Slate Grocery REIT

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three month period ended March 31, 2022

(Unaudited)

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION

(unaudited – in thousands of United States dollars, unless otherwise stated)

	Note	March 31, 2022	December 31, 2021
ASSETS			
Non-current assets			
Properties	4	$ 1,633,188	$ 1,608,655
Joint venture investments	5	97,405	87,304
Other assets	6	1,222	1,446
		$ 1,731,815	**$ 1,697,405**
Current assets			
Other assets	6	3,359	3,435
Prepaids		4,368	4,711
Accounts receivable	7	18,535	17,573
Cash		17,427	14,038
		$ 43,689	**$ 39,757**
Total assets		**$ 1,775,504**	**$ 1,737,162**
LIABILITIES			
Non-current liabilities			
Debt	8	$ 929,110	$ 929,218
Interest rate swaps	9	997	9,369
Other liabilities		3,238	3,142
Exchangeable units of subsidiaries	10	12,405	12,302
Deferred income taxes	11	124,327	106,769
		$ 1,070,077	**$ 1,060,800**
Current liabilities			
Debt	8	8,611	8,526
Interest rate swaps	9	4,301	9,567
Accounts payable and accrued liabilities	12	37,897	30,039
Distributions payable	18	4,309	4,309
		$ 55,118	**$ 52,441**
Total liabilities		**$ 1,125,195**	**$ 1,113,241**
UNITHOLDERS' EQUITY			
Unitholders' equity		$ 645,322	$ 619,020
Non-controlling interest	13	4,987	4,901
Total equity		**$ 650,309**	**$ 623,921**
Total liabilities and unitholders' equity		**$ 1,775,504**	**$ 1,737,162**

The accompanying notes are an integral part of the condensed consolidated interim financial statements

Slate Grocery REIT

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF INCOME

(unaudited – in thousands of United States dollars, unless otherwise stated)

	Note	Three months ended March 31, 2022		2021	
Rental revenue	14	$	38,966	$	32,471
Property operating expenses			(28,590)		(21,560)
General and administrative expenses	15		(3,613)		(2,215)
Interest and finance costs	16		(10,105)		(8,956)
Share of income (loss) in joint venture investments	5		11,324		(30)
Change in fair value of financial instruments	17		—		3,018
Change in fair value of properties	4		36,356		78,749
Net income before income taxes and unit expense		**$**	**44,338**	**$**	**81,477**
Deferred income tax expense	11		(13,768)		(19,448)
Current income tax expense	11		(212)		(685)
Unit expense	10, 18		(2,933)		(569)
Net income		**$**	**27,425**	**$**	**60,775**
Net income attributable to					
Unitholders		$	27,109	$	60,775
Non-controlling interest	13		316		—
Net income		**$**	**27,425**	**$**	**60,775**

Slate Grocery REIT

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE INCOME

(unaudited – in thousands of United States dollars, unless otherwise stated)

	Note	Three months ended March 31, 2022		2021	
Net income		$	27,425	$	60,775
Items to be subsequently reclassified to profit or loss					
Gain on cash flow hedges of interest rate risk, net of tax	9		8,121		801
Reclassification of cash flow hedges of interest rate risk to income	9		2,012		2,020
Other comprehensive income			10,133		2,821
Comprehensive income		**$**	**37,558**	**$**	**63,596**
Comprehensive income attributable to					
Unitholders		$	37,242	$	63,596
Non-controlling interest	13		316		—
Comprehensive income		**$**	**37,558**	**$**	**63,596**

The accompanying notes are an integral part of the condensed consolidated interim financial statements

Slate Grocery REIT

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN UNITHOLDERS' EQUITY

(unaudited – in thousands of United States dollars, unless otherwise stated)

	Note	REIT units	Retained earnings	Accumulated other comprehensive loss ("AOCL")	Capital reserve	Non-controlling interest	**Total**
December 31, 2021		$ 576,540	$ 57,137	$ (13,233)	$ (1,424)	$ 4,901	**$ 623,921**
Net income and other comprehensive income		—	27,109	10,133	—	316	**37,558**
Distributions	10, 18	—	(12,706)	—	—	—	**(12,706)**
Equity offering proceeds, net of costs	10	(374)	—	—	—	—	**(374)**
Distributions to non-controlling interest	13	—	—	—	—	(230)	**(230)**
Exchanges	10	2,140	—	—	—	—	**2,140**
March 31, 2022		**$ 578,306**	**$ 71,540**	**$ (3,100)**	**$ (1,424)**	**$ 4,987**	**$ 650,309**

	Note	REIT units	Retained earnings	AOCL	Capital reserve	Non-controlling interest	**Total**
December 31, 2020		$ 463,603	$ 14,431	$ (23,892)	$ (1,424)	$ —	**$ 452,718**
Net income and other comprehensive income		—	60,775	2,821	—	—	**63,596**
Distributions	10, 18	—	(10,227)	—	—	—	**(10,227)**
Equity offering, net of issuance costs	13	(57)	—	—	—	—	**(57)**
March 31, 2021		**$ 463,546**	**$ 64,979**	**$ (21,071)**	**$ (1,424)**	**$ —**	**$ 506,030**

The accompanying notes are an integral part of the condensed consolidated interim financial statements

Slate Grocery REIT

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS

(unaudited – in thousands of United States dollars, unless otherwise stated)

	Note	Three months ended March 31, 2022	2021
OPERATING ACTIVITIES			
Net income		$ 27,425	$ 60,775
Items not affecting cash			
Straight-line rent	4	126	(165)
Change in fair value of financial instruments	17	—	(2,927)
Change in fair value of properties	4	(36,356)	(78,749)
IFRIC 21 property tax adjustment	4	16,439	12,397
Deferred income tax expense	11	13,768	19,448
Unit expense	18	2,933	569
Share of (income) loss in joint venture investments	5	(11,324)	30
Interest and finance costs	16	10,105	8,956
Cash interest paid, net		(9,715)	(8,415)
Changes in working capital items		6,870	3,795
		$ 20,271	**$ 15,714**
INVESTING ACTIVITIES			
Acquisitions	4	—	(54,373)
Contributions to joint venture investments	5	—	(375)
Distributions from joint venture investments	5	1,223	—
Subscription receipt funds in escrow	10	—	(105,796)
Funds held in escrow	6	609	21,297
Capital expenditures	4	(1,625)	(788)
Leasing costs	4	(326)	(365)
Tenant improvements	4	(797)	(761)
Development and expansion capital	4	(1,994)	(5,437)
		$ (2,910)	**$ (146,598)**
FINANCING ACTIVITIES			
Revolver advances, net	8, 24	15,139	54,080
Mortgage advances, net	8, 24	—	165,858
Revolver, term loan and mortgage repayments	8, 24	(15,579)	(180,271)
Subscription receipts	10	—	105,705
Equity offering proceeds	10	(374)	(57)
REIT unit distributions	18	(12,696)	(10,227)
Exchangeable units of subsidiaries distributions	18	(232)	(233)
Distributions to non-controlling interest	13	(230)	—
		$ (13,972)	**$ 134,855**
Increase in cash		**3,389**	**3,971**
Cash, beginning of the period		**14,038**	**2,362**
Cash, end of the period		**$ 17,427**	**$ 6,333**

The accompanying notes are an integral part of the condensed consolidated interim financial statements

1. DESCRIPTION OF THE REIT AND OPERATIONS

On August 21, 2020, the REIT completed its previously announced name change to Slate Grocery REIT from Slate Retail REIT. Slate Grocery REIT (the "REIT") is an unincorporated, open-ended mutual fund trust under and governed by the laws of the Province of Ontario. The REIT focuses on acquiring, owning and leasing a portfolio of grocery-anchored real estate properties (the "properties") in the United States of America (the "U.S.").

