

Condensed Interim Financial Statements of

**PURE INDUSTRIAL REAL
ESTATE TRUST**

For Six Months Ended June 30, 2011

(Unaudited)

PURE INDUSTRIAL REAL ESTATE TRUST

Condensed Statements of Financial Position
(Unaudited)

	June 30, 2011	December 31, 2010 ⁽¹⁾
ASSETS		
Non-current assets:		
Investment properties (note 7)	\$ 383,791,140	\$ 205,641,849
Mortgage reserve fund (note 8)	924,231	378,422
	384,715,371	206,020,271
Current assets:		
Prepaid expenses	1,617,470	88,345
Amounts receivable	353,297	33,604
Cash held in trust (note 9)	1,175,456	1,798,184
Cash	16,182,142	3,566,352
	19,328,365	5,486,485
	\$ 404,043,736	\$ 211,506,756
LIABILITIES		
Non-current liabilities:		
Class A units (note 10)	\$ –	\$ 95,496,457
Class B units (note 10)	–	1,115,788
Unit based compensation accrual (note 11)	498,499	504,526
Mortgages payable (note 12)	189,396,978	96,207,241
Rental deposits	1,599,839	757,400
	191,495,316	194,081,412
Current liabilities:		
Accounts payable and accrued liabilities	4,974,932	1,881,148
Class A units – current portion	–	95,592
Unit based compensation accrual – current portion	220,084	236,574
Mortgages payable - current portion	29,507,705	17,154,967
Bank loan	7,131	2,839,671
	34,709,852	22,207,952
	226,205,168	216,289,364
NET LIABILITIES ATTRIBUTABLE TO UNITHOLDERS		
Net liabilities attributable to unitholders	–	(4,782,608)
UNITHOLDERS' EQUITY		
Unitholders' equity	177,838,568	–
	\$ 404,043,736	\$ 211,506,756

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

Subsequent events (note 21)

See accompanying notes to condensed interim financial statements.

PURE INDUSTRIAL REAL ESTATE TRUST

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

	Six months ended June 30		Three months ended June 30	
	2011	2010	2011	2010
Revenues:				
Rental and recoveries	\$ 13,745,584	\$ 5,489,909	\$ 7,779,049	\$ 3,496,871
Property recoverable operating expenses:				
Insurance	56,398	49,904	64,910	29,632
Management fees	183,830	37,344	117,405	28,125
Recoverable operating costs	179,063	8,499	99,765	8,374
Property taxes	2,229,024	956,066	1,190,385	603,590
	2,648,315	1,051,813	1,472,465	669,721
Earnings from property operations	11,097,269	4,438,096	6,306,584	2,827,150
Other expenses:				
General and administrative expenses	495,415	314,558	247,605	155,644
Valuation adjustment from investment properties (note 7)	3,415,089	892,615	1,501,810	553,149
	3,910,504	1,207,173	1,749,415	708,793
Net earnings before net finance expense	7,186,765	3,230,923	4,557,169	2,118,357
Finance income (note 13)	64,696	8,645	29,478	5,866
Finance expenses (note 13)	(14,395,963)	(7,532,563)	(7,873,885)	(4,367,559)
Net finance expense	(14,331,267)	(7,523,918)	(7,844,407)	(4,361,693)
Net loss and comprehensive loss	\$ (7,144,502)	\$ (4,292,995)	\$ (3,287,238)	\$ (2,243,336)
Class A units – Weighted average	38,319,771	14,013,280	43,309,505	17,738,900
Basic net loss per unit	\$ (0.18)	\$ (0.29)	\$ (0.07)	\$ (0.12)
Class A units – Diluted weighted average	38,480,867	14,152,458	43,470,601	17,878,078
Diluted net loss per unit	\$ (0.18)	\$ (0.29)	\$ (0.07)	\$ (0.12)

See accompanying notes to condensed interim financial statements.

