Nexus Real Estate Investment Trust
(Formerly Edgefront Real Estate Investment Trust)

Condensed Consolidated Interim Financial Statements
(Unaudited)

For the three months ended March 31, 2017

Nexus Real Estate Investment Trust

Condensed Consolidated Interim Statements of Financial Position
(Unaudited)

	March 31, 2017 $	December 31, 2016 $
Non-current Assets		
Investment properties (notes 3 and 4)	173,774,872	173,774,872
Other non-current assets	101,426	104,926
	173,876,298	173,879,798
Current Assets		
Cash	793,419	904,023
Tenant and other receivables	306,276	350,654
Prepaid expenses	163,608	137,409
Other current assets (note 6)	824,506	240,866
	2,087,809	1,632,952
Total Assets	175,964,107	175,512,750
Non-current Liabilities		
Mortgages payable (note 7)	29,509,023	29,777,179
Credit Facility (note 8)	53,587,562	54,194,137
Class B LP units (note 9)	11,567,378	10,672,992
Unit options (note 12)	256,000	163,000
	94,919,963	94,807,308
Current Liabilities		
Current portion of mortgages payable (note 7)	1,539,598	1,535,793
Distributions payable	479,958	476,930
Accounts payable and accrued liabilities (note 16)	3,214,998	1,864,490
	5,234,554	3,877,213
Total Liabilities	100,154,517	98,684,521
Equity		
Unitholders' equity (note 10)	66,483,974	66,076,700
Retained earnings	9,325,616	10,751,529
Total Unitholders' Equity	75,809,590	76,828,229
Total Liabilities and Unitholders' Equity	175,964,107	175,512,750

Commitments and contingencies (note 14)

On behalf of the Board:

"Lorne Jacobson" Trustee

"Brad Cutsey" Trustee

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

Nexus Real Estate Investment Trust

Condensed Consolidated Interim Statements of Income and Comprehensive Income
(Unaudited)

	For the three months ended March 31, 2017 $	March 31, 2016 $
Net rental income		
Property revenue	4,010,136	3,724,541
Property expenses	(691,150)	(574,186)
Net rental income	3,318,986	3,150,355
General and administrative expense (note 16)	(497,926)	(487,826)
Transaction costs (note 18)	(778,155)	-
Fair value adjustment of investment properties (note 4)	-	(149,824)
Fair value adjustment of Class B LP Units (note 9)	(894,386)	552,835
Fair value adjustment of unit options (note 12)	(93,000)	20,000
Other income	-	256,528
	1,055,519	3,342,068
Finance income (expense)		
Interest income	-	6,147
Interest expense (notes 7 and 8)	(797,287)	(790,272)
Distributions on Class B LP Units (note 9)	(238,443)	(221,079)
	(1,035,730)	(1,005,204)
Income before taxes	19,789	2,336,864
Income taxes	(6,500)	(10,112)
Net income and comprehensive income for the period	13,289	2,326,752

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

Nexus Real Estate Investment Trust

Condensed Consolidated Interim Statements of Changes in Unitholders' Equity
(Unaudited)

	Unitholders' Equity $	Retained Earnings $	Total $
Balance – January 1, 2017	66,076,700	10,751,529	76,828,229
Net income for the period	-	13,289	13,289
Distributions	-	(1,439,202)	(1,439,202)
Issue of units under distribution reinvestment plan (note 11)	83,318	-	83,318
Issue of units to Manager (note 16)	301,082	-	301,082
Issue of units to Trustees (note 16)	22,874	-	22,874
Balance – March 31, 2017	66,483,974	9,325,616	75,809,590

	Unitholders' Equity $	Retained Earnings $	Total $
Balance – January 1, 2016	63,484,740	5,905,000	69,389,740
Net income for the period	-	2,326,752	2,326,752
Distributions	-	(1,378,499)	(1,378,499)
Issue of units under distribution reinvestment plan (note 11)	61,430	-	61,430
Issue of units to Manager (note 16)	282,072	-	282,072
Issue of units to Trustees (note 16)	27,105	-	27,105
Balance – March 31, 2016	63,855,347	6,853,253	70,708,600

