

Condensed Interim Financial Statements of

**PURE INDUSTRIAL REAL
ESTATE TRUST**

For Three Months Ended March 31, 2011

(Unaudited)

PURE INDUSTRIAL REAL ESTATE TRUST

Condensed Statements of Financial Position
(Unaudited)

	March 31, 2011	December 31, 2010 ⁽¹⁾	January 1, 2010 ⁽¹⁾
ASSETS			
Non-current assets:			
Investment properties (note 5)	\$ 270,196,274	\$ 205,641,849	\$ 72,370,000
Mortgage reserve fund (note 6)	921,928	378,422	242,568
	271,118,202	206,020,271	72,612,568
Current assets:			
Prepaid expenses	202,927	88,345	42,015
Amounts receivable	66,607	33,604	30,064
Cash held in trust (note 7)	640,925	1,798,184	–
Cash	5,049,485	3,566,352	210,118
	5,959,944	5,486,485	282,197
	\$ 277,078,146	\$ 211,506,756	\$ 72,894,765
LIABILITIES			
Non-current liabilities:			
Class A units (note 8)	\$ 129,961,957	\$ 95,496,457	\$ 29,630,139
Class B units (note 8)	1,115,788	1,115,788	1,115,788
Unit based compensation accrual (note 9)	531,559	504,526	35,500
Mortgages payable (note 10)	144,812,136	96,207,241	39,268,844
Rental deposits	757,400	757,400	204,625
Notes payable (note 11)	–	–	221,810
	277,178,840	194,081,412	70,476,706
Current liabilities:			
Accounts payable and accrued liabilities	2,709,663	1,881,148	599,957
Class A units – current portion	130,092	95,592	29,660
Unit based compensation accrual – current portion	226,108	236,574	–
Mortgages payable - current portion	5,472,782	17,154,967	1,645,449
Bank loan	533	2,839,671	–
Demand note	–	–	125,000
	8,539,178	22,207,952	2,400,066
	285,718,018	216,289,364	72,876,772
NET ASSETS (LIABILITIES) ATTRIBUTABLE TO UNITHOLDERS			
Net assets (liabilities) attributable to unitholders	(8,639,872)	(4,782,608)	17,993
	\$ 277,078,146	\$ 211,506,756	\$ 72,894,765

⁽¹⁾ Refer to Note 4 for an explanation of the effects of IFRS adoption.

Subsequent events (note 20)

See accompanying notes to condensed interim financial statements.

PURE INDUSTRIAL REAL ESTATE TRUST

Condensed Statements of Loss and Comprehensive Income (Loss)
(Unaudited)

	Three months ended March 31, 2011	Three months ended March 31, 2010
Revenues:		
Rental and recoveries	\$ 5,966,535	\$ 1,993,038
Property recoverable operating expenses:		
Insurance	28,362	20,272
Management fees	66,425	9,219
Recoverable operating costs	79,298	125
Property taxes	1,038,639	352,476
	1,212,724	382,092
Earnings from property operations	4,753,811	1,610,946
Other expenses:		
General and administrative expenses	247,810	158,914
Valuation loss from investment properties (note 5)	1,913,279	339,466
	2,161,089	498,380
Net earnings before net finance expense	2,592,722	1,112,566
Finance income (note 12)	72,092	2,779
Finance expenses (note 12)	(6,522,078)	(3,165,004)
Net finance expense	(6,449,986)	(3,162,225)
Net loss and comprehensive loss	\$ (3,857,264)	\$ (2,049,659)
Basic net loss per unit:		
Class A units (33,274,596 units / 10,326,263 units)	\$ (0.11)	\$ (0.19)
Diluted net loss per unit:		
Class A units (33,420,868 units / 10,462,954 units)	\$ (0.11)	\$ (0.19)

See accompanying notes to condensed interim financial statements.

PURE INDUSTRIAL REAL ESTATE TRUST

Condensed Statement of Changes in Net Assets (Liabilities) Attributable to Unitholders
(Unaudited)

Balance, January 1, 2010	\$	17,993
Loss for the year		(2,049,659)
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Balance, March 31, 2010	\$	(2,031,666)
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Balance, January 1, 2011	\$	(4,782,608)
Loss for the year		(3,857,264)
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Balance, March 31, 2011	\$	(8,639,872)

See accompanying notes to condensed interim financial statements.

PURE INDUSTRIAL REAL ESTATE TRUST

Condensed Statements of Cash Flows
(Unaudited)

	Three months ended March 31, 2011	Three months ended March 31, 2010
Cash provided by (used in):		
Operations:		
Loss for the period	\$ (3,857,264)	\$ (2,049,659)
Items not involving cash:		
Amortization of discount on mortgage reserve fund	(2,302)	(2,197)
Amortization of mortgage transaction costs	70,882	10,503
Unit based compensation expenses	16,577	82,879
Change in fair value of investment properties	1,913,279	339,466
Accrued rental revenue	(349,762)	(106,241)
Interest expenses	1,748,293	610,171
Class A unit offering costs	1,950,132	1,581,707
Distributions to unitholders	2,823,653	973,126
Changes in non-cash working capital items:		
Increase in amounts receivable	(33,003)	(107,368)
Increase in prepaid expenses	(114,582)	(151,538)
Increase in accounts payable and accrued liabilities	398,367	32,444
	4,564,270	1,213,293
Financing:		
Proceeds from mortgages	38,000,000	25,545,000
Payment of mortgage and loan transaction costs	(333,954)	(272,794)
Repayment of mortgages	(814,218)	(909,609)
Mortgage reserve funds	(541,204)	-
Repayment of demand note	-	(125,000)
Proceeds from notes payable	-	9,903
Repayment of bank loans	(2,839,138)	-
Interest paid	(1,545,129)	(603,387)
Proceeds from issuance of Class A units	34,500,000	21,600,000
Payment of Class A unit offering costs	(1,950,132)	(1,581,707)
Distributions paid to unitholders	(2,596,679)	(773,749)
	61,879,546	42,888,657
Investments:		
Acquisition of investment properties	(65,993,517)	(40,619,744)
Capital additions to investment properties	(124,425)	-
Cash held in trust	1,157,259	(1,882,353)
	(64,960,683)	(42,502,097)
Increase in cash	1,483,133	1,599,853
Cash, beginning of period	3,566,352	210,118
Cash, end of period	5,049,485	1,809,971
Non-cash investing and financing activities:		
PIRET assumed a mortgage in the amount of \$1,597,240 upon the acquisition of Moncton during the period ended March 31, 2010.		

See accompanying notes to condensed interim financial statements.

PURE INDUSTRIAL REAL ESTATE TRUST

Notes to the Condensed Interim Financial Statements
(Unaudited)

1. Reporting entity:

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. The Trust’s registered office is located at 910 – 925 West Georgia Street, Vancouver, British Columbia, V6C 3L2, Canada.

PIRET’s primary objectives are: (a) to generate stable and growing cash distributions from investments in income producing industrial properties in primary 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. Basis of presentation:

(a) Statement of compliance:

These condensed interim financial statements as at and for the period ended March 31, 2011 were approved for issue by the Board of Trustees on June 10, 2011.

These condensed interim financial statements have been prepared under International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) incorporating interpretations issued by the IFRS Interpretations Committee (“IFRICs”). These condensed interim financial statements of the Trust have been prepared in accordance IAS 34, *Interim Financial Reporting*. These are the Trust’s first IFRS condensed interim financial statements for the period covered by the first IFRS annual financial statements and IFRS1, *First-time Adoption of International Financial Reporting Standards*, has been applied. These condensed interim financial statements have been prepared in accordance with the accounting policies the Trust expects to adopt in its December 31, 2011 annual financial statements. These accounting policies are based on the IFRS and IFRICs that the Trust expects to be applicable at that time. The condensed interim financial statements do not include all of the information required for full annual financial statements.

