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

WPT INDUSTRIAL REAL ESTATE INVESTMENT TRUST

For the three and six months ended June 30, 2019 and 2018

(Unaudited)

WPT INDUSTRIAL REAL ESTATE INVESTMENT TRUST

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

		June 30, 2019		December 31, 2018
Assets				
Non-current assets:				
Investment properties (note 5)	$	1,390,441	$	1,117,672
Intangible assets and goodwill (note 7)		21,461		22,721
Investment in equity accounted joint venture		2,691		-
Right-of-use asset (note 5)		-		3,336
Other non-current assets		50		88
		1,414,643		1,143,817
Current assets:				
Amounts receivable (note 8)		3,121		2,573
Prepaid expenses		1,242		1,271
Restricted cash		974		849
Cash and cash equivalents		13,770		8,245
		19,107		12,938
Total assets	$	1,433,750	$	1,156,755
Liabilities and Unitholders' Equity				
Non-current liabilities:				
Mortgages payable (note 11)		258,298		312,097
Bank indebtedness (note 11)		309,075		174,284
Class B Units (note 12)		25,655		25,422
Derivative instruments (note 11)		9,918		2,770
Deferred tax liability, net (note 10)		3,045		3,680
Lease liability (note 5)		-		3,336
Security deposits		2,454		1,534
		608,445		523,123
Current liabilities:				
Mortgages payable (note 11)		55,762		32,072
Amounts payable and accrued liabilities (note 9)		31,327		24,156
Distributions payable (note 14)		3,613		2,971
		90,702		59,199
Total liabilities		699,147		582,322
Total unitholders' equity		734,603		574,433
Commitments and contingencies (note 23)				
Total liabilities and unitholders' equity	$	1,433,750	$	1,156,755

See accompanying notes to condensed consolidated interim financial statements.

WPT INDUSTRIAL REAL ESTATE INVESTMENT TRUST

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

	Three months ended June 30, 2019	Three months ended June 30, 2018	Six months ended June 30, 2019	Six months ended June 30, 2018
Investment properties revenue (note 16)	$ 28,714	$ 22,344	$ 53,912	$ 44,882
Management fee revenue (note 17)	358	-	849	-
	29,072	22,344	54,761	44,882
Expenses (income):				
Investment properties operating expenses	2,975	2,224	22,354	18,995
Fair value adjustment to investment properties (note 5)	(32,817)	(7,235)	(39,257)	(6,165)
Fair value adjustment to investment properties – IFRIC 21 (note 5)	4,575	3,529	(7,747)	(7,106)
General and administrative (note 18)	2,382	2,765	8,409	4,785
Amortization of intangible assets (note 7)	630	-	1,260	-
Fair value adjustment to Class B Units (notes 12, 20)	(1,303)	3,359	814	4,226
Fair value adjustment to derivative instruments (notes 11, 20)	5,518	-	7,148	-
Finance costs (note 20)	6,731	5,048	12,138	9,735
Net income and comprehensive income before income taxes	40,381	12,654	49,642	20,412
Deferred income tax recovery (note 10)	(289)	-	(635)	-
Net income and comprehensive income	$ 40,670	$ 12,654	$ 50,277	$ 20,412

See accompanying notes to condensed consolidated interim financial statements.

WPT INDUSTRIAL REAL ESTATE INVESTMENT TRUST

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

	# of REIT Units	Trust Equity	Distributions	Accumulated Income	Unitholders' Equity
Balance, December 31, 2017 (note 14)	44,545,772	$ 470,204	$ (81,455)	$ 137,928	$ 526,677
Net income and comprehensive income	-	-	-	20,412	20,412
Distributions declared (note 14)	-	-	(16,918)	-	(16,918)
Balance, June 30, 2018	44,545,772	$ 470,204	$ (98,373)	$ 158,340	$ 530,171
Balance, December 31, 2018 (note 14)	46,934,808	$ 501,750	$ (115,891)	$ 188,574	$ 574,433
REIT Units issued, net of issuance costs (note 14)	10,000,000	128,948	-	-	128,948
DTUs redeemed for REIT Units (note 14)	89,920	1,234	-	-	1,234
Redemption of Class B Units for REIT Units (notes 14)	42,179	581	-	-	581
REIT Units issued due to exercise of stock options (note 14)	10,597	145	-	-	145
Net income and comprehensive income	-	-	-	50,277	50,277
Distributions declared (note 14)	-	-	(21,015)	-	(21,015)
Balance, June 30, 2019 (note 14)	57,077,504	$ 632,658	$ (136,906)	$ 238,851	$ 734,603

See accompanying notes to condensed consolidated interim financial statements.

WPT INDUSTRIAL REAL ESTATE INVESTMENT TRUST

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

	Six months ended June 30, 2019	2018
Cash flows from operating activities:		
Net income	$ 50,277	$ 20,412
Finance costs (note 20)	20,100	13,961
Non-cash items:		
Amortization of straight-line rent	(3,054)	(480)
Property tax liability under IFRIC 21	7,747	7,106
Fair value adjustment to investment properties – IFRIC 21 (note 5)	(7,747)	(7,106)
Fair value adjustment to investment properties (note 5)	(39,257)	(6,165)
Deferred compensation expense (note 13)	3,105	1,156
Fair value adjustment on deferred compensation (note 18)	1,075	1,451
Amortization of intangible assets (note 7)	1,260	-
Deferred income tax recovery (note 10)	(635)	-
Amortization of lease incentives (note 5)	876	771
Change in non-cash working capital (note 27)	(715)	1,193
Cash flows provided by operating activities	33,032	32,299
Cash flows from financing activities:		
Repayment of mortgages payable	(30,086)	(1,767)
Repayment of bank indebtedness	(105,000)	(86,000)
Proceeds from bank indebtedness	240,500	116,500
Financing costs incurred	(997)	(1,686)
Proceeds from issuance of REIT Units, net of issuance costs (note 14)	128,948	-
Distributions paid	(20,373)	(16,918)
Interest paid	(11,242)	(9,523)
Cash flows provided by financing activities	201,750	606
Cash flows from investing activities:		
Acquisitions of investment properties	(223,014)	(28,868)
Investment in joint venture (note 6)	(2,641)	-
Proceeds from disposition of investment properties (note 4)	4,174	-
Additions to investment properties, including lease incentives	(7,776)	(3,235)
Cash flows used in investing activities	(229,257)	(32,103)
Increase in cash and cash equivalents	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