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

Nexus Real Estate Investment Trust

Condensed Consolidated Interim Statements of Cash Flow

(Unaudited)

	For the three months ended March 31, 2017 $	March 31, 2016 $
Cash provided by (used in)		
Operating activities		
Net income for the period	13,289	2,326,752
Adjustment for items not involving cash:		
Asset management fees settled in REIT units (note 16)	307,521	291,329
Trustee fees settled in REIT units (note 16)	22,873	27,105
Amortization of deferred financing costs (notes 7 and 8)	43,187	41,204
Straight-line adjustments of ground lease and rent	(24,519)	(33,055)
Fair value adjustment of investment properties	-	149,824
Fair value adjustment of Class B LP Units (note 9)	894,386	(552,835)
Fair value adjustment of unit options (note 12)	93,000	(20,000)
Deferred income taxes	3,500	7,500
Changes in non-cash working capital		
Tenant and other receivables	44,378	(165,195)
Prepaid expenses	(26,199)	(46,154)
Other current assets	(556,087)	(39,855)
Accounts payable and accrued liabilities	1,341,036	834,883
Changes in other non-current assets	-	(15,886)
Total cash generated by operating activities	2,156,365	2,805,617
Investing activities		
Capital expenditures	-	(149,824)
Total cash used in investing activities	-	(149,824)
Financing activities		
Mortgage principal repayments	(278,380)	(232,837)
Net borrowing on (repayments of) the Credit Facility	(635,734)	(1,282,120)
Distributions to unitholders	(1,352,855)	(1,314,077)
Total cash used in financing activities	(2,266,969)	(2,829,034)
Change in cash during the period	(110,604)	(173,241)
Cash - beginning of period	904,023	1,152,168
Cash - end of period	793,419	978,927

Supplemental cash flow information (note 17)

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

1 Organization

Nexus Real Estate Investment Trust (formerly Edgefront Real Estate Investment Trust) is an open-ended real estate investment trust established under the laws of Ontario pursuant to its declaration of trust, as amended and restated effective April 28, 2014. Nexus Real Estate Investment Trust and its subsidiaries, (together, the REIT) own and operate commercial real estate properties in Western Canada, Ontario and Atlantic Canada. The registered office of the REIT is located at Suite 4600, 400 3 Avenue S.W., Calgary, Alberta, T2P 4H2.

2 Summary of significant accounting policies

The condensed consolidated interim financial statements of the REIT have been prepared by management in accordance with International Financial Reporting Standards (IFRS) applicable to the preparation of interim financial statements, including International Accounting Standard 34, Interim Financial Reporting, and do not include all of the information required for full annual financial statements, and should be read in conjunction with the audited consolidated financial statements as at and for the year ended December 31, 2016.

The accounting policies applied by the REIT in the preparation of these condensed consolidated interim financial statements are consistent with those applied for the year ended December 31, 2016, except for the following:

Business Combinations

The REIT uses the acquisition method to account for business combinations. The consideration transferred for the acquisition is measured as the aggregate of the fair values of the assets transferred, liabilities incurred or assumed, and any equity instruments of the REIT issued in exchange for control of the acquiree. Acquisition costs are recorded as an expense in earnings as incurred. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3, "Business Combinations", are recognized at their fair values at the acquisition date.

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted in the current period.

The condensed consolidated interim financial statements have been prepared on a going concern basis and under the historical cost convention, except for the revaluation of investment properties, Class B LP Units, and unit options, which are presented at fair value. These condensed consolidated interim financial statements are presented in Canadian dollars, which is the functional currency of the REIT. The condensed consolidated interim financial statements were authorized for issue by the board of trustees of the REIT on May 30, 2017.

