Summit Industrial Income REIT

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the year ended December 31, 2014

Table of Contents

SUMMIT INDUSTRIAL INCOME REIT
MANAGEMENT DISCUSSION AND ANALYSIS
For the year ended December 31, 2014

The terms ñSummit IIò, ñthe Trustò or ñthe REITò in the following Managementôs Discussion and Analysis (ñMD&Aò) refer to Summit Industrial Income Real Estate Investment Trust and its unaudited condensed consolidated interim financial position and results of operations for the years ended December 31, 2014 and 2013.

FORWARD-LOOKING INFORMATION ADVISORY

Certain statements in this MD&A are ñforward ‑ looking statementsò within the meaning of applicable securities laws. These statements reflect Managementôs expectations regarding Summit IIôs 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 Managementôs 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 ñcouldò, ñshouldò, ñwouldò, ñcanò, ñanticipateò, ñexpectò, ñdoes not expectò, ñbelieveò, ñplanò, ñbudgetò, ñscheduleò, ñestimateò, ñintendò, ñprojectò, ñwillò, ñmayò, ñmightò, ñcontinueò and similar expressions or statements relating to matters that are not historical factors constitute forward ‑ looking statements. Such forward ‑ looking statements reflect Managementôs 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 IIôs 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 ñRisk Factorsò 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 IIôs 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 ñfinancial outlookò 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 February 25, 2015, and should be read in conjunction with the REITôs Audited Consolidated Financial Statements for the years ended December 31, 2014 and 2013. Financial data provided has been prepared in accordance with International Financial Reporting Standards (ñIFRSò) as issued by the International Accounting Standards Board (ñIASBò).

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 February 25, 2015.

SECTION I – OVERVIEW VISION AND STRATEGY

OVERVIEW

Summit II, 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 ñDeclaration of Trustò). Effective November 11, 2013, the REIT transitioned from the TSX Venture Exchange òTSXVò to the Toronto Stock Exchange ñTSXò under the same trading symbol. Summit IIôs 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 December 31, 2014, Summit IIôs property portfolio was comprised of 34 properties totalling 3,737,246 square feet of gross leasable area (ñGLAò) with a net book value of approximately $335.8 million.

NON-IFRS FINANCIAL MEASURES

Readers are cautioned that certain terms used in this MD&A such as Funds from Operations (ñFFOò), Adjusted Funds from Operations (ñAFFOò), Net Operating Income (ñNOIò) 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 IIôs significant account policies are described in Note 4 to its Audited Consolidated Financial Statements for the years ended December 31, 2014 and 2013.

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 REITôs Audited Consolidated Financial Statements for the years ended December 31, 2014 and 2013.

SUMMIT II'S BUSINESS, VISION AND STRATEGY

SUMMIT II'S 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 IIôs mission is to provide ñbest-in-classò 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 IIôs 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 ñbest-in-classò 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 IIôs 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), net of 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 REITôs 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 has 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 Unitholdersô 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 ñfull occupancyò 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 IIôs 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

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 IIôs 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.

Managementôs capabilities and the business risks that must be managed are discussed in Summit IIôs 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 fourth quarter of 2014, Management believes a strengthening US economy will continue to have a positive impact on the Canadian economy in general, and Canadian industrial markets in particular. At the end of the fourth quarter, the national availability rate and vacancy rate in Canada had dropped to 5.5% and 3.5%, 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 Canadaôs major industrial markets, the Greater Toronto Area (ñGTAò) is experiencing the second lowest availability rate and vacancy rates in the country at 4.4% and 1.9%, respectively.[(1)] A majority of Summit IIôs 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 GTAôs light industrial rental rates that will be supportive of long term value creation in the region. 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 ï see ñForward-Looking Disclaimerò 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 ï KEY PERFORMANCE INDICATORS for a description of the key terms):

