

Condensed Consolidated Interim Financial Statements
(In U.S. dollars)

WPT INDUSTRIAL REAL ESTATE INVESTMENT TRUST

For the three and nine months ended September 30, 2017 and 2016

(Unaudited)

WPT INDUSTRIAL REAL ESTATE INVESTMENT TRUST

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

	September 30, 2017 (Unaudited)	December 31, 2016 (Audited)
Assets		
Non-current assets:		
Investment properties (note 5)	\$ 993,206	\$ 800,142
Investment properties under development (note 5)	11,200	6,289
Other non-current assets	79	19
	<u>1,004,485</u>	<u>806,450</u>
Current assets:		
Amounts receivable (note 6)	1,998	1,514
Prepaid expenses	666	577
Restricted cash	1,253	543
Cash and cash equivalents	7,573	9,007
	<u>11,490</u>	<u>11,641</u>
Total assets	\$ 1,015,975	\$ 818,091
Liabilities and Unitholders' Equity		
Non-current liabilities:		
Mortgages payable and construction loan (note 9)	319,199	315,521
Revolving Facility (note 10)	65,280	19,286
Class B Units (note 11)	48,254	79,798
Security deposits	1,464	1,233
	<u>434,197</u>	<u>415,838</u>
Current liabilities:		
Mortgages payable and construction loan (note 9)	33,606	2,462
Amounts payable and accrued liabilities (note 7)	18,275	16,555
Distributions payable (note 12)	2,820	2,194
	<u>54,701</u>	<u>21,211</u>
Total liabilities	488,898	437,049
Total unitholders' equity	527,077	381,042
Commitments and contingencies (note 16)		
Total liabilities and unitholders' equity	\$ 1,015,975	\$ 818,091

See accompanying notes to condensed consolidated interim financial statements.

WPT INDUSTRIAL REAL ESTATE INVESTMENT TRUST

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

(Unaudited)	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	2017	2016
Investment properties revenue	\$ 20,709	\$ 17,334	\$ 59,377	\$ 52,448
Expenses (income):				
Investment properties operating expenses	2,138	1,717	18,765	16,036
Fair value adjustment to investment properties and investment properties under development	1,410	1,373	(28,760)	(1,711)
Fair value adjustment to investment properties – IFRIC 21	3,445	2,651	(2,730)	(2,629)
General and administrative	1,911	1,301	6,152	4,481
Other income	-	-	-	(97)
Fair value adjustment to Class B Units (note 11)	700	1,681	8,431	(9,962)
Finance costs (note 14)	4,132	4,483	13,072	13,905
Net income and comprehensive income	\$ 6,973	\$ 4,128	\$ 44,447	\$ 32,425

See accompanying notes to condensed consolidated interim financial statements.

WPT INDUSTRIAL REAL ESTATE INVESTMENT TRUST

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

(Unaudited)	REIT Units	Trust Equity	Distributions	Accumulated Income	Unitholders' Equity
Balance, December 31, 2015 (note 12)	18,523,119	\$ 169,935	\$ (27,943)	\$ 51,438	\$ 193,430
REIT Units issued, net of issuance costs (note 12)	7,601,860	80,688			80,688
Redemption of Class B Units for REIT Units (notes 11, 12)	8,502,619	96,215	-	-	96,215
DTUs redeemed for REIT Units	23,465	249	-	-	249
REIT Units issued due to exercise of stock options	1,363	14	-	-	14
Net income and comprehensive income	-	-	-	32,425	32,425
Distributions declared (note 12)	-	-	(16,846)	-	(16,846)
Balance, September 30, 2016	34,652,426	\$ 347,101	\$ (44,789)	\$ 83,863	\$ 386,175
Balance, December 31, 2016 (note 12)	34,652,426	\$ 346,990	\$ (51,370)	\$ 85,422	\$ 381,042
REIT Units issued, net of issuance costs (note 12)	6,735,500	82,612			82,612
Redemption of Class B Units for REIT Units (notes 11,12)	3,110,888	39,975			39,975
DTUs redeemed for REIT Units	31,374	417	-	-	417
REIT Units issued due to exercise of stock options	15,584	210	-	-	210
Net income and comprehensive income	-	-	-	44,447	44,447
Distributions declared (note 12)	-	-	(21,626)	-	(21,626)
Balance, September 30, 2017 (note 12)	44,545,772	\$ 470,204	\$ (72,996)	\$ 129,869	\$ 527,077

See accompanying notes to condensed consolidated interim financial statements.

