SLATE RETAIL REIT

June 30, 2019

Retail
REIT
SLATE

Q2 2019

TSX: SRT.U and SRT.UN

DEAR FELLOW UNITHOLDERS

Supply-side fundamentals in Slate Retail's target markets continue to be very favorable for landlords. There has been virtually no new strip center supply since the pre-crisis period. To be specific, 2019 represents the 10th year in a row where new strip center construction, i.e. supply, is 40% to 50% below (or more in many of Slate Retail's markets) historical levels. In addition to this, reinvestment from landlords back into their strip center assets, e.g. tenant improvement and leasing related capital, has also been muted. A big part of our leasing success is bringing capital and institutional expertise to our centers to compete in a very supply and capital constrained environment. Effectively, we continue to believe the temporary absence of capital in the strip center retail space presents an opportunity to achieve attractive risk adjusted returns. Temporary misallocations of capital which create structural supply deficits are often fruitful places to invest. As a result of the lack of new supply and reinvestment, we continue to expect to generate positive leasing spreads and attractive returns on our invested capital, much like what was achieved again in the second quarter.

Demand-side fundamentals continue to be solid as well, particularly in the service and necessity categories, uses which comprise the majority of Slate Retail's tenant roster. We continue to actively lease space to medical, dental, health and beauty, fitness, quick service restaurants, and child care users, to name a few. In addition, demand from retailers in under-performing enclosed shopping malls is starting to increase and provide a new source for strip center tenant demand. As a result of the department stores and other big box retailers at these malls having closed stores, foot traffic in these malls is dropping precipitously. Tenants from these malls are relocating to Slate Retail's centers where we can provide a newly renovated retail unit next to a thriving grocery store that drives significant weekly foot traffic. Consistent weekly foot traffic that grocery stores generate is exactly what these former mall tenants want to be next to. Tenants also get exterior signage and their storefronts can be seen by customers driving by on major thoroughfares where our centers are located. This compares favorably to no signage or visibility at all located within the interior of a large mall. In addition, it is far less costly to operate and manage a strip center than a large enclosed shopping mall so we can offer gross rents (base rent plus operating expenses passed through to tenants) that are often times 50% to 60% lower in comparison. Strip centers with much smaller roofing systems, parking lots, and no major HVAC equipment, for example, pay lower real estate taxes and considerably lower operating expenses. It is a win-win for these tenants because by moving they see increased foot traffic, have better access and visibility to their customers, often times at half the cost. As a result, U.S. strip center occupancy has averaged approximately 95% over the last 5 years.

Due to all of the leasing opportunities we have successfully pursued, more dollars have been allocated to invest in leasing capital to drive growth in net operating income ("NOI"). In fact, over the four-year 2014 to 2017 period, our leasing and maintenance capital spend averaged approximately 8.7% of NOI (note: we report actual capital spend, not a reserve or a straight-line figure). To put that into perspective, over those 4-years we spent a total of $21.8 million. In 2018 and the first quarter of 2019, we spent $20.0 million, almost the same amount spent in the prior four years, combined. We thought highlighting this would be instructive to investors looking to better understanding the spike in our payout ratio (we had a lot of questions on it). The Adjusted Funds from Operations ("AFFO") payout ratio was down to 87.9% in the second quarter from 103.1% in the first quarter of 2019, so as anticipated, the payout is dropping. This is due to the combination of growth in income and lower capital spend. As a result of both continued growth in income from leasing activity and a reduction in capital spend closer to our longer-term historical levels, we expect the decline in our payout ratio to remain intact.

Below is a table laying out the above payout ratio commentary. We find it easier to see things this way and thought our readers might as well.

(in thousands of U.S. dollars)	**2014** [1]	**2015**	**2016**	**2017**	**2018**	**Q1 2019**	**Q2 2019**
AFFO	$ 15,537	$ 31,761	$ 32,554	$ 44,828	$ 38,651	$ 9,137	$ 10,694
Distributions paid	9,158	21,525	27,264	36,332	38,477	9,424	9,399
AFFO payout ratio	**58.9%**	**67.8%**	**83.8%**	**81.0%**	**99.5%**	**103.1%**	**87.9%**
Leasing & maintenance capital	$ 1,688	$ 4,372	$ 7,033	$ 8,696	$ 16,551	$ 3,466	$ 2,513
Percent of NOI	6.8%	7.7%	10.1%	10.2%	16.4%	14.1%	9.8%
Redevelopment capital	—	—	8,974	7,186	9,864	2,157	2,168
Total capital spend	**$ 1,688**	**$ 4,372**	**$ 16,007**	**$ 15,882**	**$ 26,415**	**$ 5,623**	**$ 4,681**

[1] Partial year starting April 15, 2014.

It's even more important to point out that the prior increase in capital spend will generate an attractive return. We executed over 1.8 million square feet of new and renewed leases in 2018 and the first quarter of 2019 which will generate over $5.4 million of incremental income for the REIT per year, over a 5.2 year weighted average lease term. So $28.0 million of incremental income for $20.0 million incremental spend, or 40.0% return on invested capital and given our historical tenant retention ratio of 96.1% we believe there is a reasonable probability many of these tenants stay past their initial lease term, further enhancing our ROIC. It is also worth highlighting that many of these improvements drive value at the properties above and beyond the additional income generated.

An update below to track our progress on the initiatives we set out for 2019. We've reiterated the list set out in the year-end 2018 letter:

- Grow net operating income by 2.5% to 3.0% (same-store properties plus growth from redevelopment properties);
- Generate approximately $200.0 million of gross proceeds from asset sales at an approximate cap rate of 7.5%;
- Reduce our total debt balance outstanding with the longer term goal of achieving a 50.0% loan-to-value ratio; and
- Reduce AFFO payout ratio to 89.0% by year end.

Here is how we have done so far, as of June 30, 2019:

- Total net operating income has grown by 1.8%, or $1.9 million on an annualized basis (more info on page 23 and 24 of the MD&A);
- Generated $35.6 million in gross proceeds at a weighted average cap rate of 7.5%;
- We have reduced total debt outstanding by $33.4 million at a cost of approximately 4.6%; and
- Reduced the AFFO payout ratio from 102.6% in the fourth quarter of 2018 to 87.9%.

The third quarter will be busy from a disposition perspective with seven properties currently under contract and firm, totaling over $36.0 million in expected proceeds. While some of our 2019 targeted sales will fall into the first quarter of next year, we are encouraged by the outcome so far and still expect to be on target for both dollar amount and pricing. Part of these proceeds will be used to fund the remaining $10.7 million of capital required for our active redevelopment projects where we expect to generate an incremental yield on cost of approximately 15.6% which will be significantly accretive to the asset sales completed at a much lower yield.

All of the initiatives listed above are intended to generate unitholder value but the important thing to note is that the tools we are using to do so are simply employed to achieve our main goal which is to close the discount between where our unit price currently trades and our reported net asset value.

Lastly, we continue to invest a large amount of time following the latest trends in the grocery sector to try and stay ahead of the crowd and invest our capital wisely. We publish a newsletter (refer to the link here) where we compile many of the articles we read internally that we share with our subscribers. If you are not on this list and would like to be please let us know by email us at ir@slateam.com.

Sincerely,

Greg Stevenson
Chief Executive Officer
July 30, 2019

Retail
REIT

SLATE

Management's Discussion and Analysis

SLATE RETAIL REIT

June 30, 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 July 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)

	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018
Summary of Portfolio Information						
Number of properties [1]	83	84	85	86	86	86
GLA [2]	10,536,332	10,709,564	10,768,319	10,897,059	11,060,145	11,067,372
GLA occupied by grocery-anchors [2]	5,058,302	5,118,919	5,170,584	5,198,055	5,159,693	5,159,693
Occupancy [2]	93.3%	93.3%	94.2%	94.3%	93.9%	93.7%
Grocery-anchor occupancy [2]	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Non-anchor occupancy [2]	87.1%	87.1%	88.9%	89.1%	88.6%	88.2%
Grocery-anchor weighted average lease term (years) [2]	5.4	5.5	5.4	5.2	5.3	5.6
Portfolio weighted average lease term (years) [2]	4.9	5.0	4.8	4.8	4.9	5.0
Square feet ("SF") leased [2]	324,242	375,558	642,773	258,114	242,401	294,408
Summary of Financial Information						
IFRS gross book value ("GBV") [3]	$ 1,375,824	$ 1,388,403	$ 1,416,334	$ 1,472,898	$ 1,474,077	$ 1,478,396
Total debt	838,126	849,498	871,562	875,227	864,051	872,263
Revenue	36,016	36,416	36,301	35,699	35,669	36,544
Net income (loss) [2] [4]	5,934	1,601	(9,017)	(1,024)	(14,201)	26,703
Net operating income ("NOI") [2] [4]	25,507	24,569	25,353	25,551	25,304	24,724
Funds from operations ("FFO") [2] [4]	13,622	13,387	13,536	14,469	14,542	15,227
Adjusted funds from operations ("AFFO") [2] [4]	10,694	9,137	9,201	8,998	9,465	10,987
Distributions declared	$ 9,399	$ 9,424	$ 9,438	$ 9,627	$ 9,670	$ 9,742
Per Unit Financial Information						
Class U equivalent units outstanding	43,972	43,972	44,309	45,674	46,031	46,261
WA class U equivalent units outstanding ("WA units")	44,101	44,208	44,971	45,489	46,153	46,479
FFO per WA units [2] [4]	$ 0.31	$ 0.30	$ 0.30	$ 0.32	$ 0.32	$ 0.33
AFFO per WA units [2] [4]	0.24	0.21	0.20	0.20	0.21	0.24
Declared distributions per unit	$ 0.2138	$ 0.2138	$ 0.2113	$ 0.2100	$ 0.2100	$ 0.2100
Financial Ratios						
FFO payout ratio [2] [5]	69.0%	70.4%	69.7%	66.5%	66.5%	64.0%
AFFO payout ratio [2] [6]	87.9%	103.1%	102.6%	107.0%	102.2%	88.7%
Debt / GBV	60.9%	61.2%	61.5%	59.4%	58.6%	59.0%
Weighted average interest rate [7]	4.06%	4.06%	4.06%	4.06%	3.70%	3.53%
Interest coverage ratio [8]	2.53x	2.45x	2.41x	2.64x	2.63x	2.78x

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 June 30, 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 June 30, 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 July 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 June 30, 2019, the REIT owns 83 grocery-anchored retail commercial properties located in the United States of America (the "U.S.") comprising 10.5 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, change in fair value of financial instruments, 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.
- Net asset value is defined as the aggregate of the carrying value of the REIT's equity, deferred income taxes and exchangeable units of subsidiaries.

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 June 30, 2019:

- Completed 285,589 square feet of lease renewals at a 4.7% weighted average spread above expiring rent and 38,653 square feet of new leasing at a 57.1% premium above the weighted average in-place rent for comparable space.
- Occupancy remained in line with the most recent quarter at 93.3%.
- The weighted average tenant retention rate for the second quarter was 96.8%. Since the beginning of 2016, the weighted average retention rate has been 91.5%.
- Rental revenue for the three month period ended June 30, 2019 was $36.0 million, which represents an increase of $0.3 million over the same period in the prior year. The increase is primarily due to rental rate growth from re-leasing at rates above in-place rents, new leasing and the acquisition of one property and an interest in one property, partially offset by the disposition of four properties and 12 outparcels.
- Net income for the three month period ended June 30, 2019 was $5.9 million, which is a $20.1 million increase from the same quarter of the prior year. The increase is attributed to the aforementioned change in revenue, decreases in unit expense over the prior quarter due to the classification of REIT units as equity effective May 11, 2018, and a decrease in the fair value of exchangeable units of subsidiaries.
- NOI was $25.5 million for the three month period ended June 30, 2019 compared to $24.6 million in the first quarter of 2019. The increase is due to incremental rental revenue associated with one property acquired from the prior year, uplifts in rental rates from re-leasing, new leasing typically above in-place rent and termination fees related to shop-space tenants.
- Of the last 12 quarters, the REIT has had 10 quarters of positive same-property NOI growth. Same-property NOI for the three month period ended June 30, 2019 (comprised of 75 properties) increased by 2.9% over the comparative period. Same-property NOI for the trailing twelve month period ended June 30, 2019 (comprised of 58 properties) also increased by 2.9% 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 4.4% and 4.4% for the three and trailing twelve month period ended June 30, 2019, respectively.
- FFO per unit was $0.31 for the quarter, which represented a $0.01 decrease from the same period in the prior year, primarily due to the $0.5 million increase in cash interest paid as a result of fixing all of the REIT's debt through interest rate swaps from 58.9% to 101.6% over the period.
- AFFO per unit was $0.24 for the quarter, which is a $0.03 per unit increase compared to the same quarter in 2018, mainly due to a $1.9 million decrease in capital, leasing 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 $0.22.
- The REIT's AFFO payout ratio for the second quarter was 87.9%.

