RESEARCH REPORT

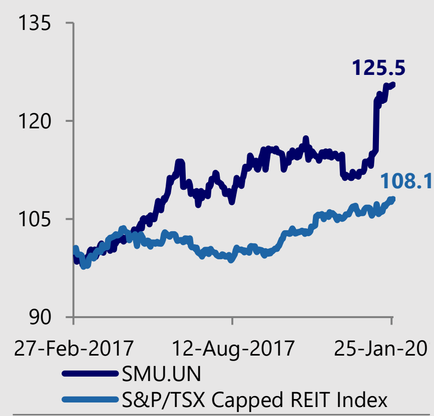
January 29, 2018

Stock Rating	BUY
Price Target	$9.07

Bear Case	Price Target	Bull Case
$7.75	$9.07	$9.75

Ticker	SMU.UN
Market Cap ($MM)	543
P/FFO NTM	13.0x
Net Debt/EBITDA	9.0x

52 Week Performance



Cash Yield

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Summit Industrial Income REIT
The REIT So Nice They Created It Twice

SMU.UN Buy Pitch

Investment Rationale:

Thesis I: Proven Strategy & Management Team

Thesis II: Strategic GTA Asset Concentration

Thesis III: Scalable Acquisition Platform

The CY team is looking to exit Pure Industrial REIT, as its thesis has been fully realized, and enter a new industrial name. We believe that SMU provides an excellent opportunity to capitalize on the GTA's robust market fundamentals and reweight our portfolio allocations to benefit from the positive subsector tailwinds. In our analysis of SMU, we assessed its management's competency, portfolio positioning, and strategic partnerships to determine its investment potential.

Valuation

In coming to our final target price, we decided to weight our valuation fully towards our net asset valuation model. The limited number of SMU's relevant comparables and diverging valuations compromised it as a viable way to determine SMU's value. In our net asset value model, we applied a 6.02% weighted average cap rate, based on its current property portfolio. This produced an implied twelve months target price of $9.07 and an all in-return of 18.17%. We remain confident in SMU's investment potential and have decided to enter the name at our earliest opportunity.

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Company Overview

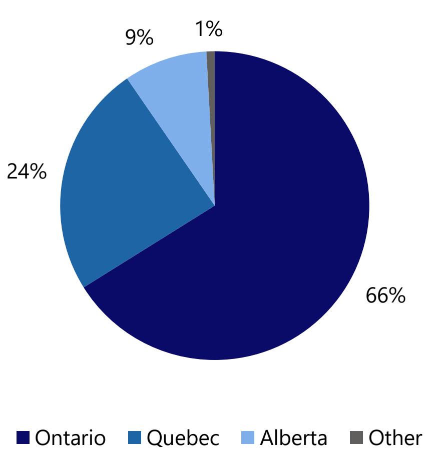
Summit Industrial Income REIT ("SMU") was listed publically under its current name in 2012 by the management team involved in the rapid growth and eventual $3.3 billion sale of the original Summit REIT to ING Real Estate in 2006. The original REIT was Canada's largest industrial property owner, with properties across all provinces (barring Newfoundland). Management's commitment to this new venture is illustrated by the large insider interest in SMU, at 10.20% as at Q3/17. As can be seen by SMU's current portfolio composition, Summit II has significantly narrowed its geographic focus to three core Canadian markets: the Greater Toronto Area (GTA), Greater Montreal Area (GMA), and, increasingly, Alberta. Within these core markets, the REIT focuses on the light industrial sector, characterized by one-story buildings in close proximity to major cities. This sub-segment attracts a diverse range of tenants utilizing these properties for warehousing, assembly, and shipping purposes. As of Q3/17, SMU has ~$700 million in assets, comprised of a portfolio of 65 properties totaling ~7.5 million s.f. of gross leasable area (GLA). SMU's portfolio of properties provide stable and predictable income, with total portfolio occupancy at 99.20%, a weighted-average lease term (WALT) of 6.1 years, and annual contractual rent steps averaging 1.60%.

SMU's expansionary efforts are centered on direct and JV developments, as well as disciplined acquisitions of properties in its core markets at or below replacement cost. In the first three quarters of 2017, SMU acquired 10 properties (~2 million s.f. GLA), compared to seven (~843,000 s.f. GLA) during the same period in 2016. SMU has, and continues to, benefit from the supply-demand imbalance of industrial properties in the GTA, as well as the strengthening GMA market, aided by its proximity to the U.S. SMU management recognizes that many attractive acquisition opportunities in the near-term may be focused in the recovering markets of Calgary and Edmonton.

In late December, 2017, SMU announced a JV with construction firm Urbacon to develop data center assets. This is an exclusive partnership, giving SMU access to all of Urbacon's data center projects moving forward. This initiative is seen as an attractive means for SMU to provide some portfolio diversification, while continuing to provide accretive opportunities for its unitholders.

EXHIBIT I

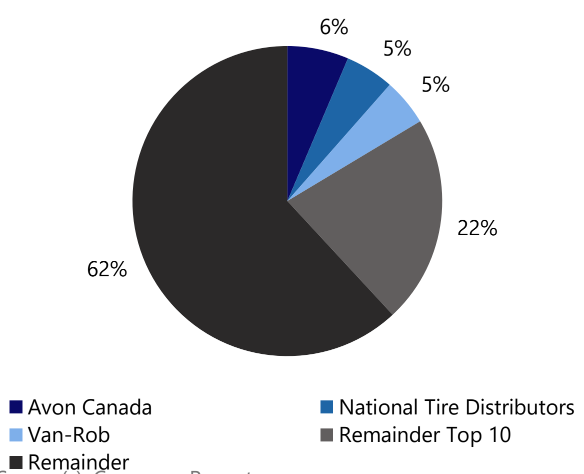
Current Geographic Mix (% of GLA)



Source(s): Company Reports

EXHIBIT II

SMU Tenant Concentration (as a % of total rent)



