

FAM REAL ESTATE INVESTMENT TRUST

**Management's Discussion and Analysis
of Results of Operations and Financial Condition
For the three months and six months ended June 30, 2013**

Dated August 8, 2013

MESSAGE TO FELLOW UNITHOLDERS

Our second quarter results demonstrate the strength of FAM REIT's IPO portfolio and the accretive impact of capital redeployment from the acquisition of 4211 Yonge and disposition of 220 Portage.

IFRS-based equity value increased by 8.3% to \$11.52 per unit as at June 30, 2013 compared to \$10.63 per unit as at December 31, 2012. Core AFFO per unit was \$0.24 for the three months ended June 30, 2013, which is ahead of the \$0.21 IPO forecast, and represents a 76% AFFO payout ratio (79% for the six months ended June 30, 2013), compared to the IPO forecast of 90%.

Same-property occupancy was 97.3% as at June 30, 2013, which is ahead of the 92.3% IPO forecast for the same period. We completed approximately 100,000 sf of lease renewals for the six months ended June 30, 2013. Our tenant retention rate has been approximately 99% for the first six months of 2013, and based on our leasing pipeline we expect to achieve a 94% retention rate on a full year basis. Demand fundamentals remain healthy across our key markets, and we expect to achieve positive space absorption in the second half of 2013 through lease up of vacant space in the Toronto, Winnipeg and Calgary markets.

FAM REIT's indebtedness ratio was 56.6% as at June 30, 2013, slightly above our target 50-55% operating range. This was attributable to the acquisition of 4211 Yonge for \$43 million in May 2013, which was partially funded by a \$25 million mortgage. The recent equity issuance completed in August 2013 was partly used to fund the \$39 million acquisition of The Promontory and to repay amounts drawn on our revolving credit facility, and will bring our indebtedness ratio to approximately 52%, within our target operating range during the third quarter of 2013.

From a macro perspective, the second quarter of 2013 marked an inflection point for the REIT sector as bond yields spiked in response to the US Federal Reserve communicating its plan to begin tapering its quantitative easing program. The pace and severity of the Fed's stimulus withdrawal will be determined by the strength of the US economic recovery and employment levels. This is likely to continue driving capital market volatility in the months ahead, as investor expectations ebb and flow based on incoming macro-economic data.

In a period of rising interest rates and increased capital market volatility, we believe that strong liquidity, low leverage and the utilization of long-term fixed rate debt financing will best serve the interests of our unitholders. We have proactively addressed these risks through our recent equity financing and decision to utilize ten year fixed rate mortgage financing for both property acquisitions subsequent to the IPO. With only \$1.7 million of mortgage debt maturing prior to November 2015, our existing liquidity and free cash flow generation are more than sufficient to support our current portfolio.

FAM REIT is well-positioned to navigate the current environment and we are excited about the future. I would like to thank our investors for their trust and continued support.

Sincerely yours,

Shant Poladian, CA, CPA
Chief Executive Officer

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Management's Discussion and Analysis of Results of Operations and Financial Condition

Section 1 OBJECTIVES

Basis of Presentation

This Management's Discussion and Analysis of Results of Operations and Financial Condition ("MD&A") for the three and six months ended June 30, 2013 has been prepared and includes material financial information as of August 8, 2013. This MD&A should be read in conjunction with the audited consolidated financial statements of FAM Real Estate Investment Trust ("FAM REIT" or the "REIT") for the period from date of formation, August 27, 2012, to December 31, 2012 and the unaudited condensed consolidated interim financial statements for the three months and six months ended June 30, 2013, prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

All dollar amounts in this MD&A are in Canadian dollars.

Additional information relating to the REIT, including the REIT's annual information form for the period from formation, August 27, 2012, to December 31, 2012 is available on SEDAR at www.sedar.com.

Forward-Looking Statements

Certain information herein constitutes "forward-looking statements" within the meaning of applicable securities legislation. Forward-looking statements include statements about management's expectations regarding objectives, plans, goals, strategies, future growth, operating results and performance, business prospects and opportunities of the REIT. Forward-looking statements can be identified by the use of forward-looking terminology such as "believes", "expects", "may", "might", "should", "seeks", "intends", "plans", "pro-forma", "estimates" or "anticipates"; or variations of such words; and phrases or statements that certain actions, events or results "may", "could" or "might" occur or be achieved; or the negative connotation thereof. Forward-looking statements are made based on reasonable assumptions, however, there is no assurance that the events or circumstances reflected in forward-looking statements will occur or be achieved. Forward-looking statements are based on numerous assumptions of factors that if untrue, could cause actual results to differ materially from those that are implied by such forward-looking statements. These factors include but are not limited to: general and local economic and real estate business conditions; the financial condition of tenants; occupancy rates; rental rates, the ability of the REIT to refinance maturing debt; the REIT's ability to source and complete accretive acquisitions; changes in government, environmental and tax regulations; inflation and interest rate fluctuations; the REIT's ability to obtain equity or debt financing for additional funding requirements; and adequacy of insurance.

Forward-looking statements are subject to risks and uncertainties, many of which are beyond the REIT's control. These risks and uncertainties include, but are not limited to: risks related to general and local financial conditions including available equity and debt financing at reasonable costs and interest rate fluctuations; operational risks including timely leasing of vacant space and re-leasing of occupied space on expiration of current lease terms at current or anticipated rental rates; tenant defaults and bankruptcies; uncertainties of acquisition activities including availability of suitable property acquisitions and integration of acquisitions; competition including development of properties in close proximity to the

REIT's properties; loss of key management and employees; governmental, environmental, taxation and other regulatory risks; litigation risks and other risks and factors described from time to time in the documents filed by the REIT with the securities regulators.

The REIT has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking statements. However there may be other factors that could cause results to not be as anticipated, estimated or intended. Forward-looking statements are provided to inform readers about management's current expectations and plans and allow investors and others to better understand the REIT's operating environment. However, readers should not place undue reliance on forward-looking statements, as forward-looking statements involve significant risks and uncertainties and should not be read as guarantees of future performance or results, or of the timing that such performance or results will be achieved. Forward-looking statements included in this MD&A are made as of August 8, 2013 and accordingly are subject to change after such date. The REIT does not undertake to update any forward-looking statements that are included in this MD&A, whether as a result of new information, future events or otherwise, except as expressly required by applicable securities laws. Additional information about risks and uncertainties is contained in FAM REIT's annual information form for the period from formation, August 27, 2012, to December 31, 2012 available on SEDAR at www.sedar.com.

Non-IFRS Financial Measures

The REIT has included certain non-IFRS financial measures throughout this MD&A. Management believes that in addition to conventional measures prepared in accordance with IFRS, investors in the real estate industry use these non-IFRS financial measures to evaluate the REIT's performance and ability to generate cash flows. Accordingly, these non-IFRS financial measures are intended to provide additional information and should not be considered in isolation or as a substitute for performance measures prepared in accordance with IFRS. In addition, they do not have standardized meanings and may not be comparable to measures used by other issuers in the real estate industry or other industries. The non-IFRS financial measures included in this MD&A are as follows:

Net operating income ("NOI")

The REIT calculates net operating income as revenue from investment properties less property operating expenses.

Earnings before interest, taxes, depreciation and amortization ("EBITDA")

The REIT calculates EBITDA as net income before income taxes, depreciation and amortization, fair value adjustments to investment properties and financial instruments, realized gains or losses on disposals of investment properties and finance costs.

Funds From operations (“FFO”) and Adjusted Funds From Operations (“AFFO”)

FFO and AFFO are commonly acceptable and meaningful indicators of financial performance for the commercial real estate industry. However, FFO and AFFO are not measures defined under IFRS.

The REIT calculates FFO in accordance with the Real Property Association of Canada (“REALpac”) White Paper on FFO for IFRS which was issued in June 2010 and revised on September 2010 and November 2012. Specifically, the REIT calculates FFO as net income calculated in accordance with IFRS; adjusted for most non-cash expenses including amortization of capitalized leasing expenses, gains and losses on dispositions of investment properties; fair value adjustments to investment properties; fair value adjustments to Class B LP Units and warrants which are puttable instruments classified as financial liabilities; and distributions on Class B LP Units.

In calculating AFFO, the REIT makes certain adjustments to FFO for other non-cash items including straight-line rent, accretion to debt, amortization of deferred transaction costs, and fair value adjustments to interest rate swaps; deducts capital expenditures (recoverable and non-recoverable) and capitalized leasing costs; and adds the interest rate subsidy (as described under “Section 4 – Financial Condition, Interest Rate and Capital Expenditures Subsidies” of this MD&A). The method applied by the REIT to calculate AFFO may differ from methods applied by other issuers in the real estate industry and therefore may not be comparable with measures reported by such issuers.

Core FFO and Core AFFO

Management believes that the computation of FFO and AFFO includes certain items that are not indicative of the results provided by the REIT’s operating portfolio and affect the comparability of the REIT’s period-over-period performance. These items include, but are not limited to, non-recurring expenses such as defeasance costs related to the discharge of a mortgage and transaction costs on a potential property acquisition that was terminated. Therefore, in addition to FFO and AFFO, management uses Core FFO and Core AFFO to exclude such items. Management believes that Core FFO and Core AFFO are useful supplemental measures, however, these may not be comparable to the adjusted or modified FFOs or AFFOs of other REITs.

Debt to EBITDA leverage ratio

The REIT calculates its leverage ratio as total debt divided by annualized EBITDA. Debt to EBITDA leverage ratio is a widely used and meaningful metric for the assessment of creditworthiness and debt default probability. This metric indicates the number of years required for the REIT’s unleveraged operating earnings (i.e. before depreciation, amortization, transaction costs, gains/losses, fair value adjustments, and taxes) to cover or repay all indebtedness.

Indebtedness ratio (also referred to as Debt to Gross Book Value, or “Debt/GBV”)

The REIT calculates indebtedness ratio as total debt (excluding deferred transaction costs), including mortgages payable, mark-to-market adjustment on mortgages, vendor take-back loan and amounts drawn under the revolving credit facility; divided by total assets. The indebtedness ratio is a measure of the REIT’s financial risk and determines the percentage of the REIT’s assets financed by debt.

Interest coverage ratio

The REIT calculates the interest coverage ratio as EBITDA for the period divided by interest expensed during the period. Specifically, interest expense is computed as net finance costs adjusted for the interest subsidy, less non-cash items including gain/loss from interest rate swaps, de-recognition and/or amortization of mark-to-market adjustments on mortgages, amortization of deferred financing costs, accretion on the vendor take-back loan, and defeasance costs. The interest coverage ratio is a measure of the REIT's ability to service its debt.

Debt service coverage ratio

The REIT calculates the debt service coverage ratio as EBITDA divided by the debt service requirements for the period, whereby the debt service requirements reflects principal repayments and interest paid during the period. Payments related to defeasance, prepayment penalties, and/or payments upon discharge of a mortgage are excluded from the calculation. The debt service coverage ratio is a measure of the REIT's ability to meet annual interest and principal payments.

Pay-out ratio

The REIT calculates the pay-out ratio as distributions divided by AFFO for the period. The pay-out ratio is a measure of the REIT's ability to sustain its distributions, when compared to its cash flow capacity.

