Summit Industrial Income REIT

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the year ended December 31, 2018

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The terms "Summit II", "the Trust" or "the REIT" in the following Management's Discussion and Analysis ("MD&A") refer to Summit Industrial Income Real Estate Investment Trust and its Audited Consolidated Financial Statements and results of operations for the years ended December 31, 2018 and 2017.

FORWARD-LOOKING INFORMATION ADVISORY

Certain statements in this MD&A are "forward-looking statements" within the meaning of applicable securities laws. These statements reflect Management's expectations regarding Summit II's future growth, results of operations, performance and business prospects and opportunities including expectations for the current financial year, and include, but are not limited to, statements with respect to Management's beliefs, plans, estimates and intentions, and similar statements concerning anticipated future events, results, circumstances, performance or expectations that are not historical facts. Statements that contain the words such as "could", "should", "would", "can", "anticipate", "expect", "does not expect", "believe", "plan", "budget", "schedule", "estimate", "intend", "project", "will", "may", "might", "continue" and similar expressions or statements relating to matters that are not historical factors constitute forward-looking statements. Such forward-looking statements reflect Management's current beliefs and are based on information currently available to Management.

These statements are not guarantees of future events or performance and, by their nature, are based on Summit II's current estimates and assumptions, which are subject to significant risks and uncertainties. A number of factors could cause actual results to differ materially from the results discussed in the forward-looking statements including, but not limited to, risks associated with real property ownership, debt financing, interest and financing, capital requirements, credit risk, general uninsured losses, developments, future property acquisitions, competition for real property investments, environmental matters, land leases, potential conflicts of interest, governmental regulations, the relative illiquidity of real property, taxation and reliance on key personnel. These risks, and others, are more fully discussed under the "Risk Factors" section of this MD&A. Material factors and assumptions that were applied in drawing a conclusion or making an estimate set out in the forward-looking information may include, but are not limited to: relatively low and stable interest costs; access to equity and debt capital markets to fund, at acceptable costs, the future growth of Summit II and to enable it to refinance debts as they mature; Summit II's ability to maintain occupancy and to lease or re-lease space at current or anticipated rents; and the availability of purchase opportunities for growth in Canada. Summit II has attempted to identify important factors that could cause actual results, performance or achievements to be other than as expected or estimated and that could cause actual results, performance or achievements to differ materially from current expectations. These factors are not intended to represent a complete list of the factors that could affect Summit II. Although the forward-looking statements contained in this MD&A are based upon what Management believes to be reasonable assumptions, Summit II cannot assure investors that actual results will be consistent with these forward-looking statements.

The forward-looking statements contained herein are expressly qualified in their entirety by this cautionary statement and readers should not place undue reliance on such forward-looking statements. In addition, certain statements included in this MD&A may be considered "financial outlook" for purposes of applicable securities laws, and such financial outlook may not be appropriate for purposes other than in this MD&A. These forward-looking statements are made as at the date of this MD&A and Summit II assumes no obligation to update or revise them to reflect new events or circumstances unless otherwise required to do so by applicable securities legislation.

BASIS OF PRESENTATION

Financial data included in this MD&A includes material information as of February 20, 2019 and should be read in conjunction with the REIT's Audited Consolidated Financial Statements for the years ended December 31, 2018 and 2017. Financial data provided has been prepared in accordance with International Financial Reporting Standards ("IFRS").

ADDITIONAL INFORMATION

Additional information relating to Summit II, including the Annual Information Form, Material Change Reports and all other continuous disclosure documents required by the securities regulators, are filed on the System for Electronic Document Analysis and Retrieval ("SEDAR") and can be accessed electronically at www.sedar.com.

REVIEW AND APPROVAL BY THE BOARD OF TRUSTEES

The Board of Trustees, upon the recommendation of its Audit Committee, approved the contents of this MD&A on February 20, 2019.

SECTION I – OVERVIEW VISION AND STRATEGY

OVERVIEW

Summit II, is an unincorporated mutual fund trust governed by the laws of the Province of Ontario pursuant to the terms of its amended and restated Declaration of Trust dated November 9, 2012 (the "Declaration of Trust"). Summit II's Units are publicly traded on the Toronto Stock Exchange ("TSX") under the symbol SMU.UN.

Summit II is focused primarily on the light industrial segment of the Canadian real estate industry. As at December 31, 2018, Summit II's property portfolio was comprised of 107 industrial properties and one data centre facility for a total of 108 income producing properties totalling 13,394,767 square feet of gross leasable area ("GLA") with a net book value of approximately $1.7 billion. Total assets as at December 31, 2018 were approximately $1.8 billion.

NON-IFRS (NON-GAAP) FINANCIAL MEASURES

Readers are cautioned that certain terms used in this MD&A such as Funds from Operations ("FFO"), Net Operating Income ("NOI") and any related per Unit amounts used by Management to measure, compare and explain the operating results and financial performance of the Trust do not have any standardized meaning prescribed under IFRS general accepted accounting principles ("GAAP") and, therefore, should not be construed as alternatives to net income or cash flow from operating activities calculated in accordance with IFRS. Such terms do not have a standardized meaning prescribed by IFRS and the computation of these non-GAAP performance measures may not be comparable to similarly titled measures presented by other publicly traded entities.

SIGNIFICANT ACCOUNTING POLICIES

Summit II's significant accounting policies are described in Note 3 to its Audited Consolidated Financial Statements for the years ended December 31, 2018 and 2017.

The preparation of financial statements requires Summit II to make estimates and judgments that affect the reported results. For a detailed discussion of the critical estimates refer to Note 5 to the REIT's Audited Consolidated Financial Statements for the years ended December 31, 2018 and 2017.

SUMMIT II'S BUSINESS, VISION AND STRATEGY

SUMMIT II'S BUSINESS

Primary Investment

Light Industrial Segment

Summit II is primarily focused on the light industrial sector of the Canadian real estate industry. Light industrial properties are generally one-story properties located in or near major cities. The properties house such activities as warehousing and storage, light assembly and shipping, call centres and technical support, professional services and a number of other similar uses. There are no significant heavy industrial activities conducted in the properties owned by Summit II.

Summit II has selected this main focus due to the solid fundamentals of the Canadian light industrial real estate sector, including low market rent volatility, reduced operating costs and typically generic-use space that is highly marketable. In addition, the scale and diversity of the tenant base occupying light industrial properties is broad and generally tracks the overall economy, reducing risk and providing predictable and consistent cash flow. Finally, capital expenditure and maintenance requirements, leasehold improvement and tenant inducement costs are relatively low compared to other types of real estate.

Data Centre Segment

Summit expects to augment its primary investments in the light industrial sector with investments in data centre properties. Summit recently completed its first acquisition in this sector in partnership with Urbacon Montreal Limited Partnership ("Urbacon"), Canada's leading developer of data centre properties. Data centre properties are facilities that house IT operations and equipment for the purposes of storing, managing and disseminating electronic data. The properties are typically one-storey buildings that contain highly robust mechanical, electrical and security systems. Data centre properties are generally located in or near major cities, close to power sources and internet connectivity.

Summit II has selected data centre properties as a secondary investment focus due to growing data storage demand, driven largely by the accelerated use of smart phones, digital entertainment, and the migration of business and personal communications and systems to cloud-based Internet networks. With global demand doubling every two years and outpacing new supply, fundamentals in this sector favour landlords.

SUMMIT II'S VISION AND STRATEGY

Summit II's mission is to provide "best-in-class" services to its tenants while delivering solid, stable, and secure returns to its Unitholders. Over the long term, Summit II is dedicated to maximizing FFO through effective property management, realizing on efficiencies and synergies from critical mass, accretive acquisitions, innovative financings and selective development opportunities.

To achieve these goals, Summit II has developed the following key objectives:

1. *To produce superior, dependable returns over the long term for its Unitholders.*

   To meet this objective, Summit II plans to generate accretive growth while purchasing properties at values that are at or below replacement cost. Summit II also intends to maximize, over time, available development and expansion opportunities on its existing properties and, through a mortgage-backed mezzanine financing program, undertake development projects through third parties. In the pursuit of generating increasing funds from operations, Summit II plans to maximize operating synergies and to increase economies of scale. Summit II's goal is to achieve growth in FFO over the long term.

2. *To be a leading industrial landlord in its chosen markets.*

   By building critical mass in its chosen market, Summit II plans to capture increasing economies of scale and operating synergies to grow its FFO. Further, Summit II will continue to create diversity in its tenant base and industrial inventory to accommodate changing tenant needs. In addition, Summit II is consistently presented with acquisition opportunities by sellers of industrial real estate.

   To meet its growth objective, Summit II will continue to acquire light industrial properties, to expand GLA in its owned properties based on tenant demand, and to grow through direct and third-party development projects. Management is confident through its strong relationships with its lenders and the ability it has demonstrated to access the capital markets that it will generate sufficient capital to meet its growth targets over the long term.

3. *To be one of the top managers of industrial real estate in Canada.*

   Summit II plans to accomplish its vision to be a "best-in-class" service provider to tenants through innovative programs that focus on tenant retention, real estate leasing broker loyalty, standardization of operations, operating efficiency, and proactive employee management.

   By strengthening its reputation as a leading service provider and continuing to meet the needs of its tenants, Summit II will enhance portfolio occupancy, average monthly rents and tenant retention over the long term. Retaining a tenant is much more efficient and much less expensive than attracting a new tenant to a vacant space. High occupancies and strong tenant retention ratios assist in maximizing cash flow from Summit II's income properties.

SECTION II – KEY PERFORMANCE INDICATORS

Summit II measures the long-term success of its strategies through a number of key financial and operating performance indicators as described below:

FINANCIAL INDICATORS

Funds from Operations ("FFO")

Management has determined FFO, a non-GAAP measure, to be a useful measure of operating performance as it focuses on cash flow from operating activities. FFO is net income (computed in accordance with IFRS), net of extraordinary items, amortization expense, future income taxes and gains and losses from property dispositions, distributions on redeemable or exchangeable units treated as finance costs, as well as non-cash items such as the fair value adjustments to investment properties and other fair value adjustments. Management will strive to increase FFO over the long term. A reconciliation of FFO to IFRS net income is presented under the "Funds From Operations" section in this MD&A.

Net Operating Income ("NOI")

NOI, a non-GAAP measure, is a generally accepted proxy for operating cash flow and represents earnings before interest expense, income tax expense, amortization expense, plus losses/less any gains on disposition of property, and excluding non-recurring items, such as asset impairment or unrealized gains/losses that may occur under IFRS. NOI is equal to net rental income presented in the consolidated financial statements.

Cash Distributions per Unit

Currently the REIT pays monthly cash distributions to Unitholders of $0.043 per Unit, or $0.516 per Unit on an annualized basis. The Board of Trustees has adopted a policy to consider annually increasing the cash distribution by between 2% and 4% while maintaining an FFO payout ratio, a non-GAAP measure, below 85%.

In addition, the Board of Trustees has adopted a policy to pay a special distribution to Unitholders when the REIT produces a realized gain upon the sale of a property. The special distribution will be up to 20% of the realized gain.

Funds from Operations Payout Ratio

To ensure it retains sufficient cash to meet its capital improvement and leasing objectives, Summit II will strive to maintain its annual FFO Payout Ratio, a non-GAAP measure, defined as cash distributions per Unit (including distributions on Class B exchangeable units) divided by funds from operations per Unit, under 85%.

Debt Leverage Ratio

A conservative leverage ratio mitigates Unitholders' risk. Summit II measures its debt leverage ratio, a non-GAAP measure, in accordance with its Declaration of Trust. Leverage is calculated as the sum of mortgages payable, convertible debentures, preferred units payable, unsecured debentures and bank loans payable divided by the book value of total assets. The maximum permitted debt leverage ratio under the Declaration of Trust is 65%. While expanding its portfolio, Summit II intends to maintain its leverage ratio in the 50% range over the long-term.

Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization (Adjusted EBITDA)

Adjusted EBITDA, a non-GAAP measure, is used by management as an input to the interest coverage ratio and the debt service coverage ratio. Adjusted EBITDA is an alternative to IFRS net income as it excludes non-cash items (including depreciation and amortization expense, fair value gains and losses on investment properties, fair value adjustments to the Trustee Deferred Unit Plan, fair value adjustments to Class B exchangeable units, interest costs, interest expense, current and deferred tax expenses (if applicable), transaction gains and losses on the disposition of investment properties and other items management may consider either non-operating in nature or related to the capital cost of its investment properties). A reconciliation of adjusted EBITDA to IFRS net income and the metrics that utilize adjusted EBITDA are presented under the "Interest and Debt Service Coverage Ratio and Debt-To-Adjusted EBITDA" section in this MD&A.

Interest Coverage Ratio

Interest coverage, a non-GAAP measure, is defined as the adjusted EBITDA divided by interest expense (excluding distributions on Class B exchangeable units). It measures the REIT's ability to meet interest cost obligations and is calculated and presented under the "Interest and Debt Service Coverage Ratio and Debt-To-Adjusted EBITDA" section in this MD&A.

Debt Service Coverage

Debt service coverage, a non-GAAP measure, is calculated by dividing the sum of interest expense (excluding distributions on Class B exchangeable units) and scheduled mortgage principal payments (excluding mortgage payouts). It measures the REIT's ability to meet its debt service obligations and is calculated and presented under the "Interest and Debt Service Coverage Ratio and Debt-To-Adjusted EBITDA" section in this MD&A.

Debt-to-adjusted EBITDA

Debt-to-adjusted EBITDA, a non-GAAP measure, is defined as total debt at principal amount outstanding divided by annualized adjusted EBITDA. It measures the REIT's time to repay its debt based on its operating performance and is calculated and presented under the "Interest and Debt Service Coverage Ratio and Debt-To-Adjusted EBITDA" section in this MD&A.

