



**NEXUS INDUSTRIAL REIT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the three months and year ended December 31, 2022**

**March 14, 2023**

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## BASIS OF PRESENTATION

The following management's discussion and analysis ("**MD&A**") of Nexus Industrial REIT ("the **REIT**") for the year ended December 31, 2022 should be read in conjunction with the REIT's audited consolidated financial statements for the years ended December 31, 2022 and 2021.

The information contained in this MD&A reflects events up to March 14, 2023, 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](http://www.sedar.com).

## 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 March 7, 2023, the REIT acquired a newly constructed 532,000 square foot distribution centre located in Casselman, Ontario for \$116.8 million.
- Successfully completed a bought deal financing on December 8, 2022, generating net proceeds of \$80.5 million.
- On November 1, 2022, the REIT acquired a 435,871 square foot portfolio of four industrial properties occupied by a single tenant for \$38.9 million (\$28.5 USD million). Three of the properties are located in Windsor, Ontario and one is located in Tilbury, Ontario.
- Completed \$316.8 million of industrial property acquisitions in 2022; increasing NOI from industrial properties to approximately 88% of NOI in Q4 2022 from 81% of NOI in Q4 2021.
- During 2022, the REIT acquired 80% interests in two development sites in Hamilton, Ontario for \$22.6 million. The REIT anticipates being able to develop approximately 358,000 square feet of class A industrial space on the sites, with construction completion anticipated for early and late 2024.
- Completed the sale of two retail properties for \$12.8 million during Q4 2022 and three properties for \$21.1 million during 2022 generating net proceeds of \$7.7 million for capital recycling.
- On March 1, 2023, the REIT entered into senior unsecured credit facilities totalling \$375 million with three-year terms (the “Unsecured Facilities”). The Unsecured Facilities are comprised of a \$190 million revolving credit facility, a \$175 million term loan facility and a \$10 million swingline facility. The Unsecured Facilities replaced the REIT’s Credit Facility 3.
- Occupancy of 97% at December 31, 2022 was consistent with 97% at September 30, 2022 and increased from 96% at December 31, 2021.
- YTD 2022 net operating income of \$95.8 million increased \$39.9 million or 71.2% as compared to 2021 net operating income of \$56 million. Q4 2022 net operating income of \$25.0 million increased by \$5.9 million or 31% as compared to Q4 2021 net operating income of \$19.1 million and by \$0.08 million or 0.31% as compared to Q3 2022 net operating income of \$24.9 million.
- Q4 2022 Same Property NOI<sup>(1)</sup> of \$17.7 million increased by \$0.4 million or 2.2% as compared to Q4 2021. The increase is primarily driven by rental steps, CPI increases, new and renewal lease lift at certain of the REIT’s industrial properties.
- YTD 2022 results included a \$0.6 million unrealized foreign exchange loss which impacted per unit measures by \$0.007 per unit.
- YTD 2022 Normalized FFO<sup>(1)</sup> per unit of \$0.807, as compared to \$0.770 for 2021; Q4 2022 Normalized FFO per unit of \$0.203 as compared to \$0.209 for Q3 2022 and \$0.194 for Q4 2021.
- YTD 2022 Normalized AFFO<sup>(1)</sup> per unit of \$0.698 as compared to \$0.692 for 2021; Q4 2022 Normalized AFFO per unit of \$0.177 as compared to \$0.179 for Q3 2022 and \$0.173 for Q4 2021.

- YTD 2022 Normalized AFFO payout ratio<sup>(1)</sup> of 91.7% compared to 94.7% for 2021; Q4 2022 Normalized AFFO payout ratio of 91.3%, as compared to 88.9% for Q3 2022 and 96.5% for Q4 2021.
- NAV<sup>(1)</sup> per unit of \$12.19 at December 31, 2022 as compared to \$12.45 at September 30, 2022 and \$12.18 at December 31, 2021.
- Debt to Total Assets of 43.7% at December 31, 2022. \$97.5 million of availability on the REIT's lines of credit and \$84.7 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 \$	Income-producing properties acquired \$
Windsor, ON and Tilbury, ON	November 1 <sup>st</sup>	435,871	38,875	-	939	39,814
Cornwall, ON	September 30 <sup>th</sup>	34,800	4,850	-	127	4,977
Baie-D'Urfé, QC	September 8 <sup>th</sup>	74,681	17,800	-	485	18,285
St-Augustin-de-Desmaures, QC	July 11 <sup>th</sup>	94,000	18,875	(460)	529	18,944
Edmonton, AB	March 1 <sup>st</sup>	72,420	14,600	-	51	14,651
London and Chatham, ON	March 1 <sup>st</sup>	342,320	35,694	1,736	1,052	38,482
Edmonton, AB	February 22 <sup>nd</sup>	555,789	91,000	-	192	91,192
Edmonton, AB	February 8 <sup>th</sup>	210,429	38,161	-	154	38,315
Mascouche, QC	February 2 <sup>nd</sup>	101,315	28,914	-	976	29,890
Regina, SK	January 12 <sup>th</sup>	179,291	28,000	-	147	28,147
Post-closing adjustments		-	-	-	2,524	2,524
		2,100,916	316,769	1,276	7,176	325,221

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

On November 1, 2022, the REIT acquired a portfolio of four industrial properties with a GLA of 435,871 square feet occupied by a single tenant for \$38.9 million (\$28.5 USD million). Three of the properties are located in Windsor, Ontario and one is located in Tilbury, Ontario.

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 342,320 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.

#### **DISPOSITIONS**

On December 19, 2022, the REIT sold a retail property located in Charlottetown, Prince Edward Island for a selling price of \$0.96 million. Net of selling costs of \$0.06 million, the REIT received net cash proceeds of \$0.9 million. Upon the sale, a ground lease asset of \$0.9 million and an associated lease liability of \$1.0 million were derecognized. The sale generated a gain on disposal of \$0.03 million.

On October 4, 2022, the REIT sold a retail property located in Longueuil, Quebec for a selling price of \$11.9 million. Net of selling costs of \$0.4 million and the assumption by the purchaser of a \$8.3 million mortgage against the property, the REIT received net cash proceeds of \$3.2 million. The sale generated a loss on disposal of \$0.5 million, including the derecognition of a straight-line rent asset in the amount of \$0.08 million.

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 by the purchaser 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 \$70.9 million, as at December 31, 2022. All properties are being marketed for sale.

## PORTFOLIO OVERVIEW

### REIT PROPERTIES BY ASSET CLASS AS AT DECEMBER 31, 2022

Property Address	GLA (Square Feet)	GLA (Square Feet) At REIT Ownership Interest	Occupancy
<b><u>INDUSTRIAL</u></b>			
<b><u>British Columbia</u></b>			
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 <sup>(2) (4)</sup>	60,836	60,836	57% <sup>(3)</sup>
	154,145	154,145	83%
<b><u>Alberta</u></b>			
5 4700 & 4750 – 102 Ave, SE, Calgary	29,471	29,471	100%
6 3780 & 4020 – 76 <sup>th</sup> 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 <sup>th</sup> St, NE, Edmonton	116,582	116,582	100%
10 14801 – 97 <sup>th</sup> 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 <sup>th</sup> 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	56%
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%



Property Address	GLA (Square Feet)	GLA (Square Feet) At REIT Ownership Interest	Occupancy
	2,682,003	2,682,003	98%
<b><u>Northwest Territories</u></b>			
31 348-352 Old Airport Rd, Yellowknife	53,212	53,212	100%
<b><u>Saskatchewan</u></b>			
32 110 – 71 <sup>st</sup> 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 <sup>th</sup> 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%
<b><u>Manitoba</u></b>			
43 97 Nicola Dr, Headingley	40,050	40,050	100%
<b><u>Ontario</u></b>			
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 <sup>(1)</sup>	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	99%
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 Rd, Hamilton <sup>(5)</sup>	-	-	0% <sup>(5)</sup>
62 190 Glover Rd, Hamilton <sup>(5)</sup>	-	-	0% <sup>(5)</sup>
63 605 Boundary Rd, Hamilton	34,800	34,800	100%

