Consolidated Financial Statements
(In U.S. dollars)

WPT INDUSTRIAL REAL ESTATE INVESTMENT TRUST

For the years ended December 31, 2017 and 2016

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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 statements of financial position as at December 31, 2017 and 2016, the consolidated statements of net income and comprehensive income, changes in unitholders' equity and cash flows for the years then ended, 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 audits. We conducted our audits 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 in our audits 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, 2017 and 2016, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

March 7, 2018
Toronto, Canada

WPT INDUSTRIAL REAL ESTATE INVESTMENT TRUST

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

	December 31, 2017	December 31, 2016
Assets		
Non-current assets:		
Investment properties (note 5)	$ 1,009,582	$ 800,142
Investment properties under development (note 5)	-	6,289
Other non-current assets	138	19
	1,009,720	806,450
Current assets:		
Amounts receivable (note 6)	1,816	1,514
Prepaid expenses	1,106	577
Restricted cash	664	543
Cash and cash equivalents	6,637	9,007
	10,223	11,641
Total assets	$ 1,019,943	$ 818,091
Liabilities and Unitholders' Equity		
Non-current liabilities:		
Mortgages payable and construction loan (note 9)	314,616	315,521
Revolving Facility (note 10)	76,892	19,286
Class B Units (note 11)	45,942	79,798
Security deposits	1,501	1,233
	438,951	415,838
Current liabilities:		
Mortgages payable and construction loan (note 9)	33,864	2,462
Amounts payable and accrued liabilities (note 7)	17,631	16,555
Distributions payable (note 12)	2,820	2,194
	54,315	21,211
Total liabilities	493,266	437,049
Total unitholders' equity	526,677	381,042
Commitments and contingencies (note 17)		
Subsequent events (note 22)		
Total liabilities and unitholders' equity	$ 1,019,943	$ 818,091

See accompanying notes to consolidated financial statements.

WPT INDUSTRIAL REAL ESTATE INVESTMENT TRUST

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

	Year ended December 31, 2017	2016
Investment properties revenue	$ 81,786	$ 71,110
Expenses (income):		
Investment properties operating expenses	21,495	18,268
Fair value adjustment to investment properties and investment properties under development	(24,081)	24
Fair value adjustment to investment properties – IFRIC 21	479	182
General and administrative	7,564	6,378
Fair value adjustment to Class B Units (note 11)	6,119	(5,929)
Finance costs (note 14)	17,704	18,300
Other income	-	(97)
Net income and comprehensive income	$ 52,506	$ 33,984

See accompanying notes to consolidated financial statements.

WPT INDUSTRIAL REAL ESTATE INVESTMENT TRUST

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

	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	80,577			80,577
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	-	-	-	33,984	33,984
Distributions declared (note 12)	-	-	(23,427)	-	(23,427)
Balance, December 31, 2016	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	-	-	-	52,506	52,506
Distributions declared (note 12)	-	-	(30,085)	-	(30,085)
Balance, December 31, 2017 (note 12)	44,545,772	$ 470,204	$ (81,455)	$ 137,928	$ 526,677

See accompanying notes to consolidated financial statements.

