Summit Industrial Income REIT

CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2019 and 2018

SUMMIT INDUSTRIAL INCOME REIT
For the years ended December 31, 2019 and 2018

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Independent Auditor's Report

To the Unitholders of
Summit Industrial Income REIT and the Board of Trustees

Opinion

We have audited the consolidated financial statements of Summit Industrial Income REIT (the "Trust"), which comprise the consolidated balance sheets as at December 31, 2019 and 2018, and the consolidated statements of income, comprehensive income, changes in unitholders' equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Trust as at December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Trust in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis. Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Responsibilities of Management and those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Trust’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Trust or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Trust’s financial reporting process.

Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Trust’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Trust to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Trust to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Ciro DeCiantis.

/s/ Deloitte LLP

Chartered Professional Accountants

Halifax, Nova Scotia

February 19, 2020

SUMMIT INDUSTRIAL INCOME REIT

Consolidated Balance Sheets

As at December 31, 2019 and 2018

(In thousands of Canadian dollars)

	Note	2019	2018
Assets			
Non-current			
Investment properties	4,6	**$ 2,530,435**	$ 1,700,078
Equity accounted joint ventures	7	**18,978**	-
Loans receivable	9	**26,679**	59,197
		2,576,092	1,759,275
Current			
Investment properties held for sale	6	**17,263**	-
Accounts receivable	10	**7,709**	3,301
Prepaid expenses, deposits, other assets and deferred financing costs	10	**5,917**	7,703
Cash		**1,698**	4,325
		32,587	15,329
Total assets		**$ 2,608,679**	$ 1,774,604
Liabilities			
Current			
Loans and borrowings	11	**$ 454,279**	$ 265,808
Trade and other accrued liabilities		**38,155**	28,723
Distributions payable	14	**6,168**	4,142
		498,602	298,673
Non-current			
Loans and borrowings	11	**643,093**	568,368
Lease liabilities	4,18	**30,547**	-
Security deposits		**10,162**	6,734
		683,802	575,102
Class B exchangeable units	13	**7,819**	41,088
Total liabilities		**1,190,223**	914,863
Unitholders' equity		**1,418,456**	859,741
Total liabilities and equity		**$ 2,608,679**	$ 1,774,604

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

Approved by the Board of Trustees on February 19, 2020.

"Lou Maroun"
Trustee

"Jim Tadeson"
Trustee

SUMMIT INDUSTRIAL INCOME REIT

Consolidated Statements of Income

For the years ended December 31, 2019 and 2018

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

	Note		2019		2018
Revenue from investment properties	19	**$**	**142,193**	$	92,150
Property operating expenses			**39,118**		27,310
Net rental income			**103,075**		64,840
Other income					
Finance income			**4,997**		3,647
Gain on sale of investment properties			**439**		466
			5,436		4,113
Other expenses					
General and administrative			**6,308**		5,327
Internalization costs	16		**96,569**		-
Finance costs	17		**36,068**		22,491
			138,945		27,818
(Loss) income before fair value adjustments			**(30,434)**		41,135
Fair value adjustments to Class B exchangeable units	13		**(10,158)**		(4,537)
Fair value adjustments to investment properties	6		**188,178**		143,809
Net income		**$**	**147,586**	$	180,407
Net income per Unit					
Basic	14	**$**	**1.278**	$	2.319
Diluted	14	**$**	**1.277**	$	2.318

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

SUMMIT INDUSTRIAL INCOME REIT

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2019 and 2018

(In thousands of Canadian dollars)

		2019		2018
Net income	**$**	**147,586**	$	180,407
Other comprehensive loss				
Items that may be reclassified subsequently to net income:				
Net change in fair value of hedging derivative financial instruments		**(20,788)**		(9,589)
Net change in fair value of hedging derivative financial instruments reclassified to finance costs		**12,790**		6,260
Other comprehensive loss		**(7,998)**		(3,329)
Comprehensive income	**$**	**139,588**	$	177,078

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

SUMMIT INDUSTRIAL INCOME REIT

Consolidated Statements of Changes in Unitholders' Equity

For the years ended December 31, 2019 and 2018

(In thousands of Units and Canadian dollars)

	Fund Units	Note	Unit equity	Surplus	Accumulated other comprehensive income (loss)	Unitholders' equity
Beginning balance, January 1, 2018	67,084		$ 429,584	$ 41,021	$ 1,282	$ 471,887
Net income and other comprehensive income	-		-	180,407	(3,329)	177,078
Distributions	-	14	-	(40,685)	-	(40,685)
Units issued through DRIP	598	14	4,918	-	-	4,918
Management compensation units	287	14,16	2,637	-	-	2,637
Issuance of Units, net of costs	28,355	14	243,906	-	-	243,906
Unitholders' equity, December 31, 2018	96,324		$ 681,045	$ 180,743	$ (2,047)	$ 859,741
Beginning balance, January 1, 2019	**96,324**		**$ 681,045**	**$ 180,743**	**$ (2,047)**	**$ 859,741**
Net income and other comprehensive loss	-		**-**	**147,586**	**(7,998)**	**139,588**
Distributions	-	14	**-**	**(69,667)**	**-**	**(69,667)**
Units issued through DRIP	**604**	14	**7,036**	**-**	**-**	**7,036**
Management compensation units	**25**	14,16	**277**	**-**	**-**	**277**
Class B units exchanged	**3,649**	13	**43,348**	**-**	**-**	**43,348**
Issuance of Units relating to internalization, net of costs	**6,667**	14,16	**74,840**	**-**	**-**	**74,840**
Issuance of Units, net of costs	**29,797**	14	**363,293**	**-**	**-**	**363,293**
Unitholders' equity, December 31, 2019	**137,066**		**$ 1,169,839**	**$ 258,662**	**$ (10,045)**	**$ 1,418,456**

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

SUMMIT INDUSTRIAL INCOME REIT

Consolidated Statements of Cash Flows

For the years ended December 31, 2019 and 2018

(In thousands of Canadian dollars)

	Note	2019	2018
Operating activities			
Net income		**$ 147,586**	$ 180,407
Add (deduct):			
Finance costs	17	**36,068**	22,491
Internalization costs	14,16	**74,840**	-
Gain on sale of investment properties		**(439)**	(466)
Straight-line rent adjustment		**(2,419)**	(1,883)
Fair value adjustments to Class B exchangeable Units	13	**10,158**	4,537
Fair value adjustments to investment properties	6	**(188,178)**	(143,809)
Change in non-cash working capital items		**7,447**	8,447
Interest and finance fees paid		**(35,251)**	(21,859)
Cash inflows from operating activities		**49,812**	47,865
Financing activities			
Repayment of loans and borrowings		**(320,567)**	(125,927)
Repayment of lease liabilities		**(53)**	-
Increase in loans and borrowings		**572,878**	367,963
Distributions paid (includes Class B exchangeable Units)	13,14	**(61,587)**	(35,532)
Net proceeds from Units issued	14	**363,293**	243,906
Cash inflows from financing activities		**553,964**	450,410
Investing activities			
Additions to investment properties		**(11,298)**	(10,905)
Additions to properties under development	6	**(7,146)**	(24,451)
Proceeds from sale of investment properties	6,8	**107,500**	46,431
Acquisition of investment properties	6	**(699,865)**	(478,808)
Investment in equity accounted joint ventures		**(18,978)**	-
Loans receivable advanced	9	**(32,618)**	(30,391)
Receipt of loans receivable	9	**59,197**	3,818
Additions to other assets		**(195)**	-
Increase in deposits on future acquisitions of investment properties		**(3,000)**	(500)
Cash outflows from investing activities		**(606,403)**	(494,806)
(Decrease) Increase in cash		**(2,627)**	3,469
Cash, beginning of year		**4,325**	856
Cash, end of year		**$ 1,698**	$ 4,325

The accompanying notes are an integral part of these consolidated 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 75 Summerlea Road, Brampton, Ontario, L6T 4V2. The Trust is primarily involved in the commercial leasing of real estate property with 68 property locations in Ontario, 28 properties in Quebec, 52 properties across Western Canada, 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 consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

The Board of Trustees authorized the issue of these consolidated financial statements on February 19, 2020.

(b) Basis of measurement

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

The consolidated financial statements are presented in thousands of Canadian dollars, unless otherwise noted, which is the functional currency of the Trust and its subsidiaries.

3. Significant accounting policies

The accounting policies set out below have been applied consistently by all the Trusts' entities and to all periods presented in the consolidated financial statements.

(a) Principles of consolidation

These consolidated financial statements include the accounts of the Trust and its wholly-owned subsidiaries, Summit Industrial Income Operating Limited Partnership and Summit II Data Centres Limited Partnership and their respective general partners, Summit Industrial Income Holdings GP Ltd., Summit Industrial Income Corp., Summit II Data Centres GP Inc. and Summit Industrial Income Management 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.

