Condensed Consolidated Interim Financial Statements of

FAM REAL ESTATE INVESTMENT TRUST

Three months and six months ended June 30, 2013
(Unaudited)

FAM REAL ESTATE INVESTMENT TRUST

Condensed Consolidated Interim Statements of Financial Position
(in thousands of Canadian dollars)
(unaudited)

	Note	As at June 30, 2013	As at December 31, 2012
Assets			
Non-current assets:			
Investment properties	4	$ 224,826	$ 195,710
Deposit on investment property	20	500	–
Other assets	7	1,286	–
Restricted cash		1,517	1,310
Total non-current assets		228,129	197,020
Current assets:			
Prepaid expenses and other assets		1,457	157
Accounts receivable		1,205	644
Cash		1,427	5,264
Total current assets		4,089	6,065
Total assets		$ 232,218	$ 203,085
Liabilities and Unitholders' Equity			
Non-current liabilities:			
Mortgages payable	6	$ 105,837	$ 82,443
Provisions		522	635
Other liabilities	7	625	850
Vendor take-back loan		8,746	8,610
Revolving credit facility	8	11,261	6,202
Class B LP Units	9	23,880	25,388
Warrants	10	288	706
Total non-current liabilities		151,159	124,834
Current liabilities:			
Mortgages payable	6	4,346	12,610
Accounts payable and other liabilities	16	3,929	1,777
Total current liabilities		8,275	14,387
Total liabilities		159,434	139,221
Unitholders' equity	11	72,784	63,864
Total liabilities and unitholders' equity		$ 232,218	$ 203,085

The related notes form an integral part of these condensed consolidated interim financial statements.

Approved by the Board of Trustees

"Zachary R. George" Trustee   "Ian MacKellar" Trustee

FAM REAL ESTATE INVESTMENT TRUST

Condensed Consolidated Interim Statements of Income and Comprehensive Income
(in thousands of Canadian dollars)
(unaudited)

	Note	Three months ended June 30, 2013	Six months ended June 30, 2013
Revenue from investment properties		$ 6,601	$ 12,682
Property operating expenses	16	(2,471)	(4,666)
Property operating income		4,130	8,016
General and administration	13 and 16	(930)	(1,500)
Finance costs, net	14	(793)	(2,115)
Fair value adjustments to financial instruments	15	1,323	1,983
Fair value adjustments to investment properties	4	519	4,863
Loss on disposal of investment property		(87)	(87)
Net income and comprehensive income		$ 4,162	$ 11,160

The related notes form an integral part of these condensed consolidated interim financial statements.

FAM REAL ESTATE INVESTMENT TRUST

Condensed Consolidated Interim Statements of Changes in Unitholders' Equity
(in thousands of Canadian dollars, except for number of trust units)
(unaudited)

June 30, 2013	Note	Number of trust units	Trust units	Retained earnings	Total
Unitholders' equity, beginning of period		5,880,000	$ 51,516	$ 12,348	$ 63,864
Distributions declared	12	–	–	(2,253)	(2,253)
Distributions reinvested in trust units		1,330	13	–	13
Net income and comprehensive income for the period		–	–	11,160	11,160
Unitholders' equity, end of period		5,881,330	$ 51,529	$ 21,255	$ 72,784

The related notes form an integral part of these condensed consolidated interim financial statements.

FAM REAL ESTATE INVESTMENT TRUST

Condensed Consolidated Interim Statements of Cash Flows
(in thousands of Canadian dollars)
(unaudited)