WPT INDUSTRIAL REAL ESTATE INVESTMENT TRUST

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

(Unaudited)	Nine months ended September 30,	
	2017	2016
Cash flows from operating activities:		
Net income	\$ 44,447	\$ 32,425
Finance costs (note 14)	21,503	3,943
Non-cash items:		
Amortization of straight-line rent	(977)	(612)
Property tax liability under IFRIC 21	2,730	2,629
Fair value adjustment to investment properties – IFRIC 21	(2,730)	(2,629)
Fair value adjustment to investment properties and investment properties under development	(28,760)	(1,711)
Deferred compensation expense	1,859	1,321
Fair value adjustment on deferred compensation	1,485	(209)
Amortization of lease incentives	889	591
Change in non-cash working capital (note 20)	356	(264)
Cash flows provided by operating activities	40,802	35,484
Cash flows from financing activities:		
Repayment of mortgages payable	(1,836)	(1,650)
Proceeds from mortgages payable and construction loan	37,255	-
Repayment of Revolving Facility	(112,000)	(47,200)
Proceeds from Revolving Facility	158,000	500
Financing costs incurred	(683)	(826)
Proceeds from issuance of REIT Units, net of issuance costs (note 12)	82,612	80,688
Distributions paid	(21,000)	(15,825)
Interest paid	(13,075)	(14,603)
Cash flows provided by financing activities	129,273	1,084
Cash flows from investing activities:		
Acquisition of investment properties (note 3)	(172,376)	-
Proceeds from disposition of investment properties (note 4)	14,233	7,150
Additions to investment properties, including lease incentives	(8,121)	(2,650)
Additions to investment properties under development	(5,186)	(278)
Change in capital escrows	(59)	164
Cash flows (used in) provided by investing activities	(171,509)	4,386
(Decrease) increase in cash and cash equivalents	(1,434)	40,954
Cash and cash equivalents, beginning of period	9,007	5,856
Cash and cash equivalents, end of period	\$ 7,573	\$ 46,810

See accompanying notes to condensed consolidated interim financial statements.

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Notes to Condensed Consolidated Interim Financial Statements
(In thousands of U.S. dollars, except per unit amounts)
(Unaudited)

For the three and nine months ended September 30, 2017 and 2016

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 September 30, 2017, the REIT owned a portfolio of investment properties comprised of 50 industrial investment properties and one office investment property, located in 14 states in the U.S.

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Notes to Condensed Consolidated Interim Financial Statements (continued)
(In thousands of U.S. dollars, except per unit amounts)
(Unaudited)

For the three and nine months ended September 30, 2017 and 2016

1. Basis of Presentation:

(a) Statement of compliance:

The condensed consolidated interim financial statements of the REIT have been prepared by management in accordance with International Accounting Standards ("IAS") 34, *Interim Financial Reporting* as issued by the International Accounting Standards Board ("IASB").

These condensed consolidated interim financial statements were approved by the board of trustees of the REIT (the "Board of Trustees") on November 8, 2017.

The condensed consolidated interim financial statements do not include all information required for full annual financial statements and should be read in conjunction with the REIT's unaudited condensed consolidated interim financial statements for the three and nine months ended September 30, 2017 and the REIT's audited consolidated financial statements for the year ended December 31, 2016, which have been prepared in accordance with International Financial Reporting Standards ("IFRS").

(b) Basis of measurement:

The condensed consolidated interim financial statements have been prepared on a historical cost basis except for investment properties, amounts payable under deferred compensation plans, and Class B Units ("Class B Units") which have been measured at fair value. The condensed consolidated interim 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 condensed consolidated interim financial statements comprise the financial statements of the REIT and its subsidiaries including the REIT's 100% 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.

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Notes to Condensed Consolidated Interim Financial Statements (continued)
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2. Significant Accounting Policies:

The condensed consolidated interim financial statements follow the same accounting policies as the audited consolidated financial statements as at and for the year ended December 31, 2016. Please refer to note 2 of the REIT's audited consolidated financial statements for the year ended December 31, 2016 for a summary of significant accounting policies.

The REIT noted the following standards and amendments to existing standards issued by the IASB are expected to be relevant to the REIT in preparing its consolidated financial statements starting in 2018:

(i) IFRS 9, *Financial Instruments*

The REIT will adopt IFRS 9 Financial Instruments, which replaces IAS 39 Financial Instruments: Recognition and Measurement, in its consolidated financial statements for the annual period beginning on January 1, 2018, the mandatory effective date. IFRS 9 must be applied retrospectively with some exemptions. The restatement of prior periods is not required and is only permitted if information is available without the use of hindsight.

The REIT has commenced its evaluation of the impact of this standard on each of its financial instruments. Based upon the REIT's existing financial instruments and related accounting policies at September 30, 2017, the principal areas impacted are: classification of financial assets, impairment of financial assets, and presentation of fair value changes for certain financial liabilities designated at fair value through profit or loss ("FVTPL"). IFRS 9 also requires new disclosures.

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. 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 categories of held to maturity, loans and receivables and available for sale.

IFRS 9 replaces the 'incurred loss' impairment 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.

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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.

IFRS 9 also includes a new general hedge accounting standard which aligns hedge accounting more closely with risk management. The REIT do not currently apply hedge accounting in their financial statements.

The extent of the impact of adoption of the standard has not yet been determined, the REIT expects to complete its assessment of the impact of adopting IFRS 9 during the fourth quarter of 2017.

