Summit Industrial Income REIT

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the year ended December 31, 2017

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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 Audited Consolidated Financial Statements and results of operations for the years ended December 31, 2017 and 2016.

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 20, 2018 and should be read in conjunction with the REITôs Audited Consolidated Financial Statements for the years ended December 31, 2017 and 2016. Financial data provided has been prepared in accordance with International Financial Reporting Standards (ñIFRSò).

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 (ñSEDARò) 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 20, 2018.

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). Summit IIôs Units are publicly traded on the Toronto Stock Exchange (ñTSXò) 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, 2017, Summit IIôs property portfolio was comprised of 83 industrial properties and one data centre facility for a total of 84 income producing properties totalling 8,876,763 square feet of gross leasable area (ñGLAò) with a net book value of approximately $966.6 million. Total assets as at December 31, 2017 were approximately $1.0 billion.

NON-IFRS (NON-GAAP) FINANCIAL MEASURES

Readers are cautioned that certain terms used in this MD&A such as Funds from Operations (ñFFOò), 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 general accepted accounting principles (ñGAAPò) 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 the computation of these non-GAAP performance measures may not be comparable to similarly titled measures presented by other publicly traded entities.

SIGNIFICANT ACCOUNTING POLICIES

Summit IIøs significant accounting policies are described in Note 3 to its Audited Consolidated Financial Statements for the years ended December 31, 2017 and 2016.

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 REITøs Audited Consolidated Financial Statements for the years ended December 31, 2017 and 2016.

SUMMIT II'S BUSINESS, VISION AND STRATEGY

SUMMIT II'S BUSINESS

Primary Investment

Light Industrial Segment

Summit II is primarily 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 centres 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 main 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.

Data Centre Segment

Summit expects to augment its primary investments in the light industrial sector with modest investments in data centre properties. Summit recently completed its first acquisition in this sector in partnership with Urbacon, Canadaøs leading developer of data centre properties. Data centre properties are facilities that house IT operations and equipment for the purposes of storing, managing and disseminating electronic data. The properties are often one-storey buildings that resemble light industrial buildings, but contain more robust mechanical, electrical and security systems. Data centre properties are generally located in major cities, close to power sources and internet connectivity.

Summit II has selected data centre properties as a modest, secondary investment focus due to growing data storage demand, driven largely by the shift to digital forms of photography, telephony, and TV. With global demand doubling every two years and outpacing new supply, fundamentals in this sector favour landlords.

SUMMIT II'S VISION AND STRATEGY

Summit IIõs 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 IIõs 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 tenant to a vacant space. High occupancies and strong tenant retention ratios assist in maximizing cash flow from Summit IIõs 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, a non-GAAP measure, 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 gains and losses from property dispositions, as well as non-cash items such as the fair value adjustments to investment properties and fair value adjustments relating to unit-based compensation liabilities. Management will strive to increase FFO over the long term. A reconciliation of FFO to IFRS net income is presented under the ñFunds From Operationsò section in this MD&A.

Net Operating Income

NOI, a non-GAAP measure, 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

Currently the REIT pays monthly cash distributions to Unitholders of $0.043 per Unit, or $0.516 per Unit on an annualized basis. The Board of Trustees has adopted a policy to consider annually increasing the cash distribution by between 2% and 4% while maintaining an FFO payout ratio, a non-GAAP measure, below 85%.

In addition, the Board of Trustees has adopted a policy to pay a special distribution to Unitholders when the REIT produces a realized gain upon the sale of a property. The special distribution will be up to 20% of the realized gain.

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 annual FFO Payout Ratio, a non-GAAP measure defined as, cash distributions per Unit divided by funds from operations per Unit, under 85%.

Debt Leverage Ratio

A conservative leverage ratio mitigates Unitholdersôrisk. Summit II measures its debt leverage ratio, a non-GAAP measure, 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.

Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization (Adjusted EBITDA)

Adjusted EBITDA, a non-GAAP measure, is used by management as an input to the interest coverage ratio and the debt service coverage ratio. Adjusted EBITDA is an alternative to IFRS net income as it excludes non-cash items (including depreciation and amortization expense, fair value gains and losses on investment properties, fair value adjustments to the Trustee Deferred Unit Plan, interest costs, interest expense (finance costs), current and deferred tax expenses (if applicable), transaction gains and losses on the disposition of investment properties and other items management may consider either non-operating in nature or related to the capital cost of its investment properties. A reconciliation of Adjusted EBITDA to IFRS net income and the metrics that utilize adjusted EBITDA are presented under the ñInterest Coverage and Debt Service Coverageò section in this MD&A.

Interest Coverage Ratio

Interest coverage, a non-GAAP measure, is defined as the adjusted EBITDA divided by interest expense (finance costs). It measures the REITôs ability to meet interest cost obligations and is calculated and presented under the ñInterest Coverage and Debt Service Coverageò section in this MD&A.

Debt Service Coverage

Debt service coverage, a non-GAAP measure, is calculated by dividing the sum of interest expense (finance costs) and scheduled mortgage principal payments (excluding mortgage payouts). It measures the REITôs ability to meet its debt service obligations and is calculate and presented under the ñInterest Coverage and Debt Service Coverageò section in this MD&A.

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.

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 often 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 in a more predictable manner 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 that 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 February 28, 2017.

Business and Economic Environment

Canadian industrial real estate continues to perform very well. Management believes economic growth, both domestically and abroad, will continue to have a positive impact on Canadian industrial markets. At the end of the fourth quarter, the national availability rate in Canada dropped to a 16-year low of 4.1%, compared with 8.1% reported at the height of the recession in 2009. The current market fundamentals are indicative of very healthy and stable markets, particularly in Summit IIôs target markets. Among Canadaôs major industrial markets, the Greater Toronto Area (ñGTAò) is experiencing the lowest availability rate and vacancy rates in the country at 2.2% and 1.0%, 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 over time that will be supportive of long-term value creation in the region. The Greater Montreal Area (ñGMAò) continues to strengthen with availability and vacancy rates declining. The proximity of the GMA to the strengthening US economy will be a direct benefit to industrial real estate. The Calgary and Edmonton industrial markets, which started weakening in 2015 in response to a contracting energy sector, are beginning to stabilize and may provide accretive buying opportunities on a selective basis. For these reasons, the GTA, GMA, and Alberta will be a focus of Summit II's growth plans over the near term, subject to availability. However, the current acquisition environment across Canada and particularly in the GTA is very challenging. Investor and user demand continues to largely outweigh the supply of available product and remains supportive of industrial real estate valuations.

The Canadian data centre sector continues to perform well as global demand for data storage expands as the use of smartphones, digital photography, digital television, and cloud storage increases. Consequently, demand for data storage facilities has been rising rapidly and far outpacing supply. The Canadian market is currently undersupplied from a domestic standpoint, and it has significant growth potential from global cloud providers attracted by i) a colder climate that provides natural cooling for data storage equipment, ii) cheap and reliable sources of electricity, and iii) political stability. Data storage demand in Canada is expected to remain strong throughout 2018 which will benefit the GTA and GMA data centre markets.[2] Summit II REIT entered the data centre asset class in December 2017 via a joint venture with Urbacon Montreal Limited Partnership, Canadaôs most experienced participant in building and operating complex data centre properties.

