7007 54th St. SE, Calgary, AB

SKYLINE

SKYLINE COMMERCIAL REIT 2020

ANNUAL REPORT TO UNITHOLDERS, DECEMBER 31 2020

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

From left to right: **Jason Castellan,** Co-Founder & Chief Executive Officer; **Wayne Byrd,** Chief Financial Officer; **Dominic Bonin,** Vice President, Skyline Commercial Asset Management Inc.; **Michael Mackenzie,** President, Skyline Commercial REIT; **Maria Duckett,** Vice President, Skyline Commercial Asset Management Inc.; **Mike Bonneveld,** Vice President, Skyline Commercial Asset Management Inc.; **R. Jason Ashdown,** Co-Founder & Chief Sustainability Officer; **Martin Castellan,** Co-Founder & Chief Administrative Officer.

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OVERVIEW

$1.018 B	**7.5+ MM**	**73.20%**
Fair Value of Investment Properties (27.3% increase) (As at December 31, 2020)	Gross Leasable Area (Sq.Ft) (As at December 31, 2020)	Forward FFO Payout Ratio (As at December 31, 2020)
$16.50	**$0.93**	**5.64%**
Current Unit Value (As at April 30, 2021)	Annual Distribution per Unit (As at April 30, 2021)	Annual Distribution Yield (As at April 30, 2021)
28.50%	**18.13%**	**14.56%**
Annualized Return 1 yr (As at April 30, 2021)	Annualized Return 5 yr (As at April 30, 2021)	Annualized Return Since Inception (As at April 30, 2021)

85 & 89 Freeport Blvd, Calgary, AB

AWARDS

Best Managed Companies – Gold Standard Winner 2020

Skyline Group of Companies was recognized as one of Canada's Best Managed Companies, a designation that continues to be the mark of excellence for Canadian-owned and managed companies with revenues over $25 million. Businesses are evaluated on adaptation amid changing market conditions, embracing innovation, and employee engagement.

CFAA 2020 Awards – Winner, Rental Housing Provider of the Year (over 7,500 suites) & Rental Development of the Year (low-rise)

Skyline Living accepted two awards from the Canadian Federation of Apartment Associations (CFAA). Rental Housing Provider of the Year recognizes exceptional leadership in the rental housing industry. Rental Development of the Year recognizes a company that has achieved excellence in the development of a new rental housing project.

Centre Wellington Chamber of Commerce Awards of Excellence 2020 – Winner, Corporate Citizen of the Year

Skyline Group of Companies was awarded Corporate Citizen of the Year from the Centre Wellington Chamber of Commerce. Skyline received the award for its efforts surrounding Skyline Community Hub, a centralized workspace for community support organizations located in Fergus, ON.

Growth List – Winner, 2020

Skyline Group of Companies ranked No. 379 on the 32nd annual Growth List, the definitive ranking of Canada's Fastest-Growing Companies. The 2020 Growth List ranked Canadian businesses on five-year revenue growth, customer service and marketing tactics, innovation, social responsibility, sustainability, and response to COVID-19.

Victoria Real Estate Board Commercial Building Awards – Winner, Commercial-Retail

Skyline Retail REIT won in the category of Commercial-Retail for its Evergreen Centre plaza at 6660 Sooke Road in Sooke, BC. Judging criteria are based on overall exterior design, how the project answers a developmental need within the community, and aspects of the project that promote environmental conservation and sustainability.

FRPO 2020 MAC Awards – Winner, Community Service Award of Excellence

Skyline Group of Companies accepted the Community Service award, which recognizes a company that has gone above and beyond to give back to the communities it operates in. Skyline was judged on its involvement in its communities through volunteer activities, charitable contributions, and other service projects or events.

SKYLINE GROUP OF COMPANIES' SUSTAINABILITY EFFORTS

LOOKING BACK

Below are just some highlights of Skyline's sustainability efforts this past year:

- Announced a **new permanent supportive housing project** in partnership with non-profit landlord Kindle Communities and the Guelph Community Health Centre (Guelph CHC), with land valued at **$1M+** donated by Skyline Apartment REIT and construction/development oversight facilitated by SkyDevco Inc.
- **Raised $137,000** for non-profit organizations with programs supporting youth mental health, through our "Fore-Go Golf for Youth Mental Health" video campaign.
- Continued to invest in renovation at **Skyline Community Hub** in Fergus, ON, in preparation for Canadian Mental Health Association Waterloo-Wellington (CMHA WW) and Integrated Youth Services Network (IYSN)'s tenancies in 2021. Skyline has invested more than **$1M** in the Hub to date.
- Re-branded and re-launched Skyline Living's tenant assistance program as R.I.S.E. (Reach, Impact, Support, Elevate) and **provided $61.5K+ in rent relief and grocery gift cards**. Since January 1, 2020, Skyline Living has **saved 311 tenancies** through the program.
- **Launched an internal Skyline Leadership Development Program** for staff, to help develop and empower Skyline's next generation of leaders, as well as a New Manager Training Program for newly promoted leaders, and Masters Training Program for front-line staff.

LOOKING AHEAD

Skyline's focus areas for 2021:

Environmental

- Reducing and diverting waste
- Producing clean energy
- Finding and applying both new and established sustainable technologies and goods

Social

- Investing in community partnerships across Canada
- Creating a culture of diversity and inclusion
- Supporting and encouraging volunteerism, wellness, safety, and giving

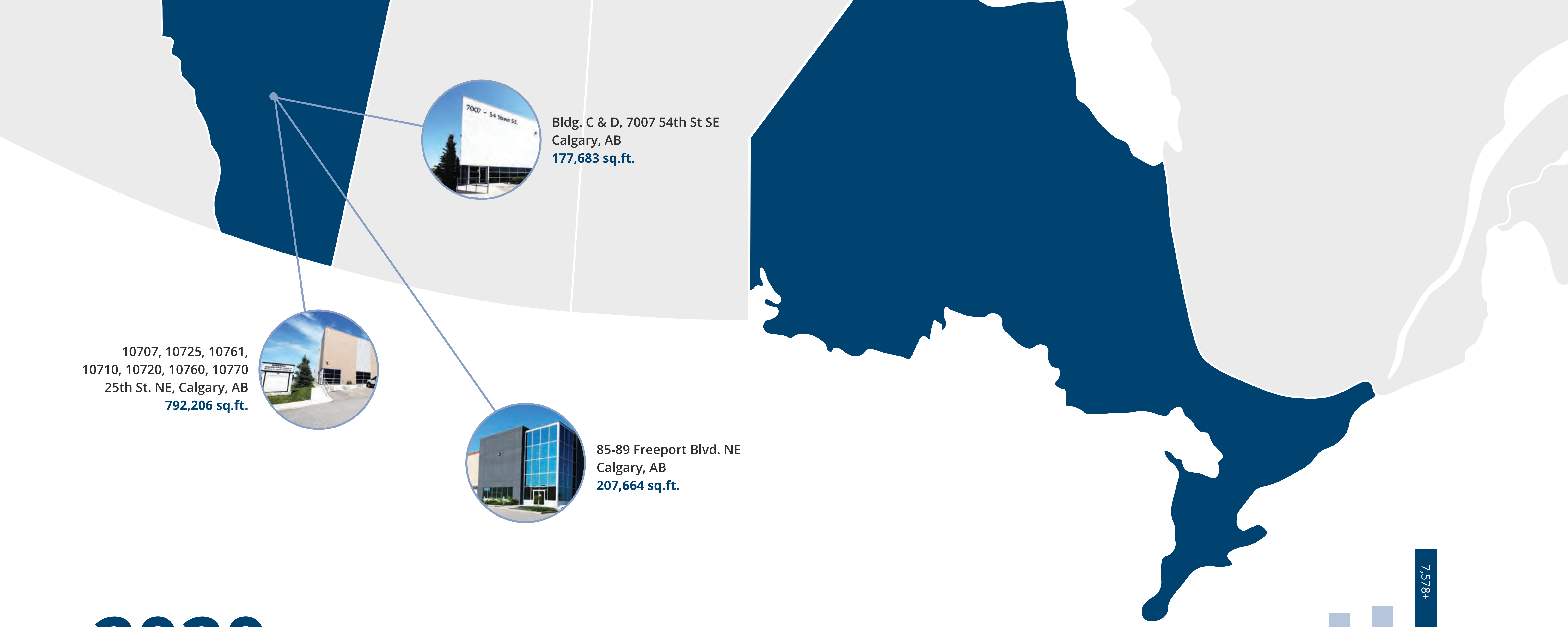
Governance

- Upholding a code of conduct and supportive policies for our people
- Surveying stakeholders and collecting data to ensure accountability as we work toward our goals
- Ensuring company policies and procedures reflect our sustainability objectives

Our Sustainability Partners include our tenants, employees, investors, suppliers, and communities.

