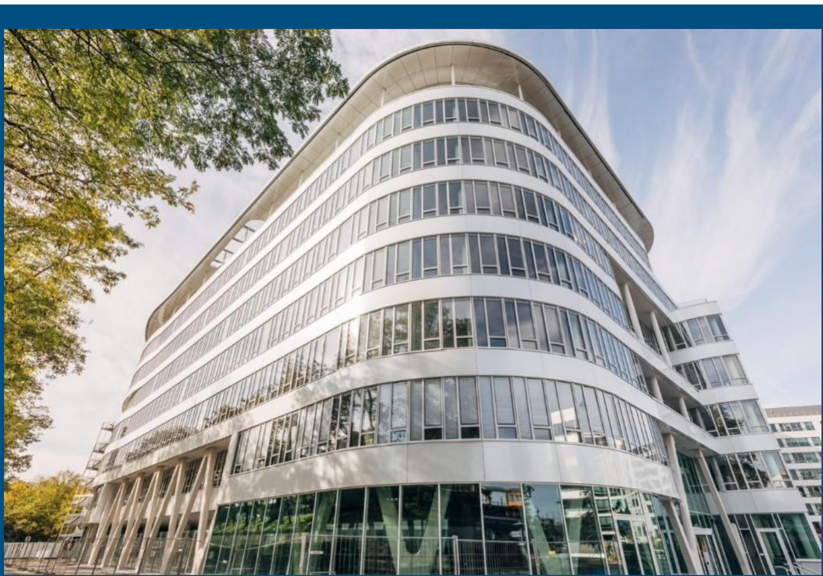
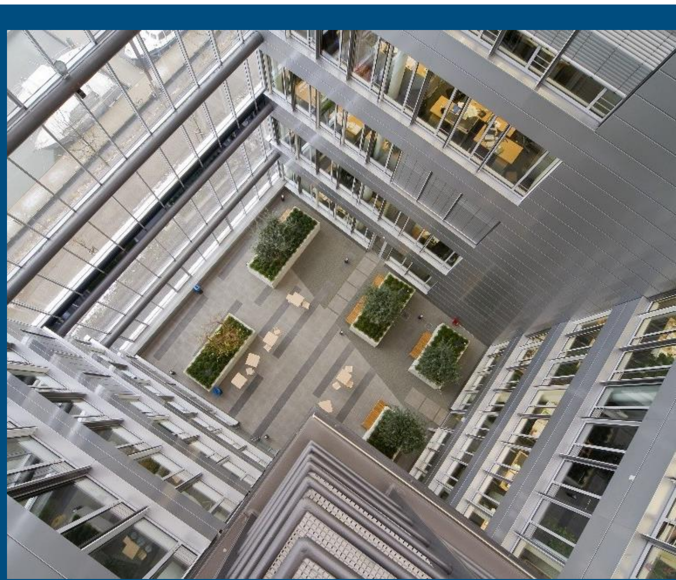
inovalis REIT

Quarterly Report

September 30, 2023





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All amounts in the MD&A are presented in thousands of Canadian dollars or Euros, except rental rates, per unit amounts or as otherwise stated. Information contained in this MD&A is based on information available to management as of November 13, 2023.

Letter to Unitholders

Our Board of Trustees joined the management team in Paris this October to tour the Paris properties that are ready to be redeveloped or sold. Seeing our office properties in person and reviewing our strategic plans for each of them provides valuable context for the decision-making process.

We took the trustees through an in-depth study of the current investment environment in Paris which has been impacted by the significant rise in inflation throughout 2022 and 2023, notably impacting energy prices, and the dramatic increase in interest rate in Europe since June. The significant financial, economic and social change in 2023 has created headwinds for the REIT's recycling plans for the Arcueil, Sablière and Baldi assets. Plans are proceeding but at a slower rate of advancement than has been possible in prior years.

Management has analyzed the REIT's cashflow together with the Board of Trustees and advice from external advisors. Based on these discussions, the Board of Trustees has suspended the REIT's distribution payments until further notice following payment of the distribution on December 15, 2023 to Unitholders of record on November 30, 2023. The distribution suspension is expected to provide the REIT with the necessary financial flexibility to continue advancing its short and long-term objectives.

Although the European office sector is performing significantly better than in North America, economic uncertainties are expected to continue to have repercussions throughout 2024. Inflation and energy prices are not expected to meaningfully subside until 2025 and beyond. The REIT's conservative 42% debt-to-gross-book value ratio provides equilibrium to our balance sheet while this global real estate reset persists.

The currently depressed asset values across the European office sector represent a challenge for the disposition of assets as investors remain in a "wait-and-see" mode, other than for those favouring asset conversion strategies.

In June 2023, planning regulations that reform City of Paris building rules were announced. These changes address climate change impacts, updated ESG standards, and provide for the allocation of a portion of redeveloped commercial properties for social housing beginning in 2024. Accordingly, we have adapted our plans for the REIT's assets to be recycled. Our progress in the asset recycling plan is key to moving the REIT's strategy to the next level. Working with Paris City Hall to obtain the necessary permits to re-develop assets for mixed use is a long game and so short and long-term leasing opportunities at Sablière are being considered until redevelopment plans can be confirmed.

The office market in Germany is facing the same inflationary and energy cost impacts however the 89.8% occupancy rate over the German and Spanish properties (representing 42% of the REIT's Total Portfolio value) provides more certainty for the short-term outlook.

The plans to buy back the joint-venture held segments of co-owned properties in that country have been set aside until the REIT's cash flow is stabilized.

The results for the occupied office buildings in the Total Portfolio were in accordance with expectations in Q3 and the REIT achieved a FFO of $0.42/Unit in 2023. The occupancy rate for the 10 properties that are not part of the repositioning / disposition strategy is currently 89.7%.

I want to acknowledge the serious impact of the suspension of distributions on our Unitholders which may also create further volatility in the unit price. The repercussions of the significant changes in the business environment are affecting our investors who are our primary concern. It is important for investors to know that the suspension of distributions is intended to safeguard their investment in Inovalis REIT in the longer term. Those of us who have been in the real estate sector for decades know that these downturns come and go. The Inovalis REIT team has industry acumen, deep experience in the European marketplace and a strategy to emerge from this period of uncertainty.

As always, we appreciate your confidence in us.

Stéphane Amine

Chief Executive Officer, Inovalis Real Estate Investment Trust

Q3 2023

Net Rental Income	Adjusted Net Rental Income – IFRIC 21 (1)	Quarterly FFO	Quarterly AFFO
CAD$6.7 Million	CAD$5.8 Million	CAD$0.06	CAD$0.07

Highlights

Net Rental Income

For the portfolio that includes assets owned entirely by the REIT ("IP Portfolio"), Net Rental Income ("NOI") for the three months ended September 30, 2023 ("Q3 2023"), decreased significantly to CAD$4,830 (EUR€3,314) compared to CAD$6,337 (EUR€4,645) for the three months ended September 30, 2022 ("Q3 2022"), in line with our expectations regarding the full vacancy of the Arcueil property since July 1, 2023.

In Q3 2023, Net Rental Income, adjusted for IFRIC 21[1] for the portfolio that includes the REIT's proportionate share in joint ventures ("Total Portfolio"), was CAD$5,783 (EUR€3,968), compared to CAD$7,191 (EUR€5,271) for Q3 2022, a decrease due to the same reasons described above with respect to the IP Portfolio.

Leasing Operations

As at September 30, 2023, occupancy for the REIT's IP Portfolio was 54.6% and the Total Portfolio was 64.6%, largely affected, in Q3 2023, by total vacancy in Arcueil and the 20% space vacated by the main tenant at the Neu-Isenburg property.

Management is also considering short and long-term rental opportunities for the Sablière office property to offset the protracted City Hall approval process for redevelopment.

Steady interest from prospective tenants throughout the year 2023 underscores confidence in our Parisian, German and Spanish portfolio. To bolster leasing efforts, management is selectively undertaking capital expenditure improvements on properties with the highest vacancy to attract tenants and maximize rent.

On June 5, 2023, the Municipality of Paris adopted a new town planning regulation (plan local d'urbanisme – PLU) to reform city building rules in light of climate change impacts and to increase the social housing offering, beginning in 2024.

The PLU defines the rules for building and land use, including the property's use (residential, retail, offices, public equipment, natural land, etc.), building materials and architecture, and authorization to repurpose a property. In particular, the PLU bioclimatic implements a new mechanism, whereby some buildings with low housing capacity and with a surface area exceeding 5,000 square meters (53,820 square feet) will have to devote 10% of their surface area to the creation of housing. Management will be monitoring the application of the new regulation and will adapt the REIT's plans accordingly.

Capital Market Considerations

There is significant downward pressure on net asset values due to volatile economic conditions driven by high inflation and energy costs in the Euro-zone. Unitholders' equity on September 30, 2023 was CAD$279,065 (EUR€194,430), which implies a book value per Unit at that date of CAD$8.53/Unit or CAD$8.37/Unit on a fully-diluted basis, using the Weighted Average Number of Units for the period.

This is quite different to the stable inflation and economic growth seen in the four-decade period leading up to the pandemic. Under those conditions, investors could invest and hold real estate while expecting strong and consistent distribution payouts. The REIT has addressed the volatile risks in the current capital markets by managing the debt-to-gross-book value ratio (currently 49.6% at September 30, 2023) and seeking fixed rate mortgages.

Funds From Operations and Adjusted Funds From Operations

In Q3 2023, the REIT reported FFO and AFFO[2] per Unit of CAD$0.06 and CAD$0.07 respectively, compared to CAD$0.18 for Q3 2022, due to lower net rental income as a consequence of Arcueil property full vacancy. The FFO payout ratio was 173.7%, in line with our internal forecast.

Over the three quarters of 2023, the cumulative FFO per Unit was CAD$0.42, sufficient to cover distributions paid to date.

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[1] Net rental Income adjusted for IFRIC 21 is a Non-GAAP Measure. See the "Net Rental Income" section for further discussion on the composition and usefulness of this metric and as well as a quantitative reconciliation to its most directly comparable financial measure. See the section "Non-GAAP Financial Measures and Other Measures" for more information on the REIT's non-GAAP financial measures.

[2] FFO and AFFO are non-GAAP measures. See the section "Non-GAAP Financial Measures and Other Measures" for more information on the REIT's Non-GAAP measures. A reconciliation of FFO and AFFO to Net Income can be found under the section Non-GAAP Reconciliation (FFO and AFFO).

Highlights (Continued)

Refer to the *Non-GAAP Financial Measures and Other Measures* section of this MD&A for a more detailed discussion on FFO and AFFO.

Financing Activity

The REIT is financed almost exclusively with asset-level, non-recourse financing with an average term to maturity of 3.7 years for the Total Portfolio (3.4 years for the IP Portfolio).

Subsequent to the quarter end, the CAD$17,765 mortgage loan on the Stuttgart property that matured in May 2023, was successfully extended for one year until August 2024. This short-term extension will allow management to reassess and obtain improved financing terms in Q2 2024.

In the first nine months of 2023, the weighted average interest rate was 2.57% across the IP Portfolio and 2.60% on the Total Portfolio, and reflects the increased interest margin on the Stuttgart mortgage loan and the additional interest cost of unhedged contracts on Sablière, Arcueil and Pantin properties. Management will assess the best hedging options on these contracts, considering redevelopment plans and hedging pricing opportunities.

Several mortgage loans are maturing in 2023 (Neu-Isenburg) and early 2024 (Kösching and Trio). The management team is negotiating new senior debts with short-term conditions, extending time to reassess financing terms with lower borrowing costs by the end of 2024.

Despite increases to the European Central Bank key lending rates, management is confident that the REIT will continue to access financing opportunities through its banking networks in Europe leveraging the quality of its properties, lease terms and high caliber tenants.

Environmental, Social and Governance (ESG)

Integrating ESG objectives and strategies into the REIT's business reflects the growing importance these factors play with many of our key stakeholders. Investors recognize the risks associated with changing regulatory requirements, tenants are including sustainability considerations in their leasing decisions, and employees want to work for responsible and socially-focused organizations. The REIT is working to improve its long-term environmental performance, and also investing in "human capital" for the implementation and monitoring of all ESG initiatives.

The Spanish property Delgado has elected for the LEED Gold certification, which could be awarded in early 2024.

On the German portfolio, offers for a green electricity procurement policy are to be received beginning 2024, in addition to the implementation of smart water-saving equipments.

The social aspect of the ESG policiy is also a critical point in the upcoming redevelopment projects of Sablière and Arcueil, where not only bio-climatic zoning plan are or should be adopted, but also where a social diversity and a diversified office-residential equilibrium is requested by the city mayors.

Management's Discussions and Analysis

Basis of Presentation

The following management's discussion and analysis ("MD&A") of the financial condition and results of operations of Inovalis Real Estate Investment Trust (the "REIT") should be read in conjunction with the REIT's unaudited condensed interim consolidated financial statements as at September 30, 2023 and for the three and nine months ended September 30, 2023 and 2022, and to the notes thereto. These unaudited condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB"), and thus do not contain all of the disclosures applicable to the annual audited consolidated financial statements.

Dollar amounts in this MD&A are presented in thousands of Canadian dollars and Euros, except rental rates, per unit amounts or as otherwise stated. Historical results, including trends which might appear in this MD&A, should not be taken as indicative of future operations or results. See "Forward-Looking Information" for further details. Information contained in this MD&A, including forward-looking information, is based on information available to management as of November 13, 2023. Additional information about Inovalis REIT has been filed with applicable Canadian securities regulatory authorities and is available at www.sedarplus.ca.

Forward-Looking Information

Certain statements contained, or contained in documents incorporated by reference, in this MD&A constitute forward-looking information within the meaning of securities laws. Forward-looking information may relate to the REIT's future outlook and anticipated events or results and may include statements regarding the future financial position, distributions, business strategy, budgets, occupancy rates, rental rates, productivity, projected costs, capital investments, development and development opportunities, financial results, taxes, plans and objectives of or involving the REIT. Particularly, statements regarding the REIT's future results, performance, achievements, prospects, costs, opportunities, and financial outlook, including those relating to acquisition and capital investment strategies and the real estate industry generally, are forward-looking statements. In some cases, forward-looking information can be identified by terms such as "may", "will", "should", "expect", "plan", "anticipate", "believe", "intend", "estimate", "predict", "potential", "continue" or the negative thereof, or other similar expressions concerning matters that are not historical facts. Forward-looking statements are based on certain factors and assumptions regarding expected growth, results of operations, performance, and business prospects and opportunities.

Although management believes that the expectations reflected in the forward-looking information are reasonable, no assurance can be given that these expectations will prove to be correct, and since forward-looking information inherently involves risks and uncertainties, undue reliance should not be placed on such information.

Certain material factors or assumptions are applied in making forward-looking statements and actual results may differ materially from those expressed or implied in such forward-looking statements. The estimates and assumptions, which may prove to be incorrect, include, but are not limited to, the various assumptions set forth in this document as well as the following:

(ix) the ability to continue to receive financing on acceptable terms;

(ii) the future level of indebtedness and the REIT's future growth potential will remain consistent with current expectations;

(iii) there will be no changes to tax laws adversely affecting the REIT's financing capability, operations, activities, or structure;

(iv) the REIT will retain and continue to attract qualified and knowledgeable personnel as the portfolio and business grow;

(v) the impact of the current economic climate and the current global financial conditions on operations, including the REIT's financing capability and asset value, will remain consistent with current expectations;

(vi) there will be no material changes to government and environmental regulations that could adversely affect operations;

(vii) conditions in the international and, in particular, the French, German, Spanish and other European real estate markets, including competition for acquisitions and the market for dispositions, will be consistent with past conditions;

(viii) capital markets will provide the REIT with readily available access to equity and/or debt financing, including any intensification thereof, and

(ix) the demand for the REIT’s properties and global supply chains and economic activity in general.

The REIT cautions that this list of assumptions is not exhaustive. Although the forward-looking statements contained in this MD&A are based upon assumptions that management believes are reasonable based on information currently available to management, there can be no assurance that actual results will be consistent with these forward-looking statements.

When relying on forward-looking statements to make decisions, the REIT cautions readers not to place undue reliance on these statements, as forward-looking statements involve significant risks and uncertainties. Forward-looking statements should not be read as guarantees of future performance or results and will not necessarily be accurate indications of whether or not, or the times at or by which, such performance or results will be achieved. A number of factors could cause actual results to differ, possibly materially, from the results discussed in the forward-looking statements, including, but not limited to:

- the REIT’s ability to execute its growth and capital deployment strategies;
- the impact of changing conditions in the European office market;
- the marketability and value of the REIT’s portfolio;
- changes in the attitudes, financial condition and demand in the REIT’s demographic markets;
- fluctuation in interest rates and volatility in financial markets;
- general economic and geopolitical conditions, including any continuation or intensification of the current economic downturn and conflicts in the Ukraine and Middle East;
- developments and changes in applicable laws and regulations; and
- such other factors discussed under ‘‘Risk and Uncertainties’’ in this MD&A.

If any risks or uncertainties with respect to the above materialize, or if the opinions, estimates or assumptions underlying the forward-looking statements prove incorrect, actual results or future events might vary materially from those anticipated in the forward-looking statements. The opinions, estimates or assumptions referred to above and described in greater detail under ‘‘Risks and Uncertainties” should be considered carefully by readers. Although management has attempted to identify important risk factors that could cause actual results to differ materially from those contained in forward-looking statements, there may be other risk factors not presently known or that management believes are not material that could also cause actual results or future events to differ materially from those expressed in such forward-looking statements.

