Q3 2016
TSX: SRT.U and SRT.UN

"Doubt is not a pleasant condition, but certainty is absurd"
— Voltaire

DEAR FELLOW UNITHOLDERS

We realize that, as an investor in Slate Retail, you by definition are an independent thinker and willing to step outside of the herd and invest in a unique real estate operating platform instead of an index or the most well-known, large-cap REITs.

Thinking differently and challenging the status quo is what we believe in at Slate Asset Management. We have been able to do this in Slate Retail by investing in grocery-anchored real estate located in large secondary markets in the U.S. where capital remains scarce and operational proficiency continues to be weak. While we have talked a lot about this concept and its importance in the past, investing where others are not is only part of our strategy. The next two concepts are just as important in order to deliver outsized returns relative to our peers over the long-run:

- Be hands-on operators; leverage our operating platform and exceptional people to execute on our thesis *(see Q1 & Q2 2016 Letter to Unitholders for more on this)*; and
- Think like investors; align ourselves by investing our own money in our ideas and make sure the math and assumptions behind them are reasonable, i.e. make sure it's very unlikely we lose *our* money by investing in our ideas

We would like to talk about making sure the math and assumptions are reasonable. This results in appraising two of the largest counter arguments to our thesis as it relates to Slate Retail, which are the following:

1. Real estate located in more urban, recognizable markets with larger populations and higher incomes (sometimes referred to as core real estate) attract higher quality tenants that have higher sales growth. As such, higher sales growth means tenants can afford to pay more and more rent over time. All of this to say that, faster rent growth will make up for the fact that, *today*, core real estate is relatively more expensive than non-core real estate than at any other time in our recorded past (i.e. much faster rent growth offsets a much lower cap rate / going in yield); furthermore
2. There is *always* more liquidity (i.e. more buyers/bids) for core real estate resulting in a greater probability of increased prices (i.e. even lower cap rates) in the future.

Using two hypothetical companies that we believe would be similar to investment opportunities in both Slate Retail (Company A) and of two of its Canadian peers (Company B).

We will assume company A's portfolio is akin to Slate Retail's today. Coveted by the few, perpetually unwanted by the many. However, it is well located, well occupied, has a long and successful operating history, and owns leases backed by some of North America's largest investment grade retailers.

In contrast, Company B's real estate is perceived to be of higher quality and as a result it is more highly sought after, **perceived risk is lower**, so investors today are willing to accept a **lower initial return (i.e. cap rate) of 5.75%**. For the same reasons, we will also assume that Company B's **rents will grow at double the rate** of Company A's. Furthermore, because of the superior liquidity of Company B's properties, and scarcity of high-quality properties (we will **assume no more can ever be built**) it will see a reduction in cap rate in the future of 50 bps (i.e. **even with no income growth it will be worth more in the future**). Company A's real estate will remain unwanted and as such no reduction in cap rate will be achieved.

Both companies have to spend maintenance capital and enhancement capital in order to maintain their buildings and retain tenants/entice new tenants in order to grow income, respectively. It is too hard to make assumptions here so we have simply taken these from 2015 actual results.

Assumptions:

	Company A	Company B
Acquisition price	$ 100	$ 100
Initial yield (cap rate) at acquisition	7.50%	5.75%
Leasing and maintenance capital (% of total assets)	0.65%	4.50%
NOI growth	2.50%	5.00%
Cap rate at disposition	7.50%	5.25%

If we assume both companies have the same amount of money to invest, $100, below are the results assuming a five year holding period.

	Company A	Company B
At the end of year 5		
Unlevered IRR	10.25%	9.07%

Value can be a substitute for a growth *assumption*. The conclusion we draw is, relative to Company B, Company A's return is driven by fewer assumptions but also generates a superior return. We prefer this bet. To take it one step further, we ran sensitivity analysis to understand what Company B's cap rate would need to be upon sale in order to generate the same return as Company A. The answer is: 4.98%. Said differently, in order to make up for the substantial spread between initial yields at acquisition, Company B has to see meaningful cap rate compression (i.e. multiple expansion) even with double the growth rate in income.

Our process has resulted in a methodically selected portfolio built over the course of the last 5.5 years. It has not been a hurried process but well thought out with a focus on how to prevent permanent capital loss, before all else. We remain skeptics and we believe that real estate investors today are prognosticating with such certainty that they are mispricing risk and as such miscalculating value. Our investment strategy starts with the cash flow our portfolio generates *today.* We do not 'hope' numerous assumptions need to go our way in order to generate outsized returns. Hope is not a sound investment strategy. Coupled with a hands-on approach and our dedicated team of exceptional people at Slate Retail we believe we stand a much better chance of delivering outsized returns to our investors over the long-run.

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

With appreciation,

Greg Stevenson
Chief Executive Officer
November 2, 2016

Management's Discussion and Analysis

SLATE RETAIL REIT

September 30, 2016

TSX: SRT.U and SRT.UN

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 26

PART V – ACCOUNTING AND CONTROL 31

PART VI – PROPERTY TABLES 34

FORWARD-LOOKING STATEMENTS

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

These forward-looking statements are not guarantees of future events or performance and, by their nature, are based on the REIT's current estimates and assumptions, which are subject to significant risks and uncertainties. The REIT believes that these statements are made based on reasonable assumptions; however, there is no assurance that the events or circumstances reflected in these forward-looking statements will occur or be achieved. A number of factors could cause actual results to differ materially from the results discussed in the forward-looking statements including, but not limited to the risks that are more fully discussed under the "*Risk Factors*" section of the annual information form of the REIT for the year ended December 31, 2015 ("Annual Information Form"). Factors that could cause actual results to differ materially from those contemplated or implied by forward-looking statements include, but are not limited to: risks incidental to ownership and operation of real estate properties including local real estate conditions; financial risks related to obtaining available equity and debt financing at reasonable costs and interest rate fluctuations; operational risks including timely leasing of vacant space and re-leasing of occupied space on expiration of current leases on terms at current or anticipated rental rates; tenant defaults and bankruptcies; uncertainties of acquisition activities including availability of suitable property acquisitions and integration of acquisitions; competition including development of properties in close proximity to the REIT's properties; loss of key management and employees; potential environmental liabilities; catastrophic events, such as earthquakes and hurricanes; governmental, taxation and other regulatory risks and litigation risks.

Forward-looking statements included in this MD&A are made as of November 2, 2016 and accordingly are subject to change after such date. The REIT does not undertake to update any forward-looking statements that are included in this MD&A, whether as a result of new information, future events or otherwise, except as expressly required by applicable securities laws. Certain statements included in this MD&A may be considered "financial outlook" for purposes of applicable securities laws, and such financial outlook may not be appropriate for purposes other than this MD&A. Investors are cautioned against placing undue reliance on forward-looking statements.

FINANCIAL AND INFORMATIONAL HIGHLIGHTS

(in thousands, except per unit amounts and as otherwise stated)

	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015
Summary of Portfolio Information					
Number of properties	64	68	66	66	64
Gross leasable area ("GLA")	7,841,401	7,941,699	7,726,055	7,581,846	7,359,096
GLA occupied by grocery-anchors	3,669,595	3,776,105	3,691,654	3,585,268	3,501,935
Occupancy	93.6%	95.0%	94.4%	94.7%	95.1%
Grocery-anchor occupancy	99.0%	99.1%	99.0%	99.0%	100.0%
Non-anchor occupancy	88.7%	91.2%	90.2%	90.7%	89.9%
Grocery-anchor weighted average lease term (years)	5.7	5.9	5.9	6.2	6.3
Portfolio weighted average lease term (years)	5.1	5.2	5.1	5.2	5.2
Square feet ("SF") leased	117,805	255,623	283,847	150,365	219,373
Summary of Financial Information					
IFRS gross book value ("GBV") [1]	$1,076,668	$1,072,823	$1,033,985	$1,013,481	$ 971,721
Total debt	585,773	586,134	588,702	577,280	538,423
Revenue	23,699	24,088	24,205	23,104	22,416
Net (loss) income	(15,309)	(605)	(760)	(1,057)	2,936
Net operating income ("NOI") [2]	17,019	17,438	17,077	16,248	16,307
Funds from operations ("FFO") [2]	11,193	11,998	10,685	10,543	10,793
Adjusted funds from operations ("AFFO") [2]	9,205	10,194	7,598	8,647	8,812
Distributions declared	$ 6,990	$ 6,894	$ 6,201	$ 6,090	$ 6,070
Per Unit Financial Information					
Class U equivalent units outstanding	35,440	35,425	31,858	31,829	31,977
Weighted average class U equivalent units outstanding ("WA units")	35,469	34,627	31,872	31,957	32,253
FFO per WA units [2]	$ 0.32	$ 0.35	$ 0.34	$ 0.33	$ 0.33
AFFO per WA units [2]	0.26	0.29	0.24	0.27	0.27
Declared distributions per unit	$ 0.19	$ 0.19	$ 0.19	$ 0.19	$ 0.19
Financial Ratios					
AFFO payout ratio [3]	75.9%	67.6%	81.6%	70.4%	68.9%
FFO payout ratio [4]	62.4%	57.5%	58.0%	57.8%	56.2%
Debt / GBV	54.7%	55.0%	57.4%	57.5%	55.9%
Weighted average interest rate	3.00%	3.00%	3.05%	3.14%	3.14%
Interest coverage ratio [5]	3.31x	3.57x	3.27x	3.19x	3.59x

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] Distributions declared divided by AFFO.

[4] Distributions declared divided by FFO.

[5] NOI less general and administrative expenses, divided by interest on debt.

PART I – OVERVIEW

INTRODUCTION

This MD&A of the financial position and results of operations of Slate Retail REIT (TSX: SRT.U 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 September 30, 2016. 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 September 30, 2016 (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.

The information contained in this MD&A is based on information available to the REIT and is dated as of November 2, 2016, which is also the date the Board of Trustees, upon the recommendation of its Audit Committee, approved the contents of this MD&A.

PROFILE

The REIT is an unincorporated open-ended real estate investment trust constituted in accordance with the laws of the Province of Ontario pursuant to an amended and restated Declaration of Trust dated as of April 15, 2014, as amended on May 11, 2016. As of September 30, 2016, the REIT owns 64 grocery-anchored retail commercial properties located in the United States comprising 7.8 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 6.7% interest, and accordingly, is highly motivated to increase the value to unitholders and provide reliable growing returns to the REIT's unitholders.

Additional information on the REIT, including its Annual Information Form, is available on SEDAR at www.sedar.com and on the REIT's website at www.slateam.com/SRT.

