ANNUAL REPORT TO UNITHOLDERS - DECEMBER 31, 2022

SKYLINE INDUSTRIAL REIT

SKYLINE INDUSTRIAL REIT

Grounded in real estate, **powered** by people, and **growing** for the future...

Back row from left to right: **Cornell Haynes,** Associate Director, Acquisitions, Skyline Commercial Asset Management Inc.; **Maria Duckett,** Vice President, Skyline Commercial Management Inc.; **Dominic Bonin,** Vice President, Skyline Commercial Asset Management Inc.

Front row from left to right: **R. Jason Ashdown,** Co-Founder & Chief Sustainability Officer; **Martin Castellan,** Co-Founder & Chief Administrative Officer; **Mike Bonneveld,** President, Skyline Industrial REIT; **Jason Castellan,** Co-Founder & Chief Executive Officer; **Wayne Byrd,** Chief Financial Officer.

CONTENTS

OVERVIEW

$1.506 B	**9.31 MM**	**93.12%**
Fair Value of Investment Properties (29.07% increase) (As at December 31, 2022)	Gross Leasable Area (sq.ft) (As at December 31, 2022)	Normalized FFO Payout Ratio (As at December 31, 2022)
$22.50	**$1.00**	**4.44%**
Class A Current Unit Value (As at April 30, 2023)	Calss A Annual Distribution per Unit (As at April 30, 2023)	Class A Annual Distribution Yield (As at April 30, 2023)
$22.50	**$1.02**	**4.54%**
Class F Current Unit Value (As at April 30, 2023)	Class F Annual Distribution per Unit (As at April 30, 2023)	Class F Annual Distribution Yield (As at April 30, 2023)
17.91%	**22.93%**	**16.05%**
Class A Annualized Return 1 yr (As at April 30, 2023)	Class A Annualized Return 5 yr (As at April 30, 2023)	Class A Annualized Return Since Inception (As at April 30, 2023)

6575 68th Avenue SE
Calgary, AB

SKYLINE GROUP OF COMPANIES AWARDS

Best Managed Companies

Platinum Member — Skyline Group of Companies

Skyline has retained its Best Managed Companies status for eight years. Platinum Member Winners demonstrate leadership in strategy, capabilities and innovation, culture and commitment, and financials.

Canadian Property Management Magazine 2022 "Who's Who" Ranking

Top 10 Apartment Owners & Managers (#7) — Skyline Apartment REIT

Skyline Apartment REIT ranked among Canada's Top 10 owners and managers of apartment real estate, based on total square footage within its portfolio.

RHB Magazine 2022 "The Annual" Edition

Canada's Top 10 REITs List (#5) — Skyline Apartment REIT

Skyline Apartment REIT ranked #5 in Canada (number of apartment suites owned and managed within its portfolio). RHB "The Annual" is "the complete market perspective for the Canadian rental housing industry."

IPOANS 2022 Innovation & Excellence Awards

Winner, Community Service — Skyline Group of Companies

Commemorating above-and-beyond achievement in community service over the previous year, awarding companies that go the extra mile in helping their surrounding communities.

FRPO 2022 MAC Awards

Winner, Property Manager of the Year (Michelle Twiss) — Skyline Living

Recognizing a Property Manager that has demonstrated excellence and professionalism, and has successfully managed their portfolio, staff, capital projects, and budgets while ensuring a high level of customer service and resident satisfaction over the past year.

Waterloo Area Top Employers 2022

Evaluating workplaces in the Kitchener-Waterloo area on eight criteria, including performance management, training and skills development, communications, community involvement, and more.

Report on Business 2022 Changemakers

Winner (Rob Stein, President, Skyline Energy)

Showcasing the emerging leaders transforming business today, with winners selected for their ideas, accomplishments, and impact.

Report on Business 2022 Canada's Top Growing Companies

Winner (ranked #314) — Skyline Group of Companies

Celebrating the boldest entrepreneurial achievement by identifying and bringing the accomplishments of innovative businesses in Canada to the forefront.

Guelph Chamber of Commerce 2022 Awards of Excellence

Winner, Community Builder — Skyline Group of Companies

Recognizing an outstanding business or organization that has a positive impact on the business, community, and social well-being within the city of Guelph.

CFAA 2022 Rental Housing Awards

Winner, Rental Housing Provider of the Year — Skyline Living
Recognizing a rental housing provider who has demonstrated exceptional leadership in the rental housing industry through an action, exceptional practice, or a dedicated initiative.

Winner, Rental Development of the Year (Carrington View Apartments, West Kelowna, BC) — Skyline Living
Recognizing a company that has achieved excellence in the development of a new rental housing project.

SUSTAINABILITY AT SKYLINE GROUP OF COMPANIES

2022 SUSTAINABILITY HIGHLIGHTS

160
newly installed EV Charging Stations.

90.8%
adoption rate of “going paperless” among investors.

238
refugee families supported through Refugee Assistance Program.

$379K+
raised for charities through four major fundraisers.

32
Permanent Supportive Housing Units in development.

201
tenancies saved through R.I.S.E. Tenant Support Program.

38,869 MWh[1]
of electricity generated by solar assets equivalent to powering 5,044 homes for one year[2].

21,005 MWh
of renewable electricity produced at Skyline Clean Energy Fund’s Elmira, Ontario and Lethbridge, Alberta biogas facilities, equivalent to powering 2,873 homes for one year.[2]

[1] MWh: A measurement of energy usage; the amount of energy one would use if keeping a 1,000-kilowatt machine running for an hour.

[2] The number of powered homes equivalency figure is calculated by dividing the historical 2022 Annual Generation of the asset(s) by the average electricity use per Ontario and Alberta household. The average electricity use per Ontario and Alberta household is determined through Natural Resource Canada’s data on the total electricity consumption of the Ontario and Alberta residential sector, divided by the total number of Ontario and Alberta households.

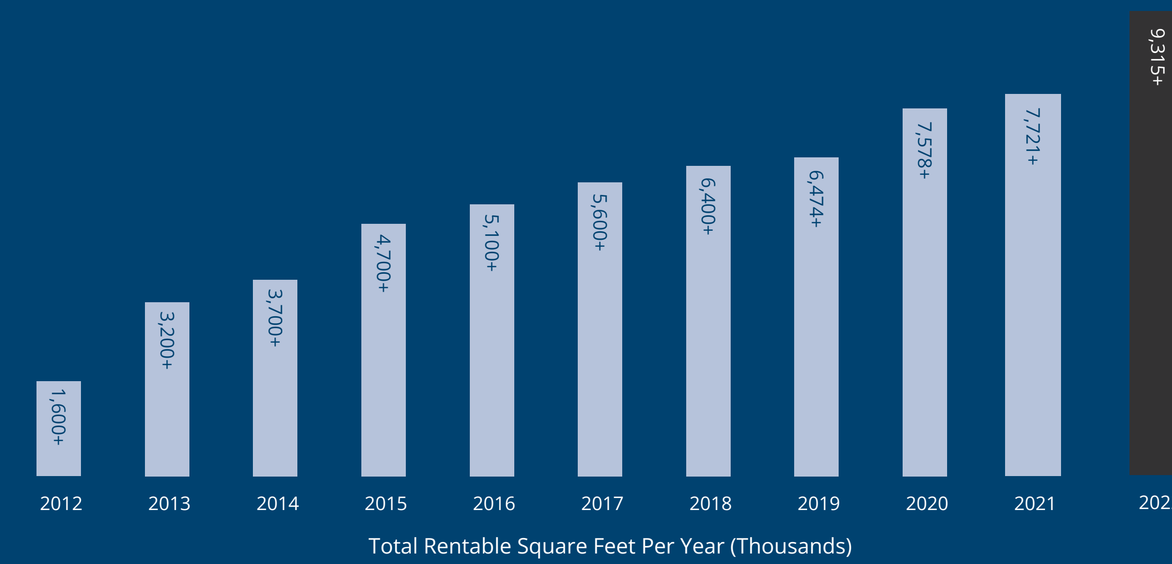
SKYLINE GROUP OF COMPANIES FOCUS AREAS FOR 2023

- **Develop a plan** to internally and externally communicate mental health resources and encourage healthy living and wellness.
- PERTAINS TO ALL SDGs — **Submit to the GRESB Benchmark in July 2023** in an effort to assess and improve sustainability performance across the REIT portfolios (Apartment REIT, Retail REIT, Industrial REIT). We aim to utilize our GRESB score to inform our sustainability strategy, improving our Sustainability Program and GRESB scoring yearly.
- **Reduce contamination** of residential recycling and organic streams by 15%.
- **Establish energy use intensity (EUI) thresholds for energy efficiency**, e.g., properties with electricity use intensity of or greater than “10” are considered for improvements in the efficiency of building features to reduce consumption/improve intensity rating.
- **Determine climate disaster risk reduction strategies** appropriate for exposure levels.
- **Source and provide training** and workshops related to **DEI initiatives** (require mandatory attendance of key groups).
- **Understand the waste generation** profile of Industrial & Retail tenants to determine possible risks to assets.
- **Continue to invest** in rental housing stock. In doing so, we will add much-needed supply, while ensuring longevity of current rental stock for Canadian communities.
- **Support charitable organizations** through volunteering and monetary donations that focus on eliminating homelessness, hurt, and hunger in our communities and exceed our 2022 fundraising total.
- **Evaluate the hiring process** to ensure continued **opportunity for diverse representation** at all levels of the organization.
- **Obtain downstream verification reports** from trades/suppliers on where our waste is going (i.e., recycling/landfill).
- **Develop** a carbon reduction and offsetting plan.

View Skyline’s 2023 Sustainability Report
SkylineGroupOfCompanies.ca/Sustainability

2022
TRANSACTIONS

Skyline Industrial REIT is a geographically diverse REIT portfolio focusing on modern industrial properties along major transportation routes in Canada.



454 & 468 Innovation Way,
Woodstock, ON
200,000 sq.ft.
(Acquisition)

465 - 473 Jutras Drive South
Lakeshore, ON
95,000 sq.ft.
(Acquisition)

151 Avenue Reverchon
Pointe-Claire, QC
326,125 sq.ft.
(Acquisition)

8300 Place Marien &
1235 Boulevard Metropolitain East
Montreal, QC
259,198 sq.ft.
(Acquisition)

6575 68th Avenue SE
Calgary, AB
301,400 sq.ft.
(Acquisition)

HOOPP Edmonton

- 14530 – 157 Ave. NW, Edmonton, AB
- 15704 – 142 St. NW, Edmonton, AB
- 14444 – 157 Ave. NW, Edmonton, AB
- 11010 – 178 St. NW, Edmonton, AB
- 17803 111th Ave. NW, Edmonton, AB
- 17803 111th Ave. NW, Edmonton, AB
- 17803 111th Ave. NW, Edmonton, AB
- 17803 111th Ave. NW, Edmonton, AB

1,096,758 sq.ft.
(Acquisition)

HOOPP Calgary

- 4550 25th Ave. SE, Calgary, AB
- 2634 45th Ave. SE, Calgary, AB
- 2726 45th Ave. SE, Calgary, AB
- 2760 45th Ave. SE, Calgary, AB
- 7139 44th St. SE, Calgary, AB
- 7151 44th St. SE, Calgary, AB
- 7115 48th St. SE, Calgary, AB
- 4920 - 5280 72nd Ave. SE, Calgary, AB

1,050,911 sq.ft.
(Acquisition)

2945 Andre Ave, Dorval, QC
3145-3185 Joseph Dubreuil, Lachine, QC
1625 32nd Ave, Lachine, QC
1795 32nd Ave, Lachine, QC
402,709 sq.ft.
(Disposition)

130-160 Bradwick, Vaughan, ON
1655 Tricont, Whitby, ON
207,689 sq.ft.
(Disposition)

815 & 825 Weber St E &
1770 King St E, Kitchener, ON
27,136 sq.ft.
(Disposition)

17 Woodyatt Drive,
Brantford, ON
72,527 sq.ft.
(Disposition)

66 Hincks Street,
New Hamburg, ON
50,076 sq.ft.
(Disposition)

3600-3610 Rhodes Drive,
Windsor, ON
56,995 sq.ft.
(Disposition)

Cambridge Portfolio

- 15 Sheldon Dr, Cambridge, ON
- 101 Sheldon Dr, Cambridge, ON
- 131 Sheldon Dr, Cambridge, ON
- 1177 Franklin Blvd, Cambridge, ON
- 1195 Franklin Blvd, Cambridge, ON
- 1425 Bishop St, Cambridge, ON

290,817 sq.ft.
(Disposition)

Ottawa Portfolio

- 20 & 22 Gurdwara Rd, Ottawa, ON
- 1257 - 1283 Algoma Rd, Ottawa, ON
- 107 Colonnade Rd, Ottawa, ON
- 111 Colonnade Rd, Ottawa, ON
- 146 Colonnade Rd, Ottawa, ON
- 148 Colonnade Rd, Ottawa, ON
- 2413 - 2415 Stevenage Dr, Ottawa, ON
- 3210 Swansea Cres, Ottawa, ON
- 740 Industrial Ave, Ottawa, ON
- 1635 -1647, 1655 - 1665 Russell Rd, Ottawa, ON
- 770 - 790, 800 - 830 Industrial Ave, Ottawa, ON
- 850 Industrial Ave, Ottawa, ON
- 855 & 855R Industrial Ave, Ottawa, ON
- 5300 Canotek Rd, Ottawa, ON
- 5310 Canotek Rd, Ottawa, ON
- 5380 Canotek Rd, Ottawa, ON
- 5390 Canotek Rd, Ottawa, ON
- 2268, 2280 - 2300 Stevenage Dr, Ottawa, ON

692,192 sq.ft.
(Disposition)

OUR CORE PURPOSE

To provide meaningful value and an exceptional experience for each of our stakeholders, while developing strong, supportive, and sustainable communities.

OUR MISSION

We bring passion, energy, and determination to make a positive impact with every interaction.

OUR P.R.I.D.E. VALUES

Professionalism
Respect
Integrity
Drive
Efficiency

8300 Place Marien & 11235 Metropolitain Boulevard East
Montreal-East, QC

CEO ADDRESS TO UNITHOLDERS

Sitting down to write about this year in review, I had a memory flash before my eyes of my high school French class. Time in that classroom passed very slowly: I would look at the clock, thinking 20 minutes had passed, only to find out that, in reality, it was 2 minutes. Fast forward to today, and I am experiencing the opposite phenomenon: the past year flew by so quickly, it felt like only a month had passed. Perhaps this can be partly attributed to my age, but I would like to think it is more so because Skyline is a lot more fun than high school French!

We have all had to contend with a year of rising interest rates, something for which many people share the same ennui I had toward French class. Still, 2022 seemed to pass by rapidly, because the effects of inflation have, in fact, been beneficial to our asset values and our revenue generation. We have seen bottom-line growth from this revenue; now we are watching the market move in our favour while we patiently wait to realize upon the turnover of residential suites, new leases, or new power contracts.

Like most of you, I am no longer in high school and, therefore, not as eager to see time fly, but there is an undeniable anticipation and excitement for these impending lifts—so much so that I would have been happy to see them happen yesterday.

We are continuing to prioritize risk mitigation wherever possible, looking at aspects of our operations like fixed interest rates, contracts, and wages. Going forward, we are focusing on unlocking Mark to Market revenue which, when it flows through to the bottom line, results in an increase to the value of our assets. This is true no matter which way capitalization rates may be adjusted for an increase in interest rates, as long as our growing income exceeds our cap rate offset.

While rising interest rates can have a negative effect on value, they can be offset by rising income, which is exactly what we have been seeing over the past year. Inflation is beneficial for tangible investments and for income sources that are driven by it—with the compromise that interest rates will also rise. That is the nature of inflation. Recently, interest rate increases have slowed down, and there has been a cooldown of both wage pressures and the cost of goods required to operate our businesses. We still have that coiled-up income that we are seeing come online month after month, which is a definite positive for Skyline.

For the remainder of 2023, we are looking forward to interest rates continuing to cool off and to further realizing our Mark to Market revenue. We will continue to improve our fund portfolios through the disposition of older assets for which we have achieved maximum potential, redeploying that equity into newer opportunities with greater upside. We are also continuing to seek accretive acquisitions and surface value for our investors. What we have all endured for the past three years has only fortified Skyline further, and in the past year, the path forward has become much more certain. We confront business challenges head-on and swiftly so that when opportunities present themselves, we are poised to take advantage of them.

On behalf of Skyline's leadership team, thank you for being a part of what makes Skyline and our funds successful. We look forward to sharing another year of growth and opportunity with you. *Merci beaucoup!*

"The effects of inflation have, in fact, been beneficial to our asset values and our revenue generation. We have seen bottom-line growth from this revenue; now we are watching the market move in our favour while we patiently wait to realize upon the turnover of residential suites, new leases, or new power contracts."

Jason Castellan

Co-Founder & Chief Executive Officer,
Skyline Group of Companies

PRESIDENT'S REPORT

The phrase "the only constant in life is change" certainly rings true when describing the monumental year that Skyline Industrial REIT experienced in 2022.

One year ago, the former Skyline Commercial REIT was undergoing a strategic shift and, to better reflect the evolution of the portfolio and weighting in the warehousing, distribution, and logistics sectors, it was renamed Skyline Industrial REIT, marking a new era for the Fund. I am honoured to have stepped into the role of President for Skyline Industrial REIT and to have helped guide it through a successful year while continuing to advance the portfolio's future growth, strategy, and performance.

2022 saw multiple milestones for Skyline Industrial REIT. A series of significant acquisitions, new developments, and the near completion of our strategic disposition program have made for one of our most productive years to date. I am proud to report that the REIT completed its largest-ever acquisition and that, after a busy year, our portfolio is now primarily comprised of modern, institutional-class warehousing, logistics, and distribution-based assets.

The industrial real estate market continues to experience high demand from both a tenancy and investment perspective. In most Canadian markets, the short supply of modern, pre-existing industrial space has led to historically low vacancy rates and a rapid increase in rental rates over the last 12 months. Due to record demand, many new industrial developments are being pre-leased prior to completion of construction; there are few signs of this slowing down. Skyline Industrial REIT's continuous evolution to address these market trends and supply chain dynamics is reflected in its portfolio of geographically diverse, quality industrial assets.

It is clear now, more than ever, that companies and service providers have evolved with a consumer-focused mindset. Besides the evolution in inventory management systems from 'just-in-time' to 'just-in-case' models, companies are also eager to be located closer to their consumers and to enhance fulfillment windows as well as provide access to a sustainable labour force. Additionally, e-commerce is here to stay, and we believe it will continue to grow and evolve with shifting consumer behaviour and the adoption of technological advancements for cost savings and efficiencies. These trends are having a material impact on the industrial real estate sector and have created the current imbalance between supply and demand.

Over the past several years, well-located, high-quality industrial space has been at a premium and with a lack of new development, demand has far outpaced supply. The REIT initially recognized its substantial opportunity in 2020, and identified a two-part strategy to constructively position itself for growth in this competitive marketplace.

The first component of this strategy began in late 2020. Answering the demand in underserved major markets, a substantial pipeline of development projects was planned through joint venture partnerships and funds, with capital to be reallocated from older, smaller industrial assets into newer, more modern facilities.

The reallocation of capital was facilitated through the second component of the strategy: the REIT's strategic disposition program, which began in early 2021. This program focused on disposing of non-core assets and redeploying the capital from the sales, allowing us to further enrich the portfolio with more modern logistics and warehousing-focused assets. In 2022, the REIT completed eight strategic disposition transactions, which resulted in over $386 million in gross sales proceeds, putting the REIT in an enviable financial position. Net proceeds from these sales were redeployed toward our established development pipeline and several quality institutional acquisitions. This program is now nearly complete, with only a few smaller assets left for disposition.

