

***SUMMIT INDUSTRIAL INCOME REIT***

**Management's Discussion & Analysis**

***For the three months ended March 31, 2013***

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## Table of Contents

<b>FORWARD LOOKING INFORMATION ADVISORY</b> .....	1
<b>SECTION I – OVERVIEW VISION AND STRATEGY</b> .....	3
<b>SECTION II – KEY PERFORMANCE INDICATORS</b>	
<b>FINANCIAL</b> .....	6
<b>OPERATING</b> .....	7
<b>SECTION III – FINANCIAL RESULTS</b> .....	9
<b>SECTION IV – OUTLOOK</b> .....	18
<b>SECTION V – RISKS AND UNCERTAINTIES</b> .....	21

**SUMMIT INDUSTRIAL INCOME REIT  
MANAGEMENT DISCUSSION AND ANALYSIS  
For the three months ended MARCH 31, 2013**

The following Management's Discussion and Analysis ("MD&A") of Summit Industrial Income Real Estate Investment Trust's ("Summit II" or the "Trust" or the "REIT") results of operations and financial condition for the three months ended March 31, 2013 should be read in conjunction with the REIT's unaudited consolidated interim financial statements for the three months ended March 31, 2013. Information provided in this MD&A is as of May 21, 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.

**SUMMIT INDUSTRIAL INCOME REIT**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**For the three months ended MARCH 31, 2013**

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.

Summit II’s other regulatory filings are available on SEDAR as [www.sedar.com](http://www.sedar.com).

**SUMMIT INDUSTRIAL INCOME REIT  
MANAGEMENT DISCUSSION AND ANALYSIS  
For the three months ended MARCH 31, 2013**

**SECTION I – OVERVIEW VISION AND STRATEGY**

**OVERVIEW**

Summit Industrial Income REIT (“Summit II”, the “Trust”, or the “REIT”), 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”). Summit II’s Units are publicly traded on the Toronto Stock Venture Exchange under the symbols SMU.UN.

Summit II is focused primarily on the light industrial segment of the Canadian real estate industry. As at March 31, 2013, Summit II’s property portfolio was comprised of 25 properties totalling 2,725,397 square feet of gross leasable area (“GLA”) with a net book value of approximately \$256 million.

**NON-IFRS FINANCIAL MEASURES**

Readers are cautioned that certain terms used in this MD&A such as Funds from operation (“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 MD&A is based on its interim consolidated financial statements which have been prepared in accordance with IFRS. Summit II’s significant account policies are described in Note 3 to its audited Consolidated Financial Statements for the year ended December 31, 2012 and 2011.

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 2 to its Consolidated Financial Statements for the year ended December 31, 2012, and 2011.

**SUMMIT INDUSTRIAL INCOME REIT  
MANAGEMENT DISCUSSION AND ANALYSIS  
For the three months ended MARCH 31, 2013**

**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 long-term strength and stability of light industrial real estate. Since 1995, light industrial properties have generated, on average, higher income returns than any other segment within the Canadian real estate industry<sup>1</sup>. These solid returns are attributable to a number of characteristics of light industrial real estate including lower market rent volatility, lower operating costs and more 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 lower with light industrial properties compared to other types of real estate.

<sup>1</sup> Russell Canada and ICREIM/IPD Canada

***SUMMIT II'S VISION AND STRATEGY***

Summit II 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 funds from operations 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 Funds from Operations over the long term.

**SUMMIT INDUSTRIAL INCOME REIT**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**For the three months ended MARCH 31, 2013**

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

By building critical mass in its chosen markets, Summit II plans to capture increasing economies of scale and operating synergies to grow its Funds from Operations. 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 the top manager of 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.

