



Retail
REIT

Q1 2017

TSX: SRT.U and SRT.UN

"The first principle is that you must not fool yourself and you are the easiest person to fool.

— Richard Feynman

DEAR FELLOW UNITHOLDERS

We are often asked for our thoughts on whether we believe that, if it became necessary, is the real estate we own liquid / saleable? Or simply put, if someone put a gun to our head and said we need all of your assets in cash, can we quickly and ably find buyers for our shopping centres?

In answering this question we wanted to make sure we were not fooling ourselves so we sought to better understand the question; or rather, the reason the question is asked. What we concluded is that the answer is relative rather than absolute. Effectively, the question highlights the belief that primary markets attract more buyers and as a result are relatively more 'liquid' than secondary markets, while this is true we do not believe it gets to the heart of the question.

We certainly agree that, for example, a building with a well-known address in Manhattan will attract more buyers than a building in Nashville. However, depending on the asking price, the asset in Nashville may sell much quicker than the asset in Manhattan. This reminds me of a quote from Howard Marks (founder and Co-Chairman of Oaktree) that "there is no security that is so good that it can't be overpriced, or so bad that it can't be underpriced".

Our belief is the risk that gives rise to the question about liquidity, is the risk of investing money and never getting that money back (permanent capital loss). So if we couple Howard Marks' belief with our view of the relevant risk, we conclude that it is actually the price you pay for the asset that drives liquidity and not the other way around.

Below are some real life examples of purchases of primary market, 'premier' real estate and the final result. Regardless of how liquid these properties were perceived to be, it was the lack of buyers/lenders at the price they paid that resulted in permanent capital loss. It had nothing to do with interest from the market and we are very confident that at a more reasonable price these properties would generate sufficient liquidity and avoid the permanent capital loss that the investors suffered.

- Harry Macklowe paid \$6.6 billion for Equity Office Properties' Manhattan office towers and lost them all one year later.
- Robert Maguire (the founder...) resigned from Maguire Properties Inc. after his \$2.9 billion purchase of core properties in Los Angeles over extended the company sending the stock from over \$40 to under \$2. Brookfield privatized the company a few years later below \$4 per share.
- Morgan Stanley's real estate fund handed the lenders the keys to its entire CBD San Francisco portfolio which they purchased for \$2.8 billion.
- Tishman Speyer defaulted on a package of loans used to purchase six prime office towers in Chicago for \$1.7 billion which marked the largest real estate deal in Chicago history at the time.

In total, \$14 billion was lost on these portfolios. This is a staggering number when you think about how highly sought after ("liquid") these properties would generally be considered. It all comes back to the price the buyers had paid; evidently far too much!

How does all this relate to Slate Retail Reit? We believe the average price we have paid for our properties is at a level that ensures sufficient liquidity to protect us against permanent capital loss. As importantly, we are continuing to find more and more opportunities at these price levels.

Here is what we own within Slate Retail for \$1.1 billion or as we look at it, \$130 per square foot:

- Geographically diverse portfolio of real estate home to more than 1,000 tenants/businesses that serve their local communities' every day needs.
- More than 1,000 acres of land in densely populated, economically vibrant and growing U.S. cities.
- Over 8.5 million square feet of leasable area that today generates gross revenue in excess of \$105 million per year.

Given the lenders ended up 'owning' most of the real estate in the examples provided above, it is worthwhile to consider our entry price from a lender's perspective. A loan in an amount equal to 50% of our entry price would not be impaired until values drop below \$58 per square foot. To put that figure into perspective, replacement cost for our properties is closer to \$175 per square foot, and a house in the US costs ~\$130 per square foot, on average, to buy today.

When your portfolio is completely in cash, liquidity is not a factor and there is no risk of loss. There is also, however, no possibility of earning a high return. The tension between earning a high return on the one hand, and avoiding risk, on the other, can run high. Similarly, the appropriate balance between illiquidity and liquidity is never easy to determine. We believe, while never perfect, we have struck a good balance between all of these variables.

Most importantly, the team at Slate Retail continues to do an exceptional job working to increase the value of our portfolio by putting long-term profitability at the forefront of our decision making and the first quarter 2017 was no exception.

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. Our detailed contact information is available on our website at www.slateam.com, please let us know if you have any questions or comments.

With appreciation,

A handwritten signature in blue ink, appearing to read 'Greg Stevenson', with a stylized flourish at the end.

Greg Stevenson
Chief Executive Officer
May 3, 2017



Retail
REIT

Management's Discussion and Analysis

SLATE RETAIL REIT

March 31, 2017

CONTENTS

FINANCIAL AND INFORMATIONAL HIGHLIGHTS	4
PART I – OVERVIEW	5
PART II – LEASING AND PROPERTY PORTFOLIO	7
PART III – RESULTS OF OPERATIONS	16
PART IV – FINANCIAL CONDITION	27
PART V – ACCOUNTING AND CONTROL	32
PART VI – PROPERTY TABLES	35

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, 2016 ("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 May 3, 2017, 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, except per unit amounts and as otherwise stated)

	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016
Summary of Portfolio Information					
Number of properties	71	69	64	68	66
Gross leasable area ("GLA")	8,513,110	8,335,625	7,841,401	7,941,699	7,726,055
GLA occupied by grocery-anchors	3,968,924	3,909,716	3,669,595	3,776,105	3,691,654
Occupancy	93.2%	93.5%	93.6%	95.0%	94.4%
Grocery-anchor occupancy	99.1%	99.1%	99.0%	99.1%	99.0%
Non-anchor occupancy	87.9%	89.2%	88.7%	91.2%	90.2%
Grocery-anchor weighted average lease term (years)	5.4	5.8	5.7	5.9	5.9
Portfolio weighted average lease term (years)	4.9	5.1	5.1	5.2	5.1
Square feet ("SF") leased	276,310	258,168	117,805	255,623	283,847
Summary of Financial Information					
IFRS gross book value ("GBV") ⁽¹⁾	\$ 1,158,102	\$ 1,114,606	\$ 1,076,668	\$ 1,072,823	\$ 1,033,985
Total debt	597,787	621,442	585,773	586,134	588,702
Revenue	27,233	25,044	23,699	24,088	24,205
Net income (loss)	8,652	(12,397)	(15,309)	(605)	(760)
Net operating income ("NOI") ⁽²⁾	19,411	17,931	17,019	17,438	17,077
Funds from operations ("FFO") ^{(2) (3)}	12,859	8,688	11,193	11,998	10,685
Adjusted funds from operations ("AFFO") ^{(2) (3) (4)}	11,587	7,110	9,114	10,208	7,517
Distributions declared	\$ 8,308	\$ 7,179	\$ 6,990	\$ 6,894	\$ 6,201
Per Unit Financial Information					
Class U equivalent units outstanding	41,031	35,456	35,440	35,425	31,858
WA class U equivalent units outstanding ("WA units")	39,847	35,494	35,469	34,627	31,872
FFO per WA units ^{(2) (3)}	\$ 0.32	\$ 0.24	\$ 0.32	\$ 0.35	\$ 0.34
AFFO per WA units ^{(2) (3) (4)}	0.29	0.20	0.26	0.29	0.24
Declared distributions per unit	\$ 0.2025	\$ 0.2025	\$ 0.1947	\$ 0.1890	\$ 0.1890
Financial Ratios					
FFO payout ratio ^{(2) (3) (5)}	64.6%	82.6%	62.4%	57.5%	58.0%
AFFO payout ratio ^{(2) (3) (4) (6)}	71.7%	101.0%	76.7%	67.5%	82.5%
Debt / GBV	51.6%	56.1%	54.7%	55.0%	57.3%
Weighted average interest rate ⁽⁷⁾	3.20%	3.10%	3.00%	3.00%	3.05%
Interest coverage ratio ⁽⁸⁾	3.72x	3.35x	3.31x	3.57x	3.27x

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

⁽¹⁾ GBV is defined as total assets.

⁽²⁾ Refer to non-IFRS financial measures on page 5.

⁽³⁾ In the fourth quarter of 2016, the REIT completed a defeasance of a mortgage during the fourth quarter, at a cost of \$4.5 million representing the excess of the U.S. Treasury securities required to be funded over the outstanding principal balance of the mortgage. A \$2.8 million charge to income was recorded which was determined as the \$4.5 million cost, less \$1.7 million, representing the unamortized mark-to-market premium associated with the mortgage. Adjusting to exclude the impact of the defeasance of a mortgage, FFO and FFO payout ratio would be \$0.32 per unit and 72.1%, respectively and AFFO and AFFO payout ratio would be \$0.28 and 83.6%, respectively.

⁽⁴⁾ The REIT has changed its methodology to calculate AFFO in the current period. In February 2017, the Real Property Association of Canada issued its White Paper on FFO and AFFO for IFRS. Accordingly, the REIT has adopted the definition of AFFO provided by REALPAC, beginning for periods beginning on or after January 1, 2017. The REIT has restated prior periods on a retrospective basis in order to maintain comparability. Refer to section "Changes to AFFO" on page 20 for more detail.

⁽⁵⁾ Distributions declared divided by FFO.

⁽⁶⁾ Distributions declared divided by AFFO.

⁽⁷⁾ Includes the impact of pay-fixed receive-float swaps.

⁽⁸⁾ NOI less other 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 and SRT.UN) and its subsidiaries (collectively, the "REIT") is intended to provide readers with an assessment of performance and summarize the financial position and results of operations of the REIT for the period ended March 31, 2017. The presentation of the REIT's financial results, including the related comparative information, contained in this MD&A are based on the REIT's condensed consolidated interim financial statements for the period ended March 31, 2017 (the "consolidated financial statements"), which have been prepared by management in accordance with International Financial Reporting Standards ("IFRS"). This MD&A should be read in conjunction with those financial statements. All amounts are in thousands of United States dollars, unless otherwise noted, which is the functional currency of the REIT and all of its subsidiaries.

The information contained in this MD&A is based on information available to the REIT and is dated as of May 3, 2017, which is also the date the Board of Trustees, upon the recommendation of its Audit Committee, approved the contents of this MD&A.

PROFILE

The REIT is an unincorporated open-ended real estate mutual fund trust constituted in accordance with the laws of the Province of Ontario pursuant to an amended and restated Declaration of Trust dated as of April 15, 2014, as amended on May 11, 2016. As of March 31, 2017, the REIT owns 71 grocery-anchored retail commercial properties located in the United States of America (the "U.S.") comprising 8.5 million square feet of GLA.

The REIT is externally managed and operated by Slate Asset Management L.P. (the "Manager" or "Slate"). The Manager has an experienced and dedicated team of real estate professionals with a proven track record of success in real estate investment and management. Management's interests are aligned with the unitholders of the REIT through its sponsorship and as a significant unitholder of the REIT. Slate is the largest unitholder in the REIT, with an approximate 6.6% 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 U.S. that are visited regularly by consumers for their everyday needs. We believe that our diversified portfolio, quality tenant covenants, 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:

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

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

- NOI is defined as rental revenue less operating expenses, prior to straight-line rent and IFRIC 21, *Levies* ("IFRIC 21") adjustments. Same-property NOI includes those properties owned by the REIT for each of the current period and the relevant comparative period excluding those properties under development. NOI margin is defined as NOI divided by revenue.

