PRO REAL ESTATE INVESTMENT TRUST

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2014

CONTENTS
(Unaudited)

PRO REAL ESTATE INVESTMENT TRUST

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION

UNAUDITED - CAD $ thousands

	Note	September 30 2014	December 31 2013
ASSETS			
Non-current assets			
Investment properties	6	**$ 68,866**	$ 68,406
Deposits		**600**	204
Property and equipment	7	**56**	74
		69,522	68,684
Current assets			
Deferred acquisition costs	25	**651**	-
Receivables and other	8	**863**	584
Cash		**24,980**	896
		26,494	1,480
TOTAL ASSETS		**$ 96,016**	$ 70,164
LIABILITIES AND UNITHOLDERS' EQUITY			
Non-current liabilities			
Debt	9	**28,173**	30,642
Class B LP Units	10	**7,518**	8,019
Long-term incentive plan	11	**500**	184
Warrants	12	**573**	-
		36,764	38,845
Current liabilities			
Credit facility	13	**8,901**	8,761
Debt	9	**4,594**	1,003
Accounts payable and other liabilities	14	**4,033**	2,460
Distributions payable		**384**	204
		17,912	12,428
Total liabilities		**54,676**	51,273
Unitholders' Equity		**41,340**	18,891
TOTAL LIABILITIES AND UNITHOLDERS' EQUITY		**$ 96,016**	$ 70,164

Subsequent events 25

Approved by the Board

"signed"
James W. Beckerleg
Trustee

"signed"
Gérard A. Limoges, CM, FCPA, FCA
Trustee

See accompanying notes to the condensed consolidated interim financial statements

PRO REAL ESTATE INVESTMENT TRUST

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

UNAUDITED - CAD $ thousands

	Note	**3 Months Ended September 30 2014**	3 Months Ended September 30 2013	**9 Months Ended September 30 2014**	10 Months Ended September 30 2013
Property revenue	16,17	**$ 1,877**	$ 472	**$ 5,760**	$ 941
Property operating expenses	17,18	**668**	171	**2,191**	324
Net operating income		**1,209**	301	**3,569**	617
General and administrative expenses	18	**124**	15	**326**	159
Long-term incentive plan expense	11	**127**	58	**316**	126
Depreciation of property and equipment	7	**6**	6	**18**	12
Interest and financing costs	18	**550**	264	**1,628**	469
Distributions – Class B LP Units	10	**175**	-	**526**	-
Fair value adjustment – Class B LP Units	10	**167**	(302)	**(501)**	861
Fair value adjustment – investment properties	6	**51**	(533)	**164**	(554)
Write-off of deferred acquisition costs		**-**	319	**3**	319
Net comprehensive income (loss) for the period		**$ 9**	$ 474	**$ 1,089**	$ (775)

See accompanying notes to the condensed consolidated interim financial statements

PRO REAL ESTATE INVESTMENT TRUST

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN UNITHOLDERS' EQUITY

UNAUDITED - CAD $ thousands except share, unit and per unit amounts

	Note	Number of Units	Units issued	Cumulative distributions	Retained earnings	Total
Balance, January 1, 2014		**7,124,858**	**$ 14,482**	**$ (138)**	**$ 4,547**	**$ 18,891**
Net comprehensive income		**-**	**-**	**-**	**1,089**	**1,089**
Transactions with Unitholders:						
Distributions declared - $0.1575 per Unit		**-**	**-**	**(1,328)**	**-**	**(1,328)**
Issuance of Units, net of issue costs of $3,156	15	**11,459,000**	**22,627**	**-**	**-**	**22,627**
Issuance of Units – distribution reinvestment plan		**29,203**	**61**	**-**	**-**	**61**
Balance, September 30, 2014		**18,613,061**	**$ 37,170**	**$ (1,466)**	**$ 5,636**	**$ 41,340**

	Number of Shares	Number of Units	Share capital	Units issued	Contributed surplus	Retained earnings	Total
Balance, December 1, 2012	5,873,500	-	$ 653	$ -	$ 130	$ (300)	$ 483
Share issuance, net of share issue costs of $869	22,695,868	-	5,713	-	-	-	5,713
Common shares exchanged for REIT units (10 for 1)	(23,532,066)	2,353,206	(5,842)	5,672	(130)	300	-
Common shares exchanged for Class B LP Units (10 for 1)	(5,037,302)	-	(524)	-	-	-	(524)
Exercise of options	-	24,235	-	48	-	-	48
Net comprehensive loss	-	-	-	-	-	(775)	(775)
Balance, September 30, 2013	-	2,377,441	$ -	$ 5,720	$ -	$ (775)	$ 4,945

See accompanying notes to the condensed consolidated interim financial statements

PRO REAL ESTATE INVESTMENT TRUST

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS

UNAUDITED - CAD $ thousands

	Note	**3 Months Ended September 30 2014**	3 Months Ended September 30 2013	**9 Months Ended September 30 2014**	10 Months Ended September 30 2013
Cash provided from (used in):					
Operating activities					
Net comprehensive income (loss)		**$ 9**	$ 474	**$ 1,089**	$ (775)
Items not affecting cash:					
Depreciation of property and equipment	7	**6**	6	**18**	12
Amortization of financing costs	18	**80**	15	**227**	24
Long-term incentive plan expense	11	**127**	58	**316**	126
Straight-line rent adjustment		**(19)**	(8)	**(57)**	(8)
Write-off of deferred acquisition costs		**-**	319	**-**	319
Fair value adjustment - Class B LP Units	10	**167**	(302)	**(501)**	861
Fair value adjustment - investment properties	6	**51**	(533)	**164**	(554)
Changes in non-cash working capital	19	**1,075**	(292)	**643**	350
Net cash (used in) from operating activities		**1,496**	(263)	**1,899**	355
Financing activities					
Proceeds from issuance of Units, net of issue costs		**23,204**	-	**23,200**	5,761
Increase in debt		**526**	250	**1,526**	8,525
Repayment of debt		**(200)**	(54)	**(553)**	(108)
Increase in credit facility		**100**	-	**100**	-
Financing costs		**(18)**	(6)	**(38)**	(187)
Distributions paid on Units		**(348)**	-	**(1,086)**	-
Net cash from financing activities		**23,264**	190	**23,149**	13,991
Investing activities					
Acquisition of investment properties		**-**	(210)	**-**	(12,585)
Additions to investment properties	6	**(32)**	-	**(115)**	-
Leasing commissions	6	**-**	-	**(452)**	-
Acquisition of property and equipment	7	**-**	(4)	**-**	(79)
Deposits		**(256)**	(250)	**(397)**	(1,850)
Net cash used in investing activities		**(288)**	(464)	**(964)**	(14,514)
Change in cash during the period		**24,472**	(537)	**24,084**	(168)
Cash, beginning of period		**508**	877	**896**	508
Cash, end of period		**$ 24,980**	$ 340	**$ 24,980**	$ 340

Supplemental cash flow information 19

See accompanying notes to the condensed consolidated interim financial statements

1. Nature of operations

PRO Real Estate Investment Trust (the "REIT") is an unincorporated open ended real estate investment trust established pursuant to a declaration of trust dated February 7, 2013 and amended on March 11, 2013 (the "Declaration of Trust") and was established under the laws of the Province of Ontario.

A predecessor trust established under the laws of the Province of Quebec on November 14, 2012 incorporated PRO REIT GP Inc. ("PRGP") on November 14, 2012, and together with PRGP formed PRO REIT Limited Partnership ("PRLP") on November 14, 2012 and then transferred its ownership in PRGP and PRLP to the REIT. The REIT invests primarily in commercial properties.

