



# Investor Presentation

## Second Quarter 2014

Summit **II**REIT  
Summit Industrial Income REIT

# Forward Looking Information

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# Profile

# Strong Fundamentals

## Proven, experienced management team:

- Combined 90+ years experience
- Grew original Summit REIT into Canada's largest industrial REIT
  - 20% compounded annual return from 1996 – 2006
- Fully aligned with 12.6% ownership interest

## Strong and growing property portfolio:

- Institutional quality portfolio 3.4 million sq. ft. of GLA
- Weighted average lease term to maturity of 5.6 years
- Strong stable occupancy at 98.9%

## Significant growth potential:

- Extensive network to acquire properties at attractive valuations
- Scalable platform for growth
- Industrial sector highly fragmented – consolidation opportunity
- Liquidity and resources available to capitalize on growth potential

# 2014 Highlights

- 1** Expanded, diversified and strengthened property portfolio
- 2** Generated strong quarterly growth in all performance metrics
- 3** Developed an experienced and proven operating platform

# Continuing Strong Growth

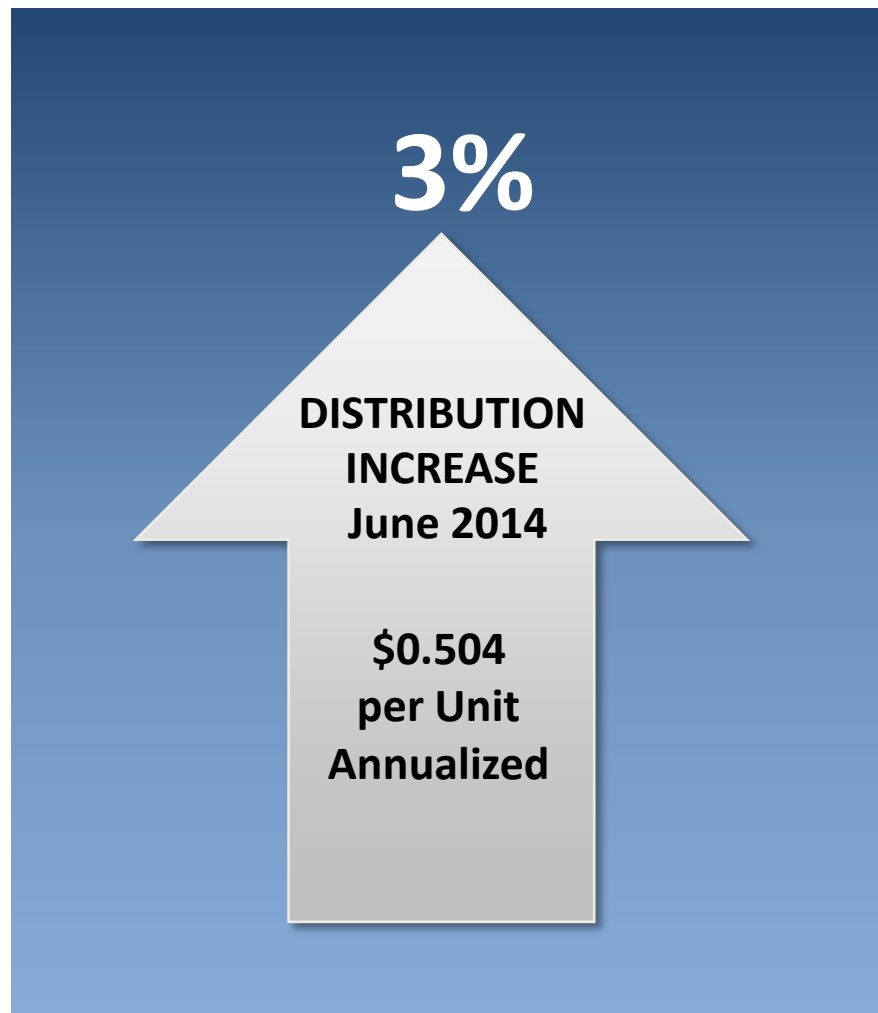
| Quarter ended<br>(\$,000 except per Unit amounts) | June 30,<br>2014 | Mar 31,<br>2014 | Dec 31,<br>2013 | Sept 30,<br>2013 | June 30,<br>2013 | Mar 31,<br>2013 |
|---|------------------|-----------------|-----------------|------------------|------------------|-----------------|
| Revenue   | 7,153            | 7,068           | 7,570           | 6,139            | 5,655            | 2,683           |
| NOI   | 5,136            | 5,368           | 5,330           | 4,634            | 4,419            | 2,109           |
| FFO   | 2,858            | 3,080           | 2,934           | 2,866            | 2,715            | 1,229           |
| FFO / Unit  | \$0.15           | \$0.17          | \$0.16          | \$0.16           | \$0.15           | \$0.11          |
| AFFO  | 2,420            | 2,816           | 2,677           | 2,595            | 2,502            | 1,161           |
| AFFO / Unit                                       | \$0.12           | \$0.16          | \$0.15          | \$0.14           | \$0.14           | \$0.11          |
| Wtd. Avg. Units O/S                               | 19,698           | 18,201          | 18,126          | 18,083           | 18,029           | 11,090          |
| FFO Payout Ratio (%)                              | 85.2%            | 72.3%           | 75.6%           | 77.2%            | 81.3%            | -               |
| AFFO Payout Ratio (%)                             | 100.6%           | 79.1%           | 82.9%           | 85.3%            | 88.2%            | -               |

