Nexus Industrial REIT
(Formerly Nexus Real Estate Investment Trust)

Consolidated Financial Statements

December 31, 2021 and 2020

Independent auditor's report

To the Unitholders of Nexus Industrial REIT

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Nexus Industrial REIT and its subsidiaries (together, the REIT) as at December 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

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

- the consolidated statements of financial position as at December 31, 2021 and 2020;
- the consolidated statements of income and comprehensive income for the years then ended;
- the consolidated statements of changes in unitholders' equity for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

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

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

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

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Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2021. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Fair valuation of investment properties *Refer to note 2 – Summary of significant accounting policies and note 4 – Investment properties to the consolidated financial statements.* The REIT measures its investment properties at fair value. Management evaluates the fair value of the entire real estate portfolio annually. The fair value of the investment properties as at December 31, 2021 was $1,545.9 million. Fair value is determined with reference to external valuations and internal valuations based on the direct income capitalization method. In applying the direct income capitalization method, the stabilized net rental income of each property is divided by a capitalization rate appropriate for the property based on the market in which the property is located and the specific details of the property. Internal valuations are prepared by management, and external valuations are prepared by qualified external valuation professionals. The REIT obtains external valuations to supplement internal management valuations in support of the determination of the fair market value of investment properties. The application of the direct income capitalization method by management and their qualified external valuation professionals is subject to significant judgments, estimates and assumptions about market conditions as at the valuation date.	Our approach to address the matter included the following procedures, among others: Tested how management determined the fair value of investment properties, which included the following: – Evaluated the reasonableness of the capitalization rates by comparing them to industry data for the same type of property in the same geographic area. – Evaluated whether net stabilized net rental income was reasonable considering (i) the current and past leasing activity of the investment properties, (ii) the comparability with external market and industry data as applicable and (iii) whether these assumptions were aligned with evidence obtained in other areas of the audit. *For a sample of investment properties:* – Professionals with specialized skills and knowledge in the field of real estate valuations further assisted us in evaluating the appropriateness of the direct income capitalization method and in evaluating the reasonableness of the capitalization rates and stabilized net rental income as applicable, by comparing to externally available market data. – Tested the underlying data used in the direct income capitalization method.

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

Other information

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

PricewaterhouseCoopers LLP[1]

Montréal, Quebec
March 15, 2022

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

Nexus Industrial REIT

Consolidated Statements of Financial Position
As at December 31, 2021 and 2020
(In thousands of Canadian dollars)

	Note(s)	December 31, 2021 $	December 31, 2020 $
Non-current assets			
Investment properties	3,4	1,545,866	667,601
Equity investment in joint venture	5	9,178	8,261
Restricted cash		1,425	1,536
Right-of-use assets	6	1,086	1,179
Other assets	8	3,086	64
		1,560,641	678,641
Current assets			
Cash		82,279	13,993
Tenant and other receivables	7	2,747	2,666
Deposits	22	3,800	100
Prepaid expenses	18	2,207	5,807
Other assets	8	6,483	9,291
		97,516	31,858
Total assets		1,658,157	710,499
Non-current liabilities			
Mortgages payable	3,9	553,011	239,413
Credit Facilities	10	64,713	64,903
Lease liabilities	6	3,597	3,670
Derivative financial instruments	17	455	5,376
Class B LP Units	11	248,150	49,187
Unit-based compensation liabilities	12	1,957	415
Other liabilities	13b	9,570	-
		881,453	362,964
Current liabilities			
Mortgages payable	3,9	58,152	34,368
Credit Facilities	10	-	293
Lease liabilities	6	73	67
Distributions payable		3,056	1,492
Accounts payable and other liabilities	13a,18	25,939	11,735
		87,220	47,955
Total liabilities		968,673	410,919
Equity			
Unitholders' equity	14	536,883	215,435
Retained earnings		152,601	84,145
Total unitholders' equity		689,484	299,580
Total liabilities and unitholders' equity		1,658,157	710,499
Commitments	18		
Subsequent events	22		

On behalf of the Board:

"Benjamin Rodney" Trustee "Floriana Cipollone" Trustee

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

Nexus Industrial REIT

Consolidated Statements of Income and Comprehensive Income
For the years ended December 31, 2021 and 2020
(In thousands of Canadian dollars)

	Note(s)	2021 $	2020 $
Net rental income			
Property revenues	16	83,559	61,386
Property expenses	16	(27,607)	(22,159)
Net rental income		55,952	39,227
General and administrative expense	20	(4,855)	(3,474)
Fair value adjustment of investment properties	4	132,396	10,583
Fair value adjustment of Class B LP Units	11	(71,339)	6,982
Fair value adjustment of warrants		-	1
Fair value adjustment of unit options	12	(1,774)	333
Fair value adjustment of restricted share units	12	(309)	(51)
Fair value adjustment of derivative financial instruments	17	4,920	(6,157)
Income from equity accounted investment in joint venture	5	917	865
Loss on disposal of investment properties	3	(592)	-
Other income	8	2,384	1,546
		117,700	49,855
Finance expense			
Net interest expense	9,10	(15,218)	(11,001)
Distributions on Class B LP Units	11	(8,943)	(3,619)
		(24,161)	(14,620)
Net income and comprehensive income		93,539	35,235

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

Nexus Industrial REIT

Consolidated Statements of Changes in Unitholders' Equity
For the years ended December 31, 2021 and 2020
(In thousands of Canadian dollars)

	Note	Units	Unitholders' Equity $	Retained Earnings $	Total $
Balance – January 1, 2021		27,975,110	215,435	84,145	299,580
Net income and comprehensive income		-	-	93,539	93,539
Distributions		-	-	(25,083)	(25,083)
Units issued under distribution reinvestment plan	15	267,815	2,624	-	2,624
Units issued under Option Plan	12	54,226	559	-	559
Units issued under Incentive Plan	12	24,067	201	-	201
Units issued under Employee Purchase Plan	12	6,907	84	-	84
Units issued for cash	14	25,717,106	295,305	-	295,305
Unit issuance costs	14	-	(13,739)	-	(13,739)
Class B LP Units exchanged for REIT Units	11	3,257,398	36,414	-	36,414
Balance – December 31, 2021		57,302,629	536,883	152,601	689,484

	Note	Units	Unitholders' Equity $	Retained Earnings $	Total $
Balance – January 1, 2020		25,527,980	197,073	66,156	263,229
Net income and comprehensive income		-	-	35,235	35,235
Distributions		-	-	(17,246)	(17,246)
Units issued under distribution reinvestment plan	15	338,678	2,226	-	2,226
Units issued under Incentive Plan	12	13,837	92	-	92
Units issued as purchase consideration	3	1,269,048	10,754	-	10,754
Class B LP Units exchanged for REIT Units	11	825,567	5,290	-	5,290
Balance – December 31, 2020		27,975,110	215,435	84,145	299,580

