



**NEXUS INDUSTRIAL REIT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the three and six months ended June 30, 2023**

**August 11, 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 three and six months ended June 30, 2023 should be read in conjunction with the REIT's audited consolidated financial statements for the years ended December 31, 2022 and 2021 and the unaudited condensed consolidated interim financial statements for the three and six months ended June 30, 2023.

The information contained in this MD&A reflects events up to August 11, 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.sedarplus.ca](http://www.sedarplus.ca).

## 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.

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 REIT calculates FFO and AFFO in accordance with the whitepaper issued by the Real Property Association of Canada dated January 2022.

**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 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.

**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.

**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 located in primary and secondary markets in Canada 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, or where there are opportunities to purchase high-quality, well-located assets that will enhance the overall quality of the REIT's portfolio of properties. 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 management of the assets being acquired or development opportunities.

## HIGHLIGHTS

- July 4 - acquired a 141,534 square foot industrial property located in Burlington, Ontario for \$48.4 million.
- June 15 - acquired a 304,323 square foot industrial property located in London, Ontario for a contractual purchase price of \$56.4 million. \$24.3 million of the purchase price was settled through the issuance of 2,359,978 Class B LP Units at a deemed price per unit of \$10.30.
- June 5 - acquired an 18-acre parcel of land in St. Thomas, Ontario, for \$4.5 million. The parcel acquired is adjacent to another property owned by the REIT.
- June 5 - sold an industrial property located in Kamloops, British Columbia for \$4.2 million.
- June 1 - acquired a 191,878 square foot industrial property located in Laval, Quebec for \$64.7 million.
- April 26 - sold a retail property located in Victoriaville, Quebec for \$41.6 million.
- April 21 - acquired a 264,600 square foot industrial property located in London, Ontario for \$36.0 million.
- NOI from industrial properties anticipated to increase to approximately 91% for Q3 as a result of these transactions.
- Occupancy of 97% at June 30, 2023 was consistent with 97% at March 31, 2023 and June 30, 2022.
- Q2 2023 net operating income of \$27.6 million increased by \$3.7 million or 15.3% as compared to Q2 2022 net operating income of \$24.0 million and by \$1.9 million or 7.4% as compared to Q1 2023 net operating income of \$25.7 million. The disposal of an industrial and four retail properties since 2022 reduced NOI by \$0.9 million and the REIT received a termination fee of \$0.2 million from a tenant at one of the REIT's office properties.
- Q2 2023 Same Property NOI<sup>(1)</sup> of \$23.1 million increased by \$0.9 million or 4.3% as compared to Q2 2022. The increase is primarily driven by rental steps, CPI increases and new and renewal lease lift at certain of the REIT's industrial properties.
- Q2 2023 Normalized FFO<sup>(1)</sup> per unit of \$0.196 as compared to \$0.187 for Q1 2023 and \$0.203 for Q2 2022.
- Q2 2023 Normalized AFFO<sup>(1)</sup> per unit of \$0.165 as compared to \$0.159 for Q1 2023 and \$0.177 for Q2 2022.
- Q2 2023 Normalized AFFO payout ratio<sup>(1)</sup> of 97.3%, as compared to 100.7% for Q1 2023 and 90.3% for Q2 2022.
- NAV<sup>(1)</sup> per unit of \$12.49 at June 30, 2023 as compared to \$12.13 at March 31, 2023 and \$12.41 at June 30, 2022.
- Debt to Total Assets was 48.0% at June 30, 2023 as compared to 47.3% at March 31, 2023. At June 30, 2023, \$88.6 million was undrawn on the REIT's lines of credit and the REIT had a \$568.6 million unencumbered asset pool.

(1) See Non-IFRS Financial Measures

## ACQUISITIONS, DISPOSITIONS AND ASSETS HELD FOR SALE

### ACQUISITION OF INCOME-PRODUCING PROPERTIES

(In thousands of Canadian dollars)

Property location	Acquisition date	Gross leasable area ("GLA")	Contractual purchase price \$	Fair value adjustment (note 1) \$	Transaction costs \$	Investment properties acquired \$
London, ON	June 15 <sup>th</sup>	304,323	56,358	(3,791)	1,290	53,857
Laval, QC	June 1 <sup>st</sup>	191,878	64,701	-	2,553	67,254
London, ON	April 21 <sup>st</sup>	264,600	36,000	-	808	36,808
Casselman, ON	March 7 <sup>th</sup>	531,057	116,516	-	2,599	119,115
		1,291,858	273,575	(3,791)	7,250	277,034

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

On June 15, 2023, the REIT acquired a single-tenant industrial property with a GLA of 304,323 square feet located in London, Ontario, for a contractual purchase price of \$56.4 million. The purchase price was partially satisfied through the issuance of 2,359,978 Class B LP Units at a deemed value of \$10.30 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 June 15, 2023, of \$8.44 per unit. The property was initially recorded at \$52 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 \$56.4 million.

On June 1, 2023, the REIT acquired a single-tenant industrial property with a GLA of 191,878 square feet located in Laval, Quebec for a contractual purchase price of \$64.7 million.

On April 21, 2023, the REIT acquired a single-tenant industrial property with a GLA of 264,600 square feet located in London, Ontario for a contractual purchase price of \$36.0 million.

On March 7, 2023, the REIT acquired a single-tenant industrial property with a GLA of 531,057 square feet located in Casselman, Ontario for a contractual purchase price of \$116.5 million. The REIT received a vendor rent obligation payment from the vendor of \$0.3 million to subsidize the lower base rent until March 7, 2025.

### DISPOSITIONS

On June 5, 2023, the REIT sold an industrial property located in Kamloops, British Columbia for a selling price of \$4.2 million. Net of selling costs of \$0.1 million, the REIT received net cash proceeds of \$4.1 million. The sale generated a loss on disposal of \$0.1 million.

On April 26, 2023, the REIT sold a retail property located in Victoriaville, Quebec for a selling price of \$41.6 million. Net of selling costs of \$0.7 million and the repayment of a \$17.5 million mortgage against the property, the REIT received net cash proceeds of \$23.5 million. The sale generated a loss on disposal of \$0.7 million.

### ASSETS HELD FOR SALE

As part of its capital-recycling program, the REIT intends to sell four office properties with a carrying value of \$32.2 million as at June 30, 2023. These properties are being marketed for sale.

## DEVELOPMENT AND EXPANSION

During the six months ended June 30, 2023, the REIT spent \$8.5 million on development projects. The REIT also acquired an 18-acre parcel of land in St. Thomas, Ontario for a contractual purchase price of \$4.5 million. The parcel acquired is adjacent to another property owned by the REIT. This parcel will facilitate a planned intensification at the property with the in-place tenant expected to expand into the additional GLA.

The following table provides details on our projects that are either currently underway or in the planning stage as at June 30, 2023:

(In thousands of Canadian dollars)						
Property Location	Type of Project	Additional GLA (Square Feet)	Costs Incurred to date <sup>(2)</sup>	Total Estimated Costs <sup>(2)</sup>	Estimated Yield	Estimated Substantial Completion
<b>Underway</b>						
Glover Rd. Hamilton, ON <sup>(1)</sup>	New Development	115,000	5,964	30,000	5.8%	H1 2024
Hubrey Rd. London, ON	Intensification	96,000	1,301	14,104	10.0%	H1 2024
Park Ave. Regina, SK	Intensification	312,000	3,056 <sup>(2)</sup>	42,943 <sup>(2)</sup>	8.6%	H1 2024
<b>Total underway</b>		523,000	10,321	87,047	7.9%	
<b>Planning</b>						
St. Thomas, ON <sup>(3)</sup>	Hybrid	70,000	4,600			
Richard Ruston Dr. Windsor, ON	Intensification	60,000	-			
Cuddy Blvd. London, ON	Intensification	40,000	68			
Exeter Rd. London, ON	Intensification	210,000	14			
Clarke Rd. London, ON	Intensification	300,000	31			
South Service Rd. Hamilton, ON <sup>(4)</sup>	New Development	243,000	19,030			
102 Ave. SE Calgary, AB	Intensification	up to 160,000	-			
<b>Total planning</b>		1,083,000	23,743			
<b>Total underway and planning</b>		1,606,000	34,064			

- (1) The REIT has an 80% interest in this development. Additional GLA represents 100% of the project and estimated costs include the REIT's acquisition of the other 20%.
- (2) The REIT acquired the Park Ave. Regina, SK property in January 2022. The property included a 179,000 square foot building and excess land. Total estimated costs and costs incurred to date in respect of this development project exclude the value of the excess land acquired along with the existing building on the site.
- (3) St. Thomas, ON is in the advanced stages of planning and the REIT expects this to be underway by Q3 2023.
- (4) The REIT has an 80% interest in this development. Additional GLA represents 100% of the project.