Review and Approval by the Board of Trustees

The Board of Trustees, upon the recommendation of its Audit Committee, approved the contents of this MD&A on August 8, 2013.

Financial Highlights and Key Performance Indicators

(\$000s unless otherwise noted and except per unit amounts)	Three months ended June 30, 2013	Forecast - Three months ended June 30, 2013 ⁽¹⁾	Six months ended June 30, 2013	Forecast - Six months ended June 30, 2013 ⁽¹⁾
Revenue from investment properties	\$ 6,601	\$ 5,887	\$ 12,682	\$ 11,962
Net operating income	4,130	3,582	8,016	7,346
Net income and comprehensive income	4,162	1,548	11,160	3,270
Funds from operations – As Reported	2,879	2,019	5,368	4,212
Funds from operations – Core	2,081	2,019	4,059	4,212
FFO per unit (basic and diluted ⁽²⁾⁽⁴⁾) – As Reported	\$ 0.34	\$ 0.24	\$ 0.64	\$ 0.50
FFO per unit (basic and diluted ⁽²⁾⁽⁴⁾) – Core	\$ 0.25	\$ 0.24	\$ 0.48	\$ 0.50
Adjusted funds from operations – As Reported	1,121	1,745	3,031	3,662
Adjusted funds from operations – Core	2,046	1,745	3,956	3,662
AFFO per unit (basic and diluted ⁽²⁾⁽⁴⁾) – As Reported	\$ 0.13	\$ 0.21	\$ 0.36	\$ 0.44
AFFO per unit (basic and diluted ⁽²⁾⁽⁴⁾) – Core	\$ 0.24	\$ 0.21	\$ 0.47	\$ 0.44
Distributions per unit - basic and diluted ⁽²⁾⁽³⁾	\$ 0.19	\$ 0.19	\$ 0.38	\$ 0.38
AFFO pay-out ratio – Core ⁽³⁾⁽⁴⁾	76%	90%	79%	86%
Net operating income by asset class				
Industrial	\$ 1,447	\$ 1,386	\$ 2,896	\$ 2,801
Office	2,256	1,825	4,296	3,799
Retail	427	371	824	746
	\$ 4,130	\$ 3,582	\$ 8,016	\$ 7,346
Net operating income by geographic location				
Manitoba	\$ 1,866	\$ 1,875	\$ 3,966	\$ 3,900
Ontario	1,261	804	2,072	1,607
Saskatchewan	385	322	733	648
Alberta	482	451	975	931
Northwest Territories	136	130	270	260
	\$ 4,130	\$ 3,582	\$ 8,016	\$ 7,346
Interest coverage ratio (times)	2.4x	2.7x	2.6x	2.8x
Debt to EBITDA leverage ratio (times) ^{(5)*}	9.3x	NF	8.7x	NF
Debt service coverage ratio (times)	1.5x	NF	1.6x	NF
Indebtedness ratio (%)*	56.6%	NF		
Weighted average mortgage interest rate*	4.8%	NF		
Same-property occupancy*	97.3%	92.3%		
Occupancy*				
Industrial	100.0%	95.3%		
Office	95.4%	92.6%		
Retail	90.4%	82.1%		
	96.9%	92.6%		
Square footage leased (sq. ft)*	1,690,701	1,536,466		
Rentable square footage (sq. ft.)*	1,745,292	1,659,633		

* at period – end

NF = Not forecasted

(1) For information purposes only, select forecast financial information for the three months and six months ended June 30, 2013 have been included in this MD&A, based on the financial forecast in the initial public offering documents.

(2) The basic weighted average number of units outstanding used in the per unit calculations includes the weighted average of all REIT units and Class B LP units.

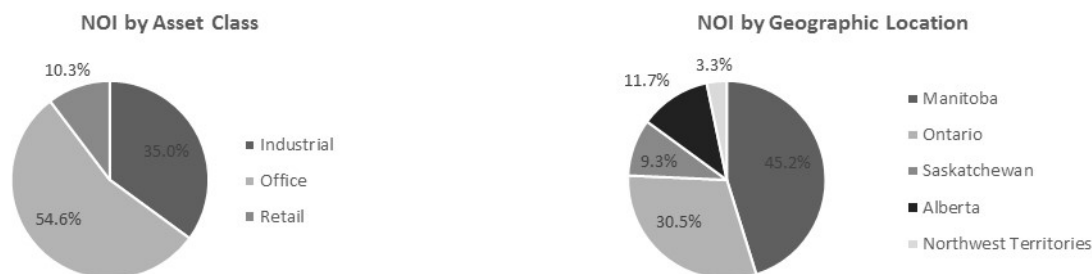
(3) Excludes distributions related to the four-day stub period from December 28, 2012 to December 31, 2012.

(4) The reconciliation between FFO – As Reported and FFO - Core is on page 23 of this MD&A. The reconciliation between AFFO – As Reported and AFFO – Core is on page 25 of this MD&A.

(5) Calculated based on average debt outstanding divided by annualized EBITDA.

Financial and Operational Highlights

Six Months Ended June 30, 2013



The REIT did not have operations from formation date of August 27, 2012 to December 28, 2012. To better assist investors gain insight into the REIT's performance, we have included the initial public offering ("IPO") forecast for the three months and six months ended June 30, 2013 for comparative purposes.

Portfolio Performance

Overall portfolio occupancy was 96.9% as at June 30, 2013, which includes the acquisition of an approximately 170,000 square foot office building municipally known as 4211 Yonge Street, Toronto, Ontario ("4211 Yonge") and excludes 220 Portage Avenue, Winnipeg, Manitoba ("220 Portage"), which was disposed of during the second quarter. On a same-property basis, occupancy was 97.3% as at June 30, 2013, which is ahead of the forecasted occupancy rate of 92.3% due to higher than expected tenant retention and lease-up of vacant space.

The REIT achieved NOI of \$4.1 million for the three months and \$8.0 million for the six months ended June 30, 2013 compared to the IPO forecast of \$3.6 million and \$7.3 million for the same periods. NOI was ahead of IPO forecast due to higher than expected tenant retention, lease-up of vacant space, the acquisition of 4211 Yonge, and partly offset by the sale of 220 Portage.

Funds From Operations

Core FFO per unit was \$0.25 for the three months and \$0.48 for the six months ended June 30, 2013. These results were relatively consistent with the IPO forecast for FFO per unit of \$0.24 for the three months and \$0.50 for the six months ended June 30, 2013.

For the three months ended June 30, 2013, the four items excluded from Core FFO were: (i) \$0.18 per unit fair value gain on interest rate swaps, (ii) \$0.03 per unit gain from the release of the mark-to-market adjustment on mortgages that were refinanced or repaid during the period, (iii) \$0.07 per unit of defeasance costs related to the discharge of the 220 Portage mortgage, which was incurred in conjunction with the disposition, and (iv) \$0.04 per unit of aborted transaction costs related to an acquisition that the REIT is no longer pursuing.

For the six months ended June 30, 2013, the four items excluded from Core FFO were: (i) \$0.18 per unit fair value gain on interest rate swaps, (ii) \$0.09 per unit gain from the release of the mark-to-market adjustment on mortgages that were refinanced or repaid during the period, (iii) \$0.07 per unit of defeasance costs related to the discharge of the 220 Portage mortgage, which was incurred in conjunction

with the disposition, and (iv) \$0.04 per unit of aborted transaction costs related to an acquisition that the REIT is no longer pursuing.

Adjusted Funds From Operations

Core AFFO per unit was \$0.24 for the three months and \$0.47 for the six months ended June 30, 2013. These results were ahead of the IPO forecast for AFFO per unit of \$0.21 for the three months and \$0.44 for the six months ended June 30, 2013.

The positive variance to the IPO forecast is due to higher than expected tenant retention across the portfolio, lease up of vacant space, the acquisition of 4211 Yonge, and partly offset by the sale of 220 Portage.

For the three months and six months ended June 30, 2013, the two items excluded from Core AFFO were: (i) \$0.07 per unit of defeasance costs related to the discharge of the 220 Portage mortgage which was incurred in conjunction with the disposition, and (ii) \$0.04 per unit of aborted transaction costs related to an acquisition which the REIT is no longer pursuing.

Payout Ratio

The cash distribution payout ratio as a percentage of Core AFFO per unit was 76% and 79% for the three and six month periods ended June 30, 2013, respectively. These results were ahead of the IPO forecast of 90% and 86% for the three and six month periods ended June 30, 2013, respectively.

Net Income

Net income for the three months ended June 30, 2013 was \$4.2 million, ahead of the forecasted \$1.5 million. Higher than forecasted NOI accounted for \$0.5 million of the positive variance, while the balance was driven by fair value gains on interest rate swaps of \$1.5 million, financial instruments of \$1.3 million, and investment properties of \$0.5 million. These positive variances were partly offset by defeasance costs of \$0.6 million related to the discharge of the 220 Portage mortgage and \$0.3 million of aborted transaction costs for an acquisition that the REIT is no longer pursuing.

Net income for the six months ended June 30, 2013 was \$11.2 million, ahead of the \$3.3 million forecast. Higher than forecasted NOI accounted for \$0.7 million of the positive variance, while the balance was driven by fair value gains on interest rate swaps of \$1.5 million, financial instruments of \$2.0 million, and investment properties of \$4.9 million. These positive variances were slightly offset by \$0.6 million of defeasance costs and \$0.3 million of aborted transaction costs for an acquisition that the REIT is no longer pursuing.

Recent Developments

On April 30, 2013, the REIT completed the sale of its 50% interest in 220 Portage for \$20.5 million, subject to certain adjustments. After taking into account the repayment of the existing first mortgage, debt extinguishment costs and closing adjustments, net cash proceeds from the disposition was \$13.5 million.

On May 1, 2013, the REIT acquired 4211 Yonge from a third party for \$43.1 million, and incurred acquisition costs of \$0.8 million. The financing for the acquisition consisted of a \$25.0 million mortgage, approximately \$13.5 million of net cash proceeds from the disposition of 220 Portage Ave, and the remaining balance from the REIT's existing liquidity.

In July 2013, the REIT 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 \$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.

On August 2, 2013, in connection with the acquisition of The Promontory, the REIT completed its public offering of 2,230,000 trust units, at a price of \$9.00 per trust unit, for gross proceeds of approximately \$20.0 million. The REIT 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. 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 REIT’s revolving credit facility.

Concurrent with the closing of the offering, the REIT issued 425,532 trust units on a private placement basis to Huntingdon, the manager of the REIT, 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 REIT 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 REIT’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 offering costs of \$1.3 million.

Section 2 BUSINESS OVERVIEW

Current Business Environment

The Canadian commercial real estate industry has been buoyed in recent years by healthy underlying property demand fundamentals, low vacancy rates across all major property sectors, and minimal new supply. Fuelled by low interest rates and robust availability of debt and equity capital, this has created an environment where Canadian commercial real estate prices have recently surpassed peak of cycle valuations achieved in 2007 immediately before the onset of the global financial crisis.

As outlined in our MD&A for the period ended December 31, 2012, a key risk of the current environment is a sudden spike in borrowing costs, either through widening credit spreads and/or rising interest rates. During the second quarter of 2013, long-term government bond yields exhibited significant volatility, with US 10-year treasury yields initially declining to generationally low levels approaching 1.6% in May 2013, and subsequently increasing by 80-100 bps. The catalyst was the US Federal Reserve communicating its plan to begin tapering its quantitative easing program. Government of Canada bond yields are highly correlated to US treasuries and followed the same path over this period.

