

Summit Industrial Income REIT Reports Continued Strong Performance in First Quarter 2021

Announces a 4.4% Increase to Distributions

TORONTO, May 11, 2021 /CNW/ - Summit Industrial Income REIT ("Summit" or the "REIT") (TSX: SMU.UN) announced continued solid growth and strong operating performance for the three months ended March 31, 2021, and an increase in monthly cash distributions.

"Following another record year in 2020, our growth and strong operating performance continued in the first quarter of 2021," commented Paul Dykeman, Chief Executive Officer. "Despite the ongoing impact of the COVID-19 pandemic on the broader Canadian economy, we maintained high occupancy levels, increased average monthly rents, and grew the size and scale of our portfolio. Looking ahead, we believe these positive trends will continue, underpinned by strong fundamentals of the Canadian light industrial real estate sector."

"We are pleased to announce today, on behalf of our Board of Trustees, a 4.4% increase in our monthly cash distributions. The increase reflects our view of continued strong operating performance, liquidity position, and our commitment to delivering stable and growing returns to our Unitholders," Mr. Dykeman concluded.

HIGHLIGHTS DURING AND SUBSEQUENT TO Q1 2021:

Financial

- Total revenue increased by 13.3% driven by portfolio growth, high stable occupancies and rent increases.
- Net rental income increased by 14.2%.
- Fair value gain of \$104.8 million (\$0.625 per Unit) on investment properties.
- Funds from operations ("FFO¹") increased 31.5% to \$28.2 million (\$0.168 per Unit).
- FFO per Unit¹ increased 8.4% to \$0.168 per Unit, despite a 21.7% increase in Units outstanding.

Operational

- Strong occupancy at 98.2% compared to 98.0% December 31, 2020 and 98.4% at March 31, 2020, with an average lease term of 5.5 years and 1.6% average annual contractual rent steps.
- Same property net operating income ("NOI")¹ increased 2.6% for the three months ended March 31, 2021, with Quebec and Ontario each contributing 4.9% and 4.5%, respectively.
- Completed over 530,000 sq. ft. of 2021 lease renewals during the first quarter with a strong 82.8% retention rate, generating a 23.2% increase in rents (44% in the Greater Toronto Area ("GTA") and 49% in the Greater Montreal Area ("GMA")).
- Substantial pre-leasing on development projects of over 530,000 sq. ft., including 100% of buildings currently under construction.
- Future lease commitments on approximately 150,000 sq. ft. or 42.4% of vacancy.
- 83% of rent deferrals granted have been repaid at May 11, 2021, including 99% collection rate on rent deferrals due to be repaid.

¹ Non-GAAP financial measure. Refer to "Non-GAAP Measures" section in this press release for further information.

Investing

- Acquired a 342,830 sq. ft. single-tenant warehousing and logistics facility located in Ajax, Ontario for \$68.0 million.
- Completed the disposition of a non-core investment property located in Edmonton, Alberta for gross proceeds of \$5.0 million.
- Acquired a 765,145 sq. ft. investment property located in Montreal, Quebec for \$183.3 million on April 9, 2021 at a 4.5% going-in capitalization rate.
- Disposed of three non-core investment properties in Ottawa, Ontario on April 23, 2021 for gross proceeds of \$49.2 million.
- Announced expansion of development projects in the GTA with acquisition of interests in four development sites totalling approximately 50 acres with the potential to add approximately 1 million square feet of GLA to the portfolio.

Financing

- Continued strong liquidity position at March 31, 2021, with approximately \$600 million available including cash, borrowing capacity on the REIT's unsecured revolving credit facility, and potential for new financing that could be placed on a portion of the REIT's \$1.5 billion of unencumbered properties.
- Assigned issuer rating from DBRS Limited of BBB (low) with a stable trend on the successful issuance of the REIT's Green Bond offering on April 12, 2021. The \$250 million Series C senior unsecured debentures represent the REIT's inaugural Green Bond issuance under its Green Financing Framework.
- Subsequent to March 31, 2021, repaid \$102.8 million in term mortgages set to mature between 2023 and 2026, using proceeds from the Series C senior unsecured debenture offering, lowering the REIT's weighted average interest rate from 3.74% to 2.25%.

