Summit Industrial Income REIT

CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2018 and 2017

SUMMIT INDUSTRIAL INCOME REIT
For the years ended December 31, 2018 and 2017

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Independent Auditor’s Report

To the Unitholders of Summit Industrial Income REIT

Opinion
We have audited the consolidated financial statements of Summit Industrial Income REIT (the “Trust”), which comprise the consolidated balance sheets as at December 31, 2018 and 2017, and the consolidated statements of income, comprehensive income, changes in unitholders' equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the “financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Trust as at December 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (“IFRS”).

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

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Trust to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

/s/ Deloitte LLP

Chartered Professional Accountants

Halifax, Nova Scotia

February 20, 2019

SUMMIT INDUSTRIAL INCOME REIT

Consolidated Balance Sheets

As at December 31, 2018 and 2017

(In thousands of Canadian dollars)

	Note		**December 31, 2018**		December 31, 2017
Assets					
Non-current					
Investment properties	6	**$**	**1,700,078**	$	966,566
Loans receivable	8		**59,197**		29,182
			1,759,275		995,748
Current					
Accounts receivable	9		**3,301**		1,948
Prepaid expenses, deposits, and deferred financing costs	9		**7,703**		4,687
Cash			**4,325**		856
			15,329		7,491
Total assets		**$**	**1,774,604**	$	1,003,239
Liabilities					
Current					
Loans and borrowings	10	**$**	**265,808**	$	157,123
Trade and other accrued liabilities			**28,723**		9,408
Distributions payable	13		**4,142**		2,885
			298,673		169,416
Non-current					
Loans and borrowings	10		**568,368**		357,895
Security deposits			**6,734**		4,041
			575,102		361,936
Class B exchangeable units	12		**41,088**		-
Total liabilities			**914,863**		531,352
Unitholders' equity			**859,741**		471,887
Total liabilities and equity		**$**	**1,774,604**	$	1,003,239

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

Approved by the Board of Trustees on February 20, 2019.

"Lou Maroun"
Trustee

"Jim Tadeson"
Trustee

SUMMIT INDUSTRIAL INCOME REIT

Consolidated Statements of Income

For the years ended December 31, 2018 and 2017

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

	Note		2018		2017
Revenue from investment properties	18	$	**92,150**	$	58,573
Property operating expenses			**27,310**		17,996
Net rental income			**64,840**		40,577
Other income					
Finance income			**3,647**		199
Gain on sale of investment properties			**466**		-
			4,113		199
Other expenses					
General and administrative			**5,327**		2,675
Finance costs	16		**22,491**		11,413
			27,818		14,088
Income before fair value adjustments			**41,135**		26,688
Fair value adjustments to Class B exchangeable units	12		**(4,537)**		-
Fair value adjustments to investment properties	6		**143,809**		36,212
Net income		**$**	**180,407**	$	62,900
Net income per Unit					
Basic	13	**$**	**2.319**	$	1.317
Diluted	13	**$**	**2.318**	$	1.317

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, 2018 and 2017

(In thousands of Canadian dollars)

		2018		2017
Net income	**$**	**180,407**	$	62,900
Other comprehensive (loss) income				
Items that may be reclassified subsequently to net income:				
Net change in fair value of hedging derivative financial instruments		**(9,589)**		**(344)**
Net change in fair value of hedging derivative financial instruments reclassed to finance costs		**6,260**		1,981
Other comprehensive (loss) income		**(3,329)**		1,637
Comprehensive income	**$**	**177,078**	$	64,537

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, 2018 and 2017

(In thousands of Units and Canadian dollars)

	Fund Units	Note	Unit equity	Surplus	Accumulated other comprehensive income (loss)	Unitholders' equity
Beginning balance, January 1, 2017	34,990		$ 217,395	$ 3,540	$ (355)	$ 220,580
Net income and comprehensive income	-	11	-	62,900	1,637	64,537
Distributions	-	13	-	(25,419)	-	(25,419)
Units issued through DRIP	532	13	3,502	-	-	3,502
Issuance of Units, net of costs	31,562	13	208,687	-	-	208,687
Unitholders' equity, December 31, 2017	67,084		$ 429,584	$ 41,021	$ 1,282	$ 471,887
Beginning balance, January 1, 2018	**67,084**		**$ 429,584**	**$ 41,021**	**$ 1,282**	**$ 471,887**
Net income and other comprehensive loss	-	11	-	**180,407**	**(3,329)**	**177,078**
Distributions	-	13	-	**(40,685)**	-	**(40,685)**
Units issued through DRIP	**598**	13	**4,918**	-	-	**4,918**
Management compensation units	**287**	13,15	**2,637**	-	-	**2,637**
Issuance of Units, net of costs	**28,355**	13	**243,906**	-	-	**243,906**
Unitholders' equity, December 31, 2018	**96,324**		**$ 681,045**	**$ 180,743**	**$ (2,047)**	**$ 859,741**

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, 2018 and 2017

(In thousands of Canadian dollars)

	Note	2018	2017
Operating activities			
Net income		**$ 180,407**	$ 62,900
Add (deduct):			
Finance costs	16	**22,491**	11,413
Gain on sale of investment properties		**(466)**	-
Straight-line rent adjustment		**(1,883)**	(1,366)
Fair value adjustments to Class B exchangeable Units	12	**4,537**	-
Fair value adjustments to investment properties		**(143,809)**	(36,212)
Change in non-cash working capital items		**8,447**	3,169
Interest and finance fees paid		**(21,859)**	(11,643)
		47,865	28,261
Financing activities			
Repayment of loans and borrowings		**(125,927)**	(12,378)
Increase in loans and borrowings		**367,963**	145,611
Distributions paid (includes Class B exchangeable Units)	12,13	**(35,532)**	(20,502)
Net proceeds from Units issued		**243,906**	208,687
		450,410	321,418
Investing activities			
Additions to investment properties		**(10,905)**	(5,116)
Additions to properties under development		**(24,451)**	-
Proceeds from sale of investment properties		**46,431**	-
Acquisition of investment properties		**(478,808)**	(314,904)
Loans receivable advanced		**(30,391)**	(29,182)
Receipt of loans receivable		**3,818**	-
Increase in deposits on future acquisitions of investment properties		**(500)**	-
		(494,806)	(349,202)
Increase in cash		**3,469**	477
Cash, beginning of year		**856**	379
Cash, end of year		**$ 4,325**	$ 856

