



NEXUS INDUSTRIAL REIT
(FORMERLY NEXUS REAL ESTATE INVESTMENT TRUST)

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the three months and year ended December 31, 2021

March 15, 2022

TABLE OF CONTENTS

BASIS OF PRESENTATION	3
FORWARD LOOKING STATEMENTS	3
NON-IFRS FINANCIAL MEASURES	3
BUSINESS OVERVIEW AND STRATEGY	5
HIGHLIGHTS	5
ACQUISITIONS AND DISPOSALS	6
ACQUISITIONS	6
DISPOSALS	7
PORTFOLIO OVERVIEW	8
REIT PROPERTIES BY ASSET CLASS AS AT DECEMBER 31, 2021	8
LEASE EXPIRIES	11
PROPERTY COMPOSITION DIVERSITY	12
TOP TEN TENANTS	12
SUMMARY OF RESULTS	13
FINANCIAL HIGHLIGHTS	13
FINANCIAL RESULTS	14
SELECT BALANCE SHEET DATA	16
SELECTED ANNUAL INFORMATION	17
SUMMARY OF QUARTERLY RESULTS	18
SAME PROPERTY RESULTS	19
FUNDS FROM OPERATIONS AND ADJUSTED FUNDS FROM OPERATIONS	20
AFFO CAPITAL RESERVE	22
FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES	23
MORTGAGES PAYABLE	25
CREDIT FACILITIES	25
SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES	27
NEW ACCOUNTING STANDARDS ADOPTED BY THE REIT	28
STANDARDS ISSUED BUT NOT YET EFFECTIVE	28
DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING	28
FINANCIAL INSTRUMENTS AND RISKS AND UNCERTAINTIES	29
COMMITMENTS	32
OUTSTANDING UNIT DATA	33
DISTRIBUTIONS	33
DISTRIBUTION REINVESTMENT PLAN	34
RELATED PARTY TRANSACTIONS	34
SUBSEQUENT EVENTS	35
OUTLOOK	35

BASIS OF PRESENTATION

The following management's discussion and analysis ("**MD&A**") of Nexus Industrial REIT ("the **REIT**") for the year ended December 31, 2021 should be read in conjunction with the REIT's audited consolidated financial statements for the years ended December 31, 2021 and 2020.

The information contained in this MD&A reflects events up to March 15, 2022, the date on which this MD&A was approved by the REIT's Board of Trustees. Financial data included in the tables of this MD&A is presented in thousands of Canadian dollars, except per unit amounts, 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 ("**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").

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, including but not limited to: real property ownership and tenant risk, competition, fixed costs and increased expenses, general uninsured risks, environment and litigation risk, credit risk, liquidity risk, interest rate risk, and the impact of the coronavirus disease 2019 ("**COVID-19**"). These risks are more fully discussed under *Financial Instruments and Risks and Uncertainties* in this MD&A. 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 financial 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 financial measure to be an important measure of the REIT's operating performance. Management considers adjusted funds from operations ("**AFFO**"), a non-IFRS financial measure, to be an important performance measure of recurring economic earnings. **Debt to total assets** is a capital management measure. The REIT's calculation of **Debt** includes mortgages payable, Credit Facilities and lease liabilities at their carrying values in the REIT's consolidated statement of

financial position. The measure is calculated as Debt divided by the REIT's total assets. The REIT believes the measure is useful in evaluating its degree of financial leverage, borrowing capacity and the relative strength of its balance sheet. Net asset value ("**NAV**") represents the REIT's total assets less its total liabilities, excluding Class B LP units, which are accounted for as a liability but are considered as equity by the REIT. Management considers NAV, a non-IFRS financial 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, Debt to total assets 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, as amended in February 2018 and February 2019 (the "Whitepapers"). 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 Industrial REIT 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 March 7, 2022. The REIT owns and operates commercial real estate properties across Canada.

The strategy of the REIT is to grow by acquiring industrial real 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

- Graduated to the Toronto Stock Exchange in Q1 2021, increased market capitalization from \$265 million at December 31, 2020 to \$971 million at December 31, 2021 and increased total assets by \$948 million in 2021 to \$1.7 billion.
- Successfully completed a \$148.3 million bought deal financing on November 22, 2021, completed \$295.3 million of bought deal equity offerings in 2021.
- Completed a total of \$416 million of industrial property acquisitions during Q4 2021 and \$674 million in 2021; increasing NOI from industrial properties to approximately 81% of Q4 NOI.
- Subsequent to December 31, 2021, the REIT has completed a total of \$236.5 million of industrial acquisitions. The REIT’s acquisition pipeline continues to be very strong.
- On November 22, 2021, an Ontario retail property purchased for \$6.6 million was sold for gross proceeds of \$11.0 million.
- Occupancy of 96% at December 31, 2021, was up from 95% at September 30, 2021 and 93% at December 31, 2020.
- YTD 2021 net operating income of \$56 million increased \$16.7 million or 42.6% as compared to 2020 net operating income of \$39.2 million. Q4 2021 net operating income of \$19.1 million increased by \$9.4 million or 97% as compared to Q4 2020 net operating income of \$9.7 million and by \$5.0 million or 35% as compared to Q3 2021 net operating income of \$14.1 million.
- Q4 2021 Same Property NOI⁽¹⁾ of \$9.7 million increased by \$0.2 million or 1.7% as compared to Q4 2020. Same Property NOI for the year ended December 31, 2021 decreased by \$0.3 million or 0.9% as compared to the prior year. The decrease is primarily attributable to a 25,000 square foot industrial vacancy in Calgary.
- YTD 2021 Normalized FFO⁽¹⁾ per unit of \$0.770, as compared to \$0.860 for 2020; Q4 2021 Normalized FFO per unit of \$0.194, as compared to \$0.191 for Q3 2021 and \$0.206 for Q4 2020.
- YTD 2021 Normalized AFFO⁽¹⁾ per unit of \$0.692, as compared to \$0.771 for 2020; Q4 2021 Normalized AFFO per unit of \$0.173, as compared to \$0.174 for Q3 2021 and \$0.185 for Q4 2020.
- YTD 2021 Normalized AFFO payout ratio⁽¹⁾ of 94.7% compared to 82.4% for 2020; Q4 2021 Normalized AFFO payout ratio of 96.5%, as compared to 95.9% for Q3 2021 and 86.1% for Q4 2020.
- Ended Q4 2021 with \$82.3 million of cash and full availability of \$45.5 million on revolving Credit Facilities.
- Weighted average interest rate on mortgages decreased to 3.28% at December 31, 2021 from 3.49% at September 30, 2021 and 3.66% at December 31, 2020. At the same time, the weighted average term to maturity increased to 6.61 years at December 31, 2021 from 3.95 years at September 30, 2021 and 3.95 years at December 31, 2020.

- NAV⁽¹⁾ per unit of \$12.18 at December 31, 2021 as compared to \$11.55 at September 30, 2021 and \$10.15 at December 31, 2020.

(1) See Non-IFRS Financial Measures

ACQUISITIONS AND DISPOSALS

ACQUISITIONS

(In thousands of Canadian dollars)

Property location	Acquisition date	Gross leasable area ("GLA")	Purchase price \$	Fair value adjustments (note 1) \$	Transaction costs \$	Investment properties acquired \$
London, ON	Dec-30	99,367	12,550	-	323	12,873
Pointe-Claire, QC	Dec-9	154,500	98,183	(1,052)	98	97,229
Nisku, AB	Nov-19	141,930	19,335	-	74	19,409
London, ON	Nov -1	391,074	44,070	16,345	1,055	61,470
Windsor, ON	Oct-13	101,073	11,500	-	360	11,860
Moncton, NB and Regina, SK	Oct-1	1,380,465	241,095	-	2,401	243,496
Red Deer, AB	Sep-9	189,625	19,750	-	47	19,797
Edmonton, AB	Jul-23	210,750	19,700	-	65	19,765
Edmonton, AB	Jul-16	104,727	12,050	-	58	12,108
Calgary, AB and Headingley, MB	Jul-2	205,468	44,000	2,892	397	47,289
Windsor, ON	Jul-14	120,000	14,665	-	479	15,144
St. Thomas, ON	Jun-11	130,500	13,800	-	364	14,164
Red Deer, AB	Jun-10	153,052	16,300	-	72	16,372
London, ON	Apr-1	1,194,345	103,500	7,217	2,562	113,279
Edmonton, ON	Mar-1	108,156	14,000	(60)	73	14,013
		4,685,032	684,498	25,342	8,428	718,268

Note 1 – Fair value adjustment for Class B LP Units issued and mortgages assumed on acquisition.

On December 30, 2021, the REIT completed the acquisition of an approximately 100,000 square foot single-tenant distribution centre located in London, Ontario for a purchase price of \$12.6 million.

On December 9, 2021, the REIT acquired a 50% interest in a newly constructed automated grocery customer fulfilment centre located in Pointe-Claire (Montreal), Quebec for a purchase price of \$98.2 million. The 309,000 square foot (plus 186,000 square foot mezzanine) class A property is single tenanted by a subsidiary of Empire Company Limited.

On November 19, 2021, the REIT completed the acquisition of a single-tenant class A distribution centre located in Nisku, Alberta with approximately 142,000 square feet of GLA and 18.5 acres of land for a purchase price of \$19.3 million (\$15.3 million USD).

