



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

For the three months ended March 31, 2018

May 14, 2018

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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, 2018 and 2017 should be read in conjunction with the Trust's condensed consolidated interim financial statements for the three months ended March 31, 2018 and 2017, the Trust's consolidated financial statements for the years ended December 31, 2017 and 2016, and the MD&A for the year ended December 31, 2017, available on SEDAR at 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 not rise significantly relative to 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, 2017 available on SEDAR at www.sedar.com.

These forward-looking statements are made as of May 14, 2018, and the Trust assumes no obligation to update or revise them to reflect new events or circumstances, except as required by law.

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 as amended and restated on November 18, 2010, May 28, 2015 and May 10, 2017 (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 Suite 2100, 121 King Street West, Toronto, Ontario, M5H 3T9, Canada.

Operational and Financial Highlights

	March 31, 2018	December 31, 2017
Number of income producing properties("IPP") ¹	173	173
Gross Leasable Area ("GLA") (000s) (Assets Under Management ("AUM")) ¹	25,432	25,298
Proportionate Share GLA (000s) ¹	24,206	24,071
Properties under development/expansion ("PUD")	3	1
Land held for future development (acres)	145.8	131.6
Investment properties (\$000s)	\$3,209,951	\$3,108,059
Mortgages payable and other loans (\$000s)	\$1,292,753	\$1,211,920
Weighted average debt term to maturity on mortgages (years)	4.6	4.7
Debt to gross book value ³	39.4%	37.8%
Debt to EBITDA ³	8.4	8.0
Occupancy, end of period including committed* ¹	95.7%	95.6%
Occupancy, end of period* ¹	93.1%	95.4%
Occupancy, average for the three months ended	94.4%	96.8%
Lease, weighted average remaining term (years) ¹	6.5	6.3

* Includes 760,256 square foot ("sf") vacant space acquired in December 2017 ("King Mill II Acquisition", defined hererin). Excluding this space, occupancy at the end of the period is 95.9% and committed occupancy is 98.6%.

(\$000s, except per unit, ratio, and % basis)	Three months ended	
	March 31	
	2018	2017
Weighted average effective cost of debt	3.73%	4.00%
Debt service coverage	2.12	1.95
Interest coverage	3.29	3.36
Revenue	\$62,832	\$53,574
Net earnings	25,127	84,105
Net operating income ("NOI") ²	37,729	34,529
Adjusted Net Operating Income ("Adjusted NOI") ^{3,4}	44,272	38,317
Distributions	\$23,858	\$19,164
Per Unit ⁵	0.08	0.08
Funds from operations ("FFO") ^{3,5,6}	\$30,720	\$25,478
Per Unit (fully diluted) ⁵	0.10	0.10
Payout ratio ⁵	77.8%	75.3%
Adjusted funds from operations ("AFFO") ^{3,5,6}	\$26,679	\$22,654
Per Unit (fully diluted) ⁵	0.09	0.09
Payout ratio ⁵	89.6%	84.7%

¹ Excludes properties classified as assets held for sale ("AHFS").

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

³ Non-IFRS measures are further defined in Section VI "Additional IFRS Measures and Non-IFRS Measures".

⁴ Adjusted NOI removes the impact of IFRIC 21.

⁵ 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.

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, 2018 includes material information up to May 14, 2018. This MD&A should be read in conjunction with the Trust's condensed consolidated interim financial statements for the three months ended March 31, 2018, and 2017, available on SEDAR at www.sedar.com.

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

Management Comments

During the three months ended March 31, 2018, the Trust executed on the following major transactions:

- the acquisition of a 14,818 sf industrial property, consisting of two buildings, located adjacent to an existing property of the Trust in Edmonton, Alberta for a purchase price of \$1,900, which closed on January 31, 2018. Upon acquisition, the property was immediately classified as properties under development. The property will be redeveloped to accommodate the expansion and lease extension of a current tenant situated on the Trust's adjacent property. Construction is expected to be substantially complete in late Q2-2018 at an estimated cost of \$1,070;
- the acquisition of a newly-constructed 287,338 sf property in Montreal, Quebec for a purchase price of \$32,500, which closed on February 1, 2018. The Trust assumed a mortgage in the amount of \$22,807 with 7.5 years remaining on the term and the annual interest rate is fixed through a swap agreement at 3.48%;
- the disposition of a 17,180 sf investment property located in Vaughan, Ontario for gross proceeds of \$3,608. The property was unencumbered and not classified as held for sale as at December 31, 2017; and
- the acquisition of a 12,647 sf building on 38.1 acres of land, and an adjacent 14.2 acres of income-producing land located in Acheson, Alberta for a purchase price of \$48,000, which closed on February 22, 2018. The Trust assumed two loans totaling \$25,482 with 3 years remaining on the terms and with fixed interest rates of 3.47% and 3.75% per annum (weighted average interest rate of 3.53%).

FFO for the three months ended March 31, 2018 increased 20.6% over the same period in the prior year and also was flat when compared to Q4-2017. FFO in Q1-2018 was positively impacted by an increase in same property NOI (“SPNOI”), incremental NOI earned from acquisition activities, and the completion of the Richmond, British Columbia development which became income producing in December 2017. The increase is partially offset by NOI lost due to the Trust’s continued efforts to recycle capital resulting in the disposition of one property during the quarter, higher general and administrative (“G&A”) expenses and the unfavourable average US dollar exchange rate in the period (US\$1.00: C\$1.2647), compared to the same period in the prior year (US\$1.00: C\$1.3238). FFO per Unit (“FFOPU”) decreased by 4.0% for the three months ended March 31, 2018 over the same quarter in the prior year and was flat when compared to Q4-2017. The flat FFOPU during the quarter compared to Q4-2017 is due to the incremental NOI earned from the three properties acquired during the quarter, net of higher interest expense from new mortgages and draws on the Trust’s term loan and operating line, and the vacant space from the King Mill acquisition completed in Q4-2017.

AFFO for the three months ended March 31, 2018 increased 17.8% over the same period in the prior year and also increased by 0.9% when compared to Q4-2017. The increase in AFFO over the same period in the prior year is due to higher SPNOI and successful acquisition and development activity during the 2017 and current year, offset partially by the unfavourable average US dollar exchange rate in the period. The Trust’s AFFO per Unit (“AFFOPU”) decreased by 5.7% for the three months ended March 31, 2018 compared to the prior year and increased by 1.1% from Q4-2017. The favourable AFFOPU during the quarter compared to Q4-2017 is mostly due to lower capital expenditures in Q1-2018 compared to Q4-2017.

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, 2018 amounted to an expense of \$6,543 to NOI. The Trust’s adjusted NOI of \$44,272 for the three months ended March 31, 2018 increased by \$5,955 or 15.5% over the same period in the prior year, primarily due to the impact of fifteen income-producing properties acquired from April 2017 to March 2018, predominantly in Ontario and the US; the contributions from the Richmond, British Columbia development which became income producing in December 2017; and organic growth through an increase in SPNOI. The increase was partially offset by the disposition of sixteen properties from April 2017 to March 2018; and an unfavourable average US dollar exchange rate for the three months ended March 31, 2018 compared to the same period in the prior year.

For the three months ended March 31, 2018, total G&A expenses increased by \$3,363 or 145% relative to the same period in the prior year, representing 9.0% and 4.3% of rental and recoveries revenue, respectively. Current period G&A expense includes \$2,068 of special transaction costs relating to the Transaction (defined herein). In addition, included in G&A expenses is the non-cash fair value component of remeasuring the Trust’s unit-based compensation liabilities totaling \$1,773 expense for the three months ended March 31, 2018 and \$635 expense for the same period in the prior year. G&A expenses excluding the special transaction costs and the non-cash fair value component of unit-based compensation, represents 2.9% and 3.1% of rental and recoveries revenue, for the three months ended March 31, 2018 and for the same period in the prior year, respectively. The adjusted G&A expenses are \$157 higher compared to the same period in the prior year due mostly to higher compensation expense.

The occupancy of the portfolio was 93.1% as at March 31, 2018, excluding properties classified as assets held for sale, a decrease of 230 basis points from December 31, 2017. Including committed leasing, the occupancy is 95.7% as at March 31, 2018 compared to 95.6% as at December 31, 2017. On December 14, 2017, the Trust acquired a newly-constructed 760,256 sf distribution centre, as vacant. Normalizing for this vacancy, the occupancy would be 95.9%, and including committed leasing, the occupancy would be 98.6%. The weighted average lease term for the Trust’s portfolio increased from 6.3 years to 6.5 years between Q4-2017 to Q1-2018. During the three months ended March 31, 2018, approximately 101,000 sf of new leases were signed and 340,000 sf of expiring space was renewed at virtually flat rents with an average decrease of 0.4% below the expiring rents.

The Trust’s Debt to Gross Book Value was 39.4% as at March 31, 2018 which was 160 basis points higher than December 31, 2017. The increase in the leverage metric was predominately attributable to the Trust drawing the remaining \$25,000 available on its unsecured term loan, draws on the operating line, as well as the assumption of three new mortgages, all pertaining to acquisitions completed in the quarter. The Trust set a leverage target of approximately 40% and is within this target as at the end of Q1-2018.

As at March 31, 2018, the Trust had \$81,252 in cash and available lines, a decrease of \$31,709 from Q4-2017, which is attributed to draws made on the \$150,000 Unsecured Credit Facility entered into in April 2017, for acquisitions made in Q1-2018.

OUTLOOK

Real Estate Fundamentals

Canada

In Q1 2018, Canada posted another quarter of strong industrial real estate fundamentals. Nationally, supply and demand for industrial real estate continue in an imbalance which has caused the National availability rate to decrease for the seventh consecutive quarter and rents to increase to yet another record high. These national trends are more pronounced in the strongest industrial markets of Toronto and Vancouver.

According to CBRE, the Canadian National availability rate fell 10 basis points (“bps”) from Q4-2017 to 4.1% in Q1-2018, the lowest quarterly figure since 2001. This decrease was led by Toronto (2.1%), Vancouver (2.3%) and Winnipeg (3.5%).

Nationally, approximately 5.1 million sf of positive net absorption occurred in the quarter up from 4.5 million sf in Q4 2017. This was led by Toronto (2.2 million sf), Montreal (2.4 million sf) and London (0.7 million sf). New supply in Q1 2018 was 2.9 million sf which continues to lag below the five-year average of 3.8 million sf. Of the total new supply in Q1 2018, 72% occurred in Toronto (2.1 million sf) and 11% in Vancouver (0.3 million sf).

The supply and demand imbalance has continued put upward pressure on rents increasing the National average net asking rent to a yet another record high at \$7.10 per sf, a 7.0% year-over-year increase. National rent increases were led by Vancouver, Toronto and London where rents grew 25.6%, 11.3% and 9.6%, year-over-year, respectively.

According to the CBRE Capitalization Rate Survey for Q1-2018, the industrial asset class continues to be one of the strongest across the country. Yields have continued to compress due to a lack of supply and strong leasing fundamentals. The national Class A capitalization rate fell quarter over quarter by 3 bps from 5.34% in Q4 2017 to 5.31% in Q1 2018. The national Class B capitalization rate fell quarter over quarter by 11 bps from 6.42% in Q4 2017 to 6.31% in Q1 2018. The bulk of the industrial cap rate compression seen over the first quarter took place in Montreal, where Class A yields fell by 38 bps and Edmonton and Calgary where Class B yields compressed by 25bps in both markets.

U.S.A.

According to CBRE, US industrial demand returned in Q1 2018 to outpace supply. The national availability rate declined to 7.3%, the lowest level since Q1 2001. Additionally, Q1 2018 marked the 32nd consecutive quarter of positive net absorption, the longest streak in almost 20 years. Q1 2018 national asking rents increased 1.9% for the quarter and 5.9% year-over-year to \$7.01 per sf, another record high.

