Summit Industrial Income REIT

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

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The terms ñSummit IIò, ñthe Trustò or ñthe REITò in the following Managementôs Discussion and Analysis (ñMD&Aò) refer to Summit Industrial Income Real Estate Investment Trust and its unaudited condensed consolidated interim financial statements and results of operations for the three and six month periods ended June 30, 2017 and 2016.

FORWARD-LOOKING INFORMATION ADVISORY

Certain statements in this MD&A are ñforward-looking statementsò within the meaning of applicable securities laws. These statements reflect Managementôs expectations regarding Summit IIôs future growth, results of operations, performance and business prospects and opportunities including expectations for the current financial year, and include, but are not limited to, statements with respect to Managementôs beliefs, plans, estimates and intentions, and similar statements concerning anticipated future events, results, circumstances, performance or expectations that are not historical facts. Statements that contain the words such as ñcouldò, ñshouldò, ñwouldò, ñcanò, ñanticipateò, ñexpectò, ñdoes not expectò, ñbelieveò, ñplanò, ñbudgetò, ñscheduleò, ñestimateò, ñintendò, ñprojectò, ñwillò, ñmayò, ñmightò, ñcontinueò and similar expressions or statements relating to matters that are not historical factors constitute forward-looking statements. Such forward-looking statements reflect Managementôs current beliefs and are based on information currently available to Management.

These statements are not guarantees of future events or performance and, by their nature, are based on Summit IIôs current estimates and assumptions, which are subject to significant risks and uncertainties. A number of factors could cause actual results to differ materially from the results discussed in the forward-looking statements including, but not limited to, risks associated with real property ownership, debt financing, interest and financing, capital requirements, credit risk, general uninsured losses, developments, future property acquisitions, competition for real property investments, environmental matters, land leases, potential conflicts of interest, governmental regulations, the relative illiquidity of real property, taxation and reliance on key personnel. These risks, and others, are more fully discussed under the ñRisk Factorsò section of this MD&A. Material factors and assumptions that were applied in drawing a conclusion or making an estimate set out in the forward-looking information may include, but are not limited to: relatively low and stable interest costs; access to equity and debt capital markets to fund, at acceptable costs, the future growth of Summit II and to enable it to refinance debts as they mature; Summit IIôs ability to maintain occupancy and to lease or re-lease space at current or anticipated rents; and the availability of purchase opportunities for growth in Canada. Summit II has attempted to identify important factors that could cause actual results, performance or achievements to be other than as expected or estimated and that could cause actual results, performance or achievements to differ materially from current expectations. These factors are not intended to represent a complete list of the factors that could affect Summit II. Although the forward-looking statements contained in this MD&A are based upon what Management believes to be reasonable assumptions, Summit II cannot assure investors that actual results will be consistent with these forward-looking statements.

The forward-looking statements contained herein are expressly qualified in their entirety by this cautionary statement and readers should not place undue reliance on such forward-looking statements. In addition, certain statements included in this MD&A may be considered ñfinancial outlookò for purposes of applicable securities laws, and such financial outlook may not be appropriate for purposes other than in this MD&A. These forward-looking statements are made as at the date of this MD&A and Summit II assumes no obligation to update or revise them to reflect new events or circumstances unless otherwise required to do so by applicable securities legislation.

BASIS OF PRESENTATION

Financial data included in this MD&A includes material information as of August 9, 2017, and should be read in conjunction with the REITôs unaudited condensed consolidated interim financial statements for the three and six month periods ended June 30, 2017 and 2016. Financial data provided has been prepared in accordance with International Financial Reporting Standards (ñIFRSò) as issued by the International Accounting Standards Board (ñIASBò).

ADDITIONAL INFORMATION

Additional information relating to Summit II, including the Annual Information Form, Material Change Reports and all other continuous disclosure documents required by the securities regulators, are filed on the System for Electronic Document Analysis and Retrieval (ñSEDARò) and can be accessed electronically at www.sedar.com.

REVIEW AND APPROVAL BY THE BOARD OF TRUSTEES

The Board of Trustees, upon the recommendation of its Audit Committee, approved the contents of this MD&A on August 9, 2017.

SECTION I – OVERVIEW VISION AND STRATEGY

OVERVIEW

Summit II, is an unincorporated mutual fund trust governed by the laws of the Province of Ontario pursuant to the terms of its amended and restated Declaration of Trust dated November 9, 2012 (the ñDeclaration of Trustò). Summit IIôs Units are publicly traded on the Toronto Stock Exchange (ñTSXò) under the symbol SMU.UN.

Summit II is focused primarily on the light industrial segment of the Canadian real estate industry. As at June 30, 2017, Summit IIôs property portfolio was comprised of 60 income producing properties totalling 6,404,172 square feet of gross leasable area (ñGLAò) with a net book value of approximately $608.8 million. Total assets as at June 30, 2017 were approximately $639.5 million.

NON-IFRS FINANCIAL MEASURES

Readers are cautioned that certain terms used in this MD&A such as Funds from Operations (ñFFOò), Net Operating Income (ñNOIò) and any related per Unit amounts used by Management to measure, compare and explain the operating results and financial performance of the Trust do not have any standardized meaning prescribed under IFRS and, therefore, should not be construed as alternatives to net income or cash flow from operating activities calculated in accordance with IFRS. Such terms do not have a standardized meaning prescribed by IFRS and may not be comparable to similarly titled measures presented by other publicly traded entities.

SIGNIFICANT ACCOUNTING POLICIES

Summit IIôs significant accounting policies are described in Note 3 to its Audited Consolidated Financial Statements for the years ended December 31, 2016 and 2015 and its unaudited condensed consolidated interim financial statements for the three and six month periods ended June 30, 2017 and 2016.

The preparation of financial statements requires Summit II to make estimates and judgments that affect the reported results. For a detailed discussion of the critical estimates refer to Note 5 to the REITôs Audited Consolidated Financial Statements for the years ended December 31, 2016 and 2015.

SUMMIT II'S BUSINESS, VISION AND STRATEGY

SUMMIT II'S BUSINESS

Primary Investment

Light Industrial Segment

Summit II is focused on the light industrial sector of the Canadian real estate industry. Light industrial properties are generally one-story properties located in or near major cities. The properties house such activities as warehousing and storage, light assembly and shipping, call centers and technical support, professional services and a number of other similar uses. There are no significant heavy industrial activities conducted in the properties owned by Summit II.

Summit II has selected this focus due to the solid fundamentals of the Canadian light industrial real estate sector, including low market rent volatility, reduced operating costs and typically generic-use space that is highly marketable. In addition, the scale and diversity of the tenant base occupying light industrial properties is broad and generally tracks the overall economy, reducing risk and providing predictable and consistent cash flow. Finally, capital expenditure and maintenance requirements, leasehold improvement and tenant inducement costs are relatively low compared to other types of real estate.

SUMMIT II'S VISION AND STRATEGY

Summit IIôs mission is to provide ñbest-in-classò services to its tenants while delivering solid, stable, and secure returns to its Unitholders. Over the long term, Summit II is dedicated to maximizing FFO through effective property management, realizing on efficiencies and synergies from critical mass, accretive acquisitions, innovative financings and selective development opportunities.

To achieve these goals, Summit II has developed the following key objectives:

1. *To produce superior, dependable returns over the long term for its Unitholders.*

   To meet this objective, Summit II plans to generate accretive growth while purchasing properties at values that are at or below replacement cost. Summit II also intends to maximize, over time, available development and expansion opportunities on its existing properties and, through a mortgage-backed mezzanine financing program, undertake development projects through third parties. In the pursuit of generating increasing funds from operations, Summit II plans to maximize operating synergies and to increase economies of scale. Summit IIôs goal is to achieve growth in FFO over the long term.