PURE INDUSTRIAL REAL ESTATE TRUST

Condensed Statement of Unitholders' Equity and Net Liabilities Attributable to Unitholders
(Unaudited)

	Class A Units	Class B Units	Accumulated Deficit	Net Assets (Liabilities) Attributable to Unitholders
Balance, January 1, 2010	\$ -	\$ -	\$ 17,993	\$ 17,993
Net loss for the period	-	-	(4,292,995)	(4,292,995)
Balance, June 30, 2010	\$ -	\$ -	\$ (4,275,002)	\$ (4,275,002)

	Class A Units	Class B Units	Accumulated Deficit	Total
Net liabilities attributable to unitholders, January 1, 2011	\$ -	\$ -	\$ (4,782,608)	\$ (4,782,608)
Extinguishment of Trust unit liabilities	189,972,549	1,115,788	-	191,088,337
Net loss for the period	-	-	(7,144,502)	(7,144,502)
Distribution	-	-	(1,322,659)	(1,322,659)
Unitholders' Equity, June 30, 2011	\$ 189,972,549	\$ 1,115,788	\$ (13,249,769)	\$ 177,838,568

See accompanying notes to condensed interim financial statements.

PURE INDUSTRIAL REAL ESTATE TRUST

Condensed Statements of Cash Flows
(Unaudited)

Six months ended June 30	2011	2010
Cash provided by (used in):		
Operations:		
Loss for the period	\$ (7,144,502)	\$ (4,292,995)
Items not involving cash:		
Amortization of discount on mortgage reserve fund	(4,606)	(4,421)
Amortization of mortgage transaction costs	108,974	28,701
Unit based compensation expenses	(22,517)	151,682
Change in fair value of investment properties	3,415,089	892,615
Accrued rental revenue	(699,524)	(354,026)
Interest expenses	4,045,200	1,925,684
Class A unit offering costs	5,263,234	3,126,417
Distributions to unitholders	5,087,529	2,480,463
Changes in non-cash working capital items:		
Increase in amounts receivable	(319,693)	(76,677)
Increase in prepaid expenses	(1,529,125)	(489,438)
Increase in rental deposits	842,439	189,144
Increase in accounts payable and accrued liabilities	2,688,146	623,810
	11,730,644	4,200,959
Financing:		
Proceeds from mortgages	108,081,236	52,358,807
Payment of mortgage and loan transaction costs	(853,979)	(504,704)
Repayment of mortgages	(1,793,756)	(1,297,738)
Mortgage reserve funds	(541,203)	-
Repayment of demand note	-	(125,000)
Proceeds from notes payable	-	(21,203)
Repayment of bank loans	(2,832,540)	-
Interest paid	(4,020,351)	(1,585,528)
Proceeds from issuance of Class A units	94,380,500	44,525,000
Payment of Class A unit offering costs	(5,263,234)	(3,126,417)
Distributions paid to unitholders	(6,029,400)	(2,118,621)
	181,127,273	88,104,597
Investments:		
Acquisition of investment properties	(180,740,431)	(86,510,714)
Capital additions to investment properties	(124,425)	-
Cash held in trust	622,729	(663,642)
	(180,242,127)	(87,174,356)
Increase in cash	12,615,790	5,131,200
Cash, beginning of period	3,566,352	210,118
Cash, end of period	\$ 16,182,142	\$ 5,341,318

Non-cash investing and financing activities:

During the six months ended June 30, 2011, PIRET assumed nine mortgages in the amount \$27,318,652 upon the acquisition of Tristar and the Canadian Urban Portfolio. During the same period for 2010, PIRET assumed a mortgage in the amount of \$1,597,240 upon the acquisition of Moncton.

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 head 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 June 30, 2011 were approved for issue by the Board of Trustees on August 5, 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 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.

PIRET’s 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 transition to 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 have 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 7.

3. Significant accounting policies:

The significant accounting policies as disclosed in the Trust's March 31, 2011 condensed interim financial statements have been applied consistently in the preparation of these condensed interim financial statements. Any changes to the Trust's accounting policies are outlined below. For further information on the Trust's accounting policies please refer to the March 31, 2011 condensed interim financial statements and the audited financial statements for the year ended December 31, 2010. These policies have been applied consistently to the periods presented unless otherwise stated.

