Summit Industrial Income REIT

CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2016 and 2015

SUMMIT INDUSTRIAL INCOME REIT
For the years ended December 31, 2016 and 2015

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Independent Auditor's Report

To the Unitholders of Summit Industrial Income REIT

We have audited the accompanying consolidated financial statements of Summit Industrial Income REIT, which comprise the consolidated balance sheets as at December 31, 2016 and 2015, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in unitholders' equity and consolidated statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Summit Industrial Income REIT as at December 31, 2016 and 2015, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

/s/ Deloitte LLP

Chartered Professional Accountants
February 21, 2017
Halifax, Nova Scotia

SUMMIT INDUSTRIAL INCOME REIT

Consolidated Balance Sheets

As at December 31, 2016 and 2015

(In thousands of Canadian dollars)

	Note	December 31, 2016	December 31, 2015
Assets			
Non-current			
Investment properties	6	$ **496,337**	$ 401,834
Current			
Accounts receivable	8	**1,488**	2,140
Prepaid expenses, deposits, and deferred financing costs	8	**2,603**	2,095
Cash		**379**	342
		4,470	4,577
Total assets		$ **500,807**	$ 406,411
Liabilities			
Non-current			
Loans and borrowings	9	$ **255,893**	$ 205,664
Security deposits		**3,053**	2,499
		258,946	208,163
Current			
Loans and borrowings	9	**14,742**	12,705
Trade and other accrued liabilities		**5,069**	6,469
Distributions payable	11	**1,470**	1,214
		21,281	20,388
Total liabilities		**280,227**	228,551
Unitholders' equity		**220,580**	177,860
Total liabilities and equity		$ **500,807**	$ 406,411

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

Approved by the Board of Trustees on February 21, 2017.

ñLou Marounò
Trustee

ñJim Tadesonò
Trustee

SUMMIT INDUSTRIAL INCOME REIT

Consolidated Statements of Income

For the years ended December 31, 2016 and 2015

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

	Note		2016		2015
Revenue from investment properties	14	**$**	**44,950**	$	38,377
Property operating expenses			**14,697**		11,865
Net rental income			**30,253**		26,512
Other income					
Other income			**-**		180
Finance income			**19**		19
Gain (loss) on sale of investment properties			**(640)**		1,444
			(621)		1,643
Other expenses					
General and administrative			**1,871**		2,093
Finance costs			**8,943**		8,100
			10,814		10,193
Income before fair value adjustments to investment properties			**18,818**		17,962
Fair value adjustments to investment properties	6		**5,558**		(27)
Net income		**$**	**24,376**	$	17,935
Net income per Unit					
Basic	11	**$**	**0.758**	$	0.626
Diluted	11	**$**	**0.758**	$	0.626

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, 2016 and 2015

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

	Note		2016		2015
Net income		**$**	**24,376**	$	17,935
Other comprehensive loss					
Items that are / may be reclassified subsequently to net income:					
Net change in fair value of hedging derivative financial instrument			**(1,941)**		-
Net change in fair value of hedging derivative financial instrument reclassed to finance costs			**1,586**		-
Other comprehensive loss	10		**(355)**		-
Comprehensive income		**$**	**24,021**	$	17,935

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, 2016 and 2015

(In thousands of Units and Canadian dollars)

	Fund Units	Note	Unit equity	Deficit	Accumulated other comprehensive loss	Unitholders' equity
Beginning balance, January 1, 2015	23,397		$ 151,621	$ (7,489)	$ -	$ 144,132
Net income and comprehensive income	-		-	17,935	-	17,935
Distributions	-	11	-	(14,936)	-	(14,936)
Units issued through DRIP	381	11	2,188	-	-	2,188
Issuance of Units, net of costs	5,130	11	28,541	-	-	28,541
Unitholders' equity, December 31, 2015	28,908		$ 182,350	$ (4,490)	$ -	$ 177,860
Beginning balance, January 1, 2016	**28,908**		**$ 182,350**	**$ (4,490)**	**$ -**	**$ 177,860**
Net income and other comprehensive loss	-	10	**-**	**24,376**	**(355)**	**24,021**
Distributions	-	11	**-**	**(16,346)**	**-**	**(16,346)**
Units issued through DRIP	**432**	11	**2,517**	**-**	**-**	**2,517**
Issuance of Units, net of costs	**5,650**	11	**32,528**	**-**	**-**	**32,528**
Unitholders' equity, December 31, 2016	**34,990**		**$ 217,395**	**$ 3,540**	**$ (355)**	**$ 220,580**

