Nexus Real Estate Investment Trust

Condensed Consolidated Interim Financial Statements
(Unaudited)

For the three and nine months ended September 30, 2021

Nexus Real Estate Investment Trust

Condensed Consolidated Interim Statements of Financial Position
(unaudited)

	September 30, 2021 $	December 31, 2020 $
Non-current assets		
Investment properties (notes 3 and 4)	1,066,826,133	667,600,805
Equity investment in joint venture (note 5)	9,038,692	8,261,155
Restricted cash	1,433,084	1,536,104
Right-of-use assets	1,109,433	1,179,254
Other non-current assets	97,949	63,728
	1,078,505,291	678,641,046
Current assets		
Cash	63,056,815	13,993,230
Tenant and other receivables (note 6)	3,376,123	2,666,809
Deposits (note 19)	7,751,473	100,000
Prepaid expenses	3,925,440	5,806,882
Other current assets (note 7)	7,301,235	9,290,751
Asset held for sale (note 4)	10,000,000	-
	95,411,086	31,857,672
Total assets	1,173,916,377	710,498,718
Non-current liabilities		
Mortgages payable (notes 3 and 8)	306,926,177	239,413,077
Credit Facilities (note 9)	64,663,386	64,903,002
Lease liabilities	3,615,340	3,670,487
Derivative financial instruments (note 16)	989,372	5,375,562
Class B LP Units (note 10)	208,916,233	49,186,994
Unit options (note 11)	1,428,000	189,000
Restricted share units (note 11)	495,516	226,189
	587,034,024	362,964,311
Current liabilities		
Mortgages payable (notes 3 and 8)	52,613,210	34,368,494
Credit Facilities (note 9)	-	293,491
Lease liabilities	72,165	66,585
Distributions payable	2,337,736	1,491,633
Accounts payable, accruals and other liabilities (note 12)	43,864,151	11,734,709
Mortgage payable associated with an asset held for sale (note 4)	1,775,663	-
	100,662,925	47,954,912
Total liabilities	687,696,949	410,919,223
Equity		
Unitholders’ equity (note 13)	369,928,803	215,434,594
Retained earnings	116,290,625	84,144,901
Total unitholders’ equity	486,219,428	299,579,495
Total liabilities and unitholders’ equity	1,173,916,377	710,498,718

Commitments (note 17)
Subsequent events (note 19)

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 (Loss) and Comprehensive Income (Loss)
(unaudited)

	For the three months ended September 30, 2021 $	For the three months ended September 30, 2020 $	For the nine months ended September 30, 2021 $	For the nine months ended September 30, 2020 $
Net rental income				
Property revenues (note 15)	20,719,260	15,103,549	56,022,131	45,737,297
Property expenses	(6,623,990)	(5,154,187)	(19,141,243)	(16,209,503)
Net rental income	14,095,270	9,949,362	36,880,888	29,527,794
General and administrative expense	(978,431)	(877,186)	(3,412,967)	(2,700,438)
Fair value adjustment of investment properties (note 4)	26,286,620	(356,096)	100,370,117	(2,608,372)
Fair value adjustment of Class B LP Units (note 10)	(45,203,653)	(767,831)	(73,103,772)	16,245,519
Fair value adjustment of warrants	-	-	-	1,210
Fair value adjustment of unit options (note 11)	(897,000)	3,000	(1,798,472)	497,000
Fair value adjustment of restricted share units (note 11)	(170,188)	(5,653)	(318,374)	18,466
Fair value adjustment of derivative financial instruments (note 16)	704,678	105,978	4,386,190	(6,017,585)
Income (loss) from equity accounted investment in joint venture (note 5)	189,106	194,148	777,537	(114,819)
Loss on disposal of investment property (note 3)	-	-	(95,350)	-
Other income (note 7)	200,255	271,468	981,738	1,365,612
	(5,773,343)	8,517,190	64,667,535	36,214,387
Finance expense				
Net interest expense (notes 8 and 9)	(3,679,422)	(2,781,281)	(9,915,988)	(8,189,375)
Distributions on Class B LP Units (note 10)	(2,624,049)	(887,459)	(5,973,629)	(2,621,766)
	(6,303,471)	(3,668,740)	(15,889,617)	(10,811,141)
Net income (loss) and comprehensive income (loss) for the period	(12,076,814)	4,848,450	48,777,918	25,403,246

