Consolidated financial statements of

SLATE RETAIL REIT

For the years ended December 31, 2016 and 2015

Slate Retail REIT
Consolidated financial statements

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INDEPENDENT AUDITOR'S REPORT

To the Unitholders of Slate Retail REIT

We have audited the accompanying consolidated financial statements of Slate Retail REIT, which comprise the consolidated statements of financial position as at December 31, 2016 and December 31, 2015, and the consolidated statements of (loss) income, consolidated statements of comprehensive (loss) income, consolidated statements of changes in unitholders' equity and consolidated statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Slate Retail REIT as at December 31, 2016 and December 31, 2015, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants
February 22, 2017
Toronto, Ontario

SLATE RETAIL REIT
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(in thousands of United States dollars, unless otherwise stated)

	Note	December 31, 2016	December 31, 2015
ASSETS			
Current assets			
Cash		**$ 13,431**	$ 11,855
Deposits on investment properties		**350**	—
Prepaids		**1,931**	1,869
Accounts receivable	*5*	**6,877**	7,344
		22,589	21,068
Non-current assets			
Interest rate swap	*13*	**7,033**	—
Investment properties	*6, 7*	**1,072,923**	978,526
Funds held in escrow	*11*	**71**	2,233
Other assets	*8, 9*	**11,990**	11,654
		1,092,017	992,413
Total assets		**$ 1,114,606**	$ 1,013,481
LIABILITIES AND UNITHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued liabilities	*10*	**$ 11,379**	$ 9,299
Distributions payable		**2,393**	2,065
Debt	*11*	**1,419**	1,959
		15,191	13,323
Non-current liabilities			
Debt	*11*	**620,023**	575,321
TIF notes payable	*9*	**3,450**	3,743
Deferred income taxes	*17*	**79,263**	65,018
REIT units	*12*	**369,311**	305,926
Exchangeable units of subsidiaries	*12*	**28,162**	26,597
Other liabilities		**2,138**	1,756
		1,102,347	978,361
Unitholders' equity		**(2,932)**	21,797
Total liabilities and unitholders' equity		**$ 1,114,606**	$ 1,013,481

The accompanying notes are an integral part of these consolidated financial statements

SLATE RETAIL REIT
CONSOLIDATED STATEMENTS OF (LOSS) INCOME
(in thousands of United States dollars, unless otherwise stated)

	Note		Year ended December 31, 2016		2015
Rental revenue	*22*	**$**	**97,036**	$	79,780
Property operating expenses			**(25,575)**		(19,025)
Other expenses	*14*		**(7,524)**		(6,274)
Interest expense and other financing costs	*15*		**(18,127)**		(14,541)
Debt defeasance loss	*11*		**(2,832)**		—
Transaction costs	*6, 16*		**(1,030)**		(1,187)
Change in fair value of investment properties	*7*		**(4,295)**		13,270
Impairment of goodwill	*4*		**—**		(8,870)
Net income before income taxes and unit expense			**37,653**		43,153
Deferred income tax expense	*17*		**(11,554)**		(17,929)
Unit expense	*18*		**(55,170)**		(24,759)
Net (loss) income		**$**	**(29,071)**	$	465

SLATE RETAIL REIT
CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME
(in thousands of United States dollars, unless otherwise stated)

	Note		Year ended December 31, 2016		2015
Net (loss) income		**$**	**(29,071)**	$	465
Items to be reclassified subsequently to profit or loss:					
Gain on cash flow hedge of interest rate risk, net of tax	*13*		**4,178**		—
Reclassification of cash flow hedge of interest rate risk to income			**164**		—
Other comprehensive income		**$**	**4,342**	$	—
Comprehensive (loss) income		**$**	**(24,729)**	$	465

SLATE RETAIL REIT
CONSOLIDATED STATEMENTS OF CHANGES IN UNITHOLDERS' EQUITY
(in thousands of United States dollars, unless otherwise stated)

	Note		Retained earnings (deficit)		Accumulated other comprehensive income ("AOCI")		Capital reserve		Total
Balance, December 31, 2015		$	23,221	$	—	$	(1,424)	**$**	**21,797**
Net loss and comprehensive loss	*13*		(29,071)		4,342		—		**(24,729)**
Balance, December 31, 2016		**$**	**(5,850)**	**$**	**4,342**	**$**	**(1,424)**	**$**	**(2,932)**

		Retained earnings		AOCI		Capital reserve		Total
Balance, December 31, 2014	$	22,756	$	—	$	(1,424)	$	21,332
Net income and comprehensive income		465		—		—		465
Balance, December 31, 2015	$	23,221	$	—	$	(1,424)	$	21,797

SLATE RETAIL REIT
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands of United States dollars, unless otherwise stated)

	Note	Year ended December 31, 2016	2015
OPERATING ACTIVITIES			
Net (loss) income		**$ (29,071)**	$ 465
Items not affecting cash			
Deferred income tax expense	*17*	**11,554**	17,929
Straight-line rent	*7*	**(1,582)**	(1,670)
Change in fair value of investment properties	*7*	**4,295**	(13,270)
Impairment of goodwill	*4*	**—**	8,870
IFRIC 21 property tax adjustment	*7*	**(414)**	(2,573)
Interest expense and other financing costs	*15*	**18,127**	14,541
Debt defeasance loss		**2,832**	—
Cash interest paid, net		**(23,060)**	(14,615)
Unit expense	*18*	**55,170**	24,759
Changes in non-cash working capital items		**884**	(1,307)
		38,735	33,129
INVESTING ACTIVITIES			
Acquisitions, net of cash acquired	*6*	**(116,810)**	(138,317)
Disposition of investment properties	*6*	**37,520**	3,825
Funds held in escrow		**2,162**	766
Tenant improvements and leasing commissions	*7*	**(4,792)**	(2,847)
Landlord work and maintenance capital	*7*	**(2,241)**	(1,444)
Development and expansion capital	*7*	**(8,974)**	(81)
		(93,135)	(138,098)
FINANCING ACTIVITIES			
Revolver advances	*11*	**110,980**	253,595
Mortgage advances	*11*	**—**	58,437
Revolver and mortgage repayments	*11*	**(65,370)**	(222,571)
Normal course issuer bid	*12*	**—**	(13,648)
Issuance of REIT units, net of costs	*12*	**36,388**	47,640
Redemption of exchangeable units of subsidiaries	*12*	**(52)**	(114)
REIT units distributions, net of DRIP units issued	*12, 18*	**(23,989)**	(17,795)
Exchangeable units of subsidiaries distributions	*18*	**(1,981)**	(1,894)
		55,976	103,650
Increase (decrease) in cash		**$ 1,576**	$ (1,319)
Cash, beginning of the period		**11,855**	13,174
Cash, end of the period		**$ 13,431**	$ 11,855

1. Description of the REIT and operations

Slate Retail REIT (the "REIT") is an unincorporated, open-ended mutual fund trust under and governed by the laws of the Province of Ontario. The REIT focuses on acquiring, owning and leasing a portfolio of diversified revenue-producing commercial real estate properties in the United States of America (the "U.S.") with an emphasis on grocery-anchored retail properties. As of December 31, 2016, the REIT's properties (the "Properties") consisted of a portfolio of 69 grocery-anchored retail commercial properties located in the U.S.

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

The objectives of the REIT are to:

i. provide unitholders with stable cash distributions from a portfolio of diversified revenue-producing commercial real estate properties in the United States with a focus on grocery-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 through accretive acquisitions.

2. Basis of preparation

i. Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

ii. Approval of the consolidated financial statements

The consolidated financial statements were approved by the trustees of the REIT and authorized for issuance on February 22, 2017.

iii. Basis of measurement

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

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

iv. Functional and presentation currency

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

3. Significant accounting policies

The consolidated financial statements have been prepared in accordance with the significant accounting policies described below.

i. Basis of consolidation

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

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

ii. Investment properties

Investment properties include land and buildings held primarily to earn rental income, for capital appreciation or for both. The REIT accounts for the Properties in accordance with IAS 40, *Investment Property* ("IAS 40"). For acquired investment properties that meet the definition of a business, the acquisition is accounted for as a business combination. Acquisitions of investment properties that do not meet the definition of a business are initially measured at cost including directly attributable transaction costs.