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

1. Reporting entity

Summit Industrial Income REIT ("Summit II" or the "Trust") is a mutual fund trust established under the laws of the Province of Ontario and is domiciled in Canada. The registered office of the Trust is 75 Summerlea Road, Brampton, Ontario, L6T 4V2. The Trust is primarily involved in the commercial leasing of real estate property with 66 property locations in Ontario, 27 properties in Quebec, 14 properties across Western Canada, and 1 property in Atlantic Canada. The Trust's Units are listed on the TSX and trade under the symbol "SMU.UN".

2. Basis of preparation

(a) Statement of compliance

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

The Board of Trustees authorized the issue of these consolidated financial statements on February 20, 2019.

(b) Basis of measurement

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

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

3. Significant accounting policies

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

(a) Principles of consolidation

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

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

Consolidation of a subsidiary begins when the Trust obtains control over the subsidiary and ceases when the Trust loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or

3. Significant accounting policies (continued)

disposed of during the year are included in the consolidated statement of income and comprehensive income from the date the Trust gains control until the date when the Trust ceases to control the subsidiary.

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

(b) Joint arrangements

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

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, 2018 and 2017, the Trust had interests in joint arrangements that were classified as joint operations.

(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 and/or for capital appreciation.

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

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

Subsequent expenditures are capitalized to the investment property's carrying value only when it is probable that future economic benefits associated with the expenditure will flow to the Trust and the cost

3. Significant accounting policies (continued)

of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred.

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

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

(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. 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.

3. Significant accounting policies (continued)

(g) Hedge accounting

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

At the inception of the hedge relationship, the Trust documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Trust documents whether the hedging instrument is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income and any gain or loss relating to the ineffective portion is recognized immediately in profit or loss. Amounts previously recognized in other comprehensive income and accumulated in unitholders' equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognized hedged item.

The Trust discontinues hedge accounting only when the hedging relationship ceases to meet the qualifying criteria. This includes instances when the hedging instrument expires or is sold, terminated or exercised. The discontinuation is accounted for prospectively. Any gain or loss accumulated in unitholders' equity at that time remains in equity and is reclassified to profit or loss when the forecast transaction occurs. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in unitholders' equity is reclassified immediately to profit or loss.

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

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

3. Significant accounting policies (continued)

comprehensive income in respect of the Trust, subsequent to the Trust meeting the REIT Conditions.

(i) Revenue recognition

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

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

(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, all financial instruments are measured at fair value. Subsequently, the Trust measures its financial instruments as follows: cash, accounts receivable and loans receivable – other, trade and other accrued liabilities, security deposits, loans and borrowings, and distributions payable are measured at amortized cost using the effective interest method; and loans receivable – mezzanine, derivative assets and liabilities, and Class B exchangeable units are measured at fair value through profit and loss (FVTPL). Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss. Transaction costs incurred on loans and borrowings with balances that frequently fluctuate or have not been drawn upon are deferred and amortized over the term of the borrowing.

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

3. Significant accounting policies (continued)

(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.

(l) Net income per unit

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

(m) Unit-based compensation plans

As described in Note 13, the Trust has adopted a Trustee Deferred Unit Plan (“the Plan”) which provides for the granting of Deferred Units for up to 100% of a Trustee’s fees in lieu of cash. The unit-based compensation is presented as a liability within trade and other accrued liabilities on the consolidated balance sheets and measured at fair value, and the associated compensation expense is recognized in general and administrative expense in the consolidated statements of income as the services are rendered. The liability is remeasured at fair value at the end of each reporting period and at the date of settlement, with any changes in fair value recognized in general and administrative expense on the consolidated statements of income for the period.

(n) Class B exchangeable units

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

4. Accounting policy changes

Adoption of new and revised standards:

a) *Impact of adoption of IFRS 9 - Financial Instruments ("IFRS 9")*

In 2014, the IASB issued IFRS 9, "Financial Instruments", replacing IAS 39, "Financial Instruments: Recognition and Measurement" ("IAS 39"), and related consequential amendments to other IFRS standards. IFRS 9 includes revised guidance on the classification and measurement of financial assets, including impairment and a new general hedge accounting model. Additional disclosures are also required under the new standard. The Trust adopted the new standard and related amendments on January 1, 2018 retrospectively with no restatement of comparative periods, except for the changes to hedge accounting described below which are applied prospectively.

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. Financial assets are classified and measured based on the three categories: amortized cost, fair value through other comprehensive income (FVOCI), and FVTPL. Financial liabilities are classified and measured on two categories: amortized cost or FVTPL. Refer to Note 3 for the classification and measurement of the Trust's financial instruments. The adoption of the new classification requirements under IFRS 9 did not result in significant changes in measurement or the carrying amount of financial assets and liabilities.

IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' (ECL) model. The ECL model requires judgment, including consideration of how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis. The new impairment model is applied, at each balance sheet date, to financial assets measured at amortized cost or those measured at FVOCI, except for investments in equity instruments. The Trust applied the practical expedient to determine ECL on accounts receivable using a provision matrix based on historical credit loss experiences to estimate lifetime ECL. The ECL models applied to other financial assets also required judgment, assumptions and estimations on changes in credit risks, forecasts of future economic conditions and historical information on the credit quality of the financial asset. The adoption of the ECL model did not result in any additional impairment of the Trust's financial assets upon transition.

