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

WPT INDUSTRIAL REAL ESTATE INVESTMENT TRUST

For the three and nine months ended September 30, 2018 and 2017

(Unaudited)

WPT INDUSTRIAL REAL ESTATE INVESTMENT TRUST

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

	September 30, 2018	December 31, 2017
Assets		
Non-current assets:		
Investment properties (note 5)	$ 1,075,872	$ 1,009,582
Intangible assets (note 7)	22,877	-
Derivative instrument (note 10)	400	-
Other non-current assets	91	138
	1,099,240	1,009,720
Current assets:		
Amounts receivable (note 8)	2,925	1,816
Prepaid expenses	795	1,106
Restricted cash	1,563	664
Cash and cash equivalents	7,617	6,637
	12,900	10,223
Total assets	$ 1,112,140	$ 1,019,943
Liabilities and Unitholders' Equity		
Non-current liabilities:		
Mortgages payable (note 10)	313,045	314,616
Bank indebtedness (note 10)	141,269	76,892
Class B Units (note 11)	25,917	45,942
Deferred tax liability (note 3)	3,705	-
Security deposits	1,698	1,501
	485,634	438,951
Current liabilities:		
Mortgages payable (note 10)	31,984	33,864
Amounts payable and accrued liabilities (note 9)	23,822	17,631
Distributions payable (note 13)	2,969	2,820
	58,775	54,315
Total liabilities	544,409	493,266
Total unitholders' equity	567,731	526,677
Commitments and contingencies (note 21)		
Subsequent events (note 26)		
Total liabilities and unitholders' equity	$ 1,112,140	$ 1,019,943

See accompanying notes to condensed consolidated interim financial statements.

WPT INDUSTRIAL REAL ESTATE INVESTMENT TRUST

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

(Unaudited)	Three months ended September 30, 2018	Three months ended September 30, 2017	Nine months ended September 30, 2018	Nine months ended September 30, 2017
Investment properties revenue (note 15)	$ 23,078	$ 20,709	$ 67,960	$ 59,377
Management fee revenue (note 16)	1,087	-	1,087	-
	24,165	20,709	69,047	59,377
Expenses (income):				
Investment properties operating expenses	2,183	2,138	21,178	18,765
Fair value adjustment to investment properties	(10,080)	1,410	(16,245)	(28,760)
Fair value adjustment to investment properties – IFRIC 21	3,713	3,445	(3,393)	(2,730)
General and administrative (note 17)	2,138	1,911	6,923	6,152
Transaction costs related to internalization (note 3)	8,517	-	8,517	-
Amortization of intangible assets (Note 7)	828	-	828	-
Fair value adjustment to Class B Units (note 11)	(3,054)	700	1,172	8,431
Fair value adjustment to derivative instrument (note 10)	(400)	-	(400)	-
Finance costs (note 18)	5,348	4,132	15,083	13,072
Net income and comprehensive income	$ 14,972	$ 6,973	$ 35,384	$ 44,447

See accompanying notes to condensed consolidated interim financial statements.

WPT INDUSTRIAL REAL ESTATE INVESTMENT TRUST

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

(Unaudited)	# of REIT Units	Trust Equity	Distributions	Accumulated Income	Unitholders' Equity
Balance, December 31, 2016 (note 13)	34,652,426	$ 346,990	$ (51,370)	$ 85,422	$ 381,042
REIT Units issued, net of issuance costs (note 13)	6,735,500	82,612	-	-	82,612
Redemption of Class B Units for REIT Units (notes 11,13)	3,110,888	39,975	-	-	39,975
DTUs redeemed for REIT Units	31,374	417	-	-	417
REIT Units issued due to exercise of stock options	15,584	210	-	-	210
Net income and comprehensive income	-	-	-	44,447	44,447
Distributions declared (note 13)	-	-	(21,626)	-	(21,626)
Balance, September 30, 2017	44,545,772	$ 470,204	$ (72,996)	$ 129,869	$ 527,077
Balance, December 31, 2017 (note 13)	44,545,772	$ 470,204	$ (81,455)	$ 137,928	$ 526,677
Redemption of Class B Units for REIT Units (notes 11,13)	2,361,672	31,197	-	-	31,197
Net income and comprehensive income	-	-	-	35,384	35,384
Distributions declared (note 13)	-	-	(25,527)	-	(25,527)
Balance, September 30, 2018 (note 13)	46,907,444	$ 501,401	$ (106,981)	$ 173,312	$ 567,731

See accompanying notes to condensed consolidated interim financial statements.

