slate retail REIT

Q3 2014

TSX: SRT.U / SRT.UN

MANAGEMENT'S DISCUSSION AND ANALYSIS

September 30, 2014

" For some reason people take their cues from price action rather than values. Price is what you pay. Value is what you get."

- Warren Buffett

Fellow Unitholders,

It is my pleasure to report a strong quarter of financial results and continued growth for Slate Retail REIT. We began the quarter with a portfolio consisting of 29 grocery-anchored retail properties located throughout the United States. During the quarter, we grew the portfolio with the acquisition of four retail properties. We are now located across 16 states. Funds from Operations (FFO) for the quarter was $4.596 million, or $0.29 per Unit on a fully diluted basis while Adjusted Funds from Operations (AFFO) per Unit was $0.27 for the current quarter.

During the quarter, we actively managed and enhanced the value of our existing properties while maintaining an occupancy rate of 96%. We view proactive management of the portfolio as critical to our success and to ensuring that we attract and retain quality tenants. We are pleased by the volume of leasing completed and continue to experience a strong demand from retailers who want to be located at our properties. During the quarter, we successfully renewed two significant anchor tenants. To date, we have renewed 100% of all expiring anchors within the portfolio.

We continue to recognize and act upon significant opportunities inherent in our target markets. Since September 30, 2014, we have purchased five properties and committed to purchase an additional three properties. Each of our acquisitions to date highlights our strategy of purchasing well located, strong performing real estate at an attractive price per square foot with below market rents. We believe, we can create significant additional value in these properties by improving: occupancy levels, in-place average lease rates and the credit quality of shop space tenancy. We have a robust, highly accretive acquisition pipeline that will allow us to further our footprint in strategic markets across the United States.

To finance these and future opportunities, on October 14, 2014, Slate Retail closed a public offering of 4.26 million units for gross proceeds of approximately C$50 million. The issue sold extremely well and we are pleased with the demand. The proceeds from the offering were used to fund recent acquisitions and repay amounts drawn under our existing credit facilities. We are also pleased to announce that the REIT entered into a rate lock agreement for a 10 year first mortgage financing totaling $50 million secured by three assets at a fixed rate of 3.80%. In addition, we have entered into a new $300 million corporate credit facility which will consist of a term loan component and a revolving component. The facility has received commitments exceeding the $300 million dollar amount. The facility will include structural enhancements providing the REIT with flexibility to convert to an unsecured structure and increase the facility through an accordion feature. Combined, this new debt financing provides the REIT extended debt maturity, significantly higher portion of fixed rate debt and lower interest costs. We expect to close both financing arrangements next quarter.

Notwithstanding our enduring success, we believe our unit price performance has not matched our operating performance. Underlying real estate fundamentals are solid. We have increased organic revenue with rental rate increases and externally through attractive acquisitions. We continue to focus on value; our real estate is valued below replacement cost and peak value and has in place below market rents. Our portfolio generates secure cash flow anchored by the largest grocery companies in the United States. Our AFFO payout ratio is amongst the lowest in Canada and offers us financial flexibility. We are focusing on the fundamentals and are pleased with the real and embedded value in our real estate. A number a major investment dealers agree and have begun publishing favourable research on the REIT.

I would like to thank all our investors for their trust and continued support.

Blair Welch
Chief Executive Officer
November 12, 2014

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INTRODUCTION

The following Management's Discussion and Analysis ("MD&A") for Slate Retail REIT and its subsidiaries (collectively, "REIT" or the "Trust") should be read in conjunction with the unaudited interim condensed consolidated financial statements and the accompanying notes for the quarter ended September 30, 2014 (the "consolidated financial statements").

A copy of the consolidated financial statements for the period ended September 30, 2014, and additional information relating to the REIT, is available on the REIT's SEDAR profile at www.sedar.com.

This MD&A is dated November 12, 2014. Disclosure contained in this document is current to that date, unless otherwise noted.

All amounts in this MD&A are in thousands of U.S. dollars and units, except square foot amounts and other data.

FORWARD-LOOKING STATEMENTS

This MD&A contains forward-looking information within the meaning of applicable securities laws. These statements include, but are not limited to, statements made in "Subsequent Events and Proposed Transactions" and "Liquidity" and other statements concerning the REIT's objectives, its strategies to achieve those objectives, as well as statements with respect to management's beliefs, plans, estimates, intentions, and similar statements concerning anticipated future events, results, circumstances, performance or expectations that are not historical facts. Readers should not place undue reliance on any such forward-looking statements.

Forward-looking information involves known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the REIT to be materially different from any future results, performance or achievements expressed or implied by the forward-looking information. Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained herein.

Such forward-looking statements are based on a number of assumptions that may prove to be incorrect, including, but not limited to, the continued availability of mortgage financing and current interest rates; the extent of competition for properties; assumptions about the markets in which the REIT and its subsidiaries operate; the global and North American economic environment; and changes in governmental regulations or tax laws.

Although the forward-looking information contained in this MD&A is based upon what management believes are reasonable assumptions, there can be no assurance that actual results will be consistent with these forward-looking statements. 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. Except as required by applicable law, the REIT undertakes no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

NON-IFRS FINANCIAL MEASURES

The MD&A contains financial measures that do not have a standardized meaning under International Financial Reporting Standards ("IFRS") as prescribed by the International Accounting Standards Board. Slate Retail uses the following non-IFRS financial measures: Funds from Operations ("FFO"), Adjusted Funds from Operations ("AFFO") on an aggregate and per unit basis and Net Operating Income ("NOI"). Management believes that in addition to conventional measures prepared in accordance with IFRS, investors in the real estate industry use these non-IFRS financial measures to evaluate the REIT's performance and financial condition. Accordingly, FFO and AFFO are used by real estate industry analysts, investors and management as supplemental measures of operating performance of investment property. Management uses AFFO and FFO in addition to net income to report operating results. FFO is an industry standard for evaluating operating performance. AFFO differs from FFO in that AFFO excludes from its definition certain non-cash revenues and expenses recognized under IFRS, such as straight-line rent and the amortization of finance costs, but also includes capital and leasing costs incurred during the period, but capitalized for IFRS purposes. Management also uses AFFO to evaluate the cash generation performance of the REIT available to fund distributions to unitholders, which is why certain non-cash items are excluded and capital expenditures capital and leasing costs are deducted. NOI is used by real estate industry analysts, investors and management to measure operating performance of the REIT's properties. NOI represents total property revenues less property operating and maintenance expenses. Accordingly, NOI excludes certain expenses included in the determination of net income such as investment property fair value gains and indirect operating expenses and financing costs. These items are excluded from NOI in order to provide results that are more closely related to a property's results of operations. Certain items, such as interest expense, while included in FFO, AFFO and net income, do not affect the operating performance of a real estate asset and are often incurred at the REIT level as opposed to the property level. As a result, management uses only those income and expense items that are incurred at the property level to evaluate a property's performance.

BUSINESS OVERVIEW AND RECENT DEVELOPMENTS

Overview

The REIT (formerly known as, Slate U.S. Opportunity (No. 1) Realty Trust ("SUSO 1")) is an unincorporated, open-ended investment trust 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 principal, registered and head office of the REIT is 200 Front Street West, Suite 2400, Toronto, Ontario, M5V 3K2.

Combination Transaction

On April 15, 2014, the REIT completed the unitholder approved combination transaction (the "Combination Transaction"). Pursuant to the Combination Transaction (i) the REIT acquired all of the assets of Slate U.S. Opportunity (No. 2) Realty Trust (“SUSO 2”) in consideration for U units of the REIT ("Class U units"), (ii) the REIT effectively acquired, directly or indirectly, all of the assets of U.S. Grocery Anchored Retail (1A), (1B) and (1C) Limited Partnerships (“GAR”) in consideration for Class U units of the REIT or securities that are economically equivalent to Class U units of the REIT (subject to certain adjustments) and redeemable for cash or Class U units of the REIT and (iii) the Class U units of the REIT were listed on the Toronto Stock Exchange on April 22, 2014 (TSX:SRT.U / SRT.UN). The Class U Units of the REIT trade on the TSX in both US dollars (under the trading symbol SRT.U) and Canadian dollars (under the trading symbol SRT.UN). The REIT's initial portfolio ("Initial Properties") includes 29 grocery-anchored retail commercial properties across the United States. The REIT acquired an additional four grocery-anchored retail commercial properties in the third quarter.

As required under IFRS, the Combination Transaction has been accounted for as a business combination in the consolidated financial statements. For accounting purposes only, SUSO 2 has been identified as the acquirer as the Unitholders of SUSO 2 collectively hold a controlling interest in the REIT immediately following the completion of the Combination Transaction. Accordingly, the consolidated financial statements have been issued under the name of the REIT, the legal acquirer, but reflect a continuation of the business of the accounting acquirer, SUSO 2. As a result, the notes and comparative periods in the consolidated financial statements reflect SUSO 2. The three months and nine months ended September 30, 2014 relate to the full period of earnings of SUSO 2 and the acquisition of SUSO 1 and GAR portfolios on April 15, 2014.

Objectives and Management of the REIT

The objectives of the REIT are to:

i. provide Unitholders with stable cash distributions from a portfolio of diversified revenue-producing commercial real estate properties in the United States with a focus on anchored retail properties;

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

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

The REIT is externally managed and operated by Slate Asset Management LP ("Slate" or "Manager"). Slate has an experienced and dedicated team of real estate professionals with a proven track record of success in U.S. grocery-anchored real estate. The Slate team has established a significant presence in key target markets, predominantly within the top 50 U.S. metro areas, and has the resources in place to quickly capitalize on opportunities for accretive growth. Management’s interests are aligned with the Unitholders of the REIT through its sponsorship and as a significant Unitholder of the REIT.

