AGELLAN COMMERCIAL REIT

AGELLAN COMMERCIAL REAL ESTATE INVESTMENT TRUST

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2016

Contents

This Management's Discussion and Analysis ("MD&A") is prepared as of May 9, 2016 and outlines Agellan Commercial Real Estate Investment Trust's (the "REIT") operating strategies, risk profile considerations, business outlook and analysis of financial performance and financial condition for the three month period ended March 31, 2016. This MD&A provides a comparison to the REIT's financial results for the three month period ended March 31, 2015 and should be read in conjunction with the REIT's unaudited condensed consolidated financial statements and accompanying notes for the three month period ended March 31, 2016, together with the REIT's audited consolidated financial statements for the year ended December 31, 2015.

This MD&A is based on financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"). All dollar amounts (except per unit amounts) are in thousands of Canadian dollars ("CAD"), unless otherwise stated.

Additional information about the REIT can be found in its Annual Information Form dated March 29, 2016 (the "AIF"), which is available on SEDAR at www.sedar.com.

PART I

FORWARD-LOOKING INFORMATION

Certain information in this MD&A may constitute "forward-looking information" under applicable Canadian securities legislation. This information includes, but is not limited to, statements made in "Business Overview and Strategic Direction", "Summary of Significant Events", "Liquidity and Capital Resources" and "Financial Outlook and Market Guidance" and other statements concerning management's expectations regarding objectives, plans, goals, strategies, future growth, results of operations, performance and business prospects and opportunities of the REIT. When used in this MD&A, words including, but not limited to, ''plans'', ''expects'', ''scheduled'', ''estimates'', ''intends'', ''anticipates'', "predicts", ''projects'', ''believes'' or variations of such words and phrases or statements to the effect that certain actions, events or results ''may'', ''will'', ''could'', ''would'', "should", ''might'', ''occur'', ''be achieved'' or ''continue'' and similar expressions identify forward-looking information.

Forward-looking information is necessarily based on a number of estimates and assumptions that are inherently subject to significant business, economic and competitive risks, uncertainties and contingencies, many of which are beyond the REIT's control, which could cause actual results to differ materially from those that are disclosed in or implied by such forward-looking information. As such, management can give no assurance that actual results will be consistent with the forward-looking information. While such assumptions are considered reasonable by management of the REIT based on the information currently available, any of these assumptions could prove to be inaccurate and, as a result, the forward-looking information based on those assumptions could be incorrect. These assumptions include, but are not limited to: the REIT's future growth potential; results of operations; future prospects for additional investment opportunities in Canada and the United States, including access to debt and equity capital at acceptable costs and the ability to obtain necessary approvals and to minimize any unexpected costs or liabilities, environmental or otherwise, relating to any acquisitions or dispositions; demographic and industry trends remaining unchanged, including occupancy levels, lease renewals, rental increases and retailer competition; future levels of the REIT's indebtedness remaining at acceptable levels, including its credit rating; tax laws as currently in effect remaining unchanged, including applicable SIFT rules; and current economic conditions remaining unchanged, including interest rates and applicable foreign exchange rates. Readers, therefore, should not place undue reliance on any such forward-looking information, as forward-looking information involves significant risks and uncertainties and should not be read as guarantees of future performance or results, and will not necessarily be accurate indications of whether or not the times at or by which such performance or results will be achieved. A number of factors could cause actual results to differ materially from the results discussed in the forward-looking information, including, but not limited to, those presented in Part VIII – "Risks and Uncertainties" of this MD&A.

All forward-looking information is provided as of the date of this MD&A and speaks only as of the date on which such statements are made. Except as expressly required by applicable law, the REIT assumes no obligation to update or revise any forward-looking information, whether as a result of new information, the occurrence of future events or otherwise. All forward-looking information in this MD&A are qualified by these cautionary statements.

NON-IFRS FINANCIAL MEASURES

Certain terms used in this MD&A are not recognized terms under IFRS, and therefore these terms should not be construed as alternatives to IFRS measures, such as net income or cash flow from operating activities. These terms are used by management to measure, compare and explain the operating results and financial performance of the REIT. Management believes that these terms are relevant measures in comparing the REIT's performance to industry data and the REIT's ability to earn and distribute cash to holders of the REIT's units ("Units"). These terms are defined in this MD&A and Funds from Operations ("FFO") and Adjusted Funds from Operations ("AFFO") are reconciled to the consolidated financial statements of the REIT for the three month period ended March 31, 2016 in Part III – "Results of Operations" and Part IV – "Liquidity and Capital Resources" below. Such terms do not have standardized meanings prescribed by IFRS and may not be comparable to similarly titled measures presented by other publicly traded entities.

The following discussion describes the terms management uses in evaluating its operating results which are not recognized under IFRS:

Funds from Operations ("FFO")

FFO is a widely used supplemental non-IFRS financial measure of a real estate investment trust's operating performance. Management believes this to be a useful measure of operating performance for investors because it adjusts for items included in net income that are not recurring, as well as non-cash items. The REIT presents its FFO calculations in accordance with the Real Estate Property Association of Canada ("REALPAC") guidelines.

FFO is also used in calculating certain ratios, such as the REIT's "Interest Coverage Ratio", which is defined as FFO plus finance costs divided by the REIT's interest expense from mortgages payable and its credit facility. Interest coverage is an important metric used to assess the REIT's ability to meet its obligation to pay interest on its debt. In addition, the REIT is required to meet specific interest coverage covenants under certain of its credit and mortgage agreements.

FFO is calculated by adjusting net income for non-cash and non-reoccurring items, such as, fair value adjustments to investment properties and financial instruments, deferred income taxes, property taxes accounted for under IFRIC 21 (as defined below), and losses on sales of investment properties.

Adjusted Funds from Operations ("AFFO")

AFFO is a supplemental non-IFRS financial measure of the REIT's cash generating activities. Management considers AFFO to be a useful measure of cash available for distributions to unitholders of the REIT ("Unitholders") because it adjusts FFO for additional non-reoccurring and non-cash items not taken into consideration in the calculation of FFO.

The REIT's "Payout Ratio", defined as distributions divided by AFFO, conveys the percentage of distributions made by the REIT from its cash available for distribution. As well, the REIT's "Cash Payout Ratio", defined as distributions less the value of Units issued under the REIT's distribution reinvestment plan ("DRIP") divided by AFFO, adjusts the Payout Ratio for any non-cash distributions that are made.

AFFO is calculated by adjusting FFO for non-cash items such as: straight-lining of contractual rent, amortization of any net premium or discount on long-term debt assumed from vendors of properties at rates of interest greater than or less than fair value, amortization of financing fees incurred on contracting long-term debt, and amounts expensed in conjunction with Unit-based compensation (including Units expected to be issued in respect to any incentive fee payment to Agellan Capital Partners Inc. ("ACPI") payable from time to time pursuant to an asset management agreement dated January 25, 2013 between the REIT and ACPI (the "External Management Agreement")). Non-recurring costs that impact operating cash flow may be adjusted, and a normalized reserve for capital and tenant expenditures, as determined by the REIT, is deducted.

Net Operating Income ("NOI")

NOI is a supplemental non-IFRS financial measure and is defined by the REIT as total property and property related revenue less property operating and property tax expenses and excludes the impact of a change in accounting policy from the REIT's adoption of IFRIC 21 as it relates to the timing of liability recognition of certain U.S. property taxes. Management believes that NOI is an important measure of the income generated from the income producing real estate portfolio and is used by the REIT in evaluating the performance of the properties, as well as a key input in determined the value of the portfolio.

NOI is further disaggregated into "Same Stores", which is defined as the properties that were owned and operated by the REIT throughout both the current and comparative periods, "Acquisitions", which is defined as the properties acquired by the REIT after the beginning of the comparable period and prior to the end of the current period, and "Dispositions", which is defined as the properties disposed of by the REIT after the beginning of the comparable period and prior to the end of the current period. These measures are used to assess the period-over-period performance of the same asset base having consistent leasable area in both the current and comparable periods. Prior to the second quarter of 2015, the REIT defined Same Stores as properties acquired in the REIT's initial public offering. However, due to the number of acquisition and dispositions in the REIT's portfolio, that definition of Same Stores was replaced with the current definition beginning with the REIT's MD&A for the three and six month periods ended June 30, 2015.

Prior to the second quarter of 2015, the REIT defined NOI as total property and property related revenue less property operating and property tax expenses, and did not exclude the impact of IFRIC 21. However, the REIT previously defined Adjusted NOI as total property and property related revenue less property operating and property tax expenses, and excluded the impact of IFRIC 21. Due to the impact of IFRIC 21, the REIT believes the previous definition of NOI did not appropriately reflect the income generated from the income producing real estate portfolio, and therefore beginning with the REIT's MD&A for the three and six month periods ended June 30, 2015, the REIT amended the definition of NOI to be more concise, and eliminated the definition of Adjusted NOI.

Gross Book Value ("GBV")

GBV is a supplemental non-IFRS measure and is defined by the REIT as the book value of the REIT's total assets. The REIT uses GBV to determine certain ratios such as Debt to Gross Book Value, for which the REIT is required to comply with limits under certain credit and mortgage agreements, as well as the REIT's Declaration of Trust.

PART II

OVERVIEW

The REIT is an unincorporated, open-ended real estate investment trust established pursuant to a Declaration of Trust (the "DOT") dated November 1, 2012, as amended and restated on January 24, 2013, under the laws of the Province of Ontario. The REIT's Units are listed and publicly traded on the Toronto Stock Exchange ("TSX") under the symbol "ACR.UN". As at the close of business on March 31, 2016, there were 23,395,139 Units issued and outstanding.

The REIT was created for the purpose of acquiring and owning industrial, office and retail properties in major urban markets in the United States and Canada. As of the date of this MD&A, the REIT has an interest in 32 properties located in the United States and Canada.

The objectives of the REIT are to: (i) provide investors with stable, predictable and growing cash distributions on a tax–efficient basis; (ii) enhance the value of the REIT's assets and maximize long-term Unitholder value through active management; and (iii) expand the asset base of the REIT and increase the REIT's AFFO per Unit, including through accretive acquisitions.