The class U units of the REIT trade on the Toronto Stock Exchange ("TSX") under the symbols SGR.U and SGR.UN. The principal, registered, and head office of the REIT is 121 King Street West, Suite 200, Toronto, Ontario, M5H 3T9.

The objectives of the REIT are to:

i. provide unitholders with stable cash distributions from a portfolio of grocery-anchored real estate properties in the U.S.;

ii. enhance the value of the REIT's assets in order to maximize long-term unitholder value through active management; and

iii. expand the asset base of the REIT and increase the REIT's earnings on a per unit basis, including through accretive acquisitions.

2. BASIS OF PREPARATION

i. Statement of compliance

These condensed consolidated interim financial statements ("the consolidated financial statements") have been prepared in accordance with International Accounting Standards ("IAS") 34, *Interim Financial Reporting* as issued by the International Accounting Standards Board.

ii. Approval of the consolidated financial statements

The consolidated financial statements were approved by the trustees of the REIT and authorized for issuance on May 9, 2022.

iii. Basis of measurement

These consolidated financial statements have been prepared on a going concern basis and measured at historical cost except for properties and certain financial instruments, which are measured at fair value.

The application of the going concern basis of preparation assumes that the REIT will continue in operation for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments in the normal course of business. The REIT expects to continue as a going concern for the foreseeable future.

iv. Functional and presentation currency

These consolidated financial statements are presented in U.S. dollars, which is the REIT's functional currency and the functional currency of all of its subsidiaries.

3. SIGNIFICANT ACCOUNTING POLICIES

A summary of significant accounting policies is included in note 3 of the audited comparative consolidated financial statements of the REIT as at and for the year ended December 31, 2021. These consolidated financial statements follow the same accounting policies and methods of computation as used in the REIT's most recent annual consolidated financial statements.

These consolidated financial statements do not include all the information and disclosures required in the annual financial statements prepared under International Financial Reporting Standards ("IFRS") and should be read in conjunction with the REIT's audited comparative consolidated financial statements as at and for the year ended December 31, 2021.

i. Basis of consolidation

The consolidated financial statements include the accounts of the REIT and its subsidiaries in accordance with IFRS 10, *Consolidated Financial Statements*. Intercompany transactions and balances have been eliminated on consolidation.

A subsidiary is an entity over which the REIT has control. Control exists when the REIT has power over an investee, is exposed, or has rights, to variable returns from its involvement with the investee; and has the ability to use its power over the investee to affect its returns. The financial statements of a subsidiary are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of a subsidiary are changed when necessary to align them with the policies applied by the REIT in these consolidated financial statements.

Changes in the REIT's ownership interests in subsidiaries that do not result in the REIT losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the REIT's interests and any non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the unitholders of the REIT. When the REIT loses control of a subsidiary, for example through sale or partial sale, a gain or loss is recognized and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets and liabilities of the subsidiary and any non-controlling interests.

ii. Joint arrangements

A joint arrangement is a contractual arrangement in which the REIT has joint control, established by contracts requiring unanimous consent for decisions about the activities that significantly affect the return of an arrangement. The REIT classifies joint arrangements as either joint operations or joint ventures.

A joint operation is a joint arrangement wherein the parties have rights to the assets and obligations for the liabilities. The REIT's interest in a joint operation is accounted for based on the REIT's interest in those assets, liabilities, revenues, and expenses.

A joint venture is a joint arrangement wherein the parties have rights to the net assets. The REIT's investments in joint ventures are accounted for using the equity method. Under the equity method, the investment in a joint venture is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the REIT's share of net assets of the joint venture since the acquisition date. The consolidated statement of income reflects the REIT's share of the results of operations of the joint venture. Any change in other comprehensive income ("OCI") of the joint venture is presented as part of the REIT's consolidated statement of comprehensive income.

iii. Application of Interest Rate Benchmark Reform

In August 2020, the IASB issued *IBOR Reform and the Effects on Financial Reporting – Phase II (amendments to IFRS 9 – Financial Instruments ("IFRS 9"), IFRS 7 – Financial Instruments: Disclosures ("IFRS 7"), IAS 39 – Financial Instruments: Recognition and Measurement ("IAS 39"), IFRS 4 – Insurance Contracts ("IFRS 4") and IFRS 16 – Leases ("IFRS 16"))*. The objective of the second phase of the IASB's project was to assist entities in providing useful information about the effects of the transition to alternative benchmark rates and support preparers in applying the requirements of the IFRS Standards when changes are made to contractual cash flows or hedging relationships as a result of the transition to an alternative benchmark interest rate. The amendments affect the basis for determining the contractual cash flows as a result of benchmark interest rate reform, hedge accounting and disclosures. The REIT has adopted the amendments on January 1, 2021. Adopting these amendments has allowed the REIT to continue hedge accounting during the period of uncertainty arising from interest rate benchmark reforms. Refer to note 21 for further details.

Impact of COVID-19

The preparation of the REIT's consolidated financial statements in accordance with IFRS requires the use of certain critical accounting estimates and assumptions.

The global outbreak of COVID-19 has resulted in emergency measures mandated by the World Health Organization, public health authorities and federal and state governments. A prolonged COVID-19 pandemic could have a material impact on the financial results and cash flows of the REIT, including tenants' ability to pay rent, occupancy, leasing demand, market rents, labor shortages and disruptions, all of which may impact the REIT's valuation of its properties or the ability of the REIT to meet its financial obligations.

The REIT has incorporated the potential impact of COVID-19 into its estimates and assumptions that are believed to be reasonable under the circumstances, based on information available as of March 31, 2022 that affect fair value of properties. Actual results could differ from those estimates under different assumptions.

(unaudited – in thousands of United States dollars, unless otherwise stated)

4. PROPERTIES

On March 31, 2022, the REIT owned 107 properties, of which, 93 are in entities consolidated by the REIT. The remaining 14 properties are accounted as joint venture investments (note 5) and not included in the table below. The change in properties is as follows:

		Three months ended March 31,	
	Note	2022	2021
Beginning of the period		$ 1,608,655	$ 1,277,180
Acquisitions		—	55,041
Capital expenditures		1,625	788
Leasing costs		326	365
Tenant improvements		797	761
Development and expansion capital		1,994	5,437
Straight-line rent		(126)	165
IFRIC 21 property tax adjustment		(16,439)	(12,397)
Change in fair value		36,356	78,749
End of the period		**$ 1,633,188**	**$ 1,406,089**

Valuation assumptions used to estimate the fair value of all of the REIT's properties are as follows:

	March 31, 2022 [1]	December 31, 2021 [1]
Capitalization rate range	5.65% – 8.75%	5.75% – 13.00%
Weighted average capitalization rate	6.98%	7.10%
Impact on fair value due to a 25 basis point change in capitalization rates	$ 70,935	$ 68,995
Impact on fair value due to a $100,000 change in underlying annual stabilized income	$ 1,432	$ 1,408

[1] Includes the REIT's share of joint venture investments.

Under the fair value hierarchy, the fair value of the REIT's properties is determined primarily using the overall income capitalization method using Level 3 inputs. The REIT uses the sales price when a firm contract for the sale of a property exists. The fair value of properties reflects the REIT's best estimates as at March 31, 2022.