**SUMMIT INDUSTRIAL INCOME REIT**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**For the three months ended MARCH 31, 2013**

FINANCIAL AND OPERATING HIGHLIGHTS

(\$,000 except where noted)	Three Months to March 31, 2013	Three Months to Dec. 31, 2012	Three Months to March 31, 2012
<b>Portfolio Performance</b>			
Occupancy	99%*	97%	97%
Operating Revenues	2,683	1,670	258
Net Operating Income (NOI)	2,109	1,237	247
<b>Operating Performance</b>			
Funds from Operations (FFO)	1,229	376	77
FFO per Unit (basic)	\$0.111	\$0.055	\$0.118
Adjusted Funds from Operations (AFFO)	1,229	376	77
AFFO per Unit (basic)	\$0.111	\$0.055	\$0.010
Weighted Average Number of Units	11,094	6,893	654
Cash Distributions Declared	735	-	13,346
Cash Distributions Declared per Unit (basic)	\$0.0408	-	\$1.70
<b>Liquidity and Leverage</b>			
Total Assets	257,453	81,571	12,170
Total Debt to Gross Book Value	54.6%	47.0%	69.1%
Weighted Average Mortgage Interest Rate	3.7%	3.9%	4.5%
Weighted Average Mortgage Term (years)	5.8 years	4.0 years	3.9 years
Debt Service Coverage (times)	2.48 times	2.39 times	N/A
Interest Coverage (times)	2.98 times	2.40 times	N/A
<b>Other</b>			
Properties Acquired	15	5	-
Non-Core Properties Disposed	-	2	14

\*Approximately 237,000 square feet (9% of total GLA) is under Head Leases, of which approximately 199,000 square feet (7% of total GLA) is under short-term leases (see "Active Leasing Program" below).

**SUMMIT INDUSTRIAL INCOME REIT  
MANAGEMENT DISCUSSION AND ANALYSIS  
For the three months ended MARCH 31, 2013**

**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 Funds from Operations (“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**

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.

**SUMMIT INDUSTRIAL INCOME REIT  
MANAGEMENT DISCUSSION AND ANALYSIS  
For the three months ended MARCH 31, 2013**

**NET OPERATING INCOME**

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**

The Trust announced on March 15, 2013 a cash distribution policy to pay \$0.0408 per Trust Unit on a monthly basis to Unitholders, aggregating \$0.4896 on an annual basis. Summit II is focused on increasing distributions to its Unitholders over the long term. Management intends to accomplish this goal by increasing the net cash flow generated from its real estate assets over the long term.

**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) in the range of 90% and 95%.

**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 an annualized 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.

**SUMMIT INDUSTRIAL INCOME REIT  
MANAGEMENT DISCUSSION AND ANALYSIS  
For the three months ended MARCH 31, 2013**

**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**

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 November 15, 2012.

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.

**SUMMIT INDUSTRIAL INCOME REIT  
MANAGEMENT DISCUSSION AND ANALYSIS  
For the three months ended MARCH 31, 2013**

**SECTION III – FINANCIAL RESULTS**

**SUMMARY OF QUARTERLY RESULTS**

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

(in Thousands of Canadian dollars) (except per unit amounts)	March 31, 2013 <sup>(2)</sup>	December 31, 2012	September 30, 2012	June 30, 2012 <sup>(1)</sup>
Revenue from income properties	\$ 2,683	\$ 1,670	\$ 306	\$ 263
Net income and comprehensive income	1,229	7,704	768	18
Earnings (loss) per unit - Basic	0.111	1.118	0.817	0.028
Weighted average units outstanding <sup>(2)</sup>				
Basic	11,094	6,893	940	654
Diluted	11,094	6,893	940	654

(in Thousands of Canadian dollars) (except per unit amounts)	March 30, 2012 <sup>(1)</sup>	December 31, 2011 <sup>(1)</sup>	September 30, 2011 <sup>(1)</sup>	June 30, 2011 <sup>(1)</sup>
Revenue from income properties	\$ 258	\$ 858	\$ 856	\$ 837
Net income and comprehensive income	77	(136)	11	911
Earnings (loss) per unit - Basic	0.118	(0.208)	0.017	1.405
Weighted average units outstanding <sup>(2)</sup>				
Basic	654	652	651	648
Diluted	654	661	827	823

<sup>(1)</sup> Restated for change in accounting policy. Refer to Note 2 to the Audited Consolidated Financial Statements for the year ended December 31, 2012 and 2011.

