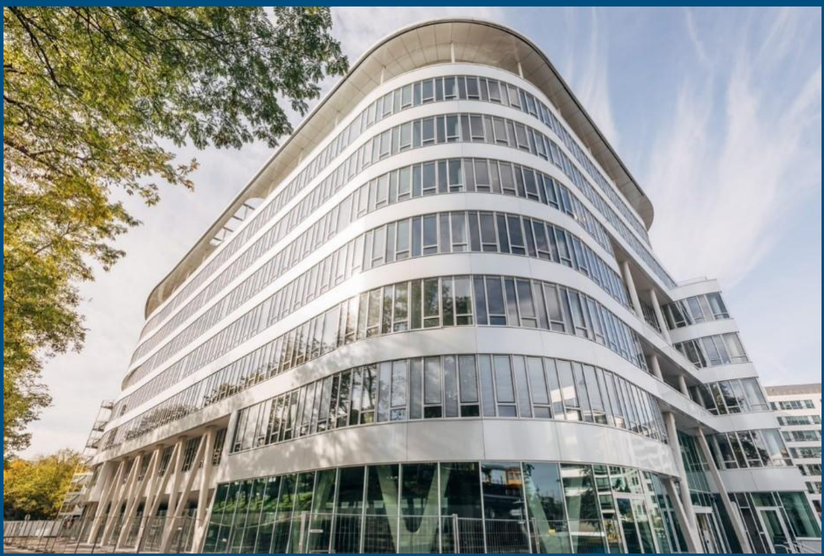
inovalis REIT

Quarterly Report

March 31, 2024



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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 May 8, 2024.

Letter to Unitholders

I am pleased to provide you with an update on our ongoing efforts to advance our property recycling strategy. As you are aware, one of our key objectives has been to optimize our property portfolio to enhance long-term value for our unitholders. Through strategic divestments, acquisitions, and redevelopments, we aim to ensure that our real estate assets align with our overall business objectives and market dynamics.

Our property recycling strategy is progressing according to plan, with significant milestones achieved since our last update. We have received a non-binding offer on the Arcueil property and, in the coming weeks, management will continue to advance the negotiations. This offer has provided the REIT with an updated market value for the property and accordingly, the fair market value for Arcueil has been adjusted in the REIT's financial statements. Progress has also been made on the sale of the Sabliere property and currently, the City of Paris is considering its legal pre-emptive right to acquire the property as the next step prior to further negotiations on the sale. These prospective dispositions will be executed in line with our rigorous evaluation criteria, ensuring that we maximize returns for our unitholders while minimizing risk exposure. The sale of these assets will enable us to unlock value and streamline our portfolio.

We also have developments regarding our efforts to strengthen and diversify our rental revenue streams through innovative leasing initiatives which are yielding results, contributing to enhanced stability and growth in rental income. Here's a closer look at our recent progress:

Tenant Diversification: We have undertaken proactive steps to diversify our tenant base, reducing concentration risk and enhancing the resilience of our rental revenue streams. At the Duisburg property, a new lease in Q1 2024 increased the number of tenants in the building to four, compared to one tenant in 2022. By targeting a diverse mix of tenants across industries and sizes, we are better positioned to mitigate the impact of economic fluctuations and capitalize on emerging growth sectors.

Flexible Lease Structures: Recognizing the evolving nature of workplace dynamics, we have introduced flexible lease structures tailored to meet the varying needs of modern tenants. This includes offering shorter-term leases and scalable office spaces that provide greater flexibility and agility for our tenants, fostering long-term relationships and occupancy stability. In Q1 2024, management signed a new two-year lease for 6,100 square feet in the Sabliere property which will contribute revenue until such time as the disposition is finalized.

Banking relationships remain an important aspect of our strategy, particularly given the dynamic nature of the lending market post-mid-2022. With fluctuating interest rates and heightened risk perceptions within the office market, both in terms of leasing and investment, our approach involves maintaining proactive engagement with our lending partners. This ensures that we are well-positioned to navigate potential challenges and optimize opportunities for future loan extensions.

As I explained at our Annual General Meeting of Unitholders held in Toronto this morning, we will continue to execute on these leasing initiatives and remain focused on delivering sustainable value for our unitholders while maintaining a prudent approach to risk management and capital allocation. Although the operating environment may present challenges, we are confident in our ability to adapt and capitalize on opportunities, guided by our unwavering commitment to unitholder value.

Thank you for your continued support and confidence in our vision. Together, we are building a resilient and forward-thinking REIT poised for long-term success.

Stéphane Amine

President and Chief Executive Officer

Inovalis Real Estate Investment Trust

Q1 2024

Net Rental Income	Adjusted Net Rental Income – IFRIC 21[1]	Quarterly FFO/Unit	Quarterly AFFO/Unit
$0.9 Million	$3.5 Million	$0.03	$0.02

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 March 31, 2024 (“Q1 2024”), decreased significantly to $912 (€623) compared to $3,962 (€2,703) for the three months ended March 31, 2023 (“Q1 2023”). This aligned with expectations given the vacancy of the Arcueil property since July 1, 2023 and the departure of the main tenant from the Bad Homburg property in January 2024.

In Q1 2024, Net Rental Income, adjusted for IFRIC 21[1] for the portfolio that includes the REIT’s proportionate share in joint ventures (“Total Portfolio”), was $6,458 (€4,473), compared to $8,322 (€5,678) for Q1 2023, a decrease due to the same reasons described above with respect to the IP Portfolio.

Leasing Operations

As at March 31, 2024, occupancy of the REIT’s IP Portfolio was 50.2% and occupancy of the REIT’s Total Portfolio was 59.8%. The greatest contributors to the decrease in occupancy are the assets included in the asset recycling plan (Arcueil, Sabliere and Baldi) as well as the Bad Homburg property following the departure of the main tenant in January 2024. The occupancy rate of the Total Portfolio excluding properties in the asset recycling plan would be 82.4%.

Steady interest from prospective tenants throughout 2023 and Q1 2024, for both long and short-term leases reaffirms confidence in our Parisian, German and Spanish portfolio. To bolster leasing efforts, notably with on-field brokers, management is selectively undertaking tenant improvements to attract tenants and maximize rent.

Asset Recycling Plan

Management is advancing plans for the sale of the Sabliere and Arcueil properties negotiating terms of offers received in Q1 2024. Management engaged with a redeveloper on an exclusive basis for a year on the Arcueil property and now Arcueil city hall has validated the redevelopment project. The conditional Arcueil offer and pricing have been confirmed, leading to a reduction in the fair value adjustment of $14,321. The sale is subject to approval of a building permit application which could be finalized with a sale commitment in Q2 2024 and an exchange contract in Q4 2025.

On Sabliere, the assessment of an offer to acquire the property is ongoing and could lead to a sale in Q4 2024.

The Arcueil (Fair Value $72,340), Sabliere (Fair Value $27,493) and Baldi properties (Fair Value $27,162) are being marketed for sale as part of the REIT’s previously announced Asset Recycling Plan. These are mature assets and management believes that it is the optimal time to extract value. Upon the sale of these properties, management and the Board will consider the best uses of the new capital including the options to pay down debt, make capital investments to support leasing, invest in redevelopment opportunities and make opportunistic acquisitions. Refer to the “Portfolio Overview - Asset Recycling Plan” section of this MD&A for more detailed discussion.

Joint Venture (“JV”) Arrangement Wind Up

Management is executing on its previously announced commitment to wind up the current joint ventures in accordance with their respective agreements. Marketing agreements were signed in January 2024 for each of the Stuttgart and Duisburg properties and the properties are being actively marketed. JV arrangement maturities for the Kosching and Neu Isenburg properties were extended for one year, aligned with the financing expiry term, The JV arrangement for Delizy does not expire until 2029. Refer to the “*Portfolio Overview - Joint Venture Arrangement Wind Up”* section of this MD&A for more detailed discussion.

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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.

Capital Market Considerations

Since Q2 2023, there has been 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 as at March 31, 2024 was \$232,671 (€159,222), which implies a book value per Unit at that date of \$7.14/Unit or \$6.97/Unit on a fully-diluted basis, using the weighted average number of Units for the period.

The REIT has addressed the volatile risks in the current capital markets by implementing short term leasing initiatives for properties in the REIT's Asset Recycling Plan, maintaining a conservative debt-to-gross-book value ratio, currently 46.4%.

