

BUILDING FOR THE FUTURE

WPT Industrial Real Estate Investment Trust
2019 Annual Report

WPT Industrial Real Estate Investment Trust (the “REIT”) is an unincorporated, open-ended real estate investment trust focused on acquiring, developing, managing and owning institutional-quality industrial properties in strategic U.S. markets. As of December 31, 2019, the REIT indirectly owned 74 industrial properties and one office property totaling approximately 22.9 million square feet of gross leasable area (GLA) located in 18 markets and 16 U.S. states. The REIT currently pays monthly cash distributions at approximately \$0.76 per trust unit on an annualized basis in U.S. funds.

FINANCIAL HIGHLIGHTS

	Year Ended Dec. 31 2019	Year Ended Dec. 31 2018
<i>(US\$ 000, except per unit amounts)</i>		
Number of investment properties	74	57
Investment properties revenue	115,129	92,454
Management fee revenue	3,587	2,790
Net operating income	84,238	67,816
Funds from operations	51,562	44,413
Funds from operations per unit (diluted)	\$ 0.853	\$ 0.893
Adjusted funds from operations	39,510	37,803
Adjusted funds from operations (diluted)	\$ 0.654	\$ 0.761
Cash flow from operations	\$ 72,864	\$ 55,505
ACFO payout ratio	99.0%	91.1%
Weighted-average units outstanding (diluted) (000)	60,428	49,7077
Average remaining lease term (years)	4.9	4.7
Debt to gross book value	43.6%	46.5%
Weighted-average effective interest rate	3.8%	3.9%
Interest coverage ratio	3.1x	3.5x
Debt to adjusted EBITDA	8.2x	7.6x
NAV per unit	\$ 13.31	\$ 12.26

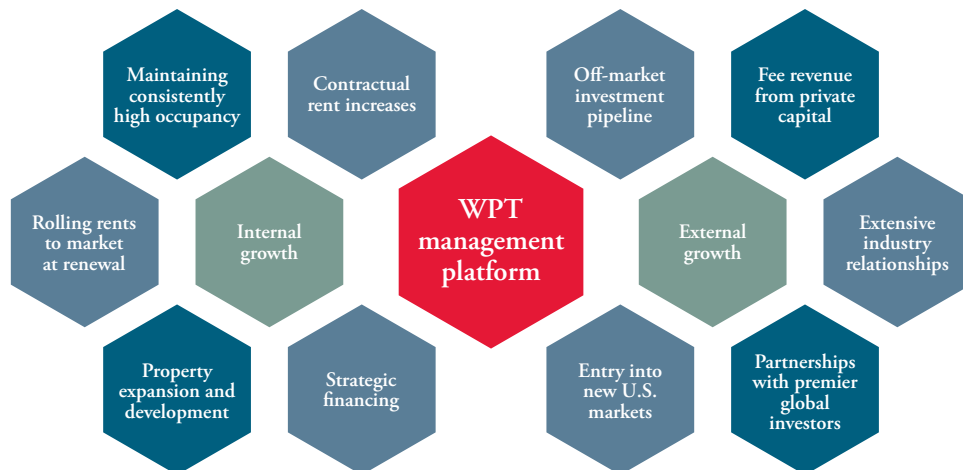
FELLOW UNITHOLDERS

In our first full year as an internally managed company, we continued to expand and diversify the REIT's platform through accretive acquisitions and third-party capital management.

Some of the REIT's successes from 2019 include:

- Completed approximately \$368.3 million in stabilized acquisitions in key U.S. logistics markets, including approximately \$109.3 million in properties from the REIT's proprietary development pipeline;
- Expanded the REIT's private capital pipeline and assets under management through new development and value-add investments, providing future off-market acquisition opportunities for the REIT and generating fee income;
- Raised approximately \$232.8 million in gross proceeds from two equity offerings and increased borrowing capacity on the REIT's credit facility by \$275 million; and
- Achieved solid same properties NOI ("SPNOI") and re-leasing spreads through proactive leasing activity, maintaining high occupancy levels and strategically managing our portfolio capital requirements.

PROVEN GROWTH STRATEGIES



INVESTMENT PROPERTY REVENUES

Investment property revenues increased 24.5% in 2019 to \$115.1 million (up from \$92.5 million in 2018) due to contributions from property acquisitions and increased base rents.

NET OPERATING INCOME

Net operating income (“NOI”) increased 24.2% to \$84.2 million (up from \$67.8 million in 2018), driven by property acquisitions and 3.7% growth in same properties NOI.

FUNDS FROM OPERATIONS

Funds from Operations (“FFO”) increased to \$51.6 million, a 16.1% increase.

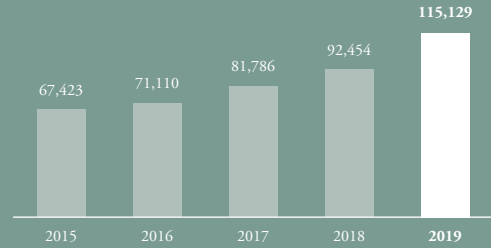
ADJUSTED FUNDS FROM OPERATIONS

Adjusted funds from operations (“AFFO”) increased to \$39.5 million, a 4.5% increase from 2018.

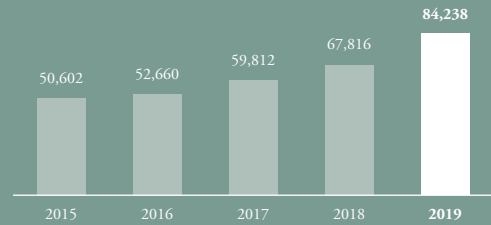
BOOK VALUE PER UNIT

Book value per unit increased for the year 8.6% to \$13.31, compared to \$12.26 in 2018.

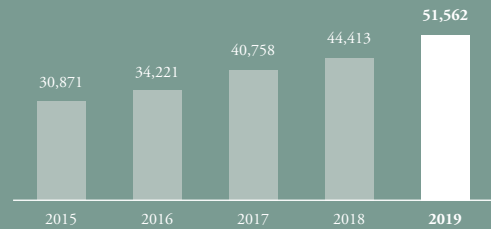
\$115.1 million



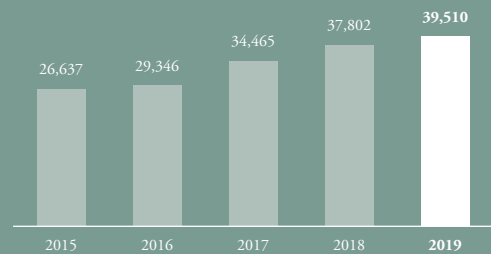
\$84.2 million



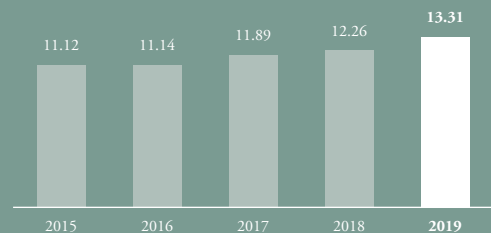
16.1% increase



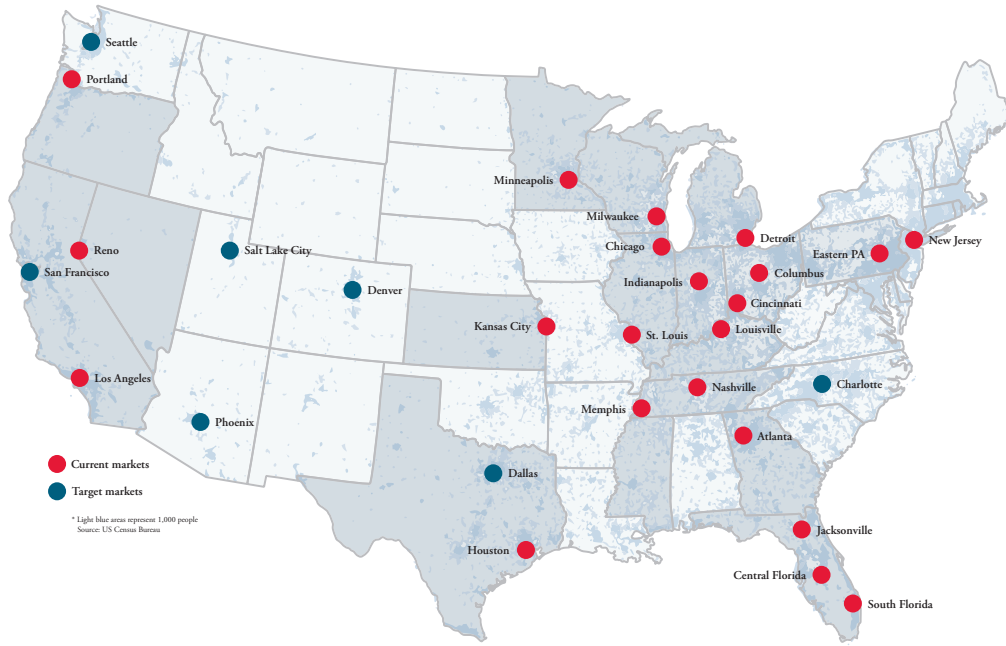
\$39.5 million



8.6% increase



EXPANDING U.S. FOOTPRINT

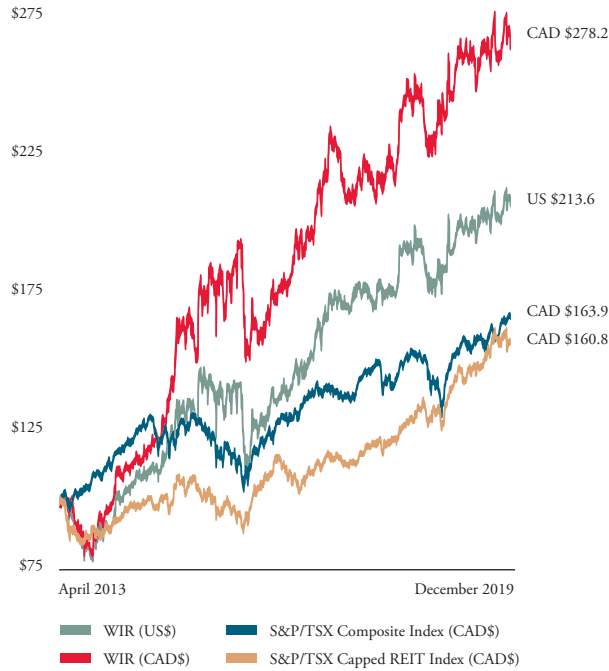


PORTFOLIO MARKETS

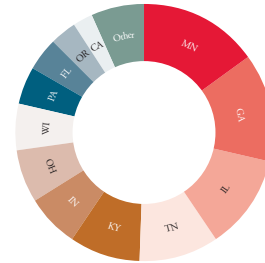
(000 SQ. FT.)

Atlanta	3,696
Memphis	3,244
Indianapolis	2,068
Minneapolis	1,895
Columbus	1,718
Chicago	1,547
St. Louis	1,263
Louisville	1,160
Milwaukee	1,075
Cincinnati	1,070
Jacksonville	1,017
Lehigh Valley	936
Kansas City	621
Portland	493
Houston	411
Los Angeles	312
Detroit	248
Reno	98
Total	22,871

TRACK RECORD OF GROWING UNITHOLDER VALUE (IPO TO DECEMBER 31, 2019)



2019 NET OPERATING INCOME (NOI) BY STATE (\$ THOUSANDS)



State	Number of Investment Properties	2019 Annual NOI (\$ 000)	Percent of NOI	No. of Tenants	Owned GLA
Minnesota	10	\$ 12,905	14.8%	48	8.3%
Georgia	9	10,757	13.3%	15	16.2%
Illinois	9	9,652	11.5%	13	12.3%
Tennessee	7	7,410	9.7%	11	12.4%
Kentucky	5	8,088	8.7%	5	9.3%
Indiana	4	5,879	6.7%	7	9.0%
Ohio	5	5,899	6.4%	7	7.9%
Wisconsin	8	3,860	5.7%	17	4.7%
Pennsylvania	1	4,575	4.6%	2	4.1%
Florida	6	3,362	4.1%	10	4.4%
Oregon	1	2,845	3.1%	2	2.2%
California	2	1,790	2.6%	2	1.4%
Kansas	3	2,755	2.5%	4	2.7%
Mississippi	1	517	1.8%	2	1.8%
Michigan	1	1,313	1.5%	2	1.5%
Nevada	1	464	0.5%	1	0.4%
Total	74	\$ 84,237	100.0%	154	100%



Overhead view of 201 Richard Knock Highway, Walton (Cincinnati), Kentucky.

Strong Operating Performance

2019 was another successful year for the REIT with consistently strong financial and operating performance driven by continued strategic acquisitions and organic growth from leasing activities.

- Investment property revenues increased 24.5% in 2019 to \$115.1 million (up from \$92.5 million in 2018) due to contributions from property acquisitions and increased base rents. Net operating income (“NOI”) increased 24.2% to \$84.2 million (up from \$67.8 million in 2018), driven by property acquisitions and 3.7% growth in SPNOI.
- Funds from Operations (“FFO”) increased to \$51.6 million, a 16.1% increase, and adjusted funds from operations (“AFFO”) increased to \$39.5 million, a 4.5% increase from 2018.
- Balance sheet and liquidity position remained strong at year end with a debt-to-gross book value ratio of 42.3% and interest and fixed charge coverage ratios of 3.1 and 2.7 times, respectively. Weighted average effective interest rate on outstanding debt was 3.8%, with a weighted average maturity of 3.2 years.

3.7% growth in
SPNOI

SPNOI increased 3.7% due to favorable re-leasing spreads, contractual rent increases and maintaining high occupancy.

Tenant Retention, Lease Expiration and Renewal Highlights

The REIT successfully renewed and re-leased 95.6% of the approximately 4,033,000 square feet that was scheduled to expire in 2019. Renewals commencing in 2019 had a weighted average cash re-leasing spread and straight-line rent re-leasing spread of 2.6% and 9.6%, respectively. The REIT also renewed approximately 1,598,000 square feet of leases with commencement dates after December 31, 2019 with a weighted average cash re-leasing spread and straight-line rent re-leasing spread of 10.5% and 15.7%, respectively. At December 31, 2019, the REIT’s occupancy was 99.0% and the REIT’s weighted average remaining lease term was 4.9 years.

Sustainability

In 2019, we continued to strive to enhance financial and operational performance through responsible investment policies and sustainability initiatives. Responsible investment and sustainability benefit all our stakeholders – from employees and investors to tenants and local communities. We also believe sustainability directly enhances the competitiveness of our business by reducing operating costs for our tenants and attracting forward-thinking and sustainably-minded businesses to our buildings.

Sustainability also influences our corporate and human resources practices. During 2019, we re-located our corporation headquarters to a LEED-certified building, offered employee incentives for alternative, lower emission transportation, and added LEED-certified professionals on our staff to facilitate increased sustainability in our operational and investment initiatives. We also

incorporated sustainable construction techniques into the development and construction of new buildings, including: roof designs to accommodate future solar arrays; LED lighting with motion sensors to minimize energy consumption; cool reflective roofing materials to lower indoor air temperature, repel sunlight and reduce the heat island effect; Ductilcrete floor slab systems, which significantly reduce silica exposure and carbon dioxide emissions; recycled and reclaimed water systems for using greywater in irrigation and landscaping applications; and skylights to reduce energy consumption, improve indoor environment and boost employee well-being. We also actively pursued development and re-development of “brownfield” sites, including our project in Bayonne, New Jersey (pictured below), which can spur economic development and allow us to remediate and repurpose environmentally contaminated sites.

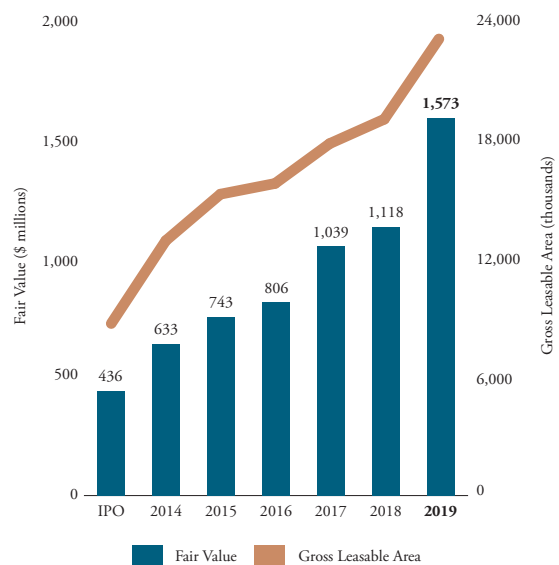
Additional Credit Facility Capacity

During 2019, the REIT amended and restated its unsecured credit facility (the “Credit Facility”), increasing availability to \$575 million, comprised of a \$245 million unsecured revolving facility and \$330 million in delayed draw term loans.

At December 31, 2019, the REIT had drawn \$375 million on its unsecured revolving facility, with total remaining capacity of \$200 million. Remaining availability under the credit facility as of year-end was approximately \$106.8 million.

Acquisitions included 18 distribution properties totaling 4.2 million square feet and three land parcels, expanding the REIT’s scale, diversification and development pipeline.

INVESTMENT PROPERTIES GROWTH SINCE IPO



Properties located at 99 and 105 Avenue A, Bayonne, New Jersey.



Building at 5201 South International Drive, Milwaukee, Wisconsin.

\$368.3
million in
acquisitions

including \$109.3 million in assets
acquired off-market through the REIT's
proprietary development pipeline.

Portfolio Growth

In 2019, the REIT continued its strategic growth with approximately \$368.3 million in acquisitions, including \$109.3 million in assets acquired on an off-market basis through the REIT's proprietary development pipeline. Acquisitions included 18 distribution properties totaling 4.2 million square feet and three land parcels. These 2019 acquisitions also expanded the REIT's scale in the Chicago, Milwaukee and Minneapolis markets and added properties in three new markets for the REIT, including the high-barrier coastal markets of Los Angeles and Miami.

Private Capital Pipeline

In the REIT's first full year operating a private capital platform, the REIT generated approximately \$3.6 million from third-party asset and property management fees related to managing, developing and operating industrial value-add and development investments on behalf of private capital investors. The REIT also exercised its right of first opportunity to acquire four investment properties from its private capital pipeline on an off-market basis. Throughout 2019, the REIT continued to source value-add and development opportunities with a number of projects at various stages of completion at year-end.

Generating Unitholder Value

In 2019, the U.S. industrial real estate market maintained positive momentum driven by e-commerce growth, ground-up development activity in most markets, falling capitalization rates for Class A distribution properties, strong tenant demand, and increased investor interest in the sector.

Looking ahead to 2020, we remain focused on building long-term unitholder value by delivering strong operating results, expanding our presence in strategic and high-growth logistics markets, growing our proprietary acquisition and development pipelines, and driving revenue growth through increased private capital assets under management.

On behalf of the entire WPT team, I would like to thank you for your continued support and investment in our company. We look forward to reporting back on our progress throughout 2020.

Scott Frederiksen
Chief Executive Officer

BOARD OF TRUSTEES

Scott T. Frederiksen, 54, *Eden Prairie, Minnesota, USA – Chief Executive Officer and Trustee.* Mr. Frederiksen is the CEO of the REIT. Mr. Frederiksen served in many distinguished roles during his 30-year tenure with Welsh and its predecessor entities. Starting as an industrial broker in 1987, he was named Senior Vice President in 1996 and became a Principal in 2006. In his current role as CEO of the REIT, Mr. Frederiksen is responsible for strategic oversight of the asset-based growth of the REIT, leading a team of dedicated professionals in the areas of financial analysis, acquisitions, due diligence, legal, investor relations, financing, asset management and dispositions. Mr. Frederiksen serves as a frequent speaker and panellist for regional and national industry organizations in the U.S. and Canada. Mr. Frederiksen holds a Bachelor of Science degree from St. Cloud State University, where he graduated summa cum laude. He is a Certified Commercial Investment Member, a member of the National Association of Real Estate Investment Trusts and the Society of Industrial and Office Realtors, and holds a Real Estate Broker's License in the State of Minnesota. Mr. Frederiksen also holds his Series 24, 7 and 63 securities licenses.

Milo D. Arkema, 69, *Minneapolis, Minnesota, USA – Independent Trustee.* Mr. Arkema is an independent consultant with Chima Consulting, LLC. Prior to joining Chima Consulting, LLC in 2013, Mr. Arkema was a director and employee of Baker Tilly Virchow Krause, LLP, an accounting and advisory firm, from 2007 to 2012. Prior to 2007, Mr. Arkema was a partner at Baker Tilly Virchow Krause LLP, and served as a member of its executive committee for five years. Mr. Arkema's principal focus has been advising and consulting with entrepreneurs, shareholders, family businesses, and boards regarding strategy, capital formation, management issues, executive compensation and general business issues. Currently, he also leads and manages financial due diligence engagements for private equity firms and strategic buyers. Mr. Arkema is a former member of the board of Data Sciences International Inc., and the former Chairman of the board of directors of CaringBridge, a non-profit organization that provides free websites to connect family and friends during serious health events. He is a member of the American Institute of Certified Public Accountants and the Minnesota Society of Certified Public Accountants. Mr. Arkema holds a Bachelor of Arts in Accounting from Dordt University.

Sarah B. Kavanagh, 63, *Toronto, Ontario, Canada – Independent Trustee.* Ms. Kavanagh is a corporate director. She is currently a Director, Chair of the Environmental, Health, Safety and Sustainability Committee, member of the Nominating and Governance Committee and former Chair of the Audit Committee of Hudbay Minerals Inc. (TSX: HBM; NYSE: HBM) and a Director and member of the Audit and Risk Committee and Nominating and Corporate Governance Committee of Bausch Health Companies, Inc. (TSX: BHC; NYSE: BHC). In addition to her public company directorships, she is a Director and Chair of the Audit Committee at the AST and AST (Canada), a Director, Vice Chair and Chair of the Audit and Investment Committee of Sustainable Development Technology Canada, and a former director of Canadian Tire Bank. From June 2011 through May 2016, she served as a Commissioner, and as Chair of the Audit Committee, at the Ontario Securities Commission. Between 1999 and 2010, Ms. Kavanagh served in various senior investment banking roles at Scotia Capital Inc., including Vice-Chair and Co-Head of Diversified Industries Group, Head of Equity Capital Markets, Head of Investment Banking. Prior to Scotia Capital, she held several senior financial positions with operating companies. She started her career as an investment banker with a bulge bracket firm in New York. She completed the Directors Education Program at the Institute of Corporate Directors in May 2011 and is an ICD.D. She sits on the Ontario Chapter Board of the ICD. Ms. Kavanagh graduated from Harvard Business School with a Masters of Business Administration and received a Bachelor of Arts degree in Economics from Williams College.

Louie DiNunzio, 52, *Toronto, Ontario, Canada – Independent Trustee.* Mr. DiNunzio has more than 20 years of experience in the real estate sector in North America and Europe. In his current role as Senior Vice President, Investments at Cadillac Fairview, he is responsible for investments and divestments with a focus on the Canadian and US markets. Earlier in his tenure at Cadillac Fairview, he was responsible for building and leading the organization's Strategic Insight group. Prior to joining Cadillac Fairview in 2003, he held progressively senior positions within the investment banking industry at both BMO Nesbitt Burns Inc. and Merrill Lynch Canada. Mr. DiNunzio is a Chartered Accountant and holds a Masters in Business Administration from The Schulich School of Business at York University and a Bachelors of Commerce from the University of Toronto. He has also completed the ICD-Rotman Directors Education Program.

Stuart H. B. Smith, 74, *Toronto, Ontario, Canada – Independent Trustee.* Mr. Smith, from 2016 to 2019, served as the Chairman of EPIC Investment Services Inc. ("EPIC"), a company formed following an amalgamation of three companies and an equity investment by a major Canadian institution. As Chairman, he was responsible for EPIC's overall vision, leadership and growth strategy. From 2005 to 2016, he served as the Chairman of EPIC Realty Partners Inc., a real estate advisory company serving the Canadian marketplace, which he formed with a partner. Prior to forming EPIC Realty Partners, Inc., Mr. Smith served as the President and CEO of Oxford Properties Group, one of the Canada's largest property owners and managers, where he held progressively senior positions beginning in 1989 and led Oxford's transition following the acquisition by Ontario Municipal Employees Retirement System (OMERS). Prior to joining Oxford, Mr. Smith was President of Shipp Corporation Limited, a real estate development and management company involved in office, retail and residential properties. He served as a Director of Look Communications Inc. from 2003 to 2010 and Yellow Media Limited from 2004 to 2011. He served as a Director of Altus Group Limited from 2005 to 2013 and also served as the Executive Chairman and CEO of Altus Group Limited during the period of 2011-2013. He was previously on the Board of Directors of Knowledge First Financial (formerly The International Scholarship Foundation) and Yellow Pages Group. Mr. Smith is a graduate of University of Western Ontario in Economics. As a Chartered Accountant, he has been involved in a number of accounting and professional organizations, more specifically Urban Land Institute, a member of the Chief Executives' Organization and a member of The Canadian Institute of Chartered Accountants' Innovation Council. In 2017, Mr. Smith was awarded a Fellowship in the Chartered Professional Accountants and in 2005, he was awarded the NAIOP-REX Award for Community Service.

Pamela J. Spackman, 68, *Toronto, Ontario, Canada – Independent Trustee.* Ms. Spackman, a corporate director, currently serves on the board of Timbercreek Financial Corp., a TSX-listed non-bank lender whose focus is providing shorter duration structured financing on commercial real estate. Ms. Spackman is also a member of the Advisory Committee for Crestpoint Real Estate Investments Ltd., responsible for the valuation of the limited partnership units. Crestpoint is a part of the Connor, Clark and Lunn group of companies, and owns a growing portfolio of approximately \$4.0 billion of commercial properties on behalf of its limited partnership investors. Ms. Spackman also serves as a member of the Independent Investment Committee of the Bentall Kennedy High Yield Canadian Property Fund (a fund investing in high yield mortgage debt and real estate equity in Canada). Ms. Spackman previously served on the board of Slate Office REIT from December 2012 to May 2019, as Chair of the Timbercreek Mortgage Advisory Committee from July 2008 until June 2016 and on the board of Gazit America Inc. from July 2009 until August 2012 (the date of its privatization). Ms. Spackman served as President and CEO of Column Canada Financial Corporation, a wholly owned subsidiary of Credit Suisse Group AG, from July 2000 to July 2008. Prior to that, Ms. Spackman served as Vice-President Mortgage Investments, at the Ministry of Finance, Province of British Columbia and an Investment Manager for the Workers' Compensation Board Investment Fund in Ontario. Ms. Spackman acquired the ICD.D designation in 2010 following completion of the Institute of Corporate Directors program at University of Toronto.

Robert T. Wolf, 60, *Toronto, Ontario, Canada – Independent Trustee.* Mr. Wolf is a corporate director, active investor and financial management professional. Since 2008, through RTW Capital Corporation, he has been making active investments in and providing advisory services to North American businesses in a variety of sectors. Mr. Wolf is currently a trustee/director of (i) Alignvest Student Housing REIT (Private REIT); and (ii) Crosswinds Holdings Inc., serving as Chair of the Audit Committee. Mr. Wolf previously was also a director of (i) InnVest REIT (TSX:INN.UN), serving as Chair of the Investment Committee and member of the Audit Committee, Nominating and Governance Committee and Capital Structure Task Force; (ii) OneREIT (TSX:ONR.UN), serving as Chair of the Investment Committee and member of the Governance and Compensation Committee; (iii) C.A. Bancorp Canadian Realty Finance Corp. (TSX:RFA), (iv) Monarch National Insurance Company, serving as Chair of the Audit Committee, and (v) Sarment Holding Limited (TSXV:SAIS). Prior to 2008, Mr. Wolf was the Chief Financial Officer of RioCan REIT (TSX: REI.UN) from its inception in 1994. In this role, he led all efforts to successfully raise over C\$3 billion of equity and debt capital. In addition to being responsible for all financial reporting and compliance functions, he also played a key role in number of significant transactions, including corporate acquisitions, joint ventures and debt restructurings. Prior to 1994, Mr. Wolf held a variety of positions in both public accounting and private/public real estate companies. He obtained his Chartered Accountancy designation in 1984 and holds a Masters of Business Administration from the Schulich School of Business at York University (1982) and a Bachelor of Commerce from McGill University (1981).

WPT INDUSTRIAL REAL ESTATE INVESTMENT TRUST



MANAGEMENT'S DISCUSSION AND ANALYSIS
OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION
FOR THE YEAR ENDED DECEMBER 31, 2019

March 11, 2020

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PART I

BASIS OF PRESENTATION

The following Management's Discussion and Analysis ("**MD&A**") is prepared as at March 11, 2020 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 months and years ended December 31, 2019 and 2018. This MD&A should be read in conjunction with the REIT's audited consolidated financial statements and accompanying notes for the years ended December 31, 2019 and 2018. These documents, as well as additional information relating to the REIT (including the REIT's most recently filed annual information form (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 Financial Reporting Standards ("**IFRS**"), as issued by the International Accounting Standards Board ("**IASB**"), unless otherwise stated, amounts are listed in thousands of United States dollars, unless otherwise stated.

NON-IFRS MEASURES

Certain terms used in this MD&A such as funds from operations ("**FFO**"), adjusted funds from operations ("**AFFO**"), adjusted cash flows from operations ("**ACFO**"), ACFO payout ratio, net operating income ("**NOI**"), same properties NOI ("**Same properties NOI**"), book value per unit, proportionate share basis, cash re-leasing spread, straight-line rent re-leasing spread, Adjusted EBITDA (as defined herein), debt to Adjusted EBITDA, debt-to-gross book value, interest coverage ratio, fixed charge coverage ratio, capitalization rate and any related per unit amounts used by management to measure, compare and explain the operating results and financial performance of the REIT are not recognized terms under 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 Class B units (Collectively, the "**Units**"), and the REIT's ability to meet its ongoing obligations. These terms are defined below and, where applicable, are reconciled to the most directly comparable measure specified in the consolidated financial statements of the REIT for the three months and years ended December 31, 2019 and 2018, in Part II. Such terms do not have a standardized meaning prescribed by IFRS and may not be comparable to similarly titled measures presented by other issuers.

FFO is defined as net income, in accordance with IFRS, (i) plus or minus fair value adjustment to investment properties; (ii) plus or minus gains or losses from sales of investment properties; (iii) plus or minus other fair value adjustments; (iv) plus amortization of tenant incentives or other intangibles arising from business combinations; (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; (ix) plus or minus adjustments for property taxes accounted for under International Financial Reporting Interpretations Committee ("**IFRIC**") 21; (x) plus expenses from Right of Use ("**ROU**") assets, net of lease principal payments on the ROU asset for those leases; and (xi) plus adjustments from equity-accounted joint ventures. Except as noted below, FFO has been prepared consistently with the definition presented in the white paper on funds from operations prepared by the Real Property Association of Canada ("**REALPAC**") issued in February 2019 and is intended to be used as a sustainable, economic earnings metric. However, from time to time the REIT may enter into transactions that materially impact the calculation of FFO and are adjusted as determined by the board of trustees of the REIT (the "**Board**" or the "**Board of Trustees**") in their sole discretion. The REIT considers FFO to be a useful measure of operating performance and adjusts for items included in net income (or net loss) that do not arise from operating activities or do not necessarily provide an accurate depiction of the REIT's past, current or recurring performance.

AFFO is defined as FFO subject to certain adjustments, including: (i) any differences resulting from recognizing investment property rental revenues on a straight-line basis; and (ii) minus a reserve for normalized maintenance capital expenditures, tenant inducements and leasing commissions, as determined by the REIT. AFFO has been prepared consistently with the definition presented in the white paper on adjusted funds from operations prepared by REALPAC issued on February 2019

for all periods presented. However, from time to time the REIT may enter into transactions that materially impact the calculation of AFFO and are adjusted as determined by the Board of Trustees in their sole discretion. The REIT considers AFFO to be a useful measure of operating performance and adjusts for items included in net income (or net loss) that do not arise from operating activities or do not necessarily provide an accurate depiction of the REIT's past, current or recurring performance.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

FORWARD LOOKING STATEMENTS

This MD&A contains “**forward-looking information**” as defined under Canadian securities laws (collectively, “**forward-looking statements**”) which reflect management’s expectations regarding objectives, plans, goals, strategies, future growth, results of operations, performance, business prospects and opportunities of the REIT. The words “**plans**”, “**expects**”, “**scheduled**”, “**estimates**”, “**intends**”, “**anticipates**”, “**projects**”, “**believes**”, or variations of such words and phrases (including negative variations) or statements to the effect that certain actions, events or results “**may**”, “**will**”, “**could**”, “**would**”, “**might**”, “**be achieved**”, or “**continue**” and similar expressions identify forward-looking statements. Some of the specific forward-looking statements in this MD&A include, but are not limited to statements regarding the objectives and strategic focus of the REIT; the impacts of the internalization of management; future distributions by the REIT; predictability and certainty of cash flow; investment opportunities in the U.S. industrial real estate market; U.S. vacancy rate trends; tenant demand in the distribution sub-segment; including demand for state-of-the-art distribution and logistics space; development in distribution markets; vacancy rates in the state-of-the-art distribution market and absorption of vacancy in distribution investment properties in major distribution markets in the U.S. over the past years; re-tenanting costs; key trends and continued and increased demand within the industrial real estate market; the effect of the experience of the asset and property manager of the REIT; in the U.S. industrial real estate market on tenant retention and future acquisitions by the REIT; the expected accretion to the REIT’s FFO per Unit and AFFO per Unit from completed acquisitions; the sources of organic growth; including initiatives aimed at optimizing the performance; value and long-term cash flow of the REIT’s investment property portfolio; the REIT’s external growth strategy; including diversification; the REIT’s cost of capital; borrowing costs and opportunities to increase the cash flow and value of the existing portfolio of investment properties through initiatives designed to enhance operations; future maintenance expenditures; future project costs related to the development of investment properties; expected use of proceeds from the February 2020 Offering (as defined herein); the expected closing date for the PIRET Portfolio Acquisition (as defined herein); 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. and Canadian dollars, under the symbols "WIR.U" and "WIR.UN", and in the U.S., in U.S. dollars, on the OTCQX marketplace ("**OTCQX**") under the symbol "WPTIF". As at December 31, 2019, there were 64,376,838 REIT Units outstanding.

