WPT INDUSTRIAL REAL ESTATE INVESTMENT TRUST

MANAGEMENT'S DISCUSSION AND ANALYSIS

OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2019

August 7, 2019

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BASIS OF PRESENTATION

The following Management's Discussion and Analysis ("**MD&A**") is prepared as at August 7, 2019 and outlines WPT Industrial Real Estate Investment Trust's (the "**REIT**") operating strategies, risk profile considerations, business outlook and analysis of its financial performance and financial condition for the three and six months ended June 30, 2019 and 2018. This MD&A should be read in conjunction with the REIT's MD&A for the year ended December 31, 2018, the REIT's unaudited condensed consolidated interim financial statements and accompanying notes for the three and six months ended June 30, 2019 and 2018 and the REIT's audited consolidated financial statements and accompanying notes for the years ended December 31, 2018 and 2017. These documents, as well as additional information relating to the REIT (including the REIT's annual information form for the year ended December 31, 2018 (the "**Annual Information Form**")) can be accessed on the REIT's website at www.wptreit.com and under the REIT's SEDAR profile at www.sedar.com.

This MD&A is based on financial statements prepared by management in accordance with International Accounting Standards ("**IAS**") 34*, Interim Financial Reporting,* as issued by the International Accounting Standards Board ("**IASB**"), unless otherwise stated, amounts are listed in thousands of United States dollars, except per unit amounts.

NON-IFRS MEASURES

Certain terms used in this MD&A such as funds from operations ("**FFO**"), adjusted funds from operations ("**AFFO**"), adjusted cash flows from operations ("**ACFO**"), ACFO payout ratio, net operating income ("**NOI**"), same properties NOI ("**Same properties NOI**"), book value per unit, Proportionate share basis, cash re-leasing spread, straight-line rent re-leasing spread, Adjusted EBITDA (as defined herein), debt to Adjusted EBITDA, debt-to-gross book value, interest coverage ratio, fixed charge coverage ratio, capitalization rate and any related per unit amounts used by management to measure, compare and explain the operating results and financial performance of the REIT are not recognized terms under International Financial Reporting Standards ("**IFRS**"), and therefore should not be construed as alternatives to net income and comprehensive income or cash flows from operating activities calculated in accordance with IFRS. Management believes that these terms are relevant measures in comparing the REIT's performance to industry data, the REIT's ability to earn and distribute cash returns to holders of the REIT's trust units ("**REIT Units**"), and the REIT's ability to meet its ongoing obligations. These terms are defined below and are reconciled to the most directly comparable measure specified in the unaudited condensed consolidated interim financial statements of the REIT for the three and six months ended June 30, 2019 and 2018, in Part II. Such terms do not have a standardized meaning prescribed by IFRS and may not be comparable to similarly titled measures presented by other issuers.

FFO is defined as net income, in accordance with IFRS, (i) plus or minus fair value adjustment to investment properties; (ii) plus or minus gains or losses from sales of investment properties; (iii) plus or minus other fair value adjustments; (iv) plus amortization of tenant incentives; (v) plus transaction costs expensed as a result of the purchase of an entity being accounted for as a business combination; (vi) plus distributions on redeemable or exchangeable units treated as interest expense; (vii) plus or minus any negative goodwill or goodwill impairment; (viii) plus deferred income tax expense, after adjustments for equity accounted entities and joint ventures calculated to reflect FFO on the same basis as consolidated investment properties; and (ix) plus or minus adjustments for property taxes accounted for under International Financial Reporting Interpretations Committee ("**IFRIC**") 21. FFO has been prepared consistently with the definition presented in the white paper on funds from operations prepared by the Real Property Association of Canada ("**REALPAC**") issued in February 2019 and is intended to be used as a sustainable, economic earnings metric. However, from time to time the REIT may enter into transactions that materially impact the calculation of FFO and are adjusted as determined by the board of trustees of the REIT (the "**Board**" or the "**Board of Trustees**") in their sole discretion. The REIT considers FFO to be a useful measure of operating performance and adjusts for items included in net income (or net loss) that do not arise from operating activities or do not necessarily provide an accurate depiction of the REIT's past, current or recurring performance.

AFFO is defined as FFO subject to certain adjustments, including: (i) any differences resulting from recognizing investment property rental revenues on a straight-line basis; and (ii) minus a reserve for normalized maintenance capital expenditures, tenant inducements and leasing commissions, as determined by the REIT. AFFO has been prepared consistently with the definition presented in the white paper on adjusted funds from operations prepared by REALPAC issued on February 2019 for all periods presented. However, from time to time the REIT may enter into transactions that materially impact the calculation of AFFO and are adjusted as determined by the Board of Trustees in their sole discretion. The REIT considers AFFO to be a useful measure of operating performance and adjusts for items included in net income (or net loss) that do not arise from operating activities or do not necessarily provide an accurate depiction of the REIT's past, current or recurring performance.

ACFO is defined as cash flows from operations in accordance with IFRS, (i) plus or minus the change in non-cash working capital, which includes only items that are not indicative of sustainable cash available for distributions; (ii) minus interest expense included in cash flow from financing; (iii) minus a reserve for normalized maintenance capital expenditures, tenant inducements and leasing commissions, as determined by the REIT; (iv) plus or minus transaction costs associated with an acquisition or disposition of an investment property that was expensed during the period; (v) plus or minus the non-cash amortization of the deferred financing costs and the debt premium (discount) mark-to-market adjustments; and (vi) plus or minus the difference in recognized interest expense in accordance with IFRS to interest paid due to timing differences. Management believes ACFO is intended to be used as a sustainable, economic cash flow metric. ACFO has been prepared consistently with the definition presented in the white paper on adjusted cash flows from operations prepared by REALPAC issued in February 2019 for all periods presented. However, from time to time the REIT may enter into transactions that materially impact the calculation of ACFO and are adjusted as determined by the Board of Trustees in their sole discretion. The REIT considers ACFO to be a useful measure of operating performance as it adjusts for items included in operating cash flows that do not arise from operating activities or do not necessarily provide an accurate depiction of the REIT's past, current or recurring performance.

In Q3 2018, the REIT incurred transaction costs related to the internalization of management on July 31, 2018. All expenses associated with this transaction were added back to FFO, AFFO and ACFO, which is not consistent with the REALPAC white papers issued in February 2019. These transaction costs are not indicative of the REIT's normal operations nor a useful measure of recurring economic earnings or operating cash flow and are therefore appropriately excluded from each performance measure.

NOI is used by industry analysts, investors and management to measure operating performance of real estate investment trusts. NOI represents investment properties revenue less investment properties operating expenses less fair value adjustment to investment properties in respect of IFRIC 21. Accordingly, NOI excludes certain expenses included in the determination of net income and comprehensive income, such as interest expense.

Same properties NOI is used by management to evaluate period-over-period performance of investment properties fully-owned by the REIT. Same properties NOI represents NOI from investment properties having consistent leasable areas for consistent periods and excludes non-stabilized properties under development, amortization of straight-line rent, amortization of lease incentives, tenant incentives – free rent, and other rental income. Same properties NOI has been reconciled to NOI for the consolidated portfolio under the headings "Same properties NOI" and "Same properties NOI prior quarter comparison".

"**ACFO payout ratio**" is defined as distributions of the REIT (including distributions on Class B Units and deferred limited partnership units ("**DPUs**") of WPT Industrial, LP (the "**Partnership**") divided by ACFO.

"**Adjusted EBITDA**" is defined as earnings before fair value adjustments to investment properties, derivative instruments, and deferred compensation, interest (inclusive of finance costs), taxes, depreciation and amortization.

"**book value per Unit**" is defined as the total equity (including Class B limited partnership units ("**Class B Units**")) divided by the number of REIT Units and Class B Units.

"**capitalization rate**" is defined as the overall capitalization rate obtained by dividing the projected NOI of an investment property for the first twelve months of ownership by the purchase price.

"**cash re-leasing spread**" is defined as the difference between the weighted average renewal rate to the weighted average expiring rate on a per square foot basis over the weighted average expiring rate on a per square foot basis.

“**Debt to Adjusted EBITDA**” is defined as the average rolling twelve-month consolidated debt balance (excluding mark-to-market adjustments and financing costs) divided by a rolling twelve-month Adjusted EBITDA.

“**Debt-to-gross book value**” is calculated by dividing total principal amounts outstanding under mortgages payable and the Credit Facility (as defined herein), by the total carrying value of investment properties and investment properties under development.

“**Fixed charge coverage ratio**” is defined as year-to-date Adjusted EBITDA divided by the sum of the REIT’s year-to-date interest on mortgages payable, derivative instrument, senior secured revolving credit facility (“**Secured Revolving Facility**”) and the Credit Facility (as defined herein), and scheduled principal repayments of mortgages payable.

“**Interest coverage ratio**” is defined as year-to-date Adjusted EBITDA divided by the sum of the REIT’s year-to-date interest on mortgages payable, derivative instrument, Secured Revolving Facility and the Credit Facility.

“**Proportionate share basis**” is defined as the REIT’s proportionate interest in the financial position and results of operations of its portfolio, including the difference in accounting for the REIT’s share of equity accounted joint ventures using proportionate consolidation versus equity accounting.

“**straight-line rent re-leasing spread**” is defined as the difference between the weighted average total cash rent to be received over the term of the new and expiring lease on a per square foot basis over the weighted average total cash rent received over the term of the expiring lease on a per square foot basis.

FORWARD LOOKING STATEMENTS

This MD&A contains “**forward-looking information**” as defined under Canadian securities laws (collectively, “**forward-looking statements**”) which reflect management’s expectations regarding objectives, plans, goals, strategies, future growth, results of operations, performance, business prospects and opportunities of the REIT. The words “**plans**”, “**expects**”, “**scheduled**”, “**estimates**”, “**intends**”, “**anticipates**”, “**projects**”, “**believes**”, or variations of such words and phrases (including negative variations) or statements to the effect that certain actions, events or results “**may**”, “**will**”, “**could**”, “**would**”, “**might**”, “**be achieved**”, or “**continue**” and similar expressions identify forward-looking statements. Some of the specific forward-looking statements in this MD&A include, but are not limited to statements regarding the objectives and strategic focus of the REIT, the impacts of the internalization of management, future distributions by the REIT, predictability and certainty of cash flow, investment opportunities in the U.S. industrial real estate market, U.S. vacancy rate trends, tenant demand in the distribution sub-segment, including demand for state-of-the-art distribution and logistics space, development in distribution markets, vacancy rates in the state-of-the-art distribution market and absorption of vacancy in distribution investment properties in major distribution markets in the U.S. over the past years, re-tenanting costs, key trends and continued and increased demand within the industrial real estate market, the effect of the experience of the asset and property manager of the REIT, in the U.S. industrial real estate market on tenant retention and future acquisitions by the REIT, the expected accretion to the REIT’s FFO per Unit and AFFO per Unit from completed acquisitions, the sources of organic growth, including initiatives aimed at optimizing the performance, value and long-term cash flow of the REIT’s investment property portfolio, the REIT’s external growth strategy, including diversification, the REIT’s cost of capital, borrowing costs and opportunities to increase the cash flow and value of the existing portfolio of investment properties through initiatives designed to enhance operations, future maintenance expenditures, future project costs related to the development of investment properties, the attractiveness of newer investment properties to prospective tenants, the quality and future valuations of the REIT’s portfolio of investment properties, lease terms, termination and future maintenance and leasing expenditures, the REIT’s ability to meet all of its ongoing obligations with current cash generated from operations, draws on its Credit Facility and new equity and debt issuances, the fair values of the REIT’s investment properties and the REIT’s debt strategy, including the REIT’s intention to maintain staggered mortgages payable maturities.

Forward-looking statements are necessarily based on a number of estimates, beliefs and assumptions that are inherently subject to significant business, economic and competitive uncertainties and contingencies which could cause actual results to differ materially from those that are disclosed in such forward-looking statements. While considered reasonable by management of the REIT as at the date of this MD&A, any of these estimates, beliefs or assumptions could prove to be inaccurate, and as a result, the forward-looking statements based on those estimates, beliefs or assumptions could be incorrect. Such estimates, beliefs and assumptions include the various estimates, beliefs and assumptions set forth herein, and include but are not limited to, the desirability of investment properties in the distribution subsector of the U.S. industrial real estate market to investors, including the industrial investment properties in the REIT's portfolio, key trends and continued and increased demand within the industrial investment property real estate market, the effect of the external manager's experience in the U.S. industrial real estate market on tenant retention and future acquisitions by the REIT, the future growth potential of the REIT and its properties, anticipated amounts of expenses, results of operations, future prospects and opportunities, the demographic and industry trends remaining unchanged, no change in legislative or regulatory matters, future levels of indebtedness, the tax laws in both Canada and the U.S. as currently in effect remaining unchanged, current levels of volatility in the demand for space in the distribution sub-segment remaining unchanged, the continued availability of capital, the current economic conditions remaining unchanged and increased tenant demand for industrial investment properties and declining vacancy rates in the markets in which the REIT's investment properties are located.

When relying on forward-looking statements to make decisions, the REIT cautions readers not to place undue reliance on these statements, as forward-looking statements involve significant risks and uncertainties and should not be read as guarantees of future performance or results, and will not necessarily be accurate indications of whether or not the times at or by which such performance or results will be achieved, if achieved at all. A number of factors could cause actual results to differ materially from the results discussed in the forward-looking statements, including but not limited to those factors discussed or referenced under the "Risk Factors" section of this MD&A.