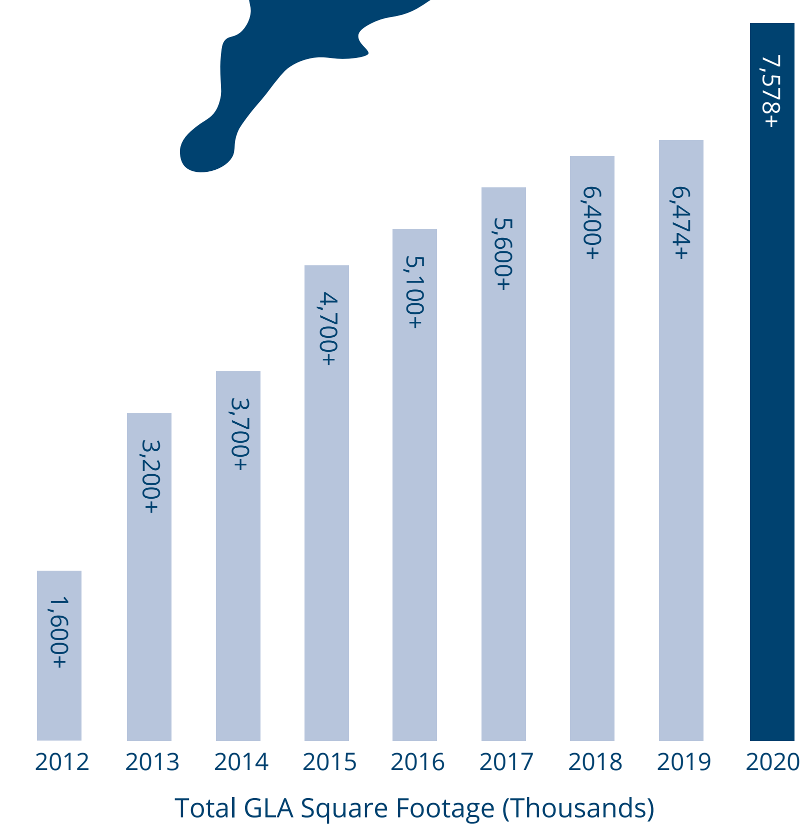
Together, we're working toward effecting positive change from coast to coast.

View Skyline's 2021 Sustainability Plan at **SkylineGroupOfCompanies.ca/Sustainability**



2020
TRANSACTIONS

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



Our Purpose

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

Our PRIDE Values

Professionalism
Respect
Integrity
Drive
Efficiency

Our Mission

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

Airport Park,
10760 25th St. NE, Calgary, AB

CEO ADDRESS TO UNITHOLDERS

In previous Annual Reports, my address to Unitholders has primarily consisted of a recap of the past year for Skyline, followed by a future outlook for the upcoming year. This year has already been well-documented through various daily, weekly, and monthly communications summarizing the resiliency of our Funds . As those communications noted, Skyline's successful performance in 2020 can be credited to our incredibly hard-working and adaptive staff, the deep character of our tenants, the cooperation of our fearless suppliers, and you, our investors, who have been unwavering in your support. Thanks to the efforts of the entire "Skyline network," we have collectively powered through what must have been the most unbelievable year in many of our lives-I can certainly say that was true for me.

Although we hear reports of other countries making great headway in recovery, our situation continues to varying degrees across the provinces-which can only mean the end is near for Canadians. With that in mind, I must now turn my attention to 2021. With well-established, well-positioned, and highly tangible assets held within the Funds, I believe Skyline has a unique opportunity for growth in 2021 and the years to come.

At the time I write this address, lumber prices are up 600% (yes, six times) from April 2020. Likewise, steel is up 160%, and copper 208%. At the same time, we're seeing the prices of corn, soy, vegetables, and other crops at all-time highs, which is reflected in the rising prices of food. We know that these pressures are the simple economics of more money in circulation that is chasing the same "stuff," whether those items or services are "needs" or "wants."

We know first-hand why there is more money in circulation: it is the money our government, and governments around the world, have printed to subsidize those whose income and accessibility to basic needs have been disrupted by business and workplace closures, and by stay-at-home orders. I approach this from an objective standpoint, not a critical one, knowing that many of our tenants were among those deeply affected by these closures. We also believe that Skyline is well-positioned for growth in these circumstances. Our four Funds are comprised of the aforementioned "stuff" that fulfills basic needs. Skyline Apartment REIT supplies living spaces; Skyline Commercial REIT supplies places of employment, essential manufacturing, and last mile logistics; Skyline Retail REIT supplies places to buy essential items such as food and medical supplies; and Skyline Clean Energy Fund supplies electricity generation.

We are witnessing inflationary pressures on the building blocks of the assets within our portfolios- steel, wood, copper, glass, etc.- which is enhancing the values of the assets themselves, most of which were acquired long before this inflation, and at much lower prices than today. That increase in value is supported by higher rents (another result of more money in circulation), which have risen dramatically in major markets, trickling down into secondary and tertiary markets as well. For these reasons, and from time to time, we will continue to look at the opportunity to surface value by selling assets in areas where rents and values have risen faster than others, and redeploying the cash in markets where we believe we will realize the same benefits – which may result in confirming the value created is real and our strategy is sound. At the end of the day, this is the same simple "sell high, buy low" strategy that we have always enacted with great success.

Although in many aspects of our lives it seems like everything has changed, I can say that very little has changed in terms of how we fundamentally operate at Skyline. We continue to evolve into a more and more dynamic company as situations and times change, but all for the better. As cash becomes diluted due to government deficits being funded by money printing, we aim to buy, own, and operate, on your behalf, more of the same "stuff" that has proven to be historically stable and resilient through the many black swan events we have endured over the decades. We found ourselves in the midst of one of those events in 2020 and continue through it today, but with our Fund strategy, we had already braced ourselves for the battle. We have come out the other side bigger, better, and stronger to the benefit of all Skyline stakeholders, including you, our valued investors. Thank you for your support of Skyline.

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

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

PRESIDENT'S REPORT

2020 proved to be a very successful year for Skyline Commercial REIT despite (and possibly even because of) the challenges we have all faced as a result of the ongoing COVID-19 pandemic.

In last year's address to Unitholders, I reported various market influences that were driving positive momentum in the industrial sector. These trends range from the rapid growth of e-commerce and "last-mile" delivery requirements to the expanding frozen food sector and the evolving needs of third-party logistics operators as supply chain models change. These influences have continued to gain potency through the rest of 2020 and into 2021. As a result, we are seeing significantly increased demand for industrial product in most primary and secondary markets across Canada, which in turn results in upward pressure on rents and an unprecedented demand for the types of properties owned by Skyline Commercial REIT. As a result, vacancy levels remain historically low, and rental rates continue to push upwards.

Skyline Commercial REIT's 2020 operating results outperformed those of the previous year, as Funds From Operations ("FFO") grew 4.9% to $1.23 per unit (compared to $1.17 in 2019).

As with any short supply market, the Canadian industrial sector is attracting significant new capital looking to participate in this growth. This has had the effect of driving values higher, which was reflected in the recent 20% increase in Skyline Commercial REIT's Unit Value from $13.75 to $16.50 per Unit.

Skyline Commercial REIT's 2020 operating results outperformed those of the previous year, as Funds From Operations ("FFO") grew 4.9% to $1.23 per unit (compared to $1.17 in 2019). As a result, in February of 2021, the Skyline Commercial REIT Board of Trustees announced an increase in distributions to $0.93 per Unit. This outcome was realized mostly through continuing high occupancy, a 5.7% increase in same-store rents, and the accretive impact of acquisitions such as the REIT's 1.1 million square foot portfolio acquisition in Calgary, AB, in Q1 2020. As at December 31, 2020, the fair value of the Skyline Commercial REIT portfolio exceeded $1B in assets for the first time. Despite the increasingly competitive marketplace, the Skyline Commercial REIT management team continues to find opportunities for further accretive growth of the REIT's portfolio.

Skyline Commercial REIT houses 628 tenants with a primary focus on distribution, warehousing, and logistics activities. The Weighted Average Lease Term (WALT) of these tenancies is 7.7 years, providing significant stability to the REIT's income. This also means that the current increased market rent levels will not all be realized within a single year as only about 12% of the leases mature annually.
In 2020, mortgages totaling $14,605,000, representing 3.5% of the portfolio mortgage pool matured at a Weighted Average Interest Rate of 3.95%. These mortgages were refinanced at a Weighted Average Interest Rate of 2.71%. As at December 31, 2020, the Weighted Average Interest Rate for the entire mortgage pool stands at 3.48%, and the REIT's total debt was $540MM, representing a moderate 48% leverage based on the December 31, 2020 valuation.