See accompanying notes to condensed consolidated interim financial statements.

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

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

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

As at June 30, 2019, the REIT owned a portfolio of investment properties comprised of 68 industrial properties, one office property, and two industrial property through an equity accounted joint venture located in 17 states in the U.S. and is the developer and manager of seven industrial properties.

1. Basis of presentation:

(a) Statement of compliance:

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

These condensed consolidated interim financial statements were approved by the board of trustees of the REIT (the "Board of Trustees") on August 7, 2019.

The condensed consolidated interim financial statements do not include all information required for full annual financial statements and should be read in conjunction with the REIT's unaudited condensed consolidated interim financial statements for the three and six months ended June 30, 2018 and the REIT's audited consolidated financial statements for the year ended December 31, 2018, which have been prepared in accordance with International Financial Reporting Standards ("IFRS").

(b) Basis of measurement:

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

(c) Basis of consolidation:

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

2. Significant accounting policies:

The condensed consolidated interim financial statements follow the same accounting policies as the audited consolidated financial statements as at and for the year ended December 31, 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 in 2019 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 full retrospective method effective January 1, 2018. 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 condensed 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, 2018, the REIT recognized lease liabilities of $3,336 recorded as a lease liability and right of-use asset of $3,336 recorded on its condensed 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.

At the commence date of a lease the REIT will recognize a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. Certain right-of-use assets related to land leases meet the definition of investment property under IAS 40, *Investment Property;* therefore, the fair value model is applied to those assets.

Interest expense on the lease liability and the fair value gain (loss) on the right-of-use asset is recognized separately. The REIT applies the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option and lease contracts for which the underlying asset is of low value.

(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 with no impact to the interim condensed consolidated financial statement. 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.

3. Acquisitions:

Prior year business combination:

On July 31, 2018, the REIT (through its wholly owned subsidiaries) internalized management (the “Internalization”) and acquired 100% of the membership interests of WPT Capital Advisors, LLC (“WPT Capital”), a related party, through the issuance of separate share purchase agreements with Alberta Investment Management Corporation and affiliates (“AIMCo”), a related party, and the principals of WPT Capital (the “Acquisition”) (collectively, the (“Transaction”)). Concurrently with the Transaction, all of the executives and other employees of WPT Capital became employees of the REIT or its subsidiaries (see note 15).

The aggregate consideration to WPT Capital included (i) 728,237 Class B Units valued at $10,000 and (ii) $16,811 in cash consideration. The components of the purchase price were made up of $20,000 related to the private capital business of WPT Capital and $6,811 related to the internalization of management, which was based on internalization provisions in the asset management and property management agreements (the “Management Agreements”) and equaled the fees paid to WPT Capital over the preceding twelve months. The principals of WPT Capital received all of the Class B Units and AIMCo received all of its consideration in cash. The

Class B Units are subject to lock-up provisions providing for a release of 1/3 of the units annually beginning on the third anniversary of the Acquisition.

In conjunction with the Internalization, the REIT awarded $9,800 of deferred equity compensation to certain employees 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 awards are considered remuneration for post-internalization services and will be recorded as they are expensed over the related vesting period as accounted for under IFRS 2. See note 13 for further detail.

The REIT acquired two assets: (i) management contracts related to investment properties held by AIMCo and certain members of REIT's management team (the "AIMCo Venture Management Contracts") and (ii) management contracts related to a private capital venture (the "Venture") formed by WPT Capital with Canada Pension Plan Investment Board ("CPPIB"), AIMCo, and the REIT as investors/limited partners ("the "Venture Management Contracts") (see note 7). Each asset is identified as an intangible asset. The REIT also acquired assets and assumed liabilities of working capital totaling ($139) from WPT Capital.

The REIT, through a wholly owned TRS subsidiary, recorded a deferred tax liability totaling $4,286 as a result of the acquired intangible assets, noted above, having a higher financial statement carrying value than the respective income tax basis. As a result of the deferred tax liability, the REIT recorded goodwill totaling $4,286.

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

The Acquisition has been recognized as a business combination, in accordance with IFRS 3, *Business Combinations*, with transaction costs of $8,560, including the $6,811 related to the Internalization, expensed during the year ended December 31, 2018. The REIT has recorded all identifiable assets acquired which were measured at best estimates of the respective fair values on July 31, 2018. The amounts are as follows:

		Total
Assets acquired:		
Intangible assets:		
Venture Management Contracts	$	15,804
AIMCo Venture Management Contracts		4,196
Goodwill		4,286
		24,286
Deferred tax liability		(4,286)
Amounts receivable		708
Prepaid expenses		53
Other non-current assets		10
Amounts payable and accrued liabilities		(910)
		(139)
Net assets acquired	$	19,861
Consideration given by the REIT consists of the following:		
Cash consideration, net of working capital		9,861
Class B Units		10,000
Total consideration	$	19,861

In accordance with IFRS 3, the REIT is required to disclose on a pro forma basis, the REIT's results for the year-to-date incorporating the effect of the acquisition as if it had been effective January 1, 2018. The AIMCo Venture Management Contracts generated fee revenue of $472 for the period from January 1, 2018 through the acquisition date. It is impracticable to determine net income for the contracts as WPT Capital provided a number of services and did not allocate costs to each revenue stream. Management noted that the Venture Management Contracts commenced in conjunction with the Transaction date and there is no reportable fee revenue or net income for the period from January 1, 2018 through the date of acquisition.

