SUMMIT INDUSTRIAL INCOME REIT

Unaudited Condensed Consolidated Interim Financial Statements

For the three month periods ended March 31, 2014 and 2013

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Table of contents

SUMMIT INDUSTRIAL INCOME REIT

Unaudited Condensed Consolidated Interim Balance Sheets

As at March 31, 2014 and December 31, 2013

(In thousands of Canadian dollars)

	Note	March 31, 2014	December 31, 2013
Assets			
Non-current			
Investment properties	5	$ 309,191	$ 307,651
Current			
Investment property held for sale	5	725	750
Accounts receivable	6	157	311
Prepaid expenses, deposits, and deferred financing costs	6	987	654
Cash		979	1,047
		2,848	2,762
Total assets		$ 312,039	$ 310,413
Liabilities			
Non-current			
Loans and borrowings	7	$ 121,978	$ 122,857
Security deposits		1,970	1,917
		123,948	124,774
Current			
Loans and borrowings	7	67,621	66,188
Trade and other accrued liabilities		4,062	4,414
Distributions payable	8	745	741
		72,428	71,343
Total liabilities		196,376	196,117
Unitholders' equity		115,663	114,296
Total liabilities and equity		$ 312,039	$ 310,413

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

Approved by the Board of Trustees on May 6, 2014

ñLou Marounĉ
Trustee

ñJim Tadesonĉ
Trustee

SUMMIT INDUSTRIAL INCOME REIT

Unaudited Condensed Consolidated Interim Statements of Income and Comprehensive Income

For the three month periods ended March 31, 2014 and 2013

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

	Note		2014		2013
Revenue from investment properties	10	**$**	**7,068**	$	2,683
Property operating expenses			**1,700**		574
Net rental income			**5,368**		2,109
Other income					
Finance income			**1**		4
			1		4
Other expenses					
General and administrative			**426**		264
Finance costs			**1,863**		620
			2,289		884
Income before fair value adjustments to investment properties			**3,080**		1,229
Fair value adjustments to investment properties	5		**34**		-
Net income and comprehensive income		**$**	**3,114**	$	1,229
Net income per unit					
Basic	8	**$**	**0.171**	$	0.111
Diluted	8	**$**	**0.171**	$	0.111

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 month periods ended March 31, 2014 and 2013

(In thousands of units and Canadian dollars)

	Fund units	Note	Unit equity	Deficit	Unitholders' equity
Beginning balance, January 1, 2013	6,889		$ 52,331	$ (11,267)	$ 41,064
Net income and comprehensive income	-		-	1,229	1,229
Distributions	-	8	-	(735)	(735)
Issuance of units, net of costs	11,120	8	69,496	-	69,496
Unitholders' equity, March 31, 2013	18,009		$ 121,827	$ (10,773)	$ 111,054
Beginning balance, January 1, 2014	**18,157**		**$ 122,657**	**$ (8,361)**	**$ 114,296**
Net income and comprehensive income	-		**-**	**3,114**	**3,114**
Distributions	-	8	**-**	**(2,230)**	**(2,230)**
Units issued through DRIP	**84**	8	**483**	**-**	**483**
Unitholders' equity, March 31, 2014	**18,241**		**$ 123,140**	**$ (7,477)**	**$ 115,663**

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 three month periods ended March 31, 2014 and 2013

(In thousands of Canadian dollars)

	Note	2014	2013
Operating activities			
Net income and comprehensive income		**$ 3,114**	$ 1,229
Add (deduct):			
Finance costs		**1,863**	620
Straight-line rent adjustment		**(204)**	(68)
Fair value adjustments to investment properties		**(34)**	-
Change in non-cash working capital items		**(520)**	2,530
Interest and finance fees paid		**(1,770)**	(1,549)
		2,449	2,762
Financing activities			
Repayment of loans and borrowings		**(878)**	(126)
Increase in loans and borrowings		**1,400**	103,395
Distributions paid	8	**(1,743)**	-
Net proceeds from units issued		**-**	69,497
		(1,221)	172,766
Investing activities			
Additions to investment properties		**(1,096)**	-
Acquisition of investment properties		**-**	(176,256)
(Increase) decrease in deposits on future acquisitions of investment properties		**(200)**	800
		(1,296)	(175,456)
(Decrease) increase in cash		**(68)**	72
Cash, beginning of period		**1,047**	815
Cash, end of period		**$ 979**	$ 887

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 19 property locations in Ontario, 5 properties across Western Canada, 5 properties in Montreal, 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 are presented in accordance with International Accounting Standard (“IAS”) 34, “Interim Financial Reporting”, as issued by the International Accounting Standards Board (“IASB”). The condensed consolidated interim financial information should be read in conjunction with the annual financial statements prepared for the year ended December 31, 2013.

