Slate Grocery REIT

Q2 2021 Quarterly Report

Mooresville Town Square, Mooresville, North Carolina

Harper Hill Commons, Winston Salem, North Carolina

About Slate Grocery REIT

(TSX: SGR.U / SGR.UN)

Slate Grocery REIT is an owner and operator of U.S. grocery-anchored real estate. The REIT owns and operates approximately U.S. $1.4 billion of critical real estate infrastructure across major U.S. metro markets that communities rely upon for their daily needs. The REIT's resilient grocery-anchored portfolio and strong credit tenants provide unitholders with durable cash flows and the potential for capital appreciation over the longer term.

Visit slategroceryreit.com to learn more about the REIT.

Slate Grocery REIT is managed by Slate Asset Management. Slate Asset Management is a global alternative investment platform focused on real estate. We focus on fundamentals with the objective of creating long-term value for our investors and partners. Slate's platform has a range of investment strategies, including opportunistic, value add, core plus and debt investments. We are supported by exceptional people and flexible capital, which enable us to originate and execute on a wide range of compelling investment opportunities. Visit slateam.com to learn more.

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 Grocery 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. Some of the specific forward-looking statements contained herein include, but are not expressions or statements relating to matters that are not historical facts constitute forward-looking statements. Some of the specific forward-looking statements contained herein include, but are not limited to, statements relating to the impact of the COVID-19 pandemic. There can be no assurance regarding the impact of COVID-19 on the business, operations, and financial performance of the REIT and its tenants, as well as on consumer behaviors and the economy in general. Management believes that the expectations reflected in its forward-looking statements are based upon reasonable assumptions, however, management can give no assurance that actual results, performance or achievements will be consistent with these 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 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, 2020 ("Annual Information Form"). Factors that could cause actual results to differ materially from those contemplated or implied including, but not limited to: financial and operational risks associated with the COVID-19 pandemic; 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 in 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 27, 2021, 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.

Highlights

99.0%

Grocery-anchored

Essential tenants

93.2%

Portfolio occupancy

$1.4B

Total asset value in USD

13.9%

Rental spread on new leases[1]

Track Record of Distribution Growth

2.5% CAGR

2015	2016	2017	2018	2019	2020	2021
$0.758	$0.789	$0.815	$0.841	$0.856	$0.864	$0.864

[1] Based on 48,970 square feet of new leases completed during the second quarter of 2021.

Top 5 Tenants

Ranked by Annual Base Rent

Rank	%	Tenant
1	8.9%	Kroger
2	8.2%	Walmart
3	4.8%	Ahold Delhaize
4	3.9%	Publix
5	2.2%	Southeastern Grocers

72.0% remaining tenants across 1,239 leases

Necessity Based Tenancy

Category	%
Supermarkets & Grocery[1]	38%
Other Necessity-Based & Daily Needs	14%
Restaurants	14%
Discount & Off-Price	5%
Medical & Personal Services	13%
Fitness Facilities	5%
Financial Institutions	4%
Sporting & Footwear	2%
Liquor Stores	2%
Dollar Stores	2%
Pharmacy	1%

[1] Includes Walmart

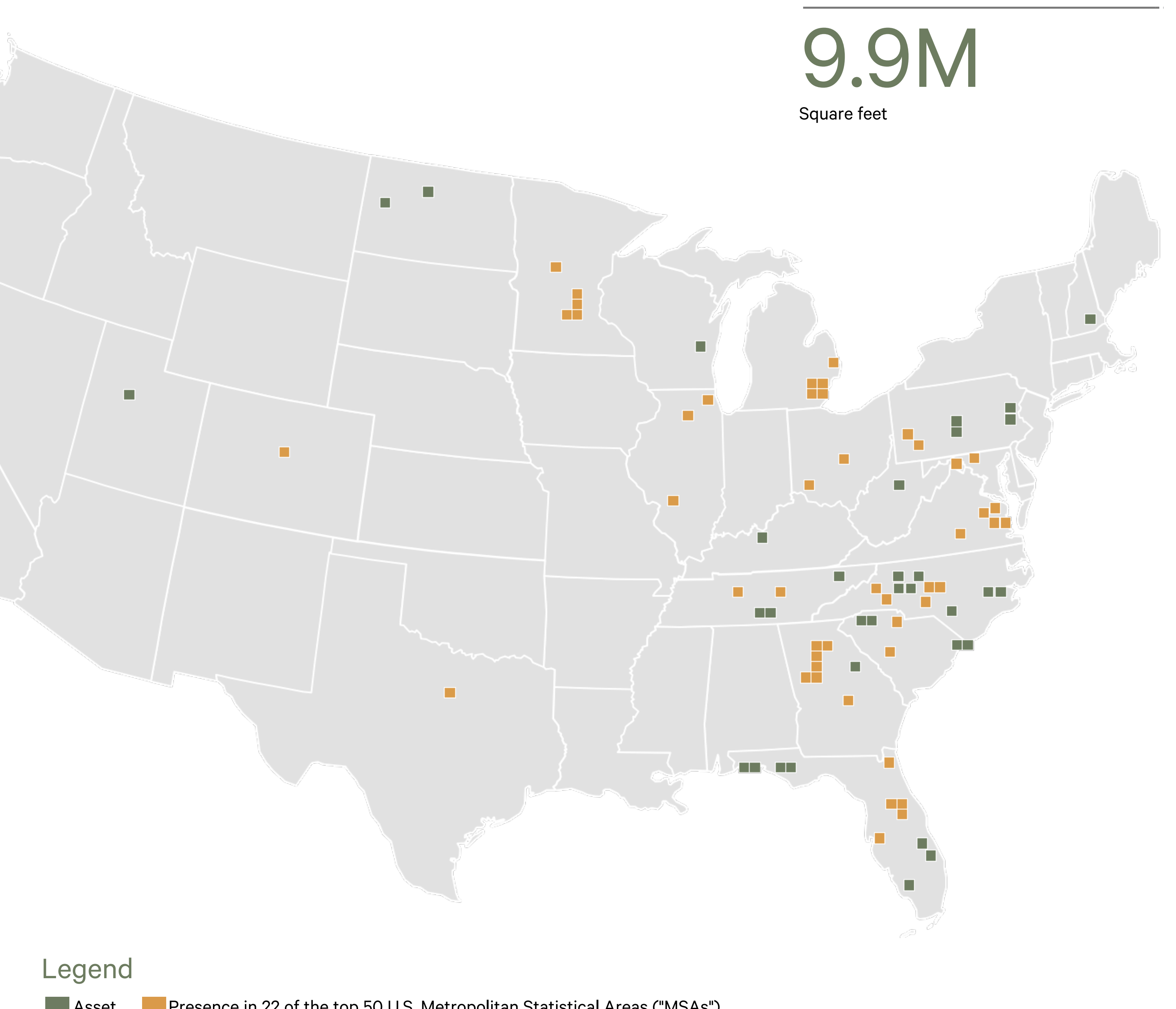
publix
FOOD & PHARMACY

Asset Map

80
Number of properties

20
States

9.9M
Square feet



Legend

Asset   Presence in 22 of the top 50 U.S. Metropolitan Statistical Areas ("MSAs")

Our experience lets us see opportunity clearly.

Letter to Unitholders

Dear Fellow Unitholders,

Over the last 17 months, the investment community's perspective on the grocery industry has changed. Its resilience, ability to pivot quickly and ultimately its critical role in providing customers with their essential daily needs have become clear to all. These characteristics were at the forefront of our thought process when we started investing in grocery-anchored real estate over a decade ago, and we couldn't be more pleased to own the real estate that we do today.

Strong Financial Performance Continues for Grocers

The continued strong performance of America's largest omnichannel grocers gives us increasing conviction in our belief that grocery-anchored real estate is a unique and desirable asset class of its own. With the pandemic in America fading farther into the rear-view mirror, grocer sales comps continue to trend meaningfully higher than 2019 levels. Our largest tenants, Walmart, Kroger and Ahold Delhaize recently reported mid-year performance which included two-year stacked comparable sales increases of 16.0%, 14.9% and 15.5%, respectively. The two-year comparison was introduced by grocers to help understand the performance in periods that are affected by variations in prior year growth rates caused by the pandemic. Further, on the basis of e-commerce sales growth and permanent consumer lifestyle and shopping habit changes, all three grocery operators cited increased momentum and optimism as compared to the beginning of the year and have adjusted their full-year 2021 guidance higher.

Broader trends in the food industry are also emerging that point to elevated grocer sales for the longer term. In a recent national study several interesting emerging consumer trends were identified, including: cooking and eating more at home, keeping more food on hand at home and using omni-channel sales models more frequently, ultimately resulting in higher grocery spending per household[1]. American households spent on average $142 per week on groceries in 2021, up 17% compared to 2020 (pre-pandemic) and 26% relative to 2019[1]. The pandemic has reminded consumers they find a wide variety of products, convenience and cost savings by shopping at the grocery store. At the same time, the REIT's biggest tenants have been investing billions proactively in innovation and are using technology to understand what their customers want in order to be effectively positioned to continue their strong performance in a post-pandemic environment.

Strategic Acquisitions Paying Off

Anticipation is building as we track toward the closing of the transformational 25-asset portfolio acquisition, which we still expect will close in the third quarter of this year. Our new joint venture partners are strong, like-minded operators and our team has enjoyed working together the last few months. Since the transaction was announced in March, our partners have executed leases totaling more than

[1] Source: FMI's US Grocery Trends 2021

> “Acquiring more than $540 million of quality properties since June 2020 has put Slate Grocery REIT in a position to elevate our business and create a compelling total return investment opportunity when coupled with the organic NOI growth we are poised to realize across the portfolio.”

65 thousand square feet with an additional pipeline of new lease negotiations of approximately 60 thousand square feet. These deals can add up to $1.7 million of annual base rent and more than 250 basis points to occupancy, which is an improvement relative to our going-in assumptions.

The story is similarly positive for the $90 million portfolio acquisition we completed in June of 2020 in the height of the pandemic. The SGR team continues to add meaningful value in executing our business plan. After one year of ownership, the quality seven-asset portfolio located in the South-East and Mid-Atlantic has exceeded under-writing in the following categories:

- Year 1 Occupancy – by 360 basis points to 93.5%
- Year 1 Net Operating Income (“NOI”) – by $0.9 million or 11.6%
- Projected internal rate of return (5-year hold) – by 500 bps to approximately 21.5%

We saw an opportunity to take advantage of a challenging time in the market and chose to be active when others weren’t. Acquiring more than $540 million of quality properties since June 2020 has put Slate Grocery REIT in a position to elevate our business and create a compelling total return investment opportunity when coupled with the organic NOI growth we are poised to realize across the portfolio.

Organic Growth and Ancillary Revenue Tailwinds

We are making meaningful progress with our ancillary revenue program since kicking it off in the first quarter of this year. To date, we have contractual agreements which will produce $0.3 million of NOI, at no cost to the REIT. The nature of the deals include electric vehicle charging stations, clothing recycling, signage & advertising as well as seasonal installations, and pop-ups. Our team continues to work through other opportunities and we foresee a path to hitting our targets of $0.7 million of NOI in 2022 and $1.0 million in 2023. By achieving our 2023 goal, the REIT will add 1% to the NOI compound annual growth rate which will create sustainable growth on top of the organic growth from our core portfolio.

The REIT’s portfolio continues to perform very well. Contractual occupancy for the portfolio has increased in each of the last four quarters and now sits at 93.2%. Two anchor leases commenced rent payment in the second quarter and two more anchors scheduled to come online in the second half of 2021. The rent from these tenants, and other recently completed significant lease transactions, totals $2.3 million and will begin to show in our reporting and improve SPNOI in the second half of the year. Our redevelopment pipeline, which is driven by the needs of our essential tenants, has produced a consistent yield of approximately 10% historically and several of these projects are nearing completion.

The asset management team is finalizing lease agreements for more than 90 thousand square feet of quality new leases which we expect will be executed within the next 30 days. Spreads for the 97 thousand square feet of new leasing completed since the beginning of 2021 is a healthy 10.5%. We are transacting with more essential tenants and net effective rents are generally 10-15% higher relative to historical trends (meaning we are spending less capital to induce a lease agreement).

Overall, we are pleased with the state of the marketplace and our portfolio as we emerge from the pandemic. The Slate Grocery REIT business is well positioned for growth as we look to the coming quarters and years ahead. I continue to be impressed and thankful for the efforts put forward by the entire team at Slate Asset Management in improving our portfolio every day and I am confident these compounding efforts are poised to make a meaningful impact on, and drive value for the unitholders of Slate Grocery REIT.

As always, we thank you for your continued support.

Sincerely,
David Dunn
Chief Executive Officer
July 27, 2021

Cambridge Crossings, Troy, Michigan

Management's Discussion and Analysis

SLATE GROCERY REIT

TSX: SGR.U and SGR.UN

June 30, 2021

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FINANCIAL AND INFORMATIONAL HIGHLIGHTS

(in thousands of United States dollars)

	Q2 2021	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Q1 2020
Summary of Portfolio Information						
Number of properties [1]	80	80	75	76	77	72
Gross leasable area ("GLA") [1]	9,916,435	9,959,075	9,554,679	9,728,179	9,832,109	9,507,881
GLA occupied by grocery-anchors [1]	4,775,292	4,785,118	4,614,178	4,657,213	4,633,340	4,417,825
Occupancy [1]	93.2%	93.1%	92.9%	92.5%	92.2%	92.8%
Grocery-anchor occupancy [1]	98.6%	98.6%	98.6%	98.6%	96.8%	97.3%
Non-anchor occupancy [1]	87.9%	88.0%	87.5%	86.8%	87.9%	88.7%
Grocery-anchor weighted average lease term (years) [1]	5.6	5.9	6.5	6.4	6.3	5.9
Portfolio weighted average lease term (years) [1]	4.9	5.0	5.3	5.3	5.2	5.0
Square feet ("SF") leased [1]	171,458	143,325	480,738	431,778	518,691	260,427
Summary of Financial Information						
IFRS gross book value ("GBV") [2]	$ 1,552,511	$ 1,539,994	$ 1,323,554	$ 1,302,849	$ 1,300,866	$ 1,249,525
Total debt	766,997	766,616	726,373	777,526	781,002	735,206
Revenue	33,377	32,471	31,872	31,961	30,255	32,042
Net (loss) income [1]	(3,141)	60,775	21,268	7,630	6,888	5,819
Net operating income ("NOI") [1 3]	24,037	23,285	22,583	23,098	22,152	22,071
Funds from operations ("FFO") [1 3 4 5]	12,545	11,529	11,684	11,487	11,115	11,160
Adjusted funds from operations ("AFFO") [1 3 4 5]	10,398	9,450	9,651	8,954	9,046	8,748
Distributions declared	$ 10,460	$ 10,460	$ 9,545	$ 9,087	$ 9,087	$ 9,087
Per Unit Financial Information						
Class U equivalent units outstanding [6]	48,432	48,432	48,432	42,072	42,072	42,072
WA class U equivalent units outstanding ("WA units")	48,615	48,597	43,752	42,222	42,208	42,196
FFO per WA units [1 3 4 5]	$ 0.26	$ 0.24	$ 0.27	$ 0.27	$ 0.26	$ 0.26
AFFO per WA units [1 3 4 5]	0.21	0.19	0.22	0.21	0.21	0.21
Declared distributions per unit	$ 0.2160	$ 0.2160	$ 0.2160	$ 0.2160	$ 0.2160	$ 0.2160
Financial Ratios						
FFO payout ratio [1 3 4 5 7]	83.4%	90.7%	81.7%	79.1%	81.8%	81.4%
AFFO payout ratio [1 3 4 5 8]	100.6%	110.7%	98.9%	101.5%	100.5%	103.9%
Debt / GBV [9]	53.0%	53.5%	54.9%	59.7%	60.0%	58.8%
Weighted average interest rate [10]	4.14%	4.25%	4.22%	3.98%	3.96%	3.99%
Interest coverage ratio [11]	2.59x	2.50x	2.45x	2.48x	2.52x	2.44x

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

[1] Includes the REIT's share of its joint venture investment.