(a) 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. As at June 1, 2011, the distributions to the Class A and Class B unitholders were recorded in the Condensed Statement of Unitholders' equity (Deficit) as a result of the reclassification of the Class A and B units from liabilities to equity.

PURE INDUSTRIAL REAL ESTATE TRUST

Notes to the Condensed Interim Financial Statements
(Unaudited)

3. Significant accounting policies (continued):

(b) 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.

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

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, and bank loans, 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. As at June 30, 2011, Class A and Class B units are recorded as equity in the Condensed Statement of Unitholders' Equity, and are no longer recorded as liabilities.

PURE INDUSTRIAL REAL ESTATE TRUST

Notes to the Condensed Interim Financial Statements
(Unaudited)

3. Significant accounting policies (continued):

(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.

4. Transition to IFRS:

The significant accounting policies disclosed in note 3 have been applied in preparing the condensed interim financial statements for the six months ended June 30, 2011, the comparative information for the periods ended June 30, 2010, and 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.

PURE INDUSTRIAL REAL ESTATE TRUST

Notes to the Condensed Interim Financial Statements
(Unaudited)

4. Transition to IFRS (continued):

(a) Reconciliation of Financial Position at June 30, 2010:

	Previous GAAP ^(a)	Effect of transition to IFRS ^(b)	Other Presentation Changes ^(c)	IFRS
ASSETS				
Non-current assets:				
Income producing properties ^(d)	\$ 138,380,196	\$ (138,380,196)	\$ -	\$ -
Intangible assets ^(d)	12,420,201	(12,420,201)	-	-
Investment properties ^(d)	-	158,342,125	-	158,342,125
Mortgage reserve fund	246,989	-	-	246,989
	151,047,386	7,541,728	-	158,589,114
Current assets:				
Prepaid expenses	531,453	-	-	531,453
Amounts receivable ^(d)	1,152,288	(1,045,547)	-	106,741
Cash held in trust	663,642	-	-	663,642
Cash	5,341,318	-	-	5,341,318
	7,688,701	(1,045,547)	-	6,643,154
	\$ 158,736,087	\$ 6,496,181	\$ -	\$ 165,232,268
LIABILITIES AND NET ASSETS (LIABILITIES) ATTRIBUTABLE TO UNITHOLDERS				
Non-current liabilities:				
Class A units ^(e)	\$ -	\$ 74,110,614	\$ -	\$ 74,110,614
Class B units ^(e)	-	1,115,788	-	1,115,788
Unit based compensation accrual ^(f)	-	187,172	-	187,172
Mortgages payable ^(g)	92,105,602	(606,243)	(16,470,490)	75,028,869
Rental deposits	393,769	-	-	393,769
Notes payable	200,607	-	-	200,607
	92,699,978	74,807,331	(16,470,490)	151,036,819
Current liabilities:				
Accounts payable and accrued liabilities	1,925,776	-	-	1,925,776
Class A units - current portion ^(e)	-	74,185	-	74,185
Mortgages payable - current portion	-	-	16,470,490	16,470,490
	1,925,776	74,185	16,470,490	18,470,451
	94,625,754	74,881,516	-	169,507,270
Unitholders' equity ^{(d) (e) (f) (g)}	64,110,333	(64,110,333)	-	-
Net assets (liabilities) attributable to unitholders ^{(d) (e) (f) (g)}	-	(4,275,002)	-	(4,275,002)
	\$ 158,736,087	\$ 6,496,181	\$ -	\$ 165,232,268

See footnotes in note 5.

