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# Slate Grocery REIT

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Q1 2021 Quarterly Report



**SLATE**





# About Slate Grocery REIT

(TSX: SGR.U / SGR.UN)

Slate Grocery REIT is an owner and operator of U.S. grocery-anchored real estate. The REIT owns and operates approximately U.S. \$1.4 billion of critical real estate infrastructure across major U.S. metro markets that communities rely upon for their daily needs. The REIT's resilient grocery-anchored portfolio and strong credit tenants provide unitholders with durable cash flows and the potential for capital appreciation over the longer term.

Visit [slategroceryreit.com](https://slategroceryreit.com) to learn more about the REIT.

Slate Grocery REIT is managed by Slate Asset Management. Slate Asset Management is a leading real estate focused alternative investment platform with approximately \$6.5 billion in assets under management. Slate is a value-oriented manager and a significant sponsor of all of its private and publicly traded investment vehicles, which are tailored to the unique goals and objectives of its investors. The firm's careful and selective investment approach creates long-term value with an emphasis on capital preservation and outsized returns. Slate is supported by exceptional people, flexible capital and a demonstrated ability to originate and execute on a wide range of compelling investment opportunities. Visit [slateam.com](https://slateam.com) to learn more.

## Forward-looking Statements

Certain information in this management's discussion and analysis ("MD&A") constitutes "forward-looking statements" within the meaning of applicable securities legislation. These statements reflect management's expectations regarding objectives, plans, goals, strategies, future growth, results of operations, performance and business prospects and opportunities of Slate Grocery REIT (the "REIT") including expectations for the current financial year, and include, but are not limited to, statements with respect to management's beliefs, plans, estimates and intentions, and similar statements concerning anticipated future events, results, circumstances, performance or expectations that are not historical facts. Statements that contain words such as "could", "should", "would", "can", "anticipate", "expect", "does not expect", "believe", "plan", "budget", "schedule", "estimate", "intend", "project", "will", "may", "might", "continue" and similar expressions or statements relating to matters that are not historical facts constitute forward-looking

statements. Some of the specific forward-looking statements contained herein include, but are not expressions or statements relating to matters that are not historical facts constitute forward-looking statements. Some of the specific forward-looking statements contained herein include, but are not limited to, statements relating to the impact of the COVID-19 pandemic. There can be no assurance regarding the impact of COVID-19 on the business, operations, and financial performance of the REIT and its tenants, as well as on consumer behaviors and the economy in general. Management believes that the expectations reflected in its forward-looking statements are based upon reasonable assumptions, however, management can give no assurance that actual results, performance or achievements will be consistent with these forward-looking statements.

These forward-looking statements are not guarantees of future events or performance and, by their nature, are based on the REIT's current estimates and assumptions, which are subject to

significant risks and uncertainties. The REIT believes that these statements are made based on reasonable assumptions; however, there is no assurance that the events or circumstances in these forward-looking statements will occur or be achieved. A number of factors could cause actual results to differ materially from the results discussed in the forward-looking statements including, but not limited to the risks that are more fully discussed under the "Risk Factors" section of the annual information form of the REIT for the year ended December 31, 2020 ("Annual Information Form"). Factors that could cause actual results to differ materially from those contemplated or implied including, but not limited to: financial and operational risks associated with the COVID-19 pandemic; risks incidental to ownership and operation of real estate properties including local real estate conditions; financial risks related to obtaining available equity and debt financing at reasonable costs and interest rate fluctuations; operational risks including timely leasing of vacant space and re-leasing of occupied space on expiration of current leases on terms at current or anticipated rental rates; tenant defaults

and bankruptcies; uncertainties of acquisition activities including availability of suitable property acquisitions and in integration of acquisitions; competition including development of properties in close proximity to the REIT's properties; loss of key management and employees; potential environmental liabilities; catastrophic events, such as earthquakes and hurricanes; governmental, taxation and other regulatory risks and litigation risks.

Forward-looking statements included in this MD&A are made as of May 10, 2021, and accordingly are subject to change after such date. The REIT does not undertake to update any forward-looking statements that are included in this MD&A, whether as a result of new information, future events or otherwise, except as expressly required by applicable securities laws. Certain statements included in this MD&A may be considered "financial outlook" for purposes of applicable securities laws, and such financial outlook may not be appropriate for purposes other than this MD&A. Investors are cautioned against placing undue reliance on forward-looking statements.

# Highlights

99.0%

Grocery-anchored

## Track Record of Distribution Growth

65.7%

Essential tenants

93.1%

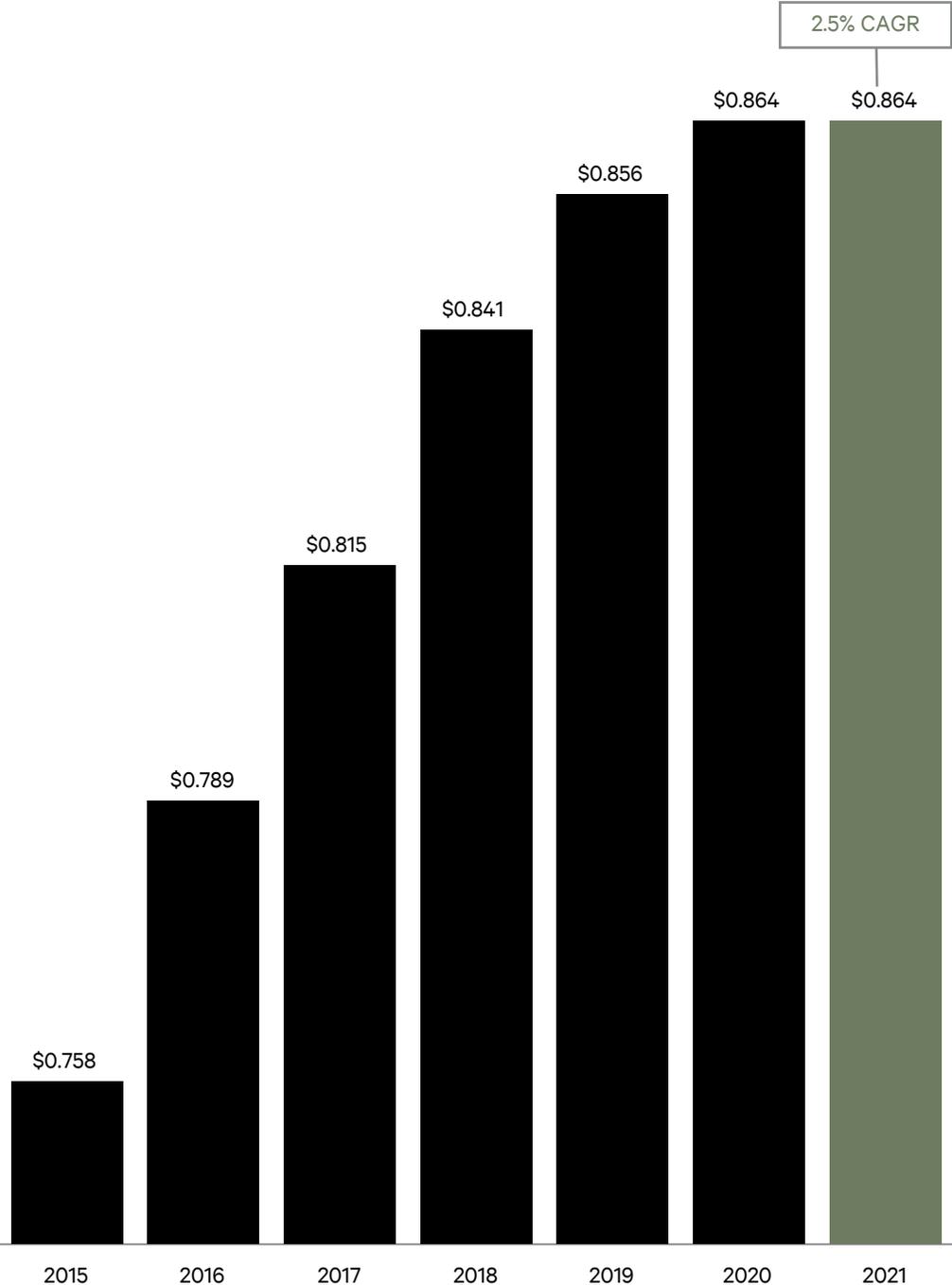
Portfolio occupancy

\$1.4B

Total asset value in USD

6.6%

Rental spread on new leases<sup>1</sup>



<sup>1</sup> Based on 46,774 square feet of lease renewals completed during the year ended March 31, 2021.

# Top 5 Tenants

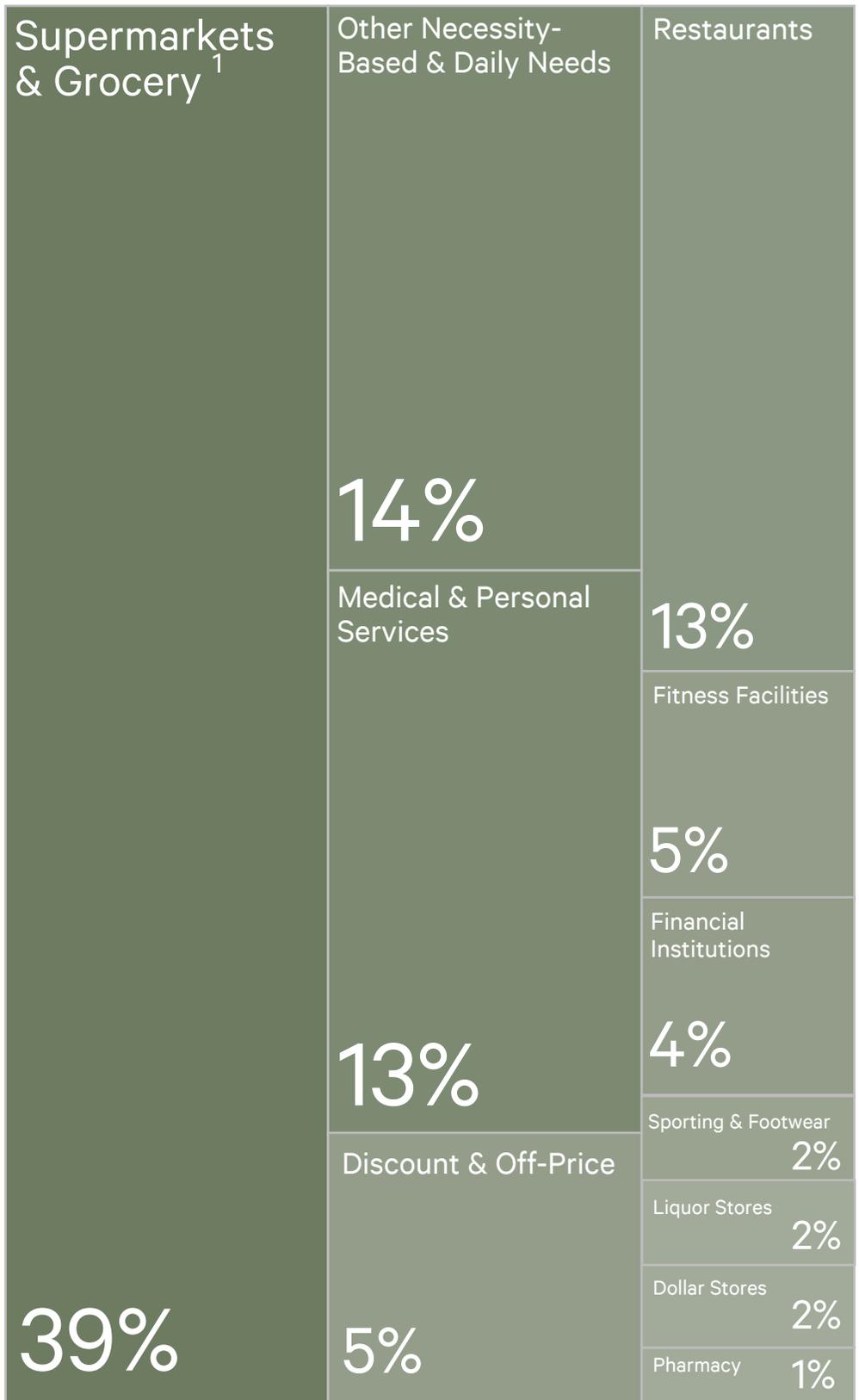
Ranked by Annual Base Rent

1	8.9%	
2	8.2%	
3	4.8%	
4	3.9%	
5	2.0%	

72.2% remaining tenants across 1,217 leases

<sup>1</sup> Includes Walmart

# Necessity Based Tenancy



# publix

FOOD & PHARMACY



# Asset Map

80

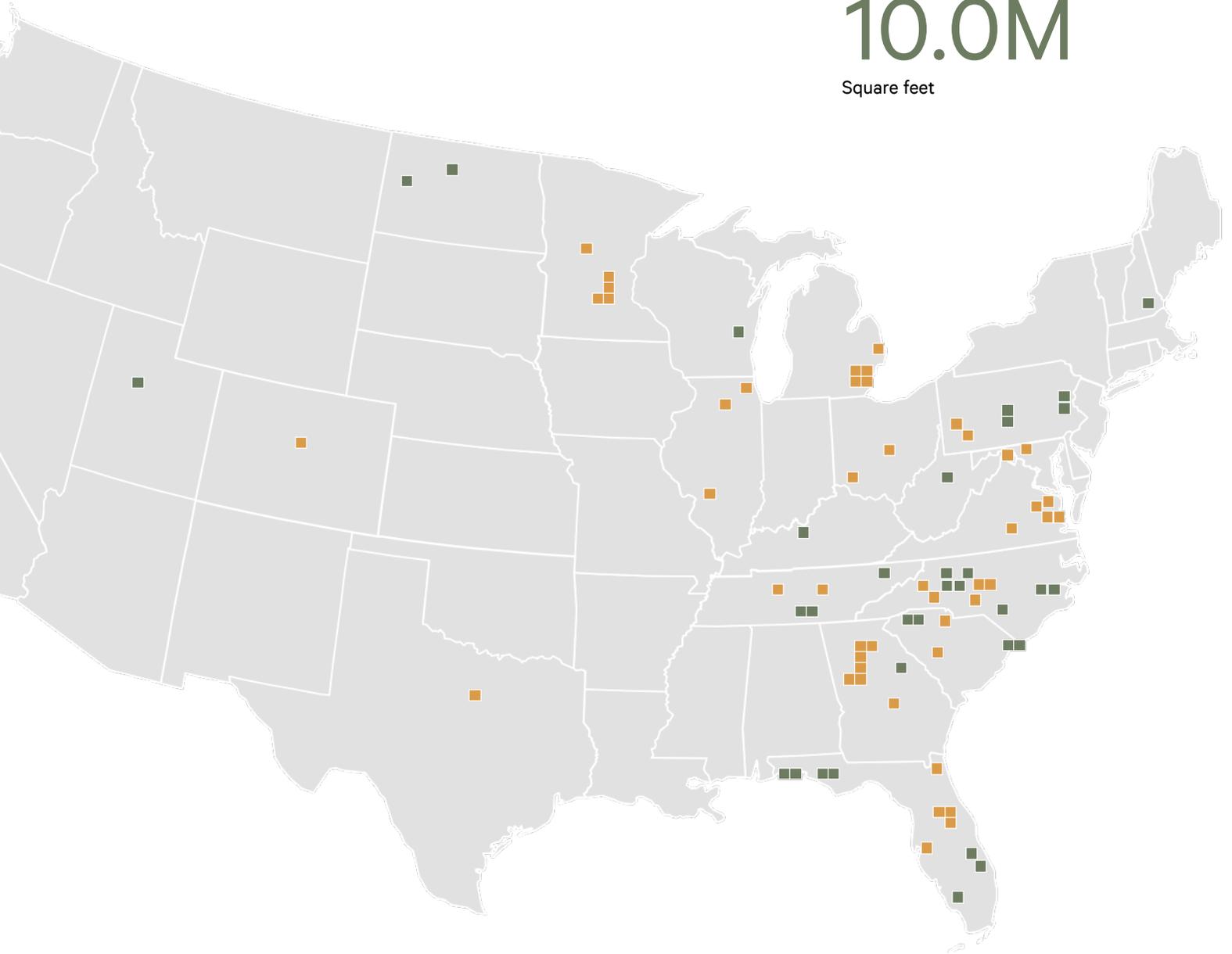
Number of properties

20

States

10.0M

Square feet



## Legend

- Asset
- Presence in 22 of the top 50 U.S. Metropolitan Statistical Areas ("MSAs")

Our experience  
lets us see  
opportunity  
clearly.

# Letter to Unitholders

Dear Fellow Unitholders,

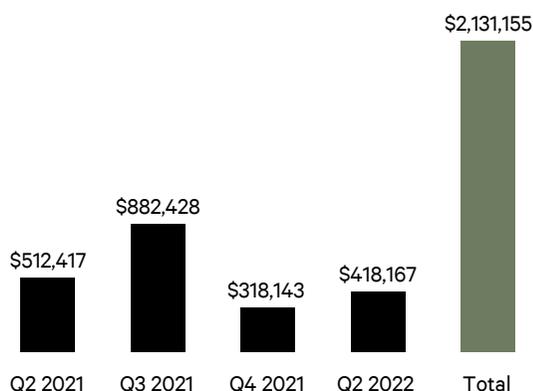
As we conclude the first quarter of 2021, I would like to highlight three key factors that are positioning Slate Grocery REIT to deliver a strong total return to our unitholders:

1. Durable cash flows as evidenced by our operational performance during the pandemic and an actionable pipeline for net operating income (“NOI”) growth
2. The importance of neighborhood grocery stores in the cost-effective and timely fulfillment of the last mile of food logistics
3. Macroeconomic growth tailwinds in the United States and increasing valuations for grocery-anchored real estate.

## Durable cash flows and NOI growth

We are confident in Slate Grocery REIT’s ability to deliver a strong total return to our investors. Coming off a record 2020 calendar year and with the strong tailwinds due to the accelerated economic recovery in the U.S., the portfolio’s new leasing pipeline remains strong. Our team is working on more than 200,000 square feet of new leases which highlights the continued desirability of the REIT’s portfolio and grocery-anchored real estate more broadly. The transactions we are completing are with credit-worthy tenants, commanding market rents with, on balance, less capital investment on account of the REIT. Additionally, we have \$2.0 million of committed base rent which will increase the REIT’s near-term cash flow. The following chart outlines contractual rent commitments which have yet to hit our books:

## Incremental annual base rent



Slate Grocery REIT is not satisfied with the status-quo and our team is working diligently to create new revenue streams. In January, we executed an agreement with 5G LLC, a leader in telecom infrastructure development, to create NOI growth by leasing our rooftops to national telecom providers (including AT&T, Verizon, Amazon, Facebook, Google, etc.) who will install antennas to enhance their 5G infrastructure platform throughout the United States. The long-term leases are non-exclusive and each will produce approximately \$30 thousand annually, without any landlord capital requirements. We

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“Slate Grocery REIT has executed more than \$534.0 million of quality acquisitions at a weighted-average cap rate of approximately 7.8% since June 2020.”

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expect revenue generation will be realized in 2022. We are also investigating opportunities for roof-top solar panels, monetizing under-utilized common areas and driving revenue through pop-up shops and seasonal installations. All of this is possible due to the location and visibility of our assets – they are in neighborhoods in close proximity to where people live.

#### **Last mile fulfillment**

Customer shopping habits are changing rapidly – they are demanding convenience and access to their groceries faster than ever before. To satisfy this need, our largest grocer tenants are investing billions of dollars into scaling their automated fulfillment capabilities at their stores.

*“We’re very excited about our last mile delivery business. We’re now doing about 1.5 million deliveries each and every week from stores, which is more than 7x what we were doing a year ago.”*

*- Doug McMillon, President and CEO, Walmart*

The last mile is the most complex and expensive component of the supply chain due to the cost of delivery and human labor. To minimize last mile logistics costs and keep up with the surge in online orders, grocers are investing in micro fulfillment centers that are within or adjacent to existing stores.

Technology is also affecting the in-store shopping experience. To incentivize customers to shop in-store (where grocer margins are the highest) grocers are investing in technology to create a more innovative and rewarding in-store shopping experience. A few tech-centric initiatives grocers are testing and implementing in their stores are as follows:

- Automated shopping carts which allow customers to scan, bag and checkout groceries within the confines of the cart itself
- Mobile apps that allow customers to scan and pay for groceries through their smartphone
- Automated kiosks to support in-store navigation
- Digitized pricing stickers on store shelves

Collectively, these investments demonstrate the view among leading omnichannel grocers that neighborhood stores are critical in fulfilling the last mile, which in turn, makes our real estate more valuable.

#### **Macroeconomic growth and valuations**

Life is returning to pre-pandemic norms across the United States. In the first quarter of 2021, gross domestic product grew at a 6.4%<sup>1</sup> seasonally adjusted annual rate, representing the third straight quarter of robust economic growth. The view among economists is that economic growth in the U.S. will pick up further in the second quarter and output will grow between 6% and 7% in 2021<sup>2</sup>. The roughly \$5 trillion in government aid for households and businesses<sup>2</sup> coupled with the impressive vaccine rollout have combined to boost consumer confidence and ultimately spending, which is the largest driver of economic demand. Retail sales have also returned to pre-pandemic levels, as has leasing tour activity at our properties, which has created a deep pipeline of quality new lease transactions that will further drive cash flow and occupancy. The recovery is accelerating the fastest in the south-eastern and sunbelt regions of the U.S., home to more than 53% of Slate Grocery REIT’s assets. As of April 2021, 100% of our tenants are open for business.

#### **Looking forward**

Slate Grocery REIT has executed more than \$534.0 million of quality acquisitions at a weighted-average cap rate of approximately 7.8% since June 2020. Our strong relationships from having been in the marketplace for over a decade enabled us to employ an offensive strategy during the pandemic with three opportunistic portfolio acquisitions at off-market pricing. The acquired assets align well with our investment criteria and are anchored by leading grocers in major metropolitan areas with favorable demographic profiles. In March, we announced a transformational \$390.0 million acquisition of 25 properties that highlights the value of the Slate Asset Management platform and ultimately will redefine our business. This deal adds significant scale in two of America’s largest markets being the Dallas and New York City MSAs, at an overall cost basis of \$127 per square foot, which is 47% below replacement cost. The deal is immediately accretive to cash flow per unit and will contribute meaningful net asset value growth over the hold period. This transaction is expected to close in the third quarter of 2021.

<sup>1</sup> Source: U.S. Department of Commerce

<sup>2</sup> Source: Wall Street Journal

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“ Neighborhood stores are critical to our grocery tenants’ omnichannel fulfillment strategies. The market is beginning to view grocery-anchored real estate as an asset class unto itself as the desirability of the sector continues to increase.”

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Neighborhood stores are critical to our grocery tenants’ omnichannel fulfillment strategies. The market is beginning to view grocery-anchored real estate as an asset class unto itself as the desirability of the sector continues to increase. The \$20 billion merger between Kimco and Weingarten in March, at a excess of \$250 per square foot, illustrates that our portfolio value has ample room to grow.

We continue to like what we are seeing in the market for grocery-anchored real estate and our team at Slate Grocery REIT remains energized and optimistic about where we can take our business in the coming years. The team brings relentless passion and dedication every day to execute our business plan and maximize value for unitholders. As always, we appreciate your continued support.

