MANAGEMENT'S DISCUSSION AND ANALYSIS

For the year ended December 31, 2016

Table of Contents

FORWARD-LOOKING INFORMATION ADVISORY 1

SECTION I – OVERVIEW VISION AND STRATEGY 2

SECTION II – KEY PERFORMANCE INDICATORS 5

FINANCIAL INDICATORS 5

OPERATING INDICATORS 6

SECTION III – FINANCIAL RESULTS 8

SECTION IV – OUTLOOK 21

SECTION V – RISKS AND UNCERTAINTIES 26

SUMMIT INDUSTRIAL INCOME REIT
MANAGEMENT DISCUSSION AND ANALYSIS
For the year ended December 31, 2016

The terms õSummit IIö, õthe Trustö or õthe REITö in the following Managementøs Discussion and Analysis (õMD&Aö) refer to Summit Industrial Income Real Estate Investment Trust and its Audited Consolidated Financial Statements and results of operations for the years ended December 31, 2016 and 2015.

FORWARD-LOOKING INFORMATION ADVISORY

Certain statements in this MD&A are õforward-looking statementsö within the meaning of applicable securities laws. These statements reflect Managementøs expectations regarding Summit IIøs 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 Managementøs 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 õcouldö, õshouldö, õwouldö, õcanö, õanticipateö, õexpectö, õdoes not expectö, õbelieveö, õplanö, õbudgetö, õscheduleö, õestimateö, õintendö, õprojectö, õwillö, õmayö, õmightö, õcontinueö and similar expressions or statements relating to matters that are not historical factors constitute forward-looking statements. Such forward-looking statements reflect Managementøs 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 IIøs 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 õRisk Factorsö 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 IIøs 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 õfinancial outlookö 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 February 21, 2017, and should be read in conjunction with the REITøs Audited Consolidated Financial Statements for the years ended December 31, 2016 and 2015. Financial data provided has been prepared in accordance with International Financial Reporting Standards (õIFRSö).

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 (õSEDARö) 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 February 21, 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 õDeclaration of Trustö). Summit IIøs Units are publicly traded on the Toronto Stock Exchange (õTSXö) under the symbol SMU.UN.

Summit II is focused primarily on the light industrial segment of the Canadian real estate industry. As at December 31, 2016, Summit IIøs property portfolio was comprised of 52 income producing properties and one value-add property totalling 5,245,915 square feet of gross leasable area (õGLAö) with a net book value of approximately $496.3 million. Total assets as at December 31, 2016, were approximately $500.8 million.

NON-IFRS FINANCIAL MEASURES

Readers are cautioned that certain terms used in this MD&A such as Funds from Operations (õFFOö), Adjusted Funds from Operations (õAFFOö), Net Operating Income (õNOIö) 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 IIøs significant accounting policies are described in Note 3 to its Audited Consolidated Financial Statements for the years ended December 31, 2016 and 2015.

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 REITøs 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 IIøs mission is to provide õbest-in-classö 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 IIøs 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 õbest-in-classö 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 IIøs 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. Management will strive to increase FFO over the long term.

Adjusted Funds from Operations

AFFO is defined as FFO net of actual leasing commissions, tenant improvements, capital expenditures that maintain the current rental operations, and straight-line rent. Management considers leasing activities and capital expenditures to be fundamental to the operating activities of the REIT in order to maintain the current level of rental operations, and is not a discretionary investment. In calculating AFFO, leasing costs have been normalized based on a three-year average to consider fluctuations with lease maturities and renewal terms. Estimates of normalized leasing costs are based on the current property portfolio. Management has excluded from the calculation of AFFO those capital expenditures and leasing costs that relate to the generation of a new rental stream. Management also considers AFFO to be an effective measure of the cash generated from operations and is a measure of the REITøs ability to pay distributions.

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 $0.042 per Unit, or $0.504 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 AFFO payout ratio below 90%.

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 Unitholdersø 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 õfull occupancyö 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 IIøs 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 more predictable 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 IIøs 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.

Managementøs capabilities and the business risks that must be managed are discussed in Summit IIøs Annual Information Form dated March 30, 2016.

Business and Economic Environment

In the current low-interest rate environment, Canadian industrial real estate has performed very well. Through the fourth quarter of 2016, Management believes a strengthening US economy and low Canadian dollar will continue to have a positive impact on the Canadian economy in general, and Canadian industrial markets in particular. At the end of the fourth quarter, the national availability rate and vacancy rate in Canada had dropped to 5.3% 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 IIøs target markets. Among Canadaøs major industrial markets, the Greater Toronto Area (õGTAö) is experiencing the lowest availability rate and vacancy rates in the country at 3.3% and 1.8%, respectively.[1] A majority of Summit IIøs 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 GTAøs light industrial rental rates that will be supportive of long-term value creation in the region. The Greater Montreal Area (õGMAö) 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 Summitøs 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. The current acquisition environment across Canada and particularly in the GTA is very challenging. There has been a lack of industrial opportunities available either as single building sales or portfolio transactions. Investor and user demand continues to largely outweigh the supply of available product. This has resulted in higher pricing and minimized returns through cap rate compression.