[1] CBRE Research, Canada Office and Industrial Quarter Stats ï Q4 2017
[2] JLL Research Report, Data Center Outlook, Global, Year-End 2017

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		
	2017	2016	**2017**	2016	2015
Portfolio Performance					
Industrial occupancy (%)	**98.4%**	98.9%	**98.4%**	98.9%	98.1%
Revenue from income properties	**$ 16,921**	$ 12,766	**$ 58,573**	$ 44,950	$ 38,377
Property operating expenses	**5,153**	4,429	**17,996**	14,697	11,865
Net operating income [1]	**11,768**	8,337	**40,577**	30,253	26,512
Interest expense (finance costs)	**3,397**	2,382	**11,413**	8,943	8,100
Net income	**31,237**	9,830	**62,900**	24,376	17,935
Operating Performance					
FFO [1]	**7,794**	5,501	**26,960**	19,635	16,980
Net income per unit - basic and diluted	**0.562**	0.281	**1.317**	0.758	0.626
FFO per Unit [1][2]	**0.140**	0.157	**0.564**	0.610	0.593
Regular Distributions per Unit declared to Unitholders	**0.129**	0.126	**0.512**	0.504	0.504
Regular FFO payout ratio without DRIP benefit [1]	**92.0%**	80.0%	**90.7%**	82.6%	85.0%
Regular FFO payout ratio with DRIP benefit [1]	**74.9%**	67.5%	**76.0%**	69.1%	71.4%
Total Distributions per Unit declared to Unitholders	**0.129**	0.126	**0.512**	0.504	0.520
Weighted average Units outstanding [2]	**55,611**	34,934	**47,767**	32,178	28,628
Liquidity and Leverage					
Total assets	**1,003,239**	500,807	**1,003,239**	500,807	406,411
Total debt (loans and borrowings)	**515,018**	270,635	**515,018**	270,635	218,369
Weighted average effective mortgage interest rate	**3.50%**	3.43%	**3.50%**	3.43%	3.52%
Weighted average mortgage term (years)	**3.97**	4.51	**3.97**	4.51	4.47
Leverage ratio [1]	**51.3%**	54.0%	**51.3%**	54.0%	53.7%
Interest coverage (times) [1]	**3.18**	3.18	**3.24**	3.07	2.96
Debt service coverage (times) [1]	**1.90**	1.84	**1.89**	1.81	1.78
Other					
Properties acquired	**21**	-	**31**	8	11

(1) Non-GAAP measure. Refer to "Section II - Key Performance Indicators - Financial Indicators" of the MD&A for further information (including definitions and measures).

(2) On January 31, 2017, approximately 7,423,250 Units were issued on completion of a public offering. On June 30, 2017, approximately 9,763,500 Units were issued on completion of a public offering. On December 13, 2017, approximately 14,375,000 Units were issued on completion of a public offering. On June 17, 2016, approximately 5,650,000 Units were issued on completion of a public offering. FFO per Unit amounts, and the payout ratio were temporarily impacted during 2017, due to the timing of fully investing funds from the equity offerings completed during the year. The Per Unit FFO during the first quarter was impacted between $0.0125 and $0.015 per Unit due to the January 31, 2017 equity offering funds not being fully invested until April 7, 2017. During the third quarter of 2017, FFO per Unit had been impacted by approximately $0.020 and $0.025 per Unit as the June 30, 2017 equity offering funds were not fully invested until midway through the fourth quarter. During the fourth quarter, the impact on FFO per Unit due to the timing of fully investing the June 30, 2017 and December 13, 2017 offering funds was between $0.0125 and $0.015 per Unit.

FINANCIAL AND OPERATING HIGHLIGHTS

2017 Highlights:

- Acquired interests in 30 light industrial properties and one data centre totaling 3.6 million sq. ft. for acquisition costs of $409.5 million at overall cap rate of 6.2%.
- Acquisitions financed by three bought-deal equity offerings for gross proceeds of $218.5 million and $209.1 million in new debt financings at 3.35% average fixed interest rate with five-year term to maturity.
- Strengthened and diversified portfolio with entry into high-yield data centre market through a new joint venture partnership with Urbacon, Canadaôs most experienced developer and manager of data centre properties.
- Acquisitions program highly successful, increasing portfolio size by 69.2%.
- Increased presence in key target markets with GTA and GMA representing 60% and 22%, respectively of total portfolio.
- Revenues up 30.3% on acquisitions, solid organic growth.
- Industrial occupancy strong at 98.4% with a 5.8 year weighted average lease term and 1.5% annual contractual rent increases.
- FFO up 37.3% driven by revenue growth and strong operating performance.
- Cash distributions increased 2.4% in May 2017 to $0.516 per Unit on an annualized basis.
- 100% of 2017 distributions tax deferred as a return of capital.
- Manager and Insiders fully aligned with 8.3% interest in REIT Units outstanding.

REVENUE, PROPERTY OPERATING EXPENSES, NOI, INTEREST

Revenue from income producing properties rose 32.5% and 30.3% to $16.9 million and $58.6 million for the three months and year ended December 31, 2017 respectively compared to the same periods last year due primarily to the acquisition of 31 income producing properties completed over the last twelve months, continuing strong occupancies and increased rents.

Net operating income for the three months and year ended December 31, 2017 increased 41.1% and 34.1% to $11.8 million and $40.6 million, respectively, compared to $8.3 million and $30.3 million, respectively, for the same periods in 2016. The improvements in NOI were due to achieving higher rental rates on leasing activities, contractual steps in rent and accretive acquisitions completed over the last twelve months. Please refer to the ñTransactionsò section below.

Interest expense for the three months and year ended December 31, 2017 increased to $3.4 million and $11.4 million, respectively, compared to $2.4 million and $8.9 million, respectively, for the same periods in 2016. The increase was due to the growth in the property portfolio and the related increase in mortgage and other debt.

Net income for the three months and year ended December 31, 2017 was $31.2 million and $62.9 million, respectively, compared to $9.8 million and $24.4 million, respectively, for the same periods in 2016. The increases were due to the accretive acquisitions noted above, as well as fair value gains for the three months and year ended December 31, 2017, of $23.5 million and $36.2 million, respectively, compared to fair value gains of $4.4 million and $5.6 million, respectively, for the same periods in 2016.

TRANSACTIONS

ACQUISITIONS

For the year ended December 31, 2017, Summit II acquired interests in 30 industrial properties and one data centre facility for a total of 31 income producing properties totalling 3,630,559 square feet of GLA. During the year ended December 31, 2016, Summit II acquired interests in one value add and seven income producing properties totalling 842,649 square feet of GLA. Details of the REIT's acquisition activity are outlined in the following table:

Property	City	Province	Closing date	%	GLA	Purchase Price [2]
2017 Acquisitions						
303-58th Avenue SE	Calgary	Alberta	February 14, 2017	100%	120,690	$ 17,000,000
2335 Speers Road	Oakville	Ontario	February 27, 2017	100%	260,830	28,200,000
2000 Kipling Avenue	Etobicoke	Ontario	March 22, 2017	100%	195,302	15,722,000
13 Bethridge Road	Etobicoke	Ontario	March 22, 2017	100%	102,318	6,738,000
1600 50th Avenue	Lachine	Quebec	March 31, 2017	100%	244,990	10,500,000
4875 Fairway Street	Lachine	Quebec	March 31, 2017	100%	95,530	5,600,000
4870 Robert-Boyd Street	Sherbrooke	Quebec	April 7, 2017	100%	138,308	14,800,000
2616 Sheridan Garden Drive	Oakville	Ontario	August 14, 2017	100%	116,818	15,333,531
5500 Trans-Canada Highway	Pointe-Claire	Quebec	August 18, 2017	100%	511,848	41,333,264
330 Humberline Drive	Etobicoke	Ontario	September 29, 2017	100%	255,000	23,925,000
1800 Ironstone Manor	Pickering	Ontario	November 15, 2017	100%	158,831	14,225,000
4150 Chomedey Highway [1]	Laval	Quebec	November 17, 2017	50%	35,000	3,075,000
7910- 51st Street SE	Calgary	Alberta	December 8, 2017	100%	51,492	6,000,000
201 Shearson Crescent	Cambridge	Ontario	December 8, 2017	100%	26,665	2,375,000
400 Bingemans Centre	Kitchener	Ontario	December 8, 2017	100%	119,060	13,500,000
6900 Tranmere Drive	Mississauga	Ontario	December 8, 2017	100%	41,566	13,150,000
335 Carlingview Drive	Etobicoke	Ontario	December 19, 2017	100%	54,942	7,240,000
345 Carlingview Drive	Etobicoke	Ontario	December 19, 2017	100%	50,360	11,900,000
355 Carlingview Drive	Etobicoke	Ontario	December 19, 2017	100%	113,178	14,000,000
1980 Matheson Blvd	Mississauga	Ontario	December 19, 2017	100%	140,254	33,000,000
111 Corporate Drive	Burlington	Ontario	December 21, 2017	100%	151,410	16,750,000
55 Carrier Drive	Etobicoke	Ontario	December 21, 2017	100%	64,412	5,000,000
65 Carrier Drive	Etobicoke	Ontario	December 21, 2017	100%	61,947	4,700,000
326 Humber College Blvd	Etobicoke	Ontario	December 21, 2017	100%	41,207	3,680,000
1361 Huntingwood Drive	Scarborough	Ontario	December 21, 2017	100%	86,586	9,150,000
20 Commander Blvd	Scarborough	Ontario	December 21, 2017	100%	63,966	6,250,000
40 Commander Blvd	Scarborough	Ontario	December 21, 2017	100%	50,526	4,500,000
10 Commander Blvd	Scarborough	Ontario	December 21, 2017	100%	33,575	4,020,000
5499 Canotek Road	Ottawa	Ontario	December 21, 2017	100%	37,180	5,050,000
22401 Chemin Dumberry	Vaudreuil-sur-le-lac	Quebec	December 21, 2017	100%	147,700	12,850,000
Data Centre Facility						
80 Via Renzo Drive [1]	Richmond Hill	Ontario	December 22, 2017	50%	59,068	39,932,581
Total Acquisitions for the year 2017					**3,630,559**	**$ 409,499,376**

Property	**City**	**Province**	**Closing date**	**%**	**GLA**	**Purchase Price [2]**
2016 Acquisitions						
3700 Ave des Grandes Tourelles [1]	Boisbriand	Quebec	January 15, 2016	50%	29,561	$ 4,250,000
1405 Rue Graham-Bell [1]	Boucherville	Quebec	February 2, 2016	50%	23,066	2,400,000
5685 Rue Cypihot [1]	Saint-Laurent	Quebec	February 12, 2016	50%	78,462	3,600,000
3655 Ave des Grandes Tourelles [1]	Boisbriand	Quebec	March 3, 2016	50%	22,024	5,350,000
14404 - 128 Ave.	Edmonton	Alberta	June 30, 2016	100%	309,077	33,000,000
20500 Clark Graham [1]	Baie D'Urfe	Quebec	July 6, 2016	50%	28,104	3,375,000
3343-3501 54th Avenue	Calgary	Alberta	July 19, 2016	100%	141,628	12,675,000
15600 Robin's Hill Road	London	Ontario	September 20, 2016	100%	210,727	16,625,000
Total Acquisitions for the year 2016					**842,649**	**$ 81,275,000**

[1] Represents 50% of total GLA.

[2] Purchase price is before closing costs.

DATA CENTRE FACILITIES

On December 22, 2017, the Trust entered into a new partnership with Urbacon Montreal Limited Partnership ("Urbacon") to develop, own and operate high-yielding, state-of-the-art digital data centres in key markets across Canada. The Trust has exclusive rights to participate in Urbacon's future data centre projects in Canada.

The Trustĉs initial investment is the purchase of a 50% interest in Urbacon's Data Centre One ("DC1"), located in the Barker Business Park Digital Campus in Richmond Hill, Ontario. DC1 is a brand new, purpose-built, state-of-the-art 10MW data centre currently 50% leased to a major global cloud provider under a fifteen-year term. The property is designated as Tier IV, the highest standard within the industry. Summit acquired a 50% interest in the property for approximately $40.0 million, assuming its 50% share of construction debt of approximately $25.0 million and financed the balance with proceeds from the December 13, 2017 offering and the revolving credit facility. DC1 is the first of five stand-alone data centres to be built in the Barker Business Park Digital Campus on land that is currently owned by Urbacon.

The Trust also extended a $15.8 million mezzanine loan to Urbacon with which Urbacon will purchase its current partner's 50% interest in the recently completed state-of-the-art data centre located in downtown Montreal, Quebec, the only stand-alone, purpose-built data centre in the city. The Trust has the option to convert its loan into a 50% ownership interest in the property. The nine-storey property is power-ready for occupancy with 16MW of power available, and Urbacon has received significant interest in leasing space in the building.

In addition, the Trust extended a three-year $14.3 million working capital loan, of which $11.4 million is currently drawn, to Urbacon primarily to be invested to develop additional data centres in the Barker Business Park Digital Campus and other key markets.

The overall $45.1 million initial cash investment in the data centre program is expected to produce a going in accretive yield of between 8%-10%. These already accretive returns will be further enhanced once both projects are fully leased.

FUNDS FROM OPERATIONS

The Trustõs FFO per Unit is calculated as follows:

(in Thousands of Canadian dollars) (except per Unit amounts)	Three months ended December 31				Year ended December 31			
		2017		2016		**2017**		2016
Net income	**$**	**31,237**	$	9,830	**$**	**62,900**	$	24,376
adjustments								
Free rent amortization		**87**		49		**264**		177
Loss on sale of property		**-**		-		**-**		640
Incentive fee associated with realized (loss) gain on sale of investment		**-**		-		**-**		-
Fair value adjustment to deferred unit compensation		**(7)**		-		**8**		-
Fair value adjustment to investment properties		**(23,523)**		(4,378)		**(36,212)**		(5,558)
FFO	**$**	**7,794**	$	5,501	**$**	**26,960**	$	19,635
FFO per Unit	**$**	**0.140**	$	0.157	**$**	**0.564**	$	0.610
Regular Distributions declared to Unitholders	**$**	**7,411**	$	4,403	**$**	**25,419**	$	16,346
Regular Distributions per Unit declared to Unitholders	**$**	**0.129**	$	0.126	**$**	**0.512**	$	0.504
Regular Cash distributions paid	**$**	**5,834**	$	3,715	**$**	**20,502**	$	13,573
Regular FFO payout ratio without DRIP benefit		**92.0%**		80.0%		**90.7%**		82.6%
Regular FFO payout ratio with DRIP benefit		**74.9%**		67.5%		**76.0%**		69.1%
Weighted average number of Units outstanding		**55,611**		34,934		**47,767**		32,178
Units issued and outstanding at the end of the period		**67,084**		34,990		**67,084**		34,990

For the three months and year ended December 31, 2017, FFO was $7.8 million ($0.140 per Unit) and $27.0 million ($0.564 per Unit), respectively, compared to $5.5 million ($0.157 per Unit) and $19.6 million ($0.610 per Unit), respectively, in the same prior year periods. The increase in FFO in 2017 is due primarily to acquisitions completed over the prior twelve months. The REITõs FFO payout ratio through the fourth quarter of 2017 was 92.0% (74.9% including the benefit of the REITõs DRIP program) compared to 80.0% (67.5% including the benefit of the REITõs DRIP program) during the same period in 2016. The REITõs FFO payout ratio through the year ended December 31, 2017, was 90.7% (76.0% including the benefit of the REITõs DRIP program) compared to 82.6% (69.1% including the benefit of the REITõs DRIP program) during the same period in 2016.

