ANNUAL REPORT TO UNITHOLDERS - DECEMBER 31, 2021

SKYLINE COMMERCIAL REIT

SKYLINE COMMERCIAL REIT

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

Back row from left to right: **Cornell Haynes,** Associate Director, Acquisitions, Skyline Commercial Asset Management Inc.; **Wayne Byrd,** Chief Financial Officer; **Dominic Bonin,** Vice President, Skyline Commercial Asset Management Inc.; **Michael Mackenzie,** President, Skyline Commercial REIT; **R. Jason Ashdown,** Co-Founder & Chief Sustainability Officer.

Front row from left to right: **Maria Duckett,** Vice President, Skyline Commercial Management Inc.; **Mike Bonneveld,** Director of Acquisitions & Vice President, Skyline Asset Management Inc.; **Martin Castellan,** Co-Founder & Chief Administrative Officer; **Jason Castellan,** Co-Founder & Chief Executive Officer.

CONTENTS

OVERVIEW

$1.314 B	**7.7+ MM**	**83.40%**
Fair Value of Investment Properties (29.07% increase) (As at December 31, 2021)	Gross Leasable Area (sq.ft) (As at December 31, 2021)	Forward FFO Payout Ratio (As at December 31, 2021)
$20.00	**$0.93**	**4.65%**
Current Unit Value (As at April 30, 2022)	Annual Distribution per Unit (As at April 30, 2022)	Annual Distribution Yield (As at April 30, 2022)
28.46%	**21.59%**	**15.92%**
Annualized Return 1 yr (As at April 30, 2022)	Annualized Return 5 yr (As at April 30, 2022)	Annualized Return Since Inception (As at April 30, 2022)

151 Avenue Reverchon
Pointe-Claire, QC

SKYLINE GROUP OF COMPANIES AWARDS

Shelldale Family Gateway 2021 Volunteer of the Year – R. Jason Ashdown, Co-Founder & Chief Sustainability Officer, Skyline Group of Companies

Presented to a community member representing Shelldale Family Gateway's mission, making a substantial positive impact, and contributing to the betterment of the Shelldale Family Gateway community.

IPOANS 2021 Innovation & Excellence Awards – Winner, Property Manager of the Year (Ashley Morine) – Skyline Living

Recognizing an IPOANS member's Property Manager who demonstrates innovation, teamwork, leadership skills, and excellence by continuously going above and beyond their duties.

Best Managed Companies – Platinum Member – Skyline Group of Companies

Platinum Member Winners have retained their Best Managed Companies status for seven years. They demonstrate leadership in strategy, capabilities and innovation, culture and commitment, and financials.

CFAA 2021 Rental Housing Awards:
Winner, Off-Site Employee of the Year (Kevin McIntosh) – Skyline Living

Recognizing an individual employee nominated by their employer who has demonstrated excellence and professionalism in the rental housing industry.

Winner, Property Manager of the Year (Karolina Bagienski) – Skyline Living

Recognizing a staff member who solved a long-standing problem seen to be intractable or handled one or more difficult issues with great skill and tact.

RHB Magazine 2021 "The Annual" Edition – Canada's Top 10 REITs List (#5) – Skyline Apartment REIT

Skyline Apartment REIT ranked #5 in Canada (number of apartment suites owned and managed within its portfolio). RHB "The Annual" is "the complete market perspective for the Canadian rental housing industry."

Canadian Property Management Magazine 2021 "Who's Who" Ranking – Top 10 Apartment Owners & Managers (#7) – Skyline Apartment REIT

Skyline Apartment REIT ranked among Canada's Top 10 owners and managers of apartment real estate, based on total square footage within its portfolio.

2021 Canadian HR Awards – Finalist, Gallagher Award for HR Team of the Year (500+ employees) – Skyline Group of Companies

Skyline made the finals for this award recognizing a team that has excelled within the HR function and across their business by partnering with different business functions.

FRPO 2021 MAC Awards:
Winner, Environmental Excellence -Skyline Group of Companies

Presented to a rental housing provider that demonstrates excellence in the areas of energy and water conservation, waste management, net zero/ positive developments, or other sustainable initiatives.

Winner, Impact Award - Skyline Living

Recognizing a rental housing provider that has achieved extraordinary social outcomes related to one initiative or project in Ontario. 2021 was the inaugural year for the Impact Award category.

University of Guelph 2021 HeForShe Impact Award – Skyline Group of Companies

Recognizing a Guelph-Wellington region business that actively promotes and improves gender equality, resulting in positive change within the organization and greater community.

SUSTAINABILITY AT SKYLINE GROUP OF COMPANIES

2021 SUSTAINABILITY HIGHLIGHTS

Environmental

1,286 trees and shrubs planted
in partnership with Tree Canada, with 105 Skyline volunteers participating in tree planting events.

41,819 MWh[1]
in clean energy generated by Skyline-owned solar assets. Equivalent to electricity use by 3,645[2] homes for one year.

90,000 tonnes
of organic waste capable of being diverted from landfill and converted to nearly 25,000 MWh of clean energy annually at Skyline Clean Energy Fund's biogas facility acquired in 2021 (one of Canada's largest). Equivalent to electricity use by 2,179[2] homes for one year.

Social

$260,000+
raised through Coldest Night of the Year, annual Golf Tournament, and Season's Givings campaigns.

900+ hours
donated by Skyline staff by way of volunteerism or participation on external non-profit boards and the Kindle supportive housing project.

420 tenancies saved
through R.I.S.E. (Reach, Impact, Support, Elevate) program and provided a total of $55,467 in financial relief/grocery gift cards.

Governance

80 points achieved
in Investor Net Promoter Score (NPS) - a 16% improvement from 2020, indicating high satisfaction of investors with Skyline's business practices, including ESG practices.

10 awards won
in recognition of company ESG practices and apartment buildings designed with sustainable features.

Launched internal 15-member ESG Taskforce
responsible for strategic development and monitoring of Skyline's ESG goals across all levels of the organization.

[1] A megawatt-hour (MWh) is a unit of energy equal to one megawatt of power sustained for one hour.
[2] Calculated using Natural Resource Canada's Greenhouse Gas equivalencies calculator:
https://oee.nrcan.gc.ca/corporate/statistics/neud/dpa/calculator/ghg-calculator.cfm#results

OUR FOCUS AREAS FOR 2022

Environmental	Expand organic and ewaste diversion programs across our properties	Install 800+ EV chargers at Skyline properties	Establish a formal tree planting program across the group of companies
Social	Exceed our 2021 fundraising total	Reach 80% usage of Skyline's Volunteer Day	Increase visibility of our R.I.S.E. Tenant Assistance program
Governance	Develop a centralized ESG database	Establish an employee ESG Training Program	Prepare to submit to Global ESG Benchmark for Real Assets (GRESB) in 2023

OUR SUSTAINABILITY PARTNERS

Tenants
Rent from us

Employees
Work with us

Investors
Invest with us

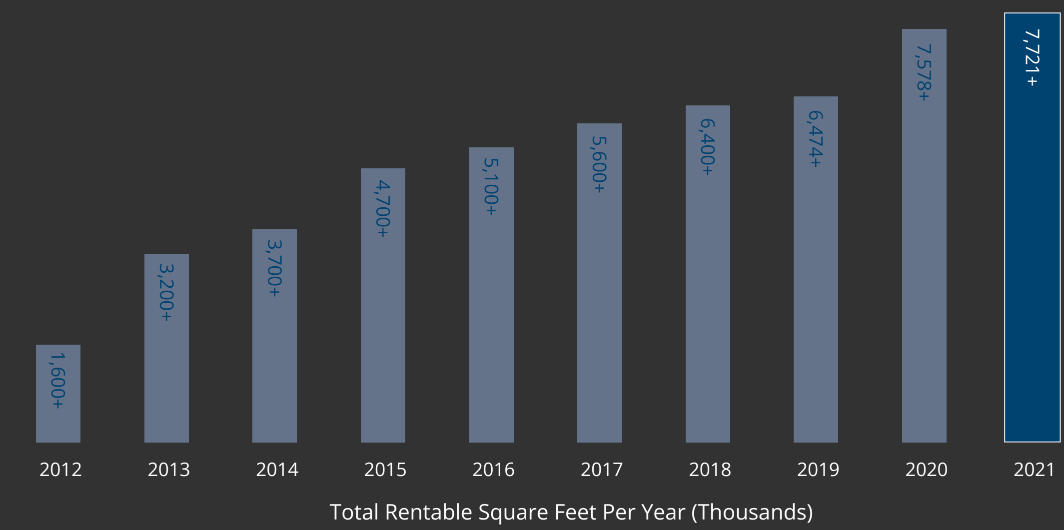
Communities
Grow stronger with us

Suppliers
Build with us

View Skyline's 2022 Sustainability Plan at
SkylineGroupOfCompanies.ca/Sustainability

2021 TRANSACTIONS

Skyline Commercial REIT is a geographically diverse REIT portfolio focusing on modern industrial properties along major transportation routes in Canada.



OUR CORE PURPOSE

To provide meaningful value and an exceptional experience for each of our stakeholders, while developing strong, supportive, and sustainable communities.

OUR MISSION

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

OUR P.R.I.D.E. VALUES

Professionalism
Respect
Integrity
Drive
Efficiency

261085 High Plains Boulevard
Rocky View County, AB

CEO ADDRESS TO UNITHOLDERS

The year 2022 marks more than 30 years since my father helped my brother Martin and I buy our first student house in Guelph, ON. Shortly thereafter, at a party in that very house, we met our business partner, R. Jason Ashdown, and the rest is history.