## PORTFOLIO OVERVIEW

### REIT PROPERTIES BY ASSET CLASS AS AT JUNE 30, 2023

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 9929 Swanson St, Fort St. John	26,477	26,477	38%
3 1771 Savage Rd, Richmond <sup>(2) (4)</sup>	60,836	60,836	0% <sup>(3)</sup>
	140,439	140,439	45%
<b><u>Alberta</u></b>			
4 4700 & 4750 – 102 Ave, SE, Calgary	29,471	29,471	100%
5 3780 & 4020 – 76 <sup>th</sup> Ave, SE, Calgary	58,937	58,937	100%
6 41 Royal Vista Dr, NW, Calgary	36,915	36,915	59%
7 8001 – 99 St, Clairmont	26,638	26,638	100%
8 12104 & 12110 – 17 <sup>th</sup> St, NE, Edmonton	116,582	116,582	100%
9 14801 – 97 <sup>th</sup> St, Grande Prairie	42,120	42,120	100%
10 3501 Giffen Rd North & 3711 – 36 St North, Lethbridge	229,000	229,000	100%
11 5406 – 59 <sup>th</sup> Ave, Lloydminster	12,425	12,425	100%
12 4301 – 45 Ave, Rycroft	22,110	22,110	100%
13 2301 – 8 St, Nisku	21,506	21,506	100%
14 2303A – 8 St, Nisku	39,649	39,649	100%
15 1010 Brier Park Dr, Medicine Hat	14,354	14,354	0%
16 27323 – 144 Township Rd 394, Blackfalds	25,000	25,000	100%
17 261177-261185 Wagon Wheel Way, Balzac	95,180	95,180	100%
18 9110 – 23 Ave NW, Edmonton	72,356	72,356	100%
19 11510 – 168 St NW, Edmonton	35,800	35,800	56%
20 6777 Edgar Industrial Dr, Red Deer	153,052	153,052	100%
21 10774 – 42 St E, Calgary	165,418	165,418	100%
22 12745 – 149 St NW, Edmonton	104,727	104,727	100%
23 14504-14598 – 121A Ave NW, Edmonton	210,750	210,750	100%
24 7740 – 40 Ave, Red Deer	189,625	189,625	100%
25 502 – 25 Ave, Nisku	141,930	141,930	100%
26 2039 Airport Perimeter Road, Edmonton	210,249	210,249	100%
27 18403 – 18439 104 Ave NW, Edmonton	72,420	72,420	100%
28 14711 – 128 Ave, Edmonton	54,510	54,510	100%
29 11250 – 189 Street NW, Edmonton	501,279	501,279	100%
	2,682,003	2,682,003	98%
<b><u>Northwest Territories</u></b>			
30 348-352 Old Airport Rd, Yellowknife	53,212	53,212	100%



**Saskatchewan**

31	110 – 71 <sup>st</sup> St, Saskatoon	74,796	74,796	100%
32	15 Peters Ave, Saskatoon	38,160	38,160	100%
33	1414 Fletcher Rd, Saskatoon	86,000	86,000	100%
34	850 Manitoba St E & 15 – 9 <sup>th</sup> Ave, NE, Moose Jaw	18,800	18,800	100%
35	4271 – 5 Ave E, Prince Albert	24,600	24,600	100%
36	1117 -1135 Pettigrew Ave, Regina	39,922	39,922	74%
37	320 Industrial Dr, Regina	60,000	60,000	100%
38	332 Industrial Dr, Regina	85,260	85,260	100%
39	101 Jahn St, Estevan	11,846	11,846	100%
40	2101 Fleming Rd, Regina	1,029,675	1,029,675	100%
41	855 Park St, Regina	179,291	179,291	100%
		1,648,350	1,648,350	99%

**Manitoba**

42	97 Nicola Dr, Headingley	40,050	40,050	100%
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**Ontario**

43	455 Welham Rd, Barrie	109,366	109,366	100%
44	200 Sheldon Dr, Cambridge	150,000	150,000	100%
45	241-377 Fairall St, 332-360 Frankcom St & 97-121 McMaster Ave, Ajax <sup>(1)</sup>	483,359	241,680	99%
46	1000 Clarke Rd, London	223,190	223,190	100%
47	1020 Adelaide St S, London	265,786	265,786	99%
48	1036 Green Valley Rd, London	136,237	136,237	91%
49	1285 Hubrey Rd, London	201,578	201,578	100%
50	375 Exeter Rd, London	220,339	220,339	100%
51	5 Cuddy Blvd, London	146,945	146,945	100%
52	70 Dennis Rd, St. Thomas	130,500	130,500	100%
53	446 Jutras Dr S, Windsor	120,000	120,000	100%
54	490 Richard Ruston Dr, Windsor	101,073	101,073	100%
55	1040 Wilton Grove Rd, London	383,309	383,309	100%
56	1950 Oxford St E, London	99,367	99,367	100%
57	650 Riverview Dr, Chatham	293,146	293,146	98%
58	980 Green Valley Rd, London	38,000	38,000	100%
59	1005 Adelaide St South, London	18,380	18,380	100%
60	1540 South Service Rd, Hamilton <sup>(5)</sup>	-	-	0% <sup>(5)</sup>
61	190 Glover Rd, Hamilton <sup>(5)</sup>	-	-	0% <sup>(5)</sup>
62	605 Boundary Rd, Hamilton	34,800	34,800	100%
63	5250 Outer Dr, Windsor	132,976	132,976	100%
64	5245 Burke St, Windsor	125,701	125,701	100%
65	418 Silvercreek Industrial Dr, Windsor	97,185	97,185	100%
66	24 Industrial Park Rd, Tilbury	79,846	79,846	100%
67	626 Principale St, Casselman	532,415	532,415	100%
68	15745 Robins Hill Road, London	264,600	264,600	100%

69	2290 Scanlan Street, London	304,323	304,323	100%
		4,692,421	4,450,742	99%
<b><u>Québec</u></b>				
70	935-965 rue Reverchon, Saint-Laurent	113,892	113,892	100%
71	1901 rue Dickson / 5780 rue Ontario Est, Montréal	91,068	91,068	100%
72	6810 boul. Des Grandes Prairies, Montréal	60,786	60,786	100%
73	3330 2e rue, Saint-Hubert	60,741	60,741	100%
74	3550 1ère rue, Saint-Hubert	22,428	22,428	100%
75	3600 1ère rue, Saint-Hubert	38,629	38,629	100%
76	3490-3504 rue Griffith, Saint-Laurent	40,665	40,665	100%
77	425 rue Guy, Montréal <sup>(1)</sup>	37,153	18,577	89%
78	2400 Trans-Canada Highway, Pointe-Claire <sup>(1)</sup>	309,000	154,500	100%
79	1251 rue Louis-Bleriot, Mascouche	101,315	101,315	100%
80	50 rue de Lisbonne, St-Augustin-de-Desmaures	94,000	94,000	100%
81	21800 Clark-Graham, Baie-D'Urfé	74,681	74,681	100%
82	3701 Gaumont Road, Laval	191,878	191,878	100%
		1,236,236	1,063,160	100%
<b><u>New Brunswick</u></b>				
83	675 St-George Blvd, Moncton	93,443	93,443	100%
84	10 Deware Dr, Moncton	226,135	226,135	100%
85	775 Frenette, Ave, Moncton	124,655	124,655	100%
		444,233	444,233	100%
<b>Total Industrial</b>		<b>10,936,944</b>	<b>10,522,189</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	88%
<b><u>Québec</u></b>				
86	1094-1100 boul. Des Chutes, Beauport <sup>(1)</sup>	32,406	16,203	94%
87	1700 rue Sherbrooke, Magog <sup>(1)</sup>	133,741	66,870	83%
88	1971 rue Bilodeau, Plessisville <sup>(1)</sup>	99,706	49,853	91%
89	14000 boul. Henri-Bourassa, Québec City <sup>(1)</sup>	44,619	22,310	100%
90	6700 rue St-Georges, Lévis <sup>(1)</sup>	43,023	21,512	69%
91	10516 boul. Sainte-Anne, Ste-Anne-de-Beaupré <sup>(1)</sup>	87,660	43,830	84%
92	9550 boul. L'Ormière, Québec <sup>(1)</sup>	114,625	57,312	94%
93	333 Côte Joyeuse, St-Raymond <sup>(1)</sup>	64,511	32,256	85%
94	161 Route 230 Ouest, La Pocatière <sup>(1)</sup>	205,615	102,808	73%
95	25 Route 138, Forestville <sup>(1)</sup>	56,314	28,157	86%
96	2000 boul. Louis-Fréchette, Nicolet <sup>(1)</sup>	88,383	44,192	93%
97	3856 boul. Taschereau, Greenfield Park <sup>(1)</sup>	213,982	106,991	88%
98	250 boul. Fiset, Sorel <sup>(1)</sup>	116,348	58,174	100%

99	8245 boul. Taschereau, Brossard <sup>(1)</sup>	43,234	21,617	100%
100	340 rue Belvédère Sud, Sherbrooke <sup>(1)</sup>	172,964	86,482	89%
101	7500 boul. Les Galeries d'Anjou, Anjou <sup>(1)</sup>	105,816	52,908	91%
		1,622,947	811,475	88%
<b>Total Retail</b>		<b>1,734,221</b>	<b>922,749</b>	<b>88%</b>
<b><u>OFFICE</u></b>				
<b><u>Québec</u></b>				
102	2045 rue Stanley, Montréal <sup>(1) (6)</sup>	112,493	56,247	95%
103	72 rue Laval, Gatineau <sup>(1)</sup>	69,341	34,671	100%
104	10500 Ave Ryan, Dorval	52,372	52,372	100%
105	955 boul. Michèle-Bohec, Blainville	33,461	33,461	100%
106	1600 rue Montgolfier, Laval	27,097	27,097	100%
107	353 rue St-Nicolas, Montréal <sup>(1)</sup>	34,577	17,289	63%
108	410 rue St-Nicolas, Montréal <sup>(1)</sup>	154,752	77,376	67%
109	360 rue Notre-Dame Ouest, Montréal <sup>(1)</sup>	29,362	14,681	92%
110	321 rue de la Commune, Montréal <sup>(1)</sup>	11,502	5,751	100%
111	329 rue de la Commune, Montréal <sup>(1)</sup>	21,026	10,513	88%
112	127, 137 & 145 rue St-Pierre, Montréal <sup>(1)</sup>	35,772	17,886	90%
113	63 rue des Brésoles, Montréal <sup>(1)</sup>	39,317	19,659	100%
		621,072	367,003	89%
<b><u>New Brunswick</u></b>				
114	400 Main St, St. John	159,989	159,989	65%
<b>Total Office</b>		<b>781,061</b>	<b>526,992</b>	<b>82%</b>
<b>Total Portfolio <sup>(7)</sup></b>		<b>13,452,226</b>	<b>11,971,930</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 June 30, 2023, 1771 Savage Road has a total committed occupancy of 100%.