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	-	48,777,918	48,777,918
Distributions	-	(16,632,194)	(16,632,194)
Issue of units under distribution reinvestment plan (note 14)	1,923,659	-	1,923,659
Issue of units under Option Plan (note 11)	559,471	-	559,471
Issue of units under Incentive Plan (note 11)	200,961	-	200,961
Issue of units under Employee Purchase Plan (note 11)	75,015		75,015
Issue of units for cash (note 13)	146,972,875	-	146,972,875
Unit issuance costs (note 13)	(7,213,667)	-	(7,213,667)
Class B LP Units exchanged for REIT Units (note 10)	11,975,895	-	11,975,895
Balance – September 30, 2021	369,928,803	116,290,625	486,219,428

	Unitholders' Equity $	Retained Earnings $	Total $
Balance – January 1, 2020	197,073,074	66,156,177	263,229,251
Net income for the period	-	25,403,246	25,403,246
Distributions	-	(12,829,157)	(12,829,157)
Issue of units under distribution reinvestment plan (note 14)	1,611,469	-	1,611,469
Issue of units under Incentive Plan (note 11)	91,931	-	91,931
Issue of units as purchase price consideration (note 3)	7,682,380	-	7,682,380
Class B LP Units exchanged for REIT Units (note 10)	3,882,371	-	3,882,371
Balance – September 30, 2020	210,341,225	78,730,266	289,071,491

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 September 30, 2021 $	For the three months ended September 30, 2020 $	For the nine months ended September 30, 2021 $	For the nine months ended September 30, 2020 $
Operating activities				
Net income (loss) for the period	(12,076,814)	4,848,450	48,777,918	25,403,246
Adjustment for items not involving cash:				
Restricted share unit expense (note 11)	66,803	48,400	382,555	244,010
Share of net (income) loss from equity accounted investment in joint venture (note 5)	(189,106)	(194,148)	(777,537)	114,819
Amortization of deferred financing costs (notes 8 and 9)	91,200	86,089	258,212	244,365
Amortization of mortgage fair value adjustments (note 8)	(76,438)	(58,282)	(210,220)	(194,520)
Amortization of right-of-use assets	23,274	23,274	69,821	69,821
Amortization of tenant incentives and leasing costs (note 4)	188,132	169,072	508,734	470,039
Straight-line adjustments of rent	(132,851)	(255,247)	(363,089)	(441,597)
Fair value adjustment of investment properties (note 4)	(26,286,620)	356,096	(100,370,117)	2,608,372
Fair value adjustment of Class B LP Units (note 10)	45,203,653	767,831	73,103,772	(16,245,519)
Fair value adjustment of warrants	-	-	-	(1,210)
Fair value adjustment of unit options (note 11)	897,000	(3,000)	1,798,472	(497,000)
Fair value adjustment of restricted share units (note 11)	170,188	5,653	318,374	(18,466)
Fair value adjustment of derivative financial instruments (note 16)	(704,678)	(105,978)	(4,386,190)	6,017,585
Changes in non-cash working capital:				
Tenant and other receivables	332,474	592,110	(709,314)	(1,623,665)
Prepaid expenses	(1,539,238)	(703,258)	(3,118,558)	(1,359,067)
Deposits	(4,901,473)	(200,000)	(7,651,473)	(200,000)
Other current assets	(766,275)	72,312	(347,395)	472,418
Accounts payable, accruals and other liabilities	2,926,003	(782,698)	4,698,816	(141,059)
Changes in other non-current assets	(27,135)	2,093	(34,221)	4,440
Changes in restricted cash	92,693	(211,212)	103,020	(32,634)
Total cash generated by operating activities	3,290,792	4,457,557	12,051,580	14,894,378
Investing activities				
Acquisition of investment properties (note 3)	(80,680,433)	-	(166,489,335)	(165,682)
Proceeds on disposal of investment properties (note 3)	-	-	2,900,000	-
Capital expenditures, tenant incentives and leasing costs (note 4)	(1,121,524)	(1,137,929)	(4,285,670)	(4,557,033)
Total cash used in investing activities	(81,801,957)	(1,137,929)	(167,875,005)	(4,722,715)
Financing activities				
Proceeds from new financings	35,750,000	-	87,325,000	14,684,090
Financing costs	(147,820)	-	(712,928)	(177,616)
Lease principal repayments	(16,768)	(15,369)	(49,567)	(45,429)
Mortgage principal repayments	(2,694,205)	(1,872,171)	(7,278,781)	(5,304,549)
Net borrowing on (repayments of) the Credit Facilities	(41,927)	(136,409)	(293,491)	280,000
Issue of units for cash (note 13)	112,081,875	-	146,972,875	-
Unit issuance costs (note 13)	(5,246,251)	-	(7,213,667)	-
Distributions to unitholders	(5,266,710)	(3,739,092)	(13,862,431)	(11,124,363)
Total cash generated by (used in) financing activities	134,418,194	(5,763,041)	204,887,010	(1,687,867)
Change in cash during the period	55,907,029	(2,443,413)	49,063,585	8,483,796
Cash - beginning of period	7,149,786	18,803,027	13,993,230	7,875,818
Cash - end of period	63,056,815	16,359,614	63,056,815	16,359,614

