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

WPT INDUSTRIAL REAL ESTATE INVESTMENT TRUST

For the three months ended March 31, 2014

(Unaudited)

WPT INDUSTRIAL REAL ESTATE INVESTMENT TRUST

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

	March 31, 2014 (Unaudited)	December 31, 2013 (Audited)
Assets		
Non-current assets:		
Investment properties (note 3)	$ 496,161	$ 493,006
Other non-current assets (note 5)	2,202	2,297
	498,363	495,303
Current assets:		
Amounts receivable (note 4)	1,631	1,148
Prepaid expenses	533	551
Restricted cash	2,924	992
Cash and cash equivalents	5,657	5,926
	10,745	8,617
Total assets	$ 509,108	$ 503,920
Liabilities and Unitholders' Equity		
Non-current liabilities:		
Mortgages payable (note 8)	$ 203,211	$ 203,830
Bank indebtedness (note 9)	43,401	43,328
Class B Units (note 10)	103,240	94,437
Security deposits	806	806
Other financial instruments (note 16)	7	26
	350,665	342,427
Current liabilities:		
Mortgages payable (note 8)	16,326	16,382
Class B Units (note 10)	20,827	19,052
Amounts payable and accrued liabilities (note 6)	9,423	7,919
Distributions payable (note 11)	626	626
	47,202	43,979
Total liabilities	397,867	386,406
Total unitholders' equity	111,241	117,514
Total liabilities and unitholders' equity	$ 509,108	$ 503,920

See accompanying notes to condensed consolidated interim financial statements.

WPT INDUSTRIAL REAL ESTATE INVESTMENT TRUST

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

(Unaudited)		Three months ended March 31, 2014
Investment properties:		
Investment properties revenue	$	12,847
Investment properties operating expenses		9,121
Net investment property income		3,726
Other expenses:		
General and administrative		949
Fair value adjustment to investment properties (note 3)		(8,242)
Finance costs (note 13)		15,415
		8,122
Net loss and comprehensive loss	$	(4,396)

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)
(Unaudited)

	Trust Equity	Distributions	Accumulated Income	Unitholders' Equity
Balance, December 31, 2013	$ 95,163	$ (5,281)	$ 27,632	$ 117,514
Net loss and comprehensive loss	–	–	(4,396)	(4,396)
Distributions declared	–	(1,877)	–	(1,877)
Balance, March 31, 2014	$ 95,163	$ (7,158)	$ 23,236	$ 111,241

See accompanying notes to condensed consolidated interim financial statements.

WPT INDUSTRIAL REAL ESTATE INVESTMENT TRUST

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

(Unaudited)	Three months ended March 31, 2014
Cash flows from operating activities:	
Net loss	$ (4,396)
Finance costs (note 13)	15,415
Non-cash items:	
Amortization of straight-line rent	(480)
Property tax liability under IFRIC 21	5,706
Fair value adjustment to investment properties (note 3)	(8,242)
Fair value adjustment on deferred compensation (note 11)	(1)
Amortization of lease incentives	23
Change in non-cash working capital (note 19)	(1,019)
Cash flows provided by operating activities	7,006
Cash flows from financing activities:	
Repayment of mortgages payable	(531)
Distributions paid (note 11)	(1,877)
Interest paid	(4,783)
Cash flows used in financing activities	(7,191)
Cash flows from investing activities:	
Additions to investment properties (note 3)	(162)
Change in capital escrows	78
Cash flows used in investing activities	(84)
Decrease in cash and cash equivalents	(269)
Cash and cash equivalents, beginning of period	5,926
Cash and cash equivalents, end of period	$ 5,657

See accompanying notes to condensed consolidated interim financial statements.