Taggart Capital Corporation, now known as PRO REIT Management Inc. (the "Company") was formed as a capital pool company on March 26, 2010 and completed its initial public offering on October 26, 2011. The common shares were listed on the TSX Venture Exchange (the "Exchange") on October 31, 2011. It completed its Qualifying Transaction on January 29, 2013 which involved three components:

(i) the purchase of a 10,574 square foot two-storey commercial retail property located at 135 Main Street in Moncton, New Brunswick;
(ii) the introduction of a new management team through the resignation of the then current directors and officers of the Company and the replacement thereof by a new management team and board; and
(iii) the completion of two separate private placements for aggregate gross proceeds of approximately $6,583 (the "Private Placements"). The Private Placements were comprised of two separate transactions completed through (i) the issuance of 21,108,566 common shares at a price per share of $0.30, and (ii) the issuance of 1,587,302 common shares at a price per share of $0.1575.

Prior to the completion of an arrangement of the Company made pursuant to a plan of arrangement under the Business Corporation Act (Ontario) (the "Arrangement"), approved by the Company's shareholders on March 8, 2013 and the Exchange on March 11, 2013, there were 28,569,368 common shares of the Company issued and outstanding. On April 25, 2013, the Company changed its name to PRO REIT Management Inc. Pursuant to the Arrangement, the Company's shareholders either transferred their common shares to PRLP in consideration for trust units of the REIT ("Units"), and/or in the case of electing shareholders, for Class B limited partnership units ("Class B LP Units") of PRLP and related voting and exchange rights. In addition, outstanding share options to purchase common shares in the Company were exchanged for Unit options having identical terms, subject to the adjustment of the number of units based on the exchange ratio of one Unit for every ten common shares held. The REIT is now the continuing public entity with its Units listed on the Exchange, under the symbol PRV.UN. The principal, registered and head office of the REIT is located at 2000 Peel Street, Suite 758, Montréal, Québec, H3A 2W5.

2. Basis of presentation

The condensed consolidated interim financial statements have been prepared in accordance with IAS 34, Interim reporting using accounting policies consistent with International Financial Reporting Standards (''IFRS'') issued by the International Accounting Standards Board (''IASB'') and International Financing Reporting Interpretations Committee (''IFRIC''). These condensed interim consolidated financial statements should be read in conjunction with the REIT's annual audited financial statements and notes thereto prepared for the thirteen month period ended December 31, 2013.

The condensed consolidated interim financial statements have been prepared on a historical cost basis with the exception of investment properties, Class B LP Units, Units under long-term incentive plan and the warrants, which are measured at fair value.

The REIT's reporting and functional currency is Canadian dollars.

These condensed consolidated interim financial statements include the financial statements of the REIT and its subsidiaries, including partnerships over which the REIT has control.

Control is present when the REIT has all the following:
(a) power over the investee;
(b) exposure, or rights, to variable returns from its involvement with the investee; and
(c) the ability to use its power over the investee to affect the amount of its returns (the power, directly or indirectly, to control the financial and operational policies of the controlled entity).

On consolidation, all inter-entity transactions and balances have been eliminated.

Pursuant to the Arrangement, the year-end was changed from November 30 to December 31 in 2013. As a result, these condensed consolidated interim financial statements include the REIT's consolidated statement of comprehensive income and cash flows for the three and ten month periods ended September 30, 2013.

These condensed consolidated interim financial statements were authorized for issuance by the Board of Trustees of the REIT on November 19, 2014.

3. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these condensed consolidated interim financial statements are set out below. These policies have been consistently applied to all periods presented, unless otherwise stated.

Property acquisitions and business combinations

Where property is acquired, management considers the substance of the assets and activities acquired in determining whether the acquisition represents the acquisition of a business. The basis of the judgment is set out in Note 4.

Where such acquisitions are not judged to be an acquisition of a business, they are treated as asset acquisitions. The cost to acquire the property is allocated between the identifiable assets and liabilities acquired based on their relative fair values at the acquisition date, and no goodwill arises.

Where acquisitions are judged to be businesses, they are accounted for using the acquisition method. The acquisition is recognized at the aggregate of the consideration transferred, measured on the acquisition date at fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the REIT measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs are expensed in the statement of comprehensive income.

When the REIT acquires a business, it makes an assessment of the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. If the business combination is achieved in stages, the acquisition date fair value of the REIT's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date through the statement of comprehensive income. Any contingent consideration to be transferred by the REIT will be recognized as a liability at fair value at the acquisition date. Subsequent changes to the fair value of any contingent consideration are recognized in the statement of comprehensive income.

Investment properties

Property is determined to be an investment property when it is principally held to earn rental income or capital appreciation or both. It includes land, building, leasehold improvements and direct leasing costs. The REIT applies IAS 40 – Investment Property, and has chosen the fair value method of presenting its investment properties in the condensed consolidated interim financial statements.

Investment property is measured initially at cost including transaction costs. Transaction costs include expenses such as transfer taxes, professional fees for legal services and initial leasing commissions to bring the property to the condition necessary for it to be capable of operating. Subsequent to initial recognition, investment property is carried at fair value. Gains or losses arising from changes in fair value are included in the statement of comprehensive income during the period in which they arise.

The REIT measures fair value in accordance with IFRS 13, Fair Value measurement. Fair value is the estimated price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. The fair value of investment properties shall reflect market conditions at the end of the reporting period. Fair value is time-specific as of a given date. As market conditions could change, the amounts presented as fair value could be incorrect or inadequate at another date. The fair value of investment properties is based on valuation methods performed by third-party appraisers who are members of the Appraisal Institute of Canada.

Property and equipment

Property and equipment is carried at historical cost less accumulated depreciation and impairment. Historical cost includes expenditures that are directly attributable to the acquisition of the assets.

The REIT allocates the amount initially recognized in respect of an item of property and equipment to its significant parts and depreciates each part separately.

Depreciation of property and equipment is provided over the remaining useful lives of the assets using the declining balance method for furniture and fixtures and computer equipment and on the straight-line method for leasehold improvements as follows:

- Furniture and fixtures – 20%
- Computer equipment – 30%
- Leasehold improvements – over the term of the lease

Depreciation is determined with reference to the asset's cost, estimated useful life and residual value. Subsequent costs are included in the assets carrying amount or recognized as a separate asset, as appropriate and depreciated over their expected useful life. The asset's residual values, depreciation method and useful lives are reviewed annually and adjusted if appropriate. Assets are tested for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. Impairment is assessed by comparing the carrying amount of an asset to its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use (being the present value of the expected future cash flows of the relevant asset). An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount.

3. Summary of significant accounting policies (continued)

Cash

Cash includes balances with banks and funds held in trust. Cash excludes deposits on investment properties, refundable commitment fees and tenant security deposits.

Financial instruments

Non-derivative financial instruments are recognized when the REIT becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the REIT has transferred substantially all risks and rewards of ownership. Non-derivative financial instruments are recognized initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs.

At initial recognition, all financial instruments are measured at fair value and are classified as one of the following:

Financial assets at fair value through profit or loss

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value and changes therein, are recognized in comprehensive income. The REIT had no assets in this category.

Loans and receivables

Loans and receivables are subsequently measured at amortized cost using the effective interest method, less any impairment losses, with interest recognized on an effective yield basis. Assets in this category include cash and accounts receivable.

Financial liabilities at fair value through profit or loss

Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value and changes therein, are recognized in comprehensive income. Liabilities in this category include Class B LP Units, Units under the long-term incentive plan and warrants.

Other financial liabilities

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Liabilities in this category include accounts payable and other liabilities, credit facility, distributions payable and debt.

The REIT assesses at the end of each reporting period whether there is objective evidence that a financial asset measured at amortized cost is impaired. A financial asset is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset and that loss event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated.

Transaction costs that are directly attributable to the acquisition or issuance of financial assets or liabilities (other than financial assets and financial liabilities at fair value through profit and loss) are accounted for as part of the respective asset's or liability's carrying value at inception. Transaction costs related to financial instruments measured at amortized cost are amortized using the effective interest rate over the anticipated life of the related instrument.