WPT INDUSTRIAL REAL ESTATE INVESTMENT TRUST

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

(Unaudited)	Nine months ended September 30, 2018	2017
Cash flows from operating activities:		
Net income	$ 35,384	$ 44,447
Finance costs (note 18)	15,855	21,503
Non-cash items:		
Amortization of straight-line rent	(574)	(977)
Property tax liability under IFRIC 21	3,393	2,730
Fair value adjustment to investment properties – IFRIC 21	(3,393)	(2,730)
Fair value adjustment to investment properties (note 5)	(16,245)	(28,760)
Deferred compensation expense	2,155	1,859
Fair value adjustment on deferred compensation	886	1,485
Provision of uncollectible accounts	(25)	-
Amortization of intangible asset (note 7)	828	-
Amortization of lease incentives	1,171	889
Change in non-cash working capital (note 25)	1,253	356
Cash flows provided by operating activities	40,688	40,802
Cash flows from financing activities:		
Repayment of mortgages payable	(32,998)	(1,836)
Proceeds from mortgages payable	30,000	37,255
Repayment of bank indebtedness	(86,500)	(112,000)
Proceeds from bank indebtedness	152,000	158,000
Financing costs incurred	(2,069)	(683)
Proceeds from issuance of REIT Units, net of issuance costs (note 13)	-	82,612
Distributions paid	(25,378)	(21,000)
Interest paid	(14,752)	(13,075)
Cash flows provided by financing activities	20,303	129,273
Cash flows from investing activities:		
Acquisitions of investment properties (note 3)	(45,619)	(172,376)
Business combination (note 3)	(9,861)	-
Proceeds from disposition of investment properties (note 4)	-	14,233
Additions to investment properties, including lease incentives	(4,531)	(8,121)
Additions to investment properties under development	-	(5,186)
Change in capital escrows	-	(59)
Cash flows used in investing activities	(60,011)	(171,509)
Increase (decrease) in cash and cash equivalents	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
Non-cash transactions:		
Issuance of Class B Units in business combination (note 3)	$ 10,000	$ -

See accompanying notes to condensed consolidated interim financial statements.

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

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

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

As at September 30, 2018, the REIT owned a portfolio of investment properties comprised of 55 industrial investment properties and one office investment property, located in 15 states in the U.S.

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1. Basis of presentation:

(a) Statement of compliance:

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

These condensed consolidated interim financial statements were approved by the board of trustees of the REIT (the "Board of Trustees") on November 6, 2018.

The condensed consolidated interim financial statements do not include all information required for full annual financial statements and should be read in conjunction with the REIT's unaudited condensed consolidated interim financial statements for the three and nine months ended September 30, 2017 and the REIT's audited consolidated financial statements for the year ended December 31, 2017, which have been prepared in accordance with International Financial Reporting Standards ("IFRS").

(b) Basis of measurement:

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

(c) Basis of consolidation:

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

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2. Significant 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

Finite life 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 (note 3). 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 in the contracts 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.

Indefinite life intangible assets are measured at cost less any accumulated impairment loss.

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 asset is 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 15.

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.

3. Acquisitions:

Business combination:

On July 31, 2018, the REIT (through its wholly owned subsidiaries) internalized management (the "Internalization") and acquired 100% of the membership interests of WPT Capital Advisors, LLC ("WPT Capital"), a related party, through the issuance of separate share purchase agreements with Alberta Investment Management Corporation and affiliates ("AIMCo"), a related party, and the principals of WPT Capital (the "Acquisition") (collectively, the ("Transaction")). Concurrently with the Transaction, all of the executives and other employees of WPT Capital became employees of the REIT or its subsidiaries (see note 14).

The aggregate consideration to WPT Capital included (i) 728,237 Class B Units valued at $10,000 and (ii) $16,811 in cash consideration. The components of the purchase price were made up of $20,000 related to the private capital business of WPT Capital and $6,811 related to the internalization of management, which was based on internalization provisions in the asset management and property management agreements (the "Management Agreements") and equaled the fees paid to WPT Capital over the preceding twelve months. The principals of WPT Capital received all of the Class B Units and AIMCo received all of its consideration in cash. The Class B Units are subject to lock-up provisions providing for a release of 1/3 of the units annually beginning on the third anniversary of the Acquisition.

