UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three and six month periods ended June 30, 2018 and 2017

SUMMIT INDUSTRIAL INCOME REIT
For the three and six month periods ended June 30, 2018 and 2017

Table of contents

SUMMIT INDUSTRIAL INCOME REIT

Unaudited Condensed Consolidated Interim Balance Sheets

As at June 30, 2018 and December 31, 2017

(In thousands of Canadian dollars)

	Note	**June 30, 2018**	December 31, 2017
Assets			
Non-current			
Investment properties	4,5	**$ 1,187,783**	$ 966,566
Loans receivable	6	**40,821**	29,182
		1,228,604	995,748
Current			
Accounts receivable	7	**2,456**	1,948
Prepaid expenses, deposits, and deferred financing costs	7	**5,277**	4,687
Cash		**2,557**	856
		10,290	7,491
Total assets		**$ 1,238,894**	$ 1,003,239
Liabilities			
Current			
Loans and borrowings	8	**$ 63,624**	$ 157,123
Trade and other accrued liabilities		**20,650**	9,408
Distributions payable	10	**3,614**	2,885
		87,888	169,416
Non-current			
Loans and borrowings	8	**445,959**	357,895
Security deposits		**4,658**	4,041
		450,617	361,936
Class B exchangeable units	9	**28,839**	-
Total liabilities		**567,344**	531,352
Unitholders' equity		**671,550**	471,887
Total liabilities and equity		**$ 1,238,894**	$ 1,003,239

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

Approved by the Board of Trustees on August 8, 2018.

"Lou Maroun"
Trustee

"Jim Tadeson"
Trustee

SUMMIT INDUSTRIAL INCOME REIT

Unaudited Condensed Consolidated Interim Statements of Income

For the three and six month periods ended June 30, 2018 and 2017

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

	Note	**Three month period ended June 30, 2018**	Three month period ended June 30, 2017	**Six month period ended June 30, 2018**	Six month period ended June 30, 2017
Revenue from investment properties		**$ 20,871**	$ 13,818	**$ 42,279**	$ 26,789
Property operating expenses		**6,383**	3,988	**13,016**	8,454
Net rental income		**14,488**	9,830	**29,263**	18,335
Other income					
Finance income		**704**	6	**1,326**	18
Gain on sale of investment properties	4,5	**471**	-	**471**	-
		1,175	6	**1,797**	18
Other expenses					
General and administrative		**2,231**	626	**3,297**	1,263
Finance costs	12	**4,944**	2,859	**9,647**	5,261
		7,175	3,485	**12,944**	6,524
Income before fair value adjustments		**8,488**	6,351	**18,116**	11,829
Fair value adjustments to Class B exchangeable units	9	**(988)**	-	**(988)**	-
Fair value adjustments to investment properties	4	**73,111**	5,956	**90,039**	6,665
Net income		**$ 80,611**	$ 12,307	**$ 107,167**	$ 18,494
Net income per Unit					
Basic	10	**$ 1.150**	$ 0.288	**$ 1.561**	$ 0.447
Diluted	10	**$ 1.149**	$ 0.288	**$ 1.560**	$ 0.447

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

SUMMIT INDUSTRIAL INCOME REIT

Unaudited Condensed Consolidated Interim Statements of Comprehensive Income

For the three and six month periods ended June 30, 2018 and 2017

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

	Note	**Three month period ended June 30, 2018**	Three month period ended June 30, 2017	**Six month period ended June 30, 2018**	Six month period ended June 30, 2017
Net income		**$ 80,611**	$ 12,307	**$ 107,167**	$ 18,494
Other comprehensive income					
Items that may be reclassified subsequently to net income:					
Net change in fair value of hedging derivative financial instruments		**(3,233)**	**114**	**(3,828)**	**(376)**
Net change in fair value of hedging derivative financial instruments reclassed to financial expense		**1,720**	495	**2,479**	995
Other comprehensive income (loss)		**(1,513)**	609	**(1,349)**	619
Comprehensive income		**$ 79,098**	$ 12,916	**$ 105,818**	$ 19,113

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

SUMMIT INDUSTRIAL INCOME REIT

Unaudited Condensed Consolidated Interim Statements of Changes in Unitholders' Equity