<b>Property Address</b>		<b>GLA (Square Feet)</b>	<b>GLA (Square Feet) At REIT Ownership Interest</b>	<b>Occupancy</b>
64	5250 Outer Dr, Windsor	132,976	132,976	100%
65	5245 Burke St, Windsor	125,701	125,701	100%
66	418 Silvercreek Industrial Dr, Windsor	97,185	97,185	100%
67	24 Industrial Park Rd, Tilbury	79,846	79,846	100%
		3,589,251	3,347,572	100%
<b><u>Québec</u></b>				
68	935-965 rue Reverchon, Saint-Laurent	113,892	113,892	100%
69	1901 rue Dickson / 5780 rue Ontario Est, Montréal	91,068	91,068	100%
70	6810 boul. Des Grandes Prairies, Montréal	60,786	60,786	100%
71	3330 2e rue, Saint-Hubert	60,441	60,441	100%
72	3550 1ère rue, Saint-Hubert	22,428	22,428	100%
73	3600 1ère rue, Saint-Hubert	38,629	38,629	100%
74	3490-3504 rue Griffith, Saint-Laurent	40,665	40,665	100%
75	425 rue Guy, Montréal <sup>(1)</sup>	37,153	18,577	89%
76	2400 Trans-Canada Highway, Pointe-Claire	309,000	154,500	100%
77	1251 rue Louis-Bleriot, Mascouche	101,315	101,315	100%
78	50 rue de Lisbonne, St-Augustin-de-Desmaures	94,000	94,000	100%
79	21800 Clark-Graham, Baie-D'Urfé	74,681	74,681	100%
		1,044,058	870,982	100%
<b><u>New Brunswick</u></b>				
80	675 St-George Blvd, Moncton	93,443	93,443	100%
81	10 Deware Dr, Moncton	226,135	226,135	100%
82	775 Frenette, Ave, Moncton	124,655	124,655	100%
		444,233	444,233	100%
<b>Total Industrial</b>		<b>9,654,470</b>	<b>9,239,715</b>	<b>99%</b>
<b><u>RETAIL</u></b>				
<b><u>British Columbia</u></b>				
	1751 Savage Rd, Richmond <sup>(2) (4)</sup>	111,274	111,274	100%
<b><u>Québec</u></b>				
83	1094-1100 boul. Des Chutes, Beauport <sup>(1)</sup>	32,406	16,203	94%
84	1700 rue Sherbrooke, Magog <sup>(1)</sup>	133,710	66,855	81%
85	1971 rue Bilodeau, Plessisville <sup>(1)</sup>	99,706	49,853	92%
86	14000 boul. Henri-Bourassa, Québec City <sup>(1)</sup>	44,619	22,310	100%
87	6700 rue St-Georges, Lévis <sup>(1)</sup>	43,218	21,609	69%
88	10516 boul. Sainte-Anne, Ste-Anne-de-Beaupré <sup>(1)</sup>	88,671	44,336	84%
89	9550 boul. L'Ormière, Québec <sup>(1)</sup>	114,602	57,301	94%
90	333 Côte Joyeuse, St-Raymond <sup>(1)</sup>	64,481	32,241	85%
91	161 Route 230 Ouest, La Pocatière <sup>(1)</sup>	207,586	103,793	72%

Property Address	GLA (Square Feet)	GLA (Square Feet) At REIT Ownership Interest	Occupancy
92 25 Route 138, Forestville <sup>(1)</sup>	55,962	27,981	87%
93 2000 boul. Louis-Fr�chet�te, Nicolet <sup>(1)</sup>	88,383	44,192	93%
94 3856 boul. Taschereau, Greenfield Park <sup>(1)</sup>	213,982	106,991	99%
95 250 boul. Fiset, Sorel <sup>(1)</sup>	116,348	58,174	100%
96 8245 boul. Taschereau, Brossard <sup>(1)</sup>	43,234	21,617	100%
97 340 rue Belv�d�re Sud, Sherbrooke <sup>(1)</sup>	172,964	86,482	90%
98 401-571 boul. Jutras Est, Victoriaville	380,384	380,384	90%
99 7500 boul. Les Galeries d'Anjou, Anjou <sup>(1)</sup>	105,816	52,908	91%
	2,006,072	1,193,230	89%
<b>Total Retail</b>	<b>2,117,346</b>	<b>1,304,504</b>	<b>90%</b>
<b><u>OFFICE</u></b>			
<b><u>Qu�bec</u></b>			
100 2045 rue Stanley, Montr�al <sup>(1) (6)</sup>	112,493	56,247	95%
101 72 rue Laval, Gatineau <sup>(1)</sup>	68,358	34,179	100%
102 10500 Ave Ryan, Dorval	52,372	52,372	100%
103 955 boul. Mich�le-Bohec, Blainville	33,461	33,461	100%
104 1600 rue Montgolfier, Laval	27,097	27,097	100%
105 353 rue St-Nicolas, Montr�al <sup>(1)</sup>	34,425	17,213	69%
106 410 rue St-Nicolas, Montr�al <sup>(1)</sup>	154,684	77,342	75%
107 360 rue Notre-Dame Ouest, Montr�al <sup>(1)</sup>	29,442	14,721	86%
108 321 rue de la Commune, Montr�al <sup>(1)</sup>	11,502	5,751	100%
109 329 rue de la Commune, Montr�al <sup>(1)</sup>	21,026	10,513	97%
110 127, 137 & 145 rue St-Pierre, Montr�al <sup>(1)</sup>	35,772	17,886	93%
111 63 rue des Br�soles, Montr�al <sup>(1)</sup>	39,317	19,659	100%
	619,949	366,441	92%
<b><u>New Brunswick</u></b>			
112 400 Main St, St. John	159,989	159,989	65%
<b>Total Office</b>	<b>779,938</b>	<b>526,430</b>	<b>84%</b>
<b>Total Portfolio <sup>(7)</sup></b>	<b>12,551,754</b>	<b>11,070,649</b>	<b>97%</b>

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

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

(3) As at December 31, 2022 the REIT is negotiating a lease amendment with the tenant to occupy 100% of 1771 Savage Road on a revised timeline.

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

(5) As at December 31, 2022, 1540 South Service Road and 190 Glover Road are held for development. The REIT owns an 80% interest in these properties.

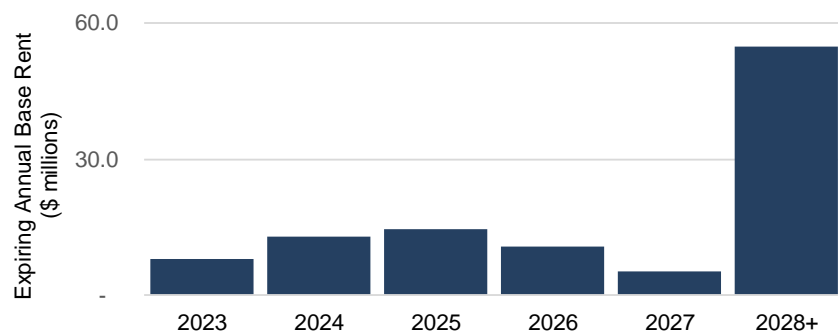
(6) Property is accounted for as an equity investment in joint venture.

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

## LEASE EXPIRIES

INDUSTRIAL	2023	2024	2025	2026	2027	2028+	Total
<b>ALBERTA</b>							
Occupied GLA	25,339	246,772	549,798	219,267	118,454	1,481,144	2,640,774
Net rent - \$ per square foot	13.72	19.18	12.45	17.23	7.76	8.53	11.08
% of GLA	1%	9%	21%	8%	4%	57%	100%
<b>SASKATCHEWAN</b>							
Occupied GLA	36,499	84,928	168,996	-	76,710	1,261,335	1,628,468
Net rent - \$ per square foot	11.02	10.16	9.30	-	7.08	9.29	9.27
% of GLA	2%	5%	10%	0%	5%	78%	100%
<b>ONTARIO</b>							
Occupied GLA	399,500	434,938	298,847	570,675	20,700	1,614,478	3,339,138
Net rent - \$ per square foot	5.96	6.74	6.49	6.84	10.64	6.39	6.50
% of GLA	12%	13%	9%	17%	1%	48%	100%
<b>QUEBEC</b>							
Occupied GLA	27,264	49,979	106,390	8,354	129,848	547,094	868,928
Net rent - \$ per square foot	7.19	5.89	7.10	7.15	11.55	14.10	12.11
% of GLA	3%	6%	12%	1%	15%	63%	100%
<b>OTHER</b>							
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	6%	6%	24%	6%	0%	58%	100%
<b>TOTAL INDUSTRIAL</b>							
Occupied GLA	528,605	856,217	1,284,392	838,346	345,712	5,289,358	9,142,629
Net rent - \$ per square foot	8.56	10.85	9.80	10.24	9.21	8.90	9.32
% of GLA	6%	9%	14%	9%	4%	58%	100%
Weighted Average Lease Term - 6.8 years							
<b>TOTAL RETAIL</b>							
Occupied GLA	186,592	179,930	163,814	121,615	106,570	419,342	1,177,863
% of GLA	16%	15%	14%	10%	9%	36%	100%
Weighted Average Lease Term - 4.7 years							
<b>TOTAL OFFICE</b>							
Occupied GLA	99,989	41,133	45,957	47,938	41,248	163,668	439,931
% of GLA	23%	9%	10%	11%	9%	38%	100%
Weighted Average Lease Term - 4.4 years							
<b>TOTAL PORTFOLIO</b>							
Occupied GLA	815,185	1,077,279	1,494,163	1,007,899	493,530	5,872,368	10,760,422
% of GLA	8%	10%	14%	9%	5%	54%	100%
Weighted Average Lease Term - 6.5 years							