In conjunction with the Internalization, the REIT awarded $9,800 of deferred equity compensation to certain employees which vest 50% upon each of the fourth and fifth anniversaries of the award date. The awards are also subject to an additional lock-up period of three years after vesting. The awards are considered remuneration for post-internalization services and will be recorded as they are expensed over the related vesting period as accounted for under IFRS 2. See note 12 for further detail.

The REIT acquired two assets: (i) management contracts related to investment properties held by AIMCo and certain members of REIT's management team (the "AIMCo Venture Management Contracts") and (ii) management contracts related to a private capital venture (the "Venture") formed by WPT Capital with Canada Pension Plan Investment Board ("CPPIB"), AIMCo, and the REIT as investors/limited partners ("the "Venture Management Contracts") (see note 6). Each asset is identified as an intangible asset. The REIT also acquired assets and assumed liabilities of working capital totaling ($139) from WPT Capital.

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

The REIT, through a wholly owned TRS subsidiary, assumed a deferred tax liability totaling $3,705 as a result of the acquired intangible assets, noted above, having a higher financial statement carrying value than the respective income tax bases. As a result of the deferred tax liability, the REIT recorded goodwill, a definite lived intangible asset, totaling $3,705.

The Acquisition has been recognized as a business combination, in accordance with IFRS 3, *Business Combinations*, with transaction costs of $8,517, including the $6,811 related to the internalization of management, expensed during the three and nine months ended September 30, 2018. The REIT has preliminarily recorded all identifiable assets acquired which were measured at best estimates of the respective fair values on July 31, 2018. The REIT has one year to finalize the fair value of the assets acquired and the liabilities assumed. The amounts are as follows:

		Total
Assets acquired:		
Intangible assets:		
Venture Management Contracts	$	16,182
AIMCo Venture Management Contracts		3,818
Goodwill		3,705
		23,705
Deferred tax liability		(3,705)
Amounts receivable		708
Prepaid expenses		53
Other non-current assets		10
Amounts payable and accrued liabilities		(910)
		(139)
Net assets acquired	$	19,861
Consideration given by the REIT consists of the following:		
Cash consideration, net of working capital		9,861
Class B Units		10,000
Total consideration	$	19,861

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

<u>Asset acquisitions:</u>

St. Paul Property

On June 20, 2018, the REIT indirectly acquired from a third party, an investment property located in St. Paul, MN (the “St. Paul Property”) for a purchase price of $8,300 (exclusive of closing and transaction costs). The purchase price was satisfied with funds from the senior secured revolving credit facility (as defined in note 10).

Rogers Property

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

Louisville Property

On September 28, 2018, the REIT indirectly acquired from AIMCo and certain members of REIT’s management team, an investment property located in Louisville, KY (the “Louisville Property”) for a purchase price of $17,860 (exclusive of closing and transaction costs). The purchase price was satisfied with funds from the unsecured revolving credit facility. See additional disclosures in note 14.

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

The assets acquired, and liabilities assumed in these transactions occurring in the nine months ended September 30, 2018 were allocated as follows:

	St. Paul Property	Rogers Property	Louisville Property	Total
Investment properties[1]	$ 8,545	$ 20,664	$ 17,899	$ 47,108
Amounts receivable	10	-	-	10
Amounts payable and accrued liabilities	(30)	(4)	(940)	(974)
Security deposits	-	-	(200)	(200)
Prepaid rent	-	(317)	(8)	(325)
Net assets acquired	$ 8,525	$ 20,343	$ 16,751	$ 45,619
Consideration given by the REIT consists of the following:				
Cash	8,525	20,343	16,751	45,619
Total consideration	$ 8,525	$ 20,343	$ 16,751	$ 45,619

[1] Includes total closing and transaction costs of $523 and an IFRIC 21 liability of $433 assumed on acquisition that is offset by an equal adjustment to investment property.

Portland Property

On July 5, 2017, the REIT indirectly acquired from a third party, an investment property located in Portland, Oregon (the “Portland Property”) for a purchase price of $56,000 (exclusive of closing and transaction costs). The purchase price was satisfied with funds from the senior secured revolving credit facility (as defined in note 10).

Houston Property

On August 3, 2017, the REIT indirectly acquired from a third party, an investment property located in Houston, Texas (the “Houston Property”) 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 senior secured revolving credit facility (as defined in note 10).

Pennsylvania Property

On September 13, 2017, the REIT indirectly acquired from a third party, an investment property located in Quakertown, Pennsylvania (the “Pennsylvania Property”) 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 senior secured revolving credit facility (as defined in note 10).

