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

WPT INDUSTRIAL REAL ESTATE INVESTMENT TRUST

Three months ended September 30, 2013 and the period from March 4, 2013 to September 30, 2013

(Unaudited)

WPT INDUSTRIAL REAL ESTATE INVESTMENT TRUST

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

(Unaudited)		September 30, 2013
Assets		
Non-current assets:		
Investment properties (notes 4,5 and 8)	$	492,681
Other non-current assets (note 7)		2,793
		495,474
Current assets:		
Amounts receivable (note 6)		1,662
Prepaid expenses		515
Restricted cash		1,398
Cash and cash equivalents		5,481
		9,056
Total assets	$	504,530
Liabilities and Unitholders' Equity		
Non-current liabilities:		
Mortgages payable (note 11)	$	204,459
Bank indebtedness (note 12)		42,754
Class B Units (note 13)		107,090
Security deposits		806
Other financial instruments (note 19)		45
		355,154
Current liabilities:		
Mortgages payable (note 11)		16,359
Amounts payable and accrued liabilities (note 9)		8,720
Distributions payable (note 14)		627
		25,706
Total liabilities		380,860
Total unitholders' equity		123,670
Total liabilities and unitholders' equity	$	504,530

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, except per unit amounts)

(Unaudited)	Three months ended September 30, 2013	Period from March 4, 2013 to September 30, 2013
Investment properties:		
Investment properties revenue	$ 12,577	$ 21,010
Investment properties operating expenses	3,207	5,377
Net operating income	9,370	15,633
Other expenses and (income):		
General and administrative	1,160	1,737
Fair value adjustment to investment properties (note 8)	(3,573)	(2,984)
Finance costs (note 16)	(13,616)	(14,882)
	(16,029)	(16,129)
Net income and comprehensive income	$ 25,399	$ 31,762

See accompanying notes to condensed consolidated interim financial statements.

WPT INDUSTRIAL REAL ESTATE INVESTMENT TRUST

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

For the period from March 4, 2013 to September 30, 2013
(Unaudited)

	Trust Equity	Distributions	Accumulated Income	Total
Balance, March 4, 2013	$ –	$ –	$ –	$ –
REIT Units issued, net of issue costs	100,842	–	–	100,842
Net income and comprehensive income	–	–	31,762	31,762
Purchase of REIT Units for cancellation	(5,530)	–	–	(5,530)
Distributions	–	(3,404)	–	(3,404)
Balance, September 30, 2013	$ 95,312	$ (3,404)	$ 31,762	$ 123,670

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)	Three months ended September 30, 2013	Period from March 4, 2013 to September 30, 2013
Cash flows from operating activities:		
Net income	$ 25,399	$ 31,762
Finance costs (note 16)	(13,616)	(14,882)
Non-cash items:		
Amortization of straight-line rent	(594)	(1,016)
Fair value adjustment to investment properties (note 8)	(3,573)	(2,984)
Amortization of lease incentives	2	2
Change in non-cash working capital (note 22)	(1,416)	(1,143)
Cash flows provided by operating activities	6,202	11,739
Cash flows from financing activities:		
Repayment of mortgages payable	(346)	(27,022)
Proceeds from mortgages payable	31,800	31,800
Repayment of revolving facility	-	(54,537)
Proceeds from revolving facility	5,500	56,500
Repayment of senior secured promissory note	(31,800)	(31,800)
Financing costs incurred	(214)	(1,604)
Proceeds from issuance of REIT Units, net of issue costs (note 14)	-	100,842
Purchase of REIT Units for cancellation	(5,530)	(5,530)
Distributions (note 14)	(1,989)	(2,777)
Interest paid	(4,725)	(7,162)
Cash flows (used in) provided by financing activities	(7,304)	58,710
Cash flows from investing activities:		
Acquisition of investment properties (note 4, 5)	(609)	(66,783)
Cash balances transferred in acquisition of investment properties (note 4, 5)	2,983	3,713
Additions to investment properties (note 8)	(395)	(562)
Change in capital escrows	(1,314)	(1,336)
Cash flows provided by (used in) investing activities	665	(64,968)
(Decrease) increase in cash and cash equivalents	(437)	5,481
Cash and cash equivalents, beginning of period	5,918	-
Cash and cash equivalents, end of period	$ 5,481	$ 5,481

See accompanying notes to condensed consolidated interim financial statements.