PURE INDUSTRIAL REAL ESTATE TRUST

Notes to the Condensed Interim Financial Statements
(Unaudited)

4. Transition to IFRS (continued):

(c) Reconciliation of net loss for the six months ended June 30, 2010:

	Previous GAAP ^(a)	Effect of transition to IFRS ^(b)	Other Presentation Changes ^(c)	IFRS
Revenues:				
Rental and recoveries	\$ 5,489,909	\$ -	\$ -	\$ 5,489,909
Interest and other	8,645	-	(8,645)	-
	5,498,554	-	(8,645)	5,489,909
Property recoverable operating expenses:				
Insurance	49,904	-	-	49,904
Management fees	37,344	-	-	37,344
Recoverable operating costs	8,499	-	-	8,499
Property taxes	956,066	-	-	956,066
	1,051,813	-	-	1,051,813
Earnings from property operations	4,446,741	-	(8,645)	4,438,096
Other expenses:				
Amortization of properties, leasing costs and intangible assets ^(d)	1,196,990	(1,196,990)	-	-
Mortgage interest	1,825,379	-	(1,825,379)	-
Mortgage transaction costs ^(g)	504,704	(504,704)	-	-
General and administrative expenses ^(f)	162,876	151,682	-	314,558
Interest on bank loans	55,047	-	(55,047)	-
Valuation adjustment on investment properties ^(d)	-	892,615	-	892,615
	3,744,996	(657,397)	(1,880,426)	1,207,173
Net earnings before finance expense	701,745	657,397	1,871,781	3,230,923
Finance income	-	-	8,645	8,645
Finance expenses ^{(e) (g)}	-	(5,652,137)	(1,880,426)	(7,532,563)
Net finance expense	-	(5,652,137)	(1,871,781)	(7,523,918)
Net income (loss) and comprehensive income (loss)	\$ 701,745	\$ (4,994,740)	\$ -	\$ (4,292,995)

See footnotes in note 5.

PURE INDUSTRIAL REAL ESTATE TRUST

Notes to the Condensed Interim Financial Statements
(Unaudited)

4. Transition to IFRS (continued):

(d) Reconciliation of net loss for the three months ended June 30, 2010:

	Previous GAAP ^(a)	Effect of transition to IFRS ^(b)	Other Presentation Changes ^(c)	IFRS
Revenues:				
Rental and recoveries	\$ 3,496,871	\$ -	\$ -	\$ 3,496,871
Interest and other	5,866	-	(5,866)	-
	3,502,737	-	(5,866)	3,496,871
Property recoverable operating expenses:				
Insurance	29,632	-	-	29,632
Management fees	28,125	-	-	28,125
Recoverable operating costs	8,374	-	-	8,374
Property taxes	603,590	-	-	603,590
	669,721	-	-	669,721
Earnings from property operations	2,833,016	-	(5,866)	2,827,150
Other expenses:				
Amortization of properties, leasing costs and intangible assets ^(d)	744,007	(744,007)	-	-
Mortgage interest	1,254,258	-	(1,254,258)	-
Mortgage transaction costs ^(g)	231,910	(231,910)	-	-
General and administrative expenses ^(f)	86,841	68,803	-	155,644
Interest on bank loans	26,500	-	(26,500)	-
Valuation adjustment on investment properties ^(d)	-	553,149	-	553,149
	2,343,516	(353,965)	(1,280,758)	708,793
Net earnings before finance expense	489,500	353,965	1,274,892	2,118,357
Finance income	-	-	5,866	5,866
Finance expenses ^{(e) (g)}	-	(3,086,801)	(1,280,758)	(4,367,559)
Net finance expense	-	(3,086,801)	(1,274,892)	(4,361,693)
Net income (loss) and comprehensive income (loss)	\$ 489,500	\$ (2,732,836)	\$ -	\$ (2,243,336)

See footnotes in note 5

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 six months ended June 30, 2010, have been reclassified to conform to the presentation at December 31, 2010. In addition, Previous GAAP balances for the three months ended June 30, 2010 have also been reclassified.
- (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 is 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.

