SKYLINE
INDUSTRIAL REIT

2023

SKYLINE
INDUSTRIAL REIT

ANNUAL REPORT TO UNITHOLDERS - DECEMBER 31, 2023

CONTENTS

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

HIGHLIGHTS

$1.67 B	9.61 MM	100.35%
Fair Value of Investment Properties (11.71% increase) (As at December 31, 2023)	Gross Leasable Area (SQ FT) (As at December 31, 2023)	Normalized FFO Payout Ratio (As at December 31, 2023)

$22.50	$1.00	4.44%
Class A Current Unit Value (As at April 30, 2024)	Class A Annual Distribution per Unit (As at April 30, 2024)	Class A Annual Distribution Yield (As at April 30, 2024)

4.54%	19.79%	14.96%
Class A Annualized Return 1 yr (As at April 30, 2024)	Class A Annualized Return 5 yr (As at April 30, 2024)	Class A Annualized Return Since Inception (As at April 30, 2024)

1 High Plains Trail
Rocky View County, AB

Class F Unit Information (As at April 30, 2024):
$22.50 Unit Value | $1.0225 Distribution per Unit | 4.54% Yield

SKYLINE GROUP OF COMPANIES AWARDS

Best Managed Companies

Platinum Member — Skyline Group of Companies

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

Canadian Women in Real Estate (CWIRE) Award

Winner, National Category — BJ Santavy, Vice President, Skyline Living

Recognizing visionary leadership and transformative impact in the real estate sector.

Report on Business 2023 Canada's Top Growing Companies

Winner (ranked #409) — Skyline Group of Companies

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

CFAA 2023 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.

RHB Magazine 2023 "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's "The Annual" is the complete market perspective for the Canadian rental housing industry.

Guelph Chamber of Commerce 2023 Awards of Excellence

Winner, Sustainability Award — Skyline Group of Companies

Recognizing a business or organization in the city of Guelph that has showcased an outstanding commitment to sustainability through operations, development, or processes.

IPOANS 2023 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.

Waterloo Area Top Employers 2023

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

2023 Canadian HR Awards

Winner, Rising Star of the Year — Sarah Yusyp, Director, Human Resources, Skyline Living

Recognizing HR leaders of the future with 5-10 years of human resources experience and a demonstrated commitment to the function.

Canadian Property Management Magazine 2023 "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.

Top 10 Industrial Owners & Managers (#8) – Skyline Industrial REIT

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

Canada's Clean50 Honouree

Winner — Rob Stein, President, Skyline Energy

Recognizing individuals who have done the most to advance climate action in Canada over the past two years.

SUSTAINABILITY AT SKYLINE GROUP OF COMPANIES

2023 SUSTAINABILITY HIGHLIGHTS

191,002 GJ[1] of Renewable Natural Gas (RNG) produced at our Lethbridge, Alberta biogas facility.

$316,600 donated to 41 charitable initiatives across Canada.

6.5 million square feet of Light-emitting Diode (LED) lighting installed at Skyline Industrial REIT properties.

9 sustainability-related awards won, and **3 funds successfully submitted** to GRESB.[2]

74,850,000 KWh[3] of electricity generated by Skyline-owned solar assets.

300 refugee families supported through the Skyline Refugee Program.

4,811 kgs of e-waste collected/ diverted from landfill.

23,226,897 KWh[3] of renewable electricity produced at our Elmira, Ontario and Lethbridge, Alberta biogas facilities.

[1] Gigajoule (GJ) is a metric energy measurement used for Renewable Natural Gas (RNG). One GJ of natural gas has the same amount of energy as 27 litres of fuel oil, 39 litres of propane, 26 litres of gasoline or 277 kilowatt hours of electricity. This figure is expressed in accordance with the Fund's percentage ownership of the assets (80%). Source: https://www.nrcan.gc.ca

[2] GRESB: Formerly the Global Real Estate Sustainability Benchmark.

[3] This figure is expressed in accordance with the Fund's percentage ownership of the assets.

[4] This figure is expressed in accordance with the Fund's percentage ownership of the assets (80%).

[5] In 2023, Skyline developed a Climate Change Risk Analysis following ISO 31000 guidelines.

OUR FOCUS AREAS FOR 2024

Exceed 2023 fundraising total for our community partners through Coldest Night of the Year, Spring Hope Food Drive, and Annual Charity Golf Classic.

Continue to use in-house mediated agreements to keep our tenants housed and update Skyline Living's RISE application to make the process easier and more efficient for tenants. Continue working on creating awareness of our RISE program with tenants.

Support charitable organizations through volunteering and monetary donations that focus on eliminating homelessness, food insecurity and supporting mental health in our communities.

Develop a plan to encourage active, healthy living and wellness promotion by offering quarterly wellness activities to our employees and a corporate fitness center discount.

Retrofit exterior lights at Skyline Retail REIT & Skyline Industrial REIT properties to LEDs and work with tenants to do the same for interior lights.

Conduct feasibility studies to determine if solar panels can be installed at select industrial and retail properties.

Maintain our reputation as an equitable, progressive, and highly sought-after place to work by administering a comprehensive benefits and retirement savings plan, recognizing employee milestones, and offering training and development opportunities.

Continue to strive for an inclusive and fair workplace by reviewing internal processes to promote **diversity in leadership** and **equitable compensation**.

Engage residential tenants in environmental awareness by running an Earth Hour campaign focused on reducing utility consumption.

Promote sustainable procurement practices by improving the inventory of our vendor information related to sustainability.

Collaborate with Skyline Retail REIT and Skyline Industrial REIT tenants to promote waste separation and provide an area on each property to allow additional bins where possible.

Reduce contamination of recycling and organic streams by 15% across our residential portfolio.

Investigate the results of our Climate Risk Analysis.[5]

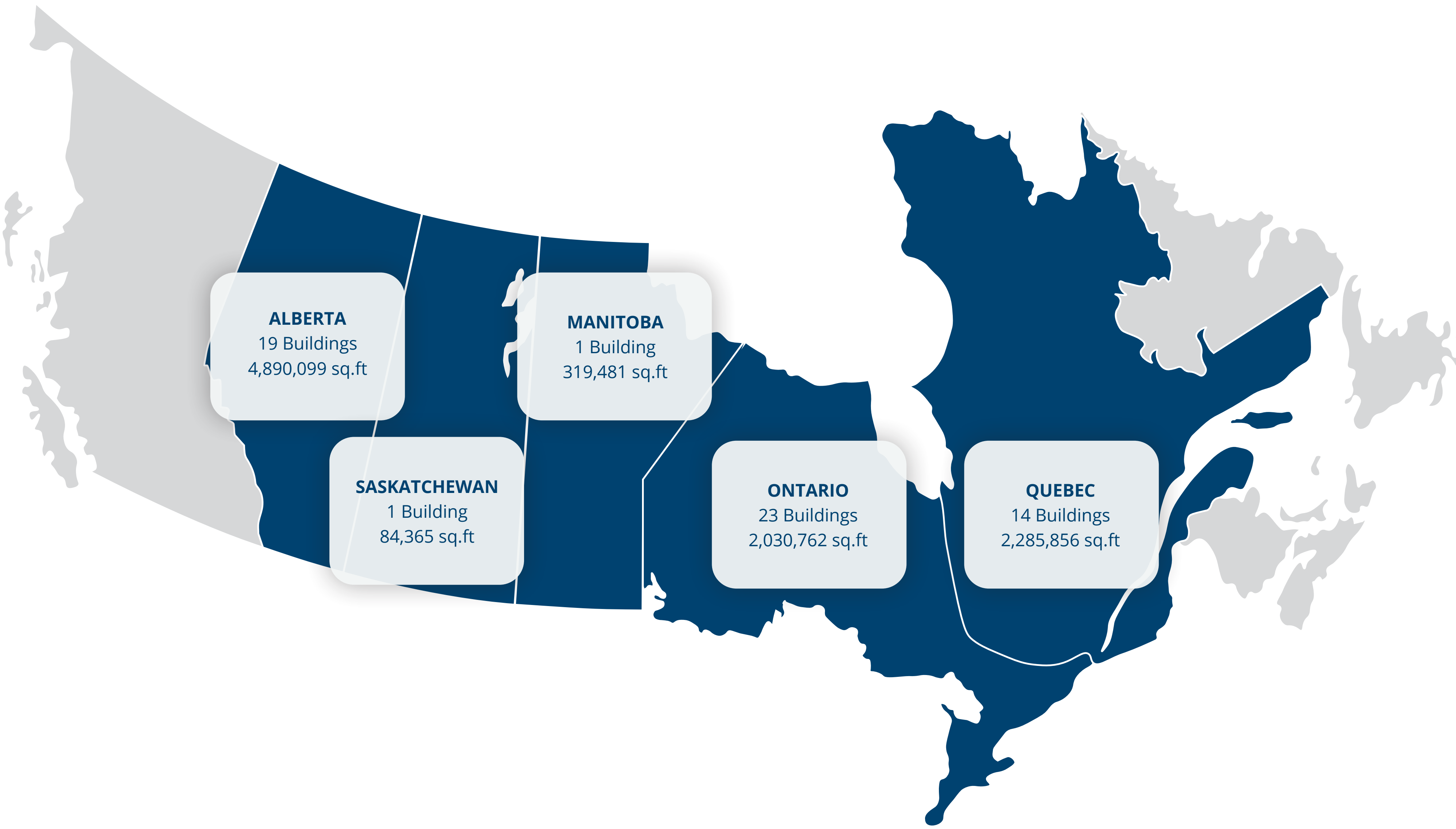
PERTAINS TO ALL SDGs

Submit to the GRESB Benchmark to assess our performance and inform our sustainability strategy across Skyline's REIT portfolios. We aim to increase our inaugural year score by 10% for each REIT.

