



Nexus REIT

NEXUS REAL ESTATE INVESTMENT TRUST
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the three and six months ended June 30, 2021

August 11, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following management's discussion and analysis ("MD&A") of Nexus Real Estate Investment Trust ("the REIT") for the three and six months ended June 30, 2021 should be read in conjunction with the REIT's audited consolidated financial statements for the years ended December 31, 2020 and 2019 and the unaudited condensed consolidated interim financial statements for the three and six months ended June 30, 2021.

The information contained in this MD&A reflects events up to August 11, 2021, the date on which this MD&A was approved by the REIT's Board of Trustees. Financial data included in this MD&A is presented in Canadian dollars, which is the functional currency of the REIT, and has been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). Additional information about the REIT can be accessed at www.sedar.com.

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").

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 this MD&A for all periods presented to reflect the Consolidation effected on January 29, 2021.

FORWARD LOOKING STATEMENTS

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

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

NON-IFRS FINANCIAL MEASURES

Net operating income ("NOI") and same property NOI ("Same Property NOI") are measures of operating performance based on income generated from the properties of the REIT. Management considers these non-IFRS measures to be important measures of the REIT's operating performance. Funds from operations ("FFO") is a measure of operating performance based on the funds generated from the business of the REIT before reinvestment or provision for other capital needs. Management considers this non-IFRS measure to be an important measure of the REIT's operating performance. Management considers adjusted funds from operations ("AFFO"), a non-IFRS measure, to be an important performance measure of recurring economic earnings. Net asset value ("NAV") represents the proportionate share of the REIT's total assets less proportionate share of its total liabilities. Management considers NAV, a non-IFRS measure, to be an important measure of the REIT's operating performance.

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

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

NOI is used by industry analysts, investors and management to measure operating performance of Canadian real estate investment trusts. NOI represents property revenues less property operating expenses as presented in the consolidated statements of income and comprehensive income prepared in accordance with IFRS. Accordingly, NOI is equivalent to net rental income as presented in the consolidated statements of income and comprehensive income. NOI excludes certain expenses included in the determination of net income such as general and administrative expense, fair value adjustments, income (loss) from equity accounted investment in joint venture, loss on disposal of investment properties, other income, net interest expense and distributions on Class B LP Units.

Same Property NOI is defined as NOI generated from properties which were owned by the REIT throughout an entire reporting period in both the current and comparative periods. Same Property NOI excludes amortization of straight-line rent, tenant incentives and leasing costs, and termination fees and other non-recurring items. Same Property NOI includes vendor rent obligation amounts which are payable from vendors of properties until the buildout of the properties is complete and all tenants are occupying and paying rent. Management considers Same Property NOI to be an important measure of operating performance of the REIT's properties.

The Real Property Association of Canada issued whitepapers on FFO for IFRS and AFFO for IFRS dated February 2017 (the "Whitepapers"), as amended in February 2018 and February 2019. The REIT calculates FFO and AFFO in accordance with the Whitepapers.

FFO is defined as net income in accordance with IFRS, excluding gains or losses on sales of investment properties, tax on gains or losses on disposal of properties, transaction costs expensed as a result of acquisitions being accounted for as business combinations, gain from bargain purchase, fair value adjustments of investment properties, warrants, unit options, restricted share units and derivative financial instruments, fair value adjustments and other effects of redeemable units classified as liabilities and the Class B LP Units, if any, amortization of right-of-use assets, lease principal payments, deferred income taxes, and amortization of tenant incentives and leasing costs. FFO also includes adjustments in respect of equity accounted entities for the preceding items. Normalized FFO is defined as FFO, net of adjustments for unique or non-recurring items.

AFFO is defined as FFO subject to certain adjustments, including differences resulting from recognizing ground lease payments and rental income on a straight-line basis, and reserves for normalized maintenance capital expenditures, tenant incentives and leasing costs. Normalized AFFO is defined as AFFO, net of adjustments for unique or non-recurring items.

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

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

BUSINESS OVERVIEW AND STRATEGY

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. The REIT owns and operates commercial real estate properties across Canada.

The strategy of the REIT is to grow by acquiring industrial estate assets in jurisdictions, potentially including the United States, where opportunities exist to purchase assets on terms such that the acquisitions are expected to be accretive, on a per unit basis, to the AFFO of the REIT. The REIT seeks to identify potential acquisitions using investment criteria that focus on the security of cash flow, potential for capital appreciation, and potential for increasing value through more efficient management of the assets being acquired. The REIT has a strategic relationship with RFA Capital Partners Inc. ("RFA"), through which the REIT expects to have unique access to properties identified through RFA's expansive network of favourable industry relationships developed through over 25 years of successfully investing in the Canadian real estate industry.

HIGHLIGHTS

- Occupancy of 95% at June 30, 2021, increased from 94% at March 31, 2021 and June 30, 2020.
- Completed a total of \$148.3MM of industrial property acquisitions during Q2 2021.
- The REIT has completed due diligence and waived conditions to acquire an industrial distribution centre property in Alberta for \$19.75MM. The REIT's acquisition pipeline continues to be strong.
- Q2 2021 net operating income of \$12,219,905 increased by \$2,415,108 or 24.6% as compared to Q2 2020 net operating income of \$9,804,797 and by \$1,654,192 or 15.7% as compared to Q1 2021 net operating income of \$10,565,713.
- Q2 2021 same property NOI of \$9,599,238 decreased by \$291,004 or 2.9% as compared Q2 2020. Q2 2021 YTD same property NOI decreased by \$282,198 or 1.5% as compared Q2 2020 YTD. The decrease is primarily attributable to an approximately 26,000 square foot office space that came back to the REIT on April 30th, combined with an approximately 25,000 square foot industrial vacancy in Calgary.
- Successfully completed a \$35MM bought deal financing on March 4, 2021. Commenced deployment of funds to acquire industrial properties in June 2021.
- Q2 2021 normalized FFO per unit of \$0.185, as compared to \$0.203 for Q1 2021 and \$0.217 for Q2 2020.
- Q2 2021 normalized AFFO per unit of \$0.166, as compared to \$0.183 for Q1 2021 and \$0.197 for Q2 2020.
- Q2 2021 normalized AFFO payout ratio of 96.2%, as compared to 87.7% for Q1 2021 and 79.8% for Q2 2020.
- Entered into a new \$40MM revolving credit facility in the quarter. Ended Q2 2021 with \$7MM of cash and full availability of \$45MM of credit facilities.
- Book NAV per unit, including Class B LP Units, of \$11.21 at June 30, 2021 as compared to \$10.09 at March 31, 2021 and \$9.87 at June 30, 2020.
- Management of the REIT will host a conference call on Thursday August 12th at 1PM EST to review results and operations.

ACQUISITIONS AND DISPOSALS

Acquisitions

On June 14, 2021, the REIT acquired a single-tenant industrial property located in Windsor, Ontario (the "Windsor Property"), for a contractual purchase price of \$14,665,000. The purchase price was satisfied in cash.

On June 11, 2021, the REIT acquired a single-tenant industrial property located in St. Thomas, Ontario (the "St. Thomas Property"), for a contractual purchase price of \$13,800,000. The purchase price was satisfied in cash.

On June 10, 2021, the REIT acquired a single-tenant industrial property located in Red Deer, Alberta (the "Red Deer Property"), for a contractual purchase price of \$16,300,000. The purchase price was satisfied in cash.

On April 1, 2021, the REIT acquired six industrial properties located in London, Ontario (the “London Properties”), for a contractual purchase price of \$103,500,000. The 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 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 1, 2021 of \$8.42 per unit.

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, which are convertible to REIT Units on a one-to-one basis with the balance, net of closing adjustments, satisfied in cash.

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.