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

(5) As at June 30, 2023, 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 limited partnership that own a development property (844 Glancaster Rd, Hamilton). The interest in the Limited Partnership is accounted for as an investment in a financial asset.

## RENTAL RATES

The following table summarizes in-place rental rates and estimated market rental rates for the REIT's industrial portfolio. Estimated market rental rates are based upon management's best estimates as at June 30, 2023.

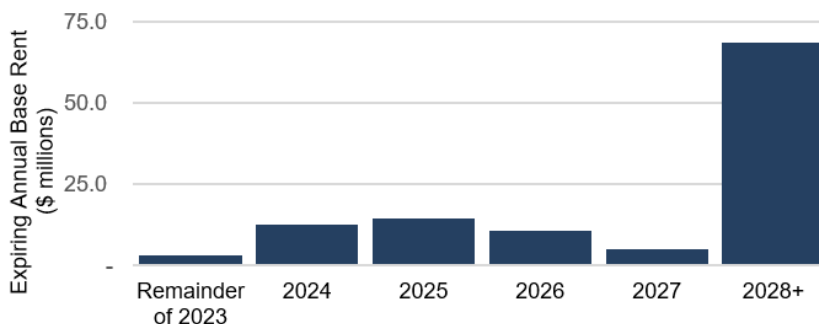
	GLA	GLA as a % of Total GLA	Weighted average in-place rental rate (sq. ft.)	Estimated weighted average market rental rate (sq. ft.)	Spread between estimated market rental rates and in-place rental rates	WALT (years)
ALBERTA	2,636,628	25.4%	11.20	11.34	1.2%	6.02
SASKATCHEWAN	1,637,873	15.8%	9.40	10.44	11.1%	6.69
ONTARIO	4,428,207	42.7%	7.24	10.94	51.1%	6.96
QUEBEC	1,061,106	10.2%	12.82	16.69	30.2%	10.81
OTHER	600,585	5.8%	9.68	11.30	16.7%	6.78
<b>TOTAL</b>	<b>10,364,399</b>	<b>100.0%</b>	<b>9.31</b>	<b>11.57</b>	<b>24.3%</b>	<b>7.06</b>

In addition to the estimated spread between market rents and in-place rents in the REIT's industrial portfolio shown above, many of the REIT's industrial leases contain contractual rent increases throughout their terms.

## LEASE EXPIRIES

INDUSTRIAL	Remainder of 2023	2024	2025	2026	2027	2028+	Total
<b>ALBERTA</b>							
Occupied GLA	-	220,134	549,798	219,267	128,662	1,518,767	2,636,628
Net rent - \$ per square foot	-	17.86	12.64	17.25	7.93	9.10	11.19
% of GLA	0%	8%	21%	8%	5%	58%	100%
<b>SASKATCHEWAN</b>							
Occupied GLA	-	84,928	205,495	-	76,710	1,270,740	1,637,873
Net rent - \$ per square foot	-	10.16	9.62	-	7.08	9.44	9.40
% of GLA	0%	5%	13%	0%	5%	77%	100%
<b>ONTARIO</b>							
Occupied GLA	187,869	434,938	461,362	607,675	20,700	2,715,663	4,428,207
Net rent - \$ per square foot	7.05	6.75	3.16	7.03	10.69	6.39	7.24
% of GLA	4%	10%	10%	14%	0%	62%	100%
<b>QUEBEC</b>							
Occupied GLA	10,413	49,980	106,390	12,496	129,848	751,981	1,061,106
Net rent - \$ per square foot	8.78	5.99	7.10	8.19	11.57	14.43	12.82
% of GLA	1%	5%	10%	1%	12%	71%	100%
<b>OTHER</b>							
Occupied GLA	23,490	39,600	146,655	40,050	-	350,790	600,585
Net rent - \$ per square foot	16.18	11.93	8.82	21.00	-	8.05	9.68
% of GLA	4%	7%	24%	7%	0%	58%	100%
<b>TOTAL INDUSTRIAL</b>							
Occupied GLA	221,772	829,580	1,469,700	879,488	355,920	6,607,941	10,364,399
Net rent - \$ per square foot	8.20	10.25	9.24	10.23	9.23	9.11	9.30
% of GLA	2%	8%	14%	8%	3%	65%	100%
Weighted Average Lease Term - 7.1 years							
<b>TOTAL RETAIL</b>							
Occupied GLA	40,235	150,062	109,766	155,620	94,070	258,672	808,425
% of GLA	5%	19%	14%	19%	12%	31%	100%
Weighted Average Lease Term - 4 years							
<b>TOTAL OFFICE</b>							
Occupied GLA	69,884	49,808	45,509	51,705	41,248	173,281	431,433
% of GLA	16%	12%	11%	12%	10%	39%	100%
Weighted Average Lease Term - 4.2 years							
<b>TOTAL PORTFOLIO</b>							
Occupied GLA	331,891	1,029,449	1,624,974	1,086,812	491,238	7,039,894	11,604,257
% of GLA	3%	9%	14%	9%	4%	61%	100%
Weighted Average Lease Term - 6.8 years							

Expiring Annual Base Rent		
	\$ millions	% of total
Remainder of 2023	3.0	2.6%
2024	12.7	11.1%
2025	14.7	12.8%
2026	10.6	9.2%
2027	5.2	4.5%
2028+	68.6	59.8%
	<b>114.8</b>	<b>100.0%</b>



## LEASING ACTIVITY DURING THE QUARTER

### INDUSTRIAL

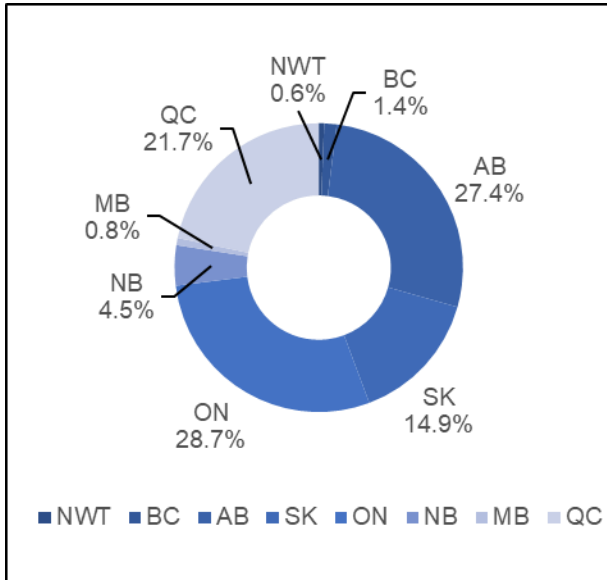
#### CURRENT AND FUTURE EXPIRIES

	GLA	Rental rate growth (%)
ALBERTA	37,623	(42%)
ONTARIO	37,000	3%
QUEBEC	8,629	10%
TOTAL	83,252	(17%)

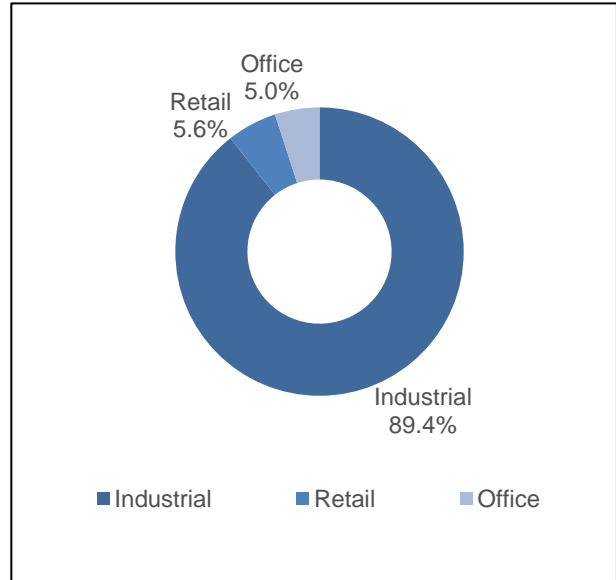
During the quarter, the REIT renewed two industrial tenants in Alberta for 5 years. One of the renewals was at a rate that approximates expiring rents. The other renewal was an early renewal of a lease that was entered into approximately 10 years ago and was completed at less than expiring rents, which negatively impacted rental rate growth. Industrial tenants in Ontario and Quebec exercised renewal options at rental rates predetermined by their respective leases. Most of the renewed leases include rental steps or CPI increases during the lease terms.