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

Nexus Industrial REIT

Consolidated Statements of Cash Flows
For the years ended December 31, 2021 and 2020
(In thousands of Canadian dollars)

	Note(s)	2021 $	2020 $
Operating activities			
Net income for the year		93,539	35,235
Adjustment for items not involving cash:			
Restricted share unit expense	12	449	287
Share of net income from equity accounted investment in joint venture	5	(917)	(865)
Loss on disposals	3	592	-
Amortization of deferred financing costs	9,10	445	323
Amortization of mortgage fair value adjustments	9	(287)	(252)
Amortization of right-of-use assets	6	93	93
Amortization of tenant incentives and leasing costs	4	669	637
Straight-line adjustments of rent		(803)	(546)
Fair value adjustment of investment properties	4	(132,396)	(10,583)
Fair value adjustment of Class B LP Units	11	71,339	(6,982)
Fair value adjustment of warrants		-	(1)
Fair value adjustment of unit options	12	1,774	(333)
Fair value adjustment of restricted share units	12	309	51
Fair value adjustment of derivative financial instruments	17	(4,920)	6,157
Changes in non-cash working capital:			
Tenant and other receivables		(3,340)	(365)
Prepaid expenses		(1,181)	221
Deposits		(3,700)	(100)
Other current assets		160	500
Accounts payable and other liabilities		6,303	889
Changes in other non-current assets		(3,022)	24
Changes in restricted cash		111	(41)
Changes in other non-current liabilities		(222)	-
Total cash generated by operating activities		24,995	24,349
Investing activities			
Acquisition of investment properties	3	(477,176)	(39,416)
Net proceeds on disposal of investment properties	3	13,295	-
Capital expenditures, tenant incentives and leasing costs	4	(5,373)	(5,658)
Total cash used in investing activities		(469,254)	(45,074)
Financing activities			
Proceeds from new financing		266,761	49,429
Financing costs		(1,845)	(509)
Lease principal repayments		(67)	(61)
Mortgage principal repayments		(12,684)	(7,280)
Net borrowing on (repayments of) the Credit Facilities		(293)	154
Units issued for cash	14	295,305	-
Unit issuance costs	14	(13,739)	-
Distributions to unitholders		(20,893)	(14,890)
Total cash generated by financing activities		512,545	26,843
Change in cash during the year		68,286	6,118
Cash - beginning of year		13,993	7,875
Cash - end of year		82,279	13,993
Supplemental cash flow and non-cash information	21		

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

1 Organization

Nexus Industrial REIT (formerly Nexus Real Estate Investment Trust) is an unincorporated, open-ended real estate investment trust governed by the laws of the Province of Ontario pursuant to an amended and restated declaration of trust dated March 7, 2022. Nexus Industrial REIT and its subsidiaries, (together, "the REIT") own and operate commercial real estate properties across Canada. The registered office of the REIT is located at 211-1540 Cornwall Road, Oakville, ON, L6J 7W5.

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

2 Summary of significant accounting policies

Statement of compliance

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

Basis of presentation

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

The consolidated financial statements have been prepared on a going concern basis and under the historical cost convention, except for the revaluation of investment properties, unit options, restricted share units and financial instruments classified as fair value through profit or loss (FVTPL), which are presented at fair value. These consolidated financial statements are presented in thousands of Canadian dollars, which is the functional currency of the REIT. The consolidated financial statements were authorized for issue by the board of trustees of the REIT on March 15, 2022.

Principles of consolidation

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

Joint arrangements

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

Segment reporting

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

Financial instruments

Classification and measurement of financial assets and financial liabilities

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

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

Financial instrument	**Measurement**
Restricted cash	Amortized cost
Cash	Amortized cost
Tenant and other receivables	Amortized cost
Deposits	Amortized cost
Reserves held by mortgage lenders	Amortized cost
Other assets	Amortized cost
Class B LP Units	FVTPL
Warrants	FVTPL
Interest rate swaps – not designated as hedges	FVTPL
Investment in financial asset	FVTPL
Mortgages payable	Amortized cost
Credit Facilities	Amortized cost
Accounts payable and other liabilities	Amortized cost

Impairment of financial assets

For amounts receivable, the REIT applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized on initial recognition of the receivables. To measure the expected credit losses, the REIT has established a provision matrix that is based on its historical credit loss experience based on days past due, adjusted for forward-looking factors specific to the tenant and the economic environment. The REIT may also consider a financial asset to be in default when internal or external information indicates that it is unlikely to receive the outstanding contractual amounts in full. The REIT assumes that there is no significant increase in credit risk for instruments that have a low credit risk. The methodology is applied principally to cash and related bank deposits.

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

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

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

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

Investment properties

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

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

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

Restricted cash

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

Derivative financial instruments

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

Leases

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

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

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

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

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

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

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

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

Lease principal repayments are classified as financing cash flows in the consolidated statements of cash flows.

Remeasurement

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

Exceptions to the application of IFRS 16

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

Unit equity

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

Unit option plan

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

Restricted share unit plan

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

Employee unit purchase plan

REIT contributions to the employee unit purchase plan are recognized as an asset, measured at fair value at the purchase date, and amortized to expense over the one-year vesting period.

Revenue recognition

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

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

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

Government assistance

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

COVID-19 Rent Relief

The REIT accounts for rental abatements in connection with the Canada Emergency Commercial Rent Assistance ("CECRA") program and provincial COVID-19 rent relief programs under the derecognition rules of IFRS 9*, Financial Instruments*. Financial assets, such as tenant and other receivables, are derecognized when all or a portion of outstanding amounts will be forgiven or abated, and no further collection activities will be pursued. The forgiveness or abatement of the tenant receivable is recognized as a property expense in the consolidated statement of income and comprehensive income (see note 16).

Current and deferred income taxes

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

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

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

Distributions

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

Significant accounting judgments, estimates and assumptions

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements and the reported amount of revenues and expenses during the period. Actual results may differ materially from these estimates. The estimates and judgments used in determining the recorded amount for asset, liabilities and equity in the financial statements include the following:

Coronavirus disease 2019

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

Valuation of investment properties

Fair value is determined with reference to external valuations and internal valuations. Internal valuations are primarily based on the direct income capitalization method. The critical assumptions and estimates used by management when determining the fair value of investment properties are stabilized net rental income and capitalization rates (see note 4). Management determines fair value internally utilizing financial information, external market data and capitalization rates determined by reference to third party appraisals and reports published by industry experts including commercial real estate brokerages.