(unaudited – in thousands of United States dollars, unless otherwise stated)

5. JOINT VENTURE INVESTMENTS

The REIT accounts for its joint venture investments using the equity method. The table below summarizes the REIT's investment in joint ventures:

			March 31, 2022		December 31, 2021	
Portfolio	Anchors	State	Number of properties	Ownership interest	Number of properties	Ownership interest
Tom Thumb Portfolio	Tom Thumb, Walmart, and Raley's	Texas, Florida, and California	10	90% – 95%	10	90% – 95%
Other Grocery Portfolio	Stop & Shop, Price Chopper, Acme Markets, and Strack & Van Til	New York and Indiana	4	85%	4	85%
Other	Kroger	Michigan	1	50%	1	50%

The change in the REIT's joint venture investments are as follows:

				March 31, 2022	December 31, 2021
	Tom Thumb Portfolio	Other Grocery Portfolio	Other	Total	Total
Beginning of the period	$ 46,708	$ 37,712	$ 2,884	$ 87,304	$ 3,474
Initial investment	—	—	—	—	56,773
Working capital contributions	—	—	—	—	10,672
Net cost of equity investment	**$ 46,708**	**$ 37,712**	**$ 2,884**	**$ 87,304**	**$ 70,919**
(Distributions) contributions	(331)	(892)	—	(1,223)	(4,104)
Share of income (loss) in joint venture investments	7,011	3,806	507	11,324	20,489
End of the period	**$ 53,388**	**$ 40,626**	**$ 3,391**	**$ 97,405**	**$ 87,304**

The financial position of the REIT's joint venture investments are as follows:

				March 31, 2022	December 31, 2021
	Tom Thumb Portfolio	Other Grocery Portfolio	Other	Total	Total
Assets					
Property	$ 175,410	$ 148,941	$ 20,400	$ 344,751	$ 336,450
Other non-current assets	2,928	1,380	—	4,308	4,167
Current assets	6,014	4,077	2,350	12,441	10,003
Total assets	**$ 184,352**	**$ 154,398**	**$ 22,750**	**$ 361,500**	**$ 350,620**
Liabilities					
Debt	$ 124,891	$ 102,254	$ 15,100	$ 242,245	$ 196,978
Other non-current liabilities	10	592	27	629	1,456
Current liabilities	2,397	3,757	841	6,995	52,095
Total liabilities	**$ 127,298**	**$ 106,603**	**$ 15,968**	**$ 249,869**	**$ 250,529**
Net assets at 100%	**$ 57,054**	**$ 47,795**	**$ 6,782**	**$ 111,631**	**$ 100,091**
At the REIT's interest	**$ 53,388**	**$ 40,626**	**$ 3,391**	**$ 97,405**	**$ 87,304**

(unaudited – in thousands of United States dollars, unless otherwise stated)

The following is a summary of income of the REIT's joint venture investments:

	Tom Thumb Portfolio	Other Grocery Portfolio	Other	Three months ended March 31, 2022	Three months ended March 31, 2021
Rental revenue	$ 4,103	$ 4,606	$ 566	$ 9,275	$ 497
Property operating expenses	(3,249)	(3,900)	(528)	(7,677)	(351)
General and administrative expenses	(82)	(236)	—	(318)	(1)
Interest and finance costs	(920)	(608)	(130)	(1,658)	(128)
Change in fair value of financial instruments	—	986	—	986	—
Change in fair value of property	7,615	3,629	1,107	12,351	(77)
Net income (loss) and comprehensive income (loss) at 100%	**$ 7,467**	**$ 4,477**	**$ 1,015**	**$ 12,959**	**$ (60)**
At the REIT's interest	**$ 7,011**	**$ 3,806**	**$ 507**	**$ 11,324**	**$ (30)**

Debt refinancing

On July 2, 2021, the REIT refinanced the first mortgage loan in relation to the Kroger Portfolio of $15.5 million. The mortgage bears interest at 3.05% and matures on August 1, 2026.

On September 30, 2021, the REIT refinanced the mortgage loan in relation to the Other Grocery Portfolio for $19.2 million. The mortgage bears interest at 3.75% and matures on October 1, 2026.

Management fees

Pursuant to the terms of the property management and leasing agreement and the development services agreement the REIT provides property, leasing and development management services for its Kroger joint venture investment located in Michigan. In return for its services, the REIT receives the following fees:

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

Total management fees earned by the REIT under the agreement were $15 thousand for the three month period ended March 31, 2022 (three month period ended March 31, 2021 – $16 thousand).

(unaudited – in thousands of United States dollars, unless otherwise stated)

6. OTHER ASSETS

Other assets are comprised of the following:

	March 31, 2022	December 31, 2021
Current		
TIF notes receivable	$ 441	$ 427
Funds held in escrow [1]	2,280	2,889
Other [2]	638	119
	$ 3,359	**$ 3,435**
Non-current		
TIF notes receivable	$ 1,197	$ 1,421
Funds held in escrow	25	25
	$ 1,222	**$ 1,446**
Total	**$ 4,581**	**$ 4,881**

[1] Primarily includes funds held for property tax reserves and funds held in escrow related to property acquisitions.
[2] Other primarily includes deposits and transaction costs.

TIF notes receivable are issued by the City of St. Paul and by the City of Brainerd in Minnesota, related to the REIT's Phalen Retail Center and East Brainerd Mall properties, respectively. The TIF notes obligate each municipality to pay certain tax increments resulting from increases, if any, from a reference amount in the taxable valuation of the respective property to the REIT.

7. ACCOUNTS RECEIVABLE

Accounts receivable is comprised of the following:

	March 31, 2022	December 31, 2021
Rent receivable	$ 9,526	$ 6,742
Allowance	(1,261)	(1,181)
Accrued recovery income	4,439	5,122
Other receivables	5,831	6,890
Total	**$ 18,535**	**$ 17,573**

Rent receivable consists of base rent and operating expense recoveries billed to tenants. Accrued recovery income represents amounts that have not been billed to the tenants and are generally billed and paid subsequent to the year in which they were incurred. Other receivables is primarily comprised of the gross amount of consideration for property taxes paid directly by tenants.

(unaudited – in thousands of United States dollars, unless otherwise stated)

The change in the allowance is as follows:

	Three months ended March 31,			
		2022		2021
Beginning of the period	$	(1,181)	$	(852)
Allowance		(184)		(247)
Bad debt write-off		58		121
Bad debt recovery		46		184
End of the period	**$**	**(1,261)**	**$**	**(794)**

The REIT measures the allowance at an amount equal to lifetime expected losses by taking into account past default experience and considering both current and potential bankruptcy, abandonment by tenants and certain tenant disputes.

The aging analysis of not credit-impaired rent receivable, net of allowance, is as follows:

		March 31, 2022		December 31, 2021
Current to 30 days	$	3,872	$	3,151
31 to 60 days		660		981
61 to 90 days		1,263		144
Greater than 90 days		2,470		1,285
Total	**$**	**8,265**	**$**	**5,561**

(unaudited – in thousands of United States dollars, unless otherwise stated)

8. DEBT

Debt held by the REIT at March 31, 2022 is as follows:

	Maturity	Remaining extension options	Coupon	Properties provided as security	Fair value of security	Maximum available	Principal	Available to be drawn [1]
Revolver [1,2]	March 21, 2024	Two six-month	L+205 bps [3,4]	N/A [5]	N/A [5]	$ 300,000	$ 193,513	$ 106,487
Term loan [1]	March 21, 2025	None	L+195 bps [3,4]	N/A [5]	N/A [5]	225,000	225,000	—
Term loan 2 [1]	February 9, 2023	None	L+195 bps [3,4]	N/A [5]	N/A [5]	83,000	83,000	—
Mortgage	December 6, 2024	None	4.03%	11	150,000	103,950	103,950	—
Mortgage	January 1, 2025	None	3.80%	3	84,200	40,968	40,968	—
Mortgage	July 1, 2025	None	4.14%	5	82,900	37,821	37,821	—
Mortgage	August 1, 2025	None	4.43%	1	12,889	7,700	7,700	—
Mortgage	March 18, 2030	None	3.48%	8	153,100	80,128	80,128	—
Mortgage	January 1, 2031	None	5.50%	1	23,000	6,342	6,342	—
Mortgage	May 1, 2031	None	3.75%	19	305,500	165,595	165,595	—
Total						**$ 1,050,504**	**$ 944,017**	**$ 106,487**