STRATEGY AND OUTLOOK

Our strategy is to own quality grocery-anchored retail properties located in major markets in the United States that are visited regularly by consumers for their everyday needs. We believe that our diversified portfolio, 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 through 2016 and 2017:

- 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, 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.

RISK AND UNCERTAINTIES

The REIT’s business is subject to a number of risks and uncertainties which are described in its most recently filed Annual Information Form for the year ended December 31, 2015, available on SEDAR at www.sedar.com. Additional risks and uncertainties not presently known to the REIT or that the REIT currently considers immaterial also may impair its business and operations and cause the price of the units to decline. If any of the noted risks actually occur, the REIT’s business may be harmed and the financial condition and results of operation may suffer significantly. In that event, the trading price of the units could decline, and unitholders may lose all or part of their investment.

RECENT DEVELOPMENTS

The following is a summary of the key highlights and recent developments for the REIT for the three month period ended September 30, 2016:

- The REIT fixed $300 million of its floating rate debt with an interest rate swap through to April 2021. As a result of the interest rate swap, 76% of the REIT's debt is now subject to fixed interest rates. Further detail is provided on page 22.
- The REIT completed the disposition of five Food Lion anchored assets totaling 227,529 square feet (the "Food Lion Portfolio"), for gross proceeds of $21.9 million ($96 per square foot) at an estimated weighted average capitalization rate of 7.7%. The disposition of these assets reduced NOI in the third quarter by approximately $0.3 million. These sales exemplify the REIT's strategy to purchase well located properties that can be enhanced through leasing, extending term and proactive asset management to increase cash flow and as a result value.
- The REIT continued to execute on its capital recycling program and has actively redeployed all of the sales proceeds from the Food Lion Portfolio by either closing on or entering into binding agreements for the purchase of $64.4 million of grocery-anchored properties during and subsequent to the end of the quarter. The gain from the sale of the Food Lion portfolio was completed on a U.S. tax deferred basis.
- In the third quarter of 2016, the REIT completed 117,805 square feet of leasing. Notably, the REIT renewed 30 tenants at an 8.6% spread over expiring rents and in addition, 11 new tenants at an average rental rate of $16.56 per square foot which is $4.66 per square foot or 39.2% higher than the weighted average in-place rent for comparable space across the portfolio.
- NOI was $17.0 million for the three month period ended September 30, 2016, compared to $17.4 in the second quarter of 2016. The decline is primarily the result of disposed properties no longer providing contributions to NOI after sale.
- FFO on a per unit basis has decreased to $0.32 which is a $0.03 per unit or 8.6% decrease from the June 30, 2016 quarter and a $0.01 per unit or 3.0% decrease compared to the same quarter in 2015. AFFO on a per unit basis was $0.26, which represents a $0.03 per unit or 10.3% decrease from the second quarter and a $0.01 per unit or 3.7% decrease compared to the same quarter in 2015. The decrease is primarily a result of loss of contribution from the REIT's disposition activity and a full quarter of additional units outstanding after completion of the rights offering in April 2016.
- Acquired one grocery-anchored property, located in the Salt Lake City metropolitan statistical area ("MSA"), Utah for a total of $14.5 million, totaling 127,231 square feet ($114 per square foot) at a 7.3% capitalization rate. This asset is anchored by Fresh Market.
- On September 15, 2016, the REIT declared a distribution of $0.0675 per class U unit, or $0.81 on an annualized basis for the month of September. This distribution represents a 4% increase of the monthly distribution to unitholders. The increased distribution is the third consecutive annual distribution increase by the REIT since listing on the TSX in 2014. Management continues to target a 70% AFFO payout ratio.

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		Q3 2016	Q2 2016	Q1 2016	Q4 2015
Less than 10,000	Renewal	Leases signed	28	25	29	25
		Total square feet	67,458	56,067	67,300	63,010
		Average base rent	$ 20.83	$ 17.79	$ 15.13	$ 17.10
		Rental spread	8.4%	6.9 %	5.8%	7.5%
Greater than 10,000	Renewal	Leases signed	2	4	2	3
		Total square feet	33,974	147,588	114,474	52,187
		Average base rent	$ 10.6	$ 8.13	$ 8.76	$ 13.40
		Rental spread	9.6%	2.4 %	1.7%	6.3%
Total renewals (SF)			**101,432**	**203,655**	**181,774**	**115,197**
Less than 10,000	New Lease	Leases signed	11	16	14	12
		Total square feet	16,373	21,968	41,427	35,168
		Average base rent	$ 16.56	$ 17.47	$ 15.89	$ 14.89
		Rental spread	39.2%	50.3 %	34.7%	30.7%
Greater than 10,000	New Lease	Leases signed	—	1	3	—
		Total square feet	—	30,000	60,646	—
		Average base rent	$ —	$ 4.25	$ 10.32	$ —
		Rental spread	—%	(27.0)%	34.7%	—%
Total new leases (SF)			**16,373**	**51,968**	**102,073**	**35,168**
Total leasing activity (SF)			**117,805**	**255,623**	**283,847**	**150,365**

During the third quarter, management completed 101,432 square feet of renewals. The weighted average rental rate increase on renewals completed for leases less than 10,000 square feet was $1.61 per square foot or 8.4% higher than expiring rent. The weighted average rental rate increase on renewals completed for leases greater than 10,000 square feet was $0.93 per square foot or 9.6% higher than expiring rent. Management also completed 16,373 square feet of new leasing in the third quarter. There were 11 new leases executed with complimentary uses to the REIT's existing consumer staple and service based tenant mix.

The weighted average base rent on all new leases completed less than 10,000 square feet was $16.56 per square foot which is $4.66 per square foot or 39.2% higher than the weighted average in-place rent for comparable space across the portfolio. These leasing transactions compare favorably to the weighted average portfolio in-place rent of $10.34 per square foot. There were no new leases completed greater than 10,000 square feet, only two units of this size remain vacant across the entire portfolio. While no more grocery-anchor tenants expire in 2016, management continues to proactively work to renew anchors and other major tenants in advance of their expiry.

Lease maturities

The REIT generally enters into leases with initial terms to maturity between 5 and 10 years with our grocery-anchor tenants. Accordingly, the average in-place lease remaining term to maturity is shorter than the initial term. The initial terms to maturity for non-anchor space tends to be of a shorter duration between 3 and 5 years. The weighted average remaining term to maturity at September 30, 2016 of the REIT's grocery-anchor and non grocery-anchor tenants was 5.7 years and 4.4 years, respectively, not including tenants on month-to-month leases.

The following table summarizes the composition of the remaining term to maturity of the REIT's leases at September 30, 2016:

	Weighted average term to maturity	GLA	GLA %
Grocery-anchor	5.7	3,669,595	46.8%
Non-anchor	4.4	3,645,385	46.5%
Total occupied	5.1	7,314,980	93.3%
Month-to-month		21,370	0.3%
Vacant		505,051	6.4%
Total GLA		**7,841,401**	**100%**

The following table shows the change in occupancy during the three month period ended September 30, 2016:

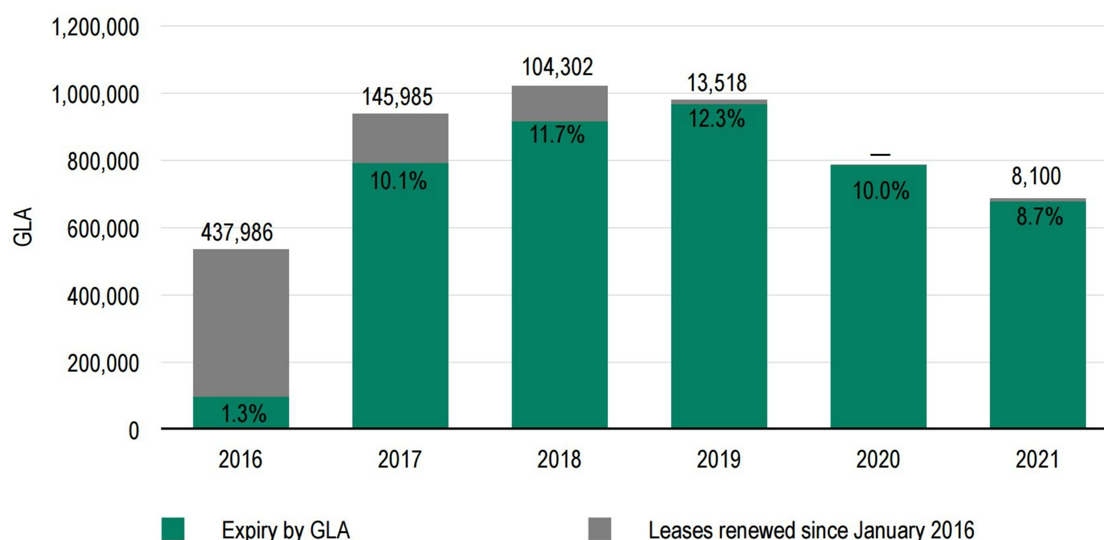
	Total GLA	Occupied GLA	Occupancy
June 30, 2016	7,941,699	7,540,687	95.0%
Acquisitions	127,231	124,013	97.5%
Dispositions	(227,529)	(218,679)	96.1%
Leasing changes	—	(112,142)	N/A
Other	—	2,471	N/A
September 30, 2016	**7,841,401**	**7,336,350**	**93.6%**

Occupancy has decreased from 95.0% at June 30, 2016 to 93.6% at September 30, 2016. The 1.4% decrease is mainly due to higher occupancy rates for the Food Lion portfolio disposed, partially offset by higher occupancy rates of the Taylorsville Town Centre acquisition this quarter.

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

	Grocery-anchor			Non-anchor			Total		
GLA expiration	GLA	Percentage of portfolio	Average in-place rent	GLA	Percentage of portfolio	Average in-place rent	GLA	Percentage of portfolio	Average in-place rent
Month-to-month	—	—	$ —	21,370	0.3%	$ 14.37	21,370	0.3%	$ 14.37
Remainder of 2016	—	—	—	98,179	1.3%	13.69	98,179	1.3%	13.69
2017	200,932	2.6%	6.29	592,217	7.5%	11.29	793,149	10.1%	10.02
2018	476,601	6.1%	7.98	441,309	5.6%	13.34	917,910	11.7%	10.56
2019	503,222	6.4%	7.42	463,731	5.9%	14.52	966,953	12.3%	10.83
2020	338,193	4.3%	6.66	448,379	5.7%	12.64	786,572	10.0%	10.07
2021 and later	2,150,647	27.4%	9.13	1,601,570	20.5%	11.58	3,752,217	47.9%	10.18
Vacant	36,075	0.5%	N/A	468,976	5.9%	N/A	505,051	6.4%	N/A
Total / WA	**3,705,670**	**47.3%**	**$ 8.36**	**4,135,731**	**52.7%**	**$ 12.32**	**7,841,401**	**100.0%**	**$ 10.34**

The following is a table of lease renewals since the beginning of 2016:



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 September 30, 2016, remaining 2016 expiries totaled 1.3% of total GLA, with none of that space related to grocery-anchor tenants. Comparatively, at June 30, 2016 and March 31, 2016, GLA expiration for the remaining 2016 year was 2.0% (157,319 GLA) and 2.8% (213,376 GLA) of the REIT's portfolio, respectively, related to non-anchor space.

