Summit Industrial Income REIT

UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three and six month periods ended June 30, 2017 and 2016

SUMMIT INDUSTRIAL INCOME REIT
For the three and six month periods ended June 30, 2017 and 2016

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SUMMIT INDUSTRIAL INCOME REIT

Unaudited Condensed Consolidated Interim Balance Sheets

As at June 30, 2017 and December 31, 2016

(In thousands of Canadian dollars)

	Note		**June 30, 2017**		December 31, 2016
Assets					
Non-current					
Investment properties	4	**$**	**608,779**	$	496,337
Current					
Accounts receivable	5		**967**		1,488
Prepaid expenses, deposits, and deferred financing costs	5		**2,852**		2,603
Cash			**26,876**		379
			30,695		4,470
Total assets		**$**	**639,474**	$	500,807
Liabilities					
Non-current					
Loans and borrowings	6	**$**	**245,420**	$	255,893
Security deposits			**3,098**		3,053
			248,518		258,946
Current					
Loans and borrowings	6		**41,599**		14,742
Trade and other accrued liabilities			**7,211**		5,069
Distributions payable	7		**2,255**		1,470
			51,065		21,281
Total liabilities			**299,583**		280,227
Unitholders' equity			**339,891**		220,580
Total liabilities and equity		**$**	**639,474**	$	500,807

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

Approved by the Board of Trustees on August 9, 2017.

"Lou Maroun"
Trustee

"Jim Tadeson"
Trustee

SUMMIT INDUSTRIAL INCOME REIT

Unaudited Condensed Consolidated Interim Statements of Income

For the three and six month periods ended June 30, 2017 and 2016

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

	Note	**Three month period ended June 30, 2017**	Three month period ended June 30, 2016	**Six month period ended June 30, 2017**	Six month period ended June 30, 2016
Revenue from investment properties		**$ 13,818**	$ 10,504	**$ 26,789**	$ 20,668
Property operating expenses		**3,988**	3,480	**8,454**	6,786
Net rental income		**9,830**	7,024	**18,335**	13,882
Other income					
Finance income		**6**	3	**18**	7
Loss on sale of investment properties	4	**-**	(640)	**-**	(640)
		6	(637)	**18**	(633)
Other expenses					
General and administrative		**626**	432	**1,263**	919
Finance costs		**2,859**	2,165	**5,261**	4,255
		3,485	2,597	**6,524**	5,174
Income before fair value adjustments to investment properties		**6,351**	3,790	**11,829**	8,075
Fair value adjustments to investment properties	4	**5,956**	79	**6,665**	79
Net income		**$ 12,307**	$ 3,869	**$ 18,494**	$ 8,154
Net income per Unit					
Basic	7	**$ 0.288**	$ 0.129	**$ 0.447**	$ 0.277
Diluted	7	**$ 0.288**	$ 0.129	**$ 0.447**	$ 0.277

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

SUMMIT INDUSTRIAL INCOME REIT

Unaudited Condensed Consolidated Interim Statements of Comprehensive Income

For the three and six month periods ended June 30, 2017 and 2016

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

	Note	**Three month period ended June 30, 2017**	Three month period ended June 30, 2016	**Six month period ended June 30, 2017**	Six month period ended June 30, 2016
Net income		**$ 12,307**	$ 3,869	**$ 18,494**	$ 8,154
Other comprehensive loss					
Items that may be reclassified subsequently to net income:					
Net change in fair value of hedging derivative financial instrument		**114**	**(145)**	**(376)**	**(446)**
Net change in fair value of hedging derivative financial instrument reclassed to financial expense		**495**	97	**995**	139
Other comprehensive loss		**609**	(48)	**619**	(307)
Comprehensive income		**$ 12,916**	$ 3,821	**$ 19,113**	$ 7,847

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

SUMMIT INDUSTRIAL INCOME REIT

Unaudited Condensed Consolidated Interim Statements of Changes in Unitholders' Equity

For the three and six month periods ended June 30, 2017 and 2016

(In thousands of Units and Canadian dollars)