REIT PROPERTIES BY ASSET CLASS AS AT JUNE 30, 2021

Property Address	Property Use	Rentable Area (Square Feet)	Rentable Area (Square Feet) At REIT Ownership Interest	Occupancy	Weighted Average Remaining Lease Term
<u>INDUSTRIAL</u>					
<u>British Columbia</u>					
988 Great St., Prince George, BC	Industrial	53,126	53,126	100%	2.7 years
965 McMaster Way, Kamloops, BC	Industrial	13,706	13,706	100%	4.4 years
9929 Swanson St., Fort St. John, BC	Industrial	26,477	26,477	100%	1.8 years
<u>Alberta</u>					
4700 & 4750 – 102 Ave., SE, Calgary, AB	Industrial	29,471	29,471	100%	3.5 years
3780 & 4020 - 76 th Ave., SE, Calgary, AB	Industrial	58,937	58,937	100%	4.4 years
41 Royal Vista Drive, NW, Calgary, AB	Industrial	36,915	36,915	31%	5.9 years
8001 - 99 St., Clairmont, AB	Warehouse and Office	26,638	26,638	100%	3.0 years
12104 & 12110 - 17 th St., NE, Edmonton, AB	Industrial and Headquarters	116,582	116,582	100%	4.4 years
14801 - 97 th St., Grande Prairie, AB	Industrial	42,120	42,120	100%	4.4 years
3501 Giffen Rd. North 3711 – 36 St. North, Lethbridge, AB	Industrial	229,000	229,000	100%	8.0 years
5406 - 59 th Ave., Lloydminster, AB	Industrial	12,425	12,425	100%	4.4 years
4301 – 45 Ave., Rycroft, AB	Industrial	22,110	22,110	100%	8.0 years
2301 – 8 St., Nisku, AB	Industrial	21,506	21,506	100%	3.3 years
2303A – 8 St., Nisku, AB	Industrial	39,649	39,649	100%	4.3 years
1010 Brier Park Dr., Medicine Hat, AB	Industrial	14,354	14,354	100%	1.8 years
27323 – 144 Township Rd. 394, Blackfalds, AB	Industrial	25,000	25,000	100%	5.3 years
261177-261185 Wagon Wheel Way, Balzac, AB	Industrial	95,180	95,180	100%	4.3 years
9110 23 Avenue NW, Edmonton, AB	Industrial	72,356	72,356	100%	3.3 years
11510 168 Street NW, Edmonton, AB	Industrial	35,800	35,800	100%	1.8 years
6777 Edgar Industrial Drive, Red Deer, AB	Industrial	153,052	153,052	100%	4.3 years

Northwest Territories

348-352 Old Airport Rd., Yellowknife, NWT	Industrial	53,212	53,212	100%	4.4 years
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Saskatchewan

110 - 71 st St., Saskatoon, SK	Industrial	74,796	74,796	100%	4.4 years
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15 Peters Ave., Saskatoon, SK	Industrial	38,160	38,160	100%	4.4 years
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1414 Fletcher Road, Saskatoon, SK	Industrial	86,000	86,000	100%	1.8 years
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850 Manitoba St. East & 15 - 9 th Ave., NE, Moose Jaw, SK	Industrial	18,800	18,800	100%	4.4 years
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4271 – 5 Ave. East, Prince Albert, SK	Industrial	24,600	24,600	100%	4.5 years
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1117 -1135 Pettigrew Ave., Regina, SK	Industrial	38,690	38,690	93%	1.0 years
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320 Industrial Drive, Regina, SK	Industrial	60,000	60,000	100%	1.8 years
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332 Industrial Drive, Regina, SK	Industrial	85,660	85,660	100%	1.8 years
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101 Jahn St., Estevan, SK	Industrial	11,846	11,846	100%	1.8 years
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Ontario

455 Welham Rd., Barrie, ON	Industrial	109,366	109,366	100%	4.0 years
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200 Sheldon Drive, Cambridge, ON	Industrial	150,000	150,000	100%	3.2 years
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241-377 Fairall Steet 332-360 Frankcom Street 97-121 McMaster Avenue Ajax, ON ⁽¹⁾	Industrial	479,496	239,748	100%	10.0 years
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1000 Clarke Road, London, ON	Industrial	223,190	223,190	100%	7.5 years
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1020 Adelaide St S, London, ON	Industrial	268,128	268,128	94%	2.1 years
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1036 Green Valley Road, London, ON	Industrial	136,237	136,237	100%	1.9 years
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1285 Hubrey Road, London, ON	Industrial	199,505	199,505	100%	1.5 years
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375 Exeter Road, London, ON	Industrial	220,339	220,339	100%	1.7 years
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5 Cuddy Boulevard, London, ON	Industrial	146,945	146,945	100%	8.8 years
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70 Dennis Road, St Thomas, ON	Industrial	130,500	130,500	100%	9.9 years
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446 Jutras Dr South, Windsor, ON	Industrial	120,000	120,000	100%	14.9 years
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Québec

935-965 rue Reverchon, Saint-Laurent, QC	Multi-tenant Industrial	114,857	114,857	100%	2.9 years
1901 Dickson / 5780 Ontario Est, Montréal, QC	Industrial	91,068	91,068	100%	3.9 years
6810 boul. Des Grandes Prairies, Montréal, QC	Industrial	60,786	60,786	100%	1.0 years
3330 2 ^e rue, Saint-Hubert, QC	Multi-tenant Industrial	60,441	60,441	100%	5.4 years
3600 1 ^{ère} rue, Saint-Hubert, QC	Multi-tenant Industrial	37,554	37,554	100%	4.6 years
3550 1 ^{ère} rue, Saint-Hubert, QC	Industrial	22,428	22,428	100%	2.6 years
3490-3504 rue Griffith, Saint-Laurent, QC	Multi-tenant Industrial	40,665	40,665	100%	1.8 years
425 rue Guy, Montréal, QC ⁽¹⁾	Multi-tenant Industrial	37,196	18,598	88%	2.5 years

New Brunswick

675 St-George Boulevard, Moncton, NB	Industrial	93,443	93,443	100%	4.0 years
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RETAIL**British Columbia**

1751 & 1771 Savage Road, Richmond, BC ^{(2) (4)}	Retail	171,274	171,274	65% ⁽²⁾⁽⁴⁾	8.1 years
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Ontario

5005 South Service Road, Beamsville, ON	Retail	8,125	8,125	100%	2.2 years
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Québec

1185-1195 Chemin du Tremblay, Longueuil, QC	Retail	53,924	53,924	97%	3.2 years
41 boulevard Saint-Jean-Baptiste, Châteauguay, QC	Retail	53,151	53,151	100%	4.3 years
1094-1100 boulevard Des Chutes, Beauport, QC ⁽¹⁾	Retail	32,411	16,206	100%	3.3 years
1700 rue Sherbrooke, Magog, QC ⁽¹⁾	Retail	132,584	66,292	83%	3.6 years
1971 rue Bilodeau, Plessisville, QC ⁽¹⁾	Retail	99,611	49,806	92%	3.8 years
14000 boulevard Henri-Bourassa, Québec City, QC ⁽¹⁾	Retail	44,619	22,310	100%	3.6 years
6700 rue St-Georges, Lévis, QC ⁽¹⁾	Retail	43,203	21,602	69%	4.5 years
10516 boulevard Sainte-Anne, Ste-Anne-de-Beaupré, QC ⁽¹⁾	Retail	88,625	44,313	86%	3.0 years
9550 boulevard L'Ormière, Québec, QC ⁽¹⁾	Retail	114,331	57,166	97%	2.3 years

333 Côte Joyeuse, St-Raymond, QC ⁽¹⁾	Retail	64,481	32,241	80%	2.4 years
161 Route 230 Ouest, La Pocatière, QC ⁽¹⁾	Retail	208,799	104,400	75%	4.4 years
25 Route 138, Forestville, QC ⁽¹⁾	Retail	55,962	27,981	88%	3.4 years
2000 boulevard Louis-Fr�chette, Nicolet, QC ⁽¹⁾	Retail	88,383	44,192	93%	4.7 years
3856 boulevard Taschereau, Greenfield Park, QC ⁽¹⁾	Retail	213,982	106,991	86%	4.6 years
250 boulevard Fiset, Sorel, QC ⁽¹⁾	Retail	116,348	58,174	100%	5.4 years
8245 boulevard Taschereau, Brossard, QC ⁽¹⁾	Retail	43,335	21,668	96%	7.2 years
340 rue Belv�d�re Sud, Sherbrooke, QC ⁽¹⁾	Retail	171,265	85,633	90%	3.0 years
401-571 boulevard Jutras Est, Victoriaville, QC	Retail	379,254	379,254	94%	5.5 years
7500 boulevard Les Galeries d'Anjou, Anjou, QC ⁽¹⁾	Retail	104,691	52,346	93%	4.8 years
<u>Prince Edward Island</u>					
695 University Ave., Charlottetown, PEI	Retail	4,501	4,501	100%	5.0 years
<u>OFFICE</u>					
<u>Qu�bec</u>					
2045 rue Stanley, Monr�al, QC ⁽¹⁾	Office	112,406	56,203	96%	12.7 years
72 rue Laval, Gatineau, QC ⁽¹⁾	Office	68,473	34,237	100%	1.1 years
10500 avenue Ryan, Dorval, QC	Office	52,372	52,372	100%	8.4 years
955 boulevard Mich�le-Bohec, Blainville, QC	Office	33,461	33,461	100%	5.0 years
1600 rue Montgolfier, Laval, QC	Office	27,097	27,097	100%	5.0 years
353 St-Nicolas, Monr�al, QC ⁽¹⁾	Office	34,425	17,213	57%	2.9 years
410 St-Nicolas, Monr�al, QC ⁽¹⁾	Office	154,862	77,431	80%	4.7 years
360 Notre-Dame Ouest, Monr�al, QC ⁽¹⁾	Office	29,442	14,721	93%	1.7 years
321 de la Commune, Monr�al, QC ⁽¹⁾	Office	11,502	5,751	100%	1.5 years
329 de la Commune, Monr�al, QC ⁽¹⁾	Office	21,022	10,511	93%	2.3 years
127, 137 & 145 St-Pierre, Monr�al, QC ⁽¹⁾	Office	36,837	18,419	77%	4.1 years
63 rue des Br�soles, Monr�al, QC ⁽¹⁾	Office	38,253	19,127	100%	2.3 years