Debt is initially recognized at fair value less directly attributable transaction costs. After initial recognition, debt is measured at amortized cost using the effective interest rate ("EIR") method. Gains and losses are recognized in the statement of comprehensive income when the liabilities are derecognized as well as through the EIR amortization process. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR calculation. The amortization is included in interest and financing costs in the statement of comprehensive income.

Financial assets are derecognized when the contractual rights to the cash flows from financial assets expire or have been transferred.

All derivative instruments, including embedded derivatives, are recorded in the condensed consolidated interim financial statements at fair value, except for embedded derivatives exempted from derivative accounting treatment.

3. Summary of significant accounting policies (continued)

Fair Value Hierarchy

The REIT classifies financial instruments recognized at fair value in accordance with a fair value hierarchy that prioritizes the inputs to the valuation technique used to measure fair value as per IFRS 7 – Financial Instruments: Disclosures. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 ("L1") – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;
Level 2 ("L2") – Quoted prices in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability; and
Level 3 ("L3") – Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (supported by little or no market activity).

Unitholders' equity

The REIT's Units are redeemable at the option of the holder and, therefore, are considered puttable instruments. Puttable instruments are required to be accounted for as financial liabilities in accordance with IAS 32: Financial Instruments: presentation. In accordance with IAS 32, puttable instruments are to be presented as equity when certain conditions, called the "Puttable Instrument Exemption", are met.

To be presented as equity, the Units must meet all of the following conditions required by the Puttable Instrument Exemption: (i) it must entitle the holder to a pro-rata share of the REIT's net assets in the event of the REIT's dissolution; (ii) it must be in the class of instruments that is subordinate to all other instruments; (iii) all instruments in the class in (ii) must have identical features; (iv) other than the redemption feature, the Units may contain no other contractual obligations that meet the definition of a liability; and (v) the expected cash flows for the Units must be based substantially on the profit or loss of the REIT or change in fair value of the Units.

The Units meet the Puttable Instrument Exemption and are classified and accounted for as equity in the statement of financial position. Distributions on Units, if any, are deducted from retained earnings.

Payment of distributions

The determination to declare and make payable distributions from the REIT is at the sole discretion of the Board of Trustees of the REIT, and until declared payable by the Board of Trustees of the REIT, the REIT has no contractual requirement to pay cash distributions to unitholders of the REIT or holders of Class B LP Units.

Class B LP Units

The Class B LP Units issued by one of the REIT's limited partnerships under control, are classified as "financial liabilities", as they are indirectly exchangeable into Units of the REIT on a one-for-one basis at any time at the option of the holder. Class B LP Units are measured at fair value and presented as part of non-current liabilities in the statement of financial position, with changes in fair value recorded in the statement of comprehensive income. The fair value of the Class B LP Units is determined with reference to the market price of Units on the date of measurement. Distributions on Class B LP Units are recognized in the statement of comprehensive income when declared.

Long-term incentive plan

The REIT has adopted a long-term incentive plan which provides for the grant of deferred units ("DU") and restricted units ("RU") of the REIT to directors, employees, trustees and consultants of the REIT and its subsidiaries. The RUs and DUs are considered to be financial liabilities in the statement of financial position because there is a contractual obligation for the REIT to deliver Units upon conversion of the RUs and DUs. As a result of this obligation, the RUs and DUs are exchangeable into a liability as the Units are a liability by definition in accordance with IAS 32 and the Puttable Instrument Exemption does not apply to IFRS 2 – share-based payment ("IFRS 2"). In accordance with IAS 32, the long-term incentive plan is presented as a liability and is measured at fair value in the statement of financial position in accordance with IAS 39 Financial Instruments: Recognition and Measurement. Fair market value is determined with reference to observable market price of the REIT's Units.

The compensation expense relating to the long-term incentive plan is recognized over the vesting period based on the fair value of the Units at the end of each reporting period and includes additional compensation expense relating to additional DUs and RUs issued as a result of distributions on the underlying Units. Once vested, the liability is remeasured at the end of each reporting period and at the date of settlement, with any fair value adjustment recognized in the statement of comprehensive income for the period. Distributions declared on vested DUs and RUs are also recorded in the statement of comprehensive income.

Warrants

Each whole warrant entitles the holder to purchase one Unit of the REIT upon exercise. As the Units of the REIT are puttable instruments, the warrants meet the definition of a financial liability under IAS 32. Warrants are measured at fair value and presented as part of non-current liabilities in the statement of financial position, with changes in fair value recorded in the statement of comprehensive income. The fair value of the warrants is determined with reference to the market price on the date of measurement.

3. Summary of significant accounting policies (continued)

Provisions
A provision is a liability of uncertain timing or amount. Provisions are recognized when the REIT has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a discount rate that reflects current market assessments of the time value of money and risks specific to the obligation. Provisions are re-measured at each financial reporting date using the current discount rate. The amount recognized as provision is the best estimate of the consideration required to settle the present obligation at the statement of financial position date.

Revenue recognition
The total amount of contractual rent to be received from operating leases is recognized on a straight-line basis over the term of the lease; straight-line rent receivable, which is included in the carrying amount of investment property, is recorded for the difference between the rental revenue recorded and the contractual amount received. Contingent rental income or percentage rents are recognized when the required level of sales has been achieved. Lease cancellation fees are recognized as revenue when the tenant foregoes the rights and obligations from the use of the space. Lease incentives are recognized on a straight-line basis over the term of the lease, even if the payments are not made on such a basis.

Recoveries from tenants for taxes, insurance and other operating expenses are recognized as service charge income in the period in which the applicable costs are incurred. Services charges and other such receipts are included gross of the related costs in property income, as management considers that the REIT acts as principal in this respect. Recoveries for repair and maintenance costs capitalized with investment property are recognized on a straight-line basis over the expected life of the items. Parking and other incidental revenues are recognized when the services are provided.

Income and capital taxes
The REIT currently qualifies as a “mutual fund trust” for income tax purposes. The REIT expects to distribute or designate all of its taxable income to unitholders and is entitled to deduct such distributions for income tax purposes. Accordingly, except for the REIT’s subsidiaries, no provision for income taxes payable is required.

The legislation relating to the federal income taxation of a specified investment flow through (“SIFT”) trust or partnership was enacted on June 22, 2007. Under the SIFT rules, certain distributions from a SIFT will not be deductible in computing the SIFT’s taxable income, and the SIFT will be subject to tax on such distributions at a rate that is substantially equivalent to the general tax rate applicable to Canadian corporations. However, distributions paid by a SIFT as returns of capital should generally not be subject to the tax. Under the SIFT rules, the new taxation regime will not apply to a real estate investment trust that meets prescribed conditions relating to the nature of its assets and revenue (the “REIT Conditions”). The REIT has reviewed the SIFT rules and has assessed their interpretation and application to the REIT’s assets and income. While there are uncertainties in the interpretation and application of the SIFT rules, the REIT believes that it meets the REIT Conditions.

However, certain of the REIT’s subsidiaries are incorporated companies. For these companies, the REIT follows the tax liability method for determining income taxes. Under this method, deferred income taxes assets and liabilities are determined according to differences between the carrying amounts and tax bases of specific assets and liabilities. Deferred tax assets and liabilities are measured based on enacted or substantively enacted tax rates and laws at the date of the condensed consolidated interim financial statements for the years in which these temporary differences are expected to reverse. Adjustments to these balances are recognized in the statement of comprehensive income as they occur. It was determined that no current or deferred income tax provisions were required for the periods presented in these condensed consolidated interim financial statements.

4. Significant accounting judgments, estimates and assumptions

The preparation of the REIT’s condensed consolidated interim financial statements requires management to make critical judgments, estimates and assumptions that affect the reported amounts of income, expenses, assets and liabilities and the disclosure of contingent liabilities, at the date of the condensed consolidated interim financial statements. The critical estimates and judgments utilized in preparing the REIT’s condensed consolidated interim financial statements affect the assessment of net recoverable amounts, net realizable values and fair values, depreciation and amortization rates and useful lives, value of intangible assets, determination of the degree of control that exists in determining the corresponding accounting basis and the selection of accounting policies. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities in future periods.