The REIT acquires, develops, manages, and owns industrial investment properties located in the U.S., with a particular focus on warehouse and distribution properties. As at December 31, 2019, the REIT owned a portfolio of investment properties across 18 states throughout the U.S. consisting of 22,870,482 square feet of gross leasable area ("**GLA**"), comprised of 73 industrial investment properties and one office investment property. The REIT also holds an equity interest through a joint venture in two properties totaling 348,918 square feet.

Capitalization and other activity

On February 25, 2019, the REIT issued 10,000,000 REIT Units at a price of \$13.50 per REIT Unit to a syndicate of underwriters on a bought deal basis for net cash proceeds to the REIT of approximately \$128,948 (the "**February 2019 Offering**") (inclusive of underwriters' fees and issuance costs of \$6,052). The REIT used a portion of the funds from the February 2019 Offering to repay the outstanding balance on the unsecured revolving credit facility of \$105,000.

On March 26, 2019, the REIT amended and restated the unsecured credit facility (the “**Credit Facility**”), thereby increasing the availability from \$300,000 to \$450,000 (subject to requisite unencumbered assets). The increase was comprised of a new delayed draw term loan (the “**Term Loan II**”) of \$80,000 and an increase to the unsecured revolving credit facility of \$70,000. The amended and restated Credit Facility also extended the maturity date of the unsecured revolving facility to March 26, 2023, with the option for two six-month extensions. The Term Loan II has a draw availability period of one year and a maturity date of March 26, 2024. See Part II: Liquidity and Capital Resources for additional disclosures.

On September 26, 2019, the REIT amended and restated the Credit Facility, thereby increasing the availability from \$450,000 to \$575,000 (subject to requisite unencumbered assets). The increase was comprised of a new delayed draw term loan (the “**Term Loan III**”) of \$125,000. Term Loan III has a draw availability period of one year and a maturity date of January 15, 2025. The amended and restated Credit Facility also contains an accordion feature which increases the REIT’s availability to \$875,000 (subject to requisite unencumbered assets and lender approval). See Part II: Liquidity and Capital Resources for additional disclosures.

On October 29, 2019, the REIT issued 6,160,000 REIT Units at a price of \$13.80 per REIT Unit to a syndicate of underwriters on a bought deal basis for net cash proceeds to the REIT of approximately \$80,883 (the “**October 2019 Offering**”) (inclusive of underwriters’ fees of approximately \$4,125 and other issuance costs). The REIT used the funds from the October 2019 Offering to repay a portion of the outstanding balance on the Credit Facility. On November 27, 2019, the REIT issued an additional 924,000 REIT Units at a price of \$13.80 per REIT unit pursuant to the exercise in full of the over-allotment granted by the REIT to the underwriters of the October 2019 Offering for net cash proceeds to the REIT of approximately \$12,241 (inclusive of underwriters’ fees of \$510).

For the years ended December 31, 2019 and 2018, the REIT incurred \$1,503 and \$0, respectively, in severance costs, including the acceleration of Deferred Trust Units (“**DTUs**”) and DPUs. For more detail on the acceleration costs, see Part II: Equity. The REIT did not incur any additional costs in 2019 related to this event.

Subsequent to December 31, 2019, the REIT completed the following:

On January 15, 2020, the REIT announced a Canadian dollar listing of the REIT Units on the TSX. The Canadian dollar denominated REIT Units began trading on the TSX under the symbol “WIR.UN” on January 17, 2020.

On February 3, 2020, the REIT entered into an agreement to economically fix the interest for the \$125,000 Term Loan III using an interest rate swap at LIBOR of 1.31% 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 III.

On February 27, 2020, the REIT issued 16,272,500 subscription receipts of the REIT (including subscription receipts issued pursuant to the exercise in full of the over-allotment option granted by the REIT to the underwriters of the offering) (the “**Subscription Receipts**”) at a price of \$14.35 per Subscription Receipt to a syndicate of underwriters on a bought deal basis for gross cash proceeds to the REIT of approximately \$233,510 (exclusive of underwriters’ fees of \$9,340 and other issuance costs) (the “**February 2020 Public Offering**”), and 2,578,000 Subscription Receipts at a price of \$14.35 per Subscription Receipt to Alberta Investment Management Corporation and its affiliates (“**AIMCo**”) for cash proceeds to the REIT of approximately \$37,000 (the “**February 2020 Private Offering**”) and together with the February 2020 Public Offering, the “**February 2020 Offering**”). Each Subscription Receipt entitles the holder thereof to receive one REIT Unit upon completion of the Acquisition (as defined below) by the REIT without payment of any additional consideration or any further action on the part of the holder of the Subscription Receipt. The REIT intends to use the net proceeds from the February 2020 Offering to pay a portion of the purchase price of the Acquisition. For additional information on the February 2020 Offering, see the REIT’s prospectus supplement filed on February 20, 2020.

On February 29, 2020, the REIT entered into a forward agreement to economically fix the interest for \$470,000 of term loans using an average interest rate swap at LIBOR of 0.93% plus an applicable margin based on leverage. The REIT is expected to draw the \$470 million from increased capacity on the three delayed draw term loans under the Credit Facility and use the proceeds to partially fund the Acquisition.

On March 2, 2020, the REIT repaid a mortgage payable bearing a fixed interest rate of 2.87% with a remaining principal balance of \$51,750, with funds from Term Loan III. The properties, previously encumbered by a mortgage payable, were added to the unencumbered asset pool thereby increasing the availability on the Credit Facility.

The REIT declared monthly distributions throughout the year ended December 31, 2019 at its annualized distribution rate of \$0.76 per Unit, or \$0.0633 per Unit on a monthly basis.

Acquisition, development, and disposition activity

On June 20, 2018, the REIT indirectly acquired from an arm's length third party, a 100% occupied investment property located in St. Paul, Minnesota totaling 124,800 square feet for a purchase price of \$8,300 (exclusive of closing and transaction costs), representing a capitalization rate (see "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 an arm's length third party, a 100% occupied investment property located in Rogers, Minnesota totaling 335,400 square feet for a purchase price of \$20,425 (exclusive of closing and transaction costs), representing a capitalization rate of approximately 6.09%. The purchase price was satisfied with cash on hand and funds from the Credit Facility. The building has the capability to expand to approximately 476,000 square feet.

On September 28, 2018, the REIT indirectly acquired from AIMCo and a nominal interest (<1%) by certain members of the REIT's management team (who were also former principals of WPT Capital Advisors, LLC ("**WPT Capital**")), 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.

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

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

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

On August 28, 2019, the REIT indirectly acquired four investment properties from the REIT's private capital pipeline (the "**Private Capital Portfolio**") which were owned by certain affiliates of AIMCo and a nominal interest (<1%) by certain members of the REIT's management team (who were also former principals of WPT Capital). The properties were 100% leased, modern, highly functional distribution properties totaling 1,492,688 square feet of GLA for a purchase price of \$109,300 (exclusive of credits, closing and transaction costs). The purchase price was satisfied with funds from the Credit Facility. See additional disclosures in Part V: Related Party Transactions.

On September 30, 2019, the REIT indirectly acquired from an arm's length third party, a 100% occupied investment property located in La Vergne (Nashville), Tennessee totaling 505,000 square feet for a purchase price of \$33,000 (exclusive of closing and transaction costs), representing a capitalization rate of 5.9%. The purchase price was satisfied with funds from the Credit Facility and cash on hand.

Subsequent to December 31, 2019, the REIT completed the following:

On January 8, 2020, the REIT indirectly acquired from an arm's length third party, a 100% occupied investment property located in Portland, Oregon totaling 126,303 square feet for a purchase price of \$16,200 (exclusive of closing and transaction costs), representing a capitalization rate of 5.6%. The purchase price was satisfied with funds from the Credit Facility and cash on hand.

On January 16, 2020, the REIT acquired from a third party, a land parcel located in Eagan, Minnesota, (the "**Eagan Development Property**") for a purchase price of \$5,125 (exclusive of closing and transaction costs). The REIT intends to contribute the Eagan Development Property into a joint venture with one or more institutional investors and develop a distribution building totaling 206,384 square feet of GLA on the property.

On January 27, 2020, the REIT sold the investment property and land parcel located at 4350/4400 Baker Road, Minnetonka, Minnesota to an arm's length third party purchaser for net cash proceeds of approximately \$29,400 (inclusive of closing and working capital adjustments). Proceeds from the sale were used to partially repay outstanding debt on the Credit Facility.

On February 5, 2020, the REIT acquired from a third party, a land parcel located in Katy (Houston), Texas, (the "**Houston Development Property**") for a purchase price of approximately \$8,700 (exclusive of closing and transaction costs). The REIT intends to contribute the Houston Development Property into a joint venture with one or more institutional investors and develop an industrial building totaling 494,550 square feet of GLA on the property.

On February 18, 2020, the REIT waived the due diligence conditions in its favor under a membership purchase agreement (the "**Acquisition Agreement**") to indirectly acquire 26 investment properties and one parcel of land totaling 8,980,578 square feet of GLA for an aggregate purchase price of \$730,000, subject to closing adjustments as provided in the Acquisition Agreement (the "**Acquisition**"). The REIT intends to use the net proceeds of the February 2020 Offering (including the net proceeds of the Over-Allotment Option) to fund a portion of the purchase price of the Acquisition and related expenses in connection with the Acquisition. It is anticipated that the closing of the Acquisition will occur on or about March 31, 2020.

OBJECTIVES

The REIT's objectives are to:

- provide holders of REIT Units ("**Unitholders**") with an opportunity to invest in a portfolio of institutional-quality industrial properties in U.S. markets, with a particular focus on warehouse and distribution industrial real estate;
- provide Unitholders with predictable, sustainable and growing cash distributions on a tax-efficient basis (the REIT pays its cash distributions in U.S. dollars);
- enhance the value of the REIT's portfolio and maximize the long-term value of the REIT Units through the active management of the REIT's investment properties;
- significantly expand and diversify the asset base of the REIT through strategic acquisitions and development of stabilized, high quality and well-located industrial properties located in U.S. markets; and
- increase Unitholder value and returns through leverage gained from management and performance fees generated from third-party assets under management.

STRATEGIC FOCUS AND OUTLOOK

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

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

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

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

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

- **Positive Impact of the e-Commerce Industry.** The primary industries leading the demand for distribution space are e-commerce, food-and-beverage and traditional retailers. According to industry sources, strong consumer spending and growing e-commerce sales have continued to drive demand from logistics, distribution and related third-party service providers for state-of-the-art distribution space. As distribution for e-commerce continue to revolutionize the retail sector, retailers utilizing multiple channels to sell their merchandise continue to focus growth within online operations rather than more traditional stores, resulting in continued demand for distribution space.
- **Global Supply Chain Trends.** A physical manufacturing/distribution presence in the U.S. continues to be important for most large companies as a result of increasing labour costs and instability in foreign markets, trade routes and seaports. This macroeconomic and geopolitical landscape has forced companies to re-evaluate their supply chain networks, as shipping continues to represent the largest single cost factor in the global supply chain. These critical supply chain considerations make the U.S. increasingly more attractive from a manufacturing, distribution and sourcing perspective.
- **World-Class U.S. Infrastructure.** The U.S. has a world-class supply chain infrastructure across all transportation sectors. Rail, seaports, highways and airports all provide for a robust distribution and logistics landscape, an important factor in attracting and retaining industrial tenants. Increasing shipping volumes experienced by U.S. seaports continue to create the need to distribute goods directly to inland ports and expand the utilization of intermodal hubs to alleviate distribution costs, creating additional opportunities in the U.S. industrial real estate market.

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

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

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

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

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

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

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

ASSETS

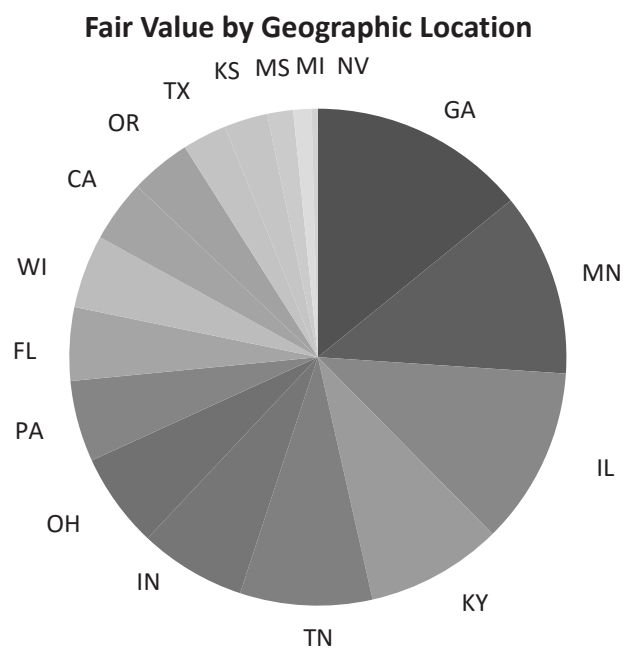
Investment properties

The REIT owns and operates an institutional-quality portfolio of primarily industrial investment properties located in the U.S., with a particular focus on warehouse and distribution industrial real estate. As at December 31, 2019, the REIT owned a portfolio of 74 investment properties comprised of 73 industrial properties and one office property totaling 22,870,482 square feet of GLA with an occupancy rate across the portfolio of 99.0%.

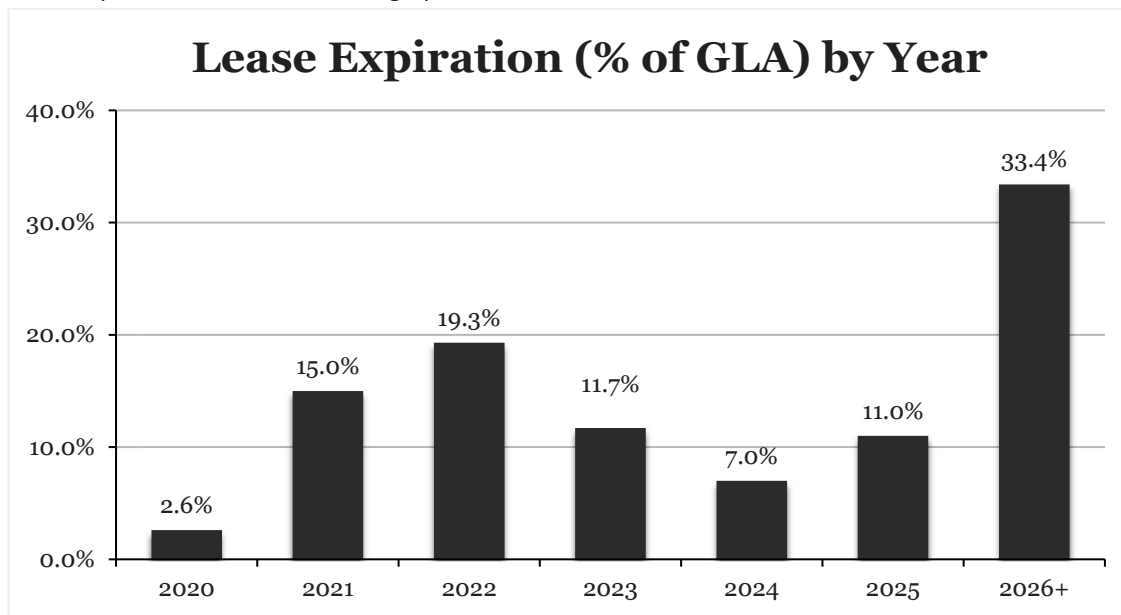
The majority of the REIT's industrial investment properties were constructed relatively recently, with a weighted average age of approximately 15 years. As a result, management believes the REIT's investment properties will, on average, require less maintenance capital expenditures and be more attractive to prospective tenants than comparable older investment properties. Furthermore, the REIT's industrial investment properties are highly functional, with a weighted average ceiling clear height of approximately 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.

As at December 31, 2019, the fair value of investment properties was \$1,573,077 (\$1,117,672 as at December 31, 2018), implying a weighted average terminal capitalization rate of 6.16% (6.46% as at December 31, 2018).

State	Fair Value	% of Total
Georgia	\$ 222,400	14.1%
Minnesota	187,400	11.9%
Illinois	181,600	11.5%
Kentucky	139,500	8.9%
Tennessee	135,277	8.6%
Indiana	109,200	6.9%
Ohio	97,100	6.2%
Pennsylvania	83,200	5.3%
Wisconsin	75,100	4.8%
Florida	75,100	4.8%
California	63,600	4.0%
Oregon	62,300	4.0%
Texas	45,400	2.9%
Kansas	44,400	2.8%
Mississippi	26,500	1.7%
Michigan	18,600	1.2%
Nevada	6,400	0.4%
Total	\$ 1,573,077	100.0%



Future lease expirations are shown in the graph below as at December 31, 2019:



Leases expiring	8	32	29	17	18	9	40

The lease activity in the table above is based on the existing lease terms in-place as at December 31, 2019. Any early termination options, extension options or other terms that may impact the expiration or terms of the lease are not reflected in the above table unless they were formally exercised or otherwise agreed upon in writing as at December 31, 2019.

Occupancy roll-forward

The following table summarizes the change in occupancy during the three months and year ended December 31, 2019:

	Three months ended December 31, 2019		Year ended December 31, 2019	
	('000s sq. ft.)	Occupancy	('000s sq. ft.)	Occupancy
Occupancy at beginning of period	22,648.1	99.5%	18,710.7	99.3%
New leases	33.2		251.7	
Renewals	355.3		3,757.0	
Expirations	(505.6)		(4,033.4)	
Terminations	-		(11.2)	
Expansions	105.0		105.0	
Acquisitions	-		4,167.3	
Dispositions	-		(311.1)	
Occupancy as at December 31, 2019	22,636.0	99.0%	22,636.0	99.0%

Per the preceding table, the REIT's renewal rate for leased square feet expiring during the three months and year ended December 31, 2019 was 70.3% and 93.1%, respectively.

Renewals commencing in the three months ended December 31, 2019 had a weighted average cash re-leasing spread (see "Non-IFRS Measures" section of this MD&A) and straight-line rent re-leasing spread (see "Non-IFRS Measures" section of this MD&A) of 2.1% and 8.0%, respectively. Renewals commencing in the year ended December 31, 2019 had a weighted average cash re-leasing spread and straight-line rent re-leasing spread of 2.6% and 9.6%, respectively.

During the three months and year ended December 31, 2019, the REIT renewed 490.2 and 1,587.5 square feet, respectively, with commencement dates after December 31, 2019. Renewals signed during the three months ended December 31, 2019 had a weighted average cash re-leasing spread and straight-line rent re-leasing spread of 13.7% and 12.5%, respectively. Renewals signed during the year ended December 31, 2019 had a weighted average cash re-leasing spread and straight-line rent re-leasing spread of 10.5% and 15.7%, respectively.

During the three months and year ended December 31, 2019, the REIT signed no leases and one lease totaling 48.2 square feet, respectively, for previously vacant space. The lease is expected to commence in the first half of 2020.

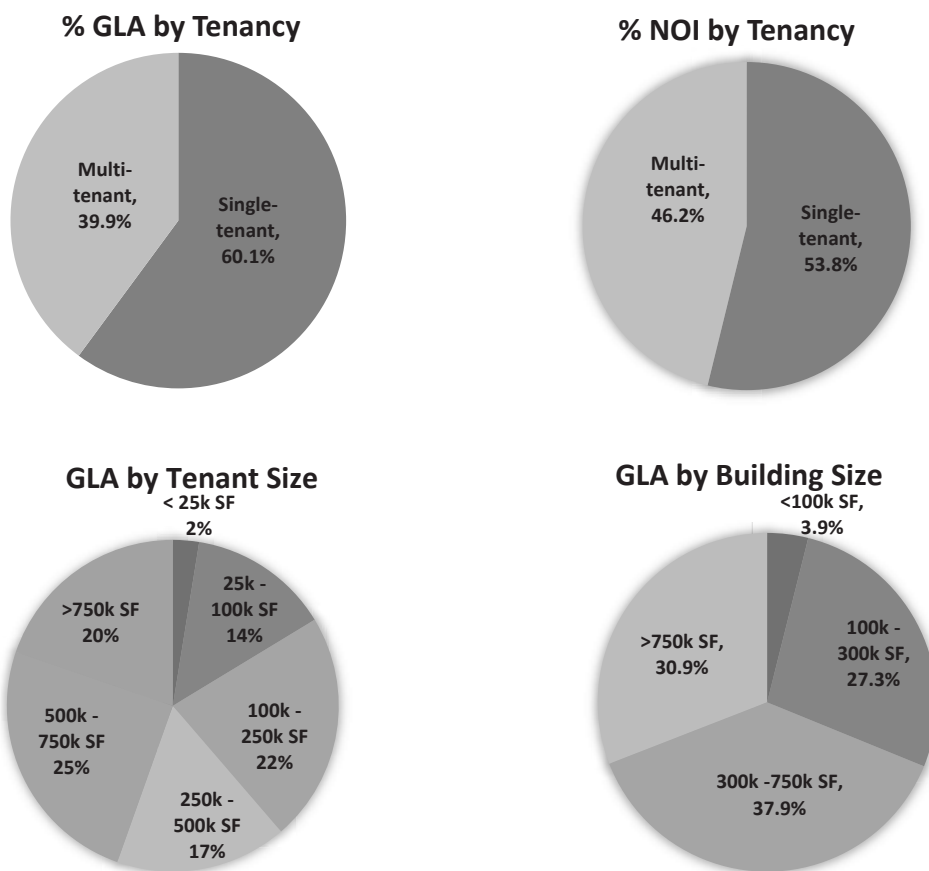
The REIT's investment properties are geographically diversified within the U.S. as follows as at December 31, 2019:

State	Number of Investment Properties	Number of Tenants	Owned GLA ('000s sq. ft.)	% of Owned GLA	% of NOI by State ⁽¹⁾⁽²⁾
Georgia	9	15	3,696.2	16.2%	13.3%
Tennessee	7	11	2,832.0	12.4%	9.7%
Illinois	9	13	2,809.9	12.3%	11.5%
Kentucky	5	5	2,131.3	9.3%	8.7%
Indiana	4	7	2,068.1	9.0%	6.7%
Minnesota	10	48	1,895.2	8.3%	14.8%
Ohio	5	7	1,817.3	7.9%	6.4%
Wisconsin	8	17	1,074.7	4.7%	5.7%
Florida	6	10	1,016.5	4.4%	4.1%
Pennsylvania	1	2	935.5	4.1%	4.6%
Kansas	3	4	621.0	2.7%	2.5%
Oregon	1	2	492.6	2.2%	3.1%
Mississippi	1	2	411.6	1.8%	1.8%
Texas	1	6	410.8	1.8%	2.5%
California	2	2	311.5	1.4%	2.6%
Michigan	1	2	248.0	1.1%	1.5%
Nevada	1	1	98.3	0.4%	0.5%
Total	74	154	22,870.5	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 December 31, 2019.

The following charts of the REIT's portfolio are based on NOI for the three months ended December 31, 2019 and tenant and building GLA as at December 31, 2019:



The following table highlights the REIT's top ten tenants by annualized contractual base rent as at December 31, 2019:

Top 10 Tenants	% of Total Annualized Base Rent	GLA Occupied ('000s sq. ft.)	% of Total Portfolio GLA
General Mills Operations, LLC	4.0%	1,512,552	6.6%
Continental Tire the Americas	3.8%	740,880	3.2%
Unilever Home & Personal Care	3.8%	1,262,648	5.5%
Amazon.com	3.5%	936,000	4.1%
Keystone Automotive ⁽¹⁾	3.2%	754,768	3.3%
Zulily LLC	2.8%	737,471	3.2%
FullBeauty Brands, Inc.	2.3%	741,092	3.2%
Honeywell International Inc.	2.2%	754,000	3.3%
Radial, Inc.	2.1%	543,512	2.4%
CEVA Logistics U.S. Inc.	2.1%	648,750	2.8%
Total	29.8%	8,631,673	37.6%

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

SELECTED ANNUAL INFORMATION

The following table provides selected financial information for the years ended December 31:

(all figures in '000s, except per Unit amounts)	2019	2018	2017
Investment properties revenue	\$ 115,129	\$ 92,454	\$ 81,786
Net income and comprehensive income	\$ 98,946	\$ 50,646	\$ 52,506
Total assets	\$ 1,622,892	\$ 1,156,755	\$ 1,019,943
Non-current liabilities	\$ 635,807	\$ 523,123	\$ 438,951
Distributions per Unit ⁽¹⁾	\$ 0.76	\$ 0.76	\$ 0.76
Distributions declared ^{(1) (2)}	\$ 46,025	\$ 37,079	\$ 34,010
REIT Units outstanding	64,377	46,935	44,546
Class B Units outstanding	1,721	1,978	3,612

⁽¹⁾ Excludes all options, DTUs, and DPUs outstanding under the REIT's deferred compensation plans (see Part II: Equity).

⁽²⁾ Includes cash distributions on Units and DPUs.

Equity Accounted Joint Venture

As at December 31, 2019, the REIT maintains an investment in a joint venture accounted for under the equity method. The Venture was established to develop or acquire and reposition and own industrial investment properties. The REIT does not independently control the Venture, and the REIT's proportionate share, a non-IFRS measure (see "Non-IFRS Measures" section of this MD&A), of the financial position and results of operations of its investment in Venture does not necessarily represent the REIT's legal claim to such items.

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

	As at December 31, 2019			As at December 31, 2018		
	IFRS Basis	Reconciliation	Proportionate share basis	IFRS Basis	Reconciliation	Proportionate share basis
('000s)						
Assets						
Non-current assets:						
Investment properties	\$ 1,573,077	\$ 6,400	\$ 1,579,477	1,117,672	-	1,117,672
Intangible assets and goodwill	19,154	-	19,154	22,721	-	22,721
Investment in equity accounted joint venture	3,745	(3,745)	-	-	-	-
Other non-current assets	189	20	209	88	(50)	38
Right-of-use asset	1,317	-	1,317	3,336	-	3,336
	1,597,482	2,675	1,600,157	1,143,817	(50)	1,143,767
Current assets:						
Amounts receivable	3,708	1	3,709	2,573	-	2,573
Prepaid expenses	2,031	3	2,034	1,271	-	1,271
Restricted cash	1,225	25	1,250	849	-	849
Cash and cash equivalents	18,446	31	18,477	8,245	-	8,245
	25,410	60	25,470	12,938	-	12,938
Total Assets	\$ 1,622,892	\$ 2,735	\$ 1,625,627	1,156,755	(50)	1,156,705
Liabilities						
Non-current liabilities:						
Bank indebtedness	\$ 372,137	\$ 2,732	\$ 374,869	\$ 174,284	\$ -	\$ 174,284
Mortgages payable	224,301	-	224,301	312,097	-	312,097
Class B Units	23,731	-	23,731	25,422	-	25,422
Other liabilities	15,638	23	15,661	11,320	-	11,320
	635,807	2,755	638,562	523,123	-	523,123
Current liabilities:						
Mortgages payable	87,723	-	87,723	32,072	-	32,072
Amounts payable and accrued liabilities	43,024	32	43,056	27,127	-	27,127
	130,747	32	130,779	59,199	-	59,199
Total liabilities	766,554	2,787	769,341	582,322	-	582,322
Total unitholders' equity	856,338	(52)	856,286	574,433	(50)	574,383
Total liabilities and unitholders' equity	\$ 1,622,892	2,735	1,625,627	1,156,755	(50)	1,156,705

As at December 31, 2019 and December 31, 2018, the REIT's debt-to-gross book value (see "Non-IFRS Measures" section of this MD&A) under the proportionate share basis was 43.7% and 46.5%, respectively, compared to the REIT's debt-to-gross book value of 43.6% and 46.5%, respectively.

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	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018
Operating Results:								
Investment properties revenue	\$ 31,882	\$ 29,335	\$ 28,714	\$ 25,198	\$ 24,494	\$ 23,078	\$ 22,344	\$ 22,538
NOI (1)	23,145	21,788	21,164	18,141	17,641	17,182	16,591	16,402
Net income and comprehensive income	27,327	21,342	40,670	9,607	15,262	14,972	12,654	7,758
Net income and comprehensive income per Unit (basic) (2)	0.429	0.362	0.690	0.182	0.312	0.308	0.263	0.161
Net income and comprehensive income per Unit (diluted) (3)	0.417	0.351	0.670	0.176	0.301	0.299	0.258	0.158
FFO (1)	14,176	14,807	12,961	9,614	10,966	11,379	10,939	11,128
FFO per Unit (diluted) (1) (3)	0.216	0.243	0.213	0.176	0.216	0.227	0.223	0.227
AFFO (1)	11,069	11,980	9,759	6,698	9,023	9,902	9,396	9,481
AFFO per Unit (diluted) (1) (3)	0.169	0.197	0.161	0.123	0.178	0.198	0.191	0.193
Cash flows from operations	18,308	20,246	18,236	14,796	14,817	7,820	16,801	15,498
ACFO (1)	12,943	12,577	11,471	9,486	9,984	10,862	9,809	10,037
Book value per Unit (1)	13.31	13.09	12.88	12.40	12.26	12.14	12.05	11.89
Distributions:								
Distributions per Unit (2) (4)	0.190	0.190	0.190	0.190	0.190	0.190	0.190	0.190
Distributions declared (2) (4)	12,640	11,353	11,344	10,688	9,417	9,372	9,145	9,145
ACFO payout ratio (1) (4)	97.7%	90.3%	98.9%	112.7%	94.3%	86.3%	93.2%	91.1%
Weighted average number of Units (basic) (2)	63,650	59,014	58,977	52,803	48,891	48,648	48,158	48,158
Weighted average number of Units (diluted) (3)	65,474	60,875	60,729	54,589	50,688	50,092	49,066	49,021

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

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

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

(4) Includes distributions on Units and DPUs.

Q4 2019 vs. Q3 2019

Compared to the previous quarter, FFO and AFFO for the three months ended December 31, 2019 were lower by \$631 and \$911, respectively. The decreases were due to lower management fee revenue, partially offset by increases in NOI.

Quarterly Summary

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

Operational Highlights

As at	December 31, 2019	December 31, 2018
Operational Information:		
Number of investment properties	74	57
GLA	22,870,482	18,850,627
Occupancy	99.0%	99.3%
Average remaining lease term (years)	4.9	4.7
Fair value of investment properties	\$ 1,573,077	\$ 1,117,672
Ratios:		
Weighted average effective interest rate (1)	3.8%	3.9%
Weighted average effective interest rate on fixed rate debt (2)	3.9%	3.8%
Weighted average effective interest rate on variable rate debt (3)	3.4%	4.1%
Variable interest rate debt as percentage of total debt (3) (4)	24.7%	9.8%
Debt-to-gross book value (5)	43.6%	46.5%
Interest coverage ratio (5)	3.1x	3.5x
Fixed charge coverage ratio (5)	2.7x	2.9x
Debt to Adjusted EBITDA (5)	8.2x	7.6x

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

(2) Includes mortgages payable, Term Loan I, and Term Loan II.

(3) Includes amounts outstanding under the unsecured revolving credit facility and Term Loan III.

(4) Excludes variable rate debt which is effectively fixed using an interest rate swap. Refer to the Part II: Liquidity and Capital Resources.

(5) 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.

PART II

RESULTS OF OPERATIONS

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

Consolidated Statement of Net Income and Comprehensive Income

(all figures in '000s, except per Unit amounts)	Three months ended December 31,			Year ended December 31,		
	2019	2018	Variance	2019	2018	Variance
Investment properties revenue	\$ 31,882	\$ 24,494	\$ 7,388	\$ 115,129	\$ 92,454	\$ 22,675
Management fee revenue	501	1,703	(1,202)	3,587	2,790	797
	<u>32,383</u>	<u>26,197</u>	<u>6,186</u>	<u>118,716</u>	<u>95,244</u>	<u>23,472</u>
Other (income) and expenses						
Investment properties operating expenses	3,924	2,949	975	29,104	24,127	4,977
Fair value adjustment to investment properties – IFRIC 21	4,813	3,904	909	1,787	511	1,276
General and administrative	3,262	3,648	(386)	15,463	10,571	4,892
Transaction costs related to Internalization	-	43	(43)	-	8,560	(8,560)
Amortization/depreciation expense	1,707	737	970	3,597	1,565	2,032
Fair value adjustment to investment properties	(11,713)	(8,035)	(3,678)	(63,213)	(24,280)	(38,933)
Income from equity accounted venture	(1,053)	-	(1,053)	(1,053)	-	(1,053)
Finance costs	4,686	8,295	(3,609)	35,197	24,150	11,047
Net income and comprehensive income before income taxes	26,757	14,656	12,101	97,834	50,040	47,794
Deferred income tax recovery	570	606	(36)	1,112	606	506
Net income and comprehensive income	<u>\$ 27,327</u>	<u>\$ 15,262</u>	<u>\$ 12,065</u>	<u>\$ 98,946</u>	<u>\$ 50,646</u>	<u>\$ 48,300</u>
Net income and comprehensive income per Unit (basic)	\$ 0.429	\$ 0.312	\$ 0.117	\$ 1.663	\$ 1.045	\$ 0.618
Net income and comprehensive income per Unit (diluted)	\$ 0.417	\$ 0.301	\$ 0.116	\$ 1.614	\$ 1.019	\$ 0.595

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)	Three months ended December 31,			Year ended December 31,		
	2019	2018	Variance	2019	2018	Variance
Investment properties revenue	\$ 31,882	\$ 24,494	\$ 7,388	\$ 115,129	\$ 92,454	\$ 22,675
Investment properties operating expenses	3,924	2,949	975	29,104	24,127	4,977
Fair value adjustment to investment properties – IFRIC 21	4,813	3,904	909	1,787	511	1,276
NOI	<u>\$ 23,145</u>	<u>\$ 17,641</u>	<u>\$ 5,504</u>	<u>\$ 84,238</u>	<u>\$ 67,816</u>	<u>\$ 16,422</u>

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 \$7,388 for the three months ended December 31, 2019 as compared to the same period in 2018 for the following reasons:

Variance Explanation	Three months ended December 31, 2019
Increase due to acquisitions	\$ 7,044
Increase in base rent, inclusive of straight-line rent	989
Decrease due to disposition	(485)
Increase in amortization of tenant incentives	(160)
Total variance	\$ 7,388

Investment properties revenue was higher by \$22,675 for the year ended December 31, 2019 as compared to the same period in 2018 for the following reasons:

Variance Explanation	Year ended December 31, 2019
Increase due to acquisitions	\$ 21,190
Higher straight-line rent, net of lower base rents due to free rent	3,326
Decrease due to disposition	(1,428)
Increase in amortization of tenant incentives	(413)
Total variance	\$ 22,675

Management fee revenue

Management fee revenue consists of asset and property management service fees to manage, develop and operate industrial real estate investment properties on behalf of and in partnership with third-party investors. Management fee revenue was (lower) higher by \$(1,202) and \$797 for the three months and year ended December 31, 2019, respectively, as compared to the same period in 2018. The differences are mainly due to timing of when promote fees were earned in each year.