	Note	Three months ended June 30, 2013	Six months ended June 30, 2013
Operating activities:			
Net income		$ 4,162	$ 11,160
Adjustments for:			
Amortization of leasing expenses and straight-line rent, net	4	(112)	(208)
Finance costs, net	14	793	2,115
Fair value adjustments to financial instruments	15	(1,323)	(1,983)
Fair value adjustments to investment properties	4	(519)	(4,863)
Loss on disposal of investment property	5	87	87
		3,088	6,308
Change in non-cash working capital		(1,646)	(774)
Interest paid on mortgages payable		(1,315)	(2,549)
Interest paid on vendor take-back loan		(70)	(138)
Interest paid on revolving credit facility		(60)	(112)
Distributions on Class B LP units		(471)	(806)
Cash flows (used in) from operating activities		(474)	1,929
Investing activities:			
Acquisition of investment property	5	(43,632)	(43,632)
Deposits on investment property	20	1,250	(500)
Capital expenditures	4	(12)	(71)
Direct leasing expenses		(45)	(122)
Proceeds from disposition of investment property		19,913	19,913
Cash flows used in investing activities		(22,526)	(24,412)
Financing activities:			
Proceeds from mortgage financing		25,000	47,670
Mortgage principal payments		(11,652)	(31,024)
Transaction costs		(1,136)	(1,258)
Draw down of revolving credit facility, net		10,648	5,073
Distributions paid on trust units		(1,089)	(1,872)
Proceeds from issuance of warrants	10	–	57
Cash flows from financing activities		21,771	18,646
Decrease in cash		(1,229)	(3,837)
Cash, beginning of period		2,656	5,264
Cash, end of period		$ 1,427	$ 1,427

The related notes form an integral part of these condensed consolidated interim financial statements.

1. Organization

FAM Real Estate Investment Trust (the “Trust” or the “REIT”) is an unincorporated, open-ended real estate investment trust which was created pursuant to a Declaration of Trust dated August 27, 2012, as amended and restated on December 27, 2012, under the laws of the Province of Ontario and the applicable laws of Canada. The REIT’s trust units and trust unit purchase warrants are listed on the Toronto Stock Exchange (“TSX”) and traded under the symbols “F.UN” and “F.WT”, respectively. The registered office of the Trust is located at 2000-5000 Miller Road, Richmond, British Columbia, Canada.

On December 28, 2012, the REIT completed its initial public offering of offered units, raising gross proceeds of $58.8 million. The net proceeds of the offering were used as partial consideration for the acquisition of a portfolio of 27 income-producing office, industrial, and retail properties located in four provinces and one territory of Canada (the “Initial Properties”). The Trust had no operations prior to December 28, 2012.

2. Basis of preparation

(a) Statement of compliance:

These condensed consolidated interim financial statements have been prepared in accordance with *IAS 34, Interim Financial Reporting* (“IAS 34”) as issued by the International Accounting Standards Board (“IASB”). Certain information and note disclosures normally included in the annual consolidated financial statements prepared in accordance with International Financial Reporting Standards (“IFRS”) have been omitted or condensed. As a result, these condensed consolidated interim financial statements should be read in conjunction with the Trust’s audited consolidated financial statements for the period from the date of formation on August 27, 2012 to December 31, 2012 (“Annual Financial Statements”).

These financial statements were approved by the Board of Trustees and authorized for issue on August 8, 2013.

2. Basis of preparation (continued)

(b) Basis of measurement:

These condensed consolidated interim financial statements have been prepared on a going concern basis and historical cost basis except for the following material items:

- Investment properties including those classified as assets held for sale are measured at fair value; and
- Financial instruments classified as fair value through profit or loss are measured at fair value.

These condensed consolidated interim financial statements are presented in Canadian dollars, which is the Trust's functional currency.

(c) Use of estimates and judgments:

The preparation of these condensed consolidated interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and expenses and disclosures of contingent assets and liabilities. Actual results could differ from the estimated amounts.

The critical judgments made by management in the process of applying the Trust's accounting policies, apart from those involving estimations, that have the most significant effect on the reported amounts of assets and liabilities at the date of the condensed consolidated interim financial statements and the reported amounts of revenues and expenses during the period are as follows:

(i) Business combinations:

The Trust makes certain judgments based on relevant facts and circumstances to determine whether a set of assets acquired and liabilities assumed constitute a business accounted for as a business combination. The Trust has determined that the acquisition of the Initial Properties on December 28, 2012 constituted an asset acquisition.

2. Basis of preparation (continued)

(c) Use of estimates and judgments (continued):

(ii) Leases:

The Trust makes judgments in determining whether certain leases, in particular those leases with long contractual terms where the lessee is the sole tenant in a property and long-term ground leases where the Trust is the lessee, are operating or finance leases. The Trust has determined that none of its leases are finance leases.

(iii) Income taxes:

The Trust has determined that it is not subject to income taxes as it intends to continue to meet prescribed conditions under the Income Tax Act (Canada) and make distributions not less than the amount necessary to ensure that it is not liable to pay income taxes under current tax legislation.

