Nexus Real Estate Investment Trust

Condensed Consolidated Interim Financial Statements
(Unaudited)

For the three months ended March 31, 2021

Nexus Real Estate Investment Trust

Condensed Consolidated Interim Statements of Financial Position
(unaudited)

	March 31, 2021 $	December 31, 2020 $
Non-current Assets		
Investment properties (notes 3 and 4)	685,262,981	667,600,805
Equity investment in joint venture (note 5)	8,698,668	8,261,155
Restricted cash	1,558,028	1,536,104
Right-of-use assets	1,155,980	1,179,254
Other non-current assets	34,845	63,728
	696,710,502	678,641,046
Current Assets		
Cash	51,836,038	13,993,230
Tenant and other receivables (note 6)	2,777,678	2,666,809
Deposits (note 20)	400,000	100,000
Prepaid expenses (note 18)	5,603,863	5,806,882
Other current assets (note 7)	9,000,400	9,290,751
	69,617,979	31,857,672
Total Assets	766,328,481	710,498,718
Non-current Liabilities		
Mortgages payable (notes 3 and 8)	247,517,324	239,413,077
Credit Facility (note 9)	64,909,469	64,903,002
Lease liabilities	3,653,214	3,670,487
Derivative financial instruments (note 17)	1,502,080	5,375,562
Class B LP Units (note 10)	52,039,890	49,186,994
Unit options (note 11)	355,000	189,000
Restricted share units (note 12)	92,544	226,189
	370,069,521	362,964,311
Current Liabilities		
Mortgages payable (notes 3 and 8)	34,588,867	34,368,494
Credit Facility (note 9)	167,726	293,491
Lease liabilities	67,580	66,585
Distributions payable	1,782,699	1,491,633
Accounts payable, accruals and other liabilities (note 13)	12,004,406	11,734,709
	48,611,278	47,954,912
Total Liabilities	418,680,799	410,919,223
Equity		
Unitholders' equity (note 14)	258,076,650	215,434,594
Retained earnings	89,571,032	84,144,901
Total Unitholders' Equity	347,647,682	299,579,495
Total Liabilities and Unitholders' Equity	766,328,481	710,498,718

Commitments (note 18)
Subsequent events (note 20)

On behalf of the Board:

"Benjamin Rodney" Trustee   "Floriana Cipollone" Trustee

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

Nexus Real Estate Investment Trust
Condensed Consolidated Interim Statements of Income and Comprehensive Income
(unaudited)

	For the three months ended March 31, 2021 $	March 31, 2020 $
Net rental income		
Property revenues (note 16)	16,587,724	15,592,759
Property expenses (note 16)	(6,022,011)	(5,819,124)
Net rental income	10,565,713	9,773,635
General and administrative expense	(1,429,051)	(992,662)
Fair value adjustment of investment properties (note 4)	5,096,002	(1,381,065)
Fair value adjustment of Class B LP Units (note 10)	(4,236,428)	15,158,855
Fair value adjustment of warrants	-	1,210
Fair value adjustment of unit options (note 11)	(166,000)	492,000
Fair value adjustment of restricted share units (note 12)	(47,930)	26,004
Fair value adjustment of derivative financial instruments (note 17)	3,873,482	(5,438,412)
Income (loss) from equity accounted investment in joint venture (note 5)	437,513	(402,875)
Loss on disposal of investment property (note 3)	(95,350)	-
Other income (note 7)	200,255	-
	14,198,206	17,236,690
Finance expense		
Net interest expense (notes 8 and 9)	(2,995,026)	(2,709,018)
Distributions on Class B LP Units (note 10)	(995,407)	(856,672)
	(3,990,433)	(3,565,690)
Net income and comprehensive income for the period	10,207,773	13,671,000

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

Nexus Real Estate Investment Trust

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

	Unitholders' Equity $	Retained Earnings $	Total $
Balance – January 1, 2021	215,434,594	84,144,901	299,579,495
Net income for the period	-	10,207,773	10,207,773
Distributions	-	(4,781,642)	(4,781,642)
Issue of units under distribution reinvestment plan (note 15)	575,729	-	575,729
Issue of units under Incentive Plan (note 12)	176,104	-	176,104
Issue of units for cash (note 14)	34,891,000	-	34,891,000
Unit issuance costs (note 14)	(1,967,416)	-	(1,967,416)
Class B LP Units exchanged for REIT Units (note 10)	8,966,639	-	8,966,639
Balance – March 31, 2021	258,076,650	89,571,032	347,647,682