New Brunswick

400 Main Street,
St. John, NB

Office

160,071

160,071

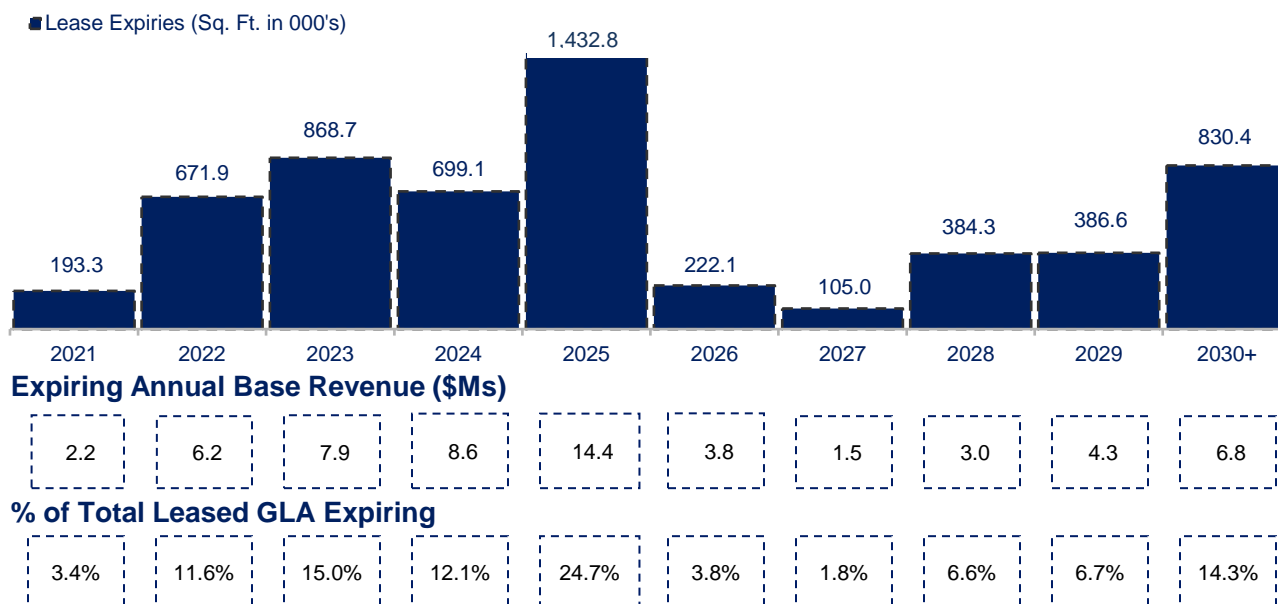
66%

3.5 years

Total	7,431,394	6,108,130	95% ⁽³⁾	4.8 years ⁽³⁾
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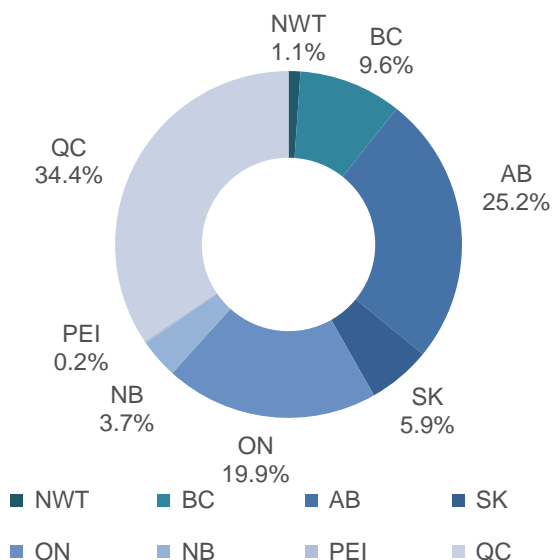
- (1) The REIT owns a 50% interest in these properties.
- (2) Property is currently being repositioned from industrial uses to other higher yielding uses.
- (3) Excluding 1751 & 1771 Savage Road, which is currently being repositioned, the occupancy rate is 96% and the weighted average remaining lease term is 4.7 years.
- (4) As at June 30, 2021, 1751 & 1771 Savage Road has a total committed occupancy of 100%.

LEASE EXPIRIES

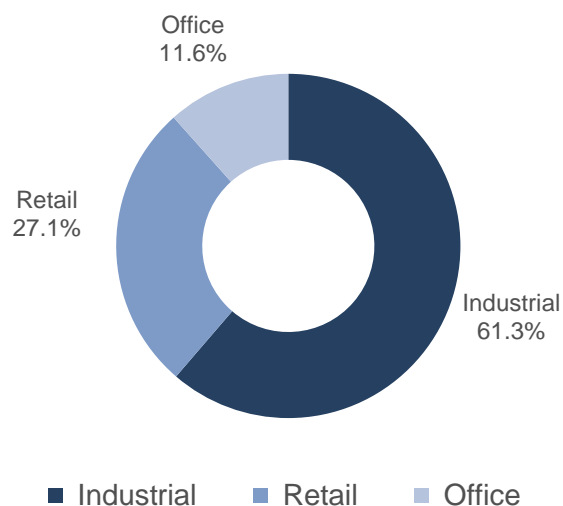


PROPERTY COMPOSITION DIVERSITY

GEOGRAPHIC MIX (BY BASE RENT)



ASSET CLASS MIX (BY BASE RENT)



SUMMARY OF RESULTS

	Three months ended		Six months ended	
	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
	\$	\$	\$	\$
Financial highlights				
Property revenues	18,715,147	15,040,989	35,302,871	30,663,748
Net rental income (NOI)	12,219,905	9,804,797	22,785,618	19,578,432
Same Property NOI ⁽¹⁾	9,599,238	9,890,242	18,753,316	19,035,514
Funds from operations (FFO) ⁽¹⁾	8,917,474	7,664,119	15,601,527	13,947,751
Normalized FFO ^{(1) (2)}	8,953,357	7,162,290	16,274,736	14,055,852
Adjusted funds from operations (AFFO) ⁽¹⁾	8,000,608	6,996,139	13,954,204	12,586,398
Normalized AFFO ^{(1) (2)}	8,036,491	6,494,310	14,627,413	12,694,499
Distributions declared ⁽³⁾	7,730,623	5,179,529	13,507,670	10,221,314
Weighted average units outstanding – basic ⁽⁴⁾	48,293,473	32,936,436	42,201,306	32,186,168
Weighted average units outstanding – diluted ⁽⁴⁾	48,389,294	32,958,499	42,273,089	32,208,230
Distributions per unit, basic and diluted ^{(3) (4)}	0.160	0.157	0.320	0.318
FFO per unit, basic ^{(1) (4)}	0.185	0.233	0.370	0.433
FFO per unit, diluted ^{(1) (4)}	0.184	0.233	0.369	0.433
Normalized FFO per unit, basic ^{(1) (2) (4)}	0.185	0.217	0.386	0.437
Normalized FFO per unit, diluted ^{(1) (2) (4)}	0.185	0.217	0.385	0.436
AFFO per unit, basic ^{(1) (4)}	0.166	0.212	0.331	0.391
AFFO per unit, diluted ^{(1) (4)}	0.165	0.212	0.330	0.391
Normalized AFFO per unit, basic ^{(1) (2) (4)}	0.166	0.197	0.347	0.394
Normalized AFFO per unit, diluted ^{(1) (2) (4)}	0.166	0.197	0.346	0.394
AFFO payout ratio, basic ^{(1) (3)}	96.6%	74.0%	96.8%	81.2%
Normalized AFFO payout ratio, basic ^{(1) (2) (3)}	96.2%	79.8%	92.3%	80.5%
Debt to total assets ratio	40.4%	48.0%	40.4%	48.0%
NAV per unit ⁽¹⁾	11.21	9.87	11.21	9.87

(1) See Non-IFRS Measures.

