WPT INDUSTRIAL REAL ESTATE INVESTMENT TRUST

MANAGEMENT'S DISCUSSION AND ANALYSIS

OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2018

November 6, 2018

CONTENTS

PART I

BASIS OF PRESENTATION

The following Management's Discussion and Analysis ("**MD&A**") is prepared as at November 6, 2018 and outlines WPT Industrial Real Estate Investment Trust's (the "**REIT**") operating strategies, risk profile considerations, business outlook and analysis of its financial performance and financial condition for the three and nine months ended September 30, 2018 and 2017. This MD&A should be read in conjunction with the REIT's MD&A for the year ended December 31, 2017, the REIT's unaudited condensed consolidated interim financial statements and accompanying notes for the three and nine months ended September 30, 2018 and 2017 and the REIT's audited consolidated financial statements and accompanying notes for the years ended December 31, 2017 and 2016. These documents, as well as additional information relating to the REIT (including the REIT's annual information form for the year ended December 31, 2017) (the "**Annual Information Form**") can be accessed on the REIT's website at www.wptreit.com and under the REIT's SEDAR profile at www.sedar.com.

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

NON-IFRS MEASURES

Certain terms used in this MD&A such as funds from operations ("**FFO**"), adjusted funds from operations ("**AFFO**"), adjusted cash flows from operations ("**ACFO**"), ACFO payout ratio, net operating income ("**NOI**"), same properties NOI ("**Same properties NOI**"), Adjusted EBITDA (as defined herein), debt to Adjusted EBITDA, debt-to-gross book value, interest coverage ratio, fixed charge coverage ratio, capitalization rate and any related per unit amounts used by management to measure, compare and explain the operating results and financial performance of the REIT are not recognized terms under International Financing Reporting Standards ("**IFRS**"), and therefore should not be construed as alternatives to net income and comprehensive income or cash flows from operating activities calculated in accordance with IFRS. Management believes that these terms are relevant measures in comparing the REIT's performance to industry data, the REIT's ability to earn and distribute cash returns to holders of the REIT's trust units ("**REIT Units**"), and the REIT's ability to meet its ongoing obligations. These terms are defined below and are reconciled to the most directly comparable measure specified in the condensed consolidated interim financial statements of the REIT for the three and nine months ended September 30, 2018 and 2017, in Part II. Such terms do not have a standardized meaning prescribed by IFRS and may not be comparable to similarly titled measures presented by other issuers.

FFO is defined as net income, in accordance with IFRS, (i) plus or minus fair value adjustment to investment properties; (ii) plus or minus gains or losses from sales of investment properties; (iii) plus or minus other fair value adjustments; (iv) plus amortization of tenant incentives; (v) plus transaction costs expensed as a result of the purchase of an entity being accounted for as a business combination; (vi) plus distributions on redeemable or exchangeable units treated as interest expense; (vii) plus or minus any negative goodwill or goodwill impairment; (viii) plus deferred income tax expense, after adjustments for equity accounted entities and joint ventures calculated to reflect FFO on the same basis as consolidated investment properties; and (ix) adjustments for property taxes accounted for under International Financial Reporting Interpretations Committee ("**IFRIC**") 21. FFO has been prepared consistently with the definition presented in the white paper on funds from operations prepared by REALPAC issued on February 2018 and is intended to be used as a sustainable, economic earnings metric. However, from time to time the REIT may enter into transactions that materially impact the calculation of FFO and are adjusted as determined by the board of trustees of the REIT (the "**Board**" or the "**Board of Trustees**") in their sole discretion. The REIT considers FFO to be a useful measure of operating performance and adjusts for items included in net income (or net loss) that do not arise from operating activities or do not necessarily provide an accurate depiction of the REIT's past, current or recurring performance.

AFFO is defined as FFO subject to certain adjustments, including: (i) any differences resulting from recognizing investment property rental revenues on a straight-line basis; and (ii) minus a reserve for normalized maintenance capital expenditures, tenant inducements and leasing commissions, as determined by the REIT. AFFO has been prepared consistently with the definition presented in the white paper on adjusted funds from operations prepared by REALPAC issued on February 2018 for all periods presented. However, from time to time the REIT may enter into transactions that materially impact the calculation of AFFO and are adjusted as determined by the Board of Trustees in their sole discretion. The REIT considers

AFFO to be a useful measure of operating performance and adjusts for items included in net income (or net loss) that do not arise from operating activities or do not necessarily provide an accurate depiction of the REIT's past, current or recurring performance.

ACFO is defined as cash flows from operations in accordance with IFRS, (i) plus or minus the change in non-cash working capital, which includes only items that are not indicative of sustainable cash available for distributions; (ii) minus interest expense included in cash flow from financing; (iii) minus a reserve for normalized maintenance capital expenditures, tenant inducements and leasing commissions, as determined by the REIT; (iv) plus or minus transaction costs associated with an acquisition or disposition of an investment property that was expensed during the period; (v) plus or minus the non-cash amortization of the deferred financing costs and the debt premium (discount) mark-to-market adjustments; and (vi) plus or minus the difference in recognized interest expense in accordance with IFRS to interest paid due to timing differences. Management believes ACFO is intended to be used as a sustainable, economic cash flow metric. ACFO has been prepared consistently with the definition presented in the white paper on adjusted cash flows from operations prepared by REALPAC issued on February 2018 for all periods presented. However, from time to time the REIT may enter into transactions that materially impact the calculation of ACFO and are adjusted as determined by the Board of Trustees in their sole discretion. The REIT considers ACFO to be a useful measure of operating performance as it adjusts for items included in operating cash flows that do not arise from operating activities or do not necessarily provide an accurate depiction of the REIT's past, current or recurring performance.

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

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

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

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

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

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

"**Debt-to-gross book value**" is calculated by dividing total principal amounts outstanding under mortgages payable and, as at September 30, 2018, the Credit Facility (as defined herein) by the total carrying value of investment properties. Prior to June 30, 2018 debt-to-gross book value was calculated by dividing total principal amounts outstanding under mortgages payable and the Secured Revolving Facility (as defined herein) by the total carrying value of investment properties.

"**Fixed charge coverage ratio**" is defined as year-to-date Adjusted EBITDA divided by the sum of the REIT's year-to-date interest on mortgages payable, derivative instrument, Secured Revolving Facility and the Credit Facility, and scheduled principal repayments of mortgages payable.

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

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

FORWARD LOOKING STATEMENTS

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

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

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

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

OVERVIEW

The REIT is an unincorporated, open-ended real estate investment trust established pursuant to a declaration of trust dated March 4, 2013 under the laws of the Province of Ontario, as amended and restated on April 26, 2013 (the "**Declaration of Trust**"). A copy of the Declaration of Trust is available on the REIT's website at www.wptreit.com and on the SEDAR website at www.sedar.com. The REIT's Units are listed and publicly traded in Canada on the Toronto Stock Exchange ("**TSX**"), in U.S. dollars, under the symbol "WIR.U", and in the U.S. on the OTCQX marketplace ("**OTCQX**") under the symbol "WPTIF". As at September 30, 2018, there were 46,907,444 REIT Units outstanding.

The REIT was formed for the purpose of acquiring, developing and owning primarily industrial investment properties located in the U.S., with a particular focus on warehouse and distribution properties. As at September 30, 2018, the REIT owned a portfolio of investment properties consisting of 18,313,827 square feet of gross leasable area (''**GLA**''), comprised of 55 industrial investment properties and one office investment property, located in 15 states in the U.S.

Capitalization and other activity

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 collateral). At the time of closing, the REIT drew $75,000 on the unsecured delayed draw term loan (the "**Term Loan I**") and $13,000 on the unsecured revolving credit facility, using the proceeds to pay closing costs and repay the existing Secured Revolving Facility balance of $86,000 in full. See section Part II: Liquidity and capital resources for additional disclosures.

The REIT declared monthly distributions throughout the nine months ended September 30, 2018 at its annualized distribution rate of $0.76 per unit, or $0.0633 per unit on a monthly basis.

Acquisition, development, and disposition activity

On July 5, 2017, the REIT indirectly acquired from a third party, a 100% occupied investment property located in Portland, Oregon totaling 492,554 square feet for a purchase price of $56,000 (exclusive of closing and transaction costs). The purchase price was satisfied with funds from the Secured Revolving Facility.

On August 3, 2017, the REIT indirectly acquired from a third party, an 86% occupied investment property located in Houston, Texas totaling 410,600 square feet for a purchase price of $40,320 (exclusive of closing and transaction costs). The purchase price was satisfied with cash on hand and funds from the Secured Revolving Facility.

On August 7, 2017, the REIT sold the investment property located at 8085 Rivers Avenue, North Charleston, South Carolina to a third party purchaser for a sale price of $14,233 (inclusive of closing costs and working capital adjustments).

On September 13, 2017, the REIT indirectly acquired from a third party, a 100% occupied investment property located in Quakertown, Pennsylvania totaling 935,540 square feet for a purchase price of $74,300 (exclusive of closing and transaction costs). The purchase price was satisfied with cash on hand and funds from the Secured Revolving Facility. In conjunction with the acquisition, the property was added as borrowing base collateral to the Secured Revolving Facility.

During the third quarter of 2017, the REIT completed construction of the shell of the development of an approximately 171,600 square foot industrial property located in Indianapolis, Indiana (the "**Indianapolis Development**") and leased approximately 78,000 square feet to one tenant. The REIT is actively marketing the remaining leasable square feet to prospective tenants.

On November 29, 2017, the REIT indirectly acquired from a third party, a 100% occupied investment property located in Reno, Nevada the totaling 98,270 square feet for a purchase price of $6,375 (exclusive of closing and transaction costs). The purchase price was satisfied with cash on hand and funds from the Secured Revolving Facility.

On June 20, 2018, the REIT indirectly acquired from a third party, a 100% occupied investment property located in St. Paul, Minnesota totaling 124,800 square feet for a purchase price of $8,300 (exclusive of closing and transaction costs), representing a capitalization rate (a non-IFRS financial measure, see the "Non-IFRS Measures" section of this MD&A) of approximately 6.01%. The purchase price was satisfied with cash on hand and funds from the Secured Revolving Facility. The building has the capability to expand to approximately 195,000 square feet.

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

On September 28, 2018, the REIT indirectly acquired from AIMCo (as defined below) and certain members of the REIT's management team, who were also former principals of WPT Capital (as defined herein), a 100% occupied, newly constructed investment property located in Louisville, Kentucky (the "**Louisville Property**") totaling 224,000 square feet for a purchase price of $17,860 (exclusive of closing and transaction costs), representing a capitalization rate of approximately 6.2%. The purchase price was satisfied with funds from the Credit Facility. See additional disclosures in Part V: Related Party Transactions.