Subsequent to acquisition, investment properties are measured at fair value, which is determined based on available market evidence at the statement of financial position date including, among other things, rental revenue from current leases and reasonable and supportable assumptions that represent what knowledgeable, willing parties would assume about rental revenue from future leases less future cash outflows in respect of capital expenditures. Changes in fair value of investment properties are recognized in net income in the period in which they arise.

The carrying value of investment properties includes the impact of straight-line rent receivable, tenant inducements, direct leasing costs and adjustments related to the impact of IFRIC 21, *Levies* ("IFRIC 21") adjustments.

Direct leasing costs include leasing commissions, lease incentives, and legal fees directly attributable to negotiating and arranging a lease. Lease incentives that are spent on improvements are referred to as tenant improvements and are capitalized. All other lease incentives are referred to as tenant inducements. Lease incentives that do not provide benefits beyond the initial lease term are included in the carrying amount of investment properties and are amortized on a straight-line basis over the term of a lease as a reduction of revenue.

When an investment property is disposed of, the gain or loss is determined as the difference between the sales price and the carrying amount of the property and is recognized in net income in the period of disposal as a change in the fair value of investment property. Sales costs are recorded as transaction costs on the statement of net income (loss).

iii. Business combinations

The REIT accounts for investment property acquisitions as a business combination if the particular assets and set of activities acquired can be operated and managed as a business in its current state. The REIT applies the acquisition method to account for business combinations. The consideration transferred for a business combination is the fair value of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the REIT. The total consideration includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired as well as liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition related costs are expensed as incurred.

The REIT recognizes any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of the acquiree's identifiable net assets.

Any contingent consideration is recognized at fair value at the acquisition date. Subsequent changes to the fair value of contingent consideration is recognized as a liability in accordance with IAS 39, *Financial Instruments: Recognition and Measurement* ("IAS 39") primarily in net income or, in certain circumstances, as a change to other comprehensive income ("OCI"). Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the identifiable net assets acquired. If the consideration is lower than the fair value of the net assets acquired, the difference is recognized in net income.

iv. Funds held in escrow

Funds held in escrow represents restricted cash held in reserve for capital improvements and holdbacks as required by mortgages and tenant leases.

v. Leases

Leases where the REIT, as the lessor, does not transfer substantially all the risks and rewards of ownership of its investment properties are classified as operating leases. Leases that transfer substantially all the risks and rewards of ownership of an asset are classified as finance leases. All of the REIT's leases are considered operating leases.

vi. Revenue recognition

Revenue from investment properties includes rents from tenants under lease agreements, percentage rents, property tax and operating cost recoveries and other incidental income. The REIT has retained substantially all of the risks and benefits of ownership of its investment properties and therefore accounts for leases with its tenants as operating leases. Revenue recognition under a lease commences when the tenant has a right to use the leased asset. This occurs on the lease inception date or, where the REIT is required to make additions to the property in the form of tenant improvements that enhance the value of the property, upon substantial completion of those improvements. The total amount of contractual rent to be received from operating leases is recognized on a straight-line basis over the term of the lease. Straight-line rent receivables, which is included in the carrying amount of investment property, is the difference between the cumulative rental revenue recorded and the contractual amount received.

vii. Expenses

Property operating expenses and other expenses are recognized in net income in the period in which they are incurred.

viii. Property tax liability and expense

IFRIC 21 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 the assessed value of property. 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 properties should be recognized at a point in time, being the start of the fiscal year. This resulted in the REIT recognizing the annual property tax liability and expense on its properties annually at January 1.

ix. Other comprehensive income

Comprehensive income consists of net income and OCI. OCI represents change in the REIT's equity during a period arising from transactions and other events with non-owner sources.

x. Income taxes

Subsidiaries of the REIT, Slate Retail Investment L.P. ("Investment L.P.") and GAR (1B) Limited Partnership ("GAR B"), that hold the REIT's investments each made an election pursuant to the U.S. Internal Revenue Code of 1986, as amended, to be classified as corporations for U.S. federal income tax purposes. Consequently, Investment L.P. and GAR B are each considered a "foreign corporation" for U.S. federal income tax purposes. The REIT measures deferred tax liabilities of these subsidiaries by applying the appropriate tax rate to temporary differences between the carrying amounts of assets and liabilities and their respective tax basis. The appropriate tax rate is determined by reference to the rates that are expected to apply to the year and the jurisdiction in which the assets are expected to be realized or the liabilities settled. Deferred tax assets are recorded for all deductible temporary differences, carry forwards of unused tax credits and unused tax losses, to the extent that it is probable that deductions, tax credits and tax losses can be utilized. For the determination of deferred tax assets and liabilities where investment property is measured using the fair value model, the presumption is that the carrying amount of an investment property is recovered through sale, as opposed to presuming that the economic benefits of the investment property will be substantially consumed through use over time. The REIT qualifies as a "mutual fund trust" under the Income Tax Act (Canada) and plans to distribute or designate all taxable earnings to unitholders and, under current legislation, the obligation to pay tax rests with each unitholder. Accordingly, no current or deferred tax provision is recognized on the REIT's income at the REIT level in addition to deferred tax amounts recorded in respect of Investment L.P. and GAR B on consolidation.

xi. Slate Retail exchangeable units and GAR B exchangeable units

Class B units of Slate Retail Two L.P. and Slate Retail One L.P. ("Slate Retail exchangeable units"), which are each subsidiaries of the REIT, are redeemable by the unitholder, for cash or class U units of the REIT at the option of the REIT and therefore are classified as financial liabilities under IAS 32, *Financial Instruments: Presentation* ("IAS 32"). Exchangeable limited partnership units of GAR B ("GAR B exchangeable units") have also been issued from a subsidiary of the REIT and are redeemable for class U units at the option of the holder and therefore, are classified as financial liabilities under IAS 32.

Slate Retail exchangeable units and GAR B exchangeable units (collectively, the "exchangeable units of subsidiaries") are designated as fair value through profit and loss ("FVTPL") under IAS 39. Distributions paid on exchangeable units of subsidiaries are recorded as unit expense in the period in which they become payable.

xii. REIT units

The REIT has class A units, class I units and class U units issued and outstanding (collectively, the "REIT units"). As an open-ended investment trust, unitholders of each class of units of the REIT are able to require the REIT to redeem at any time or from time to time at the demand of the unitholder all or any part of the REIT units held by the unitholder in an amount equal to redemption price, as specified by the REIT's Declaration of Trust. This redemption is to be provided in cash, subject to certain limitations. If a redemption is not satisfied in cash, the redemption price is to be paid by notes of the REIT or property of the REIT. Accordingly, as (i) the units of the REIT contain a contractual agreement to deliver cash or another financial liability to the unitholders of the REIT and (ii) each class of units do not have identical features, the REIT units have been classified as a liability and measured at fair value and distributions to unitholders are recorded as unit expense and recognized when declared by the Board of Trustees. REIT units are presented as a separate component in the statement of financial position. Equity offering costs are deducted against the cost of units issued.

xiii. Financial instruments

Financial instruments are classified as one of: (i) held-to-maturity, (ii) loans and receivables, (iii) FVTPL, (iv) available-for-sale ("AFS"), (v) other financial liabilities, or (vi) cash flow hedge. The REIT has made the following classifications:

Financial instrument	Classification
Financial assets	
Cash	Loans and receivables
Interest rate swap	Cash flow hedge
Deposits on investment properties	Loans and receivables
Accounts receivable	Loans and receivables
TIF notes receivable	Loans and receivables
Funds held in escrow	Loans and receivables
Notes receivable	Loans and receivables
Financial liabilities	
Accounts payable and accrued liabilities	Other financial liabilities
Distributions payable	Other financial liabilities
Revolver, term loan and mortgages	Other financial liabilities
TIF notes payable	Other financial liabilities
Other non-current liabilities	Other financial liabilities
REIT units	FVTPL
Exchangeable units of subsidiaries	FVTPL

All financial assets and liabilities are measured at fair value on initial recognition. Transaction costs, other than those related to financial instruments classified as FVTPL, are capitalized to the carrying amount of the instrument. These costs include amortization of discounts or premiums on borrowings, fees and commissions paid to agents, brokers and advisers, transfer taxes, and duties that are incurred in connection with the arrangement of borrowings.

