Management's Discussion & Analysis

November 4, 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 September 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 third 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 November 4, 2024. Disclosure contained in this MD&A is current to November 4, 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 may involve 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 our outlook on 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.

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

TABLE OF CONTENTS

Our Business

The REIT has an established and diversified portfolio in western Canada. As at September 30, 2024, we owned 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 November 4, 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 51.6% 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.

Strategic Review Process

In February 2024, the REIT announced the commencement of a strategic review and suspension of the distribution to strengthen its financial position. The Board believes this decision was prudent and in the best interests of the REIT and its unitholders.

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

Pursuant to the Arrangement Agreement, the REIT implemented a 30-day go-shop period from September 12, 2024 to October 15, 2024 (the "Go-Shop Period"), during which it was permitted to solicit third-party interest in submitting a proposal superior to the proposal made by Melcor. Melcor had the right to match a superior proposal during and after the Go-Shop Period. The Go-Shop Period expired at 11:59 p.m. MT on October 15, 2024 with no superior proposal having been received.

Completion of the transaction will be subject to various closing conditions, including court approval and the approval of at least (i) two-thirds (66 2/3%) of the votes cast by the holders of participating trust units ("Trust Units") and special voting units of the REIT (the "Special Voting Units") present in person or represented by proxy at the special meeting ("Meeting") to be called to approve the (each holder of Trust Units and Special Voting Units being entitled to one vote per Trust Unit or Special Voting Unit, as applicable) and (ii) the majority of the votes cast by holders of Trust Units and Special Voting Units present in person or represented by proxy at the Meeting, excluding the votes of Melcor and any other unitholders whose votes are required to be excluded for the purposes of "minority approval" under Multilateral Instrument 61-101 – Protection of Minority Security Holders in Special Transactions ("MI 61-101"). The Meeting will be held at the Windsor Room, Third Floor, Manulife Place, 10180 101st Street, Edmonton, Alberta,T5J 3V5 on November 26, 2024 at 9:30 a.m. (Edmonton time).

Further details regarding the strategic review process and the proposed Transaction, including applicable voting requirements are contained in the management information circular (the "Circular") which was filed with applicable regulatory authorities and mailed to holders of Trust Units and Special Voting Units in connection with the Meeting to approve the transaction. The Circular is available on the REIT's profile on SEDAR+ at www.sedarplus.ca and at www.melcorreit.ca/special-meeting.

The REIT acknowledges that FC Private Equity Realty Management Corp. and Telsec Property Corporation have launched a mini-tender offer to acquire up to 1,296,316 of the REIT's participating trust units. Unitholders are advised to take no action on the mini-tender offer and not to tender their units until a formal recommendation has been made to Unitholders.

Laurel Hill Advisory Group, the strategic unitholder advisor and proxy solicitation agent engaged by the REIT, is available to answer information requests from Unitholders and can be reached by telephone toll-free in North America at 1-877-452-7184, outside North America at +1 416-304-0211, or by email at assistance@laurelhill.com.

Property Management

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

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

Our property management practices are designed to improve operating efficiency and reduce costs while at the same time increasing client satisfaction. In 2023, we upgraded MelCARE to a new software to provide a more comprehensive customer care experience. We were able to upgrade our MelCARE software at a much lower annual cost while providing our team with a more sophisticated platform to improve response and completion time. Strong customer satisfaction contributes to other key metrics, including retention rate, which is 86.8% in the third quarter of 2024, and was 87.9% in fiscal 2023. The MelCARE platform also provides for recurring preventative maintenance work and thus lowering operating costs, improving building efficiency and contributing to a longer life cycle of building science.

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

Asset Enhancement

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

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

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

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 September 30, 2024, we have classified two properties as held for sale, including one retail property located in Grande Prairie, AB and one industrial property located in Lethbridge, AB with a combined 332,000 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. Subsequent to the quarter, on October 1, 2024, we closed on the sale of the Lethbridge asset for gross proceeds of $4.50 million, or net proceeds of $4.34 million after transaction costs. Proceeds from the sale were used to repay the outstanding principal balance on the mortgage of $1.11 million, with remaining cash being used to reduce borrowings on the credit facility. The Grande Prairie asset is currently under contract, however, conditions have not been removed.

We also entered into an unconditional agreement on October 23, 2024 to dispose of an office property located in Regina, SK, for gross proceeds of $5.00 million, or estimated net proceeds of $3.00 million after the anticipated mortgage repayment of $1.90 million and transaction costs. This sale is expected to close on November 22, 2024. As at September 30, 2024 this asset was not classified as held for sale as it did not meet the criteria under IFRS Accounting Standards.

On May 10, 2024, we sold our Richter Street property. This property was 29,000 sf office property located in Kelowna, BC and sold 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 loan 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 25 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 September 30			Nine months ended September 30		
($000's)	**2024**	2023	△%	**2024**	2023	△%
NOI[1]	**11,598**	11,894	(2.5)	**34,741**	35,105	(1.0)
Same-asset NOI[1]	**10,366**	10,587	(2.1)	**31,032**	31,303	(0.9)
FFO[1]	**4,465**	6,034	(26.0)	**15,320**	18,215	(15.9)
AFFO[1]	**2,600**	3,871	(32.8)	**9,378**	11,611	(19.2)
ACFO[1]	**2,729**	3,989	(31.6)	**9,756**	11,963	(18.4)
Rental revenue	**17,454**	18,285	(4.5)	**54,217**	55,398	(2.1)
Income before fair value adjustments[1]	**3,259**	3,131	4.1	**11,577**	9,391	23.3
Fair value adjustment on investment properties	**(12,873)**	1,051	nm	**(22,887)**	(8,365)	nm
Cash flows from operations	**7,744**	3,827	102.4	**15,225**	8,796	73.1
Distributions paid to unitholders	**–**	1,556	(100.0)	**519**	4,667	(88.9)
Distributions paid[2]	**$–**	$0.12	(100.0)	**$0.04**	$0.36	(88.9)

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:

	September 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)	**87.3 %**	87.6 %	(0.3)
Retention (weighted by GLA)	**86.8 %**	87.9 %	(1.3)
Weighted average remaining lease term (years)	**4.46**	4.31	3.5
Weighted average base rent (per sf)	**$17.07**	$17.06	0.1

Balance Sheet Highlights:

	September 30, 2024	December 31, 2023	△%
Total assets ($000s)	**673,186**	700,998	(4.0)
Equity at historical cost ($000s)[1]	**288,196**	288,196	–
Indebtedness ($000s)[2]	**405,130**	420,339	(3.6)
Weighted average interest rate on debt	**4.46 %**	4.52 %	(1.3)
Debt to GBV, excluding convertible debentures (maximum threshold - 60%)[3]	**48.6 %**	50.0 %	(2.8)
Debt to GBV (maximum threshold - 65%)[3]	**54.8 %**	56.0 %	(2.1)
Finance costs coverage ratio[4]	**2.00**	2.21	(9.5)
Debt service coverage ratio[5]	**1.74**	1.93	(9.8)

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 19 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 19 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 September 30			Nine months ended September 30		
	2024	2023	△%	**2024**	2023	△%
Net income (loss)						
Basic	**($3.46)**	$0.55		**($1.85)**	$1.38	
Diluted	**($3.46)**	$0.22		**($1.85)**	$0.27	
Weighted average number of units for net income (loss) (000s):[1]						
Basic	**12,963**	12,963	–	**12,963**	12,963	–
Diluted	**12,963**	34,257	(62)	**12,963**	29,088	(55.4)
FFO						
Basic[2]	**$0.15**	$0.21		**$0.53**	$0.63	
Diluted[2]	**$0.15**	$0.20		**$0.52**	$0.60	
Payout ratio[2]	**– %**	58 %		**7.6%**	57.0%	
AFFO						
Basic [2]	**$0.09**	$0.13		**$0.32**	$0.40	
Payout ratio[2]	**– %**	90 %		**12%**	90%	
ACFO						
Basic[2]	**$0.09**	$0.14		**$0.34**	$0.41	
Payout ratio[2]	**– %**	88 %		**11.9%**	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:

The real estate industry continues to face challenges reflected in the upward trend of capitalization rates on our portfolio. Office properties, in particular urban office, have continued to see the largest impact reflected by reduced occupancy and lower base rent on new and renewing base rents. These challenges have resulted in decreased valuations on our office properties, and to date in 2024 we have recorded losses of $17.44 million on office properties alone.