<sup>(2)</sup> 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.

During first quarter of 2013, Summit II expanded its property portfolio by acquiring 2.0 million square feet of industrial property in Ontario, Alberta and New Brunswick. Revenues from income producing properties increased to \$2.7 million during the quarter ended March 31, 2013, compared to \$1.7 million in the prior quarter, due primarily to the property acquisitions that occurred late in 2012 and the first quarter of 2013.

Net income decreased to \$1.2 million for the quarter ended March 31, 2013 from \$7.7 million for the quarter ended December 31, 2012 due primarily to \$nil increase in appraised fair value of the acquisition properties recorded in March 2013 as compared to \$7.3 million recorded during the fourth quarter ended December 2012. As most of the 2013 property acquisitions closed during the March period, the acquisition costs including closing costs is considered to be the fair value for the quarter ended March 2013.

**SUMMIT INDUSTRIAL INCOME REIT**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**For the three months ended MARCH 31, 2013**

The following is a summary of key financial information for the three months ended March 31 2013 and 2012(see SECTION II – KEY PERFORMANCE INDICATORS for a description of the key terms):

(in Thousands of Canadian dollars) (except per unit amounts)	March 31, 2013 <sup>(1)</sup>	March 31, 2012 <sup>(2)</sup>	\$ Change
Revenue from income properties	\$ 2,683	\$ 258	\$ 2,425
Property operating expenses	574	11	563
Net operating income	2,109	247	1,862
Interest expense	620	125	495
Net income and comprehensive income	1,229	77	1,152
Net income and comprehensive income per unit - Basic <sup>(1)</sup>	0.111	0.118	(0.01)
Net income and comprehensive income per unit - Diluted <sup>(1)</sup>	0.111	0.118	(0.01)
FFO	1,229	77	1,152
FFO per unit - basic <sup>(1)</sup>	0.111	0.118	(0.007)
AFFO	1,229	77	1,152
AFFO per unit <sup>(1)</sup>	0.111	0.118	(0.007)
Distributions declared to Unitholders	735	13,346	(12,611)
Distributions per unit declared to Unitholders	0.0408	1.70	(1.659)
Weighted average units outstanding	11,094	654	10,440
Units issued and outstanding at the end of the period	18,013	654	17,359

<sup>(1)</sup> 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 offer.

<sup>(2)</sup> Restated for change in accounting policy. Refer to Note 2 to the Audited Consolidated Financial Statements for the year ended December 31, 2012 and 2011.

**REVENUE, PROPERTY OPERATING EXPENSES, NOI, INTEREST**

Revenue from income producing properties for the three month period ended March 31, 2013, increased to \$2.7 million from \$0.3 million in the same period last year. The portfolio GLA has grown to 2,725,397 square feet for the period ending March 31, 2013, compared to 105,790 the same period last year. Properties acquired during the last four months of 2012 contributed approximately \$1.6 million to revenues for the quarter ended March 31, 2013.

Property operating expenses increased to \$574 thousand for the quarter ended March 31, 2013, compared to \$11 thousand in 2012 due primarily to the increase in the property portfolio and the nature of the leases in place related to the properties sold earlier in the year. Early in 2012, and in prior years, leases in place were triple net whereas, leases under the Acquisition properties are ones where the landlord pays the expenses and then recovers from the tenant.

Interest expense increased in 2013 to \$620 thousand from \$125 thousand in the first quarter of 2012. The increase was due to the increase in debt as a result of the acquisitions completed over the last seven months ending March 31, 2013. Mortgage financings of \$90.6 million, with terms between five to seven years at an average rate of 3.63%, were obtained to fund the property acquisitions during the quarter.