(2) Normalized FFO and Normalized AFFO include adjustments for vendor rent obligation amounts related to the REIT's Richmond, BC property and Ajax Property, which are payable from the vendor of the property until the buildout of the property is complete and all tenants are occupying and paying rent. The vendor rent obligation amount is not included in NOI for IFRS accounting purposes. Normalized FFO and Normalized AFFO exclude amounts recorded in other income related to estimated future vendor rent obligation amounts. For the six months ended June 30, 2021, normalized FFO and AFFO are also adjusted to exclude \$207,355 of one-time TSX listing fees related to graduation to the TSX, which are included in general and administrative expense in that period.

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

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

	Three months ended		Six months ended	
	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
	\$	\$	\$	\$
Financial results				
Property revenues	18,715,147	15,040,989	35,302,871	30,633,748
Property expenses	<u>(6,495,242)</u>	<u>(5,236,192)</u>	<u>(12,517,253)</u>	<u>(11,055,316)</u>
Net operating income (NOI)	12,219,905	9,804,797	22,785,618	19,578,432
General and administrative expense	(1,005,485)	(830,590)	(2,434,536)	(1,823,252)
Fair value adjustment of investment properties	68,987,495	(871,211)	74,083,497	(2,252,276)
Fair value adjustment of Class B LP Units	(23,663,691)	1,854,495	(27,900,119)	17,013,350
Fair value adjustment of warrants	-	-	-	1,210
Fair value adjustment of unit options	(735,472)	2,000	(901,472)	494,000
Fair value adjustment of restricted share units	(100,256)	(1,885)	(148,186)	24,119
Fair value adjustment of derivative financial instruments	(191,970)	(685,151)	3,681,512	(6,123,563)
Income (loss) from equity accounted investment in joint venture	150,918	93,908	588,431	(308,967)
Loss on disposal of investment property	-	-	(95,350)	-
Other income	<u>581,228</u>	<u>1,094,144</u>	<u>781,483</u>	<u>1,094,144</u>
	<u>56,242,672</u>	<u>10,460,507</u>	<u>70,440,878</u>	<u>27,697,197</u>
Net interest expense	(3,241,540)	(2,699,076)	(6,236,566)	(5,408,094)
Distributions on Class B LP Units	<u>(2,354,173)</u>	<u>(877,635)</u>	<u>(3,349,580)</u>	<u>(1,734,307)</u>
Net income and comprehensive income for the period	<u>50,646,959</u>	<u>6,883,796</u>	<u>60,854,732</u>	<u>20,554,796</u>

For the three months ended June 30, 2021, NOI of \$12,219,905 was \$2,415,108 higher than Q2 2020 NOI of \$9,804,797. Properties acquired in 2020 and 2021 generated incremental NOI of approximately \$2,640,000 in Q2 2021 as compared to Q2 2020. Partially offsetting was the impact of a vacancy at a REIT industrial property in Calgary, Alberta which reduced Q2 2021 NOI by approximately \$150,000 as compared to Q2 2020.

For the six months ended June 30, 2021, NOI of \$22,785,618 was \$3,207,186 higher than NOI of \$19,578,432 for the same period of 2020. Properties acquired in 2020 and 2021 generated incremental NOI of approximately \$3,480,000 in the six-month period ended June 30, 2021 as compared to the same period of 2020. Partially offsetting was the impact of a vacancy at a REIT industrial property in Calgary, Alberta which reduced NOI for the six-month period ended June 30, 2021 by approximately \$300,000 as compared to the same period of 2020.

For the three months ended June 30, 2021, general and administrative expense of \$1,005,485 was \$174,895 higher than Q2 2020 general and administrative expense of \$830,590 primarily due to an approximately \$125,000 increase in staffing related costs. Professional fees relating to the 2021 annual general meeting which took place during Q2 2021, increased current period general and administrative expense by approximately \$73,000 as compared to Q2 2020. Partially offsetting TSX listing fees were approximately \$40,000 lower in Q2 2021 as compared to Q2 2020.

For the six months ended June 30, 2021, general and administrative expense of \$2,434,536 was \$611,284 higher than general and administrative expense in the same period of 2020 of \$1,823,252, primarily due to \$207,355 of one-time TSX listing fees relating to TSX graduation in Q1 2021 and an approximately \$125,000 increase in expenses related to the REIT's equity-settled RSU plan. Staffing related costs for the six-month period ended July 30, 2021 increased by approximately \$206,000 when compared to the same period of 2020. Professional fees relating to the 2021 annual general meeting which took place during Q2 2021 increased general and administrative expense for the six-month period ended June 30, 2021 by approximately \$60,000 as compared to the same period of 2020. Partially offsetting were lower travel and meals and entertainment expenses in the six months ended June 2021 as compared to the same period of the prior year as a result of COVID-19.

Fair value adjustments of Class B LP Units are driven by changes in the trading price of units of the REIT, multiplied by the number of Class B LP Units outstanding at a quarter end, as well as fair value adjustments to the date that Class B LP Units are exchanged for REIT Units. As at June 30, 2021, 14,660,795 Class B LP Units were outstanding. The trading price of the REIT's units as at June 30, 2021 was \$10.02 as compared to \$8.40 as at March 31, 2021 and \$6.12 per unit as at June 30, 2020.

Fair value adjustments of unit options are impacted primarily by changes in the trading price of the REIT Units relative to the strike price of the unit options and by the number of unit options outstanding, as well as by changes in interest rates and the expected remaining life of unit options. The trading price of the REIT's units accounted for the majority of the change in fair value during the quarter, partially offset by a lower number of unit options outstanding at the end of the quarter following option exercises in June.

A fair value loss of \$191,970 in respect of derivative financial instruments was recorded for the three-month period ended June 30, 2021 and a fair value gain of \$3,681,512 was recorded for the six-month period then ended. The fair value gain recorded during the six-months ended June 30, 2021 related to an increase in the pricing of interest rate swaps with terms comparable to those that the REIT is a party to. The interest rate swaps effectively fix interest rates on \$65,000,000 of the REIT's credit facilities and \$161,084,583 of floating rate mortgages.

Fair value adjustments of investment properties of \$68,987,495 were recorded in Q2 2021 relating primarily to the revaluation of the REIT's Richmond, BC property, where buildout is nearing completion and tenant leases will soon commence. The carrying value of this property was increased by approximately \$45,300,000 in the quarter, partially offset by an accrual for the estimated value enhancement payment due to the vendor of approximately \$30,925,000 (see the section "Commitments" further below). The REIT's industrial properties located in Ontario, Quebec and Western Canada were also revalued during Q2 2021 to reflect the compression of capitalization rates, resulting in fair value gains of approximately \$33,105,000, \$19,480,000, and \$3,785,000, respectively. Additionally, the REIT recorded fair value adjustments in respect of a retail property for which a firm offer to purchase was received from a buyer and in respect of a Montreal area retail property for which an offer to purchase excess land was received in the approximate amounts of \$1,750,000 and \$10,000,000, respectively. Partially offsetting were an approximately \$3,300,000 fair value adjustment in respect of an office property owned by the REIT and approximately \$10,440,000 of fair value adjustments relating to transaction costs and acquisition accounting for properties purchased with partial unit consideration, and fair valuing certain capital expenditures to zero.

Fair value adjustments of investment properties of \$74,083,497 for the six-month period ended June 30, 2021 were related to the same items as in the three months ended June 30, 2021, as well as a \$5,096,002 fair value adjustment recorded in Q1 2021 relating primarily to the revaluation of a portfolio of industrial properties acquired in Q1 2020 to increase the carrying value of the properties to fair values as determined by reference to external appraisals completed at the time of purchasing the properties.

Net income from equity accounted investment in joint venture for the three months ended June 30, 2021 of \$150,918 is comprised of \$254,476 of NOI of the JV property offset by a fair value loss of \$9,397 to mark to market an interest rate swap in place at the joint venture, \$67,283 of interest expense as well as \$26,878 of general and administrative expense. For the six months ended June 30, 2021, the net income from equity accounted investment in joint venture of \$588,431 is comprised of \$511,980 of NOI from the joint venture investment property, a fair value gain of \$257,256 to mark to market interest rate swaps in place at the joint venture, offset by \$133,884 of interest expense as well as \$46,921 of general and administrative expense.

During the six-month period ended June 30, 2021, the estimated vendor rent obligation related to the REIT's Richmond, BC property was reassessed. An amount of \$581,228 for the three-month period ended June 30, 2021 and \$781,483 for the six-month period then ended were recorded in other income, reflecting an increase in the total amount expected to be collected from the vendor through to full occupancy of tenants. The buildout is nearing completion and tenant leases will soon commence.

Net interest expense for the three months ended June 30, 2021 of \$3,241,540 was \$542,464 higher than net interest expense of \$2,699,076 for Q2 2020 primarily due to increased mortgage interest expense relating to new mortgage financing secured against the properties acquired subsequent to Q1 2020. Net interest expense for the six months ended June 30, 2021 of \$6,236,566 was \$828,472 higher than net interest expense of \$5,408,094 for the same period of the prior year primarily for the same reason.