To date in 2024, we have completed 83,600 sf of new leasing and 315,740 sf in renewals and holdovers for an 86.8% retention rate. Occupancy was down at 87.3% (December 31, 2023: 87.6%) with commitment on an additional 11,202 sf bringing committed occupancy up to 87.6%. We continue 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 0.3% since year-end. WABR remain stable at $17.07 compared to year-end (December 31, 2023: $17.06) and is up 1.6% ($0.27 per sf) compared to Q3-2023.

We have completed 37 (of 51 legal phases) valuations in our portfolio to date in 2024. Overall, we are seeing a decline in value on both our office and retail properties due to reduced property NOI and rising capitalization rates. To date in 2024, we have recorded net losses on our office properties of $17.44 million (2023: $10.97 million loss) and net losses of $9.56 million (2023: $4.84 million) on our retail properties. Furthermore, in some cases, due to age, some properties in our portfolio require increased spend on capital repairs and improvements required to attract and retain tenants.

Retail properties continue to anchor our portfolio, however, they are also seeing compression in both net rental revenue and NOI. Occupancy has decreased to 93.4%, down from 95.9% at the same time last year. Retail represents 44.7% of our total GLA as at September 30, 2024, and 60.1% of net rental income for the nine months ended September 30, 2024.

Subsequent to the quarter, on October 1, 2024, we closed on the sale of our Lethbridge Industrial property for gross proceeds of $4.50 million, or net proceeds of $4.34 million after transaction costs. Proceeds on the sale of the 49,000 sf industrial property were used to repay the outstanding principal balance on the mortgage of $1.11 million, with remaining cash being used to reduce borrowings on the credit facility. Additionally, we have entered into an unconditional agreement to sell a 25,000 sf office property located in Regina, SK, for proceeds of $5.00 million with an expected closing date of November 22, 2024.

In the quarter and year-to-date, rental revenue has declined with a 4.5% reduction in the period to $17.45 million and a 2.1% reduction to $54.22 million over 2023. Net rental income saw similar results with a 7.6% decrease over Q3-2023 to $10.08 million, and a 3.4% decrease over 2023 to $31.06 million. The decrease over 2023 is the result of both asset dispositions, as well as a reduction in recoveries and swings in 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 2.5% over Q3-2023 and 1.0% 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 2.1% over Q3-2023 and down 0.9% year-to-date.

Funds from operations was down 26.0% in the period and 15.9% year-to-date, and adjusted funds from operations was down 32.8% in the period and 19.2% year-to-date. The reduction of funds from operations and adjusted funds from operation is impacted by a reduction in net rental income in the period and year-to-date, paired with the 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 recovery revenue, and an increase to straight-line rent adjustments. Additionally, increases in interest on mortgage payable and revolving credit facilities have negatively impacted our funds from operation and adjusted funds from operations comparative to 2023.

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.

Third quarter:

- Revenue was down 4.5% to $17.45 million (Q3-2023: $18.29 million)
- NOI was down 2.5% to $11.60 million (Q3-2023: $11.89 million)
- FFO was down 26.0% to $4.47 million or $0.15 per unit (Q3-2023: $6.03 million or $0.21 per unit)
- ACFO was down 31.6% to $2.73 million or $0.09 per unit (Q3-2023: $3.99 million or $0.14 per unit)
- Fair value losses on investment properties of $12.87 million were recorded (Q3-2023: fair value gains of $1.05 million)

Year-to-date:

- Revenue was down 2.1% to $54.22 million (2023: $55.40 million)
- NOI was down 1.0% to $34.74 million (2023: $35.11 million)
- FFO was down 15.9% to $15.32 million or $0.53 (2023: $18.22 million or $0.63 per unit)
- ACFO was down 18.4% to $9.76 million or $0.34 per unit (2023: $11.96 million or $0.41 per unit)
- Fair value losses on investment properties of $22.89 million were recorded (2023: fair value losses of $8.37 million)

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 investment properties was a loss of $22.89 million compared to a loss of $8.37 million in 2023. These losses include a $17.44 million loss to date from our office properties and a $9.56 million loss to date from our retail properties. Fair value adjustment on Class B Units, which have an inverse relationship with the REIT unit price, resulted in a loss of $11.45 million recorded to date in 2024 compared to gains of $15.80 million recorded in 2023.

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

FINANCING HIGHLIGHTS

In 2024, six mortgages were up for renewal for a combined total of $43.91 million. In the quarter, we renewed one mortgage set to mature in the period for $4.05 million. This renewal required a $1.60 million pay down (at JV%) and was renewed at a rate of 7.11%. Additionally, year-to-date we have refinanced one $11.00 million mortgage at a rate of 6.00%, providing additional proceeds of $3.98 million, and renewed an additional two mortgages for a combined total of $4.32 million. No net proceeds were received on these renewals. Since quarter end, we have signed commitment letters to renew the remaining two mortgages up for renewal in 2024 with the existing lenders which are expected to be finalized in the fourth quarter with no net proceeds expected.

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 November 30, 2024 (as amended in Q3-2024) if the convertible debentures have not been extended, or redeemed or if the REIT has not secured funds to satisfy the convertible debentures by their 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 currently support $38.57 million of the $50.00 million facility (as at November 4, 2024) a decrease of $1.81 million since quarter end (September 30, 2024: $40.43 million), and down $7.50 million since year-end (December 31, 2023: $46.07 million supported)

The convertible debentures are due on December 31, 2024. In connection with the execution of the Arrangement Agreement, Melcor, the REIT and the REIT LP entered into a separate Backstop Loan Agreement pursuant to which Melcor has agreed to make an unsecured loan to the REIT LP, as borrower, in the principal amount up to the aggregate principal amount of the debentures outstanding on redemption in full, excluding any accrued and unpaid interest thereon. The Backstop Loan Agreement is subject to consent of the REIT's senior lenders, which consent has not, as at the date of this press release, been received. If the transactions contemplated by the Arrangement Agreement are completed when the convertible debentures are outstanding, the convertible debentures will be repaid in connection with the completion of the Arrangement using funds advanced by Melcor pursuant to the Arrangement. However, if the transactions contemplated by the Arrangement Agreement have not been completed by prior to the maturity of the convertible debentures or the REIT has issued a redemption notice with respect to the convertible debentures with a redemption date prior to the closing date of the Arrangement, the REIT may, in its discretion (subject to certain conditions), on behalf of the REIT LP as borrower, draw on the Backstop Loan Agreement in an amount up to the principal amount of the debenture for the purpose of repaying the same. The Backstop Loan Agreement is only anticipated to be drawn on in the event the Arrangement is not completed by the earlier of December 17, 2024 or the date set forth in the redemption notice, as applicable. The Backstop Loan Agreement and the advance thereunder is not contingent on the unitholder vote. Amounts advanced pursuant to the Backstop Loan Agreement will mature three years from the date of advance with a fixed interest rate of 12%, paid semi-annually and is prepayable, in whole or in part, at anytime prior to maturity with no penalty.

OPERATING HIGHLIGHTS

Leasing in the quarter includes 399,340 sf of new and renewed leases (including holdovers) and we have retained 86.8% of expiring leases. Future leasing is promising, with commitments on an additional 11,202 sf in new deals which would bring committed occupancy up to 87.6%.