[1] CBRE Canada Industrial Q4 2016 Industrial Marketview Report

SECTION III – FINANCIAL RESULTS

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

(in thousands of Canadian dollars) (except per Unit amounts)	Three months ended December 31		Year ended December 31	
	2016	2015	**2016**	**2015**
Portfolio Performance				
Occupancy (%)	**98.9%**	98.1%	**98.9%**	98.1%
Revenue from income properties	**$ 12,766**	$ 9,708	**$ 44,950**	$ 38,377
Property operating expenses	**4,429**	2,966	**14,697**	11,865
Net operating income	**8,337**	6,742	**30,253**	26,512
Interest expense	**2,382**	2,008	**8,943**	8,100
Net income	**9,830**	4,956	**24,376**	17,935
Operating Performance				
FFO per Unit [1]	**0.157**	0.150	**0.610**	0.593
Regular Distributions per Unit declared to Unitholders	**0.126**	0.126	**0.504**	0.504
Special Distributions per Unit declared to Unitholders [2]	**-**	-	**-**	0.016
Regular FFO payout ratio without DRIP benefit	**80.0%**	84.3%	**82.6%**	85.0%
Regular FFO payout ratio with DRIP benefit	**67.5%**	70.8%	**69.1%**	71.4%
Total Distributions per Unit declared to Unitholders	**0.126**	0.126	**0.504**	0.520
Weighted average Units outstanding [1]	**34,934**	28,860	**32,178**	28,628
Liquidity and Leverage				
Total assets	**500,807**	406,411	**500,807**	406,411
Total debt (loans and borrowings)	**270,635**	218,369	**270,635**	218,369
Weighted average effective mortgage interest rate	**3.43%**	3.52%	**3.43%**	3.52%
Weighted average mortgage term (years)	**4.51**	4.47	**4.51**	4.47
Leverage ratio	**54.0%**	53.7%	**54.0%**	53.7%
Interest coverage (times)	**3.16**	3.01	**3.05**	2.94
Debt service coverage (times)	**1.83**	1.77	**1.80**	1.77
Other				
Properties acquired	**-**	-	**8**	11
Non-core properties disposed	**-**	-	**-**	-

[1] On June 17, 2016, approximately 5,650,000 Units were issued on completion of a public offering. On January 7, 2015, approximately 5,130,000 Units were issued on completion of a public offering.

[2] On the sale of a 75% interest in two properties, the Trustees approved a special distribution of $0.016 per Unit payable to shareholders of record May 31, 2015 which was paid June 15, 2015.

FINANCIAL AND OPERATING HIGHLIGHTS

2016 Highlights:

- Acquired seven income-producing properties totalling 763,898 sq. ft. for cost of $80.9 million at average cap rate of 7.05%.
- Entered into first value-add transaction with acquisition of 50% interest in 156,925 sq. ft. Montreal property. Property has been leased for a 15-year term commencing February 15, 2017.
- Portfolio growth generates 17.1% increase in revenues and 15.6% increase in FFO due to revenue growth and strong operating performance. Fourth quarter FFO up 27.5%.
- Growth accretive as FFO per Unit up 2.9% despite 12.4% increase in Units outstanding.
- Strong 82.6% FFO payout ratio (69.1% with DRIP benefit) for the year ended December 31, 2016.
- Completed successful $34.2 million bought-deal equity offering on June 17, 2016.
- Occupancy remains strong at 98.9% at December 31, 2016 with average lease term of 5.4 years and contractual rent steps of 1.7% per year.
- A strong year of leasing, completing 633,291 sq. ft. of new and renewal leasing compared to 372,270 sq. ft. in 2015.
- Obtained $20.4 million in new mortgage financings at average 3.2% fixed interest rate for average eight-year term to maturity.
- Manager and Insiders interest remains strongly aligned with Unitholders through 12.9% insider ownership of REIT Units outstanding.
- 100% of 2016 distributions tax deferred as a return of capital.

Subsequent to year end:

- Completed successful $46.0 million bought-deal equity offering on January 31, 2017.
- Acquired a $17.0 million income-producing property and waived conditions and proceeding to close on an additional $28.2 million of acquisitions.
- In addition, we are currently performing due diligence on three acquisitions for a total of approximately $54.0 million.
- Expected to finance the various acquisitions with new and assumed 5 year mortgages at interest rates between 3.00% and 3.15%.

REVENUE, PROPERTY OPERATING EXPENSES, NOI, INTEREST

Net operating income for the three months and year ended December 31, 2016, increased to $8.3 million and $30.3 million, respectively, compared to $6.7 million and $26.5 million, respectively, for the same periods in 2015. The increases were due to accretive acquisitions completed in 2015 and 2016, partially offset by the 75% sale of two properties in April 2015. Please refer to the õTransactionsö section below.

Interest expense for the three months and year ended December 31, 2016, increased to $2.4 million and $8.9 million, respectively, compared to $2.0 million and $8.1 million, respectively, for the same periods in 2015. 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 months and year ended December 31, 2016, was $9.8 million and $24.4 million, respectively, compared to $5.0 million and $17.9 million, respectively, for the same periods in 2015. The increases were due to the accretive acquisitions noted above, offset by a loss of $640,000 in the second quarter of 2016 associated with changes to return of escrow receivable assumptions from the sale of 75% interest of an Ottawa property in May 2014, compared to a gain on the sale of investment properties of $2.0 million in the second quarter of 2015, offset by a loss of $540,000 in the third quarter of 2015 associated with changes to return of escrow receivable assumptions from the sale of 75% interest of an Ottawa property. The fair value gains for the three months and year ended December 31, 2016, were $4.4 million and $5.6 million, respectively, compared to fair value gains of $669,000 and losses of $27,000, respectively, for the same periods in 2015.