Judgments
In the process of applying the REIT’s accounting policies, management has made the following judgments which have the most significant effect on the amounts recognized in the condensed consolidated interim financial statements:

(i) Business combinations and asset acquisitions – The REIT, in general, acquires investment properties as asset acquisitions but at the time of the acquisition also considers whether the acquisition represents the acquisition of a business. The REIT accounts for an acquisition as a business combination where an integrated set of activities is acquired in addition to the investment property. Consideration is made of the extent to which significant processes are acquired and, in particular, the extent of ancillary services provided by the subsidiary (e.g., maintenance, cleaning, security, bookkeeping, etc.). The significance of any process is judged with reference to the guidance in IAS 40 about ancillary services.

4. Significant accounting judgments, estimates and assumptions (continued)

(ii) Impairment of assets – Long-lived assets, which include property and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Impairment is assessed by comparing the carrying amount of an asset with the expected future net discounted cash flows from its use together with its residual value. If such assets are considered to be impaired, the impairment to be recognized is measured as the amount by which the carrying amount of the assets exceeds their fair value.

(iii) Leases – The REIT uses judgment in determining whether certain leases, in particular those tenant leases with long contractual terms where the lessee is the sole tenant, are operating or finance leases. The REIT has determined that all of its leases are operating leases.

(iv) Income taxes – Under current tax legislation, a real estate investment trust is not liable to pay Canadian income taxes provided that its taxable income is fully distributed to unitholders during the year. The REIT is a real estate investment trust if it meets the REIT Conditions. The REIT has reviewed the REIT Conditions and has assessed their interpretation and application to the REITs assets and revenue, and it has determined that it qualifies as a real estate investment trust.

The REIT expects to qualify as a real estate investment trust under the Income Tax Act (Canada); however, should it no longer qualify it would not be able to flow through its taxable income to unitholders and the REIT would, therefore, be subject to tax.

Estimates and assumptions
In the process of applying the REIT's accounting policies, management has made the following estimates and assumptions which have the most significant effect on the amounts recognized in the condensed consolidated interim financial statements:

(i) Valuation of investment properties – Investment properties are presented at fair value at the reporting date. Currently, any change in fair value is determined by using valuations from independent property appraisers, each in accordance with recognized valuation techniques. The techniques used comprise of the discounted cash flow and direct capitalization methods of valuation and includes estimating, among other things, capitalization rates and future net operating income and discount rates and future cash flows applicable to investment properties, respectively.

(ii) Fair value of financial instruments – Where the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, they are determined using valuation techniques including the discounted cash flow model. Inputs to these models are taken from observable markets where possible, but where this is not feasible a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of consolidated financial instruments.

5. Changes in accounting policies and future applicable accounting standards

Changes in accounting policies

Effective January 1, 2014, the REIT adopted IFRIC Interpretation 21, Levies. The application of this interpretation had no impact on the REIT's condensed consolidated interim financial statements.

Effective January 1, 2014, the REIT adopted IFRS 13 – Fair Value Measurements ("IFRS 13"). With the exception of the additional disclosures required for fair value measurements, the adoption of IFRS 13 had no impact on the REIT's condensed consolidated interim financial statements.

Accounting standards issued but not yet applied

The IASB and the IFRIC have issued a number of standards and interpretations with an effective date after the date of these financial statements. Set out below are only those standards that may have a material impact on the condensed consolidated interim financial statements in future periods. The REIT is currently evaluating the impact of these future policies on its condensed consolidated interim financial statements.

(i) IFRS 9 – Financial Instruments ("IFRS 9") was issued by the IASB on November 12, 2009 and will replace IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The IASB has tentatively decided that IFRS 9 is expected to be effective for annual periods beginning on or after January 1, 2018, as a result the REIT has not yet determined the impact of IFRS 9 on its condensed consolidated interim financial statements.

UNAUDITED - CAD $ thousands except share, unit and per unit amounts

5. Changes in accounting policies and future applicable accounting standards (continued)

(ii) IFRS 15 - Revenue from Contracts with Customers {"IFRS 15") was issued by the IASB on May 28, 2014. The new standard is effective for fiscal years ending on or after December 31, 2017 and is available for early adoption. IFRS 15 will replace IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfer of Assets from Customers, and SIC 31 Revenue – Barter Transactions Involving Advertising Services. The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. The new standard applies to contracts with customers. It does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other IFRSs. The Trust intends to adopt IFRS 15 in its financial statements for the annual period beginning on January 1, 2017. The extent of the impact of adoption of the standard has not yet been determined.

6. Investment properties

	September 30 2014	December 31 2013
Balance, beginning of period	**$ 68,406**	$ -
Acquisitions	**-**	62,586
Additions	**115**	-
Leasing commissions	**452**	-
Straight-line rent adjustment	**57**	13
Fair value adjustment	**(164)**	5,807
Balance, end of period	**$ 68,866**	$ 68,406

The fair value is determined on the basis of valuations made by independent external appraisers having appropriate professional qualifications, using recognized valuation techniques, comprising of the discounted cash flow and direct capitalization methods. These methods require certain key assumptions, including rental income, market rents, operating expenses, vacancies, inflation rates, capitalization rates, terminal capitalization rates and discount rates. These rates are determined for each property based on available market information related to the sale of similar buildings within the same geographical locations.

Significant assumptions made to determine the fair value of the investment properties are set out as follows:

At September 30, 2014 and December 31, 2013	**Retail**	**Office**	**Commercial Mixed Use**
Capitalization rate	6.5% - 8.0%	7.5% - 12.3%	6.5%
Terminal capitalization rate	6.3% - 7.3%	7.3% - 10.8%	6.7%
Discount rate	7.0% - 8.0%	8.0% - 11.5%	6.9%

The fair values of the REIT's investment properties are sensitive to changes in the key valuation assumptions. Changes in the capitalization rates, terminal capitalization rates and discount rates would result in a change to the fair value of the REIT's investment properties as set out in the following table:

	Impact of 25-basis points			
	September 30, 2014		**December 31, 2013**	
	Increase	**Decrease**	**Increase**	**Decrease**
Capitalization rate	$ (2,134)	$ 2,291	$ (2,227)	$ 2,077
Terminal capitalization rate	$ (1,153)	$ 1,128	$ (1,233)	$ 1,150
Discount rate	$ (1,101)	$ 1,117	$ (1,117)	$ 1,093

UNAUDITED - CAD $ thousands except share, unit and per unit amounts

7. Property and equipment

Cost	**Furniture and fixtures**	**Computer equipment**	**Leasehold improvements**	**Total**
Balance, January 1, 2014	**$ 23**	**$ 29**	**$ 40**	**$ 92**
Additions	**-**	**-**	**-**	**-**
Balance, September 30, 2014	**$ 23**	**$ 29**	**$ 40**	**$ 92**
Accumulated depreciation				
Balance, January 1, 2014	**$ 4**	**$ 4**	**$ 10**	**$ 18**
Depreciation	**3**	**5**	**10**	**18**
Balance, September 30, 2014	**$ 7**	**$ 9**	**$ 20**	**$ 36**
Carrying value, September 30, 2014	**$ 16**	**$ 20**	**$ 20**	**$ 56**

Cost	Furniture and fixtures	Computer equipment	Leasehold improvements	Total
Balance, December 1, 2012	$ -	$ -	$ -	$ -
Additions	23	29	40	92
Balance, December 31, 2013	$ 23	$ 29	$ 40	$ 92
Accumulated depreciation				
Balance, December 1, 2012	$ -	$ -	$ -	$ -
Depreciation	4	4	10	18
Balance, December 31, 2013	$ 4	$ 4	$ 10	$ 18
Carrying value, December 31, 2013	$ 19	$ 25	$ 30	$ 74

8. Receivables and other

	September 30 2014	December 31 2013
Accounts receivable	**$ 134**	$ 114
Prepaid taxes	**702**	168
Prepaid other	**27**	99
Sales taxes recoverable	**-**	203
	$ 863	$ 584

9. Debt

	September 30 2014	December 31 2013
Mortgages payable (net of financing costs of $455)	**$ 29,199**	$ 29,695
Term loan (net of financing costs of $208)	**3,292**	1,700
Promissory note payable	**276**	250
Total	**32,767**	31,645
Debt (current)	**4,594**	1,003
Non-current debt	**$ 28,173**	$ 30,642

As at September 30, 2014, all mortgages payable were at fixed rates with a weighted average contractual rate of approximately 4.14% (December 31, 2013 – 4.14%)

The term loan is to finance acquisitions and fund deposits on future acquisitions with a maximum available of $4,000. The term loan is interest bearing only at the rate greater of 8.50% or the financial institution prime rate plus 5.0% per annum. As at September 30, 2014, advances under the term loan amounted to $3,500.