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. In the comparative quarter and nine-months ended September 30, 2023, 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). As noted above, distributions were suspended in February 2024 impacting the payout ratios in the current period and to date in 2024. Distributions to unitholders and on Class B LP Units are recorded in the period they are declared to unitholders.

As at September 30, 2024, we supported $40.43 million of the $50.00 million credit facility and had borrowings and committed spend (including outstanding accounts payable, security deposits, accrued interest, and other) of approximately $33.42 million, leaving an available balance of approximately $7.01 million. To date in 2024, the distribution suspension has enabled the REIT to retain approximately $10.47 million in cash. If distributions had continued at a rate of $0.04 per unit per month, this amount would have exceeded the $7.01 million available, demonstrating the positive impact of the distribution suspension on the REIT's liquidity.

As at November 4, 2024, we support $38.57 million of the $50.00 million credit facility, a decrease of $1.86 million since September 30, 2024 which is the result of lower appraised values recognized this quarter on our office properties which support the facility.

On September 12, 2024, the REIT, the GP and Melcor entered into an Arrangement Agreement, pursuant to which, among other steps, the parties agreed that the REIT will pay a non-cash special distribution (the “Special Distribution”) to holders of Trust Units (“Unitholders”), immediately followed by a consolidation so that each Unitholder shall hold the same number of Trust Units as prior to the Special Distribution, subject to any withholding tax. The Special Distribution will be in an amount equal to the REIT’s good faith estimate, of the taxable income, including taxable income to be allocated from the REIT LP to the REIT for the REIT’s taxation year in which the effective date of the arrangement occurs, reduced by any deductions under subsection 104(6) of the Income Tax Act (Canada) in respect of REIT distributions made prior to the effective time of the arrangement. This Special Distribution will be made through the issuance of additional Units to the Unitholders, rather than by way of cash payment. Management of the REIT intends that after the Special Distribution, the REIT will not be liable in the year for any tax under Part I of the Tax Act.

In addition and following the Special Distribution and subsequent consolidation, pursuant to the terms of the Arrangement Agreement, the Purchaser will acquire, and the REIT will sell, all issued and outstanding shares in the capital of the GP and all issued and outstanding Class A voting LP Units of the REIT LP from the REIT, and the REIT will use the proceeds from such sale to redeem all of the then-outstanding Trust Units for $4.95 per Unit in cash consideration, less any Pre-Arrangement Distribution (if any). "Pre-Arrangement Distribution" means a distribution declared by the REIT during the period between the date of the Arrangement Agreement and immediately prior to the effective time of the arrangement payable to Unitholders, excluding the Special Distribution and a distribution of the REIT's taxable income payable by issuance of Trust Units which are immediately consolidated so that the number of Trust Units following such distribution is no greater than the number of Trust Units prior to such distribution.

Consolidated Revenue & Net Operating Income

	Three months ended September 30			Nine months ended September 30		
($000s)	**2024**	2023	△%	**2024**	2023	△%
Base rent	**11,865**	12,105	(2.0)	**36,023**	36,074	(0.1)
Recoveries	**6,406**	6,503	(1.5)	**19,984**	20,477	(2.4)
Other	**699**	657	6.4	**1,891**	1,787	5.8
Amortization of tenant incentives	**(1,206)**	(968)	24.6	**(3,098)**	(3,019)	2.6
SLR adjustment	**(310)**	(12)	2,483.3	**(583)**	79	(838.0)
Rental revenue	**17,454**	18,285	(4.5)	**54,217**	55,398	(2.1)
Operating expenses	**3,592**	3,479	3.2	**11,360**	10,917	4.1
Utilities and property taxes	**3,780**	3,892	(2.9)	**11,797**	12,316	(4.2)
Direct operating expenses	**7,372**	7,371	–	**23,157**	23,233	(0.3)
Net rental income	**10,082**	10,914	(7.6)	**31,060**	32,165	(3.4)
NOI[1]	**11,598**	11,894	(2.5)	**34,741**	35,105	(1.0)
Same-asset NOI[1]	**10,366**	10,587	(2.1)	**31,032**	31,303	(0.9)
Operating margin[2]	**58 %**	60 %	(3.3)	**57 %**	58 %	(1.7)

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 4.5% in the period and 2.1% 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, with a reduction in base rent also being a factor in the period variance. 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 1.5% and year-to-date was down 2.4%. Direct operating expenses were flat in the period and down 0.3% year-to-date over 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 to 87.3% over year-end (87.6%) and Q3-2023 (88.9%) 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 2.9% in the quarter and 4.2% year-to-date. These reductions are due to a combination of asset dispositions in our recent periods and the efforts of our operations team mitigating the increases seen in the market. On a same-asset basis, property taxes and utilities were down 3.7% in the quarter and down 4.0% 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 operations team we have been able to mitigate these rising costs by implementing energy efficient practices and investing in capital projects across our portfolio as seen by the reduction in our utilities compared to 2023. Additionally, due to property tax assessment reviews completed during the year, we were able to reduce property taxes on specific properties, contributing to the overall decrease compared to 2023. Utility costs are also impacted by weather conditions which can vary significantly period over period.

Operating expenses also include maintenance projects, which can vary significantly period over period depending on property needs and weather conditions. Overall, we have seen increases in costs as a result of inflationary pressures. In Q3-2024, operating expenses were up 3.2% in the period and up 4.1% year-to-date. On a same-asset basis, operating expenses were up 3.8% in the period and 5.0% 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), and Richter Street (sold Q2-2024), and assets classified as held for sale (under IFRS Accounting Standards) which includes a retail property located in Grande Prairie, AB and an industrial property located in Lethbridge, AB. NOI was down 2.5% in the period and down 1.0% year-to-date over 2023, with same-asset NOI was down 2.1% in the period and 0.9% year-to-date over 2023.

The calculation of same-asset NOI is as follows:

	Three months ended September 30			Nine months ended September 30		
($000s)	**2024**	2023	△%	**2024**	2023	△%
Same-asset NOI[1]	**10,366**	10,587	(2.1)	**31,032**	31,303	(0.9)
Disposals / Assets held for sale	**1,232**	1,307		**3,709**	3,802	
NOI[1]	**11,598**	11,894	(2.5)	**34,741**	35,105	(1.0)
Amortization of tenant incentives	**(1,206)**	(968)		**(3,098)**	(3,019)	
SLR adjustment	**(310)**	(12)		**(583)**	79	
Net rental income	**10,082**	10,914	(7.6)	**31,060**	32,165	(3.4)

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	(363,549)	$17.02	
Other terminations	(26,736)	$17.28	
Renewals/holdovers	315,740	$16.63	
New leasing	83,600	$15.13	
Lease amendments	(15,503)	–	
Investment property sold	(28,751)	$13.35	
Closing occupancy	**2,724,458**	**$17.07**	**87.3 %**

To date, we have signed 399,340 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 September 30, 2024, we have retained 86.8% (315,740 sf) of expiring leases and have received commitment on an additional 11,202 sf of future renewals representing a committed occupancy of 87.6%. As of Q3-2024, we completed 83,600 sf in new leases, which includes our short-term seasonal tenants. Excluding our seasonal tenants, we have completed 60,044 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:

	September 30, 2024	September 30, 2023	△%	December 31, 2023	△%
Weighted average base rent (per sf)	**$17.07**	$16.93	0.8	$17.06	0.1
Weighted average remaining lease term	**4.46**	4.33	3.0	4.31	3.5
GLA	**3,121,673**	3,148,417	(0.8)	3,150,646	(0.9)
Occupancy %	**87.3 %**	88.9 %	(1.8)	87.6 %	(0.3)
Retention %	**86.8 %**	92.1 %	(5.8)	87.9 %	(1.3)