TRANSACTIONS

ACQUISITIONS

For the year ended December 31, 2016, Summit II acquired interests in one value-add and seven income producing properties totalling 842,361 square feet of GLA. During the year ended December 31, 2015, Summit II acquired 11 properties totalling 850,602 square feet of GLA. Details of the REITøs acquisition activity are shown in the following table:

Property	City	Province	Closing date	%	GLA		Purchase Price
2016 Acquisitions							
3700 Ave des Grandes Tourelles (1)	Boisbriand	Quebec	January 15, 2016	50%	29,235	$	4,250,000
1405 Rue Graham-Bell (1)	Boucherville	Quebec	February 2, 2016	50%	23,066		2,400,000
5685 Rue Cypihot (1) (2)	Saint-Laurent	Quebec	February 12, 2016	50%	78,463		3,600,000
3655 Ave des Grandes Tourelles (1)	Boisbriand	Quebec	March 3, 2016	50%	22,061		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					**842,361**		**81,275,000**
2015 Acquisitions							
5545 Ernest-Cormier (1)	Laval	Quebec	February 5, 2015	50%	24,956	$	3,750,000
185 Bellerose Blvd (1)	Laval	Quebec	February 5, 2015	50%	19,566		3,850,000
1970 John-Yule (1)	Chambly	Quebec	February 5, 2015	50%	12,872		2,725,000
3720 Ave des Grandes Tourelles (1)	Boisbriand	Quebec	February 11, 2015	50%	154,166		19,000,000
1177-1185 55e Ave (1)	Dorval	Quebec	February 11, 2015	50%	77,946		7,000,000
5757 Thimens Blvd. (1)	St. Laurent	Quebec	February 11, 2015	50%	37,747		3,050,000
78 Walker Drive	Brampton	Ontario	February 23, 2015	100%	150,000		11,000,000
1600 Clark Boulevard	Brampton	Ontario	February 23, 2015	100%	79,300		5,800,000
65 Riveria Drive	Markham	Ontario	February 23, 2015	100%	46,360		3,750,000
5485 Tomken Road	Mississauga	Ontario	February 23, 2015	100%	63,700		4,600,000
2333 North Sheridan Way	Mississauga	Ontario	June 11, 2015	100%	183,989		14,450,000
Total Acquisitions for the year 2015					**850,602**		**78,975,000**

(1) Represents 50% of total GLA.

(2) Value add property.

FUNDS FROM OPERATIONS, ADJUSTED FUNDS FROM OPERATIONS

The Trustøs FFO and AFFO per Unit are calculated as follows:

(in Thousands of Canadian dollars)	Three months ended December 31				Year ended December 31			
		2016		2015		**2016**		2015
Net Income	**$**	**9,830**	$	4,956	**$**	**24,376**	$	17,935
adjustments								
Free rent amortization	**$**	**49**	$	37	**$**	**177**	$	111
Loss (gain) on sale of property [1]	**$**	**-**	$	(11)	**$**	**640**	$	(1,444)
Incentive fee associated with realized (loss) gain on sale of investment properties [2]	**$**	**-**	$	2	**$**	**-**	$	351
Fair value adjustment to investment properties	**$**	**(4,378)**	$	(669)		**(5,558)**	$	27
FFO	**$**	**5,501**	$	4,315	**$**	**19,635**	$	16,980
adjustments								
Straight lining of rents	**$**	**(311)**	$	(233)	**$**	**(1,109)**	$	(964)
Leasing costs [3]	**$**	**(400)**	$	(351)	**$**	**(1,600)**	$	(1,402)
Capital	**$**	**(110)**	$	(106)	**$**	**(143)**	$	(412)
AFFO	**$**	**4,680**	$	3,625	**$**	**16,783**	$	14,202
FFO per Unit	**$**	**0.157**	$	0.150	**$**	**0.610**	$	0.593
AFFO per Unit [3]	**$**	**0.134**	$	0.126	**$**	**0.522**	$	0.496
Regular Distributions declared to Unitholders	**$**	**4,403**	$	3,638	**$**	**16,346**	$	14,477
Regular Distributions per Unit declared to Unitholders	**$**	**0.126**	$	0.126	**$**	**0.504**	$	0.504
Regular Cash distributions paid	**$**	**3,715**	$	3,057	**$**	**13,573**	$	12,125
Regular FFO payout ratio without DRIP benefit		**80.0%**		84.3%		**82.6%**		85.0%
Regular FFO payout ratio with DRIP benefit [1]		**67.5%**		70.8%		**69.1%**		71.4%
Weighted average number of Units outstanding		**34,934**		28,860		**32,178**		28,628
Units issued and outstanding at the end of the period		**34,990**		28,908		**34,990**		28,908

[1] The gain on sale of property is calculated as net proceeds on sale less the IFRS fair market value of the property prior to sale.

