



EDGEFRONT REAL ESTATE INVESTMENT TRUST

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the three and six months ended June 30, 2016

August 17, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following management's discussion and analysis ("MD&A") of Edgefront Real Estate Investment Trust ("the REIT") for the three and six months ended June 30, 2016 should be read in conjunction with the REIT's audited financial statements for the year ended December 31, 2015 and the unaudited condensed consolidated interim financial statements for the three and six months ended June 30, 2016.

The information contained in this MD&A reflects events up to August 17, 2016, the date on which this MD&A was approved by the REIT's Board of Trustees. Financial data included in this MD&A is presented in Canadian dollars, which is the functional currency of the REIT, and has been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). Additional information about the REIT can be accessed at www.sedar.com.

FORWARD LOOKING STATEMENTS

Certain statements contained in this MD&A constitute forward-looking statements which reflect the REIT's current expectations and projections about future results. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects" or "does not expect", "is expected", "estimates", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or state that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the REIT to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this MD&A. Such forward-looking statements are based on a number of assumptions that may prove to be incorrect.

While the REIT anticipates that subsequent events and developments may cause its views to change, the REIT specifically disclaims any obligation to update these forward-looking statements except as required by applicable law. These forward-looking statements should not be relied upon as representing the REIT's views as of any date subsequent to the date of this MD&A. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. The factors identified above are not intended to represent a complete list of the factors that could affect the REIT.

NON-IFRS FINANCIAL MEASURES

Net operating income ("NOI") is a measure of operating performance based on income generated from the properties of the REIT. Management considers this non-IFRS measure to be an important measure of the REIT's operating performance. Funds from operations ("FFO") is a measure of operating performance based on the funds generated from the business of the REIT before reinvestment or provision for other capital needs. Management considers this non-IFRS measure to be an important measure of the REIT's operating performance. Management considers adjusted funds from operations ("AFFO"), a non-IFRS measure, to be an important performance measure to determine the sustainability of future distributions paid to holders of Units after provision for maintenance capital expenditures. Gross Book Value is defined in the Declaration of Trust and is a measure of the value of the REIT's assets. Management considers this non-IFRS measure to be an important measure of the REIT's asset base and financial position. Indebtedness to Gross Book Value is a compliance measure in the Declaration of Trust and establishes the limit for financial leverage of the REIT. Total Debt to Gross Book Value Ratio is considered to be an important measure of the REIT's financial position.

Normalized FFO and Normalized AFFO are considered important measures which adjust FFO and AFFO, respectively, to exclude the impact of non-recurring items.

NOI, FFO, Normalized FFO, AFFO and Normalized AFFO are not measures defined by IFRS, do not have standardized meanings prescribed by IFRS and should not be construed as alternatives to net income (loss), cash flow from operating activities or other measures of financial performance calculated in accordance with IFRS. NOI, FFO, Normalized FFO, AFFO and Normalized AFFO as computed by the REIT may differ from similar measures as reported by other trusts or companies in similar or different industries.

NOI is used by industry analysts, investors and management to measure operating performance of Canadian real estate investment trusts. NOI represents property revenue less property operating expenses as presented in the statements of income prepared in accordance with IFRS. Accordingly, NOI excludes certain expenses included in the determination of net income (loss) such as general and administrative expense, transaction costs, unit-based compensation expense, fair value adjustments, interest income and expense and distributions on Class B LP Units.

The REIT calculates FFO in accordance with the whitepaper issued by the Real Property Association of Canada. FFO is defined as net income (loss) in accordance with IFRS, excluding gains or losses on sales of investment properties, tax on gains or losses on disposal of properties, fair value adjustments on investment properties, fair value adjustments on unit options, and fair value adjustments and other effects of redeemable units classified as liabilities and the Class B LP Units, if any. Normalized FFO is defined as FFO, net of adjustments for non-recurring items.

AFFO is defined as FFO subject to certain adjustments, including: amortization of deferred financing and leasing costs, compensation expense related to deferred unit incentive plans, trustee and asset management fees contractually settled in units, differences resulting from recognizing ground lease payments and rental income on a straight-line basis, and reserves for normalized maintenance capital expenditures, tenant incentives and leasing costs, as determined by the Trustees. Other adjustments may be made to AFFO as determined by the Trustees in their discretion. Normalized AFFO is defined as AFFO, net of adjustments for non-recurring items.

The diluted weighted average number of units used to calculate diluted FFO per unit and diluted AFFO per unit reflects conversion of all dilutive potential units, represented by unit options, assuming that unit options are exercised with the assumed proceeds (comprised of exercise price and any related unrecognized compensation cost) used to purchase units at the average market price during the period.

AFFO payout ratio, and Normalized AFFO payout ratio are calculated as total distributions declared during the period (including distributions declared on Class B LP Units) divided by AFFO, and Normalized AFFO, respectively.

BUSINESS OVERVIEW AND STRATEGY

Edgefront Real Estate Investment Trust (the “REIT”) was established under the laws of Ontario pursuant to its declaration of trust, as amended and restated effective April 28, 2014.

The REIT owns and operates commercial real estate properties in Western Canada, Ontario, and Prince Edward Island, with a primary focus on industrial properties.

The strategy of the REIT is to grow by acquiring industrial commercial real estate assets in jurisdictions, potentially including the United States, where opportunities exist to purchase assets on terms such that the acquisitions are expected to be accretive, on a per unit basis, to the AFFO of the REIT. The REIT will seek to identify potential acquisitions using investment criteria that focus on the security of cash flow, potential for capital appreciation, and potential for increasing value through more efficient management of the assets being acquired.

The REIT has a strategic relationship with TriWest Capital Partners (“TriWest”), one of Canada’s leading private equity firms. Through its relationship with TriWest the REIT has access to a pipeline of properties owned by TriWest’s current and former portfolio companies as well as the properties of many of the companies that TriWest meets with. The REIT may have the opportunity to acquire these properties through sale-and-leaseback transactions with strong tenants and long-term leases. The REIT views this non-marketed pipeline of potential acquisition properties as a key differentiator for the REIT, particularly as the REIT plans to gain considerable scale in its current phase of growth.

HIGHLIGHTS

- AFFO per unit of \$0.055 for the quarter, increase of 6.4% over Q2 2015; increase of 3.2% over Q1 2016 normalized AFFO per unit.
- AFFO payout ratio of 73.4% for the quarter, down from the normalized AFFO payout ratio of 75.7% in the previous quarter, down from 78.1% in Q2 2015.
- Conservative debt to total assets ratio of 49.2%.
- Attractive yield of 8.9% based on June 30th closing price of \$1.80 per unit and \$0.16 annual distributions
- \$8.4 million acquisition announced subsequent to the quarter end
- Earnings call scheduled for August 18, 2016 at 1PM Eastern Standard Time.

