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

WPT INDUSTRIAL REAL ESTATE INVESTMENT TRUST

For the three and six months ended June 30, 2014 and for the three months ended June 30, 2013 and the period from March 4, 2013 to June 30, 2013

(Unaudited)

WPT INDUSTRIAL REAL ESTATE INVESTMENT TRUST

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

	June 30, 2014 (Unaudited)	December 31, 2013 (Audited)
Assets		
Non-current assets:		
Investment properties (note 4)	$ 615,587	$ 493,006
Other non-current assets (note 6)	4,057	2,297
	619,644	495,303
Current assets:		
Amounts receivable (note 5)	1,618	1,148
Prepaid expenses	596	551
Restricted cash	1,399	992
Cash and cash equivalents	4,319	5,926
	7,932	8,617
Total assets	$ 627,576	$ 503,920
Liabilities and Unitholders' Equity		
Non-current liabilities:		
Mortgages payable (note 9)	$ 255,231	$ 203,830
Bank indebtedness (note 10)	58,461	43,328
Class B Units (note 11)	152,253	94,437
Security deposits	801	806
Other financial instruments (note 17)	-	26
	466,746	342,427
Current liabilities:		
Mortgages payable (note 9)	13,096	16,382
Class B Units (note 11)	-	19,052
Amounts payable and accrued liabilities (note 7)	9,639	7,919
Distributions payable (note 12)	828	626
	23,563	43,979
Total liabilities	490,309	386,406
Total unitholders' equity	137,267	117,514
Total liabilities and unitholders' equity	$ 627,576	$ 503,920

See accompanying notes to condensed consolidated interim financial statements.

WPT INDUSTRIAL REAL ESTATE INVESTMENT TRUST

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

(Unaudited)	Three months ended June 30, 2014	Three months ended June 30, 2013	Six months ended June 30, 2014	Period from March 4, 2013 to June 30, 2013
Investment properties:				
Investment properties revenue	$ 13,846	$ 8,433	$ 26,693	$ 8,433
Investment properties operating expenses	1,400	1,026	10,521	1,026
Net investment property income	12,446	7,407	16,172	7,407
Other expenses and (income):				
General and administrative	1,068	577	2,017	577
Fair value adjustment to investment properties (note 4)	2,173	1,733	(6,069)	1,733
Finance costs (note 14)	11,351	(1,266)	26,766	(1,266)
	14,592	1,044	22,714	1,044
Net income (loss) and comprehensive income (loss)	$ (2,146)	$ 6,363	$ (6,542)	$ 6,363

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)
(Unaudited)

	Trust Equity	Distributions	Accumulated Income	Unitholders' Equity
Balance, March 4, 2013	$ –	$ –	$ –	$ –
REIT Units issued, net of issue costs	100,842	–	–	100,842
Net income and comprehensive income	–	–	6,363	6,363
Distributions declared	–	(1,455)	–	(1,455)
Balance, June 30, 2013	$ 100,842	$ (1,455)	$ 6,363	$ 105,750
Balance, December 31, 2013	$ 95,163	$ (5,281)	$ 27,632	$ 117,514
REIT Units issued, net of issue costs	30,657	–	–	30,657
Net loss and comprehensive loss	–	–	(6,542)	(6,542)
Distributions declared	–	(4,362)	–	(4,362)
Balance, June 30, 2014	$ 125,820	$ (9,643)	$ 21,090	$ 137,267

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, 2014		Period from March 4, 2013 to June 30, 2013
Cash flows from operating activities:				
Net (loss) income	$	(6,542)	$	6,363
Finance costs (note 14)		26,766		(1,266)
Non-cash items:				
Amortization of straight-line rent		(1,217)		(422)
Property tax liability under IFRIC 21		3,740		(1,144)
Fair value adjustment to investment properties (note 4)		(6,069)		1,733
Fair value adjustment on deferred compensation (note 12)		(27)		-
Amortization of lease incentives		52		-
Change in non-cash working capital (note 20)		660		274
Cash flows provided by operating activities		17,363		5,538
Cash flows from financing activities:				
Repayment of mortgages payable		(4,234)		(26,676)
Proceeds from mortgages payable		53,240		-
Repayment of Revolving Facility		(14,000)		(54,537)
Proceeds from Revolving Facility		29,000		51,000
Financing costs incurred		(635)		(1,390)
Proceeds from issuance of REIT Units, net of issue costs (note 12)		30,657		100,842
Distributions paid (note 12)		(4,160)		(789)
Interest paid		(10,112)		(2,437)
Cash flows provided by financing activities		79,756		66,013
Cash flows from investing activities:				
Acquisition of investment properties (note 3, 4)		(98,669)		(66,174)
Cash balances transferred in acquisition of investment properties (note 3, 4)		-		730
Additions to investment properties, including lease incentives (note 4)		(275)		(167)
Change in capital escrows		218		(22)
Cash flows (used in) investing activities		(98,726)		(65,633)
(Decrease) increase in cash and cash equivalents		(1,607)		5,918
Cash and cash equivalents, beginning of period		5,926		-
Cash and cash equivalents, end of period	$	4,319	$	5,918

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 and as further amended from time to time.