# Stable Cash Distributions

As at June 30, 2014

|                               |         |
|-------------------------------|---------|
| Annualized Cash Distribution  | \$0.504 |
| Current Yield                 | ~8.1%   |
| AFFO Payout Ratio (6 months)  | 89.1%   |
| Units Outstanding             | 23.3 M  |
| Market Capitalization         | \$145 M |
| Listed Toronto Stock Exchange | SMU.UN  |

# Enhancing Unitholder Value







## Strong Real Estate Sector

# Solid 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



# Highly Fragmented Sector

## Canadian industrial sector ownership:

- 47% owner-occupied / 53% investor owned
- 3.7% vacancy / 5.4% availability

| City      | Inventory<br>(sf mm) | Availability Rate<br>(%) | Average Rent<br>(psf) |
|-----------|----------------------|--------------------------|-----------------------|
| Vancouver | 179.1                | 7.0%                     | \$7.81                |
| Edmonton  | 106.2                | 4.1%                     | \$10.80               |
| Calgary   | 124.0                | 4.6%                     | \$8.25                |
| Toronto   | 727.6                | 4.4%                     | \$5.11                |
| Ottawa    | 29.4                 | 6.3%                     | \$8.30                |
| Montreal  | 295.8                | 7.1%                     | \$5.12                |
| Halifax   | 11.5                 | 8.2%                     | \$7.52                |



# Financial Review

# Q2 2014 Results

| Three Months ended June 30,<br>(\$,000 except per Unit amounts) | 2014   | 2013   |
|---|--------|--------|
| Revenue from Income properties                                  | 7,153  | 5,655  |
| Net Operating Income  | 5,136  | 4,419  |
| Funds from Operations (FFO)                                     | 2,858  | 2,715  |
| FFO per Unit  | \$0.15 | \$0.15 |
| FFO Payout Ratio  | 85.2%  | 81.3%  |
| Adjusted Funds from Operations (AFFO)                           | 2,420  | 2,502  |
| AFFO per Unit   | \$0.12 | \$0.14 |
| AFFO Payout Ratio   | 100.6% | 88.2%  |
| Weighted Avg. Units Outstanding                                 | 19,698 | 18,029 |

