



PURE INDUSTRIAL REAL ESTATE TRUST
MANAGEMENT'S DISCUSSION AND ANALYSIS

For the period ended June 30, 2011

Dated: August 22, 2011

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SECTION I

FORWARD-LOOKING DISCLAIMER

Management's discussion and analysis of the financial position and the results of operations of Pure Industrial Real Estate Trust (the "Trust" or "PIRET") for the period ended June 30, 2011 and the year ended December 31, 2010 should be read in conjunction with PIRET's unaudited financial statements for the period ended June 30, 2011 and audited financial statements for the year ended December 31, 2010. Historical results, including trends which might appear, should not be taken as indicative of future operations or results.

Certain information in this MD&A contains forward-looking information within the meaning of applicable securities laws (also known as forward-looking statements) including, among others, statements made or implied under the headings "Results of Operations", "Financial Conditions", "Liquidity and Capital Resources", "Risks and Uncertainties" and "Outlook" relating to PIRET's objectives, strategies to achieve those objectives, beliefs, plans, estimates, projections and intentions; and similar statements concerning anticipated future events, results, circumstances, performance or expectations that are not historical facts. Forward-looking statements generally can be identified by words such as "outlook", "believe", "expect", "may", "anticipate", "should", "intend", "estimates" and similar expressions.

Forward-looking statements are provided for the purpose of presenting information about management's current expectations and plans relating to the future and readers are cautioned that such statements may not be appropriate for other purposes. Forward-looking statements involve significant risks and uncertainties and should not be read as guarantees of future performance or results. Those risks and uncertainties include, among other things, risks related to: unit prices; liquidity; credit risk and tenant concentration; interest rate and other debt related risk; tax risk; ability to access capital markets; lease rollover risk; competition for real property investments; environmental matters; changes in legislation and indebtedness of PIRET. Management believes that the expectations reflected in forward-looking statements are based upon reasonable assumptions and information currently available; however, management can give no assurance that actual results will be consistent with these forward-looking statements.

Factors and assumptions that were applied in drawing conclusions and could cause actual results, performance, or achievements to differ materially from those expressed or implied by forward-looking statements, include, but are not limited to, general economic conditions, competition for real property investments, the availability of new competitive supply of commercial real estate, PIRET's ability to maintain occupancy, tenant defaults, changes in interest rates, changes in governmental regulations and taxation, and PIRET's ability to obtain adequate insurance and financing.

Readers are cautioned that the foregoing list of factors that may affect future results is not exhaustive. When relying on forward-looking statements to make decisions with respect to PIRET, investors and others should carefully consider the foregoing factors and other uncertainties and potential events.

These forward-looking statements are made as of August 22, 2011 and PIRET assumes no obligation to update or revise them to reflect new events or circumstances, except as required by law.

BASIS OF PRESENTATION

Unless otherwise noted, all financial information, including comparative figures pertaining to PIRET’s 2010 results, has been prepared in accordance with International Financial Reporting Standards (IFRS), specifically International Accounting Standard (IAS) 34 – *Interim Financial Reporting*.

This MD&A is presented with figures prepared using accounting policies within the framework of International Financial Reporting Standards (IFRS). In previous periods, the company prepared its Financial Statements and Interim Financial Statements in accordance with Canadian generally accepted accounting principles in effect prior to January 1, 2011 (Previous GAAP). Comparative figures presented in the MD&A pertaining to PIRET’s 2010 results have been restated to be in accordance with IFRS. A reconciliation of comparative figures from Previous GAAP to IFRS is provided in the notes to the June 30, 2011 unaudited Condensed Interim Financial Statements. Comparative figures presented in the MD&A pertaining to PIRET’s 2009 results are prepared in accordance with Previous GAAP and are not required by IFRS 1 – *First-Time Adoption of International Financial Reporting Standards* or by the Canadian Securities Administrators to be restated in accordance with IFRS.

All financial information is reported in Canadian dollars, unless otherwise noted. Certain amounts in prior years have been reclassified to conform to the current year’s presentation.

OVERVIEW

About PIRET

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 September 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 units of the Trust trade on the TSX Venture Exchange under the symbol “AAR.UN”. The Trust’s head office is located at 910 – 925 W. Georgia Street, Vancouver, BC, V6C 3L2, Canada.

PIRET is Canada’s only publically traded pure-play industrial property REIT and its primary objectives are (a) to generate stable and growing cash distributions on a tax efficient basis from investments in income producing industrial properties in primary markets across Canada, (b) to enhance the value of PIRET’s assets and 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.

Acquisitions

2010

Property Address	Municipality	GLA (sf)	Price	Occupancy
234040 Wrangler Road	Calgary, AB	125,280	\$ 33,000,000	100%
3500 Viking Way	Richmond, BC	67,511	7,700,000	100%
150 Edmonton Avenue	Moncton, NB	28,119	2,790,000	100%
Advance Portfolio	Regina, SK / Edmonton, Calgary, AB	267,773	27,250,000	100%
7720 - 17th Street, NW	Edmonton, AB	130,944	14,800,000	100%
95 Clegg Road	Markham, ON	110,117	9,582,125	100%
8481 Marien Place	Montreal, QC	49,035	7,050,000	100%
310 De Baets Street	Winnipeg, MB	74,019	7,800,000	100%
90 – 120 Paramount Road	Winnipeg, MB	23,775	2,200,000	100%
650 Finley Avenue	Ajax, ON	128,238	8,294,724	100%
2385 Matheson Blvd	Mississauga, ON	31,721	3,125,000	100%
1000 Thornton Road	Oshawa, ON	111,876	8,700,000	100%
		1,148,408	\$ 132,291,849	100%

OVERVIEW (continued)

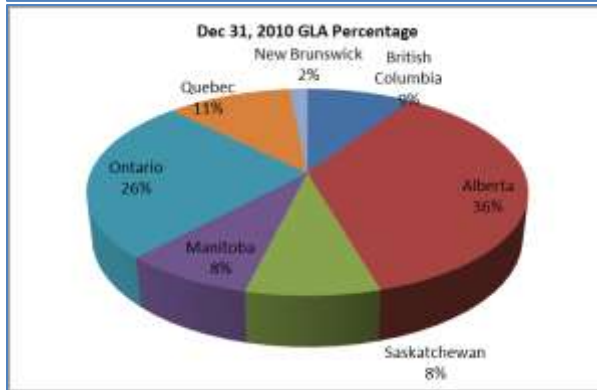
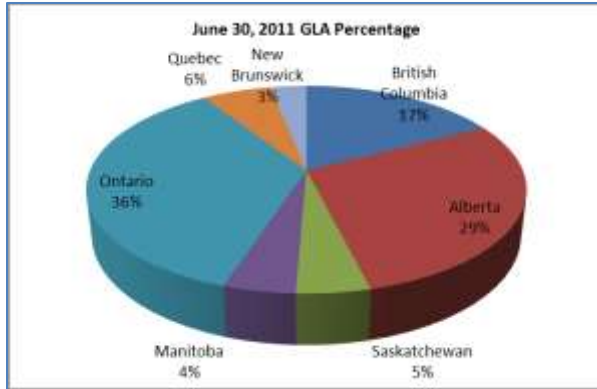
2011

Property Address	Municipality	GLA (sf)	Price	Occupancy
7867-7890 Express Street	Vancouver, BC	182,037	\$ 40,000,000	100%
1 Rutherford Court	Guelph, ON	101,301	6,050,000	100%
9255 194 th Street	Surrey, BC	185,123	18,380,000	100%
80 Rooney Crescent	Moncton, NB	81,180	5,074,313	100%
7660 Vantage Way	Delta, BC	73,396	9,300,000	100%
5645 70 th Street	Edmonton, AB	138,633	28,775,000	100%
Ontario / Alberta Portfolio	GTA, ON / Calgary, Edmonton, AB	831,923	70,145,000	95%
		1,593,593	\$ 177,724,313	97%

The occupancy rate was **98%** for all properties owned as at June 30, 2011. The lease terms are between one and twenty-five years and most of the leases that will expire within the next three years have at least one renewal option for another five years.