PENDING TRANSACTION

The pending transaction of the REIT is described under the section “Subsequent Events”.

ACQUISITIONS AND DISPOSITIONS

On July 17, 2015, the REIT acquired an industrial property located in Barrie, Ontario (the “Barrie Property”) for a contractual purchase price of \$8,494,872. The purchase price was satisfied through the issuance of 3,470,985 Class B LP Units and 1,000,000 REIT Units at a deemed value of \$1.90 per unit.

On August 4, 2015, the REIT acquired an industrial property located in Kelowna, British Columbia (the “Kelowna Property”) for a contractual purchase price of \$7,500,000. The purchase price was satisfied through the issuance of 2,000,000 REIT Units at a deemed value of \$1.90 per unit, with the balance, net of closing adjustments, satisfied in cash.

On August 25, 2015, the REIT acquired an industrial property located in Calgary, Alberta (the “Calgary Property”) for a contractual purchase price of \$21,877,838. The purchase price was satisfied through the issuance of 1,052,632 REIT units at a deemed value of \$1.90 per unit, the assumption of a mortgage with a principal balance of \$11,500,000, and the remainder, net of closing adjustments, settled in cash.

On December 1, 2015, the REIT acquired an industrial property located in Prince George, British Columbia (the “Prince George Property”) for a contractual purchase price of \$7,500,000. The purchase price was satisfied through the issuance of 1,697,369 Class B LP Units at a deemed value of \$1.90 per unit, with the balance, net of closing adjustments, settled in cash.

On December 15, 2015, the REIT acquired an industrial property located in Prince Albert, Saskatchewan (“the Prince Albert Property”) for a contractual purchase price of \$4,600,000. The purchase price was satisfied through the issuance of 1,089,473 REIT Units at a deemed value of \$1.90 per unit, with the balance satisfied in cash.

On June 23, 2015, the REIT sold an investment property located in Miramichi, New Brunswick (the “Miramichi Property”), for a selling price of \$5,650,000. Net of selling costs and related mortgage debt with a principal amount of \$2,570,026 assumed by the purchaser, the REIT received cash proceeds of \$2,981,531 on the sale. The disposition of the property generated a loss on sale of \$133,357, comprised primarily of transaction costs.

A list of the REIT properties is presented on the following page.

REIT PROPERTIES AS AT JUNE 30, 2016

Property Address	Property Use	Year Built and/or Renovated	Rentable Area (Square Feet)	Occupancy	Lease Expiry
<i>Northwest Territories</i>					
49 Kam Lake Rd., Yellowknife, NWT	Cement Facility	1978	7,674	100%	Nov. 14, 2025
348-352 Old Airport Rd., Yellowknife, NWT	Truck Maintenance Facility	Office: 1997 Other: 1977-1990	53,212	100%	Nov. 14, 2025
<i>British Columbia</i>					
965 McMaster Way, Kamloops, BC	Truck Maintenance Facility	2007	13,706	100%	Nov. 14, 2025
555 Adams Rd., Kelowna, BC	Multi-Tenant Manufacturing	1996 & 1990	94,594	100%	Dec. 31, 2018 to Jan. 31, 2020
988 Great St., Prince George, BC	Multi-Tenant Service, Warehousing, Retail	1978	53,126	100%	Dec. 31, 2020 to Aug. 31, 2024
<i>Alberta</i>					
4700 & 4750 - 102 Ave., SE, Calgary, AB	Cross Dock	2009	29,471	100%	Dec. 31, 2024
3780 & 4020 - 76 th Ave., SE, Calgary, AB	Truck Maintenance Facility	1973, 1975 & 1990	58,937	100%	Nov. 14, 2025
8001 - 99 St., Clairmont, AB	Office and Warehouse	2014	26,638	100%	July 14, 2024
12104 & 12110 - 17 th St., NE, Edmonton, AB	Truck Maintenance Facility and Headquarters	1973, 1980, 1991 & 2011	116,582	100%	Nov. 14, 2025
14801 - 97 th St., Grande Prairie, AB	Truck Loading and Warehouse Facility	1988	42,120	100%	Nov. 14, 2025
3501 Giffen Rd. North & 3711 - 36 St. North, Lethbridge, AB	Manufacturing Facility, Office and Storage Area	2008-2012	229,000	100%	July 14, 2029
5406 - 59 th Ave., Lloydminster, AB	Truck Maintenance Facility	1972, 1980 & 1995	12,425	100%	Nov. 14, 2025
4301 - 45 Ave., Rycroft, AB	Manufacturing Facility	1993 & 2014	22,110	100%	July 14, 2029
<i>Saskatchewan</i>					
110 - 71 st St., Saskatoon, SK	Truck Maintenance Facility and Warehouse	1984	74,796	100%	Nov. 14, 2025
15 Peters Ave., Saskatoon, SK	Warehouse Facility	1985	38,160	100%	Nov. 14, 2025
850 Manitoba St. East & 15 - 9 th Ave., NE, Moose Jaw, SK	Truck Maintenance and Storage Facility	1983	18,800	100%	Nov. 14, 2025
4271 - 5 Ave. East, Prince Albert, SK	Shop, Yard Storage and Office	2007	24,600	100%	Dec. 31, 2020
<i>Ontario</i>					
455 Welham Rd., Barrie, ON	Manufacturing Facility	1998 & 2015	109,366	100%	June 16, 2025
<i>Prince Edward Island</i>					
695 University Ave., Charlottetown, PEI	Retail	2006	4,500	100%	June 30, 2021
Total			<u>1,029,817</u>		

SUMMARY OF RESULTS

	Three months ended June 30,		Six months ended June 30,	
	2016	2015	2016	2015
Financial Highlights	\$	\$	\$	\$
Funds from operations (FFO) (1)	1,958,865	1,258,375	4,091,185	2,516,975
Normalized FFO (1) (4)	1,958,865	1,258,375	3,834,657	2,516,975
Adjusted funds from operations (AFFO) (1)	2,193,380	1,489,895	4,562,283	2,977,439
Normalized AFFO (1) (4)	2,193,380	1,489,895	4,305,755	2,977,439
Distributions declared (2)	1,609,305	1,163,412	3,208,882	1,157,839
Weighted average units outstanding – basic and diluted (3)	40,193,668	29,049,258	40,074,261	28,910,053
Distributions per unit (2) (3)	0.040	0.040	0.080	0.080
FFO per unit, basic and diluted (1) (3)	0.049	0.043	0.102	0.087
Normalized FFO per unit, basic and diluted (1) (3) (4)	0.049	0.043	0.096	0.087
AFFO per unit, basic and diluted (1) (3)	0.055	0.051	0.114	0.103
Normalized AFFO per unit, basic and diluted (1) (3) (4)	0.055	0.051	0.107	0.103
AFFO payout ratio, basic (1) (2) (3)	73.4%	78.1%	70.3%	78.0%
Normalized AFFO payout ratio, basic (1) (2) (3) (4)	73.4%	78.1%	74.5%	78.0%
Debt to total assets ratio	49.2%	46.8%	49.2%	46.8%

(1) See Non-IFRS Measures

(2) Includes distributions payable to holders of Class B LP Units which are accounted for as interest expense in the consolidated financial statements.