Supplemental cash flow and non-cash information (note 18)

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 (“REIT Units”), Class B LP Units of subsidiary limited partnerships of the REIT (“Class B LP Units”) 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. These condensed consolidated interim financial statements 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 November 12, 2021.

Asset held for sale

Assets are classified as being held for sale if their carrying amount will be recovered mainly through a sale transaction rather than through continuing use. This condition is satisfied when the asset is available for immediate sale in its present condition, management is committed to the sale, and it is highly probable to occur within one year. When investment properties are classified as assets held for sale, they continue to be measured using the fair value model less costs to sell.

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. The impact of these amendments on the REIT's consolidated financial statements are being assessed.

3 Acquisitions and disposals

1) Acquisitions

On September 9, 2021, the REIT acquired a single-tenant industrial property located in Red Deer, Alberta (the "Peavey Property"), for a contractual purchase price of $19,750,000. The purchase price was satisfied in cash.

On July 23, 2021, the REIT acquired an industrial property located in Edmonton, Alberta (the "Dominion Centre Property"), for a contractual purchase price of $19,700,000. The purchase price was satisfied in cash.

On July 16, 2021, the REIT acquired a single-tenant industrial property located in Edmonton, Alberta (the "Bonaventure Property"), for a contractual purchase price of $12,050,000. The purchase price was satisfied in cash.

On July 2, 2021, the REIT acquired two single-tenant industrial properties located in Calgary, Alberta and Headingley, Manitoba (the "Valard Properties"), for a contractual purchase price of $44,000,000. The purchase price was partially satisfied through the issuance of 1,821,925 Class B LP Units 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. 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 July 2, 2021 of $10.04 per unit. The Valard Properties were initially recorded at $46,892,127, the fair value of the consideration paid. The carrying amount was subsequently adjusted to the acquisition date fair value of the Valard Properties of $44,000,000.

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 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. The London Properties were initially recorded at $110,716,194, the fair value of the consideration paid. The carrying amount was subsequently adjusted to the acquisition date fair value of the London Properties of $103,500,000.

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 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. 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 at a deemed value of $8.00 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 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, 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 acquisitions completed during the nine-month period ended September 30, 2021 is as follows:

	Peavey $	**Dominion Centre** $	**Bonaventure** $	**Valard** $	**Windsor** $	**Subtotal** $
Investment properties acquired	19,750,000	19,700,000	12,050,000	46,892,127	14,665,000	113,057,127
Transaction costs	47,112	65,481	57,903	397,344	478,933	1,046,773
Working capital acquired	(81,107)	(267,126)	(204,994)	(287,249)	(51,227)	(891,703)
Mortgage assumed from the vendor	-	-	-	-	-	-
Net assets acquired	19,716,005	19,498,355	11,902,909	47,002,222	15,092,706	113,212,197
Consideration:						
Cash	19,716,005	19,592,806	11,956,278	28,710,095	4,172,989	84,148,173
Proceeds of new mortgage financing (1)	-	-	-	-	10,975,000	10,975,000
Deferred financing costs - new financing	-	(94,451)	(53,369)	-	(55,283)	(203,103)
Issuance of Class B LP Units to the vendors	-	-	-	18,292,127	-	18,292,127
	19,716,005	19,498,355	11,902,909	47,002,222	15,092,706	113,212,197