**Sincerely,**

David Dunn  
Chief Executive Officer  
May 10, 2021





# Management's Discussion and Analysis

## SLATE GROCERY REIT

TSX: SGR.U and SGR.UN

March 31, 2021

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## FINANCIAL AND INFORMATIONAL HIGHLIGHTS

(in thousands of United States dollars)

	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019
<b>Summary of Portfolio Information</b>						
Number of properties <sup>1</sup>	80	75	76	77	72	76
Gross leasable area ("GLA") <sup>1</sup>	9,959,075	9,554,679	9,728,179	9,832,109	9,507,881	9,857,715
GLA occupied by grocery-anchors <sup>1</sup>	4,785,118	4,614,178	4,657,213	4,633,340	4,417,825	4,609,287
Occupancy <sup>1</sup>	93.1%	92.9%	92.5%	92.2%	92.8%	93.0%
Grocery-anchor occupancy <sup>1</sup>	98.6%	98.6%	98.6%	96.8%	97.3%	97.6%
Non-anchor occupancy <sup>1</sup>	88.0%	87.5%	86.8%	87.9%	88.7%	88.7%
Grocery-anchor weighted average lease term (years) <sup>1</sup>	5.9	6.5	6.4	6.3	5.9	5.8
Portfolio weighted average lease term (years) <sup>1</sup>	5.0	5.3	5.3	5.2	5.0	5.0
Square feet ("SF") leased <sup>1</sup>	143,325	480,738	431,778	518,691	260,427	149,216
<b>Summary of Financial Information</b>						
IFRS gross book value ("GBV") <sup>2</sup>	\$ 1,539,994	\$ 1,323,554	\$ 1,302,849	\$ 1,300,866	\$ 1,249,525	\$ 1,315,080
Total debt	766,616	726,373	777,526	781,002	735,206	789,395
Revenue	32,471	31,872	31,961	30,255	32,042	34,338
Net income <sup>1</sup>	60,775	21,268	7,630	6,888	5,819	14,016
Net operating income ("NOI") <sup>13</sup>	23,285	22,583	23,098	22,152	22,071	24,266
Funds from operations ("FFO") <sup>13,4,5</sup>	11,529	11,684	11,487	11,115	11,160	12,650
Adjusted funds from operations ("AFFO") <sup>13,4,5</sup>	9,450	9,651	8,954	9,046	8,748	10,616
Distributions declared	\$ 10,460	\$ 9,545	\$ 9,087	\$ 9,087	\$ 9,087	\$ 9,314
<b>Per Unit Financial Information</b>						
Class U equivalent units outstanding <sup>6</sup>	48,432	48,432	42,072	42,072	42,072	42,072
WA class U equivalent units outstanding ("WA units")	48,597	43,752	42,222	42,208	42,196	43,145
FFO per WA units <sup>13,4,5</sup>	\$ 0.24	\$ 0.27	\$ 0.27	\$ 0.26	\$ 0.26	\$ 0.29
AFFO per WA units <sup>13,4,5</sup>	0.19	0.22	0.21	0.21	0.21	0.25
Declared distributions per unit	\$ 0.2160	\$ 0.2160	\$ 0.2160	\$ 0.2160	\$ 0.2160	\$ 0.2145
<b>Financial Ratios</b>						
FFO payout ratio <sup>13,4,5,7</sup>	90.7%	81.7%	79.1%	81.8%	81.4%	72.8%
AFFO payout ratio <sup>13,4,5,8</sup>	110.7%	98.9%	101.5%	100.5%	103.9%	86.8%
Debt / GBV <sup>9</sup>	53.5%	54.9%	59.7%	60.0%	58.8%	60.0%
Weighted average interest rate <sup>10</sup>	4.25%	4.22%	3.98%	3.96%	3.99%	4.06%
Interest coverage ratio <sup>11</sup>	2.5x	2.45x	2.48x	2.52x	2.44x	2.51x

All portfolio information is for the three month period ended and all other amounts are as at the end of the period.

<sup>1</sup> Includes the REIT's share of its equity accounted property investment.

<sup>2</sup> GBV is equal to total assets.

<sup>3</sup> Refer to non-IFRS financial measures on page 16.

<sup>4</sup> Adjusting to exclude the impact of the \$169.0 million debt refinancing in the first quarter of 2021 FFO, FFO per unit and FFO payout ratio would be \$11.8 million, \$0.24 and 88.3%, respectively, and AFFO, AFFO per unit and AFFO payout ratio would be \$9.8 million, \$0.20 and 107.1%, respectively.

<sup>5</sup> Adjusting to exclude the impact of the refinanced credit facility and extinguished mortgage in the first quarter of 2020 FFO, FFO per unit and FFO payout ratio would be \$11.5 million, \$0.27 and 79.2%, respectively, and AFFO, AFFO per unit and AFFO payout ratio would be \$9.1 million, \$0.21 and 100.2%, respectively.

<sup>6</sup> Represents the total number of class U units outstanding, if all other units of the REIT, its subsidiaries and its deferred unit plan, were converted or exchanged, as applicable, for class U units of the REIT.

<sup>7</sup> Distributions declared divided by FFO.

<sup>8</sup> Distributions declared divided by AFFO.

<sup>9</sup> Subscription receipt funds in escrow have been removed from total assets to calculate the leverage ratio for the first quarter of 2021. The REIT's leverage ratio including subscription receipt funds in escrow would be 49.8%.

<sup>10</sup> Includes the impact of pay-fixed receive-float swaps.

<sup>11</sup> NOI less general and administrative expenses, divided by interest on debt.

## PART I – OVERVIEW

### INTRODUCTION

This MD&A of the financial position and results of operations of Slate Grocery REIT (TSX: SGR.U and SGR.UN) and its subsidiaries (collectively, the "REIT") is intended to provide readers with an assessment of performance and summarize the financial position and results of operations of the REIT for the period ended March 31, 2021. The presentation of the REIT's financial results, including the related comparative information, contained in this MD&A are based on the REIT's condensed consolidated interim financial statements for the period ended March 31, 2021 (the "consolidated financial statements"), which have been prepared by management in accordance with International Financial Reporting Standards ("IFRS"). This MD&A should be read in conjunction with those financial statements. All amounts are in thousands of United States dollars, which is the functional currency of the REIT and all of its subsidiaries.

The information contained in this MD&A is based on information available to the REIT and is dated as of May 10, 2021, which is also the date the Board of Trustees, upon the recommendation of its Audit Committee, approved the contents of this MD&A.

### PROFILE

The REIT is an unincorporated open-ended real estate mutual fund trust constituted in accordance with the laws of the Province of Ontario pursuant to an amended and restated Declaration of Trust dated as of April 15, 2014, as amended on August 17, 2020. As of March 31, 2021, the REIT owns 80 grocery-anchored properties located in the United States of America (the "U.S.") comprising 10.0 million square feet of GLA.

The REIT is externally managed and operated by Slate Asset Management (Canada) L.P. (the "Manager" or "Slate"). The Manager has an experienced and dedicated team of real estate professionals with a proven track record of success in real estate investment and management. Management's interests are aligned with the unitholders of the REIT through its sponsorship and as a significant unitholder of the REIT. Slate is a significant unitholder in the REIT, with an approximate 6.9% interest, and accordingly, is highly motivated to increase the value to unitholders and provide reliable growing returns to the REIT's unitholders.

Additional information on the REIT, including its Annual Information Form, is available on SEDAR at [www.sedar.com](http://www.sedar.com) and on the REIT's website at [www.slategroceryreit.com](http://www.slategroceryreit.com).

### STRATEGY AND OUTLOOK

Our strategy is to own the last mile of essential logistics that allows our quality grocery-anchored properties to operate and service consumers for their everyday needs. Located in major markets in the U.S., we believe that our diversified portfolio and quality tenant covenants provides a strong basis to continue to grow unitholder distributions and flexibility to capitalize on opportunities that provide value appreciation.

We are focused on the following areas to achieve the REIT's objectives:

- Be disciplined in our acquisition of well-located properties that provide opportunity for future value creation;
- Proactive property and asset management that results in NOI growth while minimizing property and portfolio vacancy exposure;
- Prudent and disciplined management of capital outlays that will maintain and increase the attractiveness of the REIT's portfolio and achieve increased rents; and
- Continue to increase the REIT's financial strength and flexibility through robust balance sheet management.

The REIT's internal growth strategy includes the following:

- Maintaining strong tenant relationships and ensuring tenant retention: Slate expects to continue to nurture its many longstanding relationships with existing tenants by anticipating and adapting to their changing needs and being proactive with lease renewals. Slate understands the value of maintaining existing tenancies and will engage in ongoing discussions with tenants throughout their lease term to be proactive in negotiating early renewals as leases approach their expiries. The growing size of the REIT's portfolio will help strengthen its longstanding relationships with existing tenants and allow Slate to offer leasing opportunities across multiple properties. This strategy will promote organic growth by minimizing marketing, leasing and tenant improvement costs and avoiding interruptions in rental income generation.
- Maximizing rental income through leasing initiatives: Slate expects to maintain the current high level of occupancy in the REIT's properties by leveraging Slate's established leasing platform. Slate intends to continue to implement active strategies that take into consideration prevailing economic conditions, the nature of the property, its local positioning, as well as existing and prospective tenants. Many of the REIT's properties are located in areas with low vacancy rates and minimal new competitive supply, which should minimize leasing costs and allow the REIT to replace in-place rents with increased market rents as leases expire. Slate also seeks to continue to include contractual rent escalators in leases to further facilitate growth in rental income.
- Repositioning current properties: Slate believes that in a number of situations there exists the opportunity to reposition properties currently held by the REIT through modest and targeted capital projects and/or operational improvements.

The REIT will continue to focus on acquiring diversified revenue producing commercial real estate properties with a focus on grocery-anchored properties. The REIT's external growth strategy includes the following:

- Opportunity to benefit from its relationship with Slate: The REIT anticipates that its continuing relationship with Slate provides opportunities to acquire additional properties. Slate has a strong track record of closing acquisitions and believes that it can grow the asset base of the REIT on an accretive basis in the near to medium term.

- Identify undervalued properties: Slate's extensive relationships with a network of U.S.-based commercial real estate brokers allows it to identify undervalued properties, many of which may be "off-market" or not widely marketed for sale. With over 40,000 grocery stores in the U.S., there are significant opportunities for the REIT to continue its strategy of acquiring attractive, revenue-producing grocery-anchored properties. Slate's familiarity with the REIT's properties allows it to identify complementary acquisition opportunities that are aligned with the REIT's investment criteria and accretive to cash flow. The REIT seeks to acquire properties that are: (i) located in major metropolitan areas in the U.S. that demonstrate favourable population and employment growth dynamics; (ii) located in well-developed sub-markets with limited risk of new development; and (iii) anchored by market dominant grocers and other essential tenants who fulfill the last mile of logistics and have a proven track record of strong sales and profitability. Slate will continue to target major metropolitan areas in the U.S. outside of gateway markets where there is typically more competition and less favourable pricing for quality assets.
- Apply Slate's hands-on asset management philosophy: Even though Slate targets assets that are stable, income producing properties, Slate will continue to assess each property to determine how to optimally refurbish, reposition and re-tenant the property. Slate will continue to work closely with contractors to reduce operating costs and will oversee capital expenditure projects to ensure they are on budget and completed on time. In addition, Slate will continue to: (i) focus on rebuilding and strengthening tenant relationships with a view to gaining incremental business and extending stable tenant leases; and (ii) outsource property management and other real estate property functions to lower the operating costs borne by the tenants. This cost reduction further improves tenant relationships and will increase the net operating income of the REIT's properties.

Slate Grocery REIT has established itself as both a leading and differentiated owner and operator of grocery-anchored properties in the U.S. The REIT's critical real estate infrastructure and strong credit tenants provide unitholders with durable cash flows and the potential for capital appreciation over the longer term.

## COVID-19

The Manager has a robust COVID-19 response plan in place, with employee and tenant safety as a top priority. This plan is intended to monitor and mitigate the business and health risks posed to the REIT and its stakeholders. The REIT has mandated increased sanitation and health and safety measures at its properties. The REIT continues to monitor direction provided by the World Health Organization, public health authorities and federal and state governments in order to control the spread of COVID-19.

The REIT continues to be actively engaged with tenants and continues to assess tenants adversely affected by COVID-19 and will consider deferral programs on a case by case basis.

No assurance can be made that the plan will mitigate the adverse impacts of COVID-19. A prolonged COVID-19 pandemic could have a material impact on the financial results and cash flows of the REIT, including tenants' ability to pay rent, occupancy, leasing demand, market rents, labor shortages and disruptions, all of which may impact the REIT's valuation of its properties or the ability of the REIT to meet financial obligations.

For further discussion on COVID-19, refer to Part I *Overview*, section *Impact of COVID-19*.

## NON-IFRS FINANCIAL MEASURES

We disclose a number of financial measures in this MD&A that are not measures determined in accordance with IFRS, including NOI, same-property NOI, FFO, FFO payout ratio, AFFO, AFFO payout ratio, adjusted earnings before interest, tax, depreciation and amortization ("Adjusted EBITDA") and the interest coverage ratio, in addition to certain measures on a per unit basis. We utilize these measures for a variety of reasons, including measuring performance, managing the business, capital allocation and the assessment of risk. Descriptions of why these non-IFRS measures are useful to investors and how management uses each measure are included in this MD&A. We believe that providing these performance measures on a supplemental basis to our IFRS results is helpful to investors in assessing the overall performance of our businesses in a manner similar to management. These financial measures should not be considered as a substitute for similar financial measures calculated in accordance with IFRS. We caution readers that these non-IFRS financial measures may differ from the calculations disclosed by other businesses, and as a result, may not be comparable to similar measures presented by others. Reconciliations of these non-IFRS measures to the most directly comparable financial measures calculated and presented in accordance with IFRS are included within this MD&A.

The definition of non-IFRS financial measures are as follows:

- NOI is defined as rental revenue less operating expenses, prior to straight-line rent, IFRIC 21, *Levies* ("IFRIC 21") property tax adjustments and adjustments for equity investment. Same-property NOI includes those properties owned by the REIT for each of the current period and the relevant comparative period excluding those properties under development. NOI margin is defined as NOI divided by revenue, prior to straight-line rent.
- FFO is defined as net income adjusted for certain items including transaction costs, change in fair value of properties, change in fair value of financial instruments, deferred income taxes, unit income (expense), adjustments for equity investment and IFRIC 21 property tax adjustments.
- AFFO is defined as FFO adjusted for straight-line rental revenue and sustaining capital, leasing costs and tenant improvements.
- FFO payout ratio and AFFO payout ratio are defined as distributions declared divided by FFO and AFFO, respectively.
- FFO per WA unit and AFFO per WA unit are defined as FFO and AFFO divided by the weighted average class U equivalent units outstanding, respectively.
- Adjusted EBITDA is defined as NOI less General and administrative expenses.
- Interest coverage ratio is defined as adjusted EBITDA divided by cash interest paid.

- Net asset value is defined as the aggregate of the carrying value of the REIT's equity, deferred income taxes and exchangeable units of subsidiaries.

## ENVIRONMENTAL, SOCIAL AND CORPORATE GOVERNANCE

At Slate, we believe the responsibility of a fiduciary is not limited to generating investment returns – it is about treating people, our partners and our environment with respect and setting an example for others through our conduct. Our ESG philosophy is a key pillar of our firm and can be summarized as follows:

- Our people are our most important asset; an investment in our people positions our firm for future growth and success
- Our governing principles hold us accountable; these ensure our core values are apparent and adhered to in everything we do
- Our planet is home to all our stakeholders; we have a duty to invest in a sustainable and responsible manner

Efforts at our properties include lighting retrofits to LED lighting, white reflective roofing and evaluating solar initiatives at various sites, and community programs. We value the opportunity to collaborate with our tenants, neighbours and suppliers through various outreach projects with the goal of meaningfully contributing to the communities in which we work and live.

Our governance drives everything we do - we strive to be an example in the industry that acts responsibly and with integrity in all aspects of our business. Slate, as manager of the REIT has formal governance measures in place which ensure alignment of all stakeholders and establish accountability. These measures include a Code of Business Conduct and Ethics and an annual review and approval of Slate's ESG program by the REIT's Compensation, Governance and Nominating Committee. To learn more about our ESG policy please visit our website: [www.slategroceryreit.com](http://www.slategroceryreit.com).

## RISKS AND UNCERTAINTIES

In addition to the risks and uncertainties included herein, the REIT's business is subject to a number of risks and uncertainties which are described in its most recently filed Annual Information Form for the year ended December 31, 2020, available on SEDAR at [www.sedar.com](http://www.sedar.com). Additional risks and uncertainties not presently known to the REIT or that the REIT currently considers immaterial also may impair its business and operations and cause the price of the REIT's units to decline in value. If any of the noted risks actually occur, the REIT's business may be harmed and the financial condition and results of operations may suffer significantly. In that event, the trading price of the units could decline, and unitholders may lose all or part of their investment.

## RECENT DEVELOPMENTS

The following is a summary of the key financial and operational highlights and recent developments for the REIT for the three month period ended March 31, 2021:

- During the first quarter of 2021, the REIT announced the acquisition of a high quality, grocery-anchored portfolio comprising 25 properties and 3.1 million square feet in major metro markets across the United States (the "Portfolio"). The Portfolio is valued at \$390.0 million (the "Acquisition") and is being acquired for an equity purchase price of \$89.9 million and the assumption of existing debt. The Acquisition represents a 7.8% capitalization rate or \$127 per square foot. In connection with the Acquisition, the REIT issued 11,420,000 subscription receipts at an issuance price of C\$11.65 per Subscription Receipt, for gross proceeds of C\$133.0 million.
- On January 14, 2021, the REIT closed a \$169.0 million 10-year mortgage, bearing interest of 3.75%. The net proceeds from the loan were used to reduce the REIT's \$250.0 million term loan to \$83.0 million, resulting in an increase of the REIT's debt portfolio to a weighted average term to maturity of 5.5 years.
- On February 10, 2021, the REIT completed the acquisition of five grocery-anchored properties for an aggregate purchase price of \$54.2 million (\$138 per square foot), at a weighted average capitalization rate of 7.7%. These acquisitions contribute 396,471 square feet to the REIT's portfolio.
- Completed 46,774 square feet of new leasing during the three month period ended March 31, 2021 at a 6.6% weighted average rental spread.
- Occupancy increased by 0.2% from the fourth quarter to 93.1% mainly due to new leasing and a portfolio acquisition of five grocery-anchored properties with a weighted average occupancy of 97.8%.
- The weighted average tenant retention rate for the first quarter was 93.4%. Since the beginning of 2016, the weighted average retention rate has been 92.1%.
- Rental revenue for the first quarter was \$32.5 million, which represents a \$0.4 million increase over the same period in the prior year. The increase is primarily driven by increases in rental rates from re-leasing, new leasing typically above in-place rent and the acquisition of 12 properties from March 31, 2020, partially offset by decreases in revenue due to the disposition of four properties and two outparcels at certain properties.
- Net income for the first quarter was \$60.8 million, which is a \$55.0 million increase from the same quarter of the prior year. The increase is attributed to a change in fair value of properties and decrease in transaction costs, partially offset by the change in fair value of exchangeable units of subsidiaries.
- NOI for the first quarter increased by \$0.7 million from the fourth quarter of 2020 to \$23.3 million. This is mainly due to the portfolio acquisition of five grocery-anchored properties and uplifts in rental rates from new leasing typically above in-place rent, partially offset by temporary vacancies.

- Adjusting for termination fees, same-property NOI for the trailing twelve month period ended March 31, 2021 (comprised of 59 properties) increased by 0.9% over the same period in the prior year. Including the impact of termination fees, same-property NOI for the trailing twelve month period increased by 0.2% over the comparative period. Same-property NOI for the first quarter (comprised of 59 properties) decreased by 1.1% over the comparative period.
- FFO per unit was \$0.24 for the quarter, which represented a \$0.02 decrease from the same period in the prior year, primarily due to a \$0.2 million charge to income as a result of refinancing a portion the REIT's \$250.0 million term loan with a \$169.0 million 10-year mortgage, partially offset by increases to NOI.
- AFFO per unit was \$0.19 for the quarter, a \$0.02 decrease from the comparative period. Decreases in AFFO were due to the aforementioned decreases in FFO, partially offset by a decrease in capital expenditures.

## IMPACT OF COVID-19

In response to the pandemic, the Manager has implemented a COVID-19 response plan, with employee and tenant safety as a top priority. This plan is intended to monitor and mitigate the business and health risks posed to the REIT and its stakeholders. No assurance can be made that such strategies will mitigate the adverse impacts of COVID-19.

Appropriate operational planning and cost-control measures are in place to manage operational and financial risk. The REIT continues to monitor direction provided by the World Health Organization, public health authorities and federal and state governments in order to control the spread of COVID-19.

Management has assessed 66% of the REIT's tenant portfolio is comprised of essential tenants, including grocery-anchored tenants, medical and personal services, financial institutions, and other essential based services. All of our centers are grocery anchored. Rent is typically paid within the first 15 business days of each month.

Since the start of the pandemic, the REIT has collected 97% of contractual rent. For the first quarter, the REIT has collected 96% of contractual rent. The REIT expects to substantially collect outstanding billings through immediate cash collection and deferral programs. The REIT has substantially completed its deferral payback program and has collected \$1.2 million or 100% of scheduled payments to date. A total of \$47 thousand or 4% of the remaining deferral payback program is scheduled until the third quarter of 2021. All of the REIT's centers have remained open throughout the COVID-19 pandemic, with 100% of tenants in operation.

The REIT is well-positioned from a liquidity perspective to endure negative impacts as a result of COVID-19, however, the REIT will continue to evaluate and monitor this as the situation endures. On January 14, 2021, the REIT entered into a \$169.0 million 10-year mortgage, bearing interest of 3.75%. The net proceeds from the loan were used to reduce the REIT's term loan to \$83.0 million, resulting in an increase of the REIT's debt portfolio to a weighted average term to maturity of 5.5 years.

The duration and impact of the pandemic on the REIT are unknown at this time. As such, it is not possible to reliably estimate the length and severity of COVID-19-related impacts on the financial results and operations of the REIT. A prolonged COVID-19 pandemic could have a material impact on the financial results and cash flows of the REIT, including tenants' ability to pay rent, occupancy, leasing demand, market rents, labor shortages, and disruptions, all of which may impact the REIT's valuation of its properties or the ability of the REIT to meet financial obligations. Based on tenant collections to date, market demand, and overall property performance, the REIT believes property valuations are appropriate as at March 31, 2021.

Market volatility has resulted and may continue to result in a negative impact on the market price of the REIT's equity securities. Governments and central banks have intervened through monetary and new fiscal policies, however, it is unknown at this time how these interventions will impact capital markets or the financial stability of the REIT's tenants.

## PART II – LEASING AND PROPERTY PORTFOLIO

### LEASING

The REIT strives to ensure that its properties are well occupied with tenants who have space that allow them to meet their own business objectives. Accordingly, the REIT proactively monitors its tenant base with the objective to renew in advance of lease maturities, backfill tenant vacancies in instances where a tenant will not renew, or if there is an opportunity to place a stronger or more suitable tenant in the REIT's properties, management endeavors to find a suitable solution.