# Strong Performance in 2014

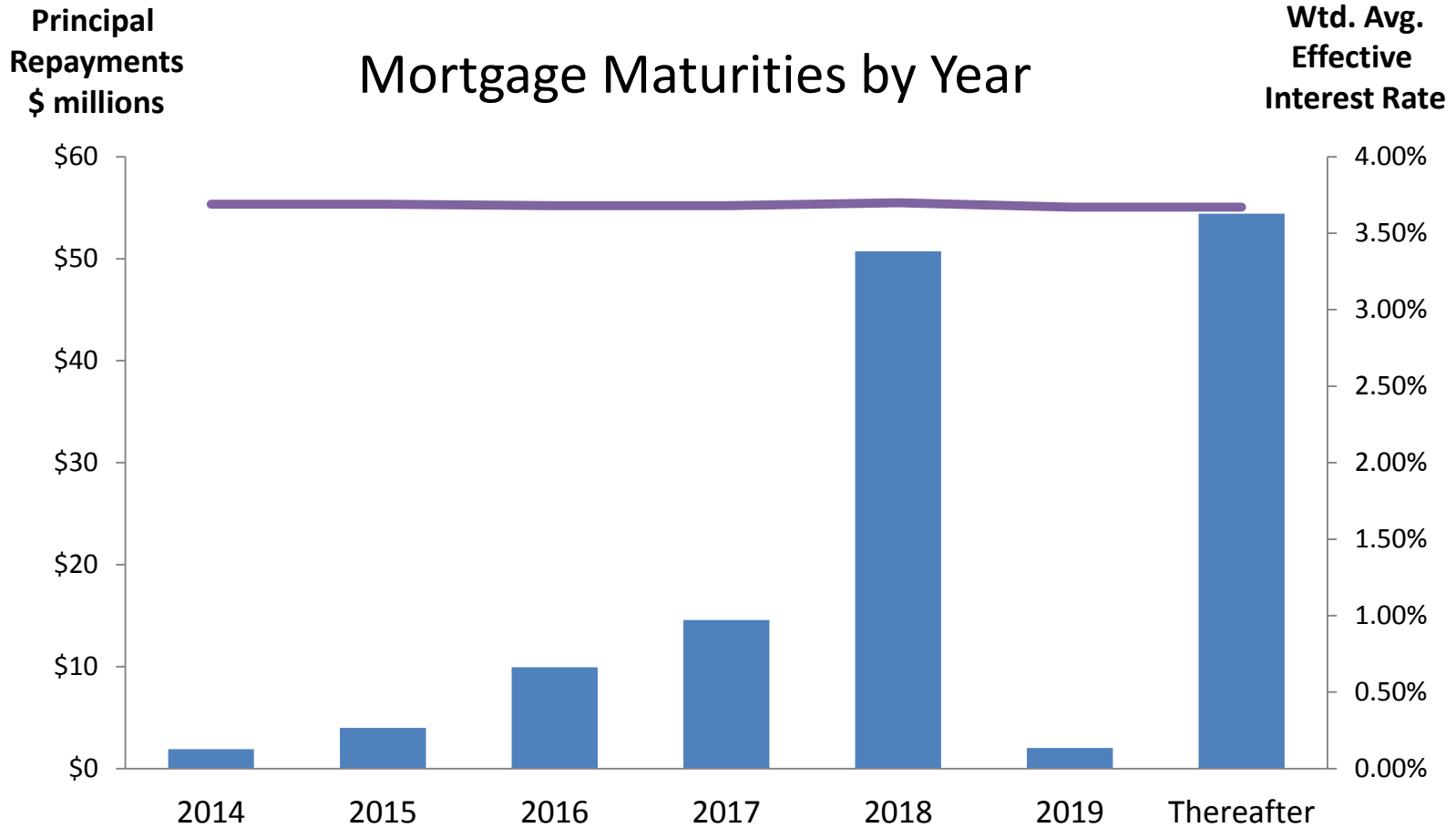
| Six Months ended June 30,<br>(\$,000 except per Unit amounts) | 2014   | 2013   |
|---|--------|--------|
| Revenue from Income properties                                | 14,221 | 8,338  |
| Net Operating Income  | 10,504 | 6,528  |
| Funds from Operations (FFO)                                   | 5,938  | 3,944  |
| FFO per Unit  | \$0.31 | \$0.27 |
| FFO Payout Ratio  | 78.5%  | -      |
| Adjusted Funds from Operations (AFFO)                         | 5,236  | 3,663  |
| AFFO per Unit   | \$0.28 | \$0.25 |
| AFFO Payout Ratio   | 89.1%  | -      |
| Weighted Avg. Units Outstanding                               | 18,954 | 14,578 |