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

IFRS 15 Revenue from Contracts with Customers is effective for annual periods beginning on or after January 1, 2018, and will replace IAS 11 Construction Contracts, IAS 18 Revenue, International Financial Reporting Interpretations Committee (“IFRIC”) 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfer of Assets from Customers, and SIC 31 Revenue – Barter Transactions Involving Advertising Services. The REIT will adopt IFRS 15 in its financial statements for the annual period beginning January 1, 2018. 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, will be subject to the revenue guidance. The REIT is currently evaluating the impact of the standard on its various revenue streams, including an assessment of the new Leases standard (see below). Areas of focus include identifying performance obligations and amounts of consideration that are variable, as well as assessing the application of the principles for allocating variable consideration. IFRS 15 also requires incremental disclosure of material revenue streams. The REIT expects to complete its assessment of the potential impact of adopting IFRS 15 during the fourth quarter of 2017.

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(iii) IFRS 16, *Leases*

In January 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 remains similar to the current standard. However, the REIT is evaluating the identification of leases and non-lease components in accordance with the new requirements. IFRS 16 is only applicable to leases components and therefore other standards, such as IFRS 15, will apply to non-leases components of contracts. IFRS 15 requires allocation of transaction price to relative standalone selling price. The REIT is evaluating whether this will have a measurement impact. The new standard is effective for years beginning on January 1, 2019. The extent of the impact of adoption of the standard has not yet been determined.

3. Asset Acquisitions:

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 (the "Revolving Facility").

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 Revolving 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 Revolving Facility.

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The assets acquired and liabilities assumed in these transactions were allocated as follows:

	Portland Property	Houston Property	Pennsylvania Property	Total
Investment properties ¹	\$ 56,630	\$ 40,803	\$ 75,835	\$ 173,268
Prepaid expenses	-	-	427	427
Amounts payable and accrued liabilities	(360)	(471)	(278)	(1,109)
Security deposits	-	(210)	-	(210)
Net assets acquired	\$ 56,270	\$ 40,122	\$ 75,984	\$ 172,376

Consideration given by the REIT consists of the following:

Cash	56,270	40,122	75,984	172,376
Total consideration	\$ 56,270	\$ 40,122	\$ 75,984	\$ 172,376

¹ Includes total closing and transaction costs of \$2,648 and an IFRIC 21 liability of \$544 assumed on acquisition that is offset by an equal adjustment to investment property.

4. Asset Dispositions:

On July 26, 2016, the REIT sold the investment property located at 224 North Hoover Road, Durham, North Carolina to a third party purchaser for a sale price of \$7,300, less selling costs of \$102.

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).

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Notes to Condensed Consolidated Interim Financial Statements (continued)
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5. Investment properties:

The reconciliation of the carrying amount of investment properties for the following periods are set out below:

	Nine months ended September 30, 2017		Year ended December 31, 2016	
Balance, beginning of period	\$	800,142	\$	742,592
Investment property acquisitions		173,268		60,918
Investment property disposition		(14,470)		(7,198)
Additions to investment properties, including lease incentives		8,071		4,955
Amortization of straight-line rent		977		725
Amortization of lease incentives		(889)		(826)
Fair value adjustment to investment properties		26,107		(24)
Transfer to investment properties under development ⁽¹⁾		-		(1,000)
	\$	993,206	\$	800,142
Property tax liability under IFRIC 21		2,730		(182)
Fair value adjustment to investment properties – IFRIC 21		(2,730)		182
	\$	993,206	\$	800,142

(1) During the year ended December 31, 2016, the REIT began the development of an industrial property on a vacant land parcel located at the REIT's 2825 Reeves Road property in Indianapolis, IN (the "Indianapolis Development"), with a value of \$1,000.

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Notes to Condensed Consolidated Interim Financial Statements (continued)
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Investment properties under development activity is as follows:

	Nine months ended September 30, 2017		Year ended December 31, 2016	
Balance, beginning of period	\$	6,289	\$	-
Transfer from investment properties		-		1,000
Additions to investment properties under development		2,258		5,289
Fair value adjustment to investment properties under development		2,653		-
	\$	11,200	\$	6,289

Total interest expense capitalized for investment properties under development was \$30 and \$97 for the three and nine months ended September 30, 2017.

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 in the consolidated statements of financial position is as follows:

	Level 1	Level 2	Level 3
Investment properties and properties under development – September 30, 2017	\$ -	\$ -	\$ 1,004,406
Investment properties and properties under development – December 31, 2016	\$ -	\$ -	\$ 806,431

Investment properties include the current fair value of the land, building, improvements to the investment property, all direct leasing costs incurred in obtaining and retaining property tenants and investment properties under development. Management reviews the fair value of the investment properties regularly using generally accepted market practices including independent property valuations and market conditions existing at the reporting date. Judgment is also applied in determining the extent and frequency of independent third party appraisals. The REIT determines the fair value of an investment property at the end of each reporting period using a combination of the following methods: (i) an internal valuation using the discounted cash flow

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model, which discounts the expected future cash flows, including a terminal value, based on the application of a terminal capitalization rate to the assumed final year's estimated cash flows, and reviewing the key assumptions from previous and current appraisals and updating the value for changes in the property cash flow, physical condition and changes in market conditions, and (ii) appraisals by an independent third party, according to professional appraisal standards and IFRS.

