



**MANAGEMENT'S DISCUSSION AND ANALYSIS  
OF RESULTS OF OPERATIONS AND  
FINANCIAL CONDITION**

For the three months ended March 31, 2017

May 9, 2017

## TABLE OF CONTENTS

<b>SECTION I</b>	<b>1</b>
Forward-Looking Disclaimer .....	1
Basis of Presentation .....	2
Overview .....	3
Outlook .....	5
<b>SECTION II</b>	<b>7</b>
Results Of Operations .....	7
Funds from Operations and Adjusted Funds from Operations .....	10
Segmented Information .....	13
Tenants .....	18
<b>SECTION III</b>	<b>19</b>
Financial Condition .....	19
Liquidity and Capital Resources .....	25
Capital Structure .....	31
Related Party Transactions .....	32
Financial Instruments .....	32
Off-Balance Sheet Items .....	33
<b>SECTION IV</b>	<b>334</b>
Summary of Quarterly Results .....	33
<b>SECTION V</b>	<b>33</b>
Risks and Uncertainties .....	34
Critical Accounting Estimates .....	34
Changes in Accounting Policies .....	35
Internal Controls over Financial Reporting .....	35
Disclosure Controls and Procedures (“DC&P”) .....	35
<b>SECTION VI</b>	<b>35</b>
Subsequent Events .....	35
Additional Information .....	36
Reconciliations .....	37
Additional IFRS Measure and Non-IFRS Measures .....	41

## SECTION I

### FORWARD-LOOKING DISCLAIMER

Management's discussion and analysis ("MD&A") of the results of operations and the financial condition of Pure Industrial Real Estate Trust (the "Trust") for the three months ended March 31, 2017 and 2016 should be read in conjunction with the Trust's condensed consolidated interim financial statements for the three months ended March 31, 2017 and 2016, the Trust's consolidated financial statements for the years ended December 31, 2016 and 2015, and the MD&A for the year ended December 31, 2016, available on SEDAR at [www.sedar.com](http://www.sedar.com). Historical results, including trends which might appear, should not be taken as indicative of future operations or results.

Certain information in this MD&A contains forward-looking information within the meaning of applicable securities laws (also known as forward-looking statements) including, among others, statements made or implied under the headings "Overview", "Outlook", "Results of Operations", "Financial Condition", "Liquidity and Capital Resources", and "Risks and Uncertainties" relating to the Trust's objectives, strategies to achieve those objectives, beliefs, plans, estimates, projections and intentions; and similar statements concerning anticipated future events, results, circumstances, performance or expectations that are not historical facts. Forward-looking statements generally can be identified by words such as "outlook", "believe", "expect", "may", "anticipate", "should", "intend", "estimates" and similar expressions.

In particular, certain statements in this document discuss the Trust's anticipated future events. These statements include, but are not limited to:

- (i) the accretive acquisition of properties and the anticipated extent of the accretion of any acquisitions, which could be impacted by demand for properties and the effect that demand has on acquisition capitalization rates and changes in the cost of capital;
- (ii) the maintaining of occupancy levels and rental revenue, which could be impacted by changes in demand for the Trust's properties, tenant bankruptcies, the effects of general economic conditions and supply of competitive locations in proximity to the Trust's locations;
- (iii) the overall indebtedness levels and the Trust's ability to refinance expiring debt, which could be impacted by the level of acquisition activity and the state of debt markets in general;
- (iv) the Trust's real estate investment trust ("REIT") status, which can be impacted by regulatory changes enacted by governmental authorities;
- (v) the Trust's cost estimates and expected yields pertaining to development activity which could be impacted by construction cost overruns or delays;
- (vi) the anticipated distributions and payout ratios, which could be impacted by capital expenditures, results of operations and capital resource allocation decisions; and
- (vii) the anticipated replacement of expiring tenancies, which could be impacted by the effects of general economic conditions and the supply of competitive locations.

Forward-looking statements are provided for the purpose of presenting information about management's current expectations and plans relating to the future and readers are cautioned that such statements may not be appropriate for other purposes. Forward-looking statements involve significant risks and uncertainties and should not be read as guarantees of future performance or results. Those risks and uncertainties include, among other things, risks related to: general economic conditions; unit prices; liquidity; credit risk and tenant concentration; interest rate and other debt related risk; tax risk; ability to access capital markets; lease rollover risk; competition for real property investments; environmental matters; changes in legislation; and indebtedness of the Trust. Management believes that the expectations reflected in forward-looking statements are based upon reasonable assumptions and information currently available which include, management's current expectations, estimates and assumptions that: proposed acquisitions will be completed on the terms and basis agreed to by the Trust, property acquisition and disposition prospects and opportunities will be consistent with the Trust's experience over the past 12 months, the industrial real estate market in Canada and the United States ("US") will remain stable, the global economic environment will remain stable, interest rates will remain at current levels, the Canadian dollar exchange rate relative to the US dollar will not fluctuate significantly relative to current levels, and the Trust's business strategy, plans, outlook, projections, targets and operating costs will be consistent with the Trust's experience over the past 12 months, the Trust will be able to maintain occupancy at current levels, the Trust's tenants will not default on lease terms, governmental regulations and taxation will not change to adversely affect the Trust's business and financial results, and the Trust will be able to obtain adequate

insurance and financing; however, management can give no assurance that actual results will be consistent with these forward-looking statements.

Readers are cautioned that the foregoing list of factors that may affect future results is not exhaustive. When relying on forward-looking statements to make decisions with respect to the Trust, investors and others should carefully consider the foregoing factors and other uncertainties and potential events. Additional information about risks and uncertainties is contained in the Trust's annual information form for the year ended December 31, 2016 available on SEDAR at [www.sedar.com](http://www.sedar.com).

These forward-looking statements are made as of May 9, 2017, and the Trust assumes no obligation to update or revise them to reflect new events or circumstances, except as required by law.

### Operational and Financial Highlights

	March 31, 2017	December 31, 2016
Number of income producing properties <sup>1</sup>	162	162
Gross Leasable Area ("GLA") (000s) (Assets Under Management ("AUM")) <sup>1</sup>	20,226	19,577
Proportionate Share GLA (000s) <sup>1</sup>	18,350	18,076
Properties under development/expansion GLA (000s)	1 330	1 330
Land held for development (acres)	42.4	26.4
Occupancy, end of period including committed <sup>1</sup>	97.3%	98.4%
Occupancy, end of period <sup>1</sup>	96.3%	97.7%
Occupancy, average for the three months ended	97.1%	97.2%
Lease, weighted average remaining term (years) <sup>1</sup>	6.1	6.4
Investment properties (\$000s)	\$2,370,574	\$2,320,845
Mortgages payable and other loans (\$000s)	\$1,068,703	\$1,043,491
Weighted average debt term to maturity on mortgages (years)	5.0	5.0
Debt to gross book value <sup>3</sup>	41.8%	42.3%
Debt to EBITDA <sup>3</sup>	7.6	8.3
	<b>Three months ended</b>	
	<b>March 31</b>	
	2017	2016
(\$000s, except per unit, ratio, and % basis)		
Weighted average effective cost of debt	4.00%	4.04%
Debt service coverage	1.95	1.81
Interest coverage	3.36	3.01
Revenue	\$53,574	\$43,546
Net earnings	84,105	16,355
Net operating income ("NOI") <sup>2</sup>	34,529	27,258
Adjusted NOI <sup>3,4</sup>	38,317	30,219
Distributions	\$19,164	\$14,759
Per Unit <sup>5</sup>	0.08	0.08
Funds from operations ("FFO") <sup>3,5,6</sup>	\$25,478	\$19,175
Per Unit (fully diluted) <sup>5</sup>	0.10	0.10
Payout ratio <sup>5</sup>	75.3%	77.2%
Adjusted funds from operations ("AFFO") <sup>3,5,6</sup>	\$22,654	\$16,884
Per Unit (fully diluted) <sup>5</sup>	0.09	0.09
Payout ratio <sup>5</sup>	84.7%	87.7%

<sup>1</sup> Excludes properties classified as assets held for sale.

<sup>2</sup> Additional IFRS measures are further defined in Section VI "Additional IFRS Measures and Non-IFRS Measures".

<sup>3</sup> Non-IFRS measure and further defined in Section VI "Additional IFRS Measures and Non-IFRS Measures".

<sup>4</sup> Adjusted NOI removes the impact of IFRIC 21.

<sup>5</sup> FFO and AFFO payout ratios are calculated based on the ratio of the distribution rate per unit to fully diluted FFO and AFFO per unit.

<sup>6</sup> Definitions for FFO and AFFO have been revised to conform to industry standards as further described in Section II "Funds From Operations and Adjusted Funds From Operations".

## **BASIS OF PRESENTATION**

Unless otherwise noted, all financial information has been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). The financial information included in this MD&A for the three months ended March 31, 2017 includes material information up to May 9, 2017. This MD&A should be read in conjunction with the Trust’s condensed consolidated interim financial statements for the three months ended March 31, 2017, and 2016, available on SEDAR at [www.sedar.com](http://www.sedar.com).

All amounts presented in this MD&A are in thousands of Canadian dollars, unless otherwise noted.

## **OVERVIEW**

### **About Pure Industrial Real Estate Trust**

Pure Industrial Real Estate Trust (“the Trust”) is an internally managed publicly traded real estate investment trust that focuses exclusively on investing in industrial properties. The Trust’s primary objectives are to: (a) generate stable and growing cash distributions on a tax efficient basis from investments in income producing industrial properties in primary markets across Canada and key distribution and logistics markets in the US; (b) enhance the value of the Trust’s assets and maximize the long-term value of the properties through active management; and (c) expand its asset base and increase its distributable income through an accretive acquisition program.

The Trust is an unincorporated open-ended real estate investment trust created pursuant to the Declaration of Trust dated June 24, 2007, and amended and restated on November 18, 2010 and May 28, 2015 (the “Declaration of Trust”). The Trust is formed under and governed by the laws of the Province of British Columbia. The Trust is focused on acquiring, owning and operating a diversified portfolio of income producing industrial properties in leading markets across Canada and the US and is one of the largest publicly-traded REITs in Canada offering investors exposure to the industrial real estate asset class in Canada and the US. The Class A Units of the Trust (the “Class A Units”) trade on the Toronto Stock Exchange (“TSX”) under the symbol “AAR.UN”. The Trust’s head office and mailing address is Suite 910, 925 West Georgia Street, Vancouver, British Columbia, V6C 3L2, Canada and its executive and asset management office is located at P.O. Box 112, Suite 2100, 121 King Street West, Toronto, Ontario, M5H 3T9, Canada.

### **Management Comments**

During the three months ended March 31, 2017, the Trust executed on the following major transactions:

- the acquisition of an 800,000 square foot (“sf”) cross-dock distribution centre in a suburb of Atlanta, Georgia for \$51,536 (US\$39,500) (the “Atlanta Acquisition”) which closed on February 1, 2017;
- the acquisition of 16 acres of land adjacent to an existing property in San Antonio, Texas, for \$3,718 (US\$2,754) (the “Texas Land Acquisition”) which closed on March 8, 2017;
- the disposition of two non-core assets, one located in North York, Ontario and the other in Calgary, Alberta, totaling 273,880 sf for gross proceeds of \$28,200. The Ontario property was classified as held for sale as at December 31, 2016; and
- the sale of a 75% interest in five assets, four located in Alberta and one in Ontario, to an existing joint-venture partner totaling 499,730 sf (at 100%) for gross proceeds of \$47,300 less standard costs and adjustments. The purchaser assumed its proportionate share of the outstanding mortgages payable totaling \$17,772, resulting in net proceeds of \$29,474 to the Trust.

Commencing January 1, 2017, the Trust has chosen to fully adopt the definitions of Funds From Operations (“FFO”) and Adjusted Funds From Operations (“AFFO”) as prescribed by REALpac in its *White Paper on Funds From Operations and Adjusted Funds From Operations for IFRS*, dated February 2017. As a result of this adoption, certain adjustments in the prior year comparatives of both the FFO and AFFO metrics have been restated to conform to the current year’s definitions. See Section II “Funds From Operations and Adjusted Funds From Operations”.

FFO for the three months ended March 31, 2017 increased 32.9% over the same period in the prior year and also increased by 3.2% when compared to Q4-2016. FFO per Unit (“FFOPU”) increased slightly by 3.0% for the three months ended March 31, 2017 over the same quarter in the prior year and was 2.0% higher when compared to Q4-2016. FFOPU in Q1-2017 was positively impacted by an increase in same property NOI (“SPNOI”), incremental NOI earned from acquisition activities and, from a number of successful development and expansion projects completed throughout 2016. The increase is partially offset by NOI lost due to the Trust’s continued efforts of capital recycling resulting in the

disposition of 2 properties and the sale of a 75% interest of five investment properties to an existing joint venture partner during the quarter. In addition, net proceeds from the Trust's disposition activities have not been redeployed.

AFFO for the three months ended March 31, 2017 increased 34.2% over the same period in the prior year and increased 13.4% when compared to Q4-2016. The Trust's AFFO per Unit ("AFFOPU") increased slightly by 3.4% for the three months ended March 31, 2017 over the prior year comparative and increased 12.2% from Q4-2016. Compared to the same quarter in 2016, AFFOPU was positively impacted by an increase in same property NOI, acquisition activities, and successful developments and expansion projects completed throughout 2016, offset partially by NOI lost from disposition activities in the first quarter of 2017, and higher capital expenditures.

Adjusted net operating income ("Adjusted NOI"), representing NOI after accounting for the IFRIC 21 adjustments, in the Trust's view, provides a better measure of NOI and comparison to previous quarters' NOI as it recognizes US property taxes throughout the fiscal year rather than at one point in time when the property taxes are levied. The IFRIC 21 adjustment for the three months ended March 31, 2017 amounted to a positive impact of \$3,788 to NOI. The Trust's adjusted NOI of \$38,317 for the three months ended March 31, 2017 increased by \$8,098 or 26.8% over the same period in the prior year primarily due to the acquisitions which closed in November of 2016, the Atlanta Acquisition completed in Q1-2017, the NOI contribution generated by the Vaughan distribution facility and the Barrington, New Jersey expansion that were completed in Q2-2016, and same property NOI growth, offset by disposition activities in the first quarter of 2017.

General and Administrative ("G&A") expenses for the three months ended March 31, 2017, increased to \$2,315 from \$1,640 compared to the same period in the prior year, representing 4.3% and 3.8% of rental revenue, respectively. Included in the G&A expenses is the non-cash fair value component of remeasuring the Trust's unit-based compensation liabilities and included in compensation expense, totaling \$635 for the three months ended March 31, 2017 and \$495 for the same period in the prior year. G&A expenses excluding the fair value component, represents 3.1% and 2.6% of rental revenue, respectively. The remaining increase is due to the addition of ten employees compared to the same period in the prior year and the opening of the Trust's Edmonton office in October 2016, an increase in Trustee compensation, increased investor relations and marketing expenses and the timing of certain annual meeting costs.

The occupancy of the portfolio was 96.3% as at March 31, 2017, excluding properties classified as assets held for sale, a decrease of 140 basis points from December 31, 2016, due largely to an expected move out by a tenant occupying 240,000 sf in North Carolina. Including committed leasing, the occupancy is 97.3% as at March 31, 2017 compared to 98.4% as at December 31, 2016. The weighted average lease term for the Trust's portfolio decreased from 6.4 years to 6.1 years between Q4-2016 to Q1-2017. During the three months ended March 31, 2017, approximately 149,000 sf of new leases were signed and 658,000 sf of expiring space was renewed at rents with an average increase of 2.2% more than the expiring rents.

The Trust's debt to gross book value was 41.8% as at March 31, 2017 which was 50 basis points lower than December 31, 2016. The improvement to the leverage metric was predominately attributable to fair value increases to investment properties through capitalization rate compressions. The Trust is committed to reduce leverage over time and has strategically repaid selective maturing mortgages throughout the first quarter of 2017 and ensured new acquisitions are funded at similar leverage ratios compared to the overall leverage of the Trust.

As at March 31, 2017, the Trust had \$153,392 in cash and available lines, a decrease of \$3,633 from Q4-2016, which can be attributed to reducing the Trust's indebtedness and general trust purposes.

## OUTLOOK

### Real Estate Fundamentals

#### Canada

According to CBRE, the Canadian National availability rate fell 40 bps from Q4-2016 to 4.9% in Q1-2017, with availability flat or declining across all major markets, led by Vancouver, Edmonton and Toronto. Approximately 7.3 million sf of positive net absorption occurred in the quarter following a relatively strong Q4-2016, led by Toronto, Vancouver, and Montreal at 3.5, 1.9 and 1.1 million sf, respectively, partially offset by negative absorption of 0.4 and 0.1 million sf in Edmonton and London, respectively. The average net asking rent increased over the previous quarter to \$6.63 from \$6.60 per sf, led by gains in Montreal, Winnipeg, and Edmonton and offset by declines in Vancouver and Toronto.