Funds From Operations and Adjusted Funds From Operations

In Q1 2024, due to the vacancy and increased finance costs, the REIT reported FFO and AFFO[1] per Unit of \$0.03 and \$0.02 respectively, in line with management's forecast. 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 2.7 years for the Total Portfolio (3.0 years for the IP Portfolio).

In Q1 2024, the Neu-Isenburg and Kosching mortgage loans were extended and refinanced for one year until Q1 2025. This strategy to obtain such mortgage extensions is intended to facilitate the eventual exit from the joint venture ownership of these properties, while seeking improved financing terms in Q1 2025. Refer to the "*Portfolio Overview - Joint Venture Arrangement Wind Up"* section of this MD&A for more detailed discussion.

For the quarter ended March 31, 2023, the weighted average interest rate across the Total Portfolio was 4.29% compared to 2.75% as at December 31, 2023. This increase reflects the higher interest rate on most of the REIT's mortgage loan, now bearing interest at a floating rate indexed on EURIBOR, as well as the current penalty interest of the Trio mortgage loan (8.6% annually). As at March 31, 2024, 28% of the REIT's debt for the Total Portfolio was at fixed interest rates, mostly on short term loans or within properties being marketed for sale.

In its last economic bulletin, published in March 2024, the European Central Bank ("ECB") announced that key lending rates remained unchanged and inflation has declined further. ECB staff have revised their growth projection for 2024 to 0.6%, with economic activity expected to remain subdued in the near term. Thereafter, the ECB expects the economy to grow at the rates of 1.5% in 2025 and 1.6% in 2026, supported initially by consumption and later also by investment. With this outlook, management will continue to seek 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 is pursuing LEED Platinum certification that is expected in Q3 2024.

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

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

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 consolidated financial statements as at and for the three months ended March 31, 2024, and 2023, and to the notes thereto, prepared in accordance with International Financial Reporting Standards ("IFRS") and notably with International Accounting Standard ("IAS") 34; *Interim Financial Reporting*..

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 May 8, 2024. 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:

(i) 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; and

(viii) 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 asset recycling, 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;
- the geopolitical conflict around the world on the REIT’s business, operations and financial results;
- general economic conditions, including any continuation or intensification of the current economic conditions;
- 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 Canadian dollars 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 €/$ 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 periods ended March 31, 2024 and 2023 was $1.4638 and $1.4512 respectively (1% increase).

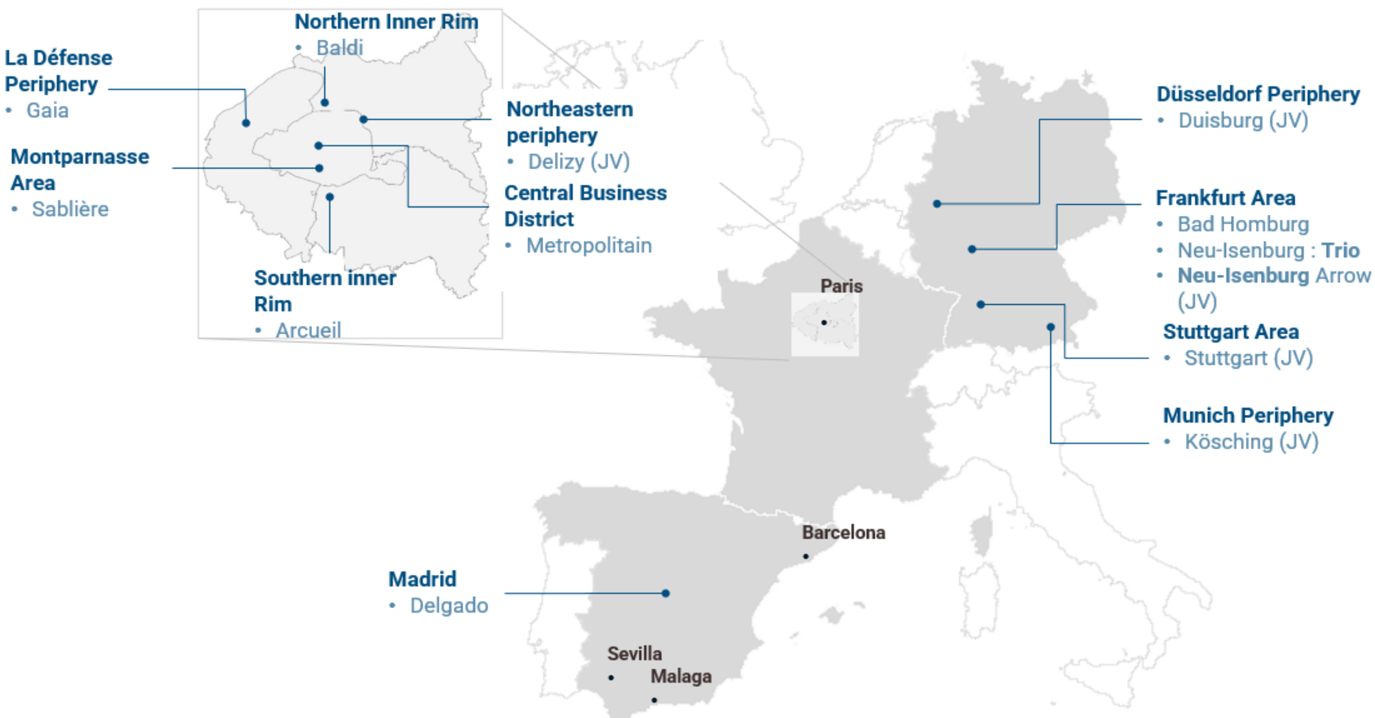
For balance sheet items as at March 31, 2024, projections, or market data, the exchange rate used is $1.4613, stable compared to the $1.4624 closing rate as at December 31, 2023.

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 March 31, 2024, 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

In the context of the prevailing macroeconomic challenges, the anticipated outlook for 2024 entails the effective recycling of certain properties in our portfolio, aimed at distributing returns to Unitholders. Drawing upon our extensive experience as seasoned investors and stewards of European office real estate, the Inovalis team is adept at navigating through dynamic economic landscapes with resilience and profitability. In the upcoming year, the REIT's management is concentrated on three primary focal points.

1. organic growth through leasing vacant space and renewing expiring leases;
2. execution of the Asset Recycling Plan with the repositioning/disposition of the Sablière, Arcueil and Baldi properties, and
3. winding up ownership arrangements for the properties held under joint venture arrangements by selling the properties.

Portfolio Overview

The REIT's Total Portfolio by geographic region as at March 31, 2024 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
Sabliere	100%	27 676	13 405	5%	41 043	4%	7	54%	1,4	2,2
Baldi	100%	27 162	4 991	5%	123 657	4%	11	32%	2,8	3,6
Metropolitain	100%	101 487	53 138	19%	78 818	19%	6	100%	3,8	7,0
Arcueil	100%	72 340	48 089	14%	334 521	0%	0	0%	-	3,3
Gaia	100%	56 711	31 418	11%	119 499	14%	7	80%	4,9	3,0
Delizy (1)	50%	16 176	9 446	3%	71 618	4%	18	68%	3,9	5,4
Subtotal France		**301 552**	**160 487**	**57%**	**769 156**	**45%**	**49**	**37,2%**	**3,9**	**4,5**
Delgado	100%	41 428	22 002	8%	117 274	9%	2	100%	8,0	3,0
Trio	95%	53 630	43 411	10%	193 914	16%	8	90%	2,4	-
Bad Homburg	100%	20 458	none	4%	109 104	3%	4	30%	5,5	none
Duisburg (1)	50%	39 274	24 024	7%	110 210	8%	4	80%	5,1	3,0
Stuttgart (1)	50%	30 865	17 965	6%	121 416	9%	4	96%	5,1	0,4
Neu-Isenburg (1)	50%	24 518	15 665	5%	67 337	5%	6	80%	3,9	0,9
Kosching (1)	50%	17 711	9 731	3%	53 058	5%	1	100%	3,7	0,8
Subtotal Spain & Germany		**227 884**	**132 798**	**43%**	**772 313**	**55%**	**29**	**79,1%**	**4,7**	**1,3**
Total Portfolio		**529 436**	**293 285**	**100%**	**1 541 469**	**100%**	**78**	**59,8%**	**4,4**	**3,0**
IP Portfolio		**400 892**	**216 454**	**76%**	**1 117 830**	**69%**	**45**	**50,2%**	**4,4**	**3,4**
JV Portfolio		**128 544**	**76 830**	**24%**	**423 639**	**31%**	**33**	**85,1%**	**4,5**	**2,0**

(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, weighted average lease term and financing maturity) are presented on a proportionate share basis at the REIT's ownership percentage of the related investment.

