Consolidated Financial Statements
(In U.S. dollars)

WPT INDUSTRIAL REAL ESTATE INVESTMENT TRUST

For the period from March 4, 2013 to December 31, 2013

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INDEPENDENT AUDITORS' REPORT

To the Unitholders of WPT Industrial Real Estate Investment Trust

We have audited the accompanying consolidated financial statements of WPT Industrial Real Estate Investment Trust, which comprise the consolidated statement of financial position as at December 31, 2013, the consolidated statements of net income and comprehensive income, changes in unitholders' equity and cash flows for the period from March 4, 2013 to December 31, 2013, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of WPT Industrial Real Estate Investment Trust as at December 31, 2013, and its consolidated financial performance and its consolidated cash flows for the period from March 4, 2013 to December 31, 2013 in accordance with International Financial Reporting Standards.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

March 12, 2014
Toronto, Canada

WPT INDUSTRIAL REAL ESTATE INVESTMENT TRUST

Consolidated Statement of Financial Position
(In thousands of U.S. dollars except per unit amounts)

		December 31, 2013
Assets		
Non-current assets:		
Investment properties (notes 4,5 and 8)	$	493,006
Other non-current assets (note 7)		2,297
		495,303
Current assets:		
Amounts receivable (note 6)		1,148
Prepaid expenses		551
Restricted cash		992
Cash and cash equivalents		5,926
		8,617
Total assets	$	503,920
Liabilities and Unitholders' Equity		
Non-current liabilities:		
Mortgages payable (note 11)	$	203,830
Bank indebtedness (note 12)		43,328
Class B Units (note 13)		94,437
Security deposits		806
Other financial instruments (note 19)		26
		342,427
Current liabilities:		
Mortgages payable (note 11)		16,382
Class B Units (note 13)		19,052
Amounts payable and accrued liabilities (note 9)		7,919
Distributions payable (note 14)		626
		43,979
Total liabilities		386,406
Total unitholders' equity		117,514
Total liabilities and unitholders' equity	$	503,920

See accompanying notes to consolidated financial statements.

WPT INDUSTRIAL REAL ESTATE INVESTMENT TRUST

Consolidated Statement of Net Income and Comprehensive Income
(In thousands of U.S. dollars, except per unit amounts)

	Period from March 4, 2013 to December 31, 2013
Investment properties:	
Investment properties revenue	$ 33,659
Investment properties operating expenses	8,656
Net operating income	25,003
Other expenses and (income):	
General and administrative	2,750
Fair value adjustment to investment properties (note 8)	(1,765)
Finance costs (note 16)	(3,614)
	(2,629)
Net income and comprehensive income	$ 27,632

See accompanying notes to consolidated financial statements.

WPT INDUSTRIAL REAL ESTATE INVESTMENT TRUST

Consolidated Statement of Changes in Unitholders' Equity
(In thousands of U.S. dollars)

For the period from March 4, 2013 to December 31, 2013

	Trust Equity	Distributions	Accumulated Income	Unitholders' Equity
Balance, March 4, 2013	$ –	$ –	$ –	$ –
REIT Units issued, net of issue costs	100,842	–	–	100,842
Net income and comprehensive income	–	–	27,632	27,632
Purchase of REIT Units for cancellation	(5,679)	–	–	(5,679)
Distributions declared	–	(5,281)	–	(5,281)
Balance, December 31, 2013	$ 95,163	$ (5,281)	$ 27,632	$ 117,514

See accompanying notes to consolidated financial statements.

WPT INDUSTRIAL REAL ESTATE INVESTMENT TRUST

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

	Period from March 4, 2013 to December 31, 2013
Cash flows from operating activities:	
Net income	$ 27,632
Finance costs (note 16)	(3,614)
Non-cash items:	
Amortization of straight-line rent	(1,578)
Fair value adjustment to investment properties (note 8)	(1,765)
Fair value adjustment on deferred compensation (note 14)	(42)
Amortization of lease incentives	16
Change in non-cash working capital (note 22)	278
Cash flows provided by operating activities	20,927
Cash flows from financing activities:	
Repayment of mortgages payable	(27,464)
Proceeds from mortgages payable	31,800
Repayment of revolving facility	(54,837)
Proceeds from revolving facility	57,300
Repayment of senior secured promissory note	(31,800)
Financing costs incurred	(1,623)
Proceeds from issuance of REIT Units, net of issue costs (note 14)	100,842
Purchase of REIT Units for cancellation	(5,679)
Distributions paid (note 14)	(4,655)
Interest paid	(12,071)
Cash flows provided by financing activities	51,813
Cash flows from investing activities:	
Acquisition of investment properties (notes 4 and 5)	(66,783)
Cash balances transferred in acquisition of investment properties (notes 4 and 5)	2,388
Additions to investment properties (note 8)	(1,558)
Change in capital escrows	(861)
Cash flows (used in) investing activities	(66,814)
Increase in cash and cash equivalents	5,926
Cash and cash equivalents, beginning of period	-
Cash and cash equivalents, end of year	$ 5,926

See accompanying notes to consolidated financial statements.

1. General Information:

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. The REIT's Declaration of Trust was amended and restated on April 26, 2013. The REIT was formed for the purpose of acquiring and owning primarily industrial investment properties, located in the United States, with a particular focus on warehouse and distribution industrial investment properties.