BUSINESS OVERVIEW AND STRATEGIC DIRECTION

The REIT invests in income producing properties in the United States and Canada in the industrial, office and retail asset classes. As of the date of this MD&A, the REIT's portfolio contains approximately 4.7 million square feet ("sqft") of gross leasable area ("GLA") in 31 properties. The properties are located in Texas (17 properties), Georgia (7 properties), Ontario (2 properties), Ohio (2 properties) and each of Illinois, Indiana, and North Carolina (1 property each).

While the REIT believes investment in a commercial real estate platform that is diversified with respect to both asset class and geography has the potential to deliver attractive risk adjusted returns, the REIT's investment strategy is focused on increasing the quality and size of its real estate holdings in the United States. The REIT believes that acquiring additional assets located in the United States will be in the best interests of the REIT and its Unitholders as valuations, financing and operating fundamentals in the United States are currently more attractive than in Canada.

The REIT intends to utilize a flexible, opportunity driven growth strategy and take advantage of its agile framework to source attractive relative valuations in various asset classes and geographic locations. While it is expected that any acquisitions by the REIT would be immediately accretive, the REIT may also consider and complete acquisitions that improve the overall quality of its portfolio and/or will be accretive over the longer term. In addition, the REIT intends to be opportunistic in selling assets in its current portfolio and executing its capital recycling strategy, pursuant to which the REIT expects to divest some of its current assets and reinvest into targeted growth markets in order to benefit from capitalization rate spreads, as well as improve the overall quality of the portfolio's assets.

Notwithstanding the REIT's investment strategy, the REIT may nonetheless acquire certain properties in Canada from time to time if a particular Canadian acquisition opportunity is determined by the REIT to be in the best interests of the REIT and its Unitholders.

The REIT continues to focus on optimizing real estate values of its existing portfolio through active management with an emphasis on tenant retention, increasing occupancy and extending the weighted average remaining lease term of the portfolio, and capitalizing on select development opportunities.

Consistent with the REIT's past practices and in the normal course of business, the REIT is engaged in discussions, and has in place various agreements, with respect to possible acquisitions of new properties and dispositions of existing properties in its portfolio. However, there can be no assurance that these discussions or agreements will result in acquisitions or dispositions or, if they do, what the final terms or timing of such acquisitions or dispositions would be. The REIT expects to continue current discussions and actively pursue acquisition, investment and disposition opportunities.

DECLARATION OF TRUST

The investment guidelines of the REIT are outlined in the DOT, a copy of which is available on SEDAR at www.SEDAR.com and is also available upon request to all Unitholders. Some of the main investment guidelines and operating policies contained in the DOT are summarized starting on page 51 of the AIF, and include in part, the following:

Investment Guidelines

1. Investing in and operating income-producing commercial real estate located in Canada and the United States;
2. Investing in joint venture arrangements with respect to real estate; and
3. Investing in mortgages and mortgage bonds and similar instruments secured by real estate.

Operating Policies

1. The REIT's maximum portfolio debt capacity may not exceed 60% of its GBV, or 65% of its GBV when including convertible debentures;
2. The REIT may not guarantee any third-party debt outside its existing structure and potential joint venture partner structures, except under certain specific conditions and upon satisfying certain prescribed criteria; and
3. The REIT must obtain an appraisal, engineering survey and environmental phase I site assessment for each property that it intends to acquire.

Further information regarding the DOT can also be located starting on page 54 of the AIF. At March 31, 2016, the REIT was in compliance with all investment guidelines and operating policies stipulated in the DOT.

FINANCIAL AND OPERATIONAL HIGHLIGHTS

	March 31, 2016	December 31, 2015	December 31, 2014
Summary of Operational Information			
Number of Properties	32	32	27[(1)]
Gross Leasable Area ("GLA") (in 000's)	4,712	4,711	4,349
Occupancy % (at fiscal period end) [(2)]	91.1%	92.6%	92.6%
Average lease term to maturity (years)	3.4	3.4	3.9
Summary of Financial Information			
Gross Book Value	$642,171	$678,211	$597,461
Debt (face value)	$346,787	$354,757	$316,546
Debt to Gross Book Value	54%	52%	53%
Interest Coverage (year to date period)	3.3x	3.2x	3.3x
Weighted average interest rate	3.9%	4.0%	3.9%

	For the three month period ended	
	March 31, 2016	March 31, 2015
Revenue	$22,369	$20,663
Net Operating Income ("NOI")	$13,087	$12,091
Funds From Operations ("FFO")	$7,964	$7,283
Adjusted Funds From Operations ("AFFO")	$6,509	$5,565
Basic and Diluted FFO per Unit	$0.340	$0.310
Basic and Diluted AFFO per Unit	$0.278	$0.237
Distributions Declared	$4,534	$4,557
Cash Distributions Declared [(3)]	$4,534	$4,172
Distributions per Unit [(4)]	$0.194	$0.194
Payout Ratio	70%	82%
Cash Payout Ratio	70%	75%
Units Outstanding at Period-end:	23,395,139	23,537,359
Weighted Average Units Outstanding (Basic)	23,430,333	23,521,585
Weighted Average Units Outstanding (Diluted)	23,432,073	23,521,585

[(1)] Number of properties increased by one as compared to the number of properties presented in the MD&A for the year ended December 31, 2014 due to the REIT's Columbus property previously being presented as a single property whereas it is now being presented as two properties.

[(2)] Occupancy differs from the percentages shown in "Part III – Portfolio Profile" due to changes in occupancy between the fiscal period ended as shown above and the date presented in "Part III – Portfolio Profile".

[(3)] Defined as distributions declared less the value of the Units issued under the REIT's DRIP.

[(4)] Defined as distributions declared divided by the weighted average number of Units outstanding (Basic).

SUMMARY OF SIGNIFICANT EVENTS

- For the three month period ended March 31, 2016, the REIT achieved FFO per Unit of $0.340 and AFFO per Unit of $0.278 compared to $0.310 and $0.237, respectively, for the three month period ended March 31, 2015. The increases in FFO and AFFO represent FFO and AFFO growth of 9.7% and 17.3%, respectively.
- For the three month period ended March 31, 2016, the REIT achieved NOI of $13,087 compared to $12,091 for the three month period ended March 31, 2015. This increase represents NOI growth of 8.2%.
- During the three month period ended March 31, 2016, the REIT experienced NOI, FFO and AFFO growth as a result of improved operating fundamentals, such as increased leasing activity and rental rate growth arising from the REIT's U.S. assets.
- In addition, the REIT benefited from income generated from its U.S. assets for the three months ended March 31, 2016 due to the increase in the valuation of the United States Dollar ("USD" or "US$") relative to the CAD compared to the three month ended March 31, 2015. The average value of the USD in relation to the CAD increased 10.6%, during the three month period ended March 31, 2016, compared to the three month period ended March 31, 2015, which increased the CAD net income the REIT generated from its U.S. assets during these periods. For the three month period ended March 31, 2016, the REIT generated approximately 74% of its NOI from assets located in the United States.
- The REIT's payout ratio for the three month period ended March 31, 2016 decreased to 70% from 82% for the three month period ended March 31, 2015.
- As at April 1, 2016, the REIT's occupancy was 90.9%, down 1.1% from January 1, 2016, primarily due to lease expiries at the REIT's Houston industrial properties. The occupied square footage of the REIT's portfolio during the quarter decreased approximately 50,000 sqft, primarily due to one tenant at the REIT's Long Point Road property, who vacated approximately 40,000 sqft during the quarter. Subsequent to quarter end, the REIT entered into a new lease for the aforementioned 40,000 sqft that commenced on April 6, 2016.
- During the quarter, the REIT entered into two notable leases. The first represents approximately 43,000 sqft at the REIT's Consumers Road complex in Toronto, Ontario. The term of the lease is 10 years beginning in the first quarter of 2017 and reflects prevailing market rents. The second is a renewal of a major tenant at the REIT's Woodward Street property in Austin, Texas to extend the lease for an additional 7 years. This lease was the REIT's most significant pending lease expiry during 2016, representing approximately 11.5% of the REIT's total 2016 lease expirations.
- On March 16, 2016, the REIT obtained a conditional building permit for the development of a retail and parking facility at the REIT's Consumers Road complex in Toronto, Ontario. The conditional building permits received for the retail and parking facility, as well as, the proposed car dealership and corporate head office, have allowed the REIT to begin development, while final site plan details are finalized with the City of Toronto.
- Subsequent to the quarter end, on April 7, 2016, the REIT announced the amendment and reinstatement of its Unitholder Distribution Reinvestment Plan (the "DRIP"). Eligible Unitholders that choose to participate in the DRIP will have their monthly cash distributions used to purchase Units of the REIT. While the amended DRIP no longer provides participants with a 3% bonus distribution of Units, it still provides participants with the opportunity to accumulate additional trust units of the REIT without incurring any commissions, service charges or brokerage fees. Eligible Unitholders who were previously participating in the DRIP at the time of its suspension will automatically resume participation in the DRIP and no action is required. Eligible Unitholders that had not previously opted into the DRIP but now wish to do so may elect to participate by contacting their broker, investment dealer or financial institution holding their Units.
- Subsequent to the quarter end, on May 3, 2016, the REIT disposed of its multi-tenant retail plaza located at 195-215 Rue Bellehumeur, in Gatineau, Quebec ("Plaza Bellehumeur"). The sale price for this non-core asset of the REIT was approximately $9,200 before closing costs and represents an in-place capitalization rate of approximately 7.2%. The proceeds of disposition were used by the REIT to temporarily reduce the outstanding balance on its credit facility, which was partially secured by Plaza Bellehumeur.

PART III

RESULTS OF OPERATIONS

Comparison of the Results from Operations

The REIT's results of operations for the three month periods ended March 31, 2016 and March 31, 2015 are summarized below.