Per Unit FFO amounts and the payout ratio were temporarily impacted during 2017, due to the timing of fully investing funds from the equity offerings completed during the year. The Per Unit FFO during the first quarter was impacted between $0.0125 and $0.015 per Unit due to the January 31, 2017 equity offering funds not being fully invested until April 7, 2017. Also impacting FFO by 1.2% ($0.003 per Unit) during the second quarter was a one-time bad debt including NOI downtime associated with a tenant failure. On June 1, 2017 this space was leased to a new tenant with leasing costs of $259,000 and a 4.2% increase in the rental rate. During the third quarter of 2017, FFO per Unit had been impacted by approximately $0.020 and $0.025 per Unit as the June 30, 2017 equity offering funds were not fully invested until midway through the fourth quarter. During the fourth quarter, the impact on FFO per Unit due to the timing of fully investing the June 30, 2017 and December 13, 2017 offering funds was between $0.0125 and $0.015 per Unit.

For the three months and year ended December 31, 2017, straight lining of rents was $0.4 million and $1.4 million, respectively, compared to $0.3 million and $1.1 million, respectively, in the same prior year periods. Leasing costs for the three months and year ended December 31, 2017, were $1.0 million and $2.8

million, respectively, compared to $0.1 million and $1.9 million for the same periods prior year. Non-recoverable capital expenditures for the three months and year ended December 31, 2017, were $309,000 and $349,000 respectively, compared to $110,000 and $143,000 for the same periods of 2016.

LIQUIDITY AND CAPITAL RESOURCES

The major changes to Summit IIôs balance sheet as at December 31, 2017, compared to the prior year reflect the property acquisitions, debt obtained and the three equity offerings completed during the twelve-month period.

TOTAL ASSETS

Summit IIôs total assets increased to $1.0 billion at December 31, 2017, from $500.8 million at the prior year end. Fair value gains on investment properties for the year ended December 31, 2017, were $36.2 million, which are mainly attributable to increasing market values of the properties in the GTA. As well, during the year ended December 31, 2017, the REIT acquired 31 income producing properties for total acquisition costs of $427.3 million. Please refer to the ñTransactionsò section above for more details.

TOTAL DEBT

Total debt increased to $515.0 million at December 31, 2017, compared to $270.6 million at the prior year end due primarily to new mortgages and a temporary non-revolving bridge credit facility obtained related to acquisitions completed during the period. The following table summarizes the financing activities for the year ended December 31, 2017:

(in thousands of Canadian dollars)

Property	Lender	Term	Amount	Interest Rate	Completed
New financing					
303-58th Avenue SE	RBC	5 years	$ 11,406	2.97%	Feb-17
Lachine portfolio	RBC	5 years	10,790	2.82%	Mar-17
2335 Speers Road	RBC	5 years	18,000	2.70%	May-17
290 Frenette	BMO	5 years	3,550	2.90%	May-17
5500 Trans-Canada Highway	BMO	7 years	29,000	3.79%	Sep-17
2616 Sheridan Garden Drive	RBC	5 years	10,000	3.51%	Oct-17
330 Humberline Drive	RBC	5 years	15,700	3.52%	Oct-17
GPM Portfolio	RBC	5 years	20,719	3.41%	Dec-17
Bridge credit facility	BMO	1 year	90,000	3.40%	Dec-17
Total new financing			**$ 209,165**	**3.35%**	
Assumed financing					
Bethridge/Kipling portfolio	CMLS	5 years	$ 13,956	3.51%	Mar-17
DC1 Data Centre	DUCA	2 years	24,999	4.95%	Dec-17
Total assumed financing			**$ 38,955**	**4.43%**	
Total 2017 financings			**$ 248,120**	**3.52%**	

Also, during the year, two properties with a lending value totalling approximately $18.0 million were added as security on the revolving operating facility. As of December 31, 2017, there was $42.0 million, of an available $57.4 million, drawn on the revolving operating facility and $90.0 million, of an available $90.0 million, drawn on a temporary non-revolving bridge credit facility put in place to fund acquisitions in December until long term financing is secured. Including the completion of the temporary bridge financing and the assumption of $25 million of construction debt on the data centre facility acquisition, the Trustôs exposure to floating rate debt is approximately 31.2% of total debt as at December 31, 2017.

EQUITY

Unitholdersô equity increased to $471.9 million at December 31, 2017, compared to $220.6 million at the prior year end. The increase in unitholders' equity during the year to date was largely attributed to three equity offerings completed during the year. On December 13, 2017, Summit II completed a public offering of 14,375,000 Units at a price of $7.20 per Unit for gross proceeds of $103.5 million. The offering incurred issue costs of $4.6 million for net proceeds of $98.9 million. On June 30, 2017, Summit II completed a public offering of 9,763,000 trust units at a price of $7.07 for gross proceeds of $69.0 million. The offering incurred issue costs of $3.1 million for net proceeds of $65.9 million. In addition, on January 31, 2017, Summit II completed a public offering of 7,423,250 trust units at a price of $6.20 for gross proceeds of $46.0 million. The offering incurred issue costs of $2.1 million for net proceeds of $43.9 million.

CASH DISTRIBUTIONS

The regular cash distributions declared during the year ended December 31, 2017, were $20.5 million compared to $13.6 million in the same period of 2016. On May 9, 2017, the Board of Trustees approved a cash distribution increase to $0.043 per Unit per month or $0.516 per Unit on an annualized basis, which represents a 2.4% annualized increase over the previous distribution. This increase applied to Unitholders of record on May 31, 2017.

UNITHOLDERS’ TAXATION

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

For the years ended	**2017**	**2016**	**2015**	2014	2013
Other income	**0.00%**	**0.00%**	**0.00%**	0.00%	0.89%
Capital gain	**0.00%**	**0.00%**	**24.22%**	23.21%	23.67%
Return of capital	**100.00%**	**100.00%**	**75.78%**	76.79%	75.44%

DISTRIBUTION REINVESTMENT PLAN

The Trust has a Distribution Reinvestment Plan (ñDRIPò) whereby registered or beneficial holders of the Trustõs Units who are residents 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, 2017, there were 532,124 Units issued under this plan for total proceeds of $3.5 million, representing a DRIP participation rate of 14.6%. During the same period last year, there were 432,126 Units issued under this plan for total proceeds of $2.5 million, representing a 15.6% DRIP participation rate.

LIQUIDITY

(in Thousands of Canadian dollars)	Total	Deferred Financing Charges	Premium on Debt	2018	2-3 years	4-5 years	After 5 years
Loans and borrowings	515,018	(873)	1,781	157,157	134,378	126,876	95,699
Trade and other accrued liabilities	9,408	-	-	9,315	85	-	8
Total	524,426	(873)	1,781	166,472	134,463	126,876	95,707

Approximately $90.0 million, of the loans and borrowings presented in the 2018 category is associated with the temporary non-revolving bridge credit facility implemented to finance acquisitions in December 2017. The bridge financing will be paid down as long-term financing is arranged on the properties during 2018. Approximately $42.0 million, of the loans and borrowings presented in the 2-3 yearsôcategory is associated with the revolving operating facility which matures September 27, 2019.

