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

WPT INDUSTRIAL REAL ESTATE INVESTMENT TRUST

For the three months ended March 31, 2018 and 2017

(Unaudited)

WPT INDUSTRIAL REAL ESTATE INVESTMENT TRUST

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

	March 31, 2018 (Unaudited)	December 31, 2017 (Audited)
Assets		
Non-current assets:		
Investment properties (note 3)	$ 1,009,182	$ 1,009,582
Other non-current assets	401	138
	1,009,583	1,009,720
Current assets:		
Amounts receivable (note 4)	2,139	1,816
Prepaid expenses	781	1,106
Restricted cash	1,572	664
Cash and cash equivalents	6,684	6,637
	11,176	10,223
Total assets	$ 1,020,759	$ 1,019,943
Liabilities and Unitholders' Equity		
Non-current liabilities:		
Mortgages payable (note 7)	313,699	314,616
Revolving Facility (note 8)	77,009	76,892
Class B Units (note 9)	46,809	45,942
Security deposits	1,498	1,501
	439,015	438,951
Current liabilities:		
Mortgages payable (note 7)	33,981	33,864
Amounts payable and accrued liabilities (note 5)	18,967	17,631
Distributions payable (note 10)	2,820	2,820
	55,768	54,315
Total liabilities	494,783	493,266
Total unitholders' equity	525,976	526,677
Commitments and contingencies (note 16)		
Total liabilities and unitholders' equity	$ 1,020,759	$ 1,019,943

See accompanying notes to condensed consolidated interim financial statements.

WPT INDUSTRIAL REAL ESTATE INVESTMENT TRUST

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

(Unaudited)	Three months ended March 31, 2018	2017
Investment properties revenue (note 12)	$ 22,538	$ 19,494
Expenses (income):		
Investment properties operating expenses	16,771	14,479
Fair value adjustment to investment properties	1,070	(18,010)
Fair value adjustment to investment properties – IFRIC 21	(10,635)	(9,282)
General and administrative	2,020	2,312
Fair value adjustment to Class B Units (note 13)	867	6,588
Finance costs (note 13)	4,687	4,472
Net income and comprehensive income	$ 7,758	$ 18,935

See accompanying notes to condensed consolidated interim financial statements.

WPT INDUSTRIAL REAL ESTATE INVESTMENT TRUST

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

(Unaudited)	REIT Units	Trust Equity	Distributions	Accumulated Income	Unitholders' Equity
Balance, December 31, 2016 (note 10)	34,652,426	$ 346,990	$ (51,370)	$ 85,422	$ 381,042
Net income and comprehensive income	-	-	-	18,935	18,935
Distributions declared (note 10)	-	-	(6,581)	-	(6,581)
Balance, March 31, 2017	34,652,426	$ 346,990	$ (57,951)	$ 104,357	$ 393,396
Balance, December 31, 2017 (note 10)	44,545,772	$ 470,204	$ (81,455)	$ 137,928	$ 526,677
Net income and comprehensive income	-	-	-	7,758	7,758
Distributions declared (note 10)	-	-	(8,459)	-	(8,459)
Balance, March 31, 2018 (note 10)	44,545,772	$ 470,204	$ (89,914)	$ 145,686	$ 525,976

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 March 31, 2018	2017
Cash flows from operating activities:		
Net income	$ 7,758	$ 18,935
Finance costs (note 13)	5,554	11,060
Non-cash items:		
Amortization of straight-line rent	(299)	(106)
Property tax liability under IFRIC 21	10,635	9,282
Fair value adjustment to investment properties – IFRIC 21	(10,635)	(9,282)
Fair value adjustment to investment properties	1,070	(18,010)
Deferred compensation expense	518	522
Fair value adjustment on deferred compensation	387	766
Amortization of lease incentives	360	251
Change in non-cash working capital (note 20)	150	1,011
Cash flows provided by operating activities	15,498	14,429
Cash flows from financing activities:		
Repayment of mortgages payable	(756)	(605)
Proceeds from construction loan	-	1,037
Financing costs incurred	-	(11)
Distributions paid	(8,459)	(6,581)
Interest paid	(4,618)	(4,450)
Cash flows used in financing activities	(13,833)	(10,610)
Cash flows from investing activities:		
Additions to investment properties, including lease incentives	(1,618)	(2,557)
Additions to investment properties under development	-	(2,541)
Change in capital escrows	-	(56)
Cash flows used in investing activities	(1,618)	(5,154)
Increase (decrease) in cash and cash equivalents	47	(1,335)
Cash and cash equivalents, beginning of period	6,637	9,007
Cash and cash equivalents, end of period	6,684	$ 7,672

See accompanying notes to condensed consolidated interim financial statements.