Allowance for expected credit losses

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

Unit options

The estimates used when determining the fair value of unit-based compensation are the average expected unit option holding period, the average expected volatility rate and the average risk-free interest rate. For vested options, the holding period used is estimated to be half of the remaining life of the option. For unvested options, the average expected unit option holding period is estimated to be the period until the options vest plus half of the period from vesting to expiry. The average expected volatility rate is estimated based on the historical volatility of comparable companies over a period approximating the average expected unit option holding period. The average risk-free interest rate is based on Government of Canada bonds with terms consistent with the average expected unit option holding period.

New accounting standards adopted by the REIT

IFRS 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.

(In thousands of Canadian dollars)

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.

3 Acquisitions and disposals

1) Acquisitions

The impact of the acquisitions completed during the year ended December 31, 2021 is as follows:

Property location	Note	Acquisition date	Purchase price $	Fair value adjustment (1) $	Transaction costs $	Investment properties acquired $	Working capital acquired $	Mortgages assumed (2) $	Net assets acquired $
London, ON		December 30th	12,550	-	323	12,873	(16)	-	12,857
Pointe-Claire, QC	a	December 9th	98,183	(1,052)	98	97,229	(274)	(60,440)	36,515
Nisku, AB	b	November 19th	19,335	-	74	19,409	(44)	-	19,365
London, ON	c	November 1st	44,070	16,345	1,055	61,470	(447)	(16,448)	44,575
Windsor, ON		October 13th	11,500	-	360	11,860	(102)	-	11,758
Moncton, NB and Regina, SK	d	October 1st	241,095	-	2,401	243,496	(1,191)	-	242,305
Red Deer, AB		September 9th	19,750	-	47	19,797	(81)	-	19,716
Edmonton, AB		July 23rd	19,700	-	65	19,765	(267)	-	19,498
Edmonton, AB		July 16th	12,050	-	58	12,108	(205)	-	11,903
Calgary, AB and Headingley, MB	e	July 2nd	44,000	2,892	397	47,289	(287)	-	47,002
Windsor, ON		July 14th	14,665	-	479	15,144	(51)	-	15,093
St. Thomas, ON		June 11th	13,800	-	364	14,164	-	-	14,164
Red Deer, AB		June 10th	16,300	-	72	16,372	(74)	-	16,298
London, ON	f	April 1st	103,500	7,217	2,562	113,279	(567)	(7,913)	104,799
Edmonton, ON	g	March 1st	14,000	(60)	73	14,013	(468)	-	13,545
			684,498	25,342	8,428	718,268	(4,074)	(84,801)	629,393

(1) Fair value adjustment for Class B LP units issued, and mortgage assumed on acquisition.
(2) Mortgage assumed on acquisition inclusive of fair value adjustment.

Consideration:	
Cash	477,176
Deferred consideration	10,720
Class B LP Units issued	141,497
	629,393

a) On December 9, 2021, the REIT acquired a 50% interest in an industrial property located in Pointe-Claire, Quebec for a contractual purchase price of $98,183.

b) On November 19, 2021, the REIT acquired a single-tenant industrial property in Nisku, Alberta, for a contractual purchase price of $19,335 ($15,250 USD).

c) On November 1, 2021, the REIT acquired an industrial property located in London, Ontario, for a contractual purchase price of $44,070. 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. The fair value of the units issued as purchase consideration, on the date of issuance, was measured at the closing price of the REIT's units on November 1, 2021 of $13.31 per unit. The property was initially recorded at $59,537, the fair value of the consideration paid. The carrying amount of the property was subsequently adjusted to the acquisition date fair value of the property of $44,070.

(In thousands of Canadian dollars)

d) 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 $230,375 plus deferred consideration of $10,720 (see note 13).

e) On July 2, 2021, the REIT acquired two single-tenant industrial properties located in Calgary, Alberta and Headingley, Manitoba (the "Valard Properties"), for a contractual purchase price of $44,000. The purchase price was partially satisfied through the issuance of 1,821,925 Class B LP Units at a deemed value of $8.45 per unit which are convertible to REIT Units on a one-to-one basis with the balance, net of closing adjustments, satisfied in cash. The fair value of the units issued as purchase consideration, on the date of issuance, was measured at the closing price of the REIT's units on July 2, 2021 of $10.04 per unit. The Valard Properties were initially recorded at $46,892, the fair value of the consideration paid. The carrying amount was subsequently adjusted to the acquisition date fair value of the Valard Properties of $44,000.

f) On April 1, 2021, the REIT acquired six industrial properties located in London, Ontario (the "London Properties"), for a contractual purchase price of $103,500. The purchase price was partially satisfied through the issuance of 8,586,407 Class B LP Units at a deemed value of $7.64 per unit which are convertible to REIT Units on a one-to-one basis with the balance, net of closing adjustments, satisfied in cash. The fair value of the units issued as purchase consideration, on the date of issuance, was measured at the closing price of the REIT's units on April 1, 2021 of $8.42 per unit. The London Properties were initially recorded at $110,717, the fair value of the consideration paid. The carrying amount was subsequently adjusted to the acquisition date fair value of the London Properties of $103,500.

g) On March 1, 2021, the REIT acquired two industrial properties located in Edmonton, Alberta (the "Edmonton Properties"), for a contractual purchase price of $14,000. The purchase price was partially satisfied through the issuance of 853,659 Class B LP Units at a deemed value of $8.20 per unit which are convertible to REIT Units on a one-to-one basis with the balance, net of closing adjustments, satisfied in cash. The fair value of the units issued as purchase consideration, on the date of issuance, was measured at the closing price of the REIT's units on March 1, 2021 of $8.13 per unit. The Edmonton Properties were initially recorded at $13,940, the fair value of the consideration paid. The carrying amount was subsequently adjusted to the acquisition date fair value of the Edmonton Properties of $14,000.

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

Property location	Note	Acquisition date	Purchase price $	Class B LP Units fair value adjustment $	Transaction costs $	Investment properties acquired $	Working capital acquired $	Mortgage assumed $	Net assets acquired $
Ajax, ON	h	December 31st	25,282	-	680	25,962	2,946	-	28,908
Moncton, NB	i	December 1st	8,000	(128)	149	8,021	(19)	-	8,002
Rocky View County, AB	j	October 1st	13,750	(1,127)	141	12,764	(101)	-	12,663
Regina and Saskatoon, SK	k	February 3rd	17,400	911	166	18,477	-	-	18,477
			64,432	(344)	1,136	65,224	2,826	-	68,050

Consideration:	
Cash	39,294
Deferred consideration	3,000
Class B LP Units issued	15,002
REIT Units issued	10,754
	68,050

h) On December 31, 2020, the REIT acquired a 50 percent interest in an industrial property located in Ajax, Ontario for a contractual purchase price of $28,500. The REIT satisfied $25,500 of the purchase price on the closing date and the remaining $3,000 of purchase price will be satisfied in cash from mortgage financing to be placed on the property following completion of an approximately 95,000 square foot expansion which the vendor is obligated to complete at its own cost. In respect of the estimated cost of the expansion, $2,947 of the purchase price has been classified as prepaid development costs. Over the period commencing December 31, 2020 and ending when the expansion is complete, the REIT will receive vendor rent obligation payments from the vendor, which are estimated to total $271. The property was initially recorded at $25,282. The carrying value was subsequently adjusted to the acquisition date fair value of the property of $25,553.