Source(s): Company Reports

Industrial Subsector Overview

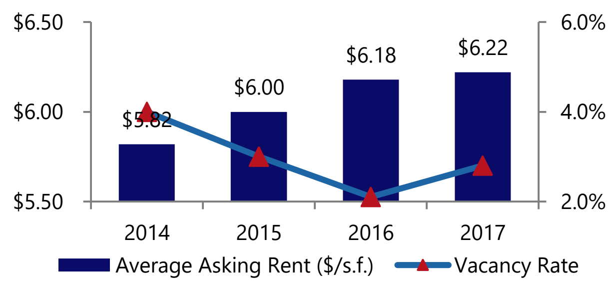
2017 was a great year for industrial REITs, as leading markets such as the Greater Vancouver Area (GVA) and Greater Toronto Area (GTA) continue to be some of the tightest real estate markets in terms of investment potential and pricing in North America. Net asking rents in Montreal have risen to their highest ever over the past year, while net absorption came in at 4.3 million s.f., almost doubling absorption experienced in 2016. Looking towards Albertan markets, we have continued to see a success story in Calgary's recovery, while Edmonton industrial markets have worsened as a result of the oil glut's effects on the energy industry. Through 2017, industrial cap rates across Canada have continued to compress, as the national average cap rate for both Class A and B properties fell by two and six basis points in the fourth quarter, respectively. In PWC's annual Emerging Trends in Canadian Real Estate report, the company identified fulfillment and warehousing as a best bet for 2018. Citing online commerce growth, researchers believe that demand will continue to rise, especially for properties with room for plenty of trucks, high ceilings, and computerized rack systems in order to facilitate efficient logistics and distribution. For the purpose of this report, we will be looking specifically at the GTA and Montreal industrial property markets, as ~90% of SMU's gross leasable area (GLA) is located in these regions.

Greater Toronto Area

The majority of the industrial cap rate compression occurred in Toronto over the past quarter, as the average Class A and B yields decreased by 12 and 25 basis points, respectively. Yield compression can largely be attributed to low availability rates, continued

EXHIBIT IV

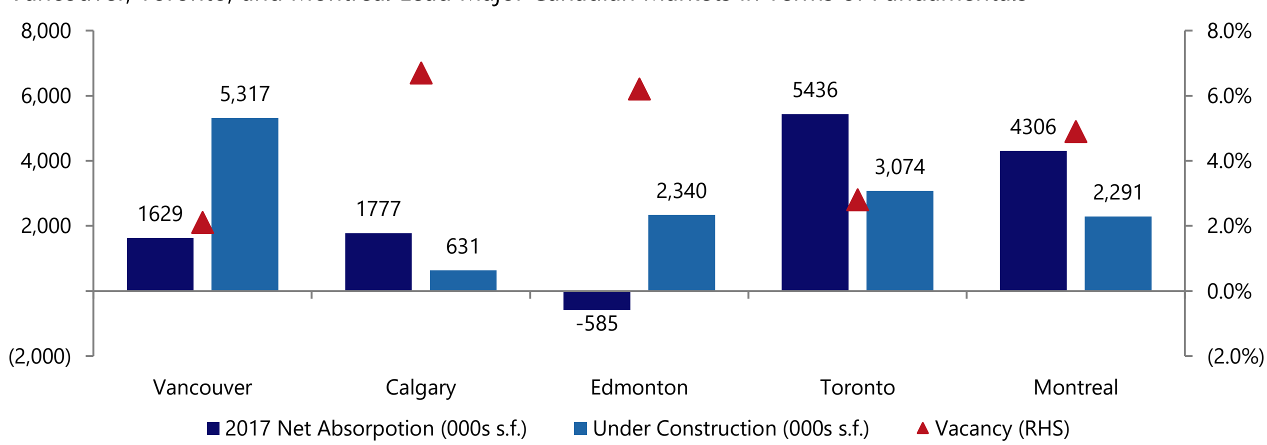
GTA Asking Rents Continue to Improve



Source(s): JLL

EXHIBIT III

Vancouver, Toronto, and Montreal Lead Major Canadian Markets in Terms of Fundamentals



Source(s): JLL

Industrial Subsector Overview Cont'd

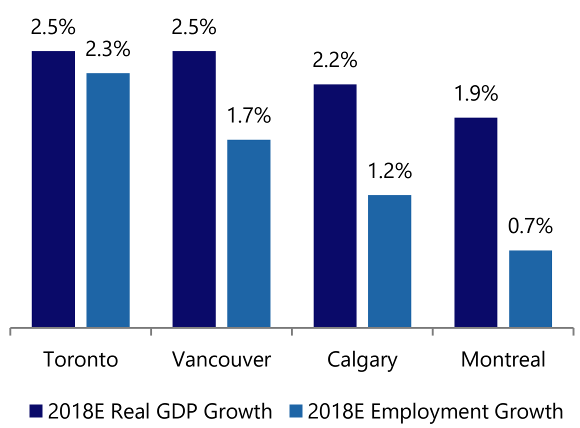
high net absorption in the GTA market, and strong tenant demand for fulfillment, distribution, and logistics properties. Much of this demand is a result of North American GDP growth and online sales' continued market share growth, which the CY team has documented extensively in prior reports. Tenants are continuing to demand highly flexible industrial properties that have high ceiling heights, with single tenant property demand increasing as the shift towards fulfillment continues. With Toronto expected to lead Canada's largest cities in GDP growth through 2018, estimated at 2.50% by the Conference Board of Canada, net asking rents will likely push higher throughout the year as they have done over the past four years. Developers are aiming to deliver much-needed developments in markets such as Brampton, Caledon, Milton, and Vaughan, adding to incoming supply over the next 12 to 24 months, likely tempering rental rate growth and decreasing absorption. Overall, the outlook for the GTA market is very positive, with institutional investors continuing to commit capital in the region, compressing cap rates and increasing net asking rents.

Greater Montreal Area

As previously mentioned, net absorption in the region around Montreal rose to multi-year highs in 2017, coming in at ~4.3 million s.f. Total vacancy in the area continues to trend downward, just below 5% for full year 2017, as economic and business fundamentals in the region are trending positively, resulting in favorable supply/demand dynamics for industrial property owners. Average asking rents have reached a new milestone, reaching the highest level in the market's history. Sale activity has slowed over the past quarter, largely attributed to the non-existence of supply up for sale in the market. This dynamic has resulted in many large, off-market acquisitions, such as Dollarama's $18 million acquisition of a ~121,000 s.f. distribution property. The Montreal market has had an incredible run with regard to tightening fundamentals, which has spurred a significant amount of speculative construction, as well as larger projects, such as Molson-Coors' announced state-of-the-art brewery and distribution centre property, being built at a cost of $500 million.