Subsequent to initial recognition, financial instruments classified as held-to-maturity, loans and receivables or other financial liabilities are measured at amortized cost, using the effective interest method. Financial instruments classified as FVTPL are measured at fair value with gains and losses recognized in net income as unit expense. AFS financial instruments are measured at fair value with unrealized gains and losses recognized in OCI. Fair value changes on derivatives that are designated and qualify for hedge accounted are recognized in OCI. Fair value changes on derivatives that are not designated or do not qualify for hedge accounting are recognized in profit or loss.

The REIT derecognizes a financial asset or liability when its contractual rights or obligations expire, or it transfers its rights or obligations in a transaction in which substantially all the risks and rewards of ownership are transferred. Any rights and obligations created or retained by the REIT in a transfer are recognized as separate assets or liabilities.

xiv. Fair values

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the REIT takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date, unless otherwise noted.

Except as noted, the carrying value of the REIT's financial assets and financial liabilities approximate their fair values because of the short period until receipt or payment of cash. The fair values in other financial liabilities are estimated based on discounted future cash flows using discount rates that reflect current market conditions for instruments with similar terms and risks. Fair value measurements recognized in the statements of financial position are categorized using a fair value hierarchy that reflects the significance of inputs used in determining the fair values:

a. Level 1: Quoted prices in active markets for identical assets or liabilities that the REIT can access at the measurement date.

b. Level 2: Inputs other than quoted prices included in Level 1, which are observable for the asset or liability, either directly or indirectly.

c. Level 3: Inputs that are not based on observable market data.

Each type of fair value is categorized based on the lowest level input that is significant to the fair value measurement in its entirety.

REIT units and exchangeable units of subsidiaries are measured at fair value based on the market trading price of REIT units consistent with Level 1. All other fair value measurements for non-derivative financial instruments are measured using Level 2 or Level 3 inputs.

The fair values of derivative instruments are calculated using quoted rates. The fair value of interest rate swaps, which is a Level 2 input, is calculated as the present value of estimated future cash flows discounted at actively quoted interest rates and an applicable yield curve for the duration of the instruments.

xv. Derivative financial instruments and hedging activities

A derivative financial instrument is initially recognized at its fair value on the date the contract is entered into and is subsequently carried at its fair value. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

The REIT uses certain financial instruments to hedge its exposure to certain market risks arising from operational, financial and investing activities. At the inception of the hedge transaction, the REIT documents the following:

a. the type of hedge;

b. the relationship between the hedging instrument and hedged item;

c. hedge effectiveness; and

d. the REIT's risk management objective and strategy for undertaking various hedge transactions.

The REIT documents and assesses hedge effectiveness on an ongoing basis, whether the hedging instrument is highly effective in offsetting changes in cash flows of hedged items.

Cash flow hedge – interest rate swap

The REIT has entered into a pay-fixed, receive-float interest rate swap contact that is a cash flow hedge for interest rate risk exposure on the REIT's floating rate debt. The contract entitles the REIT to receive interest at floating rates on a notional principal amount and obliges the REIT to pay interest at a fixed rate on the same notional principal amount. This allows the REIT to raise borrowings at floating rates and swap them into fixed rates.

The interest rate swap is designated as a cash flow hedge in OCI. Accordingly, the changes in fair value of the swap are recorded in the hedging reserve in OCI to the extent the hedge is highly effective in offsetting the hedged risk.

xvi. Deferred unit incentive plan

The REIT has a deferred unit incentive plan ("DUP") whereby Trustees of the REIT may elect to receive all or a portion of their Trustee fees in the form of deferred units that vest immediately upon grant. The deferred units are equivalent in value to REIT units and accumulate additional deferred units at the same rate that distributions are paid on REIT units in relation to the market value of REIT units, as defined by the DUP. Deferred units may be redeemed by a participant for a period of two years after the participant ceases to be a Trustee of the REIT in whole or in part for cash or REIT units. The value of deferred units when converted to cash will be equivalent to the market value of REIT units on the date of the redemption request. Deferred units have been classified as a liability recorded within the other liabilities account balance, and measured at fair value. Initial recognition of the deferred units is recorded as a general and administrative expense. Subsequent changes in the fair value of deferred units are recorded in net income as unit expense.

xvii. Finance costs

Finance costs comprise interest expense on borrowings, amortization or derecognition of mark-to-market adjustment on assumption of mortgages, amortization of transaction cost, accretion expense, and defeasance costs.

Transaction costs associated with financial liabilities measured at amortized cost, such as mortgages payable and the revolving credit facility are netted against the carrying amount of the related debt instrument and amortized using the effective interest method over the term of the related debt.

xviii. Use of estimates and judgments

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the amounts reported in the consolidated financial statements and accompanying disclosures. Although these estimates are based on management's knowledge of current events and actions the REIT may undertake in the future, actual results may differ from these estimates.

A. Judgments

Information about critical judgments in applying accounting policies that have the most significant effect on amounts recognized in the consolidated financial statements is discussed below:

Business combinations

The REIT acquires real estate properties. At the time of acquisition, the REIT considers whether or not the acquisition represents the acquisition of a business. The REIT accounts for an acquisition as a business combination where an integrated set of activities is acquired in addition to the property. Consideration is made to the extent to which significant processes are acquired and the extent of ancillary services provided by the property, e.g. maintenance, cleaning, security, bookkeeping, etc. The significance of any process is judged with reference to the guidance in IAS 40 regarding ancillary services.

When the acquisition of a property does not represent a business, it is accounted for as an acquisition of assets and liabilities. The cost of the acquisition is allocated to the assets and liabilities acquired based upon their relative fair values, and no goodwill is recognized.

Lease contracts

The REIT has entered into property leases on its investment property portfolio. The REIT makes judgments in determining whether certain leases, in particular those leases with long contractual terms, are operating or finance leases.

Classification of REIT units and exchangeable units of subsidiaries

In determining whether REIT units should be classified as liabilities or equity, management has assessed whether REIT units contain a contractual agreement to deliver cash or another financial asset to another entity, whether the units are puttable, and whether the criteria in IAS 32 that permit classification of a puttable instrument as equity have been satisfied.

B. Estimates

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 consolidated financial statements include:

Valuation of investment properties

On a quarterly basis, for properties that are not independently valued, the fair value of investment properties is determined by management using current leasing and market assumptions. For properties that are independently valued, management verifies inputs used to prepare the valuation report and holds discussions with the independent valuator.

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 properties:

(a) Income approach

This 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 overall income capitalization method and/or the discounted cash flow analysis, as described below:

Overall income capitalization method: Year one income is stabilized and capitalized at a rate appropriate for each investment property. The most significant assumptions in determining fair values under the overall capitalization method include:

i. Stabilized net operating income – based on the location, type and quality of the properties and supported by existing lease terms, or external evidence such as current market rents for similar properties, adjusted for estimated vacancy rates based on current and expected future market conditions after expiry of any current lease and expected maintenance costs.

ii. Capitalization rate – based on location, size and quality of the properties and taking into account market data at the valuation date.

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.

For both methods, capitalization rates are the most significant assumption in determining fair value. The REIT uses leasing history, market reports, tenant profiles and available appraisals, among other things, in determining the most appropriate assumptions.