On November 1, 2021, the REIT acquired a 391,074 square foot industrial property located at 1040 Wilton Grove Road and 961 Pond Mills Road in London, Ontario, for a contractual purchase price of \$44.1 million. The purchase price was partially satisfied through the issuance of 3,303,275 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.

On October 13, 2021, the REIT acquired a single-tenant industrial property with 101,073 square feet of GLA located in Windsor, Ontario for a purchase price of \$11.5 million.

On October 1, 2021, the REIT acquired three single-tenant distribution centres located in Moncton, New Brunswick and Regina, Saskatchewan for a contractual purchase price of \$230.4 million, plus deferred consideration of \$10.7 million.

On September 9, 2021, the REIT acquired a single-tenant industrial property located in Red Deer, Alberta for a purchase price of \$19.8 million. The purchase price was satisfied in cash. The property is tenanted by Peavey industries and serves as their western Canada distribution centre and Canadian head office. The property has 190,000 square feet of GLA.

On July 23, 2021, the REIT acquired an industrial property located in Edmonton, Alberta, for a purchase price of \$19.7 million. The purchase price was satisfied in cash. The property is multi-tenanted with 211,000 square feet of GLA. Iron Mountain, a global leader in storage and information management services, is a significant tenant.

On July 16, 2021, the REIT acquired a single-tenant industrial property located in Edmonton, Alberta, for a purchase price of \$12.1 million. The purchase price was satisfied in cash. The property is occupied by Complete Shipping Solutions a provider of outsourced logistics services. The property has 105,000 square feet of GLA.

On July 2, 2021, the REIT acquired two single-tenanted industrial properties located in Calgary, Alberta and Headingley, Manitoba, for a contractual purchase price of \$44.0 million. 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 properties are tenanted by Valard Construction, a large utility contractor. The properties have 205,000 square feet of GLA.

On June 14, 2021, the REIT acquired a single-tenant industrial property located in Windsor, Ontario, for a purchase price of \$14.7 million. The purchase price was satisfied in cash. Can Art Aluminium Extrusion LP is the tenant. The property is a newly constructed 120,000 square foot Class A manufacturing and warehousing facility.

On June 11, 2021, the REIT acquired a newly constructed 130,500 square foot single-tenant industrial property located in St. Thomas, Ontario, for a purchase price of \$13.8 million. The purchase price was satisfied in cash.

On June 10, 2021, the REIT acquired a single-tenant industrial property located in Red Deer, Alberta, with 153,000 square feet of GLA, for a purchase price of \$16.3 million. The purchase price was satisfied in cash. FCA Canada Inc. (formerly Chrysler Canada) is the tenant, and this serves as their only western Canada distribution centre.

On April 1, 2021, the REIT acquired six industrial properties located in London, Ontario, with 1,194,000 square feet of GLA, for a contractual purchase price of \$103.5 million. 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.

On March 1, 2021, the REIT acquired two industrial properties located in Edmonton, Alberta, with 108,000 square feet of GLA, for a contractual purchase price of \$14.0 million. 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 two buildings comprise approximately 108,000 square feet of GLA and are fully leased to non-oil and gas tenants.

DISPOSALS

On November 24, 2021, the REIT sold a retail property located in Beamsville, Ontario, for a selling price of \$11.0 million. Net of selling costs of \$0.5 million, debt repayment costs of \$0.1 million and repayment of a \$1.8 million mortgage secured against the property, the REIT received cash proceeds of \$8.6 million. The sale of the property generated a loss on disposal of \$0.5 million.

On March 16, 2021, the REIT sold a property located in Lachine, Quebec, for a selling price of \$2.9 million. Net of selling costs of \$0.1 million, the REIT received cash proceeds of \$2.8 million. The sale of the property generated a loss on disposal of \$0.1 million.

PORTFOLIO OVERVIEW

REIT PROPERTIES BY ASSET CLASS AS AT DECEMBER 31, 2021

Property Address	Rentable Area (Square Feet)	Rentable Area (Square Feet) At REIT Ownership Interest	Occupancy
<u>INDUSTRIAL</u>			
<u>British Columbia</u>			
988 Great St, Prince George	53,126	53,126	100%
965 McMaster Way, Kamloops	13,706	13,706	100%
9929 Swanson St, Fort St. John	26,477	26,477	100%
1771 Savage Rd, Richmond ^{(2) (4) (5)}	60,000	60,000	0% ⁽²⁾⁽⁴⁾
<u>Alberta</u>			
4700 & 4750 – 102 Ave, SE, Calgary	29,471	29,471	100%
3780 & 4020 – 76 th Ave, SE, Calgary	58,937	58,937	100%
41 Royal Vista Dr, NW, Calgary	36,915	36,915	31%
8001 – 99 St, Clairmont	26,638	26,638	100%
12104 & 12110 – 17 th St, NE, Edmonton	116,582	116,582	100%
14801 – 97 th St, Grande Prairie	42,120	42,120	100%
3501 Giffen Rd North & 3711 – 36 St North, Lethbridge	229,000	229,000	100%
5406 – 59 th Ave, Lloydminster	12,425	12,425	100%
4301 – 45 Ave, Rycroft	22,110	22,110	100%
2301 – 8 St, Nisku	21,506	21,506	100%
2303A – 8 St, Nisku	39,649	39,649	100%
1010 Brier Park Dr, Medicine Hat	14,354	14,354	100%
27323 – 144 Township Rd 394, Blackfalds	25,000	25,000	100%
261177-261185 Wagon Wheel Way, Balzac	95,180	95,180	100%
9110 – 23 Ave NW, Edmonton	72,356	72,356	100%
11510 – 168 St NW, Edmonton	35,800	35,800	100%
6777 Edgar Industrial Dr, Red Deer	153,052	153,052	100%
10774 – 42 St E, Calgary	165,418	165,418	100%
12745 – 149 St NW, Edmonton	104,727	104,727	100%
14504-14598 – 121A Ave NW, Edmonton	210,750	210,750	92%
7740 – 40 Ave, Red Deer	189,625	189,625	100%
502-25 Ave, Nisku	141,930	141,930	100%
<u>Northwest Territories</u>			
348-352 Old Airport Rd, Yellowknife	53,212	53,212	100%
<u>Saskatchewan</u>			
110 – 71 st St, Saskatoon	74,796	74,796	100%
15 Peters Ave, Saskatoon	38,160	38,160	100%
1414 Fletcher Rd, Saskatoon	86,000	86,000	100%
850 Manitoba St E & 15 – 9 th Ave, NE, Moose Jaw	18,800	18,800	100%

Property Address	Rentable Area (Square Feet)	Rentable Area (Square Feet) At REIT Ownership Interest	Occupancy
4271 – 5 Ave E, Prince Albert	24,600	24,600	100%
1117 -1135 Pettigrew Ave, Regina	38,690	38,690	90%
320 Industrial Dr, Regina	60,000	60,000	100%
332 Industrial Dr, Regina	85,660	85,660	100%
101 Jahn St, Estevan	11,846	11,846	100%
2101 Fleming Rd, Regina	1,029,675	1,029,675	100%
<u>Manitoba</u>			
97 Nicola Dr, Headingley	40,050	40,050	100%
<u>Ontario</u>			
455 Welham Rd, Barrie	109,366	109,366	100%
200 Sheldon Dr, Cambridge	150,000	150,000	100%
241-377 Fairall St, 332-360 Frankcom St & 97-121 McMaster Ave, Ajax ⁽¹⁾	479,496	239,748	100%
1000 Clarke Rd, London	223,190	223,190	100%
1020 Adelaide St S, London	268,128	268,128	93%
1036 Green Valley Rd, London	136,237	136,237	100%
1285 Hubrey Rd, London	199,505	199,505	100%
375 Exeter Rd, London	220,339	220,339	100%
5 Cuddy Blvd, London	146,945	146,945	100%
70 Dennis Rd, St. Thomas	130,500	130,500	100%
446 Jutras Dr S, Windsor	120,000	120,000	100%
490 Richard Ruston Dr, Windsor	101,073	101,073	100%
1040 Wilton Grove Rd, London	380,486	380,486	100%
1950 Oxford St E, London	99,367	99,367	100%
<u>Québec</u>			
935-965 rue Reverchon, Saint-Laurent	114,857	114,857	100%
1901 rue Dickson / 5780 rue Ontario Est, Montréal	91,068	91,068	100%
6810 boul. Des Grandes Prairies, Montréal	60,786	60,786	100%
3330 2e rue, Saint-Hubert	60,441	60,441	100%
3600 1ère rue, Saint-Hubert	37,554	37,554	100%
3550 1ère rue, Saint-Hubert	22,428	22,428	100%
3490-3504 rue Griffith, Saint-Laurent	40,665	40,665	100%
425 rue Guy, Montréal ⁽¹⁾	37,196	18,598	88%
2400 Trans-Canada Highway, Pointe-Claire	309,000	154,500	100%
<u>New Brunswick</u>			
675 St-George Blvd, Moncton	93,443	93,443	100%
10 Deware Dr, Moncton	226,135	226,135	100%
775 Frenette, Ave, Moncton	124,655	124,665	100%