i) On December 1, 2020, the REIT acquired a single-tenant industrial property located in Moncton, New-Brunswick, for a contractual purchase price of $8,000. The purchase price was partially satisfied through the issuance of 400,000 REIT Units at a deemed value of $8.00 per unit with the balance, net of closing adjustments, satisfied in cash. The fair value of the units issued as purchase consideration, on the date of issuance, was measured at the closing price of the REIT's units on December 1, 2020 of $7.68 per unit. The property was initially recorded at $7,872, the fair value of the consideration paid. The carrying amount was subsequently adjusted to $8,000, the acquisition date fair value of the property.

j) On October 1, 2020, the REIT acquired a single-tenant industrial property located in Rocky View County, Alberta, within the Calgary Metropolitan Region for a contractual purchase price of $13,750. The purchase price was partially satisfied through the issuance of 687,500 Class B LP Units at a deemed value of $8.00 per unit which are convertible to REIT Units on a one-to-one basis with the balance, net of closing adjustments, satisfied in cash. The fair value of the units issued as purchase consideration, on the date of issuance, was measured at the closing price of the REIT's units on October 1, 2020 of $6.36 per unit. The property was initially recorded at $12,623, the fair value of the consideration paid. The carrying amount was subsequently adjusted to the acquisition date fair value of the property of $13,750.

k) On February 3, 2020, the REIT acquired three industrial properties located in Regina and Saskatoon, Saskatchewan (the "Access Properties") for a contractual purchase price of $17,400. The purchase price was satisfied through the issuance of 1,202,381 Class B LP Units, which are convertible to REIT Units on a one-to-one basis, and 869,048 REIT Units, with both the REIT Units and the Class B LP Units issued at a deemed value of $8.40 per unit, with closing adjustments satisfied in cash. The fair value of the units issued as purchase consideration, on the date of issuance, was measured at the closing price of the REIT's units on February 3, 2020 of $8.84 per unit. The properties were initially recorded at $18,311, the fair value of the consideration paid. The carrying amount was subsequently adjusted to the acquisition date fair value of the properties of $17,400.

2) Disposals

On November 24, 2021, the REIT sold a property located in Beamsville, Ontario, for a selling price of $11,000. Net of selling costs of $497, debt repayment costs of $81 and repayment of a $1,812 mortgage secured against the property, the REIT received net cash proceeds of $8,610. The sale of the property generated a loss on disposal of $497.

On March 16, 2021, the REIT sold a property located in Lachine, Quebec, for a selling price of $2,900. Net of selling costs of $108, the REIT received cash proceeds of $2,792. The sale of the property generated a loss on disposal of $95.

(In thousands of Canadian dollars)

4 Investment properties

	Note	December 31, 2021 $	December 31, 2020 $
Balance, beginning of year		667,601	584,773
Acquisition of investment properties	3	718,268	65,224
Additions - capital expenditures		5,083	5,097
Additions - tenant incentives and leasing costs		1,361	2,061
Amortization of tenant incentives and leasing costs		(669)	(637)
Reclassified from prepaid development costs	8	3,450	500
Disposal of investment properties	3	(13,900)	-
Fair value adjustment		164,672	10,583
Balance, end of year		1,545,866	667,601

Acquisition of investment properties includes $8,428 of transaction costs (December 31, 2021 - $1,136).

The REIT obtains third party appraisals to supplement internal management valuations in support of the determination of the fair market value of investment properties. Investment properties with an aggregate fair value of $781,165 were valued by qualified external valuation professionals during the year ended December 31, 2021.

The fair value of the investment properties as at December 31, 2021 was determined primarily through the application of the direct capitalization method, with certain adjustments for the present value of rents determined to be above or below market rents.

The fair value of the investment properties as at December 31, 2021 represents the REIT's best estimate based on available information as at the end of the reporting period. The REIT will continue to monitor the effect of the economic environment on the valuation of its investment properties.

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

	December 31, 2021	December 31, 2020
Weighted average capitalization rate	5.47%	6.51%
Range of capitalization rates	3.90% - 9.50%	4.50% - 9.50%
Stabilized net operating income	$84,169	$43,613

The fair value of the investment properties is most sensitive to changes in capitalization rates. As at December 31, 2021, a 0.25% increase in the weighted average capitalization rate would result in a decrease of approximately $67,300 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 $73,749 in the determination of the fair value of the investment properties.

The calculation of the fair value of investment properties using the direct income capitalization method results in the measurement being classified as Level 3 in the fair value hierarchy. Significant unobservable inputs used in the Level 3 valuation of the investment properties are the capitalization rate and the stabilized net operating income applied in the valuations. Generally, an increase in stabilized net operating income or a decrease in capitalization rates will result in an increase in the fair value of investment properties. Conversely, a decrease in stabilized net operating income or an increase in capitalization rates will generally result in a decrease in the fair value of investment properties.

(In thousands of Canadian dollars)

5 Equity investment in joint venture

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

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

	December 31, 2021 $	**December 31, 2020 $**
Balance, beginning of year	8,261	7,396
Share of net income from investment in joint venture	917	865
Balance, end of year	9,178	8,261

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

	December 31, 2021 $	**December 31, 2020 $**
Investment property	33,242	33,250
Other non-current assets	884	746
Current assets	528	645
Non-current liabilities	(14,921)	(16,589)
Current liabilities	(1,377)	(1,530)
Net assets	18,356	16,522
50% investment in joint venture	9,178	8,261

	For the years ended December 31,	
	2021 $	**2020 $**
Net rental income		
Property revenues	3,781	3,666
Property expenses	(1,755)	(1,781)
Net rental income	2,026	1,885
General and administrative expense	(171)	(168)
Fair value adjustment of investment properties	(253)	1,538
Fair value adjustment of derivative financial instruments	766	(961)
Net interest expense	(535)	(564)
Net income and comprehensive income	1,833	1,730
Share of net income and comprehensive income from 50% investment in joint venture	917	865

6 Leases

The REIT has a leasehold interest in a property subject to a 66-year land lease, which commenced on May 1, 2006, and has two ten-year options to renew.

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

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

(In thousands of Canadian dollars)

The REIT has the rights and obligations of a 5-year term lease of 1,760 square feet of office space. The lease commenced on November 1, 2018.