On the acquisition front, management's strategy has continued to evolve in accordance with market conditions and related sector needs. We remain active in our established strategy of sourcing primarily newer product with a focus on logistics and distribution facilities and we currently have several assets under due diligence. Additionally, we have recognized that some of the product that is currently in highest demand needs to be built. To this end, Skyline Commercial REIT has begun to develop strategic joint venture partnerships in key markets to develop buildings in prime locations that are purpose-built to answer these demands. Our first such development, a 150,000 square foot warehouse and distribution facility in Balzac, a suburb of Calgary, AB, was completed in February 2021, and is now leased for 11 years to CHEP Canada.

A pipeline of additional similar development projects is now being assembled in the Greater Montreal Area, and is expected to deliver additional new purpose-built, best of class product to the REIT over the next 2-4 years. The first two of these projects commenced construction in Q2 2021. Although these developments are being built through joint venture structures with local expertise, Skyline Commercial REIT has the right to acquire all partner interests at market price upon stabilization of the properties.

Finally, the current market conditions continue to create opportunities to re-direct existing capital to higher purpose through the strategic disposition of non-core and inefficient properties. To this end, Skyline Commercial REIT disposed of two properties in 2020, for a combined 72% gain over book value and a 30% gain over 2019 IFRS valuations. This activity will continue through 2021 as targeted assets are culled and proceeds directed to new opportunities.

In closing, 2020 has been an extraordinary year in many ways. Strong operating performance, increasing asset values, growing distributions, and new development partnerships that speak to the overall quality and continuing potential of Skyline Commercial REIT.

Your Skyline Commercial REIT management team looks forward to what is expected to be an equally exciting 2021.

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 for Skyline Apartment REIT and Skyline Commercial 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.

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FINANCIAL REPORTING

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, 2020, 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, 2021, 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 the material contained in the audited consolidated financial statements for the years ended December 31, 2020, and 2019, 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 October 6, 2020 (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, Manitoba, and Saskatchewan.

Management Strategy

As managers to Skyline Commercial REIT; Skyline Commercial Asset Management Inc. (the "**Asset Manager**"), Skyline Wealth Management Inc. (the "**Wealth Manger"**) 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, 2020, approximately 39.7% 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, 2020, overall occupancy was 95.3%.

- **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 2020, Skyline Commercial REIT's NOI margin was 66.7%.

- **Same Property Net Operating Income -** This is defined as operating revenues less operating expenses for properties, which were owned for the full years of 2018, 2019, and 2020. Management was focused on maintaining or increasing same property NOI year over 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 2020, Skyline Commercial REIT generated $35.3 million in FFO.

- **Adjusted Funds From Operations ("AFFO") -** AFFO is a measure of performance taking into consideration regular maintenance capital expenditures and regular leasing expenditures that a prudent owner must maintain from operating cash flows. For the year 2020, Skyline Commercial REIT generated $26.9 million in AFFO.

- **Payout Ratio -** To ensure that Skyline Commercial REIT retains sufficient cash to meet its capital improvement and leasing objectives, Management strives to maintain appropriate FFO and AFFO payout ratios over the year. Management is targeting an 85% FFO payout ratio and a 95% AFFO payout ratio. For the year 2020, Skyline Commercial REIT's FFO payout ratio was 73.2% and AFFO payout ratio was 95.9%.

- **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 2020, Skyline Commercial REIT's portfolio leverage ratio was 56.8% (against historical cost) and 48.9% (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 to provide certainty to Unitholders with respect to taxation of distributions.

2020 Highlights

- Year-over-year FFO grew $0.06 (4.9%) on a per unit basis, from $1.17 to $1.23. As a result, the REIT's FFO Payout ratio improved from 76.8% to 73.2% for the year ended December 31, 2020.

- The REIT grew its portfolio of investment properties from $800 million to $1.02 billion (27.3%) over the course of 2020, through a combination of strategic acquisitions and growing value within the existing portfolio.

- The REIT's year-over-year in-place base rent grew from $7.59 per sq.ft to $8.04 per sq.ft.

- As of February 12, 2021, the value of REIT units grew from $13.75 to $16.50 per unit (a 20% year-over-year increase), and the distribution per unit increased from $0.90 to $0.93.

Financial Highlights **($ thousands, except where noted)**	**2020**	**2019**
Property revenues	$82,131	$71,973
Operating expenses	(27,334)	(22,904)
Net operating income ("NOI")	**$54,797**	**$49,069**
Net income	**$98,021**	**$85,134**
Funds from operations ("FFO")	**$35,283**	**$31,234**
Adjusted Funds from operations ("AFFO")	**$26,934**	**$22,664**
Weighted average REIT units and LP units outstanding	28,690,640	26,650,950
FFO per unit (weighted average)	**$1.23**	**$1.17**
AFFO per unit (weighted average)	**$0.94**	**0.85**
Forward FFO Payout ratio	**73.2%**	**76.8%**
Forward AFFO payout ratio	**95.9%**	**105.8%**
Distributions per unit	$0.90	$0.90

Property Portfolio

At December 31, 2020, through active portfolio management; the portfolio consisted of 7,578,975 rentable square feet across 103 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 94.5% industrial properties with another 4.1% of flex space and a small portion of pure office properties. 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, 2020**	**GLA (sq ft)**	**%**	**Occupancy Rate**	**Base Rent**
Industrial	7,159,984	94.5%	95.5%	$7.95
Office	107,864	1.4%	82.0%	$12.27
Flex	311,127	4.1%	96.5%	$8.72
Total	**7,578,975**	**100.0%**	**95.3%**	**$8.04**

Acquisitions and Dispositions

Acquisitions Completed During the Year Ended December 31, 2020
($ thousands, except where noted)

Purchase Date	GLA	Region	Type	Acquisition Costs	Mortgage Funding
25-Mar-20	1,177,553	Western Canada	Industrial	$135,877	$85,000
Total	**1,177,553**			**$135,877**	**$85,000**

Dispositions Completed During the Year Ended December 31, 2020
($ thousands, except where noted)

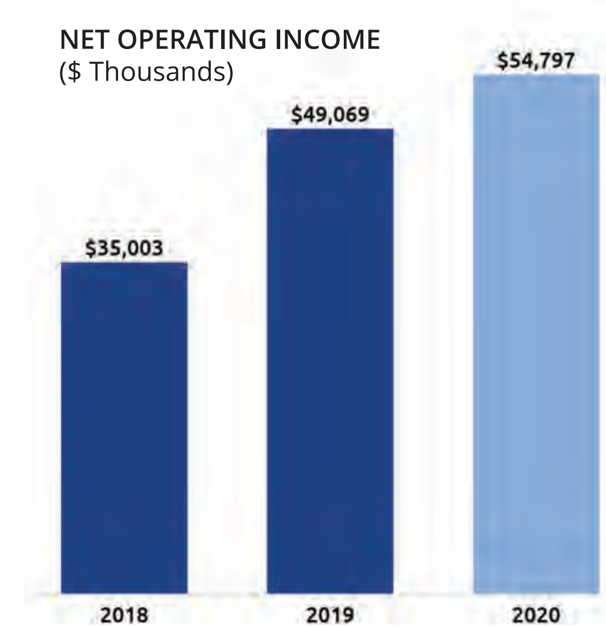
Disposition Date	GLA	Region	Type	Carrying Value	Equity	Mortgages Discharged
13-Jul-20	18,257	Other Ontario	Industrial	$2,730	$2,730	$ -
26-Oct-20	55,506	GTA	Industrial	12,000	7,628	4,372
Total	**73,763**			**$14,730**	**$10,358**	**$4,372**

2020 Operating Highlights

Operating Results **($ thousands, except where noted)**	**2020**	**%***	**2019**	**%***
Property revenues				
Minimum rent	$56,112	68.3%	$49,860	69.3%
Cost recoveries	26,019	31.7%	22,113	30.7%
Total property revenues	**$82,131**	**100.0%**	**$71,973**	**100.0%**
Direct property expenses				
Realty taxes	$14,994	18.3%	$13,202	18.3%
Other direct property costs	9,649	11.7%	7,155	9.9%
Utilities	920	1.1%	1,189	1.7%
Property Management fees	1,771	2.2%	1,358	1.9%
Total direct property expenses	**$27,334**	**33.3%**	**$22,904**	**31.8%**
Net operating income ("NOI")	**$54,797**	**66.7%**	**$49,069**	**68.2%**

* As a percentage of property revenues

Other operational metrics		
Total occupancy %	95.3%	97.8%
In place base rent (per square foot)	$8.04	$7.59