Forward-looking statements are provided for the purpose of providing information about management’s current expectations and plans relating to the future. Certain statements included in this MD&A may be considered a ‘‘financial outlook’’ for purposes of applicable Canadian securities laws, and as such, the financial outlook may not be appropriate for purposes other than this MD&A. All forward-looking statements are based only on information currently available to the REIT and are made as of the date of this MD&A. Except as expressly required by applicable Canadian securities law, the REIT assumes no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise. All forward-looking statements in this MD&A are qualified by these cautionary statements.

Market and Industry Data

This MD&A includes market and industry data and forecasts that were obtained from third-party sources, industry publications and publicly available information, as well as industry data prepared by Inovalis S.A. based on its knowledge of the commercial real estate industry (including Inovalis S.A. estimates and assumptions relating to the industry based on that knowledge). Inovalis S.A.’s management has knowledge of the real estate industry developed through its 30 plus years of experience and participation in the industry.

Business Overview and Strategy

The REIT is an unincorporated open-ended real estate investment trust governed by the laws of the Province of Ontario. The REIT was founded and sponsored by Inovalis S.A, the asset manager. The REIT's Units have been listed on the Toronto Stock Exchange under the trading symbol INO.UN since April 10, 2013. The head and registered office of the REIT is located at 151 Yonge Street, 11th floor, Toronto, Ontario, M5C 2W7.

The REIT's long-term objectives are to:

- generate cash distributions on a tax-efficient basis from investments in income-producing office properties;
- grow the asset base, primarily in France, Germany and Spain, but also opportunistically in other European countries where assets meet the investment criteria;
- identify and sell assets having achieved exceptional valuation growth and redeploy the capital in selected assets with long-term high potential;
- resume distributions to Unitholders, through an Accretive Acquisition program that successfully leverages Inovalis S.A.'s extensive relationships and depth of commercial property and financing; and
- maximize the long-term value of stable income-generating properties and the net asset value ("NAV") per Unit through active and efficient management.

The REIT's investment criteria encompass office properties outside of Canada with an occupancy level above 80% (unless AFFO accretive), secured rental cash flows, a property value between EUR€20,000 to EUR€60,000 (unless AFFO accretive) and potential future upside with respect to matters including rent and area development. According to management, the target investment size falls within a very liquid segment of the real estate market in Europe, and debt financing for such acquisitions is readily available from local lenders.

Foreign Currency Environment

The REIT's current asset base is located in France, Germany and Spain. Items included in the financial statements of each of the REIT's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The functional currency of the REIT's subsidiaries and joint ventures is the Euro, whereas the functional currency of the Trust, as well as its presentation currency, is the Canadian dollar. As such, although the REIT's main assets and liabilities are denominated in Euros, the REIT's financial results are translated into Canadian dollars for presentation purposes as follows:

- Assets and liabilities are converted to CAD$ at the closing rate at the date of the consolidated balance sheet;
- Items presented in the consolidated statement of earnings, consolidated statement of comprehensive income and consolidated statement of cash flows are translated at average exchange rates during the period (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income, expenses and cash flows are translated at the rate on the dates of the transactions); and
- All resulting exchange differences are recognized in other comprehensive income and recognized as a cumulative translation adjustment account in "Accumulated other comprehensive income" in equity.

A change in the EUR€/CAD$ foreign exchange rate therefore may have a material impact on the REIT's consolidated financial statements and results.

The exchange rate used throughout this MD&A for statement of earnings items is the average rate during the applicable period, which for the nine months ended September 30, 2023 and 2022 was CAD$1.4576 and CAD$1.3643 respectively (6.8% increase).

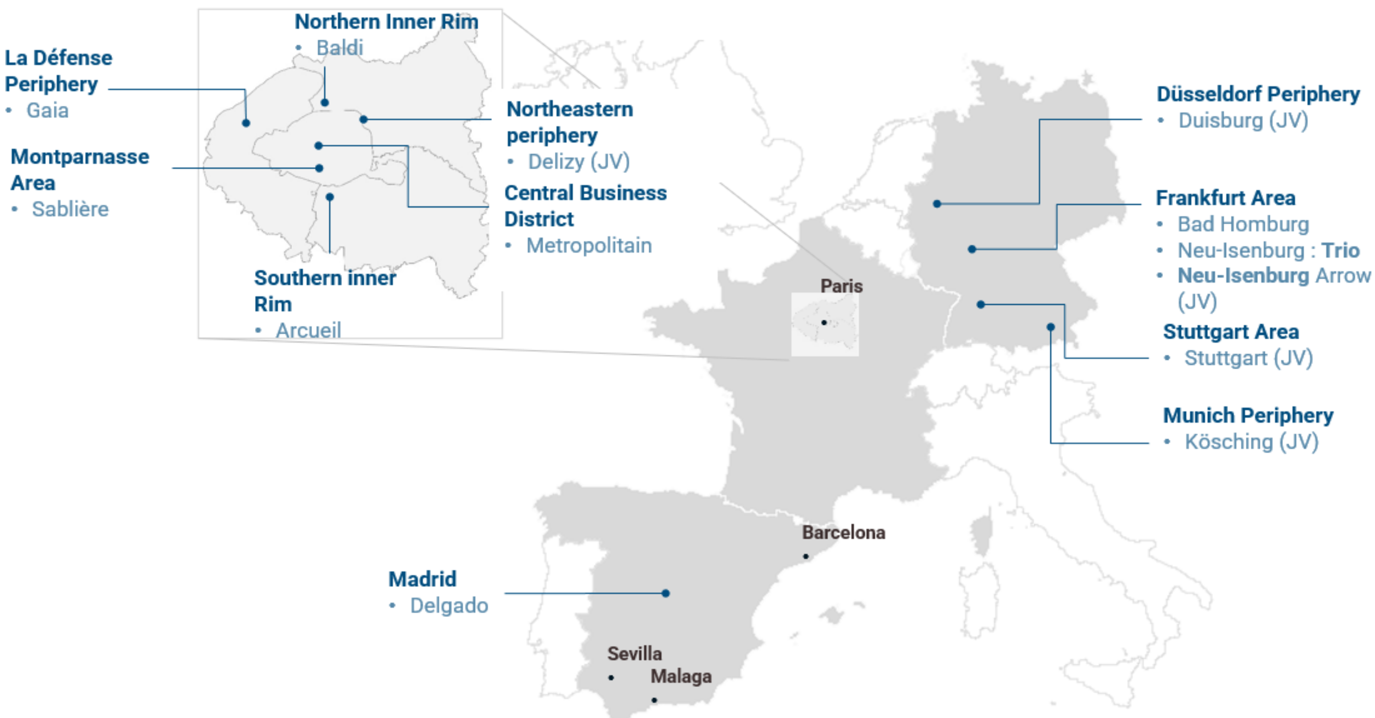
For balance sheet items as at September 30, 2023, projections, or market data, the exchange rate used is CAD$1.4353 (CAD$1.4505 as at December 31, 2022). Over the three quarters of 2023, the Canadian dollar strengthened by 1% relative to the Euro.

Business Environment

The REIT owns varying interests in real estate entities which hold investment properties. Under IFRS, some of these interests are recorded as joint ventures in which the REIT holds equity. As at September 30, 2023, the REIT's property portfolio consists of ownership interest in eight properties that are consolidated and included in "Investment properties" ("IP") on the consolidated balance sheet, and partial ownership interests in five properties that are included within "Investments in joint ventures". As such, the results of these investments in joint ventures are not included in certain of our consolidated financial and operating metrics, unless specifically indicated that such metrics are presented on a "Total Portfolio" basis in which case such results are prepared on a proportionate share basis.

Together, the REIT's share of these 13 properties (6 located in France, 6 located in Germany and 1 in Spain) is approximately 1.5 million square feet of gross leasable area ("GLA")

The assets denoted in the maps below are owned entirely by the REIT except where joint venture (JV) is noted.



Outlook

The 2023 outlook is for solid operational results and steady returns to Unitholders. The current macroeconomic environment is not optimal for raising capital on the public markets or making significant acquisitions. However, as a long-time investor and manager of European office real estate, the Inovalis team knows how to manage through fluctuating economic cycles capably and profitably. Management of the REIT have two principal areas of focus in 2023 and 2024:

1. organic growth through leasing vacant space and renewing expiring leases; and
2. execution of the asset recycling plan, with the repositioning/disposition of the Sablière, Arcueil and Baldi properties.

Portfolio Overview

The REIT's Total Portfolio by geographic region as at September 30, 2023 is as follows:

	% owned	Fair value	Bank debt	REIT's Total Portfolio Value	Gross Leaseable Area (GLA) (sq. ft.)	Contribution to Total Portfolio rental revenue	# of tenants	Occupancy rate	WALT (end of lease)	Financing maturity
Sablière	100%	29,060	13,838	5%	41,043	4%	6	52%	1.4	2.7
Baldi	100%	28,843	5,122	5%	123,657	4%	10	32%	3.2	4.1
Metropolitain	100%	100,627	53,242	18%	78,818	18%	6	100%	4.6	7.5
Arcueil	100%	91,923	49,430	16%	334,521	0%	0	0%	-	3.8
Gaia	100%	60,046	30,743	11%	119,499	13%	7	86%	5.4	3.5
Délizy (1)	50%	18,066	9,528	3%	71,617	4%	18	68%	4.0	5.9
Subtotal France		**328,565**	**161,903**	**58%**	**769,155**	**43%**	**47**	**37.8%**	**4.3**	**5.0**
Delgado	100%	42,089	22,263	7%	117,274	9%	2	100%	3.4	3.5
Trio	95%	57,699	42,953	10%	193,914	16%	8	90%	2.3	0.5
Bad Homburg	100%	22,534	-	4%	109,104	7%	5	71%	2.7	none
Duisburg (1)	50%	40,834	23,737	7%	108,962	8%	2	99%	5.3	3.5
Stuttgart (1)	50%	32,886	17,765	6%	121,416	8%	5	99%	5.4	0.9
Neu-Isenburg (1)	50%	25,875	16,466	5%	67,337	6%	6	80%	4.4	0.2
Kösching (1)	50%	18,903	9,525	3%	53,058	5%	1	100%	4.2	0.3
Subtotal Germany & Spain		**240,821**	**132,708**	**42%**	**771,065**	**57%**	**29**	**89.8%**	**3.9**	**1.5**
Total Portfolio		**569,386**	**294,611**	**100%**	**1,540,220**	**100%**	**76**	**64.6%**	**3.7**	**3.4**
IP Portfolio		**432,821**	**217,591**	**76%**	**1,117,830**	**70%**	**44**	**54.6%**	**3.4**	**3.9**
JV Portfolio		**136,565**	**77,021**	**24%**	**422,390**	**30%**	**32**	**91.0%**	**4.8**	**2.1**

(1) Represents investments that are classified as joint ventures and subject to equity-accounting. The results included in the table above (excluding the number of tenants, occupancy metrics, and weighted average lease term) are presented on a proportionate share basis at the REIT's ownership percentage of the related investment.

- Following the departure of their main tenants, the **Baldi and Sablière properties** are now included in the REIT's asset recycling plan. The vacancies position these properties for redevelopment plans which are currently in review. Several non-binding offers from developers have been received on each property and are being assessed, alongside some short-term reletting opportunities for Sablière. To offset the impact of the vacancy in these properties, management are considering short and longer-term rental opportunities until they are redeveloped or sold.
- Management is advancing plans to redevelop or sell the now-vacant 335,000 sq.ft. **Arcueil property,** located 5 minutes from the Paris southern ring road. Management of the REIT are engaging with a developer to sell this property near its actual appraised value (EUR65.0 million) with a building permit application and change of the local zoning plan as a prerequisite. This could lead to a disposition by the end of 2024.
- The occupancy rate for the Gaia property is 86%, however the Effective Occupancy rate is 100% until the beginning of 2025 owing to the vendor-backed rental guarantee that covers both a three-year vacancy, and the cost of rent-free periods. When the effect of this rental guarantee is considered, the Total Portfolio occupancy rate is 1.2% higher. A prospect tenant has been identified to relet the 9,000 sq.ft. ground floor, representing 5% of the building GLA.
- At the **Trio property,** a new lease was signed in Q1 2023, effective May 2023, on a seven-year term on 2% of the building areas. The financing is maturing in March 2024 and Management is already discussing with the lender to extend the in-place mortgage loan.
- The **Delgado property** in Spain, acquired in March 2022, is fully leased to two blue-chip tenants on leases maturing at the end of 2024 and in June 2029. Negotiations are held with the tenant, aiming at a 5-year firm extension, plus 5 optional years.
- At the **Duisburg property**, a new 10-year firm lease on vacant space was signed in March 2023, effective in July 2023. The occupancy rate for this property is close to 100%. Management has signed a 5-year lease for an entire floor to a new tenant, effective March 2024. This offsets the impact of principal tenant's plans to vacate that floor In January 2024.
- In August 2022, management signed a lease renewal with Daimler Trucks, the main tenant in the **Stuttgart property,** securing cash flow on 93% of this property until May 2027. After the Q3 quarter-end, a short-term extension of the in-place financing was

signed for the **Stuttgart property** giving time for the REIT and its joint venture partner to consider the best strategy for this asset and possibly obtain more attractive financing terms in mid-2024 if JV partners were to keep the asset longer.

- At the **Neu-Isenburg property**, where the main tenant signed a 5-year lease extension in September 2023 on 75% of the office space, the refinancing of the existing mortgage loan, maturing in December 2023, is under discussion with plans for a short-term extension like the one obtained for the Stuttgart property.
- The REIT's available cash was applied to fully repay the CAD$16,042 **Bad Homburg property** mortgage loan that matured in March 2023. Management may refinance this property, potentially collateralized with other properties.

Tenant Profile

As at September 30, 2023, the REIT had 44 tenants across the IP Portfolio compared to 42 tenants, as at December 31, 2022, and 76 tenants across the Total Portfolio, compared to 75, as at December 31, 2022.

All lease contracts in France, Germany and Spain have rental indexation. In France, this is based on the Construction Costs Index (*Indice du Coût de la Construction* "ICC"), the average Tertiary Activities Rent Index (*Indice des Loyers des Activités Tertiaires* "ILAT"). The Consumer Price Index – CPI, or the German or Spanish Consumer Price Index provides for rent indexation in those jurisdictions. Rent is increased annually to reflect the rising cost of living which protects returns to Unitholders. The rent indexation applied on most leases was approximatively 4% for 2023.

Investment Property Portfolio

The following table shows the five largest tenants across the Investment Property portfolio as at September 30, 2023 (interests that the REIT has in properties held through joint ventures). The tenant base is well diversified by industry segment, with many national and multinational tenants.

Tenant	Tenant Sector	% of annual contractual rental revenue	Occupied space (sq. ft.)	% of Total Areas	Average remaining lease term (years)
The Lorenz Bahlsen Snack-World	Food and beverage	11%	86,501	7.7%	2.3
ITP Aero	Aeronautics	7%	59,159	5.3%	1.3
Indra	IT systems	6%	58,115	5.2%	5.7
Fresenius	Health care	6%	44,942	4.0%	0.3
Bureau Veritas	Consulting and Advisory	8%	39,030	3.5%	3.3
Top 5 tenants		**37%**	**287,747**	**25.7%**	**2.6**
Other tenants	Diversified	63%	322,844	28.9%	4.1
Total occupied space		**100%**	**610,591**	**54.6%**	**3.4**
Vacant			507,239	45.4%	
IP Portfolio			**1,117,830**	**100.0%**	

Total Portfolio

The following table shows the REIT's five largest tenants across the Total Portfolio at September 30, 2023, including interests that the REIT has in properties held in joint ventures.

Tenant	Tenant Sector	% of annual contractual rental revenue	Occupied space (sq. ft.)	% of Total Areas	Average remaining lease term (years)
Daimler Truck	Manufacturer	7%	109,136	7.1%	5.7
The Lorenz Bahlsen Snack-World	Food and beverage	6%	86,501	5.6%	2.3
Hitachi Power	Manufacturer	6%	82,802	5.4%	4.3
ITP Aero	Aeronautics	4%	59,159	3.8%	1.3
Indra	Aeronautics	4%	58,115	3.8%	5.7
Top 5 tenants		**29%**	**395,713**	**25.7%**	**4.0**
Other tenants	Diversified	71%	599,360	38.9%	3.5
Total occupied space		**100%**	**995,073**	**64.6%**	**3.7**
Vacant			545,147	35.4%	
Total Portfolio			**1,540,220**	**100.0%**	

No tenant represents more than 10% of the REIT's rental revenue of the Total Portfolio.