1. Basis of Presentation:

WPT Industrial Real Estate Investment Trust (the "REIT") is an unincorporated, open-ended real estate investment trust established pursuant to a Declaration of Trust dated March 4, 2013, under the laws of the Province of Ontario. The REIT's Declaration of Trust was amended and restated on April 26, 2013. The REIT was formed for the purpose of acquiring and owning primarily industrial investment properties, located in the United States, with a particular focus on warehouse and distribution industrial investment properties. As at March 31, 2014, the REIT indirectly owned a portfolio of investment properties consisting of 9,879,961 square feet of gross leasable area, comprised of 36 industrial investment properties and two office investment properties, located in 12 states in the U.S.

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

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.

On July 15, 2013, the REIT indirectly acquired, through the Partnership, a 100% interest in a fully leased, single-tenant industrial investment property located in Illinois totaling 1,262,648 square feet of GLA. The purchase price of $53,000 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 and (ii) the issuance by the Partnership of 2,192,347 Class B Units at a price of $9.67 per Class B Unit. On September 28, 2013, the REIT repaid the senior secured promissory note to Welsh with proceeds received from a third-party mortgage payable in the principal amount of $31,800.

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”.

(a) Statement of compliance:

The condensed consolidated interim financial statements of the REIT have been prepared by management in accordance with International Accounting Standards ("IAS") 34, *Interim Financial Reporting*, as issued by the International Accounting Standard Board ("IASB"). These condensed consolidated interim financial statements were approved by the Board of Trustees on May 14, 2014. The condensed consolidated interim financial statements do not include all information required for full annual financial statements and should be read in conjunction with the REIT's annual audited financial statements for the period from March 4, 2013 to December 31, 2013, which were prepared in accordance with International Financial Reporting Standards ("IFRS").

(b) Basis of measurement:

The condensed consolidated interim financial statements have been prepared on a historical cost basis except for investment properties, 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.

(d) Comparative information:

On March 4, 2013, the REIT issued one REIT Unit for cash proceeds of ten dollars. The REIT had no other results of operations or cash flows prior to the completion of its IPO on April 26, 2013. As a result, these condensed consolidated interim financial statements do not present comparative information for the period from March 4, 2013 to March 31, 2013.

2. Significant Accounting Policies:

The condensed consolidated interim financial statements follow the same accounting policies as the financial statements as at and for the period from March 4, 2013 to December 31, 2013 with the exception of the following new accounting standards that were issued by the IASB and adopted by the REIT effective January 1, 2014:

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

The amendments to IAS 32 establish disclosure requirements that are intended to help clarify for financial statement users the effect or potential effect of offsetting arrangements on an entity's financial position.

The REIT has adopted the amendments to IAS 32 in its financial statements retrospectively with no material impact on the condensed consolidated interim financial statements or its disclosures.

(b) IFRIC 21, *Levies*

In May 2013, the IASB issued International Financial Reporting Interpretations Committee ("IFRIC") 21, *Levies*. Effective January 1, 2014, the REIT adopted IRFIC 21, which provides guidance on accounting for levies in accordance with the requirements of IAS 37, *Provisions, Contingent Liabilities and Contingent Assets.* The interpretation defines a levy as an outflow from an entity imposed by a government in accordance with legislation. It also notes that levies do not arise from executory contracts or other contractual arrangements. The interpretation also confirms that an entity recognizes a liability for a levy only when the triggering event specified in the legislation occurs.

The adoption of IFRIC 21 requires the REIT to recognize the full amount of annual property tax liabilities at the point in time when the realty tax obligation is imposed. Previously, property tax obligations and related expenses were recognized on a pro rata basis evenly throughout the reporting period. Therefore, the adoption of IFRIC 21 has resulted in the REIT recording an annual property tax expense earlier than previously recognized. This liability has been recorded as a component of investment property. To avoid the double-counting of realty tax obligations, the REIT has removed the cash flows related to the realty tax liabilities recorded upon the application of IFRIC 21 from its investment property valuation models (note 3), resulting in a fair value increase of investment property equal to the IFRIC 21 related liability.