	Fund Units	Note	Unit equity	Net income (deficit)	Accumulated other comprehensive income (loss)	Unitholders' equity
Beginning balance, January 1, 2016	28,908		$ 182,350	$ (4,490)	$ -	$ 177,860
Net income and comprehensive income	-		-	8,154	(307)	7,847
Distributions	-	7	-	(7,552)	-	(7,552)
Units issued through DRIP	208	7	1,174	-	-	1,174
Issuance of Units, net of costs	5,650	7	32,520	-	-	32,520
Unitholders' equity, June 30, 2016	34,766		$ 216,044	$ (3,888)	$ (307)	$ 211,849
Beginning balance, January 1, 2017	**34,990**		**$ 217,395**	**$ 3,540**	**$ (355)**	**$ 220,580**
Net income and other comprehensive loss	-		**-**	**18,494**	**619**	**19,113**
Distributions	-	7	**-**	**(11,232)**	**-**	**(11,232)**
Units issued through DRIP	**264**	7	**1,655**	**-**	**-**	**1,655**
Issuance of Units, net of costs	**17,187**	7	**109,775**	**-**	**-**	**109,775**
Unitholders' equity, June 30, 2017	**52,441**		**$ 328,825**	**$ 10,802**	**$ 264**	**$ 339,891**

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

SUMMIT INDUSTRIAL INCOME REIT

Unaudited Condensed Consolidated Interim Statements of Cash Flows

For the six month periods ended June 30, 2017 and 2016

(In thousands of Canadian dollars)

	Note	2017	2016
Operating activities			
Net income		$ 18,494	$ 8,154
Add (deduct):			
Finance costs		5,261	4,255
Loss on sale of investment properties		-	640
Straight-line rent adjustment		(620)	(506)
Fair value adjustments to investment properties		(6,665)	(79)
Change in non-cash working capital items		3,322	628
Interest and finance fees paid		(5,403)	(4,446)
		14,389	8,646
Financing activities			
Repayment of loans and borrowings		(42,194)	(23,055)
Increase in loans and borrowings		22,131	7,500
Distributions paid	7	(8,792)	(6,132)
Net proceeds from Units issued		109,776	32,520
		80,921	10,833
Investing activities			
Additions to investment properties and property under development		(2,192)	(1,768)
Acquisition of investment properties and property under development		(66,121)	(16,783)
Increase in deposits on future acquisitions of investment properties		(500)	(628)
		(68,813)	(19,179)
Increase in cash		26,497	300
Cash, beginning of period		379	342
Cash, end of period		$ 26,876	$ 642

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

1. Reporting entity

Summit Industrial Income REIT ("Summit II" or the "Trust") is a mutual fund trust established under the laws of the Province of Ontario and is domiciled in Canada. The registered office of the Trust is 294 Walker Drive, Brampton, Ontario, L6T 4Z2. The Trust is primarily involved in the commercial leasing of real estate property with 33 property locations in Ontario, 7 properties across Western Canada, 19 properties in Quebec, and 1 property in Atlantic Canada. The Trust's Units are listed on the TSX and trade under the symbol "SMU.UN".

2. Basis of preparation

(a) Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standards ("IAS") 34, "Interim Financial Reporting". The condensed consolidated interim financial statements should be read in conjunction with the annual consolidated financial statements prepared for the year ended December 31, 2016.

The Board of Trustees authorized the issue of these condensed consolidated interim financial statements on August 9, 2017.

(b) Basis of measurement

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

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

3. Significant accounting policies

The accounting policies applied are consistent with those of the annual consolidated financial statements prepared as at and for the year ended December 31, 2016, as described in Note 3 of those consolidated financial statements except for the accounting policy related to unit-based compensation applicable to the three and six months ended June 30, 2017, as described below.

(a) Principles of consolidation

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

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

3. Significant accounting policies (continued)

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

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

(b) Judgements and estimates

In the application of the Trusts' accounting policies, management is required to make judgements, estimates and assumptions that affect the application of accounting policies and the amounts reported in these condensed consolidated interim financial statements and related notes to the condensed consolidated interim 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.

