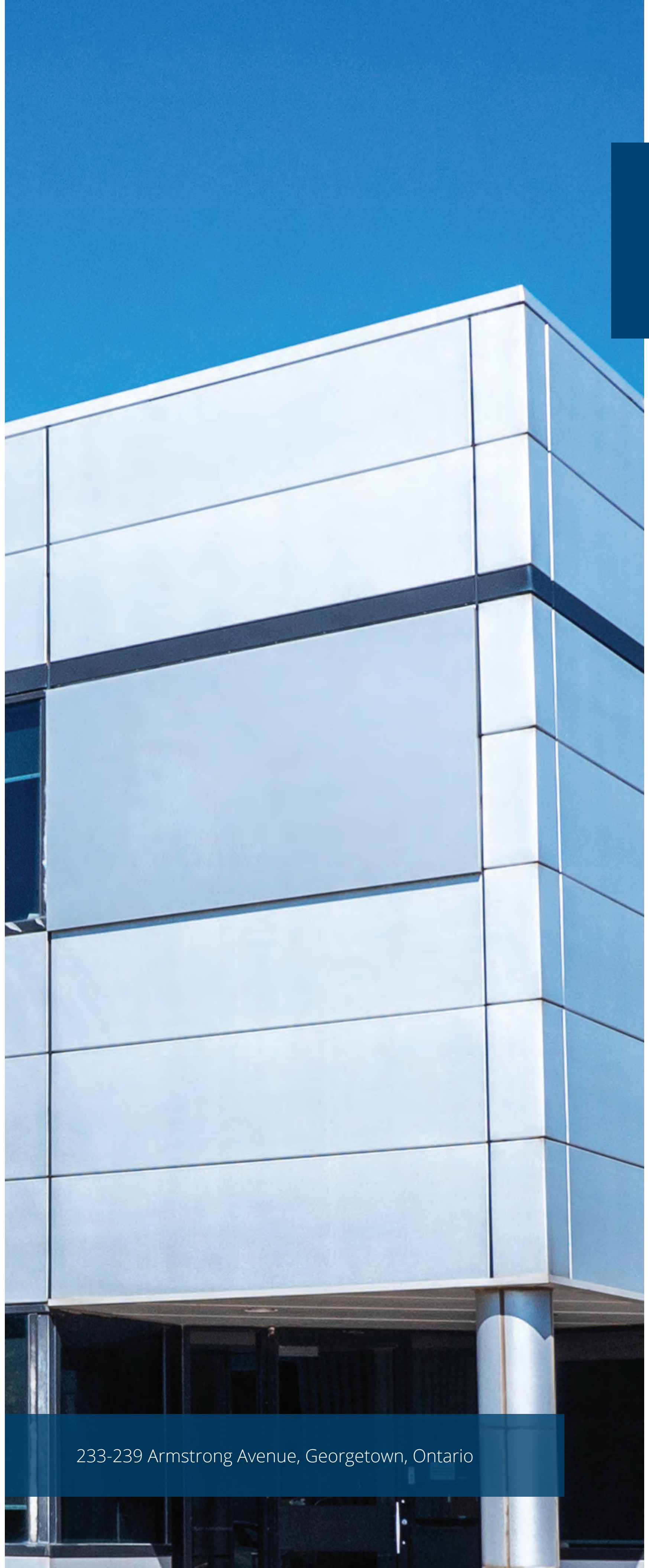
780 Wilson Avenue, Kitchener, Ontario

SKYLINE

SKYLINE COMMERCIAL REIT 2019

ANNUAL REPORT TO UNITHOLDERS, DECEMBER 31 2019



233-239 Armstrong Avenue, Georgetown, Ontario

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OVERVIEW

$800 MM	**6.5 MM**	**86.60%**
Fair Value of Investment Properties (5.7% increase)	Gross Leasable Area (Sq.Ft)	Forward FFO Payout Ratio
$13.75	**$0.90**	**6.55%**
Current Unit Value (As at April 30, 2020)	Annual Distribution per Unit (As at April 30, 2020)	Annual Distribution Yield (As at April 30, 2020)
23.73%	**15.78%**	**13.20%**
Annualized Return 1 yr (As at April 30, 2020)	Annualized Return 5 yr (As at April 30, 2020)	Annualized Return Since Inception (As at April 30, 2020)

55 Fleming Drive, Cambridge, Ontario

AWARDS

Best Managed Companies - Gold Standard Winner 2019

Sponsored by Deloitte, CIBC, Canadian Business, Smith School of Business, TMX, and MacKay CEO Forums, Canada's Best Managed Companies program measures more than financial performance. Applicants are assessed by a panel of judges made up of the program sponsors. Emphasis is placed on people, culture, overall business performance, innovation, and sustained growth.

FRPO 2019 MAC Awards - Winner, Environmental Excellence

Skyline accepted top recognition in the category of Environmental Excellence, recognizing a rental housing provider who has demonstrated excellence in environmental practices. Skyline also received a Top-3 nomination in two other categories: Property Manager of the Year and Community Service Award of Excellence.

Growth 500 - Winner, 2019

Skyline Group of Companies ranked No. 332 on the 30th annual Growth 500, the definitive ranking of Canada's Fastest-Growing Companies. Produced by Canadian Business publication, the Growth 500 has been Canada's most respectable and influential ranking of entrepreneurial achievement.

Globe and Mail's Canada's Top Growing Companies

Skyline Group of Companies ranked no. 369 on the inaugural The Globe and Mail Report on Business ranking of Canada's Top Growing Companies. The Canada's Top Growing Companies ranking program aims to celebrate entrepreneurial achievement in Canada by identifying and amplifying the success of growth-minded, independent businesses in Canada.

Our Purpose

We exist to create meaningful value and an exceptional experience for each of our stakeholders, and to develop strong, supportive communities.

Our Values

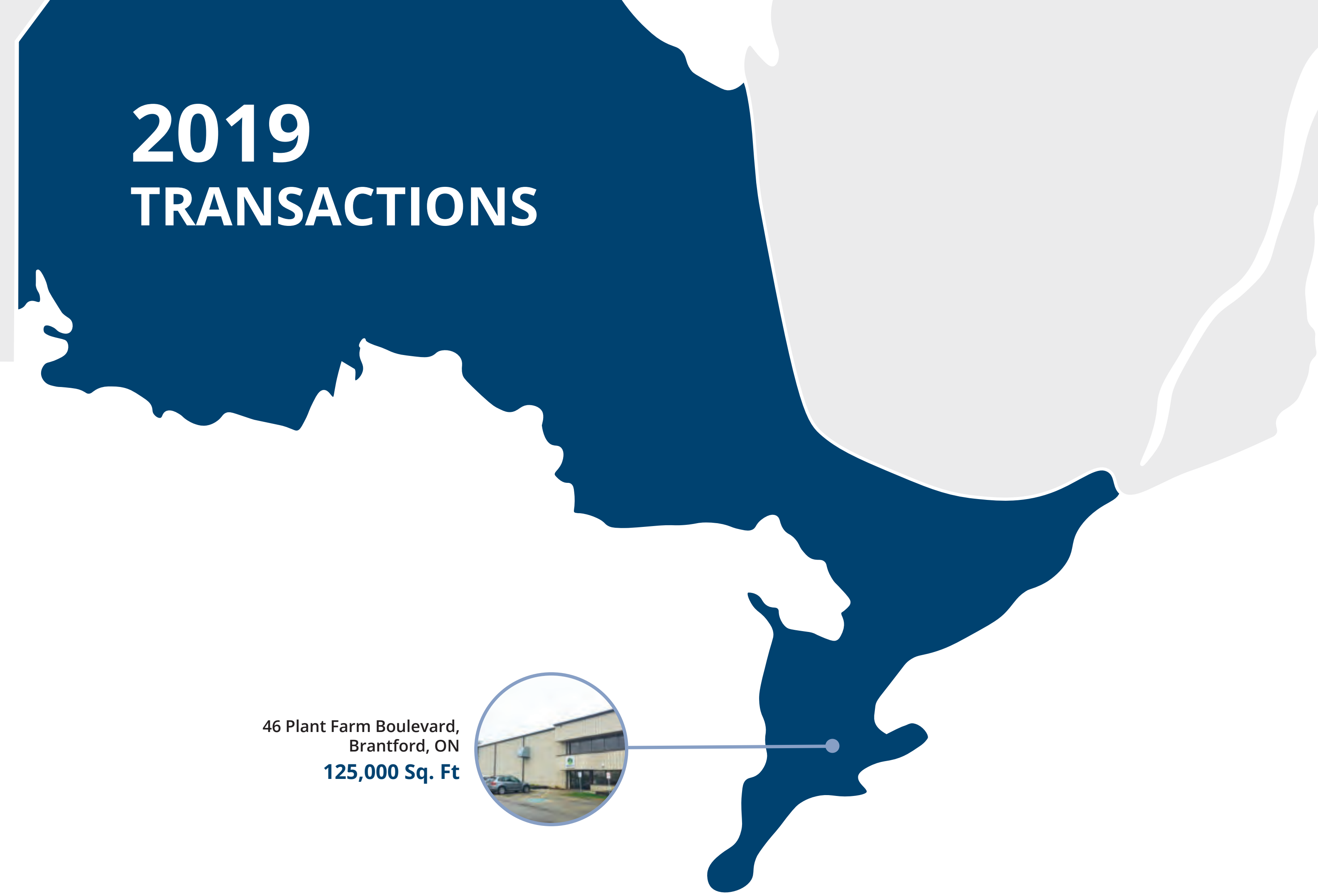
Professionalism
Respect
Integrity
Drive
Efficiency

Our Mission

We bring passion, energy, and determination to make a positive impact with every interaction.

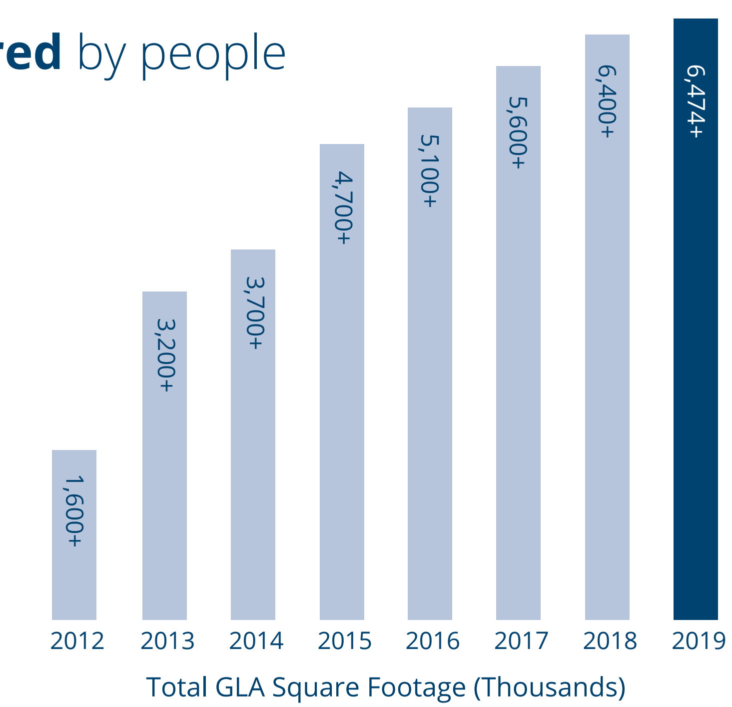
1100 Gorham Street, Newmarket, Ontario

2019 TRANSACTIONS



Grounded in real estate, **powered** by people and **growing** for the future...

Skyline Commercial REIT is a geographically diverse REIT portfolio focusing on light industrial commercial spaces in population-dense business corridors.



Our engagement and enthusiasm stems from our confidence that we have the best people in the industry helping us create and improve our systems, protocols, and sub-strategies to optimize revenue generation and growth.

From left to right: **Martin Castellan,** Co-Founder & Chief Administrative Officer; **Jason Castellan,** Co-Founder & Chief Executive Officer; **R. Jason Ashdown,** Co-Founder & Chief Sustainability Officer; **Wayne Byrd,** Chief Financial Officer.

ADDRESS TO UNITHOLDERS

With yet another year behind us, and 2020 ahead, we are approaching our 15th Annual General Meeting as a business offering a REIT investment product. Further, it has now been more than 20 years since our first Syndication that was formed to hold a 15-unit apartment building, and more than 28 years since our rental business was first developed. That translates into approximately 340 months; or, as we call it, 340 rent cycles and bill payments. Although we have adapted and evolved our business over the years, our fundamentals have remained intact through all 340 months. To be clear, this does not translate to the idea that our work is monotonous. Our engagement and enthusiasm stems from our confidence that we have the best people in the industry helping us create and improve our systems, protocols, and sub-strategies to optimize revenue generation and growth. Maintaining the balance of minimizing our expenses and maintaining our assets for longevity is a challenge to which we rise every day.

For Skyline Apartment REIT, Skyline Commercial REIT, and Skyline Retail REIT, 2019 brought continuous improvement on the quality of assets within each portfolio through new acquisitions, strategic dispositions, and, in the case of the Skyline Apartment REIT, new build development. By selling assets at a premium to what we considered market value, and subsequently redeploying the capital for the benefit of each REIT, we saw stronger performance across each portfolio. However, growth is our mandate, and with interest rates at (yet again) historic lows, we have been able to add value to the REIT portfolios and thus improve the payout ratios to our investors. This strategy provides us with the ability to make decisions from a position of strength at all times.

This year also brought a distinct learning opportunity in that the historical stability and successful performance of the REITs made it difficult to raise capital for Skyline Mortgage Investment Trust (the "Trust"). In a low-interest rate environment, the REITs enjoy an advantageous position; at the same time, this environment hinders the ability to secure borrowers that are willing to pay interest rates that match our distribution payout levels. Taking this into consideration, along with the full taxation of the interest payments, the Trust was unable to effectively attract a meaningful level of investment. In late 2019, we began an orderly wind-up of the Trust, and all investors were subsequently paid out in full. We thank all investors who participated in Skyline Mortgage Investment Trust; although the investment was a success, it did not achieve an amount of growth at which we could continue to justify spending our resources.

In regard to Skyline Clean Energy Fund (the "Fund"), 2019 brought substantial growth, as an increasing number of investors sought alternative investment products that offer growth opportunities alongside sustainable, future-conscious practices. Skyline Clean Energy Fund's structure and management strategy allow the Fund to effectively offer each of these benefits.

While the assets within the Fund are backed with long-term government contracts, they also continue to benefit from the continuously improving technology in the clean energy sector. Through strategic adoption of this technology, where it provides the most value to the Fund, we have seen continuous improvement of the Fund's revenue streams. Additionally, we are seeing a global shift toward the decentralization of power production. In other words, there is a demand to move away from large centralized power generation facilities, and instead toward local energy production systems that offer more efficiency, customization, and control to the respective communities they serve. With Skyline Clean Energy Fund, Skyline is not only positioned to service the communities in which the Fund currently owns assets, but also in any community that uses power.

Since the Fund's performance depends on a resource that is virtually infinite—the sun—the growth opportunity for the Fund is effectually limitless, thus making it a bright opportunity for investors. By adopting the same general model and foundational strategies that we apply to the REITs (owning hard assets that produce monthly revenue), we can continuously optimize the Fund both for the short term and long term.

Overall, 2019 was a year of constant hard work that translated into improvement on a multitude of fronts: balance sheets, payout ratios, borrowing costs, and revenue generation, just to name a few. There was not a moment during the past year in which Skyline's operations companies or Funds sat idle; to the contrary, in 2019, the group of companies worked harder than ever before. Although we can look back with pride on a successful year, it is never an excuse to pause; we will continue to identify value-add opportunities, employ the strategies that allow us to flourish, and reshape those that do not. Our growth in 2019 has positioned us well to navigate 2020 with strength and fortitude.

Jason Castellan
Co-Founder, Chief Executive Officer & Trustee,
Skyline Commercial REIT.

PRESIDENT’S REPORT

Skyline Commercial REIT (“the REIT”) has completed another strong year and continues to enjoy both improving earnings per unit as well as further valuation growth of its portfolio. An investor holding units in December 2018 realized a remarkable 35.4% return over 2019 from a combination of distributions, unit value appreciation and dividend reinvestment, as at December 31, 2019.