(in Thousands of Canadian dollars) (except per Unit amounts)	Three months ended December 31		Year ended December 31	
	2014	2013	**2014**	2013
Portfolio Performance				
Occupancy (%) (1)	100.0%	98.9%	100.0%	98.9%
Revenue from income properties	$ 7,532	$ 7,570	$ 28,740	$ 22,047
Property operating expenses	2,073	2,240	7,526	5,555
Net operating income	5,459	5,330	21,214	16,492
Interest expense	1,767	1,857	7,160	5,280
Net income	3,158	3,300	11,476	10,282
Operating Performance				
FFO	3,250	2,946	12,447	9,707
AFFO	3,004	2,677	11,032	8,875
Net income per unit - Basic and diluted (2)	0.135	0.182	0.542	0.629
FFO per Unit (2)	0.139	0.163	0.588	0.593
AFFO per Unit (2)	0.129	0.148	0.521	0.543
Distributions declared to Unitholders	2,945	2,220	10,604	7,376
Distributions per Unit declared to Unitholders	0.1260	0.1224	0.4992	0.4080
Distributions paid (3)	2,612	1,920	8,806	5,805
FFO payout ratio without DRIP benefit	90.6%	75.3%	84.9%	68.7%
FFO payout ratio with DRIP benefit (3)	80.4%	65.2%	70.7%	59.8%
AFFO payout ratio without DRIP benefit	98.0%	82.9%	95.8%	75.2%
AFFO payout ratio with DRIP benefit (3)	87.0%	71.7%	79.8%	65.4%
Weighted average Units outstanding (2)	23,368	18,126	21,164	16,356
Liquidity and Leverage				
Total assets	341,646	310,413	341,646	310,413
Total debt (loans and borrowings)	188,677	189,045	188,677	189,045
Weighted average effective mortgage interest rate	3.68%	3.68%	3.68%	3.68%
Weighted average mortgage term (years)	4.45	4.95	4.45	4.95
Leverage ratio	55.2%	60.9%	55.2%	60.9%
Interest coverage (times)	2.72	2.47	2.63	2.74
Debt service coverage (times)	1.69	1.69	1.72	1.93
Other				
Properties acquired	1	4	5	22
Non-core properties disposed	1	-	1	2

(1) Approximately 268,000 square feet of the 287,000 square feet Head Lease space has been leased to date.

(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

2014 Highlights:

- Acquired five properties totaling 593,239 sq. ft. of GLA for $47.5 million at an average cap rate of 6.66%.
- Completed $29.6 million of mortgage financing at an average term of 6.93 years at an average interest rate of 3.65%.
- Completed an equity offering in June, 2014 for proceeds of $28.8 million.
- Completed the sale of a 75% interest in Ottawa property in May, 2014 generating a $4.5 million realized gain.
- Completed the lease up of 268,000 square feet of the total 287,000 square feet of head lease space.
- Manager and Principals interest remains strongly aligned with Unitholders through 13.0% insider ownership of REIT Units outstanding.

Subsequent to year end

- On January 7, 2015 completed an equity offering for net proceeds of $30 million
- Acquired a 50% interest in a portfolio of six properties in Montreal for a purchase price of $39.2 million and at a cap rate of 6.63 %. The acquisition was financed by assuming mortgages of $11.4 million with an average remaining term to maturity of 4.1 years at an average interest rate of 3.45%.
- Placed permanent financing on 3720 Des Grandes Tourelles, Boisbriand, QC, with a 10 year mortgage for $12.9 million (Summitȣs 50% interest) at an interest rate of 3.25%.
- Acquired four properties in the GTA, adding a total of 339,404 square feet for $25.3 million at a cap rate of 7.3%. The acquisition was financed with a new $15.2 million 7 year mortgage at 3.30% with the balance from the REITȣs line of credit.

REVENUE, PROPERTY OPERATING EXPENSES, NOI, INTEREST

Revenue from income producing properties for the three months ended December 31, 2014, was relatively stable at $7.5 million compared to $7.6 million for the same period in 2013. Property operating expenses for the three months ended decreased slightly to $2.1 million compared to $2.2 million for the same period in 2013. Net operating income for the three months ended increased to $5.5 million compared to $5.3 million in 2013.

Revenues for the year ended December 31, 2014, increased to $28.7 million compared to $22.0 million in 2013. Property operating expenses for the year increased to $7.5 million compared to $5.6 million in 2013. Net operating income rose to $21.2 million from $16.5 million last year. The increases year over year are due to the accretive acquisitions completed in 2013 and 2014 offset by the 75% sale of Palladium. Details appear in the ȠTransactionsȡ section below.