Recent Developments

Significant developments during the quarter include:

- In the quarter, the REIT paid/declared the monthly distributions of $0.06 per unit for July, August and September.
- The REIT negotiated an early renewal with grocery-anchored tenant Winn-Dixie, at Uptown Station in Florida, adding an additional 5 years to the existing contractual term. Winn-Dixie accounts for 16% of the GLA at the centre and the new remaining lease term is now 9.0 years.
- The REIT negotiated an early renewal with grocery-anchored tenant Publix, at Oak Hill Village in Florida, adding an additional 5 years to the existing contractual term. Publix accounts for 51% of the GLA at the centre and the new remaining lease term is now 5.6 years.
- On July 24, 2014, the REIT completed the acquisition of North Summit Square, a 224,530 square foot shopping located in Winston-Salem, North Carolina ("NC"). North Summit Square was acquired for $15.8 million ($70 per square foot). The property is 96% occupied and anchored by Sam’s Club, a wholly-owned subsidiary of Wal-Mart Stores, Inc.

- On August 15, 2014, the REIT implemented a Distribution Reinvestment Plan ("DRIP"), unitholders of class A, class I and Class U units are eligible to participate in the DRIP.
- On August 25, 2014, the REIT completed the acquisition of East Little Creek, a 69,620 square foot grocery-anchored shopping centre in Norfolk, Virginia ("VA"). East Little Creek was acquired for $9.85 million ($141 per square foot). The property is 100% occupied and anchored by Farm Fresh, a local brand of SuperValu Inc., the third-largest food retailer in the United States.
- On August 28, 2014, the REIT completed the acquisition of Waterbury Plaza, a 141,443 square foot grocery-anchored shopping centre in Waterbury, Connecticut ("CT"). Waterbury Plaza was acquired for $27.15 million ($193 per square foot). The property is 100% occupied and anchored by Stop & Shop, a wholly owned subsidiary of the Dutch supermarket operator Ahold.
- On September 10, 2014, the REIT completed the acquisition of Wellington Park, a 102,487 square foot grocery-anchored shopping centre in Cary, NC. Wellington Park was acquired for $15.5 million ($151 per square foot). The property is 91% occupied and anchored by Lowes Foods.
- The four investment properties were acquired for $68.3 million, with a blended cap rate of 7.3%. These properties were owned for approximately 42% of the third quarter.
- On September 18, 2014, the REIT entered into a binding agreement to acquire Derry Meadows, a 94% occupied, 186,997 square foot grocery-anchored shopping centre in Derry, New Hampshire ("NH") with a purchase price of $24.4 million ($131 per square foot). The property is anchored by Hannaford Food's, a Northeastern U.S. supermarket banner under the wholly owned subsidiary of investment grade supermarket operator Delhaize Group. The acquisition is expected to be completed in fourth quarter 2014 subject to customary closing conditions.

Note: for further information and photos of the REIT's properties go to www.slateretailreit.com

SUBSEQUENT TO QUARTER END

- On October 10, 2014, the REIT completed the acquisition of Seminole Oaks, a 63,572 square foot shopping centre located in Seminole, Florida ("FL"). Seminole Oaks was acquired for $11.35 million ($179 per square foot). The property is 98% occupied and anchored by Winn-Dixie.
- On October 14, 2014, the REIT announced the closing of an agreement to sell to a syndicate of underwriters (the "Underwriters"), on a bought deal basis, 4,260,000 Class U Units at a price of C$11.75 per Unit (U.S.$10.72 per Unit) for gross proceeds to the REIT of approximately C$50 million (U.S.$46 million). The REIT has also granted the Underwriters an overallotment option to purchase up to an additional 639,000 Class U Units on the same terms and conditions, exercisable at any time, in whole or in part, up to 30 days after the closing of the Offering.
- On October 15, 2014, the REIT entered into a binding agreement to acquire Stadium Center, a 93% occupied, 92,365 square foot grocery-anchored shopping centre in Port Huron, Michigan ("MI") with a purchase price of $5.3 million. The property is anchored by Kroger. The acquisition is expected to be completed in the fourth quarter 2014 subject to customary closing conditions.
- On October 21, 2014, the REIT completed the acquisition of Smithfield Shopping Plaza, a 134,644 square foot grocery-anchored shopping centre located in Smithfield, VA. Smithfield Shopping Plaza was acquired for $13.95 million ($103 per square foot). The property is 92% occupied and anchored by Farm Fresh, a subsidiary of SuperValu, Inc.
- On October 23, 2014, the REIT completed the acquisition of Forest Plaza, a 123,028 square foot grocery-anchored shopping centre in Fond du Lac, Wisoconsin ("WI"). Forest Plaza was acquired for $16.85 million ($137 per square foot). The property is 100% occupied and anchored by Pick'n Save, a subsidiary of Roundy's Supermarkets, Inc.
- On October 29, 2014, the REIT completed the acquisition of Stonefield Square, a 90,991 square foot grocery-anchored shopping centre in Louisville, Kentucky ("KY") for $12.6 million ($138 per square foot). The property is 92% occupied and anchored by The Fresh Market.
- On October 30, 2014, the REIT entered into a binding agreement to acquire Westminster Plaza, a 98% occupied, 97,013 square foot grocery-anchored shopping centre in Westminster, Colorado ("CO") with a purchase price of $12.7 million ($131 per square foot). The property is anchored by Safeway Inc. The acquisition is expected to be completed in the fourth quarter 2014 subject to customary closing conditions.

- On November 5, 2014, the REIT completed the acquisition of Oakland Commons, a 73,705 square foot grocery-anchored shopping centre in Bloomington, Illinois ("IL"). Oakland Commons was acquired for $8.2 million ($111 per square foot). The property is 100% occupied and anchored by Jewel-Osco, a subsidiary of Albertsons LLC.

- The acquisitions of the five investment properties were acquired for $65.1 million, with a blended cap rate of 7.5%.

- On October 8, 2014, the REIT increased its revolving credit credit facility to $85 million.

SUMMARY OF QUARTERLY INFORMATION AND KEY PERFOMANCE INDICATORS

Summary of Selected Quarterly Information

(In thousands of dollars and units except other specified data)

	Q3 2014	Q2 2014
Summary of Portfolio Information		
Number of properties	33	29
Gross Leasable Area	4,084,834	3,545,857
Occupancy as at quarter end	96%	96%
Grocery anchor weighted average lease term	5.9 Years	6.1 Years
Portfolio weighted average lease term	5.2 Years	5.4 Years
Square footage leased during the period	157,062	89,772
Summary of Financial Information		
Total assets / gross book value ("GBV")	$533,877	$463,208
Total debt	$292,920	$230,626
Revenue	$11,386	$9,885
NOI	$7,982	$6,890
FFO	$4,596	$4,335
AFFO	$4,244	$4,059
Distributions declared	$2,876	$2,396
Class U equivalent units outstanding	15,976	15,975
Weighted average Class U equivalent units outstanding	15,976	15,975
FFO per unit (1)	$0.29	$0.27
AFFO per unit (2)	$0.27	$0.25
Distributions declared per unit	$0.18	$0.15
Financial Ratios		
AFFO payout ratio (3)	66.7%	60.0%
Debt / GBV (4)	54.9%	49.8%
Weighted average interest rate	3.43%	3.44%
Interest coverage ratio (5)	3.10x	3.00x

1 FFO divided by the Class U equivalent units outstanding

2. AFFO divided by the Class U equivalent units outstanding

3 Distributions declared per unit divided by AFFO per unit

4 Total debt divided by total assets

5 NOI less G&A, divided by cash interest paid

Summary of Key Performance Indicators

The key performance indicators by which Management measures the REIT's performance are as follows:

- Cash Flow Metrics
  - NOI, the net operating income generated by the portfolio
  - FFO per Unit, an earnings measure designed for real estate entities
  - AFFO per Unit, a measure of operating cash flow
- Other Financial Metrics
  - Interest Coverage Ratio, a measure of credit risk used by lenders
  - Debt / GBV, a measure of credit risk used by lenders

Cash Flow Metrics

	Actual		Forecast		Variance	
	Total	**Per Unit**	**Total**	**Per Unit**	**Total**	**Per Unit**
NOI	$7,982	$0.50	$7,627	$0.48	$355	$0.02
FFO	$4,596	$0.29	$4,830	$0.30	$(234)	$(0.01)
AFFO	$4,244	$0.27	$4,056	$0.25	$188	$0.02

Management is pleased with the performance of the business over the quarter. NOI was higher than Forecast (as defined below) due to lower property operating expenses and higher revenues from the additional investment properties purchased. Occupancy has remained strong at 96% and leasing momentum has continued with 157,062 square feet of space leased in the third quarter. The REIT completed 139,854 square feet of renewals during the quarter at rental rates that are 4.5% greater than in place rates at expiration. An increase of 6.5% was realized on deals under 10,000 square feet. Overall the operations of the business continue to perform well and are tracking in line with Management's expectations.

Reported FFO was $234 lower than Forecast. Actual FFO would have been higher than the Forecast except for a non-cash expense associated with setting up acquisition facilities that allow the REIT to purchase additional properties (through the amortization of financing charges). The non-cash expense amounted to $236 and if excluded would result in FFO $2 higher than the Forecast. The expense was not included in the creation of the Forecast as it does not pertain to the portfolio at amalgamation but rather to the growth initiatives being pursued by Management.

Reported AFFO exceeded the Forecast by $188, due in part to reversing the aforementioned non-cash expense and the balance due to lower than Forecast capital and leasing costs. Capital and leasing costs were lower due to better than anticipated pricing on two large capital programs and lower than anticipated leasing capital associated with the 157,062 square feet of leasing.

Other Financial Metrics

At September 30, 2014, the REIT's Debt / GBV was 54.9%, marginally higher than 53.0% at amalgamation.

SLATE RETAIL REIT PORTFOLIO ANALYSIS

Investment Properties

As of September 30, 2014, the REIT owns a portfolio of grocery-anchored retail properties comprised of 33 assets. The portfolio consists of 4,084,834 square feet of GLA and a current occupancy rate of 96%.