PIRETs’ financial statements were prepared in accordance with Canadian Generally Accepted Accounting Principles (“Previous GAAP”) until December 31, 2010. Previous GAAP differs in some areas from IFRS. In preparing PIRET’s condensed interim financial statements, management has amended certain accounting methods formerly applied in the Previous GAAP financial statements to comply with IFRS. The comparative figures in respect to 2010 were restated to reflect these adjustments.

Disclosures concerning the transition from Previous GAAP to IFRS are included in the first-time adoption of IFRS note (note 4).

PURE INDUSTRIAL REAL ESTATE TRUST

Notes to the Condensed Interim Financial Statements
(Unaudited)

2. Basis of presentation (continued):

(b) Basis of measurement:

These condensed interim financial statements have been prepared on a historical cost basis, except for:

- investment property which has been measured at fair value;
- cash and cash equivalents which has been measured at fair value; and
- liabilities for cash-settled unit based compensation arrangements which are measured at fair value.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise judgment in the process of applying the Trust's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the condensed interim financial statements are disclosed in note 2(d).

(c) Functional and presentation currency:

These condensed interim financial statements are presented in Canadian dollars, which is the Trust's functional currency.

(d) Critical accounting estimates and judgments:

Judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of revenues, expenses, assets and liabilities are reviewed on an ongoing basis. Actual results may differ from these estimates.

(e) Judgments other than estimates:

In the process of applying the Trust's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognized in the condensed interim financial statements:

(i) Business combinations:

The Trust acquires individual real estate properties. At the time of acquisition, the Trust considers whether or not the acquisition represents the acquisition of a business. The Trust accounts for an acquisition as a business combination where an integrated set of activities is acquired in addition to the property. More specifically, consideration is made to the extent to which significant processes are acquired and, in particular, the extent of ancillary services provided by the property (e.g., maintenance, cleaning, security, bookkeeping, etc.). The significance of any process is judged with reference to the guidance in IAS 40 about ancillary services.

When the acquisition of a property does not represent a business, it is accounted for as an acquisition of a group of assets and liabilities. The cost of the acquisition is allocated to the assets and liabilities acquired based upon their relative fair values, and no goodwill or deferred tax is recognized.

PURE INDUSTRIAL REAL ESTATE TRUST

Notes to the Condensed Interim Financial Statements
(Unaudited)

2. Basis of presentation (continued):

(e) Judgments other than estimates (continued):

(ii) Lease contracts:

The Trust has entered into property leases on its investment property portfolio. The Trust makes judgments in determining whether certain leases, in particular those leases with long contractual terms where the lessee is the sole tenant in a property and the Trust is lessor, are operating or finance leases. The Trust must assess each lease separately against land and building. The Trust has determined that all of its leases of land and buildings are operating leases.

(iii) Deferred income taxes:

Canadian deferred income taxes are not recognized in the Trust's financial statements on the basis that the Trust can deduct distributions paid such that its liability for income taxes is substantially reduced or eliminated for the year, and the Trust intends to continue to distribute its taxable income and continue to qualify as a real estate investment trust for the foreseeable future.

Estimates:

The significant areas of estimation include the following:

(i) Unit based compensation expense:

The Trust's unit based compensation expense consists of units granted under its Restricted Unit Plan. The units granted are measured at fair value each reporting period and recognized as an expense, within general and administrative expenses, over the vesting period, with a corresponding adjustment to liabilities.

(ii) Valuation of investment properties:

The fair value of the investment properties is determined by management, in conjunction with independent real estate valuation experts using recognized valuation techniques.

The determination of the fair value of investment property requires the use of estimates such as future cash flows from assets (such as tenant profiles, future revenue streams and overall repair and condition of the property) and discount rates applicable to those assets. These estimates are based on market conditions existing at the reporting date.

PURE INDUSTRIAL REAL ESTATE TRUST

Notes to the Condensed Interim Financial Statements
(Unaudited)

2. Basis of presentation (continued):

(e) Judgments other than estimates (continued):

Estimates (continued):

(ii) Valuation of investment properties:

The following approaches, either individually or in combination, are used by management, together with the appraisers, in their determination of the fair value of the investment properties:

- The Income Approach derives market value by estimating the future cash flows that will be generated by the property and then applying an appropriate capitalization rate or discount rate to those cash flows. This approach can utilize the direct capitalization method and/or the discounted cash flow analysis.
- The Direct Comparison Approach involves comparing or contrasting the recent sale, listing or optioned prices of properties comparable to the subject and adjusting for any significant differences between them.

Management reviews each appraisal and ensures the assumptions used by the appraisers are reasonable and the final fair value amount reflects those assumptions used in the various approaches above. Where an appraisal is not obtained at the reporting date, management reviews the approaches described above, for each investment property, and estimates the fair value.

The significant assumptions used by management in estimating the fair value of investment property are set out in Note 5.

3. Significant accounting policies:

The significant accounting policies applied in the preparation of these condensed interim financial statements are set-out below. These policies have been applied consistently to the periods presented unless otherwise stated.

(a) Property acquisitions and business combinations:

Where property is acquired, management considers the substance of the assets and activities of the acquired entity in determining whether the acquisition represents the acquisition of a property or a business combination. The basis of the judgment is set out in note 2.

Where such acquisitions are not judged to be an acquisition of a business, they are treated as a property acquisition. The cost to acquire the corporate entity is allocated between the identifiable assets and liabilities of the entity based on their relative fair values at the acquisition date. Otherwise, acquisitions are accounted for as a business combination.

PURE INDUSTRIAL REAL ESTATE TRUST

Notes to the Condensed Interim Financial Statements
(Unaudited)

3. Significant accounting policies (continued):

(b) Investment property:

Investment property comprises property held to earn rental revenue or for capital appreciation or both. Investment property is measured initially at cost including transaction costs. Transaction costs include transfer taxes, professional fees for legal services and initial leasing commissions to bring the property to the condition necessary for it to be capable of operating.

Subsequent to initial recognition, investment property is stated at fair value. The Trust defines fair value to be the value a third party is willing to pay, in an arm's length transaction, for an investment property. Therefore, the fair value of recently acquired investment property would be the purchase price. Any subsequent valuations performed on an investment property, after acquisition date, would be the new basis for the fair value recorded on the investment property. Gains or losses arising from changes in fair values are included in the statement of comprehensive income in the year which they arise.

To avoid double counting of assets, PIRET includes the accrued rental revenue in the fair value of investment property instead of recognizing it as a separate asset.

Investment property is derecognized when it has been disposed of or permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of investment property are recognized in the income statement in the year of retirement or disposal.

Gains or losses on the disposal of investment property are determined as the difference between net disposal proceeds and the carrying value of the asset on the date the transaction occurred.

(c) Revenue recognition:

Rental revenue is recognized in profit or loss on a straight-line basis over the lease term.

Revenue includes recoveries of specified operating expenses, in accordance with the terms of the lease agreements.

(d) Finance income and finance expense:

Finance income consists of interest and other income, which is recognized in the period in which it is earned.

Finance expenses consist of mortgage interest, interest expenses on loans, Class A and Class B unit offering costs, and distributions to Class A and Class B unitholders. Finance expenses are recognized in the period in which they are incurred.

PURE INDUSTRIAL REAL ESTATE TRUST

Notes to the Condensed Interim Financial Statements
(Unaudited)

3. Significant accounting policies (continued):

(e) Impairment of assets:

(i) Financial assets:

At each reporting date, the Trust assesses whether there is objective evidence that a financial asset is impaired. If a financial asset carried at amortized cost is impaired, the amount of the loss is measured as the difference between the amortized cost of the loan or receivable and the present value of the estimated future cash flows, discounted using the instrument's original effective interest rate. The loss is recognized in Impairment expense.