The geographic diversification of PIRET's portfolio as at June 30, 2011 and December 31, 2010 is outlined below:

	Number of properties		GLA (sf)	
	2011	2010	2011	2010
British Columbia	7	4	618,437	180,294
Alberta	18	13	1,015,930	709,429
Saskatchewan	3	3	161,426	161,426
Manitoba	4	4	158,965	158,965
Ontario	23	6	1,265,111	499,694
Quebec	2	2	213,560	213,560
New Brunswick	2	1	112,694	30,619
	59	33	3,546,123	1,953,987



OVERVIEW (continued)

Determination Event

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 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.

Internalization

Effective June 1, 2011, PIRET internalized its asset and property management and entered into employment agreements for Co-Chief Executive Officers, a Chief Operating Officer, a Chief Financial Officer, and several other key employees.

Prior to the internalization, Sunstone Industrial Advisors Inc. (“Sunstone Industrial”) provided PIRET with advisory, asset management and administrative services pursuant to an Asset Management Agreement entered into in July, 2007 upon the establishment of the REIT. Each of PIRET’s new officers were employed by Sunstone Industrial and has extensive knowledge of PIRET’s business and affairs. No fees or penalties were paid to Sunstone Industrial upon termination of the Asset Management Agreement.

Operational and Financial Highlights

	June 30, 2011	December 31, 2010
Number of properties	59	33
GLA	3,546,123	1,953,187
Occupancy	98%	100%
Investment properties	\$ 383,791,140	\$ 205,641,849
Mortgages payable	218,904,683	113,362,208
Weighted average cost of debt	5.03%	5.20%
Loan to gross book value	54.2%	54.9%

	For the six months ended June 30		For the three months ended June 30	
	2011	2010	2011	2010
Revenue	\$ 13,745,584	\$ 5,489,909	\$ 7,779,049	\$ 3,496,871
Earnings from operations	\$ 11,097,269	\$ 4,438,096	\$ 6,306,584	\$ 2,827,150
Distributions	\$ 6,095,189	\$ 2,356,439	\$ 3,412,719	\$ 1,431,969
Per unit	\$ 0.15	\$ 0.15	\$ 0.08	\$ 0.08
Distributable income	\$ 6,703,200	\$ 2,403,665	\$ 3,788,243	\$ 1,457,937
per Class A unit	\$ 0.17	\$ 0.16	\$ 0.08	\$ 0.08
Payout ratio	95.6%	103.2%	94.7%	103.4%
Funds from operations	\$ 6,730,324	\$ 2,235,201	\$ 3,829,641	\$ 1,380,058
per Class A unit	\$ 0.17	\$ 0.15	\$ 0.08	\$ 0.07
Payout ratio	99.6%	105.4%	89.1%	103.8%
Adjusted funds from operations	\$ 5,883,858	\$ 2,032,857	\$ 3,440,795	\$ 1,201,076
per Class A unit	\$ 0.15	\$ 0.14	\$ 0.08	\$ 0.06
Payout ratio	103.6%	115.9%	99.2%	119.2%

SECTION II

RESULTS OF OPERATIONS

	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 on investment properties	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	64,696	8,645	29,478	5,866
Finance expenses	(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)

During the period ended June 30, 2011, PIRET reported a net loss of \$7,144,502 from 59 properties, compared to a net loss of \$3,481,558 from same period in 2010. The Trust indebtedness ratio decreased to 54.2% at June 30, 2011 from 54.9% in December 31, 2010 and its distribution payout ratio of 95.6% for the 6 months ended June 30, 2011 decreased from 103.2% for the same six-month period in 2010. For further clarity, the Trust's indebtedness ratio is defined as the ratio between the Trust's indebtedness, meaning any obligation of the Trust for borrowed money but excluding trade accounts payable, distributions to unitholders and short term acquisition credit facilities, and the gross book value of the assets of the trust. This ratio is further defined under the Capital Structure section. The Trust defines distribution payout ratio as the percentage of Distributable Income that is paid out to unitholders.

Due to the new acquisitions, both rental revenue and recoverable expenses increased during the period ended June 30, 2011 compared with those in the same period of the prior year. Net operating earnings increased by 150% during the period ended June 30, 2011 compared with net operating earnings during the period ended June 30, 2010. Investment properties and mortgages payable also increased accordingly mainly due to the new acquisitions.

RESULTS OF OPERATIONS (continued)

Rental and Recoveries Revenue

Rental and recoveries revenue from investment properties includes all amounts earned from tenants related to lease agreements, such as basic rent, operating cost recoveries, and property tax recoveries.

Finance Income

Finance income includes interest revenue which was earned from bank deposits at the trust and the property level. Interest revenue increased due to the increase in cash balances held during the period.

Property Recoverable Operating Expenses

Property recoverable operating expenses include costs relating to such items as cleaning, building repairs and maintenance, elevator, HVAC, insurance, property taxes, utilities and property management fees among other items, which can be recovered from tenants. The following table illustrates recoverable operating expenses as a percentage of total property recoverable operating expenses:

	Six months ended June 30		Three months ended June 30	
	2011	2010	2011	2010
Insurance	2.1%	4.7%	4.4%	4.4%
Management fees	6.9%	3.6%	8.0%	4.2%
Recoverable operating costs	6.8%	0.8%	6.8%	1.3%
Property taxes	84.2%	90.9%	80.8%	90.1%
	100.0%	100.0%	100.0%	100.0%

Mortgage Interest Expense

Mortgage interest expense is included in finance expense. The weighted average interest rate on the mortgages is 5.03% per annum as at June 30, 2011 (December 31, 2010 – 5.20%) and the mortgages mature between 2011 and 2021 with a weighted average mortgage 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 to April 2018, at lower rate of 4.49% with the same lender commencing May 2011. PIRET intends to refinance any mortgages which mature within six months.

Income Taxes

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

RESULTS OF OPERATIONS (continued)

Trust Expenses

Trust expenses are primarily comprised of directors and officers liability insurance, professional fees, legal fees, filing fees, trustee fees and unit based compensation expense. Professional fees include auditing fees and internal control service fees paid to third parties. The Trust accrued 33,750 trustee fees for the three months ended June 30, 2011. For the period ended June 30, 2011, total trust expenses amounted to 4.07% of rental revenue (for the period ended June 30, 2010 – 8.83%) and are included in the following statement of earnings categories: general and administration expenses; IFRS costs; and unit based compensation expenses. Trust expenses increased by 37.8% during the period ended June 30, 2011 compared with those during the period ended June 30, 2010. Unit based compensation expenses in the amount of \$16,577 was recorded in the statement of loss and comprehensive income in relation to the restricted units and distribution restricted units issued as at June 30, 2011, compared to unit based compensation expense of \$82,879 being recorded during the same period in the prior year. The unit based compensation payable represents the fair value of the restricted units granted to the independent trustees since the commencement of the Trust in August 2007 to March 2010. Commencing 2011, trustees will receive cash compensations every quarter.

The following table illustrates trust expenses as a percentage of overall trust expenses, normalized for the period:

	Six months ended June 30		Three months ended June 30	
	2011	2010	2011	2010
Insurance	3.1%	3.8%	3.0%	3.7%
Professional fees	6.1%	4.8%	5.5%	5.2%
Legal and filing fees	20.4%	21.1%	14.8%	21.4%
Compensation expenses	29.4%	49.0%	37.6%	49.5%
Admin expenses	24.7%	11.2%	19.0%	10.6%
Others expenses	16.3%	10.1%	20.1%	9.6%
	100.0%	100.0%	100.0%	100.0%

Property Investigation Costs

Property investigation costs are fees paid for due diligence on properties which PIRET was interested in acquiring but subsequently elected not to proceed with. They are included in general and administrative expenses. During the period ended June 30, 2011, PIRET expensed \$18,128 on potential acquisitions that did not proceed.