(b) Direct comparison approach

This 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.

The REIT determines the fair value of investment properties based upon either the overall income capitalization rate method or the discounted cash flow method, or in certain circumstances a combination of both methods. At December 31, 2016 and December 31, 2015, all valuations were completed by management of the REIT using the overall income capitalization method.

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.

xix. 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 amendments to IAS 1 are effective for annual periods beginning on or after January 1, 2016.

The amendments include the following guidance:

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

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

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

d. 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.

xx. Future accounting policies

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

IAS 7, *Disclosure Initiative* ("IAS 7")

Amendments to IAS 7 require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. The amendments apply prospectively for annual periods beginning on or after January 1, 2017. The REIT will adopt the amendments to IAS 7 in its financial statements for the annual period beginning on January 1, 2017. Early application is permitted. The extent of the impact of adoption of the amendments has not yet been determined.

IFRS 2, *Share-based payments* ("IFRS 2")

The amendments to IFRS 2 provide clarification on how to account for certain types of share-based payment transactions. The amendments provide requirements on the accounting for: the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; share-based payment transactions with a net settlement feature for withholding tax obligations; and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. The amendments apply for annual periods beginning on or after January 1, 2018. As a practical simplification, the amendments can be applied prospectively. Retrospective, or early, application is permitted if information is available without the use of hindsight. The extent of the impact of adoption of the amendments has not yet been determined.

IFRS 9, Financial Instruments ("IFRS 9")

IFRS 9, which replaces IAS 39, 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.

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

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 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 REIT is assessing the impact of the new standard on its consolidated financial statements.

4. SUSO 3 transaction

On June 1, 2015, the REIT completed a unitholder approved transaction to acquire the net assets of Slate U.S. Opportunity (No. 3) Realty Trust (“SUSO 3”) (the “SUSO 3 transaction”), including 127,100 class U units of the REIT owned by SUSO 3. Consideration provided by the REIT for the acquisition of the net assets of SUSO 3 included the issuance of (i) 7,760,798 class U units of the REIT to the SUSO 3 unitholders, and (ii) 225,251 Slate Retail exchangeable units to the holders of the general partner interests in SUSO 3. After cancellation of the 127,100 class U units of the REIT owned by SUSO 3 and assumed by the REIT on acquisition, the REIT issued an additional net new 7,633,698 class U units of the REIT related to the SUSO 3 transaction.

		SUSO 3 transaction
Working capital	$	1,622
Investment properties		195,977
127,100 REIT units		1,344
Goodwill		8,870
Debt		(114,498)
Deferred income taxes		(8,870)
Net assets acquired	**$**	**84,445**

The goodwill arose primarily from the difference between how deferred tax was calculated for accounting purposes and the value ascribed to it in negotiations. The former was based on the difference between the values of the assets and liabilities concerned for accounting purposes and those applying for taxation. The latter was 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 could not be justified by reference to future cash flows and the ongoing business plan to operate and own the properties in the foreseeable future. As a result, it was determined that the goodwill was impaired and an impairment charge was recognized in the consolidated financial statements.

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

5. Accounts receivable

The accounts receivable balance is comprised of the following:

	December 31, 2016	December 31, 2015
Rent receivable	$ 1,713	$ 2,529
Allowance	(212)	(206)
Accrued recovery income	4,208	4,249
Other receivables	1,168	772
Total	$ 6,877	$ 7,344

Rent receivable consists of base rent and operating expense recoveries. Accrued recovery income represents amounts that have not been billed to the tenants and are generally billed and paid subsequent to the year in which they were incurred.

The change in allowance for doubtful accounts is as follows:

	Year ended December 31,	
	2016	2015
Beginning of the period	$ (206)	$ (168)
Allowance	(484)	(177)
Bad debt write-off	305	3
Bad debt recovery	173	136
End of the period	$ (212)	$ (206)

An allowance is provided when collection is no longer reasonably assured. This includes bankruptcy, abandonment by tenants and certain tenant disputes.

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

	December 31, 2016	December 31, 2015
Current to 30 days	$ 770	$ 1,198
31 to 60 days	102	209
61 to 90 days	85	209
Greater than 90 days	544	707
Total	$ 1,501	$ 2,323

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

6. Acquisitions and dispositions

Acquisitions

The REIT acquired 10 properties during the year ended December 31, 2016. The operational results of these properties have been included in these consolidated financial statements from their respective dates of acquisition.

Property	Purchase date	Location	Purchase price
Charles Town Plaza	March 30, 2016	Charles Town, West Virginia	$ 20,900
Abbott's Village	May 19, 2016	Alpharetta, Georgia	15,200
Flowers Plantation	June 3, 2016	Clayton, North Carolina	6,300
Sunset Plaza	June 29, 2016	Johnson City, Tennessee	9,000
Taylorsville Town Centre	August 8, 2016	Taylorsville, Utah	14,450
Eastpointe Shopping Centre	October 13, 2016	Clarksburg, West Virginia	11,600
Mooresville Town Square	November 14, 2016	Mooresville, North Carolina	16,700
Robson Crossing	November 21, 2016	Flowery Branch, Georgia	11,000
Armstrong Plaza	November 30, 2016	Fountain Inn, South Carolina	5,250
North Hixson Marketplace	December 14, 2016	Hixson, Tennessee	5,250
Total			**$ 115,650**

The net assets acquired in respect of the acquisitions identified above are as follows:

Purchase price	$ 115,650
Transaction costs	2,559
Investment properties	118,209
Working capital items	(1,399)
Total	**$ 116,810**

Consideration for the acquisitions of $116.8 million was funded by cash, borrowings from the REIT's revolving credit facility (the "revolver") and proceeds from asset sales. The acquisitions have been determined to be asset acquisitions and accordingly, transaction costs have been recognized in the initial carrying amount of the property.

During the year ended December 31, 2015, the REIT acquired 12 investment properties, in addition to those acquired as part of the SUSO 3 transaction.

Investment property	Purchase date	Location	Purchase price
Glidden Crossing	January 12, 2015	DeKalb, Illinois	$ 16,565
Ocean Plaza	January 23, 2015	North Myrtle Beach, South Carolina	5,500
City Centre Plaza	April 6, 2015	Westland, Michigan	12,800
Plaza St. Clair	June 8, 2015	Fairview Heights, Illinois	7,200
Hocking Valley Mall	June 23, 2015	Lancaster, Ohio	8,735
Barefoot Commons	July 9, 2015	North Myrtle Beach, South Carolina	14,900
Roxborough Marketplace	July 9, 2015	Littleton, Colorado	15,618
Shoppes at Birmingham	July 31, 2015	Milton, Georgia	10,075
Shoppes at Locust Grove	July 31, 2015	Locust Grove, Georgia	9,425
Meres Town Centre	August 28, 2015	Tarpon Springs, Florida	7,600
Little River Pavilion	November 24, 2015	Little River, South Carolina	10,100
North Branch Marketplace	December 17, 2015	North Branch, Minnesota	20,900
Total			**$ 139,418**

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

Net assets acquired in respect of the 12 acquisitions identified above are as follows:

Purchase price	$	139,418
Transaction costs		2,776
Investment properties		142,194
Working capital items		(1,547)
Total	**$**	**140,647**

Consideration for the acquisitions of $140.6 million was funded by borrowings from the REIT's revolver and proceeds from the disposition of the Fuquay outparcel discussed below. Property acquisition costs for the year ended December 31, 2015 were $3.2 million. Acquisitions, other than the above listed Glidden Crossing and Ocean Plaza, have been determined to be asset acquisitions and accordingly, transaction costs for such acquisitions have been recognized in the initial carrying amount of the property.