WPT INDUSTRIAL REAL ESTATE INVESTMENT TRUST

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

	Year ended December 31, 2017	2016
Cash flows from operating activities:		
Net income	$ 52,506	$ 33,984
Finance costs (note 14)	23,823	12,371
Non-cash items:		
Amortization of straight-line rent	(1,291)	(725)
Property tax liability under IFRIC 21	479	182
Fair value adjustment to investment properties – IFRIC 21	(479)	(182)
Fair value adjustment to investment properties and investment properties under development	(24,081)	24
Deferred compensation expense	2,518	1,843
Fair value adjustment on deferred compensation	1,082	208
Amortization of lease incentives	1,207	826
Change in non-cash working capital (note 21)	(1,099)	80
Cash flows provided by operating activities	54,665	48,611
Cash flows from financing activities:		
Repayment of mortgages payable and construction loan	(6,627)	(23,205)
Proceeds from mortgages payable and construction loan	37,765	-
Repayment of Revolving Facility	(58,000)	(47,200)
Proceeds from Revolving Facility	115,500	20,500
Financing costs incurred	(688)	(908)
Proceeds from issuance of REIT Units, net of issuance costs (note 12)	82,612	80,577
Distributions paid	(29,459)	(22,406)
Interest paid	(17,504)	(18,923)
Cash flows provided by (used in) financing activities	123,599	(11,565)
Cash flows from investing activities:		
Acquisition of investment properties (note 3)	(178,768)	(34,254)
Proceeds from disposition of investment properties (note 4)	14,233	7,150
Additions to investment properties, including lease incentives	(9,984)	(4,633)
Additions to investment properties under development	(5,996)	(2,325)
Change in capital escrows	(119)	167
Cash flows used in investing activities	(180,634)	(33,895)
(Decrease) increase in cash and cash equivalents	(2,370)	3,151
Cash and cash equivalents, beginning of period	9,007	5,856
Cash and cash equivalents, end of period	$ 6,637	$ 9,007

See accompanying notes to consolidated financial statements.

WPT Industrial Real Estate Investment Trust (the "REIT") is an unincorporated, open-ended real estate investment trust established pursuant to a Declaration of Trust dated March 4, 2013, under the laws of the Province of Ontario as amended and restated on April 26, 2013.

The REIT was formed for the purpose of acquiring, developing, and owning primarily industrial investment properties, located in the United States, with a particular focus on warehouse and distribution investment properties.

The REIT’s Units are listed and publicly traded in Canada on the Toronto Stock Exchange ("TSX"), in U.S. dollars, under the symbol “WIR.U”, and in the U.S. on the OTCQX marketplace under the symbol “WPTIF”. The registered office of the REIT is at 199 Bay Street, Suite 4000, Toronto, Ontario.

As at December 31, 2017, the REIT owned a portfolio of investment properties comprised of 52 industrial investment properties and one office investment property, located in 15 states in the U.S.

1. Basis of Presentation:

(a) Statement of compliance:

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

These consolidated financial statements were approved by the board of trustees of the REIT (the “Board of Trustees”) on March 7, 2018.

(b) Basis of measurement:

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

(c) Basis of consolidation:

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

2. Significant Accounting Policies:

(a) Business combinations:

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

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

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

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

(b) Investment properties:

Investment properties are initially recorded at cost, including related transaction costs in the case of asset acquisitions, and includes primarily industrial investment properties held to earn rental revenue and/or for capital appreciation. The REIT has selected the fair value method of accounting to account for real estate classified as investment properties. As a result, subsequent to initial recognition, investment properties are carried at fair value, with gains and losses arising from changes in fair value recognized in the consolidated statements of net income and comprehensive income during the year in which they arise.

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

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

Properties Under Development

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

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

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

Dispositions

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

(c) Fair value measurement:

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

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

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

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability assuming that market participants act in their economic best interests. A fair value measurement of a non-financial asset 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.

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

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

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

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

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

(d) Cash, cash equivalents and restricted cash:

Cash and cash equivalents include all short-term investments with an original maturity of three months or less and excludes cash subject to restrictions that prevent its use for current purposes. Restricted cash represents amounts required to be held in escrow by various mortgages payable, related to insurance, real estate taxes and capital expenditures. These items are included in either other non-current assets or restricted cash depending on their required holding period.

(e) Revenue recognition:

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

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

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

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

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

(f) Financial instruments:

(i) Designation of financial instruments:

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

Financial assets and liabilities	Classification	Measurement
Cash and cash equivalents	Loans and receivables	Amortized cost
Amounts receivable (rent and other receivables)	Loans and receivables	Amortized cost
Restricted cash	Loans and receivables	Amortized cost
Mortgages payable and construction loan	Other liabilities	Amortized cost
Class B Units	Fair value through profit and loss ("FVTPL")	Fair value
Revolving Facility	Other liabilities	Amortized cost
Security deposits	Other liabilities	Amortized cost
Deferred compensation	FVTPL	Fair value
Amounts payables and accrued liabilities	Other liabilities	Amortized cost

(ii) Financial assets:

The REIT classifies its non-derivative financial assets 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.