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 \$975 for the three months ended December 31, 2019 as compared to the same period in 2018 for the following reasons:

Variance Explanation	Three months ended December 31, 2019
Increase due to acquisitions	\$ 1,763
Increase in operating expenses; mainly real estate taxes, utilities, and general repairs	219
Adjustments for property taxes accounted for under IFRIC 21	(909)
Decrease due to disposition	(98)
Total variance	\$ 975

Investment properties expenses were higher by \$4,977 for the year ended December 31, 2019 as compared to the same period in 2018 for the following reasons:

Variance Explanation	Year ended December 31, 2019
Increase due to acquisitions	\$ 6,119
Increase in operating expenses; mainly real estate taxes, utilities, and general repairs	404
Adjustments for property taxes accounted for under IFRIC 21	(1,276)
Decrease due to disposition	(270)
Total variance	\$ 4,977

NOI

NOI, a non-IFRS measure (see “Non-IFRS Measures” section of this MD&A), was higher by \$5,504 for the three months ended December 31, 2019 as compared to the same period in 2018 for the following reasons:

Variance Explanation	Three months ended December 31, 2019
Increase due to acquisitions	\$ 5,281
Increase in base rent, inclusive of straight-line rent	989
Decrease due to disposition	(387)
Increase in operating expenses; mainly real estate taxes, utilities, and general repairs	(219)
Change in amortization of tenant incentives	(160)
Total variance	\$ 5,504

NOI was higher by \$16,422 for the year ended December 31, 2019 as compared to the same period in 2018 for the following reasons:

Variance Explanation	Year ended December 31, 2019
Increase due to acquisitions	\$ 15,071
Increase in base rent, inclusive of straight-line rent	3,326
Decrease due to disposition	(1,158)
Change in amortization of tenant incentives	(413)
Increase in operating expenses; mainly real estate taxes, utilities, and general repairs	(404)
Total variance	\$ 16,422

General and administrative expense

General and administrative expenses consist of salaries and benefits (post internalization of management on July 31, 2018), asset management fee expense (pre-internalization of management prior to July 31, 2018), professional fees, deferred compensation expense, trustee fees, and other expenses. General and administrative expenses were lower by \$386 for the three months ended December 31, 2019 as compared to the same period in 2018 for the following reasons:

Variance Explanation	Three months ended December 31, 2019
Deferred compensation expense, of which \$277 is due to fair value adjustments under the DUIP and the Plan (see Part II: Equity)	\$ (224)
Salaries and benefits	(15)
Other	625
Total variance	\$ 386

General and administrative expenses were higher by \$4,892 for the year ended December 31, 2019 as compared to the same period in 2018 for the following reasons:

Variance Explanation	Year ended December 31, 2019
Salaries and benefits	\$ 3,534
Deferred compensation expense, of which \$1,144 is due to fair value adjustments under the DUIP and the Plan (see Part II: Equity)	2,089
Restructuring costs	1,503
Reduction in asset management fee expense	(1,376)
Other	(858)
Total variance	\$ 4,892

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 months and year ended December 31, 2019, the REIT recognized a fair value increases to investment properties of \$11,713 and \$63,213, respectively. For the three months and year ended December 31, 2018, the REIT recognized a fair value increase to investment properties of \$8,035 and \$24,280, respectively. For the years ended December 31, 2019 and 2018, the fair value increases were caused by capitalization rate compression, increasing market rents in certain markets, and leasing activity, partially offset by the amortization of capitalized tenant incentives, the write-off of acquisition related transaction costs, and amortization of straight-line rent. Please refer to the “Investment Properties” section of this MD&A for further discussion on the REIT’s fair value of investment properties.

Finance Costs

Finance costs include interest expense on mortgages payable, bank indebtedness and derivative instrument, distributions on Class B Units and DPUs (see Part II: Equity for further details), the gain or loss on the change in fair value of financial assets and liabilities designated as fair value through profit and loss, including Class B Units and the derivative instrument, and amortization associated with the mark-to-market adjustments and financing costs incurred in connection with obtaining long-term financings. Finance costs decreased \$3,609 for the three months ended December 31, 2019 as compared to the same period in 2018 for the following reasons:

Variance Explanation	Three months ended December 31, 2019
Fair value adjustment to derivative instrument	\$ 5,373
Decrease in mortgage interest expense	314
Fair value adjustment to Class B Units	124
Decrease in distributions on Class B Units, net of increase in DPUs	34
Increase in bank indebtedness interest expense	(2,193)
Change in amortization of financing costs and mark-to-market adjustments on fixed Interest rate mortgage payable	(34)
Increase in lease liability interest expense	(9)
Total variance	\$ 3,609

Finance costs increased \$11,047 for the year ended December 31, 2019 as compared to the same period in 2018 for the following reasons:

Variance Explanation	Year ended December 31, 2019
Increase in bank indebtedness interest expense	\$ 7,789
Fair value adjustment to derivative instrument	3,777
Fair value adjustment to Class B Units	1,175
Increase in lease liability interest expense	9
Decrease in mortgage interest expense	(1,000)
Decrease in distributions on Class B Units, net of increase in DPUs	(651)
Change in amortization of financing costs and mark-to-market adjustments on fixed Interest rate mortgage payable	(52)
Total variance	\$ 11,047

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 months and year ended December 31, 2019 and 2018 are presented below:

(all figures in '000s, except per Unit amounts)	Three months ended			Year ended		
	December 31,			December 31,		
	2019	2018	Variance	2019	2018	Variance
Net income and comprehensive income	\$ 27,327	\$ 15,262	\$ 12,065	\$ 98,946	\$ 50,646	\$ 48,300
Add/(Deduct)						
Fair value adjustment to investment properties	(11,713)	(8,035)	(3,678)	(63,213)	(24,280)	(38,933)
Fair value adjustment to Class B Units	(619)	(495)	(124)	1,852	677	1,175
Fair value adjustment to deferred compensation	228	(49)	277	1,981	837	1,144
Fair value adjustment to derivative instrument	(2,203)	3,170	(5,373)	6,547	2,770	3,777
Fair value adjustment to investment properties – IFRIC 21	4,813	3,904	909	1,787	511	1,276
Fair value adjustments to investment properties held in equity accounted joint venture	(1,057)	-	(1,057)	(1,057)	-	(1,057)
Property taxes accounted for under IFRIC 21	(4,813)	(3,904)	(909)	(1,787)	(511)	(1,276)
Transaction costs related to internalization	-	43	(43)	-	8,560	(8,560)
Amortization of tenant incentives	593	431	162	2,017	1,602	415
Amortization of intangibles	1,677	737	940	3,567	1,565	2,002
Deferred income tax recovery	(570)	(606)	36	(1,112)	(606)	(506)
Distributions on Class B Units and DPU's treated as interest expense	474	508	(34)	1,991	2,642	(651)
ROU asset expense, net of lease payments	39	-	39	39	-	39
FFO	\$ 14,176	\$ 10,966	\$ 3,210	\$ 51,558	\$ 44,413	\$ 7,145
Leasing cost reserve (1)	(1,309)	(1,089)	(220)	(4,879)	(4,319)	(560)
Capital expenditure reserve (2)	(500)	(326)	(174)	(1,700)	(1,189)	(511)
Amortization of straight-line rent	(1,298)	(528)	(770)	(5,473)	(1,102)	(4,371)
AFFO	\$ 11,069	\$ 9,023	\$ 2,046	\$ 39,506	\$ 37,803	\$ 1,703
FFO per Unit (diluted)	\$ 0.216	\$ 0.216	\$ 0.000	\$ 0.853	\$ 0.893	\$ (0.040)
AFFO per Unit (diluted)	\$ 0.169	\$ 0.178	\$ (0.009)	\$ 0.654	\$ 0.761	\$ (0.107)

- (1) The leasing cost reserve is a weighted average rate of approximately \$0.23 and \$0.24 per square foot per annum as at December 31, 2019 and 2018, respectively, based on a five-year forward-looking average of expected leasing commissions and tenant improvements on the portfolio.
- (2) The capital expenditure reserve is a weighted average rate of approximately \$0.09 and \$0.06 per square foot per annum as at December 31, 2019 and 2018, respectively, based on the five-year forward-looking average of expected capital expenditures on the portfolio.

FFO Variances

For the three months ended December 31, 2019, FFO was higher by \$3,210 as compared to the same period in 2018 for the following reasons:

Variance Explanation	Three months ended December 31, 2019
Variance due to acquisitions	\$ 5,258
Increase in base rent, inclusive of straight-line rent	989
Decrease in general and administrative expense, net of fair value adjustment to deferred compensation of \$277	688
Decrease in mortgage interest expense	314
Increase in bank indebtedness interest expense	(2,193)
Decrease in management fee revenue	(1,202)
Variance due to disposition	(387)
Increase in operating expenses; mainly real estate taxes, utilities, and general repairs	(219)
Change in amortization of financing costs and mark-to-market adjustments on fixed interest rate mortgage payable	(34)
Other	(4)
Total variance	\$ 3,210

For the year ended December 31, 2019 FFO was higher by \$7,145 as compared to the same period in 2018 for the following reasons:

Variance Explanation	Year ended December 31, 2019
Variance due to acquisitions	\$ 15,034
Increase in base rent, inclusive of straight-line rent	3,326
Decrease in mortgage interest expense	1,000
Increase in management fee revenue	797
Change in amortization of financing costs and mark-to-market adjustments on fixed interest rate mortgage payable	52
Increase in bank indebtedness interest expense	(7,789)
Increase in general and administrative expense, net of fair value adjustment to deferred compensation of (\$1,144) and severance costs	(2,206)
Severance costs	(1,503)
Variance due to disposition	(1,158)
Increase in operating expenses; mainly real estate taxes, utilities, and general repairs	(404)
Other	(4)
Total variance	\$ 7,145

AFFO Variances

For the three months ended December 31, 2019, AFFO was higher by \$2,046 as compared to the same period in 2018 for the following reasons:

Variance Explanation	Three months ended December 31, 2019
FFO variances	\$ 3,210
Variance due to disposition	23
Variance due to acquisitions, inclusive of non-cash straight-line rent	(1,045)
Change in reserves	(117)
Increase in non-cash straight-line rent	(25)
Total variance	\$ 2,046

For the year ended December 31, 2019, AFFO was higher by \$1,703 as compared to the same period in 2018 for the following reasons:

Variance Explanation	Year ended December 31, 2019
FFO variances	7,145
Variance due to disposition	50
Increase in non-cash straight-line rent	(2,745)
Variance due to acquisitions, inclusive of non-cash straight-line rent	(2,514)
Change in reserves	(233)
Total variance	\$ 1,703

FFO and AFFO per Unit (diluted)

The weighted average number of Units used to calculate FFO and AFFO per Unit (diluted) include: (i) the weighted average number of all outstanding REIT Units and Class B Units, (ii) in-the-money options outstanding under the Plan assuming a cashless exercise of those options, and (iii) units granted under the DUIP (see Part II: equity); which amounted to 65,474,471 and 50,688,343 Units for the three months ended December 31, 2019 and 2018, respectively. The weighted average number of Units used to calculate FFO and AFFO per Unit (diluted) amounted to 60,427,931 and 49,707,048 Units for the year ended December 31, 2019 and 2018, respectively. The increase in the weighted average number of Units outstanding is mainly due to the February 2019 Offering and October 2019 Offering (see Part II: Equity) and the issuance of deferred compensation and Class B Units as partial consideration for the internalization of management on July 31, 2018.

For the three months and year ended December 31, 2019, FFO per Unit (diluted) was higher (lower) by \$0.000 and (\$0.040), respectively, as compared to the three months and year ended December 31, 2018. For the three months and year ended December 31, 2019, AFFO per Unit (diluted) was lower by \$0.009 and \$0.107, respectively, as compared to the three months and year ended December 31, 2018. The decreases are mainly due to severance costs, higher general and administrative expense due to the internalization of management and a 29.1% and 21.6% increase in the weighted average number of Units (diluted) outstanding for the three months and year ended December 31, 2019, respectively. The decreases are partially offset by the acquisitions completed in 2018 and 2019, and increased management fee revenue earned. In addition, AFFO also decreased due to increased free rent provided to certain tenants for the three months and year ended December 31, 2019 totaling \$298 and \$3,156, or \$0.005 and \$0.052 per Unit (diluted), respectively.

Distribution Policy

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

The REIT’s ACFO payout ratio for the three months ended December 31, 2019 and 2018 was 97.7% and 94.3%, respectively. The REIT’s ACFO payout ratio for the year ended December 31, 2019 and 2018 was 99.0% and 91.1%, respectively. The increased ACFO payout ratio for the three months and year ended December 31, 2019 was mainly due to the timing of acquisitions of investment properties in relation to the timing of the issuance of REIT Units and the free rent provided to certain tenants, partially offset by management fee revenue earned in 2019.

Same properties NOI

The same properties disclosed in the following table for the three months and year ended December 31, 2019 and 2018 are investment properties having consistent leasable area in both periods.

('000s)	Three months ended December 31,				Year ended December 31,			
	2019	2018	Variance		2019	2018	Variance	
			\$	%			\$	%
Net operating income (1)	\$ 23,145	\$ 17,641	\$ 5,504	31.2%	\$ 84,238	\$ 67,816	\$ 16,422	24.2%
Amortization of straight-line rent	(528)	(503)	(25)		(3,739)	(993)	(2,746)	
Amortization of leasing costs	592	431	161		2,015	1,602	413	
Tenant incentives - free rent	47	366	(319)		2,630	462	2,168	
Acquisitions' NOI	(5,548)	(268)	(5,280)		(16,578)	(1,507)	(15,071)	
Dispositions' NOI	-	(386)	386		(422)	(1,580)	1,158	
Other reconciling items (2)	(23)	(125)	102		(124)	(181)	57	
Same properties NOI (1)	\$ 17,685	\$ 17,156	\$ 529	3.1%	\$ 68,020	\$ 65,619	\$ 2,401	3.7%
Average occupancy (same properties)	99.2%	98.8%		0.4%	99.3%	98.2%		1.1%

(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 December 31, 2019 increased by \$529, or 3.1%, when compared to the same quarter in 2018. Same properties NOI for the year ended December 31, 2019 increased by \$2,401, or 3.7%, when compared to the same period in 2018. The increases in same properties NOI were mainly due to increases in contractual base rent, higher recoveries of operating expenses, and an increase in average occupancy in 2019 compared to 2018.

LIQUIDITY AND CAPITAL RESOURCES

The REIT's primary sources of capital are cash generated from operations and management fee revenue, its Credit Facility, mortgages payable financing and refinancing and issuances of equity and debt through public or private placement. The REIT's primary uses of capital include the payment of distributions, costs of attracting and retaining tenants, recurring investment property maintenance, major investment property improvements, principal repayments, interest payments and investment property acquisitions and development projects. The REIT expects to meet all of its ongoing obligations with current cash generated from operations, draws on its Credit Facility and, as growth requires and when appropriate, new equity or debt issuances. The Declaration of Trust provides that the REIT cannot incur or assume any indebtedness that would cause total indebtedness levels to exceed 60% of gross book value (or 65% of gross book value including any convertible debentures). Management of the REIT targets a maximum indebtedness level of approximately 50% of gross book value. As at December 31, 2019 and December 31, 2018, the REIT's debt-to-gross book value ratio was 43.6% and 46.5%, respectively (total outstanding debt of \$687,013 and \$520,085 as at December 31, 2019 and December 31, 2018, respectively, divided by a gross book value of \$1,573,077 and \$1,117,672 as at December 31, 2019 and December 31, 2018, respectively). The REIT's debt to Adjusted EBITDA ratio was 8.2 times and 7.4 times as at December 31, 2019 and 2018, 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 year ended December 31, 2019, the REIT's interest coverage ratio was 3.1 times (excluding the impact of property taxes accounted for under IFRIC 21), and its fixed charge coverage ratio was 2.7 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 December 31, 2019 and 2018 was 3.8% and 3.9%, respectively.

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

('000s)	Year ended December 31,	
	2019	2018
Cash provided by/(used in):		
Operating activities	\$ 71,586	\$ 55,505
Financing activities	318,167	38,007
Investing activities	(379,552)	(91,904)
Increase (decrease) in cash and cash equivalents during the period	10,201	1,608
Cash and cash equivalents, beginning of period	8,245	6,637
Cash and cash equivalents, end of period	\$ 18,446	\$ 8,245

As at December 31, 2019, the REIT had \$18,446 in cash and cash equivalents and availability under the Credit Facility of \$106,767, for total liquidity of \$125,213.

Cash flows from operating activities for the years ended December 31, 2019 and 2018 of \$71,586 and \$55,505, respectively, was 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:

('000s)	Three months ended December 31,		Year ended December 31,	
	2019	2018	2019	2018
Cash flows provided by operating activities	\$ 18,308	\$ 14,817	\$ 71,586	\$ 55,505
Less: Interest paid (excluding distributions on Class B Units and DPUs classified as finance costs incurred)	(7,016)	(5,022)	(24,207)	(17,625)
	11,292	9,795	47,379	37,880
Distributions paid ⁽¹⁾	(12,192)	(9,415)	(44,933)	(36,987)
Excess (Shortfall) of cash flows provided by operating activities over distributions paid	\$ (900)	\$ 380	\$ 2,446	\$ 893
Cash flows provided by operating activities	\$ 18,308	\$ 14,817	\$ 71,586	\$ 55,505
Add/(Deduct):				
Change in non-cash working capital ⁽²⁾	3,602	1,704	6,226	396
Interest paid ⁽³⁾	(7,016)	(5,022)	(24,207)	(17,625)
Leasing cost reserve and capital expenditure reserve	(1,811)	(1,414)	(6,581)	(5,508)
Business combination	-	43	-	8,560
Amortization of mark-to-market adjustments	105	104	419	479
Amortization of financing costs	(284)	(249)	(1,005)	(1,117)
ROU expense less lease payments	39	-	39	-
ACFO ⁽⁴⁾	\$ 12,943	\$ 9,984	\$ 46,477	\$ 40,690
Distributions declared ⁽¹⁾	\$ 12,640	\$ 9,417	\$ 46,025	\$ 37,079
ACFO payout ratio ⁽³⁾	97.7%	94.3%	99.0%	91.1%

(1) Includes cash distributions on REIT Units, Class B Units and DPUs.

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

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

(4) Management considers ACFO to be a key measure of the REIT's performance. As an alternative measure of cash flows from operations, ACFO (defined on page 3) 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. This data should be read in conjunction with the "Non-IFRS Measures" section of this MD&A.

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

For the three months ended December 31, 2019, the REIT incurred a shortfall from distributions in excess of cash flows from operations. The shortfall was primarily due to: (i) timing of non-cash working capital and (ii) a timing difference between the REIT's October 2019 Offering and the deployment of those funds. The REIT funded the cash shortfall with cash on hand. The shortfall did not have any impact on the REIT's existing debt agreements. The REIT anticipates maintaining our existing per unit distributions for the foreseeable future.

Cash flows provided by financing activities for the years ended December 31, 2019 and 2018 of \$318,167 and \$38,007, respectively, was primarily related to net proceeds from the February 2019 Offering, October 2019 Offering, and proceeds from the Credit Facility, partially offset by principal payments on mortgages payable, distributions to Unitholders, and interest expense paid.

Cash flows used in investing activities for the years ended December 31, 2019 and 2018 of \$379,552 and \$91,904, respectively, was primarily related to the acquisition of investment properties, additions to investment properties, and the REIT's investment in the Venture in 2019.

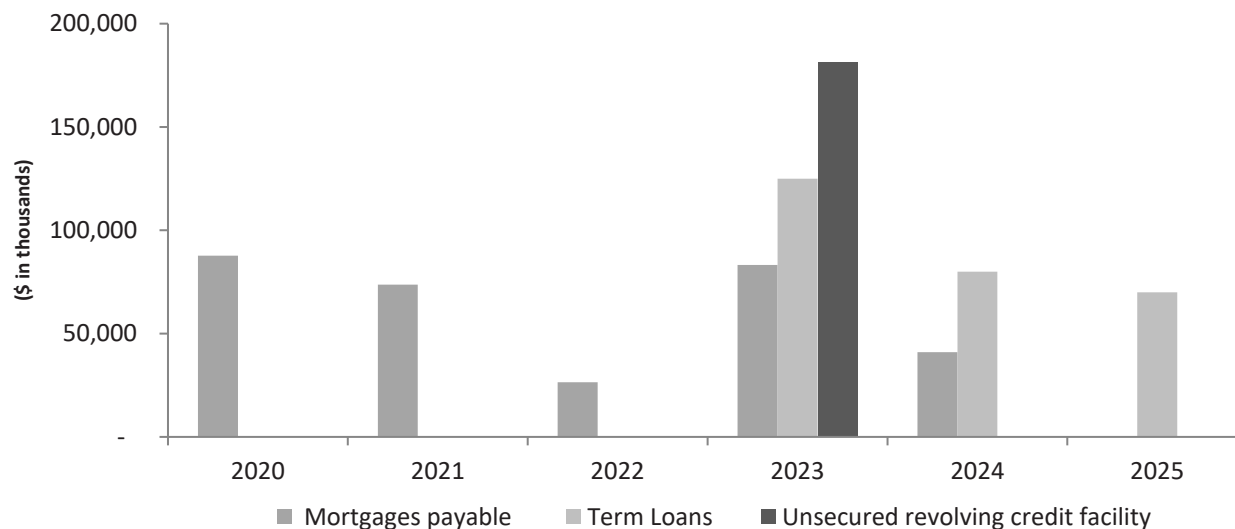
Debt Financing

The REIT's debt consists of the following:

('000s)	December 31, 2019	December 31, 2018
Mortgages payable	\$ 312,024	\$ 344,169
Bank indebtedness		
Term Loans	273,296	74,326
Unsecured revolving credit facility	98,841	99,958
Total debt	\$ 684,161	\$ 518,453

Future principal payments on mortgages payable, Term Loans, and the unsecured revolving credit facility are as follows as at December 31, 2019:

Future Principal Payments



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)	December 31, 2019	December 31, 2018
Mortgages payable	\$ 312,013	\$ 344,085
Mark-to-market adjustments, net	710	1,129
Financing costs, net	(699)	(1,045)
Carrying value	312,024	344,169
Less current portion	(87,723)	(32,072)
Non-current mortgages payable	\$ 224,301	\$ 312,097

As at December 31, 2019, mortgages payable bore interest at various rates ranging from 2.87% to 5.80%, and have a weighted average effective interest rate of 3.8% with maturity dates ranging from 2020-2024. The weighted average term to maturity on mortgages payable was 2.3 and 3.0 years as at December 31, 2019 and 2018, respectively.

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

The weighted average maturing effective interest rates, scheduled mortgage repayments, principal mortgage maturities, and scheduled interest payments are as follows as at December 31, 2019:

('000s)	Weighted Average Maturing Effective Interest Rates	Scheduled Mortgage Repayments	Principal Mortgage Maturities	Total Principal Repayments	Scheduled Interest Payments ¹	Total Debt Service Repayments
2020	3.1%	\$ 4,173	\$ 83,550	\$ 87,723	\$ 10,137	\$ 97,860
2021	4.6%	3,955	69,721	73,676	8,239	81,915
2022	3.8%	2,892	23,534	26,426	5,249	31,675
2023	4.0%	1,103	82,082	83,185	2,747	85,932
2024	3.7%	716	40,287	41,003	1,158	42,161
Totals		\$ 12,839	\$ 299,174	\$ 312,013	\$ 27,530	\$ 339,543
Mark-to-market adjustment, net				710		
Financing costs, net				(699)		
Total carrying value of mortgages payable				\$ 312,024		

¹ Includes interest from a variable rate mortgage at the rate as at December 31, 2019, which is economically fixed using an interest rate swap.

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

Subsequent to December 31, 2019, the REIT completed the following:

On March 2, 2020, the REIT repaid a mortgage payable bearing a fixed interest rate of 2.87% with a remaining principal balance of \$51,750, with funds from Term Loan III. The properties, previously encumbered by the mortgage payable, were added to the REIT's unencumbered asset pool, thereby increasing the availability on the Credit Facility.

Credit Facility

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

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

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

On September 26, 2019, the REIT amended and restated the Credit Facility, thereby increasing availability from \$450,000 to \$575,000 (subject to requisite unencumbered assets). The increase was comprised of Term Loan III of \$125,000. Term Loan III has a draw availability period of one year and maturity date of January 15, 2025. The amended and restated Credit Facility also contains an accordion feature which increases the REIT’s availability to \$875,000 (subject to requisite unencumbered assets and lender approval). On September 26, 2019, the REIT drew \$70,000 on the Term Loan III, using the proceeds to repay the unsecured revolving facility.

For the year ended December 31, 2019, the REIT drew net funds from the unsecured revolving credit facility of (\$1,000).

Availability on the Credit Facility was \$481,767 as at December 31, 2019, of which the REIT had drawn \$375,000, leaving remaining availability of \$106,767.

The unsecured revolving credit facility, Term Loan I, Term Loan II and Term Loan III’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 December 31, 2019, the unhedged interest rate on the unsecured revolving credit facility, Term Loan I, Term Loan II, and Term Loan III are as follows:

	December 31, 2019	December 31, 2018
Unsecured revolving credit facility	3.45%	3.86%
Term Loan I	3.38%	3.79%
Term Loan II	3.34%	-
Term Loan III	3.40%	-

Financing costs related to the Credit Facility of \$3,768 are being amortized using the effective interest rate method over the respective terms ending on March 26, 2023, June 26, 2023, March 26, 2024, and January 15, 2025.

Variable interest rate debt (excluding debt with derivative instruments utilized to economically fix the interest rate) as a percentage of total debt was 24.7% and 9.8% as at December 31, 2019 and December 31, 2018, respectively.

Derivative Instrument

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

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

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

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

Subsequent to December 31, 2019, the REIT completed the following:

On February 3, 2020, the REIT entered into an agreement to economically fix the interest for the \$125,000 Term Loan III using an interest rate swap at LIBOR of 1.31% 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 III.

On February 29, 2020, the REIT entered into a forward agreement to economically fix the interest for \$470,000 of term loans using an average interest rate swap at LIBOR of 0.93% plus an applicable margin based on leverage. The REIT is expected to draw the \$470 million from increased capacity on the three delayed draw term loans under the Credit Facility and use the proceeds to partially fund the Acquisition.

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

Transaction Date	Type	Principal Amount	Interest Rate	Maturity Date	Financial Instrument Classification	Fair Value	
						December 31, 2019	December 31, 2018
August 28, 2018	Swap	\$ 75,000	4.38%	June 26, 2023	FVTPL	\$ (3,199)	\$ (1,145)
October 1, 2018	Swap	30,000	4.33%	August 31, 2023	FVTPL	(2,317)	(786)
December 31, 2018	Swap	50,000	4.42%	December 31, 2023	FVTPL	(2,193)	(839)
April 5, 2019	Swap	80,000	3.86%	March 26, 2024	FVTPL	(1,608)	-
		<u>\$ 235,000</u>	<u>4.21%</u>			<u>\$ (9,317)</u>	<u>\$ (2,770)</u>

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) expense recognized during the three months and year ended December 31, 2019, which is reported under finance costs, was (\$2,203) and \$6,547, respectively. For the three months and year ended December 31, 2018, the total fair value expense was \$3,170 and \$2,770, respectively.

For additional disclosures on how the REIT manages interest rate risk through the use of derivative instruments see the REIT's audited consolidated financial statements and accompanying notes for the years ended December 31, 2019 and 2018 and the "Risk Factors" section of this MD&A.

Commitments and Contingencies

Leasing Cost Reserve

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

The following table shows actual leasing costs as compared to reserved leasing costs since the REIT's initial public offering ("IPO"):

Leasing Costs ('000s)	Period from IPO to December 31, 2017	Year ended December 31, 2018	Year ended December 31, 2019	Since IPO
Reserved	\$ 15,661	4,319	4,879	24,859
Actual	\$ 14,533	7,514	9,991	32,038
Excess/(deficit)	\$ 1,128	(3,195)	(5,112)	(7,179)

During the year ended December 31, 2019, the REIT renewed approximately 1.6 million square feet of GLA with lease expirations in 2020 and beyond. The increase in releasing activity resulted in the REIT incurring higher leasing costs in 2019 versus in the year the leases renew. The REIT believes the current estimate of \$0.23 per square foot per annum to be indicative of future leasing costs.

Maintenance Capital Expenditure Reserve

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

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

Maintenance Capital Expenditures ('000s)	Period from IPO to December 31, 2017	Year ended December 31, 2018	Year ended December 31, 2019	Since IPO
Reserved	\$ 4,386	1,189	1,700	7,275
Actual	\$ 2,561	1,635	5,017	9,213
Excess/(deficit)	\$ 1,825	(446)	(3,317)	(1,938)

During the year ended December 31, 2019, the REIT incurred capital expenditures relating to the replacement of several roofs within the portfolio. Approximately \$2,930 was related to the roof replacement at the investment property located at 6766 Pontius Road. The REIT believes the current estimate of \$0.09 per square foot per annum is indicative of future capital expenditure requirements.

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

Expenditures deemed revenue-enhancing are characterized by expansions that increase GLA, improvements that drive an increase to current and future lease revenues, or repositioning of a property that may lead to higher rental rates. For the year ended December 31, 2019, the REIT incurred \$7,314 of revenue-enhancing capital expenditures primarily related to an expansion at its investment property located at 2401 Midpoint Drive.

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

EQUITY

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

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

On February 25, 2019, the REIT issued 10,000,000 REIT Units at a price of \$13.50 per REIT Unit to a syndicate of underwriters on a bought deal basis for net cash proceeds to the REIT of approximately \$128,948 (inclusive of underwriters' fees and issuance costs of \$6,052).

On October 29, 2019, the REIT issued 6,160,000 REIT Units at a price of \$13.80 per REIT Unit to a syndicate of underwriters on a bought deal basis for gross cash proceeds to the REIT of approximately \$80,883 (inclusive of underwriters' fees and issuance costs of \$4,125). On November 27, 2019, the REIT issued an additional 924,000 REIT Units at a price of \$13.80 per REIT Unit pursuant to the exercise in full of the over-allotment granted by the REIT to the underwriters of the October 2019 Offering for net cash proceeds to the REIT of approximately \$12,241 (inclusive of underwriters' fees of \$510).

The REIT issued 100,517 REIT Units for the redemption of DTUs and exercise of options during the year ended December 31, 2019.

As at December 31, 2019, ownership of the REIT was as follows (excluding options, DPU, and DTUs outstanding under the REIT's equity plans):

	REIT Units	Class B Units	Total Units	% of Total
Public float	53,130,947	825,122	53,956,069	81.6%
AIMCo	11,204,502	-	11,204,502	17.0%
Employees and Trustees of the REIT	41,389	895,737	937,126	1.4%
TOTAL	64,376,838	1,720,859	66,097,697	100.0%

As at December 31, 2019, ownership of the REIT on a fully diluted basis was as follows (including options, DPUs, and DTUs outstanding under the REIT's equity plans):

	REIT Units ⁽¹⁾	Class B Units ⁽²⁾	Total Units	% of Total
Public float	53,130,947	904,861	54,035,808	79.5%
AIMCo	11,204,502	-	11,204,502	16.5%
Employees and Trustees of the REIT	1,102,248	1,587,646	2,689,894	4.0%
TOTAL	65,437,697	2,492,507	67,930,204	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.

Subsequent to December 31, 2019, the REIT completed the following:

On February 27, 2020, the REIT issued 18,850,500 Subscription Receipts. Each Subscription Receipt entitles the holder thereof to receive one REIT Unit upon completion of the Acquisition by the REIT without payment of any additional consideration or any further action on the part of the holder of the Subscription Receipt.