Certain statements included in this MD&A may be considered a "**financial outlook**" for purposes of applicable Canadian securities laws, and as such, the financial outlook may not be appropriate for purposes other than to understand management's current expectations and plans relating to the future, as disclosed in this MD&A. These forward-looking statements have been approved by management to be made as at the date of this MD&A. Except as expressly required by applicable law, the REIT assumes no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise. All forward-looking statements in this MD&A are qualified by these cautionary statements.

OVERVIEW

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 "**Declaration of Trust**"). A copy of the Declaration of Trust is available on the REIT's website at www.wptreit.com and on the SEDAR website at www.sedar.com. 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 ("**OTCQX**") under the symbol "WPTIF". As at June 30, 2019, there were 57,077,504 REIT Units outstanding.

The REIT was formed for the purpose of acquiring, developing and owning primarily industrial investment properties located in the U.S., with a particular focus on warehouse and distribution properties. As at June 30, 2019, the REIT owned a portfolio of investment properties across 17 states throughout the U.S. consisting of 20,767,799 square feet of gross leasable area (''**GLA**''), comprised of 68 industrial investment properties, one office investment property, and two properties with a joint venture totaling 348,918 square feet.

Capitalization and other activity

On February 25, 2019, the REIT issued 10,000,000 REIT Units at a price of $13.50 per REIT Unit to a syndicate of underwriters on a bought deal basis for net cash proceeds to the REIT of approximately $128,966 (the "**February 2019 Offering**") (inclusive of underwriters' fees and issuance costs of $6,034). The REIT used a portion of the funds from the February 2019 Offering to repay the outstanding balance on the unsecured revolving credit facility of $105,000.

On March 26, 2019, the REIT amended and restated the unsecured credit facility (the "**Credit Facility**"), thereby increasing the availability from $300,000 to $450,000 (subject to requisite unencumbered assets). The increase was comprised of a new delayed draw term loan (the "**Term Loan II**") of $80,000 and an increase to the unsecured revolving credit facility of $70,000. The amended and restated Credit Facility also extended the maturity date of the unsecured revolving facility to

March 26, 2023, with the option for two six-month extensions. The Term Loan II has a draw availability period of one year and a maturity date of March 26, 2024. The amended and restated Credit Facility also contains an accordion feature which increases the REIT's availability to $750,000 (subject to requisite unencumbered assets and lender approval). See Part II: Liquidity and Capital Resources for additional disclosures.

For the three and six months ended June 30, 2019, the REIT incurred $0 and $1,503, respectively, in severance costs, including the acceleration of Deferred Trust Units ("DTUs") and DPUs. For more detail on the acceleration costs, see Part II: Equity. The REIT does not expect to incur any additional costs in 2019 related to this event.

The REIT declared monthly distributions throughout the three and six months ended June 30, 2019 at its annualized distribution rate of $0.76 per unit, or $0.0633 per unit on a monthly basis.

Acquisition, development, and disposition activity

On June 20, 2018, the REIT indirectly acquired from an arm's length third party, a 100% occupied investment property located in St. Paul, Minnesota totaling 124,800 square feet for a purchase price of $8,300 (exclusive of closing and transaction costs), representing a capitalization rate of approximately 6.01%. The purchase price was satisfied with cash on hand and funds from the Secured Revolving Facility and the acquisition is expected to be immediately accretive to the REIT's AFFO per Unit. The building has the capability to expand to approximately 195,000 square feet.

On June 29, 2018, the REIT indirectly acquired from an arm's length third party, a 100% occupied investment property located in Rogers, Minnesota totaling 335,400 square feet for a purchase price of $20,425 (exclusive of closing and transaction costs), representing a capitalization rate of approximately 6.09%. The purchase price was satisfied with cash on hand and funds from the Credit Facility and the acquisition is expected to be immediately accretive to the REIT's AFFO per Unit. The building has the capability to expand to approximately 476,000 square feet.

On February 28, 2019, the REIT invested $2,641 to fund the acquisition and development of an investment property acquired by the private capital venture (the "**Venture**") with Canada Pension Plan Investment Board ("**CPPIB**") and Alberta Investment Management Corporation and affiliates ("**AIMCo**").

On April 5, 2019, the REIT indirectly acquired from an arm's length third party, a 97.6% occupied portfolio of 13 investment properties and three land parcels (the "**Infill Logistics Portfolio**") located in five states across the U.S. totaling 2,222,098 square feet for a purchase price of $226,000 (exclusive of closing and transaction costs), representing a going-in capitalization rate of 5.1% and a stabilized capitalization rate of approximately 5.3%. The purchase price was satisfied with cash on hand and funds from the Credit Facility.

On May 23, 2019, the REIT sold the investment property located at 500 Sumner Way, New Century, Kansas to an arm's length third party purchaser for net cash proceeds of $4,174 (inclusive of closing and working capital adjustments).

On August 7, 2019, the REIT reached an agreement to acquire four investment properties from the REIT's private capital pipeline which are currently owned by certain affiliates of AIMCo and a nominal interest (<1%) by the former principals of WPT Capital Advisors, LLC (which includes certain members of the REIT's management team). The properties are 100% occupied, modern, highly-functional distribution properties totaling 1,492,688 square feet of GLA which the REIT expects to acquire for a purchase price of $109,300 (exclusive of credits, closing and transaction costs) sometime in the third quarter of 2019.

OBJECTIVES

The REIT's objectives are to:

- provide holders of REIT Units ("**Unitholders**") with an opportunity to invest in a portfolio of institutional-quality industrial properties in U.S. markets, with a particular focus on warehouse and distribution industrial real estate;
- provide Unitholders with predictable, sustainable and growing cash distributions on a tax-efficient basis (the REIT pays its cash distributions in U.S. dollars);

- enhance the value of the REIT's portfolio and maximize the long-term value of the REIT Units through the active management of the REIT's investment properties;
- significantly expand and diversify the asset base of the REIT through strategic acquisitions and development of stabilized, high quality and well-located industrial properties located in U.S. markets; and
- increase Unitholder value and returns through the leverage gained from management and performance fees generated from third-party assets under management.

STRATEGIC FOCUS AND OUTLOOK

The U.S. industrial real estate sector is comprised primarily of single-story properties located in or near major cities. Industrial properties typically house activities such as warehousing, distribution, storage and a number of other similar uses. Leases entered into with industrial tenants are frequently ''**triple-net**'', meaning that tenants are responsible for paying the majority of the costs associated with operating a property, including real estate taxes, insurance, common area maintenance and capital repairs. Management believes that tenant responsibility for such costs results in greater cash flow predictability and stability for the REIT relative to other segments of the U.S. real estate market.

The REIT is focused on owning, developing, and operating a portfolio of institutional-quality properties located in U.S. markets, primarily in the distribution sub-segment of the U.S. industrial market. Management believes that tenant demand for space in the distribution sub-segment is less volatile than demand in the overall industrial market as goods distributed through distribution facilities are frequently non-discretionary products characterized by relatively inelastic consumer demand. Inelasticity in consumer demand for these products gives rise to stability in tenants' operations which, in turn, results in more stable occupancies and rental incomes. In addition, the re-tenanting costs associated with distribution properties are often lower than the costs associated with properties within the overall industrial real estate market due to the generic nature of distribution properties, reducing the costs associated with leasing vacant and renewal space.

Management also believes that its primary focus on the distribution sub-segment provides: (i) exposure to the dynamic and growing U.S. economy; (ii) the opportunity to invest in a real estate segment with compelling relative fundamentals; and (iii) the opportunity to earn competitive risk-adjusted returns.

Geographically, the REIT's existing portfolio is primarily concentrated in major logistics and distribution markets of the U.S., providing the REIT's tenants with a predictable one or two-day drive to the majority of the population of the continental U.S.

Over the long-term, management believes that global demand for U.S. distribution space will continue to increase, driven by the following key trends:

- **Positive Impact of the e-Commerce Industry**. The primary industries leading the demand for distribution space are e-commerce, food-and-beverage and traditional retailers. According to industry sources, strong consumer spending and growing e-commerce sales have continued to drive demand from logistics, distribution and related third-party service providers for state-of-the-art distribution space. As distribution for e-commerce continue to revolutionize the retail sector, retailers utilizing multiple channels to sell their merchandise continue to focus growth within online operations rather than more traditional stores, resulting in continued demand for distribution space.

- **Global Supply Chain Trends**. A physical manufacturing/distribution presence in the U.S. continues to be important for most large companies as a result of increasing labour costs and instability in foreign markets, trade routes and seaports. This macroeconomic and geopolitical landscape has forced companies to re-evaluate their supply chain networks, as shipping continues to represent the largest single cost factor in the global supply chain. These critical supply chain considerations make the U.S. increasingly more attractive from a manufacturing, distribution and sourcing perspective.

- **World-Class U.S. Infrastructure**. The U.S. has a world-class supply chain infrastructure across all transportation sectors. Rail, seaports, highways and airports all provide for a robust distribution and logistics landscape, an important factor in attracting and retaining industrial tenants. Increasing shipping volumes experienced by U.S. seaports continue to create the need to distribute goods directly to inland ports and expand the utilization of intermodal hubs to alleviate distribution costs, creating additional opportunities in the U.S. industrial real estate market.

As a result of these trends, the U.S. industrial real estate market, and specifically the distribution sub-segment of the market, continues to experience meaningful domestic and foreign capital investments. Low interest rates, positive economic indicators, and increasing demand for well-located, high quality and functional properties have created increasingly competitive investment opportunities for the REIT, particularly for recently constructed industrial properties.

To achieve its objectives, the REIT has executed a number of strategies aimed at enhancing Unitholder value through both organic and external growth. The REIT believes Unitholders will continue to benefit from management's significant experience acquiring, developing, managing and disposing of industrial properties. Management maintains an extensive network of relationships with brokers, tenants and institutional and private owners of industrial real estate in its key target geographic markets and leverages these relationships to enhance tenant retention and source strategic acquisitions and development of new industrial properties for the REIT.

Organic growth comes from (A) capitalizing on increasing demand for industrial space and through a number of initiatives aimed at optimizing the performance, value and long-term cash flow of the REIT's investment property portfolio, including: (i) increasing rental rates; (ii) maintaining high occupancy levels; (iii) capitalizing on expansion opportunities; (iv) leveraging continuity of management and strong tenant relationships; (v) continuing to implement active leasing programs; and (vi) maintaining cost management and property maintenance programs and (B) management and performance fees generated from third-party assets under management.

External growth comes from a disciplined approach to targeting the acquisition and development of state-of-the-art industrial properties in major U.S. distribution markets. The objective of the REIT's external growth initiatives is to continue expanding the REIT's portfolio in order to enhance geographic and tenant diversity, improve the sustainability of cash flow, and mitigate risks associated with concentrated exposure to any one geographic region or tenant.

When evaluating acquisition and development opportunities, the REIT considers the following criteria:

- Location of the property in relation to the following:
    - Major transportation infrastructure,
    - Population centers with available and affordable labour, and
    - Whether it is located in a strategic expansion market.
- Design specifications and amenities that are consistent with best-in-class, modern and functional industrial buildings.
- How the acquisition price compares with replacement cost in the local market.
- Creditworthiness of in-place tenants and whether in-place rents are below current market rents.
- Availability of economic incentives for tenants and/or landlords from municipalities, counties, or states.
- Degree to which the property performance will be accretive to AFFO per Unit and ACFO over either the short-term or long-term.
- Properties are also specifically evaluated as to physical characteristics including: ceiling clear height, truck court depth, property dimensions, functionality of traffic flow for both trucks and automobiles, number of docking doors and what type of docking equipment is being utilized, number of trailer and automobile parking stalls, infrastructure relating to fire and life safety equipment, as well as power, lighting, and floor thickness.

The criteria outlined above are designed to provide the REIT with the opportunity to acquire and develop properties in strategic markets that will generate stable and growing cash flows and to meet the needs of tenants in the distribution subsector of the U.S. industrial real estate market. In addition, in the event of property vacancy, such properties provide the REIT with the ability to accommodate a multitude of uses and industries, thereby quickly and efficiently filling vacant space.

ASSETS

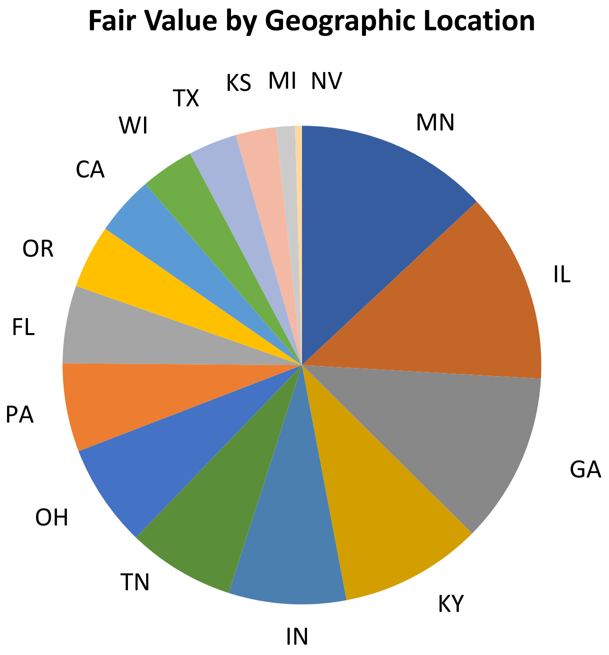
Investment properties

The REIT owns and operates an institutional-quality portfolio of primarily industrial investment properties located in the U.S., with a particular focus on warehouse and distribution industrial real estate. As at June 30, 2019, the REIT owned a portfolio of 69 investment properties comprised of 68 industrial properties and one office property totaling 20,767,799 square feet of GLA with an occupancy rate across the portfolio of 99.4%.

