



# Investor Presentation

Q1 - 2013

# Summit **II** REIT

Summit Industrial Income REIT

This presentation is for informational purposes only and may not be reproduced or distributed to any other person or published, in whole or in part, for any purpose. This presentation has been prepared by Summit Industrial Income REIT (the “REIT”) solely for use as a presentation. No reliance may be placed for any purpose whatsoever on the information contained in this presentation or the completeness or accuracy of such information. This presentation does not purport to contain all information that you may desire and is subject to updating, revision and amendment. In furnishing this presentation, the REIT does not undertake or agree to any obligation to provide attendees with access to any additional information or to update this presentation or to correct any inaccuracies in, or omissions from, this presentation which may become apparent. The information and opinions contained in this presentation are provided as at the date of this presentation and are subject to change without notice. No representation or warranty, express or implied, is given by or on behalf of the REIT, its unitholders, trustees or officers nor any other person as to the accuracy or completeness of the information or opinions contained in the presentation. This presentation and its contents are confidential and are being supplied for informational purposes and may not be reproduced, further distributed to any other person or published, in whole or in part, for any purpose. **By attending this presentation or receiving a copy of this presentation, you agree to be bound by the foregoing provisions**

### **Caution Regarding Forward-Looking Information**

This presentation contains forward-looking statements and forward-looking information within the meaning of applicable securities laws. These statements reflect management’s expectations regarding the REIT’s future growth, results of operations, performance and business prospects and opportunities, and include, but are not limited to, statements with respect to management’s beliefs, plans, estimates and intentions and similar statements concerning anticipated future events, results, circumstances, performance or expectations that are not historical factors. Because such forward-looking statements reflect management’s current beliefs, they are based on information currently available to management. The use of any of the words “can”, “expect”, “does not expect”, “budget”, “schedule”, “anticipate”, “continue”, “estimate”, “objective”, “ongoing”, “may”, “might”, “will”, “project”, “should”, “believe”, “plan”, “intend” and similar expressions are intended to identify forward-looking information or statements.

Although management believes that the expectations and assumptions on which such forward-looking statements and information are based are reasonable, undue reliance should not be placed on the forward-looking statements and information because there can be no assurance that they will prove to be correct. By its nature, such forward-looking information is subject to various risks and uncertainties, which could cause the actual results and expectations to differ materially from the anticipated results or expectations expressed. These risks and uncertainties, include, but are not limited to, risks associated with property ownership, debt financing, interest and financing costs, capital requirements, general uninsured losses, development of real property, future property acquisitions, environmental matters, land leases, potential conflicts of interest, governmental regulations, the relative illiquidity of real property and taxation, reliance on key personnel, as well as general business, economic and competitive uncertainties. Material factors or assumptions that were applied in drawing a conclusion or making an estimate set out in the forward-looking statements include that the general economy remains stable; interest rates remain relatively stable; capitalization rates remain stable; competition for acquisition of high quality industrial properties remains strong; and capital markets continue to provide access to capital. Readers are cautioned not to place undue reliance on this forward-looking information, which is given as of the date hereof, and to not use such forward-looking information for anything other than its intended purpose. The REIT undertakes no obligation to update publicly or revise any forward-looking information, whether as a result of new information, future events or otherwise, except as required by law.

# Overview

- Experienced and Proven Management**
  - Leadership has a combined 90+ years experience
  - Grew original Summit REIT into the largest industrial REIT in Canada
    - Compounded annual return of approx. 20% from 1996 – 2006
- Stable, Strong Portfolio**
  - Institutional quality portfolio ~ 2.7 million sq. ft. of GLA
  - Current weighted average term to maturity of 6.0 years
  - Occupancy at 99%
- Growth Potential**
  - Utilize extensive network to acquire properties at attractive valuations
  - Scalable platform for growth
  - Industrial sector highly fragmented
    - Opportunity to consolidate industry
  - Targeting \$300 million in acquisitions this year



