Nexus Real Estate Investment Trust

Consolidated Financial Statements

December 31, 2020 and 2019

Independent auditor's report

To the Unitholders of Nexus Real Estate Investment Trust

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Nexus Real Estate Investment Trust and its subsidiaries (together, the REIT) as at December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

What we have audited
The REIT's consolidated financial statements comprise:

- the consolidated statements of financial position as at December 31, 2020 and 2019;
- the consolidated statements of income and comprehensive income for the years then ended;
- the consolidated statements of changes in unitholders' equity for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence
We are independent of the REIT in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2020. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Fair valuation of investment properties *Refer to note 2 – Summary of significant accounting policies and note 4 – Investment properties to the consolidated financial statements.* The REIT measures its investment properties at fair value. Management evaluates the fair value of the entire real estate portfolio annually. The fair value of the investment properties as at December 31, 2020 was $667,600,805. Fair value is determined with reference to external valuations and internal valuations based on the direct income capitalization method. In applying the direct income capitalization method, the stabilized net rental income of each property is divided by a capitalization rate appropriate for the property based on the market in which the property is located and the specific details of the property. Internal valuations are prepared by management, and external valuations are prepared by qualified external valuation professionals. The REIT obtains external valuations to supplement internal management valuations in support of the determination of the fair market value of investment properties. The application of the direct income capitalization method by management and their qualified external valuation professionals are subject to significant judgments, estimates and assumptions about market conditions as at the valuation date.	Our approach to address the matter included the following procedures, among others: Tested how management determined the fair value of investment properties, which included the following: • Evaluated the reasonableness of the capitalization rates by comparing them to industry data for the same type of property in the same geographic area. • Evaluated whether net operating income stabilization was reasonable considering (i) the current and past leasing activity of the investment properties, (ii) the comparability with external market and industry data as applicable and (iii) whether these assumptions were aligned with evidence obtained in other areas of the audit. *For a sample of investment properties:* • Professionals with specialized skills and knowledge in the field of real estate valuations further assisted us in evaluating the appropriateness of the direct income capitalization method and in evaluating the reasonableness of the capitalization rates and assumptions used in stabilized net operating income as applicable, by comparing to externally available market data. • Tested the underlying data used in the direct income capitalization method.

Key audit matter	How our audit addressed the key audit matter
The significant assumptions and estimates used by management and their qualified external valuation professionals when determining the fair value of investment properties are stabilized net rental income and capitalization rates. We considered this a key audit matter due to the significant judgments made by management when determining the fair values of the investment properties and the high degree of complexity in assessing audit evidence related to the significant assumptions and estimates made by management. In addition, the audit effort involved the use of professionals with specialized skills and knowledge in the field of real estate valuations.	

Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the REIT's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the REIT or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the REIT's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the REIT's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the REIT's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the REIT to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the REIT to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Frédéric Lepage.

/s/PricewaterhouseCoopers LLP[1]

Montréal, Quebec
March 17, 2021

[1] CPA auditor, CA, public accountancy permit No. A123475

Nexus Real Estate Investment Trust
Consolidated Statements of Financial Position
As at December 31, 2020 and 2019

	December 31, 2020 $	December 31, 2019 $
Non-current Assets		
Investment properties (notes 3 and 4)	667,600,805	584,772,861
Equity investment in joint venture (note 5)	8,261,155	7,395,957
Restricted cash	1,536,104	2,412,810
Derivative financial instruments (note 18)	-	781,269
Right-of-use assets (note 6)	1,179,254	1,272,348
Other non-current assets	63,728	87,274
	678,641,046	596,722,519
Current Assets		
Cash	13,993,230	7,875,818
Tenant and other receivables (note 7)	2,666,809	2,302,199
Deposits (note 23)	100,000	-
Prepaid expenses (note 19)	5,806,882	598,990
Other current assets (note 8)	9,290,751	5,879,941
	31,857,672	16,656,948
Total Assets	710,498,718	613,379,467
Non-current Liabilities		
Mortgages payable (notes 3 and 9)	239,413,077	186,971,943
Credit Facility (note 10)	64,903,002	65,009,228
Lease liabilities (notes 6 and 19)	3,670,487	3,737,072
Derivative financial instruments (note 18)	5,375,562	-
Class B LP Units (note 11)	49,186,994	39,528,332
Warrants	-	1,210
Unit options (note 12)	189,000	522,000
Restricted share units (note 13)	226,189	87,841
	362,964,311	295,857,626
Current Liabilities		
Mortgages payable (notes 3 and 9)	34,368,494	45,132,631
Credit Facility (note 10)	293,491	-
Lease liabilities (notes 6 and 19)	66,585	61,320
Distributions payable	1,491,633	1,361,152
Accounts payable, accruals and other liabilities (notes 14 and 21)	11,734,709	7,737,487
	47,954,912	54,292,590
Total Liabilities	410,919,223	350,150,216
Equity		
Unitholders' equity (note 15)	215,434,594	197,073,074
Retained earnings	84,144,901	66,156,177
Total Unitholders' Equity	299,579,495	263,229,251
Total Liabilities and Unitholders' Equity	710,498,718	613,379,467

Commitments (note 19)
Subsequent events (note 23)

On behalf of the Board:

"Benjamin Rodney" Trustee "Floriana Cipollone" Trustee

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

Nexus Real Estate Investment Trust

Consolidated Statements of Income and Comprehensive Income
For the years ended December 31, 2020 and 2019

	2020 $	2019 $
Net rental income		
Property revenues (note 17)	61,385,585	60,010,310
Property expenses (note 17)	(22,159,490)	(22,082,210)
Net rental income	39,226,095	37,928,100
General and administrative expense (note 21)	(3,473,655)	(3,187,095)
Fair value adjustment of investment properties (note 4)	10,582,824	20,169,991
Fair value adjustment of Class B LP Units (note 11)	6,981,773	(5,165,873)
Fair value adjustment of warrants	1,210	3,015
Fair value adjustment of unit options (note 12)	333,000	(247,000)
Fair value adjustment of restricted share units (note 13)	(51,252)	(15,841)
Fair value adjustment of derivative financial instruments (note 18)	(6,156,831)	781,269
Income from equity accounted investment in joint venture (note 5)	865,198	2,142,091
Loss on disposal of investment properties (note 3)	-	(134,313)
Other income (note 8)	1,546,330	4,624,419
	49,854,692	56,898,763
Finance expense		
Net interest expense (notes 9 and 10)	(11,001,134)	(11,620,169)
Distributions on Class B LP Units (note 11)	(3,619,197)	(2,890,624)
	(14,620,331)	(14,510,793)
Net income and comprehensive income for the year	35,234,361	42,387,970

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

Nexus Real Estate Investment Trust

Consolidated Statements of Changes in Unitholders' Equity
For the years ended December 31, 2020 and 2019

	Unitholders' Equity $	Retained Earnings $	Total $
Balance – January 1, 2020	197,073,074	66,156,177	263,229,251
Net income for the year	-	35,234,361	35,234,361
Distributions	-	(17,245,637)	(17,245,637)
Issue of units under distribution reinvestment plan (note 16)	2,225,546	-	2,225,546
Issue of units under Incentive Plan (note 13)	91,931	-	91,931
Issue of units as purchase price consideration (note 3)	10,754,380	-	10,754,380
Class B LP Units exchanged for REIT Units (note 11)	5,289,663	-	5,289,663
Balance – December 31, 2020	215,434,594	84,144,901	299,579,495

	Unitholders' Equity $	Retained Earnings $	Total $
Balance – January 1, 2019	178,267,365	39,774,838	218,042,203
Net income for the year	-	42,387,970	42,387,970
Distributions	-	(16,006,631)	(16,006,631)
Issue of units under distribution reinvestment plan (note 16)	1,564,091	-	1,564,091
Issue of units under Incentive Plan (note 13)	40,167	-	40,167
Issue of units to Trustees (note 21)	42,869	-	42,869
Class B LP Units exchanged for REIT Units (note 11)	17,158,582	-	17,158,582
Balance – December 31, 2019	197,073,074	66,156,177	263,229,251

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

Nexus Real Estate Investment Trust
Consolidated Statements of Cash Flows
For the years ended December 31, 2020 and 2019