Q3-2024 occupancy was 87.3%, down over the comparative period (Q3-2023: 88.9%) and year-end (Q4-2023: 87.6%). WABR increased by $0.14 over Q3-2023 to $17.07 and was up $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 September 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 September 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 %	399,451	18,650	60.1 %
Office	19	1,517,096	48.6 %	201,681	9,420	30.3 %
Industrial	3	208,091	6.7 %	40,585	2,173	7.0 %
Land Lease Community	1	308 lots	n/a	18,900	817	2.6 %
	37	3,121,673	100.0 %	660,617	31,060	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 September 30:

	Retail		Office		Industrial		Land Lease Community	
	2024	2023	**2024**	2023	**2024**	2023	**2024**	2023
Three months ended September 30 ($000s)								
Rental revenue	**9,189**	9,435	**6,959**	7,502	**917**	982	**389**	366
Net rental income	**6,061**	6,506	**3,057**	3,418	**687**	735	**277**	255
Same-asset NOI[1]	**5,449**	5,686	**4,005**	3,939	**635**	707	**277**	255
Nine months ended September 30 ($000s)								
Rental revenue	**28,608**	28,770	**21,587**	22,626	**2,886**	2,923	**1,136**	1,079
Net rental income	**18,650**	19,371	**9,420**	9,810	**2,173**	2,209	**817**	775
Same-asset NOI[1]	**16,341**	16,845	**11,867**	11,567	**2,007**	2,116	**817**	775
As at September 30								
WABR (sf)	**$20.79**	$20.34	**$13.31**	$13.42	**$14.59**	$15.19	**n/a**	n/a
Occupancy	**93.4 %**	95.9 %	**79.9 %**	81.0 %	**100.0 %**	100.0 %	**100.0 %**	100.0 %

1. *Non-GAAP financial measure. Refer to the Non-GAAP and Non-Standard Measures section 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 down 2.6% in the period and 0.6% year-to-date. Net rental income was down 6.8% in the period and 3.7% year-to-date, the result of both lower rental revenue and higher operating costs, which were up 6.9% in the quarter and 6.0% year-to-date. Same-asset NOI was also down 4.2% in the quarter and 3.0% year-to-date. Same-asset NOI excludes assets sold or held for sale in the current and comparative periods. We have therefore excluded one retail property located in Grande Prairie, AB which has been classified as held for sale.

WABR increased by $0.45 since Q3-2023 to $20.79, and occupancy has decreased to 93.4% (Q3-2023: 95.9%). Our team continues to focus on leasing efforts, and we successfully renewed 104,326 sf to date with a retention rate of 82.9% as of Q3-2024, including renewals and holdovers. Included in our Q3-2024 and Q3-2023 occupancy numbers are 23,556 sf of seasonal tenants. These leases are signed on a short-term basis and may not be included in other comparative quarters throughout the year.

Office – our 19 office properties include low and medium-rise buildings located in strategic urban and suburban centres. We currently hold office 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.

Rental revenue was down 7.2% in the period and 4.6% year-to-date. Net rental income was down 10.6% in the period and 4.0% year-to-date as a result of lower rental revenue, partially offset by lower direct operating expenses. On a same-asset basis, NOI was up 1.7% in the period and 2.6% year-to-date. In 2023, we sold Kelowna Business Centre (Q1- 2023) and earlier in the year we sold Richter Street (Q2-2024), both located in Kelowna, BC which have been excluded from these calculations.

Occupancy has decreased to 79.9% over Q3-2023 (81.0%) and is also down compared to 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 82.4% or 122,715 sf of space that was up for renewal to date in 2024, including both renewals and holdovers. We have also signed 31,127 sf in new leases to date in Q3-2024.

Due to market pressures, WABR decreased $0.11 over Q3-2023 to $13.31 sf and is down $0.17 sf since year-end (Q4-2023: $13.48). We have also seen an increase in required spend on tenant incentives and leasing commissions over past period required to attract and retain new tenants.

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 down 6.6% in the period and down 1.3% year-to-date. The reduction in rental revenue is a direct result of market pressures contributing to a reduction in base rents as tenants are renewing their leases. This was reflected in a reduction of WABR by $0.60 compared to both Q3-2023 and year-end (Q4-2023: $15.19). On a same-asset basis, NOI was down 10.2% in the period, and 5.2% year-to-date. In the period, we listed our Lethbridge Industrial property as held for sale which has been excluded in our same-asset NOI calculation.

Land Lease Community – we have one land lease community in Calgary, AB, consisting of 308 pad lots. It remains 100% occupied at September 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 September 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 %	402,601	17,219	55.4 %
Southern AB	10	889,283	28.5 %	220,835	11,596	37.4 %
Saskatchewan & BC	5	268,430	8.6 %	37,181	2,245	7.2 %
	37	3,121,673	100.0 %	660,617	31,060	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 nine months ended September 30:

	Northern AB		Southern AB		Saskatchewan & BC	
	2024	2023	**2024**	2023	**2024**	2023
Three months ended September 30 ($000s)						
Rental revenue	**10,059**	10,798	**5,982**	5,918	**1,413**	1,569
Net rental income	**5,514**	6,280	**3,992**	3,692	**576**	942
Same-asset NOI[1]	**5,537**	5,851	**4,191**	3,815	**638**	921
Nine months ended September 30 ($000s)						
Rental revenue	**31,707**	33,059	**17,939**	17,506	**4,571**	4,833
Net rental income	**17,219**	18,420	**11,596**	11,181	**2,245**	2,564
Same-asset NOI[1]	**16,602**	17,053	**12,081**	11,696	**2,349**	2,554
As at September 30						
WABR (sf)	**$17.24**	$17.21	**$17.77**	$17.53	**$13.47**	$13.41
Occupancy	**84.7 %**	86.5 %	**92.3 %**	92.8 %	**89.3 %**	92.7 %

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 6.8% in the period and 4.1% year-to-date over 2023. Net rental income was down 12.2% in the period and 6.5% year-to-date over 2023.

A reduction in recovery revenue, and an increase in SLR adjustment and amortization of tenant incentives in both the period and year-to-date contributed to the decrease in both rental revenue and net rental income. Additionally, lower base rents contributed to the reduction in rental revenue and net rental income in the period and year-to-date. Our same-asset NOI calculations exclude one retail property located in Grande Prairie, AB that is currently classified as held for sale. On a same-asset basis, NOI was down 5.4% in the period and 2.6% year-to-date over Q3-2023, largely due to a reduction in recoveries over Q3-2023 in both the three-month period and year-to-date. Recoveries are largely tied to occupancy, which is currently 84.7%, down from 86.5% at Q3-2023 up over year-end (Q4-2023: 84.0%). WABR is up $0.03 to $17.24 compared to Q3-2023 and down over year-end (Q4-2023: $17.37).

Retention in the quarter was strong at 90.5%, with 226,471 sf of space renewed, including both renewals and holdovers. We also signed 65,353 sf in new leasing in the year in the region. Included in our new leasing is 23,556 sf of seasonal occupancy. Excluding this seasonal tenant, we have 41,797 sf of new leasing in the region and occupancy is 83.5%.

Southern Alberta - our Southern Alberta assets are located throughout the greater Calgary area, including Chestermere and Airdrie, and in Lethbridge. Rental revenue was up 1.1% in the quarter and up 2.5% year-to-date. Net rental income was up 8.1% in the quarter and 3.7% year-to-date. On a same-asset basis, NOI was up 9.9% in the period and 3.3% year-to-date which excludes one property classified as held for sale located in Lethbridge, AB.