Expiring Annual Base Rent		
\$ millions		
2023	8.1	7.6%
2024	12.9	12.2%
2025	14.6	13.8%
2026	10.6	10.0%
2027	5.1	4.8%
2028+	54.8	51.6%
	<b>106.1</b>	<b>100.0%</b>



## LEASING ACTIVITY DURING THE QUARTER

### INDUSTRIAL

#### CURRENT AND FUTURE EXPIRIES

	GLA	Rental rate growth (%)
ONTARIO	1,200	71%
QUEBEC	31,375	63%
TOTAL	32,575	63%

#### VACANT SPACE

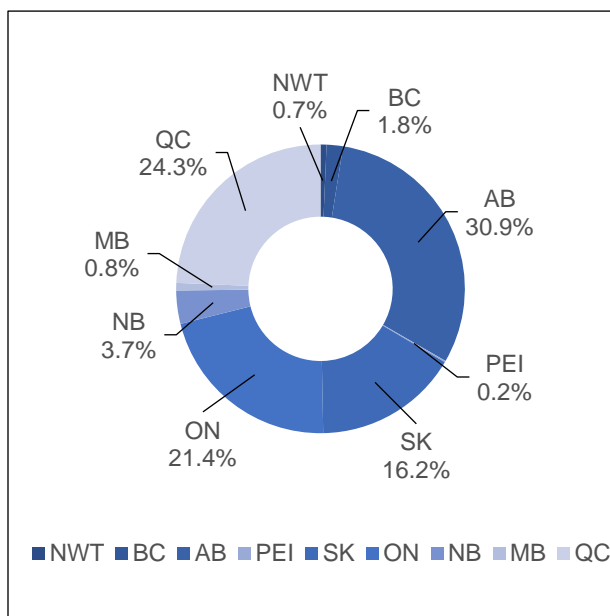
	GLA	Rental rate growth (%) <sup>(1)</sup>
ALBERTA	11,308	-30%

<sup>(1)</sup> rental growth over existing weighted average in-place rent of property

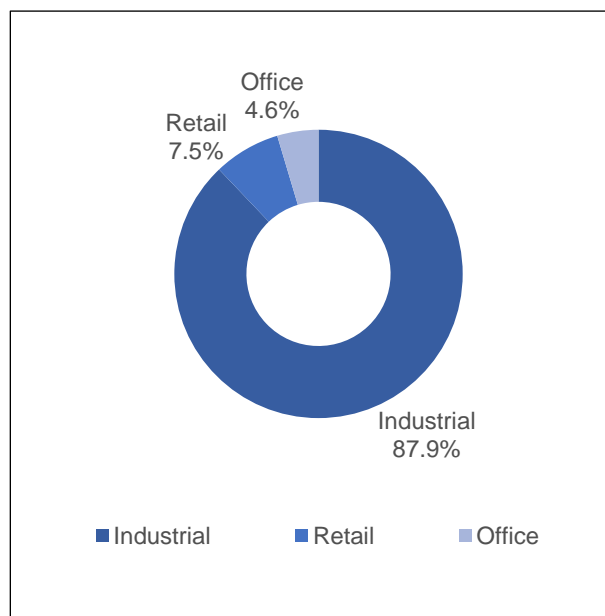
During the quarter, the REIT renewed 1,200 square feet of its remaining 2022 expiries for a three-year term with annual rental increases. The remaining 15,829 square feet was vacated by the existing tenant and is actively being marketed. The REIT early renewed 31,375 square feet of Quebec industrial space for a weighted average 2.7 year term with annual rental increases. The REIT leased 11,308 square feet of vacant space with a five-year term and annual rental increases.

## PROPERTY COMPOSITION DIVERSITY

### GEOGRAPHIC MIX (Q4 NOI)



### ASSET CLASS MIX (Q4 NOI)



## TOP TEN TENANTS

Tenant	% of Annualized Base Rent
1 Loblaws	12.5%
2 Westcan Bulk Transport	5.6%
3 Sobeys	3.8%
4 MTE Logistix	3.7%
5 Valard Construction	2.7%
6 Mastec Canada	2.6%
7 AP Plasman	2.6%
8 Peavey Industries	2.5%
9 Triple M Housing	2.0%
10 Acropolis Warehousing	1.9%
	<hr/>
	39.9%

## SUMMARY OF RESULTS

### FINANCIAL HIGHLIGHTS

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

	Three months ended			Year ended		
	December 31,			December 31,		
	2022	2021	Change	2022	2021	Change
	\$	\$	\$	\$	\$	\$
Property revenues	36,856	27,537	9,319	137,121	83,559	53,562
Net operating income (NOI)	24,949	19,071	5,878	95,808	55,952	39,856
Funds from operations (FFO) <sup>(1)</sup>	16,753	14,079	2,674	63,837	39,658	24,179
Normalized FFO <sup>(1) (2)</sup>	16,516	13,288	3,228	63,969	39,954	24,015
Adjusted funds from operations (AFFO) <sup>(1)</sup>	14,632	12,619	2,013	55,232	35,646	19,586
Normalized AFFO <sup>(1) (2)</sup>	14,395	11,828	2,567	55,364	35,942	19,422
Same Property NOI <sup>(1)</sup>	17,681	17,299	382	39,157	39,406	(249)
Distributions declared <sup>(3)</sup>	13,137	11,419	1,718	50,756	34,025	16,731
Weighted average units outstanding (000s):						
Basic <sup>(4)</sup>	81,494	68,508	12,986	79,287	51,914	27,373
Diluted <sup>(4)</sup>	81,596	68,695	12,901	79,389	52,066	27,323
<b>Per unit amounts:</b>						
Distributions per unit – basic <sup>(3) (4)</sup>	0.161	0.167	(0.006)	0.640	0.655	(0.015)
Distributions per unit – diluted <sup>(3) (4)</sup>	0.161	0.166	(0.005)	0.639	0.653	(0.014)
FFO per unit – basic <sup>(1) (4)</sup>	0.206	0.206	-	0.805	0.764	0.041
FFO per unit – diluted <sup>(1) (4)</sup>	0.205	0.205	-	0.804	0.762	0.042
Normalized FFO per unit – basic <sup>(1) (2) (4)</sup>	0.203	0.194	0.009	0.807	0.770	0.037
Normalized FFO per unit – diluted <sup>(1) (2) (4)</sup>	0.202	0.193	0.009	0.806	0.767	0.038
AFFO per unit – basic <sup>(1) (4)</sup>	0.180	0.184	(0.004)	0.697	0.687	0.010
AFFO per unit – diluted <sup>(1) (4)</sup>	0.179	0.184	(0.004)	0.696	0.685	0.011
Normalized AFFO per unit – basic <sup>(1) (2) (4)</sup>	0.177	0.173	0.004	0.698	0.692	0.006
Normalized AFFO per unit – diluted <sup>(1) (2) (4)</sup>	0.176	0.172	0.004	0.697	0.690	0.007
NAV per unit <sup>(1)</sup>	12.19	12.18	0.01	12.19	12.18	0.01
AFFO payout ratio – basic <sup>(1) (3)</sup>	89.8%	90.5%	(0.7%)	91.9%	95.5%	(3.6%)
Normalized AFFO payout ratio – basic <sup>(1) (2) (3)</sup>	91.3%	96.5%	(5.2%)	91.7%	94.7%	(3.0%)
Debt to total assets ratio	43.7%	41.0%	2.7%	43.7%	41.0%	2.7%

(1) See Non-IFRS Financial Measures.

