

Financial Statements of

PURE INDUSTRIAL REAL ESTATE TRUST

Period from June 24, 2007 to December 31, 2007



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AUDITORS' REPORT TO THE UNITHOLDERS

We have audited the balance sheet of Pure Industrial Real Estate Trust as at December 31, 2007 and the statements of earnings and comprehensive income, unitholders' equity and cash flows for the period from June 24, 2007 to December 31, 2007. These financial statements are the responsibility of the Trust's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Trust as at December 31, 2007 and the results of its operations and its cash flows for the period then ended in accordance with Canadian generally accepted accounting principles.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a long, horizontal, slightly wavy line that underlines the text.

Chartered Accountants

Vancouver, Canada

February 11, 2008

PURE INDUSTRIAL REAL ESTATE TRUST

Balance Sheet

December 31, 2007

Assets

| | |
|---|---------------|
| Income producing properties (notes 3 and 4) | \$ 66,898,934 |
| Intangible assets (note 5) | 2,664,756 |
| Mortgage reserve fund (note 6) | 783,622 |
| Prepaid expenses | 36,974 |
| Amounts receivable | 184,727 |
| Cash held in trust (note 7) | 29,544 |
| Cash | 1,479,380 |
| | <hr/> |
| | \$ 72,077,937 |

Liabilities and Unitholders' Equity

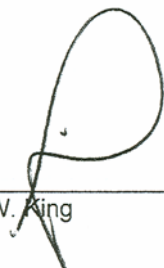
| | |
|--|---------------|
| Mortgages payable (note 8) | \$ 43,546,918 |
| Accounts payable and accrued liabilities | 1,780,127 |
| Rental deposits | 194,985 |
| Notes payable (note 9) | 23,750 |
| | <hr/> |
| | 45,545,780 |
| Unitholders' Equity (note 10) | 26,532,157 |
| Subsequent event (note 16) | |
| | <hr/> |
| | \$ 72,077,937 |

See accompanying notes to financial statements.

Approved on behalf of the Trustees



Douglas R. Scott Trustee



Robert W. King Trustee

PURE INDUSTRIAL REAL ESTATE TRUST

Statement of Earnings and Comprehensive Income

Period from June 24, 2007 to December 31, 2007

| | | |
|---------------------------------------|--|--------------|
| Revenue: | | |
| Rental and recoveries | | \$ 1,615,663 |
| Interest and other | | 38,551 |
| | | <hr/> |
| | | 1,654,214 |
| Recoverable operating expenses: | | |
| Property recoverable operating costs | | 258 |
| Property management fees | | 6,985 |
| Property insurance | | 19,169 |
| Property taxes | | 387,291 |
| | | <hr/> |
| | | 413,703 |
| Earnings before the undernoted | | <hr/> |
| | | 1,240,511 |
| Non-recoverable expenses: | | |
| Amortization | | 350,588 |
| Mortgage interest | | 526,157 |
| Mortgage transaction costs | | 247,986 |
| General and administrative expenses | | 92,416 |
| | | <hr/> |
| | | 1,217,147 |
| Net earnings and comprehensive income | | <hr/> |
| | | \$ 23,364 |
| Basic net earnings per unit (note 10) | | |
| Trust units (5,495,455 units) | | \$ 0.004 |
| Subordinated units (278,947 units) | | 0.004 |
| Diluted net earnings per unit: | | |
| Trust units (5,495,455 units) | | 0.004 |
| Subordinated units (278,947 units) | | 0.004 |

See accompanying notes to financial statements.

PURE INDUSTRIAL REAL ESTATE TRUST

Statement of Unitholders' Equity

December 31, 2007

| | Units | Amount |
|----------------------------|-----------|---------------|
| Issuance of units: | | |
| Initial unit | 1 | \$ 10 |
| Trust units | 7,450,000 | 29,370,000 |
| Subordinated units | 278,947 | 1,115,788 |
| Issuance costs | - | (3,316,784) |
| Net earnings | - | 23,364 |
| Distributions: | | |
| Trust units | - | (627,210) |
| Subordinated units | - | (33,011) |
| Balance, December 31, 2007 | 7,728,948 | \$ 26,532,157 |

See accompanying notes to financial statements.

