

Financial Statements of

PURE INDUSTRIAL REAL ESTATE TRUST

Period ended September 30, 2009

Unaudited - prepared by management

UNAUDITED INTERIM FINANCIAL STATEMENTS

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed the unaudited financial statements for the period ended September 30, 2009.

PURE INDUSTRIAL REAL ESTATE TRUST

Balance Sheets

	September 30, 2009	December 31, 2008
	<i>(Unaudited)</i>	<i>(Audited)</i>
ASSETS		
Income producing properties (note 3)	\$ 63,819,508	\$ 65,721,618
Intangible assets (note 4)	2,062,115	2,306,138
Mortgage reserve fund	240,396	670,496
Prepaid expenses	221,257	30,278
Amounts receivable	644,718	417,341
Cash held in trust	24	441
Cash	376,531	218,691
	\$ 67,364,549	\$ 69,365,003
LIABILITIES		
Mortgages payable	\$ 41,303,535	\$ 42,652,870
Accounts payable and accrued liabilities	764,126	697,129
Demand note (note 10)	125,000	225,000
Rental deposits	204,625	211,289
Notes payable (note 5)	192,101	102,974
	42,589,387	43,889,262
UNITHOLDERS' EQUITY		
Unitholders' equity (note 6)	24,775,162	25,475,741
	\$ 67,364,549	\$ 69,365,003

See accompanying notes to financial statements.

"Douglas R. Scott" Trustee
Douglas R. Scott

"Stephen J. Evans" Trustee
Stephen J. Evans

PURE INDUSTRIAL REAL ESTATE TRUST

Statements of Earnings and Comprehensive Income
Unaudited – prepared by management

	Nine months ended September 30		Three months ended September 30	
	2009	2008	2009	2008
REVENUES				
Rental and recoveries	\$4,999,902	\$4,923,012	\$1,657,936	\$1,624,101
Interest and other	34,100	55,374	3,331	6,587
	5,034,002	4,978,386	1,661,267	1,630,688
PROPERTY RECOVERABLE OPERATING EXPENSES				
Insurance	45,640	53,845	16,336	13,500
Management fees	28,281	29,028	9,218	9,673
Recoverable operating costs	4,604	906	4,283	802
Taxes	955,223	843,521	315,833	289,548
	1,033,748	927,300	345,670	313,523
EARNINGS BEFORE THE UNDERNOTED	4,000,254	4,051,086	1,315,597	1,317,165
NON-RECOVERABLE EXPENSES				
Amortization	1,195,356	1,179,239	395,950	393,131
Mortgage interest	1,745,058	1,807,357	579,092	601,667
Mortgage transaction costs	–	25,979	–	12,139
General and administrative expenses	106,340	152,724	21,035	32,863
Interest expenses on demand loan	7,499	2,686	2,199	2,686
	3,054,253	3,167,985	998,276	1,042,486
INCOME BEFORE THE DISPOSITION	946,001	883,101	317,321	274,679
Gain on disposal of properties	135,956	–	–	–
NET EARNINGS AND COMPREHENSIVE INCOME	\$1,081,957	\$ 883,101	\$ 317,321	\$ 274,679
Basic net earnings per unit				
Trust units (7,526,263 units / 7,521,531 units)	\$ 0.137	\$ 0.112	\$ 0.040	\$ 0.035
Subordinated units (278,947 units)	0.194	0.158	0.057	0.049
Diluted net earnings per unit				
Trust units (7,526,263 units / 7,521,531 units)	0.137	0.112	0.040	0.035
Subordinated units (278,947 units)	0.194	0.158	0.057	0.049

The weighted average number of trust units outstanding for the period ended September 30, 2009 was 7,526,263 and the weighted average number of trust units outstanding for the period ended September 30, 2008 was 7,521,531.

The weighted average number of subordinated units outstanding for the period ended September 30, 2009 was 278,947 and the weighted average number of subordinated units outstanding for the period ended September 30, 2008 was 278,947.

See accompanying notes to financial statements.