On the Transition Date at January 1, 2010, the increase in the carrying value of investment properties is due to the fair value adjustment. The impacts on the financial statements are as follows:

PURE INDUSTRIAL REAL ESTATE TRUST

Notes to the Condensed Interim Financial Statements
(Unaudited)

5. Explanations of significant adjustments (continued):

(d) Investment properties (continued):

	As at and for the six months ended June 30, 2010	For the three months ended June 30, 2010
Statement of Financial Position		
Decrease in income producing properties	\$ (138,380,196)	\$ -
Decrease in intangible assets	(12,420,201)	-
Increase in investment properties	158,342,125	-
Decrease in amounts receivable	(1,045,547)	-
Decrease in leasing costs	-	-
Increase in unitholders' equity	6,496,181	-
Statement of Loss and Comprehensive Income		
Decrease in amortization of properties, leasing costs and intangible assets	(1,196,990)	(744,007)
Valuation adjustment on investment properties	892,615	553,149

(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, June 30, 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 six months ended June 30, 2010	For the three months ended June 30, 2010
Statement of Financial Position		
Increase in class A units	\$ 74,110,614	\$ -
Increase in class B units	1,115,788	-
Increase in class A units – current portion	74,185	-
Decrease in unitholders' equity	(70,606,514)	-
Decrease in net assets (liabilities) attributable to unitholders	(4,694,074)	-
Statement of Loss and Comprehensive Income		
Increase in finance expenses	5,606,879	3,052,046

(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 unit based compensation 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 11) 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 six months ended June 30, 2010	For the three months ended June 30, 2010
Statement of Financial Position		
Increase in unit based compensation accrual	\$ 187,172	\$ -
Increase in unit based compensation accrual – current portion	-	-
Decrease in net assets (liabilities) attributable to unitholders	(187,172)	-
Statement of Loss and Comprehensive Income		
Increase in general and administrative expenses	151,682	68,803

PURE INDUSTRIAL REAL ESTATE TRUST

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

(g) Mortgage transaction costs:

Under Previous GAAP, the Trust recognized mortgage transaction costs as an expense 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 six months ended June 30, 2010	For the three months ended June 30, 2010
Statement of Financial Position		
Decrease in mortgages payable	\$ (606,243)	\$ -
Increase in net assets (liabilities) attributable to unitholders	606,243	-
Statement of Loss and Comprehensive Income		
Increase in finance expenses	45,258	34,755
Decrease in mortgage transaction costs	(504,704)	(231,910)

6. IFRS Impact on the Statement of Cash Flows:

The IFRS adjustments made to the comparative Statement of Loss and Comprehensive Income for the six months ended June 30, 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 six months ended June 30, 2011, PIRET acquired 26 investment properties for a total of \$177,848,606, plus standard closing costs and adjustments of \$2,891,825, resulting in a total purchase price of \$180,740,431.

	2011
Balance, January 1, 2011	\$ 205,641,849
Acquisitions	180,740,431
Capital additions to investment property	124,425
Accrued rental revenue	699,524
Change in fair value	(3,415,089)
Balance, June 30, 2011	\$ 383,791,140

PURE INDUSTRIAL REAL ESTATE TRUST

Notes to the Condensed Interim Financial Statements
(Unaudited)

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, December 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.

(a) Change in fair value:

	Six months ended June 30		Three months ended June 30	
	2011	2010	2011	2010
Standard closing costs	\$ (2,891,825)	\$ (539,589)	\$ (1,328,308)	\$ (305,363)
Valuation gain / (loss)	176,260	-	176,260	-
Accrued rental revenue	(699,524)	(353,026)	(349,762)	(247,786)
	\$ (3,415,089)	\$ (892,615)	\$ (1,501,810)	\$ (553,149)

PURE INDUSTRIAL REAL ESTATE TRUST

Notes to the Condensed Interim Financial Statements
(Unaudited)

7. Investment property (continued):

(b) Significant valuation assumptions:

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)
June 30, 2011			
Maximum	9.50%	9.50%	\$ 260.00
Minimum	7.50%	5.75%	\$ 52.87
Weighted average	8.25%	7.24%	\$ 103.62
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	23,230,000	94,380,500	-	-
Balance, June 30, 2011	50,371,263	\$ 189,972,549	278,947	\$ 1,115,788

PURE INDUSTRIAL REAL ESTATE TRUST

Notes to the Condensed Interim Financial Statements
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10. Class A units and Class B units (continued):

(a) Class A units and Class B units (continued):

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.

