



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

For the year ended December 31, 2017

March 6, 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 years ended December 31, 2017 and 2016 should be read in conjunction with the Trust's consolidated financial statements for the years ended December 31, 2017 and 2016, 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 remain at current levels, the Canadian dollar exchange rate relative to the US dollar will not fluctuate significantly relative to current levels, and the Trust's business strategy, plans, outlook, projections, targets and operating costs will be consistent with the Trust's experience over the past 12 months, the Trust will be able to maintain occupancy at current levels, the Trust's tenants will not default on lease terms, governmental regulations and taxation will not change to adversely affect the Trust's business and financial results, and the Trust will be able to obtain adequate

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

Readers are cautioned that the foregoing list of factors that may affect future results is not exhaustive. When relying on forward-looking statements to make decisions with respect to the Trust, investors and others should carefully consider the foregoing factors and other uncertainties and potential events. Additional information about risks and uncertainties is contained in the Trust's annual information form for the year ended December 31, 2017 available on SEDAR at www.sedar.com.

These forward-looking statements are made as of March 6, 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

	December 31, 2017	December 31, 2016	December 31, 2015
Number of income producing properties("IPP") ¹	173	162	169
Gross Leasable Area ("GLA") (000s) (Assets Under Management ("AUM")) ¹	25,298	19,577	17,347
Proportionate Share GLA (000s) ¹	24,071	18,076	15,921
Properties under development/expansion ("PUD")	1	1	2
GLA (000s)	101	330	478
Land held for development (acres)	131.6	26.4	26.4
Investment properties (\$000s)	\$3,108,059	\$2,320,845	\$2,065,635
Mortgages payable and other loans (\$000s)	\$1,211,920	\$1,043,491	\$1,026,151
Weighted average debt term to maturity on mortgages (years)	4.7	5.0	4.7
Debt to gross book value ³	37.8%	42.3%	48.8%
Debt to EBITDA ³	8.0	8.3	8.2
Occupancy, end of period including committed* ¹	95.6%	98.4%	96.2%
Occupancy, end of period* ¹	95.4%	97.7%	94.6%
Occupancy, average for the three months ended	96.8%	97.2%	94.1%
Occupancy, average for the year ended ¹	96.8%	95.6%	94.6%
Lease, weighted average remaining term (years) ¹	6.3	6.4	6.5

* Includes 760,256 sf vacant space acquired in December 2017 ("King Mill II Acquisition", defined hererin). Excluding this space, occupancy at the end of the period is 98.3% and committed occupancy is 98.6%.

Pure Industrial Real Estate Trust – MD&A December 31, 2017

(\$000s, except per unit, ratio, and % basis)	Three months ended			Years ended		
	December 31			December 31		
	2017	2016	2015	2017	2016	2015
Weighted average effective cost of debt	3.89%	4.09%	4.11%	3.94%	4.20%	4.12%
Debt service coverage	2.17	1.66	1.83	2.08	1.80	1.93
Interest coverage	3.62	3.45	3.06	3.57	3.19	3.02
Revenue	\$61,761	\$52,142	\$43,902	\$225,485	\$186,943	\$171,365
Net earnings	85,591	77,944	50,734	301,972	153,045	154,214
Net operating income ("NOI") ²	46,693	37,543	30,773	164,004	132,842	120,021
Adjusted NOI ^{3,4}	44,517	37,124	29,988	162,109	132,842	120,021
Distributions	\$23,858	\$19,163	\$14,863	\$86,995	\$66,511	\$59,606
Per Unit ⁵	0.08	0.08	0.08	0.31	0.31	0.31
Funds from operations ("FFO") ^{3,5,6}	\$30,707	\$24,789	\$19,277	\$111,070	\$85,840	\$74,272
Per Unit (fully diluted) ⁵	0.10	0.10	0.10	0.40	0.41	0.39
Payout ratio ⁵	77.8%	76.3%	77.3%	78.4%	76.9%	80.4%
Adjusted funds from operations ("AFFO") ^{3,5,6}	\$26,437	\$20,059	\$15,871	\$94,361	\$71,830	\$60,985
Per Unit (fully diluted) ⁵	0.09	0.08	0.08	0.34	0.34	0.32
Payout ratio ⁵	90.4%	94.3%	93.9%	92.2%	92.0%	97.9%

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 measure 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.

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

BASIS OF PRESENTATION

Unless otherwise noted, all financial information has been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The financial information included in this MD&A for the three months and year ended December 31, 2017 includes material information up to March 6, 2018. This MD&A should be read in conjunction with the Trust's consolidated financial statements for the years ended December 31, 2017, and 2016, 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 year ended December 31, 2017, the Trust executed on the following major transactions:

Q4-2017

- the acquisition of a 301,500 square foot ("sf") distribution centre located in Fort Worth, TX (the "Fort Worth I Acquisition") for a purchase price of \$32,150 (US\$25,000) which closed on December 8, 2017;
- the acquisition of a newly-constructed 760,256 sf distribution centre located in McDonough, Georgia (the "King Mill II Acquisition") for a purchase price of \$46,738 (US\$36,500) which closed on December 14, 2017. The asset was acquired vacant, and is currently being marketed for lease; and
- the dispositions of three assets totaling 265,774 sf, none of which were classified as held for sale, for gross proceeds of \$22,642. A mortgage relating to one of the disposed properties of \$1,686 was repaid. The remaining two disposed assets were unencumbered at the time of sale.

Q3-2017

- the acquisition of a 150,000 sf warehouse located in Scarborough, Ontario (the "GTA Development") for a purchase price of \$16,100 which closed on July 13, 2017. 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;

- the acquisition of a 764,182 sf distribution centre located in Brampton, Ontario (the “Brampton Acquisition”) for a purchase price of \$101,000 which closed on August 17, 2017;
- the acquisition of a 471,051 sf distribution centre located in Vaughan, Ontario (the “Vaughan Acquisition”) for a purchase price of \$75,800 which closed on August 18, 2017;
- the acquisition of 84.7 acres of land located in the Dallas suburb of Wilmer, Texas (the “Dallas Land Acquisition”) for a purchase price of \$8,170 (US\$6,460) which closed on August 18, 2017;
- the acquisition of a 190,000 sf industrial asset and an adjacent 4.5 acre parcel of land located in Pickering, Ontario (the “GTA East Acquisition”) for a combined purchase price of \$23,962 which closed on August 30, 2017;
- the acquisition of a 268,226 sf distribution centre located in Richmond, British Columbia (the “Richmond Acquisition”) for a purchase price of \$32,600 which closed on September 7, 2017;
- the acquisition of four assets totaling 463,623 sf, two located in Mississauga, Ontario and two located in Montreal, Quebec (the “Mississauga and Montreal Acquisition”), for a total purchase price of \$135,700. The acquisition of one of the Montreal assets closed on September 18, 2017, and the remaining three closed on September 29, 2017;
- the dispositions of three assets totaling 160,336 sf, two of which were classified as assets held for sale as at December 31, 2016 for gross proceeds of \$14,285. The three disposed assets in the quarter were unencumbered at the time of sale;
- the execution of a lease agreement with IKEA Distribution Services CA Inc. (“IKEA”) to occupy 100% of the Trust’s Richmond development asset on a 7-year lease term. The construction project was completed in Q4-2017 and rent commenced in December 2017;
- the completion of an equity offering of 35,937,500 Class A units priced at \$6.40 per unit, which includes the full over-allotment option for 4,687,500 Class A units, for total gross proceeds of \$230,000, which closed August 3, 2017; and
- the Trust entered into a \$150,000 unsecured term loan facility (the “Unsecured Term Loan”) on September 29, 2017 and drew \$125,000 at closing and has the option to draw the remaining \$25,000 within six months, otherwise the option will be cancelled. 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.

Q2-2017

- the acquisition of a 758,922 sf distribution centre located in the Dallas suburb of Wilmer, Texas (the “Dallas Acquisition”) for a purchase price of \$55,478 (US\$42,000) which closed on June 14, 2017;
- the acquisition of the remaining 49% equity interest in PIRET NC Property Limited Partnership, a subsidiary which held a portfolio of three properties in North Carolina, from an existing joint venture partner for a purchase price of \$20,121 (US\$15,200), which closed on June 13, 2017;
- the acquisition of two newly-constructed buildings comprising a total of 996,482 sf in Houston, Texas (the “Houston Acquisition”) for \$85,249 (US\$63,500) which closed on April 4, 2017;
- the disposition of nine non-core assets totaling 548,055 sf, which were all classified as assets held for sale as at December 31, 2016 for gross proceeds of \$69,660. A mortgage relating to one of the disposed properties of \$10,197 was repaid. The remaining eight disposed assets in the quarter were unencumbered at the time of sale;
- the completion of an equity offering of 23,977,500 Class A units priced at \$6.00 per unit, which includes the full over-allotment option for 3,127,500 Class A units, for total gross proceeds of \$143,865, which closed in April 2017; and
- the Trust entered into an unsecured \$150,000 revolving operating loan facility (the “Unsecured Credit Facility”) in April 2017. The Unsecured Credit Facility has a three-year term and matures on April 12, 2020. 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.

Q1-2017

- the acquisition of 16 acres of land adjacent to an existing property in San Antonio, Texas, for \$3,719 (US\$2,754) (the “Texas Land Acquisition”) which closed on March 8, 2017;

- the acquisition of an 800,000 sf cross-dock distribution centre in a suburb of Atlanta, Georgia for \$51,535 (US\$39,500) (the “Atlanta Acquisition”) which closed on February 1, 2017;
- the disposition of two non-core assets, one located in North York, Ontario and the other in Calgary, Alberta, totaling 273,880 sf for gross proceeds of \$28,200. The Ontario property was classified as held for sale as at December 31, 2016;
- the sale of a 75% interest in five assets, four located in Alberta and one in Ontario, to an existing joint-venture partner totaling 499,730 sf (at 100%) for gross proceeds of \$47,300 less standard costs and adjustments, which closed on March 14, 2017. The purchaser assumed its proportionate share of the outstanding mortgages payable totaling \$17,772, resulting in net proceeds of \$29,437 to the Trust.

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

FFO for the three months ended December 31, 2017 increased 23.9% over the same period in the prior year and also increased by 9.1% when compared to Q3-2017. FFO in Q4-2017 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 seventeen properties through fiscal 2017, the sale of a 75% interest of five investment properties to an existing joint venture partner during the year, higher general and administrative (“G&A”) expenses and the unfavourable average US dollar exchange rate in the period (US\$1.00: C\$1.2713), compared to the same period in the prior year (US\$1.00: C\$1.3341). FFO per Unit (“FFOPU”) decreased by 1.9% for the three months ended December 31, 2017 over the same quarter in the prior year and was 4.5% higher when compared to Q3-2017. The favourable FFOPU during the quarter compared to Q3-2017 is due to the full deployment of proceeds from the August 2017 equity offering. The Fort Worth and King Mill II acquisitions in Q4 are expected to increase FFO and AFFO upon stabilization in late 2018 and 2019.

AFFO for the three months ended December 31, 2017 increased 31.8% over the same period in the prior year and also increased by 14.4% when compared to Q3-2017. 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 year, offset partially by the unfavourable average US dollar exchange rate in the period. The Trust’s AFFO per Unit (“AFFOPU”) increased by 4.4% for the three months ended December 31, 2017 compared to the prior year and increased by 9.6% from Q3-2017. The favourable AFFOPU during the quarter compared to Q3-2017 is due to the full deployment of proceeds from the August 2017 equity offering.

Adjusted net operating income (“Adjusted NOI”), representing NOI after accounting for the IFRIC 21 adjustments, in the Trust’s view, provides a better measure of NOI and comparison to previous quarters’ NOI as it recognizes US property taxes throughout the fiscal year rather than at one point in time when the property taxes are levied. The IFRIC 21 adjustment for the three months ended December 31, 2017 amounted to an expense of \$2,176 to NOI. The Trust’s adjusted NOI of \$44,517 for the three months ended December 31, 2017 increased by \$7,393 or 19.9% over the same period in the prior year primarily due to the full quarter impact of the acquisition of fourteen properties during Q4-2016; the fourteen acquisitions of income producing properties in 2017; the contributions from the Richmond distribution facility development which was completed and became income producing in December 2017, and organic growth through an increase in SPNOI. The increase was partially offset by the disposition of seventeen properties during 2017; the sale of a 75% interest in five properties into a joint-venture during Q1-2017, and an unfavourable average US dollar exchange rate for the period.

For the three months ended December 31, 2017, total G&A expenses increased by \$1,867 or 115% relative to the same period in the prior year, representing 5.7% and 3.1% of rental and recoveries revenue, respectively. Current period G&A expense includes \$500 of special transaction costs relating to the Transaction (see Section VI – “Significant Events and Subsequent Events”). In addition, included in G&A expenses is the non-cash fair value component of remeasuring the Trust’s unit-based compensation liabilities totaling \$623 expense for the three months ended December 31, 2017 and \$212 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 (“adjusted G&A”), represents 3.8% and 2.7% of rental and recoveries revenue, for the three months ended December 31, 2017 and for the same period in the prior year,

respectively. The adjusted G&A expenses are \$956 higher compared to the same period in the prior year due to the write-off of due diligence costs relating to potential acquisitions and dispositions which are no longer being pursued of \$239 and a true-up for compensation expense reflecting estimated bonuses payable for fiscal year 2017 of \$546.

