

WPT INDUSTRIAL REAL ESTATE INVESTMENT TRUST



MANAGEMENT'S DISCUSSION AND ANALYSIS
OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION
FOR THE YEAR ENDED DECEMBER 31, 2018

March 6, 2019

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BASIS OF PRESENTATION

The following Management's Discussion and Analysis ("**MD&A**") is prepared as at March 6, 2019 and outlines WPT Industrial Real Estate Investment Trust's (the "**REIT**") operating strategies, risk profile considerations, business outlook and analysis of its financial performance and financial condition for the three months and years ended December 31, 2018 and 2017. This MD&A should be read in conjunction with the REIT's audited consolidated financial statements and accompanying notes for the years ended December 31, 2018 and 2017. These documents, as well as additional information relating to the REIT (including the REIT's most recently filed annual information form) (the "**Annual Information Form**") can be accessed on the REIT's website at www.wptreit.com and under the REIT's SEDAR profile at www.sedar.com.

This MD&A is based on financial statements prepared by management in accordance with International Financial Reporting Standards ("**IFRS**"), as issued by the International Accounting Standards Board ("**IASB**"), in thousands of United States dollars, unless otherwise stated.

NON-IFRS MEASURES

Certain terms used in this MD&A such as funds from operations ("**FFO**"), adjusted funds from operations ("**AFFO**"), adjusted cash flows from operations ("**ACFO**"), ACFO payout ratio, net operating income ("**NOI**"), same properties NOI ("**Same properties NOI**"), net asset value per unit ("**NAV per Unit**"), Adjusted EBITDA (as defined herein), debt to Adjusted EBITDA, debt-to-gross book value, interest coverage ratio, fixed charge coverage ratio, capitalization rate and any related per unit amounts used by management to measure, compare and explain the operating results and financial performance of the REIT are not recognized terms under IFRS, and therefore should not be construed as alternatives to net income and comprehensive income or cash flows from operating activities calculated in accordance with IFRS. Management believes that these terms are relevant measures in comparing the REIT's performance to industry data, the REIT's ability to earn and distribute cash returns to holders of the REIT's trust units ("**REIT Units**"), and the REIT's ability to meet its ongoing obligations. These terms are defined below and are reconciled to the most directly comparable measure specified in the condensed consolidated interim financial statements of the REIT for the three months and year ended December 31, 2018 and 2017, in Part II. Such terms do not have a standardized meaning prescribed by IFRS and may not be comparable to similarly titled measures presented by other issuers.

FFO is defined as net income, in accordance with IFRS, (i) plus or minus fair value adjustment to investment properties; (ii) plus or minus gains or losses from sales of investment properties; (iii) plus or minus other fair value adjustments; (iv) plus amortization of tenant incentives; (v) plus transaction costs expensed as a result of the purchase of an entity being accounted for as a business combination; (vi) plus distributions on redeemable or exchangeable units treated as interest expense; (vii) plus or minus any negative goodwill or goodwill impairment; (viii) plus deferred income tax expense, after adjustments for equity accounted entities and joint ventures calculated to reflect FFO on the same basis as consolidated investment properties; and (ix) adjustments for property taxes accounted for under International Financial Reporting Interpretations Committee ("**IFRIC**") 21. FFO has been prepared consistently with the definition presented in the white paper on funds from operations prepared by REALPAC issued on February 2019 and is intended to be used as a sustainable, economic earnings metric. However, from time to time the REIT may enter into transactions that materially impact the calculation of FFO and are adjusted as determined by the board of trustees of the REIT (the "**Board**" or the "**Board of Trustees**") in their sole discretion. The REIT considers FFO to be a useful measure of operating performance and adjusts for items included in net income (or net loss) that do not arise from operating activities or do not necessarily provide an accurate depiction of the REIT's past, current or recurring performance.

AFFO is defined as FFO subject to certain adjustments, including: (i) any differences resulting from recognizing investment property rental revenues on a straight-line basis; and (ii) minus a reserve for normalized maintenance capital expenditures, tenant inducements and leasing commissions, as determined by the REIT. AFFO has been prepared consistently with the definition presented in the white paper on adjusted funds from operations prepared by REALPAC issued on February 2019 for all periods presented. However, from time to time the REIT may enter into transactions that materially impact the calculation of AFFO and are adjusted as determined by the Board of Trustees in their sole discretion. The REIT considers AFFO to be a useful measure of operating performance and adjusts for items included in net income (or net loss) that do

not arise from operating activities or do not necessarily provide an accurate depiction of the REIT's past, current or recurring performance.

ACFO is defined as cash flows from operations in accordance with IFRS, (i) plus or minus the change in non-cash working capital, which includes only items that are not indicative of sustainable cash available for distributions; (ii) minus interest expense included in cash flow from financing; (iii) minus a reserve for normalized maintenance capital expenditures, tenant inducements and leasing commissions, as determined by the REIT; (iv) plus or minus transaction costs associated with an acquisition or disposition of an investment property that was expensed during the period; (v) plus or minus the non-cash amortization of the deferred financing costs and the debt premium (discount) mark-to-market adjustments; and (vi) plus or minus the difference in recognized interest expense in accordance with IFRS to interest paid due to timing differences. Management believes ACFO is intended to be used as a sustainable, economic cash flow metric. ACFO has been prepared consistently with the definition presented in the white paper on adjusted cash flows from operations prepared by REALPAC issued on February 2019 for all periods presented. However, from time to time the REIT may enter into transactions that materially impact the calculation of ACFO and are adjusted as determined by the Board of Trustees in their sole discretion. The REIT considers ACFO to be a useful measure of operating performance as it adjusts for items included in operating cash flows that do not arise from operating activities or do not necessarily provide an accurate depiction of the REIT's past, current or recurring performance.

Effective for the quarter and year ended December 31, 2018, with reconciliations for prior period amounts, the REIT has revised all disclosed ACFO activity to adjust for any changes in non-cash working capital, that are indicative of sustainable cash available for distributions, which were previously added back or deducted from ACFO. See Part I: Financial and Operating Highlights for a summary of the reconciling changes. See Part II: Liquidity and Capital Resources for additional disclosures for the three months and years ended December 31, 2018 and 2017.

In Q3 2018, the REIT incurred transaction costs related to the Internalization (see Overview section). All expenses associated with this transaction were added back to FFO, AFFO and ACFO, which is not consistent with the REALPAC white papers issued on February 2018. These transaction costs are not indicative of the REIT's normal operations nor a useful measure of recurring economic earnings or operating cash flow and are therefore appropriately excluded from each performance measure.

NOI is used by industry analysts, investors and management to measure operating performance of real estate investment trusts. NOI represents investment properties revenue less investment properties operating expenses less fair value adjustment to investment properties in respect of IFRIC 21. Accordingly, NOI excludes certain expenses included in the determination of net income and comprehensive income, such as interest expense.

Same properties NOI is used by management to evaluate period-over-period performance of investment properties fully-owned by the REIT. Same properties NOI represents NOI from investment properties having consistent leasable areas for consistent periods and excludes non-stabilized properties under development, amortization of straight-line rent, amortization of lease incentives, tenant incentives – free rent, and other rental income. Same properties NOI has been reconciled to NOI for the consolidated portfolio under the headings "Same properties NOI" and "Same properties NOI prior quarter comparison".

"NAV per Unit" is defined as the total equity (including Class B limited partnership units ("Class B Units")) divided by the number of REIT Units and Class B Units.

"Adjusted EBITDA" is defined as earnings before fair value adjustments to, investment properties, deferred compensation, interest (inclusive of finance costs), taxes, depreciation and amortization.

"Debt to Adjusted EBITDA" is defined as the average rolling twelve-month consolidated debt balance (excluding mark-to-market adjustments and financing costs) divided by a rolling twelve month Adjusted EBITDA.

"ACFO payout ratio" is defined as distributions of the REIT (including distributions on Class B Units and deferred limited partnership units ("DPUs") of WPT Industrial, LP (the "Partnership")) divided by ACFO.

“Debt-to-gross book value” is calculated by dividing total principal amounts outstanding under mortgages payable and, as at December 31, 2018, the Credit Facility (as defined herein) by the total carrying value of investment properties. Prior to June 30, 2018 debt-to-gross book value was calculated by dividing total principal amounts outstanding under mortgages payable and the Secured Revolving Facility (as defined herein) by the total carrying value of investment properties.

“Fixed charge coverage ratio” is defined as year-to-date Adjusted EBITDA divided by the sum of the REIT’s year-to-date interest on mortgages payable, derivative instrument, Secured Revolving Facility and the Credit Facility, and scheduled principal repayments of mortgages payable.

“capitalization rate” is defined as the overall capitalization rate obtained by dividing the projected NOI of an investment property for the first twelve months of ownership by the purchase price.

“Interest coverage ratio” is defined as year-to-date Adjusted EBITDA divided by the sum of the REIT’s year-to-date interest on mortgages payable, derivative instrument, Secured Revolving Facility and the Credit Facility.

FORWARD LOOKING STATEMENTS

This MD&A contains **“forward-looking information”** as defined under Canadian securities laws (collectively, **“forward-looking statements”**) which reflect management’s expectations regarding objectives, plans, goals, strategies, future growth, results of operations, performance, business prospects and opportunities of the REIT. The words **“plans”**, **“expects”**, **“scheduled”**, **“estimates”**, **“intends”**, **“anticipates”**, **“projects”**, **“believes”**, or variations of such words and phrases (including negative variations) or statements to the effect that certain actions, events or results **“may”**, **“will”**, **“could”**, **“would”**, **“might”**, **“be achieved”**, or **“continue”** and similar expressions identify forward-looking statements. Some of the specific forward-looking statements in this MD&A include, but are not limited to statements regarding the objectives and strategic focus of the REIT, the impacts of the Transaction(as defined herein), future distributions by the REIT, predictability and certainty of cash flow, investment opportunities in the U.S. industrial real estate market, U.S. vacancy rate trends, tenant demand in the distribution sub-segment, including demand for state-of-the-art distribution and logistics space, development in distribution markets, vacancy rates in the state-of-the-art distribution market and absorption of vacancy in distribution investment properties in major distribution markets in the U.S. over the past years, re-tenanting costs, key trends and continued and increased demand within the industrial real estate market, the effect of the experience of the asset and property manager of the REIT, in the U.S. industrial real estate market on tenant retention and future acquisitions by the REIT, the sources of organic growth, including initiatives aimed at optimizing the performance, value and long-term cash flow of the REIT’s investment property portfolio, the REIT’s external growth strategy, including diversification, the REIT’s cost of capital, borrowing costs and opportunities to increase the cash flow and value of the existing portfolio of investment properties through initiatives designed to enhance operations, future maintenance expenditures, future project costs related to the development of investment properties, the attractiveness of newer investment properties to prospective tenants, the quality and future valuations of the REIT’s portfolio of investment properties, lease terms, termination and future maintenance and leasing expenditures, the REIT’s ability to meet all of its ongoing obligations with current cash generated from operations, draws on its Credit Facility and new equity and debt issuances, the fair values of the REIT’s investment properties and the REIT’s debt strategy, including the REIT’s intention to maintain staggered mortgages payable maturities.

Forward-looking statements are necessarily based on a number of estimates, beliefs and assumptions that are inherently subject to significant business, economic and competitive uncertainties and contingencies which could cause actual results to differ materially from those that are disclosed in such forward-looking statements. While considered reasonable by management of the REIT as at the date of this MD&A, any of these estimates, beliefs or assumptions could prove to be inaccurate, and as a result, the forward-looking statements based on those estimates, beliefs or assumptions could be incorrect. Such estimates, beliefs and assumptions include the various estimates, beliefs and assumptions set forth herein, and include but are not limited to, the desirability of investment properties in the distribution subsector of the U.S. industrial real estate market to investors, including the industrial investment properties in the REIT’s portfolio, key trends and continued and increased demand within the industrial investment property real estate market, the effect of the external manager’s experience in the U.S. industrial real estate market on tenant retention and future acquisitions by the REIT, the future growth potential of the REIT and its properties, anticipated amounts of expenses, results of operations, future prospects and opportunities, the demographic and industry trends remaining unchanged, no change in

legislative or regulatory matters, future levels of indebtedness, the tax laws in both Canada and the U.S. as currently in effect remaining unchanged, current levels of volatility in the demand for space in the distribution sub-segment remaining unchanged, the continued availability of capital, the current economic conditions remaining unchanged and increased tenant demand for industrial investment properties and declining vacancy rates in the markets in which the REIT's investment properties are located.

When relying on forward-looking statements to make decisions, the REIT cautions readers not to place undue reliance on these statements, as forward-looking statements involve significant risks and uncertainties and should not be read as guarantees of future performance or results, and will not necessarily be accurate indications of whether or not the times at or by which such performance or results will be achieved, if achieved at all. A number of factors could cause actual results to differ materially from the results discussed in the forward-looking statements, including but not limited to those factors discussed or referenced under the "Risk Factors" section of this MD&A.

Certain statements included in this MD&A may be considered a "**financial outlook**" for purposes of applicable Canadian securities laws, and as such, the financial outlook may not be appropriate for purposes other than to understand management's current expectations and plans relating to the future, as disclosed in this MD&A. These forward-looking statements have been approved by management to be made as at the date of this MD&A. Except as expressly required by applicable law, the REIT assumes no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise. All forward-looking statements in this MD&A are qualified by these cautionary statements.

OVERVIEW

The REIT is an unincorporated, open-ended real estate investment trust established pursuant to a declaration of trust dated March 4, 2013 under the laws of the Province of Ontario, as amended and restated on April 26, 2013 (the "**Declaration of Trust**"). A copy of the Declaration of Trust is available on the REIT's website at www.wptreit.com and on the SEDAR website at www.sedar.com. The REIT's Units are listed and publicly traded in Canada on the Toronto Stock Exchange ("**TSX**"), in U.S. dollars, under the symbol "WIR.U", and in the U.S. on the OTCQX marketplace ("**OTCQX**") under the symbol "WPTIF". As at December 31, 2018, there were 46,934,808 REIT Units outstanding.

The REIT was formed for the purpose of acquiring, developing and owning primarily industrial investment properties located in the U.S., with a particular focus on warehouse and distribution properties. As at December 31, 2018, the REIT owned a portfolio of investment properties consisting of 18,850,627 square feet of gross leasable area ("**GLA**"), comprised of 56 industrial investment properties and one office investment property, located in 15 states in the U.S.

Capitalization and other activity

On June 26, 2018, the REIT entered into a \$300,000 unsecured credit facility (the "**Credit Facility**"), comprised of the unsecured revolving credit facility and an unsecured delayed draw term loan with availability to borrow up to \$175,000 and \$125,000, respectively (subject to requisite unencumbered collateral). At the time of closing, the REIT drew \$75,000 on the unsecured delayed draw term loan (the "**Term Loan I**") and \$13,000 on the unsecured revolving credit facility, using the proceeds to pay closing costs and repay the existing Secured Revolving Facility balance of \$86,000 in full. See Part II: Liquidity and Capital Resources for additional disclosures.

On February 25, 2019, the REIT issued 10,000,000 REIT Units at a price of \$13.50 per REIT Unit to a syndicate of underwriters on a bought deal basis for net cash proceeds to the REIT of approximately \$129,600 (the "**February 2019 Offering**") (inclusive of underwriters' fees of \$5,400 and exclusive of other issuance costs). The REIT used a portion of the funds from the February 2019 Offering to repay the outstanding balance on the unsecured revolving credit facility of \$105,000.

The REIT declared monthly distributions throughout the year ended December 31, 2018 at its annualized distribution rate of \$0.76 per unit, or \$0.0633 per unit on a monthly basis.

Acquisition, development, and disposition activity

On July 5, 2017, the REIT indirectly acquired from a third party, a 100% occupied investment property located in Portland, Oregon totaling 492,554 square feet for a purchase price of \$56,000 (exclusive of closing and transaction costs). The

purchase price was satisfied with funds from the Secured Revolving Facility.

On August 3, 2017, the REIT indirectly acquired from a third party, an 86% occupied investment property located in Houston, Texas totaling 410,600 square feet for a purchase price of \$40,320 (exclusive of closing and transaction costs). The purchase price was satisfied with cash on hand and funds from the Secured Revolving Facility.

On August 7, 2017, the REIT sold the investment property located at 8085 Rivers Avenue, North Charleston, South Carolina to a third party purchaser for a sale price of \$14,233 (inclusive of closing costs and working capital adjustments).

On September 13, 2017, the REIT indirectly acquired from a third party, a 100% occupied investment property located in Quakertown, Pennsylvania totaling 935,540 square feet for a purchase price of \$74,300 (exclusive of closing and transaction costs). The purchase price was satisfied with cash on hand and funds from the Secured Revolving Facility. In conjunction with the acquisition, the property was added as borrowing base collateral to the Secured Revolving Facility.

During the third quarter of 2017, the REIT completed construction of the shell of the development of an approximately 171,600 square foot industrial property located in Indianapolis, Indiana (the “**Indianapolis Development**”) and leased approximately 78,000 square feet to one tenant. The REIT is actively marketing the remaining leasable square feet to prospective tenants.

On November 29, 2017, the REIT indirectly acquired from a third party, a 100% occupied investment property located in Reno, Nevada the totaling 98,270 square feet for a purchase price of \$6,375 (exclusive of closing and transaction costs). The purchase price was satisfied with cash on hand and funds from the Secured Revolving Facility.

On June 20, 2018, the REIT indirectly acquired from a third party, a 100% occupied investment property located in St. Paul, Minnesota totaling 124,800 square feet for a purchase price of \$8,300 (exclusive of closing and transaction costs), representing a capitalization rate (a non-IFRS financial measure, see the “Non-IFRS Measures” section of this MD&A) of approximately 6.01%. The purchase price was satisfied with cash on hand and funds from the Secured Revolving Facility. The building has the capability to expand to approximately 195,000 square feet.

On June 29, 2018, the REIT indirectly acquired from a third party, a 100% occupied investment property located in Rogers, Minnesota totaling 335,400 square feet for a purchase price of \$20,425 (exclusive of closing and transaction costs), representing a capitalization rate of approximately 6.09%. The purchase price was satisfied with cash on hand and funds from the Credit Facility. The building has the capability to expand to approximately 476,000 square feet.

On September 28, 2018, the REIT indirectly acquired from AIMCo (as defined below) and certain members of the REIT’s management team, who were also former principals of WPT Capital (as defined herein), a 100% occupied, newly constructed investment property located in Louisville, Kentucky (the “**Louisville Property**”) totaling 224,000 square feet for a purchase price of \$17,860 (exclusive of closing and transaction costs), representing a capitalization rate of approximately 6.2%. The purchase price was satisfied with funds from the Credit Facility. See additional disclosures in Part V: Related Party Transactions.

On November 6, 2018, the REIT indirectly acquired from a third party, a 100% occupied investment property located in Franklin Park, Illinois totaling 536,800 square feet for a purchase price \$26,800 (exclusive of closing and transaction costs), representing a capitalization rate of approximately 7.5%. The purchase price was satisfied with funds from the Credit Facility.

Internalization of Management

On July 31, 2018, the REIT internalized management (the “**Internalization**”) and acquired 100% of the membership interests of WPT Capital Advisors, LLC (“**WPT Capital**”), a related party, (the “**Acquisition**” and together with the Internalization, the “**Transaction**”). See Part V: Related Party Transactions for additional disclosures.

Transaction highlights:

- Fully-internalized management platform with experience in all facets of industrial real estate brought into the REIT under a single, transparent and simplified organizational structure
- Access to additional capital resources through ownership and control of a private capital business with established assets under management and institutional partnerships
- Enhanced and diversified cash flows through management and performance fees on third-party capital
- New private capital venture with Canada Pension Plan Investment Board (“**CPPIB**”) and Alberta Investment Management Corporation and affiliates (“**AIMCo**”), which together with the REIT, are targeting allocating up to an aggregate \$1,000,000 in equity to pursue value-add and development investments, creating an enhanced proprietary acquisition pipeline for the REIT with a right of first opportunity to acquire managed assets on an off-market basis
- Immediate access to a pipeline of 4,000,000 square feet of modern industrial assets across the U.S., including high-barrier markets, which the REIT is managing and will earn management and performance fees on
- Increased long-term alignment between the REIT management team, public unitholders and private capital partners

The REIT acquired WPT Capital and completed the Internalization for \$26,811 (exclusive of closing and transaction costs). The purchase price was satisfied with \$10,000 in Class B Units and \$16,811 in funds from the Credit Facility. The components of the purchase price were made up of \$20,000 related to the private capital business of WPT Capital and \$6,811 related to the internalization of management, which was based on internalization provisions in the asset management and property management agreements (see Part V: Related Party Transactions) and equaled the fees paid to WPT Capital over the preceding twelve months. WPT Capital was previously owned by senior management of WPT Capital and AIMCo. The principals of WPT Capital received all of the Class B Units, (with lock-up provisions providing for a release of 1/3 of the units annually beginning on the third anniversary of the Acquisition), and AIMCo received all of its consideration in cash. The REIT recorded two intangible assets for (i) management contracts related to investment properties held by AIMCo and principals of WPT Capital (the “**AIMCo Venture Management Contracts**”) and (ii) management contracts related to a private capital venture (the “**Venture**”) formed by WPT Capital with CPPIB, AIMCo and the REIT as investors/limited partners (the “**Venture Management Contracts**”), (the “**Management Contracts**”). The Acquisition has been recognized as a business combination, in accordance with IFRS 3, Business Combinations and transaction costs of \$43 and \$8,560, including the \$6,811 related to the internalization of management, were expensed during the three months and year ended December 31, 2018, respectively. Post-closing the REIT also acquired assets and assumed liabilities totaling working capital (\$139) from WPT Capital.

As part of the Internalization of the asset management and property management agreements, the REIT no longer incurs the following costs from WPT Capital: (i) asset management fees, which were historically recorded in general and administrative expenses, (ii) property management fees, which were historically recorded in investment properties operating expenses, and (iii) acquisition, construction and legal fees, which were historically capitalized on the REIT’s balance sheet at the time of the transaction. The REIT now records these internal costs under salaries and benefits within general and administrative expenses and investment properties operating expenses. For further discussion on historical activity with WPT Capital, see Part V: Related Party Transactions.

In conjunction with the Transaction, the REIT issued \$9,800 of deferred equity compensation to certain employees. The awards will vest 50% on each of the fourth and fifth anniversaries of the award and will be subject to an additional lock-up period of three years after vesting. For more detail see PART II: Equity.

The Venture

As a result of the Acquisition, the REIT will serve as the general partner of the Venture. The Venture will target value-add and development investments in select U.S. industrial markets. Investment properties acquired through the Venture are expected to be held for two distinct periods: a value-add period and a stabilized (long-term hold) period. The initial value-add period will typically be two to three years under a 45% (CPPIB), 45% (AIMCo) and 10% (REIT) joint venture. After

stabilization, Venture property ownership may be rebalanced for a long-term hold. As the general partner of the Venture, the REIT will receive management and performance fees for Venture assets under management.

As at December 31, 2018, the REIT had invested \$50 to fund initial operating expenses of the Venture and has no outstanding commitments for capital contribution.

OBJECTIVES

The REIT's objectives are to:

- provide unitholders (“**Unitholders**”) with an opportunity to invest in a portfolio of institutional-quality industrial properties in U.S. markets, with a particular focus on warehouse and distribution industrial real estate;
- provide Unitholders with predictable, sustainable and growing cash distributions on a tax-efficient basis (the REIT pays its cash distributions in U.S. dollars);
- enhance the value of the REIT's portfolio and maximize the long-term value of the REIT Units through the active management of the REIT's investment properties;
- significantly expand and diversify the asset base of the REIT through strategic acquisitions and development of stabilized, high quality and well-located industrial properties located in U.S. markets; and
- increase Unitholder value and returns through the leverage gained from management and performance fees generated from third-party assets under management.

STRATEGIC FOCUS AND OUTLOOK

The U.S. industrial real estate sector is comprised primarily of single-story properties located in or near major cities. Industrial properties typically house activities such as warehousing, distribution, storage and a number of other similar uses. Leases entered into with industrial tenants are frequently “**triple-net**”, meaning that tenants are responsible for paying the majority of the costs associated with operating a property, including real estate taxes, insurance, common area maintenance and capital repairs. Management believes that tenant responsibility for such costs results in greater cash flow predictability and stability for the REIT relative to other segments of the U.S. real estate market.

The REIT is focused on owning, developing, and operating a portfolio of institutional-quality properties located in U.S. markets, primarily in the distribution sub-segment of the U.S. industrial market. Management believes that tenant demand for space in the distribution sub-segment is less volatile than demand in the overall industrial market as goods distributed through distribution facilities are frequently non-discretionary products characterized by relatively inelastic consumer demand. Inelasticity in consumer demand for these products gives rise to stability in tenants' operations which, in turn, results in more stable occupancies and rental incomes. In addition, the re-tenanting costs associated with distribution properties are often lower than the costs associated with properties within the overall industrial real estate market due to the generic nature of distribution properties, reducing the costs associated with leasing vacant and renewal space.