Property Address	Rentable Area (Square Feet)	Rentable Area (Square Feet) At REIT Ownership Interest	Occupancy
<u>RETAIL</u>			
<u>British Columbia</u>			
1751 Savage Rd, Richmond ^{(2) (5)}	111,274	111,274	100%
<u>Québec</u>			
1185-1195 Chemin du Tremblay, Longueuil	53,924	53,924	97%
41 boul. Saint-Jean-Baptiste, Châteauguay	53,151	53,151	100%
1094-1100 boul. Des Chutes, Beauport ⁽¹⁾	32,411	16,206	94%
1700 rue Sherbrooke, Magog ⁽¹⁾	132,584	66,292	81%
1971 rue Bilodeau, Plessisville ⁽¹⁾	99,611	49,806	92%
14000 boul. Henri-Bourassa, Québec City ⁽¹⁾	44,619	22,310	100%
6700 rue St-Georges, Lévis ⁽¹⁾	43,203	21,602	69%
10516 boul. Sainte-Anne, Ste-Anne-de-Beaupré ⁽¹⁾	88,625	44,313	87%
9550 boul. L'Ormière, Québec ⁽¹⁾	114,331	57,166	97%
333 Côte Joyeuse, St-Raymond ⁽¹⁾	64,481	32,241	80%
161 Route 230 Ouest, La Pocatière ⁽¹⁾	208,799	104,400	75%
25 Route 138, Forestville ⁽¹⁾	55,962	27,981	87%
2000 boul. Louis-Fréchette, Nicolet ⁽¹⁾	88,383	44,192	93%
3856 boul. Taschereau, Greenfield Park ⁽¹⁾	213,982	106,991	86%
250 boul. Fiset, Sorel ⁽¹⁾	116,348	58,174	100%
8245 boul. Taschereau, Brossard ⁽¹⁾	43,335	21,668	96%
340 rue Belvédère Sud, Sherbrooke ⁽¹⁾	171,265	85,633	90%
401-571 boul. Jutras Est, Victoriaville	379,254	379,254	91%
7500 boul. Les Galeries d'Anjou, Anjou ⁽¹⁾	104,691	52,346	92%
<u>Prince Edward Island</u>			
695 University Ave, Charlottetown	4,501	4,501	100%
<u>OFFICE</u>			
<u>Québec</u>			
2045 rue Stanley, Montréal ⁽¹⁾	112,406	56,203	95%
72 rue Laval, Gatineau ⁽¹⁾	68,473	34,237	100%
10500 Ave Ryan, Dorval	52,372	52,372	100%
955 boul. Michèle-Bohec, Blainville	33,461	33,461	100%
1600 rue Montgolfier, Laval	27,097	27,097	100%
353 rue St-Nicolas, Montréal ⁽¹⁾	34,425	17,213	57%
410 rue St-Nicolas, Montréal ⁽¹⁾	154,862	77,431	82%
360 rue Notre-Dame Ouest, Montréal ⁽¹⁾	29,442	14,721	75%
321 rue de la Commune, Montréal ⁽¹⁾	11,502	5,751	66%
329 rue de la Commune, Montréal ⁽¹⁾	21,022	10,511	93%
127, 137 & 145 rue St-Pierre, Montréal ⁽¹⁾	36,837	18,419	77%

Property Address	Rentable Area (Square Feet)	Rentable Area (Square Feet) At REIT Ownership Interest	Occupancy
63 rue des Brésolles, Montréal ⁽¹⁾	38,253	19,127	100%
<u>New Brunswick</u>			
400 Main St, St. John	160,071	160,071	71%
Total	10,546,160	9,068,406	96% ⁽³⁾

(1) The REIT owns a 50% interest in these properties.

(2) Property is currently being redeveloped to higher yielding uses.

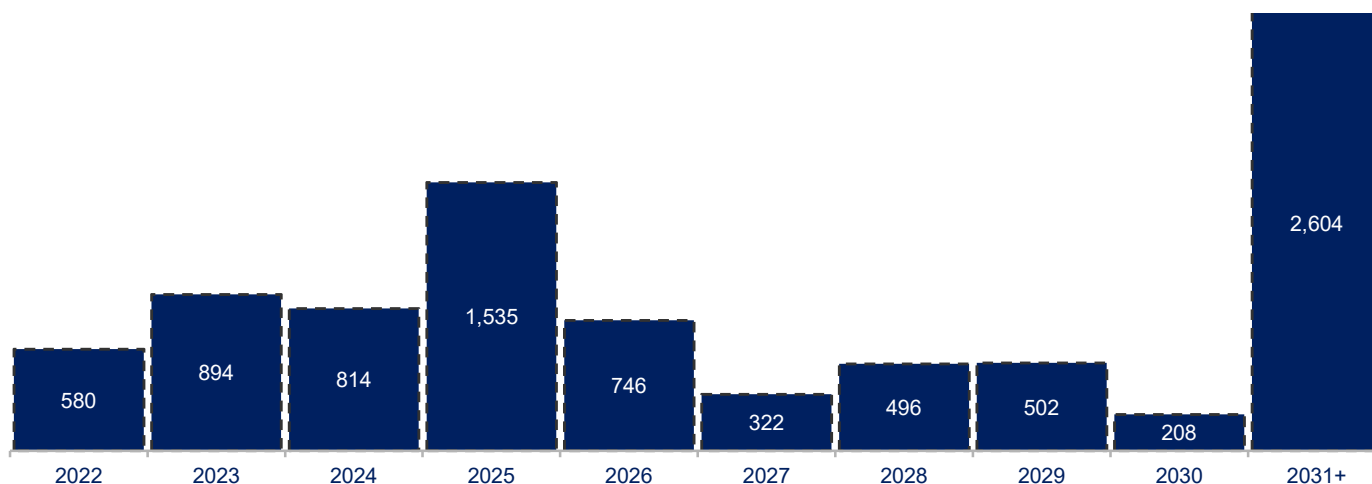
(3) Excluding 1771 Savage Road, which is currently being redeveloped, the occupancy rate is 97%.

(4) As at December 31, 2021, 1771 Savage Road has a total committed occupancy of 100%.

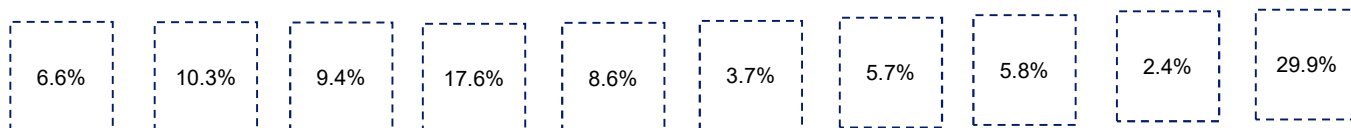
(5) This is a mixed-use property with two buildings.

LEASE EXPIRIES

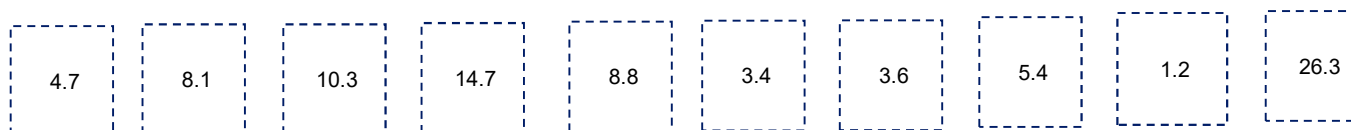
■ Lease Expiries (Sq. Ft. in 000's)



% of Total Leased GLA Expiring

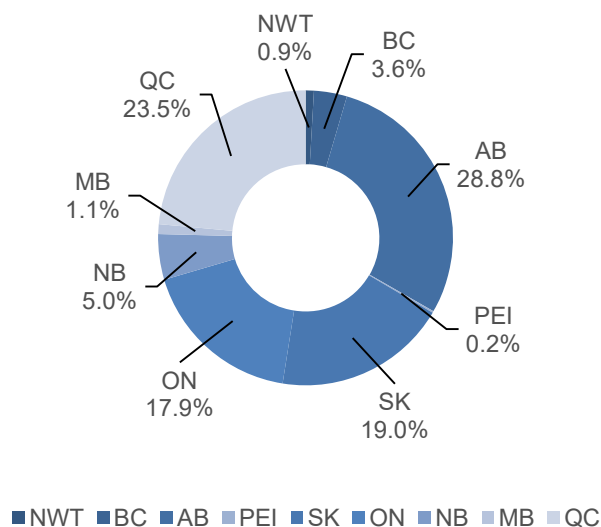


Expiring Annual Base Revenue (\$Ms)

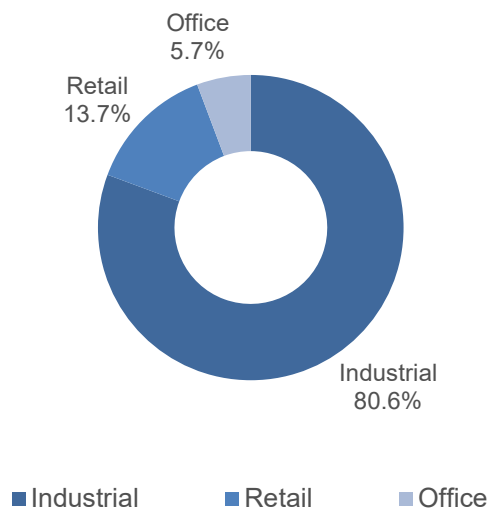


PROPERTY COMPOSITION DIVERSITY

GEOGRAPHIC MIX (Q4 NOI)