The REIT broke ground on two new industrial/logistical development projects on the Island of Montreal in 2022. These projects, in partnership with Rosefellow Developments and F.I.T. Ventures, are located at 6010 Rue Notre-Dame East, Montreal and 6000 Trans-Canada Highway, Pointe-Claire, Montreal. They are both expected to be completed in 2023. In addition, the REIT, in partnership with Rosefellow Developments, will complete an industry-leading cold storage facility in Mascouche, QC (already 70% pre-leased by one of the REIT's existing tenants) by Q3 2023. Pre-leasing and interest activity across all these developments has been strong, with rents generally above pro forma.

Skyline Industrial REIT will continue its focus on developing and acquiring light industrial, logistics, and warehousing properties along major highway corridors, transportation routes, and global shipping outlets across Canada, offering tenants best-in-class industrial spaces to operate more efficiently. We estimate that by the end of 2025, the REIT's developments will deliver approximately 3.6 million square feet of new, state-of-the-art industrial space to markets across Canada.

In time, the turbulence of the recent rising interest rate environment and macroeconomic headwinds will pass. Within this landscape, Skyline Industrial REIT remains keenly focused on our portfolio, our tenants, and protecting the integrity of the REIT's long-term business plan. The impact of rising borrowing costs will be proportional and gradual for the REIT based on its laddered debt maturity profile and strong balance sheet. The REIT will benefit not only from continued market rental growth and new developments in the pipeline but also from built-in rental increases as leases mature, as well as contractual rental increases that are built into many leases in the portfolio.

Skyline Industrial REIT has enjoyed an extraordinary year. Strong operational performance, Unit Value growth, and an abundant supply of new development projects and acquisitions speak to the REIT's overall quality and potential. Our experienced management team is dedicated to delivering long-term value to all stakeholders. Our strategies have positioned Skyline Industrial REIT for success, and we are excited and focused on future opportunities in pursuit of our growth initiatives and goals in 2023.

"The industrial real estate market continues to experience high demand from both a tenancy and investment perspective. In most Canadian markets, the short supply of modern, pre-existing industrial space has led to historically low vacancy rates and a rapid increase in rental rates over the last 12 months."

Mike Bonneveld
President,
Skyline Industrial REIT

SENIOR MANAGEMENT

Jason Castellan
Co-Founder &
Chief Executive Officer,
Skyline Group of
Companies

Martin Castellan
Co-Founder &
Chief Administrative
Officer, Skyline Group of
Companies

R. Jason Ashdown
Co-Founder &
Chief Sustainability Officer,
Skyline Group of
Companies

Wayne Byrd, CPA, CMA
Chief Financial Officer,
Skyline Group of
Companies

Mike Bonneveld
President,
Skyline Industrial REIT

Maria Duckett
Vice President,
Skyline Commercial
Management Inc.

Krish Vadivale
Vice President, Finance,
Skyline Group of Companies

Dominic Bonin
Vice President,
Skyline Commercial Asset
Management Inc.

Pete Roden
Vice President,
Skyline Mortgage Financing
Inc.

Karyn Sales
General Counsel,
Skyline Group of Companies

INDEPENDENT TRUSTEES

Jonathan Halpern, CPA, CA

Jonathan Halpern, CPA, CA, is currently the President of Metropolitan Equities Limited, a privately owned family office and real estate investment company. Prior thereto, Mr. Halpern was a senior manager with an international accounting firm specializing in real estate and small business. Mr. Halpern has also served on the management committee of a national commercial flooring distributor. Mr. Halpern is a member of Chartered Professional Accountants of Ontario and Manitoba, and holds a Bachelor of Commerce (Honours) degree with Distinction with the University of Manitoba. Mr. Halpern also sits on the Board of Trustees for Skyline Apartment REIT, Skyline Retail REIT and Skyline Industrial REIT.

Ron Martin

Ron Martin is currently the President and Owner, along with family members, of Bridgeland Terminals Limited, a tank truck carrier located in Elmira, Ontario. Mr. Martin also serves as a board member for the Ontario Trucking Association and on the Community Advisory Committee for a local chemical company. From 1994 until 2006, Mr. Martin was also a partner in an area dehydrating company that specializes in the drying of agricultural products. Mr. Martin is a lifetime resident of Elmira, Ontario.

Frank Valeriote

Frank Valeriote is a lawyer and community leader who most recently served for seven years as the Member of Parliament for Guelph, Ontario. He graduated with Honours from the University of Western Ontario with a Bachelor's Degree in Canadian History and Economics. He went on to earn a Law Degree from the University of Ottawa and was called to the Bar in 1981. Mr. Valeriote co-founded the law firm of SmithValeriote LLP, where he served as a senior partner until his election. Mr. Valeriote has worked hard to mentor new entrepreneurs to start their business and promote investment in Guelph. He is a former board member and Chair of the Guelph Wellington Business Enterprise Centre, mentoring the creators of small business, and has been actively engaged in numerous fundraising efforts for various Guelph philanthropic and other charitable organizations. Mr. Valeriote lives in Guelph, Ontario.

FINANCIAL REPORTING

151 Avenue Reverchon
Pointe-Claire, QC

Forward-Looking Disclaimer

The following Management's Discussion and Analysis ("**MD&A**") of the results of operations and financial conditions for the year ended December 31, 2022, should be read in conjunction with Skyline Industrial Real Estate Investment Trust's ("**Skyline Industrial REIT**" or the "**REIT**") consolidated audited financial statements. Certain statements in this MD&A could be considered forward-looking information within the meaning of applicable securities legislation. Forward-looking information is based on a number of assumptions and is subject to a number of risks and uncertainties, many of which are beyond the REIT's control, which could cause actual results to differ materially from those disclosed in or implied by such forward-looking information. These risks and uncertainties include, but are not limited to, general and local economic and business conditions; the financial condition of tenants; our ability to refinance maturing debt; leasing risks, including those associated with the ability to lease vacant space; our ability to source and complete accretive acquisitions; and interest rates.

The forward-looking statements made herein are based on information available to Management as of April 30, 2023, except where otherwise noted. Skyline Industrial REIT does not undertake to update any such forward-looking information whether as a result of new information, future events, or otherwise. Certain figures presented for comparative purposes have been reclassified to conform to the current year's presentation.

In some instances, forward-looking information can be identified by the use of terms such as "may", "should", "expect", "will", "anticipate", "believe", "intend", "estimate", "predict", "potentially", "starting", "beginning", "begun", "moving", "continue", or other similar expressions concerning matters that are not historical facts. Forward-looking statements in this MD&A include, but are not limited to, statements related to acquisitions or dispositions, development activities, future maintenance expenditures, financing and the availability of financing, tenant incentives, and occupancy levels.

Non-IFRS Measures

Skyline Industrial REIT releases audited consolidated annual financial statements in accordance with International Financial Reporting Standards ("**IFRS**"). In this MD&A, as a complement to results provided in accordance with IFRS, Skyline Industrial REIT also discloses and discusses certain financial measures not recognized under IFRS and that do not have standard meanings prescribed by IFRS. These include net operating income ("**NOI**"), Funds from Operations ("**FFO**"), and applicable per Unit amounts and payout ratios (collectively, the "**Non-IFRS Measures**").

These Non-IFRS Measures are further defined and discussed in the "Key Performance Indicators" and "Funds from Operations" sections of this MD&A. Since NOI and FFO are not measures recognized under IFRS, they may not be comparable to similarly titled measures reported by other issuers. Skyline Industrial REIT has presented the Non-IFRS measures because Management believes these Non-IFRS measures are relevant measures of the ability of Skyline Industrial REIT to earn revenue and to evaluate Skyline Industrial REIT's performance. A reconciliation of the Non-IFRS measures is provided in the "FFO Payout Ratio" section. The Non-IFRS measures should not be construed as alternatives to net income (loss) or cash flows from operating activities determined in accordance with IFRS as indicators of Skyline Industrial REIT's performance or the sustainability of our distributions.

MD&A Overview

This MD&A focuses on key areas from the consolidated financial statements and pertains to major known risks and uncertainties relating to the real estate industry, in general, and the Trust's business, in particular. This discussion should not be considered comprehensive as it excludes changes that may occur in general economic, political, and environmental conditions. Additionally, other elements may or may not occur, which could affect the organization in the future. To ensure that the reader is obtaining the best overall perspective, this discussion should be read in conjunction with the material contained in the audited consolidated financial statements for the years ended December 31, 2022, and 2021, along with all other information regarding Skyline Industrial REIT posted publicly by the REIT or its affiliates. It is not our intent to reproduce information that is located in these other reported documents, but rather to highlight some of the key points and refer you to these documents for more detailed information.

Business Overview

Skyline Industrial REIT is an unincorporated, open-ended investment trust created by a Declaration of Trust effective as of January 10, 2012, and amended and restated as of December 5, 2022 (the "**Declaration of Trust**" or "**DOT**") and governed by the laws of the Province of Ontario and the federal laws of Canada applicable therein. Skyline Industrial REIT earns income from investments in a diversified portfolio of commercial properties located in Ontario, Quebec, Alberta, Manitoba, and Saskatchewan.

Management Strategy

As managers to Skyline Industrial REIT; Skyline Commercial Asset Management Inc. (the "**Asset Manager**"), Skyline Wealth Management Inc. (the "**Exempt Market Dealer"**) and Skyline Commercial Management Inc. (the "**Property Manager**") will implement their values and strategies as they fulfill their responsibilities. The REIT's mandate is clear and focused on the following strategies:

- **Maximize Revenues -** The ability to maximize revenues for Skyline Industrial REIT is dependent upon four factors:

  a. Increases to base rental rates upon lease expiries and at lease renewal based on regularly updated, localized, competitive market data;
  b. Improvements in occupancy rates;
  c. Reductions in operating expenses as it relates to overall tenant occupancy cost; and
  d. Development or expansion of rentable space

- **Reduce Expenses -** Prudently managing expenses at the property level is critical for improving the profitability of each property and of the portfolio as a whole. Skyline Commercial Management Inc. has developed strategies to reduce and control expenses through a variety of programs, capital projects, and diligent consumption monitoring:

  a. Manage consumption through tenant education and implementation of energy-saving initiatives (including through capital investment);
  b. Reduce maintenance costs through competitive bidding and tendering requirements;
  c. Competitive negotiation and re-negotiation of critical service contracts with constant consideration for economies of scale, along with diligent and responsible tracking of billing;
  d. Ensuring that only costs related to shared services are charged to common area costs ("CAM") versus costs that are tenant-specific and should be charged back directly to a tenant according to lease provisions;
  e. Preventative and proactive maintenance and capital expenditure planning;
  f. Future planning – Bulk purchasing, internalization of current supplier services, etc;
  g. Ensuring that standard leases clearly delineate Landlord versus Tenant responsibilities for repair and replacement, including recovery via amortization of major repairs, and moving tenants onto the current lease format at renewal; and
  h. Ongoing training of Portfolio Managers and Building Operators in an effort to educate them on available cost saving measures, as well as on general maintenance.

It is Skyline Commercial Management Inc.'s strategy to aggressively work toward expense reduction and control. In the competitive marketplace of Canadian commercial real estate, Skyline Commercial Management Inc. has committed to regularly review expenses and reduce them wherever possible without sacrificing service levels and tenant satisfaction. Striving to reach this goal also begins the progress towards the third goal of improving portfolio quality and improving the overall asset base.

- **Improve Portfolio Quality -** To be a leader in the light industrial commercial property sector in Canada, simply owning a large number of buildings is not enough. The industry has become more sophisticated and there is more competition to attract the pool of available tenants. Real estate brokers maintain lists of detailed tenant expiries and contact them regularly to influence their location choices. Tenants are therefore better educated as to market conditions, rates, and availability. Our product attracts small new businesses as well as multi-national corporations. We vet our opportunities to avoid unnecessary risk, but also rely upon the growth and incubation of small start-up businesses. Our efforts are directed at attracting the most desirable tenants possible to the REIT.

Key Performance Indicators

To meet its objectives and evaluate the success of its strategies, Skyline Industrial REIT uses several key operating and performance indicators:

- **Distributions -** Skyline Industrial REIT is currently paying monthly distributions to Unitholders of $0.0775 per unit, or $0.93 on an annual basis. At December 31, 2022, approximately 39.7% of the REIT's Units were enrolled in the Distribution Re-Investment Plan ("**DRIP**").

- **Occupancy -** Management is focused on achieving occupancy levels that exceed the overall averages for the geographic regions in which Skyline Industrial REIT exists, without sacrificing the maximization of rental income. At December 31, 2022, overall occupancy was 98.1%.

- **In-Place Rental Rates -** Through ongoing and active management, the portfolio's in-place base rents will always be evaluated against market rents for similar assets, in order to achieve the most accretive gain (or least impactful loss, in the case of softer markets) when space is renewed or newly leased.

- **Leasing and Tenant Profile -** Through the management of the key indicators of 'occupancy' and 'in place rental rates'; Management will evaluate and optimize the overall average remaining lease term in order to spread vacancy risk over a longer term. Additionally, Management will continue to balance the income across a broad base of tenancies in order to minimize the revenue exposure to any single tenant.

- **Net Operating Income ("NOI") -** This is defined as operating revenues less operating expenses, and is a key measure of operating performance. It is a key non-International Financial Reporting Standards ("IFRS") financial measure of the operating performance of Skyline Industrial REIT. For the year 2022, Skyline Industrial REIT's NOI margin was 70.5%.

- **Same Property Net Operating Income -** This is defined as operating revenues less operating expenses for properties, which were owned for the full years of 2020, 2021, and 2022. Management was focused on maintaining or increasing same property NOI year over year.

- **Funds from Operations ("FFO") -** FFO is a measure of operating performance based on the funds generated by the business before reinvestment or provision for other capital needs. For the year 2022, Skyline Industrial REIT generated $33.4 million in FFO.

- **Adjusted Funds From Operations ("AFFO") -** AFFO is a measure of performance taking into consideration regular maintenance capital expenditures and regular leasing expenditures that a prudent owner must maintain from operating cash flows. For the year 2022, Skyline Industrial REIT generated $27.2 million in AFFO.

- **Payout Ratio -** To ensure that Skyline Industrial REIT retains sufficient cash to meet its capital improvement and leasing objectives, Management strives to maintain appropriate FFO and AFFO payout ratios over the year. For the year 2022, Skyline Industrial REIT's FFO payout ratio was 93.12% and AFFO payout ratio was 114.43%.

- **Financing -** Management is continually managing and planning its financing strategies for the portfolio. This ensures that the portfolio is well-positioned to mitigate interest rate uncertainty as well as to responsibly ladder the maturities of the portfolio's mortgages over the long term.

- **Loan to Value ("LTV") -** The portfolio is regularly evaluated based upon key leverage ratios, comprised of mortgage debt, total indebtedness, historical cost and fair value in accordance with IFRS 13 – Fair Value ("**IFRS 13**"). Loan to value ratios are shown on both a historical cost, and market value basis. The Declaration of Trust requires that the overall leverage ratio not exceed 70% Loan to IFRS Fair Value. However, it is Management's objective to keep the portfolio at a more conservative level of approximately 60% leverage based upon fair value. At the close of 2022, Skyline Industrial REIT's portfolio leverage ratio was 57.42% (against historical cost) and 49.38% (against fair value in accordance with IFRS 13).

Goals And Objectives Of Skyline Industrial REIT

In accordance with the Declaration of Trust, the goals and objectives of Skyline Industrial REIT are:

1. to provide REIT Unitholders with stable and growing cash distributions, payable monthly and, to the extent reasonably possible, tax deferred, from investments in a diversified portfolio of income-producing commercial properties located in Canada;

2. to maximize REIT unit value through the ongoing management of Skyline Industrial REIT's assets and through the acquisition of additional properties; and

3. to maintain a REIT that satisfies the REIT exception under the Specified Investment Flow Through ("**SIFT**") legislation in order to provide certainty to Unitholders with respect to taxation of distributions.

2022 Highlights

- The REIT's Assets under Management increased from $1.314 billion, to $1.516 billion (15.38%) during 2022 from a combination of dispositions, strategic acquisitions and value enhancement to the existing portfolio.

- The REIT's average in-place base rent, increased from $7.97 to $8.01 by year end.

- Two of the REIT's development assets (via its partnership with Rosefellow), were completed, stabilized and the remaining interests acquired by the REIT. (total of 585,323 square feet).

- During 2022, the increase in the value of the underlying real estate portfolio resulted in a unit price change from $20.00 to $22.50, a 12.5% increase.

Financial Highlights **($ thousands, except where noted)**	**2022**	**2021**
Property revenues	$83,409	$87,737
Operating expenses	(24,604)	(28,229)
Net operating income ("NOI")	**$58,805**	**$59,508**
Net income	**$32,920**	**$290,318**
Funds from operations ("FFO")	**$33,409**	**$35,922**
Adjusted Funds from operations ("AFFO")	**$27,189**	**$27,731**
Normalized distributions declared to REIT and LP unitholders	31,112	29,892
Normalized FFO payout ratio	93.12%	83.21%
Normalized AFFO payout ratio	114.43%	107.79%

Property Portfolio

At December 31, 2022, through active portfolio management; the portfolio consisted of 9,314,597 rentable square feet across 61 commercial properties geographically diversified through 33 communities in Ontario, Quebec, Alberta, Saskatchewan, and Manitoba.

Skyline Industrial REIT's property portfolio is a balanced mix of commercial real estate located along high volume logistic routes across Ontario, Quebec, Alberta, Saskatchewan and Manitoba. The REIT continues to look at further expanding and enhancing the portfolio in existing and new urban markets across Canada.

Presently, the industrial portfolio is comprised of over 99.2% industrial properties with another 0.08% of flex space and a small portion of pure office properties. Management's focus is on the acquisition of industrial class properties while strategically disposing of the office properties.

