Summit REIT
Summit Industrial Income REIT

UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three and nine month periods ended September 30, 2016 and 2015

SUMMIT INDUSTRIAL INCOME REIT
For the three and nine month periods ended September 30, 2016 and 2015

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SUMMIT INDUSTRIAL INCOME REIT

Unaudited Condensed Consolidated Interim Balance Sheets

As at September 30, 2016 and December 31, 2015

(In thousands of Canadian dollars)

	Note		**September 30, 2016**		December 31, 2015
Assets					
Non-current					
Investment properties	4	**$**	**491,149**	$	401,834
Current					
Accounts receivable	5		**619**		2,140
Prepaid expenses, deposits, and deferred financing costs	5		**1,428**		2,095
Cash			**449**		342
			2,496		4,577
Total assets		**$**	**493,645**	$	406,411
Liabilities					
Non-current					
Loans and borrowings	6	**$**	**223,307**	$	205,664
Security deposits			**3,108**		2,499
			226,415		208,163
Current					
Loans and borrowings	6		**46,052**		12,705
Trade and other accrued liabilities			**6,862**		6,469
Distributions payable	8		**1,465**		1,214
			54,379		20,388
Total liabilities			**280,794**		228,551
Unitholders' equity			**212,851**		177,860
Total liabilities and equity		**$**	**493,645**	$	406,411

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

Approved by the Board of Trustees on November 8, 2016.

"Lou Maroun"
Trustee

"Jim Tadeson"
Trustee

SUMMIT INDUSTRIAL INCOME REIT

Unaudited Condensed Consolidated Interim Statements of Income

For the three and nine month periods ended September 30, 2016 and 2015

(In thousands of Canadian dollars, except per Unit amounts)

	Note	**Three month period ended September 30, 2016**	Three month period ended September 30, 2015	**Nine month period ended September 30, 2016**	Nine month period ended September 30, 2015
Revenue from investment properties		**$ 11,516**	$ 9,903	**$ 32,184**	$ 28,669
Property operating expenses		**3,482**	3,107	**10,268**	8,899
Net rental income		**8,034**	6,796	**21,916**	19,770
Other income					
Other income		**-**	-	**-**	180
Finance income		**12**	3	**19**	9
Gain (loss) on sale of investment properties	4	**-**	(540)	**(640)**	1,433
		12	(537)	**(621)**	1,622
Other expenses					
General and administrative		**449**	336	**1,368**	1,625
Finance costs		**2,306**	2,079	**6,561**	6,092
		2,755	2,415	**7,929**	7,717
Income before fair value adjustments to investment properties		**5,291**	3,844	**13,366**	13,675
Fair value adjustments to investment properties	4	**1,101**	(515)	**1,180**	(696)
Net income		**$ 6,392**	$ 3,329	**$ 14,546**	$ 12,979
Net income per Unit					
Basic	8	**$ 0.184**	$ 0.116	**$ 0.465**	$ 0.455
Diluted	8	**$ 0.184**	$ 0.116	**$ 0.465**	$ 0.455

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

SUMMIT INDUSTRIAL INCOME REIT

Unaudited Condensed Consolidated Interim Statements of Comprehensive Income

For the three and nine month periods ended September 30, 2016 and 2015

(In thousands of Canadian dollars, except per Unit amounts)

	Note	**Three month period ended September 30, 2016**	Three month period ended September 30, 2015	**Nine month period ended September 30, 2016**	Nine month period ended September 30, 2015
Net income		**$ 6,392**	$ 3,329	**$ 14,546**	$ 12,979
Other comprehensive loss					
Items that may be reclassified subsequently to net income:					
Net change in fair value of hedging derivative financial instrument		**(2,061)**	-	**(3,050)**	-
Net change in fair value of hedging derivative financial instrument reclassed to financial expense		**397**	-	**1,079**	-
Other comprehensive loss	7	**(1,664)**	-	**(1,971)**	-
Comprehensive income		**$ 4,728**	$ 3,329	**$ 12,575**	$ 12,979

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

SUMMIT INDUSTRIAL INCOME REIT

Unaudited Condensed Consolidated Interim Statements of Changes in Unitholders' Equity

For the nine month periods ended September 30, 2016 and 2015

(In thousands of Units and Canadian dollars)