The occupancy of the portfolio was 95.4% as at December 31, 2017, excluding properties classified as assets held for sale, a decrease of 230 basis points from December 31, 2016. Including committed leasing, the occupancy is 95.6% as at December 31, 2017 compared to 98.4% as at December 31, 2016. 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 98.3%, and including committed leasing, the occupancy would be 98.6%. The weighted average lease term for the Trust's portfolio decreased from 6.4 years to 6.3 years between the years ended December 31, 2016 and 2017. During the year ended December 31, 2017, approximately 1,328,000 sf of new leases were signed and 1,669,000 sf of expiring space was renewed at rents with an average increase of 5.0% above the expiring rents. The Trust renewed and re-leased approximately 77% of the 2.7 million sf of leases which expired in 2017.

The Trust's Debt to Gross Book Value was 37.8% as at December 31, 2017 which was 450 basis points lower than December 31, 2016. The improvement to the leverage metric was predominately attributable to the net proceeds received from the August 2017 equity offering and the fair value increases to investment properties recognized due to NOI growth and capitalization rate compression across the Trust's portfolio. The Trust set a leverage target of approximately 40% and has achieved this target in 2017.

As at December 31, 2017, the Trust had \$112,799 in cash and available lines, a decrease of \$44,226 from Q4-2016, which is attributed to the timing of the deployment of funds from net proceeds from the August 2017 equity offering relative to the timing of the deployment of funds from the October 2016 equity offering, and the \$150,000 Unsecured Credit Facility entered into in April 2017, which was partially drawn during the year, replacing the prior revolving credit facility of \$110,000 which was undrawn as at December 31, 2016.

OUTLOOK

Real Estate Fundamentals

Canada

According to CBRE, the Canadian National availability rate fell 20 basis points (“bps”) from Q3-2017 to 4.1% in Q4-2017, another record low, led by Toronto (2.2%), Vancouver (2.3%) and Winnipeg (3.6%). Toronto and Vancouver continue to experience tightening supply, with availability rate declines of 10 bps and 30 bps, respectively. Improving fundamentals continue to persist in Calgary and Edmonton as the recovery in oil continued in Q4-2017, as both cities experienced declines in availability rates and a slight increase in net asking rates. In Q4-2017, Calgary and Edmonton also experienced 1.1 million sf and 0.6 million sf of new construction come online during the quarter, respectively.

Nationally, approximately 4.5 million sf of positive net absorption occurred in the quarter following a strong Q3-2017, led by Toronto and Vancouver, and strong absorption quarter over quarter in Calgary and Edmonton at 0.6 million and 0.8 million, respectively. The National average net asking rent reached a new record high at \$6.97 per sf, representing a year over year increase of 5.2%, led by Vancouver, London and Toronto where rents grew 13.7%, 10.1% and 8.1%, respectively.

According to the CBRE Capitalization Rate Survey for Q4-2017, 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. Estimated industrial capitalization rates for Class A and B product were flat or compressed from the previous quarter in all Canadian markets. The national Class A capitalization rate fell quarter over quarter by 2 bps from 5.36% in Q3-2017 to 5.34% in Q4-2017. The national Class B capitalization rate fell quarter over quarter by 6 bps from 6.48% in Q3-2017 to 6.42% in Q4-2017. The bulk of the industrial cap rate compression seen over the fourth quarter took place in Toronto, where the average Class A and B yields fell by 12 and 25 bps, and Montreal, where Class B yields fell by 25 bps.

U.S.A.

According to CBRE, US industrial demand did not exceed supply delivered in Q4-2017 but the national availability rate remained steady for the sixth consecutive quarter and reached the lowest level since Q1-2001. Additionally, Q4 2017 marked the 31st consecutive quarter of positive net absorption. Q4-2017 national asking rents increased 0.6% for the quarter and 5.3% year-over-year to \$6.92 per sf, another record high. The overall industrial availability rate fell to 7.4% and the vacancy rate was flat at 4.5%. Net absorption of 44.4 million sf continued to demonstrate strong user demand, and total net absorption for the year exceeded 200 million sf for the fifth year in a row.

According to the CBRE US Capital Markets Figures for Q4-2017, total investment volume for the year decreased 6.7%, attributable to modest declines in central business district (“CBD”) office, retail center and multifamily. The industrial asset class featured a 19.7% increase in investment volume for 2017, showing that investors continue to allocate capital to the growing warehouse demands of e-commerce and modern logistics. As a result, national capitalization rates for warehouse industrial properties compress further, decreasing by 13 bps from 6.65% in H1-2017 to 6.52% for H2-2017.

SECTION II

RESULTS OF OPERATIONS

(\$000s, except per unit information)	Three months ended December 31		Years ended December 31	
	2017	2016	2017	2016
Revenues:				
Rental and recoveries	\$61,761	\$52,142	\$225,485	\$186,943
Property operating expenses:				
Insurance	358	190	1,201	850
Management fees	1,544	1,412	5,747	4,929
Operating costs	4,908	4,857	18,325	16,404
Property taxes	8,258	8,140	36,208	31,918
	15,068	14,599	61,481	54,101
Net operating income	46,693	37,543	164,004	132,842
Other income (expense)				
General and administrative expense	(3,493)	(1,626)	(10,367)	(7,992)
Fair value adjustment to investment properties	46,961	48,550	192,864	65,734
Fair value adjustments to financial instruments	546	3,245	4,440	2,327
IFRIC 21 fair value adjustments	(2,176)	(419)	(1,895)	-
Loss on disposal of properties	(919)	(444)	(4,563)	(857)
Foreign currency (loss) gain	168	1,044	(1,777)	1,104
Other income	-	1,117	-	2,617
	41,087	51,467	178,702	62,933
Net earnings before net finance expense	87,780	89,010	342,706	195,775
Finance income	279	218	1,299	884
Finance expense	(11,319)	(10,289)	(42,534)	(39,156)
Net finance expense	(11,040)	(10,071)	(41,235)	(38,272)
Net earnings before income taxes	76,740	78,939	301,471	157,503
Income tax recovery (expense)	8,851	(995)	501	(4,458)
Net earnings	\$85,591	\$77,944	\$301,972	\$153,045
Net earnings attributable to:				
Unitholders	85,522	77,510	297,527	147,572
Non-controlling interests	69	434	4,445	5,473
Trust Units – Weighted average (000s) ¹	305,880	242,168	278,535	211,290
Net earnings to unitholders per Unit	\$0.28	\$0.32	\$1.07	\$0.70
Trust Units – Fully diluted weighted average (000s) ¹	306,282	242,573	278,950	211,694
Net earnings to unitholders per Unit	\$0.28	\$0.32	\$1.07	\$0.70

¹ Weighted average and Fully diluted weighted average units reflects the Class B Units as if re-designated into equivalent Class A units. Fully diluted weighted average units included all vested restricted units as at December 31, 2017 and 2016.

For the three months and year ended December 31, 2017, the Trust reported net earnings of \$85,591 and \$301,972, respectively, compared to net earnings of \$77,944 and \$153,045, respectively, for the same periods in 2016. The increase in net earnings for the three months and year ended December 31, 2017 relative to the same periods in 2016 are 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 and year ended December 31, 2017, the rental and recoveries revenue increased by \$9,619 and \$38,542 respectively, compared to the same periods in the prior year, primarily due to the full quarter impact of the acquisitions of fourteen properties during Q4-2016; the fourteen acquisitions of income producing properties completed in 2017; 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 seventeen properties during 2017; the sale of a 75% interest in five properties into a joint-venture during Q1-2017; and an unfavourable average US dollar exchange rate for the period (US\$1.00:C\$1.2713 and US\$1.00:C\$1.2986 for the three months and year ended December 31, 2017, respectively, compared to US\$1.00:C\$1.3341 and US\$1.00:C\$1.3248 for the three months and year ended December 31, 2016, respectively).

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 December 31, 2017, property operating expenses increased by \$469 and \$7,380 respectively, compared to the same periods in the prior year primarily due to the net increase in the number of income producing properties, partially offset by a higher IFRIC 21 adjustment due to an increase in US properties, and by the weaker average US dollar exchange rate for the period and the year 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 December 31			
	2017		2016	
Compensation expenses, excluding fair value adjustments	\$1,145	32.8%	\$484	29.8%
Non-cash fair value compensation expense	623	17.8%	212	13.0%
Administrative expenses	185	5.3%	147	9.0%
Legal and filing fees	86	2.5%	143	8.8%
Professional fees	339	9.7%	377	23.2%
Technology	77	2.2%	62	3.8%
Insurance	20	0.6%	21	1.3%
Other expenses	518	14.8%	180	11.1%
Special transaction costs	500	14.3%	-	0.0%
Total	\$3,493	100.0%	\$1,626	100.0%
As a percentage of rental and recoveries revenue	5.7%		3.1%	

(\$000s, except % basis)	Years ended December 31			
	2017		2016	
Compensation expenses, excluding fair value adjustments	\$3,734	36.0%	\$2,841	35.5%
Non-cash fair value compensation expense	2,340	22.6%	1,860	23.3%
Administrative expenses	621	6.0%	532	6.7%
Legal and filing fees	691	6.7%	596	7.5%
Professional fees	1,126	10.9%	1,296	16.2%
Technology	261	2.5%	334	4.2%
Insurance	81	0.8%	80	1.0%
Other expenses	1,013	9.7%	453	5.6%
Special transaction costs	500	4.8%	-	0.0%
Total	\$10,367	100.0%	\$7,992	100.0%
As a percentage of rental and recoveries revenue	4.6%		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, 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 December 31, 2017, total G&A expenses increased by \$1,867 or 115% relative to the same period in the prior year, representing 5.7% and 3.1% of rental and recoveries revenue, respectively. Current period G&A expense includes \$500 of special transaction costs relating to the Transaction. In addition, included in G&A expenses is the non-cash fair value component of remeasuring the Trust's unit-based compensation liabilities totaling \$623 expense for the three months ended December 31, 2017 and \$212 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 ("adjusted G&A"), represents 3.8% and 2.7% of rental and recoveries revenue, for the three months ended December 31, 2017 and for the same period in the prior year, respectively. The adjusted G&A expenses are \$956 higher compared to the same period in the prior year due to the write-off of due diligence costs relating to potential acquisitions and dispositions which are no longer being pursued of \$239 and a true up for compensation expense reflecting estimated bonuses payable for fiscal year 2017 of \$546.

For the year ended December 31, 2017, total G&A expenses increased by \$2,375 or 29.7% relative to the prior year, representing 4.6% and 4.3% of rental and recoveries revenue, respectively. The G&A expenses in the current year includes \$500 of special transaction costs and in the prior year includes an incremental severance cost of \$691. In addition, included in G&A expenses is the non-cash fair value component of remeasuring the Trust's unit-based compensation liabilities totaling \$2,340 of expense for the year ended December 31, 2017 and \$1,860 of expense in the prior year. The adjusted G&A expenses excluding the fair value component and special transaction costs, represents 3.3% and 2.9% of rental and recoveries revenue, for the year ended December 31, 2017 and the prior year, respectively. During the year ended December 31, 2017, the Trust recognized additional non-cash compensation expense totalling \$482, in relation to an increase in restricted units granted and an expected increase in restricted units to be granted in the future, applicable to grants issued in the prior years, due to a "performance factor" multiple based on the Trust's unit performance relative to a market benchmark, in accordance with the Trust's long-term incentive plan. The remaining increase in G&A expenses is due to the increase in full-time employees compared to the prior year, the opening of the Trust's Edmonton office in October 2016, an increase in Trustee compensation, higher public company costs associated with the growth of the Trust's market capitalization, impacting listing and filing fees, increased investor relations and marketing expenses, and the write-off of due diligence costs relating to potential acquisitions and dispositions that are no longer being pursued.

For the three months and year ended December 31, 2017, unit based compensation expense of \$872 and \$3,675, respectively, was recognized in net earnings in relation to the restricted units, incentive options, deferred units and distribution units issued compared to a unit based compensation expense of \$281 and \$2,301 for the three months and year ended December 31, 2016, respectively. Included in unit based compensation expense in the prior year comparative is \$240 relating to incremental severance costs. The increase in unit based compensation expense for the three months and year ended December 31, 2017 is due to a fair value adjustment expense relating to the restricted unit, incentive option and deferred unit liabilities driven primarily by the increase in the Trust's unit price during the quarter and year.

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 December 31, 2017, the Trust recorded a fair value gain adjustment of \$46,961 (three months ended December 31, 2016 – \$48,550). The fair value adjustment to investment properties was due to the valuation gain on investment properties of \$48,285 (three months ended December 31, 2016 – \$51,045) and other positive adjustments of \$94 (three months ended December 31, 2016 – \$nil), offset by the write-off of standard

acquisition costs, including land transfer tax transaction costs, of \$599 (three months ended December 31, 2016 – \$1,272) and \$819 (three months ended December 31, 2016 – \$1,223) in straight-line rental revenue adjustments.

