Summit Industrial Income REIT

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three and six months ended June 30, 2014

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The terms “Summit II”, “the Trust” or “the REIT” in the following Management’s Discussion and Analysis (“MD&A”) refer to Summit Industrial Income Real Estate Investment Trust and its unaudited condensed consolidated interim financial position and results of operations for the three and six months ended June 30, 2014 and 2013.

FORWARD-LOOKING INFORMATION ADVISORY

Certain statements in this MD&A are “forward-looking statements” within the meaning of applicable securities laws. These statements reflect Management’s expectations regarding Summit II’s future growth, results of operations, performance and business prospects and opportunities including expectations for the current financial year, and include, but are not limited to, statements with respect to Management’s beliefs, plans, estimates and intentions, and similar statements concerning anticipated future events, results, circumstances, performance or expectations that are not historical facts. Statements that contain the words such as “could”, “should”, “would”, “can”, “anticipate”, “expect”, “does not expect”, “believe”, “plan”, “budget”, “schedule”, “estimate”, “intend”, “project”, “will”, “may”, “might”, “continue” and similar expressions or statements relating to matters that are not historical factors constitute forward-looking statements. Such forward-looking statements reflect Management’s current beliefs and are based on information currently available to Management.

These statements are not guarantees of future events or performance and, by their nature, are based on Summit II’s current estimates and assumptions, which are subject to significant risks and uncertainties. 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, risks associated with real property ownership, debt financing, interest and financing, capital requirements, credit risk, general uninsured losses, developments, future property acquisitions, competition for real property investments, environmental matters, land leases, potential conflicts of interest, governmental regulations, the relative illiquidity of real property, taxation and reliance on key personnel. These risks, and others, are more fully discussed under the “Risk Factors” section of this MD&A. Material factors and assumptions that were applied in drawing a conclusion or making an estimate set out in the forward-looking information may include, but are not limited to: relatively low and stable interest costs; access to equity and debt capital markets to fund, at acceptable costs, the future growth of Summit II and to enable it to refinance debts as they mature; Summit II’s ability to maintain occupancy and to lease or re-lease space at current or anticipated rents; and the availability of purchase opportunities for growth in Canada. Summit II has attempted to identify important factors that could cause actual results, performance or achievements to be other than as expected or estimated and that could cause actual results, performance or achievements to differ materially from current expectations. These factors are not intended to represent a complete list of the factors that could affect Summit II. Although the forward-looking statements contained in this MD&A are based upon what Management believes to be reasonable assumptions, Summit II cannot assure investors that actual results will be consistent with these forward looking statements.

The forward-looking statements contained herein are expressly qualified in their entirety by this cautionary statement and readers should not place undue reliance on such forward-looking statements. In addition, certain statements included in this MD&A may be considered "financial outlook" for purposes of applicable securities laws, and such financial outlook may not be appropriate for purposes other than in this MD&A. These forward-looking statements are made as at the date of this MD&A and Summit II assumes no obligation to update or revise them to reflect new events or circumstances unless otherwise required to do so by applicable securities legislation.

BASIS OF PRESENTATION

Financial data included in this MD&A includes material information as of August 6, 2014, and should be read in conjunction with the REIT's Unaudited Condensed Consolidated Interim Financial Statements for the three and six months ended June 30, 2014 and 2013. Financial data provided has been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

ADDITIONAL INFORMATION

Additional information relating to Summit II, including the Annual Information Form, Material Change Reports and all other continuous disclosure documents required by the securities regulators, are filed on the System for Electronic Document Analysis and Retrieval (SEDAR) and can be accessed electronically at www.sedar.com.

REVIEW AND APPROVAL BY THE BOARD OF TRUSTEES

The Board of Trustees, upon the recommendation of its Audit Committee, approved the contents of this MD&A on August 6, 2014.

SECTION I – OVERVIEW VISION AND STRATEGY

OVERVIEW

Summit II, formerly known as Proventure Income Fund "Proventure", is an unincorporated mutual fund trust governed by the laws of the Province of Ontario pursuant to the terms of its amended and restated Declaration of Trust dated November 9, 2012 (the "Declaration of Trust"). Effective November 11, 2013, the REIT transitioned from the TSX Venture Exchange "TSXV" to the Toronto Stock Exchange "TSX" under the same trading symbol. Summit II's Units are publicly traded on the TSX under the symbol SMU.UN.

Summit II is focused primarily on the light industrial segment of the Canadian real estate industry. As at June 30, 2014, Summit II's property portfolio was comprised of 33 properties totalling 3,413,753 square feet of gross leasable area ("GLA") with a net book value of approximately $304.6 million.

NON-IFRS FINANCIAL MEASURES

Readers are cautioned that certain terms used in this MD&A such as Funds from Operations ("FFO"), Adjusted Funds from Operations ("AFFO"), Net Operating Income ("NOI") and any related per Unit amounts used by Management to measure, compare and explain the operating results and financial performance of the Trust do not have any standardized meaning prescribed under IFRS and, therefore, should not be construed as alternatives to net income or cash flow from operating activities calculated in accordance with IFRS. Such terms do not have a standardized meaning prescribed by IFRS and may not be comparable to similarly titled measures presented by other publicly traded entities.

SIGNIFICANT ACCOUNTING POLICIES

Summit II's significant account policies are described in Note 4 to its Audited Consolidated Financial Statements for the years ended December 31, 2013 and 2012.

The preparation of financial statements requires Summit II to make estimates and judgments that affect the reported results. For a detailed discussion of the critical estimates refer to Note 5 to the REIT's Audited Consolidated Financial Statements for the years ended December 31, 2013 and 2012.

SUMMIT II'S BUSINESS, VISION AND STRATEGY

SUMMIT'S II BUSINESS

Primary Investment

Light Industrial Segment

Summit II is focused on the light industrial sector of the Canadian real estate industry. Light industrial properties are generally one-story properties located in or near major cities. The properties house such activities as warehousing and storage, light assembly and shipping, call centers and technical support, professional services and a number of other similar uses. There are no significant heavy industrial activities conducted in the properties owned by Summit II.

Summit II has selected this focus due to the solid fundamentals of the Canadian light industrial real estate sector, including low market rent volatility, reduced operating costs and typically generic-use space that is highly marketable. In addition, the scale and diversity of the tenant base occupying light industrial properties is broad and generally tracks the overall economy, reducing risk and providing predictable and consistent cash flow. Finally, capital expenditure and maintenance requirements, leasehold improvement and tenant inducement costs are relatively low compared to other types of real estate.

SUMMIT II'S VISION AND STRATEGY

Summit II's mission is to provide "best-in-class" services to its tenants while delivering solid, stable, and secure returns to its Unitholders. Over the long term, Summit II is dedicated to maximizing FFO through effective property management, realizing on efficiencies and synergies from critical mass, accretive acquisitions, innovative financings and selective development opportunities.

To achieve these goals, Summit II has developed the following key objectives:

1. *To produce superior, dependable returns over the long term for its Unitholders.*

   To meet this objective Summit II plans to generate accretive growth while purchasing properties at values that are at or below replacement cost. Summit II also intends to maximize, over time, available development and expansion opportunities on its existing properties and, through a mortgage-backed mezzanine financing program, undertake development projects through third parties. In the pursuit of generating increasing funds from operations, Summit II plans to maximize operating synergies and to increase economies of scale. Summit II's goal is to achieve growth in FFO over the long term.

