SLATE RETAIL REIT

March 31, 2019

Retail
REIT

SLATE

Q1 2019

TSX: SRT.U and SRT.UN

DEAR FELLOW UNITHOLDERS

We have made solid progress on our disposition pipeline so far in 2019. We sold two properties for $24.9 million at a 7.0% cap rate. In addition, we have sold two non-core outparcels for $3.2 million at a 5.4% cap rate. Upon completion of our planned dispositions we will have lower leverage and improved liquidity which provides optionality should accretive opportunities present themselves.

As importantly, after completing approximately $200.0 million of property sales, we believe it is a sufficiently large sample size to highlight there is ample liquidity and demand for grocery-anchored strip centers. In addition, we believe we can complete these sales at valuations that are much higher than the valuation implied by the unit price of Slate Retail today. Moreover, we are selling properties that rank in the lower-tier of our portfolio and keeping properties where we believe, on a relative basis, we can deliver higher net operating income ("NOI") growth over the next few years.

Further tailwinds from a valuation perspective may also come as we continue to see an improvement in sentiment. Grocery-anchored retail is finally being bifurcated within its own sub-asset class as far more defensive against the impacts of e-commerce, relative to shopping malls and power centers. Not only this, but that grocery-anchored retail, due to its proximity to the end customer, may prove to be more valuable in the future as a result of its favorable position in the e-commerce supply chain.

In keeping with the property sale theme, we thought it would be instructive to show how we think about Slate Retail's real estate value. What we like is that there are not a lot of assumptions that go into understanding what the portfolio is worth. Figure 1 below shows that annualizing first quarter 2019 NOI, and including growth in NOI from leasing activity (both contractual and active projects expected to be signed) results in real estate value over $1.4 billion, dividing the NOI by a 7.5% cap rate.

Assuming we sold the portfolio at that value to a private market buyer and repaid the $853.5 million of outstanding debt, we would be left with $501.3 million of cash, before tax and selling expenses, to distribute to unitholders. With 44.0 million class U units outstanding, that results in a pre-tax figure of $11.40 per unit ($15.26 CAD at 0.75 USD/CAD exchange rate).

So, the reader must underwrite the cap rate assumption used to value the portfolio more than all else as it is the major driver of the math laid out below. To circle back to the start of our letter, the approximate $200.0 million of property sales at or below the cap rate used in this analysis, should prove to be helpful in assessing the 7.5% cap rate assumption (and remember the properties sold rank lower than those held). The NOI shown is in-place today plus an 'assumption' for future growth. However, a large part of the 3.4% growth assumption is anything but. It is contractual income from leases signed but with rent not yet commenced as well as from active leasing and redevelopment projects happening today.

Figure 1

(in thousands of U.S. dollars, except per unit amounts)	**Three months ended March 31, 2019**	**Annualized/ in-place**
Net operating income	$ 24,569	$ 98,276
Expected NOI growth		3,340
Total portfolio NOI		**$ 101,616**
Capitalization rate		7.5%
Implied real estate value		1,354,880
Total debt		(853,538)
Implied equity value		**$ 501,342**
Units outstanding		43,972
Implied equity value per unit		$ 11.40

Figure 2

Property Name	Start date	Square feet ("SF")	Rent ($) per SF	Annual base rent
Uptown Station	March 29, 2019	10,513	$ 15.75	$ 166
Good Homes Plaza	April 1, 2019	2,500	17.00	43
Dorman Center	April 8, 2019	6,226	20.00	125
Good Homes Plaza	April 20, 2019	5,897	17.00	100
Alta Mesa Plaza	April 30, 2019	2,974	20.00	59
Locust Grove	May 20, 2019	1,400	13.00	18
Errol Plaza	May 30, 2019	16,522	13.50	223
Smithfield Shopping Plaza	June 1, 2019	2,100	20.00	42
Dorman Center	June 2, 2019	2,500	14.00	35
Forest Plaza	June 30, 2019	2,700	27.78	75
Bloomingdale Plaza	July 12, 2019	2,350	25.00	59
Robson Crossing	August 1, 2019	1,620	17.00	28
Mitchellville Plaza	August 1, 2019	3,508	12.50	44
Westminster Plaza	August 15, 2019	2,200	41.00	90
Northland Center	August 26, 2019	10,833	9.75	106
Kennywood Shops	September 1, 2019	1,398	10.30	14
Barefoot Commons	September 1, 2019	3,500	18.00	63
Mooresville Town Square	September 29, 2019	3,000	28.00	84
Stadium Center	October 24, 2019	28,000	7.25	203
Dorman Center	December 1, 2019	8,500	18.00	153
Total / weighted average		**118,241**	**$ 14.63**	**$ 1,730**

Figure 2 is the list of signed but not yet rent paying leases as of the end of the first quarter of 2019.

It is worth noting that the $1.7 million shown above is just base rent and the majority of these new leases include operating expense recovery income as well. In contrast, this NOI growth will be offset by downtime associated with tenants who vacate in the future, although we expect that to be muted, and tenants we have recently strategically vacated for active redevelopment projects. Even taking a vacancy factor into account, the above base rent far more than offsets any impact from temporary vacancy, and in addition to this, we will achieve further NOI growth from increases in rent on upcoming renewals, and most importantly, growth in NOI from active redevelopment projects. The growth in NOI from redevelopment projects is now estimated to be between $2.5 million and $3.5 million. A lot of the leasing associated with these projects is complete or in the later stages of negotiation (complete details in the MD&A). In other words, we want to highlight it is highly probable NOI will be at or above the figures used in our example.

One last point to note is that on average there is a lag of 11 months between capital spend and rent commencement on new leases and redevelopment activity. This short-time frame relative to other REITs is the result of taking on far less extensive redevelopment projects and we believe provides superior risk-adjusted returns.

To summarize:

- We are making solid progress on our disposition program at values well above where units of Slate Retail are currently trading, highlighting that our unit buybacks (5.0% of market cap in 2018) appear to be an accretive use of capital;
- Leverage will be reduced as properties are sold, de-risking the balance sheet, and should serve to lower our borrowing costs as our loan to value ratio comes down. In addition, liquidity will improve which gives us the flexibility to pursue accretive opportunities in the future;
- Sentiment is continuing to improve for grocery-anchored real estate which should have a positive impact on property valuations going forward;
- The hands-on asset management that the team is actively delivering today, provides a clear path for growth in NOI in 2019 and into 2020; and
- We continue to expect capital spend to drop in the second half of 2019 on a year-over-year basis as we complete several major leasing projects. Coupled with expected NOI growth, the reduction in capital will bring down the REIT's AFFO payout ratio toward the year-end target level of approximately 89%, setting the stage for a sixth consecutive distribution increase this year.

We continue to remain excited about the future of grocery stores in the neighborhoods in which Slate Retail owns high-quality locations. The amount of time and investment grocers and other technology and logistic based firms are making into the grocery sector is growing exponentially every day. Specifically pleasing is the fact that the investment is largely targeted at utilizing the grocery store as the most cost effective and efficient way for these retailers to provide last-mile options for their customers. Leveraging the existing store network can save considerable amounts of time and energy, even more so as materials and labor costs continue to rise.

In looking at our own portfolio, the average grocery rent of $8.10 per square foot allows Slate Retail to be a low-cost provider of space within close proximity to households and we believe is one of our major competitive advantages. When you combine the low-cost option the grocery store provides with the fact that the store is also the closest in proximity to the end customer, it becomes clear to those not as entrenched in the day-to-day as we are, why these in-store investments are beginning to take priority. The news headlines are beginning to pick this up.

Case in point, it appears Amazon has come to the same conclusion with the recent announcement that they are going to start a brick-and-mortar grocery business, completely separate to that of Whole Foods (i.e. outside of the highest income zip codes in America). We have a sneaking suspicion Mr. Bezos understands the last-mile value proposition and math that a store distribution network provides. There is a real opportunity for Slate Retail to be a landlord of Amazon Grocery at some point in the future. As we've said in the past, grocery stores are just mini food distribution centers, and continue to be the safest and most efficient way to distribute food to more than 300 million (and growing) Americans on a daily basis.

We like to spend more time trying to disprove our views than trying to prove them to others (or ourselves). We have spent countless hours reading and researching, in conversation with grocers, cold storage companies, trucking companies, logistics and supply chain experts, and the like. We have yet to find a more efficient and economical solution to the last mile than what the existing store networks that grocers like Kroger and Walmart already have. We welcome any divergent views.

Thank you for your continued support.

Sincerely,

Greg Stevenson
Chief Executive Officer
April 30, 2019

Retail
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Management's Discussion and Analysis

SLATE RETAIL REIT

March 31, 2019

TSX: SRT.U and SRT.UN

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FORWARD-LOOKING STATEMENTS

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

These forward-looking statements are not guarantees of future events or performance and, by their nature, are based on the REIT's current estimates and assumptions, which are subject to significant risks and uncertainties. The REIT believes that these statements are made based on reasonable assumptions; however, there is no assurance that the events or circumstances reflected in these forward-looking statements will occur or be achieved. A number of factors could cause actual results to differ materially from the results discussed in the forward-looking statements including, but not limited to the risks that are more fully discussed under the "*Risk Factors*" section of the annual information form of the REIT for the year ended December 31, 2018 ("Annual Information Form"). Factors that could cause actual results to differ materially from those contemplated or implied by forward-looking statements include, but are not limited to: risks incidental to ownership and operation of real estate properties including local real estate conditions; financial risks related to obtaining available equity and debt financing at reasonable costs and interest rate fluctuations; operational risks including timely leasing of vacant space and re-leasing of occupied space on expiration of current leases on terms at current or anticipated rental rates; tenant defaults and bankruptcies; uncertainties of acquisition activities including availability of suitable property acquisitions and integration of acquisitions; competition including development of properties in close proximity to the REIT's properties; loss of key management and employees; potential environmental liabilities; catastrophic events, such as earthquakes and hurricanes; governmental, taxation and other regulatory risks and litigation risks.

Forward-looking statements included in this MD&A are made as of April 30, 2019, and accordingly are subject to change after such date. The REIT does not undertake to update any forward-looking statements that are included in this MD&A, whether as a result of new information, future events or otherwise, except as expressly required by applicable securities laws. Certain statements included in this MD&A may be considered "financial outlook" for purposes of applicable securities laws, and such financial outlook may not be appropriate for purposes other than this MD&A. Investors are cautioned against placing undue reliance on forward-looking statements.

FINANCIAL AND INFORMATIONAL HIGHLIGHTS

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

	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017
Summary of Portfolio Information						
Number of properties (1)	84	85	86	86	86	86
GLA (2)	10,709,564	10,768,319	10,897,059	11,060,145	11,067,372	11,156,474
GLA occupied by grocery-anchors (2)	5,118,919	5,170,584	5,198,055	5,159,693	5,159,693	5,159,693
Occupancy (2)	93.3%	94.2%	94.3%	93.9%	93.7%	93.7%
Grocery-anchor occupancy (2)	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Non-anchor occupancy (2)	87.1%	88.9%	89.1%	88.6%	88.2%	88.3%
Grocery-anchor weighted average lease term (years) (2)	5.5	5.4	5.2	5.3	5.6	5.8
Portfolio weighted average lease term (years) (2)	5.0	4.8	4.8	4.9	5.0	5.1
Square feet ("SF") leased (2)	375,558	642,773	258,114	242,401	294,408	402,050
Summary of Financial Information						
IFRS gross book value ("GBV") (3)	$ 1,388,403	$ 1,416,334	$ 1,472,898	$ 1,474,077	$ 1,478,396	$ 1,499,519
Total debt	849,498	871,562	875,227	864,051	872,263	883,046
Revenue	36,416	36,301	35,699	35,669	36,544	34,859
Net income (loss) (2) (4)	1,601	(9,017)	(1,024)	(14,201)	26,703	31,421
Net operating income ("NOI") (2) (4)	24,569	25,353	25,551	25,304	24,724	24,592
Funds from operations ("FFO") (2) (4)	13,387	13,536	14,469	14,542	15,227	15,406
Adjusted funds from operations ("AFFO") (2) (4)	9,137	9,201	8,998	9,465	10,987	11,360
Distributions declared	$ 9,424	$ 9,438	$ 9,627	$ 9,670	$ 9,742	$ 9,625
Per Unit Financial Information						
Class U equivalent units outstanding	43,972	44,309	45,674	46,031	46,261	46,411
WA class U equivalent units outstanding ("WA units")	44,208	44,971	45,489	46,153	46,479	46,443
FFO per WA units (2) (4)	$ 0.30	$ 0.30	$ 0.32	$ 0.32	$ 0.33	$ 0.33
AFFO per WA units (2) (4)	0.21	0.20	0.20	0.21	0.24	0.24
Declared distributions per unit	$ 0.2138	$ 0.2113	$ 0.2100	$ 0.2100	$ 0.2100	$ 0.2075
Financial Ratios						
FFO payout ratio (2) (5)	70.4%	69.7%	66.5%	66.5%	64.0%	62.5%
AFFO payout ratio (2) (6)	103.1%	102.6%	107.0%	102.2%	88.7%	84.7%
Debt / GBV	61.2%	61.5%	59.4%	58.6%	59.0%	58.9%
Weighted average interest rate (7)	4.06%	4.06%	4.06%	3.70%	3.53%	3.36%
Interest coverage ratio (8)	2.45x	2.41x	2.64x	2.63x	2.78x	3.06x

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

(1) Includes the REIT's acquisition of interest in its equity accounted property investment.

(2) Includes the REIT's share of its equity accounted property investment.

(3) GBV is equal to total assets.

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

(5) Distributions declared divided by FFO.

(6) Distributions declared divided by AFFO.

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

(8) NOI less other expenses, divided by interest on debt.

PART I – OVERVIEW

INTRODUCTION

This MD&A of the financial position and results of operations of Slate Retail REIT (TSX: SRT.U and SRT.UN) and its subsidiaries (collectively, the "REIT") is intended to provide readers with an assessment of performance and summarize the financial position and results of operations of the REIT for the period ended March 31, 2019. The presentation of the REIT's financial results, including the related comparative information, contained in this MD&A are based on the REIT's condensed consolidated interim financial statements for the period ended March 31, 2019 (the "consolidated financial statements"), which have been prepared by management in accordance with International Financial Reporting Standards ("IFRS"). This MD&A should be read in conjunction with those financial statements. All amounts are in thousands of United States dollars, unless otherwise noted, which is the functional currency of the REIT and all of its subsidiaries.

The information contained in this MD&A is based on information available to the REIT and is dated as of April 30, 2019, which is also the date the Board of Trustees, upon the recommendation of its Audit Committee, approved the contents of this MD&A.

PROFILE

The REIT is an unincorporated open-ended real estate mutual fund trust constituted in accordance with the laws of the Province of Ontario pursuant to an amended and restated Declaration of Trust dated as of April 15, 2014, as amended on May 11, 2018. As of March 31, 2019, the REIT owns 84 grocery-anchored retail commercial properties located in the United States of America (the "U.S.") comprising 10.7 million square feet of GLA.

The REIT is externally managed and operated by Slate Asset Management L.P. (the "Manager" or "Slate"). The Manager has an experienced and dedicated team of real estate professionals with a proven track record of success in real estate investment and management. Management's interests are aligned with the unitholders of the REIT through its sponsorship and as a significant unitholder of the REIT. Slate is a significant unitholder in the REIT, with an approximate 7.7% interest, and accordingly, is highly motivated to increase the value to unitholders and provide reliable growing returns to the REIT's unitholders.

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

STRATEGY AND OUTLOOK

Our strategy is to own quality grocery-anchored retail properties located in major markets in the U.S. that are visited regularly by consumers for their everyday needs. We believe that our diversified portfolio, quality tenant covenants, coupled with a conservative payout ratio, provides a strong basis to continue to grow unitholder distributions and flexibility to capitalize on opportunities that provide value appreciation.

We are focused on the following areas to achieve the REIT's objectives:

- Be disciplined in our acquisition of well-located properties that provide opportunity for future value creation;
- Maintain a conservative AFFO payout ratio to continue to provide steady and reliable distributions to unitholders;
- Proactive property and asset management that results in NOI growth while minimizing property and portfolio vacancy exposure;
- Prudent and disciplined management of capital outlays that will maintain and increase the attractiveness of the REIT's portfolio and achieve increased rents; and
- Continue to increase the REIT's financial strength and flexibility through robust balance sheet management.

The REIT's internal growth strategy includes the following:

- Maintaining strong tenant relationships and ensuring tenant retention: Slate expects to continue to nurture its many longstanding relationships with existing tenants by anticipating and adapting to their changing needs and being proactive with lease renewals. Slate understands the value of maintaining existing tenancies and will engage in ongoing discussions with tenants throughout their lease term to be proactive in negotiating early renewals as leases approach their expiries. The growing size of the REIT's portfolio will help strengthen its longstanding relationships with existing tenants and allow Slate to offer leasing opportunities across multiple properties. This strategy will promote organic growth by minimizing marketing, leasing and tenant improvement costs and avoiding interruptions in rental income generation.
- Maximizing rental income through leasing initiatives: Slate expects to maintain the current high level of occupancy in the REIT's properties by leveraging Slate's established leasing platform. Slate intends to continue to implement active strategies that take into consideration prevailing economic conditions, the nature of the property, its local positioning, as well as existing and prospective tenants. Many of the REIT's properties are located in areas with low vacancy rates and minimal new competitive supply, which should minimize leasing costs and allow the REIT to replace in-place rents with increased market rents as leases expire. Slate also seeks to continue to include contractual rent escalators in leases to further facilitate growth in rental income.
- Repositioning current properties: Slate believes that in a number of situations there exists the opportunity to reposition properties currently held by the REIT through modest and targeted capital projects and/or operational improvements.

