Q4 2015
TSX: SRT.U / SRT.UN

"For any company, you need to have an overarching philosophy to guide operations for profitability"

- Eddie Lampert

DEAR FELLOW UNITHOLDERS

Concentrating on a single winning business theme is what usually produces above average financial results. We have had a similar experience. Slate Retail has a dedicated team of real estate asset managers that come to work every day focused on what we believe is a winning theme and they have produced extraordinary results by doing rather ordinary things – but doing them exceptionally well. By focusing exclusively on grocery-anchored real estate in overlooked U.S. markets, we believe we are setting our asset managers up to achieve our goal of long-term growth in both cash flow and net asset value per unit. We continue to avoid competition and should ultimately outperform the often under-capitalized and less-focused landlords in the markets in which we operate.

Operating and managing our real estate is the single most important thing we do. Next to our real estate portfolio, our people are our biggest asset. Their continued dedication and focus on proactively operating our real estate is what drove our outstanding results in 2015. Our real estate managers did an exceptional job this year leasing over 700,000 square feet while increasing income, reducing expenses, overseeing capital spend, strengthening tenant relationships, and continuing to make our real estate properties a place where tenants want to operate and grow their businesses.

Capital allocation is next in importance on our winning business theme list. Our approach to acquiring new properties did not change. With the exception of the SUSO 3 transaction (13 properties), we bought every property one-by-one in 2015, as we have in the past. We are deliberately trying to avoid competing with much larger pools of capital on portfolio transactions. The reality is that the "big guys" don't get out of bed every day to buy a $10 million property because it is nearly the same amount of work as buying a much larger portfolio (often 40 properties or more). At the same time, these large pools of money are investing more in real assets, specifically real estate, than ever before. As a result, competition for real estate portfolios is heightened and trading at premiums to where we can buy properties one-at-a-time. Our belief is that this appetite for real assets will continue to grow as both retail and institutional investors seek shelter from the heightened volatility felt in public markets. Investors look to real assets to provide stable cash flow/distributions, geographic diversification, a natural hedge to inflation, and the downside protection that real estate can be very expensive and time consuming to re-create.

Our focus on operations and on our acquisition strategy all comes back to avoiding competition and investing where others are not. On the operating side, many owners have generally ignored the properties we buy from them because they are too insignificant to spend precious resources on (people, money, and time). A $10 million property is often neglected when you have dozens that are worth $100 million or more and you have to decide where your people spend their time. Over-levered private investors who we either buy from or compete against for tenants do not have the team and sophistication we bring. Furthermore, they do not have the ability (financial and operational) to reinvest in their properties to keep existing tenants and entice new ones, like we do. On the acquisition side, we are not blindly following the crowds into the largest gateway cities in search of perceived safety or better demographics. We still believe that the price you pay is a much bigger determinate of future return than the demographics in the market in which you are buying. Our tenants do not sell luxury hand bags or discretionary goods, they sell every day necessities like food, so household income is not a huge factor in our tenant's ability to sell goods and thrive. That is not to say we ignore demographics. Our portfolio of real estate is very well located in many of the largest cities in the United States, just not the six largest. The reason is simply that competition to buy real estate in these markets is at record levels and we prefer to invest where others are not *currently* investing. The chart below that we recently came across in Oaktree's January 2016 *Insights* primer on real estate tells the story well. A picture is worth a thousand words.

Figure 2: Value Gap Between U.S. Primary and Secondary Markets

As of May 31, 2015
Source: RCA and Moody's Investors Service, LPS, Morgan Stanley, S&P Case-Shiller
[1] Primary Markets are the six gateway metropolitan areas: Boston, Chicago, Los Angeles, New York, San Francisco and Washington, D.C.

One day money will flow back into secondary U.S. markets in search of quality real estate, like it has in the past. The huge amount of money flowing into the United States today may speed that up and it has already started. While opportunities to purchase great real estate still exists in our markets there may be an opportunity for us to recycle capital through very select property sales as well. Capital is very slowly starting to flow back into U.S. secondary markets in search of better risk-adjusted returns in real estate as employment strengthens and disposable incomes rise in our markets. What the wise man does in the beginning, the follower does in the end.

We look forward to the year ahead and have already started to progress on some exciting opportunities which we expect to provide long-term organic growth for the REIT. We can add density to current sites as demand from our existing tenants as well as new ones continue to outpace supply in the markets where we own and operate. The benefit to owning strip centers is that the redevelopment is usually quite straightforward and not too costly but the return on our invested capital is quite strong. There are no feats of engineering or onerous re-zoning necessary either. We like that combination because in investing, unlike artistic gymnastics, there are no extra points for degree of difficulty.

Thank you for your continued support. We value your trust in us and look forward to the opportunity to build wealth together in the future. Please let us know if you have any questions or comments.

Greg Stevenson
Chief Executive Officer

March 2, 2016

Management's Discussion and Analysis

TSX: SRT.U/SRT.UN

December 31, 2015

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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 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.

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 reflected 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, 2015 ("Annual Information Form"). Factors that could cause actual results to differ materially from those contemplated or implied by forward-looking statements include, but are not limited to: 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 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 March 2, 2016 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.

FINANCIAL AND INFORMATIONAL HIGHLIGHTS

(in thousands of dollars, except units and otherwise stated)

	Q4 2015	Q3 2015	Q2 2015	Q1 2015
Summary of Portfolio Information				
Number of properties	66	64	59	43
Gross leasable area ("GLA")	7,581,846	7,359,096	6,972,001	5,085,885
GLA occupied by grocery anchors	3,585,268	3,501,935	3,212,061	3,082,087
Occupancy	94.7%	95.1%	95.3%	96.0%
Grocery anchor occupancy	99.0%	100.0%	100.0%	100.0%
Non-anchor occupancy	90.7%	89.9%	91.3%	91.9%
Grocery anchor weighted average lease term (years)	6.2	6.3	6.3	5.7
Portfolio weighted average lease term (years)	5.2	5.2	5.2	5.0
Square feet leased	150,365	219,373	198,817	113,501
Summary of Financial Information				
IFRS gross book value ("GBV") (1)	$ 1,013,481	$ 971,721	$ 919,249	$ 690,824
Total debt	577,280	538,423	483,504	339,580
Revenue	23,104	22,416	17,913	16,347
Net income (loss)	465	2,936	(16,956)	15,542
Net operating income ("NOI") (2)	16,248	16,307	12,902	11,054
Funds from operations ("FFO") (2)	10,543	10,793	8,518	7,515
Adjusted funds from operations ("AFFO") (2)	8,647	8,812	7,712	6,590
Distributions declared	$ 6,090	$ 6,070	$ 5,227	$ 4,138
Per Unit Financial Information				
Class U equivalent units outstanding	31,829	31,977	32,588	25,167
Weighted average class U equivalent units outstanding ("WA unit")	31,934	32,234	27,719	20,919
FFO per WA unit (2)	$ 0.33	$ 0.33	$ 0.31	$ 0.36
AFFO per WA unit (2)	0.27	0.27	0.28	0.32
Declared distributions per unit	$ 0.19	$ 0.19	$ 0.19	$ 0.19
Financial Ratios				
AFFO pay-out ratio (3)	70.4%	68.7%	67.8%	62.8%
Debt / GBV	57.0%	55.4%	52.6%	49.2%
Weighted average interest rate	3.14%	3.14%	3.14%	3.17%
Interest coverage ratio (4)	3.19x	3.59x	3.65x	3.40x

(1) GBV is defined as total assets.
(2) Refer to non-IFRS financial measures on page 5.
(3) Distributions declared divided by AFFO.
(4) 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 Retail REIT (TSX: SRT.U/SRT.UN) and its subsidiaries (collectively, "REIT" or the "Trust") is intended to provide readers with an assessment of performance and summarize the financial position and results of operations of the REIT for the year ended December 31, 2015. The presentation of the REIT's financial results, including the related comparative information, contained in this MD&A are based on the REIT's audited consolidated financial statements as at and for the years ended December 31, 2015 and 2014, 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 US dollars and units, unless otherwise noted.

The information contained in this MD&A is based on information available to the REIT and is dated as of March 2, 2016, 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 investment 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 of December 31, 2015, the REIT owns 66 grocery anchored retail commercial properties located in the United States comprising 7.6 million square feet of GLA.

The REIT is externally managed and operated by Slate Asset Management L.P. ("Slate"). Slate 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 the largest unitholder in the REIT, with an approximate 6.2% 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 and on the REIT's website at www.slateam.com/SRT.

STRATEGY AND OUTLOOK

Our strategy is to own quality grocery-anchored retail properties located in major markets in the United States that are visited regularly by consumers for their everyday needs. We believe that our diversified portfolio, with no tenant representing more than 10% of revenue, coupled with a conservative payout ratio, provides a strong basis to continue to grow unitholder distributions and flexibility to capitalize on opportunities to provide value appreciation.

We are focused on the following areas to achieve the REIT's objectives through 2016 and 2017:

- Be disciplined in our acquisition of well-located properties that provide opportunity for future value creation;
- Maintain a conservative AFFO pay-out ratio to continue to provide steady and reliable distributions to unitholders;
- 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.

Overall, the REIT has established a premier platform of diversified grocery anchored properties that creates meaningful cash flow for unitholders and the continued opportunity for future growth.

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 net operating income, same property net operating income, funds from operations, adjusted funds from operations, AFFO payout ratio, 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.

RISK AND UNCERTAINTIES

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, 2015, available on SEDAR at 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 units to decline. If any of

the noted risks actually occur, the REIT's business may be harmed and the financial condition and results of operation may suffer significantly. In that event, the trading price of the units could decline, and shareholders may lose all or part of their investment.