Debt held by the REIT at December 31, 2021 is as follows:

	Maturity	Remaining extension options	Coupon	Properties provided as security	Fair value of security	Maximum available	Principal	Available to be drawn [1]
Revolver [1,2]	March 21, 2024	Two six-month	L+205 bps [3,4]	N/A [5]	N/A [5]	$ 300,000	$ 191,853	$ 108,147
Term loan [1]	March 21, 2025	None	L+195 bps [3,4]	N/A [5]	N/A [5]	225,000	225,000	—
Term loan 2 [1]	February 9, 2023	None	L+195 bps [3,4]	N/A [5]	N/A [5]	83,000	83,000	—
Mortgage	December 6, 2024	None	4.03%	11	146,556	103,950	103,950	—
Mortgage	January 1, 2025	None	3.80%	3	84,500	41,249	41,249	—
Mortgage	July 1, 2025	None	4.14%	5	82,900	38,293	38,293	—
Mortgage	August 1, 2025	None	4.43%	1	11,222	7,700	7,700	—
Mortgage	March 18, 2030	None	3.48%	8	152,800	80,547	80,547	—
Mortgage	January 1, 2031	None	5.50%	1	23,000	6,480	6,480	—
Mortgage	May 1, 2031	None	3.75%	19	303,200	166,385	166,385	—
Total						**$ 1,052,604**	**$ 944,457**	**$ 108,147**

[1] Debt available to be drawn is subject to certain covenants as provided in the REIT's lending agreements, including generally, a maximum of 65% Consolidated Total Indebtedness to Gross Asset Value (the "consolidated leverage ratio"). The calculation of the consolidated leverage ratio is provided in note 20. The revolver, term loan and term loan 2 provide for different spreads over one-month U.S. LIBOR depending on the consolidated leverage ratio.
[2] The revolver requires a stand-by fee to be paid in an amount equal to 0.25% of the unused portion of the revolver where the unused portion is greater than or equal to 50% of the maximum amount available and 0.15% of the unused portion of the revolver where the unused portion is less than 50% of the maximum amount available, calculated daily.
[3] "L" means LIBOR and "bps" means basis points.
[4] The applicable spread for the revolver where the consolidated leverage ratio is; (i) less than or equal to 45% is 135 bps; (ii) greater than 45% but less than or equal to 50% is 145 bps; (iii) greater than 50% but less than or equal to 55% is 160 bps (iv) greater than 55% but less than or equal to 60% is 185 bps; and (iv) greater than 60% is 205 bps. The applicable spread for the term loan and term loan 2 where the consolidated leverage ratio is; (i) less than or equal to 45% is 125 bps; (ii) greater than 45% but less than or equal to 50% is 140 bps; (iii) greater than 50% but less than or equal to 55% is 150 bps (iv) greater than 55% but less than or equal to 60% is 175 bps; and (iv) greater than 60% is 195 bps.
[5] The revolver, term loan and term loan 2 are secured by a general pledge of equity of certain subsidiaries of the REIT. Collectively, those subsidiaries hold an interest in 45 of the REIT's properties at March 31, 2022 (December 31, 2021 – 45 of the REIT's properties).

(unaudited – in thousands of United States dollars, unless otherwise stated)

The carrying value of debt held by the REIT at March 31, 2022 is as follows:

	Effective rate[1]		Principal		Mark-to-market ("MTM") adjustments and costs		Accumulated amortization of MTM adjustments and costs[2]		Carrying amount		Current		Non-current
Revolver	2.08%	$	193,513	$	(1,829)	$	909	$	192,593	$	—	$	192,593
Term loan	2.20%		225,000		(1,377)		541		224,164		—		224,164
Term loan 2	2.20%		83,000		(2,285)		1,898		82,613		—		82,613
Mortgage	4.03%		103,950		570		(93)		104,427		—		104,427
Mortgage	3.80%		40,968		(1,549)		1,080		40,499		1,150		39,349
Mortgage	4.14%		37,821		(1,079)		801		37,543		1,937		35,606
Mortgage	4.43%		7,700		78		(6)		7,772		—		7,772
Mortgage	3.48%		80,128		(1,562)		266		78,832		1,714		77,118
Mortgage	5.50%		6,342		127		(21)		6,448		574		5,874
Mortgage	3.75%		165,595		(3,133)		368		162,830		3,236		159,594
Total		**$**	**944,017**	**$**	**(12,039)**	**$**	**5,743**	**$**	**937,721**	**$**	**8,611**	**$**	**929,110**

The carrying value of debt held by the REIT at December 31, 2021 is as follows:

	Effective rate[1]		Principal		MTM adjustments and costs		Accumulated amortization of MTM adjustments and costs[2]		Carrying amount		Current		Non-current
Revolver	2.02%	$	191,853	$	(1,829)	$	798	$	190,822	$	—	$	190,822
Term loan	1.92%		225,000		(1,377)		475		224,098		—		224,098
Term loan 2	1.92%		83,000		(2,285)		1,789		82,504		—		82,504
Mortgage	4.03%		103,950		636		(49)		104,537		—		104,537
Mortgage	3.80%		41,249		(1,549)		1,036		40,736		1,139		39,597
Mortgage	4.14%		38,293		(1,079)		779		37,993		1,917		36,076
Mortgage	4.43%		7,700		12		(1)		7,711		—		7,711
Mortgage	3.48%		80,547		(1,562)		234		79,219		1,699		77,520
Mortgage	5.50%		6,480		127		(19)		6,588		566		6,022
Mortgage	3.75%		166,385		(3,133)		284		163,536		3,205		160,331
Total		**$**	**944,457**	**$**	**(12,039)**	**$**	**5,326**	**$**	**937,744**	**$**	**8,526**	**$**	**929,218**

[1] The effective interest rate for the revolver, term loan and term loan 2 includes the impact of unamortized financing costs not yet recorded in interest expense under the effective interest method. The revolver, term loan and term loan 2 effective rates are based on the applicable U.S. LIBOR rate under borrowings as at March 31, 2022.
[2] Excludes the impact of any available extension options not yet exercised.

During the three month period ended March 31, 2022, the REIT made principal repayments, net of drawdowns totaling $0.4 million on the REIT's revolver and mortgages.

On September 22, 2021, as a part of the acquisition of the Tops Portfolio, the REIT assumed a $104.5 million five-year mortgage, bearing interest at 4.03%, as well as a $7.7 million six-year mortgage, bearing interest at 4.43%.

On January 14, 2021, the REIT entered into a $169.0 million 10-year mortgage, bearing interest of 3.75%. The net proceeds from the loan were used to reduce the REIT's term loan to $83.0 million.

(unaudited – in thousands of United States dollars, unless otherwise stated)

9. INTEREST RATE SWAPS

Interest rate swaps

The REIT has entered into certain pay-fixed receive-float interest rate swap contracts to hedge the cash flow risk associated with monthly U.S. LIBOR based interest payments on the REIT's floating rate debt.