The operations of the REIT commenced on April 26, 2013 when it completed an Initial Public Offering ("IPO") of 10,000,000 units ("REIT Units") for gross proceeds of $100,000 or approximately $87,403 net of underwriters' fees and other transaction costs. In connection with the IPO, the REIT, through WPT Industrial LP, (the "Partnership"), indirectly acquired from Welsh Property Trust, LLC ("Welsh"), a portfolio of investment properties consisting of 8,617,313 square feet of gross leasable area, comprised of 35 industrial investment properties and two office investment properties located in 12 states in the United States (collectively, the "Initial Properties"). Further details of the acquisition of the Initial Properties can be found in note 5.

On May 16, 2013, in connection with the exercise of the over-allotment option granted to the underwriters of the IPO, the REIT issued an additional 1,430,000 REIT Units for gross proceeds of $14,300 or approximately $13,439 net of underwriters' fees and other transaction costs. The net proceeds were used to reduce bank indebtedness.

The REIT Units trade on the Toronto Stock Exchange ("TSX") under the symbol "WIR.U". The registered office of the REIT is at 333 Bay Street, Suite 3400, Toronto, Ontario. On June 28, 2013, the REIT Units were approved for trading in the U.S. on the OTCQX market place under the symbol "WPTIF".

2. Basis of preparation:

(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 Standard Board ("IASB").

These consolidated financial statements were approved by the Board of Trustees on March 12, 2014.

(b) Basis of measurement:

The consolidated financial statements have been prepared on a historical cost basis except for investment properties, derivative financial instruments and 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 when otherwise indicated.

(c) Basis of consolidation:

The consolidated financial statements comprise the financial statements of the REIT and its subsidiaries. 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.

3. Significant accounting policies:

(a) Business combinations:

Business combinations are accounted for under the acquisition method of accounting. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at fair value as of 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 statement of net income and comprehensive income. Transaction costs incurred in connection with business combinations are expensed as incurred.

(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 statement of net income and comprehensive income during the year in which they arise. Fair values are primarily determined by using the discounted cash flow method of the income approach.

Investment properties include land, buildings, improvements to investment properties and all direct leasing costs incurred in arranging 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.

3. Significant accounting policies (continued):

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 shall be recorded as a fair value gain or loss. Any remaining gain or loss arising on derecognition of the investment property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss for the year in which the investment property is derecognized.

(c) Fair value measurement:

The REIT measures financial instruments, such as derivatives, and non-financial assets, such as real estate 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 takes into account 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.

3. Significant accounting policies (continued):

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. This 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.

3. Significant accounting policies (continued):

(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 a right to use the investment property and revenue is recognized pursuant to the terms of the lease agreement.

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 from tenants are recognized as revenue 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.

3. Significant accounting policies (continued):

(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
Interest rate cap	Other assets	Fair value
Mortgages payable	Other liabilities	Amortized cost
Class B Units	Other liabilities	Fair value
Bank indebtedness	Other liabilities	Amortized cost
Interest rate swap	Other liabilities	Fair value
Security deposits	Other liabilities	Amortized cost
Amounts payable and accrued liabilities	Other liabilities	Amortized cost

(ii) Financial assets:

The REIT classifies its non-derivative financial instruments with fixed or determinable payments that are not quoted in an active market as loans and receivables. All financial assets are initially measured at fair value, and subsequently are measured at amortized cost using the effective interest method, less any impairment losses.

Amounts receivable are initially measured at fair value and are subsequently measured at amortized cost less a provision for impairment. A provision for impairment is established when there is objective evidence that collection will not be possible under the original terms of the contract. Indicators of impairment include delinquency of payment and significant financial difficulty of the tenant. The carrying amount of the financial asset is reduced through an allowance account, and the amount of the loss is recognized in the consolidated statement of net income and comprehensive income within investment properties operating expenses. Bad debt write-offs occur when

3. Significant accounting policies (continued):

management determines collection is not possible. Any subsequent recoveries of amounts previously written off are credited against investment properties operating expenses in the consolidated statement 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. 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 the Revolving Facility (as defined in note 12), distributions on Class B Units and gain or loss on the change in fair value of financial liabilities designated as fair value through profit or loss, including Class B Units and other financial instruments, and amortization associated with mark-to-market premiums and financing costs incurred in connection with obtaining long-term financings. Mark-to-market premiums and financing costs incurred are amortized using the effective interest rate method over the term of the related mortgages payable. Unamortized mark-to-market premiums and financing costs incurred are fully amortized when mortgages payable are retired before maturity.

(v) Derivative financial instruments:

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

3. Significant accounting policies (continued):

changes in fair value recorded in the consolidated financial 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), 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.

3. Significant accounting policies (continued):

(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 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, classified and accounted for as equity.

(j) Class B Units:

The 10,867,362 Class B Units issued in connection with the IPO 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 REIT Units are puttable and, therefore, the Class B Units issued in connection with the IPO meet the definition of a financial liability under IAS 32 and are accordingly classified as long-term liabilities.