Judgments are made in the selection and assessment of the Trust's accounting policies. Estimates are used mainly in determining the measurement of recognized transactions and balances. Estimates are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Judgment and estimates are often interrelated. Judgments and estimates are continually re-evaluated to ensure they remain appropriate. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in future periods affected.

Details of the accounting policies subject to judgments and estimates the Trust believes could have the most significant impact on the amounts recognized in these interim financial statements are described in Note 5 to the annual consolidated financial statements prepared as at and for the year ended December 31, 2016.

(c) Standards, amendments and interpretations issued and not yet adopted

Details of the standards, amendments and interpretations issued but not yet adopted are described in Note 4 to the annual consolidated financial statements prepared as at and for the year ended December 31, 2016, and include IFRS 9 - *Financial Instruments*, IFRS 15 - *Revenue from Contracts with Customers*, and IFRS 16 – *Leases*. Management continues to assess the impact of these standards, if any, on its consolidated financial statements.

(d) Unit-based compensation plans

As described in Note 7, the Trust has adopted a Trustee Deferred Unit Plan ("the Plan") which provides for the granting of Deferred Units for up to 100% of a Trustee's fees in lieu of cash. The unit-based compensation is presented as a liability within trade and other accrued liabilities on the condensed consolidated interim balance sheets and measured at fair value, and the associated compensation expense is recognized in general and administrative expense in the condensed consolidated interim statements of income as the services are rendered. The liability is remeasured at fair value at the end of each reporting

3. Significant accounting policies (continued)

period and at the date of settlement, with any changes in fair value recognized in general and administrative expense on the condensed consolidated interim statements of income for the period.

4. Investment properties

The following table presents the changes in investment properties:

(In $ thousands)	June 30, 2017 Total	December 31, 2016 Total
Balance, beginning of period	**$ 496,337**	$ 401,834
Additions:		
Acquisition of investment properties	**102,964**	80,955
Acquisition of development properties	**-**	3,954
Additions to investment properties and property under development	**2,813**	4,036
Dispositions	**-**	-
Fair value gains	**6,665**	5,558
Balance, end of period	**$ 608,779**	$ 496,337

Acquisitions of investment properties completed during the six-month period ended June 30, 2017:

(in $ thousands) Property	Property type	Ownership interest	Date acquired	Cash and other[(1)]	Mortgage financing	Acquisition cost[(2)]
303-58th Avenue SE, Calgary, AB	Industrial	100%	14-Feb-17	$ 6,180	$ 11,406	$ 17,586
2335 Speers Road, Oakville, ON	Industrial	100%	27-Feb-17	29,296	-	29,296
2000 Kipling Avenue, Etobicoke, ON	Industrial	100%	22-Mar-17	7,048	9,772	16,820
13 Bethridge Road, Etobicoke, ON	Industrial	100%	22-Mar-17	3,021	4,188	7,209
1600 50th Avenue, Lachine, QC	Industrial	100%	31-Mar-17	3,956	7,014	10,969
4875 Fairway Street, Lachine, QC	Industrial	100%	31-Mar-17	2,070	3,777	5,846
4870 Robert-Boyd Street, Sherbrooke, QC	Industrial	100%	7-Apr-17	15,238	-	15,238
Investment properties				$66,808	$ 36,156	$ 102,964

(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.

As indicated in the table above, the Trust acquired a $15.2 million investment property in Sherbrooke, Quebec during the three-month period ended June 30, 2017. The acquisition was financed with the remaining net proceeds from the $43.9 million equity raised during the January 2017 public offering and the balance from the revolving operating facility.

Approximately $605.3 million of investment properties are used for security under loans and borrowings (Note 6).

Additions to investment properties of $2.8 million during the six months ended June 30, 2017 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,

4. Investment properties (continued)

"Leases" and Standing Interpretations Committee ("SIC") 15, "Operating Leases - Incentives". The total straight-line rent receivable at June 30, 2017 is $4.1 million (December 31, 2016 - $3.5 million).

Approximately $50.0 million of the $505.8 million or 10% (excluding current year acquisitions) of the properties were appraised by third party valuation professionals in the second quarter of 2017. 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 between levels during the period.