In starting our real estate business, we agreed that our most substantial risk was interest rates. In the early days, we struggled with the choice between floating our interest rates or fixing them for the longer term. At that time, rates were decreasing, so floating would seemingly be the winning choice. However, we'd be able to sleep better knowing we had eliminated interest rate risk at the cost of marginal gains. We chose in favour of that peace of mind.

Fast forward to the past two years, which have seen the largest money printing period by both the Canadian and USA governments since we started this business. Inflation is upon us, and to an extent that we haven't seen before. Our biggest risk remains the same as it was more than 30 years ago: interest rates. However, our diligent strategizing in the past has trained us for these times.

We have always taken the stance that, as stewards of our investors' money, we must mitigate risk of things we cannot control; this includes interest rates as well as taxes, utilities, and other variables. We have spent our careers working diligently on those expenses; during the past two years we've especially focused on early "blending-and-extending" of our mortgages, pushing out the expiry of those terms as long as we can (usually 10 years). As an investor in one or more of Skyline's investments, you can be assured that we are prioritizing the mitigation of any potential risk accompanying the recent inflation we've seen.

Inflation may require a great deal of attention on the cost side, but there is plenty to be optimistic about, as inflation brings opportunity as well. Rents are one of our greatest hedges against inflation. Apartment rents are mostly protected by modest increases by tenants who stay; however, we can adjust the rent to market rates upon turnover when the tenant moves out. Retail and industrial rental rates are contractual obligations that may be fixed for longer terms than their residential counterparts, but as the market rent escalates for those retail and industrial units, the potential increases coil up and become realized once the terms on those rental contracts expire.

Within each of Skyline's three REITs, we have rents that are, in most cases, below what the market is currently achieving, but are being realized monthly upon turnover and renewal of leases. I know that I would rather own an investment with substantial growth opportunity than the opposite in a deflationary or stagnant environment - because rising rents bring rising property values to realization. The same holds true for our clean energy infrastructure assets within Skyline Clean Energy Fund; why not hedge against rising utility costs by investing in utility-scale assets? There, too, we will continually negotiate higher gas and electricity rates based on projects we buy at a fixed price today. As all the components that comprise a physical asset increase in value, so too does the approximately $7 billion enterprise value of the assets we hold across our four funds.

With the current market environment, now is an optimal time to own physical assets that will appreciate in value. Skyline's investments hedge against inflation due to the rents and rates that can be earned and present an opportunity for a rise in the assets' underlying value.

Through all the events, large and small, that we've seen over the 30-plus years we have owned and managed assets, we have continued our strategy to mitigate the risks we cannot control and capitalize on opportunities that present themselves. That strategy has stood us in great stead, and it is the reason why each of our four funds has provided historical growth and stability since its inception.

"As all the components that comprise a physical asset increase in value, so too does the approximately $7 billion enterprise value of the assets we hold across our four funds."

Jason Castellan

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

PRESIDENT'S REPORT

It has been a busy year for Skyline Commercial REIT. A combination of new acquisitions, the execution of a disposition strategy, and the first arrivals from our development pipeline have made for a highly productive 2021 for the REIT. Over the past year, in addition to continuing strong financial performance, the REIT has substantially increased its weighting in the high-demand sector of logistics and warehousing and made material progress in the modernization of its portfolio.

As I reviewed my annual letter from last year, I realized that I am at risk of repeating myself in terms of the powerful influences driving demand in our sector, but it is clear now more than ever that these influences are here to stay. E-commerce, evolving food distribution, defensive global supply chains: these massive shifts in the global economy are overtaking the industrial real estate sector and creating imbalances between supply and demand that continue to move valuations and opportunity upwards.

Recognizing we are in extraordinary times, management has acted to lock in long-term values and position the REIT for growth in a competitive marketplace. There have been two primary components of this strategy.

The first involves the REIT's recent sales of older, small-bay properties from the portfolio into a highly active marketplace. These properties served the REIT well at its genesis by providing a broad diversity of tenancies when the portfolio was much smaller. As the portfolio grew, this early advantage was no longer required, and the higher cost of ownership of these older assets became more relevant. Due to the current fervour of the broader industrial sector, valuations for this older, small multi-bay product have been swept to heights we believe are unsustainable. For this reason, the REIT exited this sub-sector and surfaced more than $150 million of value in excess of our December 2020 valuations - a remarkable result!

The second strategic initiative began in late 2020 when the REIT accelerated its development activity. Since then, a substantial pipeline of development projects has been created through joint-venture partnerships. These will deliver more than two million square feet of best-of-class industrial space in major markets over the next two to three years.

There are multiple benefits to the REIT from this proportional focus on development.

The first will be to provide the REIT with a steady stream of new, modern properties in a time when acquisitions are competitive. Skyline Commercial REIT now holds positions in more than seven development sites in the Greater Montreal Area and has the right to fully acquire these properties from our partners when they are built and leased. This will maintain optimal, profitable growth while substantially increasing the REIT's portfolio weighting in modern logistics and warehouse properties that align with our key objectives.

The second benefit is that this pipeline of new development properties ensures a home for the recent proceeds of sales mentioned above. Together, the two strategies will allow the re-allocation of more than $200 million of capital from older, small-bay product to our targeted logistics sector and into the newest, most modern facilities available in the market.

In 2021 and early 2022, our first two developments were completed and subsequently fully acquired by the REIT: a 150,000 square foot distribution facility built in Balzac, Alberta, leased for eleven years to CHEP Canada and a 325,000 square foot distribution facility built on the island of Montreal, leased to Nespresso Canada for ten years. In Q3 of this year, our third development project located in Montreal's east end will be completed and fully leased to tenants such as Tesla Canada on long-term leases. Pre-leasing interest in all of our development sites has been robust and record-breaking rents are being achieved.

The ability to attract these global businesses and their financial strength to our portfolio is a further step in securing the stability of distributable income for the years ahead.

So, what about rising interest rates? At the end of 2021, Skyline Commercial REIT maintained a conservative debt leverage of 47% at an average weighted interest rate of 3.39%. The average weighted term of our mortgages is 4.47 years. This means that the impact of rising borrowing costs will be proportionate and gradual for the REIT. At the same time, the REIT will benefit from current market rental growth and built-in rental increases contained in existing leases. Although nobody has a crystal ball to predict how far rates will eventually rise, we believe the overall balance of these influences will be in the REIT's favour.

So, to summarize, the REIT has enjoyed an extraordinary year in every way. Strong operating performance, increasing asset values, growing unit values, and a growing supply of new development projects and acquisitions speak to the overall quality and continuing potential of Skyline Commercial REIT.

Your management team looks forward to what is expected to be an equally exciting 2022.

"Recognizing we are in extraordinary times, management has acted to lock in long-term values and position the REIT for growth in a competitive marketplace."

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 REIT

Maria Duckett
Vice President,
Skyline Commercial
Management Inc.

Krish Vadivale
Vice President, Finance,
Skyline Group of Companies

Mike Bonneveld
Director of Acquisitions &
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, Skyline Retail 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 to start their business and promote investment in Guelph. He is a former board member and Chair of the Guelph Wellington Business Enterprise Centre, mentoring the creators of small business, and has been actively engaged in numerous fundraising efforts for various Guelph philanthropic and other charitable organizations. Mr. Valeriote lives in Guelph, Ontario.

FINANCIAL REPORTING

131B Savannah Oaks Drive
Brantford, ON

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, 2021, 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, 2022, 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, 2021, and 2020, 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 "**Exempt Market Dealer"**) 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 expiries 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 $0.0775 per unit, or $0.93 on an annual basis. At December 31, 2021, 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, 2021, overall occupancy was 97.7%.

- **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 2021, Skyline Commercial REIT's NOI margin was 67.8%.

- **Same Property Net Operating Income -** This is defined as operating revenues less operating expenses for properties, which were owned for the full years of 2019, 2020, and 2021. 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 2021, Skyline Commercial REIT generated $35.9 million in FFO.

- **Payout Ratio or FFO Payout Ratio -** To ensure that Skyline Commercial REIT retains sufficient cash to meet its capital improvement and leasing objectives, Management strives to maintain an appropriate FFO payout ratio over the year. Management is targeting an 85% FFO payout ratio. For the year 2021, Skyline Commercial REIT's FFO payout ratio was 83.4%.

- **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 2021, Skyline Commercial REIT's portfolio leverage ratio was 54.4% (against historical cost) and 46.4% (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.

2021 Highlights

- The REIT grew its portfolio of investment properties from $1.02 billion to $1.314 billion (29.07%) over the course of 2021 through a combination of strategic acquisitions and growing value within the existing portfolio.

- The REIT's year-over-year in-place base rent was $7.97 per sq.ft

- As of February 25, 2022, the value of REIT units grew from $16.50 to $18.00 on December 21, 2021 and as at February 25, 2022 grew again to $20.00 per unit (a 21.21% year-over-year increase).