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

IFRIC 21 has been adopted retrospectively. As the REIT acquired all of its properties subsequent to the date realty taxes were imposed in respect of the prior period, there was no impact to the comparative financial statements upon the adoption of IFRIC 21.

3. Investment properties:

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

	Three months ended March 31, 2014	Period from March 4, 2013 to December 31, 2013
Balance, beginning of period	$ 493,006	$ –
Investment property acquisitions	–	488,121
Additions to investment properties	162	1,148
Lease incentives and initial direct leasing costs	–	410
Amortization of straight-line rent	480	1,578
Amortization of lease incentives	(23)	(16)
Fair value adjustment to investment properties	2,536	1,765
	$ 496,161	$ 493,006
IFRIC 21 real estate tax liability adjustment	(5,706)	-
IFRIC 21 fair value adjustment	5,706	-
	$ 496,161	$ 493,006

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

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

	Level 1	Level 2	Level 3
Investment properties – March 31, 2014	$ –	$ –	$ 496,161
Investment properties – December 31, 2013	$ –	$ –	$ 493,006

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

Investment properties include land, building, improvements to the investment property, and all direct leasing costs incurred in arranging property tenants. As at March 31, 2014 and December 31, 2013, the REIT used an internal valuation process to value the real estate investment properties contained within the portfolio. During the IPO, management retained an independent third-party appraiser to appraise each property contained within the portfolio, and intends to engage independent 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 March 31, 2014 and December 31, 2013 was primarily determined by discounting the expected future cash flows, including a terminal value based on the application of a terminal capitalization rate to the assumed final year's estimated cash flows.

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

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

	March 31, 2014	December 31, 2013
Weighted average terminal capitalization rate:	7.44%	7.53%
Range of terminal capitalization rates:	6.25%-9.75%	6.25%-10.00%
Weighted average discount rate:	7.26%	7.25%
Range of discount rates:	6.77%-8.58%	6.88%-8.78%

The fair value of investment properties are most sensitive to changes in capitalization rates. As at March 31, 2014, the weighted average terminal capitalization rate was 7.44%. A 25-basis-point increase in the weighted average terminal capitalization rate would decrease the value of the investment properties by $16,130. A 25-basis-point decrease in the weighted average terminal capitalization rate would increase the value of the investment properties by $17,252.

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

4. 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:

	March 31, 2014	December 31, 2013
Tenant receivables	$ 1,613	$ 982
Other receivables	38	196
Allowance for uncollectible amounts	(20)	(30)
	$ 1,631	$ 1,148

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

5. Other non-current assets:

Other non-current assets consist of the following:

	March 31, 2014	December 31, 2013
Capital escrows	$ 2,195	$ 2,272
Interest rate cap	7	25
	$ 2,202	$ 2,297

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

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

6. Amounts payable and accrued liabilities:

Amounts payable and accrued liabilities consist of the following:

	March 31, 2014	December 31, 2013
Trade payables	$ 340	$ 157
Accrued liabilities and other payables	2,177	2,484
Accrued real estate taxes	2,799	1,643
Accrued interest	1,541	1,415
Unearned revenue	152	61
Rent received in advance	1,777	1,743
Deferred compensation	637	416
	$ 9,423	$ 7,919

7. Operating leases:

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

There were no tenants that accounted for more than 10% of the REIT's total rental revenue for the three months ended March 31, 2014.

As at March 31, 2014, the total future contractual minimum base rent lease payments expected to be received under non-cancellable leases are as follows:

Within 12 months	$ 36,961
2 - 5 years	122,937
Greater than 5 years	35,391
	$ 195,289

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

8. Mortgages payable:

Mortgages payable consist of the following:

	March 31, 2014	December 31, 2013
Mortgages payable	$ 216,131	$ 216,662
Mark-to-market adjustment, net	3,948	4,156
Financing costs, net	(542)	(606)
Carrying value	219,537	220,212
Less current portion	(16,326)	(16,382)
Long-term portion	$ 203,211	$ 203,830

