



NEXUS INDUSTRIAL REIT

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the three and nine months ended September 30, 2022

November 14, 2022

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BASIS OF PRESENTATION

The following management's discussion and analysis ("**MD&A**") of Nexus Industrial REIT ("the **REIT**") for the three and nine months ended September 30, 2022 should be read in conjunction with the REIT's audited consolidated financial statements for the years ended December 31, 2021 and 2020 and the unaudited condensed consolidated interim financial statements for the three and nine months ended September 30, 2022.

The information contained in this MD&A reflects events up to November 14, 2022, the date on which this MD&A was approved by the REIT's Board of Trustees. Financial data included in the tables of this MD&A is presented in thousands of Canadian dollars, except per unit amounts, which is the functional currency of the REIT, and has been prepared in accordance with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board ("**IASB**"). Additional information about the REIT can be accessed at www.sedar.com.

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

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

FORWARD LOOKING STATEMENTS

Certain statements contained in this MD&A constitute forward-looking statements which reflect the REIT's current expectations and projections about future results. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects" or "does not expect", "is expected", "estimates", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or state that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the REIT to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements, including but not limited to: real property ownership and tenant risk, competition, fixed costs and increased expenses, general uninsured risks, environment and litigation risk, credit risk, liquidity risk, interest rate risk, and the impact of the coronavirus disease 2019 ("**COVID-19**"). These risks are more fully discussed under *Financial Instruments and Risks and Uncertainties* in this MD&A. Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this MD&A. Such forward-looking statements are based on a number of assumptions that may prove to be incorrect.

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

NON-IFRS FINANCIAL MEASURES

Net operating income ("**NOI**") and same property NOI ("**Same Property NOI**") are measures of operating performance based on income generated from the properties of the REIT. Management considers these non-IFRS financial measures to be important measures of the REIT's operating performance. Funds from operations ("**FFO**") is a measure of operating performance based on the funds generated from the business of the REIT before reinvestment or provision for other capital needs. Management considers this non-IFRS financial measure to be an important measure of the REIT's operating performance. Management considers adjusted funds from operations ("**AFFO**"), a non-IFRS financial measure, to be an important performance measure of recurring economic earnings. **Debt to total assets** is a capital management measure. The REIT's calculation of **Debt** includes mortgages

payable, Credit Facilities and lease liabilities at their carrying values in the REIT's consolidated statement of financial position. The measure is calculated as Debt divided by the REIT's total assets. The REIT believes the measure is useful in evaluating its degree of financial leverage, borrowing capacity and the relative strength of its balance sheet. Net asset value ("**NAV**") represents the REIT's total assets less its total liabilities, excluding Class B LP Units, which are accounted for as a liability but are considered as equity by the REIT. NAV per unit represents NAV divided by the number of REIT Units and Class B LP Units outstanding. Management considers NAV per unit, a non-IFRS financial measure, to be an important measure of the REIT's operating performance.

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

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

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

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

The Real Property Association of Canada issued whitepapers on FFO for IFRS and AFFO for IFRS dated February 2017, as amended in February 2018, February 2019 and January 2022 (the "Whitepapers"). The REIT calculates FFO and AFFO in accordance with the Whitepapers.

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

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

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

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

BUSINESS OVERVIEW AND STRATEGY

Nexus Industrial REIT is an unincorporated, open-ended real estate investment trust governed by the laws of the Province of Ontario pursuant to an amended and restated declaration of trust dated March 7, 2022. The REIT owns and operates commercial real estate properties across Canada.

The strategy of the REIT is to grow by acquiring industrial real estate assets in jurisdictions, potentially including the United States, where opportunities exist to purchase assets on terms such that the acquisitions are expected to be accretive, on a per unit basis, to the AFFO of the REIT. The REIT seeks to identify potential acquisitions using investment criteria that focus on the security of cash flow, potential for capital appreciation, and potential for increasing value through more efficient management of the assets being acquired.

The REIT has a strategic relationship with RFA Capital Partners Inc. (“**RFA**”), through which the REIT expects to have unique access to properties identified through RFA’s expansive network of favourable industry relationships developed through over 25 years of successfully investing in the Canadian real estate industry.

HIGHLIGHTS

- On November 1, 2022, the REIT acquired a 435,871 square foot portfolio of four industrial properties occupied by a single tenant for \$38.2 million (\$28.5 USD million). Three of the properties are located in Windsor, Ontario and one is located in Tilbury, Ontario.
- On October 4, 2022, the REIT sold a retail property located in Longueuil, Quebec for \$11.9 million.
- On September 30, 2022, the REIT acquired an industrial property located in Cornwall, Ontario for \$4.9 million. The property is occupied by one of the REIT’s existing tenants.
- On September 8, 2022, the REIT acquired a single-tenant 74,681 square foot industrial property located in the Montreal area for \$17.8 million.
- On August 31, 2022, the REIT increased its existing revolving credit facility from \$40 million to \$140 million.
- On August 3, 2022, the REIT sold a retail property located in Châteauguay, Quebec for \$8.3 million.
- On July 18, the REIT acquired an 80% interest in land located in Hamilton, Ontario for \$4.8 million. The REIT anticipates being able to develop an approximately 115,000 square foot class A industrial building on the site, with construction completion anticipated for early 2024.
- On July 11, 2022, the REIT acquired a single-tenant 94,000 square foot industrial property located in the Quebec City area for \$18.9 million.
- Occupancy of 97% at September 30, 2022 was consistent with June 30, 2022 and increased from 95% at September 30, 2021.
- Q3 2022 net operating income of \$24.9 million increased by \$10.8 million or 76.6% as compared to \$14.1 million for Q3 2021 and by \$0.9 million or 3.8% as compared to \$24.0 million for Q2 2022.
- Q3 2022 Same Property NOI⁽¹⁾ of \$12.9 million increased by \$0.3 million or 2.1% as compared to Q3 2021. The increase is primarily driven by rental steps and CPI increases at certain of the REIT’s industrial properties, as well as lease renewal lift, offsetting vacancy at one of the REIT’s industrial properties and an office property.
- Q3 2022 results included a \$0.5 million unrealized foreign exchange loss which impacted per unit measures by \$0.006 per unit.
- Q3 2022 Normalized FFO⁽¹⁾ per unit was \$0.209, as compared to \$0.203 for Q2 2022 and \$0.191 for Q3 2021.
- Q3 2022 Normalized AFFO⁽¹⁾ per unit was \$0.179, as compared to \$0.177 for Q2 2022 and \$0.174 for Q3 2021.
- Q3 2022 Normalized AFFO payout ratio⁽¹⁾ was 88.9%, as compared to 90.3% for Q2 2022 and 95.9% for Q3 2021.
- NAV⁽¹⁾ per unit increased to \$12.45 at September 30, 2022 as compared to \$12.41 at June 30, 2022 and \$11.55 at September 30, 2021.

- Debt to Total Assets of 47.2% at September 30, 2022. \$60.0 million of availability on the REIT's lines of credit and \$59.4 million of unencumbered properties.

(1) See Non-IFRS Financial Measures

ACQUISITIONS, DISPOSITIONS AND ASSETS HELD FOR SALE

ACQUISITION OF INCOME PRODUCING PROPERTIES

(In thousands of Canadian dollars)

Property location	Acquisition date	Gross leasable area ("GLA")	Contractual purchase price \$	Fair value adjustment (note 1) \$	Transaction costs \$	Investment properties acquired \$
Cornwall, ON	September 30 th	34,800	4,850	-	127	4,977
Baie-D'Urfé, QC	September 8 th	74,681	17,800	-	485	18,285
St-Augustin-de-Desmaures, QC	July 11 th	94,000	18,875	(460)	529	18,944
Edmonton, AB	March 1 st	72,420	14,600	-	51	14,651
London and Chatham, ON	March 1 st	342,320	35,694	1,736	1,052	38,482
Edmonton, AB	February 22 nd	555,789	91,000	-	192	91,192
Edmonton, AB	February 8 th	210,429	38,161	-	154	38,315
Mascouche, QC	February 2 nd	101,315	28,914	-	976	29,890
Regina, SK	January 12 th	179,291	28,000	-	147	28,147
Post-closing adjustments		-	-	-	2,524	2,524
		1,665,045	277,894	1,276	6,237	285,407

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

On September 30, 2022, the REIT acquired a single-tenant industrial property with a GLA of 34,800 square feet located in Cornwall, Ontario for a contractual purchase price of \$4.9 million.

On September 8, 2022, the REIT acquired a single-tenant industrial property with a GLA of 74,681 square feet located in Baie-D'Urfé, Quebec for a contractual purchase price of \$17.8 million.

On July 11, 2022, the REIT acquired a single-tenant industrial property with a GLA of 94,000 square feet located in St-Augustin-de-Desmaures, Quebec for a contractual purchase price of \$18.9 million.

On March 1, 2022, the REIT acquired an industrial property with a GLA of 72,420 square feet located in Edmonton, Alberta for a contractual purchase price of \$14.6 million.

On March 1, 2022, the REIT acquired three industrial properties with a combined GLA of 340,320 square feet, two of which are located in London, Ontario, and one of which is located in Chatham, Ontario, for a contractual purchase price of \$35.7 million. The contractual purchase price was partially satisfied through the issuance of 1,565,394 Class B LP Units at a deemed value of \$11.30 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, 2022 of \$12.37 per unit. The properties were initially recorded at \$37.4 million, 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 \$35.7 million.

On February 22, 2022, the REIT acquired two industrial properties with a total GLA of 555,789 square feet located in Edmonton, Alberta for a contractual purchase price of \$91.0 million. Concurrent with the acquisition, the REIT secured a \$60.0 million mortgage financing against the property at 3.18% with a 7-year term.

On February 8, 2022, the REIT acquired a 210,429 square foot industrial warehouse located in Edmonton, Alberta for a contractual purchase price of \$38.2 million. Subsequent to the acquisition, on February 22, 2022, the REIT

secured a \$29.5 million mortgage financing against the property at 3.28% with a 10-year term. The property is subject to a ground lease that the REIT valued at \$9.2 million.

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

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

ACQUISITION OF PROPERTIES HELD FOR DEVELOPMENT

On July 18, 2022, the REIT acquired an 80% interest in land located in Hamilton, Ontario for a contractual purchase price of \$4.8 million. Transaction costs of \$0.4 million were incurred in connection with this acquisition. The development is partially owned and managed by entities controlled by RFA, an entity related to a trustee of the REIT. The REIT anticipates being able to develop an approximately 115,000 square foot class A industrial building on the site. Construction costs are estimated at \$17 million with construction completion scheduled for early 2024.

On June 22, 2022, the REIT acquired an 80% interest in land located in Hamilton, Ontario for a contractual purchase price of \$17.8 million. Transaction costs of \$0.8 million were incurred in connection with this acquisition. The development is partially owned and managed by entities controlled by RFA, an entity related to a trustee of the REIT. Pursuant to the acquisition the vendor provided financing in the amount of \$15.4 million repayable within 18 to 24 months. The REIT anticipates being able to develop an approximately 250,000 square foot class A industrial building on the site. Construction costs are estimated at \$42 million with construction completion scheduled for late 2024.