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

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

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

As at March 31, 2018, the REIT owned a portfolio of investment properties comprised of 52 industrial investment properties and one office investment property, located in 15 states in the U.S.

1. Basis of presentation:

(a) Statement of compliance:

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

These condensed consolidated interim financial statements were approved by the board of trustees of the REIT (the "Board of Trustees") on May 9, 2018.

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

(b) Basis of measurement:

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

(c) Basis of consolidation:

The condensed consolidated interim financial statements comprise the financial statements of the REIT and its subsidiaries including the REIT's 100% interest in WPT Industrial, Inc. and WPT Industrial, LP (the "Partnership"). Subsidiaries are entities controlled by the REIT. The financial statements of the subsidiaries are prepared for the same reporting periods as the REIT using consistent accounting policies. All intercompany balances, transactions and unrealized gains and losses arising from intercompany transactions are eliminated on consolidation.

2. Significant accounting policies:

The condensed consolidated interim financial statements follow the same accounting policies as the audited consolidated financial statements as at and for the year ended December 31, 2017 with the exception of the accounting standards implemented 2018. Please refer to note 2 of the REIT's audited consolidated financial statements for the year ended December 31, 2017 for a summary of significant accounting policies. Changes to significant accounting policies are described below.

The REIT adopted the following standards and amendments to existing standards issued by the IASB:

(i) IFRS 9, *Financial Instruments*

The REIT adopted the new requirements for classification and measurement, impairment and general hedging for IFRS 9 Financial Instruments by applying the requirements for classification and measurement, including impairment, retrospectively with no restatement of comparative periods. The REIT also applied related amendments to IFRS 7, "Financial Instruments: Disclosures" ("IFRS 7") in its condensed consolidated interim financial statements for the annual period beginning on January 1, 2018.

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

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

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

The following table summarizes the REIT's classification impacts upon adoption of IFRS 9. The adoption of the new classification requirements under IFRS did not result in significant changes in measurement or the carrying amount of financial assets and financial liabilities:

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

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

The REIT implemented this amendment in the first quarter of 2018, with no material impact on the financial statements.

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

The REIT adopted IFRS 15 Revenue from Contracts with Customers, which replaced IAS 11 Construction Contracts, IAS 18 Revenue and IFRIC 15 Agreements for the Construction of Real Estate, in its condensed consolidated interim financial statement. The REIT adopted the standard on January 1, 2018 and applied the requirements of the standard retrospectively.

The amendment applies a single, control-based model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much, and when revenue is recognized. The amendment also includes additional disclosure requirements for revenue accounted for under the standard. The implementation of IFRS 15 did not have a significant impact on the REIT's revenue streams.

A substantial portion of the REIT's revenue consists of rental revenues from leasing arrangements, such as base rent, which is specifically excluded from the revenue guidance. Non-lease components, such as recoveries of operating expenses from tenants and common area maintenance are subject to additional disclosures in note 12.

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

The REIT adopted the amendments to IFRS 2 *Share-based Payment*, ("IFRS 2") clarifying how to account for certain types of share-based payment transactions, in its condensed consolidated interim financial statement for the period beginning on January 1, 2018 with no material impact on the financial statements.