PURE INDUSTRIAL REAL ESTATE TRUST

Statement of Cash Flows

Period from June 24, 2007 to December 31, 2007

Cash provided by (used in):

Operations:

| | |
|--|-----------------|
| Net earnings | \$ 23,364 |
| Items not involving cash: | |
| Amortization of discount on mortgage reserve fund | (7,065) |
| Amortization of intangible assets | 56,499 |
| Amortization of income producing properties | 294,089 |
| | <hr/> 366,887 |
| Changes in other non-cash working capital items: | |
| Increase in amounts receivable | (184,727) |
| Increase in prepaid expenses | (36,974) |
| Increase in rental deposit | 194,985 |
| Increase in accounts payable and accrued liabilities | 1,586,903 |
| | <hr/> 1,927,074 |

Financing:

| | |
|-------------------------------------|------------------|
| Mortgage proceeds | 19,675,000 |
| Mortgages repayments | (154,819) |
| Mortgage reserve funds | (776,557) |
| Proceeds from notes payable | 23,750 |
| Net proceeds from issuance of units | 27,169,014 |
| Distributions to unitholders | (466,997) |
| | <hr/> 45,469,391 |

Investments:

| | |
|--|--------------------|
| Acquisition of Initial Portfolio (note 3) | (16,347,488) |
| Purchase of income producing properties and related intangible assets (note 4) | (29,540,053) |
| Cash held in trust | (29,544) |
| | <hr/> (45,917,085) |

Increase in cash

1,479,380

Cash, beginning of period

-

Cash, end of period

\$ 1,479,380

Supplemental cash flow information:

| | |
|---------------|------------|
| Interest paid | \$ 410,465 |
|---------------|------------|

See accompanying notes to financial statements.

PURE INDUSTRIAL REAL ESTATE TRUST

Notes to Financial Statements

Period from June 24, 2007 to December 31, 2007

1. Nature of business and basis of presentation:

Pure Industrial Real Estate Trust (the Trust or "PIRET") is an unincorporated open-ended trust formed under and governed by the laws of the Province of British Columbia and created pursuant to the Trust Declaration dated June 24, 2007. PIRET was established for the purposes of acquiring, owning and operating a diversified portfolio of income producing industrial properties in both primary and secondary markets across Canada.

PIRET's primary objectives are (a) to generate stable and growing cash distributions from investments in income producing industrial properties in both primary and secondary markets across Canada, (b) to maximize the long-term value of the properties through active management, and (c) to expand its asset base and increase its distributable income through an accretive acquisition program.

2. Significant accounting policies:

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles and reflect the following policies.

(a) Income producing properties:

Income producing properties are recorded at cost less accumulated amortization. Additions, renewals and betterments are capitalized whereas expenditures for repairs and maintenance are expensed as incurred. The buildings are amortized on a straight-line basis over their estimated useful lives ranging from 22 to 40 years.

(b) Intangible assets:

Intangible assets are recorded at cost and consist of in-place lease agreements with tenants, and above and below market leases. The value assigned is amortized over the remaining term of the in-place leases.

(c) Impairment of long-lived assets:

The Trust performs impairment testing on its income producing properties and intangible assets whenever events or changes in circumstances indicate that the carrying value of the assets, or group of assets, may not be recoverable. Impairment losses are recognized when estimated undiscounted future cash flows from an asset's use and disposal are less than its carrying amount. Impairment is measured as the amount by which the asset's carrying value exceeds its fair value. Any impairment charge is included in earnings for the period.

(d) Offering costs:

Offering costs related to issuance of trust units are recorded against unitholders' equity.

(e) Cash:

Cash consist of cash on hand and cash held at banks.

PURE INDUSTRIAL REAL ESTATE TRUST

Notes to Financial Statements

Period from June 24, 2007 to December 31, 2007

2. Significant accounting policies (continued):

(f) Revenue recognition:

Revenue from leases with contractual increases at specified dates is recognized on a straight-line basis over the lease term. Accordingly, an accrued rent receivable/payable is recorded from the tenants for the current difference between the straight-line rent recorded as rental revenue and the rent that is contractually due from the tenant. Included in amounts receivable at December 31, 2007 is \$91,028 of accrued rent receivable. Rental revenue includes recoveries of specified operating expenses. Interest income is recognized in the period when it is earned.