PURE INDUSTRIAL REAL ESTATE TRUST

Statements of Unitholders' Equity
Unaudited – prepared by management

	Units		Amount
Balance, December 31, 2007	7,728,948	\$	26,532,157
Issuance of units			
Trust units	76,263		289,799
Issuance costs	—		(67,878)
Net earnings	—		1,098,378
Distributions			
Trust units	—		(2,257,879)
Subordinated units	—		(118,836)
Balance, December 31, 2008	7,805,211	\$	25,475,741
Net earnings	—		1,081,957
Distributions			
Trust units	—		(1,693,409)
Subordinated units	—		(89,127)
Balance, September 30, 2009	7,805,211	\$	24,775,162

See accompanying notes to financial statements.

PURE INDUSTRIAL REAL ESTATE TRUST

Statements of Cash Flows

Unaudited – prepared by management

	Nine months ended September 30		Three months ended September 30	
	2009	2008	2009	2008
Cash provided by (used in):				
Operations:				
Net earnings	\$1,081,957	\$ 883,101	\$ 317,321	\$ 274,679
Items not involving cash:				
Amortization of discount on mortgage reserve fund	(9,900)	(16,308)	(2,147)	(5,500)
Amortization of intangible assets	223,651	237,058	73,924	79,019
Depreciation of income producing properties	971,705	942,181	322,026	314,112
Gain on sale of income producing properties	(135,956)	—	—	—
Changes in non-cash working capital items:				
(Increase) in amounts receivable	(227,377)	(134,309)	(58,304)	(16,453)
(Increase) decrease in prepaid expenses	(190,979)	(194,713)	105,924	111,888
Increase in rental deposit	—	28,928	—	31,096
Increase (decrease) in accounts payable and accrued liabilities	66,997	(843,287)	(99,486)	(21,109)
	1,780,098	902,651	659,258	767,732
Financing:				
Mortgage repayments	(1,349,335)	(660,135)	(235,813)	(227,214)
Mortgage reserve funds	440,000	—	300,000	—
Short-term loan repayments	(100,000)	—	(100,000)	—
Proceeds from notes payable	89,127	49,515	29,709	29,709
Net proceeds from issuance of units	—	221,921	—	—
Distributions to unitholders	(1,782,536)	(1,780,629)	(594,179)	(594,179)
	(2,702,744)	(2,169,328)	(600,283)	(791,684)
Investments:				
Costs related to purchase of income producing properties and related intangible assets (note 3)	(16,965)	(136,042)	—	(91,806)
Cash held in trust	417	29,103	—	12,710
Proceeds from disposal of income producing properties	1,176,336	—	—	—
Property disposal costs	(79,302)	—	—	—
	1,080,486	(106,939)	—	(79,096)
Change in cash	157,840	(1,373,616)	58,975	(103,048)
Cash, beginning of the period	218,691	1,479,380	317,556	208,812
CASH, END OF THE PERIOD	\$ 376,531	\$ 105,764	\$ 376,531	\$ 105,764
Supplemental cash flow information:				
Interest paid	\$1,763,317	\$1,778,689	\$ 591,859	\$ 718,085

PURE INDUSTRIAL REAL ESTATE TRUST

Statements of Cash Flows

Unaudited – prepared by management

Non-cash investing and financing activities:

The vendor assumed a security deposit in the amount of \$3,330 on the acquisition of 44th Street from PIRET in January 2009.

The vendor assumed a security deposit in the amount of \$3,334 on the acquisition of 225 Quebec Street from PIRET in June 2009.

Distributions to unitholders in the amount of \$188,157 were accrued as at December 31, 2008 and were paid in January 2009. Distributions to unitholders in the amount of \$188,157 were accrued as at September 30, 2009 and were paid in October 2009.

See accompanying notes to financial statements.

PURE INDUSTRIAL REAL ESTATE TRUST

Notes to Financial Statements

Period ended September 30, 2009 and September 30, 2008

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:

PIRET’s unaudited interim financial statements have been prepared in accordance with Canadian generally accepted accounting principles (“GAAP”) and are consistent with the significant accounting policies reported in the Trust’s audited financial statements for the year ended December 31, 2008, except as described in note 2(a) below. Under GAAP, additional disclosures are required in annual financial statements; therefore, these unaudited interim financial statements should be read in conjunction with the Trust’s audited financial statements for the year ended December 31, 2008.