The new general hedge accounting requirements retain the three types of hedge accounting, however, greater flexibility has been introduced to the types of transactions eligible for hedge accounting. In addition, the effectiveness test has been replaced with the principle of an "economic relationship". Retrospective assessment of hedge effectiveness is also no longer required. The Trust's interest rate swaps continued to qualify for hedge accounting under IFRS 9 and as a result, the adoption of IFRS 9 did not have a significant impact on its consolidated financial statements with respect to its interest rate swaps.

4. Accounting policy changes (continued)

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

In May 2014, the IASB issued IFRS 15 – *Revenue from Contracts with Customers* ("IFRS 15") 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 – *Revenues*, IAS 11 – *Construction Contracts*, and other revenue related interpretations and excluding contracts within the scope of the accounting standards on leases, insurance contracts and financial instruments. IFRS 15 was effective for the Trust's annual period beginning on January 1, 2018.

The objective of IFRS 15 is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer. The core principle of the standard is that an entity will recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects consideration to which the entity expects to be entitled in exchange for those goods and services. The adoption of IFRS 15 did not have a significant impact on the ongoing recognition of the Trust's revenues.

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.

IFRS 16 – Leases ("IFRS 16")

In January 2016, the IASB issued IFRS 16 – Leases ("IFRS 16") which replaces IAS 17, "Leases" and its associated interpretative guidance. IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract on the basis of whether the customer controls the asset being leased. For those assets determined to meet the definition of a lease, IFRS 16 introduces significant changes to the accounting by lessees, introducing a single, on balance sheet accounting model that is similar to current finance lease accounting, with limited exceptions for short-term leases or leases of low value assets. Lessor accounting remains similar to current accounting practice. The 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 particularly, the new ground lease as disclosed in Note 6 and Note 17, which is in scope for IFRS 16. The adoption of IFRS 16 will result in the recognition of right-of-use assets and lease liabilities associated with the ground lease but it is not expected to have a significant impact on the Trust's income. IFRS 16 will be applied for the 2019 annual fiscal period.

5. Critical accounting judgements and key sources of estimation uncertainty

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

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

a) Critical judgements in applying accounting policies

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

(i) Investment properties

The Trust applies judgement in determining whether an acquisition meets the definition of a business combination or, alternatively, an asset acquisition by considering the nature of the assets acquired and the processes applied to those assets, or if the integrated set of assets and activities is capable of being conducted and managed for the purpose of providing a return to investors or other owners. The determination of whether an acquisition meets the definition of a business results in measurement differences on initial recognition of the acquired net assets. If the acquisition is determined to be a business combination these differences include the nature of deferred tax assets and liabilities that may be recorded and the requirement to recognize goodwill or negative goodwill, as applicable, for differences between the consideration provided and the fair value of the net assets acquired. Additionally, transaction costs incurred to affect a business combination are required to be expensed where for an asset acquisition transaction costs would be capitalized to the initial carrying amount of the acquired asset. The Trust considers all the properties it has acquired to date to be asset acquisitions.

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

(ii) 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 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 Trust’s current and continuing qualification as a REIT depends on its ability to meet the various requirements imposed under the SIFT rules, which relate to

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

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, 2018 and December 31, 2017:

	2018	2017
(In $ thousands)	**Total**	Total
Balance, beginning of year	**$ 966,566**	$ 496,337
Additions:		
Acquisition of investment properties	**595,506**	427,333
Additions to investment properties	**15,662**	6,684
Additions to properties under development	**24,409**	-
Dispositions	**(45,874)**	-
Fair value gains	**143,809**	36,212
Balance, end of year	**$ 1,700,078**	$ 966,566

6. Investment properties (continued)

Acquisitions of investment properties completed during the year ended December 31, 2018 are as follows:

(in $ thousands)

Property	Property type	Ownership interest	Date acquired	Cash and other[(1)]	Mortgage financing	Acquisition cost[(2)]
305 C.H. Meier Boulevard, Stratford, ON	Industrial	100%	01-Jun-18	$ 5,486	$ 10,000	$ 15,486
4455 North Service Road, Burlington, ON	Industrial	100%	15-Jun-18	29,047	-	29,047
2485 Surveyor Road, Mississauga, ON	Industrial	100%	18-Jun-18	38,406	-	38,406
56 Steelcase Road West, Markham, ON	Industrial	100%	28-Jun-18	22,880	8,583	31,463
2601 14th Avenue, Markham, ON	Industrial	100%	28-Jun-18	17,175	23,750	40,925
572 Aero Drive NE, Calgary, AB[(3)]	Industrial	100%	13-Jul-18	6,603	11,400	18,003
588 Aero Drive NE, Calgary, AB[(3)]	Industrial	100%	13-Jul-18	4,403	7,600	12,003
1001 Thornton Road South, Oshawa, ON	Industrial	100%	15-Aug-18	16,443	22,000	38,443
5101 Orbitor Drive, Mississauga, ON	Industrial	100%	26-Oct-18	14,696	20,000	34,696
117 Hymus Boulevard, Pointe-Claire, QC	Industrial	100%	19-Dec-18	28,224	-	28,224
7101 Notre-Dame, Street East, Montreal, QC	Industrial	100%	19-Dec-18	67,357	-	67,357
2900 Andre Avenue, Dorval, QC	Industrial	100%	19-Dec-18	14,881	-	14,881
7350 Trans-Canada Highway, Saint-Laurent, QC	Industrial	100%	19-Dec-18	13,085	-	13,085
2520 Marie Curie Avenue, Saint-Laurent, QC	Industrial	100%	19-Dec-18	20,783	-	20,783
225 Pinebush Road, Cambridge, ON	Industrial	100%	20-Dec-18	17,258	6,839	24,097
2615 Lancaster Road, Ottawa, ON	Industrial	100%	20-Dec-18	7,025	5,359	12,384
2620-2650 Lancaster Road, Ottawa, ON	Industrial	100%	20-Dec-18	3,222	2,456	5,678
1050-1051 Baxter Road, Ottawa, ON	Industrial	100%	20-Dec-18	12,398	12,376	24,774
1601 Tricont Avenue, Whitby, ON	Industrial	100%	20-Dec-18	6,558	5,197	11,755
1635 Tricont Avenue, Whitby, ON	Industrial	100%	20-Dec-18	8,771	6,824	15,595
6060 90th Avenue SE, Calgary, AB	Industrial	100%	21-Dec-18	35,485	-	35,485
8801 60th Street SE, Calgary, AB	Industrial	100%	21-Dec-18	21,851	-	21,851
6075 86th Avenue SE, Calgary, AB	Industrial	100%	21-Dec-18	23,319	-	23,319
17304/17374 116th Avenue NW, Edmonton, AB	Industrial	100%	21-Dec-18	17,766	-	17,766
Investment properties				$ 453,122	$ 142,384	$ 595,506

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

(2) Acquisition costs includes acquisition-related expenses.