General portfolio updates

- At the **Gaia property**, despite an 80% occupancy, the Effective Occupancy rate is 95% 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 1.1% higher.

- At the **Trio property**, which has a 90% occupancy rate, brokers have been engaged on a retainer basis to pursue fieldwork and release vacant space when the demand grows again. Management is negotiating the extension or refinancing of HCOB's in-place facility which matured in March 2024 with several lenders. In the meantime, the senior lender applies penalty interest (8.6%) and does not call for the repayment of the $43,411 outstanding loan amount. The 8.6% interest over Q2 2024 has already been accrued as at March 31, 2024 for a total of $766, as Management's best estimate of future interest payments before reaching an agreement with HCOB.

- 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. In Q1 2024, Management successfully extended a lease on 50% of the leasable areas for 10 years (of which 5 are firm), securing an 8-year WALT (4.3 years including break options).

- At the **Duisburg property**, the 20% vacancy is only temporary, the time to perform tenant improvement work for the new tenant with which a 10-year firm lease has been signed in Q1 2024 and effective August 1, 2024. As the main tenant Hitachi is continuously reducing its footprint on the building despite a lease maturing in 2027, rent-free periods and tenant improvements costs will be offset by early termination penalties negotiated with Hitachi. The recent reletting showed once again the attractiveness of this property, while a 6.5-year WALT is securing cashflow for joint venture partners, or alternatively attracting potential buyers. Refer to the "*Portfolio Overview – Joint Venture Agreement Wind Up*" section of this MD&A.

- At the **Stuttgart property,** negotiations are being held with the main tenant Daimler to take-up areas left vacant by a departing tenant (4% occupancy) and waive break options, a strong sign for this property where Daimler already occupies 90% of the areas, in a general context of reducing office size. Refer to the "*Portfolio Overview – Joint Venture Agreement Wind Up"* section. The main tenant Daimler intends to extend its footprint in the building by taking-up future vacancies.

- At the **Neu-Isenburg property**, refinancing of the mortgage loan has been secured until February 2025, allowing an extended period for management to assess the best possible strategy for this property.

- **The Bad Homburg property** is senior debt-free. Management is seeking to refinance this property, and potentially collateralize it with other properties. Selective capital expenditures to upgrade the lobby are taking place and are expected to support leasing in 2024, now that the main tenant (44% occupancy) left the premises in January.

Asset Recycling Plan

- The REIT's strategy is to sell mature assets where it believes value can be maximized and utilize the new capital to invest in higher return AFFO accretive opportunities. **The Baldi and Sabliere properties**: the main tenants for these properties vacated the properties positioning the REIT to proceed with redevelopment plans which are currently in review. Several non-binding offers from developers were received in 2023 for each property. For Sabliere, located downtown Paris, an offer received in Q1 2024, is being assessed and could lead to a sale in Q4 2024. A disposition of the Sabliere property at fair value (supported by the Q4 2023 external appraisal), could generate $12.5 million of cash. Plans for the **Baldi property** are underway with the public organization managing the zoning. A long-run sale (2 years) is anticipated to maximize exit value and attract value-add players with a building permit ready to be granted. A sale of this asset at fair market value ($27,162; €18,800), would generate $21 million of cash.

  To offset the impact of the vacancy in these properties and to mitigate risk, management is considering short and longer-term rental opportunities until the properties are redeveloped or sold. In Q1 2024, a new two-year 6,100 square foot lease was signed at Sabliere.
- Management is advancing plans to redevelop or sell the vacant 335,000 sq.ft. **Arcueil property,** located five minutes from the southern Paris ring road. Management confirmed its engagement with a developer, in an exclusive agreement, to sell this property at a price near its actual adjusted fair value (€50.0 million; $72,340). Arcueil city hall approved the redevelopment project, and building permit application and zoning change is expected to follow. A sale commitment could be signed in Q2 2024 to confirm transaction terms, with a final exchange contract in Q4 2025. Pursuant to these advanced negotiations, management will engage in discussions with the senior lender to decrease amortization (presently 9% amortization per year). A sale at fair value could generate $25 million of cash, that could be partly available for reinvestment in the redevelopment project.

Joint Venture Agreement Wind Up

The REIT is furthering plans to acquire or dispose of current joint ventures in accordance with their respective agreements to simplify its corporate structure and governance.

The initial terms for four of the five jointly held properties have now concluded and it has been determined to sell Duisburg and Stuttgart in Germany, which benefit from strong quality tenants and long WALT. Upon the sale of these properties, the REIT's will use the proceeds to acquire new properties as wholly owned assets. Marketing and brokerage agreements were signed in January 2024. A sale at the targeted price for the Duisburg, in line with last fair value, could generate REIT's share - $13.8 million, and for the Stuttgart property, $9.5 million cash. The joint venture agreements for the other two properties (Neu-Isenburg and Kosching) have been further extended to the beginning of 2025, in line with the current financing. The Delizy joint venture agreement does not mature until 2029.

Tenant Profile

As at March 31, 2024, the REIT had 45 tenants across the IP Portfolio compared to 41 tenants, as at December 31, 2023, and 78 tenants across the Total Portfolio, compared to 73, as at December 31, 2023.

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.

Investment Property Portfolio

The following table shows the five largest tenants across the Investment Property Portfolio as at March 31, 2024. 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%	1.8
ITP Aero	Aeronautics	7%	59,159	5.3%	10.8
Indra	IT systems	6%	58,115	5.2%	5.2
Bureau Veritas	Consulting and Advisory	10%	38,998	3.5%	2.8
Time matters	Logistics	5%	34,772	3.1%	2.5
Top 5 tenants		**39%**	**277,545**	**24.8%**	**4.6**
Other tenants	Diversified	61%	283,151	25.4%	4.2
Total occupied space		**100%**	**560,696**	**50.2%**	**4.4**
Vacant			557,134	49.8%	
IP Portfolio			**1,117,830**	**100.0%**	

Total Portfolio

The following table shows the REIT’s five largest tenants across the Total Portfolio at March 31, 2024, 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	8%	109,136	7.1%	5.2
The Lorenz Bahlsen Snack-World	Food and beverage	6%	86,501	5.6%	1.8
Hitachi Power	Manufacturer	5%	54,354	3.5%	3.8
ITP Aero	Aeronautics	5%	59,159	3.8%	10.8
Indra	Aeronautics	4%	58,115	3.8%	5.2
Top 5 tenants		**30%**	**367,265**	**23.8%**	**5.1**
Other tenants	Diversified	70%	553,763	36.0%	4.0
Total occupied space		**100%**	**921,028**	**59.8%**	**4.4**
Vacant			620,441	40.2%	
Total Portfolio			**1,541,469**	**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 March 31, 2024 was as follows:

IP Portfolio	Occupied space (sq. ft.)							
	January 1, 2024	New leases	Lease Expiries	March 31, 2024	Occupancy rate	Committed space (sq. ft)	Total occupied space (sq. ft)	Committed occupancy
France	235,991	6,491	(5,354)	237,128	34.0%	-	237,128	34.0%
Germany	251,235	-	(44,943)	206,292	68.1%	-	206,292	68.1%
Spain	117,274	-	-	117,274	100.0%	-	117,274	100.0%
Total IP Portfolio	**604,500**	**6,491**	**(50,297)**	**560,694**	**50.2%**	**-**	**560,694**	**50.2%**

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 March 31, 2024, are as follows:

Total Portfolio	Occupied space (sq. ft.)							
	January 1, 2024	New leases	Lease Expiries	March 31, 2024	Occupancy rate	Committed space (sq. ft) (1)	Total occupied space (sq. ft)	Committed occupancy
France	284,786	6,857	(5,720)	285,923	37.2%	-	285,923	37.2%
Germany	586,926	8,362	(77,454)	517,834	79.1%	19,863	537,697	82.1%
Spain	117,274	-	-	117,274	100.0%	-	117,274	100.0%
Total Portfolio	**988,986**	**15,219**	**(83,174)**	**921,031**	**59.8%**	**19,863**	**940,894**	**61.0%**