(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 the buildout of the properties are complete and all tenants are occupying and paying rent. The vendor rent obligation amount is not included in NOI for IFRS accounting purposes. Normalized FFO and Normalized AFFO exclude amounts recorded in other income related to estimated future vendor rent obligation amounts. For the year ended December 31, 2021, normalized FFO and AFFO are also adjusted to exclude \$0.2 million of one-time TSX listing fees related to graduation to the TSX, which are included in general and administrative expense in that period.

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

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

## FINANCIAL RESULTS

	Three months ended December 31,			Year ended December 31,		
	2022 \$	2021 \$	Change \$	2022 \$	2021 \$	Change \$
Property revenues	36,856	27,537	9,319	137,121	83,559	53,562
Property expenses	(11,907)	(8,466)	(3,441)	(41,313)	(27,607)	(13,706)
Net operating income (NOI)	24,949	19,071	5,878	95,808	55,952	39,856
General and administrative expense	(1,492)	(1,442)	(50)	(6,517)	(4,855)	(1,662)
Fair value adjustments:						
Investment properties	(8,092)	32,026	(40,118)	(12,605)	132,396	(145,001)
Class B LP Units	(26,554)	1,765	(28,319)	61,658	(71,339)	132,997
Unit options	(230)	24	(254)	378	(1,774)	2,152
Restricted share units	(119)	9	(128)	250	(309)	559
Derivative financial instruments	163	534	(371)	17,528	4,920	12,608
Investments	3,500	-	3,500	3,500	-	3,500
Income from equity accounted investment in joint venture	1,913	139	1,774	1,797	917	880
Loss on disposal of investment properties	(455)	(497)	42	(710)	(592)	(118)
Unrealized foreign exchange loss	142	-	142	(634)	-	(634)
Other income	849	1,402	(553)	2,586	2,384	202
	(5,426)	53,031	(58,457)	163,039	117,700	45,339
<b>Finance expense</b>						
Net interest expense	(8,193)	(5,302)	(2,891)	(29,120)	(15,218)	(13,902)
Distributions on Class B LP Units	(3,272)	(2,969)	(303)	(13,051)	(8,943)	(4,108)
	(11,465)	(8,271)	(3,194)	(42,171)	(24,161)	(18,010)
Net income (loss)	(16,891)	44,760	(61,651)	120,868	93,539	27,329

For the three months ended December 31, 2022, NOI of \$24.9 million was \$5.9 million higher than Q4 2021 NOI of \$19.1 million. Acquisitions since September 30, 2021 generated \$5.6 million of incremental NOI in Q4 2022 as compared to Q4 2021. Incremental rental income from the completion of an expansion at the REIT's Ajax property increased Q4 2022 NOI by \$0.1 million as compared to Q4 2021. Q4 2022 Same Property NOI increased \$0.4 million as compared to Q4 2021, primarily driven by rental steps and CPI increases at certain of the REIT's industrial properties as well as new and renewal lease lift. Straight-line rents also contributed \$0.4 million to the increase over Q4 2021, driven primarily by newly acquired properties with steps in rent. Amortization of tenant incentives and leasing costs increased \$0.1 million over Q4 2021 reducing NOI. Termination fees also increased slightly over Q4 2021. The disposal of two investment properties in 2021 and three in 2022 reduced NOI by \$0.4 million.

For the year ended December 31, 2022, NOI of \$95.8 million was \$39.9 million higher than prior year NOI of \$55.9 million. Acquisitions completed since December 31, 2020 generated \$38.2 million of incremental NOI. Incremental rental income from the completion of an expansion at the REIT's Ajax property increased NOI by \$0.4 million as compared to the prior year period. Same Property NOI for the year ended December 31, 2022 decreased \$0.3 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 new and renewal lease lift. The disposal of two investment properties in 2021 and three in 2022 reduced NOI by \$0.8 million. Straight-line rents also contributed \$2.6 million to the increase over the prior year, driven primarily by newly acquired properties with steps in rent. Amortization of tenant incentives and leasing costs increased \$0.3 million over the prior year period reducing NOI. Termination fee revenue also increased \$0.1 million over the prior year.

General and administrative expense of \$1.5 million for the three months ended December 31, 2022 increased by \$0.05 million over the same period of 2021 primarily due to staffing related costs and trustee fees.



General and administrative expense of \$6.5 million for the year ended December 31, 2022 increased by \$1.7 million over the same period of 2021 primarily due a \$1.8 million increase in staffing related costs and trustee fees. Offsetting this was a \$0.1 million reduction in TSX fees 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 \$8.1 million for the three months ended December 31, 2022 reflects \$67.0 million of fair value write-downs primarily related to capitalization rate expansion for certain industrial properties (\$64.7 million), retail properties (\$0.9 million) and office properties (\$1.4 million) and \$0.9 million of transaction costs. During the quarter, \$1.1 million of capital expenditures were also fair valued to zero. Partially offsetting were \$62.0 million of fair value gains recognized for changes in stabilized NOI assumptions and other adjustments. Assets held for sale were written down by \$1.0 million due to capitalization rate expansion.

The fair value adjustment of investment properties of \$12.6 million for the year ended December 31, 2022 reflects \$98.4 million of fair value write-downs primarily related to capitalization rate expansion for certain industrial properties (\$97.2 million), retail properties (\$3.7 million) and office properties (\$4.4 million). \$8.4 million of fair value losses 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. \$1.8 million of capital expenditures were also fair valued to zero. Partially offsetting were \$89.5 million of fair value gains recognized for changes in stabilized NOI assumptions and a \$11.2 million gain for other value adjustments including development potential at one recently acquired industrial property. Assets held for sale were written down by \$4.6 million due to capitalization rate expansion.

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 December 31, 2022 was \$9.64 as compared to \$8.36 as at September 30, 2022 and \$12.62 per unit as at December 31, 2021. As at December 31, 2022, 20,317,090 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 and the number of unit options outstanding accounted for most of the change in fair value during the quarter.

Fair value gains on derivative financial instruments of \$0.2 million and \$17.5 million were recorded for the three-month period and year ended December 31, 2022, respectively. The fair value gains were due to increases in interest rates, which impacted the fair value of interest rate swaps that the REIT is a party to. The interest rate swaps effectively fix interest rates on \$65 million drawn on one of the REIT's Credit Facilities and \$181.3 million of floating rate mortgages.

The REIT recognized \$0.1 million of unrealized foreign exchange gain and \$0.6 million of unrealized foreign exchange loss on other liabilities denominated in US dollars for the three-month period and year ended December 31, 2022, respectively.

Income from equity accounted investment in joint venture of \$1.9 million for three months ended December 31, 2022 is comprised primarily of the REIT's share of \$0.5 million of NOI from the joint venture investment property and a fair value gain of \$3.5 million related to the investment property owned by joint venture, partially offset by \$0.2 million of interest and general and administrative expense.

Income from equity accounted investment in joint venture of \$1.8 million for year ended December 31, 2022 is comprised primarily of the REIT's share of \$2.0 million of NOI from the joint venture investment property, a fair value gain of \$1.1 million to mark to market interest rate swaps in place at the joint venture and a fair value loss of \$1.1 million related to the investment property owned by the joint venture, partially offset by \$0.7 million of interest and general and administrative expense.

Other income of \$0.85 million for the three months ended December 31, 2022 consists of vendor rent obligation of \$0.8 million and debt guarantee fees of \$0.05 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 four additional months of vendor rent obligation. \$0.05 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 \$2.6 million for the year ended December 31, 2022 consists of vendor rent obligation of \$2.4 million and debt guarantee fees of \$0.2 million.

Net interest expense of \$8.2 million for the three months ended December 31, 2022 increased by \$3.0 million over the same period in 2021 primarily due to interest expense related to new mortgage financing to fund acquisitions.

