Consolidated Financial Statements
(In U.S. dollars)

WPT INDUSTRIAL REAL ESTATE INVESTMENT TRUST

For the years ended December 31, 2018 and 2017

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INDEPENDENT AUDITORS' REPORT

To the Unitholders of WPT Industrial Real Estate Investment Trust:

Opinion

We have audited the consolidated financial statements of WPT Industrial Real Estate Investment Trust (the Entity), which comprise:

- the consolidated statements of financial position as at December 31, 2018 and 2017
- the consolidated statements of net income and other comprehensive income for the years then ended
- the consolidated statements of changes in unitholders' equity for the years then ended
- the consolidated statements of cash flows for the years then ended
- notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2018 and 2017 and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the ***"Auditors' Responsibilities for the Audit of the Financial Statements"*** section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KPMG LLP, is a Canadian limited liability partnership and a member firm of the KPMG network of independent
member firms affiliated with KPMG International Cooperative (“KPMG International”), a Swiss entity.
KPMG Canada provides services to KPMG LLP.

Other Information

Management is responsible for the other information. Other information comprises:

- the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions; and
- the information, other than the financial statements and the auditors' report thereon, included in a document likely to be entitled "2018 Annual Report".

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions as at the date of this auditors' report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

We have nothing to report in this regard.

The information, other than the financial statements and the auditors' report thereon, included in a document likely to be entitled "2018 Annual Report" is expected to be made available to us after the date of this auditors' report. If, based on the work we will perform on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact to those charged with governance.

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

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

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

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

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

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

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

The engagement partner on the audit resulting in this auditors' report is Jason Gaiotto.

Toronto, Canada

March 6, 2019

WPT INDUSTRIAL REAL ESTATE INVESTMENT TRUST

Consolidated Statements of Financial Position
(In thousands of U.S. dollars)

	December 31, 2018	December 31, 2017
Assets		
Non-current assets:		
Investment properties (note 6)	$ 1,117,672	$ 1,009,582
Intangible assets and goodwill (note 8)	22,721	-
Other non-current assets	88	138
	1,140,481	1,009,720
Current assets:		
Amounts receivable (note 9)	2,573	1,816
Prepaid expenses	1,271	1,106
Restricted cash	849	664
Cash and cash equivalents	8,245	6,637
	12,938	10,223
Total assets	$ 1,153,419	$ 1,019,943
Liabilities and Unitholders' Equity		
Non-current liabilities:		
Mortgages payable (note 12)	312,097	314,616
Bank indebtedness (note 12)	174,284	76,892
Class B Units (note 13)	25,422	45,942
Deferred tax liability, net (note 11)	3,680	-
Derivative instruments (note 12)	2,770	-
Security deposits	1,534	1,501
	519,787	438,951
Current liabilities:		
Mortgages payable (note 12)	32,072	33,864
Amounts payable and accrued liabilities (note 10)	24,156	17,631
Distributions payable (note 15)	2,971	2,820
	59,199	54,315
Total liabilities	578,986	493,266
Total unitholders' equity	574,433	526,677
Commitments and contingencies (note 24)		
Subsequent events (note 29)		
Total liabilities and unitholders' equity	$ 1,153,419	$ 1,019,943

See accompanying notes to consolidated financial statements.

WPT INDUSTRIAL REAL ESTATE INVESTMENT TRUST

Consolidated Statements of Net Income and Comprehensive Income
(In thousands of U.S. dollars)

	Year ended December 31, 2018	Year ended December 31, 2017
Investment properties revenue (note 17)	$ 92,454	$ 81,786
Management fee revenue (note 18)	2,790	-
	95,244	81,786
Expenses (income):		
Investment properties operating expenses	24,127	21,495
Fair value adjustment to investment properties (note 6)	(24,280)	(24,081)
Fair value adjustment to investment properties – IFRIC 21 (note 6)	511	479
General and administrative (note 19)	10,571	7,564
Transaction costs related to internalization (note 4)	8,560	-
Amortization of intangible assets (note 8)	1,565	-
Fair value adjustment to Class B Units (notes 13, 20)	677	6,119
Fair value adjustment to derivative instruments (notes 12, 21)	2,770	-
Finance costs (note 21)	20,703	17,704
Net income and comprehensive income before income taxes	50,040	52,506
Deferred income tax recovery (note 11)	606	-
Net income and comprehensive income	$ 50,646	$ 52,506

See accompanying notes to consolidated financial statements.

WPT INDUSTRIAL REAL ESTATE INVESTMENT TRUST

Consolidated Statements of Changes in Unitholders' Equity
(In thousands of U.S. dollars, except REIT Units)

	# of REIT Units	Trust Equity	Distributions	Accumulated Income	Unitholders' Equity
Balance, December 31, 2016 (note 15)	34,652,426	$ 346,990	$ (51,370)	$ 85,422	$ 381,042
REIT Units issued, net of issuance costs (note 15)	6,735,500	82,612	-	-	82,612
Redemption of Class B Units for REIT Units (notes 13,15)	3,110,888	39,975	-	-	39,975
DTUs redeemed for REIT Units (note 15)	31,374	417	-	-	417
REIT Units issued due to exercise of stock options (note 15)	15,584	210	-	-	210
Net income and comprehensive income	-	-	-	52,506	52,506
Distributions declared (note 15)	-	-	(30,085)	-	(30,085)
Balance, December 31, 2017	44,545,772	$ 470,204	$ (81,455)	$ 137,928	$ 526,677
Redemption of Class B Units for REIT Units (notes 13,15)	2,361,672	31,197	-	-	31,197
DTUs redeemed for REIT Units (note 15)	25,859	329	-	-	329
REIT Units issued due to exercise of stock options (note 15)	1,505	20	-	-	20
Net income and comprehensive income	-	-	-	50,646	50,646
Distributions declared (note 15)	-	-	(34,436)	-	(34,436)
Balance, December 31, 2018 (note 15)	46,934,808	$ 501,750	$ (115,891)	$ 188,574	$ 574,433

See accompanying notes to consolidated financial statements.

WPT INDUSTRIAL REAL ESTATE INVESTMENT TRUST

Consolidated Statements of Cash Flows
(In thousands of U.S. dollars)

	Year ended December 31, 2018	2017
Cash flows from operating activities:		
Net income	$ 50,646	$ 52,506
Finance costs (note 21)	24,150	23,823
Non-cash items:		
Amortization of straight-line rent	(1,102)	(1,291)
Property tax liability under IFRIC 21	511	479
Fair value adjustment to investment properties – IFRIC 21 (note 6)	(511)	(479)
Fair value adjustment to investment properties (note 6)	(24,280)	(24,081)
Deferred compensation expense	3,254	2,518
Fair value adjustment on deferred compensation (note 19)	837	1,082
Amortization of intangible assets (note 8)	1,565	-
Deferred income tax recovery (note 11)	(606)	-
Amortization of lease incentives (note 6)	1,602	1,207
Change in non-cash working capital (note 28)	(561)	(1,099)
Cash flows provided by operating activities	55,505	54,665
Cash flows from financing activities:		
Repayment of mortgages payable	(33,864)	(6,627)
Proceeds from mortgages payable	30,000	37,765
Repayment of bank indebtedness	(86,500)	(58,000)
Proceeds from bank indebtedness	185,000	115,500
Financing costs incurred	(2,193)	(688)
Proceeds from issuance of REIT Units, net of issuance costs (note 15)	-	82,612
Distributions paid	(34,285)	(29,459)
Interest paid	(20,151)	(17,504)
Cash flows provided by financing activities	38,007	123,599
Cash flows from investing activities:		
Acquisitions of investment properties (note 4)	(72,390)	(178,768)
Business combination (note 4)	(9,861)	-
Proceeds from disposition of investment properties (note 5)	-	14,233
Additions to investment properties, including lease incentives	(9,653)	(9,984)
Additions to investment properties under development	-	(5,996)
Change in capital escrows	-	(119)
Cash flows used in investing activities	(91,904)	(180,634)
Increase (decrease) in cash and cash equivalents	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
Non-cash transactions:		
Issuance of Class B Units in business combination (note 4)	$ 10,000	$ -

See accompanying notes to consolidated financial statements.

WPT Industrial Real Estate Investment Trust (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 REIT was formed for the purpose of acquiring, developing, and owning primarily industrial investment properties, located in the United States, with a particular focus on warehouse and distribution investment properties.

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 under the symbol "WPTIF". The registered office of the REIT is at 199 Bay Street, Suite 4000, Toronto, Ontario.

As at December 31, 2018, the REIT owned a portfolio of investment properties comprised of 56 industrial investment properties and one office investment property, located in 15 states in the U.S.