(3) Property acquired is on a land lease.

As indicated above, during the year ended December 31, 2018, the Trust acquired $595.5 million (2017 - $427.3 million) of investment properties. The acquisitions were financed by new and assumed mortgages of $142.4 million (2017 - $154.6 million), net proceeds of $243.9 million (2017 - $208.7 million) raised from public offerings, $153.0 million (2017 - $90.0 million) from temporary bridge credit facilities (Note 10) and the balance from the revolving operating facility.

6. Investment properties (continued)

In addition, approximately $2.6 million (2017 - $0.9 million) in security deposits were assumed for the year ending December 31, 2018. Approximately $1.7 billion (2017 - $959.7 million) of investment properties are used for security under loans and borrowings (Note 10).

Additions to investment properties of $15.7 million (2017 - $6.7 million), relate to capital outlays, tenant leasing costs, capitalization of free rent receivable and net straight-line rent receivables arising from the recognition of rental revenues on a straight-line basis over the lease term in accordance with IAS 17, “Leases” and Standing Interpretations Committee (“SIC”) 15, “Operating Leases - Incentives”. At December 31, 2018, the total straight-line rent receivable is $6.7 million (2017 - $4.8 million).

Approximately $395.2 million of the $1.7 billion or 36% (excluding current year acquisitions) of the properties were appraised by third party valuation professionals, which are then reviewed by management, in 2018 (2017 - $251.7 million or 47%). 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.

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 are 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, 2018 were $143.8 million (2017 - $36.2 million).

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

			2018			2017
(In $ thousands)	**Capitalization rate**	**Discount rate**	**Price per square foot**	Capitalization rate	Discount rate	Price per square foot
Weighted average	**5.46%**	**6.20%**	**$ 126.41**	5.95%	6.62%	$ 108.75

6. Investment properties (continued)

Excluded from the above table is the fair value assumption for the data centre property as the price per square foot would not be a significant assumption for this type of investment property. At December 31, 2018, the data centre investment property was valued at a capitalization rate of 6.4% and takes into consideration the fact that the space under development was fully leased by October 2018.

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 $144.2 million (2017 - $74.7 million) and a 0.50% decrease would increase fair value by $173.7 million (2017 – $88.4 million).

7. Co-owned property interests

On May 17, 2018, the Trust sold a 75% interest in four properties located at 240 Laurier Boulevard, Brockville, 5499 Canotek Road, Ottawa, 350 Hazelhurst Road, Mississauga and 175 Bellerose Boulevard, Laval, for a sale price of $46.4 million and generated a gain on the sale of $0.5 million. The proceeds of the sale were used to payout the mortgage on the Laval property, fund the special distribution described under Note 13 and reduce the Trust's floating-rate revolving operating facility. The properties were sold to the same Canadian institution which the Trust has a co-ownership agreement in place from a similar transaction in May 2015.

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

8. Loans receivable

In September 2018, the Trust extended a mezzanine loan to its partner Urbacon to develop a new planned 95,000 square foot data centre property ("DC2") on land owned by Urbacon directly adjacent to the existing data centre property ("DC1") property. The Trust's mezzanine loan can be converted into a 50% ownership interest in DC2 once the property is leased and stabilized. DC2 will be a 10 megawatt ("MW") powered shell with a scheduled completion in three months. Urbacon has already commenced construction on the site. During the year ended December 31, 2018, the Trust advanced $16.8 million toward the loan bringing the total loan receivable balance, including accrued interest, to $17.2 million at December 31, 2018.

During the year ended December 31, 2018, the Trust advanced $11.5 million, (2017 - $11.4 million) under the non-revolving working capital loan to Urbacon. In September 2018, Urbacon repaid $1.8 million toward the loan bringing the total loan receivable balance, including accrued interest, to $22.5 million at December 31, 2018 (2017 - $11.4 million). This loan is to be primarily invested to develop additional data centres in Richmond Hill and other key markets.

During the year ended December 31, 2018, the Trust advanced $2.1 million, (2017 - $15.8 million) under the mezzanine loan to Urbacon. This loan holds the option to convert into a 50% ownership interest in a recently completed state-of-the-art data centre located in downtown Montreal, Quebec. The loan matures December 22, 2021 and includes two one-year extension options. Including accrued interest, the total loan receivable balance is $19.5 million at December 31, 2018 (2017 - $15.8 million).

8. Loans receivable (continued)

For the year ended December 31, 2018, interest income of $3.4 million (December 31, 2017 - $64,000) on the loans receivable have been reported in finance income on the consolidated statements of income.