- FFO is defined as net income (loss) adjusted for certain items including transaction costs, change in fair value of properties, deferred income taxes, unit expense and IFRIC 21 property tax adjustments.
- AFFO is defined as FFO adjusted for straight-line rental revenue and sustaining capital, leasing costs and tenant improvements.
- FFO payout ratio and AFFO payout ratio are defined as distributions declared divided by FFO and AFFO, respectively.
- FFO per WA unit and AFFO per WA unit are defined as FFO and AFFO divided by the weighted average class U equivalent units outstanding, respectively.
- Adjusted EBITDA is defined as NOI less other expenses.
- Interest coverage ratio is defined as adjusted EBITDA divided by cash interest paid.

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, 2016, 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 unitholders may lose all or part of their investment.

RECENT DEVELOPMENTS

The following is a summary of the key financial and operational highlights and recent developments for the REIT for the three month period ended March 31, 2017:

- Completed 276,310 square feet of leasing in the quarter, 244,035 square feet was renewals, two of which were grocery-anchor renewals and 32,275 square feet was new leasing activity. The REIT executed 10 new shop space leases at an average rental rate of \$17.00 per square foot which is \$4.87 per square foot or 40.1% higher than the weighted average in-place rent for comparable space. The weighted average retention rate was 94.8%.
- A termination agreement was reached with the grocery-anchor tenant Giant Eagle who occupied 47.3% of the GLA at Buckeye Plaza in Cleveland. The REIT received a termination payment in the amount of \$0.6 million. The termination agreement is part of a longer-term strategy to re-tenant the Giant Eagle space and reinvest capital into the property. The REIT is in advanced discussions with another grocer that would sign a long-term lease and ultimately create a longer-term driver of traffic at the centre. This is consistent with our disciplined approach to finding real estate highly sought after by wide variety of grocery anchor tenants over the long run.
- On January 20, 2017, the REIT completed a sale of 5.6 million class U units by way of a public offering of 5.2 million class U units and a private placement to the Manager of 0.4 million class U units, at a price of \$10.89 or C\$14.35 per unit, for gross proceeds to the REIT of approximately \$60.5 million or C\$79.8 million. This total includes an over-allotment option that was fully exercised by the REIT's underwriters. The costs related to the offering totaled \$2.5 million and are deducted against the cost of units issued. Net proceeds from the offering was initially used to reduce leverage, but is expected to be redrawn as needed to fund future acquisitions. During the first quarter the REIT borrowed \$33.3 million to fund the acquisition of two properties for a total purchase price of \$32.6 million (\$129 per square foot) at a weighted average capitalization rate of 7.24%. Subsequent to March 31, 2017, the REIT has announced another \$23.0 million of acquisitions.
- Rental revenue was \$27.2 million for the three month period ended March 31, 2017, which represents an increase of \$3.0 million compared to the same period in the prior year. The increase is primarily due to rental rate growth and the acquisition of 11 properties, partially offset by the loss of revenue from 7 dispositions since March 31, 2016.
- Net income was \$8.7 million for the three month period ended March 31, 2017, which represents a \$9.4 million increase from the comparative period. The increase is primarily attributed to the decrease in fair value of REIT units and exchangeable units of subsidiaries and change in fair value of properties.
- NOI was \$19.4 million for the three month period ended March 31, 2017, compared to \$17.9 million in the fourth quarter of 2016. The increase is primarily due to the \$0.6 million termination fee paid by Giant Eagle at Buckeye Plaza, the acquisition of two properties during the quarter and a full quarter of NOI results from properties acquired during the fourth quarter of 2016.
- FFO on a per unit basis has decreased by \$0.02 to \$0.32 per unit compared to \$0.34 per unit for the same quarter in the prior year as a result of timing between the aforementioned equity raise and funds redeployed.
- AFFO on a per unit basis was \$0.29 for the quarter, which represents a \$0.05 per unit increase compared to the same quarter in 2016. The increase is the result of accretive acquisitions over the comparative period and lower capital, leasing and tenant improvement spend. The REIT's AFFO pay-out ratio for the current quarter and on an annualized basis for 2017 was 71.7% and 69.8%, respectively.

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 leasing activity for the four most recent quarters:

Square feet	Deal type		Q1 2017	Q4 2016	Q3 2016	Q2 2016
Less than 10,000	Renewal	Leases signed	34	33	28	25
		Total square feet	84,293	75,918	67,458	56,067
		Average base rent	\$ 17.19	\$ 17.27	\$ 20.83	\$ 17.79
		Rental spread	2.8%	10.1%	8.4%	6.9 %
Greater than 10,000	Renewal	Leases signed	6	3	2	4
		Total square feet	159,742	55,028	33,974	147,588
		Average base rent	\$ 6.83	\$ 8.11	\$ 10.60	\$ 8.13
		Rental spread	2.6%	9.2%	9.6%	2.4 %
Total renewals (square feet)			244,035	130,946	101,432	203,655
Less than 10,000	New lease	Leases signed	10	10	11	16
		Total square feet	16,633	21,999	16,373	21,968
		Average base rent	\$ 17.00	\$ 16.48	\$ 16.56	\$ 17.47
		Rental spread	40.1%	38.8%	39.2%	50.3 %
Greater than 10,000	New lease	Leases signed	1	1	—	1
		Total square feet	15,642	105,223	—	30,000
		Average base rent	\$ 12.60	\$ 3.00	\$ —	\$ 4.25
		Rental spread	40.6%	53.7%	—%	(27.0)%
Total new leases (square feet)			32,275	127,222	16,373	51,968
Total leasing activity (square feet)			276,310	258,168	117,805	255,623

During the first quarter, management completed 244,035 square feet of renewals. The weighted average rental rate increase on renewals completed for leases less than 10,000 square feet was \$0.47 per square foot or 2.8% higher than expiring rent. The weighted average rental rate increase on renewals completed for leases greater than 10,000 square feet was \$0.17 per square foot or 2.6% higher than expiring rent. The weighted average base rent on all new leases completed less than 10,000 square feet was \$17.00 per square foot which is \$4.87 per square foot or 40.1% higher than the weighted average in-place rent for comparable space across the portfolio. These transactions compare favorably to the current weighted average in place rent of \$10.30.

Notable this quarter were the six leases totaling 159,742 square feet renewed in the greater than 10,000 square feet category. This includes the grocery-anchor renewal of Kroger at Springboro Plaza in Dayton, Ohio who accounts for more than 40% of the base rent at the center and renewed for an additional five years. In addition, grocery-anchor Save-A-Lot renewed at Field Club Commons in New Castle, PA three years in advance of their lease expiration for an additional five years.

Lease maturities

The REIT generally enters into leases with initial terms to maturity between 5 and 10 years with our grocery-anchor tenants. The initial terms to maturity for non-anchor space tends to be of a shorter duration between 3 and 5 years. The weighted average remaining term to maturity at March 31, 2017 of the REIT's grocery-anchor and non-grocery-anchor tenants was 5.4 years and 4.4 years, respectively, not including tenants on month-to-month leases. On a portfolio basis, the weighted average remaining term to maturity is 4.9 years.

The following table summarizes the composition of the remaining term to maturity of the REIT's leases at March 31, 2017:

	Weighted average term to maturity	GLA	GLA %
Grocery-anchor	5.4	3,968,924	46.6%
Non-anchor	4.4	3,886,815	45.7%
Total occupied	4.9	7,855,739	92.3%
Month-to-month		75,739	0.9%
Vacant		581,632	6.8%
Total GLA		8,513,110	100.0%

The following table shows the change in occupancy during the three month period ended March 31, 2017:

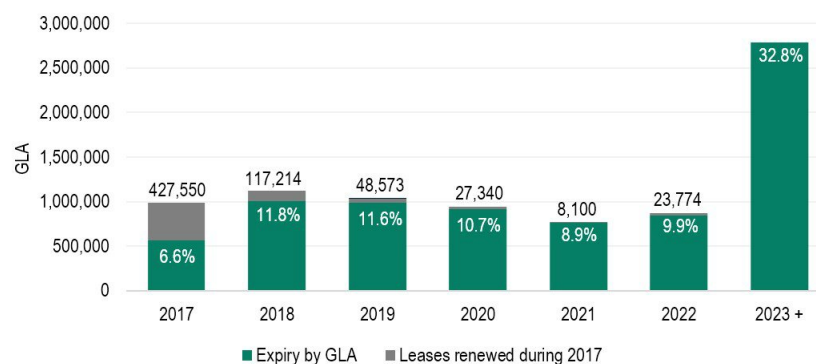
	Total GLA	Occupied GLA	Occupancy
December 31, 2016	8,335,625	7,795,388	93.6%
Acquisitions	252,620	229,206	87.2%
Disposition	(80,000)	(80,000)	100.0%
Leasing changes	—	(17,981)	N/A
Re-measurements	4,865	4,865	N/A
March 31, 2017	8,513,110	7,931,478	93.2%

Occupancy rates are recorded on lease commencement. Occupancy has decreased from 93.6% at December 31, 2016 to 93.2% at March 31, 2017. The 0.4% decrease in occupancy is primarily lower due to the 78% occupancy rate of the REIT's newly acquired property 11 Galleria, partially offset by the 100% occupancy rate at the newly acquired property Norwin Town Square and buying out Kmart at Hocking Valley, which accounted for 91,657 square feet of GLA.

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

GLA expiration	Grocery-anchor			Non-anchor			Total		
	GLA	Percentage of occupied portfolio	Average in-place rent	GLA	Percentage of occupied portfolio	Average in-place rent	GLA	Percentage of occupied portfolio	Average in-place rent
Month-to-month	—	—	\$ —	75,739	0.9%	\$ 13.80	75,739	0.9%	\$ 13.80
2017	144,298	1.7%	6.18	416,647	4.9%	10.61	560,945	6.6%	9.47
2018	549,229	6.5%	8.14	452,238	5.3%	14.39	1,001,467	11.8%	10.97
2019	540,193	6.3%	7.06	446,924	5.3%	15.04	987,117	11.6%	10.67
2020	338,193	4.0%	6.66	575,391	6.7%	11.04	913,584	10.7%	9.42
2021	215,625	2.5%	6.53	544,581	6.4%	12.28	760,206	8.9%	10.65
2022 and later	2,181,386	25.6%	9.36	1,451,034	17.1%	11.50	3,632,420	42.7%	10.22
Vacant	36,075	0.4%	n/a	545,557	6.4%	N/A	581,632	6.8%	N/A
Total / weighted average	4,004,999	47.0%	\$ 8.38	4,508,111	53.0%	\$ 12.22	8,513,110	100.0%	\$ 10.30

The following is a table of lease expiries at March 31, 2017 and pre-existing future maturities that were leased in advance during 2017.



The REIT endeavors to proactively lease upcoming expiries in advance of maturity to maintain high occupancy levels, ensure a proper mix of tenants at each property and reduce risk in the cash flow certainty related to the property. At March 31, 2017, remaining 2017 expiries totaled 560,945 square feet or 6.6% of total GLA, with 416,647 square feet or 4.9% of total GLA related to non-anchor tenants. Comparatively, at December 31, 2017 GLA expiration for the remaining 2017 year was 734,600 square feet or 8.8% of total GLA with 533,668 square feet or 6.4% of total GLA related to non-anchor tenants.