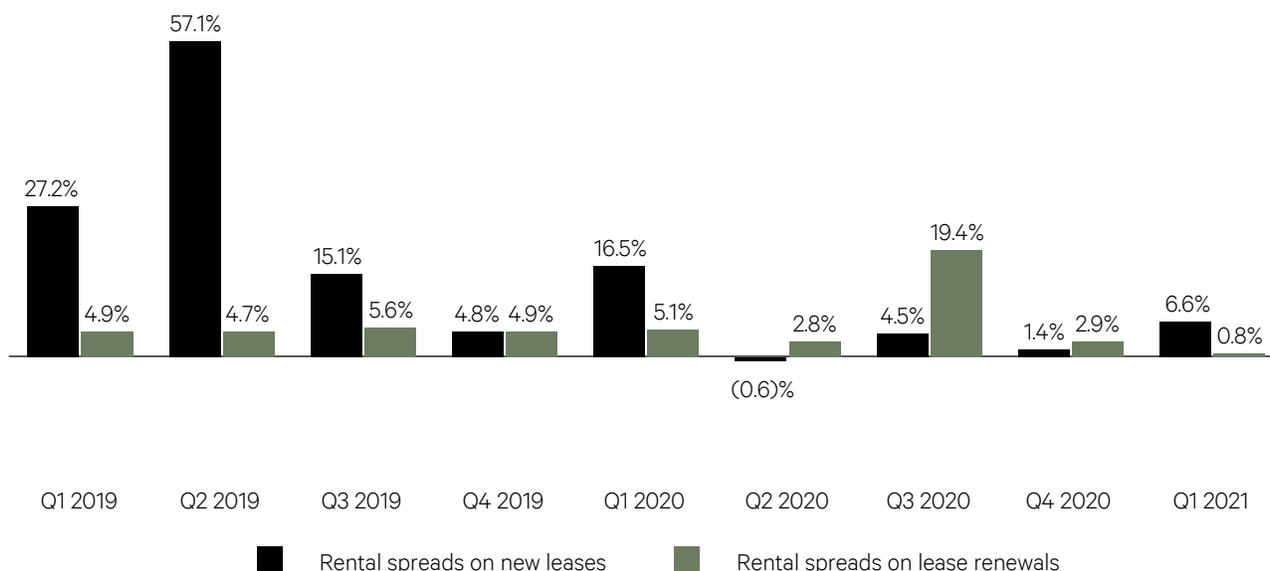
The following table summarizes the REIT's leasing activity for the four most recent quarters:

Square feet	Deal type		Q1 2021	Q4 2020	Q3 2020	Q2 2020
Less than 10,000	Renewal	Leases signed	29	33	37	13
		Total square feet	68,200	91,461	108,284	25,290
		Average base rent	\$ 18.64	\$ 17.11	\$ 18.42	\$ 21.08
		Rental spread	0.3%	5.8%	7.5%	9.3%
Greater than 10,000	Renewal	Leases signed	2	6	5	8
		Total square feet	28,351	353,454	127,056	439,036
		Average base rent	\$ 6.84	\$ 8.26	\$ 10.68	\$ 6.98
		Rental spread	4.3%	1.4%	42.6%	1.8%
<b>Total renewals (square feet)</b>			<b>96,551</b>	<b>444,915</b>	<b>235,340</b>	<b>464,326</b>
Less than 10,000	New lease	Leases signed	10	12	12	9
		Total square feet	17,049	35,823	43,319	13,422
		Average base rent	\$ 17.32	\$ 15.36	\$ 17.17	\$ 21.28
		Rental spread <sup>1</sup>	19.3%	1.4%	(16.2%)	14.5%
Greater than 10,000	New lease	Leases signed	2	—	4	1
		Total square feet	29,725	—	153,119	40,943
		Average base rent	\$ 10.41	\$ —	\$ 9.17	\$ 7.38
		Rental spread <sup>1</sup>	(3.2%)	—%	20.2%	(11.7%)
<b>Total new leases (square feet)</b>			<b>46,774</b>	<b>35,823</b>	<b>196,438</b>	<b>54,365</b>
<b>Total leasing activity (square feet)<sup>2</sup></b>			<b>143,325</b>	<b>480,738</b>	<b>431,778</b>	<b>518,691</b>

<sup>1</sup> Effective July 1, 2020, rental spreads are compared to units that have been occupied within the prior two years, calculated based on the average base rent of the new lease term compared to the previous lease. For units that have been vacant for two years or more, the REIT calculated rental spreads based on the average base rent of the new lease term compared to the weighted average in-place rent of comparable units at the property.

<sup>2</sup> Includes the REIT's share of its equity accounted property investment.

#### Leasing Spreads



During the first quarter, management completed 96,551 square feet of lease renewals. The weighted average rental rate increases on renewals completed for leases less than 10,000 square feet was \$0.05 per square foot or 0.3% higher than expiring rent. The weighted average rental rate increases on renewals completed for leases greater than 10,000 square feet was \$0.28 per square foot or 4.3% higher than expiring rent.

The weighted average base rent on all new leases completed less than 10,000 square feet was \$17.32 per square foot, which is \$2.80 per square foot or 19.3% higher than the weighted average in-place rent for comparable space across the portfolio. These transactions compare favorably to the current weighted average in place rent of \$11.29.

#### Lease maturities

The REIT generally enters into leases with initial terms to maturity between 5 and 10 years with our grocery-anchor tenants. The initial terms to maturity for non-anchor space tend to be of a shorter duration between 3 and 5 years. The weighted average remaining term to maturity of the REIT's grocery-anchor and non-grocery-anchor tenants as at March 31, 2021 was 5.9 years and 4.0 years, respectively, not including tenants on month-to-month leases. On a portfolio basis, the weighted average remaining term to maturity is 5.0 years.

The following table summarizes the composition of the remaining term to maturity of the REIT's leases at March 31, 2021:

	Weighted average term to maturity	GLA <sup>1</sup>	GLA %
Grocery-anchor	5.9	4,785,118	48.0%
Non-anchor	4.0	4,348,242	43.7%
<b>Total</b>	<b>5.0</b>	<b>9,133,360</b>	<b>91.7%</b>
Month-to-month		139,964	1.4%
Vacant		685,751	—%
<b>Total GLA</b>		<b>9,959,075</b>	<b>93.1%</b>

<sup>1</sup>Includes the REIT's share of its equity accounted property investment.

Occupancy is determined based on lease commencement. The following table shows the change in occupancy during the three month period ended March 31, 2021:

	Total GLA <sup>1</sup>	Occupied GLA <sup>1 2</sup>	Occupancy
December 31, 2020	9,554,679	8,878,017	92.9 %
Acquisitions	396,471	387,808	97.8%
Leasing changes	7,925	7,499	N/A
<b>March 31, 2021</b>	<b>9,959,075</b>	<b>9,273,324</b>	<b>93.1%</b>

<sup>1</sup>Includes the REIT's share of its equity accounted property investment.

<sup>2</sup>Leasing changes include new leases, lease buyouts, expirations and terminations.

Occupancy has increased by 0.2% to 93.1% from December 31, 2020, mainly due to new leasing and a portfolio acquisition of five grocery-anchored properties with a weighted average occupancy of 97.8%.

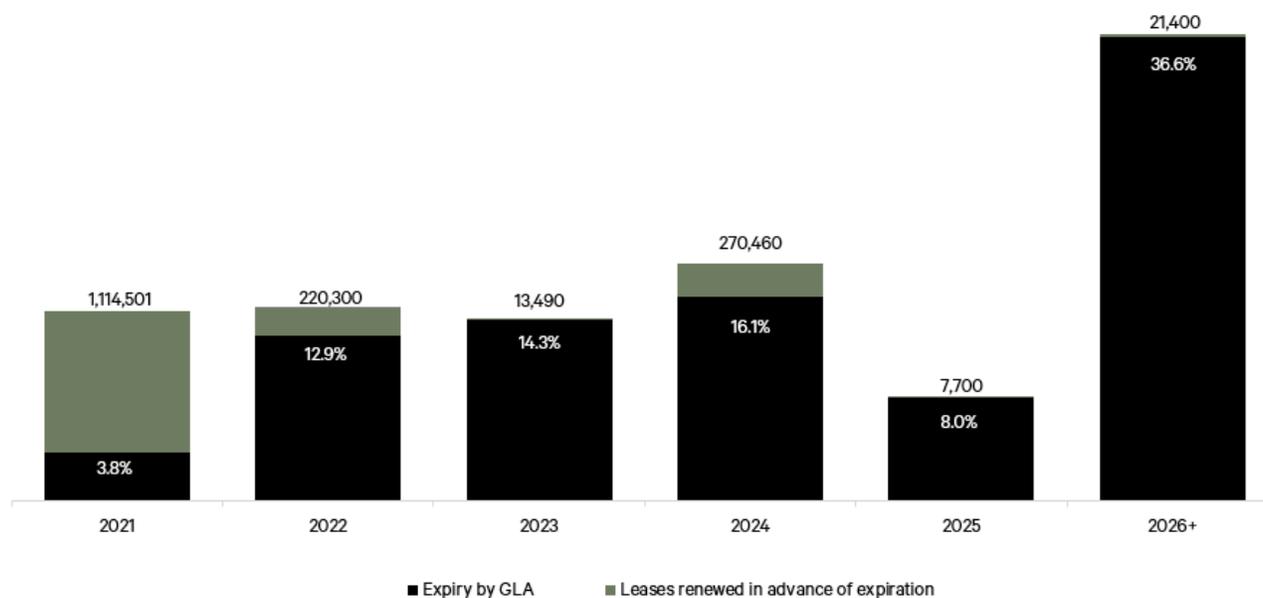
The following is a profile of the REIT's leases excluding the impact of tenant extension options:

GLA expiration	Grocery-anchor			Non-anchor			Total		
	GLA	Percentage of portfolio	Average in-place rent	GLA	Percentage of portfolio	Average in-place rent	GLA	Percentage of portfolio	Average in-place rent
Month-to-month	—	— %	\$ —	139,964	1.4 %	\$ 14.17	139,964	1.4 %	\$ 14.17
2021	—	— %	—	374,499	3.8 %	15.63	374,499	3.8 %	15.63
2022	520,106	5.2 %	7.72	721,533	7.2 %	13.90	1,292,630	12.4 %	11.17
2023	661,461	6.6 %	6.89	758,678	7.6 %	14.51	1,420,139	14.2 %	10.96
2024	963,362	9.7 %	8.16	634,300	6.4 %	15.11	1,597,662	16.1 %	10.92
2025	311,337	3.1 %	9.11	492,634	5.0 %	16.00	803,971	8.1 %	13.33
2025 and later	2,328,852	23.4 %	9.1	1,366,598	13.7 %	12.99	3,644,459	37.1 %	10.61
Vacant	66,970	0.7 %	N/A	618,781	6.2 %	N/A	685,751	6.9 %	N/A
<b>Total / weighted average <sup>1</sup></b>	<b>4,852,088</b>	<b>48.7%</b>	<b>\$ 8.43</b>	<b>5,106,987</b>	<b>51.3%</b>	<b>\$ 14.27</b>	<b>9,959,075</b>	<b>100.0%</b>	<b>\$ 11.29</b>

<sup>1</sup>Includes the REIT's share of its equity accounted property investment.

The REIT endeavors to proactively lease upcoming expiries in advance of maturity to de-risk the portfolio, maintain high occupancy levels, ensure a proper mix of tenants at each property and certainty in cash flows. The following is a table of lease expiries at March 31, 2021 and pre-existing future maturities that were leased in advance during 2021:

#### Lease Expiries and Pre-existing Future Maturities



The following table summarizes remaining expiries:

GLA Expiration	March 31, 2021		December 31, 2020		September 30, 2020		June 30, 2020	
	Number of tenants	GLA	Number of tenants	GLA	Number of tenants	GLA	Number of tenants	GLA
Anchors	—	—	—	—	—	—	—	—
Non-anchors	129	374,499	159	445,629	23	53,913	70	195,015
<b>Remaining expiries<sup>1</sup></b>	<b>129</b>	<b>374,499</b>	<b>159</b>	<b>445,629</b>	<b>23</b>	<b>53,913</b>	<b>70</b>	<b>195,015</b>
<b>Percentage of portfolio<sup>1</sup></b>		<b>3.8%</b>		<b>4.7%</b>		<b>0.6%</b>		<b>2.0%</b>

<sup>1</sup> Includes the REIT's share of its equity accounted property investment.

At March 31, 2021, remaining 2021 expiries totaled 374,499 square feet with 3.8% or 374,499 square feet of total GLA related to non-anchor tenants. Comparatively, at December 31, 2020, remaining 2020 expiries totaled 445,629 with 4.7% or 445,629 square feet of total GLA related to non-anchor tenants.

#### Retention rates

The asset management team strives to maintain strong relationships with all tenants, especially the REIT's grocery-anchor tenants. In certain cases, management has not sought renewals with larger tenants, including in cases where a better user is available, or a redevelopment opportunity exists. Management believes that this success is a result of the strong relationships maintained with tenants and the REIT's underwriting which, in part, considers the relative strength of grocery-anchors in the respective market, recent capital investment by grocers and, where possible, the profitability of the store. Management expects a lower retention rate for our non-grocery-anchor tenants as a result of the dynamics and natural turnover of certain businesses over time which gives us opportunity to re-lease space, potentially at higher rates, and improve overall credit and tenant mix.

The following are the REIT's retention rates for the three month period ended March 31, 2021, and year ended December 31, 2020 for both grocery-anchor and non-grocery-anchor tenants:

Retention rate <sup>1</sup>	Three months ended March 31, 2021	Year ended December 31, 2020
Grocery-anchor	98.6%	97.8%
Non-grocery-anchor	88.0%	87.7%
<b>Net total / weighted average<sup>2</sup></b>	<b>93.4%</b>	<b>92.8%</b>

<sup>1</sup> Retention rate excludes instances where management has not sought a renewal, which are primarily related to redevelopment or property portfolio management opportunities.

<sup>2</sup> Includes the REIT's share of its equity accounted property investment.

The following are the REIT's incremental change in base rent for the four most recent quarters:

	For the three months ended,			
	March 31, 2021	December 31, 2020	September 30, 2020	June 30, 2020
<b>Renewals</b>				
Square feet	96,551	444,915	235,340	464,326
Expiring rent per square foot <sup>1</sup>	\$ 15.05	\$ 9.80	\$ 11.92	\$ 7.54
Rent spread per square foot <sup>1</sup>	0.12	0.28	2.32	0.21
<b>Vacated</b>				
Square feet <sup>2</sup>	40,651	60,414	155,032	51,189
Expiring rent per square foot <sup>1</sup>	\$ 20.42	\$ 13.16	\$ 9.62	\$ 12.42
<b>New</b>				
Square feet	46,774	35,823	196,438	54,365
New rent per square foot <sup>1</sup>	\$ 12.93	\$ 15.36	\$ 10.93	\$ 10.81
<b>Total base rent retained <sup>3</sup></b>	<b>\$ 623</b>	<b>\$ 3,565</b>	<b>\$ 1,314</b>	<b>\$ 2,865</b>
<b>Incremental base rent <sup>3</sup></b>	<b>\$ 616</b>	<b>\$ 675</b>	<b>\$ 2,693</b>	<b>\$ 685</b>

<sup>1</sup> Calculated on a weighted average basis.

<sup>2</sup> Adjusted for lease buyouts and vacancies due to redevelopment.

<sup>3</sup> Includes the REIT's share of its equity accounted property investment.

#### In-place and market rents

The REIT's leasing activity during the three month period ended March 31, 2021 is as follows:

	GLA	Number of tenants	Weighted average expiring rent	Weighted average new rent
Renewed leases	96,551	31	\$ 15.05	\$ 15.17
New leases	46,774	12	N/A	12.93
<b>Total / weighted average</b>	<b>143,325</b>	<b>43</b>	<b>N/A</b>	<b>\$ 14.44</b>
Less, leases not renewed / vacated during term <sup>1</sup>	40,651	12	\$ 20.42	N/A
<b>Net total / weighted average <sup>2</sup></b>	<b>183,976</b>	<b>55</b>	<b>N/A</b>	<b>\$ 14.44</b>

<sup>1</sup> Adjusted for lease buyouts and vacancies due to redevelopment.

<sup>2</sup> Includes the REIT's share of its equity accounted property investment.

During the first quarter of 2021, the REIT completed 143,325 square feet of leasing, which represents 1.4% of the REIT's portfolio. This level of leasing is consistent with the REIT's strategy of actively managing the properties to create value through a hands-on approach.

#### Net rental rates

The following table is a summary of in-place rent for the eight most recent financial quarters of the REIT:

	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019
Grocery rent	\$ 8.43	\$ 8.38	\$ 8.35	\$ 8.28	\$ 8.18	\$ 8.14	\$ 8.05	\$ 8.16
Shop space rent	14.27	14.73	14.98	14.64	14.03	14.35	14.04	14.08
<b>Total <sup>1</sup></b>	<b>\$ 11.29</b>	<b>\$ 11.43</b>	<b>\$ 11.55</b>	<b>\$ 11.39</b>	<b>\$ 11.10</b>	<b>\$ 11.22</b>	<b>\$ 10.99</b>	<b>\$ 11.03</b>
<b>Market rent <sup>2</sup></b>	<b>\$ 11.72</b>	<b>\$ 11.69</b>	<b>\$ 11.81</b>	<b>\$ 11.71</b>	<b>\$ 11.69</b>	<b>\$ 11.82</b>	<b>\$ 11.80</b>	<b>\$ 11.73</b>

<sup>1</sup> Includes the REIT's share of its equity accounted property investment.

<sup>2</sup> Market rent represents the REIT's estimate of market rents for its properties on a weighted average basis. Market rents are determined based, in part, on broker feedback, market transactions and completed deals.

## In-place Rent Versus Estimated Market Rent



The REIT leases to high-quality tenants in well located centres typically below the average market rent for U.S. strip centres, allowing for increased value in the portfolio through rental rate growth.

## ACQUISITIONS

Subject to the availability of acquisition opportunities, the REIT intends to grow distributions, in part through the accretive acquisition of properties. The current environment for acquisitions is very competitive with limited supply of quality properties coming to the market. The REIT explores acquisition opportunities as they arise but will pursue only acquisitions that management believes are accretive to net asset value per unit in the medium-term relative to its long-term cost of capital.

The REIT acquired five properties during the three month period ended March 31, 2021, as summarized below:

Property	Purchase date	Location	Purchase price	SF	Price per SF	Anchor tenant
Bells Fork Square	February 10, 2021	Greenville, North Carolina	\$ 9,250	71,666	\$ 129	Harris Teeter
Parkway Station	February 10, 2021	Warner Robins, Georgia	7,892	94,317	84	Kroger
Westin Center	February 10, 2021	Fayetteville, North Carolina	8,091	66,890	121	Food Lion
Tanglewood Commons	February 10, 2021	Clemmons, North Carolina	15,089	78,520	192	Harris Teeter
Mission Hills Shopping Center	February 10, 2021	Naples, Florida	13,863	85,078	163	Winn-Dixie
<b>Total / weighted average</b>			<b>\$ 54,185</b>	<b>396,471</b>	<b>\$ 138</b>	

The aforementioned properties were acquired by the REIT for a total of \$54.2 million, totaling 396,471 square feet (\$138 price per square foot) at an estimated weighted average capitalization rate of 7.7%. Each asset is leased with strong grocery-anchor tenants with a weighted average essential tenancy of 66.0%.

## PROPERTY PROFILE

### Professional management

Through professional management of the portfolio, the REIT intends to ensure its properties portray an image that will continue to attract consumers as well as provide preferred locations for its tenants. Well-managed properties enhance the shopping experience and ensure customers continue to visit the centres. Professional management of the portfolio has enabled the REIT to maintain a high occupancy level, currently 93.1% at March 31, 2021 (December 31, 2020 – 92.9%, September 30, 2020 – 92.5%, June 30, 2020 – 92.2%).

Occupancy has increased by 0.2% to 93.1% from December 31, 2020, mainly due to the portfolio acquisition of five grocery-anchored properties with a weighted average occupancy of 97.8% and 46,774 square feet of new leasing, partially offset by lease expirations totaling 40,651. Lease

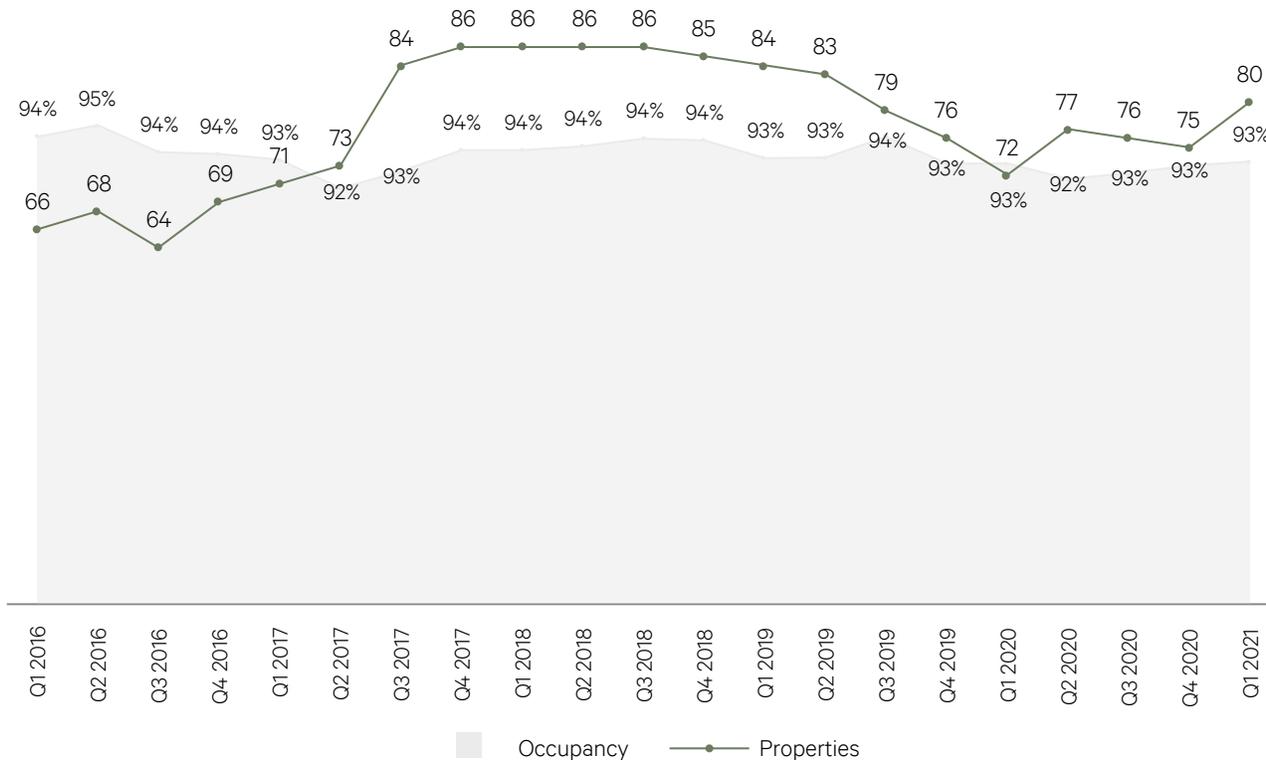
expirations are mainly due to Tuesday Morning's vacancy at Mooresville Consumer Square totaling 13,500 square feet. Management has an active leasing strategy in place for this location.

The following table shows the occupancy rate of the REIT's portfolio:

	2016		2017				2018				2019				2020				2021
	Q4	Q1	Q2	Q3	Q4	Q1													
Properties <sup>1</sup>	69	71	73	84	86	86	86	86	85	84	83	79	76	72	77	76	75	80	
Occupancy <sup>1</sup>	93.5%	93.2%	91.7%	92.6%	93.7%	93.7%	93.9%	94.3%	94.2%	93.3%	93.3%	94.4%	93.0%	92.8%	92.2%	92.5%	92.9%	93.1%	

<sup>1</sup>Includes the REIT's share of its equity accounted property investment.

### Historical Occupancy Rates



### Geographic overview

The REIT's portfolio is geographically diversified. As of March 31, 2021, the REIT's 80 properties were located in 20 states with a presence in 22 MSAs. The REIT has 43 properties, or 53.8% of the total portfolio, located in the U.S. sunbelt region. Markets within this region benefit from strong underlying demographic trends, above average employment and population growth. This provides the REIT opportunities to progressively drive operational efficiencies and sustainable growth.