A provision for impairment for amounts receivable 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 statements of net income and comprehensive income within investment properties operating expenses. Bad debt write-offs occur when management determines collection is not possible. Any subsequent recoveries of amounts previously written off are credited against investment properties operating expenses in the consolidated statements of net

income and comprehensive income. Amounts receivables that are less than three months past due are not considered impaired unless there is evidence that collection is not possible.

(iii) Financial liabilities:

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

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

(iv) Finance costs:

Finance costs include interest expense on mortgages payable and the Revolving Facility (defined in note 14), distributions on Class B Units, the gain or loss on the change in fair value of financial liabilities designated as FVTPL, including Class B Units and other financial instruments, amortization associated with mark-to-market adjustments and financing costs incurred in connection with obtaining long-term financings. Mark-to-market adjustments and financing costs incurred are amortized using the effective interest rate method over the term of the related mortgages payable. Unamortized mark-to-market adjustments and financing costs incurred are fully amortized when mortgages payable are retired before maturity.

(v) Derivative financial instruments:

The REIT may use derivative financial instruments to manage risks from fluctuations in interest rates. All derivative instruments are valued at their respective fair values with changes in fair value recorded in the consolidated statements of net income and comprehensive income.

(g) Income taxes:

(i) Canadian status:

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

(ii) U.S. REIT status:

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

The REIT expects no significant increases or decreases in uncertain tax positions due to changes in tax positions within one year of December 31, 2017. The REIT has no material interest or penalties relating to income taxes recognized in the consolidated statements of net income and comprehensive income for the years ended December 31, 2017 and 2016 or in the consolidated statements of financial position as at December 31, 2017 and 2016. As at December 31, 2017, returns for the calendar years 2014 through 2016 remain subject to examination by U.S. and various state and local tax jurisdictions.

(h) Distributions declared:

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

(i) REIT Units:

The REIT Units (defined in note 12) are redeemable at the option of the holder and, therefore, are considered puttable instruments in accordance with IAS 32, *Financial Instruments - Presentation* ("IAS 32"). Puttable instruments are required to be accounted for as financial liabilities, except where certain conditions are met in accordance with IAS 32, in which case, the puttable instruments may be presented as equity. The REIT Units meet the conditions of IAS 32 and are, therefore, presented as equity.

(j) Class B Units:

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

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

(k) Deferred compensation plans:

As described in note 12, the REIT has a Deferred Unit Incentive Plan ("DUIP") and unit option plan (the "Plan") that provides for the granting of deferred trust units (“DTUs”) and options to certain of the trustees, officers, employees, consultants and service providers, as well as employees of such service providers. Deferred compensation is measured at fair value as at the grant date and compensation expense is recognized in general and administrative expense over the related vesting period. The amounts are fair valued each reporting period and the change in fair value is recognized as compensation expense. The unit based compensation is presented as a liability.

(l) Critical accounting, judgments, estimates and assumptions:

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

(i) Critical accounting judgments:

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

(a) Investment properties:

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

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

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

(b) Leases:

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

(c) Income taxes:

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

(ii) Estimates and assumptions:

Management makes estimates and assumptions that affect carrying amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amount of income for the year. Actual results could differ from these estimates. The estimates and assumptions that are critical in determining the amounts reported in the consolidated financial statements include the valuation of investment properties.

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

3. Changes in Accounting Policies:

The REIT noted the following standards and amendments to existing standards issued by the IASB are expected to be relevant to the REIT in preparing its consolidated financial statements in 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. The adoption of IFRS 9 will generally be applied retrospectively, without restatement of comparative information.

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

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

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

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

Management does not expect the adoption of IFRS 9 to have a material impact on the financial statements.

(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 and IFRIC 15 Agreements for the Construction of Real Estate.