DISPOSITION

On August 3, 2022, the REIT sold a property located in Châteauguay, Quebec for a selling price of \$8.3 million. Net of selling costs of \$0.3 million and the assumption of the \$4.4 million mortgage against the property, the REIT received net cash proceeds of \$3.6 million. Selling costs on the sale of the property generated a loss on disposal of \$0.3 million.

ASSETS HELD FOR SALE

As part of its capital-recycling program, the REIT intends to sell four non-industrial properties with a carrying value of \$43.0 million, as at September 30, 2022. One property was sold subsequent to quarter end and the others are being marketed for sale.

PORTFOLIO OVERVIEW

REIT PROPERTIES BY ASSET CLASS AS AT SEPTEMBER 30, 2022

Property Address	Rentable Area (Square Feet)	Rentable Area (Square Feet) At REIT Ownership Interest	Occupancy
<u>INDUSTRIAL</u>			
<u>British Columbia</u>			
1 988 Great St, Prince George	53,126	53,126	100%
2 965 McMaster Way, Kamloops	13,706	13,706	100%
3 9929 Swanson St, Fort St. John	26,477	26,477	100%
4 1771 Savage Rd, Richmond ^{(2) (3) (4)}	60,836	60,836	57% ^{(2) (4)}
	154,145	154,145	83%
<u>Alberta</u>			
5 4700 & 4750 – 102 Ave, SE, Calgary	29,471	29,471	100%
6 3780 & 4020 – 76 th Ave, SE, Calgary	58,937	58,937	100%
7 41 Royal Vista Dr, NW, Calgary	36,915	36,915	31%
8 8001 – 99 St, Clairmont	26,638	26,638	100%
9 12104 & 12110 – 17 th St, NE, Edmonton	116,582	116,582	100%
10 14801 – 97 th St, Grande Prairie	42,120	42,120	100%
11 3501 Giffen Rd North & 3711 – 36 St North, Lethbridge	229,000	229,000	100%
12 5406 – 59 th Ave, Lloydminster	12,425	12,425	100%
13 4301 – 45 Ave, Rycroft	22,110	22,110	100%
14 2301 – 8 St, Nisku	21,506	21,506	100%
15 2303A – 8 St, Nisku	39,649	39,649	100%
16 1010 Brier Park Dr, Medicine Hat	14,354	14,354	100%
17 27323 – 144 Township Rd 394, Blackfalds	25,000	25,000	100%
18 261177-261185 Wagon Wheel Way, Balzac	95,180	95,180	100%
19 9110 – 23 Ave NW, Edmonton	72,356	72,356	100%
20 11510 – 168 St NW, Edmonton	35,800	35,800	100%
21 6777 Edgar Industrial Dr, Red Deer	153,052	153,052	100%
22 10774 – 42 St E, Calgary	165,418	165,418	100%
23 12745 – 149 St NW, Edmonton	104,727	104,727	100%
24 14504-14598 – 121A Ave NW, Edmonton	210,750	210,750	100%
25 7740 – 40 Ave, Red Deer	189,625	189,625	100%
26 502-25 Ave, Nisku	141,930	141,930	100%
27 2039 Airport Perimeter Road, Edmonton	210,249	210,249	100%
28 18403 – 18439 104 Ave NW, Edmonton	72,420	72,420	100%
29 14711 128 Ave, Edmonton	54,510	54,510	100%
30 11250 189 Street NW, Edmonton	501,279	501,279	100%
	2,682,003	2,682,003	99%
<u>Northwest Territories</u>			
31 348-352 Old Airport Rd, Yellowknife	53,212	53,212	100%

	Property Address	Rentable Area (Square Feet)	Rentable Area (Square Feet) At REIT Ownership Interest	Occupancy
<u>Saskatchewan</u>				
32	110 – 71 st St, Saskatoon	74,796	74,796	100%
33	15 Peters Ave, Saskatoon	38,160	38,160	100%
34	1414 Fletcher Rd, Saskatoon	86,000	86,000	100%
35	850 Manitoba St E & 15 – 9 th Ave, NE, Moose Jaw	18,800	18,800	100%
36	4271 – 5 Ave E, Prince Albert	24,600	24,600	100%
37	1117 -1135 Pettigrew Ave, Regina	38,690	38,690	51%
38	320 Industrial Dr, Regina	60,000	60,000	100%
39	332 Industrial Dr, Regina	85,660	85,660	100%
40	101 Jahn St, Estevan	11,846	11,846	100%
41	2101 Fleming Rd, Regina	1,029,675	1,029,675	100%
42	855 Park St, Regina	179,291	179,291	100%
		1,647,518	1,647,518	99%
<u>Manitoba</u>				
43	97 Nicola Dr, Headingley	40,050	40,050	100%
<u>Ontario</u>				
44	455 Welham Rd, Barrie	109,366	109,366	100%
45	200 Sheldon Dr, Cambridge	150,000	150,000	100%
46	241-377 Fairall St, 332-360 Frankcom St & 97-121 McMaster Ave, Ajax ⁽¹⁾	483,359	241,680	100%
47	1000 Clarke Rd, London	223,190	223,190	100%
48	1020 Adelaide St S, London	265,786	265,786	93%
49	1036 Green Valley Rd, London	136,237	136,237	100%
50	1285 Hubrey Rd, London	199,766	199,766	100%
51	375 Exeter Rd, London	220,339	220,339	100%
52	5 Cuddy Blvd, London	146,945	146,945	100%
53	70 Dennis Rd, St. Thomas	130,500	130,500	100%
54	446 Jutras Dr S, Windsor	120,000	120,000	100%
55	490 Richard Ruston Dr, Windsor	101,073	101,073	100%
56	1040 Wilton Grove Rd, London	383,289	383,289	100%
57	1950 Oxford St E, London	99,367	99,367	100%
58	650 Riverview Dr, Chatham	293,146	293,146	98%
59	980 Green Valley Rd, London	38,000	38,000	100%
60	1005 Adelaide St. South, London	18,380	18,380	100%
61	1540 South Service Road, Hamilton ⁽⁵⁾	-	-	0% ⁽⁵⁾
62	190 Glover Road, Hamilton ⁽⁵⁾	-	-	0% ⁽⁵⁾
63	605 Boundary Road, Hamilton	34,800	34,800	100%
		3,153,543	2,911,864	100%

Property Address	Rentable Area (Square Feet)	Rentable Area (Square Feet) At REIT Ownership Interest	Occupancy
<u>Québec</u>			
64 935-965 rue Reverchon, Saint-Laurent	113,892	113,892	100%
65 1901 rue Dickson / 5780 rue Ontario Est, Montréal	91,068	91,068	100%
66 6810 boul. Des Grandes Prairies, Montréal	60,786	60,786	100%
67 3330 2e rue, Saint-Hubert	60,441	60,441	91%
68 3550 1ère rue, Saint-Hubert	22,428	22,428	100%
69 3600 1ère rue, Saint-Hubert	38,629	38,629	100%
70 3490-3504 rue Griffith, Saint-Laurent	40,665	40,665	100%
71 425 rue Guy, Montréal ⁽¹⁾	37,153	18,577	89%
72 2400 Trans-Canada Highway, Pointe-Claire	309,000	154,500	100%
73 1251 rue Louis-Bleriot, Mascouche	101,315	101,315	100%
74 50 rue de Lisbonne, St-Augustin-de-Desmaures	94,000	94,000	100%
75 21800 Clark-Graham, Baie-D'Urfé	74,681	74,681	100%
	1,044,058	870,982	99%
<u>New Brunswick</u>			
76 675 St-George Blvd, Moncton	93,443	93,443	100%
77 10 Deware Dr, Moncton	226,135	226,135	100%
78 775 Frenette, Ave, Moncton	124,655	124,655	100%
	444,233	444,233	100%
Total Industrial	9,218,762	8,804,007	99%
<u>RETAIL</u>			
<u>British Columbia</u>			
1751 Savage Rd, Richmond ^{(2) (4)}	111,274	111,274	100%
<u>Québec</u>			
79 1185-1195 Chemin du Tremblay, Longueuil	53,924	53,924	97%
80 1094-1100 boul. Des Chutes, Beauport ⁽¹⁾	32,406	16,203	94%
81 1700 rue Sherbrooke, Magog ⁽¹⁾	133,710	66,855	84%
82 1971 rue Bilodeau, Plessisville ⁽¹⁾	99,706	49,853	92%
83 14000 boul. Henri-Bourassa, Québec City ⁽¹⁾	44,619	22,310	100%
84 6700 rue St-Georges, Lévis ⁽¹⁾	43,218	21,609	69%
85 10516 boul. Sainte-Anne, Ste-Anne-de-Beaupré ⁽¹⁾	88,671	44,336	84%
86 9550 boul. L'Ormière, Québec ⁽¹⁾	114,602	57,301	94%
87 333 Côte Joyeuse, St-Raymond ⁽¹⁾	64,481	32,241	82%
88 161 Route 230 Ouest, La Pocatière ⁽¹⁾	207,586	103,793	72%
89 25 Route 138, Forestville ⁽¹⁾	55,962	27,981	87%
90 2000 boul. Louis-Fréchette, Nicolet ⁽¹⁾	88,383	44,192	93%
91 3856 boul. Taschereau, Greenfield Park ⁽¹⁾	213,982	106,991	99%
92 250 boul. Fiset, Sorel ⁽¹⁾	116,348	58,174	100%

Property Address	Rentable Area (Square Feet)	Rentable Area (Square Feet) At REIT Ownership Interest	Occupancy
93 8245 boul. Taschereau, Brossard ⁽¹⁾	43,234	21,617	100%
94 340 rue Belvédère Sud, Sherbrooke ⁽¹⁾	172,946	86,473	90%
95 401-571 boul. Jutras Est, Victoriaville	380,384	380,384	90%
96 7500 boul. Les Galeries d'Anjou, Anjou ⁽¹⁾	105,816	52,908	91%
	2,059,978	1,247,145	90%
<u>Prince Edward Island</u>			
97 695 University Ave, Charlottetown	4,501	4,501	100%
Total Retail	2,175,753	1,362,920	91%
<u>OFFICE</u>			
<u>Québec</u>			
98 2045 rue Stanley, Montréal ^{(1) (6)}	112,493	56,247	95%
99 72 rue Laval, Gatineau ⁽¹⁾	68,358	34,179	100%
100 10500 Ave Ryan, Dorval	52,372	52,372	100%
101 955 boul. Michèle-Bohec, Blainville	33,461	33,461	100%
102 1600 rue Montgolfier, Laval	27,097	27,097	100%
103 353 rue St-Nicolas, Montréal ⁽¹⁾	34,425	17,213	65%
104 410 rue St-Nicolas, Montréal ⁽¹⁾	154,684	77,342	77%
105 360 rue Notre-Dame Ouest, Montréal ⁽¹⁾	29,442	14,721	86%
106 321 rue de la Commune, Montréal ⁽¹⁾	11,502	5,751	100%
107 329 rue de la Commune, Montréal ⁽¹⁾	21,025	10,513	97%
108 127, 137 & 145 rue St-Pierre, Montréal ⁽¹⁾	35,772	17,886	93%
109 63 rue des Brésoles, Montréal ⁽¹⁾	39,317	19,659	100%
	619,948	366,441	92%
<u>New Brunswick</u>			
110 400 Main St, St. John	159,989	159,989	65%
Total Office	779,937	526,430	84%
Total Portfolio ⁽⁷⁾	12,174,452	10,693,357	97%

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

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

(3) As at September 30, 2022, 1771 Savage Road has a total committed occupancy of 100%.

