ADVENTUS

ADVENTUS REALTY TRUST

REPORT TO UNITHOLDERS

THREE MONTHS ENDED MARCH 31, 2020

Contents

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Section 1 - Introduction

Disclaimer, Accounting Standards and Currency

Management's Report to Unitholders of the financial position and the results of operations of Adventus Realty Trust (the "Trust" or "Adventus" or "ART" or "we" or "our") for the three months ended March 31, 2020 should be read in conjunction with the Trust's unaudited financial statements for the three months ended March 31, 2020. This Report to Unitholders has been prepared and includes material financial information as of May 29, 2020. Historical results, including trends which might appear, should not be taken as indicative of future operations or results.

Unless otherwise noted, all financial information has been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and is expressed in US dollars unless otherwise specified. The Trust has included certain non-IFRS financial measures which management believe are important in evaluating the Trust's underlying operating performance and ability to generate cash flows. Refer to Appendix A for a summary of non-IFRS financial measures.

Trust Overview

The Trust is a private Real Estate Investment Trust (REIT) formed in 2011 and based in Vancouver, British Columbia, Canada. We are focused on the management of income producing commercial office real estate, in suburban areas of select US markets where we can earn a premium return compared to the market's Central Business District (CBD). Such markets will have a large concentration of major corporate headquarters, strong employment statistics, favorable demographics and easy access to transportation.

We target properties with accretive returns for unitholders, minimal financial and operational risk, strong tenant covenants and long term leases with large and credit worthy corporations. We seek to enhance our returns by using conservative levels of long term, fixed rate financing.

Section 2 – Understanding the Adventus Investment Platform

As a commercial office REIT, Adventus relies on the following Cash Inflows to fund its business operations, facilitate growth and, after covering all necessary costs, to provide a current cash return to investors (Cash Outflows):

Cash Inflows

1. Rental Collections
2. Debt Proceeds
3. Equity Proceeds
4. Property Refinancing
5. Property Sales

Cash Outflows

1. Operating Expenditures, Maintenance Capital Expenditures, and Normal Renewal Leasing Costs
2. Investing in New Leases and Property Acquisitions
3. Overhead
4. Debt Servicing Costs
5. Distributions

From inception, it has been very important for Adventus to have access to all of these potential Cash Inflow items in order to maintain the orderly payment of all of the Cash Outflow items, including Cash Distributions. This is typical of most REITs. While Adventus manages both the Cash Inflows and Outflows carefully, certain of the Cash Outflows (in particular tenant improvements, related capital expenditures and broker commissions arising from new or renewal leasing activity) can arise irregularly. For example, when a major tenant wishes to enter into an early lease renewal but wants Adventus as the landlord to pay for significant tenant improvements and associated capital expenses in the respective building, these costs are incurred at the start of the new lease but the rental revenue in the first year of the lease does not cover them. In each case Adventus evaluates the business terms of such a transaction but, in many cases, it is in Adventus' best interest to enter into the lease renewal (or a new lease, as the case may be), in which case Adventus must be able to fund the necessary Cash Outflows arising from the transaction. In other words, the Cash Outflows can become "lumpy" with significant costs being incurred in one year as opposed to the next which might not contain such high leasing costs. The value to Adventus is in having the income stream from the new lease and the potential increase in the overall capital value of the building, but in the short term Adventus must come up with the cash to cover the landlord costs to be incurred with the new or renewal lease. Funding these costs can be a challenge, particularly in situations where Adventus cannot rely upon all of the potential Cash Inflows to its business.

Adventus plans for lease renewals and new lease costs as they are a part of our business. We anticipate higher leasing costs in years when major leases expire or a significant square footage of our leaseable area becomes available. If Adventus is unable to access certain of the sources of Cash Inflows, this can adversely impact our ability to fund one or more of the Cash Outflows. This is particularly important given that Adventus does not have an operating line of credit so must rely upon its own sources of cash. Additionally, it is typical in real estate lending that borrowers are required to fund certain restricted cash accounts with their lenders which are used for insurance, property taxes, anticipated maintenance costs and anticipated lease renewal costs. In reviewing our current financial statements, you will note that our lenders hold approximately $30.6 Million in restricted cash. From time to time, we are able to draw upon these funds to pay for agreed leasing costs. Any curtailment of our sources of cash has an immediate impact on our ability to fund our Cash Outflows, including necessary maintenance and operating costs, leasing costs, investments in new properties and, of course, cash distributions.

Rent Collections comprise a very important element of our Cash Inflows, but there are other important Cash Inflow items, such as Equity and Debt Financings, Refinancings and, potentially, Asset Sales. Generally, any curtailment or reduction in one of our Cash Inflows may cause problems for our business.

During Covid-19, virtually all of these Cash Inflow items for Adventus have been adversely impacted. Most financial institutions including our usual lenders have put moratoriums on lending at the moment which obviously creates an issue for Refinancing. We expect these moratoriums to be lifted at some point in the future but, while ongoing, we need to preserve cash to offset the loss of these Cash Inflows. We have managed our rent collections very carefully during the initial months of Covid-19 (April and May), however, our stress testing analysis leads us to believe that each successive month of the Covid-19 pandemic will create additional risk of decreasing rent collections (see Covid-19 Impact – Cash Inflows below).

While Adventus faces the risk of decreasing rent collections during the remaining period of Covid-19, it is critical that Adventus be capable of raising sufficient Equity or Debt financing in order to provide the necessary Cash Inflows to satisfy all of our Cash Outflows, including Cash Distributions. In this regard, we are working proactively to achieve sufficient Equity and/or Debt financing, to secure refinancing of some of our properties, all in an effort to fund our various Cash Outflows.