2. *To be a leading industrial landlord in its chosen markets.*

   By building critical mass in its chosen market, Summit II plans to capture increasing economies of scale and operating synergies to grow its FFO. Further, Summit II will continue to create diversity in its tenant base and industrial inventory to accommodate changing tenant needs. In addition, Summit II is consistently presented with acquisition opportunities by sellers of industrial real estate.

   To meet its growth objective, Summit II will continue to acquire light industrial properties, to expand GLA in its owned properties based on tenant demand, and to grow through direct and third party development projects. Management is confident through its strong relationships with its lenders and the ability it has demonstrated to access the capital markets that it will generate sufficient capital to meet its growth targets over the long term.

3. *To be one of the top managers of industrial real estate in Canada.*

   Summit II plans to accomplish its vision to be a ñbest-in-classò service provider to tenants through innovative programs that focus on tenant retention, real estate leasing broker loyalty, standardization of operations, operating efficiency, and proactive employee management.

   By strengthening its reputation as a leading service provider and continuing to meet the needs of its tenants, Summit II will enhance portfolio occupancy, average monthly rents and tenant retention over the long term. Retaining a tenant is much more efficient and much less expensive than attracting a new tenant to a vacant space. High occupancies and strong tenant retention ratios assist in maximizing cash flow from Summit IIôs income properties.

SECTION II – KEY PERFORMANCE INDICATORS

Summit II measures the long-term success of its strategies through a number of key financial and operating performance indicators as described below:

FINANCIAL INDICATORS

Funds from Operations

Management has determined FFO to be a useful measure of operating performance as it focuses on cash flow from operating activities. FFO is net income (computed in accordance with IFRS), net of extraordinary items, amortization expense, future income taxes and gains and losses from property dispositions, as well as non-cash items such as the fair value adjustments to investment properties and fair value adjustments relating to unit-based compensation liabilities. Management will strive to increase FFO over the long term.

Net Operating Income

NOI is a generally accepted proxy for operating cash flow and represents earnings before interest expense, income tax expense, amortization expense, plus losses/less any gains on disposition of property, and excluding non-recurring items, such as asset impairment or unrealized gains/losses that may occur under IFRS.

Cash Distributions per Unit

Currently the REIT pays monthly cash distributions to Unitholders of $0.043 per Unit, or $0.516 per Unit on an annualized basis. The Board of Trustees has adopted a policy to consider annually increasing the cash distribution by between 2% and 4% while maintaining an FFO payout ratio below 85%.

In addition, the Board of Trustees has adopted a policy to distribute a special distribution when the REIT produces a realized gain upon the sale of a property. The special distribution will be up to 20% of the realized gain.

Funds from Operations Payout Ratio

To ensure it retains sufficient cash to meet its capital improvement and leasing objectives, Summit II will strive to maintain its annual FFO Payout Ratio (cash distributions per Unit divided by funds from operations per Unit) under 85%.

Debt Leverage Ratio

A conservative leverage ratio mitigates Unitholdersô risk. Summit II measures its debt leverage ratio in accordance with its Declaration of Trust. Leverage is calculated as the sum of mortgages payable, convertible debentures, preferred units payable, unsecured debentures and bank loans payable divided by the book value of total assets. The maximum permitted debt leverage ratio under the Declaration of Trust is 65%. While expanding its portfolio, Summit II intends to maintain its leverage ratio in the mid-50% range over the long term.

OPERATING INDICATORS

Tenant Retention

Summit II places a very high value on tenant retention, as the cost to retain a tenant is typically lower than the cost to attract a new one. When a tenant is retained, lost rent due to unoccupied space is eliminated and leasing commissions and tenant inducements are typically lower than the cost of putting new tenants in place. Over the long term, Summit II will continue to aim at a target of 75% tenant retention level.

Occupancy

Consistently high occupancies also generate greater cash flow over the long term. Through its proactive property management and leasing activities, Management anticipates maintaining occupancy at levels higher than the average occupancy in each of the markets in which it operates. Economic ñfull occupancyò in a light industrial portfolio is realistically at a level less than 100% due to the fact that there will often be some vacancy in the portfolio due to tenant turnover or during the time certain properties are under development or renovation.

Average Rents

Increasing average cash rents contributes to higher funds from operations. Annual contractual increases in rent are beneficial to tenants in managing their costs, as significant rental increases at maturity are avoided and replaced with a predictable expenditure pattern. Summit II intends to negotiate annual increases in rent in the majority of new lease transactions and renewals. The collection of rents is enhanced by Summit IIôs preauthorized payment program, which provides administrative efficiencies to both Summit II and its tenants, as well as providing more consistent cash flow and reducing exposure to delinquent accounts.

Lease Portfolio Management

As noted above, a high tenant retention ratio is strongly valued at Summit II. A properly balanced lease maturity schedule facilitates maintaining higher occupancies and spreads leasing costs in a more predictable manner over future years. Summit II will endeavor to have no more than 15% of its leases maturing in any one year.

Capital Expenditures

Through its focused capital expenditure program, Summit II anticipates maintaining its properties so they remain functional and competitive within their respective geographic markets. Based on its current capital program, Summit II plans to spend $0.15 to $0.20 per square foot per annum on non-recoverable capital expenditures.

CAPABILITY TO DELIVER RESULTS

Summit II is confident that it has the Management team, asset base, access to investment opportunities and access to capital to meet its objectives. The achievement of Summit IIôs objectives is partially dependent on successful mitigation of business risks. Summit II believes it has identified and mitigated such risks to the extent practical and is committed to identifying and implementing the actions required in achieving its strategy.

Managementôs capabilities and the business risks that must be managed are discussed in Summit IIôs Annual Information Form dated February 28, 2017.

Business and Economic Environment

In the current low-interest rate environment, Canadian industrial real estate continues to perform very well. Through the second quarter of 2017, Management believes a strengthening US economy will continue to have a positive impact on the Canadian economy in general, and Canadian industrial markets in particular. At the end of the first quarter, the national availability rate and vacancy rate in Canada had dropped to 4.9% and 4.1%, respectively, compared with corresponding rates of 8.1% and 6.1% reported at the height of the recession in 2009. The current market fundamentals are indicative of very healthy and stable markets, particularly in Summit IIôs target markets. Among Canadaôs major industrial markets, the Greater Toronto Area (ñGTAò) is experiencing the lowest availability rate and vacancy rates in the country at 3.0% and 1.8%, respectively.[1] A majority of Summit IIôs light industrial real estate is located in the GTA in order to capitalize on these historically tight market conditions. With absorption outpacing new supply in the GTA, and growing constraints on new supply in the form of rising development charges, rising construction costs, and land preservation, Management believes there will be upward pressure on the GTAôs light industrial rental rates over time that will be supportive of long-term value creation in the region. The Greater Montreal Area (ñGMAò) continues to strengthen with availability and vacancy rates declining. The expansion of the port of Montreal completed in November 2016 will increase tonnage and cargo shipments which should help to further improve occupancy and rental rates in the region. The proximity of the GMA to the strengthening US economy will be a direct benefit to industrial real estate. Accretive acquisition opportunities in Calgary and Edmonton are beginning to surface. As the Canadian energy industry begins to recover, occupancies will increase, and rental rates will improve. Management believes that the Alberta market is a promising region to further Summitôs growth and now is the right time to continue to invest in the region. For these reasons, the GTA, GMA, and Alberta will be a focus of Summit II's growth plans over the near term, subject to availability. However, the current acquisition environment across Canada and particularly in the GTA is very challenging. There has been a lack of industrial acquisition opportunities available either as single building sales or portfolio transactions. Investor and user demand continues to largely outweigh the supply of available product resulting in higher pricing and minimized returns through cap rate compression.