For the three months ended June 30, 2021, distributions on Class B LP Units of \$2,354,173 were \$1,476,538 higher than distributions on Class B LP Units of \$877,635 for Q2 2020 due to a greater number of Class B LP Units outstanding in the period, which were primarily issued in connection with the acquisition of the London Properties in Q2 2021. For the six months ended June 30, 2021, distributions on Class B LP Units of \$3,349,580 were \$1,615,273 higher than distributions on Class B LP Units of \$1,734,307 for the same period of the prior year due to a greater number of Class B LP Units outstanding in the period, which were primarily issued in connection with the acquisition of the London Properties in Q2 2021 and the Rocky View Property in Q4 2020.

	As at June 30, 2021	As at December 31, 2020
	\$	\$
Select balance sheet data		
Investment properties	938,084,063	667,600,805
Cash	7,149,786	13,993,230
Total assets	983,359,141	710,498,718
Current portion of mortgages payable	35,760,736	34,368,494
Total current liabilities	79,121,800	47,954,912
Non-current portion of mortgages payable	290,851,830	239,413,077
Non-current portion of credit facilities	64,656,919	64,903,002
Class B LP Units	146,901,192	49,186,994
Total non-current liabilities	508,526,687	362,964,311
Total unitholders' equity	395,710,654	299,579,495
Debt to total assets ratio	40.4%	48.2%

Debt to total assets

The REIT's debt to total assets as at June 30, 2021 was 40.4% as compared to 48.2% as at December 31, 2020. The decrease is primarily related to an increase in the fair value of the REIT's investment properties. The REIT's calculation of debt includes mortgages payable, credit facilities and lease liabilities balances at the amounts carried in the REIT's condensed consolidated interim statement of financial position.

SUMMARY OF QUARTERLY RESULTS ⁽¹⁾

	Q2 2021	Q1 2021	Q4 2020	Q3 2020
Property revenues	\$ 18,715,147	\$ 16,587,724	\$ 15,648,288	\$ 15,103,549
Property expenses	\$ <u>(6,495,242)</u>	\$ <u>(6,022,011)</u>	\$ <u>(5,949,987)</u>	\$ <u>(5,154,187)</u>
Net operating income (NOI)	\$ 12,219,905	\$ 10,565,713	\$ 9,698,301	\$ 9,949,362
Net income	\$ 50,646,959	\$ 10,207,773	\$ 9,831,115	\$ 4,848,450
Weighted average number of units, basic ⁽²⁾	48,293,473	36,041,448	34,014,593	33,031,819
Weighted average number of units, diluted ⁽²⁾	48,389,294	36,124,359	34,036,656	33,053,882
	Q2 2020	Q1 2020	Q4 2019	Q3 2019
Property revenues	\$ 15,040,989	\$ 15,592,759	\$ 15,583,030	\$ 14,929,417
Property expenses	\$ <u>(5,236,192)</u>	\$ <u>(5,819,124)</u>	\$ <u>(5,925,756)</u>	\$ <u>(5,340,871)</u>
Net operating income (NOI)	\$ 9,804,797	\$ 9,773,635	\$ 9,657,274	\$ 9,588,546
Net income	\$ 6,883,796	\$ 13,671,000	\$ 27,332,940	\$ 6,412,316
Weighted average number of units, basic ⁽²⁾	32,936,436	31,435,903	30,051,476	29,987,983
Weighted average number of units, diluted ⁽²⁾	32,958,499	31,465,380	30,079,262	30,002,339

(1) The quarterly results fluctuate based on timing related to pursuing and completing acquisitions and corporate activities, other income and fair value adjustments of investment properties, Class B LP Units, warrants, unit options, restricted share units and derivative financial instruments.

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

SAME PROPERTY RESULTS

The following is a reconciliation of the REIT's NOI to Same Property NOI, including all properties owned by the REIT for the entire current and comparative reporting period:

	Three months ended		
	June 30, 2021	June 30, 2020	Variance
	\$	\$	\$
Property revenues	18,715,147	15,040,989	3,674,158
Property expenses	<u>(6,495,242)</u>	<u>(5,236,192)</u>	<u>(1,259,050)</u>
NOI	12,219,905	9,804,797	2,415,108
Add:			
Amortization of tenant incentives and leasing costs	176,297	159,828	16,469
Straight-line adjustments of rent	(144,924)	(89,115)	(55,809)
Acquisitions/Disposals	(2,639,752)	14,732	(2,654,484)
Termination fees and non-recurring items ⁽¹⁾	(12,288)	-	(12,288)
Same Property NOI	<u>9,599,238</u>	<u>9,890,242</u>	<u>(291,004)</u>

⁽¹⁾ Termination fees and lump sum rental income totalling \$12,288 were received during the three months ending June 30, 2021 (2020 - \$nil).

	Six months ended		
	June 30, 2021	June 30, 2020	Variance
	\$	\$	\$
Property revenues	35,302,872	30,633,748	4,669,124
Property expenses	<u>(12,517,252)</u>	<u>(11,055,316)</u>	<u>(1,461,936)</u>
NOI	22,785,620	19,578,432	3,207,188
Add:			
Amortization of tenant incentives and leasing costs	342,031	274,799	67,232
Straight-line adjustments of rent	(230,238)	(186,349)	(43,889)
Acquisitions/Disposals	(4,131,809)	(525,413)	(3,606,396)
Termination fees and non-recurring items ⁽¹⁾	(12,288)	(105,955)	93,667
Same Property NOI	<u>18,753,316</u>	<u>19,035,514</u>	<u>(282,198)</u>

⁽¹⁾ Termination fees and lump sum rental income totalling \$12,288 were received during the six months ending June 30, 2021 (2020 - \$105,955).

For the three months ended June 30, 2021, Same Property NOI of \$9,599,238 was \$291,004 lower than Q2 2020 Same Property NOI of \$9,890,242 relating primarily to a vacancy at a REIT industrial property in Calgary, Alberta and an office property in St. John, New Brunswick which reduced Q2 2021 Same Property NOI by approximately \$150,000 and \$100,000, respectively.

For the six months ended June 30, 2021, Same Property NOI of \$18,753,316 was \$282,198 lower than Same Property NOI for the same period of 2020 of \$19,035,514 relating primarily to a vacancy at a REIT industrial property in Calgary, Alberta and an office property in St. John, New Brunswick which reduced the current six-month period ended Same Property NOI by approximately \$300,000 and \$100,000, respectively.

FUNDS FROM OPERATIONS AND ADJUSTED FUNDS FROM OPERATIONS

	Three months ended		Six months ended	
	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
	\$	\$	\$	\$
FFO				
Net income	50,646,959	6,883,796	60,854,732	20,554,796
Adjustments:				
Loss on disposal of investment property	-	-	95,350	-
Fair value adjustment of investment properties	(68,987,495)	871,211	(74,083,497)	2,252,276
Fair value adjustment of Class B LP Units	23,663,691	(1,854,495)	27,900,119	(17,013,350)
Fair value adjustment of warrants	-	-	-	(1,210)
Fair value adjustment of unit options	735,472	(2,000)	901,472	(494,000)
Fair value adjustment of RSU	100,257	1,885	148,187	(24,119)
Fair value adjustment of derivative financial instruments	191,970	685,151	(3,681,512)	6,123,563
Adjustments for equity accounted joint venture ⁽¹⁾	9,398	63,846	(257,255)	560,482
Attribution of grant date fair value of unit options	-	(31,224)	-	(62,448)
Distributions on Class B LP Units expensed	2,354,173	877,635	3,349,580	1,734,307
Amortization of tenant incentives and leasing costs	176,297	160,181	320,602	300,967
Lease principal payments	(16,521)	(15,141)	(32,798)	(30,060)
Amortization of right-of-use assets	23,273	23,274	46,547	46,547
Deferred income taxes	20,000	-	40,000	-
Funds from operations (FFO)	<u>8,917,474</u>	<u>7,664,119</u>	<u>15,601,527</u>	<u>13,947,751</u>
Add: Vendor rent obligation ⁽²⁾	617,111	592,315	1,247,337	1,202,245
Less: Other income ⁽²⁾	(581,228)	(1,094,144)	(781,483)	(1,094,144)
Add: TSX graduation listing fees ⁽³⁾	-	-	207,355	-
Normalized FFO	<u>8,953,357</u>	<u>7,162,290</u>	<u>16,274,736</u>	<u>14,055,852</u>
AFFO				
FFO	8,917,474	7,664,119	15,601,527	13,947,751
Adjustments:				
Straight-line adjustments ground lease and rent	(166,866)	(92,980)	(272,323)	(211,353)
Capital reserve ⁽⁴⁾	(750,000)	(575,000)	(1,375,000)	(1,150,000)
Adjusted funds from operations (AFFO)	<u>8,000,608</u>	<u>6,996,139</u>	<u>13,954,204</u>	<u>12,586,398</u>
Add: Vendor rent obligation ⁽²⁾	617,111	592,315	1,247,337	1,202,245
Less: Other income ⁽²⁾	(581,228)	(1,094,144)	(781,483)	(1,094,144)
Add: TSX graduation listing fees ⁽³⁾	-	-	207,355	-
Normalized AFFO	<u>8,036,491</u>	<u>6,494,310</u>	<u>14,627,413</u>	<u>12,694,499</u>

(1) Adjustment for equity accounted joint venture relates to a fair value adjustment of swaps in place at the joint venture to swap floating rate bankers' acceptance rates to a fixed rate and fair value adjustment of the joint venture investment property.