(1) The committed space relates to the new lease at the Duisburg property, effective August 1, 2024

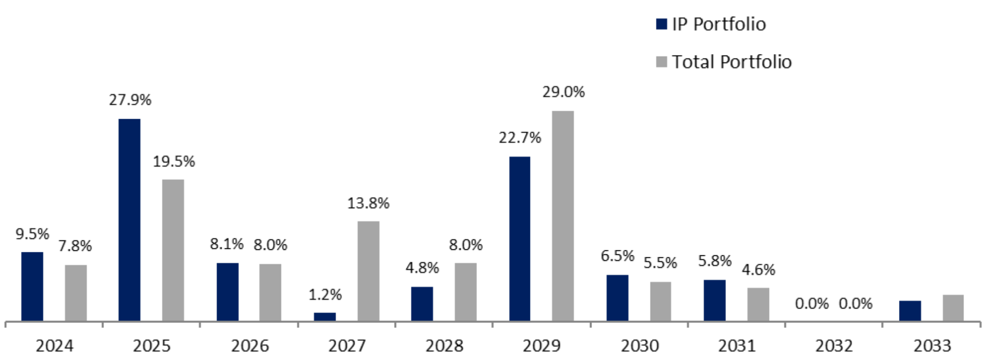
New Leases Signed During the Quarter:

- A new two-year lease was signed representing 13% of the Sabliere leaseable space, replacing a departing tenant and increasing the building's net rental income ($250 annual rental income) and service charge recoverability.

Lease Maturities

Lease Maturity Profile

(in % of total GLA as at March 31, 2024)



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 terms, not including tenant early termination rights, in both the IP Portfolio and the Total Portfolio are 4.4 years (4.4 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 IP portfolio is 3 years (Total Portfolio 3.3 years).

The 2024 maturities concern 67,300 sq. ft., of which the effective termination notices have been received for a total of 26,000 sq. ft., reflecting mostly the decision of one tenant in the Metropolitain property to end its lease (12,200 sq.ft.) and the reduction of area from a one tenant at the Trio property upon renewal of its lease for 5 years (9,200 sq.ft.).

The 2025 maturities relate mostly to the Trio property's anchor tenant, Lorenz Bahlsen. Renewal discussion will begin in Q3-2024 on the lease expiry term of Q4 2025.

Refer to the "*Portfolio Overview – General Property Updates"* section for leasing initiatives underway.

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 CanCorpEurope, in the form of interest-bearing notes, non-interest bearing notes and variable share capital.

"**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 2023 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.

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-month periods ended March 31, 2024 and 2023, based on proportionate consolidation figures including REIT's interest in joint ventures (see the "*Consolidated Statement of Earnings - Reconciliation to Consolidated Financial Statements" section*), is as follows:

(in thousands of CAD$)	Three months ended March 31, 2024	2023
Net (loss) income attributable to the Trust **(including share of net earnings from investments in joint ventures)**	(13,845)	1,622
Add/(Deduct):		
Net change in fair value of investment properties	11,994	(1,801)
Net change in fair value of financial derivatives	404	1,555
Adjustment for property taxes accounted for under IFRIC 21	2,912	2,687
Distributions on Exchangeable securities	-	96
Net change in fair value of Exchangeable securities	(385)	159
Foreign exchange loss (gain)	-	6
Deferred income tax recoveries	-	255
Non-controlling interest	(38)	(4)
FFO	**1,042**	**4,575**
Add/(Deduct):		
Non-cash effect of straight line rents	191	(7)
Cash effect of the rental guarantee	171	302
Amortization of transaction costs on mortgage loans	63	293
Capex	(720)	(486)
AFFO	**747**	**4,677**
FFO / Units (diluted) *($)*	**0.03**	**0.14**
AFFO / Units (diluted) *($)*	**0.02**	**0.14**

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:

	March 31, 2024		December 31, 2023	
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	1,541,469	1,117,830	1,540,218
Occupancy rate - end of period	50.2%	59.8%	54.1%	64.2%
Weighted average lease term	4.4 years	4.4 years	3.3 years	3.5 years
Average initial yield (1)	3.5%	4.2%	5.1%	5.3%
Capital management metrics	**IP Portfolio**	**Total Portfolio**	**IP Portfolio**	**Total Portfolio**
Available cash (3)	$9,504	$11,054	$12,489	$15,290
Fair value of investment properties	$400,892	$529,436	$412,967	$541,001
Debt-to-gross book value (2)	46.4%	53.6%	45.6%	52.1%
Debt-to-gross book value, net of cash (2)	45.3%	52.7%	44.2%	50.8%
Weighted average loan term to maturity	3.0 years	2.7 years	3.2 years	2.9 years
Weighted average interest rate (2)	4.12%	4.29%	2.62%	2.75%
Interest coverage ratio (2)	0.8 x	1.0 x	2.3 x	2.4 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 March 31,	
(thousands of $ except per Unit and other data)	2024	2023
Financial performance metrics		
Rental revenue	4,631	7,325
Rental revenue - Total Portfolio (1)	6,757	9,428
Net rental income	912	3,962
Net rental income - Total Portfolio (1)	3,636	5,635
Net income, attributable to the Trust	(13,579)	1,622
Funds from Operations (FFO) (1) (2)	1,042	4,575
Adjusted Funds from Operations (AFFO) (1) (2)	747	4,677
FFO per Unit (diluted) (1) (2)	0.03	0.14
AFFO per Unit (diluted) (1) (2)	0.02	0.14
Distributions		
Declared distributions on Units and Exchangeable securities	-	3,476
Declared distribution per Unit	-	0.10
FFO payout ratio (1) (2)	0.0%	76.0%
AFFO payout ratio (1) (2)	0.0%	74.3%

(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

(in thousands of CAD$)	Three months ended March 31, 2024	2023
Rental revenue	4,631	7,325
Property operating cost recoveries	1,192	1,481
Property operating costs	(5,104)	(4,849)
Other revenues	194	18
Other property operating expenses (income)	(1)	(13)
Net rental income	**912**	**3,962**
General and Administration expenses	(1,782)	(1,853)
Foreign exchange gain	-	(6)
Share of net loss from joint ventures	870	284
Operating earnings	**-**	**2,387**
Net change in fair value of investment properties	(11,985)	1,614
Net change in fair value of financial derivatives	(405)	(1,552)
Net change in fair value of Exchangeable securities	385	(159)
Finance income	1,141	971
Finance costs	(2,710)	(1,333)
Distributions on Exchangeable securities	-	(96)
(Loss) income before income taxes	**(13,574)**	**1,832**
Current income tax expense	(43)	(13)
Deferred income tax expense	-	(201)
Total income tax recovery	**(43)**	**(214)**
Net (loss) income	**(13,617)**	**1,618**
Non-controlling interest	(38)	(4)
Net (loss) income attributable to the Trust	**(13,579)**	**1,622**

Net Rental Income

For the IP Portfolio, NOI for the three months ended March 31, 2024 (“Q1 2024”), decreased significantly to $912 (€623) compared to $3,962 (€2,703) for the three months ended March 31, 2024 (“Q1 2023”), in line with expectations regarding the full vacancy of the Arcueil property since July 1, 2023 and the departure of the main tenant (44% occupancy) in the Bad Homburg property end of January 2024.

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 approximatively $3,475. 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 months ended March 31, 2024 and 2023 is set out below.

In Canadian dollars (in thousands)	Three months ended March 31, 2024	2023	Variance
Net rental income	912	3,962	(3,050)
IFRIC 21 impact	2,607	2,384	223
Adjusted net rental income - IFRIC 21 (1)	3,519	6,346	(2,827)

In Euros (in thousands)	Three months ended March 31, 2024	2023	Variance
Net rental income	623	2,703	(2,080)
IFRIC 21 impact	1,781	1,626	155
Adjusted net rental income - IFRIC 21 (1)	2,404	4,330	(1,926)

(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 March 31, 2024	2023	Variance
Net rental income	912	3 962	(3 050)
Net rental income - proportionate share of JVs	2 724	1 673	1 051
IFRIC 21 impact	2 912	2 687	225
Adjusted net rental income - IFRIC 21 - including proportionate share of JVs (1)	6 548	8 322	(1 774)

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 Q1 2024 ($1,782) showed a small decrease (-4%) compared to $1,853 for the same period last year and are mostly in line with the annual budget.