IFRS 15 contains a single, control-based model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much, and when revenue is recognized. IFRS 15 also includes additional disclosure requirements for revenue accounted for under the standard.

The REIT will adopt IFRS 15 in its financial statements for the annual period beginning January 1, 2018. The REIT plans to adopt IFRS 15 using the cumulative effect method, with the effect of initially applying this standard recognized at January 1, 2018. As a result, the REIT will not apply the requirements of IFRS to the comparative period presented.

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.

Management does not expect the adoption of IFRS 15 will have a material impact on the financial statements. However, additional disclosure requirements may result in separate disclosure of revenue for service components that are part of a lease (i.e. a non-lease component).

(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 new standard is effective for years beginning on January 1, 2019. The extent of the impact of adoption of the standard is still being evaluated.

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

In 2016, the IASB issued amendments to IFRS 2 *Share-based Payment*, (“IFRS 2”) clarifying how to account for certain types of share-based payment transactions. The REIT intends to adopt the amendments to IFRS 2 in its financial statements for the annual period beginning on January 1, 2018. The REIT does not expect the standard to have a material impact on the financial statements.

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

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

Reno Property

On November 29, 2017, the REIT indirectly acquired from a third party, an investment property located in Reno, Nevada (the "Reno Property") for a purchase price of $6,375 (exclusive of closing and transaction costs). The purchase price was satisfied with cash on hand and funds from the Revolving Facility.

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

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

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

Columbus Property

On November 1, 2016, the REIT indirectly acquired from a third party, an investment property located in Columbus, OH (the “Columbus Property”) for a purchase price of $13,875 (exclusive of closing and transaction costs). The purchase price was satisfied with cash on hand.

Minneapolis Property

On November 18, 2016, the REIT indirectly acquired from a third party, an investment property located in Minneapolis, MN (the “Minneapolis Property”) for a purchase price of $46,200 (exclusive of closing and transaction costs). The purchase price was satisfied with a combination of cash on hand, funds from the Revolving Facility and the assumption of a $25,921 mortgage payable bearing a fixed interest rate of 3.62% maturing on October 1, 2021.

The assets acquired and liabilities assumed in these transactions were allocated as follows for the year ended December 31, 2016:

	Columbus Property	Minneapolis Property	Total
Investment property[1]	$ 14,053	$ 46,865	$ 60,918
Prepaid expenses	-	197	197
Amounts payable and accrued liabilities	(65)	(472)	(537)
Security deposits	-	(270)	(270)
Mark-to-market adjustment		(133)	(133)
Mortgage payable	-	(25,921)	(25,921)
Net assets acquired	$ 13,988	$ 20,266	$ 34,254
Consideration given by the REIT consists of the following:			
Cash	13,988	20,266	34,254
Total consideration	$ 13,988	$ 20,266	$ 34,254

[1] Includes total closing costs and acquisition fees of $695, fair value adjustment to mortgage payable of $133 and an IFRIC 21 liability of $7 assumed on acquisition that is offset by an equal adjustment to investment property.

4. Asset Dispositions:

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

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 net cash proceeds of $7,150 (inclusive of closing costs and working capital adjustments).

5. Investment properties:

The reconciliation of the carrying amount of investment properties for the years ended December 31, 2017 and 2016 are set out below:

	2017	2016
Balance, beginning of period	$ 800,142	$ 742,592
Investment property acquisitions	179,756	60,918
Investment property disposition	(14,469)	(7,198)
Additions to investment properties, including lease incentives	10,607	4,955
Amortization of straight-line rent	1,291	725
Amortization of lease incentives	(1,207)	(826)
Fair value adjustment to investment properties	21,762	(24)
Transfer to investment properties under development (1)	-	(1,000)
Transfer from investment properties under development (2)	11,700	-
	$ 1,009,582	$ 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.

(2) During the year ended December 31, 2017, the REIT completed the Indianapolis Development.