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.

In addition, subsequent to the Determination Event, Class A and Class B units will be equally subordinate and will also have identical features. In accordance with IFRS, both the units have met the criteria to be treated as equity and will no longer be classified as financial liabilities. The impacts to the financial statements are as follows:

	As at and for the six months ended June 30,2010	For the three months ended June 30,2010
Statement of Financial Position		
Decrease in class A units as liabilities	\$ (189,972,549)	\$ -
Increase in class B units as liabilities	(1,115,788)	-
Increase in unitholders' equity	191,088,337	-
Decrease in unitholders' equity for distribution	(1,322,659)	(1,322,659)
Statement of Loss and Comprehensive Income		
Increase in finance expenses	10,350,763	5,576,978

(b) Distributions:

The Trust intends to make monthly distributions to unitholders. Distributions are at the discretion of the Trustees of PIRET. Prior to the Determination Event, all distributions from the Trust were made 95% to the Class A units and 5% to the Class B units. 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. Furthermore, all unit issuance costs and distributions made relating to both the Class A and Class B units will be treated as equity transactions and will no longer be including in the statement of net income (loss) as finance expenses.

PURE INDUSTRIAL REAL ESTATE TRUST

Notes to the Condensed Interim Financial Statements
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10. Class A units and Class B units (continued):

(b) Distributions (continued):

The Trust announced cash distributions for the period ended June 30, 2011 to Class A unitholders at \$0.025 per unit per month and similarly announced a corresponding cash distribution to Class B unitholders.

For the six months ended June	Class A units		Class B units	
	2011	2010	2011	2010
Finance expense	\$ 4,835,908	\$ 2,356,439	\$ 251,261	\$ 124,023
Equity	1,259,281	-	63,378	-
	\$ 6,095,189	\$ 2,356,439	\$ 314,639	\$ 124,023

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	-	4,423	4,423	18,578
Fair Value Adjustment	-	-	-	(41,095)
Balance, June 30, 2011	124,058	24,455	148,513	\$ 718,583

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 June 30, 2011, 52,400 units were vested to the Trustees (December 31, 2010 – nil). The weighted average assumptions used in their determination are as noted below:

	June 30, 2011	December 31, 2010
Annual dividend per unit	\$0.30	\$0.30
Discount rate	25%	25%
Probability of meeting performance factor	100%	100%

As at June 30, 2011, the weighted average contractual life of the contracts was 0.8 years (December 31, 2010 – 1.1 years).

PURE INDUSTRIAL REAL ESTATE TRUST

Notes to the Condensed Interim Financial Statements
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12. Mortgages payable:

Mortgages payable are recorded at amortized cost and bear a weighted effective interest rate of 5.03% as at June 30, 2011 (December 31, 2010 - 5.20%).

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

The amount of mortgages payable on June 30, 2011 was \$218,904,683 (December 31, 2010 - \$113,362,208). Included in mortgages payable are the related unamortized mortgage transaction costs of \$1,440,892 as at June 30, 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 June 30, 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	\$	17,616,385
2012		21,496,218
2013		9,999,715
2014		6,554,487
2015		57,917,741
Thereafter		106,622,195
	\$	220,206,741

13. Finance income and finance expense:

	Six months ended June 30		Three months ended June 30	
	2011	2010	2011	2010
Finance income				
Interest and other income	\$ 64,696	\$ 8,645	\$ 29,478	\$ 5,866
Finance expenses				
Mortgage interest	\$ 4,000,975	\$ 1,870,637	\$ 2,268,549	\$ 1,289,013
Interest expense on loans	44,226	55,047	28,359	26,500
Class A unit offering costs	5,263,234	3,126,417	3,313,102	1,544,710
Distributions to Class A unitholders	4,835,908	2,356,439	2,153,438	1,431,969
Distributions to Class B unitholders	251,621	124,023	110,438	75,367
	\$ 14,395,963	\$ 7,532,563	\$ 7,873,885	\$ 2,243,336

PURE INDUSTRIAL REAL ESTATE TRUST

Notes to the Condensed Interim Financial Statements
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14. 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 at December 31, 2010 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.