EXHIBIT V

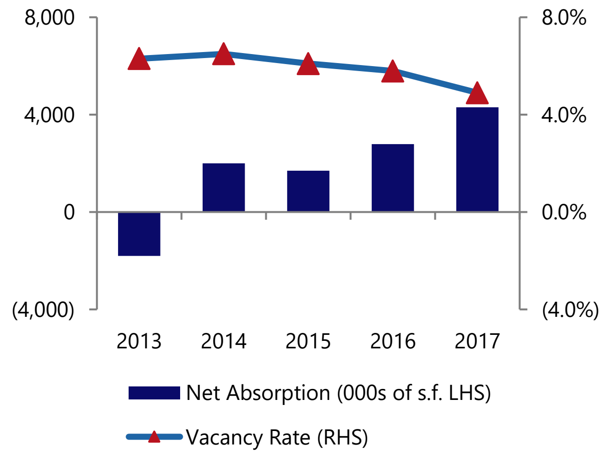
Expected Major Market Economic Performance



Source(s): Conference Board of Canada

EXHIBIT VI

Montreal Absorption Increases as Vacancy Declines



Source(s): JLL

Investment Thesis I: Proven Strategy & Management Team

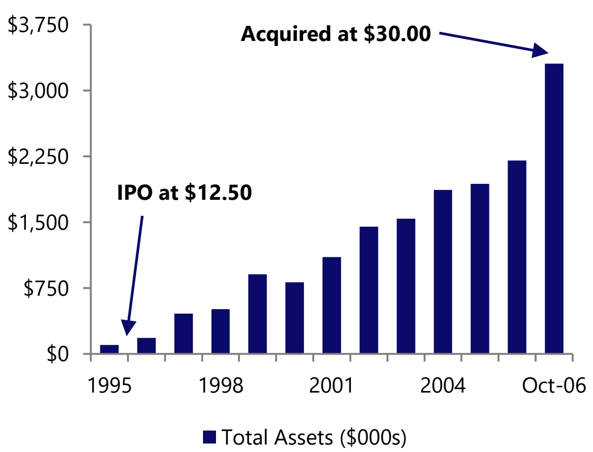
SMU's asset manager, Sigma Asset Management, has exhibited superior returns when implementing a light industrial scale-up strategy, as was exhibited by the performance Summit REIT, the predecessor to Summit II REIT.

Summit REIT

Sigma Asset Management began the foray into light industrial real estate in 1996 with the inception of Summit REIT. The executive team was comprised of Lou Maroun (COO/CEO), Paul Dykeman (CFO), Ross Drake (SVP), and Jon Robbins (VP of Investments). This stellar team grew Summit REIT from a small company to the largest industrial REIT in Canada over an 11 year time period. During that period, total real estate assets grew from ~$100 million to just under $3.5 billion, while Summit's share price grew at a ~20.00% CAGR over the same period. In October of 2006, Summit REIT agreed to be acquired by ING Real Estate for $30.00 per unit, resulting in impressive returns for shareholders upon exit. It is clear that Sigma Asset Management not only foresaw the growth in attractiveness of Canadian industrial real estate, but also exhibited excellent capital management and acquisition evaluation skills throughout Summit REIT's lifetime.

EXHIBIT VII

Summit REIT Asset Growth and Acquisition Price



Source(s): Company Reports

Summit Industrial Income REIT (Summit II/SMU)

SMU has been in existence in one form or another since 1999, originally beginning as Cervus Corporation, which was primarily created to purchase the real estate component of a series of John Deere dealerships located throughout Western Canada. The company was converted into an income trust in 2007, then in 2012, Sigma Asset Management, the income trust's asset manager, bought a 51.00% interest in the fund, renaming it to Summit Industrial Income REIT. The dealerships were sold off, which gave new management the capital to invest in light industrial buildings in favourable geographies. As was previously mentioned, the strategy employed at SMU is different than that of Summit REIT, with a focus on larger, single tenant properties located in Ontario, Quebec, or Western Canada, while carrying a higher occupancy rate due to lower than average market rents. The current management team is essentially the same as Summit REIT, with Paul Dykeman serving as CEO, Lou Maroun as Chairman, Ross Drake as CFO, and Jon Robbins remaining as VP of investments. In evaluating the REIT's performance since 2012, it is evident that the light industrial scale-up strategy continues to work. While revenues have grown from ~$2 million in 2012 to over $40 million in 2016, SMU's share price has also grown at a ~22.00% CAGR over the past five and a half years. This is even more impressive considering the compression in cap rates and tight investment environment in SMU's main markets. The CY team strongly believes in management's ability to deliver value, not only through evaluation of past performance, but also due to strategic alignment with shareholders, as management owns 10.20% of the outstanding units.

Investment Thesis II: Strategic GTA Asset Concentration

One of SMU's primary growth objectives is to establish itself as a leading industrial landlord in Canada's primary markets. This has allowed the REIT to form 66.00% of its portfolio in the GTA, compared to its rivals, Dream Industrial REIT (Dream) and Pure Industrial REIT (PIRET), who only operate with 28.00% and 37.00%, respectively. Though SMU is substantially smaller, it prioritizes well-positioned assets that can be acquired in line or at a discount to replacement cost, allowing it to consolidate a superior portfolio. Additionally, SMU's portfolio is comprised primarily of core assets; therefore, it has not needed to recycle non-core properties, in contrast to its competitors, which have undergone substantial disposition initiatives. Its heavy GTA exposure will enable SMU to capitalize on the GTA's robust industrial fundamentals and increase rental rates on tenant rollovers.

Recently, the GTA's industrial availability rate has dropped well below its 16-year average to 2.20%, compared to the national average of 4.10%. Similarly, heavy investment has continued to push cap rates down to range from 4.00-4.75% and 5.25-6.25% for Class A and B industrial properties, respectively. This raises the question: Will the GTA be able to sustain this level of investment and demand? We believe yes, as there is no near-term demand inhibitor and supply is only forecast to decline due to rising development charges, increased land preservation, and high construction costs. In total, future construction supply has been reduced to just ~0.50% of the market's current inventory as of quarter three. CIBC World Markets conducted a basic development cost analysis to contextualize the ongoing development costs in the GTA. They assumed that to build, developers would require a minimum 1.00% development spread over the current market cap rate of 4.00%; this analysis determined that current market rents would need to increase ~44.00% to justify further development projects. This supports our opinion that current supply dynamics favor SMU's concentrated market position and will allow for future rental revenue growth.