View Skyline's 2024 Sustainability Report
SkylineGroupOfCompanies.ca/Sustainability

INDUSTRIAL PORTFOLIO OVERVIEW

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

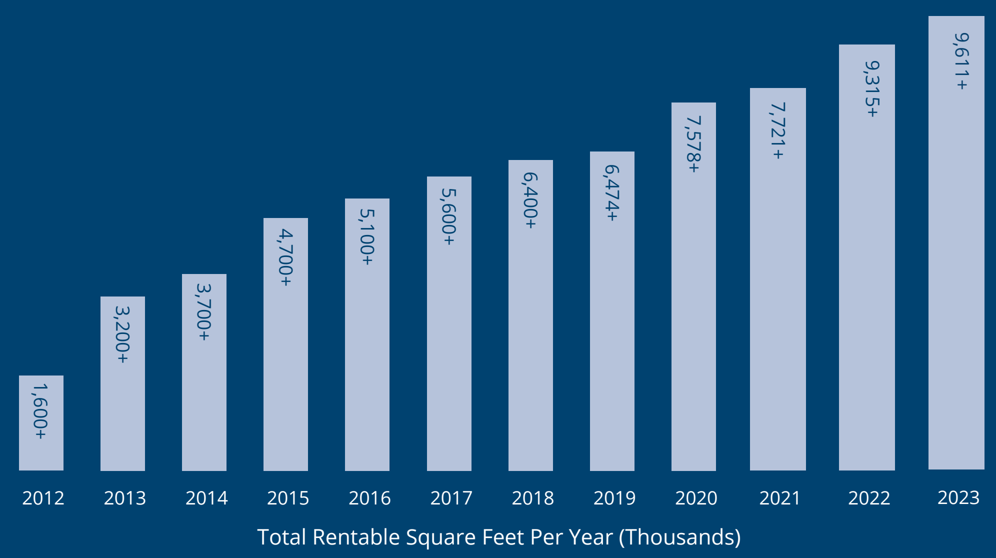


ACQUISITION HIGHLIGHTS

365 Griffin Way, Woodstock, ON
148,050 sq.ft

1 High Plains Trail, Rocky View County, AB
414,392 sq.ft

3601 Avenue de la Gare, Mascouche, QC
321,008 sq.ft



OUR 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

6000 Trans-Canada Highway
Pointe-Claire, QC

CEO ADDRESS TO UNITHOLDERS

Skyline's 25th anniversary: a look back—and a look forward

This past January, Skyline turned 25 years old. It was a great time to reflect on the past and remind ourselves of the trials and tribulations we experienced over the years. We shared this moment with our Skyliners, from those who have been there with us from the beginning to our most recent hire. We looked back at and shared with them the phases we went through while evolving this company—from a mere idea, through the student rental years, shifting into apartments, the development of our Funds, building the businesses to service them, and all the memories and learning experiences we had along the way, big and small.

As we reminisced about those years, it brought us to the present day. The momentous occasion of our 25th anniversary not only compelled us to share with all those who helped us get here, but more importantly, it also spurred us to paint a very clear picture as to what the next 25 years will look like. I have learned over the years to stop predicting precisely what we will or will not do. However, in this case, I can say with great certainty that my fellow owners and I will be a major part of Skyline's next 25 years and continue to have a guiding hand in what it will look like as we move forward from here.

These businesses that we operate to service the Funds we all invest in are integral to the successful relationship we have with you, our Unitholders. Time and time again, when we tried, tested, and brought to market a new Fund requiring investment capital, you always stepped up to answer the call so that we could all grow and benefit from these ideas together. We spent a lot of time and hard work developing processes and procedures to make these investments something that would outperform and make us all proud to be a part of—just as you worked hard to earn the capital that is the life blood to secure the assets that make up these investments.

It is obvious—sometimes painfully so— that we take our time to perfect our trade. But because of this, we have become very confident that the "sweat" component we bring to this business relationship with you is first class. We have endured many unexpected and sometimes random economic circumstances, and we learned from them, made adjustments, and came out stronger and better poised for growth every time.

So, what now? With the comfort of not always having to check the rear-view mirror thanks to excellent operations, we are able to focus on looking out the front window as we drive the bus. As for what the road ahead looks like: we aim to set our focus on you, our investors. Sometimes I felt like our work, which continues to perform well by way of returns, was enough. But we can do more for you. We will do more for you. We are more than an asset manager: we are your wealth manager. Starting this year, you will hear more often from us and be in contact more often with us, and we will be inviting you to help us understand what more we can do for you. By us asking, and you sharing that information with us, we will improve your experience and interaction with Skyline.

We have set up this company to hold assets that are multi-generational; that is the way we think and invest ourselves as owners. We also know that just as we want and need a holistic understanding of our own personal investment situation, so too must our investors. In a world where economic information is available at our fingertips, I won't be able to tell you anything macro-economic-related that you don't already know or can't easily find in the many media available to us all. But one thing we can do, that is unique to us, is have stronger personal relationships with each of you—and that is the foundation on which all parts of Skyline have been built.

I look forward to the next 25 years—albeit with the hope that they do not fly by as fast as the last 25—because I want Skyline to be an even more important part of your multi-generational investment plan that we can all share and benefit from together.

"...We have become very confident that the "sweat" component we bring to this business relationship with you is first class. We have endured many unexpected and sometimes random economic circumstances, and we learned from them, made adjustments, and came out stronger and better poised for growth every time."

Jason Castellan

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

PRESIDENT'S REPORT

2023 was a year where outcomes did not match expectations. Throughout Q3 and Q4, the broader Canadian economy anticipated at some point to hear an optimistic message from the Bank of Canada, but it never came. Resilient Canadian job numbers, sticky inflation, and continued geopolitical challenges resulted in the Bank of Canada continuing to push out the concept of rate cuts well into 2024. As I write this letter in March of 2024, timing for that initial cut has been firmly pushed to the end of Q2 at the earliest. This extended period with the prime lending rate at 5% continues to have a significant impact not only on the cost of shorter-term debt, but also pricing of assets and transactions within the broader market.

For much of the first half of 2023, the REIT focused on digesting the acquisitions from 2022 and continued to work with our development partners to move the various development sites through the process. In Q1 2023, the REIT finally completed the sale of 500 Rue Saint-Louis, Saint-Jean-sur-Richelieu, Quebec, to the tenant on February 10, 2023. This 56,000 square foot single-tenant facility had a gross sales price of $10.75 million. Also in Q1, the REIT sold 380 Hunt Club Road in Ottawa, Ontario, which was its last remaining office property. The gross sales price of the 50,869 square foot property was $4.08 million. Within the Rosefellow Fund, a large development parcel was sold pre-redevelopment, given the rapid escalation in land values. This 26.2-acre land parcel in Montreal, Quebec, was sold on April 12, 2023, for $88 million (100% value), in which the REIT had a 47% interest.

In the second half of 2023, the REIT completed the disposition of the Cervus portfolio (11 assets totaling 364,951 square feet; sold for $68 million) back to the tenant due to an unsolicited offer directly from Cervus (now Brandt Tractor). In addition, 7801 Boulevard Henri-Bourassa Est, Montreal, Quebec, was sold following an extensive marketing program. This cold storage asset, which was acquired as part of the Congebec portfolio in 2018, was targeted for disposition after the tenant approached the REIT to build a new building in Mascouche, Quebec, with almost twice as much rentable area on a new 20-year lease. The tenant moved its operations from the property at Boulevard Henri-Bourassa to the new development in Mascouche. The REIT then re-leased the entire building to a new cold storage tenant and completed the sale of the asset in Q3 2023.

The REIT redeployed this capital into its development pipeline and also acquired two brand new assets. On November 8, 2023, the REIT closed on 353 Griffin Way, Woodstock, Ontario, a 148,050 square foot, single-tenant warehouse logistics asset, which was fully leased to IPEX Canada pursuant to a 10-year lease. On December 21, 2023, the REIT closed 1 High Plains Road, Balzac (Calgary), Alberta, a 414,392 square foot warehouse facility. This building was leased to two tenants, DSV Solutions Inc. and Moulure Alexandria Moldings Inc., with a weighted average lease term of 10.2 years.

Following this transaction, as of December 31, 2023, Skyline Industrial REIT's key portfolio stats were as follows:

- Total GLA – **9,610,563 sq.ft**
- Total Number of Assets - **50**
- Occupancy – **98.6%**
- Average Net Rent in place – **$8.36 per square foot**
- Total Debt to Fair Value – **51.19%**
- Weighted Average Interest Rate – **4.64%**

As noted in CBRE's Year-End Market Report for 2023, the broader Canadian industrial market continued to experience strong demand across most major markets but did see an increase in overall market availability (from 1.6% to 3.2%) compared to the same time period in 2022. The primary driver of this increase was the delivery of 42.17 million square feet of new construction with total national absorption of 10.42 million square feet. This equates to an increase of 2.1% in supply across the total Canadian inventory of 1,991 million square feet. The overall national availability level of 3.2% is still well below an assumed normalized market vacancy of 5%-6%.

2023 was a strong year from a leasing standpoint for the REIT. The Asset Manager completed 441,493 square feet of renewals and replaced all 245,837 square feet of space vacated by tenants. For the year, weighted average lease rates increased 26%, from $8.07 to $10.14 per square foot on these 2023 expiries. The REIT team's strong performance resulted in an overall occupancy rate of 98.6% at year end.

While most industrial markets experienced a pause in leasing demand in the latter half of 2023 — down from the highs of 2022 and 2021, primarily due to rapidly increasing interest rates — 2024 appears to be off to a better start. There appears to be additional interest and focus on clean energy initiatives for tenants' businesses (solar systems to offset energy consumption; increasing requirements for Net Zero Carbon facilities, etc.), which the REIT has begun to position itself to take advantage of.

As mentioned, in 2023, the REIT focused much of its time and attention on its various developments across the country. As part of its partnerships, the REIT reached substantial completion on three development projects in Montreal, Quebec: 3601 Avenue de la Gare, Mascouche; 555 & 565 Avenue Victor Davis, Pointe-Claire; and 6100 Rue Notre Dame Est, Montreal. In September 2023, the REIT acquired its partners' interest in the 3601 Avenue de la Gare project. The other two were targeted for acquisition in Q1 2024, which has now been completed. The REIT also began construction on seven projects in its pipeline during the year. The Asset Manager anticipates six of these projects to complete construction by the end of 2024, aiming to achieve leasing stabilization during 2025 on all. Below is a summary of the REIT's development pipeline:

Project	City	GLA	Target for Construction Completion
450 Rue Paul-Gaugion	Candiac, Montreal	126,000	Q2-2024
137 Bellerose	Laval, Montreal	293,000	Q4-2024
131 Montcalm Blvd	Candiac, Montreal	491,000	Q3-2024
Chemin de la Riviere / Rue Leon-Malouin	Coteau Du Lac, Quebec	300,000	Q3-2024
Kirkland Project	Kirkland, Montreal	588,000	Q3-2024
Rampart Bldg III	Edmonton	92,000	Q3-2024
Bayers Lake	Halifax	400,000	Q1-2025
575 Dealership Drive	Ottawa	323,000	Q4-2025
405 Huntmar Drive	Kanata	480,000	Q1-2025
Total		**3,093,000**	

PRESIDENT'S REPORT CONT.