(3) Weighted average number of units includes the Class B LP Units.

(4) Normalized FFO and Normalized AFFO exclude other income relating to the release in the first quarter of 2016 of funds previously held in an environmental escrow in connection with the acquisition ten industrial properties on January 14, 2014.

	Three months ended June 30,		Six months ended June 30,	
	2016	2015	2016	2015
Financial Results	\$	\$	\$	\$
Property revenue	3,810,928	2,697,831	7,535,469	5,412,206
Property expenses	<u>(672,481)</u>	<u>(496,580)</u>	<u>(1,246,667)</u>	<u>(1,007,862)</u>
Net operating income	3,138,447	2,201,251	6,288,802	4,404,344
General and administrative expenses	(437,979)	(370,432)	(925,805)	(738,862)
Loss on disposal of investment property	-	(133,357)	-	(133,357)
Fair value adjustment of investment properties	(6,073)	(340,000)	(155,897)	(340,000)
Fair value adjustment of class B LP units	(1,066,066)	3,600	(513,231)	36,000
Fair value adjustment of unit options	(72,500)	(25,000)	(52,500)	(31,000)
Other Income	<u>-</u>	<u>-</u>	<u>256,528</u>	<u>-</u>
	1,555,829	1,336,062	4,897,897	3,197,125
Net interest expense	(770,756)	(572,444)	(1,554,881)	(1,148,507)
Distributions on Class B LP Units	(205,995)	(14,396)	(427,074)	(28,792)
Income taxes	<u>13,728</u>	<u>107,466</u>	<u>3,616</u>	<u>56,198</u>
Net income	<u>592,806</u>	<u>856,688</u>	<u>2,919,558</u>	<u>2,076,024</u>
Net income excluding fair value adjustments, loss on sale of investment property and other income	1,737,445	1,351,445	3,384,658	2,544,381

For the three months ended June 30, 2016, net operating income of \$3,138,447 was \$937,196 higher than NOI in the same period of 2015 of \$2,201,251 primarily due to the impact of the REIT acquiring the Barrie, Calgary and Kelowna Properties during the third quarter of 2015 and the Prince George and Prince Albert Properties in the fourth quarter of 2015. These acquisitions generated approximately \$966,000 of net operating income in the quarter. The disposal of the Miramichi Property on June 23, 2015 had the impact of reducing net operating income for the three months ended June 30, 2016 as compared to the same period of 2015 when the Miramichi Property was owned and generated NOI for the majority of the three-month period.

For the six months ended June 30, 2016, net operating income of \$6,228,802 was \$1,824,458 higher than NOI in the same period of 2015 of \$4,404,344 primarily due to the impact of the REIT acquiring the Barrie, Calgary and Kelowna Properties during the third quarter of 2015 and the Prince George and Prince Albert Properties in the fourth quarter of 2015. These properties generated approximately \$1,932,000 of incremental operating income in the six months ended June 30, 2016 as compared to the same period of 2015. Additionally, rental rate increases amounting to \$67,000 on the RTL Westcan, Northern Mat and Triple M Housing Properties increased operating income as compared to the same six-month period of 2016. The sale of the Miramichi Property in June 2015 partially offset these increases, as no income was earned from the property in 2016 as compared to nearly six full months of income earned on the property in the six months ended June 30, 2015.

For the three months ended June 30, 2016, general and administrative expense of \$437,979 was primarily related to asset management fees payable to the REIT's external manager (see the section below titled "related party transactions") in the amount of \$302,244, other professional fees of \$73,888, trustees fees and associated employer payroll taxes of \$38,625, directors and officers insurance expense of approximately \$6,000, TSX fees of approximately \$1,600 and other costs.

For the three months ended June 30, 2015, general and administrative expense of \$370,432 was primarily related to asset management fees payable to the REIT's external manager (see the section below titled "related party transactions") in the amount of \$218,748, other professional fees of \$101,292, trustees fees of \$31,120, directors and officers insurance expense of approximately \$8,000, and other costs.

For the six months ended June 30, 2016, general and administrative expense of \$925,805 was primarily related to asset management fees payable to the REIT's external manager (see the section below titled "related party transactions") in the amount of \$604,422, other professional fees of \$164,991, trustees fees and associated employer payroll taxes of \$77,250, costs in relation to the filing of the REIT's annual financial statements of approximately \$12,000, TSX fees of approximately \$13,500, directors and officers insurance expense of approximately \$12,000 and other costs.

For the six months ended June 30, 2015, general and administrative expense of \$738,862 was primarily related to asset management fees payable to the REIT's external manager (see the section below titled "related party transactions") in the amount of \$440,372, other professional fees of \$181,341, trustees fees of \$56,245, costs in relation to the filing of the REIT's annual financial statements of approximately \$12,000, TSX fees of approximately \$10,710, directors and officers insurance expense of approximately \$16,000, and other costs.

Fair value adjustments of Class B LP Units are driven by changes in the trading price of the REIT units, multiplied by the number of Class B LP Units outstanding at a quarter end. As at June 30, 2016, 4,962,565 Class B LP Units were outstanding, and the trading price of the REIT Units was \$1.80 as compared to \$1.60 as at March 31, 2016 and \$1.70 at December 31, 2015. An additional 565,789 Class B LP Units were outstanding through May 19, 2016, when they were exchanged for REIT Units. The trading price of the REIT Units on May 19, 2016 was \$1.73. At June 30, 2015, 360,000 Class B LP Units were outstanding, and the trading price of the REIT units was \$1.77 as compared to \$1.78 at March 31, 2015 and \$1.87 at December 31, 2014.

The fair value adjustment of investment properties in the three and six months ended June 30, 2016 of \$6,073 and \$155,897, respectively, relates to capital expenditures made to repair the foundation of a REIT property located in Saskatoon. The repair costs were initially capitalized to investment properties, and the investment property in question was subsequently revalued to its fair value as determined through the application of the capitalized income valuation method.

In connection with an acquisition completed on January 14, 2014, \$300,000 was placed into escrow by the vendors to fund anticipated environmental monitoring costs. Over a two-year escrow period, the REIT incurred monitoring costs, net of tenant reimbursements, amounting to \$43,472, and on release of the \$300,000 escrow on January 29, 2016, \$256,528 of other income was recognized in the condensed consolidated interim statement of income and comprehensive income.