The REIT will continue to focus on acquiring diversified revenue producing commercial real estate properties with a focus on grocery-anchored retail properties. The REIT's external growth strategy includes the following:

- Opportunity to benefit from its relationship with Slate: The REIT anticipates that its continuing relationship with Slate provides opportunities to acquire additional properties. Slate has a strong track record of closing acquisitions and believes that it can grow the asset base of the REIT on an accretive basis in the near to medium term.
- Identify undervalued properties: Slate's extensive relationships with a network of U.S.-based commercial real estate brokers allow it to identify undervalued properties, many of which may be "off-market" or not widely marketed for sale. With over approximately 38,000 grocery stores in the U.S., there exists significant opportunity for the REIT to continue its strategy of acquiring attractive, revenue-producing commercial real estate properties anchored by grocery tenants. Slate's familiarity with the REIT's properties allows it to identify complimentary acquisition opportunities that are aligned with the REIT's investment criteria and accretive to cash flow. The REIT will continue to seek to acquire properties: (i) located in secondary markets in the U.S. demonstrating sustainable population and employment statistics; (ii) located in well-developed sub-markets with limited risk of new development; and (iii) with anchor tenants, which typically are the dominant retailer within the sub-market, with a proven track record of strong sales and profitability. Slate will continue to target secondary cities in the U.S., as opposed to primary markets where there is typically less competition for quality assets.
- Apply Slate's hands-on asset management philosophy: Even though Slate targets assets that are stable, income producing properties, Slate will continue to assess each property to determine how to optimally refurbish, reposition and re-tenant the property. Slate will continue to work closely with contractors to reduce operating costs and will oversee capital expenditure projects to ensure they are on budget and completed on time. In addition, Slate will continue to: (i) focus on rebuilding and strengthening tenant relationships with a view to gaining incremental business and extending stable tenant leases; and (ii) outsource property management and other real estate property functions to lower the operating costs borne by the tenants. This cost reduction further improves tenant relationships and will increase the net operating income of the REIT's properties.

Overall, the REIT has established a premier platform of diversified grocery-anchored properties that creates meaningful cash flow for unitholders and the continued opportunity for future growth.

NON-IFRS FINANCIAL MEASURES

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

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

- NOI is defined as rental revenue less operating expenses, prior to straight-line rent, IFRIC 21, *Levies* ("IFRIC 21") property tax adjustments and adjustments for equity investment. Same-property NOI includes those properties owned by the REIT for each of the current period and the relevant comparative period excluding those properties under development. NOI margin is defined as NOI divided by revenue, prior to straight-line rent.
- FFO is defined as net income (loss) adjusted for certain items including transaction costs, change in fair value of properties, deferred income taxes, unit expense (income), adjustments for equity investment and IFRIC 21 property tax adjustments.
- AFFO is defined as FFO adjusted for straight-line rental revenue and sustaining capital, leasing costs and tenant improvements.
- FFO payout ratio and AFFO payout ratio are defined as distributions declared divided by FFO and AFFO, respectively.
- FFO per WA unit and AFFO per WA unit are defined as FFO and AFFO divided by the weighted average class U equivalent units outstanding, respectively.
- Adjusted EBITDA is defined as NOI less other expenses.
- Interest coverage ratio is defined as adjusted EBITDA divided by cash interest paid.

RISK AND UNCERTAINTIES

The REIT's business is subject to a number of risks and uncertainties which are described in its most recently filed Annual Information Form for the year ended December 31, 2018, available on SEDAR at www.sedar.com. Additional risks and uncertainties not presently known to the REIT or that the REIT currently considers immaterial also may impair its business and operations and cause the price of the REIT's units to decline. If any of the noted risks actually occur, the REIT's business may be harmed and the financial condition and results of operation may suffer significantly. In that event, the trading price of the units could decline, and unitholders may lose all or part of their investment.

RECENT DEVELOPMENTS

The following is a summary of the key financial and operational highlights and recent developments for the REIT for the three month period ended March 31, 2019:

- Completed 341,781 square feet of lease renewals at a 4.9% weighted average spread above expiring rent and 33,777 square feet of new leasing at a 27.2% premium above the weighted average in-place rent for comparable space.
- Occupancy decreased by 0.9% during the quarter to 93.3%, primarily due to 41,412 square feet of shop space tenant vacancies and an 85.9% occupancy rate at the REIT's newly acquired interest in the property Windmill Plaza, a 50% joint venture with The Kroger Company, partially offset by 33,777 square feet of new leasing and the disposal of two properties and two outparcels at various properties at a weighted occupancy rate of 92.8%.
- The weighted average tenant retention rate for the first quarter is 94.8%. Since the beginning of 2016, the weighted average retention rate has been 91.1%.
- On January 16, 2019, the REIT commenced a substantial issuer bid (the "offer"), pursuant to which the REIT offered to purchase up to 4.2 million class U units at a purchase price of $9.51 (C$12.54). On February 20, 2019, the offer expired and the REIT took up and paid for 0.3 million class U units for an aggregate cost of $3.2 million or C$4.2 million, excluding fees and expenses related to the offer. The class U units purchased for cancellation under the offer approximate 0.8% of diluted class U units outstanding, immediately prior to the expiry of the offer. Since the beginning of 2018, 2.6 million class U units have been purchased and subsequently canceled under the offer and the REIT's normal course issuer bid ("NCIB") for a total cost, including transaction costs, of $24.4 million at an average price of $9.56.
- Rental revenue for the three month period ended March 31, 2019 and 2018 was $36.4 million and $36.5 million, respectively, which represents a decrease of $0.1 million. The decrease is primarily due to the disposition of four properties and 12 outparcels at certain properties, partially offset by rental rate growth from re-leasing at rates above in-place rents and new leasing. In the last 12 months, the REIT has acquired one property, acquired an interest in one property and disposed of four properties and 12 outparcels at certain properties.
- Net income for the three month period ended March 31, 2019 was $1.6 million, which is a $25.1 million decrease from the same quarter of the prior year. The decrease is attributed to the decreases in unit income and increase in deferred tax expense over the prior quarter, partially offset by an increase in the change in fair value of properties of $15.1 million and the aforementioned increases in revenue.
- NOI was $24.6 million for the three month period ended March 31, 2019 compared to $25.4 million in the fourth quarter of 2018. The decrease is due to the lost contribution from the sale of two properties and two outparcels during the period, termination fees related to shop-space tenants and non-rental income totaling $0.4 million in the prior period.
- Same-property NOI for the three month period ended March 31, 2019 (comprised of 76 properties) increased by 0.4% over the comparative period. Same-property NOI for the trailing twelve month period ended March 31, 2019 (comprised of 59 properties) increased by 2.6% over the same period in the prior year. Including the impact of the completion of the REIT's redevelopment projects completed from the fourth quarter of 2018, same-property NOI increased by 2.0% and 3.6% for the three and trailing twelve month period ended March 31, 2019, respectively. Of the last 11 quarters, the REIT has had nine quarters of positive same-property NOI growth.
- FFO per unit was $0.30 for the quarter, which represented a $0.03 decrease from the same period in the prior year, primarily due to the $1.0 million increase in cash interest paid as a result of fixing the REIT's debt through interest rate swaps from 58.4% to 100.3% and the aforementioned decrease in rental revenue due to property and outparcel sales over the prior quarter.
- AFFO per unit was $0.21 for the quarter, which is a $0.03 per unit decrease compared to the same quarter in 2018, mainly due to a $0.7 million increase in capital and tenant improvement spend to primarily support new leasing over the prior quarter. If the REIT calculated capital, leasing and tenant improvement spend as 10% of NOI in the current quarter, which is representative of the REIT's historical sustaining capital, leasing and tenant improvement costs, the REIT would have a modified AFFO per unit of $0.23.
- The REIT's AFFO payout ratio for the first quarter was 103.1%. On a trailing twelve month basis as of March 31, 2019, the AFFO payout ratio was 103.7%.

PART II – LEASING AND PROPERTY PORTFOLIO

LEASING

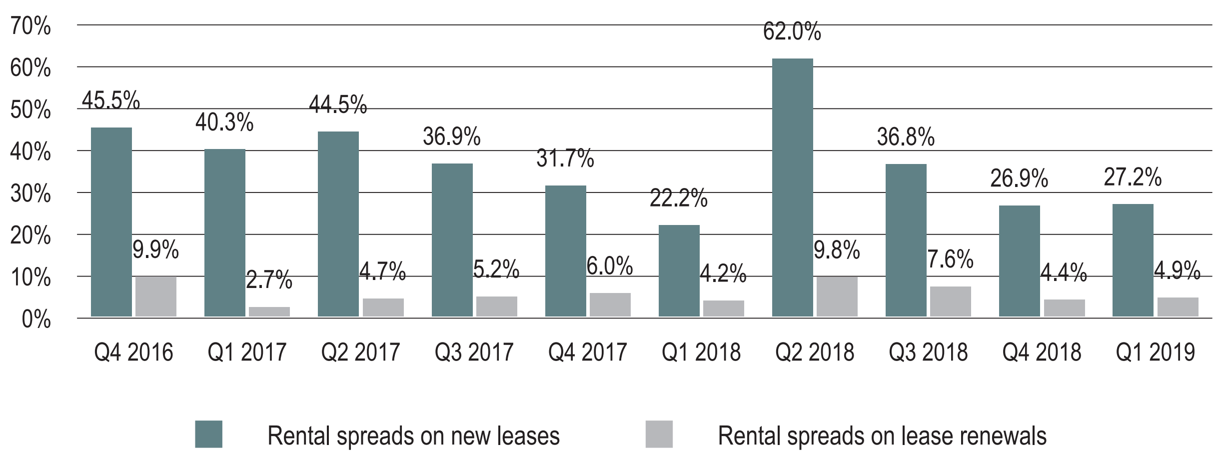
The REIT strives to ensure that its properties are well occupied with tenants who have space that allow them to meet their own business objectives. Accordingly, the REIT proactively monitors its tenant base with the objective to renew in advance of lease maturities, backfill tenant vacancies in instances where a tenant will not renew, or if there is an opportunity to place a stronger or more suitable tenant in the REIT's properties, management endeavors to find a suitable solution.

The following table summarizes the REIT's leasing activity for the four most recent quarters:

Square feet	Deal type		Q1 2019	Q4 2018	Q3 2018	Q2 2018
Less than 10,000	Renewal	Leases signed	49	46	40	53
		Total square feet	122,540	111,943	84,156	123,637
		Average base rent	$ 21.13	$ 19.02	$ 18.98	$ 17.31
		Rental spread	6.0%	5.8%	9.0%	8.9%
Greater than 10,000	Renewal	Leases signed	4	7	5	3
		Total square feet	219,241	476,268	93,295	53,800
		Average base rent	$ 6.11	$ 7.42	$ 8.69	$ 7.51
		Rental spread	2.8%	3.6%	5.0%	14.8%
Total renewals (square feet)			**341,781**	**588,211**	**177,451**	**177,437**
Less than 10,000	New lease	Leases signed	11	9	20	16
		Total square feet	22,944	26,562	43,800	41,244
		Average base rent	$ 16.90	$ 19.05	$ 19.47	$ 20.91
		Rental spread (1)	29.2%	44.4%	50.0%	67.0%
Greater than 10,000	New lease	Leases signed	1	1	1	2
		Total square feet	10,833	28,000	36,863	23,720
		Average base rent	$ 10.76	$ 7.25	$ 8.40	$ 11.92
		Rental spread (1)	21.0%	(2.6%)	10.1%	48.4%
Total new leases (square feet)			**33,777**	**54,562**	**80,663**	**64,964**
Total leasing activity (square feet) (2)			**375,558**	**642,773**	**258,114**	**242,401**

(1) Calculated based on the average base rent of the new lease term compared to the average in-place rent for comparable space across the portfolio.
(2) Includes the REIT's share of its equity accounted property investment.

Leasing Spreads



During the first quarter, management completed 341,781 square feet of lease renewals. The weighted average rental rate increases on renewals completed for leases less than 10,000 square feet was $1.20 per square foot or 6.0% higher than expiring rent. The weighted average rental rate increases on renewals completed for leases greater than 10,000 square feet was $0.17 per square foot or 2.8% higher than expiring rent.

The weighted average base rent on all new leases completed less than 10,000 square feet was $16.90 per square foot which is $3.82 per square foot or 29.2% higher than the weighted average in-place rent for comparable space across the portfolio. The weighted average rental rate on all new leases greater than 10,000 square feet was $10.76 which is $1.87 or 21.0% higher than the weighted average in-place rent for comparable space across the portfolio. These transactions compare favorably to the current weighted average in place rent of $10.84.

Lease maturities

The REIT generally enters into leases with initial terms to maturity between 5 and 10 years with our grocery-anchor tenants. The initial terms to maturity for non-anchor space tend to be of a shorter duration between 3 and 5 years. The weighted average remaining term to maturity of the REIT's grocery-anchor and non-grocery-anchor tenants as at March 31, 2019 was 5.5 years and 4.4 years respectively, not including tenants on month-to-month leases. On a portfolio basis, the weighted average remaining term to maturity is 5.0 years.

The following table summarizes the composition of the remaining term to maturity of the REIT's leases at March 31, 2019:

	Weighted average term to maturity	GLA	GLA %
Grocery-anchor	5.5	5,118,919	47.8%
Non-anchor	4.4	4,785,134	44.7%
Total occupied	5.0	9,904,053	92.5%
Month-to-month		85,294	0.8%
Vacant		720,217	6.7%
Total GLA (1)		**10,709,564**	**100.0%**

(1) Includes the REIT's share of its equity accounted property investment.

The following table shows the change in occupancy during the three month period ended March 31, 2019:

	Total GLA	Occupied GLA	Occupancy
December 31, 2018	10,768,319	10,145,136	94.2%
Acquisition (1)	105,603	90,758	85.9%
Dispositions	(170,439)	(158,172)	92.8%
Leasing changes (2)	—	(114,822)	N/A
Re-measurements	6,081	26,447	N/A
March 31, 2019	**10,709,564**	**9,989,347**	**93.3%**

(1) Includes the REIT's acquisition in the interest of Windmill Plaza. GLA represents the REIT's share of its equity accounted property investment.
(2) Leasing changes include new leases, lease buyouts, expirations and terminations.

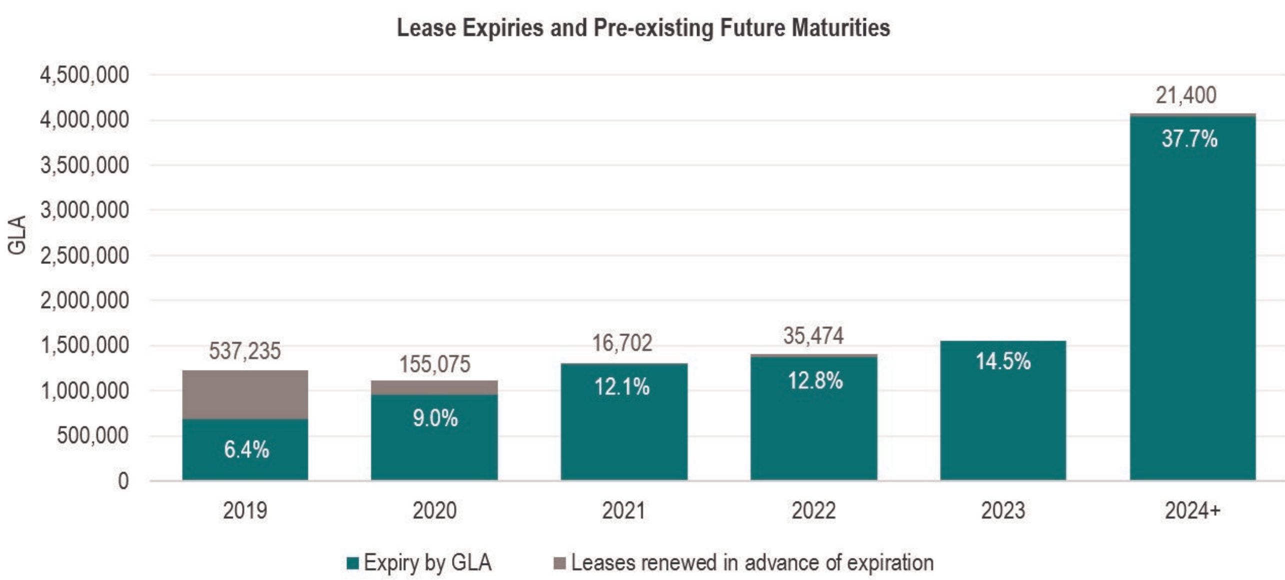
Occupancy is determined based on lease commencement. Occupancy has decreased by 0.9% to 93.3% from December 31, 2018, primarily due to 41,412 square feet of shop space tenant vacancies and an 85.9% occupancy rate at the REIT's newly acquired interest in the property Windmill Plaza, a 50% joint venture with The Kroger Company, partially offset by 33,777 square feet of new leasing and the disposal of two properties and two outparcels at various properties at a weighted occupancy rate of 92.8%.

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

	Grocery-anchor			Non-anchor			Total		
GLA expiration	GLA	Percentage of portfolio	Average in-place rent	GLA	Percentage of portfolio	Average in-place rent	GLA	Percentage of portfolio	Average in-place rent
Month-to-month	—	—	$ —	85,294	0.8%	$ 15.20	85,294	0.8%	$ 15.20
2019	383,690	3.6%	6.12	305,570	2.9%	16.77	689,260	6.5%	10.84
2020	382,090	3.6%	6.60	579,890	5.4%	13.96	961,980	9.0%	11.04
2021	524,699	4.9%	7.89	768,251	7.2%	13.62	1,292,950	12.1%	11.29
2022	631,834	5.9%	7.34	736,883	6.9%	14.54	1,368,717	12.8%	11.22
2023	799,114	7.5%	7.86	751,964	7.0%	13.76	1,551,078	14.5%	10.72
2024 and later	2,397,492	22.3%	8.99	1,642,576	15.3%	12.66	4,040,068	37.6%	10.48
Vacant	—	—	N/A	720,217	6.7%	N/A	720,217	6.7%	N/A
Total / weighted average (1)	**5,118,919**	**47.8%**	**$ 8.10**	**5,590,645**	**52.2%**	**$ 13.72**	**10,709,564**	**100.0%**	**$ 10.84**

(1) Includes the REIT's share of its equity accounted property investment.