	Fund Units	Note	Unit equity	Deficit	Accumulated other comprehensive loss	Unitholders' equity
Beginning balance, January 1, 2015	23,397		$ 151,621	$ (7,489)	$ -	$ 144,132
Net income and comprehensive income	-		-	12,979	-	12,979
Distributions	-	8	-	(11,298)	-	(11,298)
Units issued through DRIP	281	8	1,611	-	-	1,611
Issuance of Units, net of costs	5,130	8	28,541	-	-	28,541
Unitholders' equity, September 30, 2015	28,808		$ 181,773	$ (5,808)	$ -	$ 175,965
Beginning balance, January 1, 2016	**28,908**		**$ 182,350**	**$ (4,490)**	**$ -**	**$ 177,860**
Net income and other comprehensive loss	-	7	**-**	**14,546**	**(1,971)**	**12,575**
Distributions	-	8	**-**	**(11,943)**	**-**	**(11,943)**
Units issued through DRIP	**317**	8	**1,834**	**-**	**-**	**1,834**
Issuance of Units, net of costs	**5,650**	8	**32,525**	**-**	**-**	**32,525**
Unitholders' equity, September 30, 2016	**34,875**		**$ 216,709**	**$ (1,887)**	**$ (1,971)**	**$ 212,851**

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

SUMMIT INDUSTRIAL INCOME REIT

Unaudited Condensed Consolidated Interim Statements of Cash Flows

For the nine month periods ended September 30, 2016 and 2015

(In thousands of Canadian dollars)

	Note	2016	2015
Operating activities			
Net income		**$ 14,546**	$ 12,979
Add (deduct):			
Finance costs		**6,561**	6,092
Loss (gain) on sale of investment properties		**640**	(1,433)
Straight-line rent adjustment		**(798)**	(731)
Fair value adjustments to investment properties		**(1,180)**	696
Change in non-cash working capital items		**(1,076)**	(2,798)
Interest and finance fees paid		**(6,809)**	(5,953)
		11,884	8,852
Financing activities			
Repayment of loans and borrowings		**(10,183)**	(9,941)
Increase in loans and borrowings		**7,500**	28,000
Distributions paid	8	**(9,858)**	(9,460)
Net proceeds from Units issued		**32,525**	28,541
		19,984	37,140
Investing activities			
Additions to investment properties		**(1,827)**	(4,059)
Proceeds from sale of investment properties		**-**	16,489
Acquisition of investment properties and property under development		**(29,934)**	(57,777)
		(31,761)	(45,347)
Increase in cash		**107**	645
Cash, beginning of period		**342**	-
Cash, end of period		**$ 449**	$ 645

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

1. Reporting entity

Summit Industrial Income REIT ("Summit II" or the "Trust") is a mutual fund trust established under the laws of the Province of Ontario and is domiciled in Canada. The registered office of the Trust is 294 Walker Drive, Brampton, Ontario, L6T 4Z2. The Trust is primarily involved in the commercial leasing of real estate property with 30 property locations in Ontario, 6 properties across Western Canada, 16 properties in Montreal, and 1 property in Atlantic Canada. The Trust's Units are listed on the TSX and trade under the symbol "SMU.UN".

2. Basis of preparation

(a) Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standards ("IAS") 34, "Interim Financial Reporting". The condensed consolidated interim financial statements should be read in conjunction with the annual consolidated financial statements prepared for the year ended December 31, 2015.

The Board of Trustees authorized the issue of these condensed consolidated interim financial statements on November 8, 2016.

(b) Basis of measurement

The condensed consolidated interim financial statements have been prepared on a historical cost basis except for investment properties and derivatives which are recorded at fair value in accordance with the Trust's accounting policies set forth in Note 3.

The condensed consolidated interim financial statements are presented in thousands of Canadian dollars which is the functional currency of the Trust and its subsidiaries.

3. Significant accounting policies

The accounting policies applied are consistent with those of the annual consolidated financial statements prepared as at and for the year ended December 31, 2015 as described in Note 3 of those consolidated financial statements except for the accounting policy related to property under development and hedge accounting applicable to the nine months ended September 30, 2016, as described below.

(a) Principles of consolidation

These condensed consolidated interim financial statements include the accounts of the Trust and its wholly-owned subsidiaries, Summit Industrial Income Holdings Limited Partnership and Summit Industrial Income Operating Limited Partnership and their respective general partners, Summit Industrial Income Holdings GP Ltd. and Summit Industrial Income Corp. Subsidiaries are entities that the Trust controls. Control is achieved when the Trust has power over the investee; is exposed, or has rights, to variable returns from its involvement with the investee; and has the ability to use its power to affect its returns.