	Subtotal $	St. Thomas $	Red Deer $	London $	Edmonton $	Total $
Investment properties acquired	113,057,127	13,800,000	16,300,000	110,716,194	13,940,248	267,813,569
Transaction costs	1,046,773	364,205	72,345	2,561,525	73,418	4,118,266
Working capital acquired	(891,703)	-	(74,127)	(566,967)	(468,342)	(2,001,139)
Mortgage assumed from the vendor	-	-	-	(7,912,578)	-	(7,912,578)
Net assets acquired	113,212,197	14,164,205	16,298,218	104,798,174	13,545,324	262,018,118
Consideration:						
Cash	84,148,173	3,867,928	16,298,218	12,837,332	(3,853,466)	113,298,185
Proceeds of new mortgage financing (1)	10,975,000	10,350,000	-	19,750,000	10,500,000	51,575,000
Deferred financing costs - new financing	(203,103)	(53,723)	-	(86,705)	(41,458)	(384,989)
Issuance of Class B LP Units to the vendors	18,292,127	-	-	72,297,547	6,940,248	97,529,922
	113,212,197	14,164,205	16,298,218	104,798,174	13,545,324	262,018,118

(1) The REIT secured mortgage financing totalling $35,750,000 against one of the Valard Properties and the Red Deer Property, subsequent to the acquisition of these properties.

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

	September 30, 2021 $	December 31, 2020 $
Balance, beginning of period	667,600,805	584,772,861
Acquisition of investment properties, including acquisition costs of $4,118,266 (December 31, 2020 - $1,136,703) (note 3)	271,931,835	65,224,292
Additions - capital expenditures	4,323,729	5,096,606
Additions - tenant incentives and leasing costs	1,033,381	2,060,956
Amortization of tenant incentives and leasing costs	(508,734)	(636,734)
Reclassified from prepaid development costs (note 7)	2,700,000	500,000
Investment property reclassified as asset held for sale	(10,000,000)	-
Disposal of investment property (note 3)	(2,900,000)	-
Fair value adjustment	132,645,117	10,582,824
Balance, end of period	1,066,826,133	667,600,805

As at September 30, 2021, the REIT had entered into a purchase and sale agreement to sell a property with a fair value, net of selling costs, of $10,000,000 and classified this property and the mortgage associated with this property as held for sale.

The fair value adjustment recorded in the condensed consolidated interim statement of income (loss) for the three and nine-month period ended September 30, 2021, is net of the vendor’s share of the estimated value enhancement, at the REIT’s Richmond, BC property, of $32,275,000 (see notes 12 and 17).

The fair value of the investment properties as at September 30, 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 key valuation metrics used in determining the fair value of the investment properties are as detailed below:

	September 30, 2021	December 31, 2020
Weighted average capitalization rate	5.83%	6.51%
Range of capitalization rates	4.25% - 9.50%	4.50% - 9.50%
Stabilized net operating income	$62,266,000	$43,613,000

The fair value of the investment properties is most sensitive to changes in capitalization rates. As at September 30, 2021, a 0.25% increase in the weighted average capitalization rate would result in a decrease of approximately $43,973,000 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 $47,916,000 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:

	September 30, 2021 $	December 31, 2020 $
Balance, beginning of period	8,261,155	7,395,957
Share of net income from investment in joint venture	777,537	865,198
Balance, end of period	9,038,692	8,261,155

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

	September 30, 2021 $	December 31, 2020 $
Investment property	33,289,375	33,250,000
Other non-current assets	842,176	745,861
Current assets	526,065	644,978
Non-current liabilities	(15,310,571)	(16,588,533)
Current liabilities	(1,269,661)	(1,529,996)
Net assets	18,077,384	16,522,310
50% investment in joint venture	9,038,692	8,261,155

	For the three months ended September 30,		For the nine months ended September 30,	
	2021 $	2020 $	2021 $	2020 $
Property revenues	1,015,724	969,692	2,928,203	2,728,962
Property expenses	(555,621)	(456,660)	(1,444,140)	(1,332,635)
Net rental income	460,103	513,032	1,484,063	1,396,327
General and administrative expense	(38,710)	(35,820)	(132,551)	(131,676)
Net interest expense	(132,038)	(139,521)	(399,806)	(423,929)
Fair value adjustment of derivative financial instruments	88,857	50,604	603,368	(1,070,359)
Net income (loss) and comprehensive income (loss) for the period	378,212	388,295	1,555,074	(229,637)
Share of net income (loss) and comprehensive income (loss) from 50% investment in joint venture	189,106	194,148	777,537	(114,819)

