16.2)
Interest on convertible debentures	586	586	–	1,173	1,173	–
Accretion on convertible debentures	124	117	6.0	249	234	6.4
Fair value adjustment on derivative instruments	310	(1,140)	(127.2)	(310)	(464)	nm
Amortization of deferred financing fees	282	296	(4.7)	562	649	(13.4)
Finance costs before distributions	5,189	3,568	45.4	9,697	9,172	5.7
Distributions on Class B LP Units	–	1,935	(100.0)	645	3,870	(83.3)
Finance costs	5,189	5,503	(5.7)	10,342	13,042	(20.7)

Total finance costs were down 5.7% in the period and down 20.7% year-to-date compared to Q2-2023. This decrease has a direct correlation with the reduction of distributions on Class B LP Units. In February 2024 distributions were suspended concurrent with the commencement of the strategic review. This suspension 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.

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 the quarter, we recorded fair value loss on these derivatives of $0.31 million compared to a gain of $1.14 million in Q2-2023, and year-to-date in 2024 we have recorded a gain of $0.31 million compared to a gain of $0.46 million in 2023. Excluding these non-cash adjustments, total finance costs were down 26.6% or $1.76 million to $4.88 million in the period and down 21.1% or $2.85 million to $10.65 million year-to-date (Q2-2023: $6.64 million; 2023: $13.51 million).

Finance costs before distributions and excluding non-cash adjustments was up 3.6% to $4.88 million (Q2-2023 - $4.71 million) in the period and up 3.9% to $10.01 million (2023: $9.64 million) year-to-date as a result of increased interest on mortgages payable and our revolving credit facility, which went up $0.18 million in the period and $0.54 million year-to-date due to rising interest rates.

Rising interest rates over the last 12-24 months impact the interest paid on our variable rate credit facility, rates on our unhedged and variable rate mortgages, 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. Year-to-date, net repayments on the revolving credit facility were $6.86 million which partially offset the additional interest expense on the credit facility.

As at June 30, 2024 the weighted average interest rate on our revolving credit facility, mortgages payable, Class C LP Units and convertible debentures was 4.54% (December 31, 2023 - 4.52%). As our mortgages and revolving credit facility come up for renewal, we expect to see our weighted average interest rate to rise as mortgages as external pressures continue to impact the capital markets. Interest on Class C LP units is down 1.1% in the quarter as $14.26 million of our Class C mortgage was paid out in 2023 and replaced with a standard mortgage.

Income Taxes

As at June 30, 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 intends to make distributions that are equal to or greater than the taxable income that would otherwise be reported by the REIT.

FFO, AFFO & ACFO

FFO, AFFO and 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 of this MD&A for more information.

FFO & AFFO

We use Real Property Association of Canada (REALpac) definitions of some of our measures. REALpac is a national association representing the Canadian commercial real estate industry. REALpac defines 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.

	Three months ended June 30			Six months ended June 30		
($000s, except per unit amounts)	**2024**	2023	△%	**2024**	2023	△%
Net income for the period	**10,514**	7,198		**20,866**	10,854	
Add / (deduct)						
Fair value adjustment on investment properties	**958**	7,830		**10,014**	9,416	
Fair value adjustment on Class B LP Units	**(7,256)**	(10,643)		**(22,252)**	(13,546)	
Amortization of tenant incentives	**933**	993		**1,892**	2,051	
Distributions on Class B LP Units	**–**	1,935		**645**	3,870	
Fair value adjustment on derivative instruments	**310**	(1,140)		**(310)**	(464)	
FFO[1]	**5,459**	6,173	(11.6)	**10,855**	12,181	(10.9)
Deduct						
Straight-line rent adjustments	**142**	83		**273**	(91)	
Normalized capital expenditures	**(750)**	(750)		**(1,500)**	(1,500)	
Normalized tenant incentives and leasing commissions	**(1,425)**	(1,425)		**(2,850)**	(2,850)	
AFFO[1]	**3,426**	4,081	(16.0)	**6,778**	7,740	(12.4)
FFO/Unit[2]	**$0.19**	$0.21		**$0.37**	$0.42	
AFFO/Unit[2]	**$0.12**	$0.14		**$0.23**	$0.27	
Weighted average number of units (000s):[3]	**29,088**	29,088	–	**29,088**	29,088	–