Due to lending requirements and market constraints, it is also critical that we maintain our Debt level at a sustainable balance compared to Asset levels and accordingly, there is a limit in terms of the total Debt funding which can be introduced into our business from a Cash Inflow perspective. This is effectively an additional constraint on our Cash Inflows.

This is a simple background to our business and should not be construed to be overly negative. Prior to Covid-19 occurring, we had budgeted for the anticipated costs to be incurred this year and next. The change effected by Covid-19 is to our sources of Cash Inflows. The take-away is that keeping our rental receipts at relatively high levels is not enough to manage through the issues created by the Covid-19 pandemic – we must take into account the impact on all of our sources of Cash Inflows and manage accordingly.

Covid-19 Impact – Cash Inflows:

The table below summarizes our Stress Test results, actual rent collections received to date, and revised estimate of rent collections for each respective month:

	April 2020	May 2020	June 2020
Rent Collections – Original Stress Test (1)	93%	85%	85%
Rent Collections – Actual to Date (2)	98%	96%	30%
Rent Collections – Final Estimate	98%	97%	--

(1) As communicated in our April 14, 2020 News Release and April 23, 2020 Investor Conference Call
(2) As of May 29, 2020

For illustrative purposes, a 15% decline in Rent Collections would reduce our monthly rental receipts by approximately $1.25 million, equivalent to 72% of our gross monthly distributions (based on our current number of units outstanding and most recent monthly distribution rate of $0.0875 per unit).

Management is currently working with each affected tenant on a case by case basis to determine if rent deferral or relief is appropriate or whether rent obligations under the current circumstances represent a significant challenge to the tenant's ongoing viability.

While it is encouraging that we have received, or expect to receive, approximately 98% and 97% of April and May rent collections, respectively, the immediate future is quite uncertain. It is unclear whether April and May rent collections will be indicative of June and subsequent rent collections throughout the term of this pandemic environment. Management continues with its comprehensive review of tenant rents to evaluate how changes in market conditions could adversely impact the Trust.

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We remain confident in our ability to refinance existing mortgages and convertible debentures at or before their stated maturity as part of the normal course of our business. However, due to the current economic environment, the ability to refinance existing debt, raise new debt and source new equity proceeds remains highly uncertain and capital markets are, in essence, closed for asset sales.

We are managing the Trust conservatively and proactively to confront the impacts of the pandemic.

<u>Covid-19 Impact – Cash Outflows:</u>

As the Covid-19 pandemic limits our ability to access capital, we are dependent on rental receipts to fund our Cash Outflow obligations for the immediate future until the debt and equity markets commence operating again. We are focused on reducing our Cash Outflows to the greatest extent possible while protecting and preserving unitholder value.

We are working closely with our Property Management teams to reduce costs while maintaining the safety and integrity of each asset, as follows:

1. *Operating Expenditures, Maintenance Capital Expenditures, and Normal Renewal Leasing Costs*

   All non-essential expenditures have been deferred into 2021.

2. *Investing in New Leases and Property Acquisitions*

   With respect to leasing activity, our focus is to secure tenants with leases that expire in the next twelve months and where possible, and without jeopardizing any tenant relationships, delay any requests for renewals with expiries beyond twelve months until later this year. We are currently working on 22 lease transactions, including 18 renewals and 4 new deals which were under negotiation prior to Covid-19. As noted in Section 3 – Key Business Updates, we remain committed to the Major Portfolio Renewals which includes the significant upfront capital costs associated with those lease deals.

   New Property Acquisitions are currently on hold until economic conditions improve, and markets have become more stable. As previously announced, the Board determined that the prudent course of action was to terminate the Purchase and Sale Agreement ("PSA") and to forego the intended acquisition of the Trust's intended first property in Dallas, Texas (see Section 3 – Key Business Updates). The Trust will re-evaluate property acquisitions to ensure continued accretive portfolio growth, subject to the availability of capital.

3. *Overhead*

   Management have taken a proactive approach to managing overhead costs and are exploring all government assistance programs in both Canada and the US which may be applicable to Adventus, including the corporate tax payment deferral and small business wage subsidy potentially available to Adventus Capital Partners Ltd. (our management company and wholly owned subsidiary of Adventus Realty Trust). Typically, smaller REITs operate with an overhead equal to 0.80% to 1.00% of their asset value[1]. As illustrated in the table below, Adventus continues to operate with significantly lower overhead as compared to its peers.

	Year Ended		Three Months Ended
(000's $)	**31-Dec-18**	**31-Dec-19**	**31-Mar-20**
General and administrative fees	2,569	2,896	745
Legal and professional fees	688	1,486	226
Total Overhead	3,257	4,382	971
Total Overhead (Annualized)	3,257	4,382	3,884
Total Assets	762,358	934,535	942,816
Overhead as % of Total Assets	0.43%	0.47%	0.41%

[1] Source: "Finding Value in Small and Midsize REITs" – Green Street Advisors, LLC – February 7, 2018

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4. *Debt Servicing Costs*

We continue to meet all obligations with respect to our current debt structure and will maintain our Debt level at a sustainable balance compared to Asset levels. Furthermore, the recent market volatility and falling interest rates may provide the Trust with an opportunity to refinance certain mortgages at lower interest rates, thereby increasing cash flow available to Adventus.

5. *Distributions*

Notwithstanding our best efforts to mitigate costs and capital obligations in the near term, 2020 remains a capital intensive year due to the Major Portfolio Renewals. Accordingly, on April 9, 2020, the Board authorized the immediate temporary suspension of the Trust's monthly distributions until further notice (see Section 3 – Key Business Updates).

The Board will continue to evaluate the Trust's performance in order to assess the Trust's distribution policy on a monthly basis. In order to reinstate distributions, we will need to determine that all of our necessary Cash Inflows are available to us and that we have sufficient resources to fund our anticipated Cash Outflows over and above distributions.