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, 2016 and 2015

(In thousands of Canadian dollars)

	Note	2016	2015
Operating activities			
Net income		**$ 24,376**	$ 17,935
Add (deduct):			
Finance costs		**8,943**	8,100
Loss (gain) on sale of investment properties		**640**	(1,444)
Straight-line rent adjustment		**(1,109)**	(963)
Fair value adjustments to investment properties		**(5,558)**	27
Change in non-cash working capital items		**(3,109)**	(1,376)
Interest and finance fees paid		**(9,279)**	(8,180)
		14,904	14,099
Financing activities			
Repayment of loans and borrowings	9	**(8,894)**	(10,138)
Increase in loans and borrowings		**7,500**	28,000
Distributions paid	11	**(13,573)**	(12,517)
Net proceeds from Units issued	11	**32,528**	28,541
		17,561	33,886
Investing activities			
Additions to investment and development properties		**(2,229)**	(5,825)
Proceeds from sale of investment properties		**-**	16,489
Acquisition of investment and development properties		**(29,949)**	(57,707)
Increase in deposits on future acquisitions of investment properties		**(250)**	(600)
		(32,428)	(47,643)
Increase in cash		**37**	342
Cash, beginning of year		**342**	-
Cash, end of year		**$ 379**	$ 342

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

1. Reporting entity

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

2. Basis of preparation

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (ñIFRSò).

The Board of Trustees authorized the issue of these consolidated financial statements on February 21, 2017.

(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 Trustôs accounting policies set forth in Note 3.

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

3. Significant accounting policies

The accounting policies set out below have been applied consistently by all the Trustsô 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 Holdings Limited Partnership and Summit Industrial Income Operating Limited Partnership and their respective general partners, Summit Industrial Income Holdings GP Ltd. and Summit Industrial Income Corp. Subsidiaries are entities that the Trust controls. Control is achieved when the Trust has power over the investee; is exposed, or has rights, to variable returns from its involvement with the investee; and has the ability to use its power to affect its returns.

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

Consolidation of a subsidiary begins when the Trust obtains control over the subsidiary and ceases when the Trust loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the 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.

3. Significant accounting policies (continued)

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

(b) Joint arrangements

Under IFRS 11 ï *Joint Arrangements*, 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.

A joint arrangement is classified as a joint operation when the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities related to the arrangement. A joint arrangement is classified as a joint venture when the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

A party to a joint operation records its share of the assets, liabilities, revenue and expenses of the joint operation. As at December 31, 2016, the Trust had an interest in a joint arrangement that was classified as a joint operation.

(c) Cash

Cash includes balances held on deposit with banks.

(d) Investment properties

Investment properties are comprised of commercial real estate properties held to earn rental income 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, performed 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 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 propertyõs 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.

3. Significant accounting policies (continued)

An investment property is derecognised 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 derecognised.

(e) Property under development

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

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

(f) 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.

(g) Hedge accounting

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

At the inception of the transaction, the Trust documents the relationship between the hedging instrument and the hedged item, as well as its risk management objectives and strategy for undertaking various

3. Significant accounting policies (continued)

hedging transactions. The Trust also documents, both at hedge inception and on an ongoing basis, its assessment of whether the derivatives used in hedging transactions are highly effective in offsetting changes in cash flows of hedged items attributable to the hedged risk.

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

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

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

(h) 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 (ôSIFTö) 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 SIFTSös taxable income and the SIFT 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 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 ôREIT Conditionsö). The Trust has reviewed the SIFT rules and has assessed their interpretation and application to the Trustös assets and revenue. While there are uncertainties in the interpretation and application of the SIFT rules, the Trust believes that it will 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 statement of income and comprehensive income in respect of the Trust, subsequent to the Trust meeting the REIT Conditions.

(i) Revenue recognition

The Trust retains substantially all the risks and rewards of ownership of its investment properties and therefore accounts for all of 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

3. Significant accounting policies (continued)

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 other receivables. 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.