Investment properties under development activity for the years ended December 31, 2017 and 2016 are set out below:

	2017	2016
Balance, beginning of period	$ 6,289	$ -
Transfer from investment properties	-	1,000
Additions to investment properties under development	3,092	5,289
Fair value adjustment to investment properties under development	2,319	-
Transfer to investment properties	(11,700)	
	$ -	$ 6,289

Total interest expense capitalized for investment properties under development was $123 and $0 for the years ended December 31, 2017 and 2016, respectively.

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 – December 31, 2017	$ -	$ -	$ 1,009,582
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 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:

	2017	2016
Weighted average terminal capitalization rate	6.62%	7.02%
Range of terminal capitalization rates	5.50%-9.00%	6.00%-10.00%
Weighted average discount rate	7.08%	7.83%
Range of discount rates	6.07%-8.95%	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 December 31, 2017:

Weighted average terminal capitalization rate:		
25-basis point increase	$	(18,816)
25-basis point decrease	$	20,319
Weighted average discount rate:		
25-basis point increase	$	(18.072)
25-basis point decrease	$	18,564

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, 2017 and 2016:

		2017		2016
Tenant receivables	$	1,716	$	1,452
Other receivables		100		63
Allowance for uncollectible amounts		-		(1)
	$	1,816	$	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 as at December 31, 2017 and 2016:

		2017		2016
Trade payables	$	613	$	194
Accrued liabilities and other payables		2,529		5,176
Accrued real estate taxes		3,584		2,931
Accrued interest		1,362		1,314
Unearned revenue		113		97
Rent received in advance		2,083		2,059
Deferred compensation		7,347		4,784
	$	17,631	$	16,555

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 years ended December 31, 2017 or 2016.

As at December 31, 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	$	67,631
2 – 5 years		173,821
Greater than 5 years		67,271
	$	308,723

9. Mortgages payable and construction loan:

Mortgages payable consist of the following as at December 31, 2017 and 2016:

		2017		2016
Mortgages payable	$	347,949	$	316,811
Mark-to-market-adjustments, net		1,608		2,126
Financing costs, net		(1,077)		(954)
Carrying value		348,480		317,983
Less current portion		(33,864)		(2,462)
Long-term portion	$	314,616	$	315,521

Mortgages payable that are due and payable within 12 months after the date of the consolidated statements of financial position presented, including scheduled principal payments on mortgages payable, are classified as current liabilities. Mortgages payable are collateralized by investment properties with a fair value of $729,250 and $631,605 as at December 31, 2017 and 2016, respectively. As at December 31, 2017 and 2016, mortgages payable bore interest at various rates ranging from 2.87% to 5.80%, and have a weighted average effective interest rate of 3.77% and 3.83%, respectively. Maturity dates range from 2018 – 2024 as at December 31, 2017. As at December 31, 2017 and 2016, there were no mortgages payable with variable interest rates. The weighted average term to maturity on mortgages payable was 3.6 years and 4.3 years as at December 31, 2017 and 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. On December 5, 2017, the REIT repaid the construction loan with a remaining principal balance of $4,165, with available cash and proceeds from the Revolving Facility. The property was unencumbered as at December 31, 2017.

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.

Future contractual cash flows of mortgages payable principal and interest are as follows as at December 31, 2017:

	Principal Payments	Interest Payments	Total Payments
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	26,426	3,950	30,376
2023 and thereafter	94,188	2,930	97,118
	$ 347,949	$ 46,125	$ 394,074

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 December 31, 2017 and 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 $37,616, requiring Welsh to meet certain financial and operating criteria. As at December 31, 2017 and 2016, Welsh was in compliance with all covenants.

10. Revolving Facility:

The Revolving Facility consists of the following as at December 31, 2017 and 2016:

		2017		2016
Revolving Facility	$	77,500	$	20,000
Financing costs, net		(608)		(714)
Carrying value	$	76,892	$	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 December 31, 2017 and 2016, the Revolving Facility interest rate was 3.14% 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 $197 related to the exercise are being amortized using the effective interest rate method over the remaining extension term.

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 $138,288 as at December 31, 2017, of which the REIT had drawn $77,500, leaving remaining availability of $60,788.