The key estimates and assumptions made by management about the future and other major sources of estimation uncertainty at the date of the condensed consolidated interim financial statements that have a significant risk of resulting in a material adjustment to the carrying amounts of assets within the next financial year are as follows:

(i) Valuation of investment properties:

The fair values of investment properties are determined by management using recognized valuation techniques with a portion of fair values supported by qualified third party appraisers. The critical estimates and assumptions underlying the valuation of investment properties include, among other things, rental revenue from current leases, rental revenue from future leases in light of current conditions, future cash outflows in respect of tenant installation costs and investment property operations, and capitalization and discount rates based on market data within the applicable market segment and geographical location. Valuations are most sensitive to changes in discount rates and capitalization rates. Changes to the estimates and assumptions used by management or to local and general economic conditions can result in a significant change to the valuation of investment properties, which will be recognized as fair value adjustments during the periods the changes occur.

3. Significant accounting policies

These condensed consolidated interim financial statements were prepared using the same accounting policies as set out in the Annual Financial Statements, with the exception of the changes in accounting policies described below.

Effective January 1, 2013, the Trust adopted IFRS 10, *Consolidated Financial Statements* (“IFRS 10”), IFRS 11, *Joint Arrangements* (“IFRS 11”), IFRS 12, *Disclosure of Interests in Other Entities* (“IFRS 12”), and IFRS 13, *Fair Value Measurements* (“IFRS 13”).

IFRS 10 uses a single consolidation model to be applied in the control analysis for all investees. IFRS 10 defines control as when an investor has power over an investee; is exposed, or has rights, to variable returns from its involvement with the investee; and has the ability to use its power over the investee to affect the amount of the investor’s returns. The adoption of IFRS 10 did not have a material impact on the Trust’s condensed consolidated interim financial statements.

Under IFRS 11, joint arrangements are classified as either joint operations or joint ventures. An entity’s interest in a joint operation, which is an arrangement wherein the parties have rights to the assets and obligations for the liabilities, will be accounted for based on the entity’s interest in those assets, liabilities, revenues and expenses. An entity’s interest in a joint venture, which is an arrangement wherein the parties have rights to the net assets, will be accounted for using the equity method. The Trust has no interest in joint ventures as defined by IFRS 11. As at December 31, 2012, the Trust had an interest in a jointly controlled asset that was classified as a joint operation, and was sold in April 2013 (note 5). As a result, the adoption of IFRS 11 did not have a material impact on the Trust’s condensed consolidated interim financial statements.

IFRS 12 requires enhanced disclosures about the nature of, and the risks associated with, an entity’s interest in other entities and the effects of those interests on the entity’s financial position, financial performance and cash flows. The application of IFRS 12 will result in additional disclosures in the annual consolidated financial statements as at and for the year ending December 31, 2013, in accordance with the transitional provisions of the standard.

IFRS 13 sets out a single framework for measuring fair value and the related disclosures about fair value measurements. IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. With the exception of the additional disclosures required for fair value measurements, the adoption of IFRS 13 did not have a material impact on the Trust’s condensed consolidated interim financial statements.

(all tabular amounts are expressed in thousands of Canadian dollars, unless otherwise noted)

3. Significant accounting policies (continued)

Recent accounting pronouncements

IFRS 9, *Financial Instruments* ("IFRS 9"), effective for annual periods beginning on or after January 1, 2015, replaces the guidance in IAS 39, *Financial Instruments: Recognition and Measurement* on the classification and measurement of financial assets and liabilities. IFRS 9 will use a single approach to determine whether a financial asset is measured at amortized cost or fair value. In addition, under IFRS 9 for financial liabilities measured at fair value, changes in fair value attributable to changes in credit risk will be recognized in other comprehensive income, with the remainder of the changes recognized in profit or loss. However if this requirement creates or enlarges an accounting mismatch in profit or loss, the entire change in fair value will be recognized in profit or loss. The Trust is currently evaluating the impact of IFRS 9 on its condensed consolidated interim financial statements.