On March 4, 2013, the REIT issued one unit (“REIT Unit”) for cash proceeds of ten dollars. For the period from March 4, 2013 to April 25, 2013, the REIT had no operations or activity. The REIT commenced operations on April 26, 2013 when it issued units for cash pursuant to an initial public offering (“IPO”) and through WPT Industrial, LP (the “Partnership”), completed the acquisition of 35 industrial investment properties and two office investment properties located in 12 states in the United States (the “Initial Properties”). The REIT was formed for the purpose of acquiring and owning primarily industrial investment properties, located in the United States, with a particular focus on warehouse and distribution industrial investment properties.

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

As at June 30, 2014, the REIT owned a portfolio of investment properties consisting of 12,756,313 square feet of gross leasable area, comprised of 40 industrial investment properties and two office investment properties, located in 12 states in the U.S. Certain reclassifications have been made to the 2013 financial statements to conform to the 2014 presentation but have not changed the results of the prior year.

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 Standard ("IAS") 34, *Interim Financial Reporting*, as issued by the International Accounting Standard Board ("IASB"). These condensed consolidated interim financial statements were approved by the Board of Trustees on August 13, 2014. The condensed consolidated interim financial statements do not include all information required for full annual financial statements and should be read in conjunction with the REIT's annual audited financial statements for the period from March 4, 2013 to December 31, 2013, which were prepared in accordance with International Financial Reporting Standards ("IFRS").

(b) Basis of measurement:

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

(c) Basis of consolidation:

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

(d) Comparative information:

On March 4, 2013, the REIT issued one REIT Unit for cash proceeds of ten dollars. The REIT had no other results of operations or cash flows prior to the completion of its IPO on April 26, 2013. As a result, these condensed consolidated interim financial statements present comparative information for the period from March 4, 2013 to June 30, 2013.

2. Significant Accounting Policies:

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

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

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

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

(b) IFRIC 21, *Levies*

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

The adoption of IFRIC 21 requires the REIT to recognize the full amount of annual property tax liabilities at the point in time when the property tax obligation is imposed. Previously, property tax obligations and related expenses were recognized on a pro rata basis evenly throughout the reporting period, therefore, the adoption of IFRIC 21 has resulted in the REIT recording an annual property tax expense earlier than previously recognized. This liability has been recorded as a component of investment property. To avoid the double-counting of property tax obligations, the REIT has removed the cash flows related to the property tax liabilities recorded upon the application of IFRIC 21 from its investment property valuation models (note 4), resulting in a fair value increase of investment property equal to the IFRIC 21 related liability. IFRIC 21 has been adopted retrospectively, resulting in a $1,144 and $1,144 increase in the fair value adjustment of investment properties for the three months ended June 30, 2013 and for the period from March 4, 2013 to June 30, 2013, respectively, with an equal decrease in real estate tax expense.

3. Asset acquisitions:

Kentucky Property

On April 4, 2014, the REIT acquired from Welsh Property Trust, LLC ("Welsh"), a 100% leased 300,000 square foot industrial investment property located in Hebron, Kentucky (the "Kentucky Property"), for a purchase price of $13,300 (exclusive of closing costs and acquisition fee). The purchase price was paid in cash using a portion of the $32,347 gross proceeds from the April 4, 2014 public offering on a bought deal basis (the "Offering") (note 12). The Kentucky Property was acquired by an affiliate of Welsh from a third party on March 3, 2014. Pursuant to a call right granted to the REIT in respect of the Kentucky Property, the REIT delivered notice to Welsh requiring Welsh to sell the Kentucky Property to the REIT for a purchase price equal to Welsh's cost of acquisition plus certain expenses incurred by Welsh in connection with its acquisition of the Kentucky Property.

Atlanta Property

On April 29, 2014, the REIT acquired from a third party, a 100% leased 1,512,552 square foot investment property located in Atlanta, Georgia (the "Atlanta Property") for a purchase price of $51,500 (exclusive of closing costs and acquisition fee). The purchase price was satisfied by proceeds of the Offering, proceeds from a new, five-year mortgage payable bearing a fixed interest rate of 3.41%, and cash.

Louisville Property

On June 18, 2014, the REIT acquired from Welsh, a 100% leased 936,000 square foot industrial investment property located in Shepherdsville, Kentucky (the "Louisville Property") for a purchase price of $45,396 (exclusive of closing costs and fair value adjustment on Class B Units issued). The purchase price was satisfied by the issuance of 2,165,605 Class B Units to Welsh and proceeds from a new, eight-year mortgage payable bearing a fixed interest rate of 3.77%.

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

OIA Property

On June 27, 2014, the REIT acquired from a third party, a 100% leased 127,800 square foot industrial investment property located in Hebron, Kentucky (the “OIA Property”) for a purchase price of $5,500 (exclusive of closing costs and acquisition fee). The purchase price was satisfied with cash on hand and proceeds from the Revolving Facility.