The Board of Trustees authorized the issue of these unaudited condensed consolidated interim financial statements on May 6, 2014.

(b) Basis of measurement

The condensed consolidated interim financial statements have been prepared on a historical cost basis except for investment properties which are recorded at fair value in accordance with the Trusts’ accounting policies set forth in Note 4.

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

(c) Estimates and judgements

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Trust’s accounting policies and the key sources of estimation uncertainty were the same as those that applied in Note 5 to the consolidated financial statements as at and for the year ended December 31, 2013. In addition, a judgement was made in the application of IFRIC Interpretation 21- Levies as disclosed in Note 3.

3. Application of new and revised International Financial Reporting Standards (IFRSs)

In the current year, the Trust has applied new and revised IFRSs issued by the International Accounting Standards Board (ñIASBò) that are effective for an annual period that begins on or after January 1, 2014.

IFRIC Interpretation 21 - Levies (“IFRIC 21”)

In May 2013, the IASB issued IFRIC 21, which is an interpretation of IAS 37 - Provisions, Contingent Liabilities and Contingent Assets. IFRIC 21 clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. IFRIC 21 must be applied retrospectively. The Trust has concluded that there is no impact on the condensed consolidated interim financial statements as a result of this interpretation.

IAS 32 - Offsetting Financial Assets and Financial Liabilities (“IAS 32”)

Amendments have been made to IAS 32 which clarify the requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of ócurrently has a legally enforceable right of set-offô and ósimultaneous realisation and settlementô.

The Trust has concluded that the application of these amendments to IAS 32 did not have any impact on the Trust's condensed consolidated interim financial statements as the Trust does not have any financial assets and financial liabilities that qualify for offset.

4. Significant accounting policies

With the exception of the application of new IFRSs, as described in Note 3, the accounting policies applied are consistent with those of the annual financial statements prepared as at and for the year ended December 31, 2013 as described in Note 4 of those financial statements.

Future Accounting Policy Changes

The IASB has issued the following new standard that is expected to be relevant to the Trust in preparing its consolidated financial statements in future periods.

IFRS 9 - Financial Instruments (“IFRS 9”)

IFRS 9 introduces new requirements for the classification, measurement and derecognition of financial assets and financial liabilities. Specifically, IFRS 9 requires all recognized financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortized cost or fair value. As part of the limited amendments to IFRS 9, the IASB tentatively decided to defer the mandatory effective date of IFRS 9 and that the mandatory effective date should be left open. This amendment was released in connection with IFRS 7 Financial Instruments: Disclosures - Transition Disclosures (ñIFRS 7ò) which outlines that, with the amendments to IFRS 9, entities applying IFRS 9 do not need to restate prior periods but are required to apply modified disclosures. The Trust does not expect that this amendment will result in a material impact to the consolidated financial statements.

5. Investment properties

The following table presents the changes in investment properties for the three months ended March 31, 2014 and the year ended December 31, 2013:

		2014			2013	
(In $ thousands)	**Investment properties**	**Investment property held for sale**	**Total**	Investment properties	Investment property held for sale	Total
Balance at beginning of period	**$ 307,651**	**$ 750**	**$ 308,401**	$ 75,732	$ 3,700	$ 79,432
Additions:						
Acquisition of investment properties	**-**	**-**	**-**	231,342	-	231,342
Additions to investment properties	**1,481**	**-**	**1,481**	2,436	-	2,436
Transfer from investment properties to investment property held for sale	**-**	**-**	**-**	(750)	750	-
Dispositions	**-**	**-**	**-**	(1,647)	(3,700)	(5,347)
Fair value (losses) gains	**59**	**(25)**	**34**	538	-	538
Balance at end of period	**$ 309,191**	**$ 725**	**$ 309,916**	$ 307,651	$ 750	$308,401

The Trust's investment property in Red Deer, Alberta, is held for sale and recorded at its fair value of $0.7 million at March 31, 2014.

Approximately $309.2 million of investment properties are used for security under loans and borrowings (Note 7).

Approximately $1.1 million in additions to investment properties relate to the redevelopment of the property at 501 Palladium Drive, Ottawa, ON, from a single tenant to a multi-tenant building. The remaining $0.4 million in additions to investment property relate to first year 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". The total straight-line rent receivable is $840,000 (December 31, 2013 - $636,000).