[1] CBRE Canada Industrial Q1 2017 Industrial Marketview Report

SECTION III – FINANCIAL RESULTS

The following is a summary of selected financial information for the periods indicated (see SECTION II ï KEY PERFORMANCE INDICATORS for a description of the key terms):

(in thousands of Canadian dollars) (except per Unit amounts)	Three months ended June 30		Six months ended June 30	
	2017	2016	**2017**	2016
Portfolio Performance				
Occupancy (%)	**99.7%**	100.0%	**99.7%**	100.0%
Revenue from income properties	**$ 13,818**	$ 10,504	**$ 26,789**	$ 20,668
Property operating expenses	**3,988**	3,480	**8,454**	6,786
Net operating income	**9,830**	7,024	**18,335**	13,882
Interest expense	**2,859**	2,165	**5,621**	4,255
Net income	**12,307**	3,869	**18,494**	8,154
Operating Performance				
FFO	**6,411**	4,473	**11,946**	8,796
FFO per Unit [(1)]	**0.150**	0.149	**0.289**	0.299
Regular Distributions per Unit declared to Unitholders	**0.128**	0.126	**0.254**	0.252
Regular FFO payout ratio without DRIP benefit	**85.3%**	84.3%	**88.0%**	84.4%
Regular FFO payout ratio with DRIP benefit	**70.7%**	68.4%	**73.6%**	69.7%
Total Distributions per Unit declared to Unitholders	**0.128**	0.126	**0.254**	0.252
Weighted average Units outstanding [(1)]	**42,722**	29,934	**41,370**	29,448
Liquidity and Leverage				
Total assets	**639,474**	459,711	**639,474**	459,711
Total debt (loans and borrowings)	**287,019**	236,155	**287,019**	236,155
Weighted average effective mortgage interest rate	**3.34%**	3.45%	**3.34%**	3.45%
Weighted average mortgage term (years)	**4.23**	4.77	**4.23**	4.77
Leverage ratio	**44.9%**	51.4%	**44.9%**	51.4%
Interest coverage (times)	**3.11**	2.93	**3.13**	2.93
Debt service coverage (times)	**1.84**	1.74	**1.84**	1.74
Other				
Properties acquired	**1**	1	**7**	5
Non-core properties disposed	**-**	-	**-**	-

[(1)] On January 31, 2017, approximately 7,423,250 Units were issued on completion of a public offering. On June 30, 2017, approximately 9,763,500 Units were issued on completion of a public offering. On June 17, 2016, approximately 5,650,000 Units were issued on completion of a public offering. FFO per Unit amounts were temporarily impacted by approximately $0.015 per Unit due to the January 31, 2017 equity offering and the fact that the funds from the offering were not fully invested until April 7, 2017.

FINANCIAL AND OPERATING HIGHLIGHTS

Recent Highlights:

- Monthly cash distributions increased 2.4% to $0.043 per unit, $0.516 annualized.
- Completed successful $69.0 million bought-deal equity offering on June 30, 2017.
- Acquisition capacity at $184.0 million as at June 30, 2017.
- Occupancy strong at 99.7% with 5.8 year average lease term, 1.5% annual contractual rent steps.
- Operating revenues rose 31.5% and 29.6% through three and six months ended June 30, 2017 due to acquisitions and strong operating performance.
- FFO up 43.3% and 35.8% for three and six months ended June 30, 2017.
- Acquired seven income-producing properties year-to-date totaling 1.2 million sq. ft. for $98.6 million at 6.25% average cap rate.
- Completed new mortgage financing totaling $43.7 million for five-year terms at 2.82% average interest rate.
- Only 2.9% of 2017 lease expiries remain as at June 30, 2017.
- Manager and Insiders interest remains strongly aligned with Unitholders through 10.0% ownership of REIT Units outstanding.

REVENUE, PROPERTY OPERATING EXPENSES, NOI, INTEREST

Net operating income for the three and six month periods ended June 30, 2017 increased 31.5% and 29.6% to $9.8 million and $18.3 million, respectively, compared to $7.0 million and $13.9 million, respectively, for the same periods in 2016. The increases were due to accretive acquisitions completed in 2017 and 2016. Please refer to the ñTransactionsò section below.

Interest expense for the three and six month periods ended June 30, 2017 increased to $2.9 million and $5.3 million, respectively, compared to $2.2 million and $4.3 million, respectively, for the same periods in 2016. The increase was due to the growth in the property portfolio and the related increase in mortgage and other debt.

Net income for the three and six month periods ended June 30, 2017 was $12.3 million and $18.5 million, respectively, compared to $3.9 million and $8.2 million, respectively, for the same periods in 2016. The increases were due to the accretive acquisitions noted above, as well as fair value gains for the three and six months ended June 30, 2017, of $6.0 million and $6.7 million, respectively, compared to a total fair value adjustment of $79,000 for the same three and six-month periods in 2016.

TRANSACTIONS

ACQUISITIONS

For the six months ended June 30, 2017, Summit II acquired seven income producing properties totalling 1,157,968 square feet of GLA. During the six months ended June 30, 2016, Summit II acquired interests in one value add and four income producing properties totalling 462,190 square feet of GLA. Details of the REITôs acquisition activity are outlined in the following table:

Property	City	Province	Closing date	%	GLA		Purchase Price
2017 Acquisitions							
303-58th Avenue SE	Calgary	Alberta	February 14, 2017	100%	120,690	$	17,000,000
2335 Speers Road	Oakville	Ontario	February 27, 2017	100%	260,830		28,200,000
2000 Kipling Avenue	Etobicoke	Ontario	March 22, 2017	100%	195,302		15,722,000
13 Bethridge Road	Etobicoke	Ontario	March 22, 2017	100%	102,318		6,738,000
1600 50th Avenue	Lachine	Quebec	March 31, 2017	100%	244,990		10,500,000
4875 Fairway Street	Lachine	Quebec	March 31, 2017	100%	95,530		5,600,000
4870 Robert-Boyd Street	Sherbrooke	Quebec	April 7, 2017	100%	138,308		14,800,000
Total Acquisitions for the six months ended June 30, 2017					**1,157,968**		**98,560,000**
2016 Acquisitions							
3700 Ave des Grandes Tourelles (1)	Boisbriand	Quebec	January 15, 2016	50%	29,561	$	4,250,000
1405 Rue Graham-Bell (1)	Boucherville	Quebec	February 2, 2016	50%	23,066		2,400,000
5685 Rue Cypihot (1)	Saint-Laurent	Quebec	February 12, 2016	50%	78,462		3,600,000
3655 Ave des Grandes Tourelles (1)	Boisbriand	Quebec	March 3, 2016	50%	22,024		5,350,000
14404 - 128 Ave.	Edmonton	Alberta	June 30, 2016	100%	309,077		33,000,000
20500 Clark Graham (1)	Baie D'Urfe	Quebec	July 6, 2016	50%	28,104		3,375,000
3343-3501 54th Avenue	Calgary	Alberta	July 19, 2016	100%	141,628		12,675,000
15600 Robin's Hill Road	London	Ontario	September 20, 2016	100%	210,727		16,625,000
Total Acquisitions for the year 2016					**842,649**		**81,275,000**

(1) Represents 50% of total GLA.