Management also believes that its primary focus on the distribution sub-segment provides: (i) exposure to the dynamic and growing U.S. economy; (ii) the opportunity to invest in a real estate segment with compelling relative fundamentals; and (iii) the opportunity to earn competitive risk-adjusted returns.

Geographically, the REIT's existing portfolio is primarily concentrated in major logistics and distribution markets of the U.S., providing the REIT's tenants with a predictable one or two-day drive to the majority of the population of the continental U.S.

Over the long-term, management believes that global demand for U.S. distribution space will continue to increase, driven by the following key trends:

- **Positive Impact of the e-Commerce Industry.** The primary industries leading the demand for distribution space are e-commerce, food-and-beverage and traditional retailers. According to industry sources, strong consumer spending and

growing e-commerce sales have continued to drive demand from logistics, distribution and related third-party service providers for state-of-the-art distribution space. As distribution for e-commerce continues to revolutionize the retail sector, retailers utilizing multiple channels to sell their merchandise continue to focus growth within online operations rather than more traditional stores, resulting in continued demand for distribution space.

- **Global Supply Chain Trends.** A physical manufacturing/distribution presence in the U.S. continues to be important for most large companies as a result of increasing labour costs and instability in foreign markets, trade routes and seaports. This macroeconomic and geopolitical landscape has forced companies to re-evaluate their supply chain networks, as shipping continues to represent the largest single cost factor in the global supply chain. These critical supply chain considerations make the U.S. increasingly more attractive from a manufacturing, distribution and sourcing perspective.
- **World-Class U.S. Infrastructure.** The U.S. has a world-class supply chain infrastructure across all transportation sectors. Rail, seaports, highways and airports all provide for a robust distribution and logistics landscape, an important factor in attracting and retaining industrial tenants. Increasing shipping volumes experienced by U.S. seaports continue to create the need to distribute goods directly to inland ports and expand the utilization of intermodal hubs to alleviate distribution costs, creating additional opportunities in the U.S. industrial real estate market.

As a result of these trends, the U.S. industrial real estate market, and specifically the distribution sub-segment of the market, continues to experience meaningful domestic and foreign capital investments. Low interest rates, positive economic indicators, and increasing demand for well-located, high quality and functional properties have created increasingly competitive investment opportunities for the REIT, particularly for recently constructed industrial properties.

To achieve its objectives, the REIT has executed a number of strategies aimed at enhancing Unitholder value through both organic and external growth. The REIT believes Unitholders will continue to benefit from management's significant experience acquiring, developing, managing and disposing of industrial properties. Management maintains an extensive network of relationships with brokers, tenants and institutional and private owners of industrial real estate in its key target geographic markets and leverages these relationships to enhance tenant retention and source strategic acquisitions and development of new industrial properties for the REIT.

Organic growth comes from (A) capitalizing on increasing demand for industrial space and through a number of initiatives aimed at optimizing the performance, value and long-term cash flow of the REIT's investment property portfolio, including: (i) increasing rental rates; (ii) maintaining high occupancy levels; (iii) capitalizing on expansion opportunities; (iv) leveraging continuity of management and strong tenant relationships; (v) continuing to implement active leasing programs; and (vi) maintaining cost management and property maintenance programs and (B) management and performance fees generated from third-party assets under management.

External growth comes from a disciplined approach to targeting the acquisition and development of state-of-the-art industrial properties in major U.S. distribution markets. The objective of the REIT's external growth initiatives is to continue expanding the REIT's portfolio in order to enhance geographic and tenant diversity, improve the sustainability of cash flow, and mitigate risks associated with concentrated exposure to any one geographic region or tenant.

When evaluating acquisition and development opportunities, the REIT considers the following criteria:

- Location of the property in relation to the following:
 - Major transportation infrastructure,
 - Population centers with available and affordable labour, and
 - Whether it is located in a strategic expansion market.
- Design specifications and amenities that are consistent with best-in-class, modern and functional industrial buildings.
- How the acquisition price compares with replacement cost in the local market.
- Creditworthiness of in-place tenants and whether in-place rents are below current market rents.
- Availability of economic incentives for tenants and/or landlords from municipalities, counties, or states.

- Degree to which the property performance will be accretive to AFFO per Unit and ACFO over either the short-term or long-term.
- Properties are also specifically evaluated as to physical characteristics including: ceiling clear height, truck court depth, property dimensions, functionality of traffic flow for both trucks and automobiles, number of docking doors and what type of docking equipment is being utilized, number of trailer and automobile parking stalls, infrastructure relating to fire and life safety equipment, as well as power, lighting, and floor thickness.

The criteria outlined above are designed to provide the REIT with the opportunity to acquire and develop properties in strategic markets that will generate stable and growing cash flows and to meet the needs of tenants in the distribution subsector of the U.S. industrial real estate market. In addition, in the event of property vacancy, such properties provide the REIT with the ability to accommodate a multitude of uses and industries, thereby quickly and efficiently filling vacant space.

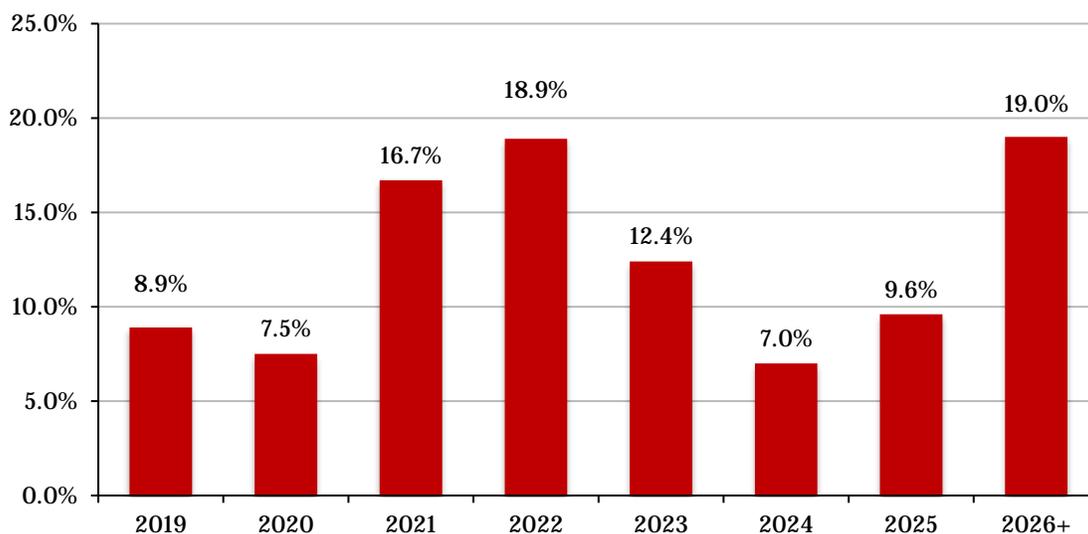
ASSETS

The REIT owns and operates an institutional-quality portfolio of primarily industrial investment properties located in the U.S., with a particular focus on warehouse and distribution industrial real estate. As at December 31, 2018, the REIT owned a portfolio of 57 investment properties comprised of 56 industrial properties and one office property totaling 18,850,627 square feet of GLA with an occupancy rate across the portfolio of 99.3%.

The majority of the REIT's industrial investment properties were constructed relatively recently, with a weighted average age of approximately 14 years. As a result, management believes the REIT's investment properties will, on average, require less maintenance capital expenditures and be more attractive to prospective tenants than comparable older investment properties. Furthermore, the REIT's industrial investment properties are highly functional, with a weighted average ceiling clear height of approximately 31 feet. High ceiling clear heights are an important feature to many industrial tenants, as this provides tenants with additional vertical space that can house additional racking and equipment, allowing the tenant to maximize storage space.

Future lease expirations are shown in the graph below as at December 31, 2018:

Lease Expiration (% of GLA) by Year



Leases expiring	2019	2020	2021	2022	2023	2024	2025	2026+
	18 ⁽¹⁾	13	29	23	15	10	3	17

(1) Includes one month-to-month lease occupying < 0.1% of GLA

The lease activity in the table above is based on the existing lease terms in-place as at December 31, 2018. Any early termination options, extension options or other terms that may impact the expiration or terms of the lease are not reflected in the above table unless they were formally exercised or otherwise agreed upon in writing as at December 31, 2018.

Occupancy roll-forward

The following table summarizes the change in occupancy during the three months and year ended December 31, 2018:

	Three months ended December 31, 2018		Year ended December 31, 2018	
	('000s sq. ft.)	Occupancy	('000s sq. ft.)	Occupancy
Occupancy at beginning of period	17,962.2	98.1%	17,265.7	97.9%
Expansions by existing tenants	364.0		378.9	
New leases	265.7		285.9	
Renewals	1,681.2		2,084.5	
Expiries	(2,087.0)		(2,513.1)	
Terminations	(12.2)		(12.2)	
Acquisitions	536.8		1,221	
Occupancy as at December 31, 2018	18,710.7	99.3%	18,710.7	99.3%

Per the preceding table, the REIT's renewal rate for leased square feet expiring during the three months and year ended December 31, 2018 was 80.6% and 82.9%. During the three months and year ended December 31, 2018, the REIT also renewed five and eleven leases totaling 2,294.4 and 2,700.8 square feet, respectively, with commencement dates after December 31, 2018.

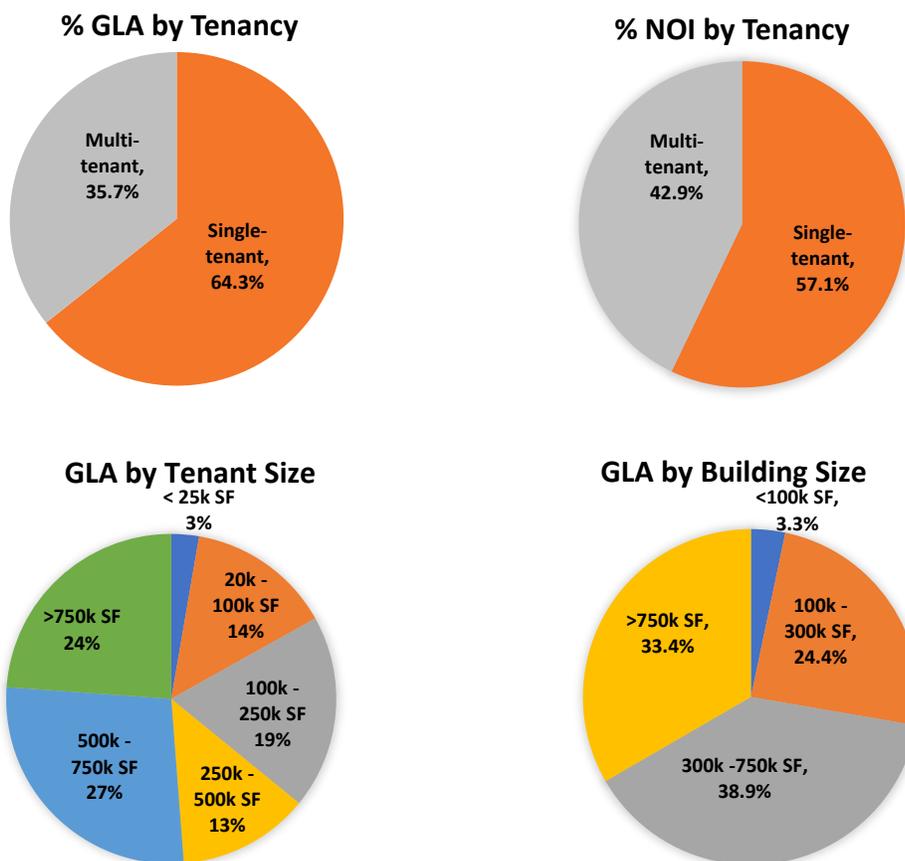
The REIT's investment properties are geographically diversified within the U.S. as follows as at December 31, 2018:

State	Number of Investment Properties	Number of Tenants	Owned GLA ('000s sq. ft.)	% of Owned GLA	% of NOI by State ⁽¹⁾⁽²⁾
Georgia	8	13	2,915.6	15.5%	14.2%
Tennessee	6	11	2,327.0	12.3%	9.5%
Kentucky	5	5	2,131.3	11.3%	10.1%
Indiana	4	6	2,068.1	11.0%	7.9%
Illinois	4	7	2,029.0	10.8%	7.7%
Ohio	5	7	1,817.3	9.6%	8.1%
Minnesota	9	47	1,606.9	8.5%	16.2%
Pennsylvania	1	2	935.5	5.0%	6.3%
Kansas	4	5	827.1	4.4%	5.5%
Wisconsin	4	8	589.7	3.1%	3.7%
Oregon	1	2	492.6	2.6%	4.1%
Texas	1	6	410.8	2.2%	2.8%
Florida	3	6	353.4	1.9%	1.6%
Michigan	1	2	248.0	1.3%	1.8%
Nevada	1	1	98.3	0.5%	0.5%
Total	57	128	18,850.6	100.0%	100.0%

⁽¹⁾ NOI is a key measure of performance used by real estate operating companies, however, NOI is not defined by IFRS, does not have standard meaning and may not be comparable with other industries or issuers. This data should be read in conjunction with the "Non-IFRS Measures" section of this MD&A.

⁽²⁾ For the three months ended December 31, 2018.

The following charts of the REIT's portfolio are based on NOI for the three months ended December 31, 2018 and tenant and building GLA as at December 31, 2018:



The following table highlights the REIT's top ten tenants by annualized contractual base rent as at December 31, 2018:

Top 10 Tenants	% of Total Annualized Base Rent	GLA Occupied ('000s sq. ft.)	% of Total Portfolio GLA
General Mills Operations, LLC	5.3%	1,512.6	8.0%
Continental Tire the Americas, LLC	4.7%	740.9	3.9%
Unilever Home & Personal Care	4.7%	1,262.6	6.7%
Amazon.com	4.3%	936.0	5.0%
Keystone Automotive ⁽¹⁾	3.9%	754.7	4.0%
Zulily, LLC	3.5%	737.5	3.9%
Fullbeauty Brands, Inc.	2.8%	741.1	3.9%
Radial, Inc.	2.7%	543.5	2.9%
CEVA Logistics U.S. Inc.	2.6%	648.8	3.4%
Essendant Co	2.5%	654.1	3.5%
Total	37.0%	8,531.8	45.2%

⁽¹⁾ Comprised of two leases with Keystone Automotive Operations, Inc. and Keystone Automotive Industries, Inc.; both wholly-owned subsidiaries of LKQ Corporation.

SELECTED ANNUAL INFORMATION

The following table provides selected financial information for the years ended December 31, 2018, 2017, and 2016:

(all figures in '000s, except per Unit amounts)	Year Ended December 31, 2018		Year Ended December 31, 2017		Year Ended December 31, 2016	
Investment properties revenue	\$	92,454	\$	81,786	\$	71,110
Net income and comprehensive income	\$	50,233	\$	52,506	\$	33,984
Total assets	\$	1,152,472	\$	1,019,943	\$	818,091
Non-current liabilities	\$	519,263	\$	438,951	\$	415,838
Distributions per Unit (1)	\$	0.76	\$	0.76	\$	0.76
Distributions declared (1) (2)	\$	37,079	\$	34,010	\$	28,533
REIT Units outstanding		46,935		44,546		34,652
Class B Units outstanding		1,978		3,612		6,723

(1) Excludes options and DTUs outstanding under the REIT's equity compensation plans.

(2) Includes cash distributions on REIT Units, Class B Units, and DPU's.

FINANCIAL AND OPERATIONAL HIGHLIGHTS

Summary of Quarterly Results

The following is a summary of selected consolidated financial information for each of the eight most recently completed quarters:

(all figures in '000s, except per Unit amounts, number of investment properties and GLA)

As at and for the quarter ended	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017
Operating Results:								
Investment properties revenue	\$ 24,494	\$ 23,078	\$ 22,344	\$ 22,538	\$ 22,409	\$ 20,709	\$ 19,174	\$ 19,494
NOI (1)	17,641	17,182	16,591	16,402	16,470	15,126	13,919	14,297
Net income and comprehensive income	15,262	14,972	12,654	7,758	8,059	6,973	18,539	18,935
Net income and comprehensive income per Unit (basic) (2) (3)	0.312	0.308	0.263	0.161	0.167	0.149	0.448	0.458
Net income and comprehensive income per Unit (diluted) (2) (4)	0.301	0.299	0.258	0.158	0.164	0.146	0.439	0.450
FFO (1)	10,966	11,379	10,939	11,128	11,027	10,468	9,456	9,807
FFO per Unit (diluted) (1) (2) (4)	0.216	0.227	0.223	0.227	0.225	0.220	0.224	0.233
AFFO (1)	9,023	9,902	9,396	9,481	9,413	8,774	7,788	8,490
AFFO per Unit (diluted) (1) (2) (4)	0.178	0.198	0.191	0.193	0.192	0.184	0.184	0.202
Cash flows from operations	14,817	7,820	16,801	15,498	13,863	13,557	12,816	14,429
ACFO (1)	9,984	10,862	9,809	10,037	10,184	9,518	8,525	9,017
NAV per Unit	12.26	12.14	12.05	11.89	11.89	11.95	11.91	11.60
Distributions:								
Distributions per Unit (2) (3) (5)	0.190	0.190	0.190	0.190	0.190	0.190	0.190	0.190
Distributions declared (3) (5)	9,417	9,372	9,145	9,145	9,145	9,145	7,864	7,856
ACFO payout ratio (1) (5)	94.3%	86.3%	93.2%	91.1%	89.8%	96.1%	92.2%	87.1%
Weighted average number of Units (basic) (2) (3)	48,891	48,648	48,158	48,158	48,158	46,840	41,393	41,375
Weighted average number of Units (diluted) (2) (4)	50,688	50,092	49,066	49,021	48,989	47,668	42,216	42,076

(1) NOI, FFO, AFFO, ACFO, FFO per Unit (diluted), AFFO per Unit (diluted), NAV per Unit and ACFO payout ratio are key measures of performance used by real estate operating companies, however, they are not defined by IFRS, do not have standard meanings and may not be comparable with other industries or issuers. This data should be read in conjunction with the "Non-IFRS Measures" section of this MD&A.

(2) Includes REIT Units and Class B Units (collectively, the "Units").

(3) Excludes all options, DTUs, and DPUs outstanding under the REIT's deferred compensation plans (see Part II: Equity).

(4) Includes all options, DTUs, and DPUs outstanding under the REIT's deferred compensation plans (see Part II: Equity).

(5) Includes distributions on Units and DPUs.

Effective for the quarter and year ended December 31, 2018, with reconciliations for prior period amounts, the REIT has revised all disclosed ACFO activity to adjust for any changes in non-cash working capital, that are indicative of sustainable cash available for distributions, which were previously added back or deducted from ACFO. The following table provides a reconciliation of the changes to ACFO for all periods presented:

As at and for the quarter ended	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017
ACFO – previous definition	\$ 10,093	\$ 10,941	\$ 9,827	\$ 9,996	\$ 10,201	\$ 9,503	\$ 8,514	\$ 9,009
Changes in non-cash working capital - previous definition	1,813	(59)	(1,043)	(150)	1,455	535	120	(1,011)
ACFO – revised definition	9,984	10,862	9,809	10,037	10,184	9,518	8,525	9,017
Changes in non-cash working capital - revised definition	1,704	(137)	(1,062)	(109)	1,438	551	133	(1,003)
ACFO payout ratio – previous definition	93.3%	85.7%	93.1%	91.5%	89.7%	96.2%	92.4%	87.2%
ACFO payout ratio – revised definition	94.3%	86.3%	93.2%	91.1%	89.8%	96.1%	92.2%	87.1%

Q4 2018 vs. Q3 2018

Compared to the previous quarter, FFO and AFFO for the three months ended December 31, 2018 were lower by \$413 and \$879, respectively, mainly due to higher general administrative and interest expenses in the fourth quarter compared to the previous quarter. AFFO was also impacted due to free rent provide to tenants in the fourth quarter. The decreases were partially offset by the full impact of the acquisition of investment properties in the second half of 2018 and increased fee income from the Management Contracts.

Quarterly Summary

The REIT 's quarterly results for the eight quarters presented were positively impacted by on-going acquisition of investment properties in the second half of 2017 and throughout 2018. Results on a per Unit basis were impacted by the July 2017 Offering (defined herein). Net income and comprehensive income is consistently impacted by fair value adjustments to investment properties, deferred compensation and Class B Units, which are not necessarily indicative of the operating results of the REIT.

Operational Highlights

As at	December 31, 2018	December 31, 2017
Operational Information:		
Number of investment properties	57	53
GLA	18,850,627	17,629,627
Occupancy	99.3%	97.9%
Average remaining lease term (years)	4.7	4.0
Fair value of investment properties	\$ 1,117,672	\$ 1,009,582
Ratios:		
Weighted average effective interest rate (1)	3.9%	3.7%
Variable interest rate debt as percentage of total debt (2)(3)	9.8%	18.2%
Debt-to-gross book value (4)	46.5%	42.1%
Interest coverage ratio (4)	3.5x	3.8x
Fixed charge coverage ratio (4)	2.9x	3.2x
Debt to Adjusted EBITDA (4)	7.6x	7.1x

(1) Includes mortgages payable, Term Loan I, the unsecured revolving credit facility, the Secured Revolving Facility, derivative instruments, mark-to-market adjustments and financing costs.

(2) Includes amounts outstanding under the unsecured revolving credit facility and a mortgage payable in 2018 and the Secured Revolving Facility as at December 31, 2017.

(3) Excludes variable rate debt which is effectively fixed using an interest rate swap. Refer to the Debt Financing section.

(4) Debt-to-gross book value, interest coverage ratio, fixed charge coverage ratio and debt to Adjusted EBITDA are key measures of performance used by real estate operating companies, however, they are not defined by IFRS, do not have standard meanings and may not be comparable with other industries or issuers. This data should be read in conjunction with the "Non-IFRS Measures" section of this MD&A.

PART II

RESULTS OF OPERATIONS

The following tables compare results for the three months and year ended December 31, 2018 and 2017. The principal reasons for the variances between the financial results presented in such year-over-year periods is due to the acquisitions during 2017 and 2018, changes due to the Transaction and the disposition of one investment property in 2017, respectively.

Consolidated Statement of Net Income and Comprehensive Income

(all figures in '000s, except per Unit amounts)	Three months ended			Year ended		
	December 31,			December 31,		
	2018	2017	Variance	2018	2017	Variance
Investment properties revenue	\$ 24,494	\$ 22,409	\$ 2,085	\$ 92,454	\$ 81,786	\$ 10,668
Management fee revenue	1,703	-	1,703	2,790	-	2,790
	26,197	22,409	3,788	95,244	81,786	13,458
Other (income) and expenses						
Investment properties operating expenses	2,949	2,730	219	24,127	21,495	2,632
Fair value adjustment to investment properties – IFRIC 21	3,904	3,209	695	511	479	32
General and administrative	3,648	1,412	2,236	10,571	7,564	3,007
Transaction costs related to Internalization	43	-	43	8,560	-	8,560
Amortization of intangibles	737	-	737	1,565	-	1,565
Fair value adjustment to investment properties	(8,035)	4,679	(12,714)	(24,280)	(24,081)	(199)
Finance costs	8,295	2,320	5,975	24,150	23,823	327
Net income and comprehensive income before income taxes	14,656	8,059	6,597	50,040	52,506	(2,466)
Deferred income tax recovery	606	-	606	606	-	606
Net income and comprehensive income	\$ 15,262	\$ 8,059	\$ 7,203	\$ 50,646	\$ 52,506	\$ (1,860)
Net income and comprehensive income per Unit (basic)	\$ 0.312	\$ 0.167	\$ 0.145	\$ 1.045	\$ 1.181	\$ (0.136)
Net income and comprehensive income per Unit (diluted)	\$ 0.301	\$ 0.164	\$ 0.137	\$ 1.019	\$ 1.161	\$ (0.142)

The following table compares results of NOI, a non-IFRS measure (see “Non-IFRS Measures” section of this MD&A) for the following periods:

(all figures in '000s)	Three months ended			Year ended		
	December 31,			December 31,		
	2018	2017	Variance	2018	2017	Variance
Investment properties revenue	\$ 24,494	\$ 22,409	\$ 2,085	\$ 92,454	\$ 81,786	\$ 10,668
Investment properties operating expenses	2,949	2,730	219	24,127	21,495	2,632
Fair value adjustment to investment properties – IFRIC 21	3,904	3,209	695	511	479	32
NOI	\$ 17,641	\$ 16,470	\$ 1,171	\$ 67,816	\$ 59,812	\$ 8,004

Investment properties revenue

Investment properties revenue includes contractual base rent to be received from operating leases recognized on a straight-line basis over the term of its respective lease, recoveries of operating expenses, including property taxes, common area maintenance, lease termination fees and other incidental income. Investment properties revenue was higher by \$2,085 for the three months ended December 31, 2018 as compared to the same period in 2017 for the following reasons:

Variance Explanation	Three months ended December 31, 2018
Variance due to acquisitions, development, and expansion	\$ 1,803
Increase in non-cash straight-line rent	195
Other income	125
Increase in base rent and higher recoveries of operating expenses	50
Change in amortization of tenant incentives	(88)
Total variance	<u>\$ 2,085</u>

Investment properties revenue was higher by \$10,668 for the year ended December 31, 2018 as compared to the same period in 2017 for the following reasons:

Variance Explanation	Year ended December 31, 2018
Variance due to acquisitions, development, and expansion	\$ 10,973
Increase in base rent and higher recoveries of operating expenses	1,863
Disposition of investment property	(1,298)
Decrease in non-cash straight-line rent	(545)
Change in amortization of tenant incentives	(325)
Total variance	<u>\$ 10,668</u>

Management fee revenue

Management fee revenue consists of asset and property management service fees to manage, develop and operate industrial real estate investment properties on behalf of and in partnership with third-party investors. Management fee revenue was higher by \$1,703 and \$2,790 for the three months and year ended December 31, 2018, respectively, as compared to the same period in 2017 due to the fees being earned from the Management Contracts acquired on July 31, 2018 as part of the Transaction (see Part I: Overview).