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

3. Significant accounting policies (continued)

disposed of during the year are included in the consolidated statement of income and comprehensive 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) Business combination

The Trust assesses whether an acquisition transaction is an asset acquisition or a business combination.

The Trust accounts for an acquisition as a business combination if the assets acquired and liabilities assumed constitute a business and the Trust obtains control of the business. When the cost of a business combination exceeds the fair value of the identifiable assets acquired or liabilities assumed, such excess is recognized as goodwill. Transaction-related costs are expensed as incurred.

If the acquisition does not meet the definition of a business combination, the Trust accounts for the acquisition as an asset acquisition, whereby the asset acquired is initially measured at the purchase price, including directly attributable costs.

(c) Joint arrangements

Under IFRS 11 – *Joint Arrangements (“IFRS 11”)*, a joint arrangement is an arrangement in which two or more parties have joint control. Joint control is the contractually agreed sharing of control whereby decisions about relevant activities require unanimous consent of the parties sharing control.

Joint arrangements are classified as either joint operations or joint ventures depending on the Trust’s rights and obligations in the arrangement based on factors such as the structure, legal form and contractual terms of the arrangement.

(i) Joint ventures
A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement.

The Trust’s investment in a joint venture is recorded using the equity method and is initially recognized in the consolidated balance sheet at cost and adjusted thereafter to recognize the Trust’s share of the profit or loss and other comprehensive income of the joint venture. The Trust’s share of the joint venture’s profit or loss is recognized in the Trust’s consolidated statements of income and comprehensive income.

(ii) Joint operations
A joint operation is a joint arrangement whereby the parties that have joint control have rights to the assets and obligations for the liabilities related to the arrangement. A party to a joint operation records its share of the assets, liabilities, revenue and expenses of the joint operation. The Trust’s co-owned property interests are already recorded as a joint operation.

3. Significant accounting policies (continued)

As at December 31, 2019 and 2018, the Trust had interests in joint arrangements that were classified as joint ventures and joint operations.

(d) Cash

Cash includes balances held on deposit with banks.

(e) Investment properties

Investment properties are comprised of commercial real estate properties held to earn rental income and/or for capital appreciation.

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. The fair value of investment properties is determined based on available market evidence. If market evidence is not available, the Trust utilizes alternative valuation methods, supported by either third-party appraisers who are members of the Appraisal Institute of Canada or by the Trust using similar assumptions and valuation principals as used by the external appraisers. Gains and losses arising from changes in the fair value of investment properties are included in profit or loss in the period in which they arise.

The fair value of an investment property reflects, among other things, rental income from current leases, and assumptions about rental income from future leases in light of current market conditions. The fair value also reflects, on a similar basis, any cash outflows that could be expected with respect to the property.

Subsequent expenditures are capitalized to the investment property's carrying value only when it is probable that future economic benefits associated with the expenditure will flow to the Trust and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred.

Direct leasing costs incurred by the Trust in negotiating and arranging tenant leases are added to the carrying value of investment properties.

An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the investment property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the investment property is derecognized.

(f) 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. 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

3. Significant accounting policies (continued)

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.

(g) Assets held for sale

Non-current assets comprising assets and liabilities that are expected to be recovered primarily through sale rather than continuing use are classified as held for sale. This condition is regarded as met only when the sale is highly probable, and the non-current asset is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell. In respect of investment properties classified as held for sale are measured at fair value.

(h) Hedge accounting

Derivatives are initially recognized at fair value on the date the derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing depends on the nature of the hedge relationship. The Trust has designated its interest rate swaps under certain term mortgages as cash flow hedges.

At the inception of the hedge relationship, the Trust documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Trust documents whether the hedging instrument is effective in offsetting changes in fair values or cash flows of the hedged item 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 and any gain or loss relating to the ineffective portion is recognized immediately in profit or loss. Amounts previously recognized in other comprehensive income and accumulated in unitholders' equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognized hedged item.

The Trust discontinues hedge accounting only when the hedging relationship ceases to meet the qualifying criteria. This includes instances when the hedging instrument expires or is sold, terminated or exercised. The discontinuation is accounted for prospectively. Any gain or loss accumulated in unitholders' equity at that time remains in equity and is reclassified to profit or loss when the forecast

3. Significant accounting policies (continued)

transaction occurs. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in unitholders' equity is reclassified immediately to profit or loss.

(i) Income tax

The Trust qualifies as a mutual fund trust under the Income Tax Act (Canada). The Trustees intend to distribute all taxable income directly earned by the Trust to Unitholders and to deduct such distributions for income tax purposes.

The legislation relating to the federal income taxation of a specified investment flow-through (''SIFT'') trust or partnership was enacted on June 22, 2007. Under the SIFT rules, certain distributions from a SIFT will not be deductible in computing the SIFT trust's taxable income and the SIFT trust will be subject to tax on such distribution at a rate that is substantially equivalent to the general tax rate applicable to Canadian corporations. However, distributions paid by a SIFT trust as return of capital should generally not be subject to tax.

Under the SIFT rules, the taxation regime will not apply to a real estate investment trust that meets prescribed conditions relating to the nature of its assets and revenue (the ''REIT Conditions''). The Trust has reviewed the SIFT rules and has assessed their interpretation and application to the Trust's assets and revenue. While there are uncertainties in the interpretation and application of the SIFT rules, the Trust believes that it does meet the REIT Conditions and accordingly, no net current income tax expense or deferred income tax assets or liabilities have been recorded in the consolidated statements of income and comprehensive income in respect of the Trust, subsequent to the Trust meeting the REIT Conditions.

(j) Revenue recognition

Revenue from investment properties
The Trust retains substantially all the risks and rewards of ownership of its investment properties and therefore accounts for all its leases with its tenants as operating leases. Rental revenue is recorded once the tenant has commenced its lease and has the right to the use of the investment property. Generally, this occurs on the later of the lease commencement date or when the Trust is required to make additions to the lease property in the form of tenant improvements, upon substantial completion of such improvements. Rental revenue, including any incentives that are offered or incurred by the Trust in arranging tenant leases, are recognized as revenue on a straight-line basis over the term of the lease. The difference between revenue recognized and the cash received is recognized in investment properties. Recoveries from tenants are recognized as revenue in the period in which the applicable costs are incurred and become recoverable under the terms of the lease from tenants.

Finance income
Finance income is the interest earned on the amounts advanced under the Trust's mezzanine loans together with bank interest earned from deposits. Finance income is recognized in accordance with the terms set out in the financing arrangements using the effective interest method.

3. Significant accounting policies (continued)

(k) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument to another entity. Financial assets and financial liabilities, including derivatives, are recognized on the consolidated balance sheet at the time the Trust becomes a party to the contractual provisions. Upon initial recognition, all financial instruments are measured at fair value. Subsequently, the Trust measures its financial instruments as follows: cash, accounts receivable and loans receivable – other, trade and other accrued liabilities, security deposits, loans and borrowings, and distributions payable are measured at amortized cost using the effective interest method; and loans receivable – mezzanine, derivative assets and liabilities, and Class B exchangeable units are measured at fair value through profit and loss (FVTPL). Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss. Transaction costs incurred on loans and borrowings with balances that frequently fluctuate or have not been drawn upon are deferred and amortized over the term of the borrowing.

The Trust measures the allowance for doubtful accounts based the expected credit loss ("ECL") model, which takes into account current economic conditions, historical information, and forward-looking information. The Trust uses the simplified approach for measuring losses based on the lifetime ECL for accounts receivable.

(l) Provisions

Provisions are recognized when the Trust has a present obligation (legal or constructive) as a result of a past event, it is probable that the Trust will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

(m) Net income per unit

Basic net income per unit is computed by dividing earnings by the weighted average number of units outstanding for the period. Diluted net income per unit is calculated giving effect to the potential dilution that would occur if unit options or other dilutive instruments were exercised or converted to units. The dilutive impact is determined by assuming that any proceeds upon the exercise or conversion of dilutive instruments, for which market prices exceed exercise price, would be used to purchase units at the average market price of the units during the period.

(n) Unit-based compensation plans

As described in Note 14, the Trust has adopted a Trustee Deferred Unit Plan ("the Plan") which provides for the granting of Deferred Units for up to 100% of a Trustee's fees in lieu of cash. The unit-based compensation is presented as a liability within trade and other accrued liabilities on the consolidated

3. Significant accounting policies (continued)

balance sheets and measured at fair value, and the associated compensation expense is recognized in general and administrative expense in the consolidated statements of income as the services are rendered. The liability is remeasured at fair value at the end of each reporting period and at the date of settlement, with any changes in fair value recognized in general and administrative expense on the consolidated statements of income for the period.