1. General Information:

WPT Industrial Real Estate Investment Trust (the "REIT") is an unincorporated, open-ended real estate investment trust established pursuant to a Declaration of Trust dated March 4, 2013, under the laws of the Province of Ontario. The REIT's Declaration of Trust was amended and restated on April 26, 2013. The REIT was formed for the purpose of acquiring and owning primarily industrial investment properties, located in the United States, with a particular focus on warehouse and distribution industrial real estate.

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

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

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

2. Basis of preparation:

(a) Statement of compliance:

The condensed consolidated interim financial statements of the REIT have been prepared by management in accordance with International Financial Reporting Standards ("IFRS"), including International Accounting Standards ("IAS") 34, Interim Financial Reporting, as issued by the International Accounting Standard Board ("IASB") and therefore may not include, or have condensed, the information required for annual consolidated financial statements prepared in accordance with IFRS. The condensed consolidated financial statements have been prepared using the accounting policies described herein.

These condensed consolidated interim financial statements were approved by the Board of Trustees on November 12, 2013.

(b) Basis of measurement:

The condensed consolidated interim financial statements have been prepared on a historical cost basis except for investment properties, derivative financial instruments and Class B Units which have been measured at fair value. The 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 when otherwise indicated.

(c) Basis of consolidation:

The condensed consolidated interim financial statements comprise the financial statements of the REIT and its subsidiaries. Subsidiaries are entities controlled by the REIT. The financial statements of the subsidiaries are prepared for the same reporting periods as the REIT using consistent accounting policies. All intercompany balances, transactions and unrealized gains and losses arising from intercompany transactions are eliminated on consolidation.

3. Significant accounting policies:

(a) Business combinations:

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

(b) Foreign currency transactions:

The functional and presentation currency of the REIT and its subsidiaries is the U.S. dollar.

(c) 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 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 condensed consolidated interim statements of net income and comprehensive income during the year in which they arise. Fair values are primarily determined by using the discounted cash flow method of the income approach.

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

Capital expenditures, including tenant improvements, are added to the carrying value of the investment properties only when it is probable that future economic benefits will flow to the

3. Significant accounting policies (continued):

property and cost can be measured reliably. Repairs and maintenance expenditures are expensed when incurred.

Investment properties are derecognized when they have been disposed of or permanently withdrawn from use and no future economic benefit is expected from their disposal. Prior to their disposal, the carrying values of the investment properties are adjusted to reflect their fair values. This adjustment shall be recorded as a fair value gain or loss. Any remaining gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss for the year in which the property is derecognized.

(d) Cash and cash equivalents:

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

(e) Revenue recognition:

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

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

3. Significant accounting policies (continued):

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

Recoveries from tenants are recognized as revenue in the year in which the corresponding costs are incurred. Other revenue is recorded at the time the service is provided.

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

(f) Financial instruments:

(i) Designation of financial instruments:

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

Financial assets and liabilities	Classification	Measurement
Cash and cash equivalents	Loans and receivables	Amortized cost
Amounts receivable (rent and other receivables)	Loans and receivables	Amortized cost
Interest rate cap	Other assets	Fair value
Mortgages payable	Other liabilities	Amortized cost
Class B Units	Other liabilities	Fair value
Bank indebtedness	Other liabilities	Amortized cost
Interest rate swap	Other liabilities	Fair value
Security deposits	Other liabilities	Amortized cost
Amounts payable and accrued liabilities	Other liabilities	Amortized cost

3. Significant accounting policies (continued):

(ii) Financial assets:

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

Amounts receivable are initially measured at fair value and are subsequently measured at amortized cost less a provision for impairment. A provision for impairment is established when there is objective evidence that collection will not be possible under the original terms of the contract. Indicators of impairment include delinquency of payment and significant financial difficulty of the tenant. The carrying amount of the financial asset is reduced through an allowance account, and the amount of the loss is recognized in the condensed consolidated interim 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 condensed consolidated interim 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. 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.

3. Significant accounting policies (continued):

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

(v) Derivative financial instruments:

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

(g) Income taxes:

(i) Canadian status:

The REIT is a mutual fund trust pursuant to the Income Tax Act (Canada). Under current tax legislation, a mutual fund trust that is not a Specified Investment Flow Through Trust ("SIFT") 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.