Global capital markets interpreted the Federal Reserve's message as a clear inflection point in monetary policy, triggering a sharp negative reaction in global fixed income markets and yield oriented equity securities, including REITs.

As a result, Canadian REITs, which had benefitted from a nearly uninterrupted bull market since early 2009, is now experiencing its first major correction post the global financial crisis. The S&P/TSX Capped REIT Index is down approximately 16% since reaching a peak on April 30, 2013. To the extent that government bond yields continue to rise, we believe that the REIT sector remains vulnerable in the near term to further downward pressure on unit prices.

To protect against downside risk, we believe prudent property investors must carefully monitor debt levels and liquidity on a continuous basis, as the timing of macro shocks are either difficult or near impossible to accurately predict. In a period of rising interest rates and increased capital market volatility, we believe that strong liquidity, low leverage and the utilization of long-term fixed rate debt financing will best serve the interests of our unitholders. FAM REIT has proactively addressed these risks through its recent equity financing and decision to utilize ten year fixed rate mortgage financing for both property acquisitions subsequent to the IPO.

Despite the recent increase on government bond yields, we continue to believe that the global economy remains in a structurally low growth and low inflation environment. This will ultimately make it difficult for central banks to pursue aggressive tightening monetary policies in the near to medium term. Notwithstanding current market volatility, we believe income oriented investing remains a secular theme which is underpinned by aging demographic trends.

The demographic shift drives a greater need for current income to support retirement living as opposed to long-term capital gains. This has been a major driving force in recent years, and this trend is likely to continue for the next two decades due to the aging boomer cohort. We believe aging demographics in developed countries will continue to drive income oriented investing.

Core Business and Objectives

FAM REIT's trust units and warrants are listed on the Toronto Stock Exchange ("TSX") and traded under the symbols "F.UN" and "F.WT", respectively.

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. On December 28, 2012, the REIT completed its initial public offering of offered units, which comprised of trust units and warrants, and acquired a portfolio of 27 income-producing office, industrial, and retail properties located in four provinces and one territory of Canada (the "Initial Properties"). The REIT had no operations prior to December 28, 2012.

The objectives of the REIT are to: (i) provide unitholders with stable and growing cash distributions from investments focused on industrial, office and retail properties initially in Canada, on a tax efficient basis; (ii) enhance the value of the REIT's assets and maximize long-term trust unit value through active management; and (iii) expand the asset base of the REIT and increase the REIT's AFFO per trust unit, including through accretive acquisitions.

As stewards of capital for our unitholders (who are the true owners of the business which we manage on their behalf), we believe our job is to manage downside risk and build an "all weather" REIT, which is capable of successfully navigating through the full commercial real estate cycle.

The REIT is externally managed and operated by Huntingdon Capital Corp.'s experienced team of real estate professionals. Senior management has a considerable track record in real estate ownership and management, debt and equity capital markets, M&A and turnaround investing. Huntingdon's interests are aligned with the unitholders of the REIT through its sponsorship and as the REIT's largest unitholder.

Our Board of Trustees provides strong oversight and deep experience in all aspects of commercial real estate (transactional, operational, development and leasing), capital markets, securities law, risk management and financial accounting/reporting.

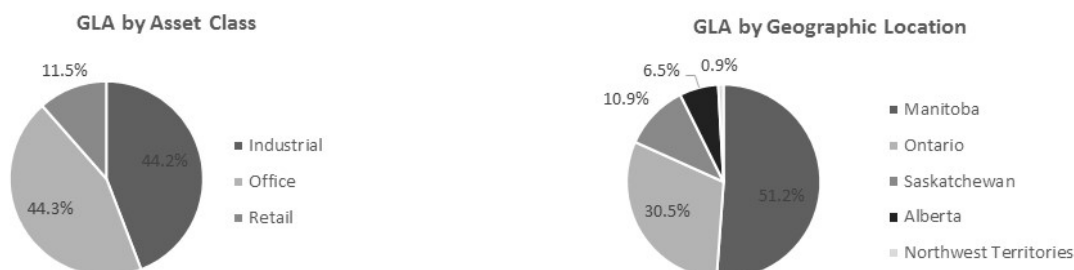
Portfolio

The REIT's properties are located in Alberta, Saskatchewan, Manitoba, Ontario and the Northwest Territories, and consist of a well-balanced mix of properties across the industrial, office and retail real estate asset classes. The diversity of properties is expected to reduce the REIT's exposure to negative trends that may arise within particular sectors, while increasing management's ability to capitalize on differential supply and demand characteristics that may exist across sectors. The composition of the portfolio of investment properties is set out in the following table:

	Gross Leasable Area (sq. ft.)					As at December 31, 2012	
	Industrial	Office	Retail	As at June 30, 2013 Total	%	Total	%
Manitoba	414,031	415,645	63,439	893,115	51.2%	978,194	58.9%
Ontario	258,960	273,917	-	532,877	30.5%	362,139	21.8%
Saskatchewan	-	84,243	106,145	190,388	10.9%	190,388	11.5%
Alberta	97,680	-	15,757	113,437	6.5%	113,437	6.8%
Northwest Territories	-	-	15,475	15,475	0.9%	15,475	0.9%
Total	770,671	773,805	200,816	1,745,292	100.0%	1,659,633	100.0%
Percentage (%)	44.2%	44.3%	11.5%	100.0%			

As at December 31, 2012				
Total	770,671	688,146	200,816	1,659,633
Percentage (%)	46.4%	41.5%	12.1%	100.0%

As at June 30, 2013



A summary of occupancy for the portfolio is set out in the following table:

	Occupancy Rate (%)				As at
	Industrial	Office	As at June 30, 2013 Retail	Total	December 31, 2012 Total
Manitoba	100.0%	94.8%	100.0%	97.6%	97.7%
Ontario	100.0%	95.6%	-	97.7%	100.0%
Saskatchewan	-	98.0%	82.9%	89.6%	89.3%
Alberta	100.0%	-	92.5%	99.0%	99.0%
Northwest Territories	-	-	100.0%	100.0%	100.0%
Total	100.0%	95.4%	90.4%	96.9%	97.4%
As at December 31, 2012	100.0%	96.5%	90.1%	97.4%	

Outlook

Our existing portfolio continues to perform well, and based on our current leasing pipeline we expect to maintain same-property occupancy at or above 96% and a 94% tenant retention rate in 2013.

The Promontory acquisition, together with the REIT's previously completed property transactions (including the acquisition of 4211 Yonge and the disposition of 220 Portage) are expected to generate approximately \$2.1 million of pro-forma annualized AFFO, and are accretive by 4% on a leverage neutral basis to AFFO per unit as compared to our 2013 IPO forecast.

Strategy

Internal Growth

The REIT's internal growth strategy includes the following:

- **Maintaining strong tenant relationships and achieving high retention rates.** The REIT will nurture its relationships with existing tenants by anticipating and adapting to their changing needs and being proactive with lease renewals. Since June 30, 2011, the REIT's Initial Properties have experienced a 95% tenant retention rate.
- **Maximizing rental income through leasing initiatives.** Many of the REIT's properties are located in areas with low vacancy rates and minimal new competitive supply, which should minimize leasing costs and allow the REIT to replace in-place rents with increased market rents as leases expire. Management also seeks to include contractual rent escalators in leases to further facilitate growth in rental income.
- **Active management of operating costs and utilization of preventative maintenance programs.** Site visits, inspections and preventive maintenance programs are utilized to ensure properties are well maintained and operating expenses are minimized. The geographic clustering of certain assets within the Initial Properties is expected to provide economies of scale in local markets, translating into stable and competitive operating expenses.

External Growth

The REIT's external growth strategy includes the following:

- **Value creation focus.** Value creation on a per unit basis will always be the guiding principle to the REIT's overall acquisition program. The concept of AFFO per unit "accretion" will always be measured on a leverage-neutral basis.
- **Opportunistically divesting assets.** Capital recycling is a key component of the overall growth strategy in order to continuously improve the overall risk-return profile of the portfolio.
- **Multiple avenues to sourcing acquisitions.** Acquisitions of commercial real estate properties will be selected for strategic fit, organic growth and high grading the overall quality of the portfolio. The REIT is agnostic in terms of acquiring individual assets, property portfolios, or through M&A.
- **Geographic expansion, increasing diversity and reducing the REIT's cost of capital.** Management anticipates an expanded geographic footprint and increasing focus on primary markets will result in a reduction in the REIT's cost of capital which will facilitate further growth and reduce borrowing costs.
- **Right of First Offer with Huntingdon Capital Corp.** The REIT will leverage its relationship with Huntingdon and access the industrial, office and retail properties owned or subsequently acquired by Huntingdon. The REIT expects Huntingdon to offer its assets to the REIT as properties become stabilized and suitable under the REIT's investment criteria. The REIT has a right of first offer on properties to be sold by Huntingdon that meet the REIT's investment criteria.

Section 3 REVIEW OF FINANCIAL AND OPERATIONAL RESULTS

Summary of Selected Financial Information

(\$000s unless otherwise noted and except per unit amounts)	Three months ended June 30, 2013	Forecast - Three months ended June 30, 2013 ⁽¹⁾	Six months ended June 30, 2013	Forecast – Six months ended June 30, 2013 ⁽¹⁾
Revenue from investment properties	\$ 6,601	\$ 5,887	\$ 12,682	\$ 11,962
Property operating expenses	(2,471)	(2,305)	(4,666)	(4,616)
Net operating income	\$ 4,130	\$ 3,582	\$ 8,016	\$ 7,346
General and administration	\$ (930)	\$ (363)	\$ (1,500)	\$ (726)
Finance costs, net	(793)	(1,671)	(2,115)	(3,350)
Fair value adjustment to financial instruments	1,323	-	1,983	-
Fair value adjustment on investment properties	519	-	4,863	-
Loss on disposal of investment properties	(87)	-	(87)	-
Net income and comprehensive income	\$ 4,162	\$ 1,548	\$ 11,160	\$ 3,270
Total assets*	\$ 232,218	NF		
Total debt ^{(2)*}	\$ 131,547	NF		

* at period-end

NF = Not forecasted

(1) For information purposes only, select forecast financial information for the three months and six months ended June 30, 2013 have been included in this MD&A. Forecast net income does not include any fair value adjustments to investment properties or financial instruments; or the interest rate swaps which would be included in finance costs.

(2) Includes mortgages payable, mark-to-market adjustment on acquisition, vendor take-back loan, and amounts drawn under the revolving credit facility.

Review of Financial Results

Revenue from Investment Properties

Revenue from investment properties includes rent from tenants under lease agreements, straight-line rental income, percentage rents, property taxes and operating cost recoveries, and other incidental income.

Revenue from investment properties of \$6.6 million for the three months and \$12.7 million for the six months ended June 30, 2013 were ahead of forecasted revenue primarily due to incremental revenues from the acquisition of 4211 Yonge, which were partially offset by the sale of 220 Portage.