	2020 $	2019 $
Operating activities		
Net income for the year	35,234,361	42,387,970
Adjustment for items not involving cash:		
Restricted share unit expense (note 13)	287,092	158,339
Share of net income from equity accounted investment in joint venture (note 5)	(865,198)	(2,142,091)
Amortization of deferred financing costs (notes 9 and 10)	322,660	373,695
Amortization of mortgage fair value adjustments (note 9)	(252,012)	(534,156)
Amortization of right-of-use assets (notes 6 and 19)	93,094	93,094
Amortization of tenant incentives and leasing costs (note 4)	636,734	317,326
Straight-line adjustments of rent	(545,551)	(489,473)
Fair value adjustment of investment properties (note 4)	(10,582,824)	(20,169,991)
Fair value adjustment of Class B LP Units (note 11)	(6,981,773)	5,165,873
Fair value adjustment of warrants	(1,210)	(3,015)
Fair value adjustment of unit options (note 12)	(333,000)	247,000
Fair value adjustment of restricted share units (note 13)	51,252	15,841
Fair value adjustment of derivative financial instruments (note 18)	6,156,831	(781,269)
Changes in non-cash working capital:		
Tenant and other receivables	(364,610)	(1,033,933)
Prepaid expenses	220,666	(120,397)
Deposits	(100,000)	300,000
Other current assets	500,017	(262,286)
Accounts payable, accruals and other liabilities	889,160	218,981
Changes in other non-current assets	23,546	59,611
Changes in restricted cash	(41,070)	(453,944)
Total cash generated by operating activities	24,348,165	23,347,175
Investing activities		
Acquisition of investment properties (note 3)	(39,415,864)	(16,757,896)
Proceeds on disposal of investment properties (note 3)	-	3,700,000
Investment in joint venture (note 5)	-	(900,000)
Capital expenditures, tenant incentives and leasing costs (note 4)	(5,657,571)	(4,035,745)
Total cash used in investing activities	(45,073,435)	(17,993,641)
Financing activities		
Proceeds from new financings	49,428,837	17,400,000
Financing costs	(509,286)	(538,442)
Lease principal repayments	(61,320)	(75,242)
Mortgage principal repayments	(7,280,155)	(9,631,561)
Net borrowing on the Credit Facility	154,218	6,330,435
Distributions to unitholders	(14,889,612)	(14,317,075)
Total cash generated by (used in) financing activities	26,842,682	(831,885)
Change in cash during the year	6,117,412	4,521,649
Cash - beginning of year	7,875,818	3,354,169
Cash - end of year	13,993,230	7,875,818

Supplemental cash flow and non-cash information (note 22)

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

1 Organization

Nexus Real Estate Investment Trust is an unincorporated, open-ended real estate investment trust governed by the laws of the Province of Ontario pursuant to an amended and restated declaration of trust dated August 13, 2020. Nexus Real Estate Investment Trust and its subsidiaries, (together, "the REIT") own and operate commercial real estate properties across Canada. The registered office of the REIT is located at 211-1540 Cornwall Road, Oakville, ON, L6J 7W5.

2 Summary of significant accounting policies

Statement of compliance

The consolidated financial statements of the REIT have been prepared by management in accordance with International Financial Reporting Standards ("IFRS"), as adopted by the International Accounting Standards Board ("IASB").

Basis of presentation

The consolidated 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, warrants, unit options, restricted share units and interest rate swap agreements, which are presented at fair value. These consolidated financial statements are presented in Canadian dollars, which is the functional currency of the REIT. The consolidated financial statements were authorized for issue by the board of trustees of the REIT on March 17, 2021.

Principles of consolidation

The consolidated financial statements include the accounts of the REIT and its subsidiaries. Subsidiaries are all entities over which the REIT has control. The REIT controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. All inter-entity transactions between the REIT and its subsidiaries have been eliminated in the consolidated financial statements.

Joint arrangements

The REIT enters into joint arrangements via joint operations and joint ventures. Joint arrangements that involve the establishment of a separate entity in which each venture has rights to the net assets of the arrangement are referred to as joint ventures. The REIT reports its interests in joint ventures using the equity method of accounting. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities. In a co-ownership arrangement, the REIT owns jointly one or more investment properties with another party and has direct rights to the investment property, and obligations for the liabilities relating to the co-ownership. For co-ownerships, the REIT's consolidated financial statements reflect only the REIT's proportionate share of the assets, its share of any liabilities incurred directly, its share of any revenues earned, or expenses incurred by the joint operation and any expenses incurred directly.

Segment reporting

The REIT owns and operates investment properties in Canada. In measuring performance, the REIT does not distinguish its operations on a geographic or any other basis and, accordingly, the REIT has a single reportable segment for disclosure purposes.

Financial instruments

Classification and measurement of financial assets and financial liabilities

The REIT's financial instruments are initially recognized at fair value. Subsequent to initial recognition, financial assets and liabilities are classified and measured based on three categories: amortized cost, fair value through other comprehensive income (FVOCI), and fair value through profit or loss (FVTPL). Financial assets are not reclassified subsequent to their initial recognition, unless the REIT identifies changes in its business model in managing financial assets that necessitate reassessment of the classification of financial assets.

The following table summarizes the measurement of the REIT's financial instruments:

Financial instrument	**Measurement**
Restricted cash	Amortized cost
Cash	Amortized cost
Tenant and other receivables	Amortized cost
Deposits	Amortized cost
Reserves held by mortgage lenders	Amortized cost
Other assets	Amortized cost
Class B LP Units	FVTPL
Warrants	FVTPL
Unit options	FVTPL
Restricted share units	FVTPL
Interest rate swaps – not designated as hedges	FVTPL
Mortgages payable	Amortized cost
Credit Facility	Amortized cost
Accounts payable, accruals and other liabilities	Amortized cost

Impairment of financial assets

The impairment model results in a single impairment model being applied to all financial instruments, which requires more timely recognition of expected credit losses.

For amounts receivable, the REIT applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized on initial recognition of the receivables. To measure the expected credit losses, the REIT has established a provision matrix that is based on its historical credit loss experience based on days past due, adjusted for forward-looking factors specific to the tenant and the economic environment. The REIT may also consider a financial asset to be in default when internal or external information indicates that it is unlikely to receive the outstanding contractual amounts in full.

A provision for impairment is recorded through an allowance account, and the amount of the loss is recognized in the consolidated statement of income and comprehensive income within property expenses. Bad debt write-offs occur when the REIT determines collection is not possible. Any subsequent recoveries of amounts previously written off are credited against property expenses in the consolidated statement of income and comprehensive income.

The REIT determines the fair value measurement based on the following hierarchy:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

Transaction costs relating to financial instruments measured at amortized cost are included in the carrying value of the financial instrument and amortized over the expected useful life of the instrument using the effective interest method. Financial assets are derecognized when contractual rights to the cash flow from the assets expire. Financial liabilities are derecognized when its contractual obligations are discharged, cancelled or expired.

Investment properties

A property is determined to be an investment property when it is principally held to earn rental income or for capital appreciation, or both. The REIT has selected the fair value method to account for its investment properties. Investment properties are initially recognized at the purchase price, including directly attributable costs. Subsequent to initial recognition, investment properties are carried at fair value. Fair value is determined with reference to external valuations and internal valuations. Internal valuations are primarily based on the direct income capitalization method, with gains or losses in the fair value of the investment properties recognized in the consolidated statement of income and comprehensive income in the period in which they arise.

Leasing costs include commissions paid to external leasing agents in negotiating and arranging tenant leases. Leasing costs are added to the carrying amount of investment properties. Tenant incentives, such as lessor improvements, may be provided to lessees to enter into a lease. Tenant incentives are added to the carrying amount of investment properties. Leasing costs and tenant incentives are amortized on a straight-line basis over the term of the lease as a property expense.

The application of the direct income capitalization method results in these measurements being classified as Level 3 in the fair value hierarchy. In applying the direct income capitalization method, the stabilized net rental income of each property is divided by a capitalization rate appropriate for the property based on the market in which the property is located and the specific details of the property. Investment properties are valued based on the highest and best use for the properties. For all of the REIT’s investment properties, the current use is considered to be the highest and best use. The significant unobservable inputs used in the Level 3 valuation of the investment properties are the capitalization rate and the stabilized net rental income used in the calculations.

Restricted cash

Restricted cash includes amounts held in reserve by lenders to fund repairs and capital expenditures and to finance the intended acquisition of land at a REIT property that is subject to a land lease.

Derivative financial instruments

From time to time, the REIT enters into interest rate swap agreements in order to reduce the impact of fluctuating interest rates of certain mortgages and the Credit Facility. These interest rate swaps usually require periodic exchanges of payments without the exchange of the notional principal amount on which the payments are based on and expire coterminous with the maturities of the corresponding debt. The interest rate swaps are not designated as hedging instruments under IFRS. The interest rate swaps are measured at fair value on initial recognition and are subsequently measured and classified at fair value through profit and loss, with changes in fair value presented in the consolidated statement of income and comprehensive income.