The industrial sector continued to benefit from a confluence of market trends ranging from the growth of e-commerce and “last-mile” delivery requirements to the expanding frozen food sector and the evolving needs of third-party logistics operators. These factors have significantly increased demand for industrial product in most major and secondary markets. As a result, vacancy levels have been significantly reduced and rental rates have increased-both good developments for investors in the REIT.

The 2019 operating results of Skyline Commercial REIT demonstrate that the REIT continued to outperform, as funds from operations ("FFO") grew 9.5% to $1.04 per unit last year.

The 2019 operating results of Skyline Commercial REIT demonstrate that the REIT continued to outperform, as funds from operations ("FFO") grew 9.5% to $1.04 per unit last year (compared to $0.95 in 2018). This outcome was realized mostly through increased occupancy, a 5.4% increase in same-store rents, and the accretive impact of acquisitions such as the Congebec purchase in late 2018. As at December 31, 2019, the fair value of the Skyline Commercial REIT portfolio is $800 million, and the REIT is targeting to pass the $1 billion valuation mark in the next 12 months.

The combination of low interest rates and rising rents has continued to push property valuations higher throughout 2019. Although these factors make accretive acquisitions more challenging to find, they bode well for the long-term stability of the real estate market in general. The industrial real estate asset class continues to represent a relative safe haven for investment while still offering capital growth potential. The long-term nature of our portfolio’s leases, as well as the staggered maturity schedule of both these leases and our related mortgage pools, means that the impact of any sudden movement in the economy is largely muted. Looking forward, low interest rates will likely continue and are expected to continue to push real asset valuations higher over time.

As interest rates are a frequent topic in real estate discussions, let’s take a moment to consider Skyline Commercial REIT’s current positioning. As of December 31, 2019, the REIT’s mortgages totaled $419 million, representing 53.0% of the year-end portfolio valuation. The average weighted interest rate was 3.9%, and the average weighted time to maturity of the mortgages was 5.13 years. Over 2020 and 2021, a total of 29.0% of these mortgages will expire at an average weighted interest rate of 3.9%. In comparison, in Q1 2020, the 10-year Canada bond rate reached historical lows of under 1.0%. Based on historical lending spreads of 1.7% to 2.0%, the REIT’s borrowing rate would then range from 2.7%-3.0%. This would suggest likely downward, rather than upward, pressure on borrowing costs for the REIT over the next two years resulting in increased cash flow from these activities.

Skyline Commercial REIT’s occupancy rate reached 97.8% as at year end 2019 and is expected to remain relatively stable for at least the first half of 2020. Nine percent of the portfolio is set to expire in 2020 (91 leases representing 578,000 square feet). The largest lease set to expire this year is located at a property in Saint-Jean-sur-Richelieu, QC (south of Montreal) representing 154,000 square feet and expiring in Q3 of 2020. Leasing interest remains strong for this opportunity. Skyline Commercial REIT’s management team has been working with one of our tenants, GSC Technologies (“GSC”), to mitigate risk around the bankruptcy of that business. GSC is the REIT’s second-largest tenancy, representing approximately 7.0% of the portfolio, and has been on our radar since its sale to a US venture capital company in 2017. Although proceedings are ongoing, there are now new tenancies in place in each of the affected buildings, which will mitigate any material negative operating result from this event.

The sole acquisition in 2019 was a property at 46 Plant Farm Boulevard, Brantford, ON, with a purchase price of $9.15 million.

On the disposition front, the REIT sold three of its four remaining office properties in 2019, as well as a 16,000 square foot industrial property in Brampton, ON for gross proceeds of $22.75 million, reflecting cap rates ranging from 3.0%-5.5%. All sales represented significant gains over the original purchase price and current valuations. There are some additional small dispositions planned for 2020, but no major initiatives are forecasted on this front for the coming year.

Although the year ahead may cause trepidation as to which way our broader economy is headed, your management team at Skyline Commercial REIT is pleased to report that the REIT has enjoyed a successful 2019 and is well-positioned to maintain its continued success in the year ahead.

Michael Mackenzie
President,
Skyline Commercial REIT

SENIOR MANAGEMENT

Jason Castellan
Co-Founder &
Chief Executive Officer,
Skyline Group of
Companies

Martin Castellan
Co-Founder &
Chief Administrative
Officer, Skyline Group of
Companies

R. Jason Ashdown
Co-Founder &
Chief Sustainability Officer,
Skyline Group of
Companies

Wayne Byrd, CPA, CMA
Chief Financial Officer,
Skyline Group of
Companies

Michael Mackenzie
President,
Skyline Commercial Asset
Management Inc.

Maria Duckett
Vice President,
Skyline Commercial
Management Inc.

Krish Vadivale
Vice President, Finance
Skyline Group of Companies

Mike Bonneveld
Vice President,
Skyline Asset Management
Inc.

Pete Roden
Vice President,
Skyline Mortgage Financing
Inc.

Karyn Sales
General Counsel,
Skyline Group of Companies

INDEPENDENT TRUSTEES

Jonathan Halpern, CPA, CA

Jonathan Halpern, CPA, CA, is currently the President of Metropolitan Equities Limited, a privately owned family office and real estate investment company. Prior thereto, Mr. Halpern was a senior manager with an international accounting firm specializing in real estate and small business. Mr. Halpern has also served on the management committee of a national commercial flooring distributor. Mr. Halpern is a member of Chartered Professional Accountants of Ontario and Manitoba, and holds a Bachelor of Commerce (Honours) degree with Distinction with the University of Manitoba. Mr. Halpern also sits on the Board of Trustees of Skyline Apartment REIT.

Ron Martin

Ron Martin is currently the President and Owner, along with family members, of Bridgeland Terminals Limited, a tank truck carrier located in Elmira, Ontario. Mr. Martin also serves as a board member for the Ontario Trucking Association and on the Community Advisory Committee for a local chemical company. From 1994 until 2006 Mr. Martin was also a partner in an area dehydrating company that specializes in the drying of agricultural products. Mr. Martin is a lifetime resident of Elmira, Ontario.

Frank Valeriote

Frank Valeriote is a lawyer and community leader who most recently served for seven years as the Member of Parliament for Guelph, Ontario. He graduated with Honours from the University of Western Ontario with a Bachelor's Degree in Canadian History and Economics. He went on to earn a Law Degree from the University of Ottawa and was called to the Bar in 1981. Mr. Valeriote co-founded the law firm of SmithValeriote LLP, where he served as a senior partner until his election. Mr. Valeriote has worked hard to mentor new entrepreneurs start their business and promote investment in Guelph. He is a former board member and Chair of the Guelph Wellington Business Enterprise Centre, mentoring the creators of small business and has been actively engaged in numerous fundraising efforts for various Guelph philanthropic and other charitable organizations. Mr. Valeriote lives in Guelph, Ontario.

FINANCIAL REPORTING

5 Cochran Drive, Ayr, Ontario

Forward-Looking Disclaimer

The following Management's Discussion and Analysis ("**MD&A**") of the results of operations and financial conditions for the year ended December 31, 2019 should be read in conjunction with Skyline Commercial Real Estate Investment Trust's ("**Skyline Commercial REIT**" or the "**REIT**") consolidated audited financial statements. Certain statements in this MD&A could be considered forward-looking information within the meaning of applicable securities legislation. Forward-looking information is based on a number of assumptions and is subject to a number of risks and uncertainties, many of which are beyond the REIT's control, which could cause actual results to differ materially from those disclosed in or implied by such forward-looking information. These risks and uncertainties include, but are not limited to, general and local economic and business conditions; the financial condition of tenants; our ability to refinance maturing debt; leasing risks, including those associated with the ability to lease vacant space; our ability to source and complete accretive acquisitions; and interest rates.

The forward-looking statements made herein are based on information available to management as of April 30, 2020, except where otherwise noted. Skyline Commercial REIT does not undertake to update any such forward-looking information whether as a result of new information, future events or otherwise. Certain figures presented for comparative purposes have been reclassified to conform to the current year's presentation.

In some instances, forward-looking information can be identified by the use of terms such as "may", "should", "expect", "will", "anticipate", "believe", "intend", "estimate", "predict", "potentially", "starting", "beginning", "begun", "moving", "continue", or other similar expressions concerning matters that are not historical facts. Forward-looking statements in this MD&A include, but are not limited to, statements related to acquisitions or dispositions, development activities, future maintenance expenditures, financing and the availability of financing, tenant incentives, and occupancy levels.

Non-IFRS Measures

Skyline Commercial REIT releases audited consolidated annual financial statements in accordance with International Financial Reporting Standards ("**IFRS**"). In this MD&A, as a complement to results provided in accordance with IFRS, Skyline Commercial REIT also discloses and discusses certain financial measures not recognized under IFRS and that do not have standard meanings prescribed by IFRS. These include net operating income ("**NOI**"), Funds from Operations ("**FFO**"), and applicable per unit amounts and payout ratios (collectively, the "**Non-IFRS Measures**").

These Non-IFRS Measures are further defined and discussed in the "Key Performance Indicators" and "Funds from Operations" sections of this MD&A. Since NOI and FFO are not measures recognized under IFRS, they may not be comparable to similarly titled measures reported by other issuers. Skyline Commercial REIT has presented the Non-IFRS measures because Management believes these Non-IFRS measures are relevant measures of the ability of Skyline Commercial REIT to earn revenue and to evaluate Skyline Commercial REIT's performance. A reconciliation of the Non-IFRS measures is provided in the "FFO Payout Ratio" section. The Non-IFRS measures should not be construed as alternatives to net income (loss) or cash flows from operating activities determined in accordance with IFRS as indicators of Skyline Commercial REIT's performance or the sustainability of our distributions.

MD&A Overview

This MD&A focuses on key areas from the consolidated financial statements and pertains to major known risks and uncertainties relating to the real estate industry, in general, and the Trust's business, in particular. This discussion should not be considered comprehensive as it excludes changes that may occur in general economic, political, and environmental conditions. Additionally, other elements may or may not occur, which could affect the organization in the future. To ensure that the reader is obtaining the best overall perspective, this discussion should be read in conjunction with material contained in the audited consolidated financial statements for the years ended December 31, 2019 and 2018, along with all other information regarding Skyline Commercial REIT posted publicly by the REIT or its affiliates. It is not our intent to reproduce information that is located in these other reported documents, but rather to highlight some of the key points and refer you to these documents for more detailed information.

Business Overview

Skyline Commercial REIT is an unincorporated open-ended investment trust created by a Declaration of Trust effective as of January 10, 2012 and amended and restated as of August 25, 2017 (the "**Declaration of Trust**" or "**DOT**") and governed by the laws of the Province of Ontario and the federal laws of Canada applicable therein. Skyline Commercial REIT earns income from investments in a diversified portfolio of commercial properties located in Ontario, Quebec, Alberta, Saskatchewan and Manitoba.

Management Strategy

As managers to Skyline Commercial REIT; Skyline Commercial Asset Management Inc. (the "**Asset Manager**"), Skyline Wealth Management Inc. (the "**Exempt Market Dealer"** or **"EMD**") and Skyline Commercial Management Inc. (the "**Property Manager**") will implement their values and strategies as they fulfill their responsibilities. The REIT's mandate is clear and focused on the following strategies:

- **Maximize Revenues -** The ability to maximize revenues for Skyline Commercial REIT is dependent upon four factors:

    a. Increases to base rental rates upon lease expires and at lease renewal based on regularly updated, localized, competitive market data;
    b. Improvements in occupancy rates;
    c. Reductions in operating expenses as it relates to overall tenant occupancy cost; and
    d. Development or expansion of rentable space

- **Reduce Expenses -** Prudently managing expenses at the property level is critical for improving the profitability of each property and of the portfolio as a whole. Skyline Commercial Management Inc. has developed strategies to reduce and control expenses through a variety of programs, capital projects, and diligent consumption monitoring:

    a. Manage consumption through tenant education and implementation of energy-saving initiatives (including through capital investment);
    b. Reduce maintenance costs through competitive bidding and tendering requirements;
    c. Competitive negotiation and re-negotiation of critical service contracts with constant consideration for economies of scale, along with diligent and responsible tracking of billing;
    d. Ensuring that only costs related to shared services are charged to common area costs ("CAM") versus costs that are tenant-specific and should be charged back directly to a tenant according to lease provisions;
    e. Preventative and proactive maintenance and capital expenditure planning;
    f. Future planning – Bulk purchasing, internalization of current supplier services, etc;
    g. Ensuring that standard leases clearly delineate Landlord versus Tenant responsibilities for repair and replacement, including recovery via amortization of major repairs, and moving tenants onto the current lease format at renewal; and
    h. Ongoing training of Portfolio Managers and Building Operators in an effort to educate them on available cost saving measures, as well as on general maintenance.

It is Skyline Commercial Management Inc.'s strategy to aggressively work toward expense reduction and control. In the competitive marketplace of Canadian commercial real estate, Skyline Commercial Management Inc. has committed to regularly review expenses and reduce them wherever possible without sacrificing service levels and tenant satisfaction. Striving to reach this goal also begins the progress towards the third goal of improving portfolio quality and improving the overall asset base.

- **Improve Portfolio Quality -** To be a leader in the light industrial commercial property sector in Canada, simply owning a large number of buildings is not enough. The industry has become more sophisticated and there is more competition to attract the pool of available tenants. Real estate brokers maintain lists of detailed tenant expiries and contact them regularly to influence their location choices. Tenants are therefore better educated as to market conditions, rates and availability. Our product attracts small new businesses as well as multi-national corporations. We vet our opportunities to avoid unnecessary risk, but also rely upon the growth and incubation of small start-up businesses. Our efforts are directed at attracting the most desirable tenants possible to the REIT.

Key Performance Indicators

To meet its objectives and evaluate the success of its strategies, Skyline Commercial REIT uses several key operating and performance indicators:

- **Distributions -** Skyline Commercial REIT is currently paying monthly distributions to Unitholders of $0.075 per unit, or $0.90 on an annual basis. At December 31, 2019, approximately 47.7% of the REIT's Units were enrolled in the Distribution Re-Investment Plan ("**DRIP**").

- **Occupancy -** Management is focused on achieving occupancy levels that exceed the overall averages for the geographic regions in which Skyline Commercial REIT exists, without sacrificing the maximization of rental income. At December 31, 2019, overall occupancy was 97.8%.

- **In-Place Rental Rates -** Through ongoing and active management, the portfolio's in-place base rents will always be evaluated against market rents for similar assets, in order to achieve the most accretive gain (or least impactful loss, in the case of softer markets) when space is renewed or newly leased.

- **Leasing and Tenant Profile -** Through the management of the key indicators of 'occupancy' and 'in place rental rates'; Management will evaluate and optimize the overall average remaining lease term in order to spread vacancy risk over a longer term. Additionally, Management will continue to balance the income across a broad base of tenancies in order to minimize the revenue exposure to any single tenant.

- **Net Operating Income ("NOI") -** This is defined as operating revenues less operating expenses, and is a key measure of operating performance. It is a key non-International Financial Reporting Standards ("IFRS") financial measure of the operating performance of Skyline Commercial REIT. For the year 2019, Skyline Commercial REIT's NOI margin was 68.2%.

- **Same Property Net Operating Income -** This is defined as operating revenues less operating expenses for properties which were owned for the full years of 2017, 2018 and 2019. Management was focused on maintaining or increasing same property NOI year over year. For the year 2019, same property NOI was $29.9 million, an increase of 8.35% over the prior year.

- **Funds from Operations ("FFO") -** FFO is a measure of operating performance based on the funds generated by the business before reinvestment or provision for other capital needs. For the year 2019, Skyline Commercial REIT generated $27.7 million in FFO.

- **Payout Ratio or FFO Payout Ratio -** To ensure that Skyline Commercial REIT retains sufficient cash to meet its capital improvement and leasing objectives, Management strives to maintain an appropriate FFO payout ratio over the year. Management is targeting an 85% FFO payout ratio. For the year 2019, Skyline Commercial REIT's FFO payout ratio was 86.6%.