(2) Normalized FFO and Normalized AFFO include adjustments for vendor rent obligation amounts related to the REIT's Richmond, BC property and Ajax Property which are payable from the vendor of the property until the buildout of the property is complete and tenants are occupying and paying rent. The vendor rent obligation amount is not included in NOI for accounting, but the estimated total amount of vendor rent obligation is recorded in other income. Normalized FFO and Normalized AFFO exclude estimated future vendor rent obligation amounts included in other income in the condensed consolidated interim statements of income and comprehensive income and include the scheduled quarterly rents receivable in the form of vendor rent obligation.

(3) Normalized FFO and Normalized AFFO include adjustments for \$207,355 of one-time TSX listing fees related to graduation to the TSX, which are included in general and administrative expense in the six-month period ended June 30, 2021.

(4) Capital reserve includes maintenance capital expenditures, tenant incentives and leasing costs. Reserve amounts are established with reference to building condition reports, appraisals, and internal estimates of tenant renewal, tenant incentives and leasing costs. The REIT believes that a reserve is more appropriate given the fluctuating nature of these expenditures.

AFFO Capital Reserve

	Three months ended		Six months ended	
	June 30,	June 30,	June 30,	June 30,
	2021	2020	2021	2020
	\$	\$	\$	\$
Capital reserve	750,000	575,000	1,375,000	1,150,000
Average square feet of Gross Leasable Area (GLA)	5,787,837	3,998,787	5,615,933	3,955,957
Annualized capital reserve per square foot of GLA	\$0.52	\$0.58	\$0.49	\$0.58
	Three months ended		Six months ended	
	June 30,	June 30,	June 30,	June 30,
	2021	2020	2021	2020
	\$	\$	\$	\$
Actual tenant incentives and leasing costs ⁽¹⁾	322,252	330,604	650,987	540,363
Actual maintenance capital expenditures ⁽²⁾	282,507	116,211	522,352	420,166
Total	<u>604,759</u>	<u>446,815</u>	<u>1,173,339</u>	<u>960,529</u>
Less expenditures funded from mortgage escrow	-	(195,286)	-	(195,286)
Total spending funded by the REIT	<u><u>604,759</u></u>	<u><u>251,529</u></u>	<u><u>1,173,339</u></u>	<u><u>765,243</u></u>
Average square feet of GLA	5,787,837	3,998,787	5,615,933	3,955,957
Annualized capital spent per square foot of GLA unadjusted for capital reserve	\$0.42	\$0.25	\$0.42	\$0.39

(1) Excludes leasing costs in the amount of \$nil (2020 – \$907,182) incurred during the three and six months ended June 30, 2021 for incremental revenue generation relating to the construction of a new pad site and repurposing a previous industrial space into significantly higher yielding uses.

(2) Excludes capital expenditures in the amount of \$2,233,432 (2020 – \$1,098,105) and \$3,011,429 (2020 – \$2,194,248) incurred during the three and six months ended June 30, 2021, respectively, for incremental revenue generation relating to the repurposing of a previous industrial space into significantly higher yielding uses.

Actual capital spending and tenant incentive and leasing costs for the six months ended June 30, 2021 of \$604,759 is \$145,241 lower than the \$750,000 of the capital reserve included in AFFO. Capital spending on a portfolio acquired in July 2017 was anticipated to be higher in the first 2 to 3 years post-acquisition, and to then normalize. A portion of the anticipated spending on this portfolio of properties has been deferred due to COVID-19.

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

	Three months ended		Six months ended	
	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
	\$	\$	\$	\$
Cash flows generated by operating activities	3,165,348	5,156,835	8,760,788	10,434,656
Adjustments:				
Changes in non-cash working capital	3,161,429	1,677,706	3,179,415	1,829,839
Changes in other non-current assets	55,969	(2,082)	47,086	(2,347)
Changes in restricted cash	(32,251)	(186,922)	(10,327)	(178,578)
Distributions on Class B LP Units expensed	2,354,173	877,635	3,349,580	1,734,307
Loss on disposal of investment property	-	-	95,350	-
Adjustments for equity accounted joint venture	9,398	63,846	(257,255)	560,482
Share of net income (loss) from equity accounted investment in joint venture	150,918	93,908	588,431	(308,967)
Straight-line rent adjustments of equity accounted joint venture	(21,942)	(3,864)	(42,084)	(25,003)
Restricted share unit expense	(65,724)	(47,349)	(315,752)	(195,610)
Attribution of grant date fair value of unit options	-	(31,224)	-	(62,448)
Amortization of deferred financing fees	(87,199)	(78,386)	(167,012)	(156,111)
Amortization of mortgage fair value adjustments	77,010	66,177	133,782	136,238
Lease principal repayments	(16,521)	(15,141)	(32,798)	(30,060)
Capital reserve	(750,000)	(575,000)	(1,375,000)	(1,150,000)
AFFO	<u>8,000,608</u>	<u>6,996,139</u>	<u>13,954,204</u>	<u>12,586,398</u>

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

The REIT's principal source of liquidity is cash on hand and the undrawn borrowing capacity on its credit facilities. As at June 30, 2021, the REIT had cash of \$7,149,786 (December 31, 2020 - \$13,993,230) and a working capital deficit of \$45,425,606 (December 31, 2020 - \$16,097,240). Excluding the current portion of mortgages payable of \$37,546,950, the working capital would be a deficit of \$7,878,656. The REIT expects that it will be able to refinance the mortgages on their maturities. Management of the REIT believes that sufficient cash from operations will be generated to settle the REIT's liabilities as they come due, and the REIT has the ability to draw funds on the credit facilities if required. The REIT has sufficient liquidity to maintain and expand its business.

Changes in cash for the periods noted are detailed in the following table:

	Three months ended		Six months ended	
	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
	\$	\$	\$	\$
Cash generated by (used in)				
Operating activities	3,165,348	5,156,835	8,760,788	10,434,656
Investing activities	(81,145,676)	(902,066)	(86,073,048)	(3,584,786)
Financing activities	<u>33,294,076</u>	<u>9,623,615</u>	<u>70,468,816</u>	<u>4,077,339</u>
Change in cash	(44,686,252)	13,878,384	(6,843,444)	10,927,209
Cash – beginning of period	<u>51,836,038</u>	<u>4,924,643</u>	<u>13,993,230</u>	<u>7,875,818</u>
Cash – end of period	<u>7,149,786</u>	<u>18,803,027</u>	<u>7,149,786</u>	<u>18,803,027</u>

Cash generated from operating activities for the three months ended June 30, 2021 of \$3,165,348 is comprised of net income of \$50,646,959, cash from changes in non-cash working capital, other non-current assets and restricted cash of \$3,165,147, and non-cash items of \$44,316,464. Prepaid expenses increased in the quarter resulting in a decrease in cash from operating activities of \$1,782,339, primarily attributable to property tax installments paid in Q2 2021. Deposits increased in the quarter resulting in a decrease in cash from operating activities of \$2,450,000, relating to deposits paid during Q2 2021 on potential acquisitions the REIT has entered into agreements to acquire

Cash generated from operating activities for the six months ended June 30, 2021 of \$8,760,788 is comprised of net income of \$60,854,732, cash from changes in non-cash working capital, other non-current assets and restricted cash of \$3,176,174, and non-cash items of \$48,917,770. Prepaid expenses increased in the six month period ended June 30, 2021, resulting in a decrease in cash from operating activities of \$1,579,320, primarily attributable to property tax installments paid in the period. Deposits increased in six-month period ended June 30, 2021, resulting in a decrease in cash from operating activities of \$2,750,000, relating to deposits paid during the period on potential acquisitions the REIT has entered into agreements to acquire.

Cash used in investing activities for the three months ended June 30, 2021, of \$81,145,676 is primarily related to \$78,736,066 used for the acquisition of the Windsor, St. Thomas, Red Deer and London Properties during the quarter. The remainder of cash used in investing activities relates to tenant incentives, leasing costs and capital spending in the amount of \$2,409,610, including \$1,707,903 of capital expenditures as part of the repurposing of a previous industrial space into significantly higher yielding uses at the REIT's Richmond, BC property.