1. *Non-GAAP financial measure. Refer to the Non-GAAP and Non-Standard Measures section for further information.*
2. *Non-GAAP ratio. Refer to the Non-GAAP and Non-Standard Measures section 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:

	Three months ended June 30			Six months ended June 30		
($000s, except per unit amounts)	**2024**	2023	△%	**2024**	2023	△%
Base rent	**12,012**	11,983		**24,158**	23,969	
Recoveries	**6,342**	6,691		**13,578**	13,974	
Other revenue	**579**	525		**1,192**	1,130	
SLR adjustment	**(142)**	(83)		**(273)**	91	
Direct operating expenses	**(7,451)**	(7,510)		**(15,785)**	(15,862)	
General & administrative expense	**(1,014)**	(736)		**(2,034)**	(1,515)	
Interest on mortgages payable and revolving credit facility	**(3,628)**	(3,447)		**(7,501)**	(6,957)	
Interest on Class C LP Units	**(259)**	(262)		**(522)**	(623)	
Interest on convertible debentures	**(586)**	(586)		**(1,173)**	(1,173)	
Accretion on convertible debentures	**(124)**	(117)		**(249)**	(234)	
Amortization of deferred financing fees	**(282)**	(296)		**(562)**	(649)	
Interest income	**12**	11		**26**	30	
FFO[1]	**5,459**	**6,173**	(11.6)	**10,855**	**12,181**	(10.9)

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

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

($000s, except per unit amounts)	Three months ended June 30 2024	2023	△%	Six months ended June 30 2024	2023	△%
FFO[1]	**5,459**	6,173	(11.6)	**10,855**	12,181	(10.9)
Convertible debentures interest	**586**	586		**1,173**	1,173	
Amortization of deferred financing fees on convertible debentures	**122**	115		**244**	230	
Accretion on convertible debentures	**124**	117		**249**	234	
FFO - Diluted[1]	**6,291**	6,991	(10.0)	**12,521**	13,818	(9.4)
FFO - Diluted/Unit[2]	**$0.18**	$0.20		**$0.37**	$0.40	
Diluted weighted average number of units (000s):[3]	**34,257**	34,257	–	**34,257**	34,257	–

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

Capital Expenditures

We continually invest in our assets with value-adding capital projects that enhance property quality, contributing 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 expenditures exclude new property development initiatives such as densification and non-recoverable capital expenses 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:

($000s)	**Six months ended June 30, 2024**	Year ended December 31, 2023
Actual capital expenditures	**870**	5,295
Normalized capital expenditures	**1,500**	3,000
Variance	**(630)**	2,295

Actual capital expenditures were lower than normalized capital expenditures by $0.63 million due to the timing of capital projects. These upgrades typically focus on increasing operating efficiency, property attractiveness, functionally and desirability, as well as initiatives focused on sustainability and energy reduction strategies to ensure our builds meet environmental targets. Asset enhancement and preservation investments fluctuate based on the nature and timing of projects undertaken, and impacted by many factors including, but not limited to, the age and location of the property, and leasing profile and strategy. As the construction season for many projects occurs spring through fall, we will often see fluctuations on capital spend within the quarters.

We have planned capital projects of $3.00 million for 2024 and have spent $0.87 million on capital projects to date. Many of our capital projects are expected to commence throughout the summer period and into the fall as weather permits. Management expects to be in budget by the end of the year. Our 2023 actual capital expenditure was $5.30 million.

Tenant Incentive & 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 and 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 actual spend plus 5 year projected spend.

The following summarizes our actual expenditures compared to normalized amounts:

($000s)	**Six months ended June 30, 2024**	Year ended December 31, 2023
Actual tenant incentives and direct leasing expenditures	**1,011**	6,796
Normalized tenant incentives and direct leasing expenditures	**2,850**	5,700
Variance	**(1,839)**	1,096

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

Our 2023 actual tenant incentives and direct leasing expenditures was $6.80 million, and we have planned tenant incentives and direct leasing expenditures of $5.70 million for 2024. 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.

ACFO

REALpac defines 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.