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

<u>Asset acquisitions:</u>

Infill Logistics Portfolio

On April 5, 2019, the REIT acquired a portfolio of 13 industrial buildings and three land parcels located in multiple markets across the U.S. (the "Infill Logistics Portfolio") for a purchase price of $226,000 (exclusive of closing and transaction costs). The purchase price was satisfied with funds from Term Loan I (as defined in note 11), Term Loan II (as defined in note 11), the unsecured revolving credit facility and cash on hand.

The assets acquired, and liabilities assumed in these transactions occurring during the six months ended June 30, 2019 were allocated as follows:

	Infill Logistics Portfolio
Investment properties[1]	$ 225,836
Amounts receivable	73
Prepaid expenses	293
Amounts payable and accrued liabilities	(2,172)
Security deposits	(893)
Prepaid rent	(123)
Net assets acquired	223,014
Consideration given by the REIT consists of the following:	
Cash	223,014
Total consideration	$ 223,014

[1] Includes total closing and transaction costs of $506 and an IFRIC 21 liability of $1,756 assumed on acquisition that is offset by an equal adjustment to investment property.

<u>Prior year asset acquisitions:</u>

St. Paul Property

On June 20, 2018, the REIT acquired from a third party, an investment property located in St. Paul, MN (the "St. Paul Property") for a purchase price of $8,300 (exclusive of closing and transaction costs). The purchase price was satisfied with funds from the senior secured revolving credit facility.

Rogers Property

On June 29, 2018, the REIT acquired from a third party, an investment property located in Rogers, MN (the "Rogers Property") for a purchase price of $20,425 (exclusive of closing and transaction costs). The purchase price was satisfied with funds from the unsecured revolving credit facility.

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

Louisville Property

On September 28, 2018, the REIT acquired from AIMCo and certain members of REIT's management team, an investment property located in Louisville, KY (the "Louisville Property") for a purchase price of $17,860 (exclusive of closing and transaction costs). The purchase price was satisfied with funds from the unsecured revolving credit facility. See additional disclosures in note 15.

Franklin Park Property

On November 6, 2018, the REIT acquired from a third party, an investment property located in Franklin Park, Illinois (the "Franklin Park Property") for a purchase price of $26,800 (exclusive of closing and transaction costs). The purchase price was satisfied with funds from the unsecured revolving credit facility.

The assets acquired, and liabilities assumed in these transactions occurring in 2018 were allocated as follows:

	St. Paul Property	Rogers Property	Louisville Property	Franklin Park Property	Total
Investment properties[1]	$ 8,550	$ 20,690	$ 17,911	$ 26,828	$ 73,979
Amounts receivable	10	-	-	-	10
Prepaid expenses	-	-	-	193	193
Amounts payable and accrued liabilities	(30)	(4)	(940)	(293)	(1,267)
Security deposits	-	-	(200)	-	(200)
Prepaid rent	-	(317)	(8)	-	(325)
Net assets acquired	$ 8,530	$ 20,369	$ 16,763	26,728	$ 72,390
Consideration given by the REIT consists of the following:					
Cash	8,530	20,369	16,763	26,728	72,390
Total consideration	$ 8,530	$ 20,369	$ 16,763	$ 26,728	$ 72,390

[1] Includes total closing and transaction costs of $594 and an IFRIC 21 liability of $511 assumed on acquisition that is offset by an equal adjustment to investment property.

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

4. Asset dispositions:

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

5. Investment properties:

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

	Six months ended June 30, 2019	Year ended December 31, 2018
Balance, beginning of period	$ 1,117,672	$ 1,009,582
Investment property acquisitions	225,836	73,979
Investment property disposition	(4,301)	-
Additions to investment properties, including lease incentives	9,799	10,331
Amortization of straight-line rent	3,054	1,102
Amortization of lease incentives	(876)	(1,602)
Fair value adjustment to investment properties	39,257	24,280
	$ 1,390,441	$ 1,117,672
Property tax liability under IFRIC 21	7,747	(511)
Fair value adjustment to investment properties – IFRIC 21	(7,747)	511
	$ 1,390,441	$ 1,117,672

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

Investment properties include the current fair value of the land, building, improvements to the investment property, all direct leasing costs incurred in obtaining and retaining property tenants and investment properties under development. Management reviews the fair value of the investment properties regularly using independent property valuations and market conditions existing at the reporting date, which are generally accepted market practices. Judgment is also applied in determining the extent and frequency of independent third party appraisals. The REIT determines the fair value of an investment property at the end of each reporting period using a combination of the following methods: (i) an internal valuation using the discounted cash flow model, which discounts the expected future cash flows, including a terminal value, based on the application of a terminal capitalization rate to the assumed final year's estimated cash flows, and reviewing the key assumptions from previous and current appraisals and updating the value for changes in the property cash flow, physical condition and changes in market conditions, and (ii) appraisals by an independent third party, according to professional appraisal standards and IFRS. Refer to note 24 for the fair value hierarchy of investment properties measured at fair value in the consolidated statements of financial position.