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

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

	September 30, 2017	December 31, 2016
Weighted average terminal capitalization rate	6.65%	7.02%
Range of terminal capitalization rates	5.50% - 9.00%	6.00%-10.00%
Weighted average discount rate	7.17%	7.83%
Range of discount rates	5.98%-8.99%	6.27%-10.91%

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 at September 30, 2017:

Weighted average terminal capitalization rate:		
25-basis point increase	\$	(18,804)
25-basis point decrease	\$	20,303
Weighted average discount rate:		
25-basis point increase	\$	(17,906)
25-basis point decrease	\$	18,367

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Notes to Condensed Consolidated Interim Financial Statements (continued)
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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:

	September 30, 2017	December 31, 2016
Tenant receivables	\$ 1,829	\$ 1,452
Other receivables	169	63
Allowance for uncollectible amounts	-	(1)
	\$ 1,998	\$ 1,514

The carrying value of amounts receivable approximates fair value.

7. Amounts payable and accrued liabilities:

Amounts payable and accrued liabilities consist of the following:

	September 30, 2017	December 31, 2016
Trade payables	\$ 338	\$ 194
Accrued liabilities and other payables	1,963	5,176
Accrued real estate taxes	5,364	2,931
Accrued interest	1,233	1,314
Unearned revenue	45	97
Rent received in advance	2,241	2,059
Deferred compensation	7,091	4,784
	\$ 18,275	\$ 16,555

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8. Operating leases:

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 three or nine months ended September 30, 2017 or 2016.

As at September 30, 2017, the total future contractual minimum base rent lease payments expected to be received under non-cancellable leases are as follows:

One year or less	\$	66,611
2 – 5 years		180,288
Greater than 5 years		71,746
	\$	318,645

9. Mortgages payable and construction loan:

Mortgages payable and construction loan consist of the following:

	September 30, 2017	December 31, 2016
Mortgages payable	\$ 348,575	\$ 316,811
Construction loan	3,655	-
Mark-to-market-adjustments, net	1,738	2,126
Financing costs, net	(1,163)	(954)
Carrying value	352,805	317,983
Less current portion	(33,606)	(2,462)
Long-term portion	\$ 319,199	\$ 315,521

Mortgages payable and the construction loan 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 and the construction loan are collateralized by investment properties with a fair value of \$740,550 and \$637,895 as at September 30, 2017 and December 31, 2016, respectively. As at September

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30, 2017 and December 31, 2016, mortgages payable bore interest at various rates ranging from 2.87% to 5.80%, and have a weighted average effective interest rate of 3.78% and 3.83%, respectively. Maturity dates range from 2018 – 2024 as at September 30, 2017. As at September 30, 2017 and December 31, 2016, there were no mortgages payable with variable interest rates. The weighted average term to maturity on mortgages payable was 3.9 years and 4.3 years as at September 30, 2017 and December 31, 2016, respectively.

On October 18, 2016, the REIT entered into a two-year variable interest construction loan to fund up to \$5,940 of the Indianapolis Development. The REIT has the option to extend the construction loan for an additional three-year period. The interest rate on the construction loan is based on LIBOR, in each case plus an applicable margin. As at September 30, 2017, the construction loan's interest rate was 3.56%. As at September 30, 2017 and December 31, 2016, the REIT had drawn \$3,655 and \$0, respectively.

On November 4, 2016, the REIT repaid a mortgage payable, bearing a fixed interest rate of 5.77% with a remaining principal balance of \$21,011, with available cash. Four of the five properties, previously encumbered by the mortgage payable, were added as borrowing base collateral and increased the availability on the Revolving Facility as at December 31, 2016.

On November 18, 2016, the REIT assumed a \$25,921 mortgage payable related to the Minneapolis Property acquisition, bearing a fixed interest rate of 3.62% maturing on October 1, 2021.

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 Revolving Facility.

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Notes to Condensed Consolidated Interim Financial Statements (continued)
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Future contractual cash flows of mortgages payable principal and interest are as follows as at September 30, 2017:

	Principal Payments	Interest Payments	Total Payments
2017 (remainder)	\$ 626	\$ 3,206	\$ 3,832
2018	33,864	12,585	46,449
2019	32,072	10,882	42,954
2020	87,723	8,838	96,561
2021	73,676	6,940	80,616
2022 and thereafter	120,614	6,881	127,495
	\$ 348,575	\$ 49,332	\$ 397,907

Covenant compliance requirements:

The REIT's mortgages payable and construction loan 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 September 30, 2017 and December 31, 2016, the REIT was in compliance with all covenants of its mortgages payable and construction loan.

Financial covenants applicable to Welsh Property Trust, LLC ("Welsh"), the REIT's former asset and property manager, remain on two of the REIT's mortgages payable relating to investment properties contributed to the REIT from Welsh during the IPO totaling \$37,825, requiring Welsh to meet certain financial and operating criteria. As at September 30, 2017 and December 31, 2016, Welsh was in compliance with all covenants.