For the year ended December 31, 2017, the Trust recorded a fair value gain adjustment of \$192,864 (year ended December 31, 2016 – \$65,734). The fair value adjustment to investment properties is comprised of the valuation gain on investment properties of \$205,917 (year ended December 31, 2016 – \$71,601) and other positive adjustments of \$144 (year ended December 31, 2016 – \$nil), offset by the write-off of standard acquisition costs, including land transfer tax transaction costs, of \$9,313 (year ended December 31, 2016 – \$1,573) and \$3,884 (year ended December 31, 2016 – \$4,294) in straight-line rental revenue adjustments.

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

Valuation gain/(loss) (\$000s)	Three months ended December 31		Years ended December 31	
	2017	2016	2017	2016
British Columbia	\$3,884	\$13,018	\$23,421	\$17,105
Alberta	(4,822)	8,445	1,392	(3,897)
Ontario	47,019	18,907	163,127	44,193
US	(226)	-	5,481	-
Other	275	150	7,529	841
Assets Held for Sale	2,155	10,525	4,967	13,359
	\$48,285	\$51,045	\$205,917	\$71,601

During the year ended December 31, 2017, the Trust obtained 125 independent appraisals for properties owned at December 31, 2016, as well as 13 for investment properties acquired during the year. The independent appraisals obtained during the year ended December 31, 2017 represented 82% of the fair value of investment properties as at December 31, 2017 (December 31, 2016 – 41%).

Fair Value Adjustment to Financial Instruments

The Trust records fair value adjustments to financial instruments relating to interest rate swaps on eleven of the Trust's mortgages with an outstanding notional amount of \$150,368. The swaps were entered into to fix the interest rates against the mortgages' floating rates, thereby reducing the risk of fluctuating interest rates on the Trust's long-term debt. For the three months and year ended December 31, 2017, the Trust recorded a fair value adjustment gain of \$546 and \$4,440, respectively (three months and year ended December 31, 2016 – gain of \$3,245 and \$2,327, respectively).

Finance Expense

Finance expense include 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 December 31, 2017 was \$11,319 (three months ended December 31, 2016 - \$10,289). The increase of \$1,030 compared to the same period in the prior year is mainly due to the increase in debt levels throughout 2017, mainly bank and other loans. The weighted average interest rate on the Trust's debt for the three months ended December 31, 2017 was 3.89% compared to 4.09% for the same period in the prior year. Finance expense for the year ended December 31, 2017 was \$42,534 (year ended December 31, 2016 - \$39,156). The increase of \$3,378 compared to the same period in the prior year is mainly due to the increase in debt levels throughout 2017. The weighted average interest rate on the Trust's debt for the year ended December 31, 2017 was 3.94% compared to 4.20% for the same period in the prior year. The Trust's mortgages mature between 2018 and 2032 with a weighted average mortgage term of 4.7 years at December 31, 2017 (December 31, 2016 – 5.0 years).

During the year ended December 31, 2017, interest capitalized to properties under development was \$83 (2016 - \$870) and was based on a weighted average interest rate of 6.3% (December 31, 2016 – 3.2%).

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 \$14,604 as at December 31, 2017 (December 31, 2016 - \$18,199).

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 \$492 and \$1,808 for the three months and year ended December 31, 2017, respectively (three months and year ended December 31, 2016 – \$508 and \$1,263, respectively).

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 year ended December 31, 2017 (year ended December 31, 2016 – \$0.026). During the three months and year ended December 31, 2017, distributions totaled \$23,858 and \$86,995, respectively, to Class A unitholders (three months and year ended December 31, 2016 - \$19,031 and \$65,786 to Class A unitholders, respectively; \$132 and \$725 to Class B unitholders, respectively). Effective December 23, 2016, there are no Class B units outstanding.

FUNDS FROM OPERATIONS AND ADJUSTED FUNDS FROM OPERATIONS

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

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

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

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

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

AFFO is also a non-IFRS measure and should not be construed as an alternative to net earnings determined in accordance with IFRS. However, AFFO is widely accepted as a performance 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 and year ended December 31, 2017, the Trust has adjusted both FFO and AFFO for special transaction costs incurred of \$500 in the fourth quarter of 2017 relating to the Transaction. Although the add-back of special transaction costs to net income to arrive at FFO and AFFO are 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		Years ended	
	December 31		December 31	
	2017	2016	2017	2016
<i>(\$000s, except per unit basis and % basis)</i>				
Net earnings	\$85,591	\$77,944	\$301,972	\$153,045
Net earnings attributable to non-controlling interests	(69)	(434)	(4,445)	(5,473)
Net earnings attributable to common unitholders	\$85,522	\$77,510	\$297,527	\$147,572
Adjustments:				
Fair value adjustment to investment properties	(46,961)	(48,550)	(192,864)	(65,734)
Less non-controlling interests' share of fair value adjustment	-	(60)	3,389	3,515
Loss on sale of investment properties	919	444	4,563	857
Deferred income tax (recovery) expense	(9,343)	486	(2,309)	3,195
Foreign currency loss (gain)	(177)	(1,044)	1,640	(1,104)
Fair value adjustment to financial instruments	(546)	(3,245)	(4,440)	(2,327)
Fair value adjustments to unit based compensation	623	212	2,340	1,860
Internal leasing costs	170	153	724	623
Other income	-	(1,117)	-	(2,617)
Special transaction costs	500	-	500	-
Funds from operations	\$30,707	\$24,789	\$111,070	\$85,840
Capital expenditures	(1,106)	(2,567)	(6,372)	(5,481)
Less non-controlling interests' share of capital expenditures	-	111	129	170
Leasing costs	(1,521)	(736)	(4,413)	(2,894)
Less non-controlling interests' share of leasing costs	-	-	414	-
Internal leasing costs	(170)	(153)	(724)	(623)
Tenant improvement/allowance	(654)	(221)	(1,942)	(1,059)
Straight-line rent adjustment	(819)	(1,223)	(3,884)	(4,294)
Less non-controlling interests' share of straight line rent adjustment	-	59	83	171
Adjusted funds from operations	\$26,437	\$20,059	\$94,361	\$71,830
Weighted average number of Class A units <i>(000s)</i>	305,880	242,168	278,535	211,290
Diluted weighted average number of Class A units <i>(000s)</i>	306,282	242,573	278,950	211,694
FFO per Unit - Basic	0.10	0.10	0.40	0.41
FFO per unit - Diluted	0.10	0.10	0.40	0.41
Payout Ratio on FFO ¹	77.8%	76.3%	78.4%	76.9%
AFFO per unit – Basic	0.09	0.08	0.34	0.34
AFFO per unit – Diluted	0.09	0.08	0.34	0.34
Payout Ratio on AFFO ¹	90.4%	94.3%	92.2%	92.0%

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 and expansions throughout 2016 and in 2017, FFO and AFFO on an absolute dollar basis were higher for the fourth quarter and also for the year-to-date results compared to the same period in 2016.

FFO per unit for the three months ended December 31, 2017 was 10.0 cents compared to 10.2 cents in the comparative period in 2016. For the year ended December 31, 2017, FFO per unit was 39.8 cents compared to 40.5 cents in 2016. The quarter-to-date and year-to-date decrease is attributable to the unfavourable average US dollar exchange rate relative to the prior period and a reduction in the Trust's overall leverage.

AFFO per unit for the three months ended December 31, 2017 was 8.6 cents which was 0.3 cents higher than the same period in 2016. For the year ended December 31, 2017, AFFO per unit was 33.8 cents compared to 33.9 cents in the same period of the prior year. The quarter-to-date increase in AFFO per unit is largely the result of the higher NOI from existing properties, accretive acquisitions, and successful developments and expansions throughout 2016 and 2017, offset

partially by the unfavourable average US dollar exchange rate, relative to prior year, 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

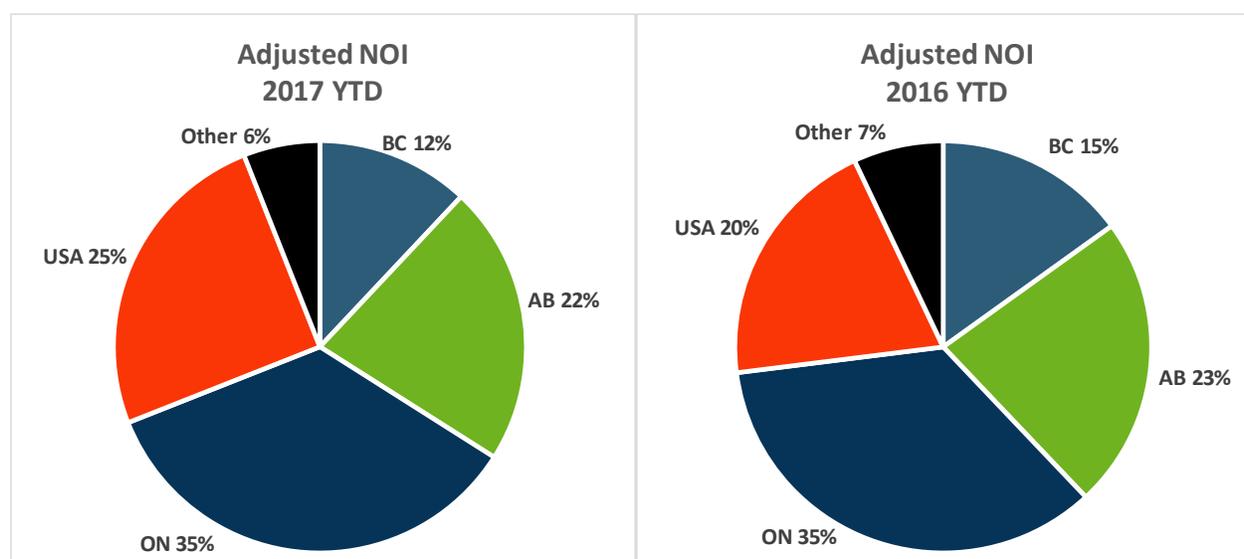
<i>Adjusted NOI (\$000s)</i>	Three months ended		Change	
	December 31		(\$)	(%)
	2017	2016		
British Columbia	\$5,591	\$5,011	\$580	11.6%
Alberta	8,088	8,981	(893)	-9.9%
Ontario	17,049	13,127	3,922	29.9%
US	11,061	7,793	3,268	41.9%
Other	2,728	2,212	516	23.3%
Adjusted NOI	\$44,517	\$37,124	\$7,393	19.9%
<i>Average occupancy during the quarter</i> ¹	96.8%	97.2%	-0.4%	
<i>Average occupied sf during the quarter (000 sf)</i>	23,814	19,112	4,702	

¹ Includes 760,256 sf vacant space acquired in December 2017. Excluding this space, average occupancy during Q4-2017 is 97.8%

Year over Year

<i>Adjusted NOI (\$000s)</i>	Years ended		Change	
	December 31		(\$)	(%)
2017	2016			
British Columbia	\$20,122	\$19,929	\$193	1.0%
Alberta	34,895	30,054	4,841	16.1%
Ontario	56,475	46,911	9,564	20.4%
US	41,157	26,966	14,191	52.6%
Other	9,460	8,982	478	5.3%
Adjusted NOI	\$162,109	\$132,842	29,267	22.0%
<i>Average occupancy during the year</i>	96.8%	95.6%	1.2%	
<i>Average occupied sf during the year (000 sf)</i>	22,066	17,374	4,692	

For the three months and year ended December 31, 2017, adjusted NOI increased 19.9% and 22.0%, respectively, compared to the same period in the prior year, primarily due to the impact of fourteen properties acquired during Q4-2016; the acquisition of fifteen income producing properties in 2017, 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 seventeen properties during 2017; the sale of a 75% interest in five properties into a joint-venture during Q1-2017; and unfavourable average US dollar exchange rate for the period (US\$1.00:C\$1.2713 and US\$1.00:C\$1.2986 for the three months and year ended December 31, 2017, respectively, compared to US\$1.00:C\$1.3341 and US\$1.00:C\$1.3248 for the three months and year ended December 31, 2016, respectively).



Same Property Adjusted Net Operating Income

Quarter over quarter

	Three months ended		Change	
	December 31		(\$)	(%)
Adjusted NOI (\$000s)	2017	2016		
British Columbia	\$4,358	\$4,301	57	1.3%
Alberta	5,626	5,284	342	6.5%
Ontario	12,093	11,633	460	4.0%
Other	1,964	1,861	103	5.5%
Canada	24,041	23,079	962	4.2%
US (in CAD)	6,255	6,385	(130)	(2.0%)
Assets held for sale	47	24	23	96.0%
Same properties	30,343	29,488	855	2.9%
Partnership and joint venture fees	1,652	210	1,442	686.9%
Transactions	11,704	6,203	5,501	88.7%
Straight-line rent adjustment	818	1,223	(405)	(33.2%)
Adjusted NOI	\$44,517	\$37,124	\$7,393	19.9%
<i>Average occupancy of same property during the period</i>	<i>96.9%</i>	<i>96.9%</i>		

	Three months ended		Change	
	December 31		(\$)	(%)
Adjusted NOI (\$000s)	2017	2016		
US (in USD)	\$4,920	\$4,787	134	2.8%
Foreign exchange rate	1.271	1.334		
US (in CAD)	\$6,255	\$6,385	(130)	(2.0%)

SPNOI, normalizing for the impact of the IFRIC 21 adjustments, includes properties that were owned by the Trust during both the comparative periods and for certain transacted properties, based on the number of days owned during the periods. For the three months ended December 31, 2017, the Trust's SPNOI increased by \$855 or 2.9% from 16.4 million sf of GLA, representing 66.3% of the Trust's overall portfolio. The increase in SPNOI is driven by average occupancy increases of 77,000 sf in Ontario, 88,000 sf in Alberta, and 28,000 sf in Manitoba, offset by a 192,000 sf average occupancy decreases in the US. The net occupancy decrease in the US is fully attributable to 244,000 sf of space in North Carolina that became vacant in the first quarter of 2017. The Trust secured a long-term tenant for 148,000 sf of the space, with a lease commencing in December 2017. The increase in SPNOI is partially offset by the unfavourable average US dollar exchange rate for the period, compared to the same period in the prior year.