[2] GBV is equal to total assets.

[3] Refer to non-IFRS financial measures on page 16.

[4] Adjusting to exclude the impact of the $169.0 million debt refinancing in the first quarter of 2021 FFO, FFO per unit and FFO payout ratio would be $11.8 million, $0.24 and 88.3%, respectively, and AFFO, AFFO per unit and AFFO payout ratio would be $9.8 million, $0.20 and 107.1%, respectively.

[5] Adjusting to exclude the impact of the refinanced credit facility and extinguished mortgage in the first quarter of 2020 FFO, FFO per unit and FFO payout ratio would be $11.5 million, $0.27 and 79.2%, respectively, and AFFO, AFFO per unit and AFFO payout ratio would be $9.1 million, $0.21 and 100.2%, respectively.

[6] Represents the total number of class U units outstanding, if all other units of the REIT, its subsidiaries and its deferred unit plan, were converted or exchanged, as applicable, for class U units of the REIT.

[7] Distributions declared divided by FFO.

[8] Distributions declared divided by AFFO.

[9] Subscription receipt funds in escrow have been removed from total assets to calculate the leverage ratio for the second quarter of 2021. The REIT's leverage ratio including subscription receipt funds in escrow would be 49.4%.

[10] Includes the impact of pay-fixed receive-float swaps.

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

PART I – OVERVIEW

INTRODUCTION

This MD&A of the financial position and results of operations of Slate Grocery REIT (TSX: SGR.U and SGR.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, 2021. 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, 2021 (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, 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 27, 2021, 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 August 17, 2020. As of June 30, 2021, the REIT owns 80 grocery-anchored properties located in the United States of America (the "U.S.") comprising 9.9 million square feet of GLA.

The REIT is externally managed and operated by Slate Asset Management (Canada) 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 6.9% 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.slategroceryreit.com.

STRATEGY AND OUTLOOK

Our strategy is to own the last mile of essential logistics that allows our quality grocery-anchored properties to operate and service consumers for their everyday needs. Located in major markets in the U.S., we believe that our diversified portfolio and quality tenant covenants 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;
- 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.
- Acting creatively and opportunistically to drive incremental value through monetization of the REIT's land and assets by densification, leasing of rooftops, parking lots and other elements of the REIT's properties.

The REIT will continue to focus on acquiring diversified revenue producing commercial real estate properties with a focus on grocery-anchored 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 allows it to identify undervalued properties, many of which may be "off-market" or not widely marketed for sale. With over 40,000 grocery stores in the U.S., there are significant opportunities for the REIT to continue its strategy of acquiring attractive, revenue-producing grocery-anchored properties. Slate's familiarity with the REIT's properties allows it to identify complementary acquisition opportunities that are aligned with the REIT's investment criteria and accretive to cash flow. The REIT seeks to acquire properties that are: (i) located in major metropolitan areas in the U.S. that demonstrate favourable population and employment growth dynamics; (ii) located in well-developed sub-markets with limited risk of new development; and (iii) anchored by market dominant grocers and other essential tenants who fulfill the last mile of logistics and have a proven track record of strong sales and profitability. Slate will continue to target major metropolitan areas in the U.S. outside of gateway markets where there is typically more competition and less favourable pricing 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.

Slate Grocery REIT has established itself as both a leading and differentiated owner and operator of grocery-anchored properties in the U.S. The REIT's critical real estate infrastructure and strong credit tenants provide unitholders with durable cash flows and the potential for capital appreciation over the longer term.

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 joint venture 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 adjusted for certain items including transaction costs, change in fair value of properties, change in fair value of financial instruments, deferred income taxes, unit income (expense), adjustments for joint venture 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 General and administrative 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.

ENVIRONMENTAL, SOCIAL AND CORPORATE GOVERNANCE

At Slate, we believe the responsibility of a fiduciary is not limited to generating investment returns – it is about treating people, our partners and our environment with respect and setting an example for others through our conduct. Our environmental, social and corporate governance ("ESG") philosophy is a key pillar of our firm and can be summarized as follows:

- Our people are our most important asset; an investment in our people positions our firm for future growth and success
- Our governing principles hold us accountable; these ensure our core values are apparent and adhered to in everything we do
- Our planet is home to all our stakeholders; we have a duty to invest in a sustainable and responsible manner

Efforts at our properties include lighting retrofits to LED lighting, white reflective roofing and evaluating solar initiatives at various sites, and community programs. We value the opportunity to collaborate with our tenants, neighbours and suppliers through various outreach projects with the goal of meaningfully contributing to the communities in which we work and live.

Our governance drives everything we do - we strive to be an example in the industry that acts responsibly and with integrity in all aspects of our business. Slate, as manager of the REIT has formal governance measures in place which ensure alignment of all stakeholders and establish accountability. These measures include a Code of Business Conduct and Ethics and an annual review and approval of Slate's ESG program by the REIT's Compensation, Governance and Nominating Committee. To learn more about our ESG policy please visit our website: www.slategroceryreit.com.

RISKS AND UNCERTAINTIES

In addition to the risks and uncertainties included herein, 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, 2020, 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 in value. If any of the noted risks actually occur, the REIT's business may be harmed and the financial condition and results of operations 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, 2021:

- Completed 171,458 square feet of leasing during the three month period ended June 30, 2021 at a 5.8% weighted average rental spread, comprised of 122,488 square feet of renewals and 48,970 square feet of new leasing.
- For the six month period ended June 30, 2021, occupancy has increased by 0.3% to 93.2% mainly due to new leasing and the portfolio acquisition of five grocery-anchored properties at a weighted average occupancy of 97.8%.
- The weighted average tenant retention rate for the second quarter was 93.6%. Since the beginning of 2016, the weighted average retention rate has been 92.3%.
- On April 1, 2021, the REIT completed one property outparcel disposition for $4.1 million at a capitalization rate of 6.0%. The REIT will seek to reinvest net proceeds into accretive investment opportunities that will strengthen the quality of the REIT's portfolio and drive growth in NOI.
- Rental revenue for the second quarter was $33.4 million, which represents a $3.1 million increase over the same period in the prior year. The increase is primarily driven by increases in rental rates from re-leasing, new leasing typically above in-place rent and the acquisition of five properties from June 30, 2020, partially offset by decreases in revenue due to the disposition of two properties and three outparcels at certain properties.
- The REIT recognized a net loss of $3.1 million for the second quarter, which is a $10.0 million decrease from the same quarter of the prior year. The decrease is attributed to the change in fair value of financial instruments and the change in fair value of properties, partially offset by the aforementioned increase in revenue.
- NOI for the second quarter increased by $0.8 million from the first quarter of 2021 to $24.0 million. This is mainly due to a full quarter of NOI contribution from the portfolio acquisition of five grocery-anchored properties in the first quarter of 2021 and uplifts in rental rates from new leasing typically above in-place rent, partially offset by temporary vacancies.
- Same-property NOI for the trailing twelve month period ended June 30, 2021 (comprised of 59 properties) increased by 0.2% over the same period in the prior year. Same-property NOI for the second quarter (comprised of 59 properties) decreased by 1.9% over the comparative period, primarily driven by lower operating spend during the pandemic. Including the impact of completed redevelopments, same-property NOI for the trailing twelve month period ended June 30, 2021 increased by $1.1 million or 1.4% and same-property NOI for the three month period ended June 30, 2021 increased by $0.2 million or 1.2%, over the respective comparative periods.
- FFO was $12.5 million for the quarter, which represents a $1.4 million increase from the same period in the prior year, primarily due to increases in NOI and a decrease in general and administrative expenses, partially offset by an increase in cash interest paid.
- AFFO increased by $1.4 million from the comparative period to $10.4 million. The increase is primarily due to increases in FFO and a decrease in capital expenditures.

- During the six month period ended June 30, 2021, the REIT executed ancillary revenue agreements at various properties within the portfolio which will contribute approximately $0.3 million of NOI, on an annualized basis. The REIT continues to pursue a deep pipeline of additional opportunities.
- Subsequent to quarter end, the REIT completed the acquisition of a grocery-anchored property in Indianapolis, Indiana for $8.5 million ($81 per square foot). Concurrent with the acquisition, the REIT secured a new, long-term lease with the property's anchor tenant, Kroger, for 15 years.
- The REIT's previously announced transformational acquisition of 25 properties valued at $390 million remains on track to close in the third quarter of 2021.

IMPACT OF COVID-19

In response to the pandemic, the Manager has implemented a COVID-19 response plan, with employee and tenant safety as a top priority. This plan is intended to monitor and mitigate the business and health risks posed to the REIT and its stakeholders. No assurance can be made that such strategies will mitigate the adverse impacts of COVID-19. Appropriate operational planning and cost-control measures are in place to manage operational and financial risk.

Management has assessed 66% of the REIT's tenant portfolio is comprised of essential tenants, including grocery-anchored tenants, medical and personal services, financial institutions, and other essential based services. Rent is typically paid within the first 15 business days of each month.

Since the start of the pandemic, the REIT has collected over 97% of contractual rent. The REIT expects to collect on outstanding balances through its normal course operations. The REIT's COVID-19 deferral payback program, totaling $1.2 million, has been completed and collected in full. All centers remain open through the COVID-19 pandemic, with all tenants in operation.

The REIT is well positioned from a liquidity perspective to endure negative impacts as a result of COVID-19, however, the REIT will continue to evaluate and monitor this as the situation endures. The REIT's debt portfolio has a weighted average term to maturity of 5.2 years, with no near-term maturities until 2023 and $169.8 million in borrowing capacity.

The duration and impact of the pandemic on the REIT are unknown at this time. As such, it is not possible to reliably estimate the length and severity of COVID-19-related impacts on the financial results and operations of the REIT. A prolonged COVID-19 pandemic could have a material impact on the financial results and cash flows of the REIT, including tenants' ability to pay rent, occupancy, leasing demand, market rents, labor shortages, and disruptions, all of which may impact the REIT's valuation of its properties or the ability of the REIT to meet financial obligations. Based on tenant collections to date, market demand, and overall property performance, the REIT believes property valuations are appropriate as at June 30, 2021.

PART II – LEASING AND PROPERTY PORTFOLIO

LEASING

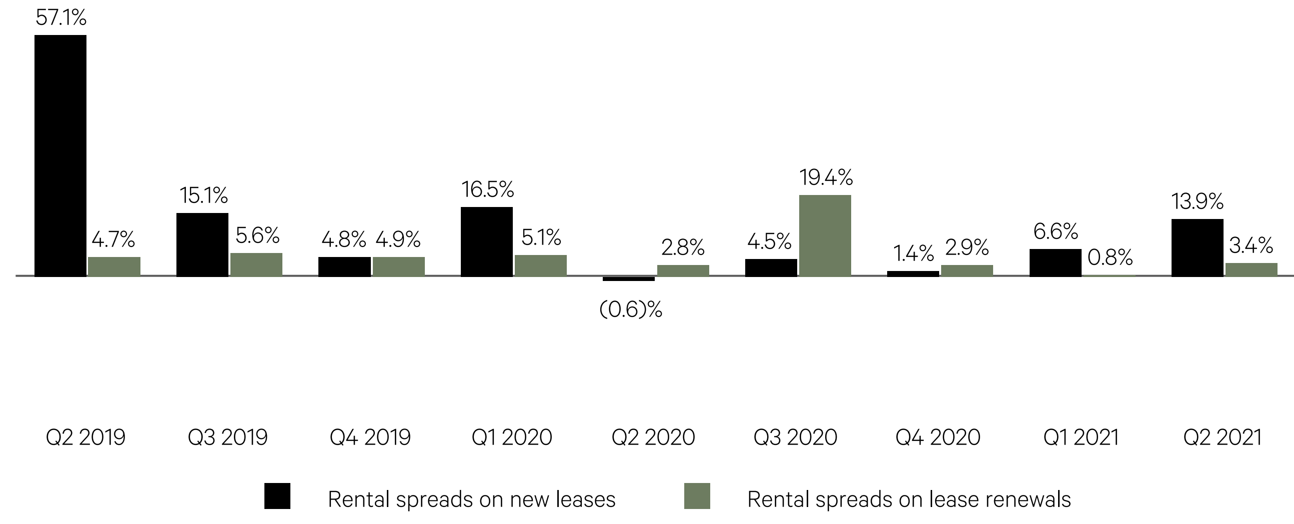
The REIT strives to ensure that its properties are well occupied with tenants who have space that allow them to meet their own business objectives. Accordingly, the REIT proactively monitors its tenant base with the objective to renew in advance of lease maturities, backfill tenant vacancies in instances 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 2021		Q1 2021		Q4 2020		Q3 2020
Less than 10,000	Renewal	Leases signed		29		29		33		37
		Total square feet		77,489		68,200		91,461		108,284
		Average base rent	$	16.94	$	18.64	$	17.11	$	18.42
		Rental spread		5.3%		0.3%		5.8%		7.5%
Greater than 10,000	Renewal	Leases signed		4		2		6		5
		Total square feet		44,999		28,351		353,454		127,056
		Average base rent	$	13.50	$	6.84	$	8.26	$	10.68
		Rental spread		(0.5%)		4.3%		1.4%		42.6%
Total renewals (square feet)				**122,488**		**96,551**		**444,915**		**235,340**
Less than 10,000	New lease	Leases signed		16		10		12		12
		Total square feet		28,960		17,049		35,823		43,319
		Average base rent	$	17.31	$	17.32	$	15.36	$	17.17
		Rental spread [1]		10.9%		19.3%		1.4%		(16.2%)
Greater than 10,000	New lease	Leases signed		1		2		—		4
		Total square feet		20,010		29,725		—		153,119
		Average base rent	$	7.50	$	10.41	$	—	$	9.17
		Rental spread [1]		25.0%		(3.2%)		—%		20.2%
Total new leases (square feet)				**48,970**		**46,774**		**35,823**		**196,438**
Total leasing activity (square feet) [2]				**171,458**		**143,325**		**480,738**		**431,778**

[1] Effective July 1, 2020, rental spreads are compared to units that have been occupied within the prior two years, calculated based on the average base rent of the new lease term compared to the previous lease. For units that have been vacant for two years or more, the REIT calculated rental spreads based on the average base rent of the new lease term compared to the weighted average in-place rent of comparable units at the property.
[2] Includes the REIT's share of its joint venture investment.