For the three months ended June 30, 2016, net interest expense of \$773,307 was \$200,863 higher than net interest expense of \$572,444 during the three months ended June 30, 2015 primarily due to higher borrowings in the period relating to \$26,775,000 of new mortgage debt on the Barrie, Kelowna, Calgary and Prince George Properties. Partially offsetting the impact of these items was lower interest expense incurred as a result of the sale of the Miramichi Property in the same period of the prior year, as the purchaser assumed the mortgage on the Miramichi Property, and lower interest rates on bankers' acceptance and prime rate borrowings as compared to the same period of 2015. For the six months ended June 30, 2016, net interest expense of \$1,563,579 was \$415,072 higher than net interest expense of \$1,148,507 during the six months ended June 30, 2015 for the same reasons.

Distributions on Class B LP Units were significantly higher in the three and six months ended June 30, 2016 due to the issuance of 5,168,354 Class B LP Units as purchase price consideration in the last six months of 2015. The Class B LP Units earn the same distribution as REIT units, \$0.01333 per unit per month. On May 19, 2016, 565,789 Class B LP Units were exchanged for REIT Units.

In the three and six-month periods ended June 30, 2016, deferred income tax expense totaled \$15,425 (2015 - recovery of \$149,446), and \$22,925 (2015 - recovery of \$98,198), respectively. Current income tax recovery for the three and six-month periods ended June 30, 2016 totaled \$29,153 (2015 - expense of \$42,000) and \$26,541 (2015 - expense of \$42,000), respectively. Deferred income taxes arise from timing difference with respect to the loss carry-forwards of the subsidiary corporations of the REIT, and with respect to the un-deducted balances of eligible capital expenditures of those subsidiary corporations for tax purpose, net of the impact from the differences between the accounting and tax depreciation of the Canadian subsidiary corporations. In June of 2015, Edgefront Realty Corp., a Canadian subsidiary corporate disposed of the Miramichi Property. Subsequent to this disposal, the amount of taxable activity in the Canadian subsidiary corporations of the REIT was significantly reduced.

Select Balance Sheet Data	As at June 30, 2016 \$	As at December 31, 2015 \$
Investment properties	161,174,872	161,174,872
Cash	1,147,390	1,152,168
Total assets	163,415,217	163,285,480
Current liabilities	3,643,051	2,840,238
Non-current portion of mortgages payable	25,387,209	25,847,976
Credit facility	54,000,085	55,683,324
Unit options	178,500	126,000
Class B LP Units	<u>8,932,618</u>	<u>9,398,202</u>
Total non-current liabilities	88,498,412	91,055,502
Total unitholders' equity	71,723,754	69,389,740
Debt to total assets ratio	49.2%	50.5%

Debt to Total Assets

The REIT's debt to total assets at June 30, 2016 was 49.2%, as compared to 50.5% at December 31, 2015. The REIT's targeted debt to total assets ratio is between 45% and 55%. The REIT's calculation of debt for the quarter includes mortgages payable and Credit Facility balances at the amounts carried on the REIT's consolidated statement of financial position.

SUMMARY OF QUARTERLY RESULTS⁽¹⁾

	Q2 2016	Q1 2016	Q4 2015	Q3 2015
Property revenue	\$ 3,810,928	\$ 3,724,541	\$ 3,585,247	\$ 2,987,548
Property expenses	\$ <u>(672,481)</u>	\$ <u>(574,186)</u>	\$ <u>(649,792)</u>	\$ <u>(417,029)</u>
Net operating income (NOI)	\$ 3,138,447	\$ 3,150,355	\$ 2,935,455	\$ 2,570,519
Net income	\$ 592,806	\$ 2,326,752	\$ 1,797,324	\$ 1,930,614
Weighted average number of units, basic	40,193,668	39,954,855	36,788,732	34,690,473
Weighted average number of units, diluted	40,193,668	39,954,855	36,788,732	34,690,473
	Q2 2015	Q1 2015	Q4 2014	Q3 2014
Property income	\$ 2,697,831	\$ 2,714,375	\$ 2,717,232	\$ 2,571,558
Property expenses	\$ <u>(496,580)</u>	\$ <u>(511,282)</u>	\$ <u>(512,723)</u>	\$ <u>(472,234)</u>
Net operating income (NOI)	\$ 2,201,251	\$ 2,203,093	\$ 2,204,509	\$ 2,099,324
Net income (2)	\$ 856,688	\$ 1,219,336	\$ 1,278,385	\$ 2,566,808
Weighted average number of units, basic	29,049,258	28,910,053	28,756,188	27,297,317
Weighted average number of units, diluted	29,049,258	28,910,053	28,756,188	27,297,317

(1) The quarterly results fluctuate based on timing related to pursuing and completing acquisitions and corporate activities.

FUNDS FROM OPERATIONS, NORMALIZED FUNDS FROM OPERATIONS, ADJUSTED FUNDS FROM OPERATIONS AND NORMALIZED ADJUSTED FUNDS FROM OPERATIONS

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
	\$	\$	\$	\$
<u>FFO and Normalized FFO</u>				
Net income	592,806	856,688	2,919,558	2,076,024
Adjustments:				
Loss on disposal of investment properties	-	133,357	-	133,357
Tax on disposal of investment properties	-	42,000	-	42,000
Fair value adjustment of investment properties	6,073	340,000	155,897	340,000
Fair value adjustment of Class B LP Units	1,066,066	(3,600)	513,231	(36,000)
Fair value adjustment of unit options	72,500	25,000	52,500	31,000
Distributions on Class B LP Units expensed	205,995	14,396	427,074	28,792
Deferred income taxes	<u>15,425</u>	<u>(149,466)</u>	<u>22,925</u>	<u>(98,198)</u>
Funds from operations (FFO)	1,958,865	1,258,375	4,091,185	2,516,975
Deduct: Other income – settlement of environmental escrow (2)	<u>-</u>	<u>-</u>	<u>(256,528)</u>	<u>-</u>
Normalized FFO	1,958,865	1,258,375	3,834,657	2,516,975
<u>AFFO and Normalized AFFO</u>				
FFO	1,958,865	1,258,375	4,091,185	2,516,975
Adjustments:				
Non-cash asset management fees to be settled in units	291,362	218,748	582,691	440,372
Non-cash trustee fees to be settled in units	27,105	26,120	54,210	46,745
Amortization of deferred financing fees	39,104	31,618	80,308	63,279
Straight-line adjustments ground lease and rent	(33,056)	4,034	(66,111)	8,068
Capital reserve (1)	<u>(90,000)</u>	<u>(49,000)</u>	<u>(180,000)</u>	<u>(98,000)</u>
Adjusted funds from operations (AFFO)	2,193,380	1,489,895	4,562,283	2,977,439
Deduct: Other income – settlement of environmental escrow (2)	<u>-</u>	<u>-</u>	<u>(256,528)</u>	<u>-</u>
Normalized AFFO	2,193,380	1,489,895	4,305,755	2,977,439

(1) For the six months ended June 30, 2016, based on an estimate of \$0.35 per square foot of gross leasable area per year. Capital reserve includes capital expenditures, tenant inducements and leasing costs.