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 4.0% for the three months ended December 31, 2017 relative to the same period in the prior year.

Excluding the expansion activities completed during 2016 in Ontario, New Jersey and Texas, SPNOI increased 2.4% in aggregate and for the US segment specifically, SPNOI decreased 3.0% (1.8% increase on a US dollar basis).

Year over Year

	Years ended		Change	
	December 31		(\$)	(%)
Adjusted NOI (\$000s)	2017	2016		
British Columbia	\$17,626	\$17,456	170	1.0%
Alberta	21,921	21,217	704	3.3%
Ontario	38,392	36,154	2,238	6.2%
Other	7,152	7,286	(134)	(1.8%)
Canada	85,091	82,112	2,979	3.6%
US (in CAD)	24,633	24,704	(71)	(0.3%)
Assets Held for Sale	176	107	69	64.5%
Same properties	109,900	106,923	2,977	2.8%
Partnership and joint venture fees	2,396	854	1,542	180.6%
Transactions	45,929	20,771	25,158	121.1%
Straight-line rent adjustment	3,884	4,294	(410)	(9.5%)
Adjusted NOI	\$162,109	\$132,842	29,267	22.0%
<i>Average occupancy of same property during the year</i>	96.3%	95.3%		

	Years ended		Change	
	December 31		(\$)	(%)
Adjusted NOI (\$000s)	2017	2016		
US (in USD)	\$18,969	\$18,648	322	1.7%
Foreign exchange rate	1,299	1,325		
US (in CAD)	\$24,633	\$24,704	(71)	(0.3%)

For the year ended December 31, 2017, the Trust's SPNOI increased by \$2,977 or 2.8% from 15.8 million sf of GLA, representing 69.4% of the Trust's overall portfolio.

On a constant currency basis, eliminating the impact of the change in the US dollar exchange rate year over year, the Trust's SPNOI increased 3.3% for the year ended December 31, 2017 relative to the same period in the prior year.

Excluding expansions, SPNOI for the year ended December 31, 2017 increased by 2.0% in aggregate and for the US segment specifically, SPNOI decreased 2.5% (0.5% decrease on a US dollar basis).

Occupancy and Leasing

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

<i>GLA, AUM (000s)</i> ¹	BC	AB	ON	US	Other	Total	% of GLA
2018	-	346	1,429	357	185	2,317	9.2%
2019	435	456	958	557	197	2,603	10.3%
2020	-	395	852	844	33	2,124	8.4%
2021	120	476	965	408	119	2,088	8.3%
2022	674	300	1,768	2,266	168	5,176	20.5%
2023	65	398	320	141	27	951	3.8%
2024	966	37	344	1,766	181	3,294	13.0%
2025	-	226	312	568	161	1,267	5.0%
2026	182	164	243	252	-	841	3.3%
2027	-	94	225	203	97	619	2.4%
Thereafter	357	739	1,466	68	222	2,852	11.2%
Occupied	2,799	3,631	8,882	7,430	1,390	24,132	95.4%
Vacant	-	93	151	898	24	1,166	4.6%
Total	2,799	3,724	9,033	8,328	1,414	25,298	100.0%
<i>Occupied %</i>	<i>100.0%</i>	<i>97.5%</i>	<i>98.3%</i>	<i>89.2%</i>	<i>98.3%</i>	<i>95.4%</i>	

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

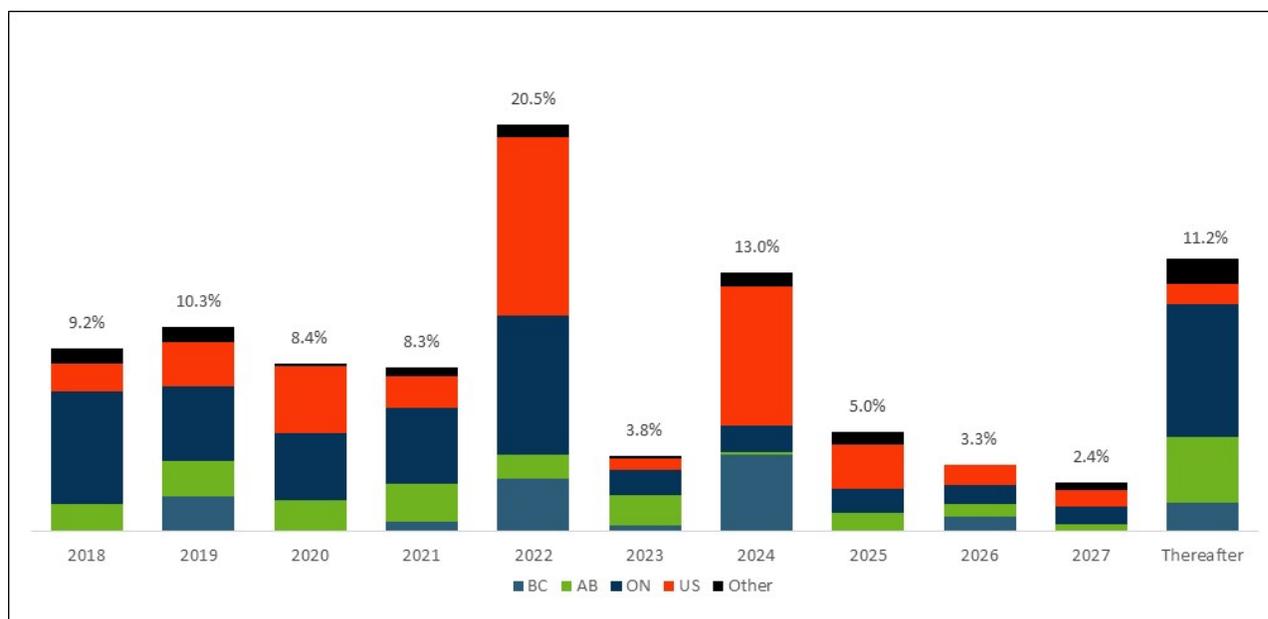
<i>Average expiring rents</i> ¹	BC	AB	ON	US ²	Other	Total ³
2018	-	13.44	5.95	3.32	6.20	6.82
2019	8.54	10.51	6.94	3.85	6.83	7.38
2020	-	9.32	7.80	4.03	16.21	7.15
2021	8.69	7.62	6.75	2.54	6.01	6.33
2022	7.79	11.04	6.84	4.25	7.68	6.61
2023	9.24	6.44	9.07	6.50	5.69	7.76
2024	9.46	8.66	7.30	5.95	10.70	8.28
2025	-	8.79	7.98	6.98	8.80	8.63
2026	19.14	14.57	8.04	12.42	-	14.04
2027	-	8.82	12.90	7.75	11.69	11.09
Thereafter	11.09	17.42	13.14	5.48	11.36	13.69
Total	\$ 9.72	\$ 11.30	\$ 8.15	\$ 5.10	\$ 8.75	\$ 8.33

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

² In USD.

³ US expiring rents converted at the December 31, 2017 spot exchange rate of 1.2545.

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 and year ended December 31, 2017.

(000 sf)	Three months ended December 31, 2017					Total
	BC	AB	ON	US	Other	
Occupancy, beginning	2,469	3,535	9,140	7,022	1,351	23,517
Acquired occupancy	-	-	-	260	-	260
Disposed occupancy	-	-	(246)	-	-	(246)
Expiries during the period	-	(101)	(424)	-	(72)	(597)
Renewals	-	63	305	-	52	420
New leases	330	108	107	148	59	752
Transfer from IPP to PUD	-	(18)	-	-	-	(18)
Transfer from AHFS to IPP	-	44	-	-	-	44
Occupancy, ending	2,799	3,631	8,882	7,430	1,390	24,132
Committed	-	-	54	-	-	54
Occupancy, including committed	2,799	3,631	8,936	7,430	1,390	24,186

(\$ psf)	Three months ended December 31, 2017					Total
	BC	AB	ON	US	Other	
Expiries during the period	\$ -	\$ (9.83)	\$ (5.73)	\$ -	\$ (7.01)	\$ (6.58)
Renewals	-	8.86	6.34	-	8.20	6.95
New leases	8.95	8.03	5.53	3.55	6.77	7.28

¹ Excludes properties classified as assets held for sale.

Pure Industrial Real Estate Trust – MD&A December 31, 2017

<i>(000 sf)</i>	Years ended December 31, 2017					
	BC	AB	ON	US	Other	Total
Occupancy, beginning	2,200	3,833	7,221	4,706	1,169	19,129
Acquired occupancy	269	-	1,861	2,815	178	5,123
Disposed occupancy	-	(156)	(246)	-	-	(402)
Expiries during the period	(217)	(418)	(1,118)	(854)	(134)	(2,741)
Renewals	152	90	700	615	112	1,669
New leases	395	256	464	148	65	1,328
Transfer from IPP to PUD	-	(18)	-	-	-	(18)
Transfer from AHFS to IPP	-	44	-	-	-	44
Occupancy, ending	2,799	3,631	8,882	7,430	1,390	24,132
Committed	-	-	54	-	-	54
Occupancy, including committed	2,799	3,631	8,936	7,430	1,390	24,186

<i>(\$ psf)</i>	Years ended December 31, 2017					
	BC	AB	ON	US	Other	Total
Expiries during the year	\$ (8.32)	\$ (7.32)	\$ (6.57)	\$ (3.37)	\$ (6.82)	\$ (6.10)
Renewals	8.50	8.83	7.25	3.61	7.45	6.46
New leases	8.92	7.97	6.56	3.55	6.40	7.17

¹ Excludes properties classified as assets held for sale.

Pure Industrial Real Estate Trust – MD&A December 31, 2017

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
<u>British Columbia</u>						
Expiries	-	-	435	-	2,364	2,799
Committed renewals	-	-	-	-	-	-
Expiries, net of renewals	-	-	435	-	2,364	2,799
Committed for new leases	-	-	-	-	-	-
Expiries, net	-	-	435	-	2,364	2,799
<u>Alberta</u>						
Expiries	93	346	456	395	2,434	3,724
Committed renewals	-	100	-	-	-	100
Expiries, net of renewals	93	246	456	395	2,434	3,624
Committed for new leases	-	13	-	-	-	13
Expiries, net	93	233	456	395	2,434	3,611
<u>Ontario</u>						
Expiries	151	1,429	958	852	5,643	9,033
Committed renewals	-	244	40	97	75	456
Expiries, net of renewals	151	1,185	918	755	5,568	8,577
Committed for new leases	54	673	-	-	-	727
Expiries, net	97	512	918	755	5,568	7,850
<u>US</u>						
Expiries ²	898	357	557	844	5,672	8,328
Committed renewals	-	-	-	-	-	-
Expiries, net of renewals	898	357	557	844	5,672	8,328
Committed for new leases	-	-	-	-	-	-
Expiries, net	898	357	557	844	5,672	8,328
<u>Other</u>						
Expiries	24	185	197	33	975	1,414
Committed renewals	-	114	-	-	-	114
Expiries, net of renewals	24	71	197	33	975	1,300
Committed for new leases	-	23	-	-	-	23
Expiries, net	24	48	197	33	975	1,277
<u>Total</u>						
Expiries ²	1,166	2,317	2,603	2,124	17,088	25,298
Committed renewals	-	458	40	97	75	670
Expiries, net of renewals	1,166	1,859	2,563	2,027	17,013	24,628
Committed for new leases	54	709	-	-	-	763
Expiries, net	1,112	1,150	2,563	2,027	17,013	23,865

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 54,000 sf of committed occupancy, leases for 52,000 sf or 96% of the committed leases will commence during the first quarter of 2018.

The Trust has successfully secured a new tenant for its 627,000 sf space in Ontario, currently leased to tenant Best Buy, and set to expire in the first quarter of 2018. 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 December 31, 2017. The Trust's average in-place rent as at December 31, 2017 is 2.5% below 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	\$8.42	\$9.26	9.9%
Alberta	3,365	9.10	8.22	-9.7%
Ontario	7,920	6.54	7.03	7.5%
Other	1,031	6.43	6.76	5.0%
Canada, excluding cross-dock facilities ¹	14,932	\$7.44	\$7.67	3.1%
Cross-dock facilities	1,770	17.09	17.13	0.2%
Canada	16,702	\$8.46	\$8.67	2.5%
US, excluding cross-dock facilities ^{1,2}	5,619	\$3.49	\$3.57	2.3%
US cross-dock facilities ²	1,811	11.07	11.07	0.0%
US	7,430	\$5.34	\$5.40	1.1%

¹ Assets under management.