Mortgages payable are collateralized by investment properties with a fair value of $391,986 and $389,781 as at March 31, 2014 and December 31, 2013, respectively, and bear interest at various rates. Mortgages payable that are due and payable within 12 months after the date of the condensed consolidated interim statements of financial position presented, including scheduled principal payments on mortgages payable, are classified as current liabilities. As at March 31, 2014 and December 31, 2013, the weighted average effective interest rate for mortgages payable was 4.33% and maturity dates ranged from 2014 - 2023. As at March 31, 2014 and December 31, 2013, there were two mortgages payable with variable interest rates totalling $34,781 and $34,789, respectively, one of which the REIT entered into an interest rate swap to fix the variable interest rate at 5.50% (note 16). The other mortgage payable, with a variable interest rate, pays 30-day LIBOR plus an applicable margin, which as at March 31, 2014 and December 31, 2013, resulted in an interest rate of 2.40% and 2.42%, respectively.

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

Future contractual cash flows of mortgages payable principal and interest are as follows as at March 31, 2014:

	Principal Payment	Interest Payment	Total Payments
2014 (remainder)	$ 15,851	$ 6,628	$ 22,479
2015	1,917	8,421	10,338
2016	22,957	8,328	31,285
2017	1,702	7,003	8,705
2018	64,875	6,318	71,193
2019 and thereafter	108,829	15,228	124,057
	$ 216,131	$ 51,926	$ 268,057

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 March 31, 2014 and December 31, 2013, the REIT was in compliance with all covenants of its mortgages payable.

9. Bank indebtedness:

Revolving Facility:

The revolving facility consists of the following:

	March 31, 2014	December 31, 2013
Revolving facility	$ 44,000	$ 44,000
Financing costs, net	(599)	(671)
Carrying value	$ 43,401	$ 43,328

On April 26, 2013, the REIT entered into a senior secured revolving facility with a maximum commitment of $75,000 (the “Revolving Facility”), and availability determined subject to compliance with a number of borrowing base tests. The Revolving Facility has an initial term of three years from April 26, 2013, subject to a one-year extension option and includes an accordion feature which could increase the size of the facility to $200,000, subject to lender approval. The rate on the Revolving Facility is, at the REIT's option, based on either a base rate or LIBOR, in each case plus an applicable margin based on leverage. The base rate is equal to the greater of: (a) the "prime rate" plus 1.0%, (b) 0.5% above the federal funds effective rate, or (c) 30-day LIBOR plus the applicable margin. As at March 31, 2014 and December 31, 2013, the Revolving Facility interest rate was 2.40% and 2.42%, respectively.

On April 26, 2013, the REIT entered into an interest rate cap, which expires on May 1, 2015, and covers up to a principal amount of $50,000 of the REIT's variable interest rate debt and provides for a U.S. LIBOR cap of 50-basis points (note 16).

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.

Availability on the Revolving Facility (see note 17 (f)) was $60,990 as of March 31, 2014, of which the REIT had drawn $44,000 and had a $950 letter of credit outstanding, leaving excess capacity of $16,040.

10. Class B Units:

On April 26, 2013, the Partnership issued Class B Units with a fair value of $108,674 as partial consideration in a business combination in connection with the IPO. These Class B Units are entitled to distributions per unit in an amount equal to the distributions per unit declared in respect of the REIT Units, and are redeemable by the holder thereof for cash or REIT Units (on a one-for-one basis, subject to customary anti-dilution adjustments), as determined by the general partner of the Partnership in its sole discretion. The REIT Units are puttable and, therefore, the Class B Units issued in connection with the IPO meet the definition of a financial liability under IAS 32 and are accordingly classified as long-term liabilities in the condensed consolidated interim statements of financial position.