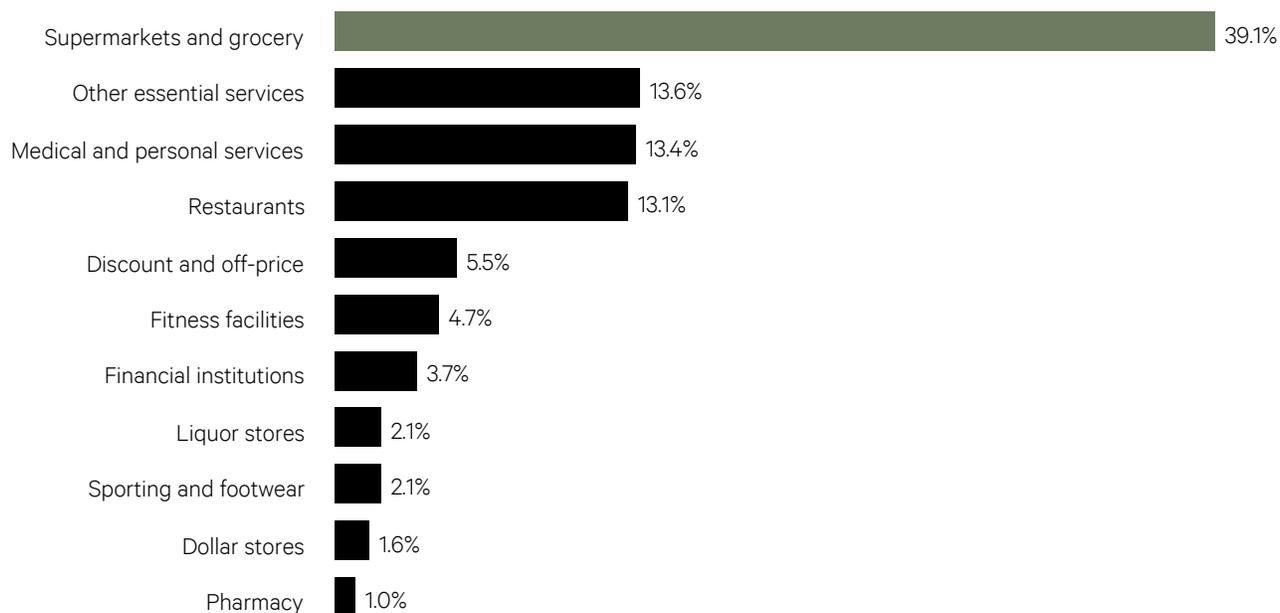
The following is a summary of the geographic location and relative dispersion of the REIT's property portfolio:

State	Number of assets	Total SF	Occupied SF	Percentage of revenue	Occupancy
North Carolina	14	1,567,133	1,484,525	16.2%	94.7%
Florida	12	1,447,358	1,321,801	16.1%	91.3%
Pennsylvania	6	1,024,017	977,511	9.9%	95.5%
South Carolina	5	845,283	799,815	8.3%	94.6%
Georgia	7	749,240	719,452	7.2%	96.0%
Minnesota	5	566,782	539,885	5.9%	95.3%
Virginia	5	479,835	441,435	5.8%	92.0%
Michigan	5	611,068	572,250	5.4%	93.6%
Tennessee	5	526,641	498,561	4.0%	94.7%
North Dakota	2	261,578	225,831	3.5%	86.3%
West Virginia	2	387,162	375,102	3.2%	96.9%
Illinois	3	317,241	264,114	2.8%	83.3%
Ohio	2	328,156	289,368	2.1%	88.2%
New Hampshire	1	151,946	144,948	1.7%	95.4%
Maryland	1	112,274	102,854	1.7%	91.6%
Wisconsin	1	123,028	123,028	1.5%	100.0%
Colorado	1	98,999	92,803	1.4%	93.7%
Texas	1	167,961	140,362	1.4%	83.6%
Utah	1	112,507	109,353	1.3%	97.2%
Kentucky	1	80,866	50,326	0.6%	62.2%
<b>Total<sup>1</sup></b>	<b>80</b>	<b>9,959,075</b>	<b>9,273,324</b>	<b>100.0%</b>	<b>93.1%</b>

<sup>1</sup>Includes the REIT's share of its equity accounted property investment.

#### Tenant categories

As of March 31, 2021, the REIT has the following tenant categories within the portfolio, allocated by base rent:



The REIT's portfolio of tenants is a diversified mix of leading grocers, national brands and strong regional performers complemented by local operators providing needed services and goods to their local communities. These retailers provide significant non-discretionary e-commerce defensive goods. The REIT's properties, which are located in well-established neighborhoods, allow grocery-anchored property real estate and economics of last mile delivery to be viable.

## Anchor tenants

The REIT endeavors to own properties with anchors who are dominant in their respective regions in terms of operational scale and sales. Accordingly, the REIT's anchor tenants are often either the first or second dominant store in their respective area in terms of market share. The following table identifies the REIT's largest anchor tenants including their annual minimum rent, the number of stores, GLA as a percentage of the total portfolio and the percentage of base rent. The Kroger Co. represents the REIT's largest tenant by base rent with a total of 22 stores and 8.9% of base rents.

The largest 15 tenants account for 45.6% of total GLA and 39.8% of base rent as follows:

Parent company	Store brands	Grocery	Stores	% GLA	Base rent	% Base rent
The Kroger Co.	Kroger, Pick 'n Save, Harris Teeter	Y	22	9.1%	9,258	8.9%
Walmart Inc.	Wal-Mart, Sam's Club	Y	8	13.0%	8,549	8.2%
Koninklijke Ahold Delhaize N.V.	Stop & Shop, GIANT, Food Lion, Hannaford	Y	11	4.4%	4,978	4.8%
Publix Super Markets, Inc.	Publix	Y	11	5.0%	4,097	3.9%
Southeastern Grocers	Winn Dixie, Bi-Lo	Y	6	2.2%	2,084	2.0%
United Natural Foods, Inc.	Cub Foods, County Market, Shop n' Save, Rainbow Foods	Y	4	1.1%	2,038	2.0%
Coborn `s Inc.	CashWise	Y	2	2.0%	1,687	1.6%
Alex Lee Inc.	Lowes Foods	Y	4	0.9%	1,249	1.2%
Weis Markets, Inc.	Weis Markets	Y	2	1.3%	1,203	1.2%
Beall's, Inc.	Beall's, Burke's	N	4	1.3%	1,247	1.2%
Schnuck Markets, Inc.	Schnucks	Y	2	1.2%	1,099	1.0%
TJX Companies	Marshalls, T.J. Maxx, HomeGoods	N	3	0.8%	1,087	1.0%
Planet Fitness	Planet Fitness	N	6	1.1%	1,062	1.0%
Hy-Vee, Inc.	Hy-Vee	Y	4	1.3%	1,005	0.9%
Dollar Tree Inc.	Dollar Tree, Family Dollar	N	10	0.9%	940	0.9%
<b>Total</b>			<b>99</b>	<b>45.6%</b>	<b>\$ 41,583</b>	<b>39.8%</b>

<sup>1</sup>Store brands include Cub Foods, County Market, Shop 'n Save and Rainbow Foods.

## Development

The REIT's redevelopment program is focused on growing income and unlocking value by revitalizing tenant uses and creating a better customer experience at select properties. Redevelopment is generally considered to begin when activities that change the condition of the property commence. Redevelopment ceases when the asset is in the condition and has the capability of operating in the manner intended, which is generally at cessation of construction and tenancing. For purposes of reporting same-property NOI, redevelopment assets are excluded from the same-property portfolio in the period in which they are re-classified as a redevelopment property and are excluded until they are operating as intended in all of both the current and comparative periods. The carrying value of redevelopment properties includes the acquisition cost of property and direct redevelopment costs attributed to the project. The REIT does not capitalize interest for its projects under development. To date, redevelopment spend has been funded by cash from operations. Interest expense is recognized as incurred in income which is not comparable to other REITs or other corporations that capitalize interest.

The REIT has classified the following properties as redevelopment properties:

Property	Nature of redevelopment	Expected completion	Estimated incremental NOI <sup>1</sup>	Estimated yield on cost	Pre-leased percentage	Estimated investment		
						Incurred	Remaining	Total
Windmill Plaza <sup>2</sup>	Anchor repositioning	Q2 2021	\$ 404	7.1%	92.5%	\$ 4,871	\$ 781	\$ 5,652
Mapleridge Center	Anchor repositioning	Q2 2021	771	13.8%	90.7%	1,129	4,471	5,600
Battleground Village	Anchor repositioning	Q3 2021	62	15.9%	98.0%	202	188	390
Stonefield Square	Anchor repositioning	Q1 2022	374	31.3%	—%	—	1,194	1,194
Eastpointe Shopping Center	Anchor repositioning	Q1 2022	839	15.5%	100.0%	1,830	3,593	5,423
Southgate Crossing	Junior anchor repositioning	Q2 2022	222	8.8%	78.4%	34	2,492	2,526
Wedgewood Commons	Anchor repositioning	Q4 2022	951	7.0%	85.6%	2,650	10,850	13,500
<b>Total</b>			<b>\$ 3,623</b>	<b>10.6%</b>		<b>\$ 10,716</b>	<b>\$ 23,569</b>	<b>\$ 34,285</b>

### Completed redevelopment projects

Property	Nature of redevelopment	Completed	Estimated incremental NOI <sup>1</sup>	Yield on cost	Leased percentage	Total invested
Westminster Plaza <sup>3</sup>	Anchor repositioning	Q1 2021	\$ 898	25.4%	100.0%	\$ 3,531

<sup>1</sup> Calculated on a trailing twelve month basis as of March 31, 2021.

<sup>2</sup> Amount at the REIT's share of its 50% interest in the property.

<sup>3</sup> Amounts represent development for primary anchor at the property.

Redevelopment capital spent during the three month period ended March 31, 2021 is as follows:

	Three months ended March 31, 2021
Westminster Plaza <sup>1</sup>	\$ 2,427
Wedgewood Commons <sup>1</sup>	1,148
Other redevelopment costs <sup>12</sup>	1,862
<b>Total redevelopment</b>	<b>\$ 5,437</b>

<sup>1</sup> Relates to new outparcel development as well as work completed in the planning stages for redevelopment projects.

<sup>2</sup> Amount at the REIT's share of its 50% interest in the property.

In January 2019, the REIT acquired Windmill Plaza, a grocery-anchored shopping centre located in Sterling Heights, Michigan, in a joint-venture partnership with The Kroger Company. The shopping centre includes a brand new 129,000 square foot Kroger Marketplace, an improved in-line façade and a completely redesigned parking lot, landscaping and lighting system. Executed leases include a 25-year ground lease with Kroger as the anchor tenant and junior anchor tenants which include Edge Fitness for 37,000 square feet and Pet Supplies Plus for 8,000 square feet. The property is occupied at 92.5%. Kroger and Edge Fitness commenced operations in January 2020. The REIT is planning to invest an additional \$0.8 million related to the build-out of in-line units.

Mapleridge Center is a 115,000 square foot community shopping center strategically located along White Bear Avenue within the main retail node in Maplewood, Minnesota. The centre was acquired in the third quarter of 2017 and at the time was anchored by a Rainbow Foods grocery outlet store. Management strategically terminated the anchor tenant in the fourth quarter of 2019 and signed a lease with Hy-Vee to take the former Rainbow Foods premises and an additional unit which will be used as a liquor store. As part of the new grocery and liquor store lease, ownership will complete a significant capital investment in the center projected to cost \$5.6 million. In the first quarter of 2020, the grocery anchor lease was executed with rent commencement in the first quarter of 2021. Construction commenced in the third quarter of 2020 and is expected to be completed in the second quarter of 2021. The Hy-Vee liquor store opened to the public on December 18, 2020. The grocery store is expected to open in the second quarter of 2021.

Battleground Village is a 73,000 square foot property located in Greensboro, North Carolina. Formerly anchored by Earth Fare, the property is well situated at one of the busiest thoroughfares in the MSA. In 2020, Management engaged in a strategic releasing effort that resulted in a 15-year lease with Aldi, which has a significantly higher grade credit. There is limited capital investment, which totals \$0.4 million, and relates to parking lot and lighting upgrades. Aldi is expected to open in the third quarter of 2021.

Stonefield Square is an 80,000 square foot shopping center formerly anchored by The Fresh Market. The centre is located in a dominant retail trade area on the east side of Louisville, Kentucky with close proximity to downtown and surrounded by dense residential communities. This asset experiences heavy traffic volumes and is centrally located along Shelbyville Road, the primary retail and commercial artery in Middletown, where average household income is approaching \$0.1 million. The Fresh Market vacated a 20,000 square foot box at the end of their lease term in December 2019, initiating an opportunity for the REIT to backfill the space at higher rental rates and a longer weighted average lease term. The REIT is in active discussions with prospective grocer and non-grocer tenants who have shown interest in the box. Simultaneously, with backfilling the premises, the REIT expects to invest significant capital to upgrade the building and common area facilities including improved signage, parking lot, landscaping and LED lighting upgrades.

Eastpointe Shopping Center is a regional shopping destination in Clarksburg, West Virginia anchored by a Kroger which includes a former K-mart box and in line shop tenants. The centre is located in the area's most prominent retail node at the junction of two major state highways. Kroger has executed a 25-year term lease to relocate from their 55,000 square foot box and build a brand new 83,000 square foot store in the former K-Mart premises with rent commencement in the fourth quarter of 2020. Construction commenced in the first quarter of 2020 and was completed in the first quarter of 2021. In the third quarter of 2020 the REIT executed a 10-year term lease with Hobby Lobby to occupy the prior 55,000 square foot Kroger box with rent commencement in the second quarter of 2022. In addition to the construction of Kroger and Hobby Lobby, the REIT will complete common area refurbishments to include the façade, parking lot, landscaping, and LED lighting upgrades, as required by the anchor leases. The REIT expects to invest 5.4 million in capital to complete the tenant build outs and common area refurbishments. Kroger's new store opened to the public on January 20, 2021 and is now the largest Kroger in the state of West Virginia.

Southgate Crossing is an 160,000 square foot shopping center located in Minot, North Dakota and is anchored by the market-leading Cash Wise Foods. Gordman's, which is an off-price department chain owned by Stage Stores, formerly occupied the 51,000 square foot junior anchor box until the third quarter of 2020. Management backfilled 16,000 square feet at higher rental rates and improved tenant quality in the first quarter of 2021, securing a 10-year lease with Harbor Freight Tools, a national discount tool and equipment retailer. The REIT is in active discussions with national tenants to occupy the remaining 34,000 square feet.

Wedgewood Commons is a 153,000 square foot shopping centre anchored by a Publix supermarket. The shopping centre is strategically located on U.S. Route 1 Highway at Indian Road, in Stuart, Florida. Key tenants in the development include Beall's Outlet, Dollar Tree and Harbor Freight Tools. The REIT has finalized a 20-year term lease to construct a new 47,000 square foot flagship Publix grocery store. To coincide with the new Publix grocery store, the REIT has secured a 10-year lease extension to relocate and expand the Beall's Outlet to 30,000 square feet which will include a Beall's Home Centric concept store. Furthermore, the REIT is negotiating with several junior anchor prospects to lease the remaining vacancy within the shopping centre. The net result will increase GLA to approximately 166,000 square feet and the weighted average lease term from 3.7 years to 10.8 years. In addition to the construction of the Publix and Beall's Outlet and Home Centric, the REIT will complete an extensive common area refurbishment. The REIT expects to invest \$13.5 million in the redevelopment and the overall project should be completed by the fourth quarter of 2022 with the new Publix opening at the end of the year.

#### Completed redevelopment projects

Westminster Plaza is a 99,000 square foot shopping center formerly anchored by Safeway. The centre is located seven miles immediately north of downtown Denver with direct access to multiple major highways. This asset experiences heavy traffic volumes along Federal Boulevard, a primary retail and commercial roadway in Westminster, Colorado, where population density is approximately 150,000 in a 3-mile radius. Additional density is forthcoming due to a community gentrification project being led by the City of Westminster. The plan is centralized around a recently completed light-rail transit station located a quarter mile from the property and the planned redevelopment of the surrounding land and industrial property into single and multi-family residential. Safeway vacated a 56,000 square foot box at the end of their lease term in December 2019. The REIT re-leased the vacant anchor space to VASA Fitness, a regional full-service gym operator. The deal will see both parties invest significant capital into the premises and shopping center and allow the landlord to grow NOI and weighted average lease term significantly. VASA fitness opened in the first quarter of 2021. In 2019, the REIT also completed the development of a pad on the property. The new 7,500 square foot building has Chipotle, Dunkin' Donuts, Buffalo Wild Wings and Tropical Smoothie in operation.

#### IFRS FAIR VALUE

The REIT's property portfolio at March 31, 2021 had an estimated IFRS fair value of \$1.4 billion, with a weighted average capitalization rate of 7.01%. Overall, the average estimated IFRS value per square foot of the REIT's portfolio is \$142.

The following table presents a summary of the capitalization rates used to estimate the fair value of the REIT's properties:

Direct capitalization rates	March 31, 2021	December 31, 2020
Minimum	5.75%	6.00%
Maximum	8.75%	9.50%
Weighted average <sup>1</sup>	7.01%	7.34%

<sup>1</sup> Includes the REIT's share of its equity accounted property investment.

The March 31, 2021 weighted average capitalization rate decreased to 7.01% from 7.34% at December 31, 2020. The decrease in the weighted average capitalization rate is driven primarily by increased buyer demand for grocery-anchored strip centers and value-add asset management activities which includes anchor tenant renewals and repositionings, tenant credit enhancement through strategic leasing, capital investments and improvements.

The fair value of properties is measured individually without consideration to their aggregate value on a portfolio basis. No consideration is given to diversification benefits related to single property tenant risk and geography, the value of assembling a portfolio or to the utilization of a common management platform, amongst other benefits. As a result, the fair value of the REIT's properties taken in aggregate may differ from the fair value of properties measured individually in the REIT's consolidated statements of financial position. Depending on the duration and impacts of the COVID-19 pandemic, certain aspects of the REIT's operations could be affected, including rental and occupancy rates, demand for retail space, capitalization rates, and the resulting value of the REIT's properties. Based on the REIT's operations to date, property valuations have not been materially impacted by the COVID-19 pandemic. The REIT believes property valuations are appropriate as at March 31, 2021.

The change in properties is as follows:

	Three months ended March 31,	
	2021	2020
Beginning of the period	\$ 1,277,180	\$ 1,288,536
Acquisitions	55,041	—
Capital expenditures	788	562
Leasing costs	365	332
Tenant improvements	761	1,104
Development and expansion capital	5,437	1,579
Straight-line rent	165	414
Dispositions	—	(60,150)
IFRIC 21 property tax adjustment	(12,397)	(12,875)
Change in fair value <sup>1</sup>	78,749	4,210
<b>End of the period</b>	<b>\$ 1,406,089</b>	<b>\$ 1,223,712</b>
Property classified as equity investment	10,898	11,787
<b>End of the period, including equity investment</b>	<b>\$ 1,416,987</b>	<b>\$ 1,235,499</b>

<sup>1</sup>Change in fair value includes impacts due to valuation parameters, cash flows and accounting adjustments for IFRIC 21 property tax and straight-line rent.

The following table is a reconciliation of the fair value of the REIT's properties using a non-GAAP measure. The non-GAAP measure includes figures that are recorded as an equity investment, information that is not explicitly disclosed or presented in the consolidated financial statements for the three month period ended March 31, 2021 and 2020.

	Three months ended March 31, 2021			Three months ended March 31, 2020		
	Consolidated	Equity investment	Proportionate Share (Non-GAAP)	Consolidated	Equity investment	Proportionate Share (Non-GAAP)
Beginning of the period	\$ 1,277,180	\$ 10,845	\$ 1,288,025	\$ 1,288,536	\$ 11,227	\$ 1,299,763
Acquisitions	55,041	—	55,041	—	—	—
Capital expenditures	788	—	788	562	—	562
Leasing costs	365	—	365	332	(2)	330
Tenant improvements	761	—	761	1,104	—	1,104
Development and expansion capital	5,437	160	5,597	1,579	712	2,291
Straight-line rent	165	—	165	414	—	414
Dispositions	—	—	—	(60,150)	—	(60,150)
IFRIC 21 property tax adjustment	(12,397)	(68)	(12,465)	(12,875)	(68)	(12,943)
Change in fair value <sup>1</sup>	78,749	(39)	78,710	4,210	(82)	4,128
<b>End of the period</b>	<b>\$ 1,406,089</b>	<b>\$ 10,898</b>	<b>\$ 1,416,987</b>	<b>\$ 1,223,712</b>	<b>\$ 11,787</b>	<b>\$ 1,235,499</b>

<sup>1</sup>Change in fair value includes impacts due to valuation parameters, cash flows and accounting adjustments for IFRIC 21 property tax and straight-line rent.

The fair value of the REIT's properties and properties under redevelopment for the three month period ended March 31, 2021 and 2020 is as follows:

	Three months ended March 31, 2021			Three months ended March 31, 2020		
	Income-producing properties	Properties under redevelopment	Total	Income-producing properties	Properties under redevelopment	Total
Beginning of the period	\$ 1,192,593	\$ 84,587	\$ 1,277,180	\$ 1,204,069	\$ 84,467	\$ 1,288,536
Transfers to income-producing properties	17,141	(17,141)	—	—	—	—
Transfers to properties under redevelopment	(39,774)	39,774	—	—	—	—
Acquisitions	55,041	—	55,041	—	—	—
Capital expenditures	745	43	788	546	16	562
Leasing costs	343	22	365	321	11	332
Tenant improvements	761	—	761	1,104	—	1,104
Development and expansion capital	735	4,702	5,437	711	868	1,579
Straight-line rent	(57)	222	165	353	61	414
Dispositions	—	—	—	(60,150)	—	(60,150)
IFRIC 21 property tax adjustment	(13,917)	1,520	(12,397)	(11,860)	(1,015)	(12,875)
Change in fair value <sup>1</sup>	77,587	1,162	78,749	5,571	(1,361)	4,210
<b>End of the period</b>	<b>\$ 1,291,198</b>	<b>\$ 114,891</b>	<b>\$ 1,406,089</b>	<b>\$ 1,140,665</b>	<b>\$ 83,047</b>	<b>\$ 1,223,712</b>
Property classified as equity investment	—	10,898	10,898	—	11,787	11,787
<b>End of the period, including equity investment</b>	<b>\$ 1,291,198</b>	<b>\$ 125,789</b>	<b>\$ 1,416,987</b>	<b>\$ 1,140,665</b>	<b>\$ 94,834</b>	<b>\$ 1,235,499</b>

<sup>1</sup> Change in fair value includes impacts due to valuation parameters, cash flows and accounting adjustments for IFRIC 21 property tax and straight-line rent.

Capital, leasing and tenant improvement costs for the three month period ended March 31, 2021 was \$1.9 million. Such costs are generally expended for purposes of tenancing and renewing existing leases, which maintain and create value at the REIT's properties and the portfolio as a whole by increasing contractual cash flow through new and extended leases. The REIT will continue to capitalize on opportunities to revitalize, undertake space improvements and generally maintain the high quality of the properties and tenants. These expenditures can vary from period to period, at times significantly, depending upon the timing of lease expiries, re-leasing and management's capital plan for the period.

#### Fair value adjustments on properties

For the three month period ended March 31, 2021, the REIT recorded a fair value gain on properties of \$78.7 million. This is mainly due to valuation parameters and cash flows and IFRIC 21 property tax adjustments, partially offset by transaction costs capitalized.

The following table presents the impact of certain accounting adjustments on the fair value gain recorded versus management's estimate of future cash flows and valuation assumptions:

	Three months ended March 31,	
	2021	2020
Valuation parameters and cash flows	\$ 67,373	\$ (8,251)
Transaction costs capitalized	(856)	—
IFRIC 21 property tax adjustment	12,397	12,875
Adjusted for straight-line rent	(165)	(414)
<b>Total</b>	<b>\$ 78,749</b>	<b>\$ 4,210</b>

The fair value change of properties is impacted by IFRIC 21 property tax adjustments recorded on the REIT's portfolio. For acquisition purposes the REIT determines the obligating event for property taxes is ownership of the property on the first of January of the fiscal year. As a result, the annual property tax liability and expense has been recognized on the properties owned on the first of January of each year, with a corresponding increase to the fair value of properties that is reversed as the liability is settled through property tax installments.

The change in fair value of properties recorded in income excludes the impact of tenancing and leasing costs, landlord work, and development and expansion capital, not all of which are additive to value but are directly capitalized to the property.

## PART III – RESULTS OF OPERATIONS

### SUMMARY OF SELECTED QUARTERLY INFORMATION

The selected quarterly information highlights performance over the most recently completed eight quarters and is reflective of the timing of acquisitions, leasing and maintenance expenditures. Similarly, debt reflects financing activities related to acquisitions which serve to increase AFFO in the future, as well as ongoing financing activities for the existing portfolio. Accordingly, rental revenue, NOI, NAV, FFO and AFFO are reflective of changes in the underlying income-producing asset base and changing leverage.