² Net Rent in USD.

TENANTS

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

	December 31, 2017		December 31, 2016	
	Average Lease Term (years)	Average tenant size (sf)	Average Lease Term (years)	Average tenant size (sf)
British Columbia	7.4	155,455	6.1	137,484
Alberta	6.5	45,979	7.5	54,031
Ontario	6.4	40,519	5.7	30,394
US	5.3	287,164	6.3	224,123
Other	7.0	39,272	6.0	31,398
Total¹	6.3	65,374	6.4	49,561

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

The Trust's weighted average remaining lease term is 6.3 years at December 31, 2017 (6.4 years at December 31, 2016). The following table lists the Trust's top 10 tenants as at December 31, 2017:

	Tenant	Percentage of Revenue	GLA (000s)	Average Lease Term (years)
1	FedEx	20.5%	2,490	8.3
2	TFI International	8.6%	886	10.7
3	IKEA	4.6%	1,327	5.2
4	ContainerWorld	3.0%	636	6.6
5	Kellogg Canada	2.7%	764	5.0
6	Best Buy Canada	2.0%	628	0.2
7	Toys 'R Us Canada	1.8%	471	15.1
8	Tervita	1.6%	185	14.8
9	Hudson's Bay Company	1.5%	412	5.0
10	Kuehne & Nagel	1.5%	411	4.2
	Top 10 Tenants ^{1, 2}	47.8%	8,210	8.0
	Other	52.2%	15,922	4.7
	Total	100.0%	24,132	6.3

¹ Revenue is determined based on in-place leases as at December 31, 2017.

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.

The geographic diversification of the Trust's portfolio as at December 31, 2017 and December 31, 2016 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	
	Dec 2017	Dec 2016	Dec 2017	Dec 2016	Dec 2017	Dec 2016	Dec 2017	Dec 2016	Dec 2017	Dec 2016	Dec 2017	Dec 2016
British Columbia	12	10	2,799	2,200	2,799	2,200	-	1	-	330	-	-
Alberta	41	43	3,724	3,998	3,304	3,895	1	-	101	-	13.9	13.9
Ontario	78	74	9,033	7,416	8,368	6,810	-	-	-	-	14.8	10.3
US	25	19	8,328	4,707	8,328	4,057	-	-	-	-	100.7	-
Other	17	16	1,414	1,256	1,272	1,114	-	-	-	-	2.2	2.2
	173	162	25,298	19,577	24,071	18,076	1	1	101	330	131.6	26.4
Assets Held for Sale	3	16	142	950	142	950	-	-	-	-	-	-

¹Land Held for Development includes parcels of excess land associated with certain income producing properties in addition to two parcels of land held exclusively for development (90.3 acres).

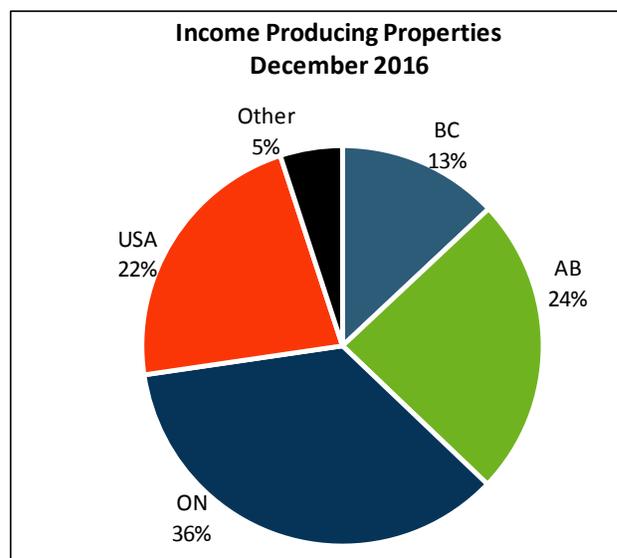
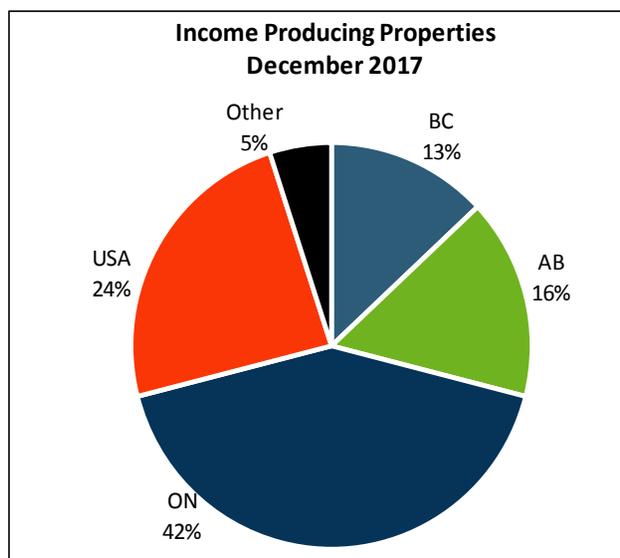
The following table provides a roll forward of the Investment Properties of the Trust for the year ended December 31, 2017.

<i>(000s)</i>	Years ended December 31, 2017		
	Investment properties	Investment properties held for sale	Total
Balance, beginning of year	\$ 2,320,845	\$ 110,832	\$ 2,431,677
Acquisitions	665,625	-	665,625
Capital additions	13,747	181	13,928
Capital additions, properties under development and expansion	37,242	-	37,242
Land held for future development	12,951	-	12,951
Dispositions	(93,942)	(88,145)	(182,087)
Straight line rent adjustment	3,830	54	3,884
Fair value adjustment to investment properties	187,807	4,913	192,720
Unrealized foreign currency translation loss	(46,546)	-	(46,546)
Transfer to income producing properties	6,500	(6,500)	-
	3,108,059	21,335	3,129,394
IFRIC 21 property tax liability adjustment	1,895	-	1,895
IFRIC 21 fair value adjustment to investment properties	(1,895)	-	(1,895)
Balance, end of year	\$ 3,108,059	\$ 21,335	\$ 3,129,394

Income Producing Properties

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

	Income Producing Properties					
	Number of properties		Fair Value (\$000s)	Weighted Average Capitalization Rates		
	Dec 2017	Dec 2016	Dec 2017	Dec 2016	Dec 2017	Dec 2016
British Columbia	12	10	\$400,100	\$300,606	5.49%	5.60%
Alberta	41	43	499,636	558,981	6.53%	6.59%
Ontario	78	74	1,282,767	822,373	5.09%	5.81%
USA	25	19	747,561	515,822	6.27%	6.56%
Other	17	16	156,011	116,303	6.84%	6.91%
	173	162	\$3,086,075	\$2,314,085	5.75%	6.19%



The \$771,989 increase in the value of the Trust’s income producing properties during the year ended December 31, 2017 is due primarily to compression of capitalization rates in the GTA and net acquisition activities.

During the year ended December 31, 2017, the Trust disposed of two properties in Alberta with a fair value of \$24,000, two properties in Ontario with a fair value of \$20,792, one property in Manitoba with a fair value of \$1,850, and a 75% interest of five properties to an existing joint-venture partner with an aggregate fair value of \$47,300. The dispositions are offset by the acquisition of nine investment properties in Canada for \$385,162 and six investment properties in the US for \$271,150 (US\$206,500). In addition, the Trust recognized fair value gains of \$200,024 and capital additions of \$13,753 to its income producing properties in 2017. A foreign exchange related decrease of \$46,229 was recognized on the Trust’s US based income producing properties due to the unfavourable US dollar exchange rate, relative to prior year. In Q4-2017, the Trust completed the development in Richmond, British Columbia and as a result transferred \$43,062 from properties under development to income producing properties. The Trust also began the redevelopment of a property in Edmonton, Alberta in October 2017 which resulted in \$7,491 being transferred from income producing properties to properties under development. Lastly, the Trust transferred one property with a fair value of \$6,500, previously classified as held for sale, to income producing properties.

Properties Under Development and Expansion

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

Properties Under Development or Expansion				
Address	GLA (sf) (000s)	Completion Date	Fair Value (000s)	
			December 31 2017	December 31 2016
Richmond, BC	330	Q4-2017	\$0	\$6,006
Edmonton, AB	101	TBD	7,677	-

On August 26, 2016, the Trust acquired the rights to a 51-year ground lease in Richmond, British Columbia for the construction of a new building of 330,299 sf. The construction project was completed in Q4 2017 and total costs incurred to December 31, 2017 amounted to \$43,062 (December 31, 2016 – \$6,006). On December 1, 2017, the property was transferred to income producing properties.

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 December 31, 2017, costs incurred subsequent to the transfer amounted to \$186 (December 31, 2016 - \$nil). 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 131.6 acres of land held for future development, located in Calgary (3.0 acres), Edmonton (10.9 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.

During the year ended December 31, 2017, the fair value of land held for future development increased from \$754 to \$14,307. The \$13,553 increase is largely attributable to the acquisition of parcels of land in San Antonio, Texas for \$3,719 (US\$ 2,754) and in Dallas, Texas for \$8,170 (US\$ 6,460). Closing costs associated with the acquisitions amounted to \$1,006 (US\$ 810) and are capitalized to the value of the land.

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.

Acquisitions – 2016

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

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

On November 1, 2016, the Trust completed the acquisition of a portfolio of eight industrial properties in Alberta (the “Alberta Acquisition”) for \$171,080, plus standard closing costs and adjustments of \$558. The Alberta Acquisition consists of four single-tenant and four multi-tenant industrial properties comprising an aggregate of approximately 1.2 million sf of gross leasable area and is leased to quality international, national and regional tenants, and is situated within prime industrial nodes in Calgary and Edmonton. The Alberta Acquisition was funded through new and assumed mortgage

financing in the amount of \$86,482, with weighted average term of 5.1 years and a weighted average interest rate of 3.0% per annum and proceeds from the Trust’s October 2016 equity offering.

On November 14, 2016, the Trust completed the acquisition of a portfolio of six industrial properties in the Southeastern US (the “US Acquisition”) for approximately \$109,755 (US\$81,000) plus standard closing costs and adjustments of approximately \$695 (US\$513). The US Acquisition comprises approximately 1.6 million sf of functional warehouse and distribution buildings; four located in Atlanta, Georgia and two located in Charlotte, North Carolina; and is 100% leased to seven high quality tenants with a weighted average lease term of 4.5 years. The US Acquisition was financed with a new mortgage in the amount of approximately \$54,379 (US\$40,500) with an eight-year term and fixed interest rate of 3.06% per annum, and proceeds from the Trust’s October 2016 equity offering.

The table below outlines the acquisitions completed in 2016:

Description	Municipality, Province	# of Properties	GLA AUM (sf) (000s)	Price (\$000s)	Going-in Cap Rate	Occupancy
2800 Roxburgh Road (25% co-ownership)	London, ON	1	100	\$1,650	6.8%	100%
4400 Hickmore Street	Montreal, QC	1	80	\$6,675	6.4%	100%
Alberta Acquisition	Calgary and Edmonton, AB	8	1,200	\$171,080	6.3%	98% ¹
Total Acquisitions in Canada		10	1,380	\$179,405		
US Acquisition	Atlanta, GA and Charlotte, NC	6	1,600	US\$ 81,000	6.9%	100%
Total Acquisitions in US		6	1,600	US\$ 81,000		

¹ 100% with head lease.

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.

Pure Industrial Real Estate Trust – MD&A December 31, 2017

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.

Dispositions – 2016

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

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

Assets Held for Sale

Management had committed to a plan of sale of the underlying properties and the sales are considered to be highly probable. As at December 31, 2017, the Trust's interest in 3 investment properties were classified as held for sale (December 31, 2016 - 16).

During the year ended December 31, 2017, the Trust disposed of 12 properties previously classified as held for sale for gross proceeds of \$88,145. These properties had an aggregate fair value as at December 31, 2016 of \$84,305.

In addition, during the year ended December 31, 2017, the Trust transferred 1 property previously classified as held for sale to income producing properties.