OPERATING INDICATORS

Tenant Retention

Summit II places a very high value on tenant retention, as the cost to retain a tenant is typically lower than the cost to attract a new one. When a tenant is retained, lost rent due to unoccupied space is eliminated and leasing commissions and tenant inducements are typically lower than the cost of putting new tenants in place. Over the long term, Summit II will continue to aim at a target of 75% tenant retention.

Occupancy

Consistently high occupancies also generate greater cash flow over the long term. Through its proactive property management and leasing activities, Management anticipates maintaining occupancy at levels higher than the average occupancy in each of the markets in which it operates. Economic "full occupancy" in a light industrial portfolio is realistically at a level less than 100% due to the fact that there will often be some vacancy in the portfolio due to tenant turnover or during the time certain properties are under development or renovation.

Average Rents

Increasing average cash rents contributes to higher funds from operations. Annual contractual increases in rent are beneficial to tenants in managing their costs, as significant rental increases at maturity are avoided and replaced with a predictable expenditure pattern. Summit II intends to negotiate annual increases in rent in the majority of new lease transactions and renewals. The collection of rents is enhanced by Summit II's preauthorized payment program, which provides administrative efficiencies to both Summit II and its tenants, as well as providing more consistent cash flow and reducing exposure to delinquent accounts.

Same Property Net Operating Income

Same Property NOI, a non-GAAP measure, is a key measure of performance as it demonstrates Summit II's ability to generate increased distributable income without including the impact of acquisitions, dispositions, and expansions. In calculating same property NOI, the impacts from the straight-lining of rents, and amortization of free rent are excluded. Same property NOI growth has not historically been as significant a performance indicator as it will be in the future. Summit II will strive to increase the same property NOI for its existing properties over the long term.

Same property NOI has been reconciled to net rental income under the "Same Property NOI" section in this MD&A.

Lease Portfolio Management

As noted above, a high tenant retention ratio is strongly valued at Summit II. A properly balanced lease maturity schedule facilitates maintaining higher occupancies and spreads leasing costs in a more predictable manner over future years. Summit II will endeavor to have no more than 15% of its leases maturing in any one year.

Capital Expenditures

Through its focused capital expenditure program, Summit II anticipates maintaining its properties so that they remain functional and competitive within their respective geographic markets. Based on its current capital program, Summit II plans to spend $0.15 to $0.20 per square foot per annum on recoverable and non-recoverable capital expenditures.

CAPABILITY TO DELIVER RESULTS

Summit II is confident that it has the Management team, asset base, access to investment opportunities and access to capital to meet its objectives. The achievement of Summit II's objectives is partially dependent on successful mitigation of business risks. Summit II believes it has identified and mitigated such risks to the extent practical and is committed to identifying and implementing the actions required in achieving its strategy.

Management's capabilities and the business risks that must be managed are discussed in Summit II's Annual Information Form dated March 29, 2018.

Business and Economic Environment

Canadian industrial real estate continues to perform very well. Management believes economic growth, both domestically and abroad, will continue to have a positive impact on Canadian industrial markets. At the end of the fourth quarter, the national availability rate in Canada dropped to a 16-year low of 3.2%, compared with 8.1% reported at the height of the recession in 2009. The current market fundamentals are indicative of very healthy and stable markets, particularly in Summit II's target markets. Among Canada's major industrial markets, the Greater Toronto Area ("GTA") is experiencing the lowest availability rate and vacancy rates in the country at 1.6% and 0.8%, respectively.[1] A majority of Summit II's light industrial real estate is located in the GTA in order to capitalize on these historically tight market conditions. With absorption outpacing new supply in the GTA, and growing constraints on new supply in the form of rising development charges, rising construction costs, and land preservation, Management believes there will be continued upward pressure on the GTA's light industrial rental rates over time that will be supportive of long-term value creation in the region. The Greater Montreal Area ("GMA") continues to strengthen with availability and vacancy rates declining. The proximity of the GMA to the strengthening US economy will be a direct benefit to industrial real estate. The Calgary and Edmonton industrial markets, which started weakening in 2015 in response to a contracting energy sector, are beginning to stabilize and may provide accretive buying opportunities on a selective basis. For these reasons, the GTA, GMA, and Alberta will continue to be a focus of Summit II's growth plans over the near term, subject to availability. However, the current acquisition environment across Canada and particularly in the GTA is very challenging. Investor and user demand continue to largely outweigh the supply of available product and remains supportive of industrial real estate valuations.

The Canadian data centre sector continues to perform well and is driven largely by the accelerated use of smart phones, digital entertainment, and the migration of business and personal communications systems to cloud-based Internet networks. Consequently, demand for data storage facilities has been rising rapidly and far outpacing supply. The Canadian market is currently undersupplied from a domestic standpoint, and has significant growth potential from global cloud providers attracted by i) a colder climate that provides natural cooling for data storage equipment, ii) cheap and reliable sources of electricity, and iii) political stability. Data storage demand in Canada is expected to remain strong throughout 2019 which will benefit the GTA and GMA data centre markets.[2] Summit II entered the data centre asset class in December 2017 via a joint partnership with Urbacon, Canada's most experienced participant in building and operating complex data centre properties.

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[1] CBRE Research, Canada Office and Industrial Quarterly Stats Q4 2018
[2] JLL Research Report, Data Center outlook, Global, Q3 2018

SECTION III – FINANCIAL RESULTS

The following is a summary of selected financial information for the periods indicated (see SECTION II – KEY PERFORMANCE INDICATORS for a description of the key terms):

(in thousands of Canadian dollars)	Three months ended December 31		Year ended December 31		
(except per Unit amounts)	**2018**	2017	**2018**	2017	2016
Portfolio Performance					
Industrial occupancy (%)	**99.4%**	98.4%	**99.4%**	98.4%	98.9%
Revenue from income properties	**$ 26,790**	$ 16,921	**$ 92,150**	$ 58,573	$ 44,950
Property operating expenses	**8,087**	5,153	**27,310**	17,996	14,697
Net operating income [(1)]	**18,703**	11,768	**64,840**	40,577	30,253
Interest expense (finance costs)	**7,043**	3,397	**22,491**	11,413	8,943
Net income	**59,320**	31,237	**180,407**	62,900	24,376
Operating Performance					
FFO [(1)]	**12,576**	7,794	**43,591**	26,960	19,635
Net income per unit - basic [(4)]	**0.667**	0.562	**2.319**	1.317	0.758
FFO per Unit [(1)(2)(3)(4)]	**0.141**	0.140	**0.560**	0.564	0.610
Regular Distributions per Unit declared to Unitholders [(4)]	**0.129**	0.129	**0.516**	0.512	0.504
Special Distributions per Unit declared to Unitholders [(5)]	**-**	-	**0.018**	-	-
Regular FFO payout ratio without DRIP benefit [(1)]	**91.3%**	92.0%	**92.1%**	90.7%	82.6%
Regular FFO payout ratio with DRIP benefit [(1)]	**77.2%**	74.9%	**79.1%**	76.0%	69.1%
FFO including net realized gains [(1)(6)]	**12,576**	7,794	**50,791**	26,960	19,635
FFO per Unit plus net realized gain [(1)(6)]	**0.141**	0.140	**0.653**	0.564	0.610
Total Distributions per Unit declared to Unitholders [(4)(5)]	**0.129**	0.129	**0.534**	0.512	0.504
FFO plus net realized gain payout ratio without DRIP benefit [(1)(6)]	**91.3%**	92.0%	**81.8%**	90.7%	82.6%
FFO including net realized gain payout ratio with DRIP benefit [(1)(6)]	**77.2%**	74.9%	**70.0%**	76.0%	69.1%
Weighted average Units outstanding [(2)(3)(4)]	**88,959**	55,611	**77,803**	47,767	32,178
Liquidity and Leverage					
Total assets	**1,774,604**	1,003,239	**1,774,604**	1,003,239	500,807
Total debt (loans and borrowings)	**834,176**	515,018	**834,176**	515,018	270,635
Weighted average effective mortgage interest rate	**3.72%**	3.50%	**3.72%**	3.50%	3.43%
Weighted average mortgage term (years)	**4.80**	3.97	**4.80**	3.97	4.51
Leverage ratio [(1)]	**47.0%**	51.3%	**47.0%**	51.3%	54.0%
Interest coverage (times) [(1)]	**2.86**	3.18	**2.96**	3.24	3.07
Debt service coverage (times) [(1)]	**1.77**	1.90	**1.79**	1.89	1.81
Debt-to-adjusted EBIDTA (times) [(1)]	**11.21**	11.90	**13.24**	13.89	9.84
Other					
Properties acquired	**16**	21	**24**	31	8

(1) Non-GAAP measure. Refer to "Section II - Key Performance Indicators - Financial Indicators" of the MD&A for further information (including definitions and measures).
(2) On June 15, 2018, approximately 13,299,750 Units were issued on completion of a public offering. On December 10, 2018, approximately 15,055,000 Units were issued on completion of a public offering. On January 31, 2017, approximately 7,423,250 Units were issued on completion of a public offering. On June 30, 2017, approximately 9,763,500 Units were issued on completion of a public offering. On December 13, 2017, approximately 14,375,000 Units were issued on completion of a public offering.
(3) On June 18, 2018, approximately 3,292,091 Class B exchangeable Units were issued toward funding a property acquisition. On August 15, 2018, approximately 1,005,780 Class B exchangeable Units were issued toward funding a property acquisition.
(4) Includes REIT Units and Class B exchangeable Units (collectively, the "Units").
(5) On the sale of a 75% interest in four properties, the Trustees approved a special distribution of $0.018 per Unit payable to shareholders of record May 16, 2018 which was paid May 31, 2018.
(6) The realized gain on sale of investment property is calculated as net proceeds on sale less the actual costs incurred to initially acquire the property and the capital and leasing cost incurred since ownership.

FINANCIAL AND OPERATING HIGHLIGHTS

2018 Highlights:

- Acquired 24 light industrial properties totalling 4.8 million sq. ft. for a purchase price of $578.3 million at overall cap rate of 5.4%.
- Acquisitions financed by two bought-deal equity offerings for gross proceeds of $255.0 million.
- Completed $210 million in new debt financing at 4% average fixed interest rate with 8.25 years term to maturity. Increased the debt term to maturity from 3.97 years to 4.8 years.
- Industrial occupancy strong at 99.4% with average lease term of 6.2 years.
- Completed all 2018 lease renewals with strong 92.5% retention and 9.5% increase in rents (12.7% increase in GTA).
- Successfully leased all Western Canada vacancies by year end.
- Proactively completed 851,868 sq. ft. of 2019 renewals – only 2.3% of total portfolio remains to be renewed in 2019.
- 2019 renewals, early renewals and lease expansions generate 11.9% increase in rents (16.1% increase in GTA).
- Fully leased the GTA data centre property, commencing October 2018, resulting in an accretive yield over 10%.
- Same property NOI increased 1.4% with Toronto and Montreal contributing 4.5% and 4.7%, respectively.
- Net income rose to $180.4 million ($2.319 per Unit) due to acquisitions, strong operating performance, and fair value gains on the property portfolio.
- Fair value gain in the property portfolio of $143.8 million or $1.85 per Unit.
- Total NOI up 59.8% on revenue increase, organic growth and strong operating performance.
- Sold 75% interest in four properties in May 2018 for total proceeds of $46.4 million and realized gain of approximately $7.2 million or $0.10 per Unit to fund growth in target markets.
- Paid special cash distribution of $0.018 per Unit applicable to Unitholders on May 31, 2018 related to realized gain from property sales.
- Manager and Insiders fully aligned with 6.8% interest in REIT Units outstanding.

Subsequent events

- Obtained $153 million of mortgage financing for 10-year term at an average interest rate of 3.9% to repay the temporary bridge facilities put in place to complete the December 2018 acquisitions. The new ten-year debt improves the debt portfolio term to maturity from 4.8 years to 5.9 years.
- Announced the acquisition of a property in Montreal, Quebec aggregating 236,134 sq. ft. of GLA for $23.0 million expected to close in early March.

REVENUE, PROPERTY OPERATING EXPENSES, NOI, INTEREST

Revenue from income producing properties for the three months and year ended December 31, 2018, rose 58.3% and 57.3% to $26.8 million and $92.2 million, respectively, compared to $16.9 million and $58.6 million for the same periods in 2017. The increases are due primarily to the acquisitions completed over the last twelve months, continuing strong occupancies and increased rents, partially offset by the sale of a 75% interest in four properties in May 2018. Please refer to the "Transactions" section below.

Net operating income for the three months and year ended December 31, 2018 increased 58.9% and 59.8% to $18.7 million and $64.8 million, compared to $11.8 million and $40.6 million, respectively, for the same periods in 2017. The improvements in NOI were due to same property NOI growth of 1.3% and 1.4%, respectively, higher overall rental rates on leasing activities, contractual steps in rent and accretive acquisitions. The increases were partially offset by the sale of a 75% interest in four properties in May 2018. Please refer to the "Transactions" section below.

Finance costs for the three months and year ended December 31, 2018 increased to $7.0 million and $22.5 million, respectively, compared to $3.4 million and $11.4 million, respectively, for the same periods in 2017. The increases were due to the growth in the property portfolio and the related increase in mortgage and other debt. As well, issuance costs of $90,000 and distributions of $1.2 million on Class B exchangeable units issued during 2018 (refer to the "Class B exchangeable units" section within) were recorded in finance costs. There were no Class B exchangeable units issued in 2017.