EXHIBIT IX

Comparable Portfolio Statistics

	SMU.UN	AAR.UN	DIR.UN
% GTA Exposure	66%	31%	23%
Avg. Tenant Size (s.f.)	60,000	59,000	12,000
Occupancy	99%	97%	97%
WALT	6.1	6.4	3.9

Source(s): CIBC World Markets, Company Reports

EXHIBIT VIII

Case Study: Required Rent to Justify GTA Construction

Property Assumptions	
Warehouse Size (SF)	100,000
Site Coverage	40.00%
Land Requirement (Acres)	5.7
Land Cost Per Acre ($MM)	$0.9
Land Costs ($MM)	$5.2
Hard Cost ($PSF)	$80.00
Total Hard Costs ($MM)	$8.0
Soft Costs as % of Total Cost	20.00%
Soft Costs ($MM)	$3.3

Total Costs ($MM)	$16.5
Total Cost to Develop ($PSF)	$165.00

Implied Property Yield Requirements	
Current Market Cap Rate	4.50%
Min. Development Spread	1.00%
Min. Development Yield	5.50%
Implied Min. Rent ($PSF)	$9.05
Current Market Rent ($PSF)	$6.27
Min. % Change Required	**44%**

Source(s): CIBC World Markets

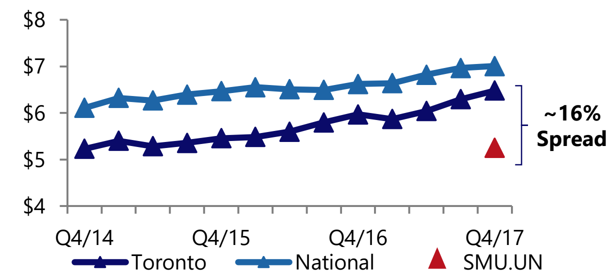
Investment Thesis II: Strategic GTA Asset Concentration Cont'd

Furthermore, substantial economic growth is attracting global e-commerce powerhouses such as Amazon, who recently ranked Toronto as one of its top 20 cities for its new headquarters. We hold the conviction that these fundamentals, complemented by rising property values, will create barriers to entry for many organizations looking to penetrate the market who do not already have in-place relationships. SMU's clustered properties allow it to minimize operating costs and create cross-property synergies that fragmented owners are not able to realize. Taking this into consideration, we believe that the current market environment will support long-term value creation in the region, positioning SMU as a market leader.

SMU engages in a unique leasing strategy, prioritizing tenant retention and cost optimization over rental rate growth. Unlike its competitors, SMU rarely leases at mark-to-market rates; instead, it looks to maintain a minimum target tenant retention ratio of 75.00%. SMU has been exceptionally successful with this initiative, as their current retention ratio is well above its target at 80.02% with an average in-place rent 16.00% below the market. Retaining a tenant is much more capital efficient than attempting to sign new tenants every time an in-place tenant's lease expires, as it eliminates vacancy losses, tenant inducements, and floor plan adjustments. In exchange for lower rents, SMU carries a higher occupancy, has a low turnover ratio, and can operate

EXHIBIT X

Significant Rent Spread Compression Potential (PSF)



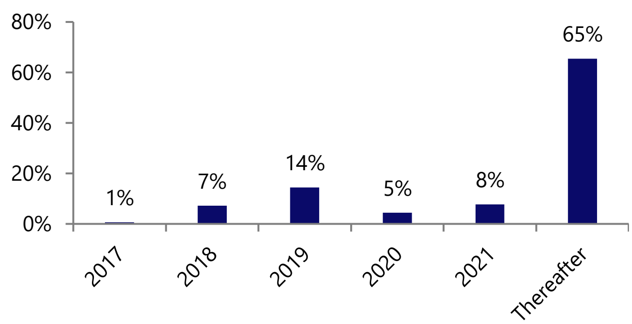
Source(s): CBRE, JLL, Company Reports

with a more predictable expenditure schedule. Within its current leases, SMU has established strong contractual rent increases of 1.60% and has an average tenant size of 60,000 s.f., which aligns with PIRET's portfolio but differs from Dream's, which has an average tenant size of 12,000 s.f. Larger, single tenant properties are easily managed and demand less operating expenses, as tenants front the majority of the reoccurring capex.

Going forward, we believe that SMU will be able start reducing the spread between its current rents and the markets. If supply remains constrained, the surplus of demand will allow SMU to retain its target retention ratio at higher rental rates, leading to NOI

EXHIBIT XI

Lease Rollover Schedule



Source(s): Company Reports

growth. Similarly, as rents continue to rise in the GTA, so will SMU's ability to renegotiate its expiring contracts. Management has outlined that many tenants are undergoing a "price shock" which has limited their 2017 renewals to increase by ~5.50% but it is anticipated that future contracts will adjust by 10.00-15.00% to reflect that market demand. In 2018, SMU is anticipating ~8.00% of its total portfolio to rollover and ~14.00% in 2019, with the majority of the leases residing within the GTA. In all, SMU has the potential to boost its NOI by re-leasing to match the current rental market growth rate and which we believe will considerably impact its performance over the long term.