1. Basis of presentation:

(a) Statement of compliance:

The consolidated financial statements of the REIT have been prepared by management in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB").

These consolidated financial statements were approved by the board of trustees of the REIT (the "Board of Trustees") on March 6, 2019.

(b) Basis of measurement:

The consolidated financial statements have been prepared on a historical cost basis except for investment properties, amounts payable under deferred compensation plans, derivative instruments and Class B Units ("Class B Units") which have been measured at fair value. The consolidated financial statements are presented in U.S. dollars, which is the REIT's functional currency, and all amounts have been rounded to the nearest thousands, except per unit amounts and when otherwise indicated.

(c) Basis of consolidation:

The consolidated financial statements comprise the financial statements of the REIT and its subsidiaries including the REIT's interest in WPT Industrial, Inc. and WPT Industrial, LP (the "Partnership"). Subsidiaries are entities controlled by the REIT. The financial statements of the subsidiaries are prepared for the same reporting periods as the REIT using consistent accounting policies. All intercompany balances, transactions and unrealized gains and losses arising from intercompany transactions are eliminated on consolidation.

2. Significant accounting policies:

(a) Business combinations:

When an investment is acquired, the REIT considers the substance of the assets and activities of the acquisition in determining whether the acquisition represents an asset acquisition or a business combination. A transaction is considered to be a business combination if the acquired investment meets the definition of a business in accordance with IFRS 3, *Business*

Combinations (“IFRS 3”), being an integrated set of activities and assets that are capable of being managed for the purpose of providing a return to the Unitholders.

Business combinations are accounted for under the acquisition method. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at fair value as at the acquisition date. Goodwill, if any, is the excess of the cost of acquisition over the fair value of the REIT's share of the identifiable net assets acquired. If the cost of acquisition is less than the fair value of the REIT's share of the net assets acquired, the difference is recognized immediately in the consolidated statements of net income and comprehensive income. Transaction costs incurred in connection with business combinations are expensed as incurred.

If the acquisition of an investment does not represent a business, it is accounted for as an acquisition of a group of assets and liabilities. The cost of the acquisition is allocated to the assets and liabilities acquired based upon their relative fair values at the acquisition date, and no goodwill is recognized. Acquisition-related costs are capitalized to the investment at the time the acquisition is completed.

(b) Investment properties:

Investment properties are initially recorded at cost, including related transaction costs in the case of asset acquisitions, and includes primarily industrial investment properties held to earn rental revenue and/or for capital appreciation. 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.

Investment properties include land, buildings, improvements to investment properties and all direct leasing costs incurred in obtaining and retaining property tenants. Lease incentives that do not provide benefits beyond the initial lease term are amortized as a reduction to investment properties revenue on a straight-line basis over the term of the lease.

Capital expenditures, including tenant improvements, are added to the carrying value of the investment properties only when it is probable that future economic benefits will flow to the investment property and cost can be measured reliably. Repairs and maintenance expenditures are expensed when incurred.

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 construction and receipt of all necessary occupancy and other material permits.

Dispositions

Investment properties are derecognized when they have been disposed of or permanently withdrawn from use and no future economic benefit is expected from their disposal. Prior to their disposal, the carrying values of the investment properties are adjusted to reflect their fair values. This adjustment is recorded as a fair value gain or loss.

(c) Fair value measurement:

The REIT measures financial instruments, such as derivatives, and non-financial assets, such as investment properties, at fair value at each balance sheet date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date under current market conditions. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the REIT.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability assuming that market participants act in their economic best interests. A fair value measurement of a non-financial asset considers a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The REIT uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the financial statements on a recurring basis, the REIT determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the REIT has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

(d) Cash, cash equivalents and restricted cash:

Cash and cash equivalents include all short-term investments with an original maturity of three months or less and excludes cash subject to restrictions that prevent its use for current purposes. Restricted cash represents amounts required to be held in escrow by various

mortgages payable, related to insurance, real estate taxes and capital expenditures. These items are included in either other non-current assets or restricted cash depending on their required holding period.

(e) Revenue recognition:

The REIT accounts for tenant leases as operating leases given that it has retained substantially all of the risks and benefits of ownership of its investment properties.

Revenue from investment properties includes base rents that each tenant pays in accordance with the terms of its respective lease, recoveries of operating expenses, including property taxes, common area maintenance, lease termination fees and other incidental income. Revenue recognition under a lease commences when the tenant has the right to use the investment property.

The total amount of contractual rent to be received from operating leases is recognized on a straight-line basis over the term of the lease, resulting in an accrual recording the cumulative difference between the rental revenue as recorded on a straight-line basis and rents received from tenants in accordance with their respective lease terms. This accrual is presented as a straight-line rent receivable and forms a component of investment properties.

Recoveries of operating expenses from tenants are recognized as revenue in accordance with the terms of the underlying leases, which is generally in the year in which the corresponding costs are incurred. Other revenue is recorded at the time the service is provided.

An allowance for doubtful accounts is maintained for estimated losses resulting from the inability of tenants to meet the contractual obligations under their lease agreements. Such allowances are reviewed periodically based on the recovery experience of the REIT and the creditworthiness of the tenants.

The REIT also earns 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. These fees are recognized on an accrual basis over the period during which the related services are provided. Asset and property management services also may result in the REIT earning a performance fee when performance of underlying investment properties exceeds established returns. Those returns are calculated based on fixed percentages in excess of predetermined thresholds as outlined in the governing documents for each respective investment partnership. Performance fees are not recognized in revenue until the amounts can be established and there is a low probability of reversal from future events.

(f) Financial instruments:

(i) Designation of financial instruments:

The following summarizes the REIT's classification and measurement of financial assets and financial liabilities:

Financial assets and liabilities	Classification	Measurement
Cash and cash equivalents	Loans and receivables	Amortized cost
Amounts receivable (rent and other receivables)	Loans and receivables	Amortized cost
Restricted cash	Loans and receivables	Amortized cost
Mortgages payable and construction loan	Other liabilities	Amortized cost
Class B Units	Fair value through profit and loss (“FVTPL”)	Fair value
Bank indebtedness	Other liabilities	Amortized cost
Derivative instruments	FVTPL	Fair value
Security deposits	Other liabilities	Amortized cost
Amounts payables and accrued liabilities	Other liabilities	Amortized cost

(ii) Financial assets:

Financial assets are classified and measured based on amortized costs or fair value through profit or loss. Transaction costs that are directly attributable to the acquisition of a financial asset, with the exception of those classified as at fair value through profit or loss, are accounted for as part of the respective asset’s carrying value at inception and amortized over the expected life of the financial instrument using the effective interest method. Transaction costs directly attributable to the acquisition of financial assets classified as at fair value through profit or loss are recognized immediately in the consolidated statements of net income and comprehensive income.

An allowance for expected credit losses (“ECL”) is recognized at each balance sheet date for all financial assets measured at amortized cost or those measured at fair value through profit or loss. The ECL model requires considerable judgment, including consideration of how changes in economic factors affect ECLs, which are determined on a probability-weighted basis.

The carrying amount of the financial asset is reduced through an allowance account, and the amount of the loss is recognized in the consolidated statements of net income and

comprehensive income within investment properties operating expenses. Bad debt write-offs occur when management determines collection is not possible. Any subsequent recoveries of amounts previously written off are credited against investment properties operating expenses in the consolidated statements of net income and comprehensive income. Amounts receivables that are less than three months past due are not considered impaired unless there is evidence that collection is not possible.

(iii) Financial liabilities:

The REIT classifies financial liabilities on initial recognition as other liabilities measured at amortized cost, or in the case of Class B Units, DPUs and derivative instruments at fair value, with changes in FVTPL. The REIT initially recognizes borrowings on the date they are originated. All other financial liabilities are recognized initially on the trade date at which the REIT becomes party to the contractual provisions of the instrument. Mortgages payable and other financial liabilities are initially recognized at fair value less directly attributable transaction costs, or at fair value when assumed in a business combination or asset acquisition. Subsequent to initial recognition, these financial liabilities are recognized at amortized cost using the effective interest rate method.

The REIT derecognizes a financial liability when its contractual obligations are discharged, cancelled or expired.

(iv) Finance costs:

Finance costs include interest expense on mortgages payable and bank indebtedness (defined in note 12), distributions on Class B Units, the gain or loss on the change in fair value of financial liabilities designated as FVTPL, including Class B Units and other financial instruments, amortization associated with mark-to-market adjustments and financing costs incurred in connection with obtaining long-term financings. Mark-to-market adjustments and financing costs incurred are amortized using the effective interest rate method over the term of the related mortgages payable. Unamortized mark-to-market adjustments and financing costs incurred are fully amortized when mortgages payable are retired before maturity.