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

(5) As at September 30, 2022, 1540 South Service Road and 190 Glover Road are held for development. The REIT owns an 80% interest in these properties.

(6) Property is accounted for as an equity investment in joint venture.

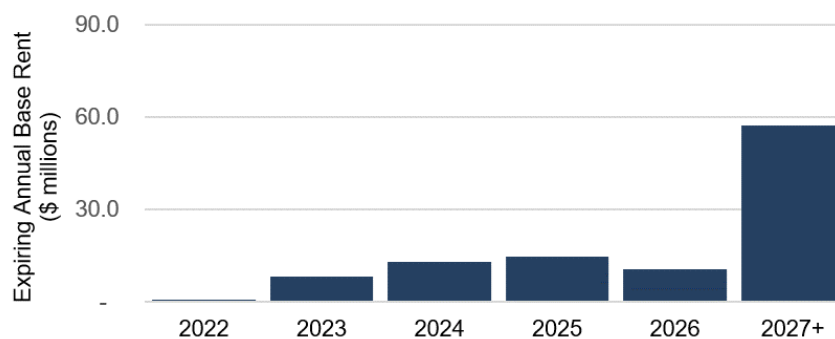
(7) The REIT also holds a 22% interest in a development property (844 Glancaster Road, Hamilton) that is accounted for as an investment in a financial asset.

LEASE EXPIRIES

INDUSTRIAL	Remainder of 2022	2023	2024	2025	2026	2027+	Total
ALBERTA							
Occupied GLA	15,829	25,339	246,772	549,798	219,267	1,599,598	2,656,603
Net rent - \$ per square foot	15.00	13.72	18.99	12.54	17.21	8.46	11.10
% of GLA	1%	1%	9%	21%	8%	60%	100%
SASKATCHEWAN							
Occupied GLA	-	36,499	84,928	168,996	-	1,338,045	1,628,468
Net rent - \$ per square foot	-	10.36	10.09	9.30	-	9.16	9.27
% of GLA	0%	2%	5%	10%	0%	83%	100%
ONTARIO							
Occupied GLA	1,200	399,500	445,693	297,647	559,920	1,199,470	2,903,430
Net rent - \$ per square foot	7.00	5.96	6.72	6.47	6.67	6.50	6.49
% of GLA	0%	14%	15%	10%	19%	42%	100%
QUEBEC							
Occupied GLA	-	36,211	72,407	97,443	8,354	649,216	863,630
Net rent - \$ per square foot	-	6.72	6.70	6.99	7.15	13.77	12.05
% of GLA	0%	4%	8%	11%	1%	76%	100%
OTHER							
Occupied GLA	-	40,003	39,600	160,361	40,050	385,307	665,321
Net rent - \$ per square foot	-	29.99	11.93	9.14	21.00	12.19	13.04
% of GLA	0%	6%	6%	24%	6%	58%	100%
TOTAL INDUSTRIAL							
Occupied GLA	17,029	537,552	889,400	1,274,245	827,591	5,171,636	8,717,452
Net rent - \$ per square foot	15.85	8.47	10.67	9.84	10.16	9.13	9.46
% of GLA	0%	6%	10%	15%	9%	60%	100%
Weighted Average Lease Term - 6.9 years							
TOTAL RETAIL							
Occupied GLA	49,459	169,863	181,558	158,532	128,926	546,949	1,235,286
% of GLA	4%	14%	15%	13%	10%	44%	100%
Weighted Average Lease Term - 4.8 years							
TOTAL OFFICE							
Occupied GLA	9,564	88,188	41,345	51,811	36,499	212,806	440,212
% of GLA	2%	20%	9%	12%	8%	49%	100%
Weighted Average Lease Term - 4.7 years							
TOTAL PORTFOLIO							
Occupied GLA	76,052	795,602	1,112,303	1,484,587	993,016	5,931,390	10,392,949
% of GLA	1%	8%	11%	14%	10%	56%	100%
Weighted Average Lease Term - 6.6 years							

During the quarter, the REIT completed new or renewal leasing on all but 17,029 square feet of its remaining 2022 industrial expiries.

Expiring Annual Base Rent		
\$ millions		
2022	0.8	0.8%
2023	8.1	7.8%
2024	13.1	12.5%
2025	14.6	14.0%
2026	10.5	10.1%
2027+	57.3	54.8%
	104.4	100.0%



LEASING ACTIVITY DURING THE QUARTER

INDUSTRIAL

CURRENT AND FUTURE EXPIRIES

	GLA	Rental rate growth (%)
ONTARIO	207,976	23%

VACANT SPACE

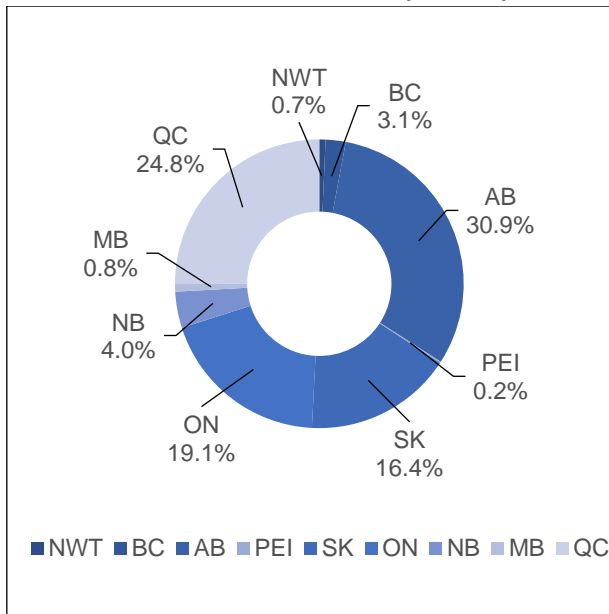
	GLA	Rental rate growth (%) ⁽¹⁾
ONTARIO	13,438	9%

⁽¹⁾ rental growth over existing weighted average in-place rent of property

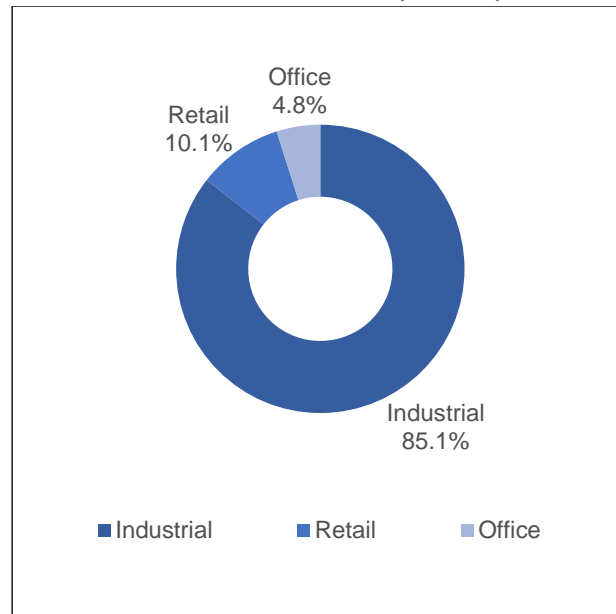
During the quarter, the REIT saw solid rental rate growth from leasing activity in its Ontario industrial portfolio. The weighted average lease term of leasing activity for expiring leases was 3.4 years. The weighted average term of leasing activity for vacant space was 5 years. The majority of new leasing included rental steps or CPI adjustments during the lease terms.

PROPERTY COMPOSITION DIVERSITY

GEOGRAPHIC MIX (Q3 NOI)



ASSET CLASS MIX (Q3 NOI)



TOP TEN TENANTS

Tenant	% of Annualized Base Rent
1 Loblaws	12.7%
2 Westcan Bulk Transport	5.7%
3 Sobeys	3.9%
4 MTE Logistix	3.7%
5 Valard Construction	2.8%
6 Mastec Canada	2.7%
7 Peavey Industries	2.5%
8 Triple M Housing	2.1%
9 Acropolis Warehousing	2.0%
10 Direct Limited Partnership	1.8%
	<hr/>
	39.9%

SUMMARY OF RESULTS

FINANCIAL HIGHLIGHTS

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

	Three months ended			Nine months ended		
	September 30,			September 30,		
	2022	2021	Change	2022	2021	Change
	\$	\$	\$	\$	\$	\$
Property revenues	34,424	20,719	13,705	100,265	56,022	44,243
Net operating income (NOI)	24,873	14,095	10,778	70,859	36,881	33,978
Funds from operations (FFO) ⁽¹⁾	16,661	9,979	6,682	47,085	25,579	21,506
Normalized FFO ^{(1) (2)}	16,548	10,393	6,155	47,454	26,666	20,788
Adjusted funds from operations (AFFO) ⁽¹⁾	14,302	9,074	5,228	40,601	23,027	17,574
Normalized AFFO ^{(1) (2)}	14,189	9,488	4,701	40,970	24,114	16,856
Same Property NOI ⁽¹⁾	12,935	12,666	269	30,182	30,388	(206)
Distributions declared ⁽³⁾	12,609	9,098	3,511	37,619	22,606	15,013
Weighted average units outstanding (000s):						
Basic ⁽⁴⁾	79,208	54,428	24,780	78,543	46,322	32,221
Diluted ⁽⁴⁾	79,336	54,600	24,736	78,696	46,530	32,166
Per unit amounts:						
Distributions per unit – basic ^{(3) (4)}	0.159	0.167	(0.008)	0.479	0.488	(0.009)
Distributions per unit – diluted ^{(3) (4)}	0.159	0.167	(0.008)	0.478	0.486	(0.008)
FFO per unit – basic ^{(1) (4)}	0.210	0.183	0.027	0.599	0.552	0.047
FFO per unit – diluted ^{(1) (4)}	0.210	0.183	0.027	0.598	0.550	0.048
Normalized FFO per unit – basic ^{(1) (2) (4)}	0.209	0.191	0.018	0.604	0.576	0.028
Normalized FFO per unit – diluted ^{(1) (2) (4)}	0.209	0.190	0.019	0.603	0.573	0.030
AFFO per unit – basic ^{(1) (4)}	0.181	0.167	0.014	0.517	0.497	0.020
AFFO per unit – diluted ^{(1) (4)}	0.180	0.166	0.014	0.516	0.495	0.021
Normalized AFFO per unit – basic ^{(1) (2) (4)}	0.179	0.174	0.005	0.522	0.521	0.001
Normalized AFFO per unit – diluted ^{(1) (2) (4)}	0.179	0.174	0.005	0.521	0.518	0.003
NAV per unit ⁽¹⁾	12.45	11.55	0.90	12.45	11.55	0.90
AFFO payout ratio – basic ^{(1) (3)}	88.2%	100.3%	(12.1%)	92.7%	98.2%	(5.5%)
Normalized AFFO payout ratio – basic ^{(1) (2) (3)}	88.9%	95.9%	(7.0%)	91.8%	93.7%	(1.9%)
Debt to total assets ratio	47.2%	36.6%	10.5%	47.2%	36.6%	10.5%

(1) See Non-IFRS Financial Measures.