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

The assets acquired and liabilities assumed in these transactions were allocated as follows for the year ended December 31, 2017:

	Portland Property	Houston Property	Pennsylvania Property	Reno Property	Total
Investment properties[1]	$ 56,635	$ 40,802	$ 75,840	$ 6,479	$ 179,756
Prepaid expenses	-	-	427	-	427
Amounts payable and accrued liabilities	(365)	(470)	(283)	(49)	(1,167)
Security deposits	-	(210)	-	(38)	(248)
Net assets acquired	$ 56,270	$ 40,122	$ 75,984	$ 6,392	$ 178,768
Consideration given by the REIT consists of the following:					
Cash	56,270	40,122	75,984	6,392	178,768
Total consideration	$ 56,270	$ 40,122	$ 75,984	$ 6,392	$ 178,768

[1] Includes total closing and transaction costs of $2,761 and an IFRIC 21 liability of $550 assumed on acquisition that is offset by an equal adjustment to investment property.

4. Asset Dispositions:

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 net cash proceeds of $14,233 (inclusive of closing costs and working capital).

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

5. Investment properties:

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

	Nine months ended September 30, 2018	Year ended December 31, 2017
Balance, beginning of period	$ 1,009,582	$ 800,142
Investment property acquisitions	47,108	179,756
Investment property disposition	-	(14,469)
Additions to investment properties, including lease incentives	3,534	10,607
Amortization of straight-line rent	574	1,291
Amortization of lease incentives	(1,171)	(1,207)
Fair value adjustment to investment properties	16,245	21,762
Transfer from investment properties under development (1)	-	11,700
	$ 1,075,872	$ 1,009,582
Property tax liability under IFRIC 21	3,393	(479)
Fair value adjustment to investment properties – IFRIC 21	(3,393)	479
	$ 1,075,872	$ 1,009,582

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

Straight-line rent includes the cumulative difference between rental revenue as recorded on a straight-line basis and rents received from the tenants in accordance with their respective lease terms.The fair value hierarchy of investment properties measured at fair value in the consolidated statements of financial position is as follows:

	Level 1	Level 2	Level 3
Investment properties – September 30, 2018	$ -	$ -	$ 1,075,872
Investment properties and properties under development – December 31, 2017	$ -	$ -	$ 1,009,582

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

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

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

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

	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%

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

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

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

6. Equity Accounted Venture

As part of the Acquisition, the REIT will serve as the general partner of the Venture. 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, the REIT will receive asset and property management and performance fees for Venture assets under management. The REIT accounts for its investment in the Venture using the equity method.

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

7. Intangible assets:

Intangible assets consist of the following:

	September 30, 2018		December 31, 2017	
Management contracts	$	19,172	$	-
Goodwill		3,705		
	$	22,877	$	-

As part of the Transaction, the REIT assumed a deferred tax liability (note 3) related to the difference between the financial statement carrying value and respective income tax basis of the acquired intangible assets. As such, the REIT recorded goodwill to the extent of the tax liability assumed. No impairment provisions were recorded at September 30, 2018.

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

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

	AIMCo Venture Management Contracts	Venture Management Contracts	Total Intangible Assets
Balance, as at December 31, 2017	$ -	$ -	$ -
Acquisition of management contracts	3,818	16,182	20,000
Amortization	(558)	(270)	(828)
Balance, as at September 30, 2018	3,260	$ 15,912	$ 19,172

No impairment provisions were recorded at September 30, 2018.

8. Amounts receivable:

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

Amounts receivable are as follows:

	September 30, 2018	December 31, 2017
Tenant receivables	$ 2,291	$ 1,716
Other receivables	659	100
Provision for uncollectible accounts	(25)	-
	$ 2,925	$ 1,816

The carrying value of amounts receivable approximates fair value.

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

9. Amounts payable and accrued liabilities:

Amounts payable and accrued liabilities consist of the following:

	September 30, 2018	December 31, 2017
Deferred compensation (see note 12)	$ 10,388	$ 7,347
Accrued real estate taxes	6,025	3,584
Accrued liabilities and other payables	3,856	2,529
Rent received in advance	1,705	2,083
Accrued interest	1,200	1,362
Trade payables	371	613
Unearned revenue	277	113
	$ 23,822	$ 17,631

10. Debt

Debt consists of the following:

	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

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

Mortgages payable:

Mortgages payable consist of the following:

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

Mortgages payable that are due and payable within 12 months after the date of the consolidated statements of financial position presented, including scheduled principal payments on mortgages payable, are classified as current liabilities. Mortgages payable are collateralized by investment properties with a fair value of $702,150 and $729,250 as at September 30, 2018 and December 31, 2017, respectively. As at September 30, 2018 and December 31, 2017, mortgages payable bore interest at various rates ranging from 2.87% to 5.80% and have a weighted average effective interest rate of 3.68% and 3.77%, respectively. Maturity dates range from 2019 – 2024 as at September 30, 2018. As at September 30, 2018, all mortgages except one were at fixed interest rates while at December 31, 2017, all mortgages payable were at fixed interest rates. The weighted average term to maturity on mortgages payable was 3.3 years and 3.6 years as at September 30, 2018 and December 31, 2017, respectively.