With a significant amount of equity capital invested in these various development projects, management believes the REIT will see the financial benefits of these investments begin in the latter half of 2024 and first half of 2025, as these assets complete construction and become leased, thus rolling over from development assets to income-producing assets for the REIT. To date, much of the gains achieved from the mark to market of leasing within the existing portfolio has been offset by the equity invested in the development pipeline.

Outlook for 2024

As we look forward into 2024, 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 three million square feet of new, state-of-the-art industrial space to markets across Canada.

With the Bank of Canada likely delaying the expected interest rate cuts until late Q2/early Q3 2024, the Asset Management team anticipates the first half of 2024 to again be focused on completing construction of the various development projects and working with its development and brokerage partners to fully lease these assets at current market rates. Additionally, with minimal vacancy in the portfolio at this time, and approximately 823,232 square feet of space up for renewal during the year, the Asset Management team is confident in its ability to achieve strong rent growth on these expiries and to maintain our high overall occupancy while also driving top line revenue for the REIT. As of the end of March 2024, approximately 58% of the 2024 renewals have already been completed, achieving an average increase of approximately 20% from previous in-place rents. We believe there should be significant upside in rents achieved over the next 12-36 months based on in-place rents compared to current prevailing market rents.

Skyline Industrial REIT is proud of its exceptional Unit Value stability through the turbulent economic environment over the past 12 months, as well as its outstanding operational performance, strong same-store rental growth within the portfolio, and acquisition of two state-of-the-art, accretive third-party developments. As I enter my third year as President of the REIT, I am optimistic with regard to not only our exceptional portfolio, but also the overall industrial market. Broad economic drivers continue to illustrate strong pent-up demand for best-in-class warehouse and logistical space. 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 2024.

3601 Avenue de la Gare,
Mascouche, QC

"Skyline Industrial REIT is proud of its exceptional Unit Value stability through the turbulent economic environment over the past 12 months, as well as its outstanding operational performance, strong same-store rental growth within the portfolio, and acquisition of two state-of-the-art, accretive third-party developments."

Mike Bonneveld
President,
Skyline Industrial REIT

SENIOR MANAGEMENT

Skyline Industrial REIT has strategically positioned itself within the industrial real estate market to capitalize on the growing needs of Canada's expanding and evolving supply chain. By focusing on acquiring and developing modern, well-located industrial assets within the warehousing and logistics sector, the REIT aims to provide its tenants with best-in-class facilities, and provide its investors with stable and growing distributions.

Back row from left to right: **Andy Coutts**, Vice President, Operations, Skyline Group of Companies; **Maria Duckett**, Vice President, Skyline Commercial Management Inc.; **Mandi Sweiger**, Vice President, Human Resources, Skyline Group of Companies; **Krish Vadivale**, Vice President, Finance, Skyline Group of Companies.

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

2023

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, 2023 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, 2024, 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 material contained in the audited consolidated financial statements for the years ended December 31, 2023 and 2022, 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 $0.0833 per unit, or $1.00 on an annual basis. At December 31, 2023, approximately 46.3% 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, 2023, overall occupancy was 98.6%.

- **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 2023, Skyline Industrial REIT's NOI margin was 67.8%.

- **Same Property Net Operating Income -** This is defined as operating revenues less operating expenses for properties, which were owned for the full years of 2021, 2022, and 2023. 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 2023, Skyline Industrial REIT generated $35.4 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 2023, Skyline Industrial REIT generated $30.8 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 2023, Skyline Industrial REIT's FFO payout ratio was 100.35% and AFFO payout ratio was 115.17%.

- **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 2023, Skyline Industrial REIT's portfolio leverage ratio was 58.97% (against historical cost) and 51.19% (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.

2023 Highlights

- The REIT's Assets under Management increased from $1.52 billion, to $1.67 billion (11.71%) during 2023 from a combination of dispositions, strategic acquisitions and value enhancement to the existing portfolio.

- The REIT's average in-place base rent, increased from $8.01 to $8.36 by year end.

- The weighted average mortgage interest rate was 4.64% on $801.17 million of outstanding mortgages as at December 31, 2023.

Financial Highlights **($ thousands, except where noted)**	**2023**	**2022**
Property revenues	$110,605	$83,409
Operating expenses	(35,670)	(24,604)
Net operating income ("NOI")	**$74,935**	**$58,805**
Net income	**$67,516**	**$32,920**
Funds from operations ("FFO")	**$35,390**	**$33,409**
Adjusted Funds from operations ("AFFO")	**$30,836**	**$27,189**
Normalized distributions declared to REIT and LP unitholders	35,513	31,112
Normalized FFO payout ratio	100.35%	93.12%
Normalized AFFO payout ratio	115.17%	114.43%

Property Portfolio

At December 31, 2023, through active portfolio management; the portfolio consisted of 9,610,563 rentable square feet across 50 commercial properties geographically diversified 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.

Portfolio Average Monthly Base Rent & Occupancy **As at December 31, 2023**	**GLA (sq ft)**	**%**	**Occupancy Rate**	**Base Rent**
Industrial	9,610,563	100.0%	98.6%	$8.36

Acquisitions and Dispositions

Acquisitions Completed During the Year Ended December 31, 2023
($ thousands, except where noted)

Purchase Date	GLA	Region	Type	Acquisition Costs	Mortgage Funding
24-Oct-23	321,008	Quebec	Industrial	$105,649	$62,000
08-Nov-23	148,050	Other Ontario	Industrial	$28,963	$19,200
18-Dec-23	414,392	Western Canada	Industrial	$69,409	$41,000
Total	**883,450**			**$204,021**	**$122,200**

Dispositions Completed During the Year Ended December 31, 2023
($ thousands, except where noted)

Disposition Date	GLA	Region	Type	Sale Price	Cash Proceeds	Mortgages Discharged
09-Feb-23	56,000	Quebec	Industrial	$10,750	$10,750	$-
26-Feb-23	50,869	Other Ontario	Office	$4,080	$4,080	$-
12-Sep-23	116,166	Quebec	Industrial	$22,593	$16,135	$6,458
31-Aug-23	364,951	Western Canada	Industrial	$68,000	$38,641	$29,359
Total	**587,986**			**$105,423**	**$69,606**	**$35,817**

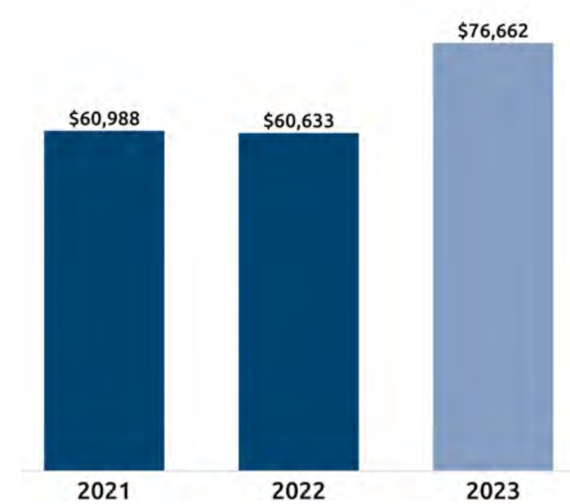
2023 Operating Highlights

Operating Results **($ thousands, except where noted)**	**2023**	**%***	**2022**	**%***
Property revenues				
Minimum rent	$76,662	69.3%	$60,633	72.7%
Cost recoveries	33,943	30.7%	22,776	27.3%
Total property revenues	**$110,605**	**100.0%**	**$83,409**	**100.0%**
Direct property expenses				
Realty taxes	$23,801	21.5%	$14,808	17.8%
Other direct property costs	8,792	7.9%	7,343	8.8%
Utilities	714	0.6%	669	0.8%
Property Management fees	2,363	2.1%	1,784	2.1%
Total direct property expenses	**35,670**	**32.2%**	**24,604**	**29.5%**
Net operating income ("NOI")	**$74,935**	**67.8%**	**$58,805**	**70.5%**

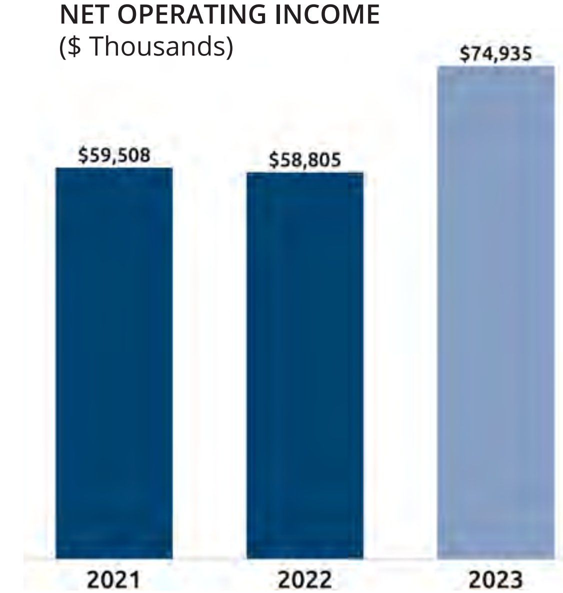
* As a percentage of property revenues

Other operational metrics				
Total occupancy %		98.6%		98.1%
In place base rent (per square foot)		$8.36		$8.01

MINIMUM RENT
($ Thousands)