(j) 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, financial instruments are measured at fair value. The subsequent measurement of financial instruments depend on their allocation into one of the following categories: fair value through profit or loss; held-to-maturity investments; available for sale; loans and receivables and other financial liabilities. The Trust's financial assets and liabilities consist primarily of cash, accounts receivable, trade and other accrued liabilities, security deposits, derivative liability, loans and borrowings and distributions payable. The Trust has designated its financial instruments as follows:

Cash	Loans and receivable
Accounts receivable	Loans and receivable
Trade and other accrued liabilities	Other financial liabilities
Security deposits	Other financial liabilities
Derivative liability	Fair value through profit or loss
Loans and borrowings	Other financial liabilities
Distributions payable	Other financial liabilities

Financial assets classified as loans and receivables are initially recognized at fair value plus any directly attributable transaction costs and are subsequently measured at amortized cost using the effective interest method.

Other financial liabilities are initially recognized at fair value less any directly attributable transaction costs and are subsequently measured at amortized cost using the effective interest method. Transaction costs incurred on other liabilities with balances that frequently fluctuate or have not been drawn upon are deferred and amortized over the term of the borrowing.

(k) 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.

3. Significant accounting policies (continued)

(l) Earnings per unit

Basic earnings per unit are computed by dividing earnings by the weighted average number of units outstanding for the period. Diluted earnings per unit are 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.

4. Future Accounting Policy Changes

The IASB has issued the following new standards and amendments to existing standards that are expected to be relevant to the Trust in preparing its consolidated financial statements in future periods.

a) IFRS 9 - Financial Instruments ("IFRS 9")

In July 2014, the IASB issued the final version of the IFRS 9 ï *Financial Instruments* (ñIFRS 9ò). Under IFRS 9, financial assets are classified and measured at either fair value or amortized cost based on the business model under which they are managed and the contractual cash flow characterises of the financial assets. Financial liabilities classified and measured at fair value will have fair value changes resulting from changes in the entityôs own credit risk recognized and presented in Other Comprehensive Income, unless this would create an accounting mismatch.

The measurement of impairment of financial assets is based on an expected credit loss model, and it is no longer necessary for a triggering event to have occurred before credit losses are recognized.

Lastly, the new general hedge accounting model more closely aligns hedge accounting with risk management activities undertaken by entities when hedging their financial and non-financial risk exposures.

IFRS 9 will be applied retrospectively for annual periods beginning on or after January 1, 2018. Early adoption is permitted. The Trust is assessing the potential impact of this standard.

b) IFRS 15 – Revenue from Contracts with Customers ("IFRS 15")

In May 2014, the IASB issued IFRS 15 ï *Revenue from Contracts with Customers* (ñIFRS 15ò) to specify a five-step approach to how and when to recognize revenue as well as requiring the provision of more informative and relevant disclosures. IFRS 15 supersedes IAS 18 ï Revenues, IAS 11 ï Construction Contracts, and other revenue related interpretations. The standard has an effective date for annual reporting periods beginning on or after January 1, 2018 and early adoption is permitted. The Trust is assessing the potential impact of this standard.

4. Future Accounting Policy Changes (continued)

c) IFRS 16 – Leases ("IFRS 16")

In January 2016, the IASB issued IFRS 16 ï *Leases* (ñIFRS 16ò) 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 standard is effective for annual periods beginning on or after January 1, 2019, with early application permitted for entities that apply IFRS 15. The Trust is currently assessing the impact of IFRS 16 on its consolidated financial statements.

5. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Trustsô accounting policies, which are described in Note 3, 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 recognised 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 differences between the consideration provided and the fair value of the net assets acquired. Additionally, transaction costs incurred to effect a business combination are required to be expensed where for an asset acquisition transaction costs would be capitalized to the initial carrying amount of

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

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 propertyô s carrying amount based on whether it is probable that future economic benefits associated with the expenditure will flow to the Trust.

(ii) Leases

The Trust uses judgement in determining whether certain leases, 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 of its tenant leases are operating leases.

(iii) 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.

(iv) 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 Trustô 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 judgment in determining whether it continues to qualify as a REIT under the SIFT rules.

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, 2016 and December 31, 2015:

	2016	2015
(In $ thousands)	**Total**	Total
Balance, beginning of period	**$ 401,834**	$ 335,842
Additions:		
Acquisition of investment properties	**80,955**	81,814
Acquisition of development properties	**3,954**	-
Additions to investment properties	**4,036**	7,165
Dispositions	**-**	(22,960)
Fair value (losses) gains	**5,558**	(27)
Balance, end of period	**$ 496,337**	$ 401,834

Acquisitions of investment properties completed during the year ended December 31, 2016 are as follows:

(in $ thousands)