(a) Changes in accounting policies:

Effective January 1, 2009, the Trust adopted a new accounting standard from the Canadian Institute of Chartered Accountants (“CICA”): Handbook Section 3064 “Goodwill and Intangible Assets”. This Section replaces CICA Handbook Section 3062 “Goodwill and Intangible Assets” and establishes revised standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets. The new accounting standard has no impact on the Trust’s financial results, financial position or cash flow for the prior or current periods.

(b) Future changes in accounting policy:

(i) Business combinations, non-controlling interest and consolidated financial statements:

In January 2009, the CICA issued Handbook Sections 1582 “Business Combinations”, 1601 “Consolidated Financial Statements” and 1602 “Non-controlling Interests” which replace CICA Handbook Sections 1582 “Business Combinations” and 1600 “Consolidated Financial Statements”. Section 1582 establishes standards for the accounting for business combinations that is equivalent to the business combination accounting standard after IFRS. Section 1582 is applicable for the Trust’s business combinations with acquisition dates on or after January 1, 2011. Section 1601 together with Section 1602 establishes standards for the preparation of consolidated financial statements. Section 1601 is applicable to the Trust’s interim and annual consolidated financial statements for its fiscal year beginning on January 1, 2011. Early adoption of these sections is permitted and all three sections must be adopted concurrently.

PURE INDUSTRIAL REAL ESTATE TRUST

Notes to Financial Statements

Period ended September 30, 2009 and September 30, 2008

2. Significant accounting policies (continued):

(b) Future changes in accounting policy (continued):

(ii) International financial reporting standards:

In February 2008, the CICA announced that Canadian generally accepted accounting principles (GAAP) for publicly accountable enterprises will be replaced by International Financial Reporting Standards (IFRS) for fiscal years beginning on or after January 1, 2011. Enterprises will be required to provide IFRS comparative information for the previous fiscal year. Accordingly, the conversion from Canadian GAAP to IFRS will be applicable to the Trust's reporting for the first quarter of 2011 for which the current and comparative information will be prepared under IFRS. The Trust is currently assessing the impact of the transition to IFRS and developing a plan accordingly.

Based upon the current state of IFRS, management has identified major differences between GAAP and IFRS that may impact the Trust's financial results. The main differences identified to date relate to the accounting for investment properties, joint ventures and business combinations, impairment testing for assets, income taxes, Trust units when the declaration of Trust requires that all taxable income be distributed and the effects of transitional provisions of IFRS for first-time adopters. While management has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

3. Income producing properties:

On January 1, 2009, PIRET sold its undivided interest in a small property, located at 509 – 44th Street East, Saskatoon, SK, for \$625,000 less standard closing costs and adjustments. The Trust paid off the mortgage on this property at the same time. On June 1, 2009, PIRET sold its undivided interest in another small property, located at 225 Quebec Street, Regina, SK, for \$558,000 less standard closing costs and adjustments. The Trust paid off the mortgage on this property at the same time. The gain on disposal of these properties determined as follows:

Gross proceeds	\$	1,183,000
Selling commission and legal fees		(79,302)
Net proceeds		1,103,698
Net book value of properties		967,742
Gain on disposal of properties	\$	135,956

September 30, 2009	Cost	Accumulated amortization	Net book value
Land	\$ 25,291,379	\$ –	\$ 25,291,379
Building	41,054,133	2,541,979	38,512,154
Equipment	16,965	990	15,975
Total	\$ 66,362,477	\$ 2,542,969	\$ 63,819,508

PURE INDUSTRIAL REAL ESTATE TRUST

Notes to Financial Statements

Period ended September 30, 2009 and September 30, 2008

3. Income producing properties (continued):

December 31, 2008	Cost	Accumulated amortization	Net book value
Land	\$ 25,468,640	\$ —	\$ 25,468,640
Building	41,860,425	1,607,447	40,252,978
Total	\$ 67,329,065	\$ 1,607,447	\$ 65,721,618

During the period ended September 30, 2009, the Trust replaced the HVAC system for 90 Park Lane at a cost of \$16,965, which is amortized using the straight-line method over the estimated useful life of 10 years.

During the year ended December 31, 2008, the Trust did not acquire any income producing properties. However, the Trust incurred an additional \$136,042 in acquisition costs and building improvements related to the properties acquired during December 2007.