On November 6, 2018, the REIT indirectly acquired from a third party, a 100% occupied investment property located in Franklin Park, Illinois totaling 536,800 square feet for a purchase price $26,800 (exclusive of closing and transaction costs), representing a capitalization rate of approximately 7.5%. The purchase price was satisfied with funds from the Credit Facility.

Internalization of Management

On July 31, 2018, the REIT internalized management (the "**Internalization**") and acquired 100% of the membership interests of WPT Capital Advisors, LLC ("**WPT Capital**"), a related party, (the "**Acquisition**" and together with the Internalization, the "**Transaction**"). See Part V: Related Party Transactions for additional disclosures.

Transaction highlights:

- Fully-internalized management platform with experience in all facets of industrial real estate brought into the REIT under a single, transparent and simplified organizational structure
- Access to additional capital resources through ownership and control of a private capital business with established assets under management and institutional partnerships
- Enhanced and diversified cash flows through management and performance fees on third-party capital
- New private capital venture with Canada Pension Plan Investment Board ("**CPPIB**") and Alberta Investment Management Corporation and affiliates ("**AIMCo**"), which together with the REIT, are targeting allocating up to an aggregate $1,000,000 in equity to pursue value-add and development investments, creating an enhanced proprietary acquisition pipeline for the REIT with a right of first opportunity to acquire managed assets on an off-market basis
- Immediate access to a pipeline of 4,000,000 square feet of modern industrial assets across the U.S., including

high-barrier markets, which the REIT is managing and will earn management and performance fees on

- Increased long-term alignment between the REIT management team, public unitholders and private capital partners

The REIT acquired WPT Capital and completed the Internalization for $26,811 (exclusive of closing and transaction costs). The purchase price was satisfied with $10,000 in Class B Units and $16,811 in funds from the Credit Facility. 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 (see Part V: Related Party Transactions) and equaled the fees paid to WPT Capital over the preceding twelve months. WPT Capital was previously owned by senior management of WPT Capital and AIMCo. The principals of WPT Capital received all of the Class B Units, (with lock-up provisions providing for a release of 1/3 of the units annually beginning on the third anniversary of the Acquisition), and AIMCo received all of its consideration in cash. The REIT recorded two intangible assets for (i) management contracts related to investment properties held by AIMCo and principals of WPT Capital (the "**AIMCo Venture Management Contracts")** and (ii) management contracts related to a private capital venture (the "**Venture**") formed by WPT Capital with CPPIB, AIMCo and the REIT as investors/limited partners (the "**Venture Management Contracts**"), (the "**Management Contracts**"). The Acquisition has been recognized as a business combination, in accordance with IFRS 3, Business Combinations and transaction costs of $8,517, including the $6,811 related to the internalization of management, were expensed during the three and nine months ended September 30, 2018. Post-closing the REIT also acquired assets and assumed liabilities totaling working capital ($139) from WPT Capital.

As part of the Internalization of the asset management and property management agreements, the REIT no longer incurs the following costs from WPT Capital: (i) asset management fees, which were historically recorded in general and administrative expenses, (ii) property management fees, which were historically recorded in investment properties operating expenses, and (iii) acquisition, construction and legal fees, which were historically capitalized on the REIT's balance sheet at the time of the transaction. The REIT now records these internal costs under salaries and benefits within general and administrative expenses and investment properties operating expenses. For further discussion on historical activity with WPT Capital, see Part V: Related Party Transactions.

In conjunction with the Transaction, the REIT issued $9,800 of deferred equity compensation to certain employees. The awards will vest 50% on each of the fourth and fifth anniversaries of the award and will be subject to an additional lock-up period of three years after vesting. For more detail, see section PART II: Equity.

The Venture

As a result of the Acquisition, the REIT will serve as the general partner of the Venture. The Venture will target value-add and development investments in select U.S. industrial markets. Investment properties acquired through the Venture are expected to be held for two distinct periods: a value-add period and a stabilized (long-term hold) period. The initial value-add period will typically be two to three years under a 45% (CPPIB), 45% (AIMCo) and 10% (REIT) joint venture. After stabilization, Venture property ownership may be rebalanced for a long-term hold. As the general partner of the Venture, the REIT will receive management and performance fees for Venture assets under management.

As at September 30, 2018, the REIT had invested $50 to fund initial operating expenses of the Venture.

OBJECTIVES

The REIT's objectives are to:

- provide unitholders ("**Unitholders**") with an opportunity to invest in a portfolio of institutional-quality industrial properties in U.S. markets, with a particular focus on warehouse and distribution industrial real estate;
- provide Unitholders with predictable, sustainable and growing cash distributions on a tax-efficient basis (the REIT pays its cash distributions in U.S. dollars);
- enhance the value of the REIT's portfolio and maximize the long-term value of the REIT Units through the active management of the REIT's investment properties;

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

STRATEGIC FOCUS AND OUTLOOK

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

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

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

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

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

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

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

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

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

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

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

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

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

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

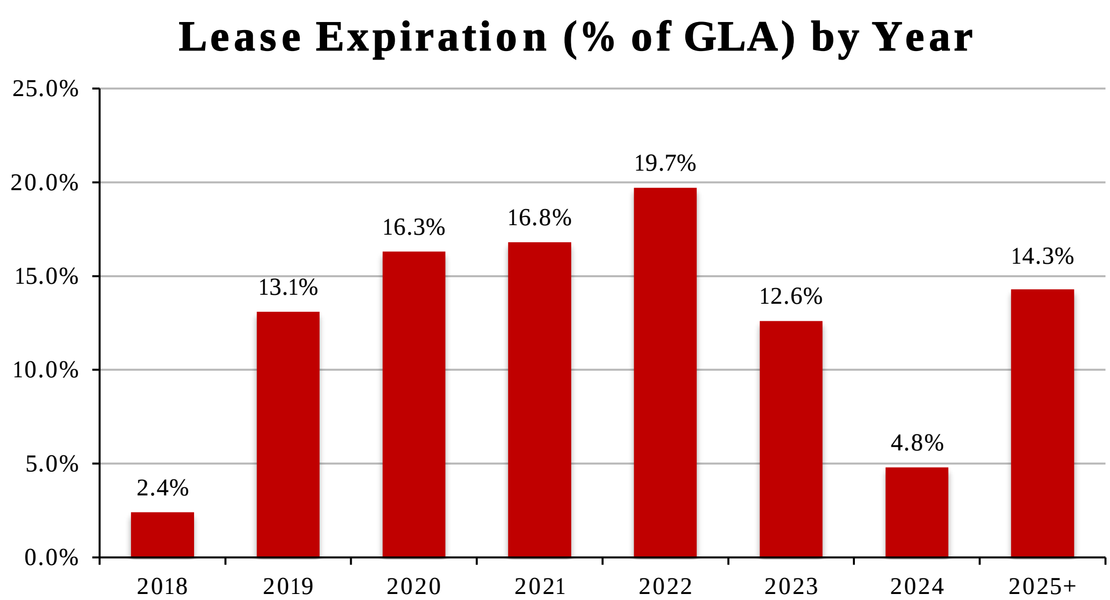
The criteria outlined above are designed to provide the REIT with the opportunity to acquire and develop properties in strategic markets that will generate stable and growing cash flows and to meet the needs of tenants in the distribution subsector of the U.S. industrial real estate market. In addition,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

ASSETS

The REIT owns and operates an institutional-quality portfolio of primarily industrial investment properties located in the U.S., with a particular focus on warehouse and distribution industrial real estate. As at September 30, 2018, the REIT owned a portfolio of 56 investment properties comprised of 55 industrial properties and one office property totaling 18,313,827 square feet of GLA with an occupancy rate across the portfolio of 98.1%.

The majority of the REIT's industrial investment properties were constructed relatively recently, with a weighted average age of approximately 14 years. As a result, management believes the REIT's investment properties will, on average, require less maintenance capital expenditures and be more attractive to prospective tenants than comparable older investment properties. Furthermore, the REIT's industrial investment properties are highly functional, with a weighted average ceiling clear height of approximately 31 feet. High ceiling clear heights are an important feature to many industrial tenants, as this provides tenants with additional vertical space that can house additional racking and equipment, allowing the tenant to maximize storage space.

Future lease expirations are shown in the graph below as at September 30, 2018:



Leases expiring	**6[(1)]**	**19**	**14**	**27**	**24**	**14**	**6**	**14**

(1) Includes one month-to-month lease occupying < 0.1% of GLA

The lease activity in the table above is based on the existing lease terms in-place as at September 30, 2018. Any early termination options, extension options or other terms that may impact the expiration or terms of the lease are not reflected in the above table unless they were formally exercised or otherwise agreed upon in writing as at September 30, 2018.

Occupancy roll-forward

The following table summarizes the change in occupancy during the three and nine months ended September 30, 2018:

	Three months ended September 30, 2018		Nine months ended September 30, 2018	
	('000s sq. ft.)	Occupancy	('000s sq. ft.)	Occupancy
Occupancy at beginning of period	17,761.0	98.2%	17,265.7	97.9%
Expansions by existing tenants	-		14.9	
New leases	-		20.2	
Renewals	32.5		403.3	
Expiries	(55.3)		(426.1)	
Acquisitions	224.0		684.2	
Occupancy as at September 30, 2018	**17,962.2**	**98.1%**	**17,962.2**	**98.1%**

Per the preceding table, the REIT's renewal rate for leased square feet expiring during the three and nine months ended September 30, 2018 was 58.8% and 94.6%. During the three and nine months ended September 30, 2018, the REIT also renewed two and eight leases totaling 875.7 and 1,999.1 square feet, respectively, with commencement dates after September 30, 2018. In addition, the REIT also entered into three leases with new tenants with commencement dates in the fourth quarter of 2018, totaling 178.5 square feet.