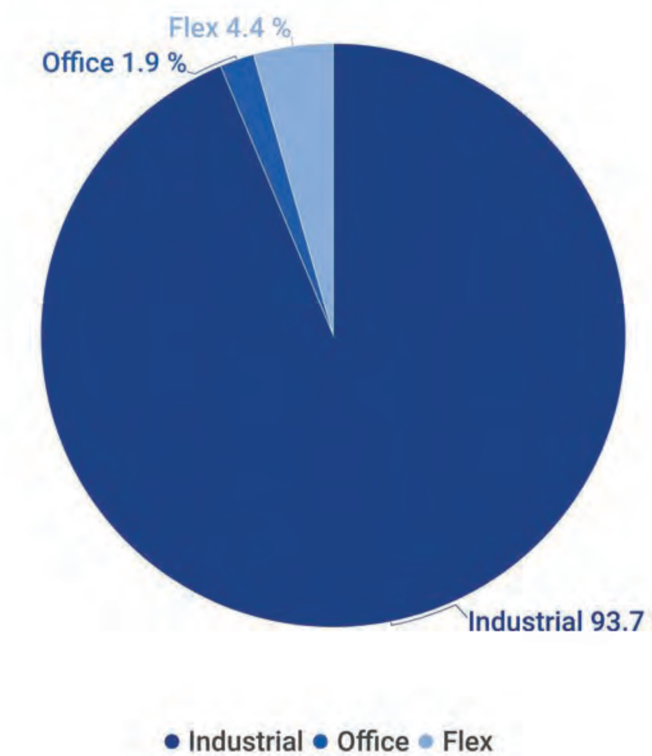
Regional Highlights ($ thousands, except where noted)	2020		2019		Increase (Decrease)		
Portfolio	**NOI**	**NOI Margin**	**NOI**	**NOI Margin**	**Revenue Change**	**Expense Change**	**NOI Change**
GTA	**$3,086**	**58.4%**	$3,873	61.4%	-16.3%	-17.1%	-18.0%
Ottawa	**6,277**	**50.9%**	6,592	51.4%	-3.8%	-11.8%	1.1%
Other Ontario	**14,140**	**61.3%**	12,317	61.9%	10.8%	8.1%	9.5%
Quebec	**12,375**	**70.6%**	14,029	75.7%	-5.4%	11.5%	-11.1%
Western Canada	**18,919**	**76.9%**	12,258	86.1%	72.9%	182.4%	54.3%
Total	**$54,797**	**66.7%**	$49,069	68.2%	13.9%	15.6%	11.7%

Occupancy and Vacancy Schedule

At the close of 2020, the portfolio had 359,160 square feet of vacant space, of which 156,467 square feet is committed for future occupancy. With respect to future expiries, Management has already renewed or leased 249,215 square feet. The following bar graph shows the percentage of lease expiries over the next 5 years and beyond, 46.4% of maturities are over 5 years. Over the course of 2021, 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, 2020, with 628 tenants, risk exposure to any single tenant was 19.1%. 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)**	**2020**	**2019**
Profit & loss		
Property revenues	**$82,131**	**$71,973**
Operating expenses	**(27,334)**	**(22,904)**
Net operating income ("NOI")	**$54,797**	**$49,069**
Finance costs	(20,992)	(18,546)
REIT & other expenses	(3,757)	(2,991)
Interest income	69	124
Fair value gain on disposed properties	5,725	1,783
Fair value gain	62,179	55,695
Net income	**$98,021**	**$85,134**
Non-cash add-backs:		
Distributions paid on partnership units	$3,073	$1,568
Fair value gain on disposed properties	(5,725)	(1,783)
Fair value gain	(62,179)	(55,695)
Amortization of leasing costs and straight-line rent	1,017	873
Amortization of tenant inducements	1,076	1,137
Funds from operations ("FFO")	**$35,283**	**$31,234**
AFFO adjustments:		
Deferred maintenance	(81)	$(100)
Other capital expenditures	(3,827)	(2,991)
Amortization of tenant inducement	(1,076)	(1,137)
Amortization of leasing costs	(1,017)	(873)
Amortization of straight-line rents	(2,348)	(3,469)
Adjusted funds from operations (“AFFO”)	**$26,934**	**$22,664**
Weighted average REIT units and LP units outstanding	28,690,640	26,650,950
Total distributions declared	29,175	25,152
Less: General Partner sharing distributions	(1,779)	(1,116)
Total distributions declared to REIT and LP Unitholders	**$27,396**	**$24,036**
FFO per unit (weighted average)	**$1.23**	**$1.17**
AFFO per unit (weighted average)	**$0.94**	**$0.85**
Forward Distributions per unit [1]	$0.90	$0.90
Forward FFO payout ratio [1]	**73.2%**	**76.8%**
AFFO payout ratio	**95.9%**	**105.8%**

[1] Excludes distributions paid to the General Partner

Distributions to Unitholders and Payout Ratio

During 2020, Skyline Commercial REIT paid monthly distributions to Unitholders of $0.075 per Unit, or $0.90 per Unit on an annual basis. At December 31, 2020, approximately 39.7% of the REIT’s Units were enrolled in the Distribution Reinvestment Plan. Distributions made to REIT Unitholders during 2020 amounted to $27.4 million, of which $10.9 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)**	**2020**	**2019**
Total distributions declared	**$27,396**	**$24,036**
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).

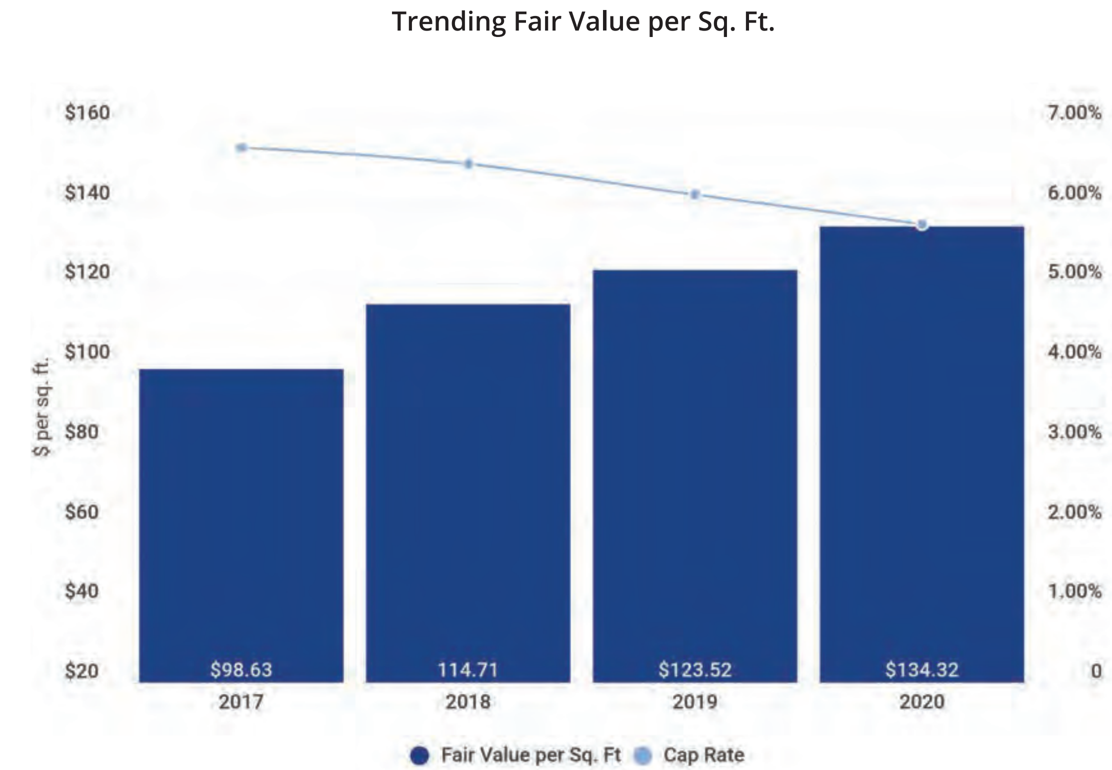
- Properties must be appraised by a third party at least once every five years.
- Properties will not be appraised by a third party within 18 months of acquisition (unless it is necessary for mortgage financing).
- Properties will not be required to be appraised in a year, if within the next 12 months it is scheduled for mortgage maturity.

2020 saw the cumulative fair value adjustment on investment properties increase $9.0 million to $67.9 million from $58.9 million at December 31, 2019.