During the quarter, the REIT entered into a new twelve month promissory note agreement, effectively replacing the previous promissory note. The current promissory note is in the principal amount of $276 bearing interest at 8.5% per annum.

UNAUDITED - CAD $ thousands except share, unit and per unit amounts

9. Debt (continued)

Interest expense was $381 and $1,118 for the three and nine month periods ended September 30, 2014 respectively ($249 and $442 for the three and ten month periods ended September 30, 2013 respectively). The REIT is required under the terms of specific debt agreements to maintain debt to service coverage ratios. The REIT was in compliance at September 30, 2014.

The mortgages payable are secured by first charges on certain investment properties with a fair value of approximately $55,560 at September 30, 2014 (December 31, 2013- $55,560). The term loan is secured by a pool of second and third charges on certain investment properties with a fair value of approximately $64,748 at September 30, 2014 (December 31, 2013- $64,288).

The debt is repayable no later than 2023 as follows:

	Due within						
	1 Year	**1-2 Years**	**2-3 Years**	**3-4 Years**	**4-5 Years**	**Later**	**Total**
Principal instalments	**$ 767**	**$ 746**	**$ 743**	**$ 611**	**$ 155**	**$ 519**	**$ 3,541**
Principal maturities	**3,827**	**3,500**	**1,336**	**17,510**	**-**	**3,716**	**29,889**
Sub-total debt	**4,594**	**4,246**	**2,079**	**18,121**	**155**	**4,235**	**33,430**
Financing costs	**(258)**	**(194)**	**(111)**	**(89)**	**(3)**	**(8)**	**(663)**
Total	**$ 4,336**	**$ 4,052**	**$ 1,968**	**$ 18,032**	**$ 152**	**$ 4,227**	**$ 32,767**

10. Class B LP Units

	September 30, 2014		December 31, 2013	
	Class B LP Units	**Amount**	Class B LP Units	Amount
Outstanding, beginning of period	**3,341,230**	**$ 8,019**	-	$ -
Issuance of Class B LP Units – Arrangement	**-**	**-**	503,730	524
Issuance of Class B LP Units – Acquisitions	**-**	**-**	2,837,500	6,810
	3,341,230	**8,019**	3,341,230	7,334
Fair value adjustment	**-**	**(501)**	-	685
Outstanding, end of period	**3,341,230**	**$ 7,518**	3,341,230	$ 8,019

The Class B LP Units are entitled to distributions equal to distributions declared on Units, on a one-to-one basis. Distributions on Class B LP Units are recognized in the statement of comprehensive income when declared. Distributions of $0.0525 and $0.1575 per Class B LP Unit were declared during the three and nine month periods ended September 30, 2014 respectively ($Nil for the three and ten month periods ended September 30, 2013).

11. Long-term incentive plan

	Number of Restricted Units (RUs)	**Number of Deferred Units (DUs)**	**Total**
At December 1, 2012	-	-	-
Restricted Units and Deferred Units granted	-	**126,667**	**126,667**
At December 31, 2013	-	**126,667**	**126,667**
Restricted Units and Deferred Units granted	-	**182,915**	**182,915**
Reinvested distributions	-	**20,145**	**20,145**
At September 30, 2014	-	**329,727**	**329,727**
Vested	-	**42,222**	**42,222**
Unvested	-	**287,505**	**287,505**
Total	-	**329,727**	**329,727**

UNAUDITED - CAD $ thousands except share, unit and per unit amounts

11. Long-term incentive plan (continued)

	3 Months Ended September 30 2014	9 Months Ended September 30 2014	13 Months Ended December 31 2013
At fair value, beginning of period	$ 373	$ 184	$ -
Expense (unvested):			
Amortization, RUs and DUs	109	309	184
Reinvested distributions, RUs and DUs	11	16	-
Fair value adjustment, RUs and DUs	7	(9)	-
Total expense - unvested RUs and DUs	127	316	184
At fair value, end of period	$ 500	$ 500	$ 184

For the three and nine month periods ended September 30, 2014, 6,725 and 154,662 DUs were granted to Trustees and key management personnel. For the three and ten month periods ended September 30, 2013, 126,667 DUs were granted to Trustees and key management personnel.

The REIT has adopted a long-term incentive plan which provides for the grant of DUs and RUs of the REIT to directors, employees, trustees and consultants of the REIT and its subsidiaries. The maximum number of Units to be issued is 571,388.

Each RU represents the right to receive one Unit upon vesting of the RU. Vesting of the RUs will occur in full at the end of a three year period as follows: one-third of the RUs granted in any year will vest at the start of the fiscal year immediately following the grant ("initial vesting date"), subject to provisions for earlier vesting upon the occurrence of certain events; one-third will vest on the first anniversary of the initial vesting date; the final one-third will vest on the 2nd anniversary of the initial vesting period. Upon vesting of the RUs the holder of the RUs will receive one Unit in respect of each vested RU.

Each DU represents the right to receive one Unit upon the holder of the DU ceasing to be employed by the REIT, provided that the DU is vested (or is deemed to be vested) at such time. Vesting of the DUs will occur in full at the end of a three year period as follows: one-third of the DUs granted in any year will vest at the start of the fiscal year immediately following the grant ("initial vesting date"), subject to provisions for earlier vesting upon the occurrence of certain events; one-third will vest on the first anniversary of the initial vesting date; the final one-third will vest on the 2nd anniversary of the initial vesting period.

For the nine months ended September 30, 2014, 203,060 DUs were granted at an average unit price of $2.38. For the ten months ended September 30, 2013, 126,667 DUs were granted at an average unit price of $3.00.

12. Warrants

On September 30, 2014, the REIT announced the closing of a public offering of Units and concurrent private placement raising gross proceeds of $26.4 million from the issuance of 11,459,000 Units and 5,729,500 warrants (note 15). Each warrant entitles the holder to acquire one Unit of the REIT at an exercise price of $2.65 per Unit at any time until March 31, 2017. The fair value of the warrants on initial recognition was measured using the Binomial model. Subsequent to September 30, 2014, the warrants have been listed on the Exchange and the fair value at the next reporting date will be determined in reference to closing market price of the warrants.

	September 30, 2014		December 31, 2013	
	Warrants	Amount	Warrants	Amount
Outstanding, beginning of period	-	$ -	-	$ -
Issuance of warrants (note 15)	5,729,500	573	-	-
Outstanding, end of period	5,729,500	$ 573	-	$ -

13. Credit facility

The REIT has a revolving credit facility of $9.0 million which bears interest at prime plus 162.5 basis points or bankers' acceptance rate plus 262.5 basis points. The credit facility is secured by a pool of first and second charges on certain investment properties with a fair value of approximately $31,520 at September 30, 2014 (December 31, 2013- $31,060). At September 30 2014, the REIT had $8,981 outstanding on the revolving credit facility and unamortized financing costs of $80.