	Unitholders' Equity $	Retained Earnings $	Total $
Balance – January 1, 2020	197,073,074	66,156,177	263,229,251
Net income for the period	-	13,671,000	13,671,000
Distributions	-	(4,185,111)	(4,185,111)
Issue of units under distribution reinvestment plan (note 15)	524,523	-	524,523
Issue of units under Incentive Plan (note 12)	91,931	-	91,931
Issue of units as purchase price consideration (note 3)	7,682,380	-	7,682,380
Balance – March 31, 2020	205,371,908	75,642,066	281,013,974

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

Nexus Real Estate Investment Trust
Condensed Consolidated Interim Statements of Cash Flows
(unaudited)

	For the three months ended March 31, 2021 $	March 31, 2020 $
Operating activities		
Net income for the period	10,207,773	13,671,000
Adjustment for items not involving cash:		
Restricted share unit expense (note 12)	250,028	148,261
Share of net (income) loss from equity accounted investment in joint venture (note 5)	(437,513)	402,875
Amortization of deferred financing costs (notes 8 and 9)	79,813	77,725
Amortization of mortgage fair value adjustments (note 8)	(56,772)	(70,061)
Amortization of right-of-use assets	23,274	23,273
Amortization of tenant incentives and leasing costs (note 4)	144,305	140,786
Straight-line adjustments of rent	(85,315)	(97,234)
Fair value adjustment of investment properties (note 4)	(5,096,002)	1,381,065
Fair value adjustment of Class B LP Units (note 10)	4,236,428	(15,158,855)
Fair value adjustment of warrants	-	(1,210)
Fair value adjustment of unit options (note 11)	166,000	(492,000)
Fair value adjustment of restricted share units (note 12)	47,930	(26,004)
Fair value adjustment of derivative financial instruments (note 17)	(3,873,482)	5,438,412
Changes in non-cash working capital:		
Tenant and other receivables	(110,869)	139,520
Prepaid expenses	203,019	(795,436)
Deposits	(300,000)	-
Other current assets	175,666	793,099
Accounts payable, accruals and other liabilities	14,198	(289,316)
Changes in other non-current assets	28,883	265
Changes in restricted cash	(21,924)	(8,344)
Total cash generated by operating activities	5,595,440	5,277,821
Investing activities		
Acquisition of investment properties (note 3)	(7,072,836)	(165,682)
Proceeds on disposal of investment properties (note 3)	2,900,000	-
Capital expenditures, tenant incentives and leasing costs (note 4)	(754,536)	(2,517,038)
Total cash used in investing activities	(4,927,372)	(2,682,720)
Financing activities		
Proceeds from new financings	10,500,000	-
Financing costs	(41,458)	-
Lease principal repayments	(16,278)	(14,919)
Mortgage principal repayments	(2,150,496)	(1,927,560)
Net borrowings (repayments) on the Credit Facility	(125,765)	4,850
Issuance of units for cash (note 14)	34,891,000	-
Unit issuance costs (note 14)	(1,967,416)	-
Distributions to unitholders	(3,914,847)	(3,608,647)
Total cash generated by (used in) financing activities	37,174,740	(5,546,276)
Change in cash during the period	37,842,808	(2,951,175)
Cash - beginning of period	13,993,230	7,875,818
Cash - end of period	51,836,038	4,924,643

Supplemental cash flow and non-cash information (note 19)

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

On February 1, 2021, the REIT commenced trading on the Toronto Stock Exchange ("TSX") under the symbol "NXR.UN" and was delisted from the TSX Venture Exchange upon commencement of trading on the TSX. On January 29, 2021, the REIT's trust units, Class B LP Units of subsidiary limited partnerships of the REIT and associated special voting units were consolidated on the basis of one post-consolidation unit per four pre-consolidation units, (the "Consolidation").

2 Summary of significant accounting policies

Statement of compliance

The condensed consolidated interim financial statements of the REIT have been prepared by management in accordance with International Financial Reporting Standards ("IFRS") applicable to the preparation of interim financial statements, including International Accounting Standard 34, Interim Financial Reporting, and do not include all of the information required for full annual financial statements, and should be read in conjunction with the audited consolidated financial statements as at and for the year ended December 31, 2020.