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 December 31, 2017 and 2016, which was $12.72 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	-		6,119
As at December 31, 2017	3,611,807	$	45,942

Included in finance costs for the years ended December 31, 2017 and 2016 are $3,925 and $5,106 of distributions declared on Class B Units, respectively. Total distributions payable on Class B Units as at December 31, 2017 and 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 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 December 31, 2017	44,545,772	$ 470,204

(a) Distributions:

The REIT declared distributions to unitholders of record in the amount of $30,085 ($0.76 per Unit) and $23,427 ($0.76 per Unit) for the years ended December 31, 2017 and 2016, respectively. Total distributions payable as at December 31, 2017 and 2016 were $2,820 and $2,194, respectively.

(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 of the external manager, 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 of the external manager 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	30,078
DTUs redeemed for cash	(7,350)
DTUs redeemed for REIT Units	(7,256)
Total as at December 31, 2017	576,838

(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 of the external manager, inclusive of vested and unvested DTUs, as at December 31, 2017 and 2016 was $7,353 and $4,768, respectively. As at December 31, 2017 and 2016, a total of 158,283 and 80,886 DTUs granted to officers and employees of the external manager 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	28,757
DTUs granted through distributions and 50% match	26,552
DTUs redeemed for cash	(10,218)
DTUs redeemed for REIT Units	(24,118)
Total as at December 31, 2017	158,539

[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.

The total fair value of DTUs granted to trustees, inclusive of vested and unvested DTUs, as at December 31, 2017 and 2016 was $2,021 and $1,399, respectively. As at December 31, 2017 and 2016, a total of 130,711 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)
Total as at December 31, 2016		4,151
Deferred compensation expense		2,516
Fair value adjustment		537
DTUs redeemed for cash and REIT Units		(653)
Total as at December 31, 2017	$	6,551

Total compensation expense related to the DUIP recognized for the years ended December 31, 2017 and 2016 was $3,053 and $2,052, respectively. These amounts include adjustments based on the fair value of the REIT Units and are reported within general and administrative expenses as at December 31, 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 of the external manager and consultants, exercisable for a maximum period of 10 years from the date of grant. The maximum number of REIT Units reserved for issuance under the Plan is 10% of the total number of REIT Units issued and outstanding from time to time. The maximum number of REIT Units reserved for issuance under the Plan and DUIP combined is 10% of the total number of REIT Units issued and outstanding from time to time. These options vest as to one-third on the first anniversary of the grant date, and one-third on each of the second and third anniversaries.

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

	Number of options	Weighted average exercise price	
Outstanding, December 31, 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, December 31, 2017	420,000	$	10.02

The total fair value of options granted as at December 31, 2017 and 2016 and as at the grant date was $796, $645 and $327, respectively. The aggregate intrinsic value of exercisable options as at December 31, 2017 and 2016 was $1,144 and $845, respectively. The weighted average remaining contractual life for outstanding options and for exercisable options as at December 31, 2017 was 5.8 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		545
Stock options exercised for REIT Units		(384)
Total as at December 31, 2017	$	796

Total compensation expense/(income) related to the option plan recognized for the years ended December 31, 2017 and 2016 was $547 and $(2), respectively. These amounts include adjustments based on the fair value of the options which are reported within general and administrative expenses as at December 31, 2017 and 2016.

As at December 31, 2017, fair value adjustments were determined using the Black-Scholes option pricing model with the following assumptions:

Average expected option term	2.9 years
Risk-free interest rate	1.98%
Expected volatility	16.75%
Dividend yield	5.96%

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 for the years ended December 31, 2017 and 2016:

	2017	2016
Fees earned under asset management agreement (1)		
Acquisition fees	$ 1,577	$ 601
Asset management fees	2,088	1,788
Construction management fees	542	336
Out-of-pocket costs	267	286
Fees earned under property management agreement (2)	2,054	1,776
Other		
Class B Unit distributions paid to Welsh (3)	4,122	5,645
REIT Unit distributions paid to Welsh (3)	1	1,465

(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.