Dispositions

The REIT disposed of seven properties during the year ended December 31, 2016 as follows:

		Madison Centre		**Ocean Plaza**		**Food Lion Portfolio [1]**		**Total**
Disposition date		March 28, 2016		June 30, 2016		July 20, 2016		
Location		Madison, Alabama		North Myrtle Beach, South Carolina		Various		
Number of properties		1		1		5		**7**
Sale price	$	9,100	$	6,500	$	21,920	**$**	**37,520**
Working capital		(30)		(41)		(126)		**(197)**
Disposition costs		(140)		(224)		(666)		**(1,030)**
Net proceeds	**$**	**8,930**	**$**	**6,235**	**$**	**21,128**	**$**	**36,293**

[1] Food Lion anchored assets ("Food Lion Portfolio") disposed of include Madison Plaza, Lovingston Plaza and Bowling Green Plaza, each located in Virginia, Gaston Marketplace located in South Carolina and Triangle Food Lion located in North Carolina.

During the year ended December 31, 2015, the REIT completed the sale of an outparcel at Fuquay Crossing located in Raleigh, North Carolina for $3.8 million. The sale was completed on August 5, 2015.

7. Investment properties

On December 31, 2016, the REIT owns 69 income-producing properties. The change in investment properties is as follows:

		Year ended December 31,		
	Note	**2016**		2015
Beginning of the period		**$ 978,526**	$	622,295
Acquisitions	*4, 6*	**118,209**		338,171
Tenant improvements and leasing commissions		**4,792**		2,712
Capital costs funded by vendor		**—**		135
Landlord work and maintenance capital		**2,241**		1,444
Development and expansion capital		**8,974**		81
Straight-line rent		**1,582**		1,670
Dispositions	*6*	**(37,520)**		(3,825)
IFRIC 21 property tax adjustment		**414**		2,573
Change in fair value		**(4,295)**		13,270
End of the period		**$ 1,072,923**	$	978,526

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

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

	December 31, 2016	December 31, 2015
Capitalization rate range	**6.00% – 9.00%**	6.00% – 9.00%
Weighted average capitalization rate	**7.12%**	7.12%
Impact on fair value due to 25 basis point change in capitalization rates	**$ 38,463**	$ 34,440
Impact on fair value due to $100,000 change in underlying annual stabilized income	**$ 1,404**	$ 1,405

Under the fair value hierarchy, the fair value of the REIT's investment properties is determined using the overall income capitalization method using Level 3 inputs.

8. Other assets

Other assets are comprised of the following:

	Note	December 31, 2016	December 31, 2015
Tax incremental financing receivable	*9*	**$ 3,606**	$ 3,882
Note receivable (1)	*23*	**7,650**	7,650
Other (1)	*23*	**734**	122
Total		**$ 11,990**	$ 11,654

(1) Other includes interest accrued on a strategic acquisition loan arrangement, recorded as a note receivable, from the REIT to a U.S based entity in which Slate Asset Management L.P. (the "Manager") has a significant interest. Refer to Note 24 "Related parties" for detail.

9. Tax incremental financing

On March 6, 2014, the REIT acquired tax incremental financing ("TIF") revenue notes issued by the City of St. Paul and by the City of Brainerd (the "TIF notes receivable") in Minnesota, related to the REIT's Phalen Retail Centre and East Brainerd Mall properties, respectively. The TIF notes obligate each municipality to pay certain tax increments resulting from increases, if any, from a reference amount in the taxable valuation of the respective property to the REIT.

The TIF notes receivable held by the REIT are as follows:

TIF notes receivable	Maturity date	Interest rate	December 31, 2016	December 31, 2015
Phalen Retail Centre	February 1, 2029	6.0%	**$ 2,256**	$ 2,386
East Brainerd Mall	February 1, 2029	8.0%	**1,350**	1,496
Total			**$ 3,606**	$ 3,882

The TIF notes payable held by the REIT are as follows:

TIF notes payable	Maturity date	Interest rate (1)	December 31, 2016	December 31, 2015
Phalen Retail Centre	February 28, 2019	L+350 bps	**$ 2,088**	$ 2,274
East Brainerd Mall	February 28, 2019	L+350 bps	**1,362**	1,469
Total			**$ 3,450**	$ 3,743

(1) "L" means the three-month U.S. London Interbank Offering Rate ("LIBOR") and "bps" means basis points. Interest rate for the three months ended December 31, 2016 is 4.35% (December 31, 2015 – 4.25%).

Transaction costs related to the TIF notes payable are amortized over the term to initial maturity based on the effective interest rate method.

Effective July 1, 2016, the REIT renegotiated the TIF notes payable to lower the interest rate from 5.25% to a floating rate of 3.5% plus 3-month LIBOR, subject to a floor of 4.25%.

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

10. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities are comprised of the following:

	December 31, 2016	December 31, 2015
Trade payables and accrued liabilities	$ 7,540	$ 5,371
Prepaid rent	2,557	2,571
Tenant improvements payable	138	130
Other payables	1,144	1,227
Total	**$ 11,379**	$ 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.

11. Debt

Debt held by the REIT at December 31, 2016 is as follows:

	Maturity	Remaining extension options	Coupon	Properties provided as security	Fair value of security	Maximum available	Principal	Available to be drawn [(1)]
Revolver [(2)]	Feb. 26, 2020	One 1-year	L+200 bps	N/A [(3)]	NA [(3)]	$ 292,500	211,455	$ 81,045
Term loan [(2)]	Feb. 26, 2021	None	L+200 bps	N/A [(3)]	NA [(3)]	292,500	292,500	—
Mortgage	Mar. 1, 2021	None	5.75%	1	27,503	13,506	13,506	—
Mortgage	Jan. 1, 2025	None	3.80%	3	89,181	50,000	50,000	—
Mortgage	Jun. 15, 2025	None	4.14%	6	101,688	59,500	57,950	—
Total						**$ 708,006**	**$ 625,411**	**$ 81,045**

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

	Maturity	Remaining extension options	Coupon	Properties provided as security	Fair value of security	Maximum available	Principal	Available to be drawn [(1)]
Revolver [(2)]	Dec. 19, 2017	Two 1-year	L+225 bps	N/A [(3)]	NA [(3)]	$ 225,000	$ 199,102	$ 25,898
Term loan [(2)]	Dec. 19, 2018	One 1-year	L+225 bps	N/A [(3)]	NA [(3)]	$ 225,000	$ 225,000	—
Mortgage	Mar. 1, 2021	None	5.75%	1	28,667	13,822	13,822	—
Mortgage	Apr. 30, 2021	None	5.80%	5	54,576	27,119	27,119	—
Mortgage	Jan. 1, 2025	None	3.80%	3	88,777	50,000	50,000	—
Mortgage	Jun. 15, 2025	None	4.14%	6	100,045	59,500	58,994	—
Mortgage	Apr. 1, 2031	None	5.25%	1	7,760	3,444	3,444	—
Total						**$ 603,885**	**$ 577,481**	**$ 25,898**

[(1)] Debt available to be drawn is subject to certain covenants in addition to the debt to gross book value limit of 65% provided for by the REIT's Declaration of Trust.
[(2)] The revolver and term loan provide for different spreads over one-month U.S. LIBOR depending on the ratio of the Consolidated Total Indebtedness to Gross Asset Value, each as defined by the amended and restated credit agreement for the revolver and term loan. The calculation of Consolidated Total Indebtedness to Gross Asset Value is provided in Note 20 "Capital Management". The applicable spread where Consolidated Total Indebtedness to Gross Asset Value is; (i) less than or equal to 45% is 155 bps; (ii) greater than 45% but less than or equal to 55% is 175 bps; (iii) greater than 55% but less than or equal to 60% is 200 bps; and (iv) greater than 60% is 225 bps.
[(3)] The revolver and term loan are secured by a general pledge of equity of certain subsidiaries of the REIT.