# Overview

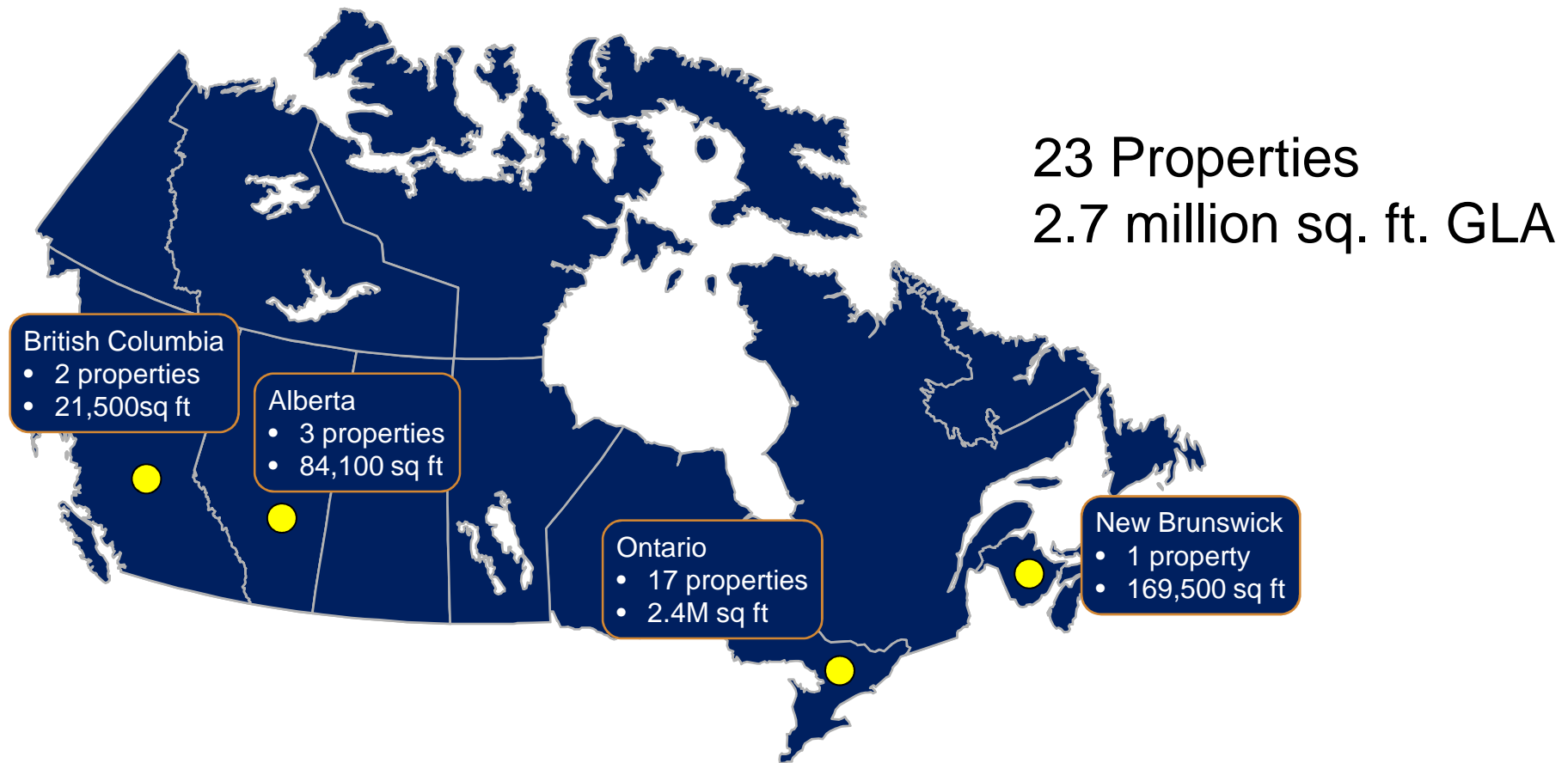
|                              |         |
|------------------------------|---------|
| Annualized Cash Distribution | \$0.49  |
| Current Yield                | ~7.4%   |
| Pro Forma AFFO Payout Ratio  | 90%     |
| Units Outstanding            | 18.0 M  |
| Market Capitalization        | \$120 M |