The REIT is required under the credit facility agreement to maintain certain financial ratios at the end of each reporting period and a minimum unitholders' equity at all times. As at September 30, 2014, the REIT was compliant with all financial covenants under the revolving credit facility.

UNAUDITED - CAD $ thousands except share, unit and per unit amounts

14. Accounts payable and other liabilities

	September 30 2014	December 31 2013
Accounts payable	**$ 2,789**	$ 1,811
Accrued liabilities	**1,121**	649
Prepaid rent	**123**	-
	$ 4,033	$ 2,460

Included in accounts payable as at September 30, 2014, is an amount of $87 (December 31, 2013 - $39) payable to a company controlled by the REIT's management.

15. Unitholders' equity

	Number of Shares	Share Capital	Number of Issued Units	Amount
At December 1, 2012	5,873,500	$ 653	**-**	**$ -**
Issued January 29, 2013, net of issue costs of $869	22,695,868	5,713	**-**	**-**
Common shares exchanged for REIT units (10 for 1)	(23,532,066)	(5,842)	**2,353,206**	**5,672**
Common shares exchanged for Class B LP Units (10 for 1)	(5,037,302)	(524)	**-**	**-**
Exercise of options	-	-	**24,235**	**48**
Issue November 26, 2013 - public offering	-	-	**4,747,417**	**11,394**
Less: issue costs	-	-	**-**	**(2,632)**
At December 31, 2013	-	$ -	**7,124,858**	**$ 14,482**
Distribution reinvestment plan ("DRIP")			**29,203**	**61**
Issue September 30, 2014 - public offering			**11,459,000**	**25,783**
Less: issue costs				**(3,156)**
At September 30, 2014	-	$ -	**18,613,061**	**$ 37,170**

The REIT is authorized to issue an unlimited number of Units and an unlimited number of special voting units (the "Special Voting Units"). Each Unit confers the right to one vote at any meeting of unitholders and to participate pro rata in all distributions by the REIT and, in the event of termination or winding-up of the REIT, in the net assets of the REIT. The unitholders have the right to require the REIT to redeem their Units on demand. The Units have no par value. Upon receipt of the redemption notice by the REIT, all rights to and under the Units tendered for redemption shall cease and the holder thereof shall be entitled to receive a price per Unit ("Redemption Price"), as determined by a formula outlined in the Declaration of Trust. The Redemption Price will be paid in accordance with the conditions provided for in the Declaration of Trust.

The Board of Trustees of the REIT (the "Trustees") has discretion in respect to the timing and amounts of distributions.

Units are redeemable at any time, in whole or in part, on demand by the unitholders. Upon receipt of the redemption notice by the REIT, all rights to and under the Units tendered for redemption shall be surrendered and the unitholder shall be entitled to receive a price per Unit equal to the lesser of:

- 90% of the "market price" of the Units on the Exchange or market on which the Units are listed or quoted on the trading day prior to the date on which the Units were surrendered for redemption; and

- 100% of the "closing market price" on the Exchange or market or on which the Units are listed or quoted for trading on the redemption date.

The total amount payable by the REIT, in respect of any Units surrendered for redemption during any calendar month, shall not exceed $50 unless waived at the discretion of the Trustees and be satisfied by way of a cash payment in Canadian dollars within 30 days after the end of the calendar month in which the Units were tendered for redemption. To the extent the Redemption Price payable in respect of Units surrendered for redemption exceeds $50 in any given month unless waived at the discretion of the Trustees, such excess will be redeemed for cash, and by a distribution *in specie* of assets held by the REIT on a pro rata basis.

UNAUDITED - CAD $ thousands except share, unit and per unit amounts

15. Unitholders' equity (continued)

Special Voting Units have no economic entitlement in the REIT, but entitle the holder to one vote per Special Voting Unit at any meeting of the Unitholders of the REIT. Special Voting Units may only be issued in connection with or in relation to Class B LP Units, for the purpose of providing voting rights with respect to the REIT to the holders of Class B LP Units. A Special Voting Unit will be issued in tandem with each Class B LP Unit issued. The Class B LP Units are entitled only to receive distributions equal to those provided to holders of Units. The Class B LP Units are indirectly exchangeable on a one-for-one basis for Units at any time at the option of their holder, unless the exchange would jeopardize the REIT's status as a "mutual fund trust" under the Income Tax Act (Canada). In addition, PRLP will be entitled to require the redemption of the Class B LP Units in certain specified circumstances. The Class B LP Units are presented as a financial liability.

On January 29, 2013, following the completion of its Qualifying Transaction, the Company issued 21,108,566 common shares for gross proceeds of $6,332. Concurrently with the Qualifying Transaction, the Company issued 1,587,302 common shares to the respective holding companies of James W. Beckerleg and Gordon Lawlor, members of new management, for gross proceeds of $250.

Pursuant to the Arrangement on March 8, 2013, 23,532,066 common shares of the Company were exchanged for Units on a basis of one Unit for every ten common shares of the Company (2,353,206 Units at a value of $5,842). The remaining 5,037,302 common shares were exchanged for Class B LP Units in PRLP on the basis of one Class B LP Unit for every ten common shares of the Company (503,730 Class B LP Units at a value of $524).

In March 2013, 24,235 units were issued for a total cash consideration of $48 upon exercise of options granted to an agent in 2011 in relation to a private placement.

On November 26, 2013, the REIT announced the closing of a public offering of Units at a price of $2.40 per Unit resulting in 4,622,417 Units being issued. On December 31, 2013, the REIT issued another 125,000 Units at a price of $2.40 per Unit pursuant to the exercise by the underwriters of a portion of their over-allotment option. The REIT received gross proceeds of approximately $11.4 million, or approximately $8.8 million after deducting underwriting fees and other directly related expenses of approximately $2.6 million from unitholders' equity.

On September 30, 2014, REIT announced the closing of a public offering of Units and a concurrent private placement at a price of $2.30 per Unit resulting in the issuance of 11,459,000 Units which includes 585,000 Units issued pursuant to the partial exercise of the over-allotment option equally at a price of $2.30 per Unit. Each Unit issued consisted of one Unit and one half warrant. The difference between the gross proceeds of $26.4 million and the fair value of the warrants on initial recognition (note 12) was allocated to the Units. Total underwriting fees and other directly related expenses of approximately $3.2 million attributable to the issuance of Units was recorded as a reduction of unitholders' equity.

Distribution reinvestment plan

The REIT has implemented a distribution reinvestment plan ("DRIP") pursuant to which holders of Units or Class B LP Units may elect to have their cash distributions of the REIT or PRLP automatically reinvested in additional Units at a 3% discount to the weighted average closing price of the Units for the last five trading days preceding the applicable distribution payment date on which trades of the Units were recorded. Cash undistributed by the REIT upon the issuance of additional Units under the DRIP will be invested in the REIT to be used for future property acquisitions, capital improvements and working capital. Unitholders resident outside of Canada will not be entitled to participate in the DRIP. Upon ceasing to be a resident of Canada, a unitholder must terminate the unitholder's participation in the DRIP.

16. Operating leases - REIT as lessor

The REIT has entered into leases with tenants on its investment property portfolio. Commercial property leases typically have initial lease terms ranging between five and twenty years with periodic upward revision of the rental charge according to prevailing market conditions.

Future minimum rentals receivable under operating leases	**September 30 2014**	December 31 2013
Within one year	**$ 4,323**	$ 4,671
Between one and five years	**17,568**	15,860
After five years	**11,151**	13,048
	$ 33,042	$ 33,579

UNAUDITED - CAD $ thousands except share, unit and per unit amounts

17. Segmented disclosure

The REIT's segments include three classifications of investment properties – Retail, Office and Commercial Mixed Use. All of the REIT's activities are located in one geographical segment – Canada. The accounting policies followed by each segment are the same as those disclosed in Note 3. Operating performance is evaluated by the REIT's management primarily based on net operating income, which is defined as property revenue less property operating expenses. General and administrative expenses, depreciation and amortization, interest and financing costs are not allocated to operating segments. Segment assets include investment properties; segment liabilities include mortgages attributable to specific segments, but excludes the REIT's term loan, note payable, credit facility and their respective unamortized financing costs. Other assets and liabilities are not attributed to operating segments.