Property	Location	Associated MSA	Area (SF)	Occupancy	Anchor
98 Palms	Destin, FL	Crestview-Fort Walton Beach-Destin	84,682	95%	Winn-Dixie
Alta Mesa Plaza	Fort Worth, TX	Dallas-Ft Worth	167,961	99%	Kroger
Bowling Green Plaza	Bowling Green, VA	Richmond	49,850	87%	Food Lion
Buckeye Plaza	Cleveland, OH	Cleveland	141,975	100%	Giant Eagle
Cambridge Crossings	Troy, MI	Detroit	238,963	96%	Walmart
County Line Plaza	Philadelphia, PA	Philadelphia	75,649	92%	Food Basics
Cudahy Centre	Milwaukee, WI	Milwaukee	103,254	89%	Pick ‘n Save
Douglas Commons	Douglasville, GA	Atlanta	97,027	98%	Kroger
East Brainerd Mall	Brainerd, MN	Minneapolis	191,459	98%	Cub Foods
East Little Creek	Norfolk, VA	VA-NC MSA	69,620	100%	Farm Fresh
Errol Plaza	Orlando, FL	Orlando	72,150	97%	Winn-Dixie
Field Club Commons	New Castle, PA	Pittsburgh	131,180	97%	Save-A-Lot
Fuquay Crossing	Fuquay-Varnia, NC	Raleigh	124,773	92%	Kroger
Gaston Marketplace	Gaston, SC	Columbia	44,133	94%	Food Lion
Highland Square	Crossville, TN	Nashville	179,243	93%	Kroger
Independence Square	Charlotte, NC	Charlotte	190,361	97%	Walmart
Kennywood Shops	Pittsburgh, PA	Pittsburgh	194,823	99%	Giant Eagle
Madison Centre	Madison, AL	Huntsville	64,837	96%	Publix
Madison Plaza	Madison, VA	Charlottesville	49,607	100%	Food Lion
Mitchellville Plaza	Mitchellville, MD	Washington, DC	145,402	94%	Food Lion
North Pointe	Columbia, SC	Columbia	64,255	97%	Publix
North Summit Square	Winston-Salem, NC	Winston-Salem	224,530	96%	Sam's Club
Oak Hill Plaza	Jacksonville, FL	Jacksonville	78,492	100%	Publix
Phalen Retail Center	St Paul, MN	Minneapolis-St Paul	73,678	100%	Cub Foods
Pinewood Plaza	Dayton, OH	Dayton	88,700	92%	Kroger
Springboro Plaza	Dayton, OH	Dayton	154,034	100%	Kroger
St. Elmo Central	Chattanooga, TN	Chattanooga	74,978	99%	BI-LO
Summit Ridge	Mount Pleasant, PA	Pittsburgh	227,729	96%	Walmart
Triangle Food Lion	Charlotte, NC	Charlotte	41,439	100%	Food Lion
Uptown Station	Fort Walton Beach, FL	Crestview-Fort Walton Beach-Destin	298,096	91%	Winn-Dixie
Waterbury Plaza	Waterbury, CT	New Haven-Milford	141,443	100%	Stop & Shop
Wellington Park	Cary, NC	Raleigh	102,487	91%	Lowes
Westhaven Town Center	Franklin, TN	Nashville	98,024	98%	Harris Teeter
TOTAL / WEIGHTED AVERAGE			**4,084,834**	**96%**	

Acquisition of Investment Property

North Summit Square

On July 24, 2014, the REIT completed the acquisition of North Summit Square, a 224,530 square foot shopping centre located in Winston-Salem, NC. North Summit Square was acquired for $15.8 million ($70 per square foot). The property is 96% occupied and anchored by Sam's Club, a wholly-owned subsidiary of Wal-Mart Stores, Inc.

Photo: North Summit Square - Winston-Salem, NC

East Little Creek

On August 25, 2014, the REIT completed the acquisition of East Little Creek, a 69,620 square foot grocery-anchored shopping centre in Norfolk, VA. East Little Creek was acquired for $9.85 million ($141 per square foot). The property is 100% occupied and anchored by Farm Fresh, a local brand of SuperValu Inc., the third-largest food retailer in the United States.

Photo: East Little Creek - Norfolk, VA

Waterbury Plaza

On August 28, 2014, the REIT completed the acquisition of Waterbury Plaza, a 141,443 square foot grocery-anchored shopping centre in Waterbury, CT. Waterbury Plaza was acquired for $27.3 million ($193 per square foot). The property is 100% occupied and anchored by Stop & Shop, a wholly owned subsidiary of the Dutch supermarket operator Ahold.

Photo: Waterbury Plaza - Waterbury, CT

Wellington Park

On September 10, 2014, the REIT completed the acquisition of Wellington Park, a 102,487 square foot grocery-anchored shopping centre in Cary, NC. Wellington Park was acquired for $15.5 million ($151 per square foot). The property is 91% occupied and anchored by Lowes Foods.

Photo: Welllington Park - Cary, NC

Semniole Oaks

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Photo: Seminole Oaks - Seminole, FL

Smithfield Shopping Plaza

On October 21, 2014, the REIT completed the acquisition of Smithfield Shopping Plaza, a 134,644 square foot grocery-anchored shopping centre in Smithfield, VA. Smithfield Shopping Plaza was acquired for $13.95 million ($103 per square foot). The property is 92% occupied and anchored by Farm Fresh, a subsidiary of SuperValu, Inc.

Photo: Smithfield Shopping Plaza - Smithfield, VA

Forest Plaza

On October 23, 2014, the REIT completed the acquisition of Forest Plaza, a 123,028 square foot grocery-anchored shopping centre in Fond du Lac, WI. Forest Plaza was acquired for $16.85 million ($137 per square foot). The property is 100% occupied and anchored by Pick'n Save, a subsidiary of Roundy's Supermarkets, Inc.

Photo: Forest Plaza - Fond du Lac, WI

Stonefield Square

On October 29, 2014, the REIT completed the acquisition of Stonefield Square, a 90,991 square foot grocery-anchored shopping centre in Louisville, KY. Stonefield Square was acquired for $12.6 million. ($138 per square foot). The property is 92% occupied and anchored by The Fresh Market.

Photo: Stonefield Square - Louisville, KY

Oakland Commons

On November 5, 2014, the REIT completed the acquisition of Oakland Commons, a 73,705 square foot grocery-anchored shopping centre in Bloomington, IL. Oakland Commons was acquired for $8.2 million ($111 per square foot). The property is 100% occupied and anchored by Jewel-Osco, a subsidiary of Albertsons LLC.

Photo: Oakland Commons - Bloomington, IL

Committed Property Purchases

Derry Meadows

On September 18, 2014, the REIT entered into a binding agreement to purchase Derry Meadows, a 94% occupied, 186,997 square foot grocery-anchored shopping centre in Derry, NH for $24.4 million ($131 per square foot). The property is anchored by Hannaford's Foods, a Northeastern U.S. supermarket banner under the wholly owned subsidiary of Delhaize Group.

Stadium Center

On October 15, 2014, the REIT entered into a binding agreement to acquire Stadium Center, a 94% occupied, 92,365 square foot grocery-anchored shopping centre in Port Huron, Michigan with a purchase price of $5.3 million ($58 per square foot). The property is anchored by Kroger.

Westminster Plaza

On October 30, 2014, the REIT entered into a binding agreement to acquire Westminster Plaza, a 98% occupied, 97,013 square foot grocery-anchored shopping centre in Westminster, CO with a purchase price of $12.7 million ($131 per square foot). The property is anchored by Safeway.

All of the above acquisitions are expected to be completed in the fourth quarter 2014 subject to customary closing conditions.

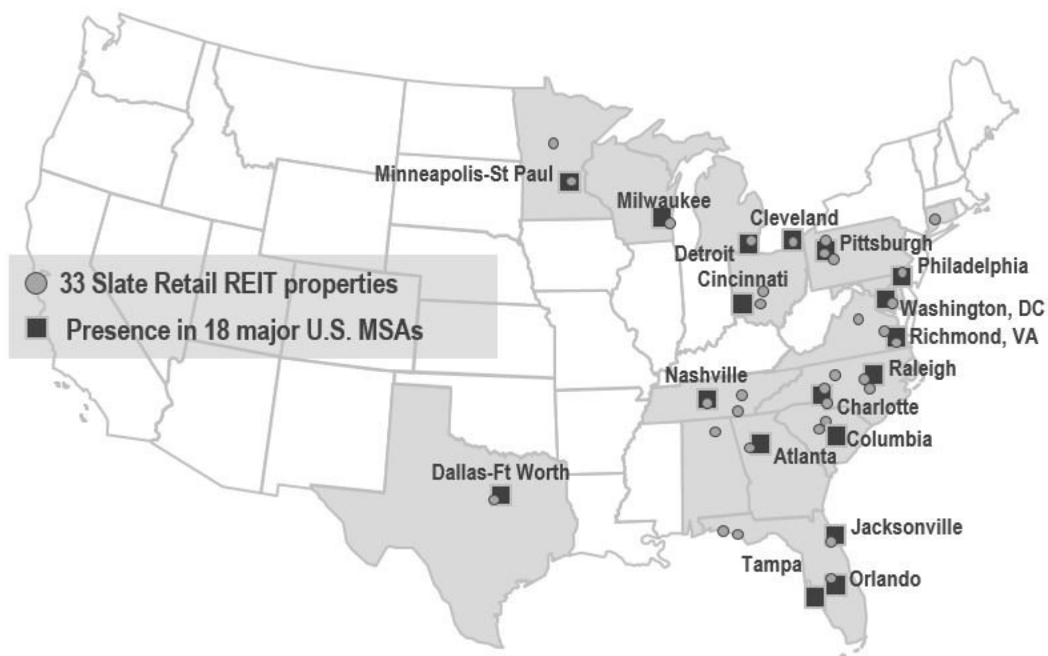
Slate U.S. Opportunity (No. 3) Realty Trust

In addition, the REIT has the opportunity to benefit from the relationship with its manager, Slate. The REIT anticipates that its continuing relationship with Slate will provide opportunities to acquire additional investment properties. In particular, Slate is currently the manager of Slate U.S. Opportunity (No. 3) Realty Trust ("SUSO 3"), which has nearly identical investment objectives, operating guidelines and strategy as that of the REIT. The REIT may have an opportunity to acquire SUSO 3 or its properties. Any acquisition of SUSO 3 or its properties would be subject to a number of conditions, and there can be no assurance that the REIT will acquire SUSO 3 or its properties. Slate has a strong track record of closing acquisitions and believes that it can grow the asset base of the REIT on an accretive basis (either through the purchase of SUSO 3, its properties or otherwise) in the near to medium term.