(ii) Cash:

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

(iii) Leases:

The Trust is the lessor in all leasing arrangements. Leases are classified according to the substance of the transaction.

Leases that transfer substantially all the risks and benefits of ownership from the Trust to the lessees are accounted for as finance leases. Upon initial recognition, the leased asset is recorded as an amount receivable and measured as the present value of the minimum lease payments.

All other leases are accounted for as operating leases.

(f) Leasing costs:

Leasing costs are comprised of leasing commissions and legal fees. They are capitalized to the carrying amount of investment properties when incurred and then considered in the fair value adjustment of the investment properties at the next reporting date.

(g) Income taxes:

The Income Tax Act (Canada) (the "Act") levies tax on certain distributions made by "specified investment flow-through" ("SIFT") trusts, with an exemption for "real estate investment trusts" ("REITs"). A trust that meets prescribed conditions for REITs under the Act is not subject to the tax on SIFTs. The Trust's management has determined that the Trust met all the prescribed conditions to qualify as REIT and as a "mutual fund trust" throughout the year. The Trust intends to distribute all taxable income to unitholders and to deduct such distributions for Canadian income tax purposes. The Trust also intends to continue to operate in a manner so as to qualify as a real estate investment trust and as a "mutual fund trust" pursuant to the Act.

(h) Unit based compensation:

The Trust uses the fair value based method of accounting for its Restricted Unit Plan. Compensation expense is recorded as general and administrative expenses.

PURE INDUSTRIAL REAL ESTATE TRUST

Notes to the Condensed Interim Financial Statements
(Unaudited)

3. Significant accounting policies (continued):

(i) Operating segments:

The Trust operates one type of investment property (industrial) in seven geographical locations which include British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Quebec, and New Brunswick.

(j) Net loss per unit:

Basic net loss per Class A and Class B unit have been calculated based on 95% of the earnings being allocated to the Class A units and 5% allocated to the Class B units, and the respective weighted average number of Class A units and Class B units outstanding.

Diluted net loss per Class A and Class B unit have been calculated by adjusting the weighted-average number of Class A units and Class B units related to the Trust's unit based compensation plan. The number of units included is computed using the treasury stock method.

(k) Fair value:

Fair value measurements recognized in the balance sheet accounts are categorized using a fair value hierarchy that reflects the significance of inputs used in determining the fair values:

Level 1: Quoted prices in active markets for identical assets or liabilities.

Level 2: Quoted prices in active markets for similar assets or liabilities or valuation techniques where significant inputs are based on observable market data.

Level 3: Valuation techniques for which any significant input is not based on observable market data.

Each type of fair value is categorized based on the lowest level input that is significant to the fair value measurement in its entirety.

(l) Financial instruments:

(i) Non-derivative financial assets and liabilities:

Non-derivative financial assets and non-derivative financial liabilities are initially recognized at fair value, and their subsequent measurement is dependent on their classification as described below. The classification depends on the purpose for which the financial instruments were acquired or issued, their characteristics, and the Trust's designation of such instruments.

PURE INDUSTRIAL REAL ESTATE TRUST

Notes to the Condensed Interim Financial Statements
(Unaudited)

3. Significant accounting policies (continued):

(l) Financial instruments (continued):

(i) Non-derivative financial assets and liabilities (continued):

The following is a summary of the accounting model the Trust elected to apply to each of its significant categories of financial instruments:

Cash	Held for trading
Cash held in trust	Held for trading
Amounts receivable	Loans and receivables
Mortgage reserve fund	Loans and receivables
Mortgages payable	Other financial liabilities
Accounts payable and accrued liabilities	Other financial liabilities
Bank loans	Other financial liabilities
Class A units	Other financial liabilities
Class B units	Other financial liabilities

Cash and cash held in trust are classified as held for trading and are measured at fair value.

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Amounts receivable and mortgage reserve fund are classified as loans and receivables. These assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition they are accounted for at amortized cost, using the effective interest method, less any impairment losses.

The Trust has the following non-derivative financial liabilities:

(a) Mortgages payable, accounts payable and accrued liabilities, bank loans, class A units and class B units; such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are accounted for at amortized cost, using the effective interest method.

(b) Standards issued but not yet effective:

In November 2009, as part of the International Accounting Standards Board's ("IASB") project to replace International Accounting Standard ("IAS") 39 *Financial Instruments: Recognition and Measurement*, the IASB issued the first phase of IFRS 9 *Financial Instruments*, that introduces new requirements for the classification and measurement of financial assets. The standard was revised in October 2010 to include requirements regarding classification and measurement of financial liabilities and is applicable for annual periods starting on or after January 1, 2013. The full impact of the changes in accounting for financial instruments will not be known until the IASB's project has been completed.

PURE INDUSTRIAL REAL ESTATE TRUST

Notes to the Condensed Interim Financial Statements
(Unaudited)

4. First-time adoption of IFRS:

These are the Trust's first annual financial statements prepared in accordance with IFRS. The significant accounting policies disclosed in note 3 have been applied in preparing the condensed interim financial statements for the three months ended March 31, 2011, the comparative information for the periods ended March 31, 2010, and ended December 31, 2010, and in the preparation of the Trust's opening balance sheet at January 1, 2010, the date of transition to IFRS ("Transition Date").

In previous years, the Trust prepared its financial statements in accordance with Previous GAAP. Reconciliations from Previous GAAP to IFRS for comparative periods are provided on the following pages.

(a) Reconciliation of Financial Position at January 1, 2010:

	Previous GAAP ^(a)	Effect of transition to IFRS ^(b)	Other Presentation Changes ^(c)	IFRS
ASSETS				
Non-current assets:				
Income producing properties ^(d)	\$ 63,497,481	\$ (63,497,481)	\$ -	\$ -
Intangible assets ^(d)	1,988,192	(1,988,192)	-	-
Investment properties ^(d)	-	72,370,000	-	72,370,000
Mortgage reserve fund	242,568	-	-	242,568
	65,728,241	6,884,327	-	72,612,568
Current assets:				
Prepaid expenses	42,015	-	-	42,015
Amounts receivable ^(d)	722,585	(692,521)	-	30,064
Cash	210,118	-	-	210,118
	974,718	(692,521)	-	282,197
	\$ 66,702,959	\$ 6,191,806	\$ -	\$ 72,894,765
LIABILITIES AND NET ASSETS (LIABILITIES) ATTRIBUTABLE TO UNITHOLDERS				
Non-current liabilities:				
Class A units ^(e)	\$ -	\$ 29,630,139	\$ -	\$ 29,630,139
Class B units ^(e)	-	1,115,788	-	1,115,788
Unit based compensation accrual ^(f)	-	35,500	-	35,500
Mortgages payable ^(g)	41,061,100	(146,807)	(1,645,449)	39,268,844
Rental deposits	204,625	-	-	204,625
Notes payable	221,810	-	-	221,810
	41,487,535	30,634,620	(1,645,449)	70,476,706
Current liabilities				
Accounts payable and accrued liabilities	599,957	-	-	599,957
Class A units - current portion ^(e)	-	29,660	-	29,660
Mortgages payable - current portion	-	-	1,645,449	1,645,449
Demand note	125,000	-	-	125,000
	724,957	29,660	1,645,449	2,400,066
	42,212,492	30,664,280	-	72,876,772
Net assets (liabilities) attributable to unitholders ^{(d) (e) (f) (g)}	24,490,467	(24,472,474)	-	17,993
	\$ 66,702,959	\$ 6,191,806	\$ -	\$ 72,894,765