According to the CBRE Capitalization Rate Survey for Q1-2017, demand for stabilized Class A industrial real estate remained strong nationally as investors continued to pursue safety and growth in the industrial asset class. Coupled with continued tight supply of available product for sale, estimated capitalization rates for Class A and B product remained steady or lower from the previous quarter across all markets. The overall capitalization rate nationally for the quarter fell from 5.66% in Q4-2016 to 5.63% this quarter, led by a decline in Toronto (-0.25%). The national Class B industrial real estate overall capitalization rate also fell slightly from 6.73% to 6.71% this quarter, led primarily again by a decline in Toronto (-0.25%).

#### U.S.A.

According to CBRE, US economic data was mostly positive in Q1-2017, with spending growth for core consumer products, especially for housing-related goods holding up well, and e-commerce continuing to gain share on brick-and-mortar sales. The overall industrial availability rate increased by 10 basis points to 8.0% in Q1-2017, due mainly to new supply, with the largest availability increases occurring in Palm Beach and Miami and the largest availability declines occurring in Atlanta and Cincinnati. Low vacancy and intense competition between supply-chain and distribution users have helped drive strong rental rate growth across major US markets. As a result, the Q1-2017 net asking rent of \$6.71 per sf was up 2.1% over the previous quarter and 7.4% year-over-year. And while positive net absorption for Q1-2017 of 33.1 million was down 42% from previous quarter, it marked the 28th consecutive quarter of positive net absorption. Large core distribution markets lead the way with positive net absorption in Atlanta of 6.9, Dallas/Fort Worth of 5.3, Inland Empire of 3.3, Houston of 3.1, and Cincinnati of 3.0 million sf, respectively.

#### Outlook for 2017

Consistent with previous years, leasing completions slowed in the first quarter. As a result, occupancy dropped from 97.7% at the end of Q4-2016 to 96.3% this quarter, driven primarily by a tenant vacating 240,000 sf in North Carolina. However, occupancy had improved by 170 basis points over the comparative first quarter of 2016. Leasing fundamentals remain strong across our markets and we expect occupancy to improve over the coming quarters as leasing activity accelerates. SPNOI increased by 3.0% relative to Q1-2016 driven by a 140 basis point increase in same property occupancy, an average increase in rental rates of 2.2% and, successful expansions throughout 2016. Excluding the expansions, SPNOI growth was 1.4% which was affected by the aforementioned expected move out in North Carolina during the first quarter. The Trust's SPNOI outlook on the region remains positive as two base rent increases of US\$20 monthly and US\$30 monthly are contracted on a 357,000 sf unit in an adjacent building, in Q2 and Q4 of 2017, respectively. Overall, SPNOI growth is expected to remain positive through 2017.

Development and expansions contributed significantly to the Trust's performance in 2016, and management expects future expansions and new developments to continue to generate additional NOI and AFFO on an accretive basis. As previously announced, the Trust acquired 16 acres of land adjacent to an existing property in San Antonio, Texas for a purchase price of \$3,718 (US\$2,754), with expansion of the existing property expected to commence in 2018.

Construction of the new 330,000 sf state-of-the-art distribution facility continues in Richmond, BC. The project represents the fourth and final phase of the Trust's existing business park, with the costs being funded by a \$22,263 construction loan and the Trust's existing working capital. The Trust is in discussions with a prospective tenant for the entire building.

Capital expenditures in Q1-2017 were consistent with expectation. During the quarter, the Trust incurred approximately \$850 in leasing commissions to secure a key tenant occupying 504,000 sf in the US to a 7 year renewal. In addition, approximately \$400 of the capital expenditures related to the build out of an office space in one of the Trust's properties which the Trust believes will result in increased base rent per sf.

The acquisition of 201 Greenwood Court in Atlanta, Georgia, successfully closed on February 1, 2017 and is expected to generate approximately \$2,724 (US\$2,048) in NOI annually. The property is 100% leased to DHL Supply Chain. Subsequent to the quarter, the Trust also acquired a two-building property comprising almost 1 million sf which is 100% leased to IKEA Distribution Services Inc. The acquisition closed on April 4, 2017 and the property is expected to generate approximately \$5,725 (US\$4,305) in NOI annually.

On March 14, 2017, the Trust completed the sale of a partial interest in five assets to an existing joint-venture partner, with four of the five properties being located in Alberta for gross proceeds of \$47,300. The Trust also disposed of two properties located in North York, Ontario and Calgary, Alberta for gross proceeds of \$28,200, during the first quarter of 2017.

The Trust has been more active on the capital recycling front than expected in the first quarter of 2017, which will have a negative impact on NOI in the short term. Building on the successful acquisitions and dispositions completed in Q1 2017, the Trust will continue to dispose of non-core assets on an accretive basis. Based on the current acquisition pipeline, the Trust expects to substantially redeploy the available capital by the middle of the third quarter in core assets and select development opportunities in our target markets, namely Toronto, Vancouver, Dallas, Houston, Atlanta and Charlotte. The acquisitions noted above and the new development in Richmond, BC, are consistent with that strategy and are expected to contribute to NOI growth and portfolio quality in 2017 and beyond.

On April 12, 2017, the Trust entered into an unsecured \$150,000 revolving operating loan facility (the "Unsecured Credit Facility"). The Unsecured Credit Facility has a three-year term and matures on April 12, 2020, bears interest currently at the lender's prime rate plus 70 basis points or at the lender's banker's acceptance rate plus 170 basis points. The Unsecured Credit Facility provides that should the Trust achieve an investment grade rating, the applicable interest rates decline with improved credit ratings. The Trust has the option to increase the Unsecured Credit Facility up to an additional \$100,000 for a total facility limit of \$250,000. Concurrent with the closing of the Unsecured Credit Facility, the Trust terminated its \$110,000 secured revolving operating loan facility on the same day. With this increased operating line capacity, the Trust's liquidity and balance sheet health remains very strong.

As at March 31, 2017, the Trust's Debt to Gross Book Value ratio was 41.8% down from 42.3% at the end of 2016. The decrease in our leverage ratio is a continuation of a financial de-risking strategy which commenced in 2014. For 2017, indebtedness is expected to be managed towards our long-term leverage goal of 40%.

## SECTION II

### RESULTS OF OPERATIONS

(\$000s, except per unit information)	Three months ended	
	March 31	
	2017	2016
<b>Revenues:</b>		
Rental and recoveries	\$53,574	\$43,546
<b>Property operating expenses:</b>		
Insurance	245	216
Management fees	1,310	1,188
Operating costs	4,515	4,010
Property taxes	12,975	10,874
	19,045	16,288
<b>Net operating income</b>	<b>34,529</b>	<b>27,258</b>
<b>Other income (expense)</b>		
General and administrative expense	(2,315)	(1,640)
Fair value adjustment to investment properties	62,108	(873)
Fair value adjustments to financial instruments	(83)	(1,113)
IFRIC 21 fair value adjustments	3,788	2,961
(Loss) gain on disposal of properties	(481)	67
Foreign currency loss	(867)	(13)
	62,150	(611)
<b>Net earnings before net finance expense</b>	<b>96,679</b>	<b>26,647</b>
Finance income	254	288
Finance expense	(10,718)	(9,493)
Net finance expense	(10,464)	(9,205)
<b>Net earnings before income taxes</b>	<b>86,215</b>	<b>17,442</b>
Income tax expense	(2,110)	(1,087)
<b>Net earnings</b>	<b>\$84,105</b>	<b>\$16,355</b>
<b>Net earnings attributable to:</b>		
Unitholders	81,028	15,800
Non-controlling interests	3,077	555
Trust Units – Weighted average (000s) <sup>1</sup>	245,688	189,431
Net earnings to unitholders per Unit	\$0.33	\$0.08
Trust Units – Fully diluted weighted average (000s) <sup>1</sup>	246,046	189,803
Net earnings to unitholders per Unit	\$0.33	\$0.08

<sup>1</sup> Weight average and Fully diluted weighted average units reflects the Class B Units as if re-designated into equivalent Class A units. Fully diluted weighted average units included all vested restricted units as at March 31, 2017 and 2016.

For the three months ended March 31, 2017, the Trust reported net earnings of \$84,105, compared to net earnings of \$16,355 for the same period in 2016. The increase in net earnings for the three months ended March 31, 2017 relative to the same period in 2016 is discussed in detail below.

#### Rental and Recoveries Revenue

Rental and recoveries revenue from investment properties includes all amounts earned from tenants related to lease agreements, such as basic rent, operating cost recoveries, management fee recoveries, and property tax recoveries. Property management fees are based on either a fixed or variable percentage of base rent, operating costs, or property taxes and are recognized when earned in accordance with the respective lease agreements.

For the three months ended March 31, 2017, the rental and recoveries revenue increased \$10,028 compared to the same period in the prior year, primarily due to the full quarter impact from the Vaughan distribution facility that became income producing in April 2016; the completion of the Barrington, New Jersey expansion in April 2016; the Atlanta Acquisition during Q1-2017; the full quarter impact of the acquisition of sixteen properties during 2016; and organic growth through an increase in same property occupancy. The increase was partially offset by the disposition of six income producing properties from April 2016 to March 2017; the sale of a 75% interest in five properties to an existing

joint-venture partner during Q1-2017; and a slightly unfavourable average US dollar exchange rate for the three months ended March 31, 2017 (US\$1:00: C\$1.3238) compared to the same period in the prior year (US\$1:00: C\$1.3724).

### Property Operating Expenses

Property operating expenses include costs relating to such items as cleaning, building repairs and maintenance, elevator, HVAC, insurance, property taxes, utilities and property management fees among other items.

For the three months ended March, 31, 2017, property operating expenses increased by \$2,757 compared to the same period in the prior year primarily due to the net increase in the number of income producing properties; offset slightly by a higher IFRIC 21 adjustment from an increase in the number of properties in the US.

### General and Administrative Expenses

The following table illustrates the composition of the Trust's G&A expenses and its percentage of total rental revenue:

(\$000s)	Three months ended March 31			
	2017		2016	
Compensation expenses, excluding fair value adjustments	\$654	28.3%	\$506	30.9%
Non-cash fair value compensation expense	635	27.4%	495	30.2%
Administrative expenses	159	6.9%	151	9.2%
Legal and filing fees	256	11.1%	146	8.9%
Professional fees	262	11.3%	202	12.3%
Technology	63	2.7%	44	2.7%
Insurance	24	1.0%	21	1.3%
Other expenses	262	11.3%	75	4.5%
Total	\$2,315	100.0%	\$1,640	100.0%
As a percentage of rental revenue	4.3%		3.8%	

Compensation expense includes Trustee fees, non-cash compensation relating to the Trust's restricted unit plan, incentive option plan and deferred unit plan, as well as the salaries, bonuses and related employment benefits of the Trust's employees. Administrative expenses include office rent, office related expenditures, and bank charges. Professional fees include audit fees, tax compliance and advisory, and internal controls service fees paid to third parties and other consulting fees. Other expenses include advertising, promotion, travel, and acquisition pursuit costs.

For the three months ended March 31, 2017, total G&A expenses increased by \$675 or 41.2% relative to the same period of the prior year, representing 4.3% and 3.8% of rental revenue, respectively. Included in the G&A expenses is the non-cash fair value component of remeasuring the Trust's unit-based compensation liabilities totaling \$635 for the three months ended March 31, 2017 and \$495 for the same period in the prior year. G&A expenses excluding the fair value component, represents 3.1% and 2.6% of rental revenue, respectively. The remaining increase is due to the addition of ten employees compared to the same period in the prior year and the opening of the Trust's Edmonton office in October 2016 as a result of the Trust's increased presence in Alberta following the Alberta Acquisition, higher unit based compensation expense, higher public company costs associated with the growth of the Trust's market capitalization since March 31, 2016, impacting listing and filing fees, an increase in Trustee compensation, increased investor relations and marketing expenses, and the timing of certain annual meeting costs.

The Trust earns management and administrative fees representing property operating expenses. The Trust's leases provide that its tenants are obligated to pay the Trust management fees based on fixed values and/or variable costs relating to square footage, operating costs, gross revenue, or other variable, depending on that particular tenant. As the Trust's portfolio grows, management fees are expected to increase accordingly.

Unit based compensation expense in the amount of \$756 was recognized in net earnings in relation to the restricted units, incentive options and distribution units issued for the three months ended March 31, 2017 compared to a unit based compensation expense of \$549 for the three months ended March 31, 2016. The increase in unit based compensation expense for the three months ending March 31, 2017 is due to a higher fair value adjustment expense relating to the restricted unit, incentive option and deferred unit liabilities, totaling \$635, compared to \$495 in the same

period in the prior year, driven by an increase in the Trust’s unit price during the quarter, and the introduction of the deferred unit plan effective January 1, 2017 as part of Trustee compensation, offset partially by a lower number of restricted units outstanding in Q1-2017 relative to the same period last year, due to the departure of two senior employees during 2016.

### Fair Value Adjustment to Investment Properties

The Trust measures its investment properties at fair value each reporting date and records the fair value adjustments as an income or expense item.

For the three months ended March 31, 2017, the Trust recorded a fair value gain adjustment of \$62,108 (three months ended March 31, 2016 – \$873 loss). The fair value adjustment to investment properties was due to the valuation gain on the investment properties of \$63,332 (three months ended March 31, 2016 – \$79), offset by standard acquisition costs of \$300 (three months ended March 31, 2016 – \$29) and \$924 (three months ended March 31, 2016 – \$923) in straight-line rental revenue adjustments.

The table below details the valuation gain (loss) by region:

Valuation gain/(loss) (\$000s)	Three months ended March 31	
	2017	2016
British Columbia	\$6,163	\$1,470
Alberta	3,630	(11,942)
Ontario	50,093	10,552
USA	-	-
Other	-	-
Assets Held for Sale	3,446	-
	<b>\$63,332</b>	<b>\$80</b>

During the three months ended March 31, 2017, the Trust obtained three independent appraisals for properties owned at December 31, 2016 as well as an appraisal on the Atlanta Acquisition property acquired during the period. The independent appraisals obtained during the current fiscal period represented 3% of the fair value of investment properties at March 31, 2017 (December 31, 2016 – 41%).

### Fair Value Adjustment to Financial Instruments

The Trust records fair value adjustments to financial instruments relating to interest rate swaps on twelve of the Trust’s mortgages with a notional amount of \$167,558. The swaps were entered into to fix the interest rates against the mortgages’ floating rates, thereby reducing the risk of fluctuating interest rates on the Trust’s long-term debt. For the three months ended March 31, 2017, the Trust recorded a fair value adjustment loss of \$83 (three months ended March 31, 2016 – loss of \$1,113).

### Finance Expense

Finance expense include interest expense, the amortization of financing costs and mark to market adjustments on loans assumed or acquired by the Trust upon acquisition.

Finance expense for the three months ended March 31, 2017 was \$10,718 (three months ended March 31, 2016 - \$9,493). An increase of \$1,225 compared to the same period in the prior year is due to the increase in debt levels throughout 2016. The weighted average interest rate on the Trust’s debt for the three months ended March 31, 2017 was 4.00% compared to 4.04% for the same period in the prior year. The Trust’s mortgages mature between 2017 and 2032 with a weighted average mortgage term of 5.0 years at March 31, 2017 (December 31, 2016 – 5.0 years).

The Trust intends to refinance or repay any mortgages which mature within the next twelve months.

During the three months ended March 31, 2017, interest capitalized to properties under development was \$36 (three months ended March 31, 2016 – \$789) and is based on a weighted average interest rate of 6.3% (three months ended March 31, 2016 – 3.0%).

## Income Taxes

The Trust is subject to tax under Part I of the Income Tax Act (Canada) (the “Tax Act”) on its income for tax purposes for the year, including net realized taxable capital gains, less the portion thereof that it deducts in respect of the amounts paid or payable in the period to Trust unitholders. The trustees of the Trust (the “Trustees”) intend to distribute all taxable income to unitholders and to deduct such distribution for Canadian income tax purposes.

For the Canadian and US corporate subsidiaries of the Trust, income tax expense comprises current and deferred income taxes. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to business combinations, or items recognized directly in equity or in other comprehensive income. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. The tax effects of temporary differences that give rise to deferred tax liabilities total \$19,709 for the three months ended March 31, 2017 (December 31, 2016 - \$18,199).