(2) In connection with an acquisition completed on January 14, 2014, \$300,000 was placed into escrow by the vendors to fund anticipated environmental monitoring costs. Over a two-year escrow period, the REIT incurred monitoring costs, net of tenant reimbursements, amounting to \$43,472, and on release of the \$300,000 escrow on January 29, 2016, \$256,528 of other income was recognized in the condensed consolidated interim statement of income and comprehensive income.

The following is a reconciliation of the REIT's AFFO to cash flows from operating activities.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
	\$	\$	\$	\$
Cash flows from operating activities	2,182,671	1,746,257	4,988,288	3,035,110
Adjustments:				
Changes in non-cash working capital	(105,286)	(249,758)	(688,965)	(16,463)
Changes in other non-current assets	-	(14,000)	15,886	(14,000)
Distributions on Class B LP Units expensed	205,995	14,396	427,074	28,792
Tax on disposal of investment properties	-	42,000	-	42,000
Capital reserve	<u>(90,000)</u>	<u>(49,000)</u>	<u>(180,000)</u>	<u>(98,000)</u>
AFFO	2,193,380	1,489,895	4,562,283	2,977,439

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

The REIT's principal source of liquidity is cash and cash equivalents on hand and the undrawn borrowing capacity on its Credit Facility. As at June 30, 2016, the REIT had cash and cash equivalents of \$1,147,390 (December 31, 2015 - \$1,152,168) and a working capital deficit of \$1,516,667 (December 31, 2015 - \$850,630). It is not unusual for the REIT to have a working capital deficit, as cash generated by the REIT is generally used to pay down the credit facility, and the REIT does not maintain a significant balance of cash on hand, but has access to the undrawn borrowing capacity on the credit facility to fund cash requirements. Management of the REIT believes that sufficient cash from operations will be generated to settle the REIT's liabilities as they come due, and the REIT has the ability to draw funds on the Credit Facility if required. The REIT has sufficient liquidity to maintain and expand its business.

The following table details the changes in cash and cash equivalents for the three and six months ended June 30, 2016 and 2015.

	Three months ended June 30,		Six months ended June 30,	
	2016	2015	2016	2015
	\$	\$	\$	\$
Cash provided by (used in):				
Operating activities	2,182,671	1,746,257	4,988,288	3,035,110
Investing activities	(6,073)	2,981,531	(155,897)	2,981,531
Financing activities	<u>(2,008,135)</u>	<u>(1,717,044)</u>	<u>(4,837,169)</u>	<u>(3,002,139)</u>
Change in cash and cash equivalents	168,463	3,010,744	(4,778)	3,014,502
Cash and cash equivalents – beginning of period	<u>978,927</u>	<u>432,270</u>	<u>1,152,168</u>	<u>428,512</u>
Cash and cash equivalents – end of period	<u>1,147,390</u>	<u>3,443,014</u>	<u>1,147,390</u>	<u>3,443,014</u>

Cash generated from operating activities for the three months ended June 30, 2016 of \$2,182,671 is primarily comprised of net income net of non-cash items of \$2,061,961. Cash generated by changes in working capital was \$105,286, with the REIT receiving July rent payments in June from two tenants, and invoicing and collecting property taxes paid to the municipality from one tenant, partially offset by property tax payments and \$125,000 of cash used to fund deposits on two properties that were placed under contract in the quarter. The REIT's tenants are all current with their rent.

Cash used in investing activities relates to capital expenditures made with respect to a concrete foundation at the REIT's Saskatoon property. The REIT is in discussions with the Tenant of the property to determine who will ultimately be financially responsible for the repair.

Cash used in financing activities relates to mortgage principal repayments and distributions, as well as repayments on the REIT's Credit Facility. Any excess cash the REIT has on hand will generally be used to pay down a portion of the Credit Facility.

The REIT believes that it has sufficient financial resources and generates sufficient cash from operations to operate its investment properties and to identify, investigate and complete potential acquisitions, and to fund further expenditures as required.

Mortgages Payable

As at June, 2016, the mortgages payable are secured by charges against five of the REIT's investment properties. The weighted average interest rate, including deferred financing costs, on the mortgages payable is 3.37% and the weighted average term to maturity is 4.97 years.

The breakdown of future principal repayments, including mortgage maturity, is presented in the following table:

	Scheduled Repayments	Principal Maturities	Total
	\$	\$	\$
Remainder of 2016	475,088	-	475,088
2017	968,230	414,040	1,382,270
2018	984,168	-	984,168
2019	1,016,052	-	1,016,052
2020	949,354	12,562,444	13,511,798
Thereafter	822,496	8,343,498	9,165,994
Total	<u>5,215,388</u>	<u>21,319,982</u>	<u>26,535,370</u>

Credit Facility

The REIT has a revolving credit facility of \$52,500,000 and a \$7,500,000 term facility (together "the Credit Facility"). The Credit Facility matures on July 15, 2019.

The Credit Facility is secured against the ten RTL Westcan Properties, the Northern Mat Properties and the Triple M Property and allows the REIT to draw against the facility in the form of prime advances, bankers' acceptance advances, or fixed rate and term advances. Prime rate advances bear interest at 125 basis points per annum over the Canadian prime borrowing rate. Bankers' acceptance advances bear interest at 225 basis points per annum over the floating bankers' acceptance rate. Total financing costs in the amount of \$497,666 were incurred in connection with the establishment of the Credit Facility, and financing costs in the amount of \$135,288 were incurred in connection with the addition of the \$7,500,000 term facility to the Credit Facility.

	June 30, 2016	December 31, 2015
	\$	\$
Fixed rate and term borrowings	50,350,000	50,350,000
Bankers' acceptance borrowings	4,000,000	5,500,000
Prime Rate advances	-	241,557
	<u>54,350,000</u>	<u>56,091,557</u>
Less: Deferred financing costs	(349,915)	(408,233)
	<u>54,000,085</u>	<u>55,683,324</u>

Details of amounts drawn on the credit facility at June 30, 2016 are as follows:

	Principal Amount \$	Interest Rate	Repricing Date
Fixed rate and term borrowing 1	30,000,000	3.90%	January 10, 2019
Fixed rate and term borrowing 2	20,350,000	3.63%	July 15, 2019
Bankers' Acceptances	<u>4,000,000</u>	3.12%	July 27, 2016
	<u>54,350,000</u>		

The Credit Facility includes, inter alia, covenants that RW LP, the subsidiary of the REIT which is party to the Credit Facility, (i) will not allow the Total Funded Debt to Real Property Ratio to exceed 60% at any time; and (ii) the Interest Coverage Ratio shall not be less than 2.25:1.00. As at June 30, 2016 RW LP was in compliance with both of these covenants. The Credit Facility also contains restrictions on, inter alia, change of business, sale of assets, and mergers and acquisitions without the consent of the lender and includes events of default such as failure to pay the principal loan, failure to observe covenants and involuntary insolvency.