Fair Value of Investment Properties (under IFRS 13) **($ thousands, except where noted)**	**2020**	**2019**
Balance, beginning of year	**$799,726**	**$738,440**
Acquisitions through purchase of assets	156,531	9,970
Additions through capital expenditures on existing investment properties	6,003	11,441
Disposals through sale of investment properties	(13,562)	(21,647)
Amortization of leasing costs and straight-line rent	1,427	2,662
Fair value gain on investment properties and disposed properties	67,904	58,860
Balance, end of year	**$1,018,029**	**$799,726**

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)**	**2020**	**2019**	**2018**	**2017**
Fair value of investment properties	$1,018,029	$799,726	$738,440	$556,376
Total rentable sq.ft. at year end	7,578,975	6,474,278	6,437,248	5,640,826
Fair value per square foot	**$134.32**	**$123.52**	**$114.71**	**$98.63**
Increase (decrease) in fair value per sq.ft. (%)	**8.74%**	**7.68%**	**16.30%**	**4.87%**
Weighted average capitalization rate	5.75%	6.11%	6.50%	6.70%
Increase (decrease) in cap rate (year-over-year) (%)	(5.89%)	(6.00%)	2.99%	3.74%
Net operating income ("NOI")	$54,797	$49,069	$35,003	$31,818
Increase in NOI (year-over-year) (%)	11.67%	40.19%	10.01%	12.91%
NOI (% of revenue)	66.72%	68.18%	61.84%	64.06%



Capital Expenditures

During 2020, Skyline Commercial REIT acquired 1,177,553 rentable square feet of commercial space through the acquisition of 11 properties for a total investment of $135.9 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 $6.0 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, 2020 is in the following chart:

Mortgage Summary **($ thousands, except where noted)**	**2020**	**2019**
Mortgages payable	$491,274	$418,715
Line of credit	$4,711	$6,003
Equipment Loan	1,625	1,781
Total Debt	**497,610**	**426,499**
Class B LP Units	6,907	6,907
Unitholders' Equity	495,468	366,492
Total Capital	**$999,985**	**$799,898**
Mortgage debt to historical cost	56.80%	59.03%
Mortgage debt to fair value	48.26%	52.36%
Total debt to historical cost	57.53%	59.88%
Total debt to fair value	48.88%	53.33%
Weighted average mortgage interest rate	3.48%	3.89%
Weighted average mortgage term to maturity	4.66 yrs	5.13 yrs

Mortgages Payable **($ thousands, except where noted)**	**Future minimum principal payments**	**% of total mortgages**
2021	**$99,030**	20.2%
2022	**64,528**	13.1%
2023	**26,281**	5.3%
2024	**57,047**	11.6%
2025	**38,653**	7.9%
Thereafter	**205,735**	41.9%
Total mortgages payable as at December 31, 2020	**$491,274**	**100.0%**

Investment Summary

During 2020, 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 April 2020. During the year, the REIT received net proceeds of $57.6 million through new REIT units and DRIP enrollment, net of redemptions.

REIT Unitholders - Investment Activity **($ thousands, except where noted)**	**2020**		**2019**	
	Number of Units	**Amount ($)**	**Number of Units**	**Amount ($)**
REIT units outstanding, beginning of year	**26,202,705**	**$267,468**	**26,045,002**	**$265,835**
Proceeds from REIT units issued	3,980,072	54,726	121,211	1,333
Units issued through DRIP	777,800	10,695	938,204	11,209
Units issued through EUPP	13,451	185	20,487	248
Redemptions - REIT units	(578,719)	(7,958)	(922,199)	(11,157)
REIT units outstanding, end of year	**30,395,309**	**$325,116**	**26,202,705**	**$267,468**
Weighted average REIT units outstanding	**28,690,640**		**26,148,624**	
Number of new investors (1)		**239**		**2**
Number of repeat investors (2)		**121**		**4**
Number of redemptions		**83**		**79**
New investment average ($)		**$153**		**$125**
Repeat investment average ($)		**145**		**271**
Redemption average ($)		**(100)**		**(179)**

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

LP Unitholders - Investment Activity ($ thousands, except where noted)	2020		2019	
	Number of Units	Amount ($)	Number of Units	Amount ($)
LP units outstanding, beginning of year	**502,326**	**$6,907**	502,326	$5,525
Proceeds from LP units issued	-	-	-	-
Units issued through DRIP	-	-	-	-
Redemptions - LP units	-	-	-	-
Change in fair value	-	-	-	1,382
LP units outstanding, end of year	**502,326**	**$6,907**	**502,326**	**$6,907**
Weighted average LP units outstanding	**502,326**		**502,326**	
Number of new investors		**-**		**-**
Number of repeat investors		**-**		**-**
Number of redemptions		**-**		**-**
New investment average ($)		**$-**		**$-**
Repeat investment average ($)		**-**		**-**
Redemption average ($)		**-**		**-**

Unitholder Taxation

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

For Skyline Commercial REIT Unit Holders	2020
Other Income	---
Capital Gains	1.83%
Return of Capital	98.17%
TOTAL	**100%**

For Skyline Commercial REIT LP Unit Holders	2020
Other Income	---
Capital Gains	19.80%
Return of Capital	80.20%
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.

GP Sharing ($ thousands, except where noted)	2020	2019
General Partner sharing on income	$171	$218
General Partner sharing on dispositions	1,608	898
Total General Partner sharing on distributions	**$1,779**	**$1,116**

Management Services

Related party fees paid are as follows:

Management Fees ($ thousands, except where noted)	2020	2019
Property Management Fees	$1,771	$1,358
Asset Management Fees	1,655	1,397
Wealth Management Fees	1,394	1,074
Underwriting Management Fees	256	170
Lease Documentation Fees	69	99
Total Management Fees	**$5,415**	**$4,098**

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 Wealth Management 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 Wealth Manager 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 Wealth Management Agreement, the Wealth Manager is responsible for employment expenses of its personnel, rent and other office expenses of the Wealth Manager in connection with providing services to Skyline Commercial REIT under the Wealth Management 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 Retail REIT, Skyline Retail 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 Retail 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.

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 commercial and industrial premises, competition from other commercial and industrial 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 Matters

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. 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.

Unitholder Liability

Because of uncertainties in the law relating to investment trusts, there is a risk, which is considered by counsel to Skyline Commercial REIT 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 end of employment 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 Asset Manager, the Property Manager, and the Wealth Manager 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 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.

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 Skyline's 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.

Liquidity

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

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.

Redemptions

The entitlement of Unitholders to receive cash in respect of Units tendered for redemption is subject to a Monthly Limit. Where the Monthly Limit is exceeded, a portion of the Redemption Amount to which the Unitholder would otherwise be entitled shall be paid and satisfied in cash and, subject to receipt of all necessary regulatory approvals, the remainder shall be paid and satisfied by way of issuance to the Unitholder of a Trust Note in accordance with the Declaration of Trust.

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.

Subsequent Events

Effective February 12, 2021, the price per unit for newly issued units and units to be redeemed increased to $16.50 from $13.75, and the distribution per unit increased to $0.93 from $0.90.

On February 24, 2021, Skyline Commercial REIT entered into a limited partnership agreement with F.I.T. RF Limited Partnership and Rosefellow Holdings Incorporated, to form the RF Limited Partnership I ("RF LP I"). Pursuant to the aforementioned limited partnership agreement, Skyline Commercial REIT owns 47.5% of RF LP I, and has contributed $8,829 to RF LP I subsequent to year end. The limited partnership agreement will further require Skyline Commercial REIT to commit an additional $40,171 to RF LP I between 2021 and 2024. RF LP I is in the business of acquiring lands and developing light industrial real estate in and around Montreal, Quebec.

Subsequent to year end, the following investment activity occurred:

REIT Unitholders - 2021 Investment Activity (to date) **($ thousands, except where noted)**	**Number of Units**	**Amount ($)**
REIT units outstanding, January 1, 2021	**30,395,309**	**$325,116**
Proceeds from REIT units issued	-	-
Units issued through DRIP	252,266	3,792
Units issued through EUPP	7,160	114
Redemptions - REIT units	(156,490)	(2,479)
REIT units outstanding, April 30, 2020	**30,498,245**	**$326,543**
Weighted average REIT units outstanding	**30,415,731**	

LP Unitholders - 2021 Investment Activity (to date) **($ thousands, except where noted)**	**Number of Units**	**Amount ($)**
LP units outstanding, January 1, 2021	**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, 2021	**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, 2020

SKYLINE COMMERCIAL REAL ESTATE INVESTMENT TRUST

INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

Chartered
Professional
Accountants

INDEPENDENT AUDITOR'S REPORT

To the Unitholders of: Skyline Commercial Real Estate Investment Trust

Opinion

We have audited the accompanying consolidated financial statements of Skyline Commercial Real Estate Investment Trust, which comprise the consolidated statement of financial position as at December 31, 2020 and December 31, 2019 and the consolidated statements of income and comprehensive income, changes in unitholders' equity and cash flows for the years then ended, and notes to the consolidated 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, 2020 and December 31, 2019 and the results of its operations and its cash flows for the years 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 Consolidated 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 Consolidated 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.