Valuation gain (loss) from investment properties

As the Trust revalues its investment properties at fair value each reporting date, it records the fair value adjustments as an income or expense item. For the period ended June 30, 2011, the Trust had a valuation loss of \$3,415,089 (June 30, 2010 – \$892,615). The increase in the valuation loss from investment properties was due to the acquisition of new properties during the period ended June 30, 2011 and the subsequent expense of the related acquisition costs.

Offering costs

Offering costs are the costs incurred by the Trust that relate to the issuance of Class A units, which are included in finance expense. During the period ended June 30, 2011, the Trust incurred offering costs of \$5,263,234 (for the period ended June 30, 2010 – \$3,126,417).

Distributions

The Trust distributed announced a total of \$6,095,189 to Class A unitholders and of \$314,999 to Class B unitholders during the six months ended June 30, 2011 (June 30, 2010 - \$2,356,439 to Class A, \$124,023 to Class B)

DISTRIBUTABLE INCOME

PIRET uses Distributable Income (“DI”) to measure its ability to earn and distribute cash to unitholders. DI is a non-IFRS or GAAP measurement and should not be construed as an alternative to net earnings determined in accordance with IFRS as an indicator of the Trust’s performance. DI as computed by PIRET may differ from similar computations as reported by other similar business entities and, accordingly, may not be comparable to DI as reported by such business entities. DI does not have any standardized meaning prescribed by either IFRS or GAAP. Management calculates DI by adding to or deducting the following items from cash flow from operations: non-cash working capital items, proceeds or repayment of notes payable, and interest expenses.

	Six months ended June 30		Three months ended June 30	
	2011	2010	2011	2010
Cash flow from operations	\$ 11,730,644	\$ 4,200,959	\$ 7,166,383	\$ 2,987,666
Adjustment:				
Changes in non-cash operating working capital	(1,681,768)	(246,839)	(1,430,985)	(473,301)
Advances (repayment) on subordinated notes	-	21,203	-	11,300
Accrued rental revenue	699,524	354,026	349,762	247,785
Interest expense	(4,045,200)	(1,925,684)	(2,296,907)	(1,315,513)
Distributable Income	\$ 6,703,200	\$ 2,403,665	\$ 3,788,253	\$ 1,457,937
Class A units	6,373,802	2,283,482	3,604,661	1,385,040
Class B units	329,398	120,183	183,592	72,897
Distributions to Unitholders				
Class A units	\$ 6,095,189	\$ 2,356,439	\$ 3,412,719	\$ 1,431,969
Class B units	314,999	124,023	173,816	75,367
Total distributions paid	\$ 6,410,188	\$ 2,480,462	\$ 3,586,535	\$ 1,507,336
Total distributions paid as a % of Distributable Income	95.6%	103.2%	94.7%	103.4%
Weighted average number of units				
Class A units	38,319,771	14,013,280	43,309,505	17,738,900
Class B units	278,947	278,947	278,947	278,947
Diluted weighted average number of units				
Class A units	38,480,867	14,152,458	43,470,601	17,878,078
Class B units	278,947	278,947	278,947	278,947
Basic DI per unit				
Class A units	\$ 0.17	\$ 0.16	\$ 0.08	\$ 0.08
Class B units	1.18	0.43	0.66	0.26
Diluted DI per unit				
Class A units	0.17	0.16	0.08	0.08
Class B units	1.18	0.43	0.66	0.26
Distributions paid per unit				
Class A units	0.16	0.17	0.08	0.08
Class B units	1.13	0.45	0.62	0.27

DISTRIBUTABLE INCOME (continued)

PIRET may distribute to unitholders on each distribution date such percentage of the DI of PIRET for the month immediately preceding the month in which the distribution date falls, as the Trustees may determine at their discretion. Currently, the Trustees intend to make an annual cash distribution to unitholders of 0.30 per unit. Monthly distributions will be paid on the distribution date to unitholders of record on the last business day of such month.

The Trustees look beyond quarter-to-quarter fluctuations in working capital when making decisions regarding monthly distributions. As a result, management believes that the measure of DI, which excludes the impact of changes in non-cash working capital, is a better measure for determining operating performance. Management believes that the calculation of Standardized Distributable Cash, defined as cash flow from operations, distorts the Trust's quarter-to-quarter distributable cash and payout ratios, as non-cash operating working capital fluctuates.

For the purpose of this MD&A, management defines "Diluted DI per unit" as Distributable Income divided by the diluted weighted average number of units outstanding.

STANDARDIZED DISTRIBUTABLE CASH

The following is a reconciliation of the Trust's DI to standardized distributable cash (net cash flow from operations).

	Six months ended June 30		Three months ended June 30	
	2011	2010	2011	2010
Distributable income	\$ 6,703,200	\$ 2,403,665	\$ 3,788,253	\$ 1,457,937
(Advances) repayment on subordinated notes	-	(21,203)	-	(11,300)
Accrued rental revenue	(699,524)	(354,026)	(349,762)	(247,785)
Interest expense	4,045,200	1,925,684	2,296,907	1,315,513
(Increase) Decrease in amounts receivable	(319,693)	(76,677)	(286,690)	30,691
(Increase) in prepaid expenses	(1,529,125)	(489,438)	(1,414,543)	(337,900)
Increase in rental deposits	842,439	189,144	842,439	189,144
Increase in accounts payable and accrued liabilities	2,688,147	623,810	2,289,779	591,366
Standardized Distributable Cash	\$ 11,730,644	\$ 4,200,959	\$ 7,166,383	\$ 2,987,666

SEGMENTED INFORMATION

PIRET invests in industrial income producing properties in Canada only. Currently, there are fifty-eight properties located in seven provinces. The following table shows the percentage of earnings from property operations from each province for the periods ended June 30, 2011 and 2010.

Six months ended June 30	2011		2010	
	Percentage	Amount	Percentage	Amount
British Columbia	21.6%	\$ 2,398,180	14.9%	\$ 659,261
Alberta	38.4%	4,260,978	51.9%	2,304,368
Saskatchewan	5.9%	656,539	4.9%	218,521
Manitoba	6.2%	682,633	3.2%	142,904
Ontario	18.4%	2,049,456	10.1%	450,186
Quebec	7.5%	827,929	12.6%	557,654
New Brunswick	2.0%	221,554	2.4%	105,202
Total	100.0%	\$ 11,097,269	100.0%	\$ 4,438,096

SEGMENTED INFORMATION (continued)

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

FINANCIAL CONDITION

Assets

Investment Properties

Investment properties are stated at fair value. Gains or losses arising from changes in fair values are included in the statement of comprehensive income in the year which they arise.

The current properties remain relatively new with estimated useful lives between 20 to 58 years and should require minimal capital expenditures in the near future.

The mortgages and bank loans are secured by the investment properties and held by separate legal entities. The mortgage obligations are satisfied first by rent received from each property.

Accrued Rental Revenue

Certain leases call for rental payments that increase over their terms. Accrued rental revenue records the rental revenue from these leases on a straight-line basis, resulting in accruals for rents that are not billable or due until future years. Accrued rental revenue is \$2,425,854 as at June 30, 2011 (December 31, 2010 - \$1,726,331). During the period ended June 30, 2011, PIRET accrued \$699,524 in rental revenue (June 30, 2010 - \$354,026). Under IFRS, accrued rental revenue is included in the investment properties.

Leasing Costs

Leasing costs include leasing commissions and lease related costs, which were paid to real estate brokers or lawyers for leasing services. They are capitalized to the carrying amount of investment properties when incurred and then considered in the fair value adjustment of the investment properties at the next reporting date.

Mortgage reserve fund

The mortgage reserve fund consists of cash on deposit that was requested by lenders to be retained in escrow either pending expiry of the right to terminate in-place leases or to pay for any and all reasonable leasing costs. These funds will be released once certain conditions are met, but no later than the maturity of the mortgages. As at June 30, 2011, the term for the current mortgage reserve fund is less than 5 years. The amortized cost of the mortgage reserve fund is \$921,928 as at June 30, 2011 (December 31, 2010 - \$378,422). In January 2011, PIRET paid \$541,204 to the lender of Express.