Total Funded Debt to Real Property Ratio is a defined term contained in the Credit Facility. Total Funded Debt to Real Property Ratio is calculated as the total amount drawn against the Credit Facility divided by the fair market value of the investment properties of RW LP.

Interest Coverage Ratio is a defined term contained in the Credit Facility. Interest Coverage Ratio is calculated by the dividing the interest expense of RW LP by the result of the following as contained in the RW LP Statement of Income: net income plus interest expense, plus loss on fair value adjustment of investment properties, less gain on fair value adjustment of investment properties, plus depreciation and amortization.

Total Funded Debt to Real Property Ratio and Interest Coverage Ratio are not measures defined by IFRS, do not have standardized meanings prescribed by IFRS and should not be construed as alternatives to net income/loss, financial position, cash flow from operating activities or other measures of financial performance calculated in accordance with IFRS. These covenant calculations are not used by the REIT as a measure of the REIT's future or historical financial performance, financial position or cash flow, but are used solely to determine RW Real Estate LP's compliance with its covenants set out in the Credit Facility Agreement.

SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements and the reported amount of expenses during the period. Actual results may differ materially from these estimates.

The estimates and judgements used in determining the recorded amount for asset, liabilities and equity in the financial statements include the following:

Investment Properties

The assumptions and estimates used when determining the fair value of investment properties are stabilized income and capitalization rates. Management determines fair value internally utilizing financial information, external market data and capitalization rates determined by reference to third party appraisals and reports published by industry experts including commercial real estate brokerages. The REIT also applies judgement in determining whether the properties it acquires are considered to be asset acquisitions or business combinations. The REIT considers all the properties it has acquired to date to be asset acquisitions. As at June 30, 2016, a 0.25% increase in the weighted average capitalization rate would result in a decrease of approximately \$5,240,000 in the determination of the fair value of the investment properties. A 0.25% decrease in the weighted average capitalization rate would result in an increase of approximately \$5,610,000 in the determination of the fair value of the investment properties.

Unit options

The estimates used when determining the fair value of unit-based compensation are the average expected share option holding period, the average expected volatility rate, and the average risk-free interest rate. For vested options, the average expected unit option holding period used is estimated to be half of the life of the option. For unvested options, the average expected unit option holding period is estimated to be the period until the options vest plus half of the period from vesting to expiry. The average expected volatility rate is estimated based on the historical volatility of comparable companies over a period of time approximating the average expected unit option holding period. The average risk-free interest rate is based on government of Canada bonds with terms consistent with the average expected share option holding period.

FINANCIAL INSTRUMENTS AND RISKS AND UNCERTAINTIES

Real property ownership and tenant risk

All real property investments are subject to elements of risk. The value of real property and any improvements thereto depends on the credit and financial stability of tenants and upon the vacancy rates of the property. The properties generate revenue through rental payments made by the tenants thereof. The ability to rent vacant property will be affected by many factors, including changes in general economic conditions (such as the availability and cost of mortgage funds), local conditions (such as an oversupply of space or a reduction in demand for real estate in the area), government regulations, changing demographics, competition from other available properties, and various other factors.

Upon the expiry of any lease, there can be no assurance that the lease will be renewed or the tenant will be replaced. The terms of any subsequent lease may be less favourable to the REIT than those of an existing lease. In the event of default by a tenant, the REIT may experience delays or limitations in enforcing its rights as landlord and incur substantial costs in protecting its investment. Furthermore, at any time, a tenant may seek the protection of bankruptcy, insolvency or similar laws which could result in the rejection and termination of the lease of the tenant and, thereby, cause a reduction in the cash flows available to the REIT.

Outlook

The economy in western Canada, and in particular, Alberta, continues to experience pressure from sustained lower oil prices. It is uncertain when or if oil prices may further change, or when economic conditions will improve significantly. In Calgary, Edmonton and Saskatoon, reported industrial vacancy rates have increased, and rental rates are under pressure. The REIT's properties in Alberta and Saskatchewan are primarily leased to tenants whose operations are not directly linked to the oil industry, and that are not expected to suffer significant financial deterioration as a result of low oil prices. The REIT properties in these markets are subject to leases with remaining terms of 8 years or more. The REIT does not expect to experience any significant negative impact to its revenue stream as a result of current economic conditions. While the REIT hasn't seen an increase in properties available for purchase or decreases in industrial property prices, market conditions may create buying opportunities in the future. The REIT carefully evaluates the creditworthiness of its current tenants and tenants of prospective acquisition properties.

Competition

The real estate business is competitive. Numerous developers, managers and owners of properties compete with the REIT when seeking tenants. Some of the competing properties may be better located than the REIT's properties. The existence of competition could have an impact on the REIT's ability to lease its properties and could have an impact on the rents that can be charged. The REIT is subject to competition for suitable real property investments and a number of these competitors have greater financial resources than those of the REIT. There is a risk that continuing increased competition for real property acquisitions may increase purchase prices to levels that are not accretive.

Fixed costs and increased expenses

The REIT incurs a number of fixed costs which must be paid throughout its ownership of real property, regardless of whether its properties are producing income. Fixed costs include utilities, property taxes, maintenance costs, mortgage payments, insurance costs, and related costs.

General uninsured risks

The REIT carries comprehensive general liability, fire, flood, extended coverage and rental loss insurance with customary policy specifications, limits and deductibles. There can be no assurance, however, that claims in excess of the insurance coverage or claims not covered by the insurance coverage will not arise or that the liability coverage will continue to be available on acceptable terms.

Environmental and litigation risk

The REIT is subject to federal, provincial and local environmental regulations that apply generally to the ownership of real property and the operation of commercial properties. If it fails to comply with those laws, the REIT could be subject to significant fines or other governmental sanctions. Under various federal, provincial and local laws, ordinances and regulations, an owner or operator of real estate may be required to investigate and clean up hazardous or toxic substances or petroleum product releases at a facility and may be held liable to a governmental entity or to third parties for property damage and for investigation and clean-up costs incurred by such parties in connection with contamination. Such liability may be imposed whether or not the owner or operator knew of, or was responsible for, the presence of these hazardous or toxic substances. The cost of investigation, remediation or removal of such substances may be substantial, and the presence of such substances, or the failure to properly remediate such substances, may adversely affect the REIT's ability to sell or rent such facility or to borrow using such facility as collateral. In order to assess the potential for liabilities arising from the environmental condition at the REIT's properties, the REIT may obtain or examine environmental assessments prepared by environmental consulting firms. The environmental assessments received in respect of the investment properties have not revealed, nor is the REIT aware of, any environmental liability that the company believes will have a material adverse effect on it.