The Trust’s wholly-owned subsidiary, PIRET USA Inc. (the “US Subsidiary”), has made, and intends to maintain, an election to be taxed as a US real estate investment trust (“US REIT”) under the US Internal Revenue Code (the “Code”) and to take the necessary steps to continue to qualify as a US REIT pursuant to the Code. In order for the US Subsidiary to qualify as a US REIT, the US Subsidiary must meet a number of organizational and operational requirements, including a requirement to make annual dividend distributions to its shareholders equal to a minimum of 90% of its US REIT taxable income, computed without regards to a dividends paid deduction and net capital gains. The US Subsidiary generally will not be subject to US federal income tax on its taxable income to the extent such income is distributed as a dividend to shareholders annually. Such dividends paid by US Subsidiary to its shareholder are subject to 30% withholding tax in the US and gives rise to current income tax expense of \$434 for the three months ended March 31, 2017 (three months ended March 31, 2016– \$284).

Actual qualification of the US Subsidiary as a US REIT will depend upon meeting, through actual annual and quarterly operating results, the various conditions imposed by the Code. If the US Subsidiary fails to qualify as a US REIT in any taxable year, it will be subject to US federal and state income taxes at regular US corporate rates, including any applicable alternative minimum tax. In addition, the US Subsidiary may not be able to requalify as a US REIT for the four subsequent taxable years. Even if the US Subsidiary qualifies for taxation as a US REIT, the US Subsidiary may be subject to certain US state and local taxes on its income and property, and to US federal income and excise taxes on its undistributed taxable income and/or specified types of income in certain circumstances.

## Distributions

The Declaration of Trust allows the Trustees to distribute cash to the unitholders using its discretion and judgement in analyzing forward looking cash flows of the Trust. The Trust announced monthly distributions of \$0.026 per unit throughout the three months ended March 31, 2017 (three months ended March 31, 2016 – \$0.026). During the three months ended March 31, 2017, distributions totaled \$19,164, to Class A unitholders and no distributions were made to Class B unitholders (three months ended March 31, 2016 - \$14,561 to Class A unitholders; \$198 to Class B unitholders). As of March 31, 2017, there are no Class B units outstanding.

## FUNDS FROM OPERATIONS AND ADJUSTED FUNDS FROM OPERATIONS

With the commitment to improve financial reporting and to adopt best practices, commencing January 1, 2017, the Trust has chosen to fully adopt the definitions of FFO and AFFO as prescribed by REALpac in its *White Paper on Funds From Operations and Adjusted Funds From Operations for IFRS*, dated February 2017 (“REALpac White Paper on FFO and AFFO”). As a result of this adoption, certain adjustments in the prior year comparatives of both the FFO and AFFO metrics have been restated to conform to the current year’s definitions.

FFO is a non-IFRS measure and should not be construed as an alternative to net earnings determined in accordance with IFRS. However, FFO is an operating performance measure which is widely used by the real estate industry and the Trust has calculated FFO in accordance with the recommendations of REALpac outlined in the REALpac White Paper on FFO and AFFO. The Trust’s method of calculating FFO may differ from other companies and accordingly may not be comparable to similar measures presented by other companies.

The use of FFO, combined with the required IFRS presentations, has been presented for the purpose of improving the understanding of operating results of REITs and other real estate entities by the investing public and in making comparisons of REITs and real estate entities’ operating results more meaningful.

As FFO excludes fair value adjustments on investment properties, non-controlling interests, fair value adjustments on financial instruments, unrealized foreign exchange gains or losses, deferred income taxes, gains or losses from property dispositions, fair value adjustments relating to unit compensation liabilities, and non-recurring other income, it provides a performance measure that, when compared period over period, reflects the impact on operations of trends in occupancy levels, rental rates, operating costs, acquisition activities, and interest costs, and provides a perspective of financial performance that is not immediately apparent from net earnings determined in accordance with IFRS.

FFO is a widely accepted supplemental measure of financial performance for real estate entities; however, it does not represent amounts available for capital programs, debt service obligations, commitments or uncertainties. FFO should not be interpreted as an indicator of cash generated from operating activities and is not indicative of cash available to fund operating expenditures, or for the payment of cash distributions. FFO is simply one measure of operating performance.

AFFO is also a non-IFRS measure and should not be construed as an alternative to net earnings determined in accordance with IFRS. However, AFFO is widely accepted as a performance measurement tool in the real estate industry. AFFO is calculated by adjusting FFO (defined above) for the Trust's proportionate share of accrued rental revenue relating to straight-line rents, a deduction for recoverable and non-recoverable capital expenditures, and on very rare occasions, any other items the Trust may deem non-recurring when appropriate. The Trust's method of calculating AFFO may differ from other companies and accordingly may not be comparable to similar measures presented by other companies.

The following table provides the analysis of the Trust's FFO and AFFO performance:

	Three months ended	
	March 31,	
	2017	2016
<i>(\$000s, except per unit basis)</i>		
Net earnings	\$84,105	\$16,355
Net earnings attributable to non-controlling interests	(3,077)	(555)
Net earnings attributable to common unitholders	\$81,028	\$15,800
Adjustments:		
Fair value adjustment to investment properties	(62,108)	873
Less non-controlling interests' share of fair value adjustment	2,640	(11)
Loss (gain) on sale of investment properties	481	(67)
Deferred income tax expense	1,676	803
Unrealized foreign exchange loss	862	13
Fair value adjustment to financial instruments	83	1,113
Fair value adjustments to unit based compensation	635	495
Internal leasing costs	181	156
<b>Funds from operations</b>	<b>\$25,478</b>	<b>\$19,175</b>
Capital expenditures	(732)	(510)
Less non-controlling interests' share of capital expenditures	129	-
Leasing costs	(1,504)	(463)
Less internal leasing costs	(181)	(156)
Less non-controlling interests' share of leasing costs	414	-
Tenant improvement/allowance	(81)	(250)
Straight line rent adjustment	(924)	(923)
Less non-controlling interests' share of straight line rent adjustment	55	11
<b>Adjusted funds from operations</b>	<b>\$22,654</b>	<b>\$16,884</b>
Weighted average number of Class A units (000s)	245,688	189,431
Diluted weighted average number of Class A units (000s)	246,046	189,803
FFO per Unit - Basic	\$0.10	\$0.10
FFO per unit - Diluted	\$0.10	\$0.10
Payout Ratio on FFO <sup>1</sup>	75.3%	77.2%
AFFO per unit – Basic	\$0.09	\$0.09
AFFO per unit – Diluted	\$0.09	\$0.09
Payout Ratio on AFFO <sup>1</sup>	84.7%	87.7%

<sup>1</sup> FFO and AFFO payout ratios are calculated based on the ratio of the distribution rate per unit to fully diluted FFO and AFFO per unit.

Both FFO per Unit and AFFO per Unit were higher than the same period in the prior year. FFO per unit for the three months ended March 31, 2017 was 10.4 cents (10.1 cents for the three months ended March 31, 2016), while AFFO per unit was 9.2 cents for the three months ended March 31, 2017 (8.9 cents for the three months ended March 31, 2016).

The increase of \$6,303 in FFO in the first quarter of 2017 relative to the first quarter of 2016 is largely the result of increased NOI, both from a same property basis and from acquisitions towards the end of 2016. The increase is offset by lower NOI from disposition activities during the quarter including the partial sale of five properties to an existing joint venture partner. On a per unit basis, FFO was largely consistent to the same period of the prior year as the number of

weighted average units outstanding increased relative to the first quarter of 2016 due to the completion of two equity offerings in June and October 2016.

AFFO increased \$5,770 for the three months ended March 31, 2017 compared to the same period in 2016. AFFO benefited from the same operational gains impacting FFO offset by higher capital expenditures relating to leasing activities completed in the first quarter of 2017. On a per unit basis, AFFO was also consistent with the prior year comparative due to the increase in weighted average units outstanding as a result of the June and October 2016 equity offerings.

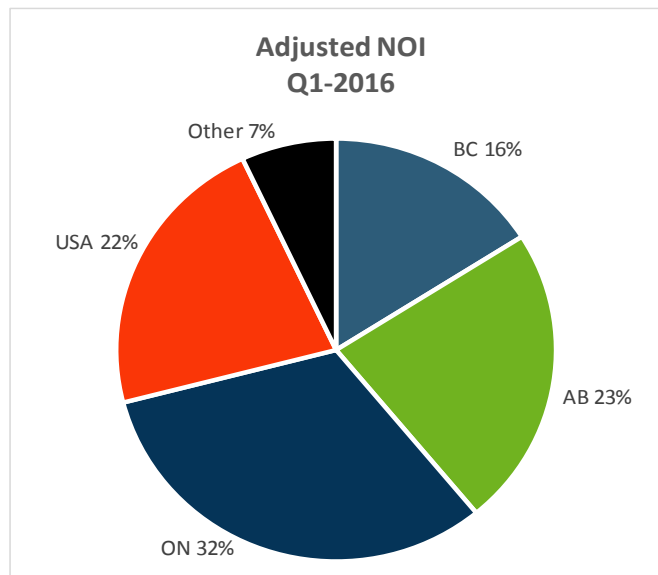
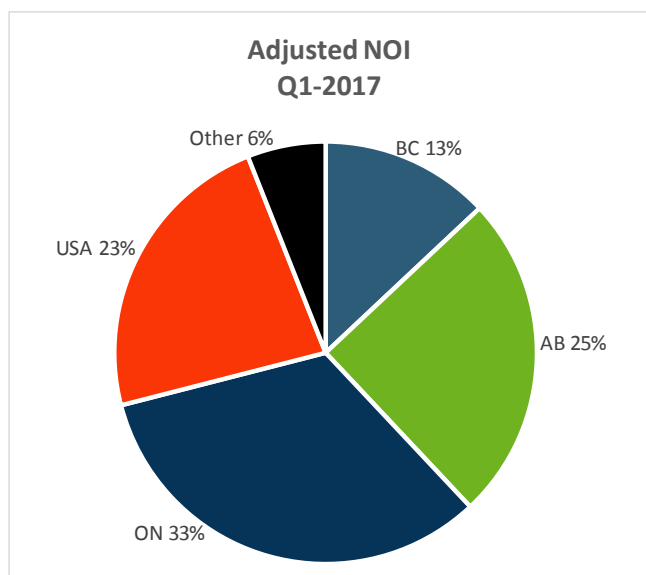
**SEGMENTED INFORMATION**

The Trust has five reportable segments, which are: British Columbia (BC), Alberta (AB), Ontario (ON), the United States (US), and Other (representing less significant markets in Canada). For each of the geographic locations, the CEO reviews operations based on Adjusted NOI by geographic location, as presented below.

Quarter over quarter

<i>Adjusted NOI (\$000s)</i>	Three months ended		Change	
	March 31 2017	2016	(\$)	(%)
British Columbia	\$5,045	\$4,873	\$172	3.5%
Alberta	9,667	7,038	2,629	37.4%
Ontario	12,564	9,634	2,930	30.4%
US	8,814	6,679	2,135	32.0%
Other	2,227	1,995	232	11.6%
<b>Adjusted NOI</b>	<b>\$38,317</b>	<b>\$30,219</b>	<b>\$8,098</b>	<b>26.8%</b>
<i>Average occupancy during the quarter</i>	<b>97.1%</b>	94.6%	2.5%	
<i>Average occupied sf during the quarter (000 sf)</i>	<b>20,530</b>	16,453	4,077	

Adjusted NOI increased 26.8% for the three months ended March 31, 2017, compared to the same period of the prior year due to the contributions from the Vaughan distribution facility which became income producing in April 2016; the completion of the Barrington, New Jersey expansion; the full quarter impact of the acquisition of sixteen properties during 2016; the Atlanta Acquisition during Q1-2017; and organic growth through an increase in same property occupancy. The increase was partially offset by the disposition of six income producing properties from April 2016 to March 2017; the sale of a 75% interest in five properties into a joint-venture during Q1-2017; and a slightly unfavourable average US dollar exchange rate for the three months ended March 31, 2017 (US\$1:00: C\$1.3238) compared to the same period in the prior year (US\$1:00: C\$1.3724).



## Same Property Adjusted Net Operating Income

Quarter over quarter

	Three months ended		Change	
	March 31		(\$)	(%)
<b>Adjusted NOI (\$000s)</b>	<b>2017</b>	2016		
British Columbia	\$4,387	\$4,391	(4)	-0.1%
Alberta	5,436	5,470	(34)	-0.6%
Ontario	9,670	8,815	855	9.7%
Other	1,773	1,839	(66)	-3.6%
Canada	21,266	20,515	751	3.7%
US (in CAD)	6,154	6,478	(324)	-5.0%
Assets held for sale	1,215	805	410	50.9%
<b>Same properties</b>	<b>28,635</b>	<b>27,798</b>	<b>837</b>	<b>3.0%</b>
Partnership and joint venture fees	113	92	21	22.8%
Transactions	8,645	1,406	7,239	514.9%
Straight-line rent adjustment	924	923	1	0.1%
Adjusted NOI	\$38,317	\$30,219	\$8,098	26.8%
<i>Average occupancy of same property during the period</i>	<b>96.3%</b>	<b>94.9%</b>		

	Three months ended		Change	
	March 31		(\$)	(%)
<b>Adjusted NOI (\$000s)</b>	<b>2017</b>	2016		
US (in USD)	\$4,648	\$4,717	(69)	-1.5%
Foreign exchange rate	1,324	1,373		
US (in CAD)	\$6,154	\$6,478	(324)	-5.0%

SPNOI, normalizing for the impact of the IFRIC 21 adjustments, includes properties that were owned by the Trust during both the comparative periods and for certain transacted properties, based on the number of days owned during the periods.

For the three months ended March 31, 2017, the Trust's SPNOI increased by \$837 or 3.0% from 16.9 million sf of GLA, representing 80.0% of the Trust's overall portfolio. The increase in SPNOI is primarily due to an average occupancy increase of 257,000 sf in Ontario and 135,000 sf in Alberta offset by 160,000 sf of average vacancy in the US due to an expected move out of a tenant in North Carolina. Excluding the expansion activities completed during 2016 in Ontario, New Jersey and Texas, SPNOI increased by 1.4% in aggregate and for the US segment specifically, SPNOI decreased 10.6% (7.1% decrease in US\$).

### Occupancy and Leasing

The Trust's lease expiries and expiring rents for all income producing properties as at March 31, 2017 are as follows:

<i>GLA, AUM (000s)</i> <sup>1</sup>	<b>BC</b>	<b>AB</b>	<b>ON</b>	<b>US</b>	<b>Other</b>	<b>Total</b>	<b>% of GLA</b>
Remainder of 2017	217	266	755	-	132	<b>1,370</b>	6.8%
2018	-	318	1,258	357	185	<b>2,118</b>	10.5%
2019	435	412	868	269	197	<b>2,181</b>	10.8%
2020	-	355	916	557	31	<b>1,859</b>	9.2%
2021	120	476	959	408	119	<b>2,082</b>	10.3%
2022	521	207	397	1,122	32	<b>2,279</b>	11.3%
2023	-	398	360	141	27	<b>926</b>	4.6%
2024	636	41	334	1,583	181	<b>2,775</b>	13.7%
2025	-	236	295	375	161	<b>1,067</b>	5.3%
2026	182	164	243	455	-	<b>1,044</b>	5.2%
Thereafter	89	768	813	-	104	<b>1,774</b>	8.8%
Occupied	2,200	3,641	7,198	5,267	1,169	<b>19,475</b>	96.3%
Vacant	-	200	223	240	88	<b>751</b>	3.7%
<b>Total</b>	<b>2,200</b>	<b>3,841</b>	<b>7,421</b>	<b>5,507</b>	<b>1,257</b>	<b>20,226</b>	<b>100.0%</b>
<i>Occupied %</i>	<i>100.0%</i>	<i>94.8%</i>	<i>97.0%</i>	<i>95.6%</i>	<i>93.0%</i>	<i>96.3%</i>	

<sup>1</sup> Excludes GLA associated with properties classified as assets held for sale