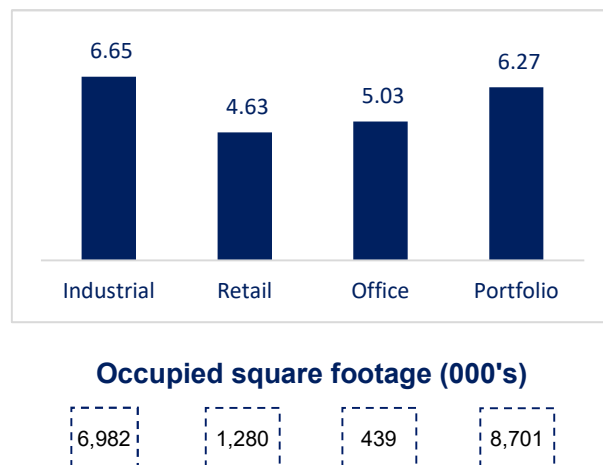
ASSET CLASS MIX (Q4 NOI)



TOP TEN TENANTS

Tenant	% of Annualized Base Rent
1 Loblaws	15.3%
2 Westcan Bulk Transport	6.7%
3 Sobeys	4.7%
4 Mastec Canada	3.5%
5 Valard Construction	3.4%
6 Peavey Industries	3.0%
7 Triple M Housing	2.4%
8 Direct Limited Partnership	2.1%
9 MRC Global	1.6%
10 E & E McLaughlin	1.6%
	<u>44.3%</u>

WEIGHTED AVERAGE REMAINING LEASE TERM



SUMMARY OF RESULTS

FINANCIAL HIGHLIGHTS

(In thousands of Canadian dollars, except per unit amounts)

	Three Months ended December 31,			Year ended December 31,		
	2021 \$	2020 \$	Change \$	2021 \$	2020 \$	Change \$
Property revenues	27,537	15,648	11,889	83,559	61,386	22,173
Net operating income (NOI)	19,071	9,698	9,373	55,952	39,227	16,725
Funds from operations (FFO) ⁽¹⁾	14,079	6,613	7,466	39,658	27,458	12,200
Normalized FFO ^{(1) (2)}	13,288	6,992	6,296	39,954	28,263	11,691
Adjusted funds from operations (AFFO) ⁽¹⁾	12,619	5,909	6,710	35,646	24,522	11,124
Normalized AFFO ^{(1) (2)}	11,828	6,288	5,540	35,942	25,327	10,615
Same Property NOI ⁽¹⁾	9,736	9,574	162	36,734	37,058	(324)
Distributions declared ⁽³⁾	11,419	5,414	6,005	34,025	20,865	13,160
Weighted average units outstanding (000s):						
Basic ⁽⁴⁾	68,508	34,015	34,493	51,914	32,858	19,056
Diluted ⁽⁴⁾	68,695	34,037	34,658	52,066	32,880	19,186
Per unit amounts:						
Distributions per unit – basic ^{(3) (4)}	0.167	0.159	0.008	0.655	0.635	0.020
Distributions per unit – diluted ^{(3) (4)}	0.166	0.159	0.007	0.653	0.635	0.019
FFO per unit – basic ^{(1) (4)}	0.206	0.194	0.012	0.764	0.836	(0.072)
FFO per unit – diluted ^{(1) (4)}	0.205	0.194	0.011	0.762	0.835	(0.073)
Normalized FFO per unit – basic ^{(1) (2) (4)}	0.194	0.206	(0.012)	0.770	0.860	(0.090)
Normalized FFO per unit – diluted ^{(1) (2) (4)}	0.193	0.205	(0.012)	0.767	0.860	(0.092)
AFFO per unit – basic ^{(1) (4)}	0.184	0.174	0.010	0.687	0.746	(0.059)
AFFO per unit – diluted ^{(1) (4)}	0.184	0.174	0.010	0.685	0.746	(0.061)
Normalized AFFO per unit – basic ^{(1) (2) (4)}	0.173	0.185	(0.012)	0.692	0.771	(0.079)
Normalized AFFO per unit – diluted ^{(1) (2) (4)}	0.172	0.185	(0.013)	0.690	0.770	(0.080)
NAV per unit ⁽¹⁾	12.18	10.15	2.03	12.18	10.15	2.03
AFFO payout ratio – basic ^{(1) (3)}	90.5%	91.6%	(1.1%)	95.5%	85.1%	10.4%
Normalized AFFO payout ratio – basic ^{(1) (2) (3)}	96.5%	86.1%	10.4%	94.7%	82.4%	12.3%
Debt to total assets ratio	41.0%	48.2%	(7.2%)	41.0%	48.2%	(7.2%)

(1) See Non-IFRS Financial Measures.

(2) Normalized FFO and Normalized AFFO include adjustments for a vendor rent obligation amounts related to the REIT's Richmond, BC and Ajax properties, which are payable from the vendors of the properties until the buildout of the properties are 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 year ended December 31, 2021, normalized FFO and AFFO are also adjusted to exclude \$0.2 million 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 consolidated financial statements.

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

FINANCIAL RESULTS

(In thousands of Canadian dollars, except per unit amounts)

	Three Months ended December 31,			Year ended December 31,		
	2021 \$	2020 \$	Change \$	2021 \$	2020 \$	Change \$
Property revenues	27,537	15,648	11,889	83,559	61,386	22,173
Property expenses	(8,466)	(5,950)	(2,516)	(27,607)	(22,159)	(5,448)
Net operating income (NOI)	19,071	9,698	9,373	55,952	39,227	16,725
General and administrative expense	(1,442)	(773)	(669)	(4,855)	(3,474)	(1,381)
Fair value adjustments:						
Investment properties	32,026	13,191	18,835	132,396	10,583	121,813
Class B LP Units	1,765	(9,264)	11,029	(71,339)	6,982	(78,321)
Warrants	-	-	-	-	1	(1)
Unit options	24	(164)	188	(1,774)	333	(2,107)
Restricted share units	9	(70)	79	(309)	(51)	(258)
Derivative financial instruments	534	(139)	673	4,920	(6,157)	11,077
Income from equity accounted investment in joint venture	139	980	(841)	917	865	52
Loss on disposal of investment properties	(497)	-	(497)	(592)	-	(592)
Other income	1,402	181	1,221	2,384	1,546	838
	53,031	13,640	39,391	117,700	49,855	67,845
Finance expense						
Net interest expense	(5,302)	(2,812)	(2,490)	(15,218)	(11,001)	(4,217)
Distributions on Class B LP Units	(2,969)	(997)	(1,972)	(8,943)	(3,619)	(5,324)
	(8,271)	(3,809)	(4,462)	(24,161)	(14,620)	(9,541)
Net income	44,760	9,831	34,929	93,539	35,235	58,304

For the three months ended December 31, 2021, NOI of \$19.1 million was \$9.4 million higher than Q4 2020 NOI of \$9.7 million. Acquisitions generated incremental NOI of \$8.9 million in Q4 2021 as compared to Q4 2020. Same Property NOI in Q4 2021 increased \$0.2 million over the prior year quarter primarily due to rental steps and favourable new and renewal leasing at certain of the REIT's industrial properties. Straight-line rents also contributed \$0.3 million to the increase over the prior year period driven by newly acquired properties with steps in rent.

For the year ended December 31, 2021, NOI of \$56.0 million was \$16.7 million higher than the prior year NOI of \$39.2 million. Acquisitions generated incremental NOI of \$17.1 million for the year. Same Property NOI for the year decreased \$0.3 million over the prior year primarily due to a 25,000 square foot vacancy at one of the REIT's industrial properties in Calgary, Alberta. An increase in straight-line rents of \$0.3 million was partially offset by a decrease in termination fees of \$0.2 million.

General and administrative expense of \$1.4 million for Q4 2021 increased by \$0.7 million over Q4 2020 primarily due to a \$0.6 million increase in staffing related costs. Legal and professional fees were also approximately \$0.1 million higher for the quarter as compared to 2020.

For the year ended December 31, 2021, general and administrative expense of \$4.9 million was \$1.4 million higher than the prior year. This was primarily due to a \$1.0 million increase in staffing related costs, \$0.2 million of one-time TSX listing fees relating to the TSX graduation in Q1 2021 and an approximately \$0.2 million increase in legal and professional fees.

The fair value adjustment of investment properties of \$32.0 million for Q4 2021 reflects \$51.3 million of fair value gains primarily related to compression of capitalization rates for industrial properties located in certain markets in Ontario, Western Canada and New Brunswick (\$18.1 million, \$24.5 million and \$2.7 million, respectively), as well as the REIT's Quebec retail properties (\$4.2 million). The REIT also recognized a \$1.0 million fair value gain on a property sold during Q4. These amounts were partially offset by \$19.6 million related to transaction costs and acquisition accounting adjustments of properties acquired during the quarter with Class B LP Units issued as consideration or mortgages assumed. During the quarter \$0.6 million of capital expenditures were fair valued to zero.