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 three and six months ended June 30, 2017 were $6.0 million and $6.7 million respectively, and were recorded in fair value adjustments to investment properties on the condensed consolidated interim statements of income (three and six months ended June 30, 2016 gains of $79,000 and $79,000).

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

	June 30, 2017			December 31, 2016		
(In $ thousands)	**Capitalization rate**	**Discount rate**	**Price per square foot**	Capitalization rate	Discount rate	Price per square foot
Weighted average	**6.30%**	**6.97%**	**$ 102.71**	6.38%	7.08%	$ 100.36

Fair values are most sensitive to changes in capitalization rates. At June 30, 2017, a 0.50% increase in the weighted average capitalization rate for investment properties would decrease fair value by $52.8 million (December 31, 2016 - $36.0 million) and a 0.50% decrease would increase fair value by $64.0 million (December 31, 2016 - $42.1 million).

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

(In $ thousands)		**June 30, 2017**		December 31, 2016
Tenant receivables	**$**	**298**	$	393
Other receivables		**669**		1,095
	$	**967**	$	1,488
Prepaid expense and deposits	**$**	**2,628**	$	2,389
Deferred financing costs		**224**		214
	$	**2,852**	$	2,603

6. Loans and borrowings

(In $ thousands)		**June 30, 2017**		December 31, 2016
Term mortgages	**$**	**283,668**	$	233,545
Revolving operating facility and demand loans		**3,351**		37,090
Total		**287,019**		270,635
Less: Current loans and borrowings		**41,599**		14,742
Non-current loans and borrowings	**$**	**245,420**	$	255,893

(a) Term mortgages

In May 2017, the Trust repaid $2.7 million in maturing mortgage debt which was at an interest rate of 3.70% and refinanced the property with a new lender for a $3.5 million mortgage with a five-year term and an interest rate of 2.91%. New mortgage financing of $18.0 million with a five-year term and an interest rate of 2.70% was also obtained in May 2017 on a property that had been temporarily placed as security on the revolving operating facility. As a result of removing this security, the amount available to draw on the revolving operating facility was decreased from $64.0 million to $49.0 million.

At June 30, 2017, total term mortgages bear interest at a weighted average effective interest rate of 3.34% (December 31, 2016 - 3.43%) and a weighted average stated interest rate of 3.47% (December 31, 2016 - 3.59%). 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 at June 30, 2017, is $2.0 million (December 31, 2016 - $1.8 million) of unamortized mark-to-market premiums related to a mortgage assumed on acquisition, and $1.1 million (December 31, 2016 - $1.1 million) of unamortized deferred financing charges.

6. Loans and borrowings (continued)

Principal repayment requirements for term mortgages are as follows:

(In $ thousands)	
2017 (remainder)	$ 5,221
2018	59,707
2019	15,258
2020	49,356
2021	34,878
2022	65,565
Thereafter	52,760
Principal amount	282,745
Premium on debt	1,977
Deferred financing charges	(1,054)
Total term mortgages	$ 283,668

(b) Revolving operating facility

As at June 30, 2017, there was no amount (December 31, 2016 - $34.3 million), drawn from the revolving operating facility as proceeds from the June 30, 2017 offering (Note 7) were temporarily applied to this facility. As noted above, approximately $49.0 million was available to be drawn on the revolving operating facility at June 30, 2017.

The revolving operating facility matures 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 banker's acceptance rates plus 2% for banker's acceptances.

The revolving operating facility is secured by first charges over specific investment properties, with a fair value of $78.8 million at June 30, 2017 (December 31, 2016 - $63.1 million), and first general assignment of leases and insurance.

7. 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.