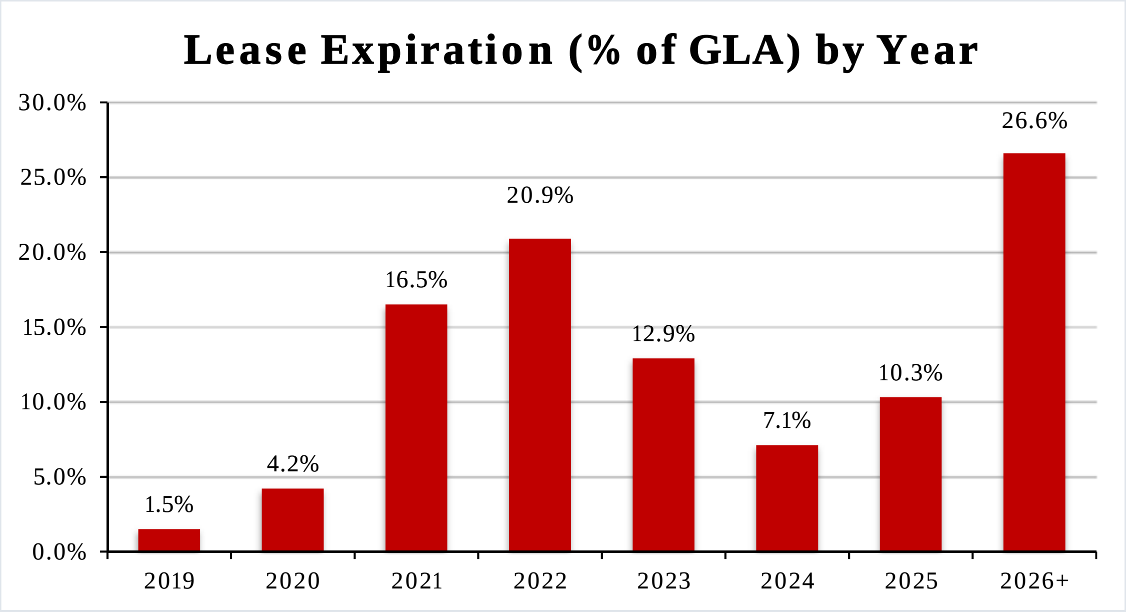
The majority of the REIT's industrial investment properties were constructed relatively recently, with a weighted average age of approximately 15 years. As a result, management believes the REIT's investment properties will, on average, require less maintenance capital expenditures and be more attractive to prospective tenants than comparable older investment properties. Furthermore, the REIT's industrial investment properties are highly functional, with a weighted average ceiling clear height of approximately 30 feet. High ceiling clear heights are an important feature to many industrial tenants, as this provides tenants with additional vertical space that can house additional racking and equipment, allowing the tenant to maximize storage space.

As at June 30, 2019, the fair value of investment properties was $1,390,441 ($1,117,672 as at December 31, 2018), implying a weighted average terminal capitalization rate of 6.27% (6.46% as at December 31, 2018).

State		Fair Value	% of Total
Minnesota	$	181,330	13.0%
Illinois		178,970	12.9%
Georgia		159,900	11.5%
Kentucky		133,560	9.6%
Indiana		110,300	7.9%
Tennessee		100,676	7.2%
Ohio		96,600	7.0%
Pennsylvania		83,200	6.0%
Florida		72,900	5.2%
Oregon		59,500	4.3%
California		55,700	4.0%
Wisconsin		50,205	3.6%
Texas		45,500	3.3%
Kansas		38,000	2.7%
Michigan		17,700	1.3%
Nevada		6,400	0.5%
Total	**$**	**1,390,441**	**100.0%**



Future lease expirations are shown in the graph below as at June 30, 2019:



Leases expiring	**8**	**11**	**33**	**27**	**17**	**13**	**5**	**32**

The lease activity in the table above is based on the existing lease terms in-place as at June 30, 2019. Any early termination options, extension options or other terms that may impact the expiration or terms of the lease are not reflected in the above table unless they were formally exercised or otherwise agreed upon in writing as at June 30, 2019.

Occupancy roll-forward

The following table summarizes the change in occupancy during the three and six months ended June 30, 2019:

	Three months ended June 30, 2019		**Six months ended June 30, 2019**	
	('000s sq. ft.)	**Occupancy**	**('000s sq. ft.)**	**Occupancy**
Occupancy at beginning of period	18,688.5	99.1%	18,710.7	99.3%
New leases	206.6		218.5	
Renewals	867.5		2,760.7	
Expiries	(970.7)		(2,886.8)	
Terminations	-		(11.2)	
Acquisitions	2,169.6		2,169.6	
Dispositions	(311.1)		(311.1)	
Occupancy as at June 30, 2019	**20,650.4**	**99.4%**	**20,650.4**	**99.4%**

Per the preceding table, the REIT's renewal rate for leased square feet expiring during the three and six months ended June 30, 2019 was 89.4% and 95.6%, respectively. During the three and six months ended June 30, 2019, the REIT also renewed or leased to new tenants six leases totaling 1,136.8 square feet, with commencement dates after June 30, 2019.

Renewals in the three months ended June 30, 2019 had a weighted average cash re-leasing spread and straight-line rent re-leasing spread of 5.1% and 10.4%, respectively. Renewals in the six months ended June 30, 2019 had a weighted average cash re-leasing spread and straight-line rent re-leasing spread of 2.5% and 8.1%, respectively.

The REIT's investment properties are geographically diversified within the U.S. as follows as at June 30, 2019:

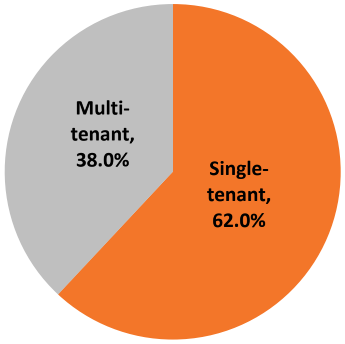
State	Number of Investment Properties	Number of Tenants	Owned GLA ('000s sq. ft.)	% of Owned GLA	% of NOI by State [1][2]
Georgia	8	13	2,915.6	14.0%	12.1%
Illinois	9	14	2,809.9	13.5%	12.7%
Tennessee	6	10	2,327.0	11.2%	8.2%
Kentucky	5	5	2,131.3	10.3%	9.3%
Indiana	4	7	2,068.1	10.0%	6.9%
Minnesota	10	48	1,895.2	9.1%	15.4%
Ohio	5	7	1,817.3	8.8%	7.0%
Florida	6	10	1,016.5	4.9%	5.0%
Pennsylvania	1	2	935.5	4.5%	5.5%
Wisconsin	6	13	774.2	3.7%	4.3%
Kansas	3	4	516.0	2.5%	2.9%
Oregon	1	2	492.6	2.4%	3.4%
Texas	1	6	410.8	2.0%	2.6%
California	2	2	311.5	1.5%	2.7%
Michigan	1	2	248.0	1.2%	1.5%
Nevada	1	1	98.3	0.4%	0.5%
Total	**69**	**146**	**20,767.8**	**100.0%**	**100.0%**

[1] NOI is a key measure of performance used by real estate operating companies, however, NOI is not defined by IFRS, does not have standard meaning and may not be comparable with other industries or issuers. This data should be read in conjunction with the "Non-IFRS Measures" section of this MD&A.

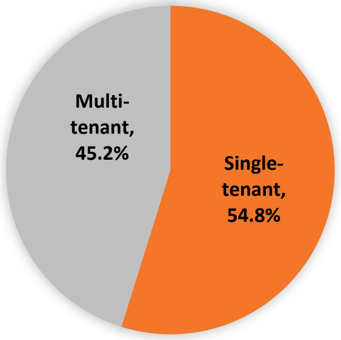
[2] For the three months ended June 30, 2019.

The following charts of the REIT's portfolio are based on NOI for the three months ended June 30, 2019 and tenant and building GLA as at June 30, 2019:

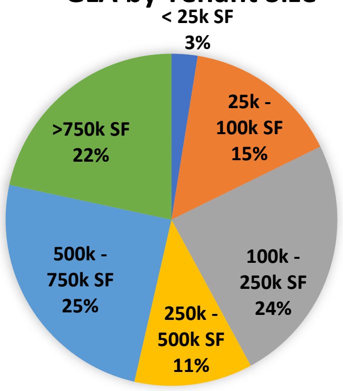
% GLA by Tenancy



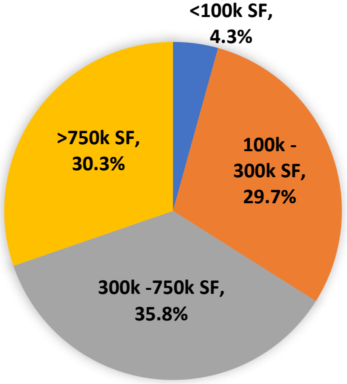
% NOI by Tenancy



GLA by Tenant Size



GLA by Building Size



The following table highlights the REIT's top ten tenants by annualized contractual base rent as at June 30, 2019:

Top 10 Tenants	% of Total Annualized Base Rent	GLA Occupied ('000s sq. ft.)	% of Total Portfolio GLA
General Mills Operations, LLC	4.4%	1,512.6	7.3%
Continental Tire the Americas, LLC	4.2%	740.9	3.6%
Unilever Home & Personal Care	4.1%	1,262.6	6.1%
Amazon.com	3.7%	936.0	4.5%
Keystone Automotive [1]	3.5%	754.7	3.6%
Zulily, LLC	3.1%	737.5	3.6%
Fullbeauty Brands, Inc.	2.4%	741.1	3.6%
Honeywell International Inc.	2.4%	754.0	3.6%
Radial, Inc.	2.3%	543.5	2.6%
CEVA Logistics U.S. Inc.	2.3%	648.8	3.1%
Total	32.4%	8,631.7	41.6%

[1] Comprised of two leases with Keystone Automotive Operations, Inc. and Keystone Automotive Industries, Inc.; both wholly-owned subsidiaries of LKQ Corporation.

Equity Accounted Joint Venture

As at June 30, 2019, the REIT maintains an investment in a joint venture accounted for under the equity method. The Venture was established to develop or acquire and reposition and own industrial investment properties. The REIT does not independently control its joint venture, and the REIT's proportionate share, a non-IFRS measure (see "Non-IFRS Measures" section of this MD&A), of the financial position and results of operations of its investment in such joint venture does not necessarily represent the REIT's legal claim to such items.

The following table reconciles the REIT's consolidated statement of financial position on an IFRS basis to a proportionate share basis as at the dates indicated:

	As at June 30, 2019			As at December 31, 2018		
('000s)	**IFRS Basis**	**Reconciliation**	**Proportionate share basis**	**IFRS Basis**	**Reconciliation**	**Proportionate share basis**
Assets						
Non- current assets:						
Investment properties	$ 1,390,441	$ -	$ 1,390,441	1,117,672	-	1,117,672
Investment properties under development	-	4,041	4,041	-	-	-
Intangible assets and goodwill	21,461	-	21,461	22,721	-	22,721
Right-of-use asset	-	-	-	3,336	-	3,336
Investment in equity accounted joint venture	2,691	(2,691)	-	-	-	
Other non-current assets	50	-	50	88	(50)	38
	1,414,643	1,350	1,415,993	1,143,817	(50)	1,143,767
Current assets:						
Amounts receivable	3,121	2	3,123	2,573	-	2,573
Prepaid expenses	1,242	-	1,242	1,271	-	1,271
Restricted cash	974	126	1,100	849	-	849
Cash and cash equivalents	13,770	9	13,779	8,245	-	8,245
	19,107	137	19,244	12,938	-	12,938
Total Assets	$ 1,433,750	$ 1,487	$ 1,435,237	1,156,755	(50)	1,156,705
Liabilities						
Non-current liabilities:						
Bank indebtedness	$ 309,075	$ -	$ 309,075	$ 174,284	$ -	$ 174,284
Mortgages payable	258,298	1,419	259,717	312,097	-	312,097
Class B Units	25,655	-	25,655	25,422	-	25,422
Derivative instruments	9,918	-	9,918	2,770	-	2,770
Deferred tax liability	3,045	-	3,045	3,680	-	3,680
Lease liability	-	-	-	3,336	-	3,336
Security deposits	2,454	-	2,454	1,534	-	1,534
	608,445	1,419	609,864	523,123	-	523,123
Current liabilities:						
Mortgages payable	55,762	-	55,762	32,072	-	32,072
Amounts payable and accrued liabilities	31,327	118	31,445	24,156	-	24,156
Distributions payable	3,613	-	3,613	2,971	-	2,971
	90,702	118	90,820	59,199	-	59,199
Total liabilities	699,147	1,537	700,684	582,322	-	582,322
Total unitholders' equity	734,603	(50)	734,553	574,433	(50)	574,383
Total liabilities and unitholders' equity	$ 1,433,750	1,487	1,435,237	1,156,755	(50)	1,156,705

As at June 30, 2019 and December 31, 2018, the REIT's debt-to-gross book value under the proportionate share basis was 45.0% and 46.5%, respectively, compared to the REIT's debt-to-gross book value of 45.0% and 46.5% for comparative periods.