According to the Real Capital Analytics Figures for Q1-2018, total investment volume for USA industrial real estate assets increased by 11% compared to the previous quarter and 34% compared to the same period in the prior year. As a result, Real Capital Analytics reported national capitalization rates for industrial properties compress further, decreasing by 29bps from approximately 6.7% in Q4-2017 to 6.4% in Q1-2018.

SECTION II**RESULTS OF OPERATIONS**

	Three months ended	
	March 31	
(\$000s, except per unit information)	2018	2017
Revenues:		
Rental and recoveries	\$62,832	\$53,574
Property operating expenses:		
Insurance	331	245
Management fees	1,504	1,310
Operating costs	5,597	4,515
Property taxes	17,671	12,975
	25,103	19,045
Net operating income	37,729	34,529
Other income (expense)		
General and administrative expense	(5,678)	(2,315)
Fair value adjustment to investment properties	(1,549)	62,108
Fair value adjustments to financial instruments	759	(83)
IFRIC 21 fair value adjustments	6,543	3,788
Loss on disposal of investment properties	(292)	(481)
Foreign currency gain/(loss)	19	(867)
	(198)	62,150
Net earnings before net finance expense	37,531	96,679
Finance income	182	254
Finance expense	(11,746)	(10,718)
Net finance expense	(11,564)	(10,464)
Net earnings before income taxes	25,967	86,215
Income tax expense	(840)	(2,110)
Net earnings	\$25,127	\$84,105
Net earnings attributable to:		
Unitholders	25,059	81,028
Non-controlling interests	68	3,077
Trust Units – Weighted average (000s)	305,880	245,688
Net earnings to unitholders per Unit	\$0.08	\$0.33
Trust Units – Fully diluted weighted average (000s)	306,359	246,046
Net earnings to unitholders per Unit	\$0.08	\$0.33

For the three months ended March 31, 2018, the Trust reported net earnings of \$25,127, compared to net earnings of \$84,105 for the same period in 2017. The decrease in net earnings for the three months ended March 31, 2018 relative to the same period in 2017 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 base 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, 2018, the rental and recoveries revenue increased by \$9,258, primarily due to the fourteen acquisitions of income producing properties made in 2017; the revenue earned from the Richmond distribution facility which completed construction in December 2017; and the acquisition of three income producing

properties in Q1-2018. The increase was partially offset by the disposition of seventeen income producing properties in 2017 and one income producing property in Q1-2018; the sale of a 75% interest in five investment properties in March 2017; and an unfavourable average US dollar exchange rate for the period (US\$1:00:C\$1.2647 for the three months ended March 31, 2018 compared to US\$1:00: C\$1.3238 for the three months ended March 31, 2017).

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 and year ended March 31, 2018, property operating expenses increased by \$6,058, compared to the same period in the prior year, primarily due to the net increase in the number of income producing properties; and a higher IFRIC 21 adjustment due to an increase in US properties; offset partially by the weaker average US dollar exchange rate for the period relative to the prior year.

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, except % basis)	Three months ended March 31			
	2018		2017	
Compensation expenses, excluding fair value adjustments	\$896	15.8%	\$654	28.3%
Non-cash fair value compensation expense	1,773	31.2%	635	27.4%
Administrative expenses	163	2.9%	159	6.9%
Legal and filing fees	119	2.1%	256	11.1%
Professional fees	240	4.2%	262	11.3%
Technology	96	1.7%	63	2.7%
Insurance	23	0.4%	24	1.0%
Other expenses	300	5.3%	262	11.3%
Special transaction costs	2,068	36.4%	-	0.0%
Total	\$5,678	100.0%	\$2,315	100.0%
As a percentage of rental and recoveries revenue	9.0%		4.3%	

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 and office related expenditures. Professional fees include audit fees, tax compliance and advisory, internal controls advisory fees paid to third parties, professional dues and other consulting fees. Other expenses include advertising, promotion, travel, bank charges and acquisition pursuit costs. Special transaction costs are expenses relating to the Transaction.

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 variables, depending on that particular tenant. As the Trust's portfolio grows, management fees are expected to increase accordingly.

For the three months ended March 31, 2018, total G&A expenses increased by \$3,363 or 145% relative to the same period in the prior year, representing 9.0% and 4.3% of rental and recoveries revenue, respectively. Current period G&A expense includes \$2,068 of special transaction costs. In addition, included in G&A expenses is the non-cash fair value component of remeasuring the Trust's unit-based compensation liabilities totaling \$1,773 expense for the three months ended March 31, 2018 and \$635 expense for the same period in the prior year. G&A expenses excluding the special transaction costs and the non-cash fair value component of unit-based compensation, represents 2.9% and 3.1% of rental and recoveries revenue, for the three months ended March 31, 2018 and for the same period in the prior year, respectively. The adjusted G&A expenses are \$157 higher compared to the same period in the prior year due to higher compensation expense.

For the three months March 31, 2018, unit-based compensation expense of \$2,043 was recognized in net earnings in relation to the unit incentive options, restricted units, deferred units and distribution units issued compared to a unit-based compensation expense of \$756 for the three months ended March 31, 2017. The increase in unit-based compensation expense for the three months ended March 31, 2018 is due to a fair value adjustment expense relating to the restricted unit, unit incentive option and deferred unit liabilities driven primarily by the 19.8% increase in the Trust's unit price during the quarter.

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, 2018, the Trust recorded a fair value loss adjustment of \$1,549 (three months ended March 31, 2017 – gain of \$62,108). The fair value adjustment to investment properties was due to the valuation loss on investment properties of \$1,274 (three months ended March 31, 2017 – gain of \$63,332), the write-off of standard acquisition costs, including land transfer tax transaction costs, of \$168 (three months ended March 31, 2017 – \$300), and \$1,531 (three months ended March 31, 2017 – \$924) in straight-line rental revenue adjustments, offset by \$1,424 (three months ended March 31, 2017 - \$nil) in other adjustments.

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

Valuation (loss) gain (\$000s)	Three months ended March 31	
	2018	2017
British Columbia	121	\$6,163
Alberta	712	3,630
Ontario	(1,910)	50,093
US	(125)	-
Other	(73)	-
Assets Held for Sale	-	3,446
	(1,274)	\$63,332

During the three months ended March 31, 2018, the Trust obtained 4 independent appraisals for properties owned at December 31, 2017, as well as 3 for investment properties 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, 2018 (December 31, 2017 – 82%).

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 an outstanding notional amount of \$171,728. The swaps were entered to fix the interest rates against certain 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, 2018, the Trust recorded a fair value adjustment gain of \$759 (three months ended March 31, 2017 – loss of \$83) on the interest rate swaps.

Finance Expense

Finance expense includes interest expense, loan fees, 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, 2018 was \$11,746 (three months ended March 31, 2017 - \$10,718). The increase of \$1,028 compared to the same period in the prior year is mainly due to the increase in debt levels late 2017 and the first quarter of 2018, mainly related to bank and term loans. The weighted average interest rate on the Trust's debt for the three months ended March 31, 2018 was 3.73% compared to 4.00% for the same period in the prior year. The Trust's mortgages mature between 2018 and 2032 with a weighted average mortgage term of 4.6 years at March 31, 2018 (December 31, 2017 – 4.7 years).

During the three months ended March 31, 2018, interest capitalized to properties under development was \$41 (three months ended March 31, 2017 - \$36) and was based on a weighted average interest rate of 6.3% (three months ended March 31, 2017 – 6.3%).

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 the temporary differences give rise to deferred tax liabilities totaling \$15,597 as at March 31, 2018 (December 31, 2017 - \$14,604).

On December 22, 2017, the President of the United States signed into law the *Tax Cuts and Jobs Act* (“US Tax Reform”). The US Tax Reform reduces the US federal corporate income tax rate from 35% to 21% effective as of January 1, 2018.

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 the US Subsidiary to its shareholder are subject to 30% withholding tax in the US and gives rise to current income tax expense of \$252 for the three months ended March 31, 2018 (three months ended March 31, 2017 – \$434).

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, 2018 (three months ended March 31, 2017 – \$0.026). During the three months ended March 31, 2018, distributions totaled \$23,858 to Class A unitholders (three months ended March 31, 2017 - \$19,164).

FUNDS FROM OPERATIONS AND ADJUSTED FUNDS FROM OPERATIONS

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, foreign currency gains or losses, deferred income taxes, gains or losses from property dispositions, fair value adjustments relating to unit compensation liabilities, and internal leasing costs, 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 measure 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 actual recoverable and non-recoverable capital expenditures, leasing costs, tenant improvement and allowances, 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.

For the three months ended March 31, 2018, the Trust has adjusted both FFO and AFFO for special transaction costs incurred of \$2,068 relating to the Transaction. Although the add-back of special transaction costs to net income to arrive at FFO and AFFO is not in compliance with the REALpac White Paper on FFO and AFFO, management believes it is consistent with industry practice and provides a better representation of recurring FFO and AFFO.

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

	Three months ended	
	March 31	
	2018	2017
<i>(\$000s, except per unit basis and % basis)</i>		
Net earnings	\$25,127	\$84,105
Net earnings attributable to non-controlling interests	(68)	(3,077)
Net earnings attributable to common unitholders	\$25,059	\$81,028
Adjustments:		
Fair value adjustment to investment properties	1,549	(62,108)
Less non-controlling interests' share of fair value adjustment	-	2,640
Loss on sale of investment properties	292	481
Deferred income tax expense	588	1,676
Foreign currency (gain) loss	(19)	862
Fair value adjustment to financial instruments	(759)	83
Fair value adjustments to unit based compensation	1,773	635
Internal leasing costs	169	181
Special transaction costs	2,068	-
Funds from operations	\$30,720	\$25,478
Capital expenditures	(1,832)	(731)
Less non-controlling interests' share of capital expenditures	-	129
Leasing costs	(408)	(1,504)
Less non-controlling interests' share of leasing costs	-	414
Internal leasing costs	(169)	(181)
Tenant improvement/allowance	(101)	(81)
Straight-line rent adjustment	(1,531)	(924)
Less non-controlling interests' share of straight line rent adjustment	-	55
Adjusted funds from operations	\$26,679	\$22,655
Weighted average number of Class A units (000s)	305,880	245,688
Diluted weighted average number of Class A units (000s)	306,359	246,046
FFO per Unit - Basic	0.10	0.10
FFO per unit - Diluted	0.10	0.10
Payout Ratio on FFO ¹	77.8%	75.3%
AFFO per unit – Basic	0.09	0.09
AFFO per unit – Diluted	0.09	0.09
Payout Ratio on AFFO ¹	89.6%	84.7%

¹ 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.

Benefiting from a number of accretive acquisitions and successful developments in 2017 and in the first quarter of 2018, FFO and AFFO on an absolute dollar basis were higher for the first quarter of 2018 compared to the same period in 2017.

FFO per unit for the three months ended March 31, 2018 was 10.0 cents compared to 10.4 cents in the comparative period in 2017. The quarter-over-quarter decrease is mostly attributable to the unfavourable average US dollar exchange rate relative to the prior year period, and a reduction in the Trust's overall leverage.

AFFO per unit for the three months ended March 31, 2018 was 8.7 cents which was 0.5 cents lower than the same period in 2017. The quarter-over-quarter decrease in AFFO per unit is largely the result of the unfavourable average US dollar exchange rate, relative to the prior year period, and a reduction in the Trust’s overall leverage.