For the three and six month periods ended June 30, 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	-			-		18,494		619		19,113
Distributions	-	10		-		(11,232)		-		(11,232)
Units issued through DRIP	264	10		1,655		-		-		1,655
Issuance of Units, net of costs	17,187	10		109,775		-		-		109,775
Unitholders' equity, June 30, 2017	52,441		$	328,825	$	10,802	$	264	$	339,891
Beginning balance, January 1, 2018	**67,084**		**$**	**429,584**	**$**	**41,021**	**$**	**1,282**	**$**	**471,887**
Net income and other comprehensive loss	-			**-**		**107,167**		**(1,349)**		**105,818**
Distributions	-	10		**-**		**(19,138)**		**-**		**(19,138)**
Units issued through DRIP	**296**	10		**2,332**		**-**		**-**		**2,332**
Management compensation units	**72**	10,11		**625**		**-**		**-**		**625**
Issuance of Units, net of costs	**13,300**	10		**110,026**		**-**		**-**		**110,026**
Unitholders' equity, June 30, 2018	**80,752**		**$**	**542,567**	**$**	**129,050**	**$**	**(67)**	**$**	**671,550**

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 and six month periods ended June 30, 2018 and 2017

(In thousands of Canadian dollars)

	Note	2018	2017
Operating activities			
Net income		**$ 107,167**	$ 18,494
Add (deduct):			
Finance costs	12	**9,647**	5,261
Gain on sale of investment properties	4,5	**(471)**	-
Straight-line rent adjustment		**(939)**	(620)
Fair value adjustments to Class B exchangeable Units	9	**988**	-
Fair value adjustments to investment properties		**(90,039)**	(6,665)
Change in non-cash working capital items		**10,144**	3,322
Interest and finance fees paid		**(9,721)**	(5,403)
		26,776	14,389
Financing activities			
Repayment of loans and borrowings		**(105,508)**	(42,194)
Increase in loans and borrowings		**81,630**	22,131
Distributions paid	10	**(16,219)**	(8,792)
Net proceeds from Units issued		**110,026**	109,776
		69,929	80,921
Investing activities			
Additions to investment properties		**(2,912)**	(2,192)
Additions to properties under development		**(18,174)**	-
Proceeds from sale of investment properties	5	**46,431**	-
Acquisition of investment properties		**(107,974)**	(66,121)
Loans receivable advanced		**(12,404)**	-
Loans receivable repaid		**2,030**	-
Increase in deposits on future acquisitions of investment properties		**(2,001)**	(500)
		(95,004)	(68,813)
Increase in cash		**1,701**	26,497
Cash, beginning of period		**856**	379
Cash, end of period		**$ 2,557**	$ 26,876

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 75 Summerlea Road, Brampton, Ontario, L6T 4V2. The Trust is primarily involved in the commercial leasing of real estate property with 58 property locations in Ontario, 22 properties in Quebec, 8 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 condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standards ("IAS") 34, "Interim Financial Reporting". The condensed consolidated interim financial statements should be read in conjunction with the annual consolidated financial statements prepared for the year ended December 31, 2017.

The Board of Trustees authorized the issue of these condensed consolidated interim financial statements on August 8, 2018.

(b) Basis of measurement

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

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

3. Significant accounting policies

The accounting policies applied are consistent with those of the annual consolidated financial statements prepared as at and for the year ended December 31, 2017, as described in Note 3 of those consolidated financial statements and Note 3 and 4 of the condensed consolidated interim financial statements for the three month periods ended March 31, 2018 and 2017, except as noted below.

(a) Principles of consolidation

These condensed consolidated interim financial statements include the accounts of the Trust and its wholly-owned subsidiaries, Summit Industrial Income Holdings Limited Partnership, 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.

3. Significant accounting policies (continued)

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

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

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

Details of the accounting policies subject to judgments and estimates the Trust believes could have the most significant impact on the amounts recognized in these condensed consolidated interim financial statements are described in Note 5 to the annual consolidated financial statements prepared as at and for the year ended December 31, 2017.

(c) Class B exchangeable units

Class B exchangeable units of certain limited partnership 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.