- Weighted Average Interest Rates dropped to 3.39% from 3.48% year-over-year, on $406 million of outstanding mortgages as at December 31, 2021

Financial Highlights **($ thousands, except where noted)**	**2021**	**2020**
Property revenues	$87,737	$82,131
Operating expenses	(28,229)	(27,334)
Net operating income ("NOI")	**$59,508**	**$54,797**
Net income	**$290,318**	**$98,021**
Funds from operations ("FFO")	**$35,922**	**$35,283**
Adjusted Funds from operations ("AFFO")	**$25,446**	**$26,934**
Weighted average REIT units and LP units outstanding	32,208,773	28,690,640
FFO per unit (weighted average)	**$1.12**	**$1.23**
AFFO per unit (weighted average)	**$0.79**	**0.94**
Forward FFO Payout ratio	**83.4%**	**73.2%**
Forward AFFO payout ratio	**117.7%**	**95.9%**
Distributions per unit	$0.93	$0.90

Property Portfolio

At December 31, 2021, through active portfolio management; the portfolio consisted of 7,721,570 rentable square feet across 99 commercial properties geographically diversified through 32 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 94.2% industrial properties with another 4.8% 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, 2021**	**GLA (sq ft)**	**%**	**Occupancy Rate**	**Base Rent**
Industrial	7,351,913	95.2%	98.7%	$7.87
Office	107,864	1.4%	62.9%	$11.19
Flex	261,793	3.4%	82.4%	$9.87
Total	**7,721,570**	**100.0%**	**97.7%**	**$7.97**

Acquisitions and Dispositions

Acquisitions Completed During the Year Ended December 31, 2021
($ thousands, except where noted)

Purchase Date	**GLA**	**Region**	**Type**	**Acquisition Costs**	**Mortgage Funding**
07-Jun-21	97,312	Other Ontario	Industrial	$8,685	$6,000
21-Jul-21	498,618	Western Canada	Industrial	70,155	50,000
25-Mar-21	150,000	Western Canada	Industrial	32,000	14,940
Total	**745,930**			**$110,840**	**$70,940**

Dispositions Completed During the Year Ended December 31, 2021
($ thousands, except where noted)

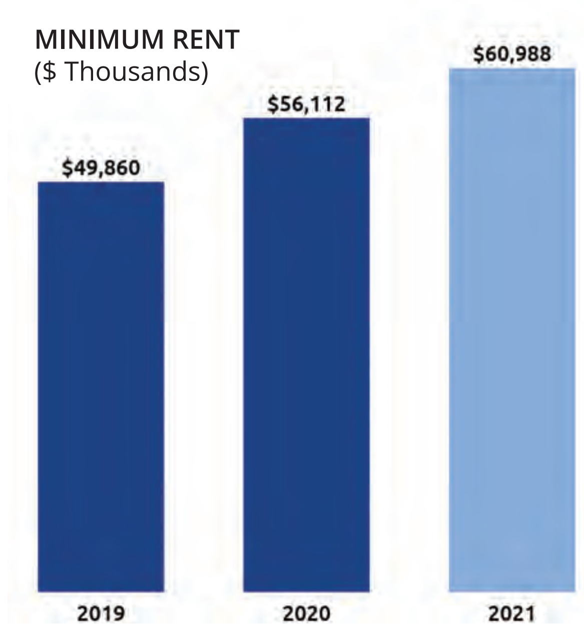
Disposition Date	**GLA**	**Region**	**Type**	**Carrying Value**	**Equity**	**Mortgages Discharged**
15-Jul-21	44,527	Other Ontario	Industrial	$6,250	$6,250	$ -
31-Aug-21	365,423	Other Ontario	Industrial	$40,939	$27,093	$14,963
01-Dec-21	130,035	Other Ontario	Industrial	$31,383	$31,383	$ -
06-Dec-21	60,397	Other Ontario	Industrial	$ 6,600	$ 6,600	$ -
Total	**600,382**			**$85,172**	**$71,326**	**$14,963**

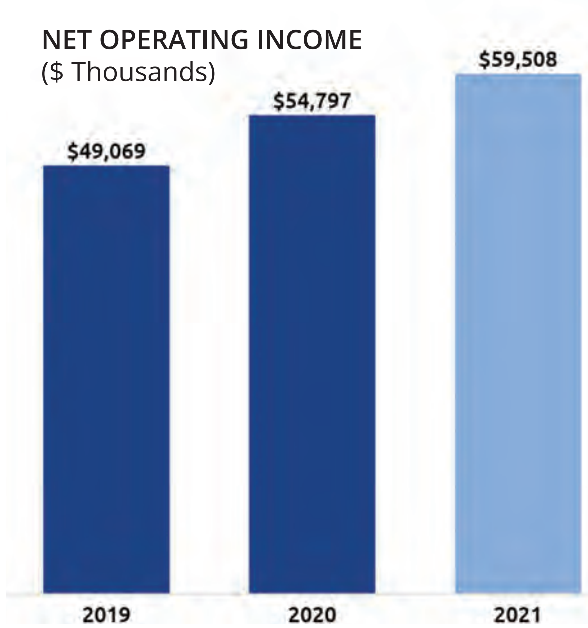
2021 Operating Highlights

Operating Results **($ thousands, except where noted)**	**2021**	**%***	**2020**	**%***
Property revenues				
Minimum rent	$60,988	69.5%	$56,112	68.3%
Cost recoveries	26,749	30.5%	26,019	31.7%
Total property revenues	**$87,737**	**100.0%**	**$82,131**	**100.0%**
Direct property expenses				
Realty taxes	$15,690	17.9%	$14,994	18.3%
Other direct property costs	9,814	11.2%	9,649	11.7%
Utilities	978	1.1%	920	1.1%
Property Management fees	1,747	2.0%	1,771	2.2%
Total direct property expenses	**28,229**	**32.2%**	**$27,334**	**33.3%**
Net operating income ("NOI")	**$59,508**	**67.8%**	**$54,797**	**66.7%**

* As a percentage of property revenues

Other operational metrics				
Total occupancy %		97.7%		95.3%
In place base rent (per square foot)		$7.97		$8.04

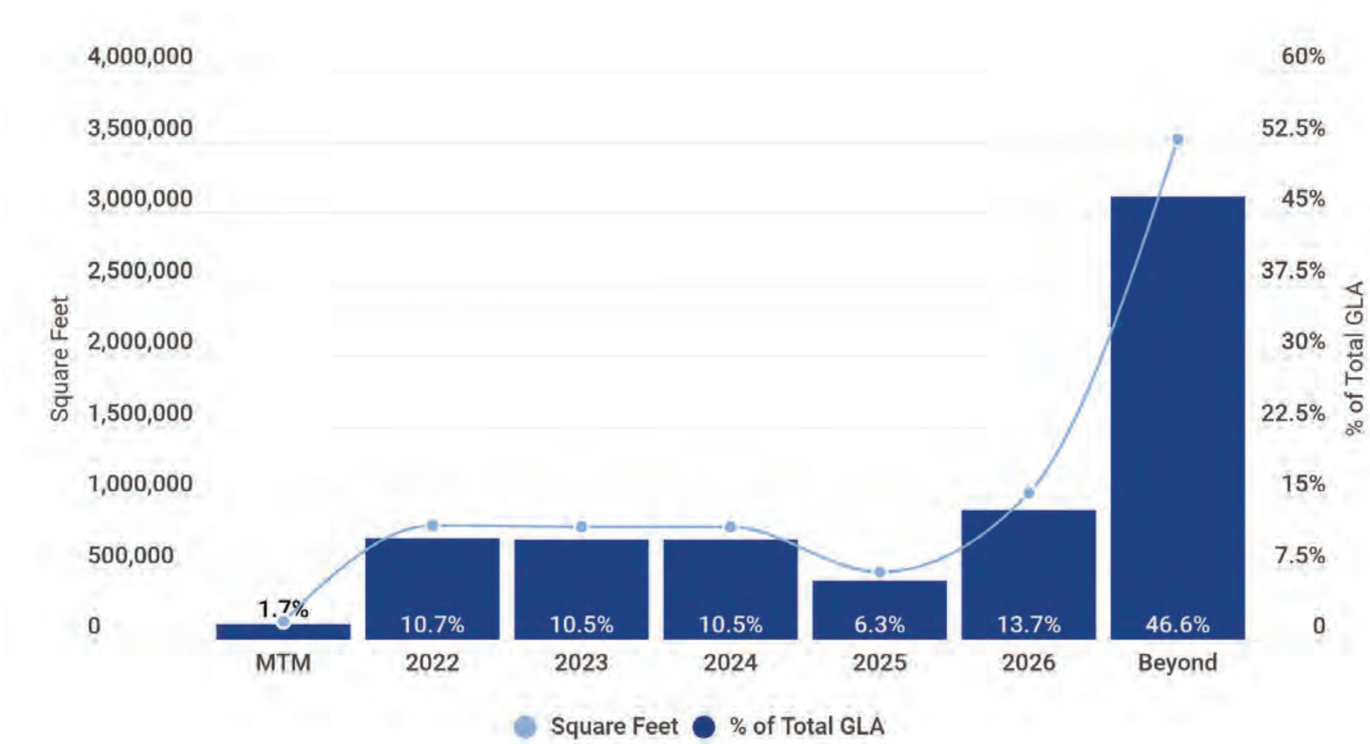




Regional Highlights ($ thousands, except where noted)	2021		2020		Increase (Decrease)		
Portfolio	NOI	NOI Margin	NOI	NOI Margin	Revenue Change	Expense Change	NOI Change
GTA	**$3,060**	**63.4%**	$3,086	58.4%	-8.7%	-17.1%	-0.8%
Ottawa	**6,353**	**52.4%**	6,277	50.9%	3.0%	5.5%	3.4%
Other Ontario	**13,672**	**60.1%**	14,140	61.3%	-3.7%	-2.0%	-5.2%
Quebec	**14,614**	**74.5%**	12,375	70.6%	11.9%	-4.7%	18.1%
Western Canada	**21,809**	**74.6%**	18,919	76.9%	18.6%	30.8%	15.1%
Total	**$59,508**	**67.8%**	$54,797	66.7%	6.9%	4.6%	8.3%