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

(In $ thousands)		**2018**		2017
Tenant receivables	**$**	**589**	$	122
Other receivables		**2,712**		1,826
Total accounts receivable	**$**	**3,301**	$	1,948
Prepaid expense and deposits	**$**	**7,442**	$	4,391
Deferred financing costs		**261**		296
Total prepaid expenses, deposits and deferred financing costs	**$**	**7,703**	$	4,687

10. Loans and borrowings

(In $ thousands)		**2018**		2017
Term mortgages	**$**	**612,096**	$	379,568
Revolving and non-revolving operating facility and demand loans		**222,080**		135,450
Total		**834,176**		515,018
Less: Current loans and borrowings		**265,808**		157,123
Non-current loans and borrowings	**$**	**568,368**	$	357,895

10. Loans and borrowings (continued)

(a) Term mortgages

The following table summarizes the financing activities for the year ended December 31, 2018:

Property	Lender	Term		Amount	Interest Rate	Completed
New financing						
Portfolio of 13 properties	BMO	10 years	$	88,000	4.10%	Mar-18
Credit facility - 4150 Chomeday Highway	BMO	1 year		2,030	3.40%	May-18
305 C.H. Meier Boulevard	CIBC	5 years		10,000	3.96%	Jun-18
240 Laurier Boulevard	BMO	5 years		2,700	4.06%	Aug-18
5499 Canotek Road	BMO	5 years		850	4.06%	Aug-18
350 Hazelhurst Road	BMO	5 years		3,600	4.06%	Aug-18
175 Bellerose Boulevard	BMO	5 years		1,500	4.06%	Aug-18
2601 14th Avenue	TD	10 years		23,750	4.01%	Aug-18
125 Nashdene Road, 40 & 50 Dynamic Drive	Vancity	5 years		16,300	3.89%	Aug-18
572 & 588 Aero Drive NE	TD	10 years		19,000	3.99%	Sep-18
1001 Thornton Road South	CIBC	5 years		22,000	4.09%	Sep-18
5101 Orbitor Drive	TD	7 years		20,000	4.10%	Oct-18
Total new financing			**$**	**209,730**	**4.05%**	
Temporary non-revolving bridge facilities						
Bridge credit facility	BMO	1 year		91,000	4.20%	Dec-18
Bridge credit facility	CIBC	1 year		62,000	4.21%	Dec-18
Total temporary non-revolving bridge facilities			**$**	**153,000**	**4.20%**	
Assumed financing						
56 Steelcase Road West	GWL	14.83 years		8,583	4.10%	Jun-18
2615 and 2620-2650 Lancaster Road	Otera	1 year		7,815	3.26%	Dec-18
1050-1051 Baxter Road	Otera	1 year		12,376	3.26%	Dec-18
225 Pinebush	Otera	3.1 years		6,837	3.05%	Dec-18
1601 and 1635 Tricont Avenue	Otera	3.1 years		12,021	3.05%	Dec-18
Total assumed financing			**$**	**47,632**	**3.33%**	
Total 2018 financings			**$**	**410,362**	**4.02%**	

During 2018, the Trust extended $7.3 million in mortgage debt expiring March 1, 2018 to March 1, 2019. Additionally, $3.8 million in mortgage debt expiring June 1, 2018 was extended to June 1, 2021 and $0.9 million debt expiring April 1, 2018 was extended to April 1, 2019.

On the sale of 75% interest in the Laval property, in May 2018, the Trust repaid $4.6 million in mortgage debt. Additionally, in June 2018, the Trust repaid $4.6 million in mortgage debt utilizing offering proceeds and added the property, 134 Bethridge Road, as security on the revolving operating facility. In August 2018, $12.9 million in maturing debt was repaid utilizing proceeds from a refinanced $16.3 million mortgage with a five-year term and a rate of 3.89%.

10. Loans and borrowings (continued)

Also, during 2018, the construction loan associated with the data centre property increased by $13.7 million.

Total term mortgages bear interest at a weighted average effective interest rate of 3.72% (2017 - 3.50%) and a weighted average stated interest rate of 3.77% (2017 - 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 is $1.3 million (2017 - $1.8 million) of unamortized mark-to-market premiums related to mortgages assumed on acquisition, and $0.9 million (2017 - $0.9 million) of unamortized deferred financing charges.

Principal repayment requirements for term mortgages are as follows:

(In $ thousands)	
2019	$ 107,313
2020	57,775
2021	46,754
2022	113,036
2023	92,023
Thereafter	194,797
Principal amount	611,698
Premium on debt	1,329
Deferred financing charges	(931)
Total term mortgages	$ 612,096

(b) Revolving operating facility

During the second quarter of 2018, the revolving operating facility was increased to $95.0 million, subject to requisite borrowing base security. As at December 31, 2018, approximately $63.6 million (2017 - $42.0 million), of an available $71.5 million (2017 - $57.4 million), was drawn from the revolving operating facility.

The revolving credit facility matures September 25, 2020. 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 $146.0 million (2017 - $99.7 million), and first general assignment of leases and insurance.

(c) Non-revolving bridge credit facility

In May 2018, the Trust, in partnership with Montreal’s Groupe Montoni, obtained a $4.06 million non-revolving credit facility with a one-year maturity term on the property located at 4150 Chomeday, Laval, QC. The facility is interest bearing at a variable interest rate based on bank prime plus 1% for prime rate

10. Loans and borrowings (continued)

loans or banker's acceptance rates plus 2% for banker's acceptances. The Trust's share of this credit facility is $2.03 million represented by its 50% interest in the property.

In conjunction with the properties acquired on December 19, 2018, described in Note 6, the Trust obtained a $91.0 million non-revolving bridge credit facility with a one-year maturity term. The facility is interest bearing at a variable interest rate based on bank prime plus 0.95% for prime rate loans or banker's acceptance rates plus 1.95% for banker's acceptances. This facility is secured by first charges over these specific investment properties, with a fair value of $144.3 million, and a first general assignment of leases and insurance. As long-term mortgage financing is obtained for these properties, proceeds will be applied to this facility. As at December 31, 2018, the total amount drawn on this facility was $91.0 million.

In conjunction with the properties acquired on December 21, 2018, described in Note 6, the Trust obtained a $62.0 million non-revolving bridge credit facility with a one-year maturity term. The facility is interest bearing at a variable interest rate based on bank prime plus 0.95% for prime rate loans or banker's acceptance rates plus 1.95% for banker's acceptances. This facility is secured by first charges over these specific investment properties, with a fair value of $98.4 million, and a first general assignment of leases and insurance. As long-term mortgage financing is obtained for these properties, proceeds will be applied to this facility. As at December 31, 2018, the total amount drawn on this facility was $62.0 million.