PART II – LEASING AND PROPERTY PORTFOLIO

LEASING

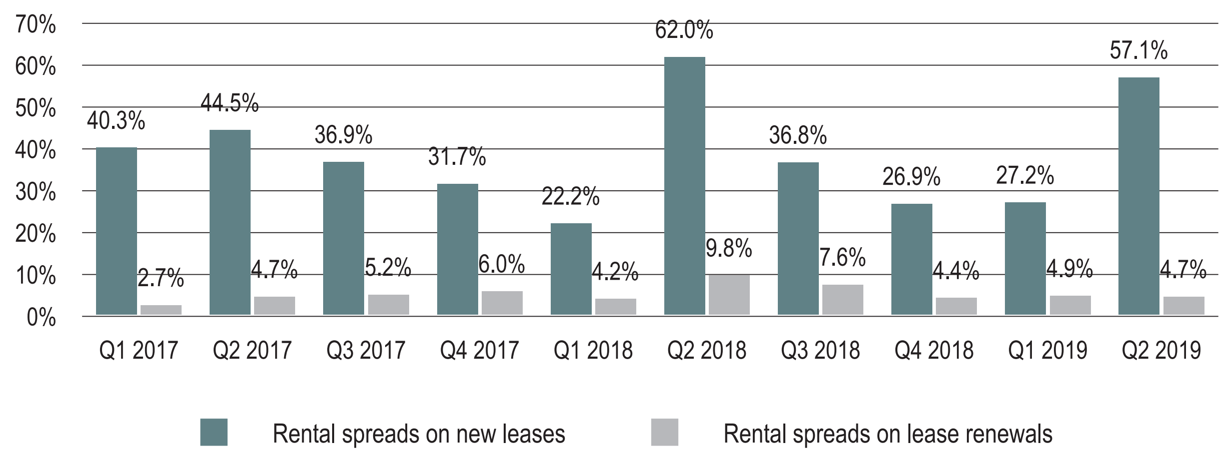
The REIT strives to ensure that its properties are well occupied with tenants who have space that allow them to meet their own business objectives. Accordingly, the REIT proactively monitors its tenant base with the objective to renew in advance of lease maturities, backfill tenant vacancies in instances 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		Q2 2019	Q1 2019	Q4 2018	Q3 2018
Less than 10,000	Renewal	Leases signed	54	49	46	40
		Total square feet	119,370	122,540	111,943	84,156
		Average base rent	$ 19.66	$ 21.13	$ 19.02	$ 18.98
		Rental spread	7.3%	6.0%	5.8 %	9.0%
Greater than 10,000	Renewal	Leases signed	5	4	7	5
		Total square feet	166,219	219,241	476,268	93,295
		Average base rent	$ 7.70	$ 6.11	$ 7.42	$ 8.69
		Rental spread	0.2%	2.8%	3.6 %	5.0%
Total renewals (square feet)			**285,589**	**341,781**	**588,211**	**177,451**
Less than 10,000	New lease	Leases signed	16	11	9	20
		Total square feet	28,384	22,944	26,562	43,800
		Average base rent	$ 18.37	$ 16.90	$ 19.05	$ 19.47
		Rental spread (1)	33.4%	29.2%	44.4 %	50.0%
Greater than 10,000	New lease	Leases signed	1	1	1	1
		Total square feet	10,269	10,833	28,000	36,863
		Average base rent	$ 21.38	$ 10.76	$ 7.25	$ 8.40
		Rental spread (1)	171.3%	21.0%	(2.6)%	10.1%
Total new leases (square feet)			**38,653**	**33,777**	**54,562**	**80,663**
Total leasing activity (square feet) (2)			**324,242**	**375,558**	**642,773**	**258,114**

(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 second quarter, management completed 285,589 square feet of lease renewals. The weighted average rental rate increases on renewals completed for leases less than 10,000 square feet was $1.34 per square foot or 7.3% higher than expiring rent. The weighted average rental rate increases on renewals completed for leases greater than 10,000 square feet was $0.02 per square foot or 0.2% higher than expiring rent.

The weighted average base rent on all new leases completed less than 10,000 square feet was $18.37 per square foot which is $4.60 per square foot or 33.4% 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 $21.38 which is $13.50 or 171.3% 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 $11.03.

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 June 30, 2019 was 5.4 years and 4.3 years, respectively, not including tenants on month-to-month leases. On a portfolio basis, the weighted average remaining term to maturity is 4.9 years.

The following table summarizes the composition of the remaining term to maturity of the REIT's leases at June 30, 2019:

	Weighted average term to maturity	GLA	GLA %
Grocery-anchor	5.4	5,058,302	48.0%
Non-anchor	4.3	4,689,809	44.5%
Total occupied	4.9	9,748,111	92.5%
Month-to-month		82,890	0.8%
Vacant		705,331	6.7%
Total GLA (1)		**10,536,332**	**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 June 30, 2019:

	Total GLA (1)	Occupied GLA (1)	Occupancy
March 31, 2019	10,709,564	9,989,347	93.3%
Dispositions	(194,823)	(182,107)	93.5%
Leasing changes (2)	—	9,810	N/A
Expansions	21,591	13,951	64.6%
June 30, 2019	**10,536,332**	**9,831,001**	**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 remained unchanged at 93.3% from March 31, 2019. Increases in occupancy were due to 38,653 square feet of net new leasing, partially offset by the disposal of Kennywood Shops at an occupancy rate of 93.5%.

	Total GLA (1)	Occupied GLA (1)	Occupancy
December 31, 2018	10,768,319	10,145,136	94.2%
Acquisition (1)	105,603	90,758	85.9%
Dispositions	(365,262)	(340,279)	93.2%
Leasing changes (2)	—	(84,646)	N/A
Expansions	26,023	18,383	70.6%
Re-measurements	1,649	1,649	100.0%
June 30, 2019	**10,536,332**	**9,831,001**	**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.

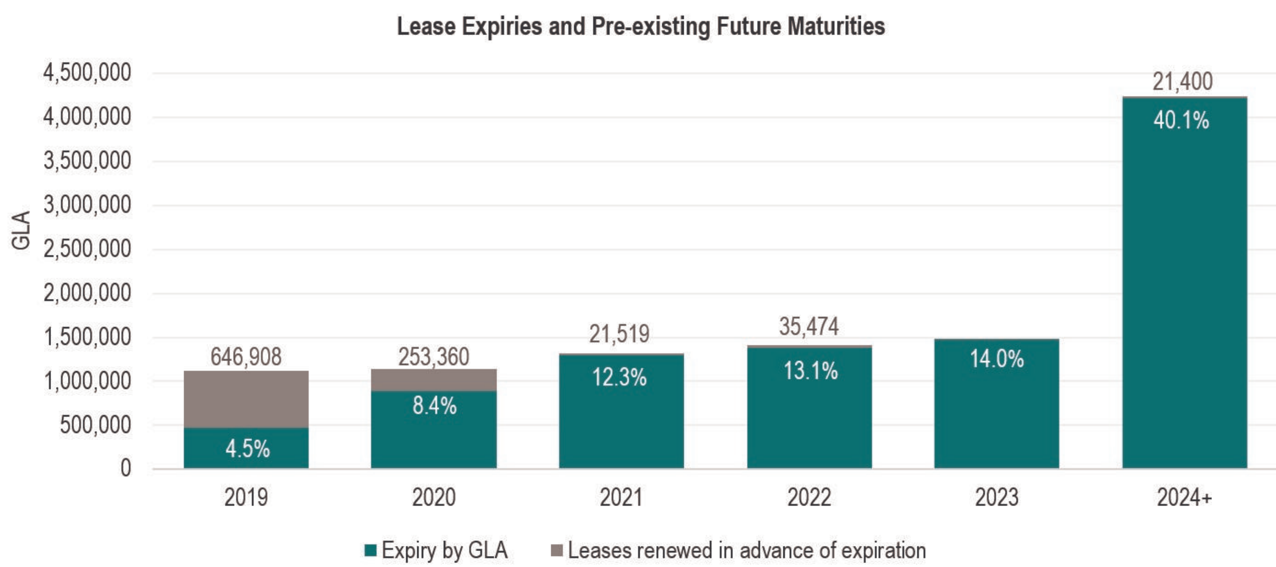
Occupancy decreased by 0.9% to 93.3% from December 31, 2018, primarily due to an 85.9% occupancy rate at the REIT's acquired interest in the property Windmill Plaza, a 50% joint venture with The Kroger Company, and vacancies, partially offset by new leasing and the disposal of three properties and two outparcels at various properties at a weighted occupancy rate of 93.2%.

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	—	—	$ —	82,890	0.8%	$ 15.67	82,890	0.8%	$ 15.67
2019	318,615	3.0%	5.85	157,594	1.5%	18.60	476,209	4.5%	10.07
2020	335,869	3.2%	6.90	554,333	5.3%	13.85	890,202	8.5%	11.23
2021	524,699	5.0%	7.89	776,261	7.4%	13.83	1,300,960	12.4%	11.43
2022	631,834	6.0%	7.34	749,360	7.1%	14.57	1,381,194	13.1%	11.26
2023	738,497	7.0%	8.05	738,305	7.0%	13.69	1,476,802	14.0%	10.87
2024 and later	2,508,788	23.8%	8.91	1,713,956	16.2%	13.74	4,222,744	40.0%	10.87
Vacant	—	—	N/A	705,331	6.7%	N/A	705,331	6.7%	N/A
Total / weighted average [1]	**5,058,302**	**48.0%**	**$ 8.16**	**5,478,030**	**52.0%**	**$ 14.08**	**10,536,332**	**100.0%**	**$ 11.03**

[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 June 30, 2019 and pre-existing future maturities that were leased in advance during 2019:



The following table summarizes remaining expiries:

	June 30, 2019		March 31, 2019		December 31, 2018		September 30, 2018	
GLA Expiration	Number of tenants	GLA	Number of tenants	GLA	Number of tenants	GLA	Number of tenants	GLA
Anchors	4	318,615	5	383,690	7	494,729	1	56,127
Non-anchors	77	157,594	130	305,570	171	463,967	34	83,697
Remaining expiries [1]	**81**	**476,209**	**135**	**689,260**	**178**	**958,696**	**35**	**139,824**
Percentage of occupied portfolio [1]		**4.8%**		**6.9%**		**9.4%**		**1.4%**

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

At June 30, 2019, remaining 2019 expiries totaled 476,209 square feet with 1.5% or 157,594 square feet of total GLA related to non-anchor tenants. Comparatively, 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. 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.

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 and six month periods ended June 30, 2019, and year ended December 31, 2018 for both grocery-anchor and non-grocery-anchor tenants:

Retention rate (1)	**Three months ended June 30, 2019**	**Six months ended June 30, 2019**	**Year ended December 31, 2018**
Grocery-anchor	100.0%	100.0%	100.0%
Non-grocery-anchor	93.3%	91.2%	84.0%
Net total / weighted average (2)	**96.8%**	**95.8%**	**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.