(o) Class B exchangeable units

Class B exchangeable units of certain limited partnership (“LP”) subsidiaries of the Trust are exchangeable into Units of the Trust at the option of the holder. The Trust’s Units are puttable instruments and, therefore, the Class B exchangeable units meet the definition of a financial liability under IAS 32. The Class B exchangeable units are designated as fair value through profit and loss (“FVTPL”). The fair value of the Class B exchangeable units is remeasured at the end of each reporting period with changes in fair value recorded in net income. Distributions paid on the units are recorded as finance costs when declared as distributions to Class B LP unitholders on the consolidated statements of income. Upon exchange into Units of the Trust, the carrying amount of the liability representing the fair value of the Class B exchangeable units on the exchange date is reclassified to unitholders’ equity.

4. Accounting policy changes

Adoption of new and revised standards:

IFRS 16 – Leases (“IFRS 16”)

In January 2016, the International Accounting Standards Board (“IASB”) issued IFRS 16 – Leases (“IFRS 16”) which replaces IAS 17, "Leases" and its associated interpretative guidance. IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract on the basis of whether the customer controls the asset being leased. For those assets determined to meet the definition of a lease, IFRS 16 introduces significant changes to the accounting by lessees, introducing a single, on balance sheet accounting model that is similar to current finance lease accounting, with limited exceptions for short-term leases or leases of low value assets. Lessor accounting remains similar to current accounting practice.

The Trust adopted IFRS 16 in its consolidated financial statements for the annual period beginning January 1, 2019, on a modified retrospective basis using the available transitional provisions. As a landlord, lessor accounting is substantially unchanged between IAS 17 and IFRS 16 and therefore, leases with users are to be accounted for as operating leases in a consistent manner with the current accounting treatment. The Trust has identified one land lease contract in which it is a lessee; no other significant leases were identified at adoption of the standard.

The following practical expedients were used when applying IFRS 16 to leases previously classified as operating leases under IAS 17:

• Applied IFRS 16 only to contracts that were previously identified as leases;

• Excluded initial direct costs from measuring right-of-use assets; and

• Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

4. Accounting policy changes (continued)

As at January 1, 2019, on adoption of IFRS 16, Summit recognized a lease liability for the ground lease assumed in July 2018 which had been previously classified as an "operating lease" under the principles of IAS 17. On January 1, 2019, the liability was measured at the present value of the remaining lease payments, discounted using Summit's incremental borrowing rate as of January 1, 2019 on the ground lease with a remaining lease term of 54 years for a value of $10.5 million. As well, additional ground leases were assumed on acquisitions during the last quarter of 2019 with remaining lease terms between 52 and 53 years for a value of $20.1 million.

The Trust has classified the right-of-use-asset in respect of these land leases as investment property at fair value. Lease related expense previously recorded in property expenses will now be recorded as fair value adjustments on investment properties and net interest and other financing charges as a finance cost on the consolidated statements of income.

Lease term and useful life of leasehold improvements

In December 2019, the IFRS Interpretations Committee ("IFRIC") issued a final agenda decision in regards to the determination of the lease term for cancellable or renewable leases under IFRS 16. As permitted by the IASB, the Trust is currently assessing the impact of this interpretation on its Consolidated Financial Statements and the implementation of the decision is expected in the first quarter of fiscal 2020 with retrospective application.

5. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Trust's accounting policies, which are described in Note 3 and Note 4, management is required to make judgements, estimates and assumptions that affect the application of accounting policies and the amounts reported in the consolidated financial statements and related notes to the consolidated financial statements. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are accounted for prospectively.

a) Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations, that have been made in the process of applying the Trust's accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements.

(i) Investment properties

The Trust applies judgement in determining whether an acquisition meets the definition of a business combination or, alternatively, an asset acquisition by considering the nature of the assets acquired and the processes applied to those assets, or if the integrated set of assets and activities is capable of being conducted and managed for the purpose of providing a return to investors or other owners. The determination of whether an acquisition meets the definition of a business results in measurement differences on initial recognition of the acquired net assets. If the acquisition is determined to be a business combination these differences include the nature of deferred tax assets and liabilities that may be recorded and the requirement to recognize goodwill or negative goodwill, as applicable, for

5. Critical accounting judgements and key sources of estimation uncertainty (continued)

differences between the consideration provided and the fair value of the net assets acquired. Additionally, transaction costs incurred to affect a business combination are required to be expensed where for an asset acquisition transaction costs would be capitalized to the initial carrying amount of the acquired asset. The Trust considers all the properties it has acquired to date to be asset acquisitions.

The Trust also applies judgement in determining whether subsequent expenditures are capitalized to the investment property's carrying amount based on whether it is probable that future economic benefits associated with the expenditure will flow to the Trust.

(ii) Management internalization

As part of the management internalization (Note 16(a)), the Trust applied judgement as to whether or not the transaction should be accounted for as an asset acquisition or business combination. As part of the accounting assessment, the Trust evaluated whether it was acquiring inputs (such as employees and assets), processes and outputs.

(iii) Leases

The Trust uses judgement in determining whether certain leases with tenants, in particular, those tenant leases with long contractual terms and where the lessee is the sole tenant, are operating or finance leases. The Trust has determined that all its tenant leases are operating leases.

(iv) Lease incentives

The Trust evaluates whether tenant improvement allowances, whether provided in cash, or free-rent, are, in substance, lease incentives or capital expenditures of the Trust that enhance the value of the income producing property. This determination requires judgement and consideration of several factors, including whether the improvements enhance the value of the property, tenant discretion in use of the funds, uniqueness of the improvements and transfer of risks and rewards.

(v) Compliance with REIT legislation

In order to continue to be taxed as a mutual fund trust, the Trust needs to maintain its REIT status. During the prior years, the Trust undertook certain transactions to qualify as a REIT under the SIFT rules in the Canadian Income Tax Act. The Trust's current and continuing qualification as a REIT depends on its ability to meet the various requirements imposed under the SIFT rules, which relate to matters such as its organizational structure and the nature of its assets and revenues. The Trust applies judgement in determining whether it continues to qualify as a REIT under the SIFT rules.

5. Critical accounting judgements and key sources of estimation uncertainty (continued)

b) Critical accounting estimates and assumptions

The estimates and assumptions that are critical to the determination of the amounts reported in the consolidated financial statements relate to the following:

(i) Fair value of investment properties

The fair value of investment properties is dependent upon available comparable transactions, future cash flows over the holding period and discount rates and capitalization rates applicable to those assets. The review of anticipated cash flows involves assumptions of estimated occupancy, rental rates and residual value. In addition to reviewing anticipated cash flows, management assesses changes in the business climate and other factors, which may affect the ultimate value of the property. These assumptions may not ultimately be achieved. The critical estimates and assumptions underlying the valuation of investment properties are set out in Note 6.

6. Investment properties

The following table presents the changes in investment properties as at December 31, 2019 and 2018:

				December 31, 2019	December 31, 2018
(In thousands)	**Note**	**Investment properties**	**Investment properties held for sale**	**Total**	Total
Balance, beginning of year		**$ 1,700,078**	**$ -**	**$ 1,700,078**	$ 966,566
Transition adjustment (IFRS 16), net of fair value adjustments of ($48)	**4**	**10,456**	**-**	**10,456**	-
Additional right-of-use assets, net of fair value adjustments of ($5)	**4**	**20,091**	**-**	**20,091**	-
Additions:					
Acquisition of investment properties		**698,459**	**16,390**	**714,849**	595,506
Additions to investment properties		**14,231**	**37**	**14,268**	15,662
Additions to properties under development/expansion		**7,146**	**-**	**7,146**	24,409
Transfer from investment properties to properties held for sale		**(1,170)**	**1,170**	**-**	-
Dispositions	**8**	**(107,368)**	**-**	**(107,368)**	(45,874)
Fair value gains		**188,512**	**(334)**	**188,178**	143,809
Balance, end of year		**$ 2,530,435**	**$ 17,263**	**$ 2,547,698**	$ 1,700,078

6. Investment properties (continued)

Acquisitions of investment properties completed during the year ended December 31, 2019 are as follows:
(In thousands)