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

The carrying value debt held by the REIT at December 31, 2016 is as follows:

	Effective rate (1)	Principal	Mark-to-market ("MTM") adjustments and costs	Accumulated amortization of MTM adjustments and costs (2)	Carrying amount	Current	Non-current
Revolver	2.51%	$ 211,455	$ (1,594)	$ 376	$ 210,237	$ —	$ 210,237
Term loan	2.52%	292,500	(3,623)	1,218	290,095	—	290,095
Mortgage	5.75%	13,506	2,003	(679)	14,830	335	14,495
Mortgage	3.80%	50,000	(969)	197	49,228	—	49,228
Mortgage	4.14%	57,950	(1,079)	181	57,052	1,084	55,968
Total		**$ 625,411**	**$ (5,262)**	**$ 1,293**	**$ 621,442**	**$ 1,419**	**$ 620,023**

The carrying value of the REIT's outstanding debt at December 31, 2015 is as follows:

	Effective rate (1)	Principal	MTM adjustments and costs	Accumulated amortization of MTM adjustments and costs (2)	Carrying amount	Current	Non-current
Revolver	2.38%	$ 199,102	$ (352)	$ 70	$ 198,820	$ —	$ 198,820
Term loan	2.44%	225,000	(2,554)	662	223,108	—	223,108
Mortgage	5.75%	13,822	2,014	(352)	15,484	317	15,167
Mortgage	5.80%	27,119	2,780	(677)	29,222	448	28,774
Mortgage	3.80%	50,000	(969)	100	49,131	—	49,131
Mortgage	4.14%	58,994	(1,079)	64	57,979	1,044	56,935
Mortgage	5.25%	3,444	101	(9)	3,536	150	3,386
Total		**$ 577,481**	**$ (59)**	**$ (142)**	**$ 577,280**	**$ 1,959**	**$ 575,321**

(1) The effective interest rate for revolver and term loan includes the impact of unamortized financing costs not yet recorded in interest expense under the effective interest method. Both the revolver and term loan effective rates are based on the applicable U.S. LIBOR rate under borrowings as at December 31, 2016 and December 31, 2015.
(2) Excludes the impact of any available extension options not yet exercised.

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.

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.

Defeasance of mortgage

On December 15, 2016, the REIT entered into an agreement (the "defeasance agreement") providing for the defeasance of $26.7 million of mortgage debt due April 30, 2021 with an annual interest rate of 5.8% (the "defeasance”). At the inception of such debt, the REIT had pledged to the lender five of its properties as security.

The cash outlay required for the defeasance in the amount of $31.2 million was required to purchase U.S. Treasury securities, the maturities of which will satisfy the remaining interest and principal repayments of the debt from the effective date of the defeasance through to the repayment of the mortgage debt maturity date. In consideration for delivering the U.S. Treasury securities to the servicer, the five properties were released as collateral for the debt.

Under the terms of the defeasance agreement, a third party assumed the REIT's obligation under the mortgage debt, as well as the ownership interest in the related securities. As a result, the REIT recognized a loss on the defeasance of a mortgage due of $2.8 million, which includes the difference between the purchase price of the U.S. Treasury securities and principal balance of the mortgage due of $4.5 million, offset by $1.7 million of unamortized mark-to-market premiums. Funds in the amount of $2.7 million previously held in escrow under the borrowing agreement was released to the REIT.

12. REIT units and exchangeable units of subsidiaries

As at December 31, 2016, the REIT has the following REIT units issued and outstanding, represented in thousands of units:

	Class U	Class A	Class I
Authorized for issue	Unlimited	Unlimited	Unlimited
Issued and outstanding	32,267	334	322

Each class of the REIT's units and each class of the exchangeable units issued by the REIT's subsidiaries are presented as financial liabilities in accordance with IAS 32.

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

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

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

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

The REIT made available a Distribution Reinvestment Plan ("DRIP") that allows holders of REIT units to elect to receive their distributions in the form of class U units. The REIT may issue up to 0.62 million class U units under the DRIP. The REIT may increase the number of class U units available to be issued under the DRIP at any time at its discretion subject to: (i) the approval of the Board of Trustees, (ii) the approval of any stock exchange upon which the REIT's units trade, and (iii) public disclosure of such an increase.

Exchangeable units of subsidiaries

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

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 31,853 rights. On April 19, 2016, 3,539 class U units were issued pursuant to the rights offering for gross proceeds of approximately $36.6 million. Costs of the rights offering were deducted against the cost of units issued.

Normal course issuer bid

The REIT has renewed a normal course issuer bid (“NCIB”) which commenced on May 26, 2016. The NCIB will remain in effect until the earlier of May 25, 2017 or the date on which the REIT has purchased an aggregate of 2.9 million class U units, representing 10% of the REIT's public float of 28.7 million class U units at the time of entering the bid through the facilities of the TSX.

For the year ended December 31, 2016, no class U units have been purchased and subsequently canceled under the NCIB (December 31, 2015 – 1.3 million class U units for a total cost, including transaction costs, of $13.6 million).

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

	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	93	—	—	—	—	—	**93**
Issued under rights offering	3,539	—	—	—	—	—	**3,539**
Redeemed	—	—	—	—	(5)	—	**(5)**
Exchanges	124	(57)	(36)	—	(27)	(2)	**—**
Balance, December 31, 2016	32,267	334	322	220	1,747	545	**35,456**
Conversion ratio to class U units	1.0000	1.0078	1.0554	1.0000	1.0000	1.0000	
Class U units equivalent	**32,267**	**338**	**340**	**220**	**1,747**	**545**	35,456

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

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

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

	REIT units	**Exchangeable units of subsidiaries**	**Total**
Balance, December 31, 2015	$ 305,926	$ 26,597	**$ 332,523**
Issued under the DRIP	965	—	**965**
Issued under rights offering, net of issuance costs	36,388	—	**36,388**
Redeemed	—	(52)	**(52)**
Exchanges	313	(313)	**—**
Change in fair value	25,719	1,930	**27,649**
Balance, December 31, 2016	**$ 369,311**	**$ 28,162**	**$ 397,473**

	Note	REIT units	Exchangeable units of subsidiaries	Total
Balance, December 31, 2014		$ 185,499	$ 25,764	**$ 211,263**
Issued for SUSO 3 transaction	*4*	82,063	2,382	**84,445**
Issued under the DRIP		1,047	—	**1,047**
Issued under equity offering, net of issuance costs		47,640	—	**47,640**
Redeemed		(1,344)	(114)	**(1,458)**
Repurchased under NCIB		(13,648)	—	**(13,648)**
Exchanges		1,492	(1,492)	**—**
Change in fair value		3,177	57	**3,234**
Balance, December 31, 2015		**$ 305,926**	**$ 26,597**	**$ 332,523**

For the year ended December 31, 2016, the REIT declared distributions of $25.3 million (December 31, 2015 – $19.6 million) on REIT units and $2.0 million (December 31, 2015 – $1.9 million) on exchangeable units of subsidiaries which were recorded as unit expense.

Deferred unit plan

Trustees of the REIT, who are not also members of management may elect to receive their compensation fees in the form of deferred units. The DUP reinvests the distributions accruing to the deferred units over the holding period. Deferred units vest on the grant date.

Officers of the Manager may elect to acquire deferred class U units, which represent a right to receive class U units, in lieu of equivalent amounts of asset management fees for management services rendered by the Manager.

Deferred units are measured at fair value on initial recognition as a liability. Accordingly, changes in fair value of deferred units are recorded as a unit expense, as a change in fair value of REIT units.

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

	Three months ended December 31,		Year ended December 31,	
	2016	2015	**2016**	2015
Beginning of the period	**36**	19	**23**	9
Reinvested distributions	**1**	—	**3**	1
Issuances	**18**	4	**29**	13
End of the period	**55**	23	**55**	23
Fair value of units	**$ 613**	$ 242	**$ 613**	$ 242

Weighted average class U units outstanding

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

	Three months ended December 31,		Year ended December 31,	
	2016	2015	**2016**	2015
Weighted average class U units outstanding	**32,789**	29,084	**31,642**	25,386
Impact of class A	**353**	397	**371**	447
Impact of class I	**340**	378	**349**	378
Impact of exchangeable units of subsidiaries	**1,967**	2,075	**1,974**	2,032
Deferred units	**45**	23	**35**	16
Total	**35,494**	31,957	**34,371**	28,259

13. Interest rate swap

On November 2, 2016, the REIT entered into an interest rate swap to hedge the cash flow risk associated with monthly U.S. LIBOR-based interest payments on a portion amounts of the REIT's floating rate debt.