Occupancy has decreased to 92.3% compared to Q3-2023 at 92.8% and is down over year-end (Q4-2023: 93.9%). WABR is up $0.24 sf over Q3-2023, and $0.28 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 9.9% in the period and down 5.4% year-to-date 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 $0.06 to $13.47 sf over Q3-2023 ($13.41 sf) and is down $0.44 over year-end (Q4-2023 - $13.91 sf).

The same-asset NOI calculations exclude Kelowna Business Center (sold in Q1-2023), and Richter Street (sold in Q2-2024) and was down 30.7% in the quarter and down 8.0% year-to-date. The significant decrease in same-asset NOI in both the period and year-to-date is a direct result of increased direct operating costs related to additional repairs required in the year. As of Q2-2024, we do not hold any properties located in BC.

Occupancy decreased to 89.3% comparative to Q3-2023 at 92.7% and year-end (Q4-2023: 92.7%).

General & Administrative Expense

	Three months ended September 30			Nine months ended September 30		
($000s)	**2024**	2023	△%	**2024**	2023	△%
Asset management fee	**469**	472	(0.6)	**1,411**	1,418	(0.5)
Professional fees	**895**	119	652.1	**1,416**	328	331.7
Public company costs	**149**	86	73.3	**458**	258	77.5
Other	**76**	102	(25.5)	**338**	290	16.6
General & administrative expense	**1,589**	779	104.0	**3,623**	2,294	57.9

General & administrative (G&A) expense increased 104.0% in the quarter to $1.59 million and increased 57.9% to $3.62 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 established in February 2024. On September 12, 2024, Melcor and the REIT announced that they had entered into an arrangement agreement under which Melcor will acquire its unowned equity interest in the REIT. Costs associated with this process include 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 37 properties (legal phases) comparative to eight 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 6.7% of revenue (2023: 4.1%).

Finance Costs

($000s)	Three months ended September 30 2024	2023	△%	Nine months ended September 30 2024	2023	△%
Interest on mortgages payable and revolving credit facility	3,997	3,819	4.7	11,498	10,776	6.7
Interest on Class C LP Units	253	276	(8.3)	775	899	(13.8)
Interest on convertible debentures	587	587	–	1,760	1,760	–
Accretion on convertible debentures	129	118	9.3	378	352	7.4
Fair value adjustment on derivative instruments	1,483	(636)	(333.2)	1,173	(1,100)	nm
Amortization of deferred financing fees	286	285	0.4	848	934	(9.2)
Finance costs before distributions	6,735	4,449	51.4	16,432	13,621	20.6
Distributions on Class B LP Units	–	1,935	(100.0)	645	5,805	(88.9)
Finance costs	6,735	6,384	5.5	17,077	19,426	(12.1)

Total finance costs were up 5.5% in the period and down 12.1% year-to-date compared to Q3-2023. The year-to-date decrease in finance costs is directly correlated 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 Class A LP units (trust units) where distributions are recorded through equity, as well as Class B LP Units where distributions are recorded as a finance cost, as shown above. 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 $1.48 million compared to a gain of $0.64 million in Q3-2023, and year-to-date in 2024 we have recorded a loss of $1.17 million compared to a gain of $1.10 million in 2023.

Finance costs before distributions and excluding non-cash adjustments was up 3.3% to $5.25 million (Q3-2023 - $5.09 million) in the period and up 3.7% to $15.26 million (2023: $14.72 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 $0.72 million year-to-date due to rising interest rates.

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

Year-to-date, net repayments on the revolving credit facility are $8.80 million. Net repayments on our credit facility were impacted by the sale of our Richter street property, which closed on April 16, 2024 and generated net cash of $2.41 million on closing. A portion of the sale proceeds from this disposition were invested in GIC's and to date has provided additional cash of $0.74 million. We were also able to refinance an industrial building located in Leduc, AB for net proceeds of $3.98 million, which was also used to reduce borrowings on our credit facility.

Since quarter end, we have closed on the sale of an industrial property located in Lethbridge, AB and we have entered into an unconditional agreement to sell an office building in Regina, SK which is anticipated to close on November 22, 2024. Net cash from these sales will be used to reduce borrowings on our credit facility as well.

As at September 30, 2024 the weighted average interest rate on our revolving credit facility, mortgages payable, Class C LP Units and convertible debentures was 4.46% (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 rise as external pressures continue to impact the capital markets. Interest on Class C LP units is down 8.3% 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 September 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.

On September 12, 2024, the REIT, the GP and Melcor entered into an Arrangement Agreement, pursuant to which, among other things, the parties agreed that the REIT will pay a non-cash Special Distribution to Unitholders, and the Purchaser will acquire all of the units in the unit capital of the REIT LP and shares in the share capital of the GP held by the REIT and subsequently the REIT will redeem all of the issued and outstanding units pursuant to the Plan of Arrangement.

As discussed under the "Distribution" section of our Quarterly Highlights, as part of the Plan of Arrangement, the REIT will declare to be payable and pay a Special Distribution on the Units in an amount equal to the REIT's good faith estimate, of the Taxable Income of the REIT for the taxation year that includes the Effective Time, reduced by any deductions under subsection 104(6) of the Tax Act in respect of REIT distributions made prior to the Effective Time. This Special Distribution will be made through the issuance of additional Units to the Unitholders, rather than by way of cash payment. Management of the REIT intends that after the Special Distribution, the REIT will not be liable in the year for any tax under Part I of the Tax Act.

"Special Distribution" means a distribution in an amount equal to the REIT's good faith estimate, of the Taxable Income, including taxable income to be allocated from the REIT LP to the REIT pursuant to the REIT LP Agreement for the REIT's taxation year in which the Effective Date occurs, reduced by any deductions under subsection 104(6) of the Tax Act in respect of REIT distributions made prior to the Effective Time.

"Plan of Arrangement" means this Plan of Arrangement proposed under section 193 of the ABCA, and any amendments or variations made in accordance with Section 8.1 of the Arrangement Agreement or Section 6.1 of this Plan of Arrangement or made at the direction of the Court in the Final Order with the prior written consent of the REIT, the GP and the Purchaser, each acting reasonably.

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 September 30			Nine months ended September 30		
($000s, except per unit amounts)	**2024**	2023	△%	**2024**	2023	△%
Net income (loss) for the period	**(44,798)**	7,075		**(23,932)**	17,929	
Add / (deduct)						
Fair value adjustment on investment properties	**12,873**	(1,051)		**22,887**	8,365	
Fair value adjustment on Class B LP Units	**33,701**	(2,257)		**11,449**	(15,803)	
Amortization of tenant incentives	**1,206**	968		**3,098**	3,019	
Distributions on Class B LP Units	**–**	1,935		**645**	5,805	
Fair value adjustment on derivative instruments	**1,483**	(636)		**1,173**	(1,100)	
FFO[1]	**4,465**	6,034	(26.0)	**15,320**	18,215	(15.9)
Deduct						
Straight-line rent adjustments	**310**	12		**583**	(79)	
Normalized capital expenditures	**(750)**	(750)		**(2,250)**	(2,250)	
Normalized tenant incentives and leasing commissions	**(1,425)**	(1,425)		**(4,275)**	(4,275)	
AFFO[1]	**2,600**	3,871	(32.8)	**9,378**	11,611	(19.2)
FFO/Unit[2]	**$0.15**	$0.21		**$0.53**	$0.63	
AFFO/Unit[2]	**$0.09**	$0.13		**$0.32**	$0.40	
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 September 30			Nine months ended September 30		
($000s, except per unit amounts)	2024	2023	△%	2024	2023	△%
Base rent	**11,865**	12,105		**36,023**	36,074	
Recoveries	**6,406**	6,503		**19,984**	20,477	
Other revenue	**699**	657		**1,891**	1,787	
SLR adjustment	**(310)**	(12)		**(583)**	79	
Direct operating expenses	**(7,372)**	(7,371)		**(23,157)**	(23,233)	
General & administrative expense	**(1,589)**	(779)		**(3,623)**	(2,294)	
Interest on mortgages payable and revolving credit facility	**(3,997)**	(3,819)		**(11,498)**	(10,776)	
Interest on Class C LP Units	**(253)**	(276)		**(775)**	(899)	
Interest on convertible debentures	**(587)**	(587)		**(1,760)**	(1,760)	
Accretion on convertible debentures	**(129)**	(118)		**(378)**	(352)	
Amortization of deferred financing fees	**(286)**	(285)		**(848)**	(934)	
Interest income	**18**	16		**44**	46	
FFO[1]	**4,465**	**6,034**	(26.0)	**15,320**	**18,215**	(15.9)