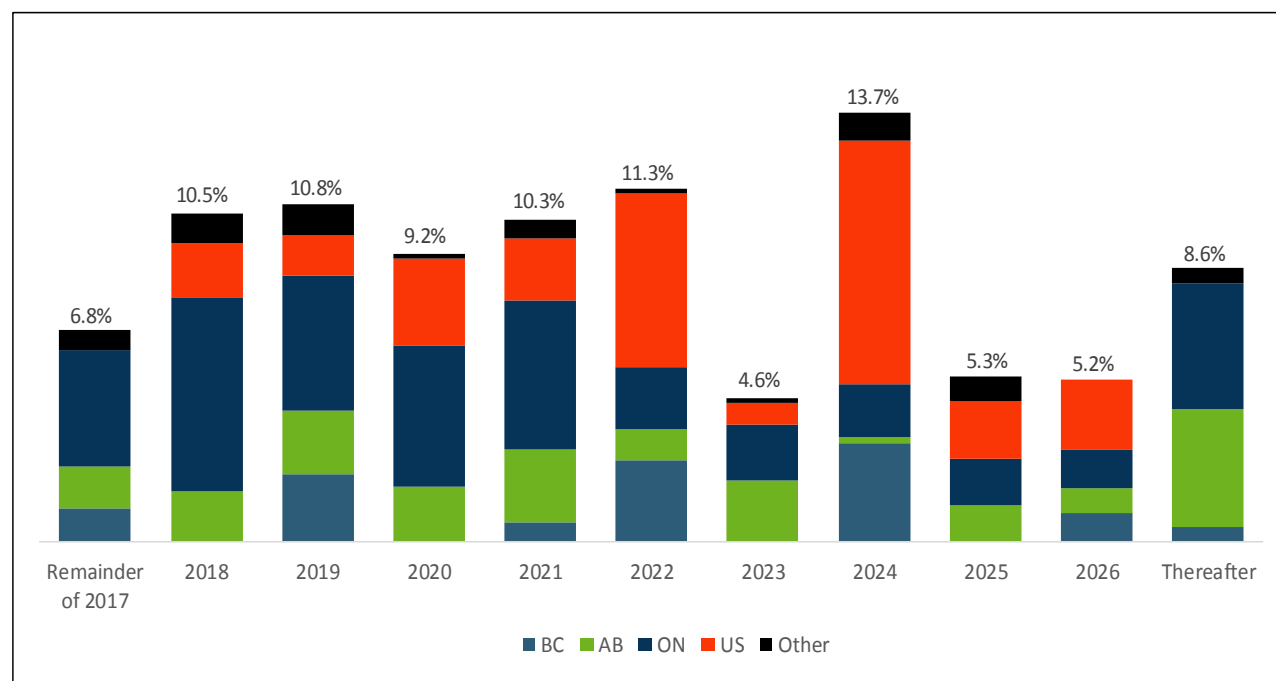
<i>Average expiring rents</i> <sup>1</sup>	<b>BC</b>	<b>AB</b>	<b>ON</b>	<b>US</b> <sup>2</sup>	<b>Other</b>	<b>Total</b> <sup>3</sup>
Remainder of 2017	8.84	7.47	6.79	-	6.84	<b>7.25</b>
2018	-	13.85	6.00	3.32	6.20	<b>6.93</b>
2019	8.54	10.42	6.93	4.11	6.83	<b>7.72</b>
2020	-	10.51	6.77	4.40	16.80	<b>7.37</b>
2021	7.64	7.62	6.73	2.54	6.01	<b>6.29</b>
2022	7.39	12.13	6.44	3.98	6.48	<b>6.60</b>
2023	-	6.44	8.46	6.50	5.69	<b>7.53</b>
2024	9.30	6.73	7.31	6.24	10.70	<b>8.52</b>
2025	-	8.90	7.96	8.22	8.80	<b>9.32</b>
2026	19.14	14.57	8.21	9.73	-	<b>13.15</b>
Thereafter	11.02	17.10	15.28	-	12.41	<b>15.69</b>
<b>Total</b>	<b>\$ 9.45</b>	<b>\$ 11.27</b>	<b>\$ 7.80</b>	<b>\$ 5.42</b>	<b>\$ 8.24</b>	<b>\$ 8.49</b>

<sup>1</sup> Excludes average expiring rents associated with properties classified as assets held for sale

<sup>2</sup> In USD

<sup>3</sup> US expiring rents converted at Q1-2017 average exchange rate of 1.324

The following table illustrates upcoming lease expirations by operating segment, based on a percentage of GLA<sup>1</sup>.



<sup>1</sup> Excludes GLA associated with properties classified as assets held for sale

### Occupancy Roll Forward Table

The following table provides a roll forward of the occupancy of the Trust for the three months ended March 31, 2017.

(000 sf)	Three months ended March 31, 2017					
	BC	AB	ON	US	Other	Total
Occupancy, beginning	2,200	3,833	7,221	4,706	1,169	19,129
Acquired occupancy	-	-	-	800	-	800
Disposed occupancy	-	(156)	-	-	-	(156)
Expiries during the period	-	(94)	(156)	(853)	(2)	(1,105)
Renewals	-	13	29	614	2	658
New leases	-	45	104	-	-	149
Occupancy, ending	2,200	3,641	7,198	5,267	1,169	19,475
Committed	-	72	81	-	60	213
Occupancy, including committed	2,200	3,713	7,279	5,267	1,229	19,688

(\$ psf)	Three months ended March 31, 2017					
	BC	AB	ON	US	Other	Total
Expiries during the period	-	\$ (7.04)	\$ (5.88)	\$ (3.37)	\$ (6.75)	\$ (4.92)
Renewals	-	8.13	7.31	3.61	7.50	5.02
New leases	-	7.03	6.21	-	-	6.46

The table below outlines the Trust's future expiries and committed renewals or new leases by region.

<i>GLA, AUM (000s)</i> <sup>1</sup>	Vacant	Remainder of 2017	2018	2019	Thereafter	Total
<b><u>British Columbia</u></b>						
Expiries	-	217	-	435	1,547	2,199
Committed renewals	-	-	-	-	-	-
Expiries, net of renewals	-	217	-	435	1,547	2,199
Committed for new leases	-	-	-	-	-	-
Expiries, net	-	217	-	435	1,547	2,199
<b><u>Alberta</u></b>						
Expiries	200	266	318	412	2,648	3,844
Committed renewals	-	5	-	-	-	5
Expiries, net of renewals	200	261	318	412	2,648	3,839
Committed for new leases	72	32	-	-	-	104
Expiries, net	128	229	318	412	2,648	3,735
<b><u>Ontario</u></b>						
Expiries	222	755	1,259	868	4,315	7,419
Committed renewals	-	146	47	-	172	365
Expiries, net of renewals	222	609	1,212	868	4,143	7,054
Committed for new leases	81	33	-	-	-	114
Expiries, net	141	576	1,212	868	4,143	6,940
<b><u>US</u></b>						
Expiries	240	-	357	269	4,641	5,507
Committed renewals	-	-	-	-	-	-
Expiries, net of renewals	240	-	357	269	4,641	5,507
Committed for new leases	-	-	-	-	-	-
Expiries, net	240	-	357	269	4,641	5,507
<b><u>Other</u></b>						
Expiries	88	132	185	196	655	1,256
Committed renewals	-	56	-	-	-	56
Expiries, net of renewals	88	76	185	196	655	1,200
Committed for new leases	60	-	23	-	-	83
Expiries, net	28	76	162	196	655	1,117
<b><u>Total</u></b>						
Expiries	750	1,370	2,119	2,180	13,806	20,225
Committed renewals	-	207	47	-	172	426
Expiries, net of renewals	750	1,163	2,072	2,180	13,634	19,799
Committed for new leases	213	65	23	-	-	301
<b>Expiries, net</b>	<b>537</b>	<b>1,098</b>	<b>2,049</b>	<b>2,180</b>	<b>13,634</b>	<b>19,498</b>

<sup>1</sup> Excludes GLA associated with properties classified as assets held for sale

Of the approximate 213,000 sf of committed occupancy, leases for 121,500 sf or 57% of the commitment will commence during the second quarter of 2017.

### Comparative Analysis of In-Place and Market Rents

The following table analyses the Trust's in-place base rents compared to market base rents as at March 31, 2017. The Trust's average in place rent as at March 31, 2017 is currently 2.2% below the average market rent in Canada and below the average market rent in the US by 1.4%.

	GLA (000s)	Average In-Place Rent	Average Market Rent	Average Market Rent/Average In-Place Rent
Canada, excluding cross-dock facilities				
British Columbia	2,018	\$8.01	\$8.80	9.8%
Alberta	3,377	8.95	7.97	(11.0%)
Ontario	6,519	6.22	6.53	5.0%
Other	989	6.44	6.84	6.2%
Canada, excluding cross-dock facilities <sup>1</sup>	12,902	\$7.23	\$7.29	0.7%
Cross-dock facilities	1,306	17.47	18.92	8.3%
<b>Canada</b>	<b>14,208</b>	<b>\$8.18</b>	<b>\$8.36</b>	<b>2.2%</b>
USA, excluding cross-dock facilities <sup>1,2</sup>	3,456	\$3.26	\$3.39	3.8%
USA cross-dock facilities <sup>2</sup>	1,811	10.59	10.59	0.0%
<b>USA</b>	<b>5,267</b>	<b>\$5.78</b>	<b>\$5.86</b>	<b>1.4%</b>

<sup>1</sup> Assets under management

### TENANTS

The following table provides the average lease term and average tenant size as March 31, 2017 and December 31, 2016, by region.

	March 31, 2017		December 31, 2016	
	Average Lease Term (years)	Average tenant size (sf)	Average Lease Term (years)	Average tenant size (sf)
British Columbia	5.9	137,484	6.1	137,484
Alberta	6.9	52,639	7.5	54,031
Ontario	5.5	30,412	5.7	30,394
USA	6.4	250,300	6.3	224,123
Other	5.8	31,398	6.0	31,398
<b>Total<sup>1</sup></b>	<b>6.1</b>	<b>51,203</b>	<b>6.4</b>	<b>49,561</b>

<sup>1</sup> Excludes GLA associated with properties classified as assets held for sale

The Trust's weighted average remaining lease term decreased from 6.4 years to 6.1 years between December 31, 2016 and March 31, 2017.

The following table lists the Trust’s top 10 tenants:

	Tenant	Percentage of Revenue	GLA (000s)	Average Lease Term (years)
1	FedEx	25.6%	2,490	9.0
2	Transforce	5.6%	422	9.5
3	ContainerWorld	3.7%	636	7.3
4	Best Buy Canada	2.5%	628	1.2
5	International Paper	2.3%	465	3.0
6	Kuehne & Nagel	1.9%	411	5.0
7	HBC	1.9%	412	5.8
8	DHL Supply Chain	1.8%	800	5.5
9	Tervita	1.8%	185	15.5
10	Acklands-Grainger Inc.	1.7%	303	2.8
	Top 10 Tenants <sup>1, 2</sup>	48.8%	6,752	7.9
	Other	51.2%	12,723	4.5
	<b>TOTAL</b>	<b>100.0%</b>	<b>19,475</b>	<b>6.1</b>

<sup>1</sup> Revenue is determined based on in-place leases as at March 31, 2017

<sup>2</sup> Excludes GLA associated with properties classified as assets held for sale

In the event that FedEx were to terminate their tenancy or become insolvent, the financial results of the Trust would be materially and adversely affected. Management has taken certain steps to mitigate any credit risk by closely monitoring the tenant’s compliance with the terms of their respective leases and to remedy any issues as soon as they are identified.

## SECTION III

### FINANCIAL CONDITION

#### Investment Properties

Investment properties are stated at fair value. Fair value adjustments to investment properties are included in net earnings in the year in which they arise. The Trust’s current properties are in good condition and have estimated useful lives between 20 to 55 years and should require normal levels of capital expenditures in the near future.

The geographic diversification of the Trust’s portfolio as at March 31, 2017 and December 31, 2016 is outlined below:

	Income Producing						Under Development/Expansion				Land Held for Development <sup>1</sup>	
	Number of properties		GLA, AUM (sf) (000s)		GLA, Proportionate Share (sf) (000s)		Number of properties		GLA, Proportionate Share (sf) (000s)		Acres	
	Mar 2017	Dec 2016	Mar 2017	Dec 2016	Mar 2017	Dec 2016	Mar 2017	Dec 2016	Mar 2017	Dec 2016	Mar 2017	Dec 2016
British Columbia	10	10	2,200	2,200	2,200	2,200	1	1	330	330	-	-
Alberta	42	43	3,843	3,998	3,423	3,895	-	-	-	-	13.9	13.9
Ontario	74	74	7,420	7,416	6,756	6,810	-	-	-	-	10.3	10.3
USA	20	19	5,507	4,707	4,857	4,057	-	-	-	-	16.0	-
Other	16	16	1,256	1,256	1,114	1,114	-	-	-	-	2.2	2.2
	<b>162</b>	<b>162</b>	<b>20,226</b>	<b>19,577</b>	<b>18,350</b>	<b>18,076</b>	<b>1</b>	<b>1</b>	<b>330</b>	<b>330</b>	<b>42.4</b>	<b>26.4</b>
Assets Held for Sale	15	16	833	950	833	950	-	-	-	-	-	-

<sup>1</sup> Land Held for Development includes parcels of excess land associated with certain income producing properties in addition to two parcels of land held exclusively for development (21.6 acres).

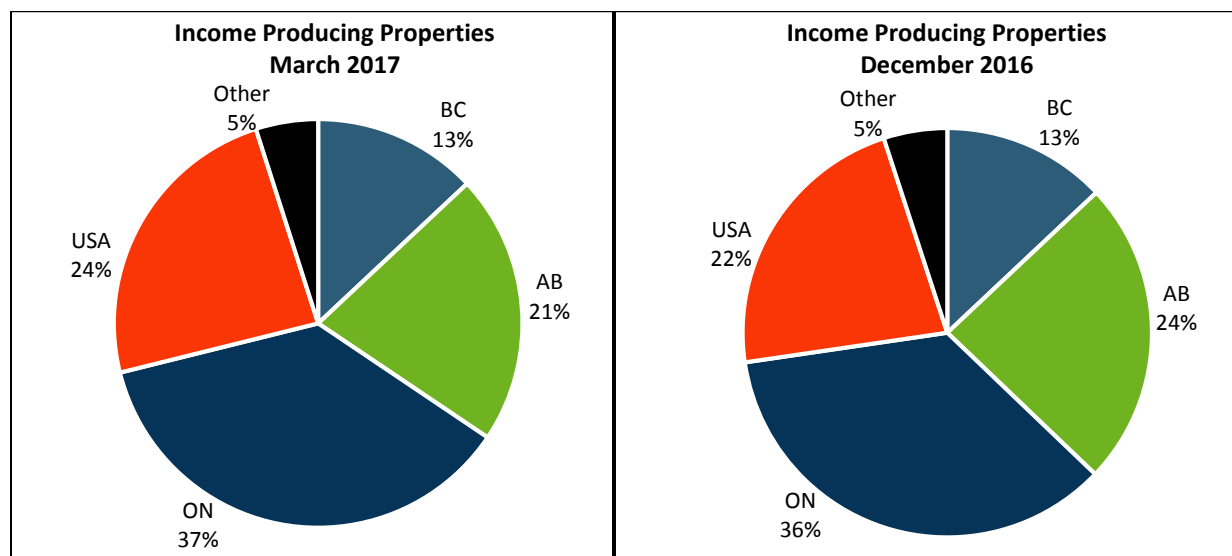
<i>(thousands of Canadian dollars)</i>	Three months ended March 31, 2017		
	Investment properties	Investment properties held for sale	Total
Balance, beginning of period	\$ 2,320,845	\$ 110,832	\$ 2,431,677
Acquisitions	51,836	-	51,836
Capital additions	2,655	61	2,716
Capital additions, properties under development and expansion	1,832	-	1,832
Land acquired for future development	3,899	-	3,899
Dispositions	(66,100)	(9,400)	(75,500)
Straight line rent adjustment	908	16	924
Fair value adjustment to investment properties	58,678	3,430	62,108
Unrealized foreign currency translation loss	(3,979)	-	(3,979)
	2,370,574	104,939	2,475,513
IFRIC 21 property tax liability adjustment	(3,788)	-	(3,788)
IFRIC 21 fair value adjustment to investment properties	3,788	-	3,788
Balance, end of period	\$ 2,370,574	\$ 104,939	\$ 2,475,513

The Trust's investment property portfolio currently includes 42.4 acres of land held for future development, located in Calgary (3.9 acres), Edmonton (10.0 acres), Winnipeg (2.2 acres), the Greater Toronto Area ("GTA") (10.3 acres) and San Antonio, USA (16.0 acres). For clarity, these parcels can be developed for new uses and not solely to expand the existing buildings.

#### Income Producing Properties

The table below outlines the Trust's income producing properties as at March 31, 2017 and December 31, 2016:

	Income Producing Properties					
	Number of properties		Fair Value (\$000s)		Weighted Average Capitalization Rates	
	Mar 2017	Dec 2016	Mar 2017	Dec 2016	Mar 2017	Dec 2016
British Columbia	10	10	\$306,770	\$300,606	5.49%	5.60%
Alberta	42	43	505,175	558,981	6.49%	6.59%
Ontario	74	74	865,293	822,373	5.53%	5.81%
USA	20	19	564,545	515,822	6.44%	6.56%
Other	16	16	116,357	116,302	6.91%	6.91%
	162	162	\$2,358,140	\$2,314,085	6.01%	6.19%



The \$44,055 increase in the value of the Trust’s income producing properties between December 31, 2016 to March 31, 2017 is due primarily to compression of capitalization rates in the Greater Toronto Area offset by net disposition activities.