Basis of presentation

The number of REIT Units, Class B LP Units, restricted share units and unit options, the exercise price of outstanding unit options and per unit amounts have been proportionately adjusted within these condensed consolidated interim financial statements for all periods presented to reflect the Consolidation effected on January 29, 2021.

The condensed consolidated interim financial statements have been prepared on a going concern basis and under the historical cost convention, except for the revaluation of investment properties, Class B LP Units, warrants, unit options, restricted share units and interest rate swap agreements, which are presented at fair value. These condensed consolidated interim financial statements are presented in Canadian dollars, which is the functional currency of the REIT. The condensed consolidated interim financial statements were authorized for issue by the board of trustees of the REIT on May 13, 2021.

Significant accounting judgments, estimates and assumptions

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 condensed consolidated interim financial statements are based on information available to the REIT as at the end of the reporting period.

New accounting standards adopted by the REIT

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

On January 1, 2021, the REIT adopted amendments to IFRS 7, 9, IAS 39, IFRS 4 and IFRS 16. The amendments 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 adoption of these amendments had no impact on the REIT's condensed consolidated interim 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 condensed consolidated interim 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.

3 Acquisitions and disposals

1) Acquisitions

On March 1, 2021, the REIT acquired two industrial properties located in Edmonton, Alberta (the "Edmonton Properties"), for a contractual purchase price of $14,000,000. The 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 and are convertible to 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 March 1, 2021 of $8.13 per unit. The Edmonton Properties were initially recorded at $13,940,248, the fair value of the consideration paid. The carrying amount was subsequently adjusted to the acquisition date fair value of the Edmonton Properties of $14,000,000.

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 400,000 REIT Units at a deemed value of $8.00 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 $7.68 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 687,500 Class B LP Units of a subsidiary limited partnership of the REIT at a deemed value of $8.00 per unit and are convertible to REIT Units on a one-to-one basis with the balance, net of closing adjustments, satisfied in cash. 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 $6.36 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 1,202,381 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 869,048 REIT Units, with both the REIT Units and the Class B LP Units issued at a deemed value of $8.40 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 $8.84 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.

The impact of the acquisition completed during the three-month period ended March 31, 2021 is as follows:

	$
Investment properties acquired	13,940,248
Transaction costs	72,836
Working capital acquired	(468,342)
Net assets acquired	13,544,742
Consideration:	
Cash	(3,854,048)
Proceeds of new mortgage financing	10,500,000
Deferred financing costs - new financing	(41,458)
Issuance of Class B LP Units to the vendor	6,940,248
	13,544,742

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

2) Disposal

On March 16, 2021, the REIT sold a property located in Lachine, Quebec, for a selling price of $2,900,000. Net of selling costs of $108,471, the REIT received cash proceeds of $2,791,529. The sale of the property generated a loss on disposal of $95,350.

4 Investment properties

	March 31, 2021 $	December 31, 2020 $
Balance, beginning of period	667,600,805	584,772,861
Acquisition of investment properties, including acquisition costs of $72,836 (December 31, 2020 - $1,136,703) (note 3)	14,063,902	65,224,292
Additions - capital expenditures	1,017,842	5,096,606
Additions - tenant incentives and leasing costs	328,735	2,060,956
Amortization of tenant incentives and leasing costs	(144,305)	(636,734)
Reclassified from prepaid development costs (note 7)	200,000	500,000
Disposal of investment property (note 3)	(2,900,000)	-
Fair value adjustment	5,096,002	10,582,824
Balance, end of period	685,262,981	667,600,805

The fair value of the investment properties as at March 31, 2021 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 March 31, 2021 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:

	March 31, 2021	December 31, 2020
Weighted average capitalization rate	6.51%	6.51%
Range of capitalization rates	4.50% - 9.50%	4.50% - 9.50%
Stabilized net operating income	$44,795,000	$43,613,000

The fair value of the investment properties is most sensitive to changes in capitalization rates. As at March 31, 2021, a 0.25% increase in the weighted average capitalization rate would result in a decrease of approximately $25,452,000 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 $27,485,000 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:

	March 31, 2021 $	December 31, 2020 $
Balance, beginning of period	8,261,155	7,395,957
Share of net income from investment in joint venture	437,513	865,198
Balance, end of period	8,698,668	8,261,155