The following table summarizes the changes in right-of-use assets for the years ended December 31, 2021 and December 31, 2020:

	$
Balance as at January 1, 2020	1,272
Amortization of right-of-use assets	(93)
Balance as at December 31, 2020	1,179
Amortization of right-of-use assets	(93)
Balance as at December 31, 2021	1,086
Cost	1,365
Accumulated amortization	(279)
Net book value	1,086

As of December 31, 2021, investment properties include right-of-use-assets with respect to land leases of $2,234 (December 31, 2020 - $2,234).

Amounts payable in addition to base rents under leases as recovery of variable expenses such as property taxes, insurance and repairs and maintenance are not included in lease liabilities and totalled $162 (2020 – $155) for the year ended December 31, 2021.

For the year ended December 31, 2021, amortization of right-of-use assets of $93 (2020 - $93) is included in the consolidated statement of income and comprehensive income.

The following table summarizes the changes in lease liabilities for the years ended December 31, 2021 and December 31, 2020:

	Land leases $	**Office leases** $	**Total** $
Balance as at January 1, 2020	2,285	1,514	3,799
Lease principal repayments	(9)	(53)	(62)
Balance as at December 31, 2020	2,276	1,461	3,737
Lease principal repayments	(9)	(58)	(67)
Balance as at December 31, 2021	2,267	1,403	3,670
Current portion	12	61	73
Non-current portion	2,255	1,342	3,597
	2,267	1,403	3,670

For the year ended December 31, 2021, interest expense on lease liabilities of $221 (2020 - $225) is included in the consolidated statement of income and comprehensive income.

(In thousands of Canadian dollars)

7 Tenant and other receivables

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

	December 31, 2021 $
2022	83,089
2023	76,194
2024	70,713
2025	59,742
2026	45,532
Thereafter	286,230
Balance as at December 31, 2021	621,500

8 Other assets

Other assets are comprised as follows:

	December 31, 2021 $	**December 31, 2020 $**
Prepaid development costs	198	3,648
Vendor rent obligations	1,525	1,642
Property tax reserves held by mortgage lenders	414	277
Cumulative straight-line rent adjustments	3,054	2,252
Restricted cash	630	1,266
Prepaid acquisition costs	542	83
Investment in financial asset	3,000	-
Other	206	187
Balance, end of year	9,569	9,355
Less: Current portion	(6,483)	(9,291)
Non-current balance, end of year	3,086	64

As at December 31, 2021, the vendor rent obligations of $1,525 represent the total amount of rent estimated to be collectible from the vendors in the future until property improvements are complete and tenant leases have commenced.

As at December 31, 2021, the vendor rent obligation related to the REIT's Richmond, BC property was $1,525 (December 31, 2020 - $1,371). This amount is an estimate of the total expected to be due to the REIT during the completion of the buildout, where the vendor is responsible for the construction costs, and prior to commencement of tenant leases.

As at December 31, 2021, the vendor rent obligation related to the Ajax Property was $nil (December 31, 2020 - $271). This amount is an estimate of the total expected to be due to the REIT during the completion of the building expansion and prior to commencement of a tenant lease.

During the year ended December 31, 2021, a total of $2,384 (2020 - $1,546) of vendor rent obligation was accrued and recorded in other income in the consolidated statement of income and comprehensive income in respect of the REIT's Richmond, BC property.

On November 16, 2021 the REIT acquired an interest in a limited partnership for $3,000. The limited partnership owns development land. The REIT has accounted for the interest in the limited partnership as a FVTPL financial asset. The fair value of the investment was $3,000 as at December 31, 2021.

(In thousands of Canadian dollars)

9 Mortgages payable

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:

	Scheduled repayments $	Principal maturities $	Total $
2022	16,591	41,543	58,134
2023	15,617	48,922	64,539
2024	13,944	43,319	57,263
2025	12,470	61,570	74,040
2026	9,712	86,056	95,768
Thereafter	48,008	215,012	263,020
Total	116,342	496,422	612,764

The following table summarizes the changes in mortgages payable for the years ended December 31, 2021 and 2020:

	Note	December 31, 2021 $	December 31, 2020 $
Mortgages payable, beginning of year		274,231	232,082
New mortgage financing		266,761	49,429
Principal repaid on disposal of investment properties		(1,812)	-
Mortgages assumed		84,456	-
Principal repayments		(10,872)	(7,280)
Mortgages payable, end of year		612,764	274,231
Less: Deferred financing costs, beginning of year		(911)	(692)
Less: Additions to deferred financing costs		(1,586)	(509)
Plus: Amortization of deferred financing costs		376	289
Plus: Fair value adjustment of mortgages, beginning of year		462	714
Plus: Additions to fair value adjustment of mortgages		345	-
Less: Amortization of fair value adjustments		(287)	(252)
Balance, end of year		611,163	273,781
Less: Current portion		(58,152)	(34,368)
Non-current balance, end of year		553,011	239,413

10 Credit Facilities

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

(In thousands of Canadian dollars)

The REIT has a $500 revolving line of credit ("Credit Facility 2") bearing interest at 100 basis points per annum over the Canadian prime borrowing rate. This line of credit is secured against six of the REIT's investment properties and allows the REIT to draw down a yearly average maximum of 75% of the $500 credit limit. As at December 31, 2021, this line of credit was undrawn (December 31, 2020 - undrawn).

On September 13, 2019, the REIT refinanced its existing credit facility to a fixed-term facility of $65,000 and a revolving credit facility of $5,000 (collectively "Credit Facility 1"). Credit Facility 1 matures on September 13, 2024 and is secured against 13 of the REIT's investment properties. The $65,000 fixed-term facility bears interest at the 30-day bankers' acceptance rate plus 150 basis points. Concurrent with the refinancing, the REIT entered into interest rate swap agreements totalling $65,000 to swap floating 30-day bankers' acceptance rates for a fixed rate of 1.65%, such that the interest rate on the fixed-term facility, including the 150-basis point spread, is fixed at 3.15%. The $5,000 revolving credit facility allows the REIT to draw against the facility in the form of prime rate advances or bankers' acceptances. Prime rate advances bear interest at 100 basis points per annum over the Canadian prime borrowing rate. Bankers' acceptance advances bear interest at 200 basis points per annum over the floating bankers' acceptance rate.

On April 6, 2020, the REIT received working capital relief loans totalling $500 under Credit Facility 1 as part of the lender's COVID-19 relief programs. These working capital relief loans were set at an amount that approximates three months' interest payments under the Credit Facility 1. The working capital relief loans bear interest of 100 basis points over the lender's prime lending rate, can be early repaid without penalty and were required to be repaid by July 31, 2021. As at December 31, 2021, $nil (December 31, 2020 - $293) relating to these working capital relief loans remained outstanding.

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

Funds drawn against the Credit Facilities are as follows:

	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
Less: Current portion	-	(263)
Non-current balance, end of year	64,713	64,903

Details of the amounts drawn under the Credit Facilities on December 31, 2021 are as follows:

	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 (see note 17).