RECENT DEVELOPMENTS

The 2015 year continued to be an active year for the REIT. The following is a summary of the key highlights and recent developments for the REIT:

- FFO and AFFO has grown on an accretive basis to $1.32 and $1.12 per unit, respectively. During 2014, FFO (excluding write-off of financing costs), and AFFO per unit was $1.04 and $0.92 per unit, representing a 26.9% and 21.7% increase, respectively.
- Completed the acquisition of Slate U.S. Opportunity (No. 3) Realty Trust ("SUSO 3") in an all unit exchange which added 13 grocery-anchored retail properties comprising 1.5 million square feet of GLA to the REIT's portfolio. This completed the final stage of assembling Slate's grocery anchored retail property vehicles into one platform under the REIT.
- Acquired an additional 12 grocery-anchored retail properties for $196.0 million comprising 1.2 million square feet of GLA and a weighted average occupancy of 91.4%. Purchased these properties at an average going-in capitalization rate of 7.4% at $118 per square foot.
- Continued to actively repurchase REIT units in the market during 2015 given the continued weakness in the equity markets. A total of 1.3 million class U units of the REIT were repurchased during 2015 with 0.2 million of those repurchases occurring in the fourth quarter. Our 2015 and fourth quarter average repurchase price was $10.72 and $10.48, respectively.
- Increased monthly distribution to unitholders in December by 3% to $0.06489 per class U unit, or $0.77868 per class U unit on an annualized basis. This increase reflects the continued increase in income generation of the REIT's property portfolio and increased AFFO. Our AFFO payout ratio for 2015 was an industry leading 70.4%. On a pro forma basis using annualized fourth quarter AFFO and the increased distribution rate, the AFFO payout ratio would be 72.1%.
- Subsequent to quarter-end, the REIT amended and increased its credit facility on favorable terms. We increased the available amount by $135.0 million to $585.0 million, reduced the borrowing rate by 25 bps and increased the term to maturity from December 19, 2017 and 2018 to February 26, 2020 and 2021. The new terms of the facility further enhance the REIT's liquidity, reduce our cost of capital, and allow us to capitalize on acquisition and redevelopment opportunities going forward.

PART II – LEASING AND PROPERTY PORTFOLIO

LEASING

The REIT strives to ensure that the REIT's properties are well tenanted 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 tenant maturities, backfill tenant vacancies for instances where a tenant will not renew or if there is an opportunity to place a stronger or more suitable tenant in our properties we endeavor to find a suitable solution.

The following table summarizes our 2015 leasing activity by quarter:

Square feet	Deal Type		Q4 2015	Q3 2015	Q2 2015 [1]	Q1 2015 [1]
Less than 10,000	Renewal	Leases signed	25	23	31	18
		Total square feet	63,010	42,403	74,586	36,709
		Average base rent	$ 17.10	$ 13.81	$ 17.09	$ 15.89
		Rental spread	7.5%	9.6 %	6.5%	9.3%
Greater than 10,000	Renewal	Leases signed	3	4	3	3
		Total square feet	52,187	154,378	101,069	79,750
		Average base rent	$ 13.40	$ 4.01	$ 8.42	$ 5.87
		Rental spread	6.3%	(23.8)%	2.9%	7.5%
Less than 10,000	New Lease	Leases signed	12	7	9	5
		Total square feet	35,168	11,272	25,562	13,892
		Average base rent	$ 14.89	$ 16.81	$ 11.69	$ 13.11
		Rental spread	30.7%	48.2 %	4.0%	16.2%
Greater than 10,000	New Lease	Leases signed	—	1	—	—
		Total square feet	—	11,320	—	—
		Average base rent	—	$ 11.38	—	—
		Rental spread	—	50.1 %	—	—

[1] Comparative period information includes SUSO 3 activity.

During the fourth quarter, management completed 115,197 square feet of renewals. The weighted average rental rate increase on renewals completed less than 10,000 square feet was $0.84 per square foot or 7.5% higher than expiring rent. The weighted average rental rate increase on renewals completed greater than 10,000 square feet was $0.79 or 6.3% higher than expiring rent.

During the quarter grocery anchor tenant Food Basics, at County Line Plaza in Philadelphia, Pennsylvania closed its store and stopped operating. While sales at the store were still very strong and the lease had just been extended for 5 years in the second quarter of 2015, the parent company, A&P, filed under Chapter 11 of the United States Bankruptcy Code. The maximum impact to NOI, on an annualized basis, is $0.3 million or 0.5% of NOI, which assumes co-tenancy clauses being triggered and no replacement for the anchor store. At acquisition our underwriting considered the A&P covenant quality, but we believed County Line Plaza to have a superior location and strong sales. We believe there is opportunity to re-lease the anchor unit to a grocer with a better covenant with a long-term lease. We are currently marketing the vacant anchor space for lease.

Management also completed 35,168 square feet of new leasing in the fourth quarter. There were 12 new leases executed with complimentary uses to the REIT's existing consumer staple and service based tenant mix. The weighted average base rent on new leases of less than 10,000 square feet was $14.89 per square foot which is $3.50 per square foot or 30.7% higher than the weighted average in-place rent for comparable space across the portfolio. This also compares favorably to the weighted average portfolio in-place rent of $10.17 per square foot.

Lease maturities

The REIT generally enters into leases with initial terms to maturity between 5 and 10 years with our grocery anchor tenants. Accordingly, the average in-place lease remaining term to maturity is shorter than the initial term. The initial terms to maturity for non-anchor space tends to be of a shorter duration between 3 and 5 years. The weighted average remaining term to maturity at December 31, 2015 of the REIT's grocery anchor and non-grocery anchor tenants was 6.2 years and 4.3 years, respectively, not including tenants on month-to-month leases.

The following table summarizes the composition of the remaining term to maturity of the REIT's leases by region at December 31, 2015:

	WA term to maturity	GLA	%
Grocery anchor	6.2	3,585,268	47.3%
Non anchor	4.3	3,516,029	46.4%
Total occupied	5.2	7,101,297	93.7%
Month-to-month	N/A	74,314	1.0%
Vacant	N/A	406,235	5.4%
Total leasable area		**7,581,846**	**100%**

The following is a profile of the REIT's leases without including the impact of tenant extension options:

	Grocery anchor			Non anchor			Total		
GLA expiration	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	—	—	$ —	74,314	1.0%	$ 17.44	74,314	1.0%	$ 17.44
2016	—	—	—	276,478	3.7%	13.95	276,478	3.7%	13.95
2017	211,375	2.8%	8.30	655,756	8.7%	11.18	867,131	11.4%	10.48
2018	567,387	7.5%	7.59	653,276	8.6%	10.06	1,220,663	16.1%	8.91
2019	563,209	7.4%	7.45	378,513	5.0%	15.05	941,722	12.4%	10.51
2020	238,442	3.1%	6.48	413,087	5.5%	12.01	651,529	8.6%	9.99
2021 and later	2,004,855	26.4%	9.31	1,138,919	15.0%	11.29	3,143,774	41.5%	10.03
Vacant	36,075	0.4%	n/a	370,160	4.9%	n/a	406,235	5.3%	n/a
Total / WA	**3,621,343**	**47.6%**	**$ 8.50**	**3,960,503**	**52.4%**	**$ 11.86**	**7,581,846**	**100.0%**	**$ 10.17**

In-place and market rents

The REIT's leasing activity during the three months ended December 31, 2015 is as follows:

	GLA	Number of units	Weighted average expiring rent	Weighted average new rent
Renewed leases	115,197	28	N/A	$ 15.19
New leases	35,168	12	N/A	$ 13.65
Total / weighted average	**150,365**	**40**	**N/A**	**$ 14.83**
Less, leases not renewed / vacated during term	(54,958)	(10)	$ 8.91	N/A
Net total / weighted average	**95,407**	**30**	**$ 8.91**	**N/A**

The REIT's leasing activity for the year ended December 31, 2015 is as follows:

	GLA	Number of units	Weighted average expiring rent	Weighted average new rent
Renewed leases	604,092	110	N/A	$ 10.01
New leases	97,214	34	N/A	$ 12.88
Total / weighted average	**701,306**	**144**	**N/A**	**$ 10.41**
Less, leases not renewed / vacated during term	(113,108)	(33)	$ 9.59	N/A
Net total / weighted average	**588,198**	**111**	**$ 9.59**	**N/A**

During 2015 the REIT completed over 700,000 square feet of leasing activity, which represents 9.2% of our portfolio. This level of leasing is consistent with our strategy of actively managing our properties to create value through a hands-on approach. As at December 31, 2014, we had 414,226 square feet contractually expiring. For the 2015 year we renewed 604,092 square feet or 1.5x the December 2014 figures which further highlights our focus on proactive leasing.

ACQUISITIONS

Acquisitions during the year

The REIT acquired 25 investment properties during 2015 comprising 2.7 million square feet of GLA. From this total, 13 properties were acquired in the SUSO 3 transaction.