Geographic Overview

The REIT's portfolio is geographically diversified. As of September 30, 2014, the REIT has 33 properties, located in 15 states, totaling 4,084,834 leasable square feet:

State	Number of Assets	Total SF	% Total SF
North Carolina	5	683,590	16.7%
Pennsylvania	4	629,381	15.4%
Florida	4	533,420	13.1%
Ohio	3	384,709	9.4%
Tennessee	3	352,245	8.6%
Minnesota	2	265,137	6.5%
Michigan	1	238,963	5.9%
Virginia	3	169,077	4.1%
Texas	1	167,961	4.1%
Maryland	1	145,402	3.6%
Connecticut	1	141,443	3.5%
South Carolina	2	108,388	2.7%
Wisconsin	1	103,254	2.5%
Georgia	1	97,027	2.4%
Alabama	1	64,837	1.5%
Total	**33**	**4,084,834**	**100%**



Anchor Tenants

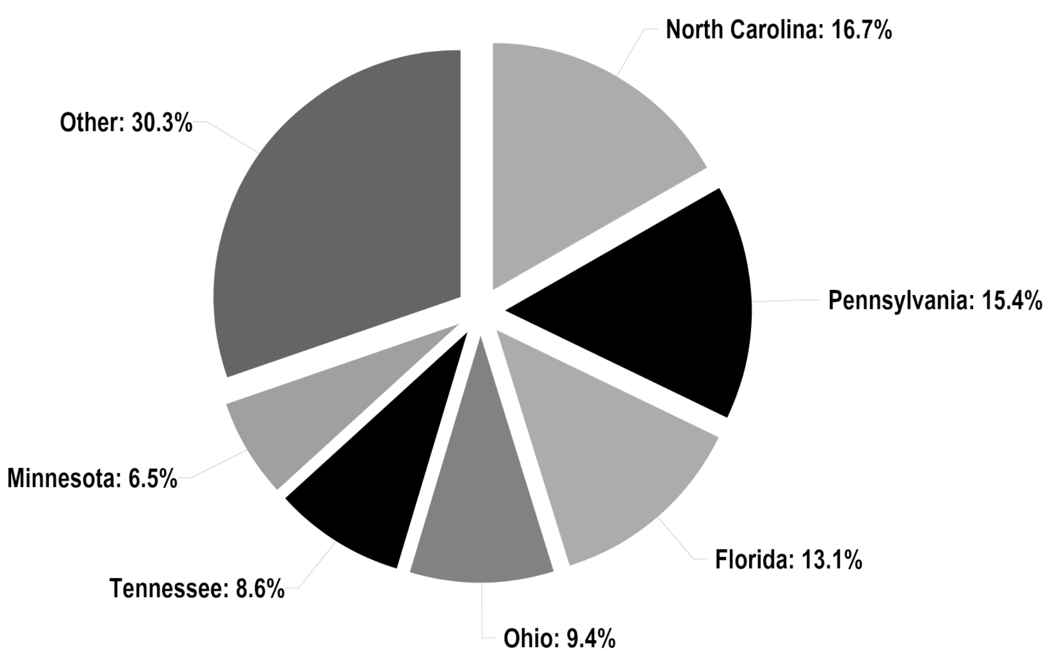
The following table illustrates the REIT's largest anchor tenants including their annual minimum rent, number of stores, percentage of GLA of the total portfolio and the percentage of estimated total revenue. Wal-Mart stores represent the largest percentage of rent with a total of four stores and approximately 7.9% of the total tenant base rents.

Grocery-anchored tenants account for 46.7% of total GLA and 37.4% of base rent.

Parent Co.	Store Brand(s)	Revenue	Stores	% GLA	% Rent
Wal-Mart Stores, Inc	Wal-Mart, Sams Club	$3,009	4	12.7%	7.9%
Super Valu, Inc.	Cub Foods, Farm Fresh, Save A Lot	2,095	4	5.0%	5.5%
The Kroger Co.	Kroger, Harris Teeter	2,021	7	9.1%	5.3%
Delhaize America	Food Lion	1,516	5	4.4%	4.0%
Bi-Lo Holdings Inc.	Winn Dixie, Bi-Lo	1,505	4	4.6%	4.0%
Ahold USA	Stop & Shop	1,233	1	1.6%	3.2%
Publix Super Markets	Publix	925	3	3.1%	2.4%
Giant Eagle, Inc.	Giant Eagle	810	2	2.8%	2.1%
Lowes Foods, LLC.	Lowes Foods	685	2	2.1%	1.8%
LA Fitness Internaional Texas LP	LA Fitness	633	1	1.5%	1.7%
Raymour’s Furniture Company	Raymour & Flanigan	609	1	1.7%	1.6%
Sears Holdings Corporation	K-Mart	479	1	2.2%	1.3%
Super Global Mart LLC	Super Global Mart	461	1	1.3%	1.2%
Family Dollar Stores Inc. (1)	Family Dollar	420	6	1.3%	1.1%
Dollar Tree Stores Inc. (1)	Dollar Tree	403	4	1.0%	1.1%
TOTAL		$16,804	46	54.4%	44.2%

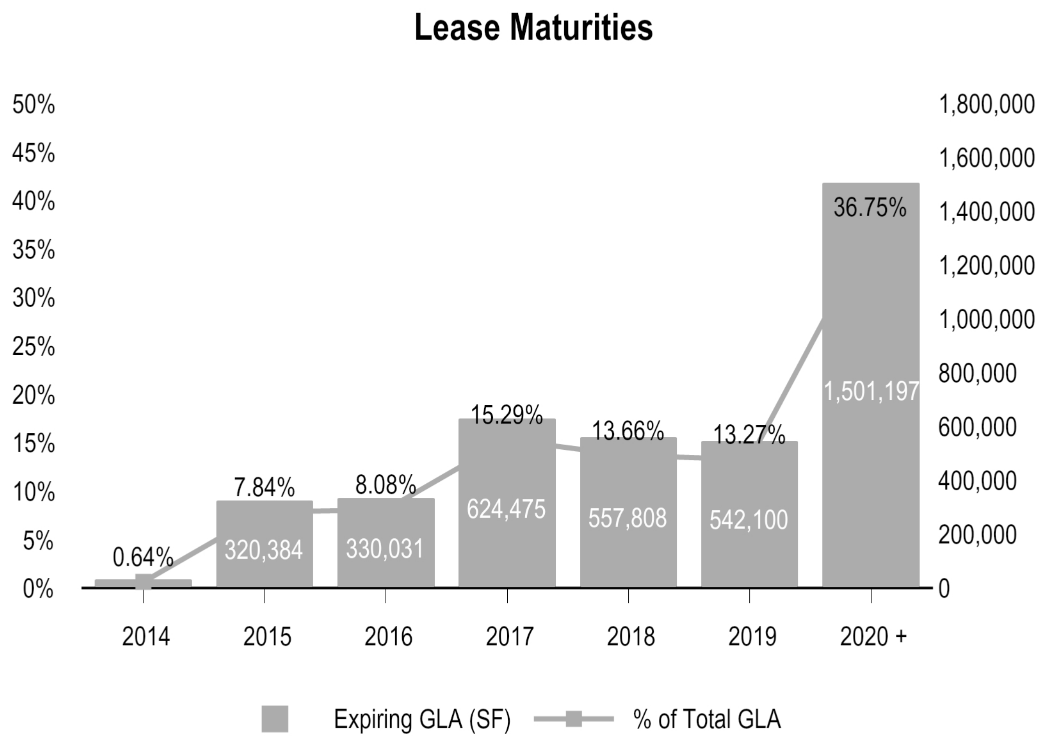
(1) Dollar Tree and General Dollar are competing to acquire Family Dollar, decision is pending.

Leasable Area by State



Lease Maturities

The majority of anchor tenants have leases that expire beyond 2016. The following table illustrates the timing of upcoming lease expirations for all tenants in the REIT.



Valuation Method

The REIT determines the fair value of investment properties based upon either the overall income capitalization rate method or the discounted cash flow method, or in certain circumstances a combination of both methods. Both methods are generally accepted appraisal methodologies. Under the overall income capitalization method, year one income is stabilized and capitalized at a rate appropriate for each investment property. Capitalization rates and estimates of stabilized income are the most significant assumptions in determining fair values under the overall capitalization method. Under the discounted cash flow method, fair values are primarily determined by discounting the expected future cash flows, generally over a term of 10 years, including a terminal value based on the application of a capitalization rate to estimated year 11 net operating income. The REIT uses leasing history, market reports, tenant profiles and available appraisals, among other things, in determining the most appropriate assumptions. At September 30, 2014, all valuations were completed by management of the REIT using the income capitalization method.

PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS AS A RESULT OF THE COMBINATION TRANSACTION

The Combination Transaction has been accounted for as a business combination in accordance with the REIT's policy as described in Note 3 of the consolidated financial statements. For accounting purposes, SUSO 2 has been identified as the acquirer as the Unitholders of SUSO 2 collectively hold a controlling interest in the REIT immediately following the completion of the Combination Transaction.