Retention rates

The REIT's asset management team strives to maintain strong relationships with all tenants, especially our grocery-anchored tenants. Since inception in 2011, the REIT has had a 100% retention rate for grocery-anchored renewals. We believe that this success has been as a result of our strong relationships with tenants, but also as a result of our diligent underwriting which in part considers the relative strength of grocery-anchors in the respective market, recent capital investment by grocers and, where possible, the profitability of the store. We expect a lower retention rate for our non-grocery-anchored tenants as a result of the dynamics and natural turnover of certain businesses over time which gives us opportunity to release space, potentially at higher rates, and improve overall credit and tenant mix.

The following are the REIT's retention rates for three month period ended March 31, 2017 and year ended December 31, 2016 for both grocery-anchor and non-grocery-anchor tenants:

Retention rate	Three months ended March 31, 2017	Year ended December 31, 2016
Grocery-anchor	100.0%	100.0%
Non-grocery-anchor	89.5%	83.8%
Net total / weighted average	94.8%	91.9%

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

	March 31, 2017	December 31, 2016	September 30, 2016	For the three months ended, June 30, 2016
Renewals:				
Square feet	244,035	130,946	101,432	203,655
Weighted average expiring rent per SF	\$ 10.13	\$ 12.22	\$ 16.02	\$ 10.34
Weighted average rent spread per SF	\$ 0.28	\$ 1.21	\$ 1.38	\$ 0.45
Vacated:				
Square feet ⁽¹⁾	28,686	19,609	31,078	15,882
Weighted average expiring rent per SF	\$ 10.01	\$ 16.83	\$ 5.64	\$ 6.69
New:				
Square feet	32,275	127,222	16,373	51,968
Weighted average expiring rent per SF	\$ 14.87	\$ 5.33	\$ 16.56	\$ 9.84
Total base rent retained	\$ 2,185	\$ 1,270	\$ 1,450	\$ 2,000
Incremental base rent	\$ 548	\$ 837	\$ 411	\$ 603

⁽¹⁾ Adjusted for lease buyouts and vacancies due to redevelopment.

In-place and market rents

The REIT's leasing activity during the three month period ended March 31, 2017 is as follows:

	GLA	Number of units	Weighted average expiring rent	Weighted average new rent
Renewed leases	244,035	40	N/A	\$ 10.41
New leases	32,275	11	N/A	14.87
Total / weighted average	276,310	51	N/A	\$ 10.93
Less, leases not renewed / vacated during term ⁽¹⁾	(28,686)	(12)	10.01	N/A
Net total / weighted average	247,624	39		\$ 10.93

⁽¹⁾ Adjusted for lease buyouts and vacancies due to redevelopment.

During the first quarter the REIT completed 276,310 square feet of leasing activity, which represents 3.2% of the REIT's portfolio. This level of leasing is consistent with our strategy of actively managing our properties to create value through a hands-on approach.

ACQUISITIONS

The REIT acquired two properties during the three month period ended March 31, 2017, as summarized below:

Property	Purchase date	MSA	Purchase price	SF	Price per SF	Anchor tenant
Norwin Town Square	January 11, 2017	Pittsburgh	\$ 18,925	147,012	\$ 129	Shop 'n Save
11 Galleria	February 21, 2017	Greenville	13,650	105,608	129	The Fresh Market
Total / weighted average			\$ 32,575	252,620	\$ 129	

The aforementioned properties were acquired by the REIT for a total of \$32.6 million, totaling 252,620 square feet (\$129 price per square foot) at an estimated weighted average capitalization rate of 7.24%. Each asset is leased with strong grocery anchor tenants.

DISPOSITIONS

During the three month period ended March 31, 2017, the REIT disposed of a non-core outparcel at North Branch Marketplace located in North Branch, Minnesota for \$11.3 million. The sale was completed on March 1, 2017.

There are no fees incurred by the REIT to the Manager in relation to the disposition of properties.

This sale exemplifies the REIT's strategy by reinvesting funds from non-core assets into the purchase of well-located properties that can be enhanced through leasing, extending term and proactive asset management to increase cash flow and as a result value. Capital gains related to the REIT's property dispositions have been deferred for U.S. tax purposes under Section 1031 of the U.S. Internal Revenue Code (a "Section 1031 Deferral"), whereby the proceeds from dispositions are reinvested in acquisitions of the REIT. Any capital gains deferred for U.S. tax purposes using a Section 1031 Deferral are not deferred for Canadian taxation purposes in determining taxable income allocations for holders of REIT units.

PROPERTY PROFILE

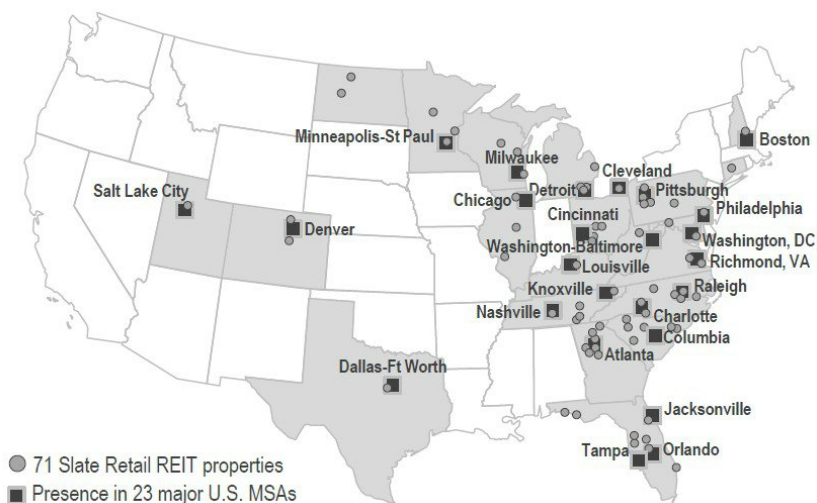
The REIT's property portfolio at March 31, 2017 comprises 71 grocery-anchored retail commercial properties with 8.5 million square feet of GLA located in the U.S. For a listing of all of the REIT's properties refer to "PART VI – PROPERTY TABLES" of this MD&A.

Geographic overview

The REIT's portfolio is geographically diversified. As of March 31, 2017, the REIT's 71 properties were located in 21 states with a presence in 23 major MSAs. The REIT has 26 properties, or 36.6% of the total portfolio, located in the U.S. Sunbelt region. Markets within this region benefit from strong underlying demographic trends, above average employment and population growth. This provides the REIT opportunities to progressively drive operational efficiencies and sustainable growth.

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

State	Number of assets	Total SF	Occupied SF	Percentage of revenue	Occupancy
Pennsylvania	6	916,638	856,789	9.1%	93.5%
North Carolina	7	862,948	810,109	10.4%	93.9%
Florida	8	804,672	745,461	10.2%	92.6%
Georgia	7	775,851	706,632	9.0%	91.1%
Ohio	5	685,784	556,299	5.5%	81.1%
South Carolina	6	580,689	552,776	6.3%	95.2%
Tennessee	5	559,187	531,735	5.6%	95.1%
Michigan	4	501,359	478,608	5.9%	95.5%
West Virginia	2	387,162	374,702	3.3%	96.8%
Minnesota	3	342,032	326,682	4.4%	95.5%
Wisconsin	3	294,233	288,328	3.5%	98.0%
Illinois	3	269,847	240,194	3.2%	89.0%
North Dakota	2	261,578	260,287	4.8%	99.5%
Colorado	2	203,829	189,104	2.9%	92.8%
Virginia	2	203,434	191,434	2.4%	94.1%
New Hampshire	1	187,001	175,181	2.6%	93.7%
Texas	1	167,961	164,361	2.0%	97.9%
Maryland	1	147,803	136,105	3.8%	92.1%
Connecticut	1	142,880	142,880	2.5%	100.0%
Utah	1	127,231	118,120	1.4%	92.8%
Kentucky	1	90,991	85,691	1.2%	94.2%
Total	71	8,513,110	7,931,478	100%	93.2%



Anchor tenants

The REIT endeavors to own properties with anchors who are dominant in their respective regions in terms of operational scale and sales. Accordingly, our anchor tenants typically are either the first or second dominant store in their respective area in terms of market share. The following table identifies the REIT's largest anchor tenants including their annual minimum rent, the number of stores, GLA as a percentage of the total portfolio and the percentage of base rent. The Kroger Co. represents the REIT's largest tenant by base rent with a total of 18 stores and 7.7% of base rents.

The largest 15 tenants account for 47.6% of total GLA and 42.3% of base rent as follows:

Parent company	Store brands	Grocery	Stores	% GLA	Base rent	% Base rent
The Kroger Co.	Kroger, Pick 'n Save	Y	18	11.9%	\$ 6,326	7.7%
Southeastern Grocers	Winn Dixie, BI-LO	Y	10	5.3%	4,422	5.4%
Walmart Inc.	Wal-Mart, Sam's Club	Y	5	7.8%	3,901	4.8%
Koninklijke Ahold Delhaize N.V.	Stop & Shop, GIANT, Food Lion, Hannaford	Y	4	2.8%	3,801	4.8%
SuperValu Inc.	Various ⁽¹⁾	Y	7	4.1%	3,381	4.1%
Publix Supermarkets, Inc.	Publix	Y	7	3.7%	2,634	3.2%
Alex Lee Inc.	Lowes Foods	Y	4	2.1%	1,935	2.4%
Coborn's, Inc.	CashWise	Y	2	1.4%	1,853	2.3%
Albertsons	Jewel-Osco, Safeway	Y	3	2.0%	1,164	1.4%
Dollar Tree Inc.	Dollar Tree, Family Dollar	N	12	1.3%	1,108	1.4%
Schnuck Markets, Inc.	Schnucks	Y	2	1.2%	1,082	1.3%
Giant Eagle Inc.	Giant Eagle	Y	2	1.4%	854	1.0%
K-VA-T Food Stores, Inc.	Food City	Y	2	1.1%	732	0.9%
LA Fitness	LA Fitness	N	1	0.7%	693	0.8%
Planet Fitness	Planet Fitness	N	4	0.8%	679	0.8%
Total			83	47.6%	\$ 34,565	42.3%

⁽¹⁾ Store brands include Cub Foods, Farm Fresh, Save-A-Lot, County Market and Shop 'n Save.

Development costs

Development capital spent during the three month period ended March 31, 2017 is as follows:

	Three months ended March 31, 2017
Hocking Valley	\$ 93
North Augusta	2,798
Other development costs ⁽¹⁾	22
Total	\$ 2,913

⁽¹⁾ Other development costs relate to new outparcel development as well as other planning and work completed in advance of potential redevelopment projects.

