



January 5, 2018

## DURUM INDUSTRIAL REIT ACQUIRES NEW PROPERTY TO KICK OFF THE NEW YEAR

Durum Industrial Real Estate Investment Trust (the “REIT”) is pleased to announce the acquisition of 12 Capital Circle Drive, located in the RM of Corman Park, Saskatchewan. The 41,948-square foot building is within the Bizhub Industrial Park located just outside of the City of Saskatoon. It is fully leased to two high quality covenant tenants—adding \$570,176\* annual basic rent to the REIT portfolio.

### Property Information

Property	Land (Acres)	Building (SF)	Annual Rental Income (Current)	Purchase Price
Capital Circle (SK)	6.89	41,948	\$570,176*	\$8,000,000

The current rental income on the property is \$536,058. However, a rent step-up exists in the current leases, increasing the annual basic rent to \$577,000 in December of 2018 (\*for an average of \$570,176 in annual basic rent for the remainder of the six-year lease term). Based on the average annual rental income, the acquisition was made at a 7.12% capitalization rate. Local brokers have indicated that historically, cap rates have been closer to 6% in this market. Acquiring this property at an attractive cap rate provides growth opportunity in the future.

**Leases:** On a portfolio basis, the acquisition has provided for geographic diversification, as well as tenant and industry diversification. *Marmon/Keystone Canada Inc.* occupies 37% of the building. The tube, pipe and bar provider has been operating in Canada since 1978 and is privately owned by Berkshire Hathaway. The second tenant, *Metal Connection*, is a locally owned and operated metal fabrication company. The property was developed specifically for Marmon/Keystone as well as Metal Connection. Six years remain on both triple net leases.

**Financing:** The \$8 million acquisition has been funded through \$2 million of cash and \$6 million of conventional debt at 3.79% over a 5 year term obtained from a local credit union in Saskatoon. The acquisition and associated financing brings our overall leverage on the portfolio to 59%.

**Opportunity:** 2.44 acres of land remain unoccupied on the property and provide reasonable potential for additional rental income. Additional rental income would effectively increase the capitalization rate on the acquisition of the property and is considered further value add to the transaction.

**Due Diligence:** An updated phase 1 environmental assessment was completed prior to closing on the acquisition, along with a real property appraisal. The appraisal supported the purchase price and the environmental report noted no concerns on site.

**Market Assessment:** The Saskatoon market has been affected by commodity prices similar to the Alberta market. However, vacancy in the industrial space has fallen from 8.8% at the end of 2016, to 6.99% as of Q3 2017.<sup>1</sup> Speculative construction has been reduced through 2017, allowing absorption to surpass new supply for the first time in 4 years.<sup>2</sup> These items signaled true opportunity in the Saskatoon market to acquire at below historical values while demand is beginning to outpace supply.

### Portfolio Review

The REIT portfolio has now increased to seven properties located in Alberta and Saskatchewan with total asset value of \$49.5 million. Annual rental income is \$3.53 million, representing a portfolio cap rate of 7.13%.



“By maintaining a strong pipeline of potential acquisitions, we have had the fortunate ability to be selective with properties that meet our investment criteria. I am thrilled to have closed on our first property outside of the Alberta market, and to have a Berkshire Hathaway tenant is certainly comforting from a covenant quality perspective,” commented Jay Simmons, Managing Director and CEO of the REIT.

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

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#### **SOURCES**

1. Saskatoon Industrial Market Report Q3 2017. (2017, November 7). Retrieved December 18, 2017, from <https://www.collierscanada.com/en/commercial-property-research/2017/saskatoon-industrial-market-report-q3-2017#.WjgaRIQ-dUM>
2. National Industrial Dashboard Population Under 1M Q3 2017. (2017, December 15). Retrieved December 18, 2017, from <http://www.collierscanada.com/en/commercial-property-research/2017/national-industrial-market-dashboard-under1m-q3-2017#.WjgeH1Q-dUM>

#### **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 January 31, 2017, which should be reviewed prior to making any investment decision. Please contact us for a copy of 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.