As indicated under subsequent events Note 23, these non-revolving bridge facilities have been refinanced with long-term ten-year mortgages.

11. Financial instruments

In March 2018, $88.0 million in mortgage financing was obtained at a variable interest rate of monthly BA-CDOR plus 1.36% with a term to maturity of ten years, which was effectively fixed at an interest rate of 4.10% by entering into a ten-year interest rate swap agreement at the same time. Proceeds of the $88.0 million in mortgage financing and the balance from the revolving operating facility were used to repay the $90.0 million non-revolving bridge credit facility obtained to acquire properties in December 2017.

In August 2018, $8.7 million in mortgage financings were obtained on properties the Trust owns a 25% share interest in, at a variable interest of monthly BA-CDOR plus 1.30% with a term to maturity of five years, which was effectively fixed at an interest rate of 4.06% by entering into a five-year interest rate swap agreement at the same time. In September 2018, $22.0 million in mortgage financing was obtained at a variable interest of monthly BA-CDOR plus 1.40% with a term to maturity of five years, which was effectively fixed at an interest rate of 4.085% by entering into a five-year interest rate swap agreement at the same time.

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

At December 31, 2018, the aggregate fair value of the interest rate swaps amounted to a $2.0 million financial liability (2017 - $1.3 million financial asset).

12. Class B exchangeable units

As partial consideration for the June 18, 2018 asset acquisition (Note 6), 3,292,091 Class B exchangeable units were issued with a fair value of $27.9 million. As partial consideration for the August 15, 2018 asset acquisition (Note 6), 1,005,780 Class B exchangeable units were issued with a fair value of $8.7 million.

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

Class B exchangeable units are valued at the Trust Units' closing price per the TSX as at December 31, 2018, which was $9.56.

The following table shows the change in carrying value and number of Class B exchangeable units outstanding for the periods presented:

(In thousands)	Units		Value
Class B exchangeable units issued June 18, 2018	3,292	$	27,851
Class B exchangeable units issued August 15, 2018	1,006	$	8,700
Fair value adjustments	-		4,537
Balance December 31, 2018	4,298	$	41,088

Included in finance costs for the year ended December 31, 2018 is $1.2 million of distributions declared on Class B exchangeable units ($0.0430 per Class B exchangeable unit). Total distributions payable on Class B exchangeable units as at December 31, 2018 were $185,000. There were no Class B exchangeable units in 2017.

13. 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.

13. 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, 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		65,924
Issuance of Units on December 13, 2017	14,375		98,899
Units issued under the DRIP	532		3,502
Balance December 31, 2017	67,084	$	429,584

(In thousands)	Number of Units		Carrying amount
Balance January 1, 2018	**67,084**	**$**	**429,584**
Issuance of Units on June 15, 2018	**13,300**		**110,025**
Issuance of Units on December 10, 2018	**15,055**		**133,881**
Issuance of manager compensation Units (Note 15)	**287**		**2,637**
Units issued under the DRIP	**598**		**4,918**
Balance December 31, 2018	**96,324**	**$**	**681,045**

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

The Trust has a Distribution Reinvestment Plan ("DRIP") whereby registered or beneficial holders of the Trust's Units who are residents in Canada can acquire additional Trust Units by reinvesting all or a portion of their monthly cash distributions without paying brokerage commissions. In addition, Unitholders who elect to participate in the DRIP receive a further distribution of Trust Units equal to 5% of each distribution that was reinvested by them. During the year ended December 31, 2018, there were 597,870 Units (2017 – 532,124) issued under this plan for total proceeds of $4.9 million (2017 - $3.5 million), representing 12.5% (2017 – 14.6%) of the related distributions.

13. Unitholders' equity (continued)

(c) Distributions

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

(In $ thousands, except per Unit amounts)	2018	2017
Paid in cash	$ **34,510**	$ 20,502
Reinvested by Unitholders under the DRIP	**4,918**	3,502
$0.0430 per Unit payable at December 31 (paid January)	**(2,885)**	(1,470)
$0.0430 per Unit payable at December 31	**4,142**	2,885
Distributions recorded in equity	$ **40,685**	$ 25,419

As indicated under Note 7, the Trust sold a 75% interest in four properties. As a result, a special distribution of $0.018 per Unit was declared and paid on May 31, 2018 to Unitholders of record on May 16, 2018. The total amount of this special distribution was $1.2 million or $1.1 million net of DRIP participation. The capital required for this distribution came directly from the net proceeds on the sale of the properties.

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)	2018	2017
Issued Units, beginning of period	**67,084**	34,990
Issuance of Units January 31, 2017	**-**	6,813
Issuance of Units June 30, 2017	**-**	4,949
Issuance of Units June 15, 2018	**7,287**	748
Issuance of Units December 10, 2018	**907**	-
Issuance of management compensation Units	**65**	-
Issuance of Units under the DRIP	**300**	267
Total weighted average number of Trust Units outstanding	**75,643**	47,767
Impact of Class B exchangeable Units	**2,160**	-
Weighted average number of Units outstanding (basic)	**77,803**	47,767
Impact of Trustee deferred Units	**41**	9
Weighted average number of Units outstanding (diluted)	**77,844**	47,776

13. Unitholders' equity (continued)

(e) Trustee Deferred Unit Plan

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

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

The maximum number of Units reserved for issuance is 425,420. One Deferred Unit is economically equivalent to one Unit and fractional Deferred Units are permitted. A summary of Deferred Units granted under the Plan as at December 31, 2018 is:

Number of Units	**2018**	2017
Balance January 1	**23,210**	-
Deferred Units granted for services rendered including match incentive	**27,250**	22,546
Deferred Units granted through distributions	**2,686**	664
Balance December 31	**53,146**	23,210

The fair value of a Unit, for the purpose of the Deferred Unit Plan, is calculated as the volume weighted average price of all Units traded on the TSX for the five trading days immediately preceding the grant date. The liability related to the Plan is measured at fair value and is remeasured to fair value at each reporting date and at the date of settlement. The fair value changes are recorded within general and administrative expense in the consolidated statements of income. The total fair value of Deferred Units granted and recognized as compensation expense within general and administrative expense for the year ended December 31, 2018 was $373,000 (2017 - $169,000) and includes $143,000 (2017 - $8,000) in fair value adjustments. In total, for the year ended December 31, 2018, $542,000 (2017 - $169,000) is included in trade and other accrued liabilities relating to the Deferred Unit Plan. Approximately 89% of Trustee compensation is taken in the form of Deferred Units.