Leasing Spreads



During the second quarter, management completed 122,488 square feet of lease renewals. The weighted average rental rate increase on renewals completed for leases less than 10,000 square feet was $0.85 per square foot or 5.3% higher than expiring rent. The weighted average base rent on renewals completed for leases greater than 10,000 square feet was $13.50 per square foot or 0.5% lower than expiring rent.

The weighted average base rent on all new leases completed greater than 10,000 square feet was $7.50 per square foot, which is $1.25 per square foot or 25.0% higher than the weighted average in-place rent for comparable space across the portfolio. These transactions compare favorably to the current weighted average in place rent of $11.39.

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, 2021 was 5.6 years and 4.1 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, 2021:

	Weighted average term to maturity	GLA [1]	GLA %
Grocery-anchor	5.6	4,775,292	48.2%
Non-anchor	4.1	4,299,396	43.3%
Total	**4.9**	**9,074,688**	**91.5%**
Month-to-month		162,259	1.6%
Vacant		679,488	0.1%
Total GLA		**9,916,435**	**93.2%**

[1] Includes the REIT's share of its joint venture investment.

Occupancy is determined based on lease commencement. The following table shows the change in occupancy during the three month period ended June 30, 2021:

	Total GLA [1]	Occupied GLA [1 2]	Occupancy
March 31, 2021	9,959,075	9,273,324	93.1%
Dispositions	(50,000)	(50,000)	100.0%
Leasing changes	7,360	13,623	N/A
June 30, 2021	**9,916,435**	**9,236,947**	**93.2%**

[1] Includes the REIT's share of its joint venture investment.
[2] Leasing changes include new leases, lease buyouts, expirations and terminations.

Occupancy has increased 0.1% to 93.2% from March 31, 2021, primarily due to new leasing, partially offset by the disposition of a fully occupied outparcel at an existing property.

The following table shows the change in occupancy during the six month period ended June 30, 2021:

	Total GLA[1]	Occupied GLA[1 2]	Occupancy
December 31, 2020	9,554,679	8,878,017	92.9%
Acquisitions	396,471	387,808	97.8%
Dispositions	(50,000)	(50,000)	100.0%
Leasing changes	15,285	21,122	N/A
June 30, 2021	**9,916,435**	**9,236,947**	**93.2%**

[1] Includes the REIT's share of its joint venture investment.
[2] Leasing changes include new leases, lease buyouts, expirations and terminations.

Occupancy has increased by 0.1% to 93.2% from December 31, 2021, mainly due to new leasing and a portfolio acquisition of five grocery-anchored properties at a weighted average occupancy of 97.8%.

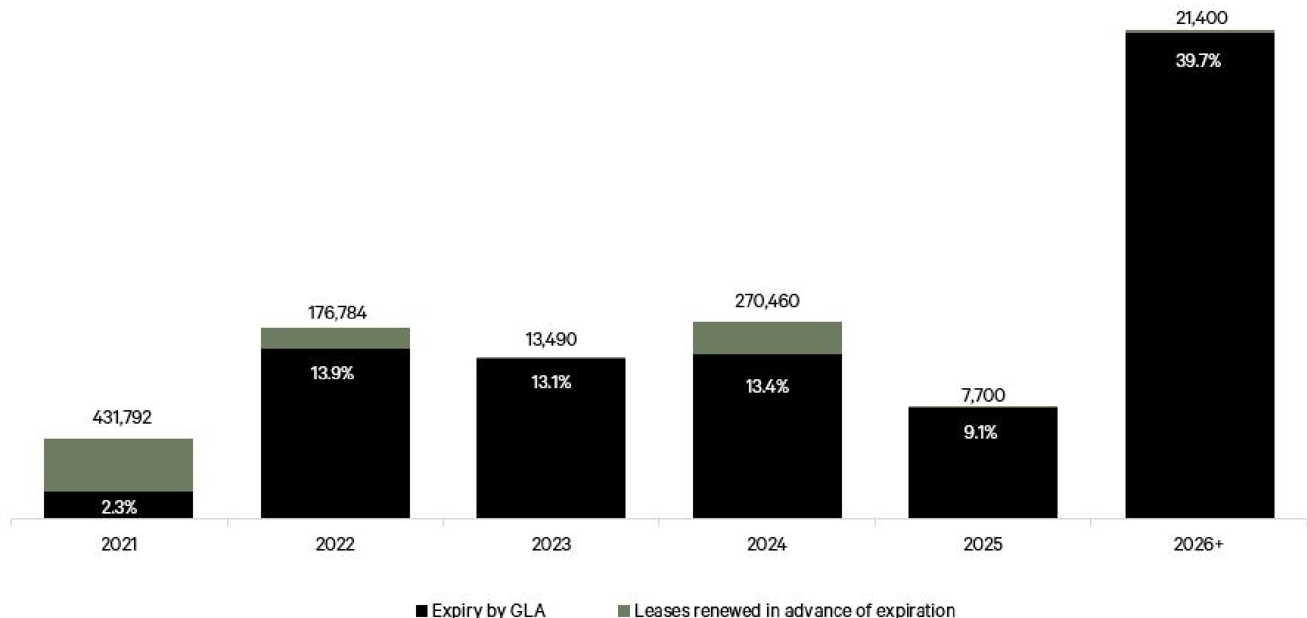
The following is a profile of the REIT's leases excluding the impact of tenant extension options:

	Grocery-anchor			Non-anchor			Total		
GLA expiration	GLA	Percentage of portfolio	Average in-place rent	GLA	Percentage of portfolio	Average in-place rent	GLA	Percentage of portfolio	Average in-place rent
Month-to-month	—	— %	$ —	162,259	1.6 %	$ 15.00	162,259	1.6 %	$ 15.00
2021	—	— %	—	225,909	2.3 %	14.98	225,909	2.3 %	14.98
2022	688,343	6.9 %	8.14	691,044	7.0 %	13.89	1,379,387	13.9 %	11.02
2023	582,679	5.9 %	8.43	716,953	7.2 %	14.98	1,299,632	13.1 %	12.05
2024	685,608	6.9 %	10.14	644,826	6.5 %	15.10	1,330,434	13.4 %	12.55
2025	402,784	4.1 %	6.6	498,634	5.1 %	17.30	901,418	9.2 %	12.52
2025 and later	2,415,878	24.3 %	8.26	1,522,030	15.3 %	13.57	3,937,908	39.6 %	10.31
Vacant	66,970	0.7 %	N/A	612,518	6.2 %	N/A	679,488	6.9 %	N/A
Total / weighted average[1]	**4,842,262**	**48.8%**	**$ 8.39**	**5,074,173**	**51.2%**	**$ 14.61**	**9,916,435**	**100.0%**	**$ 11.39**

[1] Includes the REIT's share of its joint venture investment.

The REIT endeavors to proactively lease upcoming expiries in advance of maturity to de-risk the portfolio, 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, 2021 and pre-existing future maturities that were leased in advance during 2021:

Lease Expiries and Pre-existing Future Maturities



The following table summarizes remaining expiries:

	June 30, 2021		March 31, 2021		December 31, 2020		September 30, 2020	
GLA Expiration	Number of tenants	GLA	Number of tenants	GLA	Number of tenants	GLA	Number of tenants	GLA
Anchors	—	—	—	—	—	—	—	—
Non-anchors	81	225,909	129	374,499	159	445,629	23	53,913
Remaining expiries [1]	**81**	**225,909**	**129**	**374,499**	**159**	**445,629**	**23**	**53,913**
Percentage of portfolio [1]		**2.5%**		**3.8%**		**4.7%**		**0.6%**

[1] Includes the REIT's share of its joint venture investment.

At June 30, 2021, remaining 2021 expiries totaled 225,909 square feet with 2.5% or 225,909 square feet of total GLA related to non-anchor tenants. Comparatively, at March 31, 2021, remaining 2021 expires totaled 374,499 with 3.8% or 374,499 square feet of total GLA related to non-anchor tenants. At December 31, 2020, the remaining 2020 expiries totaled 445,629 with 4.7% or 445,629 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. 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 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, 2021, and year ended December 31, 2020 for both grocery-anchor and non-grocery-anchor tenants:

Retention rate [1]	Three months ended June 30, 2021	Six months ended June 30, 2021	Year ended December 31, 2020
Grocery-anchor	98.6%	98.6%	97.8%
Non-grocery-anchor	88.0%	87.9%	87.7%
Net total / weighted average [2]	**93.6%**	**93.5%**	**92.8%**

[1] Retention rate excludes instances where management has not sought a renewal, primarily related to redevelopment or property portfolio management opportunities.
[2] Includes the REIT's share of its joint venture 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, 2021	March 31, 2021	December 31, 2020	September 30, 2020
Renewals				
Square feet	122,488	96,551	444,915	235,340
Expiring rent per square foot [1]	$ 15.16	$ 15.05	$ 9.80	$ 11.92
Rent spread per square foot [1]	0.51	0.12	0.28	2.32
Vacated				
Square feet [2]	32,336	40,651	60,414	155,032
Expiring rent per square foot [1]	$ 15.90	$ 20.42	$ 13.16	$ 9.62
New				
Square feet	48,970	46,774	35,823	196,438
New rent per square foot [1]	$ 13.30	$ 12.93	$ 15.36	$ 10.93
Total base rent retained [3]	**$ 1,343**	**$ 623**	**$ 3,565**	**$ 1,314**
Incremental base rent [3]	**$ 714**	**$ 616**	**$ 675**	**$ 2,693**

[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 joint venture investment.

In-place and market rents

The REIT's leasing activity during the three month period ended June 30, 2021 is as follows:

	GLA	Number of tenants	Weighted average expiring rent	Weighted average new rent
Renewed leases	122,488	33	$ 15.16	$ 15.68
New leases	48,970	17	N/A	13.30
Total / weighted average	**171,458**	**50**	**$ 15.16**	**$ 15.00**
Less, leases not renewed / vacated during term [1]	(32,336)	(13)	$ 15.90	N/A
Net total / weighted average [2]	**139,122**	**37**	**N/A**	**$ 15.00**

[1] Adjusted for lease buyouts and vacancies due to redevelopment.
[2] Includes the REIT's share of its joint venture investment.

The REIT's leasing activity during the six month period ended June 30, 2021 is as follows:

	GLA	Number of tenants	Weighted average expiring rent	Weighted average new rent
Renewed leases	219,039	64	$ 15.12	$ 15.45
New leases	95,744	29	N/A	13.12
Total / weighted average	**314,783**	**93**	**N/A**	**$ 14.74**
Less, leases not renewed / vacated during term [1]	(72,987)	(25)	$ 18.42	N/A
Net total / weighted average [2]	**241,796**	**68**	**N/A**	**$ 14.74**

[1] Adjusted for lease buyouts and vacancies due to redevelopment.
[2] Includes the REIT's share of its joint venture investment.

During the second quarter of 2021, the REIT completed 171,458 square feet of leasing, which represents 1.7% 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.

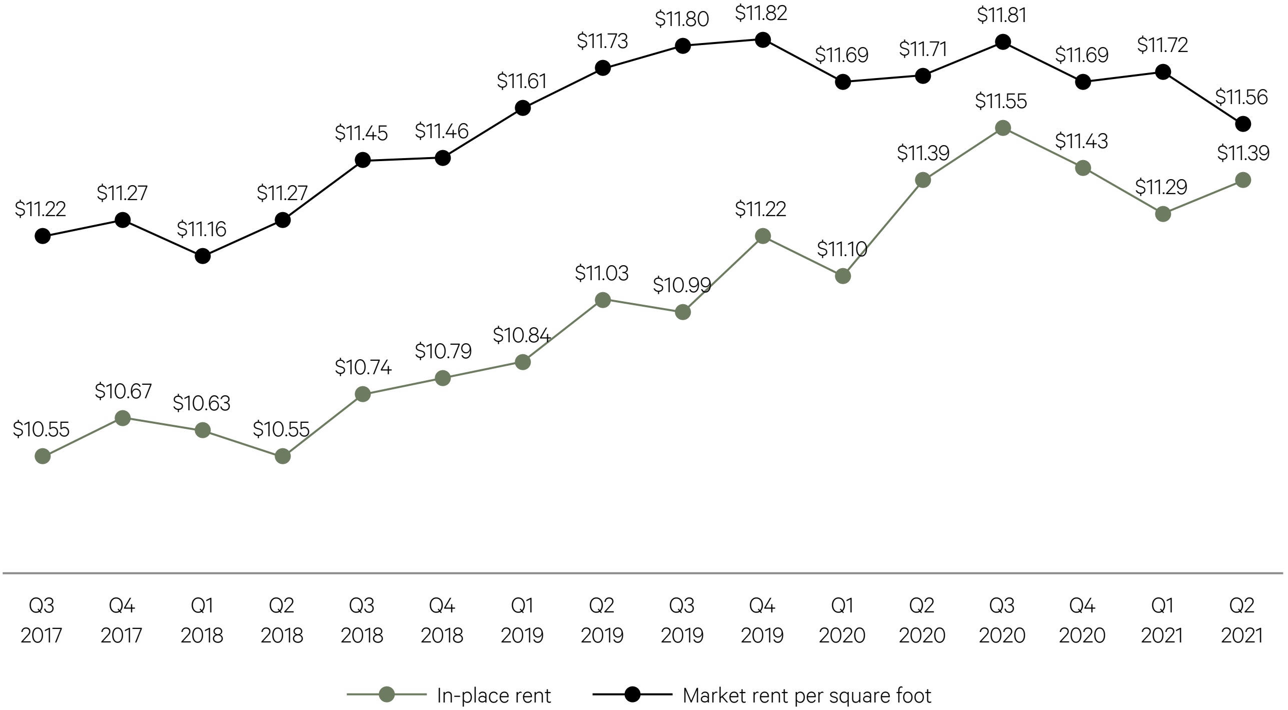
Net rental rates

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

	Q2 2021	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019
Grocery rent	$ 8.39	$ 8.43	$ 8.38	$ 8.35	$ 8.28	$ 8.18	$ 8.14	$ 8.05
Shop space rent	14.61	14.27	14.73	14.98	14.64	14.03	14.35	14.04
Total [1]	**$ 11.39**	**$ 11.29**	**$ 11.43**	**$ 11.55**	**$ 11.39**	**$ 11.10**	**$ 11.22**	**$ 10.99**
Market rent [2]	**$ 11.56**	**$ 11.72**	**$ 11.69**	**$ 11.81**	**$ 11.71**	**$ 11.69**	**$ 11.82**	**$ 11.80**

[1] Includes the REIT's share of its joint venture investment.
[2] Market rent 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.