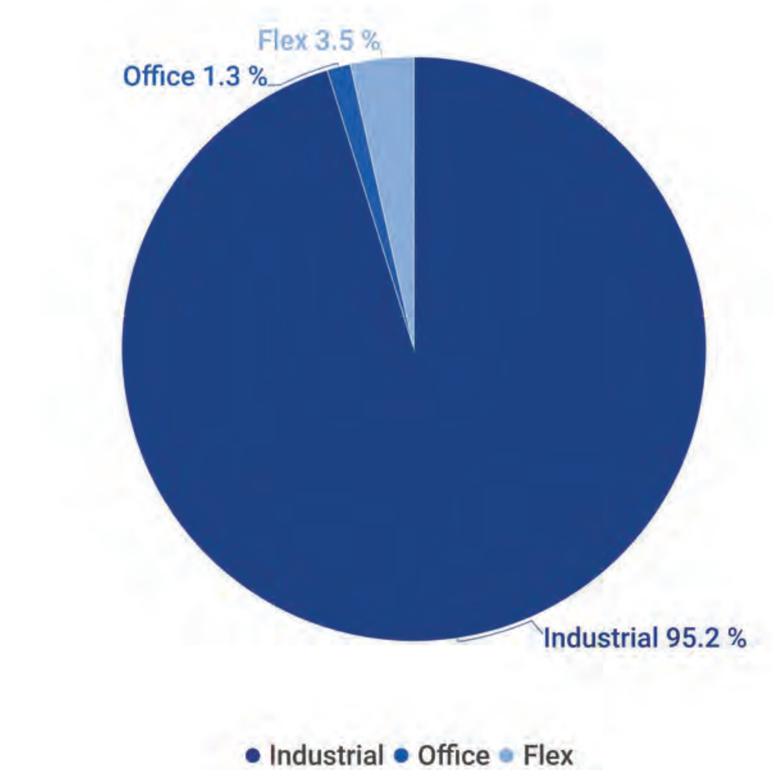
Occupancy and Vacancy Schedule

At the close of 2021, the portfolio had 179,843 square feet of vacant space, of which 60,776 square feet is committed for future occupancy. With respect to future expiries, Management has already renewed or leased 326,651 square feet. The following bar graph shows the percentage of lease expiries over the next 5 years and beyond, 46.6% of maturities are over 5 years. Over the course of 2022, 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, 2021, with 485 tenants, risk exposure to any single tenant was 15.3%. 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 and AFFO is shown in the following chart:

FFO Payout Ratios **($ thousands, except where noted)**	**2021**	**2020**
Profit & loss		
Property revenues	**$87,737**	**$82,131**
Operating expenses	**(28,229)**	**(27,334)**
Net operating income ("NOI")	**$59,508**	**$54,797**
Finance costs	(34,015)	(20,992)
REIT & other expenses	(4,344)	(3,757)
Interest income	236	69
Fair value loss on partnership units	(2,135)	-
Share of net earnings from investments in joint ventures	9,127	-
Fair value gain on disposed properties	43,618	5,725
Fair value gain	218,323	62,179
Net income	**$290,318**	**$98,021**
Non-cash add-backs:		
Distributions paid on partnership units	$12,252	$3,073
Fair value loss on partnership units	2,135	-
Share of net earnings from investments in joint ventures	(9,127)	-
Fair value gain on disposed properties	(43,618)	(5,725)
Fair value gain	(218,323)	(62,179)
Amortization of leasing costs and straight-line rent	1,266	1,017
Amortization of tenant inducements	1,019	1,076
Funds from operations ("FFO")	**$35,922**	**$35,283**
AFFO adjustments:		
Deferred maintenance	$(53)	$(81)
Other capital expenditures	(5,973)	(3,827)
Amortization of tenant inducement	(1,019)	(1,076)
Amortization of leasing costs	(1,266)	(1,017)
Amortization of straight-line rents	(2,165)	(2,348)
Adjusted funds from operations ("AFFO")	**$25,446**	**$26,934**
Weighted average REIT units and LP units outstanding	32,208,773	28,690,640
Total distributions declared	58,046	29,175
Less: General Partner sharing distributions	(11,786)	(1,779)
Total distributions declared to REIT and LP Unitholders	**$46,260**	**$27,396**
FFO per unit (weighted average)	**$1.12**	**$1.23**
AFFO per unit (weighted average)	**$0.79**	**$0.94**
Forward Distributions per unit [1]	$0.93	$0.90
Forward FFO payout ratio [1]	**83.4%**	**73.2%**
Forward AFFO payout ratio	**117.7%**	**95.9%**

[1] Excludes distributions paid to the General Partner

Distributions to Unitholders and Payout Ratio

During 2021, Skyline Commercial REIT paid monthly distributions to Unitholders of $0.0775 per Unit, or $0.93 per Unit on an annual basis. On December 20, 2021, the price per unit for newly issued units and units to be redeemed increased from $16.50 to $17.50.

On December 21, 2021, the REIT issued a special distribution by way of units, equal to $0.50 per unit (the "Special Distribution"). This resulted in the issuance of 0.0286 units for every 1 unit outstanding.

On December 21, 2021, immediately following the Special Distribution, the REIT consolidated all REIT and LP units outstanding at a ratio of 1.0286 units to 1, returning the outstanding unit count to the amount outstanding immediately prior to the Special Distribution (the "Unit Consolidation"). The Unit Consolidation resulted in an increase in the price per unit for newly issued units and units to be redeemed, from $17.50 to $18.00.

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)**	**2021**	**2020**
Total distributions declared	**$46,260**	**$27,396**
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.

2021 saw the cumulative fair value adjustment on investment properties increase $194 million to $261.9 million from $67.9 million at December 31, 2020.

Fair Value of Investment Properties (under IFRS 13) **($ thousands, except where noted)**	**2021**	**2020**
Balance, beginning of year	**$1,018,029**	**$799,726**
Acquisitions through purchase of assets	110,840	156,531
Additions through capital expenditures on existing investment properties	6,908	6,003
Disposals through sale of investment properties	(85,172)	(13,562)
Investment properties held for sale	(415,185)	-
Amortization of leasing costs and straight-line rent	1,444	1,427
Fair value gain on investment properties and disposed properties	261,941	67,904
Balance, end of year	**$898,805**	**$1 ,018,029**

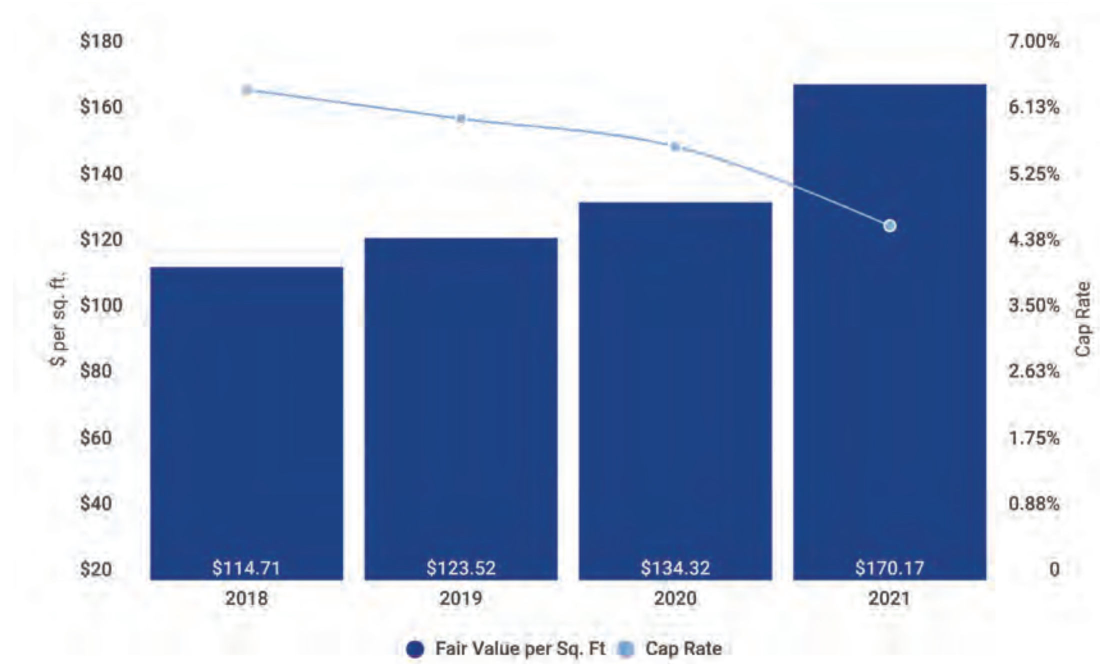
The following table reconciles the cost base of investment properties to their fair value:

Fair Value of Investment Properties (under IFRS 13) **($ thousands, except where noted)**	**2021**	**2020**
Cost	$942,823	$864,921
Cumulative fair value adjustment	$371,167	$153,108
Fair Value	**$1,313,990**	**$1 ,018,029**

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)**	**2021**	**2020**	**2019**	**2018**
Fair value of investment properties	$1,313,990	$1,018,029	$799,726	$738,440
Total rentable sq.ft. at year end	7,721,570	7,578,975	6,474,278	6,437,248
Fair value per square foot	**$170.17**	**$134.32**	**$123.52**	**$114.71**
Increase (decrease) in fair value per sq.ft. (%)	**26.69%**	**8.74%**	**7.68%**	**16.30%**
Weighted average capitalization rate	4.69%	5.75%	6.11%	6.50%
Increase (decrease) in cap rate (year-over-year) (%)	-18.43%	(5.89%)	(6.00%)	2.99%
Net operating income ("NOI")	$59,508	$54,797	$49,069	$35,003
Increase in NOI (year-over-year) (%)	8.60%	11.67%	40.19%	10.01%
NOI (% of revenue)	67.83%	66.72%	68.18%	61.84%

Trending Fair Value per Sq. Ft.