7. Unitholders' equity (continued)

(b) Issued and outstanding

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

(In thousands)	Number of Units		Carrying amount
Balance January 1, 2016	28,908	$	182,350
Issuance of Units on June 17, 2016	5,650		32,520
Units issued under the DRIP	208		1,174
Balance June 30, 2016	34,766	$	216,044

(In thousands)	Number of Units		Carrying amount
Balance January 1, 2017	**34,990**	**$**	**217,395**
Issuance of Units on January 31, 2017	**7,423**		**43,864**
Issuance of Units on June 30, 2017	**9,764**		**65,911**
Units issued under the DRIP	**264**		**1,655**
Balance June 30, 2017	**52,441**	**$**	**328,825**

On June 30, 2017, the Trust completed a public offering of 9,763,500 Units at a price of $7.07 per Unit for gross proceeds of $69.0 million. The offering incurred issue costs of $3.1 million for net proceeds of $65.9 million. Offering proceeds were used to repay outstanding debt under the revolving operating facility and the remainder is included in cash on the condensed consolidated interim balance sheets at June 30, 2017, awaiting investment by the Trust.

The Trust has a Distribution Reinvestment Plan ("DRIP") whereby registered or beneficial holders of the Trust's Units who are residents in Canada can acquire additional Trust Units by reinvesting all or a portion of their monthly cash distributions without paying brokerage commissions. In addition, Unitholders who elect to participate in the DRIP receive a further distribution of Trust Units equal to 5% of each distribution that was reinvested by them. During the six-month period ended June 30, 2017, there were 264,071 Units (six-month period ended June 30, 2016 – 208,046) issued under this plan for total proceeds of $1.7 million (six-month period ended June 30, 2016 - $1.2 million), representing 15.8% (six-month period ended June 30, 2016 – 16.1%) of the related distributions.

(c) Distributions

The Trust recorded the following activities relating to distributions during the six-month periods ended June 30:

(In $ thousands, except per Unit amounts)		**2017**		2016
Paid in cash	**$**	**8,792**	$	6,132
Reinvested by Unitholders under the DRIP		**1,655**		1,174
$0.0420 per Unit payable at December 31 (paid January)		**(1,470)**		(1,214)
$0.0430 per Unit payable at June 30 (2016 - $0.0420)		**2,255**		1,460
Distributions recorded in equity	**$**	**11,232**	$	7,552

7. Unitholders' equity (continued)

(d) Per Unit amounts

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

(In thousands of Units)	**3 months 2017**	3 months 2016	**6 months 2017**	6 months 2016
Issued Units, beginning of period	**34,990**	28,908	**34,990**	28,908
Issuance of Units January 31, 2017	**7,423**	-	**6,193**	-
Issuance of Units June 30, 2017	**107**	-	**54**	-
Issuance of Units June 17, 2016	**-**	869	**-**	435
Issuance of Units under the DRIP	**202**	157	**133**	105
Total weighted average number of Units outstanding	**42,722**	29,934	**41,370**	29,448

(e) Trustee Deferred Unit Plan

Effective May 10, 2017, the Trust's Board of Trustees authorized a Deferred Unit Plan (the "Plan") that provides for the granting of Deferred Units to Trustees in lieu of cash for up to 100% of their Trustee Fees (the "Elected Amount"). Under the Plan, the Trust will match the Elected Amount of each participant by issuing additional Deferred Units up to a maximum value of $10,000 (the "Match Incentive"). The maximum value of the aggregate number of Units that may be subject to grants of Deferred Units to any one Trustee during any financial year of the REIT shall will be no greater than $150,000.

Deferred Units granted under the Elected Amount will vest on the day that is 12 months following the date of the grant. Additional Deferred Units issued pursuant to the Match Incentive will vest in accordance with the following schedule: a) 50% on the third anniversary of the grant; b) 25% on the fourth anniversary of the grant; and c) 25% on the fifth anniversary of the grant. Vested Deferred Units may be redeemed in whole or in part for Units issued from treasury or cash as elected by the participant.

The maximum number of Units reserved for issuance is 425,420. One Deferred Unit is economically equivalent to one Unit and fractional Deferred Units are permitted.