Quarter ended	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019
Rental revenue	\$ 32,471	\$ 31,872	\$ 31,961	\$ 30,255	\$ 32,042	\$ 34,338	\$ 34,545	\$ 36,016
Property operating expenses <sup>1</sup>	(21,560)	(3,512)	(4,649)	(3,972)	(22,496)	(5,029)	(5,287)	(5,323)
Straight-line rent revenue	(165)	(375)	(530)	(237)	(414)	(118)	(323)	(415)
IFRIC 21 property tax adjustment <sup>1</sup>	12,397	(5,568)	(4,115)	(3,994)	12,875	(4,934)	(4,675)	(4,763)
Adjustments for equity investment	142	166	431	100	64	9	125	(8)
NOI <sup>2</sup>	\$ 23,285	\$ 22,583	\$ 23,098	\$ 22,152	\$ 22,071	\$ 24,266	\$ 24,385	\$ 25,507
Class U units outstanding	48,611	48,597	42,226	42,217	42,203	42,207	44,110	44,102
WA units	48,597	43,752	42,222	42,208	42,196	43,145	44,107	44,101
Net income <sup>3</sup>	\$ 60,775	\$ 21,268	\$ 7,630	\$ 6,888	\$ 5,819	\$ 14,016	\$ 4,513	\$ 5,934
Net income per WA unit <sup>3</sup>	\$ 1.25	\$ 0.49	\$ 0.18	\$ 0.16	\$ 0.14	\$ 0.32	\$ 0.10	\$ 0.13
IFRS NAV	\$ 605,994	\$ 532,155	\$ 449,858	\$ 445,189	\$ 445,383	\$ 476,612	\$ 480,454	\$ 485,270
IFRS NAV per unit	\$ 12.47	\$ 10.95	\$ 10.65	\$ 10.55	\$ 10.55	\$ 11.29	\$ 10.89	\$ 11.04
Distributions declared	\$ 10,460	\$ 9,545	\$ 9,087	\$ 9,087	\$ 9,087	\$ 9,314	\$ 9,399	\$ 9,399
Distributions per unit	\$ 0.2160	\$ 0.2160	\$ 0.2160	\$ 0.2160	\$ 0.2160	\$ 0.2145	\$ 0.2138	\$ 0.2138
FFO <sup>3,4,5</sup>	\$ 11,529	\$ 11,684	\$ 11,487	\$ 11,115	\$ 11,160	\$ 12,650	\$ 12,936	\$ 13,622
FFO per WA units <sup>3,4,5</sup>	\$ 0.24	\$ 0.27	\$ 0.27	\$ 0.26	\$ 0.26	\$ 0.29	\$ 0.29	\$ 0.31
AFFO <sup>3,4,5</sup>	\$ 9,450	\$ 9,651	\$ 8,954	\$ 9,046	\$ 8,748	\$ 10,616	\$ 11,142	\$ 10,694
AFFO per WA units <sup>3,4,5</sup>	\$ 0.19	\$ 0.22	\$ 0.21	\$ 0.21	\$ 0.21	\$ 0.25	\$ 0.25	\$ 0.24
Total assets	\$1,539,994	\$ 1,323,554	\$ 1,302,849	\$ 1,300,866	\$ 1,249,525	\$ 1,315,080	\$ 1,336,836	\$ 1,375,824
Debt	\$ 766,616	\$ 726,373	\$ 777,526	\$ 781,002	\$ 735,206	\$ 789,395	\$ 798,147	\$ 838,126
Debt / GBV <sup>6</sup>	53.5%	54.9%	59.7%	60.0%	58.8%	60.0%	59.7%	60.9%
Number of properties <sup>3</sup>	80	75	76	77	72	76	79	83
% leased <sup>3</sup>	93.1%	92.9%	92.5%	92.2%	92.8%	93.0%	94.4%	93.3%
GLA <sup>3</sup>	9,959,075	9,554,679	9,728,179	9,832,109	9,507,881	9,857,715	10,157,833	10,536,332
Grocery-anchored GLA <sup>3</sup>	4,738,479	4,614,178	4,724,183	4,785,050	4,417,825	4,722,267	4,884,476	5,058,302

<sup>1</sup> In accordance with IFRIC 21, the REIT recognizes the annual property tax liability and expense on its existing properties on January 1<sup>st</sup>, rather than progressively, i.e. ratably, throughout the year.

<sup>2</sup> Refer to non-IFRS financial measures on page 16.

<sup>3</sup> Includes the REIT's share of its equity accounted property investment.

<sup>4</sup> Adjusting to exclude the impact of the \$169.0 million debt refinancing in the first quarter of 2021, FFO and FFO per unit would be \$11.8 million and \$0.24, respectively, and AFFO and AFFO per unit would be \$9.8 million and \$0.20, respectively.

<sup>5</sup> Adjusting to exclude the impact of the refinanced credit facility and extinguished mortgage in the first quarter of 2020, FFO and FFO per unit would be \$11.5 million and \$0.27, respectively, and AFFO and AFFO per unit would be \$9.1 million and \$0.21, respectively.

<sup>6</sup> Subscription receipt funds in escrow have been removed from total assets to calculate the leverage ratio for the first quarter of 2021. The REIT's leverage ratio including subscription receipt funds in escrow would be 49.8%.

## REVENUE

Revenue from properties includes base rent from tenants, straight-line rental income, property tax and operating cost recoveries and other incidental income.

Rental revenue for the three month period ended March 31, 2021 increased by \$0.4 million compared to the same period in the prior year. The increase is primarily driven by increases in rental rates from re-leasing, new leasing typically above in-place rent and the acquisition of 12 properties from March 31, 2020, partially offset by decreases in revenue due to the disposition of four properties and two outparcels at certain properties.

## PROPERTY OPERATING EXPENSES

Property operating expenses consist of property taxes, property management fees and general and administrative expenses including common area costs, utilities and insurance. The majority of the REIT's operating expenses are recoverable from tenants in accordance with the terms of their respective lease agreements. Operating expenses fluctuate with changes in occupancy and levels of repairs and maintenance.

Property operating expenses decreased by \$0.9 million for the three month period ended March 31, 2021, driven by the disposition of four properties and two outparcels at certain properties since March 31, 2020.

In accordance with IFRIC 21, the REIT recognizes the annual property tax liability and expense on its existing properties as at January 1<sup>st</sup> of each year, rather than progressively, i.e. ratably, throughout the year. The recognition of property taxes as a result of IFRIC 21 has no impact on NOI, FFO or AFFO.

## GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses include fees for asset management, legal, trustee services, tax compliance, reporting, marketing, bad debt expenses and franchise and business taxes. Franchise and business taxes are typically billed in the following calendar year to which they relate.

	Three months ended March 31,		
	2021	2020	Variance
Asset management fees	\$ 1,314	\$ 1,308	\$ 6
Professional fees and other	665	898	(233)
Bad debt expense	171	164	7
Franchise and business taxes	65	215	(150)
<b>Total</b>	<b>\$ 2,215</b>	<b>\$ 2,585</b>	<b>\$ (370)</b>
<b>% of total assets</b>	<b>0.1%</b>	<b>0.2%</b>	<b>(0.1)%</b>
<b>% of total revenue</b>	<b>6.8%</b>	<b>8.1%</b>	<b>(1.3)%</b>

General and administrative expenses for the three month period ended March 31, 2021 decreased by \$0.4 million from the comparative quarter in 2020, due to decreases in franchise and business taxes and professional fees and other expenses.

## INTEREST AND FINANCE COSTS

	Three months ended March 31,		
	2021	2020	Variance
Interest on debt and finance charges	\$ 5,432	\$ 7,065	\$ (1,633)
Interest rate swaps, net settlement <sup>1</sup>	2,983	935	2,048
Interest income	(13)	(18)	5
Amortization of finance charges <sup>12</sup>	580	1,106	(526)
Amortization of mark-to-market <sup>2</sup>	(4)	(409)	405
Amortization of deferred gain on TIF notes	(22)	(22)	—
<b>Total</b>	<b>\$ 8,956</b>	<b>\$ 8,657</b>	<b>\$ 299</b>

<sup>1</sup>In the first quarter of 2021, the REIT refinanced \$169.0 million of its debt, resulting in a charge to income totaling \$0.2 million.

<sup>2</sup>In the first quarter of 2020, the REIT refinanced its credit facility and extinguished a mortgage of \$10.1 million, resulting in a net charge to income totaling \$0.2 million.

The following shows the change in interest on debt and finance charges, net of interest rate swaps for the three month period ended March 31, 2021 compared to the same period in the prior year:

Interest on debt and finance charges, net of interest rate swaps, March 31, 2020	\$ 8,000
Change in interest rates, net of interest rate hedges <sup>12</sup>	(559)
Change in debt spreads	(827)
Increase in fixed rate debt	1,811
Decrease in standby fee	(10)
<b>Interest on debt and finance charges, net of interest rate swaps, March 31, 2021</b>	<b>\$ 8,415</b>
<b>Year-over-year change – \$</b>	<b>\$ 415</b>
<b>Year-over-year change – %</b>	<b>5.2%</b>

<sup>1</sup>The weighted average interest rate cost of the REIT's floating rate debt, net of interest rate swaps for the three month period ended March 31, 2021 is 4.25% (March 31, 2020 – 4.06%).

<sup>2</sup>The average U.S. LIBOR for the three month period ended March 31, 2021 was 0.20%, which represents a 1.29% decrease from the same period in 2020. At March 31, 2021, the REIT fixed 101.8% of its floating rate debt, compared to 104.4% at March 31, 2020.

Interest expense and other finance costs, net consists of interest paid on the revolving credit facility ("revolver"), term loans, mortgages and interest rate swap contracts, as well as standby fees paid on the REIT's revolver.

Interest on debt, net of interest rate swaps increased by \$0.4 million for the three month period ended March 31, 2021 compared to the same period in 2020, primarily due to changes in debt levels, partially offset by a reduction in spread. The REIT's revolver is redrawn from time-to-time to fund operating and investing activities.

The REIT's pay-fixed, receive-float interest rate swaps hedge the cash flow risk associated with one-month U.S. LIBOR based interest payments, with 101.8% of the REIT's debt subject to fixed rates at March 31, 2021. The weighted average fixed rate of the REIT's interest rate swaps was 2.573% compared to the one-month U.S. LIBOR at 0.12% at March 31, 2021, with a weighted average term to maturity of 3.0 years. Under this arrangement, the REIT has paid \$2.7 million and received \$0.9 million of net interest payments in current quarter and comparative period, respectively.

In conjunction with the REIT's \$169.0 million mortgage closed on January 14, 2021, the REIT terminated its \$150.0 million interest rate swap with a maturity date of February 26, 2021. This resulted in an increase to the weighted average pay-fixed rate of the REIT's swap portfolio to 2.573%.

On February 4, 2020, the REIT terminated \$150.0 million of its \$300.0 million interest rate swap, with an effective date of November 22, 2016. The realized gain as a result of the termination was blended into the pay-fixed rate of the REIT's \$100.0 million interest rate swap, with a maturity date of September 22, 2022.

The REIT does not capitalize interest for its projects under development. Interest expense is recognized as incurred in income which is not comparable to other REITs or other corporations that capitalize interest.

## FAIR VALUE ADJUSTMENTS ON REIT UNITS AND EXCHANGEABLE UNITS OF SUBSIDIARIES

Class B units of Slate Grocery One L.P. and Slate Grocery Two L.P. and exchangeable limited partnership units of GAR B all of which are issued by subsidiaries of the REIT (collectively, the "exchangeable units of subsidiaries") are classified as financial liabilities under IFRS and are measured at fair value with any changes in fair value recognized in unit expense in the consolidated statements of income. The fair value is re-measured at the end of each reporting period. An unrealized gain represents a decrease in the fair value per unit whereas an unrealized loss represents an increase in the fair value per unit. The fair value per unit on March 31, 2021 was \$9.26 (March 31, 2020 – \$4.80). Changes in fair value of exchangeable units of subsidiaries are non-cash in nature and are required to be recorded in income under IFRS.

For the three month period ended March 31, 2021, the REIT recognized an unrealized fair value loss of \$0.4 million on the exchangeable units of subsidiaries as a result of the change in fair value per unit over the respective comparative period.

## NET INCOME

For the three month period ended March 31, 2021, net income increased by \$55.0 million, compared to the same period in the prior year. The increase is primarily driven by a change in fair value of properties and a decrease in transaction costs, partially offset by the change in fair value of exchangeable units of subsidiaries.

## NOI

NOI is a non-IFRS measure and is defined by the REIT as property rental revenue, excluding non-cash straight-line rent, less property operating expenses after adjusting for the impact of IFRIC 21 property tax accounting adjustments. Rental revenue excludes revenue recorded as a result of recording rent on a straight-line basis for IFRS which management believes reflects the cash generation activity of the REIT's properties. NOI is an important measure of the income generated from the REIT's properties and is used by the REIT in evaluating the performance of its properties. NOI may not be comparable with similar measures presented by other entities and is not to be construed as an alternative to net income or cash flow from operating activities determined in accordance with IFRS.

The following is a calculation of NOI:

	Three months ended March 31,		
	2021	2020	Variance
Rental revenue	\$ 32,471	\$ 32,042	\$ 429
Straight-line rent revenue	(165)	(414)	249
Property operating expenses	(21,560)	(22,496)	936
IFRIC 21 property tax adjustment	12,397	12,875	(478)
Adjustments for equity investment	142	64	78
<b>NOI</b>	<b>\$ 23,285</b>	<b>\$ 22,071</b>	<b>\$ 1,214</b>
<b>NOI margin</b>	<b>72.1%</b>	<b>69.8%</b>	<b>2.3%</b>

The following shows the change in NOI for the three month period ended March 31, 2021 compared to the same period in the prior year:

NOI, March 31, 2020	\$ 22,071
Change in same-property NOI	(207)
Increased contribution from redeveloped properties	220
Loss of contribution from properties under redevelopment	(208)
Contribution from acquisitions	2,668
Loss of contribution from dispositions, including outparcel sales	(1,259)
<b>NOI, March 31, 2021</b>	<b>\$ 23,285</b>
<b>Year-over-year change - \$</b>	<b>\$ 1,214</b>
<b>Year-over-year change - %</b>	<b>5.5%</b>

NOI for the three month period ended March 31, 2021 was \$23.3 million, which represents an increase of \$1.2 million from the same period in 2020. The increase is primarily due to the NOI contribution from the acquisition of 12 properties and uplifts in rental rates from re-leasing and new leasing typically above in-place rent over the period, partially offset by the loss in NOI contribution from the disposition of four properties and two outparcels at certain properties.

The following shows the change in NOI for the three month period ended March 31, 2021 compared to the immediately preceding quarter:

NOI, December 31, 2020	\$ 22,583
Change in same-property NOI	141
Increased contribution from redeveloped properties	27
Increased contribution from properties under redevelopment	(44)
Contribution from acquisitions	600
Loss of contribution from dispositions, including outparcel sales	(22)
<b>NOI, March 31, 2021</b>	<b>\$ 23,285</b>
<b>Quarter-over-quarter change - \$</b>	<b>\$ 702</b>
<b>Quarter-over-quarter change - %</b>	<b>3.1%</b>

NOI for the current quarter increased by \$0.7 million from the fourth quarter of 2020 to \$23.3 million. This is mainly due to the portfolio acquisition of five grocery-anchored properties and uplifts in rental rates from new leasing typically above in-place rent, partially offset by temporary vacancies.

## SAME-PROPERTY NOI

Same-property NOI is a non-IFRS measure and is defined by the REIT as rental revenue, excluding non-cash straight-line rent, less property operating cost expenses after adjusting for the impact of IFRIC 21 property tax accounting adjustments for those properties owned by the REIT for the entirety of each of the current period and the relevant comparative period excluding those properties under redevelopment. For the three month period ended March 31, 2021, the same-property portfolio is comprised of a portfolio of 59 properties owned and in operation for each of the entire three month periods ended March 31, 2021 and 2020.

Same-property NOI is an important measure of the income generated from the REIT's properties period-over-period, but without consideration of acquisition and disposition activity, and is used by the REIT in evaluating the performance of its properties. The REIT seeks to increase or maintain same-property NOI through high-occupancy, increasing rents on renewal to market rents and by signing leases with embedded rent increases throughout the term of the lease.

The following is a summary of same-property NOI and the related occupancy rates on a trailing twelve month basis as at March 31, 2021, as compared to the same period in the prior year reconciled to total NOI:

	Number of properties	Trailing twelve months, March 31,			
		2021	2020	Variance	% change
<b>Same-property NOI</b>	<b>59</b>	<b>\$ 74,060</b>	<b>\$ 73,921</b>	<b>\$ 139</b>	<b>0.2%</b>
NOI attributable to redeveloped properties	2	2,860	2,690	170	
NOI attributable to properties under redevelopment <sup>1</sup>	7	6,427	7,537	(1,110)	
NOI attributable to acquisitions	12	6,676	2,954	3,722	
NOI attributable to dispositions, including outparcel sales	17	1,095	9,127	(8,032)	
<b>Total NOI <sup>1</sup></b>		<b>\$ 91,118</b>	<b>\$ 96,229</b>	<b>\$ (5,111)</b>	<b>(5.3%)</b>
<b>Occupancy, same-property</b>	<b>59</b>	<b>93.3%</b>	<b>89.4%</b>	<b>3.9%</b>	
Occupancy, redeveloped properties	2	95.4%	93.2%	2.2%	
Occupancy, properties under redevelopment <sup>1</sup>	7	89.5%	79.1%	10.4%	
Occupancy, acquisitions	12	94.5%	—%	94.5%	
Occupancy, dispositions, including outparcel sales	17	87.5%	87.5%	—%	
<b>Occupancy, portfolio <sup>1</sup></b>		<b>93.1%</b>	<b>94.4%</b>	<b>(1.3%)</b>	

<sup>1</sup>Includes the REIT's share of its equity accounted property investment.

Adjusting for termination fees, same-property NOI for the trailing twelve month period ended March 31, 2021 (comprised of 59 properties) increased by 0.9% over the same period in the prior year. Including the impact of termination fees, same-property NOI for the trailing twelve month period increased by 0.2%. The increase was primarily attributed to increases in rental rates from re-leasing above average in-place rent and new leasing above comparable market rental rates, partially offset by a \$0.5 million decrease in termination fees related to shop space tenants.

The following is a summary of same-property NOI and the related occupancy rates for the three month period ended March 31, 2021 as compared to the same period in the prior year, reconciled to total NOI:

	Number of properties	Three months ended March 31,			
		2021	2020	Variance	% change
<b>Same-property NOI</b>	<b>59</b>	<b>\$ 18,455</b>	<b>\$ 18,662</b>	<b>\$ (207)</b>	<b>(1.1%)</b>
NOI attributable to redeveloped properties	2	532	312	220	
NOI attributable to properties under redevelopment <sup>1</sup>	7	1,516	1,724	(208)	
NOI attributable to acquisitions	12	2,668	—	2,668	
NOI attributable to dispositions, including outparcel sales	8	114	1,373	(1,259)	
<b>Total NOI <sup>1</sup></b>		<b>\$ 23,285</b>	<b>\$ 22,071</b>	<b>\$ 1,214</b>	<b>5.5%</b>
<b>Occupancy, same-property</b>	<b>59</b>	<b>93.5%</b>	<b>90.8%</b>	<b>2.7%</b>	
Occupancy, redeveloped properties	2	95.4%	94.9%	0.5%	
Occupancy, properties under redevelopment <sup>1</sup>	7	87.3%	86.2%	1.1%	
Occupancy, acquisitions	12	94.5%	92.5%	2.0%	
Occupancy, dispositions, including outparcel sales	8	87.5%	87.5%	—%	
<b>Occupancy, portfolio <sup>1</sup></b>		<b>93.1%</b>	<b>93.3%</b>	<b>(0.2%)</b>	

<sup>1</sup>Includes the REIT's share of its equity accounted property investment.

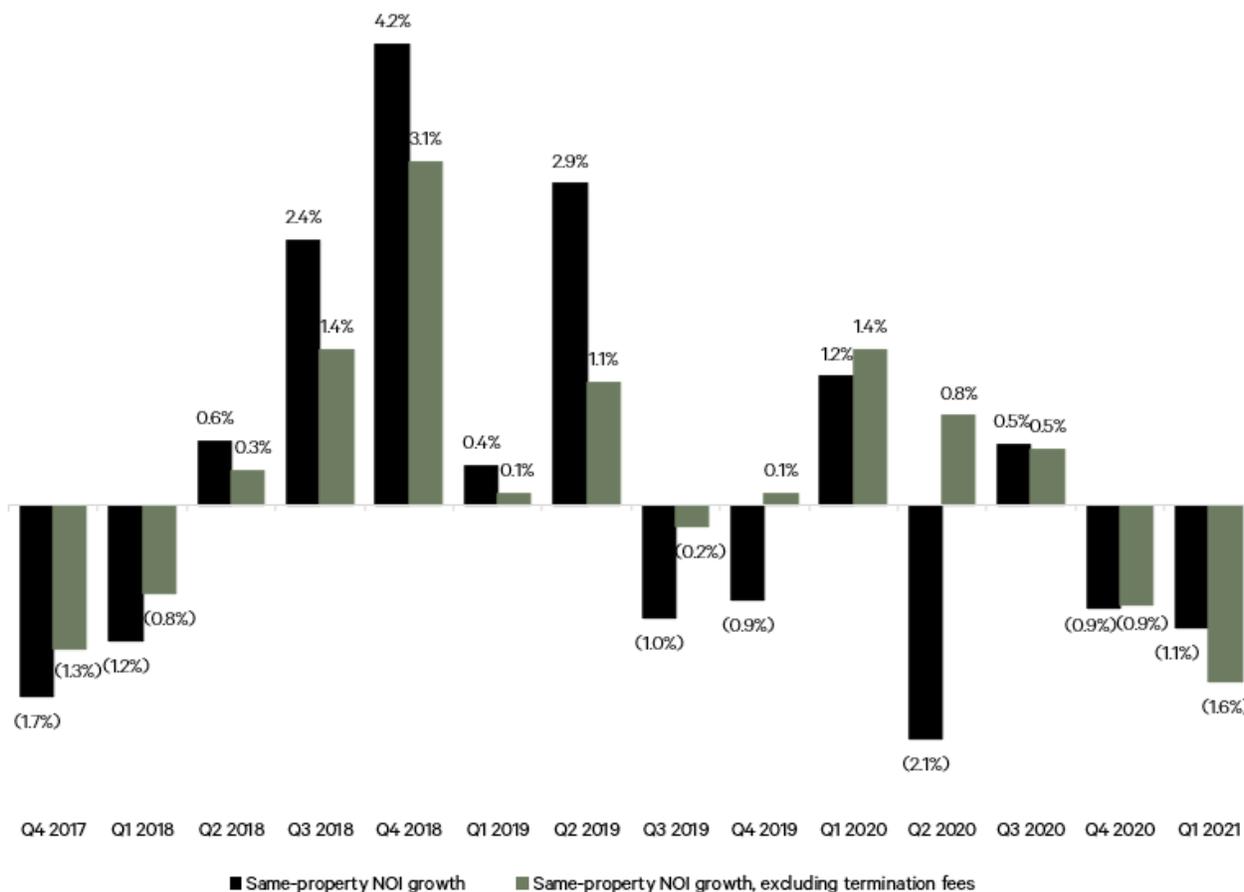
Same-property NOI for the current quarter decreased by \$0.2 million to \$18.5 million over the comparative period. The decrease was primarily attributed to temporary vacancies, partially offset by increases in rental rates from re-leasing above average in-place rent of the properties and new leasing above comparable market rental rates.

Same-property NOI by quarter and percentage change over the relevant comparative period for the respective quarter is as follows:

	Number of properties	Same-property NOI	Same-property % change	Same-property % change, excluding termination fees
Q2 2017	56	15,980	1.5%	0.9%
Q3 2017	56	15,304	0.9%	0.9%
Q4 2017	57	15,477	(1.7%)	(1.3%)
Q1 2018	62	16,555	(1.2%)	(0.8%)
Q2 2018	64	17,403	0.6%	0.3%
Q3 2018	65	18,226	2.4%	1.4%
Q4 2018	77	22,691	4.2%	3.1%
Q1 2019	76	22,908	0.4%	0.1%
Q2 2019	75	23,816	2.9%	1.1%
Q3 2019	72	22,246	(1.0%)	(0.2%)
Q4 2019	68	21,511	(0.9%)	0.1%
Q1 2020	64	20,180	1.2%	1.5%
Q2 2020	63	19,985	(2.1%)	0.8%
Q3 2020	62	19,565	0.5%	0.5%
Q4 2020	61	18,961	(0.9%)	(0.9%)
Q1 2021	59	18,455	(1.1%)	(1.6%)

Termination income is included in the REIT's definition of same-property NOI, however, can be substantial and does not occur frequently. The following is a table summarizing same-property NOI growth excluding the impact of terminations fees:

Same-property NOI Growth, Year-over-Year



FFO

FFO is a non-IFRS measure and real estate industry standard for evaluating operating performance. The REIT calculates FFO in accordance with the definition provided by REALPAC in its White Paper on FFO and AFFO for IFRS, as revised in February 2019. FFO is an important measure of the operating performance of REITs and is used by the REIT in evaluating the combined performance of its operations and the impact of its capital structure.