Section 3 – Key Business Updates

As the Covid-19 pandemic continues to expand, we are closely monitoring all aspects of our business and we will be providing regular updates going forward until this situation is resolved or normalized. Our management team and our Board are in close communication in order to oversee all of the issues arising from the pandemic.

First and foremost, our priority continues to be the health and well-being of our tenants and their employees, our Property Management and Leasing teams across our portfolio, and our own employees.

For a comprehensive summary of our business continuity plan, please refer to our Report to Unitholders for the year ended December 31, 2019, distributed to investors on April 3, 2020 and available on our website.

Monitoring Liquidity

Adventus continues to monitor the portfolio and all our financial obligations to ensure the financial strength of the Trust, including monitoring of liquidity.

As at March 31, 2020, the Trust had current assets of $43.2 million, including $7.7 million in cash, and current liabilities of $133.9 million, including a $46.5 million mortgage payable on Highland Landmark V maturing November 1, 2020, and $34.4 million convertible debentures maturing during in November and December 2020, resulting in a working capital deficiency of $90.7 million. While these are significant amounts, the Trust plans to remediate the working capital deficiency, in part, by:

- i) refinancing the $46.5 million mortgage payable on Highland Landmark V, in the normal course of our business;
- ii) refinancing $34.4 million convertible debentures coming due within the next twelve months at or before the stated maturity, and management has already initiated conversations with the majority of the debt holders;
- iii) accessing up to $20 million in additional proceeds through refinancing Highland Landmark V, 1600 Parkwood and Milton Park, at interest rates at or below our current weighted-average mortgage interest rate of 4.7%; and
- iv) utilizing restricted cash available to the Trust for certain leasing costs included in accounts payable and accrued liabilities at March 31, 2020.

While the full economic impact and duration of Covid-19 remains uncertain, we will continue to take steps to improve our liquidity and financial strength.

Major Portfolio Lease Renewals

As previously announced, the Trust has completed three significant early lease renewals. These leases total over 500,000 square feet, representing approximately 11% of the Trust portfolio by area and 18% of the portfolio by net operating income.

These lease renewals have been effected at higher rental rates, creating significant accretion in value to the Trust's portfolio. While these early lease renewals should result in increased appraisal values for the respective properties involved, they do require the Trust to fund significant tenant improvements and other capital upgrades. In addition to leasing costs to be incurred for regular renewal leasing activities, over the next twelve months the Trust has budgeted to incur approximately $20 million in up-front capital expenditures relating to these long-term early renewal leases.

We remain committed to fulfilling the up-front capital expenditures related to these significant lease renewals. Each tenant continues to meet all of their rental obligations and we do not expect the economic impact of Covid-19 to have a long-term impact on the viability of the respective tenant's businesses.

The Trust expects to fund these up-front capital expenditures by utilizing existing reserves of $12.4 million, recorded as restricted cash on the Trust's consolidated statement of financial position, and proceeds from refinancing certain investment properties in 2020 (see Monitoring Liquidity in this Section, above).

The Trust expects there to be more opportunities to execute long-term early renewal leases for other primary tenants and will evaluate these opportunities on a case by case basis, subject to available liquidity.

Temporary Suspension of Distributions

On April 9, 2020, the Board authorized the temporary suspension of all monthly distributions until further notice. In considering this change to our distribution policy, the Board took into consideration the Trust's financial condition, liquidity, potential impacts of Covid-19 on our business, preservation of our assets and securing the long-term viability of the Trust.

Termination of Purchase and Sale Agreement for Dallas Target

In consideration of the current economic environment and unknown effects of Covid-19, the Board determined that the prudent course of action was to terminate the previously announced Purchase and Sale Agreement ("PSA") and to forgo the intended acquisition of the Trust's intended first property in Dallas, Texas. Under the terms of the PSA, deposits of US$6.0 million were forfeited and these costs were written off to expense during this quarter.

When economic conditions improve and markets have become more stable, the Trust will re-evaluate property acquisitions to ensure continued accretive portfolio growth, subject to the availability of capital.

Enhanced Communication

Adventus will continue to provide enhanced regular investor communications, including our monthly rent collection updates, along with our regular quarterly reporting during this tumultuous period. We would like to assure our unitholders that we are doing our best to minimize the impact on our business.

We want to thank all our investors, stakeholders and partners for your support through this unprecedented time.

Section 4 – Forward Strategy

For 2020, our immediate focus is on managing our business throughout the developing COVID-19 pandemic. Our priority is the well-being of all stakeholders, including our tenants and their employees, our Property Management and Leasing teams across our portfolio and our employees. We are also taking all necessary steps to protect our assets and our business. We will continue to monitor the situation, while minimizing the impact on our business.

While we navigate this period of economic uncertainty, we will continue to manage and operate our portfolio of office buildings to maintain and hopefully increase our cash flow. Furthermore, the recent market volatility and falling interest rates may provide the Trust with an opportunity to refinance certain mortgages at lower interest rates, thereby increasing cash flow available to Adventus.

When economic conditions improve, management intends to recommence property acquisitions subject to the availability of capital. We are committed to raising additional capital in order to grow our portfolio to reach critical mass scale. In this regard, we plan to increase our footprint in Atlanta to approximately 2.5 million square feet (currently at 1.4 million square feet) and initiate additional property acquisitions in our third geographic market, Dallas, Texas, while maintaining our current size in Chicago of 3.2 million square feet. Subject to market conditions after the conclusion of Covid-19, we desire to grow the overall portfolio to 8.0 million square feet by the end of 2022.