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10. Revolving Facility:

The Revolving Facility consists of the following:

	September 30, 2017	December 31, 2016
Revolving Facility	\$ 66,000	\$ 20,000
Financing costs, net	(720)	(714)
Carrying value	\$ 65,280	\$ 19,286

On April 21, 2016, the REIT amended and restated the Revolving Facility, thereby increasing availability from \$75,000 to \$100,000 (subject to requisite borrowing base collateral) and extending the term for a period of three years maturing on April 21, 2019. The Revolving Facility continues to include an accordion feature which could increase the facility to \$200,000, subject to lender approval. The REIT has the option to extend the Revolving Facility for an additional one-year period. The interest 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 September 30, 2017 and December 31, 2016, the Revolving Facility interest rate was 2.89% and 2.46%, respectively.

Financing costs of \$823 related to the amended and restated Revolving Facility are being amortized using the effective interest rate method over the extension term of three years.

On July 26, 2016, the REIT sold one of the investment properties on the borrowing base, resulting in a decrease to the borrowing base collateral.

On December 30, 2016, the REIT added six properties as borrowing base collateral to the Revolving Facility. Finance costs of \$95 related to the additions are being amortized using the effective interest rate method over the remaining extension term.

On August 25, 2017, the REIT exercised the accordion feature provided by the Revolving Facility which increased the availability on the borrowing base from \$100,000 to \$150,000 (subject to requisite borrowing base collateral). Finance costs of \$192 related to the exercise are being amortized using the effective interest rate method over the remaining extension term.

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On September 13, 2017, the REIT added the Pennsylvania Property as borrowing base collateral to the Revolving Facility. Finance costs of \$55 related to the addition are being amortized using the effective interest rate method over the remaining extension term.

Availability on the Revolving Facility was \$134,568 as at September 30, 2017, of which the REIT had drawn \$66,000, leaving remaining availability of \$68,568.

11. Class B Units:

On January 11, 2016, Welsh redeemed 6,600,000 Class B Units in exchange for ownership and control over 6,600,000 REIT Units.

On January 19, 2016, Welsh redeemed 1,902,619 Class B Units in exchange for ownership and control over 1,902,619 REIT Units.

On July 17, 2017, Welsh redeemed 3,110,888 Class B Units in exchange for ownership and control over 3,110,888 REIT Units.

Class B Units are valued at the REIT Units' closing price per the TSX as at September 30, 2017 and December 31, 2016, which was \$13.36 and \$11.87, 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, 2015	15,225,314	\$ 181,942
Redemption of Class B Units for REIT Units, January 11, 2016	(6,600,000)	(76,428)
Redemption of Class B Units for REIT Units, January 19, 2016	(1,902,619)	(19,787)
Fair value adjustment to Class B Units	-	(5,929)
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	-	8,431
As at September 30, 2017	3,611,807	\$ 48,254

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Included in finance costs for both the three and nine months ended September 30, 2017 and 2016 are \$685 and \$3,239 of distributions declared on Class B Units, respectively. Total distributions payable on Class B Units as at September 30, 2017 and December 31, 2016 were \$229 and \$426, respectively.

12. 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 January 11, 2016, Welsh redeemed 6,600,000 Class B Units in exchange for ownership and control over 6,600,000 REIT Units.

On January 19, 2016, Welsh redeemed 1,902,619 Class B Units in exchange for ownership and control over 1,902,619 REIT Units.

On July 19, 2016, the REIT issued 5,429,900 REIT Units at a price of \$11.05 per REIT Unit to a syndicate of underwriters on a bought deal basis for net proceeds to the REIT of approximately \$57,138 (the "July 2016 Base Offering"). In addition, the REIT completed a concurrent private placement, issuing 1,357,475 REIT Units to Alberta Investment Management Corporation and affiliates ("AIMCo") on a non-brokered private placement basis at a purchase price of \$11.05 per REIT Unit for additional net proceeds to the REIT of approximately \$14,868 (the "Concurrent Private Placement").

On July 25, 2016, the REIT issued 814,485 REIT Units at a price of \$11.05 per REIT Unit to the syndicate of underwriters of the July 2016 Offering, pursuant to their exercise in full of their over-allotment option, for net proceeds of approximately \$8,571 (together with the July 2016 Base Offering, the "July 2016 Offering").

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

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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).

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

	Units	Value
As at December 31, 2015	18,523,119	\$ 169,935
Redemption of Class B Units for REIT Units, January 11, 2016	6,600,000	76,428
Redemption of Class B Units for REIT Units, January 19, 2016	1,902,619	19,787
DTUs redeemed for REIT Units	23,465	249
REIT Units issued due to exercise of stock options	1,363	14
REIT Units issued on completion of the July 2016 Offering, (including REIT Units issued through underwriters' over- allotment, and net of issue costs)	6,244,385	65,709
REIT Units issued on completion of the Concurrent Private Placement	1,357,475	14,868
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 September 30, 2017	44,545,772	\$ 470,204

(a) Distributions:

The REIT declared distributions to unitholders of record in the amount of \$8,459 (\$0.19 per Unit) and \$21,626 (\$0.57 per Unit) for the three and nine months ended September 30, 2017, respectively. The REIT declared distributions to unitholders of record in the amount of \$6,580 (\$0.19 per Unit) and \$16,846 (\$0.57 per Unit) for the three and nine months ended September 30, 2016, respectively. Total distributions payable as at September 30, 2017 and December 31, 2016 were \$2,820 and \$2,194, respectively.