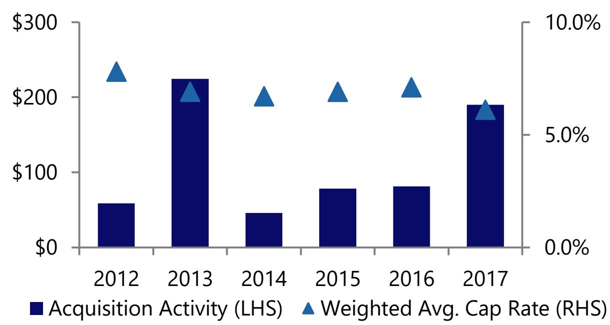
Investment Thesis III: Scalable Acquisition Platform

SMU's recent growth can be attributable primarily to its ability to form and manage strategic relationships. Since SMU is the management's second growth-focused REIT, it will able to leverage its industry reputation and network to access high-quality properties with more attractive yields. Given the competitive real estate landscape in high-density areas such as Toronto and Montreal, many REITs are struggling to find accretive acquisitions, forcing them to either develop internally or acquire lower quality, individual properties. SMU can bypass many of these challenges by partnering with developers. Specifically, SMU provides low-risk development financing in exchange for exclusive acquisition rights. Furthermore, joint ventures allow SMU to acquire in-line or below replacement cost valuations, substantially improving its property yields compared to competitors. Currently, SMU has joint ventures with two major developers: Groupe Montoni and Urbacon.

In December 2014, SMU announced that it had entered into a partnership with Groupe Montoni (Montoni), a Montreal-based owner and developer of LEED-certified commercial and industrial properties. Since the relationship was established, SMU has increased its interest in Montoni's properties to total ~500,000 s.f. of industrial real estate. Currently, Montoni's portfolio consists of 400 projects, 3.5 million s.f. of LEED-certified property, 30 corporate centers, and 15 million s.f. of zoned development. This substantial development pipeline will be a meaningful vehicle for SMU's future growth, as it will allow SMU to access high-quality, non-marketed private portfolios. SMU's relatively small size inhibits its ability to compete for acquisitions on the open market. Therefore, management's ability to form partnerships continues to be critical to long-term growth, as characterized by SMU's industry-leading FFO augmentation.

EXHIBIT XIII

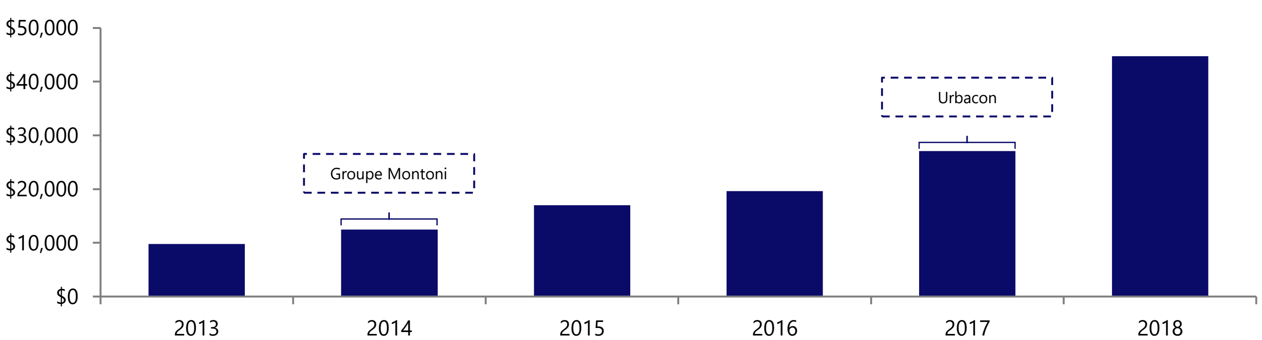
Aggressive Acquisition Strategy ($MM)



Source(s): BMO Capital Markets

EXHIBIT XII

Industry-Leading FFO Growth Driven by Strategic Partnerships (000's)



Source(s): Company Reports

Investment Thesis III: Scalable Acquisition Platform Cont'd

In December 2017, SMU formed its second relationship with Urbacon, which has developed properties across a range of industries. Uniquely, the partnership was established to invest in data center properties, making SMU one of two publicly traded REITs in our current coverage universe with exposure to the asset class. SMU made its first investment into the relationship, totaling $45 million. First, $15 million was allocated to a 50.00% stake in Urbacon's Data Centre One in Richmond Hill, Ontario, which is only 50% leased. An additional five properties are currently zoned for development on the same landholding, offering up to 500,000 s.f. of additional space. Second, $30 million was delivered in the form of financing to allow Urbacon to develop future assets. It is assumed that as Urbacon's developments progress, SMU will convert its debt financing into an equity stake. In return for the initial and ongoing investments, SMU will have exclusive rights to participate in and acquire Urbacon's future data center projects. We hold the belief that this pipeline will enable SMU to access high-quality properties with robust leasing potential. SMU's current portfolio is fully leased; therefore, by developing and acquiring properties through Urbacon, SMU will be able to benefit from leasing up vacant properties. This will drive substantial future FFO and NAVPU growth, with conservative estimates ranging between $0.05 to $0.10 of incremental NAV creation.

Going forward we anticipate that this JV will become a core vehicle for future gains in an asset class untapped by many Canadian REITs.

EXHIBIT XV

Comparable Portfolio Statistics

DC1 FFOPU Generation at 100% Occupancy

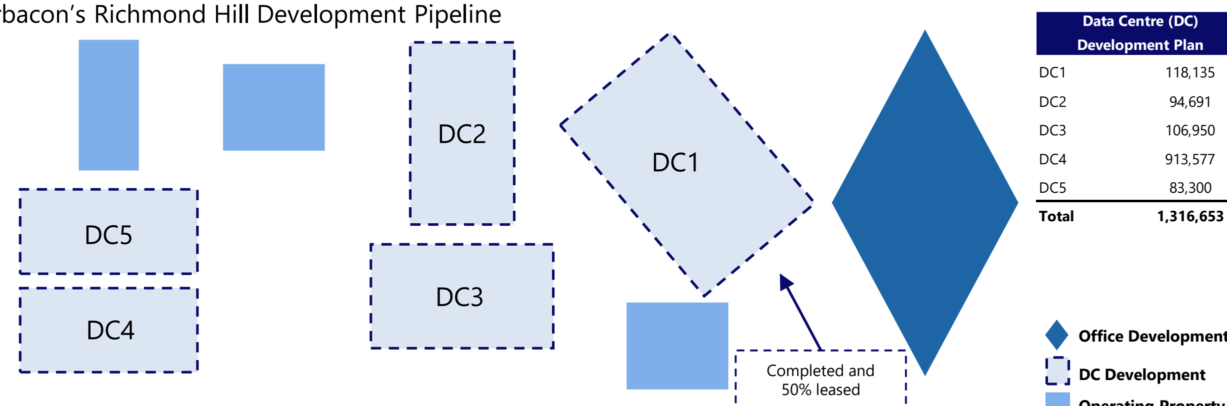
Loan to Value	Going-In Purchase Cap Rate 6.5%	7.0%	7.5%	8.0%
70.0%	$0.068	$0.072	$0.078	$0.084
67.5%	$0.061	$0.067	$0.072	$0.076
65.0%	$0.057	$0.061	$0.066	$0.070
62.5%	$0.052	$0.057	$0.061	$0.065
60.0%	$0.048	$0.052	$0.057	$0.061

