



January 10, 2019

## Durum Industrial REIT Acquires Two Properties to Kick Off 2019

Durum Industrial Real Estate Investment Trust (the “REIT”) is pleased to announce the acquisition of two Staples Canada Inc. (“Staples”) properties, both located in Saskatchewan; 660 Albert Street, Regina and 210 Hamilton Road, Yorkton. The two single-tenant warehouse style buildings have long-term leases ranging from 10 to 15 years and add an average of just over \$1 million in annual rent to the REIT portfolio.

### ***Property Information***

Property	Land (Acres)	Building (SF)	Annual Rental Income	Purchase Price
Albert St, Regina (SK)	1.33	23,759	\$617,734	\$7,400,000
Hamilton Rd, Yorkton (SK)	2.38	25,733	\$411,728	\$4,400,000

The current rental income on the properties is \$1,029,462 annually. However, rent step-ups increase the annual basic rents for an average of \$1,102,713 in annual basic rent. Based on the average annual rental income, the acquisitions were made at a 9.35% capitalization rate. Acquiring these properties at an attractive cap rate provides growth opportunity in the future.

While Staples is a retail tenant, the REIT’s management and independent directors determined the properties to be suitable additions for the REIT, due to significant commonalities with industrial properties. In addition to its “brick and mortar” retail business, Staples also conducts online retail sales distribution from the warehouse-style buildings, which is a common feature of industrial properties. The long-term, triple net leases, fixed annual price increases, and high cap rates of the properties are also generally associated with industrial properties, more so than retail properties. Incorporating a retail component into the REIT portfolio may change the risks associated with the REIT.

**Leases:** On a portfolio basis, the acquisitions provide for increased geographic, tenant and industry diversification. The properties were developed specifically for Staples, and both have long-term leases in place; 15 years for Regina, and 10 years for Yorkton. Staples is well capitalized, and the general trend for their business has been growing in Canada.

**Financing:** The \$11.8 million acquisitions have been funded through \$2.95 million of cash and two separate facilities totalling \$8.85 million of conventional debt at 3.99% over a 5-year term obtained from Affinity Credit Union. Securing financing at a rate close to the current prime rate of 3.95% is a good transaction to further reduce our weighted average cost of capital. The acquisitions and associated financing bring our overall leverage on the portfolio to 70%.

**Due Diligence:** Phase 1 Environmental Reports (“ESA”) were provided prior to closing on the acquisitions, along with Building Condition Assessments (“BCA”). Neither the ESAs or BCAs noted any concerns on the sites. Appraisals were conducted for both properties; both appraisals supported the respective purchase prices.

**Market Assessment—Regina:** Regina is one of the fastest growing cities in Canada<sup>1</sup>, with a population of 215,000 in 2016 and a growth rate of 11% from 2011 to 2016<sup>2</sup>. Regina’s retail market has been strong with new growth and stable rates. Colliers International expects the market to stay strong with relatively low vacancy and continued stable rental rates<sup>3</sup>.



**Market Assessment—Yorkton:** Yorkton is the third-largest trading centre in Saskatchewan. The trading area has a population of over 150,000 within 150 km, in addition to Yorkton's population of over 19,000. The diversified economic base includes more than 1,000 businesses involved in manufacturing, food processing, construction, aggregate business and retail trade<sup>4</sup>.

#### **Portfolio Review**

The REIT portfolio has now increased to ten properties located in Alberta and Saskatchewan with a total asset value of \$62 million. The annual rental income is \$4.5 million, representing a portfolio cap rate of 7.3%.

*"This is a high-quality covenant with very long-term lease terms on quality buildings in quality markets...this is a covenant we are delighted to have in our portfolio"*

*Jay Simmons, Managing Director and CEO of the REIT*

#### **FOR FURTHER INFORMATION, PLEASE CONTACT:**

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#### **SOURCES**

1. <https://thestarphoenix.com/news/local-news/saskatoon-regina-among-countrys-fastest-growing-cities-census>
2. Census Profile, 2016 Census. Retrieved December 21, 2018, from <https://www12.statcan.gc.ca/census-recensement/2016/dp-pd/prof/details/page.cfm?Lang=E&Geo1=CSD&Code1=4706027&Geo2=PR&Code2=01&Data=Count&SearchText=regina&SearchType=Begins&SearchPR=01&B1=All&TABID=1>
3. Regina Retail Market Report Q4 2017. Retrieved December 21, 2018, from <http://www.collierscanada.com/en/commercial-property-research/2017/regina-retail-market-report-q4-2017#.XB1Y7i0Zoig>
4. Economic Highlights, Yorkton.ca. Retrieved December 21, 2018, from <https://www.yorkton.ca/dept/econdev/highlights.asp>

#### **About Durum Industrial REIT**

Durum Industrial REIT has been formed with the objective of maximizing value for unit holders through the acquisition and operation of a diverse portfolio of industrial properties. Through refinancing efforts, strategic acquisitions, and quality teams relying on first class governance, Durum Industrial REIT intends to pay quarterly distributions while also creating potential for long term capital growth.

***Important information regarding Durum Industrial REIT is set out in its Offering Memorandum dated April 30, 2018, which should be reviewed prior to making any investment decision. Please contact us for a copy of the Offering Memorandum. This document constitutes "OM marketing materials" as defined in National Instrument 45-106 - Prospectus Exemptions and is deemed to be part of, and is incorporated by reference into, the Offering Memorandum.***

#### **Caution Regarding Forward-Looking Statements**

Certain information set forth in this press release, including information and statements which may contain words such as "could", "plans", "intends" "should", "anticipate", "expects", "will", "propose", "opportunity", "future", "continue", and similar expressions and statements relating to matters that are not historical facts, contain forward-looking statements and forward-looking information (collectively, "forward-looking statements"). The forward-looking statements contained in this press release speak only as of the date thereof and are expressly qualified by this cautionary statement.

By their nature, forward-looking statements are subject to numerous risks and uncertainties, some of which are beyond Durum Industrial REIT's control. Readers are cautioned that the assumptions used in the preparation of such forward-looking statements, although considered reasonable at the time of preparation, may prove to be imprecise and, as such, undue reliance should not be placed on forward-looking



statements. The actual results, performance or achievement of Durum Industrial REIT could differ materially from those expressed in, or implied by, these forward-looking statements and, accordingly, no assurance can be given that any of the events anticipated by the forward-looking statements will transpire or occur, or if any of them do so, what benefits that Durum Industrial REIT will derive therefrom. Durum Industrial REIT disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable securities laws.

The amount of future cash distributions paid by us, if any, will be subject to the discretion of the trustees of Durum Industrial REIT and may vary depending on a variety of factors and conditions existing from time to time, including fluctuations in capital expenditure requirements, debt service requirements, operating costs, and the satisfaction of the requirements imposed by our trust indenture for the declaration and payment of distributions. Depending on these and various other factors, many of which will be beyond our control, our distribution policy may vary from time to time and, as a result, future cash distributions could be reduced or suspended entirely. To the extent that external sources of capital, including the issuance of additional securities, become limited or unavailable, our ability to make the necessary capital investments to maintain or expand our asset base, as the case may be, will be impaired. To the extent that we are required to use funds from operations to finance capital expenditures or property acquisitions, the cash available for distributions may be reduced.