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

	Kentucky Property	Atlanta Property	Louisville (2) Property	OIA Property	**Total**
Investment property (1)	$ 13,577	$ 52,064	$ 47,425	$ 5,746	$ 118,812
Amounts receivable	18	-	125	-	143
Other non-current assets	-	-	2,002	-	2,002
Prepaid expenses	-	-	8	-	8
	13,595	52,064	49,560	5,746	120,965
Amounts payable and accrued liabilities	(24)	(3)	(180)	-	(207)
	(24)	(3)	(180)	-	(207)
Net assets acquired	$ 13,571	$ 52,061	$ 49,380	$ 5,746	$ 120,758
Consideration given by the REIT consists of the following:					
Class B Units	-	-	22,089	-	22,089
Cash	13,571	52,061	27,291	5,746	98,669
Total consideration	$ 13,571	$ 52,061	$ 49,380	$ 5,746	$ 120,758

(1) Includes total closing costs and acquisition fees of $1,427 and an IFRIC 21 liability of $383 assumed on acquisition that is offset by an equal adjustment to investment property.

(2) Investment property acquired and Class B Units issued includes a fair value adjustment of $1,689 due to a change in fair value of Class B Units issued upon acquisition of the Louisville Property, offset by a change in fair value of investment property.

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

4. Investment properties:

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

	Six months ended June 30, 2014	Period from March 4, 2013 to December 31, 2013
Balance, beginning of period	$ 493,006	$ -
Investment property acquisitions	118,812	488,121
Additions to investment properties, including lease incentives	275	1,558
Amortization of straight-line rent	1,217	1,578
Amortization of lease incentives	(52)	(16)
Fair value adjustment to investment properties	2,329	1,765
	$ 615,587	$ 493,006
Property tax liability under IFRIC 21	(3,740)	-
Fair value adjustment to investment properties – IFRIC 21	3,740	-
	$ 615,587	$ 493,006

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

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

	Level 1	Level 2	Level 3
Investment properties – June 30, 2014	$ –	$ –	$ 615,587
Investment properties – December 31, 2013	$ –	$ –	$ 493,006

Investment properties include land, building, improvements to the investment property, and all direct leasing costs incurred in arranging property tenants. As at June 30, 2014 and December 31, 2013, the REIT used an internal valuation process to value investment properties contained within the portfolio. During the IPO, management retained an independent third-party appraiser to appraise each investment property contained within the portfolio, and intends to engage independent third-party appraisers to prepare valuations on a portion of the portfolio annually, such that the entire portfolio is externally appraised on a regular basis.

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

Fair value of investment properties as at June 30, 2014 and December 31, 2013 was primarily determined by discounting the expected future cash flows, including a terminal value, based on the application of a terminal capitalization rate to the assumed final year's estimated cash flows.

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

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

	June 30, 2014	December 31, 2013
Weighted average terminal capitalization rate:	7.26%	7.53%
Range of terminal capitalization rates:	6.25%-9.25%	6.25%-10.00%
Weighted average discount rate:	7.21%	7.25%
Range of discount rates:	6.08%-8.13%	6.88%-8.78%

The fair value of investment properties is most sensitive to changes in terminal capitalization rates. As at June 30, 2014, the weighted average terminal capitalization rate was 7.26%. A 25-basis-point increase in the weighted average terminal capitalization rate would decrease the value of the investment properties by $20,492. A 25-basis-point decrease in the weighted average terminal capitalization rate would increase the value of the investment properties by $21,954.

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

5. Amounts receivable:

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

Amounts receivable are as follows:

	June 30, 2014	December 31, 2013
Tenant receivables	$ 1,485	$ 982
Other receivables	155	196
Allowance for uncollectible amounts	(22)	(30)
	$ 1,618	$ 1,148

The carrying value of amounts receivable approximates fair value.

6. Other non-current assets:

Other non-current assets consist of the following:

	June 30, 2014	December 31, 2013
Capital escrows	$ 2,054	$ 2,272
Interest rate cap	1	25
Loan receivable	2,002	-
	$ 4,057	$ 2,297

Included in other non-current assets is restricted cash related to escrows required by certain of the REIT's mortgages payable for capital expenditures related to the investment properties. The interest rate cap, which expires on May 1, 2015, covers up to a principal amount of $50,000 of the REIT's variable interest rate debt and provides for a U.S. LIBOR cap of 50-basis points. As at June 30, 2014, the REIT had a loan receivable from a tenant of the Louisville Property with an annual interest rate of 8.0% and monthly principal and interest payments in the amount of $35. The loan matures July 1, 2019.

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

7. Amounts payable and accrued liabilities:

Amounts payable and accrued liabilities consist of the following:

	June 30, 2014	December 31, 2013
Trade payables	$ 216	$ 157
Accrued liabilities and other payables	2,825	2,484
Accrued real estate taxes	2,361	1,643
Accrued interest	1,520	1,415
Unearned revenue	102	61
Rent received in advance	1,780	1,743
Deferred compensation	835	416
	$ 9,639	$ 7,919

8. Operating leases:

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

There were no tenants that accounted for more than 10% of the REIT's total rental revenue for the six months ended June 30, 2014 or for the period from March 4, 2013 to June 30, 2013.