2. *To be a leading industrial landlord in its chosen markets.*

   By building critical mass in its chosen market, Summit II plans to capture increasing economies of scale and operating synergies to grow its FFO. Further, Summit II will continue to create diversity in its tenant base and industrial inventory to accommodate changing tenant needs. In addition, Summit II is consistently presented with acquisition opportunities by sellers of industrial real estate.

   To meet its growth objective, Summit II will continue to acquire light industrial properties, to expand GLA in its owned properties based on tenant demand, and to grow through direct and third party development projects. Management is confident through its strong relationships with its lenders and the ability it has demonstrated to access the capital markets that it will generate sufficient capital to meet its growth targets over the long term.

3. *To be one of the top managers of industrial real estate in Canada.*

   Summit II plans to accomplish its vision to be a "best-in-class" service provider to tenants through innovative programs that focus on tenant retention, real estate leasing broker loyalty, standardization of operations, operating efficiency, and proactive employee management.

   By strengthening its reputation as a leading service provider and continuing to meet the needs of its tenants, Summit II will enhance portfolio occupancy, average monthly rents and tenant retention over the long term. Retaining a tenant is much more efficient and much less expensive than attracting a new to tenant to a vacant space. High occupancies and strong tenant retention ratios assist in maximizing cash flow from Summit II's income properties.

SECTION II – KEY PERFORMANCE INDICATORS

Summit II measures the long-term success of its strategies through a number of key financial and operating performance indicators as described below:

FINANCIAL INDICATORS

Funds from Operations

Management has determined FFO to be a useful measure of operating performance as it focuses on cash flow from operating activities. FFO is net income (computed in accordance with IFRS), extraordinary items, amortization expense, future income taxes and after adjustments for equity-accounted for entities and non-controlling interests. Management will strive to increase FFO over the long term.

Adjusted Funds from Operations

AFFO is defined as FFO net of actual leasing commissions, tenant improvements, capital expenditures that maintain the current rental operations, and straight-line rent. Management considers leasing activities and capital expenditures to be fundamental to the operating activities of the REIT in order to maintain the current level of rental operations, and is not a discretionary investment. Management has excluded from the calculation of AFFO those capital expenditures and leasing costs that relate to the generation of a new rental stream. Management also considers AFFO to be an effective measure of the cash generated from operations and is a measure of the REIT's ability to pay distributions.

Net Operating Income

NOI is a generally accepted proxy for operating cash flow and represents earnings before interest expense, income tax expense, amortization expense, plus losses / less any gains on disposition of property, and excluding non-recurring items, such as asset impairment or unrealized gains/losses that may occur under IFRS.

Cash Distributions per Unit

On May 6, 2014, the Board of Trustees approved a cash distribution increase from $0.0408 per Unit per month to $0.042 per Unit per month, or $0.504 per Unit on an annualized basis, representing a 3% annualized increase. This increase applied to Unitholders of record on May 30, 2014. The Board of Trustees have adopted a policy to consider annually increasing the cash distribution by between 2% and 4% while maintaining an AFFO payout ratio below 90%.

Adjusted Funds from Operations Payout Ratio

To ensure it retains sufficient cash to meet its capital improvement and leasing objectives, Summit II will strive to maintain its AFFO Payout Ratio (cash distributions per Unit divided by adjusted funds from operations per Unit) under 90%.

Debt Leverage Ratio

A conservative leverage ratio mitigates Unitholders' risk. Summit II measures its debt leverage ratio in accordance with its Declaration of Trust. Leverage is calculated as the sum of mortgages payable, convertible debentures, preferred units payable, unsecured debentures and bank loans payable divided by the book value of total assets. The maximum permitted debt leverage ratio under the Declaration of

Trust is 65%. While expanding its portfolio, Summit II intends to maintain its leverage ratio in the mid-50% range over the long term.

OPERATING INDICATORS

Tenant Retention

Summit II places a very high value on tenant retention, as the cost to retain a tenant is typically lower than the cost to attract a new one. When a tenant is retained, lost rent due to unoccupied space is eliminated and leasing commissions and tenant inducements are typically lower than the cost of putting new tenants in place. Over the long term, Summit II will continue to aim at a target of 75% tenant retention level.

Occupancy

Consistently high occupancies also generate greater cash flow over the long term. Through its proactive property management and leasing activities, Management anticipates maintaining occupancy at levels higher than the average occupancy in each of the markets in which it operates. Economic “full occupancy” in a light industrial portfolio is realistically at a level less than 100% due to the fact that there will always be some vacancy in the portfolio due to tenant turnover or during the time certain properties are under development or renovation.

Average Rents

Increasing average cash rents contributes to higher funds from operations. Annual contractual increases in rent are beneficial to tenants in managing their costs, as significant rental increases at maturity are avoided and replaced with a predictable expenditure pattern. Summit II intends to negotiate annual increases in rent in the majority of new lease transactions and renewals. The collection of rents is enhanced by Summit II’s preauthorized payment program, which provides administrative efficiencies to both Summit II and its tenants, as well as providing more consistent cash flow and reducing exposure to delinquent accounts.

Lease Portfolio Management

As noted above, a high tenant retention ratio is strongly valued at Summit II. A properly balanced lease maturity schedule facilitates maintaining higher occupancies and spreads leasing costs more predictable over future years. Summit II will endeavor to have no more than 15% of its leases maturing in any one year.

Capital Expenditures

Through its focused capital expenditure program, Summit II anticipates maintaining its properties so they remain functional and competitive within their respective geographic markets. Based on its current capital program, Summit II plans to spend $0.15 to $0.20 per square foot per annum on non-recoverable capital expenditures.

CAPABILITY TO DELIVER RESULTS

Management Team

Summit II is confident that it has the Management team, asset base, access to investment opportunities and access to capital to meet its objectives. The achievement of Summit II's objectives is partially dependent on successful mitigation of business risks. Summit II believes it has identified and mitigated such risks to the extent practical and is committed to identifying and implementing the actions required in achieving its strategy.

Management's capabilities and the business risks that must be managed are discussed in Summit II's Annual Information Form dated March 31, 2014.

Business and Economic Environment

In the current low interest rate environment and with an economy in full recovery, Canadian industrial real estate has performed very well. Through the second quarter of 2014, Management believes a strengthening US economy will have a positive impact on the Canadian economy in general, and Canadian industrial markets in particular. At the end of the second quarter, the national availability rate and vacancy rate in Canada had dropped to 5.4% and 3.7%, respectively, compared with corresponding rates of 8.1% and 6.1% reported at the height of the recession in 2009. The current market fundamentals are indicative of a very healthy and stable market. Among Canada's major industrial markets, the Greater Toronto Area ("GTA") is experiencing the second lowest availability rate and vacancy rates at 4.4% and 2.2%, respectively.(1) A majority of Summit II's light industrial real estate is located in the GTA in order to capitalize on these historically tight market conditions. With absorption outpacing new supply in the GTA, and growing constraints on new supply in the form of rising development charges, rising construction costs and land preservation, Management believes there will be upward pressure on the GTA's light industrial rental rates that will be supportive of long term value creation in the sector. For this reason, the GTA will be a focus of Summit II's growth plans over the near term.

Certain statements above may be forward-looking and readers are cautioned that such statements are subject to certain risks and uncertainties that could cause actual results, performance or achievements of Summit II, or industry results, expressed or implied by such forward-looking statements to differ materially from those contained in such forward-looking statements – see "Forward-Looking Disclaimer" on page 1.