# Solid Financial Position

| As at                                    | June 30, 2014 | June 30, 2013 |
|--|---------------|---------------|
| Total Assets                             | \$ 311.6M     | \$ 253.4 M    |
| Debt to Gross Book Value                 | 51.3%         | 53.9%         |
| Weighted Average Effective Interest Rate | 3.69%         | 3.63%         |
| Debt Service Ratio                       | 1.67 x        | 2.04 x        |
| Interest Coverage Ratio                  | 2.46x         | 2.90 x        |

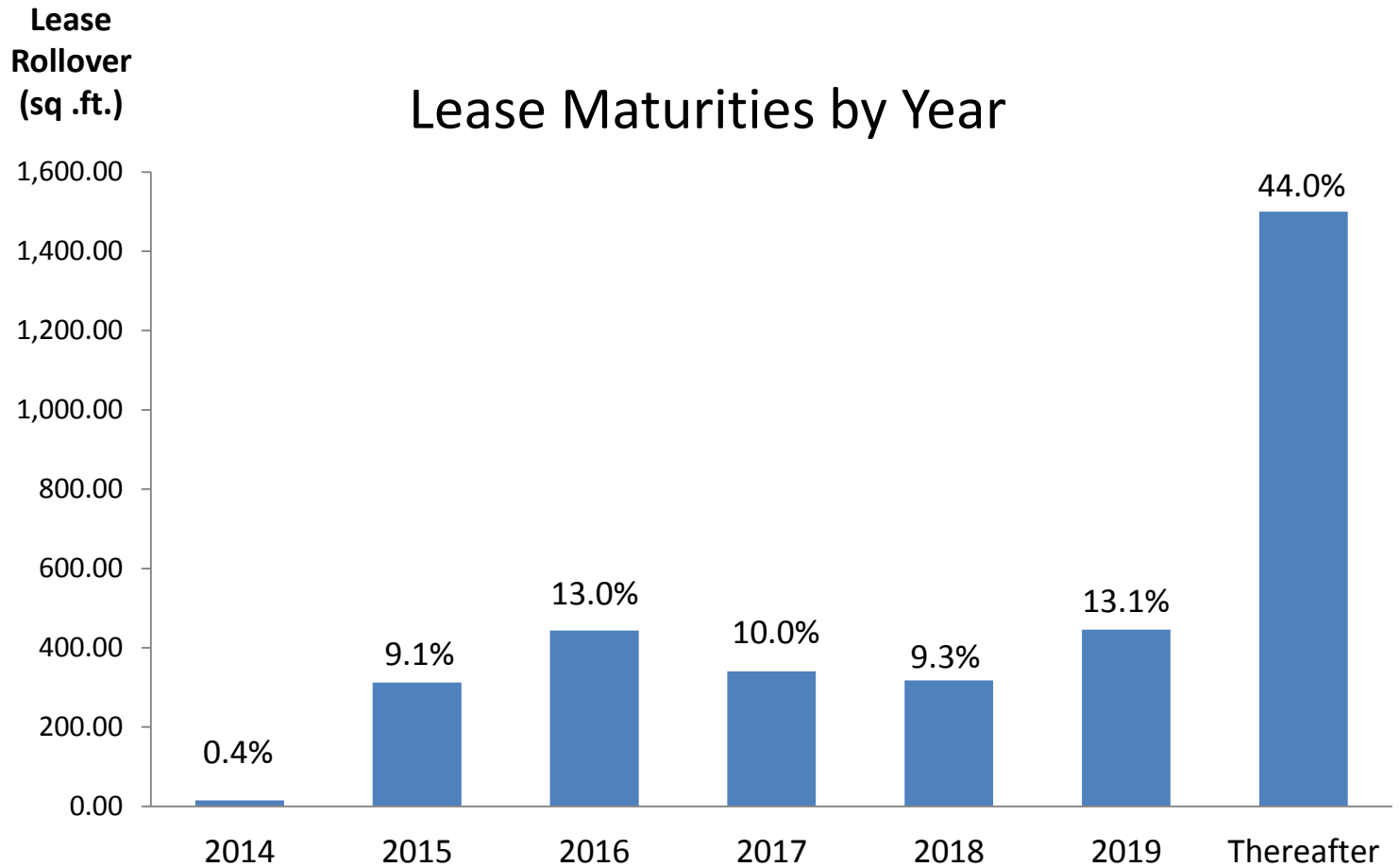
**Capacity & Flexibility for Continued Growth**