Investment properties operating expenses

Investment properties operating expenses consist primarily of property common area and maintenance expenses, real estate taxes (including adjustments for property taxes accounted for under IFRIC 21), insurance, property management fees and other costs associated with the management and maintenance of the investment properties. Investment properties expenses were higher by \$219 for the three months ended December 31, 2018 as compared to the same period in 2017 for the following reasons:

Variance Explanation	Three months ended December 31, 2018
Variance due to acquisitions, development, and expansion	\$ 692
Increase in operating expenses; mainly real estate taxes, utilities, and general repairs	222
Adjustments for property taxes accounted for under IFRIC 21	(695)
Total variance	<u>\$ 219</u>

Investment properties expenses were higher by \$2,632 for the year ended December 31, 2018 as compared to the same period in 2017 for the following reasons:

Variance Explanation	Year ended December 31, 2018
Variance due to acquisitions, development, and expansion	\$ 2,987
Adjustments for property taxes accounted for under IFRIC 21	(32)
Increase in operating expenses; mainly real estate taxes, utilities, and general repairs	322
Disposition of investment property	(370)
Tenant receivable write-off in 2017	(275)
Total variance	<u>\$ 2,632</u>

NOI

NOI was higher by \$1,171 for the three months ended December 31, 2018 as compared to the same period in 2017 for the following reasons:

Variance Explanation	Three months ended December 31, 2018
Variance due to acquisitions, development, and expansion	\$ 1,111
Increase in non-cash straight-line rent	195
Other income	125
Increase in base rent and higher recoveries of operating expenses	50
Increase in operating expenses; mainly real estate taxes, utilities, and general repairs	(222)
Change in amortization of tenant incentives	(88)
Total variance	<u>\$ 1,171</u>

NOI was higher by \$8,004 for the year ended December 31, 2018 as compared to the same period in 2017 for the following reasons:

Variance Explanation	Year ended December 31, 2018
Variance due to acquisitions, development, and expansion	\$ 7,986
Increase in base rent and higher recoveries of operating expenses	1,863
Tenant receivable write-off in 2017	275
Disposition of investment property	(928)
Decrease in non-cash straight-line rent	(545)
Change in amortization of tenant incentives	(325)
Increase in operating expenses; mainly real estate taxes, utilities, and general repairs	(322)
Total variance	<u>\$ 8,004</u>

General and administrative expense

General and administrative expenses consist of salaries and benefits (post Internalization), asset management fees (pre-Internalization), professional fees, deferred compensation expense, trustee fees, and other expenses. See section Part I: Overview, for further discussion on the impact from Internalization on general and administrative expenses. General and administrative expenses were higher by \$2,236 for the three months ended December 31, 2018 as compared to the same period in 2017 for the following reasons:

Variance Explanation	Three months ended December 31, 2018
Salaries and benefits	\$ 1,607
Deferred compensation expense, of which \$354 is due to fair value adjustments under the DUIP and the Plan (see Section II: Equity)	795
Other	419
Reduction in asset management fees	(585)
Total variance	<u>\$ 2,236</u>

General and administrative expenses were higher by \$3,007 for the year ended December 31, 2018 as compared to the same period in 2017 for the following reasons:

Variance Explanation	Year ended December 31, 2018
Salaries and benefits	\$ 2,600
Other	693
Deferred compensation expense (income), of which (\$245) is due to fair value adjustments under the DUIP and the Plan (see Section II: Equity)	426
Reduction in asset management fees	(712)
Total variance	<u>\$ 3,007</u>

Fair value adjustment to investment properties

The REIT has selected the fair value method of accounting to account for real estate classified as investment properties. As a result, subsequent to initial recognition, investment properties are carried at fair value, with gains and losses arising from changes in fair value recognized in the consolidated statements of net income and comprehensive income during the year in which they arise. For the three months and year ended December 31, 2018, the REIT recognized a fair value increase to investment properties of \$8,035 and \$24,280, respectively. For the three months and year ended December 31, 2017, the REIT recognized a fair value increase (decrease) to investment properties of (\$4,679) and \$24,081, respectively. For the year ended December 31, 2018 and 2017, the fair value increases were caused by capitalization rate compression, increasing market rents in certain markets, and key lease renewals, partially offset by write-off of capitalized tenant incentives, the write-off of acquisition related transaction costs, tenancy changes, and amortization of straight-line rent. Please refer to the "Investment Properties" section of this MD&A for further discussion on the REIT's fair value of investment properties.

Finance Costs

Finance costs include interest expense on mortgages payable, bank indebtedness and derivative instrument, distributions on Class B Units and DPUs (see Section II: Equity for further details), the gain or loss on the change in fair value of financial assets and liabilities designated as fair value through profit and loss, including Class B Units and the derivative instrument, and amortization associated with the mark-to-market adjustments and financing costs incurred in connection with obtaining long-term financings. Finance costs increased \$5,975 for the three months ended December 31, 2018, as compared to the same period in 2017 for the following reasons:

Variance Explanation	Three months ended December 31, 2018
Fair value adjustment to derivative instrument	\$ 3,170
Fair value adjustment to Class B Units	1,817
Increase in bank indebtedness interest expense	1,200
Change in amortization of financing costs and mark-to-market adjustments on fixed Interest rate mortgage payable	62
Interest expense on mortgage payables related to acquisitions	26
Decrease in distributions on Class B Units, net of increase in DPUs	(178)
Decrease in mortgage interest expense	(122)
Total variance	<u>\$ 5,975</u>

Finance costs increased \$327 for the year ended December 31, 2018, as compared to the same period in 2017 for the following reasons:

Variance Explanation	Year ended December 31, 2018
Increase in bank indebtedness interest expense	\$ 3,195
Fair value adjustment to derivative instrument	2,770
Interest expense on mortgage payables related to acquisitions	919
Write-off of remaining finance costs related to the Secured Revolving Facility	287
Change in amortization of financing costs and mark-to-market adjustments on fixed Interest rate mortgage payable	136
Fair value adjustment to Class B Units	(5,442)
Decrease in distributions on Class B Units, net of increase in DPUs	(1,283)
Decrease in mortgage interest expense	(255)
Total variance	<u>\$ 327</u>

Funds from Operations (FFO) and Adjusted Funds from Operations (AFFO)

The reconciliation of net income and comprehensive income to FFO and AFFO for the three months and year ended December 31, 2018 and 2017 are presented below:

(all figures in '000s, except per Unit amounts)	Three months ended			Year ended		
	December 31,		Variance	December 31,		Variance
	2018	2017		2018	2017	
Net income and comprehensive income	\$ 15,262	\$ 8,059	\$ 7,203	\$ 50,646	\$ 52,506	\$ (1,860)
Add/(Deduct)						
Fair value adjustment to investment properties	(8,035)	4,679	(12,714)	(24,280)	(24,081)	(199)
Fair value adjustment to Class B Units	(495)	(2,312)	1,817	677	6,119	(5,442)
Fair value adjustment to deferred compensation	(49)	(403)	354	837	1,082	(245)
Fair value adjustment to derivative instrument	3,170	-	3,170	2,770	-	2,770
Fair value adjustment to investment properties – IFRIC 21	3,904	3,209	695	511	479	32
Property taxes accounted for under IFRIC 21	(3,904)	(3,209)	(695)	(511)	(479)	(32)
Transaction costs related to Internalization	43	-	43	8,560	-	8,560
Amortization of tenant incentives	431	318	113	1,602	1,207	395
Amortization of intangibles	737	-	737	1,565	-	1,565
Deferred income tax recovery	(606)	-	(606)	(606)	-	(606)
Distributions on Class B Units and DPUs treated as interest expense	508	686	(178)	2,642	3,925	(1,283)
FFO	\$ 10,966	\$ 11,027	\$ (61)	\$ 44,413	\$ 40,758	\$ 3,655
Leasing cost reserve (1)	(1,089)	(1,019)	(70)	(4,319)	(3,966)	(353)
Capital expenditure reserve (2)	(326)	(281)	(45)	(1,189)	(1,036)	(153)
Amortization of straight-line rent	(528)	(314)	(214)	(1,102)	(1,291)	189
AFFO	\$ 9,023	\$ 9,413	\$ (390)	\$ 37,803	\$ 34,465	\$ 3,338
FFO per Unit (diluted)	\$ 0.216	\$ 0.225	\$ (0.009)	\$ 0.893	\$ 0.901	\$ (0.008)
AFFO per Unit (diluted)	\$ 0.178	\$ 0.192	\$ (0.014)	\$ 0.761	\$ 0.762	\$ (0.001)

(1) The leasing cost reserve is a weighted average rate of approximately \$0.24 and \$0.23 per square foot per annum as at December 31, 2018 and 2017, respectively, based on a five-year forward-looking average of expected leasing commissions and tenant improvements on the portfolio.

(2) The capital expenditure reserve is a weighted average rate of approximately \$0.06 per square foot per annum as at December 31, 2018 and 2017, based on the five-year forward-looking average of expected capital expenditures on the portfolio.

FFO Variances

For the three months ended December 31, 2018 FFO was lower by \$61 as compared to the same period in 2017 for the following reasons:

Variance Explanation	Three months ended December 31, 2018
Increase in general and administrative, net of fair value adjustment to deferred compensation of \$354	\$ 1,895
Increase in bank indebtedness interest expense	1,200
Increase in operating expenses; mainly real estate taxes, utilities, and general repairs	222
Change in amortization of financing costs and mark-to-market adjustments on fixed interest rate mortgage payable	62
Management fee revenue	(1,703)
Variance due to acquisitions, development, and expansion	(1,123)
Increase in non-cash straight-line rent	(195)
Other income	(125)
Decrease in mortgage interest expense	(122)
Increase in base rent and higher recoveries of operating expenses	(50)
Total variance	<u>\$ 61</u>

For the year ended December 31, 2018 FFO was higher by \$3,655 as compared to the same period in 2017 for the following reasons:

Variance Explanation	Year ended December 31, 2018
Variance due to acquisitions, development, and expansion	\$ 7,078
Management fee revenue	2,790
Increase in base rent and higher recoveries of operating expenses	1,863
Tenant receivable write-off in 2017	275
Decrease in mortgage interest expense	255
Increase in general and administrative, net of fair value adjustment to deferred compensation of (\$245)	(3,207)
Increase in bank indebtedness interest expense	(3,195)
Disposition of investment property	(914)
Decrease in non-cash straight-line rent	(545)
Increase in operating expenses; mainly real estate taxes, utilities, and general repairs	(322)
Write-off of remaining finance costs related to the Secured Revolving Facility	(287)
Change in amortization of financing costs and mark-to-market adjustments on fixed interest rate mortgage payable	(136)
Total variance	<u>\$ 3,655</u>

AFFO Variances

For the three months ended December 31, 2018, AFFO was lower by \$390 as compared to the same period in 2017 for the following reasons:

Variance Explanation	Three months ended December 31, 2018
Increase in general and administrative, net of fair value adjustment to deferred compensation of \$354	\$ 1,895
Increase in bank indebtedness interest expense	1,200
Increase in operating expenses; mainly real estate taxes, utilities, and general repairs	222
Change in amortization of financing costs and mark-to-market adjustments on fixed interest rate mortgage payable	62
Change in reserves	51
Management fee revenue	(1,703)
Variance due to acquisitions, development, and expansion	(1,040)
Other income	(125)
Decrease in mortgage interest expense	(122)
Increase in base rent and higher recoveries of operating expenses	(50)
Total variance	<u>\$ 390</u>

For the year ended December 31, 2018, AFFO was higher by \$3,338 as compared to the same period in 2017 for the following reasons:

Variance Explanation	Year ended December 31, 2018
Variance due to acquisitions, development, and expansion	\$ 6,369
Management fee revenue	2,790
Increase in base rent and higher recoveries of operating expenses	1,863
Tenant receivable write-off in 2017	275
Decrease in mortgage interest expense	255
Increase in general and administrative, net of fair value adjustment to deferred compensation of (\$245)	(3,207)
Increase in bank indebtedness interest expense	(3,195)
Disposition of investment property	(873)
Increase in operating expenses; mainly real estate taxes, utilities, and general repairs	(322)
Write-off of remaining finance costs related to the Secured Revolving Facility	(287)
Change in reserves	(194)
Change in amortization of financing costs and mark-to-market adjustments on fixed interest rate mortgage payable	(136)
Total variance	<u>\$ 3,338</u>

FFO and AFFO per Unit (diluted)

The weighted average number of Units used to calculate FFO and AFFO per Unit (diluted) include (i) the weighted average number of all outstanding REIT Units and Class B Units, (ii) in-the-money options outstanding under the unit option plan assuming a cashless exercise of those options, and (iii) units granted under the deferred unit incentive plan (see Part II: equity); which amounted to 50,688 and 48,989 Units for the three months ended December 31, 2018 and 2017, respectively, and 49,707 and 45,259 for the years ended December 31, 2018 and 2017, respectively. The increase in the weighted average number of units outstanding is mainly due to the July 2017 Offering (as defined herein) (see "Equity" section in Part II) and the issuance of Class B Units and deferred compensation as partial consideration for the Internalization.

For the three months and year ended December 31, 2018, FFO per Unit (diluted) was lower by \$0.009 and \$0.008, respectively, as compared to the three months and year ended December 31, 2017. For the three months and year ended

December 31, 2018, AFFO per Unit (diluted) was lower by \$0.014 and \$0.001, respectively, as compared to the three months and year ended December 31, 2017. The decreases are mostly caused by increases in general and administrative expenses and interest related expenses and a 9.0% increase in the weighted average number of Units outstanding for the year. The decreases are partially offset by the acquisition of four investment properties in 2018, an increase in base rent and higher recoveries of operating expenses, and fee revenue earned from the AIMCo Venture Management Contracts.

Distribution Policy

The REIT's Declaration of Trust provides the Board of Trustees with the authority to determine the percentage amount of the REIT's income to be distributed. Amounts retained in excess of the declared distributions are primarily used to fund leasing costs and capital expenditure requirements. Fluctuations in working capital that are deemed to be timing differences are disregarded in determining distributions. The REIT also normalizes the impact of leasing costs, which fluctuate with lease maturities, renewal terms and the type of investment property being leased, and excludes the impact of transaction costs expensed on business combinations.

The REIT's ACFO payout ratio for the three months ended December 31, 2018 and 2017 was 94.3% and 89.7%, respectively. The REIT's ACFO payout ratio for the year ended December 31, 2018 and 2017 was 91.1% and 91.3%, respectively. The ACFO payout ratio for the three months and year ended December 31, 2017 are revised as disclosed in the table on pg. 15. The decreased ACFO payout ratios were mainly due to the timing of acquisitions of investment properties in relation to the timing of the issuance of REIT Units and the additional fee revenue related to the Management Contracts.

Same properties NOI

The same properties disclosed in the following table for the three months and year ended December 31, 2018 and 2017 are investment properties having consistent leasable area in both periods.

('000s)	Three months ended December 31,		Variance		Year ended December 31,		Variance	
	2018	2017	\$	%	2018	2017	\$	%
Net operating income (1)	\$ 17,641	\$ 16,470	\$ 1,171	7.1%	\$ 67,816	\$ 59,812	\$ 8,004	13.4%
Amortization of straight-line rent	(404)	(209)	(195)	93.3%	(244)	(789)	545	(69.1%)
Amortization of leasing costs	406	318	88	27.7%	1,505	1,180	325	27.5%
Tenant incentives - free rent	366	15	351	2,340.0%	358	540	(182)	(33.7%)
Other reconciling items (2)	(125)	-	(125)	(100.0%)	(306)	31	(337)	(1,083.9%)
Acquisitions', development, and expansion NOI	(1,557)	(446)	(1,111)	249.3%	(13,051)	(5,065)	(7,986)	157.7%
Disposition NOI	-	-	-	0.0%	-	(928)	928	(100.0%)
Same properties NOI (1)	\$ <u>16,327</u>	\$ <u>16,148</u>	\$ <u>179</u>	<u>1.1%</u>	\$ <u>56,078</u>	\$ <u>54,781</u>	\$ <u>1,297</u>	<u>2.4%</u>
Average occupancy (same properties)	99.3%	98.4%		0.9%	98.9%	98.5%		0.4%

(1) NOI and same properties NOI are key measures of performance used by real estate operating companies, however, they are not defined by IFRS, do not have standard meanings and may not be comparable with other industries or issuers. This data should be read in conjunction with the "Non-IFRS Measures" section of this MD&A

(2) Includes lease termination and other income

Same properties NOI for the three months ended December 31, 2018 increased by \$179, or 1.1%, when compared to the same quarter in 2017. For the year ended December 31, 2018, same properties NOI increased by \$1,297, or 2.4%, when compared to the same period in 2017. The changes in same properties NOI were mainly due to increases in contractual base rent, higher recoveries of operating expenses, and an increase in average occupancy in 2018 compared to 2017.

LIQUIDITY AND CAPITAL RESOURCES

The REIT's primary sources of capital are cash generated from operations and Management Contracts, its Credit Facility, mortgages payable financing and refinancing and issuances of equity and debt through public or private placement. The REIT's primary uses of capital include the payment of distributions, costs of attracting and retaining tenants, recurring investment property maintenance, major investment property improvements, principal repayments, interest payments and investment property acquisitions and development projects. The REIT expects to meet all of its ongoing obligations

with current cash generated from operations, draws on its Credit Facility and, as growth requires and when appropriate, new equity or debt issuances. The Declaration of Trust provides that the REIT cannot incur or assume any indebtedness that would cause total indebtedness levels to exceed 60% of gross book value (or 65% of gross book value including any convertible debentures). Management of the REIT targets an indebtedness level of no more than 50% of gross book value. As at December 31, 2018 and 2017, the REIT's debt-to-gross book value ratio was 46.5% and 42.1%, respectively (total outstanding debt of \$520,085 and \$425,449 as at December 31, 2018 and 2017, respectively, divided by a gross book value of \$1,117,672 and \$1,009,582 as at December 31, 2018 and 2017, respectively). The REIT's debt to Adjusted EBITDA ratio was 7.4 and 7.1 times as at December 31, 2018 and 2017, respectively. The REIT has no convertible debentures outstanding.

The REIT uses cash flows from operations and debt level indicators to assess its ability to meet its financing obligations. For the year ended December 31, 2018, the REIT's interest coverage ratio was 3.5 times (excluding the impact of property taxes accounted for under IFRIC 21), and its fixed charge coverage ratio was 2.9 times (excluding the impact of property taxes accounted for under IFRIC 21), demonstrating an ability to more than adequately cover the REIT's financing obligations. The REIT's weighted average effective interest rate on all indebtedness as at December 31, 2018 and 2017 was 3.9% and 3.7%, respectively.

The following table details the changes in cash and cash equivalents during the periods presented:

('000s)	Year ended December 31,	
	2018	2017
Cash provided by/(used in):		
Operating activities	\$ 55,505	\$ 54,665
Financing activities	38,007	123,599
Investing activities	(91,904)	(180,634)
Increase (decrease) in cash and cash equivalents during the period	1,608	(2,370)
Cash and cash equivalents, beginning of period	6,637	9,007
Cash and cash equivalents, end of period	\$ 8,245	\$ 6,637

As at December 31, 2018, the REIT had \$8,245 in cash and cash equivalents and availability under the Credit Facility of \$57,752, for total liquidity of \$65,997.

Cash flows from operating activities for the years ended December 31, 2018 and 2017 of \$55,505 and \$54,665, respectively, primarily related to the operation of investment properties.

In accordance with National Policy 41-201 - *Income Trusts and Other Indirect Offerings*, the REIT provides the following additional disclosure relating to cash distributions:

('000s)	Three months ended December 31,		Year ended December 31,	
	2018	2017	2018	2017
Cash flows provided by operating activities	\$ 14,817	\$ 13,863	\$ 55,505	\$ 54,665
Less: Interest paid (excluding distributions on Class B Units classified as finance costs incurred)	(5,022)	(3,743)	(17,625)	(13,382)
	9,795	10,120	37,880	41,283
Distributions paid (1)	(9,415)	(9,145)	(36,987)	(33,581)
Excess of cash flows provided by operating activities over distributions paid	380	975	893	7,702
Cash flows provided by operating activities	14,817	13,863	55,505	54,665
Add/(Deduct):				
Change in non-cash working capital (2)	1,704	1,438	396	1,116
Interest paid (3)	(5,022)	(3,743)	(17,625)	(13,382)
Leasing cost reserve and capital expenditure reserve	(1,414)	(1,300)	(5,508)	(5,002)
Business combination	43	-	8,560	-
Amortization of mark-to-market adjustments	104	130	479	518
Amortization of financing costs	(249)	(204)	(1,117)	(671)
ACFO (4)	\$ 9,984	\$ 10,184	\$ 40,690	\$ 37,244
Distributions declared (1)	\$ 9,417	\$ 9,145	\$ 37,079	\$ 34,010
ACFO payout ratio (3)	94.3%	89.8%	91.1%	91.3%

(1) Includes cash distributions on REIT Units, Class B Units and DPUs.

(2) Includes working capital changes that, in management's view and based on the REALpac February 2018 whitepaper, are not indicative of sustainable cash flow available for distribution. Examples include but are not limited to, prepaid realty taxes and insurance, change in amounts payable and accrued liabilities related to additions to investment properties, timing differences of investment property base rent, investment property operating expense and reimbursements and equity award redemptions.

(3) Includes mortgages payable, Credit Facility, derivative instrument, and Secured Revolving Facility interest included in finance costs.

(4) Management considers ACFO to be a key measure of the REIT's performance. As an alternative measure of cash flows from operations, ACFO (defined on page 1) represents a measure of cash generated from operating activities less transaction costs associated with a business combination, non-cash activities including backing out the amortization of the mark-to-market and deferred financing costs adjustments, and deducting a reserve for normalized maintenance capital expenditures, tenant inducements and leasing commissions. Management believes ACFO is considered indicative of the REIT's ability to pay distributions to Unitholders. However, ACFO is not defined by IFRS, does not have standardized meanings, and may not be comparable to similarly titled measures presented by other industries or issuers.

While cash flows provided by operating activities are generally sufficient to cover distribution requirements, the timing of expenses and fluctuations in non-cash working capital may result in a temporary shortfall. In these cases, some portion of distributions may come from the REIT's capital, or financing sources other than cash flows provided by operating activities.

Cash flows provided by financing activities for the year ended December 31, 2018 and 2017 of \$38,007 and \$123,599 respectively, primarily related to net proceeds from the REIT's borrowings in 2018 and 2017 and the net proceeds from the issuance of REIT Units and the exercise of the underwriters' over-allotment in 2017 less interest expense paid and distributions to Unitholders.

Cash flows used in investing activities for the year ended December 31, 2018 and 2017 of \$91,904 and \$180,634, respectively, primarily related to the acquisition of investment properties, additions to investment properties, the Acquisition in 2018, and additions investment property under development in 2017.

Investment properties

Investment properties include the current fair value of the land, building, improvements to the investment property, all direct leasing costs incurred in obtaining and retaining property tenants and investment properties under development. Management reviews the fair value of the investment properties regularly using generally accepted market practices including independent property valuations and market conditions existing at the reporting date. Judgment is also applied in determining the extent and frequency of independent third party appraisals. The REIT determines the fair value of an investment property at the end of each reporting period (or at the time of disposition for investment properties being disposed of) using a combination of the following methods: (i) an internal valuation using the discounted cash flow model, which discounts the expected future cash flows, including a terminal value, based on the application of a terminal capitalization rate to the assumed final year's estimated cash flows, and reviewing the key assumptions from previous and current appraisals and updating the value for changes in the property cash flow, physical condition and changes in market conditions; and (ii) appraisals by an independent third party, according to professional appraisal standards and IFRS.