Interest expense for the three months ended December 31, 2014, decreased slightly to $1.8 million from $1.9 million for the same period in the prior year. For the year ended December 31, 2014, interest expense rose to $7.2 million compared to $5.3 million last year. The annual increase was due to the increase in the property portfolio and the related increase in mortgage and other debt.

Net income for the three months ended December 31, 2014, was $3.2 million compared to $3.3 million for the same period in 2013. Net income increased to $11.5 million from $10.3 million for the years ended December 31, 2014 and 2013 respectively. The increase was primarily due to the growth in the portfolio offset by the 75% sale of Palladium.

TRANSACTIONS

ACQUISITIONS

For the year ended December 31, 2014 Summit II acquired five properties totalling 593,239 square feet of GLA. During the year ended December 31, 2013, Summit II acquired 22 properties totalling 2,669,891 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
30 Struck Court	Cambridge	Ontario	September 30, 2014	111,493		7,000,000
350 Hazelhurst Road	Mississauga	Ontario	December 23, 2014	220,000		22,250,000
Total Acquisitions for the year 2014				**593,239**		**47,450,000**
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
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 years ended December 31, 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
6882 & 6884 52nd Street	Red Deer	Alberta	October 20, 2014	100%	8,000	$	710,000
Total Dispositions for the year 2014					**201,779**	**$**	**26,004,287**
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 year 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 $4.5 million. Approximately $18.0 million of the proceeds of the sale were used to reduce the Trustôs floating-rate revolving operating facility.

On October 20, 2014, an 8,000 square foot non-core property located in Red Deer, Alberta, was disposed for a selling price of $710,000. Proceeds were used to reduce the Trustôs 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 December 31		Year ended December 31	
	2014	2013	**2014**	2013
Net Income	**$ 3,158**	$ 3,300	**$ 11,476**	$ 10,282
adjustments				
Free rent amortization	**$ 12**	$ 12	**$ 45**	$ 23
Gain (Loss) on sale of property	**$ 400**	$ -	**$ 400**	$ (60)
Incentive fee associated with realized gain on sale of investment properties (1)	**(57)**	-	**680**	-
Fair value adjustment to investment properties	**(263)**	(366)	**(154)**	(538)
FFO	**$ 3,250**	$ 2,946	**$ 12,447**	$ 9,707
adjustments				
Straight lining of rents	**$ (197)**	$ (197)	**$ (755)**	$ (578)
Leasing costs	**$ (18)**	$ (27)	**$ (559)**	$ (210)
Capital	**$ (31)**	$ (44)	**$ (101)**	$ (44)
AFFO	**$ 3,004**	$ 2,678	**$ 11,032**	$ 8,875
FFO per Unit	**$ 0.139**	$ 0.163	**$ 0.588**	$ 0.593
AFFO per Unit	**$ 0.129**	$ 0.148	**$ 0.521**	$ 0.543
Distributions declared to Unitholders (2)	**$ 2,945**	$ 2,220	**$ 10,604**	$ 7,376
Distributions per Unit declared to Unitholders	**$ 0.1260**	$ 0.1224	**$ 0.4992**	$ 0.4080
Cash distributions paid (2)	**$ 2,612**	$ 1,920	**$ 8,806**	$ 5,805
FFO payout ratio without DRIP benefit (2)	**90.6%**	75.3%	**84.9%**	68.7%
FFO payout ratio with DRIP benefit (2)	**80.4%**	65.2%	**70.7%**	59.8%
AFFO payout ratio without DRIP benefit (2)	**98.0%**	82.8%	**95.8%**	75.2%
AFFO payout ratio with DRIP benefit (2)	**87.0%**	71.7%	**79.8%**	65.4%
Weighted average number of Units outstanding - post "consolidation"	**23,368**	18,126	**21,164**	16,356
Units issued and outstanding at the end of the period	**23,397**	18,157	**23,397**	18,157

(1) An incentive fee of $680,000 relates directly to the sale of the 75% interest in 501 Palladium Drive which generated a realized gain on sale of approximately $4.5 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 months and year ended December 31, 2014, FFO was $3.3 million ($0.139 per Unit) and $12.4 million ($0.588 per Unit), respectively, compared to $2.9 million ($0.163 per Unit) and $9.7 million ($0.593 per Unit), respectively, during the same periods in 2013. Adjusted Funds from Operations for the three months and year ended December 31, 2014, was $3.0 million ($0.129 per Unit) and $11.0 million ($0.521 per Unit), respectively, compared to $2.7 million ($0.148 per Unit) and $8.9 million ($0.543 per Unit), respectively, during the same periods in 2013.