# Well-Balanced Mortgages





# Stable Cash Flow



# Successful Leasing Program

## Head Lease Space (as at June 30, 2014)

|                                    |                 |
|------------------------------------|-----------------|
| Square feet under Head Lease       | 287,000 sq. ft. |
| Long-term leases secured           | 209,757 sq. ft. |
| Long-term leases under negotiation | 77,243 sq. ft.  |

## June 30, 2014 Occupancy

|                   |                |
|-------------------|----------------|
| Occupancy         | 98.9%          |
| Vacancy           | 38,639 sq. ft. |
| # of vacant units | 3              |

Only 0.4% of portfolio remains to be renewed in 2014



# Growth Strategies

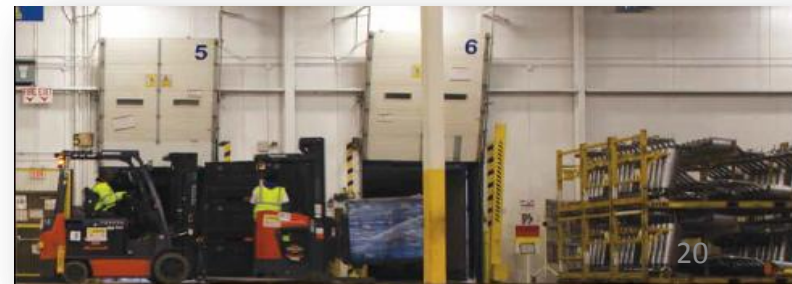
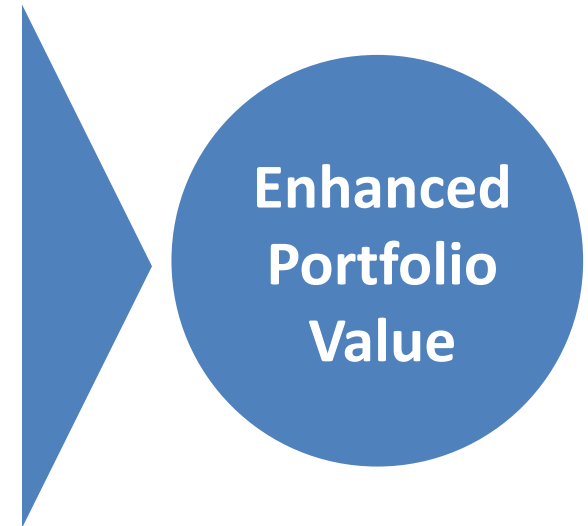
# External Growth

## Acquire high quality industrial properties

- New, well maintained, low capex
- Focus on multi-tenant properties
- Priced below replacement cost
- Main focus on GTA market