GUELPH OFFICE 197 HANLON CREEK BLVD, UNIT 103, GUELPH, ON, N1C 0A1 • TEL: 519-822-9933 • FAX: 519-822-9212 • rlb.ca

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Skyline Commercial Real Estate Investment Trust's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Skyline Commercial Real Estate Investment Trust's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause Skyline Commercial Real Estate Investment Trust to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

RLB LLP

Guelph, Ontario
March 24, 2021

Chartered Professional Accountants
Licensed Public Accountants

SKYLINE COMMERCIAL REAL ESTATE INVESTMENT TRUST

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2020

(in thousands of Canadian dollars)

	2020	2019
ASSETS		
Investment properties (note 6)	$ 1,018,029	$ 799,726
Investment in joint ventures (note 7)	11,584	0
Other assets (note 8)	2,290	2,991
Due from related parties (note 12)	0	5,998
Accounts receivable (note 15)	407	2,303
Cash	2,659	3,475
	$ 1,034,969	$ 814,493
LIABILITIES AND UNITHOLDERS' EQUITY		
Mortgages payable (notes 9, 15)	$ 491,274	$ 418,715
Equipment loan payable (notes 10, 15)	1,625	1,781
Land lease (note 11)	19,490	0
Class B Limited Partnership Units (notes 15, 19)	6,907	6,907
Due to related party (note 12)	171	898
Tenant deposits	7,496	5,507
Accounts payable and accrued liabilities (note 15)	7,827	8,190
Revolving credit facility (note 15)	4,711	6,003
	539,501	448,001
Unitholders' equity (page 6)	495,468	366,492
	$ 1,034,969	$ 814,493

“Jason Castellan” Trustee

“Jonathan Halpern” 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, 2020

(in thousands of Canadian dollars)

	2020	2019
OPENING BALANCE	$ 366,492	$ 303,371
Proceeds from units issued (note 18)	54,726	1,333
Units issued through distribution reinvestment plan (note 18)	10,880	11,457
Issuance costs	(591)	(62)
Redemptions (note 18)	(7,958)	(11,157)
Income and comprehensive income for the year	98,021	85,134
Distributions paid	(26,102)	(23,584)
CLOSING BALANCE	$ 495,468	$ 366,492

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, 2020

(in thousands of Canadian dollars)

	2020	2019
PROPERTY REVENUES		
Minimum rent	$ 56,112	$ 49,860
Cost recoveries from tenants	26,019	22,113
	82,131	71,973
DIRECT PROPERTY EXPENSES		
Property taxes	14,994	13,202
Other direct property costs (note 20)	9,649	7,155
Utilities	920	1,189
Property management fees (note 12)	1,771	1,358
	27,334	22,904
NET PROPERTY INCOME	54,797	49,069
OTHER INCOME AND EXPENSES		
Financing costs (note 13)		
Interest paid on debt	18,761	16,978
Distributions paid on partnership units	2,231	1,568
Administrative expenses	639	421
Asset management fees (note 12)	1,655	1,397
Wealth management fees (note 12)	1,394	1,074
Lease documentation fees (note 12)	69	99
Interest income	(69)	(124)
	24,680	21,413
INCOME BEFORE UNDERNOTED	30,117	27,656
Fair value loss on Class B Limited Partnership Units	0	(1,382)
Fair value gain on disposed properties	5,725	1,783
Fair value gain on investment properties	62,179	57,077
	67,904	57,478
INCOME AND COMPREHENSIVE INCOME for the year	$ 98,021	$ 85,134

See notes to the consolidated financial statements

SKYLINE COMMERCIAL REAL ESTATE INVESTMENT TRUST

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2020

(in thousands of Canadian dollars)

	2020	2019
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Income and comprehensive income for the year	$ 98,021	$ 85,134
Items not requiring an outlay of cash		
Amortization of leasing costs and straight-line rent (note 6)	(1,427)	(2,662)
Amortization of financing costs (notes 9, 13)	512	679
ROU asset on acquisition	20,654	0
Financing costs included in operations (note 13)	20,911	17,825
Fair value loss on Class B Limited Partnership Units	0	1,382
Fair value gain on disposed properties	(5,725)	(1,783)
Fair value gain on investment properties	(62,179)	(57,077)
	70,767	43,498
Changes in non-cash working capital		
Accounts receivable	1,896	(1,607)
Other assets	701	(667)
Accounts payable and accrued liabilities	(363)	1,929
Tenant deposits	1,989	396
	74,990	43,549
CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES		
Mortgages payable (net repayments and advances) (note 9)	76,277	(2,818)
Mortgages discharged due to sale of investment properties (note 9)	(4,230)	(1,722)
Interest on mortgages payable (notes 9, 10, 13)	(17,689)	(16,142)
Equipment loan payable (net repayments and advances) (note 10)	(156)	(148)
Lease payments made on land lease (note 11)	(1,164)	0
Advances (to) from related parties (note 12)	5,271	(6,183)
Revolving credit facility advances (repayments) (note 15)	(1,292)	5,998
Interest on revolving credit facility (notes 13, 15)	(149)	(115)
Distribution paid on partnership units (notes 12, 13, 19)	(3,073)	(1,568)
Proceeds from units issued (net of distribution reinvestment plan)	54,726	1,333
Distributions paid (net of distribution reinvestment plan)	(15,222)	(12,127)
Redemptions of units (page 6)	(7,958)	(11,157)
Issuance costs (page 6)	(591)	(62)
	84,750	(44,711)
CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES		
Additions to investment properties (note 6)	(162,534)	(21,411)
Investments in joint ventures (note 7)	(11,584)	0
Proceeds on disposition of investment properties (note 6)	13,562	21,647
	(160,556)	236
DECREASE IN CASH for the year	(816)	(926)
CASH, beginning of year	3,475	4,401
CASH, end of year	$ 2,659	$ 3,475

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.

Skyline Commercial Real Estate Limited Partnership ("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.

As at December 31, 2020, CRELP owned one hundred and three (2019 - ninety-four) commercial investment properties, all of which are located in Canada.

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, 2020 (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, 2020 (including comparatives) were approved for issue by the Board of Trustees on March 24, 2021.

(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.

(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.

2. BASIS OF PRESENTATION (continued)

(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 2020

On January 1, 2020, Skyline Commercial REIT adopted the revised Conceptual Framework. 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. There was no material impact from the adoption of this revised Conceptual Framework.

On January 1, 2020, Skyline Commercial REIT adopted the following amendments to IAS 1 - Presentation of Financial Statements ("IAS 1") and IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors ("IAS 8"). The IASB issued Definition of Material (Amendments to IAS 1 and IAS 8) 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. There was no material impact from the adoption of these amendments.

On January 1, 2020, Skyline Commercial REIT adopted the following amendments to IFRS 3 - Business Combinations ("IFRS 3"). In October 2018 the IASB issued Definition of a Business (Amendments to IFRS 3). 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. There was no material impact from the adoption of these amendments.

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.

Government subsidy income is recognized in the period the related expenditure occurs.

(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
Land lease	Amortized cost
Class B Limited Partnership 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)

<u>Financial Assets</u>
Financial assets are classified at initial recognition, as either financial assets at fair value through profit and loss ("FVTPL") 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 FVTPL. 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 uncollectable.

<u>Financial Liabilities</u>
Financial liabilities are classified at initial recognition as either financial liabilities at FVTPL, 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, land lease, 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 FVTPL include Class B Limited Partnership 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 LIMITED PARTNERSHIP UNITS

The Class B Limited Partnership Units are exchangeable into Trust Units at the option of the holder. The ability to exchange Class B Limited Partnership 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 Limited Partnership Units are classified as financial liabilities on the consolidated statement of financial position.

(f) DISTRIBUTIONS TO CLASS B LIMITED PARTNERSHIP UNITHOLDERS

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

(g) INCOME TAXES

Skyline Commercial REIT qualifies as a mutual fund trust and real estate investment trust pursuant to the Income Tax Act. Under current legislation, a real estate investment trust is entitled to deduct distributions of taxable income such that it is not liable to pay income taxes provided its taxable income is fully distributed to unitholders. Skyline Commercial REIT intends to continue to qualify as a real estate investment trust and to make distributions not less than the amount necessary to ensure the REIT will not be liable to pay income taxes. Accordingly, no provision for income taxes has been made.

(h) LEASES

Under IFRS 16, leases are recognized as a right-of-use ("ROU") asset with a corresponding liability at the date of which the leased asset is available for use by Skyline Commercial REIT. At inception, the ROU assets are recognized at the present value of the future minimum lease payments, and an equivalent amount is recognized as a lease obligation. Subsequent to initial recognition, ROU assets for property leases are carried at fair value and included in investment properties.

At initial recognition, the lease liability is measured at the present value of the lease payments in the lease. These payments are discounted using the rate implicit in the lease or, where the rate is not determinable, at the weighted average cost of capital. Subsequently, the lease liability is measured at amortized cost using the effective interest rate method. The lease liability is remeasured when the lease agreement is modified or if there are changes to variable payments dependent on an index or rate.