[2] The realized gain on sale of investment property is calculated as net proceeds on sale less the actual costs incurred to initially acquire the property and the capital and leasing cost incurred since ownership.

[3] Leasing costs in the AFFO calculation have been normalized to consider fluctuations with lease maturities and renewal terms. Current year represents a three year average spread evenly over the quarters and prior year represents actual expenditures spread evenly over the quarters.

For the three months ending December 31, 2016, FFO was $5.5 million ($0.157 per Unit) compared to $4.3 million ($0.150 per Unit) in the same prior year period. For the year ended December 31, 2016, FFO was $19.6 million ($0.610 per Unit) compared to $17.0 million ($0.593 per Unit) in the prior year. AFFO for the three months ended December 31, 2016, was $4.7 million ($0.134 per Unit) compared to $3.6 million ($0.126 per Unit) for the same period in 2015. For the year ended December 31, 2016, AFFO was $16.8 million ($0.522 per Unit) compared to $14.2 million ($0.496 per Unit) in 2015.

The increases in FFO and AFFO in 2016 are due primarily to acquisitions completed over the prior twelve months, partially offset by the disposal of 75% of two properties in April 2015. The REITøs FFO payout ratio through the fourth quarter of 2016 was 80.0% (67.5% including the benefit of the REITøs DRIP program) compared to 84.3% (70.8% including the benefit of the REITøs DRIP program) during the same period in 2015. The REITøs FFO payout ratio through the year ended December 31, 2016, was 82.6% (69.1% including the benefit of the REITøs DRIP program) compared to 85.0% (71.4% including the benefit of the REITøs DRIP program) during the same period in 2015.

In calculating AFFO, leasing costs have been normalized to consider fluctuations with lease maturities and renewal terms. Estimates of normalized leasing costs for the current period are based on a three-year average of the current property portfolio and spread evenly over the quarters. Prior year leasing costs represent actual costs incurred spread evenly over the quarters. Leasing costs were $1.87 million for the year ended December 31, 2016 compared to $1.40 million in the same period of 2015. During 2016, 440,244 square feet of renewal leasing was completed as well as 193,047 square feet of new leases for a total of 633,291 square feet compared to 372,270 for the same period in 2015.

LIQUIDITY AND CAPITAL RESOURCES

The major changes to Summit IIøs balance sheet as at December 31, 2016, compared to the prior year reflect the property acquisitions, dispositions, debt obtained and equity offering during the period.

TOTAL ASSETS

Summit IIøs total assets increased to $500.8 million at December 31, 2016, from $406.4 million at the prior year end. Fair value gains for the year ended December 31, 2016, were $5.6 million, compared to fair value losses of $27,000, for the same period in 2015. This is mainly attributable to increasing market values of the properties in the GTA. During the year ended December 31, 2016, the REIT acquired one value-add and seven income producing properties for a purchase price of $81.3 million. Please refer to the õTransactionsö section above for more details.

TOTAL DEBT

Total debt was $270.6 million at December 31, 2016, compared to $218.4 million at the prior year end.

In December 2016, the revolving credit facility maturity date was extended to September 27, 2019. As of December 31, 2016, $34.3 million, of an available $39.2 million, was drawn on the revolving credit facility. The Trustøs exposure to floating rate debt was 14.2% of total debt as at December 31, 2016.

During the third quarter of 2016, in conjunction with the Baie DøUrfe property acquisition, the Trust obtained $2.5 million in mortgage financing at a variable interest of monthly Bankerøs Acceptance Canadian Dealer Offered Rate (õBA-CDORö) plus 1.75% with a term to maturity of ten years. In order to hedge the interest rate risk on the variable interest rate, the Trust entered into a ten-year interest rate swap agreement which effectively fixed the interest rate at 3.36%. On the acquisition of the Calgary property, a new $7.5 million mortgage was obtained at a variable interest of monthly BA-CDOR plus 1.95% and a term to maturity of seven years. In order to hedge the variable interest rate risk, the Trust entered into a seven-year interest rate swap agreement which effectively fixed the interest rate at 3.15%. On the acquisition of the London property, $10.4 million in mortgage financing was obtained at a variable interest of monthly BA-CDOR plus 1.79% with a term to maturity of seven years which was effectively fixed at an interest rate of 3.04% by entering into a seven-year interest rate swap agreement at the same time.

During the second quarter of 2016, on the acquisition of the Edmonton property, the Trust assumed $23.4 million in mortgage financing at an average interest rate of 4.09% and an average term to maturity of 9.4 years.

During the first quarter of 2016, in conjunction with the acquisition of interests in the four properties in Montreal the Trust assumed $6.9 million in mortgage financing at an average interest rate of 3.63% and an average term to maturity of 7.1 years. One of the mortgages for $3.2 million, was obtained at a variable interest rate of monthly Canadian Dealer Offered Rate (õCDORö) plus 1.58% with a term to maturity of ten

years. In order to hedge the interest rate risk on the variable interest rate, the Trust entered into a ten-year interest rate swap agreement which effectively fixed the interest rate at 3.63%. The balance of the transaction was satisfied with funds from the revolving credit facility.