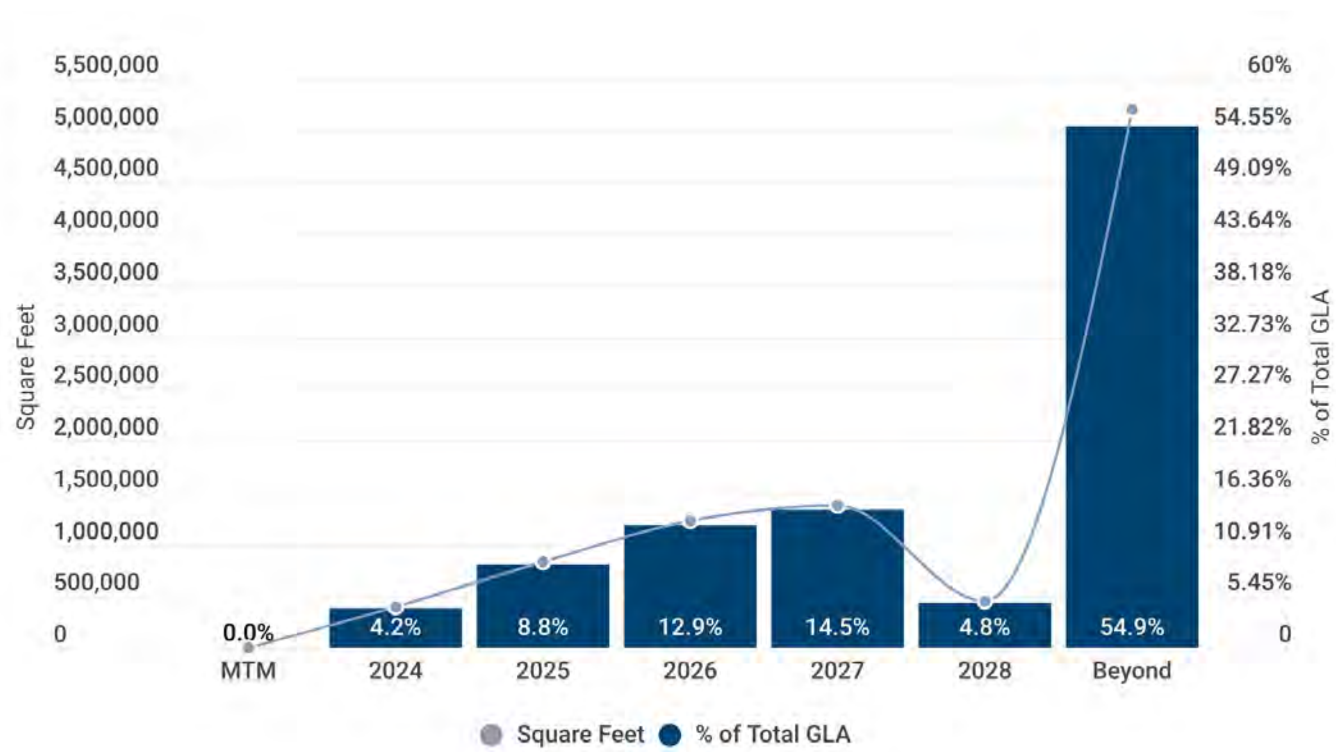
NET OPERATING INCOME
($ Thousands)



Regional Highlights ($ thousands, except where noted)	2023		2022		Increase (Decrease)		
Portfolio	**NOI**	**NOI Margin**	**NOI**	**NOI Margin**	**Revenue Change**	**Expense Change**	**NOI Change**
Other Ontario	**13,994**	**68.9%**	13,076	63.9%	(0.8%)	(10.9%)	7.0%
Quebec	**18,695**	**66.2%**	15,095	74.9%	40.1%	91.1%	23.8%
Western Canada	**42,246**	**68.4%**	30,634	71.7%	44.5%	60.4%	37.9%
Total	**$74,935**	**67.9%**	$58,805	70.5%	32.3%	45.3%	27.4%

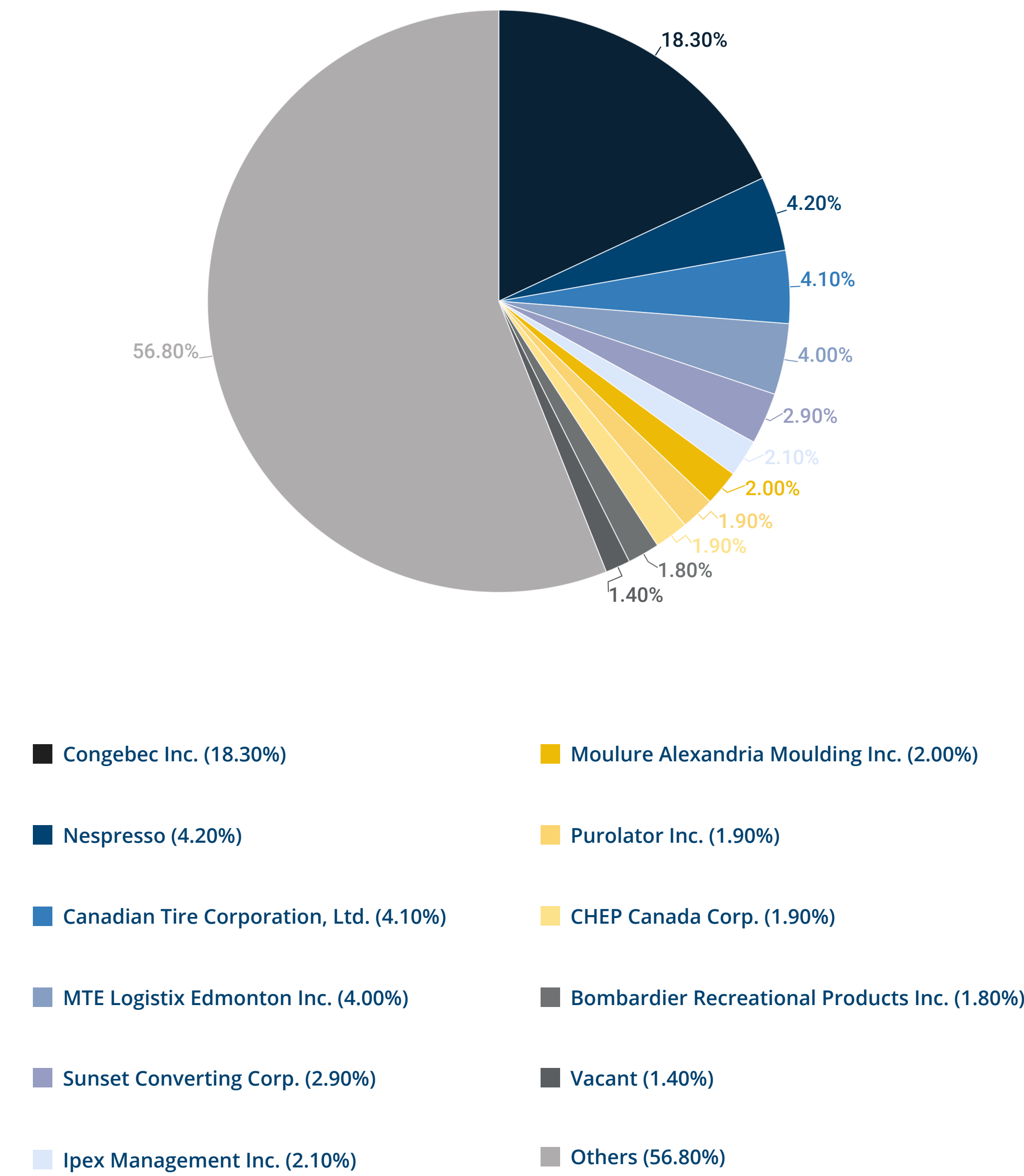
Occupancy and Vacancy Schedule

At the close of 2023, the portfolio had 136,322 square feet of vacant space, of which 73,094 square feet is committed for future occupancy. With respect to future expiries, Management has already renewed or leased 128,978 square feet. The following bar graph shows the percentage of lease expiries over the next 5 years and beyond, 54.9% of maturities are over 5 years. Over the course of 2024, 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, 2023, with 177 tenants, risk exposure to any single tenant was 18.3%. The following chart shows the top ten tenant mix for the Properties on the basis of the percentage of base rent.

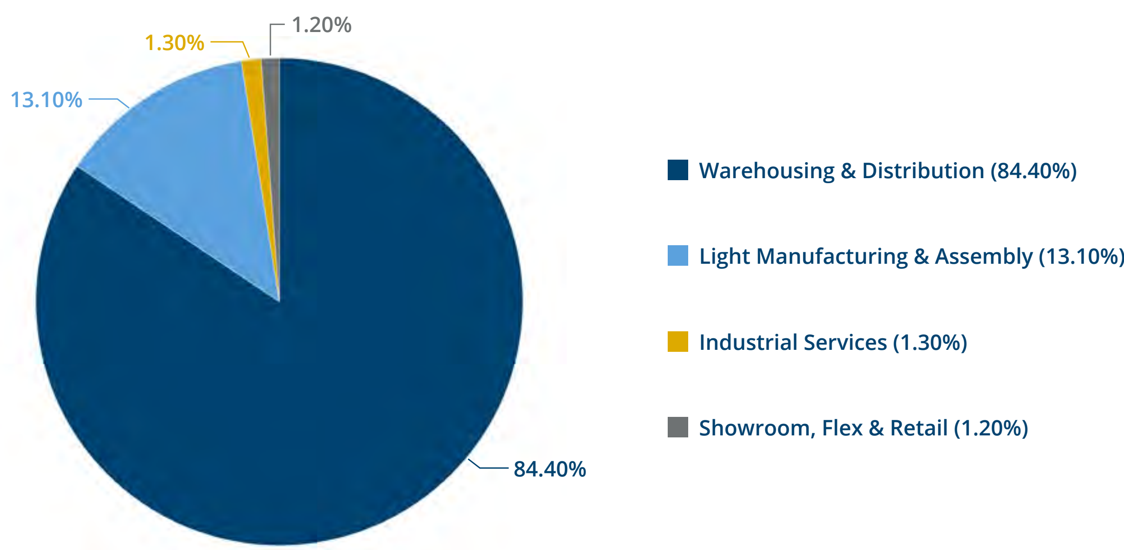


Portfolio Composition

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 84.40% 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)**	**2023**	**2022**
Profit & loss		
Property revenues	**$110,605**	**$83,409**
Operating expenses	**(35,670)**	**(24,604)**
Net operating income ("NOI")	**$74,935**	**$58,805**
Finance costs	(49,375)	(69,492)
REIT & other expenses	(6,348)	(5,130)
Interest income	109	1,017
Fair value loss on partnership units	-	(2,260)
Share of net earnings from investments in joint ventures	36,801	28,616
Fair value gain on disposed properties	15,496	177,149
Fair value (loss) gain on investment poperties	(4,102)	(155,785)
Net income	**$67,516**	**$32,920**
Non-cash add-backs:		
Distributions paid on partnership units	$14,470	$46,797
Fair value loss on partnership units	-	2,260
Share of net earnings from investments in joint ventures	(36,801)	(28,616)
Fair value gain on disposed properties	(15,496)	(177,149)
Fair value (loss) gain on investment poperties	4,102	155,785
Amortization of leasing costs	1,132	777
Amortization of tenant inducements	467	635
Funds from operations ("FFO")	**$35,390**	**$33,409**
AFFO adjustments:		
Deferred maintenance	$(134)	$(51)
Other capital expenditures	(1,888)	(2,781)
Amortization of straight-line rents	(2,532)	(3,388)
Adjusted funds from operations ("AFFO")	**$30,836**	**$27,189**
Total distributions declared	49,476	168,750
Less: General Partner sharing distributions	(13,963)	(46,330)

FFO Payout Ratios continued onto next page.