Net income for the three months and year ended December 31, 2018 were $59.3 million and $180.4 million, respectively, compared to $31.2 million and $62.9 million, respectively, for the same periods in 2017. The increases were due to the accretive acquisitions noted above, as well as fair value gains for the three months and year ended December 31, 2018, of $49.9 million and $143.8 million, respectively, compared to fair value gains of $23.5 million and $36.2 million, respectively, for the same periods in 2017. Fair value gains on investment properties in 2018, were mainly attributable to increasing market values of the properties in the GTA as well as the increase in value of the GTA data centre which is now fully leased commencing October 2018.

FFO PLUS NET REALIZED GAIN

During the second quarter of 2018, the Trust sold a 75% interest in four properties realizing a net gain on the sale of $7.2 million. A special distribution of $0.018 per Unit payable to shareholders of record on May 16, 2018 was approved and paid on May 31, 2018. When including the net realized gain and total distributions, including the special distribution, in FFO, the cash payout ratio was 81.8% (70.0% including the benefit of the REIT's DRIP program) for the year ended December 31, 2018.

TRANSACTIONS

ACQUISITIONS

For the year ended December 31, 2018, Summit II acquired 24 income producing properties totalling 4,821,881 square feet of GLA. During the year ended December 31, 2017, Summit II acquired 31 income producing properties totalling 3,630,559 square feet of GLA. Details of the REIT's acquisition activity are outlined in the following table:

(In $ thousands) Property	City	Province	Closing date	%	GLA		Purchase price (2)		Acquisition cost (3)
2018 Acquisitions									
305 C.H. Meier Boulevard	Stratford	Ontario	June 1, 2018	100%	141,034	$	14,905	$	15,486
4455 North Service Road	Burlington	Ontario	June 15, 2018	100%	250,000		28,110		29,047
2485 Surveyor Road	Mississauga	Ontario	June 18, 2018	100%	207,196		37,000		38,406
56 Steelcase Road West	Markham	Ontario	June 28, 2018	100%	88,574		30,400		31,463
2601 14th Avenue	Markham	Ontario	June 28, 2018	100%	232,454		39,600		40,925
572 Aero Drive NE (4)	Calgary	Alberta	July 13, 2018	100%	136,416		17,742		18,003
588 Aero Drive NE (4)	Calgary	Alberta	July 13, 2018	100%	91,421		11,828		12,003
1001 Thornton Road South	Oshawa	Ontario	August 15, 2018	100%	369,935		36,600		38,443
5101 Orbitor Drive	Mississauga	Ontario	October 26, 2018	100%	262,610		33,500		34,696
117 Hymus Boulevard	Pointe-Claire	Quebec	December 19, 2018	100%	211,346		27,500		28,224
7101 Notre-Dame, Street East	Montreal	Quebec	December 19, 2018	100%	611,434		65,000		67,357
2900 Andre Avenue	Dorval	Quebec	December 19, 2018	100%	111,103		14,500		14,881
7350 Trans-Canada Highway	Saint-Laurent	Quebec	December 19, 2018	100%	115,000		12,750		13,085
2520 Marie Curie Avenue	Saint-Laurent	Quebec	December 19, 2018	100%	154,374		20,250		20,783
225 Pinebush Road	Cambridge	Ontario	December 20, 2018	100%	297,977		23,400		24,097
2615 Lancaster Road	Ottawa	Ontario	December 20, 2018	100%	84,354		12,000		12,384
2620-2650 Lancaster Road	Ottawa	Ontario	December 20, 2018	100%	38,081		5,500		5,678
1050-1051 Baxter Road	Ottawa	Ontario	December 20, 2018	100%	161,060		24,000		24,774
1601 Tricont Avenue	Whitby	Ontario	December 20, 2018	100%	130,967		11,500		11,755
1635 Tricont Avenue	Whitby	Ontario	December 20, 2018	100%	128,450		15,100		15,595
6060 90th Avenue SE	Calgary	Alberta	December 21, 2018	100%	356,331		35,000		35,485
8801 60th Street SE	Calgary	Alberta	December 21, 2018	100%	245,471		21,552		21,851
6075 86th Avenue SE	Calgary	Alberta	December 21, 2018	100%	247,823		23,000		23,319
17304/17374 116th Avenue NW	Edmonton	Alberta	December 21, 2018	100%	148,470		17,523		17,766
Total Acquisitions for the year 2018					**4,821,881**	**$**	**578,260**	**$**	**595,506**
2017 Acquisitions									
303-58th Avenue SE	Calgary	Alberta	February 14, 2017	100%	120,690	$	17,000	$	17,658
2335 Speers Road	Oakville	Ontario	February 27, 2017	100%	260,830		28,200		29,294
2000 Kipling Avenue	Etobicoke	Ontario	March 22, 2017	100%	195,302		15,722		16,820
13 Bethridge Road	Etobicoke	Ontario	March 22, 2017	100%	102,318		6,738		7,209
1600 50th Avenue	Lachine	Quebec	March 31, 2017	100%	244,990		10,500		10,969
4875 Fairway Street	Lachine	Quebec	March 31, 2017	100%	95,530		5,600		5,846
4870 Robert-Boyd Street	Sherbrooke	Quebec	April 7, 2017	100%	138,308		14,800		15,247
2616 Sheridan Garden Drive	Oakville	Ontario	August 14, 2017	100%	116,818		15,333		15,964
5500 Trans-Canada Highway	Pointe-Claire	Quebec	August 18, 2017	100%	511,848		41,333		42,679
330 Humberline Drive	Etobicoke	Ontario	September 29, 2017	100%	255,000		23,925		25,321
1800 Ironstone Manor	Pickering	Ontario	November 15, 2017	100%	158,831		14,225		14,749

(In $ thousands)

Property	City	Province	Closing date	%	GLA		Purchase price [2]		Acquisition cost [3]
2017 Acquisitions (continued)									
4150 Chomedey Highway [1]	Laval	Quebec	November 17, 2017	50%	35,000		3,075		3,296
7910- 51st Street SE	Calgary	Alberta	December 8, 2017	100%	51,492		6,000		6,112
201 Shearson Crescent	Cambridge	Ontario	December 8, 2017	100%	26,665		2,375		2,475
400 Bingemans Centre	Kitchener	Ontario	December 8, 2017	100%	119,060		13,500		14,019
6900 Tranmere Drive	Mississauga	Ontario	December 8, 2017	100%	41,566		13,150		13,647
335 Carlingview Drive	Etobicoke	Ontario	December 19, 2017	100%	54,942		7,240		7,635
345 Carlingview Drive	Etobicoke	Ontario	December 19, 2017	100%	50,360		11,900		12,549
355 Carlingview Drive	Etobicoke	Ontario	December 19, 2017	100%	113,178		14,000		14,764
1980 Matheson Blvd	Mississauga	Ontario	December 19, 2017	100%	140,254		33,000		34,143
1111 Corporate Drive	Burlington	Ontario	December 21, 2017	100%	151,410		16,750		17,345
55 Carrier Drive	Etobicoke	Ontario	December 21, 2017	100%	64,412		5,000		5,272
65 Carrier Drive	Etobicoke	Ontario	December 21, 2017	100%	61,947		4,700		4,955
326 Humber College Blvd	Etobicoke	Ontario	December 21, 2017	100%	41,207		3,680		3,878
1361 Huntingwood Drive	Scarborough	Ontario	December 21, 2017	100%	86,586		9,150		9,653
20 Commander Blvd	Scarborough	Ontario	December 21, 2017	100%	63,966		6,250		6,592
40 Commander Blvd	Scarborough	Ontario	December 21, 2017	100%	50,526		4,500		4,744
10 Commander Blvd	Scarborough	Ontario	December 21, 2017	100%	33,575		4,020		4,237
5499 Canotek Road	Ottawa	Ontario	December 21, 2017	100%	37,180		5,050		5,227
22401 Chemin Dumberry	Vaudreuil-sur-le-lac	Quebec	December 21, 2017	100%	147,700		12,850		13,341
Data Centre Facility									
80 Via Renzo Drive [1]	Richmond Hill	Ontario	December 22, 2017	50%	59,068		39,933		41,693
Total Acquisitions for the year 2017					**3,630,559**	**$**	**409,499**	**$**	**427,333**

[1] Represents 50% of the Trust's ownership of total GLA.
[2] Purchase price is before acquisition-related expenses.
(3) Acquisition costs includes acquisition-related expenses.
[4] Property acquired is on a land lease.

DISPOSITIONS

A summary of the disposition of properties for the year ended December 31, 2018, is outlined in the following table. There were no dispositions during 2017.

(In $ thousands)

Property	City	Province	Closing date	%	GLA		Selling Price
2018 Dispositions							
240 Laurier Boulevard [1]	Brockville	Ontario	May 17, 2018	75%	51,070	$	12,960
5499 Canotek Road [1]	Ottawa	Ontario	May 17, 2018	75%	27,885		4,191
350 Hazelhurst Road [1]	Mississauga	Ontario	May 17, 2018	75%	165,000		22,294
175 Bellerose Boulevard [1]	Laval	Quebec	May 17, 2018	75%	60,815		6,986
Total Dispositions for the year ended 2018					**304,770**	**$**	**46,431**

[1] Represents 75% of total GLA disposed.

DATA CENTRE FACILITIES

On December 22, 2017, the Trust entered into a partnership with Urbacon Montreal Limited Partnership ("Urbacon") to develop, own and operate high-yielding, state-of-the-art digital data centres in key markets across Canada. The Trust's initial investment was the purchase of a 50% interest in Urbacon's Data Centre One ("DC1"), located in the Barker Business Park Digital Campus in Richmond Hill, Ontario. DC1 is a brand new, purpose-built, state-of-the-art 10 megawatt ("MW") data centre, which at the time of acquisition was 50% leased to a major global cloud provider under a fifteen-year term. The property is designated as Tier IV, the highest standard within the industry. Summit acquired a 50% interest in the property for approximately $40.0 million, assuming its 50% share of construction debt of approximately $25.0 million and financed the balance with proceeds from the December 13, 2017 equity offering and the revolving credit facility.

During the year ended December 31, 2018, the Trust advanced $2.1 million, (2017 -$15.8 million) toward a mezzanine loan with Urbacon. The Trust has the option to convert its loan into a 50% ownership interest in the recently completed state-of-the-art data centre located in downtown Montreal, Quebec, the only stand-alone, purpose-built data centre in the city. The nine-storey property is power-ready for occupancy with 16 MW of power available, and Urbacon has received significant interest in leasing space in the building. Including accrued interest, the total loan receivable balance is $19.5 million at December 31, 2018 (2017 - $15.8 million).

During the year ended December 31, 2018, the Trust advanced $11.5 million, (2017 -$11.4 million) toward a working capital loan to Urbacon primarily to be invested to develop an additional data centre in the Barker Business Park Digital Campus and other key markets. In September 2018, Urbacon repaid $1.8 million toward the loan bringing the total loan receivable balance, including accrued interest, to $22.5 million at December 31, 2018 (2017 - $11.4 million).

In September 2018, the Trust announced it is extending a new mezzanine loan to its partner Urbacon to develop a new planned 95,000 square foot data centre property ("DC2") on land owned by Urbacon directly adjacent to the existing DC1 property. Summit's mezzanine loan can be converted into a 50% ownership interest in DC2 once the property is leased and stabilized. DC2 will be a 10 MW powered shell with a scheduled completion in three months. Urbacon has already commenced construction on the site. During the year ended December 31, 2018, the Trust advanced $16.8 million toward the loan bringing the total loan receivable balance, including accrued interest, to $17.2 million at December 31, 2018.

Additions to properties under development of $24.4 million during the year ended December 31, 2018, relate to the data centre investment property. In June 2018, the tenant at this property exercised its option to occupy 100% of the property by expanding into the remaining 59,000 square feet of the 118,000 square foot building, commencing October 2018, on the same terms and conditions under its existing lease.

Fair value adjustments for the three months and year ended December 31, 2018, were $nil and $41.5 million of gains, respectively, were recorded on the GTA data centre property. The property was appraised during the second quarter of 2018 and takes into consideration the data centre is now fully leased.

DEVELOPMENTS AND EXPANSIONS

In response to the Trust's growing asset base, Management intends to expand the Trust's development program through building expansions, greenfield developments on land owned or acquired by the Trust, and via mezzanine loans to development partners used to fund the construction of new buildings. In all cases, the objective of the development program is to generate elevated returns to augment the returns from the Trust's core portfolio of stabilized assets and to upgrade the portfolio through the addition of A Class assets, but in a manner that minimizes risk to the Trust. This strategy was successfully executed by Management in the original Summit REIT, which acquired over 1,000 acres of developable land and, at its peak, was developing more than 2 million square of new A Class industrial properties annually. Initially, the development focus will be on the GTA, where cap rates are at historic lows and accretive buying opportunities are most scarce.

Expansions

GTA Property

The existing property of 119,060, square feet is currently undergoing an expansion of 64,860 square feet to accommodate the tenant's operational growth. The total cost of the expansion is $6.3 million. The incremental rent generated from this expansion will provide an 8% return on cost.

Developments

2485 Surveyor Road, Mississauga

This property contains 4.9 acres of excess land that can accommodate 87,300 square feet of new development. The Trust intends to start construction in 2019 and complete the project in 2020.

4455 North Service Road, Burlington

This property contains 7.5 acres of excess land that can accommodate 140,000 square feet of new development. The Trust intends to start construction in 2019 and complete the project in 2020.

Mezzanine Financings

Data Centre 2, Richmond Hill

The Trust has provided mezzanine loan financing to a development partner for the construction of 95,000 square foot single-storey data center. The mezzanine loan has conversion rights, allowing the Trust to convert the loan to equity at project completion. The project is expected to generate a low double digit return on cost.