Management obtains an independent third party appraisal for each investment property contained within the portfolio at the time of acquisition, except for those investment properties in respect of which the requirement to obtain an appraisal was waived by the Board of Trustees. Additionally, the REIT obtains independent third party appraisals for existing investment properties on a three-year rotation, such that approximately one-third of the portfolio is appraised annually.

Properties Under Development

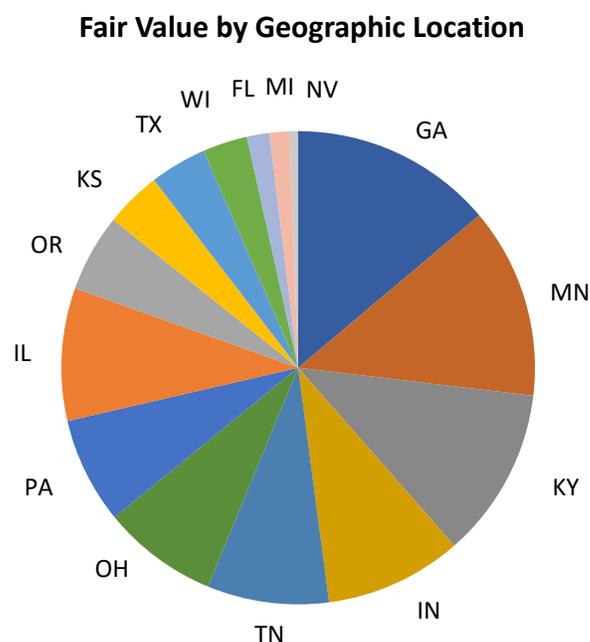
Investment properties under development for future use as investment property are accounted for under IAS 40, *Investment Property*. Costs eligible for capitalization to investment properties under development are initially recorded at cost, and subsequent to initial recognition are accounted for using the fair value method.

The cost of investment properties under development includes direct development costs, management fees, consulting and legal fees, property taxes and borrowing costs directly attributable to investment properties under development. The REIT capitalizes borrowing costs to qualifying assets by determining whether the borrowings are general or specific to a project.

Upon practical completion of a development, the development property is transferred to investment properties at the fair value on the date of practical completion. The REIT considers practical completion to have occurred when the property is capable of operating in the manner intended by management. Generally, this occurs upon completion of shell-construction, receipt of all necessary occupancy and other material permits, and the earlier of completion of tenant build-out or commencement of rent.

As at December 31, 2018, the fair value of investment properties was \$1,117,672 (\$1,009,582 as at December 31, 2017), implying a weighted average terminal capitalization rate of 6.46% (6.62% as at December 31, 2017).

State	Fair Value ('000s)	% of Total
Georgia	\$ 154,900	13.9%
Minnesota	145,625	13.0%
Kentucky	130,260	11.6%
Indiana	104,700	9.4%
Illinois	101,400	9.1%
Tennessee	92,912	8.3%
Ohio	88,300	7.9%
Pennsylvania	81,100	7.2%
Oregon	59,200	5.3%
Texas	43,300	3.9%
Kansas	42,900	3.8%
Wisconsin	34,200	3.1%
Florida	17,200	1.5%
Michigan	15,300	1.4%
Nevada	6,375	0.6%
Total	\$ 1,117,672	100.0%



Debt Financing

The REIT's debt consists of the following:

('000s)	December 31, 2018	December 31, 2017
Mortgages payable	\$ 344,169	\$ 348,480
Bank indebtedness		
Term Loan I	99,958	-
Unsecured revolving credit facility	74,326	-
Secured Revolving Facility	-	76,892
Total debt	\$ 518,453	\$ 425,372

Mortgages Payable

The REIT's debt strategy includes obtaining secured mortgage financing with a term to maturity that is appropriate in relation to the lease maturity profile of its investment properties portfolio.

Mortgages payable consist of the following:

('000s)	December 31, 2018	December 31, 2017
Mortgages payable	\$ 344,085	\$ 347,949
Mark-to-market adjustments, net	1,129	1,608
Financing costs, net	(1,045)	(1,077)
Carrying value	344,169	348,480
Less current portion	(32,072)	(33,864)
Non-current mortgages payable	\$ 312,097	\$ 314,616

As at December 31, 2018, mortgages payable bore interest at various rates ranging from 2.87% to 5.80%, and have a weighted average effective interest rate of 3.75% with maturity dates ranging from 2019-2024. The weighted average term to maturity on mortgages payable was 3.0 and 3.6 years as at December 31, 2018 and 2017, respectively.

On September 25, 2017, the REIT entered into a new, seven-year mortgage payable totaling \$33,600, bearing a fixed interest rate of 3.36%, maturing on October 1, 2024 with the Portland Property as collateral. The REIT used the proceeds to pay down the Senior Secured Facility.

On August 29, 2018, the REIT refinanced an existing fixed rate mortgage payable in amount of \$17,808, with proceeds from a new, five-year, \$30,000 mortgage payable bearing a variable rate equal to LIBOR plus a margin of 133 basis points. The REIT used the excess proceeds of \$12,224 and cash on hand to repay a maturing fixed rate mortgage with an outstanding balance of \$12,511. The REIT incurred financing costs \$331, which are being amortized using the effective interest rate method over the remaining term. On October 8, 2018 the REIT entered into an agreement to economically fix the interest rate using an interest rate swap at LIBOR of 3.00%, for a total fixed rate equal to 4.33%

The weighted average maturing effective interest rates, scheduled mortgage repayments, principal mortgage maturities, and scheduled interest payments are as follows as at December 31, 2018:

('000s)	Weighted Average Maturing Effective Interest Rates	Scheduled Mortgage Repayments	Principal Mortgage Maturities	Total Principal Repayments	Scheduled Interest Payments ¹	Total Debt Service Repayments
2019	3.4%	\$ 3,747	\$ 28,325	\$ 32,072	\$ 12,180	\$ 44,252
2020	3.1%	4,173	83,550	87,723	10,137	97,860
2021	4.6%	3,955	69,721	73,676	8,239	81,915
2022	3.8%	2,892	23,534	26,426	5,249	31,675
2023	3.9%	1,102	82,082	83,184	2,747	85,931
2024	3.5%	716	40,287	41,003	1,158	42,161
Totals		<u>\$ 16,585</u>	<u>\$ 327,499</u>	<u>\$ 344,084</u>	<u>\$ 39,710</u>	<u>\$ 383,794</u>
Mark-to-market adjustment, net				1,129		
Financing costs, net				<u>(1,045)</u>		
Total carrying value of mortgages payable				<u>\$ 344,169</u>		

¹ Includes interest from a variable rate mortgage at the rate as at December 31, 2018, which is economically fixed using an interest rate swap

The REIT intends to meet its ongoing principal mortgage maturities and scheduled mortgage repayments with funding from operating cash flows, draws on the Credit Facility, issuing equity, refinancing its maturing mortgages payables or the sale of investment properties.

Credit Facility

On June 26, 2018, the REIT entered into a \$300,000 unsecured credit facility (the “**Credit Facility**”), comprised of the unsecured revolving credit facility and an unsecured delayed draw term loan with availability to borrow up to \$175,000 and \$125,000, respectively (subject to requisite unencumbered assets). The unsecured revolving credit facility matures on June 26, 2022, with the option for two six-month extensions. The delayed draw term loan has an initial draw availability period of one year and a maturity date of June 26, 2023. The Credit Facility also contains an accordion feature which increases the facility’s availability to \$600,000 (subject to requisite unencumbered assets and borrower approval). On June 26, 2018, the REIT drew \$75,000 on the unsecured delayed draw term loan (the “**Term Loan I**”) and \$13,000 on the unsecured revolving credit facility, using the proceeds to pay closing costs and repay the existing Secured Revolving Facility balance of \$86,000 in full.

For the three months and year ended December 31, 2018, the REIT drew net funds from the unsecured revolving credit facility of \$33,000 and \$101,000, respectively, to fund acquisitions, partially fund the Transaction, and repay the Secured

Revolving Facility. Subsequent to year ended December 31, 2018 and prior to the February 2019 Offering, the REIT drew funds from the unsecured credit facility of \$4,000 to fund general corporate matters.

On February 25, 2019, the REIT used funds from the February 2019 Offering to repay the outstanding balance on the unsecured credit facility of \$105,000.

The unsecured revolving credit facility and Term Loan I's interest rates are based on either LIBOR or base rate, plus an applicable margin based on leverage. The base rate is equal to the greater of: (a) the "prime rate" plus 1.0%, (b) 0.5% above the federal funds effective rate, or (c) 30-day LIBOR plus the applicable margin. As at December 31, 2018 the interest rates on the unsecured revolving credit facility and Term Loan I was 3.86% and 3.79%, respectively.

Financing costs related to the Credit Facility of \$1,962 are being amortized using the effective interest rate method over the respective terms ending on June 26, 2022 and June 26, 2023.

Variable interest rate debt (including derivate instruments utilized to economically fix the interest rate) as a percentage of total debt was 9.8% and 18.2% as at December 31, 2018 and 2017, respectively.

Derivative Instrument

On August 28, 2018, the REIT entered into an agreement to economically fix the interest rate for the \$75,000 Term Loan I using an interest rate swap at LIBOR of 2.78% plus an applicable margin based on leverage. The interest rate swap eliminates the risk of fluctuating cash flow with the variable interest rate on Term Loan I.

On October 8, 2018, the REIT entered into an agreement to economically fix the interest rate for a \$30,000 variable rate mortgage using an interest rate swap at 4.33%. The interest rate swap eliminates the risk of fluctuating cash flow with the variable interest rate on the variable rate mortgage.

On December 4, 2018 the REIT entered into an agreement to economically fix the interest rate for a portion of the unsecured revolving facility totaling \$50,000 using an interest rate swap at LIBOR of 2.82% plus an applicable margin based on leverage. The interest rate swap eliminates the risk of fluctuating cash flow with the variable interest rate on \$50,000 of the unsecured revolving facility.

The following table summarizes the details of the derivative instrument that is outstanding as at December 31, 2018:

Transaction Date	Type	Principal Amount	Interest Rate	Maturity Date	Financial Instrument Classification	Fair Value
August 28, 2018	Swap	\$ 75,000	4.23%	June 26, 2023	FVTPL	\$ (1,145)
October 8, 2018	Swap	30,000	4.33%	August 31, 2023	FVTPL	(786)
December 4, 2018	Swap	50,000	4.32%	June 30, 2023	FVTPL	(839)
		<u>\$ 155,000</u>	<u>4.28%</u>			<u>\$ (2,770)</u>

The fair value of the derivative instrument is estimated using a discounted cash flow model using observable yield curves and applicable credit spreads. Total fair value expense recognized during the three months and year ended December 31, 2018 was \$3,170 and \$2,700, respectively.

Commitments and Contingencies

Leasing Cost Reserve

On a quarterly basis, leasing costs (inclusive of leasing commissions, tenant allowances, or improvements) fluctuate, at times significantly. The REIT uses management's best estimate of leasing costs on expected lease maturities within the portfolio to calculate the leasing cost reserve used in the REIT's AFFO and ACFO calculation (see "Funds from Operations (FFO) and Adjusted Funds from Operations (AFFO)" and "Liquidity and Capital Resources" sections of this MD&A). Management currently estimates leasing costs to be approximately \$0.24 per square foot per annum of the portfolio GLA based on a forward-looking five-year period. The leasing cost reserve per square foot will change from time to time as the

REIT purchases and disposes of investment properties and as the forward-looking five-year period is updated.

The following table shows actual leasing costs as compared to reserved leasing costs since IPO:

Leasing Costs ('000s)		Period from IPO to December 31, 2016	Year ended December 31, 2017	Year ended December 31, 2018	Since IPO
Reserved	\$	11,695	3,966	4,319	19,980
Actual	\$	9,898	4,635	7,514	22,047
Excess/(deficit)	\$	1,797	(669)	(3,195)	(2,067)

Maintenance Capital Expenditure Reserve

The majority of the REIT's capital expenditures are incurred to sustain existing GLA and occupancy levels and are considered operational in nature. The REIT's policy is to engage third party consultants to provide building condition assessment reports ("**BCA Reports**") on each property acquired, for the purpose of assessing and documenting the existing condition of each investment property and major property operating components and systems. In addition, the REIT does its own internal analysis of expected capital expenditures using a forward-looking five-year period. The REIT then uses the information from the BCA Reports and its internal analysis to calculate a five-year weighted average maintenance capital expenditure per square foot, which is used in the REIT's AFFO and ACFO calculation (see "Funds from Operations (FFO) and Adjusted Funds from Operations (AFFO)" and "Liquidity and Capital Resources" sections of this MD&A). Management currently estimates recurring operational maintenance capital expenditures to be approximately \$0.06 per square foot per annum of the portfolio GLA based on a forward-looking five-year period. The maintenance capital expenditure reserve per square foot will change from time to time as the REIT purchases and disposes of investment properties and as the forward-looking five-year period is updated. Due to capital expenditures fluctuating from period to period, at times significantly, the REIT believe the use of a reserve better reflect average annual capital expenditure spending levels for the calculation of AFFO and ACFO.

The following table shows actual maintenance capital expenditures as compared to reserved maintenance capital expenditures since IPO:

Maintenance Capital Expenditures ('000s)		Period from IPO to December 31, 2016	Year ended December 31, 2017	Year ended December 31, 2018	Since IPO
Reserved	\$	3,350	1,036	1,189	5,575
Actual	\$	1,434	1,127	1,635	4,196
Excess/(deficit)	\$	1,916	(91)	(446)	1,379

The REIT also incurs capital expenditures, that are not included in the reserves above, comprised of expenditures that are deemed revenue-enhancing and expenditures that are recoverable from tenants as described below.

Expenditures deemed revenue-enhancing represent expenditures that support incremental revenues which can represent expansions that increase GLA, improvements that drive an increase to current and future lease revenues, or repositioning of a property that may lead to higher lease rents. For the year ended December 31, 2018, the REIT incurred \$1,049 of capital expenditures related to finishing the tenant buildout at the Indianapolis Development and other revenue-enhancing projects.

Certain expenditures are recoverable from tenants pursuant to the terms of their leases either in the year such expenditures are incurred or, in the case of a major capital expenditure item, on a straight-line basis over the expected useful life together with an imputed rate of interest. Recoverable capital expenditures may include items such as parking lot resurfacing and roof replacement. Non-recoverable expenditures consist of leasing-related activities including tenant allowances or improvements and leasing costs, and other general capital expenditures that cannot be recovered through tenant leases. Tenant allowances and improvements generally include expenditures to customize the leased space as outlined in the

leasing arrangements with the tenant. Leasing costs consist of commissions including brokerage fees incurred in negotiating and arranging tenant leases that are paid to third party leasing agents and any related legal expenses.

Other Commitments and Contingencies

The REIT has a contingent obligation to expand the GLA at one of its investment properties at the option of the tenant. Management estimates the cost associated with this expansion, should it occur, to be approximately \$1,000. The expansion is conditional on mutual agreement between the tenant and the REIT with regard to the base rental rates to be charged for occupying such expansion space. This contingent obligation will terminate at expiration of the underlying lease, inclusive of renewal options, on November 30, 2032.

The REIT has entered into a lease with a tenant in which the REIT has the obligation to expand the gross leasable area at one of its investment properties by 105,000 square feet. Management estimates the cost associated with this expansion to be approximately \$7,500. Management expects the construction to commence in the next six months.

The REIT has no off-balance sheet items.

EQUITY

The REIT's Declaration of Trust authorizes the issuance of an unlimited number of REIT Units. REIT Units are ordinary units of the REIT, each of which represents a Unitholders' proportionate undivided beneficial interest and voting rights in the REIT.

Class B Units, which are economically equivalent to REIT Units, are entitled to distributions per unit, from the Partnership, in an amount equal to the distributions per unit declared in respect of the REIT Units, and are redeemable by the holder thereof for cash or REIT Units (on a one-for-one basis, subject to customary anti-dilution adjustments), as determined by the general partner of the Partnership in its sole discretion. Class B Units are puttable and, therefore, meet the definition of a financial liability under IAS 32, *Financial Instruments – Presentation*, and are accordingly classified as non-current liabilities in the consolidated statements of financial position.

On July 17, 2017, Welsh Property Trust, LLC ("**Welsh**") redeemed 3,110,888 Class B Units in exchange for ownership and control over 3,110,888 REIT Units.

On July 18, 2017, the REIT issued 6,735,500 REIT Units (including REIT Units issued pursuant to the exercise in full of the over-allotment option granted by the REIT to the underwriters) at a price of \$12.85 per REIT Unit to a syndicate of underwriters on a bought deal basis for net cash proceeds to the REIT of approximately \$82,612 (the "**July 2017 Offering**") (inclusive of underwriters' fees and issuance costs of approximately \$3,940). The REIT used a portion of the funds from the July 2017 Offering to repay the outstanding balance on the Secured Revolving Facility. In addition, Welsh sold 3,115,000 REIT Units as part of a secondary offering (the "**Secondary Offering**"). The REIT did not receive any funds from the Secondary Offering.

For the year end December 31, 2017, the REIT issued 46,958 REIT Units for the redemption of DTUs and exercise of options.

On April 6, 2018, Welsh distributed 1,250,135 Class B Units to certain of its direct investors.

On July 31, 2018, the REIT issued 728,237 Class B Units as partial consideration in the Transaction (see section Part I: Overview for additional disclosures).

On September 26, 2018, Welsh redeemed 2,361,672 Class B Units in exchange for ownership and control over 2,361,672 REIT Units. The Units were subsequently sold by Welsh and are now part of the public float, eliminating Welsh's interest in the REIT.

The REIT issued 27,364 REIT Units for the redemption of DTUs and exercise of options during the year ended December 31, 2018.

As at December 31, 2018, ownership of the REIT was as follows (excluding options, DPUs, and DTUs (as defined herein) outstanding under the REIT's equity plans):

	REIT Units	Class B Units	Total Units	% of Total
Public float	35,670,847	711,565	36,382,412	74.4%
AIMCo	11,204,502	-	11,204,502	22.9%
Employees and Trustees of the REIT	59,459	1,266,807	1,326,266	2.7%
TOTAL	46,934,808	1,978,372	48,913,180	100.0%

As at December 31, 2018, ownership of the REIT on a fully diluted basis was as follows (including options, DPUs, and DTUs (as defined herein) outstanding under the REIT's equity plans):

	REIT Units¹	Class B Units²	Total Units	% of Total
Public float	35,670,847	711,565	36,382,412	71.8%
AIMCo	11,204,502	-	11,204,502	22.1%
Employees and Trustees of the REIT	1,146,427	1,962,349	3,103,776	6.1%
TOTAL	48,021,776	2,673,914	50,695,690	100.0%

¹ Assumes a cashless exercise of all in-the-money stock options and conversion of all vested and unvested DTUs granted for equivalent REIT units.

² Assumes conversion of all vested and unvested DPUs granted for equivalent Class B Units.

On February 25, 2019, the REIT issued 10,000,000 REIT Units at a price of \$13.50 per REIT Unit to a syndicate of underwriters on a bought deal basis for gross cash proceeds to the REIT of approximately \$129,600 (inclusive of underwriters' fees of \$5,400 and exclusive of other issuance costs).

As at March 6, 2019, ownership of the REIT was as follows (excluding options, DPUs, and DTUs (as defined herein) outstanding under the REIT's equity plans):

	REIT Units	Class B Units	Total Units	% of Total
Public float	45,670,847	711,565	46,382,412	78.7%
AIMCo	11,204,502	-	11,204,502	19.0%
Employees and Trustees of the REIT	59,459	1,266,807	1,326,266	2.3%
TOTAL	56,934,808	1,978,372	58,913,180	100.0%

As at March 6, 2019, ownership of the REIT on a fully diluted basis was as follows (including options, DPUs, and DTUs (as defined herein) outstanding under the REIT's equity plans):

	REIT Units¹	Class B Units²	Total Units	% of Total
Public float	45,670,847	711,565	46,382,412	76.4%
AIMCo	11,204,502	-	11,204,502	18.5%
Employees and Trustees of the REIT	1,144,682	1,962,349	3,106,031	5.1%
TOTAL	58,019,031	2,673,914	60,692,945	100.0%

¹ Assumes a cashless exercise of all in-the-money stock options and conversion of all vested and unvested DTUs granted for equivalent REIT units.

² Assumes conversion of all vested and unvested DPUs granted for equivalent Class B Units.

Deferred Unit Incentive Plan

DTUs

On April 26, 2013, the REIT authorized a deferred unit incentive plan (“**DUIP**”), as amended and restated on May 13, 2016, that provides for the granting of Deferred Trust Units (“**DTUs**”) to trustees, officers, employees, consultants and service providers, as well as employees of such service providers. DTUs are defined as notional units with a fair value based on the REIT Units’ closing price per the TSX. The maximum number of REIT Units reserved for issuance under the DUIP is 5% of the total number of REIT Units issued and outstanding from time to time. Vested DTUs may be redeemed in whole or in part for units of the REIT issued from treasury or cash. Whenever cash distributions are paid to REIT unitholders, additional DTUs are credited to the participant's outstanding DTU balance based on the 5-day volume-weighted average price on the grant date. These additional units vest on the same schedule as their corresponding DTUs and the corresponding expense is recorded as adjustments based on the fair value of the REIT Units and are reported within general and administrative expenses in the statements of net income and comprehensive income.

The REIT has granted DTUs with the following vesting periods:

Vesting Type	Vesting Period	Target Payout	Dividends
Basic DTUs	Five years; 20% per year on the anniversary date	n/a	Accrue monthly
Performance DTUs	100% following three-year performance period	0% - 150%	Accrue monthly
Trustee Fee DTUs	Immediately	n/a	Accrue monthly
Trustee Match DTUs	Three years; 33% per year on the anniversary date	n/a	Accrue monthly

Performance DTUs entitle certain officers and employees to receive the value of the Performance DTUs at the end of the applicable performance period, based upon the REIT achieving certain performance conditions. The target payout will be based on the REIT’s relative total shareholder return performance compared to a predetermined peer group.

All members of the Board of Trustees have elected to receive their annual retainers and meeting fees for the current fiscal year and since inception in the form of DTUs. Annually, the REIT matches 50% of all annual trustee compensation received in DTUs.

A summary of DTUs granted under the DUIP is set forth below:

	Basic DTUs	Performance DTUs	Trustee DTUs ¹	Total DTUs
Total as at December 31, 2016	401,709	-	129,551	531,260
Granted	159,657	-	55,158	214,815
Distributions	30,078	-	8,166	38,244
Redeemed	(14,606)	-	(34,336)	(48,942)
Total as at December 31, 2017	576,838	-	158,539	735,377
Granted	131,140	52,555	48,864	232,559
Distributions	36,188	1,031	10,016	47,235
Redeemed	(44,000)	-	-	(44,000)
Total as at December 31, 2018	700,166	53,586	217,419	971,171

¹ Includes Trustee fee and Trustee match DTUs.

A summary of the vested DTUs granted and the total fair value of DTUs, inclusive of vested and unvested DTUs, is set forth below:

	Basic DTUs	Performance DTUs	Trustee DTUs ¹	Total DTUs
Vested DTUs				
December 31, 2017	158,283	-	130,711	288,994
December 31, 2018	251,200	-	184,673	435,873
Total Fair Value				
December 31, 2017	\$ 7,353	\$ -	\$ 2,021	\$ 9,374
December 31, 2018	\$ 8,997	\$ 689	\$ 2,794	\$ 12,480

¹ Includes Trustee fee and Trustee match DTUs.

Under IFRS, liabilities related to deferred compensation under the DUIP are measured at fair value as at the grant date and are remeasured at each reporting date. Total compensation expense related to DTUs recognized for the three months and year ended December 31, 2018 was \$658 and \$3,155, respectively. Total compensation expense related to DTUs recognized for the three months and year ended December 31, 2017 was \$404 and \$3,053, respectively. These amounts include adjustments based on the fair value of the REIT Units and are reported within general and administrative expenses in the statements of net income and comprehensive income as at December 31, 2018 and 2017.

DPUs

On July 31, 2018, the REIT authorized a subplan under the DUIP (as defined herein) that provides for the granting of DPUs to trustees, officers, and employees of the REIT. DPUs are defined as exchangeable units granted by the Partnership that are economically equivalent to a REIT Unit and are exchangeable, at the holder's option, to Class B Units or cash. Whenever cash distributions are paid to REIT unitholders, DPU Unitholders also receive a cash distribution for every outstanding DPU. DPU awards vest based on each specific award.

On July 31, 2018, in connection with the Internalization, the REIT granted 695,542 DPUs to officers and employees of the REIT which vest 50% upon each of the fourth and fifth anniversaries of the award date. The awards are also subject to an additional lock-up period of three years after vesting.