The 2,192,347 Class B Units issued in connection with the acquisition of the industrial investment property on July 15, 2013 are not redeemable for REIT Units unless and until the REIT has received all necessary acceptances and approvals from the TSX for the issuance and listing on the TSX of the underlying REIT Units, including obtaining REIT Unitholder approval. These 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, but are subject to payment restrictions. These Class B Units contain a liquidity right, exercisable at any time, in favor of Welsh, which compels the REIT to purchase for cancellation all or any portion of the Class B Units issued in connection with the July 15, 2013 acquisition, at the request of Welsh, subject to certain limitations, and accordingly are classified as current liabilities.

3. Significant accounting policies (continued):

All Class B Units are designated as fair value through profit or loss 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 profit or loss.

(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 provide for the granting of deferred trust units and options to certain of the trustees, officers, directors, employees, consultants and service providers, as well as employees of such service providers. Deferred compensation is measured at fair value 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) 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 Combinations ("IFRS 3"). This assessment requires management to make judgments on whether the assets acquired and liabilities assumed constitute a

3. Significant accounting policies (continued):

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 certain costs 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.

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3. Significant accounting policies (continued):

(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 the receipt of contractual rents, expected future market rents, renewal rates, maintenance requirements, discount rates that reflect current market uncertainties, capitalization rates and current and recent property investment prices. If there is any change in these assumptions or regional, national or international economic conditions, the fair value of property investments may change materially.

(m) Changes in future accounting policies:

The following standards and amendments to existing standards issued by the IASB may be relevant to the REIT in preparing its consolidated financial statements in future periods:

(i) IFRS 9, *Financial Instruments* ("IFRS 9"):

In November 2009, the IASB issued IFRS 9, *Financial Instruments* (IFRS 9 (2009)), and in October 2010, the IASB published amendments to IFRS 9 (IFRS 9 (2010)).

In November 2013, the IASB issued a new general hedge accounting standard, which forms part of IFRS 9 *Financial Instruments* (2013). The new standard removes the January 1, 2015 effective date of IFRS 9. The new mandatory effective date will be determined once the classification and measurement and impairment phases of IFRS 9 are finalized.

The mandatory effective date is not yet determined, however, early adoption of the new standard is still permitted. Canadian reporting entities cannot early adopt IFRS 9(2013) until it has been approved by the Canadian Accounting Standards Board (likely in February 2014). The REIT does not intend to adopt IFRS 9 (2009), IFRS 9 (2010) or

3. Significant accounting policies (continued):

IFRS 9 (2013) in its financial statements for the annual period beginning on January 1, 2014.

(ii) Amendments to IAS 32, *Offsetting Financial Assets and Liabilities:*

In December 2011, the IASB published *Offsetting Financial Assets and Financial Liabilities.*

The effective date for the amendments to lAS 32 is annual periods beginning on or after January 1, 2014. These amendments are to be applied retrospectively.

The amendments to lAS 32 clarify that an entity currently has a legally enforceable right to set-off if that right is:

- not contingent on a future event; and
- enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties.

The amendments to IAS 32 also clarify when a settlement mechanism provides for net settlement or gross settlement that is equivalent to net settlement.

The REIT intends to adopt the amendments to lAS 32 in its financial statements for the annual period beginning January 1, 2014. The extent of the impact of adoption of the amendments has not yet been determined.

(iii) IFRIC 21, *Levies*

In May 2013, the IASB issued IFRIC 21, *Levies*. This IFRIC is effective for annual periods commencing on or after January 1, 2014 and is to be applied retrospectively.

The IFRIC provides guidance on accounting for levies in accordance with the requirements of IAS 37, *Provisions, Contingent Liabilities and Contingent Assets.* The interpretation defines a levy as an outflow from an entity imposed by a government in accordance with legislation. It also notes that levies do not arise from executory contracts

(In thousands of U.S. dollars, except per unit amounts)

3. Significant accounting policies (continued):

or other contractual arrangements. The interpretation also confirms that an entity recognizes a liability for a levy only when the triggering event specified in the legislation occurs. The REIT intends to adopt IFRIC 21 in its financial statements for the annual period beginning January 1, 2014. The extent of the impact of adoption of the amendments has not yet been determined.

4. Asset acquisitions:

On July 15, 2013, the REIT indirectly acquired, through the Partnership, a 100% interest in an industrial investment property from Welsh, which has been accounted for as an asset acquisition. The asset, totalling 1,262,648 square feet of gross leasable area, is located in Pontoon Beach, Illinois and is 100% occupied by a single tenant. The lease expires on June 30, 2023.

The asset was purchased for a gross purchase price of $53,000 (exclusive of closing and transaction costs and an acquisition fee, and inclusive of tenant improvements credits), which was satisfied by: (i) the indirect assumption by the Partnership of a senior secured promissory note, payable to Welsh, in the principal amount of $31,800 with a per annum variable interest rate of 2.25% plus the one-month LIBOR rate and a 90-day maturity date and (ii) the issuance by the Partnership of 2,192,347 Class B Units at a price of $9.67 per Class B Unit.

The assets acquired and liabilities assumed in this transaction were allocated as follows:

Investment property (1)	$ 52,420
Prepaid expenses	427
Cash and cash equivalents	1,658
	54,505
Amounts payable and accrued liabilities	896
	896
Net assets acquired	$ 53,609

(In thousands of U.S. dollars, except per unit amounts)

4. Asset acquisitions (continued):

Consideration given by the REIT consists of the following:	
Class B Units	$ 21,200
Senior secured promissory note	31,800
Cash consideration	609
Total consideration	$ 53,609

(1) Includes closing costs, transaction costs and acquisition fees of $609 and excludes certain credits received in cash of $1,189.