Leases

The REIT adopted IFRS 16, Leases, on January 1, 2019, using the modified retrospective approach.

The REIT leases mainly land and buildings. Lease terms are negotiated on an individual basis and contain different terms and conditions. The lease agreements do not impose any covenants.

At inception of a contract, the REIT assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The REIT has chosen to account for each lease component. The REIT recognizes a right-of-use asset and a lease liability at the commencement date, which is the date the leased asset is available for use. Each lease payment is allocated between lease liabilities and financing costs. Financing costs are charged to the statement of income and comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of lease liabilities for each period. The right-of-use asset is initially measured at cost comprised of the following:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

The right-of-use asset is subsequently depreciated over the shorter of the underlying asset's useful life and the lease term on a straight-line basis. The lease term includes periods covered by an option to extend if the REIT is reasonably certain to exercise that option. Also, the lease term includes periods covered by an option to terminate if the REIT is reasonably certain not to exercise that option. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, at the REIT's incremental borrowing rate. Generally, the REIT uses its incremental borrowing rate as the discount rate.

The lease liability includes the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or rate, initially measured using the index or the effective rate at the commencement date;
- amounts expected to be payable by the REIT under residual value guarantees;
- the exercise price of a purchase option if the REIT is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of that option by the REIT.

Remeasurement

The right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability. The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the REIT’s estimate of the amount expected to be payable under a residual value guarantee, or if the REIT changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Exceptions to the application of IFRS 16

The REIT has elected to apply exemptions related to the recognition of short-term or low-value leases at the transition date. Under this exemption, the REIT is not required to recognize right-of-use assets and lease liabilities for such leases.

Impact of transition to IFRS 16

IFRS 16 was applied using the modified retrospective approach effective January 1, 2019, under which approach the cumulative effect of initial application was recognized as at January 1, 2019. The information presented for 2018 has not been restated and remains as previously reported under IAS 17. On initial application, the REIT elected to record the right-of-use assets based on the corresponding lease liability. The lease liability was measured at the present value of the remaining lease payments, discounted using the REIT's incremental borrowing rate as of January 1, 2019.

The REIT has classified the right-of-use-assets in respect of land leases as investment property at fair value. Land lease related expense previously recorded in property expenses is now recorded as net interest expense in the consolidated statements of income and comprehensive income and as lease principal repayments in the consolidated statements of cash flows.

The REIT has classified the right-of-use-assets in respect of office leases as non-current assets at amortized cost. Office lease related expense previously recorded in general and administrative expense is now recorded partially as general and administrative expense, resulting from the amortization of right-of-use assets, and partially as net interest expense in the consolidated statements of income and comprehensive income and as lease principal repayments in the consolidated statements of cash flows.

The adoption of IFRS 16 resulted in the recognition on January 1, 2019 of lease liabilities amounting to $3,873,634, and right-of-use assets amounting to $3,599,109 relating to office and land leases. Right-of-use assets in the amount of $1,365,442 was recorded in non-current assets and $2,233,667 was recorded in investment properties in the consolidated statement of financial position. These liabilities were measured at the present value of the remaining lease payments, applying a discount rate of 6%.

The following presents the reconciliation of lease liabilities as of January 1, 2019:

	$
Minimum lease payments under operating leases as of December 31, 2018	7,508,802
Effect of discounting at the incremental borrowing rate as of January 1, 2019	(3,938,081)
Adjustments relating to changes in details of leases	302,913
Lease liabilities recognized at January 1, 2019	3,873,634

Unit equity

The REIT is an open-ended real estate investment trust, and units of the REIT are redeemable (puttable) at the option of the REIT's unitholders. IAS 32, Financial Instruments: Presentation, requires puttable instruments to be accounted for as financial liabilities, except where certain conditions as detailed in IAS 32 are met. This exemption is known as the Puttable Instrument Exemption. The units of the REIT meet the Puttable Instrument Exemption criteria and, accordingly, are classified and presented as equity in the consolidated statement of financial position. In addition to REIT Units, Class B LP Units may be issued. These units do not qualify for the Puttable Instrument Exemption and are classified as liabilities on the consolidated statement of financial position. They are remeasured at each reporting date to fair value with gains and losses reported within the consolidated statement of income and comprehensive income.

Option unit plan

Unit options are recorded as a liability and the fair value method is used to account for all unit options issued. Gains or losses in the fair value of unit options are recognized over the vesting period (if any) based on the fair value of the unit options through the application of the Black-Scholes option valuation model. The REIT accounts for the options as an expense over the vesting period of the options using the fair value of the underlying units, as determined by the closing price of the REIT's publicly traded units on the reporting date. Changes in the liability subsequent to the vesting date of the award and prior to the settlement date, resulting from changes in the market value of the REIT's units, are recorded as a charge to income in the period incurred.

Restricted share unit plan

The restricted share unit plan is measured at fair value at the date of grant and amortized to expense from the effective date of the grant to the final vesting date. The expense is recognized on a proportionate basis consistent with the vesting features of each tranche of the grant. The expense for restricted share units granted under the plan is recognized in general and administrative expense with a corresponding liability recognized based upon the fair value of the REIT's units. During the period in which the restricted share units are outstanding, the liability is adjusted for changes in the market value of the REIT's units, with such adjustments being recognized as a fair value adjustment within the consolidated statement of income and comprehensive income in the period in which they occur. The liability balance is reduced as restricted share units are settled for REIT Units and recorded in equity.

Revenue recognition

The REIT earns revenue from its tenants from various sources consisting of base rent for the use of space leased, recoveries of property taxes and insurance and service revenue from utilities, cleaning and property maintenance costs.

Revenue from lease components is recognized on a straight-line basis over the lease term and includes the recovery of property taxes and insurance (rental income).

Revenue related to the service component of the REIT's leases is accounted for in accordance with IFRS 15, Revenue from Contracts with Customers. These services consist primarily of utilities, cleaning and property maintenance costs for which the revenue is recognized over time, typically as the costs are incurred, which is when the services are rendered (revenue from services).

Government assistance

The REIT recognizes government assistance, in the form of grants or forgivable loans, when there is reasonable assurance that the REIT will be able to comply with the conditions attached to the assistance and that the assistance will be received.

COVID-19 Rent Relief

The REIT accounts for rental abatements in connection with the Canada Emergency Commercial Rent Assistance ("CECRA") program and provincial COVID-19 rent relief programs under the derecognition rules of IFRS 9, Financial Instruments. Financial assets, such as tenant and other receivables, are derecognized when all or a portion of outstanding amounts will be forgiven or abated and no further collection activities will be pursued. The forgiveness or abatement of the tenant receivable is recognized as a property expense in the consolidated statement of income and comprehensive income (see note 17).

Current and deferred income taxes

The REIT currently qualifies as a "mutual fund trust" under the Income Tax Act (Canada). The REIT expects to distribute or designate all of its taxable income to unitholders and is entitled to deduct such distributions for income tax purposes.

The legislation relating to the federal income taxation of a Specified Investment Flow Through ("SIFT") trust or partnership was enacted on June 22, 2007. Under the SIFT rules, certain distributions from a SIFT will not be deductible in computing the SIFT's taxable income and the SIFT will be subject to tax on such distributions at a rate that is substantially equivalent to the general tax rate applicable to Canadian corporations. However, distributions paid by a SIFT as a return of capital should generally not be subject to tax. Under the SIFT rules, the taxation regime will not apply to a real estate investment trust that meets prescribed conditions relating to the nature of its assets and revenue (the REIT Conditions). The REIT has reviewed the SIFT rules and has assessed its interpretation and application to the REIT's assets and revenue. While there are uncertainties in the interpretation and application of the SIFT rules, the REIT believes it meets the REIT Conditions and accordingly, no net current income tax expense or deferred income tax expense has been recorded in the consolidated statement of income and comprehensive income in respect of the REIT.

However, certain of the REIT's subsidiaries are incorporated companies. For these companies, the REIT follows the asset and liability method of accounting for income taxes. Under this method, income tax is recognized in the consolidated statement of income and comprehensive income except to the extent it relates to items recognized in equity, in which case the income tax is also recognized in equity. Current tax assets and liabilities are recognized at the amount expected to be paid or received from tax authorities using rates enacted or substantively enacted at the date of the consolidated statement of financial position. Deferred tax assets and liabilities are recognized at the tax rates enacted or substantively enacted at the date of the consolidated statement of financial position for the years that an asset is expected to be realized or a liability is expected to be settled. Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be generated and available for the asset to be utilized against. Income tax expense arising from the taxation of subsidiaries which are incorporated companies is not significant and is recorded within general and administrative expenses in the consolidated statement of income and comprehensive income.