Environmental, Social and Governance ("ESG")

- Issued Green Financing Framework in April 2021, which allows the REIT to issue green financing instruments to finance or re-finance Eligible Green Initiatives.
- Recognized for its commitment to equity, diversity and inclusion by earning a spot on the Globe and Mail's 2021 Report on Business "Women Lead Here" list.

Distribution Increase

- Announced a 4.4% increase in monthly cash distributions to Unitholders to \$0.047 per Unit (\$0.564 per Unit annualized) on May 11, 2021.

PORTFOLIO GROWTH

During the first quarter of 2021, the REIT acquired a 342,830 sq. ft. single-tenant warehousing and logistics facility in Ajax, Ontario for a purchase price of \$68.0 million. It also completed the disposition of a 30,000 sq. ft. non-core investment property in Edmonton, Alberta for gross proceeds of \$5.0 million. Furthermore, subsequent to the end of the first quarter, the REIT acquired a 765,145 sq. ft. investment property in Montreal, Quebec for a purchase price of \$183.3 million at a going-in capitalization rate of 4.5%, and sold three non-core multi-tenant investment properties in Ottawa, Ontario for gross proceeds of \$49.2 million.

At May 11, 2021, the REIT's portfolio totaled 154 properties aggregating 20.2 million sq. ft. with a net book value of approximately \$3.3 billion. During the first quarter of 2021, the REIT recognized fair value gains on its investment properties of \$104.8 million (\$0.625 per Unit).

CONTINUED STRONG OPERATING PERFORMANCE

Revenue from investment properties for the three months ended March 31, 2021 rose 13.3% due primarily to acquisitions completed over the prior 12 months, continuing strong occupancies and increased rents.

For properties acquired prior to January 1, 2020 and owned during both periods, same property NOI¹ rose 2.6% for the three months ended March 31, 2021 compared to the same prior year period due to higher overall rental rates on leasing activities and contractual steps in rent. In the REIT's target markets of Ontario and Quebec, same property NOI¹ for the three months ended March 31, 2021 rose 4.5% and 4.9%, respectively, compared to the prior year. Same property NOI¹ represented approximately 83.0% of total NOI¹ and 88.4% of total GLA for the three months ended March 31, 2021.

Net rental income for the three months ended March 31, 2021 increased 14.2% compared to the same prior year period due to the increase in same property NOI¹ and accretive acquisitions completed over the prior 12 months.

For the three months ended March 31, 2021, FFO¹ was \$28.2 million (\$0.168 per Unit), an increase of 31.5% from the same prior year period. The increase in FFO¹ was due primarily to accretive acquisitions completed over the prior 12 months and strong operating performance. The REIT's growth was accretive to Unitholders in the quarter as FFO per Unit¹ rose 8.4% despite the 21.7% increase in Units outstanding.

The REIT's FFO payout ratio¹ for the three months ended March 31, 2021 was a conservative 80.4% (65.4% including the benefit of the REIT's DRIP) compared to 86.8% (69.5% including the benefit of the REIT's DRIP) in the same prior year period.

PROACTIVE LEASING PROGRAM

Occupancy in the REIT's portfolio remained strong and stable at 98.2% at March 31, 2021 up from 98.0% at December 31, 2020, with a weighted average lease term of approximately 5.5 years. The REIT continues to be proactive in strategically addressing lease maturities well in advance of the lease expiries.

The REIT completed approximately 530,000 square feet of 2021 lease renewals during the quarter with a strong retention rate of 82.8%, generating an average increase in monthly rents of 23.2% over the expiring rent with a significant 44.0% increase over expiring rents in the GTA and 49% in the GMA. The REIT also completed pre-leasing of 100% of buildings currently under construction, and future lease commitments on approximately 150,000 square feet representing 42.4% of vacancy at March 31, 2021. Included in the remaining 2021 lease expiries is 232,098 square feet of space (47,537 square feet in the GMA and 184,561 square feet in the GTA) that will be redeveloped upon lease maturity and 421,881 square feet with lease commitments in place. At May 11, 2021, 1.2% of 2021 lease maturities remain outstanding.