- **Financing -** Management is continually managing and planning its financing strategies for the portfolio. This ensures that the portfolio is well-positioned to mitigate interest rate uncertainty as well as to responsibly ladder the maturities of the portfolio's mortgages over the long-term.

- **Loan to Value ("LTV") -** The portfolio is regularly evaluated based upon key leverage ratios, comprised of mortgage debt, total indebtedness, historical cost and fair value in accordance with IFRS 13 – Fair Value ("**IFRS 13**"). Loan to value ratios are shown on both a historical cost and market value basis. The Declaration of Trust requires that the overall leverage ratio not exceed 70% Loan to IFRS Fair Value. However, it is Management's objective to keep the portfolio at a more conservative level of approximately 60% leverage based upon fair value. At the close of 2019, Skyline Commercial REIT's portfolio leverage ratio was 59.03% (against historical cost) and 56.17% (against fair value in accordance with IFRS 13).

Goals And Objectives Of Skyline Commercial REIT

In accordance with the Declaration of Trust, the goals and objectives of Skyline Commercial REIT are:

1. to provide REIT Unitholders with stable and growing cash distributions, payable monthly and, to the extent reasonably possible, tax deferred, from investments in a diversified portfolio of income-producing commercial properties located in Canada;

2. to maximize REIT unit value through the ongoing management of Skyline Commercial REIT's assets and through the acquisition of additional properties; and

3. to maintain a REIT that satisfies the REIT exception under the Specified Investment Flow Through ("**SIFT**") legislation in order provide certainty to Unitholders with respect to taxation of distributions.

2019 Highlights

- Year-over-year FFO grew $0.09 (9.47%) on a per unit basis, from $0.95 to $1.04. As a result, the REIT's forward FFO Payout ratio improved from 94.3% to 86.6% for the year ended December 31, 2019.

- The REIT grew its portfolio of investment properties from $738 million to $800 million (8.4%) over the course of 2019 through a combination of strategic acquisitions and growing value within the existing portfolio.

- The REIT improved its NOI margin from 61.8% to 68.2% year-over-year.

- The REIT's year-over-year occupancy improved from 96.2% to 97.8%, while in-place base rent grew from $7.52 per sq.ft to $7.59 pre sq.ft.

Financial Highlights **($ thousands, except where noted)**	**2019**	**2018**
Property revenues	$71,973	$56,604
Operating expenses	(22,904)	(21,601)
Net operating income ("NOI")	**$49,069**	**$35,003**
Net income	**$85,134**	**$42,705**
Funds from operations ("FFO")	**$27,699**	**$21,785**
Weighted average REIT units and LP units outstanding	26,650,950	22,828,811
FFO per unit (weighted average)	**$1.04**	**$0.95**
Forward Distributions per unit	**$0.90**	**$0.90**
Forward FFO payout ratio (1)	**86.6%**	**94.3%**

(1) As of April 30, 2019

Property Portfolio

At December 31, 2019, through active portfolio management; the portfolio consisted of 6,474,278 rentable square feet across 94 commercial properties geographically diversified through 34 communities in Ontario, Quebec, Alberta, Saskatchewan and Manitoba.

Skyline Commercial REIT's property portfolio is a balanced mix of commercial real estate located along high volume logistic routes across Ontario, Quebec, Alberta, Saskatchewan and Manitoba. The REIT continues to look at further expanding and enhancing the portfolio in existing and new urban markets across Canada.

Presently, the commercial portfolio is comprised of over 92.8% industrial properties with another 7.2% of pure office properties and a small portion of retail/flex space. Management's focus is on the acquisition of industrial class properties while strategically disposing of the office properties.

Portfolio Average Monthly Base Rent & Occupancy **As at December 31, 2019**	**GLA (sq ft)**	**%**	**Occupancy Rate**	**Base Rent**
Industrial	6,010,874	92.8%	98.1%	$7.45
Office	107,863	1.7%	82.0%	$11.85
Retail	355,541	5.5%	99.4%	$8.78
Total	**6,474,278**	**100.0%**	**97.8%**	**$7.59**

Acquisitions and Dispositions

Acquisitions Completed During the Year Ended December 31, 2019
($ thousands, except where noted)

Purchase Date	GLA	Region	Type	Acquisition Costs	Mortgage Funding
13-Nov-19	125,000	Other Ontario	Industrial	$9,970	$6,425
Total	**125,000**			**$9,970**	**$6,425**

Dispositions Completed During the Year Ended December 31, 2019
($ thousands, except where noted)

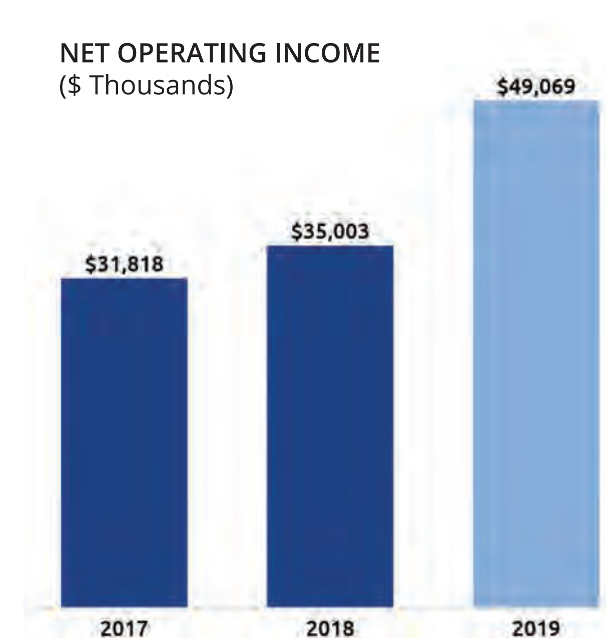
Disposition Date	GLA	Region	Type	Carrying Value	Equity	Mortgages Discharged
15-Jul-19	59,001	GTA	Office	$10,450	$10,450	$ -
21-Aug-19	15,716	Ottawa	Office	2,500	550	1,950
27-Aug-19	35,120	Ottawa	Office	5,097	5,097	-
04-Oct-19	15,000	GTA	Industrial	3,600	3,600	-
Total	**124,837**			**$21,647**	**$19,697**	**$1,950**

2019 Operating Highlights

Operating Results **($ thousands, except where noted)**	**2019**	**%***	**2018**	**%***
Property revenues				
Minimum rent	49,860	69.3%	$36,542	64.6%
Cost recoveries	22,113	30.7%	20,062	35.4%
Total property revenues	**$71,973**	**100.0%**	**$56,604**	**100.0%**
Direct property expenses				
Realty taxes	13,202	18.3%	11,393	20.1%
Other direct property costs	7,155	9.9%	6,925	12.2%
Utilities	1,189	1.7%	1,994	3.5%
Property Management fees	1,358	1.9%	1,289	2.3%
Total direct property expenses	**$22,904**	**31.8%**	**$21,601**	**38.2%**
Net operating income ("NOI")	**$49,069**	**68.2%**	**$35,003**	**61.8%**

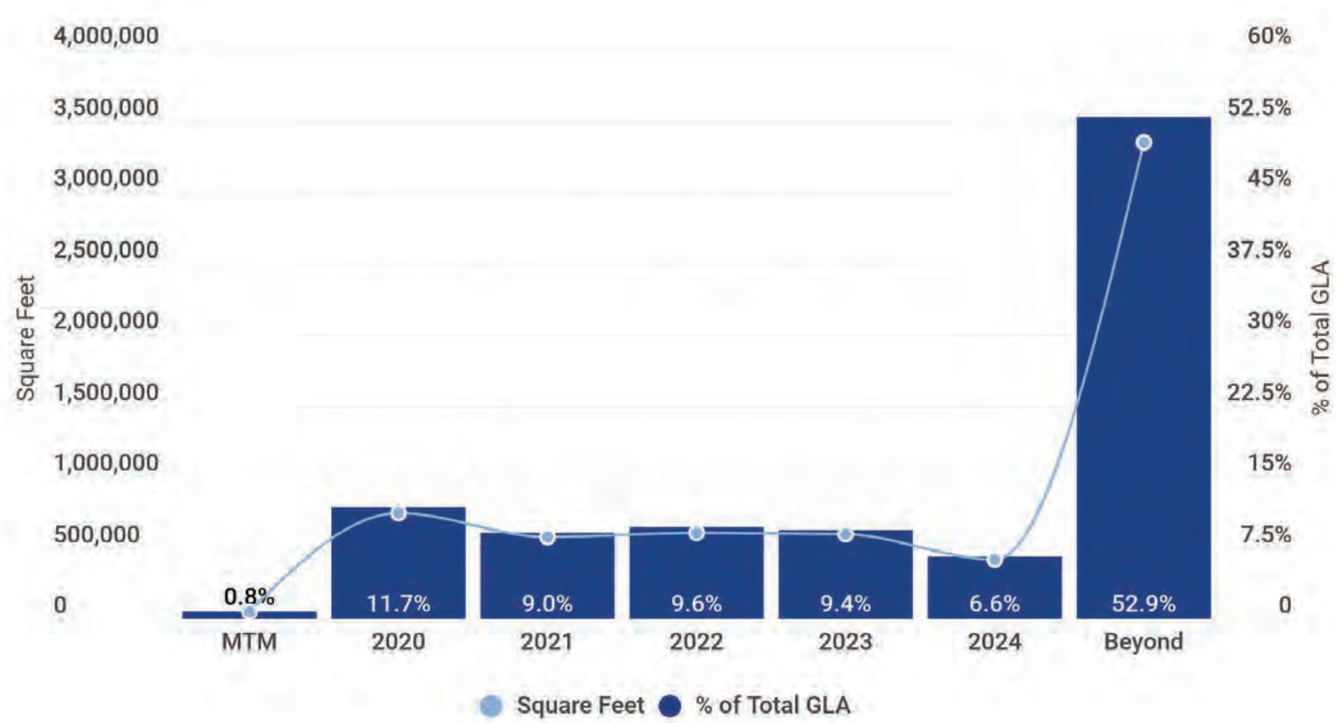
* As a percentage of property revenues

Other operational metrics				
Total occupancy %		97.8%		96.2%
In place base rent (per square foot)		$7.59		$7.52



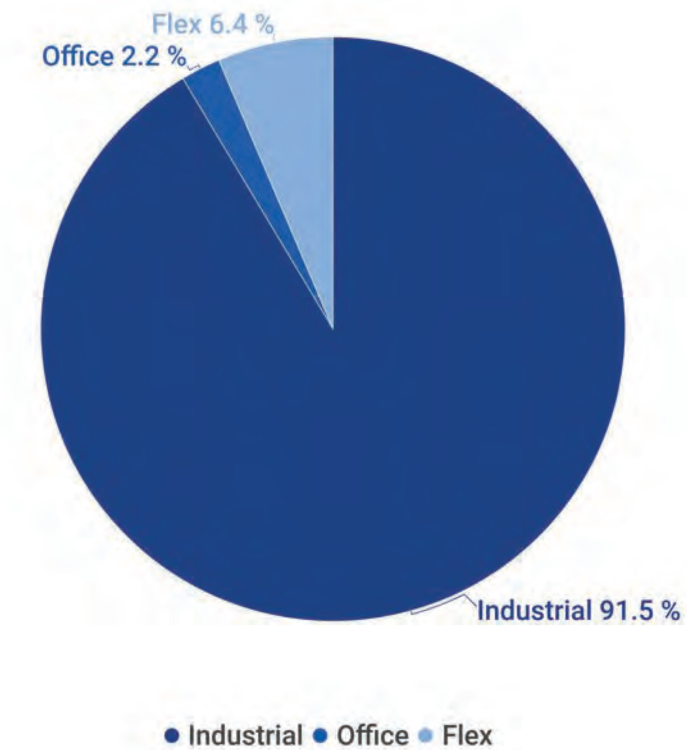
Regional Highlights ($ thousands, except where noted)	2019		2018		Increase (Decrease)		
Portfolio	**NOI**	**NOI Margin**	**NOI**	**NOI Margin**	**Revenue Change**	**Expense Change**	**NOI Change**
GTA	**$3,873**	**61.4%**	$6,431	59.2%	-42.0%	-45.1%	-39.8%
Ottawa	**6,592**	**51.4%**	5,915	48.2%	4.5%	-1.9%	11.4%
Other Ontario	**12,317**	**61.9%**	10,509	57.5%	14.1%	10.7%	17.2%
Quebec	**14,029**	**75.7%**	7,498	72.2%	78.5%	56.1%	87.1%
Western Canada	**12,258**	**86.1%**	4,650	85.3%	160.9%	145.5%	163.6%
Total	**$49,069**	**68.2%**	$35,003	61.2%	27.1%	6.6%	40.2%

At the close of 2019, the portfolio had 143,093 square feet of vacant space, of which 27,534 square feet is committed for future occupancy. With respect to future expiries, Management has already renewed or leased 231,100 square feet. The following bar graph shows the percentage of lease expiries over the next 5 years and beyond, 52.9% of maturities are over 5 years. Over the course of 2020 Management plans to commence early renewal discussions with larger tenants to proactively manage the expiries occurring in the next 5 years.



Leasing and Tenant Profile

The REIT's tenant profile consists of a diversified base of quality tenants. At December 31, 2019, with 611 tenants, risk exposure to any single tenant was 22.1%. The following chart shows the tenant mix for the Properties on the basis of the percentage of base rent.



Funds From Operations

FFO is a measure of operating performance based on the funds generated by the business before reinvestment or provision for other capital needs. This non-IFRS measure is a commonly used performance measure for assessing real estate operations. However, it does not represent cash flow from operating activities, and is not necessarily indicative of cash available to fund Skyline Commercial REIT's needs. It also does not have a standardized industry definition; therefore, it may not be relied upon as a comparable indicator to other REITs that use a similar term.

FFO Payout Ratio

The FFO payout ratio compares total and net distributions declared to non-IFRS measures. Management considers these ratios to also be important measures of the sustainability of distributions.

A reconciliation of net income to FFO is shown in the following chart:

FFO Payout Ratios ($ thousands, except where noted)	2019	2018
Profit & loss		
Property revenues	**$71,973**	**$56,604**
Operating expenses	**(22,904)**	**(21,601)**
Net operating income ("NOI")	**$49,069**	**$35,003**
Finance costs	(18,546)	(19,309)
REIT & other expenses	(2,991)	(2,406)
Interest income	124	250
Fair value gain on disposed properties	1,783	21,397
Fair value gain	55,695	7,770
Net income	**$85,134**	**$42,705**
Non-cash add-backs:		
Distributions paid on partnership units	$1,568	$6,952
Fair value gain on disposed properties	(1,783)	(21,397)
Fair value gain	(55,695)	(7,770)
Amortization of leasing costs and straight-line rent	(2,662)	149
Amortization of tenant inducements	1,137	1,146
Funds from operations ("FFO")	**$27,699**	**$21,785**
Weighted average REIT units and LP units outstanding	26,650,950	22,828,811
Total distributions declared	$25,152	$27,357
Less: General Partner sharing distributions	(1,116)	(6,500)
Total distributions declared to REIT and LP Unitholders	**$24,036**	**$20,857**
FFO per unit (weighted average)	**$1.04**	**$0.95**
Forward Distributions per unit [1]	$0.90	$0.90
Forward FFO payout ratio [1]	**86.6%**	**94.3%**

[1] Excludes distributions paid to the General Partner

Distributions to Unitholders and Payout Ratio

Skyline Commercial REIT currently pays monthly distributions to Unitholders of $0.075 per Unit, or $0.90 per Unit on an annual basis. At December 31, 2019, approximately 47.7% of the REIT's Units were enrolled in the Distribution Reinvestment Plan. Distributions made to REIT Unitholders during 2019 amounted to $24 million, of which $11.5 million was retained through the DRIP.

In order to maintain a consistent cycle of monthly distributions, the REIT may, from time to time, use proceeds from dispositions and refinancings as well as funds from the operating line of credit. It is Management's long-term objective to continually reduce its reliance on disposition proceeds and to eliminate its reliance on refinancing proceeds for supplementing distribution cash flows.