**PROPERTY COMPOSITION DIVERSITY**

**GEOGRAPHIC MIX (Q2 NOI)**



**ASSET CLASS MIX (Q2 NOI)**



**TOP TEN TENANTS**

Tenant	% of Annualized Base Rent
1 Loblaws	11.5%
2 Westcan Bulk Transport	5.1%
3 Ford Motor Company of Canada	4.0%
4 Sobeys	3.5%
5 MTE Logistix	3.4%
6 Canusa	2.9%
7 Yokohama Tire Canada	2.5%
8 Valard Construction	2.5%
9 AP Plasman	2.4%
10 Peavey Industries	2.1%
	<u>39.9%</u>

## SUMMARY OF RESULTS

### FINANCIAL HIGHLIGHTS

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

	Three Months ended			Six Months ended		
	June 30,			June 30,		
	2023	2022	Change	2023	2022	Change
	\$	\$	\$	\$	\$	\$
Property revenues	38,419	34,142	4,277	75,895	65,841	10,054
Net operating income (NOI)	27,689	23,962	3,727	53,417	45,986	7,431
Funds from operations (FFO) <sup>(1)</sup>	16,775	15,700	1,075	33,223	30,424	2,799
Normalized FFO <sup>(1) (2)</sup>	17,266	16,027	1,239	33,717	30,905	2,812
Adjusted funds from operations (AFFO) <sup>(1)</sup>	14,100	13,621	479	28,048	26,299	1,749
Normalized AFFO <sup>(1) (2)</sup>	14,591	13,948	643	28,542	26,780	1,762
Same Property NOI <sup>(1)</sup>	23,125	22,189	936	39,617	37,915	1,702
Distributions declared <sup>(3)</sup>	14,192	12,598	1,594	28,234	25,010	3,224
Weighted average units outstanding (000s):						
Basic <sup>(4)</sup>	88,310	78,842	9,468	88,027	78,204	9,823
Diluted <sup>(4)</sup>	88,412	79,001	9,411	88,129	78,410	9,719
<b>Per unit amounts:</b>						
Distributions per unit – basic <sup>(3) (4)</sup>	0.161	0.160	0.001	0.321	0.320	0.001
Distributions per unit – diluted <sup>(3) (4)</sup>	0.161	0.159	0.002	0.320	0.319	0.001
FFO per unit – basic <sup>(1) (4)</sup>	0.190	0.199	(0.009)	0.377	0.389	(0.012)
FFO per unit – diluted <sup>(1) (4)</sup>	0.190	0.199	(0.009)	0.377	0.388	(0.011)
Normalized FFO per unit – basic <sup>(1) (2) (4)</sup>	0.196	0.203	(0.007)	0.383	0.395	(0.012)
Normalized FFO per unit – diluted <sup>(1) (2) (4)</sup>	0.195	0.203	(0.008)	0.383	0.394	(0.011)
AFFO per unit – basic <sup>(1) (4)</sup>	0.160	0.173	(0.013)	0.319	0.336	(0.017)
AFFO per unit – diluted <sup>(1) (4)</sup>	0.159	0.172	(0.013)	0.318	0.335	(0.017)
Normalized AFFO per unit – basic <sup>(1) (2) (4)</sup>	0.165	0.177	(0.012)	0.324	0.342	(0.018)
Normalized AFFO per unit – diluted <sup>(1) (2) (4)</sup>	0.165	0.177	(0.012)	0.324	0.342	(0.018)
NAV per unit <sup>(1)</sup>	12.49	12.41	0.07	12.49	12.41	0.07
AFFO payout ratio – basic <sup>(1) (3)</sup>	100.7%	92.5%	8.2%	100.7%	95.1%	5.6%
Normalized AFFO payout ratio – basic <sup>(1) (2) (3)</sup>	97.3%	90.3%	7.0%	98.9%	93.4%	5.5%
Debt to total assets ratio	48.0%	46.0%	2.0%	48.0%	46.0%	2.0%
Estimated spread between industrial portfolio market and in-place rents	24.4%	N/A	N/A	24.4%	N/A	N/A

(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 property, which are payable from the vendor of the property until the buildout of the property is 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.

(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 June 30,			Six months ended June 30,		
	2023 \$	2022 \$	Change \$	2023 \$	2022 \$	Change \$
Property revenues	38,419	34,142	4,277	75,895	65,841	10,054
Property expenses	(10,730)	(10,180)	(550)	(22,478)	(19,855)	(2,623)
Net operating income (NOI)	27,689	23,962	3,727	53,417	45,986	7,431
General and administrative expense	(1,694)	(1,543)	(151)	(4,099)	(3,572)	(527)
Fair value adjustments:						
Investment properties	33,031	(4,548)	37,579	30,316	(2,623)	32,939
Class B LP Units	25,129	64,346	(39,217)	22,521	60,654	(38,133)
Unit options	-	550	(550)	-	408	(408)
Restricted share units	130	287	(157)	121	245	(124)
Derivative financial instruments	6,400	7,399	(999)	2,571	15,866	(13,295)
Income (loss) from equity accounted investment in joint venture	323	(419)	742	417	41	376
Loss on disposal of investment properties	(807)	-	(807)	(807)	-	(807)
Unrealized foreign exchange gain (loss)	218	(460)	678	237	(312)	549
Other income	239	445	(206)	888	889	(1)
	90,658	90,019	639	105,582	117,582	(12,000)
<b>Finance expense</b>						
Net interest expense	(10,133)	(7,056)	(3,077)	(18,162)	(13,350)	(4,812)
Distributions on Class B LP Units	(3,303)	(3,323)	20	(6,481)	(6,528)	47
	(13,436)	(10,379)	(3,057)	(24,643)	(19,878)	(4,765)
Net income	77,222	79,640	(2,418)	80,939	97,704	(16,765)

### NOI

Q2 2023 NOI of \$27.7 million was \$3.7 million higher than Q2 2022 NOI of \$24.0 million. Acquisitions completed subsequent to April 1, 2022 generated \$3.2 million of incremental NOI in Q2 2023 as compared to Q2 2022. Q2 2023 Same Property NOI increased \$0.9 million as compared to Q2 2022, primarily driven by rental steps and CPI increases at certain of the REIT's industrial properties as well as new and renewal lease lift. Higher straight-line rents contributed \$0.4 million to the increase over Q2 2022, driven primarily by newly acquired properties with steps in rent. The REIT also received a total of \$0.2 million of termination fees from two office tenants in the quarter. The disposals of one small industrial and four retail properties between April 2022 and June 2023 reduced NOI by \$0.9 million as compared to Q2 2022.

YTD Q2 2023 NOI of \$53.4 million was \$7.4 million higher than YTD Q2 2022 NOI of \$46.0 million. Acquisitions completed subsequent to January 1, 2022 generated \$6.4 million of incremental NOI YTD Q2 2023 as compared to YTD Q2 2022. YTD Q2 2023 Same Property NOI increased \$1.7 million as compared to YTD Q2 2022, primarily driven by rental steps and CPI increases at certain of the REIT's industrial properties as well as new and renewal lease lift. Higher straight-line rents contributed \$0.6 million to the increase over YTD Q2 2022, driven primarily by newly acquired properties with steps in rent. The disposal of an industrial and four retail properties since 2022 reduced NOI by \$1.3 million YTD Q2 2023 as compared to YTD Q2 2022.

### General and administrative expense

General and administrative expense of \$1.7 million for Q2 2023 was consistent with Q2 2022 general and administrative expense of \$1.6 million.

YTD Q2 2023 general and administrative expense of \$4.1 million increased by \$0.5 million over YTD Q2 2022 primarily due to higher employment, severance and recruitment costs.



### **Fair value adjustment of investment properties**

The fair value adjustment of investment properties of \$33.0 million for Q2 2023 reflects \$39.2 million of fair value gains related to the adjustment of stabilized NOI to market rates net of capitalization rate expansion for those properties where market rents exceeded in-place rents (of which approximately \$37 million of net gains were recorded in the Ontario industrial portfolio and \$14 million in the Quebec industrial portfolio), \$4.4 million of fair value gains related to the remeasurement of Class B LP Units issued as part of the acquisition of an industrial property in London, Ontario, partially offset by \$5.3 million of fair value losses related to transaction costs and mark to market adjustments on mortgages assumed in connection with acquisitions completed during the quarter, \$5.1 million related to capital expenditures fair valued to zero, and \$1.5 million of fair value losses relating to revaluation adjustments to investment properties prior to disposition.

The fair value adjustment of investment properties of \$30.3 million for YTD Q2 2023 reflects \$40.1 million of fair value gains related to the adjustment of stabilized NOI to market rates net of capitalization rate expansion for those properties where market rents exceeded in-place rents (of which approximately \$37 million of net gains were recorded in the Ontario industrial portfolio and \$14 million in the Quebec industrial portfolio), \$4.4 million of fair value gains related to the remeasurement of Class B LP Units issued as part of an acquisition noted above, partially offset by \$8.8 million of fair value losses related to transaction costs and mark to market adjustments on mortgages assumed in connection with acquisitions completed during the year, \$6.2 million of capital expenditures fair valued to zero, and \$1.5 million of fair value losses relating to revaluation adjustments to investment properties prior to disposition.

### **Fair value adjustment of financial instruments**

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 June 30, 2023 was \$8.48 as compared to \$9.75 as at March 31, 2023 and \$9.69 per unit as at June 30, 2022. On June 15, 2023, 2,359,978 Class B LP Units were issued as partial purchase price consideration and were initially measured at the closing price of the REIT's units on June 15, 2023, of \$8.44 per unit. As at June 30, 2023, 22,221,587 Class B LP Units were outstanding.

Fair value gains on derivative financial instruments of \$6.4 million and \$2.6 million were recorded for Q2 2023 and YTD Q2 2023, respectively. The fair value gain is due to increases in interest rates from January 1, 2023 to March 31, 2023 and from January 1, 2023 to June 30, 2023, respectively, 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 \$132.3 million drawn on the REIT's credit facilities and \$164.5 million of floating rate mortgages.

### **Unrealized foreign exchange adjustments, Income from equity accounted investment and other**

Unrealized foreign exchange gain of \$0.2 for the three and six months ended June 30, 2023 relates to other liabilities denominated in US dollars for Q2 2023 and YTD Q2 2023, respectively, increased by \$0.7 million and \$0.5 million over Q2 2022 and YTD Q2 2022, respectively, primarily due to foreign exchange rate fluctuations.