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

	March 31, 2021 $	December 31, 2020 $
Investment property	33,246,654	33,250,000
Other non-current assets	755,362	745,861
Cash	868,765	595,773
Tenant and other receivables	-	42,814
Other current assets	22,265	6,391
Derivative financial instruments	(492,881)	(1,026,185)
Bank facility	(15,163,680)	(16,275,340)
Accounts payable, accruals and other liabilities	(1,839,149)	(817,004)
Net assets	17,397,336	16,522,310
50% investment in joint venture	8,698,668	8,261,155

	For the three months ended	
	March 31, 2021 $	**March 31, 2020 $**
Property revenues	966,472	838,322
Property expenses	(451,464)	(459,683)
Net rental income	515,008	378,639
General and administrative expense	(40,085)	(54,268)
Net interest expense	(133,203)	(136,848)
Fair value adjustment of derivative financial instruments	533,305	(993,272)
Net income (loss) and comprehensive income (loss) for the period	875,025	(805,749)
Share of net income (loss) and comprehensive income (loss) from 50% investment in joint venture	437,513	(402,875)

6 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:

	March 31, 2021 $
Remainder of 2021	33,436,559
2022	42,467,652
2023	37,813,417
2024	33,060,024
2025	22,827,116
Thereafter	50,390,974
	219,995,742

During the year ended December 31, 2020, the REIT entered into agreements to defer portions of rental payments with tenants that had demonstrated significant hardship due to COVID-19. As at March 31, 2021, a total of $463,549 (December 31, 2020 – $531,467) of rent was deferred.

7 Other current assets

Other current assets are comprised as follows:

	March 31, 2021 $	December 31, 2020 $
Prepaid development costs	3,447,500	3,647,500
Vendor rent obligations	1,212,884	1,642,634
Property tax reserves held by mortgage lenders	479,649	277,149
Cumulative straight-line rent adjustments	2,337,095	2,251,781
Restricted cash	928,897	1,266,022
Other	594,375	205,665
Total other current assets	9,000,400	9,290,751

As at March 31, 2021, the vendor rent obligations of $1,212,884 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 March 31, 2021, the vendor rent obligation related to a REIT property located in Richmond, British-Columbia, was reassessed to $1,011,939 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, 2021 and the commencement of these leases increased by $200,255 and this amount was recorded in other income in the condensed consolidated interim statement of income and comprehensive income.

As at March 31, 2021, the vendor rent obligation related to the Ajax Property was $200,945 (December 31, 2020 – $270,839). 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.

8 Mortgages payable

As at March 31, 2021, the mortgages payable are secured by charges against 62 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 3.62% and the weighted average term to maturity is 3.76 years (December 31, 2020 – 3.95 years). The breakdown of future principal repayments, including mortgage maturity, is presented in the following table:

	Scheduled Repayments $	Principal Maturities $	Total $
Remainder of 2021	6,545,822	25,922,023	32,467,845
2022	8,372,736	15,984,322	24,357,059
2023	7,120,972	48,922,042	56,043,014
2024	5,188,022	43,318,733	48,506,755
2025	3,415,846	63,172,781	66,588,627
Thereafter	4,439,504	50,177,382	54,616,885
Total	35,082,902	247,497,283	282,580,185

The following table summarizes the changes in mortgages payable for the three months ended March 31, 2021 and year ended December 31, 2020:

	March 31, 2021 $	December 31, 2020 $
Mortgages payable, beginning of period	274,230,681	232,081,999
New mortgage financing	10,500,000	49,428,837
Principal repayments	(2,150,496)	(7,280,155)
Mortgages payable, end of period	282,580,185	274,230,681
Less: Deferred financing costs, beginning of period	(911,009)	(691,336)
Less: Additions to deferred financing costs	(41,458)	(509,286)
Plus: Amortization of deferred financing costs	73,346	289,613
Plus: Fair value adjustment of mortgages, beginning of period	461,899	713,911
Less: Amortization of fair value adjustments	(56,772)	(252,012)
Balance, end of period	282,106,191	273,781,571
Less: Current portion	(34,588,867)	(34,368,494)
	247,517,324	239,413,077

9 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 March 31, 2021, $167,726 (December 31, 2020 - $293,491) 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 March 31, 2021, this line of credit was undrawn (December 31, 2020 - undrawn).