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

								For the three months ended,
		June 30, 2019		**March 31, 2019**		**December 31, 2018**		**September 30, 2018**
Renewals								
Square feet		285,589		341,781		588,211		177,451
Expiring rent per square foot (1)	$	12.13	$	10.96	$	9.22	$	12.61
Rent spread per square foot (1)		0.57		0.54		0.41		0.96
Vacated								
Square feet (2)		20,560		41,412		55,347		36,351
Expiring rent per square foot (1)	$	14.38	$	7.77	$	14.94	$	10.89
New								
Square feet		38,653		33,777		54,562		80,663
New rent per square foot (1)	$	19.17	$	14.93	$	12.99	$	14.41
Total base rent retained (3)	**$**	**3,169**	**$**	**3,424**	**$**	**4,596**	**$**	**1,842**
Incremental base rent (3)	**$**	**904**	**$**	**689**	**$**	**950**	**$**	**1,333**

(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 June 30, 2019 is as follows:

	GLA	**Number of tenants**		**Weighted average expiring rent**		**Weighted average new rent**
Renewed leases	285,589	59	$	12.13	$	12.70
New leases	38,653	17		N/A		19.17
Total / weighted average	**324,242**	**76**		**N/A**	**$**	**13.47**
Less, leases not renewed / vacated during term (1)	(20,560)	(14)	$	14.38		N/A
Net total / weighted average (2)	**303,682**	**62**			**$**	**13.47**

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

The REIT's leasing activity during the six month period ended June 30, 2019 is as follows:

	GLA	Number of tenants	Weighted average expiring rent	Weighted average new rent
Renewed leases	627,370	112	$ 11.49	$ 12.04
New leases	72,430	29	N/A	17.19
Total / weighted average	**699,800**	**141**	**N/A**	**$ 12.58**
Less, leases not renewed / vacated during term (1)	(61,972)	(36)	$ 9.96	N/A
Net total / weighted average (2)	**637,828**	**105**		**$ 12.58**

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

During the second quarter of 2019, the REIT completed 324,242 square feet of leasing, which represents 3.1% of the REIT's portfolio. For the six month period ended June 30, 2019, 699,800 square feet of leasing was completed, which represents 6.6% of the REIT's portfolio. This level of leasing is consistent with the REIT's strategy of actively managing the properties to create value through a hands-on approach.

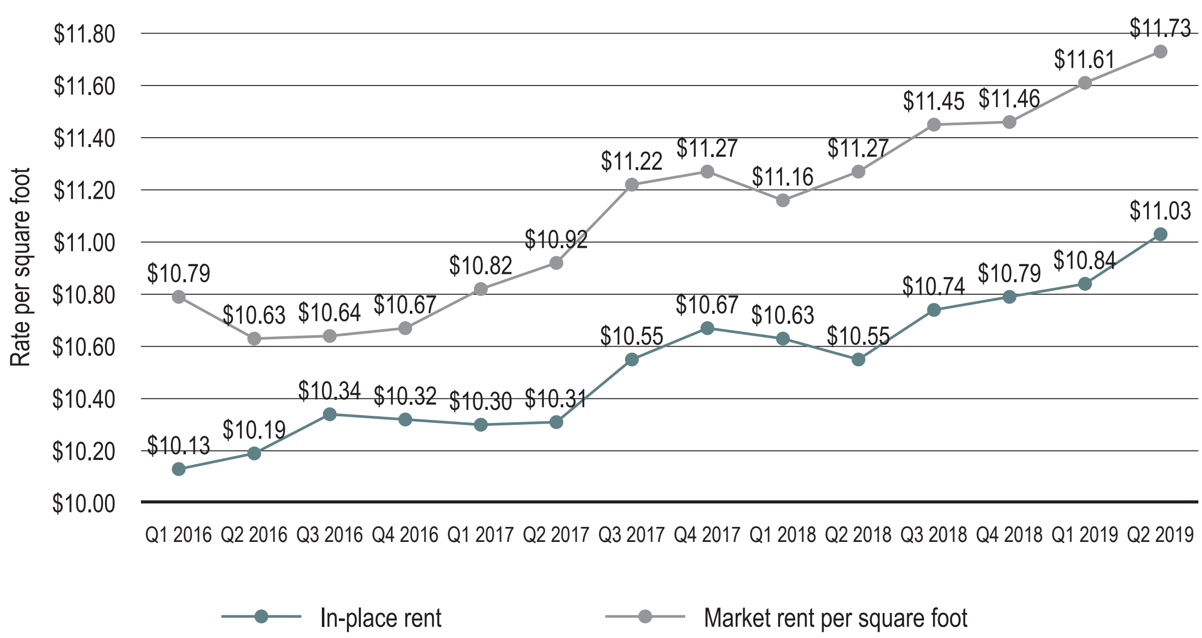
Net rental rates

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

	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017
Grocery rent	$ 8.16	$ 8.10	$ 8.20	$ 8.10	$ 8.08	$ 8.20	$ 8.19	$ 8.29
Shop space rent	14.08	13.72	13.49	13.44	13.00	13.03	13.08	12.68
Total (1)	**$ 11.03**	**$ 10.84**	**$ 10.79**	**$ 10.74**	**$ 10.55**	**$ 10.63**	**$ 10.67**	**$ 10.55**
Market rent (2)	**$ 11.73**	**$ 11.61**	**$ 11.46**	**$ 11.45**	**$ 11.27**	**$ 11.16**	**$ 11.27**	**$ 11.22**

(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.

DISPOSITIONS

During the three month period ended June 30, 2019, the REIT disposed of Kennywood Shops, located in Pittsburgh, Pennsylvania for $7.0 million.

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 June 30, 2019 (March 31, 2019 – 93.3%, December 31, 2018 – 94.2%, September, 2018 – 94.3%).

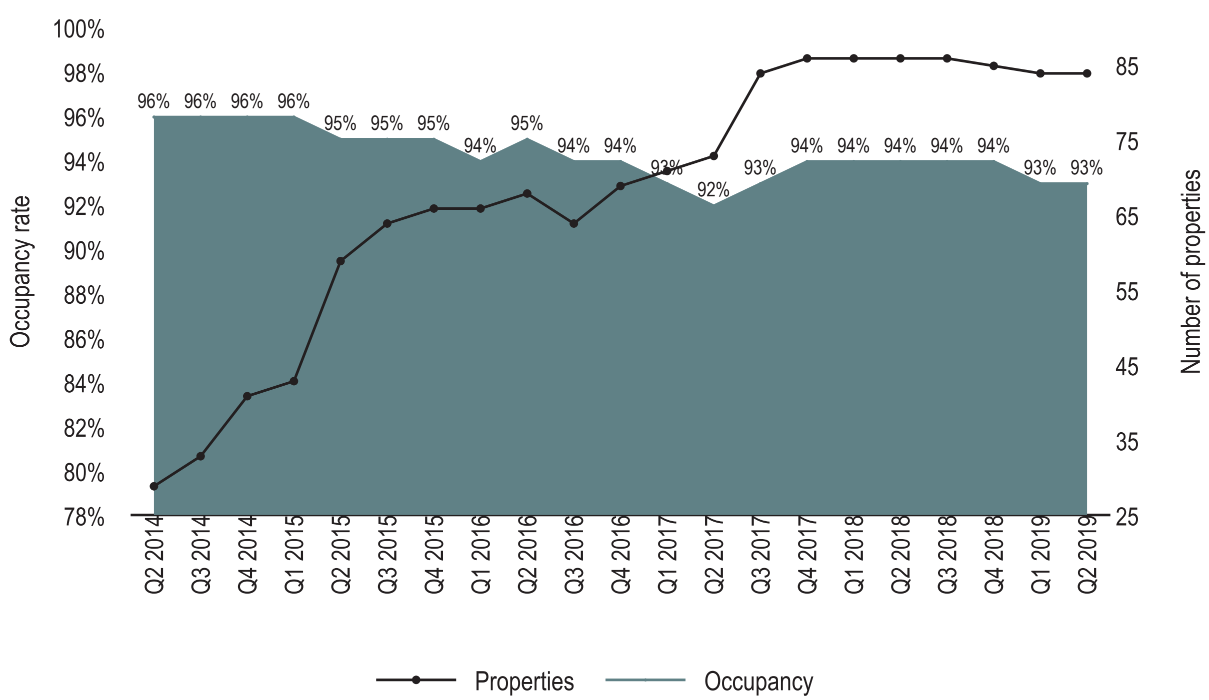
Occupancy has remained consistent at 93.3% from the most recent quarter. Increases in occupancy were due to 38,653 square feet of new leasing, which includes Five Below at Cordova Commons totaling 10,269 square feet, partially offset by the disposal of Kennywood Shops at an occupancy rate of 93.5% and 20,560 square feet of shop space tenant vacancies.

The following table shows the occupancy rate of the REIT's portfolio:

	2015				2016				2017				2018				2019	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Properties (1)	43	59	64	66	66	68	64	69	71	73	84	86	86	86	86	85	84	83
Occupancy (2)	96%	95%	95%	95%	94%	95%	94%	94%	93%	92%	93%	94%	94%	94%	94%	94%	93%	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



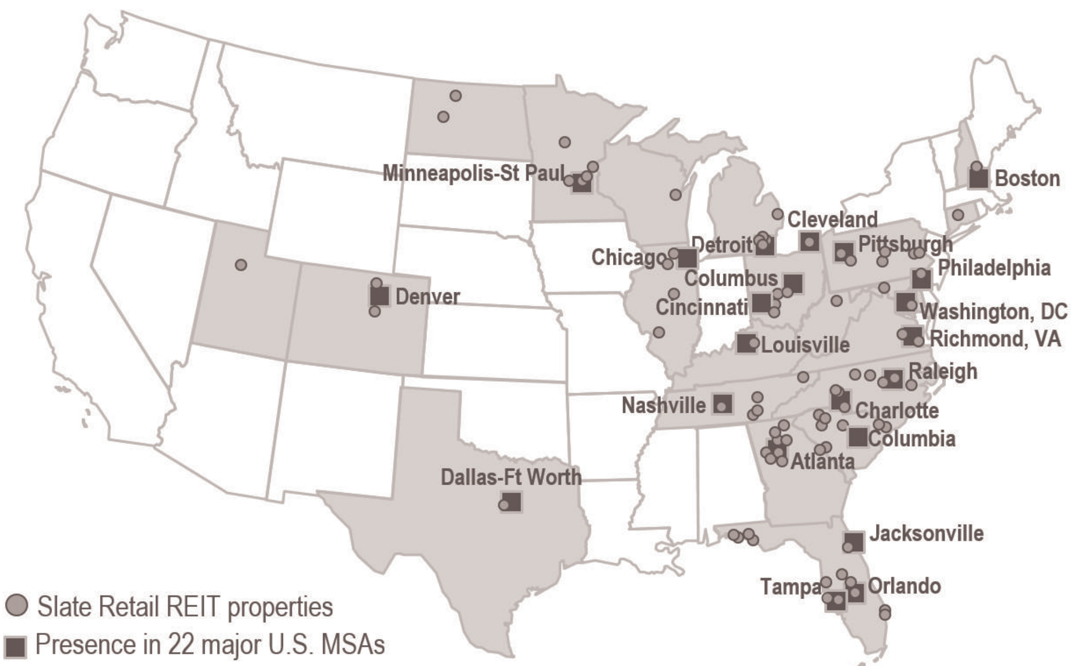
Geographic overview

The REIT's portfolio is geographically diversified. As of June 30, 2019, the REIT's 83 properties were located in 21 states with a presence in 22 MSAs. The REIT has 33 properties, or 39.8% 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:

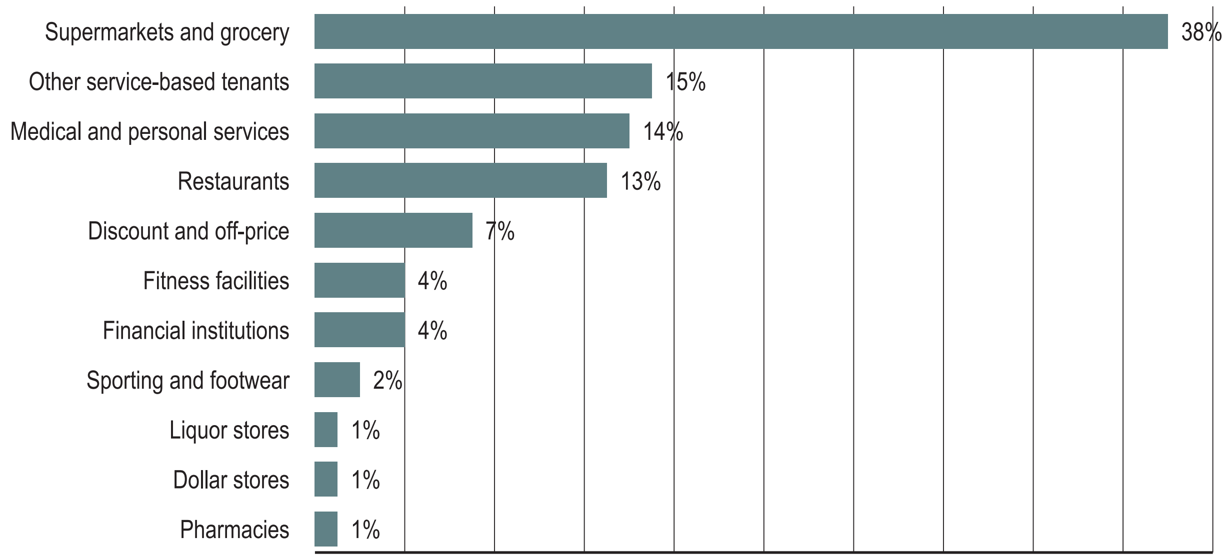
State	Number of assets	Total SF	Occupied SF	Percentage of revenue	Occupancy
Florida	13	1,516,930	1,437,057	16.2%	94.7%
North Carolina	8	1,114,964	1,076,705	10.4%	96.6%
Pennsylvania	7	1,098,644	1,046,882	10.4%	95.3%
Georgia	9	1,030,701	966,392	9.8%	93.8%
South Carolina	7	969,644	923,824	9.0%	95.3%
Minnesota	5	566,782	538,623	5.9%	95.0%
Michigan	5	607,135	574,673	5.3%	94.7%
Ohio	5	687,762	547,856	4.1%	79.7%
Tennessee	5	526,641	519,990	3.8%	98.7%
North Dakota	2	261,578	260,287	3.5%	99.5%
Illinois	4	390,946	337,557	3.5%	86.3%
Maryland	1	147,803	139,168	3.1%	94.2%
West Virginia	2	387,162	297,226	2.5%	76.8%
Colorado	2	200,466	186,984	2.1%	93.3%
Virginia	2	203,434	195,384	2.0%	96.0%
New Hampshire	1	187,001	181,242	1.9%	96.9%
Connecticut	1	139,653	139,653	1.7%	100.0%
Wisconsin	1	123,028	123,028	1.4%	100.0%
Texas	1	167,961	141,362	1.3%	84.2%
Utah	1	127,231	123,970	1.2%	97.4%
Kentucky	1	80,866	73,138	0.9%	90.4%
Total (1)	**83**	**10,536,332**	**9,831,001**	**100.0%**	**93.3%**

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



Tenant categories

As of June 30, 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	98	38%	Walmart, Kroger, Publix, Ahold Delhaize, unfi
Other service-based tenants	250	15%	Lumber Liquidators, metroPCS, Sally Beauty Supply
Medical and personal services	382	14%	Bayada Home Health Care, Great Clips, Hair Cuttery
Restaurants	266	13%	Burger King, Little Caesars, McDonald's, Pizza Hut, Subway
Discount and off-price	50	7%	Bealls, Marshalls, Ross Dress for Less
Fitness facilities	35	4%	Anytime Fitness, Planet Fitness, Snap Fitness 24-7
Financial institutions	100	4%	ascensus, Bank of America, KeyBank, H&R Block
Sporting and footwear	21	2%	Play It Again Sports, Dick's Sporting Goods, Dunham's Sports, Rack Room Shoes, Shoe Show
Liquor stores	22	1%	Cash Wise, Winn-Dixie Wine & Spirits, Hy-Vee Wine & Spirits, Smith's Liquor
Dollar stores	14	1%	Dollar Tree, Dollar General, Family Dollar
Pharmacies	9	1%	Walgreens, Rite Aid, CVS pharmacy
Total	**1,247**	**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 48.4% of total GLA and 39.1% of base rent as follows:

Parent company	Store brands	Grocery	Stores	% GLA	Base rent	% Base rent
Walmart Inc.	Wal-Mart, Sams Club	Y	8	12.3%	$ 8,549	7.8%
The Kroger Co.	Kroger, Pick 'n Save, Harris Teeter	Y	19	10.5%	7,033	6.5%
Publix Supermarkets	Publix	Y	12	5.2%	4,492	4.1%
Koninklijke Ahold Delhaize N.V.	Stop & Shop, GIANT, Food Lion, Hannaford	Y	5	2.9%	4,437	4.1%
Southeastern Grocers	Winn Dixie, BI-LO	Y	10	4.4%	3,914	3.6%
United Natural Foods, Inc.	Various (1)	Y	5	2.6%	2,638	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%	1,263	1.2%
Alex Lee Inc.	Lowes Foods	Y	2	0.9%	1,249	1.1%
Schnuck Markets, Inc.	Schnucks	Y	2	1.1%	1,099	1.0%
TJX Companies	Marshalls, T.J. Maxx	N	4	1.0%	1,063	1.0%
Planet Fitness	Planet Fitness	N	6	1.0%	1,062	1.0%
Dollar Tree Inc.	Dollar Tree, Family Dollar	N	11	1.0%	1,034	0.9%
The Fresh Market Inc.	The Fresh Market	Y	4	0.8%	959	0.9%
Total			**98**	**48.4%**	**$ 42,616**	**39.1%**

(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	22.8%	100.0%	$ 1,737	$ 417	**$ 2,154**
Windmill Plaza (2)	Anchor repositioning	Q1 2020	778	13.8%	89.6%	2,284	3,368	**5,652**
Springboro Plaza	Junior anchor repositioning	Q3 2020	531	17.6%	—%	4	3,005	**3,009**
Eastpointe Shopping Center	Junior anchor repositioning	Q3 2021	491	12.6%	—%	8	3,892	**3,900**
Total			**$ 2,291**	**15.6%**		**$ 4,033**	**$ 10,682**	**$ 14,715**

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 June 30, 2019.
(2) Amounts at the REIT's share of its 50% interest in the property.

Redevelopment capital spent during the three and six month periods ended June 30, 2019 is as follows:

	Three months ended June 30, 2019	Six months ended June 30, 2019
Windmill Plaza (1)	$ 1,838	$ 2,284
Westminster Plaza (2)	766	1,723
North Summit Square (2)	685	1,425
Mooresville Town Square (2)	385	630
Other redevelopment costs (2)	332	547
Total redevelopment	**$ 4,006**	**$ 6,609**

(1) Amounts at the REIT's share of its 50% interest in the property.
(2) Relates 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 $2.2 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 June 30, 2019, $1.7 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 $3.4 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. A recently executed lease with Kroger will permit Kroger to move from their 55,000 square foot box to the redeveloped 83,076 square foot Kmart box commencing in the last quarter of 2020. The REIT expects to invest $3.9 million million in capital to complete the project and backfill the current 55,000 square foot Kroger box. Management is extensively working with a number of interested 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 Q3 2021.

IFRS FAIR VALUE

The REIT's property portfolio at June 30, 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 $129.

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

Direct capitalization rates	**June 30, 2019**	December 31, 2018
Minimum	**6.00%**	6.25%
Maximum	**13.50%**	11.40%
Weighted average (1)	**7.49%**	7.50%

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

The June 30, 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 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 June 30,		Six months ended June 30,	
	2019	2018	**2019**	2018
Beginning of the period	**$ 1,355,326**	$ 1,422,245	**$ 1,382,955**	$ 1,454,463
Capital	**485**	1,018	**1,669**	1,752
Leasing costs	**437**	849	**716**	1,467
Tenant improvements	**1,591**	2,552	**3,594**	4,305
Development and expansion capital	**2,168**	4,235	**4,325**	5,078
Straight-line rent	**415**	658	**1,199**	1,793
Dispositions	**(7,000)**	(3,300)	**(35,165)**	(20,210)
IFRIC 21 property tax adjustment	**4,763**	4,590	**(9,609)**	(9,244)
Change in fair value (1)	**(7,521)**	(7,773)	**980**	(14,330)
End of the period	**$ 1,350,664**	$ 1,425,074	**$ 1,350,664**	$ 1,425,074
Property classified as equity investment	**9,600**	—	**9,600**	—
End of the period, including equity investment	**$ 1,360,264**	$ 1,425,074	**$ 1,360,264**	$ 1,425,074

(1) Change in fair value includes impacts due to valuation parameters and cash flows, and accounting adjustments for IFRIC 21 property tax and straight-line rent.

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 and six month periods ended June 30, 2019.

	Three months ended June 30, 2019			Six months ended June 30, 2019		
	REIT	Equity investment	**Total (Non-GAAP)[1]**	REIT	Equity investment	**Total (Non-GAAP)[1]**
Beginning of the period	$1,355,326	$ 7,850	**$ 1,363,176**	$1,382,955	$ —	**$ 1,382,955**
Acquisition of interest in property	—	—	**—**	—	7,409	**7,409**
Capital	485	—	**485**	1,669	—	**1,669**
Leasing costs	437	—	**437**	716	—	**716**
Tenant improvements	1,591	—	**1,591**	3,594	—	**3,594**
Development and expansion capital	2,168	1,836	**4,004**	4,325	2,168	**6,493**
Straight-line rent	415	1	**416**	1,199	—	**1,199**
Dispositions	(7,000)	—	**(7,000)**	(35,165)	—	**(35,165)**
IFRIC 21 property tax adjustment	4,763	—	**4,763**	(9,609)	8	**(9,601)**
Change in fair value [1]	(7,521)	(87)	**(7,608)**	980	15	**995**
End of the period	$1,350,664	$ 9,600	**$ 1,360,264**	$1,350,664	$ 9,600	**$ 1,360,264**

[1] Change in fair value includes impacts due to valuation parameters and cash flows, and accounting adjustments for IFRIC 21 property tax and straight-line rent.

The fair value of the REIT's properties and properties under redevelopment for the three and six month periods ended June 30, 2019 is as follows:

	Three months ended June 30, 2019			Six months ended June 30, 2019		
	Income-producing properties	Properties under redevelopment	**Total**	Income-producing properties	Properties under redevelopment	**Total**
Balance, December 31, 2018	$1,308,271	$ 47,055	**$1,355,326**	$1,345,081	$ 37,874	**$1,382,955**
Transfers to properties under redevelopment	—	—	**—**	(9,455)	9,455	**—**
Capital	471	14	**485**	1,624	45	**1,669**
Leasing costs	415	22	**437**	686	30	**716**
Tenant improvements	1,591	—	**1,591**	3,402	192	**3,594**
Development and expansion capital	1,475	693	**2,168**	2,884	1,441	**4,325**
Straight-line rent	380	35	**415**	1,163	36	**1,199**
Dispositions	(7,000)	—	**(7,000)**	(35,165)	—	**(35,165)**
IFRIC 21 property tax adjustment	4,697	66	**4,763**	(9,333)	(276)	**(9,609)**
Change in properties [1]	(9,970)	2,449	**(7,521)**	(557)	1,537	**980**
Balance, June 30, 2019	**$1,300,330**	**$ 50,334**	**$1,350,664**	**$1,300,330**	**$ 50,334**	**$1,350,664**
Property classified as equity investment	—	9,600	**9,600**	—	9,600	**9,600**
Balance, June 30, 2019 including equity investment	**$1,300,330**	**$ 59,934**	**$1,360,264**	**$1,300,330**	**$ 59,934**	**$1,360,264**

[1] Change in fair value includes impacts due to valuation parameters and cash flows, and accounting adjustments for IFRIC 21 property tax and straight-line rent.