On July 15, 2013, the Partnership issued Class B Units with a fair value of $21,200 as partial consideration for an asset acquisition. These Class B Units issued in connection with the asset acquisition on July 15, 2013 are not redeemable for REIT Units unless and until the REIT has received all necessary acceptances and approvals from the TSX for the issuance and listing on the TSX of the underlying REIT Units, including obtaining REIT Unitholder approval. The TSX has conditionally approved the issuance of these Class B Units and the listing on the TSX of the underlying REIT Units for which these Class B Units may be redeemed. However, the payment of distributions on these Class B Units are being held in escrow as of February 25, 2014 until REIT Unitholder approval is received by the REIT for the issuance and listing on the TSX of the underlying REIT Units. Once REIT Unitholder approval is received and TSX listing approval has been received, these Class B Units will be entitled to receive those distributions held in escrow.

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

In addition, Welsh, as the holder of the Class B Units, holds a limited liquidity right. Subject to certain limitations, the liquidity right allows for Welsh to compel the REIT to purchase for cancellation all or any portion of the Class B Units issued in connection with the July 15, 2013 acquisition. Should Welsh exercise the liquidity right, the REIT may need to fund the purchase via an equity offering, in which case Welsh would receive the gross proceeds of the equity offering less any applicable costs. The liquidity right associated with these Class B Units expires upon approval from the TSX for the issuance and listing on the TSX of the underlying REIT Units. These Class B Units are classified as current liabilities in the condensed consolidated interim statements of financial position.

These Class B Units are valued at the REIT Units' closing price per the TSX as at March 31, 2014 and December 31, 2013 which was $9.50 and $8.69, respectively (see note 16).

The following table shows the change in the carrying value of the Class B Units outstanding for the three months ended March 31, 2014 and for the period from March 4, 2013 to December 31, 2013:

	March 31, 2014	December 31, 2013
Amount, beginning of period	$ 113,489	$ –
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	10,578	(16,385)
Amount, end of period	$ 124,067	$ 113,489
Less current portion	(20,827)	(19,052)
Long-term portion, end of period	$ 103,240	$ 94,437

Included in finance costs for the three months ended March 31, 2014 are $2,284 of distributions declared on Class B Units, including those held in escrow.

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

11. Unitholders' equity:

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

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

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

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

During the period from March 4, 2013 to December 31, 2013, the REIT purchased for cancellation 697,800 REIT Units for $5,679 under the normal course issuer bid at an average price of $8.14. The REIT did not purchase any REIT Units for cancellation under the normal course issuer bid for the three months ended March 31, 2014.

REIT Units outstanding:

	Units	Value
REIT Unit issued, March 4, 2013	1	$ –
REIT Units issued on completion of the IPO, April 26, 2013	10,000,000	100,000
REIT Unit redeemed	(1)	–
REIT Units issued through underwriters' over-allotment, May 16, 2013	1,430,000	14,300
REIT Units purchased for cancellation under the normal course issuer bid	(697,800)	(5,679)
REIT Units issued, net	10,732,200	108,621
Less issue costs	–	(13,458)
As at March 31, 2014 and December 31, 2013	10,732,200	$ 95,163

(a) Distributions:

The REIT declared distributions to unitholders of record in the amount of $1,877 ($0.17 per REIT Unit) for the three months ended March 31, 2014. Total distributions payable as at March 31, 2014 and December 31, 2013 were $626 and $626, respectively.

(b) Deferred Unit Incentive Plan:

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

On May 29, 2013, the Board of Trustees granted 50,000 DTUs to certain officers of the REIT and employees of Welsh. Additional DTUs granted through distributions for the three months ended March 31, 2014 and for the period from March 4, 2013 to December 31, 2013 were 1,036 units and 2,462 units, respectively, for a total of 53,498 and 52,462 units outstanding as at March 31, 2014 and December 31, 2013, respectively. 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 as at March 31, 2014, as at December 31, 2013 and as at the grant date, was $508, $456 and $507, respectively.

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

During the period from March 4, 2013 to December 31, 2013, 10,430 DTUs were granted to Trustees for services rendered. During the three months ended March 31, 2014 and for the period from March 4, 2013 to December 31, 2013, 211 and 302 DTUs were granted through distributions, respectively.