# Experienced & Proven Manager

## Expertise from Summit REIT and ING Real Estate Canada

|                                |   |
|--------------------------------|---|
| <b>Successful Buyers</b>       | <ul style="list-style-type: none"><li>● Acquired more than 33 million square feet of industrial assets</li><li>● Amassed the largest industrial portfolio in Canada</li></ul>     |
| <b>Best-in-Class Operators</b> | <ul style="list-style-type: none"><li>● Created a national platform</li><li>● Consistently outperformed the market in occupancy / retention</li></ul>                             |
| <b>Market Leaders</b>          | <ul style="list-style-type: none"><li>● Innovative leasing, cost savings and operational strategies</li><li>● Innovative capital raises (1st Canadian CMBS)</li></ul>             |
| <b>Value Add Expertise</b>     | <ul style="list-style-type: none"><li>● Assembled a land portfolio of 900 acres</li><li>● Developed / re-developed &gt; 4 million square feet of new product</li></ul>            |
| <b>Relationships</b>           | <ul style="list-style-type: none"><li>● Well-connected and respected within the sector</li><li>● Created partnerships / alliances with prominent landlords / developers</li></ul> |
| <b>Fully Aligned Interests</b> | <ul style="list-style-type: none"><li>● Principles currently own approximately 9.1% of the REIT</li></ul>   |

## Strong & Growing Portfolio\*



\* as at May 1, 2013

# Current Portfolio


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

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

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

# Solid Industry Fundamentals

| Characteristic              |   | Benefit                     |
|-----------------------------|---|-----------------------------|
| Broad customer base         | ➔ | Stable cash flow            |
| Light industrial activities | ➔ | Low maintenance and capex   |
| Domestic business focus     | ➔ | Use of relationships        |
| Fragmented ownership        | ➔ | Consolidation opportunities |
| Short development timeline  | ➔ | Prudent new supply of space |
| High levels of liquidity    | ➔ | Strong deal flow            |
| Stable & growing markets    | ➔ | High occupancy              |

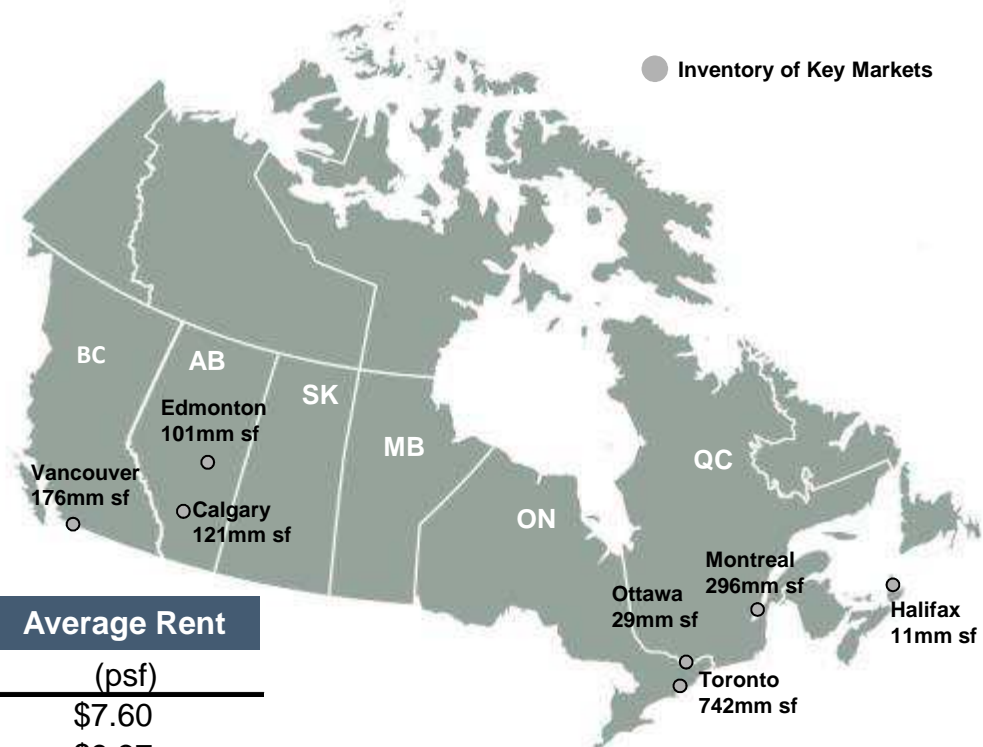




# A Fragmented Sector

## Industrial Sector Metrics

- Ownership
  - Owner-occupied 47.0%
  - Investment 53.0%
- Availability 6.1%
- Vacancy 4.6%
- Primary uses
  - Manufacturing 55.0%
  - Warehousing 26.0%
  - Logistics 10.0%
  - Other 9.0%



| City      | Inventory<br>(sf mm) | Availability Rate<br>(%) | Average Rent<br>(psf) |
|-----------|----------------------|--------------------------|-----------------------|
| Vancouver | 175.5                | 6.6%                     | \$7.60                |
| Edmonton  | 101.1                | 4.6%                     | \$9.37                |
| Calgary   | 120.6                | 4.9%                     | \$8.05                |
| Toronto   | 741.9                | 3.5%                     | \$4.63                |
| Ottawa    | 29.1                 | 5.6%                     | \$8.51                |
| Montreal  | 296.1                | 8.1%                     | \$5.04                |
| Halifax   | 11.1                 | 6.5%                     | \$7.44                |