As at March 11, 2020, ownership of the REIT was as follows (excluding options, DPUs, and DTUs outstanding under the REIT's equity plans):

	REIT Units	Class B Units	Subscription Receipts	Total Units	% of Total
Public float	53,133,605	822,464	16,272,500	70,228,569	82.7%
AIMCo	11,204,502	-	2,578,000	13,782,502	16.2%
Employees and Trustees of the REIT	41,389	895,737	-	937,126	1.1%
TOTAL	64,379,496	1,718,201	18,850,500	84,948,197	100.0%

As at March 11, 2020, ownership of the REIT on a fully diluted basis was as follows (including options, DPUs, and DTUs outstanding under the REIT's equity plans):

	REIT Units ⁽¹⁾	Class B Units ⁽²⁾	Subscription Receipts	Total Units	% of Total
Public float	53,133,605	902,203	16,272,500	70,308,308	81.0%
AIMCo	11,204,502	-	2,578,000	13,782,502	15.9%
Employees and Trustees of the REIT	1,096,455	1,587,646	-	2,684,101	3.1%
TOTAL	65,434,562	2,489,849	18,850,500	86,774,911	100.0%

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

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

Deferred Unit Incentive Plan

DTUs

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

additional REIT Units vest on the same schedule as their corresponding DTUs and the corresponding expense is recorded as adjustments based on the fair value of the REIT Units and are reported within general and administrative expenses in the statements of net income and comprehensive income.

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

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

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

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

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

	Basic DTUs	Performance DTUs	Trustee DTUs ⁽¹⁾	Total DTUs
Total as at December 31, 2017	576,838	-	158,539	735,377
Granted	131,140	52,555	48,864	232,559
Distributions	36,188	1,031	10,016	47,235
Redeemed	(44,000)	-	-	(44,000)
Total as at December 31, 2018	700,166	53,586	217,419	971,171
Granted	2,568	76,862	31,471	110,901
Distributions	34,539	5,577	13,217	53,333
Redeemed	(168,320)	-	-	(168,320)
Total as at December 31, 2019	568,953	136,025	262,107	967,085

⁽¹⁾ Includes Trustee fee and Trustee match DTUs.

Additional Trustee DTUs of \$166 had been earned and recorded as deferred compensation liability as at December 31, 2019, but are not yet granted.

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

	Basic DTUs	Performance DTUs	Trustee DTUs ⁽¹⁾	Total DTUs
Vested DTUs				
December 31, 2018	251,200	-	184,673	435,873
December 31, 2019	292,219	-	241,176	533,395
Total Fair Value				
December 31, 2018	\$ 8,997	\$ 707	\$ 2,794	\$ 12,498
December 31, 2019	\$ 7,936	\$ 1,207	\$ 3,656	\$ 12,799

⁽¹⁾ Includes Trustee fee and Trustee match DTUs.

Under IFRS, liabilities related to deferred compensation under the DUIP are measured at fair value as at the grant date and are remeasured at each reporting date. Total compensation expense related to DTUs for the three months and year ended December 31, 2019 was \$665 and \$3,532, respectively. Total compensation expense recognized for the three months and year ended December 31, 2018 and was \$658 and \$3,155, respectively. These amounts include adjustments based on the fair value of the DTUs and are reported within general and administrative expenses as at December 31, 2019 and 2018. Total compensation expense related to DTUs for the three months and year ended December 31, 2019 include \$0 and \$207 of accelerated expense related to severance costs, respectively.

DPUs

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

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

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

	Total DPUs
Total as at December 31, 2017	-
Granted	695,542
Total as at December 31, 2018	695,542
Granted	76,106
Total as at December 31, 2019	771,648

For the three months and year ended December 31, 2019, distributions declared on DPUs, which are included in finance costs were \$147 and \$567, respectively. For the three months and year ended December 31, 2018, distributions declared on DPUs, which are included in finance costs were \$132 and \$220, respectively. Total distributions payable on DPUs as at December 31, 2019 and December 31, 2018 were \$49 and \$44, respectively. As at December 31, 2019 and 2018, 79,739 and -0- DPUs have vested, respectively.

Under IFRS, liabilities related to deferred compensation under the DUIP are measured at fair value as at the grant date and are remeasured at each reporting date. The fair value changes are recorded within general and administrative expense in the statements of net income and comprehensive income. The fair value of all outstanding DPUs as at December 31, 2019 and December 31, 2018 was \$10,739 and \$8,932, respectively. Total compensation expense related to DPUs for the three months and year ended December 31, 2019 was \$567 and \$3,231, respectively. Total compensation expense related to DPUs for the three months and year ended December 31, 2018 was \$500 and \$842, respectively. The amount includes adjustments based on the fair value of the DPUs and is reported within general and administrative expenses as at December 31, 2019 and 2018. Total compensation expense related to DPUs for the three months and year ended December 31, 2019 include \$0 and \$846 of accelerated expense related to severance costs, respectively.

Unit Option Plan

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

to time. The maximum number of REIT Units reserved for issuance under the Plan and DUIP combined is 10% of the total number of REIT Units issued and outstanding from time to time. These options vest as to one-third on the first anniversary of the grant date, and one-third on each of the second and third anniversaries. The Plan expired on May 13, 2019 and can no longer issue new options.

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

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

The total fair value of options granted as at December 31, 2019, December 31, 2018 and as at the grant date was \$982, \$862 and \$327, respectively. The aggregate intrinsic value of exercisable options as at December 31, 2019 and December 31, 2018 was \$1,307 and \$1,160, respectively. The weighted average remaining contractual life for outstanding options and for exercisable options as at December 31, 2019 was 3.8 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 related to the option plan for the three months and year ended December 31, 2019 was \$24 and \$405, respectively. Total compensation (income) expense recognized for the three months and year ended December 31, 2018 and was \$(107) and \$94, respectively

As at December 31, 2019, fair value adjustments were determined using the Black-Scholes option pricing model with the following assumptions:

Average expected option term	1.9 years
Risk-free interest rate	1.58%
Expected volatility	14.41%
Dividend yield	5.45%

PART III

DISCLOSURE AND INTERNAL CONTROLS

Disclosure Controls and Procedures

The REIT's Chief Executive Officer and Chief Financial Officer have designed, or caused to be designed under their supervision, the REIT's disclosure controls and procedures as defined in National Instrument 52-109 – *Certification of Disclosure in Issuers' Annual and Interim Filings* ("NI 52-109"). As required by NI 52-109, the REIT's Chief Executive Officer and Chief Financial Officer have evaluated, or caused to be evaluated under their direct supervision, the effectiveness of the REIT's disclosure controls and procedures, and concluded that they are effective as at December 31, 2019.

Internal Controls over Financial Reporting

The REIT's Chief Executive Officer and Chief Financial Officer have designed, or caused to be designed under their supervision, the REIT's internal controls over financial reporting. As required by NI 52-109, and using the criteria established by the Committee of Sponsoring Organization of the Treadway Commission ("**COSO 2013**"), the Chief Executive Officer and Chief Financial Officer have evaluated, or caused to be evaluated under their direct supervision, the effectiveness of the REIT's internal controls over financial reporting and concluded that they are effective and that there were no material

weaknesses that have been identified as at December 31, 2019.

Changes in Disclosure and Internal Controls

No significant changes were made in the REIT's internal controls over financial reporting during the three months ended December 31, 2019 that have materially affected, or are reasonably likely to materially affect, the REIT's disclosure controls and procedures or internal controls over financial reporting.

Inherent Limitation

Disclosure controls and procedures and internal controls over financial reporting cannot provide absolute assurance of achieving financial reporting objectives because of their inherent limitations. Disclosure controls and procedures and internal controls over financial reporting are processes that involve human diligence and compliance and is subject to lapses in judgment and breakdowns resulting from human errors. Disclosure controls and procedures and internal controls over financial reporting also can be circumvented by collusions or improper 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.

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. 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.

Risk Factors Related to the Real Estate Industry

Real Property Ownership and Tenant Risks

The REIT owns properties and is expected in the future to acquire interests in and develop other real property. All real property investments are subject to elements of risk. By specializing in a particular type of real estate, the REIT is exposed to adverse effects on that segment of the real estate market and does not benefit from a diversification of its portfolio by property type.

There is no assurance that the operations of the REIT will be profitable or that cash from operations will be available to make distributions to Unitholders. Real estate, like many other types of long-term investments, experiences significant fluctuation in value and, as a result, specific market conditions may result in occasional or permanent reductions in the value of the REIT's portfolio. The marketability and value of the portfolio will depend on many factors, including, without limitation: (i) changes in general economic conditions (such as the availability, terms and cost of mortgage financings and other types of credit); (ii) local economic conditions (such as business layoffs, industry slowdowns, changing demographics and other factors); (iii) local real estate conditions (such as an oversupply of properties or a reduction in demand for real estate in the area); (iv) changes in occupancy rates; (v) the attractiveness of properties to potential tenants or purchasers; (vi) competition with other landlords with similar available space; (vii) the ability of the REIT to provide adequate maintenance at competitive costs; (viii) changes in exchange rates; (ix) the promulgation and enforcement of governmental regulations relating to land-use and zoning restrictions, environmental protection and occupational safety; (x) the financial condition of borrowers and of tenants, buyers and sellers of property; (xi) changes in real estate tax rates and other operating expenses; (xii) the imposition of rent controls; (xiii) energy and supply shortages; (xiv) various uninsured or uninsurable risks; and (xv) natural disasters. There can be no assurance of profitable operations because the costs of operating the portfolio, including debt service, may exceed gross rental income therefrom, particularly since certain

expenses related to real estate, such as property taxes, utility costs, maintenance costs and insurance, tend to increase even if there is a decrease in the REIT's income from such investments.

The REIT's properties generate income through rent payments made by tenants. Upon the expiry of any lease, there can be no assurance that the lease will be renewed or the tenant replaced for a number of reasons. Furthermore, the terms of any subsequent lease may be less favourable than the existing lease and renewed rent may be lower than prevailing market rent. The REIT's cash flow and financial position would be materially adversely affected if its tenants were to become unable to meet their obligations under their leases or if a significant amount of available space in the REIT's properties was not able to be leased on economically favourable lease terms. In the event of default by a tenant, the REIT may experience delays or limitations in enforcing its rights as lessor and incur substantial costs in protecting its investment. In addition, restrictive covenants may narrow the field of potential tenants at a property and could contribute to difficulties in leasing space to new tenants. Furthermore, at any time, a tenant may seek the protection of bankruptcy, insolvency or similar laws which could result in the rejection and termination of the lease by the tenant and, thereby, cause a reduction in the REIT's cash flow, financial condition and results of operations and its ability to make distributions to Unitholders.

Additionally, due to changing trends in the design of the types of properties owned by the REIT, it is possible that the REIT's properties will in the future be less desirable than newer properties developed by competitors. This, in turn, would affect the ability of the REIT to renew its leases with existing tenants and, in the event that such leases are not renewed, to rent unleased suites.

Competition

The real estate business is competitive. The REIT competes with other investors, managers and owners of properties in seeking tenants and for the purchase and development of desirable properties. Some of the industrial properties of the REIT's competitors are newer, better located or better capitalized than the REIT's properties. Certain of these competitors may have greater financial and other resources and greater operating flexibility than the REIT. Those entities may be able to accept more risk than the REIT can prudently manage and may have the ability or inclination to acquire properties at a higher price or on terms less favourable than those the REIT may be prepared to accept. The existence of competing managers and owners could have a material adverse effect on the REIT's ability to lease space and on the rents the REIT is able to charge, and could materially adversely affect revenues and the REIT's ability to meet its obligations. In addition, such competition could have an adverse effect on property values in the markets in which the investments are located. Competition generally reduces the number of suitable investment opportunities available to the REIT and increases the bargaining power of property owners seeking to sell. Furthermore, the number of entities and the amount of funds competing for suitable industrial properties may increase. This could result in increased demand for these assets and therefore, increased prices paid for them, which may in turn adversely affect the REIT's ability to make investments and generate revenues.

Liquidity

Real property investments are relatively illiquid, with the degree of liquidity generally fluctuating in relation to demand for and the perceived desirability of such investments. Such illiquidity will tend to limit the REIT's ability to vary its portfolio of properties promptly in response to changing economic, investment or other conditions. If the REIT were to be required to liquidate its real property investment, the proceeds to the REIT might be significantly less than the aggregate carrying value of the REIT's properties, which could have an adverse effect on the REIT's financial condition and results of operations and decrease the amount of cash available for distribution. Illiquidity may result from the absence of an established market for real property investments, as well as from legal or contractual restrictions on their resale. In addition, in recessionary times, it may be difficult to dispose of certain types of real estate. The costs of holding real estate are considerable and during an economic recession the REIT may be faced with ongoing expenditures with a declining prospect of incoming receipts. In such circumstances, it may be necessary for the REIT to dispose of properties at lower prices in order to generate sufficient cash for operations and making distributions.

Environmental Matters

Environmental legislation and regulations have become increasingly important in recent years. As a current or previous owner of interests in real property in the U.S., the REIT is subject to various U.S. federal, state and municipal laws relating to environmental matters. Such laws provide that the REIT could be, or become, liable for environmental harm, damage

or costs, including with respect to the release of hazardous, toxic or other regulated substances into the environment and/or affecting persons, and the removal or other remediation of hazardous, toxic or other regulated substances that may be present at or under the REIT's properties or at third-party sites, at which wastes were sent for disposal, including lead-based paints, mould, asbestos, polychlorinated biphenyls, petroleum-based fuels, mercury, volatile organic compounds, underground storage tanks, pesticides and other miscellaneous materials. Further, liability may be incurred by the REIT with respect to the release of such substances from or to the REIT's properties. These laws often impose liability regardless of whether the property owner knew of, or was responsible for, the presence of such substances. These laws also govern the maintenance and removal of asbestos containing materials in the event of damage, demolition or renovation of a property and also govern emissions of and exposure to asbestos fibres in the air. Certain of the REIT's properties might contain asbestos containing materials. The costs of investigation, removal and remediation of such substances or properties, if any, may be substantial and could adversely affect the REIT's financial condition and results of operations but is not estimable. There may be contamination on the REIT's properties of which management is not aware. The presence of contamination or the failure to remediate contamination may adversely affect the REIT's ability to sell such property, realize the full value of such property or borrow using such property as collateral security, and could potentially result in claims against the REIT by public or private parties.

The REIT's properties may contain soil or groundwater contamination, hazardous substances and/or other residual pollution and environmental risks. Buildings and their fixtures might contain asbestos, mould or other hazardous substances above the allowable or recommended thresholds, or other environmental risks could be associated with the buildings. The REIT will bear the risk of cost-intensive assessment, remediation or removal of such soil or groundwater contamination, hazardous substances or other residual pollution. The discovery of any such contamination or residual pollution on the sites and/or in the buildings, particularly in connection with the lease or sale of properties or borrowing using the real estate as security, could trigger claims for rent reductions or termination of leases for cause, for damages and other breach of warranty claims against the REIT. The remediation of any contamination and the related additional measures the REIT would have to undertake could have a materially adverse effect on the REIT and could involve considerable additional costs. The REIT will also be exposed to the risk that recourse against the polluter or the previous owners of the REIT's properties might not be possible. Moreover, the existence or even the mere suspicion of the existence of soil or groundwater contamination, hazardous materials or other residual pollution can materially adversely affect the value of a property and the REIT's ability to lease or sell such a property.

The REIT's operating policy is to obtain a Phase I ESA Report of each real property to be acquired by it and, if the Phase I ESA Report recommends that a further environmental site assessment be conducted, the REIT will have conducted such further environmental site assessments, in each case by an independent and experienced environmental consultant. As a condition to any acquisition of real property, such assessments will be satisfactory to the Board of Trustees. Although such environmental site assessments would provide the REIT with some level of assurance about the condition of property, the REIT may become subject to liability for undetected contamination or other environmental conditions at the REIT's properties, which could negatively impact the REIT's financial condition and results of operations and decrease the amount of cash available for distribution.

The REIT intends to make the necessary capital and operating expenditures to comply with environmental laws and address any material environmental issues and such costs relating to environmental matters that may have a material adverse effect on the REIT's business, financial condition or results of operation and decrease the amount of cash available for distribution. Furthermore, environmental laws can change and the REIT may become subject to even more stringent environmental laws in the future, with increased enforcement of laws by the government. Compliance with more stringent environmental laws, which may be more rigorously enforced, the identification of currently unknown environmental issues or an increase in the costs required to address a currently known condition may have an adverse effect on the REIT's financial condition and results of operations and decrease the amount of cash available for distribution to Unitholders.

Changes in Applicable Laws, Regulations and Political Conditions

The REIT is subject to laws and regulations governing the ownership and leasing of real property, zoning, building standards, landlord tenant relationships, employment standards, environmental matters, taxes and other matters. It is possible that future changes in applicable federal, provincial, state, local or common laws or regulations or changes in their enforcement or regulatory interpretation could result in changes in the legal requirements affecting the REIT (including with retroactive

effect). Any changes in the laws to which the REIT is subject could materially adversely affect the REIT's rights and title to the Properties. In addition, political conditions in Canada and the U.S. are also subject to change. Any changes in investment policies, shifts in political attitudes or political instability in Canada or the U.S. may adversely affect the REIT's investments. It is not possible to predict whether there will be any future shift in political conditions that will impact the REIT or any further changes in the regulatory regimes to which the REIT is subject, nor is it possible to predict the effect of any such changes on the REIT's investments.

Lower revenue growth or significant unanticipated expenditures may result from the REIT's need to comply with changes in applicable laws or the enactment of new laws, including: (i) laws imposing environmental remedial requirements and the potential liability for environmental conditions existing on properties or the restrictions on discharges or other conditions; (ii) rent control or rent stabilization laws or other landlord/tenant laws; or (iii) other governmental rules and regulations or enforcement policies affecting the development, use and operation of the REIT's properties, including changes to building codes and fire and life-safety codes.

Capital Expenditures and Fixed Costs

As a matter of conducting business in the ordinary course, certain significant expenditures, including property taxes, maintenance costs, mortgage payments, insurance costs and related charges, must be made throughout the period of ownership of real property, regardless of whether the property is producing sufficient income to pay such expenses. This may include expenditures to fulfill mandatory requirements for energy efficiency. In order to retain desirable rentable space and to generate adequate revenue over the long-term, the REIT must maintain or, in some cases, improve each property's condition to meet market demand. Maintaining a rental property in accordance with market standards can entail significant costs, which the REIT may not be able to pass on to its tenants. Numerous factors, including the age of the relevant building structure, the material and substances used at the time of construction or currently unknown building code violations could result in substantial unbudgeted costs for refurbishment or modernization. The timing and amount of capital expenditures required by the REIT will indirectly affect the amount of cash available for distribution to Unitholders. Distributions may be reduced, or even eliminated, at times when the REIT deems it necessary to make significant capital or other expenditures.

If the actual costs of maintaining or upgrading a property exceed the REIT's estimates, or if hidden defects are discovered during maintenance or upgrading which are not covered by insurance or contractual warranties, or if the REIT is not permitted to raise rents due to legal constraints, the REIT will incur additional and unexpected costs. If competing industrial properties are built in the area where one of the REIT's properties is located or similar industrial properties located in the vicinity of one of the REIT's properties are substantially refurbished, the NOI derived from and the value of such property could be reduced. Any failure by the REIT to undertake appropriate maintenance and refurbishment work in response to the factors described above could materially adversely affect the rental income that the REIT earns from its properties and could have a material adverse effect on the REIT's cash flow, financial condition and results of operations and its ability to make distributions to Unitholders.

Current Economic Environment

The REIT's operating results may be affected by weakness in the national economy and local economies where the REIT's properties are located. Specific impacts may include (i) increased levels of tenant defaults under leases; (ii) non-renewals under lease or re-leasing which may require concessions, tenant improvement expenditures or reduced rental rates; and (iii) adverse capital and credit market conditions for REIT capital needs; and (iv) the REIT's tenants may be unable to meet their rental payments and other obligations due to the REIT. In addition, fluctuation in interest rates or other financial market volatility may restrict the availability of financing for future prospective purchasers of the REIT's investments and could significantly reduce the value of such investments. The value of our investments may not appreciate or may decline in value significantly below the amount we pay for these investments. The length and severity of any economic slowdown or downturn cannot be predicted. The REIT's operations could be negatively affected to the extent that an economic slowdown or downturn is prolonged or becomes more severe.

Natural Disasters

Certain of the REIT's properties are located in locations where buildings are susceptible to sustaining damage from natural disasters. While the REIT has insurance to cover a substantial portion of the cost of such events, the REIT's insurance

includes deductible amounts and certain items may not be covered by insurance. Future natural disasters may significantly affect the REIT's operations and its properties and, more specifically, may cause the REIT to experience reduced rental revenue (including from increased vacancy), incur clean-up costs or otherwise incur costs in connection with such events. Any of these events may have a material adverse effect on the REIT's business, cash flow, financial condition, results of operations and ability to make distributions to Unitholders.

Public Health Crises

Public health crises, pandemics and epidemics, including the novel coronavirus (COVID-19), could adversely impact the REIT's and its tenants' businesses, and thereby the ability of tenants to meet their payment obligations, by disrupting supply chains and transactional activities and negatively impacting local, national or global economies. Contagion in one of the REIT's properties or a market in which the REIT operates could negatively impact the REIT's business, results of operations or reputation or the attractiveness of that market.

Risks Relating to the REIT and its Business

Tenant Defaults, Bankruptcies or Insolvencies

The bankruptcy or insolvency of the REIT's tenants may adversely affect the income produced by the REIT's properties. If a tenant defaults on its lease obligations, the REIT may experience delays in enforcing its rights as landlord and may incur substantial costs, including litigation and related expenses, in protecting its investment and re-leasing its property. If a tenant files for bankruptcy, the REIT generally cannot evict the tenant solely because of such bankruptcy. A court may authorize a bankrupt tenant to reject and terminate its lease. In such a case, any claim against the tenant for unpaid future rent would be subject to a statutory cap that might be substantially less than the remaining rent actually owed under the lease, and it is unlikely that a bankrupt tenant would pay in full amounts it owes under the lease. This shortfall could adversely affect the REIT's cash flow and results of operations.

If a tenant experiences a downturn in its business or other types of financial distress, it may be unable to make timely rental payments. Under some circumstances, the REIT may agree to partially or wholly terminate the lease in advance of the termination date in consideration for a lease termination fee that is less than the agreed rental amount. Additionally, without regard to the manner in which a lease termination occurs, the REIT is likely to incur additional costs in the form of tenant improvements and leasing commissions in its efforts to lease the space to a new tenant, as well as possibly lower rental rates reflective of declines in market rents. The REIT cannot assure an investor that it will have adequate sources of funding available for such purposes.

Tenant Concentration

The REIT derives approximately 29.8% of its annualized in-place base rental revenue from its ten largest tenants. Consequently, revenues are dependent on the ability of those tenants to meet rent obligations and the REIT's ability to collect rent from them. General Mills Operations, LLC is the REIT's largest tenant by GLA and percentage of annualized base rent occupying 6.6% of total portfolio GLA and accounting for 4.0% of the total portfolio's annualized base rent. Unilever Home & Personal Care is the second largest tenant by GLA, occupying 5.5% of total portfolio GLA and accounting for 3.8% of the total portfolio's annualized base rent. Amazon.com is the REIT's third largest tenant by GLA, occupying 4.1% of total portfolio GLA and accounting for 3.5% of the total portfolio's annualized base rent. Keystone Automotive is the REIT's fourth largest tenant by GLA, occupying 3.3% of total portfolio GLA and accounting for 3.2% of the total portfolio's annualized base rent. Early termination options are held by 6 tenants of the properties with each including specified one-time termination fees payable to the REIT. In total, early termination options represent 4.4% of the total GLA or 5.5% of the 2019 annualized base rent of the properties, with option expirations at various times from 2022 through 2026. If such tenants default on or cease to satisfy their payment obligations, or if tenants exercise their early termination options, there could be an adverse impact on the REIT's financial condition and results of operations and decrease the amount of cash available for distribution.

Occupancy by Tenants

Although certain, but not all, leases contain a provision requiring tenants to maintain continuous occupancy of leased premises, there can be no assurance that such tenants will continue to occupy such premises. Certain tenants have a right to terminate their leases upon payment of a penalty, but others are not required to pay any penalty associated with an

early termination. There can be no assurance that tenants will continue their activities and continue occupancy of the premises. Any cessation of occupancy by tenants may have an adverse effect on the REIT and could adversely impact the REIT's financial condition and results of operations and decrease the amount of cash available for distribution to Unitholders.

Approximately 60.1% of GLA of the REIT's portfolio of properties is comprised of single-tenant properties. The largest five such tenants represent approximately 16.4% of contractual base rent of the portfolio as at December 31, 2019.

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

Access to Capital

The real estate industry is highly capital intensive. The REIT will require access to capital to maintain the REIT's properties, as well as to fund its growth strategy and certain capital expenditures from time to time. Although the Credit Facility is available to the REIT, there can be no assurances that the REIT will otherwise have access to sufficient capital or access to capital on terms favourable to the REIT for future property acquisitions, financing or refinancing of properties, funding operating expenses or other purposes. Further, in certain circumstances, the REIT may not be able to borrow funds due to the limitations set forth in the Declaration of Trust.

In recent years, domestic and international financial markets have experienced unusual volatility and uncertainty. Although this condition occurred initially within the "subprime" single-family mortgage lending sector of the credit market, liquidity has tightened in overall financial markets, including the investment grade debt and equity capital markets. Consequently, there is greater uncertainty regarding the REIT's ability to access the credit market in order to attract financing on reasonable terms. Investment returns on the REIT's assets and its ability to make acquisitions could be adversely affected by the REIT's inability to secure financing on reasonable terms, if at all.

Financing and Interest Rate Risk

The REIT's outstanding indebtedness as at December 31, 2019 was \$687,013, 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 24.7% of the REIT's total principal indebtedness is variable rate debt which has not been hedged as at December 31, 2019. 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 December 31, 2019, existing mortgages secured by the REIT's properties mature between March 2020 and October 2024. As at December 31, 2019, the REIT's unsecured debt matures between March 2023 and January 2025. 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.

Operational Risk

Operational risk is the risk that a direct or indirect loss may result from an inadequate or failed technology, from a human process or from external events. The impact of this loss may be financial loss, loss of reputation or legal and regulatory proceedings. Management endeavours to minimize losses in this area by ensuring that effective infrastructure and controls exist. These controls are constantly reviewed and if deemed necessary improvements are implemented.

Potential Acquisition, Investment and Disposition Opportunities and Joint Venture Arrangements

The REIT evaluates business and growth opportunities and continues to consider a number of acquisition, investment and disposition opportunities and joint venture arrangements to achieve its business and growth strategies. In the normal course, the REIT may have outstanding non-binding letters of intent and/or conditional agreements or may otherwise be engaged in discussions with respect to potential acquisitions and financing of new assets, the refinancing of existing assets, potential dispositions, establishment of new joint venture arrangements, the viability and status of its joint venture arrangements, and changes to its capital structure, each of which, individually or in the aggregate, may or may not be material if they were to progress. However, there can be no assurance that any of these discussions will result in a definitive agreement and, if they do, what the terms or timing of any acquisition, investment or disposition would be or that such acquisition, investment or disposition will be completed by the REIT. Similarly, there can be no assurance that the REIT will enter into new joint venture arrangements or continue any such existing joint venture arrangements. If the REIT is unable to manage its growth effectively, it could adversely impact the REIT's financial position and results of operations and decrease the amount of cash available for distribution. There can be no assurance as to the pace of growth through property acquisitions or that the REIT will be able to acquire assets on an accretive basis and, as such, there can be no assurance that distributions to Unitholders will increase in the future.

Acquired properties may be subject to unknown, unexpected or undisclosed liabilities which could have a material adverse impact on the operations and financial results of the REIT. Representations and warranties given by third parties to the REIT may not adequately protect against these liabilities and any recourse against third parties may be limited by the financial capacity of such third parties. Furthermore, it is not always possible to obtain from the seller the records and documents that are required in order to fully verify that the buildings to be acquired are constructed in accordance, and that their use complies with, planning laws and building code requirements. Accordingly, in the course of acquiring a property, specific risks might not be or might not have been recognized or correctly evaluated. These circumstances could lead to additional costs and could have a material adverse effect on proceeds from sales and rental income of the relevant properties.

The REIT's ability to acquire properties on satisfactory terms and successfully integrate and operate them is subject to the following additional risks: (i) the REIT may be unable to acquire desired properties because of competition from other real estate investors with more capital, including other real estate operating companies, real estate investment trusts and investment funds; (ii) the REIT may acquire properties that are not accretive to results upon acquisition, and the REIT may not successfully manage and lease those properties to meet its expectations; (iii) competition from other potential acquirers may significantly increase the purchase price of a desired property; (iv) the REIT may be unable to generate sufficient cash from operations, or obtain the necessary debt or equity financing to consummate an acquisition or, if obtainable, financing may not be on satisfactory terms; (v) the REIT may need to spend more than budgeted amounts to make necessary improvements or renovations to acquired properties; (vi) agreements for the acquisition of properties are typically subject to customary conditions to closing, including satisfactory completion of due diligence investigations, and the REIT may spend significant time and money on potential acquisitions that the REIT does not consummate; (vii) the process of acquiring or pursuing the acquisition of a new property may divert the attention of the REIT's senior management team from existing business operations; (viii) the REIT may be unable to quickly and efficiently integrate new acquisitions, particularly acquisitions of portfolios of properties, into existing operations; (ix) market conditions may result in higher than expected vacancy rates and lower than expected rental rates; and (x) the REIT may acquire properties without any recourse, or with only limited recourse, for liabilities, whether known or unknown, such as clean-up of environmental contamination, claims by tenants, vendors or other persons against the former owners of the properties

and claims for indemnification by general partners, directors, officers and others indemnified by the former owners of the properties.

If the REIT cannot complete property acquisitions on favourable terms, or operate acquired properties to meet the REIT's goals or expectations, the REIT's business, financial condition, results of operations and cash flow, the per Unit trading price and the REIT's ability to satisfy debt service obligations and to make distributions to the Unitholders could be materially and adversely affected. If the REIT does complete such transactions, the REIT cannot assure that they will ultimately strengthen its competitive position or that they will not be viewed negatively by customers, securities analysts or investors. Such transactions may also involve significant commitments of the REIT's financial and other resources. Any such activity may not be successful in generating revenue, income or other returns to the REIT, and the resources committed to such activities will not be available to the REIT for other purposes.

Uncertain Global Economic and Political Environment

Concerns over global economic conditions and geopolitical issues, inflation and the availability and cost of credit have contributed to increased global economic and political uncertainty. "Brexit" and tensions between the U.S. and other countries have contributed to such uncertainty. Changes in policies by the U.S. or other governments could negatively affect the REIT's operating results due to changes in duties, tariffs or taxes, or limitations on currency or fund transfers, as well as government-imposed restrictions on producing certain products in, or shipping them to, specific countries. Financial market instability may result in lower returns on the REIT's financial investments, and lower values on some of its assets. Alternately, inflation may lead to higher costs for labor and materials and/or increase the REIT's costs of borrowing and raising capital. Uncertainty surrounding the global economic environment and geopolitical outlook may impact current and future demand for the REIT's properties and the financial condition of its tenants. If any of the foregoing impacts the financial condition of the REIT's tenants, they may delay payments to the REIT or request extended payment terms, which could have an adverse effect on the REIT's financial condition and working capital. The REIT cannot predict the precise nature, extent, or duration of these economic or political conditions or if they will have any impact on its financial results. A deterioration in the economic environment may accelerate the effect of the various risk factors described in this MD&A and could result in other unforeseen events that may adversely impact the REIT's business and financial condition.

Limits on Activities

In order to maintain its status as a "mutual fund trust" under the *Income Tax Act (Canada)* ("**Tax Act**"), the REIT cannot carry on most active business activities and is limited in the types of investments it can make. The Declaration of Trust contains restrictions to this effect.

Reliance on the Partnership

The REIT is dependent for a certain portion of NOI on the business of the Partnership. The cash distributions to Unitholders are dependent on the ability of the Partnership to pay distributions in respect of the units of the Partnership. The ability of the Partnership to pay distributions or make other payments or advances to the REIT may be subject to contractual restrictions contained in any instruments governing the indebtedness of the Partnership. The ability of the Partnership to pay distributions or make other payments or advances is also dependent on the ability of its subsidiaries to pay distributions or make other payments or advances to the Partnership.

Cybersecurity Risk

Cybersecurity has become an increasingly problematic issue for issuers and businesses. Cyber-attacks against large organizations are increasing in sophistication and are often focused on financial fraud, compromising sensitive data for inappropriate use or disrupting business operations. A cyber-incident is considered to be any adverse event that threatens the confidentiality, integrity or availability of the REIT's information resources. More specifically, a cyber-incident is an intentional attack or an unintentional event that can include gaining unauthorized access to information systems to disrupt operations, corrupt data or steal confidential or personal information, whether through cyber-attacks or cyber intrusions over the Internet, malware, computer viruses, attachments to e-mails, spoofed e-mails, persons inside or persons with access to systems inside the REIT and other significant disruptions of the IT networks and related systems. The risk of a security breach or disruption, particularly through cyber-attack or cyber intrusion, including by computer hackers, foreign governments and cyber terrorists, has increased as the number, intensity and sophistication of attempted attacks and intrusions from around the world have significantly increased. As the REIT's reliance on technology has increased, so have

the risks posed to its systems. The REIT's networks and related systems are essential to the operation of the business and the ability to perform day-to-day operations.

There can be no assurance that the REIT's security efforts and measures will be effective or that attempted security breaches or disruptions would not be successful or damaging. Even the most well protected information, networks, systems and facilities remain potentially vulnerable because the techniques used in such attempted security breaches evolve and generally are not recognized until launched against a target, and in some cases are designed to not be detected and, in fact, may not be detected. Accordingly, the REIT may be unable to anticipate these techniques or to implement adequate security barriers or other preventative measures, and thus it is impossible to entirely mitigate this risk.

A security breach or other significant disruption involving the REIT's IT networks and related systems could disrupt the proper functioning of the networks and systems; result in misstated financial reports, violations of loan covenants and/or missed reporting deadlines; result in the loss, theft or misappropriation of our property; result in our inability to properly monitor our compliance with the rules and regulations regarding the qualification as a REIT; result in the unauthorized access to, and destruction, loss, theft, misappropriation or release of proprietary, confidential, sensitive or otherwise valuable information of the REIT's or others, which others could use to compete against the REIT or for disruptive, destructive or otherwise harmful purposes and outcomes; require significant management attention and resources to remedy any damages that result; subject the REIT to claims for breach of contract, damages, credits, penalties or termination of leases or other agreements; or damage our reputation among our tenants and investors generally.