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

3. Investment properties:

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

	Three months ended March 31, 2018	Year ended December 31, 2017
Balance, beginning of period	$ 1,009,582	$ 800,142
Investment property acquisitions	-	179,756
Investment property disposition	-	(14,469)
Additions to investment properties, including lease incentives	731	10,607
Amortization of straight-line rent	299	1,291
Amortization of lease incentives	(360)	(1,207)
Fair value adjustment to investment properties	(1,070)	21,762
Transfer from investment properties under development (1)	-	11,700
	$ 1,009,182	$ 1,009,582
Property tax liability under IFRIC 21	10,635	(479)
Fair value adjustment to investment properties – IFRIC 21	(10,635)	479
	$ 1,009,182	$ 1,009,582

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

Investment properties under development activity is as follows:

	Three months ended March 31, 2018	Year ended December 31, 2017
Balance, beginning of period	$ -	$ 6,289
Additions to investment properties under development	-	3,092
Fair value adjustment to investment properties under development	-	2,319
Transfer to investment properties	-	(11,700)
	$ -	$ -

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

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

	Level 1	Level 2	Level 3
Investment properties – March 31, 2018	$ -	$ -	$ 1,009,182
Investment properties and properties under development – December 31, 2017	$ -	$ -	$ 1,009,582

Investment properties include the current fair value of the land, building, improvements to the investment property, all direct leasing costs incurred in obtaining and retaining property tenants and investment properties under development. Management reviews the fair value of the investment properties regularly using independent property valuations and market conditions existing at the reporting date, which are generally accepted market practices. Judgment is also applied in determining the extent and frequency of independent third party appraisals. The REIT determines the fair value of an investment property at the end of each reporting period using a combination of the following methods: (i) an internal valuation using the discounted cash flow model, which discounts the expected future cash flows, including a terminal value, based on the application of a terminal capitalization rate to the assumed final year's estimated cash flows, and reviewing the key assumptions from previous and current appraisals and updating the value for changes in the property cash flow, physical condition and changes in market conditions, and (ii) appraisals by an independent third party, according to professional appraisal standards and IFRS.

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

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

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

	March 31, 2018	December 31, 2017
Weighted average terminal capitalization rate	6.63%	6.62%
Range of terminal capitalization rates	5.50% - 9.00%	5.50%-9.00%
Weighted average discount rate	7.20%	7.08%
Range of discount rates	6.17% - 8.95%	6.07%-8.95%

The fair value of investment properties is most sensitive to changes in the discount and terminal capitalization rates. Changes in the terminal capitalization rates and discount rates would result in a change to the fair value of the REIT's investment properties as set out below for the three months ended March 31, 2018:

Weighted average terminal capitalization rate:		
25-basis point increase	$	(19,285)
25-basis point decrease	$	20,830
Weighted average discount rate:		
25-basis point increase	$	(18,197)
25-basis point decrease	$	18,668

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, 2018	December 31, 2017
Tenant receivables	$ 1,941	$ 1,716
Other receivables	198	100
	$ 2,139	$ 1,816

The carrying value of amounts receivable approximates fair value.

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

5. Amounts payable and accrued liabilities:

Amounts payable and accrued liabilities consist of the following:

	March 31, 2018	December 31, 2017
Deferred compensation	$ 8,301	$ 7,347
Accrued real estate taxes	4,613	3,584
Rent received in advance	2,389	2,083
Accrued liabilities and other payables	2,133	2,529
Accrued interest	1,358	1,362
Trade payables	95	613
Unearned revenue	78	113
	$ 18,967	$ 17,631

6. Operating leases:

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

There were no tenants that accounted for more than 10% of the REIT's total rental revenue for the three months ended March 31, 2018 or 2017.

As at March 31, 2018, the total future contractual minimum base rent lease payments expected to be received under non-cancellable leases are as follows:

One year or less	$ 67,002
2 – 5 years	171,516
Greater than 5 years	63,108
	$ 301,626

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

7. Mortgages payable:

Mortgages payable consist of the following:

	March 31, 2018	December 31, 2017
Mortgages payable	$ 347,193	$ 347,949
Mark-market-adjustments	1,477	1,608
Financing costs, net	(990)	(1,077)
Carrying value	347,680	348,480
Less current portion	(33,981)	(33,864)
Long-term portion	$ 313,699	$ 314,616