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

	March 31, 2021 $	December 31, 2020 $
Fixed-term borrowings	65,000,000	65,000,000
Working capital relief loans	167,726	293,491
Total drawn against the Credit Facility	65,167,726	65,293,491
Less: deferred financing costs	(90,531)	(96,998)
	65,077,195	65,196,493

Amounts drawn on the Credit Facility as at March 31, 2021 are as follows:

	Principal Amount $	Interest Rate	Repricing Date
Fixed-term borrowings	65,000,000	1.92% (1)	April 13, 2021 (1)
Working capital relief loans	167,726	3.45%	April 30, 2021
	65,167,726		

(1) The REIT entered into interest rate swap agreements in September 2019 to swap floating rate interest for a fixed rate of 3.15% over the term of the Credit Facility (see note 17).

The following table summarizes the changes in the Credit Facility for the three months ended March 31, 2021 and year ended December 31, 2020:

	March 31, 2021 $	December 31, 2020 $
Drawn against Credit Facility, beginning of period	65,293,491	65,139,273
New working capital relief loans during the period	-	500,000
Net repayments during the period	(125,765)	(345,782)
Drawn against Credit Facility, end of period	65,167,726	65,293,491
Less: Deferred financing costs, beginning of period	(96,998)	(130,045)
Less: Deferred financing costs incurred	-	-
Plus: Amortization of deferred financing costs	6,467	33,047
Balance, end of period	65,077,195	65,196,493

10 Class B LP Units

The following table summarizes the changes in Class B LP Units for the period ended March 31, 2021:

	Class B LP Units	Amount $
Balance as at December 31, 2020	6,371,372	49,186,994
Class B LP Units issued as purchase price consideration (note 3)	853,659	6,940,248
Class B LP Units issued in settlement of contractual obligations (note 18)	69,876	642,859
Class B LP Units exchanged for REIT Units	(1,099,682)	(8,966,639)
Fair value adjustment	-	4,236,428
Balance as at March 31, 2021	6,195,225	52,039,890

On April 1, 2020, 659,936 Class B LP Units were issued in settlement of contractual obligations. Between September 2020 and March 2021, an additional 163,044 Class B LP Units were issued in settlement of contractual obligations.

Distributions in the amount of $995,408 (2020 - $856,673) were declared payable to holders of Class B LP Units for the period ended March 31, 2021. These amounts have been recognized as finance expense in the condensed consolidated interim statement of income and comprehensive income. Distributions payable in the amount of $330,391 were accrued as at March 31, 2021 (December 31, 2020 - $332,477).

11 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 12) is 10% of the outstanding units of the REIT.

The following table presents the changes in unit options for the period ended March 31, 2021:

	Number of unit options	Weighted average exercise price $	Weighted average remaining contractual life	Number of vested unit options
Outstanding as at December 31, 2020	556,250	8.08	1.51	556,250
Outstanding as at March 31, 2021	556,250	8.08	1.26	556,250

The following table presents the details of unit options outstanding as at March 31, 2021:

Exercise price $	Number of unit options	Weighted average remaining contractual life	Number of vested unit options
7.52	200,000	0.40	200,000
8.40	356,250	1.74	356,250
	556,250	1.26	556,250

The fair value of the unit options as at March 31, 2021 was determined through the application of the Black-Scholes method. The key assumptions used in determining the fair value of the unit options are as detailed below:

	March 31, 2021	December 31, 2020
Weighted average expected unit option life (in years)	0.63	0.75
Weighted average volatility rate	25.00%	25.00%
Weighted average risk-free interest rate	0.12%	0.12%
Distribution yield	7.62%	8.29%

12 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 1,112,176 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 31, 2021, the REIT granted an aggregate of 65,646 RSUs. These RSUs vest one-third on the date of issuance, one-third on February 28, 2022 and one-third on February 28, 2023.

On March 25, 2020, the REIT granted an aggregate of 54,367 RSUs. These RSUs vest one-third on the date of issuance, one-third on February 28, 2021 and one-third on February 28, 2022.

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 condensed consolidated interim statement of income and comprehensive income.