3. Significant accounting policies (continued)

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 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 will not be early-adopting IFRS 16. The Trust is currently assessing the impact of IFRS 16 on its consolidated financial statements.

4. Investment properties

The following table presents the changes in investment properties:

		June 30, 2018	December 31, 2017
(In $ thousands)	**Note**	**Total**	Total
Balance, beginning of period		**$ 966,566**	$ 496,337
Additions:			
Acquisition of investment properties		**155,094**	427,333
Additions to investment properties		**3,814**	6,684
Additions to properties under development		**18,144**	-
Dispositions	**5**	**(45,874)**	-
Fair value gains		**90,039**	36,212
Balance, end of period		**$ 1,187,783**	$ 966,566

4. Investment properties (continued)

Acquisitions of investment properties completed during the six month period ended June 30, 2018:

(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	$ 5,509	$ 10,000	$ 15,509
4455 North Service Road, Burlington, ON	Industrial	100%	15-Jun-18	29,066	-	29,066
2485 Surveyor Road, Mississauga, ON	Industrial	100%	18-Jun-18	38,367	-	38,367
56 Steelcase Road West, Markham, ON	Industrial	100%	28-Jun-18	22,751	8,583	31,334
2601 14th Avenue, Markham, ON	Industrial	100%	28-Jun-18	40,818	-	40,818
Investment properties				$ 136,511	$ 18,583	$ 155,094

(1) Cash and other includes cash, cash drawn from the bank credit facility, issuance of Class B Units and the assumption of security deposits.
(2) Acquisition costs includes acquisition-related expenses.

As indicated in the table above, the Trust acquired $155.1 million in investment properties during the six-month period ended June 30, 2018. The acquisitions were financed with net proceeds from the $110.0 million equity raised during the June 2018 public offering, new and assumed debt of $18.6 million, the issuance of Class B exchangeable units (Note 9) of $27.9 million and the balance from the revolving operating facility. In addition, approximately $0.7 million in security deposits were assumed on these acquisitions.

Approximately $1.184 billion (December 31, 2017 - $959.7 million) of investment properties are used for security under loans and borrowings (Note 8).

Additions to investment properties of $3.8 million during the six months ended June 30, 2018 (December 31, 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 June 30, 2018, the total straight-line rent receivable is $5.8 million (December 31, 2017 - $4.8 million).

Additions to properties under development of $18.1 million during the six months ended June 30, 2018, relates to the data centre investment property. In June 2018, the tenant at this property exercised its option to expand into the remaining 59,000 square feet of the 118,000 square foot building on the same terms and conditions under its existing lease. The estimated remaining cost of this expansion is $5.6 million, which represents the Trust’s 50% share, and is expected to be completed by October 2018.

Approximately $237.6 million of the $1.2 billion or 20% of the properties were appraised by third party valuation professionals during the six months ended June 30, 2018 (year ended December 31, 2017 - $251.7 million or 47% excluding current year acquisitions). The fair value of the remaining investment properties was determined internally by the Trust using similar assumptions and valuation principals as used by the external appraisers. On an annual basis, approximately 33% of the portfolio is expected to be appraised by an external third party, which over 3 years will represent 100% of the portfolio having been externally appraised.

The Trust values investment properties using Level 3 inputs. Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets. Level 2 inputs are inputs other

4. Investment properties (continued)

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 three and six months ended June 30, 2018 were $73.1 million and $90.0 million respectively (three and six months ended June 30, 2017 gains of $6.0 million and $6.7 million).

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

			June 30, 2018			December 31, 2017
(In $ thousands)	**Capitalization rate**	**Discount rate**	**Price per square foot**	Capitalization rate	Discount rate	Price per square foot
Weighted average	**5.51%**	**6.43%**	**$ 123.40**	5.95%	6.62%	$ 108.75

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 June 30, 2018, the data centre investment property was valued at a capitalization rate of 6.75% and takes into consideration the fact that the space under development will be fully leased by October 2018.

Fair values are most sensitive to change in capitalization rates. At June 30, 2018, a 0.50% increase in the weighted average capitalization rate for investment properties would decrease fair value by $99.5 million (December 31, 2017 - $74.7 million) and a 0.50% decrease would increase fair value by $119.5 million (December 31, 2017 – $88.4 million).