(2) Normalized FFO and Normalized AFFO include adjustments for a vendor rent obligation amounts related to the REIT's Richmond, BC and Ajax properties, which are payable from the vendors of the properties until the buildout of the properties are complete and all tenants are occupying and paying rent. The vendor rent obligation amount is not included in NOI for IFRS accounting purposes. Normalized FFO and Normalized AFFO exclude amounts recorded in other income related to estimated future vendor rent obligation amounts. For the nine-month period ended September 30, 2021, normalized FFO and AFFO are also adjusted to exclude \$0.2 million of one-time TSX listing fees related to graduation to the TSX, which are included in general and administrative expense in that period.

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

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

FINANCIAL RESULTS

	Three months ended September 30,			Nine months ended September 30,		
	2022 \$	2021 \$	Change \$	2022 \$	2021 \$	Change \$
Property revenues	34,424	20,719	13,705	100,265	56,022	44,243
Property expenses	(9,551)	(6,624)	(2,927)	(29,406)	(19,141)	(10,265)
Net operating income (NOI)	24,873	14,095	10,778	70,859	36,881	33,978
General and administrative expense	(1,453)	(978)	(475)	(5,025)	(3,413)	(1,612)
Fair value adjustments:						
Investment properties	(1,890)	26,287	(28,177)	(4,513)	100,370	(104,883)
Class B LP Units	27,558	(45,204)	72,762	88,212	(73,104)	161,316
Unit options	200	(897)	1,097	608	(1,798)	2,406
Restricted share units	124	(170)	294	369	(318)	687
Derivative financial instruments	1,499	704	795	17,365	4,386	12,979
Income from equity accounted investment in joint venture	(157)	190	(347)	(116)	778	(894)
Loss on disposal of investment properties	(255)	-	(255)	(255)	(95)	(160)
Unrealized foreign exchange loss	(464)	-	(464)	(776)	-	(776)
Other income	848	201	647	1,737	982	755
	50,883	(5,772)	56,655	168,465	64,669	103,796
Finance expense						
Net interest expense	(7,577)	(3,679)	(3,898)	(20,927)	(9,916)	(11,011)
Distributions on Class B LP Units	(3,251)	(2,624)	(627)	(9,779)	(5,974)	(3,805)
	(10,828)	(6,303)	(4,525)	(30,706)	(15,890)	(14,816)
Net income (loss)	40,055	(12,075)	52,130	137,759	48,779	88,980

For the three months ended September 30, 2022, NOI of \$24.9 million was \$10.8 million higher than Q3 2021 NOI of \$14.1 million. Acquisitions since June 30, 2021 generated \$9.7 million of incremental NOI in Q3 2022 as compared to Q3 2021. Incremental rental income from the completion of an expansion at the REIT's Ajax property increased Q3 2022 NOI by \$0.1 million as compared to Q3 2021. Q3 2022 Same Property NOI increased \$0.3 million as compared to Q3 2021, primarily driven by rental steps and CPI increases at certain of the REIT's industrial properties as well as lease renewal lift, offsetting vacancy at one of the REIT's industrial properties and an office property. The disposal of a retail property in 2021 and another during Q3 2022 reduced NOI by \$0.2 million. Straight-line rents also contributed \$0.9 million to the increase over Q3 2021, driven primarily by newly acquired properties with steps in rent. Amortization of tenant incentives and leasing costs and termination fees were consistent for the three-month periods ended September 30, 2022 and 2021.

For the nine months ended September 30, 2022, NOI of \$70.9 million was \$34.0 million higher than NOI for same period of 2021 of \$36.9 million. Acquisitions completed since December 31, 2020 generated \$32.2 million of incremental NOI. Incremental rental income from the completion of an expansion at the REIT's Ajax property increased NOI by \$0.3 million as compared to the prior year period. Same Property NOI for the nine months ended September 30, 2022 decreased \$0.2 million as compared to the prior year period, primarily driven by vacancy at one of the REIT's office properties (\$0.4 million) and an industrial property (\$0.3 million), partially offset by rental steps and CPI increases at certain of the REIT's industrial properties as well as lease renewal lift. The disposal of two investment properties in 2021 and a retail property during Q3 2022 reduced NOI by \$0.5 million. Straight-line rents also contributed \$2.3 million to the increase over the prior year period, driven primarily by newly acquired properties with steps in rent. Amortization of tenant incentives and leasing costs increased \$0.1 million over the prior year period reducing NOI. Termination fee revenue also increased slightly over the prior year period.

General and administrative expense of \$1.5 million for the three months ended September 30, 2022 increased by \$0.5 million over the same period of 2021 primarily due to a \$0.5 million increase in staffing related costs and trustee fees.

General and administrative expense of \$5.0 million for the nine months ended September 30, 2022 increased by \$1.7 million over the same period of 2021 primarily due a \$1.7 million increase in staffing related costs and trustee fees. Offsetting this was a reduction in TSX fees of \$0.1 million as 2021 was impacted by one-time TSX listing fees relating to the REIT's TSX graduation.

The fair value adjustment of investment properties of \$1.9 million for the three months ended September 30, 2022 reflects \$34.8 million of fair value write-downs primarily related to capitalization rate expansion for certain industrial properties (\$31.4 million), retail properties (\$1.9 million) and office properties (\$1.5 million) and \$1.1 million of transaction costs. In addition, the REIT's assets held for sale were written down by \$1.3 million due to capitalization rate expansion. These amounts were partially offset by a \$23.9 million fair value gain related to NOI improvements, driven by leasing at certain industrial properties and a \$11.2 million gain related primarily to a recently acquired industrial property with development potential, the carrying value of which was adjusted to appraised value.

The fair value adjustment of investment properties of \$4.5 million for the nine months ended September 30, 2022 reflects \$40.2 million of fair value write-downs primarily related to capitalization rate expansion for certain industrial properties (\$34.3 million), retail properties (\$2.9 million) and office properties (\$3.0 million), \$7.9 million related to transaction costs and acquisition accounting adjustments on properties acquired during the year with Class B LP Units issued as consideration or mortgages assumed. In addition, the REIT's assets held for sale were written down by \$3.6 million due to capitalization rate expansion. These amounts were partially offset by \$8.9 million of fair value gains primarily related to compression of capitalization rates in Q1 for industrial properties located in certain markets in Ontario and Western Canada, \$23.9 million gain related to NOI improvements at certain industrial properties and a \$14.7 million gain for other value adjustments including development potential at one recently acquired industrial property.

Fair value adjustments of Class B LP Units are driven by changes in the trading price of REIT Units into which the Class B LP Units are exchangeable. The trading price of the REIT's units as at September 30, 2022 was \$8.36 as compared to \$9.69 as at June 30, 2022 and \$12.62 per unit as at December 31, 2021. As at September 30, 2022, 20,723,606 Class B LP Units were outstanding.

Fair value adjustments of unit options are impacted primarily by changes in the trading price of the REIT Units relative to the strike price of the unit options and by the number of unit options outstanding, as well as by changes in interest rates and the expected remaining life of unit options. The trading price of the REIT's Units accounted for most of the change in fair value during the quarter.

Fair value gains on derivative financial instruments of \$1.5 million and \$17.4 million were recorded for the three months and nine months ended September 30, 2022, respectively. The fair value gain was due to increases in interest rates, which impacted the fair value of interest rate swaps that the REIT is a party to. The interest rate swaps effectively fix interest rates on \$65 million drawn on one of the REIT's Credit Facilities and \$182.6 million of floating rate mortgages.

The REIT recognized \$0.5 million and \$0.8 million of unrealized foreign exchange loss on other liabilities denominated in US dollars for the three-month and nine-month periods ended September 30, 2022, respectively.

Loss from equity accounted investment in joint venture of \$0.2 million for three months ended September 30, 2022 is comprised primarily of the REIT's share of \$0.6 million of NOI from the joint venture investment property and a fair value gain of \$0.1 million to mark to market interest rate swaps in place at the joint venture, partially offset by a fair value loss of \$0.9 million related to investment properties and \$0.2 million of interest and general and administrative expense.

Loss from equity accounted investment in joint venture of \$0.1 million for nine months ended September 30, 2022 is comprised primarily of the REIT's share of \$1.5 million of NOI from the joint venture investment property and a fair value gain of \$1.1 million to mark to market interest rate swaps in place at the joint venture, offset by a fair value loss of \$2.3 million related to the investment property owned by the joint venture and \$0.5 million of interest and general and administrative expense.

Other income of \$0.8 million for the three months ended September 30, 2022 consists of vendor rent obligation of \$0.8 million and debt guarantee fees of \$0.04 million. During the period, the estimated vendor rent obligation related to the REIT's Richmond, BC property was reassessed, and an accrual was made for three additional months of

vendor rent obligation. \$0.04 million of debt guarantee fees were earned in the period relating to a guarantee provided by a subsidiary of the REIT of debt secured by land that the REIT shares an interest in.

Other income of \$1.7 million for the nine months ended September 30, 2022 consists of vendor rent obligation of \$1.6 million and debt guarantee fees of \$0.1 million.

Net interest expense of \$7.6 million for the three months ended September 30, 2022 increased by \$3.9 million over the same period in 2021 primarily due to interest expense related to new mortgage financing to fund acquisitions.

Net interest expense of \$20.9 million for the nine months ended September 30, 2022 increased by \$11.0 million over the same period in 2021 primarily due to interest expense related to new mortgage financing to fund acquisitions.

Distributions on Class B LP Units for the three months ended September 30, 2022 of \$3.3 million increased by \$0.6 million as compared to the same period in 2021. The increase is due to a higher number of Class B LP Units outstanding resulting from Class B LP Units being issued as partial purchase consideration on certain acquisitions and for the settlement of contractual obligations.

Distributions on Class B LP Units for the nine months ended September 30, 2022 of \$9.8 million increased by \$3.8 million as compared to the same period in 2021. The increase is due to a higher number of Class B LP Units outstanding resulting from Class B LP Units being issued as partial purchase consideration on certain acquisitions and for the settlement of contractual obligations.