(g) Income taxes:

The Trust is subject to tax under Part I of the Income Tax Act on its income for tax purposes for the period, including net realized taxable capital gains, less the portion thereof that it deducts in respect of the amounts paid or payable in the period to trust unitholders. The Trustees intend to distribute all taxable income to unitholders and to deduct such distributions for Canadian income tax purposes. Therefore, no provision for income taxes is required on income earned by the Trust.

(h) Use of estimates:

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant areas requiring the use of estimates include the assessment of impairment of long-lived assets, the allocation of the purchase price to the fair values of assets and liabilities acquired and determination of the useful lives of income producing properties. Actual results could differ from those estimates.

(i) Unit-based compensation:

The Trust accounts for unit based compensation using the fair value method. Under this method, compensation expense for unit based compensation issued is measured at fair value at the grant date using the Black-Scholes valuation model and is recognized over the related vesting period.

(j) Net earnings per unit:

Basic and diluted net earnings per trust and subordinated units have been calculated based on 95% of the earnings being allocated to the trust units and 5% allocated to the subordinated units (see note 10), and the respective weighted average number of trust units and subordinated units outstanding.

PURE INDUSTRIAL REAL ESTATE TRUST

Notes to Financial Statements

Period from June 24, 2007 to December 31, 2007

2. Significant accounting policies (continued):

(k) Financial instruments:

Section 3855 establishes standards for recognizing and measuring financial assets, financial liabilities and financial derivatives. It requires that financial assets and financial liabilities, including derivatives, be recognized on the balance sheet upon entering into a financial instrument or a financial derivative contract. Under this standard, all financial instruments are required to be measured at fair value on initial recognition except for certain related party transactions. Measurement in subsequent periods depends on whether the financial instrument has been classified as "held for trading", "available for sale", "held to maturity", "loans and receivables" or "other financial liabilities". Transaction costs are expensed as incurred for financial instruments on initial recognition.

Financial assets and financial liabilities classified as "held for trading", if any, are measured at fair value with changes in those fair values recognized in the determination of Net Income. Financial assets classified as "held to maturity", "loans and receivables" and "other financial liabilities" are measured at amortized cost using the effective interest method. "Available for sale" assets are presented separately on the balance sheet and measured at fair value with unrealized gains and losses, including changes in foreign exchange rates, if applicable, being recognized in other comprehensive income.

Derivative instruments are recorded on the balance sheet at fair value, including those derivatives that are embedded in financial or non-financial contracts that do not meet certain criteria. Changes in fair values of derivative instruments are recognized in Net Income with the exception of derivatives designated in effective cash flow hedges or hedges of a foreign currency exposure of a net investment in a self-sustaining foreign operation.

The Trust has classified its amounts receivables and mortgage reserve fund as "loans and receivables", accounts payable and accrued liabilities, mortgages payable, bank loans and notes payable as "other financial liabilities", pursuant to CICA Handbook Section 3855, all of which are reflected on the balance sheet at amortized cost using the effective interest method of measurement. Cash and cash held in trust are classified as "held for trading" and are reflected on the balance sheet at fair value.

(l) Comprehensive income:

Comprehensive Income consists of net earnings and other comprehensive income (OCI). OCI represents changes in shareholders' equity during a period arising from transactions and other events with non-owner sources and includes unrealized gains and losses on financial assets classified as "available for sale", unrealized foreign currency translation gains or losses arising from self-sustaining foreign operations, net of hedging activities, and changes in the fair value of the effective portion of cash flow hedging instruments.

PURE INDUSTRIAL REAL ESTATE TRUST

Notes to Financial Statements

Period from June 24, 2007 to December 31, 2007

2. Significant accounting policies (continued):

(m) Future changes in accounting policy:

On December 1, 2006, the CICA issued three new accounting standards: Handbook Section 1535, *Capital Disclosures* ("Section 1535"), Handbook Section 3862, *Financial Instruments - Disclosures* ("Section 3862"), and Handbook Section 3863, *Financial Instruments Presentation* ("Section 3863"). These new standards become effective for the Trust on January 1, 2008.

Section 1535 specifies the disclosure of: (i) an entity's objectives, policies and processes for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and, (iv) if it has not complied, the consequences of such non-compliance.

Sections 3862 and 3863 replace Handbook Section 3861, *Financial Instruments - Disclosure and Presentation*, revising and enhancing its disclosure requirements, and carrying forward its presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks.