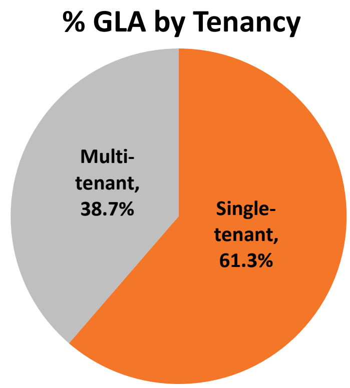
The REIT's investment properties are geographically diversified within the U.S. as follows as at September 30, 2018:

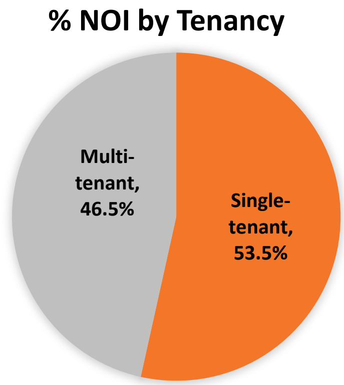
State	Number of Investment Properties	Number of Tenants	Owned GLA ('000s sq. ft.)	% of Owned GLA	% of NOI by State [1][2]
Georgia	8	13	2,915.6	15.9%	14.9%
Tennessee	6	9	2,327.0	12.7%	9.3%
Kentucky	5	6	2,131.3	11.7%	9.2%
Indiana	4	6	2,068.1	11.3%	8.1%
Ohio	5	7	1,817.3	9.9%	8.6%
Minnesota	9	47	1,607.0	8.8%	16.4%
Illinois	3	5	1,492.1	8.1%	6.3%
Pennsylvania	1	2	935.5	5.1%	6.4%
Kansas	4	5	827.1	4.5%	5.7%
Wisconsin	4	8	589.7	3.2%	3.8%
Oregon	1	2	492.6	2.7%	4.2%
Texas	1	5	410.8	2.3%	3.0%
Florida	3	6	353.4	1.9%	1.6%
Michigan	1	2	248.0	1.4%	1.8%
Nevada	1	1	98.3	0.5%	0.7%
Total	**56**	**124**	**18,313.8**	**100.0%**	**100.0%**

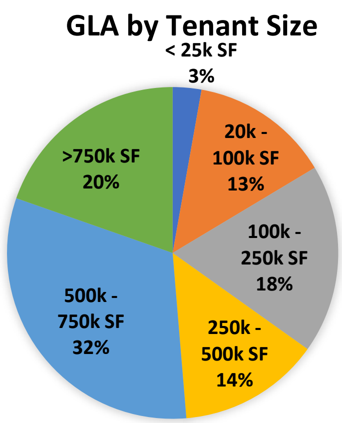
[1] NOI is a key measure of performance used by real estate operating companies, however, NOI is not defined by IFRS, does not have standard meaning and may not be comparable with other industries or issuers. This data should be read in conjunction with the "Non-IFRS Measures" section of this MD&A.

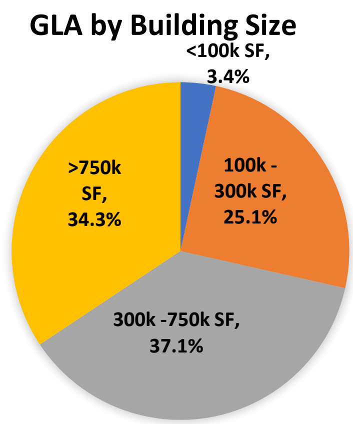
[2] For the three months ended September 30, 2018.

The following charts of the REIT's portfolio are based on NOI for the three months ended September 30, 2018 and tenant and building GLA as at September 30, 2018:









The following table highlights the REIT's top ten tenants by annualized contractual base rent as at September 30, 2018:

Top 10 Tenants	% of Total Annualized Base Rent	GLA Occupied ('000s sq. ft.)	% of Total Portfolio GLA
General Mills Operations, LLC	5.6%	1,512.6	8.3%
Continental Tire the Americas, LLC	4.9%	740.9	4.0%
Unilever Home & Personal Care	4.9%	1,262.6	6.9%
Zulily, LLC	3.7%	737.5	4.0%
Keystone Automotive (1)	3.6%	754.7	4.1%
Fullbeauty Brands, Inc.	3.0%	741.1	4.0%
Radial, Inc.	2.8%	543.5	3.0%
CEVA Logistics U.S. Inc.	2.8%	648.8	3.5%
Amazon.com	2.8%	572.0	3.1%
Honeywell International Inc.	2.6%	754.0	4.1%
Total	36.7%	8,267.7	45.0%

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

FINANCIAL AND OPERATIONAL HIGHLIGHTS

Summary of Quarterly Results

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

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

As at and for the quarter ended	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016
Operating Results:								
Investment properties revenue	$ 23,078	$ 22,344	$ 22,538	$ 22,409	$ 20,709	$ 19,174	$ 19,494	$ 18,662
NOI **(1)**	17,182	16,591	16,402	16,470	15,126	13,919	14,297	13,620
Net income and comprehensive income	14,972	12,654	7,758	8,059	6,973	18,539	18,935	1,559
Net income and comprehensive income per Unit (basic) **(2) (3)**	0.308	0.263	0.161	0.167	0.149	0.448	0.458	0.038
Net income and comprehensive income per Unit (diluted) **(2) (4)**	0.299	0.258	0.158	0.164	0.146	0.439	0.450	0.037
FFO **(1)**	11,379	10,939	11,128	11,027	10,468	9,456	9,807	9,256
FFO per Unit (diluted) **(1) (2) (4)**	0.227	0.223	0.227	0.225	0.220	0.224	0.233	0.220
AFFO **(1)**	9,902	9,396	9,481	9,413	8,774	7,788	8,490	7,881
AFFO per Unit (diluted) **(1) (2) (4)**	0.198	0.191	0.193	0.192	0.184	0.184	0.202	0.188
Cash flows from operations	7,820	16,801	15,498	13,863	13,557	12,816	14,429	13,127
ACFO **(1)**	10,941	9,827	9,996	10,201	9,503	8,514	9,009	8,501
Distributions:								
Distributions per Unit **(2) (3) (5)**	0.190	0.190	0.190	0.190	0.190	0.190	0.190	0.190
Distributions declared **(3) (5)**	9,372	9,145	9,145	9,145	9,145	7,864	7,856	7,856
ACFO payout ratio **(1) (5)**	85.7%	93.1%	91.5%	89.7%	96.2%	92.4%	87.2%	92.4%
Weighted average number of Units (basic) **(2) (3)**	48,648	48,158	48,158	48,158	46,840	41,393	41,375	41,375
Weighted average number of Units (diluted) **(2) (4)**	50,092	49,066	49,021	48,989	47,668	42,216	42,076	41,994

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

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

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

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

(5) Includes distributions on Units and DPUs.

Q3 2018 vs. Q2 2018

Compared to the previous quarter, FFO, AFFO, and ACFO for the three months ended September 30, 2018 were higher by $440, $506, and $1,114, respectively. Each were up mainly due to the acquisition of two investment properties acquired in late Q2, income from the Management Contracts and $287 non-cash write off of deferred financing costs in conjunction with the early retirement of the Secured Revolving Facility, partially offset by higher general administrative expenses due to the Internalization and interest expenses.

Quarterly Summary

The REIT 's quarterly results for the eight quarters presented were positively impacted by on-going acquisition of investment properties in Q3 and Q4 2017 and Q2 2018. Results on a per Unit basis were impacted by the July 2017 Offering (defined herein). Net income and comprehensive income is consistently impacted by fair value adjustments to investment properties, deferred compensation and Class B Units, which are not necessarily indicative of the operating results of the REIT.

Operational Highlights

As at	September 30, 2018	December 31, 2017
Operational Information:		
Number of investment properties	56	53
GLA	18,313,827	17,629,627
Occupancy	98.1%	97.9%
Average remaining lease term (years)	3.9	4.0
Fair value of investment properties	$ 1,075,872	$ 1,009,582
Ratios:		
Weighted average effective interest rate **(1)**	3.7%	3.7%
Variable interest rate debt as percentage of total debt **(2)**	20.1%	18.2%
Debt-to-gross book value **(3)**	45.4%	42.1%
Interest coverage ratio **(3)**	3.6x	3.8x
Fixed charge coverage ratio **(3)**	3.0x	3.2x
Debt to Adjusted EBITDA **(3)**	7.4x	7.1x

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

(2) Includes amounts outstanding under the unsecured revolving credit facility and a mortgage payable in 2018 and the Secured Revolving Facility as at December 31, 2017.

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

RESULTS OF OPERATIONS

The following tables compare results for the three and nine months ended September 30, 2018 and 2017. The principal reasons for the variances between the financial results presented in such year-over-year periods is due to the property acquisitions during 2017 and 2018, changes due to the Transaction and the disposition of one investment property in 2017, respectively.

Consolidated Statement of Net Income and Comprehensive Income

(all figures in '000s, except per unit amounts)	Three months ended September 30, 2018	Three months ended September 30, 2017	Variance	Nine months ended September 30, 2018	Nine months ended September 30, 2017	Variance
Investment properties revenue	$ 23,078	$ 20,709	$ 2,369	$ 67,960	$ 59,377	$ 8,583
Management fee revenue	1,087	-	1,087	1,087	-	1,087
	24,165	20,709	3,456	69,047	59,377	9,670
Other (income) and expenses						
Investment properties operating expenses	2,183	2,138	45	21,178	18,765	2,413
Fair value adjustment to investment properties – IFRIC 21	3,713	3,445	268	(3,393)	(2,730)	(663)
General and administrative	2,138	1,911	227	6,923	6,152	771
Transaction costs related to Internalization	8,517	-	8,517	8,517	-	8,517
Amortization of intangibles	828	-	828	828	-	828
Fair value adjustment to investment properties	(10,080)	1,410	(11,490)	(16,245)	(28,760)	12,515
Finance costs	1,894	4,832	(2,938)	15,855	21,503	(5,648)
Net income and comprehensive income	$ 14,972	$ 6,973	$ 7,999	$ 35,384	$ 44,447	$ (9,063)
Net income and comprehensive income per Unit (basic)	$ 0.308	$ 0.149	$ 0.159	$ 0.732	$ 1.055	$ (0.323)
Net income and comprehensive income per Unit (diluted)	$ 0.299	$ 0.146	$ 0.153	$ 0.715	$ 1.035	$ (0.320)

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

(all figures in '000s, except per unit amounts)	Three months ended September 30, 2018	Three months ended September 30, 2017	Variance	Nine months ended September 30, 2018	Nine months ended September 30, 2017	Variance
Investment properties revenue	$ 23,078	$ 20,709	$ 2,369	$ 67,960	$ 59,377	$ 8,583
Investment properties operating expenses	(2,183)	(2,138)	(45)	(21,178)	(18,765)	(2,413)
Fair value adjustment to investment properties – IFRIC 21	(3,713)	(3,445)	(268)	3,393	2,730	663
NOI	17,182	15,126	2,056	50,175	43,342	6,833

Investment properties revenue

Investment properties revenue includes contractual base rent to be received from operating leases recognized on a straight-line basis over the term of its respective lease, recoveries of operating expenses, including property taxes, common area maintenance, lease termination fees and other incidental income. Investment properties revenue was higher by $2,369 for the three months ended September 30, 2018 as compared to the same period in 2017 for the following reasons:

Variance Explanation		Three months ended September 30, 2018
Variance due to acquisitions, development, and expansion	$	2,299
Increase in base rent and higher recoveries of operating expenses		582
Other income		118
Decrease in non-cash straight-line rent		(378)
Disposition of investment property		(216)
Change in amortization of tenant incentives		(36)
Total variance	$	2,369

Investment properties revenue was higher by $8,583 for the nine months ended September 30, 2018 as compared to the same period in 2017 for the following reasons:

Variance Explanation		Nine months ended September 30, 2018
Variance due to acquisitions, development, and expansion	$	8,935
Increase in base rent and higher recoveries of operating expenses		2,103
Disposition of investment property		(1,298)
Decrease in non-cash straight-line rent		(769)
Change in amortization of tenant incentives		(242)
Lease termination and other income		(146)
Total variance	$	8,583

Management fee revenue

Management fee revenue consists of asset and property management service fees to manage, develop and operate industrial real estate investment properties on behalf of and in partnership with third-party investors. Management fee revenue were higher by $1,087 for the three and nine months ended September 30, 2018, as compared to the same period in 2017 due to the fees being earned from the Management Contracts acquired on July 31, 2018 as part of the Transaction (see Part I: Overview).