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

Management obtains an independent third party appraisal for each investment property contained within the portfolio at the time of acquisition. Additionally, the REIT obtains independent third party appraisals for existing investment properties on a three-year rotation, such that approximately one-third of the portfolio is appraised annually.

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

	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 discount and terminal capitalization rates. Changes in the terminal capitalization rates and discount rates would result in a change to the fair value of the REIT’s investment properties as set out below as at June 30, 2019:

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

Right-of-use asset
The REIT had a non-cancellable ground lease for land related to one of its investment properties. Annual payments under the lease were approximately $100 through May 31, 2023. Annual

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

payments thereafter are adjusted based on changes in the consumer price index until expiration in 2073. On May 23, 2019, the REIT sold the investment property (note 4).

As at June 30, 2019 and December 31, 2018, the right-of-use asset and the ground lease liability are valued at $0 and 3,336, respectively.

6. Equity Accounted Joint Venture

The REIT has an equity method accounted investment in a joint venture. The REIT's ownership interest in each equity investee is as follows:

Equity Investee	Principal Activity	June 30, 2019	December 31, 2018
WPT Industrial Venture I LP	Develop or acquire and reposition and own industrial properties.	10%	10%

The joint venture is a joint arrangement, whereby the parties that have joint control and have rights to the net assets of the joint venture. Joint ventures are included in the REIT's financial statements as investments using the equity method, whereby the investment is initially recognized at cost and adjusted thereafter for the post-acquisition change in the net assets. The REIT's share of joint venture profit or loss is included in the statements of net income and comprehensive income.

The Venture did not incur any net income (loss) and comprehensive income (loss) for the three and six months ended June 30, 2019 and 2018. The following table present the financial results of the REIT's equity-accounted investment at 100% and the REIT's ownership interest are set out below:

	June 30, 2019	December 31, 2018
Current assets	$ 1,364	$ -
Non-current assets	40,410	500
Current liabilities	(1,166)	-
Non-current liabilities	(14,201)	-
Net assets	$ 26,407	$ 500
Equity-accounted investment in joint venture	$ 2,641	$ 50

The REIT, through one of its subsidiaries, is the non-recourse carve out and completion guarantor on a construction loan within WPT Industrial Venture I LP, in which the REIT performs asset management, property management and development duties. As at June 30, 2019 and December 31, 2018, the construction loan had an outstanding balance of $14,791 and $0. The REIT has been indemnified by the limited partners of WPT Industrial Venture I, LP based on the equity contributed to the project.

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

7. Intangible assets and goodwill:

Intangible assets consist of the following:

	June 30, 2019	December 31, 2018
Management contracts	$ 17,175	$ 18,435
Goodwill	4,286	4,286
	$ 21,461	$ 22,721

As part of the Transaction, the REIT recorded a deferred tax liability (note 3) related to the difference between the financial statement carrying value and respective income tax basis of the acquired intangible assets. As such, the REIT recorded goodwill to the extent of the tax liability recorded.

Management contracts consist of the AIMCo Venture Management Contracts and the Venture Management Contracts (see note 3). The reconciliation of the management contracts carrying value for the following periods is set out below:

	AIMCo Venture Management Contracts	Venture Management Contracts	Total Intangible Assets
Balance, as at December 31, 2017	$ -	$ -	$ -
Acquisition of management contracts	4,196	15,804	20,000
Amortization	(907)	(658)	(1,565)
Balance, as at December 31, 2018	$ 3,289	$ 15,146	$ 18,435
Amortization	(470)	(790)	(1,260)
Balance, as at June 30, 2019	$ 2,819	$ 14,356	$ 17,175

8. Amounts receivable:

Receivables are recorded at their estimated net realizable value and are periodically evaluated for collectability based on the recovery experience of the REIT and the creditworthiness of the tenants.

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

Amounts receivable are as follows:

	June 30, 2019	December 31, 2018
Tenant receivables	$ 2,680	$ 2,029
Other receivables	441	544
	$ 3,121	$ 2,573

The carrying value of amounts receivable approximates fair value.

9. Amounts payable and accrued liabilities:

Amounts payable and accrued liabilities consist of the following:

	June 30, 2019	December 31, 2018
Deferred compensation (see note 13)	$ 12,434	$ 10,849
Accrued liabilities and other payables	8,933	4,924
Accrued real estate taxes	4,478	3,796
Rent received in advance	2,525	2,700
Accrued interest	1,906	1,276
Trade payables	575	317
Unearned revenue	476	294
	$ 31,327	$ 24,156

10. Income Taxes:

The REIT is taxed as “mutual fund trust” under the Income Tax Act (Canada). Pursuant to the Declaration of Trust and subjected to the specified investment flow-through (“SIFT”) rules, the Trustees intend to distribute or designate all taxable income to the Unitholders of the REIT and to deduct such distributions and designations for Canadian income tax purposes.

The REIT’s TRS is subject to taxation in the U.S on the taxable income earned at an estimated combined federal and state statutory tax rate of 28.7% during 2019 and 2018. Deferred income tax recovery recorded for the three and six months ended June 30, 2019 were $289 and $635, respectively. There was no deferred income tax recovery in 2018.

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

As part of the Transaction (see note 3), the REIT recorded a deferred tax liability totaling $4,286 as a result of the acquired intangible assets having a higher financial statement carrying value than the respective income tax basis.