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

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

		Year ended December 31, 2016
Balance, December 31, 2015	$	—
Gain on cash flow hedge of interest rate risk		6,869
Net payments made		164
Fair value		7,033
Deferred income tax impact		(2,691)
Balance, December 31, 2016	**$**	**4,342**

The interest rate swap terms are as follows:

Pay-fixed rate	1.104%
Notional amount	$ 300,000
Receive-floating	One-month U.S. LIBOR
Maturity date	February 26, 2021

14. Other expenses

Other expenses are comprised of the following:

	Note		Year ended December 31, 2016		2015
Asset management and incentive fees	*23*	**$**	**4,211**	$	3,493
Professional fees and other			**2,315**		2,426
Franchise and business taxes			**998**		355
Total		**$**	**7,524**	$	6,274

15. Interest expense and other financing costs, net

Interest expense and other financing costs, net are comprised of the following:

	Note		Year ended December 31, 2016		2015
Interest income on investments		**$**	**(58)**	$	(11)
Interest income on notes receivable	*23*		**(612)**		(122)
Interest on debt and finance charges	*11*		**18,368**		14,615
Interest rate swap, net settlement	*13*		**164**		—
Amortization of finance charges	*11*		**1,143**		889
Amortization of MTM premium	*11*		**(848)**		(756)
Interest income on TIF notes receivable			**(101)**		(233)
Interest expense on TIF notes payable			**149**		245
Amortization of deferred gain on TIF notes receivable			**(78)**		(88)
Change in fair value of interest rate caps			**—**		2
Total		**$**	**18,127**	$	14,541

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

16. Transaction costs

Transaction costs are comprised of the following:

	Note		Year ended December 31, 2016		2015
Business combinations		**$**	**—**	$	1,187
Property dispositions	*6*		**1,030**		—
Total		**$**	**1,030**	$	1,187

17. Income taxes

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

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

The REIT is therefore subject to U.S. federal income taxation on its allocable share of rental income derived directly or indirectly through such subsidiary limited partnerships, on a net basis taking into account allowable deductions. Investment L.P. is subject to a combined federal and state income tax rate of 38.26% (December 31, 2015 – 38.28%). Current taxes in Investment L.P. have been reduced to nil. To the extent U.S. taxes are paid by Investment L.P. such amounts will be creditable against an investor's Canadian federal income tax liability to the extent permitted by Canadian tax law.

The loss carry-forwards and the tax effects of temporary differences that give rise to the recognition of deferred tax assets and liabilities is as follows:

		Year ended December 31, 2016		2015
Deferred tax assets				
Deferred financing costs	**$**	**289**	$	1,662
Loss carry-forwards		**7,841**		5,824
		8,130		7,486
Deferred tax liabilities				
Financial instruments		**3,033**		298
Investment properties		**84,360**		72,206
		87,393		72,504
Deferred tax liabilities, net	**$**	**79,263**	$	65,018

The following is a reconciliation of deferred tax liabilities during the period:

		Year ended December 31, 2016		2015
Beginning of the period	**$**	**65,018**	$	38,219
SUSO 3 transaction		**—**		8,870
Deferred tax recorded in AOCI		**2,691**		—
Deferred tax expense		**11,554**		17,929
End of the period	**$**	**79,263**	$	65,018

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

A reconciliation between the expected income taxes based upon the 2016 statutory rates and the income tax expense recognized during the period is as follows:

		Year ended December 31,		
		2016		2015
Net income before income taxes and unit expense	**$**	**37,653**	$	43,153
Expected income taxes at Canadian statutory tax rates of 26.5%	**$**	**9,978**	$	11,436
Net foreign income and rate differential	**$**	**2,143**	$	6,893
Permanent differences		**152**		131
Prior year rate differential		**(39)**		(164)
Other items		**(680)**		(367)
Deferred income tax expense	**$**	**11,554**	$	17,929

18. Unit expense

Unit expense is comprised of the following:

			Year ended December 31,		
	Note		**2016**		2015
REIT units distributions	*12*	**$**	**25,277**	$	19,622
Exchangeable units of subsidiaries distributions	*12*		**1,987**		1,903
Equity offering costs [(1)]			**257**		—
Change in fair value of REIT units	*12*		**25,719**		3,177
Change in fair value of exchangeable units of subsidiaries	*12*		**1,930**		57
Total		**$**	**55,170**	$	24,759

[(1)] Equity offering costs relate to the January 13, 2017 public offering completed by the REIT. Refer to note 25 "Subsequent events" for details.

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

19. Financial instruments

Except as noted, the carrying value of financial assets and financial liabilities approximate their fair values because of the short period until receipt or payment of cash. The fair values in other financial liabilities are estimated based on discounted future cash flows using discount rates that reflect current market conditions for instruments with similar terms and risks.

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

	December 31, 2016		December 31, 2015	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Financial assets				
Cash	**$ 13,431**	**$ 13,431**	$ 11,855	$ 11,855
Deposits on investment properties	**350**	**350**	—	—
Accounts receivable	**6,877**	**6,877**	7,344	7,344
Interest rate swap	**4,342**	**4,342**	—	—
TIF notes receivable	**3,606**	**3,611**	3,882	3,995
Funds held in escrow	**71**	**71**	2,233	2,233
Notes receivable	**8,384**	**8,384**	7,772	7,772
Total financial assets	**$ 37,061**	**$ 37,066**	$ 33,086	$ 34,126
Financial liabilities				
Accounts payable and accrued liabilities	**$ 11,379**	**$ 11,379**	$ 9,299	$ 9,299
Distributions payable	**2,393**	**2,393**	2,065	2,065
Term loan	**290,095**	**292,500**	223,108	225,000
Revolver	**210,237**	**211,455**	198,820	199,102
Mortgages	**121,110**	**121,456**	155,352	157,370
TIF notes payable	**3,450**	**3,525**	3,743	3,840
Other liabilities	**2,138**	**2,138**	1,756	1,756
REIT units	**369,311**	**369,311**	305,926	305,926
Exchangeable units of subsidiaries	**28,162**	**28,162**	26,597	26,597
Total financial liabilities	**$ 1,038,275**	**$ 1,042,319**	$ 926,666	$ 930,955

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

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

December 31, 2016	Level 1	Level 2	Level 3	Fair value
Financial assets				
Cash	$ 13,431	$ —	$ —	$ 13,431
Deposits on investment properties	350	—	—	350
Accounts receivable	—	6,877	—	6,877
Interest rate swap	—	4,342	—	4,342
TIF notes receivable	—	—	3,611	3,611
Funds held in escrow	71	—	—	71
Notes receivable	—	8,384	—	8,384
Total financial assets	**$ 13,852**	**$ 19,603**	**$ 3,611**	**$ 37,066**
Financial liabilities				
Accounts payable and accrued liabilities	$ —	$ 11,379	$ —	$ 11,379
Distributions payable	—	2,393	—	2,393
Term loan	—	292,500	—	292,500
Revolver	—	211,455	—	211,455
Mortgages	—	121,456	—	121,456
TIF notes payable	—	3,525	—	3,525
Other liabilities	2,138	—	—	2,138
REIT units	369,311	—	—	369,311
Exchangeable units of subsidiaries	28,162	—	—	28,162
Total financial liabilities	**$ 399,611**	**$ 642,708**	**$ —**	**$ 1,042,319**