In addition, in connection with the ownership, operation and management of real properties, the REIT could potentially be liable for property damage or injuries to persons and property. In the normal course of the REIT's operations, it may become involved in, named as a party to or the subject of, various legal proceedings, including regulatory proceedings, tax proceedings and legal actions relating to personal injuries, property damage, property taxes, land rights, the environment and contract disputes.

Liquidity risk

Liquidity risk is the risk that the REIT will not have the financial resources required to meet its financial obligations as they come due. The REIT manages this risk by ensuring it has sufficient cash and cash equivalents on hand or borrowing capacity to meet obligations as they come due by forecasting cash flows from operations, cash required for investing activities and cash from financing activities. As at June 30, 2016, the REIT had cash and cash equivalents of \$1,147,390 (December 31, 2015 - \$1,152,168), mortgages payable of \$26,535,370 (December 31, 2015 - \$27,002,914), a Credit Facility balance of \$54,350,000 (December 31, 2015 - \$56,091,557) and accounts payable and accrued liabilities of \$2,212,310 (December 31, 2015 - \$1,406,799). The REIT had a working capital deficit of \$1,516,667 as at June 30, 2016 (December 31, 2015 - \$850,630). It is not unusual for the REIT to have a working capital deficit, as cash generated by the REIT is generally used to pay down the Credit Facility, and the REIT does not maintain a significant balance of cash on hand, but has access to the undrawn borrowing capacity on the credit facility to fund cash requirements. The REIT expects to generate sufficient cash from operations to satisfy its financial liabilities as they come due. The REIT is not subject to significant liquidity risk.

The contractual maturities and repayment obligations of the REIT's financial liabilities are as follows:

	Accounts payable and accrued liabilities	Credit facility principal repayment	Interest on fixed portion of credit facility	Mortgage payable	Mortgage interest	Total
	\$	\$	\$	\$	\$	\$
Remainder of 2016	2,212,310	-	962,196	475,088	420,420	4,070,014
2017	-	-	1,908,705	1,382,270	813,621	4,104,596
2018	-	-	1,908,705	984,168	770,179	3,663,052
2019	-	54,350,000	423,500	1,016,052	738,295	56,527,847
2020	-	-	-	13,511,798	643,485	14,155,283
Thereafter	-	-	-	9,165,994	508,429	9,674,423
Total	2,212,310	54,350,000	5,203,106	26,535,370	3,894,429	92,195,215

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. There is a risk that the REIT may not be able to renegotiate its mortgages and Credit Facility at maturity on terms as favourable as the existing mortgages payable and Credit Facility. As at June 30, 2016 there was a total of \$4,000,000 (December 31, 2015 - \$5,741,557) drawn against the Credit Facility, which bears interest at floating bankers' acceptance or Canadian prime rates plus a fixed spread. There is a risk that prevailing interest rates could increase, and those increases could be significant. The REIT mitigates interest rate risk by maintaining reasonable levels of debt to investment property value and aims to structure new debt to stagger the maturities to ensure that the majority of debt does not come due for repayment in any one particular year. The REIT may also convert borrowings under the Credit Facility from floating rate to fixed rate borrowings as part of its interest rate risk management strategy.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a loss to another party by failing to pay for its obligations. The REIT is subject to credit risk with respect to its cash and cash equivalents and tenant and other receivables. The REIT mitigates credit risk by depositing cash with and investing in guaranteed investment certificates of a Canadian schedule I chartered bank and monitoring the bank's credit ratings.

As at June 30, 2016, the REIT had thirteen tenants, with one tenant accounting for approximately 44% of the REIT's rental income, resulting in concentration of credit risk. The REIT monitors the creditworthiness of the tenants on an ongoing basis.

PENDING CLAIMS

A REIT tenant commenced court and arbitration proceedings against the REIT and others for breach of contract, alleging certain environmental issues involving, and foundation issues at that tenant's Saskatoon location as well as an environmental issue at that tenant's Yellowknife property. The REIT entered into a mutual release with the tenant and others dated November 11, 2015, which settled the environmental issues at the Saskatoon and Yellowknife locations. The REIT was reimbursed for legal costs with respect to these two matters. The only matter remaining unresolved is the foundation issue at the Saskatoon location. Work to repair the foundation is complete and management does not believe the REIT will be subject to any material liability in respect of this remaining matter.

COMMITMENTS

The REIT has a leasehold interest in a property subject to a 66-year land lease which commenced on May 1, 2006, and has two ten-year options to renew. The land lease provides for annual base rent and additional rent comprised of the property's proportionate share of common area maintenance and property tax expense. The full annual ground lease payment is due in advance each May 1st. As at June 30, 2016, annual future minimum ground lease payments on account of base rent are as follows:

	Remainder of					
	2016	2017	2018	2019	2020	Thereafter
	\$	\$	\$	\$	\$	\$
Minimum annual rent	-	52,800	52,800	52,800	52,800	3,423,314

OUTSTANDING UNIT / SHARE DATA

	Units	Amount
		\$
Unitholders' equity, December 31, 2015	34,259,763	63,484,740
Class B LP Units exchanged for REIT Units	565,789	978,815
Units issued as consideration for management services	349,420	573,316
Units issued as consideration for Trustee services	33,392	54,210
Units issued under distribution reinvestment plan	88,028	139,923
Unitholders' equity, June 30, 2016	<u>35,296,392</u>	<u>65,231,004</u>

On May 19, 2016, 565,789 Class B LP Units were exchanged for the same number of REIT Units.

As at August 17, 2016, a total of 35,280,427 REIT units and 4,962,565 Class B LP Units were issued and outstanding.

DISTRIBUTIONS

The REIT currently pays a monthly distribution of \$0.01333 per unit, representing \$0.16 per unit on an annualized basis. Total distributions declared with respect to REIT units in the three and six months ended June 30, 2016 amounted to \$1,403,310 (2015 - \$1,149,016) and \$2,781,809 (2015 - \$2,292,458), respectively.