The decreases in FFO and AFFO per Unit during the three months and year ended 2014 compared to the prior year were due primarily to the June offering funds having not yet been fully invested until late December 2014.

The REIT's AFFO payout ratio was 98.0% through the fourth quarter of 2014 as funds from the June offering had not yet been fully invested. Including the benefit of the REIT's DRIP program, the effective cash payout ratio was a conservative 87.0% in the quarter. For the year ended December 31, 2014, the

AFFO payout ratio was 95.8% or 79.8% including the benefit of the REITôs DRIP program. Leverage had been below target during the year and although 55.2% as at December 31, 2014, the average during the quarter was approximately 52.0%.

LIQUIDITY AND CAPITAL RESOURCES

The major changes to Summit IIôs balance sheet as at December 31, 2014 compared to the prior year reflect the property acquisitions, dispositions, debt obtained and equity offering during the year.

TOTAL ASSETS

Summit IIôs total assets increased to $341.6 million at December 31, 2014, compared to $310.4 million at the prior year end. During the year the REIT sold a 75% interest in 501 Palladium Drive for $25.3 million, sold a non-core property located in Red Deer, Alberta for $710,000 and acquired five properties in Ontario for a purchase price of $47.5 million. Please refer to the ñAcquisitionsò and ñDispositionsò for more details.

TOTAL DEBT

Total debt was $188.7 million at December 31, 2014, compared to $189.0 million at the prior year end. Proceeds from the 75% sale of Palladium in May 2014 and the June offering (see ñEquityò below) were used to repay approximately $39.6 million of the REITôs 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%. The acquisition price for the properties acquired in September and December utilized funds from the revolving credit facility. Also, the December acquisition included an interest free vendor take back mortgage of $650,000 provided by the vendor with a two year option and one-year extension option to acquire excess land expected to be severed from the property.

During the year, mortgage financing of $17 million was obtained for a seven year term at an interest rate of 3.65%. As well, additional financing of $423,000 was obtained on an existing loan with an interest rate of 4.02% and three year term maturing in August 2016. These funds were used to pay down the revolving credit facility.

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 was reduced from $68 million to $44 million and the maturity was extended to September 27, 2015.

As of December 31, 2014, $36.2 million was drawn on the loan. The Trustôs exposure to floating rate debt was 19.2% of total debt as at December 31, 2014.

EQUITY

Unitholdersô Equity increased to $144.1 million at December 31, 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 ñJune offeringò). 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 has 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 year ended December 31, 2014, were $10.6 million compared to $7.4 million in the year ended December 31, 2013.

UNITHOLDERS' TAXATION

For taxable Canadian resident Unitholders, the distributions are treated in the following manner for tax purposes:

	2014	2013
Other income	**0.00%**	0.89%
Capital gain	**23.21%**	23.67%
Return of capital	**76.79%**	75.44%

DISTRIBUTION REINVESTMENT PLAN

The Trust has a Distribution Reinvestment Plan (ñDRIPò) whereby registered or beneficial holders of the Trustôs 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 year ended December 31, 2014, there were 271,351 Units issued under this plan for total proceeds of $1.6 million, representing a DRIP participation rate of 19.1%. 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**	**Less than 1 year**	**2-3 years**	**4-5 years**	**After 5 years**
Loans and borrowings	188,677	(1,200)	66	40,621	26,463	53,726	69,001
Trade and accrued liabilities	6,084	-	-	6,084	-	-	-
Total	194,761	(1,200)	66	46,705	26,463	53,726	69,001

TAXATION

Summit II is generally subject to tax in Canada under the Income Tax Act (The ñTax Actò) 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 IIôs 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.