(1) CBRE Global Research and Consulting

SECTION III – FINANCIAL RESULTS

The following is a summary of selected financial information for the periods indicated (see SECTION II – KEY PERFORMANCE INDICATORS for a description of the key terms):

(in Thousands of Canadian dollars) (except per Unit amounts)	Three months ended June 30		Six months ended June 30	
	2014	2013	**2014**	2013
Portfolio Performance				
Occupancy (%) (1)	**98.9%**	100.0%	**98.9%**	100.0%
Revenue from income properties	**$ 7,153**	$ 5,655	**$ 14,221**	$ 8,338
Property operating expenses	**2,017**	1,236	**3,717**	1,810
Net operating income	**5,136**	4,419	**10,504**	6,528
Interest expense	**1,846**	1,343	**3,709**	1,963
Net income	**2,047**	2,725	**5,161**	3,954
Operating Performance				
FFO	**2,858**	2,715	**5,938**	3,944
AFFO	**2,420**	2,502	**5,236**	3,663
Net income per unit - Basic and diluted (2)	**0.104**	0.151	**0.272**	0.271
FFO per Unit (2)	**0.145**	0.151	**0.313**	0.271
AFFO per Unit (2)	**0.123**	0.139	**0.276**	0.251
Distributions declared to Unitholders	**2,491**	2,207	**4,721**	2,942
Distributions per Unit declared to Unitholders	**0.1236**	0.1224	**0.2460**	0.1632
Distributions paid (3)	**1,897**	1,914	**3,640**	1,914
FFO payout ratio without DRIP benefit	**85.2%**	81.3%	**78.5%**	N/A
FFO payout ratio with DRIP benefit (3)	**66.4%**	70.5%	**61.3%**	N/A
AFFO payout ratio without DRIP benefit	**100.6%**	88.2%	**89.1%**	N/A
AFFO payout ratio with DRIP benefit (3)	**78.4%**	76.5%	**69.5%**	N/A
Weighted average Units outstanding (2)	**19,698**	18,029	**18,954**	14,578
Liquidity and Leverage				
Total assets	**311,571**	253,443	**311,571**	253,443
Total debt (loans and borrowings)	**159,872**	136,578	**159,872**	136,578
Weighted average effective mortgage interest rate	**3.69%**	3.63%	**3.69%**	3.63%
Weighted average mortgage term (years)	**4.68**	5.70	**4.68**	5.70
Leverage ratio	**51.3%**	53.9%	**51.3%**	53.9%
Interest coverage (times)	**2.46**	2.90	**2.50**	2.89
Debt service coverage (times)	**1.67**	2.04	**1.70**	2.14
Other				
Properties acquired	**3**	-	**3**	15
Non-core properties disposed	**-**	2	**-**	2

(1) Approximately 209,757 square feet (6.1% of total GLA) Head Lease space has been leased to date. Discussions are under way for the one remaining unit of 77,243 square feet (2.3% of total GLA) under head lease.

(2) A Unit consolidation was completed in January 2013 where the REIT consolidated all of its issued and outstanding Units on the basis of one post consolidation Unit for every twelve pre-consolidation Unit. As well, 11,120,000 Units were issued February 26, 2013 on completion of a public offering. An additional 4,968,000 Units were issued June 5, 2014 on completion of a public offering.

(3) On March 15, 2013, the Trust announced a cash distribution policy to pay $0.0408 per Trust Unit. The first cash distribution was paid on April 15, 2013, to Unitholders of record on March 29, 2013. On May 6, 2014, the Trust announced a cash distribution increase to $0.042 per Trust Unit.

FINANCIAL AND OPERATING HIGHLIGHTS

Highlights:

- Acquisitions, strong property performance drive solid increases in year-over-year revenue, NOI, FFO and AFFO
- Sale of Ottawa property in May generates $4.9 million realized gain
- AFFO payout ratio a conservative 89.1% for six months ended June 30, 2014
- Continued stable and strong occupancy of 98.9%
- Cash distributions increased in June to $0.504 per Unit annualized, a 3% increase
- Three accretive GTA properties acquired totaling 260,000 sq. ft. of GLA for $18.2 million at strong 7.45% cap rate
- Accretively financed $12.2 million for the GTA acquisition with 7-year mortgage debt at 3.64%
- Completed bought deal equity offering raising gross proceeds of $28.8 million
- Reduced leverage to 51.3% creating immediate capacity for acquisitions

REVENUE, PROPERTY OPERATING EXPENSES, NOI, INTEREST

Revenue from income producing properties for the three months ended June 30, 2014, increased to $7.2 million from $5.7 million for the same period in 2013. This increase is primarily due to the acquisition of 22 properties with gross leasable area of 2,669,891 square feet during 2013. Of these properties, 15 were acquired in the first quarter of 2013. The 22 newly acquired properties (the "Acquisitions"), contributed approximately $5.6 million to revenues for the three months ended June 30, 2014. Revenues for the six months ended June 30, 2014, increased to $14.2 million in 2014 compared to $8.3 million in 2013. The properties acquired in 2013 contributed approximately $10.8 million to revenues for the six months ended June 30, 2014. Also, partially offsetting revenue during this quarter was the timing of the sale of 75% interest in 501 Palladium Drive in May. In addition, three properties were acquired in June, 2014.

Property operating expenses increased to $2.0 million for the three months ended June 30, 2014, compared to $1.2 million for the same period in 2013, due primarily to the increase in the property portfolio during 2013. The new Acquisitions contributed approximately $1.6 million to operating expenses for the three months ended June 30, 2014. Property operating expenses increased to $3.7 million for the six months ended June 30, 2014, compared to $1.8 million for the same period in 2013 due primarily to the increase in the property portfolio during 2013. The new Acquisitions contributed approximately $2.8 million to operating expenses for the three months ended June 30, 2014.

Due to the increase in revenues, net operating income for the three months ended June 2014, increased to $5.1 million compared to $4.4 million in 2013. For the six months ended June 30, 2014, net operating income rose to $10.5 million from $6.5 million last year.

Interest expense for the three months ended June 30, 2014, increased to $1.8 million from $1.3 million for the same period in the prior year. For the six months ended June 30, 2014, interest expense rose to $3.7 million compared to $2.0 million last year. The increase was due to the increase in the property portfolio and the related increase in mortgage and other debt.

The net income for the three months ended June 30, 2014, was $2.0 million compared to $2.7 million for the same period in 2013. During the quarter, the sale of the 75% interest in 501 Palladium Drive, generated a realized gain on the sale of approximately $4.9 million. As a result of the realized gain and positive impact on AFFO, an incentive fee of $736,000 was accrued to general and administrative expenses during this quarter. The incentive fee is calculated annually and any amounts due are payable upon the completion of the annual audited financial statements.

Net income increased to $5.2 million from $4.0 million for the six months ended June 30, 2014 and 2013 respectively. The increase is primarily due to the growth in the portfolio offset by the above noted activities during the most recent quarter.