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 of on 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 and improve overall credit and tenant mix.

The following are the REIT's retention rates for nine month period ended September 30, 2016 and year ended December 31, 2015 for both grocery-anchor and non-grocery anchor tenants:

Retention rate (1)	**Nine months ended September 30, 2016**	**Year ended December 31, 2015**
Grocery-anchor	100.0%	100.0%
Non-grocery-anchor	82.7%	84.6%
Net total / weighted average	**91.4%**	**92.6%**

(1) The grocery-anchor retention rate excludes the impact of A&P, the parent company of Food Basics, at County Line due to bankruptcy. The retention rate for non-grocery anchor space excludes non-renewals where the REIT has required the space back in order to accommodate an expansion or lease with another tenant through active repositioning of the existing tenant mix.

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

				For the three months ended,
	September 30, 2016	June 30, 2016	March 31, 2016	December 31, 2015
Renewals - SF	101,432	203,655	181,774	115,197
Renewals - weighted average expiring rent per SF	$ 16.02	$ 10.34	$ 10.72	$ 14.41
Vacated - SF (1)	31,078	15,882	38,132	54,958
Vacated - weighted average expiring rent per SF	$ 5.64	$ 6.69	$ 18.03	$ 9.34
Total base rent retained	**$ 1,450**	**$ 2,000**	**$ 1,261**	**$ 1,147**
Renewals - SF	101,432	203,655	181,774	115,197
Renewals - weighted average rent spread per SF	$ 1.38	$ 0.45	$ 0.40	$ 1.01
New - SF	16,373	51,968	102,073	35,168
New - weighted average rent per SF	$ 16.56	$ 9.84	$ 12.58	$ 14.89
Total incremental base rent increase (decrease)	**$ 411**	**$ 603**	**$ 1,357**	**$ 640**

(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 September 30, 2016 is as follows:

	GLA	Number of units	Weighted average expiring rent	Weighted average new rent
Renewed leases	101,432	30	$ 16.02	$ 17.40
New leases	16,373	11	N/A	16.56
Total / weighted average	**117,805**	**41**	**$ 16.02**	**$ 17.29**
Less, leases not renewed / vacated during term [(1)]	(128,515)	(19)	5.66	N/A
Net total / weighted average [(1)]	**(10,710)**	**22**		**$ 17.29**

[(1)] Excluding the impact of the Kmart lease buyout due to redevelopment at Hocking Valley in the quarter, total square footage due to tenants vacated during the term and net total leasing activity is a decrease of 36,948 GLA and increase of 80,857 GLA, respectively.

The REIT's leasing activity during the nine month period ended September 30, 2016 is as follows:

	GLA	Number of units	Weighted average expiring rent	Weighted average new rent
Renewed leases	486,861	90	$ 11.66	$ 12.29
New leases	170,414	45	N/A	12.13
Total / weighted average	**657,275**	**135**	**$ 11.66**	**$ 12.25**
Less, leases not renewed / vacated during term	(283,970)	(45)	8.01	N/A
Net total / weighted average	**373,305**	**90**		**$ 12.25**

[(1)] Excluding the impact of Kmart lease buyouts due to redevelopment at North Augusta and Hocking Valley, total square footage due to tenants vacated during the term and net total leasing activity is a decrease of 97,562 GLA and an increase of 559,713 GLA, respectively.

During the third quarter the REIT completed 117,805 square feet of leasing activity, which represents 1.5% of our portfolio. Since December 31, 2015, the REIT has leased 81.7% of GLA that expires in the 2016. This level of leasing is consistent with our strategy of actively managing our properties to create value through a hands-on approach.

Leases not renewed or vacated during the term for the three and nine months period ended September 30, 2016 of 128,515 square feet and 283,970 square feet, respectively, relate primarily to the buyout out of two existing Kmart leases to facilitate the redevelopment of Hocking Valley and North Augusta for a total of 186,408 square feet. Refer to the section "Development costs" within "Part II - Leasing and Property Portfolio" of this MD&A for more detail.

ACQUISITIONS

The REIT acquired one property during the three month period ended September 30, 2016, as summarized below:

Investment property	Purchase date	MSA	Purchase price	SF	Price per SF	Anchor tenant
Taylorsville Town Centre	August 8, 2016	Taylorsville, Utah	$ 14,450	127,231	$ 114	Fresh Market

On August 8, 2016, the REIT completed the acquisition of Taylorsville Town Centre, a 127,231 square foot grocery-anchored shopping centre located in Taylorsville, Utah. Taylorsville Town Centre was acquired for $14.5 million ($114 per square foot), before transaction costs. The property is 97% occupied and is anchored by Fresh Market.

DISPOSITIONS

On July 20, 2016, the REIT sold five Food Lion anchored assets ("Food Lion Portfolio") for $21.9 million, totaling 227,529 square feet ($96 per square foot) at an estimated weighted average capitalization rate of 7.7%, as summarized below:

Food Lion portfolio	
Number of assets	5
Disposition date	July 20, 2016
Locations	North Carolina, South Carolina, Virginia
MSAs	Columbia, Charlottesville, Richmond
Occupancy	96.1%
Square feet	227,529
Sales price	$ 21,920

These sales exemplify the REIT's strategy to purchase well located properties that can be enhanced through leasing, extending term and proactive asset management to increase cash flow and as a result value. The REIT has recycled proceeds from these sales into new asset acquisitions.

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. The proceeds of sale from Triangle Food Lion, Gaston and Madison Plaza were used to acquire Taylorsville Town Center on August 8, 2016. For the period ended September 30, 2016, the REIT reinvested 62.8% of proceeds from dispositions into acquisitions and expects these funds to be fully reinvested by the 2016 year-end.

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

PROPERTY PROFILE

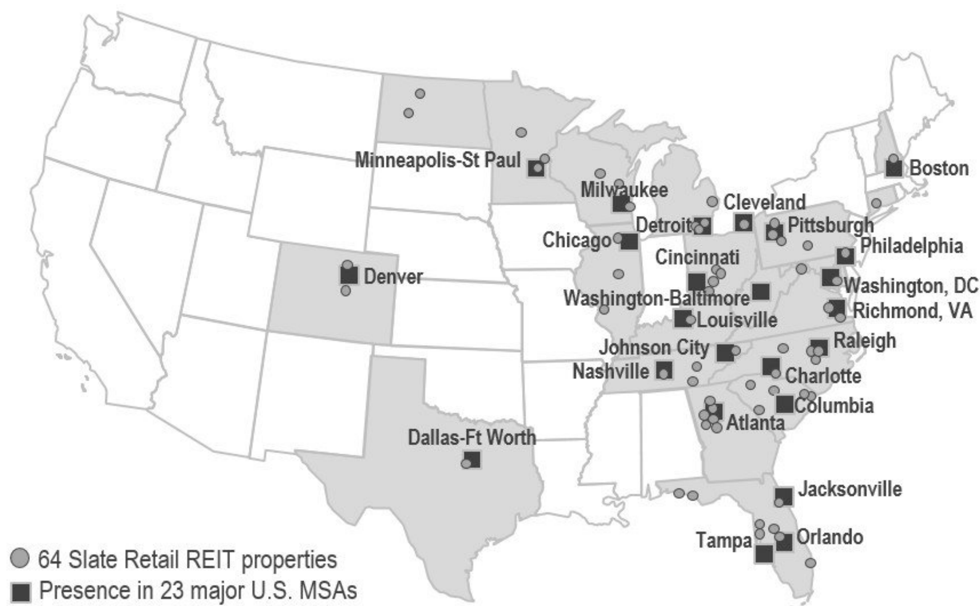
The REIT's property portfolio at September 30, 2016 comprises 64 grocery-anchored retail commercial properties with 7.8 million square feet of GLA located in the United States. For a listing of all of the REIT's properties refer to "PART VI – PROPERTY TABLES" of this MD&A.

Geographic overview

The REIT's portfolio is geographically diversified. As of September 30, 2016, the REIT's 64 properties were located in 21 states with a presence in 23 major MSAs. The REIT has 29 properties, or 45.3% 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
Florida	8	804,672	804,672	10.8%	91.8%
Georgia	6	672,131	672,131	8.3%	91.9%
Pennsylvania	5	769,626	769,626	7.9%	93.7%
North Carolina	5	667,516	667,516	7.8%	95.8%
Michigan	4	501,359	501,359	6.6%	95.7%
South Carolina	5	521,855	521,855	6.2%	94.5%
Ohio	5	685,784	685,784	6.0%	81.6%
Minnesota	3	422,032	422,032	5.7%	96.6%
Tennessee	4	494,933	494,933	5.4%	97.0%
North Dakota	2	261,578	261,578	5.2%	100.0%
Maryland	1	147,803	147,803	4.2%	93.2%
Illinois	3	269,847	269,847	3.4%	87.9%
Wisconsin	3	294,233	294,233	3.4%	98.0%
Colorado	2	203,829	203,829	3.1%	93.5%
New Hampshire	1	186,997	186,997	3.1%	94.1%
Connecticut	1	141,443	141,443	2.8%	100.0%
Virginia	2	203,434	203,434	2.6%	93.6%
West Virginia	1	206,146	206,146	2.4%	100.0%
Texas	1	167,961	167,961	2.2%	97.9%
Utah	1	127,231	127,231	1.6%	97.5%
Kentucky	1	90,991	90,991	1.3%	90.3%
Total	**64**	**7,841,401**	**7,841,401**	**100%**	**93.6%**



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 anchors typically are either the first or second dominant store in the respective area in terms of market share. The following table identifies the REIT's largest anchor tenants including their annual minimum rent, 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 17 stores and approximately 8.3% of base rents.