Accordingly, the consolidated financial statements have been issued under the name of the REIT, the legal acquirer, but reflect a continuation of the business of the accounting acquirer, SUSO 2. As a result under IFRS, the notes and comparative periods in the consolidated financial statements are required to reflect only SUSO 2.

The following chart shows a comparative statement of net income and comprehensive income of the REIT for the three months and nine months ended September 30, 2014 and September 30, 2013. As noted above, for accounting purposes SUSO 2 acquired the net assets of GAR and SUSO 1 on April 15, 2014. The prior year comparative information reflects only SUSO 2. SUSO 2 for the nine months ended September 30, 2013 was not fully invested and represented the activity of nine investment properties.

	Three months ended September 30,			Nine months ended September 30,		
	2014	**2013**	**Variance**	**2014**	**2013**	**Variance**
Net property income						
Rental revenue	**$11,386**	$4,361	**$7,025**	**$26,935**	$7,211	**$19,724**
Property operating expenses	**(1,828)**	(1,377)	**(451)**	**(7,232)**	(2,686)	**(4,546)**
Net property income	**9,558**	2,984	**6,574**	**19,703**	4,525	**15,178**
Other income (expenses)						
General and administrative	**(1,589)**	(316)	**(1,273)**	**(4,486)**	(1,018)	**(3,468)**
Interest and other financing charges	**17,978**	(2,299)	**20,277**	**6,410**	(2,549)	**8,959**
Property acquisition costs	**(978)**	(761)	**(217)**	**(1,109)**	(1,947)	**838**
Fair value change of investment properties	**4,895**	4,897	**(2)**	**39,765**	13,414	**26,351**
Impairment of goodwill	**—**	—	**—**	**(14,987)**	—	**(14,987)**
Net income before taxes	**$29,864**	$4,505	**$25,359**	**$45,296**	$12,425	**$32,871**
Income taxes						
Current	**—**	(165)	**165**	**—**	(233)	**233**
Deferred	**(7,125)**	(1,918)	**(5,207)**	**(15,443)**	(4,733)	**(10,710)**
	(7,125)	(2,083)	**(5,042)**	**(15,443)**	(4,966)	**(10,477)**
Net income and comprehensive income	**$22,739**	$2,422	**$20,317**	**$29,853**	$7,459	**$22,394**

The significant variance between the three and nine months ended 2013 and 2014 relates to the acquisition of the remaining investment properties in SUSO 2 and the acquisition of the SUSO 1 and GAR portfolios on April 15, 2014. The remainder of this MD&A will focus on the variances between the three months and Operating Period (defined below) ended September 30, 2014 and the financial forecast published in the Management Information Circular.

RESULTS OF OPERATIONS

The Forecast covered the period from January 1, 2014 to December 31, 2014 and assumed the combination of SUSO 1, SUSO 2 and GAR occurred on January 1, 2014. The Combination Transaction was however completed on April 15, 2014. The actual three months and nine months ended September 30, 2014 results included in the consolidated financial statements include the full period earnings of SUSO 2 and the acquisition of SUSO 1 and the GAR portfolio on April 15, 2014. To increase comparability between the Forecast and and the actual results, the REIT's results from operations covered in the period from April 1 to September 30, 2014 ("Operating Period") are compared to an adjusted Forecast. The Operating Period ended September 30, 2014 included in this MD&A includes the full period earnings of SUSO 2 from April 1, 2014 and the acquisition of SUSO 1 and the GAR portfolio on April 15, 2014.

The results summarized below are for the three months ended and the Operating Period ended September 30, 2014.

	Three months ended September 30, 2014			Operating period ended September 30, 2014		
	Actual	Forecast	**Variance**	**Actual**	Forecast [3]	**Variance**
Rental revenue	**$11,386**	$10,904	**$482**	**$21,271**	$20,948	**$323**
Property operating expenses [1]	**(1,828)**	(3,177)	**1,349**	**(3,475)**	(6,383)	**2,908**
Net property income	**9,558**	7,727	**1,831**	**17,796**	14,565	**3,231**
Administrative expenses	**(1,589)**	(770)	**(819)**	**(3,800)**	(1,540)	**(2,260)**
Interest on debt	**(2,165)**	(2,089)	**(76)**	**(3,950)**	(3,985)	**35**
Amortization of loan costs	**(235)**	—	**(235)**	**(467)**	—	**(467)**
Other interest income	**3**	—	**3**	**4**	—	**4**
Property acquisition costs	**(978)**	—	**(978)**	**(978)**	—	**(978)**
SUSO 2 Trust unit distributions	**—**	—	**—**	**(124)**	—	**(124)**
REIT and exchangeable unit distributions [2]	**(2,876)**	(2,742)	**(134)**	**(5,272)**	(5,059)	**(213)**
Fair value adjustment on investment properties	**4,895**	—	**4,895**	**26,667**	—	**26,667**
Fair value adjustment on REIT Units	**19,656**	—	**19,656**	**12,575**	—	**12,575**
Fair value on exchangeable units	**3,595**	—	**3,595**	**4,651**	—	**4,651**
Impairment of goodwill	**—**	—	**—**	**(14,987)**	—	**(14,987)**
Deferred income taxes	**(7,125)**	(918)	**(6,207)**	**(10,462)**	(1,670)	**(8,792)**
Net income and comprehensive income	**$22,739**	$1,208	**$21,531**	**$21,653**	$2,311	**$19,342**

(1) The adoption of IFRIC 21, Levies ("IFRIC 21"), resulted in the Trust recognizing 12 months of property tax liability and expense on its properties as at January 1, 2014, rather than recognizing them progressively (i.e., ratably) throughout the year. Since the full amount of property tax expense was realized on January 1, no amount of property tax is being recognized in the three months period ended September 30, 3014.

(2) The Forecast assumed that GAR B's ownership in the net assets of the REIT would be considered a non-controlling interest. As a result, the REIT and exchangeable unit distributions forecasted does not include distributions paid to GAR B Unitholders. The distribution payable to the GAR B Unitholders and the redemption of 25 units accounts for the discrepancy between the actual distributions and the amount forecasted

(3) The Forecast has been adjusted for 15 days of activity in SUSO 1 and GAR.

REVIEW OF FINANCIAL RESULTS

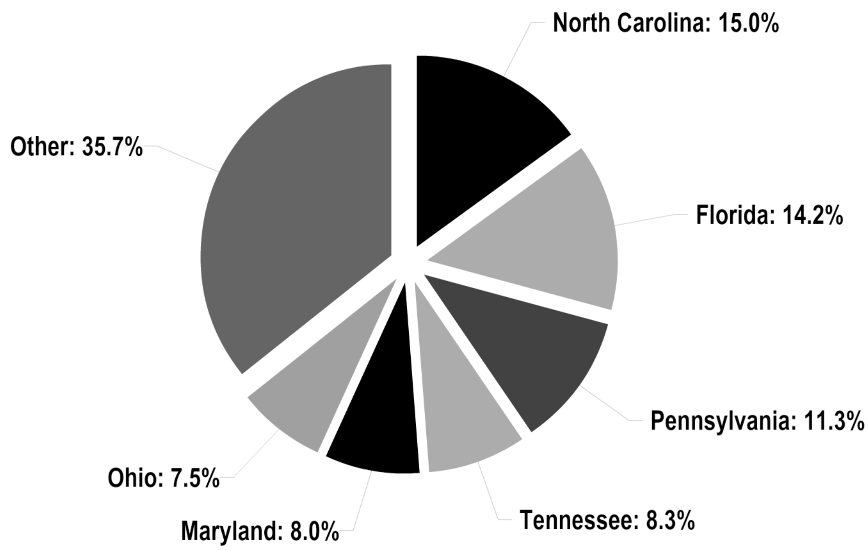
Rental Revenue

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

For the third quarter of 2014, rental revenue of $11,386 was $482, or 4.4%, higher than the Forecast. The increase was driven primarily by operating results from properties acquired in the third quarter. Tenant base rents on the Initial Properties were consistent with the Forecast.

The REIT's portfolio is located across 15 states in the United States with 64.3% of the quarters' rental revenue from investment properties located in Florida, Pennsylvania, North Carolina, Tennessee, Maryland and Ohio.

Revenue by State



Leasing Activities

During the third quarter, the REIT completed 139,854 square feet of renewals. Two renewals were completed with grocery-anchored tenants at Oak Hill Village and Uptown Station in advance of their expiry for 39,795 square feet and 46,078 square feet, respectively. The weighted average rental rate increase on all renewals over 10,000 square feet was 2.0%. Additionally, the weighted average rental rate increase on all renewals under 10,000 square feet was 6.5%.

The REIT also completed 17,208 square feet of new leasing in the third quarter. There were seven new leases executed with complimentary uses to the REITs existing consumer staple and service based tenant mix. Three of the leases were signed with national and regional retailers improving the credit quality at the respective properties. Of note was the new lease signed with Anytime Fitness at Madison Plaza in Virginia which resulted in achieving 100% occupancy and accounts for 7.3% of the GLA at the centre. The weighted average base rent on all new leases was $17.62 which compares favorably to the weighted average portfolio in-place rent of $9.46.

Property Operating Expenses

Property operating expenses consist of property taxes, property management fees, and other expenses such as 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 lease agreements. The property operating costs were lower than Forecast by $1,349 and $2,908 for the three months and Operating Period ended September 30, 2014, respectively.

The adoption of IFRIC 21, resulted in the Trust recognizing 12 months of property tax liability and expense on its properties as at January 1, 2014, rather than recognizing them progressively (i.e., ratably) throughout the year. IFRIC 21 was not accounted for in this manner when preparing the Forecast. The change in the application of this accounting policy accounts for the large variance between the Forecast and the actual results.

The foregoing change in the recognition of property taxes as a result of IFRIC 21 had no impact on FFO or AFFO.