Property Operating Expenses

Property operating expenses consists of property taxes, property management fees, and other expenses such as common area costs, utilities, and insurance. The majority of the REIT's operating expenses are recoverable from tenants in accordance with the terms of the tenants' lease agreements. Operating cost recoveries are included in revenue from investment properties and amounted to \$2.3 million for the three months and \$4.2 million for the six months ended June 30, 2013.

Property operating expenses of \$2.5 million for the three months and \$4.7 million for the six months ended June 30, 2013 were slightly higher than forecasted property operating expenses due to net

incremental expenses from the acquisition of 4211 Yonge and sale of 220 Portage and lower repairs and maintenance costs.

General and administration

General and administration expenses primarily comprise asset management fees, professional fees, trustee fees, and other reporting fees.

General and administration expenses for the three months ended June 30, 2013 were \$0.9 million, which were higher than the forecasted general and administration expenses of \$0.4 million. This was largely due to aborted transaction costs of \$0.3 million related to a potential property acquisition that was terminated, as well as post-closing IPO costs related to the structuring of the REIT's various entities of \$0.1 million.

General and administration expenses for the six months ended June 30, 2013 were \$1.5 million, which were higher than the forecasted general and administration expenses of \$0.7 million. This was primarily due to aborted transaction costs of \$0.3 million associated with a potential property acquisition that was terminated, and other transactional-related costs of \$0.2 million associated with both post-closing IPO costs and trustee fees associated with additional meetings to discuss both the sale of 220 Portage and the acquisition of 4211 Yonge.

Finance costs

Finance costs primarily consists of mortgage interest expense, distributions to unitholders of Class B LP units, defeasance costs, interest expense on both the vendor take-back loan and the revolving credit facility, non-cash accretion expense, the amortization of the mark-to-market adjustment on mortgages, and gain/loss on interest rate swaps.

Finance costs for the three months ended June 30, 2013 were \$0.8 million, which were lower than forecasted finance costs of \$1.7 million. This was primarily due to the unrealized fair value gain on interest rate swaps of \$1.5 million, which was partially offset by defeasance costs of \$0.6 million related to the discharge of the 220 Portage mortgage.

Finance costs for the six months ended June 30, 2013 were \$2.1 million, which were lower than forecasted finance costs of \$3.4 million. This was largely due to the unrealized fair value gain on interest rate swaps of \$1.5 million, and the release of the mark-to-market adjustment on mortgages refinanced or discharged of \$0.7 million. These items were slightly offset by defeasance costs of \$0.6 million related to the discharge of the 220 Portage mortgage.

Fair value adjustments to financial instruments

The Class B LP Units issued to Huntingdon on December 28, 2012, as partial consideration for the acquisition of the Initial Properties, are exchangeable into trust units of the REIT on a one-for-one basis at the option of Huntingdon. The Class B LP Units are considered puttable financial instruments to the REIT, and are recognized in the consolidated financial statements as financial liabilities measured at fair value through profit or loss. The fair value is re-measured at the end of each reporting period. During the three months ended June 30, 2013, the REIT recognized a \$1.1 million unrealized fair value gain on the Class B LP Units, which represented a decrease in the fair value per unit from \$9.95 to \$9.50. During the six

months ended June 30, 2013, the REIT recognized a \$1.5 million unrealized fair value gain, which reflected a decrease in the fair value per unit from \$10.10 to \$9.50.

The trust unit purchase warrants issued on December 28, 2012 in connection with the REIT's IPO are considered puttable instruments to the REIT, and are recognized in the consolidated financial statements as financial liabilities measured at fair value through profit or loss. The fair value is re-measured at the end of each reporting period. During the three months ended June 30, 2013, the REIT recognized a \$0.2 million unrealized fair value gain on the warrants, which represented a decrease in the fair value per warrant from \$0.30 to \$0.18. During the six months ended June 30, 2013, the REIT recognized a \$0.5 million unrealized fair value gain, which reflected a decrease in the fair value per unit from \$0.48 to \$0.18.

Fair value adjustments to investment properties

In accordance with IFRS, the REIT measures its investment properties at fair value at the end of each reporting period. The fair values of investment properties are determined 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 or a direct comparison approach.

During the three months ended June 30, 2013, the REIT recognized a net fair value gain of \$0.5 million primarily due to improved cash flow metrics in certain properties. During the six months ended June 30, 2013, the REIT recognized a net fair value gain of \$4.9 million. This reflects the gain associated with the sale of 220 Portage, which was partially offset by a reduction in estimated fair value of two tertiary market properties due to changes in valuation assumptions.

Income taxes

The REIT is a mutual fund trust and real estate investment trust pursuant to the Income Tax Act (Canada). Under the Income Tax Act (Canada), so long as the REIT meets prescribed conditions relating to the nature of its assets and revenue (the "REIT Conditions"), the REIT is not liable to pay Canadian income taxes provided that its taxable income is fully distributed to unitholders during the period. Management intends to operate the REIT in a manner that enables the REIT to continue to meet the REIT Conditions and to distribute all of its taxable income to unitholders. It therefore has not recognized any current or deferred income taxes in its consolidated financial statements for the period from December 31, 2012 to June 30, 2013.

Segmented Information

The REIT invests in three property asset classes and currently operates in five geographic locations. Management measures the performance of the REIT on a combined basis of financial and operating results by asset class and geographic location as follows:

Net operating income

(\$000s except percentages)

	Three months ended June 30, 2013	Forecast - Three months ended June 30, 2013 ⁽¹⁾	Six months ended June 30, 2013	Forecast - Six months ended June 30, 2013 ⁽¹⁾
Revenue from investment properties	\$ 6,601	\$ 5,887	\$ 12,682	\$ 11,962
Property operating expenses	(2,471)	(2,305)	(4,666)	(4,616)
Net operating income	\$ 4,130	\$ 3,582	\$ 8,016	\$ 7,346
Margin (%)	62.6%	60.8%	63.2%	61.4%

(1) For information purposes only, selected forecast financial information for the three months and six months ended June 30, 2013 has been included in this MD&A.

The following table summarizes NOI by asset class and geographic location:

Net Operating Income (\$000s except percentages)					
Three months ended June 30, 2013					
	Industrial	Office	Retail	Total	Percentage (%)
Manitoba	\$ 589	\$ 1,146	\$ 131	\$ 1,866	45.2%
Ontario	436	825	-	1,261	30.5%
Saskatchewan	-	285	100	385	9.3%
Alberta	422	-	60	482	11.7%
Northwest Territories	-	-	136	136	3.3%
	\$ 1,447	\$ 2,256	\$ 427	\$ 4,130	100.0%
Percentage (%)	35.0%	54.6%	10.3%	100.0%	

The following table summarizes forecasted NOI by asset class and geographic location:

Forecasted - Net Operating Income (\$000s except percentages)⁽¹⁾					
Three months ended June 30, 2013					
	Industrial	Office	Retail	Total	Percentage (%)
Manitoba	\$ 562	\$ 1,188	\$ 125	\$ 1,875	52.4%
Ontario	432	372	-	804	22.4%
Saskatchewan	-	265	57	322	9.0%
Alberta	392	-	59	451	12.6%
Northwest Territories	-	-	130	130	3.6%
	\$ 1,386	\$ 1,825	\$ 371	\$ 3,582	100.0%
Percentage (%)	38.7%	50.9%	10.4%	100.0%	

(1) For information purposes only, selected forecast financial information for the three months and six months ended June 30, 2013 have been included in this MD&A.

Industrial Properties

The actual and forecasted results of operations for the three months and six months ended June 30, 2013 are set out below:

(stated in \$000s, unless otherwise noted)	Three months ended June 30, 2013	Forecast - Three months ended June 30, 2013 ⁽¹⁾	Six months ended June 30, 2013	Forecast - Six months ended June 30, 2013 ⁽¹⁾
<i># of properties (period-end)</i>			11	11
<i>Owned GLA (000s of sf) (period-end)</i>			771	771
<i>Occupancy rate (%) (period-end)</i>			100.0%	95.3%
Revenue from investment properties	1,915	1,889	3,849	3,808
Property operating expenses	(468)	(503)	(953)	(1,007)
Net operating income	1,447	1,386	2,896	2,801
Margin %	75.6%	73.4%	75.2%	73.6%

(1) For information purposes only, selected forecast financial information for the three months and six months ended June 30, 2013 have been included in this MD&A.

Net operating income for industrial properties was \$1.4 million for the three months and \$2.9 million for the six months ended June 30, 2013, which were relatively consistent with the forecasted NOI.

Office Properties

The actual and forecasted results of operations for the three months and six months ended June 30, 2013 are set out below:

(stated in \$000s, unless otherwise noted)	Three months ended June 30, 2013	Forecast - Three months ended June 30, 2013 ⁽¹⁾	Six months ended June 30, 2013	Forecast - Six months ended June 30, 2013 ⁽¹⁾
<i># of properties (period-end)</i>			12	12
<i>Owned GLA (000s of sf) (period-end)</i>			774	688
<i>Occupancy rate (%) (period-end)</i>			95.4%	92.6%
Revenue from investment properties	4,028	3,359	7,516	6,872
Property operating expenses	(1,772)	(1,534)	(3,220)	(3,073)
Net operating income	2,256	1,825	4,296	3,799
Margin %	56.0%	54.3%	57.2%	55.3%

(1) For information purposes only, selected forecast financial information for the three months and six months ended June 30, 2013 have been included in this MD&A.

Net operating income for office properties was \$2.3 million for the three months and \$4.3 million for the six months ended June 30, 2013, which were ahead of forecasted NOI. This was primarily due to higher than expected tenant retention in the Manitoba office portfolio, incremental NOI from the acquisition of 4211 Yonge, and partially offset by the disposition of 220 Portage.

Retail Properties

(stated in \$000s, unless otherwise noted)	Three months ended June 30, 2013	Forecast - Three months ended June 30, 2013 ⁽¹⁾	Six months ended June 30, 2013	Forecast - Six months ended June 30, 2013 ⁽¹⁾
# of properties (period-end)			4	4
Owned GLA (000s of sf) (period-end)			201	201
Occupancy rate (%) (period-end)			90.4%	82.1%
Revenue from investment properties	658	639	1,317	1,282
Property operating expenses	(231)	(268)	(493)	(536)
Net operating income	427	371	824	746
Margin %	64.9%	58.1%	62.6%	58.2%

(1) For information purposes only, selected forecast financial information for the three months and six months ended June 30, 2013 have been included in this MD&A.

Net operating income for retail properties was \$0.4 million for the three months and \$0.8 million for the six months ended June 30, 2013, which were consistent with the forecasted NOI.

Productive Capacity

Productive capacity is defined as the square footage of leasable area owned by the REIT. In assessing the effectiveness of productive capacity, management reviews the occupancy rate.

The following table summarizes occupancy performance by asset class and geographic location:

	Occupancy Rate (%)			
	As at June 30, 2013			
	Industrial	Office	Retail	Total
Manitoba	100.0%	94.8%	100.0%	97.6%
Ontario	100.0%	95.6%	-	97.7%
Saskatchewan	-	98.0%	82.9%	89.6%
Alberta	100.0%	-	92.5%	99.0%
Northwest Territories	-	-	100.0%	100.0%
	100.0%	95.4%	90.4%	96.9%

Same Property Analysis

The comparative net operating income results on a same property and sequential basis are as follows:

((\$000s - same property basis)	Three months ended June 30, 2013	Three months ended March 31, 2013	Historical - Three months ended December 31, 2012 ⁽¹⁾
Industrial	\$ 1,447	\$ 1,449	\$ 1,416
Office	1,704	1,723	1,751
Retail	427	397	307
Total	\$ 3,578	\$ 3,569	\$ 3,474

(1) Represents historical results for the properties for the three months ended December 31, 2012.