General Litigation Risks

In the normal course of the REIT's operations, whether directly or indirectly, it may become involved in, named as a party to or the subject of, various legal proceedings, including regulatory proceedings, tax proceedings and legal actions relation to personal injuries, property damage, property taxes, land rights, the environment and contract disputes. The outcome with respect to outstanding, pending or future proceedings cannot be predicted with certainty and may be determined in a manner adverse to the REIT and as a result, could have a material adverse effect of the REIT's assets, liabilities, business, financial condition and results of operations. Even if the REIT prevails in any such legal proceedings, the proceedings could be costly and time-consuming and may divert the attention of management and key personnel from the REIT's business operations, which could 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. This risk may be heightened for the REIT as compared to other Canadian real estate investment trusts without properties located in the U.S. because the legal climate in the U.S., in comparison to that in Canada, tend to give rise to a greater number of claims and larger damages awards.

Reliance on Key Personnel

The management and governance of the REIT depends on the services of certain key personnel, including certain executive officers and the Board of Trustees. The loss of the services of any key personnel and the inability of the REIT to attract and retain qualified and experienced personnel could have an adverse effect on the REIT, jeopardize the REIT's ability to manage or invest in the Venture, and adversely impact the REIT's financial condition and results of operations and decrease the amount of cash available for distribution.

Risks Relating to the Nature of the REIT's Business

As outlined above, investing in real estate exposes the REIT to a high degree of risk. The ultimate performance of the REIT's portfolio is subject to the varying degrees of risk generally incident to the ownership and management of interests in, or related to, real property. The ultimate value of the REIT's portfolio depends upon the REIT's ability to identify, acquire, develop and dispose of properties in a profitable manner. Revenues may be adversely affected by changes in national or international economic conditions; changes in local market conditions due to changes in general or local economic conditions and neighbourhood characteristics; the financial condition of tenants, buyers and sellers of properties; competition from prospective buyers for, and sellers of, other similar properties; changes in interest rates and in the availability, cost and terms of financing; the impact of present or future environmental legislation and compliance with environmental laws; changes in tax rates and other operating expenses; adverse changes in governmental rules and fiscal policies; civil unrest; acts of God, including earthquakes, hurricanes and other natural disasters; acts of war; acts of terrorism (any of which may result in uninsured losses); adverse changes in zoning laws; and other factors that are beyond the control of the REIT. The REIT's operating results will also be dependent upon the availability of, as well as the REIT's

ability to identify, consummate, manage and realize, attractive real estate investment opportunities. It may take considerable time for the REIT to identify and consummate appropriate investments. No assurance can be given that the REIT will be successful in identifying and consummating investments which satisfy the REIT's rate of return objective or that such investments, once consummated, will perform as expected.

Market Risk

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 properties' fixed rate mortgages payable and hedged variable interest rate indebtedness due to the expected requirement to refinance such indebtedness in the year of maturity, as well as interest rate risk on unhedged variable interest rate indebtedness. In order to manage exposure to interest rate risk, management endeavours to manage maturities of indebtedness, and match the nature of the indebtedness with the cash flow characteristics of the underlying asset. In some cases, interest rate swaps are entered into to alter the properties' exposure to the impact of changing interest rates. To the extent interest rates increase, the REIT's financial condition and cash flow could be adversely affected. Currently, the REIT's properties have no exposure to currency or other market price risk.

Restrictive Covenants in Existing Loan Agreements

The REIT and the Partnership are subject to certain restrictions pursuant to the restrictive covenants of their outstanding indebtedness, which may affect distribution and operating policies and the ability to incur additional debt. Loan documents evidencing this existing indebtedness contain, and loan documents entered into in the future will likely contain, certain operating covenants that limit the ability to further mortgage the property or discontinue insurance coverage. In addition, these agreements contain, and future agreements likely will contain, financial covenants, including certain coverage ratios and limitations on the ability to incur secured and unsecured debt, make distributions, sell all or substantially all assets, and engage in mergers and consolidations and certain acquisitions. Covenants under existing indebtedness do, and under any future indebtedness likely will, restrict the ability to pursue certain business initiatives or certain acquisition transactions. In addition, failure to meet any of these covenants, including the financial coverage ratios, could cause an event of default under or accelerate some or all of the REIT's indebtedness, which would have a material adverse effect on the REIT.

Availability of Off-market Deal Flow

A key component of the REIT's growth strategy is to acquire additional industrial real estate before it is widely marketed by real estate brokers, or "off-market." Properties that are acquired off-market are typically more attractive to the REIT as a purchaser because of the absence of a formal marketing process, which could lead to higher prices. If the REIT cannot obtain off-market deal flow in the future, its ability to locate and acquire additional properties at attractive prices could be materially and adversely affected.

Litigation at the Property Level

The acquisition, ownership and disposition of real property carries certain specific litigation risks. Litigation may be commenced with respect to a property acquired by the REIT or its subsidiaries in relation to activities that took place prior to the REIT's acquisition of such property. In addition, at the time of disposition of an individual property, a potential buyer may claim that it should have been afforded the opportunity to purchase the asset or alternatively that such buyer should be awarded due diligence expenses incurred or damages for misrepresentation relating to disclosures made, if such buyer is passed over in favour of another as part of the REIT's efforts to maximize sale proceeds. Similarly, successful buyers may later sue the REIT under various damage theories, including those sounding in tort, for losses associated with latent defects or other problems not uncovered in due diligence.

Asset Class Diversification

The REIT's investments are not widely diversified by asset class. Substantially all of the REIT's investments are in industrial real estate. A lack of asset class diversification increases risk because industrial real estate is subject to its own set of risks, such as vacancies, rising operating costs and changes in mortgage rates.

Control Over Investments

In certain situations, the REIT may, directly or indirectly, invest in a joint venture arrangement, thereby acquiring a non-controlling interest in certain investments. Although the REIT may not have control over these investments and therefore, may have a limited ability to protect its position therein, such joint venture arrangements will contain terms and conditions which, in the opinion of the independent trustees, are commercially reasonable, including without limitation such terms and conditions relating to restrictions on the transfer, acquisition and sale of the REIT's and any joint venturer's interest in the joint venture arrangement, provisions to provide liquidity to the REIT, provisions to limit the liability of the REIT and its Unitholders to third parties and provisions to provide for the participation of the REIT in the management of the joint venture arrangements. Nevertheless, such investments may involve risks not present in investments where a third party is not involved, including the possibility that a co-venturer may have financial difficulties resulting in a negative impact on such investment, may have economic or business interests or goals which are inconsistent with those of the REIT (including relating to the sale of properties held in the joint venture or the timing of the termination and liquidation of such joint venture) or may be in a position to take action contrary to the REIT's investment objectives. The REIT also may, in certain circumstances, be liable for the actions of its third-party co-venturers.

Property Redevelopment and Renovations

Property redevelopment or major renovation work are subject to a number of risks, including: (i) the potential that the REIT may fail to recover expenses already incurred if it abandons redevelopment opportunities after commencing to explore them; (ii) the potential that the REIT may expend funds on and devote management time to projects which it does not complete; (iii) construction or redevelopment costs of a project may exceed original estimates, possibly making the project less profitable than originally estimated, or unprofitable; (iv) the time required to complete the construction or redevelopment of a project or to lease up the completed project may be greater than originally anticipated, thereby adversely affecting the REIT's cash flow and liquidity; (v) the cost and timely completion of construction (including risks beyond the REIT's control, such as weather, labour conditions or material shortages); (vi) contractor and subcontractor disputes, strikes, labour disputes or supply disruptions; (vii) the failure to achieve expected occupancy and/or rent levels within the projected time frame, if at all; (viii) delays with respect to obtaining, or the inability to obtain, necessary zoning, occupancy, land use and other governmental permits, and changes in zoning and land use laws; (ix) occupancy rates and rents of a completed project may not be sufficient to make the project profitable; (x) the REIT's ability to dispose of properties redeveloped with the intent to sell could be impacted by the ability of prospective buyers to obtain financing given the current state of the credit markets; and (xi) the availability and pricing of financing to fund the REIT's development activities on favourable terms or at all.

The above risks could result in substantial unanticipated delays or expenses and, under certain circumstances, could prevent the initiation of redevelopment activities or the completion of redevelopment activities once undertaken. In addition, redevelopment projects entail risks that investments may not perform in accordance with expectations and can carry an increased risk of litigation (and its attendant risks) with contractors, subcontractors, suppliers, partners and others. Any of these risks could have an adverse effect on the REIT's financial condition, results of operations, cash flow, per Unit trading price of the Units, distributions to Unitholders and ability to satisfy the REIT's principal and interest obligations. Also, the REIT may be required to execute guarantees in connection with construction financing for redevelopments which would subject the REIT to recourse for construction completion risks and repayment of the construction indebtedness.

New Markets

If the opportunity arises, the REIT may explore acquisitions of properties in new markets. Each of the risks applicable to the REIT's ability to acquire and successfully integrate and operate properties in its current markets is also applicable to its ability to acquire and successfully integrate and operate properties in new markets. In addition to these risks, the REIT may not possess the same level of familiarity with the dynamics and market conditions of any new markets, which could adversely affect its ability to expand into or operate in those markets. The REIT may be unable to achieve a desired return on its investments in new markets. If the REIT is unsuccessful in expanding into new markets, it could adversely affect its business, financial condition, results of operations and cash flow, the per Unit trading price and ability to satisfy debt service obligations and to make distributions to Unitholders.

Property Development

The REIT may, from time to time, engage in development and redevelopment activities with respect to certain properties. If it does so, it will be subject to certain risks, including, without limitation: (i) the availability and pricing of financing on satisfactory terms or at all; (ii) the availability and timely receipt of zoning and other regulatory approvals; (iii) the cost and timely completion of construction (including unanticipated risks beyond the REIT's control, such as weather or labour conditions, material shortages and construction overruns); and (iv) the ability to achieve an acceptable level of occupancy upon completion.

Change in Property Taxes

The REIT is required to pay state and local taxes on its properties. The real property taxes on the REIT's properties may increase as property tax rates change or as the properties are assessed or reassessed by taxing authorities. In addition, certain of the REIT's properties currently benefit from tax abatement arrangements pursuant to which tax rates are effectively lowered for specified periods of time. The REIT's properties currently subject to these tax abatement arrangements are: 1871 Willow Springs Church Road (tax abatement expires in 2021); 1490 Chase Avenue (tax abatement expires in 2021); 6766 Pontius Road (tax abatement expires in 2022); 3051 Creekside Parkway (tax abatement expires in 2022); 1500 Chase Avenue (tax abatement expires in 2023); 2000 Arthur Avenue (tax abatement expires in 2023); 5405 Hickory Hill Road (tax abatement expires 2024); 2825 Reeves Road (tax abatement expires in 2028); 7437 Polk Lane (tax abatement expires in 2029); 2440 Midpoint Drive (tax abatement expires in 2029) and 3360 Southwest Boulevard (tax abatement expires in 2030). Upon expiry of these tax abatement arrangements, property taxes will be assessed at usual rates. Property taxes are typically passed through to the tenant; however, the amount of property taxes, if any, the REIT pays directly may in the future differ substantially from what has been paid in the past. If the property taxes paid directly by the REIT increase, the REIT's ability to pay expected distributions to the Unitholders could be materially and adversely affected.

Potential Conflicts of Interest

The Board of Trustees will, from time to time, in their individual capacities, deal with parties with whom the REIT may be dealing, or may be seeking investments similar to those desired by the REIT. The interest of these persons could conflict with those of the REIT. The Declaration of Trust contains conflict of interest provisions requiring the Board of Trustees to disclose their interests in certain contracts and transactions and to refrain from voting on those matters. In addition, certain decisions regarding matters that may give rise to a conflict of interest must be made by a majority of the independent trustees only.

Direct and Indirect Ownership of Units by AIMCo

AIMCo, as at March 11, 2020, owns an approximate 16.2% interest in the REIT through its ownership of Units (assuming all Class B Units are redeemed for REIT Units but otherwise on a non-diluted basis). AIMCo, as a result of their voting interest in the REIT, may be able to exert significant influence over matters that are to be determined by votes of the Unitholders of the REIT.

Accordingly, the Units may be less liquid and trade at a relative discount compared to such Units in circumstances where AIMCo does not have 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.

Any Uninsured Losses or High Insurance Premiums will Reduce Net Income and the Amount of Cash Distributions to Unitholders

The REIT will attempt to obtain adequate insurance to cover significant areas of risk to it as an entity and to its properties. However, there are types of losses at the property level, generally catastrophic in nature, such as losses due to wars, acts of terrorism, earthquakes, floods, hurricanes, pollution or environmental matters, which are uninsurable or not economically insurable, or may be insured subject to limitations, such as large deductibles or co-payments. The REIT may not have adequate coverage for such losses. If any of the REIT's properties incurs a casualty loss that is not fully insured,

the value of the REIT's assets will be reduced by any such uninsured loss. In addition, other than any working capital reserve or other reserves the REIT may establish, it has no source of funding to repair or reconstruct any uninsured damaged property. Further, to the extent the REIT must pay unexpectedly large amounts for insurance, it could suffer reduced earnings that would result in lower distributions to Unitholders.

Degree of Leverage

The REIT's degree of leverage could have important consequences to Unitholders. For example, the degree of leverage could affect the REIT's ability to obtain additional financing in the future for working capital, capital expenditures, acquisitions, development or other general trust purposes, making the REIT more vulnerable to a downturn in business or the economy in general. Under the Declaration of Trust, the maximum the REIT can leverage is 60% of gross book value (or 65% of gross book value including convertible debentures).

Joint Ventures

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

In addition, the sale or transfer of interests in joint ventures may be subject to certain requirements, such as rights of first refusal, rights of first offer or drag-along rights, and joint venture agreements may provide for buy-sell or similar arrangements. Such rights may inhibit the REIT's ability to sell an interest in an investment or a joint venture within the time frame or otherwise on the basis the REIT desires. Additionally, drag-along rights may be triggered at a time when the REIT may not want to sell its interest in an investment, but the REIT may be forced to do so at a time when it would not otherwise be in the REIT's best interest.

Limitations on Sale

The REIT may be required to expend funds to correct defects or to make improvements before a property can be sold. No assurance can be given that the REIT will have funds available to correct such defects or to make such improvements. In acquiring a property, the REIT may agree to lock-out provisions that materially restrict it from selling that property for a period of time or impose other restrictions, such as a limitation on the amount of debt that can be placed or repaid on that property. These lock-out provisions would restrict the REIT's ability to sell a property. These factors and any others that would impede the REIT's ability to respond to adverse changes in the performance of the REIT's properties could significantly affect the REIT's financial condition and operating results and decrease the amount of cash available for distribution.

Investments in Debt Instruments

The REIT may hold direct or indirect investments in mortgages and mortgage bonds (including participating or convertible mortgages). Adverse changes to the financial condition of a mortgagor with respect to a mortgage held directly or indirectly by the REIT could have an adverse impact on the REIT's ability to collect principal and interest payments from such mortgagor and therefore, cause a reduction in the REIT's ability to make distributions to Unitholders and in the value of that investment.

Based upon applicable laws governing the REIT's investment in debt instruments and the loans underlying the REIT's debt securities, the REIT's investments in debt may also be adversely affected by: (i) the operation of applicable laws regarding the ability to foreclose mortgage loans or to exercise other creditors' rights provided in the underlying loan documents; (ii) lender liability with respect to the negotiation, administration, collection or foreclosure of mortgage loans; (iii) penalties for violations of applicable usury limitations; and (iv) the impact of bankruptcy or insolvency laws.

Further, the REIT will not know whether the values of its properties securing the mortgage loans will remain at the levels existing on the dates of origination of those mortgage loans. If the values of the underlying properties fall, the risk to the REIT will increase because of the lower value of the security associated with such loans.

Land Leases

To the extent that the properties in which the REIT has or will have an interest are located on leased land, the land leases may be subject to periodic rate resets which may fluctuate and may result in significant rental rate adjustments which could adversely impact the REIT's financial condition and operating results and decrease the amount of cash available for distribution.

Specific Lease Considerations

Some of the leases in the REIT's properties are leased on a base year or semi-gross basis or otherwise have caps on operating costs and/or tax recoveries. As a result, the REIT will bear the economic cost of increases in certain of the operating costs and/or property taxes in such cases to the extent it is not able to fully recover increases in operating costs and property taxes from these tenants which increases would likely adversely impact the REIT's financial condition and results of operations and decrease the amount of cash available for distribution to Unitholders.

Less Marketable Properties

Less marketable properties may be more difficult to value due to the unavailability of reliable market quotations. The sale of less marketable properties may require more time and result in lower prices, due to higher brokerage charges or dealer discounts and other selling expenses, than the sale of more marketable properties. In addition, the marketability of the portfolio will be dependent on numerous other factors, including interest rates, competition from other industrial properties and general economic conditions. There can be no assurance that the REIT will be able to sell one or more of its properties in the portfolio at the time that it may be in the best interests of the REIT to sell.

Lease Renewals and Rental Increases

The expiry of leases for the REIT's properties will occur from time to time over the short and long-term. No assurance can be provided that the REIT will be able to renew any or all of the leases upon their expiration or that rental rate increases will occur or be achieved upon any such renewals. The failure to renew leases or achieve rental rate increases may adversely impact the REIT's financial condition and results of operations and decrease the amount of cash available for distribution.

International Financial Reporting Standards

There are ongoing projects conducted by the IASB, and joint projects with the Financial Accounting Standards Board in the U.S. that are expected to result in new pronouncements that continue to evolve, which could adversely impact the manner in which the REIT reports its financial position and operating results.

Laws Benefitting Disabled Persons

Laws benefiting disabled persons may result in unanticipated expenses being incurred by the REIT. Under the *Americans with Disabilities Act of 1990*, including changes made by the *ADA Amendments Act of 2008*, all places intended to be used by the public are required to meet certain federal requirements related to access and use by disabled persons. For those projects receiving federal funds, the *Rehabilitation Act of 1973* also has requirements regarding disabled access. These and other federal, state and local laws may require modifications to the REIT's properties, or affect renovations of the REIT's properties. Non-compliance with these laws could result in the imposition of fines or an award of damages to private litigants and also could result in an order to correct any non-complying feature, which could result in substantial capital expenditures. Although the REIT believes that the REIT's properties are substantially in compliance with the present

requirements, the REIT may incur unanticipated expenses to comply with these and other federal, state and local laws in connection with the ongoing operation or redevelopment of the REIT's properties.

Restrictions on Activities

Several of the REIT's constating documents and material contracts (including, without limitation, the Declaration of Trust, the Partnership Agreement dated April 26, 2013 ("**Partnership Agreement**") and the operating agreement for WPT Industrial, Inc. ("**U.S. Holdco**")) contain restrictions that limit the activities of the REIT and its subsidiaries to ensure the REIT complies with certain provisions of the Tax Act and the *United States Internal Revenue Code of 1986*, as amended (the "**Code**"). Due to these restrictions, the REIT conducts certain of its business activities and anticipates that it will continue to conduct certain of its business activities in one or more taxable REIT subsidiary ("**TRS**") entities. Notwithstanding the REIT's use of TRS entities, compliance with these restrictions may limit the flexibility of the REIT in terms of the nature and scope of its investments and activities and thereby may adversely affect the REIT's economic performance, including its ability to grow.

Geographic Concentration

The REIT's properties are located in the U.S., in the states of California, Florida, Georgia, Illinois, Indiana, Kansas, Kentucky, Michigan, Minnesota, Mississippi, Nevada, Ohio, Oregon, Pennsylvania, Tennessee, Texas, and Wisconsin. Approximately 14.8%, 13.3%, and 11.5% of the REIT's NOI for the three months ended December 31, 2019 is derived from properties located in Minnesota, Georgia, and Illinois, respectively. As a result, the REIT's performance is sensitive to economic condition and regulatory changes in Minnesota, Georgia, and Illinois. Adverse changes in the economic condition or regulatory environment of Minnesota, Georgia, and Illinois 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.

Past Performance is not a Predictor of Future Results

The performance of the REIT is dependent on future events and is, therefore, inherently uncertain. The past performance of Welsh Property Trust, LLC ("**Welsh**"), WPT Capital, the REIT and each of their affiliates cannot be relied upon to predict future events due to a variety of factors, including, without limitation, varying business strategies, different local and national economic circumstances, different supply and demand characteristics, varying degrees of competition and varying circumstances pertaining to the real estate markets.

Expedited Transactions

Investment analyses by the REIT may frequently be required to be undertaken on an expedited basis to take advantage of investment opportunities. In such cases, the information available to the REIT at the time of making an investment recommendation may be limited, and the REIT not have access to detailed information regarding the investment property, such as physical characteristics, environmental matters, zoning regulations or other local conditions that may affect an investment property. In addition, the REIT expects to rely upon independent consultants in connection with its evaluation of proposed investment properties and no assurance can be given as to the accuracy or completeness of the information provided by such independent consultants or to the REIT's right of recourse against them in the event errors or omissions occur.

Tax-Related Risks

Canadian Tax Risks

- (a) *Residency of the REIT for Canadian and U.S. Tax Purposes* — The REIT is resident in Canada for purposes of the Tax Act and is treated as a domestic corporation in the U.S. under the Code. As a result, the REIT is generally taxable on its worldwide income in both Canada and the U.S. However, in both jurisdictions, the REIT generally will not be subject to tax on the portion of its income that it distributes to Unitholders (subject to certain limitations and exceptions). The status of the REIT as taxable in both Canada and the U.S. is not likely to give rise to any material adverse consequences in the future as it is not anticipated that the REIT will be subject to material federal income tax in either Canada or the U.S. Nevertheless, the REIT's status as taxable on its worldwide income in both Canada and the U.S. could, in certain circumstances, have a material adverse effect on the REIT and the Unitholders.

- (b) *Mutual Fund Trust Status* — The REIT intends to continue to qualify as a “unit trust” and a “mutual fund trust” for purposes of the Tax Act. There can be no assurance that Canadian federal income tax laws or the administrative policies and practices of the Canada Revenue Agency (the “CRA”) respecting the treatment of mutual fund trusts will not be changed in a manner that adversely affects the Unitholders. Should the REIT cease to qualify as a mutual fund trust under the Tax Act, the income tax considerations associated with an investment in REIT Units could be materially and adversely affected.
- (c) *Application of the SIFT Rules* — The “SIFT Rules” in the Tax Act are those rules applicable to a trust that is a SIFT trust. The REIT will not be considered to be a SIFT trust in respect of a particular taxation year and, accordingly, will not be subject to the SIFT Rules in that year, if it does not own any “non-portfolio property” (as defined in the Tax Act) and does not carry on business in Canada in that year. The REIT has not owned and does not currently intend to own any non-portfolio property, nor has it carried on or does it intend to carry on a business in Canada.

In the event that the SIFT Rules were to apply to the REIT, the impact to a particular Unitholder will depend on the status of such holder and, in part, on the amount of income distributed which would not be deductible by the REIT in computing its income in a particular year and what portions of the REIT’s distributions constitute “non-portfolio earnings”, other income and returns of capital. The likely effect of the SIFT Rules on the market for REIT Units, and on the REIT’s ability to finance future acquisitions through the issue of Units or other securities is uncertain. If the SIFT Rules were to apply to the REIT, they could adversely affect the marketability of the REIT Units, the amount of cash available for distribution and the after-tax return to investors.

- (d) *Foreign Tax Credits and Deductions* — The after-tax return from an investment in REIT Units to a Unitholder resident in Canada for the purposes of the Tax Act will depend in part on the Unitholder’s ability to recognize for purposes of the Tax Act U.S. taxes paid by the Unitholder through foreign tax credits or foreign tax deductions under the Tax Act. A Unitholder’s ability to recognize U.S. taxes through foreign tax credits or foreign tax deductions may be affected where the Unitholder does not have sufficient taxes otherwise payable under Part I of the Tax Act or sufficient U.S. source income in the taxation year the U.S. taxes are paid or where the Unitholder has other U.S. sources of income or losses, has paid other U.S. taxes or, in certain circumstances, has not filed a U.S. federal income tax return. Furthermore, the ability to effectively utilize foreign tax credits or foreign tax deductions will be dependent upon the Canadian federal and provincial tax rates and U.S. tax rates that will apply in future years to applicable sources of income. Unitholders are therefore advised to consult their own tax advisors in regards to foreign tax credits and foreign tax deductions.

A Unitholder that is a registered retirement savings plan, a registered retirement income fund, a registered disability savings plan, a registered education savings plan, a deferred profit sharing plan or a tax-free savings account, each as defined in the Tax Act (an “Exempt Plan”) will not be entitled to a foreign tax credit or deduction under the Tax Act in respect of any U.S. tax paid by the Exempt Plan (including any U.S. withholding tax imposed on distributions paid to the Exempt Plan). Accordingly, any such U.S. tax will reduce such a Unitholder’s after-tax return. Such Unitholders should consult with their own tax advisors in regards to U.S. tax payable in respect of an investment in REIT Units. As discussed below under “U.S. Tax Risks”, if (i) a Unitholder holds, or has held, actually or constructively, more than 10% of the outstanding REIT Units, as determined for U.S. federal income tax purposes, or (ii) the TSX Publicly Traded Exception (as defined below) or the U.S. Publicly Traded Exception (as defined below) are not satisfied, a Unitholder may be subject to additional U.S. tax on a disposition of REIT Units and on certain distributions by the REIT. The proceeds receivable on a disposition of a REIT Unit may not qualify as U.S. source income for purposes of the Tax Act (including for Canadian foreign tax credit purposes), and beneficiaries of certain Unitholders that are trusts may not be considered to have paid such tax for purposes of the Tax Act. Accordingly, Unitholders may not be entitled to a foreign tax credit in respect of such U.S. tax for Canadian tax purposes.

- (e) *FAPI* — Any “foreign accrual property income”, as defined in the Tax Act (“FAPI”) earned by U.S. Holdco as a controlled “foreign affiliate” of the REIT for purposes of the Tax Act, as well as U.S. Holdco’s allocable share of any FAPI earned by controlled foreign affiliates of the Partnership (or any subsidiary partnerships thereof)

must be included in computing the income of the REIT for the fiscal year of the REIT in which the taxation year of U.S. Holdco ends, subject to a deduction for grossed-up “foreign accrual tax” as computed in accordance with the Tax Act. It is not anticipated that the deduction for grossed-up “foreign accrual tax” will materially offset FAPI realized by the REIT, and accordingly any FAPI realized generally will increase the allocation of income by the REIT to Unitholders. In addition, as FAPI generally must be computed in accordance with Part I of the Tax Act as though the controlled foreign affiliate were a resident of Canada (subject to the detailed rules contained in the Tax Act), income or transactions may be taxed differently under foreign tax rules as compared to the FAPI rules and, accordingly, may result in additional income being allocated to Unitholders. For example, certain transactions that do not give rise to taxable income under the Code may still give rise to FAPI for purposes of the Tax Act.

- (f) *Non-Residents of Canada* — The Tax Act may impose Canadian withholding or other taxes on distributions made by the REIT to a Unitholder that is a “non-resident” of Canada within the meaning of the Tax Act or a partnership that is not a “Canadian Partnership” within the meaning of the Tax Act (“**Non-Residents**”). Further, because the REIT is both resident in Canada for purposes of the Tax Act and treated as a domestic corporation in the U.S. under the Code, withholding taxes of both Canada and the U.S. will be relevant to Unitholders who are both Non-Residents and non-U.S. holders and could, in certain circumstances, result in both Canadian and U.S. withholding tax applying to certain distributions to certain investors and other consequences.
- (g) *Foreign Currency* — For purposes of the Tax Act, the REIT generally is required to compute its Canadian tax results, including any FAPI earned, using Canadian currency. Where an amount that is relevant in computing a the REIT’s Canadian tax results is expressed in a currency other than Canadian currency, such amount must be converted to Canadian currency using the rate of exchange quoted by the Bank of Canada on the day such amount first arose, or using such other rate of exchange as is acceptable to the CRA. As a result, the REIT may realize gains and losses for tax purposes and FAPI by virtue of the fluctuation of the value of foreign currencies relative to Canadian dollars.
- (h) *Changes in Law* — There can be no assurance that Canadian and U.S. federal income tax laws, the judicial interpretation thereof, the terms of the Canada-U.S. Income Tax Convention (1980), as amended, or the administrative policies and assessing practices of the CRA will not be changed in a manner that adversely affects the REIT or Unitholders. Any such change could increase the amount of tax payable by the REIT or its affiliates or could otherwise adversely affect Unitholders by reducing the amount available to pay distributions or changing the tax treatment applicable to Unitholders in respect of such distributions.

U.S. Tax Risks

- (a) *Operating Partnership* — All of the operations and assets of the REIT are held through the Partnership. For so long as the Partnership is treated as a partnership for U.S. federal income tax purposes, the REIT will be treated as owning its proportionate share of the assets and income of the Partnership for the purposes of the REIT asset and income tests. An entity that would otherwise be treated as a partnership for U.S. federal income tax purposes may nonetheless be treated as a corporation for U.S. federal income tax purposes if it is a “publicly traded partnership” and certain other requirements are met. A partnership would be treated as a publicly traded partnership if its interests were traded on an established securities market or were readily tradable on a secondary market or a substantial equivalent thereof, within the meaning of applicable U.S. Treasury Regulations. The Partnership Agreement contains provisions intended to ensure that the Partnership is not considered a “publicly traded partnership.” Accordingly, it is not anticipated that the Partnership will be treated as a “publicly traded partnership” that is taxable as a corporation. However, if the Partnership were classified as a “publicly traded partnership”, the Partnership may be treated as a corporation rather than as a partnership for U.S. federal income tax purposes. In such case, the REIT would not be treated as owning its proportionate share of the assets and income of the Partnership for the purposes of the REIT asset and income test requirements (and, instead, would be treated as owning the stock of a corporation). This could cause the REIT to fail to qualify as a real estate investment trust for U.S. federal income tax purposes. In addition, the income of the Partnership would become subject to U.S. federal corporate income tax.

The Partnership Agreement provides for the creation and issuance of Class B Units, which have been issued to various parties. Under the terms of the Partnership Agreement, the Class B Units are, in all material respects, economically equivalent to the Units on a per unit basis

- (b) *Qualification as a Real Estate Investment Trust* — The REIT intends to continue to operate in a manner that will allow it to qualify as a real estate investment trust for U.S. federal income tax purposes. The REIT's qualification as a real estate investment trust depends on the REIT's satisfaction of certain asset, income, organizational, distribution, Unitholder ownership and other requirements on a continuing basis, the results of which will not be monitored by the REIT's U.S. counsel. Accordingly, given the complex nature of the rules governing real estate investment trusts, the ongoing importance of factual determinations, including the potential tax treatment of investments the REIT makes, and the possibility of future changes in the REIT's circumstances, no assurance can be given that the REIT's actual results of operations for any particular taxable year will satisfy such requirements. Moreover, no assurance can be given that legislation, new regulations, administrative interpretations or court decisions will not change the tax laws with respect to qualification as a real estate investment trust or the U.S. federal income tax consequences of that qualification.

If the REIT fails to qualify as a real estate investment trust in any calendar year, it would be required to pay U.S. federal income tax (and any applicable state and local tax), including any applicable alternative minimum tax (for taxable years beginning before January 1, 2018), on its taxable income at regular corporate rates, and dividends paid to the Unitholders would not be deductible by the REIT in computing its taxable income and would be taxable to the Unitholders under the rules generally applicable to corporate distributions. A loss of real estate investment trust status would reduce the net earnings available for investment or distribution to Unitholders because of the additional tax liability which in turn could have an adverse impact on the value of the Units. Unless its failure to qualify as a real estate investment trust was subject to relief under U.S. federal tax laws, the REIT could not re-elect to qualify as a real estate investment trust until the fifth calendar year following the year in which it failed to qualify.

- (c) *Annual Distribution Requirement* — To qualify as a real estate investment trust for U.S. federal income tax purposes, the REIT generally must distribute annually to its Unitholders a minimum of 90% of its net taxable income, determined without regard to the dividends-paid deduction and excluding net capital gains. The REIT will be subject to U.S. federal corporate income tax on any undistributed real estate investment trust taxable income each year. Additionally, it will be subject to a 4% non-deductible excise tax on any amount by which amounts "actually distributed" by the REIT in any calendar year are less than the sum of 85% of its ordinary income, 95% of its capital gain net income and 100% of its undistributed income from previous years. The amount that a REIT is treated as having "actually distributed" during the current taxable year is both the amount distributed during the current year and the amount by which distributions during the immediately prior year exceeded its taxable income and capital gain for that prior year. Payments the REIT makes to its Unitholders under Unitholders' rights of redemption will not be taken into account for purposes of these distribution requirements. Compliance with the real estate investment trust distribution requirements may hinder the REIT's ability to grow, which could adversely affect the value of its Units. Furthermore, the REIT may find it difficult or impossible to meet distribution requirements in certain circumstances. The requirement to distribute most of its taxable income could cause the REIT to: (i) sell assets in adverse market conditions, (ii) borrow on unfavourable terms, (iii) distribute amounts that would otherwise be used to make future acquisitions or capital expenditures or (iv) make a taxable distribution of its Units as part of a distribution in which Unitholders may elect to receive Units or cash, in order to comply with real estate investment trust requirements. These alternatives could adversely affect the REIT's economic performance.
- (d) *Impact of Real Estate Investment Trust Compliance on Performance* — To qualify as a real estate investment trust for U.S. federal income tax purposes, the REIT must continually satisfy tests concerning, among other things, the sources of its income, the nature and diversification of its assets, the amounts that it distributes to the Unitholders and the ownership of the Units. The REIT may be required to make distributions to Unitholders at disadvantageous times or when it does not have funds readily available for distribution, and may be unable to pursue investments that would be otherwise advantageous to it in order to satisfy the source-of-income or

asset-diversification requirements for qualifying as a real estate investment trust. Thus, compliance with the real estate investment trust requirements may hinder the REIT's ability to operate solely on the basis of maximizing profits.