Distribution Sources ($ thousands, except where noted)	2019	2018
Total distributions declared	**$24,036**	**$20,857**
Funded by:		
Income	100.00%	100.00%
Building dispositions	-	-
Refinance proceeds	-	-

Investment Properties

Since the adoption of IFRS reporting, this method of reporting impacts the consolidated financial statements of Skyline Commercial REIT and its subsidiary most significantly in the areas of Investment Properties and Amortization.

Under IFRS, management considers its properties to be Investment Properties under International Accounting Standard 40-Investment Property **IAS 40**. Investment Properties are properties held to earn rental income or for capital appreciation, or both. Management has elected the Fair Market Model to measure its investment properties on the balance sheet and record any unrealized gain (or loss) on the income statement.

The following is Management's approach to the Fair Market Value of the portfolio's investment properties:

- Group the Portfolio into segments that identify geographic locations and group the portfolio by property characteristics. This will allow Management to apply the same metrics to similar properties.
- Engage third party market appraisals for a portion of its portfolio which comprises at least 20% of the number of properties which make up at least 25% of the gross book value of the portfolio. The balance of the properties will undergo an internal valuation which will be verified by a comparative appraisal and audited by RLB LLP (the Commercial REIT's auditor).
- Properties must be appraised by a third party at least once every five years.
- Properties will not be appraised by a third party within 18 months of acquisition (unless it is necessary for mortgage financing).
- Properties will not be required to be appraised in a year, if within the next 12 months it is scheduled for mortgage maturity.

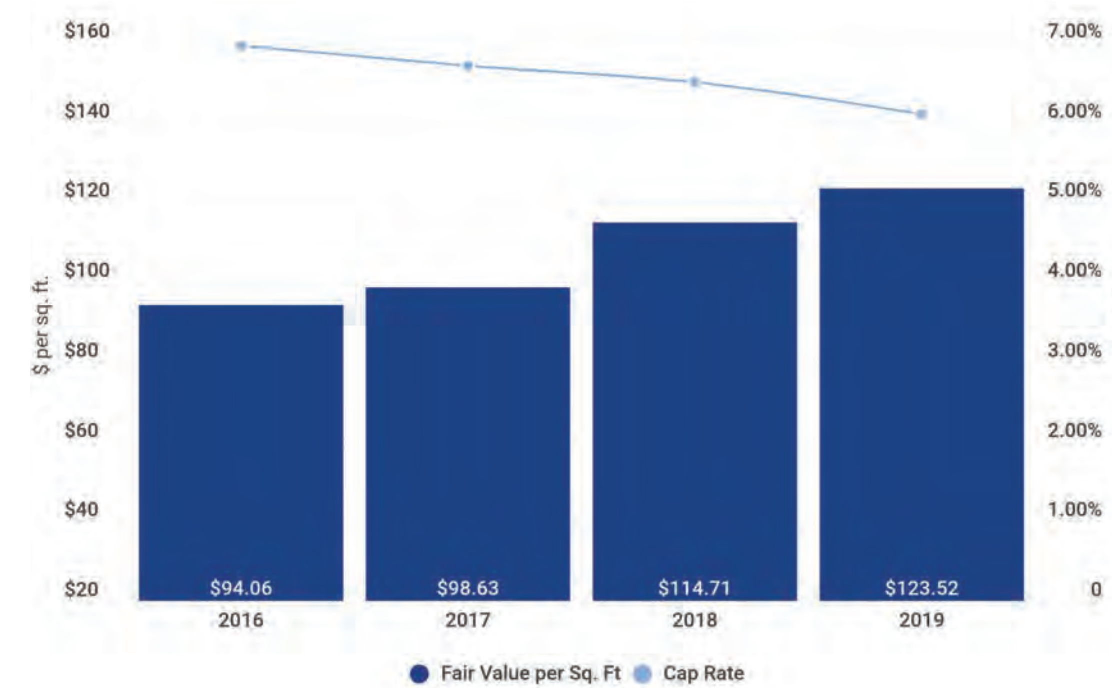
2019 saw the fair value adjustment on investment properties increase $29.6 million to $58.9 million from $29.3 million realized for the year ended December 31, 2018.

Fair Value of Investment Properties (under IFRS 13) **($ thousands, except where noted)**	**2019**	**2018**
Balance, beginning of year	**$738,440**	**$556,376**
Acquisitions through purchase of assets	9,970	204,573
Additions through capital expenditures on existing investment properties	11,441	7,017
Disposals through sale of investment properties	(21,647)	(58,669)
Amortization of leasing costs and straight-line rent	2,662	(149)
Fair value gain on investment properties and disposed properties	$58,860	$29,292
Balance, end of year	**$799,726**	**$738,440**

The following table and graph summarize the REIT's growth in asset value on a trending basis over the past four years, along with the impact that NOI growth and the capitalization rate ("**CAP Rate**") movement has had on that value.

Trending Fair Value Details **($ thousands, except where noted)**	**2019**	**2018**	**2017**	**2016**
Fair value of investment properties	$799,726	$738,440	$556,376	$482,477
Total rentable sq.ft. at year end	6,474,278	6,437,248	5,640,826	5,129,639
Fair value per square foot	**$123.52**	**$114.71**	**$98.63**	**$94.06**
Increase (decrease) in fair value per sq.ft. (%)	**7.68%**	**16.30%**	**4.87%**	**4.64%**
Weighted average capitalization rate	6.11%	6.50%	6.70%	6.96%
Increase (decrease) in cap rate (year-over-year) (%)	(6.00%)	(2.99%)	(3.74%)	1.02%
Net operating income ("NOI")	$49,069	$35,003	$31,818	$28,179
Increase in NOI (year-over-year) (%)	40.19%	10.01%	12.91%	10.13%
NOI (% of revenue)	68.18%	61.84%	64.06%	62.01%

Trending Fair Value per Sq. Ft.



Capital Expenditures

During 2019, Skyline Commercial REIT acquired 125,000 rentable square feet of commercial space through the acquisition of 1 property for a total investment of $9.97 million.

In general, Skyline Commercial REIT is purchasing income-producing commercial properties on an accretive basis; and is committed to increasing the value of these assets by investing in capital expenditure initiatives and other programs in order to improve the overall quality of the properties and ultimately to sustain and expand the overall portfolio's future rental income-producing potential over its expected life span.

During the year, Management invested $11.4 million in structural improvements, common area improvements, and utility efficiency programs throughout the portfolio. These capital initiatives are completed with the intention of increasing revenues, reducing expenses, maintaining occupancy levels, and increasing overall tenant satisfaction.

Management is committed to the ongoing future maintenance and enhancement of the portfolio.

Capital Structure

'Capital' is defined as the aggregate of debt and Unitholders' equity. Management's objectives with respect to Capital is to maintain its ongoing ability to fund its distributions to Unitholders, to meet its repayment obligations under mortgages and other credit facilities, and to ensure there are sufficient funds available to meet the capital requirements of the portfolio.

Skyline Commercial REIT's Declaration of Trust permits the maximum amount of total debt to 70% of the gross book value of the REIT's assets. Despite the REIT reporting under IFRS methods, Management continues to evaluate LTV ratios on both a fair value basis and a traditional historical cost basis, whereby historical cost is defined as the acquisition cost of the properties plus the capital improvements expended thereon.

The total Capital of Skyline Commercial REIT as at December 31, 2019 is in the following chart:

Mortgage Summary **($ thousands, except where noted)**	**2019**	**2018**
Mortgages payable	$418,715	$422,576
Line of credit	6,003	5
Equipment Loan	1,781	1,929
Total Debt	**426,499**	**$424,510**
Class B LP Units	6,907	5,525
Unitholders' Equity	366,492	303,371
Total Capital	**$799,898**	**$733,406**
Mortgage debt to historical cost	59.03%	58.77%
Mortgage debt to fair value	52.36%	56.86%
Total debt to historical cost	59.88%	59.89%
Total debt to fair value	53.33%	57.94%
Weighted average mortgage interest rate	3.89%	3.88%
Weighted average mortgage term to maturity	5.13 yrs	5.80 yrs

Mortgages Payable **($ thousands, except where noted)**	**Future minimum principal payments**	**% of total mortgages**
2020	**$25,917**	6.2%
2021	**95,707**	22.9%
2022	**65,571**	15.7%
2023	**18,867**	4.5%
2024	**54,053**	12.9%
Thereafter	**158,600**	37.9%
Total mortgages payable as at December 31, 2019	**$418,715**	**100.0%**

Investment Summary

During 2019, units of Skyline Commercial REIT were issued under the accredited investor exemption and through the Employee Unit Purchase Plan ("**EUPP**") under the employee exemption, and under the confidential Offering Memorandum released July 2018. During the year, the REIT received net proceeds of $1.6 million through new REIT units and DRIP enrollment, net of redemptions.

REIT Unitholders - Investment Activity **($ thousands, except where noted)**	**2019**		**2018**	
	Number of Units	**Amount ($)**	**Number of Units**	**Amount ($)**
REIT units outstanding, beginning of year	**26,045,002**	**$265,835**	**21,595,974**	**$216,932**
Proceeds from REIT units issued	121,211	1,333	4,042,512	44,467
Units issued through DRIP	938,204	11,209	876,968	9,611
Units issued through EUPP	20,487	248	11,479	126
Redemptions - REIT units	(922,199)	(11,157)	(481,931)	(5,301)
REIT units outstanding, end of year	**26,202,705**	**$267,468**	**26,045,002**	**$265,835**
Weighted average REIT units outstanding	**26,148,624**		**22,828,811**	
Number of new investors [(1)]		**2**		**150**
Number of repeat investors [(2)]		**4**		**125**
Number of redemptions		**79**		**67**
New investment average ($)		**$125**		**$183**
Repeat investment average ($)		**271**		**139**
Redemption average ($)		**(179)**		**(79)**

[(1)] Excluding EUPP - Employee Unit Purchase Plan
[(2)] Excluding DRIP - Distribution Reinvestment Plan

LP Unitholders - Investment Activity ($ thousands, except where noted)	2019		2018	
	Number of Units	Amount ($)	Number of Units	Amount ($)
LP units outstanding, beginning of year	502,326	$5,525	502,326	5,400
Proceeds from LP units issued	-	-	-	-
Units issued through DRIP	-	-	-	-
Redemptions - LP units	-	-	-	-
Change in fair value	-	1,382	-	125
LP units outstanding, end of year	502,326	$6,907	502,326	$5,525
Weighted average LP units outstanding	502,326		502,326	
Number of new investors		-		-
Number of repeat investors		-		-
Number of redemptions		-		-
New investment average ($)		$-		$-
Repeat investment average ($)		-		-
Redemption average ($)		-		-

Unitholder Taxation

For taxable Canadian residents, Unitholder distributions are treated as follows for tax purposes:

	2019
Other Income	---
Capital Gains	13.7%
Return of Capital	86.3%
TOTAL	100%

Related Party Transactions

The Executive Officers of Skyline Commercial REIT do not receive direct salary compensation from the REIT. Rather, Skyline Commercial Real Estate GP Inc., as General Partner of the Trust has a 20% deferred interest in the properties of the Trust's subsidiary ("**GP Sharing**"). Additionally, the Executive Officers receive compensation from the management companies to the REIT and Limited Partnership ("**Management Services**").

GP Sharing

Distributions under the GP Sharing commence once the equivalent of the total investors' equity has been effectively distributed on a property by property basis. Once triggered, any future cash-flows are shared at a ratio of 20% to the GP: 80% to the LP (which indirectly means its investors). In addition, on any disposition, the GP is entitled to 20% of the equity growth of the property net of any outstanding amounts owing to investors. The GP Sharing calculation is done on a per property basis, which incents management to ensure that each property is performing optimally. To date, no GP Sharing distributions on income have triggered. However, as the result of fourteen dispositions in 2019, GP Sharing distributions on dispositions were triggered.

GP Sharing ($ thousands, except where noted)	2019	2018
General Partner sharing on income	$-	$-
General Partner sharing on dispositions	1,116	6,500
Total General Partner sharing on distributions	$1,116	$6,500

Management Services

Related party fees paid are as follows:

Management Fees ($ thousands, except where noted)	2019	2018
Property Management Fees	$1,358	$1,289
Asset Management Fees	1,397	1,121
Wealth Management Fees	1,074	865
Underwriting Management Fees	170	766
Lease Documentation Fees	99	-
Total Management Fees	$4,098	$4,041

The Property Management Agreement provides for the payment of an annual property management fee to the Property Manager during the term in an amount up to 5% of the adjusted gross revenues of the Properties, which will be calculated and payable monthly. Under the Property Management Agreement, the Property Manager will be responsible for employment expenses of its personnel, rent and other office expenses, and miscellaneous administrative expenses relating to its functions under the Property Management Agreement. The Property Manager will not be responsible for costs of on-site offices and personnel dedicated to any one or more of the Properties.

The Asset Management Agreement provides for the payment of an annual asset management fee to the Asset Manager during the term in an amount equal to 2% of the adjusted gross revenues of the Properties, which will be calculated and payable monthly. Under the Asset Management Agreement, the Asset Manager is responsible for employment expenses of its personnel, rent and other office expenses of the Asset Manager, and the expenses of the non-Independent Trustees and officers of Skyline Commercial REIT who are directors, officers or employees of the Asset Manager or of an affiliate of the Asset Manager (except expenses incurred while attending meetings of the Board of Trustees).

The Exempt Market Dealer ("**EMD**") Agreement provides for the payment of a wealth management fee, payable monthly, equal to 1/12 of 0.3% of Skyline Commercial REIT's equity under management (calculated as the product of the outstanding REIT units multiplied by the then-market value of one REIT unit). The EMD will also be entitled to an equity raise fee equal to a maximum of 1.0% on the capital raised in offerings of REIT units, subject to adjustment. Under the EMD Agreement, the EMD is responsible for employment expenses of its personnel, rent and other office expenses of the EMD in connection with providing services to Skyline Commercial REIT under the EMD Agreement.

There is an underwriting services arrangement with Skyline Mortgage Financing Inc. (the "Underwriting Manager") Pursuant to such arrangement, the Underwriting Manager provides consulting services to Skyline Commercial REIT, Skyline Commercial Real Estate LP and its Subsidiaries to assist them in obtaining mortgage financing for the properties upon terms and at rates that are commercially competitive. Skyline Commercial Real Estate LP pays the Underwriting Manager the following fees for providing these consulting services 1) for assumptions of mortgages on acquisitions: $5,000 and 2) for all other mortgages: 50 bps on the mortgage principal. Under the terms of the arrangement, the Underwriting Manager is responsible for employment expenses of its personnel, rent and other office expenses of the Underwriting Manager incurred in connection with providing its consulting services.

Risks And Uncertainties

Skyline Commercial REIT must adhere to specific operating and investment guidelines as set out in the Declaration of Trust. These guidelines are established to limit to the best extent possible the risks and uncertainties that exist.

COVID-19 Coronavirus Pandemic

The COVID-19 coronavirus pandemic may adversely affect trade and local, national or global economies, and could result in a general or acute decline in economic activity in the markets in which Skyline Commercial REIT operates.

In some cases, the REIT has entered into deferral arrangements (not rent abatement) with vulnerable tenants to permit them to weather the closure and re-open strong. While the REIT enjoys a high occupancy, productivity on existing vacancy within the portfolio has been low owing to tenants re-focusing their business internally. As a result, leasing of new space is expected to be tempered in the next quarter.

Additionally, fluctuation in interest rates or other financial market volatility may adversely affect Skyline Commercial REIT's ability to refinance existing indebtedness on its maturity or on terms that are as favourable as the terms of existing indebtedness, which may impact negatively on Skyline Commercial REIT's performance, or may adversely affect the ability of Skyline Commercial REIT to complete acquisitions on financially desirable terms.