Capital, leasing and tenant improvement costs for the three and six month periods ended June 30, 2019 was $2.5 million and $6.0 million, respectively. 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 June 30, 2019, the REIT recorded a fair value loss on properties of $7.5 million, mainly related to IFRIC 21 property tax adjustments and valuation parameters. For the six month period ended June 30, 2019, the REIT recorded a fair value gain on properties of $1.0 million, mainly related to IFRIC 21 property tax adjustments.

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 June 30,		Six months ended June 30,	
	2019	2018	**2019**	2018
Valuation parameters and cash flows	**$ (2,343)**	$ (2,525)	**$ (7,430)**	$ (21,781)
IFRIC 21 property tax adjustment	**(4,763)**	(4,590)	**9,609**	9,244
Adjusted for straight-line rent	**(415)**	(658)	**(1,199)**	(1,793)
Total	**$ (7,521)**	$ (7,773)	**$ 980**	$ (14,330)

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	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017
Rental revenue	$ 36,016	$ 36,416	$ 36,301	$ 35,699	$ 35,669	$ 36,544	$ 34,859	$ 30,030
Property operating expenses [1]	(5,323)	(25,392)	(5,747)	(5,126)	(5,117)	(24,519)	(5,357)	(3,988)
Straight-line rent revenue	(415)	(784)	(331)	(448)	(658)	(1,135)	(523)	(367)
IFRIC 21 property tax adjustment [1]	(4,763)	14,372	(4,870)	(4,574)	(4,590)	13,834	(4,387)	(3,784)
Adjustments for equity investment	(8)	(43)	—	—	—	—	—	—
NOI	$ 25,507	$ 24,569	$ 25,353	$ 25,551	$ 25,304	$ 24,724	$ 24,592	$ 21,891
Class U units outstanding	43,972	43,972	44,309	45,674	46,031	46,261	46,410	46,340
WA units	44,101	44,208	44,971	45,489	46,153	46,479	46,443	46,372
Net income (loss)	$ 5,934	$ 1,601	$ (9,017)	$ (1,024)	$ (14,201)	$ 26,703	$ 31,421	$ (8,816)
Net income (loss) per WA unit	$ 0.13	$ 0.04	$ (0.20)	$ (0.02)	$ (0.31)	$ 0.57	$ 0.68	$ (0.19)
IFRS NAV	$ 485,270	$ 498,922	$ 514,329	$ 565,720	$ 580,742	$ 580,345	$ 593,066	$ 606,235
IFRS NAV per unit	$ 11.04	$ 11.35	$ 11.61	$ 12.39	$ 12.62	$ 12.55	$ 12.78	$ 13.08
Distributions	$ 9,399	$ 9,424	$ 9,438	$ 9,627	$ 9,670	$ 9,742	$ 9,625	$ 9,381
Distributions per unit	$ 0.2138	$ 0.2138	$ 0.2113	$ 0.2100	$ 0.2100	$ 0.2100	$ 0.2075	$ 0.2025
FFO [2]	$ 13,622	$ 13,387	$ 13,536	$ 14,469	$ 14,542	$ 15,227	$ 15,406	$ 14,448
FFO per WA units [2]	$ 0.31	$ 0.30	$ 0.30	$ 0.32	$ 0.32	$ 0.33	$ 0.33	$ 0.31
AFFO [2]	$ 10,694	$ 9,137	$ 9,201	$ 8,998	$ 9,465	$ 10,987	$ 11,360	$ 11,168
AFFO per WA units [2]	$ 0.24	$ 0.21	$ 0.20	$ 0.20	$ 0.21	$ 0.24	$ 0.24	$ 0.24
Total assets	$ 1,375,824	$ 1,388,403	$ 1,416,334	$ 1,472,898	$ 1,474,077	$ 1,478,396	$ 1,499,519	$ 1,476,651
Debt	$ 838,126	$ 849,498	$ 871,562	$ 875,227	$ 864,051	$ 872,263	$ 883,046	$ 846,325
Debt / GBV	60.9%	61.2%	61.5%	59.4%	58.6%	59.0%	58.9%	57.3%
Number of properties [3]	83	84	85	86	86	86	86	84
% leased [2]	93.3%	93.3%	94.2%	94.3%	93.9%	93.7%	93.7%	92.6%
GLA [2]	10,536,332	10,709,564	10,768,319	10,897,059	11,060,145	11,067,372	11,156,474	10,850,708
Grocery-anchored GLA [2]	5,058,302	5,118,919	5,170,584	5,198,055	5,159,693	5,159,693	5,159,693	4,887,294

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

(3) 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 and six month periods ended June 30, 2019 increased by $0.3 million and $0.2 million, respectively, compared to the same periods in the prior year. The increase is primarily due to 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, partially offset by the impact of a loss in revenue contribution from the disposition of four properties and 12 outparcels at certain properties since June 30, 2018.

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 and six month periods ended June 30, 2019, the rent reductions had an impact of $0.2 million and $0.3 million, respectively. 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 $0.7 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 $0.2 million and $1.1 million for the three and six month periods ended June 30, 2019, respectively. 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 June 30, 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 June 30,			Six months ended June 30,		
	2019	2018	**Variance**	**2019**	2018	**Variance**
Asset management fees	**$ 1,385**	$ 1,474	**$ (89)**	**$ 2,782**	$ 2,953	**$ (171)**
Professional fees and other	**810**	631	**179**	**1,510**	1,365	**145**
Bad debt expense	**264**	421	**(157)**	**279**	565	**(286)**
Franchise and business taxes	**440**	99	**341**	**960**	218	**742**
Total	**$ 2,899**	$ 2,625	**$ 274**	**$ 5,531**	$ 5,101	**$ 430**
% of total assets	**0.2%**	0.2%	**—%**	**0.4%**	0.4%	**—%**
% of total revenue	**8.0%**	7.4%	**0.6%**	**7.6%**	7.1%	**0.5%**

Other expenses for the three and six month periods ended June 30, 2019 increased by $0.3 million and $0.4 million, respectively, from the comparative period in 2018. The increase is driven by an increase in franchise and business taxes, compliance fees and travel costs, partially offset by a decrease in bad debt expense.

INTEREST EXPENSE AND OTHER FINANCING COSTS, NET

	Three months ended June 30,			Six months ended June 30,		
	2019	2018	**Variance**	**2019**	2018	**Variance**
Interest on debt and finance charges	**$ 9,771**	$ 9,287	**$ 484**	**$ 19,594**	$ 17,629	**$ 1,965**
Interest rate swaps, net settlement	**(829)**	(675)	**(154)**	**(1,711)**	(1,017)	**(694)**
Foreign exchange forward contract, net settlement	**—**	—	**—**	**(24)**	—	**(24)**
Interest income	**(6)**	(24)	**18**	**(10)**	(45)	**35**
Interest income on notes receivable	**—**	(188)	**188**	**(51)**	(373)	**322**
Amortization of finance charges	**493**	489	**4**	**1,064**	946	**118**
Amortization of mark-to-market premium	**(92)**	(86)	**(6)**	**(181)**	(172)	**(9)**
Interest income on TIF notes receivable	**(19)**	(25)	**6**	**(39)**	(51)	**12**
Interest expense on TIF notes payable	**—**	39	**(39)**	**—**	78	**(78)**
Amortization of deferred gain on TIF notes	**(22)**	(22)	**—**	**(44)**	(44)	**—**
Total	**$ 9,296**	$ 8,795	**$ 501**	**$ 18,598**	$ 16,951	**$ 1,647**

The following shows the change in interest on debt and finance charges, net of interest swaps for the three month period ended June 30, 2019 compared to the same period in the prior year:

Interest on debt and finance charges, net of interest rate swaps, June 30, 2018	**$**	**8,612**
Change in interest rates, net of interest rate hedges [(1)(2)]		425
Decrease in debt outstanding		(100)
Increase in standby fee		5
Interest on debt and finance charges, net of interest rate swaps, June 30, 2019	**$**	**8,942**
Year-over-year change – $	$	330
Year-over-year change – %		3.8%

(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 June 30, 2019 is 4.05% (June 30, 2018 – 3.70%).
(2) The average U.S. LIBOR for the three month period ended June 30, 2019 was 2.46%, which represents an increase from the same period in 2018 of 0.58%. At June 30, 2019, the REIT fixed 101.6% of its floating rate debt, compared to 99.2% at June 30, 2018.

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 $0.5 million and $2.0 million for the three and six month periods ended June 30, 2019 compared to the same respective periods in 2018. The increase is primarily due to increased costs of the REIT's debt driven by higher one-month U.S. LIBOR rates over the comparative period including the impact of fixed rate swaps. One-month U.S. LIBOR at June 30, 2018 was 2.09%, increasing to 2.39% at June 30, 2019. This increase was partially offset by periods of lower indebtedness from $58.4 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 101.6% of the REIT's debt subject to fixed rates at June 30, 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 2.39% at June 30, 2019, with a weighted average term to maturity of 3.5 years. Under this arrangement, the REIT has received $0.8 million and $0.7 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 $2.8 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 June 30, 2019 was $9.67 (June 30, 2018 – $9.73). 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 and six month periods ended June 30, 2019, the REIT recognized an unrealized fair value gain of $0.2 million and an unrealized fair value loss of $2.3 million, respectively, on the exchangeable units of subsidiaries as a result of the change in fair value per unit over the respective comparative period.

NET INCOME

For the three month period ended June 30, 2019, the REIT incurred net income of $5.9 million which represented a $20.1 million increase from the same quarter of the prior year. The increase is attributed to the aforementioned increases in revenue and decreases in unit expense over the prior quarter due to the classification of REIT units as equity effective May 11, 2018. Total REIT distributions for the current quarter recognized as a decrease to equity was $17.8 million.

Net income for the six month period ended June 30, 2019 was $7.5 million, which resulted in a $5.0 million decrease from the comparative period. The decrease is mainly due to the $11.1 million increase in unit expense, driven by the aforementioned classification of REIT units as equity and a decrease in the fair value of exchangeable units of subsidiaries.

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 and six month periods ended June 30, 2019 compared to the same period in the prior year:

	Three months ended June 30,			Six months ended June 30,		
	2019	2018	**Variance**	**2019**	2018	**Variance**
Rental revenue	**$ 36,016**	$ 35,669	**$ 347**	**$ 72,432**	$ 72,213	**$ 219**
Straight-line rent revenue	**(415)**	(658)	**243**	**(1,199)**	(1,793)	**594**
Property operating expenses	**(5,323)**	(5,117)	**(206)**	**(30,715)**	(29,636)	**(1,079)**
IFRIC 21 property tax adjustment	**(4,763)**	(4,590)	**(173)**	**9,609**	9,244	**365**
Adjustments for equity investment	**(8)**	—	**(8)**	**(51)**	—	**(51)**
NOI	**$ 25,507**	$ 25,304	**$ 203**	**$ 50,076**	$ 50,028	**$ 48**
NOI margin	**71.6%**	72.3%	**(0.7)%**	**70.3%**	71.0%	**(0.7)%**

The following shows the change in NOI for the three month period ended June 30, 2019 compared to the same period in the prior year:

NOI, June 30, 2018	**$**	**25,304**
Change in same-property NOI		670
Contribution from redeveloped properties		357
Reduced contribution from properties under redevelopment		(32)
Contribution from acquisitions		416
Reduced contribution from dispositions, including outparcel sales		(1,208)
NOI, June 30, 2019	**$**	**25,507**
Year-over-year change – $	$	203
Year-over-year change – %		0.8%

NOI for the three month period ended June 30, 2019 was $25.5 million, which represents an increase of $0.2 million from the same period in 2018. The increase is primarily due to incremental rental revenue associated with one property acquired from the prior year, uplifts in rental rates from re-leasing, and new leasing typically above in-place rent. This was partially offset by the impact of a loss in revenue contribution from the disposition of four properties and 12 outparcels at certain properties from June 30, 2018.