Property	Property type	Ownership interest	Date acquired	Cash and other[1]	Mortgage financing	Acquisition cost[2]
2751 Trans-Canada Highway, Montreal, QC	Industrial	100%	07-Mar-19	$ 23,925	$ -	$ 23,925
35 Cooper Drive, Guelph, ON	Industrial	100%	30-Sep-19	25,972	-	25,972
56 Quarterman Road, Guelph, ON	Industrial	100%	30-Sep-19	32,385	-	32,385
10971-274 Street, Acheson, AB	Industrial	100%	01-Nov-19	17,631	-	17,631
11355-261 Street, Acheson, AB	Industrial	100%	01-Nov-19	5,930	-	5,930
25535 – 111 Avenue, Acheson, AB	Industrial	100%	01-Nov-19	16,320	-	16,320
27048 /27286 96 Avenue, Acheson, AB	Industrial	100%	01-Nov-19	50,200	-	50,200
27650 – 108 Avenue, Acheson, AB	Industrial	100%	01-Nov-19	27,670	-	27,670
261106 Wagon Wheel, Balzac, AB	Industrial	100%	01-Nov-19	8,400	-	8,400
10501 Barlow Trail SE, Calgary, AB	Industrial	100%	01-Nov-19	15,405	-	15,405
10905 48 Street, Calgary, AB	Industrial	100%	01-Nov-19	20,510	-	20,510
19 Aero Drive, Calgary, AB[3]	Industrial	100%	01-Nov-19	19,830	-	19,830
21 Aero Drive, Calgary, AB[3]	Industrial	100%	01-Nov-19	16,330	-	16,330
2705-2737 57th Avenue, Calgary, AB	Industrial	100%	01-Nov-19	9,600	-	9,600
3905 - 29 Street NE, Calgary, AB	Industrial	100%	01-Nov-19	10,850	-	10,850
40 Technology Way, Calgary, AB	Industrial	100%	01-Nov-19	13,130	-	13,130
4907 - 32nd Ave, Calgary, AB	Industrial	100%	01-Nov-19	4,600	-	4,600
5502 & 5532-56th Avenue, Calgary, AB	Industrial	100%	01-Nov-19	4,620	-	4,620
5805-5885 - 51st Street SE, Calgary, AB	Industrial	100%	01-Nov-19	19,860	-	19,860
5820-5870 - 48th Street SE, Calgary, AB	Industrial	100%	01-Nov-19	17,440	-	17,440
1002-15th Avenue, Edmonton, AB	Industrial	100%	01-Nov-19	6,530	-	6,530
11307 – 11329 166A Street, Edmonton, AB	Industrial	100%	01-Nov-19	8,315	-	8,315
12311-17 Street NE, Edmonton, AB	Industrial	100%	01-Nov-19	10,000	-	10,000
12810 - 170 Street NW, Edmonton, AB	Industrial	100%	01-Nov-19	73,550	-	73,550
12900 148th Street, Edmonton, AB	Industrial	100%	01-Nov-19	5,900	-	5,900
14627 - 128th Avenue NW, Edmonton, AB	Industrial	100%	01-Nov-19	9,600	-	9,600
15 Turbo Drive, Edmonton, AB	Industrial	100%	01-Nov-19	6,500	-	6,500
16295 - 132nd Ave, Edmonton, AB	Industrial	100%	01-Nov-19	2,390	-	2,390
18073 107th Avenue, Edmonton, AB	Industrial	100%	01-Nov-19	5,959	-	5,959
304 - 69 Avenue NW, Edmonton, AB	Industrial	100%	01-Nov-19	24,365	-	24,365
3408 - 76 Avenue, Edmonton, AB	Industrial	100%	01-Nov-19	3,000	-	3,000
4600 - 99th Street NW, Edmonton, AB	Industrial	100%	01-Nov-19	14,000	-	14,000
503 - 69 Avenue NW, Edmonton, AB	Industrial	100%	01-Nov-19	3,330	-	3,330
5645 - 70th St NW, Edmonton, AB	Industrial	100%	01-Nov-19	33,040	-	33,040
7720 - 17th Street NW, Edmonton, AB	Industrial	100%	01-Nov-19	17,560	-	17,560
9203 - 35th Ave. NW, Edmonton, AB	Industrial	100%	01-Nov-19	2,620	-	2,620
15602 94 Street, Grand Prairie, AB	Industrial	100%	01-Nov-19	9,000	-	9,000
234040 Wrangler Road, Rocky View, AB	Industrial	100%	01-Nov-19	48,390	-	48,390
285031 Wrangler Way, Rocky View, AB	Industrial	100%	01-Nov-19	18,360	-	18,360
10498-17th Street, Strathcona, AB	Industrial	100%	01-Nov-19	9,700	-	9,700
210 Great Gulf Drive, Vaughan, ON	Industrial	100%	21-Nov-19	15,413	10,741	26,154
566 Aero Drive, Calgary, AB[3]	Industrial	100%	05-Dec-19	15,978	-	15,978
Investment properties				$ 704,108	$ 10,741	$ 714,849

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

(2) Acquisition costs includes acquisition-related expenses.

(3) Property acquired is on a land lease.

6. Investment properties (continued)

As indicated above, during the year ended December 31, 2019, the Trust acquired $714.8 million (2018 - $595.5 million) of investment properties. The acquisitions were financed by an assumed mortgage of $10.7 million (2018 - $142.4 million), prior year deposits held in trust of $0.5 million, net proceeds of $363.3 million (2018 - $243.9 million) raised from public offerings, $382.2 million (2018 - $153.0 million) from temporary bridge credit facilities (Note 11) and the balance from the revolving operating facility. The assumed mortgage excludes $0.2 million (2018 - $0.1 million) of mark-to-market premium recorded on the assumed debt.

In addition, approximately $3.5 million (2018 - $2.6 million) in security deposits were assumed for the year ending December 31, 2019. Approximately $2.5 billion (2018 - $1.7 billion) of investment properties are used for security under loans and borrowings (Note 11).

On September 11, 2019, the Trust sold its interest in the data centre property located in Richmond Hill, Ontario for a sale price of $107.5 million (Note 8). In addition, the Trust's investment property in Cranbrook, British Columbia, and two recently acquired properties in Edmonton Alberta are available for sale and have been classified as held for sale and recorded at their fair value of $17.3 million at December 31, 2019.

Additions to investment properties of $14.3 million (2018 - $15.7 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. At December 31, 2019, the total straight-line rent receivable is $9.1 million (2018 - $6.7 million).

For the year ended December 31, 2019, additions to properties under development/expansion of $6.6 million relates to a property in Kitchener undergoing an expansion and the remaining $0.5 million relates to other development projects in progress. Additions to properties under development/expansion of $24.4 million during the year ended December 31, 2018 related to the data centre property.

Approximately $444.8 million of the $2.5 billion or 24% (excluding current year acquisitions) of the properties were appraised by third party valuation professionals, which were then reviewed by management, in 2019 (2018 - $395.2 million or 36%). The fair value of the remaining investment properties was determined internally by the Trust using similar assumptions and valuation principals as used by the external appraisers. On an annual basis, approximately 33% of the portfolio is expected to be appraised by an external third party, which over 3 years will represent 100% of the portfolio having been externally appraised.

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

6. Investment properties (continued)

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 are determined for each property based on available market information related to the sale of similar buildings within the same geographic locations. Taking into consideration the results of the various valuation methods noted above, the fair value gains for the year ended December 31, 2019 were $188.2 million (2018 - $143.8 million).

Significant assumptions made to determine the fair value of the industrial investment properties are set out as follows:

			2019			2018
	Capitalization rate	**Discount rate**	**Price per square foot**	Capitalization rate	Discount rate	Price per square foot
Weighted average	**5.07%**	**6.10%**	**$ 145.37**	5.46%	6.20%	$ 126.41

Fair values are most sensitive to change in capitalization rates. A 0.50% increase in the weighted average capitalization rate for investment properties would decrease fair value by $233.2 million (2018 - $144.2 million) and a 0.50% decrease would increase fair value by $284.8 million (2018 – $173.7 million).

7. Equity accounted joint ventures

On September 30, 2019, the Trust acquired a 50% interest in 49 acres of development land in an industrial park in Guelph Ontario, in partnership with Cooper Construction Limited ("Cooper"). The acquisition cost was $20.6 million and was financed with proceeds from the June 2019 offering (Note 14(b)), the sale of its 50% interest in the data centre property and assumed construction financing of $1.2 million. There are currently two buildings under construction on the development land which, when completed, will total 386,929 square feet. The Trust has the option to acquire, at fair market value, the remaining 50% interest in these two buildings and own 100% once completed and leased. The Trust also has the option to acquire, at fair market value, 100% of additional buildings being developed over time under the joint venture arrangement as they are completed and leased.

The Trust accounts for its investments in joint ventures using the equity method. The following details the Trust's share of the limited partnership's aggregate assets and liabilities under development for years ended December 31, 2019 and 2018. There is no material cashflows or results from operations to disclose.

(In thousands)	**2019**	2018
Investment properties	**$ 26,065**	$ -
Current assets	**762**	-
Total assets	**26,827**	-
Current liabilities	**2,623**	-
Non-current liabilities	**5,226**	-
Equity accounted joint ventures	**$ 18,978**	**$ -**

8. Co-owned property interests

On September 11, 2019, the Trust sold its 50% interest in the data centre property located at 80 Via Renzo Drive, Richmond Hill for a sale price of $107.5 million and wound up its existing loans receivable (Note 9) generating a gain of $0.4 million. The proceeds of the sale were used to payout the mortgage on the property, fund the special distribution described under Note 14, with the remainder used for funding the 2019 acquisitions (Note 6).