The largest 15 tenants account for 48.2% of total GLA and 43.5% of base rent as follows:

Parent company	Store brands	Grocery	Stores	% GLA	Base rent	% Base rent
The Kroger Co.	Kroger, Pick 'n Save	Y	17	12.2%	$ 6,160	8.3%
Southeastern Grocers	Winn Dixie, BI-LO	Y	9	5.3%	4,041	5.4%
Walmart Inc.	Wal-Mart, Sam's Club	Y	5	8.5%	3,901	5.2%
Koninklijke Ahold Delhaize N.V.	Stop & Shop, GIANT, Food Lion, Hannaford	Y	4	3.0%	3,759	5.1%
SuperValu Inc.	Cub Foods, Farm Fresh, Save-A-Lot, County Market	Y	6	3.9%	3,153	4.2%
Publix Supermarkets, Inc.	Publix	Y	6	3.3%	2,177	2.9%
Coborn's, Inc.	CashWise	Y	2	1.5%	1,853	2.6%
Alex Lee Inc.	Lowes Foods	Y	3	1.6%	1,239	1.7%
Albertsons	Jewel-Osco, Safeway	Y	3	2.1%	1,164	1.6%
Schnuck Markets, Inc.	Schnucks	Y	2	1.5%	1,082	1.5%
Giant Eagle Inc.	Giant Eagle	Y	2	1.5%	855	1.1%
Dollar Tree Inc.	Dollar Tree	N	9	1.1%	843	1.1%
Sun Capital Partners, Inc.	ShopKo	N	1	1.0%	822	1.1%
LA Fitness	LA Fitness	N	1	0.8%	693	0.9%
Raymour & Flanigan Furniture	Raymour & Flanigan	N	1	0.9%	609	0.8%
Total			**71**	**48.2%**	**$ 32,351**	**43.5%**

Development costs

Development capital spent during the three and nine month period ended September 30, 2016 is as follows:

	Three months ended September 30, 2016	Nine months ended September 30, 2016
Hocking Valley [1]	$ 99	$ 2,069
North Augusta [1]	2,159	3,662
Other development costs [2]	21	21
	$ 2,279	**$ 5,752**

[1] Includes lease termination fees related to the buyout out of existing Kmart leases to facilitate the redevelopment of Hocking Valley and North Augusta which occurred during the second quarter of 2016.
[2] 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 a Kroger Marketplace, the premier format for the grocer. Kroger Marketplaces are typically characterized by 120,000 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, toys and apparel. The proposed Kroger Marketplace would feature a dedicated pharmacy with drive-through and grocery pick-up lanes (Click Pick), under a 20-year ground lease. The REIT expects to invest approximately $7 million of addition development capital in order to complete the redevelopment by mid-2018.

North Augusta is a Publix anchored centre that the REIT purchased at an existing estimated 8.8% capitalization rate. The property was also 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. 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 $8.0 million and be completed by mid-2017. The redevelopment, when complete, will result in a 114% increase in existing rents (prior to the Kmart termination).

We continued to make progress at both Hocking Valley and North August in the third quarter. 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 outparcel 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.

IFRS FAIR VALUE

The REIT's property portfolio at September 30, 2016 had an estimated IFRS fair value of $1,022.4 million, 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 September 30, 2016 and December 31, 2015:

Direct capitalization rates	**September 30, 2016**	December 31, 2015
Minimum	**6.00%**	6.00%
Maximum	**9.00%**	9.00%
Weighted average	**7.09%**	7.12%

During the nine month period ended September 30, 2016, the overall weighted average capitalization rate decreased by 3 basis points to 7.09%. This decrease was the result of the modification of our estimate of fair value at North Augusta Plaza, in South Carolina and Hocking Valley, in Ohio and seven dispositions, offset by the acquisition of five properties.

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. These changes resulted in a value increase at North Augusta and Hocking Valley.

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

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

The change in investment properties is as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2016	2015	**2016**	2015
Beginning of the period	**$ 1,027,143**	$ 887,108	**$ 978,526**	$ 622,295
Acquisitions	**14,723**	58,959	**67,310**	306,539
Tenant improvements and leasing commissions	**1,246**	610	**3,941**	1,433
Capital costs funded by vendor	**—**	—	**—**	135
Landlord work and maintenance capital	**380**	968	**1,801**	1,157
Development and expansion capital	**2,279**	—	**5,752**	—
Straight-line rent	**453**	489	**1,295**	1,258
Dispositions	**(21,920)**	(3,825)	**(37,520)**	(3,825)
IFRIC 21 property tax adjustment	**3,006**	2,666	**(2,641)**	(462)
Change in fair value	**(4,865)**	(4,527)	**3,981**	13,918
End of the period	**$ 1,022,445**	$ 942,448	**$ 1,022,445**	$ 942,448

The fair value of the REIT's income-producing properties and properties under redevelopment at September 30, 2016 and December 31, 2015 is as follows:

	September 30, 2016	December 31, 2015
Income-producing properties	**$ 974,987**	$ 913,264
Properties under redevelopment	**45,244**	65,262
Total	**$ 1,022,445**	$ 978,526

During the three month period ended September 30, 2016, the REIT incurred $1.6 million on tenant improvements, leasing commissions, landlord work and capital expenditures. 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 program 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 investment properties

For the three month period ended September 30, 2016 and 2015, the REIT recorded a fair value loss on investment properties of $4.9 million and $4.5 million respectively. The fair value loss for the periods are mainly attributed to changes in IFRIC 21, *Levies* ("IFRIC 21") property tax adjustments, and transaction costs capitalized.

The REIT recorded a fair value gain of $4.0 million and $13.9 million on investment properties for the nine month period ended September 30, 2016 and 2015. The fair value gain for the periods are mainly attributed to changes in valuation parameters and cash flows, and changes in IFRIC 21, partially offset by transaction costs capitalized and straight-line rent.

The fair value change of investment properties is impacted by IFRIC 21 property tax adjustments recorded on the REIT's portfolio. The REIT has determined that the obligating event for property taxes is ownership of the property on January 1st of the fiscal year. As a result, the annual property tax liability and expense has been recognized on the properties owned as at January 1, 2016, with a corresponding increase to the fair value of investment properties that is reversed as the liability is settled through property tax installments.

The change in fair value of investment properties recorded in income 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 September 30,		Nine months ended September 30,	
	2016	2015	**2016**	2015
Valuation parameters and cash flows	**$ (1,133)**	$ 107	**$ 4,095**	$ 16,981
Transaction costs capitalized [1]	**(273)**	(1,479)	**(1,460)**	(2,267)
IFRIC 21 property tax adjustment	**(3,006)**	(2,666)	**2,641**	462
Adjusted for straight-line rent	**(453)**	(489)	**(1,295)**	(1,258)
Total	**$ (4,865)**	$ (4,527)	**$ 3,981**	$ 13,918

[1] Transaction costs, capitalized and expensed for the three and nine month period ended September 30, 2016 is $0.3 million and $1.5 million, respectively (2015: $1.5 million and $2.7 million).

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 grocer 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 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. 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. 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	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015	Q4 2014
Rental revenue	$ 23,699	$ 24,088	$ 24,205	$ 23,104	$ 22,416	$ 17,913	$ 16,347	$ 14,508
Property operating expenses [1]	(3,221)	(3,158)	(15,425)	(3,409)	(2,953)	(2,379)	(10,284)	(2,483)
Straight-line rent revenue	(453)	(415)	(427)	(412)	(490)	(363)	(406)	(375)
IFRIC 21 property tax adjustment [1]	(3,006)	(3,077)	8,724	(3,035)	(2,666)	(2,269)	5,397	(1,364)
NOI	$ 17,019	$ 17,438	$ 17,077	$ 16,248	$ 16,307	$ 12,902	$ 11,054	$ 10,286
Class U units outstanding	35,440	35,425	31,858	31,829	31,977	32,588	25,167	20,255
WA units	35,469	34,627	31,872	31,957	32,253	27,732	20,928	19,611
NAV	$ 470,565	$ 468,718	$ 427,324	$ 419,338	$ 413,908	$ 417,912	$ 337,763	$ 270,814
NAV per unit	$ 13.28	$ 13.23	$ 13.41	$ 13.17	$ 12.94	$ 12.82	$ 13.42	$ 13.37
Distributions	$ 6,990	$ 6,894	$ 6,201	$ 6,090	$ 6,070	$ 5,227	$ 4,138	$ 3,762
Distributions per unit	$ 0.19	$ 0.19	$ 0.19	$ 0.19	$ 0.19	$ 0.19	$ 0.19	$ 0.19
FFO	$ 11,193	$ 11,998	$ 10,685	$ 10,543	$ 10,793	$ 8,518	$ 7,515	$ 3,700
FFO per WA units	$ 0.32	$ 0.35	$ 0.34	$ 0.33	$ 0.33	$ 0.31	$ 0.36	$ 0.19
AFFO	$ 9,205	$ 10,152	$ 7,598	$ 8,647	$ 8,812	$ 7,712	$ 6,590	$ 5,726
AFFO per WA units	$ 0.26	$ 0.29	$ 0.24	$ 0.27	$ 0.27	$ 0.28	$ 0.32	$ 0.29
Total assets	$1,076,668	$1,072,823	$1,033,985	$1,013,481	$ 971,721	$ 919,249	$ 690,824	$ 648,166
Debt	$ 585,773	$ 586,134	$ 588,702	$ 577,280	$ 538,423	$ 483,504	$ 339,580	$ 365,538
Debt / GBV	54.4%	54.6%	56.9%	57.0%	55.4%	52.6%	49.2%	56.4%
Number of properties	64	68	66	66	64	59	43	41
% leased	93.6%	95.0%	94.4%	94.7%	95.1%	95.3%	96.0%	95.9%
GLA	7,841,401	7,941,699	7,726,055	7,581,846	7,359,096	6,972,001	5,085,885	4,946,842
Grocery-anchored GLA	3,669,595	3,776,105	3,691,654	3,585,268	3,501,935	3,212,061	3,082,087	2,974,929

[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.

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 better reflects the cash generation activity of the REIT's properties. NOI is an important measure of the income generated from the REIT's properties and is used by the REIT in evaluating the performance of its properties. NOI may not be comparable with similar measures presented by other entities and is not to be construed as an alternative to net income or cash flow from operating activities determined in accordance with IFRS.