Total distributions declared to REIT and LP Unitholders	**$35,513**	**$122,420**
Less: special distributions	**$-**	**$(91,308)**
Normalized distributions declared to REIT and LP Unitholders	**$35,513**	**$31,112**
Normalized FFO payout ratio [(1)]	**100.35%**	**93.12%**
Normalized AFFO payout ratio	**115.17%**	**114.43%**

(1) Excludes distributions paid to the General Partner

Distributions to Unitholders and Payout Ratio

During 2023, Skyline Industrial REIT paid monthly distributions to Unitholders of $0.0833 per Unit, or $1.00 per Unit on an annual basis.

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)**	**2023**	**2022**
Total distributions declared	**$35,513**	**$122,420**
Funded by:		
Income	100%	27.9%
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, 2023, 40.0% of the investment properties, by cost base, were valued externally (2022 - 52.9%).

2023 saw the cumulative fair value adjustment on investment properties increase $1.669 billion from $1.516 billion at December 31, 2023.

Fair Value of Investment Properties (under IFRS 13) **($ thousands, except where noted)**	**2023**	**2022**
Balance, beginning of year	**$1,516,075**	**$898,805**
Acquisitions through purchase of assets	106,021	418,220
Acquisitions through purchase of limited partnerships	98,000	147,759
Additions through capital expenditures on existing investment properties	19,917	5,871
Disposals through sale of investment properties	(82,678)	(4,281)
Investment properties held for sale but added back to portfolio	-	36,420
Changes in assets held for sale	-	(10,750)
Amortization of leasing costs and straight-line rent	1,261	2,667
Fair value gain on investment properties and disposed properties	11,394	21,364
Balance, end of year	**$1,669,990**	**$1,516,075**

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

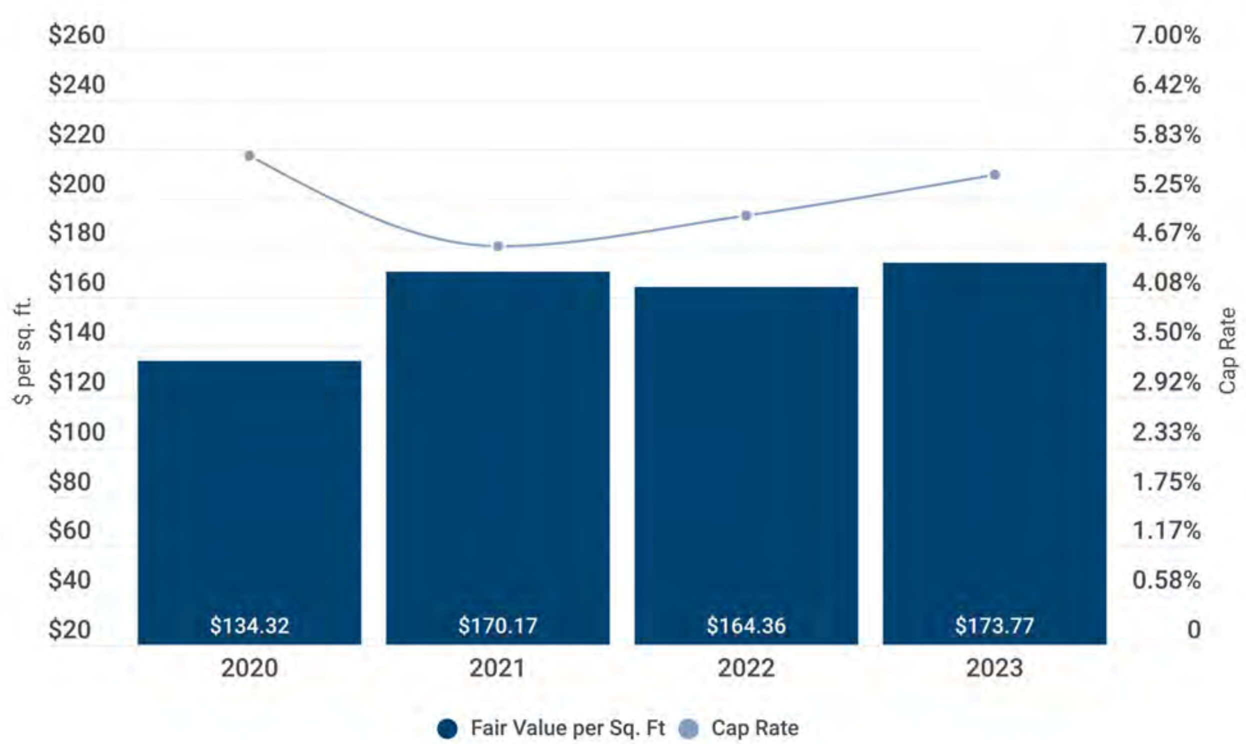
Fair Value of Investment Properties (under IFRS 13) **($ thousands, except where noted)**	**2023**	**2022**
Cost	$1,447,917	1,296,272
Cumulative fair value adjustment	$222,073	$219,803
Fair Value	**$1,669,990**	**$1,516,075**

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)**	**2023**	**2022**	**2021**	**2020**
Fair value of investment properties*	$1,669,990	$1,530,914	$1,313,990	$1,018,029
Total rentable sq.ft. at year end	9,610,563	9,314,597	7,721,570	7,578,975
Fair value per sq.ft	**$173.77**	**$164.36**	**$170.17**	**$134.32**
Increase (decrease) in fair value per sq.ft. (%)	**5.73%**	**(3.42%)**	**26.69%**	**8.74%**
Weighted average capitalization rate	5.53%	5.05%	4.69%	5.75%
Increase (decrease) in cap rate (year-over-year) (%)	9.50%	7.68%	(18.43%)	(5.89%)
Net operating income ("NOI")	$74,935	$58,805	$59,508	$54,797
Increase in NOI (year-over-year) (%)	27.43%	(1.18%)	8.60%	11.67%
NOI (% of revenue)	67.75%	70.50%	67.83%	66.72%

*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 2023, Skyline Industrial REIT acquired 883,450 rentable square feet of Industrial space through the acquisition of three properties for a total investment of $195.3 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 $19.9 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, 2023 is in the following chart:

Mortgage Summary **($ thousands, except where noted)**	**2023**	**2022**
Mortgages payable	$801,166	$715,802
Line of credit	53,771	32,863
Total Debt	**$854,937**	**$748,665**
Class B LP Units	11,302	11,302
Unitholders' Equity	891,613	814,868
Total Capital	**$1,757,852**	**$1,574,835**
Mortgage debt to historical cost	55.33%	55.22%
Mortgage debt to fair value	47.97%	47.21%
Total debt to historical cost	59.05%	57.76%
Total debt to fair value	51.19%	49.38%
Weighted average mortgage interest rate	4.64%	4.22%
Weighted average mortgage term to maturity	2.95 yrs	4.28 yrs

Mortgages Payable ($ thousands, except where noted)	Future minimum principal payments	% of total mortgages
2024	$157,960	19.7%
2025	208,230	26.0%
2026	67,082	8.4%
2027	82,258	10.3%
2028	117,727	14.7%
Thereafter	167,909	21.0%
Total mortgages payable as at December 31, 2023	**$801,166**	**100.0%**

Investment Summary

During 2023, units of Skyline Industrial REIT were issued under the accredited investor exemption and through the Employee Unit Purchase Plan ("**EUPP**") under the employee exemption. During the year, the REIT received net proceeds of $45.1 million through new REIT and LP unit issuances and DRIP enrollment, net of redemptions.

REIT Unitholders - Investment Activity Class A ($ thousands, except where noted)	2023		2022	
	Number of Units	Amount ($)	Number of Units	Amount ($)
Class A units outstanding, beginning of year	**33,977,109**	**$392,380**	**32,742,816**	**$363,507**
Proceeds from REIT units issued	2,152,762	48,437	1,518,564	34,168
Units issued through DRIP	655,999	14,759	672,340	14,018
Units issued through 'Special' DRIP	-	-	4,508,959	91,308
Units issued through EUPP	40,163	905	40,204	820
Unit consolidation	-	-	(4,057,391)	(81,148)
Unit converted to Class F units	(1,044,478)	(14,985)	-	-
Redemptions - REIT units	(1,824,861)	(41,059)	(1,448,383)	(30,293)
Class A units outstanding, end of year	**33,956,694**	**$400,437**	**33,977,109**	**$392,380**
Weighted average REIT units outstanding	**32,776,608**		**32,835,014**	

REIT Unitholders - Investment Activity Class F ($ thousands, except where noted)	2023		2022	
	Number of Units	Amount ($)	Number of Units	Amount ($)
Class F units outstanding, beginning of year	**-**	**$ -**	**-**	**$ -**
Proceeds from REIT units issued	945,784	21,280	-	-
Units issued through DRIP	35,919	808	-	-
Units converted from Class A units	1,044,478	14,985	-	-
Redemptions - REIT units	(1,333)	(29)	-	-
Class F units outstanding, end of year	**2,024,848**	**$37,044**	**-**	**$ -**
Weighted average REIT units outstanding	**1,116,080**		**-**	

LP Unitholders - Investment Activity ($ thousands, except where noted)	2023		2022	
	Number of Units	Amount ($)	Number of Units	Amount ($)
LP units outstanding, beginning of year	**502,326**	**$11,302**	502,326	$9,042
Proceeds from LP units issued	-	-	-	-
Units issued through DRIP	-	-	-	-
Redemptions - LP units	-	-	-	-
Change in fair value	-	-	-	2,260
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	2023
Other Income	0%
Capital Gains	73%
Return of Capital	27%
TOTAL	**100%**

*Every individual Unitholder's tax treatment will be different, depending on if the Unitholder subscribed to or redeemed units during 2023, 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)	2023	2022
General Partner sharing on income	$2,146	$1,435
General Partner sharing on dispositions	11,817	44,895
Total General Partner sharing on distributions	**$13,963**	**$46,330**

Management Services

Related party fees paid are as follows:

Management Fees ($ thousands, except where noted)	2023	2022
Wealth Management Fees	$3,476	$2,791
Asset Management Fees	3,557	2,787
Underwriting Management Fees	493	1,814
Property Management Fees	2,363	1,784
Leasing Service Fees	1,568	965
Development Service Fees	23	673
Lease Documentation Fees	42	49
Legal Service Management Fees	1,597	500
CAPEX Management Fees	84	151
Solar Asset Management Fees	2	-
Total Management Fees	**$13,205**	**$11,514**

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, 2023, Skyline Industrial REIT paid to the Asset Manager $2,131 in asset management fees (2022 – $1,586).