Also, during the first quarter, $7.5 million in new mortgage financing was obtained at a variable interest rate of monthly CDOR plus 1.65% with a term to maturity of five years. The proceeds from the new mortgage financing was used to pay down the revolving credit facility. In order to hedge the interest rate risk on this variable rate, the Trust entered into a five-year interest rate swap agreement effectively fixing the interest rate at 2.78%.

On January 4, 2016, $4.9 million in mortgage debt on one property matured and was paid utilizing funds from the revolving credit facility. This property has been added as security on the line.

EQUITY

Unitholdersø equity increased to $220.6 million at December 31, 2016, compared to $177.9 million at the prior year end. On June 17, 2016, Summit II completed a public offering of 5,650,000 trust units at a price of $6.05 for net proceeds of $32.5 million.

CASH DISTRIBUTIONS

The regular cash distributions declared during the year ended December 31, 2016, were $13.6 million compared to $12.1 million in the same period of 2015. The Trust will continue its distribution of $0.042 per Unit on a monthly basis ($0.504 per Unit on an annualized basis).

SPECIAL DISTRIBUTION

As a result of the net realized gain of $2.4 million or $0.08 per Unit created on the sale of a 75% interest in two properties in April 2015, the Trustees approved a special distribution of $0.016 per Unit payable to shareholders of record May 31, 2015. The total amount of this special distribution was $459,000 or $392,000 net of DRIP participation and was paid June 15, 2015. The distribution represents approximately 20% of the realized gain on the disposition. There have been no special distributions declared in the year ended December 31, 2016.

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 (õDRIPö) whereby registered or beneficial holders of the Trustøs Units who are resident 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 year ended December 31, 2016, there were 432,126 Units issued under this plan for total proceeds of $2.5 million, representing a DRIP participation rate of 15.6%. During the year ended December 31, 2015, there were 381,224 Units issued under this plan for total proceeds of $2.2 million, representing a 14.9% DRIP participation rate.

LIQUIDITY

(in Thousands of Canadian dollars)	Total	Deferred Financing Charges	Premium on Debt	2017	2-3 years	4-5 years	After 5 years
Loans and borrowings	270,635	(1,137)	1,768	14,776	105,726	80,454	69,048
Trade and accrued liabilities	5,069	-	-	4,714	244	56	55
Total	275,704	(1,137)	1,768	19,490	105,970	80,510	69,103

Approximately $34.3 million, of an available $39.2 million, of the loans and borrowings presented in the 2-3 yearsø category is associated with the revolving credit facility which matures September 27, 2019.

TAXATION

Summit II is generally subject to tax in Canada under the Income Tax Act (The õTax Actö) 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 IIøs 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.

	December 31, 2016		September 30, 2016		December 31, 2015	
	GLA	Occupancy %	GLA	Occupancy %	GLA	Occupancy %
Investment properties						
Ontario	3,838,238	99.0%	3,838,238	98.8%	3,627,502	97.3%
British Columbia	21,700	100.0%	21,700	100.0%	21,700	100.0%
Alberta	526,868	100.0%	526,868	100.0%	76,163	100.0%
New Brunswick	42,369	100.0%	42,369	100.0%	42,369	100.0%
Quebec	738,277	97.7%	738,277	99.9%	635,811	100.0%
Total	**5,167,452**	**98.9%**	**5,167,452**	**99.2%**	**4,403,545**	**98.1%**

ACTIVE LEASING PROGRAM

Occupancy in the portfolio remains strong. The weighted average lease term for the portfolio is approximately 5.4 years. The leases contain contractual steps in rent of approximately 1.7% per year over the term. The REIT is proactive in addressing lease expiries well in advance of the expiry date.

For the year ended December 31, 2017, approximately 390,000 square feet, or 7.7% of the total portfolio, is up for lease renewal. In Q1 2017, approximately 121,138 square feet (31% of the 2017 expiries) has been renewed for a five-year term with rent starting 4.4% higher than the expiring rent. Discussions are also underway on the renewal of an additional 114,275 square feet (29% of the 2017 expiries).

In Q1 2017, the value add property in Montreal has been leased for a 15-year term commencing February 15, 2017. The property will produce an average yield of approximately 8.5%. Also, in Q1 2017, 38,386 square feet of the vacancy at December 31, 2016 has been leased to a short-term tenant.

LEASE ROLLOVER

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

	GLA	Percentage
2017	390,091	7.7%
2018	444,390	8.7%
2019	899,977	17.7%
2020	302,254	5.9%
2021	172,582	3.4%
Thereafter	2,889,355	56.6%
Occupied GLA	5,098,649	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 IIøs Declaration of Trust is 65%. However, it is Summit IIøs goal to operate in the mid-50% range over the long term. At December 31, 2016, Summit IIøs debt leverage ratio was 54.0% compared to 53.7% at December 31, 2015. Average leverage during the quarter was 54.4% when compared to 54.0% the same period in 2015. The offering funds received June 17, 2016 were temporarily applied to the credit facility and not fully invested until September 20, 2016.