Hocking Valley is a current 179,415 square foot centre located in Lancaster, Ohio, which is anchored by the Kroger Co. in an existing 55,160 square foot store layout. The REIT has undertaken a redevelopment of the property in order to expand the existing Kroger format into their new larger format store, characterized by 100,000 plus square foot formats containing multiple departments in addition to a full-service grocer, including pharmacy, health and beauty care, home furnishings, bed and bath, and toys and apparel. The proposed layout would feature a dedicated pharmacy with drive-through and grocery pick-up lanes (ClickList), under a 20-year ground lease. The REIT expects to invest approximately \$8.5 million of additional development capital in order to complete the redevelopment by mid-2018. As of March 31, 2017, the REIT completed the demolition of the Kmart space. Kroger will commence the build and fit-out of the unit with expected completion in early 2018. The REIT will continue the majority of its redevelopment work thereafter which includes an updated façade, improved common areas and the backfill of the existing Kroger box.

North Augusta is a Publix anchored centre that the REIT purchased at an existing estimated 8.8% capitalization rate. The property was leased to Kmart, whose lease was strategically terminated, which provided for the redevelopment and releasing of the existing space to five new tenants, anchored by Ross Dress for Less, a strong investment grade covenant, and Burkes Outlet, Petsmart and Rack Room Shoes. The addition of the new junior anchor tenants has spurred interest from other national tenants including Chipotle who will be opening a 2,300 square foot drive-through restaurant at the entrance of the property. The REIT is also undertaking to provide a new modern facade, as well as other improvements throughout the centre that will meaningfully improve the appearance and layout. The redevelopment is expected to require an additional \$5.3 million and be

completed by mid-2017. The redevelopment, when complete, will significantly increase the weighted average term and result in a 114% increase in base rents for our new tenants relative to what Kmart was paying prior to termination.

North Augusta Plaza redevelopment rendering



The REIT continued to make progress at both Hocking Valley and North Augusta in the first quarter of 2017. Each of these redevelopments provides the opportunity for the REIT to dramatically change the footprint and appearance of the assets, with strong anchor tenants operating improved formats under long-term leases and growing cash flows.

County Line is a well located, former grocery-anchored center in the Philadelphia MSA. The previous grocer vacated the location due to its parent company's bankruptcy. While Management continues to have discussions with competing grocers, there is also a redevelopment opportunity to re-purpose the vacant anchor box as well as a vacant out-parcel building that together comprise approximately 55% of the GLA. Management is in the early stages of evaluating the redevelopment scenario and are in discussions with a number of potential tenants.

Buckeye Plaza is a neighborhood shopping center located in a densely-populated trade area in close proximity to downtown Cleveland. At the end of the first quarter, a termination agreement was reached with the grocery-anchor tenant Giant Eagle who occupied 47.3% of the GLA. The termination agreement is part of a longer-term strategy to re-tenant the Giant Eagle space who had given notice they were not going to extend beyond their 2018 expiry. We are in advanced discussions with another grocer that would sign a long-term lease and ultimately create a longer-term driver of traffic at the center. The termination payment from Giant Eagle is anticipated to cover a majority of the capital that is required to re-tenant the former Giant Eagle space and as such would be reinvested back into the property. While the total revenue resulting from the redevelopment is quite insignificant relative to the portfolio as a whole, we believe it highlights the importance of our disciplined approach to finding real estate that will be highly sought after by a wide variety of grocery anchor tenants over the long run.

IFRS FAIR VALUE

The REIT's property portfolio at March 31, 2017 had an estimated IFRS fair value of \$1.1 billion, using a weighted average capitalization rate of 7.09%. Overall, the average estimated IFRS value per square foot of the REIT's portfolio is \$130.

The following table presents a summary of the capitalization rates used to estimate the fair value of the REIT's properties at March 31, 2017 and December 31, 2016:

Direct capitalization rates	March 31, 2017	December 31, 2016
Minimum	6.25%	6.00%
Maximum	9.00%	9.00%
Weighted average	7.09%	7.12%

The three month period ended March 31, 2017 weighted average capitalization rate decreased from 7.12% at December 31, 2016 to 7.09%. Management decreased certain capitalization rates during the quarter primarily as a result of value-add asset management activities including anchor tenant renewals, improved credit, higher occupancy and capital spend.

The REIT continues to make progress at both North Augusta and Hocking Valley. At North Augusta, the REIT is re-tenanting the space with Ross Dress for Less, Burke's Outlet, Petsmart, and Rack Room Shoes. The weighted average increase in rental rate will be 114.0% and the lease term will increase to 10.0 years from 2.6 years. At Hocking Valley, the REIT commenced redevelopment and expects to re-lease the shop space at meaningful rent increases as a result of these improvements. Subsequent to completing these transactions we decreased the capitalization rate applied to the property to reflect the reduced risk and enhanced cash flow certainty.

The fair value of properties is measured individually without consideration to their aggregate value on a portfolio basis. No consideration is given to diversification benefits related to single property tenant risk and geography, the value of assembling a portfolio or to the utilization of a common

management platform, amongst other benefits. As a result, the fair value of the REIT's properties taken in aggregate may differ from the fair value of properties measured individually in the REIT's consolidated statements of financial position.

The change in properties is as follows:

	Three months ended March 31,	
	2017	2016
Beginning of the period	\$ 1,072,923	\$ 978,526
Acquisitions	33,453	21,270
Capital	526	752
Leasing costs	101	323
Tenant improvements	244	1,666
Development and expansion capital	2,913	327
Straight-line rent	401	427
Dispositions	(11,250)	(9,100)
IFRIC 21 property tax adjustment	(9,486)	(8,724)
Change in fair value	14,638	12,108
End of the period	\$ 1,104,463	\$ 997,575

The fair value of the REIT's income-producing properties and properties under redevelopment for the three month period ended March 31, 2017 and 2016, respectively, is as follows:

	March 31, 2017	March 31, 2016
Income-producing properties	\$ 1,052,107	\$ 955,884
Properties under redevelopment	52,356	41,691
Total	\$ 1,104,463	\$ 997,575

During the three month period ended March 31, 2017, the REIT incurred \$0.9 million on capital, leasing costs and tenant improvements. Such costs are generally expended for purposes of tenanting and extending existing leases, which create value at the REIT's properties and the portfolio as a whole by increasing contractual cash flow through new and extended leases. The REIT will continue to capitalize on opportunities to revitalize, undertake space improvements and generally maintain the high quality of our properties and tenants, such as the programs we have undertaken at North Augusta and Hocking Valley. These expenditures can vary from period to period, at times significantly, depending upon the timing of lease expiries, re-leasing and our capital plan for the period.

Fair value adjustments on properties

For the three month period ended March 31, 2017 and 2016, the REIT recorded a fair value gain on properties of \$14.6 million and \$12.1 million, respectively. The fair value gain for the first quarter of 2017 and 2016 is attributed to change in valuation parameters and cash flows and changes in IFRIC 21 property tax adjustments.

The fair value change of 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 of each year, with a corresponding increase to the fair value of properties that is reversed as the liability is settled through property tax installments.

The change in fair value of properties recorded in income excludes the impact of 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.

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

	Three months ended March 31,	
	2017	2016
Valuation parameters and cash flows	\$ 6,431	\$ 4,181
Transaction costs capitalized	(878)	(370)
IFRIC 21 property tax adjustment	9,486	8,724
Adjusted for straight-line rent	(401)	(427)
Total	\$ 14,638	\$ 12,108

STRATEGIC ACQUISITION LOANS

Management has identified, in consultation with certain of its existing tenants, non-grocery-anchored retail properties that have the potential for a conversion to grocery-anchored retail malls. These acquisition targets are primarily characterized by under-managed properties, often with under-capitalized owners, where the opportunity exists to re-imagine and modernize the asset. This conversion opportunity involves bringing a current grocery store format and size to the property coupled with improvements and re-tenanting of the shop space.

The REIT has undertaken an arrangement to take advantage of these opportunities in conjunction with a U.S. based entity in which Slate has a significant interest. These loans will provide the REIT with the opportunity to earn an 8% return on the capital committed, establish a pipeline of new format grocery-anchored retail assets, strengthen its relationships with tenants as a strategic partner, and limits the risk to the REIT of an unsuccessful conversion and development of an asset from its current format to a modern format and size grocery-anchored retail mall.

Under this arrangement, the REIT has the option to provide loans, secured by the properties, to an entity in which Slate has a significant interest, whereby Slate will undertake the acquisition and conversion of the assets to grocery-anchored retail malls. In cases where the REIT provides a loan in respect of a conversion property it will earn an 8% return on the amount advanced and will, in turn, have the ability, but not the obligation, to purchase the property upon conversion of the property to a grocery-anchored retail mall. Additionally, prior to Slate purchasing any property, the REIT has the right of first refusal to purchase the property and undertake the conversion itself.

One loan has been made to date in the amount of \$8.9 million. The loan, advanced in October 2015, is in the amount of \$7.7 million, bears interest at 8.0% and matures on October 19, 2020. On March 8, 2017, the REIT provided an additional \$1.2 million under the loan arrangement. This loan is recorded as a note receivable within the other assets account balance on the REIT's consolidated statements of financial position.

PART III – RESULTS OF OPERATIONS

SUMMARY OF SELECTED QUARTERLY INFORMATION

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

Quarter ended	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015
Rental revenue	\$ 27,233	\$ 25,044	\$ 23,699	\$ 24,088	\$ 24,205	\$ 23,104	\$ 22,416	\$ 17,913
Property operating expenses ⁽¹⁾	(16,907)	(3,771)	(3,221)	(3,158)	(15,425)	(3,409)	(2,953)	(2,379)
Straight-line rent revenue	(401)	(287)	(453)	(415)	(427)	(412)	(490)	(363)
IFRIC 21 property tax adjustment ⁽¹⁾	9,486	(3,055)	(3,006)	(3,077)	8,724	(3,035)	(2,666)	(2,269)
NOI	\$ 19,411	\$ 17,931	\$ 17,019	\$ 17,438	\$ 17,077	\$ 16,248	\$ 16,307	\$ 12,902
Class U units outstanding	41,031	35,456	35,440	35,425	31,858	31,829	31,977	32,588
WA units	39,847	35,494	35,469	34,627	31,872	31,957	32,253	27,732
Net income (loss)	8,652	(12,397)	(15,309)	(605)	(760)	(760)	2,936	(16,956)
Net income (loss) per WA units	\$ 0.22	\$ (0.35)	\$ (0.43)	\$ (0.02)	\$ (0.02)	\$ (0.02)	\$ 0.09	\$ (0.61)
NAV	\$ 541,819	\$ 473,804	\$ 470,565	\$ 468,718	\$ 427,324	\$ 419,338	\$ 413,908	\$ 417,912
NAV per unit	\$ 13.21	\$ 13.36	\$ 13.28	\$ 13.23	\$ 13.41	\$ 13.17	\$ 12.94	\$ 12.82
Distributions	\$ 8,308	\$ 7,179	\$ 6,990	\$ 6,894	\$ 6,201	\$ 6,090	\$ 6,070	\$ 5,227
Distributions per unit	\$ 0.2025	\$ 0.2025	\$ 0.1973	\$ 0.1947	\$ 0.1947	\$ 0.1890	\$ 0.1890	\$ 0.1890
FFO ⁽²⁾	\$ 12,859	\$ 8,688	\$ 11,193	\$ 11,998	\$ 10,685	\$ 10,543	\$ 10,793	\$ 8,518
FFO per WA units ⁽²⁾	\$ 0.32	\$ 0.24	\$ 0.32	\$ 0.35	\$ 0.34	\$ 0.33	\$ 0.33	\$ 0.31
AFFO ⁽²⁾	\$ 11,587	\$ 7,110	\$ 9,114	\$ 10,208	\$ 7,517	\$ 8,565	\$ 8,725	\$ 7,672
AFFO per WA units ⁽²⁾	\$ 0.29	\$ 0.20	\$ 0.26	\$ 0.29	\$ 0.24	\$ 0.27	\$ 0.27	\$ 0.28
Total assets	\$1,158,102	\$1,114,606	\$1,076,668	\$1,072,823	\$1,033,985	\$1,013,481	\$ 971,721	\$ 919,249
Debt	\$ 597,787	\$ 624,892	\$ 589,213	\$ 589,731	\$ 592,297	\$ 581,023	\$ 542,159	\$ 487,376
Debt / GBV	51.6%	56.1%	54.7%	55.0%	57.3%	57.3%	55.8%	53.0%
Number of properties	71	69	64	68	66	66	64	59
% leased	93.2%	93.5%	93.6%	95.0%	94.4%	94.7%	95.1%	95.3%
GLA	8,513,110	8,335,625	7,841,401	7,941,699	7,726,055	7,581,846	7,359,096	6,972,001
Grocery-anchored GLA	3,968,924	3,909,716	3,669,595	3,776,105	3,691,654	3,585,268	3,501,935	3,212,061