The extent to which COVID-19 impacts Skyline Commercial REIT will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of COVID-19 and actions taken to contain COVID-19 or its impact, among others. If the outbreak of COVID-19 and related developments lead to a prolonged or significant impact on global, national or local markets or economic growth, Skyline Commercial REIT's cash flows, financial condition or results of operations, its ability to raise additional financing and its ability to make cash distributions to Unitholders may be materially and adversely affected. Further, the COVID-19 coronavirus pandemic may cause disruptions to Skyline Commercial REIT's business and operational plans. These disruptions may severely impact Skyline Commercial REIT's ability to carry out its business plans for 2020 in accordance with the Use of Available Funds section above.

Real Property Ownership

All real property investments are subject to elements of risk. Such investments are affected by general economic conditions, local real estate markets, demand for retail premises, competition from other retail premises and various other factors.

Certain significant expenditures, including property taxes, capital repair and replacement costs, maintenance costs, mortgage payments, insurance costs and related charges must be made throughout the period of ownership of real property regardless of whether the property is producing any income. If Skyline Commercial REIT is unable to meet mortgage payments on any property, losses could be sustained as a result of the mortgagee's exercise of its rights of foreclosure or sale.

Real property investments tend to be relatively illiquid, with the degree of liquidity generally fluctuating in relation to demand for and the perceived desirability of such investments. Such illiquidity may tend to limit Skyline Commercial REIT's ability to vary its portfolio promptly in response to changing economic or investment conditions. If Skyline Commercial REIT were required to liquidate its real property investments, the proceeds to Skyline Commercial REIT might be significantly less than the aggregate value of its properties on a going concern basis.

Skyline Commercial REIT will be subject to the risks associated with debt financing, including the risk that existing mortgage indebtedness secured by the Properties will not be able to be refinanced or that the terms of such refinancing will not be as favourable as the terms of existing indebtedness.

Tenant Terminations and Financial Stability

Skyline Commercial REIT's Distributable Income would be adversely affected if a significant number of tenants were to become unable to meet their obligations under their leases or if a significant amount of available space in the Existing Properties and any additional properties in which Skyline Commercial REIT acquires an interest were not able to be leased on economically favourable lease terms. Upon the expiry of any lease, there can be no assurance that the lease will be renewed or the tenant replaced. The terms of any subsequent lease may be less favourable to Skyline Commercial REIT than the existing lease. In the event of default by a tenant, delays or limitations in enforcing rights as lessor may be experienced and substantial costs in protecting Skyline Commercial REIT's investment may be incurred. Furthermore, at any time, a tenant of any of Skyline Commercial REIT's properties may seek the protection of bankruptcy, insolvency or similar laws that could result in the rejection and termination of such tenant's lease and thereby cause a reduction in the cash flow available to Skyline Commercial REIT. The ability to rent unleased space in the properties in which Skyline Commercial REIT will have an interest will be affected by many factors. Costs may be incurred in making improvements or repairs to property required by a new tenant. The failure to rent unleased space on a timely basis or at all would likely have an adverse effect on Skyline Commercial REIT's financial condition.

Revenue Producing Properties

The Properties generate income through rental payments made by the tenants thereof. Upon the expiry of any lease, there can be no assurance that such lease will be renewed or the tenant replaced. The terms of any subsequent lease may be less favourable to Skyline Commercial REIT than the existing lease.

Competition for Real Property Investments

Skyline Commercial REIT competes for suitable real property investments with individuals, corporations and institutions (both Canadian and foreign) and other real estate investment trusts which are presently seeking, or which may seek in the future, real property investments similar to those desired by Skyline Commercial REIT. A number of these investors may have greater financial resources than those of Skyline Commercial REIT, or operate without the investment or operating restrictions of Skyline Commercial REIT or according to more flexible conditions. An increase in the availability of investment funds, and an increase in interest in real property investments, may tend to increase competition for real property investments, thereby increasing purchase prices and reducing the yield on them.

Competition for Tenants

The real estate business is competitive. Numerous other developers, managers and owners of properties compete with Skyline Commercial REIT in seeking tenants. The existence of competing developers, managers and owners and competition for Skyline Commercial REIT's tenants could have an adverse effect on Skyline Commercial REIT's ability to lease space in its properties and on the rents charged.

Interest Rates

It is anticipated that the market price for the REIT Units at any given time may be affected by the level of interest rates prevailing at that time. A rise in interest rates may have a negative effect on the market price of the REIT Units. Changes in interest rates may also have effects on vacancy rates, rent levels, refurbishing costs and other factors affecting Skyline Commercial REIT's business and profitability.

General Economic Conditions

Skyline Commercial REIT is affected by general economic conditions, local real estate markets, competition from other available rental premises, including new developments, and various other factors. The existence of competing developers, managers and owners and competition for Skyline Commercial REIT's tenants could have an adverse effect on Skyline Commercial REIT's ability to lease space in its properties and on the rents charged, increased leasing and marketing costs and increased refurbishing costs necessary to lease and release space, all of which could adversely affect Skyline Commercial REIT's revenues and, consequently, its ability to meet its obligations. In addition, any increase in the supply of available space in the markets in which Skyline Commercial REIT operates or may operate could have an adverse effect on Skyline Commercial REIT.

General Uninsured Losses

Skyline Commercial REIT carries comprehensive general liability, fire, flood, extended coverage, rental loss and pollution insurance with policy specifications, limits and deductibles customarily carried for similar properties. There are, however, certain types of risks (generally of a catastrophic nature such as from wars) which are either uninsurable or not insurable on an economically viable basis. Skyline Commercial REIT has insurance for earthquake risks, subject to certain policy limits, deductibles and self-insurance arrangements, and will continue to carry such insurance if economical to do so. Should an uninsured or underinsured loss occur, Skyline Commercial REIT could lose its investment in, and anticipated profits and cash flows from, one or more of its Properties, but Skyline Commercial REIT would continue to be obligated to repay any recourse mortgage indebtedness on such Properties.

Availability of Cash Flow

Distributable income may exceed actual cash available to Skyline Commercial REIT from time to time because of items such as principal repayments of debt, tenant inducements, leasing commissions and capital expenditures, if any. Skyline Commercial REIT may be required to use part of its debt capacity or reduce distributions in order to accommodate such items.

Access to Capital

The real estate industry is highly capital intensive. Skyline Commercial REIT will require access to capital to maintain its properties, as well as to fund its growth strategy and significant capital expenditures from time to time. There is no assurance that capital will be available when needed or on favourable terms.

Environmental and Climate Change Risk

Environmental and ecological legislation and policies have become increasingly important, and generally restrictive, in recent years. Under various laws, Skyline Commercial REIT could become liable for the costs of removal or remediation of certain hazardous or toxic substances released on or in its properties or disposed of at other locations. The failure to remove or remediate such substances, if any, may adversely affect an owner's ability to sell such real estate or to borrow using such real estate as collateral, and could potentially also result in claims against the owner by private plaintiffs. Environmental laws and regulations may change and Skyline Commercial REIT may become subject to more stringent environmental laws and regulations in the future. Compliance with more stringent environmental laws and regulations could have an adverse effect on Skyline Commercial REIT's business, financial condition or results of operation. It is the Asset Manager's policy that where a property is purchased and new financing is obtained, Phase I Environmental Assessments are performed by an independent and experienced environmental consultant. In the case of mortgage assumption, the vendor will be asked to provide a satisfactory Phase I and/or Phase II Environmental Assessment that the Asset Manager will rely upon and/or determine whether an update is necessary. Skyline Commercial REIT is also not aware of any pending or threatened investigations or actions by environmental regulatory authorities in connection with any of the Properties or any pending or threatened claims relating to environmental conditions at the Properties.

Natural disasters and severe weather such as floods, blizzards and rising temperatures may result in damage to the Properties. The extent of Skyline Commercial REIT's casualty losses and loss in operating income in connection with such events is a function of the severity of the event and the total amount of exposure in the affected area. Skyline Commercial REIT is also exposed to risks associated with inclement winter weather, including increased need for maintenance and repair of Skyline Commercial REIT's buildings. In addition, climate change, to the extent it causes changes in weather patterns, could have effects on Skyline Commercial REIT's business by increasing the cost of property insurance, and/or energy at the Properties. As a result, the consequences of natural disasters, severe weather and climate change could increase the Skyline Commercial REIT's costs and reduce Skyline Commercial REIT's cash flow.

Unitholder Liability

Because of uncertainties in the law relating to investment trusts, there is a risk, which is considered by counsel to be remote in the circumstance, that a REIT Unitholder could be held personally liable for obligations of Skyline Commercial REIT (to the extent that claims are not satisfied by Skyline Commercial REIT) in respect of contracts which Skyline Commercial REIT enters into and for certain liabilities arising other than out of contract including claims in tort, claims for taxes and possibly certain other statutory liabilities. The Trustees intend to cause Skyline Commercial REIT's operations to be conducted in such a way as to minimize any such risk including by obtaining appropriate insurance and, where feasible, attempting to have every material written contract or commitment of Skyline Commercial REIT contain an express disavowal of liability against Unitholders.

Dependence on Key Personnel

The management of Skyline Commercial REIT depends on the services of certain key personnel. The termination of employment by the Asset Manager or the Property Manager of any of these key personnel could have a material adverse effect on Skyline Commercial REIT.

Potential Conflicts of Interest

Skyline Commercial REIT may be subject to various conflicts of interest because of the fact that the Trustees and senior officers of Skyline Commercial REIT and the senior officers of the Managers are engaged in a wide range of real estate and other business activities. Skyline Commercial REIT may become involved in transactions which conflict with the interests of the foregoing.

The Trustees may from time to time deal with persons, firms, institutions or corporations with which Skyline Commercial REIT may be dealing, or which may be seeking investments similar to those desired by Skyline Commercial REIT. The interests of these persons could conflict with those of Skyline Commercial REIT. In addition, from time to time, these persons may be competing with Skyline Commercial REIT for available investment opportunities.

The Skyline Commercial REIT Declaration of Trust contains "conflicts of interest" provisions requiring Trustees to disclose material interests in material contracts and transactions and to refrain from voting thereon.

Tax Related Risks

There can be no assurance that income tax laws and the treatment of mutual fund trusts will not be changed in a manner which adversely affects Skyline Commercial REIT or the Unitholders.

In addition, REIT Unitholders may become subject to provincial taxes, such as Ontario Land Transfer Tax, in respect of their REIT Units.

If Skyline Commercial REIT fails or ceases to qualify as a mutual fund trust for purposes of the Tax Act, the tax consequences described under Item 6 "Income Tax Consequences and RRSP Eligibility" would in some respects be materially and adversely different. Such adverse differences would include that if Skyline Commercial REIT did not qualify as a mutual fund trust throughout a taxation year, it would be subject to a special tax under Part XII.2 of the Tax Act for such taxation year to the extent that its designated income (which includes income from real property) is distributed to a designated beneficiary (which includes non-resident persons and certain tax-exempt persons).

If investments in Skyline Commercial REIT become publicly listed or traded, there can be no assurances that Skyline Commercial REIT will not be subject to the SIFT Rules, as described under "Income Tax Consequences and RRSP Eligibility – SIFT Rules", at that time.

Skyline Commercial REIT or its subsidiaries may be reassessed for taxes from time to time. Such reassessments together with associated interest and penalties could adversely affect Skyline Commercial REIT.

Since the net income of Skyline Commercial REIT will be distributed on a monthly basis, a purchaser of a REIT Unit may become taxable on a portion of the net income of Skyline Commercial REIT accrued or realized by Skyline Commercial REIT in a month before the time the REIT Unit was purchased but which was not paid or made payable to Unitholders until the end of the month and after the time the REIT Unit was purchased. A similar result may apply on an annual basis in respect of a portion of capital gains accrued or realized in a year before the time the REIT Unit was purchased, but which is paid or made payable to Unitholders at year-end and after the time the REIT Unit was purchased.

The LRE Rules could potentially apply to Skyline Commercial REIT if a person (or group of persons) was to acquire more than 50% of the fair market value of the REIT Units, with the consequences described under Item 6 "Income Tax Consequences and RRSP Eligibility – Taxation of Skyline Commercial REIT".

Dilution

The number of REIT Units that Skyline Commercial REIT is authorized to issue is unlimited. The Skyline Commercial REIT Trustees have the discretion to issue additional REIT Units in other circumstances, pursuant to Skyline Commercial REIT's various incentive plans. Any issuance of additional REIT Units may have a dilutive effect on the holders of REIT Units.

Liquidity

An investment in REIT Units is an illiquid investment. There is currently no market through which REIT Units may be sold and redemptions are subject to restrictions imposed in the Declaration of Trust and applicable securities regulation. Skyline Commercial REIT is not a "reporting issuer" in any jurisdiction, and a prospectus has not qualified the issuance of REIT Units. Accordingly, investors will be unable to sell their REIT Units, subject to some limited exceptions. See Item 10 – Resale Restrictions. Consequently, holders of REIT Units may not be able to liquidate their investment in a timely manner.

Restrictions on Potential Growth and Reliance on Credit Facilities

The payout by Skyline Commercial REIT of a substantial part of its operating cash flow could adversely affect Skyline Commercial REIT's ability to grow unless it can obtain additional financing. Such financing may not be available, or renewable, on attractive terms or at all. In addition, if current credit facilities were to be cancelled or could not be renewed at maturity on similar terms, Skyline Commercial REIT could be materially and adversely affected.

Financing

Skyline Commercial REIT is subject to the risks associated with debt financing, including the risk that Skyline Commercial REIT may be unable to make interest or principal payments or meet loan covenants, the risk that defaults under a loan could result in cross defaults or other lender rights or remedies under other loans, and the risk that existing indebtedness may not be able to be refinanced or that the terms of such refinancing may not be as favourable as the terms of existing indebtedness. A portion of the Acquisition and Operating Facility is at floating interest rates, and accordingly, changes in short-term borrowing will affect Skyline Commercial REIT's costs of borrowing.

Nature of REIT Units

The REIT Units are not the same as shares of a corporation. As a result, the Unitholders will not have the statutory rights and remedies normally associated with share ownership, such as the right to bring "oppression" or "derivative" actions.

The REIT Units are not "deposits" within the meaning of the Canada Deposit Insurance Corporation Act and are not insured under the provisions of that act or any other legislation. Furthermore, Skyline Commercial REIT is not a trust company and, accordingly, it is not registered under any trust and loan company legislation as it does not carry on or intend to carry on the business of a trust company.

Unexpected Costs or Liabilities Related to Acquisitions

A risk associated with acquisitions is that there may be an undisclosed or unknown liability concerning the acquired property, and Skyline Commercial REIT may not be indemnified for some or all of these liabilities. Following an acquisition, Skyline Commercial REIT may discover that it has acquired undisclosed liabilities, which may be material. The due diligence procedures performed by the Asset Manager are designed to address this risk. The Asset Manager performs what it believes to be an appropriate level of investigation in connection with the acquisition of properties by Skyline Commercial REIT and seeks through contract to ensure that risks lie with the appropriate party

Cybersecurity Risk

The efficient operation of Skyline Commercial REIT's business is dependent on computer hardware and software systems. Information systems are vulnerable to cybersecurity incidents. A cybersecurity incident is considered to be any material adverse event that threatens the confidentiality, integrity or availability of Skyline Commercial REIT's information resources. A cybersecurity incident is an intentional attack or an unintentional event including, but not limited to, malicious software, attempts to gain unauthorized access to data or information systems, and other electronic security breaches that could lead to disruptions in critical systems, unauthorized release of confidential or otherwise protected information and corruption of data. Skyline Commercial REIT's primary risks that could directly result from the occurrence of a cyber incident include operational interruption, damage to its reputation, damage to its business relationships with tenants, the disclosure of confidential information including personally identifiable information, potential liability to third parties, loss of revenue, additional regulatory scrutiny and fines, as well as litigation and other costs and expenses. Skyline Commercial REIT has cybersecurity insurance in place to mitigate cybersecurity risk. These measures, as well as its increased awareness of a risk of a cyber incident, do not guarantee that its financial results will not be negatively impacted by such an incident.

Subsequent Events

On March 24, 2020, Skyline Commercial REIT signed a credit agreement with the Toronto Dominion Bank to secure $25,000 of committed funds against a pool of 31properties, to be used as a revolving line of credit. This line of credit will bear interest at either Prime + 1.75% or the Bankers Acceptance rate + 2.75%.