In calculating FFO, the REIT makes adjustments to the change in the fair value of properties, change in fair value of interest rate hedges recognized in income, deferred income tax expense, unit expense (income) and IFRIC 21 accounting related adjustments.

The following is a reconciliation of net income to FFO:

	Three months ended March 31,		
	2021	2020	Variance
<b>Net income</b>	<b>\$ 60,775</b>	<b>\$ 5,819</b>	<b>\$ 54,956</b>
Change in fair value of financial instruments	(3,018)	20	(3,038)
Transaction costs	—	2,122	(2,122)
Change in fair value of properties	(78,749)	(4,210)	(74,539)
Deferred income tax expense	19,448	468	18,980
Unit expense (income)	569	(6,083)	6,652
Adjustments for equity investment	107	149	(42)
IFRIC 21 property tax adjustment	12,397	12,875	(478)
<b>FFO<sup>12</sup></b>	<b>\$ 11,529</b>	<b>\$ 11,160</b>	<b>\$ 369</b>
<b>FFO per WA unit<sup>12</sup></b>	<b>\$ 0.24</b>	<b>\$ 0.26</b>	<b>\$ (0.02)</b>
<b>WA number of units outstanding</b>	<b>48,597</b>	<b>42,196</b>	<b>6,401</b>

<sup>1</sup> Adjusting to exclude the impact of the \$169.0 million debt refinancing in the first quarter of 2021, FFO and FFO per unit for the three month period ended March 31, 2021 would be \$11.8 million and \$0.24, respectively.

<sup>2</sup> Adjusting to exclude the impact of the refinanced credit facility and extinguished mortgage during the first quarter of 2020, FFO and FFO per unit for the three month period ended March 31, 2020 would be \$11.5 million and \$0.27, respectively.

The following is a calculation of FFO from NOI:

	Three months ended March 31,		
	2021	2020	Variance
NOI	\$ 23,285	\$ 22,071	\$ 1,214
Straight-line rent revenue	165	414	(249)
General and administrative expenses	(2,215)	(2,585)	370
Cash interest, net <sup>1</sup>	(8,380)	(7,960)	(420)
Finance charge and mark-to-market adjustments	(576)	(697)	121
Adjustments for equity investment	(65)	(83)	18
Current income tax expense	(685)	—	(685)
<b>FFO<sup>23</sup></b>	<b>\$ 11,529</b>	<b>\$ 11,160</b>	<b>\$ 369</b>

<sup>1</sup> Cash interest, net is comprised of total interest expense less amortization of finance charges and mark-to-market adjustments.

<sup>2</sup> Adjusting to exclude the impact of the \$169.0 million debt refinancing in the first quarter of 2021, FFO for the three month period ended March 31, 2021 would be \$11.8 million.

<sup>3</sup> Adjusting to exclude the impact of the refinanced credit facility and extinguished mortgage during the first quarter of 2020, FFO for the three month period ended March 31, 2021 would be \$11.5 million.

FFO for the three month period ended March 31, 2021 increased by \$0.4 million compared to the same quarter in the prior year. The increase is primarily due to the aforementioned increases to NOI and decreases in general and administrative expenses, partially offset by a \$0.2 million charge to income as a result of refinancing a portion the REIT's \$250.0 million term loan with a \$169.0 million 10-year mortgage.

## AFFO

AFFO is a non-IFRS measure that is used by management of the REIT, certain of the real estate industry and investors to measure recurring cash flows, including certain capital costs, leasing costs, tenant improvements and the impact of non-cash revenue. As described above, the REIT calculates AFFO as FFO adjusted for capital expenditures, leasing costs, tenant improvements and straight-line rent. The REIT's calculation is consistent with AFFO as calculated by REALPAC in its White Paper on FFO and AFFO for IFRS, as revised in February 2019. However, the REIT uses AFFO as a cash flow measure and considers it a meaningful measure used to evaluate the cash available for distribution to unitholders, while REALPAC considers AFFO as a recurring economic earnings measure. Accordingly, the REIT's use and calculation of AFFO may be different than the use or as disclosed by other businesses, and as a result, may not be comparable to similar measures presented by others.

The following is a reconciliation of cash flow from operations as included in the REIT's consolidated cash flow statement to AFFO:

	Three months ended March 31,		
	2021	2020	Variance
<b>Cash flow from operations</b>	<b>\$ 15,714</b>	<b>\$ 9,703</b>	<b>\$ 6,011</b>
Changes in non-cash working capital items	(3,795)	(403)	(3,392)
Transaction costs	—	2,122	(2,122)
Finance charge and mark-to-market adjustments	(576)	(697)	121
Interest, net and TIF note adjustments	35	40	(5)
Adjustments for equity investment	77	(19)	96
Change in fair value of subscription receipt funds in escrow	(91)	—	(91)
Capital expenditures	(788)	(562)	(226)
Leasing costs	(365)	(332)	(33)
Tenant improvements	(761)	(1,104)	343
<b>AFFO<sup>12</sup></b>	<b>\$ 9,450</b>	<b>\$ 8,748</b>	<b>\$ 702</b>

<sup>1</sup> Adjusting to exclude the impact of the \$169.0 million debt refinancing in the first quarter of 2021, AFFO for the three month period ended March 31, 2021 would be \$9.8 million.

<sup>2</sup> Adjusting to exclude the impact of the refinanced credit facility and extinguished mortgage during the first quarter of 2020, AFFO for the three month period ended March 31, 2020 would be \$9.1 million.

In calculating AFFO, the REIT makes adjustments to FFO for certain items including capital, leasing costs, tenant improvements and straight-line rental revenue.

The following is a reconciliation of FFO to AFFO:

	Three months ended March 31,		
	2021	2020	Variance
FFO	\$ 11,529	\$ 11,160	\$ 369
Straight-line rental revenue	(165)	(414)	249
Capital expenditures	(788)	(562)	(226)
Leasing costs	(365)	(332)	(33)
Tenant improvements	(761)	(1,104)	343
<b>AFFO<sup>12</sup></b>	<b>\$ 9,450</b>	<b>\$ 8,748</b>	<b>\$ 702</b>
<b>AFFO per WA unit<sup>12</sup></b>	<b>\$ 0.19</b>	<b>\$ 0.21</b>	<b>\$ (0.02)</b>
<b>WA number of units outstanding</b>	<b>48,597</b>	<b>42,196</b>	<b>6,401</b>

<sup>1</sup> Adjusting to exclude the impact of the \$169.0 million debt refinancing in the first quarter of 2021, AFFO and AFFO per unit for the three month period ended March 31, 2021 would be \$9.8 million and \$0.20, respectively.

<sup>2</sup> Adjusting to exclude the impact of the refinanced credit facility and extinguished mortgage during the first quarter of 2020, AFFO and AFFO per unit for the three month period ended March 31, 2020 would be \$9.1 million and \$0.21, respectively.

The following is a reconciliation of net income to AFFO:

	Three months ended March 31,		
	2021	2020	Variance
<b>Net income</b>	<b>\$ 60,775</b>	<b>\$ 5,819</b>	<b>\$ 54,956</b>
Change in fair value of financial instruments	(3,018)	20	(3,038)
Transaction costs	—	2,122	(2,122)
Change in fair value of properties	(78,749)	(4,210)	(74,539)
Deferred income tax expense	19,448	468	18,980
Unit expense (income)	569	(6,083)	6,652
Adjustments for equity investment	107	149	(42)
IFRIC 21 property tax adjustment	12,397	12,875	(478)
<b>FFO<sup>12</sup></b>	<b>\$ 11,529</b>	<b>\$ 11,160</b>	<b>\$ 369</b>
Straight-line rental revenue	(165)	(414)	249
Capital expenditures	(788)	(562)	(226)
Leasing costs	(365)	(332)	(33)
Tenant improvements	(761)	(1,104)	343
<b>AFFO<sup>12</sup></b>	<b>\$ 9,450</b>	<b>\$ 8,748</b>	<b>\$ 702</b>

<sup>1</sup> Adjusting to exclude the impact of the \$169.0 million debt refinancing in the first quarter of 2021, FFO and AFFO for the three month period ended March 31, 2021 would be \$11.8 million and \$9.8 million, respectively.

<sup>2</sup> Adjusting to exclude the impact of the refinanced credit facility and extinguished mortgage during the first quarter of 2020, FFO and AFFO for the three month period ended March 31, 2020 would be \$11.5 million and \$9.1 million, respectively.

The following is a calculation of AFFO from NOI:

	Three months ended March 31,		
	2021	2020	Variance
NOI	\$ 23,285	\$ 22,071	\$ 1,214
General and administrative expenses	(2,215)	(2,585)	370
Cash interest, net <sup>1</sup>	(8,380)	(7,960)	(420)
Finance charge and mark-to-market adjustments	(576)	(697)	121
Current income tax expense	(685)	—	(685)
Adjustments for equity investment	(65)	(83)	18
Capital expenditures	(788)	(562)	(226)
Leasing costs	(365)	(332)	(33)
Tenant improvements	(761)	(1,104)	343
<b>AFFO <sup>2,3</sup></b>	<b>\$ 9,450</b>	<b>\$ 8,748</b>	<b>\$ 702</b>

<sup>1</sup> Cash interest, net is comprised of total interest expense less amortization of finance charges and mark-to-market adjustments.

<sup>2</sup> Adjusting to exclude the impact of the \$169.0 million debt refinancing in the first quarter of 2021, AFFO for the three month period ended March 31, 2021 would be \$9.8 million.

<sup>3</sup> Adjusting to exclude the impact of the refinanced credit facility and extinguished mortgage during the first quarter of 2020, AFFO for the three month period ended March 31, 2020 would be \$11.5 million.

AFFO for the three month period ended March 31, 2021 was \$9.5 million, which represents an increase of \$0.7 million from the comparative period. The increase is primarily due to the aforementioned increases to FFO and a decrease in tenant improvements.

Capital improvements may include, but are not limited to, items such as parking lot resurfacing and roof replacements. These items are recorded as part of properties. Tenant improvements, leasing commissions, landlord work and maintenance capital expenditures can vary from period to period, at times significantly, depending upon the timing of lease expiries, re-leasing and management's capital plan for the period. Such costs are generally expended for purposes of tenancing and extending existing leases, which create value at the REIT's properties and the portfolio as a whole by increasing contractual cash flow through new and extended leases. The REIT will continue to capitalize on value-add opportunities to revitalize, undertake space improvements and generally maintain the high quality of the properties and tenants. As a result of the natural variability of such costs, the REIT's calculation of AFFO will be variable when comparing current period results to prior periods.

#### Capital, leasing costs and tenant improvements

During the first quarter capital improvements were completed across the portfolio. The majority of capital improvements were completed concurrent to leasing at the REIT's properties with the remainder as minor improvements. The remaining leasing costs were generally related to the high volume of new and renewal activity, totaling 43 leases executed in the current quarter. Leasing costs were well spread out across each deal with no one deal representing a large percentage of the total expenditure. Leasing costs to secure new tenants are generally higher than the costs to renew in-place tenants. In addition to property reinvestment, the leasing capital was comprised of fees related to tenant improvement allowances and other direct leasing costs, such as broker commissions and legal costs. To date the REIT has funded capital and leasing costs using cash flows from operations.

The following is a reconciliation of net income to AFFO using a non-GAAP measure. With the exception of net income, the table includes figures that are recorded as an equity investment, information that is not explicitly disclosed or presented in the consolidated financial statements.

	Three months ended March 31, 2021			Three months ended March 31, 2020		
	Consolidated	Equity investment	Proportionate Share (Non-GAAP)	Consolidated	Equity investment	Proportionate Share (Non-GAAP)
Rental revenue	\$ 32,471	\$ 497	\$ 32,968	\$ 32,042	\$ 122	\$ 32,164
Property operating expenses	(21,560)	(359)	(21,919)	(22,496)	(126)	(22,622)
General and administrative expenses	(2,215)	(1)	(2,216)	(2,585)	—	(2,585)
Interest and finance costs	(8,956)	(128)	(9,084)	(8,657)	(83)	(8,740)
Transaction costs	—	—	—	(2,122)	—	(2,122)
Change in fair value of financial instruments	3,018	—	3,018	(20)	—	(20)
Change in fair value of properties	78,749	(39)	78,710	4,210	(81)	4,129
Deferred income tax expense	(19,448)	—	(19,448)	(468)	—	(468)
Current income tax expense	(685)	—	(685)	—	—	—
Unit (expense) income	(569)	—	(569)	6,083	—	6,083
<b>Net income (loss)</b>	<b>\$ 60,805</b>	<b>\$ (30)</b>	<b>\$ 60,775</b>	<b>\$ 5,987</b>	<b>\$ (168)</b>	<b>\$ 5,819</b>
Transaction costs	—	—	—	2,122	—	2,122
Change in fair value of financial instruments	(3,018)	—	(3,018)	20	—	20
Change in fair value of properties	(78,749)	39	(78,710)	(4,210)	81	(4,129)
Deferred income tax expense	19,448	—	19,448	468	—	468
Unit (expense) income	569	—	569	(6,083)	—	(6,083)
IFRIC 21 property tax adjustment	12,397	68	12,465	12,875	68	12,943
<b>FFO<sup>1</sup></b>	<b>\$ 11,452</b>	<b>\$ 77</b>	<b>\$ 11,529</b>	<b>\$ 11,179</b>	<b>\$ (19)</b>	<b>\$ 11,160</b>
Straight-line rental revenue	(165)	—	(165)	(414)	—	(414)
Capital expenditures	(788)	—	(788)	(562)	—	(562)
Leasing costs	(365)	—	(365)	(332)	—	(332)
Tenant improvements	(761)	—	(761)	(1,104)	—	(1,104)
<b>AFFO<sup>12</sup></b>	<b>\$ 9,373</b>	<b>\$ 77</b>	<b>\$ 9,450</b>	<b>\$ 8,767</b>	<b>\$ (19)</b>	<b>\$ 8,748</b>

<sup>1</sup> Adjusting to exclude the impact of the \$169.0 million debt refinancing in the first quarter of 2021, FFO and AFFO for the three month period ended March 31, 2021 would be \$11.8 million and \$9.8 million, respectively.

<sup>2</sup> Adjusting to exclude the impact of the refinanced credit facility and extinguished mortgage during the first quarter of 2020, FFO and AFFO for the three month period ended March 31, 2020 be \$11.5 million and \$9.1 million, respectively.

## DISTRIBUTIONS

The REIT's current monthly distribution to unitholders is \$0.072 per class U unit or \$0.864 per class U unit on an annualized basis. Distributions increased by \$14 million for the three month period ended March 31, 2021 from the comparative period due to the issuance of 6,360,000 units from the REIT's equity raise completed on December 10, 2020.

The following table summarizes the REIT's distributions and reconciliation to distributions paid or settled:

	Three months ended March 31,		
	2021	2020	Variance
<b>Declared</b>			
REIT units distributions	\$ 10,227	\$ 8,854	\$ 1,373
Exchangeable units of subsidiaries distributions	233	233	—
	<b>\$ 10,460</b>	<b>\$ 9,087</b>	<b>\$ 1,373</b>
Add: Distributions payable, beginning of period	3,487	3,029	458
Less: Distributions payable, end of period	(3,487)	(3,029)	(458)
<b>Distributions paid or settled</b>	<b>\$ 10,460</b>	<b>\$ 9,087</b>	<b>\$ 1,373</b>

### Taxation of distributions

The REIT qualifies as a "mutual fund trust" under the Income Tax Act (Canada). For taxable Canadian resident REIT unitholders, the REIT's distributions were treated as follows for tax purposes for the three most recent years:

Taxation year, on a per dollar of distribution	Return of capital	Capital gains	Other income	Foreign tax paid
2020	33.9%	12.3%	59.3%	(5.5%)
2019	35.2%	11.6%	53.2%	—%
2018	78.0%	—	22.0%	—%
2017	44.0%	—	56.0%	—%
2016	35.0%	—	65.0%	—%
2015 (January to May) <sup>1</sup>	45.0%	—	55.0%	—%
2015 (June to December) <sup>1</sup>	39.0%	—	61.0%	—%

<sup>1</sup>The change in return of capital and other income in the 2015 year is due to a deemed year end resulting from the acquisition of net assets of Slate U.S. Opportunity (No. 3) Realty Trust.

### FFO payout ratio

The FFO payout ratio is a non-IFRS measure that provides a representation of the distributions generated by the REIT compared to FFO. Management uses this measure on a total and per unit basis to evaluate the REIT's ability to sustain its distributions. The FFO payout ratio is calculated by dividing aggregate distributions made in respect of REIT units and exchangeable units of subsidiaries by FFO during the period of measurement.

The FFO payout ratio was 90.7% for the three month period ended March 31, 2021, representing a 9.3% increase from the respective comparative period. The increase is mainly due to a \$0.2 million charge to income as a result of refinancing a portion the REIT's \$250.0 million term loan with a \$169.0 million 10-year mortgage and an increase in distributions declared due to the issuance of 6,360,000 units from the REIT's equity raise completed December 10, 2020.

The table below illustrates the REIT's cash flow capacity, based on FFO, in comparison to its cash distributions:

	Three months ended March 31,	
	2021	2020
FFO	\$ 11,529	\$ 11,160
Distributions declared <sup>1</sup>	(10,460)	(9,087)
<b>Excess of FFO over distributions declared</b>	<b>\$ 1,069</b>	<b>\$ 2,073</b>
<b>FFO payout ratio<sup>2,3</sup></b>	<b>90.7%</b>	<b>81.4%</b>

<sup>1</sup>Distributions declared represent distributions on REIT units and exchangeable units of subsidiaries.

<sup>2</sup>Adjusting to exclude the impact of the \$169.0 million debt refinancing in the first quarter of 2021, the FFO payout ratio for the three month period ended March 31, 2021 would be 88.3%.

<sup>3</sup>Adjusting to exclude the impact of the refinanced credit facility and extinguished mortgage during the first quarter of 2020, the FFO payout ratio for the three month period ended March 31, 2020 would be 79.2%.

## AFFO payout ratio

The AFFO payout ratio is a non-IFRS measure that provides a representation of the distributions generated by the REIT compared to AFFO. Management uses this measure on a total and per unit basis to evaluate the REIT's ability to sustain its distributions. The AFFO payout ratio is calculated by dividing aggregate distributions made in respect of REIT units and exchangeable units of subsidiaries by AFFO during the period of measurement.

As described above, the REIT's determination of AFFO includes actual capital, leasing costs and tenant improvements, which can vary from period to period, at times significantly, depending upon the timing of lease expiries, re-leasing and management's capital plan for the period. As a result of the natural variability of such costs, the REIT's calculation of its AFFO payout ratio will be variable when comparing current period results to prior periods, and accordingly, inherently more volatile than the REIT's FFO payout ratio which does not include such costs. The actual ratio may from time-to-time be outside of this range.

The REIT strives to maintain an AFFO payout ratio that provides steady and reliable distributions to unitholders. As a result, the REIT is focused on maintaining a policy that provides a high level of certainty that the distribution will be maintained over time. Currently, the REIT's monthly distribution to unitholders was \$0.072 per class U unit or \$0.864 on an annualized basis.

The AFFO payout ratio for the three month period ended March 31, 2021 and March 31, 2020 was 110.7% and 103.9%, respectively, which represents an 6.8% increase. On a pro forma basis, using annualized first quarter AFFO and the current distribution of \$0.072 per month, the AFFO payout ratio would be 113.7%.

The table below illustrates the REIT's cash flow capacity, based on AFFO, in comparison to its cash distributions:

	Three months ended March 31,	
	2021	2020
AFFO	\$ 9,450	\$ 8,748
Distributions declared <sup>1</sup>	(10,460)	(9,087)
<b>Excess of AFFO over distributions declared</b>	<b>\$ (1,010)</b>	<b>\$ (339)</b>
<b>AFFO payout ratio<sup>2,3</sup></b>	<b>110.7%</b>	<b>103.9%</b>

<sup>1</sup> Distributions declared represent distributions on REIT units and exchangeable units of subsidiaries.

<sup>2</sup> Adjusting to exclude the impact of the \$169.0 million debt refinancing in the first quarter of 2021, the AFFO payout ratio for the three month period ended March 31, 2021 would be 107.1%.

<sup>3</sup> Adjusting to exclude the impact of the refinanced credit facility and extinguished mortgage during the first quarter of 2020, AFFO payout ratio for the three month period ended March 31, 2020 would be 100.2%.

The REIT's distributions declared were in excess of AFFO of \$1.0 million for the three month period ended March 31, 2021. The REIT has maintained a consistent distribution rate despite period over period variances in cash from operating activities.

For the three month period ended March 31, 2021 the REIT's cash flow from operating activities exceeded distributions paid by \$5.3 million. For the year ended December 31, 2020 and 2019, the REIT's cash flow from operating activities exceeded distributions paid by \$2.5 million and \$6.9 million, respectively.

	Three months ended		Year ended December 31,	
	March 31, 2021	2020	2020	2019
Cash flows from operating activities	\$ 15,714	\$ 39,351	\$ 44,478	\$ 44,478
Net income	60,775	41,605	26,323	26,323
Cash distributions paid or payable relating to the period	(10,460)	(36,806)	(37,559)	(37,559)
<b>Excess of cash flows from operating activities over cash distributions paid</b>	<b>\$ 5,254</b>	<b>\$ 2,545</b>	<b>\$ 6,919</b>	<b>\$ 6,919</b>
<b>Excess (shortfall) of net income over cash distributions paid</b>	<b>\$ 50,315</b>	<b>\$ 4,799</b>	<b>\$ (11,236)</b>	<b>\$ (11,236)</b>

The REIT's distributions paid in the three month period ended March 31, 2021 were funded by the REIT's revolver and cash from operations. The REIT believes the current shortfall does not impact the sustainability of the REIT's future distributions and that the REIT expects distributions will continue to be funded through cash flows from operating activities.

## Impact of interest rate changes

The REIT strives to maintain a conservative AFFO payout ratio in order to continue to provide steady and reliable distributions to unitholders. The actual ratio may from time-to-time be outside of this range as a result of operational results, including changes in interest rates, and the timing of capital and leasing costs. Management expects there will be normal deviations from this rate due to timing and natural volatility in the operations of the business. Management evaluates various factors in determining the appropriate distribution policy including estimates of future NOI, near-term grocery-anchor lease turnover, future capital requirements and interest rate changes.

In order to mitigate interest rate risk, the REIT has entered into notional amount pay-fixed receive-float interest rate swap contracts to hedge the cash flow risk associated with monthly U.S. LIBOR based interest payments on a portion of the REIT's floating rate debt. As a result of the interest rate swaps, 101.8% of the REIT's debt is now subject to fixed rates. The weighted average fixed rate of the REIT's interest rate swaps was 2.57% in comparison to one-month U.S. LIBOR at 0.12% at March 31, 2021 with a weighted average term to maturity of 3.0 years.

In conjunction with the REIT's \$169.0 million mortgage closed on January 14, 2021, the REIT terminated its \$150.0 million interest rate swap with a maturity date of February 26, 2021. This resulted in an increase to the weighted average pay-fixed rate of the REIT's swap portfolio to 2.573%.

On February 4, 2020, the REIT terminated \$150.0 million of its \$300.0 million interest rate swap, with an effective date of November 22, 2016. The realized gain as a result of the termination was blended into the pay-fixed rate of the REIT's \$100.0 million interest rate swap, with a maturity date of September 22, 2022.