On a same property basis, the results for the three months ended June 30, 2013 were relatively consistent with the three months ended March 31, 2013, and 3.0% or \$0.1 million higher than the historical results for the three months ended December 31, 2012, due to higher occupancy and lower non-recoverable expenses.

Funds From Operations

FFO is a supplemental non-IFRS financial measure of operating performance widely used in the Canadian real estate industry. FFO is not defined under IFRS and should not be used as a substitute to net income, cash flow from operations, or any other operating or liquidity measure prescribed under IFRS. Instead, FFO has been included to provide readers and investors of the REIT with additional information to improve their understanding of the operating results of the REIT. FFO when compared period over period reflects the impact on operations of trends in occupancy levels, rental rates, operating costs and property taxes, acquisition activities and interest costs, and provides a perspective of the financial performance that is not immediately apparent from net income determined in accordance with IFRS.

The REIT calculates FFO in accordance with the REALpac White Paper on Funds from Operations and Core FFO as described in the “Non-IFRS Measures” section of this MD&A. The reconciliation of FFO and Core FFO to net income is as follows:

(\$000s unless otherwise noted and except per unit amounts)	Three months ended June 30, 2013	Forecast - Three months ended June 30, 2013 ⁽¹⁾	Six months ended June 30, 2013	Forecast - Six months ended June 30, 2013 ⁽¹⁾
Net income	\$ 4,162	\$ 1,548	\$ 11,160	\$ 3,270
Add (deduct):				
Amortization of leasing costs	1	-	4	-
Distributions on Class B LP Units	471	471	963	942
Fair value adjustment to financial instruments	(1,323)	-	(1,983)	-
Loss on disposition of investment property	87	-	87	-
Fair value adjustment to investment properties	(519)	-	(4,863)	-
Funds from operations – As Reported	\$ 2,879	\$ 2,019	\$ 5,368	\$ 4,212
Add (deduct):				
De-recognition of mark-to-market adjustment on mortgages refinanced or discharged	(244)		(723)	
Fair value gain on interest rate swap	(1,479)		(1,511)	
Defeasance costs	598		598	
Aborted transaction costs	327		327	
Funds from operations – Core	\$ 2,081	\$ 2,019	\$ 4,059	\$ 4,212
Weighted average number of units outstanding (000s) ⁽²⁾ :				
Basic and diluted	8,394	8,394	8,394	8,394
Per unit (basic and diluted)				
FFO per unit – As Reported	\$ 0.34	\$ 0.24	\$ 0.64	\$ 0.50
FFO per unit – Core	\$ 0.25	\$ 0.24	\$ 0.48	\$ 0.50

(1) For information purposes only, selected forecast financial information for the three months and six months ended June 30, 2013 have been included in this MD&A.

(2) The basic and weighted average number of units outstanding includes the weighted average of all REIT units and Class B LP units.

For the three months ended June 30, 2013, FFO on an as reported basis was \$0.34 per unit, compared to the IPO forecast of \$0.24 per unit. Adjusting for the non-recurring items below, FFO for the three months and six months ended June 30, 2013 were relatively consistent with the financial forecast. These non-recurring items, on a net basis, amount to a \$0.8 million gain (\$0.10 per unit):

- Unrealized fair value gain of \$1.5 million (\$0.18 per unit) on the interest rate swaps;
- Unrealized gain of \$0.2 million (\$0.02 per unit) related to the release of the mark-to-market adjustment on mortgages discharged during the quarter;
- Defeasance costs of \$0.6 million (\$0.07 per unit) associated with the discharge of the 220 Portage mortgage; and
- Aborted transaction costs of \$0.3 million (\$0.04 per unit) related to a potential property acquisition that was terminated.

For the six months ended June 30, 2013, FFO was \$0.64 per unit, compared to the IPO forecast of \$0.50 per unit. Non-recurring items, which amount to a net \$1.3 million gain (\$0.16 per unit) consist of:

- Unrealized fair value gain of \$1.5 million (\$0.18 per unit) on the interest rate swaps;
- Unrealized gain of \$0.7 million (\$0.09 per unit) related to the release of the mark-to-market adjustment on mortgages refinanced or discharged during the period;
- Defeasance costs of \$0.6 million (\$0.07 per unit) associated with the discharge of the 220 Portage mortgage; and
- Aborted transaction costs of \$0.3 million (\$0.04 per unit) related to a potential property acquisition that was terminated.

Adjusted Funds from Operations

The operations of a real estate business require extensive capital expenditures to both maintain and increase the productive capacity of existing properties and rental revenue streams. These expenditures include replacements and major repairs of component parts of the underlying properties (for example: roofing, heating, ventilating and air conditioning equipment, paving) referred to as maintenance capital expenditures. In addition to maintenance capital expenditures, expenditures on leasing costs including leasing commissions and tenant improvements and inducements, are fundamental to the operating activities of a real estate business. AFFO is a widely used non-IFRS financial measure in the Canadian real estate industry to indicate available cash flow after maintenance capital expenditures and leasing costs. AFFO is not defined under IFRS and the method applied by the REIT to calculate AFFO may differ from methods applied by other issuers in the real estate industry and, as a result, may not be comparable with measures used by such other issuers.

In calculating AFFO, the REIT makes certain adjustments to FFO for other non-cash items as described in the “Non-IFRS Measures” section of this MD&A.

The reconciliation of AFFO to the REIT's FFO is as follows:

(\$000s unless otherwise noted and except per unit amounts)	Three months ended June 30, 2013	Forecast - Three months ended June 30, 2013 ⁽¹⁾	Six months ended June 30, 2013	Forecast - Six months ended June 30, 2013 ⁽¹⁾
Funds from operations	\$ 2,879	\$ 2,019	\$ 5,368	\$ 4,212
Add (deduct):				
Interest rate subsidy ⁽²⁾	143	158	313	316
Accretion on vendor take-back loan	69	-	136	-
Amortization of deferred transaction costs	36	18	83	36
Capital expenditures	(12)	(169)	(71)	(338)
Tenant improvements and leasing expenditures	(45)	(40)	(122)	(79)
Amortization of straight-line rent	(113)	(83)	(212)	(169)
Amortization of mark-to-market adjustment on mortgages	(113)	(158)	(230)	(316)
De-recognition of mark-to-market adjustment on mortgages refinanced	(244)	-	(723)	-
Fair value gain on interest rate swap	(1,479)	-	(1,511)	-
Adjusted funds from operations – As Reported	\$ 1,121	\$ 1,745	\$ 3,031	\$ 3,662
Add:				
Defeasance costs	598		598	
Aborted transaction costs	327		327	
Adjusted funds from operations – Core	\$ 2,046	\$ 1,745	\$ 3,956	\$ 3,662
Weighted average number of units outstanding (000s) ⁽³⁾ :				
Basic and diluted	8,394	8,394	8,394	8,394
Per unit (basic and diluted)				
AFFO per unit – As Reported	\$ 0.13	\$ 0.21	\$ 0.36	\$ 0.44
AFFO per unit – Core	\$ 0.24	\$ 0.21	\$ 0.47	\$ 0.44

(1) For information purposes only, selected forecast financial information for the three months and six months ended June 30, 2013 have been included in this MD&A.

(2) The interest rate subsidy is described in further detail under "Section 4 – Financial Condition, Interest Rate and Capital Expenditures Subsidies" of this MD&A.

(3) The basic and weighted average number of units outstanding includes the weighted average of all REIT units and Class B LP units.

Core AFFO per unit was \$0.24 for the three months and \$0.47 for the six months ended June 30, 2013. These results are ahead of the IPO forecast for AFFO per unit of \$0.21 for the three months and \$0.44 for the six months ended June 30, 2013.

The positive variance to the IPO forecast is due to higher than expected tenant retention across the portfolio, lease up of vacant space, the acquisition of 4211 Yonge, and partly offset by the sale of 220 Portage.

For the three months and six months ended June 30, 2013, the two items excluded from AFFO were: (i) \$0.07 per unit of defeasance costs related to the discharge of the 220 Portage mortgage which was incurred in conjunction with the disposition, and (ii) \$0.04 per unit of aborted transaction costs related to an acquisition which the REIT is no longer pursuing.

Leasing costs and maintenance capital expenditures can vary from period to period depending on various factors including the lease expiry profile of the REIT's properties, tenant quality, asset type, local market conditions, and the need for repairs and maintenance and other building requirements. There is often a

delay between lease commencement and the expenditures on leasing costs and maintenance capital expenditures due to the timing of the installation of tenant improvements and the required inspections and certifications. As a result, AFFO can experience volatility when comparing period-over-period results.

Leasing costs and maintenance capital expenditures for the three months and six months ended June 30, 2013 were as follows:

(\$000s unless otherwise noted and except per unit amounts)	Three months ended June 30, 2013	Six months ended June 30, 2013
Tenant improvements and leasing commissions		
Renewals		
Office	\$ 29	\$ 89
Industrial	16	16
Retail	-	17
	45	122
Recoverable capital expenditures		
Major maintenance items	-	49
Recurring capital expenditures	12	22
	12	71
Total	\$ 57	\$ 193

There were no non-recoverable capital expenditures during the three months and six month periods ended June 30, 2013.

Cash Distributions

The REIT's Board of Trustees has full discretion with respect to the timing and extent of cash distributions, including the adoption, amendment or revocation of any distribution policy. In determining the amount of monthly cash distributions paid to unitholders, the Board of Trustees applies discretionary judgment to forward-looking cash flow information, including forecasts and budgets. As net income calculated in accordance with IFRS recognizes certain revenues and expenses at time intervals that do not match the receipt of or the payment of cash, the Board of Trustees considers AFFO when establishing cash distributions to unitholders, as well as other factors. The excess of AFFO over cash distributions represents a measure of operating cash flow retained in the business.

It is the REIT's intention to make distributions to unitholders at least equal to the amount of net income and net realized capital gains of the REIT as is necessary to ensure that the REIT will not be liable for current income taxes. The REIT intends to make pro rata monthly cash distributions to its unitholders, including Huntingdon as the holder of the Class B LP Units, initially equal to, on an annual basis, approximately 95% of AFFO based on the IPO forecast for 2013.

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 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 REIT may initially issue up to 295,000 trust units of the REIT under the DRIP. The REIT 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 REIT's Board of Trustees, (b) the approval of any stock exchange upon which the trust units trade, and (c) public disclosure of such increase.

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. Based on the performance to date, the REIT expects that its distributions for the year to be no less than 50% tax deferred. The sale of 220 Portage created a taxable capital gain which cannot be offset in its entirety from the REIT's available deductions.

During the six months ended June 30, 2013, the REIT declared monthly distributions of \$0.0625 per unit, with the exception of January 2013. The REIT 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.