As at June 30, 2014, the total future contractual minimum base rent lease payments expected to be received under non-cancellable leases are as follows:

One year or less	$ 45,725
2 - 5 years	142,318
Greater than 5 years	60,049
	$ 248,092

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

9. Mortgages payable:

Mortgages payable consist of the following:

	June 30, 2014	December 31, 2013
Mortgages payable	$ 265,668	$ 216,662
Mark-to-market adjustment, net	3,740	4,156
Financing costs, net	(1,081)	(606)
Carrying value	268,327	220,212
Less current portion	(13,096)	(16,382)
Long-term portion	$ 255,231	$ 203,830

Mortgages payable that are due and payable within 12 months after the date of the condensed consolidated interim statements of financial position presented, including scheduled principal payments on mortgages payable, are classified as current liabilities. Mortgages payable are collateralized by investment properties with a fair value of $482,612 and $389,781 as at June 30, 2014 and December 31, 2013, respectively. As at June 30, 2014, mortgages payable bear fixed and variable interest at various rates ranging from 2.41% to 5.80% (2.42% to 5.80% as at December 31, 2013), and have a weighted average effective interest rate of 4.16% (4.33% as at December 31, 2013), with maturity dates ranging from 2014 - 2023. On July 10, 2014, the REIT obtained an $11,000 mortgage payable and used the proceeds to pay off an existing mortgage payable with a maturity date of July 10, 2014 and an outstanding balance of $11,205 (note 21).

During the six months ended June 30, 2014, the REIT entered into two new fixed interest rate mortgages payable totaling $53,240 as a result of investment property acquisitions (note 3). On April 8, 2014, the REIT paid off one variable rate mortgage payable in the amount of $3,180 and did not renew the related interest rate swap. As at June 30, 2014, there was one variable rate mortgage payable outstanding totaling $31,800, with an interest rate of 2.41% (2.42% as at December 31, 2013). This mortgage payable was refinanced to a fixed-rate mortgage payable on August 12, 2014 (note 21).

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

Future contractual cash flows of mortgages payable principal and interest are as follows as at June 30, 2014:

	Principal Payment	Interest Payment	Total Payments
2014 (remainder)	$ 12,148	$ 5,255	$ 17,403
2015	1,917	10,326	12,243
2016	22,957	10,233	33,190
2017	1,702	8,908	10,610
2018	64,875	8,223	73,098
2019 and thereafter	162,069	18,839	180,908
	$ 265,668	$ 61,784	$ 327,452

Covenant compliance requirements:

The REIT's mortgages payable contain customary representations, warranties, and events of default, which require the REIT to comply with affirmative and negative covenants. These covenants include (a) tangible net worth thresholds (b) senior debt service coverage ratios and (c) total indebtedness to gross book value ratios. As at June 30, 2014 and December 31, 2013, the REIT was in compliance with all covenants of its mortgages payable.

10. Bank indebtedness:

Revolving Facility:

The Revolving Facility consists of the following:

	June 30, 2014	December 31, 2013
Revolving Facility	$ 59,000	$ 44,000
Financing costs, net	(539)	(672)
Carrying value	$ 58,461	$ 43,328

On April 26, 2013, the REIT entered into a senior secured revolving facility with a maximum commitment of $75,000 (the “Revolving Facility”), and availability determined subject to compliance with a number of borrowing base tests. The Revolving Facility has an initial term of three years from April 26, 2013, subject to a one-year extension option and includes an accordion feature which could increase the size of the facility to $200,000, subject to lender approval. The rate on the Revolving Facility is, at the REIT's option, based on either a base rate or LIBOR, in each case plus an applicable margin based on leverage. The base rate is equal to the greater of: (a) the "prime rate" plus 1.0%, (b) 0.5% above the federal funds effective rate, or (c) 30-day LIBOR plus the applicable margin. As at June 30, 2014 and December 31, 2013, the Revolving Facility interest rate was 2.41% and 2.42%, respectively.

On April 26, 2013, the REIT entered into an interest rate cap, which expires on May 1, 2015, and covers up to a principal amount of $50,000 of the REIT's variable interest rate debt and provides for a U.S. LIBOR cap of 50-basis points (note 17).

Financing costs of $892 related to the Revolving Facility are being amortized using the effective interest rate method over the initial term of three years.

Availability on the Revolving Facility (note 18 (a)) was $64,500 as at June 30, 2014, of which the REIT had drawn $59,000 and had a $950 letter of credit outstanding, leaving remaining availability of $4,550.

11. Class B Units:

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

On July 15, 2013, Class B Units were issued with a fair value of $21,200 as partial consideration for the asset acquisition on July 15, 2013. These Class B Units were not redeemable for REIT Units until the REIT received all necessary acceptances and approvals from the TSX and received REIT Unitholder approval. REIT Unitholder approval was received on May 15, 2014 and the TSX approved the issuance of these Class B Units and the listing on the TSX of the underlying REIT Units for which these Class B Units may be redeemed. As a result, these Class B Units are now entitled to distributions per unit in an amount equal to 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 and subject to anti-dilution adjustments), as determined by the general partner of the Partnership in its sole discretion. Therefore, the distributions on these Class B Units that were held in escrow as at March 31, 2014 have been released and these Class B Units were reclassified during the quarter to long-term liabilities in the condensed consolidated interim statements of financial position.