The terms of the interest rate swaps are as follows:

				<b>Total/ Weighted average</b>
Pay-fixed rate	1.411%	2.884%	2.925%	<b>2.573 %</b>
Notional amount	\$ 100,000	\$ 175,000	\$ 175,000	<b>\$ 450,000</b>
Receive-floating rate	One-month LIBOR	One-month LIBOR	One-month LIBOR	
Maturity date	September 22, 2022	August 22, 2023	August 22, 2025	
Remaining term (years)	1.5	2.4	4.4	<b>3.0</b>

## INCOME TAX

The REIT's operations and the associated net income occur within partially owned, flow through entities such as partnerships. Any tax liability on taxable income attributable to the Slate Grocery exchangeable unitholders is incurred directly by the unitholders as opposed to Slate Grocery Investment L.P., the REIT's most senior taxable subsidiary. Accordingly, although the REIT's consolidated net income includes income attributable to Slate Grocery exchangeable unitholders, the consolidated tax provision includes only the REIT's proportionate share of the applicable taxes.

For the three month period ended March 31, 2021 the deferred income tax expense was \$19.4 million, (three month period ended March 31, 2020 – \$0.5 million). The REIT's deferred income tax expense relates mainly to changes in the differences between the fair value of the REIT's properties and the corresponding undepreciated value for income tax purposes.

Total taxes paid as of March 31, 2021 was \$1.7 million (March 31, 2020 – \$0.2 million). Branch profit tax is tax imposed on U.S. earned income that is repatriated to Canada.

## RELATED PARTY TRANSACTIONS

Pursuant to the terms of a management agreement dated April 15, 2014, the Manager provides all management services to the REIT. The Manager agreed to provide certain services in connection with the business of the REIT, including: the structuring of the REIT, liaising with legal and tax counsel; identifying properties for acquisition; maintaining ongoing relationships with the lenders in respect of the mortgage loans for the Properties; conducting continuous analysis of market conditions; and advising with respect to the disposition of the Properties. In return for its service, the Manager receives the following fees:

- i. an asset management fee equal to 0.4% of the total assets of the REIT;
- ii. an acquisition fee in an amount equal to 0.75% of the gross purchase price of each property (or interest in a property), including the price, due diligence costs, closing costs, legal fees, and additional capital costs for all properties indirectly acquired by the REIT; and
- iii. an annual incentive fee, calculated in arrears, in an aggregate amount equal to 15% of the REIT's funds from operation per class U unit as derived from the annual financial statements of the REIT in excess of \$1.35, subject to ordinary course adjustments for certain transactions affecting the class U units and increasing annually by 50% of the increase in the U.S. consumer price index.

	Three months ended March 31,	
	2021	2020
Asset management	\$ 1,314	\$ 1,308
Acquisition	410	—
<b>Total</b>	<b>\$ 1,724</b>	<b>\$ 1,308</b>

Related party transactions incurred and payable to the Manager for the three month period ended March 31, 2021 and 2020 were \$1.7 million and \$1.3 million, respectively. These transactions are in the normal course of operations and are in accordance with the management agreement and are measured at the exchange amount. The exchange amount is the consideration established under contract and as approved by the REIT's Board of Trustees.

The management agreement provides for an incentive fee to be earned based on an FFO per unit target that grows annually, in part, with inflation, whereby the Manager is entitled to 15% of the excess of FFO above the target. For the three month period ended March 31, 2021, no incentive fee was recognized as the target threshold was not met.

## MAJOR CASH FLOW COMPONENTS

The REIT is able to meet all of its obligations as they become due and have sufficient liquidity from the following sources: (i) cash flow from operating activities and (ii) financing availability through the REIT's revolving credit facility and conventional mortgage debt secured by income-producing properties.

	Three months ended March 31,	
	2021	2020
Operating activities	\$ 15,714	\$ 9,703
Investing activities	(146,598)	55,330
Financing activities	134,855	(63,973)
<b>Increase in cash</b>	<b>\$ 3,971</b>	<b>\$ 1,060</b>

Cash flows from operating activities relate to the collection of rent and payment of property operating expenses. Cash flows from operating activities, net of interest expense are able to satisfy the REIT's distribution requirements and will be used to fund on-going operations and expenditures for leasing capital and property capital.

Cash flows used in investing activities relate to \$54.4 million to fund the acquisition of five properties and additions to the properties through capital and leasing expenditures.

Cash flows from financing activities relate to the servicing of mortgages, additional drawdowns on the REIT's revolver for the acquisition of properties during the year, repurchases of units and distributions paid to unitholders.

## PART IV – FINANCIAL CONDITION

### DEBT

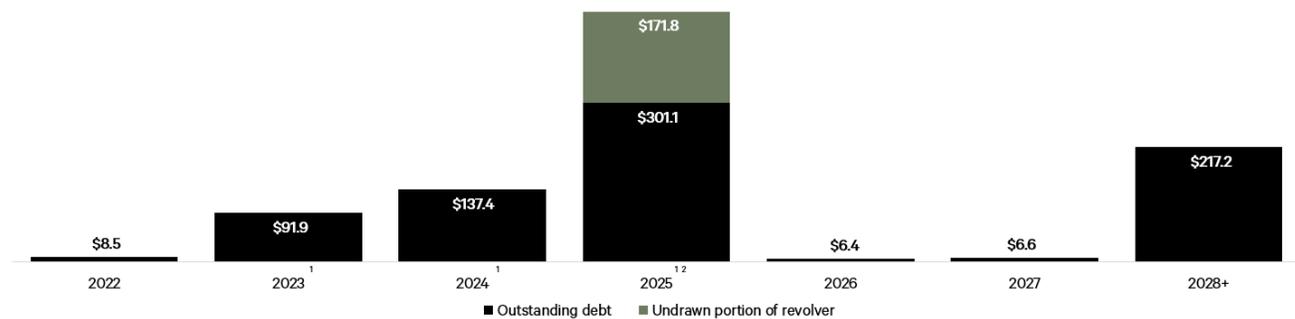
The REIT's overall borrowing strategy is to obtain financing with terms to maturity that are appropriate having regard to the lease maturity profiles of the underlying properties and which allows the REIT to (i) stagger debt maturities that reduce its exposure to interest rate fluctuations and re-financing risk in any particular period, (ii) minimize financing costs, and (iii) maintain flexibility with respect to property operations. The success of this strategy is dependent upon debt market parameters existing at the time of borrowing, as well as the particular features and quality of the underlying assets being financed. If this strategy is unsuccessful, mortgage principal repayments would be funded by operating cash flows, additional draws under the REIT's revolver, financing of income-producing properties or by issuances of equity.

The REIT's acquisition strategy is backed through a growing unencumbered portfolio of properties. The REIT's revolver, term loan and term loan 2 provide the required flexibility to support the REIT's acquisition pipeline. The credit facility and term loan 2 represents a significant component of the REIT's funding, which allows the REIT to maintain flexibility in its portfolio by avoiding debt that constricts portfolio capital recycling and redevelopment while minimizing unused cash positions. In addition to the credit facility and term loan 2, the REIT has ready access to alternative funding sources, including financial institutions for financing arrangements and investors at competitive rates. Management continues to monitor interest rate risk of the REIT's debt portfolio. As a result of the interest rate swap, 101.8% of the REIT's debt is now subject to fixed rates.

The weighted-average term of the REIT's debt is 5.5 years at a weighted average cost of 4.25%.

#### Debt Maturity Profile

(in \$US millions)



<sup>1</sup> Debt available to be drawn is subject to certain covenants as provided in the REIT's lending agreements, including generally, a maximum of 65% Consolidated Total Indebtedness to Gross Asset Value. The term loan and term loan 2 provide for different spreads over one-month U.S. LIBOR depending on the ratio of the Consolidated Total Indebtedness to Gross Asset Value. The applicable spread for the term loan and term loan 2 where Consolidated Total Indebtedness to Gross Asset Value is; (i) less than or equal to 45% is 125 bps; (ii) greater than 45% but less than or equal to 50% is 140 bps; (iii) greater than 50% but less than or equal to 55% is 150 bps (iv) greater than 55% but less than or equal to 60% is 175 bps; and (v) greater than 60% is 195 bps. The applicable spread for the revolver where Consolidated Total Indebtedness to Gross Asset Value is; (i) less than or equal to 45% is 135 bps; (ii) greater than 45% but less than or equal to 50% is 145 bps; (iii) greater than 50% but less than or equal to 55% is 160 bps (iv) greater than 55% but less than or equal to 60% is 185 bps; and (v) greater than 60% is 205 bps.

<sup>2</sup> Excludes two six-month extension options exercisable at the REIT's option for the revolver. With the two six-month extension options the weighted average debt maturity of the REIT's debt portfolio is 5.7 years.

Debt held by the REIT is as follows:

						March 31, 2021	December 31, 2020
Maturity	Term to maturity (years)	Effective rate	Principal	Mark-to-market adjustments and costs	Carrying amount	Carrying amount	
Revolver <sup>1 2 3 4 5</sup>	March 21, 2024	3.0	2.50%	\$ 128,171	\$ (1,362)	\$ 126,809	\$ 84,381
Term loan <sup>1 2 4</sup>	March 21, 2025	4.0	2.01%	225,000	(1,099)	223,901	223,838
Term loan 2 <sup>1 2 4</sup>	February 9, 2023	1.9	2.01%	83,000	(820)	82,180	248,902
Mortgage	January 1, 2025	3.8	3.80%	42,075	(644)	41,431	41,656
Mortgage	July 1, 2025	4.3	4.14%	39,680	(371)	39,309	39,737
Mortgage	March 18, 2030	9.0	3.48%	81,783	(1,532)	80,251	80,728
Mortgage	January 1, 2031	9.8	5.50%	6,884	114	6,998	7,131
Mortgage	May 1, 2031	10.1	3.75%	168,711	(2,974)	165,737	—
<b>Total / weighted average</b>		<b>5.5<sup>5</sup></b>	<b>4.18%<sup>6</sup></b>	<b>\$ 775,304</b>	<b>\$ (8,688)</b>	<b>\$ 766,616</b>	<b>\$ 726,373</b>
<b>Share of debt classified as equity investment<sup>7</sup></b>						<b>6,517</b>	<b>6,879</b>
<b>Total debt including equity investment</b>						<b>\$ 773,133</b>	<b>\$ 733,252</b>

<sup>1</sup> The weighted average interest rate has been calculated using the March 31, 2021 U.S. LIBOR rate for purposes of the revolver, term loan and term loan 2.

<sup>2</sup> Debt available to be drawn is subject to certain covenants as provided in the REIT's lending agreements, including generally, a maximum of 65% Consolidated Total Indebtedness to Gross Asset Value (the "consolidated leverage ratio"). The applicable spread for the revolver where the consolidated leverage ratio is: (i) less than or equal to 45% is 135 bps; (ii) greater than 45% but less than or equal to 50% is 145 bps; (iii) greater than 50% but less than or equal to 55% is 160 bps (iv) greater than 55% but less than or equal to 60% is 185 bps; and (v) greater than 60% is 205 bps. The applicable spread for the term loan and term loan 2 where the consolidated leverage ratio is: (i) less than or equal to 45% is 125 bps; (ii) greater than 45% but less than or equal to 50% is 140 bps; (iii) greater than 50% but less than or equal to 55% is 150 bps (iv) greater than 55% but less than or equal to 60% is 175 bps; and (v) greater than 60% is 195 bps.

<sup>3</sup> The revolver requires a stand-by fee to be paid in an amount equal to 0.25% of the unused portion of the revolver where the unused portion is greater than or equal to 50% of the maximum amount available and 0.15% of the unused portion of the revolver where the unused portion is less than 50% of the maximum amount available, calculated daily.

<sup>4</sup> The revolver, term loan and term loan 2 are secured by a general pledge of equity of certain subsidiaries of the REIT. Collectively, those subsidiaries hold an interest in 43 of the REIT's properties.

<sup>5</sup> Excludes a two-six month extension options exercisable at the REIT's option. With the two-six month extensions the weighted average debt maturity of the REIT's debt portfolio is 5.7 years.

<sup>6</sup> The weighted average interest rate includes the impact of pay-fixed receive-float swaps.

<sup>7</sup> Bears interest at a rate of 2.87% at March 31, 2021 and has a maturity date of January 28, 2022.

On January 14, 2021, the REIT entered into a \$169.0 million 10-year mortgage, bearing interest of 3.75%. The net proceeds from the loan were used to reduce the REIT's term loan to \$83.0 million, resulting in an increase of the REIT's debt portfolio to a weighted average term to maturity of 5.5 years.

On March 20, 2020, the REIT extinguished a mortgage of \$10.1 million, bearing interest of 5.75% with borrowings from the REIT's revolver. The REIT recognized a \$0.3 million gain on the settlement of the mortgage's deferred financing costs and mark-to-market adjustment.

On March 18, 2020, The REIT entered into an \$83.3 million 10-year mortgage loan, bearing interest of 3.48%. The loan is secured by a pool of eight properties and is non-recourse to the REIT. Proceeds from the loan were used to reduce borrowings on the REIT's revolver.

On February 21, 2020, the REIT refinanced its existing revolving credit facility and term loan (the "credit facility") for four and five-year terms, respectively, for an aggregate of \$525.0 million. The REIT has also reduced pricing on its credit facility and \$250.0 million term loan. The revolver, term loan and term loan 2 bears interest at U.S. LIBOR plus an applicable margin.

The carrying amount of debt was \$766.6 million at March 31, 2021, which represents an increase of \$40.2 million compared to December 31, 2020. The increase is mainly due to the drawdowns on the revolver to fund the acquisition of five grocery-anchored properties, partially offset by the principal repayments on the REIT's revolver funded by cash received from operations.

## DEBT TO GROSS BOOK VALUE

The REIT's Declaration of Trust provides for restrictions as to the maximum aggregate amount of leverage that may be undertaken. Specifically, the Declaration of Trust provides that the REIT is not permitted to exceed financial leverage in excess of 65% of gross book value, as defined by the Declaration of Trust. A calculation of debt to gross book value ratio is as follows:

	March 31, 2021	December 31, 2020
Gross book value <sup>1</sup>	\$ 1,434,198	\$ 1,323,554
Debt	766,616	726,373
<b>Leverage ratio</b>	<b>53.5%</b>	<b>54.9%</b>

<sup>1</sup> Subscription receipt funds in escrow have been removed from total assets for purposes of calculating the leverage ratio at March 31, 2021. The REIT's leverage ratio including subscription receipt funds in escrow would be 49.8%.

The REIT's leverage ratio has decreased by 1.4% for the three month period ended March 31, 2021 to 53.5% from December 31, 2020 due to growth of the REIT's portfolio, partially offset by the drawdowns on the revolver to fund the acquisition of five grocery-anchored properties.

Additional investment and operating guidelines are provided for by the Declaration of Trust. The REIT is in compliance with these guidelines.

The REIT's revolver, term loan and term loan 2 are subject to financial and other covenants. The following are the primary financial covenants, with all terms defined by the lending agreement:

	Threshold	March 31, 2021	December 31, 2020
Maximum leverage ratio: consolidated total indebtedness shall not exceed 65% of gross asset value	< 65%	57.0%	57.5%
Minimum fixed charge coverage ratio: adjusted EBITDA to consolidated fixed charges shall not be less than 1.50x <sup>1</sup>	> 1.50x	2.10x	2.15x

<sup>1</sup> Adjusted EBITDA is defined as earnings before interest, tax, depreciation and amortization, as defined by the Amended and Restated Credit Agreement for the revolver and term loan, and the Credit Agreement for term loan 2.

## ADJUSTED EBITDA

Adjusted EBITDA is a non-IFRS measure and is used by the REIT to monitor the REIT's ability to satisfy and service its debt as well as monitor requirements imposed by the REIT's lenders. Specifically, adjusted EBITDA is used to monitor the REIT's leverage ratio and interest coverage ratio, which the REIT uses to measure its debt profile and assess its ability to satisfy its obligations, including servicing its debt. Management views adjusted EBITDA as a proxy for operating cash flow prior to interest costs. Adjusted EBITDA represents earnings before interest, income taxes, fair value gains (losses) from both financial instruments and investment properties, while also excluding non-recurring items such as transaction costs from dispositions, acquisitions or other events.

The following is a reconciliation from net income to adjusted EBITDA:

	Three months ended March 31,		
	2021	2020	Variance
<b>Net income</b>	<b>\$ 60,775</b>	<b>\$ 5,819</b>	<b>\$ 54,956</b>
Interest and finance costs	8,956	8,657	299
Change in fair value of financial instruments	(3,018)	20	(3,038)
Transaction costs	—	2,122	(2,122)
Change in fair value of properties	(78,749)	(4,210)	(74,539)
Deferred income tax expense	19,448	468	18,980
Current income tax expense	685	—	685
Unit expense (income)	569	(6,083)	6,652
Adjustments for equity investment	172	232	(60)
Straight-line rent revenue	(165)	(414)	249
IFRIC 21 property tax adjustment	12,397	12,875	(478)
<b>Adjusted EBITDA</b>	<b>\$ 21,070</b>	<b>\$ 19,486</b>	<b>\$ 1,584</b>

	Three months ended March 31,		
	2021	2020	Variance
Rental revenue	\$ 32,471	\$ 32,042	\$ 429
Property operating expenses	(21,560)	(22,496)	936
General and administrative expenses	(2,215)	(2,585)	370
Adjustments for equity investment	142	64	78
Straight-line rent revenue	(165)	(414)	249
IFRIC 21 property tax adjustment	12,397	12,875	(478)
<b>Adjusted EBITDA</b>	<b>\$ 21,070</b>	<b>\$ 19,486</b>	<b>\$ 1,584</b>

## INTEREST COVERAGE RATIO

In addition to the REIT's level of indebtedness calculated in accordance with the REIT's Declaration of Trust, management also monitors the REIT's interest coverage ratio, which is a non-IFRS measure. The interest coverage ratio is useful in determining the REIT's ability to service the interest requirements of its outstanding debt. The interest coverage ratio is calculated by dividing Adjusted EBITDA by the REIT's interest obligations for the period. Management utilizes this ratio to measure and monitor leverage. Additionally, Adjusted EBITDA is also a non-IFRS measure and is used by the REIT to monitor its interest coverage ratio as well as monitor requirements imposed by the REIT's lenders. Management views Adjusted EBITDA as a proxy for operating cash flow prior to interest costs. Adjusted EBITDA represents earnings before interest, income taxes, distributions, fair value gains (losses) from both financial instruments and properties, while also excluding certain items not related to operations such as transaction costs from dispositions, acquisitions, debt termination costs, or other events.

The following is a calculation of Adjusted EBITDA and the REIT's interest coverage ratio:

	Three months ended March 31,	
	2021	2020
NOI	\$ 23,285	\$ 22,071
General and administrative expenses	(2,215)	(2,585)
<b>Adjusted EBITDA</b>	<b>\$ 21,070</b>	<b>\$ 19,486</b>
Cash interest paid	(8,415)	(8,000)
<b>Interest coverage ratio</b>	<b>2.50x</b>	<b>2.44x</b>

The interest coverage ratio for the three month period ended March 31, 2021 increased to 2.5x. The increase is mainly due to increases in NOI from the aforementioned acquisitions, partially offset by increases in cash interest paid.

## LIQUIDITY AND CAPITAL RESOURCES

The principal liquidity needs of the REIT arise from: (i) working capital requirements, (ii) debt servicing and repayment obligations which includes the term loans, revolver and the mortgages, (iii) distributions to unitholders, (iv) planned funding of maintenance capital expenditures and leasing costs, and (v) future property acquisition funding requirements.

Cash flows from operating the REIT's property portfolio, available funding under the REIT's revolver, and cash on hand represent the primary sources of liquidity. Cash flows from operations are dependent upon occupancy levels, rental rates, collection of rents, recoveries of operating costs and operating costs. Working capital requirements of the REIT primarily include the payment of operating expenses, leasing costs, maintenance capital and distributions. Working capital needs are generally funded through cash generated from operations, which has historically exceeded such requirements.

The REIT manages its cash flow from operating activities by maintaining a target debt level. The debt to gross book value, as defined in the Declaration of Trust, as at March 31, 2021 is 53.5% (December 31, 2020 – 54.9%). Refer to the Overview section of this MD&A for various initiatives the REIT is undertaking to conserve cash and enhance liquidity under the current COVID-19 pandemic.

## Contractual commitments

The REIT has the following contractual commitments:

	Total contractual cash flow		2021	2022-2023	2024-2025	Thereafter
Accounts payable and accrued liabilities	\$	24,195	\$ 24,195	\$ —	\$ —	\$ —
Revolver <sup>12</sup>		128,171	—	—	128,171	—
Revolver interest payable <sup>123</sup>		10,633	2,982	3,488	4,163	—
Term loan <sup>12</sup>		225,000	—	—	225,000	—
Term loan interest payable <sup>12</sup>		23,592	4,254	5,143	14,195	—
Term loan 2 <sup>24</sup>		83,000	—	83,000	—	—
Term loan 2 interest payable <sup>24</sup>		3,013	1,569	1,444	—	—
Mortgages <sup>5</sup>		345,693	8,281	24,121	84,651	228,640
Mortgage interest payable <sup>5</sup>		95,255	12,759	24,291	20,389	37,816
Letters of credit		117	117	—	—	—
Interest rate swap, net of cash outflows		29,768	11,096	15,323	3,349	—
Exchangeable units of subsidiaries		10,003	—	—	—	10,003
Subscription receipts		105,705	105,705	—	—	—
Foreign exchange forwards		586	586	—	—	—
<b>Total</b>	<b>\$</b>	<b>1,084,731</b>	<b>\$ 171,544</b>	<b>\$ 156,810</b>	<b>\$ 479,918</b>	<b>\$ 276,459</b>

<sup>1</sup> Revolver and term loan interest payable is calculated on \$128.2 million and \$225.0 million (balance outstanding) using an estimated "all in" interest rate of 1.99% and 1.89% respectively under the "less than one year" column. The long-term average interest rate is based on the 30-day LIBOR forward curve plus the specified margin for the LIBOR rate option under the term loan resulting in an "all-in" interest rate of 2.89%. The total revolver and term loan interest payable is calculated until maturity of the initial term.

<sup>2</sup> Excludes the impact of the REIT's \$450.0 million pay-fixed, receive-float interest rate swaps that hedge a portion of the cash flow risk associated with one-month U.S. LIBOR based interest payments.

<sup>3</sup> Includes stand-by fee on the revolver to be paid in an amount equal to 0.25% of the unused portion of the revolver where the unused portion is greater than or equal to 50% of the maximum amount available and 0.15% of the unused portion of the revolver where the unused portion is less than 50% of the maximum amount available, calculated daily.

<sup>4</sup> Term loan 2 interest payable is calculated on \$83.0 million (balance outstanding) using an estimated "all in" interest rate of 1.89% under the "less than one year" column. The long-term average interest rate is based on the 30-day LIBOR curve plus the specified margin for the LIBOR rate option under the term loan 2 and results in an anticipated increase to the "all-in" interest rate to 2.02%. The total term loan 2 interest payable is calculated until maturity.

<sup>5</sup> Includes the REIT's share of debt held in its equity accounted property investment.

## REIT UNITS AND EXCHANGEABLE UNITS OF SUBSIDIARIES

The units of the REIT are presented as equity instruments while exchangeable units of subsidiaries are presented as financial liabilities in accordance with IAS 32, *Financial Instruments: Presentation*.

The exchangeable units of subsidiaries are redeemable at the option of the holder for cash or class U units of the REIT as determined by the REIT. Distributions paid on exchangeable units of subsidiaries are recorded as unit expense in the period in which they become payable. The exchangeable units of subsidiaries are measured at fair value at each reporting period with any changes in fair value recognized in net and income.

REIT units and exchangeable units of subsidiaries outstanding for the three month period ended March 31, 2021 and their respective class U equivalent amounts if converted are as follows:

Class / type	REIT units			Exchangeable units of subsidiaries			Total class U units equivalent
	U	A	I	SG1 <sup>1</sup>	SG2 <sup>1</sup>	GAR B	
Balance, December 31, 2020	46,865	205	282	28	920	132	48,432
Exchanged	52	(52)	—	—	—	—	—
<b>Class U units equivalent, March 31, 2021</b>	<b>46,917</b>	<b>153</b>	<b>282</b>	<b>28</b>	<b>920</b>	<b>132</b>	<b>48,432</b>

<sup>1</sup> "SG1" and "SG2" means Slate Grocery One exchangeable units and Slate Grocery Two exchangeable units, respectively.

### Normal course issuer bid

The REIT has an NCIB which was most recently renewed on May 26, 2020. The NCIB remains in effect until the earlier of May 25, 2021 or the date on which the REIT has purchased an aggregate of 3.7 million class U units, representing 10% of the REIT's public float of 36.7 million class U units at the time of entering the NCIB through the facilities of the TSX.