Mortgages payable that are due and payable within 12 months after the date of the consolidated statements of financial position presented, including scheduled principal payments on mortgages payable, are classified as current liabilities. Mortgages payable are collateralized by investment properties with a fair value of $728,850 and $729,250 as at March 31, 2018 and December 31, 2017, respectively. As at March 31, 2018 and December 31, 2017, mortgages payable bore interest at various rates ranging from 2.87% to 5.80%, and have a weighted average effective interest rate of 3.77%. Maturity dates range from 2018 – 2024 as at March 31, 2018. As at March 31, 2018 and December 31, 2017, there were no mortgages payable with variable interest rates. The weighted average term to maturity on mortgages payable was 3.4 years and 3.6 years as at March 31, 2018 and December 31, 2017, respectively.

Future contractual cash flows of mortgages payable principal and interest are as follows as at March 31, 2018:

	Principal Payments	Interest Payments	Total Payments
2018 (remainder)	$ 33,109	$ 9,311	$ 42,420
2019	32,072	10,881	42,953
2020	87,723	8,838	96,561
2021	73,676	6,940	80,616
2022	26,426	3,950	30,376
2023 and thereafter	94,187	2,930	97,117
	$ 347,193	$ 42,850	$ 390,043

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

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) net worth thresholds, (b) senior debt service coverage ratios, (c) total indebtedness to gross book value ratios, and (d) liquid asset thresholds. As at March 31, 2018 and December 31, 2017, the REIT was in compliance with all covenants of its mortgages payable.

Financial covenants applicable to Welsh Property Trust, LLC (“Welsh”), the REIT’s former asset and property manager, remain on two of the REIT’s mortgages payable relating to investment properties contributed to the REIT from Welsh during the IPO totaling $37,404, requiring Welsh to meet certain financial and operating criteria. As at March 31, 2018 and December 31, 2017, Welsh was in compliance with all covenants.

8. Revolving Facility:

The Revolving Facility consists of the following:

	March 31, 2018	December 31, 2017
Revolving Facility	$ 77,500	$ 77,500
Financing costs, net	(491)	(608)
Carrying value	$ 77,009	$ 76,892

The REIT has a senior secured revolving facility (the “Revolving Facility”) with availability to borrow up to $150,000 (subject to requisite borrowing based collateral) maturing on April 21, 2019. The Revolving Facility has an accordion feature which could increase the facility to $200,000, subject to lender approval. The REIT has the option to extend the Revolving Facility for an additional one-year period. The interest rate on the Revolving Facility is, at the REIT’s option, based on either a base rate or LIBOR, in each case plus an applicable margin based on leverage. The base rate is equal to the greater of: (a) the "prime rate" plus 1.0%, (b) 0.5% above the federal funds effective rate, or (c) 30-day LIBOR plus the applicable margin. As at March 31, 2018 and December 31, 2017, the Revolving Facility interest rate was 3.28% and 3.14%, respectively.

Financing costs of $1,075 are being amortized using the effective interest rate method over the term ending on April 21, 2019.

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

Availability on the Revolving Facility was $138,288 as at March 31, 2018, of which the REIT had drawn $77,500, leaving remaining availability of $60,788.

9. Class B Units:

Class B Units are valued at the REIT Units' closing price per the TSX as at March 31, 2018 and December 31, 2017, which was $12.96 and $12.72, respectively.

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

	Units	Value
As at December 31, 2016	6,722,695	$ 79,798
Redemption of Class B Units for REIT Units, July 17, 2017	(3,110,888)	(39,975)
Fair value adjustment to Class B Units	-	6,119
As at December 31, 2017	3,611,807	$ 45,942
Fair value adjustment to Class B Units	-	867
As at March 31, 2018	3,611,807	$ 46,809

Included in finance costs for the three months ended March 31, 2018 and 2017 are $686 and $1,277, respectively, of distributions declared on Class B Units. Total distributions payable on Class B Units as at March 31, 2018 and December 31, 2017 were $229.

10. Unitholders' equity:

The REIT's Declaration of Trust authorizes the issuances of an unlimited number of REIT units ("REIT Unit"). REIT Units are ordinary units of the REIT, each of which represents a unitholders' proportionate undivided beneficial interest and voting rights in the REIT.