	Three months ended June 30			Six months ended June 30		
($000s)	**2024**	2023	△%	**2024**	2023	△%
Cash flows from operations	**2,633**	3,087	(14.7)	**7,481**	4,969	50.6
Distributions on Class B LP Units	**–**	1,935		**645**	3,870	
Actual payment of tenant incentives and direct leasing costs	**2,332**	1,046		**3,238**	3,001	
Changes in operating assets and liabilities	**1,042**	601		**575**	1,133	
Amortization of deferred financing fees	**(282)**	(296)		**(562)**	(649)	
Normalized capital expenditures	**(750)**	(750)		**(1,500)**	(1,500)	
Normalized tenant incentives and leasing commissions	**(1,425)**	(1,425)		**(2,850)**	(2,850)	
ACFO[1]	**3,550**	4,198	(15.4)	**7,027**	7,974	(11.9)
ACFO/Unit[2]	**$0.12**	$0.14		**$0.24**	$0.27	
Weighted average number of units (000s)[3]	**29,088**	29,088	–	**29,088**	29,088	–

1. *Non-GAAP financial measure. Refer to the Non-GAAP and Non-Standard Measures section for further information.*
2. *Non-GAAP ratio. Refer to the Non-GAAP and Non-Standard Measures section for further information.*
3. *The 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 the distribution in order to strengthen its financial position during a strategic review process. No distributions were paid to unitholders in Q2-2024 and year-to-date we have paid out $0.52 million . The distribution suspension had significant impact on our payout ratio, contributing to an ACFO payout ratio of 16.6% year-to-date (2023: 87.5%). We use ACFO in evaluating our ability to continue to fund distributions.

In the normal course, the REIT assesses its distribution policy. In light of the uncertainties surrounding the current capital and property market condition, management and the Board are carefully conducting a comprehensive review of the REIT. As a result, the REIT has determined that a suspension of the distribution was warranted during this process.

The Board believes this decision is prudent and in the best interest of the REIT and its unitholders. The distribution suspension is expected to enable the REIT to retain approximately $1.2 million of cash monthly, improving the REIT's financial flexibility as it continues advancing its short and long-term objectives. The Board and management will continue to monitor the REIT's financial performance, operating environment, and strategic review process to determine an appropriate time to provide an additional clarity on cash flows and assess future distributions.

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 tenant receivables at quarter, driven by year-end recovery charges to tenants, as well as the payment of accrued lease inducements at year-end.

Cash flow from operations before Class B LP Unit distributions paid less total distributions paid in the quarter was up $1.10 million in the period to cash inflows of $2.63 million (Q2-2023: $1.53 million), and up $5.10 million to cash inflows of $6.96 million (2023: $1.86 million) year-to-date.

	Three months ended June 30			Six months ended June 30		
($000s)	**2024**	2023	△%	**2024**	2023	△%
Cash flows from operations	**2,633**	3,087	(14.7)	**7,481**	4,969	50.6
Distributions paid on Class B LP Units	**–**	1,935	(100.0)	**645**	3,870	(83.3)
Cash flow from operations before Class B LP Unit Distributions	**2,633**	5,022	(47.6)	**8,126**	8,839	(8.1)
Distributions paid to unitholders	**–**	(1,555)	(100.0)	**(519)**	(3,111)	(83.3)
Distributions paid on Class B LP Units	**–**	(1,935)	(100.0)	**(645)**	(3,870)	(83.3)
Total distributions paid	**–**	(3,490)	(100.0)	**(1,164)**	(6,981)	(83.3)
Cash flow from operations before Class B LP Unit distributions paid less total distributions paid	**2,633**	1,532	71.9	**6,962**	1,858	274.7
Total distributions paid as a % of cash flow from operations before Class B LP Unit distributions paid	**– %**	69.5 %	(100.0)	**14.3 %**	79.0 %	(82.3)

Investment Properties

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:

	Six months ended June 30, 2024	Year ended December 31, 2023
Number of properties	**37**	38
Total GLA (sf)	**3,251,773**	3,346,240
GLA (REIT owned %) (sf)	**3,121,673**	3,150,646
Fair value of portfolio ($000s)[1]	**673,718**	691,782
Value per square foot	**$216**	$220
NOI ($000s)	**23,143**	46,635
Weighted average capitalization rate	**7.19 %**	7.24 %
Weighted average terminal capitalization rate	**7.29 %**	7.31 %
Weighted average discount rate	**8.21 %**	8.19 %

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

Investment properties were valued by Melcor's internal valuation team with the assistance of qualified independent external valuation professionals. To date in 2024, we have had thirty (of 51 legal phases) properties valued by external independent valuation professionals, with a fair value of $321.65 million.