Cash used in investing activities for the six months ended June 30, 2021, of \$86,073,048 is primarily related to \$85,808,902 used for the acquisition of the properties acquired during the period. The remainder of cash used in investing activities relates to tenant incentives, leasing costs and capital spending in the amount of \$3,164,146, including \$1,933,041 of capital expenditures as part of the repurposing of a previous industrial space into significantly higher yielding uses at the REIT's Richmond, BC property. Partially offsetting was \$2,900,000 of proceeds generated from the disposal of a property located in Lachine, Quebec on March 16, 2021.

Cash generated from financing activities for the three months ended June 30, 2021 of \$33,294,076 is primarily related to the \$41,075,000 of proceeds of new mortgage financing placed on the properties acquired during the quarter. Partially offsetting were cash distributions to unitholders of \$4,680,874 and mortgage principal repayments of \$2,434,080.

Cash generated from financing activities for the six months ended June 30, 2021 of \$70,468,816 is primarily related to the bought deal equity offering of \$34,891,000 in March 2021, which generated \$32,923,584 of net proceeds, and \$51,575,000 of proceeds of new mortgage financing placed on the properties acquired during the period. Partially offsetting were cash distributions to unitholders of \$8,595,721 and mortgage principal repayments of \$4,584,576.

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

Mortgages payable

As at June 30, 2021, the mortgages payable are secured by charges against 67 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 3.57% and the weighted average term to maturity is 4.11 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	4,982,984	27,642,572	32,625,556
2022	9,744,109	15,984,323	25,728,432
2023	8,538,293	48,922,042	57,460,335
2024	6,652,864	43,318,733	49,971,597
2025	4,960,615	61,569,595	66,530,210
Thereafter	10,101,243	86,197,513	96,298,756
Total	<u>44,980,108</u>	<u>283,634,778</u>	<u>328,614,886</u>

Credit facilities

On June 24, 2021, the REIT entered into a new \$40,000,000 revolving credit facility agreement ("Credit Facility 3"). Credit Facility 3 matures on June 24, 2024 and is secured against three of the REIT's investment properties. Credit Facility 3 allows the REIT to draw against the facility in the form of prime rate advances or Bankers' acceptances. Prime rate advances bear interest at 90 basis points per annum over the lender's Canadian prime borrowing rate. Bankers' acceptance advances bear interest at 190 basis points per annum over the floating bankers' acceptance rate. The unadvanced portion of Credit Facility 3 is subject to a predetermined standby fee. As at June 30, 2021, Credit Facility 3 was undrawn. The REIT has a \$500,000 revolving line of credit ("Credit Facility 2") bearing interest at 100 basis points per annum over the Canadian prime borrowing rate. Credit Facility 2 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 June 30, 2021, Credit Facility 2 was undrawn (December 31, 2020 - undrawn).

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 (Collectively "Credit Facility 1"). Credit Facility 1 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 under Credit Facility 1 as part of the lender's COVID-19 relief programs. These loans were set at an amount that approximates three months' interest payments under Credit Facility 1. 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 June 30, 2021, \$41,927 (December 31, 2020 - \$293,491) relating to these working capital relief loans remained outstanding.

Credit Facility 1 includes, inter alia, covenants that RW Real Estate Holdings Limited Partnership ("RW LP"), a subsidiary of the REIT which is party to the Credit Facility: (i) will not allow the Total Funded Debt to Real Property Ratio to exceed 60% at any time; and (ii) the Interest Coverage Ratio shall not be less than 2.25:1.00. As at June 30, 2021, RW LP was in compliance with both of these covenants. Credit Facility 1 also contains restrictions on, inter alia, change of business, sale of assets, and mergers and acquisitions without the consent of the lender and includes events of default such as failure to pay the principal loan, failure to observe covenants and involuntary insolvency.

Total Funded Debt to Real Property Ratio is a defined term contained in Credit Facility 1. Total Funded Debt to Real Property Ratio is calculated as the total amount drawn against Credit Facility 1 divided by the fair market value of the investment properties of RW LP.

Interest Coverage Ratio is a defined term contained in Credit Facility 1. Interest Coverage Ratio is calculated by dividing the interest expense of RW LP by the result of the following as contained in the RW LP Statement of Income: net income plus interest expense, plus loss on fair value adjustment of investment properties, less gain on fair value adjustment of investment properties, plus depreciation and amortization.

Total Funded Debt to Real Property Ratio and Interest Coverage Ratio are not measures defined by IFRS, do not have standardized meanings prescribed by IFRS and should not be construed as alternatives to net income, financial position, cash flow from operating activities or other measures of financial performance calculated in accordance with IFRS. These covenant calculations are not used by the REIT as a measure of the REIT's future or historical financial performance, financial position or cash flow, but are used solely to determine RW LP's compliance with its covenants set out in the Credit Facility 1 Agreement.

(Credit Facility 1, Credit Facility 2 and Credit Facility 3, collectively "the Credit Facilities")

Funds drawn against the credit facilities are as follows:

	June 30, 2021	December 31, 2020
	\$	\$
Fixed-term borrowings	65,000,000	65,000,000
Working capital relief loans	41,927	293,491
Total drawn against the Credit Facilities	<u>65,041,927</u>	<u>65,293,491</u>
Less: deferred financing costs	<u>(343,081)</u>	<u>(96,998)</u>
	<u><u>64,698,846</u></u>	<u><u>65,196,493</u></u>

Details of the drawn amounts under the credit facilities as at June 30, 2021 are as follows:

	Principal Amount	Interest Rate	Repricing Date
	\$		
Fixed-term borrowings	65,000,000	1.91% ⁽¹⁾	July 13, 2021 ⁽¹⁾
Working capital relief loans	41,927	3.45%	July 31, 2021
	<u>65,041,927</u>		

⁽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 Credit Facility 1.

SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements and the reported amount of 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:

Valuation of investment properties

Fair value is determined with reference to external valuations and internal valuations based on the direct income capitalization method. The critical assumptions and estimates used by management and external valuations when determining the fair value of investment properties are stabilized net rental income and capitalization rates (see note 4 of the condensed consolidated interim financial statements). Management determines fair value internally utilizing financial information, external market data and capitalization rates determined by reference to third party appraisals and reports published by industry experts including commercial real estate brokerages. The REIT also applies judgment in determining whether the properties it acquires are considered to be asset acquisitions or business combinations. As at June 30, 2021, a 0.25% increase in the weighted average capitalization rate would result in a decrease of approximately \$38,413,000 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 \$41,792,000 in the determination of the fair value of the investment properties.

Unit options

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

Coronavirus disease 2019

The duration and full impact of the coronavirus disease 2019 (“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.

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.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

The REIT’s Chief Executive Officer and Chief Financial Officer are responsible for establishing and maintaining disclosure controls and procedures (“DC&P”) and internal controls over financial reporting (“ICFR”) as those terms are defined in National Instrument 52-109 *Certification of Disclosers in Issuers’ Annual and Interim Filings*.

The Chief Executive Officer and the Chief Financial Officer of the REIT have evaluated and determined that, as of June 30, 2021:

- the design of DC&P was appropriate to provide reasonable assurance that material information is made known to us by others in a timely manner and that information required to be disclosed by the REIT is recorded, processed, summarized and reported within the time periods specified in securities legislation; and
- the design of ICFR was appropriate to provide reasonable assurance regarding the reliability of the REIT’s financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

There were no changes in the REIT’s design of internal controls over financial reporting in the three months ended June 30, 2021 that materially affected or are likely to materially affect, the REIT’s internal controls over financial reporting.

FINANCIAL INSTRUMENTS AND RISKS AND UNCERTAINTIES

Real property ownership and tenant risk

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

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

Competition

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

Fixed costs and increased expenses

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

General uninsured risks

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

Environmental and litigation risk

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

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

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 June 30, 2021, one tenant accounted for approximately 10% 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.