	March 31, 2022	December 31, 2021
Interest rate swaps, current	$ 4,301	$ 9,567
Interest rate swaps, non-current	997	9,369
Total	**$ 5,298**	**$ 18,936**

The terms of the interest rate swaps are as follows:

				Total/ Weighted average
Pay-fixed rate	1.411%	2.884%	2.925%	**2.573%**
Notional amount	$ 100,000	$ 175,000	$ 175,000	**$ 450,000**
Receive-floating rate	One-month LIBOR	One-month LIBOR	One-month LIBOR	
Maturity date	September 22, 2022	August 22, 2023	August 22, 2025	
Remaining term (years)	0.5	1.4	3.4	**2.0**

In conjunction with the REIT's $169.0 million mortgage closed on January 14, 2021, the REIT terminated its $150.0 million interest rate swap with a maturity date of February 26, 2021. This resulted in an increase to the weighted average pay-fixed rate of the REIT's swap portfolio to 2.57%.

A reconciliation of the change in the fair value of the interest rate swaps and related deferred tax impact is as follows:

	Note	Fair value of interest rate swaps	Deferred income tax	Net impact after tax
Balance, December 31, 2021		$ (18,936)	$ 4,867	$ (14,069)
Change in fair value of cash flow hedges of interest rate risk included in the carrying amount of the hedged item		10,929	(2,808)	8,121
Net payments made	16	2,708	(696)	2,012
Balance, March 31, 2022		**$ (5,299)**	**$ 1,363**	**$ (3,936)**

	Note	Fair value of interest rate swaps	Deferred income tax	Net impact after tax
Balance, December 31, 2020		$ (37,009)	$ 9,550	$ (27,459)
Change in fair value of cash flow hedges of interest rate risk included in the carrying amount of the hedged item		1,011	(210)	801
Cumulative gain arising on cash flow hedges to profit or loss		3,513	(907)	2,606
Net payments made	16	2,717	(697)	2,020
Balance, March 31, 2021		**$ (29,768)**	**$ 7,736**	**$ (22,032)**

Foreign exchange forward

The REIT entered into a foreign exchange transaction on March 25, 2021 to sell C$127.6 million at an exchange rate of 1.2633 and purchase U.S. dollars. On September 21, 2021, the REIT settled the forward for a net gain of $1.0 million which is recorded in the statement of net income.

10. REIT UNITS AND EXCHANGEABLE UNITS OF SUBSIDIARIES

At March 31, 2022, the REIT has the following REIT units issued and outstanding, in thousands of units:

	Class A	Class I	Class U
Authorized for issue	Unlimited	Unlimited	Unlimited
Issued and outstanding	147	282	58,516

Each class of the exchangeable units issued by the REIT's subsidiaries are presented as financial liabilities in accordance with IAS 32, *Financial Instruments: Presentation* ("IAS 32").

Each REIT unit confers the right to one vote at any meetings of REIT unitholders. The REIT is also authorized to issue an unlimited number of special voting units. Special voting units are only issued in tandem with the issuance of securities redeemable for or exchangeable into REIT units. The special voting units do not have any economic entitlement in the REIT with respect to distributions but provide the holder with the same voting rights in the REIT as a holder of REIT units. Subsidiary of the REIT, GAR B exchangeable units are accompanied by an equivalent number of special voting units.

Each REIT unit entitles the holder to the same rights and obligations as any other REIT unitholder and no REIT unitholder is entitled to any privilege, priority or preference in relation to any other holder of REIT units of class A units, class I units and class U units of the REIT to participate in distributions made by the REIT including distributions of net income, net realized capital gains or other amounts and, in the event of termination or winding-up of the REIT, in the net assets of the REIT remaining after satisfaction of all liabilities. REIT units will be fully paid and non-assessable when issued and are transferable.

The REIT's Declaration of Trust grants holders of class A units and class I units of the REIT the right to convert all or any portion of their class A units and class I units of the REIT, at any time (the “conversion date”), into class U units by giving written notice to the REIT. On the applicable conversion date, the REIT will deliver to the class A unitholder or class I unitholder the applicable number of class U units for each class A unit or class I unit converted by such unitholder.

With certain restrictions, the unitholders have the right to require the REIT to redeem their units on demand. Upon receipt of the redemption notice by the REIT, all rights to and under the units tendered for redemption shall be surrendered and the holder thereof shall be entitled to receive a price per unit as determined by a market formula and shall be paid in accordance with the conditions provided for in the Declaration of Trust.

Exchangeable units of subsidiaries

Exchangeable units of subsidiaries are redeemable at the option of the holder, for cash or class U units of the REIT as determined by the REIT. Distributions paid on exchangeable units of subsidiaries are recorded as unit expense in the period in which they become payable.

Exchangeable units of subsidiaries are re-measured based on the quoted closing price of REIT units into which they are exchangeable with changes in fair value recognized in net income as unit expense.

At the Market Program

On March 30, 2022, the REIT established an at the market equity program ("ATM program") that allows the REIT to issue, at its discretion, up to $150.0 million of class U units of the REIT to the public from time to time through an agent. Distributions pursuant to the ATM program will be made in accordance with the terms of an equity distribution agreement dated March 30, 2022 entered into among the REIT and the agent. The ATM program will be effective until April 28, 2024, unless terminated in accordance with the terms of the equity distribution agreement. As at March 31, 2022, no units had been issued under the ATM program.

Public offerings

On March 31, 2021, the REIT completed a bought deal public offering of 11,420,000 subscription receipts of the REIT at a price of C$11.65 per subscription receipt, for gross proceeds of C$133.0 million. On September 22, 2021, one class U unit of the REIT was issued in exchange for each subscription receipt, without payment of additional consideration. The unit holders of the subscription receipts, on the date upon which the subscription receipts were exchanged for units of the REIT, received cash distribution equivalent payment of $0.43 being equal to the amount per REIT unit of any cash distributions made by the REIT for which record dates have occurred during the period from and including March 31, 2021 and September 22, 2021. The cash distribution equivalent payment of $4.93 million has been recorded in interest and finance costs in the 2021 year.

The subscription receipts, which are classified as a financial liability were measured at fair value on initial recognition. Subsequent to initial recognition, the subscription receipts have been designated as fair value through profit or loss. As a result, a fair value gain of $0.1 million was recognized at March 31, 2021.

Normal course issuer bid

The REIT had a normal course issuer bid ("NCIB") in place between May 26, 2020 to May 26, 2021. No class U units were purchased and subsequently canceled under the NCIB.

REIT units and exchangeable units of subsidiaries outstanding during the period and their respective class U equivalent amounts if converted is as follows, in thousands of units:

	REIT units			Exchangeable units of subsidiaries			Total class U units equivalent
Class / type	U	A	I	LP1	LP2	GAR B	
Balance, December 31, 2021	58,342	148	282	28	920	132	59,852
Exchanged	174	(1)	—	—	(173)	—	—
Class U units equivalent, March 31, 2022	**58,516**	**147**	**282**	**28**	**747**	**132**	**59,852**

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

The change in the carrying amount of exchangeable units of subsidiaries is as follows:

	Three months ended March 31, 2022	2021
Beginning of the period	$ 12,302	$ 9,566
Change in fair value	2,243	437
Exchanged units	(2,140)	—
End of the period	**$ 12,405**	**$ 10,003**

Deferred unit plans ("DUP")

Trustees of the REIT who are not members of management may elect to receive all or a portion of their trustee fees in the form of deferred units that vest immediately upon grant.

The REIT also offers DUP for officers of the REIT whereby officers may elect to receive deferred class U units, which represent a right to receive class U units, in lieu of an equivalent amount of asset management fees for management services rendered by Slate Asset Management (Canada) L.P. (the "Manager").

The deferred units are equivalent in value to REIT units and accumulate additional deferred units at the same rate that distributions are paid on REIT units in relation to the market value of REIT units.

The change in deferred units is as follows, in thousands of units:

	Three months ended March 31, 2022	2021
Beginning of the period	208	165
Reinvested distributions	3	3
Issued	7	11
End of the period	**218**	**179**
Fair value of units [1]	**$ 2,980**	**$ 1,657**

[1] At the respective period end date.