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

Properties Classified as Assets Held for Sale										
	Number of properties		GLA (sf) (000s)		Fair Value (\$000s)		Weighted Average Capitalization Rates		Mortgages	
	Dec 2017	Dec 2016	Dec 2017	Dec 2016	Dec 2017	Dec 2016	Dec 2017	Dec 2016	Dec 2017	Dec 2016
British Columbia	-	4	-	300	-	\$45,070	-	4.70%	-	\$10,321
Alberta	2	6	112	270	18,585	32,782	6.70%	6.99%	7,053	10,363
Ontario	-	3	-	237	-	20,585	-	6.04%	-	1,025
US	-	-	-	-	-	-	-	-	-	-
Other	1	3	31	143	2,750	12,395	9.55%	7.86%	-	-
	3	16	143	950	\$21,335	\$110,832	7.07%	5.98%	\$7,053	\$21,709

Leasing and Capital Expenditures

(\$000s)	Three months ended		Years ended	
	December 31		December 31	
	2017	2016	2017	2016
Recoverable capital expenditures	\$ -	\$862	\$1,900	\$3,150
Non-recoverable capital expenditures				
Tenant improvements/allowances	654	221	1,942	1,059
Leasing costs	1,521	736	4,413	2,894
Other non-recoverable capital expenditures	1,106	1,704	4,472	2,330
	\$3,281	\$2,661	\$10,827	\$6,283
Total capital expenditures deducted for AFFO¹	\$3,281	\$3,523	\$12,727	\$9,433
Revenue enhancing expenditures	-	384	1,201	2,617
Total capital additions to investment properties	\$3,281	\$3,907	\$13,928	\$12,050

¹ Includes amounts attributable to non-controlling interest

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 year ended December 31, 2017, the Trust incurred \$1,201 of revenue-enhancing capital expenditures representing costs incurred to build out three office spaces in two investment properties which the Trust believes will result in increased base rent per sf. For the year ended December 31, 2016, the Trust spent \$2,617 to repair a property in Alberta after it was damaged by fire. The costs of the repairs have been included in revenue enhancing capital expenditures and therefore excluded from the deduction for AFFO purposes. The related insurance proceeds received as a result of the fire, and recognized as other income in the statement of net earnings, were also excluded from both FFO and AFFO metrics.

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 December 31, 2017, the mortgage due dates range from 2018 to 2032, with a weighted average remaining term of 4.7 years (December 31, 2016 – 5.0 years).

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

As at December 31, 2017 (\$000s)	Accounts payable and other	Rental Deposits	Unit Based Compensation	Mortgage payments and maturities, and Other loans	Total
2018	\$64,249	\$1,471	\$4,858	\$95,370	\$165,948
2019	-	1,179	1,235	114,657	117,071
2020	-	674	456	239,402	240,532
2021	-	822	76	130,709	131,607
2022	-	1,096	68	178,681	179,845
Thereafter	-	3,719	67	468,131	471,917
	\$64,249	\$8,961	\$6,760	\$1,226,950	\$1,306,920

Capital Resources

Cash flow from operations represents the primary source of funds to pay total distributions to unitholders of \$86,995 for the year ended December 31, 2017, compared to \$66,511 in the prior year.

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

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

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

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:

(\$000s)	Three months ended		Years ended	
	December 31		December 31	
	2017	2016	2017	2016
Cash provided by operating activities	\$19,162	\$29,015	\$107,681	\$96,520
Actual cash distributions paid or payable	23,858	19,163	86,995	66,511
Excess (deficiency) of cash provided by operating activities over cash distributions paid	(\$4,696)	\$9,852	\$20,686	\$30,009

(\$000s)	Three months ended		Years ended	
	December 31		December 31	
	2017	2016	2017	2016
Net earnings	\$85,591	\$77,944	\$301,972	\$153,045
Actual cash distributions paid or payable	23,858	19,163	86,995	66,511
Surplus of net earnings over cash distributions paid	\$61,733	\$58,781	\$214,977	\$86,534

For the three months ended December 31, 2017, cash flows from operating activities was lower than the cash distributions paid or payable by \$4,696 (three months ended December 31, 2016 - exceeded by \$9,852) and net earnings exceeded distributions paid and payable by \$61,733 (three months ended December 31, 2016 - exceeded by \$58,781). The distributions paid were in excess of cash flows from operating activities in the three months ending December 31, 2017 and therefore were financed by other sources of capital, being existing cash on hand. Cash flows from operating activities in the three months ending December 31, 2017 were lower than normal due to a significant reduction in non-cash working capital, largely due to the increase in cash held in trust. The increase in cash held in trust relates to deposits being held for pending acquisitions that will occur in 2018. The Trust believes that the cash flows from operating activities and the significant change in working capital realized in the fourth quarter of 2017 is not indicative of normal operating activity and as such believes that the Trust's distributions are sustainable moving forward. This is evidenced by the fact that the Trust's year-to-date cash flows from operating activities exceeds distributions paid and payable for the year ended December 31, 2017 and in the prior year. In assessing distribution payments, the Trust does not generally take fluctuations in working capital into consideration.

For the year ended December 31, 2017, cash flows from operating activities exceeded cash distributions paid or payable by \$20,686 (year ended December 31, 2016 - exceeded by \$30,009) and net earnings exceeded distributions paid and payable by \$214,977 (year ended December 31, 2016 - exceeded by \$86,534).

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		Years ended	
	December 31		December 31	
	2017	2016	2017	2016
Adjusted funds from operations	\$26,437	\$20,059	\$94,361	\$71,830
Amortization of discount on mortgage reserve fund	-	(39)	-	(39)
Amortization of leasehold improvements – corporate	16	12	64	45
Amortization of mark to market mortgage adjustment	(50)	(162)	(262)	(934)
Amortization of mortgage transaction costs	431	488	1,688	1,808
Non-controlling interest adjustment	69	434	4,445	5,473
Non-controlling interests' share of fair value adjustment	-	60	(3,389)	(3,515)
Non-controlling interests' share of straight line rent	-	(59)	(83)	(171)
IFRIC 21 fair value adjustment to investment properties	2,176	419	1,895	-
Capital expenditures ¹	3,281	3,413	12,184	9,264
Net change in non-cash working capital	(13,048)	1,828	(4,271)	9,273
Net finance expense, excluding amortization	10,659	9,745	39,809	37,398
Interest paid	(10,839)	(8,588)	(40,895)	(37,855)
Interest received	279	218	1,299	884
Fair value adjustments to unit based compensation expense	(623)	(212)	(2,340)	(1,860)
Unit based compensation expense	874	282	3,676	2,302
Other Income	-	1,117	-	2,617
Special transaction costs	(500)	-	(500)	-
Net cash provided from operating activities	\$19,162	\$29,015	\$107,681	\$96,520

¹ Net of Non-controlling interests' share.

Debt

The Trust's Declaration of Trust limits the indebtedness of the Trust to a maximum of 70% of the gross book value of the Trust. The gross book value is defined as the total book value of the assets plus the amount of accumulated depreciation and amortization in respect of such assets (and related intangible assets), where applicable, the amount of future income tax liability arising out of indirect acquisitions and excluding the amount of any receivable reflecting interest rate subsidies on any debt assumed by the Trust. The Trust's indebtedness ratio relative to its gross book value as at December 31, 2017 is 37.8% (December 31, 2016 – 42.3%).

(\$000s)	December 31, 2017	December 31, 2016
Mortgages payable and bank loans	\$1,211,920	\$1,043,491
Mortgages payable on assets held for sale	7,053	21,709
Total indebtedness	1,218,973	1,065,200
Total assets	\$3,220,813	\$2,516,537
Indebtedness ratio	37.8%	42.3%

Mortgages

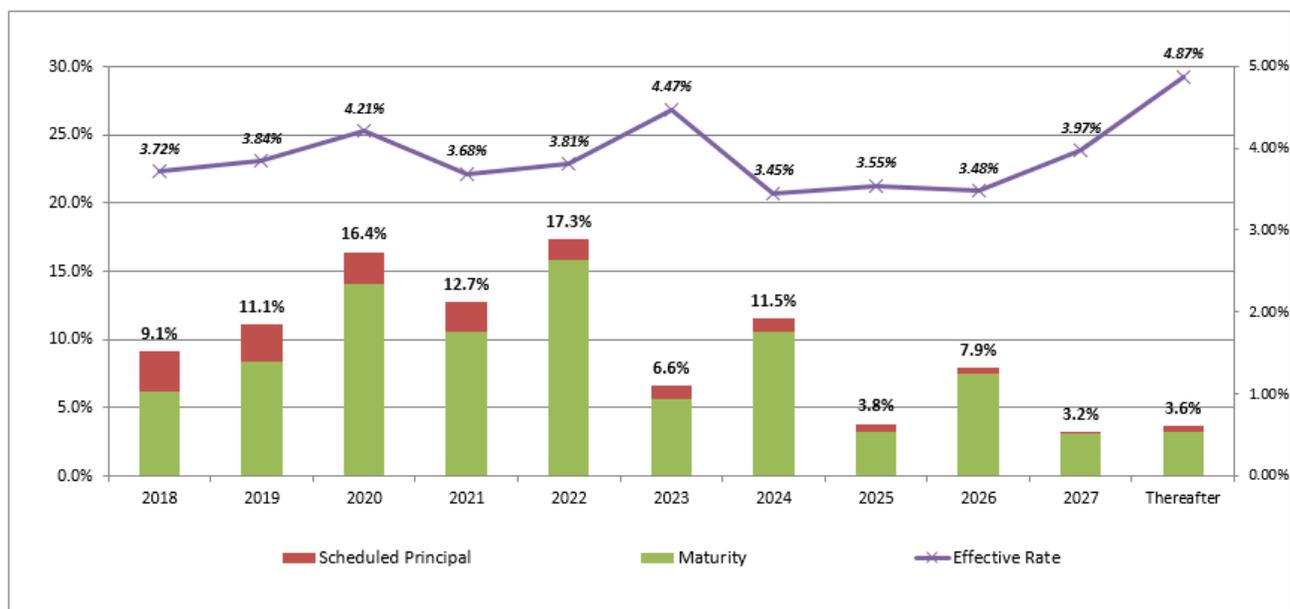
The Trust's mortgages have a weighted average effective interest rate of 3.82% as at December 31, 2017 (December 31, 2016 – 3.88%) and mature between 2018 and 2032. The scheduled mortgage payments, principal maturities and weighted average nominal and effective interest rates are as follows:

As at December 31, 2017 (\$000s)	Weighted Average Nominal Rate	Weighted Average Effective Rate	Scheduled Principal Repayments	Principal Maturities	Principal Total Repayments
2018	3.53%	3.72%	29,647	64,375	\$94,022
2019	3.71%	3.84%	27,725	86,692	114,417
2020	4.07%	4.21%	24,028	145,122	169,150
2021	3.62%	3.68%	21,411	109,298	130,709
2022	3.74%	3.81%	15,620	163,061	178,681
2023	4.37%	4.47%	10,708	57,512	68,220
2024	3.43%	3.45%	8,934	109,350	118,284
2025	3.40%	3.55%	6,246	32,757	39,003
2026	3.40%	3.48%	4,406	76,991	81,397
2027	3.86%	3.97%	1,017	32,432	33,449
Thereafter	4.72%	4.87%	2,713	65	2,778
	3.73%	3.82%	\$152,455	\$877,655	\$1,030,110
Unamortized mortgage transaction costs					(5,308)
Unamortized mark to market mortgage adjustment					1,227
					\$1,026,029

Included in mortgages payable as at December 31, 2017 is the mark-to-market adjustment of \$1,227 (December 31, 2016 – \$1,465) on five mortgages (December 31, 2016 – seven mortgages), which is being amortized over the remaining term of the related mortgages using the effective interest rate method.

As at December 31, 2017, the Trust classified one mortgage totaling \$7,053 (December 31, 2016 – four mortgages totaling \$21,709) as a liability on assets held for sale. As at December 31, 2017, included in the mortgage payable on assets held for sale is the related unamortized financing costs of \$19 (December 31, 2016 - \$63) and related unamortized mark to market adjustments of \$263 (December 31, 2016 - \$331).

The following chart illustrates scheduled mortgage payments, principal maturities and weighted average nominal and 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 December 31, 2017 is \$240. As at December 31, 2017, the related unamortized financing costs are \$220.

On December 10, 2014, the Trust entered into a \$90,000 revolving operating loan facility secured by a portfolio of 19 properties. Effective December 29, 2015, the revolving operating loan was amended, restated and increased to a \$110,000 facility, secured by a portfolio of 22 properties at that time. The loan bore interest at the lender's prime rate plus 0.75% or at the lender's banker's acceptance rate plus 1.75%, and was scheduled to mature on December 29, 2017. On April 12, 2017, concurrent with the closing of the Unsecured Credit Facility, the Trust terminated its \$110,000 secured revolving operating loan facility and recognized the related unamortized financing costs of \$153 (December 31, 2016 - \$206).

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 December 31, 2017 is \$70,252 (US\$56,000). As at December 31, 2017, the related unamortized financing costs are \$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 newly acquired land located in Wilmer, Texas. The loan has a one-year term and bears no interest. The promissory note payable is \$1,348 (US\$ 1,074) as at December 31, 2017.

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 has the option to draw the remaining \$25,000 within six months, otherwise the option will be cancelled. 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 December 31, 2017 was \$125,000. As at December 31, 2017, the related unamortized financing costs are \$610.

The Trust has entered into interest rate swaps on eleven mortgages with an outstanding notional amount of \$150,368 with three 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 December 31, 2017, the fair value asset of the mortgage interest rate swaps is \$2,583 (December 31, 2016 – fair value liability of \$1,857).