Income from equity accounted investment in joint venture of \$0.3 million for Q2 2023 is comprised primarily of the REIT's \$0.25 million share of NOI from the joint venture investment property, its \$0.15 million share of the fair value gain related to the mark to market of interest rate swaps in place at the joint venture, and its \$0.1 million share of interest and general and administrative expense.

Income from equity accounted investment in joint venture of \$0.4 million for YTD Q2 2023 is comprised primarily of the REIT's \$0.5 million share of NOI from the joint venture investment property, its \$0.15 million share of interest and general and administrative expense and its \$0.05 million share of a fair value gain related to the mark to market interest rate swaps in place at the joint venture

Other income of \$0.24 million for Q2 2023 consists of vendor rent obligation of \$0.2 million and debt guarantee fees of \$0.04 million. During the period, the estimated vendor rent obligation related to the REIT's Richmond, BC property was reassessed, and an accrual was made for an additional month of vendor rent obligation (August). \$0.03 million of debt guarantee fees were earned in the period relating to a guarantee provided by a subsidiary of the REIT for debt secured by land that the REIT shares an interest in.

Other income of \$0.88 million for YTD Q2 2023 consists of vendor rent obligation of \$0.8 million and debt guarantee fees of \$0.08 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 (May, June, July and August). \$0.08 million of debt guarantee fees were earned in the period relating to a guarantee provided by a subsidiary of the REIT for debt secured by land that the REIT shares an interest in.

### Net interest expense

Net interest expense of \$10.3 million for Q2 2023 increased by \$3.1 million over Q2 2022 primarily due to higher debt levels associated with funding acquisitions and higher interest rates.

YTD Q2 2023 net interest expense of \$18.2 million increased by \$4.8 million over YTD Q2 2022 primarily due to higher debt levels associated with funding acquisitions and higher interest rates.

### SELECT BALANCE SHEET DATA

(In thousands of Canadian dollars)

	June 30, 2023	December 31, 2022
	\$	\$
Investment properties	2,140,313	1,822,639
Cash	7,912	11,533
<b>Total assets</b>	<b>2,248,157</b>	<b>1,967,501</b>
<b>Non-current:</b>		
Mortgages payable	616,722	633,624
Credit Facilities	355,431	112,532
Class B LP Units	188,440	195,857
<b>Total non-current liabilities</b>	<b>1,179,585</b>	<b>962,083</b>
<b>Current:</b>		
Mortgages payable	81,324	70,410
<b>Total current liabilities</b>	<b>128,671</b>	<b>132,878</b>
<b>Total liabilities</b>	<b>1,308,455</b>	<b>1,094,961</b>
<b>Total unitholders' equity</b>	<b>939,702</b>	<b>872,540</b>

## NAV per unit

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

	June 30, 2023	December 31, 2022
<b>NAV per unit <sup>(1)</sup></b>	<b>\$</b>	<b>\$</b>
<b>Total assets</b>	<b>2,248,157</b>	<b>1,967,501</b>
Less: Total liabilities	(1,308,456)	(1,094,961)
	939,701	872,540
Add: Class B LP Units	188,440	195,857
<b>Net asset value (NAV)</b>	<b>1,128,141</b>	<b>1,068,397</b>
Units outstanding (000s) – basic:		
REIT Units	68,123	67,323
Class B LP Units	22,222	20,317
	90,345	87,640
<b>NAV per unit – basic</b>	<b>12.49</b>	<b>12.19</b>

(1) See Non-IFRS Financial Measures.

The REIT's NAV per unit as at June 30, 2023 was \$12.49 as compared to \$12.19 as at December 31, 2022. The increase is primarily attributable to an increase of \$30.3 million in the fair value of the REIT's investment properties in 2023, partially offset by the issuance of 2,359,978 Class B LP Units as at a deemed value of \$10.30 as purchase price consideration and a slightly higher number of REIT Units outstanding due to issuances under the REIT's DRIP and unit compensation programs.

## Debt to total assets

(In thousands of Canadian dollars)

	June 30, 2023	December 31, 2022
<b>Debt to total asset ratio <sup>(1)</sup></b>	<b>\$</b>	<b>\$</b>
<b>Current and non-current:</b>		
Mortgages payable	698,046	704,034
Credit Facilities	355,431	112,532
Lease liabilities	10,517	10,541
Liabilities associated with assets held for sale	15,105	32,891
<b>Debt</b>	<b>1,079,099</b>	<b>859,998</b>
<b>Total assets</b>	<b>2,248,157</b>	<b>1,967,501</b>
<b>Debt to total asset ratio</b>	<b>48.0%</b>	<b>43.7%</b>

(1) See Non-IFRS Financial Measures.

The REIT's debt to total assets as at June 30, 2023 was 48.0% as compared to 43.7% as at December 31, 2022. The increase is primarily related to borrowings to complete capital expenditures and acquisitions funded entirely with debt.

## SUMMARY OF QUARTERLY RESULTS

(In thousands of Canadian dollars)

	<b>Q2 2023</b>	<b>Q1 2023</b>	<b>Q4 2022</b>	<b>Q3 2022</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Property revenues	38,419	37,476	36,856	34,424
Property expenses	(10,730)	(11,748)	(11,907)	(9,551)
<b>Net operating income (NOI)</b>	<b>27,689</b>	<b>25,728</b>	<b>24,949</b>	<b>24,873</b>
Net income (loss)	77,222	3,717	(16,891)	40,055
Weighted average number of units (000s) - basic <sup>(1)</sup>	88,310	87,741	81,494	79,208
Weighted average number of units (000s) - diluted <sup>(1)</sup>	88,412	87,843	81,596	79,336
	<b>Q2 2022</b>	<b>Q1 2022</b>	<b>Q4 2021</b>	<b>Q3 2021</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Property revenues	34,142	31,699	27,537	20,719
Property expenses	(10,180)	(9,675)	(8,466)	(6,624)
<b>Net operating income (NOI)</b>	<b>23,962</b>	<b>22,024</b>	<b>19,071</b>	<b>14,095</b>
Net income (loss)	79,640	18,064	44,760	(12,075)
Weighted average number of units (000s) - basic <sup>(1)</sup>	78,842	77,560	68,508	54,428
Weighted average number of units (000s) - diluted <sup>(1)</sup>	79,001	77,720	68,695	54,600

(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)

	<b>Three months ended</b>			<b>Six months ended</b>		
	<b>2023</b>	<b>June 30, 2022</b>	<b>Change</b>	<b>2023</b>	<b>June 30, 2022</b>	<b>Change</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Property revenues	38,419	34,142	4,277	75,895	65,841	10,054
Property expenses	(10,730)	(10,180)	(550)	(22,478)	(19,855)	(2,623)
<b>NOI</b>	<b>27,689</b>	<b>23,962</b>	<b>3,727</b>	<b>53,417</b>	<b>45,986</b>	<b>7,431</b>
Add/(Deduct):						
Amortization of tenant incentives and leasing costs	284	210	74	581	476	105
Straight-line adjustments of rent	(1,197)	(812)	(385)	(2,214)	(1,591)	(623)
Acquisitions	(3,237)	-	(3,237)	(11,132)	(4,741)	(6,391)
Disposals	(189)	(1,112)	923	(883)	(2,156)	1,273
Termination fees and other non-recurring items	(225)	(59)	(166)	(152)	(59)	(93)
<b>Same Property NOI</b>	<b>23,125</b>	<b>22,189</b>	<b>936</b>	<b>39,617</b>	<b>37,915</b>	<b>1,702</b>

Q2 2023 Same Property NOI increased \$0.9 million as compared to Q2 2022, 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.

YTD Q2 2023 Same Property NOI increased \$1.7 million as compared to YTD Q2 2022, 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.