	Retail	Office	Commercial Mixed Use	Total
Three months ended September 30, 2014				
Property revenue	**$ 878**	**$ 601**	**$ 398**	**$ 1,877**
Property operating expenses	**268**	**269**	**131**	**668**
	$ 610	**$ 332**	**$ 267**	**$ 1,209**
Nine months ended September 30, 2014				
Property revenue	**$ 2,643**	**$ 1,879**	**$ 1,238**	**$ 5,760**
Property operating expenses	**844**	**923**	**424**	**2,191**
	$ 1,799	**$ 956**	**$ 814**	**$ 3,569**
At September 30, 2014				
Investment properties	**$ 36,478**	**$ 15,644**	**$ 16,744**	**$ 68,866**
Mortgages payable	**$ 18,437**	**$ 1,578**	**$ 9,184**	**$ 29,199**

	Retail	Office	Commercial Mixed Use	Total
Three months ended September 30, 2013				
Property revenue	$ 472	$ -	$ -	$ 472
Property operating expenses	171	-	-	171
	$ 301	$ -	$ -	$ 301
Ten months ended September 30, 2013				
Property revenue	$ 941	$ -	$ -	$ 941
Property operating expenses	324	-	-	324
	$ 617	$ -	$ -	$ 617
At December 31, 2013				
Investment properties	$ 36,478	$ 15,184	$ 16,744	$ 68,406
Mortgages payable	$ 18,748	$ 1,646	$ 9,301	$ 29,695

The Retail portfolio segment consists of 5 properties, having a total gross leasable area of 171 thousand square feet. The Office portfolio segment consists of 3 properties, having a gross leasable area of 125 thousand square feet. The Commercial Mixed Use portfolio segment consists of 1 property, having a gross leasable area of 100 thousand square feet.

Property operating expenses relating to vacancies were not significant during the three and nine month periods ended September 30, 2014 and the three and ten month periods ended September 30, 2013.

UNAUDITED - CAD $ thousands except share, unit and per unit amounts

18. Supplemental comprehensive income (loss) information

Property operating expenses include property taxes, utility costs, repairs and maintenance expenses and other costs directly associated with the operation and leasing of investment properties to tenants.

General and administrative expenses include corporate expenses, office expenses, legal and professional fees, asset management fees and other overhead expenses which are indirectly associated with the operation and leasing of investment properties.

The following table provides an analysis of total interest and financing costs:

Interest and financing costs	**3 Months Ended September 30 2014**	3 Months Ended September 30 2013	**9 Months Ended September 30 2014**	10 Months Ended September 30 2013
Amortization of financing costs	**$ 80**	$ 15	**$ 227**	$ 24
Other interest and financing costs	**470**	249	**1,401**	445
	$ 550	$ 264	**$ 1,628**	$ 469

19. Supplemental cash flow information

	3 Months Ended September 30 2014	3 Months Ended September 30 2013	**9 Months Ended September 30 2014**	10 Months Ended September 30 2013
Change in non-cash working capital:				
Receivable and other	**$ 729**	$ (633)	**$ (279)**	$ (2,490)
Deferred acquisition costs	**(651)**	-	**(651)**	-
Accounts payable and other liabilities	**997**	341	**1,573**	2,840
	$ 1,075	$ (292)	**$ 643**	$ 350
Interest paid	**$ 458**	$ 228	**$ 1,287**	$ 337

20. Financial instruments

The REIT does not acquire, hold or issue derivative financial instruments for trading purposes. The following table presents the classification, measurement subsequent to initial recognition, carrying values and fair values (where applicable) of financial assets and liabilities.

Classification	Measurement	**Carrying Value September 30 2014**	**Fair Value September 30 2014**	Carrying Value December 31 2013	Fair Value December 31 2013
Loans and Receivables					
Cash (a)	Amortized cost	**$ 24,980**	**$ 24,980**	$ 896	$ 896
Receivable and other excluding prepaid expenses (a)	Amortized cost	**134**	**134**	317	317
		$ 25,114	**$ 25,114**	$ 1,213	$ 1,213
Financial Liabilities Through Profit and Loss					
Class B LP Units	Fair value (L2)	**$ 7,518**	**$ 7,518**	$ 8,019	$ 8,019
Long-term incentive plan	Fair value (L2)	**500**	**500**	184	184
Warrants	Fair value (L3)	**573**	**573**	-	-
		$ 8,591	**$ 8,591**	$ 8,203	$ 8,203
Other Financial Liabilities					
Accounts payable and other liabilities (a)	Amortized cost	**$ 4,033**	**$ 4,033**	$ 2,460	$ 2,460
Credit facility (a)	Amortized cost	**8,901**	**8,901**	8,761	8,761
Distributions payable (a)	Amortized cost	**384**	**384**	204	204
Debt (b)	Amortized cost	**32,767**	**32,767**	31,645	31,645
		$ 46,085	**$ 46,085**	$ 43,070	$ 43,070

UNAUDITED - CAD $ thousands except share, unit and per unit amounts

20. Financial instruments (continued)

(a) Short-term financial instruments, comprising cash, accounts receivable, accounts payable and other liabilities, credit facility and distributions payable are carried at amortized cost which, due to their short-term nature, approximates their fair value.

(b) Long-term financial instruments consist of debt. The fair value of debt is based upon discounted future cash flows using discount rates, adjusted for the REIT's own credit risk, that reflect current market conditions for instruments with similar terms and risks. Such fair value estimates are not necessarily indicative of the amounts the REIT might pay or receive in actual market transactions.

The fair value of the Class B LP Units and long-term incentive plan are estimated based on the market trading prices of the Units (Level 2).

The fair value of the Warrants are estimated based on the Binomial method (Level 3).

21. Risk management

The REIT's principal financial liabilities are loans and borrowings. The main purpose of the loans and borrowings is to finance the acquisition and development of the REIT's property portfolio. The REIT has tenants and other receivables, accounts payable and accrued liabilities and cash that arise directly from its operations. In the normal course of its business, the REIT is exposed to market risk, credit risk and liquidity risk that can affect its operating performance.

The REIT's senior management oversees the management of these risks and the Board of Trustees reviews and approves policies for managing each of these risks which are summarized below.

Liquidity risk
Liquidity risk is the risk that the REIT will encounter difficulty meeting its obligations associated with the maturity of financial obligations. The REIT's financial condition and results of operations could be adversely affected if it were not able to obtain appropriate levels of financing. Liquidity risk also relates to the potential required early retirement of debt.

Management's strategy to managing liquidity risk is to ensure, to the extent possible, that it will always have sufficient financial assets to meet its financial liabilities as they fall due, by forecasting cash flows from operations and anticipated investing and financing activities. Wherever possible, the REIT enters into long-term leases with creditworthy tenants which assist in maintaining a predictable cash flow. Management's policy is to ensure adequate funding is available from operations, established lending facilities and other sources, as required.

The following table presents the REIT's contractual obligations at September 30, 2014:

	Due within					
Contractual Obligations	**1 Year**	**1-2 Years**	**2-3 Years**	**3-4 Years**	**4-5 Years**	**Later**
Debt principal instalments	$ 767	$ 746	$ 743	$ 611	$ 155	$ 519
Debt principal maturities	3,827	3,500	1,336	17,510	-	3,716
Sub-total	4,594	4,246	2,079	18,121	155	4,235
Debt interest	1,367	1,142	937	748	176	502
Credit facility	8,981	-	-	-	-	-
Accounts payable and other liabilities	4,033	-	-	-	-	-
Rent	22	11	-	-	-	-
	$ 18,997	$ 5,399	$ 3,016	$ 18,869	$ 331	$ 4,737

Interest rate risk
Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The REIT's financial condition and results of operations could be adversely affected if it were not able to obtain appropriate terms for its financing. Management has determined that any reasonably likely fluctuation in interest rates on floating rate debt would be insignificant to comprehensive income as most long-term debt is fixed rate.