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

The movement in the DUIP balance was as follows:

As at March 4, 2013	$ –
Deferred compensation expense	361
Fair value adjustments	(12)
As at December 31, 2013	$ 349
Deferred compensation expense	180
Fair value adjustments	17
As at March 31, 2014	$ 546

The compensation expense of $197 for the three months ended March 31, 2014 was determined based on the fair value of the REIT Units as at March 31, 2014.

(c) Unit option plan:

On April 26, 2013, the REIT authorized a unit option plan (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 as at March 31, 2014, as at December 31, 2013 and as at the grant date was $176, $185, and $268, respectively.

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

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

Balance, March 4, 2013	$	–
Deferred compensation expense		97
Fair value adjustments		(30)
Balance, December 31, 2013	$	67
Deferred compensation expense		42
Fair value adjustments		(18)
Balance, March 31, 2014	$	91

The compensation expense of $24 for the three months ended March 31, 2014 for these options was determined based on the fair value of the options as at March 31, 2014 using the Black-Scholes option pricing model with the following assumptions:

Average expected option term	5.6 years
Risk-free interest rate	2.02%
Expected volatility	20.00%
Dividend yield	7.36%

12. Related party transactions:

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

(a) 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 for the three months ended March 31, 2014 were $305. Asset management fees payable to Welsh as at March 31, 2014 and December 31, 2013 were $105 and $105, 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. There were no acquisition fees paid to Welsh for the three months ended March 31, 2014.

- Construction management fee. With respect to any capital project with costs in excess of $100 undertaken by the REIT or any of its affiliates, a construction management fee equal to 5.0% of aggregate tenant improvements, capital expenditures and construction costs incurred in respect of such capital project. No construction management fees were paid to Welsh for the three months ended March 31, 2014.

(b) Property management fees:

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

Property management fees are described below for all investment properties owned by the REIT.

- 2% of the gross property revenue for all single-tenant industrial investment properties;

- 3% of the gross property revenue for all multi-tenant industrial investment properties; and

- 4% of the gross property revenue for all office investment properties.

Property management fees paid to Welsh for the three months ended March 31, 2014 were $307.

(c) Class B Units:

As part of the consideration for the IPO, 10,867,362 Class B Units were issued to Welsh at a unit price of $10.00. Distributions related to these Class B Units of $1,901 were paid to Welsh for the three months ended March 31, 2014. Distributions payable to Welsh on these

Class B Units as at March 31, 2014 and December 31, 2013 were $633 and $633, respectively.

As part of the consideration for the July 15, 2013 acquisition of the Illinois investment property, 2,192,347 Class B Units were issued to Welsh at a unit price of $9.67. Distributions related to these Class B Units of $256 were paid to Welsh during the three months ended March 31, 2014. On February 25, 2014, the Board approved the escrow of distributions on these Class B Units until REIT Unitholder approval is received by the REIT for the issuance and listing on the TSX of the underlying REIT Units (see note 10) beginning with the February 28, 2014 distribution payable on March 17, 2014. As a result, $127 of distributions on these Class B Units were held in escrow as at March 31, 2014. In addition, distributions payable to Welsh on these Class B Units as at March 31, 2014 and December 31, 2013 were $128 and $128, respectively.

(d) 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 March 31, 2014 was approximately $260. The lease commenced on June 1, 2008 and expires on May 31, 2020, with annual rent increases of 2%.

In addition, the REIT will reimburse Welsh for all reasonable actual out-of-pocket costs and expenses incurred in connection with the performance of the services described in the asset management agreement or such other services that the REIT and Welsh agree in writing are to be provided from time to time by Welsh. As at March 31, 2014 and December 31, 2013, the net payable due to Welsh was $15 and $17 related to these reimbursements, respectively.