Subsequent to year end, SCRELP acquired a portfolio consisting of 11 multi-tenant properties in Calgary, Alberta with an aggregate cost of $132,000. The property was financed with a mortgage of $85,000, with an interest rate of 2.4% and a maturity of seven years.

Subsequent to year end, the impact of COVID-19 in Canada and on the global economy increased significantly. This global pandemic has disrupted economic activities and has resulted in many organizations implementing system-wide closure of programming and services. Although the disruption from the virus is expected to be temporary, given the dynamic nature of these circumstances, the duration of business disruption and the related financial impact cannot be reasonably estimated at this time. This may impact the timing and amounts realized on the organization's cash flows and assets.

In response to the effects of COVID-19 mentioned above, on March 19, 2020 the Board of Trustees agreed to apply a monthly redemption limit of $50K for all requests received, as outlined in Skyline Commercial REIT's Declaration of Trust, in an effort to safeguard the capital of Skyline Commercial REIT, and mitigate its liquidity risk.

REIT Unitholders - 2020 Investment Activity (to date) **($ thousands, except where noted)**	**Number of Units**	**Amount ($)**
REIT units outstanding, January 1, 2020	**26,202,705**	**$267,468**
Proceeds from REIT units issued	2,225,521	30,601
Units issued through DRIP	267,976	3,685
Units issued through EUPP	5,797	80
Redemptions - REIT units	(67,402)	(927)
REIT units outstanding, April 30, 2020	**28,634,597**	**$300,907**
Weighted average REIT units outstanding	**26,441,669**	

LP Unitholders - 2020 Investment Activity (to date) **($ thousands, except where noted)**	**Number of Units**	**Amount ($)**
LP units outstanding, January 1, 2020	**502,326**	**$6,907**
Proceeds from LP units issued	-	-
Units issued through DRIP	-	-
Redemptions - LP units		
Change in fair value	-	-
LP units outstanding, April 30, 2020	**502,326**	**$6,907**
Weighted average LP units outstanding	**502,326**	

SKYLINE COMMERCIAL REAL ESTATE INVESTMENT TRUST

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019

SKYLINE COMMERCIAL REAL ESTATE INVESTMENT TRUST

INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2019

rlb Chartered Professional Accountants

INDEPENDENT AUDITOR'S REPORT

To the Unitholders of: Skyline Commercial Real Estate Investment Trust

Opinion

We have audited the accompanying financial statements of Skyline Commercial Real Estate Investment Trust, which comprise the consolidated statement of financial position as at December 31, 2019 and the consolidated statements of income and comprehensive income, unitholders' equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Skyline Commercial Real Estate Investment Trust as at December 31, 2019 and December 31, 2018 and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis of Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of Skyline Commercial Real Estate Investment Trust in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing Skyline Commercial Real Estate Investment Trust's ability to continue as a going concern, disclosing, as applicable, matters related to a going concern and using the going concern basis of accounting unless management either intends to liquidate Skyline Commercial Real Estate Investment Trust or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing Skyline Commercial Real Estate Investment Trust's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of the auditor's responsibilities for the audit of the consolidated financial statements is located at RLB LLP’s website at: www.rlb.ca/additional-auditor-responsibilities-consolidated. This description forms part of our auditor's report.

RLB LLP

Guelph, Ontario
March 25, 2020

Chartered Professional Accountants
Licensed Public Accountants

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SKYLINE COMMERCIAL REAL ESTATE INVESTMENT TRUST

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2019

(in thousands of Canadian dollars)

	2019	2018
ASSETS		
Investment properties (note 6)	$ 799,726	$ 738,440
Other assets (note 7)	2,991	2,324
Due from related party (note 10)	5,998	0
Accounts receivable (note 13)	2,303	696
Cash	3,475	4,401
	$ 814,493	$ 745,861
LIABILITIES AND UNITHOLDERS' EQUITY		
Mortgages payable (notes 8, 13)	$ 418,715	$ 422,576
Equipment loan payable (notes 9, 13)	1,781	1,929
Class B LP Units (notes 13, 17)	6,907	5,525
Due to related parties (note 10)	898	1,083
Tenant deposits	5,507	5,111
Accounts payable and accrued liabilities (note 13)	8,190	6,261
Revolving credit facility (note 13)	6,003	5
	448,001	442,490
Unitholders' equity (page 5)	366,492	303,371
	$ 814,493	$ 745,861

Trustee

Trustee

See notes to the consolidated financial statements

SKYLINE COMMERCIAL REAL ESTATE INVESTMENT TRUST

CONSOLIDATED STATEMENT OF CHANGES IN UNITHOLDERS' EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2019

(in thousands of Canadian dollars)

	2019	2018
OPENING BALANCE	$ 303,371	$ 232,659
Proceeds from units issued (note 16)	1,333	44,467
Units issued through distribution reinvestment plan (note 16)	11,457	9,737
Issuance costs	(62)	(491)
Redemptions (note 16)	(11,157)	(5,301)
Income and comprehensive income for the year	85,134	42,705
Distributions paid	(23,584)	(20,405)
CLOSING BALANCE	$ 366,492	$ 303,371

See notes to the consolidated financial statements

SKYLINE COMMERCIAL REAL ESTATE INVESTMENT TRUST

CONSOLIDATED STATEMENT OF INCOME AND COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2019

(in thousands of Canadian dollars)

	2019	2018
PROPERTY REVENUES		
Minimum rent	$ 49,860	$ 36,542
Cost recoveries from tenants	22,113	20,062
	71,973	56,604
DIRECT PROPERTY EXPENSES		
Property taxes	13,202	11,393
Other direct property costs	7,155	6,925
Utilities	1,189	1,994
Property management fees (note 10)	1,358	1,289
	22,904	21,601
NET PROPERTY INCOME	49,069	35,003
OTHER INCOME AND EXPENSES		
Financing costs (note 11)		
Interest paid on debt	16,978	12,357
Distributions paid on partnership units	1,568	6,952
Administrative expenses	421	420
Asset management fees (note 10)	1,397	1,121
Wealth management fees (note 10)	1,074	865
Lease documentation fees (note 10)	99	0
Interest income	(124)	(250)
	21,413	21,465
INCOME BEFORE UNDERNOTED	27,656	13,538
Fair value loss on Class B LP Units	(1,382)	(125)
Fair value gain on disposed properties	1,783	21,397
Fair value gain on investment properties	57,077	7,895
	57,478	29,167
INCOME AND COMPREHENSIVE INCOME for the year	$ 85,134	$ 42,705

See notes to the consolidated financial statements

SKYLINE COMMERCIAL REAL ESTATE INVESTMENT TRUST

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2019

(in thousands of Canadian dollars)

	2019	2018
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Income and comprehensive income for the year	$ 85,134	$ 42,705
Items not requiring an outlay of cash		
Amortization of leasing costs and straight-line rent (note 6)	(2,662)	149
Amortization of financing costs (notes 8, 11)	679	21
Financing costs included in operations (note 11)	17,825	19,190
Fair value loss on Class B LP Units	1,382	125
Fair value gain on disposed properties	(1,783)	(21,397)
Fair value gain on investment properties	(57,077)	(7,895)
	43,498	32,898
Changes in non-cash working capital		
Accounts receivable	(1,607)	830
Other assets	(667)	(739)
Accounts payable and accrued liabilities	1,929	75
Tenant deposits	396	888
	43,549	33,952
CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES		
Mortgages payable (net repayments and advances) (note 8)	(2,818)	134,578
Mortgages discharged due to sale of investment properties (note 8)	(1,722)	(29,284)
Interest on mortgages payable (notes 8, 9, 11)	(16,142)	(11,795)
Advances (to) from related parties (note 10)	(6,183)	956
Revolving credit facility advances (repayments) (note 13)	5,998	(3,637)
Interest on revolving credit facility (notes 11, 13)	(115)	(443)
Distribution paid on partnership units (notes 17, 10, 11)	(1,568)	(6,952)
Equipment loan payable (net repayments and advances) (note 9)	(148)	1,929
Proceeds from units issued (net of distribution reinvestment plan)	1,333	44,467
Distributions paid (net of distribution reinvestment plan)	(12,127)	(10,668)
Redemptions of units (page 5)	(11,157)	(5,301)
Issuance costs (page 5)	(62)	(491)
	(44,711)	113,359
CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES		
Additions to investment properties (note 6)	(21,411)	(211,590)
Proceeds on disposition of investment properties (note 6)	21,647	58,669
Proceeds on disposition of assets held for sale	0	9,800
	236	(143,121)
(DECREASE) INCREASE IN CASH for the year	(926)	4,190
CASH, beginning of year	4,401	211
CASH, end of year	$ 3,475	$ 4,401

See notes to the consolidated financial statements

1. NATURE OF BUSINESS

Skyline Commercial Real Estate Investment Trust (“Skyline Commercial REIT”) is an unincorporated, open-ended private real estate investment trust established under the laws of the Province of Ontario that was created pursuant to a Declaration of Trust dated January 10, 2012. During the year, Skyline Commercial REIT issued an additional 1,079,902 (2018 - 4,930,934) units for an aggregate issue price of $12,790 (2018 - $54,204). The proceeds were used to invest in Skyline Commercial Real Estate Limited Partnership (“CRELP”). CRELP used part of the proceeds it received on the subscription of its partnership units together with mortgage financing and a line of credit to invest in commercial investment properties. As at December 31, 2019, CRELP owned ninety-four (2018 - ninety-seven) commercial investment properties, all of which are located in Canada.

CRELP was created on January 10, 2012 as a limited partnership under the laws of the Province of Ontario. The general partner is Skyline Commercial Real Estate GP Inc. and the majority limited partner is Skyline Commercial REIT.

Skyline Commercial REIT is domiciled in Ontario, Canada. The address of Skyline Commercial REIT's registered office and its principal place of business is 5 Douglas Street, Suite 301, Guelph, Ontario, N1H 2S8.

2. BASIS OF PRESENTATION

(a) STATEMENT OF COMPLIANCE

The consolidated financial statements of Skyline Commercial REIT for the year ended December 31, 2019 (including comparatives) are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The preparation of consolidated financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying Skyline Commercial REIT's accounting policies.

The consolidated financial statements are presented in accordance with International Accountant Standard ("IAS") 1 - Presentation of Financial Statements ("IAS 1"). Skyline Commercial REIT has elected to present the Statement of Income and Comprehensive Income in one statement.

The consolidated financial statements for the year ended December 31, 2019 (including comparatives) were approved for issue by the Board of Trustees on March 25, 2020.

(b) BASIS OF MEASUREMENT

The consolidated financial statements have been prepared on a historical cost basis modified to include the fair value measurement of investment properties (including assets held for sale) and certain financial instruments, as set out in the relevant accounting policies.

2. BASIS OF PRESENTATION (continued)

(c) FUNCTIONAL CURRENCY AND PRESENTATION

The consolidated financial statements are presented in Canadian dollars, which is also Skyline Commercial REIT's functional currency. All financial information presented in Canadian dollars is rounded to the nearest thousand.

Skyline Commercial REIT presents its consolidated statement of financial position based on the liquidity method, where all assets and liabilities are presented in the ascending order of liquidity.

(d) USE OF ESTIMATES

The preparation of these consolidated financial statements requires Skyline Commercial REIT to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of revenue and expenses during the reporting period. Actual outcomes could differ from these estimates. These consolidated financial statements include estimates, which, by their nature, are uncertain. The impact of such estimates is pervasive throughout the consolidated financial statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimates are revised and the revision affects both current and future periods.

Significant estimates and assumptions include the fair values assigned to investment properties and allowances for doubtful accounts. Valuation of investment properties is one of the principal estimates and uncertainties of these consolidated financial statements. Refer to note 6 for further information on estimates and assumptions made in the determination of the fair value of investment properties.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with IFRS and include the following significant accounting policies (and any changes thereto):

Accounting standards implemented in 2019

Effective January 1, 2019, Skyline Commercial REIT has adopted IFRS 16 - Leases ("IFRS 16") which replaces existing lease guidance in IAS 17 - Leases and related interpretations. The standard introduces a single on-balance sheet recognition and measurement model for lessees, eliminating the distinction between operating and finance leases and requiring the recognition of a right-of-use asset and a lease liability for all leases, with exception for short-term leases and leases of low value assets. The requirements for lessor accounting have been carried forward substantially unchanged from IAS 17. The adoption of IFRS 16 was applied using the modified retrospective approach and, thus, there was no restatement of comparative information. Instead, the cumulative effect of applying this standard was recognized at the date of initial application, January 1, 2019. There was no material impact from the adoption of IFRS 16.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant accounting policies

(a) INVESTMENT PROPERTIES

Investment properties are properties held to earn rental income and are accounted for using the fair value model, in accordance with IFRS 13 - Fair Value Measurement ("IFRS 13"). Rental income and operating expenses from investment properties are reported within 'revenue' and 'expenses' respectively.

Properties that are held for long term rental yields or for capital appreciation or both, and that are not occupied by Skyline Commercial REIT, are classified as investment properties, in accordance with IAS 40 - Investment Properties ("IAS 40").

In accordance with IFRS 3 - Business Combinations, when Skyline Commercial REIT acquires properties or a portfolio of properties and does not take on or assume employees or does not acquire an operating platform, it classifies the acquisition as an asset acquisition.

In accordance with IAS 40, investment properties are measured initially at cost, including related transaction costs. After initial recognition, investment properties are carried at fair value. Fair value is determined using a combination of external valuation processes and internal valuation techniques that are in accordance with IFRS 13. For properties purchased within one year of the reporting date, the purchase price is considered fair value, unless significant events or changes have occurred to the property that would significantly alter its fair value. Properties appraised by qualified third party appraisers within the past twelve months are not revalued, unless significant changes or events have occurred to the property since the appraisal date. All other properties are valued internally, using market supported financial metrics that are in accordance with IFRS 13, in tandem with current property details including, among other things, rent rolls from current leases and assumptions about rental income from future leases in light of current market conditions, and, any cash outflows that could be expected in respect of the property except for those outflows that relate to liabilities recognized on the consolidated statement of financial position. Skyline Commercial REIT also uses extensive market comparable sales to support valuation capitalization rates for different types of assets in different markets. These valuations form the basis for the carrying amounts in the consolidated financial statements.

The fair value of investment property does not reflect future capital expenditure that will improve or enhance the property and does not reflect the related future benefits from this future expenditure other than those a rational market participant would take into account when determining the value of the property.

Investment properties that are being redeveloped for continuing use as investment property or for which the market has become less active continue to be measured at fair value.

Subsequent expenditures are capitalized to the asset’s carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to Skyline Commercial REIT and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognized.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) INVESTMENT PROPERTIES (continued)

Costs incurred for repairs and maintenance in excess of $10,000 (not in thousands of Canadian dollars) per annum per building may be allocated from repairs and maintenance to be capitalized to the cost of the respective building as it is assumed that a future economic benefit will likely be realized from this level of expenditure.

Changes in fair values are recognized in the consolidated statement of income and comprehensive income. Investment properties are derecognized when they have been disposed.

Where Skyline Commercial REIT disposes of a property at fair value in an arm’s length transaction, the carrying value immediately prior to the sale is adjusted to the transaction price, and the adjustment is recorded within the fair value adjustment on investment property.

Investment properties are reclassified to "Assets Held for Sale" when the criteria set out in IFRS 5 - Non-Current Assets Held for Sale and Discontinued Operations ("IFRS 5") are met (see note 3(b)).

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment. Its fair value at the date of reclassification becomes its cost for subsequent accounting purposes.

As investments are measured at fair value, they are implicitly tested for impairment annually. There is no specific impairment test relating to investment properties other than the fair value methodology.