The table below reconciles AFFO to cash flow from operating activities reported in the consolidated financial statements of the REIT for the three months and six months ended June 30, 2013:

(\$000s)	Three months ended June 30, 2013	Six months ended June 30, 2013
Cash flow (used in) from operating activities	\$ (474)	\$ 1,929
Add (deduct):		
Changes in non-cash working capital	1,646	774
Tenant improvements	(45)	(122)
Capital expenditures	(12)	(71)
Distributions paid on Class B LP Units	471	806
Interest rate subsidy	143	313
Defeasance costs	(598)	(598)
Other	(10)	-
Adjusted funds from operations	\$ 1,121	\$ 3,031

The table below illustrates that the REIT has sufficient cash flow capacity, based on AFFO on an ex-items basis, to sustain its cash distributions:

(\$000s)	Three months ended June 30, 2013	Six months ended June 30, 2013
Adjusted funds from operations	1,121	3,031
Adjustments		
Defeasance costs on 220 Portage mortgage	598	598
Aborted transaction costs	327	327
Core AFFO	\$ 2,046	\$ 3,956
Distributions - trust units	1,102	2,253
Distributions - Class B LP units	471	963
Total distributions declared	1,573	3,216
Less: distributions related to four day stub-period from December 28 - 31, 2012	-	(69)
Distributions declared excluding four day stub-period	\$ 1,573	\$ 3,147
Distributions reinvested in units (DRIP)	(13)	(13)
Distributions payable in cash excluding four day stub-period	\$ 1,560	\$ 3,134
Excess of Core AFFO over cash distributions	\$ 486	\$ 822

Summary of Selected Quarterly Information

	Q2 2013	Q1 2013	Q4 2012 ⁽¹⁾
Revenues from investment properties	\$ 6,601	\$ 6,081	\$ 234
Net income and comprehensive income	4,162	6,998	12,348
		-	-
Per Unit ⁽²⁾			
- Basic	\$ 0.71	\$ 1.19	\$ 2.10
- Diluted	\$ 0.42	\$ 0.85	\$ 1.50

(1) Basic and diluted net income for the three months ended December 31, 2012 was based on the four day period from December 28, 2012, the IPO date, to December 31, 2012.

(2) The weighted average number of units reflects the REIT units, and excludes the Class B LP units.

The financial results for the three months ended December 31, 2012 reflected the operations of the Initial Properties from December 28, 2012, the date of acquisition. Net income for the three months ended December 31, 2012 also reflected \$12.8 million in unrealized net fair value gains on its investment properties.

Revenues from investment properties have increased in the three months ended June 30, 2013 compared to the three months ended March 31, 2013 as a result of the 4211 Yonge acquisition, partially offset by the disposition of 220 Portage.

Net income for each of the periods in the table above reflect fair value gains in investment properties and financial instruments.

Section 4 FINANCIAL CONDITION

Liquidity and Capital Resources

The principal liquidity needs of the REIT arise from working capital requirements; debt servicing and repayment obligations, which include mortgages payable, amounts drawn on the revolving credit facility and a vendor take-back loan; distributions to unitholders; obligations to redeem outstanding puttable trust units at the option of the unitholders; planned funding of maintenance and leasing costs; and future investment property acquisition funding requirements.

Cash flows from operating the REIT's property portfolio, available funding under the REIT's revolving credit facility and cash on hand represent the primary sources of liquidity for working capital requirements, debt servicing, distributions to unitholders, and planned funding of maintenance and leasing costs. Cash flows from operations are dependent upon rental occupancy levels, rental rates, collection of rents, operating costs and recoveries of operating costs.

Debt Strategy

The REIT's obligations with respect to debt repayments, redemption of outstanding trust units which are puttable at the option of the unitholders and funding requirements for future investment property acquisitions will be primarily funded by refinancing the REIT's maturing debt, financing unencumbered properties, or future issuances of trust units and debentures.

The REIT's overall borrowing policy is to obtain secured mortgage financing on a primarily fixed rate basis, with terms to maturity that are appropriate having regard to the lease maturity profiles of the underlying properties and which allows the REIT to (i) achieve and maintain staggered debt maturities that reduce its exposure to interest rate fluctuations and re-financing risk in any particular period and (ii) fix rates and extend loan terms when borrowing conditions are favourable; and floating rate secured short-term, construction and/or revolving debt. The fixed rate mortgages are expected to be comprised primarily of first charge mortgages. Subject to market conditions and the growth of the REIT, management currently intends to maintain total indebtedness at approximately 50% - 55% of the REIT's gross book value ("GBV"). The success of this strategy is dependent upon debt market parameters existing at the time of borrowing, as well as the particular features and quality of the underlying assets being financed. If this strategy is unsuccessful, mortgage principal repayments would be funded by operating cash flows, additional draws under the REIT's revolving credit facility, financing of unencumbered income-producing properties or by issuances of equity or debt securities. As at June 30, 2013, the REIT's unencumbered income-producing properties had a fair value of \$5.6 million.

In accordance with the Declaration of Trust dated August 27, 2012, which was amended and restated on December 27, 2012 ("DOT"), the REIT may not incur or assume any indebtedness if, after giving effect to the incurring or assumption of such indebtedness, the total indebtedness of the REIT would exceed 65% of the GBV of the REIT's assets.

Interest rates and debt maturities are reviewed regularly by the REIT's Board of Trustees to ensure the appropriate debt management strategies are implemented.

Leverage and Interest Coverage Ratios

(\$000s unless otherwise noted)

	For the three months ended June 30, 2013	For the six months ended June 30, 2013
Weighted average:		
Mortgages payable	\$ 104,957	\$ 100,061
Vendor take-back loan	9,180	9,180
Revolving credit facility	4,652	4,261
Weighted average amount of indebtedness	\$ 118,789	\$ 113,502

	Three months ended June 30, 2013	Forecast - Three months ended March 31, 2013 ⁽¹⁾	Six months ended June 30, 2013	Forecast - Six months ended June 30, 2013 ⁽¹⁾
EBITDA	\$ 3,200	\$ 3,218	\$ 6,516	\$ 6,619
Debt to EBITDA leverage ratio (times) ⁽²⁾	9.3x	NF	8.7x	NF
Interest expense ⁽³⁾	\$ 1,320	\$ 1,190	\$ 2,504	\$ 2,372
Interest coverage ratio (times)	2.4x	2.7x	2.6x	2.8x
Debt service requirements:				
Interest expense	\$ 1,320		\$ 2,504	
Principal repayments	783		1,486	
Total debt service requirements	\$ 2,103	NF	\$ 3,990	NF
Debt service coverage ratio (times)	1.5x	NF	1.6x	NF

(1) For information purposes only, selected forecast financial information for the three months and six months ended June 30, 2013 have been included in this MD&A.

(2) The calculation of the Debt to EBITDA leverage ratio is based on average debt outstanding divided by annualized EBITDA.

(3) Interest expense is computed as net finance costs adjusted for the interest subsidy, less non-cash items including gain/loss from interest rate swaps, de-recognition and/or amortization of mark-to-market adjustments on mortgages, amortization of deferred financing costs, accretion on the vendor take-back loan, and defeasance costs.

Mortgage Repayment Schedule

There is a risk that lenders will not refinance maturing debt on terms and conditions acceptable to the REIT or on any terms at all. The risk associated with the refinancing of maturing debt is mitigated as the maturity dates of the REIT's mortgage portfolio are staggered over a number of years.

The following table outlines the REIT's annual principal payments and mortgage maturity schedule, together with the annual weighted average interest rates:

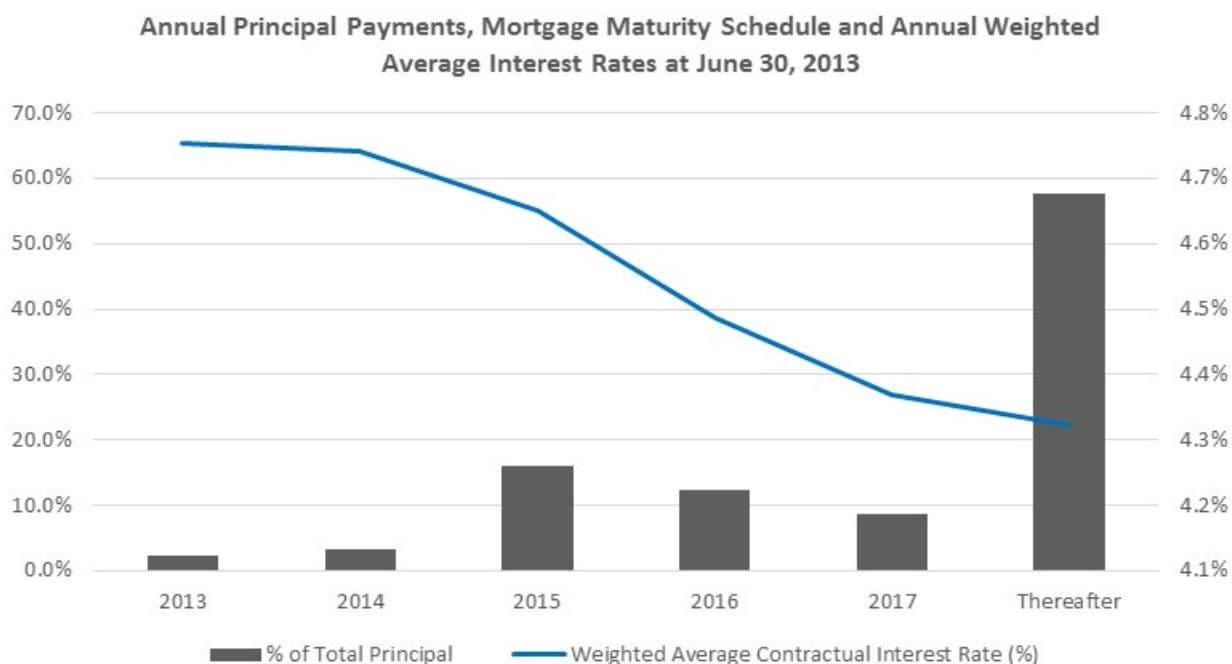
For the periods ending December 31,	Annual Principal Payments (\$000s)	Principal Repayments on Maturity (\$000s)	Total (\$000s)	Percentage (%)	Weighted Average Contractual Interest Rate (%) ⁽¹⁾⁽²⁾
2013	\$ 1,684	\$ 924	\$ 2,608	2.4%	4.8%
2014	3,476	-	3,476	3.1%	4.7%
2015	3,544	13,985	17,529	15.9%	4.7%
2016	2,898	10,624	13,522	12.3%	4.5%
2017	2,749	6,750	9,499	8.6%	4.4%
Thereafter	8,624	55,070	63,694	57.7%	4.3% ⁽³⁾
	\$ 22,975	\$ 87,353	\$ 110,328	100.0%	

- (1) Pursuant to the acquisition agreement with Huntingdon, the total purchase price payable for the Initial Properties acquired on December 28, 2012 was reduced by \$1.9 million in respect of an interest rate subsidy. The interest rate subsidy will be used to subsidize the REIT's mortgage interest payments to achieve an annual blended cash interest rate of 4.5 percent for the years 2013 to 2017.
- (2) Includes payments under interest rate swaps. As at June 30, 2013, the REIT had interest rate swaps with a notional amount of \$24.9 million and \$4.2 million, which entitle the REIT to pay interest at an annual fixed rate of 3.68% and 5.89%, respectively, and receive interest at floating rates.
- (3) Represents the weighted average interest rate at December 31, 2017.