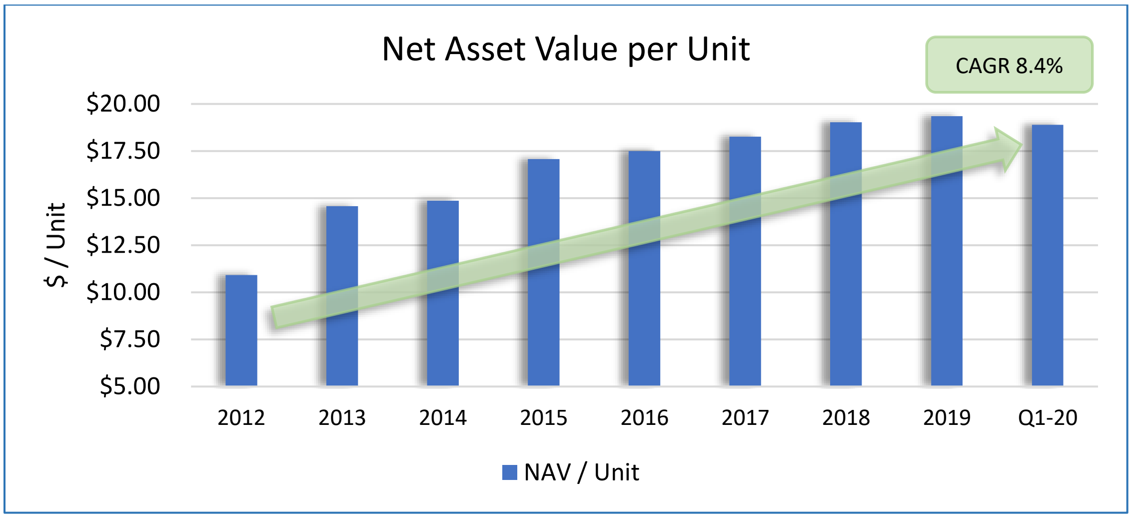
Subject to resolution of the current Covid-19 pandemic, we intend to continue to focus on profitable growth to build the Trust to a sufficient size in order to pursue a successful liquidity event. We are actively considering all possible means of providing such liquidity. During the current pandemic, we are proactively managing the business in order to preserve unitholder value.

Section 5 - Financial and Operational Highlights

Financial and Operational Performance

Our NAV decreased to $18.89 per unit as of March 31, 2020, compared to $19.35 per unit at December 31, 2019 and $18.76 per unit at September 30, 2019 (immediately following the Merger and Management Internalization). The decrease in NAV per unit is primarily due to aborted acquisition costs of $6.0 million after terminating the Purchase and Sale Agreement to acquire a property in Dallas, Texas (see Section 3 – Key Business Updates), and the dilutive nature of equity proceeds raised during the three months ended March 31, 2020 related to this acquisition.

Notwithstanding the reduction in NAV at March 31, 2020 compared to December 31, 2019, NAV per unit has increased each year since inception at a cumulative annual growth rate (CAGR) of 8.4%, excluding our tax deferred annual distributions which have averaged approximately 7.2% per year since 2012.

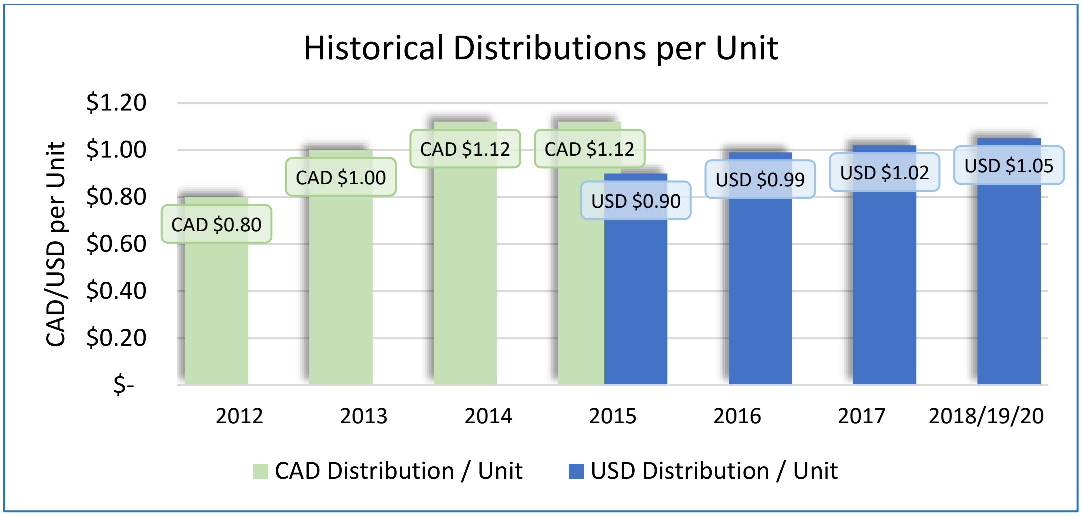


While the economic uncertainly of Covid-19 may have an adverse effect on our ability to grow NAV in the near term, we continue to manage the Trust with a focus on profitability and cash flow generation, with the goal of protecting unitholder value.

	Three Months Ended		
	31-Mar-20	31-Mar-20	
(000's $, except per unit amounts)	Actual	Budget	% Change
Rental and services revenues	**27,027**	**26,495**	**2%**
Net operating income (NOI)	**12,638**	**12,901**	**-2%**
Funds From Operations (FFO)	**5,720**	**6,043**	**-5%**
Weighted-average units outstanding (000's)	**19,348**	**18,944**	**2%**
NAV / Unit	**18.89**	**19.11**	**-1%**
NOI / Unit	**0.65**	**0.68**	**-4%**
FFO / Unit	**0.30**	**0.32**	**-7%**

Overall, the properties and our key performance metrics performed substantially in line with expectations based on 2020 budgeted amounts. NOI and FFO per unit metrics for the three months ended March 31, 2020 may not be indicative of future results, primarily due to the lease-up and timing for stabilized occupancy of certain properties. The Trust will incur significant capital and lease-up costs over the next several years arising from the early renewals of major tenants as more fully described in Section 3 – Major Portfolio Lease Renewals and these costs will cause swings in NOI and FFO measures, making comparison between periods difficult.