3. Acquisition of income producing properties:

On August 22, 2007, PIRET acquired a portfolio of income producing properties, including in-place leases, third party management agreements, and also assumed the related debt on the properties (the "Initial Portfolio"), from Sunstone Opportunity Fund (2005) Limited Partnership (see note 13). Concurrently with the acquisition, PIRET entered into an Asset Management Agreement with Sunstone Industrial Advisors Inc. ("Sunstone Management") (see note 13) to manage the properties. The acquisition has been accounted for as a business combination with the purchase price allocated to the fair values of the assets and liabilities acquired. The purchase price includes acquisition costs of \$29,225.

The results of operations of the properties acquired have been included in the statement of operations from August 22, 2007 to December 31, 2007.

The purchase price of the acquisition has been allocated as follows:

| | |
|---------------------------------|---------------|
| Assets and liabilities assumed: | |
| Land | \$ 13,842,223 |
| Building | 25,257,331 |
| Intangible assets | 1,274,670 |
| Assumed mortgages on properties | (24,026,736) |
| | <hr/> |
| | \$ 16,347,488 |
| Financed by: | |
| Cash | \$ 16,347,488 |

PURE INDUSTRIAL REAL ESTATE TRUST

Notes to Financial Statements

Period from June 24, 2007 to December 31, 2007

4. Income producing properties:

| December 31, 2007 | Cost | Accumulated amortization | Net book value |
|-------------------|----------------------|-----------------------------|----------------------|
| Land | \$ 25,459,745 | \$ - | \$ 25,459,745 |
| Building | 41,733,278 | 294,089 | 41,439,189 |
| | <u>\$ 67,193,023</u> | <u>\$ 294,089</u> | <u>\$ 66,898,934</u> |

On November 19, 2007, PIRET acquired an income producing property and an in-place lease for \$3,900,000 plus standard closing costs and adjustments. On December 14, 2007, PIRET acquired an income producing property and an in-place lease for \$6,900,000; a portfolio of five income producing properties and an in-place lease for \$10,172,000 and an income producing property and an in-place lease for \$8,200,000 plus standard closing costs and adjustments. The total purchase price of \$29,540,053 for these properties includes acquisition costs of \$368,054, and has been allocated to the assets acquired as follows:

| | |
|-------------------|----------------------|
| Land | \$ 11,617,522 |
| Building | 16,475,947 |
| Intangible assets | 1,446,584 |
| | <u>\$ 29,540,053</u> |

The income producing properties are pledged as security against the mortgages payable (see note 8).

5. Intangible assets:

| December 31, 2007 | Cost | Accumulated amortization | Net book value |
|-------------------|--------------|-----------------------------|-------------------|
| Intangible assets | \$ 2,721,255 | \$ 56,499 | \$ 2,664,756 |

6. Mortgage reserve fund:

The mortgage reserve fund consists of cash on deposit and was requested by lenders to be retained in escrow either pending expiry of the right to terminate in-place leases or to pay for any and all reasonable leasing costs. These funds will be released once certain conditions are met, but no later than the maturity of the mortgages. The term for the current mortgage reserve fund is between 16 months and 8.5 years.

PURE INDUSTRIAL REAL ESTATE TRUST

Notes to Financial Statements

Period from June 24, 2007 to December 31, 2007

7. Cash held in trust:

Cash held in trust consists of refundable deposits, held pursuant to agreements of purchase and sale, which are to be used solely for the acquisition of income producing industrial properties.