The initial cost of properties under development includes the acquisition cost of the property, direct development costs, realty taxes and borrowing costs attributable to the development. The amount of capitalized borrowing costs is determined by reference to borrowings specific to the project. Borrowing costs are capitalized from the commencement of the development until the date of practical completion where the property is substantially ready for its intended use. The capitalization of borrowing costs is suspended if there are prolonged periods when development activity is interrupted. Practical completion is when the property is capable of operating in the manner intended by management. Generally, this occurs upon completion of construction and receipt of all necessary occupancy and other material permits. If Skyline Commercial REIT has pre-leased space at or prior to the property being substantially ready for its intended use, and the lease requires tenant improvements which enhance the value of the property, practical completion is considered to occur when such improvements are completed.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) ASSETS HELD FOR SALE

In accordance with IFRS 5, non-current assets comprising assets and liabilities, that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale. For this purpose, a sale is highly probable if Management is committed to a plan to achieve the sale; there is an active program to find a buyer; the non-current asset is being actively marketed at a reasonable price; the sale is anticipated to be completed within one year from the date of classification; and it is unlikely there will be changes to the plan.

At the date when an investment property ceases to be classified as held for sale,it is measured at the lower of its carrying amount before it was classified as held for sale, adjusted for any amortization or revaluations that would have been recognized had the investment property not been classified as held for sale, and its recoverable amount. The recoverable amount is the higher of the fair value less costs to sell and the present value of estimated future cash flows expected to arise from the continuing use and eventual disposal of the investment property.

(c) REVENUE RECOGNITION

Rental revenue includes rents from tenants under leases, property tax and operating cost recoveries excluding those costs paid directly by tenants, parking income and incidental income. Skyline Commercial REIT has retained substantially all the risks and rewards of ownership of its investment properties and accounts for its rents from tenants as operating leases. Revenue from operating leases is recognized on a straight line basis over the term of the lease.

Tenant inducements are recognized at fair value at the inception of the lease and are amortized through revenue on a straight line basis over the life of the lease excluding those directly paid by tenants.

(d) FINANCIAL INSTRUMENTS

Skyline Commercial REIT's financial instruments and their respective classification and measurement characteristics, are as follows:

Asset/Liability	Classification/Measurement
Cash	Amortized cost
Accounts receivable	Amortized cost
Tenant loan receivable	Amortized cost
Mortgages payable	Amortized cost
Equipment loan payable	Amortized cost
Class B LP Units	Fair value through profit or loss
Accounts payable and accrued liabilities	Amortized cost
Revolving credit facility	Amortized cost

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) FINANCIAL INSTRUMENTS (continued)

Financial Assets

Financial assets are classified at initial recognition, as either financial assets at fair value through profit and loss or amortized cost. Financial assets that give rise to specified payments of principal and interest are carried at amortized cost when they are held to collect contractual cash flows. All other financial assets are carried at fair value through profit or loss. When financial assets are recognized initially, they are measured at fair value, plus directly attributable transaction costs for those financial assets not subsequently measured at fair value.

Skyline Commercial REIT's financial assets are derecognized only when the contractual rights to the cash flows from the financial asset expire or substantially all of the risks and rewards of ownership are transferred.

Skyline Commercial REIT's financial assets are all classified as amortized cost and include cash, accounts receivable and tenant loan receivable. They are initially recognized at fair value and subsequently measured at amortized cost less provision for impairment.

Provision for impairment is made based on the simplified expected credit loss ("ECL") model. Under the simplified ECL model, Skyline Commercial REIT estimates lifetime expected losses for its receivables at each consolidated statement of financial position date based on available information. To measure the expected losses, amounts receivable are grouped based on days past due. The results of the simplified ECL model are used to reduce the carrying amount of the financial asset through an allowance account, and the changes in the measurement of the allowance account are recognized through the profit and loss. Bad debt write-offs occur when Skyline Commercial REIT determines collection is not possible. If, in a subsequent period, the impairment loss decreases and the decrease can be related objectively to an event occurring in the subsequent period, the impairment loss is reversed to no more than its previous carrying amount by adjusting the allowance. The reversal is recognized through profit and loss. Impaired receivables are derecognized when they become uncollectible.

Financial Liabilities

Financial liabilities are classified at initial recognition as either financial liabilities at fair value through profit and loss, or amortized cost, as appropriate. A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires.

Skyline Commercial REIT's financial liabilities classified as amortized cost include mortgages payable, equipment loan payable, accounts payable and accrued liabilities and revolving credit facility. These financial liabilities are measured initially at fair value and subsequently at amortized cost. The fair value of a non-interest bearing liability is its discounted payment amount. If the due date of the liability is less than one year, discounting is omitted.

Skyline Commercial REIT's mortgages payable consists of the legal liabilities owing pursuant to loans secured by mortgages and premiums and discounts recognized on loans assumed on acquisition of properties, netted against the transaction costs, and the effective interest method of amortization is applied to the premiums, discounts and transaction costs.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) FINANCIAL INSTRUMENTS (continued)

Financial Liabilities (continued)

Skyline Commercial REIT's financial liabilities classified as financial liabilities at fair value through profit or loss include Class B LP Units. These financial liabilities are measured initially and subsequently at fair value and any gains or losses arising on remeasurement are recognized in net income.

(e) CLASS B LP UNITS

The Class B LP Units are exchangeable into Trust Units at the option of the holder. The ability to exchange Class B LP Units for Trust Units implies that a liability element exists as it imposes an unavoidable obligation to deliver units of the Trust (i.e. financial instrument of another entity). Therefore, Class B LP Units are classified as financial liabilities on the consolidated statement of financial position.

(f) DISTRIBUTIONS TO CLASS B LP UNITHOLDERS

Distributions declared to Class B LP Unitholders are classified as financing costs for reporting purposes because the units are treated as financial liabilities.

(g) INCOME TAXES

Skyline Commercial REIT is taxed as a 'Mutual Fund Trust' for income tax purposes. Skyline Commercial REIT, pursuant to its Declaration of Trust, distributes substantially all of its taxable income to unitholders and does not deduct such distributions or designations for income tax purposes. Accordingly, no provision for income taxes has been made. Income tax obligations relating to the distributions of Skyline Commercial REIT are the obligation of unitholders.

(h) DISTRIBUTION REINVESTMENT PLAN

Unitholders may elect to participate in a distribution reinvestment plan whereby distribution payments are invested in additional units of Skyline Commercial REIT. There are no special terms such as premiums on distribution rates for plan participants.

(i) FAIR VALUE MEASUREMENT

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date under current market conditions. In estimating the fair value of an asset or a liability, Skyline Commercial REIT considers the characteristics of the asset or liability that market participants would take into account when pricing the asset or liability at the measurement date.

Assets and liabilities measured at fair value in the consolidated statement of financial position are categorized by level according to the significance of the inputs used in making the measurements. The levels of inputs are defined as follows:

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) FAIR VALUE MEASUREMENT (continued)

Level 1 inputs
Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2 inputs
Inputs other than quoted prices (included within Level 1) that are observable for the asset or the liability, either directly or indirectly.

Level 3 inputs
Unobservable inputs for the asset or liability.

Skyline Commercial REIT's policy is to recognize transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

(j) PROVISIONS

Provisions are recognized when Skyline Commercial REIT has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are not recognized for future operating losses. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date. Provisions are measured at their present value by discounting the future cash flows from the expected date the obligation is to be settled. The discount rate used reflects current market assessments of the time value of money adjusted by the risk factor specific to the obligation. The unwinding of the discount due to the passage of time is recognized as interest expense.

4. STANDARDS ISSUED BUT NOT YET EFFECTIVE

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of Skyline Commercial REIT's consolidated financial statements are disclosed below. Skyline Commercial REIT intends to adopt these standards, if applicable, when they become effective.

In March 2018 the IASB issued the revised Conceptual Framework for Financial Reporting (Conceptual Framework). Definitions of financial statement elements were updated, and a new disclosure and presentation section was added. The revised Conceptual Framework is effective for annual periods beginning on or after January 1, 2020.

The IASB issued Definition of Material (Amendments to IAS 1 – Presentation of Financial Statements and IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors) in October 2018. The amendments clarify the definition of "material" and provide guidance to improve consistency for the application of materiality. The amended definition includes the concept of "obscuring" material information and clarifies that materiality is assessed for primary users of general purpose financial statements about a specific reporting entity. Amendments are effective for annual periods beginning January 1, 2020 and are applied prospectively with earlier application permitted.

(in thousands of Canadian dollars, except per unit amounts)

4. STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

In October 2018 the IASB issued Definition of a Business (Amendments to IFRS 3 – Business Combinations). The amendments provide guidance to help companies determine if an acquisition is of a business or a group of assets. The amendments confirm that an acquired set of activities and assets must include both an input and a process that contribute to the ability to create outputs but clarify that the process must be substantive. The amendments also introduce an optional concentration test that facilitates determination of whether a company has acquired a business. The amendments apply prospectively to acquisitions that occur on or after January 1, 2020. Earlier application is permitted.

Skyline Commercial REIT does not expect any significant impact as a result of these amendments.

5. PRINCIPLES OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of Skyline Commercial REIT and its subsidiary, CRELP.

Subsidiaries are entities over which Skyline Commercial REIT has control, where control is defined as the power to govern financial and operating policies of an entity so as to obtain benefit from its activities. Subsidiaries are fully consolidated from the date control is transferred to Skyline Commercial REIT, and are de-consolidated from the date control ceases. Intercompany transactions between subsidiaries are eliminated on consolidation. All subsidiaries have a reporting date of December 31.

6. INVESTMENT PROPERTIES

Changes to the carrying amounts of investment properties presented in the consolidated statement of financial position can be summarized as follows:

	2019	2018
Balance at beginning of the year	$ 738,440	$ 556,376
Acquisitions through purchase of assets	9,970	204,573
Acquisitions through capital expenditure on existing investment properties	11,441	7,017
Disposals through sale of investment properties	(21,647)	(58,669)
Amortization of leasing cost and straight-line rents	2,662	(149)
Fair value gain on investment properties and disposed properties	58,860	29,292
Balance at end of the year	$ 799,726	$ 738,440

(in thousands of Canadian dollars, except per unit amounts)

6. INVESTMENT PROPERTIES (continued)

Asset acquisitions:

During the year ended December 31, 2019, Skyline Commercial REIT acquired one investment property (2018 - eleven). The results of these acquisitions are included in these consolidated financial statements from the date of acquisition. The following table outlines the cost, plus the transaction costs of the assets acquired and the associated liabilities entered into as a result of these acquisitions:

	2019	2018
Acquisition cost of investment properties	$ 9,970	$ 204,573
Mortgages	(6,425)	(141,300)
Total identifiable net assets settled by cash	$ 3,545	$ 63,273

Future rental income:

Investment properties are subject to operating leases with tenants. Lease contracts are all typically non-cancelable for periods ranging from one to fifteen years from the commencement of the lease. Future minimum rental income from these agreements is as follows:

	2019	2018
Less than one year	$ 46,774	$ 45,949
Between one and three years	83,116	83,340
More than three years	369,492	385,500
	$ 499,382	$ 514,789

Fair value disclosure:

Skyline Commercial REIT uses an income approach to perform internal valuation calculations for the purposes of determining the fair market value of investment properties. The same approach is used for those properties with independent third party appraisals. Significant assumptions used for the valuation of the properties include the capitalization rate and the revenue and expenses for each property. As at December 31, 2019, all of Skyline Commercial REIT's investment properties were valued using Level 3 inputs. There were no transfers into or out of Level 3 fair value measurements for investment properties held as at December 31, 2019 and December 31, 2018.

Skyline Commercial REIT categorizes its investment properties by region, and each region has a different range of capitalization rates, depending on the specific risk factors for each property in that region. The weighted average capitalization rates for commercial properties is 6.11% (2018 - 6.50%). Overall, the capitalization rates for commercial properties fall between:

	2019	2018
Minimum	4.00%	4.94%
Maximum	9.97%	10.56%

Assumptions related to property revenues and expenses are based on the most recent annual results of each property, and where necessary, industry benchmarks.

(in thousands of Canadian dollars, except per unit amounts)

6. INVESTMENT PROPERTIES (continued)

In 2019, Skyline Commercial REIT valued $523,545 of its investment properties (including properties held for sale) internally (2018 - $438,830). The remainder of the investment property fair value was obtained through third party appraisals, not including those properties acquired during the year. In the year, this amounted to $267,031 (2018 - $97,625). Actual results may differ from these estimates and may be subject to material adjustment within the next year.

Fair value sensitivity:

Skyline Commercial REIT's investment properties are classified as Level 3 under the fair value hierarchy, as the inputs in the valuations of these investment properties are not based on observable market data. The following table provides a sensitivity analysis for the weighted average capitalization rate applied as at December 31, 2019:

As of December 31, 2019

Capitalization Rate Sensitivity Increase (Decrease)	Overall Capitalization Rate	Fair Value of Investment Properties	Fair Value Variance	% Change
(1.00)%	5.11%	$ 956,228	$ 156,502	19.57%
December 31, 2019	6.11%	$ 799,726	$ 0	0.00%
1.00%	7.11%	$ 687,247	$(112,479)	(14.06)%

7. OTHER ASSETS

The components of other assets are as follows:

	2019	2018
Funds held in trust	$ 1,019	$ 1,466
Escrow realty taxes	125	125
Prepaid expenses	131	138
Tenant loan receivable	466	595
Deposits on investment properties	1,250	0
	$ 2,991	$ 2,324

The tenant loan receivable is receivable in blended monthly instalments of $14 (2018 - $14) with interest charged at 8.4% (2018 - 8.4%). The loan is due in 2023. The portion receivable within one year is $139 (2018 - $128). See note 13 for financial risk management.

8. MORTGAGES PAYABLE

Mortgages payable are secured by investment properties, assets held for sale and letters of credit, in some cases. Mortgages bearing fixed interest with a contractual weighted average rate of 3.89% (2018 - 3.88%) per annum are $418,715 (2018 - $422,576). There are no variable interest rate mortgages. Mortgages have maturity dates ranging between 2020 and 2029. All mortgages are denominated in Canadian dollars.

(in thousands of Canadian dollars, except per unit amounts)

8. MORTGAGES PAYABLE (continued)

Future minimum principal payments on mortgage obligations are as follows:

2020	$ 25,917
2021	95,707
2022	65,571
2023	18,867
2024	54,053
Thereafter	158,600
	$ 418,715

A reconciliation of movements in mortgages payable to cash flows arising from financing activities is as follows:

	2019	2018
Mortgages payable, beginning of year	$ 422,576	$ 311,758
Proceeds from new mortgages	34,025	158,618
Repayment of existing mortgages	(38,601)	(52,973)
Transaction costs related to mortgages	36	(351)
Total changes from financing cash flows	(4,540)	105,294
Change in mortgages payable on assets held for sale	0	5,503
Amortization of financing costs	679	21
Financing costs included in operations	16,036	11,795
Interest paid	(16,036)	(11,795)
Total liability-related changes	679	5,524
Mortgages payable, end of year	$ 418,715	$ 422,576

9. EQUIPMENT LOAN PAYABLE

The equipment loan payable is payable in blended monthly instalments of $21 (2018 - $21) with interest charged at 5.67% (2018 - 5.67%). The loan is due in 2028. The portion payable within one year is $156 (2018 - $148).

Future minimum principal payments on equipment loan obligations are as follows:

2020	$ 156
2021	165
2022	175
2023	185
2024	196
Thereafter	904
	$ 1,781

9. EQUIPMENT LOAN PAYABLE (continued)

A reconciliation of movements in equipment loans payable to cash flows arising from financing activities is as follows:

	2019	2018
Equipment loans payable, beginning of year	$ 1,929	$ 0
Proceeds from new equipment loans	0	1,929
Repayment of existing equipment loans	(148)	0
Total changes from financing cash flows	(148)	1,929
Financing costs included in operations	106	0
Interest paid	(106)	0
Total liability-related changes	0	0
Equipment loans payable, end of year	$ 1,781	$ 1,929

10. RELATED PARTY TRANSACTIONS

Skyline Commercial Real Estate GP Inc. is the general partner of CRELP and is entitled to 20% of distributions after the limited partners have received returns equivalent to their adjusted contribution value. Related party transactions are measured at fair value. A provision for the future distributions payable to Skyline Commercial Real Estate GP Inc. has not been recorded since the timing and amount of the distributions payable cannot be reasonably estimated. Based on the fair value of the investment properties as at December 31, 2019, a distribution would be payable if the investment properties were sold. At December 31, 2019, there were distributions payable to Skyline Commercial Real Estate GP Inc. in the amount of $898 (2018 - $1,083) related to dispositions that occurred during the year.