FINANCIAL CONDITION (continued)

Prepaid expenses

Prepaid expenses consist of insurance and property taxes.

Liabilities

PIRET’s Declaration of Trust limits the indebtedness of the Trust to a maximum of 70% of the gross book value of the Trust. The gross book value is defined as the total book value of the assets plus accumulated depreciation and amortization in respect of such assets. The indebtedness is 54.2% of the gross book value as at June 30, 2011 (December 31, 2010 – 54.9%).

Mortgages Payable

The mortgages bear interest at a weighted effective rate of 5.03% as at June 30, 2010 (December 31, 2010 – 5.20%) and mature between 2011 and 2020.

Future principal mortgage payments are as follows:

Remaining in 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

Notes Payable

PIRET has entered into a subordination and support agreement with Sunstone Industrial Investments Inc. (“Sunstone Industrial”). When the target monthly distribution, estimated to be 0.025 per trust unit, is not achieved during the subordination period, holders of Class A 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 subordinated notes are non-interest bearing and due for repayment at the end of the subordination period. From January 1 to August 31, 2010, PIRET repaid \$221,810 to Sunstone Industrial. The subordination period ended August 31, 2010 in accordance with the subordination and support agreement.

Class A 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.

FINANCIAL CONDITION (continued)

Class A and Class B units (continued)

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, December 31, 2010 and June 30, 2011, 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 a finance expense under IFRS.

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.

In January 2011, PIRET issued 8,625,000 Class A units at 4.00 per unit for total gross proceeds of \$34,500,000. On May 17, 2011, the Trust issued an additional 14,605,000 Class A units at 4.10 per unit for total gross proceeds of \$59,880,500. As at June 30, 2011, PIRET has 50,371,263 Class A units and 278,947 Class B units outstanding.

Unit Based Compensation Accrual

The Trust has a restricted unit plan for the Trustees (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, or from treasury, and distributing them to the participant, 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.

Under Previous GAAP, the units issued under the restricted unit plan were accounted for as cash-settled share-based compensation. The amount owing was included in contributed surplus with a corresponding amount recorded as compensation expense. The compensation expense was measured at the grant date fair value of the number of units that would vest if the vesting date were to be the balance sheet date, provided that the performance conditions were considered probable of achievement. The unit based compensation expense was recognized over the vesting period. Under IFRS, liabilities related to PIRET's restricted unit plan are included in unit based compensation accrual account and measured at fair value at the grant date and re-measured each reporting date. The fair value changes are recorded within general and administrative expenses on the statements of net loss and comprehensive income. Unit based compensation accrual has a \$718,583 balance as at June 30, 2011 (December 31, 2010 - 741,090). PIRET reversed \$22,528 (December 31, 2010 - \$705,600 expense) compensation expense during the period ended June 30, 2011 under the restricted unit plan.

FINANCIAL CONDITION (continued)

Bank loan

On January 11, 2010, PIRET established a revolving operating line of credit bank in the amount of \$250,000, bearing interest at the lender's prime rate plus 1.75%, with a minimum of 4% per annum. The line of credit is secured by 90 Park Lane. In April 2010, the bank increased the operating line of credit to \$750,000, with the same rate and terms. PIRET had drawn down nil as at June 30, 2011 (December 31, 2010 - \$546,951).

On July 12, 2010, PIRET established an operation loan with a bank in the amount of \$4,750,000, bearing interest at the lender's prime rate plus 1.35%. The loan is secured by 8481 Marien Place ("FedEx Building") and requires PIRET to maintain a debt service coverage ratio of not less than 125% at all times. As at June 30, 2011, PIRET has drawn down \$7,072 (December 31, 2010 - \$2,292,719) and is in compliance with the financial covenant.

In April 2011, PIRET secured three separate operating lines with a financial institution. First, PIRET established a demand operating credit line with a bank, secured by 310 De Baets Street, with a credit limit of \$5,000,000, bearing interest at prime rate plus 1% per annum. The second demand operating credit line was secured by 1 Rutherford Court, Guelph, ON, with a credit limit of \$3,900,000, bearing interest at prime rate plus 1% per annum. Lastly, PIRET established a demand operating credit line, secured by 80 Rooney Crescent in Moncton, with a credit limit of \$3,300,000, bearing interest at prime rate plus 1% per annum. As at this reporting date, PIRET has not drawn down the three lines.

LIQUIDITY AND CAPITAL RESOURCES

Funds from Operations and Adjusted Funds from Operations

Funds from operations ("FFO") is a non-IFRS measure and should not be construed as an alternative to net earnings determined in accordance with IFRS. However, FFO is an operating performance measure which is widely used by the real estate industry and the Trust has calculated FFO in accordance with the recommendations of the Real Property Association of Canada ("REALpac"). Since the REALpac FFO definition does not capture the impact of classifying the Trust's unitholders' equity as a liability, PIRET added back the unit offering costs and distributions expenses. PIRET's method of calculating FFO may differ from other companies and accordingly may not be comparable to similar measures presented by other companies.

The use of FFO, combined with the required IFRS presentations, has been presented for the purpose of improving the understanding of operating results of REITs by the investing public and in making comparisons of REIT operating results more meaningful.

As FFO excludes depreciation, amortization, future income taxes and gains and losses from property dispositions, it provides a performance measure that, when compared period over period, reflects the impact on operations of trends in occupancy levels, rental rates, operating costs and realty taxes; acquisition activities; and interest costs, and provides a perspective of financial performance that is not immediately apparent from net earnings determined in accordance with IFRS.

FFO is a widely accepted supplemental measure of financial performance for real estate entities; however, it does not represent amounts available for capital programs, debt service obligations, commitments or uncertainties. FFO should not be interpreted as an indicator of cash generated from operating activities and is not indicative of cash available to fund operating expenditures, or for the payment of cash distributions. FFO is simply one measure of operating performance.

Adjusted funds from operations ("AFFO") is also a non-IFRS measure and should not be construed as an alternative to net earnings determined in accordance with IFRS. However, AFFO is widely accepted as a performance measurement tool in the real estate industry. AFFO is calculated by adjusting the FFO for accrued rental revenue relating to straight-line rents, non-cash compensation items, and capital expenditures. PIRET's method of calculating AFFO may differ from other companies and accordingly may not be comparable to similar measures presented by other companies.

LIQUIDITY AND CAPITAL RESOURCES (continued)

Funds from Operations and Adjusted Funds from Operations (continued)

The following table provides the analysis of PIRET’s FFO and AFFO performance:

	Six months ended June 30		Three months ended June 30	
	2011	2010	2011	2010
Net loss	\$ (7,144,502)	\$ (4,292,995)	\$ (3,287,239)	\$ (2,243,336)
Adjustment:				
Amortization of mortgage transaction costs	108,974	28,701	38,092	18,198
Valuation loss from investment properties	3,415,089	892,615	1,501,810	553,149
Trust unit offering costs	5,263,234	3,126,417	3,313,102	1,544,710
Distributions to unitholders	5,087,529	2,480,463	2,263,876	1,507,337
Funds from operations	6,730,324	2,235,201	3,829,641	1,380,058
Unit based compensation expenses	(22,517)	151,682	(39,084)	68,803
Accrued rental revenue	(699,524)	(354,026)	(349,762)	(247,785)
Capital expenditures	(124,425)	-	-	-
Adjusted funds from operations	\$ 5,883,858	\$ 2,032,857	\$ 3,440,795	\$ 1,201,076
Weighted average number of units				
Class A units	38,319,771	14,013,280	43,309,505	17,738,900
Class B units	278,947	278,947	278,947	278,947
Diluted weighted average number of units				
Class A units	38,480,867	14,152,458	43,470,601	17,878,078
Class B units	278,947	278,947	278,947	278,947
FFO per unit - Basic				
Class A units	\$ 0.17	\$ 0.15	\$ 0.08	\$ 0.07
Class B units	1.16	0.40	0.66	0.25
FFO per unit - Diluted				
Class A units	0.17	0.15	0.08	0.07
Class B units	1.16	0.40	0.66	0.25
AFFO per unit - Basic				
Class A units	\$ 0.15	\$ 0.14	\$ 0.08	\$ 0.06
Class B units	1.01	0.36	0.59	0.22
AFFO per unit - Diluted				
Class A units	0.15	0.14	0.08	0.06
Class B units	1.01	0.36	0.59	0.22