Net Property Income

For the three months and Operating Period ended September 30, 2014, net property income of $9,558 and $17,796 was $1,831 and $3,231 higher than the Forecast, respectively. This was primarily driven by IFRIC 21 adjustments which recorded the property tax expenses fully in the first quarter of 2014.

	Three months ended September 30, 2014			Operating period ended September 30, 2014		
	Actual	Forecast	**Variance**	**Actual**	Forecast	**Variance**
Rental revenue	**$11,386**	$10,904	**$482**	**$21,271**	$20,948	**$323**
Property operating expenses	**(1,828)**	(3,177)	**1,349**	**(3,475)**	(6,383)	**2,908**
Net property income	**$9,558**	$7,727	**$1,831**	**$17,796**	$14,565	**$3,231**

General and Administrative Expenses

General and administration expenses comprised primarily of asset management fees, professional fees, trustee fees, and tax compliance and reporting fees.

	Three months ended September 30, 2014			Operating period ended September 30, 2014		
	Actual	Forecast	**Variance**	**Actual**	Forecast	**Variance**
Asset management	**$463**	$435	**$28**	**$856**	$828	**$28**
REIT start up costs	**131**	—	**131**	**1,665**	—	**1,665**
Offering costs	**391**	—	**391**	**391**	—	**391**
Professional fees	**464**	335	**129**	**719**	670	**49**
Other administrative costs	**140**	—	**140**	**169**	—	**169**
General and administrative expenses	**$1,589**	$770	**$819**	**$3,800**	$1,498	**$2,302**

General and administrative expenses for the three months and Operating Period ended September 30, 214 of $1,589 and $3,800 and were $819 and $2,302 higher than the Forecast, respectively. The discrepancy results primarily from REIT start up costs associated with listing on the Toronto Stock Exchange, fees associated with the Combination Transaction, establishing initial processes and the secondary offering.

On October 14, 2014, the REIT issued 4,260,000 Units for gross proceeds of approximately C$50 million (or U.S.$46 million). Offering costs of $391 relating to the bought deal were incurred prior to September 30, 2014.

Interest on debt

Interest expense on debt consists of interest paid on the various credit facilities, the standby fee paid on the secured revolving facility and senior secured term facility and the amortization of mark-to-market adjustment recorded as a result of the Combination Transaction. The interest expense was $76 lower than the Forecast primarily as a result of the amortization of the mark-to-market premium on debt. The amortization on the mark-to-market premium is a non cash amount.

Tax increment financing

On March 6, 2014, the REIT acquired tax incremental revenue notes issued by the City of St. Paul (the “Phalen City Note”) and by the City of Brainerd (the “Brainerd City Notes”, and collectively the "TIF Notes Receivable") in Minnesota, related to the REIT’s Phalen and Brainerd properties, respectively. The Phalen City Note and Brainerd City Note obligates each municipality to pay certain tax increments resulting from increases, if any, from a reference amount in the taxable valuation of the respective property to the REIT. The Phalen City Note had an original principal amount of $3,100 and a current outstanding balance of $3,028 at the time of purchase. The Brainerd City Note had an original principal amount of $2,400 and a current outstanding balance of $2,288 consisting of $1,290 in principal and $998 in interest at the time of purchase. The outstanding principal of the Brainerd City Note bear interest payable on February 1 and August 1 at a rate of 8% per annum. The outstanding principal of the Phalen City Note bear interest payable on March 1 and September 1 at a rate of 6% per annum. The Brainerd City Note and Phalen City Note Receivable matures on February 1, 2029 and March 1, 2019, respectively. The effective interest rate of the TIF Notes Receivable are 2.731% and 3.304%, respectively.

Also, on March 6, 2014, the REIT entered into two separate tax increment financing agreements with a third party (the “TIF Notes Payable”) whereby the REIT borrowed in aggregate $4,297. The TIF Notes Payable mature on February 28, 2019 and bear interest at a fixed rate equal to 5.25%. The TIF Notes Payable require annual blended interest and principal payments of $205. All proceeds from the TIF Notes Receivable are required to be applied against interest and then the principal of the TIF notes payable.

Transaction costs related to the TIF Notes Payable in the amount of $158 are amortized over the term to initial maturity based on the effective interest rate method. Included in interest on the TIF notes on the consolidated statement of comprehensive income is amortization of transaction costs of $6.

The REIT acquired the TIF Notes Receivable for $4,175. However, on acquisition, the REIT estimated the fair value of the TIF Notes Receivable to be $5,488. Accordingly, the REIT adjusted the measurement amount of the TIF Notes Receivable to defer the difference between the fair value at acquisition and transaction price of $1,313. The REIT recognizes the difference in income on a straight-line basis over the term of the maturity of the TIF Notes Receivable.

Distributions

The REIT pays monthly distributions of $0.06 per unit. The REIT paid distributions of $0.06 per unit for the months of July, August and September. Distributions are in line with the Forecast. Under IFRS, the distributions paid on the REIT Units and exchangeable units are recorded as finance expenses.

For the purposes of the Forecast, GAR B's ownership in the net assets of the REIT was considered a non-controlling interest. As a result, the REIT and exchangeable unit distributions forecasted does not include distributions paid to GAR B Unitholders. The distribution payable to the GAR B Unitholders and the redemption of 25 units accounts for the discrepancy between the actual distributions and the amount forecasted.

Fair Value Adjustments to Financial Instruments

As described in the REIT's accounting policy in the notes to the consolidated financial statements, the REIT Units and the exchangeable units are classified as financial liabilities under IFRS and are measured at fair value with any changes in fair value recognized in net and comprehensive income. The fair value is re-measured at the end of each reporting period. During the three months and Operating Period ended September 30, 2014, the REIT recognized a $19,656 and a $12,575 unrealized fair value gain on the REIT Units and a $3,595 and a $4,651 unrealized fair value gain on the exchangeable units, respectively. 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, 2014 was $10.45. Changes in fair value of the exchangeable and REIT Units are a factor of market conditions with the changes in unit prices, as such no change was included in the Forecast. The movements are non-cash in nature and are a requirement under IFRS.

Fair Value Adjustments on Investment Properties

Under IFRS, the REIT has elected to use the fair value model to account for its investment in properties. Under the fair value model, the investment properties are carried on the consolidated balance sheet at fair value. There was an increase to investment properties of $4,895 and $26,667 for the three months and Operating Period ended September 30, 2014, respectively.

For the nine months ended September 30, 2014 and 2013, a portion of the gain is related to an increase in the fair market value of investment properties for property tax adjustments recorded on the REIT's portfolio as part of the adoption of IFRIC 21. The REIT has determined that the liability to pay property taxes on its properties should be recognized at a point in time, being the start of the fiscal year. This resulted in the REIT recognizing the full property tax liability and expense on the properties owned as at January 1, 2014 with a retrospective adjustment to January 1, 2013.

Under IFRS, the fair values of investment properties are measured individually without consideration to their aggregate value on a portfolio basis. Accordingly, under IFRS 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 Trust’s investment properties taken as a whole would differ from that appearing on the REIT’s consolidated statements of financial position.

Impairment of Goodwill

As discussed above, for accounting purposes the REIT acquired 100% of the combined net assets of SUSO 1 and GAR. Under IFRS, the allocation of the fair value of consideration exchanged to the net assets acquired gave rise to goodwill of $14,987. The goodwill arises primarily from the difference between how deferred tax is calculated for accounting purposes for SUSO 1 and GAR and the value ascribed to it in negotiations. The former is based on the difference between the values of the assets and liabilities concerned for accounting purposes and those applying for taxation. The latter is based on tax payments likely to be made on the sale of the investment properties. In management’s opinion, the carrying amount of this goodwill cannot be justified by reference to future cash flows and the ongoing business plan to operate and own the Initial Properties in the foreseeable future. As a result, in the second quarter it was determined that the goodwill has been impaired and a impairment charge has been recognized in the consolidated financial statements.

Deferred Income Tax

The deferred income tax expense of $7,125 was $6,207 higher than the Forecast. The variance is primarily due to the fair value adjustment to investment properties.

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 by the Unitholders as opposed to Investment LP. As such, 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 tax provision. In other words, the REIT is consolidating all of the net income, but only its share of the tax provision.

Net Income

Net income of $22,739 and $21,653 was $21,531 and $19,342 higher than the Forecast for the three months and Operating Period ended September 30, 2014, respectively. The increase is largely due to the impairment in goodwill, the change in deferred income taxes, unrealized gains in the fair value of investment properties, exchangeable units and REIT Units and the application of IFRIC 21. These items are non-cash in nature.

Assets

Total assets as at September 30, 2014 was $533,877. Total assets includes cash of $6,443, deposits on investment properties of $2,377, prepaids of $1,798, accounts receivable $4,234, TIF note receivable of $4,085, funds held in escrow $722, interest rate caps of $7 and investment properties of $514,211 recorded at fair market value as at September 30, 2014.

There was a significant increase in total assets for the period ended September 30, 2014 compared to the period ended December 31, 2013 as a result of the completion of the Combination Transaction and the acquisition of additional investment properties.

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

The accounts receivable balance is comprised of the following:

	September 30, 2014	December 31, 2013
Rent receivable	$1,392	$271
Allowance for doubtful accounts	(83)	(16)
Accrued recovery income	2,925	975
Accounts receivable	$4,234	$1,230

The following is an aging analysis of rents receivable past due, net of allowance for doubtful accounts:

	September 30, 2014	December 31, 2013
Current to 30 days	$497	$211
31 to 60 days	131	29
Greater than 60 days	681	15
	$1,309	$255

Rent receivable consists of base rent and operating expense recoveries. Management has done an analysis and anticipates that the remaining portion greater than 60 days is collectible and has provided for $83 as an allowance for doubtful accounts.