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 revolving credit facility (as defined below).

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

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

Future contractual cash flows of mortgages payable principal and interest are as follows as at September 30, 2018:

	Principal Payments	Interest Payments[1]	Total Payments
2018 (remainder)	$ 867	$ 3,162	$ 4,029
2019	32,072	11,913	43,985
2020	87,723	9,870	97,593
2021	73,676	7,972	81,648
2022	26,426	4,982	31,408
2023 and thereafter	124,187	3,624	127,811
	$ 344,951	$ 41,523	$ 386,474

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

The REIT's mortgages payable contain customary representations, warranties, and events of default, which require the REIT to comply with affirmative and negative covenants. These covenants include (a) net worth thresholds, (b) senior debt service coverage ratios, (c) total indebtedness to gross book value ratios, and (d) liquid asset thresholds. As at September 30, 2018 and December 31, 2017, the REIT was in compliance with all covenants of its mortgages payable.

Bank indebtedness:

Bank indebtedness consists of the following:

	September 30, 2018	December 31, 2017
Term Loan I	$ 75,000	$ -
Unsecured revolving credit facility	68,000	-
Secured Revolving Facility	-	77,500
Financing costs, net	(1,731)	(608)
Carrying value	$ 141,269	$ 76,892

On June 26, 2018, the REIT entered into a $300,000 unsecured credit facility (the "Credit Facility"), comprised of the unsecured revolving credit facility and an unsecured delayed draw term loan with availability to borrow up to $175,000 and $125,000, respectively (subject to requisite unencumbered assets). The unsecured revolving credit facility matures on June 26, 2022, with the option for two six-month extensions. The unsecured delayed draw term loan has a draw availability period of one year and a maturity date of June 26, 2023. The Credit Facility also contains an accordion feature which increases the REIT's availability to $600,000 (subject to requisite unencumbered assets and lender approval). On June 26, 2018, the REIT drew $75,000 on the delayed draw term loan (the "Term Loan I") and $13,000 on the unsecured revolving credit facility, using the proceeds to pay closing costs and repay the existing senior secured revolving credit facility ("Secured Revolving Facility") balance of $86,000 in full.

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 the Term Loan I's interest rates are based on either LIBOR or base rate, plus an applicable margin based on leverage. The base rate is equal to the greater of: (a) the "prime rate" plus 1.0%, (b) 0.5% above the federal funds effective rate, or (c) 30-day LIBOR plus the applicable margin. As at September 30, 2018 the interest rate on the unsecured revolving credit facility and Term Loan I were 3.59% and 3.54%, respectively. The Interest rate on the Secured Revolving Facility as at December 31, 2017 was 3.14%. The Credit Facility is subject to certain guarantees by the REIT and its related subsidiaries.

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.

Availability on the Credit Facility was $209,514 as at September 30, 2018, of which the REIT had drawn $143,000, leaving remaining availability of $66,514.

The REIT's Credit Facility and Secured Revolving Facility contain customary representations, warranties, and events of default, which require the REIT to comply with certain covenants. The REIT was in compliance with all covenants as at September 31, 2018 and December 31, 2017. See note 23 for further discussion on financial covenants.

Derivative instrument – Interest rate swap:

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

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

The following table summarizes the details of the interest rate swap that is outstanding as at September 30, 2018:

Transaction Date	Principal Amount	Fixed Rate	Maturity Date	Financial Instrument Classification	Fair Value
August 28, 2018	$ 75,000	4.13%	June 30, 2023	FVTPL	$ 400
	$ 75,000	4.13%			$ 400

Total fair value income recognized during the three and nine months ended September 30, 2018 and 2017 was $400 and $0, respectively.

11. Class B Units:

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

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

Class B Units are valued at the REIT Units' closing price per the TSX as at September 30, 2018 and December 31, 2017, which was $13.10 and $12.72, respectively.