See footnotes

PURE INDUSTRIAL REAL ESTATE TRUST

Notes to the Condensed Interim Financial Statements
(Unaudited)

4. First-time adoption of IFRS (continued):

(b) Reconciliation of Financial Position at March 31, 2010:

	Previous GAAP ^(a)	Effect of transition to IFRS ^(b)	Other Presentation Changes ^(c)	IFRS
ASSETS				
Non-current assets:				
Income producing properties ^(d)	\$ 100,219,859	\$ (100,219,859)	\$ -	\$ -
Intangible assets ^(d)	7,136,056	(7,136,056)	-	-
Investment properties ^(d)	-	114,460,000	-	114,460,000
Mortgage reserve fund	244,765	-	-	244,765
	107,600,680	7,104,085	-	114,704,765
Current assets:				
Prepaid expenses	193,553	-	-	193,553
Amounts receivable ^(d)	829,953	(798,762)	-	31,191
Cash held in trust	1,882,353	-	-	1,882,353
Cash	1,809,971	-	-	1,809,971
	4,715,830	(798,762)	-	3,917,068
	\$ 112,316,510	\$ 6,305,323	\$ -	\$ 118,621,833
LIABILITIES AND NET ASSETS (LIABILITIES) ATTRIBUTABLE TO UNITHOLDERS				
Non-current liabilities:				
Class A units ^(e)	\$ -	\$ 51,208,539	\$ -	\$ 51,208,539
Class B units ^(e)	-	1,115,788	-	1,115,788
Unit based compensation accrual ^(f)	-	118,379	-	118,379
Mortgages payable ^(g)	67,293,731	(409,098)	(2,103,654)	64,780,979
Rental deposits	204,625	-	-	204,625
Notes payable	231,713	-	-	231,713
	67,730,069	52,033,608	(2,103,654)	117,660,023
Current liabilities:				
Accounts payable and accrued liabilities	838,562	-	-	838,562
Class A units - current portion ^(e)	-	51,260	-	51,260
Mortgages payable - current portion	-	-	2,103,654	2,103,654
	838,562	51,260	2,103,654	2,993,476
	68,568,631	52,084,868	-	120,653,499
Net assets (liabilities) attributable to unitholders ^{(d) (e) (f) (g)}	43,747,879	(45,779,545)	-	(2,031,666)
	\$ 112,316,510	\$ 6,305,323	\$ -	\$ 118,621,833

See footnotes

PURE INDUSTRIAL REAL ESTATE TRUST

Notes to the Condensed Interim Financial Statements
(Unaudited)

4. First-time adoption of IFRS (continued):

(c) Reconciliation of Financial Position at December 31, 2010:

	Previous GAAP ^(a)	Effect of transition to IFRS ^(b)	Other Presentation Changes ^(c)	IFRS
ASSETS				
Non-current assets:				
Income producing properties ^(d)	\$ 177,666,128	\$ (177,666,128)	\$ -	\$ -
Intangible assets ^(d)	16,827,567	(16,827,567)	-	-
Investment properties ^(d)	-	205,641,849	-	205,641,849
Leasing costs ^(d)	37,463	(37,463)	-	-
Mortgage reserve fund	378,422	-	-	378,422
	194,909,580	11,110,691	-	206,020,271
Current assets:				
Prepaid expenses	88,345	-	-	88,345
Amounts receivable ^(d)	1,759,935	(1,726,331)	-	33,604
Cash held in trust	1,798,184	-	-	1,798,184
Cash	3,566,352	-	-	3,566,352
	7,212,816	(1,726,331)	-	5,486,485
	\$ 202,122,396	\$ 9,384,360	\$ -	\$ 211,506,756
LIABILITIES AND NET ASSETS (LIABILITIES) ATTRIBUTABLE TO UNITHOLDERS				
Non-current liabilities:				
Class A units ^(e)	\$ -	\$ 95,496,457	\$ -	\$ 95,496,457
Class B units ^(e)	-	1,115,788	-	1,115,788
Unit based compensation accrual ^(f)	-	504,526	-	504,526
Mortgages payable ^(g)	114,058,092	(695,884)	(17,154,967)	96,207,241
Rental deposits	757,400	-	-	757,400
	114,815,492	96,420,887	(17,154,967)	194,081,412
Current liabilities:				
Accounts payable and accrued liabilities	1,881,148	-	-	1,881,148
Class A units - current portion ^(e)	-	95,592	-	95,592
Unit based compensation accrual – current portion ^(f)	-	236,574	-	236,574
Mortgages payable - current portion	-	-	17,154,967	17,154,967
Bank loans	2,839,671	-	-	2,839,671
	4,720,819	332,166	17,154,967	22,207,952
	119,536,311	96,753,053	-	216,289,364
Net assets (liabilities) attributable to unitholders ^{(d) (e) (f) (g)}	82,586,085	(87,368,693)	-	(4,782,608)
	\$ 202,122,396	\$ 9,384,360	\$ -	\$ 211,506,756

See footnotes

PURE INDUSTRIAL REAL ESTATE TRUST

Notes to the Condensed Interim Financial Statements
(Unaudited)

4. First-time adoption of IFRS (continued):

(d) Reconciliation of net loss for the three months ended March 31, 2010:

	Previous GAAP (a)	Effect of transition to IFRS (b)	Other Presentation Changes (c)	IFRS
Revenues:				
Rental and recoveries	\$ 1,993,038	\$ -	\$ -	\$ 1,993,038
Interest and other	2,779	-	(2,779)	-
	1,995,817	-	(2,779)	1,993,038
Property recoverable operating expenses:				
Insurance	20,272	-	-	20,272
Management fees	9,219	-	-	9,219
Recoverable operating costs	125	-	-	125
Property taxes	352,476	-	-	352,476
	382,092	-	-	382,092
Earnings from property operations	1,613,725	-	(2,779)	1,610,946
Other expenses:				
Amortization of properties, leasing costs and intangible assets (d)	452,983	(452,983)	-	-
Mortgage interest	571,121	-	(571,121)	-
Mortgage transaction costs (g)	272,794	(272,794)	-	-
General and administrative expenses (h)	76,035	82,879	-	158,914
Interest on bank loans	28,547	-	(28,547)	-
Valuation (gain) loss on investment properties (d)	-	339,466	-	339,466
	1,401,480	(303,432)	(599,668)	498,380
Net earnings before finance expense	212,245	303,432	596,889	1,112,566
Finance income	-	-	2,779	2,779
Finance expenses (e) (g)	-	(2,565,336)	(599,668)	(3,165,004)
Net finance expense	-	(2,565,336)	(596,889)	(3,162,225)
Net income (loss) and comprehensive income (loss)	\$ 212,245	\$ (2,261,904)	\$ -	\$ (2,049,659)

See footnotes

PURE INDUSTRIAL REAL ESTATE TRUST

Notes to the Condensed Interim Financial Statements
(Unaudited)

4. First-time adoption of IFRS (continued):

(e) Reconciliation of net loss for the three months ended December 31, 2010:

	Previous GAAP ^(a)	Effect of transition to IFRS ^(b)	Other Presentation Changes ^(c)	IFRS
Revenues:				
Rental and recoveries	\$ 14,339,273	\$ -	\$ -	\$ 14,339,273
Interest and other	83,441	-	(83,441)	-
	14,422,714	-	(83,441)	14,339,273
Property recoverable operating expenses:				
Insurance	143,029	-	-	143,029
Management fees	101,011	-	-	101,011
Recoverable operating costs	45,693	-	-	45,693
Property taxes	2,308,144	-	-	2,308,144
	2,597,877	-	-	2,597,877
Earnings from property operations	11,824,837	-	(83,441)	11,741,396
Other expenses:				
Amortization of properties, leasing costs and intangible assets ^(d)	3,206,371	(3,206,371)	-	-
Mortgage interest	4,427,197	-	(4,427,197)	-
Mortgage transaction costs ^(g)	711,397	(711,397)	-	-
General and administrative expenses ^(f)	329,524	445,874	289,221	1,064,619
Interest on bank loans	66,038	-	(66,038)	-
IFRS costs	29,495	-	(29,495)	-
Unit based compensation expense	259,726	-	(259,726)	-
Valuation (gain) loss on investment properties ^(d)	-	13,817	-	13,817
	9,029,748	(3,458,077)	(4,493,235)	1,078,436
Net earnings before finance expense	2,795,089	3,458,077	4,409,794	10,662,960
Finance income	-	-	83,441	83,441
Finance expenses ^{(e) (g)}	-	(11,053,767)	(4,493,235)	(15,547,002)
Net finance expense	-	(11,053,767)	(4,409,794)	(15,463,561)
Net income (loss) and comprehensive income (loss)	\$ 2,795,089	\$ (7,595,690)	\$ -	\$ (4,800,601)

See footnotes

PURE INDUSTRIAL REAL ESTATE TRUST

Notes to the Condensed Interim Financial Statements
(Unaudited)

5. Explanations of significant adjustments:

- (a) Represents amounts reported under Previous GAAP. Previous GAAP balances as at January 1, 2010 agree to December 31, 2009 balances reported in the Trust's 2009 Annual Report. Previous GAAP balances as at and for the three months ended March 31, 2010, have been reclassified to conform to the presentation at December 31, 2010.
- (b) Represents the impact on financial statements of transition to IFRS from Previous GAAP, except for presentation changes. The significant adjustments are described below, beginning at (d).
- (c) Represents other presentation changes to comply with IFRS. A description of significant reclassifications are as follows:
 - (i) Under IFRS, the Trust is presenting a classified statement of financial position. A classified statement of financial position is one which distinguishes current from non-current assets and liabilities. A current asset, or liability, is generally one that is expected to settle within 12 months after the end of the reporting date. Therefore, mortgages payable that are due within 1 year are considered current liabilities under IFRS. The statement of financial position was not presented as classified under Previous GAAP.
 - (ii) Under IFRS, the Trust is grouping finance income and finance expenses together for statement presentation. Under Previous GAAP, the items that make up finance income and finance expenses were presented individually on the statement of loss and comprehensive income.
- (d) Investment properties:

Under Previous GAAP, the Trust's income producing properties and intangible assets were recorded at cost less accumulated amortization and impairment charges. The intangible assets consisted of the value of the in-place leases at the time the Trust acquired an income producing property. Under IFRS, income producing properties and intangible assets are presented as investment properties. The Trust has elected to measure its investment properties at fair value at January 1, 2010 and continue to carry them at fair value for future periods.

Under Previous GAAP, the Trust presented the accrued operating lease income and leasing costs as separate assets – part of amounts receivable and deferred expenses. To avoid double count of investment properties, both assets were included in investment properties under IFRS.

PURE INDUSTRIAL REAL ESTATE TRUST

Notes to the Condensed Interim Financial Statements
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5. Explanations of significant adjustments (continued):

(d) Investment properties (continued):

On the Transition Date, the increase in the carrying value of investment properties is due to the fair value adjustment, which resulted in an increase in carrying value of \$6.2 million. The impacts on the financial statements are as follows:

	As at and for the year ended December 31, 2010	As at and for the three months ended March 31, 2010	As at January 1, 2010
Statement of Financial Position			
Decrease in income producing properties	\$ (177,666,128)	\$ (100,219,859)	\$ (63,497,481)
Decrease in intangible assets	(16,827,567)	(7,136,056)	(1,988,192)
Increase in investment properties	205,641,849	114,460,000	72,370,000
Decrease in amounts receivable	(1,726,331)	(798,762)	(692,521)
Decrease in leasing costs	(37,463)	-	-
Increase in net assets (liabilities) attributable to unitholders	9,384,360	6,305,323	6,191,806
Statement of Loss and Comprehensive Income			
Decrease in amortization of properties, leasing costs and intangible assets	(3,206,371)	(452,983)	-
Valuation (gain) loss on investment properties	13,817	339,466	-

(e) Class A Units and Class B Units:

Under Previous GAAP, Class A units and Class B units were presented as equity. Under IFRS, they are classified as financial liabilities due to the following:

- (i) a contractual obligation arising to deliver cash or another financial asset to another entity;
- (ii) Class A units and Class B units are equally subordinate, and
- (iii) Class A units and Class B units do not have identical features.

Prior to November 18, 2010, the mandatory requirement to distribute taxable income under the Trust's Declaration of Trust constituted such a contractual obligation, in (i) above. On November 18, 2010, the Declaration of Trust, with the consent of the Unitholders, was modified to eliminate the mandatory distribution and leave distributions to the discretion of the Trustees. Upon elimination of the mandatory distribution requirement, (i) above was no longer a factor in the units being classified as financial liabilities.

As Class A units and Class B units are separate classes of units that are equally subordinate but do not have identical terms, they meet the definition of a financial liability.

At January 1, 2010, March 31, 2010 and December 31, 2010, the Class A units and Class B units are presented as a liability on the IFRS Statement of Financial Position. The Trust has designated these financial liabilities as other financial liabilities and measures them at amortized cost. The amount presented as a liability at each reporting date is representative of the number of units outstanding multiplied by the public offering price at date of issue. Related offering costs and distributions recognized as equity under Previous GAAP, are recognized as finance expenses under IFRS.

PURE INDUSTRIAL REAL ESTATE TRUST

Notes to the Condensed Interim Financial Statements
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5. Explanations of significant adjustments (continued):

(e) Class A Units and Class B Units (continued):

The impacts on the financial statements are as follows:

	As at and for the year ended December 31, 2010	As at and for the three months ended March 31, 2010	As at January 1, 2010
Statement of Financial Position			
Increase in class A units	\$ 95,496,457	\$ 51,208,539	\$ 29,630,139
Increase in class B units	1,115,788	1,115,788	1,115,788
Increase in class A units – current portion	95,592	51,260	29,660
Decrease in net assets (liabilities) attributable to unitholders	(96,707,837)	(52,375,587)	(30,775,587)
Statement of Loss and Comprehensive Income			
Increase in finance expenses	10,891,447	2,554,833	-

(f) Unit based compensation:

Under Previous GAAP, the units issued under the unit based compensation plan were accounted for as cash-settled share-based compensation. The liability was included in contributed surplus, within unitholders' equity, with a corresponding amount recorded as compensation expense. The compensation expense was measured at the grant date fair value of the number of units that would vest if the vesting date were to be the balance sheet date, provided that the performance conditions were considered probable of achievement. The unit based compensation expense was recognized over the vesting period. Under IFRS, liabilities related to PIRET's restricted stock unit plan are measured at fair value at the grant date and re-measured each reporting date. The fair value changes are recorded as general and administrative expenses on the statements of loss and comprehensive income. In order to determine the fair value, the Trust must make forward looking assumptions (see note 9) regarding the various factors that affect the compensation expense payable at vesting date. The impacts on the financial statements are as follows:

	As at and for the year ended December 31, 2010	As at and for the three months ended March 31, 2010	As at January 1, 2010
Statement of Financial Position			
Increase in unit based compensation accrual	\$ 504,516	\$ 118,379	\$ 35,500
Increase in unit based compensation accrual – current portion	236,574	-	-
Decrease in net assets (liabilities) attributable to unitholders	(741,090)	(118,379)	(35,500)
Statement of Loss and Comprehensive Income			
Increase in general and administrative expenses	445,874	82,879	-