Distributions

Distributions to unitholders are recognized as a liability in the period in which the distributions are approved by the Board of Trustees and are recorded as a reduction of retained earnings.

Significant accounting judgments, estimates and assumptions

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 revenues and expenses during the period. Actual results may differ materially from these estimates. The estimates and judgments used in determining the recorded amount for asset, liabilities and equity in the financial statements include the following:

Coronavirus disease 2019

The duration and full impact of the COVID-19 pandemic are unknown. As such, it is not possible to reliably estimate COVID-19 related impacts on the REIT's financial results and operations. Any estimates are therefore subject to significant uncertainty and may materially and adversely vary from actual outcomes. In particular, there is increased estimation uncertainty in determining the fair value of the REIT's investment properties and the recoverability of amounts receivable. Estimates and assumptions used in these consolidated financial statements are based on information available to the REIT as at the end of the reporting period.

Valuation of investment properties

Fair value is determined with reference to external valuations and internal valuations. Internal valuations are primarily based on the direct income capitalization method. The critical assumptions and estimates used by management when determining the fair value of investment properties are stabilized net rental income and capitalization rates (see note 4). 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.

Allowance for expected credit losses

The REIT recognizes an allowance for expected credit losses for financial assets measured at amortized cost at each balance sheet date. The REIT's assessment of expected credit losses is subjective and is based upon forward looking assessments of collectability. As a result, any expected credit loss is uncertain and the assumptions upon which it is based may change due to factors including uncertainty caused by COVID-19. The REIT reviews receivables on a continuous basis and determines potentially uncollectible accounts on a tenant by tenant basis, giving consideration to their credit risk and records an allowance based on expected credit losses as a property expense in the consolidated statement of income and comprehensive income.

Unit options

The estimates used when determining the fair value of unit-based compensation are the average expected unit option holding period, the average expected volatility rate and the average risk-free interest rate. For vested options, the holding period used is estimated to be half of the remaining 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 unit option holding period.

New accounting standards adopted by the REIT

IFRS 3, Business Combinations

On January 1, 2020, the REIT adopted amendments to IFRS 3, Business Combinations. The amendments to IFRS 3 clarify the definition of a business and provide guidance on whether an acquired set of activities and assets is a group of assets rather than a business. An acquirer only recognizes goodwill when acquiring a business, and not when acquiring a group of assets. The adoption of these amendments to IFRS 3 had no impact on the REIT's consolidated financial statements.

Standards issued but not yet effective

There are pending changes to IFRS which are not yet effective for the current period and have not been applied in the preparation of the REIT's consolidated financial statements:

IAS 1, Classification of Liabilities as Current or Non-Current

On January 23, 2020, the IASB issued "Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)". The amendments clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. The amendments also clarify the definition of "settlement" and provide situations which would be considered as a settlement of a liability. The amendments are effective January 1, 2023, with earlier application permitted. These amendments are not expected to impact the REIT's consolidated financial statements.

IFRS 7, 9 and IAS 39, Financial Instruments, IFRS 4, Insurance Contracts and IFRS 16, Leases

On August 27, 2020, the IASB published "Interest Rate Benchmark Reform - Phase 2 (Amendments to IFRS 7, 9, IAS 39, IFRS 4 and IFRS 16)" with amendments that address issues that might affect financial reporting after the reform of an interest rate benchmark, including its replacement with alternative benchmark rates. The amendments primarily relate to modifications in the basis for determining contractual cash flows of financial assets, financial liabilities and lease liabilities. The amendments are effective January 1, 2021, with earlier application permitted. These amendments are not expected to impact the REIT's consolidated financial statements.

3 Acquisitions and disposals

1) Acquisitions

On December 31, 2020, the REIT acquired a 50 percent interest in an industrial property located in Ajax, Ontario (the “Ajax Property”) for a contractual purchase price of $28,500,000. The REIT satisfied $25,500,000 of the purchase price on the closing date and the remaining $3,000,000 of purchase price will be satisfied in cash from mortgage financing to be placed on the Ajax Property following completion of an approximately 95,000 square foot expansion which the vendor is obligated to complete at its own cost. In respect of the estimated cost of the expansion, $2,947,500 of the purchase price has been classified as prepaid development costs. Over the period commencing December 31, 2020 and ending when the expansion is complete, the REIT will receive vendor rent obligation payments from the vendor, which are estimated to total $270,839. The Ajax Property was initially recorded at $25,281,661. The carrying value was subsequently adjusted to the acquisition date fair value of the Ajax Property of $25,552,500.

On December 1, 2020, the REIT acquired a single-tenant industrial property located in Moncton, New-Brunswick (the “Moncton Property”), for a contractual purchase price of $8,000,000. The purchase price was partially satisfied through the issuance of 1,600,000 REIT Units at a deemed value of $2.00 per unit with the balance, net of closing adjustments, satisfied in cash. The fair value of the units issued as purchase consideration, on the date of issuance, was measured at the closing price of the REIT's units on December 1, 2020 of $1.92 per unit. The Moncton Property was initially recorded at $7,872,000, the fair value of the consideration paid. The carrying amount was subsequently adjusted to the acquisition date fair value of the Moncton Property of $8,000,000.

On October 1, 2020, the REIT acquired a single-tenant industrial property located in Rocky View County, Alberta, within the Calgary Metropolitan Region (the “Rocky View Property”), for a contractual purchase price of $13,750,000. The purchase price was partially satisfied through the issuance of 2,750,000 Class B LP Units of a subsidiary limited partnership of the REIT at a deemed value of $2.00 per unit and are convertible to REIT Units on a one-to-one basis with the balance, net of closing adjustments, satisfied in cash generated from new mortgage financing. The fair value of the units issued as purchase consideration, on the date of issuance, was measured at the closing price of the REIT's units on October 1, 2020 of $1.59 per unit. The Rocky View Property was initially recorded at $12,622,500, the fair value of the consideration paid. The carrying amount was subsequently adjusted to the acquisition date fair value of the Rocky View Property of $13,750,000.

On February 3, 2020, the REIT acquired three industrial properties located in Regina and Saskatoon, Saskatchewan (the “Access Properties”) for a contractual purchase price of $17,400,000. The purchase price was satisfied through the issuance of 4,809,524 Class B LP Units of a subsidiary limited partnership of the REIT, which are convertible to REIT Units on a one-to-one basis, and 3,476,190 REIT Units, with both the REIT Units and the Class B LP Units issued at a deemed value of $2.10 per unit, with closing adjustments satisfied in cash. The fair value of the units issued as purchase consideration, on the date of issuance, was measured at the closing price of the REIT's units on February 3, 2020 of $2.21 per unit. The Access Properties were initially recorded at $18,311,428, the fair value of the consideration paid. The carrying amount was subsequently adjusted to the acquisition date fair value of the Access Properties of $17,400,000.

On April 2, 2019, the REIT acquired four industrial properties located in Fort St John, British Columbia; Blackfalds, Alberta; Medicine Hat, Alberta and Estevan, Saskatchewan (the “Mastec Properties”) for a contractual purchase price of $31,000,000. The purchase price was partially satisfied through the issuance of 7,030,186 Class B LP Units of a subsidiary limited partnership of the REIT at a deemed value of $2.10 per unit and convertible into REIT Units on a one-to-one basis, with the balance, net of closing adjustments, satisfied in cash. The fair value of the units issued as purchase consideration, on the date of issuance, was measured at the closing price of the REIT’s units on April 2, 2019 of $2.02. The Mastec Properties were initially recorded at $30,437,585, the fair value of the consideration paid. The carrying amount was subsequently adjusted to the acquisition date fair value of the Mastec Properties of $31,000,000.