Source: CBRE

# Financial Review



# Strong Growth in Q1 2013

| (\$,000 except per Unit amounts) | Three Months<br>Ended Mar 31,<br>2013 | Three Months<br>Ended Dec 31,<br>2012 |
|----------------------------------|---------------------------------------|---------------------------------------|
| Properties                       | 25                                    | 13                                    |
| Occupancy                        | 99%                                   | 97%                                   |
| Revenue                          | 2,683                                 | 1,670                                 |
| Net Operating Income             | 2,109                                 | 1,237                                 |
| Adj Funds from Operations        | 1,229                                 | 376                                   |
| AFFO per Unit                    | \$0.111                               | \$0.055                               |

# Solid Financial Position

|                                | March 31, 2013 | Dec. 31, 2012 |
|--------------------------------|----------------|---------------|
| Total Assets                   | \$ 257.4 M     | \$ 81.6 M     |
| Debt to Fair Asset Value       | 54.6%          | 47.0%         |
| Weighted Average Interest Rate | 3.7%           | 3.9%          |
| Debt Service Ratio             | 2.5 x          | 2.4 x         |
| Interest Coverage Ratio        | 3.0 x          | 2.4 x         |

# Conservative Debt Profile

---

- Target leverage of ~55% of GBV
- Maximum leverage of 65% of GBV
- \$55 million revolving credit facility
  - \$17 available
- No mortgages maturing before 2017
- Current weighted average interest rate of 3.7%



# Progress on Head Leases

| As at May 15, 2013   |                 |
|--|-----------------|
| Square feet under Head Lease*<br>(199,000 sq ft under short-term leases) | 287,000 sq. ft. |
| Long-term leases secured   | 22,000 sq. ft.  |
| Long-term leases under negotiation*                                      | 249,000 sq. ft. |
| * Includes Head Lease space effective Nov. 30, 2013                      |                 |



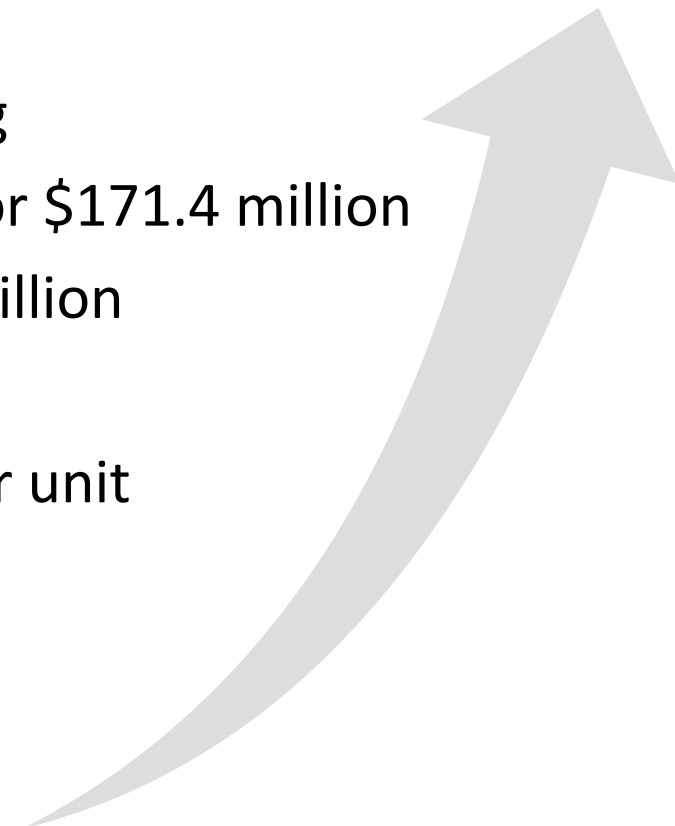
# Recent Events



# Significant Momentum

---

- One for twelve Unit consolidation
- Raised \$75.1 million from public offering
- Acquired 15 light industrial properties for \$171.4 million
- Sold two non-core properties for \$5.4 million
- Strengthened and enhanced portfolio
- Acquisitions highly accretive to AFFO per unit
- Monthly cash distributions launched
- New DRIP introduced with 5% bonus