The following table shows the change in the number of DPUs outstanding for the periods presented:

	Total DPUs
Total as at December 31, 2017	-
Granted	695,542
Total as at December 31, 2018	695,542

Distributions declared of \$132 and \$220 were included in finance costs for the three months and year ended December 31, 2018, respectively. Total distributions payable on DPUs as at December 31, 2018 and 2017 were \$44 and \$0, respectively. As at December 31, 2018 and 2017, no DPUs have vested.

Under IFRS, liabilities related to deferred compensation under the DUIP are measured at fair value as at the grant date and are remeasured at each reporting date. The fair value changes are recorded within general and administrative expense in the statements of net income and comprehensive income. The fair value of all outstanding DPUs as at December 31, 2018 and 2017 was \$8,932 and \$0, respectively. Total compensation expense related to the DPUs recognized for the three months and year ended December 31, 2018 was \$500 and \$842, respectively. These amounts include adjustments based on the fair value of the REIT Units and are reported within general and administrative expenses in the statements of net income and comprehensive income as at December 31, 2018.

Unit Option Plan

On April 26, 2013, the REIT authorized a unit option plan, as amended and restated on May 13, 2016, (the “Plan”), under the terms of which options to purchase REIT Units may, from time to time, be granted to trustees, officers, employees and consultants, exercisable for a maximum period of 10 years from the date of grant. The maximum number of REIT Units reserved for issuance under the Plan combined is 10% of the total number of REIT Units issued and outstanding from time to time. The maximum number of REIT Units reserved for issuance under the Plan and DUIP combined is 10% of the total number of REIT Units issued and outstanding from time to time. These options vest as to one-third on the first anniversary of the grant date, and one-third on each of the second and third anniversaries.

A summary of options granted under the Plan is set forth below:

	Number of options	Weighted average exercise price
Outstanding, December 31, 2016	530,000	\$ 10.02
Exercised in 2017	(110,000)	9.99
Outstanding and Exercisable, December 31, 2017	420,000	\$ 10.02
Exercised in 2018	(10,000)	10.14
Outstanding and Exercisable, December 31, 2018	410,000	\$ 10.02

The total fair value of options granted as at December 31, 2018 and 2017 and as at the grant date was \$862, \$796 and \$327, respectively. The aggregate intrinsic value of exercisable options as at December 31, 2018 and 2017 was \$1,160 and \$1,144, respectively. The weighted average remaining contractual life for outstanding options and for exercisable options as at December 31, 2018 was 4.8 years.

Under IFRS, liabilities related to deferred compensation under the Plan are measured at fair value as at the grant date and are remeasured at each reporting date. The fair value changes are recorded within general and administrative expense in the statements of net income and comprehensive income. Total compensation (income) related to the option plan recognized for the three months ended December 31, 2018 and 2017 was \$(42) and \$(148), respectively. Total compensation expense related to the option plan recognized for the year ended December 31, 2018 and 2017 was \$94 and \$547, respectively. These amounts include adjustments based on the fair value of the options are reported within general and administrative expenses as at December 31, 2018 and 2017.

As at December 31, 2018, fair value adjustments were determined using the Black-Scholes option pricing model with the following assumptions:

Average expected option term	2.5 years
Risk-free interest rate	2.47%
Expected volatility	16.13%
Dividend yield	5.91%

PART III

DISCLOSURE AND INTERNAL CONTROLS

Disclosure Controls and Procedures

The REIT’s Chief Executive Officer and Chief Financial Officer have designed, or caused to be designed under their supervision, the REIT’s disclosure controls and procedures as defined in National Instrument 52-109 – *Certification of Disclosure in Issuers’ Annual and Interim Filings* (“NI 52-109”). As required by NI 52-109, the REIT’s Chief Executive Officer and Chief Financial Officer have evaluated, or caused to be evaluated under their direct supervision, the effectiveness of the REIT’s disclosure controls and procedures, and concluded that they are effective as at December 31, 2018.

Internal Controls over Financial Reporting

The REIT's Chief Executive Officer and Chief Financial Officer have designed, or caused to be designed under their supervision, the REIT's internal controls over financial reporting. As required by NI 52-109, and using the criteria established by the Committee of Sponsoring Organization of the Treadway Commission ("**COSO 2013**"), the Chief Executive Officer and Chief Financial Officer have evaluated, or caused to be evaluated under their direct supervision, the effectiveness of the REIT's internal controls over financial reporting and concluded that they are effective and that there were no material weaknesses that have been identified as at December 31, 2018.

Changes in Disclosure and Internal Controls

No significant changes were made in the REIT's internal controls over financial reporting during the three months ended December 31, 2018 that have materially affected, or are reasonably likely to materially affect, the REIT's disclosure controls and procedures or internal controls over financial reporting.

Inherent Limitation

Disclosure controls and procedures and internal controls over financial reporting cannot provide absolute assurance of achieving financial reporting objectives because of their inherent limitations. Disclosure controls and procedures and internal controls over financial reporting are processes that involve human diligence and compliance and is subject to lapses in judgment and breakdowns resulting from human errors. Disclosure controls and procedures and internal controls over financial reporting also can be circumvented by collusions or improper management override. Because of such limitations, there is risk that material misstatements may not be prevented or detected on a timely basis by disclosure controls and procedures and internal controls over financial reporting. However, these inherent limitations are known features of the disclosure and financial reporting process. Therefore, it is possible to design into the process safeguards to reduce, though not eliminate, this risk.

PART IV

RISK FACTORS

The REIT faces a variety of significant and diverse risks, many of which are inherent in the business conducted by the REIT, the Partnership and the tenants of the REIT's properties. Described below are certain risks that could materially affect the REIT and the value of the Units. Other risks and uncertainties that the REIT does not presently consider to be material, or of which the REIT is not presently aware, may become important factors that affect the REIT's future financial condition and results of operations. The occurrence of any of the risks discussed below could materially and adversely affect the business, prospects, financial condition, results of operations, cash flow, and the ability of the REIT to make cash distributions to Unitholders or value of the Units.

Risk Factors Related to the Real Estate Industry

Real Property Ownership and Tenant Risks

The REIT owns properties and is expected in the future to acquire interests in and develop other real property. All real property investments are subject to elements of risk. By specializing in a particular type of real estate, the REIT is exposed to adverse effects on that segment of the real estate market and does not benefit from a diversification of its portfolio by property type.

There is no assurance that the operations of the REIT will be profitable or that cash from operations will be available to make distributions to Unitholders. Real estate, like many other types of long-term investments, experiences significant fluctuation in value and, as a result, specific market conditions may result in occasional or permanent reductions in the value of the REIT's portfolio. The marketability and value of the portfolio will depend on many factors, including, without limitation: (i) changes in general economic conditions (such as the availability, terms and cost of mortgage financings and other types of credit); (ii) local economic conditions (such as business layoffs, industry slowdowns, changing demographics and other factors); (iii) local real estate conditions (such as an oversupply of properties or a reduction in demand for real estate in the area); (iv) changes in occupancy rates; (v) the attractiveness of properties to potential tenants or purchasers; (vi) competition with other landlords with similar available space; (vii) the ability of the REIT to provide adequate maintenance at competitive costs; (viii) changes in exchange rates; (ix) the promulgation and enforcement of governmental

regulations relating to land-use and zoning restrictions, environmental protection and occupational safety; (x) the financial condition of borrowers and of tenants, buyers and sellers of property; (xi) changes in real estate tax rates and other operating expenses; (xii) the imposition of rent controls; (xiii) energy and supply shortages; (xiv) various uninsured or uninsurable risks; and (xv) natural disasters. There can be no assurance of profitable operations because the costs of operating the portfolio, including debt service, may exceed gross rental income therefrom, particularly since certain expenses related to real estate, such as property taxes, utility costs, maintenance costs and insurance, tend to increase even if there is a decrease in the REIT's income from such investments.

The REIT's properties generate income through rent payments made by tenants. Upon the expiry of any lease, there can be no assurance that the lease will be renewed or the tenant replaced for a number of reasons. Furthermore, the terms of any subsequent lease may be less favourable than the existing lease and renewed rent may be lower than prevailing market rent. The REIT's cash flow and financial position would be materially adversely affected if its tenants were to become unable to meet their obligations under their leases or if a significant amount of available space in the REIT's properties was not able to be leased on economically favourable lease terms. In the event of default by a tenant, the REIT may experience delays or limitations in enforcing its rights as lessor and incur substantial costs in protecting its investment. In addition, restrictive covenants may narrow the field of potential tenants at a property and could contribute to difficulties in leasing space to new tenants. Furthermore, at any time, a tenant may seek the protection of bankruptcy, insolvency or similar laws which could result in the rejection and termination of the lease by the tenant and, thereby, cause a reduction in the REIT's cash flow, financial condition and results of operations and its ability to make distributions to Unitholders.

Additionally, due to changing trends in the design of the types of properties owned by the REIT, it is possible that the REIT's properties will in the future be less desirable than newer properties developed by competitors. This, in turn, would affect the ability of the REIT to renew its leases with existing tenants and, in the event that such leases are not renewed, to rent unleased suites.

Competition

The real estate business is competitive. The REIT competes with other investors, managers and owners of properties in seeking tenants and for the purchase and development of desirable properties. Some of the industrial properties of the REIT's competitors are newer, better located or better capitalized than the REIT's properties. Certain of these competitors may have greater financial and other resources and greater operating flexibility than the REIT. Those entities may be able to accept more risk than the REIT can prudently manage and may have the ability or inclination to acquire properties at a higher price or on terms less favourable than those the REIT may be prepared to accept. The existence of competing managers and owners could have a material adverse effect on the REIT's ability to lease space and on the rents the REIT is able to charge, and could materially adversely affect revenues and the REIT's ability to meet its obligations. In addition, such competition could have an adverse effect on property values in the markets in which the investments are located. Competition generally reduces the number of suitable investment opportunities available to the REIT and increases the bargaining power of property owners seeking to sell. Furthermore, the number of entities and the amount of funds competing for suitable industrial properties may increase. This could result in increased demand for these assets and therefore, increased prices paid for them, which may in turn adversely affect the REIT's ability to make investments and generate revenues.

Liquidity

Real property investments are relatively illiquid, with the degree of liquidity generally fluctuating in relation to demand for and the perceived desirability of such investments. Such illiquidity will tend to limit the REIT's ability to vary its portfolio of properties promptly in response to changing economic, investment or other conditions. If the REIT were to be required to liquidate its real property investment, the proceeds to the REIT might be significantly less than the aggregate carrying value of the REIT's properties, which could have an adverse effect on the REIT's financial condition and results of operations and decrease the amount of cash available for distribution. Illiquidity may result from the absence of an established market for real property investments, as well as from legal or contractual restrictions on their resale. In addition, in recessionary times, it may be difficult to dispose of certain types of real estate. The costs of holding real estate are considerable and during an economic recession the REIT may be faced with ongoing expenditures with a declining prospect of incoming receipts. In such circumstances, it may be necessary for the REIT to dispose of properties at lower prices in order to generate sufficient cash for operations and making distributions.

Environmental Matters

Environmental legislation and regulations have become increasingly important in recent years. As a current or previous owner of interests in real property in the U.S., the REIT is subject to various U.S. federal, state and municipal laws relating to environmental matters. Such laws provide that the REIT could be, or become, liable for environmental harm, damage or costs, including with respect to the release of hazardous, toxic or other regulated substances into the environment and/or affecting persons, and the removal or other remediation of hazardous, toxic or other regulated substances that may be present at or under the REIT's properties or at third-party sites, at which wastes were sent for disposal, including lead-based paints, mould, asbestos, polychlorinated biphenyls, petroleum-based fuels, mercury, volatile organic compounds, underground storage tanks, pesticides and other miscellaneous materials. Further, liability may be incurred by the REIT with respect to the release of such substances from or to the REIT's properties. These laws often impose liability regardless of whether the property owner knew of, or was responsible for, the presence of such substances. These laws also govern the maintenance and removal of asbestos containing materials in the event of damage, demolition or renovation of a property and also govern emissions of and exposure to asbestos fibres in the air. Certain of the REIT's properties might contain asbestos containing materials. The costs of investigation, removal and remediation of such substances or properties, if any, may be substantial and could adversely affect the REIT's financial condition and results of operations but is not estimable. There may be contamination on the REIT's properties of which management is not aware. The presence of contamination or the failure to remediate contamination may adversely affect the REIT's ability to sell such property, realize the full value of such property or borrow using such property as collateral security, and could potentially result in claims against the REIT by public or private parties.

The REIT's properties may contain soil or groundwater contamination, hazardous substances and/or other residual pollution and environmental risks. Buildings and their fixtures might contain asbestos, mould or other hazardous substances above the allowable or recommended thresholds, or other environmental risks could be associated with the buildings. The REIT will bear the risk of cost-intensive assessment, remediation or removal of such soil or groundwater contamination, hazardous substances or other residual pollution. The discovery of any such contamination or residual pollution on the sites and/or in the buildings, particularly in connection with the lease or sale of properties or borrowing using the real estate as security, could trigger claims for rent reductions or termination of leases for cause, for damages and other breach of warranty claims against the REIT. The remediation of any contamination and the related additional measures the REIT would have to undertake could have a materially adverse effect on the REIT and could involve considerable additional costs. The REIT will also be exposed to the risk that recourse against the polluter or the previous owners of the REIT's properties might not be possible. Moreover, the existence or even the mere suspicion of the existence of soil or groundwater contamination, hazardous materials or other residual pollution can materially adversely affect the value of a property and the REIT's ability to lease or sell such a property.

The REIT's operating policy is to obtain a Phase I ESA Report of each real property to be acquired by it and, if the Phase I ESA Report recommends that a further environmental site assessment be conducted, the REIT will have conducted such further environmental site assessments, in each case by an independent and experienced environmental consultant. As a condition to any acquisition of real property, such assessments will be satisfactory to the Board of Trustees. Although such environmental site assessments would provide the REIT with some level of assurance about the condition of property, the REIT may become subject to liability for undetected contamination or other environmental conditions at the REIT's properties, which could negatively impact the REIT's financial condition and results of operations and decrease the amount of cash available for distribution.

The REIT intends to make the necessary capital and operating expenditures to comply with environmental laws and address any material environmental issues and such costs relating to environmental matters that may have a material adverse effect on the REIT's business, financial condition or results of operation and decrease the amount of cash available for distribution. Furthermore, environmental laws can change and the REIT may become subject to even more stringent environmental laws in the future, with increased enforcement of laws by the government. Compliance with more stringent environmental laws, which may be more rigorously enforced, the identification of currently unknown environmental issues or an increase in the costs required to address a currently known condition may have an adverse effect on the REIT's financial condition and results of operations and decrease the amount of cash available for distribution to Unitholders.

Regulation and Changes in Applicable Laws

The REIT is subject to laws and regulations governing the ownership and leasing of real property, zoning, building standards, landlord tenant relationships, employment standards, environmental matters, taxes and other matters. It is possible that future changes in applicable federal, provincial, state, local or common laws or regulations or changes in their enforcement or regulatory interpretation could result in changes in the legal requirements affecting the REIT (including with retroactive effect). Any changes in the laws to which the REIT is subject could materially adversely affect the REIT's rights and title to the REIT's properties. It is not possible to predict whether there will be any further changes in the regulatory regimes to which the REIT is subject or the effect of any such changes on its investments.

Lower revenue growth or significant unanticipated expenditures may result from the REIT's need to comply with changes in applicable laws or the enactment of new laws, including: (i) laws imposing environmental remedial requirements and the potential liability for environmental conditions existing on properties or the restrictions on discharges or other conditions; (ii) rent control or rent stabilization laws or other landlord/tenant laws; or (iii) other governmental rules and regulations or enforcement policies affecting the development, use and operation of the REIT's properties, including changes to building codes and fire and life-safety codes.

Capital Expenditures and Fixed Costs

As a matter of conducting business in the ordinary course, certain significant expenditures, including property taxes, 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 sufficient income to pay such expenses. This may include expenditures to fulfill mandatory requirements for energy efficiency. In order to retain desirable rentable space and to generate adequate revenue over the long-term, the REIT must maintain or, in some cases, improve each property's condition to meet market demand. Maintaining a rental property in accordance with market standards can entail significant costs, which the REIT may not be able to pass on to its tenants. Numerous factors, including the age of the relevant building structure, the material and substances used at the time of construction or currently unknown building code violations could result in substantial unbudgeted costs for refurbishment or modernization. The timing and amount of capital expenditures required by the REIT will indirectly affect the amount of cash available for distribution to Unitholders. Distributions may be reduced, or even eliminated, at times when the REIT deems it necessary to make significant capital or other expenditures.

If the actual costs of maintaining or upgrading a property exceed the REIT's estimates, or if hidden defects are discovered during maintenance or upgrading which are not covered by insurance or contractual warranties, or if the REIT is not permitted to raise rents due to legal constraints, the REIT will incur additional and unexpected costs. If competing industrial properties are built in the area where one of the REIT's properties is located or similar industrial properties located in the vicinity of one of the REIT's properties are substantially refurbished, the NOI derived from and the value of such property could be reduced. Any failure by the REIT to undertake appropriate maintenance and refurbishment work in response to the factors described above could materially adversely affect the rental income that the REIT earns from its properties and could have a material adverse effect on the REIT's cash flow, financial condition and results of operations and its ability to make distributions to Unitholders.

Current Economic Environment

The REIT's operating results may be affected by weakness in the national economy and local economies where the REIT's properties are located. Specific impacts may include (i) increased levels of tenant defaults under leases; (ii) non-renewals under lease or re-leasing which may require concessions, tenant improvement expenditures or reduced rental rates; and (iii) adverse capital and credit market conditions for REIT capital needs; and (iv) the REIT's tenants may be unable to meet their rental payments and other obligations due to the REIT. In addition, fluctuation in interest rates or other financial market volatility may restrict the availability of financing for future prospective purchasers of the REIT's investments and could significantly reduce the value of such investments. The value of our investments may not appreciate or may decline in value significantly below the amount we pay for these investments. The length and severity of any economic slowdown or downturn cannot be predicted. The REIT's operations could be negatively affected to the extent that an economic slowdown or downturn is prolonged or becomes more severe.

Natural Disasters

Certain of the REIT's properties are located in locations where buildings are susceptible to sustaining damage from natural disasters. While the REIT has insurance to cover a substantial portion of the cost of such events, the REIT's insurance includes deductible amounts and certain items may not be covered by insurance. Future natural disasters may significantly affect the REIT's operations and its properties and, more specifically, may cause the REIT to experience reduced rental revenue (including from increased vacancy), incur clean-up costs or otherwise incur costs in connection with such events. Any of these events may have a material adverse effect on the REIT's business, cash flow, financial condition, results of operations and ability to make distributions to Unitholders.

Risks Relating to the REIT and its Business

Tenant Defaults, Bankruptcies or Insolvencies

The bankruptcy or insolvency of the REIT's tenants may adversely affect the income produced by the REIT's properties. If a tenant defaults on its lease obligations, the REIT may experience delays in enforcing its rights as landlord and may incur substantial costs, including litigation and related expenses, in protecting its investment and re-leasing its property. If a tenant files for bankruptcy, the REIT generally cannot evict the tenant solely because of such bankruptcy. A court may authorize a bankrupt tenant to reject and terminate its lease. In such a case, any claim against the tenant for unpaid future rent would be subject to a statutory cap that might be substantially less than the remaining rent actually owed under the lease, and it is unlikely that a bankrupt tenant would pay in full amounts it owes under the lease. This shortfall could adversely affect the REIT's cash flow and results of operations.

If a tenant experiences a downturn in its business or other types of financial distress, it may be unable to make timely rental payments. Under some circumstances, the REIT may agree to partially or wholly terminate the lease in advance of the termination date in consideration for a lease termination fee that is less than the agreed rental amount. Additionally, without regard to the manner in which a lease termination occurs, the REIT is likely to incur additional costs in the form of tenant improvements and leasing commissions in its efforts to lease the space to a new tenant, as well as possibly lower rental rates reflective of declines in market rents. The REIT cannot assure an investor that it will have adequate sources of funding available for such purposes.

Tenant Concentration

The REIT derives approximately 37.0% of its in-place base rental revenue from its ten largest tenants. Consequently, revenues are dependent on the ability of those tenants to meet rent obligations and the REIT's ability to collect rent from them. General Mills Operations, LLC is the REIT's largest tenant by GLA and percentage of annualized base rent occupying 8.0% of total portfolio GLA and accounting for 5.3% of the total portfolio's annualized base rent. Unilever Home & Personal Care is the second largest tenant by GLA, occupying 6.7% of total portfolio GLA and accounting for 4.7% of the total portfolio's annualized base rent. Amazon.com is the REIT's third largest tenant by GLA, occupying 5.0% of total portfolio GLA and accounting for 4.3% of the total portfolio's annualized base rent. Keystone Automotive is the REIT's fourth largest tenant by GLA, occupying 4.0% of total portfolio GLA and accounting for 3.9% of the total portfolio's annualized base rent. Early termination options are held by 10 tenants of the properties with each including specified one-time termination fees payable to the REIT. In total, early termination options represent 5.1% of the total GLA or 7.1% of the 2018 annualized base rent of the properties, with option expirations at various times from 2019 through 2026. If such tenants default on or cease to satisfy their payment obligations, or if tenants exercise their early termination options, there could be an adverse impact on the REIT's financial condition and results of operations and decrease the amount of cash available for distribution.

Occupancy by Tenants

Although certain, but not all, leases contain a provision requiring tenants to maintain continuous occupancy of leased premises, there can be no assurance that such tenants will continue to occupy such premises. Certain tenants have a right to terminate their leases upon payment of a penalty, but others are not required to pay any penalty associated with an early termination. There can be no assurance that tenants will continue their activities and continue occupancy of the premises. Any cessation of occupancy by tenants may have an adverse effect on the REIT and could adversely impact the REIT's financial condition and results of operations and decrease the amount of cash available for distribution to Unitholders.

Approximately 64.3% of GLA of the REIT's portfolio of properties is comprised of single-tenant properties. The largest five such tenants represent approximately 20.6% of contractual base rent of the portfolio as at December 31, 2018.

In the event that such tenants were to terminate their tenancies or become insolvent, the REIT's financial results could be materially adversely affected. Until the REIT is in a position to acquire more assets and further diversify its tenant base, the REIT will take certain steps to mitigate any credit risk by closely monitoring its tenants' compliance with the terms of their respective leases and to report any issues as soon as they are identified.

Access to Capital

The real estate industry is highly capital intensive. The REIT will require access to capital to maintain the REIT's properties, as well as to fund its growth strategy and certain capital expenditures from time to time. Although the Credit Facility is available to the REIT, there can be no assurances that the REIT will otherwise have access to sufficient capital or access to capital on terms favourable to the REIT for future property acquisitions, financing or refinancing of properties, funding operating expenses or other purposes. Further, in certain circumstances, the REIT may not be able to borrow funds due to the limitations set forth in the Declaration of Trust.

Financing and Interest Rate Risk

The REIT's outstanding indebtedness as at December 31, 2018 was \$520,085, excluding mark-to-market adjustments and financing costs. Although a portion of the cash flow generated by the REIT's properties are devoted to servicing such debt, there can be no assurance that the REIT will continue to generate sufficient cash flow from operations to meet required interest and principal payments. If the REIT is unable to meet interest or principal payments, it could be required to seek renegotiation of such payments or obtain additional equity, debt or other financing. The failure of the REIT to make or renegotiate interest or principal payments or obtain additional equity, debt or other financing could adversely impact the REIT's financial condition, liquidity and results of operations and decrease the amount of cash available for distribution to Unitholders. If the REIT defaults under a mortgage loan, it may lose the properties securing such loan.

The REIT is subject to the risks associated with debt financing, including the risk that the mortgages and banking facilities secured by the REIT's 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, which may reduce FFO, AFFO and ACFO.

Approximately 9.8% of the REIT's total principal indebtedness is variable rate debt as at December 31, 2018. Such variable rate debt will result in fluctuations in the REIT's cost of borrowing as interest rates change. To the extent that interest rates rise, the REIT's operating results and financial condition could be adversely affected and decrease the amount of cash available for distribution.

The REIT's credit facilities also contain covenants that require it to maintain certain financial ratios on a consolidated basis. If the REIT does not maintain such ratios, its ability to make distributions will be limited.

As at March 6, 2019, existing mortgages secured by the REIT's properties mature between May 2019 and October 2024. To the extent that the REIT incurs variable rate indebtedness, such indebtedness will result in fluctuations in the REIT's cost of borrowing as interest rates change. To the extent that interest rates rise, the REIT's operating results and financial condition could be adversely affected and decrease the amount of cash available for distribution.

Operational Risk

Operational risk is the risk that a direct or indirect loss may result from an inadequate or failed technology, from a human process or from external events. The impact of this loss may be financial loss, loss of reputation or legal and regulatory proceedings. Management endeavours to minimize losses in this area by ensuring that effective infrastructure and controls exist. These controls are constantly reviewed and if deemed necessary improvements are implemented.