The REIT endeavors to proactively lease upcoming expiries in advance of maturity to maintain high occupancy levels, ensure a proper mix of tenants at each property and certainty in cash flows. The following is a table of lease expiries at March 31, 2019 and pre-existing future maturities that were leased in advance during 2019:



The following table summarizes remaining expiries:

	March 31, 2019		December 31, 2019		September 30, 2018		June 30, 2018	
GLA Expiration	Number of tenants	GLA	Number of tenants	GLA	Number of tenants	GLA	Number of tenants	GLA
Anchors	5	383,690	7	494,729	1	56,127	1	56,127
Non-anchors	130	305,570	171	463,967	34	83,697	73	195,840
Remaining expiries (1)	**135**	**689,260**	**178**	**958,696**	**35**	**139,824**	**74**	**251,967**
Percentage of occupied portfolio (1)		**6.9%**		**9.4%**		**1.4%**		**2.3%**

(1) Includes the REIT's share of its equity accounted property investment.

At March 31, 2019, remaining 2019 expiries totaled 689,260 square feet with 2.9% or 305,570 square feet of total GLA related to non-anchor tenants. Comparatively, at December 31, 2018, remaining 2019 expiries totaled 958,696 square feet with 4.3% or 463,967 square feet of total GLA related to non-anchor tenants. At September 30, 2018, remaining 2018 expiries totaled 139,824 square feet with 0.8% or 83,697 square feet of total GLA related to non-anchor tenants. At June 30, 2018, remaining 2018 expiries totaled 251,967 square feet with 1.8% or 195,840 square feet of total GLA related to non-anchor tenants.

Retention rates

The asset management team strives to maintain strong relationships with all tenants, especially the REIT's grocery-anchor tenants. Since inception in 2011, where the REIT has sought a renewal with a grocery-anchor, the asset management team has had a 100% success rate in obtaining a lease extension. In certain cases, management has not sought renewals with larger tenants, including in cases where a better user is available, or a redevelopment opportunity exists. Management believes that this success is as a result of the strong relationships maintained with tenants and the REIT's underwriting which, in part, considers the relative strength of grocery-anchors in the respective market, recent capital investment by grocers and, where possible, the profitability of the store. Management expects a lower retention rate for our non-grocery-anchor tenants as a result of the dynamics and natural turnover of certain businesses over time which gives us opportunity to re-lease space, potentially at higher rates, and improve overall credit and tenant mix.

The following are the REIT's retention rates for the three month period ended March 31, 2019 and year ended December 31, 2018 for both grocery-anchor and non-grocery-anchor tenants:

Retention rate (1)	**Three months ended March 31, 2019**	**Year ended December 31, 2018**
Grocery-anchor	100.0%	100.0%
Non-grocery-anchor	89.2%	84.0%
Net total / weighted average (2)	**94.8%**	**92.1%**

(1) Retention rate excludes instances where management has not sought a renewal, which are primarily related to redevelopment or property portfolio management opportunities.
(2) Includes the REIT's share of its equity accounted property investment.

On October 15, 2018, Sears Holdings Corporation, the parent company of Sears and Kmart, declared Chapter 11 under the Bankruptcy Code in the U.S. The REIT has one 83,076 square foot Kmart at Eastpointe Shopping Center, located in Clarksburg, West Virginia which contributes annual base rent of $0.1 million and represents 0.1% of portfolio annual base rent. The REIT is in discussions with national retailers to backfill the Kmart box and redevelop the centre. On acquisition, the REIT underwrote a lease buy-out with Kmart, an outlay no longer required due to Kmart’s closure, which is a net favorable outcome for the REIT. Annual base rent is expected to increase meaningfully at this property following the completion of the redevelopment project.

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

				For the three months ended,
	March 31, 2019	**December 31, 2018**	**September 30, 2018**	**June 30, 2018**
Renewals				
Square feet	341,781	588,211	177,451	177,437
Expiring rent per square foot (1)	$ 10.96	$ 9.22	$ 12.64	$ 13.06
Rent spread per square foot (1)	0.54	0.41	0.96	1.28
Vacated				
Square feet (2)	41,412	55,347	36,351	19,220
Expiring rent per square foot (1)	$ 7.77	$ 14.94	$ 10.89	$ 16.26
New				
Square feet	33,777	54,562	80,663	64,964
New rent per square foot (1)	$ 14.93	$ 12.99	$ 14.41	$ 17.63
Total base rent retained (3)	**$ 3,424**	**$ 4,596**	**$ 1,847**	**$ 2,005**
Incremental base rent (3)	**$ 689**	**$ 950**	**$ 1,333**	**$ 1,372**

(1) Calculated on a weighted average basis.
(2) Adjusted for lease buyouts and vacancies due to redevelopment.
(3) Includes the REIT's share of its equity accounted property investment.

In-place and market rents

The REIT's leasing activity during the three month period ended March 31, 2019 is as follows:

	GLA	Number of tenants	Weighted average expiring rent	Weighted average new rent
Renewed leases	341,781	53	$ 10.96	$ 11.49
New leases	33,777	12	N/A	14.93
Total / weighted average	**375,558**	**65**	**N/A**	**$ 11.80**
Less, leases not renewed / vacated during term (1)	(41,412)	(22)	$ 7.77	N/A
Net total / weighted average (2)	**334,146**	**43**		**$ 11.80**

(1) Adjusted for lease buyouts and vacancies due to redevelopment.
(2) Includes the REIT's share of its equity accounted property investment.

During the first quarter of 2019 the REIT completed 375,558 square feet of leasing, which represents 3.5% of the REIT's portfolio and compares favorably to the 8.9% that was contractually expiring as of December 31, 2018 for the 2019 year. This level of leasing is consistent with the REIT's strategy of actively managing the properties to create value through a hands-on approach.

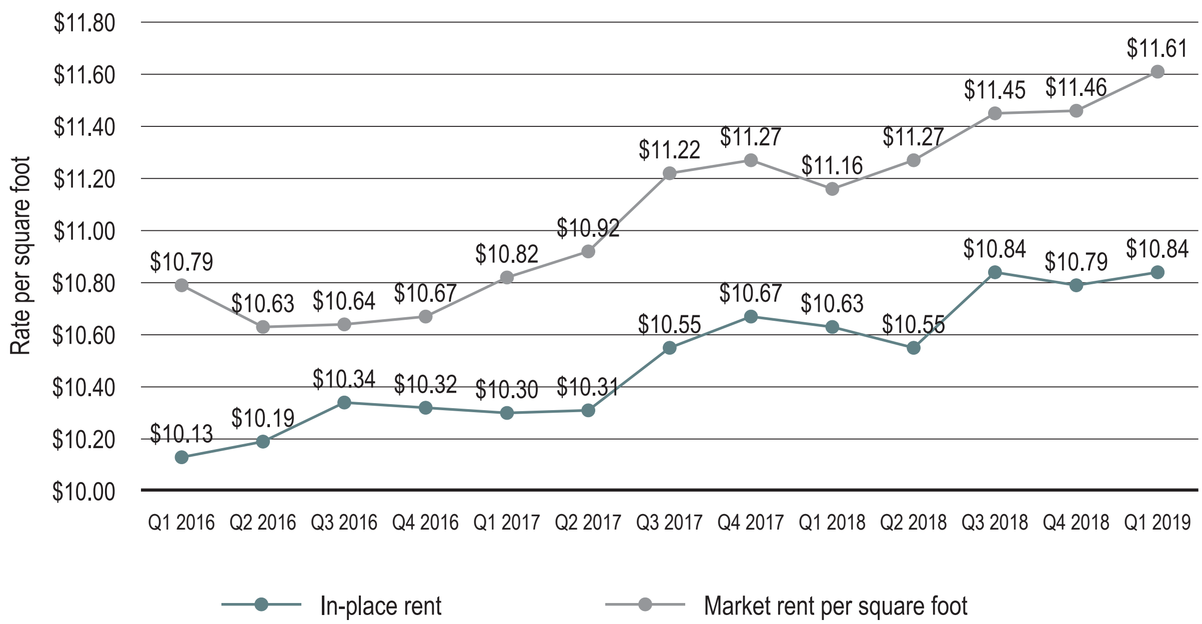
Net rental rates

The following table is a summary of in-place rent for the eight most recent financial quarters of the REIT:

	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017
Grocery rent	$ 8.10	$ 8.20	$ 8.10	$ 8.08	$ 8.20	$ 8.19	$ 8.29	$ 8.28
Shop space rent	13.72	13.49	13.44	13.00	13.03	13.08	12.68	12.32
Total (1)	**$ 10.84**	**$ 10.79**	**$ 10.74**	**$ 10.55**	**$ 10.63**	**$ 10.67**	**$ 10.55**	**$ 10.31**
Market rent (2)	**$ 11.61**	**$ 11.46**	**$ 11.45**	**$ 11.27**	**$ 11.16**	**$ 11.27**	**$ 11.22**	**$ 10.92**

(1) Includes the REIT's share of its equity accounted property investment.
(2) Market rate represents the REIT's estimate of market rents for its properties on a weighted average basis. Market rents are determined based, in part, on broker feedback, market transactions and completed deals.

In-place Rent Versus Estimated Market Rent



The REIT leases to high-quality tenants in well located centres typically below the average market rent for U.S. strip centres, allowing for increased value in the portfolio through rental rate growth.

ACQUISITION

Subject to the availability of acquisition opportunities, the REIT intends to grow distributions, in part through the accretive acquisition of properties. The current environment for acquisitions is very competitive with limited supply of quality properties coming to the market. The REIT explores acquisition opportunities as they arise but will pursue only acquisitions that management believes are accretive to net asset value per unit in the medium-term relative to its long-term cost of capital.

The REIT acquired an interest in one property during the three month period ended March 31, 2019, as summarized below:

Property	Purchase date	Metropolitan statistical area ("MSA")	Purchase price	SF (1)	Price per SF (1)	Anchor tenant
Windmill Plaza	January 25, 2019	Detroit	$ 7,299	105,603	$ 69	Kroger

(1) Includes the REIT's share of its equity accounted property investment.

The REIT acquired a 50% interest in Windmill Plaza, located in Sterling Heights, Michigan, in a joint-venture partnership with The Kroger Company for a total of $7.3 million, totaling 105,603 square feet ($69 price per square foot) at a going-in capitalization rate of 7.3%. Consideration for the cost of the acquisition was funded by the settlement of the REIT's note receivable in the amount of $9.4 million and interest receivable of $2.2 million, assumed debt and cash on hand.

DISPOSITIONS

The REIT disposed of two properties and two property outparcels during the three month period ended March 31, 2019 as follows:

Property	Tenant	Number of outparcels	Disposition date	Location	Sales price
Eastpointe Shopping Center	Panera Bread	1	January 11, 2019	Clarksburg, WV	$ 1,530
Locust Grove	McDonald's	1	January 22, 2019	Locust Grove, GA	1,725
Wellington Park	Lowes Foods	N/A	February 28, 2019	Cary, NC	15,010
Wausau Pick 'n Save	Pick 'n Save	N/A	March 9, 2019	Wausau, WI	9,900
Total					**$ 28,165**

The disposition of properties and outparcels are consistent with the REIT's strategy to recycle capital that can be more opportunistically deployed or reduce risk. Often outparcels are identified for disposition at the underwriting stage in order to reduce the REIT's acquisition cost basis, or after a period of ownership, where additional value has been created that can be crystallized.

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

PROPERTY PROFILE

Professional management

Through professional management of the portfolio, the REIT intends to ensure its properties portray an image that will continue to attract consumers as well as provide preferred locations for its tenants. Well-managed properties enhance the shopping experience and ensure customers continue to visit the centres. Professional management of the portfolio has enabled the REIT to maintain a high occupancy level, currently 93.3% at March 31, 2019 (December 31, 2018 – 94.2%, September, 2018 – 94.3%, June 30, 2018 – 93.9%).

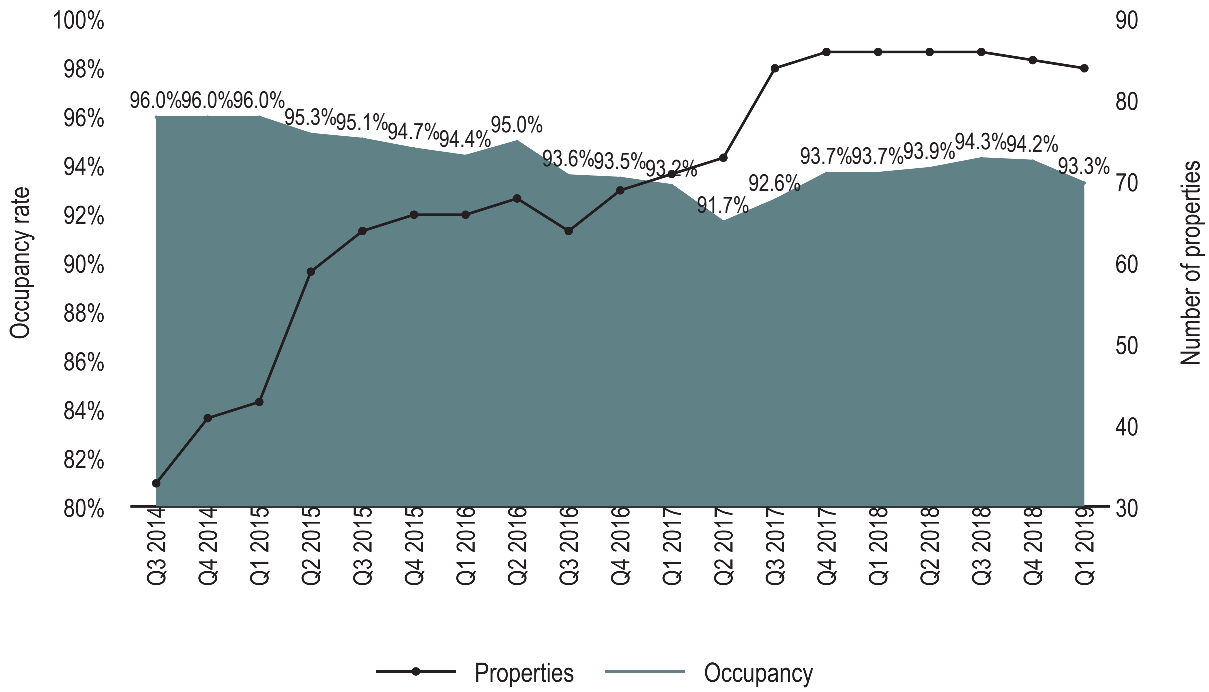
Occupancy has decreased by 0.9% to 93.3% from the most recent quarter due to 41,412 square feet of shop space tenant vacancies and an 85.9% occupancy rate at the REIT's newly acquired interest in the property Windmill Plaza, a 50% joint venture with The Kroger Company, partially offset by 33,777 square feet of new leasing, which includes CSL Plasma at Northland Center totaling 10,883 square feet, and the disposal of two properties and two outparcels at various properties at a weighted occupancy rate of 92.8%.

The following table shows the occupancy rate of the REIT's portfolio since the REIT was listed on the TSX:

	2014	2015				2016				2017				2018				2019
	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Properties (1)	41	43	59	64	66	66	68	64	69	71	73	84	86	86	86	86	85	84
Occupancy (2)	96%	96%	95%	95%	95%	94%	95%	94%	94%	93%	92%	93%	94%	94%	94%	94%	94%	93%

(1) Includes the REIT's acquisition of interest in its equity accounted property investment.
(2) Includes the REIT's share of its equity accounted property investment.

Historical Occupancy Rates



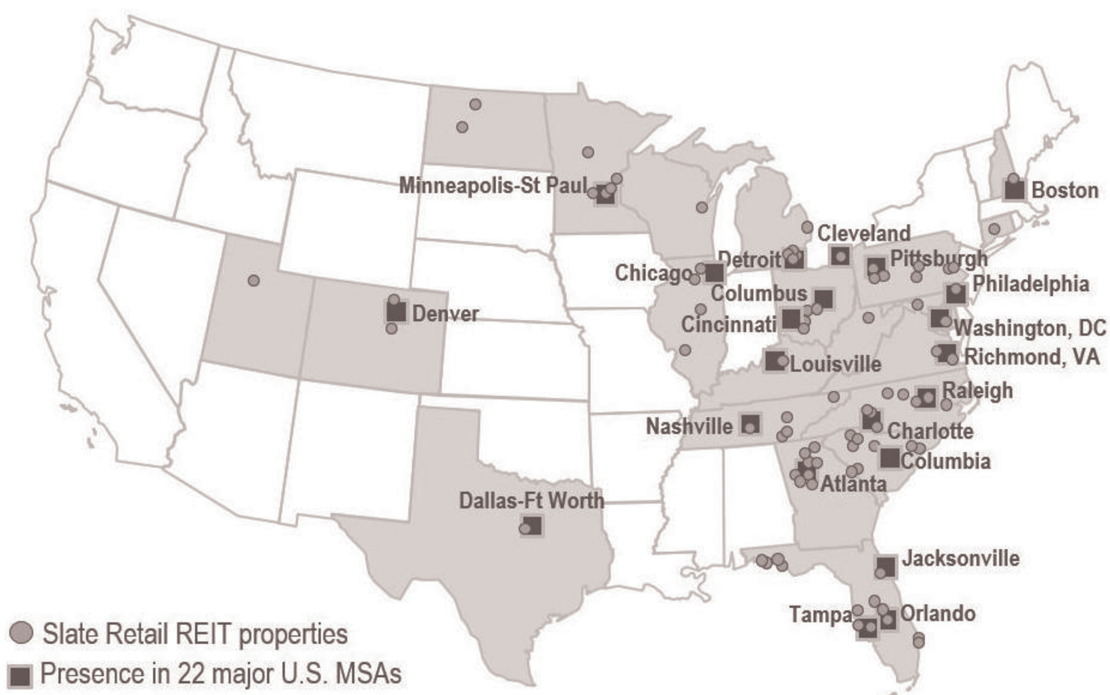
Geographic overview

The REIT's portfolio is geographically diversified. As of March 31, 2019, the REIT's 84 properties were located in 21 states with a presence in 22 MSAs. The REIT has 33 properties, or 39.3% of the total portfolio, located in the U.S. sunbelt region. Markets within this region benefit from strong underlying demographic trends, above average employment and population growth. This provides the REIT opportunities to progressively drive operational efficiencies and sustainable growth.