(v) Derivative financial instruments:

The REIT may use derivative financial instruments to manage risks from fluctuations in interest rates. All derivative instruments are valued at their respective fair values with

changes in fair value recorded in the consolidated statements of net income and comprehensive income.

(g) Income taxes:

(i) Canadian status:

The REIT is a mutual fund trust pursuant to the Income Tax Act (Canada). Under current tax legislation, a mutual fund trust that is not a Specified Investment Flow Through ("SIFT") trust pursuant to the Income Tax Act (Canada) is entitled to deduct distributions of taxable income such that it is not liable to pay income taxes provided that its taxable income is fully distributed to unitholders. The REIT intends to continue to qualify as a mutual fund trust that is not a SIFT trust and to make distributions not less than the amount necessary to ensure that the REIT will not be liable to pay income taxes.

(ii) U.S. REIT status:

The REIT is treated as a U.S. corporation for all purposes under the Internal Revenue Code of 1986, as amended (the "Code") and, as a result, it is permitted to elect to be treated as a real estate investment trust under the Code, notwithstanding the fact that it is organized as a Canadian entity. In general, a company which elects to be taxed as a real estate investment trust, distributes at least 90% of its real estate investment trust taxable income, subject to certain adjustments, to its unitholders in any taxable year, and complies with certain other requirements (including asset, income and other tests) is not subject to federal income taxation to the extent of the income which it distributes. If it fails to qualify as a real estate investment trust in any taxable year, without the benefit of certain relief provisions, it will be subject to federal (including any applicable alternative minimum tax for taxable years beginning before January 1, 2018), state and local income tax at regular corporate income tax rates on its taxable income. Even if it qualifies for taxation as a real estate investment trust, it may be subject to certain state and local taxes on its income, property or net worth and to federal income and excise taxes on its undistributed income. The REIT has reviewed the real estate investment trust requirements and has determined that it qualifies as a real estate investment trust under the Code. Accordingly, no provision for U.S. federal income or excise taxes has been made with respect to the income of the REIT. In certain instances, the REIT may be subject to certain state and local taxes which are not material to the financial statements.

The REIT expects no significant increases or decreases in uncertain tax positions due to changes in tax positions within one year of December 31, 2018. The REIT has no material

interest or penalties relating to income taxes recognized in the consolidated statements of net income and comprehensive income for the years ended December 31, 2018 and 2017 or in the consolidated statements of financial position as at December 31, 2018 and 2017. As at December 31, 2018, returns for the calendar years 2015 through 2017 remain subject to examination by U.S. and various state and local tax jurisdictions.

(iii) U.S. income taxes:

The REIT has a U.S. taxable REIT subsidiary ("TRS") that is subjected to U.S. federal and state income taxes separate from the REIT. In general, a TRS may perform and engage in real estate or non-real estate businesses that are not permitted REIT activities.

The REIT uses judgment to interpret tax rules and regulations in determining the appropriate rates and amounts in recording current and deferred income taxes. Actual income taxes could significantly vary from these estimates as a result of future events, including changes in income tax law or the outcome of reviews by tax authorities and related appeals. To the extent that the final tax outcome is different from the amounts that were initially recorded, such difference will impact the income tax provision in the period in which such determination is made.

The recognition of deferred income tax assets and liabilities also requires significant judgment as the recognition is dependent on the REIT's projection of future taxable profits and tax rates that are expected to be in effect in the period the asset will be realized or the liability settled. Any changes to this projection will result in changes in the amount of deferred tax assets and liabilities and the deferred tax expense in the consolidated statements of net income and comprehensive income.

The REIT records deferred income tax assets and liabilities using the asset and liability method of accounting on differences arising between the financial statement carrying values and their respective income tax basis. Deferred tax is measured using enacted or substantively enacted income tax rates expected to apply in the years in which those temporary differences are expected to be recovered or settled. A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(h) Distributions declared:

Distributions declared to unitholders are recognized as a liability in the period in which the distributions are approved by the Board of Trustees and are recorded as a reduction of accumulated income.

(i) REIT Units:

The REIT Units (defined in note 15) are redeemable at the option of the holder and, therefore, are considered puttable instruments in accordance with IAS 32, *Financial Instruments - Presentation* ("IAS 32"). Puttable instruments are required to be accounted for as financial liabilities, except where certain conditions are met in accordance with IAS 32, in which case, the puttable instruments may be presented as equity. The REIT Units meet the conditions of IAS 32 and are, therefore, presented as equity.

(j) Class B Units:

Class B Units are entitled to distributions per unit 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. The Class B Units are puttable, and, therefore, meet the definition of a financial liability under IAS 32 and are accordingly classified as non-current liabilities in the consolidated statements of financial position.

All Class B Units are financial liabilities and are measured at fair value at each reporting period, based upon the value of a REIT Unit, with any changes in fair value recorded in the consolidated statements of net income and comprehensive income.

(k) Deferred compensation plans:

As described in note 14, the REIT has a Deferred Unit Incentive Plan ("DUIP") and unit option plan (the "Plan") that provides for the granting of deferred trust units (“DTUs”), deferred partnership units (“DPUs”), and options to certain of the trustees, officers, employees, consultants and service providers, as well as employees of such service providers. Deferred compensation is measured at fair value as at the grant date and compensation expense is recognized in general and administrative expense over the related vesting period. The amounts are fair valued each reporting period and the change in fair value is recognized as compensation expense. The unit based compensation is presented as a liability.

(l) Intangible assets:

Finite life intangible assets represent the estimated discounted future net cash flow from asset and property management fees the REIT expects to earn over the life of the management agreements acquired in connection with the internalization transaction (note 4). The intangible assets are amortized on a straight-line basis based on (i) the period of estimated future net cash flow for the investment properties identified in the contracts at the time of the Transaction or (ii) the life of the underlying Venture Management Contract. The intangible assets estimated useful lives are between one and ten years.

Indefinite life intangible assets are measured at cost less any accumulated impairment loss.

Intangible assets are evaluated for impairment annually or more often if events or circumstances indicate there may be an impairment. Any impairment of the REIT's intangible asset is recorded in earnings for the period in which the impairment is identified.

(m) Critical accounting judgments, estimates and assumptions:

Preparing the consolidated financial statements requires management to make judgments, estimates and assumptions in the application of the policies outlined above. 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.

(i) Critical accounting judgments:

The following are the critical judgments used in applying the REIT's accounting policies that have the most significant effect on the amounts in the consolidated financial statements:

(a) Investment properties:

The REIT assesses whether an acquisition transaction should be accounted for as an asset acquisition or a business combination under IFRS 3, *Business Combination*. This assessment requires management to make judgments on whether the assets acquired and liabilities assumed constitute a business as defined in IFRS 3 and if the integrated set of activities, including inputs and processes acquired, is capable of

being conducted and managed as a business, and the REIT obtains control of the business.

Management makes judgments with respect to whether lease incentives provided in connection with a lease enhance the value of the leased space, which determines whether or not such amounts are treated as tenant improvements and added to investment properties. Lease incentives, such as cash, rent-free periods and lessee- or lessor-owned improvements, may be provided to lessees to enter into an operating lease. Lease incentives that do not provide benefits beyond the initial lease term are amortized as a reduction of rental revenue on a straight-line basis over the term of the lease.

Judgment is also applied in determining whether improvements to the investment property and costs incurred in obtaining and retaining property tenants are additions to the carrying amounts of the investment properties.

(b) Leases:

The REIT uses judgment in determining whether certain leases, in particular those with long contractual terms where the lessee is the sole tenant in an investment property where the REIT is the lessor and long-term ground leases, are operating or finance leases. Management has determined that all of its leases are operating leases as the REIT has retained substantially all of the risks and benefits of ownership.

(c) Income taxes:

The REIT is a mutual fund trust pursuant to the Income Tax Act (Canada) and a real estate investment trust pursuant to the Code. Under current tax legislation, the REIT is not liable to pay Canadian or U.S. income tax provided that its taxable income is fully distributed to unitholders each year. The REIT has reviewed the requirements for real estate investment trust status and has determined that it qualifies as a real estate investment trust pursuant to the Code.

(ii) Estimates and assumptions:

Management makes estimates and assumptions that affect carrying amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amount of income for the year. Actual results could differ from these estimates. The estimates and

assumptions that are critical in determining the amounts reported in the consolidated financial statements include the valuation of investment properties.

Critical assumptions relating to the estimates of fair values of investment properties include discount rates that reflect current market uncertainties and capitalization rates. If there is any change in these assumptions or regional, national or international economic conditions, the fair value of investment properties may change materially.