The impact of the acquisitions completed during the year ended December 31, 2020 is as follows:

	Ajax $	Moncton $	Rocky View $	Access $	Total $
Investment properties acquired	25,281,661	7,872,000	12,622,500	18,311,428	64,087,589
Prepaid development costs	2,947,500	-	-	-	2,947,500
Transaction costs	680,436	149,255	141,330	165,682	1,136,703
Working capital acquired	(1,428)	(19,410)	(100,795)	-	(121,633)
Net assets acquired	28,908,169	8,001,845	12,663,035	18,477,110	68,050,159
Consideration:					
Cash	10,955,669	(1,043,942)	(1,985,853)	165,682	8,091,556
Purchase consideration payable	3,000,000	-	-	-	3,000,000
Proceeds of new mortgage financing	15,000,000	6,000,000	10,312,500	-	31,312,500
Deferred financing costs - new financing	(47,500)	(26,213)	(36,112)	-	(109,825)
Issuance of REIT Units to the vendors	-	3,072,000	-	7,682,380	10,754,380
Issuance of Class B LP Units to the vendors	-	-	4,372,500	10,629,048	15,001,548
	28,908,169	8,001,845	12,663,035	18,477,110	68,050,159

The impact of the acquisition completed during the year ended December 31, 2019 is as follows:

	$
Investment properties acquired	30,437,585
Transaction costs	521,287
Working capital acquired	586,678
Net assets acquired	31,545,550
Consideration:	
Proceeds of new mortgage financing	17,400,000
Issuance of Class B LP Units to the vendor	14,200,976
Deferred financing costs - new financing	(55,426)
	31,545,550

2) Disposals

On December 2, 2019, the REIT sold a property located in Mascouche, Quebec for a selling price of $3,700,000. Net of selling costs of $134,313, the REIT received cash proceeds of $3,565,687. The sale of the property generated a loss on disposal of $134,313.

4 Investment properties

	December 31, 2020 $	December 31, 2019 $
Balance, beginning of year	584,772,861	530,191,912
IFRS 16 transition - recognition of right-of-use assets	-	2,233,667
Acquisition of investment properties, including acquisition costs of $1,136,703 (December 31, 2019 - $521,287) (note 3)	65,224,292	30,958,872
Additions - capital expenditures	5,096,606	1,438,780
Additions - tenant incentives and leasing costs	2,060,956	2,596,965
Amortization of tenant incentives and leasing costs	(636,734)	(317,326)
Reclassified from prepaid development costs (note 8)	500,000	1,200,000
Disposal of investment property (note 3)	-	(3,700,000)
Fair value adjustment	10,582,824	20,169,991
Balance, end of year	667,600,805	584,772,861

The REIT obtains third party appraisals to supplement internal management valuations in support of the determination of the fair market value of investment properties. Investment properties with an aggregate fair value of $148,180,000 were valued by qualified external valuation professionals during the year ended December 31, 2020.

The fair value of the investment properties as at December 31, 2020 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 fair value of the investment properties as at December 31, 2020 represents the REIT's best estimate based on available information as at the end of the reporting period. Inputs used in determining the fair value of investment properties have been adjusted to reflect the REIT's best estimates of impacts related to COVID-19. The REIT will continue to monitor the effect of the economic environment on the valuation of its investment properties.

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

	December 31, 2020	December 31, 2019
Weighted average capitalization rate	6.51%	6.70%
Range of capitalization rates	4.50% - 9.50%	5.75% - 10.10%
Stabilized net operating income	$43,613,000	$39,575,000

The fair value of the investment properties is most sensitive to changes in capitalization rates. As at December 31, 2020, a 0.25% increase in the weighted average capitalization rate would result in a decrease of approximately $24,803,000 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 $26,785,000 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 Equity investment in joint venture

The REIT has a 50% interest in Société en Commandite 2045 Stanley, the limited partnership that owns the office building located at 2039-2047 rue Stanley in Montreal.

The following table summarizes the equity investment in the joint venture:

	December 31, 2020 $	December 31, 2019 $
Balance, beginning of year	7,395,957	4,353,866
Capital contribution	-	900,000
Share of net income from investment in joint venture	865,198	2,142,091
Balance, end of year	8,261,155	7,395,957

The following table summarizes the cumulative financial information of the joint venture:

	December 31, 2020 $	December 31, 2019 $
Investment property	33,250,000	-
Property under development	-	31,300,000
Other non-current assets	745,861	564,988
Cash	595,773	210,095
Tenant and other receivables	42,814	389,811
Other current assets	6,391	-
Derivative financial instruments	(1,026,185)	(65,543)
Bank facility	(16,275,340)	(17,145,680)
Accounts payable, accruals and other liabilities	(817,004)	(461,757)
Net assets	16,522,310	14,791,914
50% investment in joint venture	8,261,155	7,395,957

	For the year ended December 31, 2020 $	For the year ended December 31, 2019 $
Property revenues	3,665,914	3,088,003
Property expenses	(1,781,120)	(1,838,998)
Net rental income	1,884,794	1,249,005
General and administrative expense	(168,110)	(160,950)
Net interest expense	(564,227)	(464,174)
Fair value adjustment of investment property	1,538,581	-
Fair value adjustment of property under development	-	3,954,933
Fair value adjustment of derivative financial instruments	(960,642)	(294,633)
Net income and comprehensive income for the year	1,730,396	4,284,181
Share of net income and comprehensive income from 50% investment in joint venture	865,198	2,142,091

6 Leases

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 REIT has a leasehold interest in a property subject to a 25-year land lease, which commenced on May 25, 2012, and has two five-year options to renew. The REIT has the option to purchase the land subject to the land lease, and this option may first be exercised in December 2022.

The REIT has the rights and obligations of a 20-year term lease of 7,170 square feet of office space in a property that the REIT owns at 50% through an investment in a joint venture. The lease commenced on January 1, 2018. The REIT has the rights and obligations of a 5-year term lease of 1,760 square feet of office space. The lease commenced on November 1, 2018.

The following table summarizes the changes in right-of-use assets for the years ended December 31, 2019 and December 31, 2020:

	$
IFRS 16 transition - recognition of right-of-use assets	1,365,442
Amortization of right-of-use assets	(93,094)
Balance as at December 31, 2019	1,272,348
Amortization of right-of-use assets	(93,094)
Balance as at December 31, 2020	1,179,254
Cost	1,365,442
Accumulated amortization	(186,188)
Net book value	1,179,254

Amounts payable in addition to base rents under leases as recovery of variable expenses such as property taxes, insurance and repairs and maintenance are not included in lease liabilities and totalled $155,249 (2019 – $159,096) for the year ended December 31, 2020.

For the year ended December 31, 2020, amortization of right-of-use assets of $93,094 (2019 - $93,094) is included in the consolidated statement of income and comprehensive income.

The following table summarizes the changes in lease liabilities for the years ended December 31, 2019 and December 31, 2020:

	Land leases $	Office leases $	Total $
IFRS 16 transition - recognition of lease liabilities	2,303,956	1,569,678	3,873,634
Lease principal repayments	(19,423)	(55,819)	(75,242)
Balance as at December 31, 2019	2,284,533	1,513,859	3,798,392
Lease principal repayments	(8,500)	(52,820)	(61,320)
Balance as at December 31, 2020	2,276,033	1,461,039	3,737,072
Current portion	9,018	57,567	66,585
Non-current portion	2,267,015	1,403,472	3,670,487
	2,276,033	1,461,039	3,737,072

For the year ended December 31, 2020, interest expense on lease liabilities of $224,952 (2019 - $209,270) is included in the consolidated statement of income and comprehensive income.

7 Tenant and other receivables

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

	December 31, 2020 $
2021	43,558,776
2022	40,969,776
2023	36,792,499
2024	32,276,057
2025	22,710,521
Thereafter	50,997,986
	227,305,615

8 Other current assets

Other current assets are comprised as follows:

	December 31, 2020 $	December 31, 2019 $
Prepaid development costs	3,647,500	1,200,000
Vendor rent obligations	1,642,634	2,116,452
Property tax reserves held by mortgage lenders	277,149	564,168
Cumulative straight-line rent adjustments	2,251,781	1,707,229
Restricted cash	1,266,022	-
Other	205,665	292,092
Total other current assets	9,290,751	5,879,941

As at December 31, 2020, the vendor rent obligations of $1,642,634 represent the total amount of rent estimated to be collectible from the vendors in the future until property improvements are complete and tenant leases have commenced.

As at December 31, 2020, the vendor rent obligation related to a REIT property located in Richmond, British-Columbia, was reassessed to $1,371,795 in the context of anticipated delays in the completion of property improvements required before the commencement of certain leases. The estimated total amount of vendor rent obligation receivable between January 1, 2020 and the commencement of these leases increased by $1,546,330 and this amount was recorded in other income in the consolidated statement of income and comprehensive income.

On December 31, 2020, the REIT recorded $270,839 of vendor rent obligation related to the Ajax Property. This amount is an estimate of the total expected to be due to the REIT during the completion of the building expansion and commencement of a tenant lease.