Net income increased to \$1.2 million in the first quarter of 2013 compared to \$77 thousand in the first quarter 2012. The increase is primarily due to the growth in the portfolio over the last seven months.

**SUMMIT INDUSTRIAL INCOME REIT**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**For the three months ended MARCH 31, 2013**

**FUNDS FROM OPERATIONS, ADJUSTED FUNDS FROM OPERATIONS**

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

(in Thousands of Canadian dollars)			
For the three months ended March 31			
	2013		2012
Net Income	\$	1,229	\$ 77
<i>adjustments</i>			
Gain on sale of investment properties		-	-
FFO	\$	1,229	\$ 77
FFO per unit	\$	0.111	\$ 0.118
Distributions declared to Unitholders <sup>(1)</sup>	\$	735	\$ 13,346
Distributions per unit declared to Unitholders	\$	0.0408	\$ 1.70
Weighted average number of units outstanding		11,094	654
Units issued and outstanding at the end of the period		18,013	654

<sup>(1)</sup> On January 23, 2012, the Trust paid a special distribution to Unitholders using proceeds from the sale of 14 properties that were sold on January 2, 2012.

For the three months ended March 31, 2013, FFO and AFFO per unit were \$0.111 compared to \$0.118 in 2012. The fund did not have any leasing costs or capital expenditures during these periods and as a result AFFO and AFFO per unit is the same as FFO and FFO per unit. The increases in FFO and AFFO per unit were due primarily to the growth in the portfolio period over the prior twelve months.

On January 28, 2013, the REIT consolidated all of its issued and outstanding units on the basis of one post consolidation Unit for every twelve pre-consolidation Unit (the "Consolidation") held as of the record date for the Consolidation. The Consolidation was effected after receiving approval from the Unitholders at a special meeting of Unitholders held on January 16, 2013 and after receiving approval from the TSXV. As at March 31, 2013, 18,013,110 Units were issued and outstanding compared to 654,248 at March 31, 2012. The weighted average number of Units at March 31, 2013 was 11,093,999 compared to 654,248 at March 31, 2012.

**LIQUIDITY AND CAPITAL RESOURCES**

The major changes to Summit II's balance sheet as at March 31, 2013 compared to the prior year-end reflect the property acquisitions, debt assumptions and equity offering during the first quarter of 2013.

(in Thousands of Canadian dollars)		
(except per unit amounts) As at		
	March 31, 2013 <sup>(2)</sup>	December 31, 2012 <sup>(1)</sup>
Total assets	257,452	81,571
Total debt (loans and borrowings and preferred units payable)	140,606	38,299
Total equity	111,055	41,064
Weighted average units outstanding <sup>(1) (2)</sup>	11,094	2,294
Debt to fair value (including preferred units payable)	54.6%	47.0%
Interest coverage ratio	2.98	2.40
Debt service coverage ratio <sup>(3)</sup>	2.48	2.39
Weighted average interest rate	3.8%	4.0%
Portfolio occupancy	99%	97%

<sup>(1)</sup> Per unit amounts are prior to the unit consolidation 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.

<sup>(2)</sup> Per unit amounts consider the unit consolidation completed in January 2013 and the issuance of 11,120,000 units during February 2013.

<sup>(3)</sup> The 2012 ratio has been calculated based on Q4 2012 results which aligns the issuance of debt with the new acquisitions.

**SUMMIT INDUSTRIAL INCOME REIT  
MANAGEMENT DISCUSSION AND ANALYSIS  
For the three months ended MARCH 31, 2013**

**TOTAL ASSETS**

Summit II's total assets increased to \$257.5 million for the period ended March 31, 2013, compared to \$81.6 million in the prior year end. During the quarter, the REIT acquired 15 properties for a purchase price of \$171.2 million (excluding closing costs). Please refer to "Acquisitions" below.