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

Debt

The following is a summary of the debt held by the REIT as of September 30, 2014:

	September 30, 2014	December 31, 2013
Credit facility 1	**$87,230**	$—
Credit facility 2	**111,592**	106,730
GAR mortgage	**30,243**	—
Cudahy Centre first mortgage	**3,720**	—
Cudahy Centre second mortgage	**211**	—
Senior secured term facility	**42,238**	—
Secured revolving facility	**20,270**	—
Financing costs	**(3,583)**	(2,539)
Amortization of financing costs	**999**	335
Total	**$292,920**	$104,526

The increase in total debt for the period ended September 30, 2014 compared to the period ended December 31, 2013 resulted from the assumption of the SUSO 1 and GAR debt facilities on the completion of the Combination Transaction and a draw down from the Senior Secured Term Facility and Secured Revolving Facility. Debts assumed on the acquisition of the Initial Properties was recorded at their aggregate fair value of $121,837 on initial recognition resulting in a mark-to-market adjustment of $2,897 which is amortized using the effective interest method over the remaining terms of the debt assumed. During the nine months ended September 30, 2014, the REIT recorded amortization of $189.

On closing of the Combination Transaction, a syndicate of U.S. lenders provided the REIT (i) a $30 million secured revolving facility, and (ii) a $45 million senior secured term facility. As of September 30, 2014, the REIT has drawn $42,238 and $20,270 on the senior secured term facility and secured revolving facility, respectively.

Subsequent to the end of the quarter, the REIT entered into financing arrangements that will extend the REIT's debt maturity profile, reduce interest costs and increase the amount of fixed rate debt on the balance sheet.

The REIT entered into a rate lock agreement for a 10 year first mortgage financing totaling $50 million secured by three assets at a fixed rate of 3.80%.

In addition, the REIT also committed to a new $300 million corporate credit facility which will consist of a term loan component and a revolving component. The facility has received commitments exceeding the $300 million dollar amount. The facility will include structural enhancements providing the REIT with flexibility to convert to an unsecured structure and increase the facility through an accordion feature. The initial tenor of the revolver will be three years with two 12-month extension options and the term loan will include a four year tenor with one 12 month extension option. The pricing on the LIBOR based facility ranges from 175 to 250 basis points.

The anticipated impact of this new debt is summarized in the table below:

	Pre-refinance	Post-refinance	Change
Fixed rate debt as percentage of total debt	10.8%	28.7%	17.9 %
Weighted average interest rate	3.4%	3.3%	(0.1)%
Weighted average years until maturity	2.4	5.2	2.8

Unitholders' Equity

The REIT has class A units, class I units and Class U units issued and outstanding. Generally, since these different classes of units do not have identical features, the REIT is required under IFRS to classify the units as financial liabilities. The Slate Retail Exchangeable Units ("LP2") and the GAR B Exchangeable Units (collectively "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. The distributions paid on the REIT Units and the exchangeable units of subsidiaries are recorded as finance expenses.

The REIT made available a Distribution Reinvestment Plan ("DRIP") that allows class A, class I and Class U unitholders to elect to have their cash distributions used to purchase Class U Units and will receive a bonus distribution of units in value equal to 3% of each distribution.

The following is a summary of REIT Units and exchangeable units of subsidiaries outstanding during the period and their Class U equivalent amounts if converted basis:

	Units of REIT			Exchangeable Units of Subsidiaries		Total (Class U equivalent)
Class / Type	A	U	I	LP2	GAR B	
Balance, December 31, 2013	3,702	1,298	703	—	—	5,771
Issued for Combination Transaction	—	7,759	—	1,880	590	10,229
Issuance of units under the DRIP	—	1	—	—	—	1
Units issued	—	—	—	—	—	—
Units redeemed	—	(25)	—	—	—	(25)
Exchanges	(3,157)	3,520	(320)	—	—	—
Balance, September 30, 2014	545	12,553	383	1,880	590	15,976
Conversion ratio to Class U Units	1.0078	1.0000	1.0554	1.0000	1.0000	—
Class U Units equivalent	549	12,553	404	1,880	590	15,976

If all of the exchangeable units of subsidiaries, class A units of the REIT and class I units of the REIT were redeemed or exchanged for Class U Units, as applicable, there would be in aggregate approximately 15,976 Class U Units outstanding.

OTHER MEASURES OF PERFORMANCE

Net Operating Income

NOI is defined as property rental revenue less property operating costs. In Management's opinion, NOI is common and useful in analyzing the operating performance of the REIT, and it is a primary method for analyzing real estate in Canada. NOI is not a measure defined by IFRS and as such there is no standard definition. As a result, NOI may not be comparable with similar measures presented by other entities. NOI is not to be construed as an alternative to net income or cash flow from operating activities determined in accordance with IFRS.

NOI of $7,982 and $14,871 was $355 and $724 higher than the Forecast for the three months and Operating Period ended September 30, 2014, respectively. The increase is primarily related to the additional investment properties acquired in the quarter.

	Three months ended September 30, 2014			**Operating period ended September 30, 2014**		
	Actual	Forecast	**Variance**	**Actual**	Forecast	**Variance**
Rental revenue	**$11,386**	$10,904	**$482**	**$21,271**	$20,948	**$323**
Straight-line rent revenue	**(74)**	(138)	**64**	**(175)**	(243)	**68**
Property operating expenses	**(1,828)**	(3,177)	**1,349**	**(3,475)**	(6,383)	**2,908**
Property tax normalization for IFRIC 21 adjustment	**(1,502)**	38	**(1,540)**	**(2,750)**	(175)	**(2,575)**
Net operating income	**$7,982**	$7,627	**$355**	**$14,871**	$14,147	**$724**

Funds from Operations

FFO of $4,596 and $8,929 was $234 and $286 lower than Forecast for the three months and Operating Period ended September 30, 2014, respectively. This difference relates primarily to the amortization of financing costs incurred on the Credit facility 2 and the fees incurred on the Secured Revolving Facility and the Senior Secured Term Facility of $236. The costs were non-cash items and if excluded, then FFO would be $2 higher than Forecast. The Forecast did not include the amortization of financing costs.

	Three months ended September 30, 2014			Operating period ended September 30, 2014		
	Actual	Forecast	**Variance**	**Actual**	Forecast	**Variance**
Net income and comprehensive income	**$22,739**	$1,208	**$21,531**	**$21,653**	$2,311	**$19,342**
Property tax adjustment IFRIC 21	**(1,502)**	—	**(1,502)**	**(2,750)**	—	**(2,750)**
Property tax normalization	**—**	(38)	**38**	**—**	175	**(175)**
REIT start up costs	**131**	—	**131**	**1,665**	—	**1,665**
REIT unit offering costs	**391**	—	**391**	**391**	—	**391**
Property acquisition costs	**978**	—	**978**	**978**	—	**978**
Fair value adjustment on interest rate caps	**4**	—	**4**	**40**	—	**40**
Fair value adjustment on exchangeable units	**(3,595)**	—	**(3,595)**	**(4,651)**	—	**(4,651)**
Fair value adjustment on REIT Units	**(19,656)**	—	**(19,656)**	**(12,575)**	—	**(12,575)**
Fair value adjustment on investment properties	**(4,895)**	—	**(4,895)**	**(26,667)**	—	**(26,667)**
Impairment of goodwill	**—**	—	**—**	**14,987**	—	**14,987**
REIT and exchangeable unit distributions (1)	**2,876**	2,742	**134**	**5,396**	5,059	**337**
Deferred income taxes	**7,125**	918	**6,207**	**10,462**	1,670	**8,792**
Funds from operations	**$4,596**	$4,830	**$(234)**	**$8,929**	$9,215	**$(286)**
FFO per unit	**0.29**	0.30	**(0.01)**	**0.56**	0.58	**(0.02)**
Distributions per Unit (1)	**(0.18)**	(0.18)	**—**	**(0.34)**	(0.33)	**(0.01)**
Number of units outstanding	**15,976**	16,000	**(24)**	**15,976**	16,000	**(24)**

(1) For the purposes of the Forecast, GAR B's ownership in the net assets of the REIT was considered a non-controlling interest. As a result, the distribution amount of $2,742 does not include distributions paid to these unitholders. The distribution per unit for the Forecast has been adjusted to account for this discrepancy.

Adjusted Funds from Operations

AFFO of $4,244 and $8,301 was $0.02 and $0.03 per unit higher than the Forecast due to favourable capital and leasing costs, the acquisitions of the new investment properties and the reversal of the non-cash amortization expense.

	Three months ended September 30, 2014			Operating period ended September 30, 2014		
	Actual	Forecast	**Variance**	**Actual**	Forecast	**Variance**
Funds from operations	**$4,596**	$4,830	**$(234)**	**$8,929**	$9,215	**$(286)**
Straight-line rental revenue	**(74)**	(138)	**64**	**(175)**	(243)	**68**
Amortization of finance charges	**236**	—	**236**	**467**	—	**467**
Mark to market adjustment of debt	**(103)**	(17)	**(86)**	**(188)**	(31)	**(157)**
Capital and leasing costs	**(411)**	(619)	**208**	**(732)**	(1,142)	**410**
Adjusted funds from operations	**$4,244**	$4,056	**$188**	**$8,301**	$7,799	**$502**
AFFO per unit	**0.27**	0.25	**0.02**	**0.52**	0.49	**0.03**
Number of units outstanding	**15,976**	16,000	**(24)**	**15,976**	16,000	**(24)**

Capital and Leasing Costs

AFFO was reduced by property capital and leasing costs. Capital improvements may include, but are not limited to, items such as parking lot resurfacing and roof replacements. These items are recorded as part of investment properties.

Capital Costs

During the third quarter a new parking lot overlay was completed at Oak Hill Village. This capital improvement was completed in conjunction with the early renewal of grocery-anchor tenant Publix. A new parking lot overlay was also completed at Cambridge Crossings. This capital improvement was planned and completed subsequent to anchor tenant Walmart completing a multi-million dollar expansion and conversion to a Super-Walmart, as well as the renewal of junior anchor Dollar Tree. The pylon sign at Cambridge Crossings was also upgraded as part of this capital improvement program.