The following is a calculation of NOI for the three and nine month period ended September 30, 2016 compared to the same periods in the prior year:

	Three months ended September 30,			Nine months ended September 30,		
	2016	2015	**Variance**	**2016**	2015	**Variance**
Rental revenue	**$ 23,699**	$ 22,416	**$ 1,283**	**$ 71,992**	$ 56,676	**$ 15,316**
Straight-line rent revenue	**(453)**	(490)	**37**	**(1,295)**	(1,258)	**(37)**
Property operating expenses	**(3,221)**	(2,953)	**(268)**	**(21,804)**	(15,616)	**(6,188)**
IFRIC 21 property tax adjustment	**(3,006)**	(2,666)	**(340)**	**2,641**	462	**2,179**
NOI	**$ 17,019**	$ 16,307	**$ 712**	**$ 51,534**	$ 40,264	**$ 11,270**
NOI margin	**71.8%**	72.7%	**(0.9)%**	**71.6%**	71.0%	**0.6%**

NOI for the three and nine month period ended September 30, 2016 was $17.0 million and $51.5 million respectively, which represents an increase of $0.7 million and $11.3 million for the same periods in 2015. This increase is primarily due to the acquisition of seven investment properties, partially offset by seven dispositions since September 30, 2015.

SAME-PROPERTY NOI

Same-property NOI is a non-IFRS measure and is defined by the REIT as rental revenue, excluding non-cash straight-line rent, less property operating cost expenses after adjusting for the impact of IFRIC 21 property tax accounting adjustments for those properties owned by the REIT for each of the current period and the relevant comparative period excluding those properties under development. For the three month period ended September 30, 2016, the same-property portfolio is comprised of a portfolio of 49 properties owned and in operation for each of the entire three month periods ended September 30, 2016 and 2015.

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 calculation of same-property NOI for the three month period ended September 30, 2016 as compared to the same period in the prior year:

	Number of properties	Three months ended September 30,			
		2016	2015	**Variance**	**%**
Same-property NOI					
Same-property NOI	49	**$ 13,791**	$ 13,692	**$ 99**	**0.7 %**
NOI attributed to properties under development	3	**315**	729	**(414)**	**(56.8)%**
NOI attributable to acquisitions	12	**2,833**	1,160	**1,673**	**144.2 %**
NOI attributable to dispositions	7	**80**	726	**(646)**	**(89.0)%**
Total NOI		**$ 17,019**	$ 16,307	**$ 712**	
Occupancy					
Occupancy, same-property		**95.5%**	95.5%	**— %**	
Occupancy, properties under development		**66.0%**	93.8%	**(27.8)%**	
Occupancy, acquisitions		**94.8%**	84.6%	**10.2 %**	
Occupancy, dispositions		**96.1%**	94.3%	**1.8 %**	
Total occupancy		**93.6%**	95.1%	**(1.5)%**	

Same-property NOI increased by $99 thousand for the three month period ended September 30, 2016 over the comparative period. The increase is due to rental rates, partially offset by the renewal of the grocery-anchor tenant at Buckeye Plaza at lower rental rates at the end of the third quarter of 2015 and Uptown Station vacancy of non-anchor tenants in the first quarter of 2016.

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

	Number of properties		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 %

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

The following is a calculation of FFO for the three and nine month period ended September 30, 2016 compared to the same periods in the prior year:

	Three months ended September 30,			Nine months ended September 30,		
	2016	2015	**Variance**	**2016**	2015	**Variance**
Net (loss) income	**$ (15,309)**	$ 2,936	**$ (18,245)**	**$ (16,674)**	$ 1,522	**$ (18,196)**
IFRIC 21 property tax adjustment	**(3,006)**	(2,666)	**(340)**	**2,641**	462	**2,179**
Transaction costs	**661**	214	**447**	**1,030**	1,217	**(187)**
Unit expense	**21,281**	2,913	**18,368**	**39,810**	15,115	**24,695**
Change in fair value of interest rate caps	**—**	—	**—**	**—**	2	**(2)**
Change in fair value of investment properties	**4,865**	4,527	**338**	**(3,981)**	(13,918)	**9,937**
Impairment of goodwill	**—**	—	**—**	**—**	8,870	**(8,870)**
Deferred income taxes	**2,701**	2,869	**(168)**	**11,050**	13,556	**(2,506)**
FFO	**$ 11,193**	$ 10,793	**$ 400**	**$ 33,876**	$ 26,826	**$ 7,050**
FFO per WA unit	**$ 0.32**	$ 0.33	**$ (0.01)**	**$ 1.00**	$ 0.99	**$ 0.01**
WA number of units outstanding	**35,469**	32,253	**3,216**	**33,994**	27,013	**6,981**

FFO increased by $0.4 million for the three month period ended September 30, 2016 compared to the same quarter in the prior year. FFO for the nine month period ended September 30, 2016 was $33.9 million which represents a $7.1 million increase from the comparative period. Both increases are attributable to the aforementioned increases in NOI, partially offset by increased financing costs.

AFFO

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

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

A reconciliation of FFO to AFFO for the three and nine month period ended September 30, 2016 compared to the same periods in the prior year is as follows:

	Three months ended September 30,			Nine months ended September 30,		
	2016	2015	**Variance**	**2016**	2015	**Variance**
FFO	**$ 11,193**	$ 10,793	**400**	**$ 33,876**	$ 26,826	**7,050**
Straight-line rental revenue	**(453)**	(490)	**37**	**(1,295)**	(1,258)	**(37)**
Finance charge and mark-to-market adjustments	**91**	78	**13**	**152**	116	**36**
Income support payments	**—**	9	**(9)**	**6**	20	**(14)**
Tenant improvements and leasing commissions	**(1,246)**	(610)	**(636)**	**(3,941)**	(1,433)	**(2,508)**
Landlord work and maintenance capital	**(380)**	(968)	**588**	**(1,801)**	(1,157)	**(644)**
AFFO	**$ 9,205**	$ 8,812	**$ 393**	**$ 26,997**	$ 23,114	**$ 3,883**
AFFO per WA unit	**$ 0.26**	$ 0.27	**$ (0.01)**	**$ 0.79**	$ 0.86	**$ (0.07)**
WA number of units outstanding	**35,469**	32,253	**3,216**	**33,994**	27,013	**6,981**

AFFO was $9.2 million and $27.0 million for the three and nine months period ended September 30, 2016, respectively, which represents a $0.4 million and $3.9 million increase from the 2015 comparative periods. The increase is due to the aforementioned increases in FFO, partially offset by capital 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 investment 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. At the existing size of the portfolio, we estimate that capital and leasing costs will be $10 million to $12 million annually. As a result of the natural variability of such costs, the REIT's calculation of AFFO will be volatile when comparing current period results to prior periods.

Landlord work and maintenance capital, and tenant improvements and leasing commissions

During the third quarter capital improvements were completed across the portfolio. The majority of capital improvements were completed concurrent to leasing at the properties with the remainder as minor improvements. There were no major anchors or junior anchors renewed during the quarter as none were set to expire. Strip center supply in the REIT's markets remains at multi-decade lows and occupancy continues to move higher, as a result we are able to negotiate better economic lease terms; less capital invested while seeing increased rental rates.

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.

Reconciliation of Net Loss (Income) to AFFO

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

	Three months ended September 30,			Nine months ended September 30,		
	2016	2015	**Variance**	**2016**	2015	**Variance**
Net loss (income)	**$ (15,309)**	$ 2,936	**$ (18,245)**	**$ (16,674)**	$ 1,522	**$ (18,196)**
IFRIC 21 adjustment	**(3,006)**	(2,666)	**(340)**	**2,641**	462	**2,179**
Acquisition and disposition costs	**661**	214	**447**	**1,030**	1,217	**(187)**
Unit expense	**21,281**	2,913	**18,368**	**39,810**	15,115	**24,695**
Fair value adjustments to interest rate caps	**—**	—	**—**	**—**	2	**(2)**
Fair value adjustments of investment property	**4,865**	4,527	**338**	**(3,981)**	(13,918)	**9,937**
Impairment of goodwill	**—**	—	**—**	**—**	8,870	**(8,870)**
Deferred taxes	**2,701**	2,869	**(168)**	**11,050**	13,556	**(2,506)**
FFO	**$ 11,193**	$ 10,793	**$ 400**	**$ 33,876**	$ 26,826	**$ 7,050**
Straight-line rental revenue	**(453)**	(490)	**37**	**(1,295)**	(1,258)	**(37)**
Finance charge and mark-to-market adjustments	**91**	78	**13**	**152**	116	**36**
Income support payments	**—**	9	**(9)**	**6**	20	**(14)**
Tenant improvements and leasing commissions	**(1,246)**	(610)	**(636)**	**(3,941)**	(1,433)	**(2,508)**
Landlord work and maintenance capital	**(380)**	(968)	**588**	**(1,801)**	(1,157)	**(644)**
AFFO	**$ 9,205**	$ 8,812	**$ 393**	**$ 26,997**	$ 23,114	**$ 3,883**

Reconciliation of NOI to AFFO

The following is a reconciliation of NOI to AFFO:

	Three months ended September 30,			Nine months ended September 30,		
	2016	2015	**Variance**	**2016**	2015	**Variance**
NOI	**$ 17,019**	$ 16,307	**$ 712**	**$ 51,534**	$ 40,264	**$ 11,270**
Other expenses	**(1,722)**	(1,983)	**261**	**(5,800)**	(4,681)	**(1,119)**
Cash interest expense	**(4,617)**	(3,990)	**(627)**	**(13,528)**	(10,015)	**(3,513)**
Interest, net	**151**	47	**104**	**527**	116	**411**
Income support payments	**—**	9	**(9)**	**6**	20	**(14)**
Tenant improvements and leasing commissions	**(1,246)**	(610)	**(636)**	**(3,941)**	(1,433)	**(2,508)**
Landlord work and maintenance capital	**(380)**	(968)	**588**	**(1,801)**	(1,157)	**(644)**
AFFO	**$ 9,205**	$ 8,812	**$ 393**	**$ 26,997**	$ 23,114	**$ 3,883**

Reconciliation of Cash Flow from Operations to AFFO

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 September 30,			Nine months ended September 30,		
	2016	2015	**Variance**	**2016**	2015	**Variance**
Cash flow from operations	**$ 10,817**	$ 8,672	**$ 2,145**	**$ 34,010**	$ 23,906	**$ 10,104**
Changes in non-cash working capital items	**(798)**	1,448	**(2,246)**	**(2,834)**	445	**(3,279)**
Transaction costs	**661**	214	**447**	**1,030**	1,217	**(187)**
Interest, net	**151**	47	**104**	**527**	116	**411**
Income support payments	**—**	9	**(9)**	**6**	20	**(14)**
Tenant improvements and leasing commissions	**(1,246)**	(610)	**(636)**	**(3,941)**	(1,433)	**(2,508)**
Landlord work and maintenance capital	**(380)**	(968)	**588**	**(1,801)**	(1,157)	**(644)**
AFFO	**$ 9,205**	$ 8,812	**$ 393**	**$ 26,997**	$ 23,114	**$ 3,883**

DISTRIBUTIONS

On September 15, 2016, the REIT announced a 4% increase of its monthly distribution to $0.0675 or $0.81 on an annualized basis. Prior to the announcement, the monthly distribution during the 2016 year was $0.06489 or $0.77868 on an annualized basis. The increased distribution is the third consecutive annual distribution increase by the REIT since listing on the TSX in 2014. Distributions paid on REIT units and exchangeable units of subsidiaries are recorded as unit expense.