Capital Expenditures

During 2021, Skyline Commercial REIT acquired 745,930 rentable square feet of commercial space through the acquisition of 3 properties for a total investment of $110.8 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 $6.9 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, 2021 is in the following chart:

Mortgage Summary **($ thousands, except where noted)**	**2021**	**2020**
Mortgages payable	$405,633	$491,274
Line of credit	$10,958	$4,711
Equipment Loan	-	1,625
Total Debt	**$416,591**	**$497,610**
Class B LP Units	9,042	6,907
Unitholders' Equity	794,329	495,468
Total Capital	**$1,219,962**	**$999,985**
Mortgage debt to historical cost	54.40%	56.80%
Mortgage debt to fair value	45.13%	48.26%
Total debt to historical cost	55.87%	57.53%
Total debt to fair value	46.35%	48.88%
Weighted average mortgage interest rate	3.39%	3.48%
Weighted average mortgage term to maturity	4.47 yrs	4.66 yrs

Mortgages Payable **($ thousands, except where noted)**	**Future minimum principal payments**	**% of total mortgages**
2022	**$111,720**	27.5%
2023	**27,762**	6.8%
2024	**63,955**	15.8%
2025	**27,197**	6.7%
2026	**46,009**	11.3%
Thereafter	**227,019**	56.0%
Less: Mortgages related to assets held for sale	**(98,029)**	-24.2%
Total mortgages payable as at December 31, 2020	**$405,633**	**100.0%**

Investment Summary

During 2021, 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 May 2021. During the year, the REIT received net proceeds of $38.4 million through new REIT units and DRIP enrollment, net of redemptions.

REIT Unitholders - Investment Activity **($ thousands, except where noted)**	**2021**		**2020**	
	Number of Units	**Amount ($)**	**Number of Units**	**Amount ($)**
REIT units outstanding, beginning of year	**30,395,309**	**$325,116**	**26,202,705**	**$267,468**
Proceeds from REIT units issued	2,048,150	33,814	3,980,072	54,726
Units issued through DRIP	1,718,150	28,975	777,800	10,695
Units issued through EUPP	29,141	428	13,451	185
Unit consolidation	(935,310)	(16,368)	-	-
Redemptions - REIT units	(512,624)	(8,458)	(578,719)	(7,958)
REIT units outstanding, end of year	**32,742,816**	**$363,507**	**30,395,309**	**$325,116**
Weighted average REIT units outstanding	**32,208,773**		**28,690,640**	

LP Unitholders - Investment Activity ($ thousands, except where noted)	2021		2020	
	Number of Units	Amount ($)	Number of Units	Amount ($)
LP units outstanding, beginning of year	**502,326**	**$6,907**	502,326	$6,907
Proceeds from LP units issued	-	-	-	-
Units issued through DRIP	-	-	-	-
Redemptions - LP units	-	-	-	-
Change in fair value	-	2,135	-	-
LP units outstanding, end of year	**502,326**	**$9,042**	**502,326**	**$6,907**
Weighted average LP units outstanding	**502,326**		**502,326**	

Unitholder Taxation

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

For Skyline Commercial REIT Unit Holders	2021
Other Income	-
Capital Gains	82.5%
Return of Capital	17.5%
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 Skyline Commercial Real Estate Partnership ("SCRELP", the "Limited Partnership" or the "LP"), 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)	2021	2020
General Partner sharing on income	$605	$171
General Partner sharing on dispositions	11,181	1,608
Total General Partner sharing on distributions	**$11,786**	**$1,779**

Management Services

Related party fees paid are as follows:

Management Fees ($ thousands, except where noted)	2021	2020
Wealth Management Fees	$1,791	$1,394
Property Management Fees	1,747	1,771
Asset Management Fees	1,747	1,655
Underwriting Management Fees	410	526
Lease Documentation Fees	188	69
Total Management Fees	**$5,833**	**$5,415**

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

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

The Exempt Market Dealer 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 Exempt Market Dealer 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 Exempt Market Dealer Agreement, the Exempt Market Dealer is responsible for employment expenses of its personnel, rent and other office expenses of the Exempt Market Dealer in connection with providing services to Skyline Commercial REIT under the Exempt Market Dealer Agreement.

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

Risks And Uncertainties

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

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 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

Subsequent to December 31, 2021, Skyline Commercial REIT paid $44,126 to Skyline Commercial Real Estate GP Inc, of which $38,247 were related to the dispositions subsequent to year end noted below.

On January 21, 2022, Skyline Commercial REIT disposed of 5 properties in Montreal and it's surrounding areas, for a total disposition value of $80,125, which discharged mortgages payable of $nil.

On January 24, 2022, Skyline Commercial REIT disposed of 17 properties in Ottawa and it's surrounding areas, for a total disposition value of $154,540, which discharged mortgages payable of $59,729.

On January 24, 2022, Skyline Commercial REIT disposed of 2 properties in the greater Toronto area for a total disposition value of $62,750, which discharged mortgages payable of $13,297.

On January 31, 2022, Skyline Commercial REIT disposed of 6 properties in southwestern Ontario for a total disposition value of $58,200, which discharged mortgages payable of $13,451.

Effective February 25, 2022, the price per unit for newly issued units and units to be redeemed increased to $20.00 from $18.00.

Subsequent to year end, the following investment activity occurred:

REIT Unitholders - 2022 Investment Activity (to date) **($ thousands, except where noted)**	**Number of Units**	**Amount ($)**
REIT units outstanding, January 1, 2022	**32,742,816**	**$363,507**
Proceeds from REIT units issued	-	-
Units issued through DRIP	238,946	4,707
Units issued through EUPP	18,313	343
Redemptions - REIT units	(307,138)	(5,781)
REIT units outstanding, April 30, 2022	**32,692,937**	**$362,776**
Weighted average REIT units outstanding	**32,713,727**	

LP Unitholders - 2022 Investment Activity (to date) **($ thousands, except where noted)**	**Number of Units**	**Amount ($)**
LP units outstanding, January 1, 2021	**502,326**	**$9,042**
Proceeds from LP units issued	-	-
Units issued through DRIP	-	-
Redemptions - LP units		
Change in fair value	-	1,005
LP units outstanding, April 30, 2021	**502,326**	**$10,047**
Weighted average LP units outstanding	**502,326**	

SKYLINE COMMERCIAL REAL ESTATE INVESTMENT TRUST

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

SKYLINE COMMERCIAL REAL ESTATE INVESTMENT TRUST

INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

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, 2021 and December 31, 2020 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, 2021 and December 31, 2020 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 103-197 HANLON CREEK BLVD, GUELPH, ON • 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 23, 2022

Chartered Professional Accountants
Licensed Public Accountants

SKYLINE COMMERCIAL REAL ESTATE INVESTMENT TRUST

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2021

(in thousands of Canadian dollars)

	2021	2020
ASSETS		
Investment properties (note 6)	$ 898,805	$ 1,018,029
Investment in joint ventures (note 8)	35,749	11,584
Assets held for sale (note 7)	415,436	0
Other assets (note 9)	1,584	2,290
Accounts receivable (note 16)	1,475	407
Cash	7,159	2,659
	$ 1,360,208	$ 1,034,969
LIABILITIES AND UNITHOLDERS' EQUITY		
Mortgages payable (notes 10, 16)	$ 405,633	$ 491,274
Equipment loan payable (notes 11, 16)	0	1,625
Land lease (note 12)	20,222	19,490
Liabilities related to assets held for sale (note 7)	103,213	0
Limited partnership units (notes 16, 20)	9,042	6,907
Due to related party (note 13)	5,879	171
Tenant deposits	7,098	7,496
Accounts payable and accrued liabilities (note 16)	3,834	7,827
Revolving credit facility (note 16)	10,958	4,711
	565,879	539,501
Unitholders' equity (page 6)	794,329	495,468
	$ 1,360,208	$ 1,034,969

Trustee

Trustee

SKYLINE COMMERCIAL REAL ESTATE INVESTMENT TRUST

CONSOLIDATED STATEMENT OF CHANGES IN UNITHOLDERS' EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2021

(in thousands of Canadian dollars)

	2021	2020
OPENING BALANCE	$ 495,468	$ 366,492
Proceeds from units issued (note 19)	33,814	54,726
Units issued through distribution reinvestment plan (note 19)	29,403	10,880
Issuance costs	(422)	(591)
Redemptions (note 19)	(8,458)	(7,958)
Income and comprehensive income for the year	290,318	98,021
Distributions paid	(45,794)	(26,102)
CLOSING BALANCE	$ 794,329	$ 495,468