The following is a summary of our acquisition activity during 2015:

Investment property	Purchase date	Location	Purchase price	SF	Price per SF	Anchor tenant
Glidden Crossing	January 12, 2015	DeKalb, IL	$ 16,565	98,683	$ 168	Schnucks
Ocean Plaza	January 23, 2015	North Myrtle Beach, SC	5,500	66,497	83	Kroger
City Centre Plaza	April 6, 2015	Westland, MI	12,800	97,670	131	Kroger
Plaza St. Clair	June 8, 2015	Fairview Heights, IL	7,200	97,459	74	Schnucks
Hocking Valley Mall	June 23, 2015	Lancaster, OH	8,735	179,415	49	Kroger
Barefoot Commons	July 9, 2015	North Myrtle Beach, SC	14,900	90,702	164	BI-LO
Roxborough Marketplace	July 9, 2015	Littleton, CO	15,618	106,816	146	Safeway
Shoppes at Birmingham	July 31, 2015	Milton, GA	10,075	82,905	122	Publix
Shoppes at Locust Grove	July 31, 2015	Locust Grove, GA	9,425	89,568	105	Publix
Meres Town Centre	August 28, 2015	Tarpon Springs, FL	7,600	47,183	161	Winn-Dixie
Little River Pavilion	November 24, 2015	Little River, SC	10,100	63,823	158	Lowes Foods
North Branch Marketplace	December 17, 2015	North Branch, MN	20,900	156,895	133	County Market
Total excluding SUSO 3 transaction			**139,418**	**1,177,616**	**118**	
SUSO 3 transaction	June 1, 2015	Various	195,977	1,512,508	130	Various
Total / Weighted average			**$ 335,395**	**2,690,124**	**$ 125**	

PROPERTY PROFILE

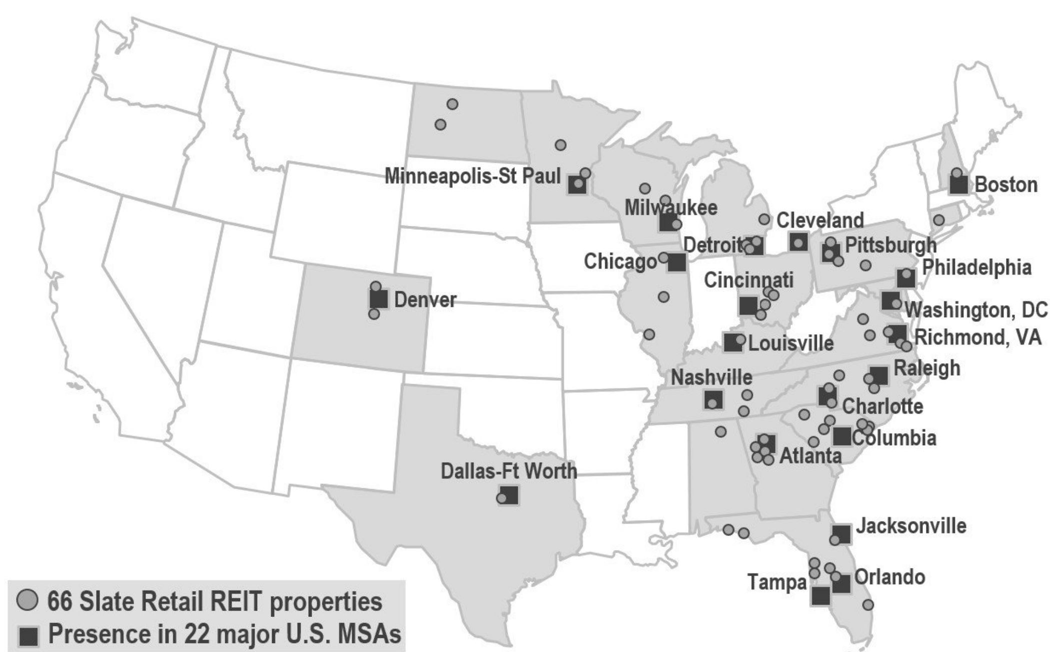
The REIT's property portfolio at December 31, 2015 comprises 66 grocery-anchored retail commercial properties with 7.6 million square feet of GLA located in the United States. For a listing of all of the REIT's properties refer to "PART VI – PROPERTY TABLES" of this MD&A.

Geographic Overview

The REIT's portfolio is geographically diversified. As of December 31, 2015, the REIT's 66 properties were located in 20 states with a presence in 22 major metropolitan statistical areas ("MSAs").

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
Florida	8	804,672	763,510	11.4%	95%
Pennsylvania	5	769,626	720,977	8.0%	94%
Ohio	5	685,784	660,369	6.6%	96%
South Carolina	7	656,680	625,821	8.2%	95%
North Carolina	5	655,455	624,688	7.5%	95%
Georgia	5	562,545	476,706	6.8%	85%
Michigan	4	501,359	488,516	6.6%	97%
Minnesota	3	422,032	407,887	5.8%	97%
Tennessee	3	351,181	339,181	4.4%	97%
Virginia	5	345,391	318,691	4.3%	92%
Wisconsin	3	294,233	288,328	3.8%	98%
Illinois	3	269,847	243,794	3.6%	90%
North Dakota	2	261,578	261,578	5.3%	100%
Colorado	2	203,829	190,781	3.1%	94%
New Hampshire	1	186,997	175,887	3.1%	94%
Texas	1	167,961	164,361	2.2%	98%
Maryland	1	145,403	137,345	4.2%	94%
Connecticut	1	141,445	141,445	2.9%	100%
Kentucky	1	90,991	83,816	1.3%	92%
Alabama	1	64,837	61,930	0.9%	96%
Total	**66**	**7,581,846**	**7,175,611**		**95%**



Anchor Tenants

The following table identifies the REIT's largest anchor tenants including their annual minimum rent, number of stores, percentage of GLA of the total portfolio and the percentage of estimated base rent. The Kroger Co. represents the largest percentage of rent with a total of 14 stores and approximately 6.2% of total tenant base rents. We endeavor to own properties with anchors who are dominant in their respective regions in terms of operational scale and sales. Accordingly, our anchors typically are either the first or second dominant store in the respective area in terms of market share.

The largest 15 tenants account for 50.1% of total GLA and 43.9% of base rent as follows:

Parent company	Store brands	Grocery	Stores	% GLA	Base rent	% Base rent
The Kroger Co.	Kroger	Yes	14	10.1%	$ 4,485	6.2%
Southeastern Grocers	Winn-Dixie, BI-LO	Yes	10	6.1%	4,417	6.1%
SuperValu Inc.	Cub Foods, Farm Fresh, Save-A-Lot, County Market	Yes	6	4.1%	3,162	4.3%
Wal-mart Stores, Inc.	Wal-Mart, Sam's Club	Yes	4	6.9%	3,009	4.1%
Delhaize Group, SA	Food Lion, Hannaford	Yes	7	3.7%	2,833	3.9%
Koninklijke Ahold N.V.	Stop & Shop, GIANT	Yes	2	1.7%	2,371	3.3%
Publix Super Markets, Inc.	Publix	Yes	6	3.2%	2,037	2.8%
Coborn's, Inc.	CashWise	Yes	2	1.5%	1,853	2.6%
Roundy's Inc. (1)	Pick 'N Save	Yes	3	2.5%	1,800	2.5%
Alex Lee Inc.	Lowes Foods	Yes	3	1.7%	1,239	1.7%
Sears Holding Corp	Kmart	No	3	3.7%	1,194	1.6%
Schnuck Markets, Inc.	Schnucks	Yes	2	1.5%	1,082	1.5%
Giant Eagle, Inc.	Giant Eagle	Yes	2	1.5%	835	1.2%
Sun Capital Partners, Inc.	ShopKo	No	1	1.1%	822	1.1%
Fitness International LLC	LA Fitness	No	1	0.8%	693	1.0%
TOTAL			**66**	**50.1%**	**$ 31,832**	**43.9%**

(1) Kroger has announced the plan to buy Roundy's Supermarkets, subject to customary conditions. Refer to news release for more information: http://supermarketnews.com/kroger/kroger-buy-roundys-800-million.

IFRS FAIR VALUE

The REIT's property portfolio at December 31, 2015 had an estimated IFRS fair value of $978.5 million, using an average capitalization rate of 7.1%. Overall, the average estimated IFRS value per square foot of the REIT's portfolio is $129.

The following table presents a summary of the capitalization rates used to estimate the fair value of the REIT's properties at December 31, 2015 and December 31, 2014:

Direct capitalization rates	Year ended December 31, 2015	2014
Minimum	**6.00%**	6.50%
Maximum	**9.00%**	8.38%
Weighted average	**7.12%**	7.20%

The fair value 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 investment properties taken in aggregate may differ from the fair value of investment properties measured individually in the REIT's consolidated statements of financial position.

The change in investment properties for the year is as follows:

	Three months ended December 31,		Year ended December 31,	
	2015	2014	**2015**	2014
Beginning of the period	**$ 942,448**	$ 514,211	**$ 622,295**	$ 177,050
Acquisitions	**31,632**	106,016	**142,194**	180,866
Combination transactions	**—**	—	**195,977**	219,928
Tenant improvements and leasing commissions	**1,280**	245	**2,712**	579
Capital costs funded by vendor	**—**	—	**135**	—
Landlord work / maintenance capital	**286**	167	**1,444**	1,109
Development / expansion capital	**81**	—	**81**	—
Straight-line rent receivable	**412**	375	**1,670**	705
Dispositions	**—**	—	**(3,825)**	—
IFRIC 21 property tax adjustment	**3,035**	1,364	**2,573**	2,376
Change in fair value	**(648)**	(83)	**13,270**	39,682
End of the period	**$ 978,526**	$ 622,295	**$ 978,526**	$ 622,295

Fair Value Adjustments on Investment Properties

During the three months ended December 31, 2015, the unrealized loss of investment properties is $0.6 million. The unrealized loss is attributable to the write off of transaction costs capitalized to investment properties, IFRIC 21 property tax adjustments, straight-line rent and changes in valuation assumptions and cash flows. The unrealized gain on investment properties is $13.3 million for the year ended December 31, 2015 due primarily to changes in valuation parameters and cash flows.