FINANCIAL AND OPERATIONAL HIGHLIGHTS

Summary of Quarterly Results

The following is a summary of selected consolidated financial information for each of the eight most recently completed quarters:

(all figures in '000s, except per Unit amounts, number of investment properties and GLA)

As at and for the quarter ended	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017
Operating Results:								
Investment properties revenue	$ 28,714	$ 25,198	$ 24,494	$ 23,078	$ 22,344	$ 22,538	$ 22,409	$ 20,709
NOI **(1)**	21,164	18,141	17,641	17,182	16,591	16,402	16,470	15,126
Net income and comprehensive income	40,670	9,607	15,262	14,972	12,654	7,758	8,059	6,973
Net income and comprehensive income per Unit (basic) **(2) (3)**	0.690	0.182	0.312	0.308	0.263	0.161	0.167	0.149
Net income and comprehensive income per Unit (diluted) **(2) (4)**	0.670	0.176	0.301	0.299	0.258	0.158	0.164	0.146
FFO **(1)**	12,961	9,614	10,966	11,379	10,939	11,128	11,027	10,468
FFO per Unit (diluted) **(1) (2) (4)**	0.213	0.176	0.216	0.227	0.223	0.227	0.225	0.220
AFFO **(1)**	9,759	6,698	9,023	9,902	9,396	9,481	9,413	8,774
AFFO per Unit (diluted) **(1) (2) (4)**	0.161	0.123	0.178	0.198	0.191	0.193	0.192	0.184
Cash flows from operations	18,236	14,796	14,817	7,820	16,801	15,498	13,863	13,557
ACFO **(1)**	11,471	9,486	9,984	10,862	9,809	10,037	10,184	9,518
Book value per Unit **(1)**	12.88	12.40	12.26	12.14	12.05	11.89	11.89	11.95
Distributions:								
Distributions per Unit **(2) (3) (5)**	0.190	0.190	0.190	0.190	0.190	0.190	0.190	0.190
Distributions declared **(3) (5)**	11,344	10,688	9,417	9,372	9,145	9,145	9,145	9,145
ACFO payout ratio **(1) (5)**	98.9%	112.7%	94.3%	86.3%	93.2%	91.1%	89.8%	96.1%
Weighted average number of Units (basic) **(2) (3)**	58,977	52,803	48,891	48,648	48,158	48,158	48,158	46,840
Weighted average number of Units (diluted) **(2) (4)**	60,729	54,589	50,688	50,092	49,066	49,021	48,989	47,668

(1) NOI, FFO, AFFO, ACFO, FFO per Unit (diluted), AFFO per Unit (diluted), book value per Unit and ACFO payout ratio are key measures of performance used by real estate operating companies, however, they are not defined by IFRS, do not have standard meanings and may not be comparable with other industries or issuers. This data should be read in conjunction with the "Non-IFRS Measures" section of this MD&A.

(2) Includes REIT Units and Class B Units (collectively, the "**Units**").

(3) Excludes all options, DTUs, and DPUs outstanding under the REIT's deferred compensation plans (see Part II: Equity).

(4) Includes all options, DTUs, and DPUs outstanding under the REIT's deferred compensation plans (see Part II: Equity).

(5) Includes distributions on Units and DPUs.

Q2 2019 vs. Q1 2019

Compared to the previous quarter, FFO and AFFO for the three months ended June 30, 2019 were higher by $3,347 and $3,061, respectively. The increases were mainly due to the acquisition of the Infill Logistics Portfolio on April 5, 2019 and severance costs of $1,503 expensed in the first quarter. The increases were partially offset by higher interest costs related to the acquisition. On a per Unit basis, FFO and AFFO were also negatively impacted by the 11.2% increase in weighted average number of Units (diluted) outstanding from the February 2019 Offering.

Quarterly Summary

The REIT's quarterly results for the eight quarters presented were positively impacted by acquisitions of investment properties in the second half of 2017 and throughout 2018 and 2019. Results on a per Unit basis were negatively impacted by (i) internalization of the management on July 31, 2018 and (ii) the February 2019 Offering. Net income and comprehensive income is consistently impacted by fair value adjustments to investment properties, deferred compensation and Class B Units, which are not necessarily indicative of the operating results of the REIT.

Operational Highlights

As at	June 30, 2019	December 31, 2018
Operational Information:		
Number of investment properties	69	57
GLA	20,767,799	18,850,627
Occupancy	99.4%	99.3%
Average remaining lease term (years)	4.9	4.7
Fair value of investment properties	$ 1,390,441	$ 1,117,672
Ratios:		
Weighted average effective interest rate **(1)**	3.8%	3.9%
Variable interest rate debt as percentage of total debt **(2)(3)**	17.0%	9.8%
Debt-to-gross book value **(4)**	45.0%	46.5%
Interest coverage ratio **(4)**	3.0x	3.5x
Fixed charge coverage ratio **(4)**	2.6x	2.9x
Debt to Adjusted EBITDA **(4)**	7.6x	7.6x

(1) Includes mortgages payable, Term Loan I, the unsecured revolving credit facility, derivative instruments, mark-to-market adjustments and financing costs.

(2) Includes amounts outstanding under the unsecured revolving credit facility and a mortgage payable.

(3) Excludes variable rate debt which is effectively fixed using an interest rate swap. Refer to the Debt Financing section.

(4) Debt-to-gross book value, interest coverage ratio, fixed charge coverage ratio and debt to Adjusted EBITDA are key measures of performance used by real estate operating companies, however, they are not defined by IFRS, do not have standard meanings and may not be comparable with other industries or issuers. This data should be read in conjunction with the “Non-IFRS Measures” section of this MD&A.

RESULTS OF OPERATIONS

The following tables compare results for the three and six months ended June 30, 2019 and 2018. The principal reasons for the variances between the financial results presented in such year-over-year periods is due to the acquisitions during 2018 and internalization of management on July 31, 2018.

Consolidated Statement of Net Income and Comprehensive Income

	Three months ended June 30,			Six months ended June 30,		
(all figures in '000s, except per Unit amounts)	**2019**	**2018**	**Variance**	**2019**	**2018**	**Variance**
Investment properties revenue	$ 28,714	$ 22,344	$ 6,370	$ 53,912	$ 44,882	$ 9,030
Management fee revenue	358	-	358	849	-	849
	29,072	22,344	6,728	54,761	44,882	9,879
Other (income) and expenses						
Investment properties operating expenses	2,975	2,224	751	22,354	18,995	3,359
Fair value adjustment to investment properties – IFRIC 21	4,575	3,529	1,046	(7,747)	(7,106)	(641)
General and administrative	2,382	2,765	(383)	8,409	4,785	3,624
Amortization of intangibles	630	-	630	1,260	-	1,260
Fair value adjustment to investment properties	(32,817)	(7,235)	(25,582)	(39,257)	(6,165)	(33,092)
Finance costs	10,946	8,407	2,539	20,100	13,961	6,139
Net income and comprehensive income before income taxes	40,381	12,654	27,727	49,642	20,412	29,230
Deferred income tax recovery	(289)	-	(289)	(635)	-	(635)
Net income and comprehensive income	**$ 40,670**	**$ 12,654**	**$ 28,016**	**$ 50,277**	**$ 20,412**	**$ 29,865**
Net income and comprehensive income per Unit (basic)	$ 0.690	$ 0.263	$ 0.427	$ 0.899	$ 0.424	$ 0.475
Net income and comprehensive income per Unit (diluted)	$ 0.670	$ 0.258	$ 0.412	$ 0.872	$ 0.416	$ 0.456

The following table compares results of NOI, a non-IFRS measure (see "Non-IFRS Measures" section of this MD&A) for the following periods:

	Three months ended June 30,			Six months ended June 30,		
(all figures in '000s)	**2019**	**2018**	**Variance**	**2019**	**2018**	**Variance**
Investment properties revenue	$ 28,714	$ 22,344	$ 6,370	$ 53,912	$ 44,882	$ 9,030
Investment properties operating expenses	2,975	2,224	751	22,354	18,995	3,359
Fair value adjustment to investment properties – IFRIC 21	4,575	3,529	1,046	(7,747)	(7,106)	(641)
NOI	**$ 21,164**	**$ 16,591**	**$ 4,573**	**$ 39,305**	**$ 32,993**	**$ 6,312**

Investment properties revenue

Investment properties revenue includes contractual base rent to be received from operating leases recognized on a straight-line basis over the term of its respective lease, recoveries of operating expenses, including property taxes, common area maintenance, lease termination fees and other incidental income. Investment properties revenue was higher by $6,370 for the three months ended June 30, 2019 as compared to the same period in 2018 for the following reasons:

Variance Explanation		**Three months ended June 30, 2019**
Increase due to acquisitions	$	5,884
Higher straight-line rent and recoveries of operating expenses, net of lower base rents due to free rent		982
Decrease due to disposition		(450)
Increase in amortization of tenant incentives		(46)
Total variance	**$**	**6,370**

Investment properties revenue was higher by $9,030 for the six months ended June 30, 2019 as compared to the same period in 2018 for the following reasons:

Variance Explanation		**Six months ended June 30, 2019**
Increase due to acquisitions	$	8,015
Higher straight-line rent and recoveries of operating expenses, net of lower base rents due to free rent		1,579
Decrease due to disposition		(459)
Increase in amortization of tenant incentives		(105)
Total variance	**$**	**9,030**

Management fee revenue

Management fee revenue consists of asset and property management service fees to manage, develop and operate industrial real estate investment properties on behalf of and in partnership with third-party investors. Management fee revenue was higher by $358 and $849 for the three and six months ended June 30, 2019, respectively, as compared to the same period in 2018 due to the management fees being earned from management contracts acquired on July 31, 2018.

Investment properties operating expenses

Investment properties operating expenses consist primarily of property common area and maintenance expenses, real estate taxes (including adjustments for property taxes accounted for under IFRIC 21), insurance, property management fees and other costs associated with the management and maintenance of the investment properties. Investment properties expenses were higher by $751 for the three months ended June 30, 2019 as compared to the same period in 2018 for the following reasons:

Variance Explanation		**Three months ended June 30, 2019**
Increase due to acquisitions	$	1,630
Increase in operating expenses; mainly real estate taxes, utilities, and general repairs		243
Adjustments for property taxes accounted for under IFRIC 21		(1,046)
Decrease due to disposition		(76)
Total variance	**$**	**751**

Investment properties expenses were higher by $3,359 for the six months ended June 30, 2019 as compared to the same period in 2018 for the following reasons:

Variance Explanation		Six months ended June 30, 2019
Increase due to acquisitions	$	2,505
Adjustments for property taxes accounted for under IFRIC 21		641
Increase in operating expenses; mainly real estate taxes, utilities, and general repairs		301
Decrease due to disposition		(88)
Total variance	**$**	**3,359**

NOI

NOI, a non-IFRS measure (see "Non-IFRS Measures" section of this MD&A) was higher by $4,573 for the three months ended June 30, 2019 as compared to the same period in 2018 for the following reasons:

Variance Explanation		Three months ended June 30, 2019
Increase due to acquisitions	$	4,254
Higher straight-line rent and recoveries of operating expenses, net of lower base rents due to free rent		982
Decrease due to disposition		(374)
Increase in operating expenses; mainly real estate taxes, utilities, and general repairs		(243)
Change in amortization of tenant incentives		(46)
Total variance	**$**	**4,573**

NOI was higher by $6,312 for the six months ended June 30, 2019 as compared to the same period in 2018 for the following reasons:

Variance Explanation		Six months ended June 30, 2019
Increase due to acquisitions	$	5,510
Higher straight-line rent and recoveries of operating expenses, net of lower base rents due to free rent		1,579
Decrease due to disposition		(371)
Increase in operating expenses; mainly real estate taxes, utilities, and general repairs		(301)
Change in amortization of tenant incentives		(105)
Total variance	**$**	**6,312**

General and administrative expense

General and administrative expenses consist of salaries and benefits (post internalization of management on July 31, 2018), asset management fee expense (pre-internalization of management prior to July 31, 2018), professional fees, deferred compensation expense, trustee fees, and other expenses. General and administrative expenses were lower by $383 for the three months ended June 30, 2019 as compared to the same period in 2018 for the following reasons:

Variance Explanation		Three months ended June 30, 2019
Salaries and benefits	$	1,498
Deferred compensation expense, of which ($1,478) is due to fair value adjustments under the DUIP and the Plan (see Part II: Equity)		(1,200)
Reduction in asset management fee expense		(592)
Other		(89)
Total variance	**$**	**(383)**

General and administrative expenses were higher by $3,624 for the six months ended June 30, 2019 as compared to the same period in 2018 for the following reasons:

Variance Explanation		Six months ended June 30, 2019
Salaries and benefits	$	3,054
Severance costs		1,503
Deferred compensation expense, of which ($376) is due to fair value adjustments under the DUIP and the Plan (see Part II: Equity)		520
Reduction in asset management fee expense		(1,180)
Other		(273)
Total variance	**$**	**3,624**

Fair value adjustment to investment properties

The REIT has selected the fair value method of accounting to account for real estate classified as investment properties. As a result, subsequent to initial recognition, investment properties are carried at fair value, with gains and losses arising from changes in fair value recognized in the consolidated statements of net income and comprehensive income during the year in which they arise. For the three and six months ended June 30, 2019, the REIT recognized a fair value increases to investment properties of $32,817 and $39,257, respectively. For the three and six months ended June 30, 2018, the REIT recognized a fair value increase to investment properties of $7,235 and $6,165, respectively. For the three and six months ended June 30, 2019 and 2018, the fair value increases were caused by capitalization rate compression, increasing market rents in certain markets, and key lease renewals, partially offset by write-off of capitalized tenant incentives, the write-off of acquisition related transaction costs, tenancy changes, and amortization of straight-line rent. Please refer to the “Investment Properties” section of this MD&A for further discussion on the REIT’s fair value of investment properties.