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

13. Finance costs:

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

	Three months ended March 31, 2014
Interest on mortgages payable incurred at stated rate	$ 2,339
Bank indebtedness interest	287
Amortization of financing costs	135
Amortization of mark-to-market adjustment on fixed rate mortgages payable	(207)
Distributions on Class B Units	2,284
Fair value adjustment on Class B Units and financial instruments	10,577
	$ 15,415

14. 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.

15. Commitment and contingencies:

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

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

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

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

(d) In conjunction with the acquisition of certain investment properties, $29,500 of self-funded industrial revenue bonds ("Bonds") were assumed. The authorized amount of the Bonds is $29,500, of which $29,500 was outstanding as at March 31, 2014 and December 31, 2013. The Bonds provide for real estate tax abatement for the acquired investment properties. Through a series of transactions, the REIT is both the bondholder and the obligor of the Bonds. Therefore, in accordance with IAS 32, the Bonds are not recorded in the condensed consolidated interim statements of financial position.

16. 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 condensed consolidated interim statements of financial position, are as follows:

	Carrying amount	Fair value
Mortgages payable – As at March 31, 2014	$ 216,131	$ 220,349
Mortgages payable – As at December 31, 2013	$ 216,662	$ 217,514

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

(i) Mortgages payable:

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

(ii) Interest rate swap:

The REIT was 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 covered the notional amount of $3,550 at a fixed rate of 5.5% and expired on April 1, 2014. The interest rate swap was not designed as a hedge for accounting purposes. The fair value of the interest rate swap was a liability of $7 and $26 as at March 31, 2014 and December 31, 2013, respectively, and was included in the accompanying condensed consolidated interim statements of financial position within the "other financial instruments" caption. The REIT recognized an adjustment to interest expense in the amount of $19 for the three months ended March 31, 2014. The interest rate swap fair value was determined by a model-derived valuation, in which significant inputs and value drivers were observable in active markets for a similar instrument, i.e., Level 2 inputs. Changes in fair value were recognized as adjustments to interest expense in the accompanying condensed consolidated interim statement of net income and comprehensive income. The interest rate swap was not renewed upon its expiration as the related mortgage payable was paid off in full on April 8, 2014.

(iii) Interest rate cap:

On April 26, 2013, the REIT entered into an interest rate cap, which expires on May 1, 2015, and covers up to a principal amount of $50,000 of the REIT's variable interest rate debt and provides for a U.S. LIBOR cap of 50-basis points. The fair value of the interest rate cap was an asset of $7 and $25 as at March 31, 2014 and December 31, 2013, respectively, and was included in the accompanying condensed consolidated interim statements of financial position within the other non-current assets caption. The REIT recognized an adjustment to interest expense in the amount of $18 for the three months ended March 31, 2014. The interest rate cap fair value is determined by a model-derived valuation in which significant inputs and value drivers are observable in active markets for a similar instrument, i.e., Level 2 inputs. Changes in fair value are recognized as adjustments to interest expense in the accompanying condensed consolidated interim statement of income and comprehensive income.

As at March 31, 2014, $44,000 in outstanding principal balance related to the Revolving facility and $31,800 in outstanding principal balance related to mortgages payable are subject to variable interest rates. An interest rate cap hedges against the risk of fluctuating interest rates of $50,000 in outstanding principal balances, resulting in aggregate exposure of $25,800 in outstanding principal balances.

(iv) Deferred compensation:

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

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

(v) Class B Units:

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

(vi) Other financial assets and liabilities:

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

17. 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.

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 March 31, 2014 and December 31, 2013, the REIT's debt-to-gross book value ratio was 52.4% and 52.9%, respectively, (total outstanding principal amounts of mortgages payable and Revolving Facility of $260,131 as at March 31, 2014, divided by gross book value of $496,161). The REIT has no convertible debentures outstanding.

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

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

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

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

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

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

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

In addition, the REIT is required under certain mortgages payable to meet financial covenant ratios (note 8).