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

On June 18, 2014, Class B Units were issued with a fair value of $22,089 as partial consideration for the Louisville Property (note 4).

All Class B Units are valued at the REIT Units' closing price per the TSX as at June 30, 2014 and December 31, 2013, which was $10.00 and $8.69, respectively (note 17).

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

	Six months ended June 30, 2014	Period from March 4, 2013 to December 31, 2013
Amount, beginning of period	$ 113,489	$ -
Class B Units issued April 26, 2013 - 10,867,362 units	-	108,674
Class B Units issued July 15, 2013 - 2,192,347 units	-	21,200
Class B Units issued June 18, 2014 – 2,165,605 units	22,089	-
Fair value adjustments	16,675	(16,385)
Amount, end of period	$ 152,253	$ 113,489
Less current portion	-	(19,052)
Long-term portion, end of period	$ 152,253	$ 94,437

Included in finance costs for the three and six months ended June 30, 2014 are $2,410 and $4,694 of distributions declared on Class B Units, respectively. Included in finance costs for the three months ended June 30, 2013 and for the period from March 4, 2013 to June 30, 2013 are $1,383 and $1,383 of distributions declared on Class B Units, respectively.

12. Unitholders' equity:

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

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

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

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

During the period from March 4, 2013 to December 31, 2013, the REIT purchased for cancellation 697,800 REIT Units for $5,679 under the normal course issuer bid at an average price of $8.14. The REIT did not purchase any REIT Units for cancellation under the normal course issuer bid for the three or six months ended June 30, 2014.

On April 4, 2014, the REIT issued 3,478,200 REIT Units (including REIT Units issued pursuant to the exercise in full of the over-allotment option granted to the underwriters by the REIT) at a price of $9.30 per REIT Unit to a syndicate of underwriters on a bought deal basis for gross proceeds to the REIT of approximately $32,347. Issue costs related to the Offering were $1,690. As part of the Offering, Welsh purchased $7,000 of the REIT Units being offered, or 752,700 REIT Units at the offering price of $9.30 per REIT Unit.

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

REIT Units outstanding:

	Units	Value
REIT Unit issued, March 4, 2013	1	$ –
REIT Units issued on completion of the IPO, April 26, 2013	10,000,000	100,000
REIT Unit redeemed	(1)	–
REIT Units issued through underwriters' over-allotment, May 16, 2013	1,430,000	14,300
REIT Units purchased for cancellation under the normal course issuer bid	(697,800)	(5,679)
Less issue costs related to IPO	–	(13,458)
As at December 31, 2013	10,732,200	$ 95,163
REIT Units issued on completion of the Offering, April 4, 2014 (including REIT Units issued through underwriter's over-allotment)	3,478,200	32,347
Less issue costs related to the Offering	–	(1,690)
As at June 30, 2014	14,210,400	$ 125,820

(a) Distributions:

The REIT declared distributions to unitholders of record in the amount of $2,485 ($0.18 per Unit) and $4,362 ($0.35 per Unit) for the three and six months ended June 30, 2014, respectively. The REIT declared distributions to unitholders of record in the amount of $1,455 ($0.13 per Unit) and $1,455 ($0.13 per Unit) for the three months ended June 30, 2013 and for the period from March 4, 2013 to June 30, 2013, respectively. Total distributions payable as at June 30, 2014 and December 31, 2013 were $828 and $626, respectively.

(b) Deferred Unit Incentive Plan:

On April 26, 2013, the REIT authorized a Deferred Unit Incentive Plan ("DUIP") that provides for the granting of deferred trust units ("DTUs") to trustees, officers, directors, employees, consultants and service providers, as well as employees of such service providers. DTUs are defined as notional units that are tied to the REIT's financial and REIT Unit trading performance. 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.

Officer and Other Grants

On May 29, 2013, the Board of Trustees granted 50,000 DTUs to certain officers of the REIT and employees of Welsh, with a fair value of $507 at grant date.

On May 27, 2014, the Board of Trustees granted 65,000 DTUs to certain officers of the REIT and employees of Welsh, with a fair value of $638 at grant date.

Additional DTUs granted to certain officers of the REIT and employees of Welsh through distributions for the six months ended June 30, 2014 and for the period from March 4, 2013 to December 31, 2013 were 2,710 units and 2,462 units, respectively, for a total of 120,172 and 52,462 units outstanding to these individuals as at June 30, 2014 and December 31, 2013, respectively. These DTUs vest as to one-fifth on the first anniversary of the grant date, and one-fifth on each of the four following anniversaries. The total fair value of all DTUs as at June 30, 2014 and as at December 31, 2013 was $1,202 and $456, respectively.

Trustee and Other Grants

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

For the six months ended June 30, 2014 and for the period from March 4, 2013 to December 31, 2013, 32,425 DTUs and 10,430 DTUs were granted to Trustees for services rendered, respectively. During the six months ended June 30, 2014 and for the period from March 4, 2013 to December 31, 2013, 601 and 302 DTUs were granted through distributions, respectively, for a total of 43,758 and 10,732 unit outstanding to these individuals as at June 30, 2014 and December 31, 2013, respectively.