(In thousands of Canadian dollars)

The following table summarizes the changes in the Credit Facilities for the years ended December 31, 2021 and 2020:

	December 31, 2021 $	December 31, 2020 $
Drawn against Credit Facilities, beginning of year	65,293	65,139
New working capital relief loans	-	500
Net repayments	(293)	(346)
Drawn against Credit Facilities, end of year	65,000	65,293
Less: Deferred financing costs, beginning of year	(97)	(130)
Less: Deferred financing costs incurred	(259)	-
Plus: Amortization of deferred financing costs	69	33
Balance, end of year	64,713	65,196

11 Class B LP Units

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

	Note	Class B LP Units	Amount $
Balance – January 1, 2021		6,371,372	49,187
Class B LP Units issued as purchase price consideration	3	14,565,266	141,497
Class B LP Units issued in settlement of contractual obligations	18	1,983,418	22,541
Class B LP Units exchanged for REIT Units		(3,257,398)	(36,414)
Fair value adjustment		-	71,339
Balance – December 31, 2021		19,662,658	248,150

Distributions in the amount of $8,943 (2020 - $3,619) were declared payable to holders of Class B LP Units for the year ended December 31, 2021. These amounts have been recognized as finance expense in the consolidated statement of income and comprehensive income. Distributions payable in the amount of $1,049 were accrued as at December 31, 2021 (December 31, 2020 - $332).

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

	Note	Class B LP Units	Amount $
Balance – January 1, 2020		4,553,955	39,528
Class B LP Units issued as purchase price consideration	3	1,889,881	15,002
Class B LP Units issued in settlement of contractual obligations	18	753,103	6,929
Class B LP Units exchanged for REIT Units		(825,567)	(5,290)
Fair value adjustment		-	(6,982)
Balance – December 31, 2020		6,371,372	49,187

(In thousands of Canadian dollars)

12 Unit-based compensation

Unit-based compensation liabilities are comprised as follows:

	December 31, 2021 $	December 31, 2020 $
Unit options	1,404	189
Restricted share units	553	226
Total unit-based compensation liabilities	1,957	415

1) Unit options

The REIT adopted a unit-based compensation plan (the "Option Plan") effective January 13, 2014. On June 4, 2021, the Option Plan was amended to allow for the cashless exercise of options. Under the terms of the Option Plan, the Board of Trustees may from time to time, at its discretion, grant options to purchase units of the REIT to trustees, officers and employees of the REIT and its affiliates, agents in connection with equity offerings and other consultants. The maximum number of options and restricted share units that may be reserved under the Option Plan and the Incentive Plan (as defined hereafter) is 10% of the outstanding units of the REIT.

The following table presents the changes in unit options for the years ended December 31, 2021 and 2020:

	Number of unit options	Weighted average Exercise price $	Weighted average remaining contractual life	Number of vested unit options
Outstanding as at January 1, 2020	635,450	8.16	2.51	495,867
Unit options forfeited	(62,500)	8.40		
Unit options expired	(16,700)	10.16		
Outstanding as at December 31, 2020	556,250	8.08	1.51	556,250
Unit options exercised	(200,000)	7.52		
Outstanding as at December 31, 2021	356,250	8.40	0.95	356,250

The weighted average share price when share options were exercised during the year ended December 31, 2021, was $10.32 ($nil for the year ended December 31, 2020)

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

Exercise price $	Number of unit options	Weighted average remaining contractual life	Number of vested unit options
8.40	356,250	0.95	356,250

(In thousands of Canadian dollars)

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

Exercise price **$**	**Number of unit options**	**Weighted average remaining contractual life**	**Number of vested unit options**
7.52	200,000	0.65	200,000
8.40	356,250	1.99	356,250
	556,250	1.51	556,250

Options are fair valued applying the Black-Scholes method. The average expected volatility rate used in the valuation is estimated based on the historical volatility of comparable companies over a period of time approximating the average expected unit option holding period. The average risk-free interest rate used is based on Government of Canada bonds with terms consistent with the average expected unit option holding period. For vested options, the average expected unit option holding period used is estimated to be half of the life of the option. For unvested options, the average expected unit option holding period is estimated to be the period until the options vest plus half of the period from vesting to expiry.

The key assumptions used in determining the fair value of the unit options are as detailed below:

	December 31, 2021	**December 31, 2020**
Weighted average expected unit option life (in years)	0.48	0.75
Weighted average volatility rate	25.00%	25.00%
Weighted average risk-free interest rate	0.32%	0.12%
Distribution yield	5.07%	8.29%

2) Restricted share units

The REIT adopted an incentive unit plan (the “Incentive Plan”) effective June 22, 2018. Under the Incentive Plan, the Board of Trustees may grant restricted share units (“RSUs”) of the REIT to trustees, officers and employees of the REIT and consultants. The REIT is authorized to issue up to 1,112,176 units under the Incentive Plan. The maximum number of restricted share units and options that may be reserved under the Incentive Plan and the Option Plan is 10% of the outstanding units of the REIT.

On March 31, 2021, the REIT granted an aggregate of 65,646 RSUs with a fair value at the grant date of $8.22. These RSUs vest one-third on the date of issuance, one-third on February 28, 2022 and one-third on February 28, 2023.

On March 25, 2020, the REIT granted an aggregate of 54,367 RSUs with a fair value at the grant date of $5.80. These RSUs vest one-third on the date of issuance, one-third on February 28, 2021 and one-third on February 28, 2022.

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

During the year ended December 31, 2021, a total of $449 (2020 - $284) of expense for restricted share units granted under the plan was recognized in general and administrative expense.

(In thousands of Canadian dollars)

3) Employee unit purchase plan

The REIT adopted an employee unit purchase plan (the "Employee Purchase Plan") effective August 30, 2021. Under the Employee Purchase Plan, employees of the REIT may contribute up to $7.5 per calendar year to the plan ("Employee Contributions"), and Employee Contributions will be matched by a contribution from the REIT equivalent to 100% of the Employee Contributions ("REIT Contributions"). REIT Contributions will vest one year following each purchase date. All contributions received in respect of each participant in the Employee Purchase Plan shall be paid in full on behalf of such participant to purchase REIT Units from treasury or, at the election of the REIT, through market purchases carried out by an independent broker through the facilities of the TSX. REIT Units issued from treasury will be issued at the volume weighted average trading price of REIT Units for the five trading days prior to each respective purchase date.

During the year ended December 31, 2021, 6,906 REIT Units (2020 – nil REIT Units) were issued from treasury at a weighted average price of $12.07 per unit in respect of $42 of Employee Contributions and $42 of REIT Contributions. 3,403 REIT Units issued in respect of REIT Contributions were unvested and remained in the Employee Purchase Plan at December 31, 2021 (2020 – nil REIT Units).