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, 2023, Skyline Industrial REIT paid to the Asset Manager $1,568 in leasing services fees (2022 – $965).

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, 2023, Skyline Industrial REIT paid to the Asset Manager $1,426 in development management fees (2022 – $1,201).

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 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. For the year ended December 31, 2023, Skyline Industrial REIT paid to the Property Manager $2,363 in property management fees (2022 – $1,784).

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, 2023, Skyline Industrial REIT paid to the Property Manager $42 in lease documentation fees (2022 $49).

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, 2023, Skyline Industrial REIT paid to the Exempt Market Dealer $2,673 in wealth management fees (2022 – $2,362), and $803 in equity raise fees (2022 $429).

Services of the Mortgage Underwriting Manager

Skyline Industrial REIT has an arrangement with Skyline Mortgage Financing 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 Manager $5,000 (not in thousands of Canadian dollars) for each mortgage assumed on acquisition, and effective November 2023, 35 bps (2022 50 bps) on mortgage principal for all other mortgages. For the year ended December 31, 2023, Skyline Industrial REIT paid to the Underwriting Manager $493 in mortgage underwriting fees (2022 $1,814).

Legal Services Manager

Skyline Industrial REIT had an arrangement with Skyline Asset Management Inc., wherein Skyline Asset Management Inc provided advice to Skyline Industrial REIT on the use of external legal counsel, and managed external legal counsel on behalf of Skyline Industrial REIT (the “Legal Services Arrangement”), the costs for which are approved annually by CRELP' 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 $1,597 in legal and administrative fees for the period from January 1, 2023 to December 31, 2023, and 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.

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, 2023, Skyline Industrial REIT paid to the Solar Asset Manager $2 in solar asset management fees (2022 – $nil).

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, 2023, Skyline Industrial REIT paid to the CAPEX Provider $84 in CAPEX management fees (2022 – $151).

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, 2023, Skyline Industrial REIT paid to the Development Manager $23 in development service fees (2022 – $673).

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, with the consequences described under Item 6 "Income Tax Consequences and RRSP Eligibility – Taxation of Skyline Industrial REIT".

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, 2023 Skyline Industrial REIT had the following acquisitions:

On January 16, 2024, Skyline Industrial REIT acquired an investment property from RF Limited Partnership I with an aggregate cost of $72,400. Skyline Industrial REIT will be assuming a mortgage of $42,000 on this acquisition.

On February 20, 2024, Skyline Industrial REIT acquired an investment property from RF Limited Partnership I with an aggregate cost of $28,000. Skyline Industrial REIT will be assuming a mortgage of $18,000 on this acquisition.

In addition, on January 2, 2024, Skyline Industrial REIT announced a special distribution of $0.20 per unit on all units outstanding as at January 2, 2024, to be paid on March 31, 2024. The estimated total distribution will be $7,274.

Subsequent to year end, the following investment activity occurred:

REIT Unitholders - 2024 Investment Activity Class A **($ thousands, except where noted)**	**Number of Units**	**Amount ($)**
Class A units outstanding, January 1, 2024	**33,956,694**	**$400,437**
Proceeds from REIT units issued	461,775	10,390
Units issued through DRIP	222,764	5,012
Units issued through ' Special' DRIP	238,828	5,374
Units issued through EUPP	18,062	406
Units converted to Class F units	(67,960)	(1,250)
Redemptions - REIT units	(696,191)	(15,664)
Class A units outstanding, April 30, 2024	**34,133,972**	**$404,705**
Weighted average REIT units outstanding	**32,564,755**	

REIT Unitholders - 2024 Investment Activity Class F **($ thousands, except where noted)**	**Number of Units**	**Amount ($)**
Class F units outstanding, January 1, 2024	**2,024,848**	**$37,044**
Proceeds from REIT units issued	127,538	2,870
Units issued through DRIP	27,113	610
Units issued through ' Special' DRIP	18,256	411
Units converted from Class A units	67,960	1,250
Redemptions - REIT units	(20,708)	(466)
Class F units outstanding, April 30, 2024	**2,245,007**	**$41,719**
Weighted average REIT units outstanding	**2,068,241**	

LP Unitholders - 2024 Investment Activity **($ thousands, except where noted)**	**Number of Units**	**Amount ($)**
LP units outstanding, January 1, 2024	**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, 2024	**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, 2023

SKYLINE INDUSTRIAL REAL ESTATE INVESTMENT TRUST

INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

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, 2023 and December 31, 2022 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 material 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, 2023 and December 31, 2022 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.

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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 20, 2024

Chartered Professional Accountants
Licensed Public Accountants

SKYLINE INDUSTRIAL REAL ESTATE INVESTMENT TRUST

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2023

(in thousands of Canadian dollars)

	2023	2022
A S S E T S		
Investment properties (note 6)	$ 1,669,990	$ 1,516,075
Investment in joint ventures (note 8)	113,944	91,994
Assets held for sale (note 7)	0	14,839
Other assets (note 9)	8,243	3,030
Accounts receivable (note 15)	1,210	1,707
Cash	4,247	2,259
	$ 1,797,634	$ 1,629,904
L I A B I L I T I E S A N D U N I T H O L D E R S' E Q U I T Y		
Mortgages payable (notes 10, 15)	$ 801,166	$ 715,802
Land lease (note 11)	20,060	20,115
Liabilities related to assets held for sale (note 7)	0	645
Limited partnership units (notes 15, 19)	11,302	11,302
Due to related party (note 12)	64	18,537
Tenant deposits	10,226	9,451
Accounts payable and accrued liabilities (note 15)	9,432	6,321
Revolving credit facility (note 15)	53,771	32,863
	906,021	815,036
Unitholders' equity (page 6)	891,613	814,868
	$ 1,797,634	$ 1,629,904

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, 2023

(in thousands of Canadian dollars)

	2023	2022
OPENING BALANCE	$ 814,868	$ 794,329
Proceeds from units issued (note 18)	69,717	34,168
Units issued by way of distribution (note 18)	16,472	106,146
Issuance costs	(866)	(449)
Redemptions (note 18)	(41,088)	(30,293)
Income and comprehensive income for the year	67,516	32,920
Distributions paid	(35,006)	(121,953)
CLOSING BALANCE	$ 891,613	$ 814,868

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, 2023

(in thousands of Canadian dollars)

	2023	2022
PROPERTY REVENUES		
Minimum rent	$ 76,662	$ 60,633
Cost recoveries from tenants	33,943	22,776
	110,605	83,409
DIRECT PROPERTY EXPENSES		
Property taxes	23,801	14,808
Other direct property costs	8,792	7,343
Utilities	714	669
Property management fees (note 12)	2,363	1,784
	35,670	24,604
NET PROPERTY INCOME	74,935	58,805
OTHER INCOME AND EXPENSES		
Financing costs (note 13)		
Interest paid on debt	34,905	22,695
Distributions paid on partnership units	14,470	46,797
Administrative expenses	1,502	1,133
Asset management fees (note 12)	2,131	1,586
Wealth management fees (note 12)	2,673	2,362
Lease documentation fees (note 12)	42	49
Interest income	(109)	(1,017)
	55,614	73,605
EARNINGS (LOSS) FROM OPERATIONS	19,321	(14,800)
Fair value loss on limited partnership units	0	(2,260)
Share of net earnings from investments in joint ventures (note 8)	36,801	28,616
Fair value gain on disposed properties	15,496	177,149
Fair value loss on investment properties	(4,102)	(155,785)
	48,195	47,720
INCOME AND COMPREHENSIVE INCOME for the year	$ 67,516	$ 32,920

See notes to the consolidated financial statements

SKYLINE INDUSTRIAL REAL ESTATE INVESTMENT TRUST

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2023

(in thousands of Canadian dollars)

	2023	2022
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Income and comprehensive income for the year	$ 67,516	$ 32,920
Items not requiring an outlay of cash		
Amortization of leasing costs and straight-line rent (note 6)	(1,261)	(2,667)
Amortization of financing costs (notes 10, 13)	950	923
Financing costs included in operations (note 13)	48,364	68,465
Fair value loss on limited partnership units	0	2,260
Share of net earnings from investments in joint ventures	(36,801)	(28,616)
Fair value gain on disposed properties	(15,496)	(177,149)
Fair value loss on investment properties	4,102	155,785
	67,374	51,921
Changes in non-cash working capital		
Accounts receivable	499	(33)
Other assets	(5,206)	(1,404)
Accounts payable and accrued liabilities	2,965	(42)
Tenant deposits	560	350
	66,192	50,792
CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES		
Mortgages payable (net repayments and advances) (note 10)	121,287	301,122
Mortgages discharged due to sale of investment properties (note 10)	(36,873)	(89,905)
Interest on mortgages payable (notes 10, 11, 13)	(32,582)	(20,580)
Lease payments made on land lease (note 11)	(339)	(114)
Revolving credit facility advances (repayments) (note 15)	20,908	21,905
Interest on revolving credit facility (notes 13, 15)	(1,312)	(1,087)
Distribution paid on partnership units (notes 12, 13, 19)	(14,470)	(46,797)
Proceeds from units issued	69,717	34,168
Distributions paid (net of distribution reinvestment plan)	(18,534)	(15,807)
Redemptions of units (page 6)	(41,088)	(30,293)
Issuance costs (page 6)	(866)	(449)
	65,848	152,163
CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES		
Additions to investment properties (notes 6, 8)	(125,557)	(457,867)
Investments in joint ventures (note 8)	(83,530)	(141,612)
Advances (to) from related parties (note 12)	(18,473)	12,658
Proceeds on disposition of investment properties (note 6)	82,678	4,281
Proceeds on disposition of investment properties held for sale (notes 6, 7)	14,830	374,685
	(130,052)	(207,855)
INCREASE (DECREASE) IN CASH for the year	1,988	(4,900)
CASH, beginning of year	2,259	7,159
CASH, end of year	$ 4,247	$ 2,259

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 Commercial Real Estate Limited Partnership ("CRELP") 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, 2023, CRELP owned fifty-five (2022 - sixty-six) 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, 2023 (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, 2023 (including comparatives) were approved for issue by the Board of Trustees on March 20, 2024.