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

The movement in the DUIP balance was as follows:

As at March 4, 2013	$ –
Deferred compensation expense	361
Fair value adjustments	(12)
As at December 31, 2013	$ 349
Deferred compensation expense	368
Fair value adjustments	35
As at June 30, 2014	$ 752

Total compensation expense recognized for the three and six months ended June 30, 2014 was $206 and $403, respectively. These amounts include adjustments based on the fair value of the REIT Units as at June 30, 2014. Compensation expense of $20 and $20 for the three months ended June 30, 2013 and for the period from March 4, 2013 to June 30, 2013, respectively, was determined based on the fair value of the REIT Units as at June 30, 2013.

(c) Unit option plan:

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

On May 29, 2013, the REIT granted 390,000 options to certain officers of the REIT and employees of Welsh at an exercise price of $10.14 per unit, expiring May 29, 2023. These options vest as to one-third on the first anniversary of the grant date, and one-third on each of the second and third anniversaries. The total fair value of these options as at June 30, 2014, as at December 31, 2013 and as at the grant date was $122, $185, and $268, respectively.

On May 27, 2014, the REIT granted 200,000 options to certain officers of the REIT and employees of Welsh at an exercise price of $9.81, expiring May 27, 2024. 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 total fair value of the options as at June 30, 2014 and as at the grant date was $70, and $59, respectively.

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

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

Balance, March 4, 2013	$	–
Deferred compensation expense		97
Fair value adjustments		(30)
Balance, December 31, 2013	$	67
Deferred compensation expense		78
Fair value adjustments		(62)
Balance, June 30, 2014	$	83

Total compensation expense recognized for the three and six months ended June 30, 2014 was ($8) and $16, respectively. These amounts include adjustments based on the fair value of the options as at June 30, 2014 using the Black-Scholes option pricing model with the following assumptions:

Average expected option term	5.75 years
Risk-free interest rate	1.88%
Expected volatility	15.00%
Dividend yield	7.00%

Compensation expense of $11 and $11 for the three months ended June 30, 2013 and for the period from March 4, 2013 to June 30, 2013, respectively, for these options was determined based on the fair value of the options as at June 30, 2013 using the Black-Scholes option pricing model.

13. Related party transactions:

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

(a) Acquisition of investment properties

On April 26, 2013, in connection with its IPO, the REIT acquired 37 investment properties from Welsh, which was accounted for as a business combination. Please refer to the REIT's annual audited financial statements for the period from March 4, 2013 to December 31, 2013 for details.

On July 15, 2013, the REIT acquired from Welsh, an investment property located in Illinois for a purchase price of $53,000. Please refer to the REIT's annual audited financial statements for the period from March 4, 2013 to December 31, 2013 for details.

On April 4, 2014, the REIT acquired from Welsh, the Kentucky Property for cash (note 3).

On June 18, 2014, the REIT acquired from Welsh, the Louisville Property. The purchase price was satisfied by the issuance of Class B Units to Welsh, cash, and also by a new mortgage payable (note 3).

(b) Asset management fees:

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

- Asset management fees at 0.25% of gross book value, as defined in the asset management agreement. Asset management fees paid to Welsh for the three and six months ended June 30, 2014 were $348 and $653, respectively. Asset management fees paid to Welsh for the three months ended June 30, 2013 and for the period from March 4, 2013 to June 30, 2013 were $197 and $197, respectively. Asset management fees payable to Welsh as at June 30, 2014 and December 31, 2013 were $115 and $105, respectively.

- Acquisition fee. An acquisition fee equal to: (i) 1.0% of the purchase price paid for the first $100,000 of investment properties acquired by the REIT or any of its affiliates in each fiscal year; (ii) 0.75% of the purchase price paid for the next $100,000 of investment properties acquired by the REIT or any of its affiliates in each fiscal year; and (iii) 0.50% of the purchase price paid in excess of $200,000 for investment properties acquired by the REIT or any of its affiliates in each fiscal year. Acquisition fees paid to Welsh for the three and six months ended June 30, 2014 were $703 and $703, respectively. There were no acquisition fees paid to Welsh for the three months ended June 30, 2013 or for the period from March 4, 2013 to June 30, 2013. There were no acquisition fees payable to Welsh as at June 30, 2014 or December 31, 2013.

- Construction management fee. With respect to any capital project with costs in excess of $100 undertaken by the REIT or any of its affiliates, a construction management fee equal to 5.0% of aggregate tenant improvements, capital expenditures and construction costs incurred in respect of such capital project. Construction management fees paid to Welsh for the three and six months ended June 30, 2014 were $68 and $68, respectively. There were no construction management fees paid to Welsh for the three months ended June 30, 2013 or the period from March 4, 2013 to June 30, 2013. Construction management fees payable to Welsh as at June 30, 2014 and December 31, 2013 were $68 and $0, respectively.