SEGMENTED INFORMATION

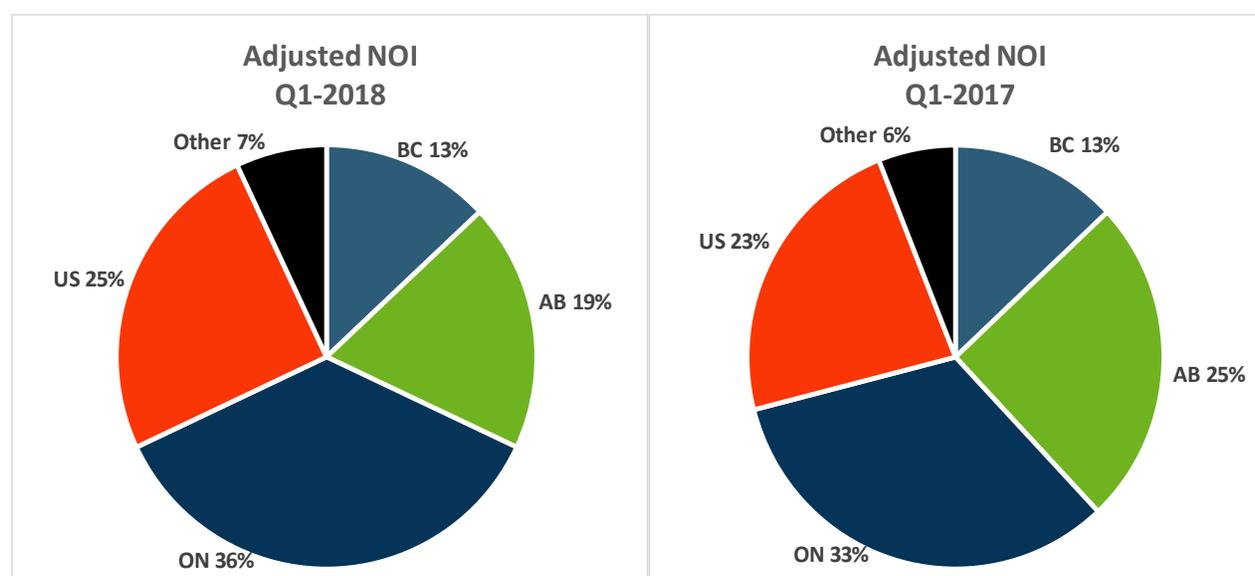
The Trust has five reportable segments, which are: British Columbia (BC), Alberta (AB), Ontario (ON), the United States (US), and Other (representing less significant markets in Canada). For each of the geographic locations, the CEO reviews operations based on Adjusted NOI by geographic location, as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

Quarter over quarter

<i>Adjusted NOI (\$000s)</i>	Three months ended		Change	
	March 31 2018	2017	(\$)	(%)
British Columbia	\$5,641	\$5,045	\$596	11.8%
Alberta	8,526	9,667	(1,141)	-11.8%
Ontario	15,787	12,564	3,223	25.7%
US	11,169	8,814	2,355	26.7%
Other	3,149	2,227	922	41.4%
Adjusted NOI	\$44,272	\$38,317	\$5,955	15.5%
<i>Average occupancy during the quarter ¹</i>	94.4%	97.1%	-2.7%	
<i>Average occupied sf during the quarter (000 sf)</i>	24,108	20,530	3,578	

¹ Includes 760,256 sf vacant space acquired in December 2017. Excluding this space, average occupancy during Q1-2018 is 97.3%.

For the three months ended March 31, 2018, adjusted NOI increased 15.5%, compared to the same period in the prior year, primarily due to the impact of fifteen properties acquired from April 2017 to March 2018, predominantly in Ontario and the US; the contributions from the Richmond distribution facility which became income producing in December 2017; and organic growth through an increase in SPNOI. The increase was partially offset by the disposition of sixteen properties from April 2017 to March 2018; and an unfavourable average US dollar exchange rate for the three months ended March 31, 2018 (US\$1:00:C\$1.2647) compared to the same period in the prior year (US\$1.00:C\$1.3238).



Same Property Adjusted Net Operating Income

Quarter over quarter

	Three months ended		Change	
	March 31			
Adjusted NOI (\$000s)	2018	2017	(\$)	(%)
British Columbia	\$4,479	\$4,387	92	2.1%
Alberta	8,632	8,891	(259)	(2.9%)
Ontario	12,687	12,528	159	1.3%
Other	2,280	2,060	220	10.7%
Canada	28,078	27,866	212	0.8%
US (in CAD)	8,032	8,165	(133)	(1.6%)
Assets held for sale	313	356	(43)	(12.0%)
Same properties	36,423	36,387	36	0.1%
Partnership and joint venture fees	225	233	(8)	(3.3%)
Transactions	7,624	1,697	5,927	349.2%
Adjusted NOI	\$44,272	\$38,317	\$5,955	15.5%
<i>Average occupancy of same property during the period</i>	96.9%	97.1%		

	Three months ended		Change	
	March 31			
Adjusted NOI (\$000s)	2018	2017	(\$)	(%)
US (in USD)	\$6,351	\$6,168	183	3.0%
Foreign exchange rate	1.2647	1.3238		
US (in CAD)	\$8,032	\$8,165	(133)	(1.6%)

SPNOI, normalizing for the impact of the IFRIC 21 adjustments, includes properties that were owned by the Trust during both the comparative periods. For the three months ended March 31, 2018, the Trust's SPNOI increased by \$36 or 0.1% from 19.2 million sf of GLA, representing 75.1% of the Trust's overall portfolio. The relatively flat SPNOI is driven by average occupancy decreases of 153,000 sf in Ontario (largely related to the Trust's 627,731 sf asset located in Bolton, Ontario, where tenant Best Buy vacated effective February 28, 2018) and 37,000 sf in Alberta, along with an unfavourable average US dollar exchange rate for the period, compared to the same period in the prior year, offset by average occupancy increases of 62,000 sf in Manitoba and 100,000 sf in the US.

On a constant currency basis, eliminating the impact of the change in the US dollar exchange rate quarter over quarter, the Trust's SPNOI increased 1.1% for the three months ended March 31, 2018 relative to the same period in the prior year.

Occupancy and Leasing

The Trust's lease expiries and expiring rents for all income producing properties as at March 31, 2018 are as follows:

<i>GLA, AUM (000s)</i> ¹	BC	AB	ON	US	Other	Total	% of GLA
2018	-	198	486	405	73	1,162	4.6%
2019	435	456	958	557	197	2,603	10.2%
2020	-	395	899	844	145	2,283	9.0%
2021	120	476	1,025	408	119	2,148	8.4%
2022	674	300	1,768	2,266	165	5,173	20.3%
2023	65	498	366	141	27	1,097	4.3%
2024	966	37	344	1,766	181	3,294	13.0%
2025	-	226	312	392	161	1,091	4.3%
2026	182	164	243	427	-	1,016	4.0%
2027	-	94	225	203	384	906	3.6%
Thereafter	357	752	1,492	68	222	2,891	11.4%
Occupied	2,799	3,596	8,118	7,477	1,674	23,664	93.0%
Vacant	-	141	748	850	29	1,768	7.0%
Total	2,799	3,737	8,866	8,327	1,703	25,432	100.0%
<i>Occupied %</i>	<i>100.0%</i>	<i>96.2%</i>	<i>91.6%</i>	<i>89.8%</i>	<i>98.3%</i>	<i>93.0%</i>	

¹ Excludes GLA associated with properties classified as assets held for sale.

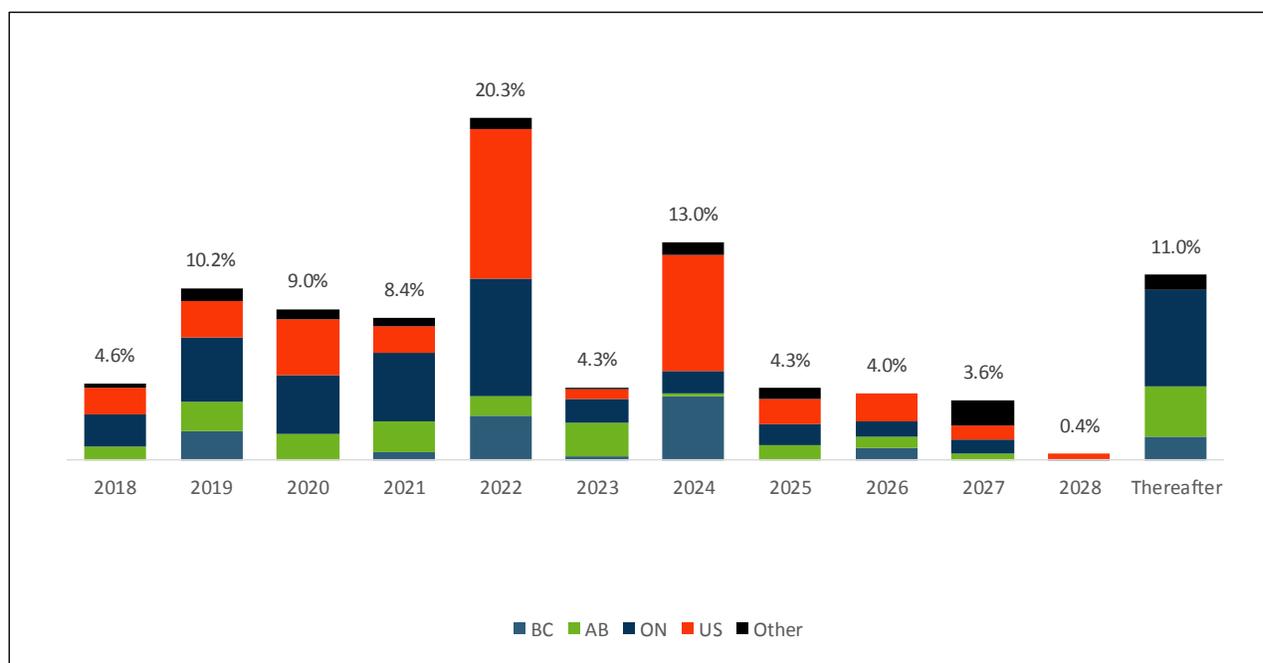
<i>Average expiring rents</i> ¹	BC	AB	ON	US ²	Other	Total ³
2018		15.01	5.95	3.37	5.73	6.89
2019	8.54	10.51	7.03	3.85	6.83	7.41
2020		9.60	7.75	4.03	8.88	7.16
2021	8.69	7.62	6.71	2.54	6.01	6.32
2022	7.79	10.92	6.89	4.25	7.82	6.61
2023	9.24	6.67	8.81	6.50	5.69	7.71
2024	9.46	8.66	7.30	5.95	10.70	8.26
2025		8.79	7.98	6.38	8.80	8.30
2026	19.14	14.57	8.04	10.76	-	13.42
2027		8.82	12.90	7.75	8.38	9.87
Thereafter	11.09	19.05	13.00	7.18	11.22	13.32
Total	\$ 9.72	\$ 11.85	\$ 8.39	\$ 5.09	\$ 8.53	\$ 8.47

¹ Excludes average expiring rents associated with properties classified as assets held for sale.

² In USD.

³ US expiring rents converted at the March 31, 2018 spot exchange rate of 1.2894.

The following table illustrates upcoming lease expirations by operating segment, based on a percentage of GLA¹.



¹ Excludes GLA associated with properties classified as assets held for sale

Occupancy Roll Forward Table

The following table provides a roll forward of the occupancy¹ of the Trust for the three months ended March 31, 2018.

(000 sf)	Three months ended March 31, 2018					Total
	BC	AB	ON	US	Other	
Occupancy, beginning	2,799	3,631	8,882	7,430	1,390	24,132
Acquired occupancy	-	13	-	-	287	300
Disposed occupancy	-	-	(18)	-	-	(18)
Expiries during the period	-	(148)	(777)	-	(116)	(1,041)
Renewals	-	100	127	-	113	340
New leases	-	-	54	47	-	101
Transfer from IPP to PUD	-	-	(150)	-	-	(150)
Occupancy, ending	2,799	3,596	8,118	7,477	1,674	23,664
Committed	-	27	644	-	-	671
Occupancy, including committed	2,799	3,623	8,762	7,477	1,674	24,335

(\$ psf)	Three months ended March 31, 2018					Total
	BC	AB	ON	US	Other	
Expiries during the period	\$ -	\$ (12.13)	\$ (5.92)	\$ -	\$ (6.50)	\$ (6.87)
Renewals	-	7.00	6.84	-	6.70	6.84
New leases	-	-	6.33	3.75	-	5.57

¹ Excludes properties classified as assets held for sale.