FUNDS FROM OPERATIONS

The Trustôs FFO per Unit is calculated as follows:

(in Thousands of Canadian dollars)	Three months ended June 30		Six months ended June 30	
	2017	2016	**2017**	2016
Net Income	**$ 12,307**	$ 3,869	**$ 18,494**	$ 8,154
adjustments				
Free rent amortization	**57**	43	**114**	81
Loss on sale of property	**-**	640	**-**	640
Fair value adjustment to deferred unit compensation	**3**	-	**3**	-
Fair value adjustment to investment properties	**(5,956)**	(79)	**(6,665)**	(79)
FFO	**$ 6,411**	$ 4,473	**$ 11,946**	$ 8,796
FFO per Unit	**$ 0.150**	$ 0.149	**$ 0.289**	$ 0.299
Regular Distributions declared to Unitholders	**$ 5,878**	$ 3,901	**$ 11,232**	$ 7,552
Regular Distributions per Unit declared to Unitholders	**$ 0.128**	$ 0.126	**$ 0.254**	$ 0.252
Regular Cash distributions paid	**$ 4,534**	$ 3,060	**$ 8,792**	$ 6,132
Regular FFO payout ratio without DRIP benefit	**85.3%**	84.3%	**88.0%**	84.4%
Regular FFO payout ratio with DRIP benefit	**70.7%**	68.4%	**73.6%**	69.7%
Weighted average number of Units outstanding	**42,722**	29,934	**41,370**	29,448
Units issued and outstanding at the end of the period	**52,441**	34,766	**52,441**	34,766

For the three and six month periods ending June 30, 2017, FFO was $6.4 million ($0.150 per Unit) and $11.9 million ($0.289 per Unit), respectively, compared to $4.5 million ($0.149 per Unit) and $8.8 million ($0.299 per Unit), respectively, in the same prior year periods. The increase in FFO in 2017 is due primarily to acquisitions completed over the prior twelve months. The REITôs FFO payout ratio through the second quarter of 2017 was 85.3% (70.7% including the benefit of the REITôs DRIP program) compared to 84.3% (68.4% including the benefit of the REITôs DRIP program) during the same period in 2016. The REITôs FFO payout ratio through the six months ended June 30, 2017, was 88.0% (73.6% including the benefit of the REITôs DRIP program) compared to 84.4% (69.7% including the benefit of the REITôs DRIP program) during the same period in 2016.

Per Unit amounts and FFO payout ratio in the first quarter of 2017 were temporarily impacted by approximately $0.015 per Unit (approximately 9% of the payout ratio) due to the January 31, 2017 equity offering and the fact that the funds from the offering were not fully invested until April 7, 2017. Also impacting FFO by 1.2% ($0.003 per Unit) during the period was a one-time bad debt including NOI downtime associated with a tenant failure. This space has been leased to a new tenant with leasing costs of $259,000 and a 4.2% increase in the rental rate.

For the three and six month periods ending June 30, 2017, straight lining of rents was $319,000 and $620,000, respectively, compared to $254,000 and $506,000, respectively, in the same prior year period. Leasing costs for the three and six month periods ending June 30, 2017, were $1.2 million and $1.5 million, respectively, compared to $62,000 and $1.9 million for the same period prior year. Non-recoverable capital expenditures for the six month period ending June 30, 2017, were $26,000 compared to $11,000 for the same period of 2016.

LIQUIDITY AND CAPITAL RESOURCES

The major changes to Summit IIôs balance sheet as at June 30, 2017, compared to the prior year reflect the property acquisitions, dispositions, debt obtained and equity offering during the six-month period.

TOTAL ASSETS

Summit IIôs total assets increased to $639.5 million at June 30, 2017, from $500.8 million at the prior year end. Fair value gains for the six-month period ended June 30, 2017, were $6.7 million, which are mainly attributable to increasing market values of the properties in the GTA. As well, during the six months ended June 30, 2017, the REIT acquired seven income producing properties for total acquisition costs of $103.0 million. Please refer to the ñTransactionsò section above for more details.

TOTAL DEBT

Total debt was $287.0 million at June 30, 2017, compared to $270.6 million at the prior year end.

As of June 30, 2017, there was no amount of an available $49.0 million drawn on the revolving operating facility. The Trustôs exposure to floating rate debt was 1.2% of total debt as at June 30, 2017.

During the second quarter of 2017, the Trust repaid $2.7 million in maturing mortgage debt which was at an interest rate of 3.70% and refinanced the property with a new lender for a $3.5 million mortgage with a five-year term and an interest rate of 2.91%. Also in May, new mortgage financing of $18 million with a five-year term and an interest rate of 2.70% was obtained on a property that had been temporarily placed as security on the revolving operating facility. As a result of removing this security, the amount available to draw on the revolving operating facility was decreased from $64.0 million to $49.0 million.

During the first quarter of 2017, in conjunction with the acquisition of the Calgary property, the Trust obtained $11.4 million in mortgage financing, at an interest rate of 2.97% and a term to maturity of five years. On acquisition of the Etobicoke properties, the Trust assumed $14.0 million mortgage bearing a fixed interest rate of 3.51% and a term to maturity of five years. On acquisition of the Lachine properties, a new five-year $10.8 million mortgage with a fixed interest rate of 2.82% was obtained. The balance of these transactions as well as the acquisition of the Oakville property was satisfied with funds from the January 2017 offering and the revolving operating facility. On January 17, 2017, $1.4 million in variable rate mortgage debt maturing August 1, 2017 was paid utilizing funds from the revolving operating facility.

EQUITY

Unitholdersô equity increased to $333.9 million at June 30, 2017, compared to $220.6 million at the prior year end. On June 30, 2017, Summit II completed a public offering of 9,763,000 trust units at a price of $7.07 for gross proceeds of $69.0 million. The offering incurred issue costs of $3.1 million for net proceeds of $65.9 million. In addition, on January 31, 2017, Summit II completed a public offering of 7,423,250 trust units at a price of $6.20 for gross proceeds of $46.0 million. The offering incurred issue costs of $2.1 million for net proceeds of $43.9 million.

CASH DISTRIBUTIONS

The regular cash distributions declared during the six-month period ended June 30, 2017, were $11.2 million compared to $7.6 million in the same period of 2016. On May 9, 2017, the Board of Trustees approved a cash distribution increase to $0.043 per unit per month or $0.516 per unit on an annualized basis, which represents a 2.4% annualized increase over the current distribution. This increase applied to Unitholders of record on May 31, 2017.

UNITHOLDERS' TAXATION

For taxable Canadian resident Unitholders, the distributions are treated in the following manner for tax purposes:

For the years ended	**2016**	**2015**	2014	2013
Other income	**0.00%**	**0.00%**	0.00%	0.89%
Capital gain	**0.00%**	**24.22%**	23.21%	23.67%
Return of capital	**100.00%**	**75.78%**	76.79%	75.44%

DISTRIBUTION REINVESTMENT PLAN

The Trust has a Distribution Reinvestment Plan (ñDRIPò) whereby registered or beneficial holders of the Trustõs 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 will receive a further distribution of Trust Units equal to 5% of each distribution that was reinvested by them.

During the six-month period ended June 30, 2017, there were 264,071 Units issued under this plan for total proceeds of $1.7 million, representing a DRIP participation rate of 15.8%. During the same period last year, there were 208,046 Units issued under this plan for total proceeds of $1.2 million, representing a 16.1% DRIP participation rate.