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities are as follows:

	June 30, 2019		December 31, 2018	
Deferred tax asset:				
Legal expenses	$	171	$	180
Net operating loss		348		17
Deferred tax asset	$	519	$	197
Deferred tax liabilities:				
Acquired intangible assets book vs. tax basis	$	3,564	$	3,877
Deferred tax liability		3,564		3,877
Deferred tax liability, net	$	3,045	$	3,680

The reconciliation for deferred tax assets and liability for the periods presented are as follows:

As at December 31, 2017	$	-
Deferred tax liability assumed		4,286
Change in deferred tax liability		(409)
Change in deferred tax assets		(197)
As at December 31, 2018	$	3,680
Change in deferred tax liability		(313)
Change in deferred tax assets		(322)
As at June 30, 2019	$	3,045

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

11. Debt

Debt consists of the following:

	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:

Mortgages payable consist of the following:

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

Mortgages payable that are due and payable within 12 months after the date of the consolidated statements of financial position presented, including scheduled principal payments on mortgages payable, are classified as current liabilities. Mortgages payable are collateralized by investment properties with a fair value of $688,000 and $712,350 as at June 30, 2019 and December 31, 2018, respectively. 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% as at June 30, 2019 and December 31, 2018. Maturity dates range from 2020 – 2024 as at June 30, 2019. The weighted average term to maturity on mortgages payable was 2.8 years and 3.0 years as at June 30, 2019 and December 31, 2018, respectively.

On August 29, 2018, the REIT refinanced an existing fixed rate mortgage payable in the amount of $17,808, with proceeds from a new, five-year, $30,000 interest-only mortgage payable bearing a variable rate equal to one-month LIBOR plus a margin of 133 basis points. The REIT used the excess proceeds of $12,224 and cash on hand to repay a maturing fixed rate mortgage with an outstanding balance of $12,511. The REIT incurred financing costs $331, which are being amortized using the effective interest rate method over the remaining term. On October 8, 2018 the REIT entered into an agreement to economically fix the interest rate using an interest rate swap at LIBOR of 3.00%, for a total fixed rate equal to 4.33%.

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

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 thereby increasing the availability on the unsecured revolving credit facility.

Future contractual cash flows of mortgages payable principal and interest are as follows as at June 30, 2019:

	Principal Payments	Interest Payments[1]	Total Payments
2019	$ 1,986	$ 5,909	$ 7,895
2020	87,723	10,137	97,860
2021	73,676	8,239	81,915
2022	26,426	5,249	31,675
2023	83,185	2,747	85,932
2024	41,003	1,158	42,161
	$ 313,999	$ 33,439	$ 347,438

[1] Includes interest from a variable rate mortgage which is fixed using an interest rate swap.

The REIT's mortgages payable contain customary representations, warranties, and events of default, which require the REIT to comply with affirmative and negative covenants. These covenants include (a) net worth thresholds, (b) senior debt service coverage ratios, (c) total indebtedness to gross book value ratios, and (d) liquid asset thresholds. As at June 30, 2019 and December 31, 2018, the REIT was in compliance with all covenants of its mortgages payable.

Bank indebtedness:
Bank indebtedness consists of the following:

	June 30, 2019	December 31, 2018
Unsecured revolving credit facility	$ 106,500	$ 101,000
Term Loan I	125,000	75,000
Term Loan II	80,000	-
Financing costs, net	(2,425)	(1,716)
Carrying value	$ 309,075	$ 174,284

On June 26, 2018, the REIT entered into a $300,000 unsecured credit facility (the “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 unsecured delayed draw term loan has a 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 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 (“Secured Revolving 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 a new delayed draw term loan (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 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).

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,Term Loan I and Term Loan II’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 rate on the unsecured revolving credit facility, Term Loan I, and Term Loan II was 3.76%, 3.71%, and 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. The Credit Facility is subject to certain guarantees by the REIT and its related subsidiaries.

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.

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

Availability on the Credit Facility was $396,811 as at June 30, 2019, of which the REIT had drawn $311,500, leaving remaining availability of $85,311.

The REIT's Credit Facility contains customary representations, warranties, and events of default, which require the REIT to comply with certain covenants. The REIT was in compliance with all covenants as at June 30, 2019 and December 31, 2018. See note 25 for further discussion on financial covenants.

Derivative instruments – Interest rate swap:
On August 28, 2018, the REIT entered into an agreement to economically fix the interest rate for $75,000 of Term Loan I using an interest rate swap at LIBOR of 2.78% plus an applicable margin based on leverage.

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%

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

On April 5, 2019 the REIT entered into an agreement to economically fix the interest rate for Term Loan II totaling $80,000 using an interest rate swap at LIBOR of 2.26% plus an applicable margin based on leverage.

The following table summarizes the details of the interest rate swaps outstanding as at June 30, 2019 and December 31, 2018:

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

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

Total fair value expense recognized during the three and six months ended June 30, 2019, which is reported under finance costs, was $5,518 and $7,148, respectively. There was no fair value expense in 2018.

12. Class B Units:

On July 31, 2018, 728,237 Class B Units were issued with a fair value of $10,000 as consideration in the Acquisition of WPT Capital and Internalization.

On September 26, 2018, Welsh redeemed 2,361,672 Class B Units in exchange for ownership and control over 2,361,672 REIT Units.

Class B Units are valued at the REIT Units' closing price per the TSX as at June 30, 2019 and December 31, 2018, which was $13.25 and $12.85, respectively.