During the first quarter of 2017, the Trust disposed of one property in Alberta with a fair value of \$18,800 and a 75% interest of five properties to an existing joint-venture partner with an aggregate fair value of \$47,300. The dispositions are offset by the acquisition of an 800,000 sf property in the US for \$51,536 which resulted in a net decrease of \$14,564 to income producing properties from net disposition activities. In addition, during the three months ended March 31, 2017, the Trust recognized fair value gains of \$59,886 and capital additions of \$2,655 to its income producing properties. Lastly, a foreign exchange related decrease of \$3,922 was recognized on the Trust’s US based income producing properties as the US exchange rate decreased from 1.343 at December 31, 2016 to 1.330 at March 31, 2017.

#### Properties Under Development and Expansion

The table below outlines the Trust’s properties under development and expansion as at March 31, 2017 and December 31, 2016:

<b>Properties Under Development or Expansion</b>				
<b>Address</b>	<b>GLA (sf) (000s)</b>	<b>Completion Date</b>	<b>Fair Value (000s)</b>	
			<b>March 31 2017</b>	<b>December 31 2016</b>
Richmond, BC	330	June 2017	<b>\$7,838</b>	\$6,006

On August 26, 2016, the Trust acquired the rights to a 51-year ground lease in Richmond, British Columbia for the construction of a new building of approximately 330,000 sf. Total contracted costs are estimated to be approximately \$40,000. Costs incurred to March 31, 2017 amounted to \$7,838 (December 31, 2016 - \$6,006). The development is expected to be completed in Q3-2017 and rent is expected to commence in early Q4-2017.

#### Acquisitions – 2017

On February 1, 2017, the Trust completed the acquisition of one investment property in Atlanta, Georgia, for a total purchase price of \$51,536 (US\$39,500) plus standard closing costs and adjustments of \$300 (US\$226). The acquisition was funded with existing cash on hand and the Trust’s operating line. On February 6, 2017, the Trust entered into a new mortgage secured by the assets in the amount of \$25,062 (US\$19,150) with a 8-year term and a fixed interest rate of 3.82% per annum.

On March 8, 2017, the Trust completed the acquisition of land adjacent to an existing property in San Antonio, Texas for a total purchase price of \$3,718 (US\$2,754) plus standard closing costs and adjustments of \$181 (US\$134).

The table below outlines the acquisitions completed during the three months ended March 31, 2017:

Description	Municipality, Province	# of Properties	GLA AUM (sf) (000s)	Price (\$000s)	Going-in Cap Rate	Occupancy
201 Greenwood Court	Atlanta, GA	1	800	US\$ 39,500	5.30%	100%
Adjacent Land (929/9943 Doerr Lane)	San Antonio, TX	-	-	US\$ 2,754	-	-
<b>Total Acquisitions</b>		<b>1</b>	<b>800</b>	<b>US\$ 42,254</b>		

#### Acquisitions – 2016

On January 8, 2016, the Trust acquired a 25% joint interest in an investment property located in Ontario and subsequently entered into a co-ownership agreement with a third party to own and operate the property. The Trust acquired the investment property for a total purchase price of \$1,650, plus standard closing costs and adjustments of \$39.

On April 25, 2016, the Trust acquired an investment property located in Quebec for a total purchase price of \$6,675, plus standard closing costs and adjustments of \$262.

On November 1, 2016, the Trust completed the acquisition of a portfolio of eight industrial properties in Alberta (the “Alberta Acquisition”) for \$171,080, plus standard closing costs and adjustments of \$558. The Alberta Acquisition consists of four single-tenant and four multi-tenant industrial properties comprising an aggregate of approximately 1.2 million sf of gross leasable area and is leased to quality international, national and regional tenants, and is situated within prime industrial nodes in Calgary and Edmonton. The Alberta Acquisition was funded through new and assumed mortgage financing in the amount of \$86,482, with weighted average term of 5.1 years and a weighted average interest rate of 3.0% per annum and proceeds from the Trust’s October 2016 equity offering.

On November 14, 2016, the Trust completed the acquisition of a portfolio of six industrial properties in the Southeastern US (the “US Acquisition”) for approximately \$109,755 (US\$81,000) plus standard closing costs and adjustments of approximately \$695 (US\$513). The US Acquisition comprises approximately 1.6 million sf of functional warehouse and distribution buildings; four located in Atlanta, Georgia and two located in Charlotte, North Carolina; and is 100% leased to seven high quality tenants with a weighted average lease term of 4.5 years. The US Acquisition was financed with a new mortgage in the amount of approximately \$54,400 (US\$40,500) with an eight-year term and fixed interest rate of 3.06% per annum, and proceeds from the Trust’s October 2016 equity offering.

The table below outlines the acquisitions completed in 2016:

Description	Municipality, Province	# of Properties	GLA AUM (sf) (000s)	Price (\$000s)	Going-in Cap Rate	Occupancy
2800 Roxburgh Road (25% co-ownership)	London, ON	1	100	\$1,650	6.75%	100%
4400 Hickmore Street	Montreal, QC	1	80	\$6,675	6.44%	100%
Alberta Acquisition	Calgary and Edmonton, AB	8	1,200	\$171,080	6.30%	98% <sup>1</sup>
<b>Total Acquisitions in Canada</b>		<b>10</b>	<b>1,380</b>	<b>\$179,405</b>		
US Acquisition	Atlanta, GA and Charlotte, NC	6	1,600	US\$ 81,000	6.88%	100%
<b>Total Acquisitions in US</b>		<b>6</b>	<b>1,600</b>	<b>US\$ 81,000</b>		

<sup>1</sup> 100% with head lease

Dispositions – 2017

During the three months ended March 31, 2017, the Trust completed the disposition of two investment properties located in North York, Ontario (included in assets held for sale as at December 31, 2016) and Calgary, Alberta and a 75% interest in five investment properties, four located in Albert and one in Ontario, to an existing joint-venture partner, for gross proceeds of \$75,500. A summary of the dispositions is set out below.

Address	Municipality, Province	Age (years)	GLA (sf) (000s)	Disposition Price (\$000s)	Cost (\$000s)	Occupancy at Disposition
230 Barmac Drive	North York, ON	40	118	\$9,400	\$7,275	100%
802 & 718 McCool Street	Calgary, AB	31	156	18,800	16,080	100%
12155 154th Street NW <sup>1</sup>	Edmonton, AB	43	139	16,690	16,834	100%
15709 114th Avenue NW <sup>1</sup>	Edmonton, AB	43	112	7,530	6,450	100%
11415 168th Street NW <sup>1</sup>	Edmonton, AB	45	99	7,130	6,521	100%
7303 7403 30th Street <sup>1</sup>	Calgary, AB	31	73	7,860	6,488	100%
199 Traders Boulevard East <sup>1</sup>	Mississauga, ON	21	77	8,090	6,600	100%
			<b>774</b>	<b>\$75,500</b>	<b>\$66,247</b>	<b>100.0%</b>

<sup>1</sup> Sale of 75% ownership - Disposition Price and Cost reflect 75% share

Dispositions – 2016

During the year ended December 31, 2016, the Trust completed the disposition of eight investment properties for gross proceeds of \$38,650. A summary of the dispositions is set out below.

Address	Municipality, Province	Age (years)	GLA (sf) (000s)	Disposition Price (\$000s)	Cost (\$000s)	Occupancy at Disposition
20 Alex Avenue	Vaughan, ON	32	15	\$2,980	\$1,380	100%
135 Haist Avenue	Vaughan, ON	31	13	2,612	1,250	100%
2440 Winston Park Drive	Oakville, ON	12	95	8,900	10,555	0%
951 Rowntree Dairy Road	Vaughan, ON	32	21	3,978	2,100	0%
21 Alex Avenue	Vaughan, ON	31	17	3,355	1,560	100%
27 Hansen Road South	Brampton, ON	61	41	7,175	2,765	100%
8055 Esquesing Line	Milton, ON	27	30	4,450	2,560	100%
2808 58th Avenue	Calgary, AB	53	48	5,200	4,800	100%
			<b>280</b>	<b>\$38,650</b>	<b>\$26,970</b>	<b>58.6%</b>

**Assets Held for Sale**

Management had committed to a plan of sale of the underlying properties and the sales are considered to be highly probable. As at March 31, 2017, the Trust's interest in 15 investment properties were classified as held for sale (December 31, 2016 - 16).

During the first quarter of 2017, the Trust disposed of one property previously classified as held for sale located in North York, Ontario for gross proceeds of \$9,400. The property had a fair value as at December 31, 2016 of \$9,400.

A summary of assets held for sale as at March 31, 2017 and December 31, 2016 is as follows:

	Properties Classified as Assets Held for Sale									
	Number of properties		GLA (sf) (000s)		Fair Value (\$000s)		Weighted Average Capitalization Rates		Mortgages	
	Mar 2017	Dec 2016	Mar 2017	Dec 2016	Mar 2017	Dec 2016	Mar 2017	Dec 2016	Mar 2017	Dec 2016
British Columbia	4	4	300	300	\$48,525	\$45,070	4.37%	4.70%	\$10,240	\$10,321
Alberta	6	6	270	270	33,319	32,782	6.87%	6.99%	7,304	10,363
Ontario	2	3	118	237	11,185	20,585	4.96%	6.04%	1,018	1,024
USA	-	-	-	-	-	-	-	-	-	-
Other	3	3	144	144	11,910	12,395	8.18%	7.86%	-	-
	<b>15</b>	<b>16</b>	<b>832</b>	<b>950</b>	<b>\$104,939</b>	<b>\$110,832</b>	<b>5.66%</b>	<b>5.98%</b>	<b>\$18,562</b>	<b>\$21,709</b>

**Leasing and Capital Expenditures**

(\$000s)	Three months ended	
	March 31	
	2017	2016
Revenue enhancing expenditures	<b>\$400</b>	-
Recoverable capital expenditures	<b>114</b>	280
<u>Non-recoverable capital expenditures</u>		
Tenant improvements/allowances	<b>81</b>	250
Leasing commissions	<b>1,504</b>	463
Other non-recoverable capital expenditures	<b>617</b>	229
Total non-recoverable capital expenditures	<b>\$2,202</b>	\$942
Total capital additions to investment properties	<b>\$2,716</b>	\$1,222

The Trust incurs capital expenditures and leasing costs in normal course. The majority of the Trust’s capital expenditures are incurred to sustain the Trust’s existing GLA and occupancy levels and are considered operational and therefore deducted in the calculation of AFFO. A portion of the operational capital is recoverable from tenants. See Section II “Funds From Operations and Adjusted Funds From Operations”. The Trust also incurs capital expenditures that the Trust deems revenue enhancing.

Certain capital expenditures are recovered from tenants pursuant to the terms of their leases either in the year such expenditures are incurred or, in the case of a major capital expenditure item, on a straight-line basis over the expected useful life together with an imputed rate of interest. Recoverable capital expenditures may include items such as parking lot resurfacing and roof replacement. The recovery of such capital expenditures is recognized through rent over time while the capital expenditures are recognized and capitalized to the carrying value of the investment property in the period incurred.

Non-recoverable capital expenditures consist of leasing-related activities including tenant allowances or improvements and leasing costs, and other general capital expenditures that cannot be recovered through the Trust’s leases. Tenant allowances and improvements generally include expenditures to customize the leased space as outlined in the leasing arrangements with the tenant. Leasing costs consists of commissions including brokerage fees incurred in negotiating and arranging tenant leases that are paid to third party leasing agents and any related legal expenses. Other capital expenditures generally represent major maintenance costs, significant items of repair or replacement and landlord’s work for leased space. Examples of items in this category include, but are not limited to, replacements or repairs of roofs and parking lots, and heating, ventilation and air conditioning equipment replacement.

Capital expenditures deemed revenue-enhancing represent expenditures that support incremental revenues which can represent expansions that increase GLA, expansions or improvements that drive an increase to lease revenues, or the repositioning of a property that will lead to higher lease rents or capital expenditures that the Trust deems are structural to the property and therefore enhancing the value of such property. In Q1-2017, the Trust incurred \$400 of revenue-enhancing capital expenditures representing costs incurred to build out an office space in one of the Trust’s properties which the Trust believes will result in increased base rent per sf.

On a quarterly basis, leasing costs, tenant allowances or improvements and capital expenditures can fluctuate, at times significantly, due to leasing or portfolio repositioning activity. Further, in accordance with the Trust’s objective of extending average lease term whenever possible, especially for high-quality credit tenants, often non-recurring or higher than average leasing costs may be involved.

**LIQUIDITY AND CAPITAL RESOURCES**

The Trust diligently monitors the repayment dates of its mortgages and intends to refinance or repay all mortgages due within the next 12 months. As at March 31, 2017, the mortgage due dates range from 2017 to 2032, with a weighted average remaining term of 5.0 years (December 31, 2016 – 5.0 years).

The Trust’s scheduled payments relating to its liabilities are:

As at March 31, 2017 (\$000s)	Accounts payable and other	Rental Deposits	Unit Based Compensation	Bank loans, mortgage payments, maturities and swaps	Total
2017	\$39,741	\$1,087	\$1,855	\$44,304	\$86,987
2018	-	1,200	\$1,611	103,475	106,286
2019	-	1,025	\$526	113,900	115,451
2020	-	832	\$80	174,420	175,332
2021	-	764	\$50	130,995	131,809
Thereafter	-	3,153	\$491	484,524	488,168
	<b>\$39,741</b>	<b>\$8,061</b>	<b>\$4,613</b>	<b>\$1,051,618</b>	<b>\$1,104,033</b>

**Capital Resources**

Cash flow from operations represent the primary source of funds to pay total distributions to unitholders of \$19,164 for the period ended March 31, 2017, compared to \$14,759 from the same period in the prior year.

For the three months ended March 31, 2017, cash provided by operations was greater than cash distributions paid or payable. Management expects that in general, cash provided by operating activities will exceed cash distributions paid or payable in future periods.

There are no legal or practical restrictions on the ability of the Trust’s properties to transfer funds to the Trust.

Management expects to be able to meet all of the Trust’s ongoing obligations and to finance future growth through the issuance of units as well as by using conventional mortgages, short term financing from the bank, net proceeds from asset sales, and the Trust’s operating cash flow. The Trust is not in default or in arrears on any of its obligations including distribution payments, interest or principal payments on debt. The Trust intends to refinance or repay any mortgages which mature within a year.

In accordance with National Instrument 41-201, the Trust is required to provide additional disclosure relating to cash distributions as set out below:

(\$000s)	Three months ended March 31	
	2017	2016
Cash provided by operating activities	<b>\$28,120</b>	\$20,084
Actual cash distributions paid or payable	<b>19,164</b>	14,759
Excess (deficiency) of cash provided by operating activities over cash distributions paid	<b>\$8,956</b>	\$5,325

(\$000s)	Three months ended March 31	
	2017	2016
Net earnings	<b>\$84,105</b>	\$16,355
Actual cash distributions paid or payable	<b>19,164</b>	14,759
Surplus of net earnings over cash distributions paid	<b>\$64,941</b>	\$1,596

For the three months ended March 31, 2017, cash flows from operating activities exceeded cash distributions paid and payable by \$8,014 (three months March 31, 2016 - exceeded by \$5,325) and net earnings exceeded distributions paid and payable by \$64,941 (three months March 31, 2016 - exceeded by \$1,596). Cash flows from operating activities increased for the three months ending March 31, 2017 due to an increase in income producing properties through acquisitions and the completion of development and expansion activities, and due to organic growth through SPNOI increases.

Net earnings reflect material non-cash items such as fair value adjustments to investment properties and financial instruments, and deferred taxes, which do not impact cash flows and are not considered in the Trust's distribution policy.

### AFFO to Net Cash from Operating Activities

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

<i>(\$000s)</i>	Three months ended	
	March 31	
	2017	2016
Adjusted funds from operations	\$22,654	\$16,884
Amortization of leasehold improvements – corporate	15	11
Amortization of mark to market mortgage adjustment	(120)	(251)
Amortization of mortgage transaction costs	583	424
Non-controlling interest adjustment	3,077	555
Non-controlling interests' share of fair value adjustment	(2,640)	11
Non-controlling interests' share of straight line rent	(55)	(11)
IFRIC 21 fair value adjustment to investment properties	(3,788)	(2,961)
Capital expenditures <sup>1</sup>	1,774	1,223
Net change in non-cash working capital	4,844	4,545
Net finance costs	10,464	9,205
Interest paid	(10,005)	(9,893)
Interest received	254	288
Fair value adjustments to unit based compensation expense	(635)	(495)
Unit based compensation expense	756	549
<b>Net cash provided from operating activities</b>	<b>\$27,178</b>	<b>\$20,084</b>

<sup>1</sup> Net of Non-controlling interests' share

### Debt

The Trust's Declaration of Trust limits the indebtedness of the Trust to a maximum of 70% of the gross book value of the Trust. The gross book value is defined as the total book value of the assets plus the amount of accumulated depreciation and amortization in respect of such assets (and related intangible assets), where applicable, the amount of future income tax liability arising out of indirect acquisitions and excluding the amount of any receivable reflecting interest rate subsidies on any debt assumed by the Trust. The Trust's indebtedness ratio relative to its gross book value as at March 31, 2017 is 41.8% (December 31, 2016 – 42.3%).