Portfolio Average Monthly Base Rent & Occupancy **As at December 31, 2022**	**GLA (sq ft)**	**%**	**Occupancy Rate**	**Base Rent**
Industrial	9,242,329	99.2%	98.5%	$8.00
Office	50,869	0.5%	32.8%	$9.50
Flex	21,399	0.3%	83.8%	$11.85
Total	**9,314,597**	**100.0%**	**98.1%**	**$8.01**

Acquisitions and Dispositions

Acquisitions Completed During the Year Ended December 31, 2022
($ thousands, except where noted)

Purchase Date	GLA	Region	Type	Acquisition Costs	Mortgage Funding
31-Mar-22	200,000	SW Ontario	Industrial	$28,061	$11,879
19-Apr-22	95,000	SW Ontario	Industrial	$11,937	$-
01-Jun-22	326,125	Greater Montreal Area	Industrial	$91,229	$46,000
08-Sep-22	1,096,758	Edmonton	Industrial	$162,005	$90,190
08-Sep-22	1,050,911	Calgary	Industrial	$147,756	$85,000
19-Sep-22	259,198	Greater Montreal Area	Industrial	$69,604	$36,000
12-Dec-22	301,400	Calgary	Industrial	$55,387	$30,500
Total	**3,329,392**			**$565,979**	**$299,569**

Dispositions Completed During the Year Ended December 31, 2022
($ thousands, except where noted)

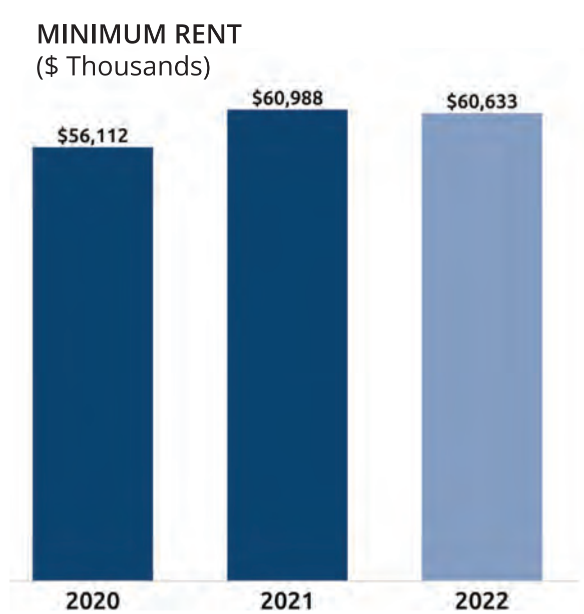
Disposition Date	GLA	Region	Type	Carrying Value	Equity	Mortgages Discharged
20-Jan-22	402,709	Greater Montreal Area	Industrial	$80,125	$80,125	$-
24-Jan-22	692,192	Ottawa	Industrial	$154,540	$94,862	$59,678
24-Jan-22	207,689	GTA	Industrial	$62,750	$49,454	$13,296
31-Jan-22	290,817	SW Ontario	Industrial	$58,200	$44,749	$13,451
15-Mar-22	27,136	SW Ontario	Industrial	$7,300	$7,300	$-
13-Jun-22	72,527	SW Ontario	Industrial	$10,910	$10,910	$-
06-Jul-22	50,076	SW Ontario	Industrial	$4,500	$4,500	$-
15-Aug-22	56,995	SW Ontario	Industrial	$9,500	$3,822	$5,678
Total	**1,800,141**			**$387,825**	**$295,722**	**$92,103**

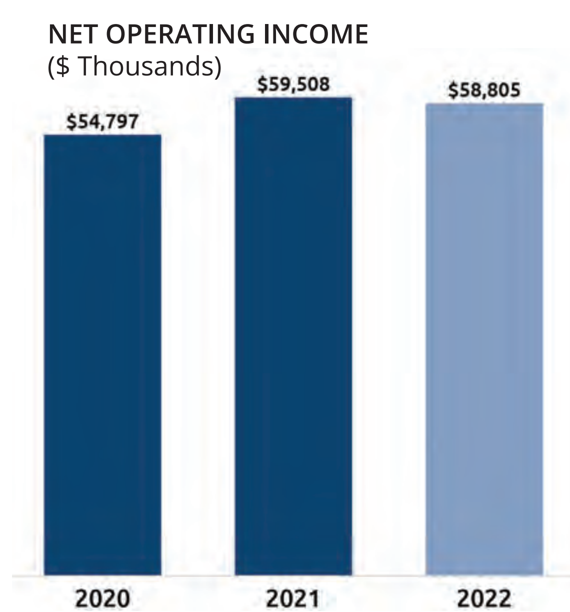
2022 Operating Highlights

Operating Results ($ thousands, except where noted)	2022	%*	2021	%*
Property revenues				
Minimum rent	$60,633	72.7%	$60,988	69.5%
Cost recoveries	22,776	27.3%	26,749	30.5%
Total property revenues	**$83,409**	**100.0%**	**$87,737**	**100.0%**
Direct property expenses				
Realty taxes	$14,808	17.8%	$15,690	17.9%
Other direct property costs	7,343	8.8%	9,814	11.2%
Utilities	669	0.8%	978	1.1%
Property Management fees	1,784	2.1%	1,747	2.0%
Total direct property expenses	**24,604**	**29.5%**	**28,229**	**32.2%**
Net operating income ("NOI")	**$58,805**	**70.5%**	**$59,508**	**67.8%**

* As a percentage of property revenues

Other operational metrics	2022	2021
Total occupancy %	98.1%	97.7%
In place base rent (per square foot)	$8.01	$7.97

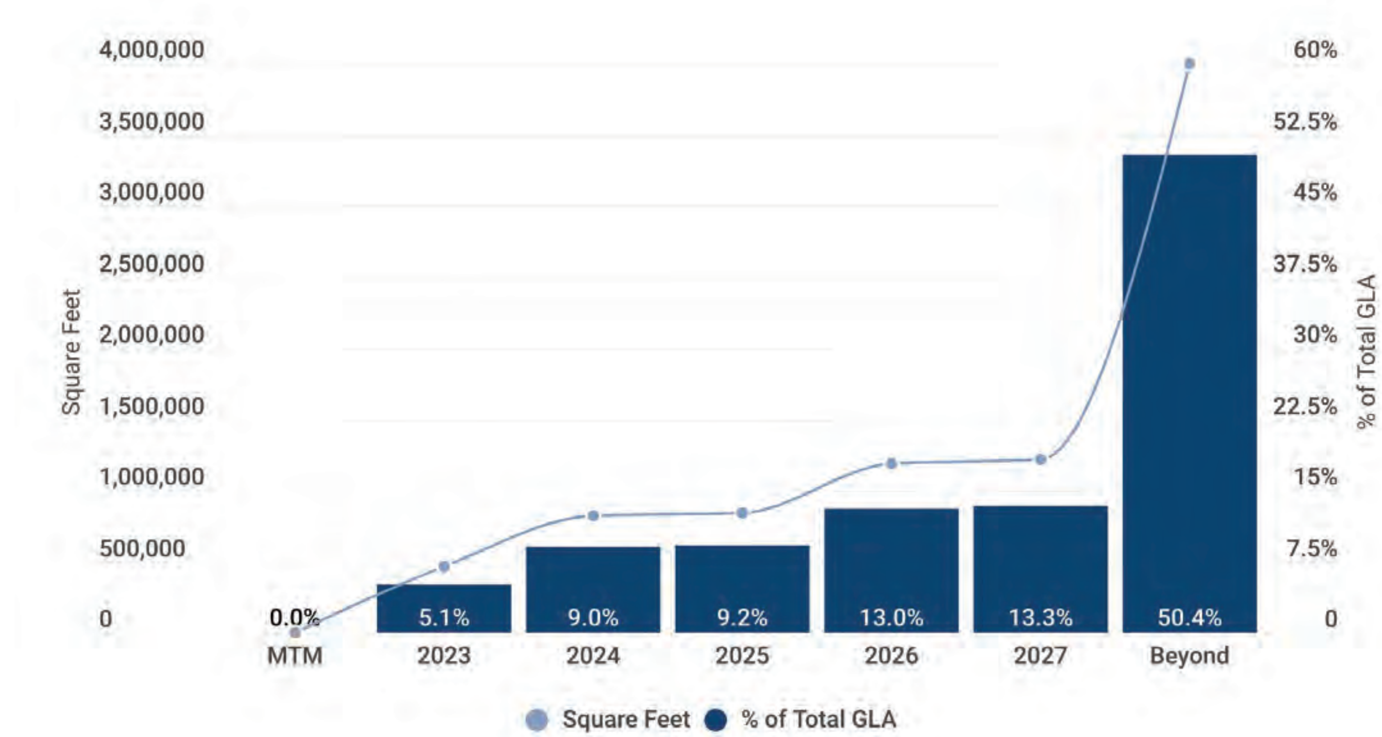




Regional Highlights ($ thousands, except where noted)	2022		2021		Increase (Decrease)		
Portfolio	NOI	NOI Margin	NOI	NOI Margin	Revenue Change	Expense Change	NOI Change
GTA	**$88**	**88.0%**	$3,060	116.7%	(96.2%)	(99.0%)	(97.1%)
Ottawa	**462**	**53.8%**	6,353	52.4%	(92.9%)	(92.7%)	(92.7%)
Other Ontario	**12,526**	**64.2%**	13,672	54.8%	(21.8%)	(28.7%)	(8.4%)
Quebec	**15,095**	**74.9%**	14,614	74.5%	2.7%	0.9%	3.3%
Western Canada	**30,634**	**71.7%**	21,809	74.7%	46.4%	62.7%	40.5%
Total	**$58,805**	**70.5%**	$59,508	67.2%	(5.8%)	(14.7%)	(1.2%)

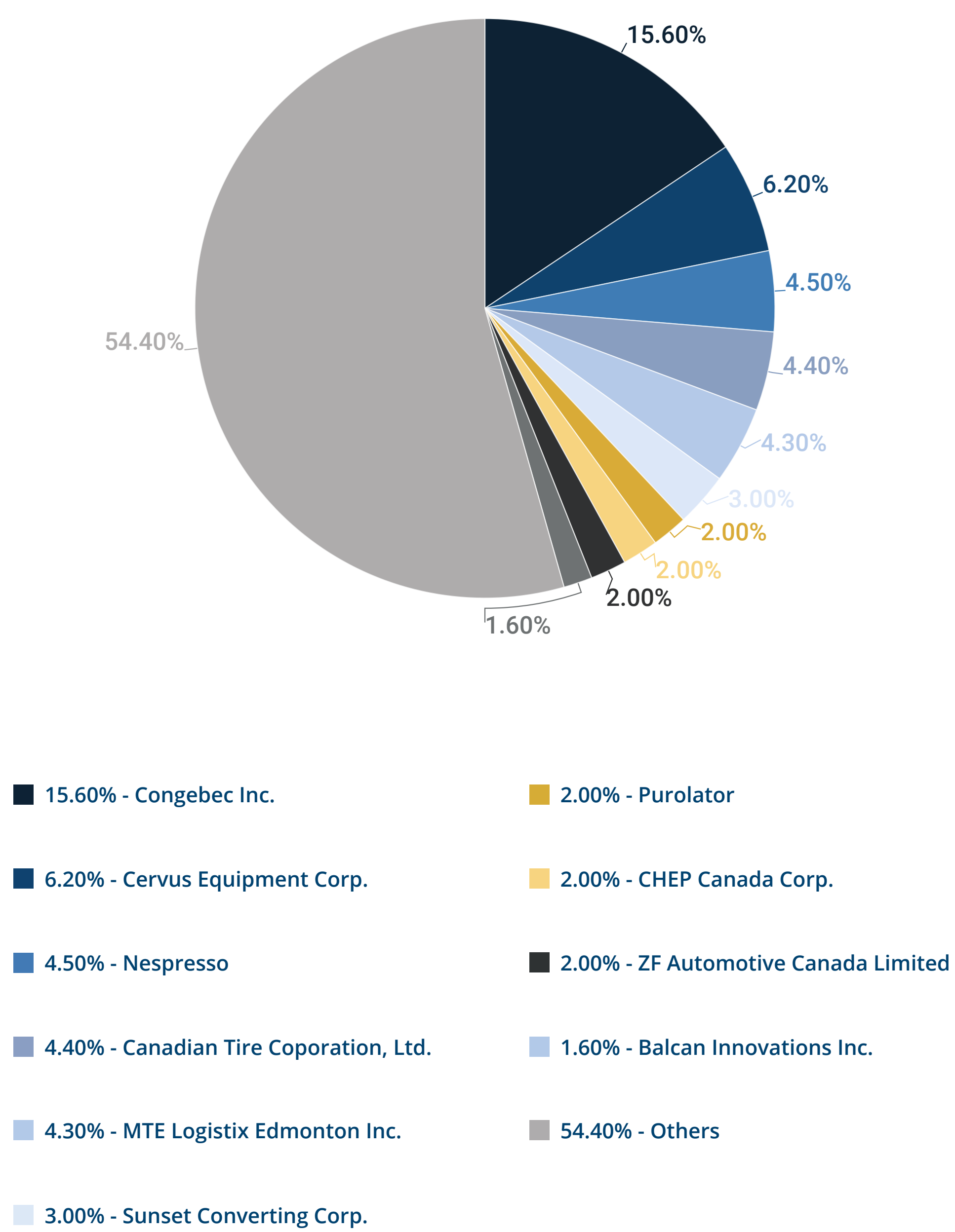
Occupancy and Vacancy Schedule

At the close of 2022, the portfolio had 174,655 square feet of vacant space, of which 95,568 square feet is committed for future occupancy. With respect to future expiries, Management has already renewed or leased 194,176 square feet. The following bar graph shows the percentage of lease expiries over the next 5 years and beyond, 50.4% of maturities are over 5 years. Over the course of 2023, Management plans to commence early renewal discussions with larger tenants to proactively manage the expiries occurring in the next 5 years.



Leasing and Tenant Profile

The REIT's tenant profile consists of a diversified base of quality tenants. At December 31, 2022, with 188 tenants, risk exposure to any single tenant was 15.6%. The following chart shows the top ten tenant mix for the Properties on the basis of the percentage of base rent.

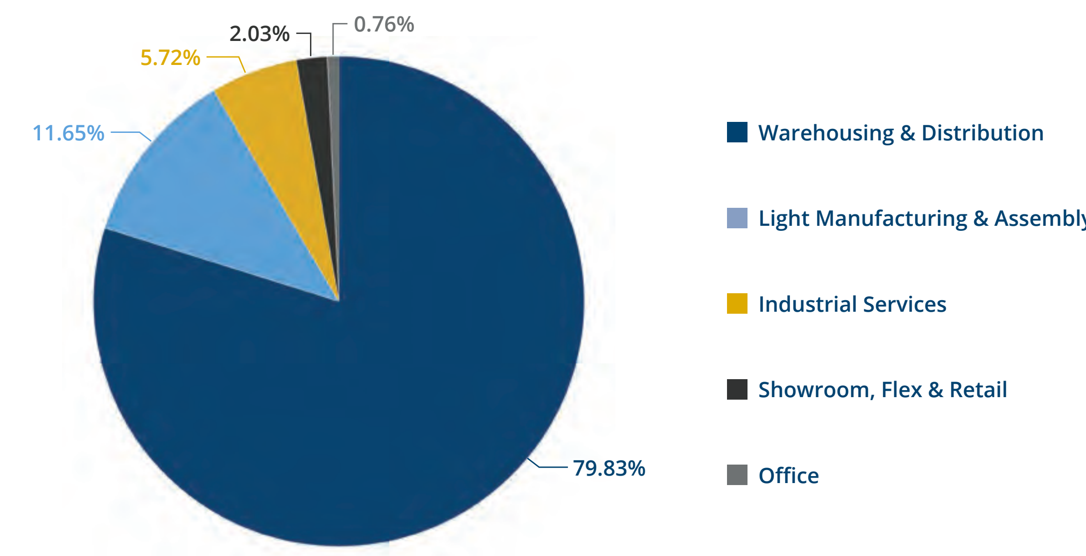


Portfolio Composition

Skyline Industrial REIT specializes in modern industrial real estate focused on warehousing, distribution, and logistics. The REIT is well-positioned for growth amid rising demand for these spaces from businesses such as those centered on e-commerce and cold storage.

Each property is professionally managed by Skyline Commercial Management Inc., a commercial real estate property management company housed within Skyline Group of Companies.

Skyline Industrial REIT has approximately 79.83% of its tenants in the warehousing and distribution sector. This weighting anchors the REIT's long-term strategy to a strong and growing industrial real estate asset class.



Funds From Operations

FFO is a measure of operating performance based on the funds generated by the business before reinvestment or provision for other capital needs. This non-IFRS measure is a commonly used performance measure for assessing real estate operations. However, it does not represent cash flow from operating activities, and is not necessarily indicative of cash available to fund Skyline Industrial REIT's needs. It also does not have a standardized industry definition; therefore, it may not be relied upon as a comparable indicator to other REITs that use a similar term.

FFO Payout Ratio

The FFO payout ratio compares total and net distributions declared to non-IFRS measures. Management considers these ratios to also be important measures of the sustainability of distributions.

A reconciliation of net income to FFO and AFFO is shown in the following chart:

FFO Payout Ratios **($ thousands, except where noted)**	**2022**	**2021**
Profit & loss		
Property revenues	**$83,409**	**$87,737**
Operating expenses	**(24,604)**	**(28,229)**
Net operating income ("NOI")	**$58,805**	**$59,508**
Finance costs	(69,492)	(34,015)
REIT & other expenses	(5,130)	(4,344)
Interest income	1,017	236
Fair value loss on partnership units	(2,260)	(2,135)
Share of net earnings from investments in joint ventures	28,616	9,127
Fair value gain on disposed properties	177,149	43,618
Fair value (loss) gain on investment poperties	(155,785)	218,323
Net income	**$32,920**	**$290,318**
Non-cash add-backs:		
Distributions paid on partnership units	$46,797	$12,252
Fair value loss on partnership units	2,260	2,135
Share of net earnings from investments in joint ventures	(28,616)	(9,127)
Fair value gain on disposed properties	(177,149)	(43,618)
Fair value (loss) gain on investment poperties	155,785	(218,323)
Amortization of leasing costs and straight-line rent	777	1,266
Amortization of tenant inducements	635	1,019
Funds from operations ("FFO")	**$33,409**	**$35,922**
AFFO adjustments:		
Deferred maintenance	$(51)	$(53)
Other capital expenditures	(2,781)	(5,973)
Amortization of straight-line rents	(3,388)	(2,165)
Adjusted funds from operations ("AFFO")	**$27,189**	**$27,731**
Total distributions declared	168,750	58,046
Less: General Partner sharing distributions	(46,330)	(11,786)
Total distributions declared to REIT and LP Unitholders	**$122,420**	**$46,260**
Less: special distributions	**(91,308)**	**(16,368)**
Normalized distributions declared to REIT and LP Unitholders	**$31,112**	**$29,892**
Normalized FFO payout ratio [(1)]	**93.12%**	**83.21%**
Normalized AFFO payout ratio	**114.43%**	**107.79%**

[(1)] Excludes distributions paid to the General Partner

[(2)] As of April 30, 2023

Distributions to Unitholders and Payout Ratio

During 2022, Skyline Industrial REIT paid monthly distributions to Unitholders of $0.0775 per Unit, or $0.93 per Unit on an annual basis.

On July 31, 2022, the REIT issued a special distribution by way of units, equal to $2.50 per unit (the "Special Distribution"). This resulted in the issuance of 0.125 units for every 1 unit outstanding.

On July 31, 2022, immediately following the Special Distribution, the REIT consolidated all REIT and LP units outstanding at a ratio of 1.125 units to 1, returning the outstanding unit count to the amount outstanding immediately prior to the Special Distribution (the "Unit Consolidation"). The Unit Consolidation resulted in an increase in the price per unit for newly issued units and units to be redeemed, from $20.00 to $22.50.

On December 19, 2022, the REIT issued a special distribution by way of units, equal to $0.30 per unit.

In order to maintain a consistent cycle of monthly distributions, the REIT may, from time to time, use proceeds from dispositions and refinancings as well as funds from the operating line of credit. It is Management's long-term objective to continually reduce its reliance on disposition proceeds and to eliminate its reliance on refinancing proceeds for supplementing distribution cash flows.

Distribution Sources **($ thousands, except where noted)**	**2022**	**2021**
Total distributions declared	**$122,420**	**$46,260**
Funded by:		
Income	27.29%	100.00%
Building dispositions	72.71%	-
Refinance proceeds	-	-

Investment Properties

Since the adoption of IFRS reporting, this method of reporting impacts the consolidated financial statements of Skyline Industrial REIT and its subsidiary most significantly in the areas of Investment Properties and Amortization.

Under IFRS, Management considers its properties to be Investment Properties under International Accounting Standard 40-Investment Property **IAS 40**. Investment Properties are properties held to earn rental income or for capital appreciation, or both. Management has elected the Fair Market Model to measure its investment properties on the balance sheet and record any unrealized gain (or loss) on the income statement.