SELECT BALANCE SHEET DATA

(In thousands of Canadian dollars)

	September 30, 2022 \$	December 31, 2021 \$
Investment properties	1,826,137	1,545,866
Cash	10,548	82,279
Total assets	1,933,812	1,658,157
Non-current:		
Mortgages payable	660,531	553,011
Credit Facilities	149,911	64,713
Lease liabilities	11,479	3,597
Class B LP Units	173,249	248,150
Total non-current liabilities	1,004,876	881,453
Current:		
Mortgages payable	66,088	58,152
Lease liabilities	41	73
Liabilities associated with assets held for sale	23,845	-
Total current liabilities	115,892	87,220
Total liabilities	1,120,544	968,673
Total unitholders' equity	813,268	689,484

NAV per unit

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

	September 30, 2022 \$	December 31, 2021 \$
NAV per unit ⁽¹⁾		
Total assets	1,933,812	1,658,157
Less: Total liabilities	(1,120,544)	(968,673)
	813,268	689,484
Add: Class B LP Units	173,249	248,150
Net asset value (NAV)	986,517	937,634
Units outstanding (000s) – basic:		
REIT Units	58,520	57,303
Class B LP Units	20,724	19,662
	79,244	76,965
NAV per unit - basic	12.45	12.18

(1) See Non-IFRS Financial Measures.

The REIT's NAV per unit as at September 30, 2022 was \$12.45 as compared to \$12.18 as at December 31, 2021. The increase is primarily attributable to i) fair value gains on the REIT's derivative financial instruments partially offset by ii) the issuance of 1,565,394 Class B LP Units at \$11.30 per unit as partial purchase price consideration for the March 1, 2022 London and Chatham, Ontario industrial property acquisitions, iii) the issuance of 406,516 Class B LP Units issued at \$10.59 per unit in settlement of contractual obligations of the REIT.

Debt to total assets

(In thousands of Canadian dollars)

	September 30, 2022	December 31, 2021
	\$	\$
Debt to total asset ratio ⁽¹⁾		
Current and non-current:		
Mortgages payable	726,619	611,163
Credit Facilities	149,911	64,713
Lease liabilities	11,520	3,670
Liabilities associated with assets held for sale	23,845	-
Debt	911,895	679,546
Total assets	1,933,812	1,658,157
Debt to total asset ratio	47.2%	41.0%

(1) See Non-IFRS Financial Measures.

The REIT's debt to total assets as at September 30, 2022 was 47.2% as compared to 41.0% as at December 31, 2021. The increase is primarily related to a net increase in mortgage debt of \$115.5 million and Credit Facilities draws of \$85.2 million, partially offset by the issuance of \$19.4 million of Class B LP Units as partial purchase price consideration for certain acquisitions.

SUMMARY OF QUARTERLY RESULTS

(In thousands of Canadian dollars)

	Q3 2022	Q2 2022	Q1 2022	Q4 2021
	\$	\$	\$	\$
Property revenues	34,424	34,142	31,699	27,537
Property expenses	(9,551)	(10,180)	(9,675)	(8,466)
Net operating income (NOI)	24,873	23,962	22,024	19,071
Net income (loss)	40,055	79,640	18,064	44,760
Weighted average number of units (000s) - basic ⁽¹⁾	79,208	78,842	77,560	68,508
Weighted average number of units (000s) - diluted ⁽¹⁾	79,336	79,001	77,720	68,695
	Q3 2021	Q2 2021	Q1 2021	Q4 2020
	\$	\$	\$	\$
Property revenues	20,719	18,715	16,588	15,648
Property expenses	(6,624)	(6,495)	(6,022)	(5,950)
Net operating income (NOI)	14,095	12,220	10,566	9,698
Net income (loss)	(12,075)	50,647	10,209	9,831
Weighted average number of units (000s) - basic ⁽¹⁾	54,428	48,293	36,041	34,015
Weighted average number of units (000s) - diluted ⁽¹⁾	54,600	48,389	36,124	34,037

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

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

SAME PROPERTY RESULTS

(In thousands of Canadian dollars)

	Three months ended			Nine months ended		
	September 30,			September 30,		
	2022	2021	Change	2022	2021	Change
	\$	\$	\$	\$	\$	\$
Property revenues	34,424	20,719	13,705	100,265	56,022	44,243
Property expenses	(9,551)	(6,624)	(2,927)	(29,406)	(19,141)	(10,265)
NOI	24,873	14,095	10,778	70,859	36,881	33,978
Add/(Deduct):						
Amortization of tenant incentives and leasing costs	204	190	14	680	535	145
Straight-line adjustments of rent	(1,036)	(134)	(902)	(2,619)	(363)	(2,256)
Development	(90)	-	(90)	(270)	-	(270)
Acquisitions	(10,967)	(1,224)	(9,743)	(38,109)	(5,877)	(32,232)
Disposals	(49)	(260)	211	(300)	(775)	475
Termination fees and other non-recurring items	-	(1)	1	(59)	(13)	(46)
Same Property NOI	12,935	12,666	269	30,182	30,388	(206)

For the three months ended September 30, 2022, Same Property NOI increased \$0.3 million as compared to Q3 2021, primarily driven by rental steps, CPI increases and lease renewal lift at certain of the REIT's industrial properties offsetting vacancy at one of the REIT's industrial properties and an office property. NOI from the REIT's retail and remaining office properties was comparable to the prior year.

For the nine months ended September 30, 2022, Same Property NOI decreased \$0.2 million as compared to the prior year period, primarily driven by vacancy at one of the REIT's office properties (\$0.4 million) and an industrial property (\$0.3 million), partially offset by rental steps, CPI increases and lease renewal lift at certain of the REIT's industrial properties. NOI from the REIT's retail and remaining office properties was comparable to the prior year.

FUNDS FROM OPERATIONS AND ADJUSTED FUNDS FROM OPERATIONS

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

	Three months ended			Nine months ended		
	September 30,			September 30,		
	2022	2021	Change	2022	2021	Change
	\$	\$	\$	\$	\$	\$
FFO						
Net income (loss)	40,055	(12,075)	52,130	137,759	48,779	88,980
Adjustments:						
Loss on disposal of investment properties	255	-	255	255	95	160
Fair value adjustment of investment properties	1,890	(26,287)	28,177	4,513	(100,370)	104,883
Fair value adjustment of Class B LP Units	(27,558)	45,204	(72,762)	(88,212)	73,104	(161,316)
Fair value adjustment of unit options	(200)	897	(1,097)	(608)	1,798	(2,406)
Fair value adjustment of restricted share units	(124)	170	(294)	(369)	318	(687)
Fair value adjustment of derivative financial instruments	(1,499)	(704)	(795)	(17,365)	(4,386)	(12,979)
Adjustments for equity accounted joint venture ⁽¹⁾	374	(44)	418	618	(302)	920
Distributions on Class B LP Units expensed	3,251	2,624	627	9,779	5,974	3,805
Amortization of tenant incentives and leasing costs	204	188	16	680	509	171
Lease principal payments	(10)	(17)	7	(34)	(50)	16
Amortization of right-of-use assets	23	23	-	69	70	(1)
Deferred income taxes	-	-	-	-	40	(40)
Funds from operations (FFO)	16,661	9,979	6,682	47,085	25,579	21,506
Weighted average units outstanding (000s)						
Basic ⁽⁵⁾	79,208	54,428	24,780	78,543	46,322	32,221
FFO per unit - basic	0.210	0.183	0.027	0.599	0.552	0.047

FFO	16,661	9,979	6,682	47,085	25,579	21,506
Add: Vendor rent obligation ⁽²⁾	688	615	73	1,971	1,862	109
Less: Other income ⁽²⁾	(801)	(201)	(600)	(1,602)	(982)	(620)
Add: TSX graduation listing fees ⁽³⁾	-	-	-	-	207	(207)
Normalized FFO	16,548	10,393	6,155	47,454	26,666	20,788
Weighted average units outstanding (000s) Basic ⁽⁵⁾	79,208	54,428	24,780	78,543	46,322	32,221
Normalized FFO per unit - basic	0.209	0.191	0.018	0.604	0.576	0.028

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

	Three months ended September 30,			Nine months ended September 30,		
	2022	2021	Change	2022	2021	Change
	\$	\$	\$	\$	\$	\$
AFFO						
FFO	16,661	9,979	6,682	47,085	25,579	21,506
Adjustments:						
Straight-line adjustments ground lease and rent	(1,059)	(155)	(904)	(2,684)	(427)	(2,257)
Capital reserve ⁽⁴⁾	(1,300)	(750)	(550)	(3,800)	(2,125)	(1,675)
Adjusted funds from operations (AFFO)	14,302	9,074	5,228	40,601	23,027	17,574
Weighted average units outstanding (000s) Basic ⁽⁵⁾	79,208	54,428	24,780	78,543	46,322	32,221
AFFO per unit - basic	0.181	0.167	0.014	0.517	0.497	0.020
AFFO	14,302	9,074	5,228	40,601	23,027	17,574
Add: Vendor rent obligation ⁽²⁾	688	615	73	1,971	1,862	109
Less: Other income ⁽²⁾	(801)	(201)	(600)	(1,602)	(982)	(620)
Add: TSX graduation listing fees ⁽³⁾	-	-	-	-	207	(207)
Normalized AFFO	14,189	9,488	4,701	40,970	24,114	16,856
Weighted average units outstanding (000s) Basic ⁽⁵⁾	79,208	54,428	24,780	78,543	46,322	32,221
Normalized AFFO per unit - basic	0.179	0.174	0.005	0.522	0.521	0.001

- (1) Adjustment for equity accounted joint venture relates to a fair value adjustment of swaps in place at the joint venture to swap floating rate bankers' acceptance rates to a fixed rate and fair value adjustment of the joint venture investment property.
- (2) Normalized FFO and Normalized AFFO include adjustments for vendor rent obligation amounts related to the REIT's Richmond, BC and Ajax properties, which are payable from the vendors of the properties until buildout of the properties is complete and tenants are occupying and paying rent. The vendor rent obligation amount is not included in NOI for accounting, but the estimated total amount of vendor rent obligation is recorded in other income. Normalized FFO and Normalized AFFO exclude estimated future vendor rent obligation amounts included in other income in the condensed consolidated interim statements of income and comprehensive income and include the scheduled quarterly rents receivable in the form of vendor rent obligation.
- (3) Normalized FFO and Normalized AFFO include adjustments for \$0.2 million of one-time TSX listing fees related to graduation to the TSX, which are included in general and administrative expense in the nine-month period ended September 30, 2021.
- (4) Capital reserve includes maintenance capital expenditures, tenant incentives and leasing costs. Reserve amounts are established with reference to building condition reports, appraisals, and internal estimates of tenant renewal, tenant incentives and leasing costs. The REIT believes that a reserve is more appropriate given the fluctuating nature of these expenditures.
- (5) Weighted average number of units includes the Class B LP Units.