Investment properties operating expenses

Investment properties operating expenses consist primarily of property common area and maintenance expenses, real estate taxes (including adjustments for property taxes accounted for under IFRIC 21), insurance, property management fees and other costs associated with the management and maintenance of the investment properties. Investment properties expenses were higher by $45 for the three months ended September 30, 2018 as compared to the same period in 2017 for the following reasons:

Variance Explanation		Three months ended September 30, 2018
Variance due to acquisitions, development, and expansion	$	508
Adjustments for property taxes accounted for under IFRIC 21		(268)
Disposition of investment property		(125)
Decrease in operating expenses, mainly real estate taxes, utilities, and general repairs		(70)
Total variance	$	45

Investment properties expenses were higher by $2,413 for the nine months ended September 30, 2018 as compared to the same period in 2017 for the following reasons:

Variance Explanation		Nine months ended September 30, 2018
Variance due to acquisitions, development, and expansion	$	2,053
Adjustments for property taxes accounted for under IFRIC 21		663
Higher operating expenses, mainly real estate taxes, utilities, and general repairs		342
Disposition of investment property		(370)
Tenant receivable write-off in 2017		(275)
Total variance	$	2,413

NOI

NOI was higher by $2,056 for the three months ended September 30, 2018 as compared to the same period in 2017 for the following reasons:

Variance Explanation		Three months ended September 30, 2018
Variance due to acquisitions, development, and expansion	$	1,791
Increase in base rent and higher recoveries of operating expenses		582
Other income		118
Decrease in operating expenses, mainly real estate taxes, utilities, and general repairs		70
Decrease in non-cash straight-line rent		(378)
Disposition of investment property		(91)
Change in amortization of tenant incentives		(36)
Total variance	$	2,056

NOI was higher by $6,833 for the nine months ended September 30, 2018 as compared to the same period in 2017 for the following reasons:

Variance Explanation		Nine months ended September 30, 2018
Variance due to acquisitions, development, and expansion	$	6,882
Increase in base rent and higher recoveries of operating expenses		2,103
Tenant receivable write-off in 2017		275
Disposition of investment property		(928)
Decrease in non-cash straight-line rent		(769)
Higher operating expenses, mainly real estate taxes, utilities, and general repairs		(342)
Change in amortization of tenant incentives		(242)
Lease termination and other income		(146)
Total variance	$	6,833

General and administrative expense

General and administrative expenses consist of salaries and benefits (post Internalization), asset management fees (pre-Internalization), professional fees, deferred compensation expense, trustee fees, and other expenses. See section Part I: Overview, for further discussion on the impact from Internalization on general and administrative expenses. General and administrative expenses were higher by $227 for the three months ended September 30, 2018 as compared to the same period in 2017 for the following reasons:

Variance Explanation		**Three months ended September 30, 2018**
Salaries and benefits	$	993
Other		179
Deferred compensation expense (income), of which ($924) is due to the change in fair value of units outstanding under the DUIP and the Plan (see Section II: Equity)		(602)
Reduction in asset management fees		(343)
Total variance	$	227

General and administrative expenses were higher by $771 for the nine months ended September 30, 2018 as compared to the same period in 2017 for the following reasons:

Variance Explanation		**Nine months ended September 30, 2018**
Salaries and benefits	$	993
Other		274
Deferred compensation expense (income), of which ($599) is due to the change in fair value of units outstanding under the DUIP and the Plan (see Section II: Equity)		(368)
Reduction in asset management fees		(128)
Total variance	$	771

Fair value adjustment to investment properties

The REIT has selected the fair value method of accounting to account for real estate classified as investment properties. As a result, subsequent to initial recognition, investment properties are carried at fair value, with gains and losses arising from changes in fair value recognized in the consolidated statements of net income and comprehensive income during the year in which they arise. For the three and nine months ended September 30, 2018, the REIT recognized a fair value increase to investment properties of $10,080 and $16,245, respectively. For the three and nine months ended September 30, 2017, the REIT recognized a fair value increase (decrease) to investment properties of ($1,410) and $28,760, respectively. For the three and nine months ended September 30, 2018 and 2017, the fair value increases were caused by capitalization rate compression, increasing market rents in certain markets, and key lease renewals, partially offset by write-off of capitalized tenant incentives, the write-off of acquisition related transaction costs, tenancy changes, and amortization of straight-line rent. Please refer to the “Investment Properties” section of this MD&A for further discussion on the REIT’s fair value of investment properties.

Finance Costs

Finance costs include interest expense on mortgages payable, bank indebtedness and derivative instrument, distributions on Class B Units and DPUs (see Section II: Equity for further details), the gain or loss on the change in fair value of financial assets and liabilities designated as fair value through profit and loss, including Class B Units and the derivative instrument, and amortization associated with the mark-to-market adjustments and financing costs incurred in connection with obtaining long-term financings. Finance costs decreased $2,938 for the three months ended September 30, 2018, as compared to the same period in 2017 for the following reasons:

Variance Explanation		**Three months ended September 30, 2018**
Fair value adjustment to Class B Units	$	3,754
Fair value adjustment to derivative instrument		400
Decrease in mortgage interest expense		61
Increase in distributions on Class B Units and DPUs		(77)
Increase in bank indebtedness interest expense		(900)
Interest expense on mortgage payables related to acquisitions		(279)
Change in amortization of financing costs and mark-to-market adjustments on fixed Interest rate mortgage payable		(21)
Total variance	$	2,938

Finance costs decreased $5,648 for the nine months ended September 30, 2018, as compared to the same period in 2017 for the following reasons:

Variance Explanation		**Nine months ended September 30, 2018**
Fair value adjustment to Class B Units	$	7,259
Decrease in distributions on Class B Units, net of increase in DPUs		1,105
Fair value adjustment to derivative instrument		400
Decrease in mortgage interest expense		120
Increase in bank indebtedness interest expense		(1,995)
Interest expense on mortgage payables related to acquisitions		(877)
Write-off of remaining finance costs related to the Secured Revolving Facility		(287)
Change in amortization of financing costs and mark-to-market adjustments on fixed Interest rate mortgage payable		(77)
Total variance	$	5,648

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

The reconciliation of net income and comprehensive income to FFO and AFFO for the three and nine months ended September 30, 2018 and 2017 are presented below:

(all figures in '000s, except per unit amounts)	Three months ended September 30, 2018	Three months ended September 30, 2017	Variance	Nine months ended September 30, 2018	Nine months ended September 30, 2017	Variance
Net income and comprehensive income	**$ 14,972**	**$ 6,973**	**$ 7,999**	**$ 35,384**	**$ 44,447**	**$ (9,063)**
Add/(Deduct)						
Fair value adjustment to investment properties	(10,080)	1,410	(11,490)	(16,245)	(28,760)	12,515
Fair value adjustment to Class B Units	(3,054)	700	(3,754)	1,172	8,431	(7,259)
Fair value adjustment to deferred compensation	(566)	358	(924)	886	1,485	(599)
Fair value adjustment to derivative instrument	(400)	-	(400)	(400)	-	(400)
Fair value adjustment to investment properties – IFRIC 21	3,713	3,445	268	(3,393)	(2,730)	(663)
Property taxes accounted for under IFRIC 21	(3,713)	(3,445)	(268)	3,393	2,730	663
Transaction costs related to internalization	8,517	-	8,517	8,517	-	8,517
Amortization of tenant incentives	400	342	58	1,171	889	282
Amortization of intangible assets	828	-	828	828	-	828
Distributions on Class B Units and DPUs treated as interest expense	762	685	77	2,134	3,239	(1,105)
FFO	**$ 11,379**	**$ 10,468**	**$ 911**	**$ 33,447**	**$ 29,731**	**$ 3,716**
Leasing cost reserve **(1)**	(1,088)	(1,000)	(88)	(3,230)	(2,947)	(283)
Capital expenditure reserve **(2)**	(295)	(259)	(36)	(863)	(755)	(108)
Amortization of straight-line rent	(94)	(435)	341	(574)	(977)	403
AFFO	**$ 9,902**	**$ 8,774**	**$ 1,128**	**$ 28,780**	**$ 25,052**	**$ 3,728**
FFO per Unit (diluted)	$ 0.227	$ 0.220	$ 0.007	$ 0.677	$ 0.677	$ 0.000
AFFO per Unit (diluted)	$ 0.198	$ 0.184	$ 0.014	$ 0.583	$ 0.570	$ 0.013

(1) The leasing cost reserve is a weighted average rate of approximately $0.24 and $0.25 per square foot per annum as at September 30, 2018 and 2017, respectively, based on a five-year forward-looking average of expected leasing commissions and tenant improvements on the portfolio.

(2) The capital expenditure reserve is a weighted average rate of approximately $0.06 per square foot per annum as at September 30, 2018 and 2017, based on the five-year forward-looking average of expected capital expenditures on the portfolio.