4. Investment properties

		June 30, 2013		December 31, 2012
Balance, beginning of period	$	195,710	$	–
Acquisition of the Initial Properties, net of capital expenditures subsidy of $2,991		–		182,961
Acquisition of investment property (note 5)		43,918		–
Additions:				
Capital expenditures		71		–
Direct leasing expenses		122		–
Disposition of investment property (note 5)		(20,000)		–
Provisions		(66)		–
Fair value adjustments		4,863		12,752
Amortization of leasing expenses and straight-line rents included in revenue, net		208		(3)
Balance, end of period	$	224,826	$	195,710

(all tabular amounts are expressed in thousands of Canadian dollars, unless otherwise noted)

4. Investment properties (continued)

On December 28, 2012 (the "Closing Date"), FAM Management Limited Partnership ("FAM LP"), a former wholly-owned subsidiary of Huntingdon Capital Corp. ("Huntingdon") acquired the Initial Properties from Huntingdon and assumed the associated mortgages in exchange for Class A limited partnership units of FAM LP ("Class A LP Units"), Class B limited partnership units of FAM LP ("Class B LP Units"), a vendor take-back loan and promissory notes. Also on December 28, 2012, the Trust completed its initial public offering and used part of the proceeds from the initial public offering to acquire the Class A LP Units and promissory notes from Huntingdon. One of the promissory notes was subsequently exchanged into additional Class A LP Units of FAM LP and the other promissory note was repaid using funds from the Trust's revolving credit facility on December 28, 2012. Huntingdon retained a 30% interest in FAM LP through ownership of all the Class B LP Units in FAM LP. The Class A LP Units are eliminated upon consolidation. The transaction was accounted for as an asset acquisition with the final purchase price allocated as follows:

Net assets acquired:		
Investment properties, net of capital expenditures subsidy of $2,991	$	182,961
Non-cash working capital, net		799
Cash		399
Assumed mortgages including mark-to-market adjustment of $1,620 and net of transaction costs of $249		(95,053)
Provisions		(635)
Interest rate swap		(901)
	$	85,570

Purchase price:		
Cash	$	53,443
Vendor take-back loan		8,606
2,513,700 Class B LP Units (note 9)		25,137
Payable to Huntingdon		384
	$	87,570

Included in provisions assumed is $0.3 million related to environmental work required on some of the Initial Properties for which the Trust will be reimbursed by Huntingdon in accordance with the acquisition agreement. As at June 30, 2013, the amount receivable from Huntingdon of $0.3 million is included in accounts receivable (December 31, 2012 - $0.3 million).

(all tabular amounts are expressed in thousands of Canadian dollars, unless otherwise noted)

4. Investment properties (continued)

Pursuant to the acquisition agreement with Huntingdon, the total purchase price payable by the Trust was reduced by $4.9 million in respect of interest rate and capital expenditures subsidies. Of the amount retained, $1.9 million will be used to subsidize the Trust's interest payments on mortgages payable (including interest paid under the interest rate swap) related to the Initial Properties to achieve a blended cash interest rate of 4.5% for a five year period to December 2017, representing the market interest rate on similar debt at the Closing Date. The remaining $3.0 million retained will be used to subsidize capital expenditures on the initial properties in excess of $675 thousand on an annual basis.

Investment properties are measured at fair value at each reporting date. Generally, the Trust's investment properties are valued either internally by management or externally by qualified third party appraisers using a number of approaches including a discounted cash flow approach, a direct capitalization approach and a direct comparison approach. The Trust engaged qualified third party appraisers to value five of the Trust's 27 investment properties. Each of the Trust's investment properties are subject to an external appraisal on a rotating schedule.

The Trust determined the fair value of each property based upon, among other things, rental income from current leases and assumptions about rental income from future leases reflecting market conditions at the reporting date, less estimated future cash outflows in respect of such leases. Valuations are most sensitive to changes in discount rates and capitalization rates. Under the direct capitalization approach, fair values were determined by capitalizing the estimated future net operating income at the market capitalization rates. Under the discounted cash flow approach, fair values were determined by discounting the expected future cash flows, generally over a term of 10 years using an appropriate discount rate and including a terminal value based on the application of a terminal capitalization rate. The key metrics used in the valuation of the Trust's investment properties are set out in the following table:

	June 30, 2013			December 31, 2012		
	Discount rate	Terminal cap rate	Capitalization rate	Discount rate	Terminal cap rate	Capitalization rate
Minimum	7.50%	6.75%	4.00%	7.50%	7.00%	4.00%
Maximum	10.00%	8.50%	9.00%	9.25%	8.50%	9.00%

(all tabular amounts are expressed in thousands of Canadian dollars, unless otherwise noted)

4. Investment properties (continued)

As at June 30, 2013, an investment property with a fair value of $8.6 million (December 31, 2012 - $8.6 million) is situated on a ground lease expiring in 2036.