	2019	2018
Distributions paid to general partner	$ 1,116	$ 6,500

Skyline Commercial REIT has an asset management agreement with Skyline Asset Management Inc. and its subsidiary, Skyline Commercial Asset Management Inc., a property management agreement with Skyline Commercial Management Incorporated, and a wealth management agreement with Skyline Wealth Management Inc. Skyline Commercial Real Estate GP Inc., Skyline Asset Management Inc., Skyline Commercial Management Incorporated, and Skyline Wealth Management Inc. are controlled by the same shareholders.

Fees payable under the asset management agreement are 2% of adjusted gross revenue. Fees payable under the property management agreement average 2.5% to 5% of base rental income. Fees payable under the lease documentation services agreement are payable at a fixed rate ranging from $200 to $1,000 (not in thousands of Canadian dollars) per lease. Fees payable under the wealth management agreement include wealth management fees of 0.3% of unitholders' equity, and equity raise fees ranging from 0.5% to 1% of proceeds from units issued and redeemed during the year. Equity raise fees of $49 (2018 - $469) under the wealth management agreement were paid during the year and are included in issuance costs. Fees paid are as follows:

(in thousands of Canadian dollars, except per unit amounts)

10. RELATED PARTY TRANSACTIONS (continued)

	2019	2018
Asset management fees	$ 1,397	$ 1,121
Property management fees	1,358	1,289
Lease documentation fees	99	0
Wealth management fees	1,074	865
	$ 3,928	$ 3,275

Due from related party

This is due from Skyline Apartment Real Estate Investment Trust ("AREIT"), bearing interest at 7%, no set terms of repayment and is due on demand. Both parties have general partners controlled by the same persons. This loan was repaid subsequent to year end.

Due to related parties

Amounts due to related parties are unsecured, non-interest bearing and have no set terms of repayment. The balance consists of the following:

	2019	2018
Skyline Commercial Real Estate GP Inc.	$ 898	$ 1,083

Investment in related companies

Included in other assets is the investment in related companies which consists of shares held in Skyline Commercial Real Estate Holdings Inc. and Skyline Commercial Real Estate Holdings (II) Inc. Both companies are the nominee title holders of the investment properties owned by Skyline Commercial REIT.

11. FINANCING COSTS

During the year, Skyline Commercial REIT paid the following financing costs:

	2019	2018
Mortgage interest	$ 16,036	$ 11,795
Equipment loan interest	106	0
Deferred financing costs	679	22
Bank charges	42	97
Interest expense on revolving credit facility	115	443
Distribution interest paid on Class B LP Units	452	452
Distribution interest paid to general partner on sale of investment properties	1,116	6,500
	$ 18,546	$ 19,309

(in thousands of Canadian dollars, except per unit amounts)

12. FAIR VALUE MEASUREMENT

Assets and liabilities measured at fair value

The fair value hierarchy of assets and liabilities measured at fair value on a recurring basis in the consolidated statement of financial position is as follows:

As at	December 31, 2019			December 31, 2018		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Assets						
Investment properties	$ 0	$ 0	$ 799,726	$ 0	$ 0	$ 738,440
Liabilities						
Mortgages payable	$ 0	$ 426,979	$ 0	$ 0	$ 422,576	$ 0
Class B LP Units	0	0	6,907	0	0	5,525
	$ 0	$ 426,979	$ 6,907	$ 0	$ 422,576	$ 5,525

Transfers between levels in the fair value hierarchy are recognized on the date of the event or change in circumstances that caused the transfer. For assets and liabilities measured at fair value as at December 31, 2019 and December 31, 2018, there were no transfers between Level 1, Level 2 and Level 3 assets and liabilities.

The fair value of the mortgages payable has been determined by discounting the cash flows of these financial obligations using year end market rates for debt of similar terms and credit risks. The fair value of the mortgages payable approximate their carrying amounts for the year ended December 31, 2018.

Financial assets and liabilities carried at amortized cost

The fair values of Skyline Commercial REIT's cash, accounts receivable, accounts payable and accrued liabilities and revolving credit facility approximate their carrying amounts due to the relatively short periods to maturity of these financial instruments.

(in thousands of Canadian dollars, except per unit amounts)

13. FINANCIAL RISK MANAGEMENT

Financial risks are risks arising from the financial instruments to which Skyline Commercial REIT is exposed during or at the end of the reporting period. Financial risk comprises market risk, credit risk and liquidity risk. Skyline Commercial REIT considers real estate risk as a financial risk as well, even though investment property is not classified as a financial instrument.

Risk management is carried out by Management and the Board of Trustees of Skyline Commercial REIT. Management identifies and evaluates financial risks and the Board provides oversight on overall risk management, including specific areas such as interest rate risk, liquidity and investing policies.

Key financial risk management reports are produced on a monthly basis and key indicators are reviewed by Management and the Board of Trustees of Skyline Commercial REIT.

i) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Skyline Commercial REIT's market risks arise from open positions in interest bearing assets and liabilities, to the extent that these are exposed to market fluctuations.

a. Interest rate risk

Skyline Commercial REIT is exposed to interest rate risk arising from its fixed rate mortgages payable. As fixed rate debt matures and as Skyline Commercial REIT uses additional floating rate debt under revolving credit facilities, Skyline Commercial REIT will be further exposed to cash flow risk.

As part of its risk management policies, Skyline Commercial REIT uses fixed rate mortgages for the majority of its borrowings to allow for better cash flow planning. Skyline Commercial REIT attempts to stagger mortgage renewals at appropriate intervals to mitigate significant interest rate shocks in a given year.

The following table illustrates the sensitivity of income and equity to a reasonably possible change in interest rates of +/- 1%.

As of December 31, 2019

	Carrying Amount	Income -1%	Partners' Capital -1%	Income +1%	Partners' Capital +1%
Revolving credit facility	$ 6,003	$ 60	$ 60	$ (60)	$ (60)
Mortgages payable, maturing within one year	14,699	147	147	(147)	(147)
	$ 20,702	$ 207	$ 207	$ (207)	$ (207)

(in thousands of Canadian dollars, except per unit amounts)

13. FINANCIAL RISK MANAGEMENT (continued)

i) Market risk (continued)

As of December 31, 2018

	Carrying Amount	Income -1%	Partners' Capital -1%	Income +1%	Partners' Capital +1%
Revolving credit facility	$ 5	$ 0	$ 0	$ 0	$ 0
Mortgages payable, maturing within one year	24,681	247	247	(247)	(247)
	$ 24,686	$ 247	$ 247	$ (247)	$ (247)

b. Price risk
Skyline Commercial REIT has no significant exposure to price risk with respect to financial instruments as it does not hold any equity securities or commodities.

c. Foreign exchange risk
Skyline Commercial REIT is not subject to foreign exchange risk. All of its financial instruments are denominated in Canadian dollars.

ii) Credit risk
Credit risk is a risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Credit risk arises from trade receivables, including rental receivables from lessees, mortgage and notes receivable.

An allowance for doubtful accounts is recognized for estimated losses resulting from tenant default on lease obligations. Skyline Commercial REIT actively reviews receivables and determines the potentially uncollectible accounts on a per-tenant basis. An accounts receivable is written down to its estimated recoverable value when there is reason to believe that the tenant will not be able to fulfil their obligations under the lease agreement.

The movement in the allowance for doubtful accounts is reconciled as follows:

	2019	**2018**
Allowance for doubtful accounts beginning of year	$ 18	$ 0
Provision for impairment of accounts receivable	17	18
Reversal of provision for impairment	(16)	0
Allowance for doubtful accounts end of year	$ 19	$ 18

Credit risk is managed by reviewing the credit quality of the tenant through credit ratings and references. The maximum exposure to credit risk at the reporting date is equal to the carrying value of each class of financial asset.

(in thousands of Canadian dollars, except per unit amounts)

13. FINANCIAL RISK MANAGEMENT (continued)

iii) Liquidity risk

Liquidity risk management entails maintaining sufficient cash and credit facilities available to close out market positions. Skyline Commercial REIT ensures flexibility in funding by keeping committed credit lines available, and raising capital from partners when needed.

Skyline Commercial REIT's liquidity position is monitored on a regular basis by Management. A summary table with maturity of financial assets and liabilities presented below is used by key management personnel to manage liquidity risks and is derived from managerial reports at company level. The amounts disclosed in the tables below are the contractual undiscounted cash flows. Undiscounted cash flows in respect of the balances due within twelve months generally equal their carrying amounts in the consolidated statement of financial position as the impact of discounting is not significant.

Skyline Commercial REIT has access to an operating line of credit to a maximum of $15,000 with interest charged at prime + 2.0%, of which $6,003 is utilized at December 31, 2019 (2018 - $5). The line of credit is secured by a general security agreement over some of the investment properties of Skyline Commercial REIT.

A reconciliation of movements in revolving credit facility to cash flows arising from financing activities is as follows:

	2019	2018
Revolving credit facility, beginning of year	$ 5	$ 3,642
Net proceeds (repayment) from revolving credit facility	5,998	(3,637)
Financing costs included in operations	115	443
Interest paid	(115)	(443)
Total liability-related changes	0	0
Revolving credit facility, end of year	$ 6,003	$ 5

Under a financing agreement, Skyline Commercial REIT is required to maintain a debt service ratio of 1.20 or higher, an interest coverage ratio of at least 2.00 or higher and unitholder equity of at least $140,000 plus 75% of contributions received during each subsequent fiscal year. Skyline Commercial REIT is also required to maintain a funds from operations effective pay-out ratio not exceeding 115% and a total debt to gross book value ratio not exceeding 70%. At December 31, 2019, the combined group was in compliance with the financing agreement.

Skyline Commercial REIT's long term debt consists of mortgages payable bearing interest rates ranging from 2.99% to 6.15% per annum (2018 - 2.74% to 6.15%), payable in monthly instalments of principal and interest of approximately $2,386 (2018 - $2,362), maturing from 2020 to 2029, and are secured by specific charges against specific properties. All interest rates are fixed for the term of the respective mortgage.

(in thousands of Canadian dollars, except per unit amounts)

13. FINANCIAL RISK MANAGEMENT (continued)

iii) Liquidity risk (continued)
Financial liabilities and their maturities are as follows:

December 31, 2019	On demand	Less than one year	One to five years	More than five years	**Total**
Mortgages payable	$ 0	$ 14,699	$ 218,623	$ 185,393	$ 418,715
Class B LP units	6,907	0	0	0	6,907
Accounts payable and accrued liabilities	0	8,190	0	0	8,190
Revolving credit facility	6,003	0	0	0	6,003
Equipment loans payable	0	0	0	1,781	1,781
	$ 12,910	$ 22,889	$ 218,623	$ 187,174	$ 441,596

December 31, 2018	On demand	Less than one year	One to five years	More than five years	**Total**
Mortgages payable	$ 0	$ 35,037	$ 204,415	$ 183,124	$ 422,576
Class B LP units	5,525	0	0	0	5,525
Accounts payable and accrued liabilities	0	6,261	0	0	6,261
Revolving credit facility	5	0	0	0	5
Equipment loans payable	0	148	681	1,100	1,929
	$ 5,530	$ 41,446	$ 205,096	$ 184,224	$ 436,296

iv) Real estate risk
Skyline Commercial REIT has identified risks associated with the real estate portfolio. The greatest risk is with respect to the fair values of the portfolio due to changes in real estate market conditions, the macro economic climate and overall financial health of its tenants.

Skyline Commercial REIT mitigates its exposure to any one tenant as a majority of its investment properties are commercial which results in a large number of tenants with minimal financial exposure to each. Skyline Commercial REIT's commercial portfolio has a concentration of risk with two tenants that represent more than 10% of property revenue. One tenant represents 22.1% (2018 - 23.2%) and another represents 9.5% (2018 - 10.0%) of Skyline Commercial REIT's property revenue.

14. CAPITAL RISK MANAGEMENT

Skyline Commercial REIT's objectives when managing capital are to safeguard the entity's ability to continue as a going concern in order to provide returns for unitholders, and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, Skyline Commercial REIT has the ability to adjust the amount of distributions paid to partners, return capital to partners, issue additional units, refinance existing debt, or sell investment property to reduce debt.

(in thousands of Canadian dollars, except per unit amounts)

14. CAPITAL RISK MANAGEMENT (continued)

Skyline Commercial REIT monitors capital primarily using a loan to value ratio, which is quotient of mortgages payable to investment properties. As of December 31, 2019, the loan to value ratio was 52% (2018 - 57%), which is within Skyline Commercial REIT's stated policy of 70% or lower. Subsequent to December 31, 2019, Skyline Commercial REIT is in compliance with the policy.

During the year, Skyline Commercial REIT did not breach any of its loan covenants, nor did it default on any other of its obligations under its loan agreements.

15. SEGMENTED DISCLOSURE

All of Skyline Commercial REIT's assets and liabilities are in, and its revenues are derived from, Canadian commercial real estate. Skyline Commercial REIT's investment properties are, therefore, considered by Management to have similar economic characteristics. Thus, Skyline Commercial REIT has one reportable segment for disclosure purposes.

16. UNITHOLDERS' EQUITY

Skyline Commercial REIT is authorized to issue an unlimited number of REIT units. The REIT units are entitled to distributions as and when declared by the Board of Trustees. On February 6, 2019 Skyline Commercial REIT increased the price per unit for newly issue units and units to be redeemed to $12.00 from $11.00. On November 6, 2019 Skyline Commercial REIT increased the price per unit for newly issued units and units to be redeemed to $13.75 from $12.00. The units issued and outstanding are as follows:

	2019 Units	2018 Units
Units outstanding, beginning of year	26,045,002	21,595,974
Units issued	121,211	4,042,512
Units issued (distribution reinvestment plan)	958,691	888,447
Redemptions during the year	(922,199)	(481,931)
Units outstanding, end of year	26,202,705	26,045,002

17. CLASS B LP UNITS

The non-voting Class B LP Units are units issued by CRELP as partial consideration of investment properties. The Class B LP Units can be exchanged for Trust Units at any time at the option of the holder. Prior to such exchange, distributions will be made on these exchangeable units in an amount equivalent to the distributions which would have been made had the units been exchanged for Skyline Commercial REIT units.

As at December 31, 2019, there were 502,326 (2018 - 502,326) Class B LP Units issued and outstanding. The Class B LP Units represented an aggregate fair value of $6,907 at December 31, 2019 (2018 - $5,525).

(in thousands of Canadian dollars, except per unit amounts)

17. CLASS B LP UNITS (continued)

A reconciliation of movements in Class B LP Units to cash flows arising from financing activities is as follows:

	2019	2018
Class B LP Units, beginning of year	$ 5,525	$ 5,400
Proceeds from issue of Class B LP Units	0	0
Financing costs included in operations	452	452
Distribution interest paid	(452)	(452)
Total liability-related changes	0	0
Changes in fair value	1,382	125
Class B LP Units, end of year	$ 6,907	$ 5,525

18. SUBSEQUENT EVENTS

On March X, 2020, Skyline Commercial REIT signed a credit agreement with the Toronto Dominion Bank to secure $25,000 of committed funds against a pool of X properties, to be used as a revolving line of credit. This line of credit will bear interest at either Prime + 1.75% or the Bankers Acceptance rate + 2.75%.

Subsequent to year end, the impact of COVID-19 in Canada and on the global economy increased significantly. This global pandemic has disrupted economic activities and has resulted in many organizations implementing system-wide closure of programming and services. Although the disruption from the virus is expected to be temporary, given the dynamic nature of these circumstances, the duration of business disruption and the related financial impact cannot be reasonably estimated at this time. This may impact the timing and amounts realized on the organization's cash flows and assets.

In response to the effects of COVID-19 mentioned above, on March 19, 2020 the Board of Trustees agreed to apply a monthly redemption limit of $50 for all requests received, as outlined in Skyline Commercial REIT's Declaration of Trust, in an effort to safeguard the capital of Skyline Commercial REIT, and mitigate its liquidity risk.


SKYLINE