TAXATION

Summit II is generally subject to tax in Canada under the Income Tax Act (The ñTax Actò) with 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, 2017		September 30, 2017		December 31, 2016	
	GLA	Occupancy %	GLA	Occupancy %	GLA	Occupancy %
Industrial properties						
Ontario	6,064,172	98.8%	4,768,507	99.1%	3,838,238	99.0%
Alberta	699,050	93.5%	647,558	100.0%	526,868	100.0%
Quebec	1,990,404	99.2%	1,807,704	99.1%	738,277	97.7%
Other Canada	64,069	87.2%	64,069	100.0%	64,069	100.0%
Total industrial properties	**8,817,695**	**98.4%**	**7,287,838**	**99.2%**	**5,167,452**	**98.9%**
Data Centres - Ontario	59,068	50.00%	-	-	-	-
Total investment properties	**8,876,763**	**98.1%**	**7,287,838**	**99.2%**	**5,167,452**	**98.9%**

ACTIVE LEASING PROGRAM

Occupancy in the industrial portfolio remained strong at 98.4% at December 31, 2017. The weighted average lease term for the portfolio is approximately 5.8 years. The leases contain average contractual steps in rent of approximately 1.5% per year over the term. The REIT is proactive in addressing lease expiries well in advance of the expiry date.

For the year ended December 31, 2017, approximately 385,157 square feet of lease renewals were completed, as well as 130,946 square feet of new leases for a total of 516,103 square feet compared to a total of 633,291 square feet in the same period of 2016. The lease renewals were completed at rental rates that start, on average, 3.28% higher than the expiring rent. In addition, the REIT completed early renewals of 50,053 square feet set to expire in 2018 and 189,000 square feet set to expire in 2019. As a result, the REIT only has 4.8% of the 2018 lease expiries remaining as at December 31, 2017, contributing to the stability of the REIT's cash distributions. Subsequent to year end, a renewal of 101,601 square feet has been completed for a 12-year term with annual contractual steps in the rent. Negotiations are underway with the remaining 3.6% of tenants whose leases expire in 2018 and renewals for several are expected to be completed by the end of the first quarter of 2018.

LEASE ROLLOVER

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

	GLA	**Percentage**
2018	417,959	4.8%
2019	1,140,482	13.1%
2020	846,168	9.8%
2021	621,862	7.2%
2022	965,118	11.1%
Thereafter	4,682,620	54.0%
Occupied industrial GLA	8,674,209	100.0%

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

DEBT LEVERAGE RATIO

The maximum debt leverage permitted by Summit II's Declaration of Trust is 65%. However, it is Summit II's goal to operate in the mid-50% range over the long term. At December 31, 2017, Summit II's debt leverage ratio was 51.3% compared to 54.0% at December 31, 2016 and 48.8% at September 30, 2017. Average leverage during the fourth quarter of 2017 was 49.6% when compared to 54.4% for the same period in 2016. The offering funds received January 31, 2017 were temporarily applied to the credit facility and not fully invested until April 7, 2017, impacting the March 31, 2017 leverage ratio. The offering funds received June 30, 2017, had been temporarily applied to the credit facility and were not fully invested until midway through the fourth quarter of 2017. This fact impacted the June 30, September 30, and December 31 leverage ratios for 2017 as discussed above. Acquisition capacity was at approximately $133.0 million at December 31, 2017, which, if utilized, would bring the portfolio leverage to approximately 57.0%.

(In Thousands of Canadian dollars)	**As at December 31, 2017**	**As at September 30, 2017**	**As at June 30, 2017**	**As at March 31, 2017**	**As at December 31, 2016**
Total Assets	1,003,239	705,654	639,474	590,990	500,807
Debt					
Mortgages payable	379,568	310,506	283,668	266,915	233,546
Bank loans	135,450	33,910	3,351	47,318	37,089
Total debt	515,018	344,416	287,019	314,233	270,635
Leverage ratio	**51.3%**	**48.8%**	**44.9%**	**53.2%**	**54.0%**
Average leverage ratio - quarter	**49.6%**	**46.5%**	**54.3%**	**50.5%**	**54.4%**

CONTRACTUAL OBLIGATIONS

Summit IIós 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
2018	63,707	16.8%	3.42%
2019	40,978	10.8%	3.50%
2020	51,400	13.6%	3.45%
2021	36,998	9.8%	3.35%
2022	89,878	23.7%	3.34%
2023	60,415	16.0%	3.37%
Thereafter	35,284	9.3%	3.45%
Total principal repayments	378,660	100.0%	3.50%
Variable rate debt	135,450		
Premium on debt	1,781		
Deferred financing charges	(873)		
Total loans and borrowings	515,018		

INTEREST COVERAGE AND DEBT SERVICE COVERAGE RATIO

The Trustós interest coverage ratio and debt service coverage ratio is as follows for the three months and year ended December 31, 2017 and 2016.

(in Thousands of Canadian dollars)

	Three months ended December 31		Year ended December 31	
	2017	2016	**2017**	2016
Net Income	**$ 31,237**	$ 9,830	**$ 62,900**	$ 24,376
adjustments				
Free rent amortization	**87**	49	**264**	177
Loss on sale of property	**-**	-	**-**	640
Straight lining of rents	**(387)**	(311)	**(1,366)**	(1,109)
Fair value adjustment to deferred unit compensation	**(7)**	-	**8**	-
Fair value adjustment to investment properties	**(23,523)**	(4,378)	**(36,212)**	(5,558)
Interest expense (finance costs)	**3,397**	2,382	**11,413**	8,943
Adjusted EBIDTA	**$ 10,804**	$ 7,572	**$ 37,007**	$ 27,469
Interest expense	**$ 3,397**	$ 2,382	**$ 11,413**	$ 8,943
Interest coverage ratio	**3.18**	3.18	**3.24**	3.07
Mortgage principal repayments (excluding mortgage payouts)	**$ 2,288**	$ 1,731	**$ 8,153**	$ 6,233
Mortgage principal and interest	**$ 5,685**	$ 4,113	**$ 19,566**	**$ 15,176**
Debt service coverage ratio	**1.90**	1.84	**1.89**	1.81

CASH FLOW

The following table represents the changes in cash flow for the years ended December 31, 2017 and 2016.

(In thousands of Canadian dollars)	2017	2016
Cash flow from operating activities	$ 28,261	$ 14,904
Cash flow from financing activities	$ 321,418	$ 17,561
Cash flow to investing activities	$ (349,202)	$ (32,428)

Cash flow from operating activities for year ended December 31, 2017, was $28.3 million compared to $14.9 million for the prior year. The increase was due to the change in working capital as a result of the growth in the portfolio over the last twelve months.

Cash flow from financing activities was $321.4 million for the year ended December 31, 2017, compared to $17.6 million for the same period in the prior year. As at December 31, 2017, there was $42.0 million drawn from the revolving operating facility compared to $34.3 million for the same period in the prior year. Also, at December 31, 2017, there was $90.0 million drawn on a temporary non-revolving bridge credit facility put in place to fund acquisitions in December 2017. Mortgage principal repayments were $8.2 million for the year ended December 31, 2017, compared to $6.2 million for the same period in the prior year. During the year ended December 31, 2017, construction loan financing increased $0.6 million, and $2.7 million in maturing mortgage debt at an interest rate of 3.70% was refinanced with a new lender for a $3.5 million mortgage with a five-year term and an interest rate of 2.91%. Also, in May, new mortgage financing of $18.0 million was obtained with a five-year term and an interest rate of 2.70%. In October 2017, the Trust obtained a $10.0 million mortgage with a five-year term for $10.0 million at an interest rate of 3.51% and a $15.7 million mortgage with a five-year term at an interest rate of 3.52%. During the same annual period of 2016, new mortgage financing of $7.5 million was obtained.