DISPOSITION

On April 1, 2021, the REIT disposed of a property outparcel at 11 Galleria in Greenville, North Carolina for $4.1 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 93.2% at June 30, 2021 (March 31, 2021 – 93.1%, December 31, 2020 – 92.9%, September 30, 2020 – 92.5%).

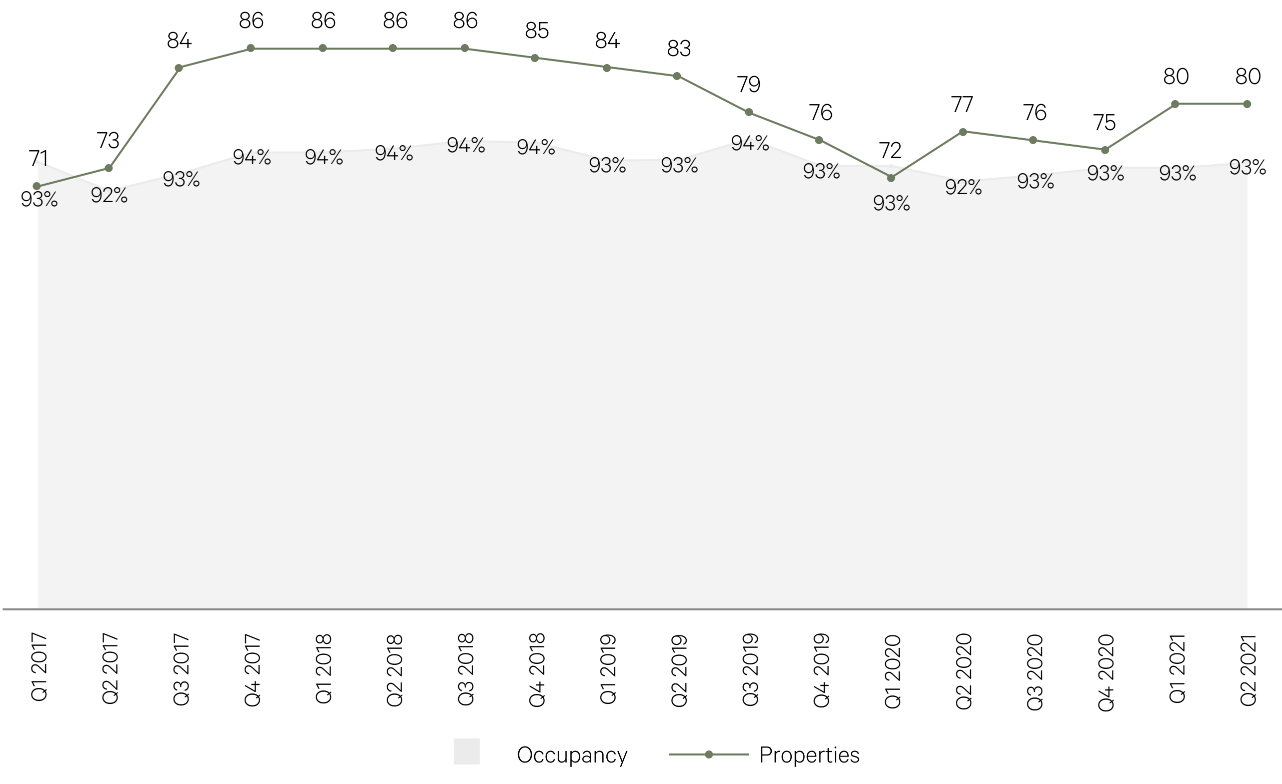
Occupancy has increased by 0.1% to 93.2% from March 31, 2021, mainly due to 48,970 square feet of new leasing, partially offset by lease expirations totaling 32,336. New leasing is mainly due to Harbor Freight totaling 16,200 square feet at Merchants Crossing as well as I Love NY Pizza totaling 3,400 square feet at Birmingham Shoppes, partially offset by the expiration of shops space tenants.

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

	2017				2018				2019				2020				2021	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Properties[1]	71	73	84	86	86	86	86	85	84	83	79	76	72	77	76	75	80	80
Occupancy[1]	93.2%	91.7%	92.6%	93.7%	93.7%	93.9%	94.3%	94.2%	93.3%	93.3%	94.4%	93.0%	92.8%	92.2%	92.5%	92.9%	93.1%	93.2%

[1] Includes the REIT's share of its joint venture investment.

Historical Occupancy Rates



Geographic overview

The REIT's portfolio is geographically diversified. As of June 30, 2021, the REIT's 80 properties were located in 20 states with a presence in 22 MSAs. The REIT has 43 properties, or 53.8% 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.

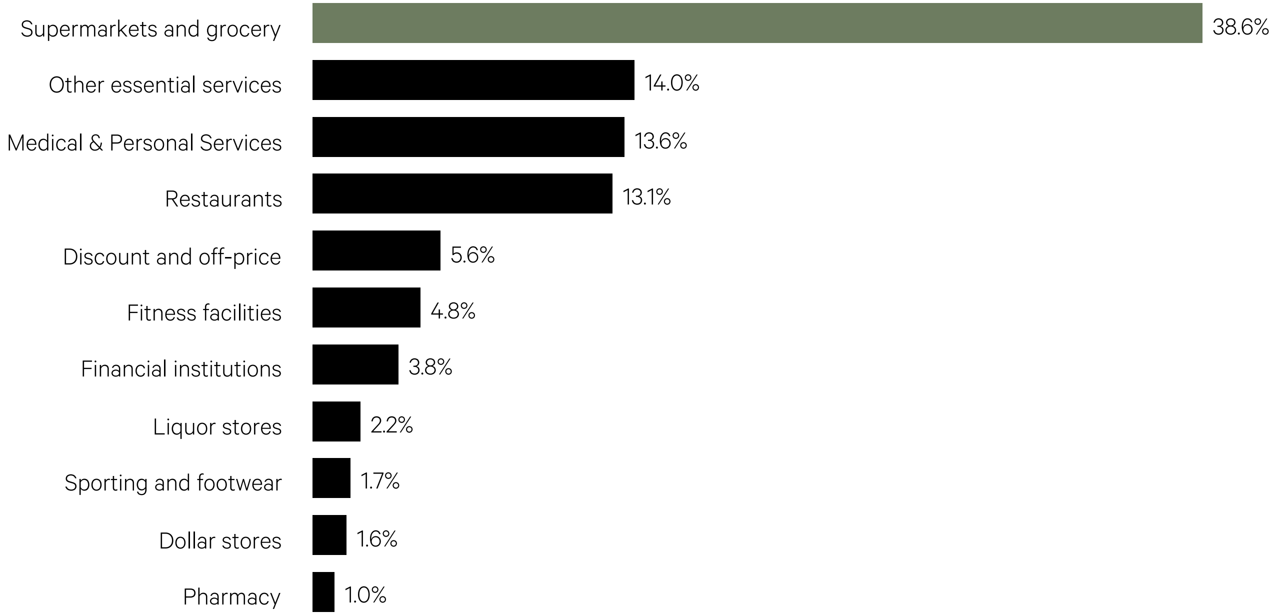
The following is a summary of the geographic location and relative dispersion of the REIT's property portfolio:

State	Number of assets	Total SF	Occupied SF	Percentage of revenue	Occupancy
Florida	12	1,447,358	1,318,791	16.2%	91.1%
North Carolina	14	1,517,133	1,437,972	15.8%	94.8%
Pennsylvania	6	1,024,017	973,311	9.9%	95.0%
South Carolina	5	845,283	802,815	8.3%	95.0%
Georgia	7	749,240	719,652	7.2%	96.1%
Minnesota	5	566,782	542,797	6.0%	95.8%
Virginia	5	479,835	444,275	5.9%	92.6%
Michigan	5	603,413	566,660	5.4%	93.9%
Tennessee	5	526,641	518,571	4.1%	98.5%
North Dakota	2	261,578	225,831	3.5%	86.3%
West Virginia	2	387,162	375,102	3.2%	96.9%
Illinois	3	317,241	261,714	2.8%	82.5%
Ohio	2	328,156	287,082	2.1%	87.5%
New Hampshire	1	151,946	144,948	1.7%	95.4%
Maryland	1	112,274	102,854	1.7%	91.6%
Wisconsin	1	123,028	123,028	1.5%	100.0%
Colorado	1	98,999	91,503	1.4%	92.4%
Texas	1	167,961	140,362	1.4%	83.6%
Utah	1	127,522	109,353	1.3%	85.8%
Kentucky	1	80,866	50,326	0.6%	62.2%
Total [1]	**80**	**9,916,435**	**9,236,947**	**100.0%**	**93.2%**

[1] Includes the REIT's share of its joint venture investment.

Tenant categories

As of June 30, 2021, the REIT has the following tenant categories within the portfolio, allocated by base rent:



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. The Kroger Co. represents the REIT's largest tenant by base rent with a total of 23 stores and 8.9% of base rents.

The largest 15 tenants account for 50.2% of total GLA and 40.6% of base rent as follows:

Parent company	Store brands	Grocery	Stores	% GLA	Base rent	% Base rent
The Kroger Co.	Kroger, Pick 'n Save, Harris Teeter	Y	23	12.5%	$ 9,258	8.9%
Walmart Inc.	Wal-Mart, Sams Club	Y	8	13.1%	8,548	8.2%
Koninklijke Ahold Delhaize N.V.	Stop & Shop, GIANT, Food Lion, Hannaford	Y	11	4.4%	4,977	4.8%
Publix Super Markets, Inc.	Publix	Y	11	5.0%	4,097	3.9%
Southeastern Grocers	Winn-Dixie	Y	7	2.5%	2,247	2.2%
United Natural Foods, Inc.	United Foods	Y	4	2.2%	2,084	2.0%
Coborn`s Inc.	Coborn's	Y	2	1.2%	2,038	2.0%
Alex Lee Inc.	Lowes Foods	Y	4	0.9%	1,249	1.2%
Weis Markets, Inc.	Weis	N	4	1.3%	1,256	1.2%
Beall's, Inc.	Beall's, Burke's	Y	2	1.3%	1,203	1.2%
Schnuck Markets, Inc.	Schnucks	Y	2	1.2%	1,099	1.0%
TJX Companies	Marshalls, T.J. Maxx, HomeGoods	N	5	1.3%	1,287	1.2%
Planet Fitness	Planet Fitness	N	6	1.1%	1,062	1.0%
Hy-Vee, Inc.	Hy-Vee	Y	5	1.3%	1,005	0.9%
Dollar Tree Inc.	Dollar Tree, Family Dollar	N	10	0.9%	950	0.9%
Total			**104**	**50.2%**	**$ 42,360**	**40.6%**

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. 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]	Estimated yield on cost	Pre-leased percentage	Estimated investment		
						Incurred	Remaining	Total
Battleground Village	Anchor repositioning	Q3 2021	$ 62	15.9%	100.0%	$ 215	$ 175	$ 390
Eastpointe Shopping Center	Anchor repositioning	Q2 2022	605	11.2%	100.0%	3,508	1,915	5,423
Stonefield Square	Anchor repositioning	Q2 2022	303	25.4%	—%	—	1,194	1,194
Southgate Crossing	Junior anchor repositioning	Q2 2022	220	8.7%	78.4%	95	2,431	2,526
Wedgewood Commons	Anchor repositioning	Q4 2022	935	6.9%	85.6%	6,110	7,390	13,500
Total			**$ 2,125**	**9.2%**		**$ 9,928**	**$ 13,105**	**$ 23,033**

Completed redevelopment projects

Property	Nature of redevelopment	Completed	Estimated incremental NOI [1]	Yield on cost	Leased percentage	Total invested
Westminster Plaza [2]	Anchor repositioning	Q1 2021	$ 898	25.4%	100.0%	$ 3,531
Windmill Plaza [3]	Anchor repositioning	Q2 2021	404	7.1%	92.5%	5,652
Mapleridge Center	Anchor repositioning	Q2 2021	771	13.8%	90.7%	5,600

[1] Calculated on a trailing twelve month basis as of June 30, 2021.
[2] Amounts represent development for primary anchor at the property.
[3] Amount at the REIT's share of its joint venture investment.

Redevelopment capital spent during the three and six month periods ended June 30, 2021 is as follows:

	Three months ended June 30, 2021	Six months ended June 30, 2021
Westminster Plaza [1]	$ 585	$ 2,448
Wedgewood Commons [1]	3,469	4,616
Mapleridge Center	4,300	4,442
Eastpointe Shopping Center	1,678	3,225
Other redevelopment costs [1 2]	1,893	2,631
Total redevelopment	**$ 11,925**	**$ 17,362**

[1] Relates to new outparcel development as well as work completed in the planning stages for redevelopment projects.
[2] Amount at the REIT's share of its joint venture investment.