(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 MATERIAL ACCOUNTING POLICIES

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

Accounting standards implemented in 2023

On January 1, 2023, Skyline Industrial REIT adopted the following amendment to IAS 1 - Presentation of financial statements. The amended standard updated the definition of accounting policy information. There is no material impact from the adoption of this amendment.

On January 1, 2023, Skyline Industrial REIT adopted the following amendment to IAS 8 - Accounting policies, changes in accounting estimates and errors. The amended standard clarified the difference between an accounting estimate and an accounting policy. There is no material impact from the adoption of this amendment.

Material 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.

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").

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

(a) INVESTMENT PROPERTIES (continued)

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 an investment property does not reflect future capital expenditures that will improve or enhance the property and does not reflect the related future benefits from the future expenditures 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 MATERIAL 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 MATERIAL 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. The performance obligations on the investment properties are satisfied over time as services are provided to tenants over the period that they occupy the premises. 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.

(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
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 MATERIAL 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, 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 MATERIAL 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 MATERIAL 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 MATERIAL 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, 2024. The amended standard will update the definition of a liability and the classification of liabilities between current and non-current.

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 7 - In May 2023, the IASB issued an amendment to IAS 7 - Statement of Cash Flows which will be effective for years beginning on or after January 1, 2024. The amended standard requires the entity to disclose information about its supplier finance arrangements that enables users of the financial statements to assess the effects of those arrangements on the entity's liabilities and cash flows and on the entity's exposure to liquidity risk. IFRS 7 - Financial Instruments: Disclosures has also been amended for the entity to include disclosures on concentrations of risk in relation to the amended IAS 7 - Statement of Cash Flows.

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, CRELP.

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:

	2023	2022
Balance at beginning of the years	$ 1,516,075	$ 898,805
Acquisitions through purchase of investment properties	106,021	418,220
Acquisitions through purchase of limited partnerships	98,000	147,759
Acquisitions through capital expenditure on existing investment properties	19,917	5,871
Disposals through sale of investment properties	(82,678)	(4,281)
Investment properties held for sale but added back to portfolio	0	36,420
Change in assets held for sale (note 7)	0	(10,750)
Amortization of leasing costs and straight-line rents	1,261	2,667
Fair value gain on investment properties and disposed properties	11,394	21,364
Balance at end of the years	$ 1,669,990	$ 1,516,075

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

	2023	2022
Cost	$ 1,447,917	$ 1,296,272
Cumulative fair value adjustment	222,073	219,803
Fair value	$ 1,669,990	$ 1,516,075

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

6. INVESTMENT PROPERTIES (continued)

Asset acquisitions:

During the year ended December 31, 2023, Skyline Industrial REIT acquired three investment properties (2022 - eleven). 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:

	2023	2022
Acquisition cost of investment properties	$ 204,021	$ 565,979
Mortgages	(65,365)	(299,569)
Acquisition of RF Mascouche Limited Partnership I	(98,381)	0
Acquisition of RF Industrial East Limited Partnership	0	(48,642)
Acquisition of RF West Island Limited Partnership	0	(65,341)
Total identifiable net assets settled by cash	$ 40,275	$ 152,427

Acquisition of RF Mascouche Limited Partnership I:

On October 24, 2023, Skyline Industrial REIT entered into an agreement with its joint venture partner to buy the remaining 20.5% interest held in RF Mascouche Limited Partnership I ("RFMLP I") by its joint venture partner. Skyline Industrial REIT purchased 20.5% of the units of RFMLP I for total consideration of $871.

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 RFMLP I property and no substantive processes were acquired, the transaction has been recognized 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 $1,252.

Purchase price allocation:

Recognized amounts of identifiable assets acquired and liabilities assumed

Investment property	$ 98,000
Total liabilities assumed	0
Net asset acquired	$ 98,000

Consideration transferred for the acquisition consists of the following:

Cash transferred for equity interest	$ 871
Equity method investment derecognized	98,381
Loss on remeasurement of RFWILP and RFIELP	(1,252)
Total	$ 98,000

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

6. INVESTMENT PROPERTIES (continued)

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 recognized 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

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:

	2023	2022
Less than one year	$ 81,157	$ 74,792
Between one and three years	152,184	136,045
More than three years	485,153	423,517
	$ 718,494	$ 634,354

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

6. INVESTMENT PROPERTIES (continued)

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, 2023, 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, 2023 and December 31, 2022.

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 5.53% (2022 - 5.05%). Overall, the capitalization rates for commercial properties fall between:

	2023	**2022**
Minimum	3.85%	3.46%
Maximum	7.36%	13.90%

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

In 2023, Skyline Industrial REIT valued $1,002,090 of its investment properties internally (2022 - $721,496). 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 $472,650 (2022 - $256,200). In 2023, 60.0% (2022 - 47.1%) of the cost base of investment properties were valued internally and 40.0% (2022 - 52.9%) were valued externally. The acquisitions during 2023 were valued at $195,250 (2022 - $553,209). Actual results may differ from these estimates and may be subject to material adjustment within the next year.

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, 2023:

As of December 31, 2023

Capitalization Rate Sensitivity Increase (Decrease)	Overall Capitalization Rate	Fair Value of Investment Properties	Fair Value Variance	% Change
(1.00)%	4.53%	$ 2,038,641	$ 368,651	22.08%
December 31, 2023	5.53%	$ 1,669,990	$ 0	0.00%
1.00%	6.53%	$ 1,414,249	$ (255,741)	(15.31)%

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

7. ASSETS HELD FOR SALE

As at December 31, 2023, there were no properties held for sale (December 31, 2022 - two properties held for sale). The assets and liabilities associated with investment properties held for sale are as follows:

	2023	2022
ASSETS		
Investment properties	$ 0	$ 14,830
Other assets	0	7
Accounts receivable	0	2
	0	14,839
LIABILITIES		
Mortgages payable	0	0
Tenant deposits	0	215
Land lease	0	284
Accounts payable and accrued liabilities	0	146
	0	645
NET ASSETS HELD FOR SALE	$ 0	$ 14,194

8. INVESTMENT IN JOINT VENTURES

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.

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

8. INVESTMENT IN JOINT VENTURES (continued)

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 October 24, 2023, Skyline Industrial REIT acquired the remaining 20.5% interest of RFMLP I. 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 August 15, 2022, Skyline Industrial REIT acquired units in RF Limited Partnership II ("RF LP II").Skyline Industrial REIT holds a 47% ownership in RF LP II and shares joint control with a third party who owns the remaining 53% of RF LP II. Skyline Industrial REIT 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, Skyline Industrial REIT entered into a limited partnership agreement with HPB Bayers GP Inc. ("HPB LP"), 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, Skyline Industrial REIT owns 85% of HPB LP and shares joint control with third parties who own the remaining 15% of HPB LP. Skyline Industrial REIT 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.

The components of investment in joint ventures is as follows:

	2023	2022
RF LP I	$ 59,175	$ 34,891
RFMLP I	0	32,369
RF LP II	37,477	17,438
HPB LP	17,292	7,296
Balance at end of the year	$ 113,944	$ 91,994

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

8. INVESTMENT IN JOINT VENTURES (continued)

As at December 31, 2023:

	RF LP I	RFMLP I	RF LP II	HPB LP	Total
Balance at the beginning of the year	$ 34,891	$ 32,369	$ 17,438	$ 7,296	$ 91,994
Contributions	19,812	56,713	20,039	9,996	106,560
Distributions	(23,030)	0	0	0	(23,030)
Share of net earnings	27,502	9,299	0	0	36,801
Acquisition of control	0	(98,381)	0	0	(98,381)
Balance at end of the year	$ 59,175	$ 0	$ 37,477	$ 17,292	$ 113,944

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

(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, 2023:

	RF LP I	RFMLP I	RF LP II	HPB LP	Total
Real estate property under development	$ 82,699	$ 0	$ 34,342	$ 36,230	$ 153,271
Loan receivable	4,770	0	3,087	0	7,857
Current assets	551	0	53	933	1,537
Total assets	88,020	0	37,482	37,163	162,665
Non-current liabilities	28,332	0	0	0	28,332
Current liabilities	513	0	5	19,871	20,389
Net equity	$ 59,175	$ 0	$ 37,477	$ 17,292	$ 113,944

For the year ended December 31, 2023:

	RF LP I	RFMLP I	RF LP II	HPB LP	Total
Rental revenue	$ 0	$ 0	$ 0	$ 0	$ 0
Operating expenses	(238)	0	0	0	(238)
Net operating income (expense)	(238)	0	0	0	(238)
Other income	195	0	0	0	195
Gain on sale	27,545	0	0	0	27,545
Fair value gain	0	9,299	0	0	9,299
Net income	$ 27,502	$ 9,299	$ 0	$ 0	$ 36,801

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

8. INVESTMENT IN JOINT VENTURES (continued)

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	0	24,569
Current liabilities	0	0	5	11,719	3	8,404	20,131
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

9. OTHER ASSETS

The components of other assets are as follows:

	2023	**2022**
Funds held in trust	$ 5,037	$ 1,470
Prepaid expenses	2,596	558
Tenant loan receivable	610	740
Deposits on investment properties	0	269
Other assets held for sale	0	(7)
	$ 8,243	$ 3,030

The tenant loan is receivable in blended monthly instalments of $15 (2022 - $15) with interest charged at 7.5% (2022 - 7.5%). The loan is due in 2027. The portion receivable within one year is $139 (2022 - $129). See note 15 for financial risk management.

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

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 4.39% (2022 - 4.22%) per annum are $736,788 (2022 - $715,802). Mortgages bearing variable interest rates with an average variable rate of 7.70% (2022 - 0.00%) per annum are $64,378 (2022 - $nil). Included in mortgages payable are mortgages under interest rate swap agreements of $123,925 (2022 - $125,745) with a weighted average fixed interest rate of 5.23% (2022 - 5.23%) per annum. Also included in mortgages payable is a second mortgage of $1,825 (2022 - $1,886) which bears a fixed interest rate of 2.45% (2022 - 2.45%). Mortgages have maturity dates ranging between 2024 and 2029. All mortgages are denominated in Canadian dollars.