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

<i>GLA, AUM (000s)</i> ¹	Vacant	2018	2019	2020	Thereafter	Total
British Columbia						
Expiries	-	-	435	-	2,364	2,799
Committed renewals	-	-	111	-	-	111
Expiries, net of renewals	-	-	324	-	2,364	2,688
Committed for new leases	-	-	-	-	-	-
Expiries, net	-	-	324	-	2,364	2,688
Alberta						
Expiries	141	198	456	395	2,547	3,737
Committed renewals	-	50	-	-	-	50
Expiries, net of renewals	141	148	456	395	2,547	3,687
Committed for new leases	27	-	-	-	-	27
Expiries, net	114	148	456	395	2,547	3,660
Ontario						
Expiries	748	486	958	899	5,775	8,866
Committed renewals	-	210	40	97	75	422
Expiries, net of renewals	748	276	918	802	5,700	8,444
Committed for new leases	644	1	-	-	-	645
Expiries, net	104	275	918	802	5,700	7,799
US						
Expiries ²	850	405	557	844	5,671	8,327
Committed renewals	-	-	-	-	-	-
Expiries, net of renewals	850	405	557	844	5,671	8,327
Committed for new leases	-	-	-	-	-	-
Expiries, net	850	405	557	844	5,671	8,327
Other						
Expiries	29	73	197	145	1,259	1,703
Committed renewals	-	2	-	-	-	2
Expiries, net of renewals	29	71	197	145	1,259	1,701
Committed for new leases	-	23	-	-	-	23
Expiries, net	29	48	197	145	1,259	1,678
Total						
Expiries ²	1,768	1,162	2,603	2,283	17,616	25,432
Committed renewals	-	262	151	97	75	585
Expiries, net of renewals	1,768	900	2,452	2,186	17,541	24,847
Committed for new leases	671	24	-	-	-	695
Expiries, net	1,097	876	2,452	2,186	17,541	24,152

¹ Excludes GLA associated with properties classified as assets held for sale.

² Vacant space includes 760,256 sf acquired in December 2017.

Of the approximate 671,000 sf of committed occupancy, leases for 205,000 sf or 31% of the committed leases will commence during the second quarter of 2018.

The Trust has successfully secured a new tenant for its 627,731 sf space in Ontario. The new lease will commence in July 2018 for a 10-year term and is structured to enable the tenant to consolidate multiple locations into one space. During the first 15 months of the lease, the tenant is only responsible for a pro-rated share of base rent and additional rent calculated on 200,000 sf. After the 15 months, the lease graduates to a fully net lease at market-based rent with annual rent escalations for the remainder of the term. The expected impact to SPNOI as a result of the exit of Best Buy and this new lease in the next three years is as follows:

Projected Annual Net Operating Income - Cash Basis								
	2017	% change	2018 ^{1, 2}	% change	2019 ²	% change	2020	% change
86 Pillsworth, ON	\$ 3,609	-	\$ 355	(90.2%)	\$ 1,183	233.2%	\$ 3,798	221.0%

¹ Projected annual net operating income is calculated on a cash basis and considers the expiry of the Best Buy lease on February 28, 2018 and a four month vacancy period for the property before the new lease begins.

² For the 15 month period from the start of the new lease to September 30, 2019, the new tenant is only responsible for a pro-rated share of base rent and additional rent calculated on 200,000 sf.

Comparative Analysis of In-Place and Market Rents

The following table, which excludes properties classified as assets held for sale, analyzes the Trust's in-place base rents compared to market base rents as at March 31, 2018. The Trust's average in-place rent as at March 31, 2018 is consistent with average market rents in Canada and the US.

	GLA (000s)	Average In-Place Rent	Average Market Rent	Average Market Rent/Average In-Place Rent
Canada, excluding cross-dock facilities				
British Columbia	2,616	\$8.50	\$9.26	9.0%
Alberta	3,363	9.85	8.22	-16.5%
Ontario	7,157	6.59	7.03	6.7%
Other	1,315	6.97	6.76	-3.0%
Canada, excluding cross-dock facilities ¹	14,451	\$7.73	\$7.67	-0.7%
Cross-dock facilities	1,736	16.89	17.13	1.4%
Canada	16,187	\$8.71	\$8.67	-0.5%
US, excluding cross-dock facilities ^{1,2}	5,667	\$3.52	\$3.57	1.4%
US cross-dock facilities ²	1,810	11.07	11.07	0.0%
US	7,477	\$5.35	\$5.40	1.0%

¹ Assets under management.

² Net Rent in USD.

TENANTS

The following table provides the average lease term and average tenant size as at March 31, 2018 and December 31, 2017, by region.

	March 31, 2018		December 31, 2017	
	Average Lease Term (years)	Average tenant size (sf)	Average Lease Term (years)	Average tenant size (sf)
British Columbia	7.1	155,459	7.4	155,455
Alberta	7.4	47,909	6.5	45,979
Ontario	6.6	39,767	6.4	40,519
US	5.2	268,637	5.3	287,164
Other	7.5	47,253	7.0	39,272
Total¹	6.5	65,887	6.3	65,374

¹ Excludes GLA associated with properties classified as assets held for sale.

The Trust's weighted average remaining lease term is 6.5 years at March 31, 2018 (6.3 years at December 31, 2017).

The following table lists the Trust's top 10 tenants as at March 31, 2018:

	Tenant	Percentage of Revenue	GLA (000s)	Average Lease Term (years)
1	FedEx	20.4%	2,490	8.1
2	TFI International	8.0%	852	11.1
3	IKEA	4.6%	1,327	4.9
4	ContainerWorld	2.9%	636	6.3
5	Kellogg Canada	2.7%	764	4.8
6	Toys 'R Us Canada	1.8%	471	14.8
7	Hudson's Bay Company	1.6%	412	4.8
8	Tervita	1.5%	185	14.5
9	Kuehne & Nagel	1.5%	411	3.9
10	Euro Asia	1.5%	268	19.5
	Top 10 Tenants ^{1, 2}	46.5%	7,816	8.6
	Other	53.5%	15,848	4.7
	Total	100.0%	23,664	6.5

¹ Revenue is determined based on in-place leases as at March 31, 2018.

² 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 maintenance capital expenditures in the near future.

Pure Industrial Real Estate Trust – MD&A March 31, 2018

The geographic diversification of the Trust’s portfolio as at March 31, 2018 and December 31, 2017 is outlined below:

	Income Producing						Under Development/Expansion				Land Held for Development ¹	
	Number of properties		GLA, AUM (sf) (000s)		GLA, Proportionate Share (sf) (000s)		Number of properties		GLA, Proportionate		Acres	
	Mar 2018	Dec 2017	Mar 2018	Dec 2017	Mar 2018	Dec 2017	Mar 2018	Dec 2017	Mar 2018	Dec 2017	Mar 2018	Dec 2017
British Columbia	12	12	2,798	2,799	2,798	2,799	-	-	-	-	-	-
Alberta	42	41	3,737	3,724	3,317	3,304	2	1	116	101	28.1	13.9
Ontario	76	78	8,868	9,033	8,204	8,368	1	-	150	-	14.8	14.8
US	25	25	8,328	8,328	8,328	8,328	-	-	-	-	100.7	100.7
Other	18	17	1,701	1,414	1,559	1,272	-	-	-	-	2.2	2.2
	173	173	25,432	25,298	24,206	24,071	3	1	266	101	145.8	131.6
Assets Held for Sale	3	3	142	142	142	142	-	-	-	-	-	-

¹ Land Held for Development includes parcels of excess land associated with certain income producing properties in addition to three parcels of land held exclusively for development (104.5 acres).

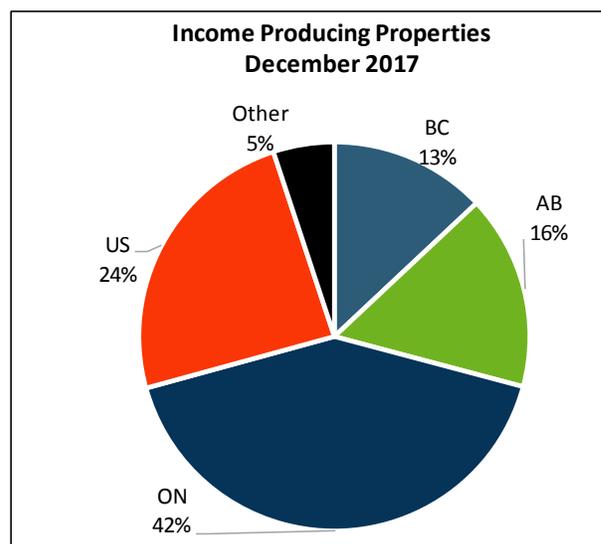
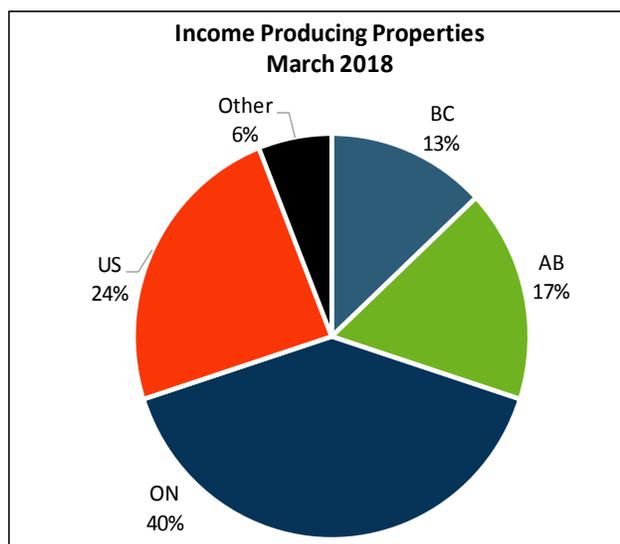
The following table provides a roll forward of the Investment Properties of the Trust for the three months ended March 31, 2018.

<i>(000s)</i>	Three months ended March 31, 2018		
	Investment properties	Investment properties held for sale	Total
Balance, beginning of period	\$ 3,108,059	\$ 21,335	\$ 3,129,394
Acquisitions	80,462	-	80,462
Capital additions	2,341	-	2,341
Acquisitions and capital additions - properties under development and expansion	19,039	-	19,039
Land held for future development	40	-	40
Dispositions	(3,608)	-	(3,608)
Straight line rent adjustment	1,531	-	1,531
Fair value adjustment to investment properties	(2,973)	-	(2,973)
Unrealized foreign currency translation gain	21,160	-	21,160
Transfer to properties under development	(16,100)	-	(16,100)
	3,209,951	21,335	3,231,286
IFRIC 21 property tax liability adjustment	(6,543)	-	(6,543)
IFRIC 21 fair value adjustment to investment properties	6,543	-	6,543
Balance, end of period	\$ 3,209,951	\$ 21,335	\$ 3,231,286

Income Producing Properties

The table below outlines the Trust’s income producing properties as at March 31, 2018 and December 31, 2017:

	Income Producing Properties					
	Number of properties		Fair Value (\$000s)		Weighted Average Capitalization Rates	
	Mar 2018	Dec 2017	Mar 2018	Dec 2017	Mar 2018	Dec 2017
British Columbia	12	12	\$400,100	\$400,100	5.49%	5.49%
Alberta	42	41	548,467	499,636	6.51%	6.53%
Ontario	76	78	1,263,040	1,282,767	5.09%	5.09%
US	25	25	768,358	747,561	6.27%	6.27%
Other	18	17	188,561	156,011	6.74%	6.84%
	173	173	\$3,168,526	\$3,086,075	5.77%	5.75%



The \$82,451 increase in the value of the Trust’s income producing properties during the three months ended March 31, 2018 is due primarily to net acquisition activities.