As at June 30, 2013, investment properties with an aggregate fair value of $222.2 million (December 31, 2012 - $191.2 million) were pledged as security for outstanding mortgages and the revolving credit facility.

The capital expenditures subsidy received in connection with the acquisition of the Initial Properties has been recorded as a contra account to investment properties and will be reduced as the subsidy is utilized. As at June 30, 2013, the capital expenditures subsidy was $3.0 million (December 31, 2012 - $3.0 million).

5. Acquisition and disposition of investment property

(a) Acquisition of 4211 Yonge Street, Toronto, Ontario (“4211 Yonge”)

On May 1, 2013, the Trust completed the acquisition of 4211 Yonge, a 170,000 square foot office building from a third party. This transaction was accounted for as an asset acquisition with the final purchase price allocated as follows:

Net assets acquired:	
Investment property	$ 43,918
Working capital items, net	(286)
	43,632
Total consideration:	
Cash paid	43,632
	$ 43,632

The financing for the acquisition consisted of a $25.0 million mortgage payable, approximately $13.5 million of net cash proceeds from the disposition of a co-owned investment property (note 5b), with the remaining balance funded from the Trust’s existing liquidity.

The Trust incurred $0.8 million in transaction costs related to the acquisition of 4211 Yonge St, which included a $0.4 million acquisition fee payable to Huntingdon (note 16).

(all tabular amounts are expressed in thousands of Canadian dollars, unless otherwise noted)

5. Acquisition and disposition of investment property (continued)

(b) Disposition of 220 Portage Avenue, Winnipeg, Manitoba ("220 Portage")

On April 30, 2013, the Trust completed the sale of its 50% interest in 220 Portage for $20.5 million less certain adjustments, and the related mortgage payable of $5.9 million was repaid. The Trust incurred $0.6 million in mortgage defeasance fees recorded as finance costs and $0.1 million in professional fees, which were recorded as a loss on disposition of investment property.

6. Mortgages payable

Mortgages payable comprise the following:

	June 30, 2013	December 31, 2012
Mortgages payable	$ 110,328	$ 93,682
Mark-to-market adjustment arising on acquisition of the Initial Properties	666	1,620
Transaction costs	(811)	(249)
	110,183	95,053
Less: current portion	(4,346)	(12,610)
	$ 105,837	$ 82,443
Range of interest rates (%)	3.68 – 6.35	3.75 – 6.35
Weighted average contractual interest rate (%)	4.76	5.30
Range of terms to maturity (years)	0.17 – 11.60	0.38 – 17.77
Weighted average term to maturity (years)	5.89	4.40

The mortgages payable are secured by mortgage charges registered against the title of specific investment properties, assignment of book debts, assignment of rents and repayment guarantees. Huntingdon has provided guarantees on mortgages with a principal balance of $27.4 million at June 30, 2013 (December 31, 2012 - $24.0 million). The Trust is required to maintain quarterly and annual debt service, interest service, and loan to value ratios for certain mortgages. As at June 30, 2013 and December 31, 2012, the Trust was compliant with all financial covenants.

(all tabular amounts are expressed in thousands of Canadian dollars, unless otherwise noted)

6. Mortgages payable (continued)

Future principal payments, excluding amortization of mark-to-market adjustments and transaction costs, on mortgages payable are as follows:

	For the periods ending December 31,
2013 (remaining six months)	$ 2,608
2014	3,476
2015	17,529
2016	13,522
2017	9,499
Thereafter	63,694

The mark-to-market adjustment arising on acquisition of the Initial Properties is amortized using the effective interest method. During the three months and six months ended June 30, 2013, the Trust recorded amortization of $0.1 million and $0.2 million, respectively, related to the mark-to-market adjustment. In addition, the Trust derecognized $0.2 million and $0.7 million during the three months and six months ended June 30, 2013, respectively, of the mark-to-market adjustment as a result of certain mortgages being refinanced or repaid. These adjustments have been recorded in finance costs (note 14).

7. Interest rate swaps

On December 28, 2012, the Trust acquired an interest rate swap as part of the acquisition of the Initial Properties. On May 1, 2013, the Trust entered into an interest rate swap as part of the mortgage financing related to 4211 Yonge St. These interest rate swaps entitle the Trust to receive interest at floating rates and pay interest at a fixed rate.