During the three months ended June 30, 2013, the REIT discharged a \$5.9 million mortgage related to 220 Portage and repaid a maturing \$5.0 million mortgage related to Saskatchewan Place. In connection with the 4211 Yonge acquisition, the REIT entered into a mortgage financing of \$25.0 million for a term of ten years at an interest rate of 3.68%.

During the six months ended June 30, 2013, the REIT refinanced \$18.7 million in mortgages for additional proceeds of \$4.0 million. The properties were refinanced at fixed rates ranging from 4.29% to 4.91% for terms of five years.

The following chart outlines the REIT's annual principal payments and mortgage maturity schedule as at June 30, 2013, together with the annual weighted average interest rates:



Total Debt Repayments

The following table outlines the principal repayment schedule for the REIT's total debt with fixed repayment terms:

	Total	2013 ⁽¹⁾	2014	2015	For the periods ending December 31,		
					2016	2017	Thereafter
Mortgages payable	\$ 110,328	\$ 2,608	\$ 3,476	\$ 17,529	\$ 13,522	\$ 9,499	\$ 63,694
Vendor take-back loan	9,180	-	9,180	-	-	-	-
Revolving credit facility	11,373	-	11,373	-	-	-	-
	\$ 130,881	\$ 2,608	\$ 24,029	\$ 17,529	\$ 13,522	\$ 9,499	\$ 63,694

(1) For the remaining six months of 2013.

The REIT has a revolving credit facility that expires on November 30, 2014. In June 2013, the REIT increased its revolving credit facility from \$8.0 million to \$14.0 million. As at June 30, 2013, the REIT utilized \$11.4 million on the revolving credit facility. The equity issuance subsequent to June 30, 2013 was utilized in part to pay down the revolving credit facility. As at August 8, 2013, the REIT has \$nil outstanding on its revolving credit facility.

Unitholders' Equity

The REIT is authorized to issue an unlimited number of trust units. Each trust unit represents a proportionate undivided beneficial interest and voting right in the REIT and entitles the holder to an equal participation in distributions of the REIT. The trust units are redeemable at the option of the holder at any time. The trust units are traded on the TSX with a closing ask price of \$9.50 as at June 30, 2013.

The REIT is also authorized to create and issue an unlimited number of preferred units, in one or more classes comprised of unlimited series, having terms and conditions as may be determined by the Board of Trustees from time to time. There were no preferred units created or issued during the three and six months ended June 30, 2013.

As at June 30, 2013, the total number of trust units outstanding was 5,881,330. As at August 8, 2013, after giving effect to the offering, the private placement, the over-allotment option exercised by the underwriters, and the DRIP, the total number of trust units outstanding was 8,872,058.

Potential trust units:

As at June 30, 2013

	Number of Units
Class B LP Units	2,513,700
Warrants	1,598,550
	4,112,250

As partial consideration for the acquisition of the Initial Properties from Huntingdon, FAM LP issued 2,513,700 Class B LP Units of FAM LP to Huntingdon. The Class B LP Units are exchangeable into trust units of the REIT on a one-for-one basis, subject to anti-dilution adjustments. Each Class B LP Unit is accompanied by one special voting unit of the REIT providing the same voting rights in the REIT as the trust units of the REIT and is entitled to distributions of cash from FAM LP equal to the cash distributions paid to holders of trust units by the REIT. Huntingdon has agreed to retain all of its Class B LP Units for a

minimum of six months following the closing date of the acquisition and thereafter to retain 1,678,740 Class B LP Units for a minimum of 24 months following the closing date, subject to dilution exceptions. The Class B LP Units are recognized in the REIT's consolidated financial statements as financial liabilities measured at fair value through profit and loss. Upon exchange into trust units of the REIT, the carrying amount of the liability representing the fair value of the Class B LP Units on exchange date will be reclassified to unitholders' equity.

On December 28, 2012, on completion of its IPO, the REIT issued a total of 1,470,000 trust unit purchase warrants. Each whole 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. In addition, on January 29, 2013, the underwriters of the REIT's IPO exercised their over-allotment option and purchased 128,550 additional warrants. The warrants are recognized in the consolidated financial statements of the REIT as financial liabilities measured at fair value through profit or loss. Upon exercise, the carrying amount of the liability representing the fair value of the warrants on exercise date will be reclassified to unitholders' equity. The warrants are traded on the TSX with a closing ask price of \$0.18 as at June 30, 2013.

Interest Rate and Capital Expenditures Subsidies

On December 28, 2012, in connection with the acquisition of the Initial Properties, the total purchase price payable by the REIT 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 REIT'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 the five year period to December 2017, representing the market interest rate on similar debt. The remaining \$3.0 million retained will be used to subsidize capital expenditures on the Initial Properties in excess of the normalized maintenance capital expenditure level of \$675,000 on an annual basis for the five year period to December 2017. The capital expenditures subsidy received has been recorded as a contra account to investment properties and will be reduced as the subsidy is utilized.

The amounts retained for both the interest rate and capital expenditures subsidies can be utilized by the REIT for operational matters but must be ultimately replenished to fund the required interest payments and capital expenditures. The table below summarizes the movements related to the interest rate subsidy for the six months ended June 30, 2013:

	Six months ended June 30, 2013	
Balance, beginning of period	\$	1,874
Amortization of subsidy		(313)
Subsidy written-off		(99)
Balance, end of period	\$	1,462

The interest rate subsidy of \$312,788 was utilized during the six months ended June 30, 2013 to reflect the blended interest rate of 4.5% on the mortgages payable related to the Initial Properties. The interest rate subsidy of \$99,394 was written-off in connection with the discharge of the 220 Portage mortgage.

The table below summarizes the movements related to the capital expenditures subsidy for the six months ended June 30, 2013:

	Six months ended June 30, 2013
Balance, beginning of period	\$ 2,991
Capital expenditures subsidy utilized	-
Balance, end of period	\$ 2,991

Related Party Transactions

The REIT has a management agreement with Huntingdon (the "Management Agreement") as disclosed in the Annual Financial Statements. During the three and six months ended June 30, 2013, the REIT 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
Acquisition fees	433	433
Leasing, financing, and construction management fees	84	120
	\$ 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 REIT'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 REIT and payable by the REIT 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.

Section 5 Significant Accounting Policies, Critical Judgments and Key Estimates

Effective January 1, 2013, the REIT 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 REIT's condensed consolidated interim financial statements.

Under IFRS 11, joint arrangements are classified as either joint operations or joint ventures. The Trust'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 Trust's interest in those assets, liabilities,

revenues and expenses. The Trust'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 and its interest in a jointly controlled asset meets the definition of a joint operation under IFRS 11. As a result, the adoption of IFRS 11 did not have a material impact on the REIT'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 REIT's condensed consolidated interim financial statements.

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 REIT is currently evaluating the impact of IFRS 9 on its condensed consolidated interim financial statements.

The preparation of financial statements in accordance with IFRS 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. Estimates are based on historical experience and on various assumptions that are reasonable under the circumstances. Actual results could differ from the estimated amounts.

Critical Judgments

The critical judgments made by management, apart from those involving estimations, that have the most significant effect on the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the period are as follows:

Business combinations

The REIT 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 REIT has determined that the acquisition of the Initial Properties on December 28, 2012 constituted an asset acquisition.

Leases

The REIT 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 REIT is the lessee, are operating or finance leases. The REIT has determined that none of its leases are finance leases.

Income taxes

The REIT 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.

Key Estimates

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

Valuation of investment properties

The fair value of investment properties is determined either internally by management or externally by qualified third party appraisers. The critical estimates and assumptions used in completing the valuations 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 property operations, and capitalization and discount rates arrived at through an independent analysis of market data within the applicable market segment and geographic location. Valuations are most sensitive to changes in discount rates and capitalization rates.

Provision for decommissioning

The critical estimates and assumptions underlying the provision for decommissioning in relation to a certain ground lease includes, among other things, the future costs of restoration at the end of the ground lease and duration of the ground lease, the rate of inflation and discount rate.

Section 6 Risks and Uncertainties

For a full list and explanation of the REIT's risks and uncertainties, please refer to the REIT's Annual Information Form for the period from formation, August 27, 2012, to December 31, 2012, available on SEDAR at www.sedar.com.

In the normal course of business, the REIT is exposed to financial risks that arise from its financial instruments. The mandate of the REIT's Board of Trustees includes identifying and managing the REIT's

risk exposure. Other than the use of interest rate swaps to reduce the impact of floating rate mortgages, the REIT does not use hedging transactions to manage risk. As a part of the overall operation of the REIT, management takes steps to avoid undue concentrations of risks. The following describes the types of risks that the REIT is exposed to and its objectives and policies for managing those risk exposures:

Liquidity risk

Liquidity risk is the risk that the REIT will encounter difficulty in meeting its debt and other financial obligations as they mature. Refer to the discussion under Section 4 – Financial Condition on Liquidity and Capital Resources of the REIT.

Interest rate risk

Interest rate risk is the risk that changes in market interest rates may have an effect on the cash flows or fair values of the REIT's financial instruments. The Canadian economy in recent years has been a low interest rate environment. A reversal of this trend, however, could significantly affect the REIT's ability to meet its financial obligations. Interest rate cash flow risk is minimized by the REIT by having the majority of its mortgages on fixed term arrangements. In addition, the maturity dates of mortgages are staggered over a number of years to reduce the exposure in any one year. The REIT also utilizes interest rate swaps to fix interest rates on its floating rate mortgages. As at June 30, 2013, the REIT had two interest rate swaps outstanding with a notional amount of \$29.1 million.

As at June 30, 2013, the REIT had floating rate mortgages (excluding the mortgages associated with interest rate swaps) with an aggregate carrying amount of \$11.0 million, or 9.9% of total mortgages payable. Had the floating interest rates increased or decreased by 100 basis points, the increase or decrease in finance costs for the three and six months ended June 30, 2013 would have been nominal (\$0.1 million on an annual basis).

Credit risk

Credit risk is the risk that the REIT incurs a loss as a result of a counterparty not fulfilling its financial obligation. Credit risk is associated with the REIT's cash, restricted cash and accounts receivable. The REIT controls risks by avoiding undue concentration of assets in any geographic location, in any industry or with any specific tenants. This risk is further mitigated by signing long-term leases with tenants who have investment-grade credit ratings and investing cash in large financial institutions with strong credit ratings. The REIT has credit policies to address credit risk which are applied during lease negotiations and may include an analysis of the financial position of the debtor; and a review of credit limits, credit history and credit performance. In the event of a tenant default, delays or limitations in enforcing rights of the lessor may be experienced and substantial costs in protecting the REIT's investment may be incurred. Furthermore, at any time, a tenant of the REIT's properties may seek the protection of bankruptcy, insolvency or similar laws that could result in the rejection and termination of such tenant's lease and thereby cause a reduction in the cash flow available to the REIT. An allowance for doubtful accounts or other impairment provisions are established based upon factors surrounding credit risk, historical trends and other information. As at June 30, 2013, there was no allowance for doubtful accounts or any other impairment provisions recognized in the REIT's consolidated financial statements.