During the three months ended March 31, 2018, the Trust disposed of one property in Ontario with a fair value of \$3,608. The disposition was offset by the acquisition of three investment properties in Canada for \$82,400. In addition, during the three months ended March 31, 2018, the Trust recognized fair value losses of \$1,549 and capital additions of \$2,341 to its income producing properties. A foreign exchange related increase of \$21,160 was recognized on the Trust’s US based income producing properties due to an increase in the US exchange rate from 1.2545 at December 31, 2017 to 1.2894 at March 31, 2018. In Q1-2018, the Trust began the redevelopment of a newly acquired property in Edmonton, Alberta in February 2018. The Trust also began the redevelopment of a property in Scarborough, Ontario which resulted in \$16,100 being transferred from income producing properties to properties under development.

Acquisitions and Capital Additions – Properties Under Development and Expansion

The table below outlines the Trust’s properties under development and expansion as at March 31, 2018 and December 31, 2017:

Properties Under Development or Expansion			Fair Value (000s)	
Address	GLA (sf) (000s)	Completion Date	March 31 2018	December 31 2017
Edmonton, AB	101	2018	\$7,714	\$7,677
Acheson, AB	15	Q2-2018	2,176	-
Scarborough, ON	150	Q2-2019	16,825	16,100

On January 31, 2018 the Trust acquired a 14,818 sf property in Acheson, Alberta for a purchase price of \$1,900, plus standard closing costs and adjustments of \$50. Upon acquisition, the property was immediately classified as properties under development. As at March 31, 2018, costs incurred to date amounted to \$226 (December 31, 2017 - \$nil). Total costs for the redevelopment are estimated to be approximately \$1,070.

On February 1, 2018 the Trust transferred a 150,322 sf property in Scarborough, Ontario with a fair value of \$16,100 from income producing properties to properties under development. As at March 31, 2018, costs incurred subsequent to the transfer amounted to \$725 (December 31, 2017 - \$nil). Total costs for the redevelopment are estimated to be approximately \$35,757.

On October 1, 2017 the Trust transferred a 101,133 sf property in Edmonton, Alberta with a fair value of \$7,491, from income producing properties to properties under development. As at March 31, 2018, costs incurred subsequent to the transfer were \$224 (December 31, 2017 - \$186). Total costs for the redevelopment are estimated to be approximately \$2,920.

Land Held for Future Development

The Trust’s investment property portfolio currently includes 145.8 acres of land held for future development, located in Calgary (3.0 acres), Edmonton (25.1 acres), Winnipeg (2.2 acres), the Greater Toronto Area (“GTA”) (14.8 acres), San Antonio, USA (16.0 acres) and Dallas, USA (84.7 acres). For clarity, these parcels can be developed for new uses and not solely to expand the existing buildings.

On August 18, 2017, the Trust completed the acquisition of 84.7 acres of land located in the Dallas suburb of Wilmer, Texas for a total purchase price of \$8,170 (US\$6,460) plus standard closing costs and adjustments of \$619 (US\$517). Upon acquisition, the Trust committed to spend \$2,536 (US\$2,005) on municipal infrastructure improvements of which the Trust will be responsible for \$1,103 (US\$872). For the remainder of the improvements, the Trust entered into a promissory note payable agreement of \$1,433 (US\$1,133) with the vendor. As the Trust performs municipal infrastructure improvements, the promissory note payable is reduced. As of March 31, 2018, \$153 (US\$119) (December 31, 2017 – \$129 (US\$103)) has been incurred to date, of which \$67 (US\$52) (December 31, 2017 – \$56 (US\$45)) represents the Trust’s share (\$11 (US\$8) incurred during the quarter). During the three months ended March 31, 2018, the Trust also incurred development related costs of \$29 (US\$23).

During the three months ended March 31, 2018, the fair value of land held for future development increased from \$14,307 to \$14,709. The \$402 increase is largely attributable to the favourable change in the US dollar exchange rate.

Acquisitions – 2018

On February 1, 2018, the Trust completed the acquisition of a newly-constructed 287,338 sf property in Montreal, Quebec for a purchase price of \$32,500 plus standard closing costs and adjustments of \$30. The property includes a 40-year ground lease with Aéroports de Montreal. The acquisition was funded with the Trust’s operating line and an

assumed mortgage in the amount of \$22,807 with a remaining term of 7.5 years and annual interest rate of 3.48%, fixed with an interest rate swap.

On February 22, 2018, the Trust completed the acquisition of a 12,647 sf building on 38.1 acres of land, and an adjacent 14.2 acres of income-producing land located in Acheson, Alberta for a purchase price of \$48,000 plus standard closing costs and adjustments of \$40. The acquisition was funded with the Trust’s operating line and two assumed mortgages totaling \$25,482 with 3 years remaining on the terms and with fixed interest rates of 3.47% and 3.75% per annum (weighted average interest rate of 3.53%).

Description	Municipality, Province	# of Properties	GLA AUM (sf) (000s)	Price (\$000s)	Going-in Cap Rate	Occupancy
503 - 69 Avenue NW ¹	Edmonton, AB	1	15	\$1,900	6.5%	100%
27048 & 27286 - 96 Avenue	Edmonton, AB	1	13	\$48,000	6.1%	100%
2200 Rue de L'aviation	Dorval, QC	1	287	\$32,500	6.8%	100%
Total Acquisitions in Canada		3	315	\$82,400		

¹ Classified as Property Under Development as of March 31, 2018.

Acquisitions – 2017

On February 1, 2017, the Trust completed the acquisition of an 800,000 sf cross-dock distribution centre in Atlanta, Georgia, for a total purchase price of \$51,535 (US\$39,500) plus standard closing costs and adjustments of \$305 (US\$234). 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 an 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 \$3,719 (US\$2,754) plus standard closing costs and adjustments of \$387 (US\$293).

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 for \$85,249 (US\$63,500) plus standard closing costs and adjustments of \$158 (US\$121). 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 \$42,194 (US\$31,500) with a 10-year term and a fixed interest rate of 3.88% per annum.

On February 19, 2015, the Trust acquired a 51% controlling interest in PIRET NC Property Limited Partnership (“NCLP”), a subsidiary which held a portfolio of three income producing investment properties. The Trust consolidated this subsidiary and recognized a 49% non-controlling interest. On June 13, 2017, the Trust acquired the remaining interest in NCLP for a purchase price of \$20,121 (US\$15,200) comprising mainly of the portfolio’s income producing properties of \$39,884 (US\$29,498) less mortgage of \$19,280 (US\$14,259). Standard closing costs and adjustments were \$74 (US\$57). As a result of the acquisition, the Trust derecognized \$18,631 (US\$13,845) of non-controlling interest. Included in the non-controlling interest was \$1,372 of accumulative other comprehensive income which was reattributed to the Trust upon acquisition. The Trust recorded a reduction in accumulated earnings of \$1,832 (US\$1,355) representing the differential between purchase price and the non-controlling interest derecognized.

On June 14, 2017, the Trust completed the acquisition of the Dalport Trade Centre, a 758,922 sf distribution centre located in the Dallas suburb of Wilmer, Texas for a purchase price of \$55,478 (US\$42,000) plus standard closing costs and adjustments of \$201 (US\$154). The Dallas Acquisition was financed with existing cash on hand.

On July 13, 2017, the Trust completed the acquisition of a 150,000 sf warehouse located in Scarborough, Ontario for a purchase price of \$16,100 plus standard closing costs and adjustments of \$682. Upon closing, the Trust entered into a development agreement to redevelop the site, with a new state-of-the-art 300,000 sf distribution centre for a total estimated cost of \$35,434, including the land and existing warehouse. Construction on the redevelopment is expected to commence in the first quarter of 2018.

On August 17, 2017, the Trust completed the acquisition of a 764,182 sf distribution centre located in Brampton, Ontario for a purchase price of \$101,000 plus transaction and standard closing costs and adjustments of \$2,153.

On August 18, 2017, the Trust completed the acquisition of a 471,051 sf distribution centre located in Vaughan, Ontario for a purchase price of \$75,800 plus transaction and standard closing costs and adjustments of \$1,568.

On August 18, 2017, the Trust completed the acquisition of 84.7 acres of land located in the Dallas suburb of Wilmer, Texas for a total purchase price of \$8,170 (US\$6,460) plus standard closing costs and adjustments of \$619 (US\$ 517).

On August 30, 2017, the Trust completed the acquisition of a 190,000 sf industrial asset and an adjacent 4.5 acre parcel of land located in Pickering, Ontario for a combined purchase price of \$23,962 plus transaction and standard closing costs and adjustments of \$558.

On September 7, 2017, the Trust completed the acquisition of a 268,226 sf distribution centre located in Richmond, British Columbia for a purchase price of \$32,600 plus standard closing costs and adjustments of \$123.

On September 18, 2017, the Trust completed the acquisition of a 59,615 sf industrial asset located in Montreal, Quebec for \$13,100 plus standard closing costs and adjustments of \$349.

On September 29, 2017, the Trust completed the acquisitions of three industrial assets totaling 404,008 sf, two located in Mississauga, Ontario and one located in Montreal, Quebec for an aggregate purchase price of \$122,600 plus transaction and standard closing costs and adjustments of \$2,862.

On December 8, 2017, the Trust completed the acquisition of a 301,500 sf distribution centre located in Fort Worth, Texas for a purchase price of \$32,150 (US\$25,000) plus standard closing costs and adjustments of \$96 (US\$74).

On December 14, 2017, the Trust completed the acquisition of a 760,256 sf distribution centre located in McDonough, Georgia for a purchase price of \$46,738 (US\$36,500) plus standard closing costs and adjustments of \$184 (US\$141).

The table below outlines the acquisitions completed during the year ended December 31, 2017:

Description	Municipality, Province	# of Properties	GLA AUM (sf) (000s)	Price (\$000s)	Going-in Cap Rate	Occupancy
GTA Development	Scarborough, ON	1	150	\$16,100	5.6%	100%
Brampton Acquisition	Brampton, ON	1	764	\$101,000	5.0%	100%
Vaughan Acquisition	Vaughan, ON	1	471	\$75,800	4.6%	100%
GTA East Acquisition ¹	Pickering, ON	1	190	\$23,962	5.3%	100%
Richmond Acquisition	Richmond, BC	1	268	\$32,600	5.9%	100%
Mississauga and Montreal Acquisition	ON and Montreal, QC	4	464	\$135,700	5.5%	100%
Total Acquisitions in Canada		9	2,307	\$385,162		
Atlanta Acquisition	Atlanta, GA	1	800	US\$ 39,500	5.3%	100%
Texas Land Acquisition	San Antonio, TX	-	-	US\$ 2,754	-	-
Houston Acquisition	Houston, TX	2	996	US\$ 63,500	6.8%	100%
Dallas Acquisition	Dallas, TX	1	759	US\$ 42,000	5.9%	100%
Dallas Land Acquisition	Dallas, TX	-	-	US\$ 6,460	-	-
Fort Worth I Acquisition	Dallas, TX	1	302	US\$ 25,000	4.2%	86%
King Mill II Acquisition	McDonough, GA	1	760	US\$ 36,500	-	0%
Total Acquisitions in US		6	3,617	US\$ 215,714		

¹ Included in the purchase price is \$1.5M attributable to purchase of the adjacent land.

Dispositions – 2018

During the three months ended March 31, 2018, the Trust completed the disposition of a 17,180 sf investment property located in Vaughan, Ontario for gross proceeds of \$3,608. The property was unencumbered at the time of sale and was not classified as held for sale as at December 31, 2017.