The following shows the change in NOI for the three month period ended June 30, 2019 compared to the immediately preceding quarter:

NOI, March 31, 2019	**$**	**24,569**
Change in same-property NOI		1,073
Contribution from redeveloped properties		36
Contribution from properties under redevelopment		105
Contribution from acquisition		33
Reduced contribution from dispositions, including outparcel sales		(309)
NOI, June 30, 2019	**$**	**25,507**
Quarter-over-quarter change – $	$	938
Quarter-over-quarter change – %		3.8%

NOI for the current quarter increased by $0.9 million from $24.6 million in the first quarter of 2019. The increase is due to shop space tenant termination fees and reduced free rent, partially offset by the disposition of one property during the 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 June 30, 2019, the same-property portfolio is comprised of a portfolio of 75 properties owned and in operation for each of the entire three month periods ended June 30, 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 12 most recently completed quarters, the REIT has achieved 10 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 June 30, 2019 as compared to the same period in the prior year, reconciled to total NOI:

	Number of properties	Three months ended June 30, 2019	2018	Variance	% change
Same-property NOI	75	**$ 23,816**	$ 23,146	**$ 670**	**2.9%**
NOI attributable to redeveloped properties	3	**613**	256	**357**	
NOI attributable to properties under redevelopment	3	**520**	552	**(32)**	
NOI attributable to acquisitions (1)	2	**416**	—	**416**	
NOI attributable to dispositions, including outparcel sales	18	**142**	1,350	**(1,208)**	
Total NOI (1)		**$ 25,507**	$ 25,304	**$ 203**	**0.8%**
Occupancy, same-property	75	**94.9%**	95.0%	**(0.1)%**	
Occupancy, redeveloped properties	3	**93.7%**	93.9%	**(0.2)%**	
Occupancy, properties under redevelopment	3	**67.2%**	73.2%	**(6.0)%**	
Occupancy, acquisitions (1)	2	**91.3%**	—%	**91.3 %**	
Occupancy, dispositions, including outparcel sales	18	**94.3%**	94.3%	**— %**	
Occupancy, portfolio (1)		**93.3%**	93.7%	**(0.4)%**	

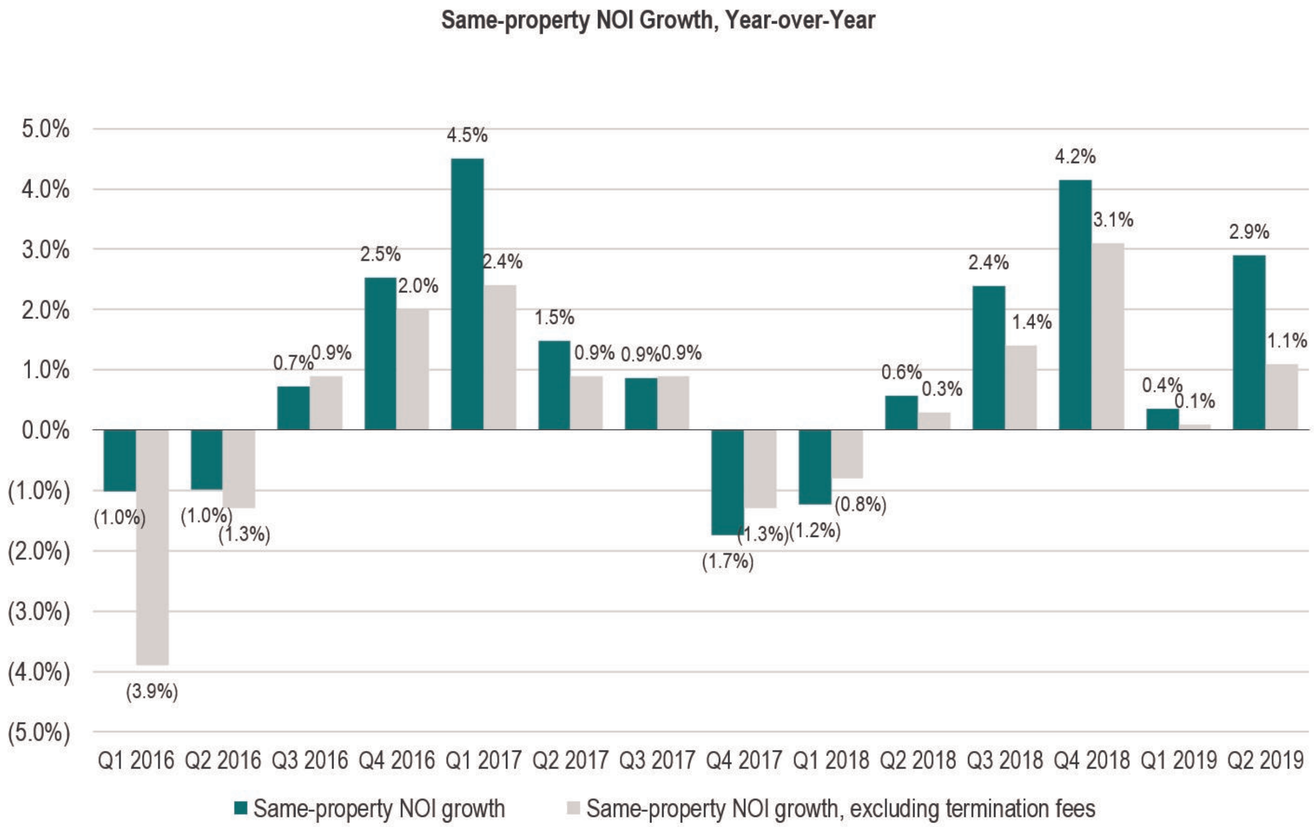
(1) Includes the REIT's share of its equity accounted property investment.

Same-property NOI for the current quarter increased by $0.7 million to $23.8 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 and termination fees related to shop-space tenants, 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 4.4% 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 %
Q2 2019	75	23,816	2.9 %	1.1 %

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 June 30, 2019, as compared to the same period in the prior year reconciled to total NOI:

	Number of properties	Trailing twelve months, June 30, 2019	2018	Variance	% change
Same-property NOI	58	**$ 69,788**	$ 67,797	**$ 1,991**	**2.9%**
NOI attributable to redeveloped properties	3	**1,902**	870	**1,032**	
NOI attributable to properties under redevelopment	3	**2,037**	2,139	**(102)**	
NOI attributable to acquisitions [1]	19	**24,698**	13,573	**11,125**	
NOI attributable to dispositions, including outparcel sales	16	**2,603**	5,960	**(3,357)**	
Total NOI [1]		**$ 101,028**	$ 90,339	**$ 10,689**	**11.8%**
Occupancy, same-property	58	**95.4%**	95.6%	**(0.2)%**	
Occupancy, redeveloped properties	3	**92.4%**	93.0%	**(0.6)%**	
Occupancy, properties under redevelopment	3	**67.2%**	73.2%	**(6.0)%**	
Occupancy, acquisitions [1]	19	**93.5%**	93.1%	**0.4 %**	
Occupancy, dispositions, including outparcel sales	16	**94.3%**	94.3%	**— %**	
Occupancy, portfolio [1]		**93.3%**	93.9%	**(0.6)%**	

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

Same-property NOI increased by $2.0 million or 2.9% for the trailing twelve month period ended June 30, 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 $0.7 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 4.4% 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, change in fair value of interest rate hedges recognized in income, deferred income tax expense, unit expense (income) and IFRIC 21 accounting related adjustments.

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

	Three months ended June 30,			Six months ended June 30,		
	2019	2018	**Variance**	**2019**	2018	**Variance**
Net income (loss)	**$ 5,934**	$ (14,201)	**$ 20,135**	**$ 7,535**	$ 12,502	**$ (4,967)**
Change in fair value of financial instruments	**987**	—	**987**	**987**	—	**987**
Disposition costs	**852**	148	**704**	**2,944**	870	**2,074**
Change in fair value of properties	**7,521**	7,773	**(252)**	**(980)**	14,330	**(15,310)**
Deferred income tax expense	**2,694**	2,406	**288**	**3,541**	527	**3,014**
Unit expense (income)	**310**	23,006	**(22,696)**	**3,396**	(7,704)	**11,100**
Adjustments for equity investment	**87**	—	**87**	**(23)**	—	**(23)**
IFRIC 21 property tax adjustment	**(4,763)**	(4,590)	**(173)**	**9,609**	9,244	**365**
FFO	**$ 13,622**	$ 14,542	**$ (920)**	**$ 27,009**	$ 29,769	**$ (2,760)**
FFO per WA unit	**$ 0.31**	$ 0.32	**$ (0.01)**	**$ 0.61**	$ 0.64	**$ (0.03)**
WA number of units outstanding	**44,101**	46,153	**(2,052)**	**44,191**	46,315	**(2,124)**

The following is a calculation of FFO from NOI:

	Three months ended June 30,			Six months ended June 30,		
	2019	2018	**Variance**	**2019**	2018	**Variance**
NOI	**$ 25,507**	$ 25,304	**$ 203**	**$ 50,076**	$ 50,028	**$ 48**
Straight-line rent revenue	**415**	658	**(243)**	**1,199**	1,793	**(594)**
Other expenses	**(2,899)**	(2,625)	**(274)**	**(5,531)**	(5,101)	**(430)**
Cash interest, net (1)	**(8,895)**	(8,392)	**(503)**	**(17,715)**	(16,177)	**(1,538)**
Adjustments for equity investment	**(32)**	—	**(32)**	**(64)**	—	**(64)**
Finance charge and mark-to-market adjustments	**(401)**	(403)	**2**	**(883)**	(774)	**(109)**
Current income tax expense	**(73)**	—	**(73)**	**(73)**	—	**(73)**
FFO	**$ 13,622**	$ 14,542	**$ (920)**	**$ 27,009**	$ 29,769	**$ (2,760)**

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

FFO decreased by $0.9 million to $13.6 million for the three month period ended June 30, 2019 from the comparative period. The decrease is due to increases in interest cash paid and changes in non-cash straight-line rent, partially offset by the aforementioned increase to NOI. FFO for the six month period ended June 30, 2019 was $27.0 million which represents a $2.8 million decrease from the comparative period. The decrease is due to the increases in interest cash paid, changes in non-cash straight-line rent and increased franchise and business taxes.

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 June 30,			Six months ended June 30,		
	2019	2018	**Variance**	**2019**	2018	**Variance**
Cash flow from operations	**$ 17,730**	$ 19,943	**$ (2,213)**	**$ 25,525**	$ 35,735	**$ (10,210)**
Changes in non-cash working capital items	**(4,981)**	(6,024)	**1,043**	**(1,805)**	(8,290)	**6,485**
Disposition costs	**852**	148	**704**	**2,944**	870	**2,074**
Finance charge and mark-to-market adjustments	**(401)**	(403)	**2**	**(883)**	(774)	**(109)**
Interest, net and TIF note adjustments	**47**	220	**(173)**	**144**	435	**(291)**
Adjustments for equity investment	**(40)**	—	**(40)**	**(115)**	—	**(115)**
Capital	**(485)**	(1,018)	**533**	**(1,669)**	(1,752)	**83**
Leasing costs	**(437)**	(849)	**412**	**(716)**	(1,467)	**751**
Tenant improvements	**(1,591)**	(2,552)	**961**	**(3,594)**	(4,305)	**711**
AFFO	**$ 10,694**	$ 9,465	**$ 1,229**	**$ 19,831**	$ 20,452	**$ (621)**

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 June 30,			Six months ended June 30,		
	2019	2018	**Variance**	**2019**	2018	**Variance**
FFO	**$ 13,622**	$ 14,542	**$ (920)**	**$ 27,009**	$ 29,769	**$ (2,760)**
Straight-line rental revenue	**(415)**	(658)	**243**	**(1,199)**	(1,793)	**594**
Capital	**(485)**	(1,018)	**533**	**(1,669)**	(1,752)	**83**
Leasing costs	**(437)**	(849)	**412**	**(716)**	(1,467)	**751**
Tenant improvements	**(1,591)**	(2,552)	**961**	**(3,594)**	(4,305)	**711**
AFFO	**$ 10,694**	$ 9,465	**$ 1,229**	**$ 19,831**	$ 20,452	**$ (621)**
AFFO per WA unit	**$ 0.24**	$ 0.21	**$ 0.03**	**$ 0.45**	$ 0.44	**$ 0.01**
WA number of units outstanding	**44,101**	46,153	**(2,052)**	**44,191**	46,315	**(2,124)**