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

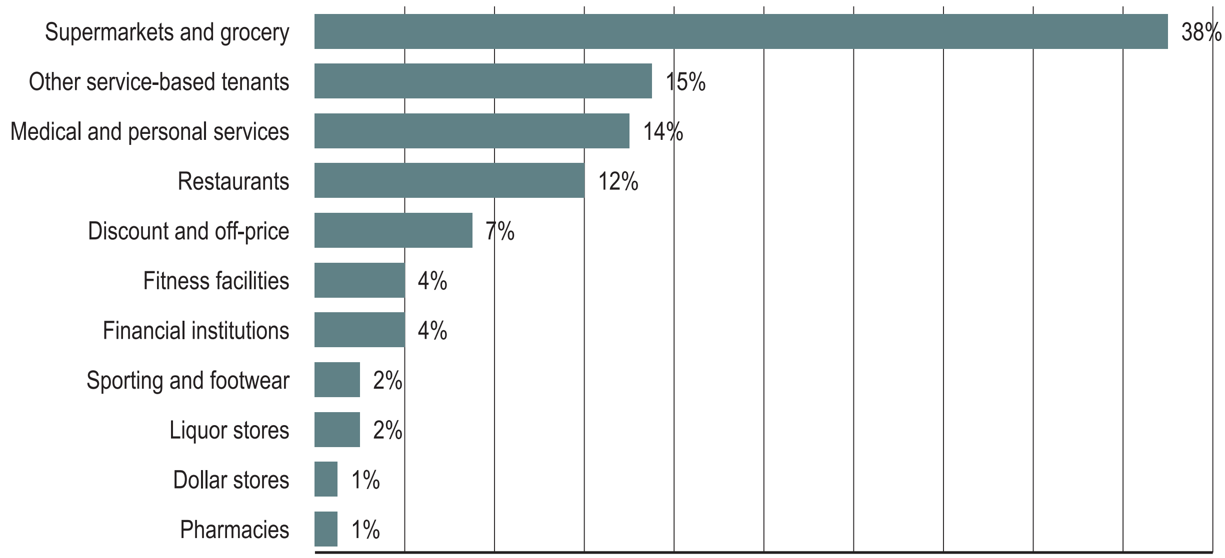
State	Number of assets	Total SF	Occupied SF	Percentage of revenue	Occupancy
Florida	13	1,516,930	1,442,207	16.1%	95.1%
Pennsylvania	8	1,280,314	1,219,838	11.2%	95.3%
North Carolina	8	1,106,526	1,057,095	10.1%	95.5%
Georgia	9	1,030,701	961,592	9.7%	93.3%
South Carolina	7	969,644	921,424	8.9%	95.0%
Minnesota	5	566,782	539,077	5.9%	95.1%
Michigan	5	607,135	578,840	5.3%	95.3%
Ohio	5	687,762	547,856	4.0%	79.7%
Tennessee	5	526,641	520,641	3.8%	98.9%
North Dakota	2	261,578	260,287	3.5%	99.5%
Illinois	4	390,946	340,563	3.4%	87.1%
Maryland	1	147,803	138,060	3.2%	93.4%
West Virginia	2	387,162	297,226	2.4%	76.8%
Colorado	2	200,466	186,984	2.1%	93.3%
New Hampshire	1	187,001	181,242	2.0%	96.9%
Virginia	2	203,434	195,384	2.0%	96.0%
Connecticut	1	139,653	139,653	1.7%	100.0%
Wisconsin	1	123,028	123,028	1.4%	100.0%
Texas	1	167,961	142,892	1.3%	85.1%
Utah	1	127,231	123,970	1.2%	97.4%
Kentucky	1	80,866	71,488	0.9%	88.4%
Total (1)	**84**	**10,709,564**	**9,989,347**	**100%**	**93.3%**

(1) Includes the REIT's share of its equity accounted property investment.



Tenant categories

As of March 31, 2019, the REIT has the following tenant categories within the portfolio, allocated by base rent:



Category	Number of stores	Percentage of rent	Key brands
Supermarkets and grocery	100	38%	Walmart, Kroger, Publix, Ahold Delhaize, unfi
Other service-based tenants	252	15%	Lumber Liquidators, metroPCS, Sally Beauty Supply
Medical and personal services	390	14%	Bayada Home Health Care, Great Clips, Hair Cuttery
Restaurants	265	12%	Burger King, Little Caesars, McDonald's, Pizza Hut, Subway
Discount and off-price	51	7%	Bealls, Marshalls, Ross Dress for Less
Fitness facilities	36	4%	Anytime Fitness, Planet Fitness, Snap Fitness 24-7
Financial institutions	99	4%	ascensus, Bank of America, KeyBank, H&R Block
Sporting and footwear	20	2%	Play It Again Sports, Dick's Sporting Goods, Dunham's Sports, Rack Room Shoes, Shoe Show
Liquor stores	24	2%	Cash Wise, Winn-Dixie Wine & Spirits, Hy-Vee Wine & Spirits, Smith's Liquor
Dollar stores	15	1%	Dollar Tree, Dollar General, Family Dollar
Pharmacies	9	1%	Walgreens, Rite Aid, CVS pharmacy
Total	**1,261**	**100%**	

The REIT's portfolio of tenants is a diversified mix of leading grocers, national brands and strong regional performers complemented by local operators providing needed services and goods to their local communities. These retailers provide significant non-discretionary e-commerce defensive goods. The REIT's properties, which are located in well-established neighborhoods, allow grocery-anchored property real estate and economics of last mile delivery to be viable.

Anchor tenants

The REIT endeavors to own properties with anchors who are dominant in their respective regions in terms of operational scale and sales. Accordingly, the REIT's anchor tenants are often either the first or second dominant store in their respective area in terms of market share. The following table identifies the REIT's largest anchor tenants including their annual minimum rent, the number of stores, GLA as a percentage of the total portfolio and the percentage of base rent. Walmart Inc. represents the REIT's largest tenant by base rent with a total of 8 stores and 7.8% of base rents.

The largest 15 tenants account for 47.7% of total GLA and 38.8% of base rent as follows:

Parent company	Store brands	Grocery	Stores	% GLA	Base rent	% Base rent
Walmart Inc.	Wal-Mart, Sams Club	Y	8	12.1%	$ 8,549	7.8%
The Kroger Co.	Kroger, Pick 'n Save, Harris Teeter	Y	19	10.3%	7,033	6.4%
Publix Supermarkets	Publix	Y	12	5.1%	4,492	4.1%
Koninklijke Ahold Delhaize N.V.	Stop & Shop, GIANT, Food Lion, Hannaford	Y	5	2.8%	4,331	3.9%
Southeastern Grocers	Winn Dixie, BI-LO	Y	10	4.3%	3,914	3.6%
United Natural Foods, Inc.	Various (1)	Y	5	2.5%	2,625	2.3%
Coborn's Inc.	CashWise	Y	2	1.1%	2,038	2.0%
Albertsons	Jewel-Osco, Safeway	Y	4	2.3%	1,786	1.6%
Beall's, Inc.	Bealls, Burkes Outlet	N	4	1.3%	1,252	1.1%
Alex Lee Inc.	Lowes Foods	Y	2	0.9%	1,249	1.1%
Dollar Tree Inc.	Dollar Tree, Family Dollar	N	12	1.1%	1,139	1.0%
Schnuck Markets, Inc.	Schnucks	Y	2	1.1%	1,099	1.0%
Planet Fitness	Planet Fitness	N	6	1.0%	1,062	1.0%
TJX Companies	Marshalls, T.J. Maxx	N	4	1.0%	1,050	1.0%
The Fresh Market Inc.	The Fresh Market	Y	4	0.8%	959	0.9%
Total			**99**	**47.7%**	**$ 42,578**	**38.8%**

(1) Store brands include Cub Foods, County Market, Shop 'n Save and Rainbow Foods.

Development

The REIT’s redevelopment program is focused on growing income and unlocking value by revitalizing tenant uses and creating a better customer experience at select properties. Redevelopment is generally considered to begin when activities that change the condition of the property commence. Redevelopment ceases when the asset is in the condition and has the capability of operating in the manner intended, which is generally at cessation of construction and tenanting. For purposes of reporting same-property NOI, redevelopment assets are excluded from the same-property portfolio in the period in which they are re-classified as a redevelopment property and are excluded until they are operating as intended in all of both the current and comparative periods. The carrying value of redevelopment properties includes the acquisition cost of property and direct redevelopment costs attributed to the project. The REIT does not capitalize interest for its projects under development. To date, redevelopment spend has been funded by cash from operations. Interest expense is recognized as incurred in income which is not comparable to other REITs or other corporations that capitalize interest.

The REIT has classified the following properties as redevelopment properties:

Property	Nature of redevelopment	Expected completion	Estimated incremental NOI (1)	Yield on cost	Pre-leased percentage	Estimated investment		
						Incurred	Remaining	Total
North Summit Square	Anchor repositioning	Q1 2020	$ 491	20.6%	100.0%	$ 1,052	$ 1,328	**$ 2,380**
Windmill Plaza (2)	Anchor repositioning	Q1 2020	778	13.0%	89.6%	196	5,804	**6,000**
Springboro Plaza	Junior anchor repositioning	Q3 2020	531	17.6%	—%	4	3,005	**3,009**
Eastpointe Shopping Center	Junior anchor repositioning	Q2 2021	625	9.6%	—%	8	6,502	**6,510**
Total			**$ 2,425**	**13.5%**		**$ 1,260**	**$ 16,639**	**$ 17,899**

Completed redevelopment projects

Property	Nature of redevelopment	Completed	Estimated incremental NOI (1)	Yield on cost	Leased percentage	Total invested
Hocking Valley Mall	Anchor repositioning	Q1 2019	$ 526	4.7%	93.0%	$ 11,118

(1) Calculated on a trailing twelve month basis as of March 31, 2019.
(2) Includes the REIT's share of its equity accounted property investment.

Redevelopment capital spent during the three month period ended March 31, 2019 is as follows:

	Three months ended March 31, 2019
North Summit Square	$ 740
Other redevelopment costs (1)	1,417
Total	**$ 2,157**
Share of redevelopment classified as equity investment	196
Total redevelopment including equity investment	**$ 2,353**

(1) Other redevelopment costs relate to new outparcel development as well as other planning and work completed in the planning stages for redevelopment projects.

North Summit Square is a 224,530 square foot shopping centre anchored by Sam’s Club and shadow anchored by Lowes’s Home Improvement. The centre is located in one of the premier retail nodes in Winston-Salem North Carolina and has close proximity to Wake Forest University. In June 2017, management strategically terminated the lease of a 36,862 square foot junior anchor tenant that was paying below market rates. The REIT has finalized a 10 year lease with Urban Air Adventure Park to backfill the junior anchor space. The lease will result in a $58 thousand spread annually over base rental rates paid by the previous tenant. Rent commencement is targeted for the first quarter of 2020. The REIT expects to invest $2.4 million of capital as part of the transaction, with approximately $1.5 million allocated to parking lot repairs and resurfacing, as required by Sam's Club waiver of restrictions on the Urban Air Adventure Park use. As of March 31, 2019, $1.1 million has been spent.

In January 2019, the REIT acquired Windmill Plaza, a grocery-anchored shopping centre located in Sterling Heights, Michigan, in a joint-venture partnership with The Kroger Company. The REIT is planning to invest an additional $5.8 million at our share to redevelop the property and includes a 25 year ground lease with Kroger as the anchor tenant. Construction commenced in the first quarter of 2019 and will include a brand new 129,000 square foot Kroger Marketplace, an improved in line façade and a completely redesigned parking lot, landscaping and lighting system. In addition to Kroger, new leases have been executed with Edge Fitness for 36,576 square feet and Pet Supplies Plus for 7,780 square feet, significantly reducing future leasing risk. The REIT expects completion and rent commencement to be in the first quarter of 2020.

Springboro Plaza is a well-established community shopping center anchored by a 56,634 square foot Kroger grocery store. The center features a 91,266 square foot former Kmart box available for lease and the REIT is evaluating several backfill scenarios. Management is exploring the potential of demising the box to accommodate multiple junior anchor tenancies, ranging from value focused soft goods retailers to family entertainment concepts. The REIT expects to invest a total of $3.0 million to complete the capital project. The REIT anticipates it will realize meaningful progress on the lease-up of the available space by the fourth quarter of 2019.

Eastpointe Shopping Center is a regional shopping destination in Clarksburg, West Virginia anchored by a Kroger which includes a former Kmart box and in line shop tenants. The center is located at the entrance to the area’s most prominent retail node at the injunction of two major state highways. Redevelopment of the 83,076 square foot Kmart box commenced in the first quarter of 2019. The REIT expects to invest $6.5 million in capital to complete the project. The Kmart box has drawn interest by a number of junior anchor retailers as potential backfill tenants and the REIT is working through tenant requirements, best use and configurations. The potential tenants interest ranges from soft goods to home furnishings to sporting goods with leases anticipated being completed by the end of the second half of the year.

IFRS FAIR VALUE

The REIT's property portfolio at March 31, 2019 had an estimated IFRS fair value of $1.4 billion, with a weighted average capitalization rate of 7.49%. Overall, the average estimated IFRS value per square foot of the REIT's portfolio is $127.

The following table presents a summary of the capitalization rates used to estimate the fair value of the REIT's properties:

Direct capitalization rates	**March 31, 2019**	December 31, 2018
Minimum	**6.00%**	6.25%
Maximum	**11.40%**	11.40%
Weighted average (1)	**7.49%**	7.50%

(1) Includes the REIT's share of its equity accounted property investment.

The March 31, 2019 weighted average capitalization rate decreased to 7.49% from 7.50% at December 31, 2018. The decrease in the weighted average capitalization rate is primarily due to decreases in capitalization rates driven by value-add asset management activities including anchor tenant renewals, improved credit, higher occupancy and capital improvement, partially offset by changes in buyer demand in the retail real estate sector for properties similar to the REIT's portfolio.

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

The change in properties is as follows:

	Three months ended March 31,	
	2019	2018
Beginning of the period	**$ 1,382,955**	$ 1,454,463
Capital	**1,184**	734
Leasing costs	**279**	618
Tenant improvements	**2,003**	1,753
Development and expansion capital	**2,157**	843
Straight-line rent	**784**	1,135
Dispositions	**(28,165)**	(16,910)
IFRIC 21 property tax adjustment	**(14,372)**	(13,834)
Change in fair value (1)	**8,501**	(6,557)
End of the period	**$ 1,355,326**	$ 1,422,245
Property classified as equity investment	**7,850**	—
End of the period, including equity investment	**$ 1,363,176**	$ 1,422,245

(1) Change in properties include acquisitions, capital, leasing costs, tenant improvements, redevelopment spend, straight-line rent adjustments, dispositions, IFRIC 21 property tax adjustment, and change in fair value.

The following table is a reconciliation of the fair value of the REIT's properties using a non-GAAP measure. The non-GAAP measure includes figures that are recorded as an equity investment, information that is not explicitly disclosed or presented in the consolidated financial statements for the three month period ended March 31, 2019.

	Three months ended March 31, 2019		
	REIT	Equity investment	**Total (Non-GAAP)**
Beginning of the period	$ 1,382,955	$ —	**$ 1,382,955**
Acquisition of interest in property	—	7,409	**7,409**
Capital	1,184	—	**1,184**
Leasing costs	279	—	**279**
Tenant improvements	2,003	—	**2,003**
Development and expansion capital	2,157	331	**2,488**
Straight-line rent	784	—	**784**
Dispositions	(28,165)	—	**(28,165)**
IFRIC 21 property tax adjustment	(14,372)	8	**(14,364)**
Change in fair value [1]	8,501	102	**8,603**
End of the period	$ 1,355,326	$ 7,850	**$ 1,363,176**

[1] Change in properties include acquisitions, capital, leasing costs, tenant improvements, redevelopment spend, straight-line rent adjustments, dispositions, IFRIC 21 property tax adjustment, and change in fair value.

The fair value of the REIT's properties and properties under redevelopment for the three month period ended March 31, 2019 is as follows:

	Properties	**Properties under redevelopment**	**Total**
Balance, December 31, 2018	$ 1,345,081	$ 37,874	$ 1,382,955
Transfers to properties under redevelopment	(11,624)	11,624	—
Capital	1,152	32	1,184
Leasing costs	271	8	279
Tenant improvements	1,811	192	2,003
Development and expansion capital	1,409	748	2,157
Straight-line rent	783	1	784
Dispositions	(28,165)	—	(28,165)
IFRIC 21 property tax adjustment	(14,030)	(342)	(14,372)
Change in properties [1]	9,140	(639)	8,501
Balance, March 31, 2019	**$ 1,305,828**	**$ 49,498**	**$ 1,355,326**
Property classified as equity investment	—	7,850	7,850
Balance, March 31, 2019 including equity investment	**$ 1,305,828**	**$ 57,348**	**$ 1,363,176**

[1] Change in properties include acquisitions, capital, leasing costs, tenant improvements, redevelopment spend, straight-line rent adjustments, dispositions, IFRIC 21 property tax adjustment, and change in fair value.

Capital, leasing and tenant improvement costs for the three month period ended March 31, 2019, was $3.5 million. Such costs are generally expended for purposes of tenanting and renewing existing leases, which maintain and create value at the REIT's properties and the portfolio as a whole by increasing contractual cash flow through new and extended leases. The REIT will continue to capitalize on opportunities to revitalize, undertake space improvements and generally maintain the high quality of the properties and tenants, such as the program undertaken at Hocking Valley, which was completed in the first quarter of 2019, and Buckeye Plaza and County Line Plaza, both of which were completed in the fourth quarter of 2018. These expenditures can vary from period to period, at times significantly, depending upon the timing of lease expiries, re-leasing and management's capital plan for the period.

Fair value adjustments on properties

For the three month period ended March 31, 2019, the REIT recorded a fair value gain on properties of $8.5 million, mainly related to valuation parameters and cash flows.

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

	Three months ended March 31,	
	2019	2018
Valuation parameters and cash flows	**$ (5,087)**	$ (19,256)
IFRIC 21 property tax adjustment	**14,372**	13,834
Adjusted for straight-line rent	**(784)**	(1,135)
Total (1)	**$ 8,501**	$ (6,557)

(1) Excludes the REIT's share of its equity investment.

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

The change in fair value of properties recorded in income excludes the impact of tenanting and leasing costs, landlord work, and development and expansion capital, not all of which are additive to value but are directly capitalized to the property.