TRANSACTIONS

ACQUISITIONS

For the six months ended June 30, 2014 Summit II acquired three properties totalling 261,746 square feet of GLA. During the six months ended June 30, 2013, Summit II acquired 15 properties totalling 1,996,041 square feet of GLA. Details of these acquisitions are shown in the following table:

Property	City	Province	Closing date	GLA		Purchase Price
2014 Acquisitions						
21 Finchdene Square	Scarborough	Ontario	June 6, 2014	170,100	$	10,750,000
1 Rimini Mews	Mississauga	Ontario	June 6, 2014	46,150		4,200,000
977 Century Drive	Burlington	Ontario	June 6, 2014	45,496		3,250,000
Total Acquisitions for the period ended June 30, 2014				**261,746**	**$**	**18,200,000**
2013 Acquisitions						
5880 56th Avenue	Edmonton	Alberta	February 28, 2013	30,411	$	6,200,000
3703 98th Street	Edmonton	Alberta	February 28, 2013	45,752		6,900,000
40 Dynamic Drive	Scarborough	Ontario	March 4, 2013	86,681		5,850,000
50 Dynamic Drive	Scarborough	Ontario	March 4, 2013	45,639		3,350,000
125 Nashdene Road	Scarborough	Ontario	March 4, 2013	163,402		12,500,000
200 Vandorf Sideroad	Aurora	Ontario	March 6, 2013	322,187		27,350,000
290 Frenette Ave East	Moncton	New Brunswick	March 11, 2013	169,474		20,520,000
292-294 Walker Drive	Brampton	Ontario	March 13, 2013	74,583		8,635,000
296-300 Walker Drive	Brampton	Ontario	March 13, 2013	102,972		8,075,000
155-161 Orenda Road	Brampton	Ontario	March 13, 2013	319,077		23,654,412
8705 Torbram Road	Brampton	Ontario	March 13, 2013	295,957		21,400,000
165 Orenda Road	Brampton	Ontario	March 13, 2013	57,055		4,235,588
1075 Clark Boulevard	Brampton	Ontario	March 13, 2013	35,842		4,300,000
40 Summerlea Road	Brampton	Ontario	March 13, 2013	121,138		9,500,000
6 Shaftsbury Lane	Brampton	Ontario	March 13, 2013	125,871		8,700,000
Total Acquisitions for the period ended June 30, 2013				1,996,041	$	171,170,000
500 Veterans Drive	Barrie	Ontario	August 29, 2013	216,460		17,216,000
110 Walker Drive	Brampton	Ontario	August 29, 2013	148,832		12,163,000
175 Bellerose Blvd	Laval	Quebec	August 29, 2013	81,087		7,971,000
300 Labrosse	Pointe-Claire	Quebec	October 1, 2013	55,333		3,400,000
2580 Dollard	Lassalle	Quebec	October 1, 2013	89,000		5,225,000
2695 Dollard	Lassalle	Quebec	October 1, 2013	62,279		2,950,000
7290 Frederick Banting	St. Laurent	Quebec	October 1, 2013	20,859		3,725,000
Total Acquisitions for the year 2013				2,669,891	$	223,820,000

DISPOSITIONS

For the six months period ended June 30, 2014 and 2013, Summit II disposed of the following:

Property	City	Province	Closing date	%	GLA		Selling Price
2014 Dispositions							
501 Palladium Drive	Ottawa	Ontario	May 6, 2014	75%	193,779	$	25,294,287
Total Dispositions for the period ended June 30, 2014					**193,779**	**$**	**25,294,287**
2013 Dispositions							
4010 & 3930 Thatcher Avenue	Saskatoon	Saskatchewan	April 26, 2013	100%	24,298	$	3,775,000
Hwy 1 & 8 North, 109 Hwy 8	Moosomin	Saskatchewan	April 30, 2013	100%	30,000		1,646,000
Total Dispositions for the period ended June 30, 2013					54,298	$	5,421,000

On May 6, 2014, the Trust sold a 75% interest in 501 Palladium Drive, an Ottawa property, to a major Canadian institution for proceeds of approximately $25.3 million generating a realized gain of approximately $4.9 million. Approximately $18 million of the proceeds of the sale were used to reduce the Trust's floating-rate revolving operating facility.

Proceeds on the 2013 dispositions were used to repay $4.2 million in mortgages and $1.1 million in other liabilities. A net gain of $60,000 was realized after deducting costs relating to the disposition.

FUNDS FROM OPERATIONS, ADJUSTED FUNDS FROM OPERATIONS

The Trust's FFO and AFFO per Unit are calculated as follows:

(in Thousands of Canadian dollars)	Three months ended June 30		Six months ended June 30	
	2014	2013	**2014**	2013
Net Income	**$ 2,047**	$ 2,725	**$ 5,161**	$ 3,954
adjustments				
Incentive fee associated with realized gain on sale of investment properties (1)	**736**	-	**736**	-
Fair value adjustment to investment properties	**75**	(10)	**41**	(10)
FFO	**$ 2,858**	$ 2,715	**$ 5,938**	$ 3,944
adjustments				
Straight lining of rents	**$ (157)**	$ (164)	**$ (361)**	$ (232)
Leasing costs	**$ (294)**	$ (49)	**$ (363)**	$ (49)
Free rent amortization	**$ 13**	$ -	**$ 22**	$ -
Capital	**$ -**	$ -	**$ -**	$ -
AFFO	**$ 2,420**	$ 2,502	**$ 5,236**	$ 3,663
FFO per Unit	**$ 0.145**	$ 0.151	**$ 0.313**	$ 0.271
AFFO per Unit	**$ 0.123**	$ 0.139	**$ 0.276**	$ 0.251
Distributions declared to Unitholders (2)	**$ 2,491**	$ 2,207	**$ 4,721**	$ 2,942
Distributions per Unit declared to Unitholders	**$ 0.1236**	$ 0.1224	**$ 0.2460**	$ 0.1632
Cash distributions paid (2)	**$ 1,897**	$ 1,914	**$ 3,640**	$ 1,914
FFO payout ratio without DRIP benefit (2)	**85.2%**	**81.3%**	**78.5%**	N/A
FFO payout ratio with DRIP benefit (2)	**66.4%**	**70.5%**	**61.3%**	N/A
AFFO payout ratio without DRIP benefit (2)	**100.6%**	**88.2%**	**89.1%**	N/A
AFFO payout ratio with DRIP benefit (2)	**78.4%**	**76.5%**	**69.5%**	N/A
Weighted average number of Units outstanding - post '"consolidation"	**19,698**	18,029	**18,954**	14,578
Units issued and outstanding at the end of the period	**23,274**	18,057	**23,274**	18,057

(1) An incentive fee of $736,000 relates directly to the sale of the 75% interest in 501 Palladium Drive which generated a realized gain on sale of approximately $4.9 million. The incentive fee is calculated annually and any amounts due are payable upon the completion of the annual audited financial statements.

(2) On March 15, 2013, the Trust announced a cash distribution policy to pay $0.0408 per Trust Unit. The first cash distribution was paid on April 15, 2013, to Unitholders of record on March 29, 2013. On May 6, 2014, the Trust announced a cash distribution increase to $0.042 per Trust Unit.

For the three and six months ended June 30, 2014, FFO was $2.9 million ($0.145 per Unit) and $5.9 million ($0.313 per Unit) respectively compared to $2.7 million ($0.151 per Unit) and $3.9 million ($0.271 per Unit) during the same periods in 2013. Adjusted Funds from Operations for the three and six months ended June 30, 2014, was $2.4 million ($0.123 per Unit) and $5.2 million ($0.276 per Unit) respectively compared to $2.5 million ($0.139 per Unit) and $3.7 million ($0.251 per Unit) during the same periods in 2013.

The decreases in FFO and AFFO per Unit during the quarter, when compared to prior year, were due primarily to the sale of the 75% interest in 501 Palladium Drive. When comparing the six months ended year over year the growth in the portfolio from the 22 properties acquired in the 2013 period, improved occupancies and strong leasing activities contributed to the increases in FFO and AFFO.

The REIT's AFFO payout ratio was 100% through the second quarter of 2014. Including the benefit of the REIT's DRIP program, the effective cash payout ratio was a conservative 78.4% in the quarter. For the six months ended June 30, 2014, the AFFO payout ratio was 89.1%, or 69.5% including the benefit of the REIT's DRIP program.