In accordance with National Policy 41-201, "Income Trusts and Other Offerings", the REIT is required to provide the following information:

	Three months ended June 30, 2016	Six months ended June 30, 2016	Year ended December 31, 2015	Year ended December 31, 2014
	\$	\$	\$	\$
Cash flows from operating activities	2,182,671	4,988,288	6,651,639	4,153,387
Net income	592,806	2,919,558	5,798,919	9,196,037
Actual cash distributions paid or payable during the period	1,403,310	2,781,809	4,909,156	3,708,132
Excess of cash flows from operating activities over cash distributions paid	779,361	2,206,479	1,742,483	445,255
Excess (shortfall) of net income over cash distributions paid	(810,504)	137,749	889,763	5,487,905

Actual cash distributions paid or payable includes all distributions declared payable to holders of REIT units and excludes distributions declared payable to holders of Class B LP Units during the period. Actual cash distributions paid or payable is unadjusted for distributions settled through the issuance of REIT units under the distribution reinvestment program. Of distributions declared in the three and six months ended June 30, 2016, \$83,517 and \$147,306 was settled through the issuance of REIT units under the distribution reinvestment program.

Net income for the three months ended June 30, 2016 includes non-cash fair value adjustments amounting to \$1,144,639 and non-cash asset management fees of \$291,362 that will be settled in units of the REIT. Net of these items, net income exceeded cash distributions paid or payable by \$625,497.

Net income for the year ended December 31, 2015 includes non-cash fair value adjustments amounting to \$419,223, a loss on disposal of investment properties in the amount of \$133,357, and non-cash asset management fees of \$983,444. Net of these items, net income for the year ended December 31, 2015 exceeded cash distributions paid or payable by \$1,587,341.

DISTRIBUTION REINVESTMENT PLAN

The REIT adopted a distribution reinvestment plan ("DRIP") on February 20, 2014, pursuant to which resident Canadian holders of not less than 1,000 units are entitled to elect to have all or some of the cash distributions of the REIT automatically reinvested in additional units at a price per unit calculated by reference to the weighted average of the trading price for the units on the relevant stock exchange or marketplace or the five trading days immediately preceding the relevant distribution date. Eligible unitholders who so elect will receive a bonus distribution of units equal to 4% of each distribution that was reinvested by them under the DRIP (3% prior to the June 2015 distribution). During the three-month period ended June 30, 2016, 47,616 units (2015 - 16,895) were issued under the DRIP for a stated value of \$78,493 (2015 - \$29,583) and for the six-month period then ended, 88,028 units (2015 - 33,856) with a stated value of \$139,923 (2015 - \$58,069) were issued under the DRIP.

RELATED PARTY TRANSACTIONS

Pursuant to an asset management agreement (the Management Agreement) dated January 14, 2014 entered into between the REIT and Edgefront Realty Advisors (the Manager), the REIT engaged the Manager to provide management services to the REIT, including providing the services of a chief executive officer and a chief financial officer to the REIT. The Manager is owned by a group including the chief executive officer and chief financial officer of the REIT, who collectively own 50% of the Manager, as well as a group including TriWest Capital Partners (“TriWest”) which owns 50% of the manager. TriWest controls RTL-Westcan LP, which holds an approximately 27.2% economic and voting interest in the REIT as at June 30, 2016. Two members of TriWest are trustees of the REIT.

In performing its obligations under the Management Agreement, the Manager will be entitled to receive the following fees from the REIT or its subsidiaries:

i) An annual asset management fee in the amount of:

0.75% of the gross book value, as defined in the Management Agreement, up to \$150 million, to be paid in units;

0.65% of the gross book value, as defined in the Management Agreement, between \$150 million and \$300 million, to be paid 50% in units and 50% in cash; and

0.50% of the gross book value, as defined in the Management Agreement, over \$300 million, to be paid 50% in units and 50% in cash.

ii) An acquisition fee in the amount of 0.50% of the purchase price of any property acquired by the REIT payable in cash on completion of each acquisition.

iii) A construction management fee payable on capital projects in an amount equal to 5% of all hard construction costs incurred on a project, excluding any maintenance capital expenditures. The construction management fee will be paid in cash upon substantial completion of each capital project.

iv) A property management fee, being the fee payable in respect of such services provided by the Manager that is deemed recoverable and recovered from the tenants, payable in cash on a cost recovery basis.

During the three-month period ended June 30, 2016, asset management fees in the amount of \$302,244 were expensed (2015 - \$218,748) and for the six-month period then ended \$604,422 was expensed (2015 - \$440,372).

During the six months ended June 30, 2016, 349,420 units (2015 – 244,417) at an average price per unit of \$1.64 (2015 - \$1.82) were issued to the Manager in respect of asset management fees. Asset management fees in the amount of \$302,244 were accrued as at June 30, 2016 (December 31, 2015 - \$286,140).

During the three months ended June 30, 2016, property management fees in the amount of \$15,482 (2015 - \$nil) were expensed as property management fees to the Manager, and for the six-month period then ended, property management fees in the amount of \$30,964 (2015 - \$nil) were expensed as property management fees payable to the manager.

During the three-month period ended June 30, 2016, trustee retainer fees in the amount of \$33,125 were expensed (2015 - \$26,240), and 17,032 units (2015 – nil) at an average price per unit of \$1.59 were issued to trustees as payment of retainer fees, net of associated withholding taxes. For the six-month period then ended, trustee retainer fees in the amount of \$66,250 were expensed (2015 - \$46,745) and 33,392 units (2015 – nil) at an average price per unit of \$1.62 were issued to trustees as payment of retainer fees. Trustee retainer fees in the amount of \$33,125 were accrued as at June 30, 2016 (December 31, 2015 - \$33,125).

Trustee meeting fees in the amount of \$5,500 (2015 - \$5,000) were expensed for the three-month period ended June 30, 2016, and for the six-month period then ended, meeting fees in the amount of \$11,000 (2015 - \$9,500) were expensed. Trustee meeting fees in the amount of \$28,950 were accrued as at June 30, 2016 (December 31, 2015 - \$17,950).

The REIT received lease payments from companies controlled by funds associated with TriWest Capital Partners totalling \$1,717,301 during the six months ended June 30, 2016 (2015 - \$1,501,955).

SUBSEQUENT EVENT

On July 27, 2016, the REIT announced that it had waived due diligence conditions to acquire a property located in Cambridge, Ontario for a purchase price of \$8,400,000. The acquisition is expected to close on August 22, 2016. The purchase price will be partially satisfied through the issuance of 1,000,000 Class B LP Units at a deemed issuance price of \$1.90 per unit, with the remainder of the purchase price to be funded from the proceeds of new 5-year term mortgage financing and available cash. A trustee of the REIT controls the company from which the REIT is purchasing the property. The transaction was unanimously approved by the REIT's board of trustees, with the trustee party to the transaction abstaining from voting on this matter. The property was appraised at \$9,200,000 by a qualified independent third party appraiser.

Both the purchase price and the appraised value of the property represent less than 25% of the REIT's market capitalization and as such, the transaction is exempt from the formal valuation and minority approval requirements of applicable securities legislation. Such trustee currently has control or direction over approximately 1.0% of the total number of outstanding REIT Units and Class B LP Units of subsidiary limited partnerships of the REIT, and it is expected that this will increase to approximately 3.4% on completion of the transaction.