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

On July 18, 2017, the REIT issued 6,735,500 REIT Units (including REIT Units issued pursuant to the exercise in full of the over-allotment option granted by the REIT to the underwriters of the offering) at a price of $12.85 per REIT Unit to a syndicate of underwriters on a bought deal basis for net cash proceeds to the REIT of approximately $82,612 (the “July 2017 Offering”) (inclusive of underwriters’ fees and issuance costs of $3,940).

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

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

	Units	Value
As at December 31, 2016	34,652,426	$ 346,990
DTUs redeemed for REIT Units	31,374	417
REIT Units issued due to exercise of stock options	15,584	210
Redemption of Class B Units for REIT Units, July 17, 2017	3,110,888	39,975
REIT Units issued on completion of the July 2017 Offering, (including REIT Units issued through underwriters’ over-allotment, and net of issue costs)	6,735,500	82,612
As at March 31, 2018 and December 31, 2017	44,545,772	$ 470,204

(a) Distributions:

The REIT declared distributions to unitholders of record in the amount of $8,459 ($0.19 per Unit) and $6,581 ($0.19 per Unit) for the three months ended March 31, 2018 and 2017, respectively. Total distributions payable as at March 31, 2018 and December 31, 2017 were $2,820.

(b) Deferred Unit Incentive Plan:

On April 26, 2013, the REIT authorized a DUIP, as amended and restated on May 13, 2016, that provides for the granting of DTUs to trustees, officers, employees of the external manager, consultants and service providers, as well as employees of such service providers. DTUs are defined as notional units with a fair value based on the REIT Units’ closing price per the TSX. The maximum number of REIT Units reserved for issuance under the DUIP is 5% of the total number of REIT Units issued and outstanding from time to time. Vested DTUs may be redeemed in whole or in part for units of the REIT issued from treasury or cash. All DTUs granted to officers and employees vest as to one-fifth on the first anniversary of the grant date, and one-fifth on each of the four following anniversaries. 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.

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

Officer and Employee Grants

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

	DTUs Granted
Total as at December 31, 2016	401,709
March 24, 2017 grant	140,214
August 18, 2017 grant	19,443
DTUs granted through distributions	30,078
DTUs redeemed for cash	(7,350)
DTUs redeemed for REIT Units	(7,256)
Total as at December 31, 2017	576,838
DTUs granted through distributions	8,445
Total as at March 31, 2018	585,283

The total fair value of DTUs granted to officers and employees of the external manager, inclusive of vested and unvested DTUs, as at March 31, 2018 and December 31, 2017 was $7,574 and $7,353, respectively. As at March 31, 2018 and December 31, 2017, a total of 190,433 and 158,283 DTUs granted to officers and employees of the external manager had vested, respectively.

Trustee and Other Grants

All members of the Board of Trustees have elected to receive their annual retainers and meetings fees for the current fiscal year and since inception in the form of DTUs. Annually, the REIT matches 50% of all annual trustee compensation received in DTUs, which vest as to one-third on the first anniversary date of the grant and one-third on each of the second and third anniversaries. Distributions on DTUs accrue to the holder in additional DTUs on each distribution date.

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

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

	DTUs Granted
Total as at December 31, 2016	129,551
DTUs granted for services rendered in 2016	8,015
DTUs granted for services rendered in 2017	28,757
DTUs granted through distributions and 50% match	26,552
DTUs redeemed for cash	(10,218)
DTUs redeemed for REIT Units	(24,118)
Total as at December 31, 2017	158,539
DTUs granted through distributions	2,321
Total as at March 31, 2018	160,860

Additional DTUs of $144 had been earned and recorded as a deferred compensation liability as at March 31, 2018, but are not yet granted.

The total fair value of DTUs granted to trustees, inclusive of vested and unvested DTUs, as at March 31, 2018 and December 31, 2017 was $2,067 and $2,021, respectively. As at March 31, 2018 and December 31, 2017, a total of 148,356 and 130,711 DTUs granted to trustees had vested, respectively.