Property	**Property type**	**Ownership interest**	**Date acquired**	**Cash and other[(1)]**	**Mortgage financing**	**Acquisition cost[(2)]**
3700 Ave des Grandes Tourelles, Boisbriand, QC	Industrial	50%	15-Jan-16	$ 1,230	$ 3,150	$ 4,380
1405 Rue Graham-Bell, Boucherville, QC	Industrial	50%	2-Feb-16	1,462	1,010	2,472
3655 Ave des Grandes Tourelles, Boisbriand, QC	Industrial	50%	3-Mar-16	2,955	2,712	5,667
14404-128 Avenue, Edmonton , AB	Industrial	100%	30-Jun-16	11,280	23,396	34,676
20500 Clark Graham, Baie D'Urfe, QC	Industrial	50%	6-Jul-16	1,257	2,500	3,757
3343-3501 54th Avenue, Calgary, AB	Industrial	100%	19-Jul-16	5,354	7,500	12,854
15600 Robin's Hill Road, London, ON	Industrial	100%	20-Sep-16	6,749	10,400	17,149
5685 Rue Cypihot, Saint-Laurent, QC [(3)]	Industrial	50%	12-Feb-16	2,154	1,800	3,954
Investment and development properties				$32,441	$ 52,468	$84,909

(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) Development property.

As indicated above, during the year ended December 31, 2016, the Trust acquired $84.9 million of investment properties and one property under development. The acquisitions were financed by new and assumed mortgages and debt of $52.5 million, net proceeds from the $32.5 million raised during the June public offering and the balance from the revolving operating facility. In addition, approximately $457,000 in security deposits were assumed for the year ending December 31, 2016.

6. Investment properties (continued)

Approximately $495.1 million of investment properties are used for security under loans and borrowings (Note 9).

Additions to investment properties of $4.0 million, relate to capital outlays, tenant leasing costs, capitalization of free rent receivable and net straight-line rent receivables arising from the recognition of rental revenues on a straight-line basis over the lease term in accordance with IAS 17, ñLeasesò and Standing Interpretations Committee (ñSICò) 15, ñOperating Leases - Incentivesò. The total straight-line rent receivable is $3.5 million (December 31, 2015 - $2.4 million).

Approximately $137.1 million of the $411.4 million or 33% (excluding current year acquisitions) of the properties were appraised by third party valuation professionals in 2016 (2015 - $100.8 million or 25%). 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 rate. In applying the direct comparison method (price per square foot), the properties are compared to recent transactions considered to be similar in terms of location, condition, size, and tenancy.

These methods require certain key assumptions, including rental income, market rents, operating expenses, vacancies, inflation rates, discount rates, and capitalization rates to be made. The discount rate and capitalization rate is determined for each property based on available market information related to the sale of similar buildings within the same geographic locations. Based on a blend of the valuation methods, the fair value gains for the year ended December 31, 2016 were $5.6 million (2015 losses of $27,000).

6. Investment properties (continued)

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

			2016			2015
(In $ thousands)	**Capitalization rate**	**Discount rate**	**Price per square foot**	Capitalization rate	Discount rate	Price per square foot
Weighted average	**6.38%**	**7.08%**	**$ 100.36**	6.63%	7.39%	$ 97.11

Fair values are most sensitive to change in capitalization rates. A 0.50% increase in the weighted average capitalization rate for investment properties would decrease fair value by $36.0 million and a 0.50% decrease would increase fair value by $42.1 million.

7. Co-owned property interests

As indicated in Note 6, during the year ended December 31, 2016, the Trust acquired a 50% interest in one property under development and four light industrial properties in Montreal from Montrealôs Groupe Montoni (the ñVendorò), aggregating 180,929 square feet of GLA. The acquisition cost was $20.2 million and was satisfied by $9.4 million in new and existing mortgages bearing an average remaining term of 7.9 years and an average interest rate of 3.56%, a new non-revolving demand loan of $1.8 million at an interest rate of prime plus 0.65% with the balance satisfied from the proceeds from the revolving credit facility.

Concurrent with the acquisitions, the Trust entered into a co-ownership agreement with the Vendor which, among other things, requires unanimous consent of the Trust and Vendor with respect to major decisions. The Trust also entered into a value add joint venture property acquisition and development agreement with regard to the 5685 Rue Cypihot property. The Trust has determined these arrangement meets the definition of a joint operation under IFRS 11 ï Joint Arrangements, and has accounted for its 50% interest in these properties.