Net interest expense of \$29.1 million for the year ended December 31, 2022 increased by \$13.9 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 December 31, 2022 of \$3.3 million increased by \$0.3 million as compared to the same period of 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 year ended December 31, 2022 of \$13.1 million increased by \$4.1 million as compared to the same period of 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)

	December 31, 2022 \$	December 31, 2021 \$
Investment properties	1,822,639	1,545,866
Cash	11,533	82,279
<b>Total assets</b>	<b>1,967,501</b>	<b>1,658,157</b>
<b>Non-current:</b>		
Mortgages payable	633,624	553,011
Credit Facilities	112,532	64,713
Lease liabilities	10,495	3,597
Class B LP Units	195,857	248,150
<b>Total non-current liabilities</b>	<b>962,083</b>	<b>881,453</b>
<b>Current:</b>		
Mortgages payable	70,410	58,152
Lease liabilities	46	73
Liabilities associated with assets held for sale	32,891	-
<b>Total current liabilities</b>	<b>132,878</b>	<b>87,220</b>
<b>Total liabilities</b>	<b>1,094,961</b>	<b>968,673</b>
<b>Total unitholders' equity</b>	<b>872,540</b>	<b>689,484</b>

## NAV per unit

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

	December 31, 2022 \$	December 31, 2021 \$
<b>NAV per unit <sup>(1)</sup></b>		
<b>Total assets</b>	<b>1,967,501</b>	<b>1,658,157</b>
Less: Total liabilities	(1,094,961)	(968,673)
	872,540	689,484
Add: Class B LP Units	195,857	248,150
<b>Net asset value (NAV)</b>	<b>1,068,397</b>	<b>937,634</b>
Units outstanding (000s) – basic:		
REIT Units	67,323	57,303
Class B LP Units	20,317	19,662
	87,640	76,965
<b>NAV per unit – basic</b>	<b>12.19</b>	<b>12.18</b>

(1) See Non-IFRS Financial Measures.

The REIT's NAV per unit as at December 31, 2022 was \$12.19 as compared to \$12.18 as at December 31, 2021. The increase is primarily attributable to i) net income excluding the fair value adjustment associated with Class B LP Units partially offset by ii) distributions on REIT Units iii) the issuance of 8,255,000 REIT Units at \$10.30 per unit iv) 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, and v) 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)

	December 31, 2022 \$	December 31, 2021 \$
<b>Debt to total asset ratio <sup>(1)</sup></b>		
<b>Current and non-current:</b>		
Mortgages payable	704,034	611,163
Credit Facilities	112,532	64,713
Lease liabilities	10,541	3,670
Liabilities associated with assets held for sale	32,891	-
<b>Debt</b>	<b>859,998</b>	<b>679,546</b>
<b>Total assets</b>	<b>1,967,501</b>	<b>1,658,157</b>
<b>Debt to total asset ratio</b>	<b>43.7%</b>	<b>41.0%</b>

(1) See Non-IFRS Financial Measures.

The REIT's debt to total assets as at December 31, 2022 was 43.7% as compared to 41.0% as at December 31, 2021. The increase is primarily related to the acquisition of \$348.9 million of investment properties partially funded from cash on hand, a net increase in mortgage debt of \$125.6 million and Credit Facilities draws of \$48.0 million, partially offset by the issuance of \$19.4 million of Class B LP Units as partial purchase price consideration for certain acquisitions and the issuance of \$84.7 million of REIT Units.

## SELECTED ANNUAL INFORMATION

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

(In thousands of Canadian dollars)	Year ended 2022 \$	Year ended 2021 \$	Year ended 2020 \$
Property revenues	137,121	83,559	61,386
Net income	120,868	93,539	35,235
Total assets	1,967,501	1,658,157	710,499
Total non-current liabilities	962,083	881,453	362,964
Distributions declared <sup>(1)</sup>	50,756	34,025	20,865
Distribution per unit <sup>(1)</sup>	0.640	0.655	0.635

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

## SUMMARY OF QUARTERLY RESULTS

(In thousands of Canadian dollars)

	Q4 2022 \$	Q3 2022 \$	Q2 2022 \$	Q1 2022 \$
Property revenues	36,856	34,424	34,142	31,699
Property expenses	(11,907)	(9,551)	(10,180)	(9,675)
Net operating income (NOI)	24,949	24,873	23,962	22,024
Net income (loss)	(16,891)	40,055	79,640	18,064
Weighted average number of units (000s) - basic <sup>(1)</sup>	81,494	79,208	78,842	77,560
Weighted average number of units (000s) - diluted <sup>(1)</sup>	81,596	79,336	79,001	77,720

	Q4 2021 \$	Q3 2021 \$	Q2 2021 \$	Q1 2021 \$
Property revenues	27,537	20,719	18,715	16,588
Property expenses	(8,466)	(6,624)	(6,495)	(6,022)
Net operating income (NOI)	19,071	14,095	12,220	10,566
Net income (loss)	44,760	(12,075)	50,647	10,209
Weighted average number of units (000s) - basic <sup>(1)</sup>	68,508	54,428	48,293	36,041
Weighted average number of units (000s) - diluted <sup>(1)</sup>	68,695	54,600	48,389	36,124

(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 December 31,			Year ended December 31,		
	2022 \$	2021 \$	Change \$	2022 \$	2021 \$	Change \$
Property revenues	36,856	27,537	9,319	137,121	83,559	53,562
Property expenses	(11,907)	(8,466)	(3,441)	(41,313)	(27,607)	(13,706)
<b>NOI</b>	24,949	19,071	5,878	95,808	55,952	39,856
Add/(Deduct):						
Amortization of tenant incentives and leasing costs	308	163	145	988	697	291
Straight-line adjustments of rent	(799)	(440)	(359)	(3,418)	(803)	(2,615)
Development	(90)	-	(90)	(360)	-	(360)
Acquisitions	(6,579)	(975)	(5,604)	(52,547)	(14,360)	(38,187)
Disposals	(67)	(508)	441	(1,214)	(2,054)	840
Termination fees and other non-recurring items	(41)	(12)	(29)	(100)	(26)	(74)
<b>Same Property NOI</b>	17,681	17,299	382	39,157	39,406	(249)

For the three months ended December 31, 2022, Same Property NOI increased \$0.4 million as compared to Q4 2021, primarily driven by rental steps, CPI increases and new and renewal lease lift at certain of the REIT's industrial properties. NOI from the REIT's retail and office properties was comparable to the prior year.

For the year ended December 31, 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 new and renewal lease 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 December 31,			Year ended December 31,		
	2022 \$	2021 \$	Change \$	2022 \$	2021 \$	Change \$
<b>FFO</b>						
<b>Net income (loss)</b>	<b>(16,891)</b>	<b>44,760</b>	<b>(61,651)</b>	<b>120,868</b>	<b>93,539</b>	<b>27,329</b>
Adjustments:						
Loss on disposal of investment properties	455	497	(42)	710	592	118
Fair value adjustment of investment properties	8,092	(32,026)	40,118	12,605	(132,396)	145,001
Fair value adjustment of Class B LP Units	26,554	(1,765)	28,319	(61,658)	71,339	(132,997)
Fair value adjustment of unit options	230	(24)	254	(378)	1,774	(2,152)
Fair value adjustment of restricted share units	119	(9)	128	(250)	309	(559)
Fair value adjustment of derivative financial instruments	(163)	(534)	371	(17,528)	(4,920)	(12,608)
Fair value adjustment of investments	(3,500)	-	(3,500)	(3,500)	-	(3,500)
Adjustments for equity accounted joint venture <sup>(1)</sup>	(1,735)	45	(1,780)	(1,118)	(257)	(861)
Distributions on Class B LP Units expensed	3,272	2,969	303	13,051	8,943	4,108
Amortization of tenant incentives and leasing costs	308	160	148	988	669	319
Lease principal payments	(12)	(17)	5	(46)	(67)	21
Amortization of right-of-use assets	24	23	1	93	93	-
Deferred income taxes	-	-	-	-	40	(40)
<b>Funds from operations (FFO)</b>	<b>16,753</b>	<b>14,079</b>	<b>2,674</b>	<b>63,837</b>	<b>39,658</b>	<b>24,179</b>
Weighted average units outstanding (000s) Basic <sup>(5)</sup>	81,494	68,508	12,986	79,287	51,914	23,373
<b>FFO per unit – basic</b>	<b>0.206</b>	<b>0.206</b>	<b>-</b>	<b>0.805</b>	<b>0.764</b>	<b>0.041</b>
<b>FFO</b>	<b>16,753</b>	<b>14,079</b>	<b>2,674</b>	<b>63,837</b>	<b>39,658</b>	<b>24,179</b>
Add: Vendor rent obligation <sup>(2)</sup>	564	611	(47)	2,535	2,473	62
Less: Other income <sup>(2)</sup>	(801)	(1,402)	601	(2,403)	(2,384)	(19)
Add: TSX graduation listing fees <sup>(3)</sup>	-	-	-	-	207	(207)
<b>Normalized FFO</b>	<b>16,516</b>	<b>13,288</b>	<b>3,228</b>	<b>63,969</b>	<b>39,954</b>	<b>24,015</b>
Weighted average units outstanding (000s) Basic <sup>(5)</sup>	81,494	68,508	12,986	79,287	51,914	27,373
<b>Normalized FFO per unit – basic</b>	<b>0.203</b>	<b>0.194</b>	<b>0.009</b>	<b>0.807</b>	<b>0.770</b>	<b>0.037</b>