The Trust is a co-owner in several industrial investment properties, listed below, that are subject to joint control based on the Trust's decision-making authority with regard to the relevant activities of the properties. These co-owned industrial property interests have been classified as joint operations and, accordingly, the Trust recognizes its rights to and obligations for the assets, liabilities, revenue and expenses of these co-ownerships in the respective lines in the consolidated financial statements.

(In thousands)

Property	Property type	Ownership interest 2019	Ownership interest 2018
240 Laurier Boulevard, Brockville, ON	Industrial	**25%**	25%
350 Hazelhurst Road, Mississauga, ON	Industrial	**25%**	25%
501 Palladium Drive, Ottawa, ON	Industrial	**25%**	25%
200 Iber Road, Ottawa, ON	Industrial	**25%**	25%
5499 Canotek Road, Ottawa, ON	Industrial	**25%**	25%
20500 Clark-Graham, Baie D'Urfe, QC	Industrial	**50%**	50%
3655 Ave des Grandes Tourelles, Boisbriand, QC	Industrial	**50%**	50%
3700 Ave des Grandes Tourelles, Boisbriand, QC	Industrial	**50%**	50%
3720 Ave des Grandes Tourelles, Boisbriand, QC	Industrial	**50%**	50%
1405 Rue Graham-Bell, Boucherville, QC	Industrial	**50%**	50%
1970 John-Yule, Chambly, QC	Industrial	**50%**	50%
1177-1185 55e Ave, Dorval, QC	Industrial	**50%**	50%
175 Bellerose Boulevard, Laval, QC	Industrial	**25%**	25%
5545 Ernest-Cormier, Laval, QC	Industrial	**50%**	50%
185 Bellerose Blvd, Laval, QC	Industrial	**50%**	50%
4150 Chomedey Highway, Laval, QC	Industrial	**50%**	50%
5685 Rue Cypihot, Saint-Laurent, QC	Industrial	**50%**	50%
5757 Thimens Blvvd., Saint-Laurent, QC	Industrial	**50%**	50%
290 Frenette Ave, Moncton, NB	Industrial	**25%**	25%

8. Co-owned property interests (continued)

The following amounts, included in these consolidated financial statements, represents the Trust's proportionate share of the assets and liabilities of the industrial co-owned properties as at December 31, 2019 and 2018, and the results of operations for the years ended December 31, 2019 and 2018:

As at December 31 (In thousands)		2019		2018
Assets	**$**	**130,805**	$	75,284
Liabilities	**$**	**53,441**	$	55,037

For the year ended December 31		2019		2018
Revenue from investment properties	**$**	**9,991**	$	9,440
Property operating expenses		**3,435**		3,187
Net rental income		**6,556**		6,253
Fair value adjustments to investment properties		**15,598**		11,799
Net income	**$**	**22,154**	$	18,052

9. Loans receivable

On September 11, 2019, in conjunction with the Trust's sale of its 50% interest in the data centre property (Note 6), their joint venture partner repaid their related working capital and mezzanine loans including accrued interest. The following summarizes the balances repaid at September 11, 2019:

- $21.2 million with respect to the mezzanine loan to develop a new planned 95,000 square foot data centre property ("DC2") located in the Greater Toronto Area ("GTA").
- $24.7 million with respect to the non-revolving working capital loan.
- $23.7 million with respect to the mezzanine loan related to the data centre located in downtown Montreal, Quebec.

The Trust also announced on September 11, 2019, that it will continue to be involved in the development of the DC2 data centre in the GTA and the data centre in downtown Montreal, Quebec, by extending new mezzanine loans to their joint venture partner. During the year ended December 31, 2019, the Trust advanced $5.2 million and $20.9 million, respectively toward these loans. Including accrued interest, the total loan receivable balance at December 31, 2019 is $5.3 million and $21.4 million, respectively.

For the year ended December 31, 2019, interest income of $4.5 million (2018 - $3.4 million) on the loans receivable have been reported in finance income on the consolidated statements of income, including interest income related to the previously issued mezzanine loans.

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

(In thousands)		2019		2018
Tenant receivables	**$**	**4,146**	$	589
Other receivables		**3,563**		2,712
Total accounts receivable	**$**	**7,709**	$	3,301
Prepaid expense and deposits	**$**	**5,363**	$	7,442
Other assets - furniture and fixtures, computer equipment and leaseholds		**195**		-
Deferred financing costs		**359**		261
Total prepaid expenses, deposits and deferred financing costs	**$**	**5,917**	$	7,703

11. Loans and borrowings

(In thousands)		2019		2018
Term mortgages	**$**	**705,662**	$	612,096
Revolving and non-revolving operating facility and demand loans		**391,710**		222,080
Total		**1,097,372**		834,176
Less: Current loans and borrowings		**454,279**		265,808
Non-current loans and borrowings	**$**	**643,093**	$	568,368

11. Loans and borrowings (continued)

(a) Term mortgages

The following table summarizes the financing activities for the year ended December 31, 2019:

(In thousands) **Property**	**Lender**	**Term**		**Amount**	**Effective Interest Rate**	**Completed**
New financing						
Portfolio of five Quebec properties	BMO	10 years	$	91,000	3.93%	Mar-19
Portfolio of four Alberta properties	CIBC	10 years		62,000	3.86%	Mar-19
500 Veterans Drive, Barrie, ON	BMO	5 years		13,500	3.68%	Apr-19
Portfolio of four Quebec properties	Otera	5 years		12,000	3.26%	May-19
1601-1635 Tricont Avenue, Whitby, ON	Otera	10 years		15,000	3.39%	Jul-19
225 Pinebush Road, Cambridge, ON	Otera	10 years		15,500	3.39%	Jul-19
Total new financing			**$**	**209,000**	**3.78%**	
Temporary non-revolving bridge facility						
Bridge credit facility	BMO / National Bank			382,000	3.65%	Nov-19
Total subsequent event financing			**$**	**382,000**	**3.65%**	
Assumed financing						
210 Great Gulf Drive, Vaughan, ON	CMLS	2 years		10,741	3.13%	Nov-19
Total assumed financing			**$**	**10,741**	**3.13%**	
Total 2019 financings			**$**	**601,741**	**3.68%**	

Total term mortgages bear interest at a weighted average effective interest rate of 3.68% (2018 - 3.72%) and a weighted average stated interest rate of 3.74% (2018 - 3.77%). 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 $1.4 million (2018 - $1.3 million) of unamortized mark-to-market premiums related to mortgages assumed on acquisition, and $0.9 million (2018 - $0.9 million) of unamortized deferred financing charges.

Principal repayment requirements for term mortgages are as follows:

(In thousands)		
2020	$	62,515
2021		51,682
2022		103,230
2023		107,422
2024		57,845
Thereafter		322,426
Principal amount		705,120
Unamortized premium on debt		1,440
Unamortized deferred financing charges		(898)
Total term mortgages	$	705,662

11. Loans and borrowings (continued)

(b) Revolving operating facility

During the second quarter of 2019, the revolving operating facility was increased to $150.0 million, subject to requisite borrowing base security. There is currently registered security in place to draw up to $126.5 million. As at December 31, 2019, there was $5.0 million (December 31, 2018 - $63.6 million), of an available $126.5 million (December 31, 2018 - $71.5 million), drawn from the revolving operating facility.

The revolving operating facility matures September 25, 2020 and is interest bearing at a variable interest rate based on bank prime plus 1% for prime rate loans or banker's acceptance rates plus 2% for banker's acceptances.

The revolving operating facility is secured by first charges over specific investment properties, with a fair value of $377.9 million (2018 - $146.0 million), and first general assignment of leases and insurance.

(c) Non-revolving bridge credit facility

In conjunction with the properties acquired in November 2019, described in Note 6, the Trust obtained a $382.2 million non-revolving bridge credit facility with a one-year maturity term. The facility is interest bearing at a variable interest rate based on a debt to aggregate assets ratio of less than 50%, the Trust's current leverage, the variable interest rates are bank prime plus 0.70% for prime rate loans or banker's acceptance rates plus 1.70% for banker's acceptances. This facility is secured by first charges over these specific investment properties, with a fair value of $607.2 million, and a first general assignment of leases and insurance. As long-term mortgage financing is obtained for these properties, proceeds will be applied to this facility. As at December 31, 2019, the total amount drawn on this facility was $382.2 million.