Distributions paid for the year ended December 31, 2017, were $20.5 million compared to $13.6 million in the same period last year. The Trust completed three bought-deal equity offerings in 2017 for total net proceeds of $208.7 million compared to net offering proceeds from one bought-deal equity offering of $32.5 million in the same period last year.

Cash flow allocated to investing activities was $349.2 million for the year ended December 31, 2017, compared to $32.4 million in the same period in 2016. For the year ended December 31, 2017, the Trust acquired 31 income producing properties with GLA of 3,630,559 for acquisition costs of approximately $426.9 million, excluding $0.4 million of mark to market on assumed debt. The acquisitions were financed by net proceeds from the three equity offerings, new and assumed mortgages and debt of $110.9 million, assumed security deposits of $0.9 million and $0.3 million in deposits on acquisitions made in the prior year with the remaining balance in cash from the revolving operating facility and temporary non-revolving bridge credit facility. During 2016, the Trust acquired one value-add and seven income producing properties with GLA of 842,649 square feet, for acquisition costs of approximately $83.5 million excluding $1.1 million of mark to market on assumed debt. The acquisitions were financed by new and assumed mortgages and debt of $52.5 million, assumed security deposits of $0.5 million and $0.6 million in deposits on acquisitions made in the prior year with the remaining balance in cash from the revolving operating facility. Additions to investment properties during the year ended December 31, 2017 and 2016 of $5.1 million and $2.2 million respectively, relate to capital outlays and tenant leasing costs.

In conjunction with the Laval property acquisition in November 2017, the Trust provided a temporary short-term loan of $2.0 million to its partner which is to be repaid once long-term mortgage financing is obtained on the property. As previously noted under the ñData Centre Facilitiesò section, the Trust extended a $15.8

million mezzanine loan to Urbacon with the option to convert the loan into a 50% ownership interest in a recently completed state-of-the-art data centre located in downtown Montreal, Quebec. As well, the Trust extended a three-year $14.3 million working capital loan, of which $11.4 million is currently drawn, primarily to be invested to develop additional data centres in Richmond Hill and other key markets.

In accordance with National Instrument 41-201, the Trust is required to provide additional disclosure relating to cash distributions.

(in Thousands of Canadian dollars)		Year ended December 31		
		2017		2016
Cash provided by operating activities	**$**	**28,261**	$	14,904
Actual cash distributions paid or payable		**25,419**		16,346
Excess (shortfall) of cash provided by operating activities over cash distributions paid	**$**	**2,842**	$	(1,442)
Net income and comprehensive income	**$**	**62,900**	$	24,376
Actual cash distributions paid or payable	**$**	**25,419**	$	16,346
Excess of net income over cash distributions paid	**$**	**37,481**	$	8,030

For the year ended December 31, 2017, the REITôs cash flow from operating activities exceeded distributions by $2.8 million compared to the same period in 2016, when distributions exceeded cash flow from operating activities by $1.4 million. The change in non-cash working capital will vary from period to period. The excess of net income over cash distributions paid largely resulted from net income and comprehensive income including unrealized fair value gains on investment properties of $36.2 million and $5.6 million for the year ended December 31, 2017 and 2016, respectively.

RELATED PARTY TRANSACTIONS

Management Agreement

Pursuant to the terms of the Management Agreement with Sigma Asset Management Limited (ñSigmaò or the ñManagerò), 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. Sigma is related to Summit II by virtue of having some officers and Trustees in common.

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 hurdle amount, such hurdle amount to be increased by 1.5% each year ($0.5095 effective January 1, 2017);
- 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, 2017 and 2016:

	Three months ended December 31		Year ended December 31	
(In thousands of Canadian dollars)	**2017**	2016	**2017**	2016
Acquisition fees (capitalized to investment properties)	**$ 2,479**	$ -	**$ 4,271**	$ 813
Asset management fees	**455**	305	**1,540**	1,118
Leasing fees (capitalized to investment properties)	**36**	9	**529**	210
Capital expenditures management fee (capitalized to investment properties)	**19**	39	**49**	39
Property management services	**457**	434	**1,569**	1,568
	$ 3,446	$ 787	**$ 7,958**	$ 3,748

During the three months and year ended December 31, 2017, Sigma paid $9,000 and $35,000, respectively, to the Trust (three months and year ended December 31, 2016 - $9,000 and $34,000) for office space located at 294 Walker Drive, Brampton, Ontario, under a five-year lease commencing June 1, 2013.

Trustee fees

Trustee related fees of $62,000 and $284,000 (three months and year ended December 31, 2016 - $68,000 and $192,000) are included in general and administrative expenses for the three months and year ended December 31, 2017, respectively. The 2017 fees include the fair value of deferred unit compensation as described under the Trustee Deferred Unit Plan section below.

The following table represents the Units acquired during the year ended December 31, 2017, 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, 2017	Manager	Senior Executives of the Manager	Other insiders	Total units
Acquired on open market in 2017 and DRIP	115,064	47,480	856,164	1,018,708
	115,064	**47,480**	**856,164**	**1,018,708**

In total, the Manager owns a 2.2% interest in the REIT, on an indirect basis. Certain senior executives and employees of the Manager own, directly or indirectly, a 1.7% interest in the REIT and other insiders own, directly or indirectly, a 4.4% interest in the REIT, for a total of 8.3% insider ownership as at December 31, 2017.

Trustee Deferred Unit Plan

Effective May 10, 2017, the Trustôs Board of Trustees authorized a Deferred Unit Plan (the ñPlanò) that provides for the granting of Deferred Units to Trustees in lieu of cash for up to 100% of their Trustee Fees (the ñElected Amountò). Under the Plan, the Trust will match the Elected Amount of each participant by issuing additional Deferred Units up to a maximum value of $10,000 (the ñMatch Incentiveò). The maximum value of the aggregate number of Units that may be subject to grants of Deferred Units to any one Trustee during any financial year of the REIT will be no greater than $150,000.

Deferred Units granted under the Elected Amount will vest on the day that is 12 months following the date of the grant. Additional Deferred Units issued pursuant to the Match Incentive will vest in accordance with the following schedule: a) 50% on the third anniversary of the grant; b) 25% on the fourth anniversary of the grant; and c) 25% on the fifth anniversary of the grant. Vested Deferred Units may be redeemed in whole or in part for Units issued from treasury or cash as elected by the participant.

The maximum number of Units reserved for issuance is 425,420. One Deferred Unit is economically equivalent to one Unit and fractional Deferred Units are permitted.

A summary of Deferred Units granted under the Plan as at December 31, 2017 is:

	Units
Deferred Units granted for services rendered including match incentive	22,546
Deferred Units granted through distributions	664
Balance December 31, 2017	23,210

The fair value of a Unit is calculated as the volume weighted average price of all Units traded on the TSX for the five trading days immediately preceding the grant date. The liability related to the Plan is measured at fair value and is remeasured to fair value at each reporting date and at the date of settlement. The fair value changes are recorded within general and administrative expense in the consolidated statements of income. The total fair value of Deferred Units granted and recognized as compensation expense within general and administrative expense for the three months and year ended December 31, 2017 was $49,000 and $169,000 respectively (three months and year ended December 31, 2016 - $nil).