The following is Management's approach to the Fair Market Value of the portfolio's investment properties:

- Group the Portfolio into segments that identify geographic locations and group the portfolio by property characteristics. This will allow Management to apply the same metrics to similar properties.
- Engage third party market appraisals for a portion of its portfolio which comprises at least 20% of the number of properties which make up at least 25% of the gross book value of the portfolio. The balance of the properties will undergo an internal valuation which will be verified by a comparative appraisal and audited by RLB LLP (the Industrial REIT's auditor).
- Properties must be appraised by a third party at least once every five years.
- Properties will not be appraised by a third party within 18 months of acquisition (unless it is necessary for mortgage financing).
- Properties will not be required to be appraised in a year, if within the next 12 months it is scheduled for mortgage maturity.

For the year ended December 31, 2022, 52.9% of the investment properties, by cost base, were valued externally (2021 - 38.9%).

2022 saw the cumulative fair value adjustment on investment properties increase $1.516 billion from $1.314 billion at December 31, 2022.

Fair Value of Investment Properties (under IFRS 13) **($ thousands, except where noted)**	**2022**	**2021**
Balance, beginning of year	**$898,805**	**$1,018,029**
Acquisitions through purchase of assets	418,220	110,840
Acquisitions through purchase of limited partnerships	147,759	-
Additions through capital expenditures on existing investment properties	5,871	6,908
Disposals through sale of investment properties	(4,281)	(85,172)
Investment properties held for sale but added back to portfolio	36,420	-
Changes in assets held for sale	(10,750)	(415,185)
Amortization of leasing costs and straight-line rent	2,667	1,444
Fair value gain on investment properties and disposed properties	21,364	261,941
Balance, end of year	**$1,516,075**	**$898,805**

The following table reconciles the cost base of investment properties to their fair value:

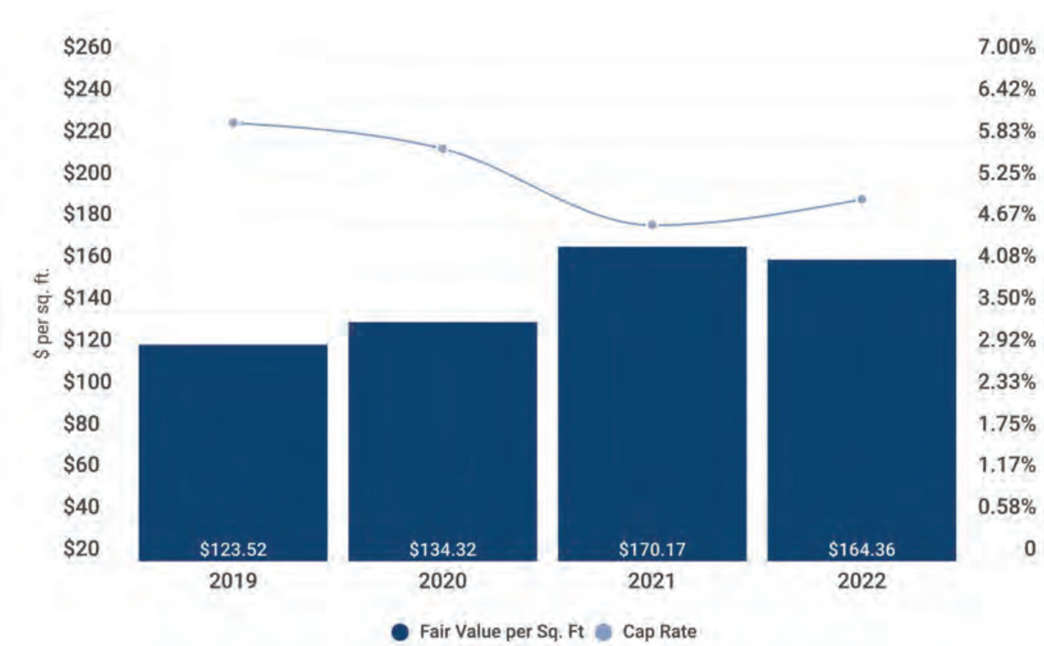
Fair Value of Investment Properties (under IFRS 13) **($ thousands, except where noted)**	**2022**	**2021**
Cost	$1,296,272	$942,823
Cumulative fair value adjustment	$219,803	$371,167
Fair Value	**$1,516,075**	**$1 ,313,990**

The following table and graph summarize the REIT's growth in asset value on a trending basis over the past four years, along with the impact that NOI growth and the capitalization rate ("**CAP Rate**") movement has had on that value.

Trending Fair Value Details **($ thousands, except where noted)**	**2022**	**2021**	**2020**	**2019**
Fair value of investment properties*	$1,530,914	$1,313,990	$1,018,029	$799,726
Total rentable sq.ft. at year end	9,314,597	7,721,570	7,578,975	6,474,278
Fair value per square foot	**$164.36**	**$170.17**	**$134.32**	**$123.52**
Increase (decrease) in fair value per sq.ft. (%)	**(3.42%)**	**26.69%**	**8.74%**	**7.68%**
Weighted average capitalization rate	5.05%	4.69%	5.75%	6.11%
Increase (decrease) in cap rate (year-over-year) (%)	7.68%	(18.43%)	(5.89%)	(6.00%)
Net operating income ("NOI")	$58,805	$59,508	$54,797	$49,069
Increase in NOI (year-over-year) (%)	(1.18%)	8.60%	11.67%	40.19%
NOI (% of revenue)	70.50%	67.83%	66.72%	68.18%

*included in the 2022 and 2021 figures are Assets Held for Sale in the amounts of $14,839 and $415,436 respectively.

Trending Fair Value per Sq. Ft.



Capital Expenditures

During 2022, Skyline Industrial REIT acquired 3,329,392 rentable square feet of Industrial space through the acquisition of 11 properties for a total investment of $418.2 million.

In general, Skyline Industrial REIT is purchasing income producing commercial properties on an accretive basis; and is committed to increasing the value of these assets by investing in capital expenditure initiatives and other programs in order to improve the overall quality of the properties and ultimately to sustain and expand the overall portfolio's future rental income-producing potential over its expected life span.

During the year, Management invested $5.9 million in structural improvements, common area improvements, and utility efficiency programs throughout the portfolio. These capital initiatives are completed with the intention of increasing revenues, reducing expenses, maintaining occupancy levels, and increasing overall tenant satisfaction.

Management is committed to the ongoing future maintenance and enhancement of the portfolio.

Capital Structure

'Capital' is defined as the aggregate of debt and Unitholders' equity. Management's objectives with respect to Capital is to maintain its ongoing ability to fund its distributions to Unitholders, to meet its repayment obligations under mortgages and other credit facilities, and to ensure there are sufficient funds available to meet the capital requirements of the portfolio.

Skyline Industrial REIT's Declaration of Trust permits the maximum amount of total debt to 70% of the gross book value of the REIT's assets. Despite the REIT reporting under IFRS methods, Management continues to evaluate LTV ratios on both a fair value basis and a traditional historical cost basis, whereby historical cost is defined as the acquisition cost of the properties plus the capital improvements expended thereon.

The total Capital of Skyline Industrial REIT as at December 31, 2022 is in the following chart:

Mortgage Summary **($ thousands, except where noted)**	**2022**	**2021**
Mortgages payable	$715,802	$405,633
Line of credit	32,863	10,958
Total Debt	**$748,665**	**$416,591**
Class B LP Units	11,302	9,042
Unitholders' Equity	814,868	794,329
Total Capital	**$1,574,835**	**$1,219,962**
Mortgage debt to historical cost	54.90%	54.40%
Mortgage debt to fair value	47.21%	45.13%
Total debt to historical cost	57.42%	55.87%
Total debt to fair value	49.38%	46.35%
Weighted average mortgage interest rate	4.22%	3.39%
Weighted average mortgage term to maturity	4.28 yrs	4.47 yrs

Mortgages Payable **($ thousands, except where noted)**	**Future minimum principal payments**	**% of total mortgages**
2023	**$27,068**	3.8%
2024	**98,758**	13.8%
2025	**122,933**	17.2%
2026	**40,271**	5.6%
2027	**176,414**	24.6%
Thereafter	**250,358**	35.0%
Total mortgages payable as at December 31, 2022	**$715,802**	**100.0%**

Investment Summary

During 2022, units of Skyline Industrial REIT were issued under the accredited investor exemption and through the Employee Unit Purchase Plan ("**EUPP**") under the employee exemption, and under the confidential Offering Memorandum released September 2022 and December 2022. During the year, the REIT received net proceeds of $28.9 million through new REIT and LP unit issuances and DRIP enrollment, net of redemptions.

REIT Unitholders - Investment Activity **($ thousands, except where noted)**	**2022**		**2021**	
	Number of Units	**Amount ($)**	**Number of Units**	**Amount ($)**
REIT units outstanding, beginning of year	**32,742,816**	**$363,507**	**30,395,309**	**$325,116**
Proceeds from REIT units issued	1,518,564	34,168	2,048,150	33,814
Units issued through DRIP	672,340	14,018	1,718,150	28,975
Units issued through 'Special' DRIP	4,508,959	91,308		
Units issued through EUPP	40,204	820	29,141	428
Unit consolidation	(4,057,391)	(81,148)	(935,310)	(16,368)
Redemptions - REIT units	(1,448,383)	(30,293)	(512,624)	(8,458)
REIT units outstanding, end of year	**33,977,109**	**$392,380**	**32,742,816**	**$363,507**
Weighted average REIT units outstanding	**32,835,014**		**31,706,447**	

LP Unitholders - Investment Activity ($ thousands, except where noted)	2022		2021	
	Number of Units	Amount ($)	Number of Units	Amount ($)
LP units outstanding, beginning of year	**502,326**	**$9,042**	502,326	$6,907
Proceeds from LP units issued	-	-	-	-
Units issued through DRIP	-	-	-	-
Redemptions - LP units	-	-	-	-
Change in fair value	-	2,260	-	2,135
LP units outstanding, end of year	**502,326**	**$11,302**	**502,326**	**$9,042**
Weighted average LP units outstanding	**502,326**		**502,326**	

Unitholder Taxation

For taxable Canadian residents, Unitholder distributions are treated as follows for tax purposes:

For Skyline Industrial REIT Unit Holders	2022
Other Income	15.67%
Capital Gains	122.61%
Return of Capital	(38.27)%
TOTAL	**100%**

*Every individual Unitholder's tax treatment will be different, depending on if the Unitholder subscribed to or redeemed units during 2022, or if Unitholders received cash distributions or subscribed to the distribution reinvestment plan. Unitholders are highly encouraged to consult a tax professional for advise

Related Party Transactions

The Executive Officers of Skyline Industrial REIT do not receive direct salary compensation from the REIT. Rather, Skyline Commercial Real Estate GP Inc., as General Partner of Skyline Commercial Real Estate Partnership ("SCRELP", the "Limited Partnership" or the "LP"), has a 20% deferred interest in the properties of the Trust's subsidiary ("**GP Sharing**"). Additionally, the Executive Officers receive compensation from the management companies to the REIT and Limited Partnership ("**Management Services**").

GP Sharing

Distributions under the GP Sharing commence once the equivalent of the total investors' equity has been effectively distributed on a property by property basis. Once triggered, any future cash-flows are shared at a ratio of 20% to the GP: 80% to the LP (which indirectly means its investors). In addition, on any disposition, the GP is entitled to 20% of the equity growth of the property net of any outstanding amounts owing to investors. The GP Sharing calculation is done on a per property basis, which incents management to ensure that each property is performing optimally.

GP Sharing ($ thousands, except where noted)	2022	2021
General Partner sharing on income	$1,435	$605
General Partner sharing on dispositions	44,895	11,181
Total General Partner sharing on distributions	**$46,330**	**$11,786**

Management Services

Related party fees paid are as follows:

Management Fees ($ thousands, except where noted)	2022	2021
Wealth Management Fees	$2,791	$2,193
Asset Management Fees	2,787	2,275
Underwriting Management Fees	1,814	410
Property Management Fees	1,784	1,747
Leasing Service Fees	965	799
Development Service Fees	673	414
Lease Documentation Fees	49	188
Legal Service Management Fees	500	439
CAPEX Management Fees	151	136
Solar Asset Management Fees	-	19
Total Management Fees	**$11,514**	**$8,620**

Services of the Asset Manager

Skyline Industrial REIT has an asset management agreement with Skyline Asset Management Inc. and Skyline Commercial Asset Management Inc (the "Asset Manager"). The asset management fees payable under the asset management agreement are 2% of adjusted gross revenue. For the year ended December 31, 2022, Skyline Industrial REIT paid to the Asset Manager $1,586 in asset management fees (2021 – $1,747).

Skyline Industrial REIT also has a leasing services arrangement with the Asset Manager, wherein Skyline Industrial REIT shall pay the Asset Manager: (i) 50% of market brokerage fees if an external broker is used, or (b) 100% of market brokerage fees if no external broker is used. For the year ended December 31, 2022, Skyline Industrial REIT paid to the Asset Manager $965 in leasing services fees (2021 – $799).

The Asset Manager also provides oversight and management services in respect of development projects undertaken by, on behalf of, or for the benefit of Skyline Industrial REIT. In providing these services, Skyline Industrial REIT pays the Asset Manager a fee equal to 1% of the development costs of each project. For the year ended December 31, 2022, Skyline Industrial REIT paid to the Asset Manager $1,201 in development management fees (2021 – $528).

Services of the Property Manager

Skyline Industrial REIT has a property management agreement with Skyline Commercial Management Inc (the "Property Manager"). Property management fees payable under the property management agreement in 2022 for single tenant managed properties are paid at a fixed rate ranging from 15 to 25 cents per square foot (not in thousands of Canadian dollars). For multi tenant properties or single tenant properties managed by a property manager, the fee is 2.5% of base rental income. In 2021, the property management fees ranged from 2.5 to 5% of base rental income for all properties. For the year ended December 31, 2022, Skyline Industrial REIT paid to the Property Manager $1,784 in property management fees (2021 – $1,747).

As part of the property management agreement, Skyline Industrial REIT also pays for lease documentation services, which are payable at a fixed rate ranging from $200 to $1,000 (not in thousands of Canadian dollars) per lease. For the year ended December 31, 2022, Skyline Industrial REIT paid to the Property Manager $49 in lease documentation fees (2021 $188).

Services of the Exempt Market Dealer

Skyline Industrial REIT has an exempt market dealer agreement with Skyline Wealth Management Inc. (the "Exempt Market Dealer"). Fees payable under the exempt market dealer agreement include wealth management fees of 0.3% of unitholders equity, and equity raise fees ranging from 0.5% to 1% of proceeds from units issued during the year. For the year ended December 31, 2022, Skyline Industrial REIT paid to the Exempt Market Dealer $2,362 in wealth management fees (2021 – $1,791), and $429 in equity raise fees (2021 $402).

Services of the Mortgage Underwriting Manager

Skyline Industrial REIT has an arrangement with Skyline Mortgage Finance Inc. (the "Underwriting Manager"), wherein the Underwriting Manager assists Skyline Industrial REIT in obtaining mortgage financing upon terms and rates that are commercially competitive. Skyline Industrial REIT pays the Underwriting Manger $5,000 (not in thousands of Canadian dollars) for each mortgage assumed on acquisition, and 50 bps on mortgage principal for all other mortgages. For the year ended December 31, 2022, Skyline Industrial REIT paid to the Underwriting Manager $1,814 in mortgage underwriting fees (2021 $410).

Legal Services Manager

Skyline Industrial REIT had an arrangement with Skyline Asset Management Inc., wherein Skyline Asset Management Inc provided advise to Skyline Industrial REIT on the use of external legal counsel, and managed external legal counsel on behalf of the REIT (the "Legal Services Arrangement"), the costs for which are approved annually by Skyline Industrial REIT's independent Trustees. Effective March 1, 2022, Skyline Asset Management Inc., transferred the Legal Services Arrangement to Skyline Private Investment Capital Inc. (the "Legal Services Manager"). Under the Legal Services Arrangement, Skyline Industrial REIT paid to the Legal Services Manager $416 in legal and administrative fees for the period from March 1, 2022 to December 31, 2022. Under the Legal Services Arrangement, Skyline Industrial REIT also paid to Skyline Asset Management Inc $84 in legal and administrative fees for the period from January 1, 2022 to February 28, 2022, and $439 in legal and administrative fees for the period from January 1, 2021 to December 31, 2021.

Services of the Solar Asset Manager

Skyline Industrial REIT has an arrangement with Skyline Clean Energy Asset Management Inc. (the "Solar Asset Manager"). The solar asset management fees payable under the arrangement are equal to $20 (not in thousands of Canadian dollars) per kilowatt of direct current per annum for each solar system managed by the Solar Asset Manager. For the year ended December 31, 2022, Skyline Industrial REIT paid to the Solar Asset Manager $nil in solar asset management fees (2021 – $19).

Services of the CAPEX Provider

Skyline Industrial REIT has an arrangement with Skyline Capital Projects Management Inc (the "CAPEX Provider"), wherein the CAPEX Provider provides due diligence services on the capital needs of proposed acquisitions, compiles and proposes multi year capital plans for the portfolio, and manages the execution of those capital plans, the costs for which are approved annually by Skyline Industrial REIT's independent Trustees. For the year ended December 31, 2022, Skyline Industrial REIT paid to the CAPEX Provider $151 in CAPEX management fees (2021 – $136).

Risks And Uncertainties

Skyline Industrial REIT must adhere to specific operating and investment guidelines as set out in the Declaration of Trust. These guidelines are established to limit to the best extent possible the risks and uncertainties that exist.

Real Property Ownership

All real property investments are subject to elements of risk. Such investments are affected by general economic conditions, local real estate markets, demand for commercial and industrial premises, competition from other commercial and industrial premises and various other factors.

Certain significant expenditures, including property taxes, capital repair and replacement costs, maintenance costs, mortgage payments, insurance costs and related charges must be made throughout the period of ownership of real property regardless of whether the property is producing any income. If Skyline Industrial REIT is unable to meet mortgage payments on any property, losses could be sustained as a result of the mortgagee's exercise of its rights of foreclosure or sale.

Real property investments tend to be relatively illiquid, with the degree of liquidity generally fluctuating in relation to demand for and the perceived desirability of such investments. Such illiquidity may tend to limit Skyline Industrial REIT's ability to vary its portfolio promptly in response to changing economic or investment conditions. If Skyline Industrial REIT were required to liquidate its real property investments, the proceeds to Skyline Industrial REIT might be significantly less than the aggregate value of its properties on a going concern basis.

Skyline Industrial REIT will be subject to the risks associated with debt financing, including the risk that existing mortgage indebtedness secured by the Properties will not be able to be refinanced or that the terms of such refinancing will not be as favourable as the terms of existing indebtedness.

Tenant Terminations and Financial Stability

Skyline Industrial REIT's Distributable Income would be adversely affected if a significant number of tenants were to become unable to meet their obligations under their leases or if a significant amount of available space in the Existing Properties and any additional properties in which Skyline Industrial REIT acquires an interest were not able to be leased on economically favourable lease terms. Upon the expiry of any lease, there can be no assurance that the lease will be renewed or the tenant replaced. The terms of any subsequent lease may be less favourable to Skyline Industrial REIT than the existing lease. In the event of default by a tenant, delays or limitations in enforcing rights as lessor may be experienced, and substantial costs in protecting Skyline Industrial REIT's investment may be incurred. Furthermore, at any time, a tenant of any of Skyline Industrial 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 Skyline Industrial REIT. The ability to rent unleased space in the properties in which Skyline Industrial REIT will have an interest will be affected by many factors. Costs may be incurred in making improvements or repairs to property required by a new tenant. The failure to rent unleased space on a timely basis or at all would likely have an adverse effect on Skyline Industrial REIT's financial condition.