SOLID BALANCE SHEET AND LIQUIDITY POSITION

Total assets increased to \$3.3 billion at March 31, 2021, up from \$3.2 billion at December 31, 2020 due to the acquisition of one property and the disposition of one property in the quarter. Total debt was \$1.2 billion at March 31, 2021 consistent with December 31, 2020 levels. At March 31, 2021, the REIT had a pool of approximately \$1.5 billion in unencumbered properties.

At March 31, 2021, the REIT's debt leverage ratio¹ was 36.4% compared to 46.7% at March 31, 2020. The weighted average effective interest rate on the REIT's loans and borrowings was 2.99% at March 31, 2021 compared to 3.52% at March 31, 2020. Debt service and interest coverage ratios¹ were 2.5x and 3.9x, respectively, for the three months ended March 31, 2021, an increase from 1.9x and 2.8x, respectively, at March 31, 2020.

At March 31, 2021, the REIT's liquidity remained very strong at approximately \$600 million including cash, available borrowing capacity on its unsecured revolving credit facility, and potential for new financing that could be placed on a portion of its \$1.5 billion of unencumbered properties.

STRONG AND STABLE RENT COLLECTION

Through the pandemic the REIT has worked diligently with its tenants to collect the majority of its rents. During 2020 the REIT entered into rent deferral agreements with certain tenants for a total of \$3.7 million. As of March 31, 2021, \$2.5 million of this deferred rent has been repaid on schedule. Subsequent to the end of the first quarter, a further \$0.5 million has been repaid, leaving \$0.7 million to be repaid over the next 12 months.

DISTRIBUTION INCREASE

The REIT announced today, on behalf of its Board of Trustees, a 4.4% increase in cash distributions to \$0.047 monthly, effective for the May 2021 distribution. The increase equates to a new annualized cash distribution of \$0.564 per Unit.

INVESTOR CONFERENCE CALL

A conference call will be hosted by Summit's management team on Wednesday, May 12, 2021 at 8.30 am EST. The telephone numbers to participate in the conference call are **North America Toll Free: (833) 714-0924** and **International: (778) 560-2693**. Please use the access code **7842156#** when requested.

A slide presentation to accompany Management's comments during the conference call will be available prior to the conference call on Summit's website at www.summitireit.com. The live call will also be available as a webcast. To access the audio webcast please access the link on the website at www.summitireit.com.

ANNUAL GENERAL MEETING OF UNITHOLDERS

The REIT's 2020 Annual General Meeting of Unitholders will be held virtually on Wednesday May 12, 2021 at 10.30 am ET. Details for accessing the virtual meeting are available on the REIT's website at www.summitireit.com.

FINANCIAL AND OPERATING HIGHLIGHTS

(in \$ thousands, except per Unit amounts, or otherwise indicated)	Three months ended March 31	
	2021 ⁽⁴⁾	2020 ⁽⁴⁾
Portfolio Performance		
Occupancy (%) ⁽³⁾	98.2%	98.4%
Revenue from investment properties	\$ 52,710	\$ 46,514
Property operating expenses	\$ 13,936	\$ 12,563
Net rental income	\$ 38,774	\$ 33,951
Interest expense (finance costs)	\$ 9,398	\$ 11,432
Fair value adjustments to investment properties	\$ 104,848	\$ (1,934)
Net income	\$ 132,422	\$ 42,952
Operating Performance		
FFO ⁽¹⁾	\$ 28,182	\$ 21,435
FFO per Unit ⁽¹⁾⁽²⁾	\$ 0.168	\$ 0.155
Net income per Unit - basic ⁽²⁾	\$ 0.789	\$ 0.312
Distributions		
Distributions declared to Unitholders	\$ 22,663	\$ 18,620
Distributions per Unit declared to Unitholders ⁽²⁾	\$ 0.135	\$ 0.135
FFO payout ratio without DRIP benefit ⁽¹⁾	80.4%	86.8%
FFO payout ratio with DRIP benefit ⁽¹⁾	65.4%	69.5%
Weighted average Units outstanding ⁽²⁾	167,823	137,876
Liquidity and Leverage		
Total assets	\$ 3,294,542	\$ 2,826,722
Total debt (loans and borrowings and lease liability)	\$ 1,198,400	\$ 1,319,763
Weighted average effective interest rate ⁽⁵⁾	2.99%	3.52%