Leasing Costs

Leasing costs this quarter related to a good balance of new and renewal leasing activity totaling approximately 157,000 square feet. Leasing costs to secure new tenants are generally higher than the costs to renew in-place tenants. The leasing capital this quarter was comprised of fees related to tenant improvement allowances and other direct leasing costs, such as broker commissions and legal costs.

To date the REIT has funded capital and leasing costs using cash flows from operations.

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; (ii) financing availability through the REIT`s revolving credit facility and conventional mortgage debt secured by income producing properties.

Cash flow from (used in)	Nine months ended September 30, 2014
Operating activities	7,515
Investing activities	(71,860)
Financing activities	59,826
Decrease in cash and cash equivalents	(4,519)

Operating Activities Cash Flows

The positive cash flow from operating activities was driven by a positive cash flow from net income before non-cash items and a positive change in non-cash working capital items. Cash flows from operating activities will be used to fund on-going operations and expenditures for leasing capital and property capital.

Investing Activities Cash Flows

Capital expenditures for acquisitions and development activities are generally financed. In the current quarter, there were deposits made for future acquisitions of investment properties and the acquisition of four additional investment properties.

Financing Activities Cash Flows

Distributions were declared and paid in the quarter to REIT and exchangeable unitholders. There were four additional draws on the Secured Revolving Facility and the Senior Secured Term Facility.

CONTRACTUAL COMMITMENTS

The REIT has the following contractual commitments:

	Total contractual cash flow	Less than one year	1-6 years
Accounts payable and accrued liabilities	$6,351	$6,351	$—
Credit facility 1	87,230	—	87,230
Credit facility 2	111,592	—	111,592
GAR mortgage	27,645	412	27,233
Cudahy Centre first mortgage	3,621	138	3,483
Cudahy Centre second mortgage	200	—	200
Senior secured term facility	42,238	42,238	—
Secured revolving facility	20,270	20,070	—
TIF note payable	3,998	308	3,690
TIF note interest payable	931	214	717
Credit facility 1 interest payable (1)	4,140	2,802	1,338
Credit facility 2 interest payable (2)	12,569	3,584	8,985
REIT units	141,093	400	140,693
Exchangeable units of subsidiaries	25,806	400	25,406
Total contractual commitments	$487,684	$76,917	$410,567

(1) Credit facility 1 interest payable is calculated on $87,230 (balance outstanding) using an estimated "all in" interest rate of 3.21% under the "within one year" column. The long term average interest rate is based on the 30-day LIBOR forward curve plus the specified margin for the LIBOR rate option under the Term Loan Facility and results in an anticipated increase to the "all-in" interest rate to 3.37%. The total Term Loan Facility interest payable is calculated until maturity of the Initial Term.

(2) Credit facility 2 interest payable is calculated on $111,592 (balance outstanding) using an estimated "all in" interest rate of 3.21% under the "within one year" column. The long term average interest rate is based on the 30-day LIBOR forward curve plus the specified margin for the LIBOR rate option under the Term Loan Facility and results in an anticipated increase to the "all-in" interest rate to 4.01%. The total Term Loan Facility interest payable is calculated until maturity of the Initial Term.

RELATED PARTY TRANSACTIONS

	Three months ended September 30, 2014	Operating period ended September 30, 2014
Asset management	$463	$855
Acquisition fees	525	583
Related party fees	$988	$1,438

Asset management and acquisition fees incurred and paid to the Manager for the three months and Operating Period ended September 30, 2014 amounted to $988 and $1,438, respectively.

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

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

As of September 30, 2014, the Trust had $6,443 of cash on hand.

	September 30, 2014		December 31, 2013	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets				
Cash	$6,443	$6,443	$10,962	$10,962
Accounts receivable	4,234	4,234	1,230	1,230
TIF note receivable	4,085	5,346	—	—
Financial liabilities				
Accounts payable and other liabilities	$6,351	$6,351	$1,771	$1,771
Credit facility 1	87,230	87,230	—	—
Credit facility 2	109,451	111,592	104,526	106,730
GAR mortgage	30,243	30,243	—	—
Cudahy Centre first mortgage	3,720	3,720	—	—
Cudahy Centre second mortgage	211	211	—	—
Senior secured term facility	41,938	42,238	—	—
Secured revolving facility	20,127	20,270	—	—
REIT units	141,093	141,093	75,943	—
Exchangeable units	25,806	25,806	—	—
TIF notes payable	3,998	4,151	—	—

The REIT Units and the exchangeable units of subsidiaries are considered financial instruments under IFRS and are recognized as financial liabilities measured at fair value through profit and loss. The fair value is re-measured at the end of each reporting period based on the closing market price of the trust units.

CRITICAL ACCOUNTING ESTIMATES

The REIT prepares its financial statements in accordance with IFRS. A summary of significant accounting policies is included in Note 3 of the unaudited interim condensed consolidated financial statements of the REIT as at and for the periods ended September 30, 2014.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Estimates that have the most significant impact on the condensed consolidated financial statements are the following:

Valuation of investment property

The fair value of investment property is determined by management, in conjunction with independent real estate valuation experts using recognized valuation techniques. The determination of the fair value of investment property requires the use of estimates such as future cash flows from assets (such as tenant profiles, future revenue streams and overall repair and condition of the property), capitalization rates and discount rates applicable to those assets. These estimates are based on market conditions existing at the reporting date.

The following approaches, either individually or in combination, are used by management, together with the appraisers, in their determination of the fair value of the investment property:

The Income Approach derives market value by estimating the future cash flows that will be generated by the property and then applying an appropriate capitalization rate or discount rate to those cash flows. This approach can utilize the direct capitalization method and/or the discounted cash flow analysis.

The Direct Comparison Approach involves comparing or contrasting the recent sale, listing or optioned prices of properties comparable to the subject and adjusting for any significant differences between them.

Management reviews each appraisal and ensures the assumptions used by the appraisers are reasonable and the final fair value amount reflects those assumptions used in the various approaches above. Where an appraisal is not obtained at the reporting date, management reviews the approaches described above, for each investment property, and estimates the fair value.

CHANGES IN ACCOUNTING POLICIES

The REIT has retrospectively adopted IFRIC 21, in its condensed consolidated interim financial statements for the period beginning January 1, 2013. The interpretation provides guidance on when to recognize a liability for levies that are accounted for in accordance with the requirements of IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, and those where the timing and amount of the levy are certain. Levies are outflows from an entity imposed by a government in accordance with legislation. The REIT has assessed property taxes as being within the scope of IFRIC 21, given that property taxes are non-reciprocal charges imposed by a government, in accordance with legislation, and are based on property value. IFRIC 21 confirms that an entity recognizes a liability for a levy when, and only when, the triggering event specified in the legislation occurs. The REIT has determined that the liability to pay property taxes on its U.S. properties should be recognized at a point in time, being the start of the fiscal year. This resulted in the REIT recognizing the full property tax liability and expense on its U.S. properties as at January 1, 2014 with a retrospective adjustment to January 1, 2013.

The retrospective application of IFRIC 21 resulted in the REIT recording a decrease in operating expenses of $107 for the three months ended September 30, 2013; and a decrease of $107 to fair value of investment properties for the three months ended September 30, 2013.

CONTROL AND PROCEDURES

Disclosure Controls and Procedures

The REIT's Chief Executive Officer and Chief Financial Officer have designed, or caused to be designed under their supervision, the REIT's disclosure controls and procedures (as defined by National Instrument 52-109 - Certification of Disclosure in Issuers' Annual and Interim Filings ("NI 52-109"), adopted by the Canadian Securities Administrators) to provide reasonable assurance that (i) material information relating to the REIT, including its consolidated subsidiaries, is made known to them by others within those entities, particularly during the period in which the interim filings are being prepared, and (ii) material information required to be disclosed in the interim fillings or other reports filed or submitted by the REIT under securities legislation is recorded, processed, summarized and reported on a timely basis and within the time period specified by securities legislation.

Internal Controls over Financial Reporting

The REIT's Chief Executive Officer and Chief Financial Officer have designed the REIT's internal control over financial reporting (as defined in NI 52-109) to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

Inherent Limitation

Internal controls over financial reporting cannot provide absolute assurance of achieving financial reporting objectives because of their inherent limitations. Internal control over financial reporting is a process that involves human diligence and compliance and is subject to lapses in judgment and breakdowns resulting from human failures. Internal control over financial reporting also can be circumvented by collusions or improper management override. Because of such limitations, there is risk that material misstatements may not be prevented or detected on a timely basis by internal control over financial reporting. However, these inherent limitations are known features of the financial reporting process. Therefore, it is possible to design into the process safeguards to reduce, though not eliminate, this risk.

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.

Additional information regarding the Trust can be found on SEDAR at www.sedar.com.

For further information contact: Blair Welch (416) 644-4267 or Brady Welch (416) 644-4263

CORPORATE INFORMATION

Corporate profile

Slate Retail REIT is an unincorporated, open-ended investment trust 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 4.1 million square feet of gross leasable area and consists of 33 grocery anchored retail commercial properties located in the United States. The units of the REIT trade on The Toronto Stock Exchange ("TSX") under the symbol SRT.U/SRT.UN. The principal, registered and head office of the REIT is 200 Front Street West, Suite 2400, Toronto, ON, M5V 3K2.

Head Office

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Stock exchange listing and symbol

The REIT's units are listed on the Toronto Stock Exchanged and traded under the symbol SRT.U (quoted in US) and SRT.UN (quoted in CDN)

Independent Auditors

Deloitte LLP
Chartered Professional Accountants, Chartered Accountants
Toronto, Canada

Registrar and transfer agent

TMX Equity Transfer Services Inc.
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Website slateretailreit.com provides additional information regarding the REIT's portfolio, investment strategy, management and corporate governance. Additionally, the Investor section includes news, presentations, events, regulatory filings and stock information.

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