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

	Three months ended June 30,			Six months ended June 30,		
	2019	2018	**Variance**	**2019**	2018	**Variance**
Net income (loss)	**$ 5,934**	$ (14,201)	**$ 20,135**	**$ 7,535**	$ 12,502	**$ (4,967)**
Change in fair value of financial instruments	**987**	—	**987**	**987**	—	**987**
Disposition costs	**852**	148	**704**	**2,944**	870	**2,074**
Change in fair value of properties	**7,521**	7,773	**(252)**	**(980)**	14,330	**(15,310)**
Deferred income tax expense	**2,694**	2,406	**288**	**3,541**	527	**3,014**
Unit expense (income)	**310**	23,006	**(22,696)**	**3,396**	(7,704)	**11,100**
Adjustments for equity investment	**87**	—	**87**	**(23)**	—	**(23)**
IFRIC 21 property tax adjustment	**(4,763)**	(4,590)	**(173)**	**9,609**	9,244	**365**
FFO	**$ 13,622**	$ 14,542	**$ (920)**	**$ 27,009**	$ 29,769	**$ (2,760)**
Straight-line rental revenue	**(415)**	(658)	**243**	**(1,199)**	(1,793)	**594**
Capital	**(485)**	(1,018)	**533**	**(1,669)**	(1,752)	**83**
Leasing costs	**(437)**	(849)	**412**	**(716)**	(1,467)	**751**
Tenant improvements	**(1,591)**	(2,552)	**961**	**(3,594)**	(4,305)	**711**
AFFO	**$ 10,694**	$ 9,465	**$ 1,229**	**$ 19,831**	$ 20,452	**$ (621)**

The following is a calculation of AFFO from NOI:

	Three months ended June 30,			Six months ended June 30,		
	2019	2018	**Variance**	**2019**	2018	**Variance**
NOI	**$ 25,507**	$ 25,304	**$ 203**	**$ 50,076**	$ 50,028	**$ 48**
Other expenses	**(2,899)**	(2,625)	**(274)**	**(5,531)**	(5,101)	**(430)**
Cash interest, net [1]	**(8,895)**	(8,392)	**(503)**	**(17,715)**	(16,177)	**(1,538)**
Finance charge and mark-to-market adjustments	**(401)**	(403)	**2**	**(883)**	(774)	**(109)**
Current income tax expense	**(73)**	—	**(73)**	**(73)**	—	**(73)**
Adjustments for equity investment	**(32)**	—	**(32)**	**(64)**	—	**(64)**
Capital	**(485)**	(1,018)	**533**	**(1,669)**	(1,752)	**83**
Leasing costs	**(437)**	(849)	**412**	**(716)**	(1,467)	**751**
Tenant improvements	**(1,591)**	(2,552)	**961**	**(3,594)**	(4,305)	**711**
AFFO	**$ 10,694**	$ 9,465	**$ 1,229**	**$ 19,831**	$ 20,452	**$ (621)**

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

AFFO for the three month period ended June 30, 2019 increased by $1.2 million from the comparative period. The increase is due to a $1.9 million decrease in capital, leasing costs and tenant improvement spend, partially offset by increases in interest cash paid of $0.5 million and other expenses of $0.3 million. AFFO for the six month period ended June 30, 2019 decreased by $0.6 million, respectively, from the comparative period. The decrease is driven by increases in interest cash paid and other expenses related to franchise and business taxes, partially offset by a decrease in capital, leasing costs 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 $0.22.

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 second 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 76 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 (loss) 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.

	Three months ended June 30, 2019			Six months ended June 30, 2019		
	REIT	Equity investment	**Total (Non-GAAP)**	REIT	Equity investment	**Total (Non-GAAP)**
Rental revenue	$ 36,016	$ 35	**$ 36,051**	$ 72,432	$ 43	**$ 72,475**
Property operating expenses	(5,323)	(42)	**(5,365)**	(30,715)	(86)	**(30,801)**
Other expenses	(2,899)	21	**(2,878)**	(5,531)	16	**(5,515)**
Interest expense and other financing costs, net	(9,296)	(54)	**(9,350)**	(18,598)	(80)	**(18,678)**
Disposition costs	(852)	—	**(852)**	(2,944)	—	**(2,944)**
Change in fair value of financial instruments	(987)	—	**(987)**	(987)	—	**(987)**
Change in fair value of properties	(7,521)	(87)	**(7,608)**	980	15	**995**
Deferred income tax expense	(2,694)	—	**(2,694)**	(3,541)	—	**(3,541)**
Current income tax expense	(73)	—	**(73)**	(73)	—	**(73)**
Unit (expense) income	(310)	—	**(310)**	(3,396)	—	**(3,396)**
Net income (loss)	$ 6,061	$ (127)	**$ 5,934**	$ 7,627	$ (92)	**$ 7,535**
Disposition costs	852	—	**852**	2,944	—	**2,944**
Change in fair value of financial instruments	987	—	**987**	987	—	**987**
Change in fair value of properties	7,521	87	**7,608**	(980)	(15)	**(995)**
Deferred income tax expense	2,694	—	**2,694**	3,541	—	**3,541**
Unit expense	310	—	**310**	3,396	—	**3,396**
IFRIC 21 property tax adjustment	(4,763)	—	**(4,763)**	9,609	(8)	**9,601**
FFO	$ 13,662	$ (40)	**$ 13,622**	$ 27,124	$ (115)	**$ 27,009**
Straight-line rental revenue	(415)	—	**(415)**	(1,199)	—	**(1,199)**
Capital	(485)	—	**(485)**	(1,669)	—	**(1,669)**
Leasing costs	(437)	—	**(437)**	(716)	—	**(716)**
Tenant improvements	(1,591)	—	**(1,591)**	(3,594)	—	**(3,594)**
AFFO	$ 10,734	$ (40)	**$ 10,694**	$ 19,946	$ (115)	**$ 19,831**

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 increased by $0.7 million and $0.4 million for the three and six month periods ended June 30, 2019 from the respective comparative periods. The increase is due to the 1.8% distribution increase in December 2018, partially offset by 1.7 million units repurchased under the REIT's normal course issuer bid ("NCIB") over the period and the substantial course issuer bid ("SIB") completed February 20, 2019.

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

	Three months ended June 30,			Six months ended June 30,		
	2019	2018	Variance	**2019**	2018	Variance
Declared						
REIT units distributions (1)	**$ 8,927**	$ 9,201	$ (274)	**$ 17,877**	$ 18,474	$ (597)
Exchangeable units of subsidiaries distributions	**472**	469	3	**945**	938	7
	9,399	9,670	(271)	**18,822**	19,412	(590)
Add: Distributions payable, beginning of period	**3,133**	2,294	839	**3,157**	2,305	852
Less: Distributions payable, end of period (1)	**(3,133)**	(3,222)	89	**(3,133)**	(3,222)	89
Distributions paid or settled	**$ 9,399**	$ 8,742	$ 657	**$ 18,846**	$ 18,495	$ 351
Paid in cash	**$ 9,399**	$ 8,742	$ 657	**$ 18,846**	$ 17,348	$ 1,498
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.

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 69.0% and 69.7% for the three and six month periods ended June 30, 2019, representing a 2.5% and 4.5% increase from the respective comparative periods 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 June 30, 2018.

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

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	**2019**	2018
FFO	**$ 13,622**	$ 14,542	**$ 27,009**	$ 29,769
Distributions declared (1)	**(9,399)**	(9,670)	**(18,822)**	(19,412)
Excess of FFO over distributions declared	**$ 4,223**	$ 4,872	**$ 8,187**	$ 10,357
FFO payout ratio	**69.0%**	66.5%	**69.7%**	65.2%

(1) Distributions declared represent distributions on REIT units and exchangeable units of subsidiaries.

AFFO payout ratio

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

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 June 30, 2019 and June 30, 2018 was 87.9% and 102.2%, respectively, which represents a 14.3% decrease. On a trailing twelve month basis, the AFFO payout ratio was 99.6%, which represents a 10.2% increase over the same period in the prior year. On a pro forma basis, using annualized second quarter AFFO and the current distribution of $0.07125 per month, the AFFO payout ratio would be 89.1%. However, as described in the discussion concerning AFFO above, AFFO was impacted by higher interest costs and other expenses related to franchise and business taxes.

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

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	**2019**	2018
AFFO	**$ 10,694**	$ 9,465	**$ 19,831**	$ 20,452
Distributions declared [1]	**(9,399)**	(9,670)	**(18,822)**	(19,412)
Excess of AFFO over distributions declared	**$ 1,295**	$ (205)	**$ 1,009**	$ 1,040
AFFO payout ratio	**87.9%**	102.2%	**94.9%**	94.9%

[1] Distributions declared represent distributions on REIT units and exchangeable units of subsidiaries.

Impact of interest rate changes

As described above, one of the REIT's key objectives is to maintain a conservative AFFO payout ratio in order to continue to provide steady and reliable distributions to unitholders. 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, 101.6% 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 2.39% at June 30, 2019 with a weighted average term to maturity of 3.5 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)	1.7	3.2	4.1	6.2	**3.5**

INCOME TAX

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

For the three and six month periods ended June 30, 2019, the deferred income tax expense was $2.7 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.

For the three and six month period ended June 30, 2019, the current income tax expense was $0.1 million and $0.1 million, respectively, related to branch profit taxes. Branch profit tax is a branch level tax imposed on U.S. earned income that is repatriated to Canada.

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 June 30,			Six months ended June 30,		
	2019	2018	**Variance**	**2019**	2018	**Variance**
Asset management fees	**$ 1,385**	$ 1,474	**$ (89)**	**$ 2,782**	$ 2,953	**$ (171)**

Related party transactions incurred and payable to the Manager for the three and six month periods ended June 30, 2019 amounted to $1.4 million and $2.8 million, respectively. These transactions are in the normal course of operations and are in accordance with the management agreement and are measured at the exchange amount. The exchange amount is the consideration established 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 six month period ended June 30, 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.

	Six months ended June 30,	
	2019	2018
Operating activities	**$ 25,525**	$ 35,735
Investing activities	**31,575**	7,125
Financing activities	**(56,635)**	(42,790)
Increase in cash and cash equivalents	**$ 465**	$ 70

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.

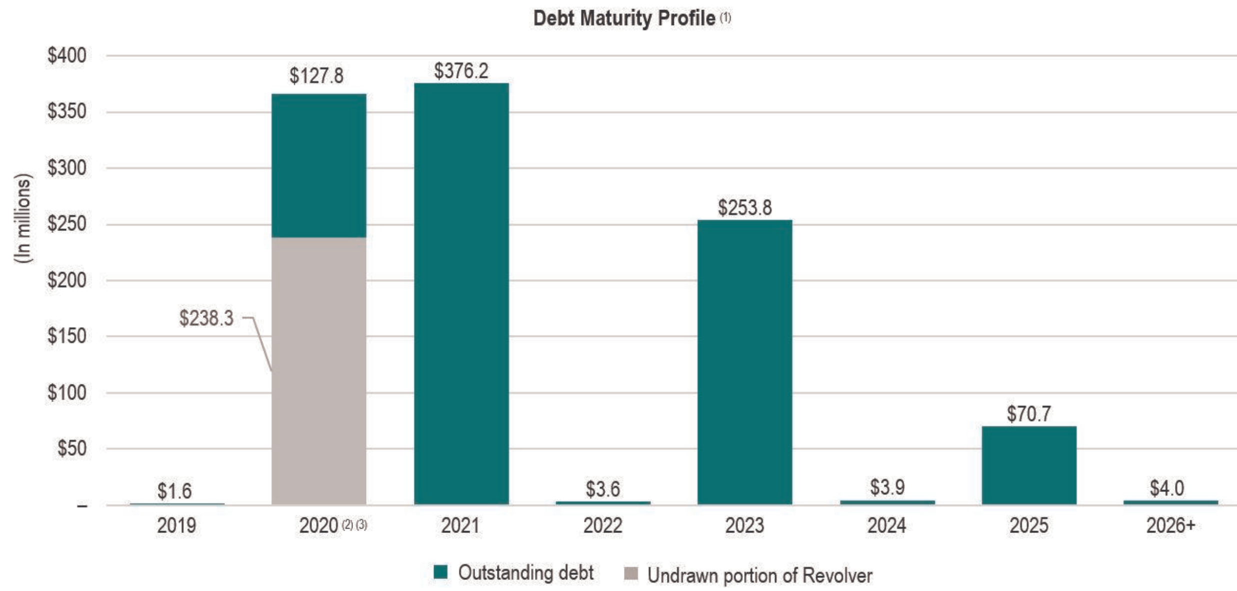
Cash flows from financing activities relate to the servicing of mortgages, additional drawdowns on the REIT's revolver for the acquisition of properties during the year, repurchases of units and distributions paid to unitholders.