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

⁽²⁾ In the fourth quarter of 2016, the REIT completed a defeasance of a mortgage during the fourth quarter, at a cost of \$4.5 million representing the excess of the U.S. Treasury securities required to be funded over the outstanding principal balance of the mortgage. A \$2.8 million charge to income was recorded which was determined as the \$4.5 million cost, less \$1.7 million, representing the unamortized mark-to-market premium associated with the mortgage. Adjusting to exclude the impact of the defeasance of a mortgage, FFO and FFO payout ratio would be \$0.32 per unit and 72.1%, respectively and AFFO and AFFO payout ratio would be \$0.28 and 83.6%, respectively.

REVENUE

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

Rental revenue for the three month period ended March 31, 2017 was \$27.2 million, which represents an increase of \$3.0 million since the same period in the prior year. The increase is primarily due to the termination fee of \$0.6 million paid by Giant Eagle at Buckeye Plaza, Ohio, the acquisition of 11 properties and increases in rental rates from re-leasing, partially offset by non-cash straight-line rent impacts because of stepped rent increases and the loss of revenue from 7 dispositions, including a non-core outparcel since March 31, 2016.

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 \$1.5 million for the three month period ended March 31, 2017 compared to the same period in 2016. The increase is primarily due to incremental costs associated with 11 properties acquired and the application of IFRIC 21 property tax adjustments, partially offset by 7 dispositions, including a non-core outparcel since March 31, 2016.

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

OTHER EXPENSES

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

	Three months ended March 31,		
	2017	2016	Variance
Asset management	\$ 1,099	\$ 1,008	\$ 91
Professional fees and other	615	808	(193)
Franchise and business taxes	305	624	(319)
Total	\$ 2,019	\$ 2,440	\$ (421)
% of total assets	0.2%	0.3%	(0.1)%
% of total revenue	7.4%	10.1%	(2.5)%

Other expenses for the three month period ended March 31, 2017 decreased by \$0.4 million since the comparative quarter. The decrease is mainly due to variations in franchise and business taxes and reduced bad debt expense.

INTEREST EXPENSE AND OTHER FINANCING COSTS, NET

	Three months ended March 31,		
	2017	2016	Variance
Interest on debt and finance charges	\$ 4,678	\$ 4,481	\$ 197
Interest rate swap, net settlement	234	—	234
Interest income on investments	(13)	(13)	—
Interest income on notes receivable	(158)	(151)	(7)
Amortization of finance charges	294	361	(67)
Amortization of mark-to-market premium	(86)	(286)	200
Interest income on TIF notes receivable	(31)	(57)	26
Interest expense on TIF notes payable	38	66	(28)
Amortization of deferred gain on TIF notes receivable	(22)	(22)	—
Total	\$ 4,934	\$ 4,379	\$ 555

Interest expense and other finance costs, net consists of interest paid on the various credit facilities and the interest rate swap contract, 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 \$0.2 million higher for the three month period ended March 31, 2017 at \$4.7 million, compared to the same quarter in the prior year. The increase is primarily due to revolver drawdowns for the acquisition of certain properties since the comparative period and increase in one-month U.S. LIBOR from 0.51% at March 31, 2016 to 0.79% at March 31, 2017 in relation to the REIT's floating rate debt, and interest

expense of \$0.2 million due to the REIT's interest rate swap. These increases were partially offset by a \$33.4 million pay down in the revolver funded by the REIT's rights offering completed on April 19, 2016, the defeasance of \$26.7 million of mortgage debt on December 15, 2016 and a \$58.1 million repayment in the revolver funded by the REIT's equity offering completed on January 20, 2017.

The REIT does not capitalize interest for its projects under development. To date, redevelopment spend has been funded by from cash from operations. Interest expense is recognized as incurred in income.

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 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 March 31, 2017 was \$10.96 (December 31, 2016 – \$11.21). Changes in fair value of REIT units and exchangeable units of subsidiaries are non-cash in nature and are required to be recorded in income under IFRS.

For the three month period ended March 31, 2017, the REIT recognized an unrealized fair value gain of \$5.2 million and \$0.6 million on the REIT units and exchangeable units of subsidiaries respectively, as a result of a decrease in fair value per unit.

NET INCOME (LOSS)

Net income for the three month period ended March 31, 2017 was \$8.7 million, which represents a \$9.4 million increase from the comparative period. The increase is attributed to the decrease in fair value of REIT units and exchangeable units of subsidiaries of \$8.2 million, change in fair value of properties of \$2.5 million and 11 acquisitions since March 31, 2016, partially offset by the aforementioned decreases in rental revenue.

NOI

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

The following is a calculation of NOI for the three month period ended March 31, 2017 compared to the same period in the prior year:

	Three months ended March 31,		
	2017	2016	Variance
Rental revenue	\$ 27,233	\$ 24,205	\$ 3,028
Straight-line rent revenue	(401)	(427)	26
Property operating expenses	(16,907)	(15,425)	(1,482)
IFRIC 21 property tax adjustment	9,486	8,724	762
NOI	\$ 19,411	\$ 17,077	\$ 2,334
NOI margin	71.3%	70.6%	0.7%

NOI for the three month period ended March 31, 2017 and 2016 was \$19.4 million and \$17.1 million respectively, which represents an increase of \$2.3 million. This increase is primarily due to the acquisition of 11 properties and the \$0.6 million termination fee paid by Giant Eagle at Buckeye Plaza, Ohio and increases in rental rates from re-leasing, partially offset by the loss of revenue from 7 dispositions, including a non-core outparcel since the first quarter of 2016.

SAME-PROPERTY NOI

Same-property NOI is a non-IFRS measure and is defined by the REIT as rental revenue, excluding non-cash straight-line rent, less property operating cost expenses after adjusting for the impact of IFRIC 21 property tax accounting adjustments for those properties owned by the REIT for the entirety of each of the current period and the relevant comparative period excluding those properties under development. For the three month period ended March 31, 2017, the same-property portfolio is comprised of a portfolio of 56 properties owned and in operation for each of the entire three month periods ended March 31, 2017 and 2016.

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

The following is a summary of same-property NOI and the related occupancy rates for the three month period ended March 31, 2017 as compared to the same period in the prior year reconciled to total NOI:

	Number of properties	Three months ended March 31,			
		2017	2016	Variance	% change
Same-property NOI	56	\$ 16,187	\$ 15,490	\$ 697	4.5 %
NOI attributed to properties under development	3	314	578	(264)	(45.7)%
NOI attributable to acquisitions	12	2,773	151	2,622	1,736.4 %
NOI attributable to dispositions	7	137	858	(721)	(84.0)%
Total NOI		\$ 19,411	\$ 17,077	\$ 2,334	
Occupancy					
Occupancy, same-property	56	95.0%	94.8%	0.2 %	
Occupancy, properties under development	3	66.2%	87.7%	(21.5)%	
Occupancy, acquisitions	12	94.5%	95.4%	(0.9)%	
Occupancy, dispositions	7	96.1%	95.0%	1.1 %	
Total occupancy		93.2%	94.4%	(1.2)%	

Same-property NOI increased by \$0.7 million for the three month period ended March 31, 2017 over the comparative period. The increase is due to \$0.6 million termination fees paid by Giant Eagle at Buckeye Plaza, Ohio, increased in rental rates from re-leasing and increased occupancy.

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

	Number of properties	Same-property NOI	Same-property % change
Q1 2016	40	\$ 10,409	(1.0)%
Q2 2016	41	11,101	(1.0)%
Q3 2016	49	13,791	0.7 %
Q4 2016	49	15,229	2.5 %
Q1 2017 ⁽¹⁾	56	\$ 16,187	4.5 %

⁽¹⁾ Excluding for the termination payment at Buckeye Plaza in 2017 of \$0.6 million and Plaza St. Clair in 2016 of \$0.3 million, the same-property growth would have been \$0.5 million or 3.0%.

CHANGES TO THE DETERMINATION OF AFFO

The REIT has changed its methodology to calculate AFFO in the current period. In February 2017, the Real Property Association of Canada ("REALPAC") issued its White Paper on FFO and AFFO for IFRS. Accordingly, the REIT has adopted the definition of AFFO provided by REALPAC, beginning for periods beginning on or after January 1, 2017. The REIT has restated prior periods on a retrospective basis in order to maintain comparability.

AFFO is now calculated as FFO adjusted for straight-line rental revenue and sustaining capital, leasing costs and tenant improvements. Accordingly, AFFO does not include the impact of 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, and the amortization of finance and mark-to-market charges.

The following shows the difference between the REIT's historically reported AFFO and the revised calculation on a dollar basis, per unit basis and the impact on the REIT's AFFO payout ratio.

	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015
AFFO								
Previously reported	\$ 5,557	\$ 9,205	\$ 10,194	\$ 7,598	\$ 8,647	\$ 8,812	\$ 7,712	\$ 6,590
Income support payments	—	—	—	(6)	(9)	(9)	(9)	(3)
Adjustments to TIF Notes	—	—	—	—	(14)	(15)	(14)	(13)
Mark-to-market amounts on defeased debt	1,696	—	—	—	—	—	—	—
Amortization of finance charges	(331)	(279)	(172)	(361)	(247)	(252)	(201)	(189)
Amortization of debt mark-to-market adjustments	188	188	186	286	188	189	184	195
Revised ⁽¹⁾	\$ 7,110	\$ 9,114	\$ 10,208	\$ 7,517	\$ 8,565	\$ 8,725	\$ 7,672	\$ 6,580

AFFO per WA unit

Previously reported	\$ 0.16	\$ 0.26	\$ 0.29	\$ 0.24	\$ 0.27	\$ 0.27	\$ 0.28	\$ 0.32
Revised	0.20	0.26	0.29	0.24	0.27	0.27	0.28	0.31
Difference ⁽¹⁾	\$ (0.04)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 0.01

AFFO payout ratio

Previously reported	129.2%	75.9 %	67.6%	81.6 %	70.4 %	68.9 %	67.8 %	62.8 %
Revised	101.0%	76.7 %	67.5%	82.5 %	71.1 %	69.6 %	68.1 %	62.9 %
Difference	28.2%	(0.8)%	0.1%	(0.9)%	(0.7)%	(0.7)%	(0.3)%	(0.1)%

⁽¹⁾ AFFO of \$7.1 million or \$0.20 per unit, represents a \$1.6 million or \$0.04 per unit increase from previously reported figures due to the exclusion of unamortized mark-to-market premium associated with the loss on the defeasance of the mortgage of \$1.7 million of \$0.05 per unit.