Address	Municipality, Province	Age (years)	GLA (sf) (000s)	Disposition Price (\$000s)	Cost (\$000s)	Occupancy at Disposition
80 Marycroft Avenue	Vaughan, ON	32	17	\$3,608	\$1,820	100%
			17	\$3,608	\$1,820	100%

Dispositions – 2017

During the year ended December 31, 2017, the Trust completed the disposition of seventeen properties, twelve of which were included in assets held for sale as at December 31, 2016 and a 75% interest in five investment properties, four located in Alberta and one in Ontario, to an existing joint-venture partner, for gross proceeds of \$182,087. 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 ¹	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 ²	Edmonton, AB	43	139	16,690	12,626	100%
15709 114th Avenue NW ²	Edmonton, AB	43	112	7,530	6,450	100%
11415 168th Street NW ²	Edmonton, AB	45	99	7,130	6,521	100%
7303 7403 30th Street ²	Calgary, AB	31	73	7,860	6,488	100%
199 Traders Boulevard East ²	Mississauga, ON	21	77	8,090	6,600	100%
6800 Rexwood Road ¹	Mississauga, ON	42	101	7,750	8,250	100%
13325 Comber Way ¹	Surrey, BC	33	36	5,550	3,600	100%
7470 Vantage Way ¹	Delta, BC	27	57	11,750	6,430	100%
75 Golden Drive ¹	Coquitlam, BC	31	19	3,700	2,000	100%
7805 51st Street SE ¹	Calgary, AB	36	30	3,475	3,250	100%
333 DeBaets Street ¹	Winnipeg, MB	37	32	3,510	2,700	100%
9255 194th Street ¹	Surrey, BC	22	188	27,525	18,380	100%
1390 17th Avenue SE ¹	Calgary, AB	54	44	3,393	2,264	100%
1401 17th Avenue SE ¹	Calgary, AB	54	39	3,007	2,006	100%
80 Rooney Avenue ¹	Moncton, NB	17	81	5,650	5,074	100%
35 Calder Place	Edmonton, AB	35	62	5,200	4,336	0%
701 Rowntree Dairy Road ¹	Vaughan, ON	16	17	3,435	1,840	100%
90 Park Lane	Winnipeg, MB	38	20	1,850	1,050	100%
77 Fima Crescent	Toronto, ON	53	212	14,900	12,900	100%
10 Whitmore	Vaughan, ON	28	33	5,892	3,200	100%
			1,745	\$182,087	\$139,319	96.4%

¹ Classified as asset held for sale as at December 31, 2017.

² Sale of 75% ownership - Disposition Price and Cost reflect 75% share.

Assets Held for Sale

Management has committed to a plan of sale of the underlying properties and the sales are considered to be highly probable. As at March 31, 2018, the Trust's interest in 3 investment properties were classified as held for sale (December 31, 2017 - 3).

A summary of assets held for sale as at March 31, 2018 and December 31, 2017 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 2018	Dec 2017	Mar 2018	Dec 2017	Mar 2018	Dec 2017	Mar 2018	Dec 2017	Mar 2018	Dec 2017
British Columbia	-	-	-	-	-	-	-	-	-	-
Alberta	2	2	112	112	18,585	18,585	6.77%	6.70%	6,966	7,053
Ontario	-	-	-	-	-	-	-	-	-	-
US	-	-	-	-	-	-	-	-	-	-
Other	1	1	30	30	2,750	2,750	9.54%	9.55%	-	-
	3	3	142	142	\$21,335	\$21,335	7.13%	7.07%	\$6,966	\$7,053

Leasing and Capital Expenditures

	Three months ended	
	March 31 2018	2017
<i>(\$000s)</i>		
Recoverable capital expenditures	\$ 41	\$114
Non-recoverable capital expenditures		
Tenant improvements/allowances	101	81
Leasing costs	408	1,504
Other non-recoverable capital expenditures	1,791	617
	\$2,300	\$2,202
Total capital expenditures deducted for AFFO	\$2,341	\$2,316
Revenue enhancing expenditures	-	400
Total capital additions to investment properties	\$2,341	\$2,716

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 consist 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. During the three months ended March 31, 2018, the Trust incurred \$nil in revenue-enhancing capital expenditures (\$400 for the same period in prior year).

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. As at March 31, 2018, the mortgage due dates range from 2018 to 2032, with a weighted average remaining term of 4.6 years (December 31, 2017 – 4.7 years).

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

As at March 31, 2018 (\$000s)	Accounts payable and other	Rental Deposits	Unit Based Compensation	Mortgage payments and maturities, and Other loans	Total
2018	\$47,029	\$1,012	\$6,161	\$74,901	\$129,103
2019	-	1,080	1,660	116,984	119,724
2020	-	835	661	282,636	284,132
2021	-	857	108	136,173	137,138
2022	-	1,217	96	182,719	184,032
Thereafter	-	4,253	91	515,046	519,390
	\$47,029	\$9,254	\$8,777	\$1,308,459	\$1,373,519

Capital Resources

Cash flow from operations represents the primary source of funds to pay total distributions to unitholders of \$23,858 for the period ended March 31, 2018, compared to \$19,164 for the same period in the prior year.

For the three months ended March 31, 2018, cash provided by operations was lower 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 Trust's operating line, 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.

In accordance with National Instrument 41-201, *Income Trust and Other Indirect Offerings* (“NI 41-201”), the Trust is required to provide additional disclosure relating to cash distributions as set out below:

<i>(\$000s)</i>	Three months ended	
	March 31	
	2018	2017
Cash provided by operating activities	\$8,573	\$27,178
Actual cash distributions paid or payable	23,858	19,164
(Deficiency) excess of cash provided by operating activities over cash distributions paid	(\$15,285)	\$8,014

<i>(\$000s)</i>	Three months ended	
	March 31	
	2018	2017
Net earnings	\$25,127	\$84,105
Actual cash distributions paid or payable	23,858	19,164
Surplus of net earnings over cash distributions paid	\$1,269	\$64,941

For the three months ended March 31, 2018, cash flows from operating activities was lower than the cash distributions paid or payable by \$15,285 (three months ended March 31, 2017 - exceeded by \$8,014) and net earnings exceeded distributions paid and payable by \$1,269 (three months ended March 31, 2017 - exceeded by \$64,941). The distributions paid were in excess of cash flows from operating activities for the three months ending March 31, 2018 and therefore were financed by other sources of capital, being existing cash on hand and the Trust’s operating line. Cash flows from operating activities for the three months ending March 31, 2018 were lower than normal due to a significant reduction in non-cash working capital, largely due to the payment of development related costs that were previously accrued for in Q4-2017 relating to the Trust’s Richmond, British Columbia development that was completed in December 2017. The Trust believes that the cash flows from operating activities and the significant change in working capital realized in the first quarter of 2018 is not indicative of normal operating activity and as such believes that the Trust’s distributions are sustainable moving forward. In assessing distribution payments, the Trust does not generally take fluctuations in working capital into consideration.

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 in accordance with the requirements of NI 41-201:

(\$000s)	Three months ended	
	March 31	
	2018	2017
Adjusted funds from operations	\$26,679	\$22,654
Amortization of leasehold improvements – corporate	39	15
Amortization of mark to market mortgage adjustment	(42)	(120)
Amortization of mortgage transaction costs	458	583
Non-controlling interest adjustment	68	3,077
Non-controlling interests' share of fair value adjustment	-	(2,640)
Non-controlling interests' share of straight line rent	-	(55)
IFRIC 21 fair value adjustment to investment properties	(6,543)	(3,788)
Capital expenditures	2,341	1,775
Net change in non-cash working capital	(13,209)	5,307
Net finance expense, excluding amortization	11,148	10,001
Interest paid	(10,750)	(10,005)
Interest received	182	254
Fair value adjustments to unit based compensation expense	(1,773)	(635)
Unit based compensation expense	2,043	755
Special transaction costs	(2,068)	-
Net cash provided from operating activities	\$8,573	\$27,178

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, 2018 is 39.4% (December 31, 2017 – 37.8%).

(\$000s)	March 31,	December 31,
	2018	2017
Mortgages payable and other loans	\$1,292,753	\$1,211,920
Mortgages payable on assets held for sale	6,966	7,053
Total indebtedness	\$1,299,719	\$1,218,973
Total assets	\$3,300,539	\$3,220,813
Indebtedness ratio	39.4%	37.8%

Mortgages

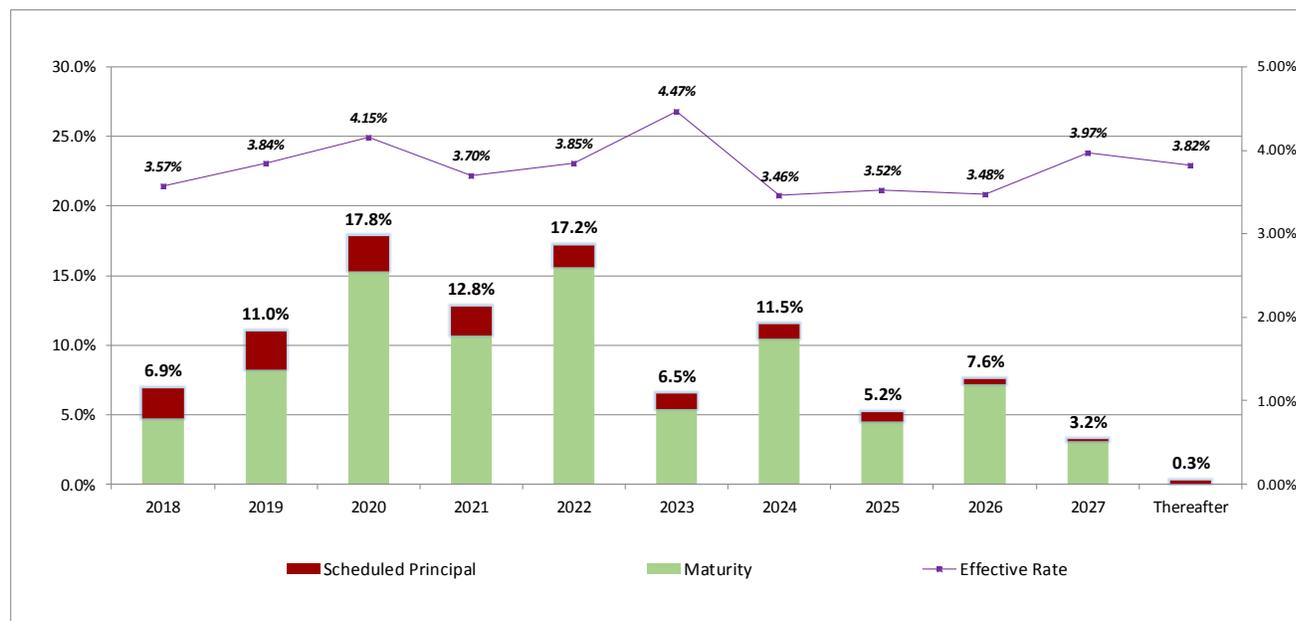
The Trust's mortgages have a weighted average effective interest rate of 3.73% as at March 31, 2018 (December 31, 2017 – 3.82%) and mature between 2018 and 2032. The scheduled mortgage payments, principal maturities and weighted average nominal and effective interest rates are as follows:

As at March 31, 2018	<i>Weighted</i>		Scheduled		
<i>(\$000s)</i>	<i>Average Nominal</i>	<i>Weighted Average</i>	Principal	Principal	
	<i>Rate</i>	<i>Effective Rate</i>	Repayments	Maturities	Total Repayments
2018	3.37%	3.57%	23,752	49,775	\$73,527
2019	3.74%	3.84%	30,052	86,692	116,744
2020	4.01%	4.15%	26,367	163,063	189,430
2021	3.63%	3.70%	22,776	113,397	136,173
2022	3.75%	3.85%	16,934	165,785	182,719
2023	4.37%	4.47%	11,943	57,512	69,455
2024	3.43%	3.46%	10,204	111,418	121,622
2025	3.43%	3.52%	7,088	48,363	55,451
2026	3.40%	3.48%	4,434	76,991	81,425
2027	3.86%	3.97%	1,027	33,297	34,324
Thereafter	4.74%	4.89%	2,712	57	2,769
	3.72%	3.82%	\$157,289	\$906,350	\$1,063,639
Unamortized mortgage transaction costs					(5,120)
Unamortized mark to market mortgage adjustment					916
					\$1,059,435

Included in mortgages payable as at March 31, 2018 is the mark to market adjustment of \$916 (December 31, 2017 – \$1,227) on seven mortgages (December 31, 2017 – five mortgages), which is being amortized over the remaining term of the related mortgages using the effective interest rate method.