The fair value adjustment of investment properties of \$132.4 million for the year ended December 31, 2021 primarily reflects increases in the value of the REIT's industrial properties located in certain markets in Ontario, Quebec, Western Canada and New Brunswick driven by a compression of capitalization rates, resulting in fair value gains of \$61.5 million, \$20.3 million, \$38.3 million and \$2.7 million, respectively. The carrying value of the REIT's Richmond, BC property was also increased by \$56.3 million in Q3, partially offset by a value enhancement payment payable to the vendor of the property, estimated at \$32.3 million, and partially settled during the quarter (see the section "Commitments" below). Additionally, the REIT recorded a \$2.8 million fair value gain on a retail property sold during the year and \$10 million in respect of a Montreal area retail property for which an offer to purchase excess land was received. Certain of the REIT's Quebec retail and office properties were also revalued during the year, resulting in fair value gains of approximately \$8.5 million. Partially offsetting fair value gains were a \$3.3 million fair value loss with respect to an office property located in New Brunswick, and \$33.8 million related to transaction costs and acquisition accounting adjustments of properties acquired during the year with Class B LP Units issued as consideration or mortgages assumed. During the year \$1.0 million of capital expenditures were fair valued to zero.

Fair value adjustments of Class B LP Units are driven by changes in the trading price of REIT Units accounted for during the period, as well as fair value adjustments from the date that Class B LP Units are issued or to the date they are exchanged for REIT Units. The trading price of the REIT's units as at December 31, 2021 was \$12.62 as compared to \$12.77 as at September 30, 2021 and \$7.72 per unit as at December 31, 2020. As at December 31, 2021, 19,662,658 Class B LP Units were outstanding.

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 most of the change in fair value during the quarter and year.

Fair value gains on derivative financial instruments of \$0.5 million and \$4.9 million were recorded for the three months and year ended December 31, 2021, respectively. The fair value gains were due to increases in interest rates, which impacted the fair value of interest rate swaps that the REIT is a party to. The interest rate swaps effectively fix interest rates on \$65 million drawn on one of the REIT's Credit Facilities and \$117.3 million of floating rate mortgages.

Income from equity accounted investment in joint venture for the three months ended December 31, 2021 of \$0.1 million is comprised primarily of \$0.2 million of NOI from the joint venture investment property, a fair value adjustment on the investment property for capital expenditures of \$0.1 million and a fair value gain of \$0.1 million to mark to market interest rate swaps in place at the joint venture, offset by \$0.1 million of interest.

For the year ended December 31, 2021, income from equity accounted investment in joint venture of \$0.9 million is comprised of \$1.0 million of NOI from the joint venture investment property, a fair value gain of \$0.4 million to mark to market interest rate swaps in place at the joint venture, partially offset by a fair value adjustment on the investment property for capital expenditures of \$0.1 million, interest expense of \$0.3 million, and general and administrative expense of \$0.1 million.

The loss on disposal of investment properties of \$0.5 million for the three months ended December 31, 2021 and \$0.6 million for the year ended December 31, 2021 consists of transaction costs associated with the sale of properties.

During the year ended December 31, 2021, the estimated vendor rent obligation related to the REIT's Richmond, BC property was reassessed. \$1.4 million for the three-month period ended December 31, 2021 and \$2.4 million for the year then ended was recorded in other income. This reflects 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 of \$5.3 million for Q4 2021 was \$2.5 million higher than Q4 2020 interest expense and interest expense of \$15.2 million for the year ended December 31, 2021 was \$4.2 million higher than 2020 net interest expense; both primarily due to interest expense related to new mortgage financing.

Distributions on Class B LP Units for Q4 2021 and the year ended December 31, 2021, of \$3.0 million and \$8.9 million, respectively, increased by \$2.0 million and \$5.3 million respectively, over the comparable prior year period. The increase was due to partial settlement of purchase consideration on certain acquisitions with Class B LP Units.

SELECT BALANCE SHEET DATA

(In thousands of Canadian dollars)

	December 31, 2021 \$	December 31, 2020 \$
Investment properties	1,545,866	667,601
Cash	82,279	13,993
Total assets	1,658,157	710,499
Non-current:		
Mortgages payable	553,011	239,413
Credit Facilities	64,713	64,903
Lease liabilities	3,597	3,670
Class B LP Units	248,150	49,187
Total non-current liabilities	881,453	362,964
Current:		
Mortgages payable	58,152	34,368
Credit Facilities	-	293
Lease liabilities	73	67
Total current liabilities	87,220	47,955
Total liabilities	968,673	410,919
Total unitholders' equity	689,484	299,580

NAV per unit

(In thousands of Canadian dollars, except per unit amounts)

	December 31, 2021 \$	December 31, 2020 \$
NAV per unit ⁽¹⁾		
Total assets	1,658,157	710,499
Less: Total liabilities	(968,673)	(410,919)
	689,484	299,580
Add: Class B LP Units	248,150	49,187
Net asset value (NAV)	937,634	348,767
Units outstanding (000s) – basic:		
REIT Units	57,303	27,975
Class B LP Units	19,662	6,371
	76,965	34,346
NAV per unit - basic	12.18	10.15

(1) See Non-IFRS Financial Measures.

The REIT's NAV per unit as at December 31, 2021 was \$12.18 as compared to \$10.15 as at December 31, 2020. The increase is primarily related to i) an increase of \$132.4 million in the fair value of the REIT's investment properties in 2021, ii) the issuance of 9,918,750 REIT Units at \$11.30 per unit completed in August and 11,543,356 REIT Units at \$12.85 per unit completed in November through two bought deal equity financing, iii) the settlement of contractual obligations with 1,983,418 Class B LP Units issued at a weighted average of \$11.36 per unit, partially offset by iv) a March bought deal equity financing where 4,255,000 REIT Units were issued at \$8.20 per unit, and

v) the issuance of 14,565,266 Class B LP Units at a weighted average of \$8.00 per unit as partial purchase price consideration for certain acquisitions.

Debt to total assets

(In thousands of Canadian dollars)

	December 31, 2021 \$	December 31, 2020 \$
Debt to total asset ratio ⁽¹⁾		
Current and non-current:		
Mortgages payable	611,163	273,781
Credit Facilities	64,713	65,196
Lease liabilities	3,670	3,737
Debt	679,546	342,714
Total assets	1,658,157	710,499
Debt to total asset ratio	41.0%	48.2%

(1) See Non-IFRS Financial Measures.

The REIT's debt to total assets as at December 31, 2021 was 41.0% as compared to 48.2% as at December 31, 2020. The decrease is primarily related to i) \$281.6 million of net proceeds raised through three bought deal equity financings completed in March, August and November 2021, ii) the issuance of \$141.5 million of Class B LP Units as partial purchase price consideration for certain acquisitions and iii) an increase of \$132.4 million in the fair value of the REIT's investment properties in 2021.

SELECTED ANNUAL INFORMATION

The following table provide selected financial information for the past three years:

(In thousands of Canadian dollars)

	Year ended 2021 \$	Year ended 2020 \$	Year ended 2019 \$
Property revenues	83,559	61,386	60,010
Net income	93,539	35,235	42,388
Total assets	1,658,157	710,499	613,379
Total non-current liabilities	881,453	362,964	295,858
Distributions declared ⁽¹⁾	34,025	20,865	18,897
Distribution per unit	0.655	0.635	0.640

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

SUMMARY OF QUARTERLY RESULTS

(In thousands of Canadian dollars)

	Q4 2021 \$	Q3 2021 \$	Q2 2021 \$	Q1 2021 \$
Property revenues	27,537	20,719	18,715	16,588
Property expenses	(8,466)	(6,624)	(6,495)	(6,022)
Net operating income (NOI)	19,071	14,095	12,220	10,566
Net income (loss)	44,760	(12,077)	50,647	10,208
Weighted average number of units (000s) - basic ⁽¹⁾	68,508	54,428	48,293	36,041
Weighted average number of units (000s) - diluted ⁽¹⁾	68,695	54,600	48,389	36,124
	Q4 2020 \$	Q3 2020 \$	Q2 2020 \$	Q1 2020 \$
Property revenues	15,648	15,104	15,041	15,593
Property expenses	(5,950)	(5,154)	(5,236)	(5,819)
Net operating income (NOI)	9,698	9,950	9,805	9,774
Net income (loss)	9,831	4,848	6,884	13,671
Weighted average number of units (000s) - basic ⁽¹⁾	34,015	33,032	32,936	31,436
Weighted average number of units (000s) - diluted ⁽¹⁾	34,037	33,054	32,958	31,465

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

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.

SAME PROPERTY RESULTS

(In thousands of Canadian dollars)	Three Months ended December 31,			Year ended December 31,		
	2021	2020	Change	2021	2020	Change
	\$	\$	\$	\$	\$	\$
Property revenues	27,537	15,648	11,889	83,559	61,386	22,173
Property expenses	(8,466)	(5,950)	(2,516)	(27,607)	(22,159)	(5,448)
NOI	19,071	9,698	9,373	55,952	39,227	16,725
Add/(Deduct):						
Amortization of tenant incentives and leasing costs	160	187	(27)	669	642	27
Straight-line adjustments of rent	(440)	(104)	(336)	(803)	(546)	(257)
Acquisitions	(8,944)	(53)	(8,891)	(18,562)	(1,513)	(17,049)
Disposals	(99)	(132)	33	(496)	(500)	4
Termination fees and non-recurring items	(12)	(22)	10	(26)	(252)	226
Same Property NOI	9,736	9,574	162	36,734	37,058	(324)

The \$0.162 million increase in Same Property NOI for Q4 2021 from Q4 2020 relates primarily to a \$0.095 million increase in the REIT's industrial portfolio where rental steps and favourable new and renewal leasing at certain of the REIT's industrial properties more than offset a 25,000 square foot vacancy at one of the REIT's industrial properties in Calgary, Alberta that commenced in October 2020 (\$0.087 million) and a 22,000 square foot vacancy at one of the REIT's industrial properties in Regina, Saskatchewan that commenced in October 2021 (\$0.041 million). The REIT's retail portfolio showed a slight improvement in Same Property NOI during the quarter of \$0.033 million with the impact of Quebec retail vacancies offset by percentage rent increases and favourable new leasing. The REIT's office portfolio also showed a slight improvement of \$0.034 million in Same Property NOI during the quarter with rent increases and offsetting 19,500 sqft of vacancy in the quarter at one of the REIT's office properties.