3 Acquisitions and dispositions

On August 22, 2016, the REIT acquired an industrial property located in Cambridge, Ontario (the Cambridge Property) for a contractual purchase price of $8,400,000. The purchase price was satisfied through the issuance of 1,000,000 Class B LP Units at a deemed value of $1.90 per unit, with the balance, net of closing adjustments, satisfied in cash. The Cambridge Property was initially recorded at $8,380,000, the fair value of the consideration paid. The fair value of the Class B LP Units issued as purchase consideration was measured at the closing price of the REIT's units on August 22, 2016 of $1.88 per unit. The carrying amount of the Cambridge Property was subsequently adjusted to its fair value of $8,400,000. The impact of acquiring the property is as follows:

	$
Investment property acquired	8,380,000
Transaction costs	293,599
Net assets acquired	8,673,599
Consideration:	
Cash	1,338,637
Issuance of Class B LP Units to the vendor	1,880,000
Proceeds from new financing secured against the property	5,500,000
Deferred financing costs – new financing	(45,038)
	8,673,599

During the three months ended March 31, 2016, all conditions relating to an escrow agreement in respect of certain investment properties acquired in 2014 were satisfied resulting in $256,528 being released to the REIT, and recorded in other income during that period.

4 Investment properties

	March 31, 2017 $	December 31, 2016 $
Balance, beginning of period	173,774,872	161,174,872
Acquisition of investment properties, including acquisition costs of $nil (2016 - $293,599)	-	8,673,599
Additions – capital expenditures	-	208,830
Fair value adjustment	-	3,717,571
Balance, end of period	173,774,872	173,774,872

The fair value of the investment properties as at March 31, 2017 was determined primarily through the application of the direct capitalization method, with certain adjustments for the present value of rents determined to be above or below market rents.

The key valuation metrics used in determining the fair value of the investment properties are as detailed below:

	March 31, 2017	December 31, 2016
Weighted average capitalization rate	7.42%	7.42%
Range of capitalization rates	6.25% - 10.0%	6.25% - 10.0%
Stabilized net operating income	12,906,000	12,906,000

The fair value of the investment properties is most sensitive to changes in capitalization rates. As at March 31, 2017, a 0.25% increase in the weighted average capitalization rate would result in a decrease of approximately $5,664,000 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 $6,059,000 in the determination of the fair value of the investment properties.

The calculation of the fair value of investment properties using the direct income capitalization method results in the measurement being classified as Level 3 in the fair value hierarchy. Significant unobservable inputs used in the Level 3 valuation of the investment properties are the capitalization rate and the stabilized net operating income applied in the valuations. Generally, an increase in stabilized net operating income or a decrease in capitalization rates will result in an increase in the fair value of investment properties. Conversely, a decrease in stabilized net operating income or an increase in capitalization rates will generally result in a decrease in the fair value of investment properties.

5 Tenant and other receivables

The REIT leases industrial properties to tenants under operating leases. Minimum rental commitments on non-cancellable tenant operating leases over their remaining term are as follows:

	March 31, 2017
	$
Remainder of 2017	9,973,301
2018 – 2021	51,227,523
2022 – 2030	52,316,000
	113,516,824

6 Other current assets

Other current assets are comprised as follows:

	March 31, 2017	December 31, 2016
	$	$
Recoverable property taxes and insurance	515,382	-
Cumulative straight line rent adjustments	256,624	229,072
Equity issuance costs	31,500	-
Other	21,000	11,794
Total other current assets	824,506	240,866

Recoverable property taxes and insurance relates to an accounting adjustment required to gross up revenue for recoverable property taxes and insurance. There is an offsetting gross up of property expenses and accounts payable and accrued liabilities.

Equity issuance costs relate to stock exchange fees with respect to the issuance of 17,453,726 REIT units on April 3, 2017 in connection with a plan of arrangement. These costs will be netted against the fair value of the REIT units issued and recorded in unitholders' equity.

7 Mortgages payable

As at March 31, 2017, the mortgages payable are secured by charges against six of the REIT's investment properties. The weighted average interest rate, including deferred financing costs, of the mortgages payable is 3.32% and the weighted average term to maturity is 4.27 years. Interest expense recorded in the year includes the amortization of deferred financing costs relating to mortgages payable in the amount of $14,028 (2016 - $12,045).