Finance Costs

Finance costs include interest expense on mortgages payable, bank indebtedness and derivative instrument, distributions on Class B Units and DPUs (see Part II: Equity for further details), the gain or loss on the change in fair value of financial assets and liabilities designated as fair value through profit and loss, including Class B Units and the derivative instrument, and amortization associated with the mark-to-market adjustments and financing costs incurred in connection with obtaining long-term financings. Finance costs increased $2,539 for the three months ended June 30, 2019, as compared to the same period in 2018 for the following reasons:

Variance Explanation		Three months ended June 30, 2019
Fair value adjustment to derivative instrument	$	5,518
Increase in bank indebtedness interest expense		2,331
Fair value adjustment to Class B Units		(4,662)
Decrease in mortgage interest expense		(267)
Change in amortization of financing costs and mark-to-market adjustments on fixed Interest rate mortgage payable		(204)
Decrease in distributions on Class B Units, net of increase in DPUs		(177)
Total variance	**$**	**2,539**

Finance costs increased $6,139 for the six months ended June 30, 2019, as compared to the same period in 2018 for the following reasons:

Variance Explanation		Six months ended June 30, 2019
Fair value adjustment to derivative instrument	$	7,148
Increase in bank indebtedness interest expense		3,275
Fair value adjustment to Class B Units		(3,412)
Decrease in mortgage interest expense		(359)
Decrease in distributions on Class B Units, net of increase in DPUs		(355)
Change in amortization of financing costs and mark-to-market adjustments on fixed Interest rate mortgage payable		(158)
Total variance	**$**	**6,139**

Funds from Operations (FFO) and Adjusted Funds from Operations (AFFO)

The reconciliation of net income and comprehensive income to FFO and AFFO for the three and six months ended June 30, 2019 and 2018 are presented below:

	Three months ended June 30,			Six months ended June 30,		
(all figures in ‘000s, except per Unit amounts)	**2019**	**2018**	**Variance**	**2019**	**2018**	**Variance**
Net income and comprehensive income	**$ 40,670**	**$ 12,654**	**$ 28,016**	**$ 50,277**	**$ 20,412**	**$ 29,865**
Add/(Deduct)						
Fair value adjustment to investment properties	(32,817)	(7,235)	(25,582)	(39,257)	(6,165)	(33,092)
Fair value adjustment to Class B Units	(1,303)	3,359	(4,662)	814	4,226	(3,412)
Fair value adjustment to deferred compensation	(414)	1,064	(1,478)	1,075	1,451	(376)
Fair value adjustment to derivative instrument	5,518	-	5,518	7,148	-	7,148
Fair value adjustment to investment properties – IFRIC 21	4,575	3,529	1,046	(7,747)	(7,106)	(641)
Property taxes accounted for under IFRIC 21	(4,575)	(3,529)	(1,046)	7,747	7,106	641
Amortization of tenant incentives	457	411	46	876	771	105
Amortization of intangibles	630	-	630	1,260	-	1,260
Deferred income tax recovery	(289)	-	(289)	(635)	-	(635)
Distributions on Class B Units and DPUs treated as interest expense	509	686	(177)	1,017	1,372	(355)
FFO	**$ 12,961**	**$ 10,939**	**$ 2,022**	**$ 22,575**	**$ 22,067**	**$ 508**
Leasing cost reserve **(1)**	(1,206)	(1,077)	(129)	(2,323)	(2,142)	(181)
Capital expenditure reserve **(2)**	(437)	(285)	(152)	(741)	(568)	(173)
Amortization of straight-line rent	(1,559)	(181)	(1,378)	(3,054)	(480)	(2,574)
AFFO	**$ 9,759**	**$ 9,396**	**$ 363**	**$ 16,457**	**$ 18,877**	**$ (2,420)**
FFO per Unit (diluted)	$ 0.213	$ 0.223	$ (0.010)	$ 0.392	$ 0.450	$ (0.058)
AFFO per Unit (diluted)	$ 0.161	$ 0.191	$ (0.030)	$ 0.285	$ 0.385	$ (0.100)

(1) The leasing cost reserve is a weighted average rate of approximately $0.23 and $0.25 per square foot per annum as at June 30, 2019 and 2018, respectively, based on a five-year forward-looking average of expected leasing commissions and tenant improvements on the portfolio.

(2) The capital expenditure reserve is a weighted average rate of approximately $0.09 and $0.07 per square foot per annum as at June 30, 2019 and 2018, respectively, based on the five-year forward-looking average of expected capital expenditures on the portfolio.

FFO Variances

For the three months ended June 30, 2019 FFO was higher by $2,022 as compared to the same period in 2018 for the following reasons:

Variance Explanation		Three months ended June 30, 2019
Variance due to acquisitions	$	4,254
Higher straight-line rent and recoveries of operating expenses, net of lower base rents due to free rent		982
Management fee revenue		358
Decrease in mortgage interest expense		267
Change in amortization of financing costs and mark-to-market adjustments on fixed interest rate mortgage payable		204
Increase in bank indebtedness interest expense		(2,331)
Increase in general and administrative, net of fair value adjustment to deferred compensation of ($1,478)		(1,095)
Variance due to disposition		(374)
Increase in operating expenses; mainly real estate taxes, utilities, and general repairs		(243)
Total variance	**$**	**2,022**

For the six months ended June 30, 2019 FFO was higher by $508 as compared to the same period in 2018 for the following reasons:

Variance Explanation		Six months ended June 30, 2019
Variance due to acquisitions	$	5,510
Higher straight-line rent and recoveries of operating expenses, net of lower base rents due to free rent		1,579
Management fee revenue		849
Decrease in mortgage interest expense		359
Change in amortization of financing costs and mark-to-market adjustments on fixed interest rate mortgage payable		158
Increase in bank indebtedness interest expense		(3,275)
Increase in general and administrative, net of fair value adjustment to deferred compensation of ($376) and severance costs		(2,497)
Severance costs		(1,503)
Variance due to disposition		(371)
Increase in operating expenses; mainly real estate taxes, utilities, and general repairs		(301)
Total variance	**$**	**508**

AFFO Variances

For the three months ended June 30, 2019, AFFO was higher by $363 as compared to the same period in 2018 for the following reasons:

Variance Explanation		Three months ended June 30, 2019
FFO variances	$	2,022
Variance due to disposition		13
Increase in non-cash straight-line rent		(1,081)
Variance due to acquisitions, inclusive of non-cash straight-line rent		(581)
Change in reserves		(10)
Total variance	**$**	**363**

For the six months ended June 30, 2019, AFFO was lower by ($2,420) as compared to the same period in 2018 for the following reasons:

Variance Explanation		Six months ended June 30, 2019
FFO variances	$	508
Variance due to disposition		4
Increase in non-cash straight-line rent		(2,172)
Variance due to acquisitions, inclusive of non-cash straight-line rent		(738)
Change in reserves		(22)
Total variance	**$**	**(2,420)**

FFO and AFFO per Unit (diluted)

The weighted average number of Units used to calculate FFO and AFFO per Unit (diluted) include: (i) the weighted average number of all outstanding REIT Units and Class B Units, (ii) in-the-money options outstanding under the unit option plan assuming a cashless exercise of those options, and (iii) units granted under the deferred unit incentive plan (see Part II: equity); which amounted to 60,728,615 and 48,157,579 Units for the three months ended June 30, 2019 and 2018, respectively. The weighted average number of Units used to calculate FFO and AFFO per Unit (diluted) amounted to 57,662,991 and 48,157,579 Units for the six months ended June 30, 2019 and 2018, respectively. The increase in the weighted average number of units outstanding is mainly due to the February 2019 Offering (as defined herein) (see "Part II: Equity) and the issuance of Class B Units and deferred compensation as partial consideration for the internalization of management on July 31, 2018.

For the three and six months ended June 30, 2019, FFO per Unit (diluted) was lower by $0.010 and $0.058, respectively, as compared to the three and six months ended June 30, 2018. For the three and six months ended June 30, 2019, AFFO per Unit (diluted) was lower by $0.030 and $0.100, respectively, as compared to the three and six months ended June 30, 2018. The decreases are mainly due to severance costs, higher general and administrative expense due to the internalization of management and a 26.1% and 19.7% increase in the weighted average number of Units outstanding for the three months and six months ended June 30, 2019, respectively. The decreases are partially offset by the acquisition of four investment properties in 2018, the Infill Logistics Portfolio acquisition in 2019, and management fee revenue earned. In addition, AFFO also decreased due to increased free rent provided to certain tenants for the three and six months ended June 30, 2019 totaling $979 and $2,271, or $0.016 and $0.039 per Unit (diluted), respectively.

Distribution Policy

The REIT's Declaration of Trust provides the Board of Trustees with the authority to determine the percentage amount of the REIT's income to be distributed. Amounts retained in excess of the declared distributions are primarily used to fund leasing costs and capital expenditure requirements. Fluctuations in working capital that are deemed to be timing differences are disregarded in determining distributions. The REIT also normalizes the impact of leasing costs, which fluctuate with lease maturities, renewal terms and the type of investment property being leased, and excludes the impact of transaction costs expensed on business combinations.

The REIT's ACFO payout ratio for the three months ended June 30, 2019 and 2018 was 98.9%% and 93.2%, respectively. The REIT's ACFO payout ratio for the six months ended June 30, 2019 and 2018 was 105.1% and 92.3%, respectively. The increased ACFO payout ratio in for the three and six months ended June 30, 2019 was mainly due to the timing of acquisitions of investment properties in relation to the timing of the issuance of REIT Units and the free rent provided to certain tenants, partially offset by management fee revenue earned in 2019.

Same properties NOI

The same properties disclosed in the following table for the three and six months ended June 30, 2019 and 2018 are investment properties having consistent leasable area in both periods.

	Three months ended June 30,		Variance		Six months ended June 30,		Variance	
('000s)	**2019**	**2018**	**$**	**%**	**2019**	**2018**	**$**	**%**
Net operating income (1)	**$ 21,164**	**$ 16,591**	**$ 4,573**	**27.6%**	**$ 39,305**	**$ 32,993**	**$ 6,312**	**19.1%**
Amortization of straight-line rent	(1,264)	(182)	(1,082)		(2,660)	(488)	(2,172)	
Amortization of leasing costs	457	412	45		876	771	105	
Tenant incentives - free rent	979	13	966		2,271	96	2,175	
Acquisitions' NOI	(4,277)	(24)	(4,253)		(5,534)	(24)	(5,510)	
Dispositions' NOI	(22)	(396)	374		(422)	(793)	371	
Other reconciling items (2)	-	(50)	50		(100)	(50)	(50)	
Same properties NOI (1)	**$ 17,037**	**$ 16,364**	**$ 673**	**4.1%**	**$ 33,736**	**$ 32,505**	**$ 1,231**	**3.8%**
Average occupancy (same properties)	99.5%	98.1%		1.4%	99.3%	98.1%		1.2%

(1) NOI and same properties NOI are key measures of performance used by real estate operating companies, however, they are not defined by IFRS, do not have standard meanings and may not be comparable with other industries or issuers. This data should be read in conjunction with the "Non-IFRS Measures" section of this MD&A.

(2) Includes lease termination and other income.

Same properties NOI for the three months ended June 30, 2019 increased by $673, or 4.1%, when compared to the same quarter in 2018. Same properties NOI for the six months ended June 30, 2019 increased by $1,231, or 3.8%, when compared to the same period in 2018. The changes in same properties NOI were mainly due to increases in contractual base rent, higher recoveries of operating expenses, and an increase in average occupancy in 2019 compared to 2018.

LIQUIDITY AND CAPITAL RESOURCES

The REIT's primary sources of capital are cash generated from operations and management fee revenue, its Credit Facility, mortgages payable financing and refinancing and issuances of equity and debt through public or private placement. The REIT's primary uses of capital include the payment of distributions, costs of attracting and retaining tenants, recurring investment property maintenance, major investment property improvements, principal repayments, interest payments and investment property acquisitions and development projects. The REIT expects to meet all of its ongoing obligations with current cash generated from operations, draws on its Credit Facility and, as growth requires and when appropriate, new equity or debt issuances. The Declaration of Trust provides that the REIT cannot incur or assume any indebtedness that would cause total indebtedness levels to exceed 60% of gross book value (or 65% of gross book value including any convertible debentures). Management of the REIT targets a maximum indebtedness level of approximately 50% of gross book value. As at June 30, 2019 and December 31, 2018, the REIT's debt-to-gross book value ratio was 45.0% and 46.5%, respectively (total outstanding debt of $625,499 and $520,085 as at June 30, 2019 and December 31, 2018, respectively, divided by a gross book value of $1,390,441 and $1,117,672 as at June 30, 2019 and December 31, 2018, respectively). The REIT's debt to Adjusted EBITDA ratio was 7.6 times as at June 30, 2019 and December 31, 2018. The REIT has no convertible debentures outstanding.

The REIT uses cash flows from operations and debt level indicators to assess its ability to meet its financing obligations. For the six months ended June 30, 2019, the REIT's interest coverage ratio was 3.0 times (excluding the impact of property taxes accounted for under IFRIC 21), and its fixed charge coverage ratio was 2.6 times (excluding the impact of property taxes accounted for under IFRIC 21), demonstrating an ability to more than adequately cover the REIT's financing obligations. The REIT's weighted average effective interest rate on all indebtedness as at June 30, 2019 and December 31, 2018 was 3.8% and 3.9%, respectively.