## All acquisitions must be accretive

- Strong spread between cap rates & cost of debt



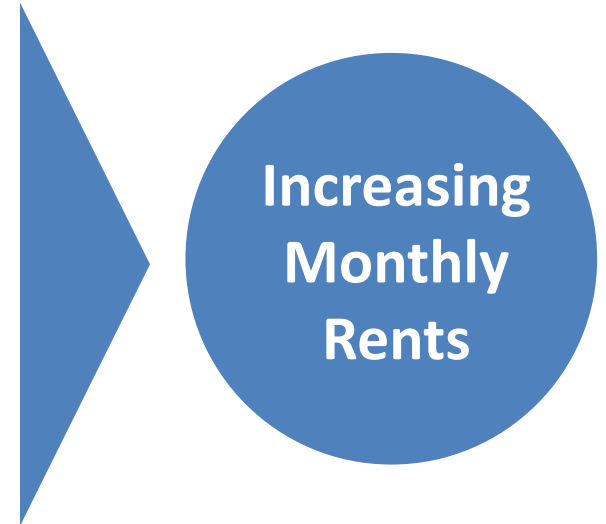
# Target GTA Market

## Stable and growing market:

- Low availability & vacancy rates
- Absorption outpacing new supply

## Supply constrained market:

- Rising development charges
- Increased construction costs
- Growing land preservation initiatives



**Perfect Time to Expand GTA Portfolio**

# Key GTA Acquisition

- Acquired GTA Portfolio for \$18.2 million (June 6, 2014)
  - Three quality single-tenant properties
  - \$70 per sq. ft. acquisition cost well below replacement cost
  - Fully occupied under ten-year lease
- Strong 7.45% capitalization rate
- Accretive financing
  - \$12.2 million 7-year mortgage at 3.64% interest
  - Balance in cash from June equity offering
- Completed \$28.8 million bought-deal equity offering (June 5, 2014)
  - Including 648,000 Unit over-allotment option



# Organic Growth

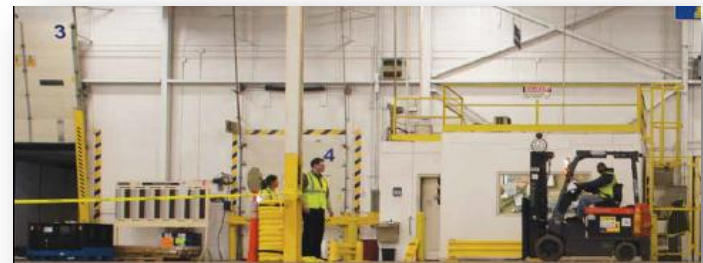
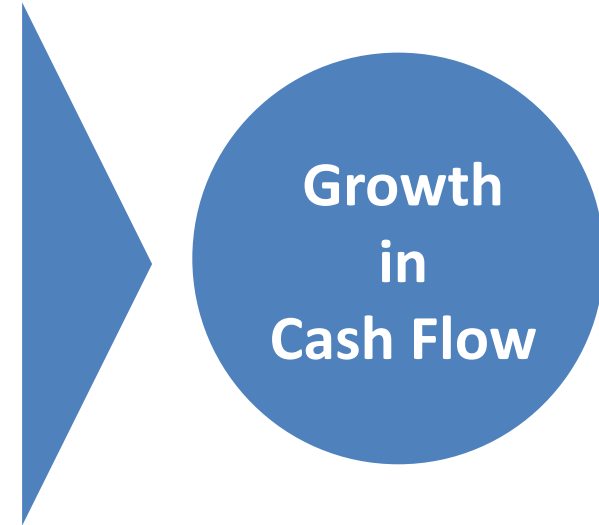
## Strong industry fundamentals

- Decades of stability
- Broad diverse tenant base
- Low capex, maintenance and tenant costs