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:

	September 30, 2021 $
Remainder of 2021	15,405,989
2022	59,133,167
2023	51,634,909
2024	45,585,348
2025	35,532,860
Thereafter	90,723,035
	298,015,308

During the COVID-19 pandemic, the REIT entered into agreements to defer portions of rental payments with tenants that had demonstrated significant hardship due to COVID-19. As at September 30, 2021, a total of $100,144 (December 31, 2020 – $531,467) of rent was deferred.

7 Other current assets

Other current assets are comprised as follows:

	September 30, 2021 $	**December 31, 2020 $**
Prepaid development costs	947,500	3,647,500
Vendor rent obligations	759,028	1,642,634
Property tax reserves held by mortgage lenders	221,187	277,149
Cumulative straight-line rent adjustments	2,614,871	2,251,781
Restricted cash	624,397	1,266,022
Prepaid acquisition costs	1,961,584	82,953
Other	172,668	122,712
Total other current assets	7,301,235	9,290,751

As at September 30, 2021, vendor rent obligations of $759,028 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 September 30, 2021, the vendor rent obligation related to the REIT's Richmond, BC property was $673,200 (December 31, 2020 - $1,371,795). This amount is an estimate of the total expected to be due to the REIT during the completion of the buildout, where the vendor is responsible for the construction costs, and prior to commencement of tenant leases.

As at September 30, 2021, the vendor rent obligation related to the Ajax Property was $85,828 (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 prior to commencement of a tenant lease.

During the nine months ended September 30, 2021, a total of $981,738 of vendor rent obligation was accrued and recorded in other income in the condensed consolidated interim statement of income (loss) and comprehensive income (loss) in respect of the REIT's Richmond, BC property, and $nil in respect of the Ajax Property.

8 Mortgages payable

As at September 30, 2021, the mortgages payable are secured by charges against 70 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 3.49% and the weighted average term to maturity is 3.95 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	2,734,595	27,531,488	30,266,083
2022	10,766,645	15,984,322	26,750,967
2023	9,588,934	48,922,042	58,510,976
2024	7,732,383	43,318,733	51,051,116
2025	6,069,806	61,569,595	67,639,401
Thereafter	10,857,590	116,594,548	127,452,138
Total	47,749,953	313,920,728	361,670,681

The following table summarizes the changes in mortgages payable for the nine months ended September 30, 2021 and year ended December 31, 2020:

	September 30, 2021 $	December 31, 2020 $
Mortgages payable, beginning of period	274,230,681	232,081,999
New mortgage financing	87,325,000	49,428,837
Mortgage assumed (note 3)	7,393,781	-
Principal repayments	(7,278,781)	(7,280,155)
Mortgages payable, end of period	361,670,681	274,230,681
Less: Deferred financing costs, beginning of period	(911,009)	(691,336)
Less: Additions to deferred financing costs	(453,912)	(509,286)
Plus: Amortization of deferred financing costs	238,812	289,613
Plus: Fair value adjustment of mortgages, beginning of period	461,899	713,911
Plus: Additions to fair value adjustment of mortgages	518,799	-
Less: Amortization of fair value adjustments	(210,220)	(252,012)
Balance, end of period	361,315,050	273,781,571
Less: Current portion	(52,613,210)	(34,368,494)
Less: Mortgage payable associated with an asset held for sale (note 4)	(1,775,663)	-
	306,926,177	239,413,077

9 Credit Facilities

On June 24, 2021, the REIT entered into a new $40,000,000 revolving credit facility agreement ("Credit Facility 3"). The revolving credit facility matures on June 24, 2024 and is secured against three of the REIT's investment properties. The 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 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 the revolving credit facility is subject to a predetermined standby fee. As at September 30, 2021, this revolving credit facility 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. This 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 September 30, 2021, this line of credit 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 credit 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 working capital relief loans were set at an amount that approximates three months' interest payments under the Credit Facility 1. The working capital relief loans bear interest of 100 basis points over the lender's prime lending rate, can be early repaid without penalty and were required to be repaid by July 31, 2021. As at September 30, 2021, $nil (December 31, 2020 - $293,491) relating to these working capital relief loans remained outstanding.