	For the three month period ended		
	March 31, 2016	**March 31, 2015**	**Variance**
Revenue			
Base rent	$13,879	$12,516	$1,363
Property operating costs recoveries	$7,874	$7,456	$418
Parking and other	$616	$691	($75)
Total property and property related revenue	**$22,369**	**$20,663**	**$1,706**
Expenses			
Property operating	$5,807	$5,502	$305
Property taxes	$10,405	$8,856	$1,549
General and administrative	$1,309	$1,260	$49
Finance costs	$3,814	$3,548	$266
Deferred income taxes	($766)	$4,986	($5,752)
Total Expenses	**$20,569**	**$24,152**	**($3,583)**
Fair value adjustment on investment properties	($10,814)	$4,180	($14,994)
IFRIC 21 fair value adjustment on investment properties	$6,930	$5,786	$1,144
Fair value adjustments on financial instruments	$930	($2,110)	$3,040
Loss on sale of investment properties	$0	($240)	$240
Net Income / (Loss)	**($1,154)**	**$4,127**	**($5,281)**
Basic and Diluted Net Income per Unit	**($0.049)**	**$0.175**	**($0.224)**
Calculation of Net Operating Income			
Property and property related revenue	$22,369	$20,663	$1,706
Operating expenses	($16,212)	($14,358)	($1,854)
Impact of IFRIC 21	$6,930	$5,786	$1,144
Net Operating Income	**$13,087**	**$12,091**	**$996**
Same Stores	$9,908	$9,991	($83)
Acquisitions	$556	$226	$330
Dispositions	$0	$232	($232)
Foreign Exchange	$2,623	$1,642	$981
Net Operating Income	**$13,087**	**$12,091**	**$996**

Property and Property Related Revenue

For the three month period ended March 31, 2016, property and property related revenue increased by $1,706 when compared to the three month period ended March 31, 2015. This increase is primarily the result of the strengthening of the USD relative to the CAD. Please see "Impact of Foreign Exchange Rates" below for further discussion.

The REIT also incurred increased property and property related revenue due to comparable occupancy throughout the portfolio with higher rents. Base rent (exclusive of straight line rent and amortization of tenant incentives) for the REIT's Same Store U.S. assets increased approximately 4.0% for the three month period ended March 31, 2016 as compared to the three month period ended March 31, 2015 (exclusive of the impact of foreign exchange rates).

Property and property related revenue increases from the REIT's U.S. assets have been slightly offset from the decreases in property and property related revenue from the REIT's Canadian assets. The weighted average occupancy of the REIT's Canadian assets for the three month period ended March 31, 2016 decreased by 5.4% as compared to the three month period ended March 31, 2015.

Additional increases in property and property related revenue for the three month period ended March 31, 2016 are due to the acquisition of 6 properties on February 9, 2015 and one property on July 8, 2015, all in Atlanta, Georgia.

Increases in property and property related revenue for the three month period ended March 31, 2016 were partially offset by decreases in property and property related revenue related to the disposition of two properties during the year ended December 31, 2015 (20 Valleywood Drive and 8271 Anderson Court).

Application of IFRIC 21

On May 20, 2013, the International Accounting Standards Board issued International Financial Reporting Interpretations Committee Interpretation 21 *Levies* ("IFRIC 21"). IFRIC 21 provides guidance on accounting for levies in accordance with the requirements of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*. As a result of the adoption of IFRIC 21, the REIT has reassessed the timing of when to accrue annual property taxes imposed by specific legislation in the jurisdictions where it owns the properties. The adoption of IFRIC 21 requires the REIT to recognize the full amount of its annual United States property tax liability at the point in time the property tax obligation is imposed.

In accordance with IFRIC 21, the REIT has determined that the liability to pay United States property taxes should be recognized in full at a point in time, when the obligating event as stated in the legislation occurs. The impact was to recognize the annual United States property tax accrual and corresponding expense in full on January 1, 2016, with an offsetting adjustment to the fair value of investment properties.

For the three month periods ended March 31, 2016 and March 31, 2015, property tax expense was greater than the prorated annual expense by approximately $6,930 and $5,786, respectively.

Property Operating and Tax Expenses

Property operating expenses are comprised of amounts recoverable from tenants (including property taxes, repairs and maintenance, utilities and insurance) and non-recoverable expenses (including certain property operating costs). The REIT absorbs these costs to the extent of vacancies that cannot be recovered through the "gross-up" provision of leases.

Property operating expenses for the three month period March 31, 2016 were $305 greater than for the comparable period during 2015. These increase is primarily the result of the strengthening of the USD relative to the CAD. Please see "Impact of Foreign Exchange Rates" below for further discussion.

Property taxes for the three month period ended March 31, 2016 increased $1,549 as compared to the three month period ended March 31, 2015. After giving effect to the adjustment of IFRIC 21, the increase was $405 on a quarter-over-quarter basis. The primary driver of this increase is the result of the strengthening of the USD relative to the CAD. Please see "Impact of Foreign Exchange Rates" below for further discussion.

Property operating cost recoveries for the three month period ended March 31, 2016 were primarily impacted due to the reduced occupancy at the REIT's Consumers Road complex, and Plainfield, Indiana property for the three month period ended March 31, 2016 as compared to the three month period ended March 31, 2015 as the REIT absorbed costs to the extent vacancies could not be recovered through the "gross-up" provision of leases.

Net Operating Income

NOI increased by $996 when comparing the three month period ended March 31, 2016 to the three month period ended March 31, 2015. The 8.2% increase is primarily the result of improving economic fundamentals in the U.S., which drove the increased value of the USD relative to the CAD over the comparison period and also helped rental rate growth in the REIT's U.S. assets.

For the three month period ended March 31, 2016, NOI for the REIT's Same Store U.S. assets increased 1.3% over the comparative NOI for the three month period ended March 31, 2015 (exclusive of the impact of foreign exchange rates) primarily due to rental rate growth at these assets. This growth was reduced by one tenant occupying approximately 100,000 sqft at the REIT's Plainfield, Indiana property, who vacated the property during the three month period ended December 31, 2015.

Increases in NOI have also been slightly offset due to weighted average occupancy decreases in the REIT's Canadian assets of approximately 5.4% between the three month period ended March 31, 2016 and the comparative three month period ended March 31, 2015. However, over the past two quarters the REIT has executed leases totalling approximately 54,000 sqft, bringing the committed occupancy of the REIT's Canadian assets to approximately 93%.

General and Administrative Expenses

General and administrative expenses consist of legal fees, audit fees, trustee fees, regulatory reporting costs, transfer agent fees, insurance costs, salaries, benefits and incentive compensation for the REIT.

The REIT's general and administrative expenses for the three month period ended March 31, 2016 were $1,309, which was $49 greater than for the three month period ended March 31, 2015.

Savings were realized over the comparison period primarily as a result of reduced salaries and benefits and corporate withholding taxes paid on distributions made from the REIT's U.S. holding company. These savings were offset due to USD denominated general and administrative costs, such as the REIT's asset management fee paid to the REIT's external manager for management of the REIT's U.S. assets, which increased as a result of an increase in the average CAD/USD exchange rate over the comparison period, as well as, an accrual made for the incentive fee payable to the REIT's external manager. See Part VI – "Related Party Transactions" for further details.

Finance Costs

Finance costs for the three month period ended March 31, 2016 were $3,814 and increased $266 compared to the three month period ended March 31, 2015. This increase was primarily due to the impact of the CAD/USD foreign exchange rate on USD denominated mortgages, which was partially offset due to interest capitalized in relation to development activities at the REIT's Consumers Road complex.

Interest on the REIT's credit facility and mortgages payable increased by approximately $281 for the three month period ended March 31, 2016 as compared to the three month period ended March 31, 2015 due to the impact of the CAD/USD exchange rate on USD denominated debt.

During the three month period ended March 31, 2016, $64 of interest was capitalized to investment properties relating to development activities. No amounts were capitalized during the three month period ended March 31, 2015.

Deferred Income Tax

For the three month period ended March 31, 2016, the deferred income tax recovery was $766 compared to a deferred tax expense of $4,986 the three month period ended March 31, 2015. The decrease in the REIT's deferred tax expense relates mainly to differences in the fair market value of the REIT's properties in the United States and undepreciated value for income tax purposes. Please refer to "Investment Properties" below for further details on the REIT's investment properties. The effective tax rate for the year ended December 31, 2015 differs from the expected statutory tax rate in the United States of 37% as a significant portion of the consolidated net income is earned directly by the REIT.

Fair Value Adjustments on Investment Properties

Under IFRS, the REIT has elected to use the fair value model to account for its investment properties. Under the fair value model, investment properties are carried on the REIT's consolidated balance sheet at fair value. During the three month period ended March 31, 2016, the REIT recognized fair value losses of $10,814 on investment properties. For the comparable three month period ended March 31, 2015, the REIT recognized a fair value gain of $4,180. Please refer to "Investment Properties" below for further details on the REIT's investment properties.

Fair Value Adjustments on Other Financial Instruments

The REIT is exposed to changes in interest rates on its variable rate debt and changes in the CAD/USD exchange rate on its USD cash flows. Interest rate swap agreements are used by the REIT to effectively fix the interest rate on certain variable rate loans and foreign exchange forward contracts are used to effectively fix the currency exchange rate on certain USD cash flows. For these derivative instruments, an asset or liability is recognized and measured initially at fair value. The asset or liability is re-measured to fair value at each reporting date and at each settlement date. Changes in the fair value of the asset or liability are recognized as an unrealized gain or loss on change in fair value of the derivative instrument. The fair value movements are non-cash in nature and represent the present value of the difference between current rates and contracted rates over the term of the agreements.

Fair value adjustments on financial instruments were in aggregate an unrealized gain of $930 for the three month period ended March 31, 2016. The fair value adjustments on financial instruments in aggregate for the three month period ended March 31, 2015 were unrealized losses of $2,110.

The REIT had an unrealized loss of $425 on its interest rate swap agreements for the three month period ended March 31, 2016, and for the three month period ended March 31, 2015, the unrealized loss on the interest rate swap agreements was $1,211.

The REIT had an unrealized gain of $1,355 on the foreign currency forward agreements for the three month period ended March 31, 2016, and an unrealized loss of $899 for the three month period ended March 31, 2015.

Impact of Foreign Exchange Rates

The REIT has operations in both Canada and the United States and generates revenues and incurs expenses in CAD and USD, respectively.

The REIT’s statement of income and comprehensive income are primarily impacted by the CAD/USD exchange rate through the property and property related revenue, property operating expenses, and property tax expenses recognized by the REIT’s U.S. assets, finance costs from the REIT’s USD denominated mortgages and USD drawings on the REIT’s credit facility, certain general and administrative expenses, and deferred income taxes. The REIT’s statement of financial position is primarily impacted by the CAD/USD exchange rate through the translation of the value of the REIT’s U.S. investment properties, and the translation of the REIT’s USD denominated mortgages and USD drawings on the credit facility.