LIQUIDITY AND CAPITAL RESOURCES

The major changes to Summit II's balance sheet as at June 30, 2014, compared to the prior year reflect the property acquisitions, dispositions, debt obtained and equity offering during the first six months of 2014.

TOTAL ASSETS

Summit II's total assets increased to $311.6 million at June 30, 2014, compared to $310.4 million at the prior year end. During the quarter the REIT sold a 75% interest in 501 Palladium Drive for $25.3 million and acquired three properties in Ontario for $18.2 million. Approximately $3.6 million of receivables are associated with the lease surrender fee negotiated at 501 Palladium Drive. Please refer to the "Acquisitions" and "Dispositions" for more details.

TOTAL DEBT

Total debt decreased to $159.9 million at June 30, 2014, compared to $189.0 million at the prior year end. Proceeds from the 75% sale of Palladium in May and the June offering (see "Equity" below) were used to repay approximately $39.6 million of the REIT's revolving credit facility debt. In conjunction with the above noted three property acquisitions in June, mortgages of $12.2 million were obtained for a seven year term at a rate of 3.64%.

Upon the sale of 75% interest in 501 Palladium Drive and the completion of the June offering, the revolving credit facility was amended. The maximum available has been reduced from $68 million to $44 million and the maturity was extended to September 27, 2015.

As of June 30, 2014 $23.3 million was drawn on the loan. The Trust's exposure to floating rate debt is 14.6% of total debt as at June 30, 2014.

EQUITY

Unitholders' Equity increased to $143.0 million at June 30, 2014, compared to $114.3 million at the prior year ended. On June 5, 2014, Summit II completed a public offering of 4,968,000 trust Units at a price of $5.80 for gross proceeds of $28.8 million (the "June offering"). The net proceeds on this offering were $27.4 million.

CASH DISTRIBUTIONS

The Trust announced on March 15, 2013, the REIT would pay a cash distribution of $0.0408 per Trust Unit on a monthly basis to Unitholders, aggregating $0.4896 on an annual basis. The first cash distribution was paid on April 15, 2013, to Unitholders of record on March 29, 2013. Monthly cash distributions of $0.0408 continued to May 2014.

On May 6, 2014, the Board of Trustees approved a cash distribution increase to $0.042 per Unit per month or $0.504 per Unit on an annualized basis, which represents a 3% annualized increase. This increase applied to Unitholders of record on May 30, 2014. The Board of Trustees have adopted a policy to consider annually increasing the cash distribution by between 2% and 4% while maintaining an AFFO payout ratio below 90%.

The cash distributions declared during the six months ended June 30, 2014, were $4.7 million compared to $2.9 million in the six months ended June 30, 2013.

DISTRIBUTION REINVESTMENT PLAN

The Trust also has a Distribution Reinvestment Plan ("DRIP") whereby registered or beneficial holders of the Trust's Units who are resident in Canada can acquire additional Trust Units by reinvesting all or a portion of their monthly cash distributions without paying brokerage commissions. In addition, Unitholders who elect to participate in the DRIP will receive a further distribution of Trust Units equal to 5% of each distribution that was reinvested by them.

During the six months ended June 30, 2014, there were 149,263 Units issued under this plan for total proceeds of $0.8 million, representing a DRIP participation rate of 18.8%. During the year ended December 31, 2013, there were 148,284 Units issued under this plan for total proceeds of $0.8 million, representing a 12.5% DRIP participation rate.

LIQUIDITY

(in Thousands of Canadian dollars)	Total	Deferred Financing Charges	Premium on Debt	Remainder of 2014	2-3 years	4-5 years	After 5 years
Loans and borrowings	159,872	(1,121)	98	1,918	37,230	65,312	56,435
Trade and accrued liabilities	5,735	-	-	5,735	-	-	-
Total	165,607	(1,121)	98	7,653	37,230	65,312	56,435

TAXATION

Summit II is generally subject to tax in Canada under the Income Tax Act (The "Tax Act") in respect to its taxable income each year, except to the extent such taxable income is paid or deemed to be payable to Unitholders and deducted by Summit II for tax purposes.

Pursuant to Summit II's Declaration of Trust, the Trustees intend to distribute or designate all taxable income directly earned by Summit II to Unitholders of the Trust such that Summit II will not be subject to income tax under Part I of the Tax Act.

OCCUPANCY

Summit II works diligently to maximize occupancy throughout its portfolio in accordance with local market conditions.

	June 30, 2014		December 31, 2013		June 30, 2013	
	GLA	Occupancy %	GLA	Occupancy %	GLA	Occupancy %
Investment properties						
Ontario	2,829,858	98.9%	2,761,254	99.2%	2,395,762	100.0%
British Columbia	21,700	100.0%	21,700	100.0%	21,700	100.0%
Alberta	76,163	100.0%	76,163	100.0%	76,163	100.0%
New Brunswick	169,474	100.0%	169,474	100.0%	169,474	100.0%
Quebec	308,558	100.0%	308,558	95.1%	-	100.0%
Total	**3,405,753**	**98.9%**	**3,337,149**	**98.9%**	**2,663,099**	**100.0%**
Property held for sale	8,000	0.0%	8,000	100.0%	8,000	100.0%
Total	**3,413,753**	**98.9%**	**3,345,149**	**98.9%**	**2,671,099**	**100.0%**

ACTIVE LEASING PROGRAM

The REIT has made significant progress in leasing the approximately 287,000 square feet of space that was subject to leases with applicable property vendors (Head Leases) with terms ending December 2016 and September 2015. To date, leases have been secured for 209,757 square feet with discussions currently under way for the one remaining unit of 77,243 square feet.

The occupancy of the portfolio remains strong at 98.9%. As of June 30, 2014, there is only 38,639 square feet of vacancy in two properties. The weighted average term to maturity for the lease portfolio is approximately 5.6 years.

LEASE ROLLOVER

The following table represents the expected lease rollover for the next five years for the investment properties:

	GLA	**Percentage**
2014	15,000	0.4%
2015	312,324	9.1%
2016	443,555	13.0%
2017	340,322	10.0%
2018	317,748	9.3%
2019	446,053	13.1%
Thereafter	1,500,112	44.0%
Occupied GLA	3,375,114	98.9%
Vacant	38,639	1.1%
Total GLA	3,413,753	100.0%

The lease rollover profile will continue to change and normalize as the portfolio expands.

DEBT LEVERAGE RATIO

The maximum debt leverage permitted by Summit II's Declaration of Trust is 65%. However, it is Summit II's goal to operate in the mid-50% range over the long term. At June 30, 2014, Summit II's debt leverage ratio was 51.3% compared to 60.8% at March 31, 2014 and 60.9% at December 31, 2013. The current reduction in leverage is a result of Summit II utilizing proceeds on the 75% sale of Palladium and the June offering to pay down the credit facility. Management expects to complete acquisitions during the balance of the year which will bring leverage back to the mid 50% range.

The twelve-month forward looking debt service coverage ratio for the fund, including the property acquisitions and financing activities noted in subsequent events, is 1.61 times. If Summit II were to increase its borrowing to the 65% maximum allowed under its Declaration of Trust in pursuit of a strategic opportunity, it would have the capacity to purchase approximately $122 million in new properties although Summit intends to maintain its leverage ratio in the mid 50% range over the long term.