## 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



# Enhancing Value

## 501 Palladium Drive, Ottawa

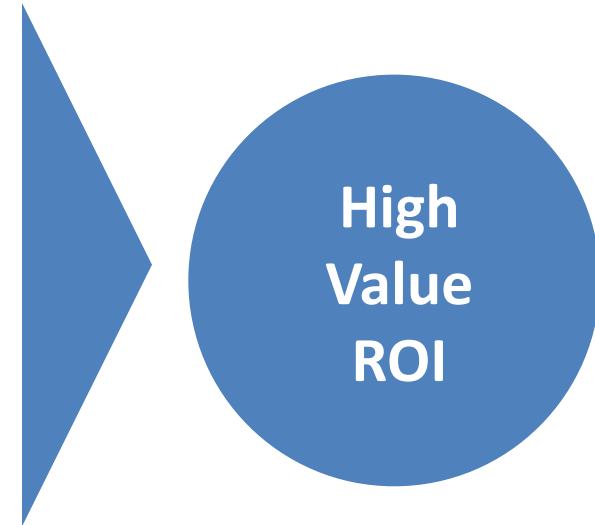
- Acquired property in September 2012
  - Single tenant occupied only office portion of property
- Replaced underperforming tenant in February 2014
  - Two new credit-worth tenants leased majority of space
  - Option for remaining space
- \$4.5 M payment for vacancy & re-leasing costs
- Sold 75% to major Canadian institution
  - \$25.3 M in new growth capital
  - \$4.9 M realized gain on sale





# Partnerships

- Partnerships for co-ownerships, development & re-development
- Proven expertise in asset management / leasing
- Strong relationships with local developers

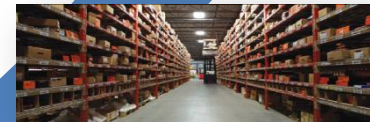




# An Exciting Future

# Summary

- 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
- Attractive current cash yield
  - Currently paying approx. 8.1% cash yield distribution
  - Conservative AFFO payout ratio
- Experienced, proven management team
  - The expertise and the relationships to build value
  - Fully aligned with all Unitholders
  - Ownership of 12.6%