The chart below illustrates the increase in distribution per unit, in Canadian dollars and US dollars, since inception:



Due to the uncertain economic impact of Covid-19, on April 9, 2020, the Board authorized the immediate suspension of the Trust's monthly distributions until further notice (including the suspension of the March distribution which was previously announced as being payable in April 2020).

In considering this change to our distribution policy, the Board took into consideration the Trust's financial condition, liquidity, potential impacts of Covid-19 on our business, preservation of our assets and securing the long-term viability of the Trust.

The Board will continue to evaluate the Trust's performance and expects to assess the Trust's distribution policy on a monthly basis.

Equity Financing

For the three months ended March 31, 2020, the Trust raised gross cash proceeds of $12.7 million through non-brokered private placements of common equity units priced at $16.75 per unit.

US Tax Legislation

In 2018, new legislation introduced in the US by the Tax Cuts & Jobs Act has adversely impacted certain taxable deductions provided to Adventus Holdings LP (the US subsidiary REIT of Adventus Realty Trust) pertaining to interest expense deductions. Management expects to pay 2020 distributions on a tax deferred basis and is working closely with its US tax advisors for possible tax planning opportunities. However, no assurances can be provided that the Trust will continue to be able to pay distributions on a 100% tax deferred basis after 2020. For 2021 and going forward, it is possible that some portion of distributions will become taxable on a go-forward basis.

Website

The Trust's website hosts a log-in portal available to all unitholders to privately access certain confidential information, including historical Financial Statements, Reports to Unitholders, and Conference Call transcripts. The uniform log-in details are as follows:

Username: unitholder
Password: C4p1tal

The username and password are case sensitive. **In order to maintain the privacy of the financial reports, please do not share these log-in credentials.**

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Section 6 – Cash Flows and Distributions

Cash Flows

The Trust relies primarily on cash flows from operating activities in order to meet all of its obligations, namely to service its debt, fund capital expenditures and leasing costs, and make monthly trust unit distributions.

The following schedule details the changes in cash and cash equivalents for the three months ended March 31, 2020 and March 31, 2019:

(000's $)	**Three Months Ended**	
	31-Mar-20	**31-Mar-19**
Cashflow from Operating activities	2,290	7,526
Cashflow to Investing activities	(3,048)	(2,432)
Cashflow from (to) Financing activities	485	(4,614)
Net increase (decrease) in Cash and cash equivalents	**(273)**	**480**
Cash and cash equivalents, beginning of period	7,969	918
Cash and cash equivalents, end of period	**7,696**	**1,398**

For the three months ended March 31, 2020:

The change in cash flows from operating activities relates primarily to ongoing property operations through collecting rents receivable and making payments against outstanding accounts payable. Included in cashflow from operating activities for the three months ended March 31, 2020 are aborted acquisition fees of $6.0 million written off, relating to forfeited deposits on the Dallas, Texas property acquisition (see Section 3 – Key Business Updates).

The change in cash flows from investing activities relates primarily to increased costs incurred for tenant inducements, capital expenditures and a deposit for a property acquisition (see Section 8 – Subsequent Events).

The change in cash flows from financing activities relates primarily to proceeds associated with new equity capital raised and the issuance of promissory notes payable, partially offset by servicing of debt, repayment of mortgages payable and payment of monthly Trust unit distributions.

Distributions to Unitholders

In accordance with the disclosure expectations for distributions to unitholders presented in the Ontario Securities Commission ("OSC") Staff Notice 51-742, the following table provides a summary of distributions made relative to cash flow from operating activities, after interest paid, per the consolidated financial statements.

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(000's $)			Year Ended			Three Months Ended
	31-Dec-15	31-Dec-16	31-Dec-17	31-Dec-18	31-Dec-19	31-Mar-20
Cashflow from Operating activities	19,226	30,801	43,912	38,962	36,589	2,290
Less: Interest paid (included in Financing activities)	(8,078)	(14,261)	(23,864)	(22,962)	(23,939)	(6,755)
Cashflow from Operating activities, including interest paid	**11,148**	**16,540**	**20,048**	**16,000**	**12,650**	**(4,465)**
Distributions to Trust unitholders - for cash	(5,786)	(8,982)	(13,079)	(14,312)	(16,232)	(4,675)
Distributions to Trust unitholders - for units reinvested under DRIP	(211)	(2,094)	(1,119)	(1,202)	(1,121)	(392)
Cashflow from Operating activities, including interest paid, (less than) in excess of Distributions to Trust unitholders	**5,151**	**5,464**	**5,850**	**486**	**(4,703)**	**(9,532)**
Cumulative Cashflow since January 1, 2015 from Operating activities, including interest paid, in excess of Distributions to Trust unitholders	**5,151**	**10,615**	**16,465**	**16,951**	**12,248**	**2,716**

For illustrative purposes only, the above table highlights that since January 1, 2015, and on an accumulated basis, cash flow from operating activities, including interest paid has exceeded distributions to Trust unitholders.

For the three months ended March 31, 2020, and the year ended December 31, 2020, cash flow from operating activities, including interest paid, did not exceed distributions to Trust unitholders. The shortfall was the result of increased direct leasing costs for renewal leasing activities, which can vary significantly between periods, and an unfavorable change in working capital accounts, primarily increased contributions to restricted cash, which funds will be available to the Trust in future periods. For the three months ended March 31, 2020 the shortfall was further impacted by the write-off of the deposits on the aborted Dallas property acquisition.