LIQUIDITY AND CAPITAL RESOURCES (continued)

Funds from Operations and Adjusted Funds from Operations (continued)

The following is a reconciliation of the Trust's FFO to cash provided by operations:

	Six months ended June 30		Three months ended June 30	
	2011	2010	2011	2010
Funds from operations	\$ 6,703,324	\$ 2,235,201	\$ 3,829,641	\$ 1,380,058
Amortization of discount on mortgage reserve fund	(4,606)	(4,421)	(2,304)	(2,224)
Unit based compensation expense	(22,517)	151,682	(39,094)	68,803
Accrued rental revenue	(699,524)	(354,026)	(349,762)	(247,785)
Increase in amounts receivable	(319,693)	(76,677)	(286,690)	30,691
Increase in prepaid expenses	(1,529,125)	(489,438)	(1,414,543)	(337,900)
Increase in rental deposits	842,439	189,144	842,439	189,144
Increase in accounts payable and accrued liabilities	2,688,146	623,810	2,289,779	591,366
Interest expense	4,045,200	1,925,684	2,296,907	1,315,513
Cash provided by operating activities	\$ 11,730,644	\$ 4,200,959	\$ 7,166,383	\$ 2,987,666

Capital Resources

The cash collected from issuing Class A units and Class B units, and the cash generated by investment properties represent the primary source of funds to fund total distributions to unitholders of \$6,410,188 from January 1 to June 30, 2011 and \$6,302,924 from January 1 to December 31, 2010.

For the period ended June 30, 2011, cash provided by operations was more than cash distributions paid or payable. Management expects that cash provided by operating activities will exceed cash distributions paid or payable. However, management expects cash distributions to continually exceed net earnings due to non-cash items which are deducted in determining net earnings. Non-cash items such as amortization, while deducted for net earnings, have no impact on cash available to pay distributions.

There are no significant working capital requirements that currently exist and there are no pending items that may affect liquidity. There are no legal or practical restrictions on the ability of the Trust's properties to transfer funds to the Trust.

Proceeds from the issuance of units and conventional mortgage financing have been used mainly to fund property acquisitions. PIRET intends to refinance any mortgages which mature within six months.

Management expects to be able to meet all of the Trust's ongoing obligations and to finance future growth through the issuance of units as well as by using conventional mortgages, short term financing from the bank and the Trust's cash flow. The Trust is not in default or arrears on any of its obligations including distribution payments, interest or principal payments on debt.

LIQUIDITY AND CAPITAL RESOURCES (continued)**Capital Resources (continued)**

In accordance with National Instrument 41-102, the Trust is required to provide additional disclosure relating to cash distributions.

	Six months ended June 30		Three months ended June 30	
	2011	2010	2011	2010
Cash provided by operating activities	\$ 11,730,644	\$ 4,200,959	\$ 7,166,383	\$ 2,987,666
Net loss	\$ (7,144,502)	\$ (4,292,995)	\$ (3,287,239)	\$ (2,243,336)
Actual cash distributions paid or payable	\$ 6,410,188	\$ 2,480,462	\$ 3,586,535	\$ 1,507,336
Excess of cash provided by operating activities over cash distributions paid	\$ 5,320,456	\$ 1,720,497	\$ 3,579,848	\$ 1,480,330
Shortfall of net loss over cash distributions paid	\$ (13,554,690)	\$ (6,773,457)	\$ (6,873,774)	\$ (3,750,672)

CAPITAL STRUCTURE

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 unitholders' value. The Trust's capital structure is approved by its unitholders as related to the Trust's 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.

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 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 is 54.2% as at June 30, 2011 (December 31, 2010 – 54.9%).

Having a relatively low indebtedness ratio is important in current economic conditions, which allows PIRET to access additional financing if necessary.

The Trust Declaration allows the Trustees, at their discretion, to distribute to the Trust's unitholders in each year all or a portion of 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 distribution to trust unitholders was 0.025 per unit per month from January 1 to June 30, 2011 (January 1 to December 31, 2010 - 0.025 per unit per month).

The Trust is in compliance with all restrictions during the period ended June 30, 2011 and the year ended December 31, 2010.

CAPITAL STRUCTURE (continued)

The Trust Declaration allows the Trustees, at their discretion, to distribute to the Trust’s unitholders in each year all

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

	June 30, 2011	December 31, 2010	Change
Capital			
Unit 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

The total capital of PIRET increased due to the issuance of new Class A units and the proceeds of new mortgages related to acquisitions, offset by the repayment of mortgage principal and distributions to unitholders during 2011.

FINANCIAL INSTRUMENTS

For certain of the Trust’s financial instruments, including cash, cash held in trust, amounts receivable, accounts payable and accrued liabilities, and the bank loans, the carrying amounts approximate their fair values due to the immediate or short-term maturity of these financial instruments.

The fair value of the mortgage reserve fund is determined by discounting the future contractual cash flow under current mortgage agreements at a discount rate which represents the investment return rate that the Trust can earn.

The fair values of amounts due for mortgages payable and notes payable are determined by discounting the future contractual cash flow under current financing arrangements at discount rates which represent borrowing rates presently available to the Trust for loans with similar terms and maturity. Discount rates are either provided by the lenders or are observable on 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. Prices of units and units outstanding are observable in the open market. The fair value of the Class B units has been calculated at December 31, 2010 based on quoted prices in active markets for similar assets or liabilities or valuation techniques where significant inputs are based on observable market data. Class B units are entitled to 5% of PIRET’s market capitalization, which is observable in the open market.

	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

OFF-BALANCE SHEET ITEMS

PIRET does not have any off-balance sheet items.

SECTION III

SUMMARY OF QUARTERLY RESULTS

Total investment properties increased in the three months period ended June 30, 2011 due to the acquisitions in the quarter. The Trust's cash balance increased significantly from the March 31, 2011 due to the bought deal equity financing on May 17, 2011. The cash raised in the bought deal was primarily used for the acquisitions in the quarter. Total liabilities decreased significantly during the three months period ended June 30, 2011 compared with liabilities in the 1st quarter due, in most part, to the reclassification of Class A units and Class B units from liabilities to equity and accrued distributions to unitholders. This was offset by the increase in mortgages due to the acquisition activities in the quarter. Net loss and comprehensive loss decreased by \$560,000 from the previous quarter mainly due to a decrease in other expenses.

In the second quarter 2011, PIRET acquired an additional 26 investment properties for total \$113,294,866 plus standard closing costs and adjustments. PIRET earned rental revenue from 59 properties instead of 27, which resulted in net operating earnings increasing by 123% during the three month period ended June 30, 2011 compared to the three month period ended June 30, 2010. During the same periods, other expenses also increased partly due to fair value adjustments of investment properties and additional general and administrative expenses related to Toronto office.

Excluding the impact of expenses of Class A offering costs and distributions to Class A and Class B units, PIRET earned second quarter net income of \$2,289,739 compared to \$808,710 in 2010. The current quarter loss is mainly due to the transition from Previous GAAP to IFRS. Under Previous GAAP, Class A offering costs and distributions to unitholders were recorded as equity. Under IFRS, they have been recorded as expenses until the Determination Event. There are no fundamental changes in PIRET's operations and all properties generate positive cash flows.

Financial information for 2010 has been restated according to IFRS. Financial information for 2009 is still recorded under Previous GAAP.