The fair value change of investment properties is impacted by IFRIC 21 property tax adjustments recorded on the REIT's portfolio. The REIT has determined that the obligating event for property taxes is ownership of the property on January 1st of the fiscal year. As a result, the annual property tax liability and expense has been recognized on the properties owned as at January 1, 2015, with a corresponding increase to the fair value of investment properties that is reversed as the liability is settled through property tax installments.

The change in fair value of investment properties recorded in income is comprised of the following and excludes the impact of tenanting 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.

	Three months ended December 31,		Year ended December 31,	
	2015	2014	**2015**	2014
Valuation parameters and cash flows	**3,308**	1,656	**20,289**	42,763
Transaction costs capitalized	**(509)**	—	**(2,776)**	—
IFRIC 21 property tax adjustment	**(3,035)**	(1,364)	**(2,573)**	(2,376)
Adjusted for straight-line rent receivable	**(412)**	(375)	**(1,670)**	(705)
Total	**$ (648)**	$ (83)	**$ 13,270**	$ 39,682

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	Q4 2015	Q3 2015	Q2 2015	Q1 2015	Q4 2014	Q3 2014	Q2 2014	Q1 2014 [1]
Rental revenue	$ 23,104	$ 22,416	$ 17,913	$ 16,347	$ 14,508	$ 11,386	$ 9,885	$ 5,664
Property operating expenses [2]	(3,409)	(2,953)	(2,379)	(10,284)	(2,483)	(1,828)	(1,647)	(3,757)
Net property income	$ 19,695	$ 19,463	$ 15,534	$ 6,063	$ 12,025	$ 9,558	$ 8,238	$ 1,907
Straight-line rent revenue	(412)	(490)	(363)	(406)	(375)	$ (74)	$ (101)	$ (141)
IFRIC 21 property tax adjustment [2]	(3,035)	(2,666)	(2,269)	5,397	(1,364)	(1,502)	(1,247)	1,939
Net operating income	$ 16,248	$ 16,307	$ 12,902	$ 11,054	$ 10,286	$ 7,982	$ 6,890	$ 3,705
Class U units outstanding	31,829	31,977	32,588	25,167	20,255	15,976	15,975	7,210
Weighted average units outstanding ("WA units")	31,934	32,234	27,719	20,919	19,606	15,976	15,975	7,210
NAV	$ 419,338	$ 413,908	$ 417,912	$ 337,763	$ 270,814	$ 228,535	$ 222,080	$ 93,918
NAV per unit	$ 13.17	$ 12.94	$ 12.82	$ 13.42	$ 13.37	$ 14.30	$ 13.90	$ 13.03
Distributions	$ 6,090	$ 6,070	$ 5,227	$ 4,138	$ 3,762	$ 2,864	$ 2,532	$ —
Distributions per WA units	$ 0.19	$ 0.19	$ 0.19	$ 0.19	$ 0.19	$ 0.18	$ 0.15	$ —
FFO	$ 10,543	$ 10,793	$ 8,518	$ 7,515	$ 3,700	$ 4,595	$ 4,332	$ 2,194
FFO per WA units	$ 0.33	$ 0.33	$ 0.31	$ 0.36	$ 0.19	$ 0.29	$ 0.27	$ 0.30
AFFO	$ 8,647	$ 8,812	$ 7,712	$ 6,590	$ 5,726	$ 4,535	$ 4,071	$ 1,830
AFFO per WA units	$ 0.27	$ 0.27	$ 0.28	$ 0.32	$ 0.29	$ 0.28	$ 0.25	$ 0.25
Total assets	$ 1,013,481	$ 971,721	$ 919,249	$ 690,824	$ 648,166	$ 533,877	$ 463,208	$ 209,876
Debt	$ 577,280	$ 538,423	$ 483,504	$ 339,580	$ 365,538	$ 292,920	$ 230,626	$ 109,035
Debt / GBV	57.0%	55.4%	52.6%	49.2%	56.4%	54.9%	49.8%	52.0%
Number of properties	66	64	59	43	41	33	29	10
% leased	94.7%	95.1%	95.3%	96.0%	95.9%	95.9%	96.1%	95.9%
GLA	7,581,846	7,359,096	6,972,001	5,085,885	4,946,842	4,084,834	3,545,857	1,392,305
Grocery anchored GLA	3,585,268	3,501,935	3,212,061	3,082,087	2,974,929	2,561,826	2,322,811	616,373

(1) Comparative amounts relate solely to SUSO 2.

(2) In accordance with IFRIC 21, *Levies* ("IFRIC 21"), the REIT recognizes the annual property tax liability and expense on its existing properties on January 1, rather than progressively, i.e. ratably, throughout the year.

NET PROPERTY INCOME

Net property income was $19.7 million for the three months ended December 31, 2015, representing an increase of $7.7 million for the same period in 2014. On an annual basis net property income was $60.8 million for 2015, representing an increase of $29.0 million compared to 2014. This increase was primarily due to the acquisition of 25 investment properties since December 31, 2014.

NET OPERATING INCOME

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 better 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 for the three months and year ended December 31, 2015 as compared to the same periods in the prior year:

	Three months ended December 31,			Year ended December 31,		
	2015	2014	**Variance**	**2015**	2014	**Variance**
Rental revenue	**$ 23,104**	$ 14,508	**$ 8,596**	**$ 79,780**	$ 41,443	**$ 38,337**
Straight-line rent revenue	**(412)**	(375)	**(37)**	**(1,670)**	(705)	**(965)**
Property operating expenses	**(3,409)**	(2,483)	**(926)**	**(19,025)**	(9,715)	**(9,310)**
IFRIC 21 property tax adjustment	**(3,035)**	(1,364)	**(1,671)**	**(2,573)**	(2,376)	**(197)**
NOI	**$ 16,248**	$ 10,286	**$ 5,962**	**$ 56,512**	$ 28,647	**$ 27,865**
NOI margin	**70.3%**	70.9%	**(0.6)%**	**70.8%**	69.1%	**1.7%**

NOI was $16.2 million for the three months ended December 31, 2015, representing an increase of $6.0 million for the same period in 2014. NOI on an annual basis was $56.5 million, representing an increase of $27.9 million compared to 2014. This increase is primarily due to the acquisition of 25 investment properties since December 31, 2014.

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 each of the current period and the relevant comparative period. For the three month period ended December 31, 2015 the same-property portfolio is comprised of a portfolio of 33 properties owned and in operation for all of each of the three month periods ended December 31, 2015 and 2014, and excludes the impact of the outparcel sold at Fuquay.

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-asset 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 calculation of same-property NOI for the three months December 31, 2015 as compared to the same period in the prior year:

	Three months ended December 31,			
	2015	2014	**Variance**	**% change**
Same-property NOI	**$ 7,139**	$ 7,119	**$ 20**	**0.3 %**
NOI attributable to acquisitions	**9,109**	3,091	**6,018**	**194.7 %**
NOI attributable to dispositions	**—**	76	**(76)**	**(100.0)%**
NOI	**$ 16,248**	$ 10,286	**$ 5,962**	
Occupancy, same property	**96.0%**	96.3%	**(0.3)%**	
Occupancy, acquisitions	**93.1%**	94.5%	**(1.4)%**	
Occupancy	**94.7%**	95.9%	**(1.2)%**	

Same property NOI remained relatively stable for the three months ended December 31, 2015 over the comparative period. Same property occupancy is 0.3% or 12,248 square feet lower from the prior year due to temporary lease rollovers. As of December 31, 2015, 33 assets were acquired with a 93.1% occupancy rate, a 1.4%% decrease from the prior year due to the lower occupancy of the more recently acquired assets in 2015.

FUNDS FROM OPERATIONS

Funds from operations ("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 the Real Property Association of Canada in its White Paper on Funds From Operations, as revised in April 2014. FFO is an important measure of the operating performance of real estate investment trusts and is used by the REIT in evaluating the combined performance of its operations and the impact of its capital structure.

The following is a calculation of FFO for the three months and year ended December 31, 2015 as compared to the same periods in the prior year:

	Three months ended December 31,			Year ended December 31,		
	2015	2014	**Variance**	**2015**	2014	**Variance**
Net (loss) income	**$ (1,057)**	$ (4,298)	**$ 3,241**	**$ 465**	$ 25,555	**$ (25,090)**
IFRIC 21 property tax adjustment	**(3,035)**	(1,364)	**3,241**	**(2,573)**	(2,376)	**(197)**
Acquisition and combination costs	**(30)**	1,918	**(1,948)**	**1,187**	4,692	**(3,505)**
Unit (expense) income	**9,644**	5,324	**4,320**	**24,759**	(6,115)	**30,874**
Change in fair value of interest rate caps	**—**	5	**(5)**	**2**	84	**(82)**
Change in fair value of investment properties	**648**	83	**565**	**(13,270)**	(39,682)	**26,412**
Impairment of goodwill	**—**	—	**—**	**8,870**	14,987	**(6,117)**
Deferred income taxes	**4,373**	2,032	**2,341**	**17,929**	17,475	**454**
FFO	**$ 10,543**	$ 3,700	**$ 11,755**	**$ 37,369**	$ 14,620	**$ 22,749**
FFO per WA unit	**0.33**	0.19	**0.14**	**1.32**	0.87	**0.45**
Distributions per unit	**0.19**	0.19	**—**	**0.76**	0.54	**0.22**
WA number of units outstanding	**31,934**	19,606	**12,328**	**28,243**	16,883	**11,360**

FFO increased by $22.7 million to $37.4 million for the year ended December 31, 2015 compared to 2014. The increase is attributable to NOI from acquisitions partially offset by financing costs. For the three months ended December 31, 2015, FFO was $10.5 million compared to $3.7 million in the comparable 2014 quarter. The increase is primarily attributable to increased NOI from acquisitions partially offset by financing costs.