With the additional lease-up of DC1, SMU is anticipated to realize $0.057-$0.066 FFO growth per unit

Source(s): CIBC World Markets, Company Reports

EXHIBIT XIV

Urbacon's Richmond Hill Development Pipeline



Data Centre (DC) Development Plan	
DC1	118,135
DC2	94,691
DC3	106,950
DC4	913,577
DC5	83,300
Total	**1,316,653**

Source(s): CIBC World Markets

Catalysts

I. Potential Acquisition Target

SMU's GTA-concentrated portfolio, high-occupancy, and size position it as a high-potential acquisition target for Blackstone Property Partners rollup growth strategy. Blackstone recently targeted Canada by acquiring Vancouver-based PIRET, for $3.8 billion, representing a ~22.00% premium to its 30-day volume-weighted average unit price. Blackstone Property Partners is world-renowned for its ability to penetrate, consolidate, and grow portfolios of assets through the process of tuck-in acquisitions. This can be exemplified by their recent disposition of Logicor, a European logistics company. Blackstone scaled the company through 50 separate acquisitions over a five-year period to be sold for ~$13.8 billion, representing the largest private equity real estate deal in Europe. We believe that SMU fits the real estate mammoth's acquisition criteria, as it would allow them to acquire an immediate presence in Toronto's lucrative market. Similarly, SMU's considerable average tenant size would require minimal management and capex but would provide Blackstone with a strong core portfolio to pair with future acquisitions. Furthermore, the relative size and valuation of SMU, compared to peers, is extremely attractive because there are very few Canadian peers with access to Toronto that would not require a substantial investment. We believe that a portion of this acquisition potential was reflected in SMU's stock price on the announcement of the PIRET deal, as SMU's unit price spiked ~7.00%. Taking this into consideration, we still believe that SMU's fundamentals remain a valuable opportunity for Blackstone going forward.

II. Continued North American Economic Strength

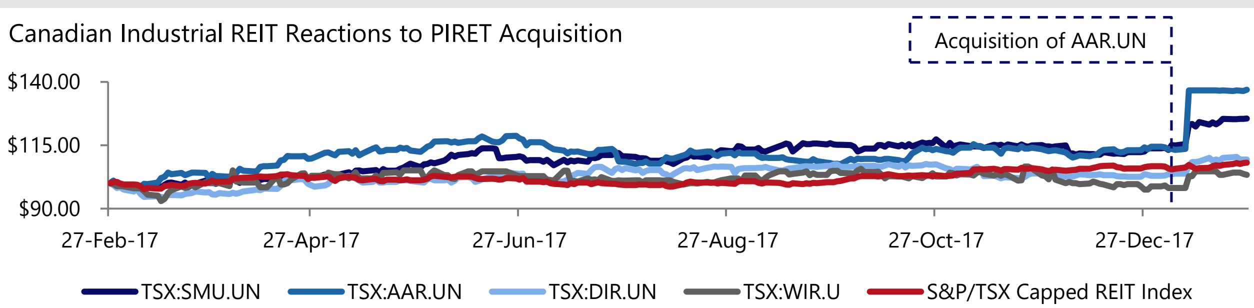
SMU's current geographic mix has driven its growth and success in recent years, as its concentration in the GTA and GMA have allowed the REIT to capitalize on the significant economic tailwinds in these regions. Supply for industrial properties in Toronto remains scarce, putting downward pressure on cap rates and vacancy rates, and supporting rental rate growth. Industrial properties in the GMA (Canada's second largest industrial market) have also been experiencing heightened demand, catalyzed by its proximity to a flourishing U.S. economy.

III. Room to Further Grow and Scale

SMU has scaled rapidly over the last five years, having grown its real estate assets from $52 million in Q3/12 to $700 million as at Q3/17. The continued execution of managements organic and inorganic growth plans support continued NAV growth for the REIT, allowing it to further leverage the benefits of greater scale. Besides greater analyst coverage and stimulated demand from a wider group of investors, a greater portfolio presence for SMU may lead to further opportunity for strategic JVs, more competitiveness in acquisitions, further access to capital, and heightened operational efficiencies.

EXHIBIT XVI

Canadian Industrial REIT Reactions to PIRET Acquisition



Source(s): Capital IQ

Risks

I. Competitive Acquisition Environment

SMU has been successful in organically and inorganically growing its portfolio in core areas. Central to its acquisition strategy is the opportunistic acquisition of high-quality properties, near downtown cores, at high cap rates. As the acquisition environment becomes increasingly competitive, SMU may have to deviate from this strategy in order to maintain the growth seen in recent years. This may lead to either a slowdown in the number of annual acquisitions, a greater reliance on JVs, or the purchase of assets at lower cap rates, further from downtown cores, or outside of the geographic focus of the REIT.