As at December 31, 2010, 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).

	June 30, 2011		December 31, 2010	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Mortgage reserve fund	\$ 924,231	\$ 898,521	\$ 378,422	\$ 227,053
Mortgages payable	218,904,683	210,332,021	113,362,208	112,660,420
Class A units	-	-	95,592,049	120,236,214
Class B units	-	-	1,115,788	6,328,222

15. 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 June 30, 2011 (December 31, 2010 - 55%).

The monthly distribution to Class A unitholders was \$0.025 per unit for the period ended June 30, 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 June 30, 2011 and for the year ended December 31, 2010.

PURE INDUSTRIAL REAL ESTATE TRUST

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

The capital structure consisted of the following components at June 30, 2011 and December 31, 2010.

	June 30, 2011	December 31, 2010	Change
Capital			
Units based compensation accrual	\$ 718,583	\$ 741,100	\$ (22,517)
Mortgages payable	218,904,683	113,362,208	105,542,475
Class A units	189,972,549	95,592,049	94,380,500
Class B units	1,115,788	1,115,788	-
Net liabilities attributable to unitholders	-	(4,275,002)	4,275,002
Accumulated deficit	(13,249,769)	-	(13,249,769)
Total Capital	\$ 397,461,834	\$ 206,536,143	\$ 190,925,691

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 June 30, 2011.

16. 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 June 30, 2011 was \$137,437 (December 31, 2010 - \$5,386), which included only \$5,787 past due.

The Trust earned approximately 21% (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.

PURE INDUSTRIAL REAL ESTATE TRUST

Notes to the Condensed Interim Financial Statements
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16. 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 Trust diligently monitors the repayment dates of its mortgages and intends to refinance any mortgages which mature within six months. The mortgage due dates range from 2011 to 2021, with a weighted average remaining term of 6.03 years (December 31, 2010 – 4.41 years).

PIRET refinanced the Team Tube mortgage in March 2011. The original mortgage maturing in April 2011 was extended with the same lender to April 2018 and the interest rate was reduced from 5.48% to 4.49%

17. 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 June 30, 2011, Sunstone Management charged PIRET \$nil (2010 - \$nil) pursuant to the Asset Management Agreement.

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 June 30, 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.

PURE INDUSTRIAL REAL ESTATE TRUST

Notes to the Condensed Interim Financial Statements
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17. Related party transactions (continued):

On April 15, 2011, PIRET acquired the Tristar property at 7660 Vantage Way, Delta, BC for \$9,300,000 from Sunstone Opportunity (2007) Realty Trust, a related entity by virtue of having some officers and directors in common. It is management's opinion that the acquisition price is in line with current market values, as evidenced by an appraisal performed by a third party.

Key compensation for individuals having the authority and responsibility for planning, directing and controlling the activities of PIRET are as follows:

	Six months ended June 30		Three months ended June 30	
	2011	2010	2011	2010
Salaries, fees, and other short-term employee benefits	\$ 166,922	\$ -	\$ 133,172	\$ -
Unit-based compensation	(22,517)	151,682	(39,094)	68,803
	\$ 144,405	\$ 151,682	\$ 94,078	\$ 68,803

18. 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.