Revenues and expenses incurred in USD impacting the REITs consolidated statements of income and comprehensive income are translated to CAD using average exchange rates for the respective period. For items impacting the REIT’s consolidated statements of financial position, period end rates are used for currency translation purposes. The following table provides the CAD/USD average exchange rates for the three month periods ended March 31, 2016 and 2015, the average exchange rates for the year ended December 31, 2015, and the period end exchange rates for all aforementioned period.

Exchange Rate	**Three Month Period Ended**		**Year Ended**
	March 31, 2016	**March 31, 2015**	**December 31, 2015**
Average	1.3732	1.2412	1.2787
Period End	1.2971	1.2683	1.3840

In general, the REIT’s operational results benefit from a weaker CAD and are adversely affected by a stronger CAD as net income from the REIT’s United States properties, USD denominated financings and USD general and administrative expenses are translated into CAD. Conversely, in a period of net losses, any weakening of the CAD has the effect of increasing the losses. The impact of foreign exchange in any period is driven by the movement of foreign exchange rates, the proportion of earnings generated from foreign properties and the impact of any foreign exchange hedging activities.

The REIT has entered into foreign currency forward contracts that mature on a monthly basis in order to reduce the REIT’s exposure to fluctuations in the CAD/USD foreign exchange rate. As of March 31, 2016, the REIT’s last foreign currency forward matures on February 28, 2018 and the total notional value of the REIT’s forward contracts was US$12,063, which have a weighted average forward exchange rate of 1.23 CAD/1.00 USD.

The REIT’s net income benefited from the impact of foreign exchange rates for the three month period ended March 31, 2016 as the average value of the USD increased approximately 10.6% over the comparative three month period ended March 31, 2015.

FUNDS FROM OPERATIONS

FFO is a supplemental non-IFRS industry wide financial measure of a REIT's operating performance. Management believes this to be a useful measure for investors as it adjusts for items included in net income that are not recurring, as well as non-cash items. The REIT presents its FFO calculations in accordance with the REALPAC guidelines. The REIT's method of calculating FFO may differ from other reporting issuers' methods and accordingly may not be directly comparable to FFO reported by other reporting issuers.

A reconciliation of IFRS net income to FFO for the three month period ended March 31, 2016 is as follows:

FUNDS FROM OPERATIONS	**For the three month period ended**		
	March 31, 2016	**March 31, 2015**	**Variance**
Net Income / (Loss)	**($1,154)**	**$4,127**	**($5,281)**
Add:			
Fair value adjustments to investment properties	$3,884	($9,966)	$13,850
Fair value adjustments to financial instruments	($930)	$2,110	($3,040)
Loss on sale of investment properties	$0	$240	($240)
Deferred income taxes	($766)	$4,986	($5,752)
Property taxes accounted for under IFRIC 21	$6,930	$5,786	$1,144
FFO	**$7,964**	**$7,283**	**$681**
Basic and Diluted FFO per Unit	**$0.340**	**$0.310**	**$0.030**
Weighted average units outstanding			
Basic (in 000's)	**23,430**	**23,522**	
Diluted (in 000's)	**23,432**	**23,522**	

PORTFOLIO PROFILE

As of March 31, 2016, the REIT's portfolio consisted of 32 properties, located in attractive, high-growth markets across Canada and the United States. The properties have a total GLA of approximately 4.7 million sqft across 57 buildings. The following table lists the properties comprising the REIT's portfolio and their occupancy as at April 1, 2016.

Property	City	Province / State	Asset Class	Year Built / Renovated	Approx. GLA (000s sqft)	# of Buildings	Occupancy 1-Apr-16	Occupancy 1-Jan-16
Canada								
243, 245, 251, 255 Consumers Road[(1)]	Toronto	Ontario	Office	1971/1978 and 2008	815	4	87%	86%
240 Bank Street	Ottawa	Ontario	Office	1967/1988	40	1	96%	96%
195-215 Bellehumeur[(2)]	Gatineau	Quebec	Retail	1988	45	3	89%	72%
Sub-Total Canadian Properties					**900**	**8**	**87.1%**	**85.6%**
United States								
1000 & 1100 Warrenville Rd	Naperville	Illinois	Office	1981/1988 and 2007	488	2	96%	97%
2151 Airwest Boulevard	Plainfield	Indiana	Industrial	2000	434	1	65%	65%
3671-3701, 3707-3743 Interchange	Columbus	Ohio	Industrial	1974	91	2	100%	100%
3949 Business Park	Columbus	Ohio	Industrial	1996	93	1	100%	100%
2100 East St. Elmo Road	Austin	Texas	Industrial	1982	50	1	100%	100%
2130, 2150, 2170 Woodward Street	Austin	Texas	Industrial	1984	187	3	100%	100%
4120 Freidrich Lane	Austin	Texas	Industrial	1984	73	1	100%	100%
2120 West Braker Lane	Austin	Texas	Industrial	1984	46	1	100%	100%
1201 John Burgess Road	Fort Worth	Texas	Industrial	1999	254	1	100%	100%
2301 Minimax Drive	Houston	Texas	Industrial	1967	120	1	100%	100%
5975 South Loop East	Houston	Texas	Industrial	1980	149	4	91%	91%
9001-9101 Jameel Road	Houston	Texas	Industrial	1990	95	2	100%	100%
6300-6320 Rothway Street	Houston	Texas	Industrial	1990	75	3	100%	100%
6100 & 6120 West by Northwest	Houston	Texas	Industrial	1990	123	2	84%	100%
1400-1412 North Sam Houston	Houston	Texas	Industrial	1982	119	4	80%	80%
232, 302-350 West 38th Street	Houston	Texas	Industrial	1981	80	2	100%	100%
2055, 2105, 2155 Silber Road	Houston	Texas	Industrial	1979	199	3	99%	99%
6500 & 6600 Long Point Road	Houston	Texas	Industrial	1979	190	2	79%	100%
11000 Corporate Center Drive (II)	Houston	Texas	Office	2003	101	1	100%	100%
10900 Corporate Center Drive (III)	Houston	Texas	Office	2006	130	1	98%	98%
4920 Westway (IV)	Houston	Texas	Office	2006	132	1	100%	100%
10130 Perimeter Parkway	Charlotte	North Carolina	Office	2008	118	1	93%	98%
1256 Oakbrook Drive	Atlanta	Georgia	Industrial	1984	40	1	100%	100%
1265 Oakbrook Drive	Atlanta	Georgia	Industrial	1984	51	1	100%	100%
1280 Oakbrook Drive	Atlanta	Georgia	Industrial	1986	46	1	100%	100%
1325 Oakbrook Drive	Atlanta	Georgia	Industrial	1986	53	1	100%	100%
1346 Oakbrook Drive	Atlanta	Georgia	Industrial	1985	71	1	57%	57%
1351 Oakbrook Drive	Atlanta	Georgia	Industrial	1984	37	1	100%	95%
1800 Sandy Plains Industrial Parkway	Atlanta	Georgia	Industrial	1986	167	3	100%	97%
Sub-Total U.S. Properties					**3,812**	**49**	**91.8%**	**93.5%**
Total Portfolio					**4,712**	**57**	**90.9%**	**92.0%**

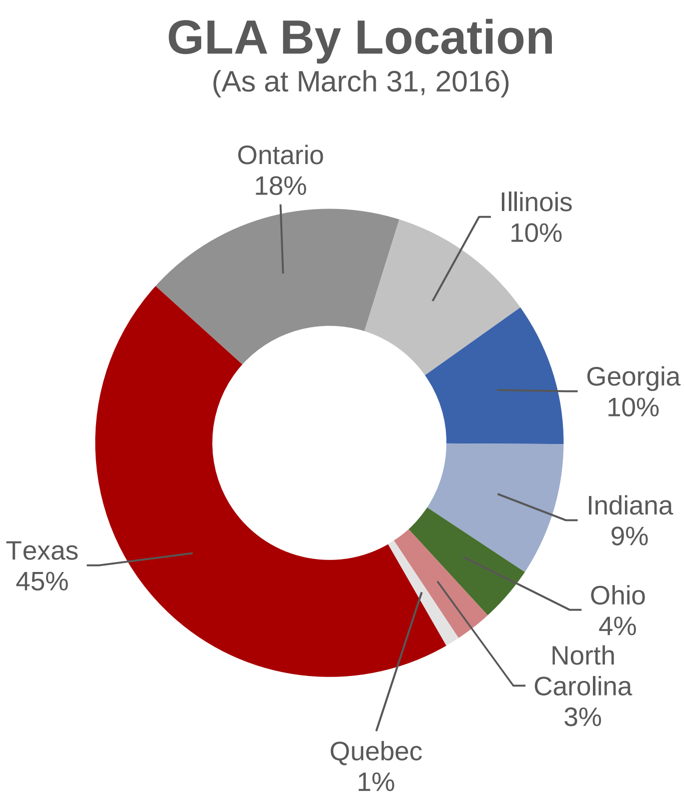
(1) Occupancy at 243, 245, 251, 255 Consumers Road includes vendor lease tenants as described below in "Part VI – Related Party Transactions – Vendor lease tenants".
(2) Property was disposed of on May 3, 2016.