Section 7 – Review of Financial Results

Results of Operations

(000's $)	Three Months 31-Mar-20 ($)	*Revenues (%)*	Three Months 31-Mar-19 ($)	*Revenues (%)*
Rental and services revenues	27,027	*100.0*	25,448	*100.0*
Amortization of tenant incentives	(953)	*(3.5)*	(1,002)	*(3.9)*
Operating expenses	(13,436)	*(49.7)*	(12,194)	*(47.9)*
Net operating income	**12,638**	*46.8*	**12,252**	*48.2*
Interest expense	(7,061)	*(26.1)*	(5,780)	*(22.7)*
Aborted acquisition costs	(6,000)	*(22.2)*	-	-
General and administrative	(745)	*(2.8)*	(400)	*(1.6)*
Legal and professional fees	(226)	*(0.8)*	(185)	*(0.7)*
Change in non-controlling interest	-	*0.0*	(33)	*(0.1)*
Net income (loss) before other items	**(1,394)**	*(5.1)*	**5,854**	*23.1*
Foreign exchange gain (loss) and other income (expenses)	1,996		(352)	
Fair value adjustment on investment properties	(4,205)		(1,061)	
Net income (loss) and comprehensive income (loss)	**(3,603)**		**4,441**	

Discussion of Components of Net Income and Comprehensive Income

Net Operating Income

Revenues consist of base rental revenue, operating and property tax costs recovered from tenants, sundry billings such as parking and antenna revenue which are ancillary to the Trust's business, and amortization of tenant incentives.

Operating expenses consist of both recoverable and non-recoverable costs, including administrative costs, property taxes, grounds maintenance, repairs and maintenance, and utilities.

For the three months ended March 31, 2020, rental and services revenues increased $1.6 million, compared with the prior year period, primarily due to contributions from Town Park Commons and 1600 Parkwood, acquired August 1, 2019 ($3.3 million), partially offset by lower rental revenue at Riverway of $1.4 million due to a planned vacancy. Management expects to release the vacant space following the 2020 relocation of the primary tenant, US Foods (see Section 3 - Major Lease Renewals).

For the three months ended March 31, 2020, operating expenses increased $1.2 million, compared to the prior year period, primarily due to incremental expenses from Town Park Commons and 1600 Parkwood, acquired August 1, 2019.

As a result of the above, net operating income increased $0.4 million for the three months ended March 31, 2020, as compared to the prior year period.

Interest Expense

For the three months ended March 31, 2020, interest expense increased $1.3 million compared with the prior year period, primarily due interest costs related to the mortgages payable for Town Park Commons and 1600 Parkwood, acquired August 1, 2019 ($0.7 million), and an increase of $0.3 million in interest on an additional $23 million of 8% convertible debentures issued and outstanding during the current year period

General and Administrative Fees

For the three months ended March 31, 2020, general and administrative fees and legal/professional fees increased $0.4 million primarily due to an increase in overhead costs incurred by the Trust in conjunction with the internalization of management and acquisition of Adventus Capital Partners Ltd. on August 1, 2019.

Foreign Exchange Gain (Loss) and Other Income (Expenses)

For the three months ended March 31, 2020, foreign exchange gain (loss) and other income (expenses) was $2.0 million, primarily due to a weakened Canadian dollar and the related foreign exchange impact on our Canadian dollar denominated convertible debentures.

Fair Value Adjustments

The fair value adjustment relates to the net adjustment required to bring the investment property balances to the fair values as assessed by independent appraisals. The investment properties were most recently appraised as of December 31, 2019, except for the Milton Park property which was appraised by management at March 31, 2020 to reflect the executed early renewal of its primary tenant in March 2020 (see Section 3 – Major Lease Renewals). The table below summaries each component of the fair value adjustment of investment properties:

(000's $)	**Three Months Ended**	
	31-Mar-20	**31-Mar-19**
Recognition of rental revenue on a straight-line basis	(512)	(551)
Other capitalized costs, including leasing commissions, tenant incentives and capital improvements	(11,646)	(1,512)
Amortization of capitalized costs	953	1,002
Increase in Milton Park appraised value	7,000	-
Fair value adjustment on investment properties	**(4,205)**	**(1,061)**

Net Operating Income ("NOI"), and Funds from Operations ("FFO")

NOI and FFO are a supplemental non-IFRS measure of operating performance widely used in the Canadian real estate industry. FFO is not defined under IFRS and should not be used as a substitute to net income, cash flow from operations, or any other operating or liquidity measure prescribed under IFRS. The Trust calculates FFO as described under the "Non-IFRS Financial Measures" in Appendix A.

Net income and comprehensive income is reconciled to FFO as follows:

(000's $, except per unit amounts)	Three Months Ended	
	31-Mar-20	**31-Mar-19**
Net income (loss) and comprehensive income (loss)	**(3,603)**	**4,441**
Add (deduct):		
Amortization of tenant incentives	953	1,002
Foreign exchange	(1,996)	352
Changes in fair value of investment properties	4,205	1,061
Aborted transaction costs	6,000	-
Changes in fair value of unit options payable, and long-term incentive plan	163	72
Non-controlling interest's share of adjustments to FFO	(2)	(6)
Funds From Operations (FFO)	**5,720**	**6,922**
Net Operating Income (NOI)	**12,638**	**12,252**
Weighted-average units outstanding (000's)	19,348	15,341
NOI / Unit	**0.65**	**0.80**
FFO / Unit	**0.30**	**0.45**

For the three months ended March 31, 2020, NOI increased $0.4 million and FFO decreased $1.2 million, as compared to the prior year period. The increase in NOI is discussed above, see "Discussion of Components of Net Income and Comprehensive Income." The decrease in FFO is primarily due to an increase in interest expense on two additional mortgages payable (discussed above) and on additional convertible debentures outstanding during the year.