<i>(\$000s)</i>	March 31,	December 31,
	2017	2016
Mortgages payable and bank loans	\$1,068,703	\$1,043,491
Mortgages payable held for sale	18,562	21,709
Total indebtedness	1,087,265	1,065,200
Total assets	\$2,603,396	\$2,516,537
Indebtedness ratio	41.8%	42.3%

Mortgages

The Trust's mortgages have a weighted average effective interest rate of 3.84% as at March 31, 2017 (December 31, 2016 – 3.88%) and mature between 2017 and 2032. The scheduled mortgage payments, principal maturities and weighted average nominal and effective interest rates are as follows:

As at March 31, 2017 (\$000s)	<i>Weighted</i>		Scheduled	Principal	
	<i>Average Nominal</i>	<i>Weighted Average</i>	Principal	Maturities	Total Repayments
	<i>Rate</i>	<i>Effective Rate</i>	Repayments		
2017	3.58%	3.61%	22,599	21,705	<b>\$44,304</b>
2018	3.91%	4.08%	29,229	74,246	<b>103,475</b>
2019	3.82%	3.96%	27,208	86,692	<b>113,900</b>
2020	4.09%	4.22%	23,441	150,979	<b>174,420</b>
2021	3.51%	3.56%	20,682	110,313	<b>130,995</b>
2022	3.75%	3.79%	14,700	169,089	<b>183,789</b>
2023	4.37%	4.50%	9,643	57,512	<b>67,155</b>
2024	3.41%	3.41%	7,847	100,484	<b>108,331</b>
2025	3.40%	3.55%	5,317	34,726	<b>40,043</b>
2026	3.40%	3.47%	3,416	76,991	<b>80,407</b>
Thereafter	4.28%	4.38%	3,359	1,440	<b>4,799</b>
	3.76%	3.84%	\$167,441	\$884,177	<b>\$1,051,618</b>
Unamortized mortgage transaction costs					<b>(5,478)</b>
Unamortized mark to market mortgage adjustment					<b>1,346</b>
					<b>\$1,047,486</b>

Included in mortgages payable as at March 31, 2017 is the mark to market adjustment of \$1,346 (December 31, 2016 – \$1,465) on six mortgages (December 31, 2016 – seven mortgages), which is being amortized over the remaining term of the related mortgages using the effective interest rate method.

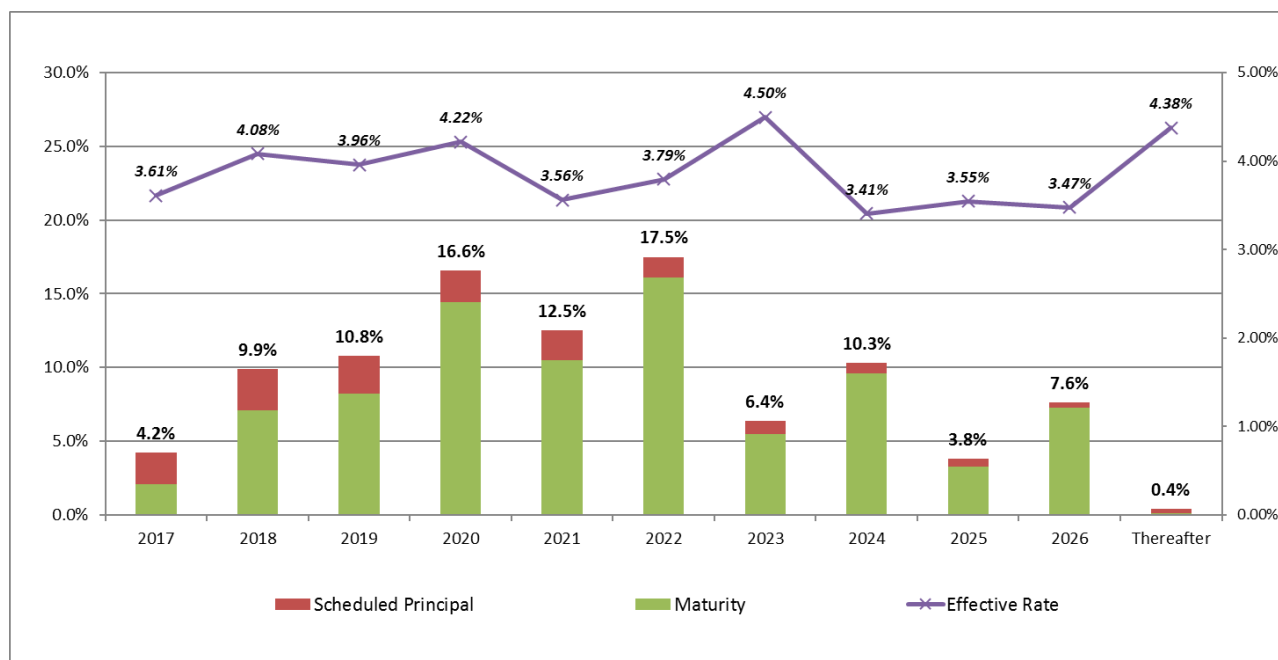
On February 1, 2017, the Trust entered into a new mortgage of \$11,200, secured by a property in Vaughan, Ontario. The mortgage has a five-year term and bears interest at 3.15%. The related unamortized financing costs, included in mortgages payable, is \$60 as at March 31, 2017 (December 31, 2016 - \$nil), which are amortized over the term of the mortgage, using the effective interest rate method.

On February 6, 2017, the Trust entered into a new mortgage loan of \$25,062 (US\$ 19,150), secured by its newly acquired Atlanta, Georgia property. The mortgage has an eight-year term and bears interest at 3.82%. The related unamortized financing costs, included in mortgages payable is \$253 as at March 31, 2017 (December 31, 2016 - \$nil), which are amortized over the term of the mortgage, using the effective interest rate method.

On March 6, 2017, the Trust entered into two new mortgage loans totaling \$6,475, representing the Trust's proportionate share, secured by two Alberta properties. Net proceeds from the mortgages were used to payout in full the outstanding principal of the previous existing mortgages. The new mortgages have ten-year terms and bear interest at 3.75%. The Trust entered into mortgage interest rate swaps on the two mortgages to fix the interest rate. The related unamortized financing costs, included in mortgages payable is \$15 as at March 31, 2017 (December 31, 2016 - \$nil), which are amortized over the term of the mortgage, using the effective interest rate method.

On March 14, 2017, the Trust entered into an agreement to sell a 75% interest in five properties, located in Alberta and Ontario, to an existing joint venture partner. As part of the sale, the joint venture assumed its proportionate share of four mortgages totaling \$17,772 (December 31, 2016 - \$nil).

As at March 31, 2017, the Trust classified three mortgages totaling \$18,562 (December 31, 2016 – four mortgages totaling \$21,709) as liabilities held for sale. Included in the mortgages payable held for sale are the related unamortized financing costs of \$49 (December 31, 2016 - \$63) and related unamortized mark to market adjustments of \$315 (December 31, 2016 - \$331).



#### Bank Loans and Mortgage Interest Rate swaps

On February 6, 2015, the Trust obtained a \$92,000 construction loan consisting of an \$87,000 Credit Facility (“Tranche A”) and a \$5,000 Credit Facility (“Tranche B”). The construction loan bore interest at the lender’s prime rate plus 0.80% or at the lender’s banker’s acceptance rate plus 1.80%. The loan was repayable on February 6, 2017. The loan was repaid in full on July 27, 2016 with the net proceeds from the new mortgage obtained on the completed development.

On December 10, 2014, the Trust entered into a \$90,000 revolving operating loan facility secured by a portfolio of 19 properties. Effective December 29, 2015, the revolving operating loan was amended, restated and increased to a \$110,000 facility, secured by a portfolio of 22 properties at that time. As at March 31, 2017, the borrowing capacity of the revolving operating facility available to the Trust was \$93,555(December 31, 2017 - \$100,080), secured by a portfolio of 19 properties. The loan bears interest at the lender’s prime rate plus 0.75% or at the lender’s banker’s acceptance rate plus 1.75%, and matures on December 29, 2017. The bank loan balance outstanding at March 31, 2017 was \$38,000 (December 31, 2016 - \$nil). As at March 31, 2017, the related unamortized financing costs are \$161 (December 31, 2016 - \$206).

The Trust has a demand operating bank loan with a borrowing limit of \$750. The loan is secured by an investment property with a rate of prime plus 1.75%. As at March 31, 2017, \$nil has been drawn on this loan (December 31, 2016 - \$nil).

The Trust has entered into interest rate swaps on twelve mortgages with a notional amount of \$167,558 with three Canadian chartered banks to reduce the impact of fluctuating interest rates and to fix the Trust’s interest rates on its long-term debt between 2.76% and 4.33%. As at March 31, 2017, the fair value liability of the mortgage interest rate swaps is \$1,940 (December 31, 2016 - \$1,857).

Debt Roll Forward Table

The following tables outline the debt activity of the Trust for the three months ended March 31, 2017:

(\$000s)	Three months ended March 31, 2017		
	Mortgages	Bank Loan	Total
Debt, beginning	\$1,065,406	(\$206)	\$1,065,200
Additional borrowings	36,350	38,000	74,350
Repayment of monthly principal	(7,772)	-	(7,772)
Mortgage and loans discharged	(42,893)	-	(42,893)
Finance charges and mark to market (net)	219	45	264
Unrealized exchange loss	(1,884)	-	(1,884)
Debt, ending	\$1,049,426	\$37,839	\$1,087,265

**Equity**

Except as set out in the Declaration of Trust, no Class A Unit or Class B Unit has any preference or priority over another. The Class A Units and the Class B Units have voting rights, and the Class B Units have conversion rights, as set out in the Declaration of Trust. Up until December 23, 2016, the Trust had 278,947 outstanding Class B Units which were equivalent in economic and all other respects to 2,535,118 Class A Units.

On December 23, 2016, the Trust received notice from the holders of the Class B units (the “Class B Unitholders”), whereby the Class B Unitholders elected to exercise their rights pursuant to the Trust Declaration in order to re-designate all of the 278,947 Class B Units outstanding at that time into 2,535,118 Class A Units. The Trust issued 2,535,118 Class A Units in respect of the re-designation of the 278,947 Class B Units. As a result, there are no Class B Units outstanding as at the date of this MD&A.

As at March 31, 2017, the Trust had 245,717,372 Class A Units outstanding. The following table illustrates the changes in Class A Units during 2017 year to date.

Issuance	Class A Units	Weighted Average Price per Unit
	Balance, December 31, 2016	245,680,968
Issuance of units	36,404	\$5.92
<b>Balance, March 31, 2017</b>	<b>245,717,372</b>	

As at May 9, 2017, the total number of Class A Units outstanding was 245,717,372.

Issuance of Class A units

For the three months ended March 31, 2017, two employees redeemed their vested restricted units for 36,404 Class A units at an average price of \$5.92. The restricted units had been accrued as a liability and the redemption of the restricted units reduces the liability and increases the total Class A units outstanding and the corresponding carrying value by \$216.

Short Form Base Shelf Prospectus

On June 12, 2014, the Trust filed a short form base shelf prospectus, qualifying the Trust to offer and issue Class A units, debt securities, warrants, subscription receipts, or any combination thereof, having an aggregate offering price of up to \$750,000 (or its equivalent in any other currency used to denominate the securities issued at the time of offering) at any time during the 25-month period that the short form base shelf prospectus remains valid. The base shelf prospectus expired on July 12, 2016 and 68,425,000 Class A units had been issued during the 25-month period.

On August 10, 2016, the Trust filed a short form base shelf prospectus, qualifying the Trust to offer and issue Class A units, debt securities, warrants, subscription receipts, or any combination thereof, having an aggregate offering price of up to \$750,000 (or its equivalent in any other currency used to denominate the securities issued at the time of offering) at any time during the 25-month period that the short form base shelf prospectus remains valid. As at March 31, 2017, 26,875,500 Class A units have been issued under the short form base shelf prospectus.

### Normal Course Issuer Bid

On December 14, 2015, the Trust renewed its NCIB, which had been initiated on December 19, 2014, and announced its intention to purchase, for cancellation purposes, up to 5,000,000 Class A units in total, representing approximately 2.70% of the Trust's then outstanding Class A units. Purchases were to be made on the open market through the facilities of the TSX, Alpha or alternate trading systems in Canada at market prices prevailing at the time of purchase and may take place over a 12-month period beginning on December 21, 2015 and ending on December 20, 2016. The daily purchase restriction for the Class A units was 78,739 units, which represented 25% of the average daily trading volume of the Trust's Class A units on the TSX for the six months ended November 30, 2015.

On January 11, 2016, the TSX accepted the Trust's entry into an automatic securities purchase plan ("ASPP") with a broker in order to facilitate repurchases of its Class A units under its previously announced NCIB pursuant to the policies of the TSX and applicable securities laws.

The NCIB expired on December 20, 2016 and therefore the Trust has not made any further Class A unit purchases since this date. During the three months ended March 31, 2016, the Trust purchased and cancelled 1,114,000 Class A units at an average cost of \$4.28 per Class A unit for a total cost of \$4,785.

### **Unit Based Compensation**

The Trust has a restricted unit plan (the "RUP") for the Trustees and employees. The RUP provides for the grant of restricted units to participants (who may be Trustees, key management, key employees or consultants). Each restricted unit will give the participant the right to receive, upon vesting, an amount equal to the fair market value of the units on the payment date, either by way of a cash payment, by the Trust acquiring units in the open market, or by the Trust issuing units from treasury, and distributing them to the participant, at the Trust's option. As distributions are paid on Units, additional restricted units will be credited to the participants in an amount determined by dividing the dollar amount of the distributions payable by the fair market value per unit, as defined in the RUP, on the date of the distribution. As well, the number of restricted units granted to a participant may be increased by a "performance factor" established by the Trustees at the time of grant. The "performance factor" was designed to reward participants based on the performance of the Trust's Units relative to a comparable REIT index, such as the S&P/TSX Capped REIT Index. Unless otherwise determined by the Trustees, restricted units will vest and become available for redemption on the third anniversary of the date of the grant or on a change of control or take-over bid for the Trust. Vested restricted units must be redeemed not later than December 31, in the year that is three years from the date of the grant. However, the restricted units granted to a participant and any associated distribution restricted units shall not vest, and the participant shall not be entitled to such restricted units or associated distribution restricted units if the performance criteria, which are specified in the grant agreements, are not met.

The Trust has an incentive option plan (the "Option Plan"). The purpose of the Option Plan is to provide eligible participants with compensation opportunities that will encourage ownership of Units, enhance the Trust's ability to attract, retain and motivate key personnel, and reward Trustees, officers, employees and service providers for significant performance and growth of the Trust. The Option Plan provides for the grant of options to participants (trustees, officers, employees and consultants of the Trust). The price at which an option holder may purchase a Unit upon exercise of an option will be the fair market value for a Unit determined by the Trustees as at the date of the grant in accordance with applicable rules and regulations of all regulatory authorities including the TSX to which the Trust is subject to. The Option Plan also includes provisions relating to the cashless exercise of options and cash payment in lieu of receiving Units. The Trustees determine the time or times when any option will vest and be exercisable and to determine when it is appropriate to accelerate such vesting.