14. Fair value of financial instruments

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

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

14. Fair value of financial instruments (continued)

(In $ thousands)		**2018** Carrying value		**2018** Fair value		2017 Carrying value		2017 Fair value
Financial assets								
Cash	**$**	**4,325**	**$**	**4,325**	$	856	$	856
Accounts receivable		**3,301**		**3,301**		1,948		1,948
Loans receivable		**59,197**		**59,197**		29,182		29,182
Financial liabilities								
Loans and borrowings		**834,176**		**837,704**		515,018		518,561
Trade and other accrued liabilities		**28,723**		**28,723**		9,408		9,408
Security deposits		**6,734**		**6,734**		4,041		4,041
Distribution payable		**4,142**		**4,142**		2,885		2,885
Class B exchangeable units		**41,088**		**41,088**		-		-

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

15. Related party transactions

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

15. Related party transactions (continued)

25% to 35% and in June 2018, the Manager elected to currently increase the Unit percentage of the acquisition fee to 50%. As well, the Manager has elected to currently take 10% of the asset management fee in Units.

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 hurdle amount, such hurdle amount to be increased by 1.5% each year ($0.5171 effective January 1, 2018); an acquisition fee for the purchase price paid by Summit II on the acquisition of a property equal to 1% of the first $50 million of the purchase price, 0.75% of the next $50 million of the purchase price, and 0.50% of any portion of the purchase price in excess of $100 million, to be satisfied 75% in cash, and 25% in Trust Units, with such Trust Units to be issued by Summit II from treasury at a price per Trust Unit equal to 100% of the average market price; a development fee in an amount to be negotiated between Summit II and the Manager, not to exceed the fair market value for comparable services; a property management fee equal to 3.5% of the gross rental income from each multi-tenant property, and 2.5% of the gross rental income from each single-tenant property, and other property management costs recoverable under tenant operating leases; a leasing fee equal to $1.00 per rentable square foot only for those properties where the Manager provides leasing services; and a capital expenditures fee equal to 5% of all hard construction costs incurred on any capital project of Summit II, where the Manager 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. The exception being the acquisition fee where a minimum of 25% of the fee must be taken in the form of units.

Under the terms of the Management Agreement with Sigma, the Trust has incurred the following fees for the years ended December 31, 2018 and 2017:

(In $ thousands)	**2018**	2017
Acquisition fees (capitalized to investment properties)	**$ 5,482**	$ 4,271
Asset management fees	**2,729**	1,540
Incentive fee (payable upon approval of year end financial statements)	**1,021**	-
Leasing fees (capitalized to investment properties)	**1,455**	529
Capital expenditures management fee (capitalized to investment properties)	**162**	49
Development fee (capitalized to investment properties)	**131**	-
Property management services	**2,764**	1,569
	$ 13,744	$ 7,958

15. Related party transactions (continued)

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

(In thousands)	Elected % of fee	Units	VWAP	Amount
Acquisition fees (capitalized to investment properties)	50%	269	$ 9.20	**$ 2,473**
Asset management fees	10%	18	8.94	**164**
		287	$ 9.19	**$ 2,637**

Included in trade and other accrued liabilities at December 31, 2018 is an amount of $1.2 million (2017 - $362,000) due to Sigma. Also, during the year ended December 31, 2018, Sigma paid $19,000 to the Trust (2017 - $35,000) for office space located at 294 Walker Drive, Brampton, Ontario, under a five-year lease commencing June 1, 2013.

(b) Trustee Fees

Trustee related fees of $407,000 (2017 - $284,000) are included in general and administrative expenses for the year ended December 31, 2018. The 2018 fees include the fair value adjustments of Deferred Units of $143,000 (2017 - $169,000) as described in Note 13.

16. Finance costs

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

(In thousands)	**2018**	2017
Interest on mortgages and bank indebtedness	**$ 21,119**	$ 11,235
Capitalized interest on developments	**(176)**	(40)
Class B exchangeable Units issuance costs	**90**	-
Amortization of financing costs	**627**	590
Amortization of premium on debt	**(376)**	(372)
Distributions on Class B exchangeable Units (Note 12)	**1,207**	-
	22,491	11,413

17. Commitments

On acquisition of certain properties in Calgary, Alberta, on July 13, 2018 (Note 6), the Trust assumed a ground lease with a remaining term of 54.5 years. The lease is accounted for as an operating lease and $241,000 has been recorded as ground rent expense for the year ended December 31, 2018. The future minimum ground lease payments are as follows:

(In $ thousands)		
Less than one year	$	418
Between one and five years		1,715
More than five years		27,519
Total	$	29,652

18. Revenues from investment properties

Revenues from investment properties for the years ended December 31, 2018 and 2017 were $92.2 million and $58.6 million, respectively. The Trust leases commercial properties under operating leases with lease terms of between one and ten years. As at December 31, 2018 the Trust is entitled to the following minimum future receipts under its non-cancellable tenant operating leases:

(In $ thousands)	Within 12 months	2 to 5 years	Beyond 5 years
Operating lease revenue	$ 94,019	$ 344,682	$ 387,901

19. Risk management

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

(a) Interest rate risk

The Trust is exposed to interest rate risk when funds are drawn under the revolving operating facility, the non-revolving bridge credit facility and variable rate mortgages, which have a floating rate of interest. An increase in interest rates would increase the interest cost of the Trust’s loans and have an adverse effect on the Trust’s net income and comprehensive income and net income per unit.