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

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

	Units	Value
As at December 31, 2016	6,722,695	$ 79,798
Redemption of Class B Units for REIT Units, July 17, 2017	(3,110,888)	(39,975)
Fair value adjustment to Class B Units	-	6,119
As at December 31, 2017	3,611,807	$ 45,942
Class B Units issued, July 31, 2018	728,237	10,000
Redemption of Class B Units for REIT Units, September 26, 2018	(2,361,672)	(31,197)
Fair value adjustment to Class B Units	-	1,172
As at September 30, 2018	1,978,372	$ 25,917

Included in finance costs for the three and nine months ended September 30, 2018 are $675 and $2,046, respectively, of distributions declared on Class B Units. Included in finance costs for the three and nine months ended September 30, 2017 are $685 and $3,239, respectively, of distributions declared on Class B Units. Total distributions payable on Class B Units as at September 30, 2018 and December 31, 2017 were $125 and $229, respectively.

12. Deferred compensation plans:

Deferred Unit Incentive Plan (“DUIP”)

Deferred Trust Units (“DTUs”)

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

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

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.

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

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.

Total compensation expense related to DTUs recognized for the three and nine months ended September 30, 2018 and 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 DTUs and are reported within general and administrative expenses as at September 30, 2018 and 2017.

Deferred Partnership Units ("DPUs")

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

On July 31, 2018, the REIT issued 695,542 DPUs to officers and employees of the REIT, in conjunction with the Transaction (see note 3), which vest 50% upon each of the fourth and fifth anniversaries of the award date. The awards are also subject to an additional lock-up period of three years after vesting.

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

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

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

Included in finance costs for the three and nine months ended September 30, 2018 are $88 of distributions declared on DPUs. 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. 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 DPUs recognized for the three and nine months ended September 30, 2018 and was $342. The amount includes adjustments based on the fair value of the DPUs and is reported within general and administrative expenses as at September 30, 2018.

The movement in the DUIP balance was as follows:

As at December 31, 2016	$	4,151
Deferred compensation expense		2,516
Fair value adjustment		537
DTUs redeemed for cash and REIT Units		(653)
Total as at December 31, 2017		6,551
Deferred compensation expense		2,155
Fair value adjustment		684
Total as at September 30, 2018		9,390

Unit Option Plan

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

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

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.

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

As at December 31, 2016	$ 633
Deferred compensation expense	2
Fair value adjustment	545
Stock options exercised for REIT Units	(384)
Total as at December 31, 2017	$ 796
Fair value adjustment	201
Total as at September 30, 2018	$ 997

Total compensation expense (income) related to the option plan recognized for the three and nine months ended September 30, 2018 and was $(226) and $201, respectively. Total compensation expense related to the option plan recognized for the three and nine months ended September 30, 2017 was $136 and $695, respectively. These amounts include adjustments based on the fair value of the options and are reported within general and administrative expenses as at September 30, 2018 and 2017.

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

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	5.76%

13. Unitholders' equity:

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

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

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

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

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

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

	Units	Value
As at December 31, 2016	34,652,426	$ 346,990
DTUs redeemed for REIT Units	31,374	417
REIT Units issued due to exercise of stock options	15,584	210
Redemption of Class B Units for REIT Units, July 17, 2017	3,110,888	39,975
REIT Units issued on completion of the July 2017 Offering, (including REIT Units issued through underwriters' over-allotment, and net of issue costs)	6,735,500	82,612
As at December 31, 2017	44,545,772	470,204
Redemption of Class B Units for REIT Units, September 26, 2018	2,361,672	31,197
As at September 30, 2018	46,907,444	$ 501,401

(a) Distributions:

The REIT declared distributions to unitholders of record in the amount of $8,609 ($0.19 per Unit) and $25,527 ($0.57 per Unit) for the three and nine months ended September 30, 2018, respectively. The REIT declared distributions to unitholders of record in the amount of $8,459 ($0.19 per Unit) and $21,626 ($0.57 per Unit) for the three and nine months ended September 30, 2017, respectively. Total distributions payable as at September 30, 2018 and December 31, 2017 were $2,969 and $2,820, respectively.

14. Related party transactions:

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

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

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

Louisville Property acquisition (note 4)

On September 28, 2018, the REIT indirectly acquired from AIMCo and certain key employees of the REIT's management team, the Louisville Property for a purchase price of $17,860 (exclusive of closing and transaction costs). Under the AIMCo Venture Management Agreement, the REIT exercised its right of first opportunity to acquire the investment property. The acquisition was unanimously approved by the independent members of the REIT's Board of Trustees. Prior to and as a result of the acquisition, the REIT earned fees as the asset and property manager of the property commencing on July 31. (see note 16) There are no fees receivable or payable at September 30, 2018.