Acquisitions

The REIT's business plan includes, among other things, growth through identifying suitable acquisition opportunities, pursuing such opportunities, consummating acquisitions and leasing such properties. If the REIT is unable to manage its growth effectively, it could adversely impact the REIT's financial position and results of operations and decrease the

amount of cash available for distribution. There can be no assurance as to the pace of growth through property acquisitions or that the REIT will be able to acquire assets on an accretive basis and, as such, there can be no assurance that distributions to Unitholders will increase in the future.

Acquired properties may be subject to unknown, unexpected or undisclosed liabilities which could have a material adverse impact on the operations and financial results of the REIT. Representations and warranties given by third parties to the REIT may not adequately protect against these liabilities and any recourse against third parties may be limited by the financial capacity of such third parties. Furthermore, it is not always possible to obtain from the seller the records and documents that are required in order to fully verify that the buildings to be acquired are constructed in accordance, and that their use complies with, planning laws and building code requirements. Accordingly, in the course of acquiring a property, specific risks might not be or might not have been recognized or correctly evaluated. These circumstances could lead to additional costs and could have a material adverse effect on proceeds from sales and rental income of the relevant properties.

The REIT's ability to acquire properties on satisfactory terms and successfully integrate and operate them is subject to the following additional risks: (i) the REIT may be unable to acquire desired properties because of competition from other real estate investors with more capital, including other real estate operating companies, real estate investment trusts and investment funds; (ii) the REIT may acquire properties that are not accretive to results upon acquisition, and the REIT may not successfully manage and lease those properties to meet its expectations; (iii) competition from other potential acquirers may significantly increase the purchase price of a desired property; (iv) the REIT may be unable to generate sufficient cash from operations, or obtain the necessary debt or equity financing to consummate an acquisition or, if obtainable, financing may not be on satisfactory terms; (v) the REIT may need to spend more than budgeted amounts to make necessary improvements or renovations to acquired properties; (vi) agreements for the acquisition of properties are typically subject to customary conditions to closing, including satisfactory completion of due diligence investigations, and the REIT may spend significant time and money on potential acquisitions that the REIT does not consummate; (vii) the process of acquiring or pursuing the acquisition of a new property may divert the attention of the REIT's senior management team from existing business operations; (viii) the REIT may be unable to quickly and efficiently integrate new acquisitions, particularly acquisitions of portfolios of properties, into existing operations; (ix) market conditions may result in higher than expected vacancy rates and lower than expected rental rates; and (x) the REIT may acquire properties without any recourse, or with only limited recourse, for liabilities, whether known or unknown, such as clean-up of environmental contamination, claims by tenants, vendors or other persons against the former owners of the properties and claims for indemnification by general partners, directors, officers and others indemnified by the former owners of the properties.

If the REIT cannot complete property acquisitions on favourable terms, or operate acquired properties to meet the REIT's goals or expectations, the REIT's business, financial condition, results of operations and cash flow, the per Unit trading price and the REIT's ability to satisfy debt service obligations and to make distributions to the Unitholders could be materially and adversely affected.

Limits on Activities

In order to maintain its status as a "mutual fund trust" under the *Income Tax Act* (Canada) ("**Tax Act**"), the REIT cannot carry on most active business activities and is limited in the types of investments it can make. The Declaration of Trust contains restrictions to this effect.

Reliance on the Partnership

The REIT is dependent for a certain portion of NOI on the business of the Partnership. The cash distributions to Unitholders are dependent on the ability of the Partnership to pay distributions in respect of the units of the Partnership. The ability of the Partnership to pay distributions or make other payments or advances to the REIT may be subject to contractual restrictions contained in any instruments governing the indebtedness of the Partnership. The ability of the Partnership to pay distributions or make other payments or advances is also dependent on the ability of its subsidiaries to pay distributions or make other payments or advances to the Partnership.

Cybersecurity Risk

Cybersecurity has become an increasingly problematic issue for issuers and businesses. Cyber-attacks against large organizations are increasing in sophistication and are often focused on financial fraud, compromising sensitive data for inappropriate use or disrupting business operations. A cyber-incident is considered to be any adverse event that threatens the confidentiality, integrity or availability of the REIT's information resources. More specifically, a cyber-incident is an intentional attack or an unintentional event that can include gaining unauthorized access to information systems to disrupt operations, corrupt data or steal confidential or personal information, whether through cyber-attacks or cyber intrusions over the Internet, malware, computer viruses, attachments to e-mails, spoofed e-mails, persons inside or persons with access to systems inside the REIT and other significant disruptions of the IT networks and related systems. The risk of a security breach or disruption, particularly through cyber-attack or cyber intrusion, including by computer hackers, foreign governments and cyber terrorists, has increased as the number, intensity and sophistication of attempted attacks and intrusions from around the world have significantly increased. As the REIT's reliance on technology has increased, so have the risks posed to its systems. The REIT's networks and related systems are essential to the operation of the business and the ability to perform day-to-day operations.

There can be no assurance that the REIT's security efforts and measures will be effective or that attempted security breaches or disruptions would not be successful or damaging. Even the most well protected information, networks, systems and facilities remain potentially vulnerable because the techniques used in such attempted security breaches evolve and generally are not recognized until launched against a target, and in some cases are designed to not be detected and, in fact, may not be detected. Accordingly, the REIT may be unable to anticipate these techniques or to implement adequate security barriers or other preventative measures, and thus it is impossible to entirely mitigate this risk.

A security breach or other significant disruption involving the REIT's IT networks and related systems could disrupt the proper functioning of the networks and systems; result in misstated financial reports, violations of loan covenants and/or missed reporting deadlines; result in the loss, theft or misappropriation of our property; result in our inability to properly monitor our compliance with the rules and regulations regarding the qualification as a REIT; result in the unauthorized access to, and destruction, loss, theft, misappropriation or release of proprietary, confidential, sensitive or otherwise valuable information of the REIT's or others, which others could use to compete against the REIT or for disruptive, destructive or otherwise harmful purposes and outcomes; require significant management attention and resources to remedy any damages that result; subject the REIT to claims for breach of contract, damages, credits, penalties or termination of leases or other agreements; or damage our reputation among our tenants and investors generally.

General Litigation Risks

In the normal course of the REIT's operations, whether directly or indirectly, it may become involved in, named as a party to or the subject of, various legal proceedings, including regulatory proceedings, tax proceedings and legal actions relation to personal injuries, property damage, property taxes, land rights, the environment and contract disputes. The outcome with respect to outstanding, pending or future proceedings cannot be predicted with certainty and may be determined in a manner adverse to the REIT and as a result, could have a material adverse effect of the REIT's assets, liabilities, business, financial condition and results of operations. Even if the REIT prevails in any such legal proceedings, the proceedings could be costly and time-consuming and may divert the attention of management and key personnel from the REIT's business operations, which could have a material adverse effect on the REIT's business, cash flow, financial condition and results of operations and ability to make distributions to Unitholders. This risk may be heightened for the REIT as compared to other Canadian real estate investment trusts without properties located in the U.S. because the legal climate in the U.S., in comparison to that in Canada, tend to give rise to a greater number of claims and larger damages awards.

Reliance on Key Personnel

The management and governance of the REIT depends on the services of certain key personnel, including certain executive officers and the Board of Trustees. The loss of the services of any key personnel and the inability of the REIT to attract and retain qualified and experienced personnel could have an adverse effect on the REIT and adversely impact the REIT's financial condition and results of operations and decrease the amount of cash available for distribution.

Risks Relating to the Nature of the REIT's Business

As outlined above, investing in real estate exposes the REIT to a high degree of risk. The ultimate performance of the REIT's portfolio is subject to the varying degrees of risk generally incident to the ownership and management of interests in, or related to, real property. The ultimate value of the REIT's portfolio depends upon the REIT's ability to identify, acquire, develop and dispose of properties in a profitable manner. Revenues may be adversely affected by changes in national or international economic conditions; changes in local market conditions due to changes in general or local economic conditions and neighbourhood characteristics; the financial condition of tenants, buyers and sellers of properties; competition from prospective buyers for, and sellers of, other similar properties; changes in interest rates and in the availability, cost and terms of financing; the impact of present or future environmental legislation and compliance with environmental laws; changes in tax rates and other operating expenses; adverse changes in governmental rules and fiscal policies; civil unrest; acts of God, including earthquakes, hurricanes and other natural disasters; acts of war; acts of terrorism (any of which may result in uninsured losses); adverse changes in zoning laws; and other factors that are beyond the control of the REIT. The REIT's operating results will also be dependent upon ability to identify, consummate, manage and realize, attractive real estate investment opportunities. It may take considerable time for the REIT to identify and consummate appropriate investments. No assurance can be given that the REIT will be successful in identifying and consummating investments which satisfy the REIT's rate of return objective or that such investments, once consummated, will perform as expected.

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk consists of interest rate risk, currency risk and other market price risk. There is interest rate risk associated with the REIT's properties' fixed rate mortgages payable due to the expected requirement to refinance such mortgages payable in the year of maturity. In order to manage exposure to interest rate risk, management endeavours to manage maturities of fixed rate mortgages payable, and match the nature of the mortgages payable with the cash flow characteristics of the underlying asset. In some cases, interest rate swaps are entered into to alter the properties' exposure to the impact of changing interest rates. Currently, the REIT's properties have no exposure to currency or other market price risk.

Restrictive Covenants in Existing Loan Agreements

The REIT and the Partnership are subject to certain restrictions pursuant to the restrictive covenants of their outstanding indebtedness, which may affect distribution and operating policies and the ability to incur additional debt. Loan documents evidencing this existing indebtedness contain, and loan documents entered into in the future will likely contain, certain operating covenants that limit the ability to further mortgage the property or discontinue insurance coverage. In addition, these agreements contain, and future agreements likely will contain, financial covenants, including certain coverage ratios and limitations on the ability to incur secured and unsecured debt, make distributions, sell all or substantially all assets, and engage in mergers and consolidations and certain acquisitions. Covenants under existing indebtedness do, and under any future indebtedness likely will, restrict the ability to pursue certain business initiatives or certain acquisition transactions. In addition, failure to meet any of these covenants, including the financial coverage ratios, could cause an event of default under or accelerate some or all of the REIT's indebtedness, which would have a material adverse effect on the REIT.

Availability of Off-market Deal Flow

A key component of the REIT's growth strategy is to acquire additional industrial real estate before it is widely marketed by real estate brokers, or "off-market." Properties that are acquired off-market are typically more attractive to the REIT as a purchaser because of the absence of a formal marketing process, which could lead to higher prices. If the REIT cannot obtain off-market deal flow in the future, its ability to locate and acquire additional properties at attractive prices could be materially and adversely affected.

Litigation at the Property Level

The acquisition, ownership and disposition of real property carries certain specific litigation risks. Litigation may be commenced with respect to a property acquired by the REIT or its subsidiaries in relation to activities that took place prior to the REIT's acquisition of such property. In addition, at the time of disposition of an individual property, a potential buyer may claim that it should have been afforded the opportunity to purchase the asset or alternatively that such buyer should

be awarded due diligence expenses incurred or damages for misrepresentation relating to disclosures made, if such buyer is passed over in favour of another as part of the REIT's efforts to maximize sale proceeds. Similarly, successful buyers may later sue the REIT under various damage theories, including those sounding in tort, for losses associated with latent defects or other problems not uncovered in due diligence.

Asset Class Diversification

The REIT's investments are not widely diversified by asset class. Substantially all of the REIT's investments are in industrial real estate. A lack of asset class diversification increases risk because industrial real estate is subject to its own set of risks, such as vacancies, rising operating costs and changes in mortgage rates.

Control Over Investments

In certain situations, the REIT may, directly or indirectly, invest in a joint venture arrangement, thereby acquiring a non-controlling interest in certain investments. Although the REIT may not have control over these investments and therefore, may have a limited ability to protect its position therein, such joint venture arrangements will contain terms and conditions which, in the opinion of the independent trustees, are commercially reasonable, including without limitation such terms and conditions relating to restrictions on the transfer, acquisition and sale of the REIT's and any joint venturer's interest in the joint venture arrangement, provisions to provide liquidity to the REIT, provisions to limit the liability of the REIT and its Unitholders to third parties and provisions to provide for the participation of the REIT in the management of the joint venture arrangements. Nevertheless, such investments may involve risks not present in investments where a third party is not involved, including the possibility that a co-venturer may have financial difficulties resulting in a negative impact on such investment, may have economic or business interests or goals which are inconsistent with those of the REIT (including relating to the sale of properties held in the joint venture or the timing of the termination and liquidation of such joint venture) or may be in a position to take action contrary to the REIT's investment objectives. The REIT also may, in certain circumstances, be liable for the actions of its third-party co-venturers.

Property Redevelopment and Renovations

Property redevelopment or major renovation work are subject to a number of risks, including: (i) the potential that the REIT may fail to recover expenses already incurred if it abandons redevelopment opportunities after commencing to explore them; (ii) the potential that the REIT may expend funds on and devote management time to projects which it does not complete; (iii) construction or redevelopment costs of a project may exceed original estimates, possibly making the project less profitable than originally estimated, or unprofitable; (iv) the time required to complete the construction or redevelopment of a project or to lease up the completed project may be greater than originally anticipated, thereby adversely affecting the REIT's cash flow and liquidity; (v) the cost and timely completion of construction (including risks beyond the REIT's control, such as weather, labour conditions or material shortages); (vi) contractor and subcontractor disputes, strikes, labour disputes or supply disruptions; (vii) the failure to achieve expected occupancy and/or rent levels within the projected time frame, if at all; (viii) delays with respect to obtaining, or the inability to obtain, necessary zoning, occupancy, land use and other governmental permits, and changes in zoning and land use laws; (ix) occupancy rates and rents of a completed project may not be sufficient to make the project profitable; (x) the REIT's ability to dispose of properties redeveloped with the intent to sell could be impacted by the ability of prospective buyers to obtain financing given the current state of the credit markets; and (xi) the availability and pricing of financing to fund the REIT's development activities on favourable terms or at all.

The above risks could result in substantial unanticipated delays or expenses and, under certain circumstances, could prevent the initiation of redevelopment activities or the completion of redevelopment activities once undertaken. In addition, redevelopment projects entail risks that investments may not perform in accordance with expectations and can carry an increased risk of litigation (and its attendant risks) with contractors, subcontractors, suppliers, partners and others. Any of these risks could have an adverse effect on the REIT's financial condition, results of operations, cash flow, per Unit trading price of the Units, distributions to Unitholders and ability to satisfy the REIT's principal and interest obligations. Also, the REIT may be required to execute guarantees in connection with construction financing for redevelopments which would subject the REIT to recourse for construction completion risks and repayment of the construction indebtedness.

New Markets

If the opportunity arises, the REIT may explore acquisitions of properties in new markets. Each of the risks applicable to the REIT's ability to acquire and successfully integrate and operate properties in its current markets is also applicable to its ability to acquire and successfully integrate and operate properties in new markets. In addition to these risks, the REIT may not possess the same level of familiarity with the dynamics and market conditions of any new markets, which could adversely affect its ability to expand into or operate in those markets. The REIT may be unable to achieve a desired return on its investments in new markets. If the REIT is unsuccessful in expanding into new markets, it could adversely affect its business, financial condition, results of operations and cash flow, the per Unit trading price and ability to satisfy debt service obligations and to make distributions to Unitholders.

Property Development

The REIT may, from time to time, engage in development and redevelopment activities with respect to certain properties. If it does so, it will be subject to certain risks, including, without limitation: (i) the availability and pricing of financing on satisfactory terms or at all; (ii) the availability and timely receipt of zoning and other regulatory approvals; (iii) the cost and timely completion of construction (including unanticipated risks beyond the REIT's control, such as weather or labour conditions, material shortages and construction overruns); and (iv) the ability to achieve an acceptable level of occupancy upon completion.

Change in Property Taxes

The REIT is required to pay state and local taxes on its properties. The real property taxes on the REIT's properties may increase as property tax rates change or as the properties are assessed or reassessed by taxing authorities. In addition, certain of the REIT's properties currently benefit from tax abatement arrangements pursuant to which tax rates are effectively lowered for specified periods of time. The REIT's properties currently subject to these tax abatement arrangements are: 1105 East Northfield Drive (tax abatement expires in 2019); 1871 Willow Springs Church Road (tax abatement expires in 2021); 6766 Pontius Road (tax abatement expires in 2022); 3051 Creekside Parkway (tax abatement expires in 2022); 2825 Reeves Road (tax abatement expires in 2028); and 3360 Southwest Boulevard (tax abatement expires in 2030). Upon expiry of these tax abatement arrangements, property taxes will be assessed at usual rates. Property taxes are typically passed through to the tenant; however, the amount of property taxes, if any, the REIT pays directly may in the future differ substantially from what has been paid in the past. If the property taxes paid directly by the REIT increase, the REIT's ability to pay expected distributions to the Unitholders could be materially and adversely affected.

Potential Conflicts of Interest

The Board of Trustees will, from time to time, in their individual capacities, deal with parties with whom the REIT may be dealing, or may be seeking investments similar to those desired by the REIT. The interest of these persons could conflict with those of the REIT. The Declaration of Trust contains conflict of interest provisions requiring the Board of Trustees to disclose their interests in certain contracts and transactions and to refrain from voting on those matters. In addition, certain decisions regarding matters that may give rise to a conflict of interest must be made by a majority of the independent trustees only.

Direct and Indirect Ownership of Units by Welsh and AIMCo

Welsh, with the redemption of Class B Units and subsequent sale of REIT Units on September 26, 2018, no longer has any direct ownership interest in the REIT.

AIMCo, as at March 6, 2019, owns an approximate 19.0% interest in the REIT through its ownership of Units (assuming all Class B Units are redeemed for Units but otherwise on a non-diluted basis). AIMCo, as a result of their voting interest in the REIT, may be able to exert significant influence over matters that are to be determined by votes of the Unitholders of the REIT.

Accordingly, the Units may be less liquid and trade at a relative discount compared to such Units in circumstances where AIMCo has the ability to influence or determine matters affecting the REIT.

Subject to compliance with applicable securities laws, AIMCo may sell some or all of its Units, in the future. No prediction can be made as to the effect, if any, such future sale or transfer of Units could have on the market price of the Units

prevailing from time to time. However, the future sale of a substantial number of Units by AIMCo, or the perception that such sale could occur, could adversely affect prevailing market prices for the Units.

Any Uninsured Losses or High Insurance Premiums will Reduce Net Income and the Amount of Cash Distributions to Unitholders

The REIT will attempt to obtain adequate insurance to cover significant areas of risk to it as an entity and to its properties. However, there are types of losses at the property level, generally catastrophic in nature, such as losses due to wars, acts of terrorism, earthquakes, floods, hurricanes, pollution or environmental matters, which are uninsurable or not economically insurable, or may be insured subject to limitations, such as large deductibles or co-payments. The REIT may not have adequate coverage for such losses. If any of the REIT's properties incurs a casualty loss that is not fully insured, the value of the REIT's assets will be reduced by any such uninsured loss. In addition, other than any working capital reserve or other reserves the REIT may establish, it has no source of funding to repair or reconstruct any uninsured damaged property. Further, to the extent the REIT must pay unexpectedly large amounts for insurance, it could suffer reduced earnings that would result in lower distributions to Unitholders.

Degree of Leverage

The REIT's degree of leverage could have important consequences to Unitholders. For example, the degree of leverage could affect the REIT's ability to obtain additional financing in the future for working capital, capital expenditures, acquisitions, development or other general trust purposes, making the REIT more vulnerable to a downturn in business or the economy in general. Under the Declaration of Trust, the maximum the REIT can leverage is 60% of gross book value (or 65% of gross book value including convertible debentures).

Joint Ventures

From time to time, the REIT may be a participant in joint ventures. A joint venture involves certain additional risks, including: (i) the possibility that co-venturers may at any time have economic or business interests or goals that will be inconsistent with the REIT's or take actions contrary to the REIT's instructions or requests or to the REIT's policies or objectives with respect to the investment; (ii) the co-venturer may hold a majority interest or otherwise under the terms of the joint venture have control over all of the day to day and fundamental decisions relating to an investment, including the ability to impose contribution requirements on its co-venturers; (iii) the risk that such co-venturers could experience financial difficulties or seek the protection of bankruptcy, insolvency or other laws, which could result in additional financial demands to maintain and operate such investments or repay the co-venturers' share of debt guaranteed by the REIT or for which the REIT will be liable and/or result in the REIT suffering or incurring delays, expenses and other problems associated with obtaining court approval of joint venture decisions; (iv) the risk that such co-venturers may, through their activities on behalf of or in the name of the ventures, expose or subject the REIT to liability; (v) the need to obtain co-venturers' consents with respect to certain major decisions or inability to have any decision making authority, including the decision to distribute cash generated from such investment or to sell an investment, and (vi) the risk that co-venturers may disagree over the interpretation of the terms of the joint venture agreement.

In addition, the sale or transfer of interests in joint ventures may be subject to certain requirements, such as rights of first refusal, rights of first offer or drag-along rights, and joint venture agreements may provide for buy-sell or similar arrangements. Such rights may inhibit the REIT's ability to sell an interest in an investment or a joint venture within the time frame or otherwise on the basis the REIT desires. Additionally, drag-along rights may be triggered at a time when the REIT may not want to sell its interest in an investment, but the REIT may be forced to do so at a time when it would not otherwise be in the REIT's best interest.

Limitations on Sale

The REIT may be required to expend funds to correct defects or to make improvements before a property can be sold. No assurance can be given that the REIT will have funds available to correct such defects or to make such improvements. In acquiring a property, the REIT may agree to lock-out provisions that materially restrict it from selling that property for a period of time or impose other restrictions, such as a limitation on the amount of debt that can be placed or repaid on that property. These lock-out provisions would restrict the REIT's ability to sell a property. These factors and any others that would impede the REIT's ability to respond to adverse changes in the performance of the REIT's properties could

significantly affect the REIT's financial condition and operating results and decrease the amount of cash available for distribution.

Investments in Debt Instruments

The REIT may hold direct or indirect investments in mortgages and mortgage bonds (including participating or convertible mortgages). Adverse changes to the financial condition of a mortgagor with respect to a mortgage held directly or indirectly by the REIT could have an adverse impact on the REIT's ability to collect principal and interest payments from such mortgagor and therefore, cause a reduction in the REIT's ability to make distributions to Unitholders and in the value of that investment.

Based upon applicable laws governing the REIT's investment in debt instruments and the loans underlying the REIT's debt securities, the REIT's investments in debt may also be adversely affected by: (i) the operation of applicable laws regarding the ability to foreclose mortgage loans or to exercise other creditors' rights provided in the underlying loan documents; (ii) lender liability with respect to the negotiation, administration, collection or foreclosure of mortgage loans; (iii) penalties for violations of applicable usury limitations; and (iv) the impact of bankruptcy or insolvency laws.

Further, the REIT will not know whether the values of its properties securing the mortgage loans will remain at the levels existing on the dates of origination of those mortgage loans. If the values of the underlying properties fall, the risk to the REIT will increase because of the lower value of the security associated with such loans.

Land Leases

To the extent that the properties in which the REIT has or will have an interest are located on leased land, the land leases may be subject to periodic rate resets which may fluctuate and may result in significant rental rate adjustments which could adversely impact the REIT's financial condition and operating results and decrease the amount of cash available for distribution.

Specific Lease Considerations

Some of the leases in the REIT's properties are leased on a base year or semi-gross basis or otherwise have caps on operating costs and/or tax recoveries. As a result, the REIT will bear the economic cost of increases in certain of the operating costs and/or property taxes in such cases to the extent it is not able to fully recover increases in operating costs and property taxes from these tenants which increases would likely adversely impact the REIT's financial condition and results of operations and decrease the amount of cash available for distribution to Unitholders.

Less Marketable Properties

Less marketable properties may be more difficult to value due to the unavailability of reliable market quotations. The sale of less marketable properties may require more time and result in lower prices, due to higher brokerage charges or dealer discounts and other selling expenses, than the sale of more marketable properties. In addition, the marketability of the portfolio will be dependent on numerous other factors, including interest rates, competition from other industrial properties and general economic conditions. There can be no assurance that the REIT will be able to sell one or more of its properties in the portfolio at the time that it may be in the best interests of the REIT to sell.

Lease Renewals and Rental Increases

The expiry of leases for the REIT's properties will occur from time to time over the short and long-term. No assurance can be provided that the REIT will be able to renew any or all of the leases upon their expiration or that rental rate increases will occur or be achieved upon any such renewals. The failure to renew leases or achieve rental rate increases may adversely impact the REIT's financial condition and results of operations and decrease the amount of cash available for distribution.