(all tabular amounts are expressed in thousands of Canadian dollars, unless otherwise noted)

7. Interest rate swaps (continued)

The interest rate swaps are re-measured at fair value at the end of each reporting period with fair values calculated as the present value of contractual cash flows based on quoted forward curves and discount rates incorporating the applicable yield curve. As at June 30, 2013, the Trust had the following interest rate swap agreements:

Notional amount	Effective interest rate	Maturity date	Cumulative unrealized loss (gain) at June 30, 2013
$ 4,237	5.89%	1-Feb 25	$ 625
24,949	3.68%	1-May 23	(1,286)

8. Revolving credit facility

The Trust has a revolving credit facility that expires on November 30, 2014 and is secured by two of the Initial Properties. The revolving credit facility bears interest at prime plus 1.5% per annum and a standby fee of 0.6% charged quarterly in arrears based on the average daily undrawn amount.

In June 2013, the Trust increased its revolving credit facility from $8.0 million to $14.0 million. As at June 30, 2013, the Trust had $11.4 million (December 31, 2012 - $6.3 million) outstanding on the revolving credit facility and unamortized transaction costs of $0.1 million (December 31, 2012 - $0.1 million).

The Trust is required under the revolving credit facility agreement to maintain certain financial ratios at the end of each reporting period and a minimum unitholders' equity balance at all times. As at June 30, 2013, the Trust was compliant with all financial covenants under the revolving credit facility.

(all tabular amounts are expressed in thousands of Canadian dollars, unless otherwise noted)

9. Class B LP Units

The Class B LP Units are exchangeable into trust units of the REIT on a one-for-one basis subject to anti-dilution adjustments. As at June 30, 2013, the Class B LP units were re-measured based on the quoted closing price of the trust units into which they are exchangeable. The change in Class B LP units during the six months ended June 30, 2013 and the period from the date of formation of August 27, 2012 to December 31, 2012 were as follows:

	June 30, 2013	December 31, 2012
Balance, beginning of period	$ 25,388	$ –
2,513,700 units issued in connection with the acquisition of the Initial Properties	–	25,137
Fair value adjustment	(1,508)	251
Balance, end of period	$ 23,880	$ 25,388

During the three months and six months ended June 30, 2013, the Trust declared distributions of $0.5 million and $1.0 million on the Class B LP units, respectively, which were recorded as finance costs (notes 12 and 14).

10. Warrants

Each warrant entitles the holder to acquire one trust unit of the REIT at an exercise price of $10.50 per trust unit at any time until December 28, 2015. As at June 30, 2013, the warrants were re-measured based on the quoted closing price of the warrants. The change in warrants during the six months ended June 30, 2013 and the period from the date of formation of August 27, 2012 to December 31, 2012 were as follows:

	June 30, 2013	December 31, 2012
Balance, beginning of period	$ 706	$ –
Issued	57	515
Fair value adjustment	(475)	191
Balance, end of period	$ 288	$ 706

(all tabular amounts are expressed in thousands of Canadian dollars, unless otherwise noted)

10. Warrants (continued)

On January 29, 2013, the underwriters of the REIT's initial public offering exercised their over-allotment option and purchased 128,550 warrants at a price of $0.44 per warrant. Each warrant will entitle the holder to purchase one trust unit at price of $10.50.

11. Unitholders' equity

The change in trust units during the six months ended June 30, 2013 and the period from the date of formation of August 27, 2012 to December 31, 2012 were as follows:

	June 30, 2013		December 31, 2012	
	Units	Amount	Units	Amount
Balance, beginning of period	5,880,000	$ 51,516	–	$ –
Issued on initial public offering	–	–	5,880,000	58,285
Issue costs	–	–	–	(6,769)
Distributions reinvested in trust units	1,330	13	–	–
Outstanding, end of period	5,881,330	$ 51,529	5,880,000	$ 51,516

On March 21, 2013, the Trust implemented a distribution reinvestment plan (the "DRIP"). The DRIP came into effect with the distribution of $0.0625 per trust unit that was payable on May 15, 2013 to unitholders of record on April 30, 2013.