Battleground Village is a 73,000 square foot property located in Greensboro, North Carolina. Formerly anchored by Earth Fare, the property is well situated at one of the busiest thoroughfares in the MSA. In 2020, Management engaged in a strategic releasing effort that resulted in a 15-year lease with Aldi, which has a significantly higher grade credit. There is limited capital investment, which totals $0.4 million, and relates to parking lot and lighting upgrades. Aldi is expected to open in the third quarter of 2021.

Stonefield Square is an 80,000 square foot shopping center formerly anchored by The Fresh Market. The centre is located in a dominant retail trade area on the east side of Louisville, Kentucky with close proximity to downtown and surrounded by dense residential communities. This asset is centrally located along Shelbyville Road, the primary retail and commercial artery in Middletown, where average household income is approaching $0.1 million. The Fresh Market vacated a 20,000 square foot box at the end of their lease term in December 2019, initiating an opportunity for the REIT to backfill the space at higher rental rates and a longer weighted average lease term. The REIT is in active discussions with prospective grocer and non-grocer tenants who have shown interest in the box. Simultaneously, with backfilling the premises, the REIT expects to invest significant capital to upgrade the building and common area facilities including improved signage, parking lot, landscaping and LED lighting upgrades.

Eastpointe Shopping Center is a regional shopping destination in Clarksburg, West Virginia anchored by a Kroger which includes a former K-mart box and in line shop tenants. The centre is located in the area's most prominent retail node at the junction of two major state highways. Kroger has executed a 25-year term lease to relocate from their 55,000 square foot box and build a brand new 83,000 square foot store in the former K-Mart premises with rent commencement in the fourth quarter of 2020. Construction commenced in the first quarter of 2020 and was completed in the first quarter of 2021. In the third quarter of 2020 the REIT executed a 10-year term lease with Hobby Lobby to occupy the prior 55,000 square foot Kroger box with rent commencement in the second quarter of 2022. In addition to the construction of Kroger and Hobby Lobby, the REIT will complete common area refurbishments to include the façade, parking lot, landscaping, and LED lighting upgrades, as required by the anchor leases. The REIT expects to invest $5.4 million in capital to complete the tenant build outs and common area refurbishments. Kroger's new store opened to the public on January 20, 2021 and is now the largest Kroger in the state of West Virginia.

Southgate Crossing is an 160,000 square foot shopping center located in Minot, North Dakota and is anchored by the market-leading Cash Wise Foods. Gordman's, which is an off-price department chain owned by Stage Stores, formerly occupied the 51,000 square foot junior anchor box until the third quarter of 2020. Management backfilled 16,000 square feet at higher rental rates and improved tenant quality in the first quarter of 2021, securing a 10-year lease with Harbor Freight Tools, a national discount tool and equipment retailer. Harbor Freight opened in June of 2021 with rent commencing in the third quarter. The REIT is in active discussions with national tenants to occupy the remaining 34,000 square feet.

Wedgewood Commons is a 153,000 square foot shopping centre anchored by a Publix supermarket. The shopping centre is strategically located on U.S. Route 1 Highway at Indian Road, in Stuart, Florida. Key tenants in the development include Beall's Outlet, Dollar Tree and Harbor Freight Tools. The REIT has finalized a 20-year term lease to construct a new 47,000 square foot flagship Publix grocery store. To coincide with the new Publix grocery store, the REIT has secured a 10-year lease extension to relocate and expand the Beall's Outlet to 30,000 square feet which will include a Beall's Home Centric concept store. Furthermore, the REIT is negotiating with several junior anchor prospects to lease the remaining vacancy within the shopping centre. The net result will increase GLA to approximately 166,000 square feet and the weighted average lease term from 3.7 years to 10.8 years. In addition to the construction of the Publix and Beall's Outlet and Home Centric, the REIT will complete an extensive common area refurbishment. The REIT expects to invest $13.5 million in redevelopment, with Publix opening and completion of the overall project by the end of the 2022 year.

Completed redevelopment projects

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 shopping centre includes a brand new 129,000 square foot Kroger Marketplace, an improved in-line façade and a completely redesigned parking lot, landscaping and lighting system. Executed leases include a 25-year ground lease with Kroger as the anchor tenant and junior anchor tenants which include Edge Fitness for 37,000 square feet and Pet Supplies Plus for 8,000 square feet. The property is occupied at 92.5%. Kroger and Edge Fitness commenced operations in January 2020.

Mapleridge Center is a 115,000 square foot community shopping center strategically located along White Bear Avenue within the main retail node in Maplewood, Minnesota. The centre was acquired in the third quarter of 2017 and at the time was anchored by a Rainbow Foods grocery outlet store. Management strategically terminated the anchor tenant in the fourth quarter of 2019 and signed a lease with Hy-Vee to take the former Rainbow Foods premises and an additional unit which is used as a liquor store. As part of the new grocery and liquor store lease, the REIT completed a significant capital investment in the center totaling $5.6 million. In the first quarter of 2020, the grocery anchor lease was executed with rent commencement in the first quarter of 2021. The Hy-Vee liquor store opened to the public on December 18, 2020 and the grocery store opened June 2021.

Westminster Plaza is a 99,000 square foot shopping center formerly anchored by Safeway. The centre is located seven miles immediately north of downtown Denver with direct access to multiple major highways. This asset experiences heavy traffic volumes along Federal Boulevard, a primary retail and commercial roadway in Westminster, Colorado. where population density is approximately 150,000 in a 3-mile radius. Additional density is forthcoming due to a community gentrification project being led by the City of Westminster. The plan is centralized around a recently completed light-rail transit station located a quarter mile from the property and the planned redevelopment of the surrounding land and industrial property into single and multi-family residential. Safeway vacated a 56,000 square foot box at the end of their lease term in December 2019. The REIT re-leased the vacant anchor space to VASA Fitness, a regional full-service gym operator. The deal saw both parties invest significant capital into the premises and shopping center and enabled the REIT to grow NOI and weighted average lease term significantly. VASA fitness opened in the first quarter of 2021. The REIT also completed the development of a pad, which includes a new 7,500 square foot building with Chipotle, Dunkin' Donuts, Buffalo Wild Wings and Tropical Smoothie in operation.

IFRS FAIR VALUE

The REIT's property portfolio at June 30, 2021 had an estimated IFRS fair value of $1.4 billion, with a weighted average capitalization rate of 7.00%. Overall, the average estimated IFRS value per square foot of the REIT's portfolio is $144.

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, 2021	December 31, 2020
Minimum	5.75%	6.00%
Maximum	8.75%	9.50%
Weighted average [1]	7.00%	7.34%

[1] Includes the REIT's share of its joint venture investment.

The June 30, 2021 weighted average capitalization rate decreased to 7.00% from 7.34% at December 31, 2020. The decrease in the weighted average capitalization rate is driven primarily by increased buyer demand for grocery-anchored strip centers and value-add asset management activities which includes anchor tenant renewals and repositionings, tenant credit enhancement through strategic leasing, capital investments and improvements.

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. Depending on the duration and impacts of the COVID-19 pandemic, certain aspects of the REIT's operations could be affected, including rental and occupancy rates, demand for retail space, capitalization rates, and the resulting value of the REIT's properties. Based on the REIT's operations to date, property valuations have not been materially impacted by the COVID-19 pandemic. The REIT believes property valuations are appropriate as at June 30, 2021.

The change in properties is as follows:

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
Beginning of the period	$ 1,406,089	$ 1,223,712	$ 1,277,180	$ 1,288,536
Acquisitions	68	91,758	55,109	91,758
Capital expenditures	1,009	488	1,797	1,050
Leasing costs	212	304	577	636
Tenant improvements	650	1,040	1,411	2,144
Development and expansion capital	11,925	623	17,362	2,202
Straight-line rent	276	237	441	651
Dispositions	(4,100)	(47,000)	(4,100)	(107,150)
IFRIC 21 property tax adjustment	4,278	3,994	(8,119)	(8,881)
Change in fair value [1]	(1,439)	(809)	77,310	3,401
End of the period	**$ 1,418,968**	**$ 1,274,347**	**$ 1,418,968**	**$ 1,274,347**
Joint venture investment property	10,893	11,991	10,893	11,991
End of the period, including joint venture investment	**$ 1,429,861**	**$ 1,286,338**	**$ 1,429,861**	**$ 1,286,338**

[1] Change in fair value includes impacts due to valuation parameters, 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, 2021.

	Three months ended June 30, 2021			Six months ended June 30, 2021		
	Consolidated	Joint venture investment	Proportionate Share (Non-GAAP)	Consolidated	Joint venture investment	Proportionate Share (Non-GAAP)
Beginning of the period	$ 1,406,089	$ 10,898	$ 1,416,987	$ 1,277,180	$ 10,845	$ 1,288,025
Acquisitions	68	—	68	55,109	—	55,109
Capital expenditures	1,009	—	1,009	1,797	—	1,797
Leasing costs	212	—	212	577	—	577
Tenant improvements	650	—	650	1,411	—	1,411
Development and expansion capital	11,925	102	12,027	17,362	259	17,621
Straight-line rent	276	3	279	441	6	447
Dispositions	(4,100)	—	(4,100)	(4,100)	—	(4,100)
IFRIC 21 property tax adjustment	4,278	107	4,385	(8,119)	39	(8,080)
Change in fair value [1]	(1,439)	(217)	(1,656)	77,310	(256)	77,054
End of the period	**$ 1,418,968**	**$ 10,893**	**$ 1,429,861**	**$ 1,418,968**	**$ 10,893**	**$ 1,429,861**

[1] Change in fair value includes impacts due to valuation parameters, 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, 2021 is as follows:

	Three months ended June 30, 2021			Six months ended June 30, 2021		
	Income-producing properties	Properties under redevelopment	Total	Income-producing properties	Properties under redevelopment	Total
Beginning of the period	$ 1,291,198	$ 114,891	$ 1,406,089	$ 1,192,593	$ 84,587	$ 1,277,180
Transfers to income-producing properties	12,328	(12,328)	—	29,469	(29,469)	—
Transfers to properties under redevelopment	—	—	—	(39,774)	39,774	—
Acquisitions	68	—	68	55,109	—	55,109
Capital expenditures	1,006	3	1,009	1,751	46	1,797
Leasing costs	218	(6)	212	563	14	577
Tenant improvements	649	1	650	1,410	1	1,411
Development and expansion capital	2,970	8,955	11,925	3,705	13,657	17,362
Straight-line rent	137	139	276	71	370	441
Dispositions	(4,100)	—	(4,100)	(4,100)	—	(4,100)
IFRIC 21 property tax adjustment	5,427	(1,149)	4,278	(8,490)	371	(8,119)
Change in fair value [1]	6,504	(7,943)	(1,439)	84,098	(6,788)	77,310
End of the period	**$ 1,316,405**	**$ 102,563**	**$ 1,418,968**	**$ 1,316,405**	**$ 102,563**	**$ 1,418,968**
Joint venture investment property	10,893	(10,893)	—	10,893	(10,893)	—
End of the period, including joint venture investment	**$ 1,327,298**	**$ 91,670**	**$ 1,418,968**	**$ 1,327,298**	**$ 91,670**	**$ 1,418,968**

[1] Change in fair value includes impacts due to valuation parameters, 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, 2021 was $1.9 million and $3.8 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. 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, 2021, the REIT recorded a fair value loss on properties of $1.4 million, mainly related to IFRIC 21 property tax adjustments, partially offset by valuation parameters and cash flows. For the six month period ended June 30, 2021, the REIT recorded a fair value gain on properties of $77.3 million. This is mainly due to valuation parameters and IFRIC 21 property tax adjustments, partially offset by transaction costs capitalized.

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

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
Valuation parameters and cash flows	$ 3,183	$ 5,080	$ 70,556	$ (3,171)
Transaction costs capitalized	(68)	(1,658)	(924)	(1,658)
IFRIC 21 property tax adjustment	(4,278)	(3,994)	8,119	8,881
Adjusted for straight-line rent	(276)	(237)	(441)	(651)
Total	**$ (1,439)**	**$ (809)**	**$ 77,310**	**$ 3,401**

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 the first of January of the fiscal year. As a result, the annual property tax liability and expense has been recognized on the properties owned on the first of January 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 2021	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019
Rental revenue	$ 33,377	$ 32,471	$ 31,872	$ 31,961	$ 30,255	$ 32,042	$ 34,338	$ 34,545
Property operating expenses [1]	(4,920)	(21,560)	(3,512)	(4,649)	(3,972)	(22,496)	(5,029)	(5,287)
Straight-line rent revenue	(276)	(165)	(375)	(530)	(237)	(414)	(118)	(323)
IFRIC 21 property tax adjustment [1]	(4,278)	12,397	(5,568)	(4,115)	(3,994)	12,875	(4,934)	(4,675)
Adjustments for joint venture investment	134	142	166	431	100	64	9	125
NOI [2]	$ 24,037	$ 23,285	$ 22,583	$ 23,098	$ 22,152	$ 22,071	$ 24,266	$ 24,385
Class U units outstanding	48,620	48,611	48,597	42,226	42,217	42,203	42,207	44,110
WA units	48,615	48,597	43,752	42,222	42,208	42,196	43,145	44,107
Net (loss) income [3]	$ (3,141)	$ 60,775	$ 21,268	$ 7,630	$ 6,888	$ 5,819	$ 14,016	$ 4,513
Net (loss) income per WA unit [3]	$ (0.06)	$ 1.25	$ 0.49	$ 0.18	$ 0.16	$ 0.14	$ 0.32	$ 0.10
IFRS NAV [4]	$ 609,946	$ 605,994	$ 532,155	$ 449,858	$ 445,189	$ 445,383	$ 476,612	$ 480,454
IFRS NAV per unit [4]	$ 12.55	$ 12.47	$ 10.95	$ 10.65	$ 10.55	$ 10.55	$ 11.29	$ 10.89
Distributions declared	$ 10,460	$ 10,460	$ 9,545	$ 9,087	$ 9,087	$ 9,087	$ 9,314	$ 9,399
Distributions per unit	$ 0.2160	$ 0.2160	$ 0.2160	$ 0.2160	$ 0.2160	$ 0.2160	$ 0.2145	$ 0.2138
FFO [3 5 6]	$ 12,545	$ 11,529	$ 11,684	$ 11,487	$ 11,115	$ 11,160	$ 12,650	$ 12,936
FFO per WA units [3 5 6]	$ 0.26	$ 0.24	$ 0.27	$ 0.27	$ 0.26	$ 0.26	$ 0.29	$ 0.29
AFFO [3 5 6]	$ 10,398	$ 9,450	$ 9,651	$ 8,954	$ 9,046	$ 8,748	$ 10,616	$ 11,142
AFFO per WA units [3 5 6]	$ 0.21	$ 0.19	$ 0.22	$ 0.21	$ 0.21	$ 0.21	$ 0.25	$ 0.25
Total assets	$ 1,552,511	$1,539,994	$ 1,323,554	$ 1,302,849	$ 1,300,866	$ 1,249,525	$ 1,315,080	$ 1,336,836
Debt	$ 766,997	$ 766,616	$ 726,373	$ 777,526	$ 781,002	$ 735,206	$ 789,395	$ 798,147
Debt / GBV [7]	53.0%	53.5%	54.9%	59.7%	60.0%	58.8%	60.0%	59.7%
Number of properties [3]	80	80	75	76	77	72	76	79
% leased [3]	93.2%	93.1%	92.9%	92.5%	92.2%	92.8%	93.0%	94.4%
GLA [3]	9,916,435	9,959,075	9,554,679	9,728,179	9,832,109	9,507,881	9,857,715	10,157,833
Grocery-anchored GLA [3]	4,775,292	4,738,479	4,614,178	4,724,183	4,785,050	4,417,825	4,722,267	4,884,476

[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] Refer to non-IFRS financial measures on page 16.