**TOTAL DEBT**

Total debt increased to \$140.6 million for the quarter ended March 31, 2013, compared to \$38.3 million in the prior year end. In conjunction with the above noted property acquisitions, the following mortgage financings were obtained in 2013; on February 28, \$8.5 million for a five year term at a rate of 3.22%; on March 4, \$15.0 million for a five year term at a rate of 3.61%; on March 11, assumed \$13.0 million with a four year term at a rate of 3.7%; and on March 13, obtained \$54.0 million for a seven year term at the rate of 3.68%. On February 20, 2013, the credit facility was increased to \$38 million and on March 11, 2103 it was increased to \$55 million with the addition of an acquisition property in Aurora, Ontario, as security. As of March 31, 2013 \$38.9 million was drawn on the loan.

**EQUITY**

Unitholders' Equity increased to \$111.1 million for the quarter ended March 31, 201, compared to \$41.1 million in the prior year ended. On February 26, 2013, Summit II completed a public offering of 11,120,000 trust units at a price of \$6.75 for gross proceeds of \$75.1 million. The net proceeds on this offering were \$69.5 million.

**CASH DISTRIBUTIONS**

The Trust announced on March 15, 2013, a cash distribution policy to pay \$0.0408 per Trust Unit on a monthly basis to Unitholders, aggregating \$0.4896 on an annual basis. The first cash distribution in the amount of \$0.7 million was paid on April 15, 2013 to Unitholders of record on March 29, 2013. On January 23, 2012, the Trust paid a special distribution of \$13.4 million (\$1.70 per unit) to Unitholders using proceeds from the sale of 14 properties that were sold on January 5, 2012.

**DISTRIBUTION REINVESTMENT PLAN**

The Trust announced on March 15, 2013 that it has implemented as 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.

**SUMMIT INDUSTRIAL INCOME REIT**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**For the three months ended MARCH 31, 2013**

**LIQUIDITY**

(in Thousands of Canadian dollars)	<b>Total</b>	<b>Less than 1 year</b>	<b>2-3 years</b>	<b>4-5 years</b>	<b>After 5 years</b>
Loans and borrowings	139,481	7,845	43,985	27,945	59,706
Trade and accrued liabilities	2,499	2,499	-	-	-
Other liabilities	1,106	1,106	-	-	-
Preferred units payable	1,125	1,125	-	-	-
<b>Total</b>	<b>144,211</b>	<b>12,575</b>	<b>43,985</b>	<b>27,945</b>	<b>59,706</b>

**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.

	March 31, 2013		December 31, 2012	
	GLA	Occupancy %	GLA	Occupancy %
Investment properties				
Ontario	2,395,962	100%	646,194	100%
British Columbia	21,500	100%	21,500	100%
Alberta	84,163	100%	8,000	100%
New Brunswick	169,474	100%	-	-
	<b>2,671,099</b>	<b>100%</b>	<b>675,694</b>	<b>100%</b>
Investment properties held for sale				
Saskatchewan	54,298	55%	54,298	55%
	54,298	55%	54,298	0%
<b>Total</b>	<b>2,725,397</b>	<b>99%</b>	<b>729,992</b>	<b>97%</b>

**SUMMIT INDUSTRIAL INCOME REIT  
MANAGEMENT DISCUSSION AND ANALYSIS  
For the three months ended MARCH 31, 2013**

**LEASE ROLLOVER**

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

	<b>GLA</b>	<b>Percentage</b>
2013	53,257	2.0%
2014	384,258	14.4%
2015	192,315	7.2%
2016	221,532	8.3%
2017	451,705	16.9%
Beyond	1,368,032	51.2%

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

**ACTIVE LEASING PROGRAM**

During and subsequent to the first quarter of 2013 the REIT made significant progress in leasing approximately 287,000 square feet of space subject to leases with applicable property vendors (Head Leases) with terms ending December 2014 and September 2015. Approximately 199,000 square feet (7% of the REIT's total GLA) under Head Leases is occupied by tenants under short term leases and approximately 50,000 square feet of Head Lease space is not set to commence until November 2013. As of March 31, 2013 long-term leases have been secured for 22,000 square feet of Head Lease space, with offers under negotiation for another 249,000 square feet.