Occupancy and Leasing Activity

The change in occupancy and leasing activity in the IP Portfolio by geographic region for the period ended September 30, 2023 was as follows:

	Occupied space (sq. ft.)					
IP Portfolio	**January 1, 2023**	**New leases**	**Lease Expiries**	**Sept. 30, 2023**	**Occupancy rate**	**Total occupied space (sq. ft)**
France	570,853	7,126	(335,899)	242,080	34.7%	242,080
Germany	246,577	4,658	-	251,235	82.9%	251,235
Spain	117,274	-	-	117,274	100.0%	117,274
Total IP Portfolio	**934,704**	**11,784**	**(335,899)**	**610,589**	**54.6%**	**610,589**

The change in occupancy and leasing activity in the Total Portfolio, including joint ventures at the REIT's proportionate ownership interest, by geographic region as at September 30, 2023, are as follows:

	Occupied space (sq. ft.)					
Total Portfolio	**January 1, 2023**	**New leases**	**Lease Expiries**	**Sept. 30, 2023**	**Occupancy rate**	**Total occupied space (sq. ft)**
France	619,648	7,126	(335,899)	290,874	37.8%	290,874
Germany	596,302	16,713	(26,091)	586,925	89.8%	586,925
Spain	117,274	-	-	117,274	100.0%	117,274
Total Portfolio	**1,333,224**	**23,839**	**(361,990)**	**995,073**	**64.6%**	**995,073**

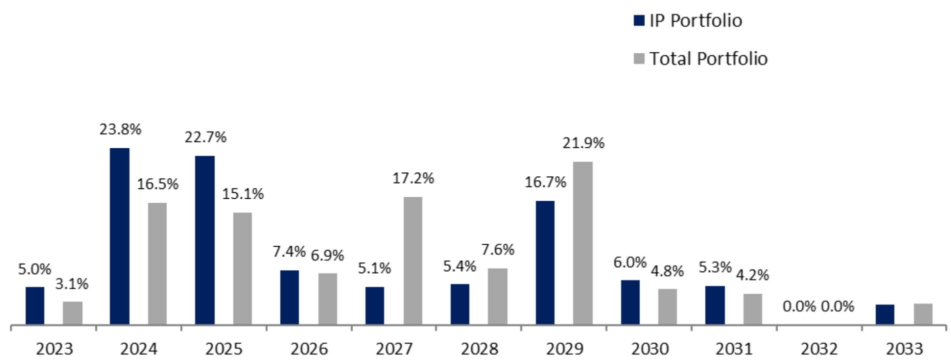
New Leases Signed During the Quarter:

- At the Neu-Isenburg property, a new 4-year lease on 2% occupancy has been signed, effective September 2023, replacing a departing tenant on the same areas.

Lease Maturities

Lease Maturity Profile

(in % of total GLA as at September 30, 2023)



The above graph sets out the percentage of total GLA of the IP Portfolio and Total Portfolio subject to leases expiring by year (excluding early lease terminations).

The average remaining lease term, not including tenant early termination rights, in the IP Portfolio is 3.4 years (3.7 years for the Total Portfolio). Assuming all tenants exercise their early termination rights and leave at the earliest possible date, which the REIT believes is unlikely, the average remaining lease term in the portfolio is 2.5 years (Total Portfolio 3.0 years).

The 2024 maturities concern 164,000 sq. ft., of which the effective termination notices have been received for 50,000 sq. ft., reflecting mostly the decision of the main tenant of the Bad Homburg property for a departure end of January 2024. And Management already initiated the extension of the main tenant on the Delgado property (59,000 sq. ft.) aiming at a 9-to-10-year lease extension that could be signed early 2024.

Out of the lease maturing in 2024, Management has received confirmation and termination notices for approximatively 50,000 sq.ft., including the main tenant on the Bad Homburg property. A lease extension proposal is already in negotiation with the main tenant on the Delgado property, representing 59,000 sq.ft. and 32% of the 2024 maturities.

The 2025 maturities relate mostly to the Trio property's anchor tenant, Lorenz Bahlsen. Renewal negotiations will begin in early 2024 on the lease expiry term of Q4 2025.

Discussion of Financial Performance

Non-GAAP Financial Measures and Other Measures

There are financial measures included in this MD&A that do not have a standardized meaning under IFRS. These measures include funds from operations, adjusted funds from operations, and other measures presented on a proportionate share basis. These measures have been derived from the REIT's financial statements and applied on a consistent basis as appropriate. Management includes these measures as they represent key performance indicators to management, and it believes certain investors use these measures as a means of assessing relative financial performance. These measures, as computed by the REIT, may differ from similar computations as reported by other entities and, accordingly, may not be comparable to other such entities. These measures should not be considered in isolation or used as a substitute for other measures of performance prepared in accordance with IFRS.

"**Accretive Acquisition**" means that the pro forma (post-deal) net income per Unit is forecast as higher than the REIT's (pre-deal) net income per Unit.

"**Adjusted Funds From Operations**" or "**AFFO**" is a meaningful supplemental measure that can be used to determine the REIT's ability to service debt, fund expansion capital expenditures, fund property development, and provide distributions to Unitholders after considering costs associated with sustaining operating earnings.

AFFO calculations are reconciled to net income, which is the most directly comparable IFRS measure. AFFO should not be construed as an alternative to net income or cash flow generated from operating activities, determined in accordance with IFRS.

AFFO is defined as FFO subject to certain adjustments, including adjustments for: (i) the non-cash effect of straight-line rents, (ii) the cash effect of the rental guarantee received, (iii) amortization of fair value adjustment on assumed debt, (iv) capital expenditures, excluding those funded by a dedicated cash reserve or capex financing, and (v) amortization of transaction costs on mortgage loans.

"**Adjusted Funds From Operations / Unit**" or "**AFFO / Unit**" is AFFO divided by the issued and outstanding Units, plus Exchangeable Securities (fully diluted basis).

"**AFFO Payout Ratio**" is the value of declared distributions on Units, if any, and Exchangeable Securities, divided by AFFO.

"**Average term to maturity**" refers to the average number of years remaining in the lease term.

"**Book value per Unit**" refers to the REIT's total equity divided by the Weighted Average number of Units and Exchangeable Securities (on a fully diluted basis).

"**Debt-to-Gross-Book Value**" refers to the REIT's apportioned amount of indebtedness respectively in the IP Portfolio and the Total Portfolio. Indebtedness on a IP and Total Portfolio basis is calculated as the sum of (i) lease liabilities, (ii) mortgage loans, (iii) other long-term liabilities, and (iv) deferred tax liabilities. Indebtedness does not include certain liabilities as is the case for the Exchangeable Securities and at the joint venture level for the contribution from the REIT and its partners.

"Effective Occupancy" means the occupancy including the vacant spaces covered by the rental guarantee.

"**Exchangeable Securities**" means the exchangeable securities issued by CanCorp Europe, in the form of interest-bearing notes, non-interest bearing notes, share premium and common shares.

"**Fully diluted basis**" refers to a nominal value divided by the issued and outstanding Units, plus Exchangeable Securities.

"**Funds From Operations**" or "**FFO"** follows the definition prescribed by the Real Estate Property Association of Canada publication on Funds From Operations & Adjusted Funds From Operations, dated January 2022 with one exception pertaining to the unrealized gain or loss on the REIT's cash in Euros which are domiciled in Canadian financial institutions.

Management considers FFO to be a meaningful supplemental measure that can be used to determine the REIT's ability to service debt, fund capital expenditures, and provide distributions to Unitholders.

As an exception, considering the significant amount of cash held in Euros in Canada and the volatility of the Canadian dollar against the Euro, the unrealized gain (loss) recognized for the three and nine months ended September 30, 2023, and 2022, have been excluded from the FFO calculation.

FFO is reconciled to net income, which is the most directly comparable IFRS measure. FFO should not be construed as an alternative to net income or cash flow generated from operating activities, determined in accordance with IFRS.

FFO for the REIT is defined as net income in accordance with IFRS, subject to certain adjustments including adjustments for: (i) acquisition, eviction and disposal costs (if any), (ii) net change in fair value of investment properties, (iii) net change in fair value of derivative financial instruments at fair value through profit and loss, (iv) net changes in fair value of Exchangeable Securities, (v) finance costs related to distribution on Exchangeable Securities, (vi) adjustment for property taxes accounted for under IFRIC 21 (if any), (vii) loss on exercise of lease option (if any), (viii) adjustment for foreign exchange gains or losses on monetary items not forming part of an investment in a foreign operation (if any), (ix) gain or loss on disposal of investment properties or an interest in a subsidiary (if any), (x) finance income earned from loans to joint ventures (if any), (xi) loss on extinguishment of loans (if any), (xii) deferred taxes, (xiii) non-controlling interest, (xiv) goodwill / bargain purchase gains upon acquisition, and (xv) income taxes on sale of investment properties and provision for tax reassessment.

Exchangeable Securities are recorded as liabilities. Exchangeable Securities are recorded at fair value through profit and loss in accordance with IFRS. However, both are considered as equity for the purposes of calculating FFO and AFFO, as they are economically equivalent to the REIT's Units, with the same features and distribution rights, that are economically equivalent to the distribution paid to Unitholders, if any.

"**Funds From Operations / Unit**" or "**FFO / Unit**" is FFO divided by the issued and outstanding Units, plus Exchangeable Securities (fully diluted basis).

"**Gross book value**" refers to the total consolidated assets for the IP Portfolio and Total Portfolio.

"**Investments in Joint Ventures**" refers to the REIT's proportionate share of the financial position and results of operation of its investment in joint ventures, which are accounted for using the equity method under IFRS in the consolidated financial statements, are presented below using the proportionate consolidation method at the REIT's ownership percentage of the related investment. Management views this method as relevant in demonstrating the REIT's ability to manage the underlying economics of the related investments, including the financial performance and the extent to which the underlying assets are leveraged, which is an important component of risk management.

For the purpose of the proportionate consolidation, the initial investment of both partners in the joint ventures were considered as being equity investments as opposed to a combination of equity and loans and accordingly, the related proportionate consolidation balance sheet items were eliminated as well as the associated finance income and finance costs. As the loans to the joint ventures were considered equity for proportionate consolidation purposes, any impairment recorded on the loans in accordance with IFRS 9 has been reversed for MD&A purposes. As such, any impairment recorded for IFRS purposes results in a difference in equity when reconciling IFRS and proportionate consolidation reporting.

"**Investment Properties Portfolio**" or "**IP Portfolio**" refers to the eight wholly owned properties of the REIT.

"**Net Rental Income Adjusted for IFRIC 21**" refers to Net Rental Income excluding property taxes recorded under IFRIC 21 rules.

"**Net Rental Income**" refers to the rental income plus operating cost recoveries income plus other property revenue, less property operating costs and other costs.

"**Total Portfolio**" refers to the eight properties referred to as the IP Portfolio and the five properties of the REIT held in joint-ownership with other parties.

"**Weighted average lease term**" or "**WALT**" is a metric used to measure a property portfolio's risk of vacancy and refers to the average period in which all leases in a property or portfolio will expire. It is calculated as the sum of the percentages of rentable area multiplied by the number of years in each remaining lease term.

"**Weighted Average number of Units**" refers to the mean of periodic values in the number of issued and outstanding Units over a specific reporting period.

FFO and AFFO Calculation

The reconciliation of FFO and AFFO for the three- and nine-month periods ended September 30, 2023 and 2022, based on proportionate consolidation figures including REIT's interest in joint ventures (see section *Consolidated statement of earnings - Reconciliation to consolidated financial statements*), is as follows:

	Three months ended Sept. 30,		Nine months ended Sept. 30,	
(in thousands of CAD$)	**2023**	**2022**	**2023**	**2022**
Net (loss) income attributable to the Trust **(including share of net earnings from investments in joint**	1,260	14,855	5,883	4,412
Add/(Deduct):				
Net change in fair value of investment properties	1,116	(2,607)	5,126	18,283
Net change in fair value of financial derivatives	684	(3,802)	2,441	(5,387)
Adjustment for property taxes accounted for under IFRIC 21	(885)	(887)	917	865
Distributions on Exchangeable securities	83	161	277	548
Net change in fair value of Exchangeable securities	(350)	(2,842)	(715)	(5,037)
Foreign exchange loss (gain) (1)	-	2	-	895
Loss on extinguishment of mortgage loans (2)	-	-	-	54
Deferred income tax recoveries	42	1,159	167	(1,082)
Non-controlling interest	34	35	6	93
FFO	**1,984**	**6,074**	**14,102**	**13,644**
Add/(Deduct):				
Non-cash effect of straight line rents	179	(6)	207	21
Cash effect of the rental guarantee	343	428	892	859
Amortization of transaction costs on mortgage loans	62	-	182	72
Capex	(274)	(487)	(1,147)	(625)
AFFO	**2,294**	**6,009**	**14,236**	**13,971**
FFO / Units (diluted) *(in CAD$)*	**0.06**	**0.18**	**0.42**	**0.41**
AFFO / Units (diluted) *(in CAD$)*	**0.07**	**0.18**	**0.42**	**0.42**

(1) REALPAC guidance suggests that the foreign exchange gain or loss be included in the FFO calculation. However, due to the volatility of the Canadian dollar against the Euro, the REIT has elected to exclude from the FFO calculation, the unrealized gain or loss on the REIT's cash Euros which are domiciled in Canadian financial institutions.

(2) Loss on the Bad Homburg mortgage loan extension.

Overview – GAAP and Non-GAAP

The REIT has identified specific key performance indicators to measure the progress of its long-term objectives. These are set out below:

	September 30, 2023		December 31, 2022	
Operating metrics	**IP Portfolio**	**Total Portfolio**	**IP Portfolio**	**Total Portfolio**
Number of properties	8	13	8	13
Gross leasable area (sq. ft.)	1,117,830	1,540,220	1,117,830	1,540,218
Occupancy rate - end of period	54.6%	64.6%	83.6%	86.6%
Weighted average lease term	3.4 years	3.7 years	2.8 years	3.0 years
Average initial yield (1)	5.4%	5.5%	6.0%	5.5%
Capital management metrics	**IP Portfolio**	**Total Portfolio**	**IP Portfolio**	**Total Portfolio**
Available cash (3)	$19,631	$23,894	$45,176	$49,913
Fair value of investment properties	$432,821	$569,386	$437,422	$579,623
Debt-to-gross book value (2)	42.3%	49.6%	43.6%	50.5%
Debt-to-gross book value, net of cash) (2)	40.1%	47.6%	38.7%	46.4%
Weighted average loan term to maturity	3.4 years	3.0 years	3.7 years	3.4 years
Weighted average interest rate (2)	2.57%	2.80%	1.91%	1.93%
Interest coverage ratio (2)	2.5 x	2.5 x	3.4 x	3.5 x

(1) Calculated on annualized Net Rental Income (based on Net Rental Income for the year-to-date period).
(2) As defined in the section "Non-GAAP Financial Measures and Other Financial Measures".
(3) See the section "Capital Management" further discussion on the composition and usefulness of this metric.

	Three months ended Sept. 30,		Nine months ended Sept. 30,	
(thousands of CAD$ except per Unit and other data)	**2023**	**2022**	**2023**	**2022**
Financial performance metrics				
Rental revenue	4,972	6,503	19,868	18,581
Rental revenue - Total Portfolio (1)	6,643	8,452	25,877	24,601
Net rental income	4,830	6,337	19,132	14,928
Net rental income - Total Portfolio (1)	6,668	8,078	24,777	20,275
Net income, attributable to the Trust	1,260	14,855	5,883	4,188
Funds from Operations (FFO) (1) (2)	1,984	6,074	14,102	13,644
Adjusted Funds from Operations (AFFO) (1) (2)	2,294	6,009	14,236	13,971
FFO per Unit (diluted) (1) (2)	0.06	0.18	0.42	0.41
AFFO per Unit (diluted) (1) (2)	0.07	0.18	0.42	0.42
Distributions				
Declared distributions on Units and Exchangeable securities	3,446	5,785	10,401	19,631
Declared distribution per Unit	0.10	0.21	0.21	0.41
FFO payout ratio (1) (2)	173.7%	95.2%	73.8%	143.9%
AFFO payout ratio (1) (2)	150.2%	96.3%	73.1%	140.5%

(1) See the section "Non-GAAP Financial Measures" for more information on the REIT's non-GAAP financial measures and reconciliations thereof.
(2) The reconciliation of FFO and AFFO to Net Income can be found under the section Non-GAAP Reconciliation (FFO and AFFO).

Consolidated Financial Information

	Three months ended Sept. 30,		Nine months ended September 30,	
(in thousands of CAD$)	2023	2022	2023	2022
Rental revenue	4,972	6,503	19,868	18,581
Property operating cost recoveries	1,231	1,474	4,517	4,172
Property operating costs	(1,292)	(1,677)	(7,788)	(7,802)
Other revenues	-	59	2,643	98
Other property operating expenses	(81)	(22)	(108)	(121)
Net rental income	**4,830**	**6,337**	**19,132**	**14,928**
General and Administration expenses	(1,210)	(1,663)	(4,634)	(4,776)
Foreign exchange loss	(54)	(2)	-	(895)
Share of net (loss) income from joint ventures	(198)	4,183	(3,677)	1,837
Operating earnings	**3,368**	**8,855**	**10,821**	**11,094**
Net change in fair value of investment properties	(760)	(2,150)	(106)	(20,092)
Net change in fair value of financial derivatives	(684)	3,802	(2,437)	5,389
Net change in fair value of Exchangeable securities	350	2,842	716	5,037
Finance income	1,164	3,351	4,151	5,789
Finance costs	(1,924)	(1,324)	(6,153)	(3,933)
Distributions on Exchangeable securities	(83)	(161)	(277)	(548)
Income before income taxes	**1,431**	**15,215**	**6,715**	**2,736**
Current income tax expense	(31)	(83)	(54)	(126)
Deferred income tax (expenses) recovery	(106)	(242)	(772)	1,671
Total income tax (expense) recovery	**(137)**	**(325)**	**(826)**	**1,545**
Net income	**1,294**	**14,890**	**5,889**	**4,281**
Non-controlling interest	34	35	6	93
Net income attributable to the Trust	**1,260**	**14,855**	**5,883**	**4,188**

Net Rental Income

For the IP Portfolio, NOI for the three months ended September 30, 2023 (“Q3 2023”), decreased significantly to CAD$4,830 (EUR€3,314) compared to CAD$6,337 (EUR€4,645) for the three months ended September 30, 2022 (“Q3 2022”), in line with our expectations regarding the full vacancy of the Arcueil property since July 1, 2023. In Q2, the REIT negotiated a CAD$2,316 indemnity recognized in Q2 2023 upon Arcueil’s single tenant departure. The lack of Q3 rent on Arcueil was partly offset this quarter by a positive CAD$433 foreign exchange impact.