The REIT adopted the following standards and amendments to existing standards issued by the IASB:

(i) IFRS 9, *Financial Instruments*

The REIT adopted the new requirements for classification and measurement, impairment and general hedging for IFRS 9 Financial Instruments by applying the requirements for classification and measurement, including impairment, retrospectively with no restatement of comparative periods. The REIT also applied related amendments to IFRS 7, "Financial Instruments: Disclosures" ("IFRS 7") in its consolidated financial statements for the annual period beginning on January 1, 2018.

IFRS 9 contains a new classification and measurement approach for financial assets to be classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income ("FVOCI") and FVTPL, and eliminates the existing IAS 39, "Financial Instruments: Recognition and Measurement" ("IAS 39") categories of held to maturity, loans and receivables and available for sale.

For impairment of financial assets, IFRS 9 replaced the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' model. The new impairment model will apply to financial assets measured at amortized cost or FVOCI, except for investments in equity instruments, and to contract assets.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities. However, under IAS 39 all fair value changes of liabilities designated as FVTPL are recognized in profit or loss, whereas under IFRS 9 the amount of change in fair value attributable to changes in the credit risk of the liability is presented in OCI, and the remaining amount of change in fair value is presented in profit or loss.

The table in note 2(f)(i) summarizes the REIT's classification impacts upon adoption of IFRS 9. The adoption of the new classification requirements under IFRS did not result in significant changes in measurement or the carrying amount of financial assets and financial liabilities.

IFRS 9 also includes a new general hedge accounting standard which aligns hedge accounting more closely with risk management. The REIT does not currently apply hedge accounting.

The REIT implemented this amendment in the first quarter of 2018, with no material impact on the financial statements.

(ii) IFRS 15, *Revenue from Contracts with Customers*

The REIT adopted IFRS 15 Revenue from Contracts with Customers, which replaced IAS 11 Construction Contracts, IAS 18 Revenue and IFRS Interpretations Committee (“IFRIC” 15 Agreements for the Construction of Real Estate, in its consolidated financial statement. The REIT adopted the standard on January 1, 2018 and applied the requirements of the standard retrospectively.

The amendment applies a single, control-based model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much, and when revenue is recognized. The amendment also includes additional disclosure requirements for revenue accounted for under the standard. The implementation of IFRS 15 did not have a significant impact on the REIT’s revenue streams.

A substantial portion of the REIT’s revenue consists of rental revenues from leasing arrangements, such as base rent, which is specifically excluded from the revenue guidance. Non-lease components, such as recoveries of operating expenses from tenants and common area maintenance are subject to additional disclosures in note 15.

The REIT also earns 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. These fees are recognized on an accrual basis over the period during which the related services are provided. Asset and property management services also may result in the REIT earning a performance fee when performance of underlying investment properties exceeds established returns. Those returns are calculated based on fixed percentages in excess of predetermined thresholds as outlined in the governing documents

for each respective investment partnership. Performance fees are not recognized in revenue until the amounts can be established and there is a low probability of reversal from future events.

(iii) IFRS 2, *Share-Based Payment*

The REIT adopted the amendments to IFRS 2 *Share-based Payment*, ("IFRS 2") clarifying how to account for certain types of share-based payment transactions, in its consolidated financial statement for the period beginning on January 1, 2018 with no material impact on the financial statements.

3. 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 in 2019:

(i) 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.

4. Acquisitions:

Business combination:

On July 31, 2018, the REIT (through its wholly owned subsidiaries) internalized management (the "Internalization") and acquired 100% of the membership interests of WPT Capital Advisors, LLC ("WPT Capital"), a related party, through the issuance of separate share purchase agreements with Alberta Investment Management Corporation and affiliates ("AIMCo"), a related party, and the principals of WPT Capital (the "Acquisition") (collectively, the ("Transaction")). Concurrently with the Transaction, all of the executives and other employees of WPT Capital became employees of the REIT or its subsidiaries (see note 16).

The aggregate consideration to WPT Capital included (i) 728,237 Class B Units valued at $10,000 and (ii) $16,811 in cash consideration. 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 (the "Management Agreements") and equaled the fees paid to WPT Capital over the preceding twelve months. The principals of WPT Capital received all of the Class B Units and AIMCo received all of its consideration in cash. The Class B Units are subject to lock-up provisions providing for a release of 1/3 of the units annually beginning on the third anniversary of the Acquisition.

In conjunction with the Internalization, the REIT awarded $9,800 of deferred equity compensation to certain employees 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 awards are considered remuneration for post-internalization services and will be recorded as they are expensed over the related vesting period as accounted for under IFRS 2. See note 14 for further detail.

The REIT acquired two assets: (i) management contracts related to investment properties held by AIMCo and certain members of REIT's management team (the "AIMCo Venture Management Contracts") and (ii) management contracts related to a private capital venture (the "Venture")

formed by WPT Capital with Canada Pension Plan Investment Board ("CPPIB"), AIMCo, and the REIT as investors/limited partners ("the "Venture Management Contracts") (see note 8). Each asset is identified as an intangible asset. The REIT also acquired assets and assumed liabilities of working capital totaling ($139) from WPT Capital.

The REIT, through a wholly owned TRS subsidiary, recorded a deferred tax liability totaling $4,286 as a result of the acquired intangible assets, noted above, having a higher financial statement carrying value than the respective income tax basis. As a result of the deferred tax liability, the REIT recorded goodwill totaling $4,286.

The Acquisition has been recognized as a business combination, in accordance with IFRS 3, *Business Combinations*, with transaction costs of $8,560, including the $6,811 related to the internalization of management, expensed during the year ended December 31, 2018. The REIT has preliminarily recorded all identifiable assets acquired which were measured at best estimates of the respective fair values on July 31, 2018. The REIT has one year to finalize the fair value of the assets acquired and the liabilities assumed. The amounts are as follows:

		Total
Assets acquired:		
Intangible assets:		
Venture Management Contracts	$	15,804
AIMCo Venture Management Contracts		4,196
Goodwill		4,286
		24,286
Deferred tax liability		(4,286)
Amounts receivable		708
Prepaid expenses		53
Other non-current assets		10
Amounts payable and accrued liabilities		(910)
		(139)
Net assets acquired	$	19,861
Consideration given by the REIT consists of the following:		
Cash consideration, net of working capital		9,861
Class B Units		10,000
Total consideration	$	19,861

In accordance with IFRS 3, the REIT is required to disclose on a pro forma basis, the REIT's results for the year-to-date incorporating the effect of the acquisition as if it had been effective

January 1, 2018. The AIMCo Venture Management Contracts generated fee revenue of $472 for the period from January 1, 2018 through the acquisition date. It is impracticable to determine net income for the contracts as WPT Capital provided a number of services and did not allocate costs to each revenue stream. Management noted that the Venture Management Contracts commenced in conjunction with the Transaction date and there is no reportable fee revenue or net income for the period from January 1, 2018 through the date of acquisition.

Asset acquisitions:

St. Paul Property

On June 20, 2018, the REIT indirectly acquired from a third party, an investment property located in St. Paul, MN (the “St. Paul Property”) for a purchase price of $8,300 (exclusive of closing and transaction costs). The purchase price was satisfied with funds from the senior secured revolving credit facility (as defined in note 12).

Rogers Property

On June 29, 2018, the REIT indirectly acquired from a third party, an investment property located in Rogers, MN (the “Rogers Property”) for a purchase price of $20,425 (exclusive of closing and transaction costs). The purchase price was satisfied with funds from the unsecured revolving credit facility.

Louisville Property

On September 28, 2018, the REIT indirectly acquired from AIMCo and certain members of REIT’s management team, an investment property located in Louisville, KY (the “Louisville Property”) for a purchase price of $17,860 (exclusive of closing and transaction costs). The purchase price was satisfied with funds from the unsecured revolving credit facility. See additional disclosures in note 16.

Franklin Park Property

On November 6, 2018, the REIT indirectly acquired from a third party, an investment property located in Franklin Park, Illinois (the “Franklin Park Property”) for a purchase price of $26,800 (exclusive of closing and transaction costs). The purchase price was satisfied with funds from the unsecured revolving credit facility.

The assets acquired, and liabilities assumed in these transactions occurring in the year ended December 31, 2018 were allocated as follows:

	St. Paul Property	Rogers Property	Louisville Property	Franklin Park Property	Total
Investment properties[1]	$ 8,550	$ 20,690	$ 17,911	$ 26,828	$ 73,979
Amounts receivable	10	-	-	-	10
Prepaid expenses	-	-	-	193	193
Amounts payable and accrued liabilities	(30)	(4)	(940)	(293)	(1,267)
Security deposits	-	-	(200)	-	(200)
Prepaid rent	-	(317)	(8)	-	(325)
Net assets acquired	$ 8,530	$ 20,369	$ 16,763	26,728	$ 72,390
Consideration given by the REIT consists of the following:					
Cash	8,530	20,369	16,763	26,728	72,390
Total consideration	$ 8,530	$ 20,369	$ 16,763	$ 26,728	$ 72,390

[1] Includes total closing and transaction costs of $594 and an IFRIC 21 liability of $511 assumed on acquisition that is offset by an equal adjustment to investment property.