In April 2015, the Trust sold a 75% interest in its properties at 200 Iber Road, Ottawa and 290 Frenette, Moncton for a sale price of $24.9 million and generating a gain on the sale of $2.0 million. As well, 75% of the mortgage, or $9.0 million, associated with the Moncton property was assumed. The proceeds of the sale were used to reduce the Trustôs floating-rate revolving operating facility. During the second quarter of 2016, a $640,000 (2015 ï 540,000) loss on the sale of investment properties was recorded attributed to changes to return of escrow receivable assumptions associated with the May 2014, sale of interest in an Ottawa property.

The Trust has determined the arrangement continues to meet the definition of a joint operation under IFRS 11 ï Joint Arrangements, and has accounted for its 25% interest in these properties, in accordance with the policy described in Note 3.

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

(In $ thousands)		2016		2015
Tenant receivables	$	**393**	$	133
Other receivables		**1,095**		2,007
	$	**1,488**	$	2,140
Prepaid expense and deposits	$	**2,389**	$	1,839
Deferred financing costs		**214**		256
	$	**2,603**	$	2,095

9. Loans and borrowings

(In $ thousands)		2016		2015
Term mortgages	$	**233,545**	$	185,342
Revolving operating facility and demand loans		**37,090**		33,027
Total		**270,635**		218,369
Less: Current debt		**14,742**		12,705
Non-Current debt	$	**255,893**	$	205,664

(a) Term mortgages

During the year ended December 31, 2016, $4.9 million in mortgage debt matured and was paid utilizing funds from the revolving credit facility. The property has been added as security on the line. Also, the Trust renewed a $1.5 million mortgage maturing August 1, 2016, for a one-year term at a floating interest rate of 1.32% plus the bankõs prime lending rate.

As well, $7.5 million in new mortgage financing was obtained at a variable interest rate of monthly CDOR plus 1.65% with a term to maturity of five years. The proceeds from the new mortgage financing was used to pay down the revolving credit facility. In order to hedge the interest rate risk on this variable rate, the Trust entered into a five-year interest rate swap agreement effectively fixing the interest rate at 2.78%. Refer to Note 10 below for additional information regarding the interest rate swaps.

As indicated under Note 6, in conjunction with the acquisition of the Boisbriand and Boucherville properties, the Trust assumed $6.9 million in mortgage financing, at an average interest rate of 3.63% and an average term to maturity of 7.1 years. One of the mortgages for $3.2 million, was obtained at a variable interest rate of monthly Canadian Dealer Offered Rate (ñCDORò) plus 1.58% with a term to maturity of ten years. In order to hedge the interest rate risk on the variable interest rate, the Trust entered into a ten-year interest rate swap agreement which effectively fixed the interest rate at 3.63%.

9. Loans and borrowings (continued)

In conjunction with the Edmonton property acquisition, the Trust assumed $23.4 million in mortgage financing, at an average interest rate of 4.09% and an average term to maturity of 9.4 years.

On acquisition of the Baie DóUrfe property, the Trust obtained $2.5 million in mortgage financing at a variable interest of monthly Bankerós Acceptance Canadian Dealer Offered Rate (ñBA-CDORò) plus 1.75% with a term to maturity of ten years. In order to hedge the interest rate risk on the variable interest rate, the Trust entered into a ten-year interest rate swap agreement which effectively fixed the interest rate at 3.36%.

On acquisition of the Calgary property, a new $7.5 million mortgage was obtained at a variable interest of monthly BA-CDOR plus 1.95% and a term to maturity of seven years. In order to hedge the variable interest rate risk, the Trust entered into a seven-year interest rate swap agreement which effectively fixed the interest rate at 3.15%. As well, on the acquisition of the London property, $10.4 million in mortgage financing was obtained at a variable interest of monthly BA-CDOR plus 1.79% with a term to maturity of seven years which was effectively fixed at an interest rate of 3.04% by entering into a seven-year interest rate swap agreement at the same time.

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

Included in mortgages payable is $1.8 million (2015 - $586,000) of unamortized mark-to-market premiums related to a mortgage assumed on acquisition, and $1.1 million (2015 - $1.1 million) of unamortized deferred financing charges.

Principal repayment requirements for term mortgages are as follows:

(In $ thousands)	
2017	$ 12,006
2018	57,954
2019	13,452
2020	47,494
2021	32,960
Thereafter	69,048
Principal amount	232,914
Premium on debt	1,768
Deferred financing charges	(1,137)
Total term mortgages	$ 233,545

9. Loans and borrowings (continued)

(b) Revolving operating facility

As at December 31, 2016, approximately $34.3 million (2015 - $32.1 million), of an available $39.2 million, was drawn from the revolving operating facility.