	March 31, 2017 $	December 31, 2016 $
Mortgages payable	31,244,205	31,522,584
Less: Deferred financing costs	(195,584)	(209,612)
	31,048,621	31,312,972
Less: Current portion	(1,539,598)	(1,535,793)
	29,509,023	29,777,179

	Scheduled Repayments $	Principal Maturities $	Total $
Remainder of 2017	843,374	414,040	1,257,414
2018	1,142,178	-	1,142,178
2019	1,178,677	-	1,178,677
2020	1,116,729	12,562,444	13,679,173
2021	616,512	4,692,037	5,308,549
Thereafter	334,716	8,343,498	8,678,214
Total	5,232,186	26,012,019	31,244,205

8 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, is secured against thirteen of the REIT's investment properties, 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.

Funds drawn against the Credit Facility are as follows:

	March 31, 2017 $	December 31, 2016 $
Fixed rate and term borrowing	50,350,000	50,350,000
Bankers' acceptance borrowings	3,500,000	-
Prime rate advances	-	4,135,734
Total drawn against the Credit Facility	53,850,000	54,485,734
Less: deferred financing	(262,438)	(291,597)
	53,587,562	54,194,137

Details of amounts drawn on the Credit facility at March 31, 2017 are as follows:

	Principal Amount $	Interest Rate	Repricing Date
Fixed rate and term borrowing	30,000,000	3.90%	January 10, 2019
Fixed rate and term borrowing	20,350,000	3.63%	July 15, 2019
Bankers' acceptance borrowings	3,500,000	3.15%	April 7,2017
	53,850,000		

Interest expense recorded in the period includes the amortization of deferred financing costs relating to the Credit Facility in the amount of $29,159 (2016 - $29,159).

9 Class B LP Units

The following table summarizes the changes in Class B LP Units for the period ended March 31, 2017.

	Class B LP Units	Amount $
December 31, 2016	5,962,565	10,672,992
Fair value adjustment during the period	-	894,386
March 31, 2017	5,962,565	11,567,378

Distributions in the amount of $238,443 (2016 - $221,079) were declared payable to holders of Class B LP Units for the three months ended March 31, 2017. These amounts have been recognized as finance expense in the condensed consolidated interim statement of income and comprehensive income. Distributions payable in the amount of $79,481 were accrued at March 31, 2017 (March 31, 2016 - $73,693).

10 Unitholders' equity

The REIT is authorized to issue an unlimited number of units and special voting units. Each unit entitles the holder to a single vote at any meeting of unitholders and entitles the holder to receive a pro rata share of all distributions and in the event of termination or winding up of the REIT, in the net assets of the REIT remaining after satisfaction of all liabilities. The units are redeemable at any time at the demand of the holders to receive a price per unit as determined by the REIT's declaration of trust. Among other conditions for redemption, the total amount payable by the REIT in respect of units surrendered for redemption shall not exceed $50,000 in any one calendar month.

The declaration of trust provides for the issuance of special voting units which have no economic entitlement in the REIT or in the distribution of assets of the REIT, but are used to provide voting rights proportionate to the votes of the units to holders of securities exchangeable into units, including Class B LP Units.

The following table presents the changes in unitholders' equity for the period ended March 31, 2017.

	Units	Amount $
Unitholders' equity, December 31, 2016	35,778,636	66,076,700
Units issued as consideration for management services	168,664	301,082
Units issued as consideration for trustee services	12,839	22,874
Units issued under distribution reinvestment plan	45,704	83,318
Unitholders' equity, March 31, 2017	36,005,843	66,483,974

11 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 for 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 March 31, 2017, 45,704 units (2016 - 40,412 were issued under the DRIP for a stated value of $83,318 (2016 - $61,430).

12 Unit options

The REIT has adopted a unit-based compensation plan (the Plan) effective January 13, 2014. Under the terms of the Plan, the Board of Trustees may from time to time, at its discretion, grant options to purchase units of the REIT to trustees, officers and employees of the REIT and its affiliates, agents in connection with equity offerings and other consultants. The maximum number of options that may be reserved under the Plan is 10% of the outstanding units of the REIT.