8. Mortgages payable:

| | December 31, 2007 |
|--|----------------------|
| Mabe | |
| Mortgage with RBC CMBS Group bearing interest at 5.677%, calculated semi-annually, maturing March 2016. The mortgage is secured by the Mabe income producing property and is repayable in blended monthly payments of principal and interest of \$49,143 commencing September 2007 | \$ 8,348,270 |
| Team Tube | |
| Mortgage with Citizens Bank of Canada bearing interest at 5.48%, calculated semi-annually, maturing April 2011. The mortgage is secured by the Team Tube income producing properties and is repayable in blended monthly payments of principal and interest of \$87,120 commencing September 2007 | 13,830,599 |
| De Baets | |
| Mortgage with MCAP bearing interest at 5.50%, calculated semi-annually, maturing September 2011. The mortgage is secured by the De Baets income producing property and is repayable in blended monthly payments of principal and interest of \$10,633 commencing September 2007 | 1,699,431 |
| Tornado | |
| Mortgage with Canadian Western Bank bearing interest at 5.67%, calculated semi-annually, maturing November 2012. The mortgage is secured by the Tornado income producing property and is repayable in blended monthly payments of principal and interest of \$19,432 commencing December 2007 | 2,793,618 |
| Eurospec | |
| Mortgage with the Great West Life Assurance Company bearing interest at 5.382%, calculated semi-annually, maturing January 2015. The mortgage is secured by the Eurospec income producing property and is repayable in blended monthly payments of principal and interest of \$28,970 commencing February 2008 | 4,800,000 |
| Balance carried forward | 31,471,918 |

PURE INDUSTRIAL REAL ESTATE TRUST

Notes to Financial Statements

Period from June 24, 2007 to December 31, 2007

8. Mortgages payable (continued):

| | December 31, 2007 |
|--|----------------------|
| Balance brought forward | \$ 31,471,918 |
| Shanahan 57 th Mortgage with CIBC Bank bearing interest at 5.926%, calculated semi-annually, maturing January 2018. The mortgage is secured by the Shanahan 57 th income producing property and is repayable in blended monthly payments of principal and interest of \$33,359 commencing February 2008 | 5,250,000 |
| Shanahan portfolio Mortgages with Canadian Western Bank bearing interest at rates 5.75% and 6.14%, calculated semi-annually, maturing between December 2008 and December 2012. The mortgages are secured by the Shanahan income producing properties and are repayable on demand, but have scheduled blended monthly payments of principal and interest of \$47,875 commencing January 2008 | 6,825,000 |
| | \$ 43,546,918 |

Principal repayments based on scheduled repayments to be made on the mortgages over the next five years and thereafter are as follows:

| | |
|------------|---------------|
| 2008 | \$ 2,224,823 |
| 2009 | 926,867 |
| 2010 | 979,577 |
| 2011 | 15,089,721 |
| 2012 | 7,670,683 |
| Thereafter | 16,655,247 |
| | \$ 43,546,918 |

Mortgages payable are recorded at amortized cost with weighted effective interest rate of 5.59%.

PURE INDUSTRIAL REAL ESTATE TRUST

Notes to Financial Statements

Period from June 24, 2007 to December 31, 2007

9. Notes payable:

PIRET has entered into a subordination and support agreement with Sunstone Industrial Investments Inc. ("Sunstone Industrial"). When the target monthly distribution is not achieved during the subordination period, holders of trust units will receive an amount equal to 100% of the total amount of cash set aside by the trustees for distribution in such month. Sunstone Industrial will advance to PIRET cash in an amount equal to its pro-rata share of the monthly cash distribution for units owned by Sunstone Industrial in exchange for unsecured subordinated notes evidencing such advance, and will be entitled to receive distributions from PIRET equal to such amount. The monthly cash advance from Sunstone Industrial to PIRET will not exceed Sunstone Industrial's proportionate share of the monthly cash distribution during the subordination period. The subordinated notes are non interest bearing and due for repayment at the end of the subordination period.

The subordination period will end on the earlier of certain income and distribution targets being satisfied, or certain events occurring, being the earliest of:

- (i) the later of December 31, 2008 and the last day of any fiscal year in which PIRET has reported net income before gains or losses on property sales of at least \$0.18 per Unit and paid cash distributions of at least \$0.30 per Unit;
- (ii) August 31, 2010;
- (iii) the day on which a Determination Event occurs, and
- (iv) the day on which the Conversion Rights (see note 10(b)) are exercised

The Determination Event means the earliest to occur of the following:

- (i) a period of 10 consecutive trading days during which the Market Capitalization of PIRET exceeds \$200,000,000;
- (ii) a take-over bid by a person acting at arm's length to Sunstone Industrial (or any Affiliate of Associate of or affiliate of Sunstone Industrial or person acting jointly or in concert with Sunstone Industrial) is made for the Units, provided that not less than 51% of the Units (other than Units held at the date of the take-over bid by or on behalf of the offeror or Affiliates or Associates of the offeror) are taken-up and paid for pursuant to the take-over bid;
- (iii) substantially all of the assets of PIRET are sold or PIRET is liquidated; and
- (iv) the Asset Management Agreement (see note 13) is terminated by the Trustees for cause.