FFO Variances
For the three months ended September 30, 2018 FFO was higher by $911 as compared to the same period in 2017 for the following reasons:

Variance Explanation		**Three months ended September 30, 2018**
Variance due to acquisitions, development, and expansion	$	1,546
Management fee revenue		1,087
Increase in base rent and higher recoveries of operating expenses		582
Other income		118
Decrease in operating expenses, mainly real estate taxes, utilities, and general repairs		70
Decrease in mortgage interest expense		61
Increase in general and administrative, net of fair value adjustment to deferred compensation of ($924)		(1,189)
Increase in bank indebtedness interest expense		(900)
Decrease in non-cash straight-line rent		(378)
Disposition of investment property		(86)
Total variance	$	911

For the nine months ended September 30, 2018 FFO was higher by $3,716 as compared to the same period in 2017 for the following reasons:

Variance Explanation		**Nine months ended September 30, 2018**
Variance due to acquisitions, development, and expansion	$	5,847
Increase in base rent and higher recoveries of operating expenses		2,103
Management fee revenue		1,087
Tenant receivable write-off in 2017		275
Decrease in mortgage interest expense		120
Increase in bank indebtedness interest expense		(1,995)
Increase in general and administrative, net of fair value adjustment to deferred compensation of ($599)		(1,175)
Disposition of investment property		(925)
Decrease in non-cash straight-line rent		(769)
Higher operating expenses, mainly real estate taxes, utilities, and general repairs		(342)
Write-off of remaining finance costs related to the Secured Revolving Facility		(287)
Lease termination and other income		(146)
Change in amortization of financing costs and mark-to-market adjustments on fixed interest rate mortgage payable		(77)
Total variance	$	3,716

AFFO Variances

For the three months ended September 30, 2018, AFFO was higher by $1,128 as compared to the same period in 2017 for the following reasons:

Variance Explanation		Three months ended September 30, 2018
Variance due to acquisitions, development, and expansion	$	1,399
Management fee revenue		1,087
Increase in base rent and higher recoveries of operating expenses		582
Other income		118
Decrease in operating expenses, mainly real estate taxes, utilities, and general repairs		70
Decrease in mortgage interest expense		61
Increase in general and administrative, net of fair value adjustment to deferred compensation		(1,189)
Increase in bank indebtedness interest expense		(900)
Disposition of investment property		(80)
Change in reserves		(20)
Total variance	$	1,128

For the nine months ended September 30, 2018, AFFO was higher by $3,728 as compared to the same period in 2017 for the following reasons:

Variance Explanation		Nine months ended September 30, 2018
Variance due to acquisitions, development, and expansion	$	5,192
Increase in base rent and higher recoveries of operating expenses		2,103
Management fee revenue		1,087
Tenant receivable write-off in 2017		275
Decrease in mortgage interest expense		120
Increase in bank indebtedness interest expense		(1,995)
Increase in general and administrative, net of fair value adjustment to deferred compensation		(1,175)
Disposition of investment property		(896)
Increase in operating expenses, mainly real estate taxes, utilities, and general repairs		(342)
Write-off of remaining finance costs related to the Secured Revolving Facility		(287)
Lease termination and other income		(146)
Change in reserves		(131)
Change in amortization of financing costs and mark-to-market adjustments on fixed interest rate mortgage payable		(77)
Total variance	$	3,728

FFO and AFFO per Unit (diluted)

The weighted average number of Units used to calculate FFO and AFFO per Unit (diluted) include the weighted average number of all outstanding REIT Units, Class B Units, in-the-money options outstanding under the unit option plan assuming a cashless exercise of those options and units granted under the deferred unit incentive plan (see Part II: equity), which amounted to 50,092 and 47,668 Units for the three months ended September 30, 2018 and 2017, respectively. The weighted average number of all outstanding REIT Units and Class B Units amounted to 49,390 and 44,004 for the nine months ended September 30, 2018 and 2017, respectively. The increase in the weighted average number of units outstanding is mainly due to the July 2017 Offering (as defined herein) (see "Equity" section in Part II) and the issuance of Class B Units and deferred compensation as components of Internalization.

For the three and nine months ended September 30, 2018, FFO per Unit (diluted) was higher by $0.007 and flat, respectively, as compared to the three and nine months ended September 30, 2017. For the three and nine months ended

September 30, 2018, AFFO per Unit (diluted) was higher by $0.014 and $0.013, respectively, as compared to the three and nine months ended September 30, 2017. The increases are mostly caused by the acquisition of four investment properties in 2017 and three in 2018, an increase in base rent and higher recoveries of operating expenses, and fee revenue earned from the AIMCo Venture Management Contracts. The increases are partially offset by a 12.3% increase in the weighted average number of units outstanding, the disposition of one investment property, increased interest expense on bank indebtedness, a $287 non-cash write off of deferred financing costs in conjunction with the early payoff of the Secured Revolving Facility, and higher lease termination and other income in 2017.

Distribution Policy

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

The REIT's ACFO payout ratio for the three months ended September 30, 2018 and 2017 was 85.7% and 96.2%, respectively. The REIT's ACFO payout ratio for the nine months ended September 30, 2018 and 2017 was 89.9% and 92.0%, respectively. The decreased ACFO payout ratios were mainly due to the timing of acquisitions of investment properties in relation to the timing of the issuance of REIT Units and the additional fee revenue related to the Management Contracts.

Same properties NOI

The same properties disclosed in the following table for the three and nine months ended September 30, 2018 and 2017 are investment properties having consistent leasable area in both periods.

	Three months ended September 30,		Variance		Nine months ended September 30,		Variance	
('000s)	2018	2017	$	%	2018	2017	$	%
Net operating income (1)	**$ 17,182**	**$ 15,126**	**$ 2,056**	**13.6%**	**$ 50,175**	**$ 43,342**	**$ 6,833**	**15.8%**
Amortization of straight-line rent	85	(293)	378	(129.0%)	28	(741)	769	(103.8%)
Amortization of leasing costs	374	338	36	10.7%	1,104	862	242	28.1%
Tenant incentives - free rent	-	235	(235)	(100.0%)	36	525	(489)	(93.1%)
Other reconciling items (2)	(131)	-	(131)	(100.0%)	(181)	31	(212)	(683.9%)
Acquisitions', development, and expansion NOI	(3,380)	(1,589)	(1.791)	112.7%	(9,166)	(2,284)	(6,882)	301.3%
Disposition NOI	-	(91)	91	(100.0%)	-	(928)	928	(100.0%)
Same properties NOI (1)	**$ 14,130**	**$ 13,726**	**$ 404**	**2.9%**	**$ 41,996**	**$ 40,807**	**$ 1,189**	**2.9%**
Average occupancy (same properties)	98.7%	98.7%		0.0%	98.8%	98.7%		0.1%

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

(2) Includes lease termination and other income

Same properties NOI for the three months ended September 30, 2018 increased by $404, or 2.9%, when compared to the same quarter in 2017. For the nine months ended September 30, 2018, same properties NOI increased by $1,189, or 2.9%, when compared to the same period in 2017. The changes in same properties NOI were mainly due to increases in contractual base rent, higher recoveries of operating expenses, and a slight increase in average occupancy for the nine-month period in 2018 compared to 2017.

LIQUIDITY AND CAPITAL RESOURCES

The REIT's primary sources of capital are cash generated from operations and Management Contracts, its Credit Facility, mortgages payable financing and refinancing and issuances of equity and debt through public or private placement. The REIT's primary uses of capital include the payment of distributions, costs of attracting and retaining tenants, recurring investment property maintenance, major investment property improvements, principal repayments, interest payments and investment property acquisitions and development projects. The REIT expects to meet all of its ongoing obligations with current cash generated from operations, draws on its Credit Facility and, as growth requires and when appropriate, new equity or debt issuances. The Declaration of Trust provides that the REIT cannot incur or assume any indebtedness that would cause total indebtedness levels to exceed 60% of gross book value (or 65% of gross book value including any convertible debentures). Management of the REIT targets an indebtedness level of no more than 50% of gross book value. As at September 30, 2018 and December 31, 2017, the REIT's debt-to-gross book value ratio was 45.4% (total outstanding debt of $487,951 and $425,449 as at September 30, 2018 and December 31, 2017, respectively, divided by a gross book value of $1,075,872 and $1,009,582 as at September 30, 2018 and December 31, 2017 respectively). The REIT's debt to Adjusted EBITDA ratio was 7.4 and 7.1 times as at September 30, 2018 and December 31, 2017, respectively. The REIT has no convertible debentures outstanding.

The REIT uses cash flows from operations and debt level indicators to assess its ability to meet its financing obligations. For the nine months ended September 30, 2018, the REIT's interest coverage ratio was 3.6 times (excluding the impact of property taxes accounted for under IFRIC 21), and its fixed charge coverage ratio was 3.0 times (excluding the impact of property taxes accounted for under IFRIC 21), demonstrating an ability to more than adequately cover the REIT's financing obligations. The REIT's weighted average effective interest rate on all indebtedness as at September 30, 2018 and December 31, 2017 was 3.7%.

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

	Nine months ended September 30,	
('000s)	**2018**	**2017**
Cash provided by/(used in):		
Operating activities	$ 40,688	$ 40,802
Financing activities	20,303	129,273
Investing activities	(60,011)	(171,509)
Increase (decrease) in cash and cash equivalents during the period	**980**	**(1,434)**
Cash and cash equivalents, beginning of period	6,637	9,007
Cash and cash equivalents, end of period	$ **7,617**	$ **7,573**

As at September 30, 2018, the REIT had $7,617 in cash and cash equivalents and availability under the Credit Facility of $66,514, for total liquidity of $74,131.

Cash flows from operating activities for the nine months ended September 30, 2018 and 2017 of $40,688 and $40,802, respectively, primarily related to the operation of investment properties.

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

	Three months ended September 30,		Nine months ended September 30,	
('000s)	**2018**	**2017**	**2018**	**2017**
Cash flows provided by operating activities	$ **8,388**	$ **13,557**	$ **40,688**	$ **40,802**
Less: Interest paid (excluding distributions on Class B Units classified as finance costs incurred)	(4,452)	(3,296)	(12,603)	(9,639)
	3,936	10,261	28,085	31,163
Distributions paid (1)	(9,282)	(8,719)	(27,572)	(24,436)
Excess (shortfall) of cash flows provided by operating activities over distributions paid	**(5,346)**	**1,542**	**513**	**6,727**
Cash flows provided by operating activities	**8,388**	**13,557**	**40,688**	**40,802**
Add/(Deduct):				
Change in non-cash working capital	(59)	535	(1,253)	(356)
Interest paid (2)	(4,452)	(3,296)	(12,603)	(9,639)
Leasing cost reserve and capital expenditure reserve	(1,383)	(1,259)	(4,093)	(3,702)
Business combination	8,517	-	8,517	-
Amortization of mark-to-market adjustments	113	130	375	388
Amortization of financing costs	(183)	(164)	(868)	(467)
ACFO (3)	$ **10,941**	$ **9,503**	$ **30,763**	$ **27,026**
Distributions declared (1)	$ 9,372	$ 9,145	$ 27,662	$ 24,865
ACFO payout ratio (3)	85.7%	96.2%	89.9%	92.0%

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

The shortfall of cash flows provided by operating activities less interest paid over total distributions paid in the three and nine months ended September 30, 2018 was due to the Transaction (see Section Part I: Overview) in July 2018 that resulted from Transaction costs related to Internalization of $8,517. These costs were financed with funds from the Credit Facility. The REIT determined the shortfall was directly related to the Transaction and does not expect the shortfall to continue beyond the three months ending September 30, 2018.

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

Cash flows provided by financing activities for the nine months ended September 30, 2018 and 2017 of $20,303 and $129,273 respectively, primarily related to net proceeds from the REIT's borrowings in 2018 and 2017 and the net proceeds from the issuance of REIT Units and the exercise of the underwriters' over-allotment in 2017 less interest expense paid and distributions to Unitholders.