	December 31, 2014		December 31, 2013	
	GLA	Occupancy %	GLA	Occupancy %
Investment properties				
Ontario	3,161,351	100.0%	2,761,254	99.2%
British Columbia	21,700	100.0%	21,700	100.0%
Alberta	76,163	100.0%	76,163	100.0%
New Brunswick	169,474	100.0%	169,474	100.0%
Quebec	308,558	100.0%	308,558	95.1%
Total	**3,737,246**	**100.0%**	**3,337,149**	**98.9%**
Property held for sale	-	-	8,000	100.0%
Total	**3,737,246**	**100.0%**	**3,345,149**	**98.9%**

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 September 2015 and December 2016. To date, leases have been secured for 268,000 square feet with discussions currently under way for the one remaining unit of 19,000 square feet.

The occupancy of the portfolio was 100% at December 31, 2014. The weighted average remaining lease term for the lease portfolio was approximately 5.8 years.

LEASE ROLLOVER

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

2015	253,899	6.8%
2016	373,150	10.0%
2017	349,178	9.3%
2018	317,748	8.5%
2019	446,053	11.9%
Thereafter	1,997,218	53.5%
Occupied GLA	3,737,246	100.0%

The 2015 lease expiries would have been 450,217 square feet but renewals of 196,318 square feet have already been completed. The lease rollover profile will continue to change and normalize as the portfolio expands.

DEBT LEVERAGE RATIO

The maximum debt leverage permitted by Summit IIồs Declaration of Trust is 65%. However, it is Summit IIồs goal to operate in the mid-50% range over the long term. At December 31, 2014, Summit IIồs debt leverage ratio was 55.2% compared to 51.7% at September 30, 2014 and 60.9% at December 31, 2013. The reduction in leverage during the year was a result of Summit II utilizing proceeds on the 75% sale of Palladium and the June equity offering to pay down the credit facility. The acquisition completed on December 23, 2014, brought leverage back to the mid 50% range.

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 $96 million in new properties.

(In Thousands of Canadian dollars)	**As at December 31, 2014**	**As at September 30, 2014**	**As at June 30, 2014**	**As at March 31, 2014**	**As at December 31, 2013**
Total Assets	341,646	313,542	311,571	312,039	310,413
Debt					
Mortgages payable	152,515	152,493	136,577	125,354	126,200
Bank loans	36,162	9,514	23,295	64,245	62,845
Total debt	188,677	162,007	159,872	189,599	189,045
Leverage ratio	**55.2%**	**51.7%**	**51.3%**	**60.8%**	**60.9%**

CONTRACTUAL OBLIGATIONS

Summit IIô'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
2015	4,459	2.9%	3.68%
2016	10,774	7.0%	3.68%
2017	15,039	9.8%	3.67%
2018	51,214	33.5%	3.69%
2019	2,512	1.7%	3.66%
Thereafter	69,001	45.1%	3.66%
Total principal repayments	152,999	100.0%	
Vendor take back mortgage	650		
Premium on debt	66		
Deferred financing charges	(1,200)		
Total loans and borrowings	152,515		

On the acquisition of 350 Hazelhurst Road, Mississauga, ON, on December 23, 2014 a $650,000 interest free, vendor take back mortgage was provided with a two-year option and a one-year extension option to acquire excess land that is to be severed from the property.

As at December 31, 2014, approximately $36.2 million of the available $44.0 million was drawn from the revolving operating facility.

CASH FLOW

The following table represents the changes in cash flow for the year ended December 31, 2014, compared to the year ended December 31, 2013.

(In thousands of Canadian dollars)	2014	2013
Cash flow from operating activities	$ 11,877	$ 11,191
Cash flow from (to) financing activities	$ 17,758	$ 195,887
Cash flow from (to) investing activities	$ (30,682)	$ (206,846)

Cash flow from operating activities for the year ended December 31, 2014, was $11.9 million compared to $11.2 million for the prior year. The increase was due to growth in the portfolio compared to the year ended December 31, 2013.