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

	Three months ended March 31, 2024	2023	Variance
Asset management fees – Inovalis SA	(499)	(553)	54
Less: amount reinvoiced to joint ventures	291	288	3
	(208)	**(265)**	**57**
Professional fees for accounting. tax and audit	(872)	(867)	(5)
Legal expenses	(151)	(134)	(17)
Trustee fees	(59)	(103)	44
Travel expenses	(84)	(118)	34
Governance expenses	(94)	(74)	(20)
Bank and depositary expenses	(76)	(61)	(15)
Listing, transfer agent and publication fees	(14)	(15)	1
Other general and administrative expenses	(224)	(216)	(8)
Total G&A expenses	**(1,782)**	**(1,853)**	**71**

Share of Net Income 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 income from joint ventures for the three-month period ended March 31, 2024 was $870, in increase compared to the $284 for the same period in 2023, boosted by the $1 million early termination indemnity obtained on the Duisburg property.

Net Change in Fair Value of IP Portfolio

Following the $14,321 (€9,800) adjustment of the Arcueil fair value to reflect the present offer for redevelopment and the current market conditions, the net change in fair value of investment property decreased significantly in Q1 2024 ($11,985) compared to $1,614 for Q1 2023.

Refer to the paragraph *"IP Portfolio"* in the "*Consolidated balance sheet*" section of 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 $1.29 on March 31, 2024, compared to $1.70 at close of December 31, 2023, resulting in a gain of $385 in the net change in fair value of Exchangeable Securities throughout the first quarter of 2024.

Finance Income

In Q1 2024, finance income included notably $688 interest on loans granted to joint ventures. The sale of forward currency exchange contracts, previously used to cover distribution to Unitholders, led to a $435 cashed-in income.

Finance Costs

The finance costs in Q1 2024 included $3,099 ($1,830 in Q1 2023) related to interest on mortgage loans and lease liabilities, heavily impacted by the increase in interest rates on unhedged financing contracts and the Trio property penalty interests.

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. Following the suspension of distribution to Unitholders in Q4 2023, distributions on Exchangeable Securities were suspended as well.

Selected Three-Year Information

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

	For the three months ended March 31,				
(in thousands of CAD$)	**2024**	**2023**	**2022**	**2024 vs. 2023**	**2023 vs. 2022**
Rental revenue	4,631	7,325	5,201	(2,694)	2,124
Net change in fair value of investment properties	(11,985)	1,614	2,131	(13,599)	(517)
Finance income	1,141	971	1,168	170	(197)
Net income	(13,617)	1,618	2,136	(15,235)	(518)
Net income attributable to the Trust	(13,579)	1,622	2,094	(15,201)	(472)

Consolidated Balance Sheet

Assets	As at March 31, 2024	As at December 31, 2023	Variance
Non-current assets			
Investment properties	400,892	412,967	(12,075)
Investments in joint ventures	42,464	41,632	832
Other financial assets	333	3,333	(3,000)
Restricted cash	4,659	4,973	(314)
Total non-current assets	**448,348**	**462,905**	**(14,557)**
Current assets			
Trade receivables and other financial assets	8,277	7,134	1,143
Derivative financial instruments	105	527	(422)
Other current assets	3,416	3,809	(393)
Restricted cash	363	196	167
Cash	9,504	12,489	(2,985)
Total current assets	**21,665**	**24,155**	**(2,490)**
Total assets	**470,013**	**487,060**	**(17,047)**

Liabilities and Unitholders' equity	As at March 31, 2024	As at December 31, 2023	Variance
Liabilities			
Non-current liabilities			
Interest-bearing loan	185	186	(1)
Mortgage loans	64,666	65,710	(1,044)
Lease liabilities	94,407	96,179	(1,772)
Tenant deposits	2,077	2,224	(147)
Derivative financial instruments	-	110	(110)
Deferred tax liabilities	1,294	1,295	(1)
Total non-current liabilities	**162,629**	**165,704**	**(3,075)**
Current liabilities			
Interest-bearing loan	39	28	11
Mortgage loans	50,561	50,524	37
Lease liabilities	6,820	6,819	1
Tenant deposits	191	168	23
Exchangeable securities	1,210	1,595	(385)
Derivative financial instruments	487	377	110
Trade and other payables	11,011	7,356	3,655
Provisions	764	765	(1)
Income tax payable	2,173	2,175	(2)
Deferred income	549	1,184	(635)
Total current liabilities	**73,805**	**70,991**	**2,814**
Total liabilities	**236,434**	**236,695**	**(261)**
Equity			
Trust units	288,156	288,156	-
Retained earnings	(66,809)	(53,230)	(13,579)
Accumulated other comprehensive income	11,324	11,492	(168)
Total Equity	**232,671**	**246,418**	**(13,747)**
Non-controlling interest	908	947	(39)
Total liabilities and equity	**470,013**	**484,060**	**(14,047)**

Selected Consolidated Balance Sheet Information

(in thousands of CAD$)	March 31, 2024	Dec. 31, 2023	Dec. 31, 2022	2024 vs. 2023	2023 vs. 2022
	For the period ended				
Fair value of investment properties - IP Portfolio	400,892	412,967	437,422	(12,075)	(24,455)
Fair value of investment properties - Total Portfolio	529,436	541,001	579,623	(11,565)	(38,622)
Investment in joint ventures - carrying value	42,464	41,632	55,693	832	(14,061)
Total assets	470,013	484,060	561,107	(14,047)	(77,047)
Total debt (1)	216,678	219,446	243,093	(2,768)	(23,647)
Total non-current liabilities	162,629	165,704	202,826	(3,075)	(37,122)
Unitholders' equity	232,671	246,418	286,979	(13,747)	(40,561)
Number of outstanding Units	32,594,711	32,594,711	32,778,699	-	(183,988)

(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 March 31, 2024 was $400,862 (€274,339), a decrease compared to $412,967 (EUR€282,387) as at December 31, 2023, mostly attributable to the $14,320 change in fair value of the Arcueil property, to reflect the lt present offer for the redevelopment and the current market assumptions on this asset.

Management uses the Direct Capitalization Method ("DCM") to determine the fair value of all the REIT's properties in France, Germany and now Spain (previously, a discounted cash flow ("DCF") method was used for the Spanish property). The values are supported by external appraisals of the total portfolio as at December 31, 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 March 31, 2024, these appraisals have been reviewed by management to consider changes that occurred during the quarter and that could have a significant impact on valuation of the property. For this reason, following the approval of the offer for the Arcueil redevelopment, the appraised value was adjusted.

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 2024 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 February 2025, and
- the Kosching property (50%), through a joint venture agreement maturing in January 2025.

Refer to the section "*Portfolio Overview – Joint Venture Agreement Wind Up"* for details of the REIT's plans for each property its joint venture arrangement matures.

The REIT's investment in joint ventures was $42,464 as at March 31, 2024 in increase compared to $41,632 as at December 31, 2023, due to the share of net income from Duisburg (arising from an indemnity negotiated upon the main tenant's early departure) and additional net investment in joint venture loans of $264.

Trade Receivables and Other Financial Assets

Trade receivables and other financial assets as at March 31, 2024 amounted to $8,277, relatively stable compared to $7,134 at December 31, 2023, including $4.2 million of interest receivables on joint venture loans, an increase of $0.7 million compared to December 31, 2023 as interest payments have been deferred on most joint venture properties to anticipate reletting or refinancing terms in 2024.

Trade and Other Payables

Trade and other payables as at March 31, 2024 amounted to $11,011 compared to $7,356 as at December 31, 2022. Pursuant to IFRIC 21, the trade payables amount in Q1 2024 included approximately $2,605 (35%) in property taxes for the whole year. The other payables line also included in Q1 2024 a modification loss of $766 in “Interest costs related to mortgage loans” corresponding to the additional penalty interest for Q2 2024 to be paid by the REIT to the lender. Management anticipates reaching an agreement for the mortgage loan extension or refinancing by June 30, 2024.

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. Mature assets could be sold to access capital readily available for redeployment, in line with an 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	
	March 31, 2024	**December 31, 2023**	**March 31, 2024**	**December 31, 2023**
Capital management metrics				
Debt-to-gross book value	46.4%	45.6%	53.6%	52.1%
Debt-to-gross book value, net of cash	45.3%	44.2%	52.7%	50.8%
Debt due in the next 12 months (1)	57,381	44,451	101,256	79,758
Weighted average loan term to maturity	3.0 years	3.2 years	2.7 years	2.9 years
Weighted average interest rate (1)	4.12%	2.62%	4.29%	2.75%
Interest coverage ratio (2)	0.8	2.3	1.0	2.4

(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 $43,411 matured on March 15, 2024 and has not been repaid before the quarter end. The REIT is in close relationship with the senior lender and other German financing banks to extend or refinance the in-place mortgage loan.