5. 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 with the Laval property, fund the special distribution described under Note 10 and reduce the Trust's floating-rate revolving operating facility. The properties were sold to the same

5. Co-owned property interests (continued)

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 of the annual consolidated financial statements prepared for the year ended December 31, 2017.

6. Loans receivable

During the three and six month periods ended June 30, 2018, the Trust advanced $0.4 million and $11.2 million, respectively, under the non-revolving working capital loan to Urbacon Montreal Limited Partnership ("Urbacon"), bringing the total loan receivable balance, including accrued interest, to $23.1 million at June 30, 2018. This loan is to be primarily invested to develop additional data centres in Richmond Hill and other key markets.

During the three and six month periods ended June 30, 2018, the Trust advanced no amount and $1.2 million, respectively, 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 $17.7 million at June 30, 2018.

In May 2018, the loan receivable associated with the $2.0 million short-term loan issued to Montreal's Groupe Montoni on acquisition of 4150 Chomeday Highway, Laval, QC, was repaid. This repayment was in conjunction with obtaining the non-revolving credit facility discussed in Note 8.

For the three and six-month periods ended June 30, 2018, interest income of $0.7 million and $1.3 million, respectively, (2017 - $nil) on the loans receivable have been reported in finance income on the consolidated statements of income.

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

(In $ thousands)		**June 30, 2018**		December 31, 2017
Tenant receivables	**$**	**691**	$	122
Other receivables		**1,765**		1,826
	$	**2,456**	$	1,948
Prepaid expense and deposits	**$**	**4,935**	$	4,391
Deferred financing costs		**342**		296
	$	**5,277**	$	4,687

8. Loans and borrowings

(In $ thousands)		June 30, 2018		December 31, 2017
Term mortgages	**$**	**470,503**	$	379,568
Revolving and non-revolving operating facility and demand loans		**39,080**		135,450
Total		**509,583**		515,018
Less: current loans and borrowings		**63,624**		157,123
Non-current loans and borrowings	**$**	**445,959**	$	357,895

(a) Term mortgages

The following table summarizes the financing activities for the six months ended June 30, 2018:

(in thousands of Canadian dollars) Property	Lender	Term		Amount	Effective Interest Rate	Completed
New financing						
Portfolio of 14 properties	BMO	10 years	$	88,000	4.10%	Mar-18
305 C.H. Meier Boulevard	CIBC	5 years		10,000	3.96%	Jun-18
Credit facility - 4150 Chomeday Highway	BMO	1 year		2,030	3.40%	May-18
Total new financing			**$**	**100,030**	**4.07%**	
Assumed financing						
56 Steelcase Road West	GWL	14.83 years		8,583	4.10%	Jun-18
Total assumed financing			**$**	**8,583**	**4.10%**	
Total 2018 financings			**$**	**108,613**	**4.07%**	

In May 2018, on the sale of 75% interest in the Laval property, 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 will be adding the property as security on the revolving operating facility.

In June 2018, $10.0 million in mortgage financing was obtained at a variable interest of monthly BA-CDOR plus 1.35% with a term to maturity of five years, which was effectively fixed at an interest rate of 3.955% by entering into a five-year interest rate swap agreement at the same time. The Trust has applied hedge accounting to this transaction. Settlement of both fixed and variable portions of the interest rate swaps occurs at the same time monthly. The effectiveness of the hedging relationship is reviewed on a quarterly basis and the Trust has assessed it as effective in the hedge of its interest rate exposure on inception of the hedging relationship and at June 30, 2018. At June 30, 2018, the aggregate fair value of the interest rate swaps amounted to a $64,000 financial liability (December 31, 2017 - $1.3 million financial asset).

Total term mortgages bear interest at a weighted average effective interest rate of 3.63% (December 31, 2017 - 3.50%) and a weighted average stated interest rate of 3.72% (December 31, 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.

8. Loans and borrowings (continued)

Included in mortgages payable is $1.6 million (December 31, 2017 - $1.8 million) of unamortized mark-to-market premiums related to a mortgage assumed on acquisition, and $0.8 million (December 31, 2017 - $0.9 million) of unamortized deferred financing charges.