LIQUIDITY

(in Thousands of Canadian dollars	**Total**	**Deferred Financing Charges**	**Premium on Debt**	**Remainder of 2017**	**2-3 years**	**4-5 years**	**After 5 years**
Loans and borrowings	287,019	(1,054)	1,977	8,572	74,965	84,234	118,325
Trade and accrued liabilities	7,211	-	-	6,886	214	-	111
Total	294,230	(1,054)	1,977	15,458	75,179	84,234	118,436

TAXATION

Summit II is generally subject to tax in Canada under the Income Tax Act (The ñTax Actò) with respect to its taxable income each year, except to the extent such taxable income is paid or deemed to be payable to Unitholders and deducted by Summit II for tax purposes.

Pursuant to Summit IIõs Declaration of Trust, the Trustees intend to distribute or designate all taxable income directly earned by Summit II to Unitholders of the Trust such that Summit II will not be subject to income tax under Part I of the Tax Act.

OCCUPANCY

Summit II works diligently to maximize occupancy throughout its portfolio in accordance with local market conditions.

	June 30, 2017		December 31, 2016		June 30, 2016	
	GLA	Occupancy %	GLA	Occupancy %	GLA	Occupancy %
Investment properties						
Ontario	4,396,689	100.0%	3,838,238	99.0%	3,627,502	100.0%
Alberta	647,558	100.0%	526,868	100.0%	385,240	100.0%
Quebec	1,295,856	99.5%	738,277	97.7%	710,173	100.0%
Other Canada	64,069	78.9%	64,069	100.0%	64,069	100.0%
Total	**6,404,172**	**99.7%**	**5,167,452**	**98.9%**	**4,786,984**	**100.0%**

ACTIVE LEASING PROGRAM

Occupancy in the portfolio remains strong. The weighted average lease term for the portfolio is approximately 5.8 years. The leases contain average contractual steps in rent of approximately 1.5% per year over the term. The REIT is proactive in addressing lease expiries well in advance of the expiry date. The renewals completed during the period represent an 89% retention rate. There was only one tenant who didnợt renew and their 21,426 square feet unit has been leased and downtime was limited to only two months.

During the first six months of 2017; approximately 176,138 square feet of lease renewals were completed, as well as 57,634 square feet of new leases for a total of 233,772 square feet compared to a total of 458,730 square feet in the first six months of 2016. The Trust only has 2.9% of the 2017 lease expiries remaining as at June 30, 2017. A tenant in 81,087 square feet of the expiring space has agreed to terms and the renewal is currently being finalized. Also, an early renewal on 163,000 square feet set to expire in 2019 has been completed.

LEASE ROLLOVER

The following table represents the expected lease rollover for the next five years for the investment properties:

	GLA	**Percentage**
2017	183,838	2.9%
2018	523,690	8.2%
2019	1,039,097	16.3%
2020	312,442	4.9%
2021	335,545	5.3%
Thereafter	3,989,556	62.4%
Occupied GLA	6,384,168	100.0%

The lease rollover profile will continue to change and normalize as the portfolio expands.

DEBT LEVERAGE RATIO

The maximum debt leverage permitted by Summit II's Declaration of Trust is 65%. However, it is Summit II's goal to operate in the mid-50% range over the long term. At June 30, 2017, Summit II's debt leverage ratio was 44.9% compared to 54.0% at December 31, 2016 and 51.4% at June 30, 2016. Average leverage during the second quarter of 2017 was 54.3% when compared to 54.3% for the same period in 2016. The offering funds received January 31, 2017 were temporarily applied to the credit facility and not fully invested until April 7, 2017, impacting the March 31, 2017 leverage ratio. The offering funds received June 30, 2017, have been temporarily applied to the credit facility and the remainder held as cash to fund future acquisitions, impacting the June 30, 2017 leverage ratio. Acquisition capacity is at approximately $184.0 million as at June 30, 2017, which would bring the portfolio leverage to approximately 57.0%.

(In Thousands of Canadian dollars)	**As at June 30, 2017**	**As at March 31, 2017**	**As at December 31, 2016**	**As at September 30, 2016**	**As at June 30, 2016**
Total Assets	639,474	590,990	500,807	493,645	459,711
Debt					
Mortgages payable	283,668	266,915	233,546	235,289	216,585
Bank loans	3,351	47,318	37,089	34,070	19,570
Total debt	287,019	314,233	270,635	269,359	236,155
Leverage ratio	**44.9%**	**53.2%**	**54.0%**	**54.6%**	**51.4%**
Average leverage ratio - quarter	**54.3%**	**50.5%**	**54.4%**	**53.0%**	**54.3%**

CONTRACTUAL OBLIGATIONS

Summit II's most significant contractual obligations relate to the long-term debt including mortgages payable and bank loans as described below.

LONG TERM DEBT

The following table presents the future principal repayments and maturities on long-term debt and respective weighted average effective interest rates:

(In thousands of Canadian Dollars)

Year	**Principal Repayment**	**% of Total**	**Weighted Average Effective Interest Rate**
2017 (remainder)	5,221	1.8%	3.42%
2018	59,707	21.1%	3.32%
2019	15,258	5.4%	3.30%
2020	49,356	17.5%	3.25%
2021	34,878	12.3%	3.21%
2022	65,565	23.2%	3.18%
Thereafter	52,760	18.7%	3.34%
Total principal repayments	282,745	100.0%	3.34%
Variable rate debt	3,351		
Premium on debt	1,977		
Deferred financing charges	(1,054)		
Total loans and borrowings	287,019		

CASH FLOW

The following table represents the changes in cash flow for the six month periods ended June 30, 2017 and 2016.

(In thousands of Canadian dollars)		2017		2016
Cash flow from operating activities	$	14,389	$	8,646
Cash flow from (to) financing activities	$	80,921	$	10,833
Cash flow from (to) investing activities	$	(68,813)	$	(19,179)

Cash flow from operating activities for the six-month period ended June 30, 2017, was $14.4 million compared to $8.7 million for the prior year. The increase was due to the change in working capital.

Cash flow from financing activities was $80.9 million for the six-month period ended June 30, 2017, compared to $10.8 million for the same period in the prior year. During the six-monthôs ended June 30, 2017, $1.4 million in maturing mortgage debt was paid utilizing funds from the revolving operating facility compared to $4.9 million in the same period prior year. As at June 30, 2017, there was no amount drawn from the revolving operating facility compared to $16.8 million for the same period in the prior year. Mortgage principal repayments were $3.7 million for the six-month periods ended June 30, 2017, compared to $2.9 million for the same period in the prior year. During the six-month period ended June 30, 2017, construction loan financing increased $581,000, and $2.7 million in maturing mortgage debt at an interest rate of 3.70% was refinanced with a new lender for a $3.5 million mortgage with a five-year term and an interest rate of 2.91%. Also in May, new mortgage financing of $18 million with a five-year term and an interest rate of 2.70%. During the same period of 2016, new mortgage financing of $7.5 million was obtained.

Distributions paid for the six-month period ended June 30, 2017, were $8.8 million compared to $6.1 million in the same period prior year. During the quarter, the Trust completed a bought-deal equity offering for net proceeds of $65.9 million which was used to repay $44.0 million outstanding debt on the revolving operating facility. In January 2017, the Trust completed a bought-deal equity offering for net proceeds of $43.9 million, for total net proceeds of $109.8 million year-to-date compared to net offering proceeds of $32.5 million in the same period prior year.