On the JV portfolio, the mortgage loans on the Stuttgart, Neu-Isenburg and Kosching properties, extended or refinanced for one year in Q4 2023 and Q1 2024 have also been classified as a current liability as at end of March 31, 2024, for a total of $43,359.

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 $4,991 current liability the balance sheet as at March 31, 2024..

Throughout the periods in which the occupancy covenant has been breached, the REIT has been in communication with the lenders to refinance some of 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.

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	
	March 31, 2024	December 31, 2023	March 31, 2024	December 31, 2023
Lease liabilities	101,227	102,998	110,673	112,579
Mortgage loans	115,227	116,234	182,612	184,795
Interest-bearing loans	185	186	532	(4,487)
Deferred tax liabilities	1,294	1,295	5,973	5,977
Total debt outstanding	**217,933**	**220,713**	**299,790**	**298,864**
Less : Cash	(9,504)	(12,489)	(11,054)	(15,290)
Debt net of cash	**208,429**	**208,224**	**288,736**	**283,574**
Gross book value	470,013	484,060	559,417	573,726
Gross book value. net of cash	460,509	471,571	548,363	558,436
Debt-to-gross book value	**46.4%**	**45.6%**	**53.6%**	**52.1%**
Debt-to-gross book value, net of cash	**45.3%**	**44.2%**	**52.7%**	**50.8%**

The debt-to-gross book value ratio slightly increased compared to the period ending December 31, 2023, at 46.4% for the IP Portfolio (45.3% net of cash), due to decreasing fair value of properties. The ratio 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 increased similarly over the first quarter of 2023 at 53.6% (52.7% net of cash).

Interest Coverage Ratio

Interest coverage ratio	Consolidated basis - IP Portfolio		Proportionate share basis - Total Portfolio	
	3 months ended March 31, 2024	12 months nded December 31, 2023	3 months ended March 31, 2024	12 months nded December 31, 2023
Net rental income	912	23,216	3,636	30,895
Arcueil indemnity	-	(2,320)	(1,047)	(2,320)
Net rental income adjusted	**3,519**	**20,896**	**5,501**	**28,575**
General and Administrative expenses	(1,782)	(6,405)	(2,245)	(7,958)
Interest income (2)	453	1,328	453	1,328
Total income	**2,190**	**15,819**	**3,709**	**21,945**
Interest expense (1)	(2,691)	(6,983)	(3,622)	(9,303)
Interest coverage ratio	**0.8**	**2.3**	**1.0**	**2.4**

(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 indemnity received on the Arcueil and Duisburg properties recognized in Q2 2023 and Q1 2024 respectively, decreased significantly over Q1 2024, impacted by higher interest rates on unhedged debts. In addition, interest expense included $766 representing management's best estimate of penalty interest to be paid on Trio loan to the senior lender HCOB, provided that an agreement is reached before end of June 2024.

Weighted-Average Interest Rate

The weighted average interest rate across the IP Portfolio debt increased to 4.12% and 4.29% for the Total Portfolio compared to [X] and [X] at December 31, 2023. . Following the recent refinancing of Stuttgart, Neu-Isenburg and Kosching, most of the REIT's debt bears interest at a floating rate indexed on the EURIBOR rates. In addition, Trio loan penalty interest from March 15 and up to end of June 2024 represents an annual interest rate of 4.93%. Management is negotiating debt service reduction with senior lenders.

Debt Profile

Debt profile as at March 31, 2024

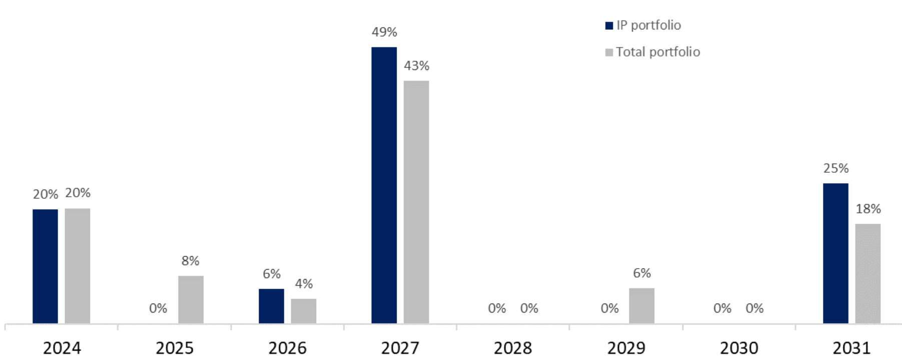
		IP Portfolio		Total Portfolio	
		Carrying value	**%**	**Carrying value**	**%**
Lease liabilities		**101,227**	46%	**110,673**	38%
Mortgage loans		**115,227**		**182,612**	
of which :	*Amortized mortgage loan*	*83,809*	*39%*	*93,539*	*32%*
	Bullet mortgage loan	*31,418*	*15%*	*89,073*	*30%*
Total		**216,454**	**100%**	**293,285**	**100%**

As at March 31, 2024, the debt on the IP Portfolio is composed of 54% mortgage loans and 46% lease liabilities, under contracts expiring from 2024 (Trio) to 2031 (Metropolitain). Average term of repayment of financing is 3.0 years (2.7 years on the Total Portfolio). Lease liabilities contracts are 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 85% of the REIT's IP Portfolio financing, excluding bullet mortgage loans (70% on the Total Portfolio).

Leasehold and Mortgage Financing Maturity Profile

(in % of amount outstanding as at March 31, 2024)



As at March 31, 2024, the Baldi mortgage loan contract matures in October 2027 and has been presented as such in the above graph. However, 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 $4,991.

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 has advanced plans for the redevelopment and continues to keep its senior lenders informed on next steps. The Arcueil financing is a finance lease, and consequently no breach is considered as long as the debt installments are paid. Following the approval from Arcueil City Hall on the redevelopment project and the reduced uncertainty on the expected sale price and timing of sale, management can pursue negotiations with the senior lender for the freeze of the quarterly amortization (which currently represents approximately 9% annually).

Management is in regular communication with the senior lenders, including those of Baldi, Sabliere 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).

Equity

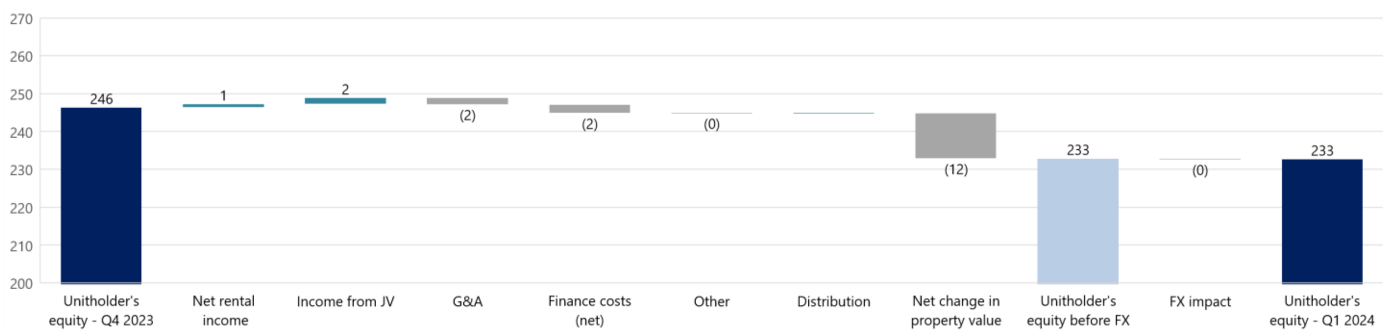
Management's discussion about equity is inclusive of Exchangeable Securities. In the consolidated financial statements, the Exchangeable Securities are classified as current liabilities under IFRS because of the conversion feature that can be exercised by the holder of those securities at any time.

As at March 31, 2024, the REIT has 32,594,711 Units issued and outstanding, plus 938,036 Exchangeable Securities.