From October to December 2007, Sunstone Industrial advanced \$23,750 to PIRET pursuant to the subordination and support agreement.

PURE INDUSTRIAL REAL ESTATE TRUST

Notes to Financial Statements

Period from June 24, 2007 to December 31, 2007

10. Unitholders' equity:

The beneficial interests in the Trust are divided into trust units and subordinated units. The Trust, pursuant to an agency agreement dated August 13, 2007, filed a final prospectus August 13, 2007 in each of the provinces of Canada in connection with its initial public offering of 4,750,000 trust units at a price of \$4.00 per unit for total gross proceeds of \$19 million (the "Offering"). Sunstone Industrial subscribed for 250,000 subordinated units at a price of \$4.00 per unit for total gross proceeds of \$1 million concurrent with the closing of the offering.

The Trust also granted the agents an over-allotment option to purchase up to an additional 712,500 trust units for a period of up to 30 days after closing of the Offering. To the extent additional trust units are issued pursuant to the over-allotment option, Sunstone Industrial agreed to subscribe for its pro rata share of additional subordinated units.

Except as set out in the Trust Declaration, no trust unit or subordinated unit has any preference or priority over another.

The Trust has entered into a subordination and support agreement with Sunstone Industrial, the subordinated unitholder, pursuant to which Sunstone Industrial has agreed to advance cash to the Trust to permit the continued payment of a certain level of cash distributions on the units until the end of the subordination period and in the event that certain financial targets, as defined in the subordination and support agreement, are not met.

Upon completion of the offering, holders of the trust units share in a 95% equity interest ("Unit Percentage Interest") in all distributions and all net assets of the Trust, and Sunstone Industrial, as the holder of the subordinated units, shares in a 5% equity interest ("Subordinated Unit Percentage Interest") in all distributions and all net assets of the Trust.

Each trust unit is transferable and, so long as there are subordinated units issued and outstanding, each trust unit represents an equal undivided ownership interest in and to the Unit Percentage Interest of any net assets of the Trust, whether of net income, net realized capital gains or other amounts, and in the Unit Percentage Interest of any net assets of the Trust in the event of the termination or winding-up, after payment of all debts, liabilities and liquidation expenses of the Trust.

Pursuant to the subordination and support agreement, Sunstone Industrial has agreed not to transfer the subordinated units held to others except to its affiliates and associates. Each subordinated unit represents an equal undivided ownership interest in and to the Subordinated Unit Percentage Interest of any net assets of the Trust, whether of net income, net realized capital gains or other amounts, and in the Subordinated Unit Percentage Interest of any net assets of the Trust in the event of the termination or winding-up, after payment of all debts, liabilities and liquidation expenses of the Trust.

PURE INDUSTRIAL REAL ESTATE TRUST

Notes to Financial Statements

Period from June 24, 2007 to December 31, 2007

10. Unitholders' equity (continued):

The unitholders have the right to require the Trust to redeem their trust units on demand at the prices determined and payable in accordance with the Trust Declaration.

(a) Units issued and outstanding:

| | Number Authorized | Number issued and outstanding | Carrying value |
|---------------------------------|----------------------|----------------------------------|-------------------|
| Initial contribution by settler | 1 | 1 | \$ 10 |
| Trust units | unlimited | 7,450,000 | 29,370,000 |
| Subordinated units | unlimited | 278,947 | 1,115,788 |
| | | 7,728,948 | \$ 30,485,798 |

On August 22, 2007, the Trust sold 4,750,000 Trust Units at a price of \$4.00 per trust unit for total gross proceeds of \$19 million. In conjunction with the Offering, Sunstone Industrial purchased 250,000 subordinated units for additional gross proceeds of \$1 million, for aggregate gross proceeds to the Trust of \$20,000,000. Costs relating to the Offering including an agency fee of \$1,330,000 are aggregate \$1,755,630, excluding an issuance of the units pursuant to an over-allotment option for up to 712,500 units granted to the Agents.