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

	Three months ended December 31,			Year ended December 31,		
	2022 \$	2021 \$	Change \$	2022 \$	2021 \$	Change \$
<b>AFFO</b>						
<b>FFO</b>	<b>16,753</b>	<b>14,079</b>	<b>2,674</b>	<b>63,837</b>	<b>39,658</b>	<b>24,179</b>
Adjustments:						
Straight-line adjustments ground lease and rent	(821)	(460)	(361)	(3,505)	(887)	(2,618)
Capital reserve <sup>(4)</sup>	(1,300)	(1,000)	(300)	(5,100)	(3,125)	(1,975)
<b>Adjusted funds from operations (AFFO)</b>	<b>14,632</b>	<b>12,619</b>	<b>2,013</b>	<b>55,232</b>	<b>35,646</b>	<b>19,586</b>
Weighted average units outstanding (000s) Basic <sup>(5)</sup>	81,494	69,508	12,986	79,287	51,914	27,373
<b>AFFO per unit – basic</b>	<b>0.180</b>	<b>0.184</b>	<b>(0.004)</b>	<b>0.697</b>	<b>0.687</b>	<b>0.010</b>
<b>AFFO</b>	<b>14,632</b>	<b>12,619</b>	<b>2,013</b>	<b>55,232</b>	<b>35,646</b>	<b>19,586</b>
Add: Vendor rent obligation <sup>(2)</sup>	564	611	(47)	2,535	2,473	62
Less: Other income <sup>(2)</sup>	(801)	(1,402)	601	(2,403)	(2,384)	(19)
Add: TSX graduation listing fees <sup>(3)</sup>	-	-	-	-	207	(207)
<b>Normalized AFFO</b>	<b>14,395</b>	<b>11,828</b>	<b>2,567</b>	<b>55,364</b>	<b>35,942</b>	<b>19,422</b>
Weighted average units outstanding (000s) Basic <sup>(5)</sup>	81,494	68,508	12,986	79,287	51,914	27,373
<b>Normalized AFFO per unit – basic</b>	<b>0.177</b>	<b>0.173</b>	<b>0.004</b>	<b>0.698</b>	<b>0.692</b>	<b>0.006</b>

- (1) Adjustment for equity accounted joint venture relates to a fair value adjustment of swaps in place at the joint venture to swap floating rate bankers' acceptance rates to a fixed rate and fair value adjustment of the joint venture investment property.
- (2) Normalized FFO and Normalized AFFO include adjustments for vendor rent obligation amounts related to the REIT's Richmond, BC and Ajax properties, which are payable from the vendors of the properties until buildout of the properties is complete and tenants are occupying and paying rent. The vendor rent obligation amount is not included in NOI for accounting, but the estimated total amount of vendor rent obligation is recorded in other income. Normalized FFO and Normalized AFFO exclude estimated future vendor rent obligation amounts included in other income in the consolidated statements of income and comprehensive income and include the scheduled quarterly rents receivable in the form of vendor rent obligation.
- (3) Normalized FFO and Normalized AFFO include adjustments for \$0.2 million of one-time TSX listing fees related to graduation to the TSX, which are included in general and administrative expense in the year ended December 31, 2021.
- (4) Capital reserve includes maintenance capital expenditures, tenant incentives and leasing costs. Reserve amounts are established with reference to building condition reports, appraisals, and internal estimates of tenant renewal, tenant incentives and leasing costs. The REIT believes that a reserve is more appropriate given the fluctuating nature of these expenditures.
- (5) Weighted average number of units includes the Class B LP Units.

## AFFO CAPITAL RESERVE

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

	Three months ended December 31,			Year ended December 31,		
	2022 \$	2021 \$	Change \$	2022 \$	2021 \$	Change \$
Capital reserve	1,300	1,000	300	5,100	3,125	1,975
Average square feet of GLA	10,928,136	8,653,476	2,274,660	10,016,420	6,392,982	3,623,438
Annualized capital reserve per square foot of GLA	\$0.48	\$0.46	\$0.02	\$0.51	\$0.49	\$0.02
Actual tenant incentives and leasing costs <sup>(1)</sup>	938	328	610	3,808	1,361	2,447
Actual maintenance capital expenditures <sup>(2)</sup>	4,706	627	4,079	5,587	1,173	4,414
Total	5,644	955	4,689	9,395	2,534	6,861
Less expenditures funded from mortgage escrow	-	-	-	-	(189)	189
Total spending funded by the REIT	5,644	955	4,689	9,395	2,345	7,050
Average square feet of GLA	10,928,136	8,653,476	2,274,660	10,016,420	6,392,982	3,623,438
Annualized capital spent per square foot of GLA unadjusted for capital reserve	\$2.07	\$0.44	\$1.63	\$0.94	\$0.37	\$0.57

(1) Excludes tenant incentives costs in the amount of \$0.1 million (2021 – \$nil) and \$1.5 million (2021 – \$nil) incurred during the three months and year ended December 31, 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 \$nil (2021 – \$0.1 million) and \$0.3 million (2021 – \$3.9 million) incurred during the three months and year ended December 31, 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 year ended December 31, 2022, of \$9.4 million is \$4.3 million higher than the \$5.1 million capital reserve included in AFFO. During the three months ended December 31, 2022, the REIT incurred \$3.6 million of major capital expenditures, which are recoverable from the tenants over the expected useful life of the capital expenditures.

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

(In thousands of Canadian dollars, except per unit amounts)	Three months ended December 31,			Year ended December 31,		
	2022 \$	2021 \$	Change \$	2022 \$	2021 \$	Change \$
<b>Cash flows generated by operating activities</b>	<b>13,726</b>	<b>14,836</b>	<b>(1,111)</b>	<b>41,530</b>	<b>24,995</b>	<b>16,535</b>
Adjustments:						
Changes in non-cash working capital	(1,443)	(7,358)	5,916	6,947	1,758	5,189
Changes in other non-current assets	-	2,988	(2,988)	81	3,062	(2,981)
Changes in restricted cash	76	(8)	84	48	(111)	159
Changes in other non-current liabilities	363	222	141	346	222	124
Distributions on Class B LP Units expensed	3,272	2,969	303	13,051	8,943	4,108
Adjustments for equity accounted joint venture	(1,735)	45	(1,780)	(1,118)	(257)	(861)
Share of net income (loss) from equity accounted investment in joint venture	1,913	139	1,774	1,797	917	880
Straight-line rent adjustments of equity accounted joint venture	(22)	(20)	(2)	(87)	(84)	(3)
Restricted share unit expense	(149)	(66)	(83)	(1,030)	(449)	(581)
Amortization of deferred financing fees	(225)	(187)	(38)	(731)	(445)	(286)
Amortization of mortgage fair value adjustments	26	76	(50)	178	287	(109)
Lease principal repayments	(12)	(17)	5	(46)	(67)	21
Capital reserve	(1,300)	(1,000)	(300)	(5,100)	(3,125)	(1,975)
Unrealized foreign exchange loss	142	-	142	(634)	-	(634)
<b>AFFO</b>	<b>14,632</b>	<b>12,619</b>	<b>2,013</b>	<b>55,232</b>	<b>35,646</b>	<b>19,586</b>

## FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

The REIT's principal source of liquidity is cash on hand and the undrawn borrowing capacity on its Credit Facilities. As at December 31, 2022, the REIT had cash of \$11.6 million (December 31, 2021 - \$82.3 million) and a working capital deficit of \$25.2 million (December 31, 2021 - \$10.3 million surplus). Excluding the current portion of mortgages payable of \$70.4 million, liabilities associated with assets held for sale of \$32.9 million, and assets held for sale of \$70.9 million, working capital would be a surplus of \$7.2 million. The REIT expects that it will be able to refinance the mortgages on their maturities. Management of the REIT believes that sufficient cash from operations will be generated to settle the REIT's liabilities as they come due, and the REIT has the ability to draw funds on the Credit Facilities if required. The REIT has sufficient liquidity to maintain and expand its business.