In Q2-2023, we had four properties (of 52 legal phases) valued by Melcor's internal valuation team with the assistance of qualified independent external valuation professionals, with a fair value of $99.20 million.

In Q2-2024 we recognized a fair value loss of $0.96 million and year-to-date have recorded a fair value loss of $10.01 million. This compares to a loss of $7.83 million in Q2-2023 and year-to-date losses in 2023 of $9.42 million.

As leases turnover, unit and/or building GLA is remeasured which can result in changes to GLA.

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

($000s)	**Six months ended June 30, 2024**	Year ended December 31, 2023
Northern Alberta	**(10,261)**	(10,842)
Southern Alberta	**(566)**	(4,476)
Saskatchewan & British Columbia	**813**	(1,476)
	(10,014)	(16,794)

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

($000s)	Six months ended June 30, 2024	Year ended December 31, 2023
Retail	**(2,685)**	(4,838)
Office	**(10,623)**	(10,967)
Industrial	**1,209**	(950)
Land Lease Community	**2,085**	(39)
	(10,014)	(16,794)

Our valuation program requires the revaluation of each legal phase every two years or as market conditions dictate.

In Q2-2024, we had thirty properties revalued, contributing to the $10.01 million fair value loss. We also realized fair value losses during the quarter related to tenant incentives that were capitalized to the property without a corresponding increase in property value. Straight-line rent adjustments and amortization of tenant improvements also impact fair value in the period in which they are incurred.

Fair values are most sensitive to changes in capitalization rates.

	June 30, 2024			December 31, 2023		
	Min	**Max**	**Weighted Average**	Min	Max	Weighted Average
Capitalization rate	**5.50%**	**10.25%**	**7.19%**	5.50%	10.50%	7.24%
Terminal capitalization rate	**6.00%**	**9.25%**	**7.29%**	6.00%	9.25%	7.31%
Discount rate	**6.75%**	**10.25%**	**8.21%**	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 $44.10 million (December 31, 2023 - $44.90 million) while a 50 basis points decrease (-0.5%) would increase fair value by $50.70 million (December 31, 2023 - $51.50 million).

Liquidity & Capital Resources

We employ a range of strategies to fund operations, with current cash conservation strategies ongoing in order to ensure long-term sustainability.

Our principal liquidity needs are to:

- Fund recurring expenses;
- Meet debt service requirements;
- Make distribution payments; and
- Fund capital projects;

We currently have cash conservation strategies in place to ensure long-term sustainability.

Cash Flows

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

	Three months ended June 30			Six months ended June 30		
($000s)	**2024**	2023	$△	**2024**	2023	$△
Cash from operating activities	**2,633**	3,087	(454)	**7,481**	4,969	2,512
Cash from (used in) from investing activities	**2,214**	(490)	2,704	**1,722**	18,344	(16,622)
Cash used in financing activities	**(5,414)**	(2,730)	(2,684)	**(9,198)**	(23,437)	14,239
Increase (decrease) in cash and cash equivalents	**(567)**	(133)	(434)	**5**	(124)	129
Cash and cash equivalents, beginning of the period	**3,861**	3,313	548	**3,289**	3,304	(15)
Cash and cash equivalents, end of the period	**3,294**	3,180	114	**3,294**	3,180	114

Operating activities

Cash from operating activities was down $0.45 million to cash inflows of $2.63 million in the quarter and up $2.51 million to cash inflows of $7.48 million year-to-date. Cash before adjustments for working capital and payments of tenant incentives and direct leasing costs was up $1.27 million in the period and up $2.19 million year-to-date. Rent collections continue to remain strong. Operating assets and liabilities fluctuate period over period and contributed $1.04 million in the period and $0.58 million year-to-date to the overall decrease in cash from operating activities.

Interest on mortgages and our revolving credit facility was up $0.18 million in the period and $0.54 million year-to-date due to rising interest rates, and increased borrowings on our credit facility, which has a prime based interest rate. This had a negative impact on operating cash flows by reducing net income.

We continue to focus efforts on leasing, and in the past few years have seen some significant costs related to tenant incentives and direct leasing costs associated with leases. Tenant incentives and direct leasing cost investments was up $1.29 million to $2.33 million in the period and $0.24 million to $3.24 million year-to-date (Q2-2023: $1.05 million; 2023: $3.00 million). We have planned 2024 spend of $5.70 million on tenant inducements and leasing commissions, compared to actual spend of $6.80 million in 2023. We have completed 321,836 sf of new and renewed leasing resulting in occupancy of 86.9% at quarter-end. The timing of lease expiries impacts the level of spending on tenant incentives and direct leasing costs and fluctuates from period to period.