Additionally, the REIT must ensure that at the end of each calendar quarter, at least 75% of the value of its assets consists of cash, cash items, government securities and real estate assets (as defined in the Code), (including debt instruments of "publicly offered REITs" (i.e., real estate investment trusts which are required to file annual and periodic reports with the U.S. Securities and Exchange Commission under the Securities Exchange Act of 1934)). For this purpose, personal property leased in connection with real property will be treated as a real estate asset to the extent that rents attributable to such personal property do not exceed 15% of the total rent from both the real and personal property leased. Not more than 25% of the value of the REIT's asset can be represented by securities (other than government securities and qualified real estate assets). The REIT's assets (other than government securities, qualified real estate assets and securities of taxable REIT subsidiaries TRSs) generally cannot include more than 10% of the outstanding voting securities of any one issuer or more than 10% of the total value of the outstanding securities of any one issuer. In addition, in general, no more than 5% of the value of the REIT's assets (other than government securities, qualified real estate assets and securities of TRSs) can consist of the securities of any one issuer, and no more than 20% of the value of its total assets can be represented by securities of one or more TRSs. Finally, not more than 25% of the value of a REIT's total assets may be represented by debt instruments issued by publicly offered REITs to the extent not secured by real property or interests in real property. If the REIT fails to comply with these requirements at the end of any calendar quarter, it must correct the failure within 30 days after the end of the calendar quarter or qualify for certain statutory relief provisions to avoid losing its real estate investment trust qualification and suffering adverse tax consequences.

- (e) *Ownership Limitations* — In order for the REIT to qualify as a real estate investment trust for each taxable year under the Code, no more than 50% in value of its outstanding Units may be owned, directly or indirectly, by five or fewer individuals during the last half of any calendar year. "Individuals" for this purpose include natural persons, private foundations, some employee benefit plans and trusts, and some charitable trusts. In order to assist the REIT in qualifying as a real estate investment trust, ownership of its Units by any person is generally limited to 9.8% in value or number of Units, whichever is more restrictive, of any class or series of Units. These ownership limitations could have the effect of discouraging a takeover or other transaction in which holders of the Units might receive a premium for their Units over the then-prevailing market price or which holders might believe to be otherwise in their best interests.
- (f) *Other Taxes* — Even if the REIT qualifies and maintains its status as a real estate investment trust, it may be subject to U.S. federal and state income taxes. The REIT may not be able to make sufficient distributions to avoid excise taxes applicable to real estate investment trusts. The REIT may also decide to retain income it earns from the sale or other disposition of its real estate assets and pay income tax directly on such income. In that event, the Unitholders would be treated as if they earned that income and paid the tax on it directly. The REIT may also be subject to state and local taxes on its income, property or net worth, either directly, by the Partnership or at the level of the entities through which it indirectly owns its assets. Any U.S. federal or state taxes the REIT pays will reduce its cash available for distribution to the Unitholders.

In addition, in order to meet the real estate investment trust qualification requirements or to avert the imposition of the prohibited transactions tax discussed below, the REIT may hold some of its assets or conduct activities through TRSs. The REIT may own up to 100% of the stock of one or more TRSs. A TRS may earn income that would not be qualifying income if earned directly by the parent real estate investment trust. Both the subsidiary and the real estate investment trust must jointly elect to treat the subsidiary as a TRS. Overall, no more than 20% of the value of a real estate investment trust's assets may consist of stock or securities of one or more TRSs at the end of any calendar quarter. A U.S. TRS will pay U.S. federal, state and local income tax at regular corporate rates on any income that it earns. If the REIT were to organize a TRS as a non-U.S. corporation (or non-U.S. entity treated as a corporation for U.S. federal income tax purposes), the REIT may

have income inclusions relating to the earnings of the non-U.S. TRS, the treatment of which under the REIT gross income tests is not clear.

Several provisions of the Code regarding the arrangements between a real estate investment trust and its TRSs ensure that a TRS will be subject to an appropriate level of U.S. federal income taxation. For example, the REIT would be obligated to pay a 100% penalty tax on some payments that it receives from, or on certain expenses deducted by, its TRS if the U.S. Internal Revenue Service (“IRS”) were to assert successfully that the economic arrangements between the REIT and its TRS are not comparable to similar arrangement among unrelated parties. Any income earned by the REIT’s TRS that is attributable to services provided to the REIT, or on the REIT’s behalf to any of its tenants, that is less than the amounts that would have been charged based upon arm’s length negotiations, will also be subject to a 100% penalty tax. In addition, an overall limit on taxpayers’ net interest expense deduction (generally equal to 30% of adjusted taxable income, subject to certain exception may limit the TRS to deduct interest, which could increase its taxable income. There can be no assurance that we will be able to comply with the TRS limitations or to avoid application of the 100% excise tax discussed above.

- (g) *Prohibited Transactions Tax* — The REIT’s ability to dispose of property is restricted to a substantial extent as a result of its real estate investment trust status. Under applicable provisions of the Code regarding prohibited transactions by real estate investment trusts, the REIT will be subject to a 100% tax on any gain realized on the sale or other disposition of any property (other than foreclosure property) that it owns, directly or through any subsidiary entity, including the Partnership, but excluding any TRS, that is deemed to be inventory or property held primarily for sale to customers in the ordinary course of trade or business. The REIT intends to avoid the 100% prohibited transaction tax by (1) conducting activities that may otherwise be considered prohibited transactions through a TRS, (2) structuring certain dispositions of its properties to comply with certain safe harbors available under the Code for properties held at least two years, or (3) otherwise conducting operations in such a manner so that the sale or other disposition is not treated as a prohibited transaction, including, but not limited to, conducting property sales utilizing 1031 exchanges. However, no assurance can be given that any particular property will not be treated as inventory or property held primarily for sale to customers in the ordinary course of a trade or business.
- (h) *Subsidiary REITs* — The REIT indirectly owns stock in several subsidiaries that have elected to be taxed as real estate investment trusts for U.S. federal income tax purposes. The REIT’s subsidiary real estate investment trusts are subject to the various real estate investment trust qualification requirements and other limitations described herein that are applicable to the REIT. If any of the subsidiary real estate investment trusts were to fail to qualify as a real estate investment trust, then (i) such subsidiary real estate investment trust would become subject to U.S. federal, state and local income tax on its taxable income at regular corporate rates and (ii) the REIT’s ownership of shares in such subsidiary real estate investment trust would cease to be a qualifying asset for purposes of the asset tests applicable to real estate investment trusts. If any of the REIT’s subsidiary real estate investment trusts were to fail to qualify as a real estate investment trust, it is possible that the REIT would fail certain of the asset tests applicable to real estate investment trusts, in which event the REIT would fail to qualify as a real estate investment trust unless it could avail itself of certain relief provisions. The REIT has made “protective” TRS elections with respect to its subsidiary real estate investment trusts, but there can be no assurance that such “protective” TRS elections will be effective to avoid the resulting adverse consequences to the REIT. Moreover, even if a “protective” TRS election was to be effective in the event of the failure of a subsidiary real estate investment trust to qualify as a real estate investment trust, such subsidiary real estate investment trust would be subject to U.S. federal, state and local income tax on its taxable income at regular corporate rates and the REIT could fail to satisfy the requirement that not more than 20% of the value of the REIT’s total assets may be represented by the securities of one or more TRSs. In this event, the REIT would fail to qualify as a real estate investment trust unless the REIT or such subsidiary real estate investment trust could avail itself of certain relief provisions.
- (i) *Changes in Law* — The present U.S. federal income tax treatment of real estate investment trusts may be modified, possibly with retroactive effect, by legislative, judicial or administrative action at any time, which

could affect the U.S. federal income tax treatment of an investment in the REIT. The U.S. federal income tax rules relating to real estate investment trusts constantly are under review by persons involved in the legislative process, the IRS and the U.S. Treasury Department, which results in frequent statutory changes and revisions to regulations and interpretations. Revisions in U.S. federal tax laws and interpretations thereof could adversely affect the REIT or cause it to change its investments and commitments and affect the tax considerations of an investment in it.

In 2017, legislation commonly referred to as the Tax Cuts and Jobs Act was signed into law. The Tax Cuts and Jobs Act made significant changes to the U.S. federal income tax rules for taxation of individuals and corporations, generally effective for taxable years beginning after December 31, 2017. In addition to reducing corporate and individual tax rates, the Tax Cuts and Jobs Act eliminated or restricted various deductions. Most of the changes applicable to individuals are temporary and apply only to taxable years beginning after December 31, 2017 and before January 1, 2026. The Tax Cuts and Jobs Act made numerous large and small changes to the tax rules that do not affect the real estate investment trust qualification rules directly but may otherwise affect the REIT or its Unitholders.

- (j) *FIRPTA* — A non-U.S. person disposing of a U.S. real property interest, including shares of a U.S. corporation whose assets consist principally of U.S. real property interests, is generally subject to the Foreign Investment in Real Property Tax Act of 1980, known as FIRPTA, a tax on the gain recognized on the disposition and required to file a U.S. federal income tax return reporting this disposition. FIRPTA does not apply, however, to the disposition of stock in a real estate investment trust if the shares are considered “regularly traded on an established securities market” and the non-U.S. person does not hold, actually or constructively, more than 10% of the outstanding shares of the REIT at any time during the 5-year period ending on the date of disposition or such shorter period that the shares were held. For purposes of this exception, the TSX is considered an “established securities market” and, as long as 100 or fewer persons do not own 50% or more of the Units, the Units should be treated as regularly traded on the TSX if (a) the Units are traded, other than in *de minimis* quantities, on at least 15 days of the calendar quarter, (b) the aggregate number of Units traded during such calendar quarter is at least 7.5% of the average number of Units outstanding during such calendar quarter (reduced to 2.5% if there are 2,500 or more record Unitholders), and (c) the REIT attaches a statement to its U.S. federal income tax return that provides information relating to it, the Units, and beneficial owners of more than 5% of the Units. However, there can be no assurance that these requirements will be satisfied.

In addition, the Units would be considered “regularly traded on an established securities market” if the Units are regularly quoted by more than one broker or dealer making a market in the Units through an interdealer quotation system in the U.S. The Units are currently quoted on the OTCOX International (“**OTCOX**”). The REIT intends for its Units to be traded through an interdealer quotation system in the U.S. in a manner that would be considered “regularly traded on an established securities market” for purposes of this exception, but there can be no assurance that this will be the case. Additionally, none of the Code, the applicable U.S. Treasury regulations, administrative pronouncements or judicial decisions provide guidance as to the frequency or duration with which the Units must be quoted during a calendar quarter to be “regularly quoted.” U.S. counsel to the REIT believes that it is reasonable to interpret this exception to the effect that, so long as at least two brokers or dealers quote the Units on the OTCOX during a calendar quarter, any gain from a sale at any time during the quarter would not be subject to U.S. federal income tax for non-U.S. persons that own 10% or less of all of the outstanding Units during the applicable testing period. Due to the lack of guidance from the IRS, however, investors are cautioned that there can be no assurance the IRS would concur in this interpretation.

However, if neither of these exceptions is satisfied, the sale of Units by a non-U.S. person would be subject to U.S. federal income tax at normal graduated rates with respect to gain recognized and the REIT would be required to withhold at a rate of 15% on distributions in excess of the REIT’s current and accumulated earnings and profits. In addition, a purchaser of Units would be required to withhold tax at the rate of 15% of the amount realized from the sale and to report and to remit such tax to the IRS. Furthermore, under FIRPTA, if any non-U.S. person holds, actually or constructively, more than 10% of the outstanding Units, the REIT will

be required to withhold 21% (or less to the extent provided in applicable U.S. Treasury Regulations) of any distribution to such Unitholder that could be designated by the REIT as a capital gain dividend. Any such withheld amount is creditable against such Unitholder's FIRPTA tax liability.

Qualified Shareholders. Subject to the exception discussed below, a qualified shareholder who holds the Units directly or indirectly (through one or more partnerships) will not be subject to FIRPTA on distributions by the REIT or dispositions of the Units. A qualified shareholder is a non-U.S. person that (i) either is eligible for the benefits of a comprehensive income tax treaty which includes an exchange of information program and whose principal class of interests is listed and regularly traded on one or more recognized stock exchanges (as defined in such comprehensive income tax treaty), or is a foreign partnership that is created or organized under foreign law as a limited partnership in a jurisdiction that has an agreement for the exchange of information with respect to taxes with the United States and has a class of limited partnership units representing greater than 50% of the value of all the partnership units that is regularly traded on the NYSE or NASDAQ markets, (ii) is a "qualified collective investment vehicle" (within the meaning of Section 897(k)(3)(B) of the Code), and (iii) maintains records on the identity of each person who, at any time during the foreign person's taxable year, is the direct owner of 5% or more of the class of interests or units (as applicable) described in (i), above.

However, if neither of these exceptions is satisfied, the sale of Units by a non-U.S. person would be subject to U.S. federal income tax at normal graduated rates with respect to gain recognized and the REIT would be required to withhold at a rate of 15% on distributions in excess of the REIT's current and accumulated earnings and profits. In addition, a purchaser of Units would be required to withhold tax at the rate of 15% of the amount realized from the sale and to report and to remit such tax to the IRS. Furthermore, under FIRPTA, if any non-U.S. person holds, actually or constructively, more than 10% of the outstanding Units, the REIT will be required to withhold 21% (or less to the extent provided in applicable U.S. Treasury Regulations) of any distribution to such Unitholder that could be designated by the REIT as a capital gain dividend. Any such withheld amount is creditable against such Unitholder's FIRPTA tax liability.

Qualified Foreign Pension Funds. A "qualified foreign pension fund" (or an entity all of the interests of which are held by a qualified foreign pension fund) that holds the Units directly or indirectly (through one or more partnerships) will not be subject to FIRPTA on distributions by the REIT or dispositions of the Units. A qualified foreign pension fund is any trust, corporation, or other organization or arrangement (i) which is created or organized under the law of a country other than the United States, (ii) which is established to provide retirement or pension benefits to participants or beneficiaries that are current or former employees (or persons designated by such employees) of one or more employers in consideration for services rendered, (iii) which does not have a single participant or beneficiary with a right to more than 5% of its assets or income, (iv) which is subject to government regulation and provides annual information reporting about its beneficiaries to the relevant tax authorities in the country in which it is established or operates, and (v) with respect to which, under the laws of the country in which it is established or operates, (a) contributions to such organization or arrangement that would otherwise be subject to tax under such laws are deductible or excluded from the gross income of such entity or taxed at a reduced rate, or (b) taxation of any investment income of such organization or arrangement is deferred or such income is taxed at a reduced rate.

In order for the REIT to comply with its withholding obligations under FIRPTA, the Units are subject to notice requirements and transfer restrictions. Non-U.S. persons holding Units are required to provide the REIT with such information as the REIT may request. Furthermore, any non-U.S. person that would be treated as having acquired sufficient Units to be treated as owning more than 5% of the Units is required to notify the REIT by the close of the business day prior to the date of the transfer that would cause the non-U.S. person to own more than 5% of the Units. For the purpose of determining whether a non-U.S. person has acquired more than 5% of the Units, rules of constructive ownership apply which can attribute ownership of Units (i) among family members, (ii) to non-U.S. persons from entities that own Units, to the extent that such non-U.S. persons own interests in such entities and (iii) to entities from non-U.S. persons that own interests in such entities. Under these attribution rules, Units of related entities (including related investment funds) may be aggregated to the extent of overlapping ownership. If any non-U.S. person that otherwise would be treated

as having acquired sufficient Units to be treated as owning more than 5% of the Units fails to comply with the notice provisions described above, the excess Units (i.e., the excess of the number of Units they are treated as owning over an amount equal to 5% of the outstanding Units) will be sold, with such non-U.S. persons receiving the lesser of (i) its original purchase price for the excess Units and (ii) the sale price of the excess Units (net of selling expenses). Any such non-U.S. person would also not have any economic entitlement to any distribution by the REIT on an excess Unit, and, if any such distributions are received by the non-U.S. person and are not repaid, the REIT is permitted to withhold from subsequent payments to the non-U.S. person up to the amount of such forfeited distributions. Non-U.S. persons holding Units are strongly advised to monitor their actual and constructive ownership of Units. Notwithstanding that a non-U.S. person may comply with the notice requirements and transfer restrictions described above, the REIT is entitled to withhold on distributions as otherwise required by law, and, to the extent that the REIT has not sufficiently withheld on prior distributions, is entitled to withhold on subsequent distributions.

Risk Factors Related to the Units

Cash Distributions are Not Guaranteed

There can be no assurance regarding the amount of income to be generated by the REIT's properties. The ability of the REIT to make cash distributions, and the actual amount distributed, is entirely dependent on the operations and assets of the REIT, and is subject to various factors including financial performance, obligations under applicable credit facilities, fluctuations in working capital, the sustainability of income derived from the tenants of the REIT's properties and any capital expenditure requirements. Unlike fixed-income securities, there is no obligation of the REIT to distribute to Unitholders any fixed amount, and reductions in, or suspensions of, cash distributions may occur that would reduce yield based on the price of Units. The market value of the Units will deteriorate if the REIT is unable to meet its distribution targets in the future, and that deterioration may be significant. In addition, the composition of cash distributions for tax purposes may change over time and may affect the after-tax return for investors.

Market for Securities and Prices

The REIT is an unincorporated open-ended investment trust and its Units are listed on the TSX. There can be no assurance that an active trading market in the Units will be sustained. A publicly traded real estate investment trust does not necessarily trade at the values determined solely by reference to the underlying value of its real estate assets. Instead, the Units may trade at a premium or a discount to such values. A number of factors may influence the market price of the Units, including general market conditions, fluctuations in the markets for equity securities, short-term supply and demand factors for real estate investment trusts and numerous other factors.

Potential Volatility of Unit Price

One of the factors that may influence the market price of the Units is the annual yield on the Units. An increase in market interest rates may lead purchasers of Units to demand a higher annual yield, which accordingly could adversely affect the market price of the Units. In addition, the market price of the Units may be affected by numerous factors, many of which are beyond the control of the REIT, including: (i) changes in general market conditions; (ii) fluctuations in the markets for equity securities; (iii) recommendations by securities research analysts; (iv) changes in the economic performance or market valuations of other issuers that investors deem comparable to the REIT; (v) release or expiration of lock-up or other transfer restrictions on outstanding Units; (vi) sales or perceived sales of additional Units; (vii) significant acquisitions or business combinations, strategic partnerships, joint ventures or capital commitments by or involving the REIT or its competitors; and (viii) news reports relating to trends, concerns, technological or competitive developments, regulatory changes and other related issues in the REIT's industry or target markets. Recommendations and other forward-looking information in respect of the REIT prepared by securities research analysts do not reflect the views of and are not prepared or endorsed by, the REIT. Actual results of the REIT may vary materially from the estimates or projections of securities research analysts and the REIT disclaims any intention or obligation to update such estimates or projections.

Restrictions on Redemptions

It is anticipated that the redemption right attached to the Units will not be the primary mechanism by which holders of Units liquidate their investment. The entitlement of Unitholders to receive cash upon the redemption of their Units is subject to the following limitations: (i) the total amount payable by the REIT in respect of such Units and all other Units tendered for redemption in the same calendar month must not exceed \$50,000 (provided that such limitation may be

waived at the discretion of the Board of Trustees); (ii) on the date such Units are tendered for redemption, the outstanding Units must be listed for trading on the TSX or traded or quoted on any other stock exchange or market which the Board of Trustees consider, in their sole discretion, provides fair market value prices for the Units; (iii) the normal trading of Units is not suspended or halted on any stock exchange on which the Units are listed (or, if not listed on a stock exchange, on any market on which the Units are quoted for trading) on the redemption date for more than five trading days during the 10-day trading period commencing immediately after the redemption date; and (iv) the redemption of the Units must not result in the delisting of the Units from the principal stock exchange on which the Units are listed.

Redemption notes which may be distributed to holders of Units in connection with a redemption will not be listed on any exchange, no market is expected to develop in redemption notes and such securities may be subject to an indefinite “hold period” or other resale restrictions under applicable securities laws. Redemption notes so distributed may not be qualified investments for exempt plans, depending upon the circumstances at the time.

Currency Exchange Rate Risk

The price for Units is denominated in U.S. dollars. The Canadian dollar is not maintained at a fixed exchange rate compared to foreign currencies. Although investors are Canadian residents, an investment in Units is required to be made in U.S. dollars. Further, the REIT’s portfolio generates cash flow in U.S. dollars and the distributions made on the Units are in U.S. dollars. Consequently, income and expense or any ultimate gain on sale is earned or incurred in U.S. dollars. As a result of fluctuations in the Canada/U.S. dollar exchange rate, the value of an investment in Units and the return on the original investment, when expressed in Canadian dollars, may be greater or less than that determined only with reference to U.S. dollars. Accordingly, investors are subject to currency exchange rate risk.

Appraisals

The REIT may, from time to time, engage appraisers to provide independent estimates of the fair market value range in respect of the REIT’s properties. Caution should be exercised in the evaluation and use of appraisal results, which are estimates of market value at a specific point in time. In general, appraisals represent only the analysis and opinion of qualified experts as at the effective date of such appraisals and are not guarantees of present or future value. Furthermore, a publicly traded real estate investment trust will not necessarily trade at values determined solely by reference to the underlying value of its real estate assets. Accordingly, the Units may trade at a premium or a discount to values implied by any appraisal(s) of the REIT’s properties.

Availability of Cash Flow

ACFO may exceed actual cash available to the REIT from time to time because of items such as principal repayments, timing of equity issuances, leasing costs and capital expenditures in excess of stipulated reserves identified by the REIT in its calculation of ACFO and redemptions of Units, if any. The REIT may be required to use part of its debt capacity or to reduce distributions in order to accommodate such items. Credit facility terms may prohibit payments or distributions from the REIT in default circumstances.

Structural Subordination of Units

In the event of bankruptcy, liquidation or reorganization of the Partnership or any of its Subsidiaries, holders of their indebtedness and their trade creditors will generally be entitled to payment of their claims from the assets of the Partnership and its subsidiaries before any assets are made available for distribution to the REIT or holders of Units. Therefore, the Units are effectively subordinated to the debt and other obligations of the Partnership and its subsidiaries. The Partnership and its subsidiaries generate all of the REIT’s cash available for distribution and hold substantially all of the REIT’s assets.

The REIT’s Fiduciary Duties

The REIT, as the sole member of the general partner of the Partnership, has fiduciary duties to the Partnership and the limited partners of the Partnership, the discharge of which may conflict with the interests of the Unitholders. The limited partners of the Partnership have agreed that, in the event of a conflict between the duties owed by the Board of Trustees to the REIT and the duties that the REIT owes, in its capacity as the sole member of the general partner of the Partnership,

to such limited partners, the Board of Trustees are under no obligation to give priority to the interests of such limited partners.

Limited Control

Unitholders have limited control over changes in the REIT's policies and operations, which increases the uncertainty and risks of an investment in the REIT. The Board of Trustees determines major policies, including policies regarding financing, growth, debt capitalization, REIT qualification and distributions. The Board of Trustees may amend or revise these and other policies without a vote of Unitholders. Under the REIT's organizational documents, Unitholders have a right to vote only on limited matters. The Board of Trustees' broad discretion in setting policies and Unitholders' inability to exert control over those policies increases the uncertainty and risks of an investment in the REIT. In addition, the Declaration of Trust requires that the CEO of the REIT be nominated to serve as a trustee.

Dilution

The number of Units the REIT is authorized to issue is unlimited. Subject to the rules of any applicable stock exchange on which the Units are listed and applicable securities laws, the REIT may, in its sole discretion, issue additional Units from time to time (including pursuant to any employee incentive compensation plan that may be introduced in the future), and the interests of the holders of Units may be diluted thereby.

Unitholder Liability

The Declaration of Trust provides that no Unitholder will be subject to any liability whatsoever to any person in connection with the holding of a Unit. In addition, legislation has been enacted in the Province of Ontario and certain other provinces and territories that is intended to provide Unitholders in those provinces and territories with limited liability. However, there remains a risk, which is considered by the REIT to be remote in the circumstances, that a holder of Units could be held personally liable for the obligations of the REIT to the extent that claims are not satisfied out of the assets of the REIT. It is intended that the affairs of the REIT will be conducted to seek to minimize such risk wherever possible.

Nature of Investment

The Units represent a fractional interest in the REIT and do not represent a direct investment in the REIT's assets and should not be viewed by investors as direct securities of the REIT's assets. A holder of a Unit of the REIT does not hold a share of a body corporate. As holders of Units, the Unitholders will not have statutory rights normally associated with ownership of shares of a corporation including, for example, the right to bring "oppression" or "derivative" actions. The rights of Unitholders are based primarily on the Declaration of Trust. There is no statute governing the affairs of the REIT equivalent to the *Business Corporations Act* (Ontario) or the *Canada Business Corporations Act* (the "CBCA") which sets out the rights and entitlements of shareholders of corporations in various circumstances. As well, the REIT may not be a recognized entity under certain existing insolvency legislation such as the *Bankruptcy and Insolvency Act* (Canada) and the *Companies Creditors' Arrangement Act* (Canada), and thus the treatment of Unitholders upon an insolvency is uncertain.

Enforceability of Judgments

Each of WPT Capital, the external asset manager and property manager of the REIT, and Welsh, the former external asset and property manager of the REIT, is an entity organized under the laws of a foreign jurisdiction and resides outside Canada. All of the managers and officers of the Partnership are residents of countries other than Canada. Additionally, all of the Partnership's assets and the assets of these persons are located outside of Canada. As a result, it may be difficult for Unitholders to initiate a lawsuit within Canada against these non-Canadian residents. In addition, it may not be possible for Unitholders to collect from Welsh, WPT Capital or other non-Canadian residents' judgments obtained in courts in Canada predicated on the civil liability provisions of securities legislation of certain of the provinces and territories of Canada. It may also be difficult for Unitholders to succeed in a lawsuit in the U.S., based solely on violations of Canadian securities laws.

Financial Reporting and Other Public Company Requirements

The REIT is subject to reporting and other obligations under applicable Canadian securities laws and rules of any stock exchange on which the Units are listed, including National Instrument 52-109 — *Certification of Disclosure in Issuers' Annual and Interim Filings*. These reporting and other obligations place significant demands on the REIT's management,

administrative, operational and accounting resources. In order to meet such requirements, the REIT has established systems, implemented financial and management controls, reporting systems and procedures and retained accounting and finance personnel. If the REIT is unable to accomplish any such necessary objectives in a timely and effective fashion, its ability to comply with its financial reporting requirements and other rules that apply to reporting issuers could be impaired. Moreover, any failure to maintain effective internal controls could cause the REIT to fail to meet its reporting obligations or result in material misstatements in its financial statements. If the REIT cannot provide reliable financial reports or prevent fraud, its reputation and operating results could be materially harmed which could also cause investors to lose confidence in the REIT's reported financial information, which could result in a lower trading price of Units.

Management does not expect that the REIT's disclosure controls and procedures and internal controls over financial reporting will prevent all error and all fraud. A control system, no matter how well designed and implemented, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Due to the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues within a company are detected. The inherent limitations include the realities that judgments in decision making can be faulty, and that breakdowns can occur because of simple errors or mistakes. Controls can also be circumvented by individual acts of some persons, by collusion of two or more people or by management override of the controls. Due to the inherent limitations in a cost effective control system, misstatements due to error or fraud may occur and not be detected.

PART V

RELATED PARTY TRANSACTIONS

Transactions with Key Personnel

Compensation

The REIT's key personnel are comprised of the Trustees, the Chief Executive Officer, the Chief Operating Officer and the Chief Financial Officer. Compensation of key personnel for the years ended December 31, 2019 and 2018 was as follows:

		2019		2018
Unit based compensation, including fair value adjustments	\$	3,391	\$	2,376
Salaries, incentives, and other employee benefits		2,349		1,113
	\$	5,740	\$	3,489

Transactions with Key Personnel and AIMCo

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

Business Combination

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 internalization transaction, certain employees of WPT Capital became key personnel of the REIT or its subsidiaries.

Louisville Property Acquisition

On September 28, 2018, the REIT indirectly acquired from AIMCo and certain members of the REIT's management team (who were also former principals of WPT Capital), the Louisville Property for a purchase price of \$17,860 (exclusive of closing and transaction costs). Under the AIMCo Venture Management Agreement, the REIT exercised its right of first opportunity to acquire the investment property. The acquisition was unanimously approved by the independent members of the REIT's

Board of Trustees. Prior to and as a result of the acquisition, the REIT earned fees as the asset and property manager of the property commencing on July 31, 2018. There are no fees receivable or payable at December 31, 2019.

Private Capital Portfolio

On August 28, 2019, the REIT indirectly acquired from AIMCo and certain members of the REIT’s management team (who were also former principals of WPT Capital), the Private Capital Portfolio for a purchase price of \$109,300 (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 properties commencing on July 31, 2018. There are no fees receivable or payable at December 31, 2019.

February 2020 Private Offering

On February 20, 2020, concurrently with the February 2020 Public Offering, the REIT issued 2,578,000 Subscription Receipts at a price of \$14.35 per Subscription Receipt to AIMCo for cash proceeds to the REIT of approximately \$37,000. Each Subscription Receipt entitles the holder thereof to receive one REIT Unit upon completion of the Acquisition by the REIT without payment of any additional consideration or any further action on the part of AIMCo.

WPT Capital

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

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

	2019	2018
Fees earned under asset management agreement		
Acquisition fees	\$ -	\$ 287
Asset management fees	-	1,375
Construction management fees	-	83
Out-of-pocket fees	-	163
Fees earned under property management agreement	-	1,335

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, 2019. Other than as noted below, there were no changes in significant accounting judgements, estimates and assumptions during the year ended December 31, 2019.

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

Fair value of investment properties

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

	December 31, 2019	December 31, 2018
Weighted average terminal capitalization rate	6.16%	6.46%
Range of terminal capitalization rates	5.00% - 8.50%	5.25% - 9.00%
Weighted average discount rate	6.76%	7.09%
Range of discount rates	5.64% - 8.80%	6.00% - 9.19%

The fair value of investment properties is most sensitive to changes in the key valuation assumptions. Changes in the terminal capitalization rates and discount rates would result in a change to the fair value of the REIT's investment properties as set out below for the year ended December 31, 2019:

	December 31, 2019	
Weighted average terminal capitalization rate:		
25-basis points increase	\$	(37,883)
25-basis points decrease	\$	41,205
Weighted average discount rate:		
25-basis points increase	\$	(29,595)
25-basis points decrease	\$	30,318

Changes in Accounting Policies

The REIT noted the following standards and amendments to existing standards issued by the IASB are expected to be relevant to the REIT in preparing its consolidated financial statements starting in 2019:

(i) IFRS 16, Leases

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

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

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

The REIT adopted the new requirement for IFRS Interpretation Committee ("IFRIC") Interpretation 23 Uncertainty over Income Tax Treatments (the "Interpretation"), effective January 1, 2019. The Interpretation provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. The Interpretation requires: a) the REIT to contemplate

whether uncertain tax treatments should be considered separately, or together as a group, based on which approach provides better predictions of the resolution; b) determine if it is probable that the tax authorities will accept the uncertain tax treatment and c) if it is not probable that the uncertain tax treatment will be accepted, measure the tax uncertainty based on the most likely amount or expected value, depending on whichever method better predicts the resolution of the uncertainty.

Consolidated Financial Statements
(In U.S. dollars)

WPT INDUSTRIAL REAL ESTATE INVESTMENT TRUST

For the years ended December 31, 2019 and 2018



KPMG LLP
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INDEPENDENT AUDITORS' REPORT

To the Unitholders of WPT Industrial Real Estate Investment Trust:

Opinion

We have audited the consolidated financial statements of WPT Industrial Real Estate Investment Trust (the Entity), which comprise:

- the consolidated statements of financial position as at December 31, 2019 and 2018
- the consolidated statements of net income and other comprehensive income for the years then ended
- the consolidated statements of changes in unitholders' equity for the years then ended
- the consolidated statements of cash flows for the years then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2019 and 2018 and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



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Other Information

Management is responsible for the other information. Other information comprises:

- the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions; and
- the information, other than the financial statements and the auditors' report thereon, included in a document likely to be entitled "2019 Annual Report".

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions as at the date of this auditors' report thereon. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

We have nothing to report in this regard.

The information, other than the financial statements and the auditors' report thereon, included in a document likely to be entitled "2019 Annual Report" is expected to be made available to us after the date of this auditors' report. If, based on the work we will perform on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRS), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.



Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.



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- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

The engagement partner on the audit resulting in this auditors' report is Jason Gaiotto.

Toronto, Canada

March 11, 2020

WPT INDUSTRIAL REAL ESTATE INVESTMENT TRUST

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

December 31, 2019 December 31, 2018

Assets			
Non-current assets:			
Investment properties (note 6)	\$	1,573,077	\$ 1,117,672
Intangible assets and goodwill (note 8)		19,154	22,721
Investment in equity accounted joint venture (note 7)		3,745	-
Other non-current assets		189	88
Right-of-use assets (note 6)		1,317	3,336
		1,597,482	1,143,817
Current assets:			
Amounts receivable (note 9)		3,708	2,573
Prepaid expenses		2,031	1,271
Restricted cash		1,225	849
Cash		18,446	8,245
		25,410	12,938
Total assets	\$	1,622,892	\$ 1,156,755

Liabilities and Unitholders' Equity

Non-current liabilities:			
Bank indebtedness (note 13)		372,137	174,284
Mortgages payable (note 13)		224,301	312,097
Class B Units (note 14)		23,731	25,422
Other liabilities (note 12)		15,638	11,320
		635,807	523,123
Current liabilities:			
Mortgages payable (note 13)		87,723	32,072
Amounts payable and accrued liabilities (note 10)		43,024	27,127
		130,747	59,199
Total liabilities		766,554	582,322
Total unitholders' equity		856,338	574,433
Commitments and contingencies (note 25)			
Subsequent events (note 30)			
Total liabilities and unitholders' equity	\$	1,622,892	\$ 1,156,755

See accompanying notes to consolidated financial statements.