Principal repayment requirements for term mortgages are as follows:

(In $ thousands)	
2018 (remainder)	$ 49,107
2019	44,465
2020	54,249
2021	39,966
2022	92,971
2023	48,389
Thereafter	140,588
Principal amount	469,735
Premium on debt	1,588
Deferred financing charges	(820)
Total term mortgages	$ 470,503

(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 June 30, 2018, approximately $33.6 million (December 31, 2017 - $42.0 million), of an available $50.5 million, was drawn from the revolving operating facility. The revolving operating facility maturity date is September 27, 2019. The operating facility is interest bearing at a variable interest rate based on bank prime plus 1% for prime rate loans or banker's acceptance rates plus 2% for banker's acceptances.

The revolving operating facility is secured by first charges over specific investment properties, with a fair value of $100.3 million (December 31, 2017 - $99.7 million), and first general assignment of leases and insurance.

(c) Non-revolving 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 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.

9. Class B exchangeable units

As partial consideration for the June 18, 2018 asset acquisition (Note 4), 3,292,091 Class B exchangeable units were issued with a fair value of $27.9 million. The Class B exchangeable units will be exchangeable

9. Class B exchangeable units (continued)

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 Units are valued at the Trust Units' closing price per the TSX as at June 30, 2018, which was $8.76.

The following table shows the change in carrying value and number for 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
Fair value adjustments	-		988
Balance June 30, 2018	3,292	$	28,839

Included in finance costs for the six months ended June 30, 2018 are $142,000 of distributions declared on Class B exchangeable units.

10. 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.

10. 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		65,911
Units issued under the DRIP	264		1,655
Balance June 30, 2017	52,441	$	328,825

(In thousands)	Number of Units		Carrying amount
Balance January 1, 2018	**67,084**	**$**	**429,584**
Issuance of Units on June 15, 2018	**13,300**		**110,026**
Issuance of manager compensation Units	**72**		**625**
Units issued under the DRIP	**296**		**2,332**
Balance June 30, 2018	**80,752**	**$**	**542,567**

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. Offering proceeds were used to repay outstanding debt under the revolving operating facility, repay $4.6 million in maturing mortgage debt and to fund the acquisitions of investment properties in Note 4.

The Trust has a Distribution Reinvestment Plan (“DRIP”) whereby registered or beneficial holders of the Trust’s Units who are residents in Canada can acquire additional Trust Units by reinvesting all or a portion of their monthly cash distributions without paying brokerage commissions. In addition, Unitholders who elect to participate in the DRIP receive a further distribution of Trust Units equal to 5% of each distribution that was reinvested by them. During the six-month period ended June 30, 2018, there were 296,366 Units (2017 – 264,071) issued under this plan for total proceeds of $2.3 million (2017 - $1.7 million), representing 12.6% (2017 – 15.8%) of the related distributions.

10. Unitholders' equity (continued)

(c) Distributions

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

(In $ thousands, except per Unit amounts)	2018	2017
Paid in cash	$ 16,219	$ 8,792
Reinvested by Unitholders under the DRIP	2,332	1,655
$0.0430 per Unit payable at December 31 (paid January)	(2,885)	(1,470)
$0.0430 per Unit payable at June 30 (2017 - $0.0430 per Unit)	3,472	2,255
Distributions recorded in equity	$ 19,138	$ 11,232

Distributions in the amount of $142,000 ($0.0430 per Class B exchangeable unit – Note 9) were accrued to finance costs and are payable July 13, 2018 as indicated in subsequent events Note 15.

As previously noted, during the three months ended June 30, 2018, 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 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 for the three and six month periods ended June 30 are as follows:

(In thousands of Units)	3 months 2018	3 months 2017	6 months 2018	6 months 2017
Issued Units, beginning of period	67,084	34,990	67,084	34,990
Issuance of Units January 31, 2017	-	7,423	-	6,193
Issuance of Units June 30, 2017	-	107	-	54
Issuance of Units June 15, 2018	2,339	-	1,176	-
Issuance of management compensation Units	6	-	3	-
Issuance of Units under the DRIP	217	202	146	133
Total weighted average number of Trust Units outstanding	69,646	42,722	68,409	41,370
Impact of Class B exchangeable Units	470	-	236	-
Weighted average number of Units outstanding (basic)	70,116	42,722	68,645	41,370
Impact of Trustee deferred Units	40	-	34	-
Weighted average number of Units outstanding (diluted)	70,156	42,722	68,679	41,370