SUMMARY OF QUARTERLY RESULTS

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

(in thousands of Canadian dollars)	2017				2016			
(except per Unit amounts)	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenue from income properties	$ 16,921	$ 14,863	$ 13,818	$ 12,971	$ 12,766	$ 11,516	$ 10,504	$ 10,164
Property operating expenses	5,153	4,389	3,988	4,466	4,429	3,482	3,480	3,306
Net operating income (NOI)	11,768	10,474	9,830	8,505	8,337	8,034	7,024	6,858
Net income	31,237	13,169	12,307	6,187	9,830	6,392	3,869	4,285
Funds from operations (FFO)	7,794	7,220	6,411	5,535	5,501	5,338	4,473	4,323
Net income per Unit - basic and diluted	0.562	0.251	0.288	0.155	0.281	0.184	0.129	0.148
FFO per Unit	0.140	0.138	0.150	0.138	0.157	0.153	0.149	0.149
Weighted average Units outstanding								
Basic	55,611	52,508	42,722	40,003	34,934	34,821	29,934	28,961
Diluted	55,631	52,520	42,724	40,003	34,934	34,821	29,934	28,961
Leverage ratio	51.3%	48.8%	44.9%	53.2%	54.0%	54.6%	51.4%	55.4%
Interest coverage (times)	3.18	3.49	3.13	3.18	3.18	3.19	2.95	2.95
Debt service coverage (times)	1.90	1.96	1.85	1.84	1.84	1.87	1.75	1.77

Revenue from income producing properties increased 32.5% in the fourth quarter of 2017 compared to the same quarter last year due to strong stable occupancies, increased monthly rents, and acquisitions completed over the prior twelve months.

Net operating income increased to $11.8 million in the fourth quarter of 2017 compared to $8.3 million in the fourth quarter of 2016. The increase in NOI was due to the growth in the size of the portfolio through acquisitions completed in 2017 and 2016.

FFO rose 41.7% in the fourth quarter of 2017 compared to the same quarter in 2016 due primarily to acquisitions completed over the prior twelve months.

Net income was $31.2 million for the quarter ended December 31, 2017, compared to $9.8 million in the same period of 2016. Interest expense increased to $3.4 million in the fourth quarter of 2017 compared to $2.4 million in the fourth quarter of 2016 due to the increase in mortgages and debt related to the acquisitions completed during 2017 and 2016. In addition, $23.5 million in fair value gains were recorded for the quarter ended December 31, 2017, compared to $4.4 million in fair value adjustments in the same period of 2016.

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

With few exceptions, Canada's largest industrial markets continue to exhibit strong or improving fundamentals characterized by low vacancy rates, positive absorption and increasing rental rates, driven largely by continued economic growth coupled with ongoing supply constraints. Canada's two largest industrial markets, Toronto and Montreal, performed very well during the quarter and are expected to remain strong in 2018 due to expanding local economies, favorable export conditions, a growing U.S. economy and continued population growth. Additionally, major industrial markets in Western Canada, most notably Calgary and Edmonton, are in the initial stages of recovery following the 2015 collapse of commodity prices and ensuing curtailment of capital investment in the region, with Calgary expected to perform slightly better than Edmonton in 2018 due to superior economic growth projections.

Management expects industrial valuations in GTA and GMA to continue to rise in 2018, while valuations in Calgary will begin to rise in response to strengthening fundamentals. In contrast, valuations in Edmonton are expected remain stable until the recovery gains further traction. Notwithstanding the foregoing, recalibrated property values in Calgary and Edmonton, which had previously exceeded those of GTA and GMA, may provide selective investment opportunities in 2018 as those markets continue to evolve.

Light industrial real estate in major Eastern Canadian markets, particularly when packaged in large portfolios, continues to be in very high demand and attracts premium valuations. Institutional, public and private investors, recognizing the strong fundamentals and stable income streams in this sector, remain active buyers of light industrial properties. Management believes this competitive investment climate will continue to influence valuations in major Eastern Canadian markets in 2018, despite recent interest rate increases. Interest rates, which may face further, albeit modest, upward pressure in 2018, remain near historic lows and are projected to be generally supportive of leveraged buying and property valuations. Additionally, strong market fundamentals continue to drive rental growth, which serves to counteract the impact of higher interest rates and support property valuations.

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 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.

Data center real estate, like light industrial real estate, remains in very high demand. Strong growth in data storage requirements, particularly among large, cloud-based users, continues to drive positive absorption in the sector. With data usage projected to rise, and suppliers faced with a high barrier to entry, Management believes market fundamentals will continue to strengthen in 2018 and support rising data center valuations.

Summit IIõs 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 GTA and GMA light industrial markets, where the Trust has the bulk of its properties, will remain strong in 2018. Management expects market occupancy and rental rates in these two cities to increase as the local economies and the U.S. economy continue to grow. 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, expansion 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 near historic lows and may be subject to modest increases in 2018. 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, 2017

Distributions

On January 15, 2018, a distribution in the amount of $0.043 per Unit for Unitholders of record January 31, 2018, was declared and was paid February 15, 2018. In addition, on February 15, 2018, a distribution in the amount of $0.043 per Unit for Unitholders of record on February 28, 2018, was declared and will be paid on March 15, 2018.

PROPERTY PORTFOLIO

The following table provides information regarding the property portfolio as at December 31, 2017:

Summit II REIT Portfolio by Property

Address	City	Year Built / Renovated	Single vs. Multi-Tenant	No. of Tenants (#)	GLA (sf)	Occupancy (%)
Ontario						
200 Vandorf Sideroad	Aurora	1985	Single	1	322,187	100.0%
500 Veterans Drive	Barrie	2004	Single	1	216,460	100.0%
155-161 Orenda Road	Brampton	1970	Multi	5	319,077	100.0%
8705 Torbram Road	Brampton	1980 / 2003	Multi	4	296,203	100.0%
6 Shaftsbury Lane	Brampton	1975	Single	1	125,871	100.0%
40 Summerlea Road	Brampton	1987	Single	1	121,138	100.0%
292-294 Walker Drive	Brampton	1987	Multi	8	74,583	100.0%
296-300 Walker Drive	Brampton	1976	Multi	2	102,972	100.0%
165 Orenda Road	Brampton	2003	Single	1	57,055	100.0%
1075 Clark Boulevard	Brampton	1974	Single	1	35,842	100.0%
78 Walker Drive	Brampton	1986 / 2000	Single	1	150,000	100.0%
110 Walker Drive	Brampton	1981 / 1987	Single	1	148,832	100.0%
1600 Clark Boulevard	Brampton	1974	Single	1	79,300	100.0%
240 Laurier Boulevard	Brockville	2005 / 2010	Single	1	68,093	100.0%
977 Century Drive	Burlington	1980	Single	1	45,496	100.0%
1111 Corporate Drive	Burlington	1998	Single	1	151,410	100.0%
30 Struck Court	Cambridge	2006	Single	1	111,493	100.0%
201 Shearson Crescent	Cambridge	1989	Single	1	26,665	100.0%
2000 Kipling Avenue	Etobicoke	1960 / 2000	Single	1	195,302	100.0%
13 Bethridge Road	Etobicoke	1960	Single	1	102,318	100.0%
134 Bethridge Road	Etobicoke	~1965	Single	1	142,386	100.0%
330 Humberline Drive	Etobicoke	1973 / 2017	Multi	2	255,000	82.5%
55 Carrier Drive	Etobicoke	1976	Single	1	64,412	100.0%
65 Carrier Drive	Etobicoke	1983	Single	1	61,947	100.0%
326 Humber College Blvd.	Etobicoke	1973	Single	1	41,207	100.0%
400 Bingemans Centre Drive	Kitchener	2005	Single	1	119,060	100.0%
15600 Robin's Hill Road	London	2009	Single	1	210,727	100.0%
65 Riveria Drive	Markham	1985	Single	1	46,360	100.0%
1 Rimini Mews	Mississauga	1972	Single	1	46,150	100.0%
350 Hazelhurst Road	Mississauga	1997	Single	1	220,000	100.0%
5485 Tomken Road	Mississauga	1982	Single	1	63,700	100.0%
2333 North Sheridan Way	Mississauga	1970 / 2014	Multi	4	183,989	100.0%
335 Carlingview Drive	Mississauga	2007	Multi	2	54,942	100.0%
345 Carlingview Drive	Mississauga	1987 / 2015	Single	1	50,360	100.0%
355 Carlingview Drive	Mississauga	2007	Multi	2	113,178	100.0%
1980 Matheson Blvd.	Mississauga	2001	Multi	3	140,254	80.1%
6900 Tranmere Drive	Mississauga	1988	Single	1	41,566	100.0%
2335 Speers Road	Oakville	2006	Single	1	260,830	100.0%
2616 Sheridan Garden Drive	Oakville	2007	Single	1	116,818	100.0%
501 Palladium Drive (1)	Ottawa	2007	Multi	3	64,602	100.0%
200 Iber Road (1)	Ottawa	2007	Multi	4	18,936	100.0%
5499 Canotek Road	Ottawa	1985	Single	1	37,180	100.0%
710 Neal Drive	Peterborough	1973	Single	1	101,601	100.0%
1800 Ironstone Manor	Pickering	1980	Multi	3	158,831	100.0%
125 Nashdene Road	Scarborough	1992	Multi	2	163,402	100.0%
40 Dynamic Drive	Scarborough	1988	Multi	4	86,681	100.0%
50 Dynamic Drive	Scarborough	1986	Single	1	45,003	100.0%
21 Finchdene Square	Scarborough	1981 / 1986	Single	1	170,100	100.0%
1361 Huntingwood Drive	Scarborough	1977	Multi	12	86,586	100.0%
10 Commander Blvd.	Scarborough	1976	Single	1	33,575	100.0%