The Trust has a deferred unit plan (the "DUP") which was adopted effective January 1, 2017. The purpose of the DUP is to promote a greater alignment of interests between the non-executive Trustees and the Unitholders. Each Eligible Person, as defined, on the applicable date, a non-executive Trustee may, subject to the conditions of the DUP, elect to be a participant thereunder. A participant may elect to be paid up to 25% (the "Elected Percentage") of his or her annual retainer (such product being referred to as the "Elected Amount"), in the form of deferred units ("Deferred Units") in lieu of cash, provided that the Trust shall match the Elected Amount for each participant annually in the form of Deferred Units having a value on each Award Date, defined as being the last business day of each calendar quarter, equal to the Market Value (as defined in the DUP) on such dates. Under the DUP, one Deferred Unit shall be equivalent in value to one Unit. The number of Deferred Units (including fractional Deferred Units) to be credited to a participant as of any particular Award Date pursuant to the DUP are to be calculated by dividing: (i) the amount calculated by multiplying the

dollar amount of the participant’s Elected Amount by two and dividing that product by four; by (ii) the Market Value of a Unit on the Award Date. The Deferred Units credited to a participant’s Deferred Unit account shall vest immediately and be redeemable by the participant following an event, including disability, retirement or death, causing the participant to be no longer an Eligible Person (the “Termination Date”). The Deferred Units credited to a participant’s Deferred Unit account may be redeemed in whole or in part during the period commencing six months after the Termination Date and ending on December 1 of the second calendar year following the participant’s Termination.

Under IFRS, liabilities related to the RUP and DUP are included in unit based compensation liabilities and measured at fair value at the grant date and re-measured at each reporting date. The fair value changes are recorded within general and administrative expenses on the statement of net earnings. The unit based compensation liability is \$4,613 as at March 31, 2017 (December 31, 2016 - \$4,101). During the three months ended March 31, 2017, the Trust expensed \$755 (March 31, 2016 - \$549) in compensation expense relating to the RUP, Option Plan and the DUP. Included in the non-cash compensation expense amounts is \$635 of fair value adjustment expense (March 31, 2016 - \$495).

As of the date of this MD&A, a total of 772,280 restricted units and 11,456 deferred units are currently outstanding.

### CAPITAL STRUCTURE

The Trust defines capital as the aggregate of unitholders’ equity and long-term debt. The term “long-term debt” means any financial liabilities of the Trust beyond one year from the balance sheet date. The Trust’s objectives in managing capital are to maintain a level of capital that: complies with investment and debt restrictions pursuant to the Trust Declaration; complies with existing debt covenants; funds its business strategies; and builds long-term unitholders’ value. The Trust’s capital structure is approved by its unitholders as related to the Trust Declaration and by its Board of Trustees through its periodic reviews. Capital adequacy is monitored by the Trust by assessing performance against the approved annual plan throughout the year and by monitoring adherence to investment and debt restrictions contained in the Trust Declaration and debt covenants.

The Trust Declaration provides for a maximum indebtedness level of up to 70% of the gross book value. The Trust’s indebtedness level, in accordance with the Trust’s Declaration, is 41.8% as at March 31, 2017 (December 31, 2016 – 42.3%).

The trust believes that having a relatively low indebtedness ratio is important as it may allow the Trust to access additional financing when necessary.

The Trust is in compliance with all mortgage covenants and lending restrictions for the three months ended March 31, 2017 and the year ended December 31, 2016.

The Trust Declaration allows the Trustees, at their discretion, to distribute to the Trust’s unitholders in each year all or a portion of the Trust’s income for the year, as calculated in accordance with the Income Tax Act after all permitted deductions under the Tax Act have been taken. The board of Trustees also reviews the cash distribution paid to unitholders on a regular basis. The monthly distribution to Class A Unitholders was \$0.026 per Class A unit from January 1 to March 31, 2017 (January 1 to March 31, 2016 - \$0.026).

The Trust’s capital structure consisted of the following components at March 31, 2017 and December 31, 2016.

<i>(\$000s)</i>	<b>March 31, 2017</b>	December 31, 2016
Units based compensation liabilities	<b>\$4,613</b>	\$4,101
Mortgages payable and bank loans	<b>1,068,703</b>	1,043,491
Mortgages payable held for sale	<b>18,562</b>	21,709
Class A Units	<b>1,091,539</b>	1,091,323
Accumulated earnings	<b>289,709</b>	227,845
Accumulated other comprehensive income	<b>30,635</b>	33,335
Non-controlling interest	<b>29,644</b>	26,692
	<b>\$2,533,405</b>	\$2,448,496

**RELATED PARTY TRANSACTIONS**

Key personnel have the authority and responsibility for planning, directing and controlling the activities of the Trust, directly or indirectly. The Trust's key personnel include the Chief Executive Officer, Chief Financial Officer, Vice Presidents and the Trustees. Salaries, bonuses, trustee fees, and other short-term employee benefits and incentives are accrued when earned and are as follows:

<i>(\$000s)</i>	<b>March 31</b>	
	<b>2017</b>	2016
Salaries, trustee fees, and other short-term employee benefits	<b>\$766</b>	\$701
Unit-based compensation	<b>755</b>	549
	<b>\$1,521</b>	\$1,250

On December 17, 2013, certain employees of the Trust were granted loans for the purpose of purchasing Class A units of the Trust through the facilities of the TSX. The loans commenced on December 17, 2013 and mature on December 31, 2023.

Two additional loans were advanced to employees during 2014 and mature in 2024. Six additional loans were advanced to employees in 2015 that mature in 2025 and five employee loans were paid back in full.

The loans bear interest on a monthly basis at the Trust's borrowing rate per annum, currently equal to the prime rate of the Canadian Imperial Bank of Commerce plus 1.30%. As security for the obligations of the employees, a unit pledge agreement has been executed with respect to the units owned. As at March 31, 2017, the outstanding balance of the loans were \$895 (December 31, 2016 - \$904)

**FINANCIAL INSTRUMENTS**

For certain of the Trust's financial instruments, including cash, cash held in trust, amounts receivable, loan receivable, vendor take-back receivable, accounts payable and accrued liabilities, rent deposits and the bank loans, the carrying amounts approximate their fair values due to the immediate or short-term maturity of these financial instruments.

The fair values of amounts due for mortgages payable determined by discounting the future contractual cash flow under current financing arrangements at discount rates which represent borrowing rates presently available to the Trust for mortgages with similar terms and maturity. Discount rates are either provided by the lenders or are observable on the open market.

<i>(\$000s)</i>	<b>March 31, 2017</b>		December 31, 2016	
	<b>Carrying Amount</b>	<b>Fair Value</b>	Carrying Amount	Fair Value
Mortgages payable (including interest rate swaps)	<b>1,049,426</b>	<b>1,061,054</b>	1,065,406	1,076,844

**OFF-BALANCE SHEET ITEMS**

As of March 31, 2017, the Trust had issued letters of credit in the amount of \$1,280 (December 31, 2016 - \$1,280).

The Trust has seven investment properties subject to non-cancellable long-term land leases in which the underlying land is owned by a third party and leased to the Trust. Unless the lease term is extended, the land will return to the owner at the expiration of the lease term.

As at March 31, 2017 and December 31, 2016, future minimum lease payments related to the land leases were as follows:

<i>(\$000s)</i>	<b>March 31,</b>	December 31,
	<b>2017</b>	2016
Within one year	<b>\$7,665</b>	\$7,520
Years 2 – 5	<b>32,548</b>	32,266
Greater than 5 years	<b>268,401</b>	269,744
	<b>\$308,614</b>	\$309,530

For the March 31, 2017, the Trust recognized land lease expenses of \$1,733 (March 31, 2016, - \$1,707) and the remaining term of the Trust's land leases range from 10 to 50 years.

The Trust has acquired the rights to a 51-year ground lease assignment for the construction of a new building of approximately 330,000 square feet. Costs incurred to date as of March 31, 2017 is \$7,838 (December 31, 2016 - \$6,006). Inclusive of costs incurred to date, total contract costs to complete construction are estimated to be \$40,000.

## SECTION IV

### SUMMARY OF QUARTERLY RESULTS

The following selected quarterly information highlights fluctuations over the most recently completed eight quarters. The fluctuations are generally due to the timing of new investment property acquisitions, dispositions, development activity, changes in foreign exchange rates, leasing and maintenance expenditures and changes in the fair value of investment property and of liabilities under IFRS, and are not generally reflective of seasonality or cyclicality. Basic rent and recoveries are reflective of changes in the Trust's investment properties and can demonstrate volatility due to one-time items such as lease termination fees and tenant chargebacks.

Quarter ended ( <i>\$000s, except per unit basis</i> )	Mar 31, 2017	Dec 31, 2016	Sept 30, 2016	Jun 30, 2016	Mar 31, 2016	Dec 31, 2015	Sept 30, 2015	Jun 30, 2015
Base rent	40,385	38,306	35,247	34,514	32,974	32,454	32,231	32,482
Recoveries	13,189	13,836	10,704	10,790	10,572	11,448	10,553	9,893
Total rental revenue from properties	53,574	52,142	45,951	45,304	43,546	43,902	42,784	42,375
Property recoverable operating expenses	(19,045)	(14,599)	(11,722)	(11,492)	(16,288)	(13,129)	(11,523)	(11,842)
Adjusted NOI	38,317	37,124	33,250	32,249	30,219	29,988	30,330	30,222
Other income (expenses)	62,150	51,467	9,773	2,303	(611)	29,330	20,083	35,641
Net earnings attributable to unitholders	81,028	77,510	33,270	20,992	15,800	50,217	40,686	42,434
Net comprehensive income	81,584	82,581	37,009	23,957	2,248	58,830	54,738	39,598
Basic net earnings per Unit	\$ 0.33	\$ 0.32	\$ 0.15	\$ 0.11	\$ 0.08	\$ 0.27	\$ 0.22	\$ 0.22

As at ( <i>\$000s, except number of properties and GLA</i> )	Mar 31, 2017	Dec 31, 2016	Sept 30, 2016	June 30, 2016	Mar 31, 2016	Dec 31, 2015	Sept 30, 2015	June 30, 2015
Total assets	2,603,396	2,516,537	2,207,250	2,169,661	2,080,850	2,102,478	2,061,886	1,983,921
Total liabilities	1,161,869	1,137,342	1,028,797	1,010,902	1,077,451	1,081,271	1,082,059	1,041,356
Unitholders' equity	1,411,883	1,352,503	1,153,799	1,133,951	985,969	1,002,897	961,878	924,870
Non-controlling interest	29,644	26,692	24,654	24,808	17,430	18,310	17,949	17,694
Investment properties	2,370,574	2,320,845	2,091,840	2,068,201	2,029,664	2,065,635	2,016,392	1,945,469
Mortgages and bank loans payable	1,068,703	1,043,491	958,077	925,419	1,015,657	1,026,151	1,012,776	984,141
Number of properties (including properties under development, land held for development and AHFS) <sup>1</sup>	179	180	168	167	168	171	171	174
GLA (000,000s) (AUM) <sup>2</sup>	21.1	20.5	17.8	17.8	17.3	17.3	17.8	17.8

<sup>1</sup> "AHFS" - Assets held for sale

<sup>2</sup> "AUM" - Assets under management

## **SECTION V**

### **RISKS AND UNCERTAINTIES**

All income producing property investments are subject to a degree of risk and uncertainty. They are affected by various factors including general market conditions and local market circumstances. An example of general market conditions would be the availability of long-term financing whereas local conditions would relate to factors affecting specific properties in a particular geographic location, such as changes in market lease rates as a result of an over- supply of space or a reduction in demand for real estate. Management attempts to manage these risks through geographic diversification in the Trust's portfolio.

Additional information about risks and uncertainties is contained in the Trust's annual information form and the MD&A for the year ended December 31, 2016 available on SEDAR at [www.sedar.com](http://www.sedar.com).

### **CRITICAL ACCOUNTING ESTIMATES**

The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. The Trust's significant accounting policies are described in note 3 to the December 31, 2016 audited consolidated financial statements, available on SEDAR at [www.sedar.com](http://www.sedar.com).

The policies that are most subject to estimation and judgment are outlined below.

#### **Business Combinations**

The Trust acquires real estate properties in its normal course of business. At the time of acquisition, the Trust considers whether or not the acquisition represents the acquisition of a business. The Trust accounts for an acquisition as a business combination where an integrated set of activities is acquired in addition to the property. More specifically, consideration is made to the extent to which significant processes are acquired and, in particular, the extent of ancillary services provided by the property (e.g., maintenance, cleaning, security, bookkeeping, etc.).

When the acquisition of a property does not represent a business, it is accounted for as an acquisition of a group of assets and liabilities. The cost of the acquisition, including transaction costs, is allocated to the assets and liabilities acquired based upon their relative fair values, and no goodwill or deferred tax is recognized.

All acquisitions to date by the Trust have been deemed to be asset acquisitions.

#### **Lease Contracts**

The Trust has entered into property leases on its investment property portfolio. The Trust makes judgments in determining whether certain leases, in particular those leases with long contractual terms where the lessee is the sole tenant in a property and the Trust is lessor, are operating or finance leases. The Trust must assess each lease separately and has determined that all of its leases of investment properties are operating leases.

#### **Unit Based Compensation Expense**

The Trust's unit based compensation expense consists of restricted units granted under its Restricted Unit Plan, deferred units granted under its Deferred Unit Plan and options granted under its Incentive Option Plan. The units granted are measured at fair value each reporting period and recognized as a general and administrative expense over the vesting period. Fair value is estimated by using the closing price of the Trust's Class A Unit and taking into account forfeitures and the performance factor as defined in the Restricted Unit Plan and Deferred Unit Plan.

#### **Valuation of Investment Properties**

The fair value of the investment properties is determined by management, in conjunction with independent real estate valuation experts using recognized valuation techniques.

The determination of the fair value of investment property requires the use of estimates such as future cash flows from assets (i.e. tenant profiles, future revenue streams and overall repair and condition of the property), discount rates

applicable to those assets' cash flows and capitalization rates. These estimates are based on market conditions existing at the reporting date.

#### **CHANGES IN ACCOUNTING POLICIES**

The Trust's significant accounting policies are described in note 3 of the December 31, 2016 audited consolidated financial statements. There have been no significant changes to accounting policies except as noted below.

#### **Deferred unit plan liability**

The Trust adopted the DUP effective January 1, 2017. The deferred units are exchangeable for Trust Units, which in turn are puttable financial instruments and deemed a liability under IFRS. As such, the DUP units are classified as a liability. Management designated the DUP liability as a fair value through profit and loss financial instrument and the DUP liability is re-measured to fair value each reporting date with fair value changes recognized in the consolidated statement of net earnings.

#### **INTERNAL CONTROLS OVER FINANCIAL REPORTING**

Management is responsible for the establishment and maintenance of internal controls over financial reporting ("ICFR") to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements in accordance with IFRS. The Trust uses the 2013 Committee of Sponsoring Organizations of the Treadway Commission's ("COSO") internal control framework to design ICFR. The Trust believes its internal controls and procedures are designed to provide reasonable assurance that financial information is recorded, processed, summarized and reported in a timely manner.

There have been no changes in the Trust's internal control over financial reporting during the three months ended March 31, 2017 that have materially affected, or are reasonably likely to materially affect, internal control over financial reporting.

#### **DISCLOSURE CONTROLS AND PROCEDURES ("DC&P")**

Management is also responsible for the establishment and maintenance of disclosure controls and procedures. The Trust believes that these controls and procedures have been designed to provide reasonable assurance that the information required to be disclosed by the Trust in reports it files is recorded, processed, summarized and reported, within the appropriate time period.

As at December 31, 2016, management, under the supervision of its CEO and CFO, had completed an assessment of the design of DC&P and ICFR. In making this assessment, management used the criteria set forth by the 2013 version of COSO in Internal Control – Integrated Framework. Based on this assessment, the CEO and CFO concluded that the Trust's DC&P and ICFR were effective as at December 31, 2016. As at March 31, 2017, there were no changes to the design of the Trust's DC&P and ICFR.

## **SECTION VI**

#### **SUBSEQUENT EVENTS**

On April 1, 2017, the Trust completed the disposition of an 101,039 sf asset in Mississauga, Ontario for gross proceeds of \$7,750. The asset has been classified as an asset held for sale since December 31, 2016 and was unencumbered at the time of sale.

On April 4, 2017, the Trust completed the acquisition of the Cedar Port Distribution Centre, consisting of two newly-constructed buildings comprising a total of 996,482 sf in Houston, Texas (the "Houston Acquisition") for \$83,500 (US\$63,500). The Houston Acquisition was funded with existing cash on hand and the Trust's operating line. Subsequently, on April 7, 2017, the Trust entered into a new mortgage secured by the assets in the amount of \$42,200 (US\$31,500) with a 10-year term and a fixed interest rate of 3.88% per annum.

On April 5, 2017, the Trust completed an equity offering and issued 23,977,500 Class A units, inclusive of 3,127,500 units issued pursuant to the exercise in full of the over-allotment option, on a bought deal basis, at a price of \$6.00 per unit for total gross proceeds of \$143,865.

On April 7, 2017, the Trust completed the disposition of three assets totaling 112,783 sf in British Columbia for gross proceeds of \$21,000. The three assets have been classified as an asset held for sale since December 31, 2016 and were unencumbered at the time of sale.