12. Financial instruments

In March 2019, $91.0 million in mortgage financing was obtained at a variable interest rate of monthly BA-CDOR plus 1.35% with a term to maturity of ten years, which was effectively fixed at an interest rate of 3.93% by entering into a ten-year interest rate swap agreement at the same time. As well, $62.0 million in mortgage financing was obtained in March 2019, at a variable interest rate of monthly BA-CDOR plus 1.30% with a term to maturity of ten years, which was effectively fixed at an interest rate of 3.86% by entering into a ten-year interest rate swap agreement at the same time. Proceeds of the $91.0 million and $62.0 million in mortgage financing were used to repay the temporary non-revolving credit facilities put in place to acquire properties in December 2018.

In April 2019, the Trust re-financed $9.7 million of maturing debt and obtained $13.5 million in mortgage financing at a variable interest rate of monthly BA-CDOR plus 1.34% with a term to maturity of five years, which was effectively fixed at an interest rate of 3.68% by entering into a five-year interest rate swap agreement at the same time.

12. Financial instruments (continued)

The Trust has applied hedge accounting to these transactions in accordance with its accounting policy described in Note 3. Settlement of both fixed and variable portions of the interest rate swaps occurs at the same time monthly and the Trust has assessed these as effective in the hedge of its interest rate exposure.

At December 31, 2019, the aggregate fair value of the interest rate swaps amounted to a $10.0 million financial liability (2018 - $2.0 million financial asset).

13. Class B exchangeable units

As partial consideration for asset acquisitions completed during 2018, and as indicated in the table below, 3,292,091 and 1,005,780 Class B exchangeable units were issued with a fair value of $27.9 million (June 18, 2018) and $8.7 million (August 15, 2018), respectively.

The Class B exchangeable units will be exchangeable into Units of the Trust on a one-for-one basis at the option of the holder. The special voting units have the same voting rights as the Trust's units and will entitle the holder of the exchangeable units to such number of votes at meetings of the Trust's unitholders as is equal to the number of trust units of the Trust such exchangeable units are exchangeable for. These Class B exchangeable units are entitled to distributions per unit in an amount equal to the distributions per unit declared in respect of the Trust Units.

On April 12, 2019, 3,292,091 Class B exchangeable units were exchanged, at the option of the holder, into Units of the Trust on a one-for-one basis. Upon exchange, approximately $38.9 million of the Class B exchangeable unit liability was transferred to equity.

On October 28, 2019, 357,408 Class B exchangeable units were exchanged, at the option of the holder, into Units of the Trust on a one-for-one basis. Upon exchange, approximately $4.5 million of the Class B exchangeable unit liability was transferred to equity.

Class B exchangeable units are valued at the Trust Units' closing price per the TSX as at December 31, 2019, which was $12.06. The following table shows the change in carrying value and number of Class B exchangeable units outstanding for the periods presented:

(In thousands)	Units		Value
Class B exchangeable units issued June 18, 2018	3,292	$	27,851
Class B exchangeable units issued August 15, 2018	1,006		8,700
Fair value adjustments 2018	-		4,537
Balance December 31, 2018	4,298	$	41,088
Class B exchangeable units exchanged April 12, 2019	(3,292)		(38,880)
Class B exchangeable units exchanged October 28, 2019	(357)		(4,547)
Fair value adjustments 2019	-		10,158
Balance December 31, 2019	**649**	**$**	**7,819**

13. Class B exchangeable units (continued)

The distributions on Class B exchangeable units included in finance costs for the year ended December 31, 2019 is \$1.0 million (year ended December 31, 2018 \$1.2 million). On May 7, 2019, distributions on Class B exchangeable units increased from \$0.0430 per Class B exchangeable unit to \$0.0450 applicable to unitholders of record on May 31, 2019. Total distributions payable on Class B exchangeable units as at December 31, 2019 were \$29,000 (December 31, 2018 - \$185,000).

14. 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, 2018	67,084	$	429,584
Issuance of Units on June 15, 2018, net of costs	13,300		110,025
Issuance of Units on December 10, 2018, net of costs	15,055		133,881
Issuance of manager compensation Units (Note 16)	287		2,637
Units issued under the DRIP	598		4,918
Balance December 31, 2018	96,324	$	681,045

14. Unitholders' equity (continued)

(In thousands)	Number of Units	Carrying amount
Balance January 1, 2019	**96,324**	**$ 681,045**
Exchange of Class B exchangeable units April 12, 2019, net of costs	**3,292**	**38,851**
Issuance of Units on May 17, 2019 - internalization (Note 16)	**6,667**	**74,840**
Issuance of Units on June 12, 2019, net of costs	**11,960**	**143,018**
Exchange of Class B exchangeable units October 28, 2019, net of costs	**357**	**4,497**
Issuance of Units on October 17, 2019, net of costs	**17,837**	**220,275**
Issuance of manager compensation Units (Note 16)	**25**	**277**
Units issued under the DRIP	**604**	**7,036**
Balance December 31, 2019	**137,066**	**$ 1,169,839**

On May 17, 2019, as part of the internalization transaction (Note 16(a)), the Trust issued 6,666,666 Units at a price of $11.25 per Unit for a total of $75.0 million and incurred issue costs of $160,000.

During the year ended December 31, 2019, the Trust completed two public offerings utilizing proceeds to fund the acquisitions noted in Note 6. On June 12, 2019, the Trust completed a public offering of 11,960,000 Units at a price of $12.50 per Unit for gross proceeds of $149.5 million. The offering incurred issue costs of $6.5 million for net proceeds of $143.0 million. On October 17, 2019, the Trust completed a public offering of 17,836,500 Units at a price of $12.90 per Unit for gross proceeds of $230.1 million. The offering incurred issue costs of $9.8 million for net proceeds of $220.3 million.

During the year ended December 31, 2018, the Trust completed two public offerings utilizing proceeds to fund the acquisitions noted in Note 6. On June 15, 2018, the Trust completed a public offering of 13,299,750 Units at a price of $8.65 per Unit for gross proceeds of $115.0 million. The offering incurred issue costs of $5.0 million for net proceeds of $110.0 million. On December 10, 2018, the Trust completed a public offering of 15,055,000 Units at a price of $9.30 per Unit for gross proceeds of $140.0 million. The offering incurred issue costs of $6.1 million for net proceeds of $133.9 million.

The Trust has a Distribution Reinvestment Plan ("DRIP") whereby registered or beneficial holders of the 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 year ended December 31, 2019, there were 604,543 Units (2018 – 597,870) issued under this plan for total proceeds of $7.0 million (2018 - $4.9 million), representing 10.4% (2018 – 12.5%) of the related distributions.

14. Unitholders' equity (continued)

(c) Distributions

The Trust recorded the following activities relating to distributions during the year:

(In thousands)		2019		2018
Paid in cash	$	**60,605**	$	34,510
Reinvested by Unitholders under the DRIP		**7,036**		4,918
$0.0430 per Unit payable at December 31 (paid January)		**(4,142)**		(2,885)
$0.0450 per Unit regular distribution payable at December 31 (2018 - $0.0430 per Unit)		**6,168**		4,142
Distributions recorded in equity	**$**	**69,667**	$	40,685

On May 7, 2019, the Board of Trustees approved a cash distribution increase to $0.045 per Unit per month or $0.54 per Unit on an annualized basis, which represents a 4.7% annualized increase over the previous distribution. This increase applied to Unitholders of record beginning on May 31, 2019.

The Board of Trustees adopted a policy, in May 2015, to consider paying a special distribution to Unitholders of up to 20% of any realized gain, a non-GAAP measure, on the sale of a property. On September 11, 2019, the Trust sold its 50% interest in the data centre property (Note 6). As a result, a special distribution of $0.070 per Unit was declared and paid on October 2, 2019 to Unitholders of record on September 19, 2019. The total amount of this special distribution was $8.3 million or $7.7 million net of DRIP participation, which was funded by the net proceeds from the sale of the property.

14. Unitholders' equity (continued)

(d) Per Unit amounts

The weighted average number of Units are as follows:

(In thousands of Units)	**2019**	2018
Issued Units, January 1	**96,324**	67,084
Issuance of Units June 15, 2018	**-**	7,287
Issuance of Units December 10, 2018	**-**	907
Issuance of Units April 13, 2019 - Class B exchanged	**3,292**	-
Issuance of Units May 17, 2019	**4,183**	-
Issuance of Units June 12, 2019	**6,652**	-
Issuance of Units October 17, 2019	**3,714**	-
Issuance of Units October 28, 2019 - Class B exchanged	**357**	-
Issuance of management compensation Units	**20**	65
Issuance of Units under the DRIP	**274**	300
Total weighted average number of Trust Units outstanding	**114,816**	75,643
Impact of Class B exchangeable Units, January 1	**4,298**	2,160
Exchange of Class B units for Trust Units	**(3,649)**	-
Weighted average number of Units outstanding (basic)	**115,465**	77,803
Granted Units, January 1	**53**	23
Impact of Trustee deferred Units	**24**	18
Weighted average number of Units outstanding (diluted)	**115,542**	77,844

(e) Trustee Deferred Unit Plan

Effective May 10, 2017, the Trust's Board of Trustees authorized a Deferred Unit Plan (the "Plan") that provides for the granting of Deferred Units to Trustees in lieu of cash for up to 100% of their Trustee Fees (the "Elected Amount"). 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 "Match Incentive"). 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.