International Financial Reporting Standards

There are ongoing projects conducted by the IASB, and joint projects with the Financial Accounting Standards Board in the U.S. that are expected to result in new pronouncements that continue to evolve, which could adversely impact the manner in which the REIT reports its financial position and operating results.

Laws Benefitting Disabled Persons

Laws benefiting disabled persons may result in unanticipated expenses being incurred by the REIT. Under the *Americans with Disabilities Act of 1990*, including changes made by the *ADA Amendments Act of 2008*, all places intended to be used by the public are required to meet certain federal requirements related to access and use by disabled persons. For those projects receiving federal funds, the *Rehabilitation Act of 1973* also has requirements regarding disabled access. These and other federal, state and local laws may require modifications to the REIT's properties, or affect renovations of the REIT's properties. Non-compliance with these laws could result in the imposition of fines or an award of damages to private litigants and also could result in an order to correct any non-complying feature, which could result in substantial capital expenditures. Although the REIT believes that the REIT's properties are substantially in compliance with the present requirements, the REIT may incur unanticipated expenses to comply with these and other federal, state and local laws in connection with the ongoing operation or redevelopment of the REIT's properties.

Restrictions on Activities

Several of the REIT's constating documents and material contracts (including, without limitation, the Declaration of Trust, the Partnership Agreement dated April 26, 2013 ("**Partnership Agreement**") and the operating agreement for WPT Industrial, Inc. ("**U.S. Holdco**")) contain restrictions that limit the activities of the REIT and its subsidiaries to ensure the REIT complies with certain provisions of the Tax Act and the *United States Internal Revenue of 1986*, as amended (the "**Code**"). Compliance with these restrictions may limit the flexibility of the REIT in terms of the nature and scope of its investments and activities and thereby may adversely affect the REIT's economic performance, including its ability to grow.

Geographic Concentration

The REIT's properties are located in the U.S., in the states of Florida, Georgia, Illinois, Indiana, Kansas, Kentucky, Michigan, Minnesota, Nevada, Ohio, Oregon, Pennsylvania, Tennessee, Texas, and Wisconsin. Approximately 16.2% and 14.2% of the REIT's NOI for the three months ended December 31, 2018 is derived from properties located in Minnesota and Georgia, respectively. As a result, the REIT's performance is sensitive to economic condition and regulatory changes in Minnesota and Georgia. Adverse changes in the economic condition or regulatory environment of Minnesota and Georgia may have a material adverse effect on the REIT's business, cash flow, financial condition and results of operations and ability to make distributions to Unitholders.

Past Performance is not a Predictor of Future Results

The past performance and the performance of the REIT are dependent on future events and are, therefore, inherently uncertain. The track record of the REIT cannot be relied upon to predict future events due to a variety of factors, including, without limitation, varying business strategies, different local and national economic circumstances, different supply and demand characteristics, varying degrees of competition and varying circumstances pertaining to the real estate markets.

Expedited Transactions

Investment analyses by the REIT may frequently be required to be undertaken on an expedited basis to take advantage of investment opportunities. In such cases, the information available to the REIT at the time of making an investment recommendation may be limited, and the REIT not have access to detailed information regarding the investment property, such as physical characteristics, environmental matters, zoning regulations or other local conditions that may affect an investment property. In addition, the REIT expects to rely upon independent consultants in connection with its evaluation of proposed investment properties and no assurance can be given as to the accuracy or completeness of the information provided by such independent consultants or to the REIT's right of recourse against them in the event errors or omissions occur.

Tax-Related Risks

Canadian Tax Risks

- (a) *Residency of the REIT for Canadian and U.S. Tax Purposes* — The REIT is resident in Canada for purposes of the Tax Act and is treated as a domestic corporation in the U.S. under the Code. As a result, the REIT is generally taxable on its worldwide income in both Canada and the U.S. However, in both jurisdictions, the REIT generally will not be subject to tax on the portion of its income that it distributes to Unitholders (subject to certain limitations and exceptions). The status of the REIT as taxable in both Canada and the U.S. is not likely to give

rise to any material adverse consequences in the future as it is not anticipated that the REIT will be subject to material federal income tax in either Canada or the U.S. Nevertheless, the REIT's status as taxable on its worldwide income in both Canada and the U.S. could, in certain circumstances, have a material adverse effect on the REIT and the Unitholders. As a result of the REIT being resident in both Canada and the U.S., withholding taxes of both Canada and the U.S. will be relevant to distributions by the REIT and could result in double taxation to certain investors and other consequences.

- (b) *Mutual Fund Trust Status* — The REIT intends to continue to qualify as a “unit trust” and a “mutual fund trust” for purposes of the Tax Act. There can be no assurance that Canadian federal income tax laws or the administrative policies and practices of the Canada Revenue Agency (the “CRA”) respecting the treatment of mutual fund trusts will not be changed in a manner that adversely affects the Unitholders. Should the REIT cease to qualify as a mutual fund trust under the Tax Act, the income tax considerations associated with an investment in REIT Units could be materially and adversely affected.
- (c) *Application of the SIFT Rules* — The “SIFT Rules” in the Tax Act are those rules applicable to a trust that is a SIFT trust. The REIT will not be considered to be a SIFT trust in respect of a particular taxation year and, accordingly, will not be subject to the SIFT Rules in that year, if it does not own any “non-portfolio property” (as defined in the Tax Act) and does not carry on business in Canada in that year. The REIT has not owned and does not currently intend to own any non-portfolio property, nor has it carried on or does it intend to carry on a business in Canada.

In the event that the SIFT Rules were to apply to the REIT, the impact to a particular Unitholder will depend on the status of such holder and, in part, on the amount of income distributed which would not be deductible by the REIT in computing its income in a particular year and what portions of the REIT's distributions constitute “non-portfolio earnings”, other income and returns of capital. The likely effect of the SIFT Rules on the market for REIT Units, and on the REIT's ability to finance future acquisitions through the issue of Units or other securities is uncertain. If the SIFT Rules were to apply to the REIT, they could adversely affect the marketability of the REIT Units, the amount of cash available for distribution and the after-tax return to investors.

- (d) *Foreign Tax Credits and Deductions* — The after-tax return from an investment in REIT Units to a Unitholder resident in Canada for the purposes of the Tax Act will depend in part on the Unitholder's ability to recognize for purposes of the Tax Act U.S. taxes paid by the Unitholder through foreign tax credits or foreign tax deductions under the Tax Act. A Unitholder's ability to recognize U.S. taxes through foreign tax credits or foreign tax deductions may be affected where the Unitholder does not have sufficient taxes otherwise payable under Part I of the Tax Act or sufficient U.S. source income in the taxation year the U.S. taxes are paid or where the Unitholder has other U.S. sources of income or losses, has paid other U.S. taxes or, in certain circumstances, has not filed a U.S. federal income tax return. Furthermore, the ability to effectively utilize foreign tax credits or foreign tax deductions will be dependent upon the Canadian federal and provincial tax rates and U.S. tax rates that will apply in future years to applicable sources of income. Unitholders are therefore advised to consult their own tax advisors in regards to foreign tax credits and foreign tax deductions.

A Unitholder that is a registered retirement savings plan, a registered retirement income fund, a registered disability savings plan, a registered education savings plan, a deferred profit sharing plan or a tax-free savings account, each as defined in the Tax Act (an “Exempt Plan”) will not be entitled to a foreign tax credit or deduction under the Tax Act in respect of any U.S. tax paid by the Exempt Plan (including any U.S. withholding tax imposed on distributions paid to the Exempt Plan). Accordingly, any such U.S. tax will reduce such a Unitholder's after-tax return. Such Unitholders should consult with their own tax advisors in regards to U.S. tax payable in respect of an investment in REIT Units. As discussed below under “U.S. Tax Risks”, if (i) a Unitholder holds, or has held, actually or constructively, more than 10% of the outstanding REIT Units, as determined for U.S. federal income tax purposes, or (ii) the TSX Publicly Traded Exception (as defined below) or the U.S. Publicly Traded Exception (as defined below) are not satisfied, a Unitholder may be subject to additional U.S. tax on a disposition of the REIT Units and on certain distributions by the REIT. The proceeds receivable on a disposition of a REIT Unit may not qualify as U.S. source income for purposes of the Tax Act

(including for Canadian foreign tax credit purposes), and beneficiaries of certain Unitholders that are trusts may not be considered to have paid such tax for purposes of the Tax Act. Accordingly, Unitholders may not be entitled to a foreign tax credit in respect of such U.S. tax for Canadian tax purposes.

- (e) *FAPI* — Any “foreign accrual property income”, as defined in the Tax Act (“**FAPI**”) earned by US Holdco as a controlled “foreign affiliate” of the REIT for purposes of the Tax Act, as well as US Holdco’s allocable share of any FAPI earned by controlled foreign affiliates of the Partnership (or any subsidiary partnerships thereof) must be included in computing the income of the REIT for the fiscal year of the REIT in which the taxation year of US Holdco ends, subject to a deduction for grossed-up “foreign accrual tax” as computed in accordance with the Tax Act. It is not anticipated that the deduction for grossed-up “foreign accrual tax” will materially offset FAPI realized by the REIT, and accordingly any FAPI realized generally will increase the allocation of income by the REIT to Unitholders. In addition, as FAPI generally must be computed in accordance with Part I of the Tax Act as though the controlled foreign affiliate were a resident of Canada (subject to the detailed rules contained in the Tax Act), income or transactions may be taxed differently under foreign tax rules as compared to the FAPI rules and, accordingly, may result in additional income being allocated to Unitholders. For example, certain transactions that do not give rise to taxable income under the Code may still give rise to FAPI for purposes of the Tax Act.
- (f) *Non-Residents of Canada* — The Tax Act may impose Canadian withholding or other taxes on distributions made by the REIT to a Unitholders that is a “non-resident” of Canada within the meaning of the Tax Act or a partnership that is not a “Canadian Partnership” within the meaning of the Tax Act (“**Non-Residents**”). Further, because the REIT is both resident in Canada for purposes of the Tax Act and treated as a domestic corporation in the U.S. under the Code, withholding taxes of both Canada and the U.S. will be relevant to Unitholders who are both Non-Residents and non-U.S. holders and could, in certain circumstances, result in both Canadian and U.S. withholding tax applying to certain distributions to certain investors and other consequences.
- (g) *Foreign Currency* — For purposes of the Tax Act, the REIT generally is required to compute its Canadian tax results, including any FAPI earned, using Canadian currency. Where an amount that is relevant in computing a the REIT’s Canadian tax results is expressed in a currency other than Canadian currency, such amount must be converted to Canadian currency using the rate of exchange quoted by the Bank of Canada on the day such amount first arose, or using such other rate of exchange as is acceptable to the CRA. As a result, the REIT may realize gains and losses for tax purposes and FAPI by virtue of the fluctuation of the value of foreign currencies relative to Canadian dollars.
- (h) *Changes in Law* — There can be no assurance that Canadian and U.S. federal income tax laws, the judicial interpretation thereof, the terms of the Treaty, or the administrative policies and assessing practices of the CRA will not be changed in a manner that adversely affects the REIT or Unitholders. Any such change could increase the amount of tax payable by the REIT or its affiliates or could otherwise adversely affect Unitholders by reducing the amount available to pay distributions or changing the tax treatment applicable to Unitholders in respect of such distributions.

U.S. Tax Risks

- (a) *Operating Partnership* — All of the operations and assets of the REIT are held through the Partnership. For so long as the Partnership is treated as a partnership for U.S. federal income tax purposes, the REIT will be treated as owning its proportionate share of the assets and income of the Partnership for the purposes of the REIT asset and income tests. An entity that would otherwise be treated as a partnership for U.S. federal income tax purposes may nonetheless be treated as a corporation for U.S. federal income tax purposes if it is a “publicly traded partnership” and certain other requirements are met. A partnership would be treated as a publicly traded partnership if its interests were traded on an established securities market or were readily tradable on a secondary market or a substantial equivalent thereof, within the meaning of applicable U.S. Treasury Regulations. The Partnership Agreement contains provisions intended to ensure that the Partnership is not considered a “publicly traded partnership.” Accordingly, it is not anticipated that the Partnership will be treated as a “publicly traded partnership” that is taxable as a corporation. However, if the Partnership were

classified as a “publicly traded partnership”, the Partnership may be treated as a corporation rather than as a partnership for U.S. federal income tax purposes. In such case, the REIT would not be treated as owning its proportionate share of the assets and income of the Partnership for the purposes of the REIT asset and income test requirements (and, instead, would be treated as owning the stock of a corporation). This could cause the REIT to fail to qualify as a real estate investment trust for U.S. federal income tax purposes. In addition, the income of the Partnership would become subject to U.S. federal corporate income tax.

The Partnership Agreement provides for the creation and issuance of Class B Units, which have been issued to various parties. Under the terms of the Partnership Agreement, the Class B Units are, in all material respects, economically equivalent to the Units on a per unit basis

- (b) *Qualification as a Real Estate Investment Trust* — The REIT intends to continue to operate in a manner that will allow it to qualify as a real estate investment trust for U.S. federal income tax purposes. The REIT’s qualification as a real estate investment trust depends on the REIT’s satisfaction of certain asset, income, organizational, distribution, Unitholder ownership and other requirements on a continuing basis, the results of which will not be monitored by the REIT’s U.S. counsel. Accordingly, given the complex nature of the rules governing real estate investment trusts, the ongoing importance of factual determinations, including the potential tax treatment of investments the REIT makes, and the possibility of future changes in the REIT’s circumstances, no assurance can be given that the REIT’s actual results of operations for any particular taxable year will satisfy such requirements. Moreover, no assurance can be given that legislation, new regulations, administrative interpretations or court decisions will not change the tax laws with respect to qualification as a real estate investment trust or the U.S. federal income tax consequences of that qualification.

If the REIT fails to qualify as a real estate investment trust in any calendar year, it would be required to pay U.S. federal income tax (and any applicable state and local tax), including any applicable alternative minimum tax (for taxable years beginning before January 1, 2018), on its taxable income at regular corporate rates, and dividends paid to the Unitholders would not be deductible by the REIT in computing its taxable income and would be taxable to the Unitholders under the rules generally applicable to corporate distributions. A loss of real estate investment trust status would reduce the net earnings available for investment or distribution to Unitholders because of the additional tax liability which in turn could have an adverse impact on the value of the Units. Unless its failure to qualify as a real estate investment trust was subject to relief under U.S. federal tax laws, the REIT could not re-elect to qualify as a real estate investment trust until the fifth calendar year following the year in which it failed to qualify.

- (c) *Annual Distribution Requirement* — To qualify as a real estate investment trust for U.S. federal income tax purposes, the REIT generally must distribute annually to its Unitholders a minimum of 90% of its net taxable income, determined without regard to the dividends-paid deduction and excluding net capital gains. The REIT will be subject to regular corporate income taxes on any undistributed real estate investment trust taxable income each year. Additionally, it will be subject to a 4% non-deductible excise tax on any amount by which amounts “actually distributed” by the REIT in any calendar year are less than the sum of 85% of its ordinary income, 95% of its capital gain net income and 100% of its undistributed income from previous years. Pursuant to the *Protecting Americans from Tax Hikes Act* of 2015, which was signed into law on December 18, 2015 (the “2015 Act”), the amount that a REIT is treated as having “actually distributed” during the current taxable year is both the amount distributed during the current year and the amount by which distributions during the immediately prior year exceeded its taxable income and capital gain for that prior year. Payments the REIT makes to its Unitholders under Unitholders’ rights of redemption will not be taken into account for purposes of these distribution requirements. Compliance with the real estate investment trust distribution requirements may hinder the REIT’s ability to grow, which could adversely affect the value of its Units. Furthermore, the REIT may find it difficult or impossible to meet distribution requirements in certain circumstances. The requirement to distribute most of its taxable income could cause the REIT to: (i) sell assets in adverse market conditions, (ii) borrow on unfavourable terms, (iii) distribute amounts that would otherwise be used to make future acquisitions or capital expenditures or (iv) make a taxable distribution of its Units as part of a distribution in which Unitholders may elect to receive Units or cash, in order to comply with real

estate investment trust requirements. These alternatives could adversely affect the REIT's economic performance.

- (d) *Impact of Real Estate Investment Trust Compliance on Performance* — To qualify as a real estate investment trust for U.S. federal income tax purposes, the REIT must continually satisfy tests concerning, among other things, the sources of its income, the nature and diversification of its assets, the amounts that it distributes to the Unitholders and the ownership of the Units. The REIT may be required to make distributions to Unitholders at disadvantageous times or when it does not have funds readily available for distribution, and may be unable to pursue investments that would be otherwise advantageous to it in order to satisfy the source-of-income or asset-diversification requirements for qualifying as a real estate investment trust. Thus, compliance with the real estate investment trust requirements may hinder the REIT's ability to operate solely on the basis of maximizing profits.

Additionally, the REIT must ensure that at the end of each calendar quarter, at least 75% of the value of its assets consists of cash, cash items, government securities and real estate assets (as defined in the Code), including certain mortgage loans and certain kinds of mortgage-backed securities. In addition to those items, under the 2015 Act, qualifying assets for purposes of the 75% asset test include, effective for taxable years beginning after December 31, 2015, (i) personal property leased in connection with real property to the extent that rents attributable to such personal property are treated as "rents from real property" and (ii) debt instruments issued by publicly offered REITs. Not more than 25% of the value of the REIT's asset can be represented by securities (other than government securities and qualified real estate assets). The REIT's assets generally cannot include more than 10% of the outstanding voting securities of any one issuer or more than 10% of the total value of the outstanding securities of any one issuer. In addition, in general, no more than 5% of the value of the REIT's assets (other than government securities and qualified real estate assets) can consist of the securities of any one issuer (other than a taxable REIT subsidiary), and no more than 20% of the value of its total assets can be represented by securities of one or more taxable REIT subsidiaries (25% for taxable years prior to December 31, 2017 under the 2015 Act). Finally, pursuant to the 2015 Act, an additional test, effective for taxable years beginning after December 31, 2015, provides that not more than 25% of the value of a REIT's total assets may be represented by debt instruments issued by publicly offered REITs to the extent not secured by real property or interests in real property. If the REIT fails to comply with these requirements at the end of any calendar quarter, it must correct the failure within 30 days after the end of the calendar quarter or qualify for certain statutory relief provisions to avoid losing its real estate investment trust qualification and suffering adverse tax consequences.

- (e) *Ownership Limitations* — In order for the REIT to qualify as a real estate investment trust for each taxable year under the Code, no more than 50% in value of its outstanding Units may be owned, directly or indirectly, by five or fewer individuals during the last half of any calendar year. "Individuals" for this purpose include natural persons, private foundations, some employee benefit plans and trusts, and some charitable trusts. In order to assist the REIT in qualifying as a real estate investment trust, ownership of its Units by any person is generally limited to 9.8% in value or number of Units, whichever is more restrictive, of any class or series of Units. These ownership limitations could have the effect of discouraging a takeover or other transaction in which holders of the Units might receive a premium for their Units over the then-prevailing market price or which holders might believe to be otherwise in their best interests.

- (f) *Other Taxes* — Even if the REIT qualifies and maintains its status as a real estate investment trust, it may be subject to U.S. federal and state income taxes. The REIT may not be able to make sufficient distributions to avoid excise taxes applicable to real estate investment trusts. The REIT may also decide to retain income it earns from the sale or other disposition of its real estate assets and pay income tax directly on such income. In that event, the Unitholders would be treated as if they earned that income and paid the tax on it directly. The REIT may also be subject to state and local taxes on its income, property or net worth, either directly, by the Partnership or at the level of the entities through which it indirectly owns its assets. Any U.S. federal or state taxes the REIT pays will reduce its cash available for distribution to the Unitholders.

In addition, in order to meet the real estate investment trust qualification requirements or to avert the imposition of the prohibited transactions tax discussed below, the REIT may hold some of its assets or conduct activities through subsidiary corporations, a taxable REIT subsidiaries (“TRS”) that will be subject to corporate-level income tax at regular rates. If the REIT lends money to a TRS, the TRS may be unable to deduct all or a portion of the interest paid to the REIT, which could result in an even higher corporate level tax liability.

The REIT may own up to 100% of the stock of one or more TRSs. A TRS may earn income that would not be qualifying income if earned directly by the parent REIT. Both the subsidiary and the REIT must jointly elect to treat the subsidiary as a TRS. Overall, no more than 20% (25% prior to January 1, 2018) of the value of a REIT’s assets may consist of stock or securities of one or more TRSs at the end of any calendar quarter. A TRS will pay federal, state and local income tax at regular corporate rates on any income that it earns. In addition, the TRS rules impose a 100% excise tax on certain transactions between a TRS and its parent REIT that are not conducted on an arm’s-length basis. There can be no assurance that we will be able to comply with the TRS limitations or to avoid application of the 100% excise tax discussed above.

Our domestic TRSs would pay U.S. federal and any applicable state and local income tax on their taxable income, and their after-tax net income would be available for distribution to us but would not be required to be distributed to us. If we were to organize a TRS as a non-U.S. corporation (or non-U.S. entity treated as a corporation for U.S. federal income tax purposes), we may generate income inclusions relating to the earnings of the non-U.S. TRS, the treatment of which under the REIT gross income tests is not clear.

- (g) *Prohibited Transactions Tax* — The REIT’s ability to dispose of property during its first few years of operations is restricted to a substantial extent as a result of its real estate investment trust status. Under applicable provisions of the Code regarding prohibited transactions by real estate investment trusts, the REIT will be subject to a 100% tax on any gain realized on the sale or other disposition of any property (other than foreclosure property) that it owns, directly or through any subsidiary entity, including the Partnership, but excluding any taxable REIT subsidiary, that is deemed to be inventory or property held primarily for sale to customers in the ordinary course of trade or business. The REIT intends to avoid the 100% prohibited transaction tax by (1) conducting activities that may otherwise be considered prohibited transactions through a taxable REIT subsidiary, (2) conducting operations in such a manner so that no sale or other disposition of an asset will be treated as a prohibited transaction or (3) structuring certain dispositions of its properties to comply with certain safe harbors available under the Code for properties held at least two years, as expanded by the 2015 Act. However, no assurance can be given that any particular property will not be treated as inventory or property held primarily for sale to customers in the ordinary course of a trade or business.
- (h) *Changes in Law* — The present U.S. federal income tax treatment of real estate investment trusts may be modified, possibly with retroactive effect, by legislative, judicial or administrative action at any time, which could affect the U.S. federal income tax treatment of an investment in the REIT. The U.S. federal income tax rules relating to real estate investment trusts constantly are under review by persons involved in the legislative process, the IRS and the U.S. Treasury Department, which results in frequent statutory changes and revisions to regulations and interpretations. Revisions in U.S. federal tax laws and interpretations thereof could adversely affect the REIT or cause it to change its investments and commitments and affect the tax considerations of an investment in it.

On December 22, 2017, new legislation commonly referred to as the Tax Cuts and Jobs Act was signed into law. The Tax Cuts and Jobs Act makes significant changes to the U.S. federal income tax rules for taxation of individuals and corporations, generally effective for taxable years beginning after December 31, 2017. In addition to reducing corporate and individual tax rates, the Tax Cuts and Jobs Act eliminates or restricts various deductions. Most of the changes applicable to individuals are temporary and apply only to taxable years beginning after December 31, 2017 and before January 1, 2026. The Tax Cuts and Jobs Act makes numerous large and small changes to the tax rules that do not affect the REIT qualification rules directly but may otherwise affect the REIT or its Unitholders.

While the changes in the Tax Cuts and Jobs Act generally appear to be favorable with respect to REITs, the extensive changes to non-REIT provisions in the Code may have unanticipated effects on the REIT or its Unitholders. Moreover, Congressional leaders have recognized that the process of adopting extensive tax legislation in a short amount of time without hearings and substantial time for review is likely to have led to drafting errors, issues needing clarification and unintended consequences that will have to be revisited in subsequent tax legislation. Congress and the IRS have been releasing proposed technical corrections, Regulations, and other authoritative guidance to help provide guidance on the changes made in the Tax Cuts and Jobs Act.

- (i) *FIRPTA* — A non-U.S. person disposing of a U.S. real property interest, including shares of a U.S. corporation whose assets consist principally of U.S. real property interests, is generally subject to the Foreign Investment in Real Property Tax Act of 1980, known as FIRPTA, a tax on the gain recognized on the disposition and required to file a U.S. federal income tax return reporting this disposition. FIRPTA does not apply, however, to the disposition of stock in a real estate investment trust if the shares are considered “regularly traded on an established securities market” and the non-U.S. person does not hold, actually or constructively, more than 10% of the outstanding shares of the REIT at any time during the 5-year period ending on the date of disposition or such shorter period that the shares were held. For purposes of this exception, the TSX is considered an “established securities market” and, as long as 100 or fewer persons do not own 50% or more of the Units, the Units should be treated as regularly traded on the TSX if (a) the Units are traded, other than in *de minimis* quantities, on at least 15 days of the calendar quarter, (b) the aggregate number of Units traded during such calendar quarter is at least 7.5% of the average number of Units outstanding during such calendar quarter (reduced to 2.5% if there are 2,500 or more record Unitholders), and (c) the REIT attaches a statement to its U.S. federal income tax return that provides information relating to it, the Units, and beneficial owners of more than 5% of the Units (the “**TSX Publicly Traded Exception**”). However, there can be no assurance that these requirements will be satisfied.