3. Significant accounting policies (continued):

(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 real estate investment trust status, distributes at least 90% of its real estate investment trust taxable income to its unitholders in any taxable year, and complies with certain other requirements 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, it will be subject to federal 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 and property 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.

(h) Distributions

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

(i) REIT Units:

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

3. Significant accounting policies (continued):

(j) Class B Units:

The Class B Units issued in connection with the IPO are redeemable by the holder thereof for cash or REIT Units (on a one-for-one basis subject to customary anti-dilution adjustments), as determined by the general partner of the Partnership in its sole discretion. The REIT Units are puttable and, therefore, the Class B Units issued in connection with the IPO meet the definition of a financial liability under IAS 32. The Class B Units issued in connection with the acquisition of the industrial investment property on July 15, 2013 are redeemable at the option of the holder for cash unless and until the REIT has received all necessary acceptances and approvals from the TSX for the issuance and listing on the TSX of the underlying REIT Units. Further, all Class B Units are designated as fair value through profit or loss financial liabilities and are measured at fair value at each reporting period, based upon the value of a REIT Unit, with any changes in fair value recorded in profit or loss.

(k) Deferred compensation plans:

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

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

Preparing the condensed consolidated interim 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.

3. Significant accounting policies (continued):

(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 condensed consolidated interim financial statements:

(a) Investment properties:

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

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

Judgment is also applied in determining whether certain costs are additions to the carrying amounts of the investment properties.

3. Significant accounting policies (continued):

(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 a 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 is expected to qualify 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 condensed consolidated interim financial statements include the valuation of investment properties.

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

3. Significant accounting policies (continued):

(m) Changes in future accounting policies:

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

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

In November 2009, the IASB issued IFRS 9 and in October 2010, the IASB published amendments to IFRS 9 related to requirements for financial liabilities. In December 2011, the IASB amended IFRS 9 to require application for annual periods beginning on or after January 1, 2015. IFRS 9 replaces the guidance in IAS 39 and establishes principles for the financial reporting of financial assets and financial liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flow. The extent of the impact of adoption of IFRS 9 has not yet been determined.

(ii) Amendments to IAS 32 and IFRS 7:

In December 2011, the IASB amended IAS 32 to clarify that an entity currently has a legally enforceable right to offset if that right is not contingent on a future event and enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties. The amendments to IAS 32 also clarify when a settlement mechanism provides for net settlement or gross settlement that is equivalent to net settlement.

The amendments to IAS 32 are effective for fiscal periods beginning on or after January 1, 2014. These amendments are to be applied retrospectively. The extent of the impact of adoption of the amendments to IAS 32 has not yet been determined.

4. Asset acquisition:

On July 15, 2013, the REIT indirectly acquired, through the Partnership, a 100% interest in an industrial investment property from Welsh, which has been accounted for as an asset acquisition. The asset, totalling 1,262,648 square feet of gross leasable area, is located in

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

4. Asset acquisition (continued):

Pontoon Beach, Illinois and is 100% occupied by a single tenant. The lease expires in June 30, 2023.

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

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

Investment property (1)	$	52,420
Prepaid expenses		427
Cash and cash equivalents		1,658
		54,505
Amounts payable and accrued liabilities		896
		896
Net assets acquired	$	53,609
Consideration given by the REIT consists of the following:		
Class B Units	$	21,200
Senior secured promissory note		31,800
Cash consideration		609
Total consideration	$	53,609

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

The REIT is in the process of completing the valuation of the net assets acquired and the purchase price allocation may be adjusted in future periods.

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

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

5. Business combination:

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

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

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

5. Business combination (continued):

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

The REIT is in the process of completing the valuation of the net assets acquired and the purchase price allocation may be adjusted in future periods.

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 September 30, 2013:

Tenant receivables	$ 1,581
Other receivables	110
Allowance for uncollectible amounts	(29)
	$ 1,662

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

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

7. Other non-current assets:

Other non-current assets consist of the following as at September 30, 2013:

Capital escrows	$2,748
Interest rate cap	45
	$2,793

Included in other non-current assets are escrows required by certain of the REIT's mortgages payable for capital expenditures related to the investment properties. The interest rate cap is a two-year instrument which covers a notional principal amount of $50,000 of the REIT's variable rate debt and provides for a U.S. LIBOR cap of 50-basis points.