Portland Property

On July 5, 2017, the REIT indirectly acquired from a third party, an investment property located in Portland, Oregon (the "Portland Property") for a purchase price of $56,000 (exclusive of closing and transaction costs). The purchase price was satisfied with funds from the senior secured revolving credit facility (as defined in note 12).

Houston Property

On August 3, 2017, the REIT indirectly acquired from a third party, an investment property located in Houston, Texas (the "Houston Property") 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 senior secured revolving credit facility.

Pennsylvania Property

On September 13, 2017, the REIT indirectly acquired from a third party, an investment property located in Quakertown, Pennsylvania (the "Pennsylvania Property") 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 senior secured revolving credit facility.

Reno Property

On November 29, 2017, the REIT indirectly acquired from a third party, an investment property located in Reno, Nevada (the "Reno Property") 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 senior secured revolving facility.

The assets acquired and liabilities assumed in these transactions were allocated as follows for the year ended December 31, 2017:

	Portland Property	Houston Property	Pennsylvania Property	Reno Property	Total
Investment properties[1]	$ 56,635	$ 40,802	$ 75,840	$ 6,479	$ 179,756
Prepaid expenses	-	-	427	-	427
Amounts payable and accrued liabilities	(365)	(470)	(283)	(49)	(1,167)
Security deposits	-	(210)	-	(38)	(248)
Net assets acquired	$ 56,270	$ 40,122	$ 75,984	$ 6,392	$ 178,768
Consideration given by the REIT consists of the following:					
Cash	56,270	40,122	75,984	6,392	178,768
Total consideration	$ 56,270	$ 40,122	$ 75,984	$ 6,392	$ 178,768

[1] Includes total closing and transaction costs of $2,761 and an IFRIC 21 liability of $550 assumed on acquisition that is offset by an equal adjustment to investment property.

5. Asset Dispositions:

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 net cash proceeds of $14,233 (inclusive of closing costs and working capital).

6. Investment properties:

The reconciliation of the carrying amount of investment properties for the years ended December 31, 2018 and 2017 are set out below:

	2018	2017
Balance, beginning of period	$ 1,009,582	$ 800,142
Investment property acquisitions	73,979	179,756
Investment property disposition	-	(14,469)
Additions to investment properties, including lease incentives	10,331	10,607
Amortization of straight-line rent	1,102	1,291
Amortization of lease incentives	(1,602)	(1,207)
Fair value adjustment to investment properties	24,280	21,762
Transfer from investment properties under development (1)	-	11,700
	$ 1,117,672	$ 1,009,582
Property tax liability under IFRIC 21	(511)	(479)
Fair value adjustment to investment properties – IFRIC 21	511	479
	$ 1,117,672	$ 1,009,582

(1) During the year ended December 31, 2017, the REIT completed the Indianapolis Development. Prior to completion of the Indianapolis Development, the REIT incurred $3,092 in additions to investment properties under development and $2,319 in fair value adjustments in 2017. Total interest expense capitalized for investment properties under development in 2017 was $123.

Straight-line rent includes the cumulative difference between rental revenue as recorded on a straight-line basis and rents received from the tenants in accordance with their respective lease terms.

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 independent property valuations and market conditions existing at the reporting date, which are generally accepted market practices. 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 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. Refer to note 25 for the fair value hierarchy of investment properties measured at fair value in the consolidated statements of financial position.

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.

The key valuation metrics for investment properties are set out below:

	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 discount and terminal capitalization rates. 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 as at December 31, 2018:

Weighted average terminal capitalization rate:		
25-basis point increase	$	(25,129)
25-basis point decrease	$	27,211
Weighted average discount rate:		
25-basis point increase	$	(21,143)
25-basis point decrease	$	21,658

7. Equity Accounted Venture

As part of the Acquisition, the REIT will serve as the general partner of the Venture. 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, the REIT will receive asset and property management and performance fees for Venture assets under management. The REIT accounts for its investment in the Venture using the equity method.

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

8. Intangible assets and goodwill:

Intangible assets consist of the following as at December 31, 2018 and 2017:

		2018		2017
Management contracts	$	18,435	$	-
Goodwill		4,286		-
	$	22,721	$	-

As part of the Transaction, the REIT recorded a deferred tax liability (note 4) related to the difference between the financial statement carrying value and respective income tax basis of the acquired intangible assets. As such, the REIT recorded goodwill to the extent of the tax liability recorded.

Management contracts consist of the AIMCo Venture Management Contracts and the Venture Management Contracts (see note 4). The reconciliation of the management contracts carrying value for the following periods is set out below:

		AIMCo Venture Management Contracts		Venture Management Contracts		Total Intangible Assets
Balance, as at December 31, 2017	$	-	$	-	$	-
Acquisition of management contracts		4,196		15,804		20,000
Amortization		(907)		(658)		(1,565)
Balance, as at December 31, 2018	$	3,289	$	15,146	$	18,435

9. Amounts receivable:

Receivables are recorded at their estimated net realizable value and are periodically evaluated for collectability based on the recovery experience of the REIT and the creditworthiness of the tenants.

Amounts receivable are as follows as at December 31, 2018 and 2017:

		2018		2017
Tenant receivables	$	2,029	$	1,716
Other receivables		544		100
	$	2,573	$	1,816

The carrying value of amounts receivable approximates fair value.

10. Amounts payable and accrued liabilities:

Amounts payable and accrued liabilities consist of the following as at December 31, 2018 and 2017:

		2018		2017
Deferred compensation (see note 14)	$	10,849	$	7,347
Accrued liabilities and other payables		4,924		2,529
Accrued real estate taxes		3,796		3,584
Rent received in advance		2,700		2,083
Accrued interest		1,276		1,362
Trade payables		317		613
Unearned revenue		294		113
	$	24,156	$	17,631

11. Income Taxes:

The REIT is taxed as “mutual fund trust” under the Income Tax Act (Canada). Pursuant to the Declaration of Trust and subjected to the specified investment flow-through (“SIFT”) rules, the Trustees intend to distribute or designate all taxable income to the Unitholders of the REIT and to deduct such distributions and designations for Canadian income tax purposes.

The REIT's TRS is subject to taxation in the U.S on the taxable income earned at a combined federal and state statutory tax rate of 28.7% during 2018. Deferred income tax recovery recorded for the years ending December 31, 2018 and 2017 were $606 and $0.

As part of the Transaction (see note 4), the REIT recorded a deferred tax liability totaling $4,286 as a result of the acquired intangible assets having a higher financial statement carrying value than the respective income tax basis.

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities are as follows:

		December 31, 2018
Deferred tax asset:		
Legal expenses	$	180
Net operating loss		17
Deferred tax asset	$	197
Deferred tax liabilities:		
Acquired intangible assets book vs. tax basis (note 4)	$	3,877
Deferred tax liability		3,877
Deferred tax liability, net	$	3,680

The reconciliation for deferred tax assets and liability for the year ended December 31, 2018 are as follows:

As at December 31, 2017	$	-
Deferred tax liability assumed		4,286
Change in deferred tax liability		(409)
Change in deferred tax assets		(197)
As at December 31, 2018	$	3,680

12. Debt

Debt consists of the following as at December 31, 2018 and 2017:

		2018		2017
Mortgages payable	$	344,169	$	348,480
Bank indebtedness				
Term Loan I		74,326		-
Unsecured revolving credit facility		99,958		-
Secured Revolving facility		-		76,892
Total debt	$	518,453	$	425,372

Mortgages payable:

Mortgages payable consist of the following as at December 31, 2018 and 2017:

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

Mortgages payable that are due and payable within 12 months after the date of the consolidated statements of financial position presented, including scheduled principal payments on mortgages payable, are classified as current liabilities. Mortgages payable are collateralized by investment properties with a fair value of $712,350 and $729,250 as at December 31, 2018 and 2017, respectively. As at December 31, 2018 and 2017, 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% and 3.77%, respectively. Maturity dates range from 2019 – 2024 as at December 31, 2018. The weighted average term to maturity on mortgages payable was 3.0 years 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 revolving credit facility (as defined below).