At December 31, 2018, the Trust has $279.3 million (2017 - $160.5 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, 2018 by approximately $2.8 million (2017 - $1.6 million). The Trust structures its fixed rate financing so as to stagger the maturities of its mortgages, thereby minimizing exposure to future interest rate fluctuations.

19. Risk management (continued)

(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, 2018 and 2017 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 9 for details of accounts receivable.

(c) Liquidity risk

Liquidity risk arises from the possibility of not having sufficient debt and equity capital available to the Trust to fund future growth, refinance debts as they mature or meet the Trust's payment obligations as they arise. Furthermore, liquidity risk also arises from the Trust not being able to obtain financing or refinancing on favourable terms.

For the year ended December 31, 2018 the Trust's main liquidity requirements arise from ongoing working capital requirements, debt servicing and repayment obligations, capital and leasing expenditures on existing properties, property acquisitions and distributions to Unitholders. All the aforementioned liquidity requirements, except for debt repayment obligations at maturity and property acquisitions, are generally funded from cash flows from operations or from drawing on the Trust's revolving operating facility. Debt repayment obligations at maturity (Note 10) are generally funded from refinancing the related debt and property acquisitions are generally funded from equity raises as well as obtaining or assuming debt financing on the related property. Between capital raises, the Trust may use its revolving operating facility to fund the equity portion of property acquisitions.

The Trust's financial condition and results of operations would be adversely affected if it were unable to obtain financing/refinancing or cost-effective financing/refinancing, or if it were unable to meet its other liquidity requirements from ongoing operating cash flows.

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

20. Capital management

The capital structure of the Trust consists of the following:

(In $ thousands)	**2018**	2017
Loans and borrowings	**$ 834,176**	$ 515,018
Unitholders' equity	**859,741**	471,887
	$ 1,693,917	$ 986,905

20. Capital management (continued)

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

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

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

As at December 31, 2018, the Trust is in compliance with its financial covenants.

21. Segmented information

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

Prior to the acquisition of one data centre on December 22, 2017, the Trust did not distinguish or group its operations on geographical or any other basis and accordingly, had a single reportable segment for disclosure purposes. However, following the above-noted acquisition, the Trust determined that management began measuring performance separately between two types of income-producing properties: Industrial and Data Centres. Performance is measured and evaluated based on net rental income, which is presented by reportable segment in the table below.

21. Segmented information (continued)

				Year ended December 31, 2018
(In $ thousands)	Industrial	Data Centres	Corporate	Total
Revenue from investment properties	**$ 85,737**	**$ 6,413**	**$ -**	**$ 92,150**
Property operating expenses	**(25,172)**	**(2,138)**	**-**	**(27,310)**
Net rental income	**$ 60,565**	**$ 4,275**	**$ -**	**$ 64,840**
Finance income	**-**	**-**	**3,647**	**3,647**
Gain on sale of investment properties	**-**	**-**	**466**	**466**
General and administrative	**-**	**-**	**(5,327)**	**(5,327)**
Finance costs	**-**	**-**	**(22,491)**	**(22,491)**
Fair value adjustments to Class B exchangeable Units	**-**	**-**	**(4,537)**	**(4,537)**
Fair value adjustments to investment properties	**102,312**	**41,497**	**-**	**143,809**
Net income	**$ 162,877**	**$ 45,772**	**$ (28,242)**	**$ 180,407**

				Year ended December 31, 2017
(In $ thousands)	Industrial	Data Centres	Corporate	Total
Revenue from investment properties	$ 58,443	$ 130	$ -	$ 58,573
Property operating expenses	(17,936)	(60)	-	(17,996)
Net rental income	$ 40,507	$ 70	$ -	$ 40,577
Finance income	-	-	199	199
General and administrative	-	-	(2,675)	(2,675)
Finance costs	-	-	(11,413)	(11,413)
Fair value adjustments to investment properties	36,212	-	-	36,212
Net income	$ 76,719	$ 70	$ (13,889)	$ 62,900

			As at December 31, 2018
(In $ thousands)	Industrial	Data Centres	Total
Investment properties	**$ 1,592,491**	**$ 107,587**	**$ 1,700,078**

			As at December 31, 2017
(In $ thousands)	Industrial	Data Centres	Total
Investment properties	$ 924,873	$ 41,693	$ 966,566

22. Income tax

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

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

Income taxes have not been recorded during the period. The SIFT Rules are not applicable to real estate investment trusts (“REITs”) that meet certain specified criteria relating to the nature of its revenue and investments (the “REIT Exemption”). The Trust qualifies as a REIT for 2018 and expects to continue to distribute its taxable income and to qualify as a REIT for the foreseeable future. As such, deferred taxes have not been recorded in these consolidated financial statements.

23. Subsequent events

(a) Distributions

On January 15, 2019, a distribution in the amount of $0.043 per Unit for Unitholders of record on January 31, 2019, was declared and was paid February 15, 2019. In addition, on February 15, 2019, a distribution in the amount of $0.043 per Unit for Unitholders of record on February 28, 2019, was declared and will be paid on March 15, 2019. Holders of units of a subsidiary of the Trust that are exchangeable into Trust Units will receive a distribution equal to $0.043 per Unit as well.

(b) Acquisitions

On February 5, 2019, the Trust announced it will acquire in early March, a light industrial property in Montreal, Quebec, aggregating 236,134 square feet of GLA for $23.0 million. The acquisition will be satisfied with proceeds from the revolving operating facility.

(c) Financing

In January and February 2019, the Trust obtained ten-year mortgages, effective March 1, 2019, for $91.0 million and $62.0 million at an interest rate of 3.93% and 3.86% respectively. The proceeds will be used to repay the $91.0 million and $62.0 million temporary non-revolving credit facilities put in place to acquire properties in December 2018.