Adjusting prior year FFO for the write-off of deferred financing costs on corporate credit facility debt refinanced in 2014, FFO would be $6.6 million or $0.34 per unit for the three months ended December 31, 2014, and $17.5 million or $1.04 per unit for the year ended December 31, 2014. The write-off of deferred financing costs is a non-cash item.

ADJUSTED FUNDS FROM OPERATIONS

Adjusted FFO ("AFFO") is a non-IFRS measure that is widely used by the real estate industry and investors to measure the cash generated from operations, after debt service and certain capital and leasing costs and also after reversing the impact of non-cash interest and revenue amounts. It is also a meaningful measure used to evaluate the cash available for distribution to unitholders. The REIT calculates AFFO by making certain adjustments to FFO.

In calculating AFFO, the REIT makes adjustments to FFO for certain items including straight-line rental revenue, income support payments received by the REIT but not recognized in income, non-cash adjustments related to the REIT's accounting for its TIF notes, amortization of finance and mark-to-market charges in interest, tenant improvements and leasing commissions and landlord work. The method applied by the REIT to calculate AFFO may differ from methods applied by other issuers in the real estate industry and therefore may not be comparable with measures reported by such issuers.

A reconciliation of FFO to AFFO for the three months and year ended December 31, 2015 as compared to the same periods in the prior year is as follows:

	Three months ended December 31,			Year ended December 31,		
	2015	2014	**Variance**	**2015**	2014	**Variance**
FFO	**$ 10,543**	$ 3,700	**6,843**	**$ 37,369**	$ 14,620	**22,749**
Straight-line rental revenue	**(412)**	(375)	**(37)**	**(1,670)**	(705)	**(965)**
Income support payments	**9**	—	**9**	**29**	—	**29**
Adjustment to TIF notes	**14**	30	**(16)**	**56**	53	**3**
Amortization of finance charges	**247**	2,914	**(2,667)**	**889**	3,577	**(2,688)**
Amortization of mark-to-market premium	**(188)**	(131)	**(57)**	**(756)**	(320)	**(436)**
Tenant improvements and leasing commissions	**(1,279)**	(246)	**(1,033)**	**(2,712)**	(579)	**(2,133)**
Landlord work / maintenance capital	**(287)**	(166)	**(121)**	**(1,444)**	(1,109)	**(335)**
AFFO	**$ 8,647**	$ 5,726	**$ 2,921**	**$ 31,761**	$ 15,537	**$ 16,224**
AFFO per WA unit	**0.27**	0.29	**(0.02)**	**1.12**	0.92	**0.20**
WA number of units outstanding	**31,934**	19,606	**12,328**	**28,243**	16,883	**11,360**

AFFO increased by $2.9 million and $16.2 million for the three months and year ended December 31, 2015 compared to the same periods in 2014, respectively. The increase is primarily due to the aforementioned increases in FFO. The increase was offset by increased spend on tenant improvements and leasing commissions, and landlord work and maintenance capital.

AFFO is reduced by property capital and leasing costs. Capital improvements may include, but are not limited to, items such as parking lot resurfacing and roof replacements.

Capital Costs

During the fourth quarter capital improvements were completed across the portfolio. The majority of capital improvements were completed concurrent to leasing at the properties with the remainder as minor improvements. The majority of the capital this quarter was related to unit build out costs for new tenants at four different properties.

Leasing Costs

Leasing costs this quarter related mainly to new and renewal leasing activity with 40 leases executed. Total leasing completed was 150,365 square feet. Leasing costs to secure new tenants are generally higher than the costs to renew in-place tenants. The leasing capital this quarter 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.

DISTRIBUTIONS

In December the REIT increased monthly distribution to unitholders by 3% to $0.06489 per class U unit, or $0.77868 per class U unit on an annualized basis. This increase reflects the continued increase in income generation of the REIT's property portfolio and increased AFFO. Previously, the REIT declared monthly distributions of $0.063 during the 2015 year. Distributions paid on the REIT units, and Slate Retail exchangeable units and the GAR B exchangeable units (collectively "exchangeable units of subsidiaries"), are recorded as unit (expense) income.

Distributions were $6.1 million and $21.5 million for three months and year ended December 31, 2015, respectively. The distribution amount has increased over the comparative period primarily due to the issuance of REIT units from the March 19, 2015 equity offering and SUSO 3 transaction, partially offset by the repurchase and subsequent cancellation of class U units during the year under the NCIB.

AFFO Pay-out Ratio

The AFFO pay-out 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 pay-out 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.

One of the REIT's key objectives is to maintain a conservative AFFO pay-out ratio to continue to provide 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.

For the three months ended December 31, 2015, the AFFO pay-out ratio was 70.4%, compared to the pay-out ratio of 65.7%for the same period in 2014. The AFFO pay-out ratio was 67.8% for the year ended December 31, 2015, compared to an AFFO pay-out ratio of 58.9% for 2014.

On a pro forma basis using annualized fourth quarter AFFO and the increased distribution of $0.06489 per month the AFFO pay-out ratio would be 72.1%.

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

	Three months ended December 31,		Year ended December 31,	
	2015	2014	**2015**	2014
AFFO	**$ 8,647**	$ 5,726	**$ 31,761**	$ 15,537
Distributions declared (1)	**(6,090)**	(3,762)	**(21,525)**	(9,158)
Excess of AFFO over distributions declared	**2,557**	1,964	**10,236**	6,379
Cash retained from DRIP	**312**	191	**1,047**	204
Excess of AFFO over cash distributions	**$ 2,869**	$ 2,155	**$ 11,283**	$ 6,583
AFFO pay-out ratio	**70.4%**	65.7%	**67.8%**	58.9%
AFFO pay-out ratio after DRIP	**66.8%**	62.4%	**64.5%**	57.6%

(1) Distributions declared represent distributions on REIT units and exchangeable units of subsidiaries.

REVENUE

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

Rental revenue increased by $8.6 million and $38.3 million for the years ended December 31, 2015 and 2014 respectively. The increase is primarily due to rental rate growth and operating results of 25 acquired properties during the year.

PROPERTY OPERATING EXPENSES

Property operating expenses consist of property taxes, property management fees, and other 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 increased by $0.9 million for the three months ended December 31, 2015 and $9.3 million for the year ended December 31, 2015 compared to the same periods in 2014, respectively. The increase is primarily due to incremental costs associated with the recently acquired properties, the SUSO 3 transaction, and the application of IFRIC 21 property tax adjustments. With the adoption of IFRIC 21, the REIT recognizes the annual property tax liability and expense on its existing properties as at January 1, 2015, 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

General and administrative expenses include asset management fees, trustee fees, tax compliance fees, reporting fees and professional fees. Other expenses include marketing, franchise taxes and bad debt expenses.

	Three months ended December 31,			Year ended December 31,		
	2015	2014	**Variance**	**2015**	2014	**Variance**
Asset management and incentive fees	**$ 1,172**	$ 533	**$ 639**	**$ 3,493**	$ 1,660	**$ 1,833**
Professional fees and other	**421**	807	**(386)**	**2,781**	2,110	**671**
Total	**$ 1,593**	$ 1,340	**$ 253**	**$ 6,274**	$ 3,770	**$ 2,504**
% of total assets	**0.2%**	0.2%	**—%**	**0.6%**	0.6%	**—%**

General and administrative expenses increased by $2.5 million for the year ended December 31, 2015 compared to the same period in 2014. Increases in asset management fees are due to the acquisition of 25 investment properties acquired since December 31, 2014. Increases in professional fees and other relate to trustee fees, legal, tax and other consultant fees incurred in the normal course of operations that did not occur during the 2014 comparative period.

General and administrative expenses increased by $0.3 million for the three months ended December 31, 2015 compared to the same period in 2014. Increases in asset management fees are due to the reasons above. Decreases in professional fees and other are due to timing of billings and rendered services, as well as decreased bad debt write offs in the current quarter.

INTEREST EXPENSE AND OTHER FINANCING COSTS

	Three months ended December 31,			Year ended December 31,		
	2015	2014	**Variance**	**2015**	2014	**Variance**
Interest income on investments	**$ (124)**	$ (2)	**$ (122)**	**$ (133)**	$ (9)	**$ (124)**
Interest on debt	**4,600**	2,838	**1,762**	**14,615**	7,789	**6,826**
Amortization of finance charges	**247**	2,914	**(2,667)**	**889**	3,577	**(2,688)**
Amortization of mark-to-market premium	**(188)**	(131)	**(57)**	**(756)**	(320)	**(436)**
Interest income on TIF notes receivable	**(57)**	(61)	**4**	**(233)**	(213)	**(20)**
Interest expense on TIF notes payable	**68**	85	**(17)**	**245**	211	**34**
Deferred gain on TIF notes receivable	**(22)**	(22)	**—**	**(88)**	(73)	**(15)**
Change in fair value of interest rate caps	**—**	5	**(5)**	**2**	84	**(82)**
Total	**$ 4,524**	$ 5,626	**$ (1,102)**	**$ 14,541**	$ 11,046	**$ 3,495**

Interest on debt consists of interest paid on the various credit facilities, the standby fee paid on the REIT's revolving credit facility, term loan and mortgages, as well as the amortization of mark-to-market adjustments.