On April 12, 2017, the Trust entered into an unsecured \$150,000 revolving operating loan facility (the “Unsecured Credit Facility”). The Unsecured Credit Facility has a three-year term and matures on April 12, 2020, bears interest currently at the lender’s prime rate plus 70 basis points or at the lender’s banker’s acceptance rate plus 170 basis points. The Unsecured Credit Facility provides that should the Trust achieve an investment grade rating, the applicable interest rates decline with improved credit ratings. The Trust has the option to increase the Unsecured Credit Facility up to an additional \$100,000 for a total facility limit of \$250,000. Concurrent with the closing of the Unsecured Credit Facility, the Trust terminated its \$110,000 secured revolving operating loan facility on the same day.

On April 25, 2017, the Trust completed the disposition of a 30,082 sf asset in Calgary, Alberta for gross proceeds of \$3,475. The asset has been classified as an asset held for sale since December 31, 2016 and was unencumbered at the time of sale.

On May 1, 2017, the Trust completed the disposition of a 32,351 sf asset in Winnipeg, Manitoba for gross proceeds of \$3,510. The asset has been classified as an asset held for sale since December 31, 2016 and was unencumbered at the time of sale.

As at May 9, 2017, the Trust has 9 properties classified as held for sale with an aggregate fair value of 69,204 and associated mortgage liabilities of \$18,448.

In April and May, the Trust repaid \$22,821 of maturing mortgages. As a result of these mortgage repayments, the Trust’s unencumbered asset pool as of May 9, 2017, has increased to \$379,089.

**ADDITIONAL INFORMATION**

Additional information relating to the Trust, including the Trust’s most recent annual information form, is available on SEDAR at [www.sedar.com](http://www.sedar.com) and on the Trust’s website at [www.piret.ca](http://www.piret.ca).

RECONCILIATIONS

IFRS to Proportionate Consolidation

The following table reconciles the consolidated statement of financial position as reported under IFRS to proportionate consolidation as at March 31, 2017:

<i>(thousands of Canadian dollars)</i>	IFRS	Adjustments	Proportionate Consolidation
<b>ASSETS</b>			
<b>Non-current assets:</b>			
Investment properties	\$ 2,370,574	\$ (48,504)	\$ 2,322,070
Loans receivable	895	-	895
	<b>2,371,469</b>	<b>(48,504)</b>	<b>2,322,965</b>
<b>Current assets:</b>			
Amounts receivable and other assets	12,145	(8)	12,137
Vendor take-back receivable	10,125	-	10,125
Cash held in trust	6,513	-	6,513
Cash	97,839	(271)	97,568
Assets held for sale	105,305	-	105,305
	<b>231,927</b>	<b>(279)</b>	<b>231,648</b>
	<b>\$ 2,603,396</b>	<b>\$ (48,783)</b>	<b>\$ 2,554,613</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities:</b>			
Unit based compensation	\$ 2,648	\$ -	\$ 2,648
Mortgages payable and bank loans	965,073	(18,766)	946,307
Preferred units of subsidiary	166	-	166
Deferred tax liability	19,709	-	19,709
Rental deposits	6,674	(52)	6,622
	<b>994,270</b>	<b>(18,818)</b>	<b>975,452</b>
<b>Current liabilities:</b>			
Accounts payable and accrued liabilities	39,741	(321)	39,420
Unit based compensation – current portion	1,965	-	1,965
Mortgages payable and bank loans – current portion	103,630	-	103,630
Rental deposits – current portion	1,387	-	1,387
Liabilities held for sale	20,876	-	20,876
	<b>167,599</b>	<b>(321)</b>	<b>167,278</b>
	<b>1,161,869</b>	<b>(19,139)</b>	<b>1,142,730</b>
<b>EQUITY</b>			
Unitholders' equity	1,411,883	-	1,411,883
Non-controlling interests	29,644	(29,644)	-
	<b>1,441,527</b>	<b>(29,644)</b>	<b>1,411,883</b>
	<b>\$ 2,603,396</b>	<b>\$ (48,783)</b>	<b>\$ 2,554,613</b>

The following table reconciles the consolidated statement of financial position as reported under IFRS to proportionate consolidation as at December 31, 2016:

<i>(thousands of Canadian dollars)</i>	IFRS	Adjustments	Proportionate Consolidation
<b>ASSETS</b>			
<b>Non-current assets:</b>			
Investment properties	\$ 2,320,845	\$ (45,557)	\$ 2,275,288
Mortgage reserve fund	-	-	-
Loans receivable	904	-	904
	<u>2,321,749</u>	<u>(45,557)</u>	<u>2,276,192</u>
<b>Current assets:</b>			
Amounts receivable and other assets	13,807	(29)	13,778
Vendor take-back receivable	10,125	-	10,125
Cash held in trust	2,459	-	2,459
Cash	56,945	(576)	56,369
Assets held for sale	111,452	-	111,452
	<u>194,788</u>	<u>(605)</u>	<u>194,183</u>
	<u>\$ 2,516,537</u>	<u>\$ (46,162)</u>	<u>\$ 2,470,375</u>
<b>LIABILITIES</b>			
<b>Non-current liabilities:</b>			
Unit based compensation	\$ 2,540	\$ -	\$ 2,540
Mortgages payable and bank loans	957,181	(18,941)	938,240
Preferred units of subsidiary	168	-	168
Deferred tax liability	18,199	-	18,199
Rental deposits	6,991	(53)	6,938
	<u>985,079</u>	<u>(18,994)</u>	<u>966,085</u>
<b>Current liabilities:</b>			
Accounts payable and accrued liabilities	39,519	(476)	39,043
Unit based compensation – current portion	1,561	-	1,561
Mortgages payable and bank loans – current portion	86,310	-	86,310
Rental deposits – current portion	1,431	-	1,431
Liabilities held for sale	23,442	-	23,442
	<u>152,263</u>	<u>(476)</u>	<u>151,787</u>
	<u>1,137,342</u>	<u>(19,470)</u>	<u>1,117,872</u>
<b>EQUITY</b>			
Unitholders' equity	1,352,503	-	1,352,503
Non-controlling interests	26,692	(26,692)	-
	<u>1,379,195</u>	<u>(26,692)</u>	<u>1,352,503</u>
	<u>\$ 2,516,537</u>	<u>\$ (46,162)</u>	<u>\$ 2,470,375</u>

The comparative information has been conformed to the current year's presentation

The following tables reconcile the consolidated statements of net earnings as reported under IFRS to proportionate consolidation for the three months ended March 31, 2017 and 2016:

<i>(thousands of Canadian dollars)</i>	Three months ended March 31, 2017		
	IFRS	Adjustments	Proportionate Consolidation
<b>Revenues:</b>			
Rental and recoveries	\$ 53,574	\$ (727)	\$ 52,847
<b>Property operating expenses:</b>			
Insurance	245	(6)	239
Management fees	1,310	(11)	1,299
Operating costs	4,515	(32)	4,483
Property taxes	12,975	(73)	12,902
	19,045	(123)	18,922
<b>Net operating income</b>	<b>34,529</b>	<b>(604)</b>	<b>33,925</b>
<b>Other income (expenses):</b>			
General and administrative	(2,315)	-	(2,315)
Fair value adjustments to investment properties	62,108	(2,640)	59,468
Fair value adjustments to financial instruments	(83)	-	(83)
IFRIC 21 fair value adjustments to investment properties	3,788	-	3,788
Loss on disposal of investment properties	(481)	-	(481)
Foreign currency loss	(867)	-	(867)
	62,150	(2,640)	59,510
<b>Net earnings before net finance expense</b>	<b>96,679</b>	<b>(3,244)</b>	<b>93,435</b>
Finance income	254	-	254
Finance expense	(10,718)	167	(10,551)
Net finance expense	(10,464)	167	(10,297)
<b>Net earnings before income taxes</b>	<b>86,215</b>	<b>(3,077)</b>	<b>83,138</b>
Income tax expense	(2,110)	-	(2,110)
<b>Net earnings</b>	<b>\$ 84,105</b>	<b>\$ (3,077)</b>	<b>\$ 81,028</b>

<i>(thousands of Canadian dollars)</i>	Three months ended March 31, 2016		
	IFRS	Adjustments	Proportionate Consolidation
<b>Revenues:</b>			
Rental and recoveries	\$ 43,546	\$ (866)	\$ 42,680
<b>Property operating expenses:</b>			
Insurance	216	(5)	211
Management fees	1,188	(52)	1,136
Operating costs	4,010	(26)	3,984
Property taxes	10,874	(75)	10,799
	16,288	(158)	16,130
<b>Net operating income</b>	<b>27,258</b>	<b>(708)</b>	<b>26,550</b>
<b>Other income (expenses):</b>			
General and administrative	(1,640)	8	(1,632)
Fair value adjustments to investment properties	(873)	11	(862)
Fair value adjustments to financial instruments	(1,113)	-	(1,113)
IFRIC 21 fair value adjustments to investment properties	2,961	-	2,961
Gain on disposal of investment properties	67	-	67
Foreign currency loss	(13)	-	(13)
	(611)	19	(592)
<b>Net earnings before net finance expense</b>	<b>26,647</b>	<b>(689)</b>	<b>25,958</b>
Finance income	288	-	288
Finance expense	(9,493)	163	(9,330)
Net finance expense	(9,205)	163	(9,042)
<b>Net earnings before income taxes</b>	<b>17,442</b>	<b>(526)</b>	<b>16,916</b>
Income tax expense	(1,087)	-	(1,087)
<b>Net earnings</b>	<b>\$ 16,355</b>	<b>\$ (526)</b>	<b>\$ 15,829</b>

The comparative information has been conformed to the current year's presentation

## **ADDITIONAL IFRS MEASURE AND NON-IFRS MEASURES**

### Additional IFRS Measure

#### Net Operating Income (“NOI”)

NOI is an industry term in widespread use. The Trust includes NOI as an additional IFRS measure in its consolidated statement of net earnings. NOI as calculated by the Trust may not be comparable to similar titled measures reported by other issuers. The Trust considers NOI a meaningful additional measure of operating performance of its property assets, prior to financing considerations. NOI is defined as income from properties after operating expenses have been deducted, but before deducting interest expense, finance costs, amortization expense, general and administrative expenses, income taxes, leasehold improvement and external leasing costs, capital expenditures, and before adjustments for fair value changes and gains/losses on the disposition of investment properties.

### Non-IFRS Measures

The Trust has included certain non-IFRS measures throughout this MD&A. Management believes that in addition to conventional measures prepared in accordance with IFRS, investors in the real estate industry use these non-IFRS financial measures to evaluate the Trust’s performance, ability to generate cash flows and financial condition. Accordingly, these non-IFRS financial measures are intended to provide additional information and should not be considered in isolation or as a substitute for performance measures prepared in accordance with IFRS. The non-IFRS financial measures do not have standardized meanings and may not be comparable to measures used by other issuers in the real estate industry or other industries. The non-IFRS financial measures noted in this MD&A include Adjusted Funds From Operations (“AFFO”), AFFO Payout Ratio (“POR”), Debt to EBITDA, Debt Service Coverage, Earnings Before, Interest, Taxes, Depreciation and Amortization (“EBITDA”), Funds From Operations (“FFO”), FFO Payout Ratio (“POR”), Going-in Cap Rate, Gross Book Value (“GBV”), Indebtedness, Interest Coverage, Loan to GBV, Loan To Value, Occupancy Levels, Net Asset Value, Same Property Adjusted Net Operating Income (“SPNOI”), Weighted Average Effective Interest Rate, and Weighted Average Lease Term (“WALT”).

a) Adjusted Funds From Operations (“AFFO”)

“AFFO” is not defined under IFRS. The Trust calculates AFFO in accordance with the recommendations of REALpac. AFFO is defined as FFO plus/minus certain adjustments, including: (i) accrued rental revenue relating to straight-line rents; and (ii) recoverable and non-recoverable capital expenditures (including leasing commissions, tenant improvements & allowances), and all are adjusted for non-controlling interests.

b) Adjusted Net Operating Income (“Adjusted NOI”)

“Adjusted NOI” is defined as NOI, excluding adjustments for property taxes accounted for under IFRIC 21. IFRIC 21 removes the Trust’s ability to accrue and recognize property taxes on a pro-rata basis throughout the given reporting period. As a result, property taxes must be recognized when the obligating event occurs, which falls on various dates throughout the given reporting year for the properties owned and operated.

c) AFFO Payout Ratio

“AFFO Payout Ratio” is defined as the ratio of distribution rate per unit to fully diluted AFFO per unit.

d) Debt to EBITDA

“Debt to EBITDA” is defined as the ratio of indebtedness divided by the EBITDA.

e) Debt to Gross Book Value

“Debt to Gross Book Value” is defined as the ratio of Indebtedness to total Gross Book Value

f) Debt Service Coverage

“Debt Service Coverage” is defined as the ratio of EBITDA divided by total interest and mortgage amortization payments paid in the period.

g) Earnings Before Interest, Taxes, Depreciation and Amortization (“EBITDA”)

The Trust calculates “EBITDA” as net operating income less general and administrative expenses.

h) Funds From Operations (“FFO”)

“FFO” is not defined under IFRS. The Trust calculates FFO in accordance with the recommendations of the REALpac. FFO is defined as net earnings or losses attributable to common unitholders calculated in accordance with IFRS, excluding: (i) unrealized foreign currency gains or losses; (ii) fair value adjustments to investment properties; (iii) fair value adjustments to financial instruments; (iv) gains or losses on the sale of investment properties; (v) deferred income tax expense; (vi) fair value adjustments relating to unit-based compensation liabilities; and (vii) the addition of internal leasing costs expensed through compensation expense, and all of the above are adjusted for non-controlling interests.

i) FFO Payout Ratio

“FFO Payout Ratio” is defined as the ratio of distribution rate per unit to fully diluted FFO per unit.

j) Going-in Cap Rate

“Going-in Cap Rate” is defined as the capitalization rate (NOI relative to the value of an investment property) at the date of acquisition.

k) Gross Book Value (“GBV”)

“GBV” is defined as the total book value of the assets plus accumulated amortization in respect of such assets (and related intangible assets), as applicable, the amount of future income tax liability arising out of indirect acquisitions and excluding the amount of any receivable reflecting interest rate subsidies on any debt assumed by the Trust.

l) Indebtedness

“Indebtedness” is defined as any obligation of the Trust for borrowed money (including the face amount outstanding under any convertible debentures and any outstanding liabilities of the Trust arising from the issuance of subordinated notes but excluding any premium in respect of indebtedness assumed by the Trust for which the Trust has the benefit of an interest rate subsidy), but excludes trade accounts payable, distributions payable to unitholders, accrued liabilities arising in the ordinary course of business and short-term acquisition credit facilities.

m) Indebtedness Ratio

“Indebtedness Ratio” is defined as the ratio between the Trust’s indebtedness and the gross book value of the assets of the Trust.

n) Interest Coverage

“Interest Coverage” is defined as the ratio of EBITDA divided by interest expense.

o) Loan to value (“LTV”)

“LTV” is defined as the total indebtedness divided by the fair value of an investment property.

p) Net Asset Value (“NAV”) per unit

“NAV” is defined as the Trust’s unit holders’ equity divided by the number of outstanding units of the Trust as at the reporting date.

q) Occupancy levels

“Occupancy levels” are presented in different manners depending on its context. It could be presented as a weighted average portfolio occupancy, based on the area weightings, when analyzing the overall operating performance of the Trust’s portfolio, or as a point-in-time reference when analyzing future lease expiries, or as an assessment of the performance of each property period over period. Management considers this a useful measure in assessing the overall performance of its portfolio and is an essential tool to determine which properties require further investigation if performance lags.

r) Proportionate Share GLA

“Proportionate Share GLA” is defined as the Trust’s proportionate share in the interest of all properties under management by the Trust.

s) Same Property Adjusted Net Operating Income (“SPNOI”)

“SPNOI” represents Adjusted NOI operating results for the same investment properties over both reporting periods, and is intended to measure the period-over-period performance of the same asset base. An investment property must be owned for the entire period for inclusion in this measure. This measure adjusts for the impact of investment properties that have been sold or acquired during the current period.

t) Weighted average effective interest rate

Represents finance expenses, including mortgage and bank interest and amortization of financing costs, divided by the weighted average of mortgages payable and bank loans. This calculation is a useful measure because it allows management to compare movements in interest rates period over period and to compare the average rate to the current market rates at that point in time.

u) Weighted average lease term (“WALT”)

“WALT” is a measurement of the average term (expressed in years) remaining in each of the Trust’s leases, weighted by the size of the GLA each lease represents of the total GLA of the Trust’s portfolio. WALT is a common performance measure used in the real estate industry which is useful in measuring the vacancy risk and the stability of future cash flows of the Trust’s properties.