(In Thousands of Canadian dollars)	As at December 31, 2016	As at September 30, 2016	As at June 30, 2016	As at March 31, 2016	As at December 31, 2015
Total Assets	500,807	493,645	459,711	423,507	406,411
Debt					
Mortgages payable	233,546	235,289	216,585	193,387	185,342
Bank loans	37,089	34,070	19,570	41,117	33,027
Total debt	270,635	269,359	236,155	234,504	218,369
Leverage ratio	**54.0%**	**54.6%**	**51.4%**	**55.4%**	**53.7%**
Average leverage ratio - quarter	**54.4%**	**53.0%**	**54.3%**	**55.0%**	**54.0%**

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	10,569	4.5%	3.43%
2018	57,954	25.0%	3.43%
2019	13,452	5.8%	3.41%
2020	47,494	20.5%	3.39%
2021	32,960	14.2%	3.35%
2022	16,287	7.0%	3.31%
Thereafter	52,761	22.8%	3.32%
Total principal repayments	231,477	100.0%	3.43%
Variable rate debt	38,527		
Premium on debt	1,768		
Deferred financing charges	(1,137)		
Total loans and borrowings	270,635		

As at December 31, 2016, there was approximately $38.5 million of variable rate debt.

CASH FLOW

The following table represents the changes in cash flow for the years ended December 31, 2016 and 2015.

(In thousands of Canadian dollars)	2016	2015
Cash flow from operating activities	$ 14,904	$ 14,099
Cash flow from (to) financing activities	$ 17,561	$ 33,886
Cash flow from (to) investing activities	$ (32,428)	$ (47,643)

Cash flow from operating activities for the year ended December 31, 2016, was $14.9 million compared to $14.1 million for the prior year. The increase was due the change in working capital as a result of the growth in the portfolio.

Cash flow from financing activities was $17.6 million for the year ended December 31, 2016, compared to $33.9 million for the same period in the prior year. As at December 31, 2016, approximately $34.3 million was drawn from the revolving credit facility compared to $32.1 million at December 31, 2015. During the year ended December 31, 2016, $4.9 million in mortgage debt matured on one property and was paid utilizing funds from the revolving credit facility. This property has been added as security on the line. Mortgage principal repayments were $6.2 million for the year ended December 31, 2016, compared to $6.0 million for the same period in the prior year. As well, in 2016, new mortgage financings of $7.5 million was obtained compared to $28.0 million for the same period prior year. Distributions paid for the year ended December 31, 2016, were $13.6 million. Cash flow from financing activities was higher during the same period in the prior year due to the increase in mortgage debt associated with transactions during 2015 and the related equity offering completed on January 7, 2015. Distributions paid for the year ended December 31, 2015, were $12.5 million including the special distribution on the sale of a 75% interest in two properties in April 2015. During 2016, the Trust completed a bought-deal equity offering for net proceeds of $32.5 million and initially applied the proceeds toward the revolving credit facility, compared to an equity offering of $28.5 million in the prior year.

Cash flow allocated to investing activities was $32.4 million for the year ended December 31, 2016, compared to $47.6 million in the same period in 2015. For the year ended December 31, 2016, the Trust acquired one value-add and seven income producing properties with GLA of 842,361 square feet, for acquisition costs of approximately $83.5 million excluding any mark to market on assumed debt. The acquisitions were financed by new and assumed mortgages and debt of $52.5 million, assumed security deposits of $457,000 and $600,000 in deposits on acquisitions made in the prior year. During the same period of 2015, the Trust acquired 11 properties with GLA of 850,602 square feet for acquisition costs of $81.1 million financed by assumed debt of $20.3 million, assumed security deposits of $1.0 million and cash from the revolving credit facility. Also during this period in 2015, the Trust sold excess land for $650,000, and sold a 75% interest in two properties for $24.9 million, generating a net realized gain of $2.4 million. Approximately $9.0 million in debt was assumed by the purchaser on the sale of 75% interest in the two properties. Additions to investment properties for the years ended December 31, 2016 and 2015 of $2.2 million and $5.8 million respectively, relate to capital outlays and tenant leasing costs.

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

(in Thousands of Canadian dollars)	Year ended December 31			
		2016		2015
Cash provided by operating activities	**$**	**14,904**	$	14,099
Actual cash distributions paid or payable		**11,943**		14,936
Excess (shortfall) of cash provided by operating activities over cash distributions paid	**$**	**2,961**	$	(837)
Net income and comprehensive income	**$**	**24,376**	$	17,935
Actual cash distributions paid or payable	**$**	**11,943**	$	14,936
Excess (shortfall) of net income over cash distributions paid	**$**	**12,433**	$	2,999

For the year ended December 31, 2016, the REITøs cash flow from operations exceeded distributions by $3.0 million compared to the same period in 2015, when distributions exceeded cash flow from operations by $0.8 million. The change in non-cash working capital items will vary from period to period.

RELATED PARTY TRANSACTIONS

Management Agreement

Pursuant to the terms of the Management Agreement with Sigma Asset Management Limited (õSigmaö or the õManagerö), 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 IIøs assets;
- an incentive fee equal to 15% of Summit IIøs AFFO per Unit, plus per Unit realized gains, as defined by the Management Agreement, in excess of a $0.48 (after the õConsolidationö) hurdle amount, such hurdle amount to be increased by 1.5% each year ($0.5019 effective January 1, 2016);
- 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 months and year ended December 31, 2016 and 2015:

(In thousands of Canadian dollars)	Three months ended December 3		Year ended December 31	
	2016	2015	**2016**	2015
Acquisition fees (capitalized to investment properties	**$ -**	$ -	**$ 813**	$ 790
Asset management fees	**305**	250	**1,118**	974
Incentive fee	**-**	55	**-**	362
Leasing fees (capitalized to investment properties)	**9**	63	**210**	213
Capital expenditures management fee (capitalized to i	**39**	162	**39**	162
Property management services	**434**	353	**1,568**	1,406
	$ 787	$ 883	**$ 3,748**	$ 3,907

During the year ended December 31, 2016, Sigma paid $34,000 to the Trust (2015 - $34,000) for office space located at 294 Walker Drive, Brampton, Ontario, under a five-year lease commencing June 1, 2013.