The Trust reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

3. Significant accounting policies (continued)

Consolidation of a subsidiary begins when the Trust obtains control over the subsidiary and ceases when the Trust loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the condensed consolidated interim statement of income from the date the Trust gains control until the date when the Trust ceases to control the subsidiary.

All intercompany transactions, balances, income and expenses are eliminated in full upon consolidation.

(b) Property under development

The cost of property under development includes direct development expenditures, third party management fees, initial leasing fees, consulting and legal fees, property taxes, and borrowing costs directly attributable to properties under development. Borrowing costs associated with direct expenditures on properties under development are capitalized. The amount of capitalized borrowing costs is determined first by reference to borrowings specific to the project, where relevant, and otherwise by applying a weighted average cost of borrowings to eligible expenditures. Where borrowings are associated with specific developments, the amount capitalized is the gross cost incurred on those borrowings less any investment income arising on their temporary investment. Borrowing costs are capitalized from the commencement of the development until the date of practical completion. The capitalization of borrowing costs is suspended if there are prolonged periods when development activity is interrupted. The Trust considers practical completion to have occurred when the property is capable of operating in the manner intended by management.

Capitalization of costs to property under development continues until all the activities necessary to prepare the property for use as an investment property are complete.

(c) Hedge accounting

Derivative financial instruments are initially recognized at fair value on the date the derivative contract is entered into and subsequently remeasured at fair value. The method of recognizing the resulting gain or loss depends on whether the derivative financial instrument is designated as a hedging instrument and, if so, the nature of the item being hedged. The Trust has designated its interest rate swaps under certain term mortgages as cash flow hedges.

At the inception of the transaction, the Trust documents the relationship between the hedging instrument and the hedged item, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Trust also documents, both at hedge inception and on an ongoing basis, its assessment of whether the derivatives used in hedging transactions are highly effective in offsetting changes in cash flows of hedged items attributable to the hedged risk.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income (loss). The gain or loss relating to the ineffective portion is recognized immediately in net income.

Amounts previously recognized in other comprehensive income (loss) and accumulated in unitholders' equity are reclassified to net income in the periods when the hedged item is recognized in net income.

3. Significant accounting policies (continued)

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gains or losses existing in unitholders' equity at that time are recognized when the forecast transaction is ultimately recognized in net income. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in unitholders' equity is immediately transferred to net income.

4. Investment properties

The following table presents the changes in investment properties for the nine months ended September 30, 2016 and December 31, 2015:

(In $ thousands)	**2016 Total**	2015 Total
Balance, beginning of period	**$ 401,834**	$ 335,842
Additions:		
Acquisition of investment properties	**80,963**	81,814
Acquisition of development properties	**3,930**	-
Additions to investment properties	**3,242**	7,165
Dispositions	**-**	(22,960)
Fair value (losses) gains	**1,180**	(27)
Balance, end of period	**$ 491,149**	$ 401,834

Acquisitions of investment properties and property under development completed during the nine-month period ended September 30, 2016 are as follows:

(in $ thousands)

Property	**Property type**	**Ownership interest**	**Date acquired**	**Cash and other(1)**	**Mortgage financing**	**Acquisition cost(2)**
3700 Ave des Grandes Tourelles, Boisbriand, QC	Industrial	50%	15-Jan-16	$ 1,230	$ 3,150	$ 4,380
1405 Rue Graham-Bell, Boucherville, QC	Industrial	50%	2-Feb-16	1,461	1,010	2,471
3655 Ave des Grandes Tourelles, Boisbriand, QC	Industrial	50%	3-Mar-16	2,956	2,712	5,668
14404-128 Avenue, Edmonton , AB	Industrial	100%	30-Jun-16	11,281	23,396	34,677
20500 Clark Graham, Baie D'Urfe, QC	Industrial	50%	6-Jul-16	1,249	2,500	3,749
3343-3501 54th Avenue, Calgary, AB	Industrial	100%	19-Jul-16	5,367	7,500	12,867
15600 Robin's Hill Road, London, ON	Industrial	100%	20-Sep-16	6,751	10,400	17,151
Investment properties				$30,295	$ 50,668	$ 80,963
5685 Rue Cypihot, QC	Industrial	50%	12-Feb-16	$ 2,130	$ 1,800	$ 3,930
Development properties				$ 2,130	$ 1,800	$ 3,930

(1) Cash and other includes cash, cash drawn from the bank credit facility and assumption of security deposits.