Revenue Producing Properties

The Properties generate income through rental payments made by the tenants thereof. Upon the expiry of any lease, there can be no assurance that such lease will be renewed or the tenant replaced. The terms of any subsequent lease may be less favourable to Skyline Industrial REIT than the existing lease.

Competition for Real Property Investments

Skyline Industrial REIT competes for suitable real property investments with individuals, corporations, and institutions (both Canadian and foreign) and other real estate investment trusts which are presently seeking, or which may seek in the future, real property investments similar to those desired by Skyline Industrial REIT. A number of these investors may have greater financial resources than those of Skyline Industrial REIT or operate without the investment or operating restrictions of Skyline Industrial REIT or according to more flexible conditions. An increase in the availability of investment funds, and an increase in interest in real property investments, may tend to increase competition for real property investments, thereby increasing purchase prices and reducing the yield on them.

Competition for Tenants

The real estate business is competitive. Numerous other developers, managers, and owners of properties compete with Skyline Industrial REIT in seeking tenants. The existence of competing developers, managers, and owners and competition for Skyline Industrial REIT's tenants could have an adverse effect on Skyline Industrial REIT's ability to lease space in its properties and on the rents charged.

Interest Rates

It is anticipated that the market price for the REIT Units at any given time may be affected by the level of interest rates prevailing at that time. A rise in interest rates may have a negative effect on the market price of the REIT Units. Changes in interest rates may also have effects on vacancy rates, rent levels, refurbishing costs, and other factors affecting Skyline Industrial REIT's business and profitability.

General Economic Conditions

Skyline Industrial REIT is affected by general economic conditions, local real estate markets, competition from other available rental premises, including new developments, and various other factors. The existence of competing developers, managers and owners and competition for Skyline Industrial REIT's tenants could have an adverse effect on Skyline Industrial REIT's ability to lease space in its properties and on the rents charged, increased leasing and marketing costs and increased refurbishing costs necessary to lease and release space, all of which could adversely affect Skyline Industrial REIT's revenues and, consequently, its ability to meet its obligations. In addition, any increase in the supply of available space in the markets in which Skyline Industrial REIT operates or may operate could have an adverse effect on Skyline Industrial REIT.

General Uninsured Losses

Skyline Industrial REIT carries comprehensive general liability, fire, flood, extended coverage, rental loss, and pollution insurance with policy specifications, limits and deductibles customarily carried for similar properties. There are, however, certain types of risks (generally of a catastrophic nature such as from wars), which are either uninsurable or not insurable on an economically viable basis. Skyline Industrial REIT has insurance for earthquake risks, subject to certain policy limits, deductibles and self-insurance arrangements, and will continue to carry such insurance if economical to do so. Should an uninsured or underinsured loss occur, Skyline Industrial REIT could lose its investment in, and anticipated profits and cash flows from, one or more of its Properties, but Skyline Industrial REIT would continue to be obligated to repay any recourse mortgage indebtedness on such properties.

Availability of Cash Flow

Distributable income may exceed actual cash available to Skyline Industrial REIT from time to time because of items such as principal repayments of debt, tenant inducements, leasing commissions, and capital expenditures, if any. Skyline Industrial REIT may be required to use part of its debt capacity or reduce distributions in order to accommodate such items.

Access to Capital

The real estate industry is highly capital intensive. Skyline Industrial REIT will require access to capital to maintain its properties, as well as to fund its growth strategy and significant capital expenditures from time to time. There is no assurance that capital will be available when needed or on favourable terms.

Environmental Matters

Environmental and ecological legislation and policies have become increasingly important, and generally restrictive, in recent years. Under various laws, Skyline Industrial REIT could become liable for the costs of removal or remediation of certain hazardous or toxic substances released on or in its properties or disposed of at other locations. The failure to remove or remediate such substances, if any, may adversely affect an owner's ability to sell such real estate or to borrow using such real estate as collateral, and could potentially also result in claims against the owner by private plaintiffs. Where a property is purchased and new financing is obtained, Phase I Environmental Assessments are performed by an independent and experienced environmental consultant. In the case of mortgage assumption, the vendor will be asked to provide a satisfactory Phase I and/or Phase II Environmental Assessment that the Asset Manager will rely upon and/or determine whether an update is necessary.

Unitholder Liability

Because of uncertainties in the law relating to investment trusts, there is a risk, which is considered by counsel to Skyline Industrial REIT to be remote in the circumstance, that a REIT Unitholder could be held personally liable for obligations of Skyline Commercial REIT (to the extent that claims are not satisfied by Skyline Industrial REIT) in respect of contracts which Skyline Industrial REIT enters into and for certain liabilities arising other than out of contract including claims in tort, claims for taxes and possibly certain other statutory liabilities. The Trustees intend to cause Skyline Industrial REIT's operations to be conducted in such a way as to minimize any such risk including by obtaining appropriate insurance and, where feasible, attempting to have every material written contract or commitment of Skyline Industrial REIT contain an express disavowal of liability against Unitholders.

Dependence on Key Personnel

The management of Skyline Industrial REIT depends on the services of certain key personnel. The end of employment of any of these key personnel could have a material adverse effect on Skyline Industrial REIT.

Potential Conflicts of Interest

Skyline Industrial REIT may be subject to various conflicts of interest because of the fact that the Trustees and senior officers of Skyline Industrial REIT and the senior officers of the Asset Manager, the Property Manager, and the Wealth Manager are engaged in a wide range of real estate and other business activities. Skyline Industrial REIT may become involved in transactions, which conflict with the interests of the foregoing.

The Trustees may, from time to time, deal with persons, firms, institutions or corporations with which Skyline Industrial REIT may be dealing, or which may be seeking investments similar to those desired by Skyline Industrial REIT. The interests of these persons could conflict with those of Skyline Industrial REIT. In addition, from time to time, these persons may be competing with Skyline Industrial REIT for available investment opportunities.

The Skyline Industrial REIT Declaration of Trust contains "conflicts of interest" provisions requiring Trustees to disclose material interests in material contracts and transactions and to refrain from voting thereon.

Tax Related Risks

There can be no assurance that income tax laws and the treatment of mutual fund trusts will not be changed in a manner which adversely affects Skyline Industrial REIT or the Unitholders.

In addition, REIT Unitholders may become subject to provincial taxes, such as Ontario Land Transfer Tax, in respect of their REIT Units.

If Skyline Industrial REIT fails or ceases to qualify as a mutual fund trust for purposes of the Tax Act, the tax consequences would in some respects be materially and adversely different. Such adverse differences would include that if Skyline Industrial REIT did not qualify as a mutual fund trust throughout a taxation year, it would be subject to a special tax under Part XII.2 of the Tax Act for such taxation year to the extent that its designated income (which includes income from real property) is distributed to a designated beneficiary (which includes non-resident persons and certain tax-exempt persons).

If investments in Skyline Industrial REIT become publicly listed or traded, there can be no assurances that Skyline Industrial REIT will not be subject to the SIFT Rules, as described under "Income Tax Consequences and RRSP Eligibility – SIFT Rules", at that time.

Skyline Industrial REIT or its subsidiaries may be reassessed for taxes from time to time. Such reassessments together with associated interest and penalties could adversely affect Skyline Industrial REIT.

Since the net income of Skyline Industrial REIT will be distributed on a monthly basis, a purchaser of a REIT Unit may become taxable on a portion of the net income of Skyline Industrial REIT accrued or realized by Skyline Industrial REIT in a month before the time the REIT Unit was purchased but which was not paid or made payable to Unitholders until the end of the month and after the time the REIT Unit was purchased. A similar result may apply on an annual basis in respect of a portion of capital gains accrued or realized in a year before the time the REIT Unit was purchased, but which is paid or made payable to Unitholders at year-end and after the time the REIT Unit was purchased.

The LRE Rules could potentially apply to Skyline Industrial REIT if a person (or group of persons) was to acquire more than 50% of the fair market value of the REIT Units.

Dilution

The number of REIT Units Skyline Industrial REIT is authorized to issue is unlimited. The Skyline Industrial REIT Trustees have the discretion to issue additional REIT Units in other circumstances, pursuant to Skyline Industrial REIT's various incentive plans. Any issuance of additional REIT Units may have a dilutive effect on the holders of REIT Units.

Restrictions on Potential Growth and Reliance on Credit Facilities

The payout by Skyline Industrial REIT of a substantial part of its operating cash flow could adversely affect Skyline Industrial REIT's ability to grow unless it can obtain additional financing. Such financing may not be available, or renewable, on attractive terms or at all. In addition, if current credit facilities were to be cancelled or could not be renewed at maturity on similar terms, Skyline Industrial REIT could be materially and adversely affected.

Financing

Skyline Industrial REIT is subject to the risks associated with debt financing, including the risk that Skyline Industrial REIT may be unable to make interest or principal payments or meet loan covenants, the risk that defaults under a loan could result in cross defaults or other lender rights or remedies under other loans, and the risk that existing indebtedness may not be able to be refinanced or that the terms of such refinancing may not be as favourable as the terms of existing indebtedness. A portion of Skyline's Acquisition and Operating Facility is at floating interest rates, and accordingly, changes in short-term borrowing will affect Skyline Industrial REIT's costs of borrowing.

Liquidity

An investment in the Units is an illiquid investment. There is currently no market through which the Units may be sold and redemptions are subject to restrictions imposed in the Declaration of Trust and applicable securities regulation. The Trust is not a "reporting issuer" in any jurisdiction, and a prospectus has not qualified the issuance of the Units. Accordingly, investors will be unable to sell the Units, subject to some limited exceptions. Consequently, holders of Units may not be able to liquidate their investment in a timely manner.

Nature of REIT Units

The REIT Units are not the same as shares of a corporation. As a result, the Unitholders will not have the statutory rights and remedies normally associated with share ownership, such as the right to bring "oppression" or "derivative" actions.

Redemptions

The entitlement of Unitholders to receive cash in respect of Units tendered for redemption is subject to a Monthly Limit. Where the Monthly Limit is exceeded, a portion of the Redemption Amount to which the Unitholder would otherwise be entitled shall be paid and satisfied in cash and, subject to receipt of all necessary regulatory approvals, the remainder shall be paid and satisfied by way of issuance to the Unitholder of a Trust Note in accordance with the Declaration of Trust.

Unexpected Costs or Liabilities Related to Acquisitions

A risk associated with acquisitions is that there may be an undisclosed or unknown liability concerning the acquired property, and Skyline Industrial REIT may not be indemnified for some or all of these liabilities. Following an acquisition, Skyline Industrial REIT may discover that it has acquired undisclosed liabilities, which may be material. The due diligence procedures performed by the Asset Manager are designed to address this risk. The Asset Manager performs what it believes to be an appropriate level of investigation in connection with the acquisition of properties by Skyline Industrial REIT and seeks through contract to ensure that risks lie with the appropriate party.

Subsequent Events

Subsequent to December 31, 2022 Skyline Industrial REIT had the following dispositions:

On February 10, 2023, Skyline Industrial REIT disposed of one property in Quebec, for a total disposition value of $10,750, which discharged mortgages payable of $nil.

On February 27, 2023, Skyline Industrial REIT disposed of one property in Ottawa, for a total disposition value of $4,080, which discharged mortgages payable of $nil.

Subsequent to year end, the following investment activity occurred:

REIT Unitholders - 2023 Investment Activity **($ thousands, except where noted)**	**Number of Units**	**Amount ($)**
REIT units outstanding, January 1, 2023	**33,977,109**	**$392,380**
Proceeds from REIT units issued - Class A	1,009,871	22,722
Proceeds from REIT units issued - Class F	389,823	8,771
Units issued through DRIP - Class A	214,161	4,818
Units issued through DRIP - Class F	4,044	91
Units issued through EUPP	15,455	348
Redemptions - REIT units	(396,310)	(8,917)
REIT units outstanding, April 30, 2023	**35,214,153**	**$420,213**
Weighted average REIT units outstanding	**35,152,439**	

LP Unitholders - 2023 Investment Activity **($ thousands, except where noted)**	**Number of Units**	**Amount ($)**
LP units outstanding, January 1, 2023	**502,326**	**$11,302**
Proceeds from LP units issued	-	-
Units issued through DRIP	-	-
Redemptions - LP units	-	-
Change in fair value	-	-
LP units outstanding, April 30, 2023	**502,326**	**$11,302**
Weighted average LP units outstanding	**502,326**	

SKYLINE INDUSTRIAL REAL ESTATE INVESTMENT TRUST

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2022

SKYLINE INDUSTRIAL REAL ESTATE INVESTMENT TRUST

INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

rlb Chartered Professional Accountants

INDEPENDENT AUDITOR'S REPORT

To the Unitholders of: Skyline Industrial Real Estate Investment Trust

Opinion

We have audited the accompanying consolidated financial statements of Skyline Industrial Real Estate Investment Trust, which comprise the consolidated statement of financial position as at December 31, 2022 and December 31, 2021 and the consolidated statements of income and comprehensive income, changes in unitholders' equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Skyline Industrial Real Estate Investment Trust as at December 31, 2022 and December 31, 2021 and the results of its operations and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis of Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of Skyline Industrial Real Estate Investment Trust in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing Skyline Industrial Real Estate Investment Trust's ability to continue as a going concern, disclosing, as applicable, matters related to a going concern and using the going concern basis of accounting unless management either intends to liquidate Skyline Industrial Real Estate Investment Trust or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing Skyline Industrial Real Estate Investment Trust's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Skyline Industrial Real Estate Investment Trust's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Skyline Industrial Real Estate Investment Trust's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause Skyline Industrial Real Estate Investment Trust to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

RLB LLP

Guelph, Ontario
March 22, 2023

Chartered Professional Accountants
Licensed Public Accountants

SKYLINE INDUSTRIAL REAL ESTATE INVESTMENT TRUST

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2022

(in thousands of Canadian dollars)

	2022	2021
ASSETS		
Investment properties (note 6)	$ 1,516,075	$ 898,805
Investment in joint ventures (note 8)	91,994	35,749
Assets held for sale (note 7)	14,839	415,436
Other assets (note 9)	3,030	1,584
Accounts receivable (note 16)	1,707	1,475
Cash	2,259	7,159
	$ 1,629,904	$ 1,360,208
LIABILITIES AND UNITHOLDERS' EQUITY		
Mortgages payable (notes 10, 16)	$ 715,802	$ 405,633
Land lease (note 12)	20,115	20,222
Liabilities related to assets held for sale (note 7)	645	103,213
Limited partnership units (notes 16, 20)	11,302	9,042
Due to related party (note 13)	18,537	5,879
Tenant deposits	9,451	7,098
Accounts payable and accrued liabilities (note 16)	6,321	3,834
Revolving credit facility (note 16)	32,863	10,958
	815,036	565,879
Unitholders' equity (page 6)	814,868	794,329
	$ 1,629,904	$ 1,360,208

Trustee

Trustee

See notes to the consolidated financial statements

SKYLINE INDUSTRIAL REAL ESTATE INVESTMENT TRUST

CONSOLIDATED STATEMENT OF CHANGES IN UNITHOLDERS' EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2022

(in thousands of Canadian dollars)

	2022	2021
OPENING BALANCE	$ 794,329	$ 495,468
Proceeds from units issued (note 19)	34,168	33,814
Units issued by way of distribution (note 19)	106,146	29,403
Issuance costs	(449)	(422)
Redemptions (note 19)	(30,293)	(8,458)
Income and comprehensive income for the year	32,920	290,318
Distributions paid	(121,953)	(45,794)
CLOSING BALANCE	$ 814,868	$ 794,329

See notes to the consolidated financial statements

SKYLINE INDUSTRIAL REAL ESTATE INVESTMENT TRUST

CONSOLIDATED STATEMENT OF INCOME AND COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2022

(in thousands of Canadian dollars)

	2022	2021
PROPERTY REVENUES		
Minimum rent	$ 60,633	$ 60,988
Cost recoveries from tenants	22,776	26,749
	83,409	87,737
DIRECT PROPERTY EXPENSES		
Property taxes	14,808	15,690
Other direct property costs	7,343	9,814
Utilities	669	978
Property management fees (note 13)	1,784	1,747
	24,604	28,229
NET PROPERTY INCOME	58,805	59,508
OTHER INCOME AND EXPENSES		
Financing costs (note 14)		
Interest paid on debt	22,695	21,763
Distributions paid on partnership units	46,797	12,252
Administrative expenses	1,133	618
Asset management fees (note 13)	1,586	1,747
Wealth management fees (note 13)	2,362	1,791
Lease documentation fees (note 13)	49	188
Interest income	(1,017)	(236)
	73,605	38,123
(LOSS) INCOME FROM OPERATIONS	(14,800)	21,385
Fair value loss on limited partnership units	(2,260)	(2,135)
Share of net earnings from investments in joint ventures (note 8)	28,616	9,127
Fair value gain on disposed properties	177,149	43,618
Fair value (loss) gain on investment properties	(155,785)	218,323
	47,720	268,933
INCOME AND COMPREHENSIVE INCOME for the year	$ 32,920	$ 290,318

See notes to the consolidated financial statements

SKYLINE INDUSTRIAL REAL ESTATE INVESTMENT TRUST

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2022

(in thousands of Canadian dollars)

	2022	2021
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Income and comprehensive income for the year	$ 32,920	$ 290,318
Items not requiring an outlay of cash		
Amortization of leasing costs and straight-line rent (note 6)	(2,667)	(1,444)
Amortization of financing costs (notes 10, 14)	923	721
Financing costs included in operations (note 14)	68,465	32,949
Fair value loss on limited partnership units	2,260	2,135
Share of net earnings from investments in joint ventures	(28,616)	(9,127)
Fair value gain on disposed properties	(177,149)	(43,618)
Fair value loss (gain) on investment properties	155,785	(218,323)
	51,921	53,611
Changes in non-cash working capital		
Accounts receivable	(33)	(1,270)
Other assets	(1,404)	657
Accounts payable and accrued liabilities	(42)	(1,318)
Tenant deposits	350	1,820
	50,792	53,500
CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES		
Mortgages payable (net repayments and advances) (note 10)	301,122	34,668
Mortgages discharged due to sale of investment properties (note 10)	(89,905)	(23,001)
Interest on mortgages payable (notes 10, 11, 12, 14)	(20,580)	(18,763)
Equipment loan payable (net repayments and advances) (note 11)	0	(1,625)
Lease payments made on land lease (note 12)	(114)	(104)
Advances from related parties (note 13)	12,658	5,708
Revolving credit facility advances (repayments) (note 16)	21,905	6,247
Interest on revolving credit facility (notes 14, 16)	(1,087)	(807)
Distribution paid on partnership units (notes 13, 14, 20)	(46,797)	(12,252)
Proceeds from units issued	34,168	33,814
Distributions paid (net of distribution reinvestment plan)	(15,807)	(16,391)
Redemptions of units (page 6)	(30,293)	(8,458)
Issuance costs (page 6)	(449)	(422)
	164,821	(1,386)
CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES		
Additions to investment properties (notes 6, 8)	(457,867)	(104,421)
Investments in joint ventures (note 8)	(141,612)	(28,365)
Proceeds on disposition of investment properties (note 6)	4,281	85,172
Proceeds on disposition of investment properties held for sale (note 6)	374,685	0
	(220,513)	(47,614)
(DECREASE) INCREASE IN CASH for the year	(4,900)	4,500
CASH, beginning of year	7,159	2,659
CASH, end of year	$ 2,259	$ 7,159

See notes to the consolidated financial statements

1. NATURE OF BUSINESS

Skyline Industrial Real Estate Investment Trust (“Skyline Industrial REIT”) is an unincorporated, open-ended private real estate investment trust established under the laws of the Province of Ontario that was created pursuant to a Declaration of Trust dated January 10, 2012.