FFO

FFO is a non-IFRS measure and real estate industry standard for evaluating operating performance. The REIT calculates FFO in accordance with the definition provided by the REALPAC in its White Paper on FFO and AFFO for IFRS, as revised in February 2017. 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.

In calculating FFO, the REIT makes adjustments to the change in the fair value of properties, deferred income taxes, unit expense and IFRIC 21. Leasing costs relating to salaried or full-time staff, directly attributed to leasing are not capitalized by the REIT and therefore excluded in the determination of FFO.

The following is a reconciliation of net income (loss) to FFO:

	Three months ended March 31,		
	2017	2016	Variance
Net income (loss)	\$ 8,652	\$ (760)	\$ 9,412
Acquisition and disposition costs	354	140	214
Change in fair value of properties	(14,638)	(12,108)	(2,530)
Deferred income taxes	6,552	5,068	1,484
Unit expense	2,453	9,621	(7,168)
IFRIC 21 property tax adjustment	9,486	8,724	762
FFO	\$ 12,859	\$ 10,685	\$ 2,174
FFO per WA unit	\$ 0.32	\$ 0.34	\$ (0.02)
WA number of units outstanding	39,847	31,872	7,975

The following is a calculation of FFO from NOI:

	Three months ended March 31,		
	2017	2016	Variance
NOI	\$ 19,411	\$ 17,077	\$ 2,334
Straight-line rent revenue	401	427	(26)
Other expenses	(2,019)	(2,440)	421
Cash interest, net	(4,726)	(4,304)	(422)
Finance charge and mark-to-market adjustments	(208)	(75)	(133)
FFO	\$ 12,859	\$ 10,685	\$ 2,174
FFO per WA unit	\$ 0.32	\$ 0.34	\$ (0.02)
WA number of units outstanding	39,847	31,872	7,975

FFO for the three month period ended March 31, 2017 was \$12.9 million which represents a \$2.2 million increase from the comparative period. The increase mainly due to the aforementioned increases in NOI and decreases in other expenses, partially offset by increased financing costs.

AFFO

The REIT calculates AFFO in accordance with the definition provided by the REALPAC in its White Paper on FFO and AFFO for IFRS, as revised in February 2017. AFFO is a non-IFRS measure that is widely used by the real estate industry and investors to measure recurring economic earnings, after certain capital costs, leasing costs, tenant improvements and the impact of non-cash revenue. It is also a meaningful measure used to evaluate the cash available for distribution to unitholders.

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

The following is a reconciliation of FFO to AFFO:

	Three months ended March 31,		
	2017	2016	Variance
FFO	\$ 12,859	\$ 10,685	2,174
Straight-line rental revenue	(401)	(427)	26
Capital	(526)	(752)	226
Leasing costs	(101)	(323)	222
Tenant improvements	(244)	(1,666)	1,422
AFFO	\$ 11,587	\$ 7,517	\$ 4,070
AFFO per WA unit	\$ 0.29	\$ 0.24	\$ 0.05
WA number of units outstanding	39,847	31,872	7,975

The following is a reconciliation of net income (loss) to AFFO:

	Three months ended March 31,		
	2017	2016	Variance
Net income (loss)	\$ 8,652	\$ (760)	\$ 9,412
Acquisition and disposition costs	354	140	214
Change in fair value of properties	(14,638)	(12,108)	(2,530)
Deferred income taxes	6,552	5,068	1,484
Unit expense	2,453	9,621	(7,168)
IFRIC 21 property tax adjustment	9,486	8,724	762
FFO	\$ 12,859	\$ 10,685	\$ 2,174
Straight-line rental revenue	(401)	(427)	26
Capital	(526)	(752)	226
Leasing costs	(101)	(323)	222
Tenant improvements	(244)	(1,666)	1,422
AFFO	\$ 11,587	\$ 7,517	\$ 4,070

The following is a calculation of AFFO from NOI:

	Three months ended March 31,		
	2017	2016	Variance
NOI	\$ 19,411	\$ 17,077	\$ 2,334
Other expenses	(2,019)	(2,440)	421
Cash interest, net	(4,726)	(4,304)	(422)
Finance charge and mark-to-market adjustments	(208)	(75)	(133)
Capital	(526)	(752)	226
Leasing costs	(101)	(323)	222
Tenant improvements	(244)	(1,666)	1,422
AFFO	\$ 11,587	\$ 7,517	\$ 4,070

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

	Three months ended March 31,		
	2017	2016	Variance
Cash flow from operations	\$ 13,728	\$ 11,833	\$ 1,895
Changes in non-cash working capital items	(1,602)	(1,817)	215
Acquisition and disposition costs	354	140	214
Finance charge and mark-to-market adjustments	(208)	(75)	(133)
Interest, net and TIF note adjustments	186	177	9
Capital	(526)	(752)	226
Leasing costs	(101)	(323)	222
Tenant improvements	(244)	(1,666)	1,422
AFFO	\$ 11,587	\$ 7,517	\$ 4,070

AFFO was \$11.6 million for the three month period ended March 31, 2017, which represents a \$4.1 million increase from the same period in the 2016 year. This increase is due to aforementioned increases in FFO and decrease in capital, leasing costs and tenant improvements.

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

Capital, leasing costs and tenant improvements

During the first quarter capital improvements were completed across the portfolio. The majority of capital improvements were completed concurrent to leasing at our properties with the remainder as minor improvements. The remaining leasing costs were generally related to the high volume of new and renewal activity totaling 51 leases executed and generally well spread out across each deal with no one deal representing a large percentage of the total spend. Leasing costs to secure new tenants are generally higher than the costs to renew in place tenants. In addition to property reinvestment, the leasing capital was comprised of fees related to tenant improvement allowances and other direct leasing costs, such as broker commissions and legal costs. To date the REIT has funded capital and leasing costs using cash flows from operations.

DISTRIBUTIONS

The REIT's monthly distribution to unitholders is \$0.0675 per class U unit or \$0.81 per class U unit on an annualized basis. Class A and I unitholders of REIT units are entitled to a distribution equal to a class U unit distribution multiplied by 1.0078 and 1.0554, respectively. Holders of exchangeable units of subsidiaries are entitled to a distribution equal to a class U unit distribution. Distributions paid on REIT units and exchangeable units of subsidiaries are recorded as unit expense.

Distributions were \$8.3 million and \$6.2 million for the three month period ended March 31, 2017 and 2016, respectively. The distribution amount has increased by \$2.1 million over the comparative period primarily due to the April 19, 2016 rights offering, the 4% distribution increase in September 2016 and the January 20, 2017 equity offering.

The REIT's Distribution Reinvestment Plan ("DRIP") is a non-cash distribution that has an effect of increasing the number of REIT units outstanding, which will cause cash distributions to increase over time assuming stable per unit cash distribution levels. Management will continue to assess the sustainability of cash and non-cash distributions in each financial reporting period. The REIT has determined it has sufficient cash flow from operations for to satisfy distributions declared.

Taxation of distributions

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

Taxation year	Return of capital	Capital gains	Other income
2016 per \$ of distribution	35.0%	—	65.0%
2015 per \$ of distribution (January to May) ⁽¹⁾	45.0%	—	55.0%
2015 per \$ of distribution (June to December) ⁽¹⁾	39.0%	—	61.0%
2014 per \$ of distribution	48.0%	—	52.0%

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

FFO payout ratio

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

The FFO payout ratio was 64.6% and 58.0% for the three month period ended March 31, 2017 and 2016 respectively, representing a 6.6% increase. The increase is the result of the acquisition of 11 properties, partially offset by the loss of revenue from 7 dispositions, including a non-core outparcel, since March 31, 2016 and increased distributions.

On a pro forma basis, using annualized first quarter FFO and current distribution rate of \$0.0675 per month, the FFO payout ratio would be 63.3%.

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

	Three months ended March 31,	
	2017	2016
FFO	\$ 12,859	\$ 10,685
Distributions declared ⁽¹⁾	(8,308)	(6,201)
Excess of FFO over distributions declared	\$ 4,551	\$ 4,484
FFO payout ratio	64.6%	58.0%

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

AFFO payout ratio

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

One of the REIT's key objectives is to maintain a conservative AFFO payout 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.

The AFFO payout ratio was 71.7% and 82.5% for the three month period ended March 31, 2017 and 2016 respectively. On a pro forma basis, using annualized first quarter AFFO and the current distribution of \$0.0675 per month, the AFFO payout ratio would be 69.8%.

As described above, the REIT's determination of AFFO includes actual capital, leasing costs and tenant improvements, which can vary from period to period, at times significantly, depending upon the timing of lease expiries, re-leasing and our capital plan for the period. As a result of the natural variability of such costs, the REIT's calculation of its AFFO payout ratio will be variable when comparing current period results to prior periods, and accordingly, inherently more volatile than the REIT's FFO payout ratio which does not include such costs. Management continues to target a 70% payout ratio.

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

	Three months ended March 31,	
	2017	2016
AFFO	\$ 11,587	\$ 7,517
Distributions declared ⁽¹⁾	(8,308)	(6,201)
Excess of AFFO over distributions declared	\$ 3,279	\$ 1,316
AFFO payout ratio	71.7%	82.5%

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

Impact of interest rate changes

As described above, one of the REIT's key objectives is to maintain a conservative AFFO payout ratio in order to continue to provide steady and reliable distributions to unitholders. We continue to target an industry leading AFFO payout ratio of 70% over time. We expect there will be normal deviations from this rate due to timing and natural volatility in the operations of the business. Management evaluates various factors in determining the appropriate distribution policy including estimates of future NOI, near-term grocery-anchor lease turnover, future capital requirements and interest rate changes. As it relates to potential interest rate changes, management believes that notwithstanding any reasonably expected changes in interest rates, the REIT's AFFO payout ratio should continue to be fully covered.

In order to mitigate interest rate risk the REIT entered into a \$300 million pay-fixed receive-float interest rate swap in the fourth quarter of 2016. The interest rate swap has a fixed rate of 1.10% and a maturity of February 2021. As a result of the interest rate swap, 70.0% of the REIT's debt is now subject to fixed rates.