For the nine-month period ended September 30, 2023, the IP Portfolio NOI was CAD$19,132, in increase of CAD$4,204 compared to the same period last year. The main contributing factors to this increase were the Arcueil indemnity, recognized in Q2 2023 (CAD$2,316), the full impact of the two new acquisitions of 2022, Gaia and Delgado, for a total of CAD$1,191, the CAD$702 impact of the Courbevoie property disposition, that weighted negatively on the 2022 NOI, added to a CAD$1,020 positive foreign exchange impact.

In accordance with IFRIC 21, the annual property taxes for the REIT’s properties located in France are expensed in full in the first quarter of the fiscal year. Realty tax expenses for the year are approximately CAD$3,166. These taxes are paid in the fourth quarter. This results in a reduction to Net Rental Income in the first quarter of each year with relatively higher Net Rental Income in the subsequent three quarters. The impact of IFRIC 21 on Net Rental Income for the three and nine months ended September 2023, and 2022 is set out below.

In Canadian dollars (in thousands)	Three months ended Sept. 30, 2023	2022	Variance	Nine months ended Sept. 30, 2023	2022	Variance
Net rental income	4,830	6,337	(1,507)	19,132	14,928	4,204
IFRIC 21 impact	(783)	(795)	13	815	777	39
Adjusted net rental income - IFRIC 21 (1)	4,047	5,542	(1,494)	19,947	15,705	4,243

In Euros (in thousands)	Three months ended Sept. 30, 2023	2022	Variance	Nine months ended Sept. 30, 2023	2022	Variance
Net rental income	3,314	4,645	(1,331)	13,126	10,942	2,184
IFRIC 21 impact	(537)	(583)	46	559	569	(10)
Adjusted net rental income - IFRIC 21 (1)	2,777	4,062	(1,285)	13,685	11,511	2,174

(1) Represents a non-GAAP financial measure that has no standardized meaning with IFRS and is not comparable to other companies. See the section "Non-GAAP Measures and Other Measures".

The Net Rental Income including the REIT's share in joint ventures is set out below.

In Canadian dollars (in thousands)	Three months ended Sept. 30, 2023	2022	Variance	Nine months ended Sept. 30, 2023	2022	Variance
Net rental income	4,830	6,337	(1,507)	19,132	14,928	4,204
Net rental income - proportionate share of JVs	1,838	1,741	97	5,645	5,347	298
IFRIC 21 impact	(885)	(887)	2	917	865	52
Adjusted net rental income - IFRIC 21 - including proportionate share of JVs (1)	5,783	7,191	(1,408)	25,694	21,140	4,554

General and Administrative Expenses

General and administrative expenses ("G&A expenses") are comprised of Inovalis S.A.'s asset management fees and other G&A expenses such as trustee fees, directors' and officers' liability insurance, professional fees (including accounting fees), legal fees, filing fees, and Unitholder related expenses.

G&A expenses for Q3 2023 and the nine-month period ended September 30, 2023 amounted to CAD$1,210 and CAD$4,634 respectively, and are mostly in line with the annual budget, except for audit fees that includes out-of-scope expenses related to 2022 annual closing.

The following table outlines the major categories of G&A expenses.

	Three months ended Sept. 30,			Nine months ended Sept. 30,		
	2023	2022	Variance	2023	2022	Variance
Asset management fees – Inovalis SA	(548)	(596)	48	(1,649)	(1,711)	62
Less: amount reinvoiced to joint ventures	290	261	29	869	814	55
	(258)	**(335)**	**77**	**(780)**	**(897)**	**117**
Professional fees for accounting. tax and audit	(322)	(383)	61	(1,831)	(1,581)	(250)
Legal expenses	(158)	(89)	(69)	(363)	(375)	12
Trustee fees	(74)	(103)	29	(252)	(229)	(23)
Travel expenses	(95)	(48)	(47)	(330)	(280)	(50)
Governance expenses	(138)	(73)	(65)	(313)	(358)	45
Bank and depositary expenses	(47)	(25)	(22)	(267)	(229)	(38)
Other general and administrative expenses	(118)	(607)	489	(498)	(827)	329
Total G&A expenses	**(1,210)**	**(1,663)**	**453**	**(4,634)**	**(4,776)**	**142**

Share of Net Loss From Joint Ventures

The performance of the investments in joint ventures includes the share of net income from joint ventures, the interest on loans granted to joint ventures (presented in the finance income line).

The share of net loss from joint ventures was CAD$198 for the three-month period ended September 30, 2023, compared to a gain of CAD$4,183 for the same period in 2022, the variance being mainly attributable to the 16% fair value increase of the Stuttgart property in 2022, following its main tenant's lease extension.

Net Change in Fair Value of IP Portfolio

The net change in fair value in IP portfolio for the three and nine-month periods ended September 30, 2023 were CAD$(760) and CAD$(106) respectively (compared to CAD$(2,150) and CAD$(20,092) for the same periods last year). The 2022 figures were impacted by the CAD$16,815 decrease in fair value of the Arcueil property in Q2 2022.

Refer to the *"IP Portfolio"* section in this document for further details on the valuation methodology.

Net Change in Fair Value of Exchangeable Securities

Exchangeable Securities are recorded at fair value based on the market price of the REIT's Units. They are reflected as a liability on the REIT's consolidated balance sheet, and therefore a decrease of the REIT's Unit price reduces the value of the liability. The closing price of a REIT Unit on the Toronto Stock Exchange was CAD$2.97 on September 30, 2023, compared to CAD$3.77 at close of December 31, 2022, resulting in a gain of CAD$716 in the net change in fair value of Exchangeable Securities throughout the nine-month period ended September 30, 2023.

Finance Income

In Q3 2023, finance income of CAD$1,164 (compared to CAD$3,351 in Q2 2022) included notably CAD$676 interest on loans granted to joint ventures, and CAD$300 of cash-in interest on Metropolitain swap contracts and CAD$69 short-term cash deposit interest income. Q3 2022 period embedded the CAD$1,927 realized gain on the partial sale of forward exchange contracts, to adjust to reduced distribution level.

For the nine months ended September 30, 2023, the finance income was CAD$4,151 compared to CAD$5,798 for the same period last year, the decrease being mainly attributable to the above-described gain on sale of contracts recognized in 2022.

Finance Costs

The finance costs in Q3 2023 were CAD$1,924 (compared to CAD$1,324 in Q3 2022), which included CAD$2,153 related to interest on mortgage loans and lease liabilities, negatively impacted by the increase in interest rates on unhedged financing contracts.

For the nine months period ended September 30, 2023, finance costs were CAD$6,153 compared to CAD$3,933 for the same period last year. In addition to the factors described above, the two mortgage loans contracted for the Gaia and Delgado acquisitions at the end of Q1 2022 increased the mortgage loans interests in 2023 to date.

Distributions on Exchangeable Securities

Distributions to the holders of Exchangeable Securities are calculated in a manner that provides a return that is economically equivalent to the distributions paid to the Unitholders, if any. In Q3 2023, the distributions on Exchangeable Securities were CAD$83 compared to CAD$161 for Q3 2022. The decrease in distributions occurred following the cut in distributions implemented in October 2022.

For the same reason, the nine-month distributions on Exchangeable Securities decreased from CAD$548 in 2022 to CAD$277.

Selected Three-Year Information

The below table is the summary of key operating metrics for the IP Portfolio.

	For the three months period ended Sept. 30,				
(in thousands of CAD$)	**2023**	**2022**	**2021**	**2023 vs. 2022**	**2022 vs. 2021**
Rental revenue	4,972	6,503	7,560	(1,531)	(1,057)
Net change in fair value of investment properties	(760)	(2,150)	25,933	1,390	(28,083)
Finance income	1,164	3,351	889	(2,187)	2,462
Net income (loss)	1,294	14,890	32,222	(13,596)	(17,332)
Net income (loss) attributable to the Trust	1,260	14,855	32,151	(13,595)	(17,296)

Consolidated balance sheet

Assets	As at September 30, 2023	As at December 31, 2022	Variance
Non-current assets			
Investment properties	432,821	437,422	(4,601)
Investments in joint ventures	51,027	55,693	(4,666)
Derivative financial instruments	30	807	(777)
Other financial assets	330	330	-
Restricted cash	4,237	4,436	(199)
Total non-current assets	**488,445**	**498,688**	**(10,243)**
Current assets			
Trade receivables and other financial assets	7,842	8,227	(385)
Derivative financial instruments	1,419	3,002	(1,583)
Other current assets	3,395	3,132	263
Restricted cash	190	2,882	(2,692)
Cash	19,631	45,176	(25,545)
Total current assets	**32,477**	**62,419**	**(29,942)**
Total assets	**520,922**	**561,107**	**(40,185)**

Liabilities and Unitholders' equity	As at September 30, 2023	As at December 31, 2022	Variance
Liabilities			
Non-current liabilities			
Interest-bearing loan	261	245	16
Mortgage loans	64,773	96,254	(31,481)
Lease liabilities	96,061	102,121	(6,060)
Tenant deposits	2,118	2,068	50
Derivative financial instruments	378	299	79
Deferred tax liabilities	2,578	1,839	739
Total non-current liabilities	**166,169**	**202,826**	**(36,657)**
Current liabilities			
Interest-bearing loan	26	22	4
Mortgage loans	50,146	38,027	12,119
Lease liabilities	6,611	6,424	187
Tenant deposits	162	303	(141)
Exchangeable securities	2,820	3,536	(716)
Trade and other payables	11,080	18,960	(7,880)
Income tax payable	2,096	2,039	57
Deferred income	1,536	793	743
Total current liabilities	**74,477**	**70,104**	**4,373**
Total liabilities	**240,646**	**272,930**	**(32,284)**
Equity			
Trust units	288,135	289,940	(1,805)
Retained earnings	(15,438)	(12,327)	(3,111)
Accumulated other comprehensive income	6,386	9,366	(2,980)
Total Equity	**279,083**	**286,979**	**(7,896)**
Non-controlling interest	1,193	1,198	(5)
Total liabilities and equity	**520,922**	**561,107**	**(40,185)**

Selected Consolidated Balance Sheet Information

(in thousands of CAD$)	Sept 30. 2023	Dec. 31, 2022,	Dec. 31, 2021	2023 vs. 2022	2022 vs. 2021
	For the period ended				
Fair value of investment properties - IP Portfolio	432,821	437,422	427,631	(4,601)	9,791
Fair value of investment properties - Total Portfolio	569,386	579,623	573,223	(10,237)	6,400
Investment in joint ventures - carrying value	51,027	55,693	64,327	(4,666)	(8,634)
Total assets	520,922	561,107	587,245	(40,185)	(26,138)
Total debt (1)	217,878	243,093	207,117	(25,215)	35,976
Total non-current liabilities	166,169	202,826	161,826	(36,657)	41,000
Unitholders' equity	279,083	286,979	344,786	(7,896)	(57,807)
Number of outstanding Units	32,576,445	32,778,699	32,587,809	(202,254)	190,890

(1) Includes the current and non-current portion of interest-bearing loan, mortgage loans, lease liabilities.

IP Portfolio

The fair value of the REIT's IP Portfolio as at September 30, 2023 was CAD$432,821 (EUR€301,546), stable compared to CAD$437,422 (EUR€301,566) as at December 31, 2022, and mostly impacted by a negative foreign currency adjustment of CAD$4,584.

Management uses the Direct Capitalization Method ("DCM") to determine the fair value of REIT's properties in France, Germany and the DCF method for the Spanish asset. The values are supported by external appraisals of the total portfolio as at June 30, 2023, performed in conformity with the requirements of the *Royal Institution of Chartered Surveyors Standards*, and for the French properties, in conformity with the *Charte de l'expertise immobilière*, as well as *European Valuation Standards of TEGoVA (the European Group of Valuers' Association)* and IFRS 13 *Fair Value Measurement*. As at September 30, these appraisals have been reviewed by management to consider changes in the letting cycle that occurred during the quarter and that could have a significant impact on valuation of the properties. These appraisals showed relative stability of property values across the portfolio, despite the current market conditions and cap rate decompression, boosted by rent indexations and the location of most of the properties near Paris.

Investments in Joint Ventures

The investment in joint ventures encompasses the interest of the REIT (through five subsidiaries) in:

- The Duisburg property (50%), through a joint venture agreement maturing in December 2023 if no sale occurs or a buy-out strategy has not been negotiated,
- the Stuttgart property (50%), through a joint venture agreement maturing in August 2024,
- the Delizy property (50%), through a joint venture agreement maturing in 2029, correlated with the lease liability contract with the senior bank,
- the Neu-Isenburg property (50%), through a joint venture agreement maturing in December 2023, and
- the Kösching property (50%), through a joint venture agreement maturing in December 2023.

The plans to buy back the joint-ventures investment in Germany have been set aside for the moment. The 2024 budgets will be presented to joint venture partners in November 2023, assuming a continuity of business until arbitrage decisions are further defined.

The REIT's investment in joint ventures was CAD$51,027 as at September 30, 2023, compared to CAD$55,693 as at December 31, 2022, impacted negatively by the decrease in property values, notably on Neu-Isenburg (-8%; CAD$1,330) where 20% of the office areas were vacated by the main tenant effective July 1, 2023. In addition, CAD$1,160 of joint venture loans were repaid over the nine months of 2023, and the foreign exchange difference negatively weighted CAD$555.

Trade Receivables and Other Financial Assets

Trade receivables and other financial assets as at September 30, 2023 amounted to CAD$7,842, relatively stable compared to CAD$8,227 at December 31, 2022.

Trade and Other Payables

Trade and other payables as at September 30, 2023 amounted to CAD$11,080 compared to CAD$18,960 as at December 31, 2022. The variance is mostly attributable to the CAD$7,398 VAT due on the sale of Courbevoie property, that was paid in January 2023. Pursuant to IFRIC 21, the trade payables in Q3 2023 include approximately CAD$792 property taxes accounted for the whole year.

Capital Management

Sources of Capital

The REIT's primary sources of capital are cash generated from operations, disposition of assets, credit facilities, refinancing mortgages, sharing the ownership of actual assets owned entirely, and equity issuances. The primary uses of capital include property acquisitions, payment of distributions from time to time, costs for attracting and retaining tenants, recurring property maintenance, major property improvements, and debt interest payments. The REIT expects to meet ongoing obligations through current cash, cash flows from operations, debt refinancing and, as growth requires and when appropriate, new equity or debt issues. Assets could be sold to access capital, but this action would be considered in the overall strategy of diversification of the portfolio.

Capital Management Metrics

To measure the REIT's debt performance, management uses the non-GAAP key indicators below:

	Consolidated basis - IP Portfolio		Proportionate share basis - Total Portfolio	
	September 30, 2023	**December 31, 2022**	**September 30, 2023**	**December 31, 2022**
Capital management metrics				
Debt-to-gross book value	42.3%	43.6%	49.6%	50.5%
Debt-to-gross book value, net of cash	40.1%	38.7%	47.6%	46.4%
Debt due in the next 12 months (1)	56,757	44,451	101,161	79,758
Weighted average loan term to maturity	3.4 years	3.7 years	3.0 years	3.4 years
Weighted average interest rate (1)	2.57%	1.91%	2.80%	1.93%
Interest coverage ratio (2)	2.5	3.4	2.5	3.0

(1) Includes lease liabilities and mortgage financings.
(2) As defined in the section "Non-GAAP Financial Measures and Other Financial Measures".

On the IP Portfolio, the Trio mortgage loan, representing CAD$42,953, is maturing on March 2024 and is presented in current liabilities on the consolidated balance sheet. The REIT is already in close relationship with the senior lender and is confident in the extension of the in-place loan. A one-year extension will be favored in the current context of high borrowing costs and would allow for possible improved financing terms in 2025.

On the JV portfolio, the mortgage loans on the Neu-Isenburg and Kösching properties, maturing respectively in December 2023 and January 2024, have also been classified as a current liability for a total of CAD$25,991. Management is working closely on the extensions of these financings with the lenders in place, following the same short-term strategy as for Stuttgart, allowing for possible improved terms toward the end of 2024.

Financing covenants

Since June 2022, further to ongoing redevelopment scenarios or arbitrages anticipated on the Baldi property, the Debt Service Coverage Ratio covenant criteria has not been met. This arises because the REIT cannot simultaneously maintain minimum occupancy requirements of the covenants and vacate the building to fulfill redevelopment plans. Consequently, the Baldi mortgage loan has been classified as a CAD$5,122 current liability the balance sheet as at September 30, 2023 and the annual weight of the debt amortization is CAD$860.