Eligible unitholders, which include holders of Class B LP units, that elect to participate in the DRIP will have their cash distributions used to purchase trust units of the REIT and will also receive a "bonus distribution" of units equal in value to 3% of each distribution.

The Trust may initially issue up to 295,000 trust units of the Trust under the DRIP. The Trust may increase the number of trust units available to be issued under the DRIP at any time in its discretion subject to (a) the approval of the Trust's board of trustees, (b) the approval of any stock exchange upon which the trust units trade, and (c) public disclosure of such increase.

(all tabular amounts are expressed in thousands of Canadian dollars, unless otherwise noted)

12. Distributions

Pursuant to the Declaration of Trust, the income of the Trust is distributed on dates and in amounts as determined by the Trustees. During the six months ended June 30, 2013, the Trustees declared distributions of $2.3 million to unitholders of trust units and $1.0 million to unitholders of Class B LP Units (note 9). As at June 30, 2013, the Trust had distributions payable of $0.5 million.

During the six months ended June 30, 2013, the Trust declared monthly distributions of $0.0625 per unit, with the exception of January 2013. The Trust announced a cash distribution of $0.0707 for the month of January 2013 to include distributions related to the four day stub-period from December 28, 2012 to December 31, 2012. The distributions were paid on or about the 15th day of the month following declaration.

13. General and administration

General and administration expenses for the three months and six months ended June 30, 2013 were comprised of the following:

	Three months ended June 30, 2013	Six months ended June 30, 2013
Professional fees	$ 222	$ 397
Asset management fees	175	327
Trustee fees	73	174
General and administration	460	602
	$ 930	$ 1,500

(all tabular amounts are expressed in thousands of Canadian dollars, unless otherwise noted)

14. Finance costs, net

Net finance costs for the three months and six months ended June 30, 2013 were comprised of the following:

	Three months ended June 30, 2013	Six months ended June 30, 2013
Mortgage interest	$ 1,325	$ 2,549
Defeasance costs	598	598
Distributions on Class B LP Units (note 12)	471	963
Accretion on vendor take-back loan	69	136
Interest on vendor take-back loan	70	138
Interest on revolving credit facility	60	112
Amortization of deferred transaction costs	36	83
Amortization of mark-to-market adjustment on mortgages (note 6)	(113)	(230)
Derecognition of mark-to-market adjustment on mortgages refinanced (note 6)	(244)	(723)
Gain on interest rate swaps (note 7)	(1,479)	(1,511)
	$ 793	$ 2,115

15. Fair value adjustments to financial instruments

During the three months and six months ended June 30, 2013, the Trust recognized the following fair value gains to financial instruments:

	Three months ended June 30, 2013	Six months ended June 30, 2013
Class B LP Units (note 9)	$ 1,131	$ 1,508
Warrants (note 10)	192	475
	$ 1,323	$ 1,983

(all tabular amounts are expressed in thousands of Canadian dollars, unless otherwise noted)

16. Related party transactions

On December 28, 2012, the Trust entered into a management agreement (the “Management Agreement”) with Huntingdon, whereby Huntingdon will provide the Trust with strategic and administrative, property management, leasing, acquisition and disposition, financing and construction management services necessary to manage the day-to-day operations of the Trust and its assets. Huntingdon will provide such services using its own employees, including the provision of key personnel to serve as the Chief Executive Officer and Chief Financial Officer of the Trust. As at June 30, 2013, Huntingdon held an approximate 30% interest in the Trust through the ownership of 2,513,700 Class B LP Units (note 9).

During the three months and six months ended June 30, 2013, the Trust incurred the following costs in connection with the Management Agreement:

	Three months ended June 30, 2013	Six months ended June 30, 2013
Property management fees	$ 169	$ 321
Asset management fees	176	327
Leasing, financing, and construction management fees	84	120
Acquisition fees	433	433
	$ 862	$ 1,201

Property administration fees are allowable under the tenants’ leases relating to assets or resources of Huntingdon that are directly attributable to the management of the Trust’s properties. Property administration fees were $0.2 million for the three months and $0.3 million for the six months ended June 30, 2013. These fees are recovered from the tenants by the Trust and payable by the Trust to Huntingdon under the terms of the Management Agreement.

As at June 30, 2013, included in accounts payable and other liabilities is an amount owing to Huntingdon of $0.2 million (December 31, 2012 - $0.4 million).