The Trust values investment properties using Level 3 inputs. Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets. Level 2 inputs are inputs other than quoted prices that are observable for the asset either directly or indirectly. Valuations that require the significant use of unobservable inputs are considered Level 3. There have been no transfers during the period between levels.

Investment properties were valued using a combination of the discounted cash flow method, the direct capitalization method, and the direct comparison method. 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. Fair value gains for the three months ended March 31, 2014 were $34,000 (2013 - nil).

5. Investment properties (continued)

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

		2014				2013
(In $ thousands)	**Capitalization rate**	**Discount rate**	**Price per square foot**	Capitalization rate	Discount rate	Price per square foot
Maximum	**10.00%**	**10.00%**	**$ 220.00**	10.00%	10.00%	$ 220.00
Minimum	**6.00%**	**6.50%**	**$ 50.00**	6.00%	6.50%	$ 50.00
Weighted average	**6.71%**	**7.31%**	**$ 102.10**	6.65%	7.25%	$ 102.30

Fair values are most sensitive to change in capitalization rates. A 0.50% increase in the weighted average capitalization rate for income properties would decrease fair value by $22.0 million and a 0.50% decrease would increase fair value by $25.7 million.

6. Accounts receivable, prepaid expenses and deferred financing costs

The components of accounts receivable are as follows:

(In $ thousands)	**March 31, 2014**	December 31, 2013
Tenant receivables (net of allowance of $5)	**$ 111**	$ 159
Other receivables	**46**	152
	$ 157	$ 311
Prepaid expense and deposits	**$ 850**	$ 457
Deferred financing costs	**137**	197
	$ 987	$ 654

7. Loans and borrowings

(In $ thousands)	**March 31, 2014**	December 31, 2013
Term mortgages	**$ 125,354**	$ 126,200
Revolving operating facility	**64,245**	62,845
Total	**189,599**	189,045
Less: Current debt	**67,621**	66,188
Non-Current debt	**$ 121,978**	$ 122,857

7. Loans and borrowings (continued)

(a) Term mortgages

Term mortgages bear interest at a weighted average effective interest rate of 3.68% (2013 - 3.68%) and stated interest rate of 3.75% (2013 - 3.75%). 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 $114,000 of unamortized mark-to-market premiums related to a mortgage assumed on acquisition.

Principal repayment requirements for term mortgages are as follows:

(In $ thousands)	
2014 (remainder)	$ 2,675
2015	3,690
2016	9,613
2017	14,243
2018	50,389
2019	1,657
Thereafter	44,016
Principal amount	126,283
Premium on debt	114
Deferred financing charges	(1,043)
Total term mortgages	$ 125,354

(b) Revolving operating facility

As at March 31, 2014, approximately $64.2 million (2013 - $62.8 million) was drawn from the revolving operating facility.

The revolving 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. Amounts drawn in excess of $55 million bear a variable interest rate based on bank prime plus 2.25% for prime rate loans or banker's acceptance rates plus 3.25% for banker's acceptances. At March 31, 2014, approximately $60 million of the total funds drawn on the revolving operating facility was in the form of banker's acceptances.

The revolving operating facility is secured by first charges over specific investment properties, with a fair value of $104.6 million (2013 - $103.2 million), and first general assignment of leases and insurance and expires on September 27, 2014.

On February 20, 2013, the revolving operating facility was increased to $38 million, on March 11, 2013 it was increased to $55 million, and on August 20, 2013, it was increased to $68 million. The August 20, 2013 increase amount of $13 million matures on May 28, 2014.

8. 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.

(b) Issued and outstanding

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

(In thousands)	Number of consolidated units	Carrying amount
Balance January 1, 2013 (after Consolidation)	6,889	$ 52,331
Issuance of units on February 26, 2013	11,120	69,496
Balance March 31, 2013	18,009	$121,827
Balance January 1, 2014	**18,157**	**$ 122,657**
Units issued under the DRIP	**84**	**483**
Balance March 31, 2014	**18,241**	**$ 123,140**

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 three months ended March 31, 2014, there were 84,391 units issued under this plan for total proceeds of $483,000, representing 21.7% of the related distributions.