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

	Units	Value
As at December 31, 2017	3,611,807	$ 45,942
Class B Units issued, July 31, 2018	728,237	10,000
Redemption of Class B Units for REIT Units, September 26, 2018	(2,361,672)	(31,197)
Fair value adjustment to Class B Units	-	677
As at December 31, 2018	1,978,372	$ 25,422
Redemption of Class B Units for REIT Units, April 1, 2019	(42,179)	(581)
Fair value adjustment to Class B Units	-	814
As at June 30, 2019	1,936,193	$ 25,655

Included in finance costs for the three and six months ended June 30, 2019 are $368 and $743, respectively, of distributions declared on Class B Units. Included in finance costs for the three and six months ended June 30, 2018 are $686 and $1,372, respectively, of distributions declared on Class B Units. Total distributions payable on Class B Units as at June 30, 2019 and December 31, 2018 were $123 and $125, respectively.

13. Deferred compensation plans:

Deferred Unit Incentive Plan ("DUIP")

Deferred Trust Units ("DTUs")

On April 26, 2013, the REIT authorized a DUIP, as amended and restated on May 13, 2016, that provides for the granting of Deferred Trust Units ("DTUs") to trustees, officers, employees, consultants and service providers, as well as employees of such service providers. DTUs defined as notional units with a fair value based on the REIT Units' closing price per the TSX. The maximum number of REIT Units reserved for issuance under the DUIP is 5% of the total number of REIT Units issued and outstanding from time to time. Vested DTUs may be redeemed in whole or in part for units of the REIT issued from treasury or cash. Whenever cash distributions are paid to REIT unitholders, additional DTUs are credited to the participant's outstanding DTU balance based on the 5-day volume-weighted average price on the grant date. These additional units vest on the same schedule as their corresponding DTUs.

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.

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

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.

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.

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

Deferred Partnership Units ("DPUs")

On July 31, 2018, the REIT authorized a subplan under the DUIP that provides for the granting of Deferred Partnership Units ("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 REIT unitholders, DPU Unitholders also receive a cash distribution for every outstanding DPU. DPUs vest based on various vesting periods, as defined in each specific award.

On July 31, 2018, the REIT issued 695,542 DPUs to officers and employees of the REIT, in conjunction with the Transaction (see note 3), 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 Granted
Total as at December 31, 2017	-
Granted in 2018	695,542
Total as at December 31, 2018	695,542
Granted in 2019	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. The fair value of all outstanding DPUs as at June 30, 2019 and December 31, 2018 was $10,200 and $8,938, 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.

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

The movement in the DUIP balance was as follows:

Total as at December 31, 2017	$	6,551
Deferred compensation expense		3,254
Fair value adjustment		743
DTUs redeemed for cash and REIT Units		(561)
Total as at December 31, 2018	$	9,987
Deferred compensation expense		3,105
Fair value adjustment		801
DTUs redeemed for cash and REIT Units		(2,310)
Total as at June 30, 2019	$	11,583

Unit Option Plan

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

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

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

Total as at December 31, 2017	$	796
Fair value adjustment		94
Stock options exercised for REIT Units		(28)
Total as at December 31, 2018	$	862
Fair value adjustment		274
Stock options exercised for REIT Units		(285)
Total as at June 30, 2019	$	851

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. These amounts include adjustments based on the fair value of the options and are reported within general and administrative expenses for the respective periods.

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%

14. Unitholders' equity:

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

On September 26, 2018, Welsh redeemed 2,361,672 Class B Units in exchange for ownership and control over 2,361,672 REIT Units.

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 $128,948 (the "February 2019 Offering") (inclusive of underwriters' fees and issuance costs of $6,052).

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

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

	Units		Value
As at December 31, 2017	44,545,772	$	470,204
Redemption of Class B Units for REIT Units, September 26, 2018	2,361,672		31,197
DTUs redeemed for REIT Units	25,859		329
REIT Units issued due to exercise of stock options	1,505		20
As at December 31, 2018	46,934,808	$	501,750
REIT Units issued on completion of the February 2019 Offering, net of transaction costs	10,000,000		128,948
DTUs redeemed for REIT Units	89,920		1,234
REIT Units issued due to exercise of stock options	10,597		145
Redemption of Class B Units for REIT Units, April 1, 2019	42,179		581
As at June 30, 2019	57,077,504	$	632,658

(a) Distributions:

The REIT declared distributions to unitholders of record in the amount of $10,835 ($0.19 per Unit) and $21,015 ($0.38 per Unit) for the three and six months ended June 30, 2019, respectively. The REIT declared distributions to unitholders of record in the amount of $8,459 ($0.19 per Unit) and $16,918 ($0.38 per Unit) for the three and six months ended June 30, 2018, respectively. Total distributions payable as at June 30, 2019 and December 31, 2018 were $3,613 and $2,971, respectively.

15. Related party transactions:

Transactions with Key Personnel and AIMCo:
The following were related party transactions with key personnel of the REIT and AIMCo:

Business Combination (note 3)
On July 31, 2018, the REIT (through its wholly owned subsidiaries) internalized management and acquired 100% of the membership interests of WPT Capital, through the issuance of separate share purchase agreements with AIMCo and the principals of WPT Capital, collectively. Concurrently with the Transaction, certain employees of WPT Capital became key personnel of the REIT or its subsidiaries.

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

Louisville Property acquisition (note 3)

On September 28, 2018, the REIT indirectly acquired from AIMCo and certain key employees of the REIT's management team, the Louisville Property for a purchase price of $17,860 (exclusive of closing and transaction costs). Under the AIMCo Venture Management Agreement, the REIT exercised its right of first opportunity to acquire the investment property. The acquisition was unanimously approved by the independent members of the REIT's Board of Trustees. Prior to and as a result of the acquisition, the REIT earned fees as the asset and property manager of the property commencing on July 31, 2018. There are no fees receivable or payable at June 30, 2019.