WPT Capital and Welsh:

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

On September 26, 2018, Welsh redeemed its remaining ownership of 2,361,672 Class B Units in exchange for 2,361,672 REIT Units, and subsequently sold those REIT Units, liquidating its ownership in the REIT.

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

	Three months ended September 30, 2018	Three months ended September 30, 2017	Nine months ended September 30, 2018	Nine months ended September 30, 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 fees	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 (3)	457	883	1,591	3,436
REIT Unit distributions paid to Welsh (3)	-	-	-	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 fee. An acquisition fee equal to: (i) 1.0% of the purchase price paid for the first $100,000 of investment properties acquired by the REIT or any of its affiliates in each fiscal year; (ii) 0.75% of the purchase price paid for the next $100,000 of investment properties acquired by the REIT or any of its affiliates in each fiscal year; and (iii) 0.50% of the purchase price paid in excess of $200,000 for investment properties acquired by the REIT or any of its affiliates in each fiscal year. There were no acquisition fees payable as at September 30, 2018 and December 31, 2017.

- Asset management fees at 0.25% of gross book value, as defined in the asset management agreement. Asset management fees are reported within general and administrative expenses. Asset management fees payable as at September 30, 2018 and December 31, 2017 were $0 and $33, respectively.

- 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. There were no construction management fees payable as at September 30, 2018 and December 31, 2017.

- The REIT reimburses the asset manager for all reasonable actual out-of-pocket costs and expenses incurred in connection with the performance of the services described in the asset management agreement or such other services that the REIT and WPT Capital agree in writing are to be provided from time to time by the asset manager. As at September 30, 2018 and December 31, 2017, the net payable due was $0 and $56, respectively, related to these reimbursements.

(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.

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

There were no property management fees payable as at September 30, 2018 and December 31, 2017.

(3) On July 17, 2017, Welsh redeemed 3,110,888 Class B Units in exchange for ownership and control over 3,110,888 REIT Units. On April 6, 2018 Welsh distributed 1,250,135 Class B Units to certain direct investors.

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

Distributions payable to Welsh on Class B Units as at September 30, 2018 and December 31, 2017 were $0 and $229, respectively.

15. Revenues:

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

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
Base rent	$ 17,435	$ 15,655	$ 51,355	$ 44,841
Recovery of property taxes and insurance	3,617	3,310	10,670	9,291
Recovery of property operating expenses	2,026	1,744	5,935	5,245
	$ 23,078	$ 20,709	$ 67,960	$ 59,377

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

There were no tenants that accounted for more than 10% of the REIT's total rental revenue for the three or nine months ended September 30, 2018 or 2017.

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

As at September 30, 2018, the total future contractual minimum base rent lease payments expected to be received under non-cancellable leases are as follows:

One year or less	$	67,794
2 – 5 years		169,227
Greater than 5 years		68,299
	$	305,320

16. Management fee revenue:

The REIT earned the following revenue from asset and property management services provided as part of the AIMCo Venture Management Contracts and Venture Management Contracts (note 3):

	Three months ended September 30, 2018	Three months ended September 30, 2017	Nine months ended September 30, 2018	Nine months ended September 30, 2017
Management fee revenue	$ 1,087	$ -	$ 1,087	$ -
	$ 1,087	$ -	$ 1,087	$ -

17. General and administrative expenses:

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

	Three months ended September 30, 2018	Three months ended September 30, 2017	Nine months ended September 30, 2018	Nine months ended September 30, 2017
Deferred compensation [1]	$ 934	$ 612	$ 2,090	$ 1,859
Other	581	402	1,579	1,305
Third-party asset management fees	196	539	1,375	1,503
Salaries and benefits	993	-	993	-
Fair value adjustment to deferred compensation	(566)	358	886	1,485
	$ 2,138	$ 1,911	$ 6,923	$ 6,152

[1] Excludes $65 in trustee compensation expensed as part of the Transaction (see note 3).