## FUNDS FROM OPERATIONS AND ADJUSTED FUNDS FROM OPERATIONS

(In thousands of Canadian dollars, except per unit amounts)	Three months ended			Six months ended		
	2023	June 30, 2022	Change	2023	June 30, 2022	Change
	\$	\$	\$	\$	\$	\$
<b>FFO</b>						
<b>Net income</b>	<b>77,222</b>	<b>79,640</b>	<b>(2,418)</b>	<b>80,939</b>	<b>97,704</b>	<b>(16,765)</b>
Adjustments:						
Loss on disposal of investment properties	807	-	807	807	-	807
Fair value adjustment of investment properties	(33,031)	4,548	(37,579)	(30,316)	2,623	(32,939)
Fair value adjustment of Class B LP Units	(25,129)	(64,346)	39,217	(22,521)	(60,654)	38,133
Fair value adjustment of unit options	-	(550)	550	-	(408)	408
Fair value adjustment of restricted share units	(130)	(287)	157	(121)	(245)	124
Fair value adjustment of derivative financial instruments	(6,400)	(7,399)	999	(2,571)	(15,866)	13,295
Adjustments for equity accounted joint venture <sup>(1)</sup>	(158)	548	(706)	(70)	244	(314)
Distributions on Class B LP Units expensed	3,303	3,323	(20)	6,481	6,528	(47)
Amortization of tenant incentives and leasing costs	285	211	74	581	476	105
Lease principal payments	(17)	(11)	(6)	(32)	(24)	(8)
Amortization of right-of-use assets	23	23	-	46	46	-
<b>Funds from operations (FFO)</b>	<b>16,775</b>	<b>15,700</b>	<b>1,075</b>	<b>33,223</b>	<b>30,424</b>	<b>2,799</b>
Weighted average units outstanding (000s) Basic <sup>(4)</sup>	88,310	78,842	9,468	88,027	78,204	9,823
<b>FFO per unit - basic</b>	<b>0.190</b>	<b>0.199</b>	<b>(0.009)</b>	<b>0.377</b>	<b>0.389</b>	<b>(0.012)</b>
<b>FFO</b>	<b>16,775</b>	<b>15,700</b>	<b>1,075</b>	<b>33,223</b>	<b>30,424</b>	<b>2,799</b>
Add: Vendor rent obligation <sup>(2)</sup>	691	728	(37)	1,295	1,283	12
Less: Other income <sup>(2)</sup>	(200)	(401)	201	(801)	(802)	1
<b>Normalized FFO</b>	<b>17,266</b>	<b>16,027</b>	<b>1,239</b>	<b>33,717</b>	<b>30,905</b>	<b>2,812</b>
Weighted average units outstanding (000s) Basic <sup>(4)</sup>	88,310	78,842	9,468	88,027	78,204	9,823
<b>Normalized FFO per unit - basic</b>	<b>0.196</b>	<b>0.203</b>	<b>(0.007)</b>	<b>0.383</b>	<b>0.395</b>	<b>(0.012)</b>
(In thousands of Canadian dollars, except per unit amounts)						
	Three months ended			Six months ended		
	2023	June 30, 2022	Change	2023	June 30, 2022	Change
	\$	\$	\$	\$	\$	\$
<b>AFFO</b>						
<b>FFO</b>	<b>16,775</b>	<b>15,700</b>	<b>1,075</b>	<b>33,223</b>	<b>30,424</b>	<b>2,799</b>
Adjustments:						
Straight-line adjustments ground lease and rent	(1,125)	(829)	(296)	(2,225)	(1,625)	(600)
Capital reserve <sup>(3)</sup>	(1,550)	(1,250)	(300)	(2,950)	(2,500)	(450)
<b>Adjusted funds from operations (AFFO)</b>	<b>14,100</b>	<b>13,621</b>	<b>479</b>	<b>28,048</b>	<b>26,299</b>	<b>1,749</b>
Weighted average units outstanding (000s) Basic <sup>(4)</sup>	88,310	78,842	9,468	88,027	78,204	9,823
<b>AFFO per unit - basic</b>	<b>0.160</b>	<b>0.173</b>	<b>(0.013)</b>	<b>0.319</b>	<b>0.336</b>	<b>(0.017)</b>
<b>AFFO</b>	<b>14,100</b>	<b>13,621</b>	<b>479</b>	<b>28,048</b>	<b>26,299</b>	<b>1,749</b>
Add: Vendor rent obligation <sup>(2)</sup>	691	728	(37)	1,295	1,283	12
Less: Other income <sup>(2)</sup>	(200)	(401)	201	(801)	(802)	1
<b>Normalized AFFO</b>	<b>14,591</b>	<b>13,948</b>	<b>643</b>	<b>28,542</b>	<b>26,780</b>	<b>1,762</b>
Weighted average units outstanding (000s) Basic <sup>(4)</sup>	88,310	78,842	9,468	88,027	78,204	9,823
<b>Normalized AFFO per unit - basic</b>	<b>0.165</b>	<b>0.177</b>	<b>(0.012)</b>	<b>0.324</b>	<b>0.342</b>	<b>(0.018)</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 property, which are payable from the vendor of the property until the buildout of the property is complete and all 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) 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.
- (4) 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			Six months ended		
	2023	June 30, 2022	Change	2023	June 30, 2022	Change
	\$	\$	\$	\$	\$	\$
Capital reserve	1,550	1,250	300	2,950	2,500	450
Average square feet of GLA	11,662,836	10,541,754	1,121,082	11,436,056	10,171,137	1,264,919
Annualized capital reserve per square foot of GLA	\$0.53	\$0.47	\$0.06	\$0.52	\$0.49	\$0.03
Actual tenant incentives and leasing costs <sup>(1)</sup>	1,860	721	1,139	2,423	1,123	1,300
Actual maintenance capital expenditures <sup>(2)</sup>	444	414	30	1,485	571	914
<b>Total spending funded by the REIT</b>	<b>2,304</b>	<b>1,135</b>	<b>1,169</b>	<b>3,908</b>	<b>1,694</b>	<b>2,214</b>
Average square feet of GLA	11,662,836	10,541,754	1,121,082	11,436,056	10,171,137	1,264,919
Annualized capital spent per square foot of GLA unadjusted for capital reserve	\$0.79	\$0.43	\$0.36	\$0.68	\$0.33	\$0.35

<sup>(1)</sup> Excludes tenant incentives costs incurred in Q2 2023 and YTD Q2 2023 in the amounts of \$nil (2022 – \$nil) and \$0.8 million (2022 - \$nil), respectively, for the repurposing of a previous industrial space into significantly higher yielding uses.

<sup>(2)</sup> Excludes capital expenditures incurred in Q2 2023 and YTD Q2 2023 in the amounts of \$4.4 million (2022 – \$0.017 million) and \$4.7 million (2022 - \$0.05 million), respectively, for the repurposing of a previous industrial space into significantly higher yielding uses.

Actual capital spending and tenant incentive and leasing costs for YTD Q2 2023 of \$3.9 million is \$1.0 million higher than the \$3.0 million capital reserve included in AFFO. During Q2 2023, the REIT incurred \$0.5 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			Six months ended		
	June 30,			June 30,		
	2023	2022	Change	2023	2022	Change
	\$	\$	\$	\$	\$	\$
<b>Cash flows generated by operating activities</b>	<b>17,969</b>	<b>5,843</b>	<b>12,126</b>	<b>24,784</b>	<b>9,881</b>	<b>14,903</b>
Adjustments:						
Changes in non-cash working capital	(6,077)	6,301	(12,378)	(93)	13,166	(13,259)
Changes in other non-current assets	19	54	(35)	1	66	(65)
Changes in restricted cash	9	29	(20)	(45)	(8)	(37)
Changes in other non-current liabilities	468	(61)	529	733	177	556
Distributions on Class B LP Units expensed	3,303	3,323	(20)	6,481	6,528	(47)
Adjustments for equity accounted joint venture	(158)	548	(706)	(70)	244	(314)
Share of net income (loss) from equity accounted investment in joint venture	323	(419)	742	417	41	376
Straight-line rent adjustments of equity accounted joint venture	72	(22)	94	(11)	(42)	31
Restricted share unit expense	(160)	(149)	(11)	(859)	(730)	(129)
Amortization of deferred financing fees	(345)	(164)	(181)	(600)	(302)	(298)
Amortization of mortgage fair value adjustments	26	59	(33)	55	114	(59)
Lease principal repayments	(17)	(11)	(6)	(32)	(24)	(8)
Capital reserve	(1,550)	(1,250)	(300)	(2,950)	(2,500)	(450)
Unrealized foreign exchange loss (gain)	218	(460)	678	237	(312)	549
<b>AFFO</b>	<b>14,100</b>	<b>13,621</b>	<b>479</b>	<b>28,048</b>	<b>26,299</b>	<b>1,749</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 June 30, 2023, the REIT had cash of \$7.9 million (December 31, 2022 - \$11.5 million) and a working capital deficit of \$61.1 million (December 31, 2022 - \$25.2 million). Excluding the current portion of mortgages payable of \$81.3 million, liabilities associated with assets held for sale of \$15.1 million and assets held for sale of \$32.2 million, working capital would be a surplus of \$3.1 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 amounts 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			Six months ended		
	June 30,			June 30,		
	2023	2022	Change	2023	2022	Change
	\$	\$	\$	\$	\$	\$
<b>Cash generated by (used in)</b>						
Operating activities	17,969	5,843	12,126	24,784	9,881	14,903
Investing activities	(88,903)	(4,193)	(84,710)	(212,772)	(223,737)	10,965
Financing activities	68,210	(66)	68,276	184,367	139,726	44,641
Change in cash	(2,724)	1,584	(4,308)	(3,621)	(74,130)	70,509
Cash – beginning of period	10,636	6,565	4,071	11,533	82,279	(70,746)
<b>Cash – end of period</b>	<b>7,912</b>	<b>8,149</b>	<b>(237)</b>	<b>7,912</b>	<b>8,149</b>	<b>(237)</b>

Cash generated from operating activities for Q2 2023 of \$18.0 million is comprised of net income of \$77.2 million, cash from changes in non-cash working capital, other non-current assets, other non-current liabilities and restricted cash of \$5.6 million, partially offset by non-cash items of \$64.8 million.

Cash generated from operating activities for YTD Q2 2023 of \$24.8 million is comprised of net income of \$80.9 million, partially offset by cash from changes in non-cash working capital, other non-current assets, other non-current liabilities, and restricted cash of \$0.6 million and by non-cash items of \$55.6 million.

Cash used in investing activities for Q2 2023 of \$88.9 million is primarily related to \$103 million of cash used to acquire three income producing investment properties, \$4.6 million of cash used to purchase a parcel of land, \$1.9 million of cash used to develop properties held for development, offset by \$27.6 million of proceeds obtained from the sale of a retail property located at Victoriaville, Quebec during the quarter and the remainder of cash used in investing activities relates to tenant incentives, leasing costs and capital spending in the amount of \$7.0 million.

Cash used in investing activities for YTD Q2 2023 of \$212.8 million is primarily related to \$222.3 million of cash used to acquire four income producing investment properties, \$4.6 million of cash used to purchase a parcel of land, \$3.9 million of cash used to develop properties held for development, offset by \$27.6 million of proceeds obtained from the sale of a retail property located at Victoriaville, Quebec during the quarter and the remainder of cash used in investing activities relates to tenant incentives, leasing costs and capital spending in the amount of \$9.5 million.

Cash generated from financing activities for Q2 2023 of \$68.2 million is primarily related to \$111.7 million of net borrowing on the credit facilities, partially offset by cash distributions to unitholders of \$9.5 million, mortgage principal repayments of \$33.8 million and \$0.1 million of issuance cost relating to the ATM program.