Weighted average term to maturity (years) ⁽⁵⁾	5.1	3.8
Leverage ⁽¹⁾	36.4%	46.7%
Interest coverage ⁽¹⁾	3.9x	2.8x
Debt service coverage ⁽¹⁾	2.5x	1.9x
Debt-to-adjusted EBITDA ⁽¹⁾	8.0x	10.1x
DBRS Issuer Rating	BBB (low)	-

Investment Properties

Property acquisitions	1	9
Property dispositions	1	-
Number of properties ⁽³⁾	153	154
Total GLA(in thousands of square feet) ⁽³⁾	19,393	18,229

(1) Non-GAAP measure. Refer to "Section II - Key Performance Indicators - Financial Indicators" of the MD&A for further information (including definitions and measures).

(2) Includes REIT Units and Class B Exchangeable Units (collectively, the "Units").

(3) Excludes the non-core properties held for sale, as disclosed in the "Investment Properties Held for Sale" section of this MD&A.

(4) Financial metrics include the non-core properties held for sale, as disclosed in the "Investment Properties Held for Sale" section of this MD&A.

(5) Weighted average effective interest rate and weighted average term to maturity is calculated on total loans and borrowings.

Summit's Condensed Consolidated Interim Financial Statements and MD&A for the three months ended March 31, 2021 are available on the REIT's website at www.summitireit.com.

About Summit

Summit Industrial Income REIT is an unincorporated open-end REIT focused on growing and managing a portfolio of light industrial properties across Canada. Summit's units are listed on the TSX and trade under the symbol SMU.UN. For more information, please visit the REIT's website at www.summitireit.com.

Non-GAAP Measures

The REIT prepares and releases condensed consolidated interim financial statements prepared in accordance with IFRS (GAAP). In this release, the REIT discloses and discusses certain non-GAAP financial measures, including FFO, FFO per Unit, FFO payout ratio, NOI, same property NOI, leverage ratio, interest coverage ratio, debt service coverage ratio, and debt-to-adjusted EBITDA. The non-GAAP financial measures are further defined and discussed in the MD&A for the three months ended March 31, 2021 and filed on SEDAR, which should be read in conjunction with this release. Since these measures are not determined by IFRS, such measures may not be comparable to similar measures reported by other issuers. The REIT has presented such non-GAAP financial measures as management believes the measures are a relevant measure of the ability of the REIT to earn and distribute cash returns to Unitholders and to evaluate the REIT's performance. These non-GAAP financial measures should not be construed as alternatives to net income or cash flow from operating activities determined in accordance with GAAP as an indicator of the REIT's performance. Please refer to "Section II – Key Performance Indicators – Financial Indicators" in the REIT's MD&A for the three months ended March 31, 2021.

Caution Regarding Forward Looking Information

This news release contains forward-looking statements and forward-looking information within the meaning of applicable securities laws. The use of any of the words "expect", "anticipate", "continue", "estimate", "objective", "ongoing", "may", "will", "project", "should", "believe", "plans", "intends", "goal" and similar expressions are intended to identify forward-looking information or statements. More particularly and without limitation, this news release contains forward looking statements and information concerning Summit's belief that it is on track for another record year in 2021, Summit's returned focus to growth activities and Summit's proactive approach to addressing lease expiries. The forward-looking statements and information are based on certain key expectations and assumptions made by Summit, including general economic conditions. Although Summit believes that the expectations and assumptions on which such forward-looking statements and information are

based are reasonable, undue reliance should not be placed on the forward-looking statements and information because Summit can give no assurance that they will prove to be correct. By its nature, such forward-looking information is subject to various risks and uncertainties, which could cause the actual results and expectations to differ materially from the anticipated results or expectations expressed, and given the impact of the COVID-19 pandemic and government measures to contain it, there is inherently more uncertainty associated with Summit's assumptions as compared to prior periods. These risks and uncertainties include, but are not limited to risks related to: tenant risks, current economic environment, environmental matters, general insured and uninsured risks, COVID-19, and Summit being unable to obtain any required financing and approvals. Readers are cautioned not to place undue reliance on this forward-looking information, which is given as of the date hereof, and to not use such forward-looking information for anything other than its intended purpose. Summit undertakes no obligation to update publicly or revise any forward-looking information, whether as a result of new information, future events or otherwise, except as required by law.

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