On August 29, 2018, the REIT refinanced an existing fixed rate mortgage payable in the amount of $17,808, with proceeds from a new, five-year, $30,000 mortgage payable bearing a variable rate equal to one-month 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%

Future contractual cash flows of mortgages payable principal and interest are as follows as at December 31, 2018:

	Principal Payments	Interest Payments[1]	Total Payments
2019	$ 32,072	$ 12,180	$ 44,252
2020	87,723	10,137	97,860
2021	73,676	8,239	81,915
2022	26,426	5,249	31,675
2023	83,184	2,747	85,931
2024	41,004	1,158	42,162
	$ 344,085	$ 39,710	$ 383,795

[1] Includes interest from a variable rate mortgage which is fixed using an interest rate swap.

The REIT's mortgages payable contain customary representations, warranties, and events of default, which require the REIT to comply with affirmative and negative covenants. These covenants include (a) net worth thresholds, (b) senior debt service coverage ratios, (c) total indebtedness to gross book value ratios, and (d) liquid asset thresholds. As at December 31, 2018 and 2017, the REIT was in compliance with all covenants of its mortgages payable.

Bank indebtedness:

Bank indebtedness consists of the following as at December 31, 2018 and 2017:

		2018		2017
Unsecured revolving credit facility	$	101,000	$	-
Term Loan I		75,000		-
Secured Revolving Facility		-		77,500
Financing costs, net		(1,716)		(608)
Carrying value	$	174,284	$	76,892

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 unsecured delayed draw term loan has a 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 REIT’s availability to $600,000 (subject to requisite unencumbered assets and lender approval). On June 26, 2018, the REIT drew $75,000 on the 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 senior secured revolving credit facility (“Secured Revolving Facility”) balance of $86,000 in full.

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

The unsecured revolving credit facility and the 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 rate on the unsecured revolving credit facility and Term Loan I were 3.86% and 3.79%, respectively. The Interest rate on the Secured Revolving Facility as at December 31, 2017 was 3.14%. The Credit Facility is subject to certain guarantees by the REIT and its related subsidiaries.

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.

Availability on the Credit Facility was $233,752 as at December 31, 2018, of which the REIT had drawn $176,000, leaving remaining availability of $57,752.

The REIT's Credit Facility and Secured Revolving Facility contain customary representations, warranties, and events of default, which require the REIT to comply with certain covenants. The REIT was in compliance with all covenants as at December 31, 2018 and 2017. See note 26 for further discussion on financial covenants.

Derivative instruments – Interest rate swap:

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.

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%

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 following table summarizes the details of the interest rate swaps outstanding as at December 31, 2018:

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

Total fair value expense recognized during the years ended December 31, 2018 and 2017, which is reported under finance costs, was $2,770 and $0, respectively.

13. Class B Units:

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 31, 2018, 728,237 Class B Units were issued with a fair value of $10,000 as consideration in the Acquisition of WPT Capital and Internalization of management.

On September 26, 2018, Welsh redeemed 2,361,672 Class B Units in exchange for ownership and control over 2,361,672 REIT Units.

Class B Units are valued at the REIT Units' closing price per the TSX as at December 31, 2018 and 2017, which was $12.85 and $12.72, respectively.

The following table shows the change in the carrying value and number of Class B Units outstanding for the periods presented:

	Units	Value
As at December 31, 2016	6,722,695	$ 79,798
Redemption of Class B Units for REIT Units, July 17, 2017	(3,110,888)	(39,975)
Fair value adjustment to Class B Units	-	6,119
As at December 31, 2017	3,611,807	$ 45,942
Class B Units issued, July 31, 2018	728,237	10,000
Redemption of Class B Units for REIT Units, September 26, 2018	(2,361,672)	(31,197)
Fair value adjustment to Class B Units	-	677
As at December 31, 2018	1,978,372	$ 25,422

Included in finance costs for the years ended December 31, 2018 and 2017 are $2,422 and $3,925, respectively, of distributions declared on Class B Units. Total distributions payable on Class B Units as at December 31, 2018 and 2017 were $125 and $229, respectively.

14. Deferred compensation plans:

Deferred Unit Incentive Plan ("DUIP")

Deferred Trust Units ("DTUs")

On April 26, 2013, the REIT authorized a 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 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.

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	$ 707	$ 2,794	$ 12,498

[1] Includes Trustee fee and Trustee match DTUs.

Total compensation expense related to DTUs for the years ended December 31, 2018 and 2017 was $3,155 and $3,053, respectively. These amounts include adjustments based on the fair value of the DTUs and are reported within general and administrative expenses as at December 31, 2018 and 2017.

Deferred Partnership Units ("DPUs")

On July 31, 2018, the REIT authorized a subplan under the DUIP that provides for the granting of Deferred Partnership Units ("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. DPUs vest based on various vesting periods, as defined in each specific award.

On July 31, 2018, the REIT issued 695,542 DPUs to officers and employees of the REIT, in conjunction with the Transaction (see note 4), 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 Granted
Total as at December 31, 2017	-
Granted	695,542
Total as at December 31, 2018	695,542

For the years ended December 31, 2018 and 2017, distributions declared on DPUs, which are included in finance costs were $220 and $0, 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. The fair value of all outstanding DPUs as at December 31, 2018 and 2017 was $8,938 and $0, respectively.

Total compensation expense related to DPUs for the years ended December 31, 2018 and 2017 were $842 and $0, respectively. The amount includes adjustments based on the fair value of the DPUs and is reported within general and administrative expenses as at December 31, 2018 and 2017.

The movement in the DUIP balance was as follows:

As at December 31, 2016	$	4,151
Deferred compensation expense		2,516
Fair value adjustment		537
DTUs redeemed for cash and REIT Units		(653)
Total as at December 31, 2017		6,551
Deferred compensation expense		3,254
Fair value adjustment		743
DTUs redeemed for cash and REIT Units		(561)
Total as at December 31, 2018		9,987

Unit Option Plan

On April 26, 2013, the REIT authorized the Plan, as amended and restated on May 13, 2016, under the terms of which options to purchase REIT Units may from time to time, be granted to trustees, officers, employees of the external manager 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 is 5% 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.

The movement in the liability balance related to the Plan was as follows:

As at December 31, 2016	$ 633
Deferred compensation expense	2
Fair value adjustment	545
Stock options exercised for REIT Units	(384)
Total as at December 31, 2017	$ 796
Fair value adjustment	94
Stock options exercised for REIT Units	(28)
Total as at December 31, 2018	$ 862

Total compensation expense related to the option plan for the years ended December 31, 2018 and 2017 was $94 and $547, respectively. These amounts include adjustments based on the fair value of the options and 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%

15. Unitholders' equity:

The REIT's Declaration of Trust authorizes the issuances of an unlimited number of REIT units ("REIT Unit"). REIT Units are ordinary units of the REIT, each of which represents a unitholders' proportionate undivided beneficial interest and voting rights in the REIT.

On July 17, 2017, 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 of the offering) 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 $3,940).

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 following table shows the change in value and number of REIT Units outstanding for the periods presented:

	Units	Value
As at December 31, 2016	34,652,426	$ 346,990
DTUs redeemed for REIT Units	31,374	417
REIT Units issued due to exercise of stock options	15,584	210
Redemption of Class B Units for REIT Units, July 17, 2017	3,110,888	39,975
REIT Units issued on completion of the July 2017 Offering, (including REIT Units issued through underwriters' over-allotment, and net of issue costs)	6,735,500	82,612
As at December 31, 2017	44,545,772	470,204
Redemption of Class B Units for REIT Units, September 26, 2018	2,361,672	31,197
DTUs redeemed for REIT Units	25,859	329
REIT Units issued due to exercise of stock options	1,505	20
As at December 31, 2018	46,934,808	$ 501,750

(a) Distributions:

The REIT declared distributions to unitholders of record in the amount of $34,436 ($0.76 per Unit) and $30,085 ($0.76 per Unit) for the years ended December 31, 2018 and 2017, respectively. Total distributions payable as at December 31, 2018 and 2017 were $2,971 and $2,820, respectively.

16. Related party transactions:

Transactions with Key Personnel

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
Unit based compensation, including fair value adjustments	$ 2,376	$ 2,128
Salaries, incentives, and other employee benefits	1,113	-
	$ 3,489	$ 2,128

Transactions with Key Personnel and AIMCo:

The following were related party transactions with key personnel of the REIT and AIMCo:

Business Combination (note 4)

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.

Louisville Property acquisition (note 4)

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 its 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. Prior to and as a result of the acquisition, the REIT earned fees as the asset and property manager of the property commencing on July 31. (see note 17). There are no fees receivable or payable at December 31, 2018.

WPT Capital and Welsh:

Prior to the Transaction (note 4) on July 31, 2018, the REIT had related party transactions with WPT Capital, the former asset and property manager (see note 4).