In December 2016, the revolving credit facility maturity date was extended to September 27, 2019. The operating facility is interest bearing at a variable interest rate based on bank prime plus 1% for prime rate loans or bankerøs acceptance rates plus 2% for bankerøs acceptances.

The revolving operating facility is secured by first charges over specific investment properties, with a fair value of $63.1 million (2015 - $91.6 million), and first general assignment of leases and insurance.

10. Financial instruments

As noted above, during the year ended December 31, 2016, new variable rate term mortgages obtained on property acquisitions were hedged by interest rate swap agreements for the same notional amounts at fixed interest rates. The Trust has applied hedge accounting to these relationships in accordance with its accounting policy described in Note 3. Settlement of both fixed and variable portions of the interest rate swaps occurs at the same time on a monthly basis. The effectiveness of the hedging relationship is reviewed on a quarterly basis and the Trust has assessed these as effective in the hedge of its interest rate exposure.

At December 31, 2016, the aggregate fair value of the interest rate swaps amounted to a $355,000 financial liability and is included in accounts payable and accrued liabilities. There was no amount during 2015.

11. 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.

11. Unitholders' equity (continued)

(b) Issued and outstanding

The following is a continuity of the Trustõs issued and outstanding Units:

(In thousands)	Number of Units		Carrying amount
Balance January 1, 2015	23,397	$	151,621
Issuance of Units on January 7, 2015	5,130		28,541
Units issued under the DRIP	381		2,188
Balance December 31, 2015	28,908	$	182,350

(In thousands)	Number of Units		Carrying amount
Balance January 1, 2016	**28,908**	**$**	**182,350**
Issuance of Units on June 17, 2016	**5,650**		**32,528**
Units issued under the DRIP	**432**		**2,517**
Balance December 31, 2016	**34,990**	**$**	**217,395**

On June 17, 2016, the Trust completed a public offering of 5,650,000 Units at a price of $6.05 per Unit for gross proceeds of $34.2 million. The offering incurred issue costs of $1.7 million for net proceeds of $32.5 million. Offering proceeds were used to repay outstanding debt under the revolving credit facility and fund acquisitions as noted in Note 6.

The Trust has a Distribution Reinvestment Plan (ñDRIPò) whereby registered or beneficial holders of the Trustõs Units who are residents in Canada can acquire additional Trust Units by reinvesting all or a portion of their monthly cash distributions without paying brokerage commissions. In addition, Unitholders who elect to participate in the DRIP receive a further distribution of Trust Units equal to 5% of each distribution that was reinvested by them. During the year ended December 31, 2016, there were 432,126 Units (2015 ï 381,224) issued under this plan for total proceeds of $2.5 million (2015 - $2.2 million), representing 15.6% (2015 ï 14.9%) of the related distributions.

(c) Distributions

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

(In $ thousands, except per Unit amounts)		**2016**		2015
Paid in cash	**$**	**13,573**	$	12,517
Reinvested by Unitholders under the DRIP		**2,517**		2,188
$0.0420 per Unit payable at December 31 (paid January)		**(1,214)**		(983)
$0.0420 per Unit payable at December 31		**1,470**		1,214
Distributions recorded in equity	**$**	**16,346**	$	14,936

11. Unitholders' equity (continued)

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

The Board of Trustees has adopted a policy to pay a special distribution to Unitholders of up to 20% of any realized gain on the sale of a property.

(d) Per Unit amounts

The weighted average number of Units are as follows:

(In thousands of Units)	**2016**	2015
Issued Units, beginning of period	**28,908**	23,397
Issuance of Units June 17, 2016	**3,057**	-
Issuance of Units January 7, 2015	**-**	5,046
Issuance of Units under the DRIP	**213**	185
Total weighted average number of Units outstanding	**32,178**	28,628

As at December 31, 2016 and 2015, the Trust has no Units or instruments outstanding that would have a dilutive effect on earnings per Unit.

12. 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 armộs length transaction based on the current market for instruments with the same risks, principal and remaining maturity.

The carrying amounts of cash, accounts receivable, trade and other accrued liabilities, security deposits, and distribution payable, 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.