On September 19, 2013, the REIT arranged for a $31,800 five-year mortgage payable with a third-party lender. The mortgage payable has a per annum variable interest rate of the one-month LIBOR rate plus 2.25%. The proceeds from this mortgage payable were used to repay the $31,800 senior secured promissory note, held by Welsh, utilized to acquire the investment property on July 15, 2013.

5. Business combination:

On April 26, 2013, the REIT indirectly acquired from Welsh a 100% interest in a portfolio of investment properties comprised of 35 industrial investment properties and two office investment properties, located in 12 states in the U.S. The assets acquired and liabilities assumed have been accounted for as a business combination using the acquisition method of accounting. The Initial Properties were acquired for a gross purchase price of $435,701, which approximated the fair value of net assets acquired at that date. The REIT assumed mortgages with an aggregate principal balance of $185,932 and a mark-to-market adjustment of $4,700 and refinanced and satisfied certain debt, including mortgages in the aggregate amount of $68,013 on certain Initial Properties that were transferred to the REIT subject to such debt. The REIT also assumed $2,208 of working capital liabilities. As partial consideration, the REIT issued $108,674 in Class B Units to Welsh. The remaining $66,174 of the purchase price was paid in cash.

(In thousands of U.S. dollars, except per unit amounts)

5. Business combination (continued):

The recognized amounts of identifiable assets acquired and liabilities assumed in this transaction, measured at their respective fair values, are as follows:

Investment properties	$ 435,701
Amounts receivable	1,112
Prepaid expenses	332
Cash	730
Restricted cash	2,477
Amounts payable and accrued liabilities	(6,079)
Security deposits	(781)
Other financial instruments	(80)
Mortgages payable and bank indebtedness	(253,864)
Mark-to-market adjustment	(4,700)
Net assets acquired	$ 174,848
Consideration given by the REIT:	
Cash consideration	$ 66,174
Class B Units	108,674
Total consideration	$ 174,848

For the period from March 4, 2013 to December 31, 2013, the REIT recognized $17,974 of income and comprehensive income before fair value adjustments, related to the acquisition of these 37 investment properties. Had the acquisition occurred on January 1, 2013, the REIT would have recognized an additional $14,540 of revenue and $8,268 of income and comprehensive income before fair value adjustments.

On June 25, 2013, in accordance with the contribution agreement, Welsh paid $2,208 to the REIT in settlement for working capital adjustments related to the acquisition of the Initial Properties.

(In thousands of U.S. dollars, except per unit amounts)

6. 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, 2013:

Tenant receivables	$ 982
Other receivables	196
Allowance for uncollectible amounts	(30)
	$ 1,148

The carrying value of amounts receivable approximates fair value due to their short-term nature.

7. Other non-current assets:

Other non-current assets consist of the following as at December 31, 2013:

Capital escrows	$2,272
Interest rate cap	25
	$2,297

Included in other non-current assets is restricted cash related to escrows required by certain of the REIT's mortgages payable for capital expenditures related to the investment properties. The interest rate cap, which expires on May 1, 2015, covers up to a principal amount of $50,000 of the REIT's variable interest rate debt and provides for a U.S. LIBOR cap of 50-basis points.

(In thousands of U.S. dollars, except per unit amounts)

8. Investment properties:

The reconciliation of the carrying amount of investment properties at the beginning and end of the financial period is set out below:

Balance, March 4, 2013	$ –
Investment property acquisitions	488,121
Additions to investment properties	1,148
Lease incentives and initial direct leasing costs	410
Amortization of straight-line rent	1,578
Amortization of lease incentives	(16)
Fair value adjustment to investment properties	1,765
Balance, December 31, 2013	$ 493,006

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.

The fair value hierarchy of investment properties measured at fair value on the consolidated statement of financial position is as follows:

	Level 1	Level 2	Level 3
Investment properties	$ –	$ –	$ 493,006

Investment properties include land, building, improvements to the investment property, and all direct leasing costs incurred in arranging property tenants. As at December 31, 2013, the REIT used an internal valuation process to value the real estate investment properties contained within the portfolio and intends to engage third-party appraisers to prepare valuations on a portion of the portfolio annually, such that the entire portfolio is appraised on a regular basis.

Fair value of investment properties as at December 31, 2013 was primarily determined by discounting 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.

(In thousands of U.S. dollars, except per unit amounts)

8. Investment properties (continued):

Significant increases (decreases) in estimated rental value and rent growth per annum in isolation would result in a significantly higher (lower) fair value of income properties. Significant increases (decreases) in long-term vacancy rate and exit yield in isolation would result in significantly lower (higher) fair value.