Cash flows used in investing activities for the nine months ended September 30, 2018 and 2017 of $60,011 and $171,509, respectively, primarily related to the acquisition of investment properties, additions to investment properties, the Acquisition in 2018, and additions investment property under development in 2017.

Investment properties

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 generally accepted market practices including independent property valuations and market conditions existing at the reporting date. 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 (or at the time of disposition for investment properties being disposed of) using a combination of the following methods: (i) an internal valuation using the discounted cash flow model, which discounts the expected future cash flows, including a terminal value, based on the application of a terminal capitalization rate to the assumed final year's estimated cash flows, and reviewing the key assumptions from previous and current appraisals and updating the value for changes in the property cash flow, physical condition and changes in market conditions; and (ii) appraisals by an independent third party, according to professional appraisal standards and IFRS.

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

Properties Under Development

Investment properties under development for future use as investment property are accounted for under IAS 40, *Investment Property*. Costs eligible for capitalization to investment properties under development are initially recorded at cost, and subsequent to initial recognition are accounted for using the fair value method.

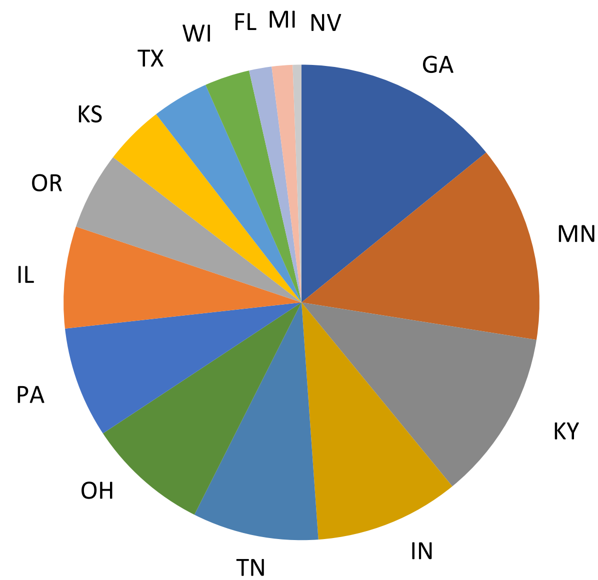
The cost of investment properties under development includes direct development costs, management fees, consulting and legal fees, property taxes and borrowing costs directly attributable to investment properties under development. The REIT capitalizes borrowing costs to qualifying assets by determining whether the borrowings are general or specific to a project.

Upon practical completion of a development, the development property is transferred to investment properties at the fair value on the date of practical completion. The REIT considers practical completion to have occurred when the property is capable of operating in the manner intended by management. Generally, this occurs upon completion of shell-construction, receipt of all necessary occupancy and other material permits, and the earlier of completion of tenant build-out or commencement of rent.

As at September 30, 2018, the fair value of investment properties was $1,075,872 ($1,009,582 as at December 31, 2017), implying a weighted average terminal capitalization rate of 6.53% (6.62% as at December 31, 2017).

State		Fair Value ('000s)	% of Total
Georgia	$	152,100	14.1%
Minnesota		143,925	13.4%
Kentucky		124,360	11.6%
Indiana		105,400	9.8%
Tennessee		92,112	8.5%
Ohio		89,100	8.3%
Pennsylvania		81,000	7.5%
Illinois		74,500	6.9%
Oregon		56,900	5.3%
Kansas		43,900	4.1%
Texas		41,500	3.9%
Wisconsin		33,000	3.1%
Florida		16,500	1.5%
Michigan		15,200	1.4%
Nevada		6,375	0.6%
Total	**$**	**1,075,872**	**100.0%**

Fair Value by Geographic Location



Debt Financing

The REIT's debt consists of the following:

('000s)		September 30, 2018		December 31, 2017
Mortgages payable	$	345,029	$	348,480
Bank indebtedness				
Term Loan I		74,277		-
Unsecured revolving credit facility		66,992		-
Secured Revolving Facility		-		76,892
Total debt	**$**	**486,298**	**$**	**425,372**

Mortgages Payable

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

Mortgages payable consist of the following:

('000s)		September 30, 2018		December 31, 2017
Mortgages payable	$	344,951	$	347,949
Mark-to-market adjustments, net		1,232		1,608
Financing costs, net		(1,154)		(1,077)
Carrying value		345,029		348,480
Less current portion		(31,984)		(33,864)
Non-current mortgages payable	**$**	**313,045**	**$**	**314,616**

As at September 30, 2018, mortgages payable bore interest at various rates ranging from 2.87% to 5.80%, and have a weighted average effective interest rate of 3.68% with maturity dates ranging from 2019-2024. The weighted average term to maturity on mortgages payable was 3.3 and 3.6 years as at September 30, 2018 and December 31, 2017, respectively. As at September 30, 2018, all mortgages were at fixed interest rates except one.

On September 25, 2017, the REIT entered into a new, seven-year mortgage payable totaling $33,600, bearing a fixed interest rate of 3.36%, maturing on October 1, 2024 with the Portland Property as collateral. The REIT used the proceeds to pay down the Senior Secured Facility.

On August 29, 2018, the REIT refinanced an existing fixed rate mortgage payable in amount of $17,808, with proceeds from a new, five-year, $30,000 mortgage payable bearing a variable rate equal to 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 of $340, which are being amortized using the effective interest rate method over the remaining term. As at September 30, 2018, the interest rate was 3.44%.

The weighted average maturing effective interest rates, scheduled mortgage repayments, principal mortgage maturities, and scheduled interest payments are as follows as at September 30, 2018:

('000s)	Weighted Average Maturing Effective Interest Rates	Scheduled Mortgage Repayments	Principal Mortgage Maturities	Total Principal Repayments	Scheduled Interest Payments[1]	Total Debt Service Repayments
2018	-	$ 867	$ -	$ 867	$ 3,162	$ 4,029
2019	3.4%	3,747	28,325	32,072	11,913	43,985
2020	3.1%	4,173	83,550	87,723	9,870	97,593
2021	4.6%	3,955	69,721	73,676	7,972	81,648
2022	3.8%	2,892	23,534	26,426	4,982	31,408
2023	3.6%	1,103	82,082	83,185	2,467	85,652
2024	3.5%	715	40,287	41,002	1,157	42,159
Totals		$ 17,452	$ 327,499	$ 344,951	$ 41,523	$ 386,474
Mark-to-market adjustment, net				1,232		
Financing costs, net				(1,154)		
Total carrying value of mortgages payable				$ 345,029		

[1] Includes interest from a variable rate mortgage at the rate as at September 30, 2018

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

Credit Facility

On June 26, 2018, the REIT entered into 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 delayed draw term loan has an initial draw availability period of one year and a maturity date of June 26, 2023. The Credit Facility also contains an accordion feature which increases the facility's availability to $600,000 (subject to requisite unencumbered assets and borrower approval). On June 26, 2018, the REIT drew $75,000 on the unsecured delayed draw term loan (the "**Term Loan I**") and $13,000 on the unsecured revolving credit facility, using the proceeds to pay closing costs and repay the existing Secured Revolving Facility balance of $86,000 in full.

For the three months and nine months ended September 30, 2018, the REIT drew net funds from the unsecured revolving credit facility of $35,000 and $68,000, respectively, to fund acquisitions in Q2 and Q3 2018 and to partially fund the Transaction and the repayment of the Secured Revolving Facility.

The unsecured revolving credit facility and Term Loan I's interest rates are based on either LIBOR or base rate, plus an applicable margin based on leverage. The base rate is equal to the greater of: (a) the "prime rate" plus 1.0%, (b) 0.5% above the federal funds effective rate, or (c) 30-day LIBOR plus the applicable margin. As at September 30, 2018 the interest rates on the unsecured revolving credit facility and Term Loan I was 3.59% and 3.54%, respectively.

Financing costs related to the Credit Facility of $1,829 are being amortized using the effective interest rate method over the respective terms ending on June 26, 2022 and June 26, 2023.

Variable interest rate debt as a percentage of total debt was 20.8% and 18.2% as at September 30, 2018 and December 31, 2017, respectively.

Derivative Instrument

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

The following table summarizes the details of the derivative instrument that is outstanding as at September 30, 2018:

Transaction Date	Type	Principal Amount	Fixed Rate	Maturity Date	Financial Instrument Classification	Fair Value
August 28, 2018	Swap	$ 75,000	4.13%	June 26, 2023	FVTPL	$ 400
		$ 75,000	4.13%			$ 400

The fair value of the derivative instrument is estimated using a discounted cash flow model using observable yield curves and applicable credit spreads. Total fair value income recognized during the three and nine months ended September 30, 2018 and 2017 was $400 and $0, respectively.

Commitments and Contingencies

Leasing Cost Reserve

On a quarterly basis, leasing costs (inclusive of leasing commissions, tenant allowances, or improvements) fluctuate, at times significantly. The REIT uses management's best estimate of leasing costs on expected lease maturities within the portfolio to calculate the leasing cost reserve used in the REIT's AFFO and ACFO calculation (see "Funds from Operations (FFO) and Adjusted Funds from Operations (AFFO)" and "Liquidity and Capital Resources" sections of this MD&A). Management currently estimates leasing costs to be approximately $0.24 per square foot per annum of the portfolio GLA based on a forward-looking five-year period. The leasing cost reserve per square foot will change from time to time as the REIT purchases and disposes of investment properties and as the forward-looking five-year period is updated.

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

Leasing Costs ('000s)		Period from IPO to December 31, 2016	Year ended December 31, 2017	Nine months ended September 30, 2018	Since IPO
Reserved	$	11,695	3,966	3,230	18,891
Actual	$	9,898	4,635	1,401	15,934
Excess/(deficit)	$	1,797	(669)	1,829	2,957

Maintenance Capital Expenditure Reserve

The majority of the REIT's capital expenditures are incurred to sustain existing GLA and occupancy levels and are considered operational in nature. The REIT's policy is to engage third party consultants to provide building condition assessment reports ("**BCA Reports**") on each property acquired, for the purpose of assessing and documenting the existing condition of each investment property and major property operating components and systems. In addition, the REIT does its own internal analysis of expected capital expenditures using a forward-looking five-year period. The REIT then uses the information from the BCA Reports and its internal analysis to calculate a five-year weighted average maintenance capital expenditure per square foot, which is used in the REIT's AFFO and ACFO calculation (see "Funds from Operations (FFO) and Adjusted Funds from Operations (AFFO)" and "Liquidity and Capital Resources" sections of this MD&A). Management currently estimates recurring operational maintenance capital expenditures to be approximately $0.06 per square foot per annum of the portfolio GLA based on a forward-looking five-year period. The maintenance capital expenditure reserve per square foot will change from time to time as the REIT purchases and disposes of investment properties and as the forward-looking five-year period is updated. Due to capital expenditures fluctuating from period to period, at times significantly, the REIT believe the use of a reserve better reflect average annual capital expenditure spending levels for the calculation of AFFO and ACFO.