Cash generated from financing activities for YTD Q2 2023 of \$184.4 million is primarily related to \$243.9 million of net borrowing on the credit facilities, partially offset by cash distributions to unitholders of \$19.2 million, mortgage principal repayments of \$38.9, \$0.1 million of issuance cost relating to the ATM program and \$1.4 million of financing cost relating to the new unsecured credit facility.

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 June 30, 2023, the mortgages payable are secured by charges against 77 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 3.28% (December 31, 2022 – 3.27%) and the weighted average term to maturity is 6.08 years (December 31, 2022 – 6.08 years). The breakdown of future principal repayments, including mortgage maturity, is presented in the following table:

(In thousands of Canadian dollars)	Scheduled repayments \$	Principal maturities \$	Total \$	Weighted average interest rate of maturing mortgages <sup>(1)</sup>
Remainder of 2023	9,477	23,071	32,548	4.48%
2024	18,064	46,783	64,847	2.46%
2025	17,101	48,642	65,743	3.48%
2026	14,978	89,123	104,101	3.04%
2027	12,609	51,727	64,336	3.67%
Thereafter	90,158	292,038	382,196	3.27%
<b>Total</b>	<b>162,387</b>	<b>551,384</b>	<b>713,771</b>	<b>3.28%</b>

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



## CREDIT FACILITIES

On March 1, 2023, the REIT replaced its existing revolving credit facility of \$140,000 (“Credit Facility 3”) with senior unsecured credit facilities totalling \$375,000 (the “Unsecured Facilities”). The Unsecured Facilities are comprised of a \$190,000 revolving credit facility, a \$175,000 term loan facility and a \$10,000 swingline facility. The Unsecured Facilities matures on February 28, 2026. The REIT is allowed to draw against the revolving credit facility and the term loan facility in the form of prime rate advances or bankers’ acceptances and may draw against the swingline facility in the form of prime rate advances.

Interest margins are based on the Total Indebtedness Ratio as at the last date of the most recently completed financial quarter. For a Total Indebtedness Ratio below 50%, prime rate advances bear interest at 70 basis points per annum over the lender’s Canadian prime borrowing rate, bankers’ acceptance, and letter of credit advances bear interest at 170 basis points per annum over the floating bankers’ acceptance and letter of credit rate respectively. For a Total Indebtedness Ratio from 50% to 55.5%, prime rate advances bear interest at 95 basis points per annum over the lender’s Canadian prime borrowing rate, bankers’ acceptance, and letter of credit advances bear interest at 195 basis points per annum over the floating bankers’ acceptance and letter of credit rate respectively. For a Total Indebtedness Ratio above 55.5%, prime rate advances bear interest at 125 basis points per annum over the lender’s Canadian prime borrowing rate, bankers’ acceptance, and letter of credit advances bear interest at 225 basis points per annum over the floating bankers’ acceptance and letter of credit rate respectively. The unadvanced portion of the Unsecured Facilities is subject to a predetermined standby fee. As at June 30, 2023, \$113.5 million was drawn against the revolving portion of this credit facility, \$175 million was drawn against the term loan portion of this facility and \$3.4 million was drawn against the swingline portion of this facility.

The Unsecured Facilities 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 Secured Indebtedness Ratio to exceed 50% at all times through to and including March 31, 2024 and 45% at all times from April 1, 2024 and thereafter, (iii) will not allow the Debt Service Coverage Ratio to be less than 1:40:1, (iv) will not allow Adjusted Unitholders’ Equity to be less than \$600 million plus 75% of net proceeds in connection with any equity offering by the REIT after March 1, 2023, (v) will not allow Unencumbered Asset Value Ratio to be less than 1.40:1. As at June 30, 2023, the REIT was in compliance with these covenants. The Unsecured Facilities also contains restrictions on, inter alia, change of business, change in year-end, leasing or prepaid rent on non-market terms, sale of assets, limitations on distributions, 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 Unsecured Facilities. Debt to Aggregate Assets Ratio is calculated by dividing the REIT’s consolidated indebtedness by the REIT’s gross book value.

Secured Indebtedness Ratio is a defined term in Unsecured Facilities. Secured Indebtedness Ratio is calculated by dividing the REIT’s consolidated secured indebtedness by the REIT’s gross book value.

Debt Service Coverage Ratio is a defined term in Unsecured Facilities. 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 (principal repayments plus interest expense).

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

Unencumbered Asset Value Ratio is a defined term in Unsecured Facilities. Unencumbered Asset Value Ratio is calculated by dividing the REIT’s consolidated unencumbered property asset value by the REIT’s consolidated unsecured indebtedness.

Debt to Gross Book Value Ratio, Secured Indebtedness Ratio, Debt Service Coverage Ratio, Adjusted Unitholders’ Equity and Unencumbered Asset Value 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 the REIT's compliance with its covenants set out in the Unsecured Facilities 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 June 30, 2023, Credit Facility 2 was undrawn (December 31, 2022 - 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 June 30, 2023 the revolving portion of this credit facility was undrawn (December 31, 2022 - 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 June 30, 2023, 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 Unsecured Facilities, collectively "the **Credit Facilities**")

Amounts drawn against the Credit Facilities are as follows:

(In thousands of Canadian dollars)	<b>June 30, 2023</b>	<b>December 31, 2022</b>
	<b>\$</b>	<b>\$</b>
Bankers' acceptance borrowings	350,495	65,000
Prime rate borrowings	6,445	48,000
<b>Total drawn against the Credit Facilities</b>	<b>356,940</b>	<b>113,000</b>
Less: deferred financing costs	(1,509)	(468)
<b>Balance, end of period</b>	<b>355,431</b>	<b>112,532</b>

Amounts drawn on the Credit Facilities as at June 30, 2023 are as follows:

(In thousands of Canadian dollars)	<b>Total principal amount \$</b>	<b>Weighted average interest rate</b>	<b>Repricing date</b>
Bankers' acceptance borrowings not covered by swaps	218,188	6.97%	Variable <sup>(1)</sup>
Bankers' acceptance borrowings covered by swaps	132,307	3.78% <sup>(2)</sup>	Variable <sup>(2)</sup>
Prime rate borrowings	6,445	7.65%	Variable

<sup>(1)</sup> Dates between July 13, 2023 and July 31, 2023.

<sup>(2)</sup> Represents the weighted average interest rate net of the effect of swaps in place. The REIT is party to three swaps that effectively fix the 30-day bankers' acceptance rate on borrowings under the Credit Facilities as follows:

An amortizing swap with a notional amount of amount of \$17,307 as at June 30, 2023, at a rate of 1.01% such that the interest rate on borrowings, including the current 170 basis point spread, is fixed at 2.71% until December 1, 2025.

A \$50,000 swap at a rate of 3.26%, such that the interest rate on the borrowings, including the current 170 basis point spread, is fixed at 4.96% until February 29, 2028.

A \$65,000 swap at a rate of 1.65%, such that the interest rate on the fixed-term facility, including the applicable 150-basis point spread, is fixed at 3.15% until September 13, 2024.

## 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 June 30, 2023, a 0.25% increase in the weighted average capitalization rate would result in a decrease of approximately \$86.6 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 \$94.1 million in the determination of the fair value of the investment properties.

### 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 June 30, 2023:

- 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

There were no changes in the REIT's design of internal controls over financial reporting in Q2 2023 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 June 30, 2023, one tenant accounted for approximately 13% of the REIT's base rental income, resulting in a concentration of credit risk. The REIT monitors the creditworthiness of its tenants on an ongoing basis. The REIT mitigates credit risk by monitoring the credit ratings of the institutions holding the REIT's deposits. The REIT has examined its tenant receivables for indications of impairment. The tenant receivables default rate of the REIT is less than 0.5%.

## COVID-19

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

### Liquidity risk

Liquidity risk is the risk that the REIT will not have the financial resources required to meet its financial obligations as they come due. The REIT manages this risk by ensuring it has sufficient cash on hand or borrowing capacity to meet obligations as they come due by forecasting cash flows from operations, cash required for investing activities and cash from financing activities. As at June 30, 2023, the REIT had cash of \$7.9 million (December 31, 2022 - \$11.5 million), mortgages payable of \$713.8 million (December 31, 2022 - \$738.4 million), a balance of \$356.9 million drawn against the Credit Facilities (December 31, 2022 - \$113 million) and accounts payable and other liabilities of \$37.3 million (December 31, 2022 - \$35.2 million). The REIT had a working capital deficit of \$61.1 million as at June 30, 2023 (December 31, 2022 - \$25.2 million deficit). Excluding the current portion of mortgages payable of \$81.3 million, liabilities associated with assets held for sale of \$15.1 million, and assets held for sale of \$32.2 million, working capital would be a surplus of \$3.1 million. The REIT expects that it will be able to refinance the mortgages on their maturities. The REIT has access to undrawn amounts 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)	<b>Accounts payable and other liabilities</b>	<b>Lease liabilities</b>	<b>Credit Facilities principal repayment</b>	<b>Interest on fixed portion of Credit Facilities</b>	<b>Mortgages payable</b>	<b>Mortgage interest</b>	<b>Total</b>
	\$	\$	\$	\$	\$	\$	\$
Remainder of 2023	28,261	275	-	1,926	32,548	10,950	73,960
2024	1,039	529	65,000	3,236	64,847	20,542	155,193
2025	1,074	551	-	1,780	65,743	18,695	87,843
2026	1,110	551	291,940	263	104,101	16,097	414,062
2027	1,148	551	-	-	64,336	13,088	79,123
Thereafter	4,636	22,889	-	-	382,196	44,682	454,403
	<b>37,268</b>	<b>25,346</b>	<b>356,940</b>	<b>7,205</b>	<b>713,771</b>	<b>124,054</b>	<b>1,264,584</b>