Cash flow allocated to investing activities was $68.8 million for the six-month period ended June 30, 2017, compared to $19.2 million in the same period in 2016. Additions to investment properties during the six-month periods ended June 30, 2017 and 2016 of $2.2 million and $1.8 million respectively, relate to capital outlays and tenant leasing costs. For the six-month period ended June 30, 2017, the Trust acquired seven income producing properties with GLA of 1,157,968 for acquisition costs of approximately $102.6 million excluding any mark to market on assumed debt. The acquisitions were financed by net proceeds from the January equity offering, new and assumed mortgages and debt of $36.2 million, assumed security deposits of $53,000 and $250,000 in deposits on acquisitions made in the prior year with the remaining balance in cash from the revolving operating facility. During the same period of 2016, the Trust acquired one value-add and four income producing properties with GLA of 461,304 square feet, for acquisition costs of approximately $49.7 million excluding any mark to market on assumed debt. The acquisitions were financed by new and assumed mortgages and debt of $32.1 million, assumed security deposits of $238,000 and $600,000 in deposits on acquisitions made in the prior year with the remaining balance in cash from the revolving operating facility.

In accordance with National Instrument 41-201, the Trust is required to provide additional disclosure relating to cash distributions.

(in Thousands of Canadian dollars)	Six months ended June 30			
		2017		2016
Cash provided by operating activities	**$**	**14,389**	$	8,646
Actual cash distributions paid or payable		**11,232**		7,552
Excess of cash provided by operating activities over cash distributions paid	**$**	**3,157**	$	1,094
Net income and comprehensive income	**$**	**18,494**	$	8,873
Actual cash distributions paid or payable	**$**	**11,232**	$	7,552
Excess of net income over cash distributions paid	**$**	**7,262**	$	1,321

For the six-month period ended June 30, 2017, the REITõs cash flow from operations exceeded distributions by $3.2 million compared to the same period in 2016, when cash flow from operations exceeded distributions by $1.1 million. Net income and comprehensive income includes fair value gains for the six months ended June 30, 2017 of $6.7 million compared to $79,000 for the same period prior year.

RELATED PARTY TRANSACTIONS

Management Agreement

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

The Management Agreement sets out the fees payable to the Manager for the services provided, such fees being:

- A base annual management fee equal to 0.25% of the gross value of Summit IIõs assets;
- an incentive fee equal to 15% of Summit IIõs AFFO per Unit, plus per Unit realized gains, as defined by the Management Agreement, in excess of a $0.48 (after the ñConsolidationò) hurdle amount, such hurdle amount to be increased by 1.5% each year ($0.5095 effective January 1, 2017);
- an acquisition fee for the purchase price paid by Summit II on the acquisition of a property equal to 1% of the first $50 million of the purchase price, 0.75% of the next $50 million of the purchase price, and 0.50% of any portion of the purchase price in excess of $100 million, payable so long as the gross book value of the properties owned by Summit II does not exceed $1 billion;
- a development fee in an amount to be negotiated between Summit II and the Manager, not to exceed the fair market value for comparable services;
- a property management fee equal to 3.5% of the gross rental income from each multi-tenant property, and 2.5% of the gross rental income from each single-tenant property and other property management costs recoverable under tenant operating leases;
- a leasing fee equal to $1.00 per rentable square foot only for those properties where the Manager provides leasing services; and
- a capital expenditures fee equal to 5% of all hard construction costs incurred on any capital project of Summit II, where the Manager is the project manager for the project and the hard construction costs of the project are in excess of $200,000.

The Manager can elect to take all (or any percentage of all) fees payable to it under the Management Agreement (and any property management agreement) in the form of Units, rather than in cash.

Under the terms of the Management Agreement the Trust has incurred the following fees for the three and six month periods ended June 30, 2017 and 2016:

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

During the three and six-month period ended June 30, 2017, Sigma paid $8,500 and $17,000, respectively, to the Trust (three and six-month period ended June 30, 2016 - $8,500 and $17,000) for office space located at 294 Walker Drive, Brampton, Ontario, under a five-year lease commencing June 1, 2013.

Trustee fees

Trustee related fees of $87,000 and $150,000 (three and six-month period ended June 30, 2016 - $50,000 and $85,000) are included in general and administrative expenses for the three and six-month period ended June 30, 2017, respectively. The 2017 fees include the fair value of deferred unit compensation as described under the Trustee Deferred Unit Plan section below.

The following table represents the Units acquired during the six-month period ended June 30, 2017, by the Manager and certain Informed Persons of the Manager, as such term is defined in National Instrument 51-102 - Continuous Disclosure Obligations:

Units acquired in the six months ended June 30, 2017	Manager	Senior Executives of the Manager	Other insiders	Total units
Acquired on open market in 2017 and DRIP	110,819	30,095	573,098	714,012
	110,819	**30,095**	**573,098**	**714,012**

In total, the Manager owns a 2.8% interest in the REIT, on an indirect basis. Certain senior executives and employees of the Manager own, directly or indirectly, a 2.1% interest in the REIT and other insiders own, directly or indirectly, a 5.1% interest in the REIT, for a total of 10.0% insider ownership as at June 30, 2017.

Trustee Deferred Unit Plan

Effective May 10, 2017, the Trustǿs Board of Trustees authorized a Deferred Unit Plan (the ñPlanò) that provides for the granting of Deferred Units to Trustees in lieu of cash for up to 100% of their Trustee Fees (the ñElected Amountò). 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 ñMatch Incentiveò). The maximum value of the aggregate number of Units that may be subject to grants of Deferred Units to any one Trustee during any financial year of the REIT shall will be no greater than $150,000.

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

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

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

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

The fair value of a Unit is calculated as the volume weighted average price of all Units traded on the TSX for the five trading days immediately preceding the grant date. The liability related to the Plan is measured at fair value and is remeasured to fair value at each reporting date and at the date of settlement. The fair value changes are recorded within general and administrative expense in the condensed consolidated interim statements of income. The total fair value of Deferred Units granted and recognized as compensation expense within general and administrative expense for the three and six months ended June 30, 2017 was $50,000 (three and six months ended June 30, 2016 - $nil).

SUMMARY OF QUARTERLY RESULTS

The summary of quarterly results for the past eight quarters is as follows:

(in thousands of Canadian dollars)	2017		2016				2015	
(except per Unit amounts)	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Revenue from income properties	$ 13,818	$ 12,971	$ 12,766	$ 11,516	$ 10,504	$ 10,164	$ 9,708	$ 9,903
Property operating expenses	3,988	4,466	4,429	3,482	3,480	3,306	2,966	3,107
Net operating income (NOI)	9,830	8,505	8,337	8,034	7,024	6,858	6,742	6,796
Net income	12,307	6,187	9,830	6,392	3,869	4,285	4,956	3,329
Funds from operations (FFO)	6,411	5,535	5,501	5,338	4,473	4,323	4,315	4,334
Net income per Unit - basic and diluted	0.288	0.155	0.281	0.184	0.129	0.148	0.172	0.116
FFO per Unit	0.150	0.138	0.157	0.153	0.149	0.149	0.150	0.151
Weighted average Units outstanding								
Basic	42,722	40,003	34,934	34,821	29,934	28,961	28,860	28,761
Diluted	42,724	40,003	34,934	34,821	29,934	28,961	28,860	28,761
Leverage ratio	44.9%	53.2%	54.0%	54.6%	51.4%	55.4%	53.7%	54.1%
Interest coverage (times)	3.11	3.16	3.16	3.17	2.93	2.89	3.01	2.95
Debt service coverage (times)	1.84	1.83	1.83	1.86	1.74	1.73	1.77	1.71

Net operating income increased to $9.8 million in the second quarter of 2017 compared to $7.0 million in the second quarter of 2016. The increase in NOI was due to the growth in the size of the portfolio through acquisitions completed in 2017 and in 2016.