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 June 30, 2021, the REIT had cash of \$7,149,786 (December 31, 2020 - \$13,993,230), mortgages payable of \$328,614,886 (December 31, 2020 - \$274,230,681), a balance of credit facilities of \$65,041,927 (December 31, 2020 - \$65,293,491) and accounts payable, accruals and other liabilities of \$39,663,164 (December 31, 2020 - \$11,734,709). The REIT had working capital deficit of \$45,425,606 as at June 30, 2021 (December 31, 2020 - \$16,097,240). Excluding the current portion of mortgages payable of \$37,546,950, the working capital would be a deficit \$7,878,656. 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 Facilities 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	Principal repayment of Credit Facilities	Interest on fixed portion of Credit Facility 1	Mortgages Payable	Mortgage interest	Total
	\$	\$		\$	\$	\$	\$
Remainder of 2021	39,663,164	143,870	41,927	1,023,750	32,625,556	5,496,132	78,994,399
2022	-	287,739	-	2,047,500	25,728,432	9,949,439	38,013,110
2023	-	297,039	-	2,047,500	57,460,335	8,255,759	68,060,633
2024	-	269,905	65,000,000	1,535,625	49,971,597	6,304,624	123,081,751
2025	-	269,905	-	-	66,530,210	4,442,122	71,242,237
Thereafter	-	5,921,775	-	-	96,298,756	7,404,542	109,625,073
Total	39,663,164	7,190,233	65,041,927	6,654,375	328,614,886	41,852,618	489,017,203

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 facilities at maturity on terms as favourable as the existing mortgages payable and credit facilities. As at June 30, 2021, there was a total of \$161,126,510 (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 June 30, 2021, the REIT has interest rate swap agreements totalling \$161,084,583 (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 Credit Facility 1. The interest rate swap agreements expire coterminous with the maturity of the corresponding mortgages and Credit Facility 1.

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	11,597,515	318,115
April 2019	3.74 %	April 24, 2026	12,500,000	12,087,981	410,484
April 2019	3.87 %	April 24, 2029	12,500,000	12,101,325	566,448
September 2019	3.15 %	September 13, 2024	65,000,000	65,000,000	1,099,089
November 2020	2.82 %	November 2, 2027	7,650,000	7,526,495	(213,802)
December 2020	3.61 %	December 1, 2025	18,500,000	18,269,939	(234,802)
December 2020	3.35 %	December 30, 2030	15,000,000	14,839,018	(439,085)
April 2021	3.08 %	April 1, 2026	19,750,000	19,662,310	187,603
			<u>162,900,000</u>	<u>161,084,583</u>	<u>1,694,050</u>

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 \$6,100,000, 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 which is estimated at \$3,000,000, and this estimated amount has been settled through the issuance of a total of 326,087 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.

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.

Based on draft and in process external appraisals for the property, the Developer's share of value enhancement is estimated at \$30,925,000, of which \$5,000,000 was previously settled through the issuance of Class B LP Units to the Developer, resulting in an estimated remaining value enhancement payable to the Developer of \$25,925,000. 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 the greater of \$9.20 per unit and a price per unit that is no less than the maximum allowable discounted price in accordance with Toronto Stock Exchange rules.

OUTSTANDING UNIT DATA

The following table presents the changes in unitholders' equity for the period ended June 30, 2021:

	Units	Amount \$
Unitholders' equity as at December 31, 2020	27,975,110	215,434,594
Units issued under distribution reinvestment plan	151,424	1,255,343
Units issued under Option Plan	54,226	559,471
Units issued under Incentive Plan	24,067	200,961
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	1,267,104	10,495,156
Unitholders' equity as at June 30, 2021	<u>33,726,931</u>	<u>260,869,109</u>

As at August 11, 2021, a total of approximately 33,788,000 REIT Units and 16,442,000 Class B LP Units were issued and outstanding.

DISTRIBUTIONS

The REIT currently pays a monthly distribution of \$0.05333 per unit, representing \$0.64 per unit on an annualized basis. Total distributions declared with respect to REIT Units in the three and six months ended June 30, 2021 amounted to \$5,376,448 (2020 - \$4,301,894) and \$10,158,088 (2020 - \$8,487,005), respectively.

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

	Three months ended June 30, 2021 \$	Six months ended June 30, 2021 \$	Year ended December 31, 2020 \$	Year ended December 31, 2019 \$
Cash generated from operating activities	3,165,348	8,760,788	24,348,165	23,347,175
Net income	50,646,959	60,854,732	35,234,361	42,387,970
Actual cash distributions paid or payable during the period ⁽¹⁾	5,376,448	10,158,088	17,245,638	16,006,631
Excess (shortfall) of cash flows from operating activities over cash distributions paid	(2,211,100)	(1,397,300)	7,102,527	7,340,544
Excess of net income over cash distributions paid	45,270,511	50,696,644	17,988,723	26,381,339

⁽¹⁾ Actual cash distributions paid or payable includes all distributions declared payable to holders of REIT Units and excludes distributions declared payable to holders of Class B LP Units during the period. Actual cash distributions paid or payable is unadjusted for distributions settled through the issuance of REIT Units under the distribution reinvestment plan. Of distributions declared in the three and six months ended June 30, 2021, \$679,614 and \$1,255,343, respectively, were settled through the issuance of REIT Units under the distribution reinvestment program.

Net income for the three months ended June 30, 2021 of \$50,646,959 was \$45,270,511 higher than actual cash distributions paid or payable for the three months ended June 30, 2021 of \$5,376,448. Net income excluding non-cash fair value adjustments of investment properties, Class B LP Units, unit options, restricted share units and derivative financial instruments totalling \$44,296,105 and excluding other income of \$581,228 was \$5,769,626 for the three months ended June 30, 2021, which exceeded actual cash distributions paid or payable by \$393,178.

Net income for the six months ended June 30, 2021 of \$60,854,732 was \$50,696,644 higher than actual cash distributions paid or payable for the six months ended June 30, 2021 of \$10,158,088. Net income excluding non-cash fair value adjustments of investment properties, Class B LP Units, unit options, restricted share units and derivative financial instruments totalling \$48,815,231 and excluding other income of \$781,483 was \$11,258,018 for the six months ended June 30, 2021, which exceeded actual cash distributions paid or payable by \$1,099,930.

For the three months ended June 30, 2021, actual cash distributions paid or payable exceeded cash generated from operating activities by \$2,211,100. Excluding changes in non-cash working capital, other non-current assets and restricted cash of \$3,165,147, cash generated from operating activities exceeded actual cash distributions paid or payable by \$954,047.

For the six months ended June 30, 2021, actual cash distributions paid or payable exceeded cash generated from operating activities by \$1,397,300. Excluding changes in non-cash working capital, other non-current assets and restricted cash of \$3,176,174, cash generated from operating activities exceeded actual cash distributions paid or payable by \$1,778,874.

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 three-month period ended June 30, 2021, 77,588 units (2020 - 85,060 units) were issued under the DRIP for a stated value of \$679,915 (2020 - \$501,359) and for the six-month period then ended, 151,424 units (2020 - 150,250 units) were issued under the DRIP for a stated value of \$1,255,343 (2020 - \$1,025,881).

RELATED PARTY TRANSACTIONS

For the three-month period ended June 30, 2021, trustee retainer fees in the amount of \$44,375 were expensed (2020 - \$44,375) and for the six-month period then ended, trustee retainer fees in the amount of \$88,750 were expensed (2020 - \$88,750). Trustee retainer fees in the amount of \$44,375 were accrued as at June 30, 2021 (December 31, 2020 - \$44,375).

Trustee meeting fees in the amount of \$2,600 were expensed for the period ended June 30, 2021, (2020 - \$2,600) and for the six-month period then ended, trustee meeting fees in the amount of \$10,500 were expensed (2020 - \$9,600). Trustee meeting fees in the amount of \$2,600 were accrued as at June 30, 2021 (December 31, 2020 - \$4,600).

For the three-month period ended June 30, 2021, key management earned salaries and other short-term employee benefits in the amount of \$401,175 (2020 - \$341,800) and \$802,349 was earned in respect of the six-month period ended June 30, 2021 (2020 - \$683,600).

SUBSEQUENT EVENTS

On August 10, 2021, the REIT waived conditions with respect to an agreement to purchase a single-tenanted industrial property in Red Deer, Alberta, for a contractual purchase price of \$19,750,000. The contractual purchase price is expected to be satisfied in cash. As at June 30, 2021, the REIT had paid a deposit of \$250,000 with respect to this purchase.

On July 23, 2021, the REIT purchased an industrial property located in Edmonton, Alberta for a contractual purchase price of \$19,700,000. The contractual purchase price was satisfied in cash. As at June 30, 2021, the REIT had paid a deposit of \$1,000,000 with respect to this purchase.

On July 16, 2021, the REIT purchased a single-tenanted industrial property located in Edmonton, Alberta for a contractual purchase price of \$12,050,000. The contractual purchase price was satisfied in cash. As at June 30, 2021, the REIT had paid a deposit of \$1,200,000 with respect to this purchase.

On July 2, 2021, the REIT purchased two single-tenanted industrial properties located in Calgary, Alberta and Headingley, Manitoba for a contractual purchase price of \$44,000,000. The contractual purchase price was partially satisfied through the issuance of 1,821,925 Class B LP Units of a subsidiary limited partnership of the REIT at a deemed value of \$8.45 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 June 30, 2021, the REIT had paid a deposit of \$350,000 with respect to this purchase.