PURE INDUSTRIAL REAL ESTATE TRUST

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5. Explanations of significant adjustments (continued):

(g) Mortgage transaction costs:

Under Previous GAAP, the Trust recognized mortgage transaction costs in profit or loss as incurred. Under IFRS, mortgage transaction costs are deducted from the fair value of the mortgage at initial recognition and therefore form part of the carrying amount of the debt instrument. As mortgages payable are financial liabilities and measured at amortized cost, the carrying value of the transaction costs are amortized over the term of the related mortgage using the effective interest rate. Mortgage interest recognized as mortgage interest expense under Previous GAAP, is recognized as finance expenses under IFRS. The impacts on the financial statements are as follows:

	As at and for the year ended December 31, 2010	As at and for the three months ended March 31, 2010	As at January 1, 2010
Statement of Financial Position			
Decrease in mortgages payable	\$ (695,884)	\$ (409,098)	\$ (146,807)
Increase in net assets (liabilities) attributable to unitholders	695,884	409,098	146,807
Statement of Loss and Comprehensive Income			
Increase in finance expenses	162,320	10,503	-
Decrease in mortgage transaction costs	(711,397)	(272,794)	-

6. IFRS Impact on the Statement of Cash Flows:

The IFRS adjustments made to the comparative Statement of Loss and Comprehensive Income for the three months ended March 31, 2010 have been made to the Statement of Cash Flows as at the same date. There were no other significant IFRS transition differences noted.

7. Investment property:

During the three months ended March 31, 2011, PIRET acquired three investment properties for a total of \$64,430,000, plus standard closing costs and adjustments of \$1,563,517, resulting in a total purchase price of \$65,993,517.

	2011
Balance, January 1, 2011	\$ 205,641,849
Acquisitions	65,993,517
Capital additions to investment property	124,425
Accrued rental revenue	349,762
Change in fair value	(1,913,279)
Balance, March 31, 2011	\$ 270,196,274

PURE INDUSTRIAL REAL ESTATE TRUST

Notes to the Condensed Interim Financial Statements
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7. Investment property (continued):

	2010
Balance, January 1, 2010	\$ 72,370,000
Acquisitions	132,209,591
Capital additions to investment property	1,033,810
Accrued rental revenue	42,265
Change in fair value	(13,817)
Balance, March 31, 2010	\$ 205,641,849

The investment properties are pledged as security against the mortgages payable and bank loans.

The fair value of the investment properties has been determined on a market value basis in accordance with Canadian Uniform Standards of Professional Appraisal Practice. As set out in Note 2, in arriving at their estimates of market values, management, along with the appraisers, have used their market knowledge and professional judgment and did not rely solely on historical transactional comparisons.

The appraisals were performed by accredited independent appraisers with recognized and relevant professional qualifications and with recent experience in the location and category of the investment property being valued.

Management reviews each appraisal and ensures the assumptions used below are reasonable and the final fair value amount reflects those assumptions used in the determination of the fair market values of the properties.

The Trust does not obtain appraisals for each property at each reporting date. Where the Trust does not obtain an appraisal for a specific investment property at the reporting date, management reviews specific indicators (i.e. market conditions, discount rate changes, etc.) and determines whether a change in fair value has occurred.

PURE INDUSTRIAL REAL ESTATE TRUST

Notes to the Condensed Interim Financial Statements
(Unaudited)

7. Investment property (continued):

The significant assumptions made relating to the valuations are set out below:

	Discount rate (Income approach - yield method)	Capitalization rate (Income approach – capitalization method)	Price per square foot (Direct comparison approach)
March 31, 2011			
Maximum	9.50%	9.50%	\$ 260.00
Minimum	7.75%	5.75%	\$ 52.87
Weighted average	8.29%	7.12%	\$ 140.17
December 31, 2010			
Maximum	9.50%	9.50%	\$ 260.00
Minimum	7.75%	5.75%	\$ 52.87
Weighted average	8.47%	7.28%	\$ 128.51
January 1, 2010			
Maximum	9.50%	7.75%	\$ 250.00
Minimum	8.50%	5.50%	\$ 65.00
Weighted average	8.70%	6.71%	\$ 105.04

8. Mortgage reserve fund:

Refer to the Trust's financial statements for the year ended December 31, 2010 for a description of the Trust's mortgage reserve fund.

9. Cash held in trust:

Refer to the Trust's financial statements for the year ended December 31, 2010 for a description of the Trust's cash held in trust.

10. Class A units and Class B units:

(a) Class A units and Class B units:

	Class A units (authorized = unlimited)		Class B units (authorized = unlimited)	
	Number issued and outstanding	Carrying Value	Number issued and outstanding	Carrying Value
Balance, January 1, 2010	7,526,263	\$ 29,659,799	278,947	\$ 1,115,788
Issuance of units	19,615,000	65,932,250	-	-
Balance, December 31, 2010	27,141,263	95,592,049	278,947	1,115,788
Issuance of units	8,625,000	34,500,000	-	-
Balance, March 31, 2011	35,766,263	\$ 130,092,049	278,947	\$ 1,115,788

Refer to the Trust's financial statements for the year ended December 31, 2010 for a description of the Trust's class A and class B units.

PURE INDUSTRIAL REAL ESTATE TRUST

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10. Class A units and Class B units (continued):

(b) 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 Class A units and 5% to the Class B units. During the period ended March 31, 2011, the Trust announced cash distributions to Class A unitholders of \$0.025 per unit per month for a total of \$2,682,470 (period ended March 31 2010 - \$924,470). The Trust also announced a cash distribution to Class B unitholders of \$141,183 (period ended March 31 2010 - \$48,656).

11. Restricted unit plan:

Refer to the Trust's financial statements for the year ended December 31, 2010 for a description of the Trust's restricted unit plan.

	Restricted Units issued and outstanding	Restricted Units (distributions) issued and outstanding	Total Restricted Units issued and outstanding	Carrying Value
Balance, January 1, 2010	82,382	10,788	93,170	\$ 35,500
Issuance of units	41,676	9,244	50,920	189,619
Fair Value Adjustment				515,981
Balance, December 31, 2010	124,058	20,032	144,090	741,100
Issuance of units	-	2,181	2,181	9,304
Fair Value Adjustment	-	-	-	7,263
Balance, March 31, 2011	124,058	22,213	146,271	\$ 757,667

The restricted units are measured at fair value each reporting period and recognized as an expense over the vesting period, with a corresponding adjustment to liabilities. As at March 31, 2011, 51,860 units were vested to the Trustees (December 31, 2010 – nil). The weighted average assumptions used in their determination are as noted below:

	March 31, 2011	December 31, 2010	January 1, 2010
Annual dividend per unit	\$0.30	\$0.30	\$0.30
Discount rate	25%	25%	25%
Probability of meeting performance factor	100%	100%	10%

As at March 31, 2011, the weighted average contractual life of the contracts was 0.9 years (December 31, 2010 – 1.1 years).

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12. Mortgages payable:

Mortgages payable are recorded at amortized cost and bear a weighted effective interest rate of 5.13% as at March 31, 2011 (December 31, 2010 - 5.20%).

Mortgages payable are secured by charges on the Trust's investment properties.

The amount of mortgages payable on March 31, 2011 was \$150,284,918 (December 31, 2010 - \$113,362,208). Included in mortgages payable are the related unamortized mortgage transaction costs of \$958,956 as at March 31, 2011 (December 31, 2010 - \$695,884), which are amortized over the term of each mortgage, using the effective interest rate method.