14. Unitholders' equity (continued)

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, 2019 is:

Number of Units	2019	2018
Balance January 1	**53,146**	23,210
Deferred Units granted for services rendered including match incentive	**34,659**	27,250
Deferred Units granted through distributions	**3,944**	2,686
Balance December 31	**91,749**	53,146

The fair value of a Unit, for the purpose of the Deferred Unit Plan, 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 year ended December 31, 2019 was $559,000 (2018 - $169,000) and includes $171,000 (2018 - $143,000) in fair value adjustments. In total, for the year ended December 31, 2019, $1.1 million (2018 - $0.5 million) is included in trade and other accrued liabilities relating to the Deferred Unit Plan.

Included in internalization costs is $147,000 in Deferred Units related to a special committee put in place to negotiate the terms of the internalization. The fair value adjustments relating to the Deferred Units, including those issued to the special committee for the year ended December 31, 2019 was $171,000 (year ended December 31, 2018 - $143,000).

Approximately 88% of Trustee compensation is currently being taken in the form of Deferred Units.

15. Fair value of financial instruments

The fair value of financial instruments is the amount for which an asset could be exchanged, or a liability settled between knowledgeable, willing parties in an arm's length transaction based on the current market for instruments with the same risks, principal and remaining maturity.

The carrying amounts of cash, accounts receivable, loans receivable, trade and other accrued liabilities, security deposits, distribution payable and Class B exchangeable units, approximate their fair values. The fair value of loans and borrowings was estimated based on discounted cash flows using discount rates that reflect current market conditions for instruments with similar terms and risks.

15. Fair value of financial instruments (continued)

		2019		2018
(In thousands)	**Carrying value**	**Fair value**	Carrying value	Fair value
Financial assets				
Cash	**$ 1,698**	**$ 1,698**	$ 4,325	$ 4,325
Accounts receivable	**7,709**	**7,709**	3,301	3,301
Loans receivable	**26,679**	**26,679**	59,197	59,197
Financial liabilities				
Loans and borrowings	**1,097,372**	**1,109,610**	834,176	837,704
Trade and other accrued liabilities	**38,155**	**38,155**	28,723	28,723
Lease liabilities	**30,547**	**30,547**	-	-
Security deposits	**10,162**	**10,162**	6,734	6,734
Distribution payable	**6,168**	**6,168**	4,142	4,142
Class B exchangeable units	**7,819**	**7,819**	41,088	41,088

The Trust values instruments carried at fair value using quoted market prices, where available. Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical financial assets or financial liabilities. When quoted market prices are not available, the Trust maximizes the use of observable inputs within valuation models. When all significant inputs are observable, the valuation is classified as Level 2. Valuations that require the significant use of unobservable inputs are considered Level 3. The disclosed fair values have been determined using Level 2 inputs.

16. Related party transactions

(a) Management internalization

On May 17, 2019, the Trust acquired all of the issued and outstanding shares of the external manager, Sigma Asset Management Limited ("Sigma" or the "Manager"), for total consideration of $95.0 million. $20.0 million of the consideration was satisfied with cash, from the Trust's revolving operating facility, and $75.0 million of the consideration was satisfied with 6,666,666 Units of the Trust, based on the 30-day volume weighted average trading price of the Trust's Units on all exchanges on which there was trading, up to and including March 20, 2019 of $11.25 per unit. The purpose of the acquisition was to internalize the Trust's asset and property management functions. As a result of the internalization, the annual asset management fee, property management fee, acquisition fee, incentive fee and other fees payable by the Trust are eliminated subsequent to May 17, 2019. The terms of the internalization were negotiated and unanimously recommended for approval by a committee composed of all of the independent Trustees of the Trust. At the Trust's annual general and special meeting of Unitholders held on May 8, 2019, unitholders voted in favour of the internalization, with the internalization receiving approval by over 99.8% of votes cast by eligible Unitholders.

In the year ended December 31, 2019, approximately $96.6 million was recorded in internalization costs on the consolidated statements of income, which includes approximately $1.6 million in transaction related costs. On internalization, the fees payable by the Trust to the Manager (as outlined in Note 16(b)) were eliminated.

16. Related party transactions (continued)

(b) Management agreement

Pursuant to the terms of the Management Agreement with Sigma, which ended May 17, 2019, prior to the internalization (Note 16(a)), Sigma provided Summit II with the services necessary to manage its day-to-day operations. The Management Agreement, dated September 25, 2012, had an initial term of ten years, subject to earlier termination in certain circumstances, and would be automatically renewed for successive five-year terms. Sigma was related to Summit II by virtue of having some officers and Trustees in common.

The Management Agreement was amended March 29, 2018, in order to reflect certain structural changes to the fees payable to the Manager in certain contexts. The 2018 amendments were made in response to the prior requirement, which provided that the acquisition fee be re-evaluated within 60 days of the gross book value of the properties owned by Summit II exceeding $1 billion. The 2018 amendments required that the Manager take 25% of the acquisition fee in Units (in lieu of taking that 25% in cash as the Manager had done prior to these 2018 amendments), issued at 100% of the average market price. The average market price was defined as the volume weighted average of the closing price (“VWAP”) for a board lot (100 Trust Units) of Units quoted in Canadian dollars on the exchange on which the Units trade for the five trading days immediately preceding the payment date. The Units issued to the Manager in satisfaction of 25% of the acquisition fee, were issued to the Manager from the Manager Compensation Units previously authorized (maximum Units 1,824,159). In May 2018, the Manager provided notice under the Management Agreement to elect to increase the Unit percentage of the acquisition fee from 25% to 35% and in June 2018, the Manager elected to increase the Unit percentage of the acquisition fee to 50%. As well, the Manager had elected to currently take 10% of the asset management fee in Units.

The Management Agreement set 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 hurdle amount, such hurdle amount to be increased by 1.5% each year ($0.5249 effective January 1, 2019); 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, to be satisfied 75% in cash, and 25% in Trust Units, with such Trust Units to be issued by Summit II from treasury at a price per Trust Unit equal to 100% of the average market price; 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 was the project manager for the project and the hard construction costs of the project are in excess of $200,000.

The Manager could 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. The exception being the acquisition fee where a minimum of 25% of the fee must be taken in the form of units.

16. Related party transactions (continued)

Under the terms of the Management Agreement with Sigma, the Trust incurred the following fees for the years ended December 31, 2019 and 2018:

(In thousands)	2019	2018
Acquisition fees (capitalized to investment properties)	**$ 294**	$ 5,482
Asset management fees	**1,503**	2,729
Incentive fee (payable upon approval of year end financial statements)	**264**	1,021
Leasing fees (capitalized to investment properties)	**1,108**	1,455
Capital expenditures management fee (capitalized to investment properties)	**114**	162
Development fee (capitalized to investment properties)	**-**	131
Property management services	**1,648**	2,764
	$ 4,931	$ 13,744

The following Management Compensation Units were issued in consideration of certain above noted fees.

(In thousands)	Elected % of fee	Units	VWAP	Amount
Acquisition fees (capitalized to investment properties)	50%	10	$ 11.27	**$ 115**
Asset management fees	10%	15	10.83	**162**
		25	$ 11.08	**$ 277**

Included in trade and other accrued liabilities at December 31, 2019 is an amount of $0.3 million (2018 - $1.2 million) due to Sigma relating to the incentive fee up to May 17, 2019, payable upon approval of year end financial statements.

(c) Trustee Fees

Trustee related fees of $550,000 (2018 - $407,000) are included in general and administrative expenses for the year ended December 31, 2019. Special committee trustee fees of $147,000 are included in internalization costs for the year ended December 31, 2019. The 2019 fees include the fair value adjustments of Deferred Units of $171,000 (2018 - $143,000) as described in Note 14.

(d) Development fees

Certain development projects are being managed by Carttera Management LP ("Carttera"), which is a company owned by a Trustee of the Trust. Fees of $170,000 paid to Carttera for the year ended December 31, 2019, have been capitalized to additions to investment properties under development (Note 6). There were no fees paid to Carttera in 2018.