9 Mortgages payable

As at December 31, 2020, the mortgages payable are secured by charges against 60 of the REIT's investment properties. The weighted average interest rate, including deferred financing costs and interest rate swap agreements, of the mortgages payable is 3.66% and the weighted average term to maturity is 3.95 years (December 31, 2019 – 3.68 years). The breakdown of future principal repayments, including mortgage maturity, is presented in the following table:

	Scheduled Repayments $	Principal Maturities $	Total $
2021	8,363,067	26,027,188	34,390,255
2022	8,061,362	15,984,322	24,045,684
2023	6,801,702	48,922,042	55,723,744
2024	4,860,656	43,318,733	48,179,389
2025	3,079,854	63,170,777	66,250,631
Thereafter	4,354,156	41,286,822	45,640,978
Total	35,520,797	238,709,884	274,230,681

The following table summarizes the changes in mortgages payable for the years ended December 31, 2020 and 2019:

	December 31, 2020 $	December 31, 2019 $
Mortgages payable, beginning of year	232,081,999	224,313,560
New mortgage financing	49,428,837	17,400,000
Principal repayments	(7,280,155)	(9,631,561)
Mortgages payable, end of year	274,230,681	232,081,999
Less: Deferred financing costs, beginning of year	(691,336)	(563,134)
Less: Additions to deferred financing costs	(509,286)	(401,554)
Plus: Amortization of deferred financing costs	289,613	273,352
Plus: Fair value adjustment of mortgages, beginning of year	713,911	1,248,067
Less: Amortization of fair value adjustments	(252,012)	(534,156)
Balance, end of year	273,781,571	232,104,574
Less: Current portion	(34,368,494)	(45,132,631)
	239,413,077	186,971,943

10 Credit Facility

On September 13, 2019, the REIT refinanced its existing credit facility to a fixed-term facility of $65,000,000 and a revolving facility of $5,000,000 (together the Credit Facility). The Credit Facility matures on September 13, 2024 and is secured against 13 of the REIT's investment properties.

The $65,000,000 fixed-term facility bears interest at the 30-day Bankers' acceptance rate plus 150 basis points. Concurrent with the refinancing, the REIT entered into interest rate swap agreements totalling $65,000,000 to swap floating 30-day Bankers' acceptance rates for a fixed rate of 1.65%, such that the interest rate on the fixed-term facility, including the 150 basis point spread, is fixed at 3.15%. The $5,000,000 revolving credit facility allows the REIT to draw against the facility in the form of prime rate advances or Bankers' acceptances. Prime rate advances bear interest at 100 basis points per annum over the Canadian prime borrowing rate. Bankers' acceptance advances bear interest at 200 basis points per annum over the floating bankers' acceptance rate.

On April 6, 2020, the REIT received working capital relief loans totalling $500,000 from its Credit Facility lender as part of their COVID-19 relief programs. These loans were set at an amount that approximates three months' interest payments under the Credit Facility. The loans bear interest of 100 basis points over the lender's prime lending rate, can be early repaid without penalty and must be repaid by July 31, 2021. As at December 31, 2020, $293,491 (December 31, 2019 - nil) relating to these working capital relief loans remained outstanding.

The REIT has a $500,000 revolving line of credit bearing interest at 100 basis points per annum over the Canadian prime borrowing rate. The line of credit is secured against six of the REIT's investment properties and allows the REIT to draw down a yearly average maximum of 75% of the $500,000 credit limit. As at December 31, 2020, this line of credit was undrawn (December 31, 2019 - undrawn).

Funds drawn against the Credit Facility and the revolving line of credit are as follows:

	December 31, 2020 $	**December 31, 2019 $**
Fixed-term borrowings	65,000,000	65,000,000
Working capital relief loans	293,491	-
Prime rate borrowings	-	139,273
Total drawn against the Credit Facility	65,293,491	65,139,273
Less: deferred financing costs	(96,998)	(130,045)
	65,196,493	65,009,228

Amounts drawn on the Credit Facility as at December 31, 2020 are as follows:

	Principal Amount $	**Interest Rate**	**Repricing Date**
Fixed-term borrowings	65,000,000	1.97% (1)	January 13, 2021 (1)
Working capital relief loans	293,491	3.45%	January 31, 2021
	65,293,491		

(1) The REIT entered into interest rate swap agreements to swap floating rate interest for a fixed rate of 3.15% over the term of the Credit Facility (see note 18).

The following table summarizes the changes in the Credit Facility for the years ended December 31, 2020 and 2019:

	December 31, 2020 $	December 31, 2019 $
Drawn against Credit Facility, beginning of year	65,139,273	58,808,838
New working capital relief loans during the year	500,000	-
Net borrowings (repayments) during the year	(345,782)	6,330,435
Drawn against Credit Facility, end of year	65,293,491	65,139,273
Less: Deferred financing costs, beginning of year	(130,045)	(93,500)
Less: Deferred financing costs incurred	-	(136,888)
Plus: Amortization of deferred financing costs	33,047	100,343
Balance, end of year	65,196,493	65,009,228

11 Class B LP Units

The following table summarizes the changes in Class B LP Units for the year ended December 31, 2020:

	Class B LP Units	Amount $
Balance as at December 31, 2019	18,215,819	39,528,332
Class B LP Units issued as purchase price consideration (note 3)	7,559,524	15,001,548
Class B LP Units issued in settlement of contractual obligations (note 19)	3,012,413	6,928,550
Class B LP Units exchanged for REIT Units	(3,302,269)	(5,289,663)
Fair value adjustment	-	(6,981,773)
Balance as at December 31, 2020	25,485,487	49,186,994

On April 1, 2020, 2,639,745 Class B LP Units were issued in settlement of contractual obligations. Between September 2020 and December 2020, an additional 372,668 Class B LP Units were issued in settlement of contractual obligations. As at December 31, 2020, 543,477 of these units were held in trust by the REIT. While the units are held in trust, they will not accrue any distributions declared. Each month between January 2021 and March 2021, 181,159 Class B LP Units will be released from trust.

Distributions in the amount of $3,619,197 (2019 - $2,890,625) were declared payable to holders of Class B LP Units for the year ended December 31, 2020. These amounts have been recognized as finance expense in the consolidated statement of income and comprehensive income. Distributions payable in the amount of $332,477 were accrued as at December 31, 2020 (December 31, 2019 - $242,817).

The following table summarizes the changes in Class B LP Units for the year ended December 31, 2019:

	Class B LP Units	Amount $
Balance as at December 31, 2018	19,746,065	37,320,065
Class B LP Units issued for purchase price consideration (note 3)	7,030,186	14,200,976
Class B LP Units exchanged for REIT units	(8,560,432)	(17,158,582)
Fair value adjustment	-	5,165,873
Balance as at December 31, 2019	18,215,819	39,528,332

12 Unit options

The REIT adopted a unit-based compensation plan (the "Option Plan") effective January 13, 2014. Under the terms of the Option 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 and restricted share units that may be reserved under the Option Plan and the Incentive Plan (note 13) is 10% of the outstanding units of the REIT.

The following table presents the changes in unit options for the year ended December 31, 2020:

	Number of unit options	Weighted average exercise price $	Weighted average remaining contractual life	Number of vested unit options
Outstanding as at December 31, 2018	3,706,820	2.03	2.93	2,085,153
Unit options forfeited	(455,020)	2.06		
Unit options expired	(710,000)	2.00		
Outstanding as at December 31, 2019	2,541,800	2.04	2.51	1,983,466
Unit options forfeited	(250,000)	2.10		
Unit options expired	(66,800)	2.54		
Outstanding as at December 31, 2020	2,225,000	2.02	1.51	2,225,000

The following table presents the details of unit options outstanding as at December 31, 2020:

Exercise price $	Number of unit options	Weighted average remaining contractual life	Number of vested unit options
1.88	800,000	0.65	800,000
2.10	1,425,000	1.99	1,425,000
	2,225,000	1.51	2,225,000

The following table presents the details of unit options outstanding as at December 31, 2019:

Exercise price $	Number of unit options	Weighted average remaining contractual life	Number of vested unit options
1.88	800,000	1.65	800,000
2.10	1,675,000	2.99	1,116,666
2.54	66,800	0.66	66,800
	2,541,800	2.51	1,983,466

Options are fair valued applying the Black-Scholes 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 unit 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 December 31, 2020 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:

	December 31, 2020	December 31, 2019
Weighted average expected unit option life (in years)	0.75	1.36
Weighted average volatility rate	25.00%	25.00%
Weighted average risk-free interest rate	0.12%	1.71%
Distribution yield	8.29%	7.37%

13 Restricted share units

The REIT adopted an incentive unit plan (the “Incentive Plan”) effective June 22, 2018. Under the Incentive Plan, the Board of Trustees may grant restricted share units (“RSUs”) of the REIT to trustees, officers and employees of the REIT and consultants. The REIT is authorized to issue up to 4,448,704 units under the Incentive Plan. The maximum number of restricted share units and options that may be reserved under the Incentive Plan and the Option Plan is 10% of the outstanding units of the REIT.