The ROU asset is measured at fair value and included with investment properties.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) 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.

(j) JOINT VENTURES

In accordance with IFRS 11 – Joint Arrangements (“IFRS 11”), Skyline Commercial REIT has an investment over which they have joint control and whereby the parties that share joint control have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

Investments in joint ventures are accounted using the equity method. Under the equity method, the investment is initially recorded at cost and adjusted by Skyline Commercial REIT's share of the post-acquisition net earnings and changes in the net assets of the joint venture.

(k) 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:

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) 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.

IAS 1 - In January 2020, the IASB issued an amendment to IAS 1 - Presentation of financial statements which will be effective for years beginning on or after January 1, 2023. The amended standard will update the definition of a liability and the classification of liabilities between current and non-current.

IAS 16 - In May 2020, the IASB issued an amendment to IAS 16 - Property, Plant and Equipment which will be effective for years beginning on or after January 1, 2022. The amended standard will update the elements of the cost of property, plant and equipment as it refers to the costs of testing whether the asset is functioning properly and disclosures surrounding this.

IAS 37 - In May 2020, the IASB issued an amendment to IAS 37 - Provisions, contingent liabilities and contingent assets which will be effective for years beginning on or after January 1, 2022. The amended standard will be updated to include a definition of the costs associated with fulfilling the obligations of an onerous contract.

IFRS 9 - In May 2020, the IASB issued an amendment to IFRS 9 - Financial Instruments which will be effective for years beginning on or after January 1, 2022. The amended standard will update the definition of what constitutes substantially different when referring to the exchange of debt instruments.

IFRS 28 - In May 2020, the IASB issued an amendment to IFRS 28 - Investments in Associates and Joint Ventures which will be effective for years beginning on or after January 1, 2022. The amended standard will update the equity method procedures for recognizing the sale or contribution of assets between an investor and its associate or joint venture.

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

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

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:

	2020	**2019**
Balance at beginning of the years	$ 799,726	$ 738,440
Acquisitions through purchase of investment properties	156,531	9,970
Acquisitions through capital expenditure on existing investment properties	6,003	11,441
Disposals through sale of investment properties	(13,562)	(21,647)
Amortization of leasing costs and straight-line rents	1,427	2,662
Fair value gain on investment properties and disposed properties	67,904	58,860
Balance at end of the years	$ 1,018,029	$ 799,726

Asset acquisitions:

During the year ended December 31, 2020, Skyline Commercial REIT acquired eleven investment properties (2019 - one). 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:

	2020	**2019**
Acquisition cost of investment properties	$ 156,531	$ 9,970
Mortgages	(85,000)	(6,425)
ROU asset acquired on acquisition	(20,654)	0
Total identifiable net assets settled by cash	$ 50,877	$ 3,545

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

6. INVESTMENT PROPERTIES (continued)

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:

	2020	2019
Less than one year	$ 55,921	$ 46,774
Between one and three years	96,806	83,116
More than three years	352,834	369,492
	$ 505,561	$ 499,382

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, 2020, 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, 2020 and December 31, 2019.

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 5.75% (2019 - 6.11%). Overall, the capitalization rates for commercial properties fall between:

	2020	2019
Minimum	3.87%	4.00%
Maximum	10.01%	9.97%

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

In 2020, Skyline Commercial REIT valued $665,170 of its investment properties internally (2019 - $523,545). 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 $200,200 (2019 - $267,031). Actual results may differ from these estimates and may be subject to material adjustment within the next year.

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

6. INVESTMENT PROPERTIES (continued)

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, 2020:

As of December 31, 2020

Capitalization Rate Sensitivity Increase (Decrease)	Overall Capitalization Rate	Fair Value of Investment Properties	Fair Value Variance	% Change
(1.00)%	4.75%	$ 1,232,351	$ 214,322	21.05%
December 31, 2020	5.75%	$ 1,018,029	$ 0	0.00%
1.00%	6.75%	$ 867,210	$ (150,819)	(14.81)%

7. INVESTMENT IN JOINT VENTURES

On July 14, 2020, Skyline Commercial REIT entered into a partnership in High Plains Building 6, LP ("High Plains"). Skyline Commercial REIT holds a 75% partnership interest in High Plains and shares joint control with a third party that owns the remaining 25% interest of High Plains. Skyline Commercial REIT has classified its investment as a joint venture as decisions about relevant activities require unanimous consent of both parties.

On November 30, 2020, Skyline Commercial REIT acquired units in RF Industrial East Limited Partnership ("RFIELP") and RF West Island Limited Partnership ("RFWILP"). Skyline Commercial REIT holds a 50% ownership in RFIELP and RFWILP and shares joint control with a third party who owns the remaining 50% of RFIELP and RFWILP. Skyline Commercial REIT has classified its investments in RFIELP and RFWILP as joint ventures as decisions about relevant activities require unanimous consent of both parties.

High Plains, RFIELP and RFWILP own land for development into commercial buildings available for future leasing opportunities. The results of these acquisitions are included in these financial statements from the date of acquisition. Skyline Commercial REIT has classified its investments in RFIELP, RFWILP and High Plains as joint ventures which are accounted for under the equity method.

The acquisitions were funded by cash during the year. There were no income or expenses to report since acquisition.

The components of investment in joint ventures is as follows:

	2020	**2019**
Balance at the beginning of the year	$ 0	$ 0
High Plains	4,200	0
RFIELP	2,705	0
RFWILP	4,679	0
Balance at end of the year	$ 11,584	$ 0

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

8. OTHER ASSETS

The components of other assets are as follows:

	2020	2019
Funds held in trust	$ 1,019	$ 1,019
Escrow realty taxes	125	125
Prepaid expenses	805	131
Tenant loan receivable	341	466
Deposits on investment properties	0	1,250
	$ 2,290	$ 2,991

The tenant loan is receivable in blended monthly instalments of $14 (2019 - $14) with interest charged at 8.4% (2019 - 8.4%). The loan is due in 2023. The portion receivable within one year is $151 (2019 - $139). See note 15 for financial risk management.

9. 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 3.48% (2019 - 3.89%) per annum are $491,274 (2019 - $418,715). There are no variable interest rate mortgages. Mortgages have maturity dates ranging between 2021 and 2029. All mortgages are denominated in Canadian dollars.

Future minimum principal payments on mortgage obligations are as follows:

2021	$ 99,030
2022	64,528
2023	26,281
2024	57,047
2025	38,653
Thereafter	205,735
	$ 491,274

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

	2020	2019
Mortgages payable, beginning of year	$ 418,715	$ 422,576
Proceeds from new mortgages	105,100	34,025
Repayment of existing mortgages	(33,014)	(38,601)
Transaction costs related to mortgages	(39)	36
Total changes from financing cash flows	72,047	(4,540)
Amortization of financing costs	512	679
Financing costs included in operations	17,549	16,036
Interest paid	(17,549)	(16,036)
Total liability-related changes	512	679
Mortgages payable, end of year	$ 491,274	$ 418,715

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

10. EQUIPMENT LOAN PAYABLE

The equipment loan is payable in blended monthly instalments of $21 (2019 - $21) with interest charged at 5.67% (2019 - 5.67%). The loan is due in 2028. The portion payable within one year is $165 (2019 - $156).

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

2021	$ 165
2022	175
2023	185
2024	196
2025	208
Thereafter	696
	$ 1,625

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

	2020	2019
Equipment loans payable, beginning of year	$ 1,781	$ 1,929
Proceeds from new equipment loans	0	0
Repayment of existing equipment loans	(156)	(148)
Total changes from financing cash flows	(156)	(148)
Financing costs included in operations	96	106
Interest paid	(96)	(106)
Total liability-related changes	0	0
Equipment loans payable, end of year	$ 1,625	$ 1,781

11. LAND LEASE

Skyline Commercial REIT has entered into three land leases. The land leases are payable in monthly instalments of $132 and have maturity dates ranging between 2026 and 2029. The portion payable within one year is $1,603.

The following table details the undiscounted cash flows and contractual maturities of Skyline Commercial REIT's land lease as at December 31, 2020:

2021	$ 1,603
2022	1,661
2023	1,662
2024	1,664
2025	1,666
Thereafter	48,727
	$ 56,983

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

11. LAND LEASE (continued)

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

	2020	2019
Land lease, beginning of year	$ 0	$ 0
ROU asset acquired on acquisition	20,654	0
Land lease payments	(1,164)	0
Total changes from financing cash flows	(1,164)	0
Financing costs included in operations	44	0
Interest paid	(44)	0
Total liability-related changes	0	0
Land lease, end of year	$ 19,490	$ 0

12. 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, 2020, a distribution would be payable if the investment properties were sold. At December 31, 2020, there were distributions payable to Skyline Commercial Real Estate GP Inc. in the amount of $171 (2019 - $898) related to dispositions that occurred during the year.