Generally, a change in the assumption made for the estimated rental value is accompanied by:

- A directionally similar change in the rent growth per annum and discount rate and exit yield

- An opposite change In the long term vacancy rate

The key valuation metrics for investment properties as at December 31, 2013 are set out below:

Weighted average terminal capitalization rate:	7.53%
Range of terminal capitalization rates:	6.25% - 10.00%
Weighted average discount rate:	7.25%
Range of discount rates:	6.88% - 8.78%

The fair value of investment properties are sensitive to changes in capitalization rates and discount rates. As at December 31, 2013, the weighted average terminal capitalization rate was 7.53%. A 25-basis-point increase in the weighted average terminal capitalization rate would decrease the value of the investment properties by $15,842. A 25-basis-point decrease in the weighted average terminal capitalization rate would increase the value of the investment properties by $16, 930. A 25-basis-point increase in the weighted average discount rate of 7.25% would decrease the value of the investment properties by $5,946. A 25-basis-point decrease in the weighted average discount rate would increase the value of the investment properties by $6,095.

(In thousands of U.S. dollars, except per unit amounts)

9. Amounts payable and accrued liabilities:

Amounts payable and accrued liabilities consist of the following as at December 31, 2013:

Trade payables	$ 157
Accrued liabilities and other payables	2,484
Accrued real estate taxes	1,643
Accrued interest	1,415
Unearned revenue	61
Rent received in advance	1,743
Deferred compensation	416
	$ 7,919

10. Operating leases:

The REIT leases commercial 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 period from March 4, 2013 to December 31, 2013.

As at December 31, 2013, the total future contractual minimum base rent lease payments expected to be received under non-cancellable leases are as follows:

Within 12 months	$ 36,711
2 - 5 years	111,500
Greater than 5 years	52,805
	$ 201,016

(In thousands of U.S. dollars, except per unit amounts)

11. Mortgages payable:

Mortgages payable consist of the following as at December 31, 2013:

Mortgages payable	$ 216,662
Mark-to-market adjustment, net	4,156
Financing costs, net	(606)
Carrying value, December 31, 2013	220,212
Less current portion	(16,382)
Long-term portion, December 31, 2013	$ 203,830

Mortgages payable are collateralized by investment properties with a fair value of $389,781 as at December 31, 2013, and bear interest at various rates. Mortgages payable are classified as current liabilities if they are due and payable within 12 months after the date of the consolidated statement of financial position. As at December 31, 2013, the weighted average effective interest rate for mortgages payable was 4.33% and maturity dates ranged from 2014 - 2023. As at December 31, 2013, there were two mortgages payable with variable interest rates totalling $34,789, one of which the REIT has entered into an interest rate swap to fix the variable interest rate at 5.50% (note 19). The other mortgage payable, with a variable interest rate, pays 30-day LIBOR plus an applicable margin, which as at December 31, 2013 resulted in an interest rate of 2.42%.

Future contractual cash flows of mortgages payable principal and interest are as follows as at December 31, 2013:

	Principal Payment	Interest Payment	Total Payments
2014	$ 16,382	$ 8,964	$ 25,346
2015	1,917	8,421	10,338
2016	22,957	8,328	31,285
2017	1,702	7,003	8,705
2018	64,875	6,318	71,193
2019 and thereafter	108,829	15,228	124,057
	$ 216,662	$ 54,262	$ 270,924

(In thousands of U.S. dollars, except per unit amounts)

11. Mortgages payable (continued):

Covenant compliance requirements:

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) tangible net worth thresholds (b) senior debt service coverage ratios and (c) total indebtedness to gross book value ratios. As at December 31, 2013, the REIT was in compliance with all covenants of its mortgages payable.

12. Bank indebtedness:

Revolving Facility:

The revolving facility consists of the following as at December 31, 2013:

Revolving facility	$	44,000
Financing costs, net		(672)
Carrying value, December 31, 2013	$	43,328

On April 26, 2013, the REIT entered into a $75,000 senior secured revolving facility (the "Revolving Facility"). The Revolving Facility has an initial term of three years from April 26, 2013, subject to a one-year extension option and includes an accordion feature which could increase the size of the facility to $200,000, subject to lender approval. The rate on the Revolving Facility is, at the REIT's option, based on either a base rate or LIBOR, in each case 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, 2013, the Revolving Facility interest rate was 2.42%.

On April 26, 2013, the REIT entered into an interest rate cap, which expires on May 1, 2015, and covers up to a principal amount of $50,000 of the REIT's variable interest rate debt and provides for a U.S. LIBOR cap of 50-basis points (note 19).

Financing costs of $870 were incurred to obtain the Revolving Facility and are being amortized using the effective interest rate method over the initial term of three years.

(In thousands of U.S. dollars, except per unit amounts)

12. Bank indebtedness (continued):

Availability on the Revolving Facility per the borrowing base leverage calculation (see note 20 (a)) was $61,750 as of December 31, 2013, of which the REIT had drawn $44,000 and had a $950 letter of credit outstanding, leaving excess capacity of $16,800.

13. Class B Units:

On April 26, 2013, the Partnership issued Class B Units with a fair value of $108,674 as partial consideration in a business combination (see note 5). On July 15, 2013, the Partnership issued Class B Units with a fair value of $21,200 as partial consideration for an asset acquisition (see note 4). The Class B Units are economically equivalent to REIT Units and are entitled to receive distributions equal to those provided to holders of REIT Units (subject to certain adjustments). The Class B Units have been classified as a liability in accordance with IFRS and are valued at the REIT Units' closing price per the TSX as at December 31, 2013 which was $8.69. See note 19 for further discussion.