On March 25, 2020, the REIT granted an aggregate of 217,468 RSUs. These RSUs vest one-third on the date of issuance, one-third on February 28, 2021 and one-third on February 28, 2022.

On July 12, 2019, the REIT granted an aggregate of 130,348 RSUs. These RSUs vest one-third on the date of issuance, one-third on February 28, 2020 and one-third on February 28, 2021.

The initial fair value of each RSU granted is determined based on the volume-weighted average trading price of units of the REIT for the five trading days prior to the valuation date. The RSUs are remeasured to fair value at each reporting date with gains and losses reported within the consolidated statement of income and comprehensive income.

14 Accounts payable, accruals and other liabilities

Accounts payable, accruals and other liabilities are comprised as follows:

	December 31, 2020 $	December 31, 2019 $
Purchase consideration payable (note 3)	3,000,000	-
Prepaid rent	1,675,288	1,354,022
Security deposits	1,890,194	1,825,341
Accrued interest expense	909,515	795,959
Sales and other taxes payable	1,170,987	742,735
Trade accounts payable and other	3,088,725	3,019,430
	11,734,709	7,737,487

15 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 year ended December 31, 2020:

	Units	**Amount $**
Unitholders' equity as at December 31, 2019	102,111,919	197,073,074
Units issued under distribution reinvestment plan (note 16)	1,354,712	2,225,546
Units issued under Incentive Plan (note 13)	55,348	91,931
Units issued as purchase price consideration (note 3)	5,076,190	10,754,380
Class B LP Units exchanged for REIT Units (note 11)	3,302,269	5,289,663
Unitholders' equity as at December 31, 2020	111,900,438	215,434,594

The following table presents the changes in unitholders' equity for the year ended December 31, 2019:

	Units	**Amount $**
Unitholders' equity as at December 31, 2018	92,699,252	178,267,365
Units issued under distribution reinvestment plan (note 16)	809,176	1,564,091
Units issued under Incentive Plan (note 13)	20,215	40,167
Units issued as consideration for trustee services (note 21)	22,844	42,869
Class B LP Units exchanged for REIT Units (note 11)	8,560,432	17,158,582
Unitholders' equity as at December 31, 2019	102,111,919	197,073,074

16 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 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. During the year ended December 31, 2020, 1,354,712 units (2019 - 809,176 units) were issued under the DRIP for a stated value of $2,225,546 (2019 - $1,564,091).

17 Property revenues

The following table presents the main components of property revenues according to their nature:

	For the year ended December 31, 2020 $	December 31, 2019 $
Rental income	53,100,339	51,272,413
Revenue from services	7,300,970	7,590,705
Other revenue	984,276	1,147,192
	61,385,585	60,010,310

The CECRA program was available to eligible tenants for the months of April through September 2020. Under the CECRA program, the REIT effectively abated 25% of gross rents for the period in which an eligible tenant was included in this program. On September 30, 2020, a program was enacted by the Government of Quebec which reduced the amount effectively abated by the REIT from 25% to 12.5% for tenants of properties located in Quebec that were included in the CECRA program.

During the year ended December 30, 2020, the REIT recorded a total of $542,992 (2019 – nil) of government funding under these rent relief programs and as at December 31, 2020, the amount receivable from the governments was nil (December 31, 2019 – nil). The CECRA rent abatement, net of the Quebec program contribution, was $259,919 for the year ended December 31, 2020 and is presented as a property expense. During the year ended December 31, 2020, the REIT accrued a provision of $288,582 relating to a limited number of tenants which did not qualify for CECRA but had demonstrated significant financial hardship due to COVID-19. In other cases, the REIT entered into agreements to defer portions of rental payments. As at December 31, 2020, a total of $531,467 (December 31, 2019 – nil) of rent was deferred.

18 Financial instruments

Fair value

The fair value of cash, restricted cash, tenant and other receivables, deposits, other current assets, and accounts payable, accrued and other liabilities approximates carrying values due to the short-term nature of these instruments. The fair value of the mortgages payable as at December 31, 2020 is approximately $283,203,000 (2019 - $215,474,000).

The fair value of prime rate and bankers' acceptance advances under the Credit Facility approximates carrying value due to the short-term nature of these instruments.

The fair value of the mortgages payable has been calculated using Level 2 inputs by discounting the expected cash flows of each debt using a discount rate based on the Government of Canada benchmark bond yield for instruments of similar maturity, adjusted for the risk profile specific to the REIT and the investment properties. Changes in benchmark bond yields for instruments of similar maturity are applied to the interest rates of the mortgages to maintain an appropriate risk adjustment factor when selecting a discount rate.

As at December 31, 2020, the REIT has classified the fair value measurement of non-current liabilities as follows: mortgages payable (Level 2), Credit Facility (Level 2) and Class B LP Units (Level 2). There was no transfer between the levels during the fiscal year 2020.

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 December 31, 2020, the REIT had cash of $13,993,230 (December 31, 2019 - $7,875,818), mortgages payable of $ 274,230,681 (December 31, 2019 - $232,081,999), a Credit Facility balance of $65,293,491 (December 31, 2019 - $65,139,273) and accounts payable, accruals and other liabilities of $11,734,709 (December 31, 2019 - $7,737,487). The REIT had a working capital deficit of $16,097,240 as at December 31, 2020 (December 31, 2019 - $37,635,642). Excluding the current portion of mortgages payable of $34,368,494, the working capital would be a surplus of $18,271,254. The REIT expects that it will be able to refinance the mortgages on their maturities. 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. On March 4, 2021, the REIT completed a bought deal equity offering and received cash proceeds, net of underwriters' commissions, of $33,320,905, before considering other costs associated with the offering.

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

	Accounts payable accruals and other liabilities $	**Lease liabilities $**	**Credit Facility principal repayment**	**Interest on fixed portion of Credit Facility $**	**Mortgages payable $**	**Mortgage interest $**	**Total $**
2021	11,734,709	287,739	293,491	2,047,500	34,390,254	9,302,741	58,056,434
2022	-	287,739	-	2,047,500	24,045,685	8,230,478	34,611,402
2023	-	297,039	-	2,047,500	55,723,744	6,628,131	64,696,414
2024	-	269,905	65,000,000	1,535,625	48,179,389	4,695,125	119,680,044
2025	-	269,905	-	-	66,250,631	2,869,468	69,390,004
Thereafter	-	5,921,775	-	-	45,640,978	3,655,571	55,218,324
Total	11,734,709	7,334,102	65,293,491	7,678,125	274,230,681	35,381,514	401,652,622

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 December 31, 2020, there was a total of $142,677,588 (December 31, 2019 - $101,536,795) of mortgage and Credit Facility borrowings which bear 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. As at December 31, 2020, the REIT has interest rate swap agreements totalling $142,384,097 (2019 - $101,397,522) to mitigate interest rate risk arising from floating rate debt.

In December 2020, November 2020 and April 2019, the REIT entered into certain mortgages and simultaneously entered into interest rate swap agreements to swap floating rate interest for fixed rate interest over the terms of these mortgages. The interest rate swap agreements expire coterminous with the maturity of the corresponding mortgages.

In September 2019, the REIT refinanced its Credit Facility and simultaneously entered into interest rate swap agreements to swap floating rate interest for fixed rate interest over the term of the Credit Facility. The interest rate swap agreements expire coterminous with the maturity of the Credit Facility.

The fair value measurements of the interest rate swap agreements have been classified as Level 2, as they are based mainly on observable market data.