Interest on debt was $1.8 million and $6.8 million higher for the three months and year ended December 31, 2015 compared to the same periods in 2014, respectively. The increase is primarily due to revolver drawdowns for the acquisition of 25 investment properties since the prior period.

FAIR VALUE ADJUSTMENTS ON REIT UNITS AND EXCHANGEABLE UNITS OF SUBSIDIARIES

REIT units and 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) income in the consolidated statements of comprehensive 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 December 31, 2015 was $10.45. Changes in fair value of REIT units and exchangeable units of subsidiaries are non-cash in nature and are required under IFRS.

For the three months ended December 31, 2015, the REIT recognized an unrealized fair value loss of $3.3 million and $0.3 million on the REIT units and exchangeable units of subsidiaries respectively, as a result of an increase in fair value per unit. For the year ended December 31, 2015, the REIT recognized an unrealized fair value loss of $3.2 million and $0.1 million on the REIT units and exchangeable units of subsidiaries, respectively, as a result of an increase in fair value per unit.

IMPAIRMENT OF GOODWILL

The allocation of the consideration exchanged to the net assets acquired in the SUSO 3 transaction gave rise to goodwill of $8.9 million (December 31, 2014 – $15.0 million). The goodwill arises primarily from the difference between how deferred tax is calculated for accounting purposes and the value ascribed to it in negotiations. The former is based on the difference between the values of the assets and liabilities concerned for accounting purposes and those applying for taxation. The latter is based on tax payments likely to be made on the sale of the investment properties. In management's opinion, the carrying amount of this goodwill cannot be justified by reference to future cash flows and the ongoing business plan to operate and own the properties in the foreseeable future. As a result, it has been determined that the goodwill has been impaired and an impairment charge has been recognized in the consolidated financial statements.

DEFERRED 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 Retail exchangeable unitholders is incurred directly by the unitholders as opposed to Slate Retail Investment L.P., the REIT's most senior taxable subsidiary. Accordingly, although the REIT's consolidated net income includes income attributable to Slate Retail exchangeable unitholders, the consolidated tax provision includes only the REIT's proportionate share of the applicable taxes.

For the three months and year ended December 31, 2015, deferred income tax expenses were $4.4 million and $17.9 million, respectively. For the three months and year ended December 31, 2014, deferred income tax expenses were $2.0 million and $17.5 million, respectively. The REIT's deferred tax expense relates mainly to changes in the differences between the fair value of the REIT's investment properties and the corresponding undepreciated value for income tax purposes.

NET (LOSS) INCOME

Net loss for the three months ended December 31, 2015 was $1.1 million, representing a $3.2 million increase from the same period in 2014. This increase is primarily attributed to increases in NOI aforementioned and a $2.8 million write-off of deferred financing costs upon renegotiation of the facility in 2014 that did not occur in 2015, partially offset by a decrease in fair value of REIT units and exchangeable units of subsidiaries of $2.0 million, change in fair value of investment properties of $0.6 million and an increase of $2.3 million in distributions compared to 2014.

On an annual basis, the REIT incurred net income of $0.5 million, representing a decrease of $25.1 million compared to 2014. The decrease is primarily due to a decrease in fair value of REIT units and exchangeable units of subsidiaries of $18.5 million, change in fair value of investment properties of $26.4 million, and increased distributions of $12.4 million compared to 2014, partially offset by aforementioned increases in NOI.

RELATED PARTY TRANSACTIONS

	Three months ended December 31,		Year ended December 31,	
	2015	2014	**2015**	2014
Asset management	**$ 979**	$ 443	**$ 3,300**	$ 1,570
Acquisition	**237**	798	**1,071**	1,381
Incentive	**193**	—	**193**	—
Total	**$ 1,409**	$ 1,241	**$ 4,564**	$ 2,951

Asset management fees and acquisition fees incurred and paid to Slate Asset Management L.P., a real estate asset management company (the “Manager”), for the three months and year ended December 31, 2015 amounted to $1.4 million and $4.6 million, respectively. These transactions are in the normal course of operations and are in accordance with the management agreement dated April 15, 2014 (the “management agreement”) and are measured at the exchange amount. The exchange amount is the consideration established and agreed to by the related parties.

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 2015, the accretive earnings from acquisitions allowed the target to be marginally exceeded.

MAJOR CASH FLOW COMPONENTS

The REIT expects to be 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.

	Year ended December 31,	
	2015	2014
Operating activities	**$ 33,129**	$ 9,809
Investing activities	**(138,098)**	(160,643)
Financing activities	**103,650**	153,046
(Decrease) increase in cash	**$ (1,319)**	$ 2,212

Cash flows from operating activities relates 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 relates to property acquisitions made the by the REIT 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 investment properties during the year and the settlement of the loan assumed on the SUSO 3 transaction (and the repayment thereof), the March 19, 2015 equity offering, the NCIB, and the 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.

Debt held by the REIT as at December 31, 2015 and 2014 is as follows:

						For the year ended December 31,	
						2015	2014
	Maturity	Weighted average debt maturity (years)	Effective rate	Principal	Mark-to-market adjustments and costs	**Carrying amount**	Carrying amount
Term loan [(1)]	Dec. 19, 2018	3.2	2.44%	$ 225,000	$ (1,892)	**$ 223,108**	$ 222,470
Revolver [(1)]	Dec. 19, 2017	2.2	2.20%	199,102	(282)	**198,820**	44,005
Mortgage	Mar. 1, 2021	5.6	5.75%	13,822	1,662	**15,484**	16,106
Mortgage	Apr. 30, 2021	5.6	5.80%	27,119	2,103	**29,222**	30,044
Mortgage	Jan. 1, 2025	9.3	3.80%	50,000	(869)	**49,131**	49,020
Mortgage	Jun. 15, 2025	9.7	4.14%	58,994	(1,015)	**57,979**	—
Mortgage	Apr. 1, 2031	15.5	5.25%	3,444	92	**3,536**	3,684
Second mortgage	N/A	N/A	6.00%	—	—	**—**	209
Total / Weighted average		**4.5**	**2.90%**	**$ 577,481**	**$ (201)**	**$ 577,280**	$ 365,329

(1) The weighted average interest rate has been calculated using the December 31, 2015 U.S. LIBOR rate for purposes of the term loan and revolver.

Debt was $577.3 million for 2015, representing an increase of $212.0 million compared to 2014. Revolver balance has increased as a result of 12 acquisitions during the year and the $114.5 million secured credit facility assumed as part of the SUSO 3 transaction.

Subsequent to December 31, 2015, the REIT amended and increased its credit facility on favorable terms. We increased the available amount by $135.0 million to $585.0 million, reduced the borrowing rate by 25 bps and increased the term to maturity from December 19, 2017 and 2018 to February 26, 2020 and 2021. The new terms of the facility further enhance the REIT's liquidity, reduce our cost of capital, and allow us to capitalize on acquisition and redevelopment opportunities going forward.

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 60% of gross book value, as defined by the Declaration of Trust. A calculation of the current debt to gross book value ratio is as follows:

	December 31, 2015	December 31, 2014
Total assets	**1,013,481**	648,166
Less: restricted cash	**(2,233)**	(1,513)
Gross book value	**1,011,248**	646,653
Debt	**577,280**	365,538
Leverage ratio	**57.1%**	56.5%

The REIT's indebtedness level has increased marginally, primarily as a result of borrowings undertaken to fund property acquisitions.

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

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 limit 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 investment properties, while also excluding certain items not related to operations such as transaction costs from dispositions, acquisitions or other events.

The following is a calculation of Adjusted EBITDA and the REIT's interest coverage ratio for the three months and years ended December 31, 2015 and 2014:

	Three months ended December 31,		Year ended December 31,	
	2015	2014	**2015**	2014
Net operating income	**$ 16,248**	$ 10,286	**$ 56,512**	$ 28,647
General and administrative	**(1,593)**	(1,340)	**(6,274)**	(3,770)
Adjusted EBITDA	**$ 14,655**	$ 8,946	**$ 50,238**	$ 24,877

	Three months ended December 31,		Year ended December 31,	
	2015	2014	**2015**	2014
Adjusted EBITDA	**$ 14,655**	$ 8,946	**$ 50,238**	$ 24,877
Interest expense	**(4,600)**	(2,838)	**(14,615)**	(7,789)
Interest coverage ratio	**3.19x**	3.15x	**3.44x**	3.19x

The interest coverage ratio increased to 3.19x for the three months ended December 31, 2015 and 3.44x for the year ended December 31, 2015 from 3.15x and 3.19x in the respective comparative periods. The increase is the result of increased earnings from acquisitions, partially offset by the revolver drawdowns during the period.

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 loan, revolver or the mortgages, (iii) distributions to unitholders, (iv) planned funding of maintenance capital expenditures and leasing costs, and (v) future investment 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.

Contractual commitments

The REIT has the following contractual commitments:

		Total contractual cash flow		In one year or less		In more than one year but not more than three years		In more than three years but not more than five years		In more than five years
Accounts payable and accrued liabilities	$	9,299	$	9,299	$	—	$	—	$	—
Term loan [1]		225,000		—		225,000		—		—
Term loan interest payable [1]		21,629		6,272		15,357		—		—
Revolver [1]		199,102		—		199,102		—		—
Revolver interest payable [1]		11,713		5,550		6,163		—		—
Mortgages		153,353		1,952		5,044		6,563		139,794
Mortgage interest payable		51,221		6,880		13,440		12,892		18,009
TIF notes payable		3,840		218		307		3,315		—
TIF notes interest payable		622		220		275		127		—
REIT units		305,926		400		—		—		305,526
Exchangeable units of subsidiaries		26,597		400		—		—		26,197
Total contractual commitments	**$**	**1,008,302**	**$**	**31,191**	**$**	**464,688**	**$**	**22,897**	**$**	**489,526**

[1] Term loan and revolver interest payable is calculated on $225.0 million and $199.1 million (balance outstanding) using an estimated "all in" interest rate of 2.70% 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 and revolver results in an anticipated increase to the "all-in" interest rate to 3.52% and 3.29%, respectively. The total term loan and revolver interest payable is calculated until maturity of the initial term.