8. Investment properties:

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

	Three months ended September 30, 2013	Period from March 4, 2013 to September 30, 2013
Balance, beginning of period	$435,701	$ –
Investment property acquisitions	52,420	488,121
Additions to investment properties	367	534
Amortization of straight-line rent	594	1,016
Lease incentives and initial direct leasing costs	28	28
Amortization of lease incentives	(2)	(2)
Fair value adjustment to investment properties	3,573	2,984
Balance, September 30, 2013	$492,681	$ 492,681

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.

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

8. Investment properties (continued):

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

	Level 1	Level 2	Level 3
Investment properties	$ –	$ –	$ 492,681

Investment properties include land, building, improvements to the property, all direct leasing costs incurred in arranging property tenants. The REIT retained an independent third-party appraiser to appraise each investment property contained within the portfolio and intends to engage third-party appraisers to prepare valuations on a portion of the portfolio annually, such that the entire portfolio is appraised on a regular basis.

Fair value of investment properties as at September 30, 2013 was primarily determined by a combination of: (a) discounting the expected future cash flows, including a terminal value based on the application of a terminal capitalization rate to the assumed final year's estimated cash flows; and (b) applying a market capitalization rate to stabilized net operating income, adjusting for cash inflows and outflows required to achieve the stabilized net operating income and deducting the present value of future capital expenditures.

The key valuation metrics for investment properties as at September 30, 2013 are set out below:

Weighted average capitalization rate:	7.53%
Range of capitalization rates:	6.75% - 10.00%
Weighted average discount rate:	7.25%
Range of discount rates:	6.88% - 8.78%

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

8. Investment properties (continued):

The fair values of investment properties are most sensitive to changes in capitalization rates. As at September 30, 2013, a 25-basis-point increase in the weighted average in-place capitalization rate would decrease the value of the investment properties by $15,800. A 25-basis-point decrease in the weighted average in-place capitalization rate would increase the value of the investment properties by $16,882.

9. Amounts payable and accrued liabilities:

Amounts payable and accrued liabilities consist of the following as at September 30, 2013:

Trade payables	$ 445
Accrued liabilities and other payables	2,512
Accrued real estate taxes	2,955
Accrued interest	1,384
Unearned revenue	85
Rent received in advance	1,145
Deferred compensation	194
	$ 8,720

10. Operating leases:

The REIT leases commercial 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 months ended September 30, 2013 and for the period from March 4, 2013 to September 30, 2013.

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

10. Operating leases (continued):

As at September 30, 2013, the total future contractual minimum base rent lease payments expected to be received under non-cancellable leases are as follows:

Within 12 months	$ 36,891
2 - 5 years	115,579
Greater than 5 years	57,338
	$ 209,808

11. Mortgages payable:

Mortgages payable consist of the following as at September 30, 2013:

Mortgages payable	$ 217,105
Mark-to-market adjustment, net	4,362
Financing costs, net	(649)
Carrying value, September 30, 2013	220,818
Less current portion	(16,359)
Long-term portion, September 30, 2013	$ 204,459

Mortgages payable are collateralized by investment properties and bear interest at various rates. Mortgages payable are classified as current liabilities if they are due and payable within 12 months after the date of the condensed consolidated interim statement of financial position.

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

11. Mortgages payable (continued):

As at September 30, 2013, the weighted average effective interest rate for mortgages payable was 4.34% and maturity dates ranged from 2014 - 2023. As at September 30, 2013, there were two mortgages payable with variable interest rates totalling $35,030, one of which the REIT has entered into an interest rate swap to fix the variable interest rate at 5.50% (note 19).

Contractual cash flows of mortgages payable principal and interest are as follows as at September 30, 2013:

	Principal Payment	Interest Payment	Total Payments
2013 (remainder)	$ 443	$ 2,330	$ 2,773
2014	16,382	8,964	25,346
2015	1,917	8,421	10,338
2016	22,957	8,328	31,285
2017	1,702	7,003	8,705
2018 and thereafter	173,704	21,546	195,250
	$ 217,105	$ 56,592	$ 273,697

Covenant compliance requirements:

The REIT's mortgages payable contain customary representations, warranties, and events of default, which require the REIT to comply with affirmative and negative covenants. These covenants include (a) tangible net worth thresholds (b) senior debt service coverage ratios and (c) total indebtedness to gross book value ratios. As at September 30, 2013, the REIT was in compliance with all covenants of its mortgages payable.