[3] Includes the REIT's share of its joint venture investment.

[4] Excludes the impact of the REIT's bought deal public offering of 11.4 million subscription receipts for gross proceeds of C$133.0 million.

[5] Adjusting to exclude the impact of the $169.0 million debt refinancing in the first quarter of 2021, FFO and FFO per unit would be $11.8 million and $0.24, respectively, and AFFO and AFFO per unit would be $9.8 million and $0.20, respectively.

[6] Adjusting to exclude the impact of the refinanced credit facility and extinguished mortgage in the first quarter of 2020, FFO and FFO per unit would be $11.5 million and $0.27, respectively, and AFFO and AFFO per unit would be $9.1 million and $0.21, respectively.

[7] Subscription receipt funds in escrow have been removed from total assets to calculate the leverage ratio for the second quarter of 2021. The REIT's leverage ratio including subscription receipt funds in escrow would be 49.4%.

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, 2021 increased by $3.1 million and $3.6 million, respectively, compared to the same period in the prior year. The increase is primarily driven by the acquisition of five properties, increases in rental rates from re-leasing, and new leasing typically above in-place rent, partially offset by decreases in revenue due to the disposition of two properties and three outparcels at certain properties.

PROPERTY OPERATING EXPENSES

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

Property operating expenses increased by $0.9 million for the three month period ended June 30, 2021. The increase is driven by the acquisition of five properties from June 30, 2021. For the six month period ended June 30, 2021, property operating expenses have remained consistent with the same period in the prior year at $26.5 million.

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.

GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative 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,		
	2021	2020	Variance	2021	2020	Variance
Asset management fees	$ 1,536	$ 1,243	$ 293	$ 2,850	$ 2,551	$ 299
Professional fees and other	743	816	(73)	1,409	1,713	(304)
Bad debt expense	170	530	(360)	340	695	(355)
Franchise and business taxes	158	330	(172)	223	545	(322)
Total	**$ 2,607**	**$ 2,919**	**$ (312)**	**$ 4,822**	**$ 5,504**	**$ (682)**
% of total assets	**0.2%**	**0.2%**	**—%**	**0.3%**	**0.4%**	**(0.1)%**
% of total revenue	**7.8%**	**9.6%**	**(1.8)%**	**7.3%**	**8.8%**	**(1.5)%**

General and administrative expenses for the three and six month periods ended June 30, 2021 decreased by $0.3 million and $0.7 million, respectively, compared to the same period in the prior year. This is mainly due to the decreases in franchise and business taxes and bad debt expense.

INTEREST AND FINANCE COSTS

	Three months ended June 30,			Six months ended June 30,		
	2021	2020	Variance	2021	2020	Variance
Interest on debt and finance charges	$ 5,452	$ 5,071	$ 381	$ 10,884	$ 12,136	$ (1,252)
Interest rate swaps, net settlement [1]	2,811	2,570	241	5,794	3,505	2,289
Interest income	(4)	(16)	12	(17)	(34)	17
Amortization of finance charges [1 2]	469	391	78	1,049	1,497	(448)
Amortization of mark-to-market [2]	(5)	(5)	—	(9)	(414)	405
Amortization of deferred gain on TIF notes	(22)	(22)	—	(44)	(44)	—
Total	**$ 8,701**	**$ 7,989**	**$ 712**	**$ 17,657**	**$ 16,646**	**$ 1,011**

[1] In the first quarter of 2021, the REIT refinanced $169.0 million of its debt, resulting in a charge to income totaling $0.2 million.
[2] In the first quarter of 2020, the REIT refinanced its credit facility and extinguished a mortgage of $10.1 million, resulting in a net charge to income totaling $0.3 million.

The following shows the change in interest on debt and finance charges, net of interest rate swaps for the three month period ended June 30, 2021 compared to the same period in the prior year:

Interest on debt and finance charges, net of interest rate swaps, June 30, 2020	$	7,641
Change in interest rates, net of interest rate hedges and debt levels [1 2]		(866)
Change in debt spreads		(47)
Increase in fixed rate debt		1,561
Decrease in standby fee		(26)
Interest on debt and finance charges, net of interest rate swaps, June 30, 2021	**$**	**8,263**
Year-over-year change – $	**$**	**622**
Year-over-year change – %		**8.1%**

[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, 2021 is 4.14% (June 30, 2020 – 3.96%).
[2] The average U.S. LIBOR for the three month period ended June 30, 2021 was 0.15%, which represents a 0.25% decrease from the same period in 2020. At June 30, 2021, the REIT fixed 101.5% of its floating rate debt, compared to 98.3% at June 30, 2020.

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, net of interest rate swaps increased by $0.6 million and $1.0 million for the three and six month periods ended June 30, 2021 compared to the same periods in 2020, primarily due to changes in debt levels, partially offset by a reduction in spread. 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 101.5% of the REIT's debt subject to fixed rates at June 30, 2021. The weighted average fixed rate of the REIT's interest rate swaps was 2.573% compared to the one-month U.S. LIBOR at 0.10% at June 30, 2021, with a weighted average term to maturity of 2.7 years. Under this arrangement, the REIT has paid $2.8 million and $2.6 million of net interest payments in the current quarter and comparative period, respectively.

In conjunction with the REIT's $169.0 million mortgage closed on January 14, 2021, the REIT terminated its $150.0 million interest rate swap with a maturity date of February 26, 2021. This resulted in an increase to the weighted average pay-fixed rate of the REIT's swap portfolio to 2.573%.

On February 4, 2020, the REIT terminated $150.0 million of its $300.0 million interest rate swap, with an effective date of November 22, 2016. The realized gain as a result of the termination was blended into the pay-fixed rate of the REIT's $100.0 million interest rate swap, with a maturity date of September 22, 2022.

The REIT does not capitalize interest for its projects under development. 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 Grocery One L.P. and Slate Grocery 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, 2021 was $10.37 (June 30, 2020 – $7.13). Changes in fair value of exchangeable units of subsidiaries are non-cash in nature and are required to be recorded in income under IFRS.

For the three and six month periods ended June 30, 2021, the REIT recognized an unrealized fair value loss of $1.2 million and $1.6 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, 2021, net income decreased by $10.0 million compared to the same period in the prior year. The decrease is primarily driven by the change in fair value of financial instruments and the change in fair value of properties, partially offset by the aforementioned increase in revenue. Net income for the six month period ended June 30, 2021 was $57.6 million, which resulted in a $44.9 million increase from the comparative period. The increase is mainly due to a $73.9 million increase in the change in fair value of properties and a $3.6 million increase in revenue, partially offset by the change in fair value of financial instruments.

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:

	Three months ended June 30,			Six months ended June 30,		
	2021	2020	Variance	2021	2020	Variance
Rental revenue	$ 33,377	$ 30,255	$ 3,122	$ 65,848	$ 62,297	$ 3,551
Straight-line rent revenue	(276)	(237)	(39)	(441)	(651)	210
Property operating expenses	(4,920)	(3,972)	(948)	(26,480)	(26,468)	(12)
IFRIC 21 property tax adjustment	(4,278)	(3,994)	(284)	8,119	8,881	(762)
Adjustments for joint venture investment	134	100	34	276	164	112
NOI	**$ 24,037**	**$ 22,152**	**$ 1,885**	**$ 47,322**	**$ 44,223**	**$ 3,099**
NOI margin	**72.6%**	**73.8%**	**(1.2%)**	**72.4%**	**71.7%**	**0.7%**

The following shows the change in NOI for the three month period ended June 30, 2021 compared to the same period in the prior year:

NOI, June 30, 2020	$ 22,152
Change in same-property NOI	(359)
Increased contribution from redeveloped properties	584
Loss of contribution from properties under redevelopment	(306)
Contribution from acquisitions	2,475
Loss of contribution from dispositions, including outparcel sales	(509)
NOI, June 30, 2021	**$ 24,037**
Year-over-year change – $	**$ 1,885**
Year-over-year change – %	**8.5%**

NOI for the three month period ended June 30, 2021 was $24.0 million, which represents an increase of $1.9 million from the same period in 2020. The increase is primarily due to the NOI contribution from the acquisition of 12 properties and redeveloped properties, partially offset by the loss in NOI contribution from the disposition of two properties and three outparcels at certain properties.

The following shows the change in NOI for the three month period ended June 30, 2021 compared to the immediately preceding quarter:

NOI, March 31, 2021	$ 23,285
Change in same-property NOI	73
Increased contribution from redeveloped properties	221
Increased contribution from properties under redevelopment	18
Contribution from acquisitions	554
Loss of contribution from dispositions, including outparcel sales	(114)
NOI, June 30, 2021	**$ 24,037**
Quarter-over-quarter change – $	**$ 752**
Quarter-over-quarter change – %	**3.2%**

NOI for the current quarter increased by $0.8 million from the first quarter of 2021 to $24.0 million. This is mainly due to a full quarter of NOI contribution from the acquisition of five grocery-anchored properties and uplifts in rental rates from new leasing typically above in-place rent, partially offset by temporary vacancies.

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, 2021, the same-property portfolio is comprised of a portfolio of 59 properties owned and in operation for each of the entire three month periods ended June 30, 2021 and 2020.

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

The following is a summary of same-property NOI and the related occupancy rates on a trailing twelve month basis as at June 30, 2021, as compared to the same period in the prior year reconciled to total NOI:

	Number of properties	Trailing twelve months, June 30,			
		2021	2020	Variance	% change
Same-property NOI	**59**	**$ 74,621**	**$ 74,442**	**$ 179**	**0.2%**
NOI attributable to redeveloped properties [1]	4	3,980	3,059	921	
NOI attributable to properties under redevelopment	7	5,132	5,662	(530)	
NOI attributable to acquisitions	10	8,392	6,407	1,985	
NOI attributable to dispositions, including outparcel sales	18	878	3,304	(2,426)	
Total NOI [1]		**$ 93,003**	**$ 92,874**	**$ 129**	**0.1%**
Occupancy, same-property	**59**	**93.4%**	**94.5%**	**(1.1%)**	
Occupancy, redeveloped properties	4	93.6%	70.1%	23.5%	
Occupancy, properties under redevelopment [1]	7	86.9%	76.2%	10.7%	
Occupancy, acquisitions	10	93.5%	91.7%	1.8%	
Occupancy, dispositions, including outparcel sales	18	64.3%	64.3%	—%	
Occupancy, portfolio [1]		**93.2%**	**92.8%**	**0.4%**	

[1] Includes the REIT's share of its joint venture investment.

Same-property NOI for the trailing twelve month period ended June 30, 2021 increased by 0.2% from the same period in the prior year. This was primarily attributed to increases in rental rates from re-leasing above average in-place rent and new leasing above comparable market rental rates, partially offset by temporary vacancies. Including the impact of completed redevelopments, same-property NOI increased by $1.1 million or 1.4% over the comparative period.

The following is a summary of same-property NOI and the related occupancy rates for the three month period ended June 30, 2021 as compared to the same period in the prior year, reconciled to total NOI:

	Number of properties	Three months ended June 30, 2021	2020	Variance	% change
Same-property NOI	**59**	**$ 18,424**	**$ 18,783**	**$ (359)**	**(1.9%)**
NOI attributable to redeveloped properties [1]	4	1,059	475	584	
NOI attributable to properties under redevelopment	5	1,290	1,596	(306)	
NOI attributable to acquisitions	12	3,191	716	2,475	
NOI attributable to dispositions, including outparcel sales	5	73	582	(509)	
Total NOI [1]		**$ 24,037**	**$ 22,152**	**$ 1,885**	**8.5%**
Occupancy, same-property	**59**	**93.3%**	**94.6%**	**(1.3%)**	
Occupancy, redeveloped properties	4	93.6%	78.9%	14.7%	
Occupancy, properties under redevelopment [1]	5	87.7%	77.5%	10.2%	
Occupancy, acquisitions	12	95.0%	91.7%	3.3%	
Occupancy, dispositions, including outparcel sales	5	82.5%	82.5%	—%	
Occupancy, portfolio [1]		**93.2%**	**92.2%**	**1.0%**	

[1] Includes the REIT's share of its joint venture investment.