Included in other current assets as at December 31, 2021, related to REIT Contributions, is unamortized compensation expense of $20 (2020 - $nil). During the year ended December 31, 2021, a total of $23 (2020 - $nil) of expense for REIT Contributions was recognized in general and administrative expense.

13 Accounts payable and other liabilities

a) Accounts payable and other liabilities are comprised as follows:

	Note	December 31, 2021 $	December 31, 2020 $
Estimated value enhancement payable	18	5,805	-
Purchase consideration payable	3	3,000	3,000
Prepaid rent		4,360	1,675
Security deposits		2,667	1,890
Accrued interest expense		2,591	910
Sales and other taxes payable		920	1,171
Trade payables and accrued liabilities		5,668	3,089
Other liabilities		928	-
Current balance, end of year		25,939	11,735

b) Other liabilities – non-current as at December 31, 2021 of $9,570 (December 31, 2020 - $nil) represents deferred consideration related to the acquisition of an investment property. The deferred consideration is payable in quarterly instalments amortized over a 10-year period.

14 Unitholders' equity

The REIT is authorized to issue an unlimited number of units and special voting units. Each unit entitles the holder to a single vote at any meeting of unitholders and entitles the holder to receive a pro rata share of all distributions and in the event of termination or winding up of the REIT, in the net assets of the REIT remaining after satisfaction of all liabilities. The units are redeemable at any time at the demand of the holders to receive a price per unit as determined by the REIT's declaration of trust. Among other conditions for redemption, the total amount payable by the REIT in respect of units surrendered for redemption shall not exceed $50,000 in any one calendar month.

The declaration of trust provides for the issuance of special voting units which have no economic entitlement in the REIT or in the distribution of assets of the REIT but are used to provide voting rights proportionate to the votes of the units to holders of securities exchangeable into units, including Class B LP Units.

(In thousands of Canadian dollars)

On March 4, 2021, 4,255,000 REIT Units were issued at $8.20 per unit in a bought deal equity financing. Gross proceeds of the financing were $34,891 and net proceeds were $32,924.

On August 23, 2021, 9,918,750 REIT Units were issued at $11.30 per unit in a bought deal equity financing. Gross proceeds of the financing were $112,082 and net proceeds were $106,853.

On September 24, 2021, the REIT established an at-the-market equity program ("ATM Program") allowing the REIT to issue, at its discretion, up to $50,000 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.

On November 22, 2021, 11,543,356 REIT Units were issued at $12.85 per unit in a bought deal equity financing. Gross proceeds of the financing were $148,332 and net proceeds were $141,864.

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

	Note	Units	Amount $
Balance – January 1, 2021		27,975,110	215,435
Units issued under distribution reinvestment plan	15	267,815	2,624
Units issued under Option Plan	12	54,226	559
Units issued under Incentive Plan	12	24,067	201
Units issued under Employee Purchase Plan, net of $17 of issuance costs	12	6,907	67
Units issued for cash, net of $13,722 of issuance costs		25,717,106	281,583
Class B LP Units exchanged for REIT Units	11	3,257,398	36,414
Balance – December 31, 2021		57,302,629	536,883

The following table presents the changes in unitholders' equity for the year ended December 31, 2020:

	Note	Units	Amount $
Balance – January 1, 2020		25,527,980	197,073
Units issued under distribution reinvestment plan	15	338,678	2,226
Units issued under Incentive Plan	12	13,837	92
Units issued as purchase price consideration	3	1,269,048	10,754
Class B LP Units exchanged for REIT Units	11	825,567	5,290
Balance – December 31, 2020		27,975,110	215,435

15 Distribution reinvestment plan

The REIT adopted a distribution reinvestment plan ("DRIP)" on February 20, 2014, pursuant to which resident Canadian holders 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 $2,624 (2020 - $2,226).

(In thousands of Canadian dollars)

16 Property revenues

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

	For the years ended December 31, 2021 $	2020 $
Rental income	74,582	53,101
Revenue from services	8,072	7,301
Other revenue	905	984
Property revenues	83,559	61,386

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

During the year ended December 31, 2020 the REIT recorded a total of $543 of government funding under its rent relief programs. All funds were received in 2020 and no additional amounts were received during the year ended December 31, 2021. The CECRA rent abatement, net of the Quebec program contribution which is presented as a property expense was $260 during the year ended December 31, 2020 and there was no expense during the year ended December 31, 2021. During the year ended December 31, 2021, the REIT had a provision balance of $52 (2020 – $289) relating to a limited number of tenants which did not qualify for CECRA but had demonstrated significant financial hardship due to COVID-19. In other cases, the REIT entered into agreements to defer portions of rental payments. As at December 31, 2021, a total of $5 (December 31, 2020 – $531) of rent was deferred.

17 Financial instruments

Fair value

The fair value of cash, restricted cash, tenant and other receivables, deposits, other assets - current, and accounts payable and other liabilities - current approximates carrying values due to the short-term nature of these instruments. The fair value of the mortgages payable and other liabilities – non-current as at December 31, 2021 are approximately $605,657 (2020 - $283,203) and $9,570 (2020 - $nil), respectively.

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

The fair values of the mortgages payable and other liabilities – non-current have been calculated using Level 2 inputs by discounting the expected cash flows of each debt using a discount rate based on the Government of Canada benchmark bond yield for instruments of similar maturity, adjusted for the risk profile specific to the REIT and the investment properties.

As at December 31, 2021, the REIT has classified the fair value measurement of non-current liabilities as follows: mortgages payable (Level 2), other liabilities – non-current (Level 2), Credit Facilities (Level 2) and Class B LP Units (Level 2). There was no transfer between the levels during the fiscal year 2021.

(In thousands of Canadian dollars)

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 $82,279 (December 31, 2020 - $13,993), mortgages payable of $612,764 (December 31, 2020 - $274,231), a Credit Facilities balance of $65,000 (December 31, 2020 - $65,293) and accounts payable and other liabilities of $35,509 (December 31, 2020 - $11,735). The REIT had a working capital of $10,296 as at December 31, 2021 (December 31, 2020 - $16,097 deficit). Excluding the current portion of mortgages payable of $58,152, the working capital would be a surplus of $68,448. The REIT expects that it will be able to refinance the mortgages on their maturities. The REIT has access to undrawn funds under the Credit Facilities and expects to generate sufficient cash from operations to satisfy its financial liabilities as they come due.

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

	Accounts payable 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 $182,348 (December 31, 2020 - $142,678) 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 $182,348 (2020 - $142,384) to mitigate interest rate risk arising from floating rate debt.

The REIT is a party to interest rate swap agreements to swap floating rate interest for fixed rate interest over the terms of certain mortgages and over the term of the Credit Facility 1. The interest rate swap agreements expire coterminous with the maturity of the corresponding mortgages and Credit Facility 1.