The income producing properties are pledged as security against the mortgages payable.

4. Intangible assets:

September 30, 2009	Cost	Accumulated amortization	Net book value
Intangible assets	\$ 2,693,008	\$ 630,893	\$ 2,062,115

December 31, 2008	Cost	Accumulated amortization	Net book value
Intangible assets	\$ 2,721,255	\$ 415,117	\$ 2,306,138

The intangible assets decreased due to the sale of 44th Street in January 2009 and the sale of 225 Quebec Street in June 2009.

5. Notes payable:

PIRET has entered into a subordination and support agreement with Sunstone Industrial Investments Inc. ("Sunstone Industrial"). When the target monthly distribution, currently estimated to be \$0.025 per trust unit, 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 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.

PURE INDUSTRIAL REAL ESTATE TRUST

Notes to Financial Statements

Period ended September 30, 2009 and September 30, 2008

5. Notes payable (continued):

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 4(b) of the prospectus) 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 exceeds \$200,000,000;
- (ii) a take-over bid by a person acting at arm's length to Sunstone Industrial (or any Affiliate of an 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 10) is terminated by the Trustees for cause.

As at September 30, 2009, Sunstone Industrial had advanced to PIRET \$192,101 (2008 - \$102,974) pursuant to the subordination and support agreement.

6. Unitholders' equity:

	September 30, 2009			December 31, 2008		
	Number authorized	Number issued and outstanding	Carrying Value	Number issued and outstanding	Carrying Value	
Initial contribution by settlor	1	1	\$ 10	1	\$ 10	
Trust units	unlimited	7,526,263	29,659,799	7,526,263	29,659,799	
Subordinated units	unlimited	278,947	1,115,788	278,947	1,115,788	
		7,805,211	\$30,775,597	7,805,211	\$30,775,597	

(a) Trust units and subordinated units:

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 on 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").

PURE INDUSTRIAL REAL ESTATE TRUST

Notes to Financial Statements

Period ended September 30, 2009 and September 30, 2008

6. Unitholders' equity (continued):

(a) Trust units and subordinated units (continued):

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 were 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.

Upon completion of the offering, holders of the trust units share in a 95% equity interest (the "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 (the "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 (note 5), 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.

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. The Trust will not be required to pay the redemption price by way of a cash payment if the total amount payable by the Trust in any month will exceed the greater of \$20,000 and the amount that is 0.10% of the aggregate subscription price of all Trust units that were outstanding at the end of such month.

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 in aggregate \$1,755,630 excluding an issuance of the units pursuant to an over-allotment option granted to the Agents.

PURE INDUSTRIAL REAL ESTATE TRUST

Notes to Financial Statements

Period ended September 30, 2009 and September 30, 2008

6. Unitholders' equity (continued):

(a) Trust units and subordinated units (continued):

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 in 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 \$8,170,000. Costs relating to the Offering, including an agency fee of \$571,900, are in aggregate \$1,151,632.

On January 18, 2008, the syndicate of agents exercised 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, including an agency fee, are in aggregate \$67,878.

(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 the 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 year ended December 31, 2008 or the period from January 1, 2009 to September 30, 2009.

(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 or prices and at such time as the Trustees may determine. As at September 30, 2009, the Trust has 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 September 30, 2009, the Trust announced a cash distribution to trust unitholders at \$0.025 per unit per month for a total of \$1,693,409 (December 31, 2008 - \$2,257,879). The Trust also announced a cash distribution to subordinated unitholders of \$89,127 (December 31, 2008 - \$118,836).

PURE INDUSTRIAL REAL ESTATE TRUST

Notes to Financial Statements

Period ended September 30, 2009 and September 30, 2008

6. Unitholders' equity (continued):

(e) Restricted units:

On February 20, 2008, the Trustees approved a Restricted Unit Plan for the Trust (the "Plan").