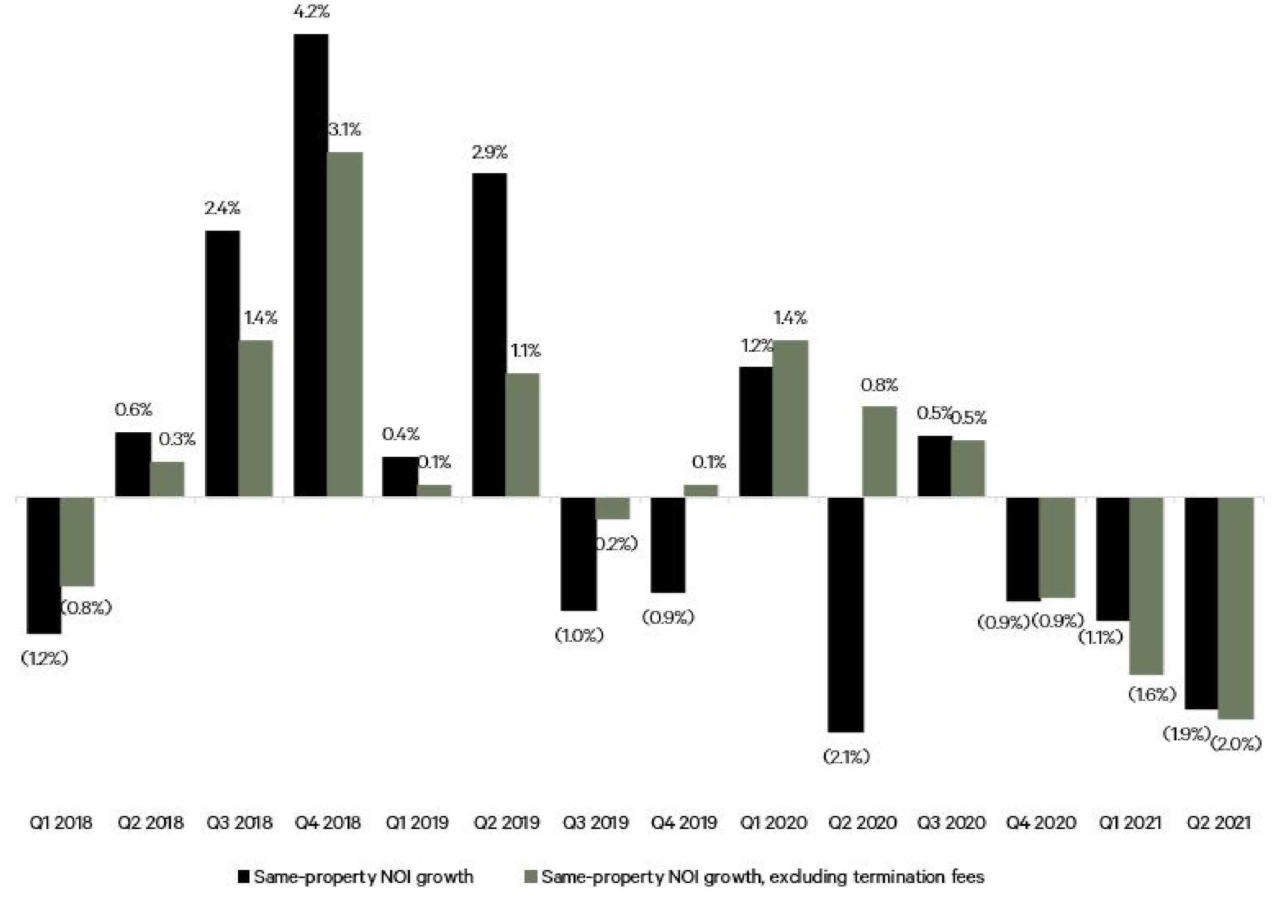
Same-property NOI for the current quarter decreased by $0.4 million to $18.4 million over the comparative period. The decrease was primarily attributed to temporary vacancies, partially offset by increases in rental rates from re-leasing above average in-place rent of the properties and new leasing above comparable market rental rates. Including the impact of completed redevelopments, same-property NOI increased by $0.2 million or 1.2% over the comparative 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
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%
Q3 2019	72	22,246	(1.0%)	(0.2%)
Q4 2019	68	21,511	(0.9%)	0.1%
Q1 2020	64	20,180	1.2%	1.5%
Q2 2020	63	19,985	(2.1%)	0.8%
Q3 2020	62	19,565	0.5%	0.5%
Q4 2020	61	18,961	(0.9%)	(0.9%)
Q1 2021	59	18,455	(1.1%)	(1.6%)
Q2 2021	59	18,424	(1.9%)	(2.0%)

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:

Same-property NOI Growth, Year-over-Year



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 REALPAC in its White Paper on FFO and AFFO for IFRS, as revised in February 2019. 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 to FFO:

	Three months ended June 30,			Six months ended June 30,		
	2021	2020	Variance	2021	2020	Variance
Net (loss) income	**$ (3,141)**	**$ 6,888**	**$ (10,029)**	**$ 57,634**	**$ 12,707**	**$ 44,927**
Change in fair value of financial instruments	14,305	—	14,305	11,287	20	11,267
Transaction costs	176	972	(796)	176	3,094	(2,918)
Change in fair value of properties	1,439	809	630	(77,310)	(3,401)	(73,909)
Deferred income tax expense	1,866	312	1,554	21,314	780	20,534
Unit expense (income)	1,614	2,987	(1,373)	2,183	(3,096)	5,279
Adjustments for joint venture investment	42	438	(396)	149	587	(438)
Taxes on dispositions	522	2,703	(2,181)	522	2,703	(2,181)
IFRIC 21 property tax adjustment	(4,278)	(3,994)	(284)	8,119	8,881	(762)
FFO [1,2]	**$ 12,545**	**$ 11,115**	**$ 1,430**	**$ 24,074**	**$ 22,275**	**$ 1,799**
FFO per WA unit [1,2]	**$ 0.26**	**$ 0.26**	**$ —**	**$ 0.50**	**$ 0.53**	**$ (0.03)**
WA number of units outstanding	**48,615**	**42,208**	**6,407**	**48,607**	**42,202**	**6,405**

[1] Adjusting to exclude the impact of the $169.0 million debt refinancing in the first quarter of 2021, FFO and FFO per unit for the six month period ended June 30, 2021 would be $24.4 million and $0.50, respectively.
[2] Adjusting to exclude the impact of the refinanced credit facility and extinguished mortgage in the first quarter of 2020, FFO and FFO per unit for the six month period ended June 30, 2020 would be $22.6 million and $0.54, respectively.

The following is a calculation of FFO from NOI:

	Three months ended June 30,			Six months ended June 30,		
	2021	2020	Variance	2021	2020	Variance
NOI	$ 24,037	$ 22,071	$ 1,966	$ 47,322	$ 44,223	$ 3,099
Straight-line rent revenue	276	237	39	441	651	(210)
General and administrative expenses	(2,607)	(2,919)	312	(4,822)	(5,504)	682
Cash interest, net [1]	(8,237)	(7,603)	(634)	(16,617)	(15,563)	(1,054)
Finance charge and mark-to-market adjustments	(464)	(386)	(78)	(1,040)	(1,083)	43
Adjustments for joint venture investment	(50)	(216)	166	(115)	(299)	184
Current income tax expense	(410)	(150)	(260)	(1,095)	(150)	(945)
FFO [2,3]	**$ 12,545**	**$ 11,034**	**$ 1,511**	**$ 24,074**	**$ 22,275**	**$ 1,799**

[1] Cash interest, net is comprised of total interest expense less amortization of finance charges and mark-to-market adjustments.
[2] Adjusting to exclude the impact of the $169.0 million debt refinancing in the first quarter of 2021, FFO for the six month period ended June 30, 2021 would be $24.4 million.
[3] Adjusting to exclude the impact of the refinanced credit facility and extinguished mortgage in the first quarter of 2020, FFO for the six month period ended June 30, 2020 would be $22.6 million.

FFO for the three and six month periods ended June 30, 2021 increased by $1.5 million and $1.8 million from the respective comparative period. The increase is primarily due to the aforementioned increases to NOI and a decrease in general and administrative expenses, partially offset by an increase in cash interest paid.

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 2019. 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,		
	2021	2020	Variance	2021	2020	Variance
Cash flow from operations	**$ 19,886**	**$ 10,942**	**$ 8,944**	**$ 35,509**	**$ 20,645**	**$ 14,864**
Changes in non-cash working capital items	(7,961)	(3,275)	(4,686)	(11,756)	(3,678)	(8,078)
Transaction costs	176	972	(796)	176	3,094	(2,918)
Finance charge and mark-to-market adjustments	(464)	(386)	(78)	(1,040)	(1,083)	43
Interest, net and TIF note adjustments	26	38	(12)	61	78	(17)
Adjustments for joint venture investment	84	(116)	200	161	(135)	296
Taxes on dispositions	522	2,703	(2,181)	522	2,703	(2,181)
Capital expenditures	(1,009)	(488)	(521)	(1,797)	(1,050)	(747)
Leasing costs	(212)	(304)	92	(577)	(636)	59
Tenant improvements	(650)	(1,040)	390	(1,411)	(2,144)	733
AFFO [1 2]	**$ 10,398**	**$ 9,046**	**$ 1,352**	**$ 19,848**	**$ 17,794**	**$ 2,054**

[1] Adjusting to exclude the impact of the $169.0 million debt refinancing in the first quarter of 2021, AFFO for the six month period ended June 30, 2021 would be $20.2 million.

[2] Adjusting to exclude the impact of the refinanced credit facility and extinguished mortgage in the first quarter of 2020, AFFO for the six month period ended June 30, 2020 would be $18.1 million.

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,		
	2021	2020	Variance	2021	2020	Variance
FFO	$ 12,545	$ 11,115	$ 1,430	$ 24,074	$ 22,275	$ 1,799
Straight-line rental revenue	(276)	(237)	(39)	(441)	(651)	210
Capital expenditures	(1,009)	(488)	(521)	(1,797)	(1,050)	(747)
Leasing costs	(212)	(304)	92	(577)	(636)	59
Tenant improvements	(650)	(1,040)	390	(1,411)	(2,144)	733
AFFO [1 2]	**$ 10,398**	**$ 9,046**	**$ 1,352**	**$ 19,848**	**$ 17,794**	**$ 2,054**
AFFO per WA unit [1 2]	**$ 0.21**	**$ 0.21**	**$ —**	**$ 0.41**	**$ 0.42**	**$ (0.01)**
WA number of units outstanding	**48,607**	**42,208**	**6,399**	**48,607**	**42,202**	**6,405**

[1] Adjusting to exclude the impact of the $169.0 million debt refinancing in the first quarter of 2021, AFFO and AFFO per unit for the six month period ended June 30, 2021 would be $20.2 million and $0.41, respectively.

[2] Adjusting to exclude the impact of the refinanced credit facility and extinguished mortgage in the first quarter of 2020, AFFO and AFFO per unit for the six month period ended June 30, 2020 would be $18.1 million and $0.43, respectively.

The following is a reconciliation of net income to AFFO:

	Three months ended June 30,			Six months ended June 30,		
	2021	2020	Variance	2021	2020	Variance
Net (loss) income	**$ (3,141)**	**$ 6,888**	**$ (10,029)**	**$ 57,634**	**$ 12,707**	**$ 44,927**
Change in fair value of financial instruments	14,305	—	14,305	11,287	20	11,267
Transaction costs	176	972	(796)	176	3,094	(2,918)
Change in fair value of properties	1,439	809	630	(77,310)	(3,401)	(73,909)
Deferred income tax expense	1,866	312	1,554	21,314	780	20,534
Unit expense (income)	1,614	2,987	(1,373)	2,183	(3,096)	5,279
Adjustments for joint venture investment	42	438	(396)	149	587	(438)
Taxes on dispositions	522	2,703	(2,181)	522	2,703	(2,181)
IFRIC 21 property tax adjustment	(4,278)	(3,994)	(284)	8,119	8,881	(762)
FFO [1,2]	**$ 12,545**	**$ 11,115**	**$ 1,430**	**$ 24,074**	**$ 22,275**	**$ 1,799**
Straight-line rental revenue	(276)	(237)	(39)	(441)	(651)	210
Capital expenditures	(1,009)	(488)	(521)	(1,797)	(1,050)	(747)
Leasing costs	(212)	(304)	92	(577)	(636)	59
Tenant improvements	(650)	(1,040)	390	(1,411)	(2,144)	733
AFFO [1,2]	**$ 10,398**	**$ 9,046**	**$ 1,352**	**$ 19,848**	**$ 17,794**	**$ 2,054**

[1] Adjusting to exclude the impact of the $169.0 million debt refinancing in the first quarter of 2021, FFO and AFFO for the six month period ended June 30, 2021 would be $24.4 million and $20.2 million, respectively.
[2] Adjusting to exclude the impact of the refinanced credit facility and extinguished mortgage in the first quarter of 2020, FFO and AFFO for the six month period ended June 30, 2020 would be $22.6 million and $18.1 million, respectively.

The following is a calculation of AFFO from NOI:

	Three months ended June 30,			Six months ended June 30,		
	2021	2020	Variance	2021	2020	Variance
NOI	$ 24,037	$ 22,152	$ 1,885	$ 47,322	$ 44,223	$ 3,099
General and administrative expenses	(2,607)	(2,919)	312	(4,822)	(5,504)	682
Cash interest, net [1]	(8,237)	(7,603)	(634)	(16,617)	(15,563)	(1,054)
Finance charge and mark-to-market adjustments	(464)	(386)	(78)	(1,040)	(1,083)	43
Current income tax expense	(410)	(150)	(260)	(1,095)	(150)	(945)
Adjustments for joint venture investment	(50)	(216)	166	(115)	(299)	184
Capital expenditures	(1,009)	(488)	(521)	(1,797)	(1,050)	(747)
Leasing costs	(212)	(304)	92	(577)	(636)	59
Tenant improvements	(650)	(1,040)	390	(1,411)	(2,144)	733
AFFO [2,3]	**$ 10,398**	**$ 9,046**	**$ 1,352**	**$ 19,848**	**$ 17,794**	**$ 2,054**

[1] Cash interest, net is comprised of total interest expense less amortization of finance charges and mark-to-market adjustments.
[2] Adjusting to exclude the impact of the $169.0 million debt refinancing in the first quarter of 2021, AFFO for the six month period ended June 30, 2021 would be $20.2 million.
[3] Adjusting to exclude the impact of the refinanced credit facility and extinguished mortgage in the first quarter of 2020, AFFO for the six month period ended June 30, 2020 would be $18.1 million.

AFFO for the three and six month periods ended June 30, 2021 was $10.4 million and $19.8 million, which represents a $1.4 million and $2.1 million increase from the respective comparative period. The increase is primarily due to the aforementioned increases to FFO and a decrease in capital expenditures.

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 50 leases executed in the current quarter. Leasing costs were well spread out across each deal with no one deal representing a large percentage of the total expenditure. Leasing costs to secure new tenants are generally higher than the costs to renew in-place tenants. In addition to property reinvestment, the leasing capital was comprised of fees related to tenant improvement allowances and other direct leasing costs, such as broker commissions and legal costs. To date the REIT has funded capital and leasing costs using cash flows from operations.