Investing activities

We have spent $0.38 million in the quarter and $0.87 million year-to-date on our scheduled maintenance program and other projects (Q2-2023 - $0.49 million; 2023: $0.68 million). We remain committed to strategic value-adding asset enhancement and preservation projects as an integral component of our strategy to improve our assets and retain and attract tenants. We anticipate spending $3.00 million in 2024 on planned capital projects. Asset enhancement investments fluctuate based on the nature and timing of projects undertaken and can be seasonal in nature.

In the period we sold our Richter Street property for net proceeds of $7.48 million, of which $5.03 million was used for the purchase of multiple GIC's (included in other assets) maturing on a monthly basis until May 2025, with interest rates ranging from 5.00% to 5.22%. These GIC's are being used as security on a different property. Net cash of $2.45 million was used to reduce borrowings on our credit facility.

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

Financing activities

In 2024, cash used in financing activities was $5.41 million in the quarter and $9.20 million year-to-date. This includes a net reduction on our revolving credit facility of $6.58 million in the quarter and $6.86 million year-to-date. In the quarter we refinanced one of our industrial properties for gross proceeds of $11.00 million bringing in net proceeds of $3.98 million, and renewed an additional two mortgages maturing in the period for a combined total of $4.32 million.

In Q2-2024 there were no distributions to unitholders. Year-to-date we have paid $0.52 million in distributions related to the $0.04 per unit distribution declared in January 2024 (Q2-2023: $1.56 million; 2023: $3.11 million). In February 2024, the decision was made to suspend distributions during a strategic review process. The suspension is expected to enable the REIT to retain approximately $1.2 million of cash monthly, improving the REIT's financial flexibility as it continues advancing its short and long-term objectives.

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

As at June 30, 2024 we had $3.29 million in cash and cash equivalents in addition to $10.61 million in undrawn liquidity under our revolving credit facility.

Capital Structure

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

Pursuant to the Declaration of Trust (DOT) Degree of Leverage Ratio, we may not incur or assume any indebtedness if, after incurring or assuming such indebtedness, our total indebtedness would be more than 60% of Gross Book Value (GBV) (65% including any convertible debentures). Throughout the period we were in compliance with the Degree of Leverage Ratio and had a ratio of 49% as at June 30, 2024 (55% including convertible debentures).

As at June 30, 2024, our total capitalization was $699.86 million and is comprised of:

($000s)	June 30, 2024	December 31, 2023
Revolving credit facility[1]	**31,046**	37,901
Mortgages payable[1]	**313,796**	314,808
Class C LP Units	**20,818**	21,630
Indebtedness, excluding convertible debentures	**365,660**	374,339
Convertible debentures[2]	**46,000**	46,000
Indebtedness	**411,660**	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	**699,856**	708,535
Gross Book Value (GBV)[4]	**746,957**	746,957
Debt to GBV, excluding convertible debentures (maximum threshold - 60%)[5]	**49.0 %**	50.0 %
Debt to GBV (maximum threshold - 65%)[5]	**55.1 %**	56.0 %

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 features.*
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 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 June 30, 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:

		Contractual balance due, by year end:					
($000s)	Total	2024	2025	2026	2027	2028	Thereafter
Revolving credit facility	**31,046**	31,046	–	–	–	–	–
Mortgages payable	**313,796**	34,156	53,366	51,347	13,683	34,985	126,259
Class C LP Units	**20,818**	1,591	9,310	9,917	–	–	–
Convertible debentures	**46,000**	46,000	–	–	–	–	–
Total	**411,660**	**112,793**	**62,676**	**61,264**	**13,683**	**34,985**	**126,259**
% of portfolio	100.0 %	27.4 %	15.2 %	14.9 %	3.4 %	8.5 %	30.6 %

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 have six mortgages up for renewal with a maturing principal balance of $43.91 million at an interest rate of 4.09%. To date in 2024, we have 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 two mortgages maturing in the period for a combined total of $4.32 million. 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 western 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 on the earlier of June 1, 2026 or October 31, 2024 if the convertible debentures have not been extended, or redeemed or if the REIT has not secured funds to satisfy the convertible debentures by its maturity date.