PART III – RESULTS OF OPERATIONS

SUMMARY OF SELECTED QUARTERLY INFORMATION

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

Quarter ended	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017
Rental revenue	$ 36,416	$ 36,301	$ 35,699	$ 35,669	$ 36,544	$ 34,859	$ 30,030	$ 26,614
Property operating expenses [1]	(25,392)	(5,747)	(5,126)	(5,117)	(24,519)	(5,357)	(3,988)	(3,532)
Straight-line rent revenue	(784)	(331)	(448)	(658)	(1,135)	(523)	(367)	(639)
IFRIC 21 property tax adjustment [1]	14,372	(4,870)	(4,574)	(4,590)	13,834	(4,387)	(3,784)	(3,271)
Adjustments for equity investment	(43)	—	—	—	—	—	—	—
NOI	24,569	25,353	25,551	25,304	24,724	24,592	21,891	19,172
Class U units outstanding	43,972	44,309	45,674	46,031	46,261	46,410	46,340	46,291
WA units	44,208	44,971	45,489	46,153	46,479	46,443	46,372	42,832
Net income (loss)	$ 1,601	$ (9,017)	$ (1,024)	$ (14,201)	$ 26,703	$ 31,421	$ (8,816)	$ 16,049
Net income (loss) per WA unit	$ 0.04	$ (0.20)	$ (0.02)	$ (0.31)	$ 0.57	$ 0.68	$ (0.19)	$ 0.37
IFRS NAV	$ 498,922	$ 514,329	$ 565,720	$ 580,742	$ 580,345	$ 593,066	$ 606,235	$ 597,403
IFRS NAV per unit	$ 11.35	$ 11.61	$ 12.39	$ 12.62	$ 12.55	$ 12.78	$ 13.08	$ 12.91
Distributions [2]	$ 9,424	$ 9,438	$ 9,627	$ 9,670	$ 9,742	$ 9,625	$ 9,381	$ 9,018
Distributions per unit	$ 0.2138	$ 0.2113	$ 0.2100	$ 0.2100	$ 0.2100	$ 0.2075	$ 0.2025	$ 0.2025
FFO [3]	$ 13,387	$ 13,536	$ 14,469	$ 14,542	$ 15,227	$ 15,406	$ 14,448	$ 12,741
FFO per WA units [3]	$ 0.30	$ 0.30	$ 0.32	$ 0.32	$ 0.33	$ 0.33	$ 0.31	$ 0.30
AFFO [3]	$ 9,137	$ 9,201	$ 8,998	$ 9,465	$ 10,987	$ 11,360	$ 11,168	$ 10,713
AFFO per WA units [3]	$ 0.21	$ 0.20	$ 0.20	$ 0.21	$ 0.24	$ 0.24	$ 0.24	$ 0.25
Total assets	$ 1,388,403	$ 1,416,334	$ 1,472,898	$ 1,474,077	$ 1,478,396	$ 1,499,519	$ 1,476,651	$1,225,065
Debt	$ 849,498	$ 871,562	$ 875,227	$ 864,051	$ 872,263	$ 883,046	$ 846,325	$ 608,035
Debt / GBV	61.2%	61.5%	59.4%	58.6%	59.0%	58.9%	57.3%	49.6%
Number of properties [4]	84	85	86	86	86	86	84	73
% leased [3]	93.3%	94.2%	94.3%	93.9%	93.7%	93.7%	92.6%	91.7%
GLA [3]	10,709,564	10,768,319	10,897,059	11,060,145	11,067,372	11,156,474	10,850,708	9,141,538
Grocery-anchored GLA [3]	5,183,419	5,170,584	5,198,055	5,159,693	5,159,693	5,159,693	4,887,294	4,162,756

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

(2) Excludes amounts payable to taxation authorities for branch profit taxes.

(3) Includes the REIT's share of its equity accounted property investment.

(4) Includes the REIT's acquisition of interest in its equity accounted property investment.

REVENUE

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

Rental revenue for the three month period ended March 31, 2019 decreased by $0.1 million compared to the prior year quarter. The decrease is primarily due to the impact of a loss in revenue contribution from the disposition of four properties and 12 outparcels at certain properties since March 31, 2018, partially offset by the incremental revenue associated with the acquisition of one property in the prior year and increases in rental rates from re-leasing, and new leasing typically above in-place rent.

Southeastern Grocers, LLC

On May 31, 2018, Southeastern Grocers, LLC ("SEG"), the parent of Winn-Dixie, BI-LO, Fresco y Más and Harveys Supermarket grocery stores successfully emerged from its restructuring previously announced on March 15, 2018. As a result of the Restructuring Support Agreement ("RSA") entered by SEG, the REIT entered into lease amendments with SEG to modify the terms of certain existing leases of the REIT, effective upon SEG's successful emergence from its restructuring. The impact of the lease amendments included minor rent reductions at 6 of the REIT's 10 properties, which the REIT expects to be $0.7 million in rental revenue during 2019, in return for lease term modifications and certain minimum investments to improve or upgrade the existing format at the REIT's properties. For the three month period ended March 31, 2019, the rent reductions had an impact of $0.2 million. On a three month same-property NOI basis year-over-year and trailing twelve month basis, the rent reductions resulted in a $0.2 million and $0.5 million lower NOI, respectively.

PROPERTY OPERATING EXPENSES

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

Property operating expenses increased by $0.9 million from $24.5 million in the same quarter of the prior year. The increase is primarily due to the application of IFRIC 21 property tax adjustments, partially offset by the disposition of four properties and 12 outparcels at certain properties from March 31, 2018.

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

OTHER EXPENSES

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

	Three months ended March 31,		
	2019	2018	**Variance**
Asset management fees	**$ 1,397**	$ 1,479	**$ (82)**
Professional fees and other	**700**	734	**(34)**
Bad debt expense	**15**	144	**(129)**
Franchise and business taxes	**520**	119	**401**
Total	**$ 2,632**	$ 2,476	**$ 156**
% of total assets	**0.2%**	0.2%	**— %**
% of total revenue	**7.2%**	6.8%	**0.4 %**

Other expenses for the three month period ended March 31, 2019 increased by $0.2 million from the comparative quarter in 2018. Increases over the comparative period were due to franchise and business taxes, partially offset by decreases in bad debt expense and professional fees.

INTEREST EXPENSE AND OTHER FINANCING COSTS, NET

	Three months ended March 31,		
	2019	2018	**Variance**
Interest on debt and finance charges	**$ 9,823**	$ 8,342	**$ 1,481**
Interest rate swaps, net settlement	**(882)**	(342)	**(540)**
Foreign exchange forward contract, net settlement	**(24)**	—	**(24)**
Interest income	**(4)**	(21)	**17**
Interest income on notes receivable	**(51)**	(185)	**134**
Amortization of finance charges	**571**	457	**114**
Amortization of mark-to-market premium	**(89)**	(86)	**(3)**
Interest income on TIF notes receivable	**(20)**	(26)	**6**
Interest expense on TIF notes payable	**—**	39	**(39)**
Amortization of deferred gain on TIF notes	**(22)**	(22)	**—**
Total	**$ 9,302**	$ 8,156	**$ 1,146**

The following shows the change in interest on debt and finance charges, net of interest swaps for the three month period ended March 31, 2019 compared to the same period in the prior year:

Interest on debt and finance charges, net of interest rate swaps, March 31, 2018	**$**	**8,000**
Impact of changes in interest rates, net of interest rate swaps [(1)]		999
Decrease from change in debt levels		(61)
Change in utilization fee		3
Interest on debt and finance charges, net of interest rate swaps, March 31, 2019	**$**	**8,941**
Year-over-year change – $	$	941
Year-over-year change – %		11.8%

(1) The weighted average interest rate cost of the REIT's floating rate debt, net of interest rate swaps for the three month period ended March 31, 2019 is 4.08% (March 31, 2018 – 3.45%).

Interest expense and other finance costs, net consists of interest paid on the revolving credit facility ("revolver"), term loans, mortgages and interest rate swap contracts, as well as standby fees paid on the REIT's revolver.

Interest on debt increased by $1.5 million for the three month period ended March 31, 2019 compared to the same period in 2018. The increase is primarily due to increased costs of the REIT's floating rate debt driven by higher one-month U.S. LIBOR rates over the comparative period. One-month U.S. LIBOR at March 31, 2018 was 1.88%, increasing to 2.50% at March 31, 2019. This increase was partially offset by periods of lower indebtedness from $39.3 million in repayments from the disposition of four properties and 12 outparcels at certain properties and cash on hand. The REIT's revolver is redrawn from time-to-time to fund operating and investing activities.

The REIT's pay-fixed, receive-float interest rate swaps hedge the cash flow risk associated with one-month U.S. LIBOR based interest payments, with 100.3% of the REIT's debt subject to fixed rates at March 31, 2019. The weighted average fixed rate of the REIT's interest rate swaps was 2.03% compared to the one-month U.S. LIBOR at 2.50% at March 31, 2019, with a weighted average term to maturity of 3.8 years. Under this arrangement, the REIT has received $0.9 million and $0.3 million of net interest payments in current quarter and comparative period, respectively. Based on current one-month U.S. LIBOR, the REIT expects to receive $3.6 million annually.

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

FAIR VALUE ADJUSTMENTS ON REIT UNITS AND EXCHANGEABLE UNITS OF SUBSIDIARIES

Class B units of Slate Retail One L.P. and Slate Retail Two L.P. and exchangeable limited partnership units of GAR B all of which are issued by subsidiaries of the REIT (collectively, the "exchangeable units of subsidiaries") are classified as financial liabilities under IFRS and are measured at fair value with any changes in fair value recognized in unit expense in the consolidated statements of income. The fair value is re-measured at the end of each reporting period. An unrealized gain represents a decrease in the fair value per unit whereas an unrealized loss represents an increase in the fair value per unit. The fair value per unit on March 31, 2019 was $9.74 (March 31, 2018 – $9.51). Changes in fair value of exchangeable units of subsidiaries are non-cash in nature and are required to be recorded in income under IFRS.

Subdivision

In the 2018 year, the REIT completed various steps to have its units presented as equity in its consolidated financial statements. The changes included the approval of a special resolution of an amendment to and restatement of the Declaration of Trust of the REIT (the “Third A&R DOT”) making the features of the class A units, class I units and class U units identical among all three classes, among other things. Also on May 1, 2018, the board of trustees of the REIT approved the subdivision of each of the: (i) class A units issued and outstanding on May 3, 2018 (the “record date”) on the basis of a subdivision ratio of one pre-subdivision class A unit for 1.0078 post-subdivision class A units; and (ii) class I units issued and outstanding on the record date on the basis of a subdivision ratio of one pre-subdivision class I unit for 1.0554 class I units (the "Subdivision"). The Third A&R DOT and the Subdivision were undertaken contemporaneously and the impact of such actions did not change the relative economics of the different classes of units of the REIT.

The Subdivision was completed on May 11, 2018. As a consequence of the Subdivision, the proportionate entitlement of the class A units and class I units with respect to distributions from the REIT has been adjusted to 1.0 and all class A units, class I units and class U units have equal rights with respect to distributions from the REIT, redemptions of units and on the termination of the REIT. Each class A unit and each class I unit have remained convertible into a class U unit but the conversation ratio is on a one-for-one-basis. The REIT issued an additional 3 thousand class A units and 15 thousand class I units as a result of the Subdivision. The fair value of the REIT units of $435.3 million at May 11, 2018 were classified as equity. Prior to this date, REIT units were classified as financial liabilities under IFRS with changes in fair value recorded in income in the period of change. On May 11, 2018, the fair value of a REIT unit was $9.93.

For the three month period ended March 31, 2019, the REIT recognized an unrealized fair value loss of $2.5 million on the exchangeable units of subsidiaries.

NET INCOME

For the three month period ended March 31, 2019, the REIT incurred net income of $1.6 million which represented a $25.1 million decrease from the same quarter of the prior year. The decrease is attributed to decreases in unit income over the prior quarter due to the classification of REIT units as equity effective May 11, 2018, a decrease in the fair value of exchangeable units of subsidiaries and increases in deferred income tax expense of $2.7 million, partially offset by an increase in the change in fair value of properties of $15.1 million. Total REIT distributions for the current quarter recognized as a decrease to equity was $9.0 million.

NOI

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

The following is a calculation of NOI for the three month period ended March 31, 2019 compared to the same period in the prior year:

	Three months ended March 31,		
	2019	2018	**Variance**
Rental revenue	**$ 36,416**	$ 36,544	**$ (128)**
Straight-line rent revenue	**(784)**	(1,135)	**351**
Property operating expenses	**(25,392)**	(24,519)	**(873)**
IFRIC 21 property tax adjustment	**14,372**	13,834	**538**
Adjustments for equity investment	**(43)**	—	**(43)**
NOI	**$ 24,569**	$ 24,724	**$ (155)**
NOI margin	**69.0%**	69.8%	**(0.8)%**

The following shows the change in NOI for the three month period ended March 31, 2019 compared to the same period in the prior year:

NOI, March 31, 2018	**$**	**24,724**
Change in same-property NOI		81
Contribution from redeveloped properties		388
Reduced contribution from properties under redevelopment		(111)
Contribution from acquisitions [1]		355
Reduced contribution from dispositions, including outparcel sales		(868)
NOI, March 31, 2019	**$**	**24,569**
Year-over-year change – $	$	(155)
Year-over-year change – %		(0.6)%

NOI for the three month period ended March 31, 2019 was $24.6 million, which represents a decrease of $0.2 million from the same period in 2018. The decrease is primarily due to the loss in revenue contribution from the disposition of four properties and 12 outparcels at certain properties since March 31, 2018.

The following shows the change in NOI for the three months ended March 31, 2019 compared to the immediately preceding quarter:

NOI, December 31, 2018	**$**	**25,353**
Change in same-property NOI		(465)
Contribution from redeveloped properties		182
Reduced contribution from properties under redevelopment		(126)
Reduced contribution from acquisition (1)		(42)
Reduced contribution from dispositions, including outparcel sales		(333)
NOI, March 31, 2019	**$**	**24,569**
Quarter-over-quarter change – $	$	(784)
Quarter-over-quarter change – %		(3.1)%

NOI for the current quarter decreased by $0.8 million from $25.4 million in the fourth quarter of 2018. The decrease is due to the disposition of two properties and two outparcels, and decreases in shop space tenant termination fees and non-rental income from the comparative period.

SAME-PROPERTY NOI

Same-property NOI is a non-IFRS measure and is defined by the REIT as rental revenue, excluding non-cash straight-line rent, less property operating cost expenses after adjusting for the impact of IFRIC 21 property tax accounting adjustments for those properties owned by the REIT for the entirety of each of the current period and the relevant comparative period excluding those properties under redevelopment. For the three month period ended March 31, 2019, the same-property portfolio is comprised of a portfolio of 76 properties owned and in operation for each of the entire three month periods ended March 31, 2019 and 2018.

Same-property NOI is an important measure of the income generated from the REIT's properties period-over-period, but without consideration of acquisition and disposition activity, and is used by the REIT in evaluating the performance of its properties. The REIT seeks to increase or maintain same-property NOI through high-occupancy, increasing rents on renewal to market rents and by signing leases with embedded rent increases throughout the term of the lease. For the 11 most recently completed quarters, the REIT has achieved nine positive same-property NOI growth quarters therein.

The following is a summary of same-property NOI and the related occupancy rates for the three month period ended March 31, 2019 as compared to the same period in the prior year, reconciled to total NOI:

	Number of properties	Three months ended March 31, **2019**	2018	**Variance**	**% change**
Same-property NOI	76	**$ 22,908**	$ 22,827	**$ 81**	**0.4 %**
NOI attributable to redeveloped properties	3	**577**	189	**388**	
NOI attributable to properties under redevelopment	3	**415**	526	**(111)**	
NOI attributable to acquisitions (1)	2	**355**	—	**355**	
NOI attributable to dispositions, including outparcel sales	18	**314**	1,182	**(868)**	
Total NOI (1)		**$ 24,569**	$ 24,724	**$ (155)**	**(0.6)%**
Occupancy, same-property	76	**94.8%**	94.7%	**0.1 %**	
Occupancy, redeveloped properties	3	**93.7%**	93.9%	**(0.2)%**	
Occupancy, properties under redevelopment	3	**67.0%**	73.2%	**(6.2)%**	
Occupancy, acquisitions (1)	2	**92.1%**	—%	**92.1 %**	
Occupancy, dispositions, including outparcel sales	18	**94.2%**	94.2%	**— %**	
Occupancy, portfolio (1)		**93.3%**	93.7%	**(0.4)%**	

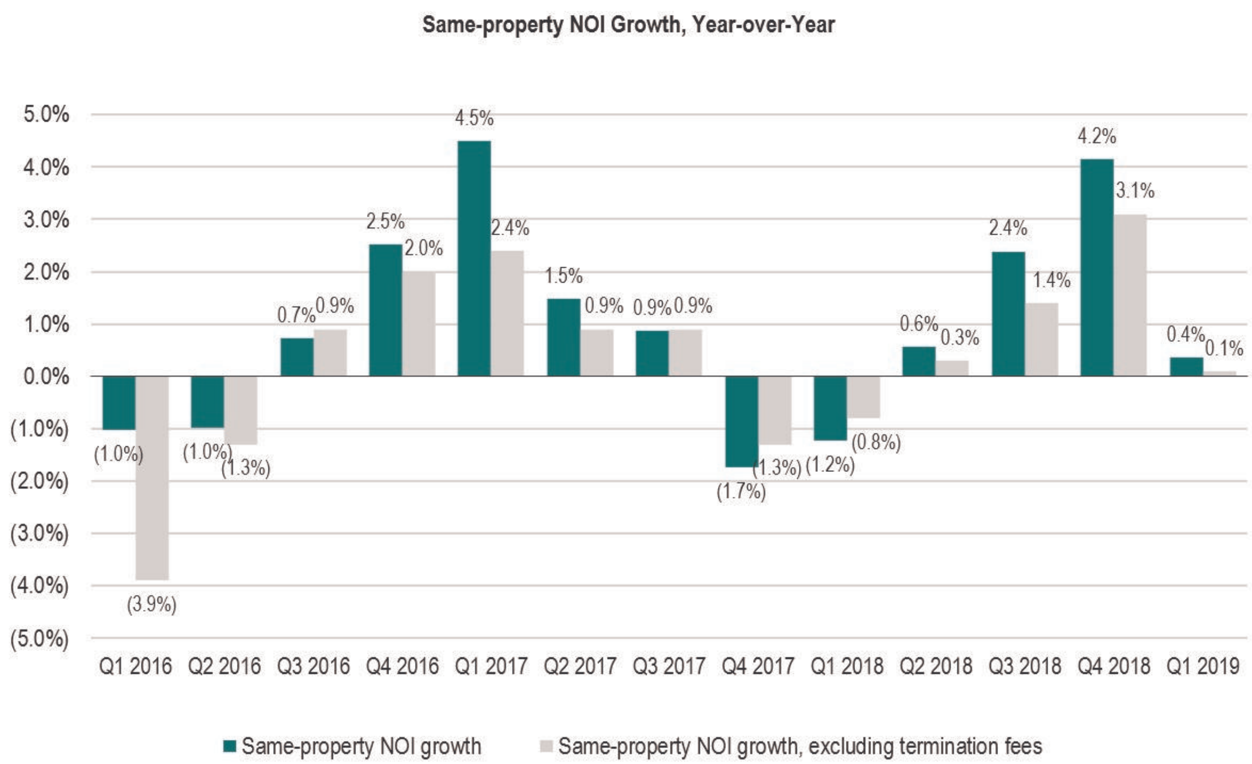
(1) Includes the REIT's share of its equity accounted property investment.