For the three month period ended March 31, 2021, no class U units have been purchased and subsequently canceled under the NCIB.

## Public offerings

On March 31, 2021, the REIT completed a bought deal public offering of 11,420,000 subscription receipts of the REIT ("Subscription Receipts") at a price of C\$11.65 per Subscription Receipt, for gross proceeds of C\$133.0 million (the "Offering"). Funds received from the Offering are held in escrow and are recognized gross of certain fees. The REIT intends to use the net proceeds from the sale of the subscription receipts to finance the acquisition of a high quality, grocery-anchored portfolio comprising 25 properties and 3.1 million square feet in major metro markets across the United States and related expenses.

On closing of the Acquisition, one class U unit of the REIT will be issued in exchange for each Subscription Receipt, without payment of additional consideration. The holders of the Subscription Receipts, on the date upon which the Subscription Receipts are exchanged for units of the REIT, are entitled to receive cash distributions equal to the amount per REIT unit of any cash distributions made by the REIT for which record dates have occurred during the period from and including March 31, 2021 to the date of the exchange.

On December 10, 2020, the REIT completed a public offering of 6,360,000 class U units, at a price of C\$11.80 per unit, for gross proceeds of approximately C\$75.1 million. The costs related to the offering totaled \$2.4 million and are deducted against the cost of units issued. Net proceeds, totaling \$55.4 million were used to repay the revolver.

## ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities are comprised of the following:

	March 31, 2021	December 31, 2020
Accounts payable and accrued liabilities	\$ 14,171	\$ 13,742
Prepaid rent	3,913	2,478
Tenant improvements payable	2,882	318
Other payables	3,229	3,749
<b>Total</b>	<b>\$ 24,195</b>	<b>\$ 20,287</b>

Included in trade payables and accrued liabilities are operating expenses, property taxes, and capital and leasing expenses. Other payables include trustee fees, accrued interest payable and other non-operating items.

## ACCOUNTS RECEIVABLE

The accounts receivable balance is comprised of the following:

	March 31, 2021	December 31, 2020
Rent receivable	\$ 7,537	\$ 5,140
Allowance	(794)	(852)
Accrued recovery income	3,996	5,087
Other receivables	1,591	3,453
<b>Total</b>	<b>\$ 12,330</b>	<b>\$ 12,828</b>

Rent receivable consists of base rent and operating expense recoveries. Management has provided for \$0.8 million (December 31, 2020 – \$0.9 million) as an allowance for doubtful accounts and anticipates that the unprovided balance is collectible. As a result of the COVID-19 pandemic, the REIT has entered into short-term rent deferral programs with certain tenants of which \$47 thousand remains outstanding at March 31, 2021.

Accrued recovery income represents amounts that have not yet been billed to tenants for operating expenses, mainly real estate taxes, and are generally billed and paid in the following year. Other receivables represent non-operating amounts.

The aging analysis of rent receivable past due but not impaired, net of allowance for doubtful accounts, is as follows:

	March 31, 2021	December 31, 2020
Current to 30 days	\$ 3,610	\$ 1,829
31 to 60 days	448	302
61 to 90 days	778	626
Greater than 90 days	1,907	1,531
<b>Total</b>	<b>\$ 6,743</b>	<b>\$ 4,288</b>

The net amounts aged greater than 90 days are at various stages of the collection process and are considered collectible by management.

## EQUITY INVESTMENT

The REIT accounts for its investment in a property development joint venture using the equity method. On January 25, 2019, the REIT acquired a 50% partnership interest in Windmill Plaza, a grocery-anchored shopping centre located in Sterling Heights, Michigan, in a joint-venture

partnership with The Kroger Company for \$7.3 million, before transaction costs. Consideration for the partnership interest included settlement of the REIT's note receivable in the amount of \$9.4 million and interest receivable of \$2.2 million, assumed debt and cash on hand.

The change in the REIT's equity investment is as follows:

	Three months ended March 31,	
	2021	2020
Beginning of the period	\$ 3,474	\$ 5,049
Capital contributions	375	—
Share of loss in equity investment	(30)	(168)
<b>End of the period</b>	<b>\$ 3,819</b>	<b>\$ 4,881</b>

The financial position of the REIT's equity investment is as follows:

	March 31, 2021	December 31, 2020
<b>Assets</b>		
Property	\$ 21,796	\$ 21,690
Current assets	730	1,181
	<b>\$ 22,526</b>	<b>\$ 22,871</b>
<b>Liabilities</b>		
Debt <sup>1</sup>	\$ 13,034	\$ 13,758
Other non-current liabilities	15	15
Current liabilities	1,839	2,150
	<b>\$ 14,888</b>	<b>\$ 15,923</b>
<b>Net assets at 100%</b>	<b>\$ 7,638</b>	<b>\$ 6,948</b>
<b>At the REIT's 50% interest</b>	<b>\$ 3,819</b>	<b>\$ 3,474</b>

<sup>1</sup>Bears interest at a rate of 2.87% at March 31, 2021 and has a maturity date of January 28, 2022.

The following represents the summary of income:

	Three months ended March 31,	
	2021	2020
Rental revenue	\$ 497	\$ 244
Property operating expenses	(351)	(252)
General and administrative expenses	(1)	—
Interest and finance costs	(128)	(166)
Change in fair value of property	(77)	(162)
<b>Net loss and comprehensive loss at 100%</b>	<b>\$ (60)</b>	<b>\$ (336)</b>
<b>At the REIT's 50% interest</b>	<b>\$ (30)</b>	<b>\$ (168)</b>

#### Management fees

Pursuant to the terms of the property management and leasing agreement, and the development services agreement, the REIT provides property, leasing and development manager services to Windmill Plaza. In return for its services, the REIT receives the following fees:

- property management fees calculated based on gross income of each tenant;
- development fees for the management of the construction in adherence with the property's development plan; and
- leasing commissions for all executed leases.

Total management fees earned by the REIT under the agreement were \$16 thousand for the three months ended March 31, 2021 (March 31, 2020 - \$0.2 million).

#### SUBSEQUENT EVENTS

The following events have occurred subsequent to March 31, 2021:

- On April 1, 2021, the REIT completed the disposition of an outparcel at 11 Galleria, located in Greenville, North Carolina. The outparcel was sold for \$4.1 million.

- ii. On April 15, 2021, the REIT declared monthly distributions of \$0.072 per class U unit. Holders of class A units, class I units and units of subsidiaries of the REIT were also entitled to receive an equivalent distribution.

## PART V – ACCOUNTING AND CONTROL

### USE OF ESTIMATES

The preparation of the REIT consolidated financial statements in conformity with IFRS requires management to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Management's estimates are based on historical experience and other assumptions that are believed to be reasonable under the circumstances. Actual results could differ from those estimates under different assumptions.

### CRITICAL ACCOUNTING ESTIMATES

The REIT has identified the estimate of the fair value of its properties as a critical accounting estimate due to the significance of the estimate to the REIT's financial position and impact of changes on fair value to net income. Estimating the fair value of real property is characterized by uncertainty, both in terms of differences between different methods of valuation but also in the selection of assumptions to reflect the property being valued, certain of which are subjective. There is no assurance that management's, or a third-party's, estimate of fair value would be realized on sale due to the specific and unique aspects of real property, including their location, liquidity, tenants and the local demand and supply of competing properties for tenants.

The REIT determines the fair value of properties based upon the overall income capitalization rate method, the discounted cash flow method, direct comparison approach or through a combination of methods. All methods are generally accepted appraisal methodologies. If a third-party appraisal is not obtained for a property, management uses one or a combination of the overall income capitalization rate method and the discounted cash flow method. In certain circumstances, the direct comparison approach is used by comparing properties to similar properties that have sold, but adjusting for differences in the nature, location and other relevant considerations of the properties. The valuation methodology used, or combination of methodologies used, is based on the applicability and reliability of the relative approaches in the context of the subject property.

The fair values of properties are measured individually without consideration to their aggregate value on a portfolio basis. No consideration is given to diversification benefits related to single property tenant risk and geography, the value of assembling a portfolio or to the utilization of a common management platform, amongst other benefits. As a result, the fair value of the REIT's properties taken in aggregate may differ from the fair value of properties measured individually in the REIT's consolidated statements of financial position.

The following is a summary of the methodologies undertaken by management to estimate the fair value of the REIT's properties:

#### Overall income capitalization approach

The overall income capitalization approach evaluates a property's potential to generate cash flows and converts those cash flows into a present value. Generally, the REIT estimates a stabilized NOI and applies a capitalization rate to that income to estimate fair value. Stabilized NOI is determined as the property's potential gross income that could be generated at full capacity, less a vacancy and collection allowance. The capitalization rate used is derived from analysis of comparable sales data and the relative relationship of other properties' NOI over their sale price and industry surveys. In many cases, industry surveys are available that provide indicative ranges of capitalization rates for recently sold properties or views on value, however, certain adjustments are required to adjust for the specific nature, location and quality of properties.

#### Direct comparison approach

This approach involves comparing properties similar to the property for which fair value is being estimated and making adjustments to reconcile differences in size, location, nature and the quality of the property.

A summary of the significant assumptions used in the REIT's estimate of fair value as at March 31, 2021 is included on page 28 of this MD&A. Changes in these assumptions would have a significant impact on the REIT's estimate of fair value, which can be impacted by changes in demand for properties similar to those owned by the REIT, expectations of market rents, the covenant quality of tenants and the general economic environment.

The REIT determines the fair value of properties based upon the overall income capitalization rate method. Historically, estimates of fair value have in certain instances included valuations completed for transaction or lending purposes, in which case a discounted cash flow approach was also used.

### NEW ACCOUNTING POLICIES

#### i. Application of new and revised IFRS

##### Application of Interest Rate Benchmark Reform

In August 2020, the IASB issued *IBOR Reform and the Effects on Financial Reporting – Phase II (amendments to IFRS 9 – Financial Instruments ("IFRS 9"), IFRS 7 – Financial Instruments: Disclosures ("IFRS 7"), IAS 39 – Financial Instruments: Recognition and Measurement ("IAS 39"), IFRS 4 – Insurance Contracts ("IFRS 4") and IFRS 16 – Leases ("IFRS 16"))*. The objective of the second phase of the IASB's project was to assist entities in providing useful information about the effects of the transition to alternative benchmark rates and support preparers in applying the requirements of the IFRS Standards when changes are made to contractual cash flows or hedging relationships as a result of the transition to an alternative benchmark interest rate. The amendments affect the basis for determining the contractual cash flows as a result of benchmark interest rate reform, hedge accounting and disclosures. The REIT has adopted the amendments on January 1, 2021. Adopting these amendments has allowed the REIT to continue hedge accounting during the period of uncertainty arising from interest rate benchmark reforms.

## CONTROL AND PROCEDURES

The REIT's management, under the supervision of its Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), is responsible for establishing and maintaining disclosure controls and procedures ("DC&P") and internal controls over financial reporting ("ICFR"), as such terms are defined in National Instrument 52-109 – *Certification of Disclosure in Issuers' Annual and Interim Filings* ("NI 52-109").

DC&P are those controls and other procedures that are designed to provide reasonable assurance that all material information required to be disclosed by the REIT in annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in the securities legislation. Furthermore, DC&P are those controls and other procedures that are designed to ensure that material information required to be disclosed by the REIT in annual filings, interim filings or other reports filed or submitted under securities legislation is accumulated and communicated to the REIT's management, including its CEO and CFO, as appropriate to allow timely decisions regarding required disclosure.

ICFR is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The REIT has applied the *Internal Control – Integrated Framework (2013)* published by the Committee of Sponsoring Organizations of the Treadway Commission for the design of its ICFR for the three month period ended March 31, 2021.

The REIT's CEO and CFO, along with the assistance of others, have designed disclosure controls and procedures to provide reasonable assurance that material information relating to the REIT is made known to the CEO and CFO, and have designed internal controls over financial reporting and disclosure to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with IFRS, as at March 31, 2021.

No changes were made in the REIT's design of ICFR during the three month period ended March 31, 2021, that have materially affected, or are reasonably likely to materially affect, the REIT's ICFR.

In designing such controls, it should be recognized that due to inherent limitations, any controls or control systems, no matter how well designed and operated, can provide only reasonable, and not absolute, assurance that the objectives of the control system are met. As a result of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues, including instances of fraud, if any, have been detected or prevented. These inherent limitations include, without limitation, (i) the possibility that management's assumptions and judgments may ultimately prove to be incorrect under varying conditions and circumstances; or (ii) the impact of isolated errors.

Additionally, controls may be circumvented by unauthorized acts of individuals, by collusion of two or more people, or by management override. The design of any control system is also based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential conditions. Projections of any evaluations of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

## PART VI – PROPERTY TABLES

At March 31, 2021, the REIT owns a portfolio of 80 grocery-anchored properties. The portfolio consists of 9,959,075 square feet of GLA with an occupancy rate of 93.1%.

Property	Location	Associated MSA	Area (SF)	% of Total	Occ. %	Anchor
98 Palms	Destin	Crestview-Fort Walton Beach-Destin	84,682		100.0%	Winn-Dixie
Bellview Plaza	Pensacola	Pensacola	82,910		100.0%	Publix
Bloomingdale Plaza	Brandon	Tampa-St. Petersburg	83,237		36.7%	Vacant
Cordova Commons	Pensacola	Pensacola	164,343		78.1%	The Fresh Market
Errol Plaza	Orlando	Orlando	76,582		100.0%	Winn-Dixie
Eustis Village	Eustis	Orlando	156,927		100.0%	Publix
Good Homes Plaza	Ocoee	Orlando	165,741		100.0%	Publix
Oak Hill Village	Jacksonville	Jacksonville	78,492		93.8%	Publix
Salerno Village Square	Stuart	Port St. Lucie	77,677		93.5%	Winn-Dixie
Uptown Station	Fort Walton Beach	Pensacola	272,616		91.2%	Winn-Dixie
Wedgewood Commons	Stuart	Port St. Lucie	119,073		94.4%	Publix
Mission Hills	Naples	Naples	85,078		100.0%	Winn-Dixie
<b>Total Florida</b>			<b>1,447,358</b>	<b>14.5%</b>		
Lake Raystown Plaza	Huntingdon	Harrisburg	140,159		97.3%	Giant Foods
Northland Center	State College	State College	111,718		97.1%	Giant Foods
Norwin Town Square	North Huntingdon	Pittsburgh	141,466		96.7%	Shop 'n Save
Shops at Cedar Point	Allentown	Allentown-Bethlehem-Easton	130,583		94.5%	Weis
Summit Ridge	Mount Pleasant	Pittsburgh	240,884		95.1%	Walmart
West Valley Marketplace	Allentown	Allentown-Bethlehem-Easton	259,207		96.9%	Walmart
<b>Total Pennsylvania</b>			<b>1,024,017</b>	<b>10.3%</b>		
11 Galleria	Greenville	Greenville	105,608		84.8%	The Fresh Market
Battleground Village	Greensboro	Greensboro-High Point	73,207		98.0%	Aldi
Flowers Plantation	Clayton	Raleigh	53,500		92.1%	Food Lion
Fuquay Crossing	Fuquay-Varnia	Raleigh	96,638		94.6%	Harris Teeter
Independence Square	Charlotte	Charlotte	190,361		99.4%	Super Global Mart
Mooresville Consumer Square	Mooresville	Charlotte	272,860		96.7%	Walmart
Mooresville Town Square	Mooresville	Charlotte	98,262		99.0%	Lowe's Foods
Harper Hills Commons	Winston-Salem	Winston-Salem	96,914		85.0%	Harris Teeter
Renaissance Square	Davidson	Charlotte	80,467		89.2%	Harris Teeter
Alexander Pointe	Salisbury	Charlotte	57,710		95.1%	Harris Teeter
North Summit Square	Winston-Salem	Winston-Salem	224,530		96.1%	Sam's Club
Bells Fork Square	Greenville	Greenville	71,666		95.7%	Harris Teeter
Tanglewood Commons	Clemmons	Winston-Salem	78,520		94.7%	Harris Teeter
Westin Centre	Fayetteville	Fayetteville	66,890		97.9%	Food Lion
<b>Total North Carolina</b>			<b>1,567,133</b>	<b>15.7%</b>		
Abbott's Village	Alpharetta	Atlanta	109,586		98.9%	Publix
Birmingham Shoppes	Milton	Atlanta	82,905		95.7%	Publix
Duluth Station	Duluth	Atlanta	94,966		81.6%	Publix
Locust Grove	Locust Grove	Atlanta	89,567		93.7%	Publix
Merchants Crossing	Newnan	Atlanta	174,059		98.7%	Kroger
Robson Crossing	Flowery Branch	Atlanta	103,840		98.8%	Publix
Parkway Station	Warner Robins	Atlanta	94,317		100.0%	Kroger
<b>Total Georgia</b>			<b>749,240</b>	<b>7.5%</b>		
Barefoot Commons	North Myrtle Beach	Myrtle Beach-Conway	90,702		91.8%	Food Lion
Dill Creek Commons	Greer	Greenville-Spartanburg-Anderson	72,526		100.0%	Food Lion
Dorman Centre	Spartanburg	Greenville-Spartanburg-Anderson	388,502		94.3%	Walmart
Little River Pavilion	North Myrtle Beach	Myrtle Beach-Conway	63,823		100.0%	Lowe's Foods
North Augusta Plaza	North Augusta	Augusta-Richmond	229,730		93.4%	Publix
<b>Total South Carolina</b>			<b>845,283</b>	<b>8.5%</b>		

Property	Location	Associated MSA	Area (SF)	% of Total	Occ. %	Anchor
Cambridge Crossings	Troy	Detroit	238,963		100.0%	Walmart
Canton Shopping Center	Canton	Detroit	72,631		87.7%	ALDI
City Center Plaza	Westland	Detroit	97,670		97.2%	Kroger
Stadium Center	Port Huron	Detroit-Warren-Dearborn	92,538		93.5%	Kroger
Windmill Plaza	Sterling Heights	Detroit	109,266		92.5%	Kroger
<b>Total Michigan</b>			<b>611,068</b>	<b>6.1%</b>		
East Brainerd Mall	Brainerd	Minneapolis-St Paul	191,459		95.6%	Cub Foods
Mapleridge Center	Maplewood	Minneapolis-St Paul	114,681		90.7%	Hy-Vee
North Branch Marketplace	North Branch	Minneapolis-St Paul	72,895		100.0%	County Market
Phalen Retail Center	St Paul	Minneapolis-St Paul	73,678		93.9%	Cub Foods
Plymouth Station	Plymouth	Minneapolis-St Paul	114,069		96.4%	Hy-Vee
<b>Total Minnesota</b>			<b>566,782</b>	<b>5.7%</b>		
Highland Square	Crossville	Nashville	179,732		85.1%	Kroger
North Hixson Marketplace	Hixson	Chattanooga	64,254		92.5%	Food City
St. Elmo Central	Chattanooga	Chattanooga	74,999		100.0%	Food City
Sunset Plaza	Johnson City	Johnson City	14,3752		100.0%	Kroger
Westhaven Town Center	Franklin	Nashville	63,904		100.0%	Kroger
<b>Total Tennessee</b>			<b>526,641</b>	<b>5.4%</b>		
Hocking Valley Mall	Lancaster	Columbus	181,393		96.2%	Kroger
Mulberry Square	Milford	Cincinnati	146,763		80.5%	Kroger
<b>Total Ohio</b>			<b>328,156</b>	<b>3.3%</b>		
Charles Town Plaza	Charles Town	Washington-Baltimore	206,146		97.6%	Walmart
Eastpointe Shopping Center	Clarksburg	Morgantown	181,016		96.0%	Kroger
<b>Total West Virginia</b>			<b>387,162</b>	<b>3.9%</b>		
Glidden Crossing	DeKalb	Chicago-Naperville-Joliet	98,683		92.4%	Schnucks
North Lake Commons	Lake Zurich	Chicago-Naperville-Joliet	121,099		86.8%	Jewel-Osco
Plaza St. Clair	Fairview Heights	St. Louis	97,459		71.1%	Schnucks
<b>Total Illinois</b>			<b>317,241</b>	<b>3.2%</b>		
Southgate Crossing	Minot	Minot	159,780		68.3%	Cash Wise
Watford Plaza	Watford City	Williston	101,798		98.7%	Cash Wise
<b>Total North Dakota</b>			<b>261,578</b>	<b>2.6%</b>		
East Little Creek	Norfolk	Virginia Beach-Norfolk-Newport News	68,770		100.0%	Kroger
Bermuda Crossroads	Chester	Richmond	122,566		97.4%	Food Lion
Gainsborough Square	Chesapeake	Virginia Beach-Norfolk-Newport News	88,862		92.8%	Food Lion
Indian Lakes Crossings	Virginia Beach	Virginia Beach-Norfolk-Newport News	64,973		97.5%	Harris Teeter
Smithfield Shopping Plaza	Smithfield	Virginia Beach-Norfolk-Newport News	134,664		79.8%	Kroger
<b>Total Virginia</b>			<b>479,835</b>	<b>4.8%</b>		
Stone House Square	Hagerstown	Washington-Baltimore	112,274		91.6%	Weis
<b>Total Maryland</b>			<b>112,274</b>	<b>1.1%</b>		
Westminster Plaza	Westminster	Denver Aurora-Lakewood	98,999		92.2%	VASA
<b>Total Colorado</b>			<b>98,999</b>	<b>1.0%</b>		
Derry Meadows Shoppes	Derry	Manchester-Nashua	151,946		95.4%	Hannaford
<b>Total New Hampshire</b>			<b>151,946</b>	<b>1.5%</b>		
Alta Mesa Plaza	Fort Worth	Dallas-Ft Worth	167,961		83.6%	Kroger
<b>Total Texas</b>			<b>167,961</b>	<b>1.8%</b>		
Taylorville Town Center	Taylorville	Salt Lake City	112,507		97.2%	Macey's Fresh
<b>Total Utah</b>			<b>112,507</b>	<b>1.1%</b>		
Forest Plaza	Fond du Lac	Fond du Lac	123,028		100.0%	Pick 'N Save
<b>Total Wisconsin</b>			<b>123,028</b>	<b>1.2%</b>		
Stonefield Square	Louisville	Louisville	80,866		62.2%	Vacant
<b>Total Kentucky</b>			<b>80,866</b>	<b>0.8%</b>		
<b>Total / WA</b>			<b>9,959,075</b>	<b>100.0%</b>	<b>93.1%</b>	

# Corporate Information

Slate Grocery REIT is an unincorporated, open-ended investment trust fund under and governed by the laws of the Province of Ontario. The REIT focuses on acquiring, owning and leasing a portfolio of grocery-anchored real estate properties. The REIT has a current portfolio that spans 10.0 million square feet of GLA and consists of 80 grocery-anchored properties located in the U.S.

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## Trustees

Andrea Stephen, Chairman <sup>1 2 3</sup>  
Corporate Director

Thomas Farley <sup>1 2 3</sup>  
Corporate Director

Marc Rouleau <sup>1 2</sup>  
Corporate Director

Colum Bastable, FCA (IRL) <sup>1 2 3</sup>  
Corporate Director

Patrick Flatley <sup>3</sup>  
Partner,  
Lincoln Land Services

Blair Welch <sup>3</sup>  
Partner and Co-founder,  
Slate Asset Management

Brady Welch  
Partner and Co-founder,  
Slate Asset Management

## Head Office

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E info@slateam.com

## Independent Auditors

Deloitte LLP  
Chartered Professional Accountants  
Toronto, Canada

## Stock Exchange Listing and Symbol

The REIT's units are listed on the Toronto Stock Exchange and trade under the symbols SGR.U (quoted in US dollars) and SGR.UN (quoted in Canadian dollars)

## Registrar and Transfer Agent

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301 - 100 Adelaide Street W  
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The REIT's website [www.slategroceryreit.com](http://www.slategroceryreit.com) provides additional information regarding the REIT's portfolio, investment strategy, management and corporate governance. Additionally, the Investor section includes news, presentations, events, regulatory filings and stock information.

<sup>1</sup> Compensation Governance and Nomination Committee

<sup>2</sup> Audit Committee

<sup>3</sup> Investment Committee



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