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

Funds drawn against the Credit Facilities are as follows:

	September 30, 2021 $	December 31, 2020 $
Fixed-term borrowings	65,000,000	65,000,000
Working capital relief loans	-	293,491
Total drawn against the Credit Facilities	65,000,000	65,293,491
Less: deferred financing costs	(336,614)	(96,998)
	64,663,386	65,196,493

Details of the amounts drawn under the Credit Facilities at September 30, 2021 are as follows:

	Principal Amount $	Interest Rate	Repricing Date
Fixed-term borrowings	65,000,000	1.93% [1]	October 13, 2021 [1]

(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 (see note 16).

The following table summarizes the changes in the Credit Facilities for the nine months ended September 30, 2021 and year ended December 31, 2020:

	September 30, 2021 $	December 31, 2020 $
Drawn against Credit Facilities, beginning of period	65,293,491	65,139,273
New working capital relief loans during the period	-	500,000
Net repayments during the period	(293,491)	(345,782)
Drawn against Credit Facilities, end of period	65,000,000	65,293,491
Less: Deferred financing costs, beginning of period	(96,998)	(130,045)
Less: Deferred financing costs incurred	(259,016)	-
Plus: Amortization of deferred financing costs	19,400	33,047
Balance, end of period	64,663,386	65,196,493

10 Class B LP Units

The following table summarizes the changes in Class B LP Units for the period ended September 30, 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)	11,261,991	97,529,922
Class B LP Units issued in settlement of contractual obligations (note 17)	116,461	1,071,440
Class B LP Units exchanged for REIT Units	(1,390,441)	(11,975,895)
Fair value adjustment	-	73,103,772
Balance as at September 30, 2021	16,359,383	208,916,233

Distributions in the amount of $2,624,049 (2020 - $887,459) were declared payable to holders of Class B LP Units for the three months ended September 30, 2021, and distributions in the amount of $5,973,629 (2020 - $2,621,766) were declared in the nine-month period then ended. 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 $872,446 were accrued as at September 30, 2021 (December 31, 2020 - $332,477).

11 Unit-based compensation

1) Unit options

The REIT adopted a unit-based compensation plan (the “Option Plan”) effective January 13, 2014. On June 4, 2021, the Option Plan was amended to allow for the cashless exercise of options. 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 (as defined hereafter) is 10% of the outstanding units of the REIT.

The following table presents the changes in unit options for the period ended September 30, 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
Unit options exercised	(200,000)	7.52		
Outstanding as at September 30, 2021	356,250	8.40	1.24	356,250

The following table presents the details of unit options outstanding as at September 30, 2021:

Exercise price $	Number of unit options	Weighted average remaining contractual life	Number of vested unit options
8.40	356,250	1.24	356,250

The fair value of the unit options as at September 30, 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:

	September 30, 2021	December 31, 2020
Weighted average expected unit option life (in years)	0.62	0.75
Weighted average volatility rate	25.00 %	25.00 %
Weighted average risk-free interest rate	0.19 %	0.12 %
Distribution yield	5.01 %	8.29 %

2) 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 RSUs 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 REIT Units 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 (loss) and comprehensive income (loss).

3) Employee Purchase Plan

The REIT adopted an employee unit purchase plan (the “Employee Purchase Plan”) effective August 30, 2021. Under the Employee Purchase Plan, employees of the REIT may contribute up to $7,500 per calendar year to the plan (“Employee Contributions”), and Employee Contributions will be matched by a contribution from the REIT equivalent to 100% of the Employee Contributions (“REIT Contributions”). REIT Contributions will vest one year following each purchase date. All contributions received in respect of each participant in the Employee Purchase Plan shall be paid in full on behalf of such participant to purchase REIT Units from treasury or, at the election of the REIT, through market purchases carried out by an independent broker through the facilities of the TSX. REIT Units issued from treasury will be issued at the volume weighted average trading price of REIT Units for the five trading days prior to each respective purchase date.

During the three months ended September 30, 2021, 6,255 REIT Units were issued from treasury at a price of $11.99 per unit in respect of $37,500 of Employee Contributions and $37,500 REIT Contributions. 3,130 REIT Units issued in respect of REIT Contributions were unvested and remained in the Employee Purchase Plan at September 30, 2021.