Future minimum principal payments on mortgage obligations are as follows:

2024	$ 157,960
2025	208,230
2026	67,082
2027	82,258
2028	117,727
Thereafter	167,909
	$ 801,166

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

	2023	2022
Mortgages payable, beginning of year	$ 715,802	$ 405,633
Proceeds from new mortgages	154,678	395,094
Repayment of existing mortgages	(70,250)	(181,925)
Transaction costs related to mortgages	(14)	(1,952)
Total changes from financing cash flows	84,414	211,217
Change in mortgages payable on assets held for sale	0	98,029
Amortization of financing costs	950	923
Financing costs included in operations	31,059	19,034
Interest paid	(31,059)	(19,034)
Total liability-related changes	950	98,952
Mortgages payable, end of year	$ 801,166	$ 715,802

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

11. LAND LEASE

Skyline Industrial REIT has entered into two (2022 - three) land leases. The land leases are payable in monthly instalments of $131 (2022 - $138) and mature in 2029. The portion payable within one year is $59 (2022 - $124).

The following table details the undiscounted cash flows and contractual maturities of Skyline Industrial REIT's land lease as at December 31, 2023:

2024	$	1,574
2025		1,574
2026		1,617
2027		1,652
2028		1,652
Thereafter		42,366
	$	50,435

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

	2023	2022
Land lease, beginning of year	$ 20,115	$ 20,222
Land lease payments	(339)	(114)
Total changes from financing cash flows	(339)	(114)
Change in land lease on assets held for sale	284	7
Financing costs included in operations	1,523	1,546
Interest paid	(1,523)	(1,546)
Total liability-related changes	284	7
Land lease, end of year	$ 20,060	$ 20,115

12. RELATED PARTY TRANSACTIONS

The following entities transact with Skyline Industrial REIT, and are 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.

12. RELATED PARTY TRANSACTIONS (continued)

Distributions to partners

Skyline Commercial Real Estate GP Inc. is the general partner of CRELP 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, 2023, a distribution would be payable if the investment properties were sold. At December 31, 2023, there were distributions payable to Skyline Commercial Real Estate GP Inc. in the amount of $64 (2022 - $5,637) which is included in due to related party.

	2023	2022
Distributions paid to general partner on sale of investment properties	$ 11,817	$ 44,895
Distributions paid to general partner from distributable income	2,146	1,435
	$ 13,963	$ 46,330

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, 2023, Skyline Industrial REIT paid to the Asset Manager $2,131 in asset management fees (2022 – $1,586).

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, 2023, Skyline Industrial REIT paid to the Asset Manager $1,568 in leasing services fees (2022 – $965).

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, 2023, Skyline Industrial REIT paid to the Asset Manager $1,426 in development management fees (2022 – $1,201).

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 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. For the year ended December 31, 2023, Skyline Industrial REIT paid to the Property Manager $2,363 in property management fees (2022 – $1,784).

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, 2023, Skyline Industrial REIT paid to the Property Manager $42 in lease documentation fees (2022 - $49).

12. 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, 2023, Skyline Industrial REIT paid to the Exempt Market Dealer $2,673 in wealth management fees (2022 – $2,362), and $803 in equity raise fees (2022 - $429).

Services of the Mortgage Underwriting Manager

Skyline Industrial REIT has an arrangement with Skyline Mortgage Financing 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 Manager $5,000 (not in thousands of Canadian dollars) for each mortgage assumed on acquisition, and effective November 2023, 35 bps (2022 - 50 bps) on mortgage principal for all other mortgages. For the year ended December 31, 2023, Skyline Industrial REIT paid to the Underwriting Manager $493 in mortgage underwriting fees (2022 - $1,814).

Legal Services Manager

Skyline Industrial REIT had an arrangement with Skyline Asset Management Inc., wherein Skyline Asset Management Inc provided advice to Skyline Industrial REIT on the use of external legal counsel, and managed external legal counsel on behalf of Skyline Industrial REIT (the "Legal Services Arrangement"), the costs for which are approved annually by CRELP'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 $1,597 in legal and administrative fees for the period from January 1, 2023 to December 31, 2023, and 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.

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, 2023, Skyline Industrial REIT paid to the Solar Asset Manager $2 in solar asset management fees (2022 – $nil).

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, 2023, Skyline Industrial REIT paid to the CAPEX Provider $84 in CAPEX management fees (2022 – $151).

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

12. 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, 2023, Skyline Industrial REIT paid to the Development Manager $23 in development service fees (2022 – $673).

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:

	2023	2022
Skyline Transfer Funds Inc.	$ 0	$ 12,900
Skyline Commercial Real Estate GP Inc.	64	5,637
	$ 64	$ 18,537

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.

13. FINANCING COSTS

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

	2023	2022
Mortgage interest	$ 31,059	$ 19,034
Deferred financing costs	950	923
Bank charges	61	104
Interest expense on lease liability	1,523	1,547
Interest expense on revolving credit facility	1,312	1,087
Distribution interest paid on Class B Limited Partnership Units	507	467
Distribution interest paid to general partner	2,146	1,435
Distribution interest paid to general partner on sale of investment properties	11,817	44,895
	$ 49,375	$ 69,492

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

14. 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, 2023**			**December 31, 2022**		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Assets						
Investment properties	$ 0	$ 0	$1,669,990	$ 0	$ 0	$1,516,075
Assets held for sale	0	0	0	0	0	14,839
	$ 0	$ 0	$1,669,990	$ 0	$ 0	$1,530,914
Liabilities						
Mortgages payable	$ 0	$ 782,577	$ 0	$ 0	$ 683,325	$ 0
Limited partnership units	0	0	11,302	0	0	11,302
	$ 0	$ 782,577	$ 11,302	$ 0	$ 683,325	$ 11,302

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, 2023 and December 31, 2022 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.

15. 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)

15. 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, 2023

	Carrying Amount	Income -1%	Partners' Capital -1%	Income +1%	Partners' Capital +1%
Revolving credit facility	$ 53,771	$ 538	$ 538	$ (538)	$ (538)
Mortgages payable, maturing within one year	143,112	1,431	1,431	(1,431)	(1,431)
	$ 196,883	$ 1,969	$ 1,969	$ (1,969)	$ (1,969)

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)

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)

15. 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:

	2023	2022
Allowance for doubtful accounts beginning of year	$ 5	$ 9
Reversal of provision for impairment	0	(4)
Allowance for doubtful accounts end of year	$ 5	$ 5

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 $4,100 (2022 - $3,500) interest charged at prime + 1.75%, of which $nil is utilized at December 31, 2023 (2022 - $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 $75,000 (2022 - $60,000) 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, 2023, the total drawn on the operating line of credit was $53,771 (2022 - $32,863). 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)

15. 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:

	2023	**2022**
Revolving credit facility, beginning of year	$ 32,863	$ 10,958
Net proceeds (repayment) from revolving credit facility	20,908	21,905
Financing costs included in operations	1,312	1,087
Interest paid	(1,312)	(1,087)
Total liability-related changes	0	0
Revolving credit facility, end of year	$ 53,771	$ 32,863

Under the financing agreements, Skyline Industrial REIT is required to maintain a debt service ratio of 1.25 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, total debt to unitholders' equity of no greater than 2:1, 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 100% and a total debt to gross book value ratio not exceeding 65%. At December 31, 2023, Skyline Industrial REIT was in compliance with the financing agreements.

Skyline Industrial RIT's long term debt consists of mortgages payable bearing interest rates ranging from 2.28% to 7.70% per annum (2022 - 2.28% to 5.34%), payable in monthly instalments of principal and interest of approximately $6,162 (2022 - $4,805), maturing from 2024 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, 2023	On demand	Less than one year	One to five years	More than five years	**Total**
Mortgages payable	$ 0	$ 143,112	$ 463,067	$ 194,987	$ 801,166
Class B Limited Partnership units	11,302	0	0	0	11,302
Due to related party	0	64	0	0	64
Accounts payable and accrued liabilities	0	9,432	0	0	9,432
Revolving credit facility	53,771	0	0	0	53,771
	$ 65,073	$ 152,608	$ 463,067	$ 194,987	$ 875,735

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

15. FINANCIAL RISK MANAGEMENT (continued)

iii) Liquidity risk (continued)

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

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 18.3% (2022 - 15.6%) of Skyline Industrial REIT's property revenue.

16. 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, 2023, the loan to value ratio was 48% (2022 - 47%), which is within Skyline Industrial REIT’s stated policy of 70% or lower. Subsequent to December 31, 2023, 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.

17. 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)

18. UNITHOLDERS' EQUITY

Skyline Industrial REIT is authorized to issue an unlimited number of Class A, Class F, and Class I REIT units. All three classes of REIT units are entitled to distributions as and when declared by the Board of Trustees.

As at December 31, 2023 the price for newly issued units and units to be redeemed was $22.50 (2022 - $22.50). The units issued and outstanding are as follows:

Class A Units	**2023 Units**	**2022 Units**
Units outstanding, beginning of year	33,977,109	32,742,816
Units issued	2,152,762	1,518,564
Units issued (by way of distribution)	696,162	5,221,503
Unit consolidation	0	(4,057,391)
Units converted to Class F units	(1,044,478)	0
Redemptions during the year	(1,824,861)	(1,448,383)
Units outstanding, end of year	33,956,694	33,977,109

Class F Units	**2023 Units**	**2022 Units**
Units outstanding, beginning of year	0	0
Units issued	945,784	0
Units issued (by way of distribution)	35,919	0
Units converted from Class A units	1,044,478	0
Redemptions during the year	(1,333)	0
Units outstanding, end of year	2,024,848	0

19. LIMITED PARTNERSHIP UNITS

The non-voting Class B limited partnership units are units issued by CRELP 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, 2023, there were 502,326 (2022 - 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, 2023 (2022 - $11,302).

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

19. LIMITED PARTNERSHIP UNITS (continued)

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

	2023	2022
Limited partnership units, beginning of year	$ 11,302	$ 9,042
Proceeds from issue of limited partnership units	0	0
Financing costs included in operations	507	467
Distribution interest paid	(507)	(467)
Total liability-related changes	0	0
Changes in fair value	0	2,260
Limited partnership units, end of year	$ 11,302	$ 11,302

20. SUBSEQUENT EVENTS

Subsequent to December 31, 2023 Skyline Industrial REIT had the following acquisitions:

On January 16, 2024, Skyline Industrial REIT acquired an investment property from RF Limited Partnership I with an aggregate cost of $72,400. Skyline Industrial REIT will be assuming a mortgage of $42,000 on this acquisition.

On February 20, 2024, Skyline Industrial REIT acquired an investment property from RF Limited Partnership I with an aggregate cost of $28,000. Skyline Industrial REIT will be assuming a mortgage of $18,000 on this acquisition.

In addition, on January 2, 2024, Skyline Industrial REIT announced a special distribution of $0.20 per unit on all units outstanding as at January 2, 2024, to be paid on March 31, 2024. The estimated total distribution will be $7,274.

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