Skyline Industrial Real Estate Limited Partnership ("IRELP") was created on January 10, 2012 as a limited partnership under the laws of the Province of Ontario. The general partner is Skyline Commercial Real Estate GP Inc. and the majority limited partner is Skyline Industrial REIT.

As at December 31, 2022, IRELP owned sixty-six (2021 - ninety-nine) commercial investment properties, all of which are located in Canada.

Skyline Industrial REIT is domiciled in Ontario, Canada. The address of Skyline Industrial REIT's registered office and its principal place of business is 5 Douglas Street, Suite 301, Guelph, Ontario, N1H 2S8.

2. BASIS OF PRESENTATION

(a) STATEMENT OF COMPLIANCE

The consolidated financial statements of Skyline Industrial REIT for the year ended December 31, 2022 (including comparatives) are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The preparation of consolidated financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying Skyline Industrial REIT's accounting policies.

The consolidated financial statements are presented in accordance with International Accountant Standard ("IAS") 1 - Presentation of Financial Statements ("IAS 1"). Skyline Industrial REIT has elected to present the Statement of Income and Comprehensive Income in one statement.

The consolidated financial statements for the year ended December 31, 2022 (including comparatives) were approved for issue by the Board of Trustees on March 22, 2023.

(b) BASIS OF MEASUREMENT

The consolidated financial statements have been prepared on a historical cost basis modified to include the fair value measurement of investment properties (including assets held for sale) and certain financial instruments, as set out in the relevant accounting policies.

(c) FUNCTIONAL CURRENCY AND PRESENTATION

The consolidated financial statements are presented in Canadian dollars, which is also Skyline Industrial REIT's functional currency. All financial information presented in Canadian dollars is rounded to the nearest thousand.

Skyline Industrial REIT presents its consolidated statement of financial position based on the liquidity method, where all assets and liabilities are presented in the ascending order of liquidity.

2. BASIS OF PRESENTATION (continued)

(d) USE OF ESTIMATES

The preparation of these consolidated financial statements requires Skyline Industrial REIT to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of revenue and expenses during the reporting period. Actual outcomes could differ from these estimates. These consolidated financial statements include estimates, which, by their nature, are uncertain. The impact of such estimates is pervasive throughout the consolidated financial statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimates are revised and the revision affects both current and future periods.

Significant estimates and assumptions include the fair values assigned to investment properties and allowances for doubtful accounts. Valuation of investment properties is one of the principal estimates and uncertainties of these consolidated financial statements. Refer to note 6 for further information on estimates and assumptions made in the determination of the fair value of investment properties.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with IFRS and include the following significant accounting policies (and any changes thereto):

Accounting standards implemented in 2022

On January 1, 2022, Skyline Industrial REIT adopted the following amendment to IAS 16 - Property, plant and equipment. The amendment updated the elements of the cost of property, plant and equipment as it refers to the costs of testing whether the asset is functioning properly and disclosures surrounding this. There is no material impact from the adoption of this amendment.

On January 1, 2022, Skyline Industrial REIT adopted the following amendment to IAS 37 - Provisions, contingent liabilities and contingent assets. The amendment updated the definition of the costs associated with fulfilling the obligations of an onerous contract. There is no material impact from the adoption of this amendment.

On January 1, 2022, Skyline Industrial REIT adopted the following amendment to IFRS 9 - Financial Instruments. The amendment updated the definition of what constitutes substantially different when referring to the exchange of debt instruments. There is no material impact from the adoption of this amendment.

Significant accounting policies

(a) INVESTMENT PROPERTIES

Investment properties are properties held to earn rental income and are accounted for using the fair value model, in accordance with IFRS 13 - Fair Value Measurement ("IFRS 13"). Rental income and operating expenses from investment properties are reported within 'revenue' and 'expenses' respectively.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) INVESTMENT PROPERTIES (continued)

Properties that are held for long term rental yields or for capital appreciation or both, and that are not occupied by Skyline Industrial REIT, are classified as investment properties, in accordance with IAS 40 - Investment Properties ("IAS 40").

In accordance with IFRS 3 - Business Combinations, when Skyline Industrial REIT acquires properties or a portfolio of properties and does not take on or assume employees or does not acquire an operating platform, it classifies the acquisition as an asset acquisition.

In accordance with IAS 40, investment properties are measured initially at cost, including related transaction costs. After initial recognition, investment properties are carried at fair value. Fair value is determined using a combination of external valuation processes and internal valuation techniques that are in accordance with IFRS 13. For properties purchased within one year of the reporting date, the purchase price is considered fair value, unless significant events or changes have occurred to the property that would significantly alter its fair value. Properties appraised by qualified third party appraisers within the past twelve months are not revalued, unless significant changes or events have occurred to the property since the appraisal date. All other properties are valued internally, using market supported financial metrics that are in accordance with IFRS 13, in tandem with current property details including, among other things, rent rolls from current leases and assumptions about rental income from future leases in light of current market conditions, and, any cash outflows that could be expected in respect of the property except for those outflows that relate to liabilities recognized on the consolidated statement of financial position. Skyline Industrial REIT also uses extensive market comparable sales to support valuation capitalization rates for different types of assets in different markets. These valuations form the basis for the carrying amounts in the consolidated financial statements.

The fair value of investment property does not reflect future capital expenditure that will improve or enhance the property and does not reflect the related future benefits from this future expenditure other than those a rational market participant would take into account when determining the value of the property.

Investment properties that are being redeveloped for continuing use as investment property or for which the market has become less active continue to be measured at fair value.

Subsequent expenditures are capitalized to the asset’s carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to Skyline Industrial REIT and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognized.

Costs incurred for repairs and maintenance in excess of $10,000 (not in thousands of Canadian dollars) per annum per building may be allocated from repairs and maintenance to be capitalized to the cost of the respective building as it is assumed that a future economic benefit will likely be realized from this level of expenditure.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) INVESTMENT PROPERTIES (continued)

Changes in fair values are recognized in the consolidated statement of income and comprehensive income. Investment properties are derecognized when they have been disposed.

Where Skyline Industrial REIT disposes of a property at fair value in an arm's length transaction, the carrying value immediately prior to the sale is adjusted to the transaction price, and the adjustment is recorded within the fair value adjustment on investment property.

Investment properties are reclassified to "Assets Held for Sale" when the criteria set out in IFRS 5 - Non-Current Assets Held for Sale and Discontinued Operations ("IFRS 5") are met (see note 3(b)).

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment. Its fair value at the date of reclassification becomes its cost for subsequent accounting purposes.

As investments are measured at fair value, they are implicitly tested for impairment annually. There is no specific impairment test relating to investment properties other than the fair value methodology.

The initial cost of properties under development includes the acquisition cost of the property, direct development costs, realty taxes and borrowing costs attributable to the development. The amount of capitalized borrowing costs is determined by reference to borrowings specific to the project. Borrowing costs are capitalized from the commencement of the development until the date of practical completion where the property is substantially ready for its intended use. The capitalization of borrowing costs is suspended if there are prolonged periods when development activity is interrupted. Practical completion is when the property is capable of operating in the manner intended by management. Generally, this occurs upon completion of construction and receipt of all necessary occupancy and other material permits. If Skyline Industrial REIT has pre-leased space at or prior to the property being substantially ready for its intended use, and the lease requires tenant improvements which enhance the value of the property, practical completion is considered to occur when such improvements are completed.

(b) ASSETS HELD FOR SALE

In accordance with IFRS 5, non-current assets comprising assets and liabilities, that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale. For this purpose, a sale is highly probable if Management is committed to a plan to achieve the sale; there is an active program to find a buyer; the non-current asset is being actively marketed at a reasonable price; the sale is anticipated to be completed within one year from the date of classification; and it is unlikely there will be changes to the plan. Current assets or disposal groups held for sale are measured at the lower of carrying amount and fair value less costs to sell.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) ASSETS HELD FOR SALE (continued)

At the date when an investment property ceases to be classified as held for sale, it is measured at the lower of its carrying amount before it was classified as held for sale, adjusted for any amortization or revaluations that would have been recognized had the investment property not been classified as held for sale, and its recoverable amount. The recoverable amount is the higher of the fair value less costs to sell and the present value of estimated future cash flows expected to arise from the continuing use and eventual disposal of the investment property.

(c) REVENUE RECOGNITION

Rental revenue includes rents from tenants under leases, property tax and operating cost recoveries excluding those costs paid directly by tenants, parking income and incidental income. Skyline Industrial REIT has retained substantially all the risks and rewards of ownership of its investment properties and accounts for its rents from tenants as operating leases. Revenue from operating leases is recognized on a straight line basis over the term of the lease.

Tenant inducements are recognized at fair value at the inception of the lease and are amortized through revenue on a straight line basis over the life of the lease excluding those directly paid by tenants.

Government subsidy income is recognized in the period the related expenditure occurs.

(d) FINANCIAL INSTRUMENTS

Skyline Industrial REIT's financial instruments and their respective classification and measurement characteristics, are as follows:

Asset/Liability	Classification/Measurement
Cash	Amortized cost
Accounts receivable	Amortized cost
Tenant loan receivable	Amortized cost
Mortgages payable	Amortized cost
Equipment loan payable	Amortized cost
Due to related party	Amortized cost
Limited partnership units	Fair value through profit or loss
Accounts payable and accrued liabilities	Amortized cost
Revolving credit facility	Amortized cost

Financial Assets
Financial assets are classified at initial recognition, as either financial assets at fair value through profit and loss ("FVTPL") or amortized cost. Financial assets that give rise to specified payments of principal and interest are carried at amortized cost when they are held to collect contractual cash flows. All other financial assets are carried at FVTPL. When financial assets are recognized initially, they are measured at fair value, plus directly attributable transaction costs for those financial assets not subsequently measured at fair value.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) FINANCIAL INSTRUMENTS (continued)

Financial Assets (continued)

Skyline Industrial REIT's financial assets are derecognized only when the contractual rights to the cash flows from the financial asset expire or the entity loses control of all or part of the assets.

Skyline Industrial REIT's financial assets are all classified as amortized cost and include cash, accounts receivable and tenant loan receivable. They are initially recognized at fair value and subsequently measured at amortized cost less provision for impairment.

Provision for impairment is made based on the simplified expected credit loss ("ECL") model. Under the simplified ECL model, Skyline Industrial REIT estimates lifetime expected losses for its receivables at each consolidated statement of financial position date based on available information. To measure the expected losses, amounts receivable are grouped based on days past due. The results of the simplified ECL model are used to reduce the carrying amount of the financial asset through an allowance account, and the changes in the measurement of the allowance account are recognized through the profit and loss. Bad debt write-offs occur when Skyline Industrial REIT determines collection is not possible. If, in a subsequent period, the impairment loss decreases and the decrease can be related objectively to an event occurring in the subsequent period, the impairment loss is reversed to no more than its previous carrying amount by adjusting the allowance. The reversal is recognized through profit and loss. Impaired receivables are derecognized when they become uncollectable.

Financial Liabilities

Financial liabilities are classified at initial recognition as either financial liabilities at FVTPL, or amortized cost, as appropriate. A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires.

Skyline Industrial REIT's financial liabilities classified as amortized cost include mortgages payable, equipment loan payable, due to related party, accounts payable and accrued liabilities and revolving credit facility. These financial liabilities are measured initially at fair value and subsequently at amortized cost. The fair value of a non-interest bearing liability is its discounted payment amount. If the due date of the liability is less than one year, discounting is omitted.

Skyline Industrial REIT's mortgages payable consists of the legal liabilities owing pursuant to loans secured by mortgages and premiums and discounts recognized on loans assumed on acquisition of properties, netted against the transaction costs, and the effective interest method of amortization is applied to the premiums, discounts and transaction costs.

Skyline Industrial REIT's financial liabilities classified as financial liabilities at FVTPL include limited partnership units. These financial liabilities are measured initially and subsequently at fair value and any gains or losses arising on remeasurement are recognized in net income.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) LIMITED PARTNERSHIP UNITS

The limited partnership units are exchangeable into Trust Units at the option of the holder. The ability to exchange limited partnership units for Trust Units implies that a liability element exists as it imposes an unavoidable obligation to deliver units of the Trust (i.e. financial instrument of another entity). Therefore, limited partnership units are classified as financial liabilities on the consolidated statement of financial position.

(f) DISTRIBUTIONS TO LIMITED PARTNERSHIP UNITHOLDERS

Distributions declared to limited partnership unitholders are classified as financing costs for reporting purposes because the units are treated as financial liabilities.

(g) INCOME TAXES

Skyline Industrial REIT qualifies as a mutual fund trust and real estate investment trust pursuant to the Income Tax Act. Under current legislation, a real estate investment trust is entitled to deduct distributions of taxable income such that it is not liable to pay income taxes provided its taxable income is fully distributed to unitholders. Skyline Industrial REIT intends to continue to qualify as a real estate investment trust and to make distributions not less than the amount necessary to ensure the REIT will not be liable to pay income taxes. Accordingly, no provision for income taxes has been made.

(h) LEASES

Under IFRS 16, leases are recognized as a right-of-use ("ROU") asset with a corresponding liability at the date of which the leased asset is available for use by Skyline Industrial REIT. At inception, the ROU assets are recognized at the present value of the future minimum lease payments, and an equivalent amount is recognized as a lease obligation. Subsequent to initial recognition, ROU assets for property leases are carried at fair value and included in investment properties.

At initial recognition, the lease liability is measured at the present value of the lease payments in the lease. These payments are discounted using the rate implicit in the lease or, where the rate is not determinable, at the weighted average cost of capital. Subsequently, the lease liability is measured at amortized cost using the effective interest rate method. The lease liability is remeasured when the lease agreement is modified or if there are changes to variable payments dependent on an index or rate.

The ROU asset is measured at fair value and included with investment properties.

(i) DISTRIBUTION REINVESTMENT PLAN

Unitholders may elect to participate in a distribution reinvestment plan whereby distribution payments are invested in additional units of Skyline Industrial REIT. There are no special terms such as premiums on distribution rates for plan participants.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) JOINT VENTURES

In accordance with IFRS 11 – Joint Arrangements ("IFRS 11"), Skyline Industrial REIT has an investment over which they have joint control and whereby the parties that share joint control have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

Investments in joint ventures are accounted using the equity method. Under the equity method, the investment is initially recorded at cost and adjusted by Skyline Industrial REIT's share of the post-acquisition net earnings and changes in the net assets of the joint venture.

(k) FAIR VALUE MEASUREMENT

Fair value is 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 under current market conditions. In estimating the fair value of an asset or a liability, Skyline Industrial REIT considers the characteristics of the asset or liability that market participants would take into account when pricing the asset or liability at the measurement date.

Assets and liabilities measured at fair value in the consolidated statement of financial position are categorized by level according to the significance of the inputs used in making the measurements. The levels of inputs are defined as follows:

<u>Level 1 inputs</u>
Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

<u>Level 2 inputs</u>
Inputs other than quoted prices (included within Level 1) that are observable for the asset or the liability, either directly or indirectly.

<u>Level 3 inputs</u>
Unobservable inputs for the asset or liability.

Skyline Industrial REIT's policy is to recognize transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) PROVISIONS

Provisions are recognized when Skyline Industrial REIT has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are not recognized for future operating losses. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date. Provisions are measured at their present value by discounting the future cash flows from the expected date the obligation is to be settled. The discount rate used reflects current market assessments of the time value of money adjusted by the risk factor specific to the obligation. The unwinding of the discount due to the passage of time is recognized as interest expense.

4. STANDARDS ISSUED BUT NOT YET EFFECTIVE

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of Skyline Industrial REIT's consolidated financial statements, are disclosed below. Skyline Industrial REIT intends to adopt these standards, if applicable, when they become effective.

IAS 1 - In January 2020, the IASB issued an amendment to IAS 1 - Presentation of financial statements which will be effective for years beginning on or after January 1, 2023. The amended standard will update the definition of a liability and the classification of liabilities between current and non-current.

IAS 1 - In February 2021, the IASB issued an amendment to IAS 1 - Presentation of financial statements which will be effective for years beginning on or after January 1, 2023. The amended standard will update the definition of accounting policy information.

IAS 1 - In October 2022, the IASB issued an amendment to IAS 1 - Presentation of financial statements which will be effective for years beginning on or after January 1, 2024. The amended standard will update the criteria for classifying liabilities with covenants as current or non-current.

IAS 8 - In February 2021, the IASB issued an amendment to IAS 8 - Accounting policies, changes in accounting estimates and errors which will be effective for years beginning on or after January 1, 2023. The amended standard clarifies the difference between an accounting estimate and an accounting policy.

IAS 28 - In May 2014, the IASB issued an amendment to IAS 28 - Investments in Associates and Joint Ventures. The amended standard will update the equity method procedures for recognizing the sale or contribution of assets between an investor and its associate or joint venture. The effective date has been deferred indefinitely.

Skyline Industrial REIT does not expect any significant impact as a result of these amendments.

(in thousands of Canadian dollars, except per unit amounts)

5. PRINCIPLES OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of Skyline Industrial REIT and its subsidiary, IRELP.

Subsidiaries are entities over which Skyline Industrial REIT has control, where control is defined as the power to govern financial and operating policies of an entity so as to obtain benefit from its activities. Subsidiaries are fully consolidated from the date control is transferred to Skyline Industrial REIT, and are de-consolidated from the date control ceases. Intercompany transactions between subsidiaries are eliminated on consolidation. All subsidiaries have a reporting date of December 31.

6. INVESTMENT PROPERTIES

Changes to the carrying amounts of investment properties presented in the consolidated statement of financial position can be summarized as follows:

	2022	2021
Balance at beginning of the years	$ 898,805	$ 1,018,029
Acquisitions through purchase of investment properties	418,220	110,840
Acquisitions through purchase of limited partnerships	147,759	0
Acquisitions through capital expenditure on existing investment properties	5,871	6,908
Disposals through sale of investment properties	(4,281)	(85,172)
Investment properties held for sale but added back to portfolio	36,420	0
Change in assets held for sale (note 7)	(10,750)	(415,185)
Amortization of leasing costs and straight-line rents	2,667	1,444
Fair value gain on investment properties and disposed properties	21,364	261,941
Balance at end of the years	$ 1,516,075	$ 898,805

The following table reconciles the cost base of investment properties to their fair value (including properties held for sale):

	2022	2021
Cost	$ 1,296,272	$ 942,823
Cumulative fair value adjustment	219,803	371,167
Fair value	$ 1,516,075	$ 1,313,990

(in thousands of Canadian dollars, except per unit amounts)

6. INVESTMENT PROPERTIES (continued)

Asset acquisitions:

During the year ended December 31, 2022, Skyline Industrial REIT acquired eleven investment properties (2021 - three). The results of these acquisitions are included in these consolidated financial statements from the date of acquisition. The following table outlines the cost, plus the transaction costs of the assets acquired and the associated liabilities entered into as a result of these acquisitions:

	2022	2021
Acquisition cost of investment properties	$ 418,220	$ 110,840
Mortgages	(299,569)	(70,940)
Acquisition of High Plains LP	0	(13,327)
Acquisition of RF Industrial East Limited Partnership	(48,642)	0
Acquisition of RF West Island Limited Partnership	(65,341)	0
Total identifiable net assets settled by cash	$ 4,668	$ 26,573

Acquisition of RF West Island Limited Partnership and RF Industrial East Limited Partnership:

On March 16, 2022, Skyline Industrial REIT entered into an agreement with its joint venture partner to buy the remaining 50% interest held in RF West Island Limited Partnership ("RFWILP") by its joint venture partner and on September 13, 2022, Skyline Industrial REIT entered into an agreement with its joint venture partner to buy the remaining 50% interest held in RF Industrial East Limited Partnership ("RFIELP") by its joint venture partner. Skyline Industrial REIT purchased 50% of the units of RFWILP and 50% of the units of RFIELP for total consideration of $43,973.