### 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 June 30, 2023, there was a total of \$527.8 million (December 31, 2022 - \$300.7 million) of mortgage and credit facilities borrowings which bear interest at floating bankers' acceptance or Canadian prime rates plus a fixed spread. There is a risk that prevailing interest rates could increase, and those increases could be significant. The REIT mitigates interest rate risk by maintaining reasonable levels of debt to investment property value and aims to structure new debt to stagger the maturities to ensure that the majority of debt does not come due for repayment in any one particular year. As at June 30, 2023, the REIT has interest rate swap agreements totalling \$296.8 million (2022 - \$249.1 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% <sup>(1)</sup>	April 24, 2024	12,000	10,958	(295)
April 2019	3.74% <sup>(1)</sup>	April 24, 2026	12,500	11,428	(740)
April 2019	3.87% <sup>(1)</sup>	April 24, 2029	12,500	11,452	(885)
September 2019	3.15% <sup>(1)</sup>	September 13, 2024	65,000	65,000	(2,924)
November 2020	2.82% <sup>(1)</sup>	November 2, 2027	7,650	7,086	(858)
December 2020	1.01% <sup>(2)</sup>	December 1, 2025	18,500	17,307	(1,514)
December 2020	3.35% <sup>(1)</sup>	December 30, 2030	18,000	17,002	(2,413)
April 2021	3.08% <sup>(1)</sup>	April 1, 2026	19,750	18,574	(1,490)
November 2021	3.69% <sup>(1)</sup>	June 1, 2028	22,600	21,404	(1,269)
February 2022	3.28% <sup>(1)</sup>	February 23, 2032	29,500	28,712	(2,462)
February 2022	3.28% <sup>(1)</sup>	February 23, 2032	20,000	19,466	(1,669)
March 2022	3.41% <sup>(1)</sup>	March 1, 2027	17,800	17,224	(1,274)
March 2022	3.76% <sup>(1)</sup>	April 1, 2025	1,500	1,147	(59)
March 2023	3.26% <sup>(2)</sup>	February 29, 2028	50,000	50,000	(1,792)
			307,300	296,760	(19,644)

<sup>(1)</sup> Effective fixed interest rate of mortgage debt, including the applicable spread.

<sup>(2)</sup> Effective fixed interest rate of bankers' acceptance borrowings under the Credit Facilities, excluding the applicable spread.

## 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 June 30, 2023, the REIT had contractual commitments to acquire three industrial properties for an aggregate contractual purchase price of \$126.8 million. \$51 million of the aggregate contractual purchase price will be settled by issuing Class B LP Units valued at a weighted average price of \$11.69 per unit.

## **OUTSTANDING UNIT DATA**

The following table presents the changes in unitholders' equity for the six months ended June 30, 2023:

(In thousands of Canadian dollars)	<b>Units (000s)</b>	<b>Amount \$</b>
Balance – January 1, 2023	67,323	636,776
Units issued under distribution reinvestment plan	270	2,499
Units issued under Incentive Plan	65	651
Units issued under Employee Purchase Plan	10	91
Units cancelled	(0.4)	(4)
Unit issuance cost related to the ATM program	-	(75)
Class B LP Units exchanged for REIT Units	455	4,814
<b>Balance – June 30, 2023</b>	<b>68,123</b>	<b>644,752</b>

As at August 11, 2023, a total of approximately 68,193,000 REIT Units and 22,219,000 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 Q2 2023 and YTD Q2 2023 amounted to \$10.9 million (2022 - \$9.3 million) and \$21.8 million (2022 - \$18.5 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)	<b>Three months ended June 30, 2023</b>	<b>Six months ended June 30, 2023</b>	<b>Year ended December 31, 2022</b>	<b>Year ended December 31, 2021</b>
	\$	\$	\$	\$
Cash generated from operating activities	17,969	24,784	41,530	24,995
Net income	77,222	80,939	120,868	93,539
Actual cash distributions paid or payable during the period <sup>(1)</sup>	10,889	21,753	37,705	25,082
Excess (shortfall) of cash flows from operating activities over cash distributions paid	7,080	3,031	3,825	(87)
Excess of net income over cash distributions paid	66,333	59,186	83,163	68,457

<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 Q2 2023 and YTD Q2 2023, \$1.4 million and \$2.5 million respectively were settled through the issuance of REIT Units under the distribution reinvestment plan.

Net income for Q2 2023 of \$77.2 million exceeded actual cash distributions paid or payable for Q2 2023 of \$10.9 million by \$66.3 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 \$64.7 million and excluding other income of \$0.2 million was \$12.3 million for Q2 2023, which exceeded actual cash distributions paid or payable by \$1.4 million.

Net income for YTD Q2 2023 of \$80.9 million exceeded actual cash distributions paid or payable for YTD Q2 2023 of \$21.8 million by \$59.2 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 \$55.5 million and excluding other income of \$0.9 million was \$24.5 million for YTD Q2 2023, which exceeded actual cash distributions paid or payable by \$2.8 million.

For Q2 2023, cash generated from operating activities of \$18.0 million exceeded actual cash distributions paid or payable for Q2 2023 of \$10.9 million by \$7.1 million. Excluding changes in non-cash working capital, other non-current assets, restricted cash, and other non-current liabilities of \$5.6 million, cash generated from operating activities exceed actual cash distributions paid or payable by \$1.5 million.

For YTD Q2 2023, cash generated from operating activities of \$24.8 million exceeded actual cash distributions paid or payable for YTD Q2 2023 of \$21.8 million by \$3.0 million. Excluding changes in non-cash working capital, other non-current assets, restricted cash, and other non-current liabilities of \$0.6 million, cash generated from operating activities exceed actual cash distributions paid or payable by \$3.6 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 Q2 2023, 162,058 units (2022 – 55,051 units) were issued under the DRIP for a stated value of \$1.4 million (2022 - \$0.6 million) and for YTD Q2 2023, 269,764 units (2022 – 122,059 units) were issued under the DRIP for a stated value of \$2.5 million (2022 - \$1.4 million).

## **RELATED PARTY TRANSACTIONS**

For Q2 2023, trustee retainer fees in the amount of \$0.1 million were expensed (2022 - \$0.1 million) and for YTD Q2 2023, trustee retainer fees in the amount of \$0.2 million were expensed (2022 - \$0.238 million). Trustee retainer fees in the amount of \$0.2 million were accrued as at June 30, 2023 (December 31, 2022 - \$0.3 million).

For Q2 2023, key management earned salaries and other short-term employee benefits in the amount of \$0.7 million (2022 - \$0.7 million) and \$1.4 million was earned in respect of YTD Q2 2023 (2022 - \$1.4 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 \$0.03 million of guarantee fees during Q2 2023 (2022 - \$0.03 million) and \$0.07 million of guarantee fees for YTD Q2 2023 (2022 - \$0.07 million).

Fees to RFA related entities in respect of the RFA Development Properties totalled \$0.3 million for Q2 2023 (2022 - \$0.2 million) and \$0.5 million for YTD Q2 2023 (2022 - \$0.2 million).

The REIT has purchased several properties from 1803299 Ontario Inc. (“1803299”) and issued Class B LP Units to 1803299 as purchase price consideration. 1803299 owns 15,815,054 Class B LP Units of a subsidiary limited partnership of the REIT, representing approximately 17.5% of the REIT’s outstanding voting units as at June 30, 2023. An entity related to 1803299 is a tenant of the REIT and provides property management services to the REIT for which it is paid fees on market terms. During the three and six months ended June 30, 2023, the REIT incurred fees for property management services totalling \$78 and \$186, respectively (2022 - \$82 and \$140, respectively). During the three and six months ended June 30, 2023, the REIT earned property revenues from an entity related to 1803299 totalling \$869 and \$1,654, respectively (2022 - \$1,197 and \$2,046, respectively).

On June 15, 2023, the REIT, acquired an industrial property located in London, Ontario, from 1803299 for a contractual purchase price of \$56,358. As partial purchase price consideration, 2,359,978 Class B LP units of a subsidiary limited partnership of the REIT were issued to 1803299 at a deemed price of \$10.30 per unit.

The REIT is party to a firm agreement to purchase an industrial property located in London, Ontario from 1803299 for a contractual purchase price of approximately \$55,794. \$27,061 of the purchase price is to be settled through the issuance of 2,394,774 Class B LP Units of a subsidiary limited partnership of the REIT at a deemed price of \$11.30 per unit.

## **SUBSEQUENT EVENTS**

On July 4, 2023, the REIT acquired a 141,534 square foot industrial property located in Burlington, Ontario for a purchase price of \$48.4 million. The purchase price was settled in cash from borrowings under the REIT’s Credit Facilities.

## **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 the remainder of 2023 and into 2024, the REIT expects to continue to benefit from positive rental fundamentals in the markets in which it has leases expiring.

There continues to be interest rate and general economic uncertainty. The Bank of Canada overnight rate increased by 50 basis points in the first half of 2023, with a further 25 basis point increase on July 12, 2023. This is in addition to the 400 basis point increase in 2022. The bond yield curve remains inverted, with 2-year Government of Canada benchmark bond yields at approximately 4.7% and 10-year bond yields at approximately 3.6%. For the remainder of 2023, the REIT has \$32.5 million of mortgages with a weighted average interest rate of 4.48% that will mature, and in 2024, \$46.8 million of mortgages with a weighted average interest rate of 2.46% will mature.

Given the impact of changes in interest rates on capital markets, the REIT is focused on completing acquisitions and development projects which it has committed to and will be very selective about any new acquisitions until such time as economic conditions become more favourable. 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 REIT intends to be Canada’s next pure play industrial REIT. When the REIT refocuses on growth, 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.