(c) Property management fees:

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

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

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

Property management fees paid to Welsh for the three and six months ended June 30, 2014 were $333 and $640, respectively. Property management fees paid to Welsh for the three months ended June 30, 2013 and for the period from March 4, 2013 to June 30, 2013 were

$221 and $221, respectively. Property management fees payable to Welsh as at June 30, 2014 and December 31, 2013 were $4 and $0, respectively.

(d) Class B Units:

As part of the consideration for the IPO, 10,867,362 Class B Units were issued to Welsh at a unit price of $10.00.

As part of the consideration for the July 15, 2013 acquisition of the Illinois investment property, 2,192,347 Class B Units were issued to Welsh.

As part of the consideration for the Louisville Property acquisition on June 18, 2014, 2,165,605 Class B Units were issued to Welsh.

Distributions on Class B Units of $4,568 were paid to Welsh during the six months ended June 30, 2014. Distributions on Class B Units of $750 were paid to Welsh during the period from March 4, 2013 to June 30, 2013. Distributions payable to Welsh on Class B Units as at June 30, 2014 and December 31, 2013 were $888 and $761, respectively.

(e) REIT Units:

As part of the Offering (note 12), Welsh purchased $7,000 of the REIT Units being offered, or 752,700 REIT Units, at the offering price of $9.30 per REIT Unit. Distributions related to these REIT Units of $88 were paid to Welsh for the six months ended June 30, 2014. Distributions payable to Welsh on these REIT Units as at June 30, 2014 were $44.

(f) Office rent:

A subsidiary of the REIT has a lease with an affiliate of Welsh for an investment property located at 4350 Baker Road, Minnetonka, Minnesota. Rental revenue earned by the subsidiary from the affiliate of Welsh for the three and six months ended June 30, 2014 was approximately $262 and $522, respectively. Rental revenue earned by the subsidiary from the affiliate of Welsh for the three months ended June 30, 2013 and for the period from March 4, 2013 to June 30, 2013 was approximately $186 and $186, respectively. The lease commenced on June 1, 2008 and expires on May 31, 2020, with annual rent increases of 2%.

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

In addition, the REIT will reimburse Welsh for all reasonable actual out-of-pocket costs and expenses incurred in connection with the performance of the services described in the asset management agreement or such other services that the REIT and Welsh agree in writing are to be provided from time to time by Welsh. As at June 30, 2014 and December 31, 2013, the net payable due to Welsh was $69 and $17 related to these reimbursements, respectively.

14. Finance costs:

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

	Three months ended June 30, 2014	Three months ended June 30, 2013	Six months ended June 30, 2014	Period from March 4, 2013 to June 30, 2013
Interest on mortgages payable incurred at stated rate	$ 2,500	$ 1,557	$ 4,839	$ 1,557
Bank indebtedness interest	314	211	601	211
Class B Unit issuance costs	83	-	83	-
Amortization of financing costs	155	85	290	85
Amortization of mark-to-market adjustment on fixed interest rate mortgages payable	(207)	(136)	(414)	(136)
Distributions on Class B Units	2,410	1,383	4,694	1,383
Fair value adjustment on Class B Units and financial instruments	6,096	(4,366)	16,673	(4,366)
	$ 11,351	$ (1,266)	$ 26,766	$ (1,266)

15. Segment reporting:

The REIT owns, manages and operates primarily industrial investment properties located throughout the United States. Management, when measuring the investment properties performance, does not distinguish or group its operations on a geographical or any other basis.

Accordingly, the REIT has a single reportable segment for disclosure purposes in accordance with IFRS.

16. Commitment and contingencies:

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

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

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

(d) In conjunction with the acquisition of certain Initial Properties, $29,500 of self-funded industrial revenue bonds ("Bonds") were assumed. The authorized amount of the Bonds is $29,500, of which $29,500 was outstanding as at June 30, 2014 and December 31, 2013. In connection with the Atlanta Property acquisition on April 29, 2014, $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, 2014. The Bonds provide for real estate tax abatement for the acquired investment properties. Through a series of transactions, the REIT is both the bondholder and the obligor of the Bonds. Therefore, in accordance with IAS 32, the Bonds are not recorded in the condensed consolidated interim statements of financial position.

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

17. Fair value measurement:

(a) Fair value of financial instruments:

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

	Carrying amount	Fair value
Mortgages payable – As at June 30, 2014	$ 265,668	$ 270,957
Mortgages payable – As at December 31, 2013	$ 216,662	$ 217,514

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

(i) Mortgages payable:

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

(ii) Interest rate swap:

The REIT was party to an interest rate swap agreement to limit exposure to the fluctuations in its LIBOR-based variable interest payments on a mortgage note payable. The swap covered the notional amount of $3,550 at a fixed interest rate of 5.5% and expired on April 1, 2014. The interest rate swap was not designed as a hedge for accounting purposes. The fair value of the interest rate swap was a liability of $26 as at December 31, 2013, and was included in the accompanying condensed consolidated interim statements of financial position within the “other financial instruments” caption. The REIT recognized an adjustment to interest expense in the amount of $7 and $26 for the three and six months ended June 30, 2014, respectively. The REIT recognized an adjustment to interest expense in the amount of $15 and $15 for the three months ended June 30, 2013 and for the period from March 4, 2013 to June 30, 2013 respectively. The interest rate swap fair value was determined by a model-derived valuation, in which significant inputs and value drivers were observable in active markets for a similar instrument, i.e., Level 2 inputs. Changes in fair value were recognized as adjustments to interest expense in the accompanying condensed consolidated interim statement of net income (loss) and comprehensive income (loss). The interest rate swap was not renewed upon its expiration as the related mortgage payable was paid off in full on April 8, 2014.