(all tabular amounts are expressed in thousands of Canadian dollars, unless otherwise noted)

17. Financial risk management

Refer to the Trust's Annual Financial Statements for a description of risk and an explanation of the Trust's risk management policy.

18. Capital management

Refer to the Trust's Annual Financial Statements for a description of the Trust's capital management policy.

19. Fair values

The fair values of the Trust's cash, restricted cash, accounts receivable and accounts payable and other liabilities approximate their carrying amounts due to the relatively short periods to maturity of these financial instruments. The fair value of the Trust's revolving credit facility approximates its carrying value since the revolving credit facility bears interest at floating market interest rates.

The following financial instruments are measured at amortized cost, and their fair values are based on discounted future cash flows using discount rates that reflect current market conditions for instruments with similar terms and risks:

	June 30, 2013		December 31, 2012	
	Carrying value	Fair value	Carrying value	Fair value
Mortgages payable	$ 110,328	$ 113,621	$ 95,302	$ 95,302
Vendor take-back loan	8,746	8,685	8,610	8,610

The Trust uses various methods in estimating the fair values of assets and liabilities recognized and measured at fair value in its consolidated financial statements. The following categories in the fair value hierarchy reflect the significance of inputs used in determining fair values.

- Level 1 - quoted prices in active markets;
- Level 2 - inputs other than quoted prices in active markets or valuation techniques where significant inputs are based on observable market data; and
- Level 3 - valuation technique for which significant inputs are not based on observable market data.

(all tabular amounts are expressed in thousands of Canadian dollars, unless otherwise noted)

19. Fair values (continued)

The fair value hierarchy of the Trust's assets and liabilities measured and recognized at fair value on the consolidated statement of financial position as at June 30, 2013 are categorized as follows:

	Level 1	Level 2	Level 3
Investment properties (note 4)	$ –	$ –	$ 224,826
Interest rate swap asset (note 7)	–	1,286	–
Interest rate swap liability (note 7)	–	(625)	
Class B LP Units (note 9)	–	(23,880)	–
Warrants (note 10)	(288)	–	–

Transfers between the levels of the fair value hierarchy are deemed to have occurred as of the date of the event or change in circumstances that caused the transfer. During the six months ended June 30, 2013, there were no transfers between the levels of the fair value hierarchy.

20. Subsequent events

In July 2013, the Trust announced that it entered into an agreement to acquire a 159,752 square foot Class A office complex in the Greater Toronto Area, municipally known as 2655 and 2695 North Sheridan Way in Mississauga, Ontario ("The Promontory") for an approximate consideration of $39.0 million, exclusive of closing costs of approximately $1.3 million. The acquisition is expected to close on or about August 14, 2013. The financing for the acquisition consists of a $23.0 million mortgage payable, with the balance funded from the equity offering described below. As at June 30, 2013, the Trust made a $0.5 million deposit related to the acquisition of The Promontory.

On August 2, 2013, in connection with the acquisition of The Promontory, the Trust completed its public offering of 2,230,000 trust units, at a price of $9.00 per trust unit (the "Offering Price") for gross proceeds of approximately $20.0 million (the "Offering"). The Trust has also granted the underwriters an over-allotment option to purchase up to an additional 334,500 trust units on the same terms and conditions, exercisable at any time, in whole or in part, up to 30 days after the closing of the Offering (the "Over-Allotment Option"). On August 2, 2013, the underwriters exercised the Over-Allotment Option and purchased 334,500 trust units for gross proceeds of $3.0 million. The proceeds from the Offering will be used to partially fund the acquisition of The Promontory and to repay amounts drawn on the Trust's revolving credit facility.

20. Subsequent events

Concurrent with the closing of the Offering, the Trust issued 425,532 trust units on a private placement basis to Huntingdon, the manager of the Trust, at a purchase price of $9.40 per trust unit for gross proceeds of $4.0 million. Following closing of the private placement, the Offering, and the exercise of the Over-Allotment Option exercised by the underwriters, Huntingdon had an approximate 26% interest in the Trust assuming the exchange of all Class B LP units held by Huntingdon. The proceeds from the private placement will be used to partially fund the acquisition of The Promontory and to repay amounts drawn on the Trust’s revolving credit facility.

The net proceeds of the Offering, the private placement, and the Over-Allotment Option exercised by the underwriters is approximately $25.7 million, after deducting estimated costs of $1.3 million.