Throughout the periods in which the occupancy covenant has been breached, the REIT has been in communication with the lenders to refinance the loans and mitigate the breached covenants. Through correspondence with the lenders, there has been no evidence that would indicate that either of the lenders intend to call the principal on the loans, despite the breach of covenants.

Financing covenants for the Sablière property, were in breach during 2022 due to decreases in occupancy. Over the first half of 2023, the REIT contributed an additional CAD$73 to the Sablière cash reserve which eliminates the covenant breach as set out in the December 31, 2022 consolidated financial statements. The total cash reserve amount for Sablière is now CAD$953.

Debt-to-Gross Book Value

The debt-to-gross book value ratio is a non-GAAP measure that considers the REIT's apportioned amount of indebtedness respectively in the IP Portfolio and the Total Portfolio. Indebtedness on an IP and Total Portfolio basis is calculated as the sum of (i) lease liabilities, (ii) mortgage loans, (iii) other long-term liabilities, and (iv) deferred tax liabilities. Indebtedness does not include certain liabilities as is the case for the Exchangeable Securities and at the joint venture level for the contribution from the REIT and its partners. Gross book value is defined as the total consolidated assets for the IP Portfolio and Total Portfolio.

Debt-to-gross book value	Consolidated basis - IP Portfolio		Proportionate share basis - Total Portfolio	
	September 30, 2023	December 31, 2022	September 30, 2023	December 31, 2022
Lease liabilities	102,672	108,545	112,199	118,548
Mortgage loans	114,919	134,281	182,412	202,486
Interest-bearing loans	261	245	223	245
Deferred tax liabilities	2,578	1,839	8,541	8,465
Total debt outstanding	**220,430**	**244,910**	**303,375**	**329,744**
Less : Cash	(19,631)	(45,176)	(23,894)	(49,913)
Debt net of cash	**200,799**	**199,734**	**279,481**	**279,831**
Gross book value	520,922	561,107	611,143	653,097
Gross book value. net of cash	501,291	515,931	587,249	603,184
Debt-to-gross book value	**42.3%**	**43.6%**	**49.6%**	**50.5%**
Debt-to-gross book value, net of cash	**40.1%**	**38.7%**	**47.6%**	**46.4%**

The debt-to-gross book value ratio slightly decreased compared to the period ending December 31, 2022 , at 42.3% for the IP Portfolio (40.1% net of cash), due to the full repayment of the Bad Homburg mortgage loan in Q2 2023, and is within the REIT's mandated threshold of maximum 60% debt to the gross book value of assets. For the Total Portfolio, the debt-to-gross book value ratio is 49.6% (47.6% net of cash).

Interest Coverage Ratio

Interest coverage ratio	Consolidated basis - IP Portfolio		Proportionate share basis - Total Portfolio	
	9 months ended September 30. 2023	12 months ended December 31. 2022	9 months ended September 30. 2023	12 months ended December 31. 2022
Net rental income	19,132	21,633	24,777	29,204
IFRIC 21 adjustment	815	-	917	-
Arcueil indemnity	(2,316)	-	(2,316)	-
Net rental income adjusted	**17,631**	**21,633**	**23,378**	**29,204**
General and Administrative expenses	(4,634)	(6,974)	(5,752)	(8,403)
Interest income (2)	2,126	3,960	2,126	3,960
Total income	**15,123**	**18,619**	**19,752**	**24,761**
Interest expense (1)	(6,130)	(5,522)	(7,761)	(7,151)
Interest coverage ratio	**2.5**	**3.4**	**2.5**	**3.0**

(1) Includes interest on mortgage loans, leases liabilities, swap interest and amortization of financing costs.
(2) Excluding interest income on joint venture loans

The interest coverage ratio on the IP portfolio, excluding the positive Impact on the net rental income of Arcueil's sole tenant indemnity recognized in Q2 2023, slightly decreased over 2023, impacted by higher interest rates and lower finance income from the foreign exchange forward contracts.

Weighted-Average Interest Rate

The weighted average interest rate across the IP Portfolio debt rose slightly to 2.57% and 2.60% for the Total Portfolio. The Sablière, Arcueil and Pantin financings are currently not hedged and bear the weight of increasing borrowing costs. Alongside its disposition effort on both properties, management is actively monitoring the market price of hedging products to best assess the situation. Because of its maturity in May 2023 and before the agreement upon a 1-year extension, signed subsequent to the quarter end, the Stuttgart mortgage loan was also bearing a higher interest rate (approximately 6%). Despite recent dramatic interest rate increases, management is still able to finance assets in Europe on a slightly less costly basis than that offered by traditional financing in Canada, through its strong longstanding relationships with a handful of major European bankers.

Debt Profile

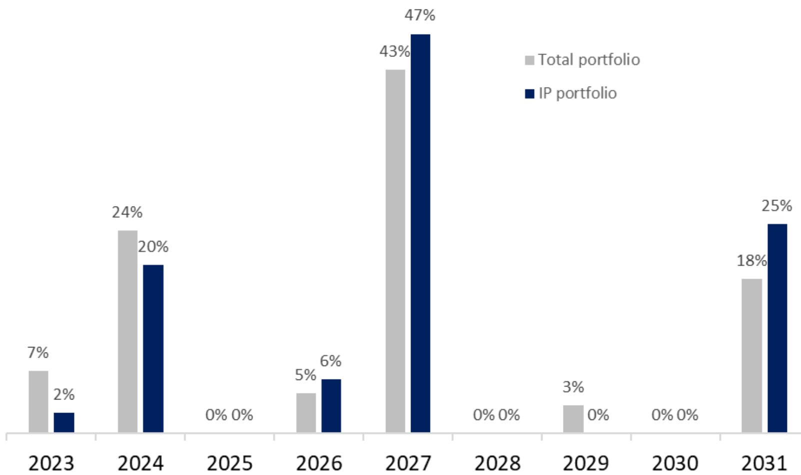
	Debt profile as at September 30, 2023			
	IP Portfolio		Total Portfolio	
	Carrying value	%	Carrying value	%
Lease liabilities	**102,672**	47%	**112,199**	38%
Mortgage loans	**114,919**		**182,412**	
of which : Amortized mortgage loan	*84,176*	*39%*	*93,700*	*32%*
Bullet mortgage loan	*30,743*	*14%*	*88,712*	*30%*
Total	**217,591**	**100%**	**294,611**	**100%**

As at September 30, 2023, the debt on the IP Portfolio is composed of 53% mortgage loans and 47% lease liabilities, under contracts expiring from 2023 (Baldi) to 2031. Lease liabilities contracts are usually not bound by loan-to-value or debt-service-coverage-ratio covenants.

The REIT repays principal amounts quarterly on both mortgage and lease liabilities. This represents 86% of the REIT's IP Portfolio financing, excluding bullet mortgage loans (70% for the Total Portfolio).

Leasehold and Mortgage Financing Maturity Profile

(in % of amount outstanding as at September 30, 2023)



As at September 30, 2023, due to the lender's right to repayment upon breach of the covenant on the Baldi property, this loan has been classified as a current liability for a total amount of CAD$5,122.

The 2027 maturity relates mostly to the lease liability contract on the Arcueil property with the bank, in addition to Delgado and Gaia financings. The sole tenant left the premises on June 30, 2023, management is considering a redevelopment opportunity and will continue to keep its senior lenders informed on next steps. The Arcueil financing is a finance lease, and consequently no covenant is defined as long as the debt installments are regularly paid.

Management is in regular communication with the senior lenders, including those of Baldi, Sablière and Arcueil properties, to update them on leasing and redevelopment strategies and the renegotiation of financing terms for the in-place loans (particularly amortization schedules).

Contractual Obligations

	Contractual Cash Flows [1]	2023	2024	2025	2026	2027	Thereafter
Interest-bearing loan	287	26	-	-	261	-	-
Mortgages – principal payments	5,102	1,692	1,519	1,503	389	-	-
Mortgages -maturities	109,817	5,125	42,542	-	10,076	52,074	-
Lease liabilities	102,672	5,879	6,259	6,319	6,379	36,110	41,727
Exchangeable securities	2,785	2,785	-	-	-	-	-
Accounts payable	11,133	11,133	-	-	-	-	-
Income tax payable	2,096	2,096	-	-	-	-	-
Total	**233,892**	**28,736**	**50,320**	**7,822**	**17,105**	**88,184**	**41,726**

(1) Contractual cash flows do not include interest and do not account for any extension options.

Equity

Management's discussion about equity is inclusive of Exchangeable Securities. In the consolidated financial statements, the Exchangeable Securities are classified as current liabilities under IFRS because of the conversion feature that can be exercised by the holder of those securities at any time.

As at September 30, 2023, and following the cancellation of 206,100 Units pursuant to the NCIB (see below), the REIT has 32,576,445 Units issued and outstanding, plus 938,036 Exchangeable Securities.

	Three months period ended Sept 30, 2023	Nine months period ended Sept 30, 2023
Units		
Number at beginning of period	32,781,062	32,778,699
Increase in number during the period	1,483	3,846
Decrease in number during the period	(206,100)	(206,100)
Number at end of period	32,576,445	32,576,445
Weighted average number during the period	32,605,843	32,721,729
Exchangeable securities		
Number at beginning of period	938,036	938,036
Decrease in number during the period	-	-
Number at end of period	938,036	938,036
Weighted average number during the period	938,036	938,036
Units and Exchangeable securities		
Number at beginning of period	33,719,098	33,716,735
Decrease in number during the period	(206,100)	(206,100)
Number at end of period	33,514,481	33,514,481
Weighted average number during the period	33,543,879	33,659,765

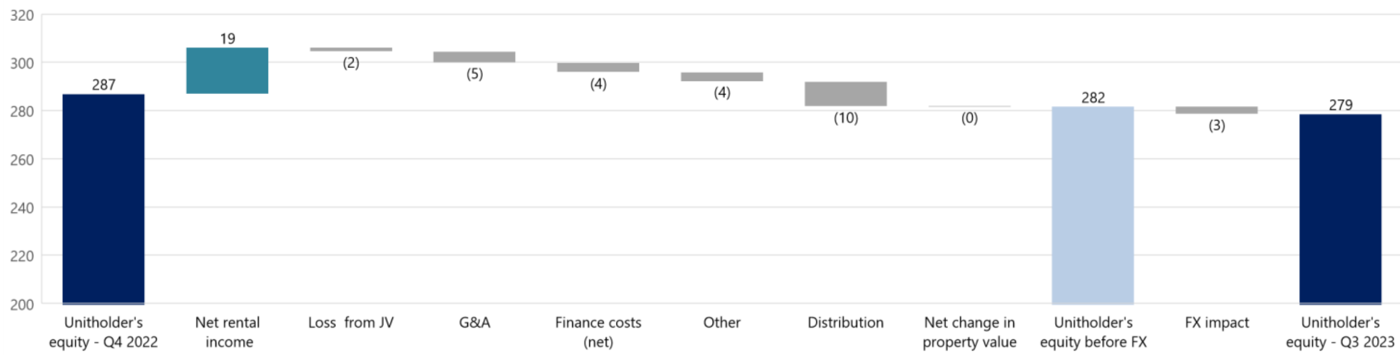
Normal course issuer bid

On May 12, 2023 the Toronto Stock Exchange (the "TSX") approved the REIT's intention to make a normal course issuer bid ("NCIB") to acquire up to a maximum of 3,047,058 units, or approximately 10% of its public float as of May 12, 2023 over the next 12 months for cancellation. In connection with the NCIB, the REIT entered into an automatic purchase plan for a broker to repurchase units under the plan.
The number of units that can be purchased pursuant to the NCIB is subject to a current daily maximum of 23,274 Units (which is equal to 25% of 93,099, being the average daily trading volume during the last six months), subject to the REIT's ability to make one block purchase of Units per calendar week that exceeds such limits. The REIT began to purchase Units on June 8, 2023 and may continue to buy back Units until May 24, 2024 when the NCIB terminates or such earlier time as the REIT completes its purchases pursuant to the NCIB or provides a notice of termination.

During the nine months ended September 30, 2023, the REIT acquired 206,100 units for CAD$677 at a weighted average price of CAD$3.29 per Unit. All Units repurchased during the nine months ended September 30, 2023 have been cancelled by the REIT. The share repurchases and cancellations during the nine-month period ended September 30, 2023 resulted in a reduction of Trust Units of CAD$684 and an increase in retained earnings of CAD$1,130 representing the difference between the book value of the Units and the purchase price.

Unitholders' equity

The Unitholders' equity breakdown throughout the nine months of 2023 is presented below (in CAD$ million):



Notes to the Unitholder's Equity chart:

- Net rental income is sufficient to cover for G&A expenses, finance costs and distributions paid to date.
- Income from JV includes both the share of net loss for CAD$3,677 (largely impacted by the negative change in fair values of properties) and the finance income from interests on joint venture loans for CAD$2,043.
- Finance costs (CAD$6,153) are presented net of the finance income (CAD$4,151) mostly attributable to the profit on swap contracts (Courbevoie, Baldi and Metropolitain) and net of interests on joint venture loans for CAD$2,043,
- FX impact: The closing foreign exchange rate was 1.4353 as at September 30, 2023, slightly below the 1.4505 as at December 31, 2022. This 1% variance negatively impacted the REIT's consolidated balance sheet and Unitholders' equity by CAD$2,980.

Available and Restricted Cash

The REIT's available cash was CAD$19,631 as at September 30, 2023 (compared to CAD$45,176 as at December 31, 2022) following the payment of the CAD$7 million VAT on the Courbevoie sale in December 2022, payable and paid in January 2023, and the CAD$16 million of the Bad Homburg mortgage loan full repayment in Q2 2023. Available funds are intended to be used for senior debt payments (interest and amortization) before the REIT can execute some dispositions of the properties in the asset recycling plan.

In addition to this available cash, the REIT held:

- CAD$4,427 of restricted cash, that could be used for either capex financing on the Trio property or the partial repayment Sablière mortgage loan.
- CAD$4,263 of cash in the assets held in joint venture.

Cash Flows

The table below show is the cash utilization throughout the first half of 2023 and 2022 for the IP Portfolio, not including the REIT's share of cash in the joint venture-owned properties.

	Nine months ended Sept. 30,		
	2023	2022	Variance
Cash at the beginning of the period	**45,176**	**76,627**	**(31,451)**
Cash provided by (used in):			
Operating activities	9,337	12,640	(3,303)
Investing activities	108	(97,647)	97,755
Financing activities	(34,177)	25,602	(59,779)
Net change during the period	**(24,732)**	**(59,405)**	**34,673**
Impacts of FX adjustment on cash	(813)	(4,352)	3,538
Cash at period-end	**19,631**	**12,870**	**6,760**

Over the nine-month period of 2023, the variation of cash is mainly attributable to the payment in January 2023 of the VAT due on the Courbevoie sale (CAD$7,398) and the repayment in June 2023 of the principal mortgage loan on the Bad Homburg property (CAD$16,043)

The 2022 comparative figures embedded the Gaia and Delgado acquisitions and the issuance of the related mortgage loans.

Analysis of Distributed Cash

The REIT is considered a mutual fund trust for income tax purposes in Canada. In Canada, mutual fund trusts are not taxed on income earned in a taxation year, to the extent that such income has been distributed to Unitholders prior to the end of the taxation year. Pursuant to the REIT's Amended and Restated Declaration of Trust, dated April 9, 2020, the trustees shall make payable to Unitholders a distribution of sufficient net realized capital gains and income that the REIT shall not be liable to pay taxes under Part 1 of the Tax Act.

Pursuant to the requirement of National Policy 41-201, Income Trusts and Other Indirect Offerings, the table below outlines the differences between cash flow from operating activities and cash distributions as well as the differences between income (loss) before income taxes and cash distributions, in accordance with the policy guidelines.

Distributions Funding Sources

		For the three months period ended Sept. 30,		For the nine months period ended Sept. 30,	
	Note	2023	2022	2023	2022
Net cash flows related to operating activities	A	8,400	9,475	9,337	12,640
Fund From Operations (FFO)	B	1,984	6,074	14,102	13,644
Declared distribution on Units	C	3,363	5,624	10,124	19,083
Excess (shortfall) of cash flows from operating activities over cash distributions paid	A-C	5,037	3,851	(787)	(6,443)
Excess (shortfall) of FFO over distributions	B-C	(1,379)	450	3,978	(5,439)

As quantified in the FFO and AFFO calculations, the CAD$3,363 required to make the distributions on Units, for the three months ended September 30, 2023 was below the Q3 2023 reported FFO of CAD$1,984.

However, he cumulative FFO at September 30, 2023 is CAD$0.42 per Unit, reaching already in Q3 the value of annual distributions to Unitholders of CAD$0.41 per Unit.

Unit-Based Compensation Plan

The REIT, through its Deferred Share Unit ("DSU") Plan, grants DSUs to its trustees and senior officers as non-cash compensation. These DSUs are measured at fair value at the grant date and compensation expense is recognized, consistent with the vesting features of the plan. The DSU plan is accounted for as a cash-settled award as the underlying REIT units are redeemable at the sole discretion of the Unitholders for cash at market value of the units. For cash-settled awards, the REIT recognizes a liability measured at its fair value. At each reporting date until the liability is settled, the fair value of the liability is remeasured, with any changes in fair value recognized as compensation expense for the same period. Upon settlement of a DSU, the liability balance is reduced, and the resulting Trust Unit is recorded in equity.