Cash flow from financing activities was $17.8 million for the year ended December 31, 2014, compared with $195.9 million for the prior year. The net cash flow from financing activities in the year resulted from a decrease in borrowing on the operating facility of $26.7 million through utilizing funds from the

June equity offering, the sale of 75% interest in 501 Palladium Drive in May, and new mortgage financing of $29.6 million during the year. Mortgage principal of $3.8 million was repaid during the year. There was $29.6 million in new debt put in place during the year ended December 31, 2014, compared to the same period in 2013, when debt financing of $122.4 million was arranged for the 22 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 an equity offering was completed 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 $8.8 million in the year ended December 31, 2014, compared to $5.8 million in the same period last year. 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. During the year ended December 31, 2014, there were 271,351 Units issued under the DRIP plan for total proceeds of $1.6 million, representing a DRIP participation rate of 19.1%.

Cash flow to investing activities was $30.7 million for the year ended December 31, 2014, compared to an outflow of $206.8 million in the same period in 2013. For the year ended December 31, 2014 the Trust acquired five properties with GLA of 593,239 square feet for a total purchase price of $47.5 million, compared to the year ended December 31, 2013, when the Trust acquired 22 properties with GLA of 2,669,891 square feet for a total purchase price of $223.8 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 $4.5 million. Approximately $18.0 million of the proceeds of the sale were used to reduce the Trustôs floating-rate revolving operating facility as noted above. On October 20, 2014, the Trust sold a non-core property located in Red Deer, Alberta, for $710,000 and applied most of these proceeds toward the revolving operating facility. 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 and capital expenditures incurred within the overall portfolio.

RELATED PARTY TRANSACTIONS

Management Agreement

Pursuant to the terms of the Management Agreement with Sigma Asset Management Limited (the ñManagerò) (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 IIôs assets;
- an incentive fee equal to 15% of Summit IIôs AFFO per Unit, plus per Unit realized gains, as defined by the Management Agreement, in excess of a $0.48 (after the ñConsolidationò) 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 months and year ended December 31, 2014 and 2013:

	Three months ended December 31		Year ended December 31	
(In $ thousands)	**2014**	2013	**2014**	2013
Acquisition fees (capitalized to investment properties)	**$ 223**	$ 153	**$ 475**	$ 2,142
Asset management fees	**197**	193	**759**	585
Incentive fee	**(26)**	-	**753**	-
Leasing fees (capitalized to investment properties)	**172**	93	**172**	155
Capital expenditures management fee (capitalized to investment properties)	**142**	-	**142**	-
Property management services	**322**	323	**1,256**	926
	$ 1,030	$ 762	**$ 3,557**	$ 3,808

The incentive fee is calculated annually and 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. The incentive fee was due primarily to the sale of 75% of 501 Palladium Drive which represents approximately $680,000 of the fee.

During the year ended December 31, 2014, the Manager paid $33,000 to the Trust (2013 ï $18,000) for office space located at 294 Walker Drive, Brampton, Ontario, under a five year lease that commenced on June 1, 2013.

As indicated in the Acquisitions table, the Trust acquired a property at 350 Hazelhurst Road, Mississauga from a fund that was managed by Carttera Private Equities Inc. (ñCartteraò). Jim Tadeson, a Trustee, is a principal of Carttera. Mr. Tadeson declared his interest in the acquisition of the property and did not participate in deliberations of the REITós board of Trustees concerning the acquisition.

The following table represents the Units acquired during the year ended December 31, 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 year ended December 31, 2014	Manager	Certain Senior Executives of the Manager	Other insiders	Total units
Acquired on open market in 2014 and DRIP	89,556	190,572	496,191	776,319
	89,556	**190,572**	**496,191**	**776,319**