12. Fair value of financial instruments (continued)

	2016		2015	
(In $ thousands)	**Carrying value**	**Fair value**	Carrying value	Fair value
Financial assets				
Cash	**$ 379**	**$ 379**	$ 342	$ 342
Accounts recievable	**1,488**	**1,488**	2,140	2,140
Financial liabilities				
Loans and borrowings	**270,635**	**267,990**	218,369	212,949
Trade and other accrued liabilities	**5,069**	**5,069**	6,469	6,469
Security deposits	**3,053**	**3,053**	2,499	2,499
Distribution payable	**1,470**	**1,470**	1,214	1,214

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.

13. Related party transactions

Management agreement

Pursuant to the terms of the Management Agreement with Sigma Asset Management Limited (ñSigmaò or the ñManagerò), Sigma provides Summit II with the services necessary to manage its day-to-day operations. The Management Agreement, dated September 25, 2012, has an initial term of ten years, subject to earlier termination in certain circumstances, and will be automatically renewed for successive five-year terms. Sigma is related to Summit II by virtue of having some officers and Trustees in common.

The Management Agreement sets out the fees payable to the Manager for the services provided, such fees being: A base annual management fee equal to 0.25% of the gross value of Summit IIôs assets; an incentive fee for the fiscal year ending December 31, 2014 and onward, equal to 15% of Summit IIôs adjusted funds from operations (ñAFFOò) per unit, as defined by the Management Agreement, in excess of a $0.48 (after the ñconsolidationò) hurdle amount, such hurdle amount to be increased by 1.5% each year; an acquisition fee for the purchase price paid by Summit II on the acquisition of a property equal to 1% of the first $50 million of the purchase price, 0.75% of the next $50 million of the purchase price, and 0.50% of any portion of the purchase price in excess of $100 million, payable so long as the gross book value of the properties owned by Summit II does not exceed $1 billion; a development fee in an amount to be negotiated between Summit II and the Manager, not to exceed the fair market value for comparable services; a property management fee equal to 3.5% of the gross rental income from each multi-tenant property, and 2.5% of the gross rental income from each single-tenant property, and other property management costs recoverable under tenant operating leases; a leasing fee equal to $1.00 per rentable square foot only for those properties where the Manager provides leasing services; and a capital expenditures fee equal to 5% of all hard construction costs incurred on

13. Related party transactions (continued)

any capital project of Summit II, where the Manager is the project manager for the project and the hard construction costs of the project are in excess of $200,000.

The Manager can elect to take all (or any percentage of all) fees payable to it under the Management Agreement (and any property management agreement) in the form of units, rather than in cash. Any such units issued will be issued at a price per unit equal to the greater of (a) 95% of the weighted average closing price of the units for the five previous days on the exchange on which the units are most actively traded during that period, and (b) such price stipulated by such stock exchange, to a maximum of the weighted closing price of the units for the five previous days on the exchange on which the units are most actively traded during that period.

Under the terms of the management agreement with Sigma Asset Management Limited (ñSigmaò or the ñManager), the Trust has incurred the following fees for the years ended December 31, 2016 and 2015:

(In $ thousands)	**2016**	2015
Acquisition fees (capitalized to investment properties)	**$ 813**	$ 790
Asset management fees	**1,118**	974
Incentive fee	**-**	362
Leasing fees (capitalized to investment properties)	**210**	213
Capital expenditures management fee (capitalized to investment properties)	**39**	162
Property management services	**1,568**	1,406
	$ 3,748	$ 3,907

Included in trade and other accrued liabilities at December 31, 2016 is an amount of $165,000 (December 31, 2015 - $565,000) due to Sigma. Also, during the year ended December 31, 2016, Sigma paid $34,000 to the Trust (December 31, 2015 - $34,000) for office space located at 294 Walker Drive, Brampton, Ontario, under a five year lease commencing June 1, 2013.

Trustee related fees of $192,000 (2015 - $202,000) are included in general and administrative expenses for the year ended December 31, 2016.

14. Revenues from investment properties

Revenues recognized from investment properties for the years ended December 31, 2016 and 2015 were $45.0 million and $38.4 million respectively. The Trust leases commercial properties under operating leases with lease terms of between one and ten years. As at December 31, 2016 the Trust is entitled under its non-cancellable tenant operating leases to the following minimum future receipts:

(In $ thousands)	Within 12 months	2 to 5 years	Beyond 5 years
Operating lease revenue	$ 30,400	$ 94,554	$ 72,441

15. 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 and variable rate mortgages, which have a floating rate of interest. An increase in interest rates would increase the interest cost of the Trustġs loans and have an adverse effect on the Trustġs net income and comprehensive income and earnings per unit.