Overall, leases representing only 2.0% of the total property portfolio, or 53,000 square feet, renew in 2013 with 384,000 square feet, or 14.4% of the total portfolio, up for renewal in 2014. The weighted average term to maturity for the lease portfolio is approximately 6.1 years.

**SUMMIT INDUSTRIAL INCOME REIT**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**For the three months ended MARCH 31, 2013**

**TRANSACTIONS**

**ACQUISITIONS**

For the three months period ended March 31, 2013, Summit II purchased 15 light industrial properties totalling 1,995,405 square feet of GLA. Details of these acquisitions are shown in the following table:

**ACQUISITIONS**

<b>Property</b>	<b>City</b>	<b>Province</b>	<b>Closing date</b>	<b>GLA</b>	<b>Purchase Price</b>
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	45,003	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
				<u>1,995,405</u>	<u>\$ 171,170,000</u>

**SUMMIT INDUSTRIAL INCOME REIT**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**For the three months ended MARCH 31, 2013**

**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 March 31, 2013, Summit II's debt leverage ratio was 54.6%, up from 47.0% at December 31, 2012 due to the issuance of \$69.5 million in new trust units for acquisitions; mortgage debt financing of \$90.6 million, as well as funds utilized from the Trust's credit facility. 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 \$76 million in new properties as at March 31, 2013.

<i>(In Thousands of Canadian dollars)</i>	<b>As at March 31, 2013</b>	<b>As at December 31, 2012</b>
Total Assets	257,452	81,571
Debt		
Mortgages payable less financing costs	100,581	11,095
Preferred units payable	1,125	1,125
Bank loans	38,900	26,079
Total debt	140,606	38,299
Leverage ratio	<b>54.6%</b>	<b>47.0%</b>

**CONTRACTUAL OBLIGATIONS**

Summit II's most significant contractual obligations relate to 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 interest rates:

<i>(In thousands of Canadian Dollars)</i>	<b>Principal Repayment</b>	<b>% of Total</b>	<b>Weighted Average Interest Rate</b>
2014	8,002	5.7%	3.8%
2015	41,552	29.6%	3.7%
2016	2,748	2.0%	3.7%
2017	2,852	2.0%	3.7%
2018	25,398	18.1%	3.6%
Thereafter	59,883	42.6%	3.6%

**SUMMIT INDUSTRIAL INCOME REIT  
MANAGEMENT DISCUSSION AND ANALYSIS  
For the three months ended MARCH 31, 2013**

**CASH FLOW**

The following table represents the changes in cash flow for the three months ended March 31, 2013, compared to March 31, 2012.

(In thousands of Canadian dollars)	<b>2013</b>	<b>2012</b>
Cash flow from operating activities	\$ 2,762	\$ (310)
Cash flow from (to) financing activities	\$ 172,766	\$ (13,335)
Cash flow (to) investing activities	\$ (175,456)	\$ 13,267

Cash flow generated from operating activities for the three months ended March 31, 2013 was \$2.8 million compared to an outflow of \$0.3 million in the prior year's first quarter. The increase is due to the growth in the portfolio through acquisitions made over the past twelve months.

Cash inflow from financing activities was \$172.8 million for the quarter ended March 31, 2013, compared to an outflow of \$13.3 million in the same period last year. The increase was due primarily to an increase of approximately \$103.2 million in debt financing arranged for the acquisitions during the quarter, and gross proceeds of \$75.1 million in equity raised from the public offering in February 2013 which issued 11,120,000 units at a price of \$6.75. Mortgage financings of \$90.6 million, with terms between five to seven years at an average rate of 3.63%, were obtained to fund the property acquisition during the quarter.

Cash distributions were nil during the quarter ended March 31, 2013 compared to \$13.3 million last year. On January 23, 2012, the Trust paid a special distribution to the Unitholders with proceeds from the sale of 14 properties on January 5, 2012.