AFFO CAPITAL RESERVE

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

	Three months ended September 30,			Nine months ended September 30,		
	2022 \$	2021 \$	Change \$	2022 \$	2021 \$	Change \$
Capital reserve	1,300	750	550	3,800	2,125	1,675
Average square feet of GLA	10,610,504	6,668,610	3,941,894	10,318,650	5,936,733	4,381,917
Annualized capital reserve per square foot of GLA	\$0.49	\$0.45	\$0.04	\$0.49	\$0.48	\$0.01
Actual tenant incentives and leasing costs ⁽¹⁾	1,747	332	1,415	2,870	1,033	1,837
Actual maintenance capital expenditures ⁽²⁾	311	23	288	882	546	336
Total	2,058	355	1,703	3,752	1,579	2,173
Less expenditures funded from mortgage escrow	-	(134)	134	-	(189)	189
Total spending funded by the REIT	2,058	221	1,837	3,752	1,390	2,362
Average square feet of GLA	10,610,504	6,668,610	3,941,894	10,318,650	5,936,733	4,381,917
Annualized capital spent per square foot of GLA unadjusted for capital reserve	\$0.78	\$0.13	\$0.65	\$0.48	\$0.31	\$0.17

(1) Excludes tenant incentives costs in the amount of \$1.40 million (2021 – \$nil) and \$1.40 million (2021 – \$nil) incurred during the three and nine months ended September 30, 2022, respectively, for incremental revenue generation relating to the construction of a new pad site and the repurposing of a previous industrial space into significantly higher yielding uses.

(2) Excludes capital expenditures in the amount of \$0.26 million (2021 – \$0.77 million) and \$0.31 million (2021 – \$3.78 million) incurred during the three months and nine months ended September 30, 2022, respectively, for incremental revenue generation and the repurposing of a previous industrial space into significantly higher yielding uses.

Actual capital spending and tenant incentive and leasing costs for the nine months ended September 30, 2022, of \$3.75 million is \$0.05 million lower than the \$3.8 million capital reserve included in AFFO. Actual expenditures fluctuate period over period.

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

(In thousands of Canadian dollars, except per unit amounts)	Three months ended			Nine months ended		
	September 30,			September 30,		
	2022	2021	Change	2022	2021	Change
	\$	\$	\$	\$	\$	\$
Cash flows generated by operating activities	17,923	3,292	14,631	27,804	12,162	15,642
Adjustments:						
Changes in non-cash working capital	(4,776)	3,949	(8,725)	8,390	7,114	1,276
Changes in other non-current assets	15	27	(12)	81	74	7
Changes in restricted cash	(20)	(93)	73	(28)	(103)	75
Changes in other non-current liabilities	(194)	-	(194)	(17)	-	(17)
Distributions on Class B LP Units expensed	3,251	2,624	627	9,779	5,974	3,805
Adjustments for equity accounted joint venture	374	(44)	418	618	(302)	920
Share of net income (loss) from equity accounted investment in joint venture	(157)	190	(347)	(116)	778	(894)
Straight-line rent adjustments of equity accounted joint venture	(23)	(22)	(1)	(65)	(64)	(1)
Restricted share unit expense	(151)	(67)	(84)	(881)	(383)	(498)
Amortization of deferred financing fees	(204)	(91)	(113)	(506)	(258)	(248)
Amortization of mortgage fair value adjustments	38	76	(38)	152	210	(58)
Lease principal repayments	(10)	(17)	7	(34)	(50)	16
Capital reserve	(1,300)	(750)	(550)	(3,800)	(2,125)	(1,675)
Unrealized foreign exchange loss	(464)	-	(464)	(776)	-	(776)
AFFO	14,302	9,074	5,228	40,601	23,027	17,574

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

The REIT's principal source of liquidity is cash on hand and the undrawn borrowing capacity on its Credit Facilities. As at September 30, 2022, the REIT had cash of \$10.5 million (December 31, 2021 - \$82.3 million) and a working capital deficit of \$39.5 million (December 31, 2021 - \$10.3 million surplus). Excluding the current portion of mortgages payable of \$66.1 million, liabilities associated with assets held for sale of \$23.8 million, and assets held for sale of \$43.0 million, working capital would be a surplus of \$7.4 million. The REIT expects that it will be able to refinance the mortgages on their maturities. Management of the REIT believes that sufficient cash from operations will be generated to settle the REIT's liabilities as they come due, and the REIT has the ability to draw funds on the Credit Facilities if required. The REIT has sufficient liquidity to maintain and expand its business.

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

(In thousands of Canadian dollars)	Three months ended			Nine months ended		
	September 30,			September 30,		
	2022	2021	Change	2022	2021	Change
	\$	\$	\$	\$	\$	\$
Cash generated by (used in)						
Operating activities	17,923	3,292	14,631	27,804	12,162	15,642
Investing activities	(50,178)	(81,802)	31,624	(273,915)	(167,983)	(105,932)
Financing activities	34,654	134,419	(99,765)	174,380	204,887	(30,507)
Change in cash	2,399	55,909	(53,510)	(71,731)	49,066	(120,797)
Cash – beginning of period	8,149	7,150	999	82,279	13,993	68,286
Cash – end of period	10,548	63,059	(52,511)	10,548	63,059	(52,511)

Cash generated from operating activities for the three months ended September 30, 2022 of \$17.9 million is comprised of net income of \$40.1 million, cash from changes in non-cash working capital, other non-current assets, other non-current liabilities and restricted cash of \$5.0 million, and non-cash items of \$27.1 million.

Cash generated from operating activities for the nine months ended September 30, 2022 of \$27.8 million is comprised of net income of \$137.8 million, cash from changes in non-cash working capital, other non-current assets, other non-current liabilities and restricted cash of \$8.4 million, and non-cash items of \$101.5 million.

Cash used in investing activities for the three months ended September 30, 2022 of \$45.8 million is primarily related to \$6.8 million of cash used to acquire and develop properties held for development, \$32.0 million of cash used to acquire income producing investment properties, \$11.3 million of cash used to settle the estimated value enhancement attributable to the vendor of the REIT's Richmond BC property, \$3.7 million of cash received from the disposal of an industrial property and the remainder of cash used in investing activities relates to tenant incentives, leasing costs and capital spending in the amount of \$3.7 million.

Cash used in investing activities for the nine months ended September 30, 2022 of \$269.5 million is primarily related to \$9.9 million of cash used to acquire and develop properties held for development, \$251.0 million of cash used to acquire income producing investment properties, \$11.3 million of cash used to settle the estimated value enhancement attributable to the vendor of the REIT's Richmond BC property, \$3.7 million of cash received from the disposal of an industrial property and the remainder of cash used in investing activities relates to tenant incentives, leasing costs and capital spending in the amount of \$5.5 million.

Cash used in financing activities for the three months ended September 30, 2022 of \$30.3 million is primarily related to \$3.1 million of proceeds from new mortgage financing and \$61.6 million of net borrowing on the credit facilities, partially offset by cash distributions to unitholders of \$8.7 million and mortgage principal repayments of \$20.9 million.

Cash generated from financing activities for the nine months ended September 30, 2022 of \$170.0 million is primarily related to \$168.5 million of proceeds from new mortgage financing and \$85.5 million of net borrowing on the credit facilities, partially offset by cash distributions to unitholders of \$25.7 million and mortgage principal repayments of \$52.4 million.

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

MORTGAGES PAYABLE

As at September 30, 2022, the mortgages payable are secured by charges against 80 of the REIT's investment properties. The weighted average interest rate of the mortgages payable including deferred financing costs and interest rate swap agreements is 3.27% (December 31, 2021 – 3.28%) and the weighted average term to maturity is 6.28 years (December 31, 2021 – 6.61 years). The breakdown of future principal repayments, including mortgage maturity, is presented in the following table:

(In thousands of Canadian dollars)	Scheduled repayments \$	Principal maturities \$	Total \$	Weighted average interest rate of maturing mortgages ⁽¹⁾
Remainder of 2022	4,999	315	5,314	3.83%
2023	19,594	52,212	71,806	4.35%
2024	18,076	54,594	72,670	2.62%
2025	16,858	64,690	81,548	3.55%
2026	14,209	94,650	108,859	3.06%
Thereafter	96,569	315,213	411,782	3.21%
Total	170,305	581,674	751,979	3.27%

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

CREDIT FACILITIES

On August 31, 2022, the REIT amended an existing revolving credit facility, increasing the credit facility from \$40 million to \$140 million. (“**Credit Facility 3**”). Credit Facility 3 matures on June 24, 2024 and is secured against 13 of the REIT’s investment properties. Credit Facility 3 allows the REIT to draw against the facility in the form of prime rate advances or bankers’ acceptances. Prime rate advances bear interest at 80 basis points per annum over the lender’s Canadian prime borrowing rate. Bankers’ acceptance advances bear interest at 180 basis points per annum over the floating bankers’ acceptance rate. The unadvanced portion of Credit Facility 3 is subject to a predetermined standby fee. As at September 30, 2022, \$81.2 million was drawn against Credit Facility 3 (December 31, 2021 - undrawn).

Credit Facility 3 includes, inter alia, covenants that the REIT: (i) will not allow the Debt to Gross Book Value Ratio to exceed 60% at any time, (ii) will not allow the Debt Service Coverage Ratio to be less than 1.40:1, (iii) will not allow Adjusted Unitholders’ Equity to be less than the aggregate of \$200 million plus 75% of net proceeds in connection with any equity offering by the REIT on or after March 4, 2021. As at September 30, 2022, the REIT was in compliance with these covenants. Credit Facility 3, also contains restrictions on, inter alia, change of business, sale of assets, and mergers and acquisitions without the consent of the lender and includes events of default such as failure to pay any amount of principal, interest, or other obligations under the credit facility when due, failure to observe covenants and involuntary insolvency.

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

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

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

Debt to Gross Book Value Ratio, Debt Service Coverage Ratio, and Adjusted Unitholders’ Equity are not used by the REIT as a measure of the REIT’s future or historical financial performance, financial position or cash flow, but are used solely to determine the REIT’s compliance with its covenants set out in the Credit Facility 3 Agreement.

The REIT has a \$0.5 million revolving line of credit (“**Credit Facility 2**”) bearing interest at 100 basis points per annum over the Canadian prime borrowing rate. Credit Facility 2 is secured against five of the REIT’s investment properties and allows the REIT to draw down a yearly average maximum of 75% of the \$0.5 million credit limit. As at September 30, 2022, Credit Facility 2 was undrawn (December 31, 2021 - undrawn).

On September 13, 2019, the REIT refinanced its existing credit facility to a fixed-term facility of \$65 million and a revolving facility of \$5 million (Collectively “**Credit Facility 1**”). Credit Facility 1 matures on September 13, 2024 and is secured against 13 of the REIT’s investment properties. The \$65 million fixed-term facility bears interest at the 30-day Bankers’ acceptance rate plus 150 basis points. Concurrent with the refinancing, the REIT entered into interest rate swap agreements totalling \$65 million to swap floating 30-day Bankers’ acceptance rates for a fixed rate of 1.65%, such that the interest rate on the fixed-term facility, including the 150-basis point spread, is fixed at 3.15%. The \$5 million revolving credit facility allows the REIT to draw against the facility in the form of prime rate advances or Bankers’ acceptances. Prime rate advances bear interest at 100 basis points per annum over the Canadian prime borrowing rate. Bankers’ acceptance advances bear interest at 200 basis points per annum over the floating bankers’ acceptance rate. As at September 30, 2022, \$4.3 million of the revolving portion of this credit facility was drawn (December 31, 2021 - undrawn).