At December 31, 2016, the Trust has $38.5 million (2015 - $33.0 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, 2016 by approximately $385,000 (2015 - $330,000). The Trust intends to structure its fixed rate financing so as to stagger the maturities of its mortgages, thereby minimizing exposure to future interest rate fluctuations.

(b) Credit risk

Credit risk arises from the possibility that tenants may experience financial difficulty and be unable to fulfill their lease commitments. The 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, 2016 and 2015 relates to the carrying value of the accounts receivable balance without taking into account any collateral held or other credit enhancements. Collateral held on certain leases are letters of credit or security deposits from the tenants. Refer to Note 8 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 Trustġs 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, 2016 the Trustġs main liquidity requirements arise from ongoing working capital requirements, debt servicing and repayment obligations, capital and leasing expenditures on existing properties, property acquisitions and distributions to unitholders. All of the aforementioned liquidity requirements, except for debt repayment obligations at maturity and property acquisitions, are generally funded from cash flows from operations or from drawing on the Trustġs revolving operating facility. Debt repayment obligations (Note 9) are generally funded from refinancing the related debt and property acquisitions are generally funded from equity raises as well as obtaining debt financing on the related property. Between capital raises, the Trust may use its revolving operating facility to fund the equity portion of property acquisitions.

The Trustġs 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.

15. Risk management (continued)

The Trust intends to mitigate its liquidity risk by staggering the maturities of its debt. As well, the Trustôs distributions are made at the discretion of the Trustôs 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.

16. Capital management

The capital structure of the Trust consists of the following:

(In $ thousands)	**2016**	2015
Loans and borrowings	**$ 270,635**	$ 218,369
Unitholders' equity	**220,580**	177,860
	$ 491,215	$ 396,229

The Trustôs objective when managing its capital is to safeguard the entityôs 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.

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 unitholdersô equity not less than (i) $130 million plus (ii) 75% of the net proceeds from each offering of equity interests 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.

These covenants are required to be calculated based on Canadian generally accepted accounting principles (ñGAAPò), which is IFRS. As at December 31, 2016, the Trust is in compliance with its financial covenants.

17. Segmented information

The Trust owns investment properties located in Canada. In measuring performance, the Trust does not distinguish or group its operations on geographical or any other basis and accordingly, has a single reportable segment for disclosure purposes.

18. 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 ñSIFT Rulesò) applicable to specified investment flow-through (ñSIFTò) 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 (ñREITsò) that meet certain specified criteria relating to the nature of its revenue and investments (the ñREIT Exemptionò). The Trust qualifies as a REIT for 2016 and expects to continue to distribute its taxable income and to qualify as a REIT for the foreseeable future. As such, deferred taxes have not been recorded in the consolidated financial statements.

19. Subsequent events

(a) Distribution

On January 13, 2017, a distribution in the amount of $0.042 per Unit for Unitholders of record January 31, 2017, was declared and was paid February 14, 2017. Also, on February 14, 2017, a distribution in the amount of $0.042 per Unit for Unitholders of record on February 28, 2017, was declared and will be paid on March 15, 2017.

(b) Offering

On January 31, 2017, the Trust completed a public offering of 7,423,250 units at a price of $6.20 for total gross proceeds of approximately $46.0 million. The offering incurred issue costs of $2.1 million for net proceeds of $43.9 million. The offering proceeds were used to repay outstanding debt under the revolving credit facility and will be used to fund subsequent acquisitions.

(c) Acquisitions

On February 14, 2017, the Trust acquired a light industrial property in Calgary, aggregating 120,690 square feet of GLA for $17.0 million. The acquisition was satisfied with proceeds from the offering. The Trust expects to finance this property with approximately $11.2 million in new mortgage financing at an indicative rate of 3.00% for a term of 5 years.

19. Subsequent events (continued)

On February 16, 2017, the Trust waived conditions on acquiring a light industrial property in the Greater Toronto Area, aggregating 260,830 square feet of GLA for $28.2 million. The acquisition is expected to be satisfied by a new mortgage of $17.7 million bearing an interest rate to be set at 5 year Government of Canada Bonds plus 1.90% and term to maturity of 5 years with the balance from the offering. The expected closing date is on or before February 28, 2017.

(d) Financing

On January 17, 2017, $1.4 million in variable rate mortgage debt maturing August 1, 2017, was paid utilizing funds from the revolving credit facility.