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

12. Bank indebtedness:

Revolving Facility:

The revolving facility consists of the following as at September 30, 2013:

Revolving facility	$	43,500
Financing costs, net		(746)
Carrying value, September 30, 2013	$	42,754

On April 26, 2013, the REIT entered into a $75,000 senior secured revolving facility (the "Revolving Facility"). The Revolving Facility has an initial term of three years from April 26, 2013, subject to a one-year extension option and includes an accordion feature which could increase the size of the facility to $200,000, subject to lender approval. The rate on the Revolving Facility is, at the REIT's option, based on either a base rate or LIBOR, in each case plus an applicable margin based on leverage. The base rate is equal to the greater of: (a) the "prime rate" plus 1.0%, (b) 0.5% above the federal funds effective rate, or (c) 30-day LIBOR plus the applicable margin.

A two-year interest rate cap instrument was entered into, covering a notional principal amount of $50,000 and providing for a U.S. LIBOR cap of 50-basis points (note 19). Financing costs of $870 were incurred to obtain the Revolving Facility and are being amortized using the effective interest rate method over the initial term of three years.

As at September 30, 2013, the REIT had drawn $43,500 on its Revolving Facility and had a $950 letter of credit outstanding, leaving availability of $19,770.

13. Class B Units:

On July 15, 2013, the Partnership issued Class B Units with a fair value of $21,200 as partial consideration for an asset acquisition (see note 4). On April 26, 2013, the Partnership issued Class B Units with a fair value of $108,674 as partial consideration in a business combination (see note 5). The Class B Units are economically equivalent to REIT Units and are entitled to receive distributions equal to those provided to holders of REIT Units (subject to certain adjustments). These Class B Units have been classified as a liability in accordance with IFRS

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

13. Class B Units (continued):

and are valued at the REIT Units' closing bid price per the TSX as at period-end. The closing bid price of the REIT Units as at September 30, 2013 was $8.20. See note 19 for further discussion.

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

As at March 4, 2013	$	–
Class B Units issued on April 26, 2013 **-** 10,867,362 units		108,674
Class B Units issued on July 15, 2013 **-** 2,192,347 units		21,200
Fair value adjustments		(22,784)
As at September 30, 2013	$	107,090

Included in finance costs for the three months ended September 30, 2013 and for the period from March 4, 2013 to September 30, 2013, are $2,285 and $3,668 of distributions declared on Class B Units, respectively.

14. Unitholders' equity:

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

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

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

14. Unitholders' equity (continued):

The REIT purchased for cancellation 679,800 REIT Units for $5,530 under the normal course issuer bid at an average price of $8.14 during the three months ended September 30, 2013 and for the period from March 4, 2013 to September 30, 2013.

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

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

REIT Units outstanding:

	Units	Value
REIT Unit issued, March 4, 2013	1	$ –
REIT Units issued on completion of the IPO, April 26, 2013	10,000,000	100,000
REIT Unit redeemed	(1)	–
REIT Units issued through underwriters over-allotment, May 16, 2013	1,430,000	14,300
REIT Units purchased for cancellation under the normal course issuer bid	(679,800)	(5,530)
REIT Units issued, net	10,750,200	108,770
Less issue costs	–	(13,458)
As at September 30, 2013	10,750,200	$ 95,312

(a) Distributions:

The REIT declared distributions to unitholders of record in the amount of $1,949 and $3,404 for the three months ended September 30, 2013 and for the period from March 4, 2013 to September 30, 2013, respectively. Total distributions payable as at September 30, 2013 were $627.

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

14. Unitholders' equity (continued):

(b) Deferred Unit Incentive Plan:

On April 26, 2013, the REIT authorized a DUIP that provides for the granting of deferred trust units ("DTUs") to trustees, officers, directors, employees, consultants and service providers, as well as employees of such service providers. The maximum number of REIT Units reserved for issuance under the DUIP is 5% of the total number of REIT Units issued and outstanding from time to time. Vested DTUs may be redeemed in whole or in part for units of the REIT issued from treasury or cash. Whenever cash distributions are paid on the DTUs, additional DTUs will be credited to the participant's DTU account. These additional units shall vest on the same schedule as their corresponding DTUs.

On May 29, 2013, the Board of Trustees granted 50,000 DTUs to certain officers of the REIT and employees of Welsh. These DTUs vest one-fifth on the first anniversary of the grant date, and one-fifth on each of the four following anniversaries. The total fair value of these DTUs on the grant date and at September 30, 2013 was $507 and $421, respectively.