The following table presents relevant information on interest rate swap agreements:

Transaction date	Effective fixed interest rate	Maturity date	Original principal amount $	Outstanding amount $	Unrealized loss on change in the fair value $
April 2019	3.67 %	April 24, 2024	12,000,000	11,750,110	527,661
April 2019	3.74 %	April 24, 2026	12,500,000	12,245,404	796,104
April 2019	3.87 %	April 24, 2029	12,500,000	12,255,928	1,131,274
September 2019	3.15 %	September 13, 2024	65,000,000	65,000,000	2,355,099
November 2020	2.82 %	November 2, 2027	7,650,000	7,632,655	29,686
December 2020	3.61 %	December 1, 2025	18,500,000	18,500,000	182,635
December 2020	3.35 %	December 30, 2030	15,000,000	15,000,000	353,103
			143,150,000	142,384,097	5,375,562

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a loss to another party by failing to settle its obligations. The REIT is subject to credit risk with respect to its cash deposited with financial institutions and tenant and other receivables. As at December 31, 2020, one tenant accounted for approximately 12% of the REIT's base rental income, resulting in a concentration of credit risk. The REIT monitors the creditworthiness of its tenants on an ongoing basis. The REIT mitigates credit risk by monitoring the credit ratings of the institutions holding the REIT's deposits.

The REIT has examined its tenant receivables for indications of impairment. The tenant receivables default rate of the REIT is less than 0.5%.

COVID-19 has resulted in government mandated shutdowns, and an economic slow down which are creating financial difficulties for tenants. While government plans have been put in place to support businesses through the COVID-19 pandemic, a deterioration in the economy may impact the ability of tenants to meet their obligations under their leases. The REIT continues to assess the effect of economic conditions on the creditworthiness of its tenants. As part of this assessment, the REIT reviews contractual rent receivables on a regular basis and reduces carrying amounts through the use of an allowance for expected credit losses recognizing the amount of any loss in the consolidated statements of income and comprehensive income within property expenses. As at December 31, 2020, the REIT had an allowance for expected credit losses of $323,276 (December 31, 2019 – $76,117). Additionally, $259,919 was recorded as a reduction of tenant and other receivables in respect of amounts abated under the CECRA program for the year ended December 31, 2020 (December 31, 2019 - nil).

19 Commitments

Development Management Agreement

On March 16, 2020, the REIT entered into a development management agreement (the "DMA") with the vendor of the REIT's Richmond, BC property (the "Developer"). Pursuant to the DMA, the REIT will redevelop approximately 60,000 square feet previously occupied by an industrial tenant. The Developer will manage the redevelopment and has secured new tenants for the space, and the REIT has entered into lease agreements with these tenants. The REIT will assume the costs of the redevelopment, which have been capped at $7,360,000, including leasing costs, tenant incentives, and construction costs.

Per the DMA, the REIT will also construct an approximately 70,000 square foot addition at this property. The REIT will assume the costs of the construction. The Developer will secure tenants and manage the construction. The REIT will pay the Developer a development management fee estimated at $3,000,000. The DMA provides that, as long as certain conditions are met, the development management fee may be paid by issuing to the Developer Class B LP Units of a subsidiary limited partnership of the REIT, valued at $2.30 per unit and exchangeable on a 1 for 1 basis for REIT Units. In accordance with the DMA, 465,837 Class B LP Units were issued on April 1, 2020, representing 5 months of development management fees. The 465,837 units were released to the Developer on August 1, 2020. Between September 2020 and December 2020, an additional 372,668 Class B LP Units were issued and released to the Developer. Between January 1, 2021 and April 1, 2021, 93,167 Class B P LP units a month will be issued and released to the Developer with a final issuance of 93,175 units on May 1, 2021 in full settlement of the estimated development management fee.

Also, pursuant to the DMA, the REIT will split the value enhancement of the property, measured as the difference between the fair market value of the property following completion of the redevelopment and addition described above, less the REIT's total cost of the property. The REIT's total cost of the property will be measured as the REIT's original acquisition cost plus costs of redevelopment and construction (inclusive of construction costs, tenant incentives, leasing costs, and development management fees). The first $20,000,000 of value enhancement will be for the benefit of the REIT. The next $20,000,000 of value enhancement will be for the benefit of the Developer, provided that the Developer's share of value enhancement will be reduced by the amount of rental income that would have been received between December 15, 2019 and the date the two new tenants take occupancy, had the previous industrial tenancy not been early terminated on December 15, 2019. Any value enhancement in excess of $40,000,000 will be split equally between the REIT and the Developer. As long as certain conditions are met, the REIT may satisfy its obligation to split the value enhancement with the Developer by issuing Class B LP Units valued at $2.30 per unit.

Pursuant to the DMA, the REIT is required to provide the Developer a $5,000,000 advance of the Developer's share of the value enhancement. This advance is payable in Class B LP Units valued at $2.30 per unit and exchangeable on a 1 for 1 basis for REIT Units. On April 1, 2020, 2,173,908 Class B LP Units were issued from treasury, and recorded within prepaid expenses. Each month commencing April 1, 2020 through to March 1, 2021, 181,159 of these Class B LP Units shall be released to the Developer. As at December 31, 2020, 1,630,431 of these units were released to the Developer and 543,477 units were held by the REIT.

20 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 December 31, 2020, the REIT was in compliance with all of the financial covenants contained within the Credit Facility and the mortgages.

21 Related party transactions

For the year ended December 31, 2020, trustee retainer fees in the amount of $177,500 were expensed (2019 - $195,951), and nil units (2019 - 22,844 units at an average price per unit of $1.88) were issued to trustees as payment of retainer fees. Trustee retainer fees are settled in cash commencing with retainer fees earned in respect of 2019. Trustee retainer fees in the amount of $44,375 were accrued as at December 31, 2020 (December 31, 2019 - $44,375).

Trustee meeting fees in the amount of $16,800 were expensed for the year ended December 31, 2020, (2019 - $52,200). Trustee meeting fees in the amount of $4,600 were accrued as at December 31, 2020 (December 31, 2019 - $11,500).

For the year ended December 31, 2020, key management earned salaries and other short-term employee benefits in the amount of $1,367,198 (2019 - $1,170,698).

TriWest is a related party to a former trustee of the REIT. On May 14, 2020, the trustee did not seek re-election to the REIT's board of trustees, and the former trustee and TriWest both ceased to be related parties of the REIT. Between January 1, 2020 and May 14, 2020, the REIT received lease payments from companies controlled by funds associated with TriWest totalling $1,530,978 (for the year ended December 31, 2019 - $3,603,174).

22 Supplemental cash flow and non-cash information

	For the year ended 2020 $	2019 $
Interest paid	14,468,871	14,587,528
Income taxes paid	53,281	34,320
Non-cash investing and financing activities:		
REIT Units issued under distribution reinvestment plan	2,225,546	1,564,091
REIT Units issued as purchase price consideration	10,754,380	-
Class B LP Units issued as purchase price consideration	15,001,548	14,200,976
Class B LP Units issued in settlement of contractual obligations	1,499,991	-

23 Subsequent events

On January 27, 2021, the REIT announced that it received approval from the TSX to list its units on the TSX. The units were listed and commenced trading on the TSX at the opening of markets on February 1, 2021. The units continue to trade under the stock symbol "NXR.UN", and have been delisted from the TSXV upon listing and commencement of trading on the TSX. Concurrent with the TSX listing, the REIT completed a consolidation of its units on the basis of one (1) post-consolidation unit for four (4) pre-consolidation units, and the Class B LP Units were concurrently consolidated on the basis of the same consolidation ratio (the "Consolidation"). The Consolidation was implemented after the close of markets on January 29, 2021.

On February 19, 2021, the REIT waived conditions with respect to an agreement to purchase six industrial properties in London, Ontario, for a contractual purchase price of $103,500,000. Of the contractual purchase price, $65,600,150 is expected to be satisfied through the issuance of Class B LP Units of a subsidiary limited partnership of the REIT at a deemed value of $7.64 per unit, which are convertible to REIT Units on a one to one basis. The remainder of the purchase price, net of closing adjustments, is expected to be satisfied through a combination of the assumption of debt and cash.

On February 28, 2021, a purchaser waived their conditions to acquire the REIT's Lachine, Quebec property for a purchase price of $2,900,000. The sale closed on March 16, 2021.

On March 1, 2021, the REIT purchased two industrial properties located in Edmonton, Alberta, for a contractual purchase price of $14,000,000. The contractual purchase price was partially satisfied through the issuance of 853,659 Class B LP Units of a subsidiary limited partnership of the REIT at a deemed value of $8.20 per unit, which are convertible to REIT Units on a one to one basis with the balance, net of closing adjustments, satisfied in cash. As at December 31, 2020, the REIT had a deposit of $100,000 with respect to this purchase.

On March 4, 2021, the REIT completed a bought deal equity offering, issuing 4,255,000 REIT Units for gross proceeds of $34,891,000. Net of underwriters' commissions, the REIT received cash proceeds of $33,320,905.