Same-property NOI for the current quarter increased by $0.1 million to $22.9 million over the comparative period. The increase was primarily attributed to increases in rental rates from re-leasing above average in-place rent of the properties and new leasing above comparable market rental rates, partially offset by the current quarter impact of the Winn-Dixie and BI-LO rent reductions at 6 of the REIT's 10 properties, as a result of SEG's successful emergence from restructuring, for $0.2 million. Including the impact of completion of redevelopment projects, same-property NOI increased by 2.0% over the period.

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

	Number of properties	Same-property NOI	Same-property % change	Same-property % change, excluding termination fees
Q2 2016	41	11,101	(1.0)%	(1.3)%
Q3 2016	49	13,791	0.7 %	0.9 %
Q4 2016	49	15,229	2.5 %	2.0 %
Q1 2017	56	16,187	4.5 %	2.4 %
Q2 2017	56	15,980	1.5 %	0.9 %
Q3 2017	56	15,304	0.9 %	0.9 %
Q4 2017	57	15,477	(1.7)%	(1.3)%
Q1 2018	62	16,555	(1.2)%	(0.8)%
Q2 2018	64	17,403	0.6 %	0.3 %
Q3 2018	65	18,226	2.4 %	1.4 %
Q4 2018	77	22,691	4.2 %	3.1 %
Q1 2019	76	22,908	0.4 %	0.1 %

Termination income is included in the REIT's definition of same-property NOI, however, can be substantial and does not occur frequently. The following is a table summarizing same-property NOI growth excluding the impact of terminations fees:



The following is a summary of same-property NOI and the related occupancy rates on a trailing twelve month basis as at March 31, 2019, as compared to the same period in the prior year reconciled to total NOI:

	Number of properties	Trailing twelve months, March 31,			
		2019	2018	**Variance**	**% change**
Same-property NOI	59	**$ 66,181**	$ 64,530	**$ 1,651**	**2.6%**
NOI attributable to redeveloped properties	3	**1,545**	817	**728**	
NOI attributable to properties under redevelopment	3	**2,049**	2,389	**(340)**	
NOI attributable to acquisitions [(1)]	19	**28,315**	18,099	**10,216**	
NOI attributable to dispositions, including outparcel sales	16	**2,686**	4,503	**(1,817)**	
Total NOI [(1)]		**$ 100,776**	$ 90,338	**$ 10,438**	**11.6%**
Occupancy, same-property	59	**95.3%**	94.9%	**0.4 %**	
Occupancy, redeveloped properties	3	**32.4%**	93.0%	**(60.6)%**	
Occupancy, properties under redevelopment	3	**67.0%**	73.2%	**(6.2)%**	
Occupancy, acquisitions [(1)]	19	**93.8%**	94.4%	**(0.6)%**	
Occupancy, dispositions, including outparcel sales	16	**94.2%**	94.2%	**— %**	
Occupancy, portfolio [(1)]		**93.3%**	93.7%	**(0.4)%**	

[(1)] Includes the REIT's share of its equity accounted property investment.

Same-property NOI increased by $1.7 million or 2.6% for the trailing twelve month period ended March 31, 2019 over the same period in the prior year. This is primarily due to increases in rental rates from re-leasing above average in-place rent and new leasing above comparable market rental rates, partially offset by the $0.5 million decrease as a result of the Winn-Dixie and BI-LO rent reductions due to SEG's successful emergence from restructuring. Including the impact of the completion of redevelopment projects over the comparative period, same-property NOI increased by 3.6% over the period.

FFO

FFO is a non-IFRS measure and real estate industry standard for evaluating operating performance. The REIT calculates FFO in accordance with the definition provided by the REALPAC in its White Paper on FFO and AFFO for IFRS, as revised in February 2017. FFO is an important measure of the operating performance of REITs and is used by the REIT in evaluating the combined performance of its operations and the impact of its capital structure.

In calculating FFO, the REIT makes adjustments to the change in the fair value of properties, deferred income tax expense (recovery), unit expense (income) and IFRIC 21 accounting related adjustments.

The following is a reconciliation of net income to FFO:

	Three months ended March 31,		
	2019	2018	**Variance**
Net income	**$ 1,601**	$ 26,703	**$ (25,102)**
Disposition costs	**2,092**	722	**1,370**
Change in fair value of properties	**(8,501)**	6,557	**(15,058)**
Deferred income tax expense (recovery)	**847**	(1,879)	**2,726**
Unit expense (income)	**3,086**	(30,710)	**33,796**
Adjustments for equity investment	**(110)**	—	**(110)**
IFRIC 21 property tax adjustment	**14,372**	13,834	**538**
FFO	**$ 13,387**	$ 15,227	**$ (1,840)**
FFO per WA unit	**$ 0.30**	$ 0.33	**$ (0.03)**
WA number of units outstanding	**44,208**	46,479	**(2,271)**

The following is a calculation of FFO from NOI:

	Three months ended March 31,		
	2019	2018	**Variance**
NOI	**$ 24,569**	$ 24,724	**$ (155)**
Straight-line rent revenue	**784**	1,135	**(351)**
Other expenses	**(2,632)**	(2,476)	**(156)**
Cash interest, net [1]	**(8,820)**	(7,785)	**(1,035)**
Adjustments for equity investment	**(32)**	—	**(32)**
Finance charge and mark-to-market adjustments	**(482)**	(371)	**(111)**
FFO	**$ 13,387**	$ 15,227	**$ (1,840)**

[1] Cash interest, net is comprised of total interest expense less amortization of finance charges and mark-to-market adjustments.

FFO for the three month period ended March 31, 2019 was $13.4 million which represents a $1.8 million decrease from the comparative period. The decrease is due to the aforementioned decreases in NOI, increases in interest cash paid and changes in non-cash straight-line rent.

AFFO

AFFO is a non-IFRS measure that is used by management of the REIT, certain of the real estate industry and investors to measure recurring cash flows, including certain capital costs, leasing costs, tenant improvements and the impact of non-cash revenue. As described above, the REIT calculates AFFO as FFO adjusted for capital expenditures, leasing costs, tenant improvements and straight-line rent. The REIT's calculation is consistent with AFFO as calculated by REALPAC in its White Paper on FFO and AFFO for IFRS, as revised in February 2017. However, the REIT uses AFFO as a cash flow measure and considers it a meaningful measure used to evaluate the cash available for distribution to unitholders, while REALPAC considers AFFO as a recurring economic earnings measure. Accordingly, the REIT's use and calculation of AFFO may be different than the use or as disclosed by other businesses, and as a result, may not be comparable to similar measures presented by others.

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

	Three months ended March 31,		
	2019	2018	**Variance**
Cash flow from operations	**$ 7,795**	$ 15,792	**$ (7,997)**
Changes in non-cash working capital items	**3,176**	(2,266)	**5,442**
Disposition costs	**2,092**	722	**1,370**
Finance charge and mark-to-market adjustments	**(482)**	(371)	**(111)**
Interest, net and TIF note adjustments	**97**	215	**(118)**
Adjustments for equity investment	**(75)**	—	**(75)**
Capital	**(1,184)**	(734)	**(450)**
Leasing costs	**(279)**	(618)	**339**
Tenant improvements	**(2,003)**	(1,753)	**(250)**
AFFO	**$ 9,137**	$ 10,987	**$ (1,850)**

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

The following is a reconciliation of FFO to AFFO:

	Three months ended March 31,		
	2019	2018	**Variance**
FFO	**$ 13,387**	$ 15,227	**$ (1,840)**
Straight-line rental revenue	**(784)**	(1,135)	**351**
Capital	**(1,184)**	(734)	**(450)**
Leasing costs	**(279)**	(618)	**339**
Tenant improvements	**(2,003)**	(1,753)	**(250)**
AFFO	**$ 9,137**	$ 10,987	**$ (1,850)**
AFFO per WA unit	**$ 0.21**	$ 0.24	**$ (0.03)**
WA number of units outstanding	**44,208**	46,479	**(2,271)**

The following is a reconciliation of net income to AFFO:

	Three months ended March 31,		
	2019	2018	**Variance**
Net income	**$ 1,601**	$ 26,703	**$ (25,102)**
Disposition costs	**2,092**	722	**1,370**
Change in fair value of properties	**(8,501)**	6,557	**(15,058)**
Deferred income tax expense (recovery)	**847**	(1,879)	**2,726**
Unit expense (income)	**3,086**	(30,710)	**33,796**
Adjustments for equity investment	**(110)**	—	**(110)**
IFRIC 21 property tax adjustment	**14,372**	13,834	**538**
FFO	**$ 13,387**	$ 15,227	**$ (1,840)**
Straight-line rental revenue	**(784)**	(1,135)	**351**
Capital	**(1,184)**	(734)	**(450)**
Leasing costs	**(279)**	(618)	**339**
Tenant improvements	**(2,003)**	(1,753)	**(250)**
AFFO	**$ 9,137**	$ 10,987	**$ (1,850)**

The following is a calculation of AFFO from NOI:

	Three months ended March 31,		
	2019	2018	**Variance**
NOI	**$ 24,569**	$ 24,724	**$ (155)**
Other expenses	**(2,632)**	(2,476)	**(156)**
Cash interest, net (1)	**(8,820)**	(7,785)	**(1,035)**
Finance charge and mark-to-market adjustments	**(482)**	(371)	**(111)**
Adjustments for equity investment	**(32)**	—	**(32)**
Capital	**(1,184)**	(734)	**(450)**
Leasing costs	**(279)**	(618)	**339**
Tenant improvements	**(2,003)**	(1,753)	**(250)**
AFFO	**$ 9,137**	$ 10,987	**$ (1,850)**

(1) Cash interest, net is comprised of total interest expense less amortization of finance charges and mark-to-market adjustments.

For the three month period ended March 31, 2019, AFFO decreased by $1.9 million to $9.1 million over the comparative period. This decrease is due to a $1.0 million increase in cash interest paid and a $0.7 million increase in capital and tenant improvement spend.

If the REIT calculated capital, leasing and tenant improvement spend as 10% of NOI in the current quarter, which is representative of the REIT's historical sustaining capital, leasing and tenant improvement costs, the REIT would have a modified AFFO per unit of $0.23.

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

Capital, leasing costs and tenant improvements

During the first quarter capital improvements were completed across the portfolio. The majority of capital improvements were completed concurrent to leasing at the REIT's properties with the remainder as minor improvements. The remaining leasing costs were generally related to the high volume of new and renewal activity, totaling 65 leases executed. Leasing costs were well spread out across each deal with no one deal representing a large percentage of the total expenditure. Leasing costs to secure new tenants are generally higher than the costs to renew in-place tenants. In addition to property reinvestment, the leasing capital was comprised of fees related to tenant improvement allowances and other direct leasing costs, such as broker commissions and legal costs. To date the REIT has funded capital and leasing costs using cash flows from operations.

The following is a reconciliation of net income to AFFO using a non-GAAP measure. With the exception of net income, the table includes figures that are recorded as an equity investment, information that is not explicitly disclosed or presented in the consolidated financial statements for March 31, 2019.

	Three months ended March 31, 2019		
	REIT	Equity investment	**Total (Non-GAAP)**
Rental revenue	$ 36,416	$ 8	**$ 36,424**
Property operating expenses	(25,392)	(43)	**(25,435)**
Other expenses	(2,632)	(6)	**(2,638)**
Interest expense and other financing costs, net	(9,302)	(26)	**(9,328)**
Disposition costs	(2,092)	—	**(2,092)**
Change in fair value of properties	8,501	102	**8,603**
Deferred income tax (expense) recovery	(847)	—	**(847)**
Unit (expense) income	(3,086)	—	**(3,086)**
Net income	$ 1,566	$ 35	**$ 1,601**
Disposition costs	2,092	—	**2,092**
Change in fair value of properties	(8,501)	(102)	**(8,603)**
Deferred income tax expense	847	—	**847**
Unit expense	3,086	—	**3,086**
IFRIC 21 property tax adjustment	14,372	(8)	**14,364**
FFO	$ 13,462	$ (75)	**$ 13,387**
Straight-line rental revenue	(784)	—	**(784)**
Capital	(1,184)	—	**(1,184)**
Leasing costs	(279)	—	**(279)**
Tenant improvements	(2,003)	—	**(2,003)**
AFFO	$ 9,212	$ (75)	**$ 9,137**

DISTRIBUTIONS

The REIT's current monthly distribution to unitholders is $0.07125 per class U unit or $0.855 per class U unit on an annualized basis. Distributions were $9.4 million for the three month period ended March 31, 2019. The distribution amount has decreased by $0.3 million over the respective comparative period, primarily due to the 2.2 million units repurchased under the REIT's NCIB and SIB, partially offset by the 1.8% distribution increase in December 2018.

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

	Three months ended March 31,		
	2019	2018	Variance
Declared			
REIT units distributions (1) (2)	**$ 8,951**	$ 9,273	$ (322)
Exchangeable units of subsidiaries distributions	**473**	469	4
	9,424	9,742	(318)
Add: Distributions payable, beginning of period	**3,157**	3,249	(92)
Less: Distributions payable, end of period (1)	**(3,133)**	(3,238)	105
Distributions paid or settled (2)	**$ 9,448**	$ 9,753	$ (305)
Paid in cash	**$ 9,448**	$ 8,606	$ 842
Reinvested in units	**$ —**	$ 1,147	$ (1,147)

(1) Effective May 11, 2018, the class A, class I and class U units of the REIT have been presented within unitholders' equity.
(2) Excludes amounts payable to taxation authorities for branch profit taxes.

Taxation of distributions

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

Taxation year, on a per dollar of distribution	Return of capital	Capital gains	Other income
2018	78.0%	—	22.0%
2017	44.0%	—	56.0%
2016	35.0%	—	65.0%
2015 (January to May) (1)	45.0%	—	55.0%
2015 (June to December) (1)	39.0%	—	61.0%
2014	48.0%	—	52.0%

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

FFO payout ratio

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

The FFO payout ratio was 70.4% for the three month period ended March 31, 2019, representing a 6.4% increase over the same period in the prior year as a result of decreases in FFO due to the disposition of four properties and 12 outparcels at certain properties , partially offset by decreases in distributions declared due to repurchases from March 31, 2018.

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

	Three months ended March 31,	
	2019	2018
FFO	**$ 13,387**	$ 15,227
Distributions declared (1)	**(9,424)**	(9,742)
Excess of FFO over distributions declared	**$ 3,963**	$ 5,485
FFO payout ratio	**70.4%**	64.0%

(1) Distributions declared represent distributions on REIT units and exchangeable units of subsidiaries and excludes amounts payable to taxation authorities for branch profit taxes.

AFFO payout ratio

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

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

One of the REIT's key objectives is to maintain an AFFO payout ratio that provides steady and reliable distributions to unitholders. As a result, the REIT is focused on maintaining a policy that provides a high level of certainty that the distribution will be maintained over time. Currently, the REIT's monthly distribution to unitholders was $0.07125 per class U unit or $0.855 on an annualized basis.

The AFFO payout ratio for the three month period ended March 31, 2019 and March 31, 2018 was 103.1% and 88.7% respectively, which represents a 14.4% increase. On a trailing twelve month basis, the AFFO payout ratio was 103.7%, which represents an 18.3% increase over the same period in the prior year. On a pro forma basis, using annualized first quarter AFFO and the current distribution of $0.07125 per month, the AFFO payout ratio would be 101.8%. However, as described in the discussion concerning AFFO above, AFFO was impacted by higher interest costs and larger than normal capital costs, which were the result of a high leasing volume and a number of larger leases being renewed. Capital costs will fluctuate over time based on such factors.

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

	Three months ended March 31, 2019	2018
AFFO	**$ 9,137**	$ 10,987
Distributions declared [1]	**(9,424)**	(9,742)
Excess of AFFO over distributions declared	**$ (287)**	$ 1,245
AFFO payout ratio	**103.1%**	88.7%

[1] Distributions declared represent distributions on REIT units and exchangeable units of subsidiaries and excludes amounts payable to taxation authorities for branch profit taxes.

The REIT's distributions declared were in excess of AFFO of $0.3 million for the three month period ended March 31, 2019. The REIT has maintained a consistent distribution rate despite period over period variances in cash from operating activities.

For the three month period ended March 31, 2019 the REIT paid distributions in excess of cash flows from operating activities of $1.7 million. For the year ended December 31, 2018 and 2017, the REIT's cash flow from operating activities exceeded distributions paid by $20.4 million and $15.8 million, respectively.

	Three months ended March 31, 2019	Year ended December 31, 2018	2017
Cash flows from operating activities	**$ 7,795**	$ 57,823	$ 49,518
Net income	**1,601**	2,461	47,306
Cash distributions paid or payable relating to the period	**(9,448)**	(37,422)	(33,679)
Excess (shortfall) of cash flows from operating activities over cash distributions paid	**$ (1,653)**	$ 20,401	$ 15,839
Excess (shortfall) of net income over cash distributions paid	**$ (7,847)**	$ (34,961)	$ 13,627

The REIT's distributions paid in the first quarter of 2019 were funded by the REIT's revolver and cash from operations. The REIT believes the current quarter shortfall does not impact the sustainability of the REIT's future distributions and that the REIT expects distributions for the remaining 2019 year will continue to be funded through cash flows from operating activities.