544 de l'Inspecteur, Montreal

The Trust has provided mezzanine loan financing to a development partner for the construction of 266,000 square foot multi-storey data center. The mezzanine loan has conversion rights, allowing the Trust to convert the loan to equity at project completion. The project is expected to generate a high single digit return on cost.

The Trust continues to explore opportunities to expand the development program, including additional land purchases on which the Trust can construct new buildings, as well as advancing new mezzanine loans to experienced development partners that can eventually be converted to equity in completed projects.

SAME PROPERTY NOI

Same property NOI for the properties acquired prior to January 1, 2017 and owned during both periods for the three months and year ended December 31, 2018, improved in Toronto and Montreal, compared to the same periods last year offset by vacancies in Western Canada. Total same property NOI improved by 1.4% for the year ended December 31, 2018, and represented approximately 46.8% of the total portfolio NOI. In calculating same property NOI, the impacts from the straight-lining of rents, and amortization of free rent have been excluded. Same property NOI excludes properties that would have had changes due to acquisitions, dispositions, and expansions.

The following table reconciles same property NOI to total NOI for the three months and year ended December 31, 2018 and 2017.

(in Thousands of Canadian dollars)		Three months ended December 31			
(except per Unit amounts)	GLA	**2018**	2017	Growth	%
Toronto	3,551,270	**$ 5,528**	$ 5,383	$ 145	2.7 %
Other Ontario	629,349	**967**	970	(3)	(0.3) %
Montreal	1,235,183	**2,646**	2,611	35	1.3 %
Other Canada	711,627	**1,278**	1,322	(44)	(3.3) %
Same property NOI	6,127,429	**$ 10,419**	$ 10,286	$ 133	1.3 %
Acquisitions/dispositions/redevelopments	7,267,339	**7,878**	1,182	6,696	
Straight-line rent		**478**	387	91	
Free rent amortization		**(72)**	(87)	15	
NOI	13,394,768	**$ 18,703**	$ 11,768	$ 6,935	
Net rental income for the three months ending December 31		**$ 18,703**	$ 11,768		

(in Thousands of Canadian dollars)		Year ended December 31			
(except per Unit amounts)	GLA	**2018**	2017	Growth	%
Toronto	2,992,820	**$ 16,917**	$ 16,188	$ 729	4.5 %
Other Ontario	629,349	**3,919**	3,894	25	0.6 %
Montreal	756,355	**5,584**	5,332	252	4.7 %
Other Canada	590,937	**3,902**	4,479	(577)	(12.9) %
Same property NOI	4,969,461	**$ 30,322**	$ 29,893	$ 429	1.4 %
Acquisitions/dispositions/redevelopments	8,425,307	**32,936**	9,582	23,354	
Straight-line rent		**1,883**	1,366	517	
Free rent amortization		**(301)**	(264)	(37)	
NOI	13,394,768	**$ 64,840**	$ 40,577	$24,263	
Net rental income for the years ending December 31		**$ 64,840**	$ 40,577		

Same property NOI growth was driven by increases in occupancy and contractual steps in rent in Toronto and Montreal, partially offset by decreases in Other Canada due to vacancies in Edmonton, Alberta and Cranbrook, British Columbia, which were all leased by year-end.

FUNDS FROM OPERATIONS

The Trust's FFO per Unit is calculated as follows:

(in Thousands of Canadian dollars) (except per Unit amounts)	Three months ended December 31		Year ended December 31	
	2018	2017	**2018**	2017
Net income	**$ 59,320**	$ 31,237	**$ 180,407**	$ 62,900
adjustments				
Free rent amortization	**72**	87	**301**	264
Gain on sale of property (1)	**-**	-	**(466)**	-
Incentive fee associated with realized gain on sale of investment properties (2)	**-**	-	**1,271**	-
Distributions on Class B exchangeable Units treated as finance costs	**554**	-	**1,207**	-
Fair value adjustment to deferred unit compensation	**75**	(7)	**143**	8
Fair value adjustment to Class B exchangeable Units	**2,493**	-	**4,537**	-
Fair value adjustment to investment properties	**(49,938)**	(23,523)	**(143,809)**	(36,212)
FFO	**$ 12,576**	$ 7,794	**$ 43,591**	$ 26,960
FFO per Unit (3)	**$ 0.141**	$ 0.140	**$ 0.560**	$ 0.564
Regular Distributions declared to Unitholders (4)	**$ 11,666**	$ 7,411	**$ 40,680**	$ 25,419
Special Distributions declared to Unitholders (5)	**$ -**	$ -	**$ 1,212**	$ -
Regular Distributions per Unit declared to Unitholders (3)(4)	**$ 0.129**	$ 0.129	**$ 0.516**	$ 0.512
Special Distributions per Unit declared to Unitholders (3)(5)	**$ -**	$ -	**$ 0.018**	$ -
Regular Cash distributions paid (4)	**$ 9,708**	$ 5,834	**$ 34,479**	$ 20,502
Special Cash distributions paid (5)	**$ -**	$ -	**$ 1,053**	$ -
Regular FFO payout ratio without DRIP benefit	**91.3%**	92.0%	**92.1%**	90.7%
Regular FFO payout ratio with DRIP benefit	**77.2%**	74.9%	**79.1%**	76.0%
Adjustments to FFO for special distribution (5)				
FFO	**$ 12,576**	$ 7,794	**$ 43,591**	$ 26,960
Realized gain on sale of investment properties (2)	**$ -**	$ -	**$ 8,470**	$ -
Incentive fee associated with realized gain on sale of investment properties	**$ -**	$ -	**$ (1,271)**	$ -
Net realized gain	**$ -**	$ -	**$ 7,200**	$ -
FFO including net realized gain	**$ 12,576**	$ 7,794	**$ 50,790**	$ 26,960
FFO per Unit plus net realized gain (2)(3)	**$ 0.141**	$ 0.140	**$ 0.653**	$ 0.564
Total cash distributions paid (4)(5)	**$ 9,708**	$ 5,834	**$ 35,532**	$ 20,502
Total Distributions per Unit declared to Unitholders (3)	**$ 0.1290**	$ 0.1290	**$ 0.5340**	$ 0.5120
FFO plus net realized gain payout ratio without DRIP benefit (2)	**91.3%**	92.0%	**81.8%**	90.7%
FFO including net realized gain payout ratio with DRIP benefit (2)	**77.2%**	74.9%	**70.0%**	76.0%
Weighted average number of Units outstanding (3)	**88,959**	55,611	**77,803**	47,767
Units issued and outstanding at the end of the period (3)	**100,621**	67,084	**100,621**	67,084

(1) The gain on sale of property is calculated as net proceeds on sale less the IFRS fair market value of the property prior to sale.
(2) The realized gain on sale of investment property is calculated as net proceeds on sale less the actual costs incurred to initially acquire the property and the capital and leasing cost incurred since ownership.
(3) Includes REIT Units and Class B exchangeable Units (collectively, the "Units").
(4) Includes distributions on REIT Units and Class B exchangeable Units.
(5) On the sale of a 75% interest in four properties, the Trustees approved a special distribution of $0.018 per Unit payable to shareholders of record May 16, 2018 which was paid May 31, 2018.

For the three months and year ended December 31, 2018, FFO was $12.6 million ($0.141 per Unit) and $43.6 million ($0.560) per Unit), respectively, compared to $7.8 million ($0.140 per Unit) and $27.0 million ($0.564 per Unit), respectively, in the same prior year periods. The increase in FFO is due primarily to acquisitions completed over the prior twelve months, partially offset by the sale of a 75% interest in four properties in May 2018. The REIT's FFO payout ratio through the fourth quarter of 2018 was 91.3% (77.2% including the benefit of the REIT's DRIP program) compared to 92.0% (74.9% including the benefit of the REIT's DRIP program) during the same periods in 2017. The REIT's FFO payout ratio through the year ended December 31, 2018, was 92.1% (79.1% including the benefit of the REIT's DRIP program) compared to 90.7% (76.0% including the benefit of the REIT''s DRIP program) during the same periods in 2017. The increase in the FFO payout ratio is due to the 62.9% increase in weighted average units outstanding due to the equity offerings completed over the prior twelve months and the timing of fully investing the funds.

For the three months and year ended December 31, 2018, straight lining of rents was $0.5 million and $1.9 million, respectively, compared to $0.4 million and $1.4 million, respectively, in the same prior year periods. Leasing costs for the three months and year ended December 31, 2018, were $1.6 million and $2.4 million, respectively, compared to $1.0 million and $2.8 million, respectively, for the same prior year periods. Non-recoverable capital expenditures for the three months and year ended December 31, 2018, were $303,000 and $477,000, respectively, compared to $309,000 and $349,000, respectively, for the same periods in 2017.

LIQUIDITY AND CAPITAL RESOURCES

Summit II's balance sheet as at December 31, 2018, compared to the prior year reflect the property acquisitions, dispositions, debt obtained and equity offerings during the twelve-month period.

TOTAL ASSETS

Summit II's total assets increased to $1.8 billion at December 31, 2018, compared to $1.0 billion at the prior year ended December 31, 2017. Fair value gains on investment properties for the year ended December 31, 2018, were $143.8 million, which were mainly attributable to increasing market values of the properties in the GTA and Montreal as well as the increase in value of the GTA data centre which is now fully leased commencing October 2018. As noted in the "Transactions" section, during the year ended December 31, 2018, the REIT acquired 24 income producing properties for a total purchase price of $578.3 million and disposed of a 75% interest in four income producing properties for $46.4 million.

As a result of the GTA data centre being fully leased, the fair value of the asset increased by $41.5 million. This represents a 63% increase in the value during the nine-month period that the REIT held the property. The industrial portfolio saw a fair value gain of $102.3 million in the year ended December 31, 2018. The increase in the fair value of the industrial portfolio is primarily the result of the continued strong demand for industrial real estate. Excluding 2018 acquisitions, the value of the industrial portfolio increased by 10.4% when compared to the prior year.

TOTAL DEBT

Total debt was $834.2 million at December 31, 2018, compared to $515.0 million at the prior year end. Financing activities included locking in longer-term mortgages which added nearly a full year of average term to maturity which is now 4.8 years compared to 4.0 years at the same period prior year. The following table summarizes the financing activities for the year ended December 31, 2018.

Property	Lender	Term		Amount	Interest Rate	Completed
New financing						
Portfolio of 13 properties	BMO	10 years	$	88,000	4.10%	Mar-18
Bridge credit facility - 4150 Chomeday Highway	BMO	1 year		2,030	3.40%	May-18
305 C.H. Meier Boulevard	CIBC	5 years		10,000	3.96%	Jun-18
240 Laurier Boulevard	BMO	5 years		2,700	4.06%	Aug-18
5499 Canotek Road	BMO	5 years		850	4.06%	Aug-18
350 Hazelhurst Road	BMO	5 years		3,600	4.06%	Aug-18
175 Bellerose Boulevard	BMO	5 years		1,500	4.06%	Aug-18
2601 14th Avenue	TD	10 years		23,750	4.01%	Aug-18
125 Nashdene Road, 40 & 50 Dynamic Drive	Vancity	5 years		16,300	3.89%	Aug-18
572 & 588 Aero Drive NE	TD	10 years		19,000	3.99%	Sep-18
1001 Thornton Road South	CIBC	5 years		22,000	4.09%	Sep-18
5101 Orbitor Drive	TD	7 years		20,000	4.10%	Oct-18
Total new financing			**$**	**209,730**	**4.05%**	
Temporary non-revolving bridge facilities						
Bridge credit facility	BMO	1 year		91,000	4.20%	Dec-18
Bridge credit facility	CIBC	1 year		62,000	4.21%	Dec-18
Total temporary non-revolving bridge facilities			**$**	**153,000**	**4.20%**	
Assumed financing						
56 Steelcase Road West	GWL	14.83 years		8,583	4.10%	Jun-18
2615 and 2620-2650 Lancaster Road	Otera	1 year		7,815	3.26%	Dec-18
1050-1051 Baxter Road	Otera	1 year		12,376	3.26%	Dec-18
225 Pinebush	Otera	3.1 years		6,837	3.05%	Dec-18
1601 and 1635 Tricont Avenue	Otera	3.1 years		12,021	3.05%	Dec-18
Total assumed financing			**$**	**47,632**	**3.33%**	
Total 2018 financings			**$**	**410,362**	**4.02%**	

Proceeds of the $88.0 million in mortgage financing and the balance from the revolving operating facility were used to repay the $90.0 million non-revolving bridge credit facility obtained to acquire properties in December 2017.

As at December 31, 2018, approximately $63.6 million (December 31, 2017 - $42.0 million), of an available $71.5 million (December 31, 2017 - $57.4 million), was drawn from the revolving operating facility. Also, as of December 31, 2018, there was $91.0 million, of an available $91.0 million, and $62.0 million, of an available $62.0 million, drawn on temporary non-revolving bridge credit facilities put in place to fund acquisitions in December until long term financing is secured. Subsequent to the year end, these bridge loans have been refinanced with long-term ten-year mortgages (see "Events Subsequent to December 31, 2018" below). The Trust's exposure to floating rate debt is approximately 33.5% of total debt as at December 31, 2018.