Debt Roll Forward Table

The following tables outline the debt activity including interest rate swaps of the Trust for the three months and year ended December 31, 2017:

(\$000s)	Three months ended December 31,		
	Mortgages	Bank Loan	Total
Debt, beginning	\$1,035,210	\$123,975	\$1,159,185
Additional borrowings	-	71,840	71,840
Repayment of monthly principal	(7,604)	-	(7,604)
Mortgage and loans discharged	(5,262)	-	(5,262)
Finance charges and mark to market (net)	(259)	(288)	(547)
Unrealized foreign exchange loss	1,361	-	1,361
Debt, ending	\$1,023,446	\$195,527	\$1,218,973

(\$000s)	Years ended December 31, 2017		
	Mortgages	Bank Loan	Total
Debt, beginning	\$1,065,406	(\$206)	\$1,065,200
Additional borrowings	93,235	234,840	328,075
Repayment of monthly principal	(30,502)	-	(30,502)
Mortgage and loans discharged	(82,322)	(38,000)	(120,322)
Finance charges and mark to market (net)	(4,266)	(1,107)	(5,373)
Unrealized foreign exchange gain	(18,105)	-	(18,105)
Debt, ending	\$1,023,446	\$195,527	\$1,218,973

A lump-sum repayment of \$1,686 was made on one mortgage related to the disposition of a property during the three months ended December 31, 2017. Four lump-sum repayments totaling \$22,201 were made on four mortgages related to the disposition of four properties for the year ended December 31, 2017.

Equity

As at December 31, 2017, the Trust had 305,880,218 Class A Units outstanding. The following table illustrates the changes in Class A Units during 2017.

Issuance	Weighted Average Price	
	Class A Units	per Unit
Balance, December 31, 2016	245,680,968	
Issuance of units	60,199,250	\$6.24
Balance, December 31, 2017	305,880,218	

As at March 6, 2018, the total number of Class A Units outstanding was 305,880,218.

Issuance of Class A units

During the year ended December 31, 2017, four employees redeemed their vested restricted units for 44,250 Class A units at an average price of \$6.04. The restricted units had been accrued as a liability and the redemption of the restricted units reduces the liability and increases the total Class A units outstanding and the corresponding carrying value by \$267.

On August 3, 2017, the Trust completed an equity offering for 35,937,500 Class A units priced at \$6.40 per unit, which includes the full over-allotment option for 4,687,500 Class A units, for total gross proceeds of \$230,000.

On May 15, 2017, 240,000 unit options were exercised in exchange for 240,000 Class A units. The unit options had been accrued as a liability and the exercise of the unit options reduces the liability and increases the total Class A units outstanding and the corresponding carrying value by \$1,732.

On April 5, 2017, the Trust completed an equity offering for 23,977,500 Class A units priced at \$6.00 per unit, which includes the full over-allotment option for 3,127,500 Class A units, for total gross proceeds of \$143,865.

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

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 December 31, 2017, 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 \$6,760 as at December 31, 2017 (December 31, 2016 - \$4,101). During the year ended December 31, 2017, the Trust expensed \$3,676 (December 31, 2016 - \$2,302) 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 \$2,340 for the year ended December 31, 2017 (December 31, 2016 - \$1,860).

As of the date of this MD&A, a total of 825,567 restricted units, 465,000 option units and 32,512 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 37.8% as at December 31, 2017 (December 31, 2016 – 42.3%).

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

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

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 December 31, 2017 (January 1 to December 31, 2016 - \$0.026).

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

<i>(\$000s)</i>	December 31, 2017	December 31, 2016
Units based compensation liabilities	\$6,760	\$4,101
Mortgages payable and bank loans	1,211,920	1,043,491
Mortgages payable on assets held for sale	7,053	21,709
Class A Units	1,451,280	1,091,323
Accumulated earnings	436,545	227,845
Accumulated other comprehensive income	7,852	33,335
Non-controlling interest	11,226	26,692
	\$3,132,636	\$2,448,496

RELATED PARTY TRANSACTIONS

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

<i>(\$000s)</i>	Years ended December 31	
	2017	2016
Salaries, trustee fees, and other short-term employee benefits	\$3,461	\$3,377
Unit-based compensation	3,539	2,175
	\$7,000	\$5,552

Included in salaries, bonuses, trustee fees, and other short-term employee benefits and incentives is an expense recognized for the year ended December 31, 2016 of \$691 relating to incremental severance costs.

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

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

The loans bear interest on a monthly basis at the Trust's borrowing rate per annum, currently equal to the prime rate of the Canadian Imperial Bank of Commerce plus 1.30%. As security for the obligations of the employees, a unit pledge agreement has been executed with respect to the units owned. As at December 31, 2017, the outstanding balance of the loans were \$866 (December 31, 2016 - \$904).

In November 2017, the Trust paid \$56 to a company controlled by one of the Trustees of the Trust, representing a mortgage placement fee in respect of the closing of construction financing regarding the Trust's development property in Richmond, BC.

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 bank 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.

Pure Industrial Real Estate Trust – MD&A December 31, 2017

<i>(\$000s)</i>	December 31, 2017		December 31, 2016	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Mortgages payable (including interest rate swaps)	\$1,023,446	\$1,025,549	\$1,065,406	\$1,076,844

OFF-BALANCE SHEET ITEMS

As at December 31, 2017, the Trust had issued letters of credit in the amount of \$1,275 (December 31, 2016 - \$1,280).

The Trust has ten 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 December 31, 2017 and December 31, 2016, future minimum lease payments related to the land leases were as follows:

<i>(\$000s)</i>	December 31, 2017	December 31, 2016
Within one year	\$8,538	\$7,520
Years 2 – 5	44,708	32,266
Greater than 5 years	281,213	269,744
	\$334,459	\$309,530

For the year ended December 31, 2017, the Trust recognized land lease expense of \$7,410 (December 31, 2016 - \$6,767) and the remaining term of the Trust's land leases range from 9 to 49 years.

On July 13, 2017, the Trust acquired a 150,000 sf warehouse located in Scarborough, Ontario. Upon closing the Trust entered into a redevelopment agreement to redevelop the site, with a new state-of-the-art 300,000 sf distribution centre for a total estimated cost of \$19,334. As of December 31, 2017, \$390 has been incurred to date. Construction on the redevelopment site is expected to commence in the second quarter of 2018.

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 December 31, 2017, \$129 (US\$103) has been incurred to date, of which \$56 (US\$45) represents the Trust's share.

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 (<i>\$000s, except per unit basis</i>)	Dec 31, 2017	Sept 30, 2017	Jun 30, 2017	Mar 31, 2017	Dec 31, 2016	Sept 30, 2016	Jun 30, 2016	Mar 31, 2016
Base rent	45,739	41,001	38,905	40,385	38,306	35,247	34,514	32,974
Recoveries	16,022	14,097	16,147	13,189	13,836	10,704	10,790	10,572
Total rental revenue from properties	61,761	55,098	55,052	53,574	52,142	45,951	45,304	43,546
Property recoverable operating expenses	(15,068)	(12,954)	(14,414)	(19,045)	(14,599)	(11,722)	(11,492)	(16,288)
Adjusted NOI	44,517	39,750	39,525	38,317	37,124	33,250	32,249	30,219
Other income (expenses)	41,087	51,141	24,324	62,150	51,467	9,773	2,303	(611)
Net earnings attributable to unitholders	85,522	78,950	52,027	81,028	77,510	33,270	20,992	15,800
Net comprehensive income	87,225	65,146	41,151	81,584	82,581	37,009	23,957	2,248
Basic net earnings per Unit	\$ 0.28	\$ 0.27	\$ 0.50	\$ 0.33	\$ 0.32	\$ 0.15	\$ 0.11	\$ 0.08

As at (<i>\$000s, except number of properties and GLA</i>)	Dec 31, 2017	Sept 30, 2017	June 30, 2017	Mar 31, 2017	Dec 31, 2016	Sept 30, 2016	June 30, 2016	Mar 31, 2016
Total assets	3,220,813	3,093,079	2,703,655	2,603,396	2,516,537	2,207,250	2,169,661	2,080,850
Total liabilities	1,313,910	1,249,495	1,122,542	1,161,869	1,137,342	1,028,797	1,010,902	1,077,451
Unitholders' equity	1,895,677	1,832,358	1,570,665	1,411,883	1,352,503	1,153,799	1,133,951	985,969
Non-controlling interest	11,226	11,226	10,448	29,644	26,692	24,654	24,808	17,430
Investment properties	3,108,059	2,969,419	2,535,163	2,370,574	2,320,845	2,091,840	2,068,201	2,029,664
Mortgages and other loans payable	1,211,920	1,152,050	1,033,317	1,068,703	1,043,491	958,077	925,419	1,015,657
Number of properties (including properties under development, land held for development and AHFS) ¹	179	180	173	179	180	168	167	168
GLA (000,000s) (AUM) ²	25.4	24.4	22.3	21.1	20.5	17.8	17.8	17.3

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.

In the normal course of business, the Trust is exposed to a number of risks from its use of financial instruments. These risks, and the actions taken to manage them, are as follows:

(a) Credit risk and economic dependence:

The Trust's exposure to credit risk is influenced mainly by the individual characteristics of each tenant.

The Trust is exposed to credit risk in the event of non-payment of rent and recoveries by its tenants and vendor take-back receivable. This risk is mitigated by obtaining advance deposits and initiating a prompt collection process. The amount of rents receivables at December 31, 2017 was \$2,738 (December 31, 2016 - \$2,382), which included \$815 of past due amounts (December 31, 2016 – \$289). The amount of unbilled receivables at December 31, 2017 was \$1,085 (December 31, 2016 - \$1,758).

The Trust is also exposed to credit risk in the event of non-payment of the vendor take-back receivable. This risk is mitigated by the security obtained over the two investment properties sold. The amount of the vendor take-back receivable as at December 31, 2017 was \$10,125 (December 31, 2016 – \$10,125). The vendor take-back receivable bore an interest rate of 4.0% and matured on September 25, 2016. The purchaser exercised their option to extend the term for one additional year and the vendor take-back receivable matured on September 25, 2017. The purchaser further extended its term by one additional year to mature on September 25, 2018 and the interest rate was amended to 3.45%.

For the year ended December 31, 2017, the Trust earned approximately 20.0% (December 31, 2016 – 22.2%) of its revenue from a single tenant in Alberta, Ontario, Quebec and the U.S.

(b) Interest rate risk:

Interest rate risk arises from the possibility that the value of, or cash flows related to, a financial instrument will fluctuate as a result of changes in market interest rates. The Trust is exposed to interest rate risk from the interest rate differentials between the market rate and the rates used on these financial instruments. Mortgages payable bear interest at fixed rates, except for eleven mortgages that are variable but for which the Trust has entered into interest rate swaps to reduce the interest rate exposure; therefore, the Trust is not exposed to significant interest rate risk.

The Trust's other loans bear interest at floating rates based on the lender's prime rate or at the lender's banker's acceptance rate. Based on the outstanding balance of interest bearing loans as at December 31, 2017 of \$195,252 (December 31, 2016 - \$nil) the impact of a 100 basis points change will increase or decrease the Trust's interest expense or earnings by \$1,953 (December 31, 2016 - \$nil) annually.

(c) Liquidity risk:

Real property investments tend to be relatively illiquid, with the degree of liquidity generally fluctuating in relation to demand for and the perceived desirability of such investments. Such illiquidity may limit the Trust's ability to vary its portfolio promptly in response to changing economic or investment conditions. If the Trust were required to liquidate a real property investment, the proceeds to the Trust might be significantly less than the aggregate carrying value of such property.

The Trust diligently monitors the repayment dates of its mortgages. The mortgage due dates range from 2018 to 2032, with a weighted average remaining term of 4.7 years (December 31, 2016 – 5.0 years).

(d) Currency risk:

The Trust is subject to foreign currency fluctuations that may impact its financial position and earnings resulting from the ownership of properties located in the United States and the rental income earned from these properties. In order to mitigate a part of this risk, the Trust's debt related to its US assets is held in US dollars to act as a natural hedge.

e) Reliance on Single Tenant and Tenant Concentration

Many of the Trust's properties are single tenant properties. In the event that any of the Trust's major tenants were to terminate their tenancies or become insolvent, the financial results of the Trust would be materially adversely affected. Until such time that the Trust is in a position to acquire more assets and further diversify its tenant base, management has taken certain steps to mitigate any credit risk by closely monitoring the tenants' compliance with the terms of their respective leases and to report any issues as soon as they are identified.

f) Lease Rollover Risk

Lease rollover risk arises from the possibility that the Trust may experience difficulty renewing leases as they expire or in re-leasing space vacated by tenants upon lease expiry. Management tries to sign long-term leases to tenants to minimize lease rollover risk. The occupancy rate is 95.4% as at December 31, 2017 (December 31, 2016 – 97.7%) excluding properties classified as asset held for sales and lease terms are between one to twenty-five years. With committed leases, the occupancy increases to 95.6% as at December 31, 2017 (December 31, 2016 – 98.4%). The leases which will expire over the next 3 years represent 27.8% of total square footage. However, many of the leases expiring over the next 3 years have at least one renewal option for another 5 years.

g) Restrictions on Redemptions

It is anticipated that the redemption right will not be the primary mechanism for Trust unitholders to liquidate their investments. The Trust's notes or debt securities which may be issued or distributed in specie to Trust unitholders in connection with redemption will not be listed on any stock exchange and no established market is expected to develop for such securities. Such securities may be subject to an indefinite "hold period" or other resale restriction under applicable securities laws. The Trust's notes and debt securities issued or distributed may not be qualified investments for deferred income plans. Regulatory approvals will be required in connection with an issuance or distribution of the Trust's notes or debt securities in specie to holders of units in connection with the redemption of units. There are no notes or debt securities issued to unitholders as at December 31, 2017 or December 31, 2016.

h) Unit Prices

It is not possible to predict the price at which units will trade. The units will not necessarily trade at values determined solely by reference to the value of the properties of the Trust. Accordingly, the units may trade at a premium or discount to the value implied by the value of the Trust's properties. The market price for the units may be affected by changes in general market conditions, fluctuations in the markets for equity securities and numerous other factors beyond the Trust's control.

i) Environmental Risk

As an owner of real property, the Trust is subject to various federal, provincial and municipal laws relating to environmental matters. Such laws provide that the Trust could be liable for the costs of removal of certain hazardous substances and remediation of certain hazardous locations. The failure to remove or remediate such substances or locations, if any, could adversely affect the Trust's ability to sell such real estate or to borrow using such real estate as collateral and could potentially result in claims against the Trust.