The following table shows the change in the carrying value of the Class B Units outstanding for the period:

As at March 4, 2013	$	–
Class B Units issued on April 26, 2013 - 10,867,362 units		108,674
Class B Units issued on July 15, 2013 - 2,192,347 units		21,200
Fair value adjustments		(16,385)
As at December 31, 2013	$	113,489
Less current portion		(19,052)
Long-term portion, December 31, 2013	$	94,437

Included in finance costs for the period from March 4, 2013 to December 31, 2013 are $5,952 of distributions declared on Class B Units.

(In thousands of U.S. dollars, except per unit amounts)

14. Unitholders' equity:

The REIT is authorized to issue an unlimited number of REIT Units. REIT Units are ordinary units of the REIT, each of which represents a unitholders' proportionate undivided beneficial interest and voting rights in the REIT.

On April 26, 2013, the REIT completed its IPO of 10,000,000 REIT Units for $87,403, net of issue costs of $12,597.

On May 16, 2013, the REIT issued 1,430,000 REIT Units for $13,439, net of issue costs of $861. The issuance was pursuant to the exercise of the underwriters' over-allotment option in connection with the IPO.

On August 12, 2013, the TSX accepted the REIT's notice of intention to make a normal course issuer bid for a portion of REIT Units. Pursuant to the notice, the REIT may purchase for cancellation up to a maximum of 1,140,000 REIT Units, or approximately 10% of the public float, over the 12-month period commencing August 15, 2013. Subject to certain prescribed exemptions and any block purchases made in accordance with the rules of the TSX, the number of REIT Units that can be purchased pursuant to the bid is subject to a daily maximum of 9,195 REIT Units. REIT Units purchased under the normal course issuer bid are cancelled following purchase.

During the period from March 4, 2013 to December 31, 2013, the REIT purchased for cancellation 697,800 REIT Units for $5,679 under the normal course issuer bid at an average price of $8.14.

REIT Units outstanding:

	Units	Value
REIT Unit issued, March 4, 2013	1	$ –
REIT Units issued on completion of the IPO, April 26, 2013	10,000,000	100,000
REIT Unit redeemed	(1)	–
REIT Units issued through underwriters' over-allotment, May 16, 2013	1,430,000	14,300
REIT Units purchased for cancellation under the normal course issuer bid	(697,800)	(5,679)
REIT Units issued, net	10,732,200	108,621
Less issue costs	–	(13,458)
As at December 31, 2013	10,732,200	$ 95,163

14. Unitholders' equity (continued):

(a) Distributions:

The REIT declared distributions to unitholders of record in the amount of $5,281 ($0.49 per REIT Unit) for the period from March 4, 2013 to December 31, 2013. Total distributions payable as at December 31, 2013 were $626.

(b) Deferred Unit Incentive Plan:

On April 26, 2013, the REIT authorized a DUIP that provides for the granting of deferred trust units ("DTUs") to trustees, officers, directors, employees, consultants and service providers, as well as employees of such service providers. 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.

On May 29, 2013, the Board of Trustees granted 50,000 DTUs to certain officers of the REIT and employees of Welsh. Additional DTUs granted through distributions were 2,462 units, for a total of 52,462 units outstanding at December 31, 2013. These DTUs vest one-fifth on the first anniversary of the grant date, and one-fifth on each of the four following anniversaries. The total fair value of these DTUs on the grant date and as at December 31, 2013 was $507 and $456, respectively.

The Board of Trustees have elected to receive their annual retainer and meetings fees for the current fiscal year in the form of DTUs. Annually, the REIT matches 50% of all annual Trustee compensation received in DTUs, which vest one-third on the first anniversary date of the grant and one-third on each of the second and third anniversaries.

During the period from March 4, 2013 to December 31, 2013, 10,430 DTUs were granted to Trustees for services rendered with an additional 302 DTUs granted through distributions.

(In thousands of U.S. dollars, except per unit amounts)

14. Unitholders' equity (continued):

The movement in the DUIP balance was as follows:

As at March 4, 2013	$ –
Deferred compensation expense	361
Fair value adjustments	(12)
As at December 31, 2013	$ 349

The compensation expense of $349 for the period from March 4, 2013 to December 31, 2013 for the DTUs was determined based on the fair value of the REIT Units as at December 31, 2013.

(c) Unit option plan:

On April 26, 2013, the REIT authorized the Plan, under the terms of which options to purchase REIT Units may from time to time, be granted to trustees, officers, employees and consultants, exercisable for a maximum period of 10 years from the date of grant. The maximum number of REIT Units reserved for issuance under the Plan is 10% of the total number of REIT Units issued and outstanding from time to time.

On May 29, 2013, the REIT granted 390,000 options to certain officers of the REIT and employees of Welsh at an exercise price of $10.14 per unit, expiring May 29, 2023. These options vest one-third on the first anniversary of the grant date, and one-third on each of the second and third anniversaries. The total fair value of the options on the grant date and as at December 31, 2013 was $268 and $185, respectively.