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:

	Three months ended September 30			Nine months ended September 30		
($000s, except per unit amounts)	2024	2023	△%	2024	2023	△%
FFO[1]	**4,465**	6,034	(26.0)	**15,320**	18,215	(15.9)
Convertible debentures interest	**587**	587		**1,760**	1,760	
Amortization of deferred financing fees on convertible debentures	**127**	117		**371**	347	
Accretion on convertible debentures	**129**	118		**378**	352	
FFO - Diluted[1]	**5,308**	6,856	(22.6)	**17,829**	20,674	(13.8)
FFO - Diluted/Unit[2]	**$0.15**	$0.20		**$0.52**	$0.60	
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)	**Nine months ended September 30, 2024**	Year ended December 31, 2023
Actual capital expenditures	**1,965**	4,462
Normalized capital expenditures	**2,250**	3,000
Variance	**(285)**	1,462

For the nine months ended September 30, 2024, actual capital expenditures were lower than normalized capital expenditures by $0.29 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 $1.97 million on capital projects to date. Many of our capital projects are currently underway and will continue into the fall as weather permits. Management expects to be on budget by the end of the year. Our 2023 actual capital expenditures paid was $4.46 million. Due to the age of some of the assets in our portfolio, we are seeing additional capital expenditure needs come up. Our operations team is focused on completing the work that is required, but deferring non-essential projects due to limited cash availability.

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)	**Nine months ended September 30, 2024**	Year ended December 31, 2023
Actual tenant incentives and direct leasing expenditures	**3,505**	8,516
Normalized tenant incentives and direct leasing expenditures	**4,275**	5,700
Variance	**(770)**	2,816

For the nine months ended September 30, 2024, tenant incentives and direct leasing costs are lower than normalized estimates. The timing and type of leasing activity and market conditions cause fluctuations in spending during the year. Tenant incentives are directly correlated with base rent achieved on leasing deals, with higher tenant incentives carrying higher base rent. Expenditures on any particular building are impacted by many factors including but not limited to, the lease maturity profile and strategy, market conditions and property's location and asset class. As actual expenditures can vary from one period to another the REIT uses a normalized capital expenditure in determining AFFO and sustainable, economic cash flow of investment properties. Normalized tenant incentives and direct leasing expenditures look at trailing 5 year actual spend plus 5 year projected spend, and therefore will vary period over period depending on the type and size of leases signed.

Our 2023 actual tenant incentives and direct leasing expenditures paid was $8.52 million, and our normalized tenant incentives and direct leasing expenditures are $5.70 million for 2024. Our year-to-date tenant incentives and direct leasing expenditures are currently below both budget and our normalized tenant incentives primarily as a result of lower leasing activity and constrained cash availability. Our operations team is also prudently managing spend, and aiming to negotiate lease renewals and new leases in a way to reduce the up front cash spend required.

ACFO

REALpac defines 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 September 30			Nine months ended September 30		
($000s)	**2024**	2023	△%	**2024**	2023	△%
Cash flows from operations	**7,744**	3,827	102.4	**15,225**	8,796	73.1
Distributions on Class B LP Units	**–**	1,935		**645**	5,805	
Actual payment of tenant incentives and direct leasing costs	**267**	1,357		**3,505**	4,358	
Changes in operating assets and liabilities	**(2,821)**	(670)		**(2,246)**	463	
Amortization of deferred financing fees	**(286)**	(285)		**(848)**	(934)	
Normalized capital expenditures	**(750)**	(750)		**(2,250)**	(2,250)	
Normalized tenant incentives and leasing commissions	**(1,425)**	(1,425)		**(4,275)**	(4,275)	
ACFO[1]	**2,729**	3,989	(31.6)	**9,756**	11,963	(18.4)
ACFO/Unit[2]	**$0.09**	$0.14		**$0.34**	$0.41	
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 as a result of its available liquidity and in order to strengthen its financial position. No distributions were paid to unitholders in Q3-2024 and year-to-date we have paid out $0.52 million.

In the normal course, the REIT assesses its distribution policy. In light of the uncertainties surrounding current capital and property market conditions, management and the Board carefully conducted a comprehensive review of the REIT. As a result, the REIT determined that a suspension of the distribution was warranted. The Board believes this decision was prudent and in the best interest of the REIT and its unitholders as a result of the REIT's current available liquidity. The Board and management continue their ongoing comprehensive review and still believe the decision was in the best interests of the REIT and its unitholders

As at September 30, 2024, based on our borrowing base calculation, we have access to $40.43 million of the $50.00 million credit facility and had borrowings and committed spend (including outstanding accounts payable, security deposits, accrued interest, and other) of approximately $33.42 million, leaving an available balance of approximately $7.01 million. To date in 2024, the distribution suspension has enabled the REIT to retain approximately $10.5 million in cash. If distributions had continued at a rate of $0.04 per unit per month, this amount would have exceeded the $7.01 million available, demonstrating the positive impact of the distribution suspension on the REIT's liquidity.

As at November 4, 2024, based on our borrowing base calculation, we support $38.57 million of the $50.00 million credit facility, a decrease of $1.83 million since September 30, 2024. This decrease is primarily the result of lower appraised values recognized this quarter on our office properties which support the facility and further erodes cash available to the REIT.

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

Cash flow from operations before Class B LP Unit distributions paid less total distributions paid in the quarter was up $5.47 million in the period to cash inflows of $7.74 million (Q3-2023: $2.27 million), and up $10.58 million to cash inflows of $14.71 million (2023: $4.13 million) year-to-date.

	Three months ended September 30			Nine months ended September 30		
($000s)	**2024**	2023	△%	**2024**	2023	△%
Cash flows from operations	**7,744**	3,827	102.4	**15,225**	8,796	73.1
Distributions paid on Class B LP Units	**–**	1,935	(100.0)	**645**	5,805	(88.9)
Cash flow from operations before Class B LP Unit Distributions	**7,744**	5,762	34.4	**15,870**	14,601	8.7
Distributions paid to unitholders	**–**	(1,556)	(100.0)	**(519)**	(4,667)	(88.9)
Distributions paid on Class B LP Units	**–**	(1,935)	(100.0)	**(645)**	(5,805)	(88.9)
Total distributions paid	**–**	(3,491)	(100.0)	**(1,164)**	(10,472)	(88.9)
Cash flow from operations before Class B LP Unit distributions paid less total distributions paid	**7,744**	2,271	241.0	**14,706**	4,129	256.2
Total distributions paid as a % of cash flow from operations before Class B LP Unit distributions paid	**– %**	60.6 %	(100.0)	**7.3 %**	71.7 %	(89.8)

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:

	Nine months ended September 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]	**660,617**	691,782
Value per square foot	**$212**	$220
NOI ($000s)	**34,741**	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 37 (of 51 legal phases) properties valued by external independent valuation professionals, with a fair value of $432.75 million.

In Q3-2023, we had 8 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 $161.10 million.