(In Thousands of Canadian dollars)	**As at June 30, 2014**	**As at March 31, 2014**	**As at December 31, 2013**
Total Assets	311,571	312,039	310,413
Debt			
Mortgages payable	136,577	125,354	126,200
Bank loans	23,295	64,245	62,845
Total debt	159,872	189,599	189,045
Leverage ratio	**51.3%**	**60.8%**	**60.9%**

CONTRACTUAL OBLIGATIONS

Summit II's most significant contractual obligations relate to the long-term debt including mortgages payable and bank loans as described below.

LONG TERM DEBT

The following table presents the future principal repayments and maturities on long-term debt and respective weighted average effective interest rates:

(In thousands of Canadian Dollars)

Year	Principal Repayment	% of Total	Weighted Average Effective Interest Rate
2014 (remainder)	1,918	1.4%	3.69%
2015	4,000	2.9%	3.69%
2016	9,935	7.2%	3.68%
2017	14,577	10.6%	3.68%
2018	50,735	36.9%	3.70%
2019	2,016	1.5%	3.67%
Thereafter	54,419	39.5%	3.67%
Total principal repayments	137,600	100.0%	
Premium on debt	98		
Deferred financing charges	(1,121)		
Total loans and borrowings	136,577		

As at June 30, 2014, approximately $23.3 million, of the available $44 million, was drawn from the revolving operating facility.

CASH FLOW

The following table represents the changes in cash flow for the six months ended June 30, 2014, compared to the six months ended June 30, 2013.

(In thousands of Canadian dollars)	2014	2013
Cash flow from operating activities	$ 4,695	$ 4,200
Cash flow from (to) financing activities	$ (5,324)	$ 152,612
Cash flow from (to) investing activities	$ 806	$ (156,791)

Cash flow from operating activities for the six months ended June 30, 2014, was $4.7 million compared to $4.2 million for the prior year. The increase is due to growth in the portfolio compared to the six months ended June 30, 2013.

Cash flow for financing activities was $5.3 million for the six months ended June 30, 2014, compared to $152.6 million for the prior year. The net cash flow to financing activities in the current period resulted from a decrease in borrowing on the operating facility of $39.6 million utilizing funds from the June equity offering and the sale of 75% interest in 501 Palladium Drive, repayment of mortgage principal of $1.7 million and cash distributions of $3.6 million. There was $12.2 million in new debt or equity arrangements during the six months ended June 30, 2014, compared to the same period in 2013, when debt financing was arranged for the 15 properties acquired in the period.

On June 5, 2014, Summit II completed a public offering of 4,968,000 Units at a price of $5.80 for gross proceeds of $28.8 million. The net proceeds on the offering were $27.4 million. On February 26, 2013, Summit II completed a public offering of 11,120,000 Units at a price of $6.75 for gross proceeds of $75.1 million. The net proceeds on the offering were $69.5 million.

Cash distributions were $3.6 million in the six months ended June 30, 2014, compared to $1.9 million in the same period last year. During the six months ended June 30, 2014, there were 149,263 Units issued under the DRIP plan for total proceeds of $0.8 million, representing a DRIP participation rate of 18.8%.

Cash flow for investing activities was $0.8 million for the six months ended June 30, 2014, compared to an outflow of $156.8 million in the same period in 2013. For the six months ended June 30, 2014 the Trust acquired three properties with GLA of 261,746 square feet for a purchase price of $18.2 million, compared to the six months ended June 30, 2013, when the Trust acquired 15 properties with GLA of 1,996,041 square feet for a purchase price of $171.2 million. On May 6, 2014, the Trust sold a 75% interest in 501 Palladium Drive, for proceeds of approximately $25.3 million and generating a realized gain on the sale of approximately $4.9 million. Approximately $18 million of the proceeds of the sale were used to reduce the Trust's floating-rate revolving operating facility as noted above. Additions to investment properties relate primarily to the redevelopment of the property at 501 Palladium Drive, Ottawa, ON, from a single tenant to a multi-tenant building, escrow payments and provisions associated with the sale of 75% of this property and tenant leasing costs incurred within the overall portfolio.

RELATED PARTY TRANSACTIONS

Management Agreement

Pursuant to the terms of the Management Agreement with Sigma Asset Management Limited (the "Manager") (formerly Founders Asset Management Corp.), the Manager provides Summit II with the services necessary to manage its day-to-day operations. The Management Agreement, dated September 25, 2012, has an initial term of ten years, subject to earlier termination in certain circumstances, and will be automatically renewed for successive five-year terms.

The Management Agreement sets out the fees payable to the Manager for the services provided, such fees being:

- A base annual management fee equal to 0.25% of the gross value of Summit II's assets;
- an incentive fee equal to 15% of Summit II's AFFO per Unit, plus realized gains on a per Unit basis, as defined by the Management Agreement, in excess of a $0.48 (after the "Consolidation") hurdle amount, such hurdle amount to be increased by 1.5% each year ($0.4872 effective March 1, 2014);
- an acquisition fee for the purchase price paid by Summit II on the acquisition of a property equal to 1% of the first $50 million of the purchase price, 0.75% of the next $50 million of the purchase price, and 0.50% of any portion of the purchase price in excess of $100 million, payable so long as the gross book value of the properties owned by Summit II does not exceed $1 billion;
- a development fee in an amount to be negotiated between Summit II and the Manager, not to exceed the fair market value for comparable services;
- a property management fee equal to 3.5% of the gross rental income from each multi-tenant property, and 2.5% of the gross rental income from each single-tenant property and other property management costs recoverable under tenant operating leases;
- a leasing fee equal to $1.00 per rentable square foot only for those properties where the Manager provides leasing services; and

- a capital expenditures fee equal to 5% of all hard construction costs incurred on any capital project of Summit II, where the Manager is the project manager for the project and the hard construction costs of the project are in excess of $200,000.

The Manager can elect to take all (or any percentage of all) fees payable to it under the Management Agreement (and any property management agreement) in the form of Units, rather than in cash.

Under the terms of the Management Agreement the Trust has incurred the following fees for the three and six months ended June 30, 2014 and 2013:

	Three months ended June 30		Six months ended June 30	
(In $ thousands)	**2014**	2013	**2014**	2013
Acquisition fees (capitalized to investment properties)	**$ 182**	$ -	**$ 182**	$ 1,615
Asset management fees	**188**	155	**373**	227
Incentive fee	**727**	-	**759**	-
Property management services	**317**	174	**629**	249
	$ 1,414	$ 329	**$ 1,943**	$ 2,091

The incentive fee is due primarily to the sale of 75% of 501 Palladium Drive. The incentive fee is calculated annually and any amounts due are payable upon the completion of the annual audited financial statements.

During the six month period ended June 30, 2014, the Manager paid $16,000 to the Trust (2013 – $3,000) for office space located at 294 Walker Drive, Brampton, Ontario, under a five year lease that commenced on June 1, 2013.

The following table represents the Units acquired during the six months ended June 30, 2014, by the Manager and certain Informed Persons of the Manager, as such term is defined in National Instrument 51-102 - Continuous Disclosure Obligations:

Units acquired in the six months ended June 30, 2014	Manager	Certain Senior Executives of the Manager	Other insiders	Total units
Acquired on open market in 2014 and DRIP	89,556	163,083	400,430	653,069
	89,556	**163,083**	**400,430**	**653,069**

In total the Manager owns a 5.7% interest in the REIT, on an indirect basis. Certain senior executives and employees of the Manager own, directly or indirectly, a 3.7% interest in the REIT and other insiders own, directly or indirectly, a 3.19% interest in the REIT, for a total of 12.59% insider ownership as at June 30, 2014.