Effective May 9, 2022, the REIT's Unitholders approved a DSU Plan to grant DSUs to its trustees and senior officers and reserved a maximum of 200,000 units for issuance under the plan. A DSU is a unit equivalent in value to one trust unit of the REIT. The DSU Plan permits the REIT's trustees to defer receipt of all or a portion of their trustee fees and to receive such fees in the form of trust units upon exercising the DSUs ("Elected DU"). Elected DU will vest immediately upon grant.

The DSU Plan allows the board of trustees to grant DSUs to its senior officers at the board's discretion ("Granted DU"). The Granted DU will vest 1/3 over each anniversary date from date of grant over three years. The cost of Granted DU is recognized in the consolidated statement of earnings consistent with the vesting feature of each grant. In addition, whenever cash distributions are paid on the REIT's Trust Units, additional deferred units ("ADU") shall be granted based on aggregate number of vested DSUs as at the same date.

As of September 30, 2023, there are 43,079 DSUs outstanding and 156,951 DSUs available for grant under the DSU Plan.

Distribution Reinvestment Plan

The REIT suspended its Distribution Reinvestment and Unit Purchase Plan (the "DRIP") effective as of the September 2022 Distribution and remains suspended until further notice. As commenced with the September 2022 distribution, distributions of the REIT, when paid, are paid only in cash. If the REIT reinstates the DRIP, plan participants enrolled in the DRIP at the time of its suspension who remain enrolled at the time of its reinstatement will automatically resume participation in the DRIP. The decision to suspend the DRIP was taken by the Board of Trustees in August 2022 given that the trading price of the REIT was below the REIT's net asset value and therefore the Trustees did not believe it was in the best interests of the REIT or its Unitholders to issue Units at those prices. The REIT's Unit price remained well below the net asset value as at September 30, 2023.

Financial Instruments

The REIT has the following financial assets and liabilities as at September 30, 2023

	Classification
Financial assets	
Loans to joint ventures	Amortized cost
Derivative financial instruments	Fair Value Through Profit and Loss
Trade receivables and other financial assets	Amortized cost
Restricted cash	Amortized cost
Cash	Amortized cost
Financial liabilities	
Mortgage loan	Amortized cost
Tenant deposits	Amortized cost
Exchangeable Securities	Fair Value Through Profit and Loss
Derivative financial instruments	Fair Value Through Profit and Loss
Trade and other payables	Amortized cost

The REIT uses the following hierarchy for the fair value determination of financial instruments:

- Level 1 quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 unobservable inputs for the asset or liability.

There were no transfers between levels of the fair value hierarchy during the nine-month period ended September 30, 2023.

Due to their short-term nature, the carrying value of the following financial instruments measured at amortized cost approximates their fair value at the balance sheet date:

- Trade receivables and other financial assets
- Cash and restricted cash
- Trade and other payables

The following methods and assumptions were used to estimate the fair values of financial instruments:

- The fair value of the loans to joint venture is estimated using the nominal amounts expected to be received at maturity and a discount rate based on prevailing market interest rates adjusted by an internally determined credit spread.

- The fair value of tenant deposits is estimated using the nominal amounts expected to be repaid at maturity and a discount rate based on prevailing market interest rates adjusted by an internally determined credit spread.
- The fair value of derivative financial instruments is determined based on discounted cash flows using interest rate yield curves and volatility that are observable on an active market, as at the balance sheet date.
- The fair value of the Exchangeable Securities is based on the quoted price of the REIT's Units, on the basis that they are exchangeable on a one-to-one basis throughout their life at the request of Unitholders. Other features of the Exchangeable securities have no significant impact on their fair value.

The REIT is exposed to a number of financial risks, including those associated with financial instruments, which have the potential to affect its operating and financial performance. These risks include interest rate risk, currency risk, credit risk and liquidity risk.

Interest Rate Risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The REIT's exposure to the risk of changes in market interest rates relates to the long-term debt obligations with floating interest rates related to leases and mortgage loans. The interest rate risk is mitigated by the REIT's strategy of using derivative financial instruments on mortgage loans and on the lease liabilities. As at September 30, 2023, after taking into consideration the effect of the interest rate swap (25%) and the interest rate cap (2%), as well as fixed interest rates (45%), 72% of the REIT's IP portfolio long-term debt obligation has no exposure to interest rate risk (75% for the Total Portfolio).

Currency Risk

The REIT operates in France, Germany and Spain, and the functional currency for these operations is the Euro. The REIT's distributions, when paid in cash, are paid to Unitholders in Canadian dollars. Thus, the cash available for distribution to Unitholders could be adversely impacted by currency variations. To mitigate the risk of foreign exchange fluctuations on the distributions to our Unitholders, management has established an active foreign exchange hedging program.

At the end of September 2022, the REIT initiated a relationship with the Canadian branch of Alpha Group (formerly AlphaFX). In Q1 2023, management extended the in-place contracts and confirmed three additional monthly hedging operations. As such, the exchange rates relating to 100% of any distribution paid by the REIT until Q1 2025 are secured by these foreign currency forward contracts.

In Q3 2023, the REIT sold its 4 forward contracts covering the distribution payment from September to December, generating a CAD$207 cashed-in finance income. The REIT holds enough cash in Canadian dollar to meet distribution requirement until December 2023.

Financial institution	Contracts maturity	Nominal contracts ('000 CAD)	Hedge Value ('000 EUR)	Weighted average hedging rate
BANQUE PALATINE	Q1 2024	4,200	2,740	1.533
	Q2 2024	4,200	2,732	1.537
	Q3 2024	4,200	2,726	1.541
ALPHA GROUP	Q4 2024	4,200	3,112	1.349
	Q1 2025	4,200	2,920	1.438
		21,000	**14,230**	**1.480**

The foreign currency forward contracts with Banque Palatine and Alpha Group secure a CAD$1,400 monthly conversion at an average rate of 1.480 until March 2025.

Credit Risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The REIT is directly exposed to credit risk from its leasing activities and its investing activities, including the acquisition loans, trades and other receivables, loans in other current financial assets, derivatives, deposits with banks and financial institutions. The REIT's maximum exposure to credit risk is limited to the carrying amount of financial assets recognized on September 30, 2023.

Loan to joint ventures: Credit risk relating to loan to joint ventures is mitigated through recourse against such parties and/or the underlying real estate. These financial instruments are considered to have low credit risk. The REIT monitors the debt service ability of the properties underlying the loans to assess for changes in credit risk.

Accounts receivable: Credit risk is managed by requiring tenants to pay rentals in advance. Also, in certain cases, deposits are obtained from tenants. Accounts receivables are presented on the consolidated balance sheet, net of allowance for credit losses determined using the simplified method as allowed per IFRS 9. This provision is based on the expected recovery percentage of amounts receivable from each tenant and various other indicators, such as a deterioration of the credit situation of a given tenant. Management regularly reviews accounts receivable and monitors past due balances.

Cash deposit and derivatives: Credit risk on cash and derivative financial instruments is managed through selecting appropriate financial institutions. The REIT holds its cash deposits in bank accounts with a diversified group of large public financial institutions in France, Germany, and Spain. Financial institutions are selected based on their quality of credit rating and their level of financial transparency. The REIT enters into its derivative financial contracts by utilizing large, public financial services firms or mid-sized, public financial services firms at which balances are backed by large, public financial services firms. Considering the recent economic developments in the banking industry on a global scale, management continues to assess its exposure to credit risk and is actively monitoring the situation to limit the impact on the REIT.

Liquidity Risk

The REIT's objective is to maintain a balance between continuity of funding and flexibility using bank deposits and loans. Liquidity risk inherent to the financial structure of the business is mainly managed through quarterly updates of short-term cash flow forecasts, follow-up of availability of funding through an adequate amount of committed credit facilities, as well as the status of the maturity of financial assets and liabilities. Refer to "*Contractual Obligations*" section above for further details.

Management has determined that the REIT has the financial resources to sustain its operations for the 12 months following the date of the consolidated balance sheet.

Quarterly Information – Last Eight Quarters

	As at and for the three months ended							
	Sept. 30 2023	June. 30 2023	March. 31 2023	Dec. 31 2022	Sept. 30 2022	June 30 2022	Mar. 31 2022	Dec. 31 2021
Rental revenue	4,972	7,571	7,325	6,796	6,503	6,877	5,201	6,253
Rental revenue - Total Portfolio (1)	6,643	9,806	9,428	8,869	8,452	8,897	7,253	8,225
Net rental income	4,830	10,341	3,962	6,705	6,337	6,718	1,873	5,813
Net rental income - Total Portfolio (1)	6,668	12,474	5,635	8,929	8,078	8,691	3,506	7,681
Net income attributable to Unitholders	1,260	3,003	1,622	(41,042)	14,855	(12,761)	2,094	(15,228)
FFO (1)	1,984	7,545	4,575	3,361	6,074	4,579	3,001	3,225
AFFO (1)	2,294	7,265	4,677	3,609	6,009	4,664	3,302	2,242
FFO per Unit (diluted) (1) (2)	0.06	0.22	0.14	0.10	0.18	0.14	0.09	0.10
AFFO per Unit (diluted) (1) (2)	0.07	0.22	0.14	0.11	0.18	0.14	0.10	0.07
Declared distribution per Unit	0.10	0.10	0.10	0.10	0.17	0.21	0.21	0.21
FFO payout ratio (2)	173.7%	46.1%	75.8%	103.1%	95.2%	151.4%	230.4%	214.4%
AFFO payout ratio (2)	150.2%	47.9%	74.1%	96.0%	96.3%	148.6%	209.4%	308.4%

(1) See the following section “Non-GAAP Financial Measures” for more information on the REIT’s non-GAAP financial measures and reconciliations thereof. Non-GAAP measures do not have standardized meaning under IFRS. These measures as computed by the REIT may differ from similar computations as reported by other entities and, accordingly, may not be comparable to other entities.

(2) Based on the diluted weighted average number of Units, Exchangeable Securities Related Party Transactions

Related party transactions

Pursuant to the Management Agreement, Inovalis S.A. is the asset manager of the REIT and provides the strategic, advisory, asset management, project management, construction management, property management and administrative services necessary to manage the operations of the REIT and its subsidiaries.

Inovalis S.A. is considered as a related party of the REIT as they share the same management. The founder and Chair of Inovalis S.A. is President of the REIT, the Chief Executive Officer (“CEO”) of Inovalis S.A. is also CEO of the REIT, and the Deputy Chief Executive Officer of Inovalis S.A. is Chief Investment Officer (“CIO”) and Chief Financial Officer (“CFO”) of the REIT.

Extension of Management Agreement effective April 1, 2023

On March 27, 2023, the Board of Trustees approved a three-year extension of the Management Agreement with Inovalis SA. The following modifications were approved in the amended and management agreement:

- Extended for three years from April 1, 2023 to March 31, 2026
- Disposition fees are payable to Inovalis SA irrespective of whether proceeds of sale or disposition are paid to or distributed as a special distribution to Unitholders of the REIT.

Investment in Joint Ventures, Reconciliation

Consolidated Statement of Earnings - Reconciliation to Consolidated Financial Statements

	Three months ended					
	September 30, 2023			September 30, 2022		
(in thousands of CAD$)	**Amounts per REIT's financial statements**	**Share of net earnings from investments in joint ventures(1)**	**Total**	**Amounts per REIT's financial statements**	**Share of net earnings from investments in joint ventures(1)**	**Total**
Rental income	4,972	1,671	**6,643**	6,503	1,949	**8,452**
Property operating cost recoveries	1,231	815	**2,046**	1,474	505	**1,979**
Property operating costs	(1,292)	(680)	**(1,972)**	(1,677)	(767)	**(2,444)**
Other revenues	-	30	**30**	59	60	**119**
Other property operating expenses	(81)	2	**(79)**	(22)	(6)	**(28)**
					-	**-**
Net rental income	**4,830**	**1,838**	**6,668**	**6,337**	**1,741**	**8,078**
General and administrative expenses	(1,210)	(350)	**(1,560)**	(1,663)	(332)	**(1,995)**
Foreign exchange loss	(54)	-	**(54)**	(2)	-	**(2)**
Share of net (loss) income from joint ventures	(198)	198	**-**	4,183	(4,183)	**-**
Operating income	**3,368**	**1,686**	**5,054**	**8,855**	**(2,774)**	**6,081**
Net change in fair value of investment properties	(760)	(356)	**(1,116)**	(2,150)	4,757	**2,607**
Net change in fair value of financial derivatives	(684)	-	**(684)**	3,802	-	**3,802**
Net change in fair value of Exchangeable securitie	350	-	**350**	2,842	-	**2,842**
Finance income	1,164	(678)	**486**	3,351	(616)	**2,735**
Finance costs	(1,924)	(685)	**(2,609)**	(1,324)	(377)	**(1,701)**
Distributions on Exchangeable securities	(83)	-	**(83)**	(161)	-	**(161)**
Income before income taxes	**1,431**	**(33)**	**1,398**	**15,215**	**990**	**16,205**
Current income tax expense	(31)	(31)	**(62)**	(83)	(73)	**(156)**
Deferred income tax expense	(106)	64	**(42)**	(242)	(917)	**(1,159)**
Total income tax expense	**(137)**	**33**	**(104)**	**(325)**	**(990)**	**(1,315)**
Net income	**1,294**	**-**	**1,294**	**14,890**	**-**	**14,890**
Non-controlling interest	34	-	34	35	-	35
Net income (loss) attributable to the Trust	**1,260**	**-**	**1,260**	**14,855**	**-**	**14,855**

(1) Consolidated statement of earnings amounts presented for the REIT were taken respectively from interim condensed consolidated financial statements as at September 30, 2023 and 2022.

Consolidated Statement of Earnings - Reconciliation to Consolidated Financial Statements (Cont'd)

	Nine months ended					
	September 30, 2023			September 30, 2022		
(in thousands of CAD$)	**Amounts per REIT's financial statements (1)**	**Share of net earnings from investments in joint ventures**	**Total**	**Amounts per REIT's financial statements (1)**	**Share of earnings from investments in joint ventures**	**Total**
Rental revenue	19,868	6,009	**25,877**	18,581	6,020	**24,601**
Property operating cost recoveries	4,517	2,242	**6,759**	4,172	2,032	**6,204**
Property operating costs	(7,788)	(2,671)	**(10,459)**	(7,802)	(2,648)	**(10,450)**
Other revenues	2,643	74	**2,717**	98	21	**119**
Other property operating expenses	(108)	(9)	**(117)**	(121)	(78)	**(199)**
Net rental income	**19,132**	**5,645**	**24,777**	**14,928**	**5,347**	**20,275**
General and administrative expenses	(4,634)	(1,118)	**(5,752)**	(4,776)	(1,047)	**(5,823)**
Foreign exchange loss	-	-	**-**	(895)	-	**(895)**
Share of (loss) income from joint ventures	(3,677)	3,677	**-**	1,837	(1,837)	**-**
Operating income	**10,821**	**8,204**	**19,025**	**11,094**	**2,463**	**13,557**
Net change in fair value of investment properties	(106)	(5,020)	**(5,126)**	(20,092)	1,809	**(18,283)**
Net change in fair value of financial derivatives	(2,437)	(4)	**(2,441)**	5,389	-	**5,389**
Net change in fair value of Exchangeable securities	716	(1)	**715**	5,037	-	**5,037**
Finance income	4,151	(2,043)	**2,108**	5,789	(2,094)	**3,695**
Finance costs	(6,153)	(1,642)	**(7,795)**	(3,933)	(1,291)	**(5,224)**
Distributions on Exchangeable securities	(277)	-	**(277)**	(548)	-	**(548)**
Income before income taxes	**6,715**	**(506)**	**6,209**	**2,736**	**887**	**3,623**
Current income tax expense	(54)	(99)	**(153)**	(126)	(74)	**(200)**
Deferred income tax (expense) recovery	(772)	605	**(167)**	1,671	(589)	**1,082**
Total income tax (expense) recovery	**(826)**	**506**	**(320)**	**1,545**	**(663)**	**882**
Net income (2)	**5,889**	**-**	**5,889**	**4,281**	**224**	**4,505**
Non-controlling interest	6	-	6	93	-	93
Net income attributable to the Trust	**5,883**	**-**	**5,883**	**4,188**	**224**	**4,412**

(1) Consolidated statement of earnings amounts presented for the REIT were taken respectively from interim condensed consolidated financial statements as at September 30, 2023 and 2022.

(2) For 2022, the difference in net loss when comparing the REIT's consolidated financial statements for IFRS purposes and the REIT's financial statements for proportionate consolidation (non-GAAP) purposes relates entirely to the impairment charge recorded on the REIT's loan to Delizy in accordance with IFRS 9. As the loan to Delizy has been considered equity for the proportionate consolidation purposes, no impairment under IFRS 9 has been recorded, resulting in a reconciliation difference.