Trustee related fees of $192,000 (2015 - $202,000) are included in general and administrative expenses for the year ended December 31, 2016.

The following table represents the Units acquired during the year ended December 31, 2016, 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 year ended December 31, 2016	Manager	Senior Executives of the Manager	Other insiders	Total units
Acquired on open market in 2016 and DRIP	7,755	84,184	469,479	561,418
	7,755	**84,184**	**469,479**	**561,418**

In total the Manager owns a 3.8% interest in the REIT, on an indirect basis. Certain senior executives and employees of the Manager own, directly or indirectly, a 3.0% interest in the REIT and other insiders own, directly or indirectly, a 6.1% interest in the REIT, for a total of 12.9% insider ownership as at December 31, 2016.

SUMMARY OF QUARTERLY RESULTS

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

(in thousands of Canadian dollars)	2016				2015			
(except per Unit amounts)	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenue from income properties	$ 12,766	$ 11,516	$ 10,504	$ 10,164	$ 9,708	$ 9,903	$ 9,717	$ 9,049
Property operating expenses	4,429	3,482	3,480	3,306	2,966	3,107	3,042	2,750
Net operating income (NOI)	8,337	8,034	7,024	6,858	6,742	6,796	6,675	6,299
Net income	9,830	6,392	3,869	4,285	4,956	3,329	6,012	3,638
Funds from operations (FFO)	5,501	5,338	4,473	4,323	4,315	4,334	4,233	4,098
Net income per Unit - basic and diluted	0.281	0.184	0.129	0.148	0.172	0.116	0.210	0.129
FFO per Unit	0.157	0.153	0.149	0.149	0.150	0.151	0.148	0.145
Weighted average Units outstanding								
Basic and Diluted	34,934	34,821	29,934	28,961	28,860	28,761	28,657	28,226
Leverage ratio	54.0%	54.6%	51.4%	55.4%	53.7%	54.1%	53.9%	55.3%
Interest coverage (times)	3.16	3.17	2.93	2.89	3.01	2.95	2.89	2.90
Debt service coverage (times)	1.83	1.86	1.74	1.73	1.77	1.71	1.77	1.82

Net operating income increased to $8.3 million in the fourth quarter of 2016 compared to $6.7 million in the fourth quarter of 2015. The increase in NOI was due to the growth in the size of the portfolio through acquisitions in 2016 and in 2015. These increases have been partially offset by the sale of a 75% interest in two properties in 2015.

Net income was $9.8 million for the quarter ended December 31, 2016, compared to $5.0 million in the same period of 2015. Interest expense increased to $2.4 million in the fourth quarter of 2016 compared to $2.0 million in the fourth quarter of 2015. The increase relates to the increase in mortgages and debt related to the acquisitions during 2016 and 2015. Also, $4.4 million in fair value gains were recorded for the quarter ended December 31, 2016, compared to gains of $669,000 in the same period of 2015.

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 in 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 growth forecast of each region. Eastern industrial markets, (most notably Toronto and Montreal), which have a heavier concentration of manufacturing and distribution uses, will benefit from stronger export and transportation conditions stemming from a lower Canadian dollar, lower fuel prices and a growing U.S. economy. In contrast, Western industrial markets (most notably Edmonton and Calgary) will continue to face challenges as a result of suppressed commodity prices and further curtailment of capital investment in the region. As a consequence, Management expects industrial valuations in Toronto and Montreal to continue to rise in 2017, while valuations in Calgary and Edmonton may decline in response to continued economic headwinds. Notwithstanding the foregoing, declining property values in Calgary and Edmonton, which had previously exceeded those of Toronto and Montreal, 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. This competitive investment climate will continue to influence valuations in major Eastern Canadian markets in 2017. Interest rates, which are at historic lows and not expected to face much, if any, upward pressure in 2017, are projected to remain stable and continue to be supportive of leveraged buying and property valuations in general.

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 IIøs 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 IIøs 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 IIøs 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 Toronto and Montreal 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 IIøs 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 IIøs strategy is to provide tenants with õbest-in-classö services to ensure their needs are met and to build Summit IIøs 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 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 DECEMBER 31, 2016

Distributions

On January 13, 2017, a distribution in the amount of $0.042 per Unit for Unitholders of record January 31, 2016, was declared and was paid on February 14, 2017. Also, on February 14, 2017, a distribution in the amount of $0.042 per Unit for Unitholders of record on February 28, 2017, was declared and will be paid on March 15, 2017.

Offering

On January 31, 2017, the Trust completed a public offering of 7,423,250 units at a price of $6.20 for total gross proceeds of approximately $46.0 million. The offering incurred issue costs of $2.1 million for net proceeds of $43.9 million. The offering proceeds were used to repay outstanding debt under the revolving credit facility and will be used to fund subsequent acquisitions.