Net income was $12.3 million for the quarter ended June 30, 2017, compared to $3.9 million in the same period of 2016. Interest expense increased to $2.9 million in the second quarter of 2017 compared to $2.2 million in the second quarter of 2016. The increase relates to the increase in mortgages and debt related to the acquisitions during 2017 and 2016. Also, $6.0 million in fair value gains were recorded for the quarter ended June 30, 2017, compared to $79,000 in fair value adjustments in the same period of 2016.

SECTION IV – OUTLOOK

Certain statements below may be forward-looking and readers are cautioned that such statements are subject to certain risks and uncertainties that could cause actual results, performance or achievements of Summit II, or industry results, expressed or implied by such forward-looking statements to differ materially from those contained in such forward-looking statements.

INVESTMENT MANAGEMENT

Management expects regional differences within the Canadian light industrial sector to persist in the last half of 2017, with healthy market fundamentals in Eastern Canada offset by generally weaker fundamentals in Western Canada, particularly in the resource-based economies of Alberta and Saskatchewan. These regional differences will be tied to the underlying economic performance of each region. Eastern industrial markets, (most notably GTA and GMA), which have a heavier concentration of manufacturing and distribution uses, will benefit from stronger export and transportation conditions as a result of expanding local economies, and a growing U.S. economy. In contrast, Western industrial markets (most notably Edmonton and Calgary) will continue to adjust to economic challenges resulting from suppressed commodity prices and curtailment of capital investment in the region. As a consequence, Management expects industrial valuations in GTA and GMA to rise in the last half of 2017, while valuations in Calgary and Edmonton, which had been trending steadily downward since 2015, will finally begin to stabilize as markets adjust to the new economic reality. Notwithstanding the foregoing, recalibrated property values in Calgary and Edmonton, which had previously exceeded those of GTA and GMA, may provide selective investment opportunities in 2017 as those markets continue to evolve.

Light industrial real estate in major Eastern Canadian markets, particularly when packaged in large portfolios, continues to be in very high demand and attracts premium valuations. Institutional, public and private investors, recognizing the strong fundamentals and stable income streams in this sector, remain active buyers of light industrial properties. Management believes this competitive investment climate will continue to influence valuations in major Eastern Canadian markets for the remainder of 2017, despite recent interest rate increases. Interest rates, which may face further, albeit modest, upward pressure in the last half of 2017, remain near historic lows and are projected to be generally supportive of leveraged buying and property valuations.

Within the context of this highly competitive investment climate, Summit II will continue to expand its presence in the highly stable light industrial sector of the Canadian real estate industry on a selective basis to achieve its goal of becoming the leading industrial landlord in the markets in which it chooses to operate. To enhance the size and quality of its portfolio, Summit II will continue to seek out and evaluate acquisition opportunities in the light industrial sector which meet its strict criteria, with a particular focus on purchasing individual assets or small portfolios that complement Summit IIôs existing portfolio and which provide value enhancement opportunities. Summit II will carefully evaluate acquisition opportunities, but will not complete a transaction unless it meets Summit IIôs strict real estate criteria, including an assessment of replacement cost. Management remains confident it will be able to continue to expand the size of its portfolio through a program of selective and accretive acquisitions over the long term.

Summit IIôs goal is to continue expanding its portfolio through acquisitions and expansions. Furthermore, Summit II expects to expand direct access to potential acquisitions through mezzanine financing agreements with third-party developers, providing Summit II with rights to acquire these development projects upon completion, and by broadening its ties to the external development community.

OPERATING PERFORMANCE

Management believes the GTA and GMA light industrial markets, where the Trust has the bulk of its properties, will continue to improve in 2017. Management expects market occupancy and rental rates in these two cities to increase as the local economies and the U.S. economy continue to grow. Activities such as warehousing and storage, light assembly and shipping, professional services and a number of other similar uses carried out in Summit IIôs properties tend to grow in tandem with the broader economy. As a consequence, expansion of the broader economy generally leads to strengthening market fundamentals in the industrial sector.

Summit II is also directing its focus on enhancing the cash flow and returns from its existing property portfolio. Summit II will strive to maintain its current high occupancy levels and average monthly rents. Pivotal to Summit IIôs strategy is to provide tenants with ñbest-in-classò services to ensure their needs are met and to build Summit IIôs reputation as the leading service provider in the Canadian real estate industry.

MANAGING DEBT

Interest rates are currently at historic lows and may be subject to modest increases in the last half of 2017. Over the long term, Summit II expects to maintain its leverage in the mid-50% range. Conservative debt service coverage ratios are expected to be maintained during the year.

EVENTS SUBSEQUENT TO JUNE 30, 2017

Distributions

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

Acquisitions

On August 9, 2017, the Trust announced it has waived conditions and would acquire a 116,818 square foot light industrial property located in Oakville, Ontario for $15.3 million on or before August 15, 2017. The acquisition will be financed by proceeds from the June 2017 equity offering. The property is 100% occupied by a single tenant with six years remaining on its lease term including 2.0% annual rent escalations.

PROPERTY PORTFOLIO

The following table provides information regarding the property portfolio as at June 30, 2017:

Summit II REIT Portfolio by Property

Address	City	Year Built / Renovated	Single vs. Multi-Tenant	No. of Tenants (#)	GLA (sf)	Occupancy (%)
Ontario						
134 Bethridge Road	Toronto	~1965	Single	1	142,386	100.0%
710 Neal Drive	Peterborough	1973 / Ongoing	Single	1	101,601	100.0%
240 Laurier Boulevard	Brockville	2005 / 2010	Single	1	68,093	100.0%
155-161 Orenda Road	Brampton	1970	Multi	5	319,077	100.0%
8705 Torbram Road	Brampton	1980 / 2003	Multi	4	296,203	100.0%
6 Shaftsbury Lane	Brampton	1975	Single	1	125,871	100.0%
40 Summerlea Road	Brampton	1987	Single	1	121,138	100.0%
296-300 Walker Drive	Brampton	1976	Multi	2	102,972	100.0%
292-294 Walker Drive	Brampton	1987	Multi	8	74,583	100.0%
165 Orenda Road	Brampton	2003	Single	1	57,055	100.0%
1075 Clark Boulevard	Brampton	1974	Single	1	35,842	100.0%
200 Vandorf	Aurora	1985	Single	1	322,187	100.0%
125 Nashdene	Scarborough	1992	Multi	2	163,402	100.0%
40 Dynamic Drive	Scarborough	1988	Multi	4	86,681	100.0%
50 Dynamic Drive	Scarborough	1986	Single	1	45,003	100.0%
110 Walker Drive	Brampton	1981 / 1987	Single	1	148,832	100.0%
500 Veterans Drive	Barrie	2004	Single	1	216,460	100.0%
21 Finchdene Square	Scarborough	1981 / 1986	Single	1	170,100	100.0%
1 Rimini Mews	Mississauga	1972	Single	1	46,150	100.0%
977 Century Drive	Burlington	1980	Single	1	45,496	100.0%
30 Struck Court	Cambridge	2006	Single	1	111,493	100.0%
350 Hazelhurst Road	Mississauga	1997	Single	1	220,000	100.0%
78 Walker Drive	Brampton	1986 / 2000	Single	1	150,000	100.0%
1600 Clark Boulevard	Brampton	1974	Single	1	79,300	100.0%
65 Riveria Drive	Markham	1985	Single	1	46,360	100.0%
5485 Tomken Road	Mississauga	1982	Single	1	63,700	100.0%
2333 North Sheridan Way	Mississauga	1970 / 2014	Multi	4	183,989	100.0%
15600 Robin's Hill Road	London	2009	Single	1	210,727	100.0%
2335 Speers Road	Oakville	2006	Single	1	260,830	100.0%
2000 Kipling Avenue	Etobicoke	1960 / 2000	Single	1	195,302	100.0%
13 Bethridge Road	Etobicoke	1960	Single	1	102,318	100.0%
501 Palladium Drive (1)	Ottawa	2007	Multi	3	64,602	100.0%
200 Iber Road (1)	Ottawa	2007	Multi	4	18,936	100.0%
Quebec						
175 Bellerose Boulevard	Laval	2007	Single	1	81,087	100.0%
2580 Dollard	Lassalle	1973	Multi	4	89,000	100.0%
2695 Dollard	Lassalle	1954 / 1980	Multi	2	62,279	100.0%
300 Labrosse	Pointe-Claire	1974	Single	1	55,333	100.0%
7290 Frederick Banting	St. Laurent	2001	Single	1	20,859	100.0%
1600 50th Avenue	Lachine	1968 / 1987	Single	1	244,990	100.0%
4875 Fairway Street	Lachine	1968	Single	1	95,530	100.0%
3720 Ave des Grandes Tourelles (2)	Boisbriand	2014	Single	1	154,166	100.0%
1177-1185 55e Ave (2)	Dorval	1990	Single	1	77,946	100.0%
5757 Thimens Blvd. (2)	St. Laurent	1981	Single	1	37,747	100.0%
5545 Ernest-Cormier (2)	Laval	2012	Single	1	24,956	100.0%
185 Bellerose Blvd (2)	Laval	2009	Single	1	19,566	100.0%
1970 John-Yule (2)	Chambly	2011	Single	1	12,872	100.0%
3700 Ave des Grandes Tourelles (2)	Boisbriand	2015	Single	1	29,561	100.0%