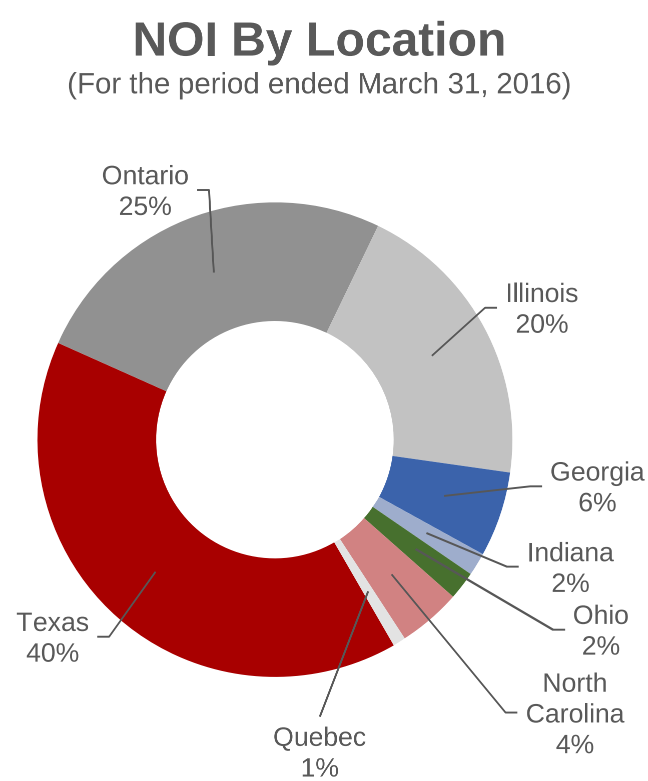
Geographic Diversification

The REIT's properties are diversified throughout Canada and the United States, with 85% of NOI for the three month period ended March 31, 2016 being derived from three major markets: Texas (40%), Ontario (25%) and Illinois (20%). The following charts and graphs set out the regional diversification of the REIT's portfolio and occupancy rates and GLA and NOI by location.

Geographic Diversification	Approx. GLA (000s sqft)	# of Properties	Occupancy Rate				
			1-Apr-16	1-Jan-16	1-Oct-15	1-Jul-15	1-Apr-15
Texas	2,122	17	95%	98%	96%	96%	94%
Ontario[(1)]	855	2	87%	86%	86%	85%	85%
Illinois	488	1	96%	97%	97%	97%	97%
Georgia[(2)]	467	7	93%	92%	95%	92%	96%
Indiana	434	1	65%	65%	88%	88%	88%
Ohio	184	2	100%	100%	97%	100%	100%
North Carolina	118	1	93%	98%	97%	92%	91%
Maryland[(3)]		0	--	--	--	--	100%
Quebec[(4)]	45	1	89%	72%	83%	83%	83%
Total	**4,712**	**32**	**91%**	**92%**	**94%**	**93%**	**92%**

[(1)] On February 5, 2015, one Ontario property was sold.
[(2)] Six Georgia properties were acquired on February 9, 2015 and one Georgia property was acquired on July 8, 2015.
[(3)] The Maryland property was disposed of on April 21, 2015.
[(4)] The Quebec property was disposed of on May 3, 2016.
*Occupancy at 243, 245, 251, 255 Consumers Road includes vendor lease tenants as described below in "Part VI – Related Party Transactions – Vendor lease tenants".





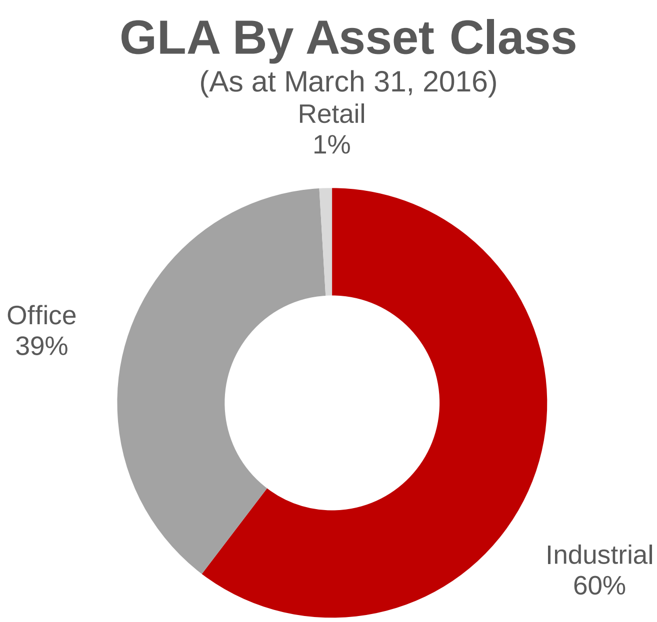
Asset Classification

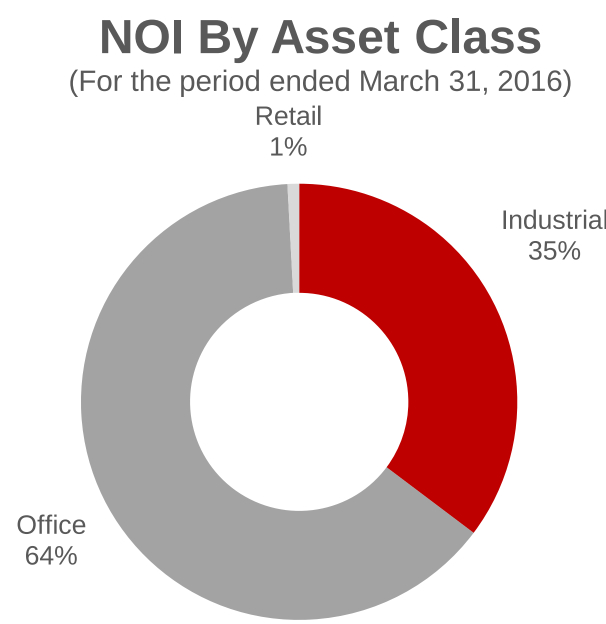
The REIT's properties are diversified by asset class with approximately 64%, 35% and 1% of the portfolio's NOI for the three month period ended March 31, 2016 attributable to office, industrial and retail assets, respectively. The following charts illustrate the composition of the REIT's portfolio and GLA and NOI by asset class.

Asset Classification	Approx. GLA (000s sqft)	# of Properties	Occupancy Rate				
			1-Apr-16	1-Jan-16	1-Oct-15	1-Jul-15	1-Apr-15
Industrial	2,844	24	90%	92%	95%	94%	93%
Office	1,823	7	92%	92%	92%	92%	91%
Retail [(1)]	45	1	89%	72%	83%	83%	83%
Total	**4,712**	**32**	**91%**	**92%**	**94%**	**93%**	**92%**

(1) The Retail property was disposed of on May 3, 2016.

*Occupancy at 243, 245, 251, 255 Consumers Road includes vendor lease tenants as described below in "Part VI – Related Party Transactions – Vendor lease tenants".





Tenant Mix

The REIT's tenant base is well-diversified, consisting of a mix of single and multi-tenant properties. Of the single tenant properties, many of the tenants have large national or multinational footprints. The ten largest tenants in the REIT's portfolio accounted for approximately 45% of in-place base rental revenue for the three month period ended March 31, 2016 and comprised approximately 34% of GLA as of March 31, 2016.

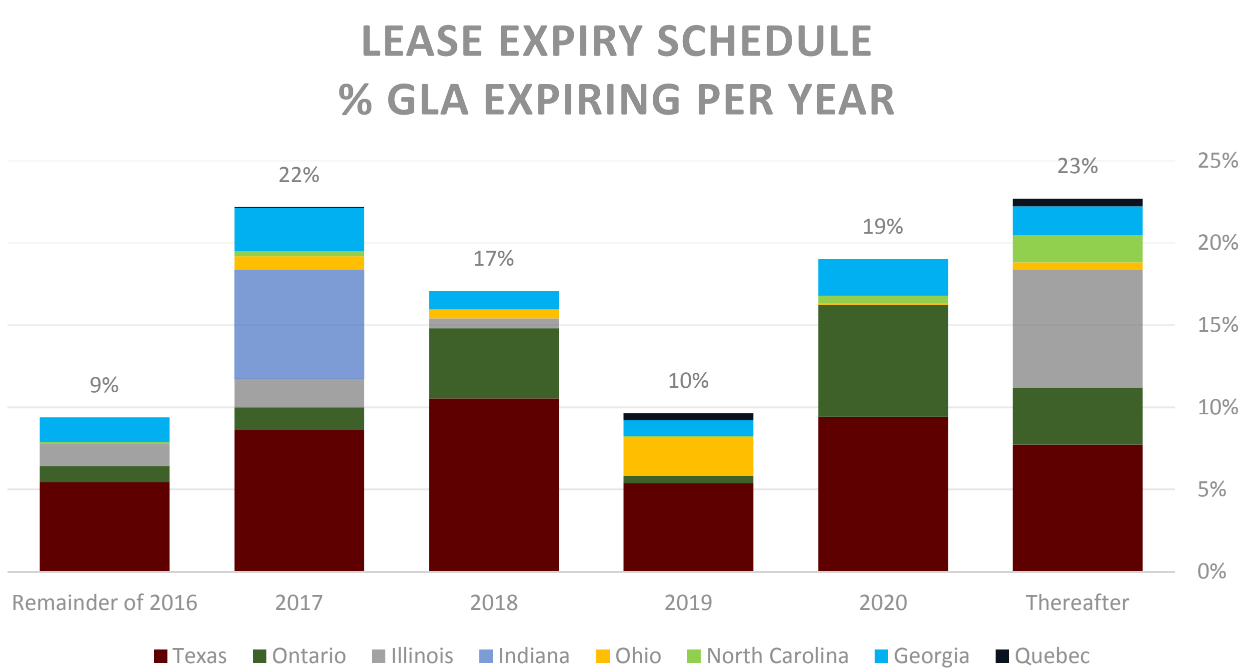
The following table summarizes the REIT's 10 largest tenants by percentage of in-place base rent:

Tenant	Credit Rating [1]	Tenant Since	Property	% of In-Place Base Rent [2]	% of GLA	Remaining Ave Lease Term (years)
Health Care Service Corp	AA-/A2/--/A	2006	1000 & 1100 Warrenville Road	11%	6%	7.7
Shoppers Drug Mart	BBB/--/BBB/--	1995	243 Consumers Road	9%	6%	4.2
Allstate Insurance Co.	AA-/Aa3/--/A+	2007	Beltway 8 Corporate Centre IV	6%	2%	1.2
Supervalu	B+/B1/--/B	2001	1201 John Burgess Road	4%	6%	2.5
Mercer Human Resources	-	2006	Beltway 8 Corporate Centre III	3%	1%	0.7
National Oilwell Varco	A-/Baa1/--/--	2006	Beltway 8 Corporate Centre II	3%	2%	4.5
Life Technologies	BBB/--/--/BBB	2006	2130 - 2170 Woodward Street	3%	2%	4.2
IBM Canada	AA-/Aa3/--/A+	1989	245 Consumers Road	2%	2%	9.0
Paychex North America Inc.	-	2007	1000 & 1100 Warrenville Road	2%	1%	0.6
CEVA Freight, LLC	-	2001	2151 Airwest Boulevard	2%	6%	1.4
Total/Weighted Average				**45%**	**34%**	**4.2**

[1] S&P/Moody's/DBRS/Fitch; credit rating based on the parent organization.
[2] Based on in-place base rent for the three month period ended March 31, 2016.