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

(In thousands of Canadian dollars)

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

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

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a loss to another party by failing to settle its obligations. The REIT is subject to credit risk with respect to its cash deposited with financial institutions and tenant and other receivables. The REIT monitors the creditworthiness of its tenants on an ongoing basis. The REIT mitigates credit risk by monitoring the credit ratings of the institutions holding the REIT's deposits.

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

COVID-19 has resulted in government mandated shutdowns, and an economic slow down which are creating financial difficulties for tenants. While government plans have been put in place to support businesses through the COVID-19 pandemic, a deterioration in the economy may impact the ability of tenants to meet their obligations under their leases. The REIT continues to assess the effect of economic conditions on the creditworthiness of its tenants. As part of this assessment, the REIT reviews contractual rent receivables on a regular basis and reduces carrying amounts using an allowance for expected credit losses recognizing the amount of any loss in the consolidated statements of income and comprehensive income within property expenses. As at December 31, 2021, the REIT had an allowance for expected credit losses of $138 (December 31, 2020 – $323). Additionally, no amount was recorded as a reduction of tenant and other receivables in respect of amounts abated under the CECRA program for the period ended December 31, 2021 (December 31, 2020 - $260).

18 Commitments

Development Management Agreement

On March 16, 2020, the REIT entered into a development management agreement (the "DMA") with the vendor of the REIT's Richmond, BC property (the "Developer"). Pursuant to the DMA, the REIT is redeveloping approximately 60,000 square feet previously occupied by an industrial tenant (the "Redevelopment"). The Developer is managing the Redevelopment and has secured new tenants for the space, and the REIT has entered into lease agreements with these tenants. The REIT is responsible for the costs of the Redevelopment, which have been capped at $6,100, including leasing costs, tenant incentives, and construction costs (collectively the "Capped Redevelopment Costs").

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

Pursuant to the DMA, the REIT will split the value enhancement of the property, measured as the difference between the fair value of the property following completion of each of the Redevelopment and the Addition, less the REIT's total cost of the property. The REIT's total cost of the property will be measured as the REIT's original acquisition cost plus the Capped Redevelopment Costs and costs of the Addition (inclusive of construction costs, tenant incentives, leasing costs, and development management fees). The first $20,000 of value enhancement will be for the benefit of the REIT. The next $20,000 of value enhancement will be for the benefit of the Developer. Any value enhancement in excess of $40,000 will be split equally between the REIT and the Developer.

Based on external appraisals for the property and the settlement mechanism per the DMA, and subject to certain adjustments, the Developer's share of value enhancement through to completion of the Redevelopment is estimated at $32,275. $5,000 was previously settled through the issuance of Class B LP Units to the Developer, resulting in an estimated value enhancement payable to the Developer of $27,275, 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, $21,470 of the value enhancement was settled through the issuance to the Developer of 1,866,957 Class B LP Units valued at $11.50 per unit, resulting in an estimated value enhancement payable to the Developer of $5,805 as of December 31, 2021.

A development management fee related to the Addition was estimated at $3,000 and this estimated amount has been settled through the issuance of a total of 326,087 Class B LP Units to the Developer, valued at $9.20 per unit and exchangeable on a one-to-one basis for REIT Units.

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 $17,500 and is secured by development land owned by the limited partnership.

19 Capital management

The REIT defines its capital as its total unitholders' equity (net of retained earnings or deficit), mortgages payable, Class B LP Units and the Credit Facilities. The REIT manages its capital to ensure that sufficient funds are available to fund operations, including the identification and acquisition of businesses or assets. The REIT ensures that it has sufficient capital to fund its operations as a going concern, and to identify, analyze and finance further potential acquisitions. As part of the REIT's strategy for managing its capital, it may adjust the amount of distributions paid to unitholders, issue new units or debt, borrow against the Credit Facilities, or repay debt.

The REIT's Credit Facilities contains interest coverage, distribution and loan to value covenants, for which non-compliance would result in an event of default, allowing the lender to demand repayment of amounts outstanding under the Credit Facilities. As at December 31, 2021, the REIT was in compliance with all of the financial covenants contained within the Credit Facilities and the mortgages.

20 Related party transactions

For the year ended December 31, 2021, trustee retainer fees in the amount of $186 were expensed (2020 - $178). Trustee retainer fees in the amount of $44 were accrued as at December 31, 2021 (December 31, 2020 - $44).

Trustee meeting fees in the amount of $29 were expensed for the year ended December 31, 2021, (2020 - $17). Trustee meeting fees in the amount of $11 were accrued as at December 31, 2021 (December 31, 2020 - $5).

For the year ended December 31, 2021, key management earned salaries and other short-term employee benefits in the amount of $1,605 (2020 - $1,367).

(In thousands of Canadian dollars)

On November 16, 2021, the REIT acquired an interest in a limited partnership for $3,000. The REIT also indirectly, through one of its subsidiaries, guaranteed a $17,500 debt of the limited partnership. The limited partnership is controlled by RFA Capital Partners, 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 $175, which was received subsequent to December 31, 2021.

TriWest is a related party to a former trustee of the REIT. On May 14, 2020, the trustee did not seek re-election to the REIT's board of trustees, and the former trustee and TriWest both ceased to be related parties of the REIT. Between January 1, 2020 and May 14, 2020, the REIT received lease payments from companies controlled by funds associated with TriWest totalling $1,531.

21 Supplemental cash flow and non-cash information

	For the years ended December 31, 2021 $	2020 $
Interest paid	22,380	14,469
Income taxes paid	11	53
Non-cash investing and financing activities:		
REIT Units issued under distribution reinvestment plan	2,624	2,226
REIT Units issued as purchase price consideration	-	10,754
Class B LP Units issued as purchase price consideration	141,497	15,002
Class B LP Units issued in settlement of contractual obligations	22,541	1,500

22 Subsequent events

On January 12, 2022, the REIT acquired a multi-tenant industrial property located in Regina, Saskatchewan for a purchase price of $28,000.

On February 2, 2022, the REIT acquired a newly constructed distribution centre located in the Montreal, Quebec area for a purchase price of $28,913. Subsequent to the acquisition, on February 22, 2022 the REIT secured a $20,000 mortgage financing against the property at 3.28% with a 10-year term.

On February 7, 2022, the REIT acquired an industrial warehouse located in Edmonton, Alberta for a purchase price of $38,161. Subsequent to the acquisition, on February 22, 2022, the REIT secured a $29,500 mortgage financing against the property at 3.28% with a 10-year term.

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

On March 1, 2022, the REIT acquired three industrial properties located in London, Ontario for a purchase price of $35,694. The purchase price was partially settled through the issuance of $22,276 of Class B LP Units. Concurrent with the acquisition, the REIT secured a $17,800 mortgage financing against the property at 3.41% with a 5-year term.

On March 1, 2022, the REIT acquired an industrial property located in Edmonton, Alberta for a purchase price of $14,750.