The following table provides a sensitivity analysis of the REIT's AFFO payout ratio to changes in interest rates, both prior to and after the interest rate swap. For illustrative purposes, the sensitivity analysis has been calculated using the current quarter's AFFO and distributions:

Change in interest rates (bps) ⁽¹⁾	One-month LIBOR	Prior to interest rate swap		After interest rate swap	
		AFFO	AFFO payout ratio	AFFO	AFFO payout ratio
(50)	0.48%	\$ 12,186	68.2%	\$ 11,810	70.3%
(25)	0.73%	11,887	69.9%	11,698	71.0%
—	0.98%	11,587	71.7%	11,586	71.7%
25	1.23%	11,287	73.6%	11,474	72.4%
50	1.48%	10,988	75.6%	11,362	73.1%
100	1.98%	10,389	80.0%	11,138	74.6%
200	2.98%	\$ 9,191	90.4%	\$ 10,690	77.7%

⁽¹⁾ Based on a three month period ended March 31, 2017 AFFO of \$11.6 million.

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 month period ended March 31, 2017 and 2016, the deferred income tax expense was \$6.6 million and \$5.1 million, respectively. The REIT's deferred tax expense relates mainly to changes in the differences between the fair value of the REIT's properties and the corresponding undepreciated value for income tax purposes.

RELATED PARTY TRANSACTIONS

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

- i an asset management fee equal to 0.4% of the total assets of the REIT;
- ii an acquisition fee in an amount equal to 0.75% of the gross purchase price of each Property (or interest in a Property), including the price, due diligence costs, closing costs, legal fees, and additional capital costs for all Properties indirectly acquired by the REIT; and

- iii an annual incentive fee, calculated in arrears, in an aggregate amount equal to 15% of the REIT's funds from operation per class U unit as derived from the annual financial statements of the REIT in excess of \$1.28, subject to ordinary course adjustments for certain transactions affecting the class U units and increasing annually by 50% of the increase in the U.S. consumer price index.

These transactions are in the normal course of operations and are measured at the exchange amount which is the consideration established and agreed to by the parties.

	Three months ended March 31,		
	2017	2016	Variance
Asset management fees	\$ 1,099	\$ 1,008	\$ 91
Acquisition fees	250	159	91
Total	\$ 1,349	\$ 1,167	\$ 182

Related party transactions incurred and payable to Slate for the three month period ended March 31, 2017 and 2016 amounted to \$1.3 million and \$1.2 million respectively. These transactions are in the normal course of operations and are in accordance with the management agreement and are measured at the exchange amount. The exchange amount is the consideration established under contract and as approved by the REIT's Board of Trustees.

The management agreement provides for an incentive fee to be earned based on an FFO per unit target that grows annually, in part, with inflation, whereby the Manager is entitled to 15% of the excess of FFO above the target. For the three month period ended March 31, 2017, no incentive fee was recognized as the target threshold was not met.

See also discussion of the REIT's strategic acquisition program in "PART II - LEASING AND PROPERTY PORTFOLIO" of this MD&A.

MAJOR CASH FLOW COMPONENTS

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

	Three months ended March 31,	
	2017	2016
Operating activities	\$ 13,728	\$ 11,833
Investing activities	(37,826)	(15,441)
Financing activities	22,835	5,402
Decrease (increase) in cash	\$ (1,263)	\$ 1,794

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

Cash flows used in investing activities relate to property acquisitions and property dispositions 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 properties during the year and distributions paid to unitholders.

PART IV – FINANCIAL CONDITION

DEBT

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

Debt held by the REIT as of March 31, 2017 and December 31, 2016 is as follows:

						March 31, 2017	December 31, 2016
	Maturity	Weighted average debt maturity (years)	Effective rate	Principal	Mark-to-market adjustments and costs	Carrying amount	Carrying amount
Revolver ⁽¹⁾	Feb. 26, 2020	2.9 ⁽²⁾	2.80%	\$ 186,704	\$ (1,166)	\$ 185,538	\$ 210,237
Term loan ⁽¹⁾	Feb. 26, 2021	3.9	2.79%	292,500	(2,270)	290,230	290,095
Mortgage	Mar. 1, 2021	3.9	5.75%	11,447	1,245	12,692	14,830
Mortgage	Jan. 1, 2025	7.8	3.80%	50,000	(768)	49,232	49,228
Mortgage	Jun. 15, 2025	8.2	4.14%	57,682	(870)	56,812	57,052
TIF notes payable	Feb. 28, 2019	1.9	4.35%	3,350	(67)	3,283	3,450
Total / weighted average ⁽³⁾		4.3 ⁽²⁾	3.04% ⁽³⁾	\$ 601,683	\$ (3,896)	\$ 597,787	\$ 624,892

⁽¹⁾ The weighted average interest rate has been calculated using the March 31, 2017 U.S. LIBOR rate for purposes of the revolver and term loan.

⁽²⁾ Excludes a one-year extension option exercisable at the REIT's option. With the one-year extension the weighted average debt maturity is 4.6 years.

⁽³⁾ The weighted average interest rate including the impact of pay-fixed receive-float swaps is 3.20%.

The carrying amount of debt was \$597.8 million at March 31, 2017, representing an increase of \$27.1 million compared to December 31, 2016. The increase is due to drawdowns on the revolver during the quarter primarily related to the acquisition of two properties and additional funding under the REIT's strategic acquisition loan, partially offset by a pay down of \$58.1 million of the revolver funded by the REIT's equity offering completed January 20, 2017.

DEBT TO GROSS BOOK VALUE

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

	March 31, 2017	December 31, 2016
GBV	\$ 1,158,102	\$ 1,114,606
Debt	597,787	624,892
Leverage ratio	51.6%	56.1%

The REIT's leverage ratio has decreased by 4.5% for the three month period ended March 31, 2017 to 51.6% since December 31, 2016, primarily due to the pay down of the REIT's revolver by \$58.1 million funded by the REIT's equity offering completed January 20, 2017, partially offset by the acquisition of properties funded through the REIT's revolver during the period.

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

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

	Threshold	March 31, 2017	December 31, 2016
Maximum leverage ratio: consolidated total indebtedness shall not exceed 65% of gross asset value	< 65%	53.7%	61.8%
Minimum fixed charge coverage ratio: adjusted EBITDA to consolidated fixed charges shall not be less than 1.50x ⁽¹⁾	> 1.50x	3.28x	3.16x

⁽¹⁾ Adjusted EBITDA is defined as earnings before interest, tax, depreciation and amortization.

INTEREST COVERAGE RATIO

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

The following is a calculation of Adjusted EBITDA and the REIT's interest coverage ratio for the three month period ended March 31, 2017 and 2016:

	Three months ended March 31,	
	2017	2016
NOI	\$ 19,411	\$ 17,077
Other expenses	(2,019)	(2,440)
Adjusted EBITDA	\$ 17,392	\$ 14,637
Cash interest paid	(4,678)	(4,481)
Interest coverage ratio	3.72x	3.27x

The interest coverage ratio increased to 3.72x for the three month period ended March 31, 2017 compared to 3.27x of the prior quarter. The increase is due to the aforementioned increases to NOI, partially offset by lower other expenses and the increase in cash interest paid of \$0.2 million compared to the first quarter of 2016.

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 property acquisition funding requirements.

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

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	\$ 13,672	\$ 13,672	\$ —	\$ —	\$ —
Revolver ⁽¹⁾	186,704	—	186,704	—	—
Revolver interest payable ⁽¹⁾	20,799	6,224	14,575	—	—
Term loan ⁽¹⁾	292,500	—	—	292,500	—
Term loan interest payable ⁽¹⁾	45,404	9,750	23,948	11,706	—
Mortgages	119,129	1,537	4,839	15,088	97,665
Mortgage interest payable	34,494	4,918	9,564	8,562	11,450
Interest rate swap, net cash outflows	78	78	—	—	—
TIF notes payable	3,350	356	2,994	—	—
TIF notes interest payable	337	147	190	—	—
REIT units	422,212	400	400	400	421,012
Exchangeable units of subsidiaries	27,290	—	—	—	27,290
Total contractual commitments	\$ 1,165,969	\$ 37,082	\$ 243,214	\$ 328,256	\$ 557,417

⁽¹⁾ Revolver and term loan interest payable is calculated on \$186.7 million and \$292.5 million (balance outstanding) using an estimated "all in" interest rate of 3.33% under the "less than one year" column. The average interest rate is based on the 30-day LIBOR forward curve plus the specified margin for the LIBOR rate option under the revolver and term loan results in an estimated future "all-in" interest rate of 4.09%. The total revolver and term loan 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 REIT units are redeemable and 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 for the three month period ended March 31, 2017 and their respective class U equivalent amounts if converted are as follows:

Class / type	REIT units			Exchangeable units of subsidiaries			Total class U units equivalent
	U	A	I	SR1 ⁽¹⁾	SR2 ⁽¹⁾	GAR B	
Balance, December 31, 2016	32,267	334	322	220	1,747	545	35,456
Issued under the DRIP	18	—	—	—	—	—	18
Issued under equity offering	5,560	—	—	—	—	—	5,560
Redeemed	—	—	—	—	(3)	—	(3)
Exchanges	61	(1)	(40)	—	(18)	—	—
Balance, March 31, 2017	37,906	333	282	220	1,726	545	41,031
Conversion ratio to class U units	1.0000	1.0078	1.0554	1.0000	1.0000	1.0000	
Class U units equivalent	37,906	337	298	220	1,726	545	41,031

⁽¹⁾ "SR1" and "SR2" means Slate Retail One exchangeable units and Slate Retail Two exchangeable units respectively.

The REIT's DRIP 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. For the three month period ended March 31, 2017, 18,099 class U units were issued for \$0.2 million under the DRIP.

Equity offering

On January 20, 2017, the REIT completed a sale of 5.6 million class U units by way of a public offering of 5.2 million class U units and a private placement to the Manager of 0.4 million class U units, at a price of \$10.89 or C\$14.35 per unit, for gross proceeds to the REIT of approximately \$60.5 million or C\$79.8 million. This total includes an over-allotment option that was fully exercised by the REIT's underwriters. The costs related to the offering totaled \$2.5 million and are deducted against the cost of units issued. As a result of the issuance, Slate's ownership was approximately unchanged due to their participation. Funds were used to pay down \$58.1 million of the revolver.

Normal course issuer bid

The REIT renewed its existing NCIB effective May 26, 2016. The NCIB will remain in effect until the earlier of May 25, 2017 or the date in which the REIT has purchased 2.9 million class U units or approximately 10% of the public float of class U units at the time of entering the bid through the facilities of the TSX. The Board of Trustees believe that the purchase by the REIT of a portion of its outstanding class U units at attractive prices where opportunities present themselves will increase unitholder value and that such purchases constitute a desirable use of the REIT's available resources.

For the three month period ended March 31, 2017, no class U units have been purchased under the NCIB.

FUNDS HELD IN ESCROW

Funds held in escrow represent \$10.9 million of funds held by qualified intermediaries in respect of dispositions being held to fund future acquisitions to facilitate U.S. tax deferrals on asset sales and \$0.2 million funds held by the mortgage lender in respect of future property taxes to be paid.