(2) Acquisition costs includes purchase price and acquisition-related expenses.

4. Investment properties (continued)

As indicated above, during the three-month period ended September 30, 2016, the Trust acquired $33.8 million in investment properties financed by new and assumed mortgages of $20.4 million, and the balance from the revolving operating facility. In addition, approximately $219,000 in security deposits were assumed on these acquisitions.

The property under development is expected to take approximately 12 to 18 months to upgrade and lease and is currently occupied under a month to month lease. Approximately $103,000 in interest has been capitalized to date.

Approximately $489.7 million of investment properties are used for security under loans and borrowings (Note 6).

Additions to investment properties of $3.2 million, relate to capital outlays, tenant leasing costs, capitalization of free rent receivable and net straight-line rent receivables arising from the recognition of rental revenues on a straight-line basis over the lease term in accordance with IAS 17, "Leases" and Standing Interpretations Committee ("SIC") 15, "Operating Leases - Incentives". The total straight-line rent receivable is $3.2 million (December 31, 2015 - $2.4 million).

The Trust values investment properties using Level 3 inputs. Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets. Level 2 inputs are inputs other than quoted prices that are observable for the asset either directly or indirectly. Valuations that require the significant use of unobservable inputs are considered Level 3. There have been no transfers during the period between levels.

Investment properties were valued using a combination of the discounted cash flow method, the direct capitalization method, and the direct comparison method. In applying the discounted cash flow method, the expected future cash flows are discounted, generally over a term of 10 years, including a terminal value based on the application of a capitalization rate to the estimated year 11 net operating income. In applying the direct capitalization method, the stabilized net operating income is capitalized at the requisite overall capitalization rate. In applying the direct comparison method (price per square foot), the properties are compared to recent transactions considered to be similar in terms of location, condition, size, and tenancy.

These methods require certain key assumptions, including rental income, market rents, operating expenses, vacancies, inflation rates, discount rates, and capitalization rates to be made. The discount rate and capitalization rate is determined for each property based on available market information related to the sale of similar buildings within the same geographic locations. There were $1.2 million of fair value gains for the nine months ended September 30, 2016 (December 31, 2015 losses of $27,000) (September 30, 2015 losses of $696,000).

4. Investment properties (continued)

Significant assumptions made to determine the fair value of the investment properties as at September 30, 2016 and December 31, 2015, are set out as follows:

			2016			2015
(In $ thousands)	**Capitalization rate**	**Discount rate**	**Price per square foot**	Capitalization rate	Discount rate	Price per square foot
Weighted average	**6.54%**	**7.29%**	**$ 99.68**	6.63%	7.39%	$ 97.11

Fair values are most sensitive to change in capitalization rates. A 0.50% increase in the weighted average capitalization rate for income properties would decrease fair value by $35.6 million and a 0.50% decrease would increase fair value by $41.6 million.

5. Accounts receivable, prepaid expenses, deposits and deferred financing costs

(In $ thousands)	**September 30, 2016**	December 31, 2015
Tenant receivables	**$ 111**	$ 133
Other receivables	**508**	2,007
	$ 619	$ 2,140
Prepaid expense and deposits	**$ 1,256**	$ 1,839
Deferred financing costs	**172**	256
	$ 1,428	$ 2,095

6. Loans and borrowings

(In $ thousands)	**September 30, 2016**	December 31, 2015
Term mortgages	**$ 235,289**	$ 185,342
Revolving operating facility and demand loans	**34,070**	33,027
Total	**269,359**	218,369
Less: Current debt	**46,052**	12,705
Non-Current debt	**$ 223,307**	$ 205,664

During the three months ended September 30, 2016, the Trust renewed a $1.5 million mortgage maturing August 1, 2016, for a one-year term at a floating interest rate of 1.32% plus the bank's prime lending rate.

6. Loans and borrowings (continued)

As indicated under Note 4, in conjunction with the Baie D'Urfe property acquisition, the Trust obtained $2.5 million in mortgage financing at a variable interest of monthly Banker's Acceptance Canadian Dealer Offered Rate ("BA-CDOR") plus 1.75% with a term to maturity of ten years. In order to hedge the interest rate risk on the variable interest rate, the Trust entered into a ten-year interest rate swap agreement which effectively fixed the interest rate at 3.36%. On acquisition of the Calgary property, a new $7.5 million mortgage was obtained at a variable interest of monthly BA-CDOR plus 1.95% and a term to maturity of seven years. In order to hedge the variable interest rate risk, the Trust entered into a seven-year interest rate swap agreement which effectively fixed the interest rate at 3.15%. As well, on the acquisition of the London property, $10.4 million in mortgage financing was obtained at a variable interest of monthly BA-CDOR plus 1.79% with a term to maturity of seven years which was effectively fixed at an interest rate of 3.04% by entering into a seven-year interest rate swap agreement at the same time. Refer to Note 7 below for additional information.