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. We expect to be able to re-finance these debts at market competitive terms.

Debt Analysis – our mortgages payable, Class C LP Units and convertible debentures bear interest at fixed rates (including four variable rate mortgages 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, fixed via swap contract[1]	Variable	Weighted average interest rate	Weighted average term to maturity
Revolving credit facility	**31,046**	–	–	31,046	7.72 %	0.33
Mortgages payable	**313,796**	234,852	78,944	–	4.11 %	3.49
Class C LP Units	**20,818**	20,818	–	–	4.95 %	1.66
Convertible debentures	**46,000**	46,000	–	–	5.10 %	0.50
Total	**411,660**	**301,670**	**78,944**	**31,046**	**4.54 %**	**2.83**

1. *We have floating for fixed interest rate swaps which fix the interest rate on our variable rate mortgages for the term of the mortgages.*

The weighted average interest rate on our debts was 4.54% (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 distributions on Class B LP Units. We consider these measures to be useful in evaluating our ability to service our debt. These metrics are not calculated for purposes of covenant compliance on any of our debt facilities.

($000s)	Six months ended June 30, 2024	Year ended December 31, 2023
FFO	**10,855**	23,869
Principal repayments on Mortgages payable	4,997	10,467
Principal repayments on Class C LP Units	812	1,911
Principal repayments	**5,809**	12,378
Debt service coverage ratio[1]	**1.87**	1.93
FFO plus finance costs	20,862	43,576
Finance costs[2]	10,007	19,707
Finance costs coverage ratio[1]	**2.08**	2.21

1. *Non-GAAP ratio. Refer to the Non-GAAP and Non-Standard Measures section 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 the 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 potentially diluted number of units outstanding as at June 30, 2024 and December 31, 2023:

Issued and fully paid units ($000s except unit amounts)	**June 30, 2024**		December 31, 2023	
	Units	**$ Amount**	Units	$ Amount
Balance, beginning and end of period[1]	**12,963,169**	**127,989**	12,963,169	127,989
Potentially dilutive securities				
Class B LP Units Historical Cost[2]	**16,125,147**	**160,207**	16,125,147	160,207
Convertible debentures[3]	**5,168,542**	**46,000**	5,168,542	46,000
Potentially diluted balance, end of period	**34,256,858**	**334,196**	34,256,858	334,196

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

Quarterly Results

	2024		2023				2022	
($000s except per unit amount)	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**
Revenue	**17,858**	18,905	18,502	18,285	18,123	18,990	18,797	18,189
Net income (loss)[1]	**10,514**	10,352	(1,616)	7,075	7,198	3,656	(1,062)	19,151
NOI[4]	**11,482**	11,661	11,530	11,894	11,689	11,522	11,460	11,613
Funds from operations (FFO)[4]	**5,459**	5,396	5,654	6,034	6,173	6,008	5,781	6,306
Adjusted funds from operations (AFFO)[4]	**3,426**	3,352	3,567	3,871	4,081	3,659	3,521	4,464
Adjusted cash flows from operations (ACFO)[4]	**3,550**	3,477	3,691	3,989	4,198	3,776	3,679	4,623
Per unit metrics								
Basic earnings (loss) per unit	**$ 0.81**	$ 0.80	$ (0.12)	$ 0.54	$ 0.56	$ 0.28	$ (0.09)	$ 1.48
FFO (basic)[5]	**$ 0.19**	$ 0.19	$ 0.19	$ 0.21	$ 0.21	$ 0.21	$ 0.20	$ 0.22
AFFO (basic)[5]	**$ 0.12**	$ 0.12	$ 0.12	$ 0.13	$ 0.14	$ 0.13	$ 0.12	$ 0.15
ACFO (basic)[5]	**$ 0.12**	$ 0.12	$ 0.13	$ 0.14	$ 0.14	$ 0.13	$ 0.13	$ 0.16
Annualized distribution rate[3]	**$ –**	$ 0.160	$ 0.480	$ 0.480	$ 0.480	$ 0.480	$ 0.480	$ 0.480
FFO Payout Ratio[5]	**–%**	22%	62%	58%	57%	58%	60%	55%
AFFO Payout Ratio[5]	**–%**	35%	98%	90%	86%	95%	99%	78%
ACFO Payout Ratio[5]	**–%**	33%	95%	88%	83%	92%	95%	76%
Period-end closing unit price	**$2.77**	$3.22	$4.15	$4.55	$4.69	$5.35	$5.53	$5.75
Annualized distribution yield on closing unit price (%)[2]	**–%**	4.97%	11.57%	10.55 %	10.23 %	8.97%	8.68%	8.35%