On September 20, 2007, the syndicate of agents exercised a portion of the over allotment option granted, resulting in the issuance by PIRET of 550,000 additional trust units at a price of \$4.00 per unit for gross proceeds of \$2,200,000. At the same time, Sunstone Industrial purchased 28,947 subordinated units at \$4.00 per unit for additional gross proceeds of \$115,788. Costs relating to the over allotment including an agency fee of \$154,000 are aggregate \$409,522.

On December 20, 2007, the Trust sold an additional 2,150,000 Trust Units at a price of \$3.80 per trust unit for total gross proceeds of an \$8,170,000. Costs relating to the Offering including an agency fee of \$571,900 are aggregate \$1,151,632. The Agents were granted an over-allotment option of up to 322,500 units, which expired January 19, 2008 (see note 16).

(b) Conversion rights of subordinated units:

Pursuant to the Trust Declaration, the subordinated unitholders as a class are entitled to convert all but not less than all of their subordinated units into trust units based on a specified ratio. Upon the subordinated unitholders exercising their conversion rights, such subordinated unitholders will own that number of trust units which is equal to the Subordinated Unit Percentage Interest (initially 5%) of all units outstanding after such conversion. Sunstone Industrial did not exercise the conversion rights during the period ended December 31, 2007.

PURE INDUSTRIAL REAL ESTATE TRUST

Notes to Financial Statements

Period from June 24, 2007 to December 31, 2007

10. Unitholders' equity (continued):

(c) Unit rights, warrants and options:

The Trust may create and issue rights, warrants, options or other instruments or securities to subscribe for fully paid trust units which rights, warrants, options, instruments or securities may be exercisable at such subscription price of prices and at such time as the Trustees may determine. As at December 31, 2007, the Trust had not issued any rights, warrants or options.

(d) Distributions:

The Trust intends to make monthly distributions to unitholders. Distributions are at the discretion of the Trustees of PIRET. All distributions from the Trust will be made 95% to the trust units and 5% to the subordinated units. During the period ended December 31, 2007, the Trust announced a cash distribution to trust unitholders of \$0.025 per unit per month for total of \$627,210. The Trust also announced a cash distribution to subordinated unitholders for a total of \$33,011.

(e) Net earnings per unit:

| | Trust Units | Subordinated units |
|--|----------------|-----------------------|
| Allocation of net earnings based on unit percentage interest (note 10(a)) | \$ 22,196 | \$ 1,168 |
| Weighted average number of units outstanding | 5,495,455 | 278,947 |
| Basic and diluted earnings per unit | \$ 0.004 | \$ 0.004 |

11. Risk management:

In the normal course of business, the Trust is exposed to a number of risks that can affect its operating performance. These risks, and the actions taken to manage them, are as follows:

(a) Credit risk and economic dependence:

The Trust earned approximately 34% of its revenue from a single customer.

The Trust is exposed to credit risk in the event of non-payment of rent and recoveries by these tenants. This risk is mitigated by obtaining advance deposits and initiating a prompt collection process.

PURE INDUSTRIAL REAL ESTATE TRUST

Notes to Financial Statements

Period from June 24, 2007 to December 31, 2007

11. Risk management (continued):

(b) Interest rate risk:

Interest rate risk arises from the possibility that the value of, or cash flows related to, a financial instrument will fluctuate as a result of changes in market interest rates. The Trust is exposed to financial risk from the interest rate differentials between the market rate and the rates used on these financial instruments. As described in note 8, mortgages payable bear interest at fixed rates, therefore the Trust is not exposed to significant interest rate risk. The Trust targets a ratio of debt to gross book value within the range of 60% to 65% and is restricted under the Trust declaration to a maximum of 70%.

(c) Currency risk:

The Trust is not exposed to currency risk since all transactions are in Canadian dollars.

12. Fair value:

For certain of the Trust's financial instruments, including cash, cash held in trust, amounts receivable, accounts payable and accrued liabilities, the carrying values approximate their fair values due to their short-term nature. The fair value of the mortgage reserve fund, mortgages payable and notes payable are based on discounted future cash flows using discount rates that reflect current market conditions for instruments having similar terms and conditions approximate their carrying values.

| December 31, 2007 | Carrying amount | Fair value |
|-----------------------|-----------------|------------|
| Mortgage reserve fund | \$ 783,622 | \$ 752,953 |
| Mortgages payable | 43,546,918 | 43,737,350 |
| Notes payable | 23,750 | 23,750 |

PURE INDUSTRIAL REAL ESTATE TRUST

Notes to Financial Statements

Period from June 24, 2007 to December 31, 2007

13. Related party transactions:

PIRET is related to Sunstone Advisors (Canada) Inc., Sunstone Realty Advisors (2005) Inc., Sunstone Realty Advisors (2006) Inc., Sunstone Opportunity Fund (2005) Limited Partnership and Sunstone Realty Advisors (2007) Inc. by virtue of having officers and directors in common.