The \$0.324 million decrease in Same Property NOI for year ended December 31, 2021 as compared to 2020 relates to an October 2020 vacancy of 25,000 sqft at one of the REIT's industrial properties in Calgary, Alberta (\$0.525 million). This was partially offset by approximately \$0.45 million of rental steps and favourable new and renewal leasing at certain of the REIT's industrial properties. For the full year, the REIT's Quebec retail portfolio Same Property NOI decreased approximately \$0.1 million as retail vacancies were only partially offset by rental steps and favourable new leasing. The REIT's office portfolio was also negative, primarily due to a 26,000 sqft vacancy in May, of which approximately 6,500 was re-leased in July, resulting in a year over year Same Property NOI decrease of \$0.185 million that was only partially offset by rent increases.

FUNDS FROM OPERATIONS AND ADJUSTED FUNDS FROM OPERATIONS

(In thousands of Canadian dollars, except per unit amounts)

	Three Months ended December 31,			Year ended December 31,		
	2021 \$	2020 \$	Change \$	2021 \$	2020 \$	Change \$
FFO						
Net income	44,760	9,831	37,856	93,539	35,235	61,231
Adjustments:						
Loss on disposal of investment properties	497	-	497	592	-	592
Fair value adjustment of investment properties	(32,026)	(13,191)	(21,762)	(132,396)	(10,583)	(124,740)
Fair value adjustment of Class B LP Units	(1,765)	9,264	(11,029)	71,339	(6,982)	78,321
Fair value adjustment of warrants	-	-	-	-	(1)	1
Fair value adjustment of unit options	(24)	164	(188)	1,774	(333)	2,107
Fair value adjustment of restricted share units	(9)	70	(79)	309	51	258
Fair value adjustment of derivative financial instruments	(534)	139	(673)	(4,920)	6,157	(11,077)
Adjustments for equity accounted joint venture ⁽¹⁾	45	(824)	869	(257)	(289)	32
Attribution of grant date fair value of unit options	-	(31)	31	-	(125)	125
Distributions on Class B LP Units expensed	2,969	997	1,972	8,943	3,619	5,324
Amortization of tenant incentives and leasing costs	160	167	(7)	669	637	32
Lease principal payments	(17)	(16)	(1)	(67)	(61)	(6)
Amortization of right-of-use assets	23	23	-	93	93	-
Deferred income taxes	-	20	(20)	40	40	-
Funds from operations (FFO)	14,079	6,613	7,466	39,658	27,458	12,200
Weighted average units outstanding (000s)						
Basic ⁽⁵⁾	68,508	34,015	34,493	51,914	32,858	19,056
FFO per unit - basic	0.206	0.194	0.012	0.764	0.836	(0.072)
FFO	14,079	6,613	7,466	39,658	27,458	12,200
Add: Vendor rent obligation ⁽²⁾	611	560	51	2,473	2,351	122
Less: Other income ⁽²⁾	(1,402)	(181)	(1,221)	(2,384)	(1,546)	(838)
Add: TSX graduation listing fees ⁽³⁾	-	-	-	207	-	207
Normalized FFO	13,288	6,992	6,296	39,954	28,263	11,691
Weighted average units outstanding (000s)						
Basic ⁽⁵⁾	68,508	34,015	34,493	51,914	32,858	19,056
Normalized FFO per unit - basic	0.194	0.206	(0.012)	0.770	0.860	(0.090)

(In thousands of Canadian dollars, except per unit amounts)

	Three Months ended December 31,			Year ended December 31,		
	2021 \$	2020 \$	Change \$	2021 \$	2020 \$	Change \$
AFFO						
FFO	14,079	6,613	7,466	39,658	27,458	12,200
Adjustments:						
Straight-line adjustments ground lease and rent	(460)	(129)	(331)	(887)	(636)	(251)
Capital reserve ⁽⁴⁾	(1,000)	(575)	(425)	(3,125)	(2,300)	(825)
Adjusted funds from operations (AFFO)	12,619	5,909	6,710	35,646	24,522	11,124
Weighted average units outstanding (000s)						
Basic ⁽⁵⁾	68,508	34,015	34,493	51,914	32,858	19,056
AFFO per unit - basic	0.184	0.174	0.010	0.687	0.746	(0.059)

AFFO	12,619	5,909	6,710	35,646	24,522	11,124
Add: Vendor rent obligation ⁽²⁾	611	560	51	2,473	2,351	122
Less: Other income ⁽²⁾	(1,402)	(181)	(1,221)	(2,384)	(1,546)	(838)
Add: TSX graduation listing fees ⁽³⁾	-	-	-	207	-	207
Normalized AFFO	11,828	6,288	5,540	35,942	25,327	10,615
Weighted average units outstanding (000s)						
Basic ⁽⁵⁾	68,508	34,015	34,493	51,914	32,858	19,056
Normalized AFFO per unit - basic	0.173	0.185	(0.012)	0.692	0.771	(0.079)

- (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 and Ajax properties, which are payable from the vendors of the properties until buildout of the properties 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 consolidated 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 also include adjustments for \$0.2 million of one-time TSX listing fees related to graduation to the TSX, which are included in general and administrative expense in the year ended December 31, 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.
- (5) Weighted average number of units includes the Class B LP Units.

AFFO CAPITAL RESERVE

(In thousands of Canadian dollars, except per square foot amounts)

	Three Months ended December 31,			Year ended December 31,		
	2021 \$	2020 \$	Change \$	2021 \$	2020 \$	Change \$
Capital reserve	1,000	575	425	3,125	2,300	825
Average square feet of Gross Leasable Area (GLA)	8,653,476	4,124,604	4,528,872	6,392,982	4,009,115	2,383,867
Annualized capital reserve per square foot of GLA	\$0.46	\$0.56	\$(0.10)	\$0.49	\$0.57	\$(0.08)

	Three Months ended December 31,			Year ended December 31,		
	2021 \$	2020 \$	Change \$	2021 \$	2020 \$	Change \$
Actual tenant incentives and leasing costs ⁽¹⁾	328	512	(184)	1,361	1,154	207
Actual maintenance capital expenditures ⁽²⁾	627	334	293	1,173	1,111	62
Total	955	846	109	2,534	2,265	269
Less: expenditures funded from mortgage escrow	-	-	-	(189)	(195)	6
Total spending funded by the REIT	955	846	109	2,345	2,070	275

Average square feet of GLA	8,653,476	4,124,604	4,528,872	6,392,982	4,009,115	2,383,867
Annualized capital spent per square foot of GLA unadjusted for capital reserve	\$0.44	\$0.82	\$(0.38)	\$0.37	\$0.52	\$(0.15)

⁽¹⁾ Excludes tenant incentives and leasing costs in the amount of \$nil (2020 - \$nil) and \$nil (2020 - \$0.9 million) incurred during the three months and year ended December 31, 2021, respectively, 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 \$0.1 million (2020 - \$0.9 million) and \$3.9 million (2020 - \$4.0 million) incurred during the three months and year ended December 31, 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 year ended December 31, 2021 of \$2.3 million is \$0.8 million lower than capital reserve included in AFFO of \$3.1 million. 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. Some 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:

(In thousands of Canadian dollars, except per unit amounts)

	Three Months ended December 31,			Year ended December 31,		
	2021 \$	2020 \$	Change \$	2021 \$	2020 \$	Change \$
Cash flows generated by operating activities	14,836	9,455	5,381	24,995	24,349	646
Adjustments:						
Changes in non-cash working capital	(7,358)	(3,997)	(3,361)	1,758	(1,145)	2,903
Changes in other non-current assets	2,988	-	2,988	3,062	16	3,046
Changes in restricted cash	(8)	9	(17)	(111)	41	(152)
Changes in other non-current liabilities	222	-	222	222	-	222
Distributions on Class B LP Units expensed	2,969	997	1,972	8,943	3,619	5,324
Adjustments for equity accounted joint venture	45	(824)	869	(257)	(289)	32
Share of net income from equity accounted investment in joint venture	139	980	(841)	917	865	52
Straight-line rent adjustments of equity accounted joint venture	(20)	(25)	5	(84)	(90)	6
Restricted share unit expense	(66)	(43)	(23)	(449)	(287)	(162)
Attribution of grant date fair value of unit options	-	(31)	31	-	(125)	125
Amortization of deferred financing fees	(187)	(78)	(109)	(445)	(323)	(122)
Amortization of mortgage fair value adjustments	76	57	19	287	252	35
Lease principal repayments	(17)	(16)	(1)	(67)	(61)	(6)
Capital reserve	(1,000)	(575)	(425)	(3,125)	(2,300)	(825)
AFFO	12,619	5,909	6,710	35,646	24,522	11,124

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 December 31, 2021, the REIT had cash of \$82.3 million (December 31, 2020 - \$14.0 million) and a working capital of \$10.3 million (December 31, 2020 - \$16.1 million deficit). Excluding the current portion of mortgages payable of \$58.2 million, working capital would be a surplus of \$68.4 million. 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:

(In thousands of Canadian dollars)

	Three Months ended December 31,			Year ended December 31,		
	2021 \$	2020 \$	Change \$	2021 \$	2020 \$	Change \$
Cash generated by (used in)						
Operating activities	14,836	9,455	5,381	24,995	24,349	646
Investing activities	(303,272)	(40,351)	(262,921)	(469,254)	(45,074)	(424,180)
Financing activities	307,658	28,530	279,128	512,545	26,843	485,702
Change in cash	19,222	(2,366)	21,588	68,286	6,118	62,168
Cash – beginning of period	63,057	16,359	46,698	13,993	7,875	6,118
Cash – end of period	82,279	13,993	68,286	82,279	13,993	68,286

Cash generated from operating activities for the three months ended December 31, 2021 of \$14.8 million is comprised of net income of \$44.8 million, cash from changes in non-cash working capital, other non-current assets, other non-current liabilities and restricted cash of \$4.2 million, and non-cash items of \$34.1 million.