Balance Sheet Reconciliation to Consolidated Financial Statements

Assets	As at September 30, 2023 As per REIT's financial statements (1)	Share from investments in joint-ventures (2)	Proportionate Consolidation	As at December 31. 2022 As per REIT's financial statements (1)	Share from investments in joint-ventures (2)	Proportionate Consolidation
Non-current assets						
Investment properties	432,821	136,565	569,386	437,422	142,201	579,623
Investments in joint ventures	51,027	(51,027)	-	55,693	(55,693)	-
Other financial assets	330	39	369	330	-	330
Derivative financial instruments	30	-	30	807	-	807
Restricted cash	4,237	-	4,237	4,436	-	4,436
Total non-current assets	**488,445**	**85,577**	**574,022**	**498,688**	**86,508**	**585,196**
Current assets						
Trade receivables and other financial assets	7,842	(1,372)	6,470	8,227	(856)	7,371
Derivative financial instruments	1,419	-	1,419	3,002	-	3,002
Other current assets	3,395	1,752	5,147	3,132	1,601	4,733
Restricted cash	190	-	190	2,882	-	2,882
Cash	19,631	4,263	23,894	45,176	4,737	49,913
Total current assets	**32,477**	**4,643**	**37,120**	**62,419**	**5,482**	**67,901**
Total assets	**520,922**	**90,220**	**611,142**	**561,107**	**91,990**	**653,097**
Liabilities and Unitholders' equity						
Liabilities						
Non-current liabilities						
Interest-bearing loan	261	(38)	223	245	-	245
Mortgage loans	64,773	23,590	88,363	96,254	33,399	129,653
Lease liabilities	96,061	9,026	105,087	102,121	9,502	111,623
Tenant deposits	2,118	123	2,241	2,068	147	2,215
Derivative financial instruments	378	-	378	299	-	299
Deferred tax liabilities	2,578	5,963	8,541	1,839	6,626	8,465
Total non-current liabilities	**166,169**	**38,664**	**204,833**	**202,826**	**49,674**	**252,500**
Current liabilities						
Interest-bearing loan	26	-	26	22	-	22
Mortgage loans	50,146	43,903	94,049	38,027	34,806	72,833
Lease liabilities	6,611	501	7,112	6,424	501	6,925
Tenant deposits	162	149	311	303	46	349
Exchangeable securities	2,820	-	2,820	3,536	-	3,536
Trade and other payables	11,080	3,124	14,204	18,960	3,357	22,317
Income tax payable	2,096	-	2,096	2,039	-	2,039
Deferred income	1,536	531	2,067	793	260	1,053
Total current liabilities	**74,477**	**48,208**	**122,685**	**70,104**	**38,970**	**109,074**
Total liabilities	**240,646**	**86,872**	**327,518**	**272,930**	**88,644**	**361,574**
Equity						
Trust units	288,135	-	288,135	289,940	-	289,940
Retained earnings (2)	(15,438)	3,348	(12,090)	(12,327)	3,346	(8,981)
Accumulated other comprehensive income	6,386	-	6,386	9,366	-	9,366
	279,083	**3,348**	**282,431**	**286,979**	**3,346**	**290,325**
Non-controlling interest	1,193	-	1,193	1,198	-	1,198
Total liabilities and equity	**520,922**	**90,220**	**611,142**	**561,107**	**91,990**	**653,097**

(1) Balance sheet amounts presented for the REIT were taken respectively from interim condensed financial statements as at September 30, 2023 and audited consolidated financial statements as at December 31, 2022.

(2) The difference in retained earnings when comparing the REIT's consolidated financial statements for IFRS purposes and the REIT's financial statements for proportionate consolidation (non-GAAP) purposes relates entirely to the impairment charge recorded on the REIT's loan to Delizy in accordance with IFRS 9. As the loan to Delizy has been considered equity for proportionate consolidation purposes, no impairment under IFRS 9 has been recorded, resulting in a reconciliation difference.

Risks and Uncertainties

The REIT is exposed to various risks and uncertainties, many of which are beyond the control of management, the occurrence of which could materially and adversely affect investments, prospects, cash flows, results of operations or financial condition and management's ability to make cash distributions to Unitholders. Management believes the risk factors described below are the most material risks to the REIT, however they are not the only ones. Additional risk factors not presently known to the REIT, or that management currently believes are immaterial, could also materially and adversely affect investments, prospects, cash flows, results of operations or financial condition and management's ability to make cash distributions to Unitholders, and negatively affect the value of the Units. In addition to the risks described herein, reference is made to the risks and uncertainties section in the REIT's latest Annual Information Form.

Risks Relating to the REIT and its Business

Financing risks, leverage and restrictive covenants may limit the ability for growth

The real estate industry is capital intensive. The REIT requires access to capital to maintain our properties, as well as to fund our growth strategy and significant capital expenditures from time to time. There is no assurance that capital will be available when needed or on favorable terms. Failure to access required capital could adversely impact investments, cash flows, operating results or financial condition, the ability to make distributions on the Units and the ability to implement the REIT's growth strategy.

As indebtedness increases there is risk that the REIT may default on its debt obligations. The ability to make scheduled payments on the principal of, or interest on, and to otherwise satisfy the REIT's debt obligations depends on future performance, which is subject to the financial performance of the properties, prevailing economic conditions, prevailing interest rate levels, and financial, competitive, business and other factors, many of which are beyond the REIT's control.

As a result of the REIT's asset recycling plan and the resulting lease terminations, the REIT is currently in breach of the restrictive covenant contained in the Baldi debt obligations relating to the debt service coverage ratio. See the section "*Capital Management Financing Covenants*". If these breaches were to be enforced by the relevant lenders, a portion of the REIT's indebtedness may then become immediately due and payable. If the debt under these obligations or other debt instruments is accelerated, the REIT may not have sufficient liquid assets to repay amounts due thereunder. The REIT has been in communication with the lenders for both mortgage loans to refinance the loans and remediate the covenants that have been breached.

Following a comprehensive analysis by management that considered a wide range of factors related to the REIT's future cash flow, management has concluded that there are no material uncertainties related to events or conditions that may cast significant doubt upon the REIT's ability to continue as a going concern for at least the next twelve months.

Risks Inherent in the Real Estate Industry May Adversely Affect the REIT's Financial Performance

The REIT is subject to risks involving the economy in general, including, among other things, inflation, deflation or stagflation, unemployment, geopolitical events such as the war between Russia and Ukraine and a local, regional, national or international outbreak of a contagious disease. Poor economic conditions could adversely affect the REIT's ability to generate revenues, thereby reducing its operating income and earnings. It could also have an adverse impact on the ability of the REIT to maintain occupancy rates, which could harm the REIT's financial condition. In weak economic environments, the REIT's tenants may be unable to meet their rental payments and other obligations due to the REIT, which could have a material and adverse effect on the REIT.

In addition, fluctuation in interest rates or other financial market volatility may adversely affect the REIT's ability to refinance existing indebtedness on its maturity, or on terms that are as favorable as the terms of the existing indebtedness, which may impact negatively on AFFO, may restrict the availability of financing for future prospective purchasers of the REIT's investments, and could potentially reduce the value of such investments, or may adversely affect the ability of the REIT to complete acquisitions on financially desirable terms.

An investment in real estate is relatively illiquid. Such illiquidity will tend to limit our ability to vary our portfolio promptly in response to changing economic or investment conditions. The costs of holding real estate are considerable and during an economic recession, the REIT may be faced with ongoing expenditures with a declining prospect of incoming receipts. In such circumstances, it may be necessary for us to dispose of properties at lower prices to generate sufficient cash for operations and making distributions and interest payments.

Concentration of Tenants May Result in Significant Vacancies on the Properties

As at September 30, 2023, five of the REIT's largest tenants, by percentage of total GLA, occupy 25.7% of the total weighted areas, with the main tenant in Trio representing 11% of the IP Portfolio rental income. Four of the five largest tenants are committed to multi-year leases, which are set to expire gradually between 2024 and 2029, there is no assurance that such tenants will continue to occupy such premises for the remainder of their lease terms. Some of them have break options before the end of their leases, and the earliest dates on which those five largest tenants may effectively move range between 2023 and 2026.

To minimize further risk of vacancy, the REIT will continue to closely monitor all leases and ensure that they work with the current tenants to determine their future leasing plans, which would allow the REIT to source tenants in advance of the current tenants' vacating the property.

Lease Renewals, Rental Increases, Lease Termination Rights and Other Lease Matters

Leases for tenants of the REIT properties will mature or expire from time to time. There can be no assurance that tenants will renew leases upon the expiration or that rental rate increases will be achieved upon such renewal. The failure to renew leases or achieve rental rate increases may adversely impact our financial condition and results of operations and decrease the amount of cash available for distribution.

Despite management's objective to maintain continuous occupancy of leased premises, tenants may fall into financial difficulty from time to time, and there can be no guarantee that tenants will continue to occupy such premises, nor be able to fully pay rent. In addition, certain leases contain a provision which gives tenants the right to terminate their leases upon payment of a penalty.

Environmental Contamination on Properties May Expose Us to Liability and Adversely Affect Financial Performance

The properties may contain ground contamination, hazardous substances, wartime relics (including potentially unexploded ordnance) and/or other residual pollution and environmental risks. Buildings and their fixtures might contain asbestos or other hazardous substances above the allowable or recommended thresholds, or the buildings could bear other environmental risks. Prior to acquiring the interests in the properties (including the leasehold interests), management undertook environmental studies on each property. No sign of pollution was evidenced on any of the properties.

The REIT is subject to various federal, state, and municipal laws relating to environmental matters. Such environmental laws impose actual and contingent liabilities on the REIT to undertake remedial action on contaminated sites and in contaminated buildings. The costs of any removal, investigation, or remediation of any residual pollution on such sites or in such buildings as well as costs related to legal proceedings, including potential damages, regarding such matters may be substantial.

The REIT has insurance in place to protect against certain environmental liabilities in respect of certain of the properties, with limits, which are customary and available for portfolios like REIT's.

Necessary capital and operating expenditures are made to ensure compliance with environmental laws and regulations. Although there can be no assurance, management does not believe that costs relating to environmental matters will have a material adverse effect on our investments, financial condition, results of operations or distributions or cash interest payments.

The REIT May Incur Significant Capital Expenditures

Certain significant expenditures must be made throughout the period of ownership of real property, regardless of whether the property is producing sufficient income to pay such expenses. To retain desirable rentable space and to generate adequate revenue over the long term, we must maintain or, in some cases, improve each property's condition to meet market demand, which can entail significant costs that may not be passed on to tenants.

Any failure by the REIT to undertake appropriate maintenance and refurbishment work in response to the factors described above could entitle tenants to withhold or reduce rental payments, or even to terminate existing leases. Any such event could have a material adverse effect on our cash flows, financial condition and results of operations, and our ability to make distributions on the Units.

Changes in Government Regulations May Affect Our Investment in Our Properties

The REIT is subject to laws and regulations governing the ownership, leasing or operations of real property, employment standards, environmental and energy efficiency matters, taxes and other matters. It is possible that future changes in applicable federal, state, local or common laws or regulations or changes in their enforcement or regulatory interpretation could result in changes in the legal requirements affecting us (including with retroactive effect). In addition, the political conditions in the jurisdictions in which the REIT operates are also subject to change. Any changes in investment policies or shifts in political attitudes may adversely affect our investments. Any changes in the laws to which the REIT is subject in the jurisdictions in which it operates could materially affect the rights and title to the properties. All the properties held, directly or indirectly, by the REIT are located in France, Germany and Spain. Although the governments in France, Germany and Spain are generally stable and friendly to foreign investments, there are still political risks. It is not possible to predict whether there will be any further changes in the regulatory regime(s) to which the REIT is subject or the effect of any such change on investments.

Failure to Receive Deductions for Interest Payments May Adversely Affect Cash Flows, Results of Operations and Financial Condition

During the acquisition of the properties, the REIT entered into financing transactions with third parties and affiliates. These financing agreements require payment of principal and interest. There are several rules in German and Luxembourg tax laws restricting the tax deductibility of interest expenses for corporate income and municipal trade tax purposes. Such rules have been changed considerably on several occasions in recent past. As a result, uncertainties exist as to the interpretation and application of such rules, which are not yet clarified by the tax authorities and the tax courts. The tax deductibility of interest expenses depends on, among other things, the details of the security structure for debt financings, the annual amount of tax net-debt interest, the amounts and terms of Unitholder or affiliate financings, and our general tax structure. There is a risk of additional taxes being triggered on the rental income and capital gains in case the tax authorities or the tax courts adopt deviating views on the above. If this were the case, this would result in a higher tax burden and, consequently, could have a material adverse effect on cash flows, financial condition and results of operations and ability to pay distributions on the Units. In France, and assuming that interest rates on group loans are arm's length, tax laws restricting the deductibility of interest expenses for corporate income tax purposes should have no impact since INOPCI 1 is exempt from corporate income tax provided it complies with its distribution obligations.

Changes in Currency Exchange Rates Could Adversely Affect Our Business

Substantially all of the REIT's investments and operations are conducted in currencies other than Canadian dollars; however, distributions to Unitholders are paid in Canadian dollars. The REIT also raises funds primarily in Canada from the sale of securities in Canadian dollars and invests such funds indirectly through its subsidiaries in currencies other than Canadian dollars. As a result, fluctuations in such foreign currencies against the Canadian dollar could have a material adverse effect on financial results, which are denominated and reported in Canadian dollars, and on the ability to pay cash distributions to Unitholders. Active hedging programs have been implemented to offset the risk of revenue losses and to provide more certainty regarding the payment of distributions to Unitholders if the Canadian dollar increases in value compared to foreign currencies. However, to the extent that the REIT fails to adequately manage these risks, including if any such hedging arrangements do not effectively or completely hedge changes in foreign currency rates, the REIT's financial results, and its ability to pay cash distributions to Unitholders may be negatively impacted.

Changes in Interest Rates Could Adversely Affect Cash Flows and the REIT's Ability to Pay Distributions and Make Interest Payments

When concluding financing agreements or extending such agreements, management's objective is to agree on terms for interest payments that will not impair desired profit, and on amortization schedules that do not restrict the ability to pay distributions to Unitholders. In addition to the variable rate portion of the leaseholds in respect of the REIT's properties, management may enter into future financing agreements with variable interest rates if the current low level of interest rates continues. There is a risk that interest rates will increase, which would result in a significant increase in the amount paid by the REIT and its subsidiaries to service debt, resulting in a decrease in distributions to Unitholders, and could impact the market price of the Units. Hedging transactions involve the risk that counterparties, which are generally financial institutions, may be unable to satisfy their obligations. If any counterparties default on their obligations under the hedging contracts or seek bankruptcy protection, it could have an adverse effect on the REIT's ability to fund planned activities and could result in a larger percentage of future revenue being subject to currency changes.

Dependence on Inovalis S.A. for Management Services

The REIT is dependent on Inovalis S.A. with respect to the asset management of properties and the property management of the properties. Consequently, the REIT's ability to achieve its investment objectives depends in large part on Inovalis S.A. and its ability to provide advice. This means that the REIT's investments are dependent upon Inovalis S.A.'s business contacts, its ability to successfully hire, train, supervise and manage its personnel and its ability to maintain its operating systems. If the REIT were to lose the services provided by Inovalis S.A. or its key personnel, our investments and growth prospects may decline. The REIT may be unable to duplicate the quality and depth of management available to it by becoming a self-managed company or by hiring another asset manager.

While the trustees have similar oversight responsibility with respect to the services provided by Inovalis S.A. pursuant to the Management Agreement, the services provided by Inovalis S.A. are not performed by employees of the REIT, but by Inovalis S.A. directly and through entities to which it may subcontract. The Fifth Amended and Restated Management Agreement has been approved by the Board of Trustees for a three-year term expiring on March 31, 2026.

Investments in, and Profits and Cash Flows From, Properties May be Lost in the Event of Uninsured or Underinsured Losses to Properties or Losses from Title Defects

The REIT carries general liability, umbrella liability and excess liability insurance with limits that are typically obtained for similar real estate portfolios in France, Germany and Spain and otherwise acceptable to the trustees. For the property risks, the REIT intends to carry "Multi-Risk" property insurance, including but not limited to, natural catastrophic events and loss of rental income insurance (with at least a 12 to 18-month indemnity period). The REIT also carries boiler and machinery insurance covering all boilers, pressure vessels, HVAC systems and equipment breakdown. There are, however, certain types of risks (of a catastrophic nature such as from pandemics, war, or nuclear accidents) that are uninsurable under any insurance policy. Furthermore, there are other risks that are not economically viable to insure currently. The REIT partially self-insures against terrorism risk for the entire portfolio. The REIT has insurance for earthquake risks, subject to certain policy limits, deductibles and self-insurance arrangements. Should an uninsured or underinsured loss occur, the REIT could lose the investment in, and anticipated profits and cash flows from, one or more of its properties, but it would continue to be obligated to repay any recourse mortgage indebtedness on such properties. The REIT does not carry title insurance on the properties. If a loss occurs resulting from a title defect with respect to a property where there is no title insurance, the REIT could lose all or part of its investment in, and anticipated profits and cash flows from, such property. The REIT does not carry pandemic insurance on the properties. If a loss occurs resulting from the inability of a tenant to pay rent, or a restriction on the operation of a property due to government regulation related to a pandemic, the REIT could lose all or part of its investment in, and anticipated profits and cash flows from, such property.