Summit II REIT Portfolio by Property						
Address	City	Year Built / Renovated	Single vs. Multi-Tenant	No. of Tenants (#)	GLA (sf)	Occupancy (%)
Quebec (continued)						
1405 Rue Graham-Bell [2]	Boucherville	2008	Multi	2	23,066	71.8%
3655 Ave des Grandes Tourelles [2]	Boisbriand	2011	Multi	4	22,024	100.0%
20500 Clark-Graham [2]	Baie D'Urfe	2000	Single	1	28,104	100.0%
5685 Rue Cypihot [2]	Saint-Laurent	1980 / 1997	Single	1	78,462	100.0%
4870 Robert-Boyd Street	Sherbrooke	2017	Single	1	138,308	100.0%
British Columbia						
6708, 87A Avenue	Fort Saint John	2006	Single	-	13,500	0.0%
2500 Cranbrook Street	Cranbrook	1970	Single	1	8,200	100.0%
Alberta						
3703 98th Street	Edmonton	1978	Single	1	45,752	100.0%
5880 56th Ave	Edmonton	1997/ 2004	Single	1	30,411	100.0%
14404 128 Ave	Edmonton	1966/ 2016	Single	1	309,077	100.0%
3343-3501 54th Ave	Calgary	1972	Single	1	141,628	100.0%
303 58th Avenue SE	Calgary	1971	Multi	2	120,690	100.0%
New Brunswick						
290 Frenette [1]	Moncton	2012	Single	1	42,369	100.0%
Total Portfolio As At June 30, 2017				**95**	**6,404,172**	**99.7%**

[1] Represents 25% of total GLA.

[2] Represents 50% of total GLA.

SECTION V – RISKS AND UNCERTAINTIES

Income producing properties are inherently subject to certain risks and uncertainties due to their relative illiquidity and long-term nature of the investment. Summit IIôs financial results are therefore, dependent on the performance of its properties and by various external factors that impact the real estate industry and geographic markets in which the REIT operates. Some of the external factors that the REIT is exposed to include fluctuations in interest and inflation rates; access to debt; fulfilling legal and regulatory requirements; and expansion or contraction in the economy as a whole.

Summit IIôs current business strategy is to focus on acquiring and managing a portfolio of light industrial commercial properties, in both primary and secondary markets throughout Canada and that generate stable cash flows over the long term. The quality of the REITôs current portfolio, Management believes, provides the leverage the REIT needs to expand the business in new markets and acquire high performing properties. Management believes this strategy will enable the REITôs operations to achieve highly sustainable cash flows.

The following is an examination of the key factors that influence Summit IIôs operations. A more detailed description of all of our risk factors is contained in the REITôs Annual Information Form.

(A) Interest rate risk

The REIT is exposed to interest rate risk when funds are drawn under the revolving operating facility and variable rate mortgages, which have a floating rate of interest. An increase in interest rates would increase the interest cost of the REITôs loans and have an adverse effect on the REITôs comprehensive income and earnings per Unit. Based on the outstanding balance of the revolving operating facility and variable rate mortgages at June 30, 2017, a 1% increase or decrease in the Bankôs prime rate would have an impact of $34,000 on the REITôs annual interest expense (December 31, 2016 - $385,000) for the period then ended. The REIT intends to structure its fixed rate financing so as to stagger the maturities of its mortgages, thereby minimizing exposure to future interest rate fluctuations.

(B) Credit risk

Credit risk arises from the possibility that tenants may experience financial difficulty and be unable to fulfill their lease commitments. The REIT 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 June 30, 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 5 of the REITôs unaudited condensed consolidated interim financial statements for the three and six month periods ended June 30, 2017 and 2016 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 REIT to fund future growth, refinance debts as they mature or meet the REITôs payment obligations as they arise. Furthermore, liquidity risk also arises from the REIT not being able to obtain financing or refinancing on favourable terms. For the six-month period ended June 30, 2017, the REITôs 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 of 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 REITôs revolving operating facility. Debt repayment obligations (Note 6 of the REITôs unaudited condensed consolidated interim financial statements for the three and six month periods ended June 30, 2017 and 2016) are generally funded from refinancing the related debt and property acquisitions are generally funded from equity raises as well as obtaining debt financing on the related property. Between capital raises, the REIT may use its revolving operating facility to fund the equity portion of property acquisitions.

The REITôs 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 REIT intends to mitigate its liquidity risk by staggering the maturities of its debt. As well, the REITôs distributions are made at the discretion of the REITôs Trustees. Finally, the Trust does not enter into committed property acquisitions unless it has secured or knows that it can secure the appropriate capital (debt and equity) to fund the particular acquisition.

DISCLOSURE AND INTERNAL CONTROLS

The Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") of Summit II, along with the assistance of senior management, have designed disclosure controls and procedures to provide reasonable assurance that material information relating to Summit II is made known to the CEO and CFO, and have designed internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with IFRS. No changes were made in Summit IIôs design of internal controls over financial reporting during the six-month period ended June 30, 2017, that have materially affected, or are reasonably likely to materially affect, Summit IIôs internal controls over financial reporting.

Due to the inherent limitations in all controls systems, a control system can provide only reasonable, not absolute assurance, that the objective of the control system are met and may not prevent or detect misstatements or instances of fraud. Managementôs estimates may be incorrect, or assumptions about future events may be incorrect, resulting in varying results. Additionally, controls may be circumvented by the unauthorized acts of individuals, by collusion of two or more people or by management override.

FUTURE CHANGES IN ACCOUNTING POLICIES

The future accounting policies changes are discussed in the Trustôs unaudited condensed consolidated interim financial statements for the three and six month periods ended June 30, 2017 and 2016 and the notes contained therein.

UNITS OUTSTANDING

The Trust is permitted under its Declaration of Trust, to issue three classes designated as ñUnitsò, ñSpecial Voting Unitsò and ñPreferred Unitsò. The Trust has issued only a single class of Units.

The total number of Units outstanding as of August 9, 2017, was 52,483,657.