Distributions were $7.0 million and $20.1 million for the three and nine month period ended September 30, 2016, respectively. The distribution amount has increased by $0.9 million and $4.7 million over the comparative periods primarily due to the issuance of REIT units from the June 1, 2015 acquisition of net assets of SUSO 3 ("SUSO 3 transaction") and the April 19, 2016 rights offering, partially offset by the repurchase and subsequent cancellation of class U units since the comparative period under the REIT's NCIB.

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 62.4% and 59.3% for the three and nine month period ended September 30, 2016, representing a 6.2% and 1.8% increase respectively, compared to the same periods in the prior year. The increase is the result of accretive acquisitions, partially offset by increased distributions and disposals since September 30, 2015 and a full quarter of distributions related to the REIT's unit issuance which closed in April 2016. On a pro forma basis, using annualized third quarter FFO and the announced distribution 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 September 30,		Nine months ended September 30,	
	2016	2015	**2016**	2015
FFO	**$ 11,193**	$ 10,793	**$ 33,876**	$ 26,826
Distributions declared [(1)]	**(6,990)**	(6,070)	**(20,085)**	(15,435)
Excess of FFO over distributions declared	**4,203**	4,723	**13,791**	11,391
Cash retained from DRIP	**164**	277	**790**	735
Excess of FFO over cash distributions	**$ 4,367**	$ 5,000	**$ 14,581**	$ 12,126
FFO payout ratio	**62.4%**	56.2%	**59.3%**	57.5%
FFO payout ratio after DRIP	**61.0%**	53.7%	**57.0%**	54.8%

(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 75.9% and 74.4% for the three and nine month period ended September 30, 2016, respectively, compared to an AFFO payout ratio of 68.9% and 66.8% for the same periods in the prior year. On a pro forma basis, using annualized third quarter AFFO and the current distribution of $0.0675 per month, the AFFO payout ratio would be 77.9%. As described above, the REIT's determination of AFFO includes actual tenant improvements, leasing commissions, landlord work and maintenance capital expenditures, 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 volatile 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 September 30,		Nine months ended September 30,	
	2016	2015	**2016**	2015
AFFO	**$ 9,205**	$ 8,812	**$ 26,997**	$ 23,114
Distributions declared [(1)]	**(6,990)**	(6,070)	**(20,085)**	(15,435)
Excess of AFFO over distributions declared	**2,215**	2,742	**6,912**	7,679
Cash retained from DRIP	**164**	277	**790**	735
Excess of AFFO over cash distributions	**$ 2,379**	$ 3,019	**$ 7,702**	$ 8,414
AFFO payout ratio	**75.9%**	68.9%	**74.4%**	66.8%
AFFO payout ratio after DRIP	**74.2%**	65.7%	**71.5%**	63.6%

[(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%. 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 on November 2, 2016. The interest rate swap has a fixed rate of 1.10% and a maturity of April 2021. As a result of the interest rate swap, 76% of the REIT's debt is now subject to fixed rates, compared to 25% at September 30, 2016. The interest rate swap will increase the REIT's weighted average cost of debt by 0.29% to 3.30%, which Management believes is an attractive cost of debt capital.

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:

	Prior to Interest Rate Swap		**After Interest Rate Swap**	
Change in interest rates (bps) [(1)]	AFFO	AFFO payout ratio	**AFFO**	**AFFO payout ratio**
(50)	$ 9,754	71.7%	**$ 8,949**	**78.1%**
(25)	9,480	73.7%	**8,862**	**78.9%**
—	9,205	75.9%	**8,775**	**79.7%**
25	8,930	78.3%	**8,687**	**80.5%**
50	8,656	80.8%	**8,600**	**81.3%**
100	8,106	86.2%	**8,426**	**83.0%**
200	$ 7,008	99.7%	**$ 8,077**	**86.5%**

[(1)] Based on a current quarter AFFO of $9.2 million.

REVENUE

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

Rental revenue for the three and nine month period ended September 30, 2016 was $23.7 million and $72.0 million, respectively, which represents an increase of $1.3 million and $15.3 million since the same periods in the prior year. The increase is primarily due to rental rate growth and the acquisition of seven investment properties, partially offset by seven dispositions since September 30, 2015.

PROPERTY OPERATING EXPENSES

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

Property operating expenses increased by $0.3 million and $6.2 million for the three and nine month period ended September 30, 2016, respectively, compared to the same periods in 2015. The increase is primarily due to incremental costs associated with seven properties acquired and the application of IFRIC 21 property tax adjustments, partially offset by seven dispositions since September 30, 2015. With the adoption of IFRIC 21, the REIT recognizes the annual property tax liability and expense on its existing properties as at January 1, 2015, rather than progressively, i.e. ratably, throughout the year.

The recognition of property taxes as a result of IFRIC 21 has no impact on NOI, FFO or AFFO.

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 September 30,			Nine months ended September 30,		
	2016	2015	**Variance**	**2016**	2015	**Variance**
Asset management and incentive fees	**$ 956**	$ 915	**$ 41**	**$ 3,209**	$ 2,321	**$ 888**
Professional fees and other	**596**	980	**(384)**	**1,761**	2,005	**(244)**
Franchise and business taxes	**170**	88	**82**	**830**	355	**475**
Total	**$ 1,722**	$ 1,983	**$ (261)**	**$ 5,800**	$ 4,681	**$ 1,119**
% of total assets	**0.2%**	0.2%	**— %**	**0.5%**	0.5%	**— %**
% of total revenue	**7.3%**	8.8%	**(1.5)%**	**8.1%**	8.3%	**(0.2)%**

Other expenses decreased marginally for three month period ended September 30, 2016 to $1.7 million since the comparative quarter. The decrease is due to reduced legal, audit and review fees, bad debt expense and travel costs.

Other expenses for the nine month period ended September 30, 2016 was $5.8 million, which represents a $1.1 million increase from the same period in the prior year. This increase in asset management fees, and franchise and business taxes, are primarily due to the acquisition and operation of seven investment properties, partially offset by seven dispositions since September 30, 2015.

INTEREST EXPENSE AND OTHER FINANCING COSTS

	Three months ended September 30,			Nine months ended September 30,		
	2016	2015	**Variance**	**2016**	2015	**Variance**
Interest income on investments	**$ (14)**	$ (4)	**$ (10)**	**$ (42)**	$ (9)	**$ (33)**
Interest income on notes receivable	**(154)**	—	**(154)**	**(458)**	—	**(458)**
Interest on debt and finance charges	**4,617**	3,990	**627**	**13,528**	10,015	**3,513**
Amortization of finance charges	**279**	252	**27**	**812**	642	**170**
Amortization of mark-to-market premium	**(188)**	(189)	**1**	**(660)**	(568)	**(92)**
Interest income on TIF notes receivable	**(21)**	(59)	**38**	**(148)**	(176)	**28**
Interest expense on TIF notes payable	**60**	53	**7**	**187**	177	**10**
Deferred gain on TIF notes receivable	**(22)**	(22)	**—**	**(66)**	(66)	**—**
Change in fair value of interest rate caps	**—**	—	**—**	**—**	2	**(2)**
Total	**$ 4,557**	$ 4,021	**$ 536**	**$ 13,153**	$ 10,017	**$ 3,136**

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

Interest on debt was $0.6 million and $3.5 million higher for the three and nine month period ended September 30, 2016, respectively, compared to the same periods in 2015. The increase is primarily due to revolver drawdowns for the acquisition investment properties since the comparative period, and the replacement of $114.5 million secured credit facility assumed as part of the SUSO 3 transaction with borrowings from the revolver, partially offset by a $33.4 million pay down in the revolver funded by the REIT's rights offering completed on April 19, 2016.

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 September 30, 2016 was $10.99 (December 31, 2015 – $10.45). 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 September 30, 2016, the REIT recognized an unrealized fair value loss of $13.3 million and $1.0 million on the REIT units and exchangeable units of subsidiaries respectively, as a result of an increase in fair value per unit. For the nine month period ended September 30, 2016, the REIT recognized an unrealized fair value loss of $18.4 million and $1.4 million on the REIT units and exchangeable units of subsidiaries respectively, as a result of an increase in fair value per unit.

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 and nine month period ended September 30, 2016, the deferred income tax expense was $2.7 million and $11.1 million, respectively. The REIT's deferred tax expense relates mainly to changes in the differences between the fair value of the REIT's investment properties and the corresponding undepreciated value for income tax purposes.

NET LOSS

Net loss for the three month period ended September 30, 2016 was $15.3 million, which represents a $18.2 million decrease from the same period in 2015. The decrease is due to the increase in fair value of the REIT units and exchangeable units of subsidiaries of $17.4 million, change in fair value of investment properties of $0.3 million, and increased distributions of $0.9 million, partially offset by the aforementioned increases in NOI.

Net loss for the nine month period ended September 30, 2016 decreased by $18.2 million from the comparative period to $16.7 million. The decrease is attributed to the increase in fair value of REIT units and exchangeable units of subsidiaries of $20.0 million, change in fair value of investment properties of $9.9 million, and increased distributions of $4.7 million, partially offset by the aforementioned increases in NOI.

RELATED PARTY TRANSACTIONS

	Three months ended September 30,			Nine months ended September 30,		
	2016	2015	**Variance**	**2016**	2015	**Variance**
Asset management	**$ 1,079**	$ 915	$ 164	**$ 3,115**	$ 2,321	**$ 794**
Acquisition	**110**	443	(333)	**504**	834	**(330)**
Incentive	**(123)**	—	(123)	**94**	—	**94**
Total	**$ 1,066**	$ 1,358	$ (292)	**$ 3,713**	$ 3,155	**$ 558**

Asset management fees and acquisition fees incurred and paid to Slate for the three and nine month period ended September 30, 2016 amounted to $1.1 million and $3.7 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 and agreed to by the related parties.