On a per unit basis, NOI and FFO decreased $0.15 per unit and $0.15 per unit, respectively, as compared to the prior year period. The decrease on a per unit basis is primarily due to the dilutive nature of the 3.0 million units issued to acquire Adventus Opportunity Fund and Adventus Capital Partners Ltd, on August 1, 2019, and the 1.3 million units issued at $16.75 per unit in 2019 and 2020 to acquire the Dallas, Texas property, where the Purchase and Sale Agreement was terminated (see Section 3 – Key Business updates).

Adjusted Funds from Operations ("AFFO")

Consistent with the Forward Strategy outlined in Section 4, the Trust has determined the best course of action is to protect long-term value, while focusing on liquidity and cash preservation. In particular, the Trust has taken advantage of the opportunity to secure several primary tenants on long-term early renewal leases across its portfolio (see Section 3 – Major Portfolio Lease Renewals). The Trust expects there to be more opportunities to execute long-term early renewal leases for other primary tenants.

Fundamentally, investing in office space requires a long-term outlook. Office leases tend to be long term and require significant upfront capital expenditures. Given the significant leasing costs incurred in the current period and leasing costs to be incurred in future periods associated with these long-term early renewal leases, it is becoming more difficult to provide a calculation of AFFO consistent with our prior periods. Accordingly, the Trust has discontinued presenting AFFO in its Report to Unitholders and public disclosures and is of the view that net asset value is a more relevant metric. This disclosure is consistent with other public reporting commercial REITs, such as the Dream Group of REITs.

Prior to 2019, the Trust had included AFFO, a non-IFRS financial measure, as part of the Report to Unitholders as management previously was of the view that it provided an important additional measure of the Trust's operating performance. AFFO is not defined by IFRS, does not have a standardized meaning and may not be comparable with similar measures presented by other real estate investment trusts. For unitholders that continue to use AFFO to evaluate the performance of the Trust, we continue to disclose in our financial statements and Report to Unitholders relevant information, including leasing costs and payment for capital improvements, to enable unitholders to make their own estimates of AFFO.

Review of Financial Position

(000's $)	**31-Mar-20**	**31-Dec-19**
Assets		
Investment properties	889,200	882,200
Goodwill	10,392	10,392
Non-current assets	**899,592**	**892,592**
Other assets	4,891	2,772
Restricted cash	30,637	31,202
Cash and cash equivalents	7,696	7,969
Current assets	**43,224**	**41,943**
Total assets	**942,816**	**934,535**
Liabilities		
Mortgages payable	424,952	426,554
Convertible debentures	10,626	11,479
Non-controlling interest	250	250
Other non-current liabilities	504	478
Non-current liabilities	**436,332**	**438,761**
Mortgages payable - current portion	6,700	6,573
Mortgages payable - maturing	46,540	46,540
Convertible debentures - current portion	34,390	35,370
Promissory notes payable	2,000	-
Accounts payable and other liabilities	44,304	40,755
Current liabilities	**133,934**	**129,238**
Total liabilities	**570,266**	**567,999**
Unitholders' equity	**372,550**	**366,536**
Total liabilities and unitholders' equity	**942,816**	**934,535**

Discussion of Components of Financial Position

Working Capital Deficiency

As at March 31, 2020, the Trust had current assets of $43.2 million, including $7.7 million in cash, and current liabilities of $133.9 million, including a $46.5 million mortgage payable on Highland Landmark V maturing November 1, 2020, and $34.4 million convertible debentures maturing during in December 2020, resulting in a working capital deficiency of $90.7 million. The Trust plans to remediate the working capital deficiency, in part, by:

i) refinancing the $46.5 million mortgage payable on Highland Landmark V, as part of our normal course of business;
ii) refinancing $34.4 million of the convertible debentures coming due within the next twelve months at or before the stated maturity, of which management have already initiated conversation with the debt holders;
iii) accessing up to $20 million in additional proceeds through refinancing Highland Landmark V, 1600 Parkwood and Milton Park, at interest rates at or below our weighted-average mortgage interest rate of 4.7%; and
iv) utilizing restricted cash available to the Trust for certain leasing costs currently included in accounts payable and accrued liabilities at March 31, 2020.

Investment Properties

The investment properties balance for all properties are recorded at their most recent independent appraised fair value, obtained as of December 31, 2019, except for the Milton Park property which was appraised by management at March 31, 2020 to reflect the executed early lease renewal of its primary tenant in March 2020 (see Section 3 – Major Lease Renewals).

The following is a summary of the balance by geographic location:

Property	Gross Leasable Area (SF)	(%)	Appraised / Fair Value ($M)	(%)	Value / SF ($)
Chicago	3,196,227	70.3%	$569.5	64.0%	$178
Atlanta	1,350,934	29.7%	$319.7	36.0%	$237
Total - Investment properties, March 31, 2020	**4,547,161**	**100.0%**	**$889.2**	**100.0%**	**$196**

Goodwill

On August 1, 2019, the Trust completed the internalization of management and acquisition of ACP. For accounting purposes, the acquisition by the Trust constituted the acquisition of a business, with assets and liabilities being recorded on August 1, 2019 based on estimates of fair value. The acquisition of ACP results in the Trust having a simplified investment structure, which aligns the Trust with the capital markets' preference for internally managed REITs. Management expects this to increase the Trust's ability to raise capital, and this acquisition will ultimately reduce certain overhead costs and other reporting requirements. The Trust also acquired the management contracts related to investment properties held by ACP. As a result of the acquisition of ACP, the Trust recorded goodwill totaling $10.4 million.