EQUITY

Unitholders' equity increased to $859.7 million at December 31, 2018, compared to $471.9 million at the prior year end. On June 15, 2018, the Trust completed a public offering of 13,299,750 Units at a price of $8.65 per Unit for gross proceeds of $115.0 million. The offering incurred issue costs of $5.0 million for net proceeds of $110.0 million. On December 10, 2018, the Trust completed a public offering of 15,055,000 Units at a price of $9.30 per Unit for gross proceeds of $140.0 million. The offering incurred issue costs of $16.1 million for net proceeds of $133.9 million. As well, the fair value gain on investment properties for the year ended December 31, 2018 was $143.8 million.

CLASS B EXCHANGEABLE UNITS

As partial consideration for the June 18, 2018 asset acquisition as noted in the "Transactions" section, 3,292,091 Class B exchangeable units were issued with a fair value of $27.9 million. As well, as partial consideration for the August 15, 2018 asset acquisition, 1,005,780 Class B exchangeable units were issued with a fair value of $8.7 million.

The exchangeable units will be exchangeable into Units of the REIT on a one-for-one basis at the option of the holder. The special voting units have the same voting rights as the REIT's trust units and will entitle the holder of the exchangeable units to such number of votes at meetings of the REIT's unitholders as is equal to the number of trust units of the REIT such exchangeable units are exchangeable for. These Class B exchangeable units are entitled to distributions per unit in an amount equal to the distributions per unit declared in respect of the REIT Units.

Class B exchangeable units are valued at the REIT Units' closing price per the TSX as at December 31, 2018, which was $9.56. The following table shows the change in carrying value and number for Class B exchangeable units outstanding for the periods presented:

(In thousands)	Units		Value
Class B exchangeable units issued June 18, 2018	3,292	$	27,851
Class B exchangeable units issued August 15, 2018	1,006	$	8,700
Fair value adjustments	-		4,537
Balance December 31, 2018	4,298	$	41,088

Included in finance costs for the three months and year ended December 31, 2018 are $0.6 million and $1.2 million respectively, of distributions declared on Class B exchangeable units ($0.0430 per Class B exchangeable unit). Total distributions payable on Class B exchangeable units as at December 31, 2018 were $185,000. There were no Class B exchangeable units in 2017.

CASH DISTRIBUTIONS

The regular cash distributions declared, including the Class B exchangeable units noted above and excluding the special distribution noted below, during the year ended December 31, 2018, were $40.7 million compared to $20.5 million in the same period of 2017. On May 9, 2017, the Board of Trustees approved a cash distribution increase to $0.043 per Unit per month or $0.516 per Unit on an annualized basis, which represents a 2.4% annualized increase over the previous distribution. This increase applied to Unitholders of record beginning on May 31, 2017.

SPECIAL DISTRIBUTION

As a result of the net realized gain of $7.2 million or $0.10 per Unit created on the sale of a 75% interest in four properties in May 2018, the Trustees approved a special distribution of $0.018 per Unit payable to shareholders of record on May 16, 2018. The total amount of this special distribution was $1.2 million or $1.1 million net of DRIP participation and was paid May 31, 2018.

UNITHOLDERS' TAXATION

For taxable Canadian resident Unitholders, the distributions are treated in the following manner for tax purposes:

For the years ended	**2018**	**2017**	2016	2015	2014	2013
Other income	**8.33%**	**0.00%**	0.00%	0.00%	0.00%	0.89%
Capital gain	**21.74%**	**0.00%**	0.00%	24.22%	23.21%	23.67%
Return of capital	**69.93%**	**100.00%**	100.00%	75.78%	76.79%	75.44%

Only 50% of capital gains are included in taxable income as a result only 19% of the 2018 distribution is taxable.

DISTRIBUTION REINVESTMENT PLAN

The Trust has a Distribution Reinvestment Plan ("DRIP") whereby registered or beneficial holders of the Trust's Units who are residents in Canada can acquire additional Trust Units by reinvesting all or a portion of their monthly cash distributions without paying brokerage commissions. In addition, Unitholders who elect to participate in the DRIP will receive a further distribution of Trust Units equal to 5% of each distribution that was reinvested by them.

During the year ended December 31, 2018, there were 597,870 Units issued under this plan for total proceeds of $4.9 million, representing a DRIP participation rate of 12.5%. During the same period last year, there were 532,124 Units issued under this plan for total proceeds of $3.5 million, representing a 14.6% DRIP participation rate.

LIQUIDITY

(in Thousands of Canadian dollars)	**Total**	**Deferred Financing Charges**	**Premium on Debt**	**2019**	**2-3 years**	**4-5 years**	**After 5 years**
Loans and borrowings	834,176	(931)	1,329	265,793	168,129	205,059	194,797
Trade and other accrued liabilities (1)	28,723	-	-	26,678	(148)	2,346	(153)
Total	862,899	(931)	1,329	292,471	167,981	207,405	194,644

(1) Negative amounts, in future periods, represent interest rate swaps currently in financial asset position and positive amounts represent interest rate swaps currently in a financial liability position.

Approximately $63.6 million, of the loans and borrowings presented in the 2-3 years category is associated with the revolving operating facility which matures September 25, 2020. As well, approximately $153.0

million, of the loans and borrowings presented in the 2019 category is associated with the temporary non-revolving bridge credit facilities implemented to finance acquisitions in December 2018. Subsequent to the year end, these bridge financings have been refinanced with long-term ten-year mortgages (see "Events Subsequent to December 31, 2018" section below).

TAXATION

Summit II is generally subject to tax in Canada under the Income Tax Act (The "Tax Act") with respect to its taxable income each year, except to the extent such taxable income is paid or deemed to be payable to Unitholders and deducted by Summit II for tax purposes.

Pursuant to Summit II's Declaration of Trust, the Trustees intend to distribute or designate all taxable income directly earned by Summit II to Unitholders of the Trust such that Summit II will not be subject to income tax under Part I of the Tax Act.

OCCUPANCY

Summit II works diligently to maximize occupancy throughout its portfolio in accordance with local market conditions.

	December 31, 2018		September 30, 2018		December 31, 2017	
	GLA	Occupancy %	GLA	Occupancy %	GLA	Occupancy %
Industrial properties						
Ontario	8,212,870	99.1%	7,089,555	98.9%	6,064,172	98.8%
Alberta	1,925,771	100.0%	926,695	82.5%	699,050	93.5%
Quebec	3,132,989	99.8%	1,929,731	99.7%	1,990,404	99.2%
Other Canada	64,069	100.0%	64,069	87.2%	64,069	87.2%
Total industrial properties	**13,335,699**	**99.4%**	**10,010,050**	**98.4%**	**8,817,695**	**98.4%**
Data Centre - Ontario	59,068	100.0%	59,068	50.0%	59,068	50.0%
Total investment properties	**13,394,767**	**99.4%**	**10,069,118**	**98.1%**	**8,876,763**	**98.1%**

High stable occupancies in the REIT's key target markets in Ontario and Quebec were partially offset by vacancies in certain properties in Alberta and British Columbia. Management is focused on enhancing overall occupancy through its proven marketing and leasing activities.

ACTIVE LEASING PROGRAM

Occupancy in the industrial portfolio improved in the quarter from 98.4% at September 30, 2018 to 99.4% at December 31, 2018. The weighted average lease term for the portfolio was approximately 6.2 years at year-end. The REIT is proactive in addressing lease expiries well in advance of the expiry date.

In 2018, the REIT successfully completed the following leasing activity:

	Square Feet
2018 renewals	398,492
2018 new deals	178,192
2019 renewals	851,868
2019 early renewal and expansions	102,972
2020 and beyond early renewals	349,183
Total square feet leased in 2018	1,880,707

The REIT completed 178,192 square feet of new deal leasing in 2018. In the fourth quarter, the REIT successfully leased 167,778 square feet of the vacancies in place at September 30, 2018. The vacancies in the Western Canada portfolio were all leased in the fourth quarter.

Part of the vacancy leased includes vacancies at two properties acquired in 2018. The REIT acquired a property in Calgary with 25,500 square feet of vacancy which was leased as of December 31, 2018. The increased revenue from this lease will improve the going in yield for the initial cost of the acquisition from 5.86% to 6.90%. The REIT acquired a property in the GTA with 27,945 square feet of vacancy in two units which were leased as of December 31, 2018. The increased revenue from the two lease deals will improve the going in yield on cost of the acquisition from 6.2% to 7.5%.

The vacancy at December 31, 2018 is comprised of one 44,672 square foot unit that has a lease commitment in place subject to obtaining a zoning variance which is expected to be granted in the first quarter of 2019, a 6,500 square foot unit that is leased as of March 2019 and the remaining 30,646 square feet is at two properties in Ottawa that were acquired in December 2018.

The REIT completed 398,492 square feet of its 2018 renewals with a very strong retention rate of 92.5%. Overall, the 2018 renewals generated an average 9.5% increase in monthly rents from the expiring rent with a significant 12.7% increase over expiring rents in the REIT's Greater Toronto Area ("GTA") target market.

The REIT has also made significant progress, proactively completing renewals for 851,868 square feet of space expiring in 2019, an early renewal of 53,253 square feet of expiring in 2023, and expansion of 49,719 square feet of adjacent space which expires in 2019. This lease renewal and expansion includes a 20% increase in monthly rent for the total 102,972 square feet beginning in November 2019. The tenant vacating the 49,719 square feet noted above is relocating and expanding into 57,017 square feet. This expansion includes a 36% increase in the monthly rent. The 2019 renewals, early renewals and expansions have resulted in a 11.9% increase in rents with a very strong 16.1% increase for the GTA properties. The 851,868 square feet of 2019 renewals already completed leaves only 301,399 square feet or 2.3% of the total portfolio to be addressed during the balance of 2019. The REIT also renewed 349,183 square feet that was set to expire beyond 2019.

LEASE ROLLOVER

The following table represents the expected lease rollover for the next five years for the industrial properties:

	GLA	Percentage
2019	301,399	2.3%
2020	1,450,113	10.9%
2021	1,271,269	9.6%
2022	1,136,878	8.6%
2023	2,045,333	15.4%
Thereafter	7,048,885	53.2%
Occupied industrial GLA	13,253,877	100.0%

The lease rollover profile will continue to change and normalize as the portfolio expands.

DEBT LEVERAGE RATIO

The maximum debt leverage permitted by Summit II's Declaration of Trust is 65%. However, it is Summit II's goal to operate in the 50% range over the long term. At December 31, 2018, Summit II's debt leverage ratio was 47.0% compared to 51.3% at December 31, 2017 and 44.4% at September 30, 2018. Average leverage during the quarter was 45.4% when compared to 49.6% for the same period in 2017. Acquisition capacity was at approximately $100.0 million at December 31, 2018, which, if utilized, would bring the portfolio leverage to approximately 50.0%.

(In Thousands of Canadian dollars)	**As at December 31, 2018**	**As at September 30, 2018**	**As at June 30, 2018**	**As at March 31, 2018**	**As at December 31, 2017**
Total Assets	1,774,604	1,338,479	1,238,894	1,025,350	1,003,239
Debt					
Mortgages payable	612,096	554,327	470,503	464,460	379,568
Bank loans	222,080	40,080	39,080	51,250	135,450
Total debt	834,176	594,407	509,583	515,710	515,018
Leverage ratio	**47.0%**	**44.4%**	**41.1%**	**50.3%**	**51.3%**
Average leverage ratio - quarter	**45.4%**	**43.0%**	**48.9%**	**51.3%**	**49.6%**

CONTRACTUAL OBLIGATIONS

Summit II's most significant contractual obligations relate to the long-term debt including mortgages payable and bank loans as described below.

LONG TERM DEBT

The following table presents the future principal repayments and maturities on long-term debt and respective weighted average effective interest rates:

(In thousands of Canadian Dollars)

Year	Principal Repayment	% of Total	Weighted Average Effective Interest Rate
2019	107,313	17.5%	3.78%
2020	57,775	9.5%	3.64%
2021	46,754	7.6%	3.66%
2022	113,036	18.5%	3.78%
2023	92,024	15.0%	3.89%
Thereafter	194,796	31.9%	3.97%
Total principal repayments	611,698	100.0%	3.72%
Variable rate debt	222,080		
Premium on debt	1,329		
Deferred financing charges	(931)		
Total loans and borrowings	834,176		

INTEREST AND DEBT SERVICE COVERAGE RATIO AND DEBT-TO-ADJUSTED EBITDA

The Trust's interest coverage ratio, debt service coverage ratio and debt-to-adjusted EBITDA is as follows for the three months and year ended December 31, 2018 and 2017.

	Three months ended December 31		Year ended December 31	
(in Thousands of Canadian dollars)	**2018**	2017	**2018**	2017
Net Income	**$ 59,320**	$ 31,237	**$ 180,407**	$ 62,900
adjustments				
Free rent amortization	**72**	87	**301**	264
Gain on sale of property	**-**	-	**(466)**	-
Incentive fee associated with realized gain on sale of investment properties	**-**	-	**1,271**	-
Straight lining of rents	**(478)**	(387)	**(1,883)**	(1,366)
Fair value adjustment to deferred unit compensation	**75**	(7)	**143**	8
Fair value adjustment to Class B exchangeable Units	**2,493**	-	**4,537**	-
Fair value adjustment to investment properties	**(49,938)**	(23,523)	**(143,809)**	(36,212)
Interest expense (finance costs)	**7,043**	3,397	**22,491**	11,413
Adjusted EBIDTA	**$ 18,587**	$ 10,804	**$ 62,992**	$ 37,007
Distributions on Class B exchangeable Units recorded in finance costs	**$ 554**	$ -	**$ 1,207**	$ -
Interest expense (finance costs) excl. Class B exchangeable Units distributions	**$ 6,489**	$ 3,397	**$ 21,284**	$ 11,413
Interest coverage ratio	**2.86**	3.18	**2.96**	3.24
Mortgage principal repayments (excluding mortgage payouts)	**$ 4,031**	$ 2,288	**$ 13,847**	$ 8,153
Mortgage principal and interest	**$ 10,520**	$ 5,685	**$ 35,131**	$ 19,566
Debt service coverage ratio	**1.77**	1.90	**1.79**	1.89
Non- current loans and borrowings	**$ 568,368**	$ 357,895	**$ 568,368**	$ 357,895
Current loans and borrowings	**265,808**	157,123	**265,808**	157,123
Total loans and borrowings	**834,176**	515,018	**834,176**	515,018
adjustments				
Unamortized premium on debt	**(1,329)**	(1,781)	**(1,329)**	(1,781)
Unamortized deferred financning charges	**931**	873	**931**	873
Total debt at principal amount outstanding	**$ 833,778**	$ 514,110	**$ 833,778**	$ 514,110
Adjusted EBITDA per above annualized	**$ 74,348**	$ 43,216	**$ 62,992**	$ 37,007
Debt-to-adjusted EBITDA (years)	**11.21**	11.90	**13.24**	13.89

CASH FLOW

The following table represents the changes in cash flow for the years ended December 31, 2018 and 2017.