REIT UNITS AND EXCHANGEABLE UNITS OF SUBSIDIARIES

The REIT has class A units, class I units and class U units issued and outstanding. Since the different classes of units do not have identical features, the REIT is required under IFRS to classify the units as financial liabilities. The exchangeable units of subsidiaries are redeemable for class U units at the option of the holder and are also required to be classified as financial liabilities under IFRS. The REIT units and the exchangeable units of subsidiaries are measured at fair value at each reporting period with any changes in fair value recognized in net and comprehensive income.

REIT units and exchangeable units of subsidiaries outstanding during the year ended December 31, 2015 and their respective class U equivalent amounts if converted are as follows:

	REIT units			Exchangeable units of subsidiaries			Total class U units equivalent
Class / Type	**U**	**A**	**I**	**SR1 [1]**	**SR2 [1]**	**GAR B**	
Balance, December 31, 2014	16,875	528	358	—	1,880	590	**20,255**
Issued for SUSO 3 transaction	7,761	—	—	220	6	—	**7,987**
Issued under the DRIP	104	—	—	—	—	—	**104**
Issued under equity offering	4,894	—	—	—	—	—	**4,894**
Redeemed	(127)	—	—	—	(11)	—	**(138)**
Repurchased under NCIB	(1,273)	—	—	—	—	—	**(1,273)**
Exchanges	277	(138)	—	—	(96)	(43)	**—**
Balance, December 31, 2015	28,511	390	358	220	1,779	547	**31,829**
Conversion ratio to class U units	1.0000	1.0078	1.0554	1.0000	1.0000	1.0000	
Class U units equivalent	**28,511**	**394**	**378**	**220**	**1,779**	**547**	**31,829**

[1] "SR1" and "SR2" means Slate Retail One exchangeable units and Slate Retail Two exchangeable units respectively.

REIT units and exchangeable units of subsidiaries outstanding during the year ended December 31, 2014 and their respective class U equivalent amounts if converted are as follows:

	REIT units			Exchangeable units of subsidiaries			
Class / Type	U	A	I	SR1 [1]	SR2 [1]	GAR B	Total class U units equivalent
Balance, December 31, 2013	1,298	3,702	703	—	—	—	5,771
Issued for combination transaction	7,759	—	—	—	1,880	590	10,229
Issued under the DRIP	20	—	—	—	—	—	20
Issued under equity offering	4,260	—	—	—	—	—	4,260
Redeemed	(25)	—	—	—	—	—	(25)
Exchanges	3,563	(3,174)	(345)	—	—	—	—
Balance, December 31, 2014	16,875	528	358	—	1,880	590	20,255
Conversion ratio to class U units	1.0000	1.0078	1.0554	1.0000	1.0000	1.0000	—
Class U units equivalent	16,875	532	378	—	1,880	590	20,255

[1] "SR1" and "SR2" means Slate Retail One exchangeable units and Slate Retail Two exchangeable units respectively.

Equity offering

On March 19, 2015, the REIT completed a public offering of 4,125,000 class U units at a price of $10.47 (C$13.00) per unit for gross proceeds to the REIT of approximately $42.2 million (C$53.6 million). A private placement of 769,230 class U units for $7.9 million (C$10.0 million) was also completed, resulting in a total of 4,894,230 class U units for gross proceeds of $50.1 million (C$63.6 million). The costs related to the offering totaled $2.6 million and were deducted against the cost of units issued.

The REIT made available a Distribution Reinvestment Plan ("DRIP") that allows holders of class A units, class I units and class U units to elect to receive their distributions in the form of class U units with an additional distribution of class U units equal to 3% of the distribution. For the year ended December 31, 2015, 104,242 class U units were issued for $1.0 million under the DRIP.

Normal Course Issuer Bid

The REIT has certified an NCIB which commenced on May 26, 2015 and will remain in effect until the earlier of May 26, 2016 or the date on which the REIT purchased an aggregate 2,591,136 class U units (amended on September 30, 2015 from the previous maximum number of 1,093,895 class U units permitted under the NCIB), representing 10% of the REIT's public float of 25,911,358 class U units at the time of entering the bid through the facilities of the TSX.

For the year ended December 31, 2015, 1,273,088 class U units have been purchased and subsequently canceled under the NCIB for a total cost, including transaction costs, of $13.6 million at an average price of $10.72.

FUNDS HELD IN ESCROW

Funds held in escrow represents funds held by the mortgage lender in respect of future leasing costs and tenant improvements to be paid.

ACCOUNTS RECIEVABLE

The accounts receivable balance is comprised of the following:

	December 31, 2015	December 31, 2014
Rent receivable	**$ 2,529**	$ 891
Allowance	**(206)**	(168)
Accrued recovery income	**4,249**	3,317
Other receivables	**894**	499
Total	**$ 7,466**	$ 4,539

Accrued recovery income represents amounts that have not been billed to tenants for operating expenses, mainly real estate taxes, and are generally billed and paid in the following year. Management expects that this amount will be received in full shortly after the bills are issued. Other receivables represent non-operating amounts.

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

	December 31, 2015	December 31, 2014
Current to 30 days	**$ 1,198**	$ 409
31 to 60 days	**209**	77
Greater than 60 days	**916**	237
Total	**$ 2,323**	$ 723

Rent receivable consists of base rent and operating expense recoveries. Management has provided for $0.2 million as an allowance for doubtful accounts and anticipates that the remaining portion greater than 60 days is collectible.

ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

The accounts payable and accrued liabilities balance is comprised of the following:

	December 31, 2015	December 31, 2014
Trade payables and accrued liabilities	**$ 5,890**	$ 3,214
Prepaid rent	**2,588**	1,630
Tenant improvement payable	**118**	8
Other payables	**703**	485
Total	**$ 9,299**	$ 5,337

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

PART V – ACCOUNTING AND CONTROL

USE OF ESTIMATES

The preparation of the REIT 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 investment properties based upon the overall income capitalization rate method or 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 investment 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 investment properties taken in aggregate may differ from the fair value of investment 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 net operating income and applies a capitalization rate to that income to estimate fair value. Stabilized net operating income 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' net operating incomes over their sale price. 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.

Discounted cash flow method

Under the discounted cash flow method, fair values are primarily determined by discounting the expected future cash flows, generally over a term of 10 years, including a terminal value based on the application of a capitalization rate to estimated year 11 net operating income. Capitalization and discount rates are the most significant assumption in determining fair value. The REIT uses leasing history, market reports, tenant profiles and available appraisals, among other things, in determining the most appropriate assumptions.

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 December 31, 2015 is included on page 12 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. Further, these changes can occur at different times and magnitudes for each of the REIT's Western, Ontario and Atlantic regions based on the investment environments in each of their respective markets.

The REIT determines the fair value of investment properties based upon either the overall income capitalization rate method or the discounted cash flow method, or in certain circumstances a combination of both methods. At December 31, 2015, all valuations were completed by management of the REIT using the overall income capitalization 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

There were no new accounting standards or changes in policy adopted by the REIT during the 2015 year.

FUTURE ACCOUNTING POLICIES

The IASB has issued the following new standards that will be relevant to the REIT in preparing its consolidated financial statements in future periods:

IAS 1, Presentation of Financial Statements ("IAS 1")

The IASB issued amendments to IAS 1 as part of its major initiative to improve presentation and disclosure in financial reports. These amendments will not require any significant change to current practice, but are intended to facilitate improved financial statement disclosures. The amendments are effective for annual periods beginning on or after January 1, 2016. The REIT is assessing the impact of this amendment on its consolidated financial statements.

IFRS 9, Financial Instruments ("IFRS 9")

IFRS 9, which replaces IAS 39 *Financial Instruments: Recognition and Measurement*, establishes principles for the financial reporting of financial assets and financial liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows. Under IFRS 9, financial assets are classified and measured based on the business model in which they are held and the characteristics of their cash flows. In addition, under IFRS 9 for financial liabilities measured at fair value, changes in fair value attributable to changes in credit risk will be recognized in other comprehensive income, with the remainder of the changes recognized in profit or loss. However, if this requirement creates or enlarges an accounting mismatch in profit or loss, the entire change in fair value will be recognized in profit or loss. This new standard is effective for annual periods beginning on or after January 1, 2018. The REIT is assessing the impact of this new standard on its consolidated financial statements.

IFRS 15, Revenue from Contracts with Customers ("IFRS 15")

IFRS 15 provides a comprehensive framework for recognition, measurement and disclosure of revenue from contracts with customers, excluding contracts within the scope of the standard on leases, insurance contracts and financial instruments. The new standard includes a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. IFRS 15 becomes effective for annual periods beginning on or after January 1, 2018, and is to be applied retrospectively. Early adoption is permitted. The REIT is currently assessing the impact of the new standard on its consolidated financial statements.

IFRS 16, Leases ("IFRS 16)

This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than twelve months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. This standard substantially carries forward the lessor accounting requirements of IAS 17, *Leases*, while requiring enhanced disclosures to be provided by lessors. Other areas of the lease accounting model have been impacted, including the definition of a lease. The new standard is effective for annual periods beginning on or after January 1, 2019, which is when the REIT intends to adopt IFRS 16 in its financial statements. The extent of the impact of adoption of the standard has not yet been determined.