Skyline Industrial REIT has elected to apply the "concentration test" in accordance with IFRS 3. As the fair value of the gross assets acquired is substantially concentrated in the RFWILP and RFIELP properties, the transaction has been qualified as an acquisition of assets.

Skyline Industrial REIT has elected to remeasure its previously held interests in the acquired assets and liabilities to their acquisition-date-fair values, resulting in a loss on remeasurement of $10,197.

Purchase price allocation:

Recognized amounts of identifiable assets acquired and liabilities assumed

Investment property	$ 147,759
Total liabilities assumed	0
Net asset acquired	$ 147,759

Consideration transferred for the acquisition consists of the following:

Cash transferred for equity interest	$ 43,973
Equity method investment derecognized	113,983
Loss on remeasurement of RFWILP and RFIELP	(10,197)
Total	$ 147,759

(in thousands of Canadian dollars, except per unit amounts)

6. INVESTMENT PROPERTIES (continued)

Future rental income:

Investment properties are subject to operating leases with tenants. Lease contracts are all typically non-cancelable for periods ranging from one to fifteen years from the commencement of the lease. Future minimum rental income from these agreements is as follows:

	2022	2021
Less than one year	$ 74,792	$ 62,870
Between one and three years	136,045	107,009
More than three years	423,517	353,852
	$ 634,354	$ 523,731

Fair value disclosure:

Skyline Industrial REIT uses an income approach to perform internal valuation calculations for the purposes of determining the fair market value of investment properties. The same approach is used for those properties with independent third party appraisals. Significant assumptions used for the valuation of the properties include the capitalization rate and the revenue and expenses for each property. As at December 31, 2022, all of Skyline Industrial REIT's investment properties were valued using Level 3 inputs. There were no transfers into or out of Level 3 fair value measurements for investment properties held as at December 31, 2022 and December 31, 2021.

Skyline Industrial REIT categorizes its investment properties by region, and each region has a different range of capitalization rates, depending on the specific risk factors for each property in that region. The weighted average capitalization rates for commercial properties is 5.05% (2021 - 4.69%). Overall, the capitalization rates for commercial properties fall between:

	2022	2021
Minimum	3.46%	2.31%
Maximum	13.90%	11.11%

Assumptions related to property revenues and expenses are based on the most recent annual results of each property, and where necessary, industry benchmarks.

In 2022, Skyline Industrial REIT valued $721,496 of its investment properties internally (2021 - $695,560). The remainder of the investment property fair value was obtained through third party appraisals, not including those properties acquired during the year. In the year, this amounted to $256,200 (2021 - $510,625) including properties held for sale that were sold subsequent to year end, see note 21. In 2022, 47.1% (2021 - 61.1%) of the cost base of investment properties were valued internally and 52.9% (2021 - 38.9%) were valued externally. The acquisitions during 2022 were valued at $553,209 (2021 - $107,805). Actual results may differ from these estimates and may be subject to material adjustment within the next year.

(in thousands of Canadian dollars, except per unit amounts)

6. INVESTMENT PROPERTIES (continued)

Fair value sensitivity:

Skyline Industrial REIT's investment properties are classified as Level 3 under the fair value hierarchy, as the inputs in the valuations of these investment properties are not based on observable market data. The following table provides a sensitivity analysis for the weighted average capitalization rate applied as at December 31, 2022:

As of December 31, 2022

Capitalization Rate Sensitivity Increase (Decrease)	Overall Capitalization Rate	Fair Value of Investment Properties	Fair Value Variance	% Change
(1.00)%	4.05%	$ 1,890,415	$ 374,340	24.69%
December 31, 2022	5.05%	$ 1,516,075	$ 0	0.00%
1.00%	6.05%	$ 1,265,484	$ (250,591)	(16.53)%

7. ASSETS HELD FOR SALE

As at December 31, 2022, there were two properties held for sale (December 31, 2021 - forty-five properties held for sale). The assets and liabilities associated with investment properties held for sale are as follows:

	2022	**2021**
ASSETS		
Investment properties	$ 14,830	$ 415,185
Other assets	7	49
Accounts receivable	2	202
	14,839	415,436
LIABILITIES		
Mortgages payable	0	98,029
Tenant deposits	215	2,218
Land lease	284	291
Accounts payable and accrued liabilities	146	2,675
	645	103,213
NET ASSETS HELD FOR SALE	$ 14,194	$ 312,223

8. INVESTMENT IN JOINT VENTURES

On July 14, 2020, Skyline Industrial REIT entered into a partnership in High Plains Building 6, LP ("High Plains"). High Plains owns land for development into commercial buildings available for future leasing opportunities. Skyline Industrial REIT holds a 75% partnership interest in High Plains and shares joint control with a third party that owns the remaining 25% interest of High Plains. On October 14, 2021, Skyline Industrial REIT acquired the remaining 25% interest of High Plains. The results of this acquisition are included in these financial statements from the date of acquisition under investment properties. Previous to the acquisition date, Skyline Industrial REIT had classified its investment as a joint venture as decisions about relevant activities require unanimous consent of both parties and accounted for the investment using the equity method.

8. INVESTMENT IN JOINT VENTURES (continued)

On November 30, 2020, Skyline Industrial REIT acquired units in RFIELP and RFWILP. Skyline Industrial REIT holds a 50% ownership in RFIELP and RFWILP and shares joint control with a third party who owns the remaining 50% of RFIELP and of RFWILP, respectively. Skyline Industrial REIT has classified its investments in RFIELP and RFWILP as joint ventures as decisions about relevant activities require unanimous consent of both parties. On March 16, 2022, Skyline Industrial REIT acquired the remaining 50% interest of RFIELP and on September 13, 2022, Skyline Industrial REIT acquired the remaining 50% interest of RFWILP. The results of these acquisitions are included in these financial statements from the dates of acquisition under investment properties. Previous to the acquisition dates, Skyline Industrial REIT had classified its investment as a joint venture as decisions about relevant activities require unanimous consent of both parties and accounted for the investments using the equity method.

On February 24, 2021, Skyline Industrial REIT entered into a limited partnership agreement with F.I.T. RF Limited Partnership and Rosefellow Holdings Incorporated, to form the RF Limited Partnership I (“RF LP I”). Pursuant to the aforementioned limited partnership agreement, Skyline Industrial REIT owns 47.5% of RF LP I and shares joint control with third parties who own 47.5% and 5.0% of RF LP I respectively. Skyline Industrial REIT has classified its investment as a joint venture as decisions about relevant activities require unanimous consent of all parties.

On June 24, 2021, Skyline Industrial REIT entered into a limited partnership agreement with 1307823 Canada Incorporated and Rosefellow Holdings Incorporated, to form the RF Mascouche Limited Partnership I (“RFMLP I”). Pursuant to the aforementioned limited partnership agreement, Skyline Industrial REIT owns 79.5% of RFMLP I and shares joint control with a third party who owns the remaining 20.5% of RFMLP I. Skyline Industrial REIT has classified its investment as a joint venture as decisions about relevant activities require unanimous consent of all parties.

On August 15, 2022, IRELP acquired units in RF Limited Partnership II ("RF LP II"). IRELP holds a 47% ownership in RF LP II and shares joint control with a third party who owns the remaining 50% of RF LP II. IRELP has classified its investments in RF LP II as a joint venture as decisions about relevant activities require unanimous consent of both parties.

On August 26, 2022, IRELP entered into a limited partnership agreement with HPB Bayers GP Inc., Secure Capital Bayers Limited Partnership and 4439790 Nova Scotia Limited to form the HPB Bayers Limited Partnership ("HPB LP"). Pursuant to the aforementioned limited partnership agreement, IRELP owns 85% of HPB LP and shares joint control with third parties who own the remaining 15% of HPB LP. IRELP has classified its investment as a joint venture as decisions about relevant activities require unanimous consent of all parties.

All joint ventures listed above are in the business of acquiring lands and developing light industrial real estate in Ontario and Quebec for future leasing opportunities. The results of these acquisitions are included in these financial statements from the date of acquisition. Skyline Industrial REIT has accounted for its investments in joint ventures under the equity method.

The acquisitions were funded by cash during the year.

(in thousands of Canadian dollars, except per unit amounts)

8. INVESTMENT IN JOINT VENTURES (continued)

The components of investment in joint ventures is as follows:

	2022	2021
High Plains	$ 0	$ 0
RFIELP	0	3,338
RFWILP	0	7,834
RF LP I	34,891	15,813
RFMLP I	32,369	8,764
RF LP II	17,438	0
HPB Bayer LP	7,296	0
Balance at end of the year	$ 91,994	$ 35,749

As at December 31, 2022:

	RFIELP	RFWILP	RF LP I	RFMLP I	RF LP II	HPB LP	Total
Balance at the beginning of the year	$ 3,338	$ 7,834	$ 15,813	$ 8,764	$ 0	$ 0	$ 35,749
Contributions	32,189	42,006	19,078	23,605	17,438	7,296	141,612
Share of net earnings	13,115	15,501	0	0	0	0	28,616
Acquisition of control	(48,642)	(65,341)	0	0	0	0	(113,983)
Balance at end of the year	$ 0	$ 0	$ 34,891	$ 32,369	$ 17,438	$ 7,296	$ 91,994

As at December 31, 2021:

	High Plains	RFIELP	RFWILP	RF LP I	RFMLP I	Total
Balance at the beginning of the year	$ 4,200	$ 2,705	$ 4,679	$ 0	$ 0	$ 11,584
Contributions	0	633	3,155	15,813	8,764	28,365
Share of net earnings	9,127	0	0	0	0	9,127
Acquisition of control	(13,327)	0	0	0	0	(13,327)
Balance at end of the year	$ 0	$ 3,338	$ 7,834	$ 15,813	$ 8,764	$ 35,749

(in thousands of Canadian dollars, except per unit amounts)

8. INVESTMENT IN JOINT VENTURES (continued)

The following details Skyline Industrial REIT's share of the limited partnership's aggregated assets, liabilities, and results of operations accounted for under the equity method.

As at December 31, 2022:

	RFIELP	RFWILP	RF LP I	RFMLP I	RF LP II	HPB LP	Total
Real estate property under development	$ 0	$ 0	$ 34,856	$ 64,497	$ 17,400	$ 14,935	$ 131,688
Current assets	0	0	40	4,160	41	765	5,006
Total assets	0	0	34,896	68,657	17,441	15,700	136,694
Non-current liabilities	0	0	0	24,569	0	6,798	31,367
Current liabilities	0	0	5	11,719	3	1,606	13,333
Net equity	$ 0	$ 0	$ 34,891	$ 32,369	$ 17,438	$ 7,296	$ 91,994

For the year ended December 31, 2022:

	RFIELP	RFWILP	RF LP I	RFMLP I	RF LP II	HPB LP	Total
Rental revenue	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Operating expenses	0	0	0	0	0	0	0
Net operating income	0	0	0	0	0	0	0
Fair value gain	13,115	15,501	0	0	0	0	28,616
Net income	$ 13,115	$ 15,501	$ 0	$ 0	$ 0	$ 0	$ 28,616

December 31, 2021:

	High Plains	RFIELP	RFWILP	RF LP I	RFMLP I	Total
Real estate property under development	$ 0	$ 14,120	$ 24,875	$ 15,757	$ 14,325	$ 69,077
Current assets	0	2,725	2,321	64	1,859	6,969
Total assets	0	16,845	27,196	15,821	16,184	76,046
Non-current liabilities	0	10,063	16,460	0	7,378	33,901
Current liabilities	0	3,444	2,902	8	42	6,396
Net equity	$ 0	$ 3,338	$ 7,834	$ 15,813	$ 8,764	$ 35,749

(in thousands of Canadian dollars, except per unit amounts)

8. INVESTMENT IN JOINT VENTURES (continued)

For the year ended December 31, 2021:

	High Plains	RFIELP	RFWILP	RF LP I	RFMLP I	Total
Rental revenue	$ 778	$ 0	$ 0	$ 0	$ 0	$ 778
Operating expenses	(398)	0	0	0	0	(398)
Net operating income	380	0	0	0	0	380
Fair value gain	8,747	0	0	0	0	8,747
Net income	$ 9,127	$ 0	$ 0	$ 0	$ 0	$ 9,127

9. OTHER ASSETS

The components of other assets are as follows:

	2022	2021
Funds held in trust	$ 1,470	$ 466
Escrow realty taxes	0	125
Prepaid expenses	558	691
Tenant loan receivable	740	0
Deposits on investment properties	269	351
Other assets held for sale	(7)	(49)
	$ 3,030	$ 1,584

The tenant loan is receivable in blended monthly instalments of $15 (2021 - $nil) with interest charged at 7.5% (2021 - 0.0%). The loan is due in 2027. The portion receivable within one year is $129 (2021 - nil). See note 16 for financial risk management.

10. MORTGAGES PAYABLE

The mortgages payable are secured by investment properties, assets held for sale and letters of credit, in some cases. Mortgages bearing fixed interest with a contractual weighted average rate of 4.22% (2021 - 3.39%) per annum are $715,802 (2021 - $488,722). Mortgages bearing variable interest rates with an average variable rate of 0.00% (2021 - 3.95%) per annum are $nil (2021 - $14,940). Included in mortgages payable is a second mortgage of $1,886 (2021 - $nil) which bears a fixed interest rate of 2.45% (2021 - 0.00%). Mortgages have maturity dates ranging between 2023 and 2029. All mortgages are denominated in Canadian dollars.

Future minimum principal payments on mortgage obligations are as follows:

2023	$ 27,068
2024	98,758
2025	122,933
2026	40,271
2027	176,414
Thereafter	250,358
	$ 715,802

(in thousands of Canadian dollars, except per unit amounts)

10. MORTGAGES PAYABLE (continued)

A reconciliation of movements in mortgages payable to cash flows arising from financing activities is as follows:

	2022	2021
Mortgages payable, beginning of year	$ 405,633	$ 491,274
Proceeds from new mortgages	395,094	98,854
Repayment of existing mortgages	(181,925)	(87,106)
Transaction costs related to mortgages	(1,952)	(81)
Total changes from financing cash flows	211,217	11,667
Change in mortgages payable on assets held for sale	98,029	(98,029)
Amortization of financing costs	923	721
Financing costs included in operations	19,034	17,141
Interest paid	(19,034)	(17,141)
Total liability-related changes	98,952	(97,308)
Mortgages payable, end of year	$ 715,802	$ 405,633

11. EQUIPMENT LOAN PAYABLE

The equipment loan was repaid during 2021. The loan was payable in blended monthly instalments of $21 with interest charged at 5.67%.

A reconciliation of movements in equipment loans payable to cash flows arising from financing activities is as follows:

	2022	2021
Equipment loans payable, beginning of year	$ 0	$ 1,625
Proceeds from new equipment loans	0	0
Repayment of existing equipment loans	0	(1,625)
Total changes from financing cash flows	0	(1,625)
Financing costs included in operations	0	67
Interest paid	0	(67)
Total liability-related changes	0	0
Equipment loans payable, end of year	$ 0	$ 0

(in thousands of Canadian dollars, except per unit amounts)

12. LAND LEASE

Skyline Industrial REIT has entered into three land leases. The land leases are payable in monthly instalments of $138 (2021 - $138) and have maturity dates ranging between 2026 and 2029. The portion payable within one year is $124 (2021 - $114).

The following table details the undiscounted cash flows and contractual maturities of Skyline Industrial REIT's land lease as at December 31, 2022:

2023	$ 1,662
2024	1,664
2025	1,666
2026	1,671
2027	1,652
Thereafter	44,018
	$ 52,333

A reconciliation of movements in land leases to cash flows arising from financing activities is as follows:

	2022	2021
Land lease, beginning of year	$ 20,222	$ 19,490
Land lease payments	(114)	(104)
Total changes from financing cash flows	(114)	(104)
Change in land lease on assets held for sale	7	(291)
Financing costs included in operations	1,546	2,682
Interest paid	(1,546)	(1,555)
Total liability-related changes	7	836
Land lease, end of year	$ 20,115	$ 20,222

13. RELATED PARTY TRANSACTIONS

The following entities transact with Skyline Industrial REIT, and are all mostly controlled by the same shareholders, of which are a person or persons that qualify as a related person under IAS 24 – Related Party Disclosures: Skyline Transfer Funds Inc., Skyline Commercial Real Estate GP Inc.; Skyline Asset Management Inc., Skyline Commercial Asset Management Inc., and Skyline Clean Energy Asset Management Inc.; Skyline Commercial Management Inc., Skyline Wealth Management Inc., Skyline Mortgage Finance Inc., Skyline Private Investment Capital Inc., Skyline Capital Projects Management Inc, and Skydevco Inc.

13. RELATED PARTY TRANSACTIONS (continued)

Distributions to partners
Skyline Commercial Real Estate GP Inc. is the general partner of IRELP and is entitled to 20% of distributions after the limited partners have received returns equivalent to their adjusted contribution value. Related party transactions are measured at fair value. A provision for the future distributions payable to Skyline Commercial Real Estate GP Inc. has not been recorded since the timing and amount of the distributions payable cannot be reasonably estimated. Based on the fair value of the investment properties as at December 31, 2022, a distribution would be payable if the investment properties were sold. At December 31, 2022, there were distributions payable to Skyline Commercial Real Estate GP Inc. in the amount of $5,637 (2021 - $5,879) which is included in due to related party.

	2022	2021
Distributions paid to general partner on sale of investment properties	$ 44,895	$ 11,181
Distributions paid to general partner from distributable income	1,435	605
	$ 46,330	$ 11,786

Services of the Asset Manager
Skyline Industrial REIT has an asset management agreement with Skyline Asset Management Inc. and Skyline Commercial Asset Management Inc (the “Asset Manager”). The asset management fees payable under the asset management agreement are 2% of adjusted gross revenue. For the year ended December 31, 2022, Skyline Industrial REIT paid to the Asset Manager $1,586 in asset management fees (2021 – $1,747).

Skyline Industrial REIT also has a leasing services arrangement with the Asset Manager, wherein Skyline Industrial REIT shall pay the Asset Manager: (i) 50% of market brokerage fees if an external broker is used, or (b) 100% of market brokerage fees if no external broker is used. For the year ended December 31, 2022, Skyline Industrial REIT paid to the Asset Manager $965 in leasing services fees (2021 – $799).

The Asset Manager also provides oversight and management services in respect of development projects undertaken by, on behalf of, or for the benefit of Skyline Industrial REIT. In providing these services, Skyline Industrial REIT pays the Asset Manager a fee equal to 1% of the development costs of each project. For the year ended December 31, 2022, Skyline Industrial REIT paid to the Asset Manager $1,201 in development management fees (2021 – $528).

Services of the Property Manager
Skyline Industrial REIT has a property management agreement with Skyline Commercial Management Inc (the “Property Manager”). Property management fees payable under the property management agreement in 2022 for single tenant managed properties are paid at a fixed rate ranging from 15 to 25 cents per square foot (not in thousands of Canadian dollars). For multi-tenant properties or single tenant properties managed by a property manager, the fee is 2.5% of base rental income. In 2021, the property management fees ranged from 2.5 to 5% of base rental income for all properties. For the year ended December 31, 2022, Skyline Industrial REIT paid to the Property Manager $1,784 in property management fees (2021 – $1,747).