# Growth Strategies



# 1. External Growth

---

- Acquire high quality industrial properties
  - New, well maintained, low capex
  - Focus on multi-tenant properties
  - Priced below replacement cost
  - \$300 million target for 2013
- All acquisitions must be accretive
  - Strong spread between cap rates & cost of debt



## 2. Internal Growth

---

- Strong industry fundamentals
- Industry-leading operating company
  - Standard leases with built-in rent escalators
  - Ensure tenants in appropriate properties
  - Sound tenant covenants
- Economies of scale and operating synergies



### 3. Development Partnerships

---

- Establish partnerships for property development / re-development
- Underperforming assets vended in when stabilized
- Capitalize on expertise in asset management and leasing
- Long-standing relationships with local development expertise

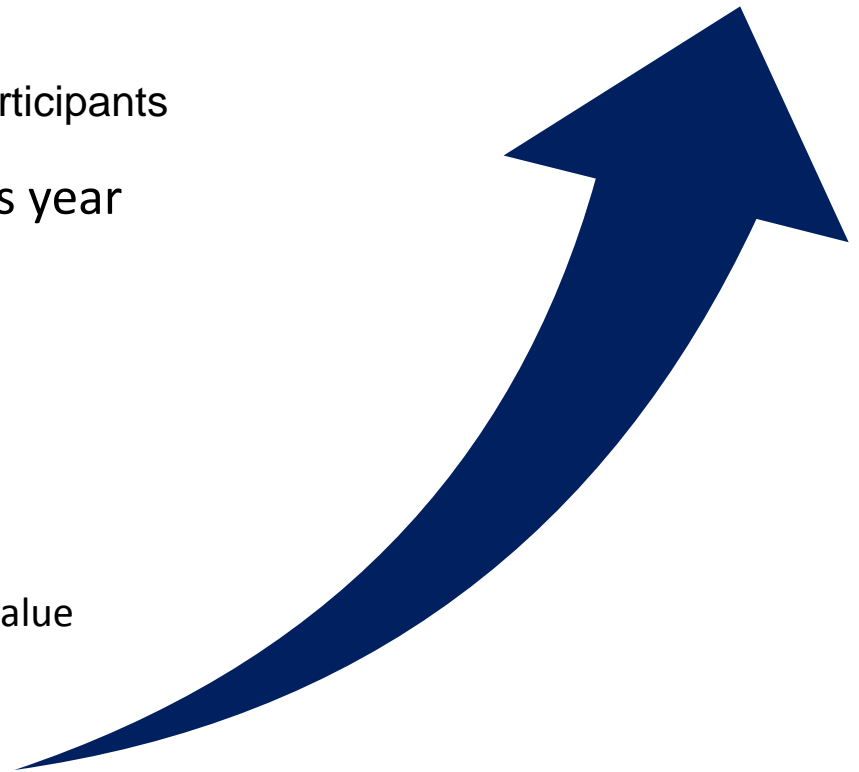


# Summary



# A Promising Future

- Industrial properties provide stable secure and growing cash flows
  - Solid sector fundamentals, strong track record of performance
- Highly fragmented asset class
  - Less than 5% owned by public market participants
- Targeting \$300 million in acquisitions this year
  - \$171.4 million to date
- Attractive current cash yield
  - Currently paying 7.4% cash yield distribution
  - Conservative 90% payout ratio
- Experienced, proven management team
  - The expertise and the relationships to build value
  - Fully aligned with all Unitholders





# Appendices

Summit **II** REIT

Summit Industrial Income REIT



# Management Team



**Lou Maroun | Chairman, Sigma Asset Management Limited**

- 30 years experience in the commercial real estate industry
- Previously the CEO of Summit REIT, the largest industrial pure-play REIT in Canada, and the Executive Chairman of ING Real Estate Canada



**Paul Dykeman | CEO, Sigma Asset Management Limited**

- 22 years experience in the commercial real estate industry
- Previously the CFO of Summit REIT, the largest industrial pure-play REIT in Canada, and the CEO of ING Real Estate Canada