The movement in the DUIP balance was as follows:

As at December 31, 2016	$ 4,151
Deferred compensation expense	2,516
Fair value adjustment	537
DTUs redeemed for cash and REIT Units	(653)
Total as at December 31, 2017	6,551
Deferred compensation expense	567
Fair value adjustment	280
Total as at March 31, 2018	7,398

Total compensation expense recognized for the three months ended March 31, 2018 and 2017 was $798 and $945, respectively. These amounts include adjustments based on the fair value of the REIT Units and are reported within general and administrative expenses as at March 31, 2018 and 2017.

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

(c) Unit option plan:

On April 26, 2013, the REIT authorized the Plan, as amended and restated on May 13, 2016, under the terms of which options to purchase REIT Units may from time to time, be granted to trustees, officers, employees of the external manager and consultants, exercisable for a maximum period of 10 years from the date of grant. The maximum number of REIT Units reserved for issuance under the Plan is 5% of the total number of REIT Units issued and outstanding from time to time. These options vest as to one-third on the first anniversary of the grant date, and one-third on each of the second and third anniversaries.

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

	Number of options	Weighted average exercise price
Outstanding, December 31, 2016	530,000	$ 10.02
Exercised in 2017	(110,000)	9.99
Outstanding and Exercisable, March 31, 2018 and December 31, 2017	420,000	$ 10.02

The total fair value of options granted as at March 31, 2018 and December 31, 2017 and as at the grant date was $903, $796 and $327, respectively. The aggregate intrinsic value of exercisable options as at March 31, 2018 and December 31, 2017 was $1,226 and $1,144, respectively. The weighted average remaining contractual life for outstanding options and for exercisable options as at March 31, 2018 was 5.5 years.

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

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

As at December 31, 2016	$ 633
Deferred compensation expense	2
Fair value adjustment	545
Stock options exercised for REIT Units	(384)
Total as at December 31, 2017	$ 796
Fair value adjustment	107
Total as at March 31, 2018	$ 903

Total compensation expense recognized for the three months ended March 31, 2018 and 2017 was $107 and $343, respectively. These amounts include adjustments based on the fair value of the options and are reported within general and administrative expenses as at March 31, 2018 and 2017.

As at March 31, 2018, fair value adjustments were determined using the Black-Scholes option pricing model with the following assumptions:

Average expected option term	2.9 years
Risk-free interest rate	2.39%
Expected volatility	17.20%
Dividend yield	5.9%

11. Related party transactions:

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

	Three months ended March 31, 2018	Three months ended March 31, 2017
Fees earned under asset management agreement (1)		
Asset management fees	$ 588	$ 479
Construction management fees	21	151
Out-of-pocket fees	78	85
Fees earned under property management agreement (2)	574	510
Other		
Class B Unit distributions paid to Welsh (3)	686	1,277
REIT Unit distributions paid to Welsh (3)	-	1

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

The asset management agreement provides for the following fees:

- Asset management fees at 0.25% of gross book value, as defined in the asset management agreement. On January 20, 2016, the asset management agreement was amended to waive asset management fees in connection with any investments by the REIT in (i) any private investment funds managed and/or controlled by WPT Capital (each a "Fund") and (ii) any investment properties owned by the REIT or one or more of its affiliates as a co-investment with any Fund; excluding any investment property in which such Fund, directly or indirectly, holds less than 50% of the aggregate ownership interests ("Fund Co-Investment Properties"), for such time as such investment properties are Fund-Co-Investment Properties. Asset management fees are reported within general and administrative expenses. Asset management fees payable as at March 31, 2018 and December 31, 2017 were $1 and $33, respectively.

- Acquisition fee. An acquisition fee equal to: (i) 1.0% of the purchase price paid for the first $100,000 of investment properties acquired by the REIT or any of its affiliates in each fiscal year; (ii) 0.75% of the purchase price paid for the next $100,000 of investment properties acquired by the REIT or any of its affiliates in each fiscal year; and (iii) 0.50% of the purchase price paid in excess of $200,000 for investment properties acquired by the REIT or any of its affiliates in each fiscal year. On January 20, 2016, the asset management agreement was amended to waive acquisition fees in connection with any investment properties acquired by the REIT from any Fund, and any Fund Co-Investment Properties. For the three months ended March 31, 2018 and 2017, there were no acquisition fees.