The Plan provides for the grant of restricted units to participants (who may be Trustees, key management, key employees or consultants). Each restricted unit will give the participant the right to receive, upon vesting, an amount equal to the fair market value of the units on the payment date, either by way of a cash payment or by the Trust acquiring Units in the open market and distributing them to the participant, or by a combination of the two, at the Trust's option. As distributions are paid on Units, additional restricted units will be credited to the participants in an amount determined by dividing the dollar amount of the distributions payable by the fair market value per Unit on the date of the distribution. As well, the number of restricted units granted to a participant may be increased by a "performance factor" established by the Trustees at the time of grant. Unless otherwise determined by the Trustees, restricted units will vest and become available for redemption on the third anniversary of their being granted, or on a change of control or take over bid for the Trust. Restricted units vested must be redeemed not later than December 31 in the year of vesting. However, the restricted units granted to a participant and any associated distribution restricted units shall not vest, and the participant shall not be entitled to such restricted units or associated distribution restricted units if the performance criteria, which are specified in the grant agreements, are not met.

As at December 31, 2008, the Trust had issued a total of 30,000 restricted units and a total of 2,608 distribution restricted units for proceeds of nil.

On March 6, 2009, the Trust issued an additional 52,382 restricted units. As at September 30, 2009, the Trust has issued a total of 82,382 restricted units and a total of 8,875 distribution restricted units for proceeds of nil. No compensation expense has been recorded in the statement of operations in relation to the restricted units and distribution restricted units issued as at September 30, 2009 or at December 31, 2008.

7. Capital management:

The Trust defines capital as the aggregate of unitholders' equity and long-term debt. The Trust's objectives in managing capital are to maintain a level of capital that: complies with investment and debt restrictions pursuant to the Trust Declaration; complies with existing debt covenants; funds its business strategies; and builds long-term unitholder value. The Trust's capital structure is approved by its unitholders as related to the Trust Declaration and by its board of Trustees through its periodic reviews. Capital adequacy is monitored by the Trust by assessing performance against the approved annual plan throughout the year and by monitoring adherence to investment and debt restrictions contained in the Declaration and debt covenants.

PURE INDUSTRIAL REAL ESTATE TRUST

Notes to Financial Statements

Period ended September 30, 2009 and September 30, 2008

7. Capital management (continued):

The Trust Declaration provides for a maximum indebtedness level of up to 70% of the gross book value. The term "indebtedness" means any obligation of the Trust for borrowed money (including the face amount outstanding under any convertible debentures and any outstanding liabilities of the Trust arising from the issuance of subordinated notes but excluding any premium in respect of indebtedness assumed by the Trust for which the Trust has the benefit of an interest rate subsidy), but excludes trade accounts payable, distributions payable to unitholders, accrued liabilities arising in the ordinary course of business and short-term acquisition credit facilities. The Trust Declaration defines "gross book value" as the book value of the assets of the Trust and its consolidated subsidiaries plus the amount of accumulated depreciation and amortization in respect of such assets (and related intangible assets), the amount of future income tax liability arising out of indirect acquisitions and excluding the amount of any receivable reflecting interest rate subsidies on any debt assumed by the Trust. The Trust's indebtedness level is 59% as at September 30, 2009 (2008 – 60%).

The Trust Declaration also requires the Trust to distribute to its unitholders in each year an amount not less than the Trust's income for the year, as calculated in accordance with the Income Tax Act after all permitted deductions under the Act have been taken. The board of Trustees also reviews the cash distribution paid to unitholders on a regular basis. The monthly distribution to trust unitholders was \$0.025 per unit for the period ended September 30, 2009 (2008 - \$0.025).

The Trust is in compliance with all investment and debt restrictions pursuant to the Trust Declaration for the period ended September 30, 2009 and for the year ended December 31, 2008.

The capital structure consisted of the following components at September 30, 2009 and December 31, 2008.

	September 30, 2009	December 31, 2008	Change
Capital			
Mortgages payable	\$ 41,303,535	\$ 42,652,870	\$ (1,349,335)
Notes payable	192,101	102,974	89,127
Unitholders' equity	24,775,162	25,475,741	(700,579)
Total Capital	\$ 66,270,798	\$ 68,231,585	\$ (1,960,787)

Total capital decreased primarily due to the repayment of mortgage principal and distributions to trust unitholders, offset by net earnings for the period ended September 30, 2009.

PURE INDUSTRIAL REAL ESTATE TRUST

Notes to Financial Statements

Period ended September 30, 2009 and September 30, 2008

8. 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 Trust earned approximately 21% (2008 - 22%) 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.

(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 and the demand loan 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.