On September 26, 2018, Welsh redeemed its remaining ownership of 2,361,672 Class B Units in exchange for 2,361,672 REIT Units, and subsequently sold those REIT Units, liquidating its ownership in the REIT.

The activity from each related party, except the transactions noted above, are set forth below for the years ended December 31, 2018 and 2017:

	2018	2017
Fees earned under asset management agreement (1)		
Acquisition fees	$ 287	$ 1,577
Asset management fees	1,375	2,088
Construction management fees	83	542
Out-of-pocket fees	163	267
Fees earned under property management agreement (2)	1,335	2,054
Other		
Class B Unit distributions paid to Welsh (3)	1,591	4,122
REIT Unit distributions paid to Welsh (3)	-	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:

- An acquisition fee 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. There were no acquisition fees payable as at December 31, 2018 and 2017.

- Asset management fees at 0.25% of gross book value, as defined in the asset management agreement. Asset management fees are reported within general and administrative expenses. Asset management fees payable as at December 31, 2018 and 2017 were $0 and $33, respectively.

- 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. There were no construction management fees payable as at and December 31, 2018 and 2017.

- The REIT reimburses the asset manager 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 asset manager. As at December 31, 2018 and 2017, the net payable due was $0 and $56, respectively, related to these reimbursements.

(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.

There were no property management fees payable as at December 31, 2018 and 2017.

(3) On July 17, 2017, Welsh redeemed 3,110,888 Class B Units in exchange for ownership and control over 3,110,888 REIT Units. On April 6, 2018 Welsh distributed 1,250,135 Class B Units to certain direct investors.

On September 26, 2018, Welsh redeemed 2,361,672 Class B Units in exchange for ownership and control over 2,361,672 REIT Units.

Distributions payable to Welsh on Class B Units as at December 31, 2018 and 2017 were $0 and $229, respectively.

17. Revenues:

The REIT enters into long-term lease contracts with tenants for space in its properties. Leases generally provide for the tenant to pay the REIT base rent, with provisions for contractual increases in base rent over the term of the lease, plus operating costs, property tax and insurance recoveries. Revenues earned are recorded for the years ended December 31, 2018 and 2017 as follows:

		2018		2017
Base rent	$	69,496	$	61,557
Recovery of property taxes and insurance		14,597		12,761
Recovery of property operating expenses		8,361		7,468
	$	92,454	$	81,786

The REIT leases investment properties to tenants under non-cancellable operating leases. The leases have various terms, escalation clauses and renewal rights as well as early termination fees.

There were no tenants that accounted for more than 10% of the REIT's total rental revenue for the years ended December 31, 2018 or 2017.

As at December 31, 2018, the total future contractual minimum base rent lease payments expected to be received under non-cancellable leases are as follows:

One year or less	$	70,018
2 – 5 years		204,227
Greater than 5 years		99,113
	$	373,358

18. Management fee revenue:

The REIT earned revenue from asset and property management services provided as part of the AIMCo Venture Management Contracts and Venture Management Contracts (note 4). For the years ended December 31, 2018 and 2017, recognized management fee revenue of $2,790 and $0, respectively.

19. General and administrative expenses:

General and administrative expenses incurred and charged to net income and comprehensive income are recorded for the years ended December 31, 2018 and 2017 as follows:

		2018		2017
Deferred compensation [1]	$	3,189	$	2,518
Other		2,964		1,876
Salaries and benefits		2,205		-
Third-party asset management fees		1,376		2,088
Fair value adjustment to deferred compensation		837		1,082
	$	10,571	$	7,564

[1] Excludes $65 in trustee compensation expensed as part of the Transaction (see note 4).

20. Trustee and Employee costs

Trustee and employee costs, including salaries and wages, bonus and incentives, deferred compensation and fair value adjustments to deferred compensation, and other employee benefits was $7,566 and $3,600 for the years ended December 31, 2018 and 2017, respectively. The amounts include employee costs for key management personnel in note 16.

Employee costs are recognized in the following line items in the consolidated statement of net income and comprehensive income:

		2018		2017
General and administrative expenses	$	7,171	$	3,600
Investment properties operating expenses		395		-
	$	7,566	$	3,600

21. Finance costs

Finance costs incurred and charged to net income and comprehensive income for the years ended December 31, 2018 and 2017 are recorded as follows:

	2018	2017
Interest on mortgages payable	$ 12,934	$ 12,332
Interest on bank indebtedness	4,489	1,294
Amortization of financing costs	1,117	671
Amortization of mark-to-market adjustments on fixed interest rate mortgages payable	(479)	(518)
Distributions on Class B Units and DPUs	2,642	3,925
	$ 20,703	$ 17,704
Fair value adjustment to Class B Units	677	6,119
Fair value adjustment to derivative instrument	2,770	-
	$ 24,150	$ 23,823

22. Reconciliation of liabilities arising from financing activities:

The table below is a reconciliation of the liabilities arising from financing activities:

	Mortgages Payable	Construction Loan	Secured Revolving Facility	Term Loan I	Unsecured revolving credit facility	Total
As at December 31, 2016	$ 317,983	$ -	$ 19,286	$ -	$ -	$ 337,269
Proceeds from financing	33,600	4,165	115,500	-	-	153,265
Repayments	-	(4,165)	(58,000)	-	-	(62,165)
Scheduled principal payments	(2,462)	-	-	-	-	(2,462)
Financing costs paid	(425)	-	(263)	-	-	(688)
Other adjustments, non-cash[1]	(216)	-	369	-	-	153
As at December 31, 2017	$ 348,480	$ -	$ 76,892	$ -	$ -	$ 425,372
Scheduled principal payments	(3,545)	-		-	-	(3,545)
Proceeds from financing	30,000	-	8,500	75,000	101,500	215,000
Repayments	(30,319)	-	(86,000)	-	(500)	(116,819)
Financing costs paid	(331)	-	(13)	(712)	(1,137)	(2,193)
Other adjustments, non-cash[1 2]	(116)	-	508	85	161	638
Transferred financing costs[3]	-	-	113	(47)	(66)	-
As at December 31, 2018	$ 344,169	$ -	$ -	$ 74,326	$ 99,958	$ 518,453

(1) Represents other adjustments including amortization of financing costs and mark-to-market adjustments using the effective interest rate method.
(2) Includes the write-off of the remaining balance of financing costs from the Secured Revolving Facility of $274.
(3) Includes initial financing costs from the Secured Revolving Facility of $113 that were applied to the new Credit Facility.

23. Segment reporting:

The REIT owns, manages, operates and develops primarily industrial investment properties located throughout the U.S. Management, when measuring the investment properties performance, does not distinguish or group its operations on a geographical or any other basis. Accordingly, the REIT has a single reportable segment for disclosure purposes in accordance with IFRS.

24. Commitment and contingencies:

(a) In connection with the IPO, the REIT has agreed to indemnify the underwriters against certain liabilities, including liabilities under applicable securities legislation, or to contribute to payments the underwriters may be required to make in respect of those liabilities. The REIT has agreed to indemnify, in certain circumstances, the trustees and the officers of the REIT in respect of any taxes, penalties or interest imposed upon the trustee or officer in consequence of his/her performance of his/her duties as a trustee or officer.

(b) The REIT has a contingent obligation to expand the gross leasable area 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 lease renewal options, on November 30, 2032.

(c) The REIT has entered into a non-cancellable ground lease for land related to one of its investment properties. Annual payments under the lease are approximately $100 through May 31, 2023. Annual payments thereafter are adjusted based on changes in the consumer price index until expiration in 2093.

(d) In conjunction with the acquisition of 35 industrial investment properties from Welsh at IPO (the “Initial Properties”), $29,500 of self-funded industrial revenue bonds ("Bonds") were assumed. The authorized amount of the Bonds was $0 and $11,600 as at December 31, 2018 and 2017, respectively, of which $0 and $11,600 was outstanding as at December 31, 2018 and 2017, respectively. In connection with an acquisition of an investment property located in Atlanta, Georgia on April 29, 2014 (the “Atlanta Property”), $40,170 of Bonds were assumed. The authorized amount of the Bonds is $41,500, of which $40,170 was outstanding as at December 31, 2018 and 2017. The Bonds provide for real estate tax abatement for the acquired investment properties. Through a series of transactions, the REIT is both the bondholder and the obligor of the Bonds. Therefore, in accordance with IAS 32, the Bonds are not recorded in the consolidated statements of financial position.

(e) 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. Management estimates the cost associated with this expansion to be approximately $7,500. Management expects the construction to commence in the next six months.