The management agreement provides for an incentive fee to be earned based on an FFO per unit target that grows annually, in part, with inflation, whereby the Manager is entitled to 15% of the excess of FFO above the target. For the period ended September 30, 2016, the REIT recognized an incentive fee of $94 thousand as the accretive earnings from acquisitions, net of dispositions during the period, allowed the target to be exceeded.

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

	Nine months ended September 30,	
	2016	2015
Operating activities	**$ 34,010**	$ 23,906
Investing activities	**(55,504)**	(104,221)
Financing activities	**25,709**	79,982
Increase (decrease) in cash	**$ 4,215**	$ (333)

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 investment 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 September 30, 2016 and December 31, 2015 is as follows:

						September 30, 2016	December 31, 2015
	Maturity	Weighted average debt maturity (years)	Effective rate	Principal	Mark-to-market adjustments and costs	**Carrying amount**	Carrying amount
Revolver [1]	Feb. 26, 2020	3.4 [2]	2.48%	$ 146,955	$ (1,214)	**$ 145,741**	$ 198,820
Term loan [1]	Feb. 26, 2021	4.4	2.50%	292,500	(2,542)	**289,958**	223,108
Mortgage	Mar. 1, 2021	4.4	5.75%	13,587	1,416	**15,003**	15,484
Mortgage	Apr. 30, 2021	4.6	5.80%	26,783	1,797	**28,580**	29,222
Mortgage	Jan. 1, 2025	8.3	3.80%	50,000	(797)	**49,203**	49,131
Mortgage	Jun. 15, 2025	8.7	4.14%	58,215	(927)	**57,288**	57,979
Mortgage	Mar. 18, 2016	—	—	—	—	**—**	3,536
Total / weighted average		**4.9 [2]**	**3.01%**	**$ 588,040**	**$ (2,267)**	**$ 585,773**	$ 577,280

[1] The weighted average interest rate has been calculated using the September 30, 2016 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 5.2 years.

Debt was $585.8 million at September 30, 2016, representing an increase of $8.5 million compared to December 31, 2015. On February 26, 2016, the REIT amended and increased its revolver and term loan available amount to an aggregate of $585.0 million. The term to maturity for the revolver and term loan were extended from December 19, 2017 and 2018 to February 26, 2020 and 2021, respectively. The new terms of the facility further enhance the REIT's liquidity, reduce our cost of capital, and allow us to capitalize on acquisition and redevelopment opportunities going forward.

On March 18, 2016, the REIT extinguished a mortgage of $3.4 million, bearing interest of 5.25%, with borrowings from the REIT's revolver.

Drawdowns on the revolver during the nine month period ended September 30, 2016 for the acquisition of four properties were partially offset by a $33.4 million revolver principal pay down funded by the REIT's rights offering completed on April 19, 2016.

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. During the second quarter of 2016, the ratio was amended to 65% from 60%. A calculation of debt to gross book value ratio is as follows:

	Nine months ended September 30, 2016	Year ended December 31, 2015
Gross book value	**$ 1,076,668**	$ 1,013,481
Debt	**585,773**	577,280
TIF payable	**3,440**	3,743
Leverage ratio	**54.7%**	57.3%

The REIT's indebtedness level has decreased marginally during the nine month period ended September 30, 2016 primarily due to the acquisition of three properties funded by recycled proceeds from dispositions completed year to date on a U.S. tax deferred basis, and a $33.4 million revolver principal pay down funded by the REIT's rights offering completed on April 19, 2016.

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	**September 30, 2016**	December 31, 2015
Maximum leverage ratio: consolidated total indebtedness shall not exceed 65% of gross asset value	< 65%	**57.7%**	59.8%
Minimum fixed charge coverage ratio: adjusted EBITDA to consolidated fixed charges shall not be less than 1.50x [1]	> 1.50x	**3.19**	3.29x

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

The following is a calculation of Adjusted EBITDA and the REIT's interest coverage ratio for the three and nine months period ended September 30, 2016 and 2015:

	Three months ended September 30,		Nine months ended September 30,	
	2016	2015	**2016**	2015
NOI	**$ 17,019**	$ 16,307	**$ 51,534**	$ 40,264
Other expenses	**(1,722)**	(1,983)	**(5,800)**	(4,681)
Adjusted EBITDA	**$ 15,297**	$ 14,324	**$ 45,734**	$ 35,583
Cash interest paid	**(4,617)**	(3,990)	**(13,528)**	(6,025)
Interest coverage ratio	**3.31x**	3.59x	**3.38x**	5.91x

The interest coverage ratio decreased to 3.31x and 3.38x for the three and nine months period ended September 30, 2016 from 3.59x and 5.91x respectively, in the comparative period. The decrease is due to higher cash interest paid, partially offset by increased earnings from acquisitions.

LIQUIDITY AND CAPITAL RESOURCES

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

Cash flows from operating the REIT’s property portfolio, available funding under the REIT’s revolver, and cash on hand represent the primary sources of liquidity. Cash flows from operations are dependent upon occupancy levels, rental rates, collection of rents, recoveries of operating costs and operating costs.

Contractual commitments

The REIT has the following contractual commitments:

	Total contractual cash flow	In one year or less	In more than one year but not more than three years	In more than three years but not more than five years	In more than five years
Accounts payable and accrued liabilities	$ 12,552	$ 12,552	$ —	$ —	$ —
Revolver [1]	146,955	—	—	146,955	—
Revolver interest payable [1]	12,644	3,963	4,614	4,067	—
Term loan [1]	292,500	—	—	292,500	—
Term loan interest payable [1]	40,647	7,888	18,369	14,390	—
Mortgages	148,585	1,875	5,574	42,278	98,858
Mortgage interest payable	45,066	6,631	12,932	11,441	14,062
TIF notes payable	3,525	398	1,021	2,100	6
TIF notes interest payable	623	162	213	248	—
REIT units	361,772	400	400	400	360,572
Exchangeable units of subsidiaries	27,602	—	—	—	27,602
Total contractual commitments	**$ 1,092,471**	**$ 33,869**	**$ 43,123**	**$ 514,379**	**$ 501,100**

[1] Revolver and term loan interest payable is calculated on $147.0 million and $292.5 million (balance outstanding) using an estimated "all in" interest rate of 2.70% under the "less than one year" column. The long term average interest rate is based on the 30-day LIBOR forward curve plus the specified margin for the LIBOR rate option under the revolver and term loan results in an anticipated increase to the "all-in" interest rate to 3.19% and 3.28%, respectively. 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 nine month period ended September 30, 2016 and their respective class U equivalent amounts if converted are as follows:

	REIT units			Exchangeable units of subsidiaries			
Class / type	**U**	**A**	**I**	**SR1 [1]**	**SR2 [1]**	**GAR B**	**Total class U units equivalent**
Balance, December 31, 2015	28,511	391	358	220	1,779	547	**31,829**
Issued under the DRIP	77	—	—	—	—	—	**77**
Issued under rights offering	3,539	—	—	—	—	—	**3,539**
Redeemed	—	—	—	—	(5)	—	**(5)**
Exchanges	98	(31)	(36)	—	(27)	(2)	**—**
Balance, September 30, 2016	32,225	360	322	220	1,747	545	**35,440**
Conversion ratio to class U units	1.0000	1.0078	1.0554	1.0000	1.0000	1.0000	
Class U units equivalent	**32,225**	**363**	**340**	**220**	**1,747**	**545**	**35,440**

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

The REIT made available a Distribution Reinvestment Plan ("DRIP") that allows holders of class A units, class I units and class U units to elect to receive their distributions in the form of class U units. For the nine month period ended September 30, 2016, 76,792 class U units were issued for $0.8 million under the DRIP.

Rights offering

On March 2, 2016 the REIT distributed rights to subscribe for class U units to eligible holders of REIT units and exchangeable units of subsidiaries. Every nine rights held entitled an eligible holder of rights to subscribe for one class U unit at a subscription price of $10.21 or C$13.71. The REIT issued a total of 31,852,607 rights. On April 19, 2016, 3,539,175 class U units were issued for gross proceeds of approximately $36.6 million upon exercise of the rights by holders. The offering was 46% oversubscribed. As a result of the issuance, Slate increased its ownership on a diluted basis from 6.2% to 6.7%.

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 an aggregate of 2,868,838 class U units or approximately 10% of the public float of 28,688,375 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 will increase unitholder value and that such purchases constitute a desirable use of the REIT's available resources.

For the nine month period ended September 30, 2016, no class U units have been purchased under the NCIB.

FUNDS HELD IN ESCROW

Funds held in escrow represents funds held by the mortgage lender in respect of future leasing costs and tenant improvements to be paid, as well as funds held by qualified intermediaries in respect of dispositions being held to fund future acquisitions to facilitate U.S. tax deferrals on asset sales.

ACCOUNTS RECEIVABLE

The accounts receivable balance is comprised of the following:

	September 30, 2016	December 31, 2015
Rent receivable	**$ 2,437**	$ 2,529
Allowance	**(272)**	(206)
Accrued recovery income	**3,503**	4,249
Other receivables	**538**	772
Total	**$ 6,206**	$ 7,344

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 $0.1 million decrease in rent receivable from December 31, 2015 is due to timing of billings and subsequent collections. The rent receivable balance includes 2015 year end operating expense recovery reconciliations, previously accrued as at December 31, 2015, billed out during the nine month period ended September 30, 2016.