- Construction management fee. With respect to any capital project with costs in excess of $100 undertaken by the REIT or any of its affiliates, a construction management fee equal to 5.0% of aggregate tenant improvements, capital expenditures and construction costs incurred in respect of such capital project. Construction management fees payable as at March 31, 2018 and December 31, 2017 were $10 and $0, respectively.

(2) On April 26, 2013, the Partnership and the REIT entered into a property management agreement with Welsh. Under the property management agreement, Welsh was the property manager of the investment properties owned by the REIT and administered the day-to-day operations of the REIT's portfolio of investment properties. On January 20, 2016, WPT Capital, under an assignment agreement, became responsible for providing property and facility management services in respect of the REIT's investment properties pursuant to the property management agreement. On May 10, 2017, the independent trustees of the REIT approved a renewal of the REIT's property management agreement with WPT Capital for an additional five-year term.

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

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

There were no property management fees payable as at March 31, 2018 and December 31, 2017.

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

Distributions payable to Welsh on Class B Units as at March 31, 2018 and December 31, 2017 were $229.

Out-of-pocket costs and expenses
The REIT reimburses the asset manager for all reasonable actual out-of-pocket costs and expenses incurred in connection with the performance of the services described in the asset management agreement or such other services that the REIT and WPT Capital agree in writing are to be provided from time to time by the asset manager. As at March 31, 2018 and December 31, 2017, the net payable due was $45 and $56, respectively, related to these reimbursements.

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

12. Revenues:

The REIT enters into long-term lease contracts with tenants for space in its properties. Leases generally provide for the tenant to pay the REIT base rent, with provisions for contractual increases in base rent over the term of the lease, plus operating costs, property tax and insurance recoveries. Revenues earned are recorded as follows:

	Three months ended March 31, 2018	2017
Base rent	$ 16,954	$ 14,550
Recovery of property taxes and insurance	3,583	3,038
Recovery of property operating expenses	2,001	1,906
	$ 22,538	$ 19,494

13. Finance costs:

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

	Three months ended March 31, 2018	2017
Interest on mortgages payable	$ 3,273	$ 3,019
Revolving Facility interest	656	153
Amortization of financing costs	203	152
Amortization of mark-to-market adjustments on fixed interest rate mortgages payable	(131)	(129)
Distributions on Class B Units	686	1,277
	$ 4,687	$ 4,472
Fair value adjustment to Class B Units	867	6,588
	$ 5,554	$ 11,060

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

14. Reconciliation of liabilities arising from financing activities:

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

	Mortgages Payable	Construction Loan	Revolving Facility	Total
As at December 31, 2016	$ 317,983	$ -	$ 19,286	$ 337,269
Proceeds from financing	33,600	4,165	115,500	153,265
Repayments	-	(4,165)	(58,000)	(62,165)
Scheduled principal payments	(2,462)	-	-	(2,462)
Financing costs paid	(425)	-	(263)	(688)
Other adjustments, non-cash[1]	(216)	-	369	153
As at December 31, 2017	$ 348,480	$ -	$ 76,892	$ 425,372
Scheduled principal payments	(756)			(756)
Other adjustments, non-cash[1]	(44)		117	73
As at March 31, 2018	$ 347,680	$ -	$ 77,009	$ 424,689

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

15. Segment reporting:

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

16. Commitment and contingencies:

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

(b) The REIT has a contingent obligation to expand the gross leasable area at one of its investment properties at the option of the tenant. Management estimates the cost associated with this expansion, should it occur, to be approximately $1,000. The expansion is conditional on mutual agreement between the tenant and the REIT with regard to the base rental rates to be charged for occupying such expansion space. This contingent obligation will terminate at expiration of the underlying lease, inclusive of lease renewal options, on November 30, 2032.