ACCOUNTS RECEIVABLE

The accounts receivable balance is comprised of the following:

	March 31, 2017	December 31, 2016
Rent receivable	\$ 3,546	\$ 1,713
Allowance	(221)	(212)
Accrued recovery income	3,249	4,208
Other receivables	679	1,168
Total	\$ 7,253	\$ 6,877

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 \$1.8 million increase in rent receivable from December 31, 2016 is due to year end operating expense recovery reconciliations, previously accrued at December 31, 2016 that were billed out to tenants during the three month period ended March 31, 2017, as primarily shown in the increase of \$2.0 million in current to 30 day aged rents receivable since December 31, 2016.

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

	March 31, 2017	December 31, 2016
Current to 30 days	\$ 2,762	\$ 770
31 to 60 days	124	102
61 to 90 days	103	85
Greater than 90 days	336	544
Total	\$ 3,325	\$ 1,501

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 unprovided balance is collectible.

ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities are comprised of the following:

	March 31, 2017	December 31, 2016
Trade payables and accrued liabilities	\$ 9,045	\$ 7,540
Prepaid rent	3,136	2,557
Tenant improvements payable	176	138
Other payables	1,315	1,315
Total	\$ 13,672	\$ 11,550

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

SUBSEQUENT EVENTS

- i. On April 17, 2017, the REIT declared monthly distributions of \$0.0675 per class U unit. Holders of class A units, class I units and units of subsidiaries of the REIT were also entitled to receive a distribution at the respective conversion rate attributable to the units.
- ii. On April 22, 2017, the REIT entered into a binding agreement to acquire Eustis Village, a 156,927 square foot grocery-anchored shopping centre in Orlando, Florida for a purchase price of \$23.0 million (\$147 per square foot). The property is 97% occupied and is anchored by Publix. The acquisition is expected to be completed in the second quarter of 2017 subject to customary closing conditions.

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

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

Overall income capitalization approach

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

Direct comparison approach

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

A summary of the significant assumptions used in the REIT's estimate of fair value as at March 31, 2017 is included on page 14 of this MD&A. Changes in these assumptions would have a significant impact on the REIT's estimate of fair value, which can be impacted by changes in demand for properties similar to those owned by the REIT, expectations of market rents, the covenant quality of tenants and the general economic environment.

The REIT determines the fair value of properties based upon the overall income capitalization rate method. At March 31, 2017, 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

IAS 7, Statement of Cash Flows ("IAS 7")

The amendments to IAS 7 require disclosures that enable the evaluation of changes in liabilities arising from financing activities, including both changes arising from cash and non-cash changes. The amendments applied prospectively for annual periods beginning on or after January 1, 2017.

The following are the primary disclosures required for changes in liabilities from financing activities: changes from financing cash flows, changes arising from obtaining or losing control of subsidiaries or other businesses, the effect of changes in foreign exchange rates and changes in fair values.

Supplemental cash flow information disclosures have been included in the REIT's consolidated financial statements.

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:

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 applied the *Internal Control – Integrated Framework (2013)* published by the Committee of Sponsoring Organizations of the Treadway Commission for the design of its ICFR for the three month period ended March 31, 2017.

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

No changes were made in the REIT's design of ICFR during the three month period ended March 31, 2017, 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 March 31, 2017, the REIT owns a portfolio of 71 grocery-anchored retail properties. The portfolio consists of 8,513,110 square feet of GLA with a current occupancy rate of 93.2%. 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		Anchor
				Total	Occupancy	
County Line Plaza	Philadelphia	Philadelphia	75,649		43%	Big Lots
Field Club Commons	New Castle	Pittsburgh	131,270		97%	Save-A-Lot
Kennywood Shops	Pittsburgh	Pittsburgh	194,819		94%	Giant Eagle
Lake Raystown Plaza	Huntingdon	Huntingdon	140,159		100%	GIANT
Norwin Town Square	North Huntingdon	Pittsburgh	147,012		100%	Shop 'n Save
Summit Ridge	Mount Pleasant	Pittsburgh	227,729		100%	Walmart
Total Pennsylvania			916,638	11%		
11 Galleria	Greenville	Greenville	105,608		78%	The Fresh Market
Flowers Plantation	Clayton	Raleigh	53,500		97%	Food Lion
Fuquay Crossing	Fuquay-Varnia	Raleigh-Durham	96,638		99%	Kroger
Independence Square	Charlotte	Charlotte	190,361		99%	Walmart
Mooresville Town Square	Mooresville	Charlotte	89,824		92%	Lowes Foods
						Lowes Foods, Sam's Club
North Summit Square	Winston-Salem	Winston-Salem	224,530		94%	
Wellington Park	Cary	Raleigh-Durham	102,487		95%	Lowe's
Total North Carolina			862,948	10%		
98 Palms	Destin	Crestview-Fort Walton Beach-Destin	84,682		99%	Winn-Dixie
Bloomingdale Plaza	Brandon	Tampa-St. Petersburg	83,237		97%	Winn-Dixie
Errol Plaza	Orlando	Orlando	72,150		95%	Winn-Dixie
Meres Town Centre	Tarpon Springs	Tampa-St. Petersburg	47,183		100%	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		100%	Winn-Dixie
Uptown Station	Fort Walton Beach	Crestview-Fort Walton Beach-Destin	297,679		87%	Winn-Dixie
Total Florida			804,672	9%		
Abbott's Village	Alpharetta	Atlanta	109,586		95%	Publix
Birmingham Shoppes	Milton	Atlanta	82,905		82%	Publix
Douglas Commons	Douglasville	Atlanta	97,027		95%	Kroger
Locust Grove	Locust Grove	Atlanta	89,568		79%	Publix
Merchants Crossing	Newnan	Atlanta	174,059		95%	Kroger
Merchants Square	Riverdale	Atlanta	118,986		94%	Kroger
Robson Crossing	Flowery Branch	Atlanta	103,720		91%	Publix
Total Georgia			775,851	9%		
Buckeye Plaza	Cleveland	Cleveland	116,905		98%	Giant Eagle
Hocking Valley Mall	Lancaster	Columbus	179,415		43%	Kroger
Mulberry Square	Milford	Cincinnati	146,730		87%	Kroger
Pinewood Plaza	Dayton	Dayton	88,700		93%	Kroger
Springboro Plaza	Dayton	Dayton	154,034		100%	Kroger
Total Ohio			685,784	8%		
Armstrong Plaza	Fountain Inn	Greenville	57,838		97%	BI-LO
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
Little River Pavilion	North Myrtle Beach	Myrtle Beach-Conway	63,823		96%	Lowes Foods
North Augusta Plaza	North Augusta	Augusta-Richmond	231,545		92%	Publix
North Pointe	Columbia	Columbia	64,255		100%	Publix
Total South Carolina			580,689	7%		
Highland Square	Crossville	Nashville	179,243		95%	Kroger
North Hixson Marketplace	Hixson	Chattanooga	64,254		80%	Food City
St. Elmo Central	Chattanooga	Chattanooga	74,978		95%	Food City
Sunset Plaza	Johnson City	Johnson City	143,752		100%	Kroger
Westhaven Town Centre	Franklin	Nashville	96,960		98%	Kroger
Total Tennessee			559,187	7%		

Property	Location	Associated MSA	Area (SF)	% of Total	Occupancy	Anchor
Cambridge Crossings	Troy	Detroit	238,963		99%	Walmart
Canton Shopping Centre	Canton	Detroit	72,361		84%	ALDI
City Centre Plaza	Westland	Detroit	97,670		97%	Kroger
Stadium Centre	Port Huron	Detroit-Warren-Dearborn	92,365		93%	Kroger
Total Michigan			501,359	6%		
Charles Town Plaza	Charles Town	Washington-Baltimore	206,146		95%	Walmart
Eastpointe Shopping Centre	Clarksburg	Morgantown	181,016		99%	Kroger
Total West Virginia			387,162	5%		
East Brainerd Mall	Brainerd	Minneapolis-St Paul	191,459		96%	Cub Foods
North Branch Marketplace	North Branch	Minneapolis-St Paul	76,895		94%	County Market
Phalen Retail Centre	St. Paul	Minneapolis-St Paul	73,678		96%	Cub Foods
Total Minnesota			342,032	4%		
Cudahy Centre	Milwaukee	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	3%		
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		76%	Schnucks
Total Illinois			269,847	3%		
Southgate Crossing	Minot	Minot	159,780		100%	CashWise
Watford Plaza	Watford City	McKenzie	101,798		99%	CashWise
Total North Dakota			261,578	3%		
Roxborough Marketplace	Littleton	Denver Aurora-Lakewood	106,816		91%	Safeway
Westminster Plaza	Westminster	Denver Aurora-Lakewood	97,013		94%	Safeway
Total Colorado			203,829	2%		
East Little Creek	Norfolk	Virginia Beach-Norfolk-Newport News	68,770		100%	Farm Fresh
Smithfield Shopping Plaza	Smithfield	Virginia Beach-Norfolk-Newport News	134,664		91%	Farm Fresh
Total Virginia			203,434	2%		
Derry Meadows Shoppes	Derry	Boston-Cambridge-Quincy	187,001		94%	Hannaford
Total New Hampshire			187,001	2%		
Alta Mesa Plaza	Fort Worth	Dallas-Ft. Worth	167,961		98%	Kroger
Total Texas			167,961	2%		
Mitchellville Plaza	Mitchellville	Washington, DC	147,803		92%	Weis
Total Maryland			147,803	2%		
Waterbury Plaza	Waterbury	New Haven-Milford	142,880		100%	Stop & Shop
Total Connecticut			142,880	2%		
Taylorsville Town Centre	Salt Lake City	Salt Lake City	127,231		93%	Fresh Market
Total Utah			127,231	1%		
Stonefield Square	Louisville	Louisville	90,991		94%	The Fresh Market
Total Kentucky			90,991	1%		
Total / WA			8,513,110	100%	93%	

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 U.S. with an emphasis on grocery-anchored retail properties. The REIT has a current portfolio that spans 8.5 million square feet of GLA and consists of 71 grocery-anchored retail commercial properties located in the U.S.

Head office

Slate Retail REIT
121 King Street West, Suite 200
Toronto, ON M5H 3T9
Tel: +1 416 644 4264
Fax: +1 416 947 9366
E-mail: info@slateam.com

Independent auditors

Deloitte LLP
Chartered Professional Accountants
Toronto, Canada

Stock exchange listing and symbol

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

Registrar and transfer agent

TMX Equity Transfer Services Inc.
200 University Avenue, Suite 300
Toronto, ON M5H 4H1
Tel: +1 416 361 0930
Fax: +1 416 361 0470

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

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

Samuel Altman ⁽¹⁾⁽²⁾⁽³⁾
President, Joddes Limited

Patrick Flatley ⁽³⁾
Senior Vice President, Fidelity National Title Insurance Company

Peter Tesche, CFA ⁽¹⁾⁽²⁾⁽³⁾
Principal, P.T. Lloyd Associates

Blair Welch ⁽³⁾
Partner and Co-founder, Slate Asset Management L.P.

Brady Welch
Partner and Co-founder, Slate Asset Management L.P.

⁽¹⁾ Compensation, Governance and Nomination Committee

⁽²⁾ Audit Committee

⁽³⁾ Investment Committee