Total term mortgages bear interest at a weighted average effective interest rate of 3.43% (2015 – 3.52%) and a weighted average stated interest rate of 3.59% (2015 – 3.65%). The term mortgages are secured by first registered mortgages over specific properties and first general assignments of leases, insurance and registered chattel mortgages.

Included in mortgages payable is $1.9 million (2015 - $586,000) of unamortized mark-to-market premiums related to mortgages assumed on acquisition, and $1.2 million (2015 - $1.1 million) of unamortized deferred financing charges.

Principal repayment requirements for term mortgages are as follows:

(In $ thousands)	
2016 (remainder)	$ 1,731
2017	12,006
2018	57,954
2019	13,451
2020	47,494
2021	32,960
Thereafter	69,048
Principal amount	234,644
Premium on debt	1,850
Deferred financing charges	(1,205)
Total term mortgages	$ 235,289

7. Financial instruments

As noted above, during the three months ended September 30, 2016, new variable rate term mortgages obtained on property acquisitions were hedged by interest rate swap agreements for the same notional amounts at fixed interest rates. The Trust has applied hedge accounting to these relationships in accordance with its accounting policy described in Note 3. Settlement of both fixed and variable portions

7. Financial instruments (continued)

of the interest rate swaps occurs at the same time on a monthly basis. The effectiveness of the hedging relationship is reviewed on a quarterly basis and the Trust has assessed these as effective in the hedge of its interest rate exposure.

At September 30, 2016, the aggregate fair value of the interest rate swaps amounted to a $2.0 million financial liability and is included in accounts payable and accrued liabilities. There was no amount during 2015.

8. Unitholders' equity

(a) Authorized

The Trust is authorized to issue an unlimited number of Units. Each Unit, which has no par value, represents a single vote at any meeting of Unitholders and entitles the Unitholder to receive a pro rata share of all distributions. Each Unitholder shall be entitled to require the Trust to redeem at any time from time to time at the demand of the Unitholder all or any part of the Units registered in the name of the Unitholder at the prices determined and payable in accordance with the conditions hereinafter provided.

A maximum amount of $25,000 may be redeemed in cash in any one month unless otherwise waived by the Board of Trustees. Any redemption in excess of $25,000 will be settled by way of the issuance by the Trust a promissory note in a principal amount equal to the redemption price determined in accordance with the Declaration of Trust.

(b) Issued and outstanding

The following is a continuity of the Trust's issued and outstanding Units:

(In thousands)	Number of Units		Carrying amount
Balance January 1, 2015	23,397	$	151,621
Issuance of Units on January 7, 2015	5,130		28,541
Units issued under the DRIP	281		1,611
Balance September 30, 2015	28,808	$	181,773

(In thousands)	Number of Units		Carrying amount
Balance January 1, 2016	**28,908**	**$**	**182,350**
Issuance of units on June 17, 2016	**5,650**		**32,525**
Units issued under the DRIP	**317**		**1,834**
Balance September 30, 2016	**34,875**	**$**	**216,709**

The Trust has a Distribution Reinvestment Plan ("DRIP") whereby registered or beneficial holders of the

8. Unitholders' equity (continued)

Trust's 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 receive a further distribution of Trust Units equal to 5% of each distribution that was reinvested by them. During the nine-month period ended September 30, 2016, there were 317,307 Units (2015 - 281,108 Units) issued under this plan for total proceeds of $1.8 million (2015 - $1.6 million), representing 15.7% (2015 – 14.6%) of the related distributions.

(c) Distributions

The Trust recorded the following activities relating to distributions during the nine month periods ended September 30:

(In $ thousands, except per Unit amounts)	**2016**	2015
Paid in cash	**$ 9,858**	$ 9,460
Reinvested by Unitholders under the DRIP	**1,834**	1,611
$0.0420 per Unit payable at December 31 (paid January)	**(1,214)**	(983)
$0.0420 per Unit payable at September 30	**1,465**	1,210
Distributions recorded in equity	**$ 11,943**	$ 11,298

During the sale of a 75% interest in two properties in April 2015, the Trustees approved a special distribution of $0.016 per Unit payable to shareholders of record May 31, 2015. The total amount of this special distribution was $459,000 or $392,000 net of DRIP participation and was paid June 15, 2015. The distribution represents approximately 20% of the realized gain on the disposition. There have been no special distributions declared in the first nine months of 2016.