Other Assets

Other assets consist of prepaid expenses and accounts receivable. Other assets at March 31, 2020 increased $2.1 million compared to December 31, 2019, primarily due to prepaid real estate taxes at certain Chicago properties.

Cash and Cash Equivalents and Restricted Cash

Cash and cash equivalents at March 31, 2020 has decreased $0.3 million compared with the balance at December 31, 2019, primarily due to:

- cash generated through operating activities of $2.3 million;
- less cash used for investing activities of $3.1 million; and
- cash generated from financing activities of $0.5 million.

Restricted cash represents amounts withheld by our mortgage lenders in reserve for the payment of insurance, property taxes, future tenant improvements, leasing commissions, and capital expenditures. The Trust is contractually required to set funds aside each month to cover these costs. Qualifying expenditures that are made in respect of these amounts can be subsequently recovered from the reserve fund typically three to six months after the costs are incurred. Restricted cash decreased $0.6 million during the period primarily due to reimbursements for real estate property taxes and tenant improvements, offset by regular lender reserve contributions for all properties.

Mortgages Payable

Mortgages payable at March 31, 2020 decreased $1.5 million compared to December 31, 2019, primarily due to scheduled principal repayments.

Convertible Debentures

Convertible debentures at March 31, 2020 decreased $1.8 million compared to December 31, 2019, primarily due to a weakened Canadian dollar and the related foreign exchange impact on our Canadian dollar denominated convertible debentures.

Promissory Notes

During the three months ending March 31, 2020, the Trust issued two $1.0 million 12% promissory notes with maturity dates of August and September 2020, respectively. Proceeds of the promissory notes were to be used to acquire the previously announced Dallas, Texas property.

On April 9, 2020, the Trust announced the termination of the Purchase and Sale Agreement to acquire its first property in Dallas, Texas (see Section 8 – Subsequent Events).

Accounts Payable and Other Liabilities (current and non-current)

Accounts payable and other liabilities is comprised of accounts payable and accrued liabilities, prepaid rent, unit options payable, and preferred units. Accounts payable and other liabilities at March 31, 2020 increased $3.5 million compared with the balance at December 31, 2019, primarily due to accrued leasing costs for the early renewal of the primary tenant at Milton Park (see Section 3 – Major Lease Renewals) of $8.6 million, partially offset by a reduction in Trust distributions payable $1.7 million (see Section 8 – Subsequent Events), and other working capital movements across the portfolio.

Unitholders' Equity

For the three months ended March 31, 2020, unitholders' equity increased $6.0 million compared with the balance at December 31, 2019, primarily due to:

- issuance of approximately 0.8 million units at prices of $16.75 per unit for net proceeds of approximately $12.5 million;
- unit based compensation costs of $0.1 million;
- less net loss and comprehensive loss of $3.6 million; and
- distributions declared to Trust unitholders of $3.0 million (net of units issued under the DRIP).

Section 8 – Subsequent Events

The Trust has been closely monitoring the developing Covid-19 situation and is carefully considering its capital allocation strategy given the potential business impacts. In order to focus on liquidity and cash flow management, and reduce its overall portfolio risk, the Trust announced the temporary suspension of its monthly distributions until further notice, effective March 2020.

Appendix A

Non-IFRS Financial Measures

The Trust has included certain non-IFRS financial measures, in addition to conventional measures prepared with IFRS, which management believe are important in evaluating the Trust's underlying operating performance and ability to generate cash flows. They do not have standardized meanings and may not be comparable to measures used by other issuers in the real estate industry. The non-IFRS financial measures included in this Report to Unitholders are as follows:

Net Operating Income (NOI)

NOI is defined by the Trust as the total investment property revenue less investment property operating expenses. Management considers NOI to be a comparable performance metric to EBITDA. NOI excludes interest expense, fair value adjustment on investment properties, foreign exchange gain or loss, and corporate overhead (foreign exchange gain or loss and corporate overhead are generally included in EBITDA).

Funds from Operations (FFO)

Management believes FFO is an important and commonly acceptable measure of operating performance for the commercial real estate industry, however, it is not a defined measure under IFRS.

The Trust calculates FFO in accordance with the Real Property Association of Canada ("REALpac") White Paper on FFO for IFRS which was revised February 2017. Specifically, FFO is calculated as net income and comprehensive income, in accordance with IFRS, adjusted for cash and non-cash items including: amortization of capitalized leasing costs; fair value adjustments to investment properties; foreign exchange gain or losses; non-controlling interest; changes in fair value of unit options payable, and certain non-operational and non-reoccurring corporate costs.

Adjusted Funds from Operations ("AFFO")

Consistent with the Forward Strategy outlined in Section 4, the Trust has determined the best course of action is to maintain long-term value creation and NAV accretion, while focusing on liquidity and cash preservation. In particular, the Trust has taken advantage of the opportunity to secure several primary tenants on long-term early renewal leases across its portfolio (see Section 3 – Major Portfolio Lease Renewals). The Trust expects there to be more opportunities to execute long-term early renewal leases for other primary tenants.

Fundamentally, investing in office space requires a long-term outlook. Office leases tend to be long term and require significant upfront capital expenditures. Given the significant leasing costs incurred in the current period and leasing costs to be incurred in future periods associated with these long-term early renewal leases, it is becoming more difficult to provide a calculation of AFFO consistent with our prior periods. Accordingly, the Trust has discontinued presenting AFFO in its Report to Unitholders and public disclosures and is of the view that net asset value is a more relevant metric. This disclosure is consistent with other public reporting commercial REITs, such as the Dream Group of REITs.

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