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 December 31, 2017 and 2016 were $33 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 as at December 31, 2017 and 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 December 31, 2017 and 2016 were $0 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 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 December 31, 2017 and 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.

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

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 December 31, 2017 and 2016, the net payable due was $56 and $22, respectively, related to these reimbursements.

14. Finance costs:

Finance costs incurred and charged to net income and comprehensive income for the years ended December 31, 2017 and 2016 are recorded as follows:

	2017	2016
Interest on mortgages payable	$ 12,332	$ 12,359
Revolving Facility interest	1,294	881
Amortization of financing costs	671	656
Amortization of mark-to-market adjustments on fixed interest rate mortgages payable	(518)	(702)
Distributions on Class B Units	3,925	5,106
	$ 17,704	$ 18,300
Fair value adjustment to Class B Units	6,119	(5,929)
	$ 23,823	$ 12,371

15. Reconciliation of liabilities arising from financing activities

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

	Mortgages Payable	Construction Loan	Revolving Facility	Total
As at December 31, 2016	$ 317,983	$ -	$ 19,286	$ 337,269
Proceeds from financing	33,600	4,165	115,500	153,265
Repayments	-	(4,165)	(58,000)	(62,165)
Scheduled principal payments	(2,462)	-	-	(2,462)
Financing costs paid	(425)	-	(263)	(688)
Other adjustments, non-cash[1]	(216)	-	369	153
As at December 31, 2017	$ 348,480	$ -	$ 76,892	$ 425,372

(1) Represents other adjustments including amortization of financing costs and mark-to-market adjustments using the effective interest rate method.

16. 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.

17. 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 December 31, 2017 and 2016, respectively, of which $11,600 and $21,600 was outstanding as at December 31, 2017 and 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 December 31, 2017 and 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.

18. 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 December 31, 2017	$ 347,949	$ 349,044
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).

(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.

19. Capital management:

The primary objective of the REIT's capital management policy is to ensure sufficient liquidity to pursue its growth through acquisitions and development, 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 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, 2017 and 2016, the REIT's debt-to-gross book value ratio was 42.1% and 41.8%, respectively (total outstanding principal balance of mortgages payable and the Revolving Facility of $425,449 and $336,811 as at December 31, 2017 and 2016, respectively, divided by gross book value of $1,009,582 and $806,431 as at December 31, 2017 and 2016, respectively). The REIT has no convertible debentures outstanding and has never issued any.

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 December 31, 2017 and 2016.

20. Financial risk management:

Risk Management:

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

(a) Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk consists of interest rate risk, currency risk and other market price risk. There is interest rate risk associated with the REIT's fixed interest rate mortgages payable due to the expected requirement to refinance such mortgages payable in the year of maturity. In order to manage exposure to interest rate risk, the REIT endeavors to manage maturities of fixed interest rate mortgages payable, 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 December 31, 2017, the impact of a 1.0% change in the LIBOR rate will increase or decrease the REIT’s interest expense or earnings by $775 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.

21. Supplementary cash flow information:

Change in non-cash working capital for the years ending December 31, 2017 and 2016 comprises the following:

	2017	2016
Amounts receivable	$ (388)	$ (118)
Prepaid expenses	(182)	212
Restricted cash	(121)	696
Amounts payable and accrued liabilities	(2,718)	2,704
Amounts payable and accrued liabilities related to additions to investment properties	2,282	(3,500)
Security deposits	28	86
	$ (1,099)	$ 80

22. Subsequent events:

On March 7, 2018, the independent members of the REIT's Board of Trustees unanimously approved the acquisition of an investment property located in Louisville, Kentucky from AIMCo and an affiliate of WPT Capital for a total purchase price of $17,860 (exclusive of closing and transaction costs). Closing of the acquisition is subject to due diligence results satisfactory to such members of the REIT's Board of Trustees and other customary closing conditions and is expected to occur in the second quarter of 2018. The purchase price for the Louisville Acquisition is expected to be satisfied with cash on hand and funds drawn from the Revolving Facility.