WPT INDUSTRIAL REAL ESTATE INVESTMENT TRUST

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

	Year ended December 31,	
	2019	2018
Investment properties revenue (note 18)	\$ 115,129	\$ 92,454
Management fee revenue (note 19)	3,587	2,790
	118,716	95,244
Expenses (income):		
Investment properties operating expenses	29,104	24,127
Fair value adjustment to investment properties (note 6)	(63,213)	(24,280)
Fair value adjustment to investment properties – IFRIC 21 (note 6)	1,787	511
Income from equity accounted investment (note 7)	(1,053)	-
General and administrative (note 20)	15,463	10,571
Transaction costs related to internalization (note 4)	-	8,560
Amortization and depreciation expense (notes 6, 8)	3,597	1,565
Fair value adjustment to Class B Units (notes 14, 22)	1,852	677
Fair value adjustment to derivative instruments (notes 13, 22)	6,547	2,770
Finance costs (note 22)	26,798	20,703
Net income and comprehensive income before income taxes	97,834	50,040
Deferred income tax recovery (note 11)	1,112	606
Net income and comprehensive income	\$ 98,946	\$ 50,646

See accompanying notes to consolidated financial statements.

WPT INDUSTRIAL REAL ESTATE INVESTMENT TRUST

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

	# of REIT Units	Trust Equity	Distributions	Accumulated Income	Unitholders' Equity
Balance, December 31, 2017 (note 16)	44,545,772	\$ 470,204	\$ (81,455)	\$ 137,928	\$ 526,677
Redemption of Class B Units for REIT Units (note 16)	2,361,672	31,197	-	-	31,197
DTUs redeemed for REIT Units (note 16)	25,859	329	-	-	329
REIT Units issued due to exercise of stock options (note 16)	1,505	20	-	-	20
Net income and comprehensive income	-	-	-	50,646	50,646
Distributions declared (note 16)	-	-	(34,436)	-	(34,436)
Balance, December 31, 2018	46,934,808	\$ 501,750	\$ (115,891)	\$ 188,574	\$ 574,433
REIT Units issued, net of issuance costs (note 16)	17,084,000	222,072	-	-	222,072
DTUs redeemed for REIT Units (note 16)	89,920	1,234	-	-	1,234
Redemption of Class B Units for REIT Units (note 16)	257,513	3,543	-	-	3,543
REIT Units issued due to exercise of stock options (note 16)	10,597	145	-	-	145
Net income and comprehensive income	-	-	-	98,946	98,946
Distributions declared (note 16)	-	-	(44,035)	-	(44,035)
Balance, December 31, 2019 (note 16)	64,376,838	\$ 728,744	\$ (159,926)	\$ 287,520	\$ 856,338

See accompanying notes to consolidated financial statements.

WPT INDUSTRIAL REAL ESTATE INVESTMENT TRUST

Consolidated Statements of Cash Flows

(In thousands of U.S. dollars)

	Year ended December 31,	
	2019	2018
Cash flows from operating activities:		
Net income	\$ 98,946	\$ 50,646
Finance costs (note 22)	35,197	24,150
Non-cash items:		
Amortization of straight-line rent (note 6)	(5,473)	(1,102)
Property tax liability under IFRIC 21 (note 6)	1,787	511
Fair value adjustment to investment properties – IFRIC 21 (note 6)	(1,787)	(511)
Fair value adjustment to investment properties (note 6)	(63,213)	(24,280)
Deferred compensation expense (note 15)	5,188	3,254
Allowance for expected credit losses (note 9)	(114)	-
Fair value adjustment on deferred compensation (note 20)	1,981	837
Income from equity accounted joint venture	(1,053)	-
Amortization of intangible assets (note 8)	3,567	1,565
Deferred income tax recovery (note 11)	(1,112)	(606)
Amortization of lease incentives (note 6)	2,017	1,602
Change in non-cash working capital (note 29)	(4,345)	(561)
Cash flows provided by operating activities	71,586	55,505
Cash flows from financing activities:		
Repayment of mortgages payable	(32,072)	(33,864)
Proceeds from mortgages payable	-	30,000
Repayment of bank indebtedness	(256,000)	(86,500)
Proceeds from bank indebtedness	455,000	185,000
Financing costs incurred	(1,806)	(2,193)
Proceeds from issuance of REIT Units, net of issuance costs (note 16)	222,072	-
Proceeds from issuance of preferred units of subsidiary (note 12)	113	-
Distributions paid	(42,931)	(34,285)
Interest paid	(26,209)	(20,151)
Cash flows provided by financing activities	318,167	38,007
Cash flows from investing activities:		
Acquisitions of investment properties	(355,542)	(72,390)
Business combination (note 4)	-	(9,861)
Investment in joint venture (note 7)	(2,641)	-
Proceeds from disposition of investment properties (note 5)	4,174	-
Additions to investment properties, including lease incentives	(25,543)	(9,653)
Cash flows used in investing activities	(379,552)	(91,904)
Increase in cash and cash equivalents	10,201	1,608
Cash and cash equivalents, beginning of period	8,245	6,637
Cash and cash equivalents, end of period	\$ 18,446	\$ 8,245
Non-cash transactions:		
Issuance of Class B Units in business combination (note 4)	\$ -	\$ 10,000

See accompanying notes to consolidated financial statements.

WPT INDUSTRIAL REAL ESTATE INVESTMENT TRUST

Notes to Consolidated Financial Statements
(In thousands of U.S. dollars, except per unit amounts)

For the years ended December 31, 2019 and 2018

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 December 31, 2019, the REIT owned a portfolio of investment properties comprised of 73 industrial properties, one office property, and two industrial properties through an equity accounted joint venture, located in 18 states in the U.S. and is the developer and manager of three industrial properties.

WPT INDUSTRIAL REAL ESTATE INVESTMENT TRUST

Notes to Consolidated Financial Statements
(In thousands of U.S. dollars, except per unit amounts)

For the years ended December 31, 2019 and 2018

1. Basis of presentation:

(a) Statement of compliance:

The consolidated financial statements of the REIT have been prepared by management in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”).

These consolidated financial statements were approved by the board of trustees of the REIT (the “Board of Trustees”) on March 11, 2020.

(b) Basis of measurement:

The consolidated financial statements have been prepared on a historical cost basis except for investment properties, right-of-use assets, amounts payable under deferred compensation plans, lease liabilities, derivative instruments and Class B Units (“Class B Units”) which have been measured at fair value. The consolidated 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 consolidated financial statements comprise the financial statements of the REIT and its subsidiaries including the REIT’s interest in WPT Industrial, Inc. and WPT Industrial, LP (the “Partnership”). Subsidiaries are entities controlled by the REIT. The financial statements of the subsidiaries are prepared using the same reporting periods as the REIT using consistent accounting policies. All intercompany balances, transactions and unrealized gains and losses arising from intercompany transactions are eliminated on consolidation.

2. Significant accounting policies

(a) Business combinations:

When an investment is acquired, the REIT considers the substance of the assets and activities of the acquisition in determining whether the acquisition represents an asset acquisition or a business combination. A transaction is considered to be a business combination if the acquired investment meets the definition of a business in accordance with IFRS 3, *Business*

WPT INDUSTRIAL REAL ESTATE INVESTMENT TRUST

Notes to Consolidated Financial Statements
(In thousands of U.S. dollars, except per unit amounts)

For the years ended December 31, 2019 and 2018

Combinations (“IFRS 3”), being an integrated set of activities and assets that are capable of being managed for the purpose of providing a return to the Unitholders.

Business combinations are accounted for under the acquisition method. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at fair value as at the acquisition date. Goodwill, if any, is the excess of the cost of acquisition over the fair value of the REIT's share of the identifiable net assets acquired. If the cost of acquisition is less than the fair value of the REIT's share of the net assets acquired, the difference is recognized immediately in the consolidated statements of net income and comprehensive income. Transaction costs incurred in connection with business combinations are expensed as incurred.

If the acquisition of an investment does not represent a business, it is accounted for as an acquisition of a group of assets and liabilities. The cost of the acquisition is allocated to the assets and liabilities acquired based upon their relative fair values at the acquisition date, and no goodwill is recognized. Acquisition-related costs are capitalized to the investment at the time the acquisition is completed.

(b) Investment properties:

Investment properties are initially recorded at cost, including related transaction costs in the case of asset acquisitions, and includes primarily industrial investment properties held to earn rental revenue and/or for capital appreciation. The REIT accounts for its investment properties in accordance with International Accounting Standard (“IAS”) 40, *Investment Property*. 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.

Investment properties include land, buildings, improvements to investment properties and all direct leasing costs incurred in obtaining and retaining property tenants. Lease incentives that do not provide benefits beyond the initial lease term are amortized as a reduction to investment properties revenue on a straight-line basis over the term of the lease.

Capital expenditures, including tenant improvements, are added to the carrying value of the investment properties only when it is probable that future economic benefits will flow to the investment property and cost can be measured reliably. Repairs and maintenance expenditures are expensed when incurred.

WPT INDUSTRIAL REAL ESTATE INVESTMENT TRUST

Notes to Consolidated Financial Statements
(In thousands of U.S. dollars, except per unit amounts)

For the years ended December 31, 2019 and 2018

Properties Under Development

Investment properties under development for future use as investment property are accounted for under IAS 40. 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 construction and receipt of all necessary occupancy and other material permits.

Dispositions

Investment properties are derecognized when they have been disposed of or permanently withdrawn from use and no future economic benefit is expected from their disposal. Prior to their disposal, the carrying values of the investment properties are adjusted to reflect their fair values. This adjustment is recorded as a fair value gain or loss.

(c) Fair value measurement:

The REIT measures financial instruments, such as derivatives, and non-financial assets, such as investment properties, at fair value at each balance sheet date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date under current market conditions. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

WPT INDUSTRIAL REAL ESTATE INVESTMENT TRUST

Notes to Consolidated Financial Statements
(In thousands of U.S. dollars, except per unit amounts)

For the years ended December 31, 2019 and 2018

The principal or the most advantageous market must be accessible by the REIT.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability assuming that market participants act in their economic best interests. A fair value measurement of a non-financial asset considers a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The REIT uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 – Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 - Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

For assets and liabilities that are recognized in the financial statements on a recurring basis, the REIT determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the REIT has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

(d) Cash, cash equivalents and restricted cash:

Cash and cash equivalents include all short-term investments with an original maturity of three months or less and excludes cash subject to restrictions that prevent its use for current

WPT INDUSTRIAL REAL ESTATE INVESTMENT TRUST

Notes to Consolidated Financial Statements
(In thousands of U.S. dollars, except per unit amounts)

For the years ended December 31, 2019 and 2018

purposes. Restricted cash represents amounts required to be held in escrow by various mortgages payable, related to insurance, real estate taxes and capital expenditures. These items are included in either other non-current assets or restricted cash depending on their required holding period.

(e) Revenue recognition:

The REIT accounts for tenant leases as operating leases given that it has retained substantially all of the risks and benefits of ownership of its investment properties.

Revenue from investment properties includes base rents that each tenant pays in accordance with the terms of its respective lease, recoveries of operating expenses, including property taxes, common area maintenance, lease termination fees and other incidental income. Revenue recognition under a lease commences when the tenant has the right to use the investment property.

The total amount of contractual rent to be received from operating leases is recognized on a straight-line basis over the term of the lease, resulting in an accrual recording the cumulative difference between the rental revenue as recorded on a straight-line basis and rents received from tenants in accordance with their respective lease terms. This accrual is presented as a straight-line rent receivable and forms a component of investment properties.

Recoveries of operating expenses from tenants are recognized as revenue in accordance with the terms of the underlying leases, which is generally in the year in which the corresponding costs are incurred. Other revenue is recorded at the time the service is provided.

An allowance for doubtful accounts is maintained for estimated losses resulting from the inability of tenants to meet the contractual obligations under their lease agreements. Such allowances are reviewed periodically based on the recovery experience of the REIT and the creditworthiness of the tenants.

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

WPT INDUSTRIAL REAL ESTATE INVESTMENT TRUST

Notes to Consolidated Financial Statements
(In thousands of U.S. dollars, except per unit amounts)

For the years ended December 31, 2019 and 2018

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.

(f) Financial instruments:

(i) Designation of financial instruments:

The following summarizes the REIT's classification and measurement of financial assets and financial liabilities:

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

(ii) Financial assets:

Financial assets are classified and measured based on amortized cost or fair value through profit or loss. Transaction costs that are directly attributable to the acquisition of a financial asset, with the exception of those classified as at fair value through profit or loss, are accounted for as part of the respective asset's carrying value at inception and amortized over the expected life of the financial instrument using the effective interest method. Transaction costs directly attributable to the acquisition of financial assets classified as at fair value through profit or loss are recognized immediately in the consolidated statements of net income and comprehensive income.

An allowance for expected credit losses ("ECL") is recognized at each balance sheet date for all financial assets measured at amortized cost or those measured at fair value through

WPT INDUSTRIAL REAL ESTATE INVESTMENT TRUST

Notes to Consolidated Financial Statements
(In thousands of U.S. dollars, except per unit amounts)

For the years ended December 31, 2019 and 2018

profit or loss. The ECL model requires considerable judgment, including consideration of how changes in economic factors affect ECLs, which are determined on a probability-weighted basis.

The carrying amount of the financial asset is reduced through an allowance account, and the amount of the loss is recognized in the consolidated statements of net income and comprehensive income within investment properties operating expenses. Bad debt write-offs occur when management determines collection is not possible. Any subsequent recoveries of amounts previously written off are credited against investment properties operating expenses in the consolidated statements of net income and comprehensive income. Amounts receivables that are less than three months past due are not considered impaired unless there is evidence that collection is not possible.

(iii) Financial liabilities:

The REIT classifies financial liabilities on initial recognition as other liabilities measured at amortized cost, or in the case of Class B Units, deferred compensation, lease liability, and derivative instruments at fair value, with changes in FVTPL. The REIT initially recognizes borrowings on the date they are originated. All other financial liabilities are recognized initially on the trade date at which the REIT becomes party to the contractual provisions of the instrument. Mortgages payable and other financial liabilities are initially recognized at fair value less directly attributable transaction costs, or at fair value when assumed in a business combination or asset acquisition. Subsequent to initial recognition, these financial liabilities are recognized at amortized cost using the effective interest rate method.

The REIT derecognizes a financial liability when its contractual obligations are discharged, cancelled or expired.

(iv) Finance costs:

Finance costs include interest expense on mortgages payable and bank indebtedness (defined in note 13), distributions on Class B Units and Deferred Partnership Units ("DPUs"), interest expense on lease liabilities, the gain or loss on the change in fair value of financial liabilities designated as FVTPL, amortization associated with mark-to-market adjustments and financing costs incurred in connection with obtaining long-term financings. Mark-to-market adjustments and financing costs incurred are amortized using the effective interest rate method over the term of the related mortgages payable.

WPT INDUSTRIAL REAL ESTATE INVESTMENT TRUST

Notes to Consolidated Financial Statements
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Unamortized mark-to-market adjustments and financing costs incurred are fully amortized when mortgages payable are retired before maturity.

(v) Derivative financial instruments:

The REIT may use derivative financial instruments to manage risks from fluctuations in interest rates. All derivative instruments are valued at their respective fair values with changes in fair value recorded in the consolidated statements of net income and comprehensive income.

(g) Income taxes:

(i) Canadian status:

The REIT is a mutual fund trust pursuant to the Income Tax Act (Canada). Under current tax legislation, a mutual fund trust that is not a Specified Investment Flow Through ("SIFT") trust pursuant to the Income Tax Act (Canada) is entitled to deduct distributions of taxable income such that it is not liable to pay income taxes provided that its taxable income is fully distributed to unitholders. The REIT intends to continue to qualify as a mutual fund trust that is not a SIFT trust and to make distributions not less than the amount necessary to ensure that the REIT will not be liable to pay income taxes.

(ii) U.S. REIT status:

The REIT is treated as a U.S. corporation for all purposes under the Internal Revenue Code of 1986, as amended (the "Code") and, as a result, it is permitted to elect to be treated as a real estate investment trust under the Code, notwithstanding the fact that it is organized as a Canadian entity. In general, a company which elects to be taxed as a real estate investment trust, distributes at least 90% of its real estate investment trust taxable income, subject to certain adjustments, to its unitholders in any taxable year, and complies with certain other requirements (including asset, income and other tests) is not subject to federal income taxation to the extent of the income which it distributes. If it fails to qualify as a real estate investment trust in any taxable year, without the benefit of certain relief provisions, it will be subject to federal (including any applicable alternative minimum tax for taxable years beginning before January 1, 2018), state and local income tax at regular corporate income tax rates on its taxable income. Even if it qualifies for taxation as a real estate investment trust, it may be subject to certain state and local taxes on its income, property or net worth and to federal income and excise taxes on its undistributed income. The REIT has reviewed the real estate investment trust requirements and has

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determined that it qualifies as a real estate investment trust under the Code. Accordingly, no provision for U.S. federal income or excise taxes has been made with respect to the income of the REIT. In certain instances, the REIT may be subject to certain state and local taxes which are not material to the financial statements.

The REIT expects no significant increases or decreases in uncertain tax positions due to changes in tax positions within one year of December 31, 2019. The REIT has no material interest or penalties relating to income taxes recognized in the consolidated statements of net income and comprehensive income for the years ended December 31, 2019 and 2018 or in the consolidated statements of financial position as at December 31, 2019 and 2018. As at December 31, 2019, returns for the calendar years 2016 through 2018 remain subject to examination by U.S. and various state and local tax jurisdictions.

(iii) U.S. 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 in determining the appropriate rates and amounts in recording current and deferred income taxes. 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 net income and comprehensive 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 basis. 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. A deferred tax asset is

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recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(h) Distributions declared:

Distributions declared to unitholders are recognized as a liability in the period in which the distributions are approved by the Board of Trustees and are recorded as a reduction of accumulated income.

(i) REIT Units:

The REIT Units (defined in note 16) are redeemable at the option of the holder and, therefore, are considered puttable instruments in accordance with IAS 32, *Financial Instruments - Presentation* ("IAS 32"). Puttable instruments are required to be accounted for as financial liabilities, except where certain conditions are met in accordance with IAS 32, in which case, the puttable instruments may be presented as equity. The REIT Units meet the conditions of IAS 32 and are, therefore, presented as equity.

(j) Class B Units:

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

All Class B Units are financial liabilities and are measured at fair value at each reporting period, based upon the value of a REIT Unit, with any changes in fair value recorded in the consolidated statements of net income and comprehensive income.

(k) Deferred compensation plans:

As described in note 15, the REIT has a Deferred Unit Incentive Plan ("DUIP") and unit option plan (the "Plan") that provides for the granting of deferred trust units ("DTUs"), DPUs, and options to certain of the trustees, officers, employees, consultants and service providers, as

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well as employees of such service providers. Deferred compensation is measured at fair value as at the grant date and compensation expense is recognized in general and administrative expense over the related vesting period. The amounts are fair valued each reporting period and the change in fair value is recognized as compensation expense. The unit based compensation is presented as a liability.

(l) 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 4). 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 contracts identified in note 4. 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.

(m) Joint arrangements:

Upon the creation of a joint arrangement, the REIT's management reviews its classification to determine if it is a joint venture to be accounted for using the equity method or if it is a joint operation for which we must recognize the proportionate share of assets, liabilities, revenues, and expenses. The REIT holds 10% interests in its joint arrangements. It has joint control over them since, under the contractual agreements, unanimous consent is required from all parties to the agreements in decisions concerning all relevant activities. The joint arrangements in which the REIT is involved are structured so that they provide the REIT rights to these entities' net assets. Therefore, these arrangements are presented as joint ventures and are accounted for using the equity method.

(n) Critical accounting judgments, estimates and assumptions:

Preparing the consolidated financial statements requires management to make judgments, estimates and assumptions in the application of the policies outlined above. Management bases its judgments and estimates on historical experience and other factors it believes to be

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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.

(i) Critical accounting judgments:

The following are the critical judgments used in applying the REIT's accounting policies that have the most significant effect on the amounts in the consolidated financial statements:

(a) Investment properties:

The REIT assesses whether an acquisition transaction should be accounted for as an asset acquisition or a business combination under IFRS 3, *Business Combinations*. This assessment requires management to make judgments on whether the assets acquired and liabilities assumed constitute a business as defined in IFRS 3 and if the integrated set of activities, including inputs and processes acquired, is capable of being conducted and managed as a business, and the REIT obtains control of the business.

Management makes judgments with respect to whether lease incentives provided in connection with a lease enhance the value of the leased space, which determines whether or not such amounts are treated as tenant improvements and added to investment properties. Lease incentives, such as cash, rent-free periods and lessee- or lessor-owned improvements, may be provided to lessees to enter into an operating lease. Lease incentives that do not provide benefits beyond the initial lease term are amortized as a reduction of rental revenue on a straight-line basis over the term of the lease.

Judgment is also applied in determining whether improvements to the investment property and costs incurred in obtaining and retaining property tenants are additions to the carrying amounts of the investment properties.

(b) Leases:

The REIT uses judgment in determining whether certain leases, in particular those with long contractual terms where the lessee is the sole tenant in an investment property where the REIT is the lessor and long-term ground leases, are operating or

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finance leases. Management has determined that all of its leases are operating leases as the REIT has retained substantially all of the risks and benefits of ownership.

(c) Joint arrangements:

The REIT uses judgment in determining whether the REIT has joint control and whether the arrangements are joint operations or joint ventures. In assessing whether the joint arrangements are joint operations or joint ventures, management applies judgment to determine the REIT's rights and obligations in the arrangement based on factors such as the structure, legal form and contractual terms of the arrangement.

(d) Income taxes:

The REIT is a mutual fund trust pursuant to the Income Tax Act (Canada) and a real estate investment trust pursuant to the Code. Under current tax legislation, the REIT is not liable to pay Canadian or U.S. income tax provided that its taxable income is fully distributed to unitholders each year. The REIT has reviewed the requirements for real estate investment trust status and has determined that it qualifies as a real estate investment trust pursuant to the Code.

(ii) Estimates and assumptions:

Management makes estimates and assumptions that affect carrying amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amount of income for the year. Actual results could differ from these estimates. The estimates and assumptions that are critical in determining the amounts reported in the consolidated financial statements include the valuation of investment properties.

Critical assumptions relating to the estimates of fair values of investment properties include discount rates that reflect current market uncertainties and capitalization rates. If there is any change in these assumptions or regional, national or international economic conditions, the fair value of investment properties may change materially.

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

(i) IFRS 16, *Leases*

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

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

At the commencement date of a lease the REIT will recognize a liability to make lease payments and an asset representing the rights to use the underlying asset during the lease term. Certain right-of-use assets related to land leases meet the definition of investment property under IAS 40, *Investment Property*; therefore, the fair value model is applied to those assets. Interest expense on the lease liability and the fair value gain (loss) on the right-of-use asset is recognized separately. The REIT applies the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option and lease contracts for which the underlying asset is of low value.

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

The REIT adopted the new requirement for IFRS Interpretation Committee ("IFRIC") Interpretation 23 *Uncertainty over Income Tax Treatments* (the "Interpretation"), effective

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January 1, 2019 with no impact to the consolidated financial statements. The Interpretation provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. The Interpretation requires: a) the REIT to contemplate whether uncertain tax treatments should be considered separately, or together as a group, based on which approach provides better predictions of the resolution; b) determine if it is probable that the tax authorities will accept the uncertain tax treatment and c) if it is not probable that the uncertain tax treatment will be accepted, measure the tax uncertainty based on the most likely amount or expected value, depending on whichever method better predicts the resolution of the uncertainty.

3. Changes in accounting policies:

The REIT noted the following standards and amendments to existing standards issued by the IASB are expected to be relevant to the REIT in preparing its consolidated financial statements in 2020:

In October 2018, the IASB issued amendments to IFRS 3. The amendments are in relation to whether a transaction meets the definition of a business combination. The amendment clarifies the definition of a business and provides additional illustrative examples, including those relevant to the real estate industry. A significant change in the amendment is the option for an entity to assess whether substantially all of the fair value of the gross assets acquired is concentrated in a single asset or group of similar assets. If such a concentration exists, the transaction is not viewed as an acquisition of a business and no further assessment of the business combination guidance is required. This will be relevant where the value of the acquired entity is concentrated in one property, or a group of similar properties. The amendment is effective for periods beginning on or after January 1, 2020, with earlier application permitted. There will be no impact on transition since the amendments are effective for business combinations for which the acquisition date is on or after the transition date.

4. Acquisitions:

Prior year business combination:

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

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with the Transaction, all of the executives and other employees of WPT Capital became employees of the REIT or its subsidiaries (see note 17).

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 15 for further detail.

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

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

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

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

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

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Asset acquisitions:

Infill Logistics Portfolio

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

Private Capital Portfolio

On August 28, 2019, the REIT acquired, from AIMCo and certain members of the REIT’s management team, a portfolio of four industrial buildings located in multiple markets across the U.S. (the “Private Capital Portfolio”) for a purchase price of \$109,300 (exclusive of closing and transaction costs). The purchase price was satisfied with funds from the unsecured revolving credit facility.

Nashville Property

On September 30, 2019, the REIT acquired from a third party, an investment property located in La Vergne (Nashville), Tennessee (the “Nashville Property”) for a purchase price of \$33,000 (exclusive of closing and transaction costs). The purchase price was satisfied with funds from the unsecured revolving credit facility and cash on hand.

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The assets acquired, and liabilities assumed in these transactions occurring in the year ended December 31, 2019 were allocated as follows:

	Infill Logistics Portfolio	Private Capital Portfolio	Nashville Property	Total
Investment properties ⁽¹⁾	\$ 225,836	\$ 108,392	\$ 33,806	\$ 368,034
Amounts receivable	73	274	-	347
Prepaid expenses	293	114	-	407
Amounts payable and accrued liabilities	(2,172)	(7,890) ⁽²⁾	(1,859)	(11,921)
Security deposits	(893)	(84)	(225)	(1,202)
Prepaid rent	(123)	-	-	(123)
Net assets acquired	223,014	100,806	31,722	355,542

Consideration given by the REIT consists of the following:

Cash	223,014	100,806 ⁽²⁾	31,722	355,542
Total consideration	\$ 223,014	\$ 100,806	\$ 31,722	\$ 355,542

⁽¹⁾ Includes total closing and transaction costs of \$1,343 and an IFRIC 21 liability of \$2,025 assumed on acquisition that is offset by an equal adjustment to investment property.

⁽²⁾ Included in cash consideration and reduced from amounts payable and accrued liabilities is \$3,017, which related to a tax obligation that the REIT paid on behalf of the seller following the completion of the acquisition.

Prior year asset acquisitions:

St. Paul Property

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

Rogers Property

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

Louisville Property

On September 28, 2018, the REIT indirectly acquired from AIMCo and certain members of the 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

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purchase price was satisfied with funds from the unsecured revolving credit facility. See additional disclosures in note 17.

Franklin Park Property

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

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

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

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

5. Asset dispositions:

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

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6. Investment properties:

The reconciliation of the carrying amount of investment properties for the years ended December 31, 2019 and 2018 are set out below:

	2019	2018
Balance, beginning of period	\$ 1,117,672	\$ 1,009,582
Investment property acquisitions	368,034	73,979
Investment property disposition	(4,297)	-
Additions to investment properties, including lease incentives	24,999	10,331
Amortization of straight-line rent	5,473	1,102
Amortization of lease incentives	(2,017)	(1,602)
Fair value adjustment to investment properties	63,213	24,280
	\$ 1,573,077	\$ 1,117,672
Property tax liability under IFRIC 21	(1,787)	(511)
Fair value adjustment to investment properties – IFRIC 21	1,787	511
	\$ 1,573,077	\$ 1,117,672

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

Investment properties include the current fair value of the land, building, improvements to the investment property, all direct leasing costs incurred in obtaining and retaining property tenants and investment properties under development. Management reviews the fair value of the investment properties regularly using independent property valuations and market conditions existing at the reporting date, which are generally accepted market practices. Judgment is also applied in determining the extent and frequency of independent third party appraisals. The REIT determines the fair value of an investment property at the end of each reporting period using a combination of the following methods: (i) an internal valuation using the discounted cash flow model, which discounts the expected future cash flows, including a terminal value, based on the application of a terminal capitalization rate to the assumed final year's estimated cash flows, and reviewing the key assumptions from previous and current appraisals and updating the value for changes in the property cash flow, physical condition and changes in market conditions, and (ii) appraisals by an independent third party, according to professional appraisal standards and IFRS. Refer to note 26 for the fair value hierarchy of investment properties measured at fair value in the consolidated statements of financial position.

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

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

	December 31, 2019	December 31, 2018
Weighted average terminal capitalization rate	6.16%	6.46%
Range of terminal capitalization rates	5.00% - 8.50%	5.25% - 9.00%
Weighted average discount rate	6.76%	7.09%
Range of discount rates	5.64% - 8.80%	6.00% - 9.19%

The fair value of investment properties is most sensitive to changes in the discount and terminal capitalization rates. Changes in the terminal capitalization rates and discount rates would result in a change to the fair value of the REIT's investment properties as set out below as at December 31, 2019:

Weighted average terminal capitalization rate:		
25-basis point increase		\$ (37,883)
25-basis point decrease		\$ 41,205
Weighted average discount rate:		
25-basis point increase		\$ (29,595)
25-basis point decrease		\$ 30,318

Right-of-use asset

The REIT had a non-cancellable ground lease for land related to one of its investment properties. Annual payments under the lease were approximately \$100 through May 31, 2023. Annual payments thereafter are adjusted based on changes in the consumer price index until expiration in 2073. On May 23, 2019, the REIT sold the investment property (note 5).

In October 2019, the REIT recorded a right-of-use asset and lease obligation of \$1,346 and \$1,346, respectively, for an office lease.

As at December 31, 2019 and 2018, the right-of-use assets were valued at \$1,317 and \$3,336, respectively, and the lease liabilities at \$1,356 and \$3,336, respectively.

In accordance with IFRS 16, the REIT has recognized depreciation and interest expense, instead of operating lease expense. During the years ended December 31, 2019 and 2018, the REIT

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recognized \$30 and \$0 of depreciation expense, respectively. The REIT recognized \$9 and \$0 of interest expense during the years ended December 31, 2019 and 2018, respectively.

7. Equity Accounted Joint Venture

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

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

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

The Venture incurred \$10,530 and \$(500) in net income (loss) and comprehensive income (loss) for the years ended December 31, 2019 and 2018. The following table present the financial results of the REIT's equity-accounted investment at 100% and the REIT's ownership interests are set out below:

	December 31, 2019	December 31, 2018
Current assets	\$ 605	\$ -
Non-current assets	64,200	600
Current liabilities	(317)	-
Non-current liabilities	(27,550)	-
Net assets	\$ 36,938	\$ 600
Equity-accounted investment in joint venture	\$ 3,745	\$ -

The REIT, through one of its subsidiaries, is the non-recourse carve out and completion guarantor on a construction loan within WPT Industrial Venture I LP, in which the REIT performs asset management, property management and development duties. As at December 31, 2019 and December 31, 2018, the construction loan had an outstanding balance of \$27,803 and \$0. The REIT has been indemnified by the limited partners of WPT Industrial Venture I, LP based on the equity contributed to the project.

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8. Intangible assets and goodwill:

Intangible assets and goodwill consist of the following as at December 31, 2019 and 2018:

	2019	2018
Management contracts	\$ 14,868	\$ 18,435
Goodwill	4,286	4,286
	<u>\$ 19,154</u>	<u>\$ 22,721</u>

As part of the Transaction, the REIT recorded a deferred tax liability (note 4) related to the difference between the financial statement carrying value and respective income tax basis of the acquired intangible assets. As such, the REIT recorded goodwill to the extent of the tax liability recorded.

Management contracts consist of the AIMCo Venture Management Contracts and the Venture Management Contracts (see note 4). The reconciliation of the management contracts carrying value for the following periods is set out below:

	AIMCo Venture Management Contracts	Venture Management Contracts	Total Intangible Assets
Balance, as at December 31, 2017	\$ -	\$ -	\$ -
Acquisition of management contracts	4,196	15,804	20,000
Amortization	(907)	(658)	(1,565)
Balance, as at December 31, 2018	<u>\$ 3,289</u>	<u>\$ 15,146</u>	<u>\$ 18,435</u>
Amortization	(1,987)	(1,580)	(3,567)
Balance, as at December 31, 2019	<u>\$ 1,302</u>	<u>\$ 13,566</u>	<u>\$ 14,868</u>

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9. 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:

	December 31, 2019	December 31, 2018
Tenant receivables	\$ 2,799	\$ 2,029
Other receivables	1,023	544
Allowance for expected credit losses	(114)	-
	\$ 3,708	\$ 2,573

The carrying value of amounts receivable approximates fair value.

10. Amounts payable and accrued liabilities:

Amounts payable and accrued liabilities consist of the following:

	December 31, 2019	December 31, 2018
Deferred compensation (see note 15)	\$ 15,422	\$ 10,849
Accrued liabilities and other payables	12,466	4,924
Rent received in advance	4,104	2,700
Distribution payable	4,075	2,971
Accrued real estate taxes	3,942	3,796
Accrued interest	1,270	1,276
Trade payables	900	317
Unearned revenue	845	294
	\$ 43,024	\$ 27,127

11. Income taxes:

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

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The REIT's TRS is subject to taxation in the U.S on the taxable income earned. The estimated combined federal and state statutory tax rate was 28.7% during 2019 and 2018. Deferred income tax recovery recorded for the years ending December 31, 2019 and 2018 were \$1,112 and \$606, respectively.