**Ross Drake | CFO, Sigma Asset Management Limited**

- 20 years experience in the commercial real estate industry
- Previously the Senior Vice President of Research & Analysis at ING Real Estate Canada, and is a Chartered Accountant



**Jonathan Robbins | VP of Acquisitions, Sigma Asset Management Limited**

- 21 years experience in the commercial real estate industry
- Previously the Vice President of Investments at Summit REIT



**Kimberley Hill | VP of Asset Management, Sigma Asset Management Limited**

- 21 years experience in the commercial real estate industry
- Previously the Senior Vice President of Asset Management at ING Real Estate Canada



# Fee Structure

|                             |  |
|-----------------------------|--|
| <b>Asset Management Fee</b> | <ul style="list-style-type: none"> <li>• 0.25% of gross book value</li> </ul>  |
| <b>Incentive Fee</b>        | <ul style="list-style-type: none"> <li>• Incentive fee 15% of the AFFO over the hurdle rate of \$0.48 per unit post consolidation</li> <li>• Hurdle grows at 1.5% per year</li> </ul>  |
| <b>Acquisition Fee</b>      | <ul style="list-style-type: none"> <li>• On each acquisition, (i) 1% on the first \$50 million; (ii) 0.75% on the next \$50 million; (iii) 0.50% on the balance greater than \$100 million</li> <li>• Acquisition fee removed upon reaching a gross book value of \$1 billion</li> </ul> |
| <b>Initial Term</b>         | <ul style="list-style-type: none"> <li>• 10 years</li> </ul>   |
| <b>Fully Aligned</b>        | <ul style="list-style-type: none"> <li>• Principles own 9.1% of Trust Units, will continue to invest going forward</li> </ul>  |

# Attractive Properties



501 Palladium Drive, Ottawa

- 258,371 square feet
- 5 years old
- Average lease term of 4.2 years
- 100% occupied



296-300 Walker Drive, Brampton

- 102,972 square feet
- 36 years old
- Average lease term of 6.1 years
- 100% occ. (Vendor lease begins in Nov.)



200 Vandorf Sideroad, Aurora

- 322,187 square feet
- 27 years old
- Average lease term of 9.7 years
- 100% occupied



165 Orenda Road, Brampton

- 57,055 square feet
- 9 years old
- Average lease term of 3.2 years
- 100% occupied



40 Dynamic Drive, Scarborough

- 86,681 square feet
- 24 years old
- Average lease term of 2.7 years
- 100% occupied



6 Shaftsbury Lane, Brampton

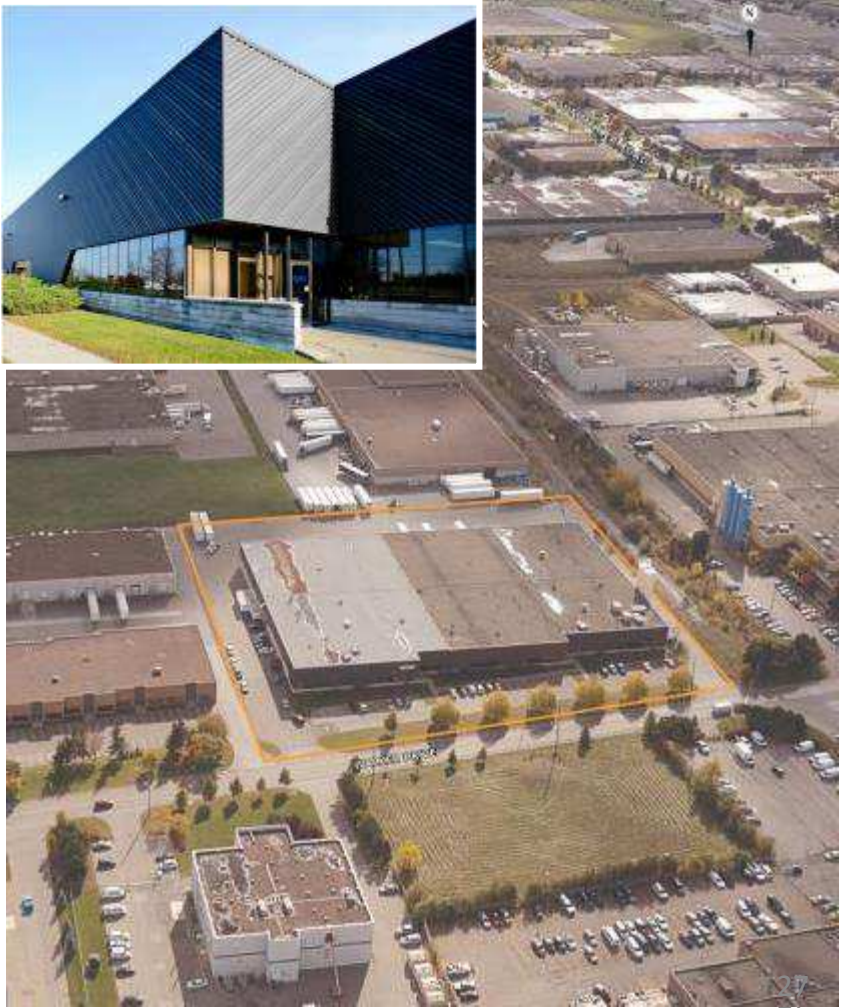
- 125,871 square feet
- 37 years old
- Average lease term of 13.3 years
- 100% occupied