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

Maintenance Capital Expenditures ('000s)		**Period from IPO to December 31, 2016**	**Year ended December 31, 2017**	**Nine months ended September 30, 2018**	**Since IPO**
Reserved	$	3,350	1,036	863	5,249
Actual	$	1,434	1,127	1,113	3,674
Excess/(deficit)	$	1,916	(91)	(250)	1,575

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

Expenditures deemed revenue-enhancing represent expenditures that support incremental revenues which can represent expansions that increase GLA, improvements that drive an increase to current and future lease revenues, or repositioning of a property that may lead to higher lease rents. For the nine months ended September 30, 2018, the REIT incurred $883 of capital expenditures related to finishing the tenant buildout at the Indianapolis Development and other revenue-enhancing projects. For the year ended December 31, 2017, the REIT incurred $4,506 of revenue-enhancing capital expenditures.

Certain expenditures are recoverable from tenants pursuant to the terms of their leases either in the year such expenditures are incurred or, in the case of a major capital expenditure item, on a straight-line basis over the expected useful life together with an imputed rate of interest. Recoverable capital expenditures may include items such as parking lot resurfacing and roof replacement. Non-recoverable expenditures consist of leasing-related activities including tenant allowances or improvements and leasing costs, and other general capital expenditures that cannot be recovered through tenant leases. Tenant allowances and improvements generally include expenditures to customize the leased space as outlined in the leasing arrangements with the tenant. Leasing costs consist of commissions including brokerage fees incurred in negotiating and arranging tenant leases that are paid to third party leasing agents and any related legal expenses.

Other Commitments and Contingencies

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

The REIT has entered into a lease with a tenant in which the REIT has the obligation to expand the gross leasable area at one of its investment properties by 105,000 square feet. Management estimates the cost associated with this expansion to be approximately $7,500. Management expects the construction to commence in the next twelve months.

The REIT has no off-balance sheet items.

EQUITY

The REIT's Declaration of Trust authorizes the issuance of an unlimited number of REIT Units. REIT Units are ordinary units of the REIT, each of which represents a Unitholders' proportionate undivided beneficial interest and voting rights in the REIT.

Class B Units, which are economically equivalent to REIT Units, are entitled to distributions per unit, from the Partnership, in an amount equal to the distributions per unit declared in respect of the REIT Units, and are redeemable by the holder thereof for cash or REIT Units (on a one-for-one basis, subject to customary anti-dilution adjustments), as determined by the general partner of the Partnership in its sole discretion. Class B Units are puttable and, therefore, meet the definition of a financial liability under IAS 32, *Financial Instruments – Presentation,* and are accordingly classified as non-current liabilities in the consolidated statements of financial position.

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

On July 18, 2017, the REIT issued 6,735,500 REIT Units (including REIT Units issued pursuant to the exercise in full of the over-allotment option granted by the REIT to the underwriters) at a price of $12.85 per REIT Unit to a syndicate of underwriters on a bought deal basis for net cash proceeds to the REIT of approximately $82,612 (the "**July 2017 Offering**") (inclusive of underwriters' fees and issuance costs of approximately $3,940). The REIT used a portion of the funds from the July 2017 Offering to repay the outstanding balance on the Secured Revolving Facility. In addition, Welsh sold 3,115,000 REIT Units as part of a secondary offering (the "**Secondary Offering**"). The REIT did not receive any funds from the Secondary Offering.

The REIT issued 46,958 REIT Units for the redemption of DTUs and exercise of options during the year ended December 31, 2017.

On April 6, 2018, Welsh distributed 1,250,135 Class B Units to certain of its direct investors.

On July 31, 2018, the REIT issued 728,237 Class B Units as partial consideration in the Transaction (see section Part I: Overview for additional disclosures).

On September 26, 2018, Welsh redeemed 2,361,672 Class B Units in exchange for ownership and control over 2,361,672 REIT Units. The Units were subsequently sold by Welsh and are now part of the public float, eliminating Welsh's interest in the REIT.

As at September 30, 2018, ownership of the REIT was as follows (excluding options, DPUs, and DTUs (as defined herein) outstanding under the REIT's equity plans):

	REIT Units	**Class B Units**	**Total Units**	**% of Total**
Public float	35,670,847	711,565	36,382,412	74.4%
AIMCo	11,204,502	-	11,204,502	22.9%
Employees and Trustees of the REIT	32,095	1,266,807	1,298,902	2.7%
TOTAL	46,907,444	1,978,372	48,885,816	100.0%

As at September 30, 2018, ownership of the REIT on a fully diluted basis was as follows (including options, DPUs, and DTUs (as defined herein) outstanding under the REIT's equity plans):

	REIT Units[1]	Class B Units[2]	Total Units	% of Total
Public float	35,670,847	711,565	36,382,412	71.8%
AIMCo	11,204,502	-	11,204,502	22.1%
Employees and Trustees of the REIT	1,118,344	1,962,349	3,080,693	6.1%
TOTAL	47,993,693	2,673,914	50,667,607	100.0%

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

For the period from September 30, 2018 through November 6, 2018 there have been no changes in ownership at the REIT.

AIMCo's voting rights are limited to no greater than 20% of the total Units outstanding at any point in time, as further described in the Implementation Agreement dated January 20, 2016, which can be found on the SEDAR website at www.sedar.com.

Deferred Unit Incentive Plan

DTUs

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

The REIT has granted DTUs with the following vesting periods:

Vesting Type	Vesting Period	Target Payout	Dividends
Basic DTUs	Five years; 20% per year on the anniversary date	n/a	Accrue monthly
Performance DTUs	At the end of the three-year performance period	0% - 150%	Accrue monthly
Trustee Fee DTUs	Vest 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 performance compared to a predetermined peer group.

All members of the Board of Trustees have elected to receive their annual retainers and meeting fees for the current fiscal year and since inception in the form of DTUs. Annually, the REIT matches 50% of all annual trustee compensation received in DTUs.

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

	Basic DTUs	Performance DTUs	Trustee DTUs [1]	Total DTUs
Total as at December 31, 2016	401,709	-	129,551	531,260
Granted	159,657	-	55,158	214,815
Distributions	30,078	-	8,166	38,244
Redeemed	(14,606)	-	(34,336)	(48,942)
Total as at December 31, 2017	**576,838**	**-**	**158,539**	**735,377**
Granted	127,220	52,555	38,071	217,846
Distributions	25,525	244	6,980	32,749
Total as at September 30, 2018	**729,583**	**52,799**	**203,590**	**985,972**

[1] Includes Trustee fee and 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, 2017	158,283	-	130,711	288,994
September 30, 2018	290,975	-	171,580	462,555
Total Fair Value				
December 31, 2017	$ 7,353	$ -	$ 2,021	$ 9,374
September 30, 2018	$ 9,558	$ 616	$ 2,667	$ 12,841

[1] Includes Trustee fee and match DTUs.

Under IFRS, liabilities related to deferred compensation under the DUIP are measured at fair value as at the grant date and are remeasured at each reporting date. Total compensation expense related to DTUs recognized for the three and nine months ended September 30, 2018 was $317 and $2,497, respectively. Total compensation expense related to DTUs recognized for the three and nine months ended September 30, 2017 was $834 and $2,649, respectively. These amounts include adjustments based on the fair value of the REIT Units and are reported within general and administrative expenses in the statements of net income and comprehensive income as at September 30, 2018 and December 31, 2017.

DPUs

On July 31, 2018, the REIT authorized a subplan under the DUIP (as defined herein) 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. DPU awards vest based on each specific award.

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

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

	Total DPUs
Total as at December 31, 2017	-
Granted	695,542
Total as at September 30, 2018	695,542

Distributions declared of $88 were included in finance costs for the three and nine months ended September 30, 2018 are $88. Total distributions payable on DPUs as at September 30, 2018 and December 31, 2017 were $44 and $0, respectively. As at September 30, 2018 and December 31, 2017, no DPUs have vested.

Under IFRS, liabilities related to deferred compensation under the DUIP are measured at fair value as at the grant date and are remeasured at each reporting date. The fair value changes are recorded within general and administrative expense in the statements of net income and comprehensive income. The fair value of all outstanding DPUs as at September 31, 2018 and December 31, 2017 was $9,112 and $0, respectively. Total compensation expense related to the DPUs recognized for the three and nine months ended September 30, 2018 was $342. These amounts include adjustments based on the fair value of the REIT Units and are reported within general and administrative expenses in the statements of net income and comprehensive income as at September 30, 2018.

Unit Option Plan

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

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

	Number of options	Weighted average exercise price
Outstanding, December 31, 2016	530,000	$ 10.02
Exercised in 2017	(110,000)	9.99
Outstanding and Exercisable, September 30, 2018 and December 31, 2017	420,000	$ 10.02

The total fair value of options granted as at September 30, 2018 and December 31, 2017 and as at the grant date was $997, $796 and $327, respectively. The aggregate intrinsic value of exercisable options as at September 30, 2018 and December 31, 2017 was $1,331 and $1,144, respectively. The weighted average remaining contractual life for outstanding options and for exercisable options as at September 30, 2018 was 5.0 years.

Under IFRS, liabilities related to deferred compensation under the Plan are measured at fair value as at the grant date and are remeasured at each reporting date. The fair value changes are recorded within general and administrative expense in the statements of net income and comprehensive income. Total compensation expense (income) related to the option plan recognized for the three months ended September 30, 2018 and 2017 was $(226) and $136, respectively. Total compensation expense related to the option plan recognized for the nine months ended September 30, 2018 and 2017 was $136 and $695, respectively. These amounts include adjustments based on the fair value of the options are reported within general and administrative expenses as at September 30, 2018 and December 31, 2017.

As at September 30, 2018, fair value adjustments were determined using the Black-Scholes option pricing model with the following assumptions:

Average expected option term	2.5 years
Risk-free interest rate	2.85%
Expected volatility	15.36%
Dividend yield	5.75%

PART III

DISCLOSURE AND INTERNAL CONTROLS

The Chief Executive Officer ("**CEO**") and Chief Financial Officer ("**CFO**") of the REIT have designed, or caused to be designed under their supervision, the REIT's disclosure controls and procedures, and internal controls over financial reporting (as defined by National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings*). No changes were made to the REIT's internal controls over financial reporting during the three months ended September 30, 2018, that have materially affected, or are reasonably likely to materially affect, the REIT's internal controls over financial reporting.