Weighted average class U units outstanding

The following is the weighted average number of class U units outstanding on a fully diluted basis, in thousands of units:

	Three months ended March 31, 2022	2021
Class U units	59,161	46,902
Class A units	147	167
Class I units	282	282
Exchangeable units of subsidiaries	262	1,080
Deferred units	212	166
Total	**60,064**	**48,597**

Class U units outstanding

The following is the total number of class U units outstanding, if all other units of the REIT, its subsidiaries and its DUP, were converted or exchanged, as applicable, for class U units of the REIT, in thousands of units:

	March 31, 2022	December 31, 2021
Class U units	58,516	58,342
Class A units	147	148
Class I units	282	282
Exchangeable units of subsidiaries	907	1,080
Deferred units	218	208
Total	**60,070**	**60,060**

11. INCOME TAXES

The REIT qualifies as a mutual fund trust for Canadian income tax purposes. The REIT intends to distribute all of its taxable income to unitholders and is entitled to deduct such distributions for Canadian income tax purposes. Accordingly, no provision for current income taxes payable is required, except for amounts incurred in Investment L.P. and Investment Inc and GAR (1B).

Investment L.P. and GAR B made an election to be classified as corporations for U.S. federal tax purposes. Investment L.P. and GAR B are subject to U.S. federal and state income taxation on their allocable shares in Slate Grocery One L.P., a subsidiary of the REIT, and any subsidiary limited partnership thereof.

Investment Inc. is a U.S. corporation formed in the state of Delaware. It is subject to federal and state income taxation on its allocable share in Slate Grocery Investment US L.P., a subsidiary of the REIT, and any subsidiaries thereof.

The REIT is therefore subject to U.S. federal income taxation on its allocable share of rental income derived directly or indirectly through such subsidiary limited partnerships and corporate, on a net basis taking into account allowable deductions. Investment L.P. and GAR B are each subject to a combined federal and state income tax rate of 25.70% (December 31, 2021 – 25.70%). Investment Inc. is subject to a combined federal and state income tax rate of 25.11% (December 31, 2021 – 25.11%). To the extent U.S. taxes are paid by Investment L.P., GAR B and Investments Inc. such amounts will be creditable against an investor's Canadian federal income tax liability to the extent permitted by Canadian tax law.

(unaudited – in thousands of United States dollars, unless otherwise stated)

12. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities are comprised of the following:

	March 31, 2022	December 31, 2021
Accounts payable and accrued liabilities	$ 15,453	$ 12,776
Prepaid rent	6,640	5,236
Tenant improvements payable	6,652	5,823
Taxes payable	421	310
Other payables	8,731	5,894
Total	**$ 37,897**	**$ 30,039**

Included in accounts payable 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.

13. NON-CONTROLLING INTEREST

The net assets attributable to the non-controlling interest and the REIT is as follows:

	March 31, 2022	December 31, 2021
Assets		
Property	$ 162,937	$ 157,556
Current assets	6,880	6,466
Total Assets	**$ 169,817**	**$ 164,022**
Liabilities		
Debt	$ 112,199	$ 112,248
Non-current liabilities	4,145	—
Current liabilities	3,603	2,761
Total Liabilities	**$ 119,947**	**$ 115,009**
Net Assets	**$ 49,870**	**$ 49,013**
Net assets attributable to		
Unitholders of the REIT	$ 44,883	$ 44,112
Non-controlling interest	$ 4,987	$ 4,901

(unaudited – in thousands of United States dollars, unless otherwise stated)

The income attributable to the non-controlling interest and the REIT is as follows:

	Three months ended March 31, 2022	2021
Rental revenue	$ 5,143	$ —
Property operating expenses	(5,222)	—
General and administrative expenses	(88)	—
Interest and finance costs	(1,081)	—
Change in fair value of property	8,568	—
Deferred income tax expense	(4,145)	—
Current income tax expense	(17)	—
Net income	**$ 3,158**	**$ —**
Net income attributable to		
Unitholders of the REIT	$ 2,842	$ —
Non-controlling interest	$ 316	$ —

The cash flows attributable to the non-controlling interest and the REIT is as follows:

	March 31, 2022	December 31, 2021
Cash flows from		
Operating activities	$ 316	$ 523
Investing activities	—	—
Financing activities	(230)	(171)
Increase in cash	**$ 86**	**$ 352**
Cash, beginning of the period	**2,818**	**2,466**
Cash, end of the period	**$ 2,904**	**$ 2,818**

14. REVENUE

Revenue is comprised of the following:

	Three months ended March 31, 2022	2021
Rental revenue	$ 29,436	$ 24,141
Common area maintenance recoveries	2,939	3,020
Property tax and insurance recoveries	6,019	4,319
Percentage rent	255	284
Other revenue [1]	317	707
Total	**$ 38,966**	**$ 32,471**

[1] Other revenue includes straight-line rent, ground rent, termination fees, storage rent, and non-rental income.

The REIT enters into long-term lease contracts with tenants for space in the REIT's properties. Leases generally provide for the tenant to pay base rent, with provisions for contractual increases in base rent over the term of the lease, plus operating costs and property tax recoveries. Certain leases have limitations or escalation restrictions on the amount of recoveries or cost reimbursements, which the tenant is obligated to pay regardless of the actual costs incurred by the REIT to operate and maintain the properties.

The REIT's existing leases have a weighted average outstanding term of 4.7 years (December 31, 2021 – 4.7 years) certain of which include clauses to enable periodic upward revisions in rental rates.

(unaudited – in thousands of United States dollars, unless otherwise stated)

The future minimum lease payments from the REIT's non-cancellable operating leases as a lessor are as follows:

	March 31, 2022	December 31, 2021
In one year or less	$ 136,346	$ 136,596
In more than one year but not more than five years	354,205	353,108
In more than five years	170,415	165,471
Total	**$ 660,966**	**$ 655,175**

15. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses are comprised of the following:

		Three months ended March 31,	
	Note	2022	2021
Asset management fees	22	$ 1,912	$ 1,314
Professional fees and other		1,274	665
Bad debt expense		194	171
Franchise and business taxes		233	65
Total		**$ 3,613**	**$ 2,215**

16. INTEREST AND FINANCE COSTS

Interest and finance costs are comprised of the following:

		Three months ended March 31,	
	Note	2022	2021
Interest on debt and finance charges	8	$ 7,007	$ 5,432
Interest rate swaps, net settlement	9	2,708	2,983
Interest income		(5)	(13)
Amortization of finance charges and MTM premium	8	417	576
Amortization of deferred gain on TIF notes		(22)	(22)
Total		**$ 10,105**	**$ 8,956**

17. CHANGE IN FAIR VALUE OF FINANCIAL INSTRUMENTS

The change in fair value of financial instruments is comprised of the following:

		Three months ended March 31,	
	Note	2022	2021
Interest rate swaps	9	$ —	$ 3,513
Subscription receipts	10	—	91
Foreign exchange forward contract	9	—	(586)
Total		**$ —**	**$ 3,018**

(unaudited – in thousands of United States dollars, unless otherwise stated)

18. UNIT EXPENSE

Unit expense is comprised of the following:

		Three months ended March 31,	
	Note	2022	2021
Exchangeable units of subsidiaries distributions	10	$ 221	$ 233
Change in fair value of DUP		469	(101)
Change in fair value of exchangeable units of subsidiaries	10	2,243	437
Total		**$ 2,933**	**$ 569**

Unit distributions

Pursuant to the Declaration of Trust, the income of the REIT is distributed on dates and in amounts as determined by the board of trustees.