II. Reliance on Management

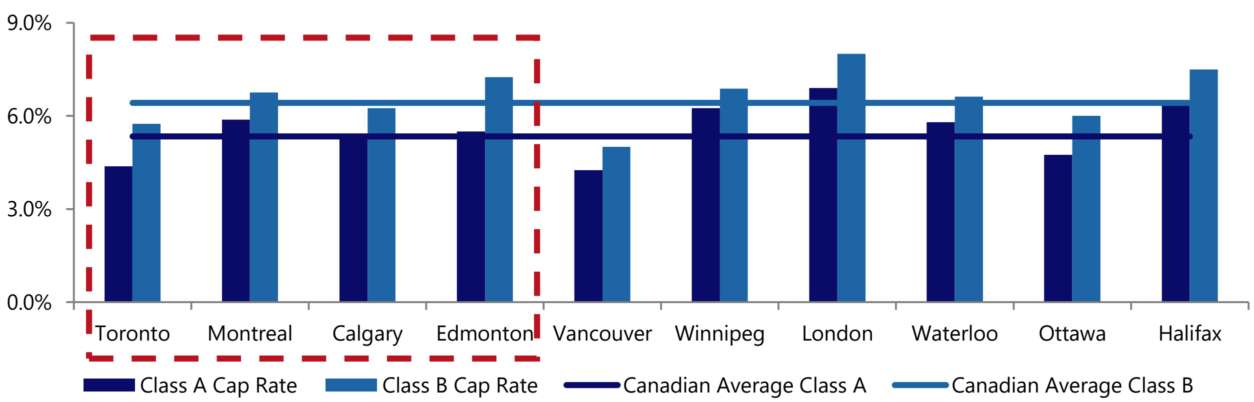
Part of what differentiates SMU and strengthens our conviction in the name and its ability to prove out its strategy is its human capital. SMU greatly benefits from a tested and knowledgeable management team, boasting a combined 90 years in relevant experience. While the success of the original, more geographically-diversified Summit REIT took place in a much different, more fragmented industrial market, the operating knowledge and relationships these individuals bring to the firm are incredibly valuable. Should either a significant amount of insider equity interest be sold, or a key executive leave the company, an exaggerated negative stock market reaction may occur.

III. Geographic Concentration

With ~57.00% of the portfolio in the GTA (and 66.10% in Ontario) and 24.30% in Quebec, SMU is incredibly sensitive to economic indicators in these regions. Business activity is a driving determinant in the success of industrial properties and, as such, the industry tends to move in line with the economy. A comparison of the fundamentals in energy-centric markets to that of Toronto or Montreal exemplifies the potential for diverging fundamentals across the country and the potential dangers of geographic concentration. While a deterioration of economic growth or supply/demand fundamentals in these markets may have a greater impact on SMU than some of its peers, it should be noted that light industrial properties are quite generic, with a wide range of uses. For this reason, paired with SMU's 6.1 year WALT and tenant diversification, a sharp increase in vacancy under a downside economic scenario is unlikely.

EXHIBIT XVII

Canadian Industrial Cap Rates (as at year-end 2017)



Source(s): CBRE

Valuation

EXHIBIT XVIII

Canadian Industrial REIT Comparable Analysis

Industrial Company	Market Capitalization	Enterprise Value	Debt / EV	Net Debt / EBITDA	Price / FFO 2017E	Price / FFO 2018E	FFO CAGR ('15-'18)	Price / AFFO 2017E	Price / AFFO 2018E	AFFO CAGR ('15-'18)	Dividend Yield	Prem/(Disc) to NAV
Pure Industrial REIT	$2,478	$3,576	32.2%	7.1x	20.2x	18.8x	5.5%	22.9x	21.3x	6.5%	3.9%	26.4%
Dream Industrial REIT	$700	$1,581	55.9%	8.1x	10.3x	10.1x	(0.8%)	12.8x	12.5x	(1.2%)	7.5%	(5.7%)
Summit II REIT	$544	$889	38.8%	9.0x	14.2x	13.0x	1.4%	16.6x	14.6x	2.7%	6.4%	10.8%
Mean	**$1,589**	**$2,578**	**44.1%**	**7.6x**	**15.3x**	**14.5x**	**2.4%**	**17.8x**	**16.9x**	**2.7%**	**5.7%**	**10.4%**
Median	**$1,589**	**$2,578**	**44.1%**	**7.6x**	**15.3x**	**14.5x**	**2.4%**	**17.8x**	**16.9x**	**2.7%**	**5.7%**	**10.4%**

Source(s): Capital IQ

EXHIBIT XIX

Total Returns Sensitivity Analysis

FTM P/FFO	% Change in Forward 12-Months FFO/Unit (3.0%)	(2.0%)	(1.0%)	0.0%	1.0%	2.0%	3.0%
13.0x	(3.74%)	(2.75%)	(1.76%)	(0.76%)	0.23%	1.22%	2.21%
13.5x	(0.03%)	1.00%	2.03%	3.06%	4.09%	5.12%	6.15%
14.0x	3.67%	4.74%	5.81%	6.88%	7.95%	9.02%	10.09%
14.5x	7.38%	8.49%	9.60%	10.70%	11.81%	12.92%	14.02%
15.0x	11.09%	12.23%	13.38%	14.52%	15.67%	16.82%	17.96%

EXHIBIT XX

Comparables Target Price

Comparables Target Price	
Current Price	$8.11
FTM FFO/Unit	0.62
FTM P/FFO	14.0x
Implied Share Price	$8.67
Implied SP Return	**6.88%**
FTM AFFO/Unit	0.56
FTM P/AFFO	16.1x
Implied Share Price	$9.02

Valuation

In completing our comparables analysis, we assessed industrial REITs with exposure to the GTA. We remained conservative in our assumptions, using analyst consensus FTM FFO estimates and anticipating a 1.0x P/FFO multiple expansion to 14.0x. When taking into consideration SMU's dividend yield of 6.38%, we come to a total return of 13.26%.

SMU has historically traded at a ~(1.60%) discount to its NAV and has recently transitioned to trade at a premium, reflecting its high growth prospects and industry demand outlined by Blackstone's acquisition. The acquisition of PIRET has caused an uptick in both SMU and Dream's current price, allowing Dream to trade close to its NAV. This characterizes investor's confidence in Canada's industrial rental market, which has been bolstered by limited supply levels and overwhelming demand.

Though we only assumed a 1.0x P/FFO multiple expansion, we believe that the REITs aggressive growth strategy could push its valuation up to trade more inline with PIRET. Going forward, it is our conviction that SMU will continue to realize significant gains due to its heavy concentration in the GTA and strategic relationships.