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

(d) In conjunction with the acquisition of 35 industrial investment properties from Welsh at IPO (the “Initial Properties”), $29,500 of self-funded industrial revenue bonds ("Bonds") were assumed. The authorized amount of the Bonds was $21,600 and $21,600 as at March 31, 2018 and December 31, 2017, respectively, of which $21,600 and $21,600 was outstanding as at March 31, 2018 and December 31, 2017, respectively. In connection with an acquisition of an investment property located in Atlanta, Georgia on April 29, 2014 (the “Atlanta Property”), $40,170 of Bonds were assumed. The authorized amount of the Bonds is $41,500, of which $40,170 was outstanding as at March 31, 2018 and December 31, 2017. The Bonds provide for real estate tax abatement for the acquired investment properties. Through a series of transactions, the REIT is both the bondholder and the obligor of the Bonds. Therefore, in accordance with IAS 32, the Bonds are not recorded in the consolidated statements of financial position.

17. Fair value measurement:

(a) Fair value of financial instruments:

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

	Carrying amount	Fair value
Mortgages payable – As at March 31, 2018	$ 347,680	$ 348,291
Mortgages payable – As at December 31, 2017	$ 347,949	$ 349,044

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

(i) Mortgages payable:

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

(ii) Deferred compensation:

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

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

(iii) Class B Units:

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

(iv) Other financial assets and liabilities:

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

18. Capital management:

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

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

Part of the REIT's objectives in securing mortgages for its investment properties and managing its long-term debt is to stagger the maturities in order to mitigate short-term volatilities in the debt markets. The REIT's declaration of trust stipulates that the REIT shall not incur indebtedness greater than 60% of gross book value. As at March 31, 2018 and December 31, 2017, the REIT's debt-to-gross book value ratio was 42.1% (total outstanding principal balance of mortgages payable and the Revolving Facility of $424,693 and $425,449 as at March 31, 2018 and December 31, 2017, respectively, divided by gross book value of $1,009,182 and $1,009,582 as at March 31, 2018 and December 31, 2017, respectively). The REIT has no convertible debentures outstanding and has never issued any.

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

(a) consolidated total indebtedness shall not exceed 60%;

(b) the outstanding principal balance of the Revolving Facility and any letters of credit shall not be greater than the borrowing base availability (60% of the gross asset value of the borrowing base assets);

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

(d) consolidated tangible net worth shall not be less than the sum of (i) $274,248 plus (ii) 70% of the sum of any additional net offering proceeds subsequent to April 21, 2016, plus (iii) 70% of the value of interests in the REIT issued upon the contribution of assets to the REIT or its subsidiaries subsequent to April 21, 2016;

(e) aggregate occupancy for the borrowing base assets shall not be less than 80%; and

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

The REIT is also required to meet certain diversification covenants under the Revolving Facility. In addition, certain mortgages payable require the REIT to meet financial covenant ratios (note 10).

The REIT complied with all financial covenants as at March 31, 2018 and December 31, 2017.

19. Financial risk management:

Risk Management:

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

(a) Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk consists of interest rate risk, currency risk and other market price risk. There is interest rate risk associated with the REIT's fixed interest rate mortgages payable due to the expected requirement to refinance such mortgages payable in the year of maturity. In order to manage exposure to interest rate risk, the REIT endeavors to manage maturities of fixed interest rate mortgages payable, and match the nature of the mortgages payable with the cash flow characteristics of the underlying asset. This risk is also minimized through the REIT having all of its mortgages payable in fixed term arrangements.

There is also interest rate risk associated with the REIT's Revolving Facility and construction loan balance. The balances bear interest at a variable rate based on the lender's LIBOR plus an applicable margin. Based on the outstanding balance at March 31, 2018, the impact of a 1.0% change in the lender's LIBOR rate will increase or decrease the REIT's interest expense or earnings by $775 on an annualized basis.

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 interest 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)

20. Supplementary cash flow information:

Change in non-cash working capital comprises the following:

	Three months ended March 31, 2018	Three months ended March 31, 2017
Amounts receivable	$ (323)	$ (211)
Prepaid expenses	325	66
Restricted cash	(908)	(646)
Amounts payable and accrued liabilities	172	3,946
Amounts payable and accrued liabilities related to additions to investment properties	887	(2,152)
Security deposits	(3)	8
	$ 150	$ 1,011