PURE INDUSTRIAL REAL ESTATE TRUST

Notes to Financial Statements

Period ended September 30, 2009 and September 30, 2008

8. Risk management (continued):

(c) Liquidity risk (continued):

The terms and conditions of outstanding mortgages were as follows:

MORTGAGES PAYABLE	Nominal interest rate	Year of maturity	September 30, 2009	December 31, 2008
			Carrying value	
Mabe	5.677%	2016	\$ 8,125,777	\$8,223,806
Team Tube	5.480%	2011	13,288,949	13,527,298
De Baets	5.500%	2011	1,635,009	1,663,369
Tornado	5.670%	2012	2,656,925	2,717,299
Eurospec	5.382%	2015	4,639,763	4,713,627
Shanahan's 57th	5.926%	2018	5,087,656	5,162,669
Shanahan's portfolio - AB	5.754%	2012	5,198,446	5,314,027
Shanahan's portfolio - SK and MB	6.000%	2009	671,010	1,330,775
Total mortgages payable			\$41,303,535	\$42,652,870

The carrying value of the mortgages payable is the same as the face value.

9. Fair value:

For certain of the Trust's financial instruments, including cash, cash held in trust, amounts receivable, accounts payable and accrued liabilities, and the demand note, the carrying values approximate their fair values due to their short-term nature. The fair values of the mortgage reserve fund, mortgages payable and notes 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, as follows.

	September 30, 2009		December 31, 2008	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Mortgage reserve fund	\$ 240,396	\$ 211,196	\$ 670,496	\$ 624,903
Mortgages payable	41,303,535	41,407,627	42,652,870	47,649,360
Notes payable	192,101	192,101	102,974	100,993

PURE INDUSTRIAL REAL ESTATE TRUST

Notes to Financial Statements

Period ended September 30, 2009 and September 30, 2008

10. 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, Sunstone Opportunity (2007) Realty Trust and Sunstone Industrial Investments Inc. by virtue of having officers and directors in common.

- (a) During 2008, Sunstone Realty Advisors (2006) Inc. paid nil (2007 - \$24,785) in offering costs and nil (2007 - \$175,000) in property acquisition costs on behalf of PIRET. The 2007 costs were reimbursed during 2008. In December 2008, Sunstone Realty Advisors (2006) Inc. advanced \$65,000 for general expenditures. This amount was included in accounts payable and accrued liabilities at December 31, 2008. The amount, which was non interest-bearing and due on demand, was repaid in January 2009.
- (b) During 2008, Sunstone Realty Advisors (2005) Inc. paid nil (2007 - \$225,000) in property acquisition costs on behalf of PIRET. Commencing July 1, 2008, the \$225,000 balance payable by PIRET to Sunstone Realty Advisors (2005) Inc. was converted into a demand note, bearing interest at 4.75% per annum. On August 24, 2009, PIRET paid back \$100,000 of the demand loan plus all interest accrued to that date. Interest of \$618 relating to this demand note is included in accounts payable and accrued liabilities at September 30, 2009 (December 31, 2008 - \$5,373).
- (c) During 2008, Sunstone Advisors (Canada) Inc. paid nil (2007 - \$195,000) in property acquisition costs on behalf of PIRET. The 2007 costs were reimbursed during 2008.
- (d) During 2008, Sunstone Realty Advisors (2007) Inc. paid nil (2007 - \$277,500) in property acquisition costs on behalf of PIRET. The 2007 costs were reimbursed during 2008.
- (e) During 2008, Sunstone Industrial advanced \$49,000 to PIRET to fund working capital requirements in October and November 2008. This amount was included in accounts payable and accrued liabilities at December 31, 2008 and is still outstanding as at September 30, 2009. The balance is non interest-bearing and is due on demand.

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 September 30, 2009, Sunstone Management charged PIRET nil (2008 - nil) pursuant to the Asset Management Agreement.

11. 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 September 30, 2009, PIRET held properties located in five provinces: British Columbia, Alberta, Ontario, Quebec and Manitoba.

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Notes to Financial Statements

Period ended September 30, 2009 and September 30, 2008

12. 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 September 30, 2009, the tax bases exceed the reported amounts of the Trust's assets and liabilities by \$907,861 (2008 - \$2,366,000).