As part of the property management agreement, Skyline Industrial REIT also pays for lease documentation services, which are payable at a fixed rate ranging from $200 to $1,000 (not in thousands of Canadian dollars) per lease. For the year ended December 31, 2022, Skyline Industrial REIT paid to the Property Manager $49 in lease documentation fees (2021 - $188).

13. RELATED PARTY TRANSACTIONS (continued)

Services of the Exempt Market Dealer
Skyline Industrial REIT has an exempt market dealer agreement with Skyline Wealth Management Inc. (the “Exempt Market Dealer”). Fees payable under the exempt market dealer agreement include wealth management fees of 0.3% of unitholders equity, and equity raise fees ranging from 0.5% to 1% of proceeds from units issued during the year. For the year ended December 31, 2022, Skyline Industrial REIT paid to the Exempt Market Dealer $2,362 in wealth management fees (2021 – $1,791), and $429 in equity raise fees (2021 - $402).

Services of the Mortgage Underwriting Manager
Skyline Industrial REIT has an arrangement with Skyline Mortgage Finance Inc. (the “Underwriting Manager”), wherein the Underwriting Manager assists Skyline Industrial REIT in obtaining mortgage financing upon terms and rates that are commercially competitive. Skyline Industrial REIT pays the Underwriting Manger $5,000 (not in thousands of Canadian dollars) for each mortgage assumed on acquisition, and 50 bps on mortgage principal for all other mortgages. For the year ended December 31, 2022, Skyline Industrial REIT paid to the Underwriting Manager $1,814 in mortgage underwriting fees (2021 - $410).

Legal Services Manager
Skyline Industrial REIT had an arrangement with Skyline Asset Management Inc., wherein Skyline Asset Management Inc provided advise to Skyline Industrial REIT on the use of external legal counsel, and managed external legal counsel on behalf of the REIT (the “Legal Services Arrangement”), the costs for which are approved annually by Skyline Industrial REIT’s independent Trustees. Effective March 1, 2022, Skyline Asset Management Inc., transferred the Legal Services Arrangement to Skyline Private Investment Capital Inc. (the “Legal Services Manager”). Under the Legal Services Arrangement, Skyline Industrial REIT paid to the Legal Services Manager $416 in legal and administrative fees for the period from March 1, 2022 to December 31, 2022. Under the Legal Services Arrangement, Skyline Industrial REIT also paid to Skyline Asset Management Inc $84 in legal and administrative fees for the period from January 1, 2022 to February 28, 2022, and $439 in legal and administrative fees for the period from January 1, 2021 to December 31, 2021.

Services of the Solar Asset Manager
Skyline Industrial REIT has an arrangement with Skyline Clean Energy Asset Management Inc. (the “Solar Asset Manager”). The solar asset management fees payable under the arrangement are equal to $20 (not in thousands of Canadian dollars) per kilowatt of direct current per annum for each solar system managed by the Solar Asset Manager. For the year ended December 31, 2022, Skyline Industrial REIT paid to the Solar Asset Manager $nil in solar asset management fees (2021 – $19).

Services of the CAPEX Provider
Skyline Industrial REIT has an arrangement with Skyline Capital Projects Management Inc (the “CAPEX Provider”), wherein the CAPEX Provider provides due diligence services on the capital needs of proposed acquisitions, compiles and proposes multi-year capital plans for the portfolio, and manages the execution of those capital plans, the costs for which are approved annually by Skyline Industrial REIT’s independent Trustees. For the year ended December 31, 2022, Skyline Industrial REIT paid to the CAPEX Provider $151 in CAPEX management fees (2021 – $136).

(in thousands of Canadian dollars, except per unit amounts)

13. RELATED PARTY TRANSACTIONS (continued)

Services of the Development Manager
Skyline Industrial REIT has an arrangement with Skydevco Inc (the "Development Manager"), who provides development consulting services to Skyline Industrial REIT, the costs for which are approved from time to time by Skyline Industrial REIT's independent Trustees. For the year ended December 31, 2022, Skyline Industrial REIT paid to the Development Manager $673 in development service fees (2021 – $414).

Due to related party
Amounts due to related party are unsecured, non-interest bearing and have no set terms of repayment. Subsequent to year end, the balance due to Skyline Transfer Funds Inc. was repaid. The balance consists of the following:

	2022	2021
Skyline Transfer Funds Inc.	$ 12,900	$ 0
Skyline Commercial Real Estate GP Inc.	5,637	5,879
	$ 18,537	$ 5,879

Investment in related companies
Included in other assets is the investment in related companies which consists of shares held in Skyline Commercial Real Estate Holdings Inc. and Skyline Commercial Real Estate Holdings (II) Inc. Both companies are the nominee title holders of the investment properties owned by Skyline Industrial REIT.

Sale of assets to related companies
During 2021, solar assets were sold to Skyline Clean Energy Limited Partnership at the exchange amount for $1,350. Included in fair value on disposed properties is a loss of $659 related to this transaction.

14. FINANCING COSTS

During the year, Skyline Industrial REIT paid the following financing costs:

	2022	2021
Mortgage interest	$ 19,034	$ 17,141
Equipment loan interest	0	67
Deferred financing costs	923	721
Bank charges	104	345
Interest expense on lease liability	1,547	2,682
Interest expense on revolving credit facility	1,087	807
Distribution interest paid on Class B Limited Partnership Units	467	466
Distribution interest paid to general partner	1,435	605
Distribution interest paid to general partner on sale of investment properties	44,895	11,181
	$ 69,492	$ 34,015

(in thousands of Canadian dollars, except per unit amounts)

15. FAIR VALUE MEASUREMENT

Assets and liabilities measured at fair value

The fair value hierarchy of assets and liabilities measured at fair value on a recurring basis in the consolidated statement of financial position is as follows:

As at	**December 31, 2022**			**December 31, 2021**		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Assets						
Investment properties	$ 0	$ 0	$1,516,075	$ 0	$ 0	$898,805
Assets held for sale	0	0	14,839	0	0	415,436
	$ 0	$ 0	$1,530,914	$ 0	$ 0	$1,314,241
Liabilities						
Mortgages payable	$ 0	$ 683,325	$ 0	$ 0	$ 507,860	$ 0
Limited partnership units	0	0	11,302	0	0	9,042
	$ 0	$ 683,325	$ 11,302	$ 0	$ 507,860	$ 9,042

Transfers between levels in the fair value hierarchy are recognized on the date of the event or change in circumstances that caused the transfer. For assets and liabilities measured at fair value as at December 31, 2022 and December 31, 2021 there were no transfers between Level 1, Level 2 and Level 3 assets and liabilities.

The fair value of the mortgages payable has been determined by discounting the cash flows of these financial obligations using year end market rates for debt of similar terms and credit risks.

Financial assets and liabilities carried at amortized cost

The fair values of Skyline Industrial REIT's cash, accounts receivable, tenant loan receivable, equipment loan payable, due to related party, accounts payable and accrued liabilities and revolving credit facility approximate their carrying amounts due to the relatively short periods to maturity of these financial instruments.

16. FINANCIAL RISK MANAGEMENT

Financial risks are risks arising from the financial instruments to which Skyline Industrial REIT is exposed during or at the end of the reporting period. Financial risk comprises market risk, credit risk and liquidity risk. Skyline Industrial REIT considers real estate risk as a financial risk as well, even though investment property is not classified as a financial instrument.

Risk management is carried out by Management and the Board of Trustees of Skyline Industrial REIT. Management identifies and evaluates financial risks and the Board provides oversight on overall risk management, including specific areas such as interest rate risk, liquidity and investing policies.

Key financial risk management reports are produced on a monthly basis and key indicators are reviewed by Management and the Board of Trustees of Skyline Industrial REIT.

(in thousands of Canadian dollars, except per unit amounts)

16. FINANCIAL RISK MANAGEMENT (continued)

i) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Skyline Industrial REIT’s market risks arise from open positions in interest bearing assets and liabilities, to the extent that these are exposed to market fluctuations.

a. Interest rate risk

Skyline Industrial REIT is exposed to interest rate risk arising from its fixed and floating rate mortgages payable. As fixed rate debt matures and as Skyline Industrial REIT uses additional floating rate debt under revolving credit facilities, Skyline Industrial REIT will be further exposed to cash flow risk.

As part of its risk management policies, Skyline Industrial REIT uses fixed rate mortgages for the majority of its borrowings to allow for better cash flow planning. Skyline Industrial REIT attempts to stagger mortgage renewals at appropriate intervals to mitigate significant interest rate shocks in a given year.

The following table illustrates the sensitivity of income and equity to a reasonably possible change in interest rates of +/- 1%.

As of December 31, 2022

	Carrying Amount	Income -1%	Partners' Capital -1%	Income +1%	Partners' Capital +1%
Revolving credit facility	$ 32,863	$ 329	$ 329	$ (329)	$ (329)
Mortgages payable, maturing within one year	15,128	151	151	(151)	(151)
	$ 47,991	$ 480	$ 480	$ (480)	$ (480)

As of December 31, 2021

	Carrying Amount	Income -1%	Partners' Capital -1%	Income +1%	Partners' Capital +1%
Revolving credit facility	$ 10,958	$ 110	$ 110	$ (110)	$ (110)
Mortgages payable, maturing within one year	55,430	554	554	(554)	(554)
	$ 66,388	$ 664	$ 664	$ (664)	$ (664)

b. Price risk

Skyline Industrial REIT has no significant exposure to price risk with respect to financial instruments as it does not hold any equity securities or commodities.

c. Foreign exchange risk

Skyline Industrial REIT is not subject to foreign exchange risk. All of its financial instruments are denominated in Canadian dollars.

(in thousands of Canadian dollars, except per unit amounts)

16. FINANCIAL RISK MANAGEMENT (continued)

ii) Credit risk

Credit risk is a risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Credit risk arises from trade receivables, including rental receivables from lessees, mortgage and notes receivable.

An allowance for doubtful accounts is recognized for estimated losses resulting from tenant default on lease obligations. Skyline Industrial REIT actively reviews receivables and determines the potentially uncollectable accounts on a per-tenant basis. An accounts receivable is written down to its estimated recoverable value when there is reason to believe that the tenant will not be able to fulfil their obligations under the lease agreement.

The movement in the allowance for doubtful accounts is reconciled as follows:

	2022	2021
Allowance for doubtful accounts beginning of year	$ 9	$ 11
Provision for impairment of accounts receivable	0	4
Reversal of provision for impairment	(4)	(6)
Allowance for doubtful accounts end of year	$ 5	$ 9

Credit risk is managed by reviewing the credit quality of the tenant through credit ratings and references. The maximum exposure to credit risk at the reporting date is equal to the carrying value of each class of financial asset.

iii) Liquidity risk

Liquidity risk management entails maintaining sufficient cash and credit facilities available to close out market positions. Skyline Industrial REIT ensures flexibility in funding by keeping committed credit lines available, and raising capital from partners when needed.

Skyline Industrial REIT's liquidity position is monitored on a regular basis by Management. A summary table with maturity of financial assets and liabilities presented below is used by key management personnel to manage liquidity risks and is derived from managerial reports at company level. The amounts disclosed in the tables below are the contractual undiscounted cash flows. Undiscounted cash flows in respect of the balances due within twelve months generally equal their carrying amounts in the consolidated statement of financial position as the impact of discounting is not significant.

Skyline Industrial REIT has access to an operating line of credit to a maximum of $3,500 (2021 - $3,500) interest charged at prime + 1.75%, of which $nil is utilized at December 31, 2022 (2021 - $nil). The line of credit is secured by a general security agreement over some of the investment properties of Skyline Industrial REIT.

Under a second financing agreement, Skyline Industrial REIT has access to an operating line of credit to a maximum of $60,000 (2021 - $45,000) with interest at prime + 1.35% or, at the option of the borrower, a fixed rate equal to the floating bankers acceptance rate plus 2.35% for a 30 day or 90 day term. At December 31, 2022, the total drawn on the operating line of credit was $32,863 (2021 - $10,958). The line of credit is secured by a general security agreement over some of the investment properties of Skyline Industrial REIT.

(in thousands of Canadian dollars, except per unit amounts)

16. FINANCIAL RISK MANAGEMENT (continued)

iii) Liquidity risk (continued)

A reconciliation of movements in revolving credit facility to cash flows arising from financing activities is as follows:

	2022	2021
Revolving credit facility, beginning of year	$ 10,958	$ 4,711
Net proceeds (repayment) from revolving credit facility	21,905	6,247
Financing costs included in operations	1,087	807
Interest paid	(1,087)	(807)
Total liability-related changes	0	0
Revolving credit facility, end of year	$ 32,863	$ 10,958

Under the financing agreements, Skyline Industrial REIT is required to maintain a debt service ratio of 1.20 or higher, a mortgage-ability debt service coverage ratio of 1.35 or higher, an interest coverage ratio of at least 2.00 or higher and unitholder equity of at least $140,000 plus 75% of contributions received during each subsequent fiscal year. Skyline Industrial REIT is also required to maintain a funds from operations effective pay-out ratio not exceeding 115% and a total debt to gross book value ratio not exceeding 65%. At December 31, 2022, Skyline Industrial REIT was in compliance with the financing agreements.

Skyline Industrial REIT's long term debt consists of mortgages payable bearing interest rates ranging from 2.28% to 5.34% per annum (2021 - 2.28% to 4.63%), payable in monthly instalments of principal and interest of approximately $4,805 (2021 - $2,649), maturing from 2023 to 2029, and are secured by specific charges against specific properties. All interest rates are fixed for the term of the respective mortgage.

Financial liabilities and their maturities are as follows:

December 31, 2022	On demand	Less than one year	One to five years	More than five years	**Total**
Mortgages payable	$ 0	$ 15,128	$ 409,668	$ 291,006	$ 715,802
Class B Limited Partnership units	11,302	0	0	0	11,302
Due to related party	0	18,537	0	0	18,537
Accounts payable and accrued liabilities	0	6,321	0	0	6,321
Revolving credit facility	32,863	0	0	0	32,863
	$ 44,165	$ 39,986	$ 409,668	$ 291,006	$ 784,825

(in thousands of Canadian dollars, except per unit amounts)

16. FINANCIAL RISK MANAGEMENT (continued)

iii) Liquidity risk (continued)

December 31, 2021	On demand	Less than one year	One to five years	More than five years	**Total**
Mortgages payable	$ 0	$ 55,430	$ 87,910	$ 262,293	$ 405,633
Class B Limited Partnership units	9,042	0	0	0	9,042
Due to related party	0	5,879	0	0	5,879
Accounts payable and accrued liabilities	0	3,834	0	0	3,834
Revolving credit facility	10,958	0	0	0	10,958
	$ 20,000	$ 65,143	$ 87,910	$ 262,293	$ 435,346

iv) Real estate risk

Skyline Industrial REIT has identified risks associated with the real estate portfolio. The greatest risk is with respect to the fair values of the portfolio due to changes in real estate market conditions, the macro economic climate and overall financial health of its tenants.

Skyline Industrial REIT mitigates its exposure to any one tenant as a majority of its investment properties are commercial which results in a large number of tenants with minimal financial exposure to each. Skyline Industrial REIT’s commercial portfolio has a concentration of risk with one tenant that represents more than 10% of property revenue. One tenant represents 15.6% (2021 - 15.3%) of Skyline Industrial REIT's property revenue.

17. CAPITAL RISK MANAGEMENT

Skyline Industrial REIT’s objectives when managing capital are to safeguard the entity’s ability to continue as a going concern in order to provide returns for unitholders, and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, Skyline Industrial REIT has the ability to adjust the amount of distributions paid to partners, return capital to partners, issue additional units, refinance existing debt, or sell investment property to reduce debt.

Skyline Industrial REIT monitors capital primarily using a loan to value ratio, which is quotient of mortgages payable to investment properties. As of December 31, 2022, the loan to value ratio was 47% (2021 - 45%), which is within Skyline Industrial REIT’s stated policy of 70% or lower. Subsequent to December 31, 2022, Skyline Industrial REIT is in compliance with the policy.

During the years, Skyline Industrial REIT did not breach any of its loan covenants, nor did it default on any other of its obligations under its loan agreements.

18. SEGMENTED DISCLOSURE

All of Skyline Industrial REIT's assets and liabilities are in, and its revenues are derived from, Canadian commercial real estate. Skyline Industrial REIT's investment properties are, therefore, considered by Management to have similar economic characteristics. Thus, Skyline Industrial REIT has one reportable segment for disclosure purposes.

(in thousands of Canadian dollars, except per unit amounts)

19. UNITHOLDERS' EQUITY

Skyline Industrial REIT is authorized to issue an unlimited number of REIT units. The REIT units are entitled to distributions as and when declared by the Board of Trustees.

On July 31, 2022, the REIT issued a special distribution by way of units, equal to $2.50 per unit (the "Special Distribution"). This resulted in the issuance of 0.125 units for every 1 unit outstanding.

On July 31, 2022, immediately following the Special Distribution, the REIT consolidated all REIT and LP units outstanding at a ratio of 1.125 units to 1, returning the outstanding unit count to the amount outstanding immediately prior to the Special Distribution (the "Unit Consolidation"). The Unit Consolidation resulted in an increase in the price per unit for newly issued units and units to be redeemed, from $20.00 to $22.50.

As at December 31, 2022 the price for newly issued units and units to be redeemed was $22.50 (2021 - $18.00). The units issued and outstanding are as follows:

	2022 Units	2021 Units
Units outstanding, beginning of year	32,742,816	30,395,309
Units issued	1,518,564	2,048,150
Units issued (by way of distribution)	5,221,503	1,747,291
Unit consolidation	(4,057,391)	(935,310)
Redemptions during the year	(1,448,383)	(512,624)
Units outstanding, end of year	33,977,109	32,742,816

20. LIMITED PARTNERSHIP UNITS

The non-voting Class B limited partnership units are units issued by IRELP as partial consideration of investment properties. The Class B limited partnership units can be exchanged for Trust Units at any time at the option of the holder. Prior to such exchange, distributions will be made on these exchangeable units in an amount equivalent to the distributions which would have been made had the units been exchanged for Skyline Industrial REIT units.

As at December 31, 2022, there were 502,326 (2021 - 502,326) Class B limited partnership units issued and outstanding. The Class B limited partnership units represented an aggregate fair value of $11,302 at December 31, 2022 (2021 - $9,042).

(in thousands of Canadian dollars, except per unit amounts)

20. CLASS B LIMITED PARTNERSHIP UNITS (continued)

A reconciliation of movements in the limited partnership units to cash flows arising from financing activities is as follows:

	2022	2021
Limited partnership units, beginning of year	$ 9,042	$ 6,907
Proceeds from issue of limited partnership units	0	0
Financing costs included in operations	467	466
Distribution interest paid	(467)	(466)
Total liability-related changes	0	0
Changes in fair value	2,260	2,135
Limited partnership units, end of year	$ 11,302	$ 9,042

21. SUBSEQUENT EVENTS

Subsequent to December 31, 2022 Skyline Industrial REIT had the following dispositions:

On February 10, 2023, Skyline Industrial REIT disposed of one property in Quebec, for a total disposition value of $10,750, which discharged mortgages payable of $nil.

On February 27, 2023, Skyline Industrial REIT disposed of one property in Ottawa, for a total disposition value of $4,080, which discharged mortgages payable of $nil.


SKYLINE
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