SKYLINE COMMERCIAL REAL ESTATE INVESTMENT TRUST

CONSOLIDATED STATEMENT OF INCOME AND COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2021

(in thousands of Canadian dollars)

	2021	2020
PROPERTY REVENUES		
Minimum rent	$ 60,988	$ 56,112
Cost recoveries from tenants	26,749	26,019
	87,737	82,131
DIRECT PROPERTY EXPENSES		
Property taxes	15,690	14,994
Other direct property costs (note 21)	9,814	9,649
Utilities	978	920
Property management fees (note 13)	1,747	1,771
	28,229	27,334
NET PROPERTY INCOME	59,508	54,797
OTHER INCOME AND EXPENSES		
Financing costs (note 14)		
Interest paid on debt	21,763	18,761
Distributions paid on partnership units	12,252	2,231
Administrative expenses	618	639
Asset management fees (note 13)	1,747	1,655
Wealth management fees (note 13)	1,791	1,394
Lease documentation fees (note 13)	188	69
Interest income	(236)	(69)
	38,123	24,680
INCOME BEFORE UNDERNOTED	21,385	30,117
Fair value loss on limited partnership units	(2,135)	0
Share of net earnings from investments in joint ventures (note 8)	9,127	0
Fair value gain on disposed properties	43,618	5,725
Fair value gain on investment properties	218,323	62,179
	268,933	67,904
INCOME AND COMPREHENSIVE INCOME for the year	$ 290,318	$ 98,021

SKYLINE COMMERCIAL REAL ESTATE INVESTMENT TRUST

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2021

(in thousands of Canadian dollars)

	2021	2020
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Income and comprehensive income for the year	$ 290,318	$ 98,021
Items not requiring an outlay of cash		
Amortization of leasing costs and straight-line rent (note 6)	(1,444)	(1,427)
Amortization of financing costs (notes 10, 14)	721	512
ROU asset on acquisition	0	20,654
Financing costs included in operations (note 14)	32,949	20,911
Fair value loss on limited partnership units	2,135	0
Share of net earnings from investments in joint ventures	(9,127)	0
Fair value gain on disposed properties	(43,618)	(5,725)
Fair value gain on investment properties	(218,323)	(62,179)
	53,611	70,767
Changes in non-cash working capital		
Accounts receivable	(1,270)	1,896
Other assets	657	701
Accounts payable and accrued liabilities	(1,318)	(363)
Tenant deposits	1,820	1,989
	53,500	74,990
CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES		
Mortgages payable (net repayments and advances) (note 10)	34,668	76,277
Mortgages discharged due to sale of investment properties (note 10)	(23,001)	(4,230)
Interest on mortgages payable (notes 10, 11, 14)	(18,763)	(17,689)
Equipment loan payable (net repayments and advances) (note 11)	(1,625)	(156)
Lease payments made on land lease (note 12)	(104)	(1,164)
Advances from related parties (note 13)	5,708	5,271
Revolving credit facility advances (repayments) (note 16)	6,247	(1,292)
Interest on revolving credit facility (notes 14, 16)	(807)	(149)
Distribution paid on partnership units (notes 13, 14, 20)	(12,252)	(3,073)
Proceeds from units issued (net of distribution reinvestment plan)	33,814	54,726
Distributions paid (net of distribution reinvestment plan)	(16,391)	(15,222)
Redemptions of units (page 6)	(8,458)	(7,958)
Issuance costs (page 6)	(422)	(591)
	(1,386)	84,750
CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES		
Additions to investment properties (note 6)	(104,421)	(162,534)
Investments in joint ventures (note 8)	(28,365)	(11,584)
Proceeds on disposition of investment properties (note 6)	85,172	13,562
	(47,614)	(160,556)
INCREASE (DECREASE) IN CASH for the year	4,500	(816)
CASH, beginning of year	2,659	3,475
CASH, end of year	$ 7,159	$ 2,659

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, 2021, CRELP owned ninety-nine (2020 - one hundred and three) 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, 2021 (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, 2021 (including comparatives) were approved for issue by the Board of Trustees on March 23, 2022.

(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):

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) INVESTMENT PROPERTIES (continued)

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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) INVESTMENT PROPERTIES (continued)

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.

(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. Current assets or disposal groups held for sale are measured at the lower of carrying amount and fair value less costs to sell.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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
Due to related party	Amortized cost
Limited partnership units	Fair value through profit or loss
Accounts payable and accrued liabilities	Amortized cost
Revolving credit facility	Amortized cost

Financial Assets

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 the entity loses control of all or part of the assets.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) FINANCIAL INSTRUMENTS (continued)

Financial Assets (continued)

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.

Financial Liabilities

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, due to related party, 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.

Skyline Commercial REIT's financial liabilities classified as financial liabilities at FVTPL include 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) LIMITED PARTNERSHIP UNITS

The limited partnership units are exchangeable into Trust Units at the option of the holder. The ability to exchange 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, limited partnership units are classified as financial liabilities on the consolidated statement of financial position.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) DISTRIBUTIONS TO LIMITED PARTNERSHIP UNITHOLDERS

Distributions declared to 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.

(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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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:

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

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

<u>Level 3 inputs</u>
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.

(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 1 - In February 2021, 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 accounting policy information. The company does not expect any significant impact from the adoption of this amended standard.

IAS 8 - In February 2021, the IASB issued an amendment to IAS 8 - Accounting policies, changes in accounting estimates and errors which will be effective for years beginning on or after January 1, 2023. The amended standard clarifies the difference between an accounting estimate and an accounting policy. The company does not expect any significant impact from the adoption of this amended standard.

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 28 - In May 2020, the IASB issued an amendment to IAS 28 - Investments in Associates and Joint Ventures. 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. The effective date has been deferred indefinitely.

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.

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:

	2021	2020
Balance at beginning of the years	$ 1,018,029	$ 799,726
Acquisitions through purchase of investment properties	110,840	156,531
Acquisitions through capital expenditure on existing investment properties	6,908	6,003
Disposals through sale of investment properties	(85,172)	(13,562)
Investment properties held for sale (note 7)	(415,185)	0
Amortization of leasing costs and straight-line rents	1,444	1,427
Fair value gain on investment properties and disposed properties	261,941	67,904
Balance at end of the years	$ 898,805	$ 1,018,029

The following table reconciles the cost base of investment properties to their fair value:

	2021	2020
Cost	942,823	864,921
Cumulative fair value adjustment	371,167	153,108
Fair value	$ 1,313,990	$ 1,018,029

Asset acquisitions:

During the year ended December 31, 2021, Skyline Commercial REIT acquired three investment properties (2020 - eleven). The results of these acquisitions are included in these consolidated financial statements from the date of acquisition. The following table outlines the cost, plus the transaction costs of the assets acquired and the associated liabilities entered into as a result of these acquisitions:

	2021	2020
Acquisition cost of investment properties	$ 110,840	$ 156,531
Mortgages	(70,940)	(85,000)
Acquisition of High Plains LP	(13,327)	0
ROU asset acquired on acquisition	0	(20,654)
Total identifiable net assets settled by cash	$ 26,573	$ 50,877

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

6. INVESTMENT PROPERTIES (continued)

Acquisition of High Plains LP:

On October 14, 2021, Skyline Commercial REIT entered into an agreement with its joint venture partner to buy the remaining 25% interest held in High Plains LP by its joint venture partner. Skyline Commercial REIT purchased 25% of the units of High Plains LP and an interest-bearing loan for total consideration of $6,236.

Skyline Commercial REIT has elected to apply the "concentration test" in accordance with IFRS 3. As the fair value of the gross assets acquired is substantially concentrated in the High Plains property, the transaction has been qualified as an acquisition of assets.

Skyline Commercial REIT has elected to remeasure its previously held interests in the acquired assets and liabilities to their acquisition-date-fair values, resulting in a loss on remeasurement of $2,503.

Purchase price allocation:

Recognized amounts of identifiable assets acquired and liabilities assumed

Investment property	$ 32,000
Total assets acquired	32,000
Mortgages payable	14,940
Total liabilities assumed	14,940
Net asset acquired	$ 17,060

Consideration transferred for the acquisition consists of the following:

Cash transferred for equity interest	$ 6,236
Equity method investment derecognized	13,327
Loss on purchase of High Plains LP	(2,503)
Total	$ 17,060

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:

	2021	2020
Less than one year	$ 62,870	$ 55,921
Between one and three years	107,009	96,806
More than three years	353,852	352,834
	$ 523,731	$ 505,561

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

6. INVESTMENT PROPERTIES (continued)

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, 2021, 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, 2021 and December 31, 2020.

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 4.69% (2020 - 5.75%). Overall, the capitalization rates for commercial properties fall between:

	2021	2020
Minimum	2.31%	3.87%
Maximum	11.11%	10.01%

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

In 2021, Skyline Commercial REIT valued $695,560 of its investment properties internally (2020 - $665,170). 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 $510,625 (2020 - $200,200) including properties held for sale that were sold subsequent to year end, see note 22. In 2021, 61.1% (2020 - 62.1%) of the cost base of investment properties were valued internally and 38.9% (2020 - 37.9%) were valued externally. The acquisitions during 2021 were valued at $107,805 (2020 - $152,659). Actual results may differ from these estimates and may be subject to material adjustment within the next year.