The following table presents the changes in unit options for the period ended March 31, 2017.

	Number of unit options	Weighted average exercise price	Weighted average remaining contract life	Number of vested unit options
Outstanding, December 31, 2016	2,395,000	1.93	3.51	810,000
Unit options issued	-	-	-	
Unit options canceled	-	-	-	
Outstanding, March 31, 2017	2,395,000	1.93	3.26	810,000

Awards of options are fair valued applying the Black-Scholes option valuation method. The average expected volatility rate used in the valuation is estimated based on the historical volatility of comparable companies over a period of time approximating the average expected share option holding period. The average risk-free interest rate used is based on Government of Canada bonds with terms consistent with the average expected unit option holding period. 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 fair value of the unit options as at March 31, 2017 was determined through the application of the Black-Scholes method. The key assumptions used in determining the fair value of the unit options are as detailed below:

	March 31, 2017	December 31, 2016
Weighted average expected unit option life (in years)	2.03	2.24
Weighted average volatility rate	31.5%	31.5%
Weighted average risk free interest rate	0.76%	0.75%
Distribution yield	8.25%	8.94%

13 Financial instruments

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 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 March 31, 2017, the REIT had cash of $793,419 (December 31, 2016 - $904,023), mortgages payable of $31,244,205 (December 31, 2016 - $31,522,584), a Credit Facility balance of $53,850,000 (December 31, 2016 - $54,485,734) and accounts payable and accrued liabilities of $3,214,998 (December 31, 2016 - $1,864,490). The REIT had a working capital deficit of $3,146,745 as at March 31, 2017 (December 31, 2016 - $2,244,261). The REIT has access to undrawn funds under the Credit Facility and 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 $	Mortgages payable $	Mortgage interest $	Total $
Remainder of 2017	3,214,998	-	1,438,065	1,257,414	726,684	6,637,161
2018	-	-	1,908,705	1,142,178	921,135	3,972,018
2019	-	53,850,000	423,500	1,178,677	884,636	56,336,813
2020	-	-	-	13,679,173	785,075	14,464,248
2021	-	-	-	5,308,549	413,767	5,722,316
Thereafter	-	-	-	8,678,214	197,653	8,875,867
Total	3,214,998	53,850,000	3,770,270	31,244,205	3,928,950	96,008,423

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 March 31, 2017, there was a total of $3,500,000 (December 31, 2016 - $4,135,734) 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 tenant and other receivables. The REIT mitigates credit risk by depositing cash with a Canadian schedule I chartered bank and Alberta Treasury Branches, an Alberta Crown Corporation, and by monitoring the credit ratings of the institutions holding the REIT's deposits.

As at March 31, 2017, the REIT had 14 tenants, with one tenant accounting for approximately 42% of the REIT's rental income, resulting in concentration of credit risk. The REIT monitors the creditworthiness of its tenants on an ongoing basis.

14 Commitments and contingencies

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 in May of each year.

As at March 31, 2017, annual future minimum ground lease payments on account of base rent are as follows:

	2017 $	2018 $	2019 $	2020 $	2021 $	Thereafter $
Minimum annual rent	52,800	52,800	52,800	52,800	52,800	3,370,514

15 Capital management

The REIT defines its capital as its total unitholders' equity net of retained earnings or deficit, mortgages payable, Class B LP Units, and the Credit Facility. The REIT manages its capital to ensure that sufficient funds are available to fund operations, including the identification and acquisition of businesses or assets. The REIT ensures that it has sufficient capital to fund its operations as a going concern, and to identify, analyze, and finance further potential acquisitions. As part of the REIT's strategy for managing its capital, it may adjust the amount of distributions paid to unitholders, issue new units or debt, borrow against the Credit Facility, or repay debt.

The REIT's Credit Facility contains interest coverage, distribution and loan to value covenants, for which non-compliance would result in an event of default, allowing the lender to demand repayment of amounts outstanding under the Credit Facility. As at March 31, 2017, the REIT was in compliance with all of the financial covenants contained within the Credit Facility.