25. Fair value measurement:

The following table represents the fair value hierarchy of assets and liabilities measured at fair value in the consolidated balance sheet after initial recognition and assets and liabilities not measured at fair value in the consolidated balance sheet but for which the fair value is disclosed in the notes to the consolidated financial statements as at December 31, 2018 and 2017, are as follows:

	Level 1	Level 2	Level 3	Total
As at December 31, 2018				
Assets:				
Investment properties	$ -	$ -	$ 1,117,672	$ 1,117,672
Cash	8,245	-	-	8,245
Liabilities:				
Mortgages payable	-	342,680	-	342,680
Deferred compensation	9,811	862	176	10,849
Class B Units	25,422	-	-	25,422
Derivative instruments	-	2,770	-	2,770
Security deposits	1,534	-	-	1,534

	Level 1	Level 2	Level 3	Total
As at December 31, 2017				
Assets:				
Investment properties	$ -	$ -	$ 1,009,582	$ 1,009,582
Cash	6,637	-	-	6,637
Liabilities:				
Mortgages payable	-	349,044	-	349,044
Deferred compensation	6,551	796	-	7,347
Class B Units	45,942	-	-	45,942
Security deposits	1,501	-	-	1,501

The carrying value of the REIT’s assets and liabilities approximated fair value except mortgages payable which were calculated by discounting future cash flows using appropriate discount rates.

(a) Fair value of financial instruments:

The following summarizes the significant methods and assumptions used in estimating fair values of the REIT's financial instruments, excluding financial instruments carried at amortized cost where carrying value approximates fair value:

(i) Mortgages payable:

The REIT estimates the fair value of mortgages payable using a discounted cash flow analysis and a yield rate that was estimated based on the borrowing rates currently available to the REIT for mortgages payable with similar terms and maturities, which is a Level 2 input.

(ii) Deferred compensation:

The fair value of unit options granted is estimated using the Black-Scholes option pricing model (Level 2).

The fair value of Basic DTUs and DPUs granted is estimated based on the market trading prices of the REIT Units (Level 1).

The fair value of Performance DTUs granted is based on a third-party valuation (Level 3).

(iii) Class B Units:

The fair value of Class B Units is estimated based on the market trading prices of the REIT Units (Level 1).

(iv) Derivative instrument:

The fair value of the derivative instrument is estimated using a discounted cash flow model using observable yield curves and applicable credit spreads (Level 2).

(v) Other financial assets and liabilities:

Amounts receivable, cash and cash equivalents, restricted cash, distributions payable, the Secured Revolving Facility, the Term Loan I, the unsecured revolving credit facility, amounts payable and accrued liabilities are carried at amortized cost, which, due to their short-term nature, approximates fair value.

26. Capital management:

The primary objective of the REIT's capital management policy is to ensure sufficient liquidity to pursue its growth through acquisitions, to fund leasing costs and capital expenditure requirements, to maintain a flexible capital structure that optimizes the cost of capital at acceptable risk and preserves the ability to meet financial obligations, to ensure adequate funds are available to maintain consistent and sustainable unitholders' distributions, and to remain within its quantitative banking covenants.

The REIT's capital structure consists of cash, debt (including mortgages payable, the Credit Facility and Class B Units), and unitholders' equity. In managing its capital structure, the REIT monitors performance and makes adjustments to its capital structure based on its investment strategies and changes to economic conditions. In order to maintain or adjust its capital structure, the REIT may issue equity or new debt, issue new debt to replace existing debt (with different characteristics), or reduce the amount of existing debt.

Part of the REIT's objectives in securing mortgages for its investment properties and managing its long-term debt is to stagger the maturities in order to mitigate short-term volatilities in the debt markets. The REIT's declaration of trust stipulates that the REIT shall not incur indebtedness greater than 60% 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% (total outstanding principal balance of debt of $520,085 and $425,449 as at December 31, 2018 and 2017, respectively, divided by gross book value of $1,117,672 and $1,009,582 as at December 31, 2018 and 2017, respectively). The REIT has no convertible debentures outstanding and has never issued any.

The REIT is required under the terms of its Credit Facility to meet certain financial covenants, including:

(a) minimum unencumbered pool value shall not be less than $175,000 and shall contain at least 12 properties;

(b) The aggregate occupancy rate shall not be less than 80%

(c) consolidated total indebtedness shall not exceed 60%;

(d) consolidated total secured indebtedness shall not exceed 40%;

(e) consolidated secured recourse indebtedness shall not exceed 10%

(f) the outstanding principal balance of the Credit Facility shall not be greater than 60% the unencumbered pool value;

(g) unsecured interest coverage ratio shall not be less than 2.50 to 1.00

(h) the ratio of adjusted consolidated earnings before interest, taxes, depreciation and amortization to consolidated fixed charges for the most recently ended four quarters shall not be less than 1.50 to 1.00;

(i) consolidated tangible net worth shall not be less than the sum of (i) $410,365 plus (ii) 70% of the sum of any additional net offering proceeds subsequent to April 21, 2016, plus (iii) 70% of the value of interests in the REIT issued upon the contribution of assets to the REIT or its subsidiaries subsequent to June 26, 2018;

The REIT was required under the terms of its Secured Revolving Facility to meet certain financial covenants, including:

(a) consolidated total indebtedness shall not exceed 60%;

(b) the outstanding principal balance of the Secured Revolving Facility and any letters of credit shall not be greater than the borrowing base availability (60% of the gross asset value of the borrowing base assets);

(c) the ratio of adjusted consolidated earnings before interest, taxes, depreciation and amortization to consolidated fixed charges for the most recently ended four quarters shall not be less than 1.75 to 1.00;

(d) consolidated tangible net worth shall not be less than the sum of (i) $274,248 plus (ii) 70% of the sum of any additional net offering proceeds subsequent to April 21, 2016, plus (iii) 70% of the value of interests in the REIT issued upon the contribution of assets to the REIT or its subsidiaries subsequent to April 21, 2016;

(e) aggregate occupancy for the borrowing base assets shall not be less than 80%; and

(f) the borrowing base debt service coverage ratio shall not be less than 1.50 to 1.00.

The REIT is also required to meet certain diversification covenants under the Credit Facility. In addition, certain mortgages payable require the REIT to meet financial covenant ratios (note 12).

The REIT complied with all financial covenants as at December 31, 2018 and 2017.

27. Financial risk management:

Risk Management:

The REIT's activities expose it to market risk, credit risk and liquidity risk. Risk management is carried out by management of the REIT.

(a) 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 fixed interest 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, the REIT endeavors to manage maturities of fixed interest rate mortgages payable, enter into interest rate swaps and match the nature of the mortgages payable with the cash flow characteristics of the underlying asset. This risk is also minimized through the REIT having mortgages payable in fixed term arrangements.

    There is also interest rate risk associated with certain variable rate debt, which has not been fixed through an interest rate swap. The balances bear interest at a variable rate based on the lender’s LIBOR plus an applicable margin. Based on the outstanding balance at December 31, 2018, the impact of a 1.0% change in the lender’s LIBOR rate will increase or decrease the REIT’s interest expense or earnings by $510 on an annualized basis.

    The REIT has no material exposure to currency risk.

(b) Credit risk arises from the possibility that tenants in investment properties may not fulfill their lease or contractual obligations. The REIT mitigates its credit risks by attracting tenants of sound financial standing and by diversifying its mix of tenants. It also monitors tenant payment patterns and discusses potential tenant issues with property managers on a regular basis. Cash carries minimal credit risk as all funds are maintained with highly reputable financial institutions. The carrying amount of financial assets represents the maximum credit exposure.

(c) Liquidity risk is the risk that the REIT will encounter difficulty in meeting obligations associated with the maturity of financial obligations. The REIT manages maturities of the fixed interest rate mortgages payable and monitors the repayment dates to ensure sufficient capital will be available to cover obligations.

28. Supplementary cash flow information:

Change in non-cash working capital for the years ended December 31, 2018 and 2017 comprises the following:

		2018		2017
Amounts receivable	$	(39)	$	(388)
Prepaid expenses		81		(182)
Restricted cash		(185)		(121)
Amounts payable and accrued liabilities		426		(2,718)
Amounts payable and accrued liabilities related to additions to investment properties		(678)		2,282
Security deposits		(166)		28
	$	(561)	$	(1,099)

29. Subsequent events:

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 proceeds of $135,000 (the "February 2019 Offering"). Underwriters' fees related to the February 2019 Offering were $5,400. The REIT Units were offered in Canada pursuant to a short form prospectus filed in February 15, 2019 with the securities commissions and other similar regulatory authorities in each of the provinces and territories of Canada.

On February 25, 2019, the REIT used proceeds from the February 2019 Offering to repay the unsecured revolving credit facility in full.