December 31, 2015	Level 1	Level 2	Level 3	Fair value
Financial assets				
Cash	$ 11,855	$ —	$ —	$ 11,855
Accounts receivable	—	7,344	—	7,344
TIF notes receivable	—	—	4,922	4,922
Funds held in escrow	2,233	—	—	2,233
Notes receivable	—	7,772	—	7,772
Total financial assets	**$ 14,088**	**$ 15,116**	**$ 4,922**	**$ 34,126**
Financial liabilities				
Accounts payable and accrued liabilities	$ —	$ 9,299	$ —	$ 9,299
Distributions payable	—	2,065	—	2,065
Term loan	—	225,000	—	225,000
Revolver	—	199,102	—	199,102
Mortgages	—	157,370	—	157,370
TIF notes payable	—	3,840	—	3,840
Other liabilities	1,756	—	—	1,756
REIT units	305,926	—	—	305,926
Exchangeable units of subsidiaries	26,597	—	—	26,597
Total financial liabilities	**$ 334,279**	**$ 596,676**	**$ —**	**$ 930,955**

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

20. Capital management

The REIT's capital management objectives are to:

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

ii. ensure compliance with restrictions in debt agreements; and

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

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

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

	December 31, 2016	December 31, 2015
Debt	**$ 621,442**	$ 577,280
REIT units	**369,311**	305,926
Exchangeable units of subsidiaries	**28,162**	26,597
Unitholders' equity	**(2,932)**	21,797
Total	**$ 1,015,983**	$ 931,600

The Declaration of Trust provides that the REIT is not permitted to exceed financial leverage in excess of 65% (December 31, 2015 – 60%) of gross book value, as defined by the Declaration of Trust, and is calculated as follows:

	December 31, 2016	December 31, 2015
Gross book value	**$ 1,114,606**	$ 1,013,481
Debt	**621,442**	577,280
TIF payable	**3,450**	3,743
Leverage ratio (1)	**56.1%**	57.3%

(1) The Declaration of Trust was amended on May 11, 2016 to change the gross book value threshold to 65% from 60%.

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

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

	Threshold	**December 31, 2016**	December 31, 2015
Maximum leverage ratio: Consolidated Total Indebtedness shall not exceed 65% of Gross Asset Value	< 65%	**61.8%**	59.8%
Minimum fixed charge coverage ratio: adjusted EBITDA to consolidated fixed charges shall not be less than 1.50x (1)	> 1.50x	**3.16x**	3.29x

(1) Adjusted EBITDA is defined as earnings before interest, tax, depreciation and amortization, as defined by the Amended and Restated Credit Agreement.

21. Risk management

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

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

i. Credit risk

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

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

For the period ended December 31, 2016, one individual tenant accounted for 7.9% of the REIT's base rent.

ii. Liquidity risk

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

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

The REIT's contractual commitments are as follows as of December 31, 2016:

	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	$ 11,379	$ 11,379	$ —	$ —	$ —
Revolver (1)	211,455	—	—	211,455	—
Revolver interest payable (1)	21,522	6,040	13,863	1,619	—
Term loan (1)	292,500	—	—	292,500	—
Term loan interest payable (1)	39,858	8,355	19,177	12,326	—
Mortgages	121,456	1,423	4,823	16,955	98,255
Mortgage interest payable	36,192	5,047	9,832	8,889	12,424
Interest rate swap, net cash outflows	510	510	—	—	—
TIF notes payable	3,525	487	3,038	—	—
TIF notes interest payable	345	144	201	—	—
REIT units	369,311	400	400	400	368,111
Exchangeable units of subsidiaries	28,162	—	—	—	28,162
Committed property acquisitions	32,575	32,575	—	—	—
Total contractual commitments	**$ 1,168,790**	**$ 66,360**	**$ 51,334**	**$ 544,144**	**$ 506,952**

(1) Revolver and term loan interest payable is calculated on $211.5 million and $292.5 million (balance outstanding) using an estimated "all in" interest rate of 2.86% 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 3.30%and 3.41% respectively. The total revolver and term loan interest payable is calculated until maturity of the initial term.

iii. Interest rate risk

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

Assuming all fixed-rate debt remain outstanding, each 25-basis point change in interest rates would result in a $0.4 million change in annual interest expense.

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

Cash flow sensitivity analysis

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

	December 31, 2016	December 31, 2015
Variable-rate instruments		
Revolver	**$ 211,455**	$ 199,102
Term loan	**292,500**	225,000
TIF payable	**3,450**	3,743
Effect of interest rate swap	**(300,000)**	—
Total effective floating rate debt	**$ 207,405**	$ 427,845
Impact of a 25 bps change on interest rates	**$ 519**	$ 1,070

iv. Unit price risk

The REIT is exposed to unit price risk as a result of the issuance of REIT units and exchangeable units of subsidiaries. REIT units and exchangeable units of subsidiaries have been classified as liabilities and measured at fair value based on market trading prices. REIT units and exchangeable units of subsidiaries negatively impact net (loss) income when the unit price rises and positively impact net (loss) income when unit prices decline. An increase of $1.00 in the underlying price of REIT units results in an increase to liabilities and a decrease (increase) in net income (loss) of $32.9 million. An increase of $1.00 in the underlying price of exchangeable units of subsidiaries results in an increase to liabilities and a decrease (increase) in net income (loss) of $2.5 million.

v. Currency risk

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

22. Leases

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

The REIT's existing leases have a weighted average outstanding term of 5.1 years (December 31, 2015 – 5.2 years) and may include clauses to enable periodic upward revisions in rental rates.

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

	December 31, 2016	December 31, 2015
In one year or less	**$ 77,142**	$ 72,962
In more than one year but not more than five years	**212,658**	210,571
In more than five years	**129,117**	134,962
Total	**$ 418,917**	$ 418,495

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

23. Related parties

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

i an asset management fee equal to 0.4% of the total assets of the REIT;

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

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

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

Fees to the Manager are as follows:

	Year ended December 31,	
	2016	2015
Asset management	**$ 4,211**	$ 3,300
Acquisition	**885**	1,071
Incentive	**—**	193
Total	**$ 5,096**	$ 4,564

Trustee fees

The REIT's key personnel includes Trustees and officers of the REIT. For the year ended December 31, 2016, Trustee fees amounted to $0.5 million (December 31, 2015 – $0.3 million).

Strategic acquisition loan

On October 20, 2015, the REIT provided a loan secured by a property to a U.S. based entity in which the Manager has a significant interest as part of the REIT's strategic acquisition loan arrangement. The loan is in the amount of $7.7 million, bears interest at 8.0% and matures on October 19, 2020. Interest receivable on the loan was $0.6 million for the year ended December 31, 2016 (December 31, 2015 – $0.1 million). As part of the strategic acquisition loan arrangement the REIT has the ability, but not the obligation, to purchase the property upon conversion of the property to a grocery-anchored retail centre.

24. Segmented information

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

25. Subsequent events

i. On January 11, 2017, the REIT completed the acquisition of Norwin Town Square, a grocery-anchored shopping centre located in North Huntingdon, Pennsylvania. Norwin Town Square was acquired for $18.9 million, before transaction costs and is anchored by Shop n' Save.

ii. On January 16, 2017 and February 15, 2017, the REIT declared monthly distributions of $0.0675 per class U unit. Holders of class A units, class I units and units of subsidiaries of the REIT were also entitled to receive a distribution at the respective conversion rate attributable to the units.

iii. On January 20, 2017, the REIT completed a public offering and private placement to the Manager of 5.6 million class U units at a price of $10.89 or C$14.35 per unit for gross proceeds to the REIT of approximately $60.5 million or C$79.8 million. This total includes an over-allotment option that was fully exercised by the REIT's underwriters. The costs related to the offering totaled $2.0 million and will be deducted against the cost of units issued. Funds were used to pay down $58.1 million of the revolver.

iv. On February 21, 2017, the REIT completed the acquisition of 11 Galleria, a grocery-anchored shopping centre located in Greenville, North Carolina. 11 Galleria was acquired for $13.7 million, before transaction costs and is anchored by The Fresh Market.