(c) Distributions

The Trust recorded the following activities relating to distributions during the three month periods ended March 31:

(In $ thousands, except per unit amounts)	**2014**	2013
Paid in cash	**$ 1,743**	$ -
Reinvested by unitholders under the DRIP	**483**	-
$0.0408 per unit payable at December 31 (paid January 2014)	**(741)**	-
$0.0408 per unit payable at March 31	**745**	735
Distributions recorded in equity	**$ 2,230**	$ 735

8. Unitholders' equity (continued)

(d) Per unit amounts

The weighted average number of units for the three month periods ended March 31 are as follows:

(In thousands of units)	**2014**	2013
Issued units, beginning of period	**18,157**	6,889
Issuance of units February 26, 2013	**-**	4,201
Issuance of units under the DRIP	**44**	-
Total weighted average number of units outstanding	**18,201**	11,090

As at March 31, 2014 and 2013, the Trust has no units or instruments outstanding that would have a dilutive effect on earnings per unit.

9. Related party transactions

Management agreement

Under the terms of the management agreement with Sigma Asset Management Limited (ñSigmaò or the ñManager), the Trust has incurred the following fees for the three month periods ended March 31, 2014 and 2013:

(In $ thousands)	**2014**	2013
Acquisition fees (capitalized to investment properties)	**$ -**	$ 1,615
Asset management fees	**217**	72
Property management services	**312**	75
	$ 529	$ 1,762

Included in trade and other accrued liabilities at March 31, 2014 is an amount of $32,000 (2013 - $49,000) due to Sigma. Also, during the three month period ended March 31, 2014, Sigma paid $8,000 to the Trust (2013 - nil) for office space located at 294 Walker Drive, Brampton, Ontario, under a five year lease commencing June 1, 2013.

10. Revenue from investment properties

Revenues recognized from investment properties for the three month periods ended March 31, 2014 and 2013 were $7.1 million and $2.7 million respectively. The Trust leases commercial properties under operating leases with lease terms of between one and ten years.

As at March 31, 2014 the Trust is entitled under its non-cancellable tenant operating leases to the following minimum future receipts:

(In $ thousands)	Within 12 months	2 to 5 years	Beyond 5 years
Operating lease revenue	$ 19,642	$ 63,313	$ 47,350

11. Capital management

The capital structure of the Trust consists of the following:

(In $ thousands)		**March 31 2014**		December 31 2013
Loans and borrowings	**$**	**189,599**	$	189,045
Unitholders' equity		**115,663**		114,296
	$	**305,262**	$	303,341

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

The revolving operating facility agreement requires the Trust to maintain a debt to aggregate assets ratio no greater than 65%; debt service coverage ratio not less than 1.50 times and minimum adjusted unitholdersô equity not less than (i) $20 million plus (ii) 75% of the net proceeds from each offering of equity interests subsequent to September 27, 2012. The debt to aggregate assets ratio is limited to a maximum of 65.0% as per the Declaration of Trust.

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

These covenants are required to be calculated based on Canadian generally accepted accounting principles (õGAAPö), which is IFRS. As at March 31, 2014, the Trust is in compliance with its financial covenants.

12. Segmented information

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

13. 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 õSIFT Rulesö) applicable to specified investment flow-through (õSIFTö) 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.

13. Income tax (continued)

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 2014 and expects to continue to distribute its taxable income and to qualify as a REIT for the foreseeable future. As such, deferred taxes have not been recorded in the consolidated financial statements.

14. Subsequent events

(a) Distribution

On March 14, 2014, a distribution in the amount of $0.0408 per unit for unitholders of record on March 31, 2014 was declared and was paid on April 15, 2014. Also, on April 15, 2014, a distribution in the amount of $0.0408 per unit for unitholders of record on April 30, 2014, was declared and will be paid on May 15, 2014.

On May 6, 2014, the Board of Trustees approved a cash distribution increase to $0.042 per unit per month or $0.504 per unit on an annualized basis which represents a 3% annualized increase over the current distribution. This increase will apply to unitholders of record on May 30, 2014.

(b) Property Dispositions

On May 6, 2014, the Trust announced it had sold a 75% interest in 501 Palladium Drive, an Ottawa property, to a major Canadian institution for proceeds of approximately $25.3 million and generating a realized gain on the sale of approximately $4.9 million. The proceeds of the sale were used to reduce the Trust’s floating-rate revolving operating facility.

(c) Revolving Operating Facility

Upon the sale of 501 Palladium Drive, the revolving credit facility has been amended. The maximum available has been reduced from $68 million to $49 million. $5 million of the amended credit facility matures on August 31, 2014 and $44 million of the amended credit facility matures September 27, 2015.

The amended 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. Amounts drawn in excess of $44 Million bear a variable interest rate based on bank prime plus 4.5% for prime rate loans or banker’s acceptance rates plus 5.5% for banker’s acceptances.