In Q3-2024 we recognized a fair value loss of $12.87 million and year-to-date have recorded a fair value loss of $22.89 million. This compares to a gain of $1.05 million in Q3-2023 and year-to-date losses in 2023 of $8.37 million. The Alberta real estate market continues to face ongoing challenges, particularly in the office sector where declining demand has resulted in sustained pressure on occupancy rates and a significant reduction in lease rates. In order to mitigate these challenges, we have seen an increase in tenant inducements to attract and retain tenants, which is further eroding return on investments. Additionally, capital expenditures for property upgrades are essential to stay competitive and attract tenants. These added costs, combined with rising capitalization rates, particularly impacting our office properties, have led to a decline in property values.

Investment properties are reported in accordance with IFRS and reflect, among other things, rental income from current leases and other assumptions that market participants would use when pricing investment properties under market conditions, independent of ownership of the assets.

Melcor engages qualified, independent external valuation professionals to assess its investment properties at the lesser of a two-year period or a material change defined as a value change greater than 5% of the properties estimated market value. These professionals evaluate each property individually, basing valuations on current property contract rates and expenditures, adjusted to reflect current market conditions. The properties are valued on an individual stand alone basis, and factor in the best use and market rates of comparable assets to produce a stabilized value.

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

In line with this approach, REIT management believes that the fair value of investment properties recognized in our financial statements complies with IFRS Accounting Standards. Please refer to the" Business Environment & Risks" section of the 2023 Annual MD&A for additional details.

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

($000s)	Nine months ended September 30, 2024	Year ended December 31, 2023
Northern Alberta	**(19,684)**	(10,842)
Southern Alberta	**1,406**	(4,476)
Saskatchewan & British Columbia	**(4,609)**	(1,476)
	(22,887)	(16,794)

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

($000s)	Nine months ended September 30, 2024	Year ended December 31, 2023
Retail	**(9,555)**	(4,838)
Office	**(17,435)**	(10,967)
Industrial	**2,020**	(950)
Land Lease Community	**2,083**	(39)
	(22,887)	(16,794)

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

To date in 2024, we have had 37 properties revalued, contributing to the $22.89 million fair value loss. Included in this amount is $1.40 million fair value losses related to our assets classified as held for sale, and fair value losses 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.

Our office portfolio continues to see the largest fair value losses. To date in 2024, we have recorded losses of $17.44 million and in fiscal 2023 losses of $10.97 million were recorded on office properties only.

Fair values are most sensitive to changes in capitalization rates.

	September 30, 2024			December 31, 2023		
	Min	Max	Weighted Average	Min	Max	Weighted Average
Capitalization rate	**5.50%**	**10.50%**	**7.19%**	5.50%	10.50%	7.24%
Terminal capitalization rate	**6.00%**	**9.50%**	**7.29%**	6.00%	9.25%	7.31%
Discount rate	**6.75%**	**10.50%**	**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 $43.40 million (December 31, 2023 - $44.90 million) while a 50 basis points decrease (-0.5%) would increase fair value by $49.80 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 September 30			Nine months ended September 30		
($000s)	**2024**	2023	$△	**2024**	2023	$△
Cash from operating activities	**7,744**	3,827	3,917	**15,225**	8,796	6,429
Cash from (used in) from investing activities	**(538)**	(1,905)	1,367	**1,184**	16,439	(15,255)
Cash used in financing activities	**(6,530)**	(1,844)	(4,686)	**(15,728)**	(25,281)	9,553
Increase (decrease) in cash and cash equivalents	**676**	78	598	**681**	(46)	727
Cash and cash equivalents, beginning of the period	**3,294**	3,180	114	**3,289**	3,304	(15)
Cash and cash equivalents, end of the period	**3,970**	3,258	712	**3,970**	3,258	712

Operating activities

Cash from operating activities was up $3.92 million in the quarter and up $6.43 million year-to-date. This increase was directly related to the distribution suspension, as distributions on our Class B units are recorded as a finance cost and reduce net income. In the quarter, the decrease in Class B distributions was $1.94 million and year-to date the decrease was $5.16 million. The remaining increase is largely related to a decrease in tenant incentive payments and direct leasing costs, a result of lower leasing activity in 2024 compared to 2023.

General & administrative expenses increased 104.0% in the quarter to $1.59 million and increased 57.9% to $3.62 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, which includes additional costs related to the Arrangement Agreement between Melcor and Melcor REIT. The increase in overall general and administrative expenses 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 down $1.09 million to $0.27 million in the period and down $0.85 million to $3.51 million year-to-date (Q3-2023: $1.36 million; 2023: $4.36 million). We have completed 399,340 sf of new and renewed leasing resulting in occupancy of 87.3% 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 $1.10 million in the quarter and $1.97 million year-to-date on our scheduled maintenance program and other projects (Q3-2023: $1.91 million; 2023: $2.59 million). We budgeted $3.00 million in 2024 to be spent on planned capital projects. Asset enhancement investments fluctuate based on the nature and timing of projects undertaken and can be seasonal in nature. Commitment to capital projects is subject to cash availability and due to limitations certain projects have been deferred where possible to help conserve cash.

Earlier in the year (Q2-2024), we sold our Richter Street property for net proceeds of $7.48 million, of which $5.08 million was invested 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 required as security on a different property. Net cash of $2.40 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.

Subsequent to the quarter, on October 1, 2024, we closed on the sale of our Lethbridge Industrial property, a 49,000 sf industrial property located in Lethbridge, AB for net proceeds of $4.34 million. Proceeds on the sale were used to repay the outstanding principal balance on the mortgage with remaining cash being used to reduce borrowings on the credit facility. On October 23, 2024 we entered into an unconditional agreement to dispose of an office property located in Regina, SK, for gross proceeds of $5.00 million or estimated net proceeds of $3.00 million after the anticipated mortgage repayment of $1.90 million and transaction costs. This sale is expected to close on November 22, 2024.

Financing activities

In 2024, cash used in financing activities was $6.53 million in the quarter and $15.73 million year-to-date. This includes a net reduction on our revolving credit facility of $1.95 million in the quarter and $8.80 million year-to-date. Year-to-date we have completed the renewal of three properties with a combined total of $8.37 million, and refinanced one mortgage for gross proceeds of $11.00 million resulting in net proceeds of $3.98 million.

In Q3-2024 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 (Q3-2023: $1.56 million; 2023: $4.67 million). In February 2024, the decision was made to suspend distributions as a result of its available liquidity in order to strengthen its financial position. As a result, distributions paid to unitholders is down $1.56 million compared to Q3-2023, and down $4.15 million year-to-date.

As at September 30, 2024, based on our borrowing base calculation, we have access to $40.43 million of the $50.00 million credit facility and had borrowings and committed spend (including outstanding accounts payable, security deposits, accrued interest, and other) of approximately $33.42 million, leaving an available balance of approximately $7.01 million. To date in 2024, the distribution suspension has enabled the REIT to retain approximately $10.50 million in cash. If distributions had continued at a rate of $0.04 per unit per month, this amount would have exceeded the $7.01 million available, demonstrating the positive impact of the distribution suspension on the REIT's liquidity.

As at November 4, 2024, based on our borrowing base calculation, we have access to $38.60 million of the $50.00 million credit facility, a decrease of $1.83 million since September 30, 2024. This decrease is primarily the result of lower appraised values recognized this quarter on our office properties which support the facility and further erodes cash available to the REIT.

In connection with the closing of the Transaction, the REIT's 5.10% convertible unsecured subordinated debentures having a maturity date of December 31, 2024, to the extent still outstanding, will be redeemed using an advance up to $46.00 million from Melcor. The REIT will be able to draw up to $46.00 million limit but may use net cash proceeds from asset sales, subject to credit facility availability, to reduce the amount borrowed from Melcor.

We believe that due to cash preservation efforts in 2024, which included the distribution suspension earlier in the year, internally generated cash flows, supplemented by borrowings through our revolving credit facility and mortgage financings, where required, will be sufficient to cover our normal operating, debt service and capital expenditure requirements. We regularly review our credit facility limits and manage our liquidity requirements accordingly.