16 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 26.1% economic and voting interest in the REIT as at March 31, 2017. A member of TriWest is a trustee 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 period ended March 31, 2017, asset management fees in the amount of $330,800 were expensed (2016 - $302,178) and 168,664 units (2016 - 167,690) at an average price per unit of $1.79 (2016 - $1.68) were issued to the Manager in respect of asset management fees. Asset management fees in the amount of $331,584 were accrued as at March 31, 2017 (December 31, 2016 - $353,365).

During the period ended March 31, 2017, acquisition fees in the amount of $nil (2016 - $nil) were paid to the manager.

During the period ended March 31, 2017, property management fees in the amount of $15,644 (2016 - $15,482) were recovered from tenants and expensed as property management fees to the Manager.

During the period ended March 31, 2017, trustee retainer fees in the amount of $26,875 were expensed (2016 - $33,125), and 12,839 units (2016 - 16,360) at an average price per unit of $1.78 (2016 - $1.66) were issued to trustees as payment of retainer fees, net of associated withholding taxes. Trustee retainer fees in the amount of $46,875 were accrued as at March 31, 2017 (December 31, 2016 - $46,032).

Trustee meeting fees in the amount of $8,700 (2016 - $5,500) were expensed for the period ended March 31, 2017. Trustee meeting fees in the amount of $50,100 were accrued as at March 31, 2017 (December 31, 2016 - $41,400).

The REIT received lease payments from companies controlled by funds associated with TriWest Capital Partners totalling $870,150 during the period ended March 31, 2017 (2016 - $861,038).

17 Supplemental cash flow disclosure

Cash interest and income taxes paid and received are as follows:

	Three months ended March 31, 2017 $	Three months ended March 31, 2016 $
Cash interest paid	981,954	952,303
Cash interest received	-	6,142
Cash income taxes received	-	9,367

18 Subsequent event

On February 14, 2017, the REIT announced that it had entered into an arrangement agreement with Nobel Real Estate Investment Trust (Nobel), whereby the REIT would acquire all of the assets and liabilities of Nobel in exchange for the issuance of units of the REIT to Nobel (the Arrangement). On March 27, 2017, both the REIT's unitholders and Nobel's unitholders voted to approve the Arrangement. The Arrangement closed on April 3, 2017. The REIT issued 1.67 Nexus REIT units for each of the 10,451,333 outstanding units of Nobel, or 17,453,726 Nexus REIT units. The approximate fair value of the Nexus REIT units issued was $34,035,000 on the date of issuance.

Holders of 72,000 Class B LP Units of a subsidiary limited partnership of Nobel are entitled to convert these Class B LP Units for 1.67 REIT Units for each such Class B LP Unit converted, and are entitled to receive distribution payments equivalent to 1.67 times the distribution per REIT unit. The approximate fair value of these Class B LP Units was approximately $235,000 on the date of issuance.

Holders of 633,333 warrants and 290,200 options to purchase Nobel units received 1.67 equivalent securities of the REIT for each warrant or option held. The weighted average exercise prices of the options and warrants issued are $2.77 and $2.99, respectively. The fair values of these options and warrants as at the acquisition date has not yet been finalized as at the date of issuance of these condensed consolidated interim financial statements.

As a result of the arrangement, the REIT acquired all of the assets and liabilities of Nobel, and 100% of the voting interest in Nobel.

As at the date of issuance of these condensed consolidated interim financial statements of the REIT, the initial accounting for the business combination is still in progress and accordingly, the fair values of assets and liabilities acquired, and goodwill, if any, arising from the transaction has not yet been determined.

On April 3, 2017, the Management Agreement was terminated, and a termination fee of $1,500,000 was paid to the Manager.

A circular further describing the transaction, including the primary reasons management and trustees of the REIT were in favour of the transaction, was mailed to the REIT's unitholders on March 3, 2017 and was filed on SEDAR on the same date.

Transaction costs relating to the Arrangement in the amount of $778,155 were expensed in the period ended March 31, 2017.