13 Accounts payable, accruals and other liabilities

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

	March 31, 2021 $	**December 31, 2020 $**
Purchase consideration payable (note 3)	3,000,000	3,000,000
Prepaid rent	879,491	1,675,288
Security deposits	2,045,150	1,890,194
Accrued interest expense	1,001,656	909,515
Sales and other taxes payable	2,078,591	1,170,987
Trade accounts payable and other	2,999,518	3,088,725
	12,004,406	11,734,709

14 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.

On March 4, 2021, 4,255,000 REIT Units were issued at $8.20 per unit in a bought deal equity offering. Gross proceeds of the offering were $34,891,000 and net proceeds were $32,923,584.

The following table presents the changes in unitholders' equity for the period ended March 31, 2021:

	Units	Amount $
Unitholders' equity as at December 31, 2020	27,975,110	215,434,594
Units issued under distribution reinvestment plan (note 15)	73,836	575,729
Units issued under Incentive Plan (note 12)	24,067	176,104
Units issued for cash, net of $1,967,416 of issuance costs	4,255,000	32,923,584
Class B LP Units exchanged for REIT Units (note 10)	1,099,682	8,966,639
Unitholders' equity as at March 31, 2021	33,427,695	258,076,650

15 Distribution reinvestment plan

The REIT adopted a distribution reinvestment plan ("DRIP)" on February 20, 2014, pursuant to which resident Canadian unitholders 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 period ended March 31, 2021, 73,836 units (2020 – 65,190 units) were issued under the DRIP for a stated value of $575,729 (2020 – $524,523).

16 Property revenues

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

	For the three months ended March 31, 2021 $	March 31, 2020 $
Rental income	14,105,090	13,097,322
Revenue from services	2,255,230	2,274,274
Other revenue	227,404	221,163
	16,587,724	15,592,759

17 Financial instruments

Liquidity risk

Liquidity risk is the risk that the REIT will not have the financial resources required to meet its financial obligations as they come due. The REIT manages this risk by ensuring it has sufficient cash on hand or borrowing capacity to meet obligations as they come due by forecasting cash flows from operations, cash required for investing activities and cash from financing activities. As at March 31, 2021, the REIT had cash of $51,836,038 (December 31, 2020 - $13,993,230), mortgages payable of $282,580,185 (December 31, 2020 - $274,230,681), a Credit Facility balance of $65,167,726 (December 31, 2020 - $65,293,491) and accounts payable, accruals and other liabilities of $12,004,406 (December 31, 2020 - $11,734,709). The REIT had working capital of $21,006,701 as at March 31, 2021 (December 31, 2020 – deficit of $16,097,240). Excluding the current portion of mortgages payable of $34,588,867, the working capital would be $55,595,568. 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.

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 $
Remainder of 2021	12,004,406	215,804	167,726	1,535,625	32,467,845	7,181,680	53,573,086
2022	-	287,739	-	2,047,500	24,357,059	8,484,420	35,176,718
2023	-	297,039	-	2,047,500	56,043,014	6,874,177	65,261,730
2024	-	269,905	65,000,000	1,535,625	48,506,755	4,933,074	120,245,359
2025	-	269,905	-	-	66,588,627	3,099,076	69,957,608
Thereafter	-	5,921,775	-	-	54,616,885	3,711,646	64,250,306
Total	12,004,406	7,262,167	65,167,726	7,166,250	282,580,185	34,284,073	408,464,807

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. There is a risk that the REIT may not be able to renegotiate its mortgages and Credit Facility at maturity on terms as favourable as the existing mortgages payable and Credit Facility. As at March 31, 2021, there was a total of $142,267,832 (December 31, 2020 - $142,677,588) 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 March 31, 2021, the REIT has interest rate swap agreements totalling $142,100,106 (December 31, 2020 - $142,384,097) to mitigate interest rate risk arising from floating rate debt.

The REIT is a party to interest rate swap agreements to swap floating rate interest for fixed rate interest over the terms of certain mortgages and over the term of the Credit Facility. The interest rate swap agreements expire coterminous with the maturity of the corresponding mortgages and 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 (gain) on change in the fair value $
April 2019	3.67 %	April 24, 2024	12,000,000	11,674,162	388,628
April 2019	3.74 %	April 24, 2026	12,500,000	12,167,060	426,565
April 2019	3.87 %	April 24, 2029	12,500,000	12,179,000	454,394
September 2019	3.15 %	September 13, 2024	65,000,000	65,000,000	1,379,809
November 2020	2.82 %	November 2, 2027	7,650,000	7,579,884	(266,979)
December 2020	3.61 %	December 1, 2025	18,500,000	18,500,000	(98,671)
December 2020	3.35 %	December 30, 2030	15,000,000	15,000,000	(781,666)
			143,150,000	142,100,106	1,502,080