# New Brampton Properties

155 & 161 Orenda Road



296 – 300 Walker Drive



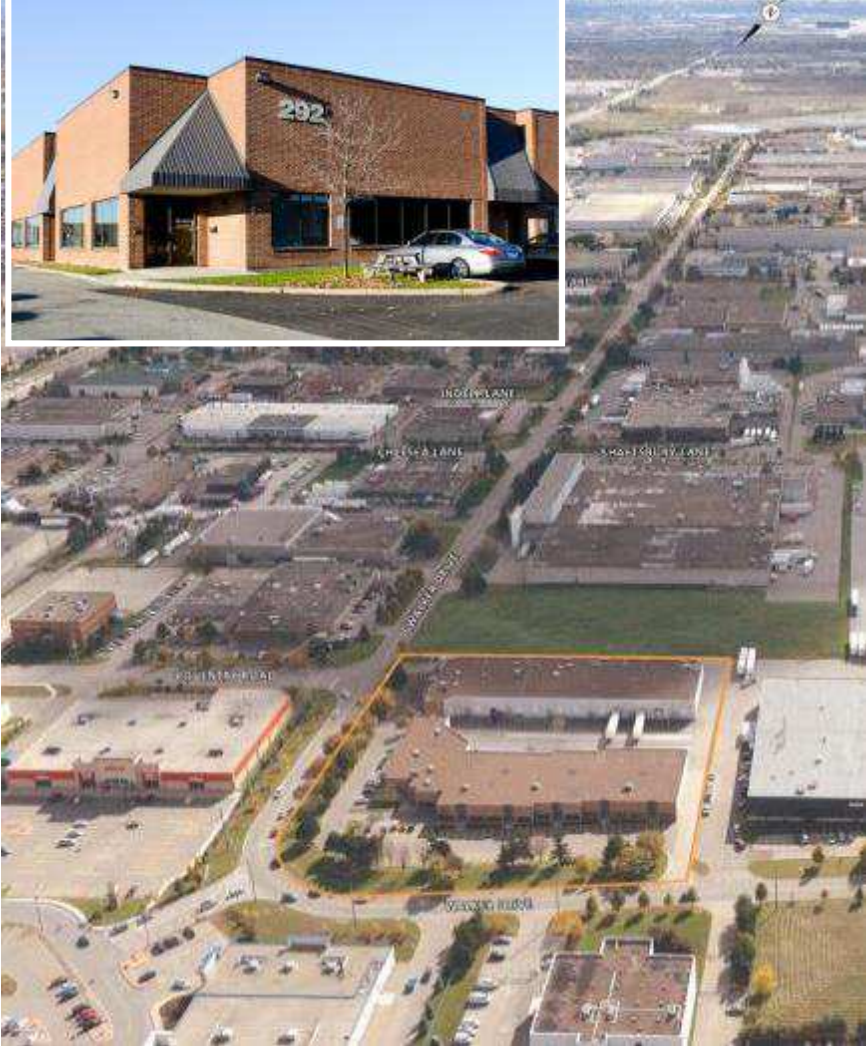


# New Brampton Properties

8705 Torbram Rd



292 – 294 Walker Drive





# Summit **II** REIT

Summit Industrial Income REIT