The Board of Trustees have elected to receive their annual retainer and meetings fees for the current fiscal year in the form of DTUs. These DTUs have no vesting period and accrue to the Trustees' benefit five days after each quarterly board meeting. Annually, the REIT matches 50% of all annual Trustee compensation received in DTUs, which vest one-third on the first anniversary date of the grant and one-third on each of the second and third anniversaries. On August 22, 2013, 10,430 DTUs were granted to Trustees for their service. The total fair value of DTUs related to trustee fees as at September 30, 2013 was $86.

The movement in the DUIP balance was as follows:

As at March 4, 2013	$ –
Deferred compensation expense	168
Fair value adjustments	(17)
As at September 30, 2013	$ 151

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

14. Unitholders' equity (continued):

The compensation expense of $131 and $151 for the three months ended September 30, 2013 and for the period from March 4, 2013 to September 30, 2013, respectively, for the DTUs was determined based on the fair value of the REIT Units as at September 30, 2013.

(c) Unit option plan:

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

On May 29, 2013, the REIT granted 390,000 options to certain officers of the REIT and employees of Welsh at an exercise price of $10.14 per unit, expiring May 29, 2023. These options vest one-third on the first anniversary of the grant date, and one-third on each of the second and third anniversaries. The total fair value of the options on the grant date and at September 30, 2013 was $268 and $208, respectively.

Liability balance:

Balance, March 4, 2013	$ –
Deferred compensation expense	56
Fair value adjustments	(13)
Balance, September 30, 2013	$ 43

The compensation expense of $32 and $43 for the three months ended September 30, 2013 and for the period from March 4, 2013 to September 30, 2013, respectively, for these options was determined based on the fair value of the options at September 30, 2013 using the Black-Scholes option pricing model with the following assumptions:

Expected option term	5.8 years
Risk-free interest rate	1.71%
Expected volatility	30.00%
Dividend yield	8.53%

15. Related party transactions:

The condensed consolidated interim financial statements include the following transactions with Welsh:

(a) Asset acquisition:

On July 15, 2013, the REIT, indirectly through the Partnership acquired a 100% interest in an industrial investment property from Welsh, which was accounted for as an asset acquisition. As partial consideration for this asset, the REIT issued a senior secured promissory note to Welsh in the amount of $31,800. Interest expense on the senior secured promissory note of $142 was paid to Welsh for both the three months ended September 30, 2013 and for the period from March 4, 2013 to September 30, 2013. On September 28, 2013, the REIT repaid the senior secured promissory note to Welsh with proceeds from a third-party mortgage payable secured by the property (see note 4).

(b) Business combination:

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

(c) Asset management fees:

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

- Asset management fees at 0.25% of gross book value, as defined in the asset management agreement. Asset management fees paid to Welsh during the three months ended September 30, 2013 and for the period from March 4, 2013 to September 30, 2013 were $306 and $503, respectively.

- Acquisition fee. An acquisition fee equal to: (i) 1.0% of the purchase price paid for the first $100,000 of 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 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 properties acquired by the REIT or any of its affiliates in each fiscal year. Acquisition fees paid to Welsh during the three months

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15. Related party transactions (continued):

ended September 30, 2013 and for the period from March 4, 2013 to September 30, 2013 were $530.

- Construction management fee. With respect to any capital project with costs in excess of $100 undertaken by the REIT or any of its affiliates, a construction management fee equal to 5.0% of aggregate tenant improvements, capital expenditures and construction costs incurred in respect of such capital project. No construction management fees were paid to Welsh during the three months ended September 30, 2013 or for the period from March 4, 2013 to September 30, 2013.

(d) Property management fees:

On April 26, 2013, the Partnership and the REIT entered into a property management agreement with Welsh. Under the property management agreement, Welsh is the property manager of the investment properties owned by the REIT and administers the day-to-day operations of the REIT's portfolio of investment properties. Property management fees are described below for all properties owned by the REIT.

- 2% of the gross property revenue for all single-tenant industrial properties;
- 3% of the gross property revenue for all multi-tenant industrial properties; and
- 4% of the gross property revenue for all office properties.

Property management fees paid to Welsh during the three months ended September 30, 2013 and for the period from March 4, 2013 to September 30, 2013 were $305 and $526, respectively.