Six months ended June 30, 2011	BC	AB	SK	MB	ON	QC	NB	Total (1)
REVENUES								
Rental and recoveries	\$2,905,551	\$4,846,553	\$ 725,601	\$ 906,661	\$2,816,339	\$1,184,265	\$360,614	\$13,745,584
EXPENSES								
Insurance	-	15,698	-	10,800	19,084	9,102	1,714	56,398
Management fees	18,324	24,315	8,657	39,105	53,236	3,500	36,693	183,830
Recoverable operating costs	26,768	20,752	180	34,885	72,600	232	23,646	179,063
Property taxes	462,279	524,810	60,225	139,238	621,963	343,502	77,007	2,229,024
	507,371	585,575	69,062	224,028	766,883	356,336	139,060	2,648,315
EARNINGS FROM PROPERTY OPERATIONS	\$ 2,398,180	\$4,260,978	\$ 656,539	\$ 682,633	\$2,049,456	\$ 827,929	221,554	11,097,269
OTHER EXPENSES								
General and administrative expenses								495,415
Valuation adjustment on investment properties								3,415,089
								3,910,504
NET EARNINGS BEFORE NET FINANCE EXPENSE								7,186,765
Finance income								64,696
Finance expenses								(14,395,963)
Net finance expense								(14,331,267)
NET LOSS AND COMPREHENSIVE LOSS								\$ 7,144,502)

PURE INDUSTRIAL REAL ESTATE TRUST

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

Six months ended June 30, 2010	BC	AB	SK	MB	ON	QC	NB	Total (1)
REVENUES								
Rental and recoveries	\$ 818,327	\$2,714,927	\$ 244,557	\$ 178,831	\$ 629,574	\$ 785,084	\$118,609	\$ 5,489,909
EXPENSES								
Insurance	-	28,180	-	1,382	13,631	6,711	-	49,904
Management fees	4,321	17,765	-	1,220	6,714	-	7,324	37,344
Recoverable operating costs	762	860	-	189	188	417	6,083	8,499
Property taxes	153,983	363,754	26,036	33,136	158,855	220,302	-	956,066
	159,066	410,559	26,036	35,927	179,388	227,430	13,407	1,051,813
EARNINGS FROM PROPERTY OPERATIONS	\$ 659,261	\$2,304,368	\$ 218,521	\$ 142,904	\$ 450,186	\$ 557,654	105,202	4,438,096
OTHER EXPENSES								
General and administrative expenses								314,558
Valuation adjustment on investment properties								892,615
								1,207,173
NET EARNINGS BEFORE NET FINANCE EXPENSE								3,230,923
Finance income								8,645
Finance expenses								(7,532,563)
Net finance expense								(7,523,918)
NET LOSS AND COMPREHENSIVE LOSS								\$ (4,292,995)

- (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.

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

	June 30, 2011		December 31, 2010	
	Percentage	Amount	Percentage	Amount
British Columbia	23.2%	\$ 89,180,000	10.3%	\$ 21,200,000
Alberta	37.0%	141,940,614	46.8%	96,350,000
Saskatchewan	3.2%	12,300,000	6.0%	12,300,000
Manitoba	3.7%	14,000,000	6.8%	14,000,000
Ontario	25.9%	99,356,213	19.4%	39,851,849
Quebec	5.0%	19,150,000	9.3%	19,150,000
New Brunswick	2.1%	7,864,313	1.4%	2,790,000
Total	100.0%	\$ 383,791,140	100.0%	\$ 205,641,849

19. 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. 76% of the current properties are leased to single tenants.

PURE INDUSTRIAL REAL ESTATE TRUST

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

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

	June 30, 2011	December 31, 2010
Within 1 year	\$ 25,457,991	\$ 12,980,322
Years 2 – 5	97,845,008	82,254,374
Greater than 5 years	212,911,116	166,077,787
	\$ 336,214,115	\$ 261,312,483

20. 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.

21. Subsequent events:

- (a) On July 14, 2011, PIRET acquired 1725 Inkster Boulevard, Winnipeg, Manitoba for \$14,500,000 plus standard closing costs and adjustments. PIRET financed the acquisition with cash and a 10-year \$10,000,000 mortgage at 5.02% interest.
- (b) On July 26, 2011, PIRET acquired 20-30 Milburn Road, Hamilton, ON for \$3,104,000 plus standard closing costs and adjustments. PIRET financed the acquisition with cash.
- (c) On August 17, 2011, the Trust acquired a property at 12557 Coleraine Drive, Caledon, ON at a purchase price of \$22,325,000 plus standard closing costs and adjustments. The acquisition was financed with cash and a \$13,900,000 mortgage at 3.221% interest for 5 years.