Credit risk
Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The REIT's principal assets are commercial properties. Credit risk on tenant receivables comprising accounts receivable of $134 arises from the possibility that tenants may not fulfill their lease obligations. Management mitigates this credit risk by performing credit checks on prospective tenants, having a large diverse tenant base with varying lease expirations, requiring security deposits on high risk tenants and ensuring that a considerable portion of its property income is earned from national and large anchor tenants. Accounts receivable are comprised primarily of current balances owing and the REIT has not experienced any significant receivable write offs. The REIT performs monthly reviews of its receivables and has determined there is no significant provision for doubtful accounts at September 30, 2014.

UNAUDITED - CAD $ thousands except share, unit and per unit amounts

21. Risk management (continued)

Concentration risk

Concentration risk relates to the risk associated with having a significant amount of investment property leased to a single tenant. Concentration risk is mitigated by entering into long-term leases; reviewing the financial stability of the tenant and obtaining security or guarantees where appropriate; and seeking geographic and industry diversity of tenants. The REIT also maintains its assets to a quality standard that would support timely leasing of vacant space. At September 30, 2014, the REIT's four largest single tenants accounted for 16.0%, 11.8%, 11.5% and 11.1% of property revenue under leases which expire in 2026, 2015, 2026 and 2019 respectively.

Environmental risk

As an owner of real estate properties, the REIT is subject to various Canadian federal, provincial and municipal laws relating to environmental matters. These laws could result in liability for the costs of removal and remediation of certain hazardous substances or wastes released or deposited on or in investment properties, or disposed of at other locations. Failure to remove or remediate such substances, if any, could adversely affect the ability to sell real estate, or to borrow using real estate as collateral, and could potentially result in claims or other proceedings. The REIT is not aware of any material non-compliance with environmental laws at any properties. The REIT is also not aware of any material pending or threatened investigations or actions by environmental regulatory authorities in connection with, or conditions at, properties. The REIT has policies and procedures to review and monitor environmental exposure, and has made, and will continue to make, the necessary capital expenditures for compliance with environmental laws and regulations. Environmental laws and regulations can change rapidly and the REIT may become subject to more stringent environmental laws and regulations in the future. Compliance with stringent environmental laws and regulations could have an adverse effect on the financial condition or results of operations.

22. Capital management

The REIT is free to determine the appropriate level of capital in context with its cash flow requirements, overall business risks and potential business opportunities. As a result of this, the REIT will make adjustments to its capital based on its investment strategies and changes to economic conditions.

The REIT's objective is to maintain a combination of short, medium and long-term debt maturities that are appropriate for the overall debt level of its portfolio, taking into account availability of financing and market conditions, and the financial characteristics of each property.

The REIT's other objectives when managing capital on a long-term basis include enhancing the value of the assets and maximizing unit value through the ongoing active management of the REIT's assets, expanding the asset base through acquisitions of additional properties and the re-development of projects which are leased to creditworthy tenants, and generating sufficient returns to provide unitholders with stable and growing cash distributions. The REIT's strategy is driven by policies as set out in the Declaration of Trust, as well as requirements from certain lenders. The requirements of the REIT's operating policies as outlined in the Declaration of Trust include requirements that the REIT will not:

(a) incur or assume indebtedness on properties in excess of 75% of the property's market value; and
(b) incur or assume indebtedness which would cause the total indebtedness of the REIT to exceed 70% of Gross Book Value

Gross Book Value is calculated as follows:

		September 30 2014
Total assets, including investment properties stated at fair value	$	**96,016**
Accumulated depreciation on property and equipment		**36**
Gross Book Value		**96,052**
Debt, excluding unamortized financing costs	$	**33,430**
Credit facility, excluding unamortized financing costs		**8,981**
Debt	$	**42,411**
Debt, as above, as a percentage of Gross Book Value		**44.15%**

The REIT was in compliance with the above requirements as well as all required financial covenants as at September 30, 2014.

23. Related party transactions

The REIT engaged Labec Realty Advisors Inc. (the ''Manager'') to perform certain services as outlined below under a management agreement (the ''Management Agreement''). The Manager is controlled by the President and Chief Executive Officer and Chief Financial Officer of the REIT.

In connection with the services provided by the Manager under the Management Agreement, the following amounts will be payable to the Manager, in cash:

(a) an annual advisory fee payable quarterly, equal to 0.25% of the Adjusted Cost Base of REIT's assets, prorated to take into account any acquisitions or dispositions during any monthly period, where "Adjusted Cost Base" means the book value of the assets of the REIT, as shown on its most recent consolidated balance sheet, plus the amount of accumulated depreciation and amortization shown thereon, less cash raised by REIT in equity issues which is not yet invested in properties or other assets.

For the three and nine month periods ended September 30, 2014, the costs of these services amounted to $38 and $113 respectively (three and ten month periods ended September 30, 2013 – $11 and $23 respectively).

(b) an acquisition fee equal to (i) 1.00% of the purchase price paid by the REIT for the purchase of a property, on the first $100,000 of properties acquired in each fiscal year; (ii) 0.75% of the purchase price paid by the REIT for the purchase price of a property on the next $100,000 of properties acquired in each fiscal year, and (iii) 0.50% of the purchase price paid by the REIT for the purchase of a property, on properties in excess of $200,000 acquired in each fiscal year.

For the three and nine month periods ended September 30, 2014, the costs of these services amounted to $Nil (three and ten month periods ended September 30, 2013 – $Nil and $179 respectively).

(c) a property management fee equal to the then applicable market rate for property management services when such services are not otherwise delegated or subcontracted to third parties.

For the three and nine month periods ended September 30, 2014, the costs of these services amounted to $Nil (three and ten month periods ended September 30, 2013 – $6).

24. Commitment

The REIT has a lease commitment relating to office space which expires on March 31, 2016. The current commitment in respect of this lease is $22 per annum.

25. Subsequent events

(a) On October 20, 2014, the REIT announced that it has closed the previously announced transactions to acquire 14 properties that it agreed to acquire further to the closing of its Offering and Concurrent Private Placement of $26.4 million of new equity on September 30, 2014. The aggregate purchase price for the 14 properties was approximately $65.6 million (excluding closing and transaction costs) and was financed by a portion of the proceeds from the Offering and Concurrent Private Placement, approximately $4.3 million through the issuance of Class B LP Units, new first mortgages of approximately $37.5 million and the assumption of an existing mortgage having at closing an outstanding balance of approximately $8.1 million.

A total of 1,847,826 Offered Class B LP Units were issued, and each was accompanied by one half of one Class B LP Unit purchase warrant entitling the holder thereof to acquire one Class B LP Unit at an exercise price of $2.65 per whole Class B LP Unit purchase warrant at any time prior to 5:00 p.m. on March 31, 2017.

Further to the acquisition of the 14 properties, the REIT's portfolio consists of 23 commercial properties totalling 1,044,095 square feet of gross leasable area, providing increased exposure to certain of the REIT's core target markets of Quebec and Atlantic Canada and the REIT's first investment in Alberta.

(b) On October 20, 2014, the REIT repaid the promissory note in full in the amount of $276 and on October 31, 2014, the REIT paid down the term loan by $2.5 million.

(c) On October 22, 2014, the REIT announced a cash distribution of $0.0175 per Unit for the month of October 2014. The distribution was paid on November 17, 2014 to unitholders of record as at October 31, 2014.