Quarter ended	June 30, 2011	March 31, 2011
Basic rent	\$ 6,132,790	\$ 4,757,832
Recoveries	1,646,259	1,208,703
Total rental revenue from properties	\$ 7,779,049	\$ 5,966,535
Property recoverable operating expenses	\$ 1,472,465	\$ 1,212,724
Other expenses	\$ 1,749,415	\$ 2,161,089
Net loss and comprehensive loss	\$ (3,287,238)	\$ (3,857,264)
Basic net loss per unit		
Class A units	\$ (0.07)	\$ (0.11)
Class B units	\$ (0.59)	\$ (0.69)

SUMMARY OF QUARTERLY RESULTS (continued)

Quarter ended	December 31, 2010 (restated)	September 30, 2010 (restated)	June 30, 2010 (restated)	March 31, 2010 (restated)
Basic rent	\$ 3,807,672	\$ 3,572,417	\$ 2,807,525	\$ 1,611,103
Recoveries	690,929	778,346	689,346	381,935
Total rental revenue from properties	\$ 4,498,601	\$ 4,350,763	\$ 3,496,871	\$ 1,993,038
Property recoverable operating expenses	\$ 772,506	\$ 773,558	\$ 669,721	\$ 382,092
Other expenses	\$ (1,135,378)	\$ 1,006,641	\$ 708,793	\$ 498,380
Net loss and comprehensive loss	\$ (115,328)	\$ (392,278)	\$ (2,243,336)	\$ (2,049,659)
Basic net loss per unit				
Class A units	\$ (0.01)	\$ (0.02)	\$ (0.12)	\$ (0.19)
Class B units	\$ (0.02)	\$ (0.07)	\$ (0.40)	\$ (0.37)

(Previous GAAP) Quarter ended	December 31, 2009	September 30, 2009	June 30, 2009	March 31, 2009
Basic rent	\$ 1,317,301	\$ 1,317,302	\$ 1,323,970	\$ 1,327,305
Recoveries	394,648	340,634	301,725	388,966
Interest and other income	2,188	3,331	11,724	19,045
Total rental revenue from properties	\$ 1,714,137	\$ 1,661,267	\$ 1,637,419	\$ 1,735,316
Property recoverable operating expenses	\$ 392,676	\$ 345,670	\$ 326,071	\$ 362,007
Non-recoverable expenses	\$ 1,011,853	\$ 998,276	\$ 1,018,156	\$ 1,037,821
Net earnings and comprehensive income	\$ 309,484	\$ 317,321	\$ 325,184	\$ 439,452
Basic and diluted net earnings per unit				
Trust units	\$ 0.04	\$ 0.04	\$ 0.04	\$ 0.06
Subordinated units	\$ 0.06	\$ 0.06	\$ 0.06	\$ 0.08

Quarter ended	June 30, 2011	March 31, 2011
Total assets	\$ 404,043,736	\$ 277,078,146
Total liabilities	\$ 226,205,168	\$ 285,718,018
Net liabilities attributable to unitholders	\$ -	\$ (8,639,872)
Unitholders' equity	\$ 177,838,568	\$ -
Investment properties	\$ 383,791,140	\$ 270,196,274
Mortgages payable	\$ 218,904,683	\$ 150,284,918

Quarter ended	December 31, 2010 (restated)	September 30, 2010 (restated)	June 30, 2010 (restated)	March 31, 2010 (restated)
Total assets	\$ 211,506,756	\$ 174,615,312	\$ 165,232,268	\$ 118,621,833
Total liabilities	\$ 216,289,364	\$ 179,282,592	\$ 169,507,270	\$ 120,653,499
Net liabilities attributable to unitholders	\$ (4,782,608)	\$ (4,667,280)	\$ (4,275,002)	\$ (2,031,666)
Investment properties	\$ 205,641,849	\$ 173,142,125	\$ 158,342,125	\$ 114,460,000
Mortgages payable	\$ 113,362,208	\$ 100,365,243	\$ 91,499,349	\$ 66,884,633

SUMMARY OF QUARTERLY RESULTS (continued)

(Previous GAAP) Quarter ended	December 31, 2009	September 30, 2009	June 30, 2009	March 31, 2009
Total assets	\$ 66,702,959	\$ 67,364,549	\$ 68,046,997	\$ 68,721,380
Total liabilities	\$ 42,212,492	\$ 42,589,387	\$ 42,994,977	\$ 43,400,366
Unitholders' equity	\$ 24,490,467	\$ 24,775,162	\$ 25,052,020	\$ 25,321,014
Income producing properties	\$ 63,497,481	\$ 63,819,508	\$ 64,141,534	\$ 64,934,975
Intangible assets	\$ 1,988,192	\$ 2,062,115	\$ 2,136,039	\$ 2,226,126
Mortgages payable	\$ 41,061,100	\$ 41,303,535	\$ 41,539,348	\$ 42,080,107

SECTION IV**CRITICAL ACCOUNTING ESTIMATES**

The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. The Trust's significant accounting policies are described in note 2 to the June 30, 2011 unaudited condensed interim financial statements and the December 31, 2010 audited financial statements.

The policies that are most subject to estimation and judgement are outlined below.

Business combinations

The Trust acquires individual real estate properties. At the time of acquisition, the Trust considers whether 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.

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.

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.

CRITICAL ACCOUNTING ESTIMATES (continued)

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.

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. Where an appraisal is not obtained at the reporting date, management uses different valuation methods to evaluate each investment property and estimates the fair value.

CHANGES IN ACCOUNTING POLICIES

PIRET's significant accounting policies are described in note 3 to the June 30, 2011 unaudited Condensed Interim Financial Statements.

Transition to IFRS

Effective January 1, 2011, the Trust began reporting under IFRS. The accounting policies referenced above have been applied in preparing the financial results for the six months ended June 30, 2011 and 2010, the financial results for the year ended December 31, 2010, and the Trust's opening balance sheet as at January 1, 2010. A detailed reconciliation of amounts reported under Previous GAAP to those presented in the MD&A is provided in note 4 to the unaudited condensed interim financial statements.

The following table provides a summary reconciliation of net earnings reported under Previous GAAP to that reported under IFRS:

	Six months ended June 30, 2011	Year ended December 31, 2010
Net earnings, as reported under Previous GAAP	\$ 701,745	\$ 2,795,089
Adjustments to net earnings:		
Amortization of deferred expenses	–	4,802
Amortization of properties and intangible assets	1,196,990	3,201,569
Mortgage interest	(45,258)	(162,320)
Mortgage transaction costs	504,704	711,397
Valuation gain (loss) on investment properties	(892,615)	(13,817)
Class A offering costs	(3,126,417)	(4,588,523)
Distributions to Class A unitholders	(2,356,439)	(5,987,779)
Distributions to Class B unitholders	(124,023)	(315,145)
Unit based compensation expense	(151,682)	(445,874)
Net loss, as reported under IFRS	\$ (4,292,995)	\$ (4,800,601)

CHANGES IN ACCOUNTING POLICIES (continued)

Transition to IFRS (continued)

The transition to IFRS included adjustments of \$6,191,806 that increased the carrying amount of PIRET's investment properties as at January 1, 2010. The increase was due to PIRET electing to carry its investment properties at fair value under IFRS, compared to cost under Previous GAAP. Additionally, PIRET's liabilities increased by \$30,664,270 as at January 1, 2010 under IFRS compared to Previous GAAP. This increase was primarily due to the Trust's Class A and Class B units being classified as financial liabilities under IFRS, compared to equity under Previous GAAP.

The decrease in net earnings under IFRS, compared to Previous GAAP, is primarily a result of the expense of the distributions to Class A and Class B units and Class A offering costs. The reclassification of the Class A and Class B units from equity to financial liabilities results in the related unit offering costs and unit distributions being recorded as an expense when incurred under IFRS, compared to being recorded within equity when incurred under Previous GAAP. This was partially offset by the Trust electing to carry its investment properties at fair value and the related mortgage transaction costs being amortized over the term of the mortgage under IFRS, compared to being expensed as incurred under Previous GAAP. In addition, the election to carry investment properties at fair value under IFRS eliminates the need for the Trust to record depreciation expense at each reporting date.