Lease Expiry Profile

The REIT's diverse tenant base is complemented by a balanced lease maturity profile. The portfolio has a weighted average remaining lease term of 3.4 years. The following charts illustrate the REIT's lease maturity profile:



Lease Expiry (Square Footage in 000's)	Current Vacancy	Remainder of 2016	2017	2018	2019	2020	Thereafter	TOTAL	Weighted Average Lease Term (years)
By Asset Class									
Office	143	182	293	208	22	399	578	1,823	4.1
Retail	5	-	2	-	19	-	20	45	5.6
Industrial	280	221	656	523	373	416	375	2,844	2.9
Total	**428**	**402**	**950**	**731**	**413**	**815**	**972**	**4,712**	**3.4**
By Location									
Texas	101	233	369	452	232	404	331	2,122	3.1
Ontario	111	43	58	182	19	292	149	855	3.9
Illinois	21	58	76	26	-	-	307	488	5.5
Georgia	31	64	113	47	41	95	76	467	3.0
Indiana	151	-	283	-	-	-	-	434	1.4
Ohio	-	-	35	24	101	5	19	184	3.1
North Carolina	8	5	14	-	3	19	70	118	4.9
Quebec	5	-	2	-	19	-	20	45	5.6
Total	**428**	**402**	**950**	**731**	**413**	**815**	**972**	**4,712**	**3.4**

INVESTMENT PROPERTIES

The fair value of the REIT's investment properties as at March 31, 2016 was $619,589, representing a weighted average discount and terminal capitalization rate of 8.27% and 7.73%, respectively. The decrease of $42,707 in the book value from December 31, 2015 to March 31, 2016 is primarily due to the reclassification of the REIT's Plaza Bellehumeur property to held for sale and the 6.3% decrease of the USD relative to the CAD between December 31, 2015 and March 31, 2016.

The fair value adjustment to the REIT's income producing properties for the three month period ended March 31, 2016 was a reduction of $10,814. This reduction was primarily driven by costs recorded in relation to the planning, preparation and permitting of a contemplated car dealership and parking garage at the REIT's Consumers Road complex. The REIT expects to recognize the value of the costs when full building permits for the developments have been obtained and the site plan has been approved by the City of Toronto. During the three month period ended March 31, 2016, the REIT incurred $4,402 of capital costs, relating to planning, preparation and permitting of the developments at the REIT's Consumers Road complex. These costs increased the capital expenditures of the REIT and reduced the fair value adjustment on the REIT's investment properties for the three month period ended March 31, 2016.

In addition, the fair value adjustment was further impacted by changes in the cash flow assumptions used in the calculation of fair value at the REIT's Illinois office asset and to a lesser extent the REIT's Houston office assets, whereby near-term leasing costs are expected to increase due to expectations of tenant vacancies and market conditions.

Changes to investment properties for the three month period ended March 31, 2016 and the year ended December 31, 2015 were as follows:

	March 31, 2016	December 31, 2015
Balance, Beginning of Period	**662,296**	**564,545**
Acquisition of investment properties	-	30,329
Additions - capital expenditures	4,665	8,994
Additions - leasing costs	1,172	2,323
Increase in straight-line costs	295	1,923
Fair value adjustment	(10,814)	(5,005)
Disposition of investment properties	-	(13,870)
Transfer of investment properties to assets held for sale	(8,910)	-
Difference on translation of U.S. operations	(29,115)	73,057
Balance, End of Period	**$619,589**	**$662,296**

The fair value of the REIT's investment properties in Canada and the United States is based on the following allocation:

FAIR VALUE BY GEOGRAPHIC REGION	March 31, 2016	December 31, 2015
Canada	$185,656	$193,828
United States	433,933	468,468
Total	**$619,589**	**$662,296**

The REIT determined the fair value of each investment property using a combination of valuations made by independent external appraisers having appropriate professional qualifications and internal management valuations primarily using a discounted cash flow method. The discounted cash flow method discounts the REIT's expected future cash flows, generally over a term of 10 years, including a terminal value based on the application of a capitalization rate to estimated year 11 cash flows.

The key valuation assumptions for the REIT's investment properties are set out in the following table:

KEY VALUATION ASSUMPTIONS	March 31, 2016	
	Canada	United States
Discount rates - range	7.50% - 8.00%	8.00% - 9.50%
Discount rate - weighted average	7.52%	8.59%
Terminal capitalization rates - range	7.25% - 7.25%	7.50% - 8.75%
Terminal capitalization rate - weighted average	7.25%	7.93%

KEY VALUATION ASSUMPTIONS	December 31, 2015	
	Canada	United States
Discount rates - range	7.50% - 8.00%	8.00% - 9.75%
Discount rate - weighted average	7.53%	8.60%
Terminal capitalization rates - range	7.00% - 7.25%	7.50% - 8.75%
Terminal capitalization rate - weighted average	7.24%	7.94%

The discounted cash flows reflect rental income from current leases and assumptions about rental income from future leases reflecting market conditions at the reporting date, less future cash outflows in respect of such leases.

The REIT regularly obtains external appraisals to supplement internal management valuations and to support fair market value. The aggregate appraised value of properties externally appraised during the three month period ended March 31, 2016 totalled $182,780, representing approximately 30.0% of the value of the REIT's investment properties as at March 31, 2016. The aggregate appraised value of the properties externally appraised during the year ended December 31, 2015, including appraisals obtained in conjunction with acquisitions during 2015, totalled $240,134, representing approximately 36.3% of the value of the REIT's investment properties as at December 31, 2015.

PART IV

LIQUIDITY AND CAPITAL RESOURCES

The REIT expects to be able to meet all of its obligations as they become due and have sufficient liquidity from the following sources: (i) cash flow from operating activities; (ii) financing availability through the REIT's revolving credit facility (described in further detail below) and conventional mortgage debt secured by income producing properties; and (iii) the ability to issue equity and convertible/unsecured debentures.

The following table details changes in cash during the three month period ended March 31, 2016:

LIQUIDITY AND CAPITAL RESOURCES	For the three month period ended March 31, 2016	For the three month period ended March 31, 2015
Cash provided by/used in		
Operating activities	$4,714	$5,632
Financing activities	$665	($9,726)
Investing activities	($6,471)	($1,715)
Effect of exchange rates on cash	($687)	$801
Increase in cash and cash equivalents during the period	**($1,779)**	**($5,008)**
Cash and cash equivalents, beginning of period	**$9,138**	**$11,729**
Cash and cash equivalents, end of period	**$7,359**	**$6,721**

Cash flow activity for the three month period ended March 31, 2016 primarily related to normal course operations. Cash flows from operating activities relate primarily to the collection of rent and payment of property operating and property tax expenses.

Cash flows from financing activities relate to the servicing of mortgages and the REIT's operating facility and distributions paid by the REIT to Unitholders.

Cash flows from investing activities relate to property acquisitions and dispositions made by the REIT and additions to the properties though capital expenditures and tenant inducements.

Financing activities during the three month period ended March 31, 2016 relate primarily to paying distributions, servicing its mortgages payable and draws on the REIT's credit facility to fund capital costs of the development at the REIT's Consumers Road complex.

Investing activities during the three month period ended March 31, 2016 were primarily impacted by capital expenditures spent on leasing incentives and tenant and building improvements, as well as costs relating to the development at the REIT's Consumers Road complex.

CAPITALIZATION AND DEBT PROFILE

The existing mortgages payable are secured by a charge on certain investment properties. As at March 31, 2016, the mortgages carried a weighted average interest rate of 4.18% per annum. Included in existing mortgages payable at March 31, 2016 are USD denominated mortgages of $245,105 (US$188,964).

CAPITALIZATION AND DEBT PROFILE	March 31, 2016
Indebtedness	
Existing mortgages payable	$247,359
Revolving credit facility	$99,428
Mark-to-market premium on existing mortgages	$1,992
Unamortized financing costs	($1,746)
Unitholders' Equity	
Unitholders' Equity	$253,956
Total Capitalization (at book value)	$600,989

Future principal repayments and interest payments on the existing mortgages payable as at March 31, 2016 were as follows:

	Scheduled Principal Payment	Debt Maturing During the Period	Total Mortgage Payable	Scheduled Interest Payment	Total Debt Service	Weighted Average Annual Interest Rate of Debt Maturing
Remainder - 2016	$3,609	$2,229	$5,838	$8,172	$14,010	3.38%
2017	4,952	-	4,952	10,651	15,603	
2018	4,387	120,347	124,734	8,207	132,941	4.42%
2019	3,138	-	3,138	4,605	7,743	
2020	2,170	41,918	44,088	3,050	47,138	3.89%
Thereafter	5,110	59,499	64,609	6,527	71,136	3.97%
Face Value	23,366	223,993	247,359	41,212	288,571	
Unamortized market-to-market premium			$1,992			
Unamortized financing fees			($1,472)			
			$247,879			

As at March 31, 2016, the REIT had a revolving credit facility secured by charges on two Canadian properties in the portfolio. The maximum amount available to the REIT under this facility is $120,000 and the facility matures on January 25, 2018. Amounts can be drawn under the facility in both USD and CAD. The facility bears interest at bankers' acceptance / LIBOR rate plus 2.00% per annum or prime / U.S. base rate plus 1.00% per annum. As at March 31, 2016, the amount drawn on the facility was $99,428, excluding financing fees amounting to $274 included in book value. The interest rate on $60,000 drawn on the facility has been effectively fixed at 3.60% per annum after giving effect to an interest rate swap agreement. As at March 31, 2016, amounts drawn on the credit facility in USD totaled $1,128 (US$870). Subsequent to March 31, 2016, the REIT disposed of one of the properties securing the revolving credit facility. The REIT used the proceeds to reduce the credit facility balance, and as at the date of this MD&A the outstanding balance on the facility is $92,539 including amounts drawn in USD of $339 (US$270).