12 Accounts payable, accruals and other liabilities

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

	September 30, 2021 $	December 31, 2020 $
Estimated value enhancement payable (note 17)	27,275,000	-
Purchase consideration payable (note 3)	3,000,000	3,000,000
Prepaid rent	3,320,136	1,675,288
Security deposits	2,444,152	1,890,194
Accrued interest expense	1,759,159	909,515
Sales and other taxes payable	985,665	1,170,987
Transaction costs payable	1,501,278	104,872
Trade accounts payable and other	3,578,761	2,983,853
	43,864,151	11,734,709

13 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 financing. Gross proceeds of the financing were $34,891,000 and net proceeds were $32,923,584.

On August 23, 2021, 9,918,750 REIT Units were issued at $11.30 per unit in a bought deal equity financing. Gross proceeds of the financing were $112,081,875 and net proceeds were $106,852,661.

On September 24, 2021, the REIT established an at-the-market equity program ("ATM Program") allowing the REIT to issue, at its discretion, up to $50,000,000 worth of REIT Units to the public from time to time at prevailing market prices at the time of sale. The ATM Program will be effective until August 17, 2023, unless previously terminated.

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

	Units	Amount $
Unitholders' equity as at December 31, 2020	27,975,110	215,434,594
Units issued under distribution reinvestment plan (note 14)	211,454	1,923,659
Units issued under Option Plan (note 11)	54,226	559,471
Units issued under Incentive Plan (note 11)	24,067	200,961
Units issued under Employee Purchase Plan, net of $17,037 of issuance costs (note 11)	6,255	57,978
Units issued for cash, net of $7,196,630 of issuance costs	14,173,750	139,776,245
Class B LP Units exchanged for REIT Units (note 10)	1,390,441	11,975,895
Unitholders' equity as at September 30, 2021	43,835,303	369,928,803

14 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 volume 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 September 30, 2021, 60,030 units (2020 – 389,460 units) were issued under the DRIP for a stated value of $668,317 (2020 - $585,587) and for the nine-month period then ended, 211,454 units (2020 – 990,460 units) were issued under the DRIP for a stated value of $1,923,659 (2020 - $1,611,469).

15 Property revenues

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

	For the three months ended September 30,		For the nine months ended September 30,	
	2021 $	2020 $	2021 $	2020 $
Rental income	18,694,885	13,244,079	49,549,333	39,467,189
Revenue from services	1,798,622	1,628,110	5,793,178	5,520,168
Other revenue	225,753	231,360	679,620	749,940
	20,719,260	15,103,549	56,022,131	45,737,297

16 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 September 30, 2021, the REIT had cash of $63,056,815 (December 31, 2020 - $13,993,230), mortgages payable of $361,670,681 (December 31, 2020 - $274,230,681), a balance of Credit Facilities of $65,000,000 (December 31, 2020 - $65,293,491) and accounts payable, accruals and other liabilities of $43,864,151 (December 31, 2020 - $11,734,709). The REIT had a working capital deficit of $5,251,839 as at September 30, 2021 (December 31, 2020 – $16,097,240). Excluding the current portion of mortgages payable of $52,613,210, working capital would be $47,361,371. The REIT expects that it will be able to refinance mortgages on their maturities. The REIT has access to undrawn funds under its 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 $**	**Credit Facilities principal repayment**	**Interest on fixed portion of Credit Facility 1 $**	**Mortgages payable $**	**Mortgage interest $**	**Total $**
Remainder of 2021	43,864,151	71,935	-	511,875	30,266,083	2,967,905	77,681,949
2022	-	287,739	-	2,047,500	26,750,967	10,898,163	39,984,369
2023	-	297,039	-	2,047,500	58,510,976	9,176,376	70,031,891
2024	-	269,905	65,000,000	1,535,625	51,051,116	7,196,364	125,053,010
2025	-	269,905	-	-	67,639,401	5,304,189	73,213,495
Thereafter	-	5,921,775	-	-	127,452,138	7,962,367	141,336,280
Total	43,864,151	7,118,298	65,000,000	6,142,500	361,670,681	43,505,364	527,300,994

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 September 30, 2021, there was a total of $160,448,567 (December 31, 2020 - $142,677,588) of mortgage and Credit Facilities 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 September 30, 2021, the REIT has interest rate swap agreements totalling $160,448,567 (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 1. The interest rate swap agreements expire coterminous with the maturity of the corresponding mortgages and Credit Facility 1.