SUMMARY OF QUARTERLY RESULTS

The summary of quarterly results for the past eight quarters is as follows:

(in Thousands of Canadian dollars)	2014		2013				2012	
(except per Unit amounts)	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Revenue from income properties	$ 7,153	$ 7,068	$ 7,570	$ 6,139	$ 5,655	$ 2,683	$ 1,670	$ 306
Property operating expenses	2,017	1,700	2,240	1,505	1,236	574	433	(5)
Net operating income (NOI)	5,136	5,368	5,330	4,634	4,419	2,109	1,237	311
Net income	2,047	3,114	3,300	3,028	2,725	1,229	7,704	768
Funds from operations (FFO)	2,858	3,080	2,934	2,866	2,715	1,229	778	33
Adjusted funds form operations (AFFO)	2,420	2,816	2,677	2,595	2,502	1,161	720	33
Net income (loss) per Unit - basic and diluted	0.104	0.171	0.182	0.167	0.151	0.111	0.118	0.817
FFO per Unit	0.145	0.169	0.162	0.158	0.151	0.111	0.113	0.035
AFFO per Unit	0.123	0.155	0.148	0.144	0.139	0.105	0.104	0.035
Weighted average Units outstanding Basic and Diluted	19,698	18,201	18,126	18,083	18,029	11,090	6,893	940

Revenues from income producing properties increased slightly to $7.2 million during the quarter ended June 30, 2014, compared to $7.1 million in the prior quarter. The revenue increase was offset by an increase in operating expenses of $2.0 million from $1.7 million during the previous quarter. Net operating income reduced to $5.1 million from $5.3 million in the prior quarter. The overall reduction in net operating income for the quarter is related to the timing of the sale of in May of 75% interest in 501 Palladium Drive which did not align with the property acquisitions in June. The reduction in NOI is due to the sale of 501 Palladium Drive and was partially offset by the acquisition of 261,746 square feet in June.

Net income was $2.0 million for the quarter ended June 30, 2014, compared to $3.1 million in the prior quarter. The decrease is primarily related to the sale of the 75% interest in 501 Palladium Drive. As a result of the gain and positive impact on AFFO, an incentive fee of $736,000 was incurred during this quarter. This incentive fee will be payable, by the 15th day, after the audited financial statements for the fiscal year end to which such fee relates are approved by the Trustees.

SECTION IV – OUTLOOK

Certain statements below may be forward-looking and readers are cautioned that such statements are subject to certain risks and uncertainties that could cause actual results, performance or achievements of Summit II, or industry results, expressed or implied by such forward-looking statements to differ materially from those contained in such forward-looking statements.

INVESTMENT MANAGEMENT

Management believes that property values in the Canadian light industrial sector experienced a slight correction in mid-2013, in response to fears of interest rate volatility, before stabilizing late in the year. Consequently, entering 2014, property markets are once more reflecting a valuation premium for A Class assets relative to B Class assets. This represents a return to the historical market norm. Additionally, industrial market fundamentals across all major markets are expected to remain extremely strong in 2014 and supportive of rental growth and rising property valuations. This is particularly true in Toronto, Canada's largest industrial market, where vacancy rates and new supply are near historic lows.

Light industrial real estate, particularly when packaged in large portfolios, continues to be in very high demand and attracts premium valuations. Institutional, public and private investors, recognizing good value and income streams in this sector, were particularly active buyers in 2013. This competitive investment climate will continue to influence valuations in 2014. Interest rates, which are expected to remain stable or rise only marginally in 2014, will continue to be supportive of leveraged buying and property valuations in general.

Within the context of this highly competitive investment climate, Summit II will continue to expand its presence in the highly stable light industrial sector of the Canadian real estate industry on a selective basis to achieve its goal of becoming the leading industrial landlord in the markets in which it chooses to operate. To enhance the size and quality of its portfolio, Summit II will continue to seek out and evaluate acquisition opportunities in the light industrial sector which meet its strict criteria, with a particular focus on purchasing individual assets or small portfolios that complement Summit II's existing portfolio and which provide value enhancement opportunities. Summit II will carefully evaluate acquisition opportunities, but will not complete a transaction unless it is accretive to its Unitholders and meets Summit II's strict real estate criteria, including an assessment of replacement cost. Management remains confident it will be able to continue to expand the size of its portfolio through a program of selective and accretive acquisitions over the long term.

Summit II's goal in 2014 is to continue expanding its portfolio through acquisitions and expansions. Furthermore, Summit II expects to expand direct access to potential acquisitions through mezzanine financing agreements with third-party developers, providing Summit II with rights to acquire these development projects upon completion, and by broadening its ties to the external development community.

Summit II's disposition efforts will continue in 2014, and will remain focused on its one remaining non-core asset. Summit II intends to use proceeds from this disposition to reduce debt and to reinvest accretively in further acquisitions of Canadian light industrial properties.

OPERATING PERFORMANCE

Management believes the light industrial market will continue to improve in 2014. Management expects national market occupancy and rental rates to increase as North American economies enter a period of economic growth. Activities such as warehousing and storage, light assembly and shipping, professional services and a number of other similar uses carried out in Summit II's properties tend to grow in tandem with the broader economy. As a consequence, strengthening of the broader economy generally leads to strengthening market fundamentals in the industrial sector.

Summit II is also directing its focus on enhancing the cash flow and returns from its existing property portfolio. Summit II will strive to maintain its current high occupancy levels and average monthly rents. Pivotal to Summit II's strategy is to provide tenants with "best-in-class" services to ensure their needs are met and to build Summit II's reputation as the leading service provider in the Canadian real estate industry.

MANAGING DEBT

The market consensus is that interest rates will remain stable or experience only modest increases in 2014. Over the long term, Summit II expects to maintain its leverage in the mid-50% range. Conservative debt service coverage ratios are expected to be maintained during the year. Where appropriate, Summit II plans to utilize hedging instruments to reduce exposure to floating rate debt, and will refinance shorter term debt over the course of the year.

EVENTS SUBSEQUENT TO JUNE 30, 2014

Distributions
On July 15, 2014, a distribution in the amount of $0.042 per Unit for Unitholders of record on July 31, 2014, was declared and will be paid on August 15, 2014.

Property Financing
On August 5, 2014, the Trust has entered into an agreement for a $17 million seven-year term mortgage on a property located at 200 Vandorf, Aurora, Ontario, at an interest rate of 3.65%. The property is currently part of the security for the revolving operating facility. The funds will be used to pay down the revolving operating facility and will reduce the availability on the facility to $27 million.