Sunstone Realty Advisors (2006) Inc. paid \$24,785 in offering costs and \$175,000 in property acquisition costs on behalf of PIRET.

Sunstone Realty Advisors (2005) Inc. paid \$225,000 in property acquisition costs on behalf of PIRET.

Sunstone Advisors (Canada) Inc. paid \$195,000 in property acquisition costs on behalf of PIRET.

Sunstone Realty Advisors (2007) Inc. \$277,500 in property acquisition costs on behalf of PIRET.

The above amounts, totaling \$897,285, will be reimbursed to the above noted entities and are included in accounts payable and accrued liabilities as at December 31, 2007. In January 2008, the \$225,000 was reimbursed to Sunstone Realty Advisors (2005) Inc.

PIRET purchased its initial portfolio income producing properties from Sunstone Opportunity Fund (2005) Limited Partnership (see note 3).

PIRET has entered an Asset Management Agreement with Sunstone Industrial Advisors Inc. ("Sunstone Management") whereby Sunstone Management will provide asset management, administrative and reporting services to PIRET. Under the Asset Management Agreement, PIRET will reimburse Sunstone Management for all reasonable expenses associated with the operation of PIRET, including any third party costs which are reasonably incurred by Sunstone Management on behalf of PIRET, but not personnel costs incurred by Sunstone Management in managing PIRET. During the period ended December 31, 2007, Sunstone Management charged PIRET \$Nil pursuant to the Asset Management Agreement.

PURE INDUSTRIAL REAL ESTATE TRUST

Notes to Financial Statements

Period from June 24, 2007 to December 31, 2007

14. Segment disclosures:

The Trust operates in one business segment, being the ownership and operation of a portfolio of income producing industrial properties in Canada. During the period ended December 31, 2007, PIRET held properties located in six provinces: British Columbia, Alberta, Ontario, Quebec, Saskatchewan and Manitoba.

The following table presents segmented financial information by the geographical locations of the properties.

| | December 31, 2007 |
|--------------------------|----------------------|
| Property, net book value | |
| Alberta | \$ 32,080,844 |
| British Columbia | 9,985,485 |
| Manitoba | 3,605,551 |
| Ontario | 9,631,670 |
| Quebec | 13,271,547 |
| Saskatchewan | 988,593 |
| | \$ 69,563,690 |

| | Period ended December 31, 2007 |
|------------------------------|--------------------------------------|
| Rental and recoveries income | |
| Alberta | \$ 483,558 |
| British Columbia | 317,396 |
| Manitoba | 113,546 |
| Ontario | 153,959 |
| Quebec | 543,232 |
| Saskatchewan | 3,972 |
| | \$ 1,615,663 |

The property rental and recoveries noted above are for all properties from acquisition date to December 31, 2007 as described in notes 3 and 4.

PURE INDUSTRIAL REAL ESTATE TRUST

Notes to Financial Statements

Period from June 24, 2007 to December 31, 2007

15. Income taxes:

Pursuant to the declaration of the Trust, the Trustees are required to distribute all taxable income to the unitholders and to deduct such distributions for income tax purposes each year so as to not be liable for income tax under Part I of the Income Tax Act (Canada). Furthermore, the Trust intends to operate in such a manner so as to qualify as a "mutual Fund Trust" and a "real estate investment trust" pursuant to that act. Consequently, no provision for income taxes is required on income earned by the Trust.

At December 31, 2007, the tax bases exceed the reported amounts of the Trust's assets and liabilities by \$3,397,000.

16. Subsequent event:

On January 18, 2008, the syndicate of agents excised a portion of the over allotment option granted, resulting in the issuance by PIRET of 76,263 additional trust units at a price of \$3.80 per unit for gross proceeds of \$289,799. Costs relating to the over allotment are aggregate of \$20,286.