The following table details the changes in cash and cash equivalents during the periods presented:

	Six months ended June 30,			
('000s)		**2019**		**2018**
Cash provided by/(used in):				
Operating activities	$	33,032	$	32,299
Financing activities		201,750		606
Investing activities		(229,257)		(32,103)
Increase (decrease) in cash and cash equivalents during the period		**5,525**		**802**
Cash and cash equivalents, beginning of period		8,245		6,637
Cash and cash equivalents, end of period	$	**13,770**	$	**7,439**

As at June 30, 2019, the REIT had $13,770 in cash and cash equivalents and availability under the Credit Facility of $85,311, for total liquidity of $99,081.

Cash flows from operating activities for the six months ended June 30, 2019 and 2018 of $33,032 and $32,299, respectively, primarily related to the operation of investment properties.

In accordance with National Policy 41-201 - *Income Trusts and Other Indirect Offerings*, the REIT provides the following additional disclosure relating to cash distributions:

	Three months ended June 30,		**Six months ended June 30,**	
('000s)	**2019**	**2018**	**2019**	**2018**
Cash flows provided by operating activities	**$ 18,236**	**$ 16,801**	**$ 33,032**	**$ 32,299**
Less: Interest paid (excluding distributions on Class B Units and DPUs classified as finance costs incurred)	(5,311)	(4,219)	(10,227)	(8,151)
	12,925	12,582	22,805	24,148
Distributions paid (1)	(11,334)	(9,145)	(21,388)	(18,290)
(Shortfall) Excess of cash flows provided by operating activities over distributions paid	**$ 1,591**	**$ 3,437**	**$ 1,417**	**$ 5,858**
Cash flows provided by operating activities	**$ 18,236**	**$ 16,801**	**$ 33,032**	**$ 32,299**
Add/(Deduct):				
Change in non-cash working capital (2)	336	(1,061)	1,481	(1,170)
Interest paid (3)	(5,311)	(4,219)	(10,227)	(8,151)
Leasing cost reserve and capital expenditure reserve	(1,643)	(1,362)	(3,064)	(2,710)
Amortization of mark-to-market adjustments	105	131	209	262
Amortization of financing costs	(252)	(481)	(475)	(684)
ACFO (4)	**$ 11,471**	**$ 9,809**	**$ 20,956**	**$ 19,846**
Distributions declared (1)	$ 11,344	$ 9,145	$ 22,032	$ 18,290
ACFO payout ratio (3)	98.9%	93.2%	105.1%	92.2%

[1] Includes cash distributions on REIT Units, Class B Units and DPUs.

[2] Includes working capital changes that, in management's view and based on the REALPAC February 2019 whitepaper, are not indicative of sustainable cash flow available for distribution. Examples include but are not limited to, prepaid realty taxes and insurance, change in amounts payable and accrued liabilities related to additions to investment properties, timing differences of investment property base rent, investment property operating expense and reimbursements and equity award redemptions.

[3] Includes mortgages payable, Credit Facility, derivative instrument, and Secured Revolving Facility interest included in finance costs.

[4] Management considers ACFO to be a key measure of the REIT's performance. As an alternative measure of cash flows from operations, ACFO (defined on page 1) represents a measure of cash generated from operating activities less transaction costs associated with a business combination, non-cash activities including backing out the amortization of the mark-to-market and deferred financing costs adjustments, and deducting a reserve for normalized maintenance capital expenditures, tenant inducements and leasing commissions. Management-believes ACFO is considered indicative of the REIT's ability to pay distributions to Unitholders. However, ACFO is not defined by IFRS, does not have standardized meanings, and may not be comparable to similarly titled measures presented by other industries or issuers.

While cash flows provided by operating activities are generally sufficient to cover distribution requirements, the timing of expenses and fluctuations in non-cash working capital may result in a temporary shortfall. In these cases, some portion of distributions may come from the REIT's capital, or financing sources other than cash flows provided by operating activities.

For the six months ended June 30, 2019, the REIT incurred a shortfall from distributions in excess of ACFO. The shortfall was primarily due to: (i) higher free rent to existing tenants in the period of $2,271 and (ii) a timing difference between the REIT's February 2019 Offering and the deployment of those funds into the Infill Portfolio Acquisition on April 5, 2019. The REIT expects a shortfall ACFO for the year ending December 31, 2019 to be under 100%. The REIT funded the cash shortfall with cash on hand. The shortfall did not have any impact on the REIT's existing debt agreements. The REIT anticipates maintaining our existing per unit distributions for the foreseeable future.

Cash flows provided by financing activities for the six months ended June 30, 2019 and 2018 of $201,750 and $606, respectively, primarily related to net proceeds from the February 2019 Offering, partially offset by repayment of amounts owed on the unsecured revolving credit facility, principal payments on mortgages payable, distributions to Unitholders, and interest expense paid.

Cash flows used in investing activities for the six months ended June 30, 2019 and 2018 of $229,257 and $32,103, respectively, primarily related to the acquisition of investment properties, additions to investment properties, and the REIT's investment in the Venture in 2019.

Debt Financing

The REIT's debt consists of the following:

('000s)	**June 30, 2019**	**December 31, 2018**
Mortgages payable	$ 314,060	$ 344,169
Bank indebtedness		
Term Loans	203,911	74,326
Unsecured revolving credit facility	105,164	99,958
Total debt	**$ 623,135**	**$ 518,453**

Mortgages Payable

The REIT's debt strategy includes obtaining secured mortgage financing with a term to maturity that is appropriate in relation to the lease maturity profile of its investment properties portfolio.

Mortgages payable consist of the following:

('000s)	**June 30, 2019**	**December 31, 2018**
Mortgages payable	$ 313,999	$ 344,085
Mark-to-market adjustments, net	920	1,129
Financing costs, net	(859)	(1,045)
Carrying value	314,060	344,169
Less current portion	(55,762)	(32,072)
Non-current mortgages payable	**$ 258,298**	**$ 312,097**

As at June 30, 2019, mortgages payable bore interest at various rates ranging from 2.87% to 5.80%, and have a weighted average effective interest rate of 3.8% with maturity dates ranging from 2020-2024. The weighted average term to maturity on mortgages payable was 2.8 and 3.0 years as at June 30, 2019 and December 31, 2018, respectively.

On April 25, 2019, the REIT repaid a mortgage payable bearing a fixed interest rate of 3.41% with a remaining principal balance of $28,325, with funds from the unsecured revolving credit facility. The property, previously encumbered by the mortgage payable, was added to the unencumbered asset pool.

The weighted average maturing effective interest rates, scheduled mortgage repayments, principal mortgage maturities, and scheduled interest payments are as follows as at June 30, 2019:

('000s)	Weighted Average Maturing Effective Interest Rates	Scheduled Mortgage Repayments	Principal Mortgage Maturities	Total Principal Repayments	Scheduled Interest Payments[1]	Total Debt Service Repayments
2019	3.4%	$ 1,986	$ -	$ 1,986	$ 5,909	$ 7,895
2020	3.1%	4,173	83,550	87,723	10,137	97,860
2021	4.6%	3,955	69,721	73,676	8,239	81,915
2022	3.8%	2,892	23,534	26,426	5,249	31,675
2023	3.9%	1,103	82,082	83,185	2,747	85,932
2024	3.5%	716	40,287	41,003	1,158	42,161
Totals		$ 14,825	$ 299,174	$ 313,999	$ 33,439	$ 347,438
Mark-to-market adjustment, net				920		
Financing costs, net				(859)		
Total carrying value of mortgages payable				$ 314,060		

[1] Includes interest from a variable rate mortgage at the rate as at June 30, 2019, which is economically fixed using an interest rate swap.

The REIT intends to meet its ongoing principal mortgage maturities and scheduled mortgage repayments with funding from operating cash flows, draws on the Credit Facility, issuing equity, refinancing its maturing mortgages payables or the sale of investment properties.

Credit Facility

On June 26, 2018, the REIT entered into the Credit Facility, being a $300,000 unsecured credit facility, comprised of the unsecured revolving credit facility and an unsecured delayed draw term loan with availability to borrow up to $175,000 and $125,000, respectively (subject to requisite unencumbered assets). The unsecured revolving credit facility matures on June 26, 2022, with the option for two six-month extensions. The delayed draw term loan has an initial draw availability period of one year and a maturity date of June 26, 2023. On June 26, 2018, the REIT drew $75,000 on the unsecured delayed draw term loan (the "**Term Loan I**") and $13,000 on the unsecured revolving credit facility, using the proceeds to pay closing costs and repay the existing senior secured revolving credit facility balance of $86,000 in full.

On March 26, 2019, the REIT amended and restated the Credit Facility, thereby increasing the availability from $300,000 to $450,000 (subject to requisite unencumbered assets). The increase was comprised of the Term Loan II of $80,000 and an increase to the unsecured revolving facility of $70,000. The amended and restated Credit Facility also extended the maturity date of the unsecured revolving facility to March 26, 2023, with the REIT's option for two six-month extensions. The Term Loan II has a draw availability period of one year and a maturity date of March 26, 2024. The amended and restated Credit Facility also contains an accordion feature which increases the REIT's availability to $750,000 (subject to requisite unencumbered assets and lender approval).

On April 5, 2019, the REIT used proceeds of $50,000, $80,000, and $78,000 from Term Loan I, Term Loan II, and the unsecured revolving credit facility, respectively, to fund the acquisition of the Infill Logistics Portfolio. Concurrently, the investment properties acquired were added to the unencumbered asset pool thereby increasing the availability on the Credit Facility.

For the six months ended June 30, 2019, the REIT drew net funds from the unsecured revolving credit facility of $5,500.

The unsecured revolving credit facility and the Term Loan I's interest rates are based on either LIBOR or base rate, 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 June 30, 2019, the unhedged interest rates on the unsecured revolving credit facility, Term Loan I, and Term Loan II was 3.76%, 3.70% 3.71%, respectively. As at December 31, 2018, the interest rate on the unsecured revolving credit facility and Term Loan I were 3.86% and 3.79%, respectively.

Financing costs related to the Credit Facility of $2,959 are being amortized using the effective interest rate method over the respective terms ending on March 26, 2023, June 26, 2023, and March 26, 2024.

Variable interest rate debt (including derivate instruments utilized to economically fix the interest rate) as a percentage of total debt was 17.0% and 9.8% as at June 30, 2019 and December 31, 2018, respectively.

Derivative Instrument

On August 28, 2018, the REIT entered into an agreement to economically fix the interest rate for the $75,000 Term Loan I using an interest rate swap at LIBOR of 2.78% plus an applicable margin based on leverage. The interest rate swap eliminates the risk of fluctuating cash flow with the variable interest rate on Term Loan I.

On October 1, 2018, the REIT entered into an agreement to economically fix the interest rate for a $30,000 variable rate mortgage using an interest rate swap at 4.33%. The interest rate swap eliminates the risk of fluctuating cash flow with the variable interest rate on the variable rate mortgage.

On December 31, 2018, the REIT entered into an agreement to economically fix the interest rate $50,000 of Term Loan I using an interest rate swap at LIBOR of 2.82% plus an applicable margin based on leverage. The interest rate swap eliminates the risk of fluctuating cash flow with the variable interest rate on Term Loan I.

On April 5, 2019, the REIT entered into an agreement to economically fix the interest rate for the balance of Term Loan II totaling $80,000 using an interest rate swap at LIBOR of 2.26% plus an applicable margin base on leverage. The interest rate swap eliminates the risk of fluctuating cash flow with the variable interest rate on Term Loan II.

The following table summarizes the details of the derivative instrument outstanding:

						Fair Value	
Transaction Date	**Type**	**Principal Amount**	**Interest Rate**	**Maturity Date**	**Financial Instrument Classification**	**June 30, 2019**	**December 31, 2018**
August 28, 2018	Swap	$ 75,000	4.08%	June 26, 2023	FVTPL	$ (3,461)	$ (1,145)
October 1, 2018	Swap	30,000	4.33%	August 31, 2023	FVTPL	(2,360)	(786)
December 31, 2018	Swap	50,000	4.12%	June 30, 2023	FVTPL	(2,376)	(839)
April 5, 2019	Swap	80,000	3.56%	March 26, 2024	FVTPL	(1,721)	-
		$ 235,000	3.94%			$ (9,918)	$ (2,770)

The fair value of the derivative instrument is estimated using a discounted cash flow model using observable yield curves and applicable credit spreads. Total fair value expense recognized during the three and six months ended June 30, 2019 was $5,518 and $7,148, respectively. There was no fair value expense recognized during the three and six months ended June 30, 2018.

Commitments and Contingencies

Leasing Cost Reserve

On a quarterly basis, leasing costs (inclusive of leasing commissions, tenant allowances, or improvements) fluctuate, at times significantly. The REIT uses management's best estimate of leasing costs on expected lease maturities within the portfolio to calculate the leasing cost reserve used in the REIT's AFFO and ACFO calculation (see "Funds from Operations (FFO) and Adjusted Funds from Operations (AFFO)" and "Liquidity and Capital Resources" sections of this MD&A). Management currently estimates leasing costs to be approximately $0.23 per square foot per annum of the portfolio GLA based on a forward-looking five-year period. The leasing cost reserve per square foot will change from time to time as the REIT purchases and disposes of investment properties and as the forward-looking five-year period is updated.