	Three months period ended March 31, 2024
Units	
Number at beginning of period	32,594,711
Increase in number during the period	-
Decrease in number during the period	-
Number at end of period	32,594,711
Weighted average number during the period	32,594,711
Exchangeable securities	
Number at beginning of period	938,036
Number at end of period	938,036
Weighted average number during the period	938,036
Units and Exchangeable securities	
Number at beginning of period	33,532,747
Decrease in number during the period	-
Number at end of period	33,532,747
Weighted average number during the period	33,532,747

Unitholders' equity

The Unitholders' equity breakdown over the 1st quarter of 2024 is presented below (in $ million):



Notes to the Unitholder's Equity chart:

- The biggest impact on the REIT's NAV was the fair value adjustment of the Arcueil property, included in the $12 million.
- Income from JV includes both the share of net income for $870 and $688 finance income from interests on joint venture loans.
- Finance costs ($2,710) are presented net of the finance income ($453) mostly attributable to the profit on currency hedge contracts and net of interests on joint venture loans ($688)
- FX impact: The closing foreign exchange rate was 1.4613 as at March 31, 2024, stable compared to the 1.4624 as at December 31, 2023.

Available and Restricted Cash

The REIT's available cash was $9,504 as at March 31, 2024 (compared to $12,489 as at December 31, 2023) following the debt amortization paid of $2,729. Available funds are intended to be used for senior debt payments (interest and amortization) before the REIT can execute dispositions of the properties in the Asset Recycling Plan.

In addition to this available cash, the REIT held:

- $5,022 of restricted cash, that could be used for either capex financing on the Trio property or its partial deleverage for loan extension
- $2,319 of cash in the assets held in joint venture, including $769 restricted cash constituted upon refinancing of debts and intended to secure senior lenders.

Cash Flows

The table below shows the cash utilization throughout the first quarter of 2024 and 2023 for the IP Portfolio, not including the REIT's share of cash in the joint venture-owned properties.

	Three months ended March 31,		
	2024	**2023**	**Variance**
Cash at the beginning of the period	**12 489**	**45 176**	**(32 687)**
Cash provided by (used in):			
Operating activities	(116)	(2 598)	2 482
Investing activities	(129)	1 101	(1 230)
Financing activities	(2 719)	(5 496)	2 777
Net change during the period	**(2 964)**	**(6 993)**	**4 029**
Impacts of FX adjustment on cash	(21)	377	(398)
Cash at period-end	**9 504**	**38 560**	**(29 056)**

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 DUs vest 1/3 over each anniversary date from date of grant over three years. The cost of Granted DUs 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. ADUs were suspended at the same time as distributions to Unitholders effective with the December 2023 distribution.

As of March 31, 2024, there are 77,383 DSUs outstanding and 122,617 DSUs available for grant under the DSU Plan.

Financial Instruments

The REIT has the following financial assets and liabilities as at March 31, 2024

	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 year ended March 31, 2024.

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

	March 31, 2024		December 31, 2023	
	Fair Value	Carrying Value	Fair Value	Carrying Value
Financial assets				
Loans to joint ventures	24,870	24,870	24,896	24,896
Financial liabilities				
Mortgage loans	112,529	115,227	113,897	116,234
Tenant deposits	2,268	2,268	2,392	2,392

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

- The fair value of the loans to joint venture was 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.
- Mortgage loans were carried at amortized cost using the effective interest method of amortization. The estimated fair values of long-term borrowings were based on market information, when available, or by discounting future payment of interest and principal at estimated interest rates expected to be available to the REIT as at March 31, 2024.

The fair value of the mortgage loans was determined by discounting the cash flows of these financial obligations using December 31, 2023, market rates for debts of similar terms (Level 2). Based on these assumptions, the fair value as at March 31, 2024 of the mortgage loans was estimated at $112,529 (December 31, 2023 –$113,897) compared with the carrying value before deferred financing costs of $115,227 (December 31, 2023 –$116,234). The fair value of the mortgages payable varies from the carrying value due to fluctuations in interest rates since their issue.

- The fair value of tenant deposits was 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 at the request of the holders of Exchangeable Securities. Other features of Exchangeable Securities have no significant impact on their fair value.

The REIT is exposed to several 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. As at March 31, 2024, after taking into consideration the effect of the interest rate cap (2%), as well as fixed interest rates (26%), 28% of the REIT's IP portfolio long-term debt obligation has no exposure to interest rate risk (28% for the Total Portfolio as well). Floating rate debts are mostly on assets included in the recycling plan or with short-term financing maturities.

Currency Risk

The REIT operates in France, Germany and Spain, and the functional currency for these operations is the Euro. The REIT's distributions, which had been paid in cash in 2023, were paid to Unitholders in Canadian dollars. To mitigate the risk of foreign exchange fluctuations on the distributions to our Unitholders prior to the suspension of the distributions, management had established a foreign exchange hedging program.

At the end of September 2022, the REIT initiated a relationship with the Canadian branch of Alpha Group (formerly AlphaFX) and further extended the in-place contracts in Q1 2023 with three additional monthly hedging operations applicable for Q1 2025.

Financial institution	Contracts Maturing by Quarter	Hedge Value ('000 EUR)	Weighted average hedging rate
ALPHA GROUP	Q4 2024	3,112	1.349
	Q1 2025	2,920	1.438
		6,032	1.394

Despite the distribution cut announced in November 2023, the REIT still holds six monthly foreign currency forward contracts with Alpha Group to secure a $1,400 monthly conversion at an average rate of 1.3940 from October 2024 until March 2025. Management will carefully consider cash analysis and transactions arbitrages to unlock the potential profit under these contracts but exiting these contracts today would trigger a significant loss.

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 December 31, 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 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 the "*Contractual Obligations*" section above for further details.

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

In arriving at the above conclusion, management has considered that as at March 31, 2024, the REIT's current liabilities exceeded the REIT's current assets by $52,140. This shortfall is mainly due to the following:

A. Trio Mortgage Loan - Classified as current liabilities matured on March 15, 2024 – $43,411
B. Baldi Mortgage Loan - Classified as current liabilities due to breach over loan covenant since Q2 2022 – $4,991

Management has concluded that the shortfall does not have a significant impact on the REIT's ability to sustain its operations within the next 12-months, despite the following:

A. **Trio Mortgage Loan** – The REIT is in current discussion with the senior lender – HCOB - to extend or refinance loan that matured on March 15, 2024, or organize the sale of the underlying property. The liquidity risk associated with this default is confined to default interest payments of 8.6% during the default period.

B. **Baldi Mortgage Loan** - The REIT has kept the senior lender SOCFIM informed regularly about the Baldi redevelopment opportunity and related arbitrage plans (considering the 32% occupancy rate). Since the late 2021 deleverage ($11.5m), the bank exposure is down to a 18% loan-to-value (supported by Q4 2023 external valuation report of $27.1m), and management estimates that, based on its regular exchanges with SOCFIM since then, that they would be unlikely to seek loan acceleration as all other terms of the loan are met.

Management also notes that the REIT is already executing its asset recycling plan and joint venture wind up to unlock additional liquidity as required, including the potential disposal of its Sabliere and Arcueil properties (the recent offers received are being assessed), and the sale of its interest in the Duisburg and Stuttgart joint ventures which was initiated in Q1 2024. The close of any of the above transactions would generate significant positive working capital that the REIT could allocate to the above-mentioned mortgage loan repayment in case of unsuccessful extension or refinancing options.

Quarterly Information – Last Eight Quarters

	As at and for the three months ended							
	March 31 2024	Dec. 31 2023	Sept. 30 2023	June. 30 2023	March 31 2023	Dec. 31 2022	Sept. 30 2022	June 30 2022
Rental revenue	4,631	4,788	4,972	7,571	7,325	6,796	6,503	6,877
Rental revenue - Total Portfolio (1)	6,757	6,827	6,643	9,806	9,428	8,869	8,452	8,897
Net rental income	912	4,084	4,830	10,341	3,962	6,705	6,337	6,718
Net rental income - Total Portfolio (1)	3,636	6,118	6,668	12,474	5,635	8,929	8,078	8,691
Net income attributable to Unitholders	(13,579)	(35,574)	1,260	3,003	1,622	(41,042)	14,855	(12,761)
FFO (1)	1,042	488	1,984	7,545	4,575	3,361	6,074	4,579
AFFO (1)	747	412	2,294	7,265	4,677	3,609	6,009	4,664
FFO per Unit (diluted) (1) (2)	0.03	0.01	0.06	0.22	0.14	0.10	0.18	0.14
AFFO per Unit (diluted) (1) (2)	0.02	0.01	0.07	0.22	0.14	0.11	0.18	0.14
Declared distribution per Unit	-	0.07	0.10	0.10	0.10	0.10	0.17	0.21
FFO payout ratio (2)	-	481.4%	173.7%	46.1%	75.8%	103.1%	95.2%	151.4%
AFFO payout ratio (2)	-	570.3%	150.2%	47.9%	74.1%	96.0%	96.3%	148.6%

(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 and Exchangeable Securities

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 and Chief Executive Officer ("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.