Cash generated from operating activities for the year ended December 31, 2021 of \$25.0 million is comprised of net income of \$93.4 million, less cash from changes in non-cash working capital, other non-current asset, other non-current liabilities and restricted cash of \$4.9 million, and non-cash items of \$63.7 million. Deposits in respect of potential acquisitions increased by \$3.7 million in the year ended December 31, 2021.

Cash used in investing activities for the three months ended December 31, 2021, of \$303.3 million is primarily related to \$312.7 million of cash used to acquire 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 \$1.1 million. Offsetting this was net proceeds of \$10.5 million generated from the sale on November 24, 2021 of one of the REIT's retail properties located in Beamsville, Ontario.

Cash used in investing activities for the year ended December 31, 2021 of \$469.3 million is primarily related to \$477.2 million used to acquire properties during the period. The remainder of cash used in investing activities relates to tenant incentives, leasing costs and capital spending in the amount of \$5.4 million, including \$3.9 million of capital expenditures as part of the repurposing of a REIT property located in Richmond, BC into significantly higher yielding uses. Partially offsetting this was \$13.3 million of proceeds generated from the disposals the REIT's Beamsville, Ontario property and a property located in Lachine, Quebec on March 16, 2021.

Cash generated from financing activities for the three months ended December 31, 2021 of \$307.7 million is primarily related to a \$148.3 million bought deal equity financing completed on November 22, 2021, which generated \$141.8 million of net proceeds, and \$179.4 million of proceeds from new mortgage financing. Partially offsetting were cash distributions to unitholders of \$7.0 million and mortgage principal repayments of \$5.4 million.

Cash generated from financing activities for the year ended December 31, 2021 of \$512.5 million is primarily related to three bought deal equity financings completed in March, August and November 2021 which totalled \$295.3 million and generated net proceeds of \$281.6 million, and \$266.8 million of proceeds from new mortgage financing. Partially offsetting were cash distributions to unitholders of \$20.9 million and mortgage principal repayments of \$12.7 million.

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

During the quarter, the REIT assumed mortgages or secured mortgage financing, on certain acquired properties, in the face amount of \$256.5 million at a weighted average contractual interest rate of 2.96%, weighted average 29 year amortization, and a weighted average term to maturity at December 31, 2021 of 10.6 years.

As at December 31, 2021, the mortgages payable are secured by charges against 74 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 3.28% (December 31, 2020 – 3.66%) and the weighted average term to maturity is 6.61 years (December 31, 2020 – 3.95 years). The breakdown of future principal repayments, including mortgage maturity, is presented in the following table:

(In thousands of Canadian dollars)	Scheduled repayments \$	Principal maturities \$	Total \$	Weighted average interest rate of maturing mortgages ⁽¹⁾
2022	16,591	41,543	58,134	3.59%
2023	15,617	48,922	64,539	4.26%
2024	13,944	43,319	57,263	3.68%
2025	12,470	61,570	74,040	3.40%
2026	9,712	86,056	95,768	3.00%
Thereafter	48,008	215,012	263,020	3.08%
Total	116,342	496,422	612,764	3.28%

(1) Weighted average interest rate - including deferred financing costs and interest rate swap agreements.

CREDIT FACILITIES

On June 24, 2021, the REIT entered into a new \$40 million 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 December 31, 2021, Credit Facility 3 was undrawn.

Credit Facility 3 includes, inter alia, covenants that the REIT: (i) will not allow the Debt to Gross Book Value Ratio to exceed 60% at any time, (ii) will not allow the Debt Service Coverage Ratio to be less than 1.40:1, (iii) will not allow Adjusted Unitholders' Equity to be less than the aggregate of \$200 million plus 75% of net proceeds in connection with any equity offering by the REIT on or after March 4, 2021. As at December 31, 2021, the REIT was in compliance with these covenants. Credit Facility 3, 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 any amount of principal, interest or other obligations under the credit facility when due, failure to observe covenants and involuntary insolvency.

Debt to Gross Book Value Ratio is a defined term in Credit Facility 3. Debt to Gross Book Value Ratio is calculated by dividing the REIT's consolidated indebtedness by the REIT's gross book value.

Debt Service Coverage Ratio is a defined term in Credit Facility 3. Debt Service Coverage Ratio is calculated by dividing the REIT's consolidated earnings before interest, income taxes, depreciation and amortization by the REIT's debt service.

Adjusted Unitholders' Equity is a defined term in Credit Facility 3. Adjusted Unitholders' Equity is calculated as the sum of the REIT's total unitholders' equity and Class B LP Units.

Debt to Gross Book Value Ratio, Debt Service Coverage Ratio, and Adjusted Unitholders' Equity 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 the REIT's compliance with its covenants set out in the Credit Facility 3 Agreement.

The REIT has a \$0.5 million 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 five of the REIT's investment properties and allows the REIT to draw down a yearly average maximum of 75% of the \$0.5 million credit limit. As at December 31, 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 million and a revolving facility of \$5 million (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 million 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 million 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 million 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 \$0.5 million 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 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 must be repaid by July 31, 2021. As at December 31, 2021, \$nil (December 31, 2020 - \$0.3 million) 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 December 31, 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 any amount of principal, interest or other obligations under the credit facility when due, 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 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 and the revolving line of credit are as follows:

(In thousands of Canadian dollars)	December 31, 2021 \$	December 31, 2020 \$
Fixed-term borrowings	65,000	65,000
Working capital relief loans	-	293
Total drawn against the Credit Facilities	65,000	65,293
Less: deferred financing costs	(287)	(97)
Balance, end of year	64,713	65,196

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

(In thousands of Canadian dollars)	Principal Amount \$	Interest Rate	Repricing Date
Fixed-term borrowings	65,000	1.94% ⁽¹⁾	January 13, 2022 ⁽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.

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 consolidated 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 December 31, 2021, a 0.25% increase in the weighted average capitalization rate would result in a decrease of approximately \$67.3 million 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 \$73.7 million 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 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 consolidated financial statements.

STANDARDS ISSUED BUT NOT YET EFFECTIVE

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

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

On January 23, 2020, the IASB issued "Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)". The amendments clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. The amendments also clarify the definition of "settlement" and provide situations which would be considered as a settlement of a liability. The amendments are effective January 1, 2023, with earlier application permitted. The REIT is currently evaluating the impact of these amendments on its consolidated financial statements.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL 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 December 31, 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 and year ended December 31, 2021 that materially affected or are likely to materially affect, the REIT's internal controls over financial reporting.

Internal controls over financial reporting cannot provide absolute assurance of achieving financial reporting objectives because of their inherent limitations. Internal control over financial reporting is a process that involves human diligence and compliance and is subject to lapses in judgment and breakdowns resulting from human failures. Internal control over financial reporting also can be circumvented by collusions or improper management override. A control system, no matter how well conceived and operated, can provide only reasonable assurance that the objectives of the control system are met.