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

18. Finance costs

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

	Three months ended September 30, 2018	Three months ended September 30, 2017	Nine months ended September 30, 2018	Nine months ended September 30, 2017
Interest on mortgages payable	$ 3,227	$ 3,024	$ 9,755	$ 9,048
Interest on bank indebtedness	1,289	389	2,701	706
Amortization of financing costs	183	164	868	467
Amortization of mark-to-market adjustments on fixed interest rate mortgages payable	(113)	(130)	(375)	(388)
Distributions on Class B Units and DPUs	762	685	2,134	3,239
	$ 5,348	$ 4,132	$ 15,083	$ 13,072
Fair value adjustment to Class B Units	(3,054)	700	1,172	8,431
Fair value adjustment to derivative instrument	(400)	-	(400)	-
	$ 1,894	$ 4,832	$ 15,855	$ 21,503

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

19. Reconciliation of liabilities arising from financing activities:

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

	Mortgages Payable	Construction Loan	Secured Revolving Facility	Term Loan I	Unsecured revolving credit facility	Total
As at December 31, 2016	$ 317,983	$ -	$ 19,286	$ -	$ -	$ 337,269
Proceeds from financing	33,600	4,165	115,500	-	-	153,265
Repayments	-	(4,165)	(58,000)	-	-	(62,165)
Scheduled principal payments	(2,462)	-	-	-	-	(2,462)
Financing costs paid	(425)	-	(263)	-	-	(688)
Other adjustments, non-cash[1]	(216)	-	369	-	-	153
As at December 31, 2017	$ 348,480	$ -	$ 76,892	$ -	$ -	$ 425,372
Scheduled principal payments	(2,679)	-		-	-	(2,679)
Proceeds from financing	30,000	-	8,500	75,000	68,500	182,000
Repayments	(30,319)	-	(86,000)	-	(500)	(116,819)
Financing costs paid	(340)	-	(13)	(712)	(1,004)	(2,069)
Other adjustments, non-cash[1 2]	(113)	-	508	36	62	493
Transferred financing costs[3]	-	-	113	(47)	(66)	-
As at September 30, 2018	$ 345,029	$ -	$ -	$ 74,277	$ 66,992	$ 486,298

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

20. Segment reporting:

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

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

21. Commitment and contingencies:

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

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

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

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

22. Fair value measurement:

(a) Fair value of financial instruments:

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

	Carrying amount	Fair value
Mortgages payable – As at September 30, 2018	$ 344,951	$ 340,185
Mortgages payable – As at December 31, 2017	$ 347,949	$ 349,044

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

(i) Mortgages payable:

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

(ii) Deferred compensation:

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

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

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

(iii) Class B Units:

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

(iv) Derivative instrument:

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

(v) Other financial assets and liabilities:

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

23. Capital management:

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

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

Part of the REIT's objectives in securing mortgages for its investment properties and managing its long-term debt is to stagger the maturities in order to mitigate short-term volatilities in the debt markets. The REIT's declaration of trust stipulates that the REIT shall not incur indebtedness greater than 60% of gross book value. As at September 30, 2018 and December 31, 2017, the REIT's debt-to-gross book value ratio was 45.4% and 42.1% (total outstanding principal balance of debt of $487,951 and $425,449 as at September 30, 2018 and December 31, 2017, respectively, divided by gross book value of $1,075,872 and $1,009,582 as at September 30, 2018 and December 31, 2017, respectively). The REIT has no convertible debentures outstanding and has never issued any.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The REIT complied with all financial covenants as at September 30, 2018 and December 31, 2017.

24. Financial risk management:

Risk Management:

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

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

There is also interest rate risk associated with certain variable rate debt, which has not been fixed through an interest rate swap. The balances bear interest at a variable rate based on the lender's LIBOR plus an applicable margin. Based on the outstanding balance at September 30, 2018, the impact of a 1.0% change in the lender's LIBOR rate will increase or decrease the REIT's interest expense or earnings by $980 on an annualized basis.

The REIT has no material exposure to currency risk.

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

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

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

25. Supplementary cash flow information:

Change in non-cash working capital comprises the following:

	Three months ended September 30, 2018	Three months ended September 30, 2017	Nine months ended September 30, 2018	Nine months ended September 30, 2017
Amounts receivable	$ (176)	$ (751)	$ (366)	$ (570)
Prepaid expenses	(273)	64	363	258
Restricted cash	(643)	(529)	(899)	(711)
Amounts payable and accrued liabilities	1,088	1,853	1,162	4,327
Amounts payable and accrued liabilities related to additions to investment properties	64	(1,186)	997	(2,977)
Security deposits	-	14	(4)	29
	$ 60	$ (535)	$ 1,253	$ 356

26. Subsequent events:

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