Capital Structure

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

Pursuant to the Declaration of Trust (DOT) Degree of Leverage Ratio, we may not incur or assume any indebtedness if, after incurring or assuming such indebtedness, 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 September 30, 2024 (55% including convertible debentures).

As at September 30, 2024, our total capitalization was $693.33 million and is comprised of:

($000s)	**September 30, 2024**	December 31, 2023
Revolving credit facility[1]	**29,100**	37,901
Mortgages payable[1]	**309,626**	314,808
Class C LP Units	**20,404**	21,630
Indebtedness, excluding convertible debentures	**359,130**	374,339
Convertible debentures[2]	**46,000**	46,000
Indebtedness	**405,130**	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	**693,326**	708,535
Gross Book Value (GBV)[4]	**739,157**	746,957
Debt to GBV, excluding convertible debentures (maximum threshold - 60%)[5]	**48.6 %**	50.0 %
Debt to GBV (maximum threshold - 65%)[5]	**54.8 %**	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 September 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	**29,100**	29,100	–	–	–	–	–
Mortgages payable	**309,626**	27,033	58,216	50,884	13,577	34,719	125,197
Class C LP Units	**20,404**	1,590	9,310	9,504	–	–	–
Convertible debentures	**46,000**	46,000	–	–	–	–	–
Total	**405,130**	**103,723**	**67,526**	**60,388**	**13,577**	**34,719**	**125,197**
% of portfolio	100.0 %	25.6 %	16.7 %	14.9 %	3.4 %	8.6 %	30.8 %

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

In 2024, we had six mortgages up for renewal with a maturing principal balance of $43.91 million at an interest rate of 4.09%. 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 three mortgages maturing in the period for a combined total of $9.97 million at a weighted average rate of 6.71%. Included with one of these renewals was a $1.60 million pay down at the time of renewal to the principal balance. The REIT continues to monitor its secured debts and proactively engage with lenders in regard to upcoming maturities.

We have a revolving credit facility agreement with two Canadian financial institutions. On May 27, 2024, the REIT formalized the renewal of the credit facility. Under the terms of the amending agreement, the REIT maintains an available credit limit based on the carrying value of specific investment property to a maximum of $50.00 million, available to use for general corporate purposes and acquisitions, including a $5.00 million swing line sub-facility. The facility matures on the earlier of June 1, 2026 or November 30, 2024 (as amended in Q3-2024) 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.

As at November 4, 2024, based on our borrowing base calculation, we have access to $38.57 million of the $50.00 million credit facility, a decrease of $1.83 million since quarter end (September 30, 2024: $40.43 million), and down $7.50 million since year-end (December 31, 2023: $46.07 million supported). This decrease is primarily the result of lower appraised values recognized this quarter on our office properties which support the facility and further erodes cash available to the REIT.

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	**29,100**	–	–	29,100	6.99 %	0.33
Mortgages payable	**309,626**	232,286	77,340	–	4.10 %	3.27
Class C LP Units	**20,404**	20,404	–	–	4.95 %	1.66
Convertible debentures	**46,000**	46,000	–	–	5.10 %	0.50
Total	**405,130**	**298,690**	**77,340**	**29,100**	**4.46 %**	**2.66**

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 4.46% (December 31, 2023 - 4.52%). The reduction in our average interest rate on debt is a result of a reduction in prime within the quarter along with the transition of our revolving credit facility to a CORRA rate.

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)	Nine months ended September 30, 2024	Year ended December 31, 2023
FFO	**15,320**	23,869
Principal repayments on Mortgages payable	7,567	10,467
Principal repayments on Class C LP Units	1,226	1,911
Principal repayments	**8,793**	12,378
Debt service coverage ratio[1]	**1.74**	1.93
FFO plus finance costs	30,579	43,576
Finance costs[2]	15,259	19,707
Finance costs coverage ratio[1]	**2.00**	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 September 30, 2024 and December 31, 2023:

Issued and fully paid units ($000s except unit amounts)	September 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
($000s except per unit amount)	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**
Revenue	**17,454**	17,858	18,905	18,502	18,285	18,123	18,990	18,797
Net income (loss)[1]	**(44,798)**	10,514	10,352	(1,616)	7,075	7,198	3,656	(1,062)
NOI[4]	**11,598**	11,482	11,661	11,530	11,894	11,689	11,522	11,460
Funds from operations (FFO)[4]	**4,465**	5,459	5,396	5,654	6,034	6,173	6,008	5,781
Adjusted funds from operations (AFFO)[4]	**2,600**	3,426	3,352	3,567	3,871	4,081	3,659	3,521
Adjusted cash flows from operations (ACFO)[4]	**2,729**	3,550	3,477	3,691	3,989	4,198	3,776	3,679
Per unit metrics								
Basic earnings (loss) per unit	**$ (3.46)**	$ 0.81	$ 0.80	$ (0.12)	$ 0.54	$ 0.56	$ 0.28	$ (0.09)
FFO (basic)[5]	**$ 0.15**	$ 0.19	$ 0.19	$ 0.19	$ 0.21	$ 0.21	$ 0.21	$ 0.20
AFFO (basic)[5]	**$ 0.09**	$ 0.12	$ 0.12	$ 0.12	$ 0.13	$ 0.14	$ 0.13	$ 0.12
ACFO (basic)[5]	**$ 0.09**	$ 0.12	$ 0.12	$ 0.13	$ 0.14	$ 0.14	$ 0.13	$ 0.13
Annualized distribution rate[3]	**$ –**	$ –	$ 0.160	$ 0.480	$ 0.480	$ 0.480	$ 0.480	$ 0.480
FFO Payout Ratio[5]	**–%**	–%	22%	62%	58%	57%	58%	60%
AFFO Payout Ratio[5]	**–%**	–%	35%	98%	90%	86%	95%	99%
ACFO Payout Ratio[5]	**–%**	–%	33%	95%	88%	83%	92%	95%
Period-end closing unit price	**$4.86**	$2.77	$3.22	$4.15	$4.55	$4.69	$5.35	$5.53
Annualized distribution yield on closing unit price (%)[2]	**–%**	–%	4.97%	11.57%	10.55 %	10.23 %	8.97%	8.68%

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 September 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 November 4, 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 September 30			Nine months ended September 30		
($000s)	**2024**	2023	△%	**2024**	2023	△%
Net income (loss) for the period	**(44,798)**	7,075		**(23,932)**	17,929	
Net finance costs	**6,717**	6,368		**17,033**	19,380	
Fair value adjustment on Class B LP Units	**33,701**	(2,257)		**11,449**	(15,803)	
Fair value adjustment on investment properties	**12,873**	(1,051)		**22,887**	8,365	
General and administrative expenses	**1,589**	779		**3,623**	2,294	
Amortization of tenant incentives	**1,206**	968		**3,098**	3,019	
Straight-line rent adjustment	**310**	12		**583**	(79)	
NOI	**11,598**	11,894	(2.5)	**34,741**	35,105	(1.0)

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 (loss) before fair value adjustment and taxes: Income (loss) 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 September 30			Nine months ended September 30		
($000s)	**2024**	2023	△%	**2024**	2023	△%
Net income (loss) for the period	**(44,798)**	7,075		**(23,932)**	17,929	
Fair value adjustment on Class B LP Units	**33,701**	(2,257)		**11,449**	(15,803)	
Fair value adjustment on investment properties	**12,873**	(1,051)		**22,887**	8,365	
Fair value adjustment on derivative instruments	**1,483**	(636)		**1,173**	(1,100)	
Income before fair value adjustment and taxes	**3,259**	3,131	4.1	**11,577**	9,391	23.3

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).