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Notes to Condensed Consolidated Interim Financial Statements (continued)
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(b) Deferred Unit Incentive Plan:

On April 26, 2013, the REIT authorized a DUIP, as amended and restated on May 13, 2016, that provides for the granting of DTUs to trustees, officers, employees, consultants and service providers, as well as employees of such service providers. DTUs are defined as notional units with a fair value based on the REIT Units' closing price per the TSX. The maximum number of REIT Units reserved for issuance under the DUIP is 5% of the total number of REIT Units issued and outstanding from time to time. Vested DTUs may be redeemed in whole or in part for units of the REIT issued from treasury or cash. Whenever cash distributions are paid to REIT unitholders, additional DTUs are credited to the participant's outstanding DTU balance based on the 5-day volume-weighted average price on the grant date. These additional units vest on the same schedule as their corresponding DTUs.

Officer and Employee Grants

All DTUs granted to officers and employees vest as to one-fifth on the first anniversary of the grant date, and one-fifth on each of the four following anniversaries. A summary of DTUs granted to officers of the REIT and employees of the asset manager of the REIT under the DUIP is set forth below:

	DTUs Granted
Total as at December 31, 2015	127,441
March 31, 2016 grant ⁽¹⁾	118,586
June 10, 2016 grant	147,500
DTUs granted through distributions	20,440
DTUs redeemed for cash	(5,614)
DTUs redeemed for REIT Units	(6,644)
Total as at December 31, 2016	401,709
March 24, 2017 grant	140,214
August 18, 2017 grant	19,443
DTUs granted through distributions	21,828
DTUs redeemed for cash	(7,350)
DTUs redeemed for REIT Units	(7,256)
Total as at September 30, 2017	568,588

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- (1) These DTUs were approved on May 13, 2015 and are being expensed over a five-year vesting period from May 13, 2015 through May 13, 2020, but were not granted until March 31, 2016 due to a prolonged period of blackout, pursuant to the terms of the REIT's insider trading policy.

The total fair value of DTUs granted to officers and employees, inclusive of vested and unvested DTUs, as at September 30, 2017 and December 31, 2016 was \$7,596 and \$4,768, respectively. As at September 30, 2017 and December 31, 2016, a total of 155,904 and 80,886 DTUs granted to officers and employees had vested, respectively.

Trustee and Other Grants

All members of the Board of Trustees have elected to receive their annual retainers and meetings 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, which vest as to one-third on the first anniversary date of the grant and one-third on each of the second and third anniversaries.

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

	DTUs Granted
Total as at December 31, 2015	65,845
DTUs granted for services rendered in Q4 2014 ⁽¹⁾	5,099
DTUs granted through distributions and 50% match related to 2014 ⁽¹⁾	14,396
DTUs granted for services rendered in 2015 ⁽¹⁾	29,267
DTUs granted through distributions and 50% match related to 2015 ⁽¹⁾	14,634
DTUs granted for services rendered in 2016	25,437
DTUs granted through distributions and 50% match related to 2016	20,122
DTUs redeemed for cash	(28,428)
DTUs redeemed for REIT Units	(16,821)
Total as at December 31, 2016	129,551
DTUs granted for services rendered in 2016	8,015
DTUs granted for services rendered in 2017	20,941
DTUs granted through distributions and 50% match	20,544
DTUs redeemed for cash	(10,218)
DTUs redeemed for REIT Units	(24,118)
Total as at September 30, 2017	144,715

- (1) These DTUs were approved in the year in which they were earned and recorded as a deferred compensation liability, but were not granted until March 31, 2016 due to a prolonged period of blackout, pursuant to the terms of the REIT's insider trading policy.

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The total fair value of DTUs granted to trustees, inclusive of vested and unvested DTUs, as at September 30, 2017 and December 31, 2016 was \$1,933 and \$1,399, respectively. As at September 30, 2017 and December 31, 2016, a total of 118,634 and 111,495 DTUs granted to trustees had vested, respectively.

The movement in the DUIP balance was as follows:

As at December 31, 2015	\$	2,707
Deferred compensation expense		1,823
Fair value adjustment		229
DTUs redeemed for cash and REIT Units		(608)
<hr/>		
Total as at December 31, 2016		4,151
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Deferred compensation expense		1,857
Fair value adjustment		792
DTUs redeemed for cash and REIT Units		(653)
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Total as at September 30, 2017	\$	6,147

Total compensation expense related to the DUIP recognized for the three and nine months ended September 30, 2017 was \$834 and \$2,649, respectively. Total compensation expenses related to the DUIP recognized for the three and nine months ended September 30, 2016 was \$560 and \$1,313, respectively. These amounts include adjustments based on the fair value of the REIT Units and are reported within general and administrative expenses as at September 30, 2017 and 2016.