As at March 31, 2018, the Trust classified one mortgage totaling \$6,966 as a liability on assets held for sale (December 31, 2017 – one mortgage totaling \$7,053). As at March 31, 2018, included in the mortgage payable on assets held for sale is the related unamortized financing costs of \$18 (December 31, 2017 - \$19) and related unamortized mark-to-market adjustments of \$247 (December 31, 2017 - \$263).

The following chart illustrates scheduled mortgage payments, principal maturities and weighted average effective interest rates.



Other Loans and Mortgage Interest Rate Swaps

On January 17, 2017, the Trust entered into an interim construction loan facility of \$22,263 to assist in the financing of the property under development in Richmond, British Columbia. The facility is secured by a leasehold mortgage including general assignment of rents and leases. The loan has a two-year term and bears interest at the lender’s prime rate plus

0.75% or the lender’s banker’s acceptance rate of 2.25%. The loan outstanding as at March 31, 2018 is \$240 (December 31, 2017 – \$240). As at March 31, 2018, the related unamortized financing costs are \$169 (December 31, 2017 – \$220).

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 and bears interest currently at the lender’s prime rate or US base rate plus 70 basis points or at the lender’s banker’s acceptance rate plus 170 basis points. The Unsecured Credit Facility provides for interest rate declines with improved credit rating levels. 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. On November 30, 2017, the agreement was amended and restated to include the US Subsidiary as borrower and to include the equivalent amount in Canadian dollar advances made in US dollars to the total facility limit of \$250,000. The loan balance outstanding at March 31, 2018 related to US draws is \$72,206 (US\$56,000) (December 31, 2017 – \$70,252 (US\$56,000)), and \$21,000 (December 31, 2017 – \$nil) related to Canadian draws. As at March 31, 2018, the related unamortized financing costs are \$443 (December 31, 2017 – \$483).

On August 18, 2017, the Trust acquired land located in Wilmer, Texas. Upon acquisition, the Trust entered into a promissory note payable agreement of \$1,433 (US\$1,133) with the vendor. As the Trust performs municipal infrastructure improvements, the promissory note payable is reduced. The promissory note is secured by the acquired land located in Wilmer, Texas. The loan has a one-year term and bears no interest. The promissory note payable is \$1,374 (US\$1,065) as at March 31, 2018 (December 31, 2017 – \$1,348 (US\$1,074)).

On September 29, 2017, the Trust entered into a \$150,000 unsecured term loan facility (the “Unsecured Term Loan”) and drew \$125,000. The Trust had the option to draw the remaining \$25,000 within six months, otherwise the option would be cancelled. On March 7, 2018, the Trust drew the remaining \$25,000 available on the facility. The Unsecured Term Loan matures on February 28, 2023 and bears interest at levels consistent with entities carrying an investment grade rating and also provides for interest rate declines with improved credit rating levels. The Unsecured Term Loan balance outstanding at March 31, 2018 was \$150,000 (December 31, 2017 – \$125,000). As at March 2018, the related unamortized financing costs are \$583 (December 31, 2017 – \$610).

The Trust has entered into interest rate swaps on twelve mortgages with an outstanding notional amount of \$171,728 with four Canadian financial institutions 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, 2018, the fair value asset of the mortgage interest rate swaps is \$3,342 (December 31, 2017 – fair value asset of \$2,583).

Debt Roll Forward Table

The following tables outline the debt activity including interest rate swaps of the Trust for the three months ended March 31, 2018:

(\$000s)	Three months ended March 31, 2018		
	Mortgages	Bank Loan	Total
Debt, beginning	\$1,023,446	\$195,527	\$1,218,973
Additional borrowings	48,289	46,000	94,289
Repayment of monthly principal	(15,866)	(9)	(15,875)
Mortgage and loans discharged	(6,436)	-	(6,436)
Finance charges and mark to market (net)	(781)	118	(663)
Unrealized foreign exchange gain	7,441	1,990	9,431
Debt, ending	\$1,056,093	\$243,626	\$1,299,719

Equity

As at March 31, 2018, the Trust had 305,880,218 Class A Units outstanding. The following table illustrates the changes in Class A Units during 2018 year-to-date.

Issuance	Class A Units	Weighted Average Price per Unit
Balance, December 31, 2017	305,880,218	
Balance, March 31, 2018	305,880,218	

As at May 14, 2018, the total number of Class A Units outstanding was 305,880,218.

Issuance of Class A units

During the three months ended March 31, 2018, no Class A units were issued.

Short Form Base Shelf Prospectus

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, 2018, 86,790,500 Class A units have been issued under the short form base shelf prospectus.

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. On May 10, 2017, the Board of Trustees approved the accelerated vesting of 168,000 unit options held by a retired Trustee which had been part of an original grant of 240,000 unit options. On May

15, 2017, the retired Trustee exercised 240,000 unit options at the option exercise price of \$4.29 per unit, in exchange for 240,000 Class A units for proceeds of \$1,029.

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. As distributions are paid on Class A units, additional Deferred Units will be credited to the participants in an amount determined by dividing the dollar amount of the distributions payable by the Market Value per unit on the date of the distribution. 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, Option Plan 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 \$8,777 as at March 31, 2018 (December 31, 2017 - \$6,760). During the three months ended March 31, 2018, the Trust expensed \$2,043 (March 31, 2017 - \$756) in compensation expense relating to the RUP, Option Plan and the DUP. Included in the non-cash compensation expense amounts is a fair value adjustment expense of \$1,773 for the three months ended March 31, 2018 (March 31, 2017 - \$635).

As of the date of this MD&A, a total of 825,516 restricted units, 465,000 option units and 32,932 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 Declaration of Trust; 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 Declaration of Trust 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 Declaration of Trust and debt covenants.

The Declaration of Trust provides for a maximum indebtedness level of up to 70% of the gross book value. The Trust’s indebtedness level, in accordance with the Declaration of Trust, is 39.4% as at March 31, 2018 (December 31, 2017 – 37.8%).

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, 2018 and the year ended December 31, 2017.

The Declaration of Trust 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, 2018 (January 1 to March 31, 2017 - \$0.026).

The Trust's capital structure consisted of the following components at March 31, 2018 and December 31, 2017.

<i>(\$000s)</i>	March 31, 2018	December 31, 2017
Units based compensation liabilities	\$8,777	\$6,760
Mortgages payable and bank loans	1,292,753	1,211,920
Mortgages payable on assets held for sale	6,966	7,053
Class A Units	1,451,280	1,451,280
Accumulated earnings	437,746	436,545
Accumulated other comprehensive income	19,365	7,852
Non-controlling interest	11,225	11,226
	\$3,228,112	\$3,132,636

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>	Three months ended March 31	
	2018	2017
Salaries, trustee fees, and other short-term employee benefits	\$958	\$766
Unit-based compensation	2,147	755
	\$3,105	\$1,521

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 six 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, 2018, the outstanding balance of the loans were \$857 (December 31, 2017 - \$866).

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 other loans, the carrying amounts approximate their fair values due to the immediate or short-term maturity of these financial instruments.

The fair value of mortgages payable is 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>	March 31, 2018		December 31, 2017	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Mortgages payable (including interest rate swaps)	\$1,056,093	\$1,060,092	\$1,023,446	\$1,030,860

OFF-BALANCE SHEET ITEMS

As at March 31, 2018, the Trust had issued letters of credit in the amount of \$1,663 (December 31, 2017 - \$1,275).

The Trust has twelve 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, 2018 and December 31, 2017, future minimum lease payments related to the land leases were as follows:

<i>(\$000s)</i>	March 31, 2018	December 31, 2017
Within one year	\$9,004	\$8,538
Years 2 – 5	47,693	44,708
Greater than 5 years	290,986	281,213
	\$347,683	\$334,459

For the three months ended March 31, 2018, the Trust recognized land lease expense of \$2,207 (three months ended March 31, 2017 - \$1,733) and the remaining term of the Trust's land leases range from 9 to 49 years.

On February 1, 2018 the Trust transferred a 150,322 sf property in Scarborough, Ontario with a fair value of \$16,100 from income producing properties to properties under development. As at March 31, 2018, costs incurred to date subsequent to the transfer amounted to \$725 (December 31, 2017 - \$nil). The Trust plans to construct an approximately 300,000 sf industrial warehouse and total costs for the redevelopment are estimated to be approximately \$35,757.

On January 31, 2018 the Trust acquired a 14,818 sf property in Edmonton, Alberta for a purchase price of \$1,900, which was immediately classified as properties under development. As at March 31, 2018, costs incurred amounted to \$226 (December 31, 2017 – \$nil). Total costs for the redevelopment are estimated to be approximately \$1,070.

On October 1, 2017 the Trust transferred a 101,133 sf property in Edmonton, Alberta with a fair value of \$7,491, from income producing properties to properties under development. As at March 31, 2018, costs incurred subsequent to the transfer amounted to \$224 (December 31, 2017 - \$186). Total costs for the redevelopment are estimated to be approximately \$2,920.

On August 18, 2017, the Trust acquired 84.7 acres of land located in Wilmer, Texas, as a future development site. Upon acquisition, there was a commitment to spend \$2,536 (US\$2,005) on municipal infrastructure improvements of which the Trust will be responsible for \$1,103 (US\$872). The Trust entered into a promissory note payable agreement of \$1,433 (US\$1,133) with the vendor. As the Trust performs municipal infrastructure improvements, the promissory note payable is reduced. As of March 31, 2018, \$153 (US\$119) (December 31, 2017 – \$129 (US\$103)) has been incurred to date, of which \$67 (US\$52) (December 31, 2017 – \$56 (US\$45)) represents the Trust's share, \$11 (US\$8) of which was incurred during Q1-2018. During the three months ended March 31, 2018, the Trust also incurred development related costs of \$29 (US\$23).