The REIT complied with all financial covenants as at March 31, 2014 and December 31, 2013.

18. Financial risk management:

Risk Management:

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

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

As at March 31, 2014 and December 31, 2013, there were two mortgages payable in addition to the Revolving Facility with variable interest rates. As described in note 16(a)(ii), the REIT managed one of these variable-rate mortgages payable using an interest rate swap that altered its exposure to the impact of changing interest rates, effectively resulting in a fixed interest rate. The interest rate swap was not designated as a hedging instrument and as a result, the change in fair value was recognized in earnings as an adjustment to interest expense in the accompanying condensed consolidated interim statement of income and comprehensive income. As described in note 16(a)(iii), up to $50,000 of the collective outstanding balance of the remaining variable rate mortgage payables and Revolving Facility are subject to an interest rate cap on LIBOR of 50 basis points. For the three months ended March 31, 2014, a 100-basis-point increase in interest rates including the change in interest rates under the interest rate cap, assuming all other variables are constant, would have resulted in a $108 increase in the REIT's interest expense.

The REIT has no material exposure to currency risk.

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

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

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

19. Supplementary cash flow information:

Change in non-cash working capital comprises the following for the three months ended March 31, 2014:

Amounts receivable	$	(483)
Prepaid expenses		18
Restricted cash		(1,932)
Amounts payable and accrued liabilities		1,378
	$	(1,019)

20. Subsequent events:

On April 4, 2014, the REIT issued 3,478,200 REIT Units (including REIT Units issued pursuant to the exercise in full of the over-allotment option granted to the underwriters by the REIT) at a price of $9.30 per REIT Unit to a syndicate of underwriters on a bought deal basis for gross proceeds to the REIT of approximately $32,347 (the “Offering”). As part of the Offering, Welsh purchased approximately $7,000 of the REIT Units being offered, being 752,700 REIT Units, at the offering price of $9.30 per REIT Unit, pursuant to the exercise of its pre-emptive right under the agreement of limited partnership governing the Partnership.

The REIT Units were offered in Canada pursuant to a short form prospectus filed on March 28, 2014 with the securities commissions and other similar regulatory authorities in each of the provinces and territories of Canada.

On April 4, 2014, the REIT indirectly, through the Partnership, acquired from Welsh, a 100% leased 300,000 square foot industrial investment property located in Hebron, Kentucky (the “Kentucky Property”), for a purchase price of $13,300 (exclusive of closing and transaction costs and an acquisition fee). The purchase price was paid in cash using a portion of the net proceeds of the Offering. The Kentucky Property was acquired by an affiliate of Welsh from a third party vendor on March 3, 2014. Pursuant to a call right granted to the REIT in respect of the Kentucky Property, the REIT delivered notice to Welsh requiring Welsh to sell the Kentucky Property to the REIT for a purchase price equal to Welsh’s cost of acquisition plus certain expenses incurred by Welsh in connection with its acquisition of the Kentucky Property.

On April 14, 2014, the REIT entered into an agreement to indirectly, through the Partnership, acquire from Welsh, a 100% leased 936,000 square foot industrial investment property located in Shepherdsville, Kentucky (the “Louisville Property”) for a purchase price of approximately

$45,400 (exclusive of closing and transaction costs). The purchase price will be satisfied by (i) the issuance of approximately $20,400 Class B Units (2,165,605 Class B Units) to Welsh; and (ii) $25,000 in cash, to be funded by a new, fixed rate mortgage payable to be placed on the Louisville Property at closing of the acquisition. The acquisition is expected to close in June 2014.

On April 29, 2014, the REIT indirectly, through the Partnership, purchased from a third party vendor, a 100% leased 1,512,552 square foot industrial investment property located in Atlanta, Georgia (the “Atlanta Property”) for a purchase price of $51,500 (exclusive of closing and transaction costs and an acquisition fee). The Atlanta Property acquisition was financed with the net proceeds from the Offering and a new, $28,325 property-level mortgage payable.