Cash outflow to investing activities increased to \$175.5 million for the three months ended March 31, 2013 compared to an inflow of \$13.3 million in the same period last year. The trust acquired 15 properties with GLA of 1,995,405 square feet during the first quarter of 2013 compared to the disposal of 14 properties with GLA of 214,727 square feet during the same period last year.

**SUMMIT INDUSTRIAL INCOME REIT  
MANAGEMENT DISCUSSION AND ANALYSIS  
For the three months ended MARCH 31, 2013**

**RELATED PARTY TRANSACTIONS**

(a) 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 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, in excess of a \$0.04 hurdle amount such hurdle amount to be increased by 1.5% each year; 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; 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 Fund has incurred the following fees for the three months ended March 31, 2013 and 2012:

(in \$ thousands)	2013	2012
Acquisition fees (capitalized to investment properties)	\$ 1,615	\$ -
Asset management fees	72	-
Property management fees	75	-
	\$ 1,762	\$ -

During the three months ended March 31, 2013, the Manager used the acquisition fee proceeds to acquire 240,444 Fund units from the offering of 11,120,000 units.

**SUMMIT INDUSTRIAL INCOME REIT**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**For the three months ended MARCH 31, 2013**

**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, which have risen over the last few quarters, will experience further modest increases in 2013. 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 in this sector in relation to global markets and alternative investments, were particularly active buyers in 2012. Their low cost of capital, coupled with an increasingly competitive investment climate, will continue to influence valuations in 2013. Interest rates, which are expected to remain stable at historically low levels, will contribute to modest upward pressure on valuations in light of the very strong demand for this asset class.

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 2013 is to invest approximately \$300 million in 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 2013, and will remain focused on one remaining non-core asset. Summit II intends to use proceeds from dispositions to reduce debt and to reinvest accretively in further acquisitions of Canadian light industrial properties.

**SUMMIT INDUSTRIAL INCOME REIT**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**For the three months ended MARCH 31, 2013**

**OPERATING PERFORMANCE**

Management believes the light industrial market will remain stable in 2013. Management expects national market occupancy and rental rates to be steady for the year as North American economies enter a period of modest but steady 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, a period of stable growth in the broader economy points to stability 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 very modest increases in 2013. 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 MARCH 31, 2013**

(a) Property Dispositions

On April 29, 2013, Summit II announced the sale of two non-core industrial properties. The first is a 24,298 square foot vacant property located in Saskatoon, Saskatchewan. The second is a 30,000 square foot property in Moosomin, Saskatchewan. The total sale price for the two properties was approximately \$5.4 million with mortgages totaling \$4.2 million being repaid. The net cash proceeds of \$1.2 million from the property sales were applied to other liabilities.

(b) Distribution

On April 15, 2013, a distribution in the amount of \$0.0408 per Unit for Unitholders of record on April 30, 2013, was declared and was paid on May 15, 2013. Also, on May 15, 2013, a distribution in the amount of \$0.0408 per Unit for Unitholders of record on May 31, 2013, was declared and will be paid on June 14, 2013. These monthly distributions aggregate to \$0.4896 on an annual basis.

**SUMMIT INDUSTRIAL INCOME REIT**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**For the three months ended MARCH 31, 2013**

**UPDATED PORTFOLIO**

The following table provides information regarding the updated portfolio following the completion of the two Saskatchewan property dispositions noted in the above subsequent events and not including a third Saskatchewan property held for sale:

Summit II REIT Portfolio by Property							
Address	City	Year Built / Renovated	Single vs. Multi- Tenant	No. of Tenants (#)	GLA (sf 000)	Occupancy (%)	NOI (\$000)
6708, 87A Avenue	Fort Saint John	2006	Single	1	13,500	100.0%	\$ 276,001
2500 Cranbrook Street	Cranbrook	1970	Single	1	8,000	100.0%	\$ 116,121
<b>Alberta</b>							
6882 & 6884, 52nd Avenue	Red Deer <sup>(1)</sup>	~1970	Single	1	8,000	100.0%	\$ -
3703 98th Street	Edmonton	1978	Single	1	45,752	100.0%	\$ 481,354
5880 56th Ave	Edmonton	1997/ 2004	Single	1	30,411	100.0%	\$ 447,983
<b>Ontario</b>							
501 Palladium Drive	Ottawa	2007	Single	1	258,371	100.0%	\$ 2,016,829
134 Bethridge Road	Bethridge	~1965	Single	1	142,386	100.0%	\$ 766,629
710 Neal Drive	Peterborough	1973 / Ongoing	Single	1	101,601	100.0%	\$ 413,149
200 Iber Road	Ottawa	2007	Multi	4	75,743	100.0%	\$ 526,354
240 Laurier Boulevard	Brockville	2005 / 2010	Single	1	68,093	100.0%	\$ 1,131,252
155-161 Orenda Road <sup>(2)</sup>	Brampton	1970	Multi	3	319,077	100.0%	\$ 1,569,236
8705 Torboram Road <sup>(2)</sup>	Brampton	1980 / 2003	Multi	3	295,957	100.0%	\$ 1,397,355
6 Shaftsbury Lane	Brampton	1975	Single	1	125,871	100.0%	\$ 685,273
40 Summerlea Road	Brampton	1987	Single	1	121,138	100.0%	\$ 653,246
296-300 Walker Drive	Brampton	1976	Multi	2	102,972	100.0%	\$ 546,740
292-294 Walker Drive <sup>(2)</sup>	Brampton	1987	Multi	3	74,583	100.0%	\$ 499,806
165 Orenda Road	Brampton	2003	Single	1	57,055	100.0%	\$ 305,089
1075 Clark Boulevard	Brampton	1974	Single	1	35,842	100.0%	\$ 293,557
200 Vandorf	Aurora	1985	Single	1	322,187	100.0%	\$ 2,104,573
125 Nashdene	Scarborough	1992	Multi	2	163,402	100.0%	\$ 862,454
40 Dynamic Drive	Scarborough	1988	Multi	4	86,681	100.0%	\$ 394,108
50 Dynamic Drive	Scarborough	1986	Single	1	45,003	100.0%	\$ 224,715
<b>New Brunswick</b>							
290 Frenette	Moncton	2012	Single	1	169,474	100.0%	\$ 1,501,963
<b>Total</b>				<b>37</b>	<b>2,671,099</b>	<b>100.0%</b>	<b>\$ 17,213,787</b>

<sup>(1)</sup> Considered non-core asset, income excluded from presentation.

<sup>(2)</sup> Expected occupancy over the course of the period with vendor leases in place.

**SUMMIT INDUSTRIAL INCOME REIT  
MANAGEMENT DISCUSSION AND ANALYSIS  
For the three months ended MARCH 31, 2013**

**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 Acquisition Facility and variable rate mortgages at March 31, 2013, a 1% increase or decrease in the Bank's prime rate would have an impact of \$431 thousand on the REIT's annual interest expense (December 31, 2012 - \$304 thousand) 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, by ensuring that its tenant mix is diversified and by limiting its exposure to any one tenant. The maximum credit risk exposure at March 31, 2013 and December 31, 2012, 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 9 for details of accounts receivable.

**SUMMIT INDUSTRIAL INCOME REIT**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**For the three months ended MARCH 31, 2013**

(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 three months ended March 31, 2013, 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 10) 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 REIT does not enter into 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 the Fund will file a Venture Issuer Basic Certificate with respect to the financial information contained in the consolidated financial statements and MD&A. In contrast to the certificate required for non-venture issuers under National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings* (NI 52-109), this Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR"). The Fund's CEO and CFO are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in this certificate. Investors should be aware that inherent limitations of the CEO and CFO to design and implement on a cost effective basis, DC&P and ICFR, may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports.

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 audited consolidated financial statements for the year ended December 31, 2012 and the notes contained therein.