Management Agreement

On March 27, 2023, the Board of Trustees approved a three-year extension of the Management Agreement with Inovalis SA with a term ending on March 31, 2026, on the same financial terms. Inovalis SA has been the manager of the REIT continuously since the initial public offering in 2013.

Investment in Joint Ventures, Reconciliation

Consolidated Statement of Earnings - Reconciliation to Consolidated Financial Statements

	Three months ended					
	March 31, 2024			March 31, 2023		
(in thousands of CAD$)	Amounts per REIT's financial statements (1)	Share of net earnings from investments in joint ventures (2)	Total	Amounts per REIT's financial statements (1)	Share of net earnings from investments in joint ventures (2)	Total
Rental revenue	4,631	2,126	**6,757**	7,325	2,103	**9,428**
Property operating cost recoveries	1,192	770	**1,962**	1,481	699	**2,180**
Property operating costs	(5,104)	(1,224)	**(6,328)**	(4,849)	(1,135)	**(5,984)**
Other revenues	194	1,053	**1,247**	18	7	**25**
Other property operating expenses	(1)	(1)	**(2)**	(13)	(1)	**(14)**
Net rental income	**912**	**2,724**	**3,636**	**3,962**	**1,673**	**5,635**
General and administrative expenses	(1,782)	(463)	**(2,245)**	(1,853)	(386)	**(2,239)**
Foreign exchange gain	-	-	**-**	(6)	-	**(6)**
Share of net loss from joint ventures	870	(870)	**-**	284	(284)	**-**
Operating income	**-**	**1,391**	**1,391**	**2,387**	**1,003**	**3,390**
Net change in fair value of investment properties	(11,985)	(9)	**(11,994)**	1,614	187	**1,801**
Net change in fair value of financial derivatives	(405)	-	**(405)**	(1,552)	-	**(1,552)**
Net change in fair value of Exchangeable securities	385	-	**385**	(159)	-	**(159)**
Finance income	1,141	(688)	**453**	971	(684)	**287**
Finance costs	(2,710)	(927)	**(3,637)**	(1,333)	(430)	**(1,763)**
Distributions on Exchangeable securities	-	-	**-**	(96)	-	**(96)**
(Loss) income before income taxes	**(13,574)**	**(233)**	**(13,807)**	**1,832**	**76**	**1,908**
Current income tax expense	(43)	(33)	**(76)**	(13)	(22)	**(35)**
Deferred income tax expense	-	-	**-**	(201)	(54)	**(255)**
Total income tax expense	**(43)**	**(33)**	**(76)**	**(214)**	**(76)**	**(290)**
Net (loss) income (2)	**(13,617)**	**(266)**	**(13,883)**	**1,618**	**-**	**1,618**
Non-controlling interest	(38)	-	(38)	(4)	-	(4)
Net (loss) income attributable to the Trust	**(13,579)**	**(266)**	**(13,845)**	**1,622**	**-**	**1,622**

(1) Statement of Earnings amounts presented for the REIT were taken respectively from unaudited interim consolidated financial statements as at March 31, 2024 and as at March 31, 2023.

(2) The difference in net income when comparing the REIT's financial statements for IFRS purposes and the REIT's financial statements for proportionate consolidation purpose (Non-GAAP) relates entirely to the impairment charge recorded on the REIT's loan to Delizy joint venture 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.

Balance Sheet Reconciliation to Consolidated Financial Statements

Assets	As at March 31, 2024 As per REIT's financial statements (1)	Share from investments in joint-ventures (2)	Proportionate Consolidation	As at December 31, 2023 As per REIT's financial statements (1)	Share from investments in joint-ventures (2)	Proportionate Consolidation
Non-current assets						
Investment properties	400 892	128 544	529 436	412 967	128 034	541 001
Investments in joint ventures	42 464	(42 464)	-	41 632	(41 632)	-
Other financial assets	333	-	333	333	-	333
Derivative financial instruments	-	-	-	-	-	-
Restricted cash	4 659	-	4 659	4 973	-	4 973
Total non-current assets	**448 348**	**86 080**	**534 428**	**459 905**	**86 402**	**546 307**
Current assets						
Trade receivables and other financial assets	8 277	(920)	7 357	7 134	(1 877)	5 257
Derivative financial instruments	105	-	105	527	-	527
Other current assets	3 416	1 925	5 341	3 809	1 970	5 779
Restricted cash	363	769	1 132	196	370	566
Cash	9 504	1 550	11 054	12 489	2 801	15 290
Total current assets	**21 665**	**3 324**	**24 989**	**24 155**	**3 264**	**27 419**
Total assets	**470 013**	**89 404**	**559 417**	**484 060**	**89 666**	**573 726**
Liabilities and Unitholders' equity						
Liabilities						
Non-current liabilities						
Interest-bearing loan	185	347	532	186	(436)	(250)
Mortgage loans	64 666	24 025	88 691	65 710	24 039	89 749
Lease liabilities	94 407	8 931	103 338	96 179	9 067	105 246
Tenant deposits	2 077	137	2 214	2 224	138	2 362
Derivative financial instruments	-	-	-	110	-	110
Deferred tax liabilities	1 294	4 679	5 973	1 295	4 682	5 977
Total non-current liabilities	**162 629**	**38 119**	**200 748**	**165 704**	**37 490**	**203 194**
Current liabilities						
Interest-bearing loan	39	(8)	31	28	(3)	25
Mortgage loans	50 561	43 360	93 921	50 524	44 522	95 046
Lease liabilities	6 820	515	7 335	6 819	514	7 333
Tenant deposits	191	187	378	168	187	355
Exchangeable securities	1 210	-	1 210	1 595	-	1 595
Derivative financial instruments	487	-	487	377	-	377
Trade and other payables	11 011	3 677	14 688	7 356	2 593	9 949
Provisions	764	-	764	765	-	765
Income tax payable	2 173	-	2 173	2 175	-	2 175
Deferred income	549	92	641	1 184	636	1 820
Total current liabilities	**73 805**	**47 823**	**121 628**	**70 991**	**48 449**	**119 440**
Total liabilities	**236 434**	**85 942**	**322 376**	**236 695**	**85 939**	**322 634**
Equity						
Trust units	288 156	-	288 156	288 156	-	288 156
Retained earnings (2)	(66 809)	3 437	(63 372)	(53 230)	3 727	(49 503)
Accumulated other comprehensive income	11 324	25	11 349	11 492	-	11 492
	232 671	**3 462**	**236 133**	**246 418**	**3 727**	**250 145**
	-	-	-	-	-	-
Non-controlling interest	908	-	908	947	-	947
Total liabilities and equity	**470 013**	**89 404**	**559 417**	**484 060**	**89 666**	**573 726**

(1) Balance sheet amounts presented for the REIT were taken respectively from unaudited interim consolidated financial statements as at March 31, 2024 and audited consolidated financial statements as at December 31, 2023.

(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 "*Capital Management Financing Covenants*" section. 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 March 31, 2024, five of the REIT's largest tenants, by percentage of total GLA, occupy 24.8% 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 2025 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 2025 and 2029.

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. The REIT 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 if the Canadian dollar increases in value compared to foreign currencies. However, to the extent that the REIT fails to adequately manage this risk, including if any such hedging arrangements do not effectively or completely hedge changes in foreign currency rates, the REIT's financial results may be negatively impacted.

Changes in Interest Rates Could Adversely Affect Cash Flows 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. 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, 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 the 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 joint venture 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 long term 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

The Minister of Finance has released 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 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 23% 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 audited consolidated financial statements of the REIT for the period ending December 31, 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 December 31, 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 effective, as at March 31, 2024.

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 March 31, 2024. 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 and implementation of ICFR were complete as at March 31, 2024.

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.