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

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

PART IV

RISK FACTORS

The REIT faces a variety of significant and diverse risks, many of which are inherent in the business conducted by the REIT, the Partnership and the tenants of the REIT's properties. In addition to the risk factors disclosed in the REIT's MD&A and Annual Information Form for the year ended December 31, 2017, described below are certain risks that could materially affect the REIT and the value of the Units. Other risks and uncertainties that the REIT does not presently consider to be material, or of which the REIT is not presently aware, may become important factors that affect the REIT's future financial condition and results of operations. The occurrence of any of the risks discussed below could materially and adversely affect the business, prospects, financial condition, results of operations, cash flow, and the ability of the REIT to make cash distributions to Unitholders or value of the Units.

Tenant Concentration

The REIT derives approximately 36.7% of its in-place base rental revenue from its ten largest tenants. Consequently, revenues are dependent on the ability of those tenants to meet rent obligations and the REIT's ability to collect rent from them. General Mills Operations, LLC is the REIT's largest tenant by GLA and percentage of annualized base rent occupying 8.3% of total portfolio GLA and accounting for 5.6% of the total portfolio's annualized base rent. Unilever Home & Personal Care is the second largest tenant by GLA, occupying 6.9% of total portfolio GLA and accounting for 4.9% of the total portfolio's annualized base rent. Keystone Automotive is the REIT's third largest tenant by GLA, occupying 4.1% of total portfolio GLA and accounting for 3.6% of the total portfolio's annualized base rent. Honeywell International, Inc. is the REIT's fourth largest tenant by GLA occupying 4.1% of the total portfolio GLA and accounts for 2.6% of the total portfolio's annualized base rent. Early termination options are held by 11 tenants of the properties with each including specified one-time termination fees payable to the REIT. In total, early termination options represent 5.4% of the total GLA or 7.7% of the 2018 annualized base rent of the properties, with option expirations at various times from 2019 through 2023. If such tenants default on or cease to satisfy their payment obligations, or if tenants exercise their early termination options, there could be an adverse impact on the REIT's financial condition and results of operations and decrease the amount of cash available for distribution.

Occupancy by Tenants

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

Approximately 61.3% of GLA of the REIT's portfolio of properties is comprised of single-tenant properties. The largest five such tenants represent approximately 20.8% of contractual base rent of the portfolio as at September 30, 2018.

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

Financing and Interest Rate Risk

The REIT's outstanding indebtedness as at September 30, 2018 was $487,951, excluding mark-to-market adjustments and financing costs. Although a portion of the cash flow generated by the REIT's properties are devoted to servicing such debt, there can be no assurance that the REIT will continue to generate sufficient cash flow from operations to meet required interest and principal payments. If the REIT is unable to meet interest or principal payments, it could be required to seek renegotiation of such payments or obtain additional equity, debt or other financing. The failure of the REIT to make or renegotiate interest or principal payments or obtain additional equity, debt or other financing could adversely impact the REIT's financial condition, liquidity and results of operations and decrease the amount of cash available for distribution to Unitholders. If the REIT defaults under a mortgage loan, it may lose the properties securing such loan.

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

Approximately 20.8% of the REIT's total principal indebtedness is variable rate debt as at September 30, 2018. Such variable rate debt will result in fluctuations in the REIT's cost of borrowing as interest rates change. To the extent that interest rates rise, the REIT's operating results and financial condition could be adversely affected and decrease the amount of cash available for distribution.

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

As at November 6, 2018, existing mortgages secured by the REIT's properties mature between May 2019 and October 2024. To the extent that the REIT incurs variable rate indebtedness, such indebtedness will result in fluctuations in the REIT's cost of borrowing as interest rates change. To the extent that interest rates rise, the REIT's operating results and financial condition could be adversely affected and decrease the amount of cash available for distribution.

Direct and Indirect Ownership of Units by Welsh and AIMCo

Welsh, with the redemption of Class B Units and subsequent sale of REIT Units on September 26, 2018, no longer has any direct ownership interest in the REIT.

AIMCo, as at November 6, 2018, owns an approximate 22.9% interest in the REIT through its ownership of Units (assuming all Class B Units are redeemed for Units but otherwise on a non-diluted basis). AIMCo, as a result of their voting interest in the REIT, may be able to exert significant influence over matters that are to be determined by votes of the Unitholders of the REIT.

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

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

Geographic Concentration

The REIT's properties are located in the U.S., in the states of Florida, Georgia, Illinois, Indiana, Kansas, Kentucky, Michigan, Minnesota, Nevada, Ohio, Oregon, Pennsylvania, Tennessee, Texas, and Wisconsin. Approximately 16.4% and 14.9% of the REIT's NOI for the nine months ended September 30, 2018 is derived from properties located in Minnesota and Georgia, respectively. As a result, the REIT's performance is sensitive to economic condition and regulatory changes in Minnesota and Georgia. Adverse changes in the economic condition or regulatory environment of Georgia and Minnesota may have a material adverse effect on the REIT's business, cash flow, financial condition and results of operations and ability to make distributions to Unitholders.

PART V

RELATED PARTY TRANSACTIONS

Transactions with Key Personnel and AIMCo

Internalization of Management

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. (see Part I: overview section),

Louisville Property Acquisition

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 their 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. As part of the sale transaction, the REIT earned a performance fee. Prior to the acquisition, the REIT earned fees as the asset and property manager of the property.

WPT Capital and Welsh

Prior to the Transaction on July 31, 2018, the REIT paid various fees to WPT Capital, the former asset and property manager of the REIT. See Part I: Overview for further details.

On September 26, 2018, Welsh redeemed 2,361,672 Class B Units in exchange for ownership and control over 2,361,672 REIT Units. The Units were subsequently sold on a block trade basis eliminating Welsh's interest in the REIT.

The activity from each related party, up through the dates noted, are set forth below:

	Three months ended September 30,		Nine months ended September 30,	
('000s)	**2018**	**2017**	**2018**	**2017**
Fees earned under asset management agreement (1)				
Acquisition fees	$ -	$ 1,530	$ 287	$ 1,530
Asset management fees	196	539	1,375	1,503
Construction management fees	3	114	83	407
Out-of-pocket costs	15	37	163	183
Fees earned under property management agreement (2)	188	512	1,335	1,506
Other				
Class B Unit distributions paid to Welsh	457	883	1,591	3,436
REIT Unit distributions paid to Welsh	-	-	-	1

For the periods from January 1, 2017 through July 31, 2018, WPT Capital provided the following services related to the fees noted above.

(1) The asset management agreement provided for the following fees:

- Acquisition fees 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.

- Asset management fees at 0.25% of gross book value, as defined in the asset management agreement.

- 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.

- The REIT reimburses WPT Capital for all reasonable actual out-of-pocket costs and expenses incurred in connection with the performance of the services described in the asset management agreement or such other services that the REIT and WPT Capital agree in writing are to be provided from time to time by the external manager.

(2) Under the property management agreement, WPT Capital was the property manager of the investment properties owned by the REIT and administered the day-to-day operations of the REIT's portfolio of investment properties. 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.

PART VI

SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES, AND ASSUMPTIONS

A summary of significant accounting policies, including significant judgments and critical accounting estimates made by management of the REIT, is described in note 2 of the REIT's audited consolidated financial statements for the year ended December 31, 2017 and in the REIT's MD&A for the year ended December 31, 2017. Other than as noted below, there were no changes in significant accounting judgements, estimates and assumptions during the nine months ended September 30, 2018.

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

Fair value of investment properties

The key valuation metrics for investment properties are set out below as at September 30, 2018 and December 31, 2017:

	September 30, 2018	December 31, 2017
Weighted average terminal capitalization rate	6.53%	6.62%
Range of terminal capitalization rates	5.50% - 9.00%	5.50% - 9.00%
Weighted average discount rate	7.17%	7.08%
Range of discount rates	6.01% - 9.14%	6.07% - 8.95%

The fair value of investment properties is most sensitive to changes in the key valuation assumptions. Changes in the terminal capitalization rates and discount rates would result in a change to the fair value of the REIT's investment properties as set out below for the nine months ended September 30, 2018:

		September 30, 2018
Weighted average terminal capitalization rate:		
25-basis points increase	$	(23,458)
25-basis points decrease	$	25,378
Weighted average discount rate:		
25-basis points increase	$	(20,246)
25-basis points decrease	$	20,741

Changes in Accounting Policies

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

(i) Intangible assets

Intangible assets represent the estimated discounted future net cash flow from asset and property management fees the REIT expects to earn over the life of the management agreements acquired in connection with the internalization transaction. The intangible assets are amortized on a straight-line basis based on (i) the period of estimated future net cash flow for the investment properties identified at the time of the Transaction or (ii) the life of the underlying Venture Management Contract. The intangible assets estimated useful lives are between one and ten years.

Intangible assets are evaluated for impairment annually or more often if events or circumstances indicate there may be an impairment. Any impairment of the REIT's intangible assets are recorded in earnings for the period in which the impairment is identified.

(ii) Income taxes

The REIT has a U.S. taxable REIT subsidiary ("TRS") that is subjected to U.S. federal and state income taxes separate from the REIT. In general, a TRS may perform and engage in real estate or non-real estate businesses that are not permitted REIT activities.

The REIT uses judgment to interpret tax rules and regulations and determining the appropriate rates and amounts in recording current and deferred income taxes, giving consideration to timing and probability. Actual income taxes could significantly vary from these estimates as a result of future events, including changes in income tax law or the outcome of reviews by tax authorities and related appeals. To the extent that the final tax outcome is different from the amounts that were initially recorded, such difference will impact the income tax provision in the period in which such determination is made.

The recognition of deferred income tax assets and liabilities also requires significant judgment as the recognition is dependent on the REIT's projection of future taxable profits and tax rates that are expected to be in effect in the period the asset will be realized or the liability settled. Any changes to this projection will result in changes in the amount of deferred tax assets and liabilities and the deferred tax expense in the consolidated statements of income.

The REIT records deferred income tax assets and liabilities using the asset and liability method of accounting on differences arising between the financial statement carrying values and their respective income tax bases. Deferred tax is measured using enacted or substantively enacted income tax rates expected to apply in the years in which those temporary differences are expected to be recovered or settled. The REIT evaluates deferred tax assets and liabilities periodically and assess whether a provision is necessary.

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

(i) IFRS 9, *Financial Instruments*

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

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

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

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

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

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

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

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

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

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

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

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

The REIT also earns asset and property management service fees to manage, develop and operate industrial real estate investment properties on behalf of and in partnership with third-party investors. These fees are recognized on an accrual basis over the period during which the related services are provided. Asset and property management services also may result in the REIT earning a performance fee when performance of underlying investment properties exceeds established returns. Those returns are calculated based on fixed percentages in excess of predetermined thresholds as outlined in the governing documents for each respective investment partnership. Performance fees are not recognized in revenue until the amounts can be established and there is a low probability of reversal from future events.

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

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