Lease Rollover Risk

Upon the expiry of any lease, there can be no assurance that the lease will be renewed or the tenant replaced. In addition, the terms of any subsequent leases may be less favourable than the existing lease terms. The REIT's ability to re-lease vacant space upon their lease expiry is affected by many factors. The failure to lease vacant space on a timely basis or at all could have a material adverse effect on the REIT's financial condition and results of operations.

To mitigate lease rollover risk, the REIT attempts to stagger its lease expiry profile so that the REIT is not faced with disproportionate amounts of space expiring in any one year. Management further mitigates this risk by maintaining a diversified portfolio of properties both by asset class and geographic location.

The following tables summarizes the weighted average remaining lease terms by asset class and geographic location:

Weighted Average Remaining Lease Term (years)				
As at June 30, 2013				
	Industrial	Office	Retail	Total
Manitoba	4.4	3.3	9.4	4.2
Ontario	12.9	4.3	-	8.5
Saskatchewan	-	1.4	2.6	2.0
Alberta	10.3	-	2.1	9.3
Northwest Territories	-	-	2.9	2.9
	8.0	3.4	5.0	5.7

As at June 30, 2013, approximately 1.7% of the REIT's tenancies are on a month-to-month basis. The following table outlines the expiries of tenant leases, by square footage, with respect to the REIT's property portfolio as at June 30, 2013:

	Month-to-month	Lease Expiries by Asset Class						Total
		2013	2014	2015	2016	2017	2018 and beyond	
Industrial								
Sq. ft. (000s)	-	11	138	-	36	89	496	770
Percentage (%)	0.0%	1.4%	17.9%	0.0%	4.7%	11.6%	64.4%	100.0%
Office								
Sq. ft. (000s)	14	125	46	100	167	22	266	740
Percentage (%)	1.9%	16.9%	6.1%	13.5%	22.6%	3.0%	35.9%	100.0%
Retail								
Sq. ft. (000s)	15	1	32	4	23	40	67	182
Percentage (%)	8.2%	0.5%	17.6%	2.2%	12.6%	22.0%	36.8%	100.0%
	29	137	216	104	226	151	829	1,692

Lease Expiries by Geographic Location (sq. ft. in 000s)								
	Month-to-month	2013	2014	2015	2016	2017	2018 and beyond	Total
Manitoba	12	121	143	34	85	102	376	873
Ontario	1	-	22	19	119	9	351	521
Saskatchewan	16	16	46	51	-	37	4	170
Alberta	-	-	5	-	10	-	98	113
Northwest Territories	-	-	-	-	12	3	-	15
	29	137	216	104	226	151	829	1,692
Percentage (%)	1.7%	8.1%	12.8%	6.1%	13.4%	8.9%	49.0%	100.0%

Environmental Risks

The REIT is subject to various federal, provincial and municipal laws relating to environmental matters, primarily dealing with costs of removal of certain hazardous substances and remediation of certain hazardous locations. The failure to remove or remediate such substances or locations, if any, could adversely affect the REIT's ability to sell or finance affected assets, and potentially result in claims against the REIT. Management is not aware of any material non-compliance with environmental laws or regulations with respect to the REIT's properties or of any pending or threatened investigations, actions, or claims against the REIT relating to environmental matters.

Land Leases

The REIT has one property that is situated on land leased from the Winnipeg Airport Authority in Winnipeg, Manitoba. There can be no assurance that the Winnipeg Airport Authority will renew the ground lease upon expiry in 2036. If the ground lease is not renewed, or if the REIT defaults under the ground lease, the REIT would be unable to operate the building situated on the leased land and may be required to relocate certain tenants to comparable space. Under this circumstance, the REIT may seek to acquire the replacement property. There can be no assurance that such property will be available for acquisition on favourable terms to the REIT or that any such acquired property will generate anticipated operating results. If the REIT is unable to provide alternative suitable space for its tenants, including construction of new buildings, the REIT would lose its tenants.

Income taxes

The REIT is a mutual fund trust and real estate investment trust pursuant to the Income Tax Act (Canada). Under the Income Tax Act (Canada), so long as the REIT meets prescribed conditions relating to the nature of its assets and revenue (the "REIT Conditions"), the REIT is not liable to pay Canadian income taxes provided that its taxable income is fully distributed to unitholders during the period. Management intends to operate the REIT in a manner that enables the REIT to continue to meet the REIT Conditions and to distribute all of its taxable income to its unitholders in order to avoid paying income taxes. In the event that the REIT fails to meet the REIT Conditions or to distribute the required amount of income to its unitholders, the REIT will be subject to current taxes at the combined Canadian federal and provincial tax rate. The applicable combined Canadian federal and provincial tax rate as at June 30, 2013 was 45.0%.

Competition

The real estate business is competitive. Numerous other developers, managers and owners of properties will compete with the REIT in seeking tenants. Some of the properties located in the same markets as the REIT's properties are newer, better located, less levered or have stronger tenant profiles than the REIT's properties. Some owners with properties located in the same markets as the REIT's properties may be better capitalized and may be stronger financially and hence better able to withstand an economic downturn. Competition from developers, managers and owners in the markets in which the REIT operates could have a negative effect on the REIT's ability to lease space, rental rates charged, or concessions granted, which could have an adverse effect on the REIT's financial condition and results of operation and decrease the amount of cash available for distribution to unitholders.

Competition for acquisitions of real properties can be intense and some competitors may have the ability or inclination to acquire properties at a higher price or on terms less favourable than those that the REIT may be prepared to accept. Increases in the availability of funds from investors and interests in real property investments, or a decrease in interest rates may increase competition, thereby increasing the prices paid by the REIT for property acquisitions and reducing the yield on the investments.

Current Economic Environment

Continued concerns and uncertainties surrounding inflation, deflation or stagflation, and the systemic impact of increased unemployment, volatile energy costs, geopolitical issues, the availability and cost of credit, the Canadian mortgage market and a distressed commercial real estate market have contributed to increased market volatility and weakened business and consumer confidence. This difficult operating environment could adversely affect the REIT's ability to maintain occupancy rates and generate revenues, thereby reducing its operating income and net earnings. If these economic conditions continue, the REIT's tenants and operators may be unable to meet their rental payments and other obligations due to the REIT, which could have a material adverse effect on the REIT's financial position.

Section 7 Disclosure Controls and Procedures

The REIT's management, under the supervision of its Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), is responsible for establishing and maintaining disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR").

DC&P are designed to provide reasonable assurance that information required to be disclosed by the REIT in annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in the securities legislation. Furthermore, DC&P are designed to ensure that information required to be disclosed by the REIT in annual filings, interim filings or other reports filed or submitted under securities legislation is accumulated and communicated to the REIT's management, including its CEO and CFO, as appropriate to allow timely decisions regarding required disclosure.

ICFR is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The Corporation has

adopted the Internal Control – Integrated Framework published by the Committee of Sponsoring Organizations of the Treadway Commission for the design of its ICFR.

No changes were made in the REIT's design of ICFR during the six months ended June 30, 2013, that have materially affected, or are reasonably likely to materially affect, the REIT's internal ICFR.

A control system, no matter how well conceived and operated, can provide only reasonable, and not absolute, assurance that the objectives of the control system are met. As a result of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues, including instances of fraud, if any, have been detected. These inherent limitations include, amongst other items: (i) that management's assumptions and judgments could ultimately prove to be incorrect under varying conditions and circumstances; or (ii) the impact of isolated errors.

Appendix A – Property Table as at June 30, 2013

A summary of details of the REIT's property portfolio as at June 30, 2013 is set out in the table below.

Asset Class	Property Name	City, Province	Year Built / Renovated/ Expanded	Ownership	GLA (sq. ft.)	Occupancy
INDUSTRIAL						
1.	35 Martin Way	Brooks, AB	2005	100%	28,400	100.0%
2.	5404 36th Street SE	Calgary, AB	1980	100%	36,000	100.0%
3.	7001 96th Street	Grande Prairie, AB	1980	100%	33,280	100.0%
4.	891 – 895 Century Street	Winnipeg, MB	1961 / 1968	100%	51,835	100.0%
5.	110 Lowson Crescent	Winnipeg, MB	1996	100%	60,903	100.0%
6.	130 Lowson Crescent	Winnipeg, MB	1999	100%	25,672	100.0%
7.	119 – 130 Plymouth Street	Winnipeg, MB	1977 / 1999	100%	43,364	100.0%
8.	1271 Sargent Avenue	Winnipeg, MB	1981 / 1984	100%	40,893	100.0%
9.	1855 Sargent Avenue	Winnipeg, MB	1953 / 1998	100%	77,500	100.0%
10.	1935 Sargent Avenue ⁽¹⁾	Winnipeg, MB	1962 / 1997	100%	113,864	100.0%
11.	505 Industrial Drive	Milton, ON	2002	100%	258,960	100.0%
TOTAL – INDUSTRIAL					770,671	100.0%
OFFICE						
12.	Saskatchewan Place	Regina, SK	1985	100%	84,243	98.0%
13.	280 Broadway Avenue ⁽²⁾	Winnipeg, MB	1957	100%	115,354	99.0%
14.	585 Century Street ⁽³⁾	Winnipeg, MB	1959	100%	9,680	100.0%
15.	220 Cree Crescent	Winnipeg, MB	1980	100%	18,000	100.0%
16.	1680 Ellice Avenue ⁽³⁾	Winnipeg, MB	1980	100%	29,843	89.8%
17.	1030 – 1040 Empress Street	Winnipeg, MB	1956 / 1983	100%	33,478	100.0%
18.	114 Garry Street	Winnipeg, MB	1950 / 1995	100%	74,248	100.0%
19.	1336 – 1340 Sargent Avenue	Winnipeg, MB	1950 / 1995	100%	42,092	100.0%
20.	895 Waverley Street	Winnipeg, MB	1991	100%	34,435	100.0%
21.	1000 Waverley Street	Winnipeg, MB	1966 / 1998	100%	58,515	70.4%
22.	4211 Yonge Street	Toronto, ON	1982	100%	170,738	93.0%
23.	1189 Colonel Sam Drive	Oshawa, ON	2001	100%	103,179	100.0%
TOTAL – OFFICE					773,805	95.4%
RETAIL						
24.	125 – 185 First Street	Cochrane, AB	1998	100%	15,757	92.5%
25.	Humboldt Mall	Humboldt, SK	1986	100%	106,145	82.9%
26.	Flin Flon Wal-Mart	Flin Flon, MB	2002	100%	63,439	100.0%
27.	Airport Road Shopping Centre	Yellowknife, NWT	1982 / 2003 ⁽⁵⁾	100%	15,475	100.0%
TOTAL – RETAIL					200,816	90.4%
TOTAL PROPERTIES					1,745,292	96.9%

Notes:

- (1) Leasehold interest.
- (2) Includes a seven-storey office building at 280 Broadway Avenue, a three-storey multi-family residential building located at 70 Smith Street and two parking lots located at 286 Broadway Avenue and 68 Smith Street; excludes the residential tenants at 70 Smith Street.
- (3) 1680 Ellice Avenue and 585 Century Street comprise the Century Business Park.
- (4) The REIT acquired 4211 Yonge on May 1, 2013.
- (5) The Airport Road Shopping Centre consists of two buildings. 307 Old Airport Road was originally built in 1993 and subsequently renovated in 2003. 309 Old Airport Road was originally built in 1982 and subsequently renovated in 2001.