Ratios / Covenants

Pursuant to the DOT, the REIT may not incur or assume any indebtedness if, after giving effect to the incurring or assumption of such indebtedness, the total indebtedness of the REIT would be more than 60% of the GBV (or 65% of the GBV including convertible debentures) of its assets. The REIT's overall borrowing policy is to obtain secured mortgage financing on a primarily fixed rate basis, with a term to maturity that is appropriate having regard to the lease maturity profile for each property and which allows the REIT to (i) achieve and maintain staggered debt maturities to lessen exposure to interest rate fluctuations and refinancing risk in any particular period and (ii) fix the rates and extend loan terms as long as possible when borrowing conditions are favourable. The following summarizes the status of these key ratios as at and for the three month period ended March 31, 2016:

RATIOS/COVENANTS	**March 31, 2016**
Gross Book Value	$642,171
Debt (Face Value)	$346,787
Debt to Gross Book Value	54%
Amount of debt at fixed rates	$305,106
Interest coverage (year to date period)	3.26x
Weighted average interest rate per annum	3.9%

Interest rates and debt maturities are reviewed regularly by the trustees of the REIT (the "Trustees") to ensure the appropriate debt management strategies are implemented. The REIT intends to finance its ongoing operations primarily with a combination of fixed rate secured debt with staggered maturities and floating rate secured short-term, construction and/or revolving debt. The fixed rate debt is expected to be comprised primarily of first charge mortgages. The REIT's capacity to incur additional debt without issuing new equity or breaching its targeted and mandated leverage ratios discussed above is as follows:

Debt to Gross Book Value	**Acquisition Capacity**
55%	$13,500
60%	$95,500
65%	$201,000

The REIT does not retain a material amount of operating cash flow to finance its capital requirements, including loan principal repayments, acquisitions, redevelopments and portfolio capital expenditures. Capital requirements for loan principal repayments, acquisitions and redevelopment are generally sourced by financing for each project through mortgages and/or the revolving credit facility. For the three month period ended March 31, 2016, the REIT's Payout Ratio was 70%. During the three month period ended March 31, 2016, the REIT's Payout Ratio was impacted due to the normalized reserve for capital and tenant expenditures used in the calculation of AFFO as compared to the actual capital and tenant expenditures incurred during the period. The normalized reserve represents management's estimate of normalized, long-term, capital and tenant expenditures and totalled $1,572 for the three month period ended March 31, 2016. Due to leasing achievements completed during the three month period ended March 31, 2016 and capitalized expenditures relating to proposed developments at the REIT's Consumers Road complex, actual capital and tenant expenditures totalled $6,214 for the three month period ended March 31, 2016.

No off-balance sheet arrangements exist.

In the normal course of operations, the REIT enters into leases with respect to its portfolio of investment properties, which requires the REIT to expend resources for tenant incentives, leasing commissions and capital expenditures.

Commitments and Contingencies

During the year ended December 31, 2014, the REIT entered into a lease agreement with Porsche Cars Canada to construct, under a build to suit agreement, and lease a newly constructed dealership and corporate head office consisting of approximately 60,000 sqft, on existing lands at the REIT's Consumers Road office complex. The REIT will contribute approximately 3.3 acres of land (which is currently used for parking at the site) to the development. Upon completion, the tenant will lease the dealership for a term of 20 years (not including renewal options). The lease remains subject to performance obligations by the REIT such as certain development requirements and governmental approvals, being satisfied within agreed upon time periods.

In conjunction with the construction of the dealership noted above, the REIT expects to construct a retail and parking facility that will address the reduction of surface parking due to the newly constructed dealership and bring additional retail amenities to the Consumers Road complex and the surrounding area.

On March 16, 2016, the REIT obtained a conditional building permit for the development of a retail and parking facility at the REIT's Consumers Road complex in Toronto, Ontario. The conditional building permits received for retail and parking facility, as well as the proposed car dealership and corporate head office, have allowed the REIT to begin development while final site plan details are finalized with the City of Toronto.

During the quarter, the REIT obtained two letters of credit totalling $4,800 relating to the developments, to the benefit of the City of Toronto.

DISTRIBUTIONS AND ADJUSTED FUNDS FROM OPERATIONS

Distributions

The REIT has adopted a distribution policy pursuant to which the REIT intends to make cash distributions to Unitholders on a monthly basis. The AFFO Payout Ratio for the three month period ended March 31, 2016 was 70%. The AFFO Payout Ratio was impacted by the favourable movement of the CAD/USD exchange rate, which increased the AFFO of the REIT. The distribution per Unit for the three month period ended March 31, 2016 was $0.194, or $0.775 annualized.

Adjusted Funds from Operations

AFFO is a supplemental non-IFRS financial measure of the REIT's cash generating activities after providing for stabilized operating capital requirements. Management considers AFFO to be a useful measure of cash available for distributions to Unitholders. AFFO is calculated by adjusting FFO for non-cash items such as: straight-lining of contractual rent, amortization of any net premium or discount on long-term debt assumed from vendors of properties at rates of interest greater than or less than fair value, amortization of financing fees incurred on contracting long-term debt, and amounts expensed in conjunction with Unit-based compensation. Non-recurring costs that impact operating cash flow may be adjusted and a normalized reserve, as determined by the REIT, for capital and tenant expenditures is deducted.

The REIT's method of calculating AFFO may differ from other reporting issuers' methods and accordingly may not be directly comparable to AFFO reported by other reporting issuers. A reconciliation of FFO to AFFO for the three month periods ended March 31, 2016 and March 31, 2015 is set out below (for a reconciliation of IFRS net income to FFO, please refer to "Part III – Funds from Operations"):

ADJUSTED FUNDS FROM OPERATIONS	**For the three month period ended**		
	March 31, 2016	**March 31, 2015**	**Variance**
FFO	**$7,964**	**$7,283**	**$681**
Add:			
Amortization of fair value adjustment on assumed debt	($247)	($216)	($31)
Amortization of deferred financing costs	$156	$131	$25
Rent amortization of tenant incentives	$377	$333	$44
Straight-line rent	($295)	($557)	$262
Deferred compensation expense	$26	$22	$4
Incentive fee accrual payable in Units	$100	$0	$100
Reserve for stabilized leasing commissions and tenant inducements	($1,123)	($1,022)	($101)
Reserve for stabilized capital expenditure	($449)	($409)	($40)
AFFO	**$6,509**	**$5,565**	**$944**
Basic and Diluted AFFO per Unit	**$0.278**	**$0.237**	**$0.041**
Weighted average units outstanding			
Basic (in 000's)	**23,430**	**23,522**	
Diluted (in 000's)	**23,432**	**23,522**	

The following is a reconciliation from AFFO to the REIT's cash flows from (used in) operating activities:

	For the three month period ended		
	March 31, 2016	March 31, 2015	Variance
AFFO	**$6,509**	**$5,565**	**$945**
Change in non-cash operating working capital:			
Other assets	($67)	($46)	($21)
Accounts receivable	$586	($108)	$694
Tenant rental deposits and prepaid rent	$396	$128	$268
Accounts payable and accrued liabilities	($900)	$1,154	($2,055)
IFRIC 21 fair value adjustment on investment properties	($6,930)	($5,786)	($1,144)
Finance costs classified as financing activities	$3,548	$3,294	$254
Reserve for stabilized leasing commissions and tenant inducements	$1,123	$1,022	$101
Reserve for stabilized capital expenditure	$449	$409	$40
Cash flow from (used in) operating activities	**$4,714**	**$5,632**	**($918)**

The following additional disclosure compares the cash distributions to cash provided by operating activities and net income:

CASH DISTRIBUTIONS	For the three month period ended	
	March 31, 2016	March 31, 2015
Cash provided by operating activities[1]	$1,115	$2,423
Net income / (Loss)	($1,154)	$4,127
Cash distributions relating to the period[2]	$4,533	$4,172
Excess of cash provided by operating activities over cash distributions paid	($3,418)	($1,749)
Excess of net income over cash distributions paid	($5,686)	($45)

[1]Cash provided by operating activities is presented net of interest paid.

[2]Cash distributions are defined as distributions declared less the value of the Units issued under the REIT's DRIP.

For three month period ended March 31, 2016, cash provided by operating activities and net income did not exceed cash distributions paid.

Cash distributions exceeded cash provided by operating activities mainly a result of significant capital accruals and property taxes relating to the year ended December 31, 2015 being paid in the three month period end March 31, 2016. As the payment of payables impacted the cash provided by operating activities significantly due to the timing of when those payables are paid, on a full year basis the REIT believes that cash flow from operations will exceed cash distributions paid by the REIT, and the REIT expects to maintain the current level of distributions. See "Part IV – Liquidity and Capital Resources" for further discussion on the REIT's sources and uses of cash.

Cash distributions also exceeded net income for the three month period ended March 31, 2016. Net income is impacted by several non-cash items, such as fair value adjustments on investment properties, deferred income taxes, straight-line rent and amortization of tenant incentives, which do not impact the cash available to pay current distributions.

The REIT determines the allocation of its distributions between income and return of capital on an annual basis, and in conjunction with the REIT's U.S.-focused investment strategy the disposition of some or all of the REITs existing Canadian real estate assets would increase the taxable portion of the REIT's distribution to its Unitholders in the year of disposition by decreasing the portion of the distribution allocated to return of capital.

PART V

SELECTED QUARTERLY INFORMATION

Please see the applicable MD&A and quarterly financial statements for discussion and analysis relating to previous quarters.