Impact of interest rate changes

As described above, one of the REIT's key objectives is to maintain a conservative AFFO payout ratio in order to continue to provide steady and reliable distributions to unitholders. Management targets an AFFO payout ratio between 70% and 80% over time. The actual ratio may from time-to-time be outside of this range as a result of operational results, including changes in interest rates, and the timing of capital and leasing costs. Management expects there will be normal deviations from this rate due to timing and natural volatility in the operations of the business. Management evaluates various factors in determining the appropriate distribution policy including estimates of future NOI, near-term grocery-anchor lease turnover, future capital requirements and interest rate changes.

In order to mitigate interest rate risk, the REIT has entered into $750.0 million notional amount pay-fixed receive-float interest rate swap contracts to hedge the cash flow risk associated with monthly U.S. LIBOR based interest payments on a portion of the REIT's floating rate debt. As a result of the interest rate swaps, 100.3% of the REIT's debt is now subject to fixed rates. The weighted average fixed rate of the REIT's interest rate swaps was 2.03% in comparison to one-month U.S. LIBOR at 2.50% at March 31, 2019 with a weighted average term to maturity of 3.8 years.

The terms of the interest rate swaps are as follows:

					Total/ Weighted average
Effective date	November 2, 2016	September 1, 2017	August 22, 2018	August 22, 2018	
Pay-fixed rate	1.104%	1.715%	2.884%	2.925%	**2.0257%**
Notional amount	$ 300,000	$ 100,000	$ 175,000	$ 175,000	**$ 750,000**
Receive-floating rate	One-month LIBOR	One-month LIBOR	One-month LIBOR	One-month LIBOR	
Maturity date	February 26, 2021	September 22, 2022	August 22, 2023	August 22, 2025	
Remaining term (years)	1.9	3.5	4.4	6.4	**3.8**

The following table provides a sensitivity analysis of the REIT's AFFO payout ratio and interest coverage ratio to changes in interest rates, both prior to and after the REIT's interest rate swaps:

		Prior to interest rate swaps			After interest rate swaps		
Change in interest rates (bps)	One-month LIBOR	AFFO (1)	AFFO payout ratio	Cash interest paid	**AFFO (1)**	**AFFO payout ratio**	**Interest coverage**
(50)	2.00%	$ 11,080	85.1%	$ 7,886	**$ 11,035**	**85.4%**	**2.77x**
(25)	2.25%	10,613	88.8%	8,353	**11,037**	**85.4%**	**2.77x**
—	2.50%	10,146	92.9%	8,820	**11,038**	**85.4%**	**2.77x**
25	2.75%	9,679	97.4%	9,287	**11,040**	**85.4%**	**2.77x**
50	3.00%	9,212	102.3%	9,754	**11,041**	**85.4%**	**2.77x**
100	3.50%	8,277	113.9%	10,689	**11,044**	**85.3%**	**2.77x**
200	4.50%	6,408	147.1%	12,558	**11,050**	**85.3%**	**2.77x**

(1) AFFO is based on a three month period ended March 31, 2019 FFO of $13.4 million adjusted for straight-line rent and average historical capital, leasing costs and tenant improvements. Average historical capital, leasing costs and tenant improvements are determined as 10% of NOI for the quarter and represents the normalized on-going costs required to maintain existing space of a stabilized property. Actual amounts will vary from period to period depending on various factors, including but not limited to, the timing of expenditures made and contractual lease obligations.

DEFERRED INCOME TAX

The REIT's operations and the associated net income occur within partially owned, flow through entities such as partnerships. Any tax liability on taxable income attributable to the Slate Retail exchangeable unitholders is incurred directly by the unitholders as opposed to Slate Retail Investment L.P., the REIT's most senior taxable subsidiary. Accordingly, although the REIT's consolidated net income includes income attributable to Slate Retail exchangeable unitholders, the consolidated tax provision includes only the REIT's proportionate share of the applicable taxes.

For the three month period ended March 31, 2019, the deferred income tax expense was $0.8 million. The REIT's deferred income tax expense relates mainly to changes in the differences between the fair value of the REIT's properties and the corresponding undepreciated value for income tax purposes.

RELATED PARTY TRANSACTIONS

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

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

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

iii an annual incentive fee, calculated in arrears, in an aggregate amount equal to 15% of the REIT's funds from operation per class U unit as derived from the annual financial statements of the REIT in excess of $1.32, subject to ordinary course adjustments for certain transactions affecting the class U units and increasing annually by 50% of the increase in the U.S. consumer price index.

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

	Three months ended March 31,		
	2019	2018	**Variance**
Asset management fees	**$ 1,397**	$ 1,479	**$ (82)**

Related party transactions incurred and payable to the Manager for the three month period ended March 31, 2019 amounted to $1.4 million. These transactions are in the normal course of operations and are in accordance with the management agreement and are measured at the exchange amount. The exchange amount is the consideration established under contract and as approved by the REIT's Board of Trustees.

The management agreement provides for an incentive fee to be earned based on an FFO per unit target that grows annually, in part, with inflation, whereby the Manager is entitled to 15% of the excess of FFO above the target. For the three month period ended March 31, 2019, no incentive fee was recognized as the target threshold was not met.

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

MAJOR CASH FLOW COMPONENTS

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

	Three months ended March 31,	
	2019	2018
Operating activities	**$ 7,795**	$ 15,792
Investing activities	**29,095**	12,056
Financing activities	**(35,474)**	(22,261)
Increase in cash and cash equivalents	**$ 1,416**	$ 5,587

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

Cash flows used in investing activities relate to property acquisitions and property dispositions made by the REIT, and additions to the properties through capital and leasing expenditures.

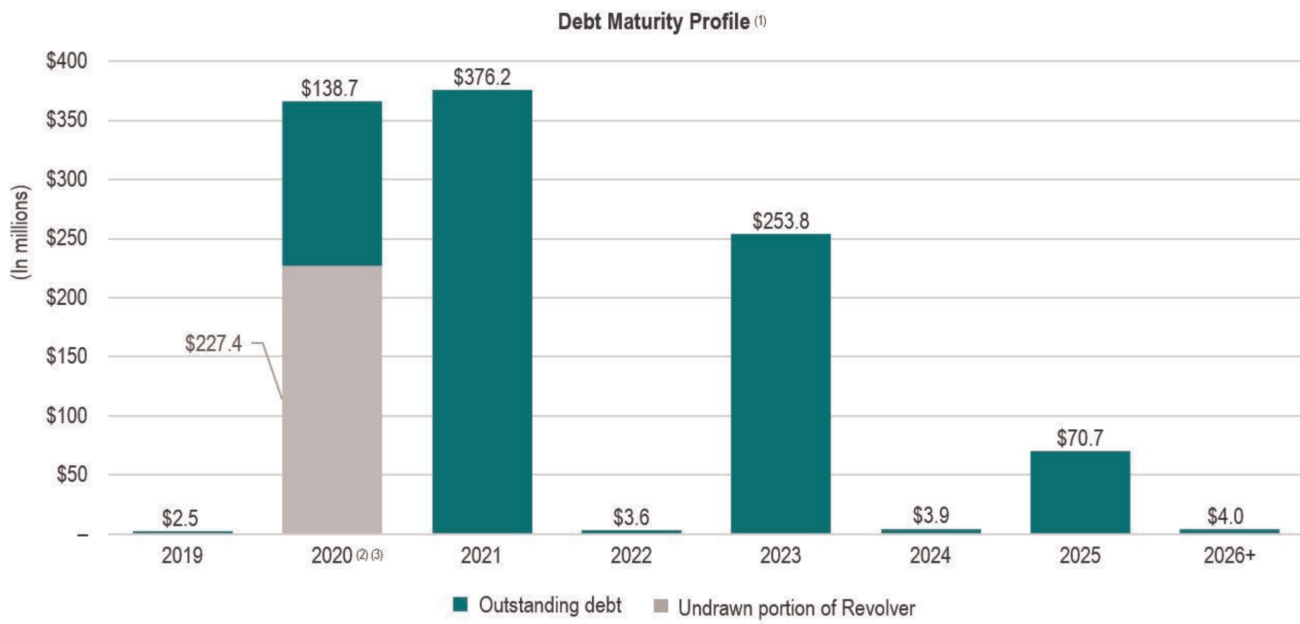
Cash flows from financing activities relate to the servicing of mortgages, additional drawdowns on the REIT's revolver for the acquisition of properties during the year, repurchases of units and distributions paid to unitholders.

PART IV – FINANCIAL CONDITION

DEBT

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

The REIT's acquisition strategy is backed through a growing unencumbered portfolio of properties. The REIT's revolver and term loan (the "credit facility") and term loan 2 provides the required flexibility to support the REIT's acquisition pipeline. The credit facility and term loan 2 represents a significant component of the REIT's funding, which allows the REIT to maintain flexibility in its portfolio by avoiding debt that constricts portfolio capital recycling and redevelopment while minimizing unused cash positions. In addition to the credit facility and term loan 2, the REIT has ready access to alternative funding sources, including financial institutions for financing arrangements and investors at competitive rates. Management continues to monitor interest rate risk of the REIT's debt portfolio. As a result of the interest rate swap, 100.3% of the REIT's debt is now subject to fixed rates.



(1) Excludes the REIT's share of its equity investment.
(2) Debt available to be drawn is subject to certain covenants as provided in the REIT's lending agreements, including generally, a maximum of 65% Consolidated Total Indebtedness to Gross Asset Value. The revolver, term loan and term loan 2 provide for different spreads over one-month U.S. LIBOR depending on the ratio of the Consolidated Total Indebtedness to Gross Asset Value. 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) Excludes a one-year extension option exercisable at the REIT's option for the revolver. With the one-year extension the weighted average debt maturity of the REIT's debt portfolio is 3.0 years.

Debt held by the REIT as of March 31, 2019 and December 31, 2018 is as follows:

						March 31, 2019	December 31, 2018
	Maturity	Term to maturity (years)	Effective rate	Principal	Mark-to-market adjustments and costs	**Carrying amount**	Carrying amount
Revolver [1] [2] [3] [4] [5]	February 26, 2020	0.9 [5]	4.50%	$ 135,099	$ (569)	**$ 134,530**	$ 143,822
Term loan [1] [2] [4]	February 26, 2021	1.9	4.50%	362,500	(1,246)	**361,254**	361,086
Term loan 2 [1] [2] [4]	February 9, 2023	3.9	4.48%	250,000	(1,384)	**248,616**	248,533
Mortgage	March 1, 2021	1.9	5.75%	10,853	614	**11,467**	11,624
Mortgage	January 1, 2025	5.8	3.80%	44,166	(1,008)	**43,158**	43,363
Mortgage	June 15, 2025	6.2	4.14%	43,035	(571)	**42,464**	55,045
Mortgage	January 1, 2031	11.8	5.50%	7,885	124	**8,009**	8,089
Total / weighted average		**2.8** [5]	**4.05%** [6]	**$ 853,538**	**$ (4,040)**	**$ 849,498**	$ 871,562
Share of debt classified as equity investment [7]						**2,848**	—
Total debt including equity investment						**$ 852,346**	$ 871,562

[1] The weighted average interest rate has been calculated using the March 31, 2019 U.S. LIBOR rate for purposes of the revolver, term loan and term loan 2.
[2] Debt available to be drawn is subject to certain covenants as provided in the REIT's lending agreements, including generally, a maximum of 65% Consolidated Total Indebtedness to Gross Asset Value. The revolver, term loan and term loan 2 provide for different spreads over one-month U.S. LIBOR depending on the ratio of the Consolidated Total Indebtedness to Gross Asset Value. 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 requires a stand-by fee to be paid in an amount equal to 0.25% of the unused portion of the revolver where the unused portion is greater than or equal to 50% of the maximum amount available and 0.15% of the unused portion of the revolver where the unused portion is less than 50% of the maximum amount available, calculated daily.
[4] The revolver, term loan and term loan 2 are secured by a general pledge of equity of certain subsidiaries of the REIT. Collectively, those subsidiaries hold an interest in 73 of the REIT's properties.
[5] Excludes a one-year extension option exercisable at the REIT's option. With the one-year extension the weighted average debt maturity of the REIT's debt portfolio is 3.0 years.
[6] The weighted average interest rate includes the impact of pay-fixed receive-float swaps.
[7] The debt bears interest of 5.25% with a maturity date of January 28, 2022.

The carrying amount of debt was $849.5 million at March 31, 2019, which represents a decrease of $22.1 million compared to December 31, 2018. The decrease is mainly due to principal repayments totaling $39.3 million on the REIT's revolver and mortgages funded by cash received from the disposal of two properties and two property outparcels, as well as cash on hand.

DEBT TO GROSS BOOK VALUE

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

	March 31, 2019	December 31, 2018
Gross book value	**$ 1,388,403**	$ 1,416,334
Debt	**849,498**	871,562
Leverage ratio	**61.2%**	61.5%

The REIT's leverage ratio has decreased by 0.3% for the three month period ended March 31, 2019 to 61.2% from December 31, 2018 due to a decrease in gross book value as a result of the disposition of two properties and two property outparcels during the period and cash on hand, partially offset by net repayments on the revolver funded.

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

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

	Threshold	**March 31, 2019**	December 31, 2018
Maximum leverage ratio: consolidated total indebtedness shall not exceed 65% of gross asset value	< 65%	**59.1%**	59.6%
Minimum fixed charge coverage ratio: adjusted EBITDA to consolidated fixed charges shall not be less than 1.50x [1]	> 1.50x	**2.37x**	2.40x

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

INTEREST COVERAGE RATIO

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

The following is a calculation of Adjusted EBITDA and the REIT's interest coverage ratio:

	Three months ended March 31,	
	2019	2018
NOI	**$ 24,569**	$ 24,724
Other expenses	**(2,632)**	(2,476)
Adjusted EBITDA	**$ 21,937**	$ 22,248
Cash interest paid	**(8,941)**	(8,342)
Interest coverage ratio	**2.45x**	2.67x

The interest coverage ratio decreased to 2.45x for the three month period ended March 31, 2019 compared to 2.67x in the same quarter of the prior period. The decrease was a result of increases in interest costs due to one-month U.S. LIBOR rates going from 1.88% at March 31, 2018 to 2.50% for the current period and the aforementioned decrease in NOI, partially offset by receipt of net payments on the REIT's interest rate swaps.

LIQUIDITY AND CAPITAL RESOURCES

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

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

The REIT manages its cash flow from operating activities by maintaining a target debt level. The debt to gross book value, as defined in the Declaration of Trust, as at March 31, 2019 is 61.2% (December 31, 2018 – 61.5%). With available liquidity, the REIT could invest in an additional $147.0 million and remain within the permitted limit under the Declaration of Trust.

Contractual commitments

The REIT has the following contractual commitments:

	Total contractual cash flow	In one year or less	In more than one year but not more than three years	In more than three years but not more than five years	In more than five years
Accounts payable and accrued liabilities	$ 19,356	$ 19,356	$ —	$ —	$ —
Revolver (1) (2)	135,099	135,099	—	—	—
Revolver interest payable (1) (2) (3)	6,021	6,021	—	—	—
Term loan (1) (2)	362,500	—	362,500	—	—
Term loan interest payable (1) (2)	29,967	16,281	13,686	—	—
Term loan 2 (2) (4)	250,000	—	—	250,000	—
Term loan 2 interest payable (2) (4)	41,159	11,228	20,753	9,178	—
Mortgages (5)	108,918	3,553	20,392	7,493	77,480
Mortgage interest payable (5)	23,145	4,601	8,113	6,622	3,809
Letters of credit	393	—	393	—	—
Interest rate swap, net of cash outflows	7,930	—	2,324	4,212	1,394
Exchangeable units of subsidiaries	21,527	—	—	—	21,527
Total contractual commitments	**$ 1,006,015**	**$ 196,139**	**$ 428,161**	**$ 277,505**	**$ 104,210**

(1) Revolver and term loan interest payable is calculated on $135.1 million and $362.5 million (balance outstanding) using an estimated "all in" interest rate of 4.48% 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 resulting in an anticipated increase to the "all-in" interest rate to 4.15%. The total revolver and term loan interest payable is calculated until maturity of the initial term.
(2) Excludes the impact of the REIT's $750.0 million pay-fixed, receive-float interest rate swaps that hedge a portion of the cash flow risk associated with one-month U.S. LIBOR based interest payments.
(3) Includes stand-by fee on the revolver to be paid in an amount equal to 0.25% of the unused portion of the revolver where the unused portion is greater than or equal to 50% of the maximum amount available and 0.15% of the unused portion of the revolver where the unused portion is less than 50% of the maximum amount available, calculated daily.
(4) Term loan 2 interest payable is calculated on $250.0 million (balance outstanding) using an estimated "all in" Interest rate of 4.48% under the "less than one year" column. The long-term average interest rate is based on the 30-day LIBOR curve plus the specified margin for the LIBOR rate option under the term loan 2 and results in an anticipated increase to the "all-in" interest rate to 4.18%. The total term loan 2 interest payable is calculated until maturity.
(5) Includes the REIT's share of debt held in its equity accounted property investment.

REIT UNITS AND EXCHANGEABLE UNITS OF SUBSIDIARIES

The units of the REIT are presented as equity instruments while exchangeable units of subsidiaries are presented as financial liabilities in accordance with IAS 32, *Financial Instruments: Presentation.*

The exchangeable units of subsidiaries are redeemable at the option of the holder for cash or class U units of the REIT as determined by the REIT. Distributions paid on exchangeable units of subsidiaries are recorded as unit expense in the period in which they become payable. The exchangeable units of subsidiaries are measured at fair value at each reporting period with any changes in fair value recognized in net and income.

REIT units and exchangeable units of subsidiaries outstanding for the three month period ended March 31, 2019 and their respective class U equivalent amounts if converted are as follows:

	REIT units			Exchangeable units of subsidiaries			
Class / type	**U**	**A**	**I**	**SR1 (1)**	**SR2 (1)**	**GAR B**	**Total class U units equivalent**
Balance, December 31, 2018	41,524	292	282	220	1,603	388	**44,309**
Repurchased	(337)	—	—	—	—	—	**(337)**
Exchanges	34	(34)	—	—	—	—	**—**
Class U units equivalent, March 31, 2019	**41,221**	**258**	**282**	**220**	**1,603**	**388**	**43,972**

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

Effective March 15, 2018 the REIT elected to suspend its DRIP, which allowed holders of REIT units to elect to receive their distributions in the form of class U units for holders of class A units, class I units and class U units due to the dilutive impact of issuing units at the current market price.