WPT Capital:

Prior to the Transaction (note 3) on July 31, 2018, the REIT had related party transactions with WPT Capital, the former asset and property manager (see note 3).

The activity from each related party, except the transactions noted above, are set forth below for the periods presented as follows:

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	2019	2018
Fees earned under asset management agreement (1)				
Acquisition fees	$ -	$ 287	$ -	$ 287
Asset management fees	-	591	-	1,179
Construction management fees	-	59	-	80
Out-of-pocket fees	-	70	-	148
Fees earned under property management agreement (2)	-	573	-	1,147

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

16. Revenues:

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

	Three months ended June 30, 2019	Three months ended June 30, 2018	Six months ended June 30, 2019	Six months ended June 30, 2018
Base rent	$ 21,491	$ 16,966	$ 40,043	$ 33,920
Recovery of property taxes and insurance	4,882	3,470	8,952	7,053
Recovery of property operating expenses	2,341	1,908	4,917	3,909
	$ 28,714	$ 22,344	$ 53,912	$ 44,882

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

There were no tenants that accounted for more than 10% of the REIT's total rental revenue for the three or six months ended June 30, 2019 or 2018.

As at June 30, 2019, the total future contractual minimum base rent lease payments expected to be received under non-cancellable leases are as follows:

One year or less	$ 85,608
2 – 5 years	240,579
Greater than 5 years	120,306
	$ 446,493

17. Management fee revenue:

The REIT earned revenue from asset and property management services provided as part of the AIMCo Venture Management Contracts and Venture Management Contracts (note 3). For the three and six months ended June 30, 2019, the REIT recognized management fee revenue of $358 and $849, respectively. There were no management fee revenue earned in the corresponding periods in 2018.

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

18. General and administrative expenses:

General and administrative expenses incurred and charged to net income and comprehensive income are recorded as follows:

	Three months ended June 30, 2019	Three months ended June 30, 2018	Six months ended June 30, 2019	Six months ended June 30, 2018
Salaries and benefits	$ 1,498	$ -	$ 3,054	$ -
Deferred compensation	916	638	2,052	1,156
Severance costs	-	-	1,503	-
Fair value adjustment to deferred compensation	(414)	1,065	1,075	1,452
Other	382	470	725	997
Third-party asset management fees	-	592	-	1,180
	$ 2,382	$ 2,765	$ 8,409	$ 4,785

19. Trustee and Employee costs

Trustee and employee costs, including salaries and wages, bonus and incentives, deferred compensation and fair value adjustments to deferred compensation, and other employee benefits are recognized in the following line items in the consolidated statement of net income and comprehensive income:

	Three months ended June 30, 2019	Three months ended June 30, 2018	Six months ended June 30, 2019	Six months ended June 30, 2018
General and administrative expenses	$ 1,655	$ 1,703	$ 5,528	$ 2,608
Investment properties operating expenses	341	-	649	-
	$ 1,996	$ 1,703	$ 6,177	$ 2,608

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

20. Finance costs

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

	Three months ended June 30, 2019	Three months ended June 30, 2018	Six months ended June 30, 2019	Six months ended June 30, 2018
Interest on mortgages payable	$ 2,988	$ 3,255	$ 6,169	$ 6,528
Interest on bank indebtedness	3,087	756	4,687	1,412
Amortization of financing costs	252	482	474	685
Amortization of mark-to-market adjustments on fixed interest rate mortgages payable	(105)	(131)	(209)	(262)
Distributions on Class B Units and DPUs	509	686	1,017	1,372
	6,731	5,048	12,138	9,735
Fair value adjustment to Class B Units	(1,303)	3,359	814	4,226
Fair value adjustment to derivative instrument	5,518	-	7,148	-
	$ 10,946	$ 8,407	$ 20,100	$ 13,961

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

21. Reconciliation of liabilities arising from financing activities:

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

	Mortgages Payable	Secured Revolving Facility	Term loans	Unsecured revolving credit facility	Total
As at December 31, 2017	$ 348,480	$ 76,892	$ -	$ -	$ 425,372
Scheduled principal payments	(3,545)		-	-	(3,545)
Proceeds from financing	30,000	8,500	75,000	101,500	215,000
Repayments	(30,319)	(86,000)	-	(500)	(116,819)
Financing costs paid	(331)	(13)	(712)	(1,137)	(2,193)
Other adjustments, non-cash[1 2]	(116)	508	85	161	638
Transferred financing costs[3]	-	113	(47)	(66)	-
As at December 31, 2018 (note 11)	$ 344,169	-	$ 74,326	$ 99,958	$ 518,453
Scheduled principal payments	(1,761)	-	-	-	(1,761)
Proceeds from financing	-	-	130,000	110,500	240,500
Repayments	(28,325)	-	-	(105,000)	(133,325)
Financing costs paid	-	-	(525)	(472)	(997)
Other adjustments, non-cash[1]	(23)	-	110	178	265
As at June 30, 2019 (note 11)	$ 314,060	$ -	$ 203,911	$ 105,164	$ 623,135

(1) Represents other adjustments including amortization of financing costs and mark-to-market adjustments using the effective interest rate method.
(2) Includes the write-off of the remaining balance of financing costs from the Secured Revolving Facility of $274.
(3) Includes initial financing costs from the Secured Revolving Facility of $113 that were applied to the Credit Facility.

22. Segment reporting:

Management, when measuring the investment properties performance, does not distinguish or group its operations on a geographical or any other basis. Accordingly, the REIT has a single reportable segment for disclosure purposes in accordance with IFRS.