(In thousands of Canadian dollars)	**2018**	**2017**
Cash flow from operating activities	$ 47,865	$ 28,261
Cash flow from financing activities	$ 450,410	$ 321,418
Cash flow to investing activities	$ (494,806)	$ (349,202)

Cash flow from operating activities for the year ended December 31, 2018, was $47.9 million compared to $28.3 million for the prior year comparative period. The increase was due to the change in working capital as a result of the growth in the portfolio during 2018. The Trust acquired 24 income producing properties during 2018 compared to 31 properties in 2017.

Cash flow from financing activities was $450.4 million for the year ended December 31, 2018, compared to cash flow from financing activities of $321.4 million for the same period in the prior year. As at December 31, 2018, there was $63.6 million drawn from the revolving operating facility compared to $42.0 million for the same period in the prior year. Also, at December 31, 2018, there was $91.0 million and $62.0 million drawn on temporary non-revolving bridge credit facilities put in place to fund acquisitions in December 2018 compared to $90.0 million for the same period prior year. In March 2018, new mortgage financing of $88.0 million was obtained with a ten-year term and an interest rate of 4.10%. Proceeds of the $88.0 million in mortgage financing and the balance from the revolving operating facility were used to repay the $90.0 million non-revolving bridge credit facility obtained to acquire properties in December 2017. In May 2018, the Trust, in partnership with Montreal's Groupe Montoni, obtained a $4.06 million non-revolving credit facility with a one-year maturity term on the property located at 4150 Chomeday, Laval, QC. The Trust's share of this credit facility is $2.03 million represented by its 50% interest in the property. During the third quarter of 2018, the Trust obtained new five-year and ten-year mortgages totalling $89.7 million including the refinancing of $12.9 million of maturing debt for $16.3 million. As well, the construction loan associated with the data centre property increased by $13.7 million during this year. During the same period of 2017, construction loan financing increased $0.6 million, and $2.7 million in maturing mortgage debt was refinanced with a new lender for a $3.5 million mortgage and new mortgage financing of $18.0 million was obtained. Mortgage debt paid out for the year ended December 31, 2018 was $22.1 million compared to $4.2 million for the same period prior year. Mortgage principal repayments were $13.8 million for the for the year ended December 31, 2018, compared to $8.2 million for the same period in the prior year.

Distributions paid for the year ended December 31, 2018, were $34.5 million compared to $20.5 million in the same period last year. The distributions paid in 2018 includes $1.1million paid in special distributions declared during the second quarter. There were no special distributions in 2017. During of the year ended December 31, 2018, the Trust completed two bought-deal equity offering for net proceeds of $243.9 million compared to three bought-deal equity offerings for total net proceeds of $208.7 million during the same period prior year.

Cash flow allocated to investing activities was $494.8 million for the year ended December 31, 2018, compared to $349.2 million in the same period in 2017. For the year ended December 31, 2018, the Trust acquired 24 income producing properties with GLA of 4,821,881 for acquisition costs of approximately $595.5 million excluding $0.1 million of mark to market on assumed debt. The acquisitions were financed by net proceeds from the two equity offerings, new and assumed mortgages and debt of $77.6 million, the issuance of $36.6 million in Class B exchangeable units, assumed security deposits of $2.6 million with the remaining balance in cash from the revolving operating facility and temporary non-revolving bridge credit facilities. During the same period of 2017, the Trust acquired 31 income producing properties with GLA of 3,630,559 for acquisition costs of approximately $426.9 million excluding $0.4 million of mark to market on assumed debt. The acquisitions were financed by net proceeds from the three equity offerings, new and assumed mortgages and debt of $110.9 million, assumed security deposits of $0.9 million and $0.3 million in deposits on acquisitions made in the prior year with the remaining balance in cash from the revolving operating facility and temporary non-revolving bridge credit facility. Also, during the second quarter of 2018 the Trust sold a 75% interest in four properties for a selling price of $46.4 million compared to no dispositions in 2017. Additions to investment properties during the year ended December 31, 2018 and 2017 of $10.9 million and $5.1 million respectively, relate to capital outlays and tenant leasing costs. Additions to development properties of $24.5 million as at December 31, 2018 relates to having fully leased the remaining 50% of space at the GTA data centre property. There were no such developments in the same period prior year. For the year ended December 31, 2018, the Trust made advances on its mezzanine and working capital loan to Urbacon of $2.1 million and $11.5 million respectively. There were no such advances during the same period prior year. In September 2018, Urbacon repaid $1.8 million toward the working capital loan. Also, for the year ended December 31, 2018, the Trust advanced $16.8 million toward a new mezzanine loan toward a new DC2 facility. Also, in the second quarter of 2018 the loan receivable associated with the Laval property acquisition in November 2017 was repaid. Deposits on future acquisitions for the year ended December 31, 2018 were $1.0 million compared to no deposits in the same period prior year.

In accordance with National Instrument 41-201, the Trust is required to provide additional disclosure relating to cash distributions.

(in Thousands of Canadian dollars)	Year ended December 31			
		2018		2017
Cash provided by operating activities	**$**	**47,865**	$	28,261
Actual cash distributions paid or payable		**41,892**		25,419
Excess of cash provided by operating activities over cash distributions paid	**$**	**5,973**	$	2,842
Net income and comprehensive income	**$**	**180,407**	$	62,900
Actual cash distributions paid or payable		**41,892**		25,419
Excess of net income over cash distributions paid	**$**	**138,515**	$	37,481

For the year ended December 31, 2018, the REIT's cash flow from operating activities exceeded distributions by $6.0 million compared to $2.8 million in the same period in 2017. The change in non-cash working capital will vary from period to period. Net income exceeded cash distributions paid for the year ended December 31, 2018, by $138.5 million compared to $37.5 million in the same period in 2017. This was largely a result from net income and comprehensive income including unrealized fair value gains on investment properties of $143.8 million and $36.2 million for the year ended December 31, 2018 and 2017, respectively.

RELATED PARTY TRANSACTIONS

Management Agreement

Pursuant to the terms of the Management Agreement with Sigma Asset Management Limited ("Sigma" or the "Manager"), the Manager provides Summit II with the services necessary to manage its day-to-day operations. The Management Agreement, dated September 25, 2012, has an initial term of ten years, subject to earlier termination in certain circumstances, and will be automatically renewed for successive five-year terms. Sigma is related to Summit II by virtue of having some officers and Trustees in common.

The Management Agreement was amended March 29, 2018, in order to reflect certain structural changes to the fees payable to the Manager in certain contexts. The 2018 amendments were made in response to the prior requirement, which provided that the acquisition fee be re-evaluated within 60 days of the gross book value of the properties owned by Summit II exceeding $1 billion. The 2018 amendments require that the Manager take 25% of the acquisition fee in Units (in lieu of taking that 25% in cash as the Manager had done prior to these 2018 amendments), to be issued at 100% of the average market price. The average market price is defined as the volume weighted average of the closing price ("VWAP") for a board lot (100 Trust Units) of Units quoted in Canadian dollars on the exchange on which the Units trade for the five trading days immediately preceding the payment date. The Units issued to the Manager in satisfaction of 25% of the acquisition fee, will be issued to the Manager from the Manager Compensation Units previously authorized (maximum Units 1,824,159). In May 2018, the Manager provided notice under the Management Agreement to elect to increase the Unit percentage of the acquisition fee from 25% to 35% and in June 2018, the Manager elected to currently increase the Unit percentage of the acquisition fee to 50%. As well, the Manager has elected to currently take 10% of the asset management fee in Units.

The 2018 Amendments were carefully considered, and ultimately unanimously determined by the Independent Trustees. Throughout 2017, representatives of the Manager engaged in preliminary discussions with the Independent Trustees about alternatives for addressing the acquisition fee threshold. At a meeting on February 20, 2018, representatives of the Manager presented various alternatives to the Independent Trustees. In the weeks following such meeting, the Independent Trustees discussed and carefully considered various alternative amendments, consulted with outside advisors, surveyed other Canadian real estate investment trust compensation and fee structures, consulted with the Manager and reviewed and commented on drafts of the second amendment to the Management Agreement. In March 2018, after careful deliberation, the Independent Trustees determined that the 2018 Amendments are in the best interests of Summit II and unanimously approved the form of the second amendment to the Management Agreement.

The Management Agreement sets out the fees payable to the Manager for the services provided, such fees being:

- a base annual management fee equal to 0.25% of the gross value of Summit II's assets;
- an incentive fee equal to 15% of Summit II's AFFO per Unit, plus per Unit realized gains, as defined by the Management Agreement, in excess of a $0.48 hurdle amount, such hurdle amount to be increased by 1.5% each year ($0.5171 effective January 1, 2018);
- an acquisition fee for the purchase price paid by Summit II on the acquisition of a property equal to 1% of the first $50 million of the purchase price, 0.75% of the next $50 million of the purchase price, and 0.50% of any portion of the purchase price in excess of $100 million, to be satisfied 75% in cash, and 25% in Trust Units, with such Trust Units to be issued by Summit II from treasury at a price per Trust Unit equal to 100% of the average market price;
- a development fee in an amount to be negotiated between Summit II and the Manager, not to exceed the fair market value for comparable services;
- a property management fee equal to 3.5% of the gross rental income from each multi-tenant property, and 2.5% of the gross rental income from each single-tenant property and other property management costs recoverable under tenant operating leases;
- a leasing fee equal to $1.00 per rentable square foot only for those properties where the Manager provides leasing services; and
- a capital expenditures fee equal to 5% of all hard construction costs incurred on any capital project of Summit II, where the Manager is the project manager for the project and the hard construction costs of the project are in excess of $200,000.

The Manager can elect to take all (or any percentage of all) fees payable to it under the Management Agreement (and any property management agreement) in the form of Units, rather than in cash. The exception being the acquisition fee where a minimum of 25% of the fee must be taken in the form of units.

Under the terms of the Management Agreement with Sigma, the Trust has incurred the following fees for the three months and year ended December 31, 2018 and 2017:

	Three months ended December 31		Year ended December 31	
(In $ thousands)	**2018**	2017	**2018**	2017
Acquisition fees (capitalized to investment properties)	**$ 3,074**	$ 2,479	**$ 5,482**	$ 4,271
Asset management fees	**804**	455	**2,729**	1,540
Incentive fee (payable upon approval of year end financial statements)	**(246)**	-	**1,021**	-
Leasing fees (capitalized to investment properties)	**918**	36	**1,455**	529
Capital expenditures management fee (capitalized to investment properties)	**162**	19	**162**	49
Development fee (capitalized to investment properties)	**-**	-	**131**	-
Property management services	**819**	457	**2,764**	1,569
	$ 5,531	$ 3,446	**$ 13,744**	$ 7,958

The following Management Compensation Units were issued in consideration of certain above noted fees.

(In thousands)	**Elected % of fee**	**Units**	**VWAP**	**Amount**
Acquisition fees (capitalized to investment properties)	50%	269	$ 9.20	**$ 2,473**
Asset management fees	10%	18	8.94	**164**
		287	$ 9.19	**$ 2,637**

During the three months and year ended December 31, 2018, Sigma paid $nil and $19,000, respectively, to the Trust (three months and year ended December 31, 2017 - $9,000 and $35,000) for office space located at 294 Walker Drive, Brampton, Ontario, under a five-year lease commencing June 1, 2013.

Trustee fees

Trustee related fees of $156,000 and $407,000 (three months and year ended December 31, 2017 - $62,000 and $284,000) are included in general and administrative expenses for the three months and year ended December 31, 2018. The 2018 fees include the fair value of deferred unit compensation as described under the Trustee Deferred Unit Plan section below.

The following table represents the Units acquired during the year ended December 31, 2018, by the Manager and certain Informed Persons of the Manager, as such term is defined in National Instrument 51-102 – Continuous Disclosure Obligations:

Units acquired in the year ended December 31, 2018	Manager	Certain Senior Executives of the Manager	Other insiders	Total units
Acquired on open market in 2018 and DRIP	86,464	31,377	765,861	883,702
Management compensation units issued toward fees	287,223	-	-	287,223
	373,687	**31,377**	**765,861**	**1,170,925**

In total, the Manager owns a 1.9% interest in the REIT, on an indirect basis. Certain senior executives and employees of the Manager own, directly or indirectly, a 1.2% interest in the REIT and other insiders own, directly or indirectly, a 3.7% interest in the REIT, for a total of 6.8% insider ownership as at December 31, 2018.