Principal repayments, as of March 31, 2011, based on scheduled repayments to be made on the mortgages payable over the next five years and thereafter are as follows:

Remaining of 2011	\$	4,481,366
2012		11,099,929
2013		5,001,252
2014		5,549,649
2015		56,866,413
Thereafter		68,245,265
	\$	151,243,874

13. Notes payable:

Refer to the Trust's financial statements for the year ended December 31, 2010 for a description of the Trust's notes payable.

14. Finance income and finance expense:

	Three months ended March 31, 2011	Three months ended March 31, 2010
Finance income		
Interest and other income	\$ 72,092	\$ 2,779
Finance expenses		
Mortgage interest	1,732,426	581,624
Interest expense on loans	15,867	28,547
Class A unit offering costs	1,950,132	1,581,707
Distributions to Class A unitholders	2,682,470	924,470
Distributions to Class B unitholders	141,183	48,656
	\$ 6,522,078	\$ 3,165,004

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Notes to the Condensed Interim Financial Statements
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15. Fair value:

The fair value of a financial instrument is the amount of consideration that could be agreed upon in an arm's-length transaction between knowledgeable, willing parties who are under no compulsion to act. In certain circumstances, however, the fair value may be based on other observable current market transactions in the same instrument, without modification or on a valuation technique using market-based inputs. For certain of the Trust's financial instruments, including cash, cash held in trust, amounts receivable, accounts payable and accrued liabilities, unit based compensation accrual, bank loans, the carrying values approximate their fair values due to their short-term nature.

The fair values of the mortgage reserve fund and mortgages payable have been calculated based on discounted future cash flows using discount rates that reflect current market conditions for instruments having similar terms and conditions (Level 2). Discount rates are either provided by lenders or are observable in the open market.

The fair value of the Class A units has been calculated based on quoted prices in the active markets for identical assets or liabilities (Level 1). Prices of units and units outstanding are observable in the open market.

The fair value of the Class B units has been calculated based on quoted prices in active markets for similar assets or liabilities or valuation techniques where significant inputs are based on observable market data (Level 2). Class B units are entitled to 5% of PIRET's market capitalization, which is observable in the open market.

	March 31, 2011		December 31, 2010	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Mortgage reserve fund	\$ 921,928	\$ 898,521	\$ 378,422	\$ 227,053
Mortgages payable	150,284,918	152,527,361	113,362,208	112,660,420
Class A units	130,092,049	155,940,907	95,592,049	120,236,214
Class B units	1,115,788	8,207,416	1,115,788	6,328,222

16. Capital management:

Refer to the Trust's financial statements for the year ended December 31, 2010 for a description of the Trust's capital management policy.

The Trust's indebtedness level is 54% as at March 31, 2011 (December 31, 2010 - 55%).

The monthly distribution to Class A unitholders was \$0.025 per unit for the period ended March 31, 2011 (year ended December 31, 2010 - \$0.025).

The Trust is in compliance with all investment and debt restrictions pursuant to the Trust Declaration for the period ended March 31, 2011 and for the year ended December 31, 2010.

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Notes to the Condensed Interim Financial Statements
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16. Capital management (continued):

The capital structure consisted of the following components at March 31, 2011 and December 31, 2010.

	March 31, 2011	December 31, 2010	Change
Capital			
Class A units	\$ 129,961,957	\$ 95,496,457	\$ 34,465,500
Class B units	1,115,788	1,115,788	-
Units based compensation accrual	531,559	504,526	27,033
Mortgages payable	144,812,136	96,207,241	48,604,895
Net assets (liabilities) attributable to unitholders	(8,639,872)	(4,782,608)	(3,857,264)
Total Capital	\$ 267,781,568	\$ 188,541,404	\$ 79,240,164

Total capital increased significantly primarily due to the mortgage proceeds from new acquisitions and the issuance of additional trust units related to the private placement and the bought deals, offset by repayment of mortgage principal and distributions to unitholders for the period ended March 31, 2011.

17. Risk management:

In the normal course of business, the Trust is exposed to a number of risks from its use of financial instruments. These risks, and the actions taken to manage them, are as follows:

(a) Credit risk and economic dependence:

The Trust's exposure to credit risk is influenced mainly by the individual characteristics of each tenant.

The Trust is exposed to credit risk in the event of non-payment of rent and recoveries by its tenants. This risk is mitigated by obtaining advance deposits and initiating a prompt collection process. The amount of trade receivables at March 31, 2011 was \$1,116 (December 31, 2010 - \$5,386), which included only \$692 past due.

The Trust earned approximately 23% (2010 - 18%) of its revenue from a single tenant.

The mortgage reserve fund held by the lenders is recoverable once certain conditions are met, but no later than the maturity of the mortgages. The Trust does not believe that there is any material credit risk associated with the mortgage reserve fund.

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17. 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 interest rate risk from the interest rate differentials between the market rate and the rates used on these financial instruments. Mortgages payable bear interest at fixed rates; therefore the Trust is not exposed to significant interest rate risk.

(c) Liquidity risk:

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 PIRET's ability to vary its portfolio promptly in response to changing economic or investment conditions. If PIRET were required to liquidate a real property investment, the proceeds to PIRET might be significantly less than the aggregate carrying value of such property.

The terms and conditions of outstanding mortgages were as follows:

	Nominal interest rate	Year of maturity	Carrying value	
			March 31, 2011	December 31, 2010
Mabe	5.677%	2016	\$ 7,916,929	\$ 7,952,966
Team Tube	4.490%	2018	12,778,759	12,868,553
333 De Baets	5.500%	2011	1,574,705	1,585,146
Tornado	5.670%	2012	2,527,414	2,550,153
Eurospec	5.382%	2015	4,482,908	4,509,925
Shanahan - 57th	5.926%	2018	4,927,404	4,955,097
Shanahan portfolio - AB	5.754%	2012	4,950,222	4,993,855
Viking	5.160%	2017	4,604,899	4,640,596
Transforce	4.950%	2015	20,171,934	20,335,226
Moncton	6.210%	2014	1,553,035	1,564,341
Advance portfolio - SK	4.800%	2015	8,365,252	8,433,324
Advance portfolio - AB	4.800%	2015	10,124,477	10,206,846
Clegg Rd	5.510%	2015	6,110,791	6,140,933
Top-Co	5.350%	2020	9,509,080	9,558,212
Finley	4.160%	2015	5,379,333	5,400,000
Matheson	4.160%	2015	2,072,040	2,080,000
Thornton	4.286%	2015	5,190,515	5,220,000
Paramount	5.500%	2013	1,056,614	1,062,919
Express	5.020%	2021	25,947,563	-
194 th Street	4.620%	2018	12,000,000	-
Total mortgages principal payable			151,243,874	114,058,092
Unamortized mortgage transaction costs			(958,956)	(695,884)
Total carrying value of mortgages payable			\$150,284,918	\$113,362,208

PURE INDUSTRIAL REAL ESTATE TRUST

Notes to the Condensed Interim Financial Statements
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17. Risk management (continued):

(c) Liquidity risk (continued):

PIRET refinanced the Team Tube mortgage in March 2011. The original mortgage maturing in April 2011 was extended to April 2018, at lesser rate of 4.49% with the same lender commencing May 2011. PIRET intends to refinance any mortgages which mature within six months.

18. Related party transactions:

PIRET is related to Sunstone Realty Advisors (2005) Inc. and Sunstone Industrial Investments Inc. by virtue of having some officers and directors in common.

PIRET has entered into an asset management agreement with Sunstone Industrial Advisors Inc. ("Sunstone Management") whereby Sunstone Management will provide asset management, administrative and reporting services to PIRET. In accordance with 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 March 31, 2011, Sunstone Management charged PIRET \$nil (2010 - \$nil) pursuant to the Asset Management Agreement.