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

	September 30, 2016	December 31, 2015
Current to 30 days	**$ 1,099**	$ 1,198
31 to 60 days	**195**	209
61 to 90 days	**118**	209
Greater than 90 days	**753**	707
Total	**$ 2,165**	$ 2,323

Rent receivable consists of base rent and operating expense recoveries. Management has provided for $0.3 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:

	September 30, 2016	December 31, 2015
Trade payables and accrued liabilities	**$ 8,742**	$ 5,371
Prepaid rent	**2,616**	2,571
Tenant improvements payable	**131**	130
Other payables	**1,063**	1,227
Total	**$ 12,552**	$ 9,299

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

- On October 13, 2016, the REIT completed the acquisition of Eastpointe Shopping Centre, a 181,058 square foot grocery-anchored shopping centre located in Morgantown, West Virginia. Eastpointe Shopping Centre was acquired for $11.6 million ($64 per square foot), before transaction costs. The property is 99% occupied and is anchored by Kroger.
- On October 14, 2016, the REIT entered into a binding agreement to acquire Mooresville Town Square, a 89,824 square foot grocery-anchored shopping centre in Mooresville, North Carolina for a purchase price of $16.7 million ($186 per square foot). The property is 88% occupied and is anchored by Lowes Foods. The acquisition is expected to be completed in the fourth quarter of 2016 subject to customary closing conditions.
- On October 17, 2016 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.
- On October 21, 2016, the REIT entered into a binding agreement to acquire Robson Crossing, a 100,245 square foot grocery-anchored shopping centre in Atlanta, Georgia for a purchase price of $11.0 million ($110 per square foot). The property is 90% occupied and is anchored by Publix. The acquisition is expected to be completed in the fourth quarter of 2016 subject to customary closing conditions.
- On October 27, 2016, the REIT entered into a binding agreement to acquire North Hixson Marketplace, a 64,254 square foot grocery-anchored shopping centre in Hixson, Tennessee for a purchase price of $5.3 million ($82 per square foot). The property is 80% occupied and is anchored by Food City. The acquisition is expected to be completed in the fourth quarter of 2016 subject to customary closing conditions.
- On October 28, 2016, the REIT entered into a binding agreement to acquire Armstrong Plaza, a 57,838 grocery-anchored shopping centre in Greenville, South Carolina for a purchase price of $5.3 million ($91 per square foot). The property is 95% occupied and is anchored by Bi-LO. The acquisition is expected to be completed in the fourth quarter of 2016 subject to customary closing conditions.
- On November 2, 2016, the REIT entered into a $300 million pay-fixed receive-float interest rate swap to hedge interest rate risk from floating rate debt. The interest rate swap has a fixed rate of 1.10% and a maturity of April 2021. As a result of the interest rate swap, 76% of the REIT's debt is now subject to fixed rates, compared to 25% at September 30, 2016.

PART V – ACCOUNTING AND CONTROL

USE OF ESTIMATES

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

CRITICAL ACCOUNTING ESTIMATES

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

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

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

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

Overall income capitalization approach

The overall income capitalization approach evaluates a property's potential to generate cash flows and converts those cash flows into a present value. Generally, the REIT estimates a stabilized 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 September 30, 2016 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 investment properties based upon either the overall income capitalization rate method. At September 30, 2016, 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 1*, Presentation of Financial Statements* ("IAS 1")

IAS 1 was amended to clarify guidance on materiality and aggregation, the presentation of subtotals, the structure of financial statements and disclosure of accounting policies. The amendment to IAS 1 are effective for annual periods beginning on or after January 1, 2016.

The amendments include the following guidance:

i. the entity shall not aggregate or disaggregate information applicable to each of the primary financial statements, the notes and each specific disclosures required by IFRSs in a manner that obscures useful information;

ii. specific line items in the primary financial statements can be disaggregated;

iii. the entity has flexibility in the order of the notes to the financial statements; and

iv. an entity's share of other comprehensive income from equity accounted associates and joint ventures will be presented in aggregate, classified between amounts that will and will not be reclassified to profit and loss.

These amendments did not have a material impact on 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.

Amendments to IAS 7, *Statement of Cash Flows* (“IAS 7”)

The IASB issued amendments to IAS 7 on January 29, 2016 with the objective that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities. To achieve this objective, the amendments to IAS 7 require disclosure of the following 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, changes in fair values and other changes. These amendments to IAS 7 are effective for annual periods beginning on or after January 1, 2017. The REIT is assessing the impact of these amendments on its consolidated financial statements.

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

CONTROL AND PROCEDURES

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

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

ICFR is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The REIT has adopted the *Internal Control – Integrated Framework (2013)* published by the Committee of Sponsoring Organizations of the Treadway Commission for the design of its ICFR for the nine month period ended September 30, 2016.

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 nine month period ended September 30, 2016, 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 September 30, 2016, the REIT owns a portfolio of 64 grocery-anchored retail properties. The portfolio consists of 7,841,401 square feet of GLA with a current weighted average occupancy rate of 93.6%. The REIT focuses on owning the dominant grocer in each of the associated MSAs in which it invests.

Property	Location	Associated MSA	Area (SF)	% of Total	Occupancy	Anchor
98 Palms	Destin	Crestview-Fort Walton Beach-Destin	84,682		100%	Winn-Dixie
Bloomingdale Plaza	Brandon	Tampa-St. Petersburg	83,237		90%	Winn-Dixie
Errol Plaza	Orlando	Orlando	72,150		97%	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		97%	Winn-Dixie
Uptown Station	Fort Walton Beach	Crestview-Fort Walton Beach-Destin	297,679		86%	Winn-Dixie
Total Florida			**804,672**	**10%**		
County Line Plaza	Philadelphia	Philadelphia	75,649		45%	Big Lots
Field Club Commons	New Castle	Pittsburgh	131,270		97%	Save-A-Lot
Kennywood Shops	Pittsburgh	Pittsburgh	194,819		99%	Giant Eagle
Lake Raystown Plaza	Huntingdon	Huntingdon	140,159		100%	GIANT
Summit Ridge	Mount Pleasant	Pittsburgh	227,729		100%	Walmart
Total Pennsylvania			**769,626**	**10%**		
Buckeye Plaza	Cleveland	Cleveland	116,905		98%	Giant Eagle
Hocking Valley Mall	Lancaster	Columbus	179,415		43%	Kroger
Mulberry Square	Milford	Cincinnati	146,730		88%	Kroger
Pinewood Plaza	Dayton	Dayton	88,700		95%	Kroger
Springboro Plaza	Dayton	Dayton	154,034		100%	Kroger
Total Ohio			**685,784**	**9%**		
Abbott's Village	Alpharetta	Atlanta	109,586		94%	Publix
Birmingham Shoppes	Milton	Atlanta	82,905		81%	Publix
Douglas Commons	Douglasville	Atlanta	97,027		98%	Kroger
Locust Grove	Locust Grove	Atlanta	89,568		79%	Publix
Merchants Crossing	Newnan	Atlanta	174,059		95%	Kroger
Merchants Square	Riverdale	Atlanta	118,986		98%	Kroger
Total Georgia			**672,131**	**9%**		
Flowers Plantation	Clayton	Raleigh	53,500		97%	Food Lion
Fuquay Crossing	Fuquay-Varnia	Raleigh-Durham	96,638		95%	Kroger
Independence Square	Charlotte	Charlotte	190,361		99%	Walmart
North Summit Square	Winston-Salem	Winston-Salem	224,530		94%	Lowes Foods, Sam's Club
Wellington Park	Cary	Raleigh-Durham	102,487		94%	Lowe's
Total North Carolina			**667,516**	**9%**		
Barefoot Commons	North Myrtle Beach	Myrtle Beach-Conway	90,702		95%	BI-LO
Dill Creek Commons	Greer	Greenville-Spartanburg-Anderson	72,526		100%	BI-LO
Little River Pavilion	North Myrtle Beach	Myrtle Beach-Conway	63,823		96%	Lowes Foods
North Augusta Plaza	North Augusta	Augusta-Richmond	230,549		91%	Publix
North Pointe	Columbia	Columbia	64,255		100%	Publix
Total South Carolina			**521,855**	**7%**		
Cambridge Crossings	Troy	Detroit	238,963		99%	Walmart
Canton Shopping Centre	Canton	Detroit	72,361		86%	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%**		
Highland Square	Crossville	Nashville	179,243		94%	Kroger
St. Elmo Central	Chattanooga	Chattanooga	74,978		97%	Food City
Sunset Plaza	Johnson City	Johnson City	143,752		100%	Kroger
Westhaven Town Centre	Franklin	Nashville	96,960		98%	Kroger
Total Tennessee			**494,933**	**6%**		

Property	Location	Associated MSA	Area (SF)	% of Total	Occupancy	Anchor
East Brainerd Mall	Brainerd	Minneapolis-St Paul	191,459		96%	Cub Foods
North Branch Marketplace	North Branch	Minneapolis-St Paul	156,895		97%	County Market
Phalen Retail Centre	St. Paul	Minneapolis-St Paul	73,678		98%	Cub Foods
Total Minnesota			**422,032**	**5%**		
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**	**4%**		
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		90%	Farm Fresh
Total Virginia			**203,434**	**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		73%	Schnucks
Total Illinois			**269,847**	**3%**		
Southgate Crossing	Minot	Minot	159,780		100%	CashWise
Watford Plaza	Watford City	McKenzie	101,798		100%	CashWise
Total North Dakota			**261,578**	**3%**		
Charles Town Plaza	Charles Town	Washington-Baltimore	206,146		100%	Walmart
Total West Virginia			**206,146**	**3%**		
Roxborough Marketplace	Littleton	Denver Aurora-Lakewood	106,816		91%	Safeway
Westminster Plaza	Westminster	Denver Aurora-Lakewood	97,013		96%	Safeway
Total Colorado			**203,829**	**3%**		
Derry Meadows Shoppes	Derry	Boston-Cambridge-Quincy	186,997		94%	Hannaford
Total New Hampshire			**186,997**	**2%**		
Alta Mesa Plaza	Fort Worth	Dallas-Ft. Worth	167,961		98%	Kroger
Total Texas			**167,961**	**2%**		
Mitchellville Plaza	Mitchellville	Washington, DC	147,803		93%	Weis
Total Maryland			**147,803**	**2%**		
Waterbury Plaza	Waterbury	New Haven-Milford	141,443		100%	Stop & Shop
Total Connecticut			**141,443**	**2%**		
Taylorsville Town Centre	Salt Lake City	Salt Lake City	127,231		97%	Fresh Market
Total Utah			**127,231**	**2%**		
Stonefield Square	Louisville	Louisville	90,991		90%	The Fresh Market
Total Kentucky			**90,991**	**1%**		
Total / weighted average			**7,841,401**	**100%**	**94%**	

CORPORATE INFORMATION

Slate Retail REIT is an unincorporated, open-ended investment trust fund under and governed by the laws of the Province of Ontario. The REIT focuses on acquiring, owning and leasing a portfolio of diversified revenue-producing commercial real estate properties in the United States with an emphasis on grocery-anchored retail properties. The REIT has a current portfolio that spans 7.8 million square feet of GLA and consists of 64 grocery-anchored retail commercial properties located in the United States.

Head office

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Independent auditors

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Chartered Professional Accountants
Licensed Public Accountants
Toronto, Canada

Stock exchange listing and symbol

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

Registrar and transfer agent

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The REIT's website www.slateam.com/SRT provides additional information regarding the REIT's portfolio, investment strategy, management and corporate governance. Additionally, the Investor section includes news, presentations, events, regulatory filings and stock information.

Trustees

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

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

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

Brady Welch
Chief Financial Officer, Slate Retail REIT
Partner and Co-founder, Slate Asset Management L.P.

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

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

Blair Welch [3]
Partner and Co-founder, Slate Asset Management L.P.

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