Acquisitions

On February 14, 2017, the Trust acquired a light industrial property in Calgary, aggregating 120,690 square feet of GLA for $17.0 million. The acquisition was satisfied with proceeds from the offering. The Trust expects to finance this property with approximately $11.2 million in new mortgage financing at an indicative rate of 3.00% for a term of 5 years. The property is fully leased to two tenants with a weighted average lease term of 7.7 years.

The Trust waived conditions on acquiring a light industrial property in the Greater Toronto Area, aggregating 260,830 square feet of GLA for $28.2 million. The acquisition is expected to be satisfied by a new mortgage of $17.7 million bearing an interest rate to be set at 5-year Government of Canada Bonds plus 1.90% and term to maturity of 5 years with the balance from the offering. The expected closing date is on or before February 28, 2017. This property is a single tenant building with a remaining lease term of 10-year term.

Financing

On January 17, 2017, $1.4 million in variable rate mortgage debt maturing August 1, 2017, was paid utilizing funds from the revolving credit facility.

PROPERTY PORTFOLIO

The following table provides information regarding the property portfolio as at December 31, 2016:

Summit II REIT Portfolio by Property

Address	City	Year Built / Renovated	Single vs. Multi-Tenant	No. of Tenants	GLA	Occupancy
				(#)	(sf)	(%)
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	3	86,681	55.7%
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%
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%
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	29,235	100.0%
1405 Rue Graham-Bell (2)	Boucherville	2008	Multi	1	23,066	26.7%
3655 Ave des Grandes Tourelles (2)	Boisbriand	2011	Multi	4	22,061	100.0%
20500 Clark-Graham (2)	Baie D'Urfe	2000	Single	1	28,104	100.0%

Summit II REIT Portfolio by Property						
Address	City	Year Built / Renovated	Single vs. Multi-Tenant	No. of Tenants	GLA	Occupancy
				(#)	(sf)	(%)
British Columbia						
6708, 87A Avenue	Fort Saint John	2006	Single	1	13,500	100.0%
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%
New Brunswick						
290 Frenette [(1)]	Moncton	2012	Single	1	42,369	100.0%
Total				**85**	**5,167,452**	**98.9%**
Value Add Properties						
Quebec						
5685 Rue Cypihot [(2)]	Saint-Laurent	1980 / 1997	Single	1	78,463	100.0%
Total Value Add Properties				**1**	**78,463**	**100.0%**
Total Portfolio As At December 31, 2016				**86**	**5,245,915**	**98.9%**
Subsequent Event Acquisitions						
Alberta						
303 58th Avenue SE	Calgary	1971	Multi	2	120,690	100.0%
Ontrario						
2335 Speers Road	Oakville	2006	Single	1	260,830	100.0%
Total Subsequent Event Acquisitions				**3**	**381,520**	**100.0%**
Total Portfolio				**89**	**5,627,435**	**98.9%**

(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 IIøs 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 IIøs 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 REITøs 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 REITøs operations to achieve highly sustainable cash flows.

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

(A) Interest rate risk

The REIT is exposed to interest rate risk when funds are drawn under the revolving credit facility and variable rate mortgages, which have a floating rate of interest. An increase in interest rates would increase the interest cost of the REITøs loans and have an adverse effect on the REITøs comprehensive income and earnings per Unit. Based on the outstanding balance of the revolving credit facility and variable rate mortgages at December 31, 2016, a 1% increase or decrease in the Bankøs prime rate would have an impact of $385,000 on the REITøs annual interest expense (December 31, 2015 - $330,000) 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 December 31, 2016, and December 31, 2015, 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 8 of the REITøs Audited Consolidated Financial Statements for the years ended December 31, 2016 and 2015 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 REITøs 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 year ended December 31, 2016, the REITøs 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 REITøs

revolving credit facility. Debt repayment obligations (Note 9 of the REITøs Audited Consolidated Financial Statements for the year ended December 31, 2016 and 2015) 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 credit facility to fund the equity portion of property acquisitions.

The REITøs 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 REITøs distributions are made at the discretion of the REITøs 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 IIøs design of internal controls over financial reporting during the year ended December 31, 2016, that have materially affected, or are reasonably likely to materially affect, Summit IIøs internal controls over financial reporting.

Management, including Summit IIøs CEO and CFO assessed, or caused an assessment under their direct supervision, of the design and operating effectiveness of the Trustøs disclosure control and procedures and internal controls over financial reporting as at December 31, 2016 on the criteria set forth in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on that assessment, it was determined that, as of December 31, 2016, disclosure control and procedures and internal controls over financial reporting were appropriately designed and were operating effectively based on the criteria established in the Internal Control - Integrated Framework (2013).

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. Managementøs 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 Trustøs Audited Consolidated Financial Statements for the years ended December 31, 2016 and 2015 and the notes contained therein.

UNITS OUTSTANDING

The Trust is permitted under its Declaration of Trust, to issue three classes designated as õUnitsö, õSpecial Voting Unitsö and õPreferred Unitsö. The Trust has issued only a single class of Units.

The total number of Units outstanding as of February 21, 2017, was 42,493,579.