During the period ended March 31, 2011, PIRET had \$nil key management personnel compensation (2010 - \$nil).

PIRET is related to a mortgage brokerage firm by virtue of having trustees and directors in common. PIRET paid the firm a mortgage brokerage fee in the amount of \$135,120 for arranging the financing of Viking, Transforce, Advance portfolio and Top-Co during the year ended December 31, 2010, \$95,000 was paid during the period ended March 31, 2011 for financing of Express and 194th Street. It is in management's opinion that the mortgage brokerage fees are in line with current market rates.

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19. Operating segments:

The Trust has 7 reportable segments, which are: British Columbia (BC), Alberta (AB), Manitoba (MB), Saskatchewan (SK), Ontario (ON), Quebec (QC), and New Brunswick (NB). For each of the geographic locations, the Chief Executive Officer (CEO) reviews operations based on earnings from property operations by geographic location, which is presented below.

Three months ended March 31, 2011	BC	AB	SK	MB	ON	QC	NB	Total (1)
REVENUES								
Rental and recoveries	1,108,348	2,231,426	378,377	369,000	1,174,842	583,889	120,653	5,966,535
EXPENSES								
Insurance	-	7,355	-	5,182	10,432	4,541	852	28,362
Management fees	10,551	22,583	937	10,437	16,340	1,538	4,039	66,425
Recoverable operating costs	(8)	231	-	28,516	39,245	231	11,083	79,298
Property taxes	227,062	239,100	45,691	68,556	263,238	170,487	24,505	1,038,639
	237,605	269,269	46,628	112,691	329,255	176,797	40,479	1,212,724
EARNINGS FROM PROPERTY OPERATIONS	870,743	1,962,157	331,749	256,309	845,587	407,092	80,174	4,753,811
OTHER EXPENSES								
General and administrative expenses								247,810
Valuation loss from investment properties								1,913,279
								2,161,089
NET EARNINGS BEFORE NET FINANCE EXPENSE								2,592,722
Finance income								72,092
Finance expenses								(6,522,078)
Net finance expense								(6,449,986)
NET LOSS AND COMPREHENSIVE LOSS								(3,857,264)

Three months ended March 31, 2010	BC	AB	SK	MB	ON	QC	NB	Total (1)
REVENUES								
Rental and recoveries	331,521	923,117	-	108,700	269,190	356,542	3,968	1,993,038
EXPENSES								
Insurance	1,500	9,772	-	1,696	3,203	3,040	1,061	20,272
Management fees	1,125	4,844	-	375	2,875	-	-	9,219
Recoverable operating costs	-	100	-	25	-	-	-	125
Property taxes	53,326	101,386	-	22,324	71,301	104,139	-	352,476
	55,951	116,102	-	24,420	77,379	107,179	1,061	382,092
EARNINGS FROM PROPERTY OPERATIONS	275,570	807,015	-	84,280	191,811	249,363	2,907	1,610,946
OTHER EXPENSES								
General and administrative expenses								158,914
Valuation loss from investment properties								339,466
								498,380
NET EARNINGS BEFORE NET FINANCE EXPENSE								1,112,566
Finance income								2,779
Finance expenses								(3,165,004)
Net finance expense								(3,162,225)
NET LOSS AND COMPREHENSIVE LOSS								(2,049,659)

- (1) Other expenses and finance (income) expenses above are not considered necessary to reconcile to the geographical segments as they are not allocated by the Trust to the defined segments.

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Notes to the Condensed Interim Financial Statements
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19. Operating segments (continued):

The following table shows the fair value of investment properties in each province.

Investment properties	March 31, 2011		December 31, 2010	
	Percentage	Amount	Percentage	Amount
Alberta	35.71%	\$ 96,474,425	46.85%	\$ 96,350,000
British Columbia	29.45%	79,580,000	10.31%	21,200,000
Saskatchewan	4.55%	12,300,000	5.98%	12,300,000
Manitoba	5.18%	14,000,000	6.81%	14,000,000
Ontario	16.99%	45,901,849	19.38%	39,851,849
Quebec	7.09%	19,150,000	9.31%	19,150,000
New Brunswick	1.03%	2,790,000	1.36%	2,790,000
Total	100.00%	\$ 270,196,274	100.00%	\$ 205,641,849

20. Leases:

PIRET has entered into leases on its property portfolio. The commercial property leases typically have lease terms between 5 to 25 years and include renew options with rental rates according to prevailing market conditions. 82% of the current properties are leased to single tenants.

Future minimum rental revenue receivable under non-cancellable operating leases are as follows:

	As at March 31, 2011	As at March 31, 2010
Within 1 year	\$ 17,266,907	\$ 12,980,322
Years 2 - 5	77,963,226	82,254,374
Greater than 5 years	153,102,028	166,077,787
	\$ 248,332,161	\$ 261,312,483

21. Income taxes:

The Trust is a REIT and a "mutual fund trust" for tax purposes. The Trust intends to distribute all taxable income for the year to unitholders, and to deduct such distribution for income tax purposes. The Trust intends to continue to operate in a manner so as to qualify as a REIT and as a "mutual fund trust" for tax purposes. Accordingly, no provision for income taxes has been recorded in the Trust's financial statements.

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Notes to the Condensed Interim Financial Statements
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22. Subsequent events:

- (a) On April 14, 2011, PIRET purchased 80 Rooney Crescent in Moncton, New Brunswick for \$5,074,313 plus standard closing costs and adjustments.
- (b) On April 15, 2011, PIRET purchased 7660 Vantage Way, Delta, British Columbia for \$9,300,000 plus standard closing costs and adjustments. PIRET financed the purchase with a \$4,300,000 mortgage payable and cash.
- (c) In April 2011, PIRET established a demand operating credit line with a bank, secured by 310 De Baets Street, with a credit limit of \$5,000,000, bearing interest at prime rate plus 1% per annum. As at June 15, 2011, PIRET has zero balance drawn on the line.
- (d) In April 2011, PIRET established a demand operating credit line with a bank, secured by 1 Rutherford Court, Guelph, ON, with a credit limit of \$3,900,000, bearing interest at prime rate plus 1% per annum. As at June 15, 2011, PIRET has not drawn on the line.
- (e) In April 2011, PIRET established a demand operating credit line, secured by 80 Rooney Crescent in Moncton, with a credit limit of \$3,300,000, bearing interest at prime rate plus 1% per annum. As at June 15, 2011, PIRET has not drawn on the line.
- (f) On May 17, 2011, PIRET closed a public offering of 14,605,000 trust units including 1,905,000 units from the over-allotment, on a bought deal basis, at a price of \$4.10 per unit, for total gross proceeds of \$59,880,500.
- (g) On May 20, 2011, PIRET purchased 5645 70th Street, Edmonton, Alberta for \$28,775,000 plus standard closing costs and adjustments. PIRET financed the purchase with an \$18,700,000 mortgage payable and cash.
- (h) On May 31, 2011, a Determination Event as defined in the Declaration of Trust occurred, as a result of the Trust's market capitalization exceeding \$200,000,000 for a period of 10 consecutive trading days. Upon the occurrence of the Determination Event, the number of Class A units into which the Class B units may be converted was fixed at 2,535,118. Commencing upon the Determination Event, the Class B unitholders' proportion of the Trust's total distributions will fluctuate depending on the number of Class A units outstanding from time to time.
- (i) On June 8, 2011, PIRET purchased a portfolio of properties located in the Greater Toronto Area, Edmonton, and Calgary for \$70,145,000 plus standard closing costs and adjustments. PIRET financed the purchase with a \$47,000,000 mortgage payable and cash.