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. *Distributions from August 2021 to January 2024 were paid out at $0.04 per unit per month from August 2021 to January 2024. Distributions were suspended in February 2024.*
4. *Non-GAAP financial measure. Refer to the Non-GAAP and Non-Standard Measures section for further information.*
5. *Non-GAAP ratio. Refer to the Non-GAAP and Non-Standard Measures section for further information.*

Off Balance Sheet Arrangements, Contractual Obligations, Business Environment & Risks, Related Party Transactions, Critical Accounting Estimates, Changes in Accounting Policies

We have adopted the following amendment on January 1, 2024.

IAS 1, Presentation of financial statements was amended to clarify how to classify debt and other liabilities as either current or non-current. The definition of settlement has been changed to clarify that settlement of a liability includes any kind of settlement, whether in cash, other assets or in the entity's own equity. The amendment to IAS 1 is effective for annual periods beginning on or after January 1, 2024 and impacts the classification of the Class B LP Units and convertible debentures in the consolidated statement of financial position. The Class B LP Units and convertible debentures are convertible into trust units at the option of the holder and are required to be presented as current liabilities in accordance with the amendment to IAS 1. The amendment has been applied retrospectively with restatement and has resulted in the Class B LP Units of $66.91 million as at December 31, 2023 and $89.17 million as at January 1, 2023 that were previously included in non-current liabilities being reclassified to current liabilities. The convertible debenture of $44.06 million as at January 1, 2023 that was previously included in non-current liabilities, has also been reclassified to current liabilities.

Internal Control over Financial Reporting and Disclosure Controls

The Chief Executive Officer and the Chief Financial Officer have evaluated whether there were material changes to internal control over financial reporting during the quarter ended June 30, 2024 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

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

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

Declaration of Trust

The investment guidelines and operating policies of the REIT are outlined in the Amended and Restated 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 July 30, 2024, the REIT was in compliance with all investment guidelines and operating policies stipulated in the DOT.

Non-GAAP and Non-Standard Measures

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

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

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

Calculations

We use the following calculations in measuring our performance.

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

Net operating income (NOI): NOI is a non-GAAP financial measure and is defined as rental revenue, adjusted for amortization of tenant incentives 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 June 30			Six months ended June 30		
($000s)	**2024**	2023	△%	**2024**	2023	△%
Net income for the period	**10,514**	7,198		**20,866**	10,854	
Net finance costs	**5,177**	5,492		**10,316**	13,012	
Fair value adjustment on Class B LP Units	**(7,256)**	(10,643)		**(22,252)**	(13,546)	
Fair value adjustment on investment properties	**958**	7,830		**10,014**	9,416	
General and administrative expenses	**1,014**	736		**2,034**	1,515	
Amortization of tenant incentives	**933**	993		**1,892**	2,051	
Straight-line rent adjustment	**142**	83		**273**	(91)	
NOI	**11,482**	11,689	(1.8)	**23,143**	23,211	(0.3)

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

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. Further discussion over same-asset NOI can be found in the Consolidated Revenue & Net Operating Income section of the MD&A.

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.

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.

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.

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.

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.

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.

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.

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.

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.

Debt to Gross Book Value: Debt to GBV 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, excluding unamortized fair value adjustment on Class C LP Units, liability held for sale (as applicable) and convertible debenture, excluding unamortized discount and transaction costs divided by 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.

Income before fair value adjustment and taxes: Income before fair value adjustment and income taxes 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.

	Three months ended June 30			Six months ended June 30		
($000s)	**2024**	2023	△%	**2024**	2023	△%
Net income for the period	**10,514**	7,198		**20,866**	10,854	
Fair value adjustment on Class B LP Units	**(7,256)**	(10,643)		**(22,252)**	(13,546)	
Fair value adjustment on investment properties	**958**	7,830		**10,014**	9,416	
Fair value adjustment on derivative instruments	**310**	(1,140)		**(310)**	(464)	
Income before fair value adjustment and taxes	**4,526**	3,245	39.5	**8,318**	6,260	32.9

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