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

		Three months ended March 31,	
	Note	2022	2021
Declared			
REIT unit distributions		$ 12,706	$ 10,227
Exchangeable units of subsidiaries distributions	10	221	233
		$ 12,927	**$ 10,460**
Add: Distributions payable, beginning of period		4,309	3,487
Less: Distributions payable, end of period		(4,309)	(3,487)
Distributions paid		**$ 12,927**	**$ 10,460**

(unaudited – in thousands of United States dollars, unless otherwise stated)

19. FAIR VALUES

Except as noted, the carrying value of financial assets and financial liabilities approximate their fair values because of the short period until receipt or payment of cash.

The carrying amounts and fair values of the REIT's financial instruments are as follows:

	March 31, 2022		December 31, 2021	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Cash	$ 17,427	$ 17,427	$ 14,038	$ 14,038
Accounts receivable	18,535	18,535	17,573	17,573
TIF notes receivable	1,638	1,733	1,848	1,943
Financial assets within other assets [1]	2,305	2,305	2,914	2,914
Total financial assets	**$ 39,905**	**$ 40,000**	**$ 36,373**	**$ 36,468**
Financial liabilities				
Accounts payable and accrued liabilities	$ 37,897	$ 37,897	$ 30,039	$ 30,039
Distributions payable	4,309	4,309	4,309	4,309
Interest rate swaps	5,298	5,298	18,936	18,936
Revolver	192,593	193,513	190,822	191,853
Term loan	224,164	225,000	224,098	225,000
Term loan 2	82,613	83,000	82,504	83,000
Mortgages	438,351	443,227	440,320	450,943
Financial liabilities within other liabilities [2]	3,238	3,238	3,142	3,142
Exchangeable units of subsidiaries	12,405	12,405	12,302	12,302
Total financial liabilities	**$ 1,000,868**	**$ 1,007,887**	**$ 1,006,472**	**$ 1,019,524**

[1] Relates to funds held in escrow included in other assets.
[2] Relates to rental security deposits included in other liabilities.

(unaudited – in thousands of United States dollars, unless otherwise stated)

The fair value hierarchy of financial assets and financial liabilities is as follows:

March 31, 2022		Level 1		Level 2		Level 3		Total
Financial assets								
Cash	$	17,427	$	—	$	—	$	17,427
Accounts receivable		—		18,535		—		18,535
TIF notes receivable		—		—		1,733		1,733
Financial assets within other assets [1]		2,305		—		—		2,305
Total financial assets	**$**	**19,732**	**$**	**18,535**	**$**	**1,733**	**$**	**40,000**
Financial liabilities								
Accounts payable and accrued liabilities	$	—	$	37,897	$	—	$	37,897
Distributions payable		—		4,309		—		4,309
Interest rate swaps		—		5,298		—		5,298
Revolver		—		193,513		—		193,513
Term loan		—		225,000		—		225,000
Term loan 2		—		83,000		—		83,000
Mortgages		—		443,227		—		443,227
Financial liabilities within other liabilities [2]		3,238		—		—		3,238
Exchangeable units of subsidiaries		12,405		—		—		12,405
Total financial liabilities	**$**	**15,643**	**$**	**992,244**	**$**	**—**	**$**	**1,007,887**

December 31, 2021		Level 1		Level 2		Level 3		Total
Financial assets								
Cash	$	14,038	$	—	$	—	$	14,038
Accounts receivable		—		17,573		—		17,573
TIF notes receivable		—		—		1,943		1,943
Financial assets within other assets [1]		2,914		—		—		2,914
Total financial assets	**$**	**16,952**	**$**	**17,573**	**$**	**1,943**	**$**	**36,468**
Financial liabilities								
Accounts payable and accrued liabilities	$	—	$	30,039	$	—	$	30,039
Distributions payable		—		4,309		—		4,309
Interest rate swaps		—		18,936		—		18,936
Revolver		—		191,853		—		191,853
Term loan		—		225,000		—		225,000
Term loan 2		—		83,000		—		83,000
Mortgages		—		450,943		—		450,943
Financial liabilities within other liabilities [2]		3,142		—		—		3,142
Exchangeable units of subsidiaries		12,302		—		—		12,302
Total financial liabilities	**$**	**15,444**	**$**	**1,004,080**	**$**	**—**	**$**	**1,019,524**

[1] Relates to funds held in escrow included in other assets.
[2] Relates to rental security deposits included in other liabilities.

(unaudited – in thousands of United States dollars, unless otherwise stated)

20. CAPITAL MANAGEMENT

The REIT's capital management objectives are to:

i. ensure compliance with the REIT's Declaration of Trust;

ii. ensure compliance with restrictions in debt agreements; and

iii. provide sufficient liquidity to operate the REIT's properties, fund obligations as they become due and build unitholder value.

Procedures to monitor compliance with the Declaration of Trust and debt agreements are performed as a part of the overall management of operations and periodically by review of the REIT's board of trustees and reporting to the REIT's lender. In order to maintain or adjust the capital structure, the REIT may issue trust units, debentures or mortgage debt, adjust the amount of distributions paid to unitholders, return capital to unitholders, or reduce or increase debt.

The REIT considers its debt and equity instruments to be its capital as follows:

	Note	March 31, 2022	December 31, 2021
Debt	8	$ 937,721	$ 937,744
Exchangeable units of subsidiaries	10	12,405	12,302
Unitholders' equity		650,309	623,921
Total		**$ 1,600,435**	**$ 1,573,967**

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, and is calculated as follows:

	March 31, 2022	December 31, 2021
Gross book value	$ 1,775,504	$ 1,737,162
Debt	937,721	937,744
Leverage ratio	**52.8%**	**54.0%**

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

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

	Threshold	March 31, 2022	December 31, 2021
Maximum leverage ratio: Consolidated Total Indebtedness shall not exceed 65% of Gross Asset Value	< 65%	61.1%	61.8%
Minimum fixed charge coverage ratio: adjusted EBITDA to consolidated fixed charges shall not be less than 1.50x [1]	> 1.50x	2.15x	1.94x

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

21. RISK MANAGEMENT

The REIT's risk management policies are established to identify, analyze and manage the risks faced by the REIT and to implement appropriate procedures to monitor risks and adherence to established controls. Risk management policies and systems are reviewed periodically in response to the REIT's activities and to ensure applicability.

In the normal course of business, the main risks arising from the REIT's use of financial instruments include credit risk, liquidity risk and market risk. These risks, and the actions taken to manage them, include:

i. Credit risk

Credit risk is the risk of financial loss to the REIT associated with the failure of a tenant or other party to meet its contractual obligations related to lease agreements, including future lease payments and loan arrangements and TIF notes receivables. The risk is mitigated by carrying out appropriate credit checks and related due diligence on the significant tenants.

As of March 31, 2022, one individual tenant accounted for 8.0% (December 31, 2021 – 8.1%) of the REIT's base rent.

(unaudited – in thousands of United States dollars, unless otherwise stated)

ii. Liquidity risk

Liquidity risk is the risk that the REIT will not be able to meet its financial obligations as they fall due. The REIT's approach to managing liquidity is to ensure sufficient financial resources are available to meet its liabilities as they become due. This includes monitoring of cash, current receivables, current payables, and non-current liabilities as they become current.

Real property investments tend to be relatively illiquid, with the degree of liquidity generally fluctuating in relation to the demand for and the perceived desirability of such investments. Such illiquidity can limit the REIT's ability to vary its portfolio promptly in response to changing economic or investment conditions. If the REIT were required to liquidate a real property investment promptly, the proceeds to the REIT might be significantly less than the aggregate carrying value of such property.