(e) Class B Units:

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

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

15. Related party transactions (continued):

Distributions on Class B Units of $2,156 and $2,907 were paid to Welsh during the three months ended September 30, 2013 and for the period from March 4, 2013 to September 30, 2013, respectively. Distributions payable to Welsh as at September 30, 2013 were $761.

(f) Office rent:

The Partnership has a lease with an affiliate of Welsh for an investment property located at 4350 Baker Road, Minnetonka, Minnesota. Rental revenue earned by the Partnership from the affiliate of Welsh for the three months ended September 30, 2013 and for the period from March 4, 2013 to September 30, 2013 was approximately $260 and $446, respectively. The lease commenced on June 1, 2008 and expires on May 31, 2020, with annual rent increases of 2%.

16. Finance costs:

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

	Three months ended September 30, 2013	Period from March 4, 2013 to September 30, 2013
Interest expense on mortgages payable incurred at stated rate	$ 2,330	$ 3,887
Bank indebtedness interest expense	254	465
Amortization of financing costs	126	211
Amortization of mark-to-market adjustment on fixed rate mortgages payable	(205)	(341)
Distributions on Class B Units	2,285	3,668
Fair value adjustment on Class B Units	(18,437)	(22,784)
Fair value adjustment on financial instruments	31	12
	$ (13,616)	$ (14,882)

17. Segment reporting:

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

18. Commitment and contingencies:

(a) In connection with the IPO, the REIT has agreed to indemnify the underwriters against certain liabilities, including liabilities under applicable securities legislation, or to contribute to payments the underwriters may be required to make in respect of those liabilities. The REIT has agreed to indemnify, in certain circumstances, the trustees and the officers of the REIT.

(b) The REIT has a contingent obligation to expand the gross leaseable area at two of its investments properties at the option of the tenant. Management estimates the cost associated with these expansions, should they occur, to range between $10,000 and $12,000 in the aggregate. Such expansions are conditional on mutual agreement between the tenants and the REIT with regards to the base rental rates to be charged for occupying such expansion space.

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

(d) In conjunction with the acquisition of certain properties, $29,500 of self-funded industrial revenue bonds ("Bonds") were assumed. The authorized amount of the Bonds is $29,500, of which $29,500 is outstanding as at September 30, 2013. The Bonds provide for real estate tax abatement for the acquired properties. Through a series of transactions, the REIT is both the bondholder and the obligor of the Bonds. Therefore, in accordance with

18. Commitment and contingencies (continued):

IAS 32, the Bonds are not recorded on the condensed consolidated interim statement of financial position.

19. Financial instruments:

(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 condensed consolidated interim statement of financial position, are as follows:

	Carrying amount	Fair value
Mortgages payable	$ 217,105	$ 220,168

The REIT uses various methods in estimating the fair values recognized in the condensed consolidated interim financial statements. The fair value hierarchy reflects the significance of inputs used in determining the fair values.

- Level 1 - quoted prices in active markets;
- Level 2 - inputs other than quoted prices in active markets or valuation techniques where significant inputs are based on observable market data; and
- Level 3 - valuation technique for which significant inputs are not based on observable market data.

The following summarizes the significant methods and assumptions used in estimating fair values of the REIT's financial instruments:

(i) Mortgages payable:

19. Financial instruments (continued):

The REIT estimates the fair value of mortgages payable using discounted cash flow analysis and a yield rate that was estimated based on the borrowing rates currently available to the REIT for mortgages payable with similar terms and maturities, which is a Level 2 input. Financial instruments carried at amortized cost where carrying value does not approximate fair value are described below:

(ii) Interest rate swap:

The REIT is party to an interest rate swap agreement to limit exposure to the fluctuations in its LIBOR-based variable interest payments on a mortgage note payable. The swap covers the notional amount of $3,250 at a fixed rate of 5.5% and is set to expire on April 1, 2014. The interest rate swap is not designed as a hedge for accounting purposes. The fair value of the interest rate swap was a liability of $45 as at September 30, 2013, and was included in the accompanying condensed consolidated interim statement of financial position as an other financial instrument. The REIT recognized an adjustment to interest expense in the amount of $19 and $34 for the three months ended September 30, 2013 and for the period March 4, 2013 to September 30, 2013, respectively. The interest rate swap fair value is determined by a model-derived valuation, in which significant inputs and value drivers are observable in active markets for a similar instrument, i.e., Level 2 inputs. Changes in fair value are recognized as adjustments to interest expense in the accompanying condensed consolidated interim statements of net income and comprehensive income.