SELECT QUARTERLY INFORMATION	March 31, 2016	December 31, 2015	September 30, 2015	June 30, 2015
Revenue				
Base rent	$13,879	$13,674	$13,357	$12,360
Property operating costs recoveries	$7,874	$8,301	$7,799	$6,313
Parking and other	$616	$558	$636	$648
Total property and property related revenue	**$22,369**	**$22,533**	**$21,792**	**$19,321**
Expenses				
Property operating	$5,807	$6,701	$6,070	$5,036
Property taxes	$10,405	$1,267	$1,265	$902
General and administrative	$1,309	$1,315	$1,223	$1,111
Finance costs	$3,814	$3,807	$3,772	$3,529
Deferred income taxes	($766)	$242	$1,758	$1,478
Total Expenses	**$20,569**	**$13,332**	**$14,088**	**$12,056**
Fair value adjustments on investment properties	($3,884)	($9,236)	($5,670)	($301)
Fair value adjustments on financial instruments	$930	$575	($1,057)	$790
Loss on sale of investment properties	$0	($3)	$3	($445)
Net Income / (Loss)	**($1,154)**	**$537**	**$980**	**$7,309**
Basic and Diluted Net Income per Unit	**($0.049)**	**$0.023**	**$0.042**	**$0.310**

SELECT QUARTERLY INFORMATION	March 31, 2015	December 31, 2014	September 30, 2014	June 30, 2014
Revenue				
Base rent	$12,516	$11,446	$11,170	$11,325
Property operating costs recoveries	$7,456	$7,839	$6,384	$6,077
Parking and other	$691	$622	$598	$632
Total property and property related revenue	**$20,663**	**$19,907**	**$18,152**	**$18,034**
Expenses				
Property operating	$5,502	$6,210	$4,773	$4,516
Property taxes	$8,856	$1,032	$1,168	$1,101
General and administrative	$1,260	$1,126	$861	$991
Finance costs	$3,548	$3,253	$3,099	$3,057
Deferred income taxes	$4,986	$1,437	$2,210	$2,182
Total Expenses	**$24,152**	**$13,058**	**$12,111**	**$11,847**
Fair value adjustments on investment properties	$9,966	($541)	($1,253)	($2,460)
Fair value adjustments on financial instruments	($2,110)	($740)	($157)	$372
Loss on sale of investment properties	($240)	$0	($269)	$0
Net Income	**$4,127**	**$5,568**	**$4,362**	**$4,099**
Basic and Diluted Net Income per Unit	**$0.175**	**$0.237**	**$0.186**	**$0.175**

PART VI

RELATED PARTY TRANSACTIONS

Asset Management Services

The REIT engaged ACPI or its related parties to perform asset management services for a fee of 0.4% of the REIT's GBV, as defined in the External Management Agreement between the REIT and ACPI. The cost of these services were $675 for the three month period ended March 31, 2016. The cost of these services for the three month period ended March 31, 2015 was $624. These costs were charged to general and administrative expenses. As at March 31, 2016, $203 remains payable to ACPI or its related parties for these services. The REIT has also reimbursed ACPI for certain costs incurred for general and administrative as well as property related expenses totalling $10 and nil for the three month periods ended March 31, 2016 and March 31, 2015, respectively.

ACPI is also entitled to a unit price performance fee (the "Unit Price Performance Fee") on the date that is five years following the REIT's Initial Public Offering ("IPO") or upon termination of the External Management Agreement, which shall be equal to the product of:

I. the Unit price (a) on the date that is five years following the IPO or (b) the date of termination of ACPI, as the case may be, based on the 20-day volume weighted average price of the Units on the stock exchange on which the Units are then listed, less $13.00, and
II. one million.

The Unit Price Performance Fee shall not be payable to ACPI in the event the REIT terminates ACPI for cause or ACPI terminates the External Management Agreement. The Unit Price Performance Fee calculated using the Black-Scholes pricing model was nil for the three month periods ended March 31, 2016 and March 31, 2015.

As additional compensation, ACPI will be paid an incentive fee, each year for the term of the External Management Agreement, equal to the product of (a) 15% of any excess AFFO per Unit as derived by the REIT for each fiscal year greater than 103% of forecast AFFO per Unit and (b) the weighted average number of issued and outstanding Units over the applicable fiscal year. This incentive fee will be measured and paid in Units, unless payment in Units triggers a taxable event for ACPI. The incentive fee target will increase annually by 50% of the increase in the Canadian and United States consumer price indices (weighted by the GBV of the REIT's properties located in each jurisdiction). For the three month period ended March 31, 2016, $100 was accrued, and recognized in general and administrative expenses, and for the three month period ended March 31, 2015, no amounts were recognized for the incentive fee. In addition, the REIT has an accrual of $242, relating to the year ended December 31, 2015, which the REIT expects to satisfy by issuing Units to ACPI in accordance with the terms of the External Management Agreement.

Property Management Services

The REIT engaged ACPI or its related parties to perform property management services for certain of the REIT's properties for fees defined in the REIT's property management agreements. The costs of these services, aggregating to $140 for the three month period ended March 31, 2016, and $206 for the three month period ended March 31, 2015, were charged to property operating expenses. As at March 31, 2016, $30 remains payable to ACPI or its related parties for these services.

Vendor Lease Tenants

The REIT previously entered into lease agreements whereby certain vendors of the properties sold to the REIT in conjunction with the IPO lease space in two of the REIT's properties. Rental revenue from these vendor leases was $376 for the three month period ended March 31, 2016, and $591 for the three month period ended March 31, 2015, for both minimum rent and operating cost recoveries. Included in accounts receivable as at March 31, 2016 is nil for these leases.

The following table shows the status of the vendor leased space as at March 31, 2016:

Property	Space Under Vendor Lease (in 000s of sqft)	Expiration Date
243, 245, 251, 255 Consumers Road	46	January 24, 2018

During the year ended December 31, 2015, the REIT leased approximately 28,000 sqft of former "vendor lease space" to a third-party tenant beginning July 1, 2016 for a term of 10 years, which will reduce the remaining space subject to vendor leases to approximately 18,000 sqft.

Deferred Unit Incentive Plan

The REIT has a deferred unit incentive plan which provides plan members with the right to receive Units, which are puttable. The REIT estimates the fair value of the deferred Units on issuance, and amortizes this Unit based compensation expense over the vesting period. The awards are fair valued on the basis of the Unit price at each reporting period and the change in fair value of the amortized Unit based compensation expense is recognized as Unit based compensation expense.

All members of the Board of Trustees are required to receive 50% of their respective annual retainer and meeting fees for the fiscal year in the form of deferred Units. Trustees may further elect to take up to 100% of their compensation in deferred Units. Deferred Units issued to Trustees in lieu of their annual retainer and meeting fees vest immediately. However, in no event shall the exercise of the Trustees' deferred Units in lieu of their annual retainer and meeting fees occur prior to the third anniversary of the grant date, except in the event where their services have been terminated.

For the three month period ended March 31, 2016, 2,810 deferred Units were granted for services rendered, and 213 deferred Units were granted through distributions, to Trustees in respect of such deferred Units.

PART VII

SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

A summary of significant accounting policies and estimates is described in notes 1 and 2 of the REIT's consolidated financial statements for the year ended December 31, 2015. There are no material changes to the REIT's significant accounting policies or estimates as of March 31, 2016 that have not been disclosed herein or in notes 1 and 2 of the REIT's consolidated financial statements for the year ended December 31, 2015.

PART VIII

RISKS AND UNCERTAINTIES

The REIT's MD&A and AIF for the year ended December 31, 2015 contain detailed information on risk factors pertaining to the REIT and both are available on SEDAR at www.sedar.com. There have been no changes to the nature or the number of risk factors pertaining to the REIT since the respective dates of the Annual MD&A and AIF and the disclosure in this MD&A is subject to the risk factors outlined therein.

PART IX

CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

The REIT's Chief Executive Officer and Chief Financial Officer have designed, or caused to be designed under their supervision, the REIT's disclosure controls and procedures (as defined by National Instrument 52-109 – *Certification of Disclosure in Issuers' Annual and Interim Filings* ("NI 52-109"), adopted by the Canadian Securities Administrators) to provide reasonable assurance that (i) material information relating to the REIT, including its consolidated subsidiaries, is made known to them by others within those entities, particularly during the period in which the interim filings are being prepared and (ii) material information required to be disclosed in the interim fillings or other reports filed or submitted by the REIT under securities legislation is recorded, processed, summarized and reported on a timely basis and within the time period specified by securities legislation.

Internal Controls over Financial Reporting

The REIT's Chief Executive Officer and Chief Financial Officer have designed the REIT's internal control over financial reporting (as defined in NI 52-109) to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

Inherent Limitation

Internal controls over financial reporting cannot provide absolute assurance of achieving financial reporting objectives because of their inherent limitations. Internal control over financial reporting is a process that involves human diligence and compliance and is subject to lapses in judgment and breakdowns resulting from human failures. Internal control over financial reporting also can be circumvented by collusions or improper management override. Because of such limitations, there is risk that material misstatements may not be prevented or detected on a timely basis by internal control over financial reporting. However, these inherent limitations are known features of the financial reporting process. Therefore, it is possible to design into the process safeguards to reduce, though not eliminate, this risk.

PART X

SUBSEQUENT EVENTS

On April 7, 2016, the REIT announced the amendment and reinstatement of its Unitholder DRIP. See Part II – "Summary of Significant Events" for further details.

On April 19, 2016, the REIT declared a monthly distribution for the month ended April 29, 2016 of $0.06458 per Unit, consistent with its historical annualized rate of $0.775 per Unit.

On May 3, 2016, the REIT disposed of Plaza Bellehumeur. See Part II – "Summary of Significant Events" for further details.

PART XI

FINANCIAL OUTLOOK AND MARKET GUIDANCE

Management believes that the main fundamentals of the REIT are the health of its balance sheet and the stability and diversity of its portfolio, and that these fundamentals are required in order to meet external expectations.

In order to achieve its 2016 objectives, the REIT will focus on:

- Increasing occupancy in the portfolio;
- Maximizing NOI;
- Acquiring assets on an accretive basis;
- Improving operational productivity;
- Executing on development opportunities within the portfolio; and
- Executing its recycling of capital strategy.

Apart from the sometimes significant difference between vendor and purchaser pricing, the current market for acquisitions is favourable for the REIT's expansion plans. In the near term, the REIT intends to focus on acquisitions in the United States where valuations, financing and operating fundamentals are currently more attractive than in Canada. The REIT will pursue acquisitions, with a focus on properties within markets that the REIT currently operates. The REIT will also target external growth in markets that offer high quality commercial real estate at compelling relative valuations. The REIT will utilize a flexible, opportunity driven growth strategy and take advantage of its agile framework to source attractive relative valuations in various asset classes and geographic locations. While it is expected that any acquisitions by the REIT would be immediately accretive, the REIT may also consider and complete acquisitions that improve the overall quality of its portfolio and/or will be accretive over the longer term.

Part XII

OUTSTANDING UNITS

As of the close of business on May 9, 2016, there were 23,395,139 Units issued and outstanding.