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

(In thousands of Canadian dollars)	Three months ended December 31,			Year ended December 31,		
	2022 \$	2021 \$	Change \$	2022 \$	2021 \$	Change \$
<b>Cash generated by (used in)</b>						
Operating activities	13,726	14,836	(1,111)	41,530	24,995	16,535
Investing activities	(41,812)	(303,272)	261,461	(315,727)	(469,254)	153,527
Financing activities	29,071	307,658	(278,587)	203,451	512,545	(309,094)
Change in cash	985	19,222	(18,237)	(70,746)	68,286	(139,032)
Cash – beginning of period	10,548	63,057	(52,509)	82,279	13,993	68,286
<b>Cash – end of period</b>	<b>11,533</b>	<b>82,279</b>	<b>(70,746)</b>	<b>11,533</b>	<b>82,279</b>	<b>(70,746)</b>

Cash generated from operating activities for the three months ended December 31, 2022 of \$13.7 million is comprised of net loss of \$16.9 million, cash from changes in non-cash working capital, other non-current assets, other non-current liabilities and restricted cash of \$1.0 million, and non-cash items of \$29.6 million.

Cash generated from operating activities for the year ended December 31, 2022 of \$41.5 million is comprised of net income of \$120.9 million, cash from changes in non-cash working capital, other non-current assets, other non-current liabilities and restricted cash of \$7.4 million, and non-cash items of \$71.9 million.



Cash used in investing activities for the three months ended December 31, 2022 of \$41.8 million is primarily related to \$39.8 million of cash used to acquire income producing investment properties, \$0.3 million of cash used to develop properties held for development, \$4.0 million of cash received from the disposal of two retail properties and the remainder of cash used in investing activities relates to tenant incentives, leasing costs and capital spending in the amount of \$5.8 million.

Cash used in investing activities for the year ended December 31, 2022 of \$315.8 million is primarily related to \$10.2 million of cash used to acquire and develop properties held for development, \$290.8 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, \$7.7 million of cash received from the disposal of three income producing properties and the remainder of cash used in investing activities relates to tenant incentives, leasing costs and capital spending in the amount of \$11.2 million.

Cash used in financing activities for the three months ended December 31, 2022 of \$29.1 million is primarily related to \$80.5 million of net proceeds from a bought deal equity financing, partially offset by cash distributions to unitholders of \$8.6 million, \$37.5 million of net repayments on the credit facilities and mortgage principal repayments of \$5.3 million.

Cash generated from financing activities for the year ended December 31, 2022 of \$203.5 million is primarily related to \$168.5 million of proceeds from new mortgage financing, \$48 million of net borrowing on the credit facilities and \$80.5 million net proceeds from a bought deal equity financing, partially offset by cash distributions to unitholders of \$34.3 million, financing costs of \$1.5 million and mortgage principal repayments of \$57.8 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 December 31, 2022, the mortgages payable are secured by charges against 78 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 6.08 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)	<b>Scheduled repayments</b>	<b>Principal maturities</b>	<b>Total</b>	<b>Weighted average interest rate of maturing mortgages <sup>(1)</sup></b>
	\$	\$	\$	
2023	19,456	52,073	71,529	4.41%
2024	17,883	46,783	64,666	2.46%
2025	16,858	64,690	81,548	3.55%
2026	14,209	89,123	103,332	3.04%
2027	11,801	51,727	63,528	3.67%
Thereafter	85,293	268,463	353,756	3.13%
<b>Total</b>	<b>165,500</b>	<b>572,859</b>	<b>738,359</b>	<b>3.27%</b>

(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 12 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 December 31, 2022, \$48 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 December 31, 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 December 31, 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 December 31, 2022, the revolving portion of this credit facility was undrawn (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 December 31, 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)	December 31, 2022 \$	December 31, 2021 \$
Fixed-term borrowings	65,000	65,000
Bankers' acceptance borrowings	48,000	-
Total drawn against the Credit Facilities	113,000	65,000
Less: deferred financing costs	(468)	(287)
Balance, end of period	112,532	64,713

Amounts drawn on the Credit Facilities as at December 31, 2022 are as follows:

(In thousands of Canadian dollars)	Total Principal Amount \$	Weighted Average Interest Rate	Repricing Date
Fixed-term borrowings	65,000	6.11% <sup>(1)</sup>	January 13, 2023 <sup>(1)</sup>
Bankers' acceptance borrowings	48,000	6.31%	

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

## SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

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

### *Valuation of investment properties*

Fair value is determined with reference to external valuations and internal valuations based on the direct income capitalization method. The critical assumptions and estimates used by management and external valuations when determining the fair value of investment properties are stabilized net rental income and capitalization rates (see note 4 of the consolidated financial statements). Management determines fair value internally utilizing financial information, external market data and capitalization rates determined by reference to third party appraisals and reports published by industry experts including commercial real estate brokerages. The REIT also applies judgment in determining whether the properties it acquires are considered to be asset acquisitions or business combinations. As at December 31, 2022, a 0.25% increase in the weighted average capitalization rate would result in a decrease of approximately \$75.1 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 \$81.9 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 consolidated 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 December 31, 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; and

Management has also determined that as at December 31, 2022, the REIT's DC&P and ICFR were appropriately designed and were operating effectively based on the framework set forth in the Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO").

There were no changes in the REIT's design of internal controls over financial reporting in the year ended December 31, 2022 that materially affected or are likely to materially affect, the REIT's internal controls over financial reporting.

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

## **FINANCIAL INSTRUMENTS AND RISKS AND UNCERTAINTIES**

### *Real property ownership and tenant risk*

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

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

### *Competition*

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

### *Fixed costs and increased expenses*

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

### *General uninsured risks*

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

### *Environmental and litigation risk*

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

remediation or removal of such substances may be substantial, and the presence of such substances, or the failure to properly remediate such substances, may adversely affect the REIT's ability to sell or rent such facility or to borrow using such facility as collateral. 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 estate properties, the REIT could potentially be liable for property damage or injuries to persons and property. In the normal course of the REIT's operations, it may become involved in, named as a party to or the subject of, various legal proceedings, including regulatory proceedings, tax proceedings and legal actions relating to personal injuries, property damage, property taxes, land rights, the environment and contract disputes.

#### *Credit risk*

Credit risk is the risk that one party to a financial instrument will cause a loss to another party by failing to settle its obligations. The REIT is subject to credit risk with respect to its cash deposited with financial institutions and tenant and other receivables. As at December 31, 2022, one tenant accounted for approximately 12% 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 December 31, 2022, the REIT had cash of \$11.5 million (December 31, 2021 - \$82.3 million), mortgages payable of \$738.4 million (December 31, 2021 - \$612.8 million), a balance of \$113.0 million drawn against the Credit Facilities (December 31, 2021 - \$65 million) and accounts payable and other liabilities of \$35.2 million (December 31, 2021 - \$35.5 million). The REIT had a working capital deficit of \$25.2 million as at December 31, 2022 (December 31, 2021 - \$10.3 million surplus). Excluding the current portion of mortgages payable of \$70.4 million, liabilities associated with assets held for sale of \$32.9 million, and assets held for sale of \$70.9 million, working capital would be a surplus of \$7.2 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 \$
2023	25,941	556	-	2,048	71,529	21,953	122,027
2024	1,050	529	113,000	1,536	64,666	19,634	200,415
2025	1,086	551	-	-	81,548	17,755	100,940
2026	1,122	551	-	-	103,332	14,654	119,659
2027	1,160	551	-	-	63,528	11,683	76,922
Thereafter	4,806	22,889	-	-	353,756	38,101	419,552
	35,165	25,627	113,000	3,584	738,359	123,780	1,039,515

#### Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. There is a risk that the REIT may not be able to renegotiate its mortgages and Credit Facilities at maturity on terms as favourable as the existing mortgages payable and credit facilities. As at December 31, 2022, there was a total of \$300.7 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 December 31, 2022, the REIT has interest rate swap agreements totalling \$246.3 million (2021 - \$182.3 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	11,123	(368)
April 2019	3.74%	April 24, 2026	12,500	11,598	(625)
April 2019	3.87%	April 24, 2029	12,500	11,619	(777)
September 2019	3.15%	September 13, 2024	65,000	65,000	(3,175)
November 2020	2.82%	November 2, 2027	7,650	7,198	(818)
December 2020	3.61%	December 1, 2025	18,500	17,554	(1,464)
December 2020	3.35%	December 30, 2030	15,000	14,241	(2,352)
April 2021	3.08%	April 1, 2026	19,750	18,853	(1,359)
November 2021	3.69%	June 1, 2028	22,600	21,790	(1,000)
February 2022	3.28%	February 23, 2032	29,500	29,012	(2,388)
February 2022	3.28%	February 23, 2032	20,000	19,669	(1,619)
March 2022	3.41%	March 1, 2027	17,800	17,457	(1,071)
March 2022	3.76%	April 1, 2025	1,500	1,206	(57)
			254,300	246,320	(17,073)

## 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 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.

As at December 31, 2022 the REIT had contractual commitments to acquire five industrial properties for an aggregate contractual purchase price of \$316.3 million. \$27.1 million of the aggregate contractual purchase price will be settled by issuing Class B LP Units valued at \$11.30 per unit.