Management carries out environmental inspections before a property is purchased. In addition, most leases require tenants to conduct their businesses in accordance with environmental regulations and be responsible for liabilities arising out of any infractions. Management is not aware of any material non-compliance with environmental laws with respect to the current portfolio and is not aware of any pending or threatened investigations or actions by environmental regulatory authorities in connection with the current portfolio.

j) Debt Financing Risk

The Trust has outstanding indebtedness, which includes mortgage loans used to finance the acquisition of its properties. The Trust intends to incur additional indebtedness in the future, including by way of additional mortgage loans. A portion of the cash flow generated by properties owned by the Trust is devoted to servicing such debt, and there can be no assurance that the Trust will continue to generate sufficient cash flow from operations to meet the required interest and principal payments on the debt of the Trust.

The Trust is subject to the risks associated with debt financing, including the risk that the mortgages and banking facilities secured by properties of the Trust may not be able to be refinanced or that the terms of such refinancing may not be as favourable as the terms of existing indebtedness. In addition, if the Trust were to fail to meet its obligations under its mortgage indebtedness, term loan or revolving line of credit, distributions to Trust Unitholders may be affected.

In order to minimize this risk, the Trust has attempted and will continue to appropriately structure the timing of the renewal of significant tenant leases on the respective properties in relation to the time at which mortgage indebtedness on such property becomes due for refinancing or repayment.

k) Tax Risk

The Trust currently qualifies as a REIT for Canadian income tax purposes. Thus, the Trust is not subject to income tax as long as the Trust distributes all income earned by the Trust to unitholders annually. If the Trust does not qualify or ceases to qualify as a REIT under the REIT exception, adverse consequences could arise including a non-deductible distribution amount being taxable to the Trust (with the result that the amount of cash available for distribution by the Trust would be reduced) and such amount also being included in the income of unitholders for purposes of the Tax Act as taxable dividends.

There can be no assurances that Canadian federal income tax laws respecting the treatment of mutual fund trusts and of REITs will not be changed, or that administrative and assessing practices of the Canada Revenue Agency will not develop in a manner which adversely affects the Trust or its unitholders.

In addition, Management intends to operate the US Subsidiary in such a manner so as to qualify as a US REIT on a continuous basis in the future. However, actual qualification 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.

l) Joint Venture and Co-Ownership Agreements

The Trust is a participant in various co-ownership agreements with two third-parties in respect of 19 properties. A co-ownership agreement involves certain additional risks, including:

- (i) the possibility that the co-owner may at any time have economic or business interests or goals that will be inconsistent with the Trust's or take actions contrary to its instructions or requests or to its policies or objectives with respect to its real estate investments;
- (ii) the risk that such co-owner could experience financial difficulties or seek the protection of bankruptcy, insolvency or other laws, which could result in additional financial demands on the Trust or the Trust to maintain and operate such properties or repay the co-ownership's share of property debt guaranteed by the Trust or for which it will be liable and/or result in its suffering or incurring delays, expenses and other problems associated with obtaining court approval of co-ownership agreement decisions;
- (iii) the risk that such co-ownership agreements may, through their activities on behalf of or in the name of the co-owners, expose or subject the Trust to liability; and
- (iv) the need to obtain co-owner consents with respect to certain major decisions, including the decision to distribute cash generated from such properties or to refinance or sell a property. In addition, the sale or transfer of interests in certain of the co-ownerships may be subject to rights of first refusal or first offer

and certain of the co-ownership agreements may provide for buy-sell or similar arrangements. Such rights may be triggered at a time when the Trust may not desire to sell but may be forced to do so because it does not have the cash to purchase the other party's interests. Such rights may also inhibit its ability to sell an interest in a co-ownership within the time frame or otherwise on the basis it desires.

m) Other Risks

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.

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 as noted below.

Deferred unit plan liability

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

INTERNAL CONTROLS OVER FINANCIAL REPORTING

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

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

DISCLOSURE CONTROLS AND PROCEDURES ("DC&P")

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

As at December 31, 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. For the year ended December 31, 2017, 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, which is expected to occur in the second quarter of 2018, 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 scheduled for March 23, 2018, court approval and regulatory approval (Investment Canada Act). On February 26, 2018, the Commissioner of Competition issued an Advance Ruling Certificate approving the Transaction.
- (b) On January 31, 2018, the Trust completed an acquisition of an industrial property, consisting of two buildings, located adjacent to an existing property of the Trust in Edmonton, Alberta for \$1,900. The property will be redeveloped to accommodate the expansion and lease extension to a current tenant on the adjacent property. Construction is expected to be substantially complete in Q2-2018 at an estimated cost of \$1,500.
- (c) On February 1, 2018, the Trust completed the acquisition of a newly-constructed, 287,000 sf property in Montreal, Quebec for gross proceeds of \$32,500. The Trust assumed a mortgage in the amount \$22,807 with 7.5 years remaining on the term and the annual interest rate is fixed through a swap agreement at 3.48%.
- (d) On February 16, 2018, the Trust completed the disposition of an investment property located in Vaughan, Ontario for gross proceeds of \$3,608. The property was not classified as held for sale as at December 31, 2017.
- (e) 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 land located in Acheson, Alberta for \$48,000. The Trust assumed two loans totaling \$25,507 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%).

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

('000s)	IFRS	Adjustments	Proportionate Consolidation
ASSETS			
Non-current assets:			
Investment properties	\$ 2,320,845	\$ (45,557)	\$ 2,275,288
Loans receivable	904	-	904
	2,321,749	(45,557)	2,276,192
Current assets:			
Amounts receivable and other assets	13,807	(29)	13,778
Vendor take-back receivable	10,125	-	10,125
Cash held in trust	2,459	-	2,459
Cash	56,945	(576)	56,369
Assets held for sale	111,452	-	111,452
	194,788	(605)	194,183
	\$ 2,516,537	\$ (46,162)	\$ 2,470,375
LIABILITIES			
Non-current liabilities:			
Unit based compensation	\$ 2,540	\$ -	\$ 2,540
Mortgages payable and other loans	957,181	(18,941)	938,240
Preferred units of subsidiary	168	-	168
Deferred tax liability	18,199	-	18,199
Rental deposits	6,991	(53)	6,938
	985,079	(18,994)	966,085
Current liabilities:			
Accounts payable and accrued liabilities	39,519	(476)	39,043
Unit based compensation – current portion	1,561	-	1,561
Mortgages payable and other loans – current portion	86,310	-	86,310
Rental deposits – current portion	1,431	-	1,431
Liabilities on assets held for sale	23,442	-	23,442
	152,263	(476)	151,787
	1,137,342	(19,470)	1,117,872
EQUITY			
Unitholders' equity	1,352,503	-	1,352,503
Non-controlling interests	26,692	(26,692)	-
	1,379,195	(26,692)	1,352,503
	\$ 2,516,537	\$ (46,162)	\$ 2,470,375

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 December 31, 2017 and 2016:

('000s)	Three months ended December 31, 2017		
	IFRS	Adjustments	Proportionate Consolidation
Revenues:			
Rental and recoveries	\$ 61,761	(69)	\$ 61,692
Property operating expenses:			
Insurance	358	-	358
Management fees	1,544	-	1,544
Operating costs	4,908	-	4,908
Property taxes	8,258	-	8,258
	15,068	-	15,068
Net operating income	46,693	(69)	46,624
Other income (expenses):			
General and administrative	(3,493)	-	(3,493)
Fair value adjustments to investment properties	46,961	-	46,961
Fair value adjustments to financial instruments	546	-	546
IFRIC 21 fair value adjustments to investment properties	(2,176)	-	(2,176)
Loss on disposal of investment properties	(919)	-	(919)
Foreign currency gain	168	-	168
	41,087	-	41,087
Net earnings before net finance expense	87,780	(69)	87,711
Finance income	279	-	279
Finance expense	(11,319)	-	(11,319)
Net finance expense	(11,040)	-	(11,040)
Net earnings before income taxes	76,740	(69)	76,671
Income tax recovery	8,851	-	8,851
Net earnings	\$ 85,591	(69)	\$ 85,522

Pure Industrial Real Estate Trust – MD&A December 31, 2017

('000s)	Three months ended December 31, 2016		
	IFRS	Adjustments	Proportionate Consolidation
Revenues:			
Rental and recoveries	\$ 52,142	\$ (874)	\$ 51,268
Property operating expenses:			
Insurance	190	(6)	184
Management fees	1,412	(48)	1,364
Operating costs	4,857	(90)	4,767
Property taxes	8,140	(73)	8,067
	14,599	(217)	14,382
Net operating income	37,543	(657)	36,886
Other income (expenses):			
General and administrative	(1,626)	2	(1,624)
Fair value adjustments to investment properties	48,550	59	48,609
Fair value adjustments to financial instruments	3,245	-	3,245
IFRIC 21 fair value adjustments to investment properties	(419)	-	(419)
Loss on disposal of investment properties	(444)	-	(444)
Foreign currency gain	1,044	-	1,044
Other income	1,117	-	1,117
	51,467	61	51,528
Net earnings before net finance expense	89,010	(596)	88,414
Finance income	218	-	218
Finance expense	(10,289)	162	(10,127)
Net finance expense	(10,071)	162	(9,909)
Net earnings before income taxes	78,939	(434)	78,505
Income tax expense	(995)	-	(995)
Net earnings	\$ 77,944	\$ (434)	\$ 77,510

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 year ended December 31, 2017 and 2016:

('000s)	Year ended December 31, 2017		
	IFRS	Adjustments	Proportionate Consolidation
Revenues:			
Rental and recoveries	\$ 225,485	\$ (1,594)	\$ 223,891
Property operating expenses:			
Insurance	1,201	(16)	1,185
Management fees	5,747	(20)	5,727
Operating costs	18,325	(66)	18,259
Property taxes	36,208	(134)	36,074
	61,481	(236)	61,245
Net operating income	164,004	(1,358)	162,646
Other income (expenses):			
General and administrative	(10,367)	-	(10,367)
Fair value adjustments to investment properties	192,864	(3,389)	189,475
Fair value adjustments to financial instruments	4,440	-	4,440
IFRIC 21 fair value adjustments to investment properties	(1,895)	-	(1,895)
Loss on disposal of investment properties	(4,563)	-	(4,563)
Foreign currency loss	(1,777)	-	(1,777)
	178,702	(3,389)	175,313
Net earnings before net finance expense	342,706	(4,747)	337,959
Finance income	1,299	-	1,299
Finance expense	(42,534)	302	(42,232)
Net finance expense	(41,235)	302	(40,933)
Net earnings before income taxes	301,471	(4,445)	297,026
Income tax recovery	501	-	501
Net earnings	\$ 301,972	\$ (4,445)	\$ 297,527

('000s)	Year ended December 31, 2016		
	IFRS	Adjustments	Proportionate Consolidation
Revenues:			
Rental and recoveries	\$ 186,943	(3,326)	\$ 183,617
Property operating expenses:			
Insurance	850	(24)	826
Management fees	4,929	(185)	4,744
Operating costs	16,404	(218)	16,186
Property taxes	31,918	(289)	31,629
	54,101	(716)	53,385
Net operating income	132,842	(2,610)	130,232
Other income (expenses):			
General and administrative	(7,992)	6	(7,986)
Fair value adjustments to investment properties	65,734	(3,515)	62,219
Fair value adjustments to financial instruments	2,327	-	2,327
Loss on disposal of investment properties	(857)	-	(857)
Foreign currency gain	1,104	-	1,104
Other income	2,617	-	2,617
	62,933	(3,509)	59,424
Net earnings before net finance expense	195,775	(6,119)	189,656
Finance income	884	-	884
Finance expense	(39,156)	642	(38,514)
Net finance expense	(38,272)	642	(37,630)
Net earnings before income taxes	157,503	(5,477)	152,026
Income tax expense	(4,458)	4	(4,454)
Net earnings	\$153,045	(5,473)	\$147,572

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

q) “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. 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.