The transition of IFRS also required that the Trust adopt accounting policies that are different to those previously reported. Changes to accounting policies that may have a significant impact on the Trust's net earnings or presentation of net earnings include:

- Investment properties – Under Previous GAAP, investment properties were carried at amortized cost and depreciated over its estimated useful life. Under IFRS, investment properties are carried at fair value with any changes in fair value being recorded under net earnings at each reporting date.
- Classification of Class A and Class B units – Under Previous GAAP, these units were classified as equity, whereas under IFRS they are classified as financial liabilities. As a result, the Trust must expense all related offering costs and distributions as incurred and has restated amounts previously reported as equity under Previous GAAP.
- Unit based compensation – Under Previous GAAP, compensation expense for unit based compensation issued 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 are considered probable of achievement. The unit based compensation expense was recognized over the vesting period. Under IFRS, the Trust must record the unit based compensation using the fair value method. In order to determine this, the Trust must make forward looking assumptions regarding the various factors that affect the compensation expense payable at vesting date.
- Mortgage transaction costs – Under Previous GAAP, mortgage transaction costs were expensed as incurred. Under IFRS, mortgage transaction costs must be included in the fair value, of mortgages payable, at initial recognition and therefore form part of the carrying amount of the debt instrument. These costs are subsequently amortized and expensed over the term of the related mortgage using the effective interest method.

Standards issued but not yet effective

IFRS 9 as issued reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets as defined in IAS 39. The standard is effective for annual periods beginning on or after 1 January 2013. In subsequent phases, the IASB will address classification and measurement of financial liabilities, hedge accounting and de-recognition. The completion of this project is expected in early 2011. The Trustees will quantify the effect on the Trust in conjunction with other phases, when issued, to present a comprehensive picture.

SECTION V

RISKS AND UNCERTAINTIES

All income producing property investments are subject to a degree of risk and uncertainty. They are affected by various factors including general market conditions and local market circumstances. An example of general market conditions would be the availability of long-term financing whereas local conditions would relate to factors affecting specific properties in a particular geographic location, such as changes in market lease rates as a result of an over-supply of space or a reduction in demand for real estate. Management attempts to manage these risks through geographic diversification in the Trust's portfolio.

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

Interest Rate and Financial Risk

Interest rate risk arises from the possibility that the value of, or cash flows related to, a financial instrument will fluctuate as a result of changes in market interest rates. The Trust is exposed to financial risk from the interest rate differentials between the market rate and the rates used on these financial instruments.

The Trust manages its financial instruments and interest rate risks based on its cash flow needs. The Trust minimizes interest rate risk by obtaining long-term, fixed rate mortgages whenever possible. It targets a conservative ratio of debt (including the face amount of any outstanding convertible debentures and any outstanding subordinated notes) to gross book value within the range of 60% to 65% and is restricted under the Trust Declaration to a maximum of 70%. Mortgages payable bear interest at fixed rates; therefore the Trust is not exposed to significant interest rate risk.

Credit Risk

The Trust is exposed to some credit risk with respect to the collection of rental revenue, but minimizes the risk by a thorough review of tenants' credit histories and requesting adequate security deposits. As at June 30, 2011, trade receivables in the amount of \$5,787 were 30 days past due. Current receivables totaled only \$131,650 (2010 - \$3,987) due to billings to new tenants and will be collected during the next few months.

Reliance on Single Tenant and Tenant Concentration Risk

Most of PIRET's properties are single tenant properties. The table below illustrates the Trust's top 5 tenants as at June 30, 2011 by revenue:

Tenant	Percentage of Revenue	GLA
1 TransForce	21.1%	307,317
2 Advance Engineered Products Inc.	9.7%	267,773
3 RSAC Canada Limited	5.8%	239,600
4 Shanahan's Manufacturing Ltd.	5.2%	217,532
5 Top-Co LP	4.8%	130,994
	46.8%	998,290
Other	53.2%	2,547,833
	100.0%	3,546,123

RISKS AND UNCERTAINTIES (continued)

Reliance on Single Tenant and Tenant Concentration Risk (continued)

In the event that the above-listed tenants were to terminate their tenancies or become insolvent, the financial results of PIRET would be materially and adversely affected. Until such a time that PIRET is in a position to acquire more assets and further diversify its tenant base, management has taken certain steps to mitigate any credit risk by instructing the third party property managers to closely monitor the tenants' compliance with the terms of their respective leases and to report any issues as soon as they are identified.

Currency Risk

The Trust is not exposed to currency risk since there are no foreign subsidiaries and the Trust does not enter into foreign currency transactions.

Lease Rollover Risk

Lease rollover risk arises from the possibility that the Trust may experience difficulty renewing leases as they expire or in re-leasing space vacated by tenants upon lease expiry. Management tries to sign long term leases to tenants to minimize lease rollover risk. The occupancy rate is 98% as at June 30, 2011 (December 31, 2010 – 100%) and lease terms are between one to twenty five years. The leases which will expire over the next 3 years represent 13.8% of total square footage. However, most of the leases expiring over the next 3 years have at least one renewal option for another 5 years.

PIRET's lease expiries for all properties as at June 30, 2011 are as follows:

	Square feet	% of Net leasable area
2011	62,864	1.8%
2012	253,348	7.3%
2013	163,546	4.7%
2014	151,392	4.3%
2015	95,447	2.7%
2016 and thereafter	2,819,526	79.2%
	3,546,123	100.00%

Restrictions on Redemptions

It is anticipated that the redemption right will not be the primary mechanism for trust unitholders to liquidate their investments. PIRET notes or debt securities which may be issued or distributed in specie to trust unitholders in connection with redemption will not be listed on any stock exchange and no established market is expected to develop for such securities. Such securities may be subject to an indefinite "hold period" or other resale restriction under applicable securities laws. PIRET notes and debt securities so issued or distributed may not be qualified investments for deferred income plans. Regulatory approvals will be required in connection with an issuance or distribution of PIRET notes or debt securities in specie to holders of units in connection with the redemption of units. There are no notes or debt securities issued to unitholders as at June 30, 2011 or December 31, 2010.

Unit Prices

It is not possible to predict the price at which units will trade and there can be no assurance that an active trading market for the units will be sustained. The units will not necessarily trade at values determined solely by reference to the value of the properties of PIRET. Accordingly, the units may trade at a premium or discount to the value implied by the value of PIRET's properties. The market price for the units may be affected by changes in general market conditions, fluctuations in the markets for equity securities and numerous other factors beyond PIRET's control.

RISKS AND UNCERTAINTIES (continued)

Environmental Risk

As an owner of real property, PIRET is subject to various federal, provincial and municipal laws relating to environmental matters. Such laws provide that PIRET could be liable for the costs of removal of certain hazardous substances and remediation of certain hazardous locations. The failure to remove or remediate such substances or locations, if any, could adversely affect PIRET's ability to sell such real estate or to borrow using such real estate as collateral and could potentially result in claims against PIRET.

Management carries out environmental inspections before a property is purchased. In addition, most leases require tenants to conduct their businesses in accordance with environmental regulations and be responsible for liabilities arising out of any infractions. Management is not aware of any material non-compliance with environmental laws with respect to the current portfolio and is not aware of any pending or threatened investigations or actions by environmental regulatory authorities in connection with the current portfolio.

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.