The following table shows actual leasing costs as compared to reserved leasing costs since IPO:

Leasing Costs **('000s)**		**Period from IPO to** **December 31, 2017**	**Year ended** **December 31, 2018**	**Six months ended** **June 30, 2019**	**Since IPO**
Reserved	$	15,661	4,319	2,323	22,303
Actual	$	14,533	7,514	4,724	26,771
Excess/(deficit)	$	1,128	(3,195)	(2,401)	(4,468)

During the six months ended June 30, 2019, the REIT incurred leasing costs on several 2020 lease expirations that resulted in a deficit for the current period. The REIT believes the current estimate of $0.23 per square foot per annum to be indicative of future leasing costs.

Maintenance Capital Expenditure Reserve

The majority of the REIT's capital expenditures are incurred to sustain existing GLA and occupancy levels and are considered operational in nature. The REIT's policy is to engage third party consultants to provide building condition assessment reports ("**BCA Reports**") on each property acquired, for the purpose of assessing and documenting the existing condition of each investment property and major property operating components and systems. In addition, the REIT does its own internal analysis of expected capital expenditures using a forward-looking five-year period. The REIT then uses the information from the BCA Reports and its internal analysis to calculate a five-year weighted average maintenance capital expenditure per square foot, which is used in the REIT's AFFO and ACFO calculation (see "Funds from Operations (FFO) and Adjusted Funds from Operations (AFFO)" and "Liquidity and Capital Resources" sections of this MD&A). Management currently estimates recurring operational maintenance capital expenditures to be approximately $0.09 per square foot per annum of the portfolio GLA based on a forward-looking five-year period. The maintenance capital expenditure reserve per square foot will change from time to time as the REIT purchases and disposes of investment properties and as the forward-looking five-year period is updated. Due to capital expenditures fluctuating from period to period, at times significantly, the REIT believe the use of a reserve better reflect average annual capital expenditure spending levels for the calculation of AFFO and ACFO.

The following table shows actual maintenance capital expenditures as compared to reserved maintenance capital expenditures since IPO:

Maintenance Capital Expenditures **('000s)**		**Period from IPO to** **December 31, 2017**	**Year ended** **December 31, 2018**	**Six months ended** **June 30, 2019**	**Since IPO**
Reserved	$	4,386	1,189	741	6,316
Actual	$	2,561	1,635	3,318	7,514
Excess/(deficit)	$	1,825	(446)	(2,577)	(1,198)

During the six months ended June 30, 2019, the REIT incurred capital expenditures relating to the replacement of several roofs within the portfolio. Approximately $2,374 was related to the roof replacement at the investment property located at 6766 Pontius Road. The REIT believes the current estimate of $0.09 per square foot per annum is indicative of future capital expenditure requirements.

The REIT also incurs capital expenditures, that are not included in the reserves above, comprised of expenditures that are deemed revenue-enhancing and expenditures that are recoverable from tenants as described below.

Expenditures deemed revenue-enhancing are characterized by expansions that increase GLA, improvements that drive an increase to current and future lease revenues, or repositioning of a property that may lead to higher rental rates. For the six months ended June 30, 2019, the REIT incurred $635 of revenue-enhancing capital expenditures primarily related to an expansion at its investment property located at 2401 Midpoint Drive.

Certain expenditures are recoverable from tenants pursuant to the terms of their leases either in the year such expenditures are incurred or, in the case of a major capital expenditure item, on a straight-line basis over the expected useful life together with an imputed rate of interest. Recoverable capital expenditures may include items such as parking lot resurfacing and roof replacement.

Other Commitments and Contingencies

The REIT has a contingent obligation to expand the GLA 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 renewal options, on November 30, 2032.

The REIT has entered into a ten-year lease extension with a tenant in which the REIT has the obligation to expand the gross leasable area at its investment property located at 2401 Midpoint Drive by 105,000 square feet. Management estimates the remaining cost associated with this expansion to be approximately $6,000. Management expects the construction to be completed in the next three to five months with additional revenue from the expansion space coinciding with the completion of construction.

EQUITY

The REIT's Declaration of Trust authorizes the issuance of 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.

Class B Units, which are economically equivalent to REIT Units, are entitled to distributions per unit, from the Partnership, 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. Class B Units are puttable and, therefore, meet the definition of a financial liability under IAS 32, *Financial Instruments – Presentation,* and are accordingly classified as non-current liabilities in the consolidated statements of financial position.

On February 25, 2019, the REIT issued 10,000,000 REIT Units at a price of $13.50 per REIT Unit to a syndicate of underwriters on a bought deal basis for net cash proceeds to the REIT of approximately $128,966 (inclusive of underwriters' fees and issuance costs of $6,034).

The REIT issued 100,517 REIT Units for the redemption of DTUs and exercise of options during the six months ended June 30, 2019.

As at June 30, 2019, ownership of the REIT was as follows (excluding options, DPUs, and DTUs outstanding under the REIT's equity plans):

	REIT Units	**Class B Units**	**Total Units**	**% of Total**
Public float	45,831,613	828,712	46,660,325	79.1%
AIMCo	11,204,502	-	11,204,502	19.0%
Employees and Trustees of the REIT	41,389	1,107,481	1,148,870	1.9%
TOTAL	57,077,504	1,936,193	59,013,697	100.0%

As at June 30, 2019, ownership of the REIT on a fully diluted basis was as follows (including options, DPUs, and DTUs outstanding under the REIT's equity plans):

	REIT Units[1]	Class B Units[2]	Total Units	% of Total
Public float	45,831,613	908,451	46,740,064	76.9%
AIMCo	11,204,502	-	11,204,502	18.4%
Employees and Trustees of the REIT	1,058,668	1,797,577	2,856,245	4.7%
TOTAL	58,094,783	2,706,028	60,800,811	100.0%

[1] Assumes a cashless exercise of all in-the-money stock options and conversion of all vested and unvested DTUs granted for equivalent REIT units.

[2] Assumes conversion of all vested and unvested DPUs granted for equivalent Class B Units.

As at August 7, 2019, ownership of the REIT was as follows (excluding options, DPUs, and DTUs outstanding under the REIT's equity plans):

	REIT Units	Class B Units	Total Units	% of Total
Public float	45,831,613	828,712	46,660,325	79.1%
AIMCo	11,204,502	-	11,204,502	19.0%
Employees and Trustees of the REIT	41,389	1,107,481	1,148,870	1.9%
TOTAL	57,077,504	1,936,193	59,013,697	100.0%

As at August 7, 2019, ownership of the REIT on a fully diluted basis was as follows (including options, DPUs, and DTUs outstanding under the REIT's equity plans):

	REIT Units[1]	Class B Units[2]	Total Units	% of Total
Public float	45,831,613	908,451	46,740,064	76.9%
AIMCo	11,204,502	-	11,204,502	18.4%
Employees and Trustees of the REIT	1,070,528	1,797,577	2,868,105	4.7%
TOTAL	58,106,643	2,706,028	60,812,671	100.0%

[1] Assumes a cashless exercise of all in-the-money stock options and conversion of all vested and unvested DTUs granted for equivalent REIT units.

[2] Assumes conversion of all vested and unvested DPUs granted for equivalent Class B Units.

Deferred Unit Incentive Plan

DTUs

On April 26, 2013, the REIT authorized a deferred unit incentive plan ("**DUIP**"), as amended and restated on May 13, 2016, that provides for the granting of DTUs to trustees, officers, employees, consultants and service providers, as well as employees of such service providers. DTUs are defined as notional units with a fair value based on the REIT Units' closing price per the TSX. The maximum number of REIT Units reserved for issuance under the DUIP is 5% of the total number of REIT Units issued and outstanding from time to time. Vested DTUs may be redeemed in whole or in part for REIT Units 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 REIT Units vest on the same schedule as their corresponding DTUs and the corresponding expense is recorded as adjustments based on the fair value of the REIT Units and are reported within general and administrative expenses in the statements of net income and comprehensive income.

The REIT has granted or approved DTUs with the following vesting periods:

Vesting Type	Vesting Period	Target Payout	Dividends
Basic DTUs	Varies between one to five years	n/a	Accrue monthly
Performance DTUs	100% following three-year performance period	0% - 150%	Accrue monthly
Trustee Fee DTUs	Immediately	n/a	Accrue monthly
Trustee Match DTUs	three years; 33% per year on the anniversary date	n/a	Accrue monthly

Performance DTUs entitle certain officers and employees to receive the value of the Performance DTUs at the end of the applicable performance period, based upon the REIT achieving certain performance conditions. The target payout will be based on the REIT's relative total shareholder return performance compared to a predetermined peer group.

All members of the Board of Trustees have elected to receive their annual retainers and meeting 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.

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

	Basic DTUs	**Performance DTUs**	**Trustee DTUs [1]**	**Total DTUs**
Total as at December 31, 2017	576,838	-	158,539	735,377
Granted	131,140	52,555	48,864	232,559
Distributions	36,188	1,031	10,016	47,235
Redeemed	(44,000)	-	-	(44,000)
Total as at December 31, 2018	**700,166**	**53,586**	**217,419**	**971,171**
Granted	2,568	76,862	21,104	100,534
Distributions	18,953	1,879	6,235	27,067
Redeemed	(168,320)	-	-	(168,320)
Total as at June 30, 2019	**553,367**	**132,327**	**244,758**	**930,452**

[1] Includes Trustee fee and Trustee match DTUs.

A summary of the vested DTUs granted and the total fair value of DTUs, inclusive of vested and unvested DTUs, is set forth below:

	Basic DTUs	**Performance DTUs**	**Trustee DTUs [1]**	**Total DTUs**
Vested DTUs				
December 31, 2018	251,200	-	184,673	435,873
June 30, 2019	259,720	-	212,677	472,397
Total Fair Value				
December 31, 2018	$ 8,997	$ 707	$ 2,794	$ 12,498
June 30, 2019	$ 7,501	$ 1,236	$ 3,319	$ 12,056

[1] Includes Trustee fee and Trustee match DTUs.

Under IFRS, liabilities related to deferred compensation under the DUIP are measured at fair value as at the grant date and are remeasured at each reporting date. Total compensation expense related to DTUs for the three and six months ended June 30, 2019 was $129 and $1,908, respectively. Total compensation expense recognized for the three and six months ended June 30, 2018 and was $1,382 and $2,180, respectively. These amounts include adjustments based on the fair value of the DTUs and are reported within general and administrative expenses as at June 30, 2019 and 2018. Total compensation expense related to DTUs for the three and six months ended June 30, 2019 include $0 and $207 of accelerated expense related to severance costs, respectively.

DPUs

On July 31, 2018, the REIT authorized a subplan under the DUIP (as defined herein) that provides for the granting of DPUs to trustees, officers, and employees of the REIT. DPUs are defined as exchangeable units granted by the Partnership that are economically equivalent to a REIT Unit and are exchangeable, at the holder's option, to Class B Units or cash. Whenever cash distributions are paid to Unitholders, holders of DPU also receive a cash distribution for every outstanding DPU. DPU awards vest based on each specific award.

On July 31, 2018, in connection with the internalization of management, the REIT granted 695,542 DPUs to officers and employees of the REIT which vest 50% upon each of the fourth and fifth anniversaries of the award date. The awards are also subject to an additional lock-up period of three years after vesting.

The following table shows the change in the number of DPUs outstanding for the periods presented:

	Total DPUs
Total as at December 31, 2017	-
Granted	695,542
Total as at December 31, 2018	695,542
Granted	74,293
Total as at June 30, 2019	769,835

For the three and six months ended June 30, 2019, distributions declared on DPUs, which are included in finance costs were $141 and $274, respectively. Total distributions payable on DPUs as at June 30, 2019 and December 31, 2018 were $49 and $44, respectively. As at June 30, 2019 and December 31, 2018, 79,739 and -0- DPUs have vested, respectively.

Under IFRS, liabilities related to deferred compensation under the DUIP are measured at fair value as at the grant date and are remeasured at each reporting date. The fair value changes are recorded within general and administrative expense in the statements of net income and comprehensive income. The fair value of all outstanding DPUs as at June 30, 2019 and December 31, 2018 was $10,200 and $8,932, respectively. Total compensation expense related to DPUs for the three and six months ended June 30, 2019 was $436 and $1,997, respectively. There was no compensation expense related to DPUs for the three and six months ended June 30, 2018. The amount includes adjustments based on the fair value of the DPUs and is reported within general and administrative expenses as at June 30, 2019 and 2018. Total compensation expense related to DPUs for the three and six months ended June 30, 2019 include $0 and $846 of accelerated expense related to severance costs, respectively.

Unit Option Plan

On April 26, 2013, the REIT authorized a unit option plan, as amended and restated on May 13, 2016, (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 combined is 10% of the total number of REIT Units issued and outstanding from time to time. The maximum number of REIT Units reserved for issuance under the Plan and DUIP combined is 10% of the total number of REIT Units issued and outstanding from time to time. These options vest as to one-third on the first anniversary of the grant date, and one-third on each of the second and third anniversaries. The Plan expired on May 13, 2019 and can no longer issue new options.