Summit II REIT Portfolio by Property						
Address	City	Year Built / Renovated	Single vs. Multi-Tenant	No. of Tenants (#)	GLA (sf)	Occupancy (%)
Ontario (continued)						
20 Commander Blvd.	Scarborough	1976	Single	1	63,966	100.0%
40 Commander Blvd.	Scarborough	1976	Single	1	50,526	100.0%
Quebec						
20500 Clark-Graham (2)	Baie D'Urfe	2000	Single	1	28,104	100.0%
3655 Ave des Grandes Tourelles (2)	Boisbriand	2011	Multi	4	22,024	100.0%
3700 Ave des Grandes Tourelles (2)	Boisbriand	2015	Single	1	29,561	100.0%
3720 Ave des Grandes Tourelles (2)	Boisbriand	2014	Single	1	154,166	100.0%
1405 Rue Graham-Bell (2)	Boucherville	2008	Multi	1	23,066	26.7%
1970 John-Yule (2)	Chambly	2011	Single	1	12,872	100.0%
1177-1185 55e Ave (2)	Dorval	1990	Single	1	77,946	100.0%
1600 50th Avenue	Lachine	1968 / 1987	Single	1	244,990	100.0%
4875 Fairway Street	Lachine	1968	Single	1	95,530	100.0%
2580 Ave Dollard	LaSalle	1973	Multi	4	89,000	100.0%
2695 Ave Dollard	LaSalle	1954 / 1980	Multi	2	62,279	100.0%
175 Bellerose Boulevard	Laval	2007	Single	1	81,087	100.0%
5545 Ernest-Cormier (2)	Laval	2012	Single	1	24,956	100.0%
185 Bellerose Blvd (2)	Laval	2009	Single	1	19,566	100.0%
4150 Chomedey Highway (2)	Laval	2003	Single	1	35,000	100.0%
5500 Trans-Canada Highway	Pointe Claire	1958 / 2006	Single	1	511,848	100.0%
300 Labrosse Avenue	Pointe-Claire	1974	Single	1	55,333	100.0%
5685 Rue Cypihot (2)	Saint-Laurent	1980 / 1997	Single	1	78,462	100.0%
4870 Robert-Boyd Street	Sherbrooke	2017	Single	1	138,308	100.0%
7290 Rue Frederick Banting	St. Laurent	2001	Single	1	20,859	100.0%
5757 Thimens Blvd. (2)	St. Laurent	1981	Single	1	37,747	100.0%
22401 Chemin Dumberry	Vaudreuil-Sur-Le-Lac	2002	Single	1	147,700	100.0%
British Columbia						
2500 Cranbrook Street	Cranbrook	1970	Single	-	8,200	0.0%
6708, 87A Avenue	Fort St. John	2006	Single	1	13,500	100.0%
Alberta						
3343-3501 54th Ave	Calgary	1972	Single	1	141,628	100.0%
303 58th Avenue SE	Calgary	1971	Multi	2	120,690	100.0%
7910 51st Street SE	Calgary	1998	Single	1	51,492	100.0%
3703 98th Street	Edmonton	1978	Single	-	45,752	0.0%
5880 56th Ave	Edmonton	1997/ 2004	Single	1	30,411	100.0%
14404 128 Ave	Edmonton	1966/ 2016	Single	1	309,077	100.0%
New Brunswick						
290 Frenette Ave (1)	Moncton	2012	Single	1	42,369	100.0%
Total Industrial Portfolio				**134**	**8,817,695**	**98.4%**
Data Centres						
Ontario						
80 Via Renzo Drive (2)	Richmond Hill	2017	Multi	1	59,068	50.0%
Total Data Centres				**1**	**59,068**	**50.0%**
Total Portfolio				**135**	**8,876,763**	**98.1%**

(1) Represents 25% of total GLA.

(2) 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 our risk factors is contained in the REIT’s Annual Information Form filed on SEDAR.

(A) Interest rate risk

The REIT is exposed to interest rate risk when funds are drawn under the revolving operating facility, the non-revolving bridge 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 net income comprehensive income and net income per Unit. Based on the outstanding balance of the revolving operating facility, the non-revolving bridge credit facility and variable rate mortgages at December 31, 2017, a 1% increase or decrease in the Bank’s prime rate would have an impact of $1.6 million on the REIT’s annual interest expense (December 31, 2016 - $0.4 million) 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, 2017 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 of the REIT’s audited consolidated financial statements for the years ended December 31, 2017 and 2016 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. For the years ended December 31, 2017, 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 operating facility. Debt repayment obligations (Note 10 of the REIT's audited consolidated financial statements for the years ended December 31, 2017 and 2016) 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 operating facility to fund the equity portion of property acquisitions.

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

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

DISCLOSURE AND INTERNAL CONTROLS

The Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") of Summit II, along with the assistance of senior management, have designed disclosure controls and procedures to provide reasonable assurance that material information relating to Summit II is made known to the CEO and CFO, and have designed internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with IFRS. No changes were made in Summit II's design of internal controls over financial reporting during the year ended December 31, 2017, that have materially affected, or are reasonably likely to materially affect, Summit II's internal controls over financial reporting.

Management, including Summit II's CEO and CFO assessed, or caused an assessment under their direct supervision, of the design and operating effectiveness of the Trust's disclosure control and procedures and internal controls over financial reporting as at December 31, 2017 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, 2017, 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 is 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 of 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 years ended December 31, 2017 and 2016 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 20, 2018, was 67,180,841.