23. Commitment and contingencies:

(a) The REIT has agreed to indemnify, in certain circumstances, the trustees and the officers of the REIT in respect of any taxes, penalties or interest imposed upon the trustee or officer in consequence of his/her performance of his/her duties as a trustee or officer.

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

(c) In connection with an acquisition of an investment property located in Atlanta, Georgia on April 29, 2014 (the “Atlanta Property”), $40,170 of bonds were assumed. The authorized amount of the bonds is $41,500, of which $40,170 was outstanding as at June 30, 2019 and December 31, 2018. The bonds provide for real estate tax abatement for the acquired investment properties. Through a series of transactions, the REIT is both the bondholder and the obligor of the bonds. Therefore, in accordance with IAS 32, the bonds are not recorded in the consolidated statements of financial position.

(d) The REIT has entered into a lease with a tenant in which the REIT has the obligation to expand the gross leasable area at one of its investment properties. Management estimates the remaining costs associated with this expansion to be approximately $6,000. Management expects the construction to be completed in the next three months with additional revenue from the expansion space coinciding with the completion of construction.

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

24. Fair value measurement:

The following table represents the fair value hierarchy of assets and liabilities measured at fair value in the condensed consolidated statement of financial position after initial recognition and assets and liabilities not measured at fair value in the condensed consolidated statement of financial position but for which the fair value is disclosed in the notes to the consolidated financial statements as at June 30, 2019 and December 31, 2018, are as follows:

	Level 1	Level 2	Level 3	Total
As at June 30, 2019				
Assets:				
Investment properties	$ -	$ -	$ 1,390,441	$ 1,390,441
Cash	13,770	-	-	13,770
Liabilities:				
Mortgages payable	-	317,783	-	317,783
Deferred compensation	11,367	851	216	12,434
Class B Units	25,655	-	-	25,655
Derivative instruments	-	9,918	-	9,918
Security deposits	2,454	-	-	2,454

	Level 1	Level 2	Level 3	Total
As at December 31, 2018				
Assets:				
Investment properties	$ -	$ -	$ 1,117,672	$ 1,117,672
Cash	8,245	-	-	8,245
Right of use asset	-	3,336	-	3,336
Liabilities:				
Mortgages payable	-	342,680	-	342,680
Deferred compensation	9,811	862	176	10,849
Class B Units	25,422	-	-	25,422
Derivative instruments	-	2,770	-	2,770
Lease liability	-	3,336	-	3,336
Security deposits	1,534	-	-	1,534

The carrying value of the REIT’s assets and liabilities approximated fair value except mortgages payable which were calculated by discounting future cash flows using appropriate discount rates.

(a) Fair value of financial instruments:

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

(i) Mortgages payable:

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

(ii) Deferred compensation:

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

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

The fair value of Performance DTUs granted is based on a third-party valuation (Level 3).

(iii) Class B Units:

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

(iv) Derivative instrument:

The fair value of the derivative instrument is estimated using a discounted cash flow model using observable yield curves and applicable credit spreads (Level 2).

(v) Other financial assets and liabilities:

Amounts receivable, cash and cash equivalents, restricted cash, distributions payable, the term loans, the unsecured revolving credit facility, amounts payable and accrued liabilities are carried at amortized cost, which, due to their short-term nature, approximates fair value.

25. Capital management:

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

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

Part of the REIT's objectives in securing and managing debt for its investment properties is to stagger the maturities in order to mitigate short-term volatilities in the debt markets. The REIT's declaration of trust stipulates that the REIT shall not incur indebtedness greater than 60% of gross book value. As at June 30, 2019 and December 31, 2018, the REIT's debt-to-gross book value ratio was 45.0% and 46.5% (total outstanding principal balance of debt of $625,499 and $520,085 as at June 30, 2019 and December 31, 2018, respectively, divided by gross book value of $1,390,441 and $1,117,672 as at June 30, 2019 and December 31, 2018, respectively). The REIT has no convertible debentures outstanding and has never issued any.

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

(a) minimum unencumbered pool value shall not be less than $175,000 and shall contain at least 12 properties;

(b) The aggregate occupancy rate shall not be less than 80%

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

(d) consolidated total secured indebtedness shall not exceed 40%;

(e) consolidated secured recourse indebtedness shall not exceed 10%

(f) the outstanding principal balance of the Credit Facility shall not be greater than 60% the unencumbered pool value;

(g) unsecured interest coverage ratio shall not be less than 2.50 to 1.00

(h) the ratio of adjusted consolidated earnings before interest, taxes, depreciation and amortization to consolidated fixed charges for the most recently ended four quarters shall not be less than 1.50 to 1.00;

(i) consolidated tangible net worth shall not be less than the sum of (i) $410,365 plus (ii) 70% of the sum of any additional net offering proceeds subsequent to April 21, 2016, plus (iii) 70% of the value of interests in the REIT issued upon the contribution of assets to the REIT or its subsidiaries subsequent to June 26, 2018;

The REIT complied with all financial covenants as at June 30, 2019 and December 31, 2018.

26. Financial risk management:

Risk Management:

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

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

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

The REIT has no material exposure to currency risk.

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

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

27. Supplementary cash flow information:

Change in non-cash working capital is comprised of the following:

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	2019	2018
Amounts receivable	$ (52)	$ 133	$ (475)	$ (190)
Prepaid expenses	492	311	317	636
Restricted cash	651	652	(125)	(256)
Amounts payable and accrued liabilities	554	(98)	1,561	74
Amounts payable and accrued liabilities related to additions to investment properties	(1,932)	46	(2,019)	933
Security deposits	(18)	(1)	26	(4)
	$ (305)	$ 1,043	$ (715)	$ 1,193