## OUTSTANDING UNIT DATA

The following table presents the changes in unitholders' equity for the year ended December 31, 2022:

(In thousands of Canadian dollars)	Units (000s)	Amount \$
Balance – January 1, 2022	57,303	536,883
Units issued under distribution reinvestment plan	278	2,847
Units issued under Option Plan	145	1,551
Units issued under Incentive Plan	36	461
Units issued under Employee Purchase Plan	19	220
Units issued for Cash, net of \$4,208 of issuance costs	8,225	80,510
Class B LP Units exchanged for REIT Units	1,317	14,304
<b>Balance – December 31, 2022</b>	<b>67,323</b>	<b>636,776</b>

As at March 14, 2023, a total of approximately 67,906,000 REIT Units and 19,862,000 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 year ended December 31, 2022 amounted to \$9.9 million (2021 - \$8.5 million) and \$37.7 million (2021 - \$25.1 million), respectively.

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

(In thousands of Canadian dollars)	Three months ended December 31, 2022 \$	Year ended December 31, 2022 \$	Year ended December 31, 2021 \$	Year ended December 31, 2020 \$
Cash generated from operating activities	13,726	41,530	24,995	24,349
Net income (loss)	(16,891)	120,868	93,539	35,235
Actual cash distributions paid or payable during the period <sup>(1)</sup>	9,865	37,705	25,082	17,246
Excess (shortfall) of cash flows from operating activities over cash distributions paid	3,861	3,825	(87)	7,103
Excess (shortfall) of net income (loss) over cash distributions paid	(26,756)	83,163	68,457	17,989

<sup>(1)</sup> Actual cash distributions paid or payable includes all distributions declared payable to holders of REIT Units and excludes distributions declared payable to holders of Class B LP Units during the period. Actual cash distributions paid or payable is unadjusted for distributions settled through the issuance of REIT Units under the distribution reinvestment plan. Of distributions declared in the three months and year ended December 31, 2022, \$0.8 million and \$2.8 million, respectively, were settled through the issuance of REIT Units under the distribution reinvestment plan.

Net loss for the three months ended December 31, 2022 of \$16.9 million was less than actual cash distributions paid or payable for the three months ended December 31, 2022 of \$9.9 million by \$26.8 million. Net income excluding non-cash fair value adjustments of investment properties, Class B LP Units, unit options, restricted share units, derivative financial instruments and investments totalling \$31.3 million and excluding other income of \$0.8 million was \$13.6 million for the three months ended December 31, 2022, which exceeded actual cash distributions paid or payable by \$3.7 million.

Net income for the year ended December 31, 2022 of \$120.9 million exceeded actual cash distributions paid or payable for the year ended December 31, 2022 of \$37.7 million by \$83.2 million. Net income excluding non-cash fair value adjustments of investment properties, Class B LP Units, unit options, restricted share units, derivative financial instruments and investments totalling \$70.7 million and excluding other income of \$2.6 million was \$47.6 million for the year ended December 31, 2022, which exceeded actual cash distributions paid or payable by \$9.9 million.

For the three months ended December 31, 2022, cash generated from operating activities exceeded actual cash distributions paid or payable by \$3.9 million. Excluding changes in non-cash working capital, other non-current assets, restricted cash, and other non-current liabilities of \$1.0 million, cash generated from operating activities exceed actual cash distributions paid or payable by \$2.9 million.

For the year ended December 31, 2022, cash generated from operating activities exceeded actual cash distributions paid or payable by \$3.8 million. Excluding \$4.5 million of increases in deposits for acquisitions cash generated from operating activities exceeded actual cash distributions paid or payable by \$8.3 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 December 31, 2022, 85,260 units (2021 – 56,361 units) were issued under the DRIP for a stated value of \$0.8 million (2021 - \$0.7 million) and for the year ended December 31, 2022, 277,649 units (2021 – 267,815 units) were issued under the DRIP for a stated value of \$2.8 million (2021 - \$2.6 million).

## **RELATED PARTY TRANSACTIONS**

For the three-month period ended December 31, 2022, trustee retainer fees in the amount of \$0.119 million were expensed (2021 - \$0.053 million) and for the year ended December 31, 2022, trustee retainer fees in the amount of \$0.477 million were expensed (2021 - \$0.186 million). Trustee retainer fees in the amount of \$0.269 million were accrued as at December 31, 2022 (December 31, 2021 - \$0.044 million).

Trustee meeting fees in the amount of \$nil were expensed for the three months ended December 31, 2022 (2021 - \$0.012 million) and for year ended December 31, 2022, trustee meeting fees in the amount of \$nil were expensed (2021 - \$0.029 million). Trustee meeting fees in the amount of \$nil were accrued as at December 31, 2022 (December 31, 2021 - \$0.011 million).

For the three-month period ended December 31, 2022, key management earned salaries and other short-term employee benefits in the amount of \$0.6 million (2021 - \$0.4 million) was earned and \$2.6 million was earned in respect of the year ended December 31, 2022 (2021 - \$1.6 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 \$0.164 million of guarantee fees during the three-month and year ended December 31, 2022, respectively.

Fees to RFA related entities in respect of the RFA Development Properties totalled \$0.2 million and \$0.6 million for the three-month and year ended December 31, 2022, respectively.

## **SUBSEQUENT EVENTS**

On March 1, 2023 the REIT entered into senior unsecured credit facilities totalling \$375 million with three-year terms (the "Unsecured Facilities"). The Unsecured Facilities are comprised of a \$190 million revolving credit facility, a \$175 million term loan facility and a \$10 million swingline facility. The Unsecured Credit Facilities replaced the REIT's Credit Facility 3. At closing, and for so long as the REIT's debt to total assets is less than 50%, borrowing under the Unsecured Facilities will be priced at the banker's acceptance rate plus 170 basis points or bank prime plus 70 basis points. If and when the REIT obtains a credit rating, pricing will instead be based upon that credit rating.

On March 7, 2023, the REIT acquired a newly constructed 532,000 square foot distribution centre located in Casselman, Ontario for a purchase price of \$116.8 million.

## **OUTLOOK**

The REIT's industrial portfolio continues to perform well. 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's investment property portfolio is industrial real estate focused and the portfolio is 97% occupied. During 2023, the REIT expects to continue to benefit from positive rental fundamentals in the markets in which it has leases expiring.

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.

In an effort to control inflation, central banks increased interest rates aggressively during 2022. The Bank of Canada overnight rate increased by 400 basis points in 2022, with a further 25 basis point increase on January 25, 2023. At the March 8, 2023 meeting, the Bank of Canada held its overnight rate steady after 8 consecutive rate increases. The Bank of Canada is the first major central bank to pause on further interest rate increases. There continues to be interest rate and general economic uncertainty. In 2023 the REIT has \$52.1 million of mortgages with a weighted average interest rate of 4.35% that will mature, and in 2024, \$46.8 million of mortgages with a weighted average interest rate of 2.46% will mature. The REIT will have to increase debt as it completes further acquisitions in 2023 and continues to monitor developments in debt markets.

The interest rate environment has slowed real estate investment activity, impacting the REIT's ability to sell some of its office and retail properties on favourable terms. The REIT's office and retail properties perform well and the REIT will seek to more actively dispose of them when market conditions are more conducive to sales.

The bond yield curve remains inverted, with 2-year Government of Canada benchmark bond yields at approximately 4.15% and 10-year bond yields at approximately 3.2%. Several economists and industry experts

are forecasting a recession, though there does not seem to be a consensus on whether there will be any recession nor the timing or severity of a potential recession.