Liability balance:

Balance, March 4, 2013	$ –
Deferred compensation expense	97
Fair value adjustments	(30)
Balance, December 31, 2013	$ 67

(In thousands of U.S. dollars, except per unit amounts)

14. Unitholders' equity (continued):

The compensation expense of $67 for the period from March 4, 2013 to December 31, 2013 for these options was determined based on the fair value of the options as at December 31, 2013 using the Black-Scholes option pricing model with the following assumptions:

Average expected option term	5.7 years
Risk-free interest rate	2.10%
Expected volatility	25.00%
Dividend yield	8.05%

15. Related party transactions:

The consolidated financial statements include the following transactions with Welsh:

(a) Asset acquisition:

On July 15, 2013, the REIT, indirectly through the Partnership, acquired a 100% interest in an industrial investment property from Welsh, which was accounted for as an asset acquisition. As partial consideration for this asset, the REIT issued a senior secured promissory note to Welsh in the amount of $31,800. Interest expense on the senior secured promissory note of $142 was paid to Welsh for the period from March 4, 2013 to December 31, 2013. On September 28, 2013, the REIT repaid the senior secured promissory note to Welsh with proceeds from a third-party mortgage payable secured by the investment property (see note 4).

(b) Business combination:

On April 26, 2013, in connection with its IPO, the REIT acquired 37 investment properties from Welsh, which was accounted for as a business combination (see note 5).

(c) Asset management fees:

On April 26, 2013, the REIT entered into an asset management agreement with Welsh, under which Welsh provides certain asset management services to the REIT and its subsidiaries. The asset management agreement provides for the following fees:

15. Related party transactions (continued):

- Asset management fees at 0.25% of gross book value, as defined in the asset management agreement. Asset management fees paid to Welsh for the period from March 4, 2013 to December 31, 2013 were $813. Asset management fees payable to Welsh as at December 31, 2013 were $105.

- Acquisition fee. 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. Acquisition fees paid to Welsh for the period from March 4, 2013 to December 31, 2013 were $530.

- Construction management fee. With respect to any capital project with costs in excess of $100 undertaken by the REIT or any of its affiliates, a construction management fee equal to 5.0% of aggregate tenant improvements, capital expenditures and construction costs incurred in respect of such capital project. No construction management fees were paid to Welsh for the period from March 4, 2013 to December 31, 2013.

(d) Property management fees:

On April 26, 2013, the Partnership and the REIT entered into a property management agreement with Welsh. Under the property management agreement, Welsh is the property manager of the investment properties owned by the REIT and administers 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.

15. Related party transactions (continued):

Property management fees paid to Welsh for the period from March 4, 2013 to December 31, 2013 were $842.

(e) Class B Units:

As part of the consideration for the IPO, 10,867,362 Class B Units were issued to Welsh at a unit price of $10.00.

As part of the consideration for the acquisition of the investment property in Illinois (see note 4), 2,192,347 Class B Units were issued to Welsh at a unit price of $9.67.

Distributions on Class B Units of $5,190 were paid to Welsh during the period from March 4, 2013 to December 31, 2013. Distributions payable to Welsh as at December 31, 2013 were $761.

(f) Office rent:

The Partnership has a lease with an affiliate of Welsh for an investment property located at 4350 Baker Road, Minnetonka, Minnesota. Rental revenue earned by the Partnership from the affiliate of Welsh for the period from March 4, 2013 to December 31, 2013 was approximately $706. The lease commenced on June 1, 2008 and expires on May 31, 2020, with annual rent increases of 2%.

In addition, the REIT will reimburse Welsh 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 Welsh agree in writing are to be provided from time to time by Welsh. As at December 31, 2013, the net payable due to Welsh was $17 related to these reimbursements.

(In thousands of U.S. dollars, except per unit amounts)

16. Finance costs:

Finance costs incurred and charged to net income and comprehensive income are recorded as follows:

	Period from March 4, 2013 to December 31, 2013
Interest on mortgages payable incurred at stated rate	$ 6,245
Bank indebtedness interest	762
Amortization of financing costs	347
Amortization of mark-to-market adjustment on fixed rate mortgages payable	(548)
Distributions on Class B Units	5,952
Fair value adjustment on Class B Units	(16,385)
Fair value adjustment on financial instruments	13
	$ (3,614)

17. Segment reporting:

The REIT owns, manages and operates primarily industrial investment properties located throughout the United States. 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.

18. 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 leaseable area at two of its investment properties at the option of the tenant. Management estimates the cost

(In thousands of U.S. dollars, except per unit amounts)

18. Commitment and contingencies (continued):

associated with these expansions, should they occur, to range between $10,000 and $12,000 in the aggregate. Such expansions are conditional on mutual agreement between the tenants and the REIT with regard to the base rental rates to be charged for occupying such expansion space. These obligations terminate at expiration of the underlying leases.

(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 certain investment properties, $29,500 of self-funded industrial revenue bonds ("Bonds") were assumed. The authorized amount of the Bonds is $29,500, of which $29,500 is outstanding as at December 31, 2013. 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 on the consolidated statement of financial position.