(iii) Interest rate cap:

On April 26, 2013, the REIT entered into an interest rate cap, which expires on May 1, 2015, and covers up to a principal amount of $50,000 of the REIT's variable interest rate debt and provides for a U.S. LIBOR cap of 50-basis points. The fair value of the interest rate cap was an asset of $1 and $25 as at June 30, 2014 and December 31, 2013, respectively, and was included in the accompanying condensed consolidated interim statements of financial position within the other non-current assets caption. The REIT recognized an adjustment to interest expense in the amount of $6 and $24 for the three and six months ended June 30, 2014, respectively. The REIT recognized an adjustment to interest expense in the amount of $4 and $4 for the three months ended June 30, 2013 and for the period from March 4, 2013 to June 30, 2013, respectively. The interest rate cap fair value is determined by a model-derived valuation in which significant inputs and value drivers are observable in active markets for a similar instrument, i.e., Level 2 inputs. Changes in fair value are recognized as adjustments to interest expense in the accompanying condensed consolidated interim statement of income and comprehensive income.

As at June 30, 2014, $59,000 in outstanding principal balance related to the Revolving Facility and $31,800 in outstanding principal balance related to mortgages payable are subject to variable interest rates. An interest rate cap hedges against the risk of fluctuating interest rates of $50,000 in outstanding principal balances, resulting in aggregate exposure of $40,800 in outstanding principal balances.

(iv) Deferred compensation:

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

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

(v) Class B Units:

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

(vi) Other financial assets and liabilities:

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

18. Capital management:

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

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

Part of the REIT's objectives in securing mortgages for its investment properties and managing its long-term debt is to stagger the maturities in order to mitigate short-term volatilities in the debt markets. The REIT's declaration of trust stipulates that the REIT shall not incur indebtedness greater than 60% of gross book value. As at June 30, 2014 and December 31, 2013, the REIT's debt-to-gross book value ratio was 52.7% and 52.9%, respectively, (total outstanding principal amounts of mortgages payable and Revolving Facility of $324,668 as at June 30, 2014, divided by gross book value of $615,587). The REIT has no convertible debentures outstanding.

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

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

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

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

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

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

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

In addition, the REIT is required under certain mortgages payable to meet financial covenant ratios (note 9).

The REIT complied with all financial covenants as at June 30, 2014 and December 31, 2013.

19. Financial risk management:

Risk Management:

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

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

As at June 30, 2014 and December 31, 2013, there was one and two mortgages payable, respectively, in addition to the Revolving Facility with variable interest rates. As described in note 17(a)(ii), the REIT managed one of these variable-rate mortgages payable using an interest rate swap that altered its exposure to the impact of changing interest rates, effectively resulting in a fixed interest rate. The interest rate swap was not designated as a hedging instrument and as a result, the change in fair value was recognized in earnings as an adjustment to interest expense in the accompanying condensed consolidated interim statement of income and comprehensive income. As described in note 17(a)(iii), up to $50,000 of the collective outstanding balance of the remaining variable rate mortgage payables and Revolving Facility are subject to an interest rate cap on LIBOR of 50 basis points. As at June 30, 2014, a 100-basis-point increase in interest rates including the change in interest rates under the interest rate cap, assuming all other variables are constant, would result in a $580 increase in the REIT's interest expense.

The REIT has no material exposure to currency risk.

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

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

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

20. Supplementary cash flow information:

Change in non-cash working capital comprises the following:

	Three months ended June 30, 2014	Three months ended June 30, 2013	Six months ended June 30, 2014	Period from March 4, 2013 to June 30, 2013
Amounts receivable	$ 157	$ 145	$ (326)	$ 145
Prepaid expenses	(55)	(114)	(37)	(114)
Restricted cash	1,525	157	(407)	157
Amounts payable and accrued liabilities	57	61	1,435	61
Security deposits	(5)	25	(5)	25
	$ 1,679	$ 274	$ 660	$ 274

21. Subsequent events:

On July 10, 2014, the REIT obtained an $11,000 mortgage payable with a per annum fixed interest rate of 4.03% and a maturity of September 1, 2024. The REIT used the proceeds in addition to cash on hand to pay off an existing mortgage payable with an outstanding balance of $11,205 with an annual interest rate of 5.69% and a maturity of July 10, 2014.

As at June 30, 2014, there was one variable rate mortgage payable outstanding totaling $31,800, with a per annum variable interest rate of 2.25% plus the one-month LIBOR rate. On August 12, 2014, this mortgage payable was refinanced to a six-year, fixed-rate mortgage payable with a per annum interest rate of 3.40%.