10. 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 Trust 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 for the six-month period ended June 30, 2018 is:

	Number of Units
Balance January 1, 2018	23,210
Deferred Units granted for services rendered including match incentive	17,650
Deferred Units granted through distributions	1,235
Balance June 30, 2018	42,095

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 condensed consolidated interim statements of income. The total fair value of Deferred Units granted and recognized as compensation expense within general and administrative expense for the three and six month periods ended June 30, 2018 was $108,000 and $177,000, respectively, (three and six months ended June 30, 2017 - $nil and $50,000) and includes $33,000 and $53,000, respectively, in fair value adjustments. In total, for the six-month period ended June 30, 2018, $366,000 (six months ended June 30, 2017 - $50,000) is included in trade and other accrued liabilities relating to the Deferred Unit Plan.

11. 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 include the removal of this threshold, replacing it with a requirement 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 25% to 35% and in June 2018, the Manager elected to increase the Unit percentage of the acquisition fee to 50%.

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.

11. Related party transactions (continued)

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

(In $ thousands)	**3 months 2018**	3 months 2017	**6 months 2018**	6 months 2017
Acquisition fees (capitalized to investment properties)	**$ 1,559**	$ 148	**$ 1,575**	$ 986
Asset management fees	**606**	368	**1,203**	693
Incentive fee (payable upon approval of year end financial statements)	**1,271**	-	**1,351**	-
Leasing fees (capitalized to investment properties)	**132**	201	**161**	322
Capital expenditures management fee (capitalized to investment properties)	**-**	-	**-**	30
Development fee (capitalized to investment properties)	**131**	-	**131**	-
Property management services	**723**	369	**1,244**	725
	$ 4,422	$ 1,086	**$ 5,665**	$ 2,756

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

	Units	**VWAP**	**Amount**
Acquisition fees (capitalized to investment properties)	69,637	$ 8.69	**$ 605,041**
Asset management fees	2,241	8.75	**19,602**
	71,878	$ 8.69	**$ 624,643**

Included in trade and other accrued liabilities at June 30, 2018 is an amount of $2.4 million (2017 - $242,000) due to Sigma. Also, during the three and six-month period ended June 30, 2018, Sigma paid $8,800 and $18,000, respectively, to the Trust (three and six-month period ended June 30, 2017 - $8,500 and $17,000) 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 $103,000 and $182,000 (three and six-month period ended June 30, 2017 - $87,000 and $150,000) are included in general and administrative expenses for the three and six-month period ended June 30, 2018. The 2018 fees include the fair value of Deferred units of $53,000 for the six-month period ended June 30, 2017, as described in Note 10.

12. Finance costs

Finance costs incurred and charged to the consolidated statements of income for the three and six month periods ended June 30 are recorded as follows:

(In thousands)	**3 months 2018**	3 months 2017	**6 months 2018**	6 months 2017
Interest on mortgages and bank indebtedness	**$ 4,725**	$ 2,816	**$ 9,391**	$ 5,176
Capitalized interest on developments	**(29)**	(6)	**(29)**	(40)
Class B exchangeable Units issuance costs	**65**	-	**65**	-
Amortization of financing costs	**136**	147	**271**	301
Amortization of premium on debt	**(95)**	(98)	**(193)**	(176)
Distributions on Class B exchangeable Units	**142**	-	**142**	-
	4,944	2,859	**9,647**	5,261

13. 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.