The REIT's contractual commitments as at March 31, 2022 are as follows:

	Total contractual cash flow	2022	2023-2024	2025-2026	Thereafter
Accounts payable and accrued liabilities	$ 37,897	$ 37,897	$ —	$ —	$ —
Revolver [1]	193,513	—	193,513	—	—
Revolver interest payable [1 2]	15,253	13,141	2,112	—	—
Term loan [1]	225,000	—	225,000	—	—
Term loan interest payable [1]	27,267	14,559	12,708	—	—
Term loan 2 [3]	83,000	83,000	—	—	—
Term loan 2 interest payable [3]	2,643	2,643	—	—	—
Mortgages	442,504	6,425	122,033	90,213	223,833
Mortgage interest payable	95,355	13,060	32,605	18,145	31,545
Interest rate swap, net of cash outflows	5,299	4,301	574	424	—
Exchangeable units of subsidiaries	12,405	—	—	—	12,405
Total	**$ 1,140,136**	**$ 175,026**	**$ 588,545**	**$ 108,782**	**$ 267,783**

[1] Revolver and term loan interest payable is calculated on $193.5 million and $225.0 million (balance outstanding) using an estimated "all in" interest rate of 3.79% and 3.69% respectively under the "2022" column. The revolver and term loan long-term average interest rate is based on the 30-day LIBOR forward curve plus the specified margin for the LIBOR rate option under the term loan resulting in "all-in" interest rate of 4.62% and 4.90%, respectively. The total revolver and term loan interest payable is calculated until maturity of the initial term.
[2] Includes stand-by fee on the revolver to be paid in an amount equal to 0.25% of the unused portion of the revolver where the unused portion is greater than or equal to 50% of the maximum amount available and 0.15% of the unused portion of the revolver where the unused portion is less than 50% of the maximum amount available, calculated daily.
[3] Term loan 2 interest payable is calculated on $83.0 million (balance outstanding) using an estimated "all in" interest rate of 3.69% under the "2022" column.

The REIT maintains $8.0 million in cash to satisfy a mortgage covenant that is recorded in the cash balance on the statement of financial position.

Interest rate risk

Interest rate risk arises from the possibility that the value of, or cash flows related to, a financial instrument will vary as a result of changes in market interest rates. The REIT manages its financial instruments with the objective of mitigating any potential interest rate risks. For the revolver, term loan and term loan 2 interest rate on the loans will vary depending on changes in base rate and/or U.S. LIBOR rate. The REIT is subject to interest rate risks mainly from non-current debt that has variable interest rate. The REIT manages these cash flow interest rate risks using pay-fixed received-float interest rate swap contracts to swap the floating-rate payments on the credit facility for fixed rate payments.

Assuming all fixed-rate debt remain outstanding, there is no impact to the annual interest expense.

Interest rate benchmark reform

The REIT is exposed to U.S. LIBOR interest rate, which is subject to the interest rate benchmark reform. The REIT has closely monitored the market and the output from the various industry working groups managing the transition to new benchmark interest rates. This includes announcements made by LIBOR regulators (including the Financial Conduct Authority ("FCA") and the US Commodity Futures Trading Commission) regarding the transition away from U.S. LIBOR to the Secured Overnight Financing Rate ("SOFR").

In response to the announcements, the REIT is in the process of developing a transition program. The aim of the program is to understand where LIBOR exposures are within the business and prepare and deliver on an action plan to enable a smooth transition to an alternative benchmark rate. For the REIT's floating rate debt, the REIT has started discussions with its lenders to amend U.S. LIBOR bank loans so that the reference benchmark interest rate will change to SOFR.

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The REIT will continue to apply the amendments to IFRS 9 until the uncertainty arising from the interest rate benchmark reforms with respect to the timing and the amount of the underlying cash flows that the REIT is exposed ends. The REIT has assumed that this uncertainty will not end until the REIT's contracts that reference U.S. LIBOR are amended to specify the date on which the interest rate benchmark will be replaced, the cash flows of the alternative benchmark rate and the relevant spread adjustment.

Cash flow sensitivity analysis

The interest rate profile of variable rate interest bearing debt and associated interest rate sensitivity to changes in interest rates is as follows:

	March 31, 2022	December 31, 2021
Variable-rate instruments		
Revolver	$ 193,513	$ 191,853
Term loan	225,000	225,000
Term loan 2	83,000	83,000
Effect of interest rate swaps	(450,000)	(450,000)
Total effective variable-rate debt	**$ 51,513**	**$ 49,853**
Effective fixed rate debt as a total of all debt	**94.5%**	**94.7%**
Annual impact of a 25 bps change on interest rates	**$ 129**	**$ 125**

iii. Unit price risk

The REIT is exposed to unit price risk in net income as a result of its exchangeable units of subsidiaries. Exchangeable units of subsidiaries have been classified as liabilities and measured at fair value based on market trading prices. Exchangeable units of subsidiaries negatively impact net income when the unit price rises and positively impact net income when unit prices decline. An increase of $1.00 in the underlying price of exchangeable units of subsidiaries results in an increase to liabilities and a decrease in net income of $0.9 million.

iv. Currency risk

Currency risk is associated with a fluctuation in the value of the U.S. dollar relative to other foreign currencies. Although not material, the REIT is exposed to currency risk as certain of the REIT's expenses are denominated in Canadian dollars.

22. RELATED PARTIES

Pursuant to the terms of a management agreement as amended on October 1, 2021, 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 calculated as a percentage of Gross Book Value ("GBV") of the REIT (the "rate"). A rate of 0.40% is applicable to a GBV of up to $2.0 billion and reduced based on certain GBV increases; and

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.

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 Manager is a significant unitholder in the REIT, with an approximate 5.6% interest.

Fees to the Manager are as follows:

	Three months ended March 31,	
	2022	2021
Asset management	$ 1,912	$ 1,314
Acquisition	—	410
Total	**$ 1,912**	**$ 1,724**

(unaudited – in thousands of United States dollars, unless otherwise stated)

Trustee fees

The REIT's key personnel include trustees and officers of the REIT. For the three month period ended March 31, 2022, trustee fees amounted to $0.2 million (three month period ended March 31, 2021 – $0.2 million).

23. SEGMENTS

The REIT has only one reportable segment. The REIT owns and operates properties in the U.S. The REIT identifies each property as an individual operating segment and has aggregated them into a reportable segment based on similarity in the nature of the tenants and operational processes.

24. SUPPLEMENTAL CASH FLOW INFORMATION

Changes in liabilities arising from financing activities are as follows:

	Revolver [1]	Term Loan [1]	Term Loan 2 [1]	Mortgages	Exchangeable units of subsidiaries	**Total**
Balance, December 31, 2021	$ 190,822	$ 224,098	$ 82,504	$ 440,320	$ 12,302	
Cash flows						
Advances, net	15,139	—	—	—	—	**15,139**
Debt repayments	(13,478)	—	—	(2,101)	—	**(15,579)**
Non-cash changes						
Amortization of MTM adjustments and costs	110	66	109	132	—	**417**
Exhanges	—	—	—	—	(2,140)	**(2,140)**
Change in fair value	—	—	—	—	2,243	**2,243**
Balance, March 31, 2022	**$ 192,593**	**$ 224,164**	**$ 82,613**	**$ 438,351**	**$ 12,405**	

[1] Changes in financial instruments that hedge the REIT's liabilities arising from financing activities include the REIT's interest rate swaps. Refer to note 9 for more detail.

25. SUBSEQUENT EVENTS

i. On April 18, 2022, the REIT declared monthly distributions of $0.072 per class U unit. Holders of class A units, class I units and units of subsidiaries of the REIT were also entitled to receive an equivalent distribution.

ii. Subsequent to the quarter, the REIT issued a total of 1.4 million class U units of the REIT under the ATM program at an average share price of C$16.95 (USD$13.59) for proceeds, net of costs of $18.6 million.