A summary of Deferred Units granted under the Plan as at June 30, 2017 is:

	Number of Units
Deferred Units granted for services rendered inlcuding match incentive	7,061
Deferred Units granted through distributions	45
Balance June 30, 2017	7,106

The fair value of a Unit is calculated as the volume weighted average price of all Units traded on the TSX for the five trading days immediately preceding the grant date. The liability related to the Plan is measured at fair value and is remeasured to fair value at

7. Unitholders' equity (continued)

each reporting date and at the date of settlement. The fair value changes are recorded within general and administrative expense in the condensed consolidated interim statements of income. The total fair value of Deferred Units granted and recognized as compensation expense within general and administrative expense for the three and six months ended June 30, 2017 was $50,000 (three and six months ended June 30, 2016 - $nil).

8. Related party transactions

Management Agreement

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

The Management Agreement sets out the fees payable to the Manager for the services provided, such fees being: A base annual management fee equal to 0.25% of the gross value of Summit II's assets; an incentive fee for the fiscal year ending December 31, 2014 and onward, equal to 15% of Summit II's adjusted funds from operations ("AFFO") per unit, as defined by the Management Agreement, in excess of a $0.48 (after the "consolidation") hurdle amount, such hurdle amount to be increased by 1.5% each year; an acquisition fee for the purchase price paid by Summit II on the acquisition of a property equal to 1% of the first $50 million of the purchase price, 0.75% of the next $50 million of the purchase price, and 0.50% of any portion of the purchase price in excess of $100 million, payable so long as the gross book value of the properties owned by Summit II does not exceed $1 billion; a development fee in an amount to be negotiated between Summit II and the Manager, not to exceed the fair market value for comparable services; a property management fee equal to 3.5% of the gross rental income from each multi-tenant property, and 2.5% of the gross rental income from each single-tenant property, and other property management costs recoverable under tenant operating leases; a leasing fee equal to $1.00 per rentable square foot only for those properties where the Manager provides leasing services; and a capital expenditures fee equal to 5% of all hard construction costs incurred on any capital project of Summit II, where the Manager is the project manager for the project and the hard construction costs of the project are in excess of $200,000.

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

8. Related party transactions (continued)

Under the terms of the management agreement with Sigma, the Trust has incurred the following fees for the three and six month periods ended June 30:

(In $ thousands)	**3 months 2017**	3 months 2016	**6 months 2017**	6 months 2016
Acquisition fees (capitalized to investment properties)	**$ 148**	$ 330	**$ 986**	$ 486
Asset management fees	**368**	263	**693**	520
Leasing fees (capitalized to investment properties)	**201**	50	**322**	201
Capital expenditures management fee (capitalized to investment properties)	**-**	-	**30**	-
Property management services	**369**	372	**725**	737
	$ 1,086	$ 1,015	**$ 2,756**	$ 1,944

There is $242,000 included in trade and other accrued liabilities at June 30, 2017 (December 31, 2016 - $165,000) due to Sigma. In addition, during the three and six-month period ended June 30, 2017, Sigma paid $8,500 and $17,000, respectively, to the Trust (three and six-month period ended June 30, 2016 - $8,500 and $17,000) for office space located at 294 Walker Drive, Brampton, Ontario, under a five-year lease commencing June 1, 2013.

Trustee fees

Trustee related fees of $87,000 and $150,000 (three and six-month period ended June 30, 2016 - $50,000 and $85,000) are included in general and administrative expense for the three and six-month period ended June 30, 2017, respectively. The 2017 fees include the fair value of Deferred Units as described in Note 7.

9. Income tax

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

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

Income taxes have not been recorded during the period. The SIFT Rules are not applicable to real estate investment trusts (“REITs”) that meet certain specified criteria relating to the nature of its revenue and investments (the “REIT Exemption”). The Trust qualified 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 these condensed consolidated interim financial statements.

10. Subsequent events

(a) Distribution

On July 14, 2017, a distribution in the amount of $0.043 per Unit for Unitholders of record July 31, 2017, was declared and will be paid August 15, 2017.

(b) Acquisitions

On August 9, 2017, the Trust announced it has waived conditions and would acquire a 116,818 square foot light industrial property located in Oakville, Ontario for $15.3 million on or before August 15, 2017. The acquisition will be financed by proceeds from the June 2017 equity offering.