13. Segmented information (continued)

Three months ended June 30, 2018

(In $ thousands)	Industrial	Data Centres	Corporate	Total
Revenue from investment properties	**$ 19,541**	**$ 1,330**	**$ -**	**$ 20,871**
Property operating expenses	**(5,679)**	**(704)**	**-**	**(6,383)**
Net rental income	**$ 13,862**	**$ 626**	**$ -**	**$ 14,488**
Finance income	**-**	**-**	**704**	**704**
Gain on sale of investment properties	**471**	**-**	**-**	**471**
General and administrative	**-**	**-**	**(2,231)**	**(2,231)**
Finance costs	**-**	**-**	**(4,944)**	**(4,944)**
Fair value adjustments to Class B exchangeable Units	**-**	**-**	**(988)**	**(988)**
Fair value adjustments to investment properties	**36,018**	**37,093**	**-**	**73,111**
Net income	**$ 50,351**	**$ 37,719**	**$ (7,459)**	**$ 80,611**

Three months ended June 30, 2017

(In $ thousands)	Industrial	Data Centres	Corporate	Total
Revenue from investment properties	$ 13,818	$ -	$ -	$ 13,818
Property operating expenses	(3,988)	-	-	(3,988)
Net rental income	$ 9,830	$ -	$ -	$ 9,830
Finance income	-	-	6	6
General and administrative	-	-	(626)	(626)
Finance costs	-	-	(2,859)	(2,859)
Fair value adjustments to investment properties	5,956	-	-	5,956
Net income	$ 15,786	$ -	$ (3,479)	$ 12,307

13. Segmented information (continued)

				Six months ended June 30, 2018
(In $ thousands)	Industrial	Data Centres	Corporate	Total
Revenue from investment properties	**$ 39,612**	**$ 2,667**	**$ -**	**$ 42,279**
Property operating expenses	**(11,887)**	**(1,129)**	**-**	**(13,016)**
Net rental income	**$ 27,725**	**$ 1,538**	**$ -**	**$ 29,263**
Finance income	**-**	**-**	**1,326**	**1,326**
Gain on sale of investment properties	**-**	**-**	**471**	**471**
General and administrative	**-**	**-**	**(3,297)**	**(3,297)**
Finance costs	**-**	**-**	**(9,647)**	**(9,647)**
Fair value adjustments to Class B exchangeable Units	**-**	**-**	**(988)**	**(988)**
Fair value adjustments to investment properties	**47,940**	**42,099**	**-**	**90,039**
Net income	**$ 75,665**	**$ 43,637**	**$ (12,135)**	**$ 107,167**

				Six months ended June 30, 2017
(In $ thousands)	Industrial	Data Centres	Corporate	Total
Revenue from investment properties	$ 26,789	$ -	$ -	$ 26,789
Property operating expenses	(8,454)	-	-	(8,454)
Net rental income	$ 18,335	$ -	$ -	$ 18,335
Finance income	-	-	18	18
General and administrative	-	-	(1,263)	(1,263)
Finance costs	-	-	(5,261)	(5,261)
Fair value adjustments to investment properties	6,665	-	-	6,665
Net income	$ 25,000	$ -	$ (6,506)	$ 18,494

			As at June 30, 2018
(In $ thousands)	Industrial	Data Centres	Total
Investment properties	**$ 1,085,825**	**$ 101,958**	**$ 1,187,783**

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

14. Income tax

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

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

Income taxes have not been recorded during the period. The SIFT Rules are not applicable to real estate investment trusts ("REITs") that meet certain specified criteria relating to the nature of its revenue and investments (the "REIT Exemption"). The Trust qualified as a REIT for 2017 and expects to continue to distribute its taxable income and to qualify as a REIT for the foreseeable future. As such, deferred taxes have not been recorded in these condensed consolidated interim financial statements.

15. Subsequent events

(a) Distributions

On July 13, 2018, a distribution in the amount of $0.043 per Unit for Unitholders of record July 31, 2018, was declared and will be paid August 15, 2018. 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 July 13, 2018, the Trust acquired, two light industrial properties in Calgary, Alberta, aggregating 227,645 square feet of GLA for $29.6 million. The properties are located on land leased from the Calgary Airport Authority with a remaining term of 54 years. The acquisition was satisfied by utilizing funds from the revolving operating facility.

On July 26, 2018, the Trust announced it will acquire on or before August 15, 2018, a property in Oshawa, Ontario, aggregating 369,935 square feet of GLA for $36.6 million. The acquisition will be satisfied by issuing 1,005,780 Class B exchangeable units at a price of $8.65 for approximately $8.7 million and the remainder utilizing funds from the revolving operating facility.

(c) Financing

In July 2018, two properties were added as security to the revolving operating facility increasing the availability to $70.6 million.