17. Finance costs

Finance costs incurred and charged to the consolidated statements of income for the years ended December 31 are recorded as follows:

(In thousands)	**2019**	2018
Interest on mortgages and bank indebtedness	**$ 33,369**	$ 21,119
Capitalized interest on developments	**-**	(176)
Interest on lease liabilities	**456**	
Class B exchangeable Units issuance costs	**-**	90
Amortization of financing costs	**1,384**	627
Amortization of premium on debt	**(123)**	(376)
Distributions on Class B exchangeable Units (Note 13)	**982**	1,207
	$ 36,068	$ 22,491

18. Lease liability

On acquisition of certain properties in Calgary, Alberta, (Note 6), the Trust assumed ground leases with remaining terms between 52 and 54 years for which a lease liability has been recorded in accordance with IFRS 16, Leases (Note 4). The future minimum ground lease payments are as follows:

(In thousands)	2020	2021-2024	Therafter	**December 31, 2019**	December 31, 2018
Future minimum lease payments	$ 973	$ 5,137	$ 80,690	**$ 86,800**	$ -
Less:					
Amounts representing interest payments	(861)	(4,524)	(50,868)	**(56,253)**	-
Present value of lease payments	$ 112	$ 613	$ 29,822	**$ 30,547**	$ -

19. Revenues from investment properties

Revenues from investment properties for the years ended December 31, 2019 and 2018 were $142.2 million and $92.2 million, respectively. Total revenue for the years ended December 31 includes the following:

(In thousands)	2019	2018
Rental Revenue [(1)]	**$ 104,597**	$ 68,195
Tax and insurance recoveries	**20,882**	13,620
Operating cost recoveries	**15,217**	9,743
Miscellaneous revenue [(2)]	**1,497**	592
Total revenue from investment properties	**$ 142,193**	$ 92,150

(1) Includes straight-line rent, amortization of tenant improvements, storage and parking revenue earned at properties.

(2) Includes lease terminations, prior year revenue adjustments and other miscellaneous items.

The Trust leases commercial properties under operating leases with lease terms of between one and ten years. As at December 31, 2019 the Trust is entitled to the following minimum future receipts under its non-cancellable tenant operating leases:

(In thousands)	Within 12 months	2 to 5 years	Beyond 5 years
Operating lease revenue	$ 125,241	$ 378,223	$ 292,612

20. Risk management

In the normal course of business, the Trust is exposed to a number of risks that can materially affect its operating performance.

(a) Interest rate risk

The Trust 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 Trust's loans and have an adverse effect on the Trust's net income and comprehensive income and net income per unit.

At December 31, 2019, the Trust has $394.6 million (2018 - $279.3 million) of variable rate loans and borrowings. A change of 100 basis points in interest rates would have increased or decreased net income and comprehensive income for the year ended December 31, 2019 by approximately $3.9 million (2018 - $2.8 million). The Trust structures 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 Trust 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, 2019 and 2018 relates to the carrying value of the accounts

20. Risk management (continued)

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 10 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 Trust to fund future growth, refinance debts as they mature or meet the Trust's payment obligations as they arise. Furthermore, liquidity risk also arises from the Trust not being able to obtain financing or refinancing on favourable terms.

For the year ended December 31, 2019 the Trust'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 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 Trust's revolving operating facility. Debt repayment obligations at maturity (Note 11) are generally funded from refinancing the related debt and property acquisitions are generally funded from equity raises as well as obtaining or assuming debt financing on the related property. Between capital raises, the Trust may use its revolving operating facility to fund the equity portion of property acquisitions.

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

21. Capital management

The capital structure of the Trust consists of the following:

(In thousands)	**2019**	2018
Loans and borrowings	**$ 1,097,372**	$ 834,176
Unitholders' equity	**1,418,456**	859,741
	$ 2,515,828	$ 1,693,917

The Trust's objective when managing its capital is to safeguard its ability to continue as a going concern, so that it can continue to provide adequate returns for Unitholders and to ensure access to sufficient funds for acquisitions. The Trust manages its capital structure and makes adjustments to it in light of changes in economic conditions and the financial requirements of the underlying real estate assets. In order to maintain or adjust the capital structure, the Trust may issue units to facilitate acquisitions and/or retire financings or may adjust the amount of distributions paid to the Unitholders.

21. Capital management (continued)

The revolving operating facility agreement requires the Trust to maintain a debt to aggregate assets ratio no greater than 65%; debt service coverage ratio not less than 1.50 times and minimum adjusted unitholders' equity not less than (i) $130 million plus (ii) 75% of the net proceeds from each offering of equity interests and/or exchangeable LP units subsequent to December 21, 2016. The debt to aggregate assets ratio is also limited to a maximum of 65% as per the Declaration of Trust.

Also, the Trust is required by certain of its mortgage lenders to maintain, on an annual basis, a cash flow coverage not less than 1.25 times for a fiscal year and debt service coverage ratio of 1.5 times.

As at December 31, 2019, the Trust is in compliance with its financial covenants.

22. Segmented information

In determining the Trust's segment structure, the Company considered the basis on which management, including the Chief Executive Officer (chief operating decision maker), reviews the financial and operational performance of the Trust, and whether any of the Trust's income-producing properties share similar economic or operational characteristics.

The Trust has determined that it has two reportable segments: Industrial and Data Centres. Performance is measured and evaluated based on net rental income, which is presented by reportable segment in the table below. On September 11, 2019, the Trust sold its 50% interest in the data centre property (Note 6). Performance is measured and evaluated based on net rental income, which is presented by reportable segment in the table below.

22. Segmented information (continued)

Year ended December 31, 2019

(In thousands)	Industrial	Data Centres	Corporate	Total
Revenue from investment properties	**$ 134,476**	**$ 7,717**	**$ -**	**$ 142,193**
Property operating expenses	**(36,729)**	**(2,389)**	**-**	**(39,118)**
Net rental income	**$ 97,747**	**$ 5,328**	**$ -**	**$ 103,075**
Finance income	**-**	**-**	**4,997**	**4,997**
Gain on sale of investment properties	**-**	**439**	**-**	**439**
General and administrative	**-**	**-**	**(6,308)**	**(6,308)**
Finance costs	**-**	**-**	**(36,068)**	**(36,068)**
Internalization costs	**-**	**-**	**(96,569)**	**(96,569)**
Fair value adjustments to Class B exchangeable Units	**-**	**-**	**(10,158)**	**(10,158)**
Fair value adjustments to investment properties	**188,679**	**(501)**	**-**	**188,178**
Net income	**$ 286,426**	**$ 5,266**	**$ (144,106)**	**$ 147,586**

Year ended December 31, 2018

(In thousands)	Industrial	Data Centres	Corporate	Total
Revenue from investment properties	$ 85,737	$ 6,413	$ -	$ 92,150
Property operating expenses	(25,172)	(2,138)	-	(27,310)
Net rental income	$ 60,565	$ 4,275	$ -	$ 64,840
Finance income	-	-	3,647	3,647
Gain on sale of investment properties	-	-	466	466
General and administrative	-	-	(5,327)	(5,327)
Finance costs	-	-	(22,491)	(22,491)
Fair value adjustments to Class B exchangeable Units	-	-	(4,537)	(4,537)
Fair value adjustments to investment properties	102,312	41,497	-	143,809
Net income	$ 162,877	$ 45,772	$ (28,242)	$ 180,407

As at December 31, 2019

(In thousands)	Industrial	Data Centres	Total
Investment properties	**$ 2,547,698**	**$ -**	**$ 2,547,698**

As at December 31, 2018

(In thousands)	Industrial	Data Centres	Total
Investment properties	$ 1,592,491	$ 107,587	$ 1,700,078

23. 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 "REIT Exemption"). The Trust qualifies as a REIT for 2019 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 these consolidated financial statements.

24. Subsequent events

(a) Distributions

On January 15, 2020, a distribution in the amount of $0.045 per Unit for Unitholders of record on January 31, 2020, was declared and was paid February 14, 2020. In addition, on February 14, 2020, a distribution in the amount of $0.045 per Unit for Unitholders of record on February 29, 2020, was declared and will be paid on March 13, 2020. Holders of units of a subsidiary of the Trust that are exchangeable into Trust Units will receive a distribution equal to $0.045 per Unit as well.

(b) Acquisitions

On January 14, 2020, the Trust acquired a light industrial property in Markham, Ontario, aggregating 184,561 square feet of GLA for $39.8 million. The acquisition was satisfied with proceeds from the revolving operating facility.

On January 27, 2020, the Trust acquired a light industrial property in Oakville, Ontario, aggregating 51,490 square feet of GLA for $13.3 million. The acquisition was satisfied with proceeds from the revolving operating facility.

On January 29, 2020, the Trust announced that it had waived conditions to acquire six light industrial properties in Markham, Ontario, aggregating 228,719 square feet of GLA for $45.2 million. The acquisition will be satisfied with proceeds from the revolving operating facility and will close before the end of February.

24. Subsequent events (continued)

(c) Financing

In January 2020, the Trust added additional security to the revolving operating facility, increasing the amount available to be drawn to $149.0 million.