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	11,520,163	269,791
April 2019	3.74 %	April 24, 2026	12,500,000	12,008,160	344,791
April 2019	3.87 %	April 24, 2029	12,500,000	12,022,896	465,502
September 2019	3.15 %	September 13, 2024	65,000,000	65,000,000	893,721
November 2020	2.82 %	November 2, 2027	7,650,000	7,472,729	(241,997)
December 2020	3.61 %	December 1, 2025	18,500,000	18,153,344	(279,611)
December 2020	3.35 %	December 30, 2030	15,000,000	14,741,346	(573,608)
April 2021	3.08 %	April 1, 2026	19,750,000	19,529,929	110,783
			162,900,000	160,448,567	989,372

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. 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 (loss) and comprehensive income (loss) within property expenses. As at September 30, 2021, the REIT had an allowance for expected credit losses of $319,085 (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 September 30, 2021 (December 31, 2020 - $259,919).

17 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 "Redevelopment"). 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 (collectively the "Capped Redevelopment Costs").

The DMA also contemplates that the REIT will also construct an approximately 70,000 square foot addition at the property (the "Addition"). The REIT will be responsible for costs of the construction. The Developer will secure tenants and manage the construction.

Pursuant to the DMA, the REIT will split the value enhancement of the property, measured as the difference between the fair value of the property following completion of each of the Redevelopment and the Addition, 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 the Capped Redevelopment Costs and costs of the Addition (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. Any value enhancement in excess of $40,000,000 will be split equally between the REIT and the Developer.

Based on external appraisals for the property and the settlement mechanism per the DMA, and subject to certain adjustments, the Developer's share of value enhancement through to completion of the Redevelopment is estimated at $32,275,000. $5,000,000 was previously settled through the issuance of Class B LP Units to the Developer, resulting in an estimated value enhancement payable to the Developer of $27,275,000, not including any value enhancement related to the Addition. Provided 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.

A development management fee related to the Addition was 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 to the Developer, valued at $9.20 per unit and exchangeable on a one-to-one basis for REIT Units.

18 Supplemental cash flow and non-cash information

	For the three months ended September 30,		For the nine months ended September 30,	
	2021	2020	2021	2020
	$	$	$	$
Interest paid	6,081,063	3,743,350	15,050,265	10,676,364
Income taxes paid	1,089	27,088	10,979	27,088
Non-cash investing and financing activities:				
REIT Units issued under distribution reinvestment plan	668,317	585,587	1,923,659	1,611,467
REIT Units issued as purchase price consideration	-	-	-	7,682,380
Class B LP Units issued as purchase price consideration	18,292,127	-	97,529,922	10,629,048
Class B LP Units issued in settlement of contractual obligations	-	214,284	1,071,440	857,139

19 Subsequent events

On November 9, 2021, the REIT issued 1,866,957 Class B LP Units valued at $11.50 per unit as a partial settlement of the Developer's share of value enhancement (see note 17). The Class B LP Units were concurrently exchanged for REIT Units on a one-to-one basis.

On November 1, 2021, the REIT acquired an industrial property in London, Ontario for a contractual purchase price of $44,070,000. The contractual purchase price was partially satisfied through the issuance of 3,302,433 Class B LP Units at a deemed value of $8.63 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 September 30, 2021, the REIT had paid a deposit of $50,000 with respect to this purchase.

On October 20, 2021, the REIT waived conditions with respect to an agreement to purchase a single-tenant industrial property in Nisku, Alberta, for a contractual purchase price of $15,250,000 USD. The contractual purchase price is expected to be satisfied in cash. As at September 30, 2021, the REIT had paid a deposit of $100,000 USD ($127,410) with respect to this purchase.

On October 13, 2021 the REIT acquired a single-tenant industrial property located in Windsor, Ontario for a contractual purchase price of $11,500,000. The contractual purchase price was satisfied in cash. As at September 30, 2021, the REIT had paid a deposit of $700,000 with respect to this purchase.

On October 1, 2021 the REIT acquired three single-tenant industrial properties located in Moncton, New Brunswick and Regina, Saskatchewan for a contractual purchase price of $230,375,217. The contractual purchase price was satisfied in cash. As at September 30, 2021, the REIT had paid a deposit of $5,000,000 with respect to this purchase.