PROPERTY PORTFOLIO

The following table provides information regarding the property portfolio as at June 30, 2014:

Summit II REIT Portfolio by Property

Address	City	Year Built / Renovated	Single vs. Multi-Tenant	No. of Tenants	GLA	Occupancy
				(#)	(sf)	(%)
British Columbia						
6708, 87A Avenue	Fort Saint John	2006	Single	1	13,500	100.0%
2500 Cranbrook Street	Cranbrook	1970	Single	1	8,200	100.0%
Alberta						
3703 98th Street	Edmonton	1978	Single	1	45,752	100.0%
5880 56th Ave	Edmonton	1997/ 2004	Single	1	30,411	100.0%
6882 &6884, 52nd Avenue	Red Deer	1970	Single	-	8,000	0.0%
Ontario						
501 Palladium Drive (2)	Ottawa	2007	Multi	2	64,593	100.0%
134 Bethridge Road	Bethridge	~1965	Single	1	142,386	100.0%
710 Neal Drive	Peterborough	1973 / Ongoing	Single	1	101,601	100.0%
200 Iber Road	Ottawa	2007	Multi	4	75,743	100.0%
240 Laurier Boulevard	Brockville	2005 / 2010	Single	1	68,093	100.0%
155-161 Orenda Road (1)	Brampton	1970	Multi	5	319,077	100.0%
8705 Torboram Road (1)	Brampton	1980 / 2003	Multi	3	295,957	100.0%
6 Shaftsbury Lane	Brampton	1975	Single	1	125,871	100.0%
40 Summerlea Road	Brampton	1987	Single	1	121,138	100.0%
296-300 Walker Drive	Brampton	1976	Multi	2	102,972	100.0%
292-294 Walker Drive (1)	Brampton	1987	Multi	8	74,583	100.0%
165 Orenda Road	Brampton	2003	Single	1	57,055	100.0%
1075 Clark Boulevard	Brampton	1974	Single	1	35,842	100.0%
200 Vandorf	Aurora	1985	Single	1	322,187	100.0%
125 Nashdene	Scarborough	1992	Multi	2	163,402	100.0%
40 Dynamic Drive	Scarborough	1988	Multi	4	86,681	100.0%
50 Dynamic Drive	Scarborough	1986	Single	1	45,639	32.9%
110 Walker Drive	Brampton	1981 / 1987	Single	1	148,832	100.0%
500 Veterans Drive	Barrie	2004	Single	1	216,460	100.0%
21 Finchdene Square	Scarborough	1981 / 1986	Single	1	170,100	100.0%
1 Rimini Mews	Mississauga	1972	Single	1	46,150	100.0%
977 Century Drive	Burlington	1980	Single	1	45,496	100.0%
New Brunswick						
290 Frenette	Moncton	2012	Single	1	169,474	100.0%
Quebec						
175 Bellerose Boulevard	Laval	2007	Single	1	81,087	100.0%
2580 Dollard	Lassalle	1973	Multi	4	89,000	100.0%
2695 Dollard	Lassalle	1954 / 1980	Multi	2	62,279	100.0%
300 Labrosse	Pointe-Claire	1974	Single	1	55,333	100.0%
7290 Frederick Banting	St. Laurent	2001	Single	1	20,859	100.0%
Total Portfolio				**58**	**3,413,753**	**98.9%**

(1) Expected occupancy over the course of the period with vendor leases in place.

(2) Represents 25% of total GLA.

SECTION V – RISKS AND UNCERTAINTIES

Income producing properties are inherently subject to certain risks and uncertainties due to their relative illiquidity and long term nature of the investment. Summit II's financial results; are therefore, dependent on the performance of its properties and by various external factors that impact the real estate industry and geographic markets in which the REIT operates. Some of the external factors that the REIT is exposed to include fluctuations in interest and inflation rates; access to debt; fulfilling legal and regulatory requirements; and expansion or contraction in the economy as a whole.

Summit II's current business strategy is to focus on acquiring and managing a portfolio of light industrial commercial properties, in both primary and secondary markets throughout Canada and that generate stable cash flows over the long term. The quality of the REIT's current portfolio, Management believes, provides the leverage the REIT needs to expand the business in new markets and acquire high performing properties. Management believes this strategy will enable the REIT's operations to achieve highly sustainable cash flows.

The following is an examination of the key factors that influence Summit II's operations. A more detailed description of all of our risk factors is contained in the REIT's Annual Information Form.

(A) Interest rate risk

The REIT is exposed to interest rate risk when funds are drawn under the revolving credit facility and variable rate mortgages, which have a floating rate of interest. An increase in interest rates would increase the interest cost of the REIT's loans and have an adverse effect on the REIT's comprehensive income and earnings per Unit. Based on the outstanding balance of the revolving credit facility and variable rate mortgages at June 30, 2014, a 1% increase or decrease in the Bank's prime rate would have an impact of $233,000 on the REIT's annual interest expense (December 31, 2013 - $628,000) for the period then ended. The REIT intends to structure its fixed rate financing so as to stagger the maturities of its mortgages, thereby minimizing exposure to future interest rate fluctuations.

(B) Credit risk

Credit risk arises from the possibility that tenants may experience financial difficulty and be unable to fulfill their lease commitments. The REIT attempts to mitigate this risk by conducting credit assessments on new lessees, diversifying its tenant mix and by limiting its exposure to any one tenant. The maximum credit risk exposure at June 30, 2014, and December 31, 2013, relates to the carrying value of the accounts receivable balance without taking into account any collateral held or other credit enhancements. Collateral held on certain leases are letters of credit or security deposits from the tenants. Refer to Note 7 of the REIT's Unaudited Condensed Consolidated Interim Financial Statements for the three and six months ended June 30, 2014 and 2013 for details of accounts receivable.

(C) Liquidity risk

Liquidity risk arises from the possibility of not having sufficient debt and equity capital available to the REIT to fund future growth, refinance debts as they mature or meet the REIT's payment obligations as they arise. Furthermore, liquidity risk also arises from the REIT not being able to obtain financing or refinancing on favourable terms. The six months ended June 30, 2014, the REIT's main liquidity requirements arise from ongoing working capital requirements, debt servicing and repayment obligations, capital and leasing expenditures on existing properties, property acquisitions and distributions to Unitholders. All of the aforementioned liquidity requirements, except for debt repayment obligations at maturity and property acquisitions, are generally funded from cash flows from operations or from drawing on the REIT's revolving credit facility. Debt repayment obligations (Note 8) are generally funded from refinancing the related debt and property acquisitions are generally funded from equity raises as well as obtaining debt financing on the related property. Between capital raises, the REIT may use its revolving credit facility to fund the equity portion of property acquisitions.

The REIT's financial condition and results of operations would be adversely affected if it were unable to obtain financing/refinancing or cost-effective financing/refinancing, or if it were unable to meet its other liquidity requirements from ongoing operating cash flows.

The REIT intends to mitigate its liquidity risk by staggering the maturities of its debt. As well, the REIT's distributions are made at the discretion of the REIT's Trustees. Finally, the Trust does not enter into committed property acquisitions unless it has secured or knows that it can secure the appropriate capital (debt and equity) to fund the particular acquisition.

DISCLOSURE AND INTERNAL CONTROLS

The Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") of Summit II, along with the assistance of senior management, have designed disclosure controls and procedures to provide reasonable assurance that material information relating to Summit II is made known to the CEO and CFO, and have designed internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with IFRS. No changes were made in Summit II's design of internal controls over financial reporting during the six months ended June 30, 2014, that have materially affected, or are reasonably likely to materially affect, Summit II's internal controls over financial reporting.

Due to the inherent limitations in all controls systems, a control system can provide only reasonable, not absolute assurance, that the objective of the control system are met and may not prevent or detect misstatements or instances of fraud. Management's estimates may be incorrect, or assumptions about future events may be incorrect, resulting in varying results. Additionally, controls may be circumvented by the unauthorized acts of individuals, by collusion or two or more people or by management override.

FUTURE CHANGES IN ACCOUNTING POLICIES

The future accounting policies changes are discussed in the Trust's Unaudited Condensed Consolidated Interim Financial Statements for the three and six months ended June 30, 2014 and 2013 and the notes contained therein.

UNITS OUTSTANDING

The Trust is permitted under its Declaration of Trust, to issue three classes designated as "Units", "Special Voting Units" and "Preferred Units". The Trust has issued only a single class of Units.

The total number of Units outstanding as of August 6, 2014, was 23,296,657.