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 3.8% interest in the REIT and other insiders own, directly or indirectly, a 3.5% interest in the REIT, for a total of 13.0% insider ownership as at December 31, 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			
(except per Unit amounts)	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenue from income properties	$ 7,532	$ 6,987	$ 7,153	$ 7,068	$ 7,570	$ 6,139	$ 5,655	$ 2,683
Property operating expenses	2,073	1,736	2,017	1,700	2,240	1,505	1,236	574
Net operating income (NOI)	5,459	5,251	5,136	5,368	5,330	4,634	4,419	2,109
Net income	3,158	3,157	2,047	3,114	3,300	3,028	2,725	1,229
Funds from operations (FFO)	3,250	3,236	2,871	3,089	2,946	2,878	2,654	1,229
Adjusted funds form operations (AFFO)	3,004	2,791	2,420	2,816	2,677	2,596	2,441	1,161
Net income (loss) per Unit - basic and diluted	0.135	0.135	0.104	0.171	0.182	0.167	0.151	0.111
FFO per Unit	0.139	0.139	0.146	0.170	0.163	0.159	0.147	0.111
AFFO per Unit	0.129	0.120	0.123	0.155	0.148	0.144	0.135	0.105
Weighted average Units outstanding								
Basic and Diluted	23,368	23,308	19,698	18,201	18,126	18,083	18,029	11,090
Leverage ratio	55.2%	51.7%	51.3%	60.8%	60.9%	60.3%	53.9%	54.6%
Interest coverage (times)	2.72	2.80	2.46	2.54	2.47	2.87	2.90	2.87
Debt service coverage (times)	1.69	1.83	1.67	1.73	1.69	1.97	2.04	2.39

Revenues and operating expenses from income producing properties increased to $7.5 million and $2.0 million respectively during the quarter ended December 31, 2014, compared to $7.0 million and $1.7 million respectively in the prior quarter. Net operating income increased to $5.5 million from $5.3 million in the prior quarter. The increase in NOI when comparing to the prior quarter was due to the acquisition of 111,493 square feet in late September.

Net income was $3.2 million for the quarter ended December 31, 2014, compared to $3.2 million in the prior quarter. Interest expense increased compared to the prior quarter due to the increased borrowing on the operating facility. During the quarter, approximately $263,000 in fair value gains was offset by $400,000 in losses on the sale of investment properties. Approximately $378,000 of these losses related to changes in estimated provisions on the sale of the 75% interest in 501 Palladium Drive which occurred in the second quarter of 2014. The remaining loss was associated with sale of the non-core property in Red Deer, Alberta.

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 expects regional differences within the Canadian light industrial sector in 2015, with improving market fundamentals in Eastern Canada offset by generally weaker fundamentals in Western Canada. These regional differences will be tied to the underlying economic growth forecast of each region. Eastern industrial markets, (most notably Toronto) which have a heavier concentration of manufacturing and distribution uses, will benefit from improved export and transportation conditions stemming from a lower Canadian dollar, lower fuel prices and an overall stronger U.S. economy. In contrast, Western industrial markets (most notably Edmonton and Calgary) will be negatively affected by lower oil and gas prices that are expected to curtail capital investment in the region. As a consequence, Management expects industrial valuations in Toronto to continue to rise in 2015, while valuations in Calgary and Edmonton may decline in response to rising market uncertainty and volatility.

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 2014. This competitive investment climate will continue to influence valuations in 2015, particularly in major Eastern markets. Interest rates, which are at historic lows and are expected to remain stable or rise only marginally in 2015, 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 IIôs existing portfolio and which provide value enhancement opportunities. Summit II will carefully evaluate acquisition opportunities, but will not complete a transaction unless it meets Summit IIôs 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 IIôs goal 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.

OPERATING PERFORMANCE

Management believes the light industrial market will continue to improve in 2015, particularly in Toronto, where the Trust has the bulk of its properties. Management expects Torontoõs market occupancy and rental rates to increase as the local economy and the U.S. economy enter periods of growth. Activities such as warehousing and storage, light assembly and shipping, professional services and a number of other similar uses carried out in Summit IIõs 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 IIõs strategy is to provide tenants with ñbest-in-classò services to ensure their needs are met and to build Summit IIõs reputation as the leading service provider in the Canadian real estate industry.

MANAGING DEBT

Interest rates are currently at historic lows and may be subject to modest increases over 2015. 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.

EVENTS SUBSEQUENT TO DECEMBER 31, 2014

Offering

On January 7, 2015, the Trust completed a public offering of 5,130,000 units at a price of $5.85 per unit for total gross proceeds of approximately $30.0 million. The offering incurred issue costs of $1.5 million for net proceeds of $28.5 million. The offering proceeds were used to repay outstanding debt under the revolving credit facility and will be used to fund subsequent acquisitions.