19. Fair value measurement:

(a) Fair value of financial instruments:

In addition to those financial instruments carried at fair values, the fair values of the REIT's financial assets and financial liabilities, together with the contractual carrying amounts shown in the consolidated statement of financial position, are as follows:

	Carrying amount	Fair value
Mortgages payable	$ 216,662	$ 217,514

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:

19. Fair value measurement (continued):

(i) Mortgages payable:

The REIT estimates the fair value of mortgages payable using 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) Interest rate swap:

The REIT is party to an interest rate swap agreement to limit exposure to the fluctuations in its LIBOR-based variable interest payments on a mortgage note payable. The swap covers the notional amount of $3,550 at a fixed rate of 5.5% and is set to expire on April 1, 2014. The interest rate swap is not designed as a hedge for accounting purposes. The fair value of the interest rate swap was a liability of $26 as at December 31, 2013, and was included in the accompanying consolidated statement of financial position within the "other financial instruments" caption. The REIT recognized an adjustment to interest expense in the amount of $53 for the period March 4, 2013 to December 31, 2013. The interest rate swap fair value is determined by a model-derived valuation, in which significant inputs and value drivers are observable in active markets for a similar instrument, i.e., Level 2 inputs. Changes in fair value are recognized as adjustments to interest expense in the accompanying consolidated statement of net income and comprehensive income.

(iii) Interest rate cap:

On April 26, 2013, the REIT entered into an interest rate cap, which expires on May 1, 2015, and covers up to a principal amount of $50,000 of the REIT's variable interest rate debt and provides for a U.S. LIBOR cap of 50-basis points. The fair value of the interest rate cap was an asset of $25 as at December 31, 2013, and was included in the accompanying consolidated statement of financial position within the Other non-current assets caption. The REIT recognized an adjustment to interest expense in the amount of $66 for the period from March 4, 2013 to December 31, 2013. The interest rate cap fair value is determined by a model-derived valuation in which significant inputs and value drivers are observable in active markets for a similar instrument, i.e., Level 2 inputs. Changes in fair value are recognized as adjustments to interest expense in the

19. Fair value measurement (continued):

accompanying consolidated statements of income and comprehensive income.

As at December 31, 2013, $44,000 in outstanding principal balance related to the Revolving facility and $31,800 in outstanding principal balance related to mortgages payable are subject to variable interest rates. An interest rate cap hedges against the risk of fluctuating interest rates of $50,000 in outstanding principal balances, resulting in aggregate exposure of $25,800 in outstanding principal balances.

(iv) Deferred compensation:

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

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

(v) Class B Units:

The fair value of the Class B Units is estimated based on the market trading prices of the REIT Units (Level 2).

(vi) Other financial assets and liabilities:

Amounts receivable, cash and cash equivalents, other non-current assets, restricted cash, amounts payable and accrued liabilities are carried at amortized cost, which, due to their short-term nature, approximates fair value.

20. Capital management:

The primary objective of the REIT's capital management 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.

20. Capital management (continued):

The REIT's capital structure consists of cash, debt (including mortgages payable, the Revolving Facility and Class B Units), and unitholders' equity. In managing its capital structure, the REIT monitors performance and makes adjustments to its capital 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, 2013, the REIT's debt-to-gross book value ratio was 52.9% (total outstanding principal amounts of mortgages payable and Revolving Facility of $260,662, divided by gross book value of $493,006). The REIT has no convertible debentures outstanding.

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

(a) consolidated total indebtedness shall not exceed 65% of the consolidated gross asset value through October 26, 2014, and 60% at any time thereafter;

(b) the outstanding principal balance of the Revolving Facility and letters of credit shall not be greater than the borrowing base availability;

(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) $150,000 plus (ii) 80% of the sum of any additional net offering proceeds, plus (iii) 80% of the value of interests in the REIT issued upon the contribution of assets to the REIT or its subsidiaries;

(e) aggregate occupancy for the borrowing base assets shall not be less than 85%; and

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

20. Capital management (continued):

In addition, the REIT is required under certain mortgages payable to meet financial covenant ratios (note 11).

The REIT complied with all financial covenants as at December 31, 2013.

21. 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 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 rate mortgages payable, 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 generally having most of its mortgages payable in fixed term arrangements. Additionally, the interest rate cap on the Revolving Facility minimizes the REIT's interest rate risk. As such, the REIT's cash flows are not significantly impacted by a change in market interest rates.

As at December 31, 2013, there were two mortgages payable in addition to the Revolving Facility with variable interest rates. As described in note 19(a)(ii), the REIT manages one of these variable-rate mortgages payable using an interest rate swap that alters its exposure to the impact of changing interest rates, effectively resulting in a fixed interest rate. The interest rate swap is not designated as a hedging instrument and as a result, the change in fair value is recognized in earnings as an adjustment to interest expense in the accompanying consolidated statements of income and comprehensive income. As described in note 19(a)(iii), up to $50,000 of the collective outstanding balance of the remaining variable rate mortgage payables and Revolving Facility are subject to an interest rate cap on LIBOR of 50 basis points. For the period from March 4, 2013 to December 31, 2013, a 100-basis-point increase in interest rates including the change in interest rates under the interest rate cap,

(In thousands of U.S. dollars, except per unit amounts)

21. Financial risk management (continued):

assuming all other variables are constant, would have resulted in a $291 increase in the REIT's interest expense.

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 rate mortgages payable, and monitors the repayment dates to ensure sufficient capital will be available to cover obligations.

22. Supplementary cash flow information:

Change in non-cash working capital comprises:

	Period from March 4, 2013 to December 31, 2013
Amounts receivable	$ (36)
Prepaid expenses	117
Restricted cash	73
Amounts payable and accrued liabilities	99
Security deposits	25
	$ 278