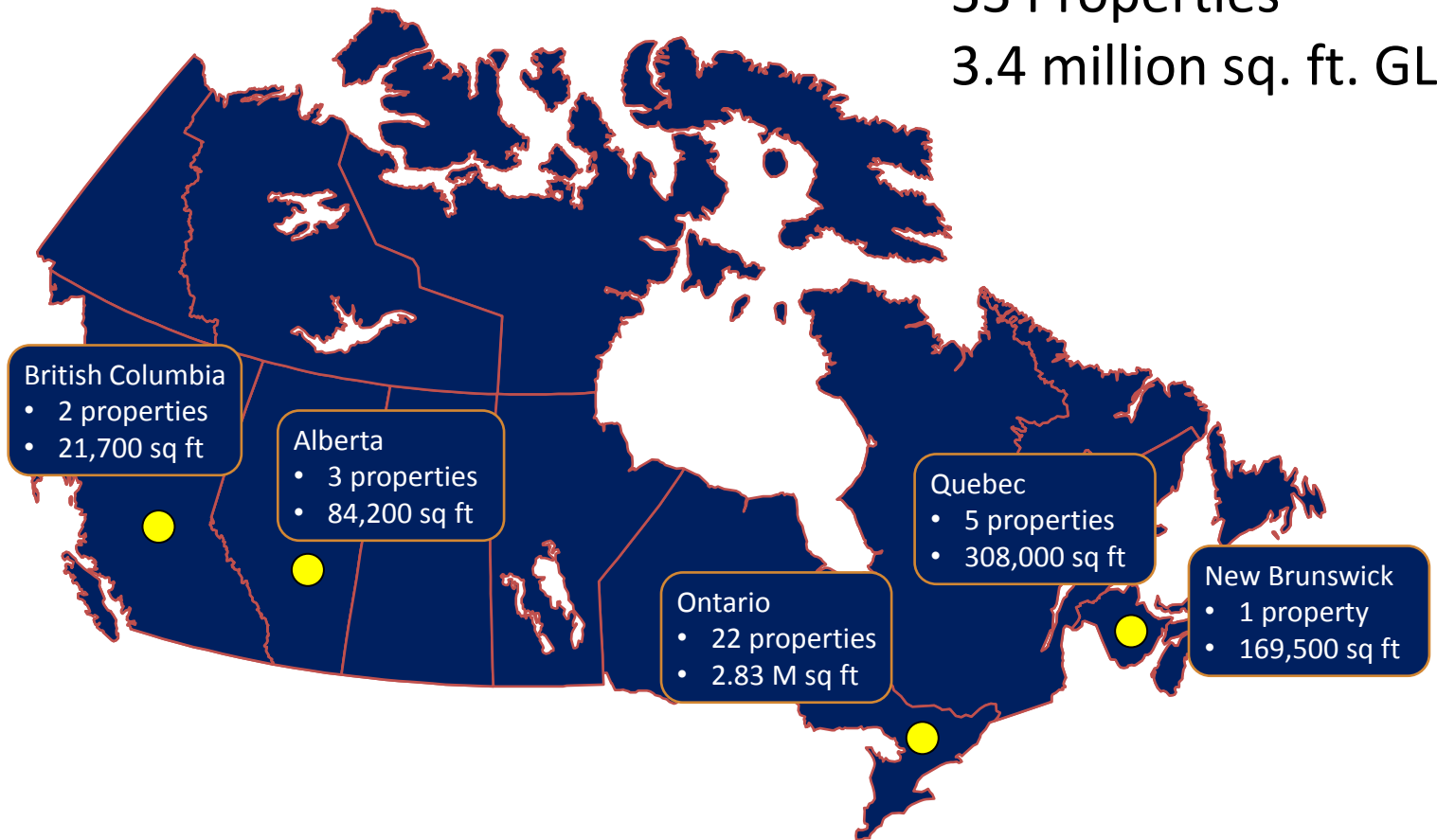




# Appendices

# Quality Portfolio

33 Properties  
3.4 million sq. ft. GLA



# Credit-Worthy Tenants

| Tenant                     | Location         | GLA            | % of Total Base Rent |
|----------------------------|------------------|----------------|----------------------|
| Van-Rob Inc.               | Aurora, ON       | 322,187        | 10.4%                |
| McKesson Canada            | Moncton, NB      | 169,474        | 7.1%                 |
| Bellwyck Packaging         | Multiple GTA, ON | 261,746        | 6.6%                 |
| Canplas Industries         | Barrie, ON       | 216,460        | 6.2%                 |
| Giant Tiger Stores         | Brockville, ON   | 68,093         | 5.0%                 |
| Integrated Merchandising   | Brampton, ON     | 266,901        | 4.6%                 |
| Renin Corp                 | Brampton, ON     | 148,832        | 4.4%                 |
| Associated Brands          | Etobicoke, ON    | 142,386        | 3.7%                 |
| Converter Core             | Brampton, ON     | 163,200        | 3.4%                 |
| Faurecia Emissions Control | Brampton, ON     | <u>121,138</u> | <u>3.1%</u>          |
| Total                      |                  | 1,880,417      | 54.5%                |

# Experienced Manager

## Proven track record of growth:

- Accretively acquired over 33 million square feet of industrial assets
- Assembled Canada's largest industrial portfolio

## Best-in-class asset managers:

- Built a national operating platform
- Steady, stable occupancies and tenant retention

## Industry leaders:

- Innovative leasing, cost savings and operating programs
- Proven track record in raising growth capital

## Value-add expertise:

- Assembled 900 acre land portfolio
- Developed / re-developed over 4 million square feet

## National relationships:

- Well-connected, respected management team
- Successfully created partnerships to enhance value

# Management Team



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

- 32 years experience in the commercial real estate industry
- Previously CEO of Summit REIT, Canada's largest industrial REIT



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

- 24 years experience in the commercial real estate industry
- Previously CFO of Summit REIT, Canada's largest industrial REIT



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

- 22 years experience in the commercial real estate industry
- Previously Senior Vice President of Research & Analysis at ING Real Estate Canada



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

- 23 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**

- 23 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>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>● Manager / Principles own 12.6% of Trust Units, will continue to invest going forward</li></ul>  |



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