IFRS Reporting May Result in Our Consolidated Statement of Financial Position and Consolidated Statement of Earnings Being Subject to Volatility as the Fair Value of Portfolio Changes

The fair value of the REIT's properties is dependent upon, among other things, rental income from current leases, assumptions about rental income from future leases reflecting market conditions, expected future cash outflow in respect of such leases, the demand for properties such as the properties, the availability and cost of financing and general economic conditions. A change in one or a combination of these factors, many of which are not controlled by the REIT, may have a material impact to the fair value of its properties. The REIT's chosen accounting policy under IFRS requires that real estate assets be recorded at "fair value", with changes in fair value being recorded in earnings in the period of change. Accordingly, the statement of financial position and the statement of earnings are subject to volatility, as the fair value of its real estate portfolio changes and these changes may be material.

Reliance on Partnerships

The REIT has a material non-controlling interest in partnerships with several institutional investors. These arrangements create a risk as the business objectives or economic interests of the partner, as in any joint business arrangement, may not be aligned with those of the REIT. The partner may want to make decisions that negatively affect the value of its real estate assets or income of the REIT. Such investments may involve risks that are not present in investments where a third party is not involved, including the possibility that a partner may have financial difficulties, resulting in a negative impact on the investment, or be liable for the actions of its third-party partner. Although the REIT may not have control over these investments and therefore may have a limited ability to protect its position, such partnership arrangements contain terms and conditions which, in the opinion of the independent trustees, are commercially reasonable, including without limitation such terms and conditions relating to restrictions on the transfer, acquisition and sale of the REIT's and any joint venture partner's interest in the joint venture arrangement, provisions to provide liquidity to the REIT, provisions to limit the liability of the REIT and its Unitholders to third parties, and provisions to provide for the participation of the REIT in the management of the joint venture arrangements. The REIT's investment in properties through joint arrangements is subject to the investment guidelines set out in the Declaration of Trust.

Income Taxes

Taxation of Trusts

The REIT qualifies as a "unit trust" and a "mutual fund trust" for purposes of the Tax Act. There can be no assurance that Canadian federal income tax laws and the administrative policies and assessing practices of the Canada Revenue Agency (the "**CRA**") respecting mutual fund trusts will not be changed in a manner that adversely affects Unitholders. Should the REIT cease to qualify as a mutual fund trust under the Tax Act, the income tax consequences to the REIT and its Unitholders would be materially and adversely different in certain respects.

Application of the SIFT Rules

Certain rules (the "SIFT Rules") apply to a trust that is a "SIFT trust" as defined in the Tax Act. Provided that a trust does not own "non-portfolio property" (as defined in the Tax Act), it will not be subject to the SIFT Rules. Based on the investment restrictions of the REIT, the REIT may not acquire any non-portfolio property and, therefore, is not subject to the SIFT Rules. However, there can be no assurance that the SIFT Rules, or the administrative policies or assessing practices, of the CRA will not be changed in a manner that adversely affects the REIT and Unitholders.

FAPI

The REIT's "participating percentage" (as defined in the Tax Act) of "foreign accrual property income" ("FAPI") earned by any controlled foreign affiliate ("CFA") of the REIT must be included in computing the income of the REIT for the fiscal year of the REIT in which the taxation year of such CFA ends, subject to a deduction for grossed-up "foreign accrual tax", as computed in accordance with the Tax Act. The deduction for grossed-up "foreign accrual tax" may not fully offset the FAPI realized by the REIT, thereby increasing the allocation of income to the REIT and, therefore, the allocation of income by the REIT to Unitholders.

In addition, as FAPI generally must be computed in accordance with Part I of the Tax Act as though the CFA were a resident of Canada and in Canadian currency (subject to the detailed rules contained in the Tax Act), income or transactions may be taxed differently under foreign tax rules, as compared to the FAPI rules and, accordingly, may result in additional income being allocated to Unitholders.

Foreign Currency

For purposes of the Tax Act, the REIT is required to compute its Canadian tax results using Canadian currency, including for purposes of computing FAPI earned by CFAs of the REIT. Where an amount that is relevant in computing a taxpayer's Canadian tax results is expressed in a currency other than Canadian currency, such amount must be converted to Canadian currency using the rate of exchange quoted by the Bank of Canada on the day such amount first arose or using such other rate of exchange as is acceptable to the CRA. As a result, the REIT may realize gains and losses for tax purposes by virtue of the fluctuation of the value of foreign currencies relative to Canadian dollars.

Change of Tax Law

There can be no assurance that Canadian or foreign income tax laws, the judicial interpretation thereof, the terms of any income tax treaty applicable to the REIT or its affiliates, or the administrative policies and assessing practices and policies of the CRA, the Department of Finance (Canada), and any foreign tax authority or tax policy agency, will not be changed in a manner that adversely affects the REIT, its affiliates, or Unitholders.

Non-Residents of Canada

The Tax Act may impose additional withholding or other taxes on distributions (whether such distributions are paid in cash, additional Units or otherwise) made by the REIT to Unitholders who are Non-Residents. These taxes, and any reduction thereof under a tax treaty between Canada and another country, may change from time to time.

Taxation of the REIT and the REIT's Subsidiaries

Although the REIT and its subsidiaries have been structured with the objective of maximizing after-tax distributions, taxes (including corporate, withholding, land transfer, and other taxes) in the various jurisdictions in which the REIT invests will reduce the amount of cash available for distribution to the REIT by its subsidiaries and, therefore, reduce the amount of cash available for distribution by the REIT to Unitholders. No assurance can be given as to the future level of taxation suffered by the REIT or its subsidiaries. In addition, certain tax positions adopted by the REIT and its subsidiaries may be challenged by the CRA or a foreign taxing authority. This could materially increase the taxable income of, and taxes payable by, the REIT and its subsidiaries, and thereby increase taxable income of Unitholders and/or adversely affect the REIT's financial position and cash available for distribution to Unitholders.

The extent to which distributions will be non-taxable in the future will depend in part on the extent to which the REIT's subsidiaries are able to deduct depreciation, interest and loan expenses relating to the REIT's properties for purposes of the Tax Act. No assurances can be given that the CRA will agree with capital cost allowance claims by the REIT's subsidiaries and that expenses claimed by the REIT and its subsidiaries are reasonable and deductible.

Qualified Investments

Management of the REIT will endeavor to ensure that the Units continue to be qualified investments for trusts governed by a registered retirement savings plan, a registered education savings plan, a registered retirement income fund, a deferred profit-sharing plan, a registered disability savings plan and a tax-free savings account, each as defined in the Tax Act (collectively, "Plans"); however, there can be no assurance in this regard. In addition, Redemption Notes or other property received on an in-specie redemption of Units may not be qualified investments for Plans. The Tax Act imposes penalties for the acquisition or holding of non-qualified investments.

EIFEL Rules

On August 4, 2023, the Minister of Finance released revised proposals to amend the Tax Act (the "EIFEL Proposals") that are intended, where applicable, to limit the deductibility of interest and other financing-related expenses by an entity to the extent that such expenses, net of interest and other financing-related income, exceed a fixed ratio of the entity's tax EBITDA. The EIFEL Proposals are proposed to be effective for taxation years beginning on or after October 1, 2023. Management is currently considering the impact of the EIFEL Rules on the REIT. If the EIFEL Rules apply to limit the REIT's (or any subsidiary's) deduction of interest or other financing expenses in its computation of income or loss for the purposes of the Tax Act, the amount of taxable income allocated by the REIT to Unitholders may increase, which could reduce the after-tax return associated with an investment in Units. Unitholders are advised to consult their personal tax advisors.

Unit Distributions

If the Trustees determine that the REIT does not have cash in an amount sufficient to pay distributions equal to the net income of the REIT (including net realized taxable capital gains), distributions may be satisfied by issuing additional Units to Unitholders. Unitholders generally will be required to include in computing their income for Canadian tax purposes in a particular taxation year the portion of the net income of the REIT, including net realized taxable capital gains, that is paid or payable to such Unitholders in that taxation year, whether or not those amounts are received in cash, additional Units or otherwise. As such, Unitholders may incur tax liabilities without receiving cash distributions from the REIT to fund such liabilities. Unitholders are advised to consult their own tax advisors in this regard.

German Taxes

The Luxembourg SPV would be subject to municipal trade tax ("TT") if acting through a German permanent establishment. Management of the REIT have assumed that the Luxembourg SPV will not be subject to TT based on the REIT's current understanding of the structure. However, no assurances can be given that the Luxembourg SPV will not be subject to TT.

Luxco taxation

CanCorpEurope S.A., a public limited liability company (or “société anonyme”) and a subsidiary of the REIT ("Luxco") is a Special Investment Fund within the meaning of the Luxembourg law of 13 February 2007 (“SIF”), with multiple compartments and variable capital (“Société d’Investissement à Capital Variable”) subject to a tax of 0.01% (so called “taxe d’abonnement”) per annum of its Net Asset Value. No Luxembourg withholding tax is levied on distributions from CCE. No assurance can be given that a tax authority will not challenge certain positions taken by the REIT and the REIT’s subsidiaries in connection with the structure of Luxco. CCE, as a SIF, might be subject to the Luxembourg real estate levy. This levy of 20% applies on gross rental income and disposal gains deriving from real estate located in Luxembourg. Since CCE does not hold any properties located in Luxembourg, the real estate levy should not apply.

Foreign Income Taxes

The REIT’s subsidiaries are subject to tax either on their taxable income or on a withholding basis under applicable legislation in France, Germany, Spain, Luxembourg and the United States. These subsidiaries account for their current or recovered taxes at the current enacted and substantively enacted tax rates and use the liability method to account for deferred taxes. The tax expense related to taxable subsidiaries for the period comprises current and deferred taxes.

The REIT’s subsidiaries that hold the leasehold rights on the properties located in France are established in France and should therefore be considered as tax residents in France. Under current French tax legislation, income derived from the French REIT’s subsidiaries, incorporated under the form of Société Civile Immobilière subject to article 8 of the French Tax Code, and allocated to INOPCI 1, should be corporate income tax exempt in the hands of INOPCI 1 on the basis that INOPCI 1 complies with its distribution obligations. A withholding tax should be levied in France on dividend distributions made by INOPCI 1 which is OPCI (collective undertaking for real estate investment) to CCE. The reduced rate of 15% provided by the double tax treaty (“DTT”) concluded between Luxembourg and France should apply to dividends distributed by the INOPCI to CCE.

CanCorp Duisburg (“CCD”), TFI CanCorp Isenburg (“CCI”), TFI CanCorp Kosching (“CCK"), TFI CanCorp Stuttgart (“CCS”), CanCorp Cologne, CanCorp Cologne 2 and Cancorp Trio I, Cancorp Trio II, Cancorp Trio III (together “Trio”), Walpur Four, Arcueil SI GP (“the Luxembourg subsidiaries”) are established in Luxembourg as fully taxable companies, subject to annual corporate income, municipal business and net wealth taxes. There is a minimum net wealth tax in Luxembourg. Any distributions of dividends from the Luxembourg subsidiaries to CCE should be subject to a 15% Luxembourg withholding tax.

CCE is a Specialized Investment Fund according to the Luxembourg Specialized Investment Fund Law dated 13 February 2007 and as such is exempt from corporate income tax, municipal business tax and net wealth tax. CCE is subject to an annual subscription tax (“taxe d’abonnement”) charged at an annual rate of 0.01% based on its net asset value, valued at the end of each calendar year.

Arcueil SCS is a Luxembourg partnership (société en commmandite simple), fully owned by CCE, that is tax transparent for Luxembourg corporate income tax purposes, i.e., all the income and expenses are deemed to be realized directly by the sole partner.

Trio, CCD, CCI, CCK, CCS and Walpur Four are Luxembourg limited liability companies that are managed in Luxembourg and, therefore, should not be considered tax resident of Germany for German tax purposes. Trio, CCD, CCI, CCK, CCS and Walpur Four are collectively called the (“German Co”). However, the German Co are subject to corporate income tax (“CIT”) in Germany on their German source of income (or in case German Co is a partnership and therefore transparent for CIT purposes its partners). As the German Co’s rental revenues belong to German source income, such (net) income is subject to CIT, even if the German Co (and their shareholders) are not German tax residents. This is true irrespective of whether German Co is a corporation or a partnership and therefore transparent. The right to tax such income by Germany should not be waived under the double tax treaty between Germany and Luxembourg and the double tax treaty between Germany and France because the German Co's properties are located in Germany and income from German real estate is taxed in the country where the real estate is located. To determine taxable income for CIT purposes, a taxpayer may deduct certain expenses incurred in connection with its German source income (e.g., with respect to the acquisition and ownership of real property (in particular depreciation) and certain operating expenses) provided that such costs are incurred on arm’s length terms.

Cancorp Vegacinco, a limited liability company, is established in Spain as a fully taxable company, subject to annual corporate income at a 25% rate. SIF are explicitly excluded from the benefit of the DTT concluded between Luxembourg and Spain. Any distributions from Cancorp Vegacinco to CCE should thus be subject to the withholding tax rate applicable in Spain and could not benefit from any reduced rate provided by the DTT.

Critical Accounting Policies and Estimates

The preparation of the REIT's consolidated financial statements in conformity with GAAP requires management to make judgments, estimates and assumptions affecting the reported amounts of assets, liabilities, revenues and expenses, and the disclosure of contingent liabilities. Management bases its judgements, estimates and assumptions on experience and other factors that it believes to be reasonable under the circumstances. However, uncertainty about these judgements, estimates and assumptions could result in outcomes requiring a material adjustment to the carrying amount of the asset or liability affected in future periods. Critical accounting judgements, estimates and assumptions in applying accounting policies are described in Note 4 to the unaudited consolidated financial statements of the REIT for the period ending September 30, 2023.

A description of significant accounting policies is provided in Note 3 of the annual audited consolidated financial statements of the REIT for the period ending September 30, 2023.

The REIT has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Disclosure Controls and Procedures and Internal Controls Over Financial Reporting

Disclosure Controls and Procedures ("DCP")

The CEO and CFO of the REIT have designed or caused to be designed under their direct supervision the REIT's DCP to provide reasonable assurance that: i) material information relating to the REIT is made known to management by others, particularly during the period in which the annual and interim filings are being prepared; and (ii) information required to be disclosed by the REIT in its annual and interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time period specified in securities legislation. The CEO and CFO are assisted in this responsibility by management.

The CEO and CFO concluded that such disclosure controls and procedures were not fully effective, as at September 30, 2023 due to the material weaknesses described below.

Internal Controls Over Financial Reporting ("ICFR")

Management is responsible for establishing and maintaining adequate ICFR to provide reasonable assurance regarding the reliability of the REIT's financial reporting and the preparation of the financial statements for external purposes in accordance with IFRS.

An evaluation of the adequacy of the design and effective operation of the REIT's ICFR was conducted under the supervision of management, including the CEO and CFO, as at September 30, 2023. The evaluation included documentation review, enquiries and other procedures considered by management to be appropriate. Based on that evaluation, the CEO and the CFO have concluded that the design of ICFR was complete as at September 30, 2023. These controls have been implemented and the process for testing the controls for operating effectiveness was in progress as at September 30, 2023.

Further to the material weakness identified in the operation of the control over the review of loan covenants during the fiscal year ended December 31, 2021, management had identified a material weakness in the operation of controls over the financial close process. Consequently, the REIT developed and implemented in 2022 a remediation plan to address this material weakness that identifies areas where enhanced precision will help detect and prevent material misstatements. These are currently being tested. This remediation plan includes, but is not limited to:

- The implementation of a documented process for management to identify significant events and/or material transactions that could have accounting and reporting implications and discuss them with all relevant internal and external stakeholders;
- The implementation of a documented process for management to adequately assess and determine the accounting implications of transactions on the REIT's financial reporting;
- The implementation of a documented process for management to adequately assess the accounting implications of loan covenant breaches on the financial statement presentation of the loans;
- The implementation of a process for management to raise loan covenant breaches with lenders before they occur and immediately start discussing remedial actions and obtain advance waivers that endure for a term of at

least twelve months beyond the immediate quarterly reporting period;

- The refinement of the Internal Audit Plan to increase the Internal Auditor's scrutiny over management's review of outputs from the financial close process.

The material weakness cannot be considered remediated until the applicable relevant controls operate for a sufficient period of time and management has concluded, through testing, that these controls are operating effectively. Although the REIT can give no assurance that these actions will remediate this material weakness in internal controls or that additional material weaknesses in our ICFR will not be identified in the future, management believes the foregoing efforts will effectively remediate the identified material weakness. Management will take additional remedial actions as necessary as they continue to evaluate and work to improve the REIT's ICFR environment.

As defined by National Instrument 52-109 of the Canadian Securities Administration, a material weakness means a deficiency, or a combination of deficiencies, in ICFR such that there is a reasonable possibility that a material misstatement of the reporting issuer's annual or interim financial statements will not be prevented or detected on a timely basis.

Accordingly, a reasonable possibility exists that material misstatements in the REIT's financial statements will not be prevented or detected on a timely basis.

Notwithstanding the material weaknesses identified, the REIT has concluded that the financial statements, as at September 30, 2023 are fairly represented in all material respects, in accordance with IFRS.

Inherent Limitations

It should be noted that a control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Given the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues, including instances of fraud, if any, have been detected. These inherent limitations include, among other items: (i) that management's assumptions and judgments could ultimately prove to be incorrect under varying conditions and circumstances; (ii) the impact of any undetected errors; and (iii) controls may be circumvented by the unauthorized acts of individuals, by collusion of two or more people, or by management override.