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 cyclicity. 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 (\$000s, except per unit basis)	Mar 31, 2018	Dec 31, 2017	Sept 30, 2017	Jun 30, 2017	Mar 31, 2017	Dec 31, 2016	Sept 30, 2016	Jun 30, 2016
Base rent	45,538	45,739	41,001	38,905	40,385	38,306	35,247	34,514
Recoveries	17,294	16,022	14,097	16,147	13,189	13,836	10,704	10,790
Total rental revenue from properties	62,832	61,761	55,098	55,052	53,574	52,142	45,951	45,304
Property operating expenses	(25,103)	(15,068)	(12,954)	(14,414)	(19,045)	(14,599)	(11,722)	(11,492)
Adjusted NOI	44,272	44,517	39,750	39,525	38,317	37,124	33,250	32,249
Other (expenses) income	(198)	41,087	51,141	24,324	62,150	51,467	9,773	2,303
Net earnings attributable to unitholders	25,059	85,522	78,950	52,027	81,028	77,510	33,270	20,992
Net comprehensive income	36,640	87,225	65,146	41,151	81,584	82,581	37,009	23,957
Basic net earnings per Unit	\$ 0.08	\$ 0.28	\$ 0.27	\$ 0.50	\$ 0.33	\$ 0.32	\$ 0.15	\$ 0.11

As at (\$000s, except number of properties and GLA)	Mar 31, 2018	Dec 31, 2017	Sept 30, 2017	June 30, 2017	Mar 31, 2017	Dec 31, 2016	Sept 30, 2016	June 30, 2016
Total assets	3,300,539	3,220,813	3,093,079	2,703,655	2,603,396	2,516,537	2,207,250	2,169,661
Total liabilities	1,380,923	1,313,910	1,249,495	1,122,542	1,161,869	1,137,342	1,028,797	1,010,902
Unitholders' equity	1,908,391	1,895,677	1,832,358	1,570,665	1,411,883	1,352,503	1,153,799	1,133,951
Non-controlling interest	11,225	11,226	11,226	10,448	29,644	26,692	24,654	24,808
Investment properties	3,209,951	3,108,059	2,969,419	2,535,163	2,370,574	2,320,845	2,091,840	2,068,201
Mortgages and other loans payable	1,292,753	1,211,920	1,152,050	1,033,317	1,068,703	1,043,491	958,077	925,419
Number of properties (including properties under development, land held for development and AHFS) ¹	181	179	180	173	179	180	168	167
GLA (000,000s) (AUM) ²	25.6	25.4	24.4	22.3	21.1	20.5	17.8	17.8

¹ "AHFS" - Assets held for sale

² "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, 2017 available on SEDAR at 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 of the December 31, 2017 audited consolidated financial statements, available on SEDAR at 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, 2017 audited consolidated financial statements. There have been no significant changes to accounting policies except that the REIT has adopted IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers on January 1, 2018.

IFRS 9 Financial Instruments (IFRS 9):

IFRS 9 sets out requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement.

(A) Classification and measurement of financial assets and financial liabilities:

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets of held to maturity, loans, and receivables and available for sale.

Under IFRS 9, on initial recognition, a financial asset is classified as measured at: amortized cost; fair value in OCI ("FVOCI") – debt investment; or fair value in profit or loss ("FVTPL"). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Financial liabilities are classified and measured on two categories: amortized costs or FVTPL. Derivatives embedded in contracts where the host is a financial asset in the scope of the standard are not separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

The following table and the accompanying notes below explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the REIT's financial assets and liabilities. The adoption of the new classification requirements under IFRS 9 did not result in any changes in measurement or the carrying amount of financial assets and liabilities.

Financial assets/liabilities	Original classification under IAS 39	New classification under IFRS 9
Cash	Loans and receivables	Amortized cost
Cash held in trust	Loans and receivables	Amortized cost
Accounts receivable	Loans and receivables	Amortized cost
Loans receivable	Loans and receivables	Amortized cost
Vendor take-back receivable	Loans and receivables	Amortized cost
Mortgages payable	Other financial liabilities	Amortized cost
Unit based compensation	Other financial liabilities	Amortized cost
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost
Rental deposits	Other financial liabilities	Amortized cost
Other loans	Other financial liabilities	Amortized cost

(B) Impairment of financial assets:

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' ("ECL") model. The new impairment model applies to financial assets measured at amortized cost, contract assets and debt investments at FVOCI. Under IFRS 9 credit losses are recognized earlier than under IAS 39.

Financial assets measured at amortized cost are assessed at each reporting date to determine the credit risk of the financial asset to apply the relevant impairment requirements. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably. The REIT considers evidence of impairment of financial assets measured at amortized cost at both a specific asset and collective level.

Losses are recognized in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through comprehensive income.

Aside from classification, the impact of adopting IFRS 9 has had no material impact on measurement of the REIT's financial assets.

IFRS 15 Revenue from Contracts with Customers:

In May 2014, the IASB issued IFRS 15, Revenue from Contracts with Customers ("IFRS 15"). The new standard provides a comprehensive five-step revenue recognition model for all contracts with customers. The new standard supersedes IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations. IFRS 15 is effective for annual periods beginning on or after January 1, 2018. In April 2016, the IASB issued its final amendments to IFRS 15, Clarifications to IFRS 15, Revenue from Contracts with Customers. The amendments do not change underlying principles but clarify application including identifying performance obligations, recognition of revenue from granting a license of intellectual property, principal or agent determination and transition relief to reduce costs and complexity for first application of the new standard. The Trust completed its review of IFRS 15 and the new standard did not have a significant effect on its consolidated financial statements.

The Trust disaggregates its revenue recognized from contracts as follows: rental revenue and recoveries related to tenant leases, and revenues for monthly property and asset management services related to its co-owned properties. For the three months ended March 31, 2018, included in rental revenue and recoveries on the statement of net earnings is \$160 of property and asset management fee revenue. The Trust earns these fees in its Alberta, Ontario and Other operating segments. The fees are billed each month and collection is prompt, with no amounts past due.

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 controls over financial reporting during the three months ended March 31, 2018 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, 2017, management, under the supervision of its CEO and CFO, had completed an assessment of the design and effectiveness 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, 2017. As at March 31, 2018, there were no changes to the design of the Trust's DC&P and ICFR.

SECTION VI

SIGNIFICANT EVENTS AND SUBSEQUENT EVENTS

- (a) On January 9, 2018, the Trust announced that it entered into an arrangement agreement with an affiliate of Blackstone Property Partners (“Blackstone”), pursuant to which Blackstone will acquire all of the outstanding trust units of the Trust (“the Transaction”) for \$8.10 per unit in cash. The Transaction is structured as a statutory plan of arrangement under the British Columbia Business Corporations Act. Completion of the Transaction, is subject to customary conditions, including approval of at least 66 2/3% of the votes cast by Unitholders at a special meeting of Unitholders, court approval and regulatory approval (Investment Canada Act).
- On February 26, 2018, the Commissioner of Competition issued an Advance Ruling Certificate approving the Transaction.
 - On March 23, 2018, at a special meeting of Unitholders, the Transaction was approved by Unitholders where approximately 99.66% of the votes cast were voted in favour of the Transaction.
 - On March 29, 2018, the Supreme Court of British Columbia issued a final order approving the plan of arrangement for the Transaction.
 - On April 11, 2018, Blackstone received Investment Canada Act approval in connection with the Transaction.

Completion of the Transaction is expected to occur in the second quarter of 2018.

- (b) On May 1, 2018, the Trust completed the disposition of the Trust’s 50% interest in four investment properties, three located in Alberta and one in Manitoba, to an existing joint venture partner, for gross proceeds of \$23,750. The joint venture paid out four mortgages associated with the sold properties, with the Trust’s share totaling \$10,059.
- (c) On May 14, 2018, the Trust completed the disposition of an investment property located in Edmonton, Alberta for gross proceeds of \$2,400. The property was classified as held for sale as at March 31, 2018 and was unencumbered at the time of sale.

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 and on the Trust’s website at 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, 2018:

('000s)	IFRS	Adjustments	Proportionate Consolidation
ASSETS			
Non-current assets:			
Investment properties	\$ 3,209,951	\$ (11,225)	\$ 3,198,726
Loans receivable	857	-	857
	3,210,808	(11,225)	3,199,583
Current assets:			
Amounts receivable and other assets	19,253	-	19,253
Vendor take-back receivable	10,125	-	10,125
Cash held in trust	14,560	-	14,560
Cash	24,296	-	24,296
Assets held for sale	21,497	-	21,497
	89,731	-	89,731
	\$ 3,300,539	\$ (11,225)	\$ 3,289,314
LIABILITIES			
Non-current liabilities:			
Unit based compensation	\$ 5,551	\$ -	\$ 5,551
Mortgages payable and other loans	1,170,292	-	1,170,292
Preferred units of subsidiary	161	-	161
Deferred tax liability	15,597	-	15,597
Rental deposits	8,025	-	8,025
	1,199,626	-	1,199,626
Current liabilities:			
Accounts payable and accrued liabilities	46,964	-	46,964
Unit based compensation – current portion	3,226	-	3,226
Mortgages payable and other loans – current portion	122,461	-	122,461
Rental deposits – current portion	1,229	-	1,229
Liabilities on assets held for sale	7,417	-	7,417
	181,297	-	181,297
	1,380,923	-	1,380,923
EQUITY			
Unitholders' equity	1,908,391	-	1,908,391
Non-controlling interests	11,225	(11,225)	-
	1,919,616	(11,225)	1,908,391
	\$ 3,300,539	\$ (11,225)	\$ 3,289,314

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

('000s)	IFRS	Adjustments	Proportionate Consolidation
ASSETS			
Non-current assets:			
Investment properties	\$ 3,108,059	\$ (11,226)	\$ 3,096,833
Loans receivable	866	-	866
	3,108,925	(11,226)	3,097,699
Current assets:			
Amounts receivable and other assets	23,684	-	23,684
Vendor take-back receivable	10,125	-	10,125
Cash held in trust	23,530	-	23,530
Cash	33,051	-	33,051
Assets held for sale	21,498	-	21,498
	111,888	-	111,888
	\$ 3,220,813	\$ (11,226)	\$ 3,209,587
LIABILITIES			
Non-current liabilities:			
Unit based compensation	\$ 4,696	\$ -	\$ 4,696
Mortgages payable and other loans	1,116,838	-	1,116,838
Preferred units of subsidiary	157	-	157
Deferred tax liability	14,604	-	14,604
Rental deposits	7,490	-	7,490
	1,143,785	-	1,143,785
Current liabilities:			
Accounts payable and accrued liabilities	64,249	-	64,249
Unit based compensation – current portion	2,064	-	2,064
Mortgages payable and other loans – current portion	95,082	-	95,082
Rental deposits – current portion	1,471	-	1,471
Liabilities on assets held for sale	7,259	-	7,259
	170,125	-	170,125
	1,313,910	-	1,313,910
EQUITY			
Unitholders' equity	1,895,677	-	1,895,677
Non-controlling interests	11,226	(11,226)	-
	1,906,903	(11,226)	1,895,677
	\$ 3,220,813	\$ (11,226)	\$ 3,209,587

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, 2018 and 2017:

('000s)	Three months ended March 31, 2018		
	IFRS	Adjustments	Proportionate Consolidation
Revenues:			
Rental and recoveries	\$ 62,832	(68)	\$ 62,764
Property operating expenses:			
Insurance	331	-	331
Management fees	1,504	-	1,504
Operating costs	5,597	-	5,597
Property taxes	17,671	-	17,671
	25,103	-	25,103
Net operating income	37,729	(68)	37,661
Other (expenses) income:			
General and administrative	(5,678)	-	(5,678)
Fair value adjustments to investment properties	(1,549)	-	(1,549)
Fair value adjustments to financial instruments	759	-	759
IFRIC 21 fair value adjustments to investment properties	6,543	-	6,543
Loss on disposal of investment properties	(292)	-	(292)
Foreign currency gain	19	-	19
	(198)	-	-198
Net earnings before net finance expense	37,531	(68)	37,463
Finance income	182	-	182
Finance expense	(11,746)	-	(11,746)
Net finance expense	(11,564)	-	(11,564)
Net earnings before income taxes	25,967	(68)	25,899
Income tax recovery	(840)	-	(840)
Net earnings	\$ 25,127	(68)	\$ 25,059

('000s)	Three months ended March 31, 2017		
	IFRS	Adjustments	Proportionate Consolidation
Revenues:			
Rental and recoveries	\$ 53,574	\$ (727)	\$ 52,847
Property operating expenses:			
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
Net operating income	34,529	(604)	33,925
Other income (expenses):			
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
Net earnings before net finance expense	96,679	(3,244)	93,435
Finance income	254	-	254
Finance expense	(10,718)	167	(10,551)
Net finance expense	(10,464)	167	(10,297)
Net earnings before income taxes	86,215	(3,077)	83,138
Income tax expense	(2,110)	-	(2,110)
Net earnings	\$ 84,105	\$ (3,077)	\$ 81,028

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, 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.