(c) 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 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.

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

	Number of options	Weighted average exercise price
Outstanding, December 31, 2015	556,667	\$ 10.02
Exercised in 2016	(26,667)	10.14
Outstanding, December 31, 2016	530,000	\$ 10.02
Exercisable, December 31, 2016	463,333	\$ 10.05
Exercised in 2017	(110,000)	\$ 9.99
Outstanding and Exercisable, September 30, 2017	420,000	\$ 10.02

The total fair value of options granted as at September 30, 2017 and December 31, 2016 and as at the grant date was \$944, \$645 and \$327, respectively. The aggregate intrinsic value of exercisable options as at September 30, 2017 and December 31, 2016 was \$1,407 and \$845, respectively. The weighted average remaining contractual life for outstanding options and for exercisable options as at September 30, 2017 was 6.0 years.

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

As at December 31, 2015	\$ 649
Deferred compensation expense	20
Fair value adjustment	(22)
Stock options exercised for REIT Units	(14)
Total as at December 31, 2016	\$ 633
Deferred compensation expense	2
Fair value adjustment	693
Stock options exercised for REIT Units	(384)
Total as at September 30, 2017	\$ 944

Total compensation expense related to the option plan recognized for the three and nine months ended September 30, 2017 was \$136 and \$695, respectively. Total compensation expense (income) related to the option plan recognized for the three and nine months ended September 30, 2016 was \$48 and (\$201), respectively. These amounts include adjustments

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based on the fair value of the options and are reported within general and administrative expenses as at September 30, 2017 and 2016.

As at September 30, 2017, fair value adjustments were determined using the Black-Scholes option pricing model with the following assumptions:

Average expected option term	3.1 years
Risk-free interest rate	1.62%
Expected volatility	16.49%
Dividend yield	5.7%

13. Related party transactions:

Related party transactions with Welsh and WPT Capital Advisors, LLC ("WPT Capital"), the successor in interest to Welsh as asset and property manager, are set forth below:

	Three months ended September 30,		Nine months ended, September 30,	
	2017	2016	2017	2016
Fees earned under asset management agreement (1)				
Acquisition fees	\$ 1,530	\$ -	\$ 1,530	\$ -
Asset management fees	539	440	1,503	1,331
Construction management fees	114	26	407	69
Out-of-pocket costs	37	73	183	220
Fees earned under property management agreement (2)	512	435	1,506	1,306
Other				
Class B Unit distributions paid to Welsh (3)	883	1,276	3,436	4,368
REIT Unit distributions paid to Welsh (3)	-	1	1	1,464

- (1) On April 26, 2013, the REIT entered into an asset management agreement with Welsh, under which Welsh provided certain asset management services to the REIT and its subsidiaries. On January 20, 2016, WPT Capital, under the first amendment to the asset management agreement, agreed to perform all of the duties and obligations as the asset manager of the REIT. On May 10, 2017, the independent trustees of the REIT approved a renewal of the REIT's asset management agreement with WPT Capital for an additional five-year term.

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The asset management agreement provides for the following fees:

- Asset management fees at 0.25% of gross book value, as defined in the asset management agreement. On January 20, 2016, the asset management agreement was amended to waive asset management fees in connection with any investments by the REIT in (i) any private investment funds managed and/or controlled by WPT Capital (each a "Fund") and (ii) any investment properties owned by the REIT or one or more of its affiliates as a co-investment with any Fund; excluding any investment property in which such Fund, directly or indirectly, holds less than 50% of the aggregate ownership interests ("Fund Co-Investment Properties"), for such time as such investment properties are Fund Co-Investment Properties. Asset management fees are reported within general and administrative expenses. Asset management fees payable as at September 30, 2017 and December 31, 2016 were \$10 and \$1, respectively.
 - 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. On January 20, 2016, the asset management agreement was amended to waive acquisition fees in connection with any investment properties acquired by the REIT from any Fund, and any Fund Co-Investment Properties. There were no acquisition fees payable at September 30, 2017 and December 31, 2016.
 - 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. Construction management fees payable as at September 30, 2017 and December 31, 2016 were \$10 and \$274, respectively.
- (2) On April 26, 2013, the Partnership and the REIT entered into a property management agreement with Welsh. Under the property management agreement, Welsh 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. On January 20, 2016, WPT Capital, under an assignment agreement, became responsible for providing property and facility management services in respect of the REIT's investment properties pursuant to the

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property management agreement. On May 10, 2017, the independent trustees of the REIT approved a renewal of the REIT's property management agreement with WPT Capital for an additional five-year term.

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 September 30, 2017 and December 31, 2016.

- (3) On January 11, 2016, Welsh redeemed 6,600,000 Class B Units in exchange for ownership and control over 6,600,000 REIT Units.