Trustee Deferred Unit Plan

Effective May 10, 2017, the Trust's Board of Trustees authorized a Deferred Unit Plan (the "Plan") that provides for the granting of Deferred Units to Trustees in lieu of cash for up to 100% of their Trustee Fees (the "Elected Amount"). Under the Plan, the Trust will match the Elected Amount of each participant by issuing additional Deferred Units up to a maximum value of $10,000 (the "Match Incentive"). The maximum value of the aggregate number of Units that may be subject to grants of Deferred Units to any one Trustee during any financial year of the REIT will be no greater than $150,000.

Deferred Units granted under the Elected Amount will vest on the day that is 12 months following the date of the grant. Additional Deferred Units issued pursuant to the Match Incentive will vest in accordance with the following schedule: a) 50% on the third anniversary of the grant; b) 25% on the fourth anniversary of the grant; and c) 25% on the fifth anniversary of the grant. Vested Deferred Units may be redeemed in whole or in part for Units issued from treasury or cash as elected by the participant.

The maximum number of Units reserved for issuance is 425,420. One Deferred Unit is economically equivalent to one Unit and fractional Deferred Units are permitted.

A summary of Deferred Units granted under the Plan for the year ended December 31, 2018 is:

Numbee of Units	**2018**	2017
Balance January 1	**23,210**	**-**
Deferred Units granted for services rendered including match incentive	**27,250**	22,546
Deferred Units granted through distributions	**2,686**	664
Balance December 31	**53,146**	23,210

The fair value of a Unit is calculated as the volume weighted average price of all Units traded on the TSX for the five trading days immediately preceding the grant date. The liability related to the Plan is measured at fair value and is remeasured to fair value at each reporting date and at the date of settlement. The fair value changes are recorded within general and administrative expense in the consolidated statements of income. The total fair value of Deferred Units granted and recognized as compensation expense within general and administrative expense for the three months and year ended December 31, 2018 was $128,000 and $373,000, respectively, (three months and year ended December 31, 2017 - $49,000 and $169,000) and includes $75,000 and $143,000, respectively, (three months and year ended December 31, 2017 - $7,000 reversal and $8,000) in fair value adjustments. Approximately 89% of Trustee compensation is taken in the form of Deferred Units.

SUMMARY OF QUARTERLY RESULTS

The summary of quarterly results for the past eight quarters is as follows:

(in thousands of Canadian dollars)	2018				2017			
(except per Unit amounts)	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenue from income properties	$ 26,790	$ 23,081	$ 20,871	$ 21,408	$ 16,921	$ 14,863	$ 13,818	$ 12,971
Property operating expenses	8,087	6,207	6,383	6,633	5,153	4,389	3,988	4,466
Net operating income (NOI)	18,703	16,874	14,488	14,775	11,768	10,474	9,830	8,505
Net income	59,320	13,920	80,611	26,556	31,237	13,169	12,307	6,187
Funds from operations (FFO)	12,576	11,747	9,542	9,726	7,794	7,220	6,411	5,535
Net income per Unit - basic (1)	0.667	0.164	1.150	0.395	0.562	0.251	0.288	0.155
FFO per Unit (1)	0.141	0.139	0.136	0.145	0.140	0.138	0.150	0.138
Weighted average Units outstanding								
Basic (1)	88,959	84,666	70,116	67,158	55,611	52,508	42,722	40,003
Diluted (2)	89,009	84,711	70,156	67,186	55,631	52,520	42,724	40,003
Leverage ratio	47.0%	44.4%	50.3%	50.3%	51.3%	48.8%	44.9%	53.2%
Interest coverage (times)	2.86	3.08	2.89	2.97	3.18	3.49	3.13	3.18
Debt service coverage (times)	1.77	1.87	1.71	1.81	1.90	1.96	1.85	1.84

(1) Includes REIT Units and Class B exchangeable Units (collectively, the "Units")
(2) Includes Trustee deferred Units

Revenue from income producing properties increased 58.3% in the fourth quarter of 2018 compared to the same quarter last year due to strong stable occupancies, increased monthly rents, and acquisitions completed over the prior twelve months. The increase was partially offset by the sale of a 75% interest in four properties as noted in the "Transactions" section of this MDA.

Net operating income increased to $18.7 million in the fourth quarter of 2018 compared to $11.8 million in the fourth quarter of 2017. The increase in NOI was due to the growth in the size of the portfolio through acquisitions, partially offset by the sale of a 75% interest in four properties.

FFO rose 61.4% in the fourth quarter of 2018 compared to the same quarter in 2017 due primarily to the acquisitions completed over the prior twelve months. Per Unit amounts were impacted by the 60.0% increases in the weighted average number of Units outstanding compared to the prior year's fourth quarter.

Net income was $59.3 million for the quarter ended December 31, 2018, compared to $31.2 million in the same period of 2017. Finance costs increased to $7.0 million in the fourth quarter of 2018 compared to $3.4 million in the fourth quarter of 2017 due to the increase in mortgages and debt related to the acquisitions completed during 2017 and 2018. As well, distributions of $554,000 on Class B exchangeable units issued were incurred in the fourth quarter of 2018. There were no Class B exchangeable units issued in 2017. In addition, $49.9 million in fair value gains were recorded for the quarter ended December 31, 2018, compared to $23.5 million in fair value gains in the same period of 2017.

SECTION IV – OUTLOOK

Certain statements below may be forward-looking and readers are cautioned that such statements are subject to certain risks and uncertainties that could cause actual results, performance or achievements of Summit II, or industry results, expressed or implied by such forward-looking statements to differ materially from those contained in such forward-looking statements.

INVESTMENT MANAGEMENT

With few exceptions, Canada's largest industrial markets continue to exhibit strong or improving fundamentals characterized by low vacancy rates, positive absorption and increasing rental rates, driven largely by continued economic growth coupled with ongoing supply constraints. Canada's two largest industrial markets, Toronto and Montreal, performed very well during the quarter and are expected to remain strong in 2019 due to expanding local economies, favorable export conditions, a strong U.S. economy, population growth and continued supply constraints. Additionally, major industrial markets in Western Canada, most notably Calgary and Edmonton, are in varying stages of recovery with Calgary expected to perform slightly better than Edmonton heading into 2019.

Management expects industrial valuations in GTA and GMA to continue to rise in 2019, while valuations in Calgary will rise moderately in response to strengthening fundamentals. In contrast, valuations in Edmonton are expected remain stable until the recovery gains further traction. Notwithstanding the foregoing, recalibrated property values in Calgary and Edmonton, which had previously exceeded those of GTA and GMA, may provide selective investment opportunities in 2019 as those markets continue to evolve.

Light industrial real estate in major Eastern Canadian markets, particularly when packaged in large portfolios, continues to be in very high demand and attracts premium valuations. Institutional, public and private investors, recognizing the strong fundamentals and stable income streams in this sector, remain active buyers of light industrial properties. Management believes this competitive investment climate will continue to influence valuations in major Eastern Canadian markets in 2019, despite recent interest rate increases. Interest rates, which may face further upward pressure in 2019, remain near historic lows and are projected to be generally supportive of leveraged buying and property valuations. Additionally, strong market fundamentals continue to drive rental growth, which serves to counteract the impact of higher interest rates and support property valuations.

Within the context of this highly competitive investment climate, Summit II will continue to expand its presence in the highly stable light industrial sector of the Canadian real estate industry on a selective basis to achieve its goal of becoming the leading industrial landlord in the markets in which it chooses to operate. To enhance the size and quality of its portfolio, Summit II will continue to seek out and evaluate acquisition opportunities in the light industrial sector which meet its strict criteria, with a particular focus on purchasing individual assets or small portfolios that complement Summit II's existing portfolio and which provide value enhancement opportunities. Summit II will carefully evaluate acquisition opportunities, but will not complete a transaction unless it meets Summit II's strict real estate criteria, including an assessment of replacement cost. Management remains confident it will be able to continue to expand the size of its portfolio through a program of selective and accretive acquisitions over the long term.

Data centre real estate, like light industrial real estate, remains in very high demand. Strong growth in data storage requirements, particularly among large, cloud-based users, continues to drive positive absorption in the sector. With data usage projected to rise, and suppliers faced with a high barrier to entry, Management believes market fundamentals will continue to strengthen in 2019 and support rising data centre valuations.

Summit II's goal is to continue expanding its portfolio through acquisitions, expansions and developments. With respect to the later, Summit expects to grow through i) direct development of lands currently owned or to be acquired by Summit II, and ii) mezzanine financing agreements with third-party developers, providing Summit II with rights to acquire these development projects upon completion.

OPERATING PERFORMANCE

Management believes the GTA and GMA light industrial markets, where the Trust has the bulk of its properties, will remain strong in 2019. Management expects market occupancy and rental rates in these two cities to increase in response to economic growth and ongoing supply constraints. Activities such as warehousing and storage, light assembly and shipping, professional services and a number of other similar uses carried out in Summit II's properties tend to grow in tandem with the broader economy. As a consequence, expansion of the broader economy generally leads to strengthening market fundamentals in the industrial sector.

Summit II is also directing its focus on enhancing the cash flow and returns from its existing property portfolio. Summit II will strive to maintain its current high occupancy levels and average monthly rents. Pivotal to Summit II's strategy is to provide tenants with "best-in-class" services to ensure their needs are met and to build Summit II's reputation as the leading service provider in the Canadian real estate industry.

MANAGING DEBT

Interest rates are currently near historic lows and may be subject to modest increases in 2019. Over the long term, Summit II expects to maintain its leverage in the 50% range. Conservative debt service coverage ratios are expected to be maintained during the year.

EVENTS SUBSEQUENT TO DECEMBER 31, 2018

Distributions

On January 15, 2019, a distribution in the amount of $0.043 per Unit for Unitholders of record on January 31, 2019, was declared and was paid on February 15, 2019. In addition, on February 15, 2019, a distribution in the amount of $0.043 per Unit for Unitholders of record on February 28, 2019, was declared and will be paid on March 15, 2019. Holders of units of a subsidiary of the Trust that are exchangeable into Trust Units will receive a distribution equal to $0.043 per Unit as well.

Acquisitions

On February 5, 2019, the Trust announced it will acquire in early March, a light industrial property in Montreal, Quebec, aggregating 236,134 square feet of GLA for $23.0 million. The acquisition will be satisfied with proceeds from the revolving operating facility.

Financings

In January and February 2019, the Trust obtained ten-year mortgages, effective March 1, 2019, for $91.0 million and $62.0 million at an interest rate of 3.93% and 3.86% respectively. The proceeds will be used to repay the $91.0 million and $62.0 million temporary non-revolving credit facilities put in place to acquire properties in December 2018.

PROPERTY PORTFOLIO

The following table provides information regarding the property portfolio as at December 31, 2018:

Summit II REIT Portfolio by Property

Address	City	Year Built / Renovated	Single vs. Multi-Tenant	No. of Tenants (#)	GLA (sf)	Occupancy (%)
Ontario						
200 Vandorf Sideroad	Aurora	1985	Single	1	322,187	100.0%
500 Veterans Drive	Barrie	2004	Single	1	216,460	100.0%
155-161 Orenda Road	Brampton	1970	Multi	5	319,077	100.0%
8705 Torbram Road	Brampton	1980 / 2003	Multi	4	296,203	100.0%
6 Shaftsbury Lane	Brampton	1975	Single	1	125,871	100.0%
40 Summerlea Road	Brampton	1987	Single	1	121,138	100.0%
292-294 Walker Drive	Brampton	1987	Multi	7	74,583	100.0%
296-300 Walker Drive	Brampton	1976	Multi	2	102,972	100.0%
165 Orenda Road	Brampton	2003	Single	1	57,055	100.0%
1075 Clark Boulevard	Brampton	1974	Single	1	35,842	100.0%
78 Walker Drive	Brampton	1986 / 2000	Single	1	150,000	100.0%
110 Walker Drive	Brampton	1981 / 1987	Single	1	148,832	100.0%
1600 Clark Boulevard	Brampton	1974	Single	1	79,300	100.0%
240 Laurier Boulevard (1)	Brockville	2005 / 2010	Single	1	17,023	100.0%
977 Century Drive	Burlington	1980	Single	1	45,496	100.0%
1111 Corporate Drive	Burlington	1998	Single	1	151,410	100.0%
4455 North Service Road	Burlington	1975	Single	1	250,000	100.0%
30 Struck Court	Cambridge	2006	Single	1	111,493	100.0%
201 Shearson Crescent	Cambridge	1989	Single	1	26,665	100.0%
225 Pinebush Road	Cambridge	1973 / 2011	Multi	5	297,977	100.0%
2000 Kipling Avenue	Etobicoke	1960 / 2000	Single	1	195,302	100.0%
13 Bethridge Road	Etobicoke	1960	Single	1	102,318	100.0%
134 Bethridge Road	Etobicoke	~1965	Single	1	142,386	100.0%
330 Humberline Drive	Etobicoke	1973 / 2017	Multi	2	255,000	82.5%
55 Carrier Drive	Etobicoke	1976	Single	1	64,412	100.0%
65 Carrier Drive	Etobicoke	1983	Single	1	61,947	100.0%
326 Humber College Blvd.	Etobicoke	1973	Single	1	41,207	100.0%
400 Bingemans Centre Drive	Kitchener	2005	Single	1	119,060	100.0%
15600 Robin's Hill Road	London	2009	Single	1	210,727	100.0%
65 Riveria Drive	Markham	1985	Single	1	46,360	100.0%
56 Steelcase Road West	Markham	2012	Single	1	88,574	100.0%
2601 14th Avenue	Markham	1997	Single	1	232,454	100.0%
1 Rimini Mews	Mississauga	1972	Single	1	46,150	100.0%
350 Hazelhurst Road (1)	Mississauga	1997	Single	1	55,000	100.0%
5485 Tomken Road	Mississauga	1982	Single	1	63,700	100.0%
2333 North Sheridan Way	Mississauga	1970 / 2014	Multi	4	183,989	100.0%
335 Carlingview Drive	Mississauga	2007	Multi	2	54,942	100.0%
345 Carlingview Drive	Mississauga	1987 / 2015	Single	1	50,360	100.0%
355 Carlingview Drive	Mississauga	2007	Multi	2	113,178	100.0%
1980 Matheson Blvd.	Mississauga	2001	Multi	3	140,254	100.0%
2485 Surveyor Road	Mississauga	1982	Single	1	207,196	100.0%
5101 Orbitor Drive	Mississauga	1988	Single	1	262,610	100.0%
6900 Tranmere Drive	Mississauga	1988	Single	1	41,566	100.0%
2335 Speers Road	Oakville	2006	Single	1	260,830	100.0%
2616 Sheridan Garden Drive	Oakville	2007	Single	1	116,818	100.0%
501 Palladium Drive (1)	Ottawa	2007	Multi	3	64,602	100.0%
200 Iber Road (1)	Ottawa	2007	Multi	4	18,936	100.0%