(d) Per Unit amounts

The weighted average number of Units for the three and nine month periods ended September 30 are as follows:

(In thousands of Units)	**3 months 2016**	3 months 2015	**9 months 2016**	9 months 2015
Issued Units, beginning of period	**28,908**	23,397	**28,908**	23,397
Issuance of Units June 17, 2016	**5,650**	-	**2,186**	-
Issuance of Units January 7, 2015	**-**	5,130	**-**	5,017
Issuance of Units under the DRIP	**263**	234	**158**	136
Total weighted average number of Units outstanding	**34,821**	28,761	**31,252**	28,550

As at September 30, 2016 and 2015, the Trust has no Units or instruments outstanding that would have a dilutive effect on earnings per Unit.

9. Related party transactions

Management agreement

Pursuant to the terms of the Management Agreement with Sigma Asset Management Limited ("Sigma" or the "Manager"), Sigma 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 II's assets; an incentive fee for the fiscal year ending December 31, 2014 and onward, equal to 15% of Summit II's adjusted funds from operations ("AFFO") per unit, as defined by the Management Agreement, in excess of a $0.48 (after the "consolidation") hurdle amount, such hurdle amount to be increased by 1.5% each year; 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. Any such units issued will be issued at a price per unit equal to the greater of (a) 95% of the weighted average closing price of the units for the five previous days on the exchange on which the units are most actively traded during that period, and (b) such price stipulated by such stock exchange, to a maximum of the weighted closing price of the units for the five previous days on the exchange on which the units are most actively traded during that period.

Under the terms of the Management Agreement with the Manager, the Trust has incurred the following fees for the three and nine month periods ended September 30:

(In $ thousands)	**3 months 2016**	3 months 2015	**9 months 2016**	9 months 2015
Acquisition fees (capitalized to investment properties)	**$ 327**	$ -	**$ 813**	$ 790
Asset management fees	**293**	249	**813**	724
Incentive fee	**-**	(63)	**-**	305
Leasing fees (capitalized to investment properties)	**-**	150	**201**	150
Property management services	**397**	360	**1,134**	1,054
	$ 1,017	$ 696	**$ 2,961**	$ 3,023

9. Related party transactions (continued)

There is no amount included in trade and other accrued liabilities at September 30, 2016 (2015 - $509,000) due to Sigma.

During the nine-month period ended September 30, 2016, Sigma paid $26,000 to the Trust (2015 - $25,000) for office space located at 294 Walker Drive, Brampton, Ontario, under a five-year lease commencing June 1, 2013.

Trustee related fees of $124,000 (2015 - $134,000) are included in general and administrative expenses for the nine-month period ended September 30, 2016.

10. Income tax

The Trust is taxed as a mutual fund trust for Canadian income tax purposes. The Trust expects to distribute all of its taxable income to its Unitholders, which enables it to deduct such distributions for income tax purposes. As the income tax obligations relating to the distributions are those of the individual Unitholder, no provision for income taxes has been recorded.

The Canadian Income Tax Act contains rules (the “SIFT Rules”) applicable to specified investment flow-through (“SIFT”) trusts, which generally tax the SIFT trust on its income from business carried on in Canada and on income (other than taxable dividends) or capital gains from non-portfolio properties (as defined in the Canadian Income Tax Act) and the distribution of such income to Unitholders is generally treated as dividends received from a taxable Canadian corporation. If the income is not distributed, the Trust will be taxed on its income. In general, distributions paid as returns of capital will not be subject to this tax.

Income taxes have not been recorded during the period. The SIFT Rules are not applicable to real estate investment trusts (“REITs”) that meet certain specified criteria relating to the nature of its revenue and investments. The Trust qualified as a REIT for 2015 and expects to continue to distribute its taxable income and to qualify as a REIT for the foreseeable future. As such, deferred taxes have not been recorded in the condensed consolidated interim financial statements.

11. Subsequent events

Distribution

On October 14, 2016, a distribution in the amount of $0.042 per Unit for Unitholders of record October 31, 2016, was declared and will be paid on November 15, 2016.