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, 101.6% 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 2.8 years.

Debt held by the REIT as of June 30, 2019 and December 31, 2018 is as follows:

						June 30, 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	0.7 [5]	4.50%	$ 124,199	$ (415)	**$ 123,784**	$ 143,822
Term loan [1] [2] [4]	February 26, 2021	1.7	4.50%	362,500	(1,075)	**361,425**	361,086
Term loan 2 [1] [2] [4]	February 9, 2023	3.6	4.48%	250,000	(1,301)	**248,699**	248,533
Mortgage	March 1, 2021	1.7	5.75%	10,773	534	**11,307**	11,624
Mortgage	January 1, 2025	5.5	3.80%	43,914	(961)	**42,953**	43,363
Mortgage	June 15, 2025	6.0	4.14%	42,612	(545)	**42,067**	55,045
Mortgage	January 1, 2031	11.5	5.50%	7,766	125	**7,891**	8,089
Total / weighted average		**2.6 [5]**	**4.05% [6]**	**$ 841,764**	**$ (3,638)**	**$ 838,126**	$ 871,562
Share of debt classified as equity investment [7]						**4,010**	—
Total debt including equity investment						**$ 842,136**	$ 871,562

[1] The weighted average interest rate has been calculated using the June 30, 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 72 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 2.8 years.
[6] The weighted average interest rate includes the impact of pay-fixed receive-float swaps.
[7] The debt bears interest at a rate of 5.25% and has a maturity date of January 28, 2022.

The carrying amount of debt was $838.1 million at June 30, 2019, which represents a decrease of $33.4 million compared to December 31, 2018. The decrease is mainly due to principal repayments totaling $58.4 million on the REIT's revolver and mortgages funded by cash received from the disposal of three 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:

	June 30, 2019	December 31, 2018
Gross book value	**$ 1,375,824**	$ 1,416,334
Debt	**838,126**	871,562
Leverage ratio	**60.9%**	61.5%

The REIT's leverage ratio has decreased by 0.6% for the six month period ended June 30, 2019 to 60.9% from December 31, 2018 due to repayments on the revolver as a result of the disposal of three properties and two property outparcels and cash on hand.

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	**June 30, 2019**	December 31, 2018
Maximum leverage ratio: consolidated total indebtedness shall not exceed 65% of gross asset value	< 65%	**58.5%**	59.6%
Minimum fixed charge coverage ratio: adjusted EBITDA to consolidated fixed charges shall not be less than 1.50x [1]	> 1.50x	**2.29x**	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 June 30,		Six months ended June 30,	
	2019	2018	**2019**	2018
NOI	**$ 25,507**	$ 25,304	**$ 50,076**	$ 50,028
Other expenses	**(2,899)**	(2,625)	**(5,531)**	(5,101)
Adjusted EBITDA	**$ 22,608**	$ 22,679	**$ 44,545**	$ 44,927
Cash interest paid	**(8,942)**	(9,287)	**(17,883)**	(17,629)
Interest coverage ratio	**2.53x**	2.44x	**2.49x**	2.55x

The interest coverage ratio increased to 2.53x for the three month period ended June 30, 2019 compared to 2.44x in the same quarter of the prior period. For the six month period ended June 30, 2019, the interest coverage ratio was 2.49x compared to 2.55x in the 2018 period. The increase was a result of increases in interest costs due to one-month U.S. LIBOR rates going from 2.09% at June 30, 2018 to 2.39% for the current period, 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 June 30, 2019 is 60.9% (December 31, 2018 – 61.5%). With available liquidity, the REIT could invest in an additional $160.0 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	$ 23,623	$ 23,623	$ —	$ —	$ —
Revolver (1) (2)	124,199	124,199	—	—	—
Revolver interest payable (1) (2) (3)	3,635	3,635	—	—	—
Term loan (1) (2)	362,500	—	362,500	—	—
Term loan interest payable (1) (2)	23,019	14,369	8,650	—	—
Term loan 2 (2) (4)	250,000	—	—	250,000	—
Term loan 2 interest payable (2) (4)	33,841	9,909	18,069	5,863	—
Mortgages (5)	109,210	3,592	21,547	7,573	76,498
Mortgage interest payable (5)	21,763	4,486	7,709	6,542	3,026
Letters of credit	393	393	—	—	—
Interest rate swap, net of cash outflows	19,382	1,208	9,500	6,704	1,970
Exchangeable units of subsidiaries	21,373	—	—	—	21,373
Total contractual commitments	**$ 992,938**	**$ 185,414**	**$ 427,975**	**$ 276,682**	**$ 102,867**

(1) Revolver and term loan interest payable is calculated on $124.2 million and $362.5 million (balance outstanding) using an estimated "all in" interest rate of 3.95% 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 3.61%. 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 3.95% 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 3.66%. 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 six month period ended June 30, 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	40	(40)	—	—	—	—	**—**
Class U units equivalent, June 30, 2019	**41,227**	**252**	**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 an NCIB which was most recently renewed on May 26, 2019. The NCIB remains in effect until the earlier of May 25, 2020 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 38.5 million class U units at the time of entering the NCIB through the facilities of the TSX.

For the six month period ended June 30, 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:

	June 30, 2019	December 31, 2018
Trade payables and accrued liabilities	$ 15,037	$ 14,500
Prepaid rent	3,402	3,656
Tenant improvements payable	124	186
Other payables	5,060	4,606
Total	**$ 23,623**	$ 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:

	June 30, 2019	December 31, 2018
Rent receivable	$ 5,539	$ 3,748
Allowance for doubtful accounts	(754)	(741)
Accrued recovery income	4,613	6,101
Other receivables	1,961	2,877
Total	**$ 11,359**	$ 11,985

Rent receivable consists of base rent and operating expense recoveries. Management has provided for $0.8 million (December 31, 2018 – $0.7 million) as an allowance for doubtful accounts and anticipates that the unprovided balance is collectible. The $1.8 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 six month period ended June 30, 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. 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:

	June 30, 2019	December 31, 2018
Current to 30 days	$ 1,493	$ 2,128
31 to 60 days	286	492
61 to 90 days	1,185	125
Greater than 90 days	1,821	262
Total	**$ 4,785**	$ 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 six month period ended June 30, 2019 are as follows:

	June 30, 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	(7,476)
Net cost of equity investment	**$ 4,748**
Capital contributions	150
Share of loss in equity investment	(92)
End of the period	**$ 4,806**

The following represents the summary statement of financial position of the REIT's equity investment as at June 30, 2019:

	June 30, 2019
Assets	
Property	$ 19,200
Current assets	550
	19,750
Liabilities	
Debt [1]	$ 8,020
Other non-current liabilities	15
Current liabilities	2,103
	10,138
Net assets at 100%	**$ 9,612**
At the REIT's 50% interest	**$ 4,806**

[1] The debt bears interest at a rate of 5.25% and has a maturity date of January 28, 2022.

The following represents the summary of income:

	Three months ended June 30, 2019	Six months ended June 30, 2019
Rental revenue	$ 70	$ 86
Property operating expenses	(88)	(172)
Other expenses	42	32
Interest expense and other financing costs, net	(108)	(160)
Change in fair value of property	(174)	30
Net loss and comprehensive loss at 100%	**$ (258)**	**$ (184)**
At the REIT's 50% interest	**$ (129)**	**$ (92)**

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

i. On July 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 an equivalent distribution.

ii. On July 22, 2019 the REIT completed the disposition of an outparcel at North Augusta Plaza located in North Augusta, South Carolina. The outparcel was sold for $1.4 million.

iii. On July 29, 2019 the REIT completed the disposition of an outparcel at Wedgewood Commons located in Stuart, Florida. The outparcel was sold for $4.1 million.

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 June 30, 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 six month period ended June 30, 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 six month period ended June 30, 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 June 30, 2019, the REIT owns a portfolio of 83 grocery-anchored retail properties. The portfolio consists of 10,536,332 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		95%	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		99%	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		87%	Winn-Dixie
Wedgewood Commons	Stuart	Port St. Lucie	165,308		86%	Publix
Total Florida			**1,516,930**	**14.4%**		
County Line Plaza	Philadelphia	Philadelphia	74,968		90%	The Edge Fitness
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	240,882		96%	Walmart
West Valley Marketplace	Allentown	Allentown-Bethlehem-Easton	259,207		96%	Walmart
Total Pennsylvania			**1,098,644**	**10.4%**		
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		97%	Harris Teeter
Independence Square	Charlotte	Charlotte	190,361		99%	Walmart
Mooresville Consumer Square	Mooresville	Charlotte	272,858		99%	Walmart
Mooresville Town Square	Mooresville	Charlotte	98,262		96%	Lowes Foods
North Summit Square	Winston-Salem	Winston-Salem	224,530		97%	Sam's Club
Total North Carolina			**1,114,964**	**10.6%**		
Abbott's Village	Alpharetta	Atlanta	109,586		99%	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		98%	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		91%	Publix
Total Georgia			**1,030,701**	**9.8%**		
Armstrong Plaza	Fountain Inn	Greenville-Spartanburg-Anderson	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 Centre	Spartanburg	Greenville-Spartanburg-Anderson	388,502		97%	Walmart
Little River Pavilion	North Myrtle Beach	Myrtle Beach-Conway	63,823		100%	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**	**9.2%**		

Property	Location	Associated MSA	Area (SF)	% of Total	Occ. %	Anchor
Buckeye Plaza	Cleveland	Cleveland	116,905		95%	Simon's Supermarket
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**	**6.5%**		
Cambridge Crossings	Troy	Detroit	238,963		100%	Walmart
Canton Shopping Center	Canton	Detroit	72,361		88%	ALDI
City Center Plaza	Westland	Detroit	97,670		97%	Kroger
Stadium Center	Port Huron	Detroit-Warren-Dearborn	92,538		93%	Kroger
Windmill Plaza	Sterling Heights	Detroit	105,603		86%	Kroger
Total Michigan			**607,135**	**5.8%**		
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		98%	Cub Foods
Plymouth Station	Plymouth	Minneapolis-St Paul	114,069		96%	Hy-Vee
Total Minnesota			**566,782**	**5.4%**		
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		99%	Kroger
Total Tennessee			**526,641**	**5.0%**		
Glidden Crossing	DeKalb	Chicago-Naperville-Joliet	98,683		92%	Schnucks
North Lake Commons	Lake Zurich	Chicago-Naperville-Joliet	121,099		86%	Jewel Osco
Oakland Commons	Bloomington	Bloomington	73,705		94%	Jewel Osco
Plaza St. Clair	Fairview Heights	St. Louis	97,459		75%	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**	**3.7%**		
Southgate Crossing	Minot	Minot	159,780		100%	CashWise
Watford Plaza	Watford City	Williston	101,798		99%	CashWise
Total North Dakota			**261,578**	**2.5%**		
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**	**1.8%**		
Alta Mesa Plaza	Fort Worth	Dallas-Ft Worth	167,961		84%	Kroger
Total Texas			**167,961**	**1.6%**		
Mitchellville Plaza	Mitchellville	Washington	147,803		94%	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	Taylorsville	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**	**1.1%**		
Stonefield Square	Louisville	Louisville	80,866		90%	The Fresh Market
Total Kentucky			**80,866**	**0.8%**		
Total / WA			**10,536,332**	**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 10.5 million square feet of GLA and consists of 83 grocery-anchored retail commercial properties located in the U.S.

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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)

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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.