Credit Facility 1 includes, inter alia, covenants that RW Real Estate Holdings Limited Partnership (“**RW LP**”), a subsidiary of the REIT which is party to the Credit Facility: (i) will not allow the Total Funded Debt to Real Property Ratio to exceed 60% at any time; and (ii) the Interest Coverage Ratio shall not be less than 2.25:1.00. As at September 30, 2022, RW LP was in compliance with both of these covenants. Credit Facility 1 also contains restrictions on, inter alia, change of business, sale of assets, and mergers and acquisitions without the consent of the lender and includes events of default such as failure to pay any amount of principal, interest or other obligations under the credit facility when due, failure to observe covenants and involuntary insolvency.

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

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

Total Funded Debt to Real Property Ratio and Interest Coverage Ratio are not used by the REIT as a measure of the REIT's future or historical financial performance, financial position or cash flow, but are used solely to determine RW LP's compliance with its covenants set out in the Credit Facility 1 Agreement.

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

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

(In thousands of Canadian dollars)	September 30, 2022	December 31, 2021
	\$	\$
Fixed-term borrowings	65,000	65,000
Bankers' acceptance borrowings	75,200	-
Prime rate borrowings	10,256	-
Total drawn against the Credit Facilities	150,456	65,000
Less: deferred financing costs	(545)	(287)
Balance, end of period	149,911	64,713

Amounts drawn on the Credit Facilities as at September 30, 2022 are as follows:

(In thousands of Canadian dollars)	Principal Amount	Interest Rate	Repricing Date
	\$		
Fixed-term borrowings	65,000	5.17% ⁽¹⁾	October 13, 2022 ⁽¹⁾
Bankers' acceptance borrowings	10,000	5.40%	October 3, 2022
Bankers' acceptance borrowings	35,500	5.45%	October 12, 2022
Bankers' acceptance borrowings	8,700	5.47%	October 17, 2022
Bankers' acceptance borrowings	11,000	5.53%	October 20, 2022
Bankers' acceptance borrowings	10,000	5.54%	October 28, 2022
Prime rate borrowings	5,971	6.25%	Variable
Prime rate borrowings	4,285	6.45%	Variable

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

SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

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

Valuation of investment properties

Fair value is determined with reference to external valuations and internal valuations based on the direct income capitalization method. The critical assumptions and estimates used by management and external valuations when determining the fair value of investment properties are stabilized net rental income and capitalization rates (see note 4 of the condensed consolidated interim financial statements). Management determines fair value internally utilizing financial information, external market data and capitalization rates determined by reference to third party appraisals and reports published by industry experts including commercial real estate brokerages. The REIT also applies judgment in determining whether the properties it acquires are considered to be asset acquisitions or business combinations. As at September 30, 2022, a 0.25% increase in the weighted average capitalization rate would result in a decrease of approximately \$78.3 million in the determination of the fair value of the investment properties. A 0.25% decrease in the weighted average capitalization rate would result in an increase of approximately \$85.8 million in the determination of the fair value of the investment properties.

Unit options

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

STANDARDS ISSUED BUT NOT YET EFFECTIVE

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

IAS 1, Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants

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. In October 2022, the IASB issued "Amendments to IAS 1 – Non-current Liabilities with Covenants". These further amendments clarify how to address the effects on classification and disclosure of covenants currently applicable and covenants that will apply in future periods. These amendments are effective January 1, 2024, with earlier application permitted and are to be applied retrospectively. The REIT is currently evaluating the impact of these amendments on its consolidated financial statements.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

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

The Chief Executive Officer and the Chief Financial Officer of the REIT have evaluated and determined that, as of September 30, 2022:

- the design of DC&P was appropriate to provide reasonable assurance that material information is made known to us by others in a timely manner and that information required to be disclosed by the REIT is recorded, processed, summarized, and reported within the time periods specified in securities legislation; and

- the design of ICFR was appropriate to provide reasonable assurance regarding the reliability of the REIT's financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

There were no changes in the REIT's design of internal controls over financial reporting in the nine months ended September 30, 2022 that materially affected or are likely to materially affect, the REIT's internal controls over financial reporting.

FINANCIAL INSTRUMENTS AND RISKS AND UNCERTAINTIES

Real property ownership and tenant risk

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

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

Competition

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

Fixed costs and increased expenses

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

General uninsured risks

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

Environmental and litigation risk

The REIT is subject to federal, provincial, and local environmental regulations that apply generally to the ownership of real property and the operation of commercial properties. If it fails to comply with those laws, the REIT could be subject to significant fines or other governmental sanctions. Under various federal, provincial, and local laws, ordinances and regulations, an owner or operator of real estate may be required to investigate and clean up hazardous or toxic substances or petroleum product releases at a facility and may be held liable to a governmental entity or to third parties for property damage and for investigation and clean-up costs incurred by such parties in connection with contamination. Such liability may be imposed whether or not the owner or operator knew of, or was responsible for, the presence of these hazardous or toxic substances. The cost of investigation, remediation or

removal of such substances may be substantial, and the presence of such substances, or the failure to properly remediate such substances, may adversely affect the REIT's ability to sell or rent such facility or to borrow using such facility as collateral. To assess the potential for liabilities arising from the environmental condition at the REIT's properties, the REIT may obtain or examine environmental assessments prepared by environmental consulting firms. The environmental assessments received in respect of the investment properties have not revealed, nor is the REIT aware of, any environmental liability that the REIT believes will have a material adverse effect on it.

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

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a loss to another party by failing to settle its obligations. The REIT is subject to credit risk with respect to its cash deposited with financial institutions and tenant and other receivables. As at September 30, 2022, one tenant accounted for approximately 13% of the REIT's base rental income, resulting in a concentration of credit risk. The REIT monitors the creditworthiness of its tenants on an ongoing basis. The REIT mitigates credit risk by monitoring the credit ratings of the institutions holding the REIT's deposits. The REIT has examined its tenant receivables for indications of impairment. The tenant receivables default rate of the REIT is less than 0.5%.

COVID-19

The COVID-19 pandemic has had, and may continue to have, an impact on the REIT's tenants and the REIT's operations. Some tenants experienced a surge in business activities during the pandemic. Others experienced disruption to their operations and in certain cases it impacted the tenant's ability to meet their lease obligations. The REIT continues to assess the effect of economic conditions on the creditworthiness of its tenants, but at this time, it is difficult to predict what continued impact (if any) the COVID-19 pandemic will have on the markets in which the REIT operates.

Liquidity risk

Liquidity risk is the risk that the REIT will not have the financial resources required to meet its financial obligations as they come due. The REIT manages this risk by ensuring it has sufficient cash on hand or borrowing capacity to meet obligations as they come due by forecasting cash flows from operations, cash required for investing activities and cash from financing activities. As at September 30, 2022, the REIT had cash of \$10.5 million (December 31, 2021 - \$82.3 million), mortgages payable of \$752.0 million (December 31, 2021 - \$612.8 million), a balance of \$150.5 million drawn against the Credit Facilities (December 31, 2021 - \$65 million) and accounts payable and other liabilities of \$32.2 million (December 31, 2021 - \$35.5 million). The REIT had a working capital deficit of \$39.5 million as at September 30, 2022 (December 31, 2021 - \$10.3 million surplus). Excluding the current portion of mortgages payable of \$66.1 million, liabilities associated with assets held for sale of \$23.8 million, and assets held for sale of \$43.0 million, working capital would be a surplus of \$7.4 million. The REIT expects that it will be able to refinance the mortgages on their maturities. The REIT has access to undrawn funds under the Credit Facilities and expects to generate sufficient cash from operations to satisfy its financial liabilities as they come due.

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

(In thousands of Canadian dollars)	Accounts payable and other liabilities \$	Lease liabilities \$	Credit Facilities principal repayment \$	Interest on fixed portion of Credit Facilities \$	Mortgages payable \$	Mortgage interest \$	Total \$
Remainder of 2022	21,797	150	-	512	5,314	5,858	33,631
2023	1,037	609	-	2,048	71,806	22,028	97,528
2024	1,073	582	150,456	1,536	72,670	19,764	246,081
2025	1,109	604	-	-	81,548	17,518	100,779
2026	1,146	609	-	-	108,859	16,980	127,594
Thereafter	5,998	26,561	-	-	411,782	47,951	492,292
	32,160	29,115	150,456	4,096	751,979	130,099	1,097,905

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. There is a risk that the REIT may not be able to renegotiate its mortgages and Credit Facilities at maturity on terms as favourable as the existing mortgages payable and credit facilities. As at September 30, 2022, there was a total of \$339.4 million (December 31, 2021 - \$182.3 million) of mortgage and credit facilities borrowings which bear interest at floating bankers' acceptance or Canadian prime rates plus a fixed spread. There is a risk that prevailing interest rates could increase, and those increases could be significant. The REIT mitigates interest rate risk by maintaining reasonable levels of debt to investment property value and aims to structure new debt to stagger the maturities to ensure that the majority of debt does not come due for repayment in any one particular year. As at September 30, 2022, the REIT has interest rate swap agreements totalling \$247.6 million (2021 - \$160.4 million) to mitigate interest rate risk arising from floating rate debt.

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

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

(In thousands of Canadian dollars)

Transaction date	Effective fixed interest rate	Maturity date	Original notional amount \$	Current notional amount \$	Fair value gain \$
April 2019	3.67%	April 24, 2024	12,000	11,204	(359)
April 2019	3.74%	April 24, 2026	12,500	11,681	(618)
April 2019	3.87%	April 24, 2029	12,500	11,701	(795)
September 2019	3.15%	September 13, 2024	65,000	65,000	(3,085)
November 2020	2.82%	November 2, 2027	7,650	7,254	(836)
December 2020	3.61%	December 1, 2025	18,500	17,676	(1,488)
December 2020	3.35%	December 30, 2030	15,000	14,342	(2,364)
April 2021	3.08%	April 1, 2026	19,750	18,990	(1,363)
November 2021	3.69%	June 1, 2028	22,600	21,980	(987)
February 2022	3.28%	February 23, 2032	29,500	29,160	(2,322)
February 2022	3.28%	February 23, 2032	20,000	19,769	(1,574)
March 2022	3.41%	March 1, 2027	17,800	17,572	(1,065)
March 2022	3.76%	April 1, 2025	1,500	1,235	(55)
			254,300	247,564	(16,911)

COMMITMENTS

Development Management Agreement

On March 16, 2020, the REIT entered into a development management agreement (the “DMA”) with the vendor of the REIT’s Richmond, BC property (the “Developer”). Pursuant to the DMA, the REIT is redeveloping approximately 60,000 square feet previously occupied by an industrial tenant (the “Redevelopment”). The Developer is managing the Redevelopment and has secured new tenants for the space, and the REIT has entered into lease agreements with these tenants. The REIT is responsible for the costs of the Redevelopment, which have been capped at \$6.1 million, including leasing costs, tenant incentives, and construction costs (collectively the “Capped Redevelopment Costs”).