Summit II REIT Portfolio by Property

Address	City	Year Built / Renovated	Single vs. Multi-Tenant	No. of Tenants (#)	GLA (sf)	Occupancy (%)
Ontario (continued)						
1050-1051 Baxter Road	Ottawa	1977/1978	Multi	16	161,060	85.4%
2615 Lancaster Road	Ottawa	1987	Multi	21	84,354	93.8%
2620-2650 Lancaster Road	Ottawa	1986	Multi	14	38,081	94.9%
5499 Canotek Road (1)	Ottawa	1985	Single	1	9,295	100.0%
1001 Thornton Road South	Oshawa	2007	Single	1	369,935	100.0%
710 Neal Drive	Peterborough	1973	Single	1	101,601	100.0%
1800 Ironstone Manor	Pickering	1980	Multi	3	158,831	100.0%
125 Nashdene Road	Scarborough	1992	Multi	2	163,402	100.0%
40 Dynamic Drive	Scarborough	1988	Multi	4	86,681	100.0%
50 Dynamic Drive	Scarborough	1986	Single	1	45,003	100.0%
21 Finchdene Square	Scarborough	1981 / 1986	Single	1	170,100	100.0%
1361 Huntingwood Drive	Scarborough	1977	Multi	13	86,682	100.0%
10 Commander Blvd.	Scarborough	1976	Single	1	33,575	100.0%
20 Commander Blvd.	Scarborough	1976	Single	1	63,966	100.0%
40 Commander Blvd.	Scarborough	1976	Single	1	50,526	100.0%
305 C.H. Meier Boulevard	Stratford	2018	Single	1	141,034	100.0%
1601 Tricont Avenue	Whitby	1975 / 2005	Multi	4	130,967	100.0%
1635 Tricont Avenue	Whitby	2001	Single	1	128,450	100.0%
Quebec						
20500 Clark-Graham (2)	Baie D'Urfe	2000	Single	1	28,104	100.0%
3655 Ave des Grandes Tourelles (2)	Boisbriand	2011	Multi	4	22,024	100.0%
3700 Ave des Grandes Tourelles (2)	Boisbriand	2015	Single	1	29,561	100.0%
3720 Ave des Grandes Tourelles (2)	Boisbriand	2014	Single	1	154,166	100.0%
1405 Rue Graham-Bell (2)	Boucherville	2008	Multi	2	23,066	71.8%
1970 John-Yule (2)	Chambly	2011	Single	1	12,872	100.0%
1177-1185 55e Ave (2)	Dorval	1990	Single	1	77,946	100.0%
2900 Andre Avenue	Dorval	1975	Single	1	111,103	100.0%
1600 50th Avenue	Lachine	1968 / 1987	Single	1	244,990	100.0%
4875 Fairway Street	Lachine	1968	Single	1	95,530	100.0%
2580 Ave Dollard	LaSalle	1973	Multi	4	89,000	100.0%
2695 Ave Dollard	LaSalle	1954 / 1980	Multi	2	62,279	100.0%
175 Bellerose Boulevard (1)	Laval	2007	Single	1	20,272	100.0%
5545 Ernest-Cormier (2)	Laval	2012	Single	1	24,958	100.0%
185 Bellerose Blvd (2)	Laval	2009	Single	1	19,566	100.0%
4150 Chomedey Highway (2)	Laval	2003	Single	1	35,000	100.0%
7101 Notre-Dame Street E	Montreal	1947	Multi	2	611,434	100.0%
117 Hymus Boulevard	Pointe-Claire	2004	Multi	3	211,346	100.0%
5500 Trans-Canada Highway	Pointe-Claire	1958 / 2006	Single	1	511,848	100.0%
300 Labrosse Avenue	Pointe-Claire	1974	Single	1	55,333	100.0%
2520 Marie Curie	Saint Laurent	1990	Single	1	154,374	100.0%
5685 Rue Cypihot (2)	Saint-Laurent	1980 / 1997	Single	1	78,468	100.0%
5757 Thimens Blvd. (2)	St. Laurent	1981	Single	1	37,747	100.0%
7290 Rue Frederick Banting	Saint-Laurent	2001	Single	1	20,859	100.0%
7350 Trans Canada Highway	Saint-Laurent	1972	Single	1	115,000	100.0%

Summit II REIT Portfolio by Property

Address	City	Year Built / Renovated	Single vs. Multi-Tenant	No. of Tenants (#)	GLA (sf)	Occupancy (%)
Quebec (continued)						
4870 Robert-Boyd Street	Sherbrooke	2017	Single	1	138,308	100.0%
22401 Chemin Dumberry	Vaudreuil-Sur-Le-Lac	2002	Single	1	147,700	100.0%
British Columbia						
2500 Cranbrook Street	Cranbrook	1970	Single	1	8,200	100.0%
6708, 87A Avenue	Fort St. John	2006	Single	1	13,500	100.0%
Alberta						
3343-3501 54th Ave	Calgary	1972	Single	1	141,628	100.0%
303 58th Avenue SE	Calgary	1971	Multi	2	120,690	100.0%
7910 51st Street SE	Calgary	1998	Single	1	51,492	100.0%
572 Aero Drive NE	Calgary	2014	Multi	6	136,416	100.0%
588 Aero Drive NE	Calgary	2014	Multi	8	91,421	100.0%
6060 90th Avenue SE	Calgary	2005	Single	1	356,331	100.0%
6075 86th Avenue SE	Calgary	2007	Multi	2	247,823	100.0%
8801 60th Street SE	Calgary	2007	Single	1	245,471	100.0%
3703 98th Street	Edmonton	1978	Single	1	46,541	100.0%
5880 56th Ave	Edmonton	1997/ 2004	Single	1	30,411	100.0%
14404 128 Ave	Edmonton	1966/ 2016	Single	1	309,077	100.0%
17304/17374 116th Avenue NW	Edmonton	2004	Multi	4	148,470	100.0%
New Brunswick						
290 Frenette Ave [1]	Moncton	2012	Single	1	42,369	100.0%
Total Industrial Portfolio				**235**	**13,335,699**	**99.4%**
Data Centres						
Ontario						
80 Via Renzo Drive [2]	Richmond Hill	2017	Multi	1	59,068	100.0%
Total Data Centres				**1**	**59,068**	**100.0%**
Total Portfolio As At December 31, 2018				**236**	**13,394,767**	**99.4%**
Subsequent Event Acquisitions						
Quebec						
2751 Trans-Canada Highway	Montreal	1962 / 1971	Single	1	236,134	100.0%
Total Subsequent Events				**1**	**236,134**	**100.0%**
Total Portfolio				**237**	**13,630,901**	**99.4%**

[1] Represents 25% of the Trust's ownership of total GLA.

[2] Represents 50% of the Trust's ownership of total GLA.

SECTION V – RISKS AND UNCERTAINTIES

Income producing properties are inherently subject to certain risks and uncertainties due to their relative illiquidity and long-term nature of the investment. Summit II's financial results are therefore, dependent on the performance of its properties and by various external factors that impact the real estate industry and geographic markets in which the REIT operates. Some of the external factors that the REIT is exposed to include fluctuations in interest and inflation rates; access to debt; fulfilling legal and regulatory requirements; and expansion or contraction in the economy as a whole.

Summit II's current business strategy is to focus on acquiring and managing a portfolio of light industrial commercial properties, in both primary and secondary markets throughout Canada and that generate stable cash flows over the long term. The quality of the REIT's current portfolio, Management believes, provides the leverage the REIT needs to expand the business in new markets and acquire high performing properties. Management believes this strategy will enable the REIT's operations to achieve highly sustainable cash flows.

The following is an examination of the key factors that influence Summit II's operations. A more detailed description of our risk factors is contained in the REIT's Annual Information Form filed on SEDAR.

(A) Interest rate risk

The REIT is exposed to interest rate risk when funds are drawn under the revolving operating facility, the non-revolving bridge credit facility and variable rate mortgages, which have a floating rate of interest. An increase in interest rates would increase the interest cost of the REIT's loans and have an adverse effect on the REIT's net income, comprehensive income and net income per Unit. Based on the outstanding balance of the revolving operating facility, the non-revolving bridge credit facility and variable rate mortgages at December 31, 2018, a 1% increase or decrease in the Bank's prime rate would have an impact of $0.3 million on the REIT's annual finance costs (December 31, 2017 - $1.6 million) for the period then ended. The REIT intends to structure its fixed rate financing so as to stagger the maturities of its mortgages, thereby minimizing exposure to future interest rate fluctuations.

(B) Credit risk

Credit risk arises from the possibility that tenants may experience financial difficulty and be unable to fulfill their lease commitments. The REIT attempts to mitigate this risk by conducting credit assessments on new lessees, diversifying its tenant mix and by limiting its exposure to any one tenant. The maximum credit risk exposure at December 31, 2018, and December 31, 2017 relates to the carrying value of the accounts receivable balance without taking into account any collateral held or other credit enhancements. Collateral held on certain leases are letters of credit or security deposits from the tenants. Refer to Note 9 of the REIT's audited consolidated financial statements for the years ended December 31, 2018 and 2017 for details of accounts receivable.

(C) Liquidity risk

Liquidity risk arises from the possibility of not having sufficient debt and equity capital available to the REIT to fund future growth, refinance debts as they mature or meet the REIT's payment obligations as they arise. Furthermore, liquidity risk also arises from the REIT not being able to obtain financing or refinancing on favourable terms. For the year ended December 31, 2018, the REIT's main liquidity requirements arise from ongoing working capital requirements, debt servicing and repayment obligations, capital and leasing expenditures on existing properties, property acquisitions and distributions to Unitholders. All of the aforementioned liquidity requirements, except for debt repayment obligations at maturity and property acquisitions, are generally funded from cash flows from operations or from drawing on the REIT's revolving operating facility. Debt repayment obligations (Note 10 of the REIT's audited consolidated financial statements for the years ended December 31, 2018 and 2017) are generally funded from refinancing the related debt and property acquisitions are generally funded from equity raises as well as obtaining debt financing on the related property. Between capital raises, the REIT may use its revolving operating facility to fund the equity portion of property acquisitions.

The REIT's financial condition and results of operations would be adversely affected if it were unable to obtain financing/refinancing or cost-effective financing/refinancing, or if it were unable to meet its other liquidity requirements from ongoing operating cash flows.

The REIT intends to mitigate its liquidity risk by staggering the maturities of its debt. As well, the REIT's distributions are made at the discretion of the REIT's Trustees. Finally, the Trust does not enter into committed property acquisitions unless it has secured or knows that it can secure the appropriate capital (debt and equity) to fund the particular acquisition.

DISCLOSURE AND INTERNAL CONTROLS

The Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") of Summit II, along with the assistance of senior management, have designed disclosure controls and procedures to provide reasonable assurance that material information relating to Summit II is made known to the CEO and CFO, and have designed internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with IFRS. No changes were made in Summit II's design of internal controls over financial reporting during the year ended December 31, 2018, that have materially affected, or are reasonably likely to materially affect, Summit II's internal controls over financial reporting.

Management, including Summit II's CEO and CFO assessed, or caused an assessment under their direct supervision, of the design and effectiveness of the Trust's disclosure control and procedures and internal controls over financial reporting as at December 31, 2018 on the criteria set forth in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on that assessment, it was determined that, as of December 31, 2018, disclosure control and procedures and internal controls over financial reporting were appropriately designed and were operating effectively based on the criteria established in the Internal Control - Integrated Framework (2013).

Due to the inherent limitations in all controls systems, a control system can provide only reasonable, not absolute assurance, that the objective of the control system is met and may not prevent or detect misstatements or instances of fraud. Management's estimates may be incorrect, or assumptions about future events may be incorrect, resulting in varying results. Additionally, controls may be circumvented by the unauthorized acts of individuals, by collusion of two or more people or by management override.

FUTURE CHANGES IN ACCOUNTING POLICIES AND POLICIES ADOPTED

The future accounting policies changes and policies adopted during the current fiscal year are discussed in the Trust's audited consolidated financial statements for the years ended December 31, 2018 and 2017 and the notes contained therein.

UNITS OUTSTANDING

The Trust is permitted under its Declaration of Trust, to issue three classes designated as "Units", "Special Voting Units" and "Preferred Units". The Trust has issued only a single class of Units.

The total number of Trust Units outstanding as of February 20, 2019, was 96,426,243. The total number of Class B exchangeable units outstanding as of February 20, 2019, was 4,297,871.