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 December 31, 2021, one tenant accounted for approximately 15% 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

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 consolidated 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 December 31, 2021, the REIT had cash of \$82.3 million (December 31, 2020 - \$14.0 million), mortgages payable of \$612.8 million (December 31, 2020 - \$274.2 million), a balance of \$65 million drawn against the Credit Facilities (December 31, 2020 - \$65.3 million) and accounts payable and other liabilities of \$35.5 million (December 31, 2020 - \$11.7 million). The REIT had a working capital of \$10.3 million as at December 31, 2021 (December 31, 2020 - \$16.1 million deficit). Excluding the current portion of mortgages payable of \$58.2 million, the working capital would be a surplus of \$68.4 million. 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:

(In thousands of Canadian dollars)	Accounts payable and other liabilities \$	Lease liabilities \$	Credit Facilities principal repayment \$	Interest on fixed portion of Credit Facilities \$	Mortgages payable \$	Mortgage interest \$	Total \$
2022	25,939	288	-	2,048	58,134	18,343	104,752
2023	960	297	-	2,048	64,539	16,444	84,288
2024	992	270	65,000	1,536	57,263	14,281	139,342
2025	1,026	270	-	-	74,040	12,200	87,536
2026	1,060	275	-	-	95,768	11,672	108,775
Thereafter	5,532	5,648	-	-	263,020	36,693	310,893
	35,509	7,048	65,000	5,632	612,764	109,633	835,586

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 December 31, 2021, there was a total of \$182.3 million (December 31, 2020 - \$142.7 million) 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 December 31, 2021, the REIT has interest rate swap agreements totalling \$182.3 million (2020 - \$142.4 million) 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:

(In thousands of Canadian dollars)

Transaction date	Effective fixed interest rate	Maturity date	Original principal amount \$	Outstanding amount \$	Fair value \$
April 2019	3.67 %	April 24, 2024	12,000	11,442	121
April 2019	3.74 %	April 24, 2026	12,500	11,928	192
April 2019	3.87 %	April 24, 2029	12,500	11,944	408
September 2019	3.15 %	September 13, 2024	65,000	65,000	(1)
November 2020	2.82 %	November 2, 2027	7,650	7,419	(281)
December 2020	3.61 %	December 1, 2025	18,500	18,036	(475)
December 2020	3.35 %	December 30, 2030	15,000	14,643	(531)
April 2021	3.08 %	April 1, 2026	19,750	19,397	(116)
November 2021	3.69 %	June 1, 2028	22,600	22,539	1,138
			185,500	182,348	455

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 \$6.1 million, 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 \$20.0 million of value enhancement will be for the benefit of the REIT. The next \$20 million of value enhancement will be for the benefit of the Developer. Any value enhancement in excess of \$40 million 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 \$32.3 million. \$5.0 million 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 \$27.3 million, 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. On November 9, 2021, \$21.5 million was settled through the issuance to the Developer of 1,866,957 Class B LP Units valued at \$11.50, resulting in an estimated value enhancement payable to the Developer of \$5.8 million as at December 31, 2021.

A development management fee related to the Addition was estimated at \$3.0 million 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.

Other

The REIT has guaranteed the borrowings of a limited partnership in which the REIT has an investment. The debt guaranteed has a principal amount of \$17.5 million and is secured by development land owned by the limited partnership.

OUTSTANDING UNIT DATA

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

(In thousands of Canadian dollars)	Units (000s)	Amount \$
Balance – January 1, 2021	27,975	215,435
Units issued under distribution reinvestment plan	268	2,624
Units issued under Option Plan	54	559
Units issued under Incentive Plan	24	201
Units issued under Employee Purchase Plan, net of \$17 of issuance costs	7	67
Units issued for cash, net of \$13,722 of issuance costs	25,717	281,583
Class B LP Units exchanged for REIT Units	3,258	36,414
Balance – December 31, 2021	57,303	536,883

As at March 15, 2021, a total of approximately 57,365,000 REIT Units and 21,230,000 Class B LP Units were issued and outstanding.

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 million 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 REIT intends to use the net proceeds from REIT Units sold under the ATM Program, if any, to fund acquisitions, repay indebtedness, to fund development investments and for general working capital purposes.

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 months and year ended December 31, 2021 amounted to \$8.5 million (2020 - \$4.4 million) and \$25.1 million (2020 - \$17.2 million), respectively.

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

(In thousands of Canadian dollars)	Three Months ended December 31, 2021 \$	Year ended December 31, 2021 \$	Year ended December 31, 2020 \$	Year ended December 31, 2019 \$
Cash generated from operating activities	14,836	24,995	24,349	23,347
Net income	44,760	93,539	35,235	42,388
Actual cash distributions paid or payable during the period ⁽¹⁾	8,450	25,082	17,246	16,007
Excess (shortfall) of cash flows from operating activities over cash distributions paid	6,386	(87)	7,103	7,340
Excess of net income over cash distributions paid	36,310	68,457	17,989	26,381

⁽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 months and year ended December 31, 2021, \$0.7 million and \$2.6 million, respectively, was settled through the issuance of REIT Units under the distribution reinvestment plan.

Net income for the three months ended December 31, 2021 of \$44.8 million was \$36.3 million more than actual cash distributions paid or payable for the three months ended December 31, 2021 of \$8.5 million. 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 \$34.4 million and excluding other income of \$1.4 was \$9.0 million for the three months ended December 31, 2021, which exceeded actual cash distributions paid or payable by \$0.5 million.

Net income for the year ended December 31, 2021 of \$93.5 million was \$68.5 million higher than actual cash distributions paid or payable for the year ended December 31, 2021 of \$25.1 million. Net income excluding non-cash fair value adjustments of investment properties, Class B LP Units, unit options, warrants, restricted share units and derivative financial instruments totalling \$63.9 million and other income of \$2.4 million was \$27.3 million for the year ended December 31, 2021, which exceeded actual cash distributions paid or payable by \$2.1 million.

For the three months ended December 31, 2021, cash generated from operating activities exceeded actual cash distributions paid or payable by \$6.4 million. Excluding changes in non-cash working capital, other non-current assets, restricted cash and other non-current liabilities of \$4.2 million, cash generated from operating activities exceeded actual cash distributions paid or payable by \$2.2 million.

For the year ended December 31, 2021, cash generated from operating activities fell short of actual cash distributions paid or payable by \$0.1 million. Including changes in non-cash working capital, other non-current assets and restricted cash of \$4.9 million, cash generated from operating activities exceeded actual cash distributions paid or payable by \$4.8 million.

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 year ended December 31, 2021, 267,815 units (2020 – 338,678 units) were issued under the DRIP for a stated value of \$2.6 million (2019 - \$2.2 million).

RELATED PARTY TRANSACTIONS

For the three-month period ended December 31, 2021, trustee retainer fees in the amount of \$0.053 million were expensed (2020 - \$0.044 million). For the year ended December 31, 2021, trustee retainer fees in the amount of \$0.186 million were expensed (2020 - \$0.178 million). Trustee retainer fees in the amount of \$0.044 million were accrued as at December 31, 2021 (December 31, 2020 - \$0.044 million).

Trustee meeting fees in the amount of \$0.012 million were expensed for the three months ended December 31, 2021 (2020 - \$0.005 million). Trustee meeting fees in the amount of \$0.029 million were expensed for the year ended December 31, 2021, (2020 - \$0.017 million). Trustee meeting fees in the amount of \$0.011 million were accrued as at December 31, 2020 (December 31, 2020 - \$0.005 million).

For the three-month period ended December 31, 2021, key management earned salaries and other short-term employee benefits in the amount of \$0.401 million (2020 - \$0.814 million) and \$1.605 million was earned in respect of the year ended December 31, 2021 (2020 - \$1.367 million).

On November 16, 2021, the REIT acquired an interest in a limited partnership for \$3.0 million. The REIT also indirectly, through one of its subsidiaries, guaranteed a \$17.5 million debt of the limited partnership. The limited partnership is controlled by RFA, an entity controlled by a trustee of the REIT. For the period of November 2021 to October 2022, the REIT is entitled to a guarantee fee of \$0.175 million, which was received subsequent to December 31, 2021.

SUBSEQUENT EVENTS

On January 12, 2022, the REIT acquired a 179,291 square foot multi-tenant industrial property with 22 acres of excess land located in Regina, Saskatchewan for a purchase price of \$28 million.

On February 2, 2022, the REIT acquired a 101,315 square foot newly constructed distribution centre located in the Montreal, Quebec area for a purchase price of \$28.9 million. Subsequent to the acquisition, on February 22, 2022, the REIT secured a \$20 million mortgage financing against the property at 3.28% with a 10-year term.

On February 7, 2022, the REIT acquired a 210,429 square foot industrial warehouse located in Edmonton, Alberta for a purchase price of \$38.2 million. Subsequent to the acquisition, on February 22, 2022, the REIT secured a \$29.5 million mortgage financing against the property at 3.28% with a 10-year term.

On Feb 22, 2022, the REIT acquired two industrial properties with a total GLA of approximately 550,000 square feet located in Edmonton, Alberta for a purchase price of \$91 million. Concurrent with the acquisition, the REIT secured a \$60 million mortgage financing against the property at 3.18% with a 7-year term.

On March 1, 2022, the REIT acquired three industrial properties with a combined GLA of 340,320 square feet located in London, Ontario for a purchase price of \$35.7 million. The purchase price was partially settled through the issuance of \$22.3 million of Class B LP Units. Concurrent with the acquisition, the REIT secured a \$17.8 million mortgage financing against the property at 3.41% with a 5-year term.

On March 1, 2022, the REIT acquired an industrial property with a GLA of 72,420 square feet located in Edmonton, Alberta for a purchase price of \$14.75 million.

OUTLOOK

While COVID-19 continues to impact the Canadian economy and new variants continue to emerge, industrial real estate remained very resilient and continued to strengthen during late 2021. Rental rates continue to increase in many of the markets in which the REIT is present. The increase is driven by limited vacancy, under-supply, and unprecedented demand for warehouse and logistics space – a by-product of the pandemic which accelerated structural changes in the distribution of goods. The REIT expects these industrial real estate trends to continue into 2022.

The REIT intends to be Canada's next pure play industrial REIT. As the REIT grows, it will continue to upgrade the quality of its industrial portfolio with opportunities that meet its investment criteria, while also re-deploying capital from strategic dispositions of properties in its retail and office portfolio.