Normal course issuer bid

The REIT has a normal course issuer bid ("NCIB") which was most recently renewed on May 26, 2018. The NCIB remains in effect until the earlier of May 25, 2019 or the date on which the REIT has purchased an aggregate of 3.9 million class U units, representing 10% of the REIT's public float of 38.7 million class U units at the time of entering the NCIB through the facilities of the TSX.

For the three month period ended March 31, 2019, no class U units have been purchased and subsequently canceled under the NCIB.

Substantial course issuer bid

On January 16, 2019, the REIT commenced a substantial issuer bid (the "offer"), pursuant to which the REIT offered to purchase up to 4.2 million class U units at a purchase price of C$12.54 (USD$9.51). On February 20, 2019, the offer expired and the REIT had taken up and paid for 0.3 million class U units for an aggregate cost of $3.2 million or C$4.2 million, excluding fees and expenses related to the offer. The class U units purchased for cancellation under the offer represents 0.8% of the diluted class U units outstanding, immediately prior to the expiry of the offer.

ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities are comprised of the following:

	March 31, 2019	December 31, 2018
Trade payables and accrued liabilities	**$ 12,008**	$ 14,500
Prepaid rent	**3,989**	3,656
Tenant improvements payable	**253**	186
Other payables	**3,106**	4,606
Total	**$ 19,356**	$ 22,948

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.

ACCOUNTS RECEIVABLE

The accounts receivable balance is comprised of the following:

	March 31, 2019	December 31, 2018
Rent receivable	**$ 7,584**	$ 3,748
Allowance for doubtful accounts	**(637)**	(741)
Accrued recovery income	**3,537**	6,101
Other receivables	**1,488**	2,877
Total	**$ 11,972**	$ 11,985

Rent receivable consists of base rent and operating expense recoveries. Management has provided for $0.6 million (December 31, 2018 – $0.7 million) as an allowance for doubtful accounts and anticipates that the unprovided balance is collectible. The $3.9 million increase in rent receivable, net of allowance from December 31, 2018 is due to year end operating expense recovery reconciliations, previously accrued at December 31, 2018 that were billed out to tenants during the three month period ended March 31, 2019, partially offset by collections during the period.

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

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

	March 31, 2019	December 31, 2018
Current to 30 days	**$ 5,829**	$ 2,128
31 to 60 days	**596**	492
61 to 90 days	**250**	125
Greater than 90 days	**272**	262
Total	**$ 6,947**	$ 3,007

The net amounts aged greater than 90 days are at various stages of the collection process and are considered collectible by management.

EQUITY INVESTMENT

The REIT accounts for its investment in a property development joint venture using the equity method. On January 25, 2019, the REIT acquired a 50% partnership interest in Windmill Plaza, a grocery-anchored shopping centre located in Sterling Heights, Michigan, in a joint-venture partnership with The Kroger Company for $7.3 million, before transaction costs. Consideration for the partnership interest included settlement of the REIT's note receivable in the amount of $9.4 million and interest receivable of $2.2 million, assumed debt and cash on hand.

The change in the equity investment for the three month period ended March 31, 2019 are as follows:

		Three months ended March 31, 2019
Beginning of the period	$	—
Contribution of note receivable and accrued interest		11,644
Cash contributions		3,131
Distribution of financing proceeds		(2,551)
Proceeds from partner investment		(7,475)
Net cost of equity investment	$	4,749
Capital contributions		150
Share of income in equity investment		35
End of the period	$	4,934

The following represents the summary statement of financial position of the REIT's equity investment as at March 31, 2019:

		March 31, 2019
Assets		
Property	$	15,700
Other current assets		422
		16,122
Liabilities		
Debt [(1)]	$	5,696
Other non-current liabilities		15
Other current liabilities		544
		6,255
Net assets at 100%	$	9,867
At the REIT's 50% interest	$	4,934

[(1)] The debt bears interest of 5.25% with a maturity date of January 28, 2022.

The following represents the summary of income for the three month period ended March 31, 2019:

		March 31, 2019
Rental revenue	$	16
Property operating expenses		(86)
Other expenses		(12)
Interest expense and other financing costs, net		(52)
Change in fair value of property		204
Net income and comprehensive income at 100%	$	70
At the REIT's 50% interest	$	35

Management fees

Pursuant to the terms of the property management and leasing agreement, and the development services agreement, the REIT provides property, leasing and development manager services to Windmill Plaza. In return for its services, the REIT receives the following fees:

i property management fees calculated based on gross income of each tenant;

ii development fees for the management of the construction in adherence with the property's development plan; and

iii leasing commissions for all executed leases.

SUBSEQUENT EVENTS

On April 15, 2019, the REIT declared monthly distributions of $0.07125 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.

PART V – ACCOUNTING AND CONTROL

USE OF ESTIMATES

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

CRITICAL ACCOUNTING ESTIMATES

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

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

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

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

Overall income capitalization approach

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

Direct comparison approach

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

A summary of the significant assumptions used in the REIT's estimate of fair value as at March 31, 2019 is included on page 19 of this MD&A. Changes in these assumptions would have a significant impact on the REIT's estimate of fair value, which can be impacted by changes in demand for properties similar to those owned by the REIT, expectations of market rents, the covenant quality of tenants and the general economic environment.

The REIT determines the fair value of properties based upon the overall income capitalization rate method. Historically, estimates of fair value have in certain instances included valuations completed for transaction or lending purposes, in which case a discounted cash flow approach was also used.

NEW AND FUTURE ACCOUNTING POLICIES

i. *Application of new and revised IFRS*

IFRS 16, Leases ("IFRS 16")

IFRS 16 replaces IAS 17, Leases ("IAS 17") and IFRIC 4, Determining whether an arrangement contains a lease, and is effective January 1, 2019. IFRS 16 substantially carries forward the lessor accounting requirements of IAS 17 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 REIT has adopted IFRS 16 initially on January 1, 2019, using a modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 is recognized as an adjustment to the opening balance of retained earnings at January 1, 2019, with no restatement of comparative information.

As a result of the adoption of IFRS 16, the REIT has separately disclosed variable lease payments not connected to an index or rate including property tax recoveries and percentage rents. As a landlord, all of the REIT's leases are considered operating leases under IFRS 16. There was no impact on the statement of financial position, consolidated statement of income or the statement of cash flows as a result of adoption.

ii. Supplementary accounting policy disclosure

In 2019, the REIT applied an accounting policy for a transaction that did not occur in periods prior to 2019. The REIT's significant accounting policy related thereto are described below:

Investments in associates and joint ventures

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. The REIT’s investment in a joint venture is recorded using the equity method and is initially recognized in the statement of financial position at cost and adjusted thereafter to recognize the REIT’s share of the profit or loss and other comprehensive income of the joint venture. The REIT’s share of the joint venture’s profit or loss is recognized in the REIT’s statement of income and consolidated statement of comprehensive (loss) income.

The financial statements of the equity accounted investment are prepared for the same reporting period as the REIT. Where necessary, adjustments are made to bring the accounting policies in line with those of the REIT. A joint venture is considered to be impaired if there is objective evidence of impairment, as a result of one or more events that occurred after initial recognition of the joint venture, and that event has a negative impact on the future cash flows of the joint venture that can be reliably estimated.

CONTROL AND PROCEDURES

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

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

ICFR is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The REIT has applied the *Internal Control – Integrated Framework (2013)* published by the Committee of Sponsoring Organizations of the Treadway Commission for the design of its ICFR for the three month period ended March 31, 2019.

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

No changes were made in the REIT’s design of ICFR during the three month period ended March 31, 2019, that have materially affected, or are reasonably likely to materially affect, the REIT’s ICFR.

In designing such controls, it should be recognized that due to inherent limitations, any controls or control systems, no matter how well designed and operated, can provide only reasonable, and not absolute, assurance that the objectives of the control system are met. As a result of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues, including instances of fraud, if any, have been detected or prevented. These inherent limitations include, without limitation, (i) the possibility that management’s assumptions and judgments may ultimately prove to be incorrect under varying conditions and circumstances; or (ii) the impact of isolated errors.

Additionally, controls may be circumvented by unauthorized acts of individuals, by collusion of two or more people, or by management override. The design of any control system is also based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential conditions. Projections of any evaluations of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

PART VI – PROPERTY TABLES

At March 31, 2019, the REIT owns a portfolio of 84 grocery-anchored retail properties. The portfolio consists of 10,709,564 square feet of GLA with an occupancy rate of 93.3%.

Property	Location	Associated MSA	Area (SF)	% of Total	Occ. %	Anchor
98 Palms	Destin	Crestview-Fort Walton Beach-Destin	84,682		98%	Winn-Dixie
Bellview Plaza	Pensacola	Pensacola	82,910		100%	Publix
Bloomingdale Plaza	Brandon	Tampa-St. Petersburg	83,237		97%	Winn-Dixie
Cordova Commons	Pensacola	Pensacola	164,343		100%	The Fresh Market
Errol Plaza	Orlando	Orlando	76,582		98%	Winn-Dixie
Eustis Village	Eustis	Orlando	156,927		97%	Publix
Good Homes Plaza	Ocoee	Orlando	165,741		98%	Publix
Meres Town Center	Tarpon Springs	Tampa-St. Petersburg	47,183		100%	Winn-Dixie
Oak Hill Village	Jacksonville	Jacksonville	78,492		100%	Publix
Salerno Village Square	Stuart	Port St. Lucie	77,677		93%	Winn-Dixie
Seminole Oaks	Seminole	Tampa-St. Petersburg	63,572		98%	Winn-Dixie
Uptown Station	Fort Walton Beach	Pensacola	270,276		88%	Winn-Dixie
Wedgewood Commons	Stuart	Port St. Lucie	165,308		87%	Publix
Total Florida			**1,516,930**	**14.2%**		
County Line Plaza	Philadelphia	Philadelphia	74,968		90%	The Edge Fitness
Kennywood Shops	Pittsburgh	Pittsburgh	194,823		93%	Giant Eagle
Lake Raystown Plaza	Huntingdon	Harrisburg	140,159		100%	Giant Foods
Northland Center	State College	State College	111,409		89%	Giant Foods
Norwin Town Square	North Huntingdon	Pittsburgh	141,466		100%	Shop 'n Save
Shops at Cedar Point	Allentown	Allentown-Bethlehem-Easton	130,553		92%	Weis
Summit Ridge	Mount Pleasant	Pittsburgh	227,729		97%	Walmart
West Valley Marketplace	Allentown	Allentown-Bethlehem-Easton	259,207		96%	Walmart
Total Pennsylvania			**1,280,314**	**12.0%**		
11 Galleria	Greenville	Greenville	105,608		82%	The Fresh Market
Battleground Village	Greensboro	Greensboro-High Point	73,207		100%	Earth Fare
Flowers Plantation	Clayton	Raleigh	53,500		95%	Food Lion
Fuquay Crossing	Fuquay-Varnia	Raleigh	96,638		99%	Harris Teeter
Independence Square	Charlotte	Charlotte	190,361		99%	Walmart
Mooresville Consumer Square	Mooresville	Charlotte	272,858		94%	Walmart
Mooresville Town Square	Mooresville	Charlotte	89,824		100%	Lowes Foods
North Summit Square	Winston-Salem	Winston-Salem	224,530		96%	Sam's Club
Total North Carolina			**1,106,526**	**10.3%**		
Abbott's Village	Alpharetta	Atlanta	109,586		98%	Publix
Birmingham Shoppes	Milton	Atlanta	82,905		89%	Publix
Douglas Commons	Douglasville	Atlanta	97,027		98%	Kroger
Duluth Station	Duluth	Atlanta	94,966		83%	Publix
Locust Grove	Locust Grove	Atlanta	89,567		92%	Publix
Merchants Crossing	Newnan	Atlanta	174,059		97%	Kroger
Merchants Square	Riverdale	Atlanta	118,986		96%	Kroger
National Hills	Augusta	Augusta-Richmond	159,885		94%	The Fresh Market
Robson Crossing	Flowery Branch	Atlanta	103,720		90%	Publix
Total Georgia			**1,030,701**	**9.6%**		
Armstrong Plaza	Fountain Inn	Greenville	57,838		97%	BI-LO
Barefoot Commons	North Myrtle Beach	Myrtle Beach-Conway	90,702		87%	BI-LO
Dill Creek Commons	Greer	Greenville-Spartanburg-Anderson	72,526		100%	BI-LO
Dorman Center	Spartanburg	Greenville-Spartanburg-Anderson	388,502		97%	Walmart
Little River Pavilion	North Myrtle Beach	Myrtle Beach-Conway	63,823		98%	Lowes Foods
North Augusta Plaza	North Augusta	Augusta-Richmond	231,998		90%	Publix
North Pointe	Columbia	Columbia	64,255		100%	Publix
Total South Carolina			**969,644**	**9.1%**		

Property	Location	Associated MSA	Area (SF)	% of Total	Occ. %	Anchor
Buckeye Plaza	Cleveland	Cleveland	116,905		95%	Simon's
Hocking Valley Mall	Lancaster	Columbus	181,393		94%	Kroger
Mulberry Square	Milford	Cincinnati	146,730		84%	Kroger
Pinewood Plaza	Dayton	Dayton	88,700		91%	Kroger
Springboro Plaza	Dayton	Dayton	154,034		41%	Kroger
Total Ohio			**687,762**	**6.4%**		
Cambridge Crossings	Troy	Detroit	238,963		100%	Walmart
Canton Shopping Center	Canton	Detroit	72,361		89%	ALDI
City Center Plaza	Westland	Detroit	97,670		97%	Kroger
Stadium Center	Port Huron	Detroit-Warren-Dearborn	92,538		97%	Kroger
Windmill Plaza	Sterling Heights	Detroit	105,603		86%	Kroger
Total Michigan			**607,135**	**5.7%**		
East Brainerd Mall	Brainerd	Minneapolis-St Paul	191,459		96%	Cub Foods
Mapleridge Center	Maplewood	Minneapolis-St Paul	114,681		88%	Rainbow Foods
North Branch Marketplace	North Branch	Minneapolis-St Paul	72,895		100%	County Market
Phalen Retail Center	St. Paul	Minneapolis-St Paul	73,678		96%	Cub Foods
Plymouth Station	Plymouth	Minneapolis-St Paul	114,069		98%	Hy-Vee
Total Minnesota			**566,782**	**5.3%**		
Highland Square	Crossville	Nashville	179,732		100%	Kroger
North Hixson Marketplace	Hixson	Chattanooga	64,254		91%	Food City
St. Elmo Central	Chattanooga	Chattanooga	74,999		100%	Food City
Sunset Plaza	Johnson City	Johnson City	143,752		100%	Kroger
Westhaven Town Center	Franklin	Nashville	63,904		100%	Kroger
Total Tennessee			**526,641**	**4.9%**		
Glidden Crossing	DeKalb	Chicago-Naperville-Joliet	98,683		92%	Schnucks
North Lake Commons	Lake Zurich	Chicago-Naperville-Joliet	121,099		87%	Jewel Osco
Oakland Commons	Bloomington	Bloomington	73,705		94%	Jewel Osco
Plaza St. Clair	Fairview Heights	St. Louis	97,459		77%	Schnucks
Total Illinois			**390,946**	**3.7%**		
Charles Town Plaza	Charles Town	Washington	206,146		98%	Walmart
Eastpointe Shopping Center	Clarksburg	Morgantown	181,016		53%	Kroger
Total West Virginia			**387,162**	**3.6%**		
Southgate Crossing	Minot	Minot	159,780		100%	CashWise
Watford Plaza	Watford City	Williston	101,798		99%	CashWise
Total North Dakota			**261,578**	**2.4%**		
East Little Creek	Norfolk	Virginia Beach-Norfolk-Newport News	68,770		100%	Kroger
Smithfield Shopping Plaza	Smithfield	Virginia Beach-Norfolk-Newport News	134,664		94%	Kroger
Total Virginia			**203,434**	**1.9%**		
Roxborough Marketplace	Littleton	Denver Aurora-Lakewood	101,624		98%	Safeway
Westminster Plaza	Westminster	Denver Aurora-Lakewood	98,842		88%	Safeway
Total Colorado			**200,466**	**1.9%**		
Derry Meadows Shoppes	Derry	Manchester-Nashua	187,001		97%	Hannaford
Total New Hampshire			**187,001**	**1.7%**		
Alta Mesa Plaza	Fort Worth	Dallas-Ft. Worth	167,961		85%	Kroger
Total Texas			**167,961**	**1.6%**		
Mitchellville Plaza	Mitchellville	Washington	147,803		93%	Weis
Total Maryland			**147,803**	**1.4%**		
Waterbury Plaza	Waterbury	New Haven-Milford	139,653		100%	Stop & Shop
Total Connecticut			**139,653**	**1.3%**		
Taylorsville Town Center	Salt Lake City	Salt Lake City	127,231		97%	Fresh Market
Total Utah			**127,231**	**1.2%**		
Forest Plaza	Fond du Lac	Fond du Lac	123,028		100%	Pick 'N Save
Total Wisconsin			**123,028**	**1.0%**		
Stonefield Square	Louisville	Louisville	80,866		88%	The Fresh Market
Total Kentucky			**80,866**	**0.8%**		
Total / WA			**10,709,564**	**100%**	**93%**	

CORPORATE INFORMATION

Slate Retail REIT is an unincorporated, open-ended investment trust fund under and governed by the laws of the Province of Ontario. The REIT focuses on acquiring, owning and leasing a portfolio of diversified revenue-producing commercial real estate properties in the U.S. with an emphasis on grocery-anchored retail properties. The REIT has a current portfolio that spans 10.7 million square feet of GLA and consists of 84 grocery-anchored retail commercial properties located in the U.S.

Head office

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Independent auditors

Deloitte LLP
Chartered Professional Accountants
Toronto, Canada

Stock exchange listing and symbol

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

Registrar and transfer agent

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

Trustees