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

	Number of options	Weighted average exercise price
Outstanding and Exercisable, December 31, 2017	420,000	$ 10.02
Exercised in 2018	(10,000)	10.14
Outstanding and Exercisable, December 31, 2018	410,000	$ 10.02
Exercised in 2019	(80,000)	10.14
Outstanding and Exercisable, June 30, 2019	330,000	$ 9.99

The total fair value of options granted as at June 30, 2019, December 31, 2018 and as at the grant date was $851, $862 and $327, respectively. The aggregate intrinsic value of exercisable options as at June 30, 2019 and December 31, 2018 was $1,177 and $1,160, respectively. The weighted average remaining contractual life for outstanding options and for exercisable options as at June 30, 2019 was 4.4 years

Under IFRS, liabilities related to deferred compensation under the Plan are measured at fair value as at the grant date and are remeasured at each reporting date. The fair value changes are recorded within general and administrative expense in the statements of net income and comprehensive income. Total compensation expense (income) related to the option plan for the three months and six months ended June 30, 2019 was ($63) and $274, respectively. Total compensation expense recognized for the three and six months ended June 30, 2018 and was $320 and $427, respectively.

As at June 30, 2019, fair value adjustments were determined using the Black-Scholes option pricing model with the following assumptions:

Average expected option term	2.2 years
Risk-free interest rate	1.73%
Expected volatility	14.94%
Dividend yield	5.60%

PART III

DISCLOSURE AND INTERNAL CONTROLS

No changes were made to the REIT’s internal controls over financial reporting during the three months ended June 30, 2019, that have materially affected, or are reasonably likely to materially affect, the REIT’s internal controls over financial reporting.

A control system, no matter how well conceived and operated, can provide only reasonable and not absolute assurance that the objectives of the control system are met. As a result of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues, including instances of fraud, if any, have been detected. These inherent limitations include, amongst other items: (i) that management’s assumptions and judgments could ultimately prove to be incorrect under varying conditions and circumstances; or (ii) the impact of isolated errors.

Additionally, controls may be circumvented by the unauthorized acts of individuals, by collusion of two or more people, or by management override. Because of such limitations, there is risk that material misstatements may not be prevented or detected on a timely basis by disclosure controls and procedures and internal controls over financial reporting. However, these inherent limitations are known features of the disclosure and financial reporting process. Therefore, it is possible to design into the process safeguards to reduce, though not eliminate, this risk. The design of any system of controls is also based, in part, upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential (future) conditions.

RISK FACTORS

The REIT faces a variety of significant and diverse risks, many of which are inherent in the business conducted by the REIT, the Partnership and the tenants of the REIT's properties. Described below are certain risks, supplementing and, in some cases, updating certain risks disclosed in the REIT's MD&A for the year ended December 31, 2018, that could materially affect the REIT and the value of the Units. Other risks and uncertainties that the REIT does not presently consider to be material, or of which the REIT is not presently aware, may become important factors that affect the REIT's future financial condition and results of operations. The occurrence of any of the risks discussed below could materially and adversely affect the business, prospects, financial condition, results of operations, cash flow, and the ability of the REIT to make cash distributions to Unitholders or value of the Units.

Risks Relating to the REIT and its Business

Tenant Concentration

The REIT derives approximately 32.4% of its annualized in-place base rental revenue from its ten largest tenants. Consequently, revenues are dependent on the ability of those tenants to meet rent obligations and the REIT's ability to collect rent from them. General Mills Operations, LLC is the REIT's largest tenant by GLA and percentage of annualized base rent occupying 7.3% of total portfolio GLA and accounting for 4.4% of the total portfolio's annualized base rent. Unilever Home & Personal Care is the second largest tenant by GLA, occupying 6.1% of total portfolio GLA and accounting for 4.1% of the total portfolio's annualized base rent. Amazon.com is the REIT's third largest tenant by GLA, occupying 4.5% of total portfolio GLA and accounting for 3.7% of the total portfolio's annualized base rent. Keystone Automotive is the REIT's fourth largest tenant by GLA, occupying 3.6% of total portfolio GLA and accounting for 3.5% of the total portfolio's annualized base rent. Early termination options are held by 8 tenants of the properties with each including specified one-time termination fees payable to the REIT. In total, early termination options represent 5.3% of the total GLA or 7.0% of the 2019 annualized base rent of the properties, with option expirations at various times from 2019 through 2026. If such tenants default on or cease to satisfy their payment obligations, or if tenants exercise their early termination options, there could be an adverse impact on the REIT's financial condition and results of operations and decrease the amount of cash available for distribution.

Occupancy by Tenants

Although certain, but not all, leases contain a provision requiring tenants to maintain continuous occupancy of leased premises, there can be no assurance that such tenants will continue to occupy such premises. Certain tenants have a right to terminate their leases upon payment of a penalty, but others are not required to pay any penalty associated with an early termination. There can be no assurance that tenants will continue their activities and continue occupancy of the premises. Any cessation of occupancy by tenants may have an adverse effect on the REIT and could adversely impact the REIT's financial condition and results of operations and decrease the amount of cash available for distribution to Unitholders.

Approximately 62.0% of GLA of the REIT's portfolio of properties is comprised of single-tenant properties. The largest five such tenants represent approximately 19.9% of contractual base rent of the portfolio as at June 30, 2019.

In the event that such tenants were to terminate their tenancies or become insolvent, the REIT's financial results could be materially adversely affected. Until the REIT is in a position to acquire more assets and further diversify its tenant base, the REIT will take certain steps to mitigate any credit risk by closely monitoring its tenants' compliance with the terms of their respective leases and to report any issues as soon as they are identified.

Financing and Interest Rate Risk

The REIT's outstanding indebtedness as at June 30, 2019 was $625,499, excluding mark-to-market adjustments and financing costs. Although a portion of the cash flow generated by the REIT's properties are devoted to servicing such debt, there can be no assurance that the REIT will continue to generate sufficient cash flow from operations to meet required interest and principal payments. If the REIT is unable to meet interest or principal payments, it could be required to seek renegotiation of such payments or obtain additional equity, debt or other financing. The failure of the REIT to make or renegotiate interest or principal payments or obtain additional equity, debt or other financing could adversely impact the

REIT's financial condition, liquidity and results of operations and decrease the amount of cash available for distribution to Unitholders. If the REIT defaults under a mortgage loan, it may lose the properties securing such loan.

The REIT is subject to the risks associated with debt financing, including the risk that the mortgages and banking facilities secured by the REIT's properties will not be able to be refinanced or that the terms of such refinancing will not be as favourable as the terms of existing indebtedness, which may reduce FFO, AFFO and ACFO.

Management intends to utilize variable rate debt in certain circumstances. Such variable rate debt will result in fluctuations in the REIT's cost of borrowing as interest rates change. To the extent that interest rates rise, the REIT's operating results and financial condition could be adversely affected and decrease the amount of cash available for distribution.

The REIT's credit facilities also contain covenants that require it to maintain certain financial ratios on a consolidated basis. If the REIT does not maintain such ratios, its ability to make distributions will be limited.

As at June 30, 2019, existing mortgages secured by the REIT's properties mature between March 2020 and October 2024. To the extent that the REIT incurs variable rate indebtedness, such indebtedness will result in fluctuations in the REIT's cost of borrowing as interest rates change. To the extent that interest rates rise, the REIT's operating results and financial condition could be adversely affected and decrease the amount of cash available for distribution.

Direct and Indirect Ownership of Units by AIMCo

AIMCo, as at August 7, 2019, owns an approximate 19.0% interest in the REIT through its ownership of Units (assuming all Class B Units are redeemed for REIT Units but otherwise on a non-diluted basis). AIMCo, as a result of their voting interest in the REIT, may be able to exert significant influence over matters that are to be determined by votes of the Unitholders of the REIT.

Accordingly, the Units may be less liquid and trade at a relative discount compared to such Units in circumstances where AIMCo has the ability to influence or determine matters affecting the REIT.

Subject to compliance with applicable securities laws, AIMCo may sell some or all of its Units, in the future. No prediction can be made as to the effect, if any, such future sale or transfer of Units could have on the market price of the Units prevailing from time to time. However, the future sale of a substantial number of Units by AIMCo, or the perception that such sale could occur, could adversely affect prevailing market prices for the Units.

Joint Ventures

From time to time, the REIT may be a participant in joint ventures. A joint venture involves certain additional risks, including: (i) the possibility that co-venturers may at any time have economic or business interests or goals that will be inconsistent with the REIT's or take actions contrary to the REIT's instructions or requests or to the REIT's policies or objectives with respect to the investment; (ii) the co-venturer may hold a majority interest or otherwise under the terms of the joint venture have control over all of the day to day and fundamental decisions relating to an investment, including the ability to impose contribution requirements on its co-venturers; (iii) the risk that such co-venturers could experience financial difficulties or seek the protection of bankruptcy, insolvency or other laws, which could result in additional financial demands to maintain and operate such investments or repay the co-venturers' share of debt guaranteed by the REIT or for which the REIT will be liable and/or result in the REIT suffering or incurring delays, expenses and other problems associated with obtaining court approval of joint venture decisions; (iv) the risk that such co-venturers may, through their activities on behalf of or in the name of the ventures, expose or subject the REIT to liability; (v) the need to obtain co-venturers' consents with respect to certain major decisions or inability to have any decision making authority, including the decision to distribute cash generated from such investment or to sell an investment, and (vi) the risk that co-venturers may disagree over the interpretation of the terms of the joint venture agreement.

In addition, the sale or transfer of interests in joint ventures may be subject to certain requirements, such as rights of first refusal, rights of first offer or drag-along rights, and joint venture agreements may provide for buy-sell or similar arrangements. Such rights may inhibit the REIT's ability to sell an interest in an investment or a joint venture within the time frame or otherwise on the basis the REIT desires. Additionally, drag-along rights may be triggered at a time when the

REIT may not want to sell its interest in an investment, but the REIT may be forced to do so at a time when it would not otherwise be in the REIT's best interest.

Geographic Concentration

The REIT's properties are located in the U.S., in the states of California, Florida, Georgia, Illinois, Indiana, Kansas, Kentucky, Michigan, Minnesota, Nevada, Ohio, Oregon, Pennsylvania, Tennessee, Texas, and Wisconsin. Approximately 15.4%, 12.7%, and 12.1% of the REIT's NOI for the three months ended June 30, 2019 is derived from properties located in Minnesota, Illinois, and Georgia, respectively. As a result, the REIT's performance is sensitive to economic condition and regulatory changes in Minnesota, Illinois, and Georgia. Adverse changes in the economic condition or regulatory environment of Minnesota, Illinois, and Georgia may have a material adverse effect on the REIT's business, cash flow, financial condition and results of operations and ability to make distributions to Unitholders.

PART V

SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES, AND ASSUMPTIONS

A summary of significant accounting policies, including significant judgments and critical accounting estimates made by management of the REIT, is described in note 2 of the REIT's audited consolidated financial statements for the year ended December 31, 2018 and in the REIT's MD&A for the year ended December 31, 2018. Other than as noted below, there were no changes in significant accounting judgements, estimates and assumptions during the three months ended June 30, 2019.

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

Fair value of investment properties

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

	June 30, 2019	December 31, 2018
Weighted average terminal capitalization rate	6.27%	6.46%
Range of terminal capitalization rates	5.00% - 9.00%	5.25% - 9.00%
Weighted average discount rate	6.90%	7.09%
Range of discount rates	5.69% - 9.08%	6.00% - 9.19%

The fair value of investment properties is most sensitive to changes in the key valuation assumptions. 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 June 30, 2019:

		June 30, 2019
Weighted average terminal capitalization rate:		
25-basis points increase	$	(32,693)
25-basis points decrease	$	35,505
Weighted average discount rate:		
25-basis points increase	$	(26,140)
25-basis points decrease	$	26,774

Changes in Accounting Policies

The condensed consolidated interim financial statements are based upon the same accounting policies as the audited consolidated financial statements as at and for the three months ended December 31, 2018, with the exception of the accounting standards implemented in 2019. Please refer to note 2 of the REIT's audited consolidated financial statements for the year ended December 31, 2018 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 16, Leases

The REIT adopted the new requirements for IFRS 16, *Leases*, using the modified retrospective method effective January 1, 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognized at the date of initial application. The new standard replaces the existing lease guidance in IAS 17, *Leases* and related interpretations and requires lessees to bring most leases onto the consolidated statement of financial position. Lessor accounting is substantially unchanged under IFRS 16 and leases with tenants are to be accounted for as operating leases in a consistent manner to the current accounting treatment.

At transition, for leases classified as operating leases under IAS 17, lease liabilities were measured at the present value of the remaining lease payments, discounted at the REIT's incremental borrowing rate. The REIT elected to measure its right-of-use assets at an amount equal to the lease liability, adjusted for any prepaid or accrued lease payments, in addition to a number of practical expedients. As at January 1, 2019, the REIT recognized lease liabilities of $3,336 recorded as a lease liability and right of-use assets of $3,336 recorded on its consolidated statement of financial position. The nature and timing of the related expenses will change as IFRS 16 replaces the straight-line operating lease expense with a depreciation charge for right-of-use assets and interest expense on lease liabilities.

(ii) IFRIC Interpretation 23, Uncertainty over Income Tax Treatments

The REIT adopted the new requirement for IFRS Interpretation Committee ("IFRIC") Interpretation 23 Uncertainty over Income Tax Treatments (the "Interpretation"), effective January 1, 2019. The Interpretation provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. The Interpretation requires: a) the REIT to contemplate whether uncertain tax treatments should be considered separately, or together as a group, based on which approach provides better predictions of the resolution; b) determine if it is probable that the tax authorities will accept the uncertain tax treatment and c) if it is not probable that the uncertain tax treatment will be accepted, measure the tax uncertainty based on the most likely amount or expected value, depending on whichever method better predicts the resolution of the uncertainty.