In addition, the Units would be considered “regularly traded on an established securities market” if the Units are regularly quoted by more than one broker or dealer making a market in the Units through an interdealer quotation system in the U.S. (the “**U.S. Publicly Traded Exception**”). The REIT intends for its Units to be traded through an interdealer quotation system in the U.S. in a manner that would be considered “regularly traded on an established securities market” for purposes of this exception.

Investors are cautioned that there can be no assurances that there will be at least two brokers or dealers regularly quoting the Units on the OTC Pink tier of the OTC Markets Group Inc. or OTCQX International in any particular calendar quarter. In addition, neither the Code, the applicable U.S. Treasury regulations, administrative pronouncements nor judicial decisions provide guidance as to the frequency or duration with which the Units must be quoted during a calendar quarter to be “regularly quoted”. U.S. counsel to the REIT believes that it is reasonable to interpret this exception to the effect that, so long as the brokers or dealers quote the Units during a calendar quarter, any gain from a sale at any time during the quarter would not be subject to U.S. federal income tax for Non-U.S. Holders that own 10% or less of all of the outstanding Units during the applicable testing period. Due to the lack of guidance from the IRS, however, investors are cautioned that there can be no assurance the IRS would concur in this interpretation.

However, if neither of these exceptions is satisfied, the sale of Units by a non-U.S. person would be subject to U.S. federal income tax at normal graduated rates with respect to gain recognized and the REIT would be required to withhold at a rate of 15% on distributions in excess of the REIT’s current and accumulated earnings and profits (10% on distributions prior to February 17, 2016). In addition, a purchaser of Units would be required to withhold tax at the rate of 15% of the amount realized from the sale (10% on sales prior to February 17, 2016) and to report and to remit such tax to the IRS. Furthermore, under FIRPTA, if any non-U.S. person holds, actually or constructively, more than 10% of the outstanding Units, the REIT will be required to withhold 21% (or less to the extent provided in applicable U.S. Treasury Regulations) of any distribution to such Unitholder that could be designated by the REIT as a capital gain dividend. Any such withheld amount is creditable against such Unitholder’s FIRPTA tax liability.

Qualified Shareholders.

Subject to the exception discussed below, a qualified shareholder who holds the Units directly or indirectly (through one or more partnerships) will not be subject to FIRPTA on distributions by the REIT or dispositions of the Units. While a qualified shareholder will not be subject to FIRPTA on distributions by the REIT or dispositions of the Units, a distribution to a qualified shareholder that otherwise would have been taxable under FIRPTA will be treated as an ordinary dividend, and certain investors of a qualified shareholder (i.e., non-U.S. persons who hold interests in the qualified shareholder (other than interests solely as a creditor), and hold more than 10% of the Units (whether or not by reason of the investor's ownership in the qualified shareholder)) may be subject to FIRPTA and FIRPTA withholding.

A qualified shareholder is a non-U.S. person that (i) either is eligible for the benefits of a comprehensive income tax treaty which includes an exchange of information program and whose principal class of interests is listed and regularly traded on one or more recognized stock exchanges (as defined in such comprehensive income tax treaty), or is a foreign partnership that is created or organized under foreign law as a limited partnership in a jurisdiction that has an agreement for the exchange of information with respect to taxes with the United States and has a class of limited partnership units representing greater than 50% of the value of all the partnership units that is regularly traded on the NYSE or NASDAQ markets, (ii) is a "qualified collective investment vehicle" (within the meaning of Section 897(k)(3)(B) of the Code), and (iii) maintains records on the identity of each person who, at any time during the foreign person's taxable year, is the direct owner of 5% or more of the class of interests or units (as applicable) described in (i), above.

Qualified Foreign Pension Funds.

A qualified foreign pension fund (or an entity all of the interests of which are held by a qualified foreign pension fund) that holds the Units directly or indirectly (through one or more partnerships) will not be subject to FIRPTA on distributions by the REIT or dispositions of the Units. A qualified foreign pension fund is any trust, corporation, or other organization or arrangement (i) which is created or organized under the law of a country other than the United States, (ii) which is established to provide retirement or pension benefits to participants or beneficiaries that are current or former employees (or persons designated by such employees) of one or more employers in consideration for services rendered, (iii) which does not have a single participant or beneficiary with a right to more than 5% of its assets or income, (iv) which is subject to government regulation and provides annual information reporting about its beneficiaries to the relevant tax authorities in the country in which it is established or operates, and (v) with respect to which, under the laws of the country in which it is established or operates, (a) contributions to such organization or arrangement that would otherwise be subject to tax under such laws are deductible or excluded from the gross income of such entity or taxed at a reduced rate, or (b) taxation of any investment income of such organization or arrangement is deferred or such income is taxed at a reduced rate.

In order for the REIT to comply with its withholding obligations under FIRPTA, the Units are subject to notice requirements and transfer restrictions. Non-U.S. persons holding Units are required to provide the REIT with such information as the REIT may request. Furthermore, any non-U.S. person that would be treated as having acquired sufficient Units to be treated as owning more than 5% of the Units is required to notify the REIT by the close of the business day prior to the date of the transfer that would cause the non-U.S. person to own more than 5% of the Units. For the purpose of determining whether a non-U.S. person has acquired more than 5% of the Units, rules of constructive ownership apply which can attribute ownership of Units (i) among family members, (ii) to non-U.S. persons from entities that own Units, to the extent that such non-U.S. persons own interests in such entities and (iii) to entities from non-U.S. persons that own interests in such entities. Under these attribution rules, Units of related entities (including related investment funds) may be aggregated to the extent of overlapping ownership. If any non-U.S. person that otherwise would be treated as having acquired sufficient Units to be treated as owning more than 5% of the Units fails to comply with the notice provisions described above, the excess Units (i.e., the excess of the number of Units they are treated

as owning over an amount equal to 5% of the outstanding Units) will be sold, with such non-U.S. persons receiving the lesser of (i) its original purchase price for the excess Units and (ii) the sale price of the excess Units (net of selling expenses). Any such non-U.S. person would also not have any economic entitlement to any distribution by the REIT on an excess Unit, and, if any such distributions are received by the non-U.S. person and are not repaid, the REIT is permitted to withhold from subsequent payments to the non-U.S. person up to the amount of such forfeited distributions. Non-U.S. persons holding Units are strongly advised to monitor their actual and constructive ownership of Units. Notwithstanding that a non-U.S. person may comply with the notice requirements and transfer restrictions described above, the REIT is entitled to withhold on distributions as otherwise required by law, and, to the extent that the REIT has not sufficiently withheld on prior distributions, is entitled to withhold on subsequent distributions.

Risk Factors Related to the Units

Cash Distributions are Not Guaranteed

There can be no assurance regarding the amount of income to be generated by the REIT's properties. The ability of the REIT to make cash distributions, and the actual amount distributed, is entirely dependent on the operations and assets of the REIT, and is subject to various factors including financial performance, obligations under applicable credit facilities, fluctuations in working capital, the sustainability of income derived from the tenants of the REIT's properties and any capital expenditure requirements. Unlike fixed-income securities, there is no obligation of the REIT to distribute to Unitholders any fixed amount, and reductions in, or suspensions of, cash distributions may occur that would reduce yield based on the price of Units. The market value of the Units will deteriorate if the REIT is unable to meet its distribution targets in the future, and that deterioration may be significant. In addition, the composition of cash distributions for tax purposes may change over time and may affect the after-tax return for investors.

Market for Securities and Prices

The REIT is an unincorporated open-ended investment trust and its Units are listed on the TSX. There can be no assurance that an active trading market in the Units will be sustained. A publicly traded real estate investment trust does not necessarily trade at the values determined solely by reference to the underlying value of its real estate assets. Instead, the Units may trade at a premium or a discount to such values. A number of factors may influence the market price of the Units, including general market conditions, fluctuations in the markets for equity securities, short-term supply and demand factors for real estate investment trusts and numerous other factors.

Potential Volatility of Unit Price

One of the factors that may influence the market price of the Units is the annual yield on the Units. An increase in market interest rates may lead purchasers of Units to demand a higher annual yield, which accordingly could adversely affect the market price of the Units. In addition, the market price of the Units may be affected by numerous factors, many of which are beyond the control of the REIT, including: (i) changes in general market conditions; (ii) fluctuations in the markets for equity securities; (iii) recommendations by securities research analysts; (iv) changes in the economic performance or market valuations of other issuers that investors deem comparable to the REIT; (v) release or expiration of lock-up or other transfer restrictions on outstanding Units; (vi) sales or perceived sales of additional Units; (vii) significant acquisitions or business combinations, strategic partnerships, joint ventures or capital commitments by or involving the REIT or its competitors; and (viii) news reports relating to trends, concerns, technological or competitive developments, regulatory changes and other related issues in the REIT's industry or target markets.

Restrictions on Redemptions

It is anticipated that the redemption right attached to the Units will not be the primary mechanism by which holders of Units liquidate their investment. The entitlement of Unitholders to receive cash upon the redemption of their Units is subject to the following limitations: (i) the total amount payable by the REIT in respect of such Units and all other Units tendered for redemption in the same calendar month must not exceed \$50,000 (provided that such limitation may be waived at the discretion of the Board of Trustees); (ii) on the date such Units are tendered for redemption, the outstanding Units must be listed for trading on the TSX or traded or quoted on any other stock exchange or market which the Board of Trustees consider, in their sole discretion, provides fair market value prices for the Units; (iii) the normal trading of Units is not suspended or halted on any stock exchange on which the Units are listed (or, if not listed on a stock exchange, on any

market on which the Units are quoted for trading) on the redemption date for more than five trading days during the 10-day trading period commencing immediately after the redemption date; and (iv) the redemption of the Units must not result in the delisting of the Units from the principal stock exchange on which the Units are listed.

Redemption notes which may be distributed to holders of Units in connection with a redemption will not be listed on any exchange, no market is expected to develop in redemption notes and such securities may be subject to an indefinite "hold period" or other resale restrictions under applicable securities laws. Redemption notes so distributed may not be qualified investments for exempt plans, depending upon the circumstances at the time.

Currency Exchange Rate Risk

The price for Units is denominated in U.S. dollars. The Canadian dollar is not maintained at a fixed exchange rate compared to foreign currencies. Although investors are Canadian residents, an investment in Units is required to be made in U.S. dollars. Further, the REIT's portfolio generates cash flow in U.S. dollars and the distributions made on the Units are in U.S. dollars. Consequently, income and expense or any ultimate gain on sale is earned or incurred in U.S. dollars. As a result of fluctuations in the Canada/U.S. dollar exchange rate, the value of an investment in Units and the return on the original investment, when expressed in Canadian dollars, may be greater or less than that determined only with reference to U.S. dollars. Accordingly, investors are subject to currency exchange rate risk.

Appraisals

The REIT may, from time to time, engage appraisers to provide independent estimates of the fair market value range in respect of the REIT's properties. Caution should be exercised in the evaluation and use of appraisal results, which are estimates of market value at a specific point in time. In general, appraisals represent only the analysis and opinion of qualified experts as at the effective date of such appraisals and are not guarantees of present or future value. Furthermore, a publicly traded real estate investment trust will not necessarily trade at values determined solely by reference to the underlying value of its real estate assets. Accordingly, the Units may trade at a premium or a discount to values implied by any appraisal(s) of the REIT's properties.

Availability of Cash Flow

ACFO may exceed actual cash available to the REIT from time to time because of items such as principal repayments, leasing costs and capital expenditures in excess of stipulated reserves identified by the REIT in its calculation of ACFO and redemptions of Units, if any. The REIT may be required to use part of its debt capacity or to reduce distributions in order to accommodate such items. Credit facility terms may prohibit payments or distributions from the REIT in default circumstances.

Structural Subordination of Units

In the event of bankruptcy, liquidation or reorganization of the Partnership or any of its Subsidiaries, holders of their indebtedness and their trade creditors will generally be entitled to payment of their claims from the assets of the Partnership and its subsidiaries before any assets are made available for distribution to the REIT or holders of Units. Therefore, the Units are effectively subordinated to the debt and other obligations of the Partnership and its subsidiaries. The Partnership and its subsidiaries generate all of the REIT's cash available for distribution and hold substantially all of the REIT's assets.

The REIT's Fiduciary Duties

The REIT, as the sole member of the general partner of the Partnership, has fiduciary duties to the Partnership and the limited partners of the Partnership, the discharge of which may conflict with the interests of the Unitholders. The limited partners of the Partnership have agreed that, in the event of a conflict between the duties owed by the Board of Trustees to the REIT and the duties that the REIT owes, in its capacity as the sole member of the general partner of the Partnership, to such limited partners, the Board of Trustees are under no obligation to give priority to the interests of such limited partners.

Limited Control

Unitholders have limited control over changes in the REIT's policies and operations, which increases the uncertainty and risks of an investment in the REIT. The Board of Trustees determines major policies, including policies regarding financing, growth, debt capitalization, REIT qualification and distributions. The Board of Trustees may amend or revise these and other policies without a vote of Unitholders. Under the REIT's organizational documents, Unitholders have a right to vote only on limited matters. The Board of Trustees' broad discretion in setting policies and Unitholders' inability to exert control over those policies increases the uncertainty and risks of an investment in the REIT. In addition, the Declaration of Trust requires that the CEO of the REIT be nominated to serve as a trustee.

Dilution

The number of Units the REIT is authorized to issue is unlimited. Subject to the rules of any applicable stock exchange on which the Units are listed and applicable securities laws, the REIT may, in its sole discretion, issue additional Units from time to time (including pursuant to any employee incentive compensation plan that may be introduced in the future), and the interests of the holders of Units may be diluted thereby.

Unitholder Liability

The Declaration of Trust provides that no Unitholder will be subject to any liability whatsoever to any person in connection with the holding of a Unit. In addition, legislation has been enacted in the Province of Ontario and certain other provinces and territories that is intended to provide Unitholders in those provinces and territories with limited liability. However, there remains a risk, which is considered by the REIT to be remote in the circumstances, that a holder of Units could be held personally liable for the obligations of the REIT to the extent that claims are not satisfied out of the assets of the REIT. It is intended that the affairs of the REIT will be conducted to seek to minimize such risk wherever possible.

Nature of Investment

The Units represent a fractional interest in the REIT and do not represent a direct investment in the REIT's assets and should not be viewed by investors as direct securities of the REIT's assets. A holder of a Unit of the REIT does not hold a share of a body corporate. As holders of Units, the Unitholders will not have statutory rights normally associated with ownership of shares of a corporation including, for example, the right to bring "oppression" or "derivative" actions. The rights of Unitholders are based primarily on the Declaration of Trust. There is no statute governing the affairs of the REIT equivalent to the *Business Corporations Act* (Ontario) or the *Canada Business Corporations Act* (the "CBCA") which sets out the rights and entitlements of shareholders of corporations in various circumstances. As well, the REIT may not be a recognized entity under certain existing insolvency legislation such as the *Bankruptcy and Insolvency Act* (Canada) and the *Companies Creditors' Arrangement Act* (Canada), and thus the treatment of Unitholders upon an insolvency is uncertain.

Enforceability of Judgments

Each of WPT Capital, the external asset manager and property manager of the REIT, and Welsh, the former external asset and property manager of the REIT, is an entity organized under the laws of a foreign jurisdiction and resides outside Canada. All of the managers and officers of the Partnership are residents of countries other than Canada. Additionally, all of the Partnership's assets and the assets of these persons are located outside of Canada. As a result, it may be difficult for Unitholders to initiate a lawsuit within Canada against these non-Canadian residents. In addition, it may not be possible for Unitholders to collect from Welsh, WPT Capital or other non-Canadian residents' judgments obtained in courts in Canada predicated on the civil liability provisions of securities legislation of certain of the provinces and territories of Canada. It may also be difficult for Unitholders to succeed in a lawsuit in the U.S., based solely on violations of Canadian securities laws.

Financial Reporting and Other Public Company Requirements

The REIT is subject to reporting and other obligations under applicable Canadian securities laws and rules of any stock exchange on which the Units are listed, including National Instrument 52-109 — *Certification of Disclosure in Issuers' Annual and Interim Filings*. These reporting and other obligations place significant demands on the REIT's management, administrative, operational and accounting resources. In order to meet such requirements, the REIT has established systems, implemented financial and management controls, reporting systems and procedures and retained accounting and finance personnel. If the REIT is unable to accomplish any such necessary objectives in a timely and effective fashion, its

ability to comply with its financial reporting requirements and other rules that apply to reporting issuers could be impaired. Moreover, any failure to maintain effective internal controls could cause the REIT to fail to meet its reporting obligations or result in material misstatements in its financial statements. If the REIT cannot provide reliable financial reports or prevent fraud, its reputation and operating results could be materially harmed which could also cause investors to lose confidence in the REIT's reported financial information, which could result in a lower trading price of Units.

Management does not expect that the REIT's disclosure controls and procedures and internal controls over financial reporting will prevent all error and all fraud. A control system, no matter how well designed and implemented, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Due to the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues within a company are detected. The inherent limitations include the realities that judgments in decision making can be faulty, and that breakdowns can occur because of simple errors or mistakes. Controls can also be circumvented by individual acts of some persons, by collusion of two or more people or by management override of the controls. Due to the inherent limitations in a cost effective control system, misstatements due to error or fraud may occur and not be detected.

PART V

RELATED PARTY TRANSACTIONS

Transactions with Key Personnel

Compensation

The REIT's key personnel are comprised of the Trustees, the Chief Executive Officer, the Chief Operating Officer and the Chief Financial Officer. Compensation of key personnel for the years ended December 31, 2018 and 2017 was as follows:

	2018	2017
Total as at December 31, 2017	\$ 2,376	\$ 2,128
Granted	1,113	-
Total as at December 31, 2018	\$ 3,489	\$ 2,128

Transactions with Key Personnel and AIMCo

Internalization of Management

On July 31, 2018, the REIT (through its wholly owned subsidiaries) internalized management and acquired 100% of the membership interests of WPT Capital, through the issuance of separate share purchase agreements with AIMCo and the principals of WPT Capital, collectively. Concurrently with the Transaction, certain employees of WPT Capital became key personnel of the REIT or its subsidiaries. (see Part I: overview section),

Louisville Property Acquisition

On September 28, 2018, the REIT indirectly acquired from AIMCo and certain key employees of the REIT's management team, the Louisville Property for a purchase price of \$17,860 (exclusive of closing and transaction costs). Under the AIMCo Venture Management Agreement, the REIT exercised their right of first opportunity to acquire the investment property. The acquisition was unanimously approved by the independent members of the REIT's Board of Trustees. As part of the sale transaction, the REIT earned a performance fee. Prior to the acquisition, the REIT earned fees as the asset and property manager of the property.

WPT Capital and Welsh

Prior to the Transaction on July 31, 2018, the REIT paid various fees to WPT Capital, the former asset and property manager of the REIT. See Part I: Overview for further details.

On September 26, 2018, Welsh redeemed 2,361,672 Class B Units in exchange for ownership and control over 2,361,672 REIT Units. The Units were subsequently sold on a block trade basis eliminating Welsh's interest in the REIT.

The activity from each related party, except the transactions noted above, up through the dates noted, are set forth below:

('000s)	Three months ended		Year ended	
	December 31,		December 31,	
	2018	2017	2018	2017
Fees earned under asset management agreement (1)				
Acquisition fees	\$ -	\$ 47	\$ 287	\$ 1,577
Asset management fees	-	585	1,375	2,088
Construction management fees	-	135	83	542
Out-of-pocket costs	-	84	163	267
Fees earned under property management agreement (2)	-	548	1,335	2,054
Other				
Class B Unit distributions paid to Welsh	-	686	1,591	4,122
REIT Unit distributions paid to Welsh	-	-	-	1

For the periods from January 1, 2017 through July 31, 2018, WPT Capital provided the following services related to the fees noted above.

(1) The asset management agreement provided for the following fees:

- Acquisition fees equal to: (i) 1.0% of the purchase price paid for the first \$100,000 of investment properties acquired by the REIT or any of its affiliates in each fiscal year; (ii) 0.75% of the purchase price paid for the next \$100,000 of investment properties acquired by the REIT or any of its affiliates in each fiscal year; and (iii) 0.50% of the purchase price paid in excess of \$200,000 for investment properties acquired by the REIT or any of its affiliates in each fiscal year.
- Asset management fees at 0.25% of gross book value, as defined in the asset management agreement.
- Construction management fee. With respect to any capital project with costs in excess of \$100 undertaken by the REIT or any of its affiliates, a construction management fee equal to 5.0% of aggregate tenant improvements, capital expenditures and construction costs incurred in respect of such capital project.
- The REIT reimburses WPT Capital for all reasonable actual out-of-pocket costs and expenses incurred in connection with the performance of the services described in the asset management agreement or such other services that the REIT and WPT Capital agree in writing are to be provided from time to time by the external manager.

(2) Under the property management agreement, WPT Capital was the property manager of the investment properties owned by the REIT and administered the day-to-day operations of the REIT's portfolio of investment properties. Property management fees are described below for all investment properties owned by the REIT:

- 2% of the gross property revenue for all single-tenant industrial investment properties;

- 3% of the gross property revenue for all multi-tenant industrial investment properties; and
- 4% of the gross property revenue for all office investment properties.

PART VI

SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES, AND ASSUMPTIONS

A summary of significant accounting policies, including significant judgments and critical accounting estimates made by management of the REIT and the adoption of amendments to IFRS 9, *Financial Instruments*, IFRS 15, *Revenue Contracts with Customers*, and IFRS 2, *Share-Based Payment*, is described in note 2 of the REIT's audited consolidated financial statements for the year ended December 31, 2018 and in the REIT's MD&A for the year ended December 31, 2018. Other than as noted below, there were no changes in significant accounting judgements, estimates and assumptions during the year ended December 31, 2018.

Preparing the consolidated financial statements requires management to make judgments, estimates and assumptions in the application of the policies outlined in the REIT's audited consolidated financial statements. Management bases its judgments and estimates on historical experience and other factors it believes to be reasonable under the circumstances. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or the liability affected in the future.

Fair value of investment properties

The key valuation metrics for investment properties are set out below as at December 31, 2018 and December 31, 2017:

	December 31, 2018	December 31, 2017
Weighted average terminal capitalization rate	6.46%	6.62%
Range of terminal capitalization rates	5.25% - 9.00%	5.50% - 9.00%
Weighted average discount rate	7.09%	7.08%
Range of discount rates	6.00% - 9.19%	6.07% - 8.95%

The fair value of investment properties is most sensitive to changes in the key valuation assumptions. Changes in the terminal capitalization rates and discount rates would result in a change to the fair value of the REIT's investment properties as set out below for the year ended December 31, 2018:

	December 31, 2018	
Weighted average terminal capitalization rate:		
25-basis points increase	\$	(25,129)
25-basis points decrease	\$	27,211
Weighted average discount rate:		
25-basis points increase	\$	(21,143)
25-basis points decrease	\$	21,658

Changes in Accounting Policies

The REIT noted the following standards and amendments to existing standards issued by the IASB are expected to be relevant to the REIT in preparing its consolidated financial statements starting in 2019:

- IFRS 16, *Leases*

On January 13, 2016, the IASB issued IFRS 16, *Leases*. The new standard will replace existing lease guidance in IFRS and related interpretations and requires lessees to bring most leases on-balance sheet. Lessor accounting is substantially unchanged under IFRS 16 and leases with tenants are to be accounted for as operating leases in a consistent manner to the current accounting treatment. The new standard is effective for years beginning

on January 1, 2019. The REIT has reviewed all lease contracts in which it is a lessee and does not expect the adoption of IFRS 16 to have a material impact on the REIT's consolidated statements of net income and comprehensive income.

(ii) IFRIC Interpretation 23, *Uncertainty over Income Tax Treatments*

On June 7, 2017, the IASB issued IFRIC Interpretation 23 *Uncertainty over Income Tax Treatments*. The Interpretation provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. The Interpretation is applicable for annual periods beginning on or after January 1, 2019 with early adoption permitted. The Interpretation requires: a) the REIT to contemplate whether uncertain tax treatments should be considered separately, or together as a group, based on which approach provides better predictions of the resolution; b) determine if it is probable that the tax authorities will accept the uncertain tax treatment and c) if it is not probable that the uncertain tax treatment will be accepted, measure the tax uncertainty based on the most likely amount or expected value, depending on whichever method better predicts the resolution of the uncertainty. The REIT intends to adopt the Interpretation in their financial statements for the annual period beginning on January 1, 2019. Management does not expect the adoption of IFRIC Interpretation 23 to have a material impact on the financial statements.