Fair value sensitivity:

Skyline Commercial REIT's investment properties are classified as Level 3 under the fair value hierarchy, as the inputs in the valuations of these investment properties are not based on observable market data. The following table provides a sensitivity analysis for the weighted average capitalization rate applied as at December 31, 2021:

As of December 31, 2021

Capitalization Rate Sensitivity Increase (Decrease)	Overall Capitalization Rate	Fair Value of Investment Properties	Fair Value Variance	% Change
(1.00)%	3.69%	$ 1,142,384	$ 243,579	27.10%
December 31, 2021	4.69%	$ 898,805	$ 0	0.00%
1.00%	5.69%	$ 740,843	$ (157,962)	(17.57)%

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

7. ASSETS HELD FOR SALE

As at December 31, 2021, there were forty-five properties held for sale (December 31, 2020 - no property held for sale). The assets and liabilities associated with investment properties held for sale are as follows:

	2021	2020
ASSETS		
Investment properties	$ 415,185	$ 0
Other assets	49	0
Accounts receivable	202	0
	415,436	0
LIABILITIES		
Mortgages payable	98,029	0
Tenant deposits	2,218	0
Land lease	291	0
Accounts payable and accrued liabilities	2,675	0
	103,213	0
NET ASSETS HELD FOR SALE	$ 312,223	$ 0

8. INVESTMENT IN JOINT VENTURES

On July 14, 2020, Skyline Commercial REIT entered into a partnership in High Plains Building 6, LP ("High Plains"). High Plains owns land for development into commercial buildings available for future leasing opportunities. 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. On October 14, 2021, Skyline Commercial REIT acquired the remaining 25% interest of High Plains. The results of this acquisition are included in these financial statements from the date of acquisition under investment properties. Previous to the acquisition date, Skyline Commercial REIT had classified its investment as a joint venture as decisions about relevant activities require unanimous consent of both parties and accounted for the investment using the equity method.

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.

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 shares joint control with third parties who own 47.5% and 5.0% of RF LP I respectively. Skyline Commercial REIT has classified its investment as a joint venture as decisions about relevant activities require unanimous consent of all parties.

On June 24, 2021, Skyline Commercial REIT entered into a limited partnership agreement with 1307823 Canada Incorporated and Rosefellow Holdings Incorporated, to form the RF Mascouche Limited Partnership I (“RFMLP I”). Pursuant to the aforementioned limited partnership agreement, Skyline Commercial REIT owns 79.5% of RFMLP I and shares joint control with a third party who owns the remaining 20.5% of RFMLP I. Skyline Commercial REIT has classified its investment as a joint venture as decisions about relevant activities require unanimous consent of all parties.

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

8. INVESTMENT IN JOINT VENTURES (continued)

RFIELP and RFWILP own land for development into commercial buildings available for future leasing opportunities. RF LP I and RFMLP I are in the business of acquiring lands and developing light industrial real estate in and around Montreal, Quebec 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 RFIELP, RFWILP, RF LP I and RFMLP I as joint ventures which are accounted for under the equity method.

The acquisitions were funded by cash during the year.

The components of investment in joint ventures is as follows:

	2021	2020
High Plains	$ 0	$ 4,200
RFIELP	3,338	2,705
RFWILP	7,834	4,679
RF LP I	15,813	0
RFMLP I	8,764	0
Balance at end of the year	$ 35,749	$ 11,584

High Plains	**2021**	**2020**
Balance at the beginning of the year	$ 4,200	$ 0
Contributions	0	4,200
Share of net earnings	9,127	0
Acquisition of control	(13,327)	0
Balance at end of the year	$ 0	$ 4,200

RFIELP	**2021**	**2020**
Balance at the beginning of the year	$ 2,705	$ 0
Contributions	633	2,705
Balance at end of the year	$ 3,338	$ 2,705

RFWILP	**2021**	**2020**
Balance at the beginning of the year	$ 4,679	$ 0
Contributions	3,155	4,679
Balance at end of the year	$ 7,834	$ 4,679

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

8. INVESTMENT IN JOINT VENTURES (continued)

RF LP I	**2021**	**2020**
Balance at the beginning of the year	$ 0	$ 0
Contributions	15,813	0
Balance at end of the year	$ 15,813	$ 0

RFMLP I	**2021**	**2020**
Balance at the beginning of the year	$ 0	$ 0
Contributions	8,764	0
Balance at end of the year	$ 8,764	$ 0

The following details CRELP's share of the limited partnership's aggregated assets, liabilities, and results of operations accounted for un

As at December 31, 2021:

	High Plains	RFIELP	RFWILP	RF LP I	RFMLP I	Total
Real estate property	$ 0	$ 14,120	$ 24,875	$ 15,757	$ 14,325	$ 69,077
Current assets	0	2,725	2,321	64	1,859	6,969
Total assets	0	16,845	27,196	15,821	16,184	76,046
Non-current liabilities	0	10,063	16,460	0	7,378	33,901
Current liabilities	0	3,444	2,902	8	42	6,396
Net equity	$ 0	$ 3,338	$ 7,834	$ 15,813	$ 8,764	$ 35,749

For the year ended December 31, 2021:

	High Plains	RFIELP	RFWILP	RF LP I	RFMLP I	Total
Rental revenue	$ 778	$ 0	$ 0	$ 0	$ 0	$ 778
Operating expenses	(398)	0	0	0	0	(398)
Net operating income	380	0	0	0	0	380
Fair value gain (loss) on real estate property	8,747	0	0	0	0	8,747
Net income (loss)	$ 9,127	$ 0	$ 0	$ 0	$ 0	$ 9,127

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

8. INVESTMENT IN JOINT VENTURES (continued)

December 31, 2020:

	High Plains	RFIELP	RFWILP	RF LP I	RFMLP I	Total
Real estate property	$ 13,890	$ 4,683	$ 11,324	$ 0	$ 0	$ 29,897
Current assets	351	272	797	0	0	1,420
Total assets	14,241	4,955	12,121	0	0	31,317
Non-current liabilities	10,041	2,096	7,284	0	0	19,421
Current liabilities	0	154	158	0	0	312
Net equity	$ 4,200	$ 2,705	$ 4,679	$ 0	$ 0	$ 11,584

For the year ended December 31, 2020:

	High Plains	RFIELP	RFWILP	RF LP I	RFMLP I	Total
Rental revenue	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Operating expenses	0	0	0	0	0	0
Net operating income	0	0	0	0	0	0
Fair value gain (loss) on real estate property	0	0	0	0	0	0
Net income (loss)	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0

9. OTHER ASSETS

The components of other assets are as follows:

	2021	**2020**
Funds held in trust	$ 466	$ 1,019
Escrow realty taxes	125	125
Prepaid expenses	691	805
Tenant loan receivable	0	341
Deposits on investment properties	351	0
Other assets held for sale	(49)	0
	$ 1,584	$ 2,290

The tenant loan receivable was repaid during 2021.

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

10. MORTGAGES PAYABLE

The 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 3.39% (2020 - 3.48%) per annum are $488,722 (2020 - $491,274). Mortgages bearing variable interest rates with an average variable rate of 3.95% (2020 - 0.00%) per annum are $14,940 (2020 - $nil). Mortgages have maturity dates ranging between 2022 and 2029. All mortgages are denominated in Canadian dollars.

Future minimum principal payments on mortgage obligations are as follows:

2022	$	111,720
2023		27,762
2024		63,955
2025		27,197
2026		46,009
Thereafter		227,019
		503,662
Less: Mortgages related to assets held for sale:		(98,029)
	$	405,633

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

	2021	2020
Mortgages payable, beginning of year	$ 491,274	$ 418,715
Proceeds from new mortgages	98,854	105,100
Repayment of existing mortgages	(87,106)	(33,014)
Transaction costs related to mortgages	(81)	(39)
Total changes from financing cash flows	11,667	72,047
Change in mortgages payable on assets held for sale	(98,029)	0
Amortization of financing costs	721	512
Financing costs included in operations	17,141	17,549
Interest paid	(17,141)	(17,549)
Total liability-related changes	(97,308)	512
Mortgages payable, end of year	$ 405,633	$ 491,274

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

11. EQUIPMENT LOAN PAYABLE

The equipment loan was repaid during 2021. The loan was payable in blended monthly instalments of $21 with interest charged at 5.67%.

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

	2021	2020
Equipment loans payable, beginning of year	$ 1,625	$ 1,781
Proceeds from new equipment loans	0	0
Repayment of existing equipment loans	(1,625)	(156)
Total changes from financing cash flows	(1,625)	(156)
Financing costs included in operations	67	96
Interest paid	(67)	(96)
Total liability-related changes	0	0
Equipment loans payable, end of year	$ 0	$ 1,625

12. LAND LEASE

Skyline Commercial REIT has entered into three land leases. The land leases are payable in monthly instalments of $138 (2020 - $132) and have maturity dates ranging between 2026 and 2029. The portion payable within one year is $114 (2020 - $1,603).