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 March 31, 2021, 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 slowdown 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 condensed consolidated interim statements of income and comprehensive income within property expenses. As at March 31, 2021, the REIT had an allowance for expected credit losses of $332,385 (December 31, 2020 – $323,276). Additionally, no amount was recorded as a reduction of tenant and other receivables in respect of amounts abated under the CECRA program for the period ended March 31, 2021 (December 31, 2020 - $259,919).

18 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 is redeveloping approximately 60,000 square feet previously occupied by an industrial tenant. The Developer is managing the redevelopment and has secured new tenants for the space, and the REIT has entered into lease agreements with these tenants. The REIT is responsible for 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 be responsible for costs of the construction. The Developer will secure tenants and manage the construction. The REIT is obligated to pay the Developer a development management fee estimated at $3,000,000. The development management fee is payable over a 13-month period commencing April 1, 2020 and ending May 1, 2021. 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 $9.20 per unit and exchangeable on a 1 for 1 basis for REIT Units. In accordance with the DMA, 116,460 Class B LP Units were issued on April 1, 2020, representing 5 months of development management fees. The 116,460 units were released to the Developer on August 1, 2020. Between September 1, 2020 and December 31, 2020, an additional 93,167 units were issued in settlement of the development management fee. Between January 1, 2021 and March 31, 2021, 69,876 Class B LP Units were issued and released to the Developer. On each of April 1, 2021 and May 1, 2021, 23,292 and 23,293 Class B P LP Units, respectively, will be issued to the Developer 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 $9.20 per unit, provided that the units shall be valued at a price per unit that is no less than the maximum allowable discounted price in accordance with Toronto Stock Exchange rules.

Pursuant to the DMA, the REIT was required to provide the Developer a $5,000,000 advance of the Developer's share of the value enhancement. This advance was payable in Class B LP Units valued at $9.20 per unit and exchangeable on a 1 for 1 basis for REIT Units. On April 1, 2020, 543,477 Class B LP Units were issued from treasury, and recorded within prepaid expenses. Each month from April 1, 2020 through to March 1, 2021, 45,290 of these Class B LP Units were released to the Developer. As at March 31, 2021, all 543,477 of these units had been released to the Developer.

19 Supplemental cash flow and non-cash information

	For the three months ended	
	March 31, 2021 $	**March 31, 2020 $**
Interest paid	3,933,293	3,493,765
Income taxes paid	6,540	-
Non-cash investing and financing activities:		
REIT Units issued under distribution reinvestment plan	575,729	524,523
REIT Units issued as purchase price consideration	-	7,682,380
Class B LP Units issued as purchase price consideration	6,940,248	10,629,048
Class B LP Units issued in settlement of contractual obligations	642,859	-

20 Subsequent events

On April 1, 2021, the REIT purchased six industrial properties located in London, Ontario for a contractual purchase price of $103,500,000. The contractual purchase price was partially satisfied through the issuance of 8,586,407 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 with the balance, net of closing adjustments, satisfied through a combination of the assumption of debt and cash. As at March 31, 2021, the REIT had a deposit of $200,000 with respect to this purchase.

On May 6, 2021, the REIT waived conditions with respect to an agreement to purchase an industrial property located in Red Deer, Alberta, for a contractual purchase price of $16,300,000. The purchase price will be satisfied through a combination of debt generated from new mortgage financing and cash on hand. As at March 31, 2021, the REIT had paid a deposit of $100,000 with respect to this purchase.

On May 12, 2021, the REIT waived conditions with respect to an agreement to purchase an industrial property located in St. Thomas, Ontario, for a contractual purchase price of $13,800,000. The purchase price will be satisfied through a combination of debt generated from new mortgage financing and cash on hand. As at March 31, 2021, the REIT had paid a deposit of $100,000 with respect to this purchase.

On May 13, 2021, the REIT waived conditions with respect to an agreement to purchase an industrial property located in Windsor, Ontario, for a contractual purchase price of $14,665,000. The contractual purchase price will be satisfied through a combination of debt generated from new mortgage financing and cash on hand.