RISKS AND UNCERTAINTIES (continued)**Liquidity Risk (continued)**

The terms and conditions of the outstanding mortgages are as follows:

	Nominal interest rate	Year of maturity	Carrying value	
			June 30, 2011	December 31, 2010
Mabe	5.677%	2016	\$ 7,880,385	\$ 7,952,966
Team Tube	4.490%	2018	12,673,030	12,868,553
333 De Baets	5.500%	2011	1,575,920	1,585,146
Tornado	5.670%	2012	2,505,133	2,550,153
Eurospec	5.382%	2015	4,455,529	4,509,925
Shanahan - 57th	5.926%	2018	4,899,303	4,955,097
Shanahan portfolio - AB	5.754%	2012	4,907,513	4,993,855
Viking	5.160%	2017	4,568,744	4,640,596
TransForce	4.950%	2015	20,013,217	20,335,226
Moncton	6.210%	2014	1,541,554	1,564,341
Advance portfolio - SK	4.800%	2015	8,298,552	8,433,324
Advance portfolio - AB	4.800%	2015	10,043,769	10,206,846
Clegg Rd	5.510%	2015	6,080,252	6,140,933
Top-Co	5.350%	2020	9,462,049	9,558,212
Finley	4.160%	2015	5,348,066	5,400,000
Matheson	4.160%	2015	2,059,996	2,080,000
Thornton	4.286%	2015	5,160,715	5,220,000
Paramount	5.500%	2013	1,050,704	1,062,919
Express	5.020%	2021	25,817,422	-
194 th Street	4.620%	2018	11,957,248	-
Tristar	5.885%	2013	4,404,072	-
Roper	4.470%	2016	18,703,750	-
Cdn Urban portfolio – Lender A	5.489%	2012	9,430,487	-
Cdn Urban portfolio – Lender B	3.170%	2011	3,496,828	-
Cdn Urban portfolio – Lender C	5.170%	2011	10,091,337	-
Cdn Urban portfolio – Lender D	5.100%	2021	23,920,000	-
Total mortgages principal payable			220,345,575	114,058,092
Unamortized mortgage transaction costs			(1,440,892)	(695,884)
Total carrying value of mortgages payable			\$218,904,683	\$113,362,208

During the six months ended June 30, 2011, PIRET financed Express, 194th Street, several Canadian Urban properties with new mortgages. In addition, the Trust also assumed mortgages on the acquisition of Tristar, Roper, and several properties in the Canadian Urban portfolio. PIRET also refinanced Team Tube with the same lender at a lesser rate in March 2011.

In 2010, PIRET repaid the mortgage secured by 90 Park Lane; financed Viking, TransForce, the Advance portfolio, Clegg Rd, Top-Co, Finley, Matheson, and Thornton with nine new mortgages; and assumed mortgages on Moncton and Paramount. The mortgages payable are secured by the income producing properties.

RISKS AND UNCERTAINTIES (continued)

Tax Risk

PIRET currently qualifies as a real estate investment trust (“REIT”) for Canadian income tax purposes. Thus, PIRET is not subject to income tax as long as the Trust distributes all income earned by the Trust to unitholders annually. If PIRET does not qualify or ceases to qualify as a REIT under the REIT exception, adverse consequences could arise including a non-deductible distribution amount being taxable to PIRET (with the result that the amount of cash available for distribution by PIRET would be reduced) and such amount also being included in the income of unitholders for purposes of the Tax Act as taxable dividends.

There can be no assurances that Canadian federal income tax laws respecting the treatment of mutual fund trusts and of REITs will not be changed, or that administrative and assessing practices of the Canada Revenue Agency will not develop in a manner which adversely affects PIRET or its unitholders.

RELATED PARTY TRANSACTIONS

PIRET is related to Sunstone Realty Advisors (2005) Inc., Sunstone Realty Advisors (2006) Inc. and Sunstone Industrial Investments Inc. by virtue of having officers and directors in common. There were no transactions among the above related parties during the three months ended June 30, 2011.

On 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 repaid \$100,000 of the demand note plus all interest accrued to that date. Interest of \$2,115 relating to this demand note was included in accounts payable and accrued liabilities as at December 31, 2009 (December 31, 2008 - \$5,373). On March 5, 2010, PIRET repaid the remaining balance of the demand note in the amount of \$125,000 plus all interest accrued to that date.

During 2008, Sunstone Industrial Investments Inc. 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 as at December 31, 2008 and December 31, 2009. The balance was non-interest bearing and due on demand. On March 5, 2010, PIRET repaid the amount in full.

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. Under the Asset Management Agreement, PIRET will reimburse Sunstone Management for all reasonable expenses associated with the operation of PIRET, including any third party costs which are reasonably incurred by Sunstone Management on behalf of PIRET, but not personnel costs incurred by Sunstone Management in managing PIRET. During the period ended June 30, 2011 or the year ended December 31, 2010, Sunstone Management did not charge PIRET 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 \$95,000 for arranging the financing of Express and 194th Street during the period ended June 30, 2011 and paid \$135,120 for arranging the financing of Viking, TransForce, the Advance portfolio and Top-Co during the year ended December 31, 2010. It is management’s opinion that the mortgage brokerage fees are in line with current market rates.

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.

RELATED PARTY TRANSACTIONS (continued)

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

	<u>Six months ended June 30</u>		<u>Three months ended June 30</u>	
	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

OUTSTANDING UNIT DATA

Except as set out in the Trust Declaration, no Class A unit or Class B unit has any preference or priority over another. All units have equal voting rights at meetings of unitholders.

Upon completion of the offerings and exercise of the over-allotment option, holders of Class A 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 Class B units, shares in a 5% equity interest (the “Subordinated Unit Percentage Interest”) in all distributions and all net assets of the Trust.

During 2010, PIRET issued 19,615,000 Class A units for total of \$65,932,250. In January 2011, PIRET issued additional 8,625,000 Class A units for total of \$34,500,000 gross proceeds. On May 17, 2011, the trust issued 14,605,000 Class A units on a bought deal basis at \$4.10 per unit for gross proceeds of \$59,880,500

As at June 30, 2011, the total number of trust units outstanding was 50,374,263 and the total number of subordinated units outstanding was 278,947.

As at June 30, 2011, the Trust has issued a total of 124,058 restricted units and 24,455 related distribution restricted units.

SECTION VI

INTERNAL CONTROLS OVER FINANCIAL REPORTING

Management is responsible for establishing and maintaining adequate internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The Co-Chief Executive Officers and Chief Financial Officer undertook an assessment under his direct supervision of the design of PIRET’s internal controls over financial reporting as at June 30, 2011, and based on that assessment determined that PIRET’s internal controls over financial reporting were appropriately designed.

Due to the inherent limitations in all control systems, an evaluation of controls can provide only reasonable, not absolute, assurance that all control issues and instances of fraud or error, if any, have been detected.

SECTION VII

OUTLOOK

PIRET's management has successfully delivered consistent results over the course of the year by focusing on our core values: actively managing our portfolio; maintaining high occupancy levels through our diversified tenant base; prudently managing the Trust's balance sheet by maintaining loan to value ratios at approximately 54.2%, much lower than our Declaration of Trust's maximum of 70% loan to value.

In the first half of 2011, PIRET's management has been encouraged by a strengthening economy, active Canadian equity capital markets, heightened demand for investments featuring higher yields, a safety-first investor sentiment seeking tangible and defensive asset classes, and a burgeoning Canadian real estate industry. These drivers combine to provide an attractive platform, and an improving landscape for PIRET to continue its ambitious yet conservative acquisition program in 2011 and 2012.

Management continues to believe that superior returns can be achieved by targeting properties in primary industrial markets across Canada. PIRET intends to acquire properties in clusters and asset sizes that will ensure regional economies of scale and geographic diversification in its portfolio.

PIRET focuses on acquiring industrial assets with strong tenant bases, low vacancy rates and existing long-term leases. In addition to providing cash flow stability, these higher quality tenants typically require fewer resources to manage individual properties. Furthermore, PIRET intends to acquire properties that are in good to superior physical condition with little to no deferred maintenance.

SUBSEQUENT EVENTS

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.

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.

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.

ADDITIONAL INFORMATION

Additional information relating to PIRET is available on SEDAR at www.sedar.com or on PIRET's website at www.piret.ca.