On January 19, 2016, Welsh redeemed 1,902,619 Class B Units in exchange for ownership and control over 1,902,619 REIT Units.

On January 20, 2016 and June 2, 2016, AIMCO, on behalf of certain of its clients, purchased 4,783,122 and 4,468,085 REIT Units from Welsh, respectively, resulting in Welsh directly and indirectly owning and controlling 4,112 REIT Units and 6,722,695 Class B Units as at December 31, 2016.

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, Welsh sold 3,115,000 REIT Units in conjunction with the July 2017 Offering as part of a secondary offering (the "Secondary Offering"). The REIT did not receive any funds from the Secondary Offering.

Distributions payable to Welsh on Class B Units as at September 30, 2017 and December 31, 2016 were \$229 and \$426, respectively. Distributions payable to Welsh on REIT Units as at September 30, 2017 and December 31, 2016 were \$0 and \$0.3, respectively.

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Out-of-pocket costs and expenses

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 September 30, 2017 and December 31, 2016, the net payable due was \$18 and \$22, respectively, related to these reimbursements.

14. Finance costs:

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

	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	2017	2016
Interest on mortgages payable	\$ 3,024	\$ 3,107	\$ 9,048	\$ 9,329
Revolving Facility interest	389	115	706	770
Amortization of financing costs	164	160	467	499
Amortization of mark-to-market adjustments on fixed interest rate mortgages payable	(130)	(175)	(388)	(523)
Distributions on Class B Units	685	1,276	3,239	3,830
	\$ 4,132	\$ 4,483	\$ 13,072	\$ 13,905
Fair value adjustment to Class B Units	700	1,681	8,431	(9,962)
	\$ 4,832	\$ 6,164	\$ 21,503	\$ 3,943

15. 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.

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16. 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 the 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 \$11,600 and \$21,600 as at September 30, 2017 and December 31, 2016, respectively, of which \$11,600 and \$21,600 was outstanding as at September 30, 2017 and December 31, 2016, 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 September 30, 2017 and December 31, 2016. 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's estimated future commitments to complete the Indianapolis Development (note 5) are \$1,300 for 2017.

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17. 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 statements of financial position, are as follows:

	Carrying amount	Fair value
Mortgages payable – As at September 30, 2017	\$ 348,575	\$ 350,889
Mortgages payable – As at December 31, 2016	\$ 316,811	\$ 318,649

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

(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).

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(iv) Other financial assets and liabilities:

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

18. 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 Revolving 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 September 30, 2017 and December 31, 2016, the REIT's debt-to-gross book value ratio was 41.6% and 41.8%, respectively (total outstanding principal balance of mortgages payable, construction loan, and the Revolving Facility of \$418,230 and \$336,811 as at September 30, 2017 and December 31, 2016, respectively, divided by gross book value of \$1,004,406 and \$806,431 as at September 30, 2017 and December 31, 2016, respectively). The REIT has no convertible debentures outstanding and has never issued any.

WPT INDUSTRIAL REAL ESTATE INVESTMENT TRUST

Notes to Condensed Consolidated Interim Financial Statements (continued)
(In thousands of U.S. dollars, except per unit amounts)
(Unaudited)

For the three and nine months ended September 30, 2017 and 2016

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

- (a) consolidated total indebtedness shall not exceed 60%;
- (b) the outstanding principal balance of the 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 Revolving Facility. In addition, certain mortgages payable require the REIT to meet financial covenant ratios (note 10).

The REIT complied with all financial covenants as at September 30, 2017 and December 31, 2016.

19. 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.

WPT INDUSTRIAL REAL ESTATE INVESTMENT TRUST

Notes to Condensed Consolidated Interim Financial Statements (continued)
(In thousands of U.S. dollars, except per unit amounts)
(Unaudited)

For the three and nine months ended September 30, 2017 and 2016

- (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, 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 all of its mortgages payable in fixed term arrangements.

There is also interest rate risk associated with the REIT's Revolving Facility and construction loan balance. The balances bear interest at a variable rate based on LIBOR plus an applicable margin. Based on the outstanding balance at September 30, 2017, the impact of a 1.0% change in the LIBOR rate will increase or decrease the REIT's interest expense or earnings by \$697 on an annualized basis.

The REIT has no direct 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.

WPT INDUSTRIAL REAL ESTATE INVESTMENT TRUST

Notes to Condensed Consolidated Interim Financial Statements (continued)
(In thousands of U.S. dollars, except per unit amounts)
(Unaudited)

For the three and nine months ended September 30, 2017 and 2016

20. Supplementary cash flow information:

Change in non-cash working capital comprises the following:

	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	2017	2016
Amounts receivable	\$ (751)	\$ (274)	\$ (570)	\$ (446)
Prepaid expenses	64	79	258	331
Restricted cash	(529)	(1,325)	(711)	(1,080)
Amounts payable and accrued liabilities	1,853	546	4,327	955
Amounts payable and accrued liabilities related to additions to investment properties	(1,186)	263	(2,977)	(104)
Security deposits	14	39	29	80
	\$ (535)	\$ (672)	\$ 356	\$ (264)