Distributions

On January 15, 2015, a distribution in the amount of $0.042 per Unit for Unitholders of record January 30, 2015, was declared and was paid on February 13, 2015. Also, on February 13, 2015, a distribution in the amount of $0.042 per Unit for Unitholders of record February 27, 2015, was declared and will be paid on March 13, 2015.

Acquisitions

As of February 11, 2015, the Trust entered into a joint venture with Montrealøs Groupe Montoni and acquired six light industrial properties in Montreal aggregating 326,409 square feet of GLA. The Trust acquired a 50% interest for approximately $39.2 million satisfied by the assumption of approximately $11.4 million in existing mortgages with a weighted average remaining term of 4.1 years bearing an average interest rate of 3.45% with the balance from the proceeds from the offering.

On February 23, 2015, the Trust acquired four light industrial properties in the Greater Toronto Area, aggregating 339,404 square feet of GLA for approximately $25.3 million. The acquisition was satisfied by $15.2 million in mortgages bearing an average interest rate of 3.30% and a weighted average term to maturity of seven years with the balance from the offering.

Financing

On February, 17, 2015, the Trust placed permanent financing on 3720 Des Grandes Tourelles, Boisbriand, QC, with a 10 year mortgage for $12.9 million (Summitøs 50% interest) at an interest rate of 3.25%

PROPERTY PORTFOLIO

The following table provides information regarding the property portfolio as at December 31, 2014 and the above noted subsequent transactions

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%
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	3	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	2	45,639	100.0%
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%
30 Struck Court	Cambridge	2006	Single	1	111,493	100.0%
350 Hazelhurst Road	Mississauga	1997	Single	1	220,000	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 As At December 31, 2014				**59**	**3,737,246**	**100.0%**

Summit II REIT Portfolio by Property

Address	City	Year Built / Renovated	Single vs. Multi-Tenant	No. of Tenants	GLA	Occupancy
				(#)	(sf)	(%)
Subsequent Event Acquisitions						
Ontario						
78 Walker Drive	Brampton	1986 / 2000	Single	1	150,044	100.0%
1600 Clark Boulevard	Brampton	1974	Single	1	79,300	100.0%
65 Riveria Drive	Markham	1985	Single	1	46,360	100.0%
5485 Tomken Road	Mississauga	1982	Single	1	63,700	100.0%
Quebec						
3720 Ave des Grandes Tourelles (3)	Boisbriand	2014	Single	1	153,322	100.0%
1177-1185 55e Ave (3)	Dorval	1990	Single	1	77,946	100.0%
5757 Thimens Blvd. (3)	St. Laurent	1981	Single	1	37,747	100.0%
5545 Ernest-Cormier (3)	Laval	2012	Single	1	24,956	100.0%
185 Bellerose Blvd (3)	Laval	2009	Single	1	19,566	100.0%
1970 John-Yule (3)	Chambly	2011	Single	1	12,872	100.0%
Total Subsequent Event Acquisitions				**10**	**665,813**	**100.0%**
Total Portfolio				**69**	**4,403,059**	**100.0%**

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

(2) Represents 25% of total GLA.

(3) Represents 50% 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 December 31, 2014, a 1% increase or decrease in the Bank's prime rate would have an impact of $362,000 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 December 31, 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 8 of the REIT's Consolidated Financial Statements for the years ended December 31, 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 year ended December 31, 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 9) 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 IIôs design of internal controls over financial reporting during the year ended December 31, 2014, that have materially affected, or are reasonably likely to materially affect, Summit IIôs internal controls over financial reporting.

Management, including Summit IIôs CEO and CFO assessed, or caused an assessment under their direct supervision, of the design and operating effectiveness of the Trustôs disclosure control and procedures and internal controls over financial reporting as at December 31, 2014 on the criteria set forth in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on that assessment, it was determined that, as of December 31, 2014, disclosure control and procedures and internal controls over financial reporting were appropriately designed and were operating effectively based on the criteria established in the Internal Control - Integrated Framework (2013).

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. Managementôs 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 Trustôs Consolidated Financial Statements for the years ended December 31, 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 ñUnitsò, ñSpecial Voting Unitsò and ñPreferred Unitsò. The Trust has issued only a single class of Units.

The total number of Units outstanding as of February 25, 2015, was 28,578,676.