(iii) Interest rate cap:

The REIT purchased a two-year interest rate cap instrument covering a notional principal amount of $50,000 of variable rate debt and providing for a U.S. LIBOR cap of 50-basis points. The fair value of the interest rate cap was an asset of $45 at September 30, 2013, and was included in the accompanying condensed consolidated interim statement of financial position as an other non-current asset. The REIT recognized an adjustment to interest expense in the amount of $50 and $46 for the three months ended September 30, 2013 and for the period from March 4, 2013 to September 30, 2013, respectively. The interest rate cap fair value is determined by a model-derived valuation in which significant inputs and value drivers are observable in active markets for a similar instrument, i.e., Level 2 inputs. Changes in fair value are

19. Financial instruments (continued):

recognized as adjustments to interest expense in the accompanying condensed consolidated interim statements of income and comprehensive income.

As at September 30, 2013, $50,000 of the REIT's variable rate debt outstanding is covered under the interest rate cap while $25,300 of the REIT’s variable rate debt outstanding is subject to variable interest rates.

(iv) Deferred compensation:

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

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

(v) Class B Units:

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

(vi) Other financial assets and liabilities:

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

20. Capital management:

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

20. Capital management (continued):

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

Part of the REIT's objectives in securing mortgages for its investment properties and managing its long-term debt is to stagger the maturities in order to mitigate short-term volatilities in the debt markets. The REIT's declaration of trust stipulates that the REIT shall not incur indebtedness greater than 60% of gross book value. As at September 30, 2013, the REIT's debt to gross book value was 53%.

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

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

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

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

(d) consolidated tangible net worth shall not be less than the sum of (i) $150,000 plus (ii) 80% of the sum of any additional net offering proceeds, plus (iii) 80% of the value of interests in the REIT issued upon the contribution of assets to the REIT or its subsidiaries;

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

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

20. Capital management (continued):

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

The REIT complied with all financial covenants as at September 30, 2013.

21. Financial risk management:

Risk Management:

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

(a) Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk consists of interest rate risk, currency risk and other market price risk. There is interest rate risk associated with the REIT's fixed rate mortgages payable due to the expected requirement to refinance such mortgages payable in the year of maturity. In order to manage exposure to interest rate risk, the REIT endeavors to manage maturities of fixed rate mortgages payable, and match the nature of the mortgages payable with the cash flow characteristics of the underlying asset. This risk is also minimized through the REIT generally having most of its mortgages payable in fixed term arrangements. Additionally, the interest rate cap on the Revolving Facility minimizes the REIT's interest rate risk. As such, the REIT's cash flows are not significantly impacted by a change in market interest rates.

At September 30, 2013, there were two mortgages payable in addition to the Revolving Facility with variable interest rates. As described in note 19(a)(ii), the REIT manages one of these variable-rate mortgages payable using an interest rate swap that alters its exposure to the impact of changing interest rates, effectively resulting in a fixed interest rate. The interest rate swap is not designated as a hedging instrument and as a result, the change in fair value is recognized in earnings as an adjustment to interest expense in the accompanying condensed consolidated statements of income and comprehensive income. As described in note 19(a)(iii), up to $50,000 of the collective outstanding balance of the other variable rate mortgage payables and the Revolving Facility are subject to an interest rate cap of LIBOR plus 50 basis points. For the three months ended September 30, 2013 and for the period from March 4, 2013 to September 30, 2013, a 100-basis-point change in

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

21. Financial risk management (continued):

interest rates including the change in interest rates under the interest rate cap, assuming all other variables are constant, would have resulted in a $103 and $179 change in the REIT's interest expense, respectively.

The REIT has no material exposure to currency risk.

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

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

22. Supplementary cash flow information:

Change in non-cash working capital comprises:

	Three months ended September 30, 2013	Period from March 4, 2013 to September 30, 2013
Increase in amounts receivable	$ (695)	$ (550)
Decrease in prepaid expenses	268	153
Increase in restricted cash	(492)	(334)
Decrease in amounts payable and accrued liabilities	(497)	(437)
Increase in security deposits	-	25
	$ (1,416)	$(1,143)