Valuation

EXHIBIT XXI

Net Asset Value

NAV Summary	
FTM NOI	$57
Blended Cap Rate	6.02%
Value of Capitalized Income	$947
Land Under Development	$0
Non-Real Estate Assets	$5
Total Assets	$952
Less: Net Debt	$344
Less: Claims on Equity	0
Net Asset Value:	$607
Diluted Shares Outstanding	67.0
Net Asset Value Per Share	$9.07
Assigned Prem / (Disc) to NAV	0%
Implied Share Price	**$9.07**

EXHIBIT XXII

Total Return Sensitivity Analysis

Assumed Cap Rate	% Change in Forward 12-Months NOI						
	(3.0%)	(2.0%)	(1.0%)	0.0%	1.0%	2.0%	3.0%
5.52%	28.2%	30.1%	32.0%	33.9%	35.8%	37.7%	39.6%
5.77%	20.3%	22.1%	23.9%	25.7%	27.5%	29.3%	31.2%
6.02%	12.9%	14.7%	16.4%	18.2%	19.9%	21.7%	23.4%
6.27%	6.2%	7.9%	9.5%	11.2%	12.9%	14.6%	16.2%
6.52%	(0.0%)	1.6%	3.2%	4.8%	6.4%	8.0%	9.6%

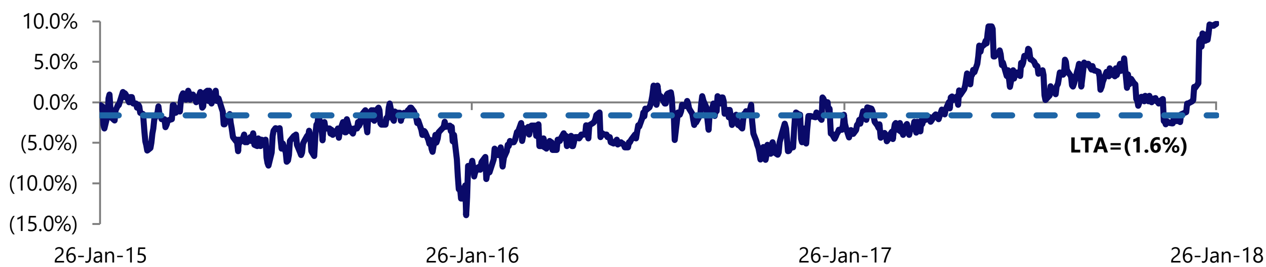
EXHIBIT XVIII

NAV Target Price

NAV Target Price	
Current Price	$8.11
NAVPU	$9.07
Current P/NAV	89.5%
Target P/NAV	100.0%
FTM Target Price	**$9.07**

EXHIBIT XXIII

Historical Discount/Premium to NAV



Source(s): RBC Capital Markets and Company Reports

Valuation

For our net asset valuation, we took a weighted average cap rate based on SMU's recent acquisitions and current portfolio. This produced a ~6.02% cap rate, which aligns with analyst estimates. We applied this to SMU's consensus forward twelve months NOI, deriving a net asset value of $9.07 per share (NAVPU). Since the share price has adjusted for the Blackstone acquisition, we do not think the current NAVPU justifies a premium or discount.

With the calculated NAVPU we come to an all-in return of 18.20% on a forward twelve-month basis. As depicted by the total returns sensitivity analysis, any minor adjustment in the cap rate can significantly alter the total return, so further compression in the GTA could substantially impact SMU's NAV.

Valuation

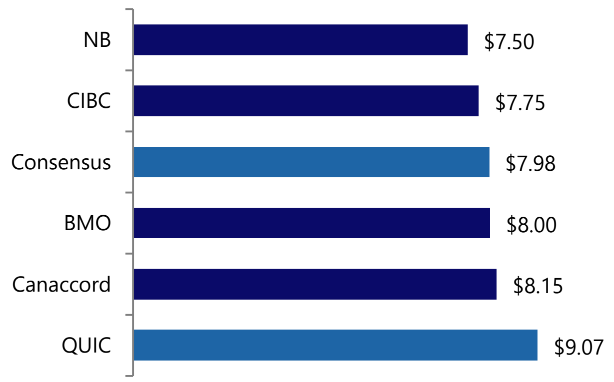
EXHIBIT XXIV

Blended QUIC Valuation

Blended QUIC Valuation		
Method	**Weight**	**Target**
Net Asset Value	100.00%	$9.07
Comparables (@14.0x FTM P/FFO)	0.00%	$8.67
Implied Target Price		$9.07
Share Price (January 6, 2017)		$8.11
Implied Share Price Return		**11.79%**
Distribution Yield		6.38%
Implied Total Return		**18.17%**
Implied Prem/(Disc) to NAV		0.00%

EXHIBIT XXV

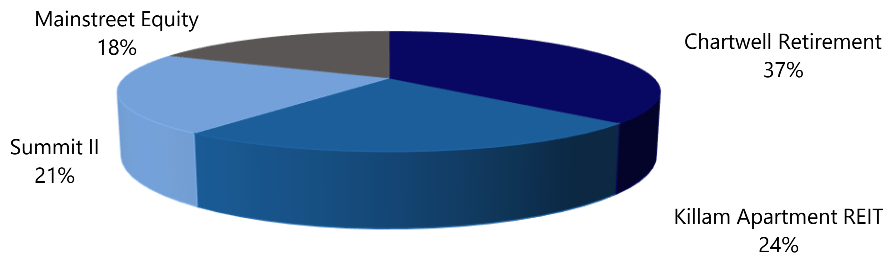
QUIC Versus Analyst Target Price



Source(s): Capital IQ

EXHIBIT XXVI

Pro-Forma Cash Yield Portfolio Weighting



Source(s): Bloomberg, Capital IQ

Conclusion

Taking into consideration SMU's limited comparables set and the drastically different P/FFO multiples, we do not believe that it is an accurate representation of SMU's value. Therefore, we have decided to allocate 100.00% of the weighting to our NAV, deriving a final forward twelve-month target price of $9.07. Factoring in SMU's 6.38% yield, we arrive at an all-in return of 18.17%.

We remain confident in SMU's ability to scale while maintaining its core position within the GTA. Additionally, we believe its long-term acquisition pipeline will allow it to continue to acquire in line or below replacement cost values. Based on our analysis of SMU's operation, we have decided to exit our position in PIRET, which we believe has been fully realized and allocate the proceeds into SMU. After the execution of this trade, SMU will account for 21.00% of our overall portfolio composition.

References

1. Bloomberg
2. Capital IQ
3. CBRE
4. Globe and Mail
5. JLL
6. Company Reports
7. CIBC World Markets
8. BMO Capital Markets
9. SNL
10. Conference Board of Canada