The DMA also contemplates that the REIT will construct an approximately 70,000 square foot addition at the property (the “Addition”). The REIT will be responsible for costs of the construction and has paid a development management fee in the amount of \$3 million in respect of the Addition. 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 is 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 million of value enhancement is for the benefit of the REIT. The next \$20 million of value enhancement will be for the benefit of the Developer. Any value enhancement in excess of \$40 million is to 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 was estimated at \$32.3 million as at June 30, 2022, not including any value enhancement related to the Addition. This amount was settled as at June 30, 2022.

In September 2022, the terms of certain tenant leases in respect of the REIT’s Richmond, BC property were amended with increases to rents per square foot. The REIT agreed to make a payment to the Developer (\$11.3 million), calculated as one half of the increase in net rental income resulting from the amendments, subject to certain adjustments, divided by the capitalization rates applied in the previously prepared external appraisals.

The DMA provides that upon completion of the Addition, final external appraisals will be commissioned by each of the REIT and the Developer. The average of the two appraisals will be used to determine the final amount of value enhancement, if any, due to the Developer, at which time, any further amount due to the Developer will be payable.

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.

Other

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

The REIT has guaranteed the borrowings of a co-ownership in which the REIT has an interest. The guaranteed balance of up to \$8 million is secured by development land owned by the co-ownership.

OUTSTANDING UNIT DATA

The following table presents the changes in unitholders' equity for the nine-month period ended September 30, 2022:

(In thousands of Canadian dollars)	Units (000s)	Amount \$
Balance – January 1, 2022	57,303	536,883
Units issued under distribution reinvestment plan	192	2,070
Units issued under Option Plan	59	760
Units issued under Incentive Plan	36	461
Units issued under Employee Purchase Plan	19	216
Class B LP Units exchanged for REIT Units	911	10,358
Balance – September 30, 2022	58,520	550,748

As at November 14, 2022, a total of approximately 58,799,000 REIT Units and 20,535,000 Class B LP Units were issued and outstanding.

DISTRIBUTIONS

The REIT currently pays a monthly distribution of \$0.05333 per unit, representing \$0.64 per unit on an annualized basis. Total distributions declared with respect to REIT Units in the three months and nine months ended September 30, 2022 amounted to \$9.4 million (2021 - \$6.5 million) and \$27.8 million (2021 - \$16.6 million), respectively.

As at September 30, 2022, 406,516 units were held in escrow by the REIT. While the units are held in escrow, they will not accrue any distributions declared.

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

(In thousands of Canadian dollars)	Three months ended September 30, 2022 \$	Nine months ended September 30, 2022 \$	Year ended December 31, 2021 \$	Year ended December 31, 2020 \$
Cash generated from operating activities	17,923	27,804	24,995	24,349
Net income	40,055	137,759	93,539	35,235
Actual cash distributions paid or payable during the period ⁽¹⁾	9,358	27,840	25,082	17,246
Excess (shortfall) of cash flows from operating activities over cash distributions paid	8,565	(36)	(87)	7,103
Excess of net income over cash distributions paid	30,697	109,919	68,457	17,989

⁽¹⁾ Actual cash distributions paid or payable includes all distributions declared payable to holders of REIT Units and excludes distributions declared payable to holders of Class B LP Units during the period. Actual cash distributions paid or payable is unadjusted for distributions settled through the issuance of REIT Units under the distribution reinvestment plan. Of distributions declared in the three months and nine months ended September 30, 2022, \$0.7 million and \$2.1 million, respectively, were settled through the issuance of REIT Units under the distribution reinvestment plan.

Net income for the three months ended September 30, 2022 of \$40.1 million exceeded actual cash distributions paid or payable for the three months ended September 30, 2022 of \$9.4 million by \$30.7 million. Net income excluding non-cash fair value adjustments of investment properties, Class B LP Units, unit options, restricted share units and derivative financial instruments totalling \$27.5 million and excluding other income of \$0.8 million was

\$11.8 million for the three months ended September 30, 2022, which exceeded actual cash distributions paid or payable by \$2.4 million.

Net income for the nine months ended September 30, 2022 of \$137.8 million exceeded actual cash distributions paid or payable for the nine months ended September 30, 2022 of \$27.8 million by \$110.0 million. Net income excluding non-cash fair value adjustments of investment properties, Class B LP Units, unit options, restricted share units and derivative financial instruments totalling \$102.0 million and excluding other income of \$1.7 million was \$34.1 million for the nine months ended September 30, 2022, which exceeded actual cash distributions paid or payable by \$6.3 million.

For the three months ended September 30, 2022, cash generated from operating activities exceeded actual cash distributions paid or payable by \$8.6 million. Excluding changes in non-cash working capital, other non-current assets, restricted cash, and other non-current liabilities of \$5.0 million, cash generated from operating activities exceed actual cash distributions paid or payable by \$3.6 million.

For the nine months ended September 30, 2022, cash generated from operating activities was 0.04 million less than actual cash distributions paid or payable. Excluding \$1.8 million of increases in deposits for acquisitions and \$2.5 million of temporary timing driven changes in prepaid expenses with property taxes being prepaid in the period, cash generated from operating activities exceeded actual cash distributions paid or payable by \$4.3 million.

DISTRIBUTION REINVESTMENT PLAN

The REIT adopted a distribution reinvestment plan (“DRIP”) on February 20, 2014, pursuant to which resident Canadian unitholders are entitled to elect to have all or some of the cash distributions of the REIT automatically reinvested in additional units at a price per unit calculated by reference to the weighted average of the trading price for the units for the five trading days immediately preceding the relevant distribution date. Eligible unitholders who so elect will receive a bonus distribution of units equal to 4% of each distribution that was reinvested by them under the DRIP. During the three-month period ended September 30, 2022, 70,330 units (2021 – 60,030 units) were issued under the DRIP for a stated value of \$0.7 million (2021 - \$0.7 million) and for the nine-month period ended September 30, 2022, 192,389 units (2021 – 211,454 units) were issued under the DRIP for a stated value of \$2.1 million (2021 - \$1.9 million).

RELATED PARTY TRANSACTIONS

For the three-month period ended September 30, 2022, trustee retainer fees in the amount of \$0.119 million were expensed (2021 - \$0.044 million) and for the nine-month period ended September 30, 2022, trustee retainer fees in the amount of \$0.358 million were expensed (2021 - \$0.133 million). Trustee retainer fees in the amount of \$0.219 million were accrued as at September 30, 2022 (December 31, 2021 - \$0.044 million).

Trustee meeting fees in the amount of \$nil were expensed for the three months ended September 30, 2022 (2021 - \$0.007 million) and for the nine-month period ended September 30, 2022, trustee meeting fees in the amount of \$nil were expensed (2021 - \$0.017 million). Trustee meeting fees in the amount of \$nil were accrued as at September 30, 2022 (December 31, 2021 - \$0.006 million).

For the three-month period ended September 30, 2022, key management earned salaries and other short-term employee benefits in the amount of \$0.7 million (2021 - \$0.4 million) and \$2.0 million was earned in respect of the nine-month period ended September 30, 2022 (2021 - \$1.2 million).

On July 18, 2022, the REIT acquired an 80% interest in a property held for development in Hamilton, Ontario for \$4.8 million (“190 Glover Road”). The REIT also indirectly, through one of its subsidiaries guaranteed up to \$8.0 million of debt of the co-ownership. The development is partially owned, and managed, by entities controlled by RFA.

On June 22, 2022, the REIT acquired an 80% interest in a property held for development in Hamilton, Ontario for \$17.8 million (“1540 South Service Road”). The development is partially owned, and managed, by entities controlled by RFA.

On November 16, 2021, the REIT acquired a 22% interest in a limited partnership which holds land in Hamilton, Ontario for development for \$3.0 million (“844 Glancaster Road”). The REIT also indirectly, through one of its subsidiaries, guaranteed a \$17.5 million debt of the limited partnership. The limited partnership is controlled by RFA, an entity related to a trustee of the REIT.

The REIT’s investment to acquire its interest in 190 Glover Road, 1540 South Service Road and 844 Glancaster Road (collectively “the RFA Development Properties”) is proportionately the same as the other limited partners and co-owners’ investments.

The REIT is entitled to receive a guarantee fee in respect of debt related to the RFA Development Properties which is guaranteed by the REIT. Acquisition fees, asset management fees, and development management fees are payable to entities related to RFA in respect of the RFA Development Properties. If certain return thresholds are met, RFA will also receive a preferential allocation of income related to the RFA Development Properties at the completion of their development. These fees receivable and payable in respect of the RFA Development Properties are consistent with market terms.

The REIT recognized \$0.038 million and \$0.126 million of guarantee fees during the three-month and nine-month periods ended September 30, 2022, respectively.

Fees to RFA related entities in respect of the RFA Development Properties totalled \$0.3 million and \$0.45 million for the three-month and nine-month periods ended September 30, 2022, respectively.

SUBSEQUENT EVENTS

On October 4, 2022 the REIT sold a retail property located in Longueuil, Quebec for \$11.9 million. The property was classified as an asset held for sale as at September 30, 2022.

On November 1, 2022, the REIT acquired a portfolio of four industrial properties for a purchase price of \$38.2 million (\$28.5 USD million). Three of the properties are located in Windsor, Ontario and one is located in Tilbury, Ontario.

OUTLOOK

The global supply chain continues to be impacted by geopolitical instability which has also impacted the Canadian economy and consumer prices. Inflationary pressures within the Canadian economy have driven increases in interest rates. Against this backdrop, industrial real estate has remained very resilient. Rental rates continue to increase in many of the markets in which the REIT is present. The increase is driven by limited vacancy, under-supply, and unprecedented demand for warehouse and logistics space – a by-product of the pandemic which accelerated structural changes in the distribution of goods. The REIT expects these industrial real estate trends to continue into 2023.

The REIT’s investment property portfolio is industrial real estate focused and the portfolio is 97% occupied. During the remainder of 2022 and into 2023, the REIT expects to continue to benefit from positive rental fundamentals in the markets in which it has leases expiring.

The bond yield curve remains inverted, with 2-year Government of Canada benchmark bond yields at approximately 3.8% and 10-year bond yields at approximately 3.1%. 5-year and 10-year bond yields have also increased from 1.4% and 1.6%, respectively, at the beginning of the year, to approximately 3.3% and 3.1% as of the date of this report. The Bank of Canada has increased its overnight rate by 350 basis points so far this year. While the Canada all items CPI peaked at a year over year increase of 8.1% in June 2022, declining to a year over year increase of 6.9% in September 2022, further rate increases are anticipated given elevated inflation and inflation expectations, as well as ongoing demand pressures in the economy.

In 2023 the REIT has \$52.2 million of mortgages with a weighted average interest rate of 4.35% that will mature, and in 2024, \$54.6 million of mortgages with a weighted average interest rate of 2.65% will mature. The REIT will have to increase debt as it completes further acquisitions in 2022 and 2023, and continues to monitor developments in debt markets.

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