The following table details the undiscounted cash flows and contractual maturities of Skyline Commercial REIT's land lease as at December 31, 2021:

2022	$ 1,661
2023	1,662
2024	1,664
2025	1,666
2026	1,671
Thereafter	45,670
	$ 53,994

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

12. LAND LEASE (continued)

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

	2021	2020
Land lease, beginning of year	$ 19,490	$ 0
ROU asset acquired on acquisition	0	20,654
Land lease payments	(104)	(1,164)
Total changes from financing cash flows	(104)	(1,164)
Change in land lease on assets held for sale	(291)	0
Financing costs included in operations	2,682	44
Interest paid	(1,555)	(44)
Total liability-related changes	836	0
Land lease, end of year	$ 20,222	$ 19,490

13. 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, 2021, a distribution would be payable if the investment properties were sold. At December 31, 2021, there were distributions payable to Skyline Commercial Real Estate GP Inc. in the amount of $5,879 (2020 - $171) which is included in due to related party.

	2021	2020
Distributions paid to general partner on sale of investment properties	$ 11,181	$ 1,608
Distributions paid to general partner	605	171
	$ 11,786	$ 1,779

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 an exempt market dealer agreement with Skyline Wealth Management Inc. Skyline Commercial Real Estate GP Inc., Skyline Asset Management Inc., Skyline Commercial Management Incorporated, Skyline Wealth Management Inc. and Skyline Clean Energy Limited Partnership are controlled by the same shareholders.

13. 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 exempt market dealer 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 $402 (2020 - $572) under the exempt market dealer agreement were paid during the year and are included in issuance costs. Fees paid are as follows:

	2021	2020
Asset management fees	$ 1,747	$ 1,655
Property management fees	1,747	1,771
Lease documentation fees	188	69
Wealth management fees	1,791	1,394
	$ 5,473	$ 4,889

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:

	2021	2020
Skyline Commercial Real Estate GP Inc.	$ 5,879	$ 171

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.

Sale of assets to related companies

During the year, solar assets were sold to Skyline Clean Energy Limited Partnership at the exchange amount for $1,350. Included in fair value on disposed properties is a loss of $659 related to this transaction.

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

14. FINANCING COSTS

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

	2021	2020
Mortgage interest	$ 17,141	$ 17,549
Equipment loan interest	67	96
Deferred financing costs	721	512
Bank charges	345	411
Interest expense on lease liability	2,682	44
Interest expense on revolving credit facility	807	149
Distribution interest paid on Class B Limited Partnership Units	466	452
Distribution interest paid to general partner	605	171
Distribution interest paid to general partner on sale of investment properties	11,181	1,608
	$ 34,015	$ 20,992

15. 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, 2021			December 31, 2020		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Assets						
Investment properties	$ 0	$ 0	$ 898,805	$ 0	$ 0	$1,018,029
Assets held for sale	0	0	415,436	0	0	0
	$ 0	$ 0	$1,314,241	$ 0	$ 0	$1,018,029
Liabilities						
Mortgages payable	$ 0	$ 507,860	$ 0	$ 0	$ 496,795	$ 0
Limited partnership units	0	0	9,042	0	0	6,907
	$ 0	$ 507,860	$ 9,042	$ 0	$ 496,795	$ 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, 2021 and December 31, 2020, 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.

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

15. FAIR VALUE MEASUREMENT (continued)

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.

16. 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 and floating 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, 2021

	Carrying Amount	Income -1%	Partners' Capital -1%	Income +1%	Partners' Capital +1%
Revolving credit facility	$ 10,958	$ 110	$ 110	$ (110)	$ (110)
Mortgages payable, maturing within one year	99,513	995	995	(995)	(995)
	$ 110,471	$ 1,105	$ 1,105	$ (1,105)	$ (1,105)

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

16. FINANCIAL RISK MANAGEMENT (continued)

i) Market risk (continued)

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)

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:

	2021	**2020**
Allowance for doubtful accounts beginning of year	$ 11	$ 19
Provision for impairment of accounts receivable	4	5
Reversal of provision for impairment	(6)	(13)
Allowance for doubtful accounts end of year	$ 9	$ 11

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)

16. 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 $3,500 (2020 - $15,000) with interest charged at prime + 1.75%, of which $nil is utilized at December 31, 2021 (2020 - $nil). 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 $45,000 (2020 - $35,000) with interest at prime + 1.35% or, at the option of the borrower, a fixed rate equal to the floating bankers acceptance rate plus 2.35% for a 30 day or 90 day term. At December 31, 2021, the total drawn on the operating line of credit was $10,958 (2020 - $4,711). 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:

	2021	2020
Revolving credit facility, beginning of year	$ 4,711	$ 6,003
Net proceeds (repayment) from revolving credit facility	6,247	(1,292)
Financing costs included in operations	807	149
Interest paid	(807)	(149)
Total liability-related changes	0	0
Revolving credit facility, end of year	$ 10,958	$ 4,711

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, 2021, Skyline Commercial REIT was in compliance with the financing agreements.

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

16. FINANCIAL RISK MANAGEMENT (continued)

iii) Liquidity risk (continued)

Skyline Commercial REIT's long term debt consists of mortgages payable bearing interest rates ranging from 2.28% to 4.63% per annum (2020 - 2.31% to 6.15%), payable in monthly instalments of principal and interest of approximately $2,649 (2020 - $2,709), maturing from 2022 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, 2021	On demand	Less than one year	One to five years	More than five years	**Total**
Mortgages payable	$ 0	$ 55,430	$ 87,910	$ 262,293	$ 405,633
Class B Limited Partnership units	9,042	0	0	0	9,042
Due to related party	0	5,879	0	0	5,879
Accounts payable and accrued liabilities	0	3,834	0	0	3,834
Revolving credit facility	10,958	0	0	0	10,958
	$ 20,000	$ 65,143	$ 87,910	$ 262,293	$ 435,346

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
Due to related party	0	171	0	0	171
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	$ 94,836	$ 160,661	$ 245,400	$ 512,515

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 15.3% (2020 - 19.1%) of Skyline Commercial REIT's property revenue.

17. 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, 2021, the loan to value ratio was 45% (2020 - 48%), which is within Skyline Commercial REIT's stated policy of 70% or lower. Subsequent to December 31, 2021, 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.

18. 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.

19. UNITHOLDERS' EQUITY

Skyline Commercial REIT is authorized to issue an unlimited number of REIT units. The REIT units are entitled to distributions as and when declared by the Board of Trustees.

On December 20, 2021, the price per unit for newly issued units and units to be redeemed increased from $16.50 to $17.50.

On December 21, 2021, the REIT issued a special distribution by way of units, equal to $0.50 per unit (the "Special Distribution"). This resulted in the issuance of 0.0286 units for every 1 unit outstanding.

On December 21, 2021, immediately following the Special Distribution, the REIT consolidated all REIT and LP units outstanding at a ratio of 1.0286 units to 1, returning the outstanding unit count to the amount outstanding immediately prior to the Special Distribution (the "Unit Consolidation"). The Unit Consolidation resulted in an increase in the price per unit for newly issued units and units to be redeemed, from $17.50 to $18.00.

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

19. UNITHOLDERS' EQUITY (continued)

As at December 31, 2021 the price for newly issued units and units to be redeemed was $18.00 (2020 - $13.75). The units issued and outstanding are as follows:

	2021 Units	2020 Units
Units outstanding, beginning of year	30,395,309	26,202,705
Units issued	2,048,150	3,980,072
Units issued (distribution reinvestment plan)	1,747,291	791,251
Unit consolidation	(935,310)	0
Redemptions during the year	(512,624)	(578,719)
Units outstanding, end of year	32,742,816	30,395,309

20. 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, 2021, there were 502,326 (2020 - 502,326) Class B limited partnership units issued and outstanding. The Class B limited partnership units represented an aggregate fair value of $9,042 at December 31, 2021 (2020 - $6,907).

A reconciliation of movements in the limited partnership units to cash flows arising from financing activities is as follows:

	2021	2020
Limited partnership units, beginning of year	$ 6,907	$ 6,907
Proceeds from issue of limited partnership units	0	0
Financing costs included in operations	466	452
Distribution interest paid	(466)	(452)
Total liability-related changes	0	0
Changes in fair value	2,135	0
Limited partnership units, end of year	$ 9,042	$ 6,907

21. 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. Some uncertainty still exists around the future impact of COVID-19 on the timing and amounts of realizable cash flows and assets.

Through the duration of COVID-19, the Canadian federal and provincial governments 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 2021, Skyline Commercial REIT agreed to defer rental payments of approximately $nil for certain tenants (2020 - $345). The amount outstanding of these deferred rental payments is $nil as of December 31, 2021 (December 31, 2020 - $345).

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 ongoing uncertainty caused by COVID-19.

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

22. SUBSEQUENT EVENTS

Subsequent to December 31, 2021, Skyline Commercial REIT paid $44,126 to Skyline Commercial Real Estate GP Inc, of which $38,247 were related to the dispositions subsequent to year end noted below.

On January 21, 2022, Skyline Commercial REIT disposed of 5 properties in Montreal and it's surrounding areas, for a total disposition value of $80,125, which discharged mortgages payable of $nil.

On January 24, 2022, Skyline Commercial REIT disposed of 17 properties in Ottawa and it's surrounding areas, for a total disposition value of $154,540, which discharged mortgages payable of $59,729.

On January 24, 2022, Skyline Commercial REIT disposed of 2 properties in the greater Toronto area for a total disposition value of $62,750, which discharged mortgages payable of $13,297.

On January 31, 2022, Skyline Commercial REIT disposed of 6 properties in southwestern Ontario for a total disposition value of $58,200, which discharged mortgages payable of $13,451.

Effective February 25, 2022, the price per unit for newly issued units and units to be redeemed increased to $20.00 from $18.00.


SKYLINE
COMMERCIAL REIT