	2020	2019
Distributions paid to general partner on sale of investment properties	$ 1,608	$ 898
Distributions paid to general partner	171	218
	$ 1,779	$ 1,116

Skyline Commercial REIT has an asset management agreement with Skyline Asset Management Inc. and its subsidiary, Skyline Commercial Asset Management Inc. (which also includes leasing commissions), 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.

12. RELATED PARTY TRANSACTIONS (continued)

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 $572 (2019 - $49) under the wealth management agreement were paid during the year and are included in issuance costs. Fees paid are as follows:

	2020	2019
Asset management fees	$ 1,655	$ 1,397
Property management fees	1,771	1,358
Lease documentation fees	69	99
Wealth management fees	1,394	1,074
	$ 4,889	$ 3,928

Due from related parties

The balance consists of the following:

	2020	2019
Skyline Apartment Real Estate Investment Trust	$ 0	$ 5,998

Due to related party

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

	2020	2019
Skyline Commercial Real Estate GP Inc.	$ 171	$ 898

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.

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

13. FINANCING COSTS

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

	2020	2019
Mortgage interest	$ 17,549	$ 16,036
Equipment loan interest	96	106
Deferred financing costs	512	679
Bank charges	411	42
Interest expense on lease liability	44	0
Interest expense on revolving credit facility	149	115
Distribution interest paid on Class B Limited Partnership Units	452	452
Distribution interest paid to general partner	171	218
Distribution interest paid to general partner on sale of investment properties	1,608	898
	$ 20,992	$ 18,546

14. 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, 2020			December 31, 2019		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Assets						
Investment properties	$ 0	$ 0	$1,018,029	$ 0	$ 0	$ 799,726
Liabilities						
Mortgages payable	$ 0	$ 496,795	$ 0	$ 0	$ 426,979	$ 0
Class B Limited Partnership Units	0	0	6,907	0	0	6,907
	$ 0	$ 496,795	$ 6,907	$ 0	$ 426,979	$ 6,907

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, 2020 and December 31, 2019, 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.

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)

15. 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, 2020

	Carrying Amount	Income -1%	Partners' Capital -1%	Income +1%	Partners' Capital +1%
Revolving credit facility	$ 4,711	$ 47	$ 47	$ (47)	$ (47)
Mortgages payable, maturing within one year	86,838	868	868	(868)	(868)
	$ 91,549	$ 915	$ 915	$ (915)	$ (915)

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

15. FINANCIAL RISK MANAGEMENT (continued)

i) Market risk (continued)

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)

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 uncollectable 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:

	2020	2019
Allowance for doubtful accounts beginning of year	$ 19	$ 18
Provision for impairment of accounts receivable	5	17
Reversal of provision for impairment	(13)	(16)
Allowance for doubtful accounts end of year	$ 11	$ 19

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)

15. 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 $nil is utilized at December 31, 2020 (2019 - $6,003). The line of credit is secured by a general security agreement over some of the investment properties of Skyline Commercial REIT.

Under a second financing agreement, Skyline Commercial REIT has access to an operating line of credit to a maximum of $35,000 (2019 - $nil) with interest at prime + 1.5% or, at the option of the borrower, a fixed rate equal to the floating bankers acceptance rate plus 2.50% for a 30 day or 90 day term. At December 31, 2020, the total drawn on the operating line of credit was $4,711 (2019 - $nil). 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:

	2020	2019
Revolving credit facility, beginning of year	$ 6,003	$ 5
Net proceeds (repayment) from revolving credit facility	(1,292)	5,998
Financing costs included in operations	149	115
Interest paid	(149)	(115)
Total liability-related changes	0	0
Revolving credit facility, end of year	$ 4,711	$ 6,003

Under the financing agreements, Skyline Commercial REIT is required to maintain a debt service ratio of 1.20 or higher, a mortgage-ability debt service coverage ratio of 1.35 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 65%. At December 31, 2020, Skyline Commercial REIT was in compliance with the financing agreements.

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

15. FINANCIAL RISK MANAGEMENT (continued)

iii) Liquidity risk (continued)

Skyline Commercial REIT's long term debt consists of mortgages payable bearing interest rates ranging from 2.31% to 6.15% per annum (2019 - 2.99% to 6.15%), payable in monthly instalments of principal and interest of approximately $2,709 (2019 - $2,386), maturing from 2021 to 2029, and are secured by specific charges against specific properties. All interest rates are fixed for the term of the respective mortgage.

Financial liabilities and their maturities are as follows:

December 31, 2020	On demand	Less than one year	One to five years	More than five years	**Total**
Mortgages payable	$ 0	$ 86,838	$ 160,661	$ 243,775	$ 491,274
Class B Limited Partnership units	6,907	0	0	0	6,907
Land lease	0	0	0	19,490	19,490
Accounts payable and accrued liabilities	0	7,827	0	0	7,827
Revolving credit facility	4,711	0	0	0	4,711
Equipment loans payable	0	0	0	1,625	1,625
	$ 11,618	$ 94,665	$ 160,661	$ 264,890	$ 531,834

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 Limited Partnership 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

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 one tenant that represents more than 10% of property revenue. One tenant represents 19.1% (2019 - 22.1%) of Skyline Commercial REIT's property revenue.

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

16. 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.

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, 2020, the loan to value ratio was 48% (2019 - 52%), which is within Skyline Commercial REIT's stated policy of 70% or lower. Subsequent to December 31, 2020, Skyline Commercial REIT is in compliance with the policy.

During the years, 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.

17. 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.

18. 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. The price for newly issued units and units to be redeemed was $13.75 (2019 - $13.75). The units issued and outstanding are as follows:

	2020 Units	**2019 Units**
Units outstanding, beginning of year	26,202,705	26,045,002
Units issued	3,980,072	121,211
Units issued (distribution reinvestment plan)	791,251	958,691
Redemptions during the year	(578,719)	(922,199)
Units outstanding, end of year	30,395,309	26,202,705

19. CLASS B LIMITED PARTNERSHIP UNITS

The non-voting Class B Limited Partnership Units are units issued by CRELP as partial consideration of investment properties. The Class B Limited Partnership 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, 2020, there were 502,326 (2018 - 502,326) Class B Limited Partnership Units issued and outstanding. The Class B Limited Partnership Units represented an aggregate fair value of $6,907 at December 31, 2020 (2019 - $6,907).

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

19. CLASS B LIMITED PARTNERSHIP UNITS (continued)

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

	2020	2019
Class B Limited Partnership Units, beginning of year	$ 6,907	$ 5,525
Proceeds from issue of Class B Limited Partnership 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	0	1,382
Class B Limited Partnership Units, end of year	$ 6,907	$ 6,907

20. IMPACT OF COVID-19

On March 11, 2020, the World Health Organization declared the outbreak of COVID-19 was a global pandemic which has resulted in the federal and provincial governments enacting a series of public health and emergency measures to combat the spread of the virus thus impacting business operations both nationally and internationally.

Rent concessions

The duration and impact of COVID-19 is currently unknown and the Canadian federal and provincial governments have enacted subsidies and other stimulus in an attempt to stabilize economic conditions. Since the pandemic was declared, certain tenants of Skyline Commercial REIT have required financial assistance in the form of rental deferrals or participation in the Canadian Emergency Commercial Rent Assistance (“CECRA”) program.

For 2020, Skyline Commercial REIT agreed to defer rental payments of approximately $345 for certain tenants. These deferred rental payments are outstanding as of December 31, 2020.

Skyline Commercial REIT's assessment of expected credit losses is subjective and is based upon forward looking assessments of collectability. As a result, any expected credit loss is uncertain and the assumptions upon which it is based may change due to the ongoing uncertainty caused by COVID-19.

Skyline Commercial REIT has recognized a $479 expense in other direct property costs representing its 25% rental contribution granted to tenants as part of the CECRA program for 2020.

21. SUBSEQUENT EVENTS

Effective February 12, 2021, the price per unit for newly issued units and units to be redeemed increased to $16.50 from $13.75, and the distribution per unit increased to $0.93 from $0.90.

On February 24, 2021, Skyline Commercial REIT entered into a limited partnership agreement with F.I.T. RF Limited Partnership and Rosefellow Holdings Incorporated, to form the RF Limited Partnership I ("RF LP I"). Pursuant to the aforementioned limited partnership agreement, Skyline Commercial REIT owns 47.5% of RF LP I, and has contributed $8,829 to RF LP I subsequent to year end. The limited partnership agreement will further require Skyline Commercial REIT to commit an additional $40,171 to RF LP I between 2021 and 2024. RF LP I is in the business of acquiring lands and developing light industrial real estate in and around Montreal, Quebec.


SKYLINE