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

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

	December 31, 2019	December 31, 2018
Deferred tax asset:		
Legal expenses	\$ 161	\$ 180
Net operating loss	221	17
Deferred tax asset	\$ 382	\$ 197
Deferred tax liabilities:		
Acquired intangible assets book vs. tax basis	\$ 2,950	\$ 3,877
Deferred tax liability	2,950	3,877
Deferred tax liability, net	\$ 2,568	\$ 3,680

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

As at December 31, 2017	\$	-
Deferred tax liability assumed		4,286
Change in deferred tax liability		(409)
Change in deferred tax assets		(197)
As at December 31, 2018	\$	3,680
Change in deferred tax liability		(927)
Change in deferred tax assets		(185)
As at December 31, 2019	\$	2,568

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12. Other liabilities

Other liabilities consists of the following:

	2019	2018
Derivative instruments (note 13)	\$ 9,317	\$ 2,770
Deferred tax liability, net (note 11)	2,568	3,680
Security deposits	2,284	1,534
Preferred units of subsidiary	113	-
Lease liabilities (note 6)	1,356	3,336
Total other liabilities	\$ 15,638	\$ 11,320

⁽¹⁾ Includes lease liabilities on transition of IFRS 16, effective January 1, 2019. Refer to Note 6 for more details.

Preferred units of subsidiary

In 2019, a wholly owned subsidiary of the REIT issued 125 preferred units at \$1,000 per unit for net proceeds of \$113. On consolidation, the preferred units of the wholly owned subsidiary are reflected as a liability of the REIT.

The preferred units are non-voting preferred units. Unitholders holding preferred units are entitled to receive dividends from the wholly owned subsidiary at a per annum rate equal to 12.0% payable on June 30 and December 31 of each year. Unitholders holding preferred units will be allocated such return in priority to any allocations or distributions to all other classes and series of units of the wholly owned subsidiary. However, after payment of such return to unitholders holding preferred units, preferred unitholders are not otherwise entitled to share in the income of the wholly owned subsidiary.

The wholly owned subsidiary may redeem the preferred units at any time, for a price equal to \$1,000 per preferred unit, plus accumulated and unpaid distribution and a redemption premium if the preferred units are redeemed before December 31, 2021. The wholly owned subsidiary had no redemptions during the year ended December 31, 2019.

Due to the fixed distributions and preferred treatment for the preferred units, they meet the definition of a liability. In addition, the REIT does not expect to redeem any preferred units within the next year. Thus, the preferred units are classified as non-current liabilities.

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13. Debt

Debt consists of the following as at December 31, 2019 and 2018:

	2019	2018
Mortgages payable	\$ 312,024	\$ 344,169
Bank indebtedness		
Term loans	273,296	74,326
Unsecured revolving credit facility	98,841	99,958
Total debt	\$ 684,161	\$ 518,453

Mortgages payable:

Mortgages payable consist of the following as at December 31, 2019 and 2018:

	2019	2018
Mortgages payable	\$ 312,013	\$ 344,085
Mark-to-market adjustments	710	1,129
Financing costs, net	(699)	(1,045)
Carrying value	312,024	344,169
Less current portion	(87,723)	(32,072)
Long-term portion	\$ 224,301	\$ 312,097

Mortgages payable that are due and payable within 12 months after the date of the consolidated statements of financial position presented, including scheduled principal payments on mortgages payable, are classified as current liabilities. Mortgages payable are collateralized by investment properties with a fair value of \$708,400 and \$712,350 as at December 31, 2019 and 2018, respectively. Mortgages payable bore interest at various rates ranging from 2.87% to 5.80% and have a weighted average effective interest rate of 3.8% as at December 31, 2019 and 2018. Maturity dates range from 2020 – 2024 as at December 31, 2019. The weighted average term to maturity on mortgages payable was 2.3 years and 3.0 years as at December 31, 2019 and 2018, respectively.

On August 29, 2018, the REIT refinanced an existing fixed rate mortgage payable in the amount of \$17,808, with proceeds from a new, five-year, \$30,000 interest-only mortgage payable bearing a variable rate equal to one-month LIBOR plus a margin of 133 basis points. The REIT used the excess proceeds of \$12,224 and cash on hand to repay a maturing fixed rate mortgage with an outstanding balance of \$12,511. The REIT incurred financing costs \$331, which are being

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amortized using the effective interest rate method over the remaining term. On October 8, 2018 the REIT entered into an agreement to economically fix the interest rate using an interest rate swap at LIBOR of 3.00%, for a total fixed rate equal to 4.33%.

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

Future contractual cash flows of mortgages payable principal and interest are as follows as at December 31, 2019:

	Principal Payments	Interest Payments ⁽¹⁾	Total Payments
2020	87,723	10,137	97,860
2021	73,676	8,239	81,915
2022	26,426	5,249	31,675
2023	83,185	2,747	85,932
2024	41,003	1,158	42,161
	\$ 312,013	\$ 27,530	\$ 339,543

⁽¹⁾ Includes interest from a variable rate mortgage which is fixed utilizing an interest rate swap.

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

Bank indebtedness:

Bank indebtedness consists of the following:

	December 31, 2019	December 31, 2018
Unsecured revolving credit facility	\$ 100,000	\$ 101,000
Term Loan I	125,000	75,000
Term Loan II	80,000	-
Term Loan III	70,000	-
Financing costs, net	(2,863)	(1,716)
Carrying value	\$ 372,137	\$ 174,284

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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 delayed draw term loan has a draw availability period of one year and a maturity date of June 26, 2023. On June 26, 2018, the REIT drew \$75,000 on the delayed draw term loan (the “Term Loan I”) and \$13,000 on the unsecured revolving credit facility, using the proceeds to pay closing costs and repay the existing senior secured revolving credit facility (“Secured Revolving Facility”) balance of \$86,000 in full.

On March 26, 2019, the REIT amended and restated the Credit Facility, thereby increasing the availability from \$300,000 to \$450,000 (subject to requisite unencumbered assets). The increase was comprised of a new delayed draw term loan (the “Term Loan II”) of \$80,000 and an increase to the unsecured revolving facility of \$70,000. The amended and restated Credit Facility also extended the maturity date of the unsecured revolving facility to March 26, 2023, with the option for two six-month extensions. The Term Loan II has a draw availability period of one year and a maturity date of March 26, 2024.

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

On September 26, 2019, the REIT amended and restated the Credit Facility, thereby increasing availability from \$450,000 to \$575,000 (subject to requisite unencumbered assets). The increase was comprised of a delayed draw term loan (the “Term Loan III”) of \$125,000. Term Loan III has a draw availability period of one year and maturity date of January 15, 2025. The amended and restated Credit Facility also contains an accordion feature which increases the REIT’s availability to \$875,000 (subject to requisite unencumbered assets and lender approval). On September 26, 2019, the REIT drew \$70,000 on the Term Loan III, using the proceeds to repay the unsecured revolving facility.

On October 29, 2019, the REIT used the funds from the October 2019 bought deal offering to repay \$81,000 of the outstanding balance on the unsecured revolving credit facility.

For the year ended December 31, 2019, the REIT drew net funds from the unsecured revolving credit facility of \$(1,000).

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The unsecured revolving credit facility, Term Loan I, Term Loan II, Term Loan III'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 December 31, 2019, the unhedged interest rate on the unsecured revolving credit facility, Term Loan I, Term Loan II and Term Loan III are as follows:

	December 31, 2019	December 31, 2018
Unsecured revolving credit facility	3.45%	3.86%
Term Loan I	3.38%	3.79%
Term Loan II	3.34%	-
Term Loan III	3.40%	-

Financing costs related to the Credit Facility of \$3,768 are being amortized using the effective interest rate method over the respective terms ending on March 26, 2023, June 26, 2023, March 26, 2024, and January 15, 2025.

Availability on the Credit Facility was \$481,767 as at December 31, 2019, of which the REIT had drawn \$375,000, leaving remaining availability of \$106,767.

The Credit Facility is subject to certain guarantees by the REIT and its related subsidiaries. The REIT's Credit Facility contains customary representations, warranties, and events of default, which require the REIT to comply with certain covenants. The REIT was in compliance with all covenants as at December 31, 2019 and 2018. See note 27 for further discussion on financial covenants.

Derivative instruments – Interest rate swap:

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

On October 1, 2018, the REIT entered into an agreement to economically fix the interest rate for a \$30,000 variable rate mortgage using an interest rate swap at 4.33%.

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

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

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

Transaction Date	Principal Amount	Interest Rate	Maturity Date	Financial Instrument Classification	Fair Value	
					December 31, 2019	December 31, 2018
August 28, 2018	\$ 75,000	4.38%	June 30, 2023	FVTPL	\$ (3,199)	\$ (1,145)
October 1, 2018	30,000	4.33%	August 31, 2023	FVTPL	(2,317)	(786)
December 31, 2018	50,000	4.42%	June 30, 2023	FVTPL	(2,193)	(839)
April 5, 2019	80,000	3.86%	March 26, 2024	FVTPL	(1,608)	-
	\$ 235,000	4.21%			\$ (9,317)	\$ (2,770)

Total fair value expense recognized during the years ended December 31, 2019 and 2018, which is reported under finance costs, was \$6,547 and \$2,770, respectively.

14. Class B Units:

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

On September 26, 2018, Welsh Property Trust, LLC ("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 December 31, 2019 and 2018, which was \$13.79 and \$12.85, respectively.

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

	Units	Value
As at December 31, 2017	3,611,807	\$ 45,942
Class B Units issued, July 31, 2018	728,237	10,000
Redemption of Class B Units for REIT Units, September 26, 2018	(2,361,672)	(31,197)
Fair value adjustment to Class B Units	-	677
As at December 31, 2018	1,978,372	\$ 25,422
Redemption of Class B Units for REIT Units, 2019	(257,513)	(3,543)
Fair value adjustment to Class B Units	-	1,852
As at December 31, 2019	1,720,859	\$ 23,731

Included in finance costs for the years ended December 31, 2019 and 2018 are \$1,424 and \$2,422, respectively, of distributions declared on Class B Units. Total distributions payable on Class B Units as at December 31, 2019 and 2018 were \$109 and \$125, respectively.

15. 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.

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

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

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

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

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

	Basic DTUs	Performance DTUs	Trustee DTUs ⁽¹⁾	Total DTUs
Total as at December 31, 2017	576,838	-	158,539	735,377
Granted	131,140	52,555	48,864	232,559
Distributions	36,188	1,031	10,016	47,235
Redeemed	(44,000)	-	-	(44,000)
Total as at December 31, 2018	700,166	53,586	217,419	971,171
Granted	2,568	76,862	31,471	110,901
Distributions	34,539	5,577	13,217	53,333
Redeemed	(168,320)	-	-	(168,320)
Total as at December 31, 2019	568,953	136,025	262,107	967,085

⁽¹⁾ Includes Trustee fee and Trustee match DTUs.

Additional Trustee DTUs of \$166 had been earned and recorded as deferred compensation liability as at December 31, 2019, but are not yet granted.

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

	Basic DTUs	Performance DTUs	Trustee DTUs ⁽¹⁾	Total DTUs
Vested DTUs				
December 31, 2018	251,200	-	184,673	435,873
December 31, 2019	292,219	-	241,176	533,395
Total Fair Value				
December 31, 2018	\$ 8,997	\$ 707	\$ 2,794	\$ 12,498
December 31, 2019	\$ 7,936	\$ 1,207	\$ 3,656	\$ 12,799

⁽¹⁾ Includes Trustee fee and Trustee match DTUs.

Total compensation expense related to DTUs for the years ended December 31, 2019 and 2018 was \$3,532 and \$3,155, respectively. These amounts include adjustments based on the fair value of the DTUs and are reported within general and administrative expenses as at December 31, 2019 and 2018.

Deferred Partnership Units ("DPUs")

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

On July 31, 2018, the REIT issued 695,542 DPUs to officers and employees of the REIT, in conjunction with the Transaction (see note 4), 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.

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

	Total DPUs Granted
Total as at December 31, 2017	-
Granted in 2018	695,542
Total as at December 31, 2018	695,542
Granted in 2019	76,106
Total as at December 31, 2019	771,648

For the years ended December 31, 2019 and 2018, distributions declared on DPUs, which are included in finance costs were \$567 and \$220, respectively. Total distributions payable on DPUs as at December 31, 2019 and 2018 were \$49 and \$44, respectively. As at December 31, 2019 and 2018, 79,739 and 0 DPUs have vested, respectively. The fair value of all outstanding DPUs as at December 31, 2019 and 2018 was \$10,739 and \$8,938, respectively.

Total compensation expense related to DPUs for the years ended December 31, 2019 and 2018 were \$3,231 and \$842, respectively. The amount includes adjustments based on the fair value of the DPUs and is reported within general and administrative expenses as at December 31, 2019 and 2018.

The movement in the DUIP balance was as follows:

Total as at December 31, 2017	\$ 6,551
Deferred compensation expense	3,254
Fair value adjustment	743
DTUs redeemed for cash and REIT Units	(561)
Total as at December 31, 2018	\$ 9,987
Deferred compensation expense	5,188
Fair value adjustment	1,575
DTUs redeemed for cash and REIT Units	(2,310)
Total as at December 31, 2019	\$ 14,440

Unit Option Plan (the "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

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period of 10 years from the date of grant. The maximum number of REIT Units reserved for issuance under the Plan is 5% of the total number of REIT Units issued and outstanding from time to time. These options vest as to one-third on the first anniversary of the grant date, and one-third on each of the second and third anniversaries. The Plan expired on May 13, 2019 and can no longer issue new options.

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

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

The total fair value of options granted as at December 31, 2019, December 31, 2018 and as at the grant date was \$982, \$862 and \$327, respectively. The aggregate intrinsic value of exercisable options as at December 31, 2019 and 2018 was \$1,307 and \$1,160, respectively. The weighted average remaining contractual life for outstanding options and for exercisable options as at December 31, 2019 was 3.8 years.

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

Total as at December 31, 2017	\$ 796
Fair value adjustment	94
Stock options exercised for REIT Units	(28)
Total as at December 31, 2018	\$ 862
Fair value adjustment	405
Stock options exercised for REIT Units	(285)
Total as at December 31, 2019	\$ 982

Total compensation expense related to the option plan for the years ended December 31, 2019 and 2018 was \$405 and \$94, respectively. These amounts include adjustments based on the fair value of the options and are reported within general and administrative expenses for the respective periods.

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As at December 31, 2019, fair value adjustments were determined using the Black-Scholes option pricing model with the following assumptions:

Average expected option term	1.9 years
Risk-free interest rate	1.58%
Expected volatility	14.41%
Dividend yield	5.45%

16. Unitholders' equity:

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

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

On February 25, 2019, the REIT issued 10,000,000 REIT Units at a price of \$13.50 per REIT Unit to a syndicate of underwriters on a bought deal basis for net cash proceeds to the REIT of \$128,948 (the "February 2019 Offering") (inclusive of underwriters' fees and issuance costs of \$6,052).

On October 29, 2019, the REIT issued 6,160,000 REIT Units at a price of \$13.80 per REIT Unit to a syndicate of underwriters on a bought deal basis for net cash proceeds to the REIT of \$80,883 (the "October 2019 Offering") (inclusive of underwriters' fees and issuance costs of \$4,125). On November 27, 2019, the REIT issued an additional 924,000 REIT Units at a price of \$13.80 per REIT unit pursuant to the exercise in full of the over-allotment granted by the REIT to the underwriters of the offering for net cash proceeds to the REIT of \$12,241 (inclusive of underwriters' fees of \$510).

WPT INDUSTRIAL REAL ESTATE INVESTMENT TRUST

Notes to Consolidated Financial Statements
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For the years ended December 31, 2019 and 2018

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

	Units	Value
As at December 31, 2017	44,545,772	\$ 470,204
Redemption of Class B Units for REIT Units, September 26, 2018	2,361,672	31,197
DTUs redeemed for REIT Units	25,859	329
REIT Units issued due to exercise of stock options	1,505	20
As at December 31, 2018	46,934,808	\$ 501,750
REIT Units issued on completion of the February 2019 Offering, net of issue costs	10,000,000	128,948
DTUs redeemed for REIT Units	89,920	1,234
REIT Units issued due to exercise of stock options	10,597	145
Redemption of Class B Units for REIT Units	257,513	3,543
REIT Units issued on completion of the October 2019 Offering, including REIT Units issued through underwriters' over allotment, and net of issue costs	7,084,000	93,124
As at December 31, 2019	64,376,838	\$ 728,744

The REIT declared distributions to unitholders of record in the amount of \$44,035 (\$0.76 per Unit) and \$34,436 (\$0.76 per Unit) for the years ended December 31, 2019 and 2018, respectively. Total distributions payable as at December 31, 2019 and December 31, 2018 were \$4,075 and \$2,971, respectively.

17. Related party transactions:

Transactions with Key Personnel:

The REIT's key personnel are comprised of the Trustees, the Chief Executive Officer, the Chief Operating Officer and the Chief Financial Officer. Compensation of key personnel for the years ended December 31, 2019 and 2018 was as follows:

	2019	2018
Unit based compensation, including fair value adjustments	\$ 3,391	\$ 2,376
Salaries, incentives, and other employee benefits	2,349	1,113
	\$ 5,740	\$ 3,489

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Transactions with Key Personnel and AIMCo:

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

Business Combination (note 4)

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.

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. There are no fees receivable or payable at December 31, 2019.

Private Capital Portfolio (note 4)

On August 28, 2019, the REIT indirectly acquired from AIMCo and certain key employees of the REIT's management team, the Private Capital Portfolio for a purchase price of \$109,300 (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. There are no fees receivable or payable at December 31, 2019.

WPT Capital:

Prior to the Transaction (note 4) on July 31, 2018, the REIT had related party transactions with WPT Capital, the former asset and property manager (see note 4).

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Notes to Consolidated Financial Statements
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The activity from each related party, except the transactions noted above, are set forth below for the years ended December 31, 2019 and 2018 as follows:

	2019	2018
Fees earned under asset management agreement ⁽¹⁾		
Acquisition fees	\$ -	\$ 287
Asset management fees	-	1,375
Construction management fees	-	83
Out-of-pocket fees	-	163
Fees earned under property management agreement ⁽²⁾	-	1,335

For the period from January 1, 2018 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:

- 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 December 31, 2019 and 2018.
- 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. There were no asset management fees payable as at December 31, 2019 and 2018.
- 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 and December 31, 2019 and 2018.
- 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. There were no net payables due as at December 31, 2019 and 2018, related to these reimbursements.

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Notes to Consolidated Financial Statements
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(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.

There were no property management fees payable as at December 31, 2019 and 2018.

18. 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 for the years ended December 31, 2019 and 2018 as follows:

	2019	2018
Base rent	\$ 86,035	\$ 69,496
Recovery of property taxes and insurance	19,189	14,597
Recovery of property operating expenses	9,905	8,361
	\$ 115,129	\$ 92,454

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 years ended December 31, 2019 or 2018.

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For the years ended December 31, 2019 and 2018

As at December 31, 2019, the total future contractual minimum base rent lease payments expected to be received under non-cancellable leases are as follows:

One year or less	\$	93,564
2 – 5 years		269,896
Greater than 5 years		147,943
	\$	511,403

19. Management fee revenue:

The REIT earned revenue from asset and property management services provided as part of the AIMCo Venture Management Contracts and Venture Management Contracts (note 4). For the years ended December 31, 2019 and 2018, the REIT recognized management fee revenue of \$3,587 and \$2,790, respectively.

20. General and administrative expenses:

General and administrative expenses incurred and charged to net income and comprehensive income are recorded for the years ended December 31, 2019 and 2018 as follows:

	2019	2018
Salaries and benefits	\$ 4,604	\$ 2,205
Deferred compensation ⁽¹⁾	4,135	3,189
Other	3,240	2,964
Fair value adjustment to deferred compensation	1,981	837
Severance costs	1,503	-
Third-party asset management fees	-	1,376
	\$ 15,463	\$ 10,571

⁽¹⁾ Excludes \$65 in trustee compensation expensed as part of the Transaction in 2018 (see note 4).

21. Trustee and Employee costs

Trustee and employee costs, including salaries and wages, bonus and incentives, deferred compensation and fair value adjustments to deferred compensation, and other employee benefits was \$12,868 and \$7,566 for the years ended December 31, 2019 and 2018, respectively. The amounts include employee costs for key management personnel in note 17.

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Notes to Consolidated Financial Statements
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Employee costs are recognized in the following line items in the consolidated statement of net income and comprehensive income:

	2019	2018
General and administrative expenses	\$ 11,338	\$ 7,171
Investment properties operating expenses	1,530	395
	<u>\$ 12,868</u>	<u>\$ 7,566</u>

22. Finance costs

Finance costs incurred and charged to net income and comprehensive income for the years ended December 31, 2019 and 2018 are recorded as follows:

	2019	2018
Interest on mortgages payable	\$ 11,934	\$ 12,934
Interest on bank indebtedness	12,278	4,489
Amortization of financing costs	1,005	1,117
Amortization of mark-to-market adjustments on fixed interest rate mortgages payable	(419)	(479)
Interest on lease liability	9	-
Distributions on Class B Units and DPUs	1,991	2,642
	<u>26,798</u>	<u>20,703</u>
Fair value adjustment to Class B Units	1,852	677
Fair value adjustment to derivative instrument	6,547	2,770
	<u>\$ 35,197</u>	<u>\$ 24,150</u>

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Notes to Consolidated Financial Statements
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23. Reconciliation of liabilities arising from financing activities:

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

	Mortgages Payable	Secured Revolving Facility	Term loans	Unsecured revolving credit facility	Total
As at December 31, 2017	\$ 348,480	\$ 76,892	\$ -	\$ -	\$ 425,372
Scheduled principal payments	(3,545)	-	-	-	(3,545)
Proceeds from financing	30,000	8,500	75,000	101,500	215,000
Repayments	(30,319)	(86,000)	-	(500)	(116,819)
Financing costs paid	(331)	(13)	(712)	(1,137)	(2,193)
Other adjustments, non-cash ⁽¹⁾	(116)	508 ⁽²⁾	85	161	638
Transferred financing costs ⁽³⁾	-	113	(47)	(66)	-
As at December 31, 2018 (note 13)	\$ 344,169	\$ -	\$ 74,326	\$ 99,958	\$ 518,453
Scheduled principal payments	(3,747)	-	-	-	(3,747)
Proceeds from financing	-	-	200,000	255,000	455,000
Repayments	(28,325)	-	-	(256,000)	(284,325)
Financing costs paid	-	-	(1,320)	(486)	(1,806)
Other adjustments, non-cash ⁽¹⁾	(73)	-	290	369	586
As at December 31, 2019 (note 13)	\$ 312,024	\$ -	\$ 273,296	\$ 98,841	\$ 684,161

(1) Represents other adjustments including amortization of financing costs and mark-to-market adjustments using the effective interest rate method.

(2) Includes the write-off of the remaining balance of financing costs from the Secured Revolving Facility of \$274.

(3) Includes initial financing costs from the Secured Revolving Facility of \$113 that were applied to the Credit Facility.

24. Segment reporting:

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

WPT INDUSTRIAL REAL ESTATE INVESTMENT TRUST

Notes to Consolidated Financial Statements
(In thousands of U.S. dollars, except per unit amounts)

For the years ended December 31, 2019 and 2018

25. Commitment and contingencies:

- (a) The REIT has agreed to indemnify, in certain circumstances, the trustees and the officers of the REIT in respect of any taxes, penalties or interest imposed upon the trustee or officer in consequence of his/her performance of his/her duties as a trustee or officer.
- (b) In connection with an acquisition of an investment property located in Atlanta, Georgia on April 29, 2014 (the "Atlanta Property"), \$40,170 of bonds were assumed. The authorized amount of the bonds is \$41,500, of which \$40,170 was outstanding as at December 31, 2019 and 2018. The bonds provide for real estate tax abatement for the acquired investment properties. Through a series of transactions, the REIT is both the bondholder and the obligor of the bonds. Therefore, in accordance with IAS 32, the bonds are not recorded in the consolidated statements of financial position.
- (c) The REIT, through its subsidiaries, is the non-recourse carve out and completion guarantor on several construction loans in which the REIT performs asset management, property management and development duties. As at December 31, 2019 and 2018, the construction loans had an outstanding balance of \$27,803 and \$0. The REIT has been indemnified by the limited partners of each investment based on the equity contributed to the project.

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Notes to Consolidated Financial Statements
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26. Fair value measurement:

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

	Level 1	Level 2	Level 3	Total
As at December 31, 2019				
Assets:				
Investment properties	\$ -	\$ -	\$ 1,573,077	\$ 1,573,077
Cash	18,446	-	-	18,446
Right of use asset	-	1,317	-	1,317
Liabilities:				
Mortgages payable	-	314,782	-	314,782
Deferred compensation	14,039	982	401	15,422
Class B Units	23,731	-	-	23,731
Derivative instruments	-	9,317	-	9,317
Lease liability	-	1,356	-	1,356
Security deposits	2,284	-	-	2,284
	Level 1	Level 2	Level 3	Total
As at December 31, 2018				
Assets:				
Investment properties	\$ -	\$ -	\$ 1,117,672	\$ 1,117,672
Cash	8,245	-	-	8,245
Right of use asset	-	3,336	-	3,336
Liabilities:				
Mortgages payable	-	342,680	-	342,680
Deferred compensation	9,811	862	176	10,849
Class B Units	25,422	-	-	25,422
Derivative instruments	-	2,770	-	2,770
Lease liability	-	3,336	-	3,336
Security deposits	1,534	-	-	1,534

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

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Notes to Consolidated Financial Statements
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(a) Fair value of financial instruments:

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

(i) Mortgages payable:

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

(ii) Deferred compensation:

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

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 instruments:

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

(v) Other financial assets and liabilities:

Amounts receivable, cash and cash equivalents, restricted cash, distributions payable, the term loans, the unsecured revolving credit facility, amounts payable and accrued

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liabilities are carried at amortized cost, which, due to their short-term nature, approximates fair value.

27. Capital management:

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

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

Part of the REIT's objectives in securing and managing debt for its investment properties is to stagger the maturities in order to mitigate short-term volatilities in the debt markets. The REIT's declaration of trust stipulates that the REIT shall not incur indebtedness greater than 60% of gross book value. As at December 31, 2019 and 2018, the REIT's debt-to-gross book value ratio was 43.7% and 46.5% (total outstanding principal balance of debt of \$687,013 and \$520,085 as at December 31, 2019 and 2018, respectively, divided by gross book value of \$1,573,077 and \$1,117,672 as at December 31, 2019 and 2018, respectively). The REIT has no convertible debentures outstanding and has never issued any.

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

- (a) minimum unencumbered pool value shall not be less than \$175,000 and shall contain at least 12 properties;
- (b) The aggregate occupancy rate shall not be less than 80%;
- (c) consolidated total indebtedness shall not exceed 60%;

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- (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% of 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 June 26, 2018, plus (iii) 70% of the value of interests in the REIT issued upon the contribution of assets to the REIT or its subsidiaries subsequent to June 26, 2018;

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

28. 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.

The REIT has no material exposure to currency risk.

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- (b) Credit risk arises from the possibility that tenants in investment properties may not fulfill their lease or contractual obligations. The REIT mitigates its credit risks by attracting tenants of sound financial standing and by diversifying its mix of tenants. It also monitors tenant payment patterns and discusses potential tenant issues with property managers on a regular basis. Cash carries minimal credit risk as all funds are maintained with highly reputable financial institutions. The carrying amount of financial assets represents the maximum credit exposure.
- (c) Liquidity risk is the risk that the REIT will encounter difficulty in meeting obligations associated with the maturity of financial obligations. The REIT manages maturities of the fixed interest rate mortgages payable and monitors the repayment dates to ensure sufficient capital will be available to cover obligations.

29. Supplementary cash flow information:

Change in non-cash working capital for the years ended December 31, 2019 and 2018 comprises the following:

	2019	2018
Amounts receivable	\$ (673)	\$ (39)
Prepaid expenses	(357)	81
Restricted cash	(377)	(185)
Amounts payable and accrued liabilities	432	426
Amounts payable and accrued liabilities related to additions to investment properties	(2,918)	(678)
Security deposits	(452)	(166)
	\$ (4,345)	\$ (561)

30. Subsequent events:

On January 8, 2020, the REIT acquired from a third party, an investment property located in Portland, Oregon (the "Portland Property") for a purchase price of \$16,200 (exclusive of closing and transaction costs). The purchase price was satisfied with funds from the unsecured revolving credit facility and cash on hand.

On January 16, 2020, the REIT acquired from a third party, a land parcel located in Eagan, Minnesota, (the "Eagan Development Property") for a purchase price of \$5,125 (exclusive of closing and transaction costs). The REIT intends to contribute the Eagan Development Property into a joint venture with one or more institutional investors and develop a distribution building on the site.

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On January 27, 2020, the REIT sold the investment property and land parcel located at 4350 and 4400 Baker Road, Minnetonka, Minnesota to a third party purchaser for net cash proceeds of \$29,400 (inclusive of closing and working capital adjustments).

On February 3, 2020, the REIT entered into an agreement to economically fix the interest rate for the \$125,000 Term Loan III using an interest rate swap at LIBOR of 1.31% 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 III.

On February 5, 2020 the REIT acquired from a third party, a land parcel located in Katy (Houston), Texas, (the "Houston Development Property") for a purchase price of \$8,700 (exclusive of closing and transaction costs). The REIT intends to contribute the Houston Development Property into a joint venture with an institutional investor with one or more institutional investors and develop an industrial building on the site.

On February 18, 2020, the REIT waived the due diligence conditions in its favor under a membership purchase agreement (the "Acquisition Agreement") to indirectly acquire 26 investment properties and one parcel of land for an aggregate purchase price of \$730,000, subject to closing adjustments as provided in the Acquisition Agreement (the "Acquisition"). The REIT intends to use the net proceeds of the February 2020 Offering (as defined herein) to fund a portion of the purchase price of the Acquisition and related expenses in connection with the Acquisition. It is anticipated that the closing of the Acquisition will occur on or about March 31, 2020.

On February 27, 2020, the REIT issued 16,272,500 subscription receipts of the REIT (including subscription receipts issued pursuant to the exercise in full of the over-allotment option granted by the REIT to the underwriters of the offering) (the "Subscription Receipts") at a price of \$14.35 per Subscription Receipt to a syndicate of underwriters (the "Underwriters") on a bought deal basis for gross cash proceeds to the REIT of approximately \$233,510 (exclusive of underwriters' fees of \$9,340 and other issuance costs) (the "February 2020 Public Offering"), and 2,578,000 Subscription Receipts at a price of \$14.35 per Subscription Receipt to AIMCo for cash proceeds to the REIT of approximately \$37,000 (the "February 2020 Private Offering" and together with the February 2020 Public Offering, the "February 2020 Offering"). Each Subscription Receipt entitles the holder thereof to receive one REIT Unit upon completion of the Acquisition by the REIT without payment of any additional consideration or any further action on the part of the holder of the Subscription Receipt. The REIT intends to use the net proceeds from the February 2020 Offering to pay a portion of the purchase price of the Acquisition.

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On February 29, 2020, the REIT entered into a forward agreement to economically fix the interest rate for \$470,000 of term loans using an average interest rate swap at LIBOR of 0.93% plus an applicable margin based on leverage. The REIT is expected to draw the \$470 million from increased capacity on the three delayed draw term loans under the Credit Facility and use the proceeds to partially fund the Acquisition.

On March 2, 2020, the REIT repaid a mortgage payable bearing a fixed interest rate of 2.87% with a remaining principal balance of \$51,750, with funds from Term Loan III. The properties, previously encumbered by a mortgage payable, were added to the unencumbered asset pool thereby increasing the availability on the Credit Facility.

UNITHOLDER INFORMATION

Listing

Toronto Stock Exchange
(symbol WIR.U in U.S. Funds)
(symbol WIR.UN in Canadian Funds)
OTCQX (symbol: WPTIF in U.S. Funds)

Cash Distributions

Paid monthly at rate of
\$0.0633 per Trust Unit in
U.S. Funds

Investor Relations Contact

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Auditor

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Transfer Agent

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Address

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Toronto, Ontario M5L 1A9

Annual Meeting of Unitholders

Tuesday, June 16, 2020
at 1:00 pm ET

Virtually held via live audio
webcast at:

<https://web.lumiagm.com/252047167>¹

¹ This year, out of an abundance of caution, to proactively deal with the unprecedented public health impact of COVID-19 and to mitigate risks to the health and safety of our community, Unitholders, employees and other stakeholders and to comply with certain guidelines and recommendations of the Ontario government, the REIT will hold the Annual General Meeting of its Unitholders virtually via live audio webcast.

FORWARD-LOOKING STATEMENT AND INFORMATION

This report contains “forward-looking information” as defined under applicable Canadian securities law (“forward-looking information” or “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”, “does not expect”, “scheduled”, “estimates”, “intends”, “anticipates”, “does not anticipate”, “projects”, “believes” or variations of such words and phrases or statements to the effect that certain actions, events or results “may”, “will”, “could”, “would”, “might”, “occur”, “be achieved” or “continue” and similar expressions identify forward-looking statements. Forward-looking statements are necessarily based on a number of estimates and assumptions that, while considered reasonable by management of the REIT as of the date of this report, are inherently subject to significant business, economic and competitive uncertainties and contingencies. The REIT’s estimates, beliefs and assumptions, which may prove to be incorrect, include the various assumptions set forth herein, including, but not limited to, the REIT’s and the property’s future growth potential, 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 as currently in effect remaining unchanged,

the continual availability of capital, the current economic conditions remaining unchanged, and continued positive net absorption and declining vacancy rates in the markets in which the REIT’s 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, 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. 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, the factors discussed under “Risk Factors” in the REIT’s most recently filed annual information form which is available under the REIT’s profile on SEDAR at www.sedar.com. These forward-looking statements are made as of the date of this report and, 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.

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