For each of the above changes in accounting policy the REIT expects to adopt such changes at the time of their required adoption. The REIT continues to assess the impact of the changes in accounting policy on its consolidated financial statements, however, there is currently no identified impact on the REIT's business.

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 adopted 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 nine months ended December 31, 2015.

As required by NI 52-109, the REIT's CEO and CFO have evaluated the effectiveness of the REIT's DC&P and ICFR. Based on such evaluations, they have concluded that the design and operation of the REIT's DC&P and ICFR, as applicable, are adequately designed and effective, as at

December 31, 2015. No changes were made in the REIT's design of ICFR during the year ended December 31, 2015, 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

As of December 31, 2015, the REIT owns a portfolio of 66 grocery-anchored retail properties. The portfolio consists of 7,581,846 square feet of GLA with a current weighted average occupancy rate of 94.7%. The REIT focuses on owning the dominant grocer in each of the associated MSAs in which it invests.

Property	Location	Associated MSA	Area (SF)	% of Total	Occupancy	Anchor
98 Palms	Destin	Crestview-Fort Walton Beach-Destin	84,682		98%	Winn-Dixie
Bloomingdale Plaza	Brandon	Tampa-St. Petersburg	83,237		94%	Winn-Dixie
Errol Plaza	Apopka	Orlando	72,150		97%	Winn-Dixie
Meres Town Center	Tarpon Springs	Tampa-St. Petersburg	47,183		97%	Winn-Dixie
Oak Hill Village	Jacksonville	Jacksonville	78,492		99%	Publix
Salerno Village Square	Stuart	Port St. Lucie	77,677		84%	Winn-Dixie
Seminole Oaks	Seminole	Tampa-St. Petersburg	63,572		97%	Winn-Dixie
Uptown Station	Fort Walton Beach	Crestview-Fort Walton Beach-Destin	297,679		94%	Winn-Dixie
Total Florida			**804,672**	**11%**		
County Line Plaza	Philadelphia	Philadelphia	75,649		45%	Big Lots
Field Club Commons	New Castle	Pittsburgh	131,270		97%	Save-A-Lot
Kennywood Shops	West Miffin	Pittsburgh	194,819		99%	Giant Eagle
Lake Raystown Plaza	Huntingdon	Huntingdon	140,159		100%	GIANT
Summit Ridge	Mount Pleasant	Pittsburgh	227,729		100%	Walmart
Total Pennsylvania			**769,626**	**10%**		
Buckeye Plaza	Cleveland	Cleveland	116,905		98%	Giant Eagle
Hocking Valley Mall	Lancaster	Columbus	179,415		97%	Kroger
Mulberry Square	Milford	Cincinnati	146,730		91%	Kroger
Pinewood Plaza	Dayton	Dayton	88,700		95%	Kroger
Springboro Plaza	Springboro	Dayton	154,034		100%	Kroger
Total Ohio			**685,784**	**9%**		
Barefoot Commons	North Myrtle Beach	Myrtle Beach-Conway	90,702		95%	BI-LO
Dill Creek Commons	Greer	Greenville-Spartanburg-Anderson	72,526		100%	BI-LO
Gaston Marketplace	Gaston	Columbia	44,133		97%	Food Lion
Little River Pavilion	Little River	Myrtle Beach-Conway	63,823		93%	Lowes Foods
North Augusta Plaza	North Augusta	Augusta-Richmond	254,744		94%	Publix
North Pointe	Columbia	Columbia	64,255		100%	Publix
Ocean Plaza	North Myrtle Beach	Myrtle Beach-Conway	66,497		91%	Kroger
Total South Carolina			**656,680**	**9%**		
Fuquay Crossing	Fuquay-Varnia	Raleigh-Durham	96,638		91%	Kroger
Independence Square	Charlotte	Charlotte	190,361		97%	Walmart
North Summit Square	Winston-Salem	Winston-Salem	224,530		96%	Lowes Foods, Sam's Club
Triangle Food Lion	Concord	Charlotte	41,439		100%	Food Lion
Wellington Park	Cary	Raleigh-Durham	102,487		92%	Lowe's
Total North Carolina			**655,455**	**9%**		
Birmingham Shoppes	Milton	Atlanta	82,905		80%	Publix
Douglas Commons	Douglasville	Atlanta	97,027		98%	Kroger
Locust Grove	Locust Grove	Atlanta	89,568		71%	Publix
Merchants Crossing	Newnan	Atlanta	174,059		78%	Kroger
Merchants Square	Riverdale	Atlanta	118,986		98%	Kroger
Total Georgia			**562,545**	**7%**		
Cambridge Crossings	Troy	Detroit	238,963		99%	Walmart
Canton Shopping Center	Canton	Detroit	72,361		98%	ALDI
City Center Plaza	Westland	Detroit	97,670		97%	Kroger
Stadium Center	Port Huron	Detroit-Warren-Dearborn	92,365		93%	Kroger
Total Michigan			**501,359**	**7%**		
North Branch Marketplace	North Branch	Minneapolis-St Paul	156,895		97%	County Market
East Brainerd Mall	Brainerd	Minneapolis-St Paul	191,459		96%	Cub Foods
Phalen Retail Center	St Paul	Minneapolis-St Paul	73,678		98%	Cub Foods
Total Minnesota			**422,032**	**6%**		

Property	Location	Associated MSA	Area (SF)	% of Total	Occupancy	Anchor
Highland Square	Crossville	Nashville	179,243		95%	Kroger
St. Elmo Central	Chattanooga	Chattanooga	74,978		100%	BI-LO
Westhaven Town Center	Franklin	Nashville	96,960		97%	Kroger
Total Tennessee			**351,181**	**5%**		
Bowling Green Plaza	Bowling Green	Richmond	49,850		87%	Food Lion
East Little Creek	Norfolk	Virginia Beach-Norfolk-Newport News	68,770		100%	Farm Fresh
Lovingston Plaza	Lovingston	Charlottesville	42,500		83%	Food Lion
Madison Plaza	Madison	Charlottesville	49,607		100%	Food Lion
Smithfield Shopping Plaza	Smithfield	Virginia Beach-Norfolk-Newport News	134,664		90%	Farm Fresh
Total Virginia			**345,391**	**5%**		
Cudahy Centre	Cudahy	Milwaukee	103,254		94%	Pick ‘N Save
Forest Plaza	Fond du Lac	Fond du Lac	123,028		100%	Pick 'N Save
Wausau Pick 'n Save	Wausau	Wausau	67,951		100%	Pick 'N Save
Total Wisconsin			**294,233**	**4%**		
Glidden Crossing	DeKalb	Chicago-Naperville-Joliet	98,683		96%	Schnucks
Oakland Commons	Bloomington	Bloomington	73,705		96%	Jewel Osco
Plaza St. Clair	Fairview Heights	St. Louis	97,459		80%	Schnucks
Total Illinois			**269,847**	**4%**		
Southgate Crossing	Minot	Minot	159,780		100%	CashWise
Watford Plaza	Watford City	McKenzie	101,798		100%	CashWise
Total North Dakota			**261,578**	**3%**		
Roxborough Marketplace	Littleton	Denver Aurora-Lakewood	106,816		93%	Safeway
Westminster Plaza	Westminster	Denver Aurora-Lakewood	97,013		94%	Safeway
Total Colorado			**203,829**	**3%**		
Derry Meadows Shoppes	Derry	Boston-Cambridge-Quincy	186,997		94%	Hannaford
Total New Hampshire			**186,997**	**2%**		
Alta Mesa Plaza	Fort Worth	Dallas-Ft Worth	167,961		98%	Kroger
Total Texas			**167,961**	**2%**		
Mitchellville Plaza	Mitchellville	Washington, DC	145,403		94%	Food Lion
Total Maryland			**145,403**	**2%**		
Waterbury Plaza	Waterbury	New Haven-Milford	141,445		100%	Stop & Shop
Total Connecticut			**141,445**	**2%**		
Stonefield Square	Louisville	Louisville	90,991		92%	The Fresh Market
Total Kentucky			**90,991**	**1%**		
Madison Center	Madison	Huntsville	64,837		96%	Publix
Total Alabama			**64,837**	**1%**		
Total / Weighted average			**7,581,846**	**100%**	**95%**	

CORPORATE INFORMATION

Slate Retail 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 diversified revenue-producing commercial real estate properties in the United States with an emphasis on grocery-anchored retail properties. The REIT has a current portfolio that spans 7.58 million square feet of GLA and consists of 66 grocery-anchored retail commercial properties located in the United States.

Head office

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Independent auditors

Deloitte LLP
Chartered Professional Accountants
Licensed Public Accountants
Toronto, Canada

Stock exchange listing and symbol

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

Registrar and transfer agent

TMX Equity Transfer Services Inc.
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The REIT's website www.slateam.com/SRT 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.

Trustees

Thomas Farley, Chairman [3]
Chairman, Brookfield Canada Office Properties

Samuel Altman [1][2][3]
President, Joddes Limited

Peter Tesche, CFA [1][2][3]
Principal, P.T. Lloyd Associates

Brady Welch
Chief Financial Officer, Slate Retail REIT
Partner, Slate Asset Management L.P.

Colum Bastable, FCA (IRL) [1][2]
Chairman, Cushman & Wakefield Inc.

Patrick Flatley [3]
Senior Vice President, Fidelity National Title Insurance Company

Blair Welch [3]
Partner, Slate Asset Management L.P.

[1] Compensation, Governance and Nomination Committee
[2] Audit Committee
[3] Investment Committee