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

	Three months ended June 30, 2021			Six months ended June 30, 2021		
	Consolidated	Joint venture investment	Proportionate Share (Non-GAAP)	Consolidated	Joint venture investment	Proportionate Share (Non-GAAP)
Rental revenue	$ 33,377	$ 286	$ 33,663	$ 65,848	$ 535	$ 66,383
Property operating expenses	(4,920)	20	(4,900)	(26,480)	(152)	(26,632)
General and administrative expenses	(2,607)	—	(2,607)	(4,822)	(4)	(4,826)
Interest and finance costs	(8,701)	(47)	(8,748)	(17,657)	(111)	(17,768)
Transaction costs	(176)	—	(176)	(176)	—	(176)
Change in fair value of financial instruments	(14,305)	—	(14,305)	(11,287)	—	(11,287)
Change in fair value of properties	(1,439)	(217)	(1,656)	77,310	(256)	77,054
Deferred income tax expense	(1,866)	—	(1,866)	(21,314)	—	(21,314)
Current income tax expense	(932)	—	(932)	(1,617)	—	(1,617)
Unit expense	(1,614)	—	(1,614)	(2,183)	—	(2,183)
Net (loss) income	**$ (3,183)**	**$ 42**	**$ (3,141)**	**$ 57,622**	**$ 12**	**$ 57,634**
Transaction costs	176	—	176	176	—	176
Change in fair value of financial instruments	14,305	—	14,305	11,287	—	11,287
Change in fair value of properties	1,439	217	1,656	(77,310)	256	(77,054)
Deferred income tax expense	1,866	—	1,866	21,314	—	21,314
Unit expense	1,614	—	1,614	2,183	—	2,183
Taxes on dispositions	522	—	522	522	—	522
IFRIC 21 property tax adjustment	(4,278)	(175)	(4,453)	8,119	(107)	8,012
FFO [1]	**$ 12,461**	**$ 84**	**$ 12,545**	**$ 23,913**	**$ 161**	**$ 24,074**
Straight-line rental revenue	(276)	—	(276)	(441)	—	(441)
Capital expenditures	(1,009)	—	(1,009)	(1,797)	—	(1,797)
Leasing costs	(212)	—	(212)	(577)	—	(577)
Tenant improvements	(650)	—	(650)	(1,411)	—	(1,411)
AFFO [1,2]	**$ 10,314**	**$ 84**	**$ 10,398**	**$ 19,687**	**$ 161**	**$ 19,848**

[1] Adjusting to exclude the impact of the $169.0 million debt refinancing in the first quarter of 2021, FFO and AFFO for the six month period ended June 30, 2021 would be $24.4 million and $20.2 million, respectively.

[2] Adjusting to exclude the impact of the refinanced credit facility and extinguished mortgage in the first quarter of 2020, FFO and AFFO for the six month period ended June 30, 2020 would be $22.6 million and $18.1 million, respectively.

DISTRIBUTIONS

The REIT's current monthly distribution to unitholders is $0.072 per class U unit or $0.864 per class U unit on an annualized basis. Distributions increased by $1.4 million and $2.7 million for the three and six month periods ended June 30, 2021 from the respective comparative period due to the issuance of 6,360,000 units from the REIT's equity raise completed on December 10, 2020.

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,		
	2021	2020	Variance	2021	2020	Variance
Declared						
REIT units distributions	$ 10,227	$ 8,854	$ 1,373	$ 20,454	$ 17,708	$ 2,746
Exchangeable units of subsidiaries distributions	233	233	—	466	466	—
	$ 10,460	**$ 9,087**	**$ 1,373**	**$ 20,920**	**$ 18,174**	**$ 2,746**
Add: Distributions payable, beginning of period	3,487	3,029	458	3,487	3,029	458
Less: Distributions payable, end of period	(3,487)	(3,029)	(458)	(3,487)	(3,029)	(458)
Distributions paid or settled	**$ 10,460**	**$ 9,087**	**$ 1,373**	**$ 20,920**	**$ 18,174**	**$ 2,746**

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	Foreign tax paid
2020	33.9%	12.3%	59.3%	(5.5%)
2019	35.2%	11.6%	53.2%	—%
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%	—%

[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 83.4% and 86.9% for the three and six month periods ended June 30, 2021, representing a 1.6% and 5.3% increase from the respective comparative period. The increase is mainly due to an increase in distributions declared due to the issuance of 6,360,000 units from the REIT's equity raise completed December 10, 2020, partially offset by the aforementioned increase to FFO.

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,	
	2021	2020	2021	2020
FFO	$ 12,545	$ 11,115	$ 24,074	$ 22,275
Distributions declared [1]	(10,460)	(9,087)	(20,920)	(18,174)
Excess of FFO over distributions declared	**$ 2,085**	**$ 2,028**	**$ 3,154**	**$ 4,101**
FFO payout ratio [2 3]	**83.4%**	**81.8%**	**86.9%**	**81.6%**

[1] Distributions declared represent distributions on REIT units and exchangeable units of subsidiaries.
[2] Adjusting to exclude the impact of the $169.0 million debt refinancing in the first quarter of 2021, the FFO payout ratio for the six month period ended June 30, 2021 would be 85.8%.
[3] Adjusting to exclude the impact of the refinanced credit facility and extinguished mortgage in the first quarter of 2020, the FFO payout ratio for the six month period ended June 30, 2020 would be 80.4%.

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.

The REIT strives 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 $0.072 per class U unit or $0.864 on an annualized basis.

The AFFO payout ratio for the three month period ended June 30, 2021 increased by 0.1% from the comparative period to 100.6%. The AFFO payout ratio for the six month period ended June 30, 2021 was 105.4%, which represents a 3.3% increase from the comparative period. On a pro forma basis, using the annualized second quarter AFFO and the current distribution of $0.072 per month, the AFFO payout ratio would be 102.9%.

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,	
	2021	2020	2021	2020
AFFO	$ 10,398	$ 9,046	$ 19,848	$ 17,794
Distributions declared [1]	(10,460)	(9,087)	(20,920)	(18,174)
Excess of AFFO over distributions declared	**$ (62)**	**$ (41)**	**$ (1,072)**	**$ (380)**
AFFO payout ratio [2,3]	**100.6%**	**100.5%**	**105.4%**	**102.1%**

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

[2] Adjusting to exclude the impact of the $169.0 million debt refinancing in the first quarter of 2021, the AFFO payout ratio for the six month period ended June 30, 2021 would be 103.8%.

[3] Adjusting to exclude the impact of the refinanced credit facility and extinguished mortgage in the first quarter of 2020, the AFFO payout ratio for the six month period ended June 30, 2020 would be 100.3%.

The REIT's distributions declared were in excess of AFFO of $1.1 million for the six month period ended June 30, 2021. The REIT has maintained a consistent distribution rate despite period over period variances in cash from operating activities.

For the six month period ended June 30, 2021 the REIT's cash flow from operating activities exceeded distributions paid by $14.6 million. For the year ended December 31, 2020 and 2019, the REIT's cash flow from operating activities exceeded distributions paid by $2.5 million and $6.9 million, respectively.

	Six months ended	Year ended December 31,	
	June 30, 2021	2020	2019
Cash flows from operating activities	$ 35,509	$ 39,351	$ 44,478
Net income	57,634	41,605	26,323
Cash distributions paid or payable relating to the period	(20,920)	(36,806)	(37,559)
Excess of cash flows from operating activities over cash distributions paid	**$ 14,589**	**$ 2,545**	**$ 6,919**
Excess (shortfall) of net income over cash distributions paid	**$ 36,714**	**$ 4,799**	**$ (11,236)**

The REIT's distributions paid in the six month period ended June 30, 2021 were funded by the REIT's revolver and cash from operations. The REIT believes the current shortfall does not impact the sustainability of the REIT's future distributions and that the REIT expects distributions will continue to be funded through cash flows from operating activities.

Impact of interest rate changes

The REIT strives to maintain a conservative AFFO payout ratio in order to continue to provide steady and reliable distributions to unitholders. 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 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, 101.5% of the REIT's debt is now subject to fixed rates. The weighted average fixed rate of the REIT's interest rate swaps was 2.57% in comparison to one-month U.S. LIBOR at 0.10% at June 30, 2021 with a weighted average term to maturity of 2.7 years.

In conjunction with the REIT's $169.0 million mortgage closed on January 14, 2021, the REIT terminated its $150.0 million interest rate swap with a maturity date of February 26, 2021. This resulted in an increase to the weighted average pay-fixed rate of the REIT's swap portfolio to 2.573%.

On February 4, 2020, the REIT terminated $150.0 million of its $300.0 million interest rate swap, with an effective date of November 22, 2016. The realized gain as a result of the termination was blended into the pay-fixed rate of the REIT's $100.0 million interest rate swap, with a maturity date of September 22, 2022.

The terms of the interest rate swaps are as follows:

				Total/ Weighted average
Pay-fixed rate	1.411%	2.884%	2.925%	**2.573 %**
Notional amount	$ 100,000	$ 175,000	$ 175,000	**$ 450,000**
Receive-floating rate	One-month LIBOR	One-month LIBOR	One-month LIBOR	
Maturity date	September 22, 2022	August 22, 2023	August 22, 2025	
Remaining term (years)	1.2	2.1	4.1	**2.7**

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 Grocery exchangeable unitholders is incurred directly by the unitholders as opposed to Slate Grocery Investment L.P., the REIT's most senior taxable subsidiary. Accordingly, although the REIT's consolidated net income includes income attributable to Slate Grocery 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, 2021, the deferred income tax expense was $1.9 million and $21.3 million, respectively (three month period ended June 30, 2020 – $0.3 million, six month period ended June 30, 2020 – $0.8 million). The REIT's deferred income tax expense relates mainly to changes in the differences between the fair value of the REIT's properties and the corresponding undepreciated value for income tax purposes.

RELATED PARTY TRANSACTIONS

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

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

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

iii. an annual incentive fee, calculated in arrears, in an aggregate amount equal to 15% of the REIT's funds from operation per class U unit as derived from the annual financial statements of the REIT in excess of $1.35, 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.

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
Asset management	$ 1,528	$ 1,243	$ 2,842	$ 2,551
Acquisition	—	685	410	685
Total	**$ 1,528**	**$ 1,928**	**$ 3,252**	**$ 3,236**

Related party transactions incurred and payable to the Manager for the three and six month periods ended June 30, 2021 were $1.5 million and $3.3 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 Manager is a significant unitholder in the REIT, with an approximate 6.9% interest.

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, 2021, no incentive fee was recognized as the target threshold was not met.

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,	
	2021	2020
Operating activities	$ 35,509	$ 20,645
Investing activities	(157,588)	9,976
Financing activities	124,433	(27,650)
Increase in cash	**$ 2,354**	**$ 2,971**

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 primarily relate to the REIT's subscription receipt offering, the acquisition of five grocery-anchored properties, 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

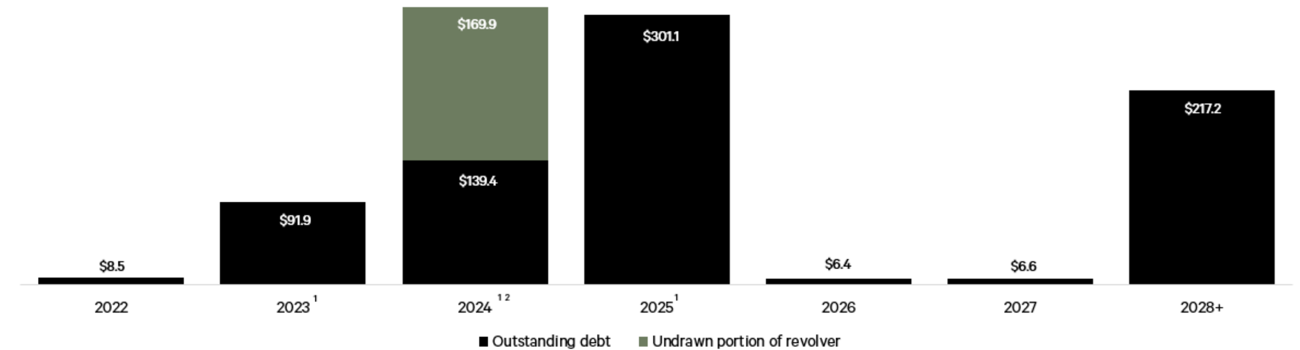
DEBT

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 revolver, term loan and term loan 2 provide 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, 101.5% of the REIT's debt is now subject to fixed rates.

The weighted-average term of the REIT's debt is 5.2 years at a weighted average cost of 4.14%.

Debt Maturity Profile
(in $US millions)



[1] 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 "consolidated leverage ratio"). The term loan and term loan 2 provide for different spreads over one-month U.S. LIBOR depending on the ratio of the consolidated leverage ratio. The applicable spread for the revolver where the consolidated leverage ratio is; (i) less than or equal to 45% is 135 bps; (ii) greater than 45% but less than or equal to 50% is 145 bps; (iii) greater than 50% but less than or equal to 55% is 160 bps (iv) greater than 55% but less than or equal to 60% is 185 bps; and (iv) greater than 60% is 205 bps. The applicable spread for the term loan and term loan 2 where the consolidated leverage ratio is; (i) less than or equal to 45% is 125 bps; (ii) greater than 45% but less than or equal to 50% is 140 bps; (iii) greater than 50% but less than or equal to 55% is 150 bps (iv) greater than 55% but less than or equal to 60% is 175 bps; and (iv) greater than 60% is 195 bps.

[2] Excludes two six-month extension options exercisable at the REIT's option for the revolver. With the two six-month extension options the weighted average debt maturity of the REIT's debt portfolio is 5.4 years.

Debt held by the REIT is as follows:

	Maturity	Term to maturity (years)	Effective rate	Principal	Mark-to-market adjustments and costs	June 30, 2021 Carrying amount	December 31, 2020 Carrying amount
Revolver [1 2 3 4 5]	March 21, 2024	2.7	2.03%	$ 130,154	$ (1,253)	$ 128,901	$ 84,381
Term loan [1 2 4]	March 21, 2025	3.7	1.93%	225,000	(1,034)	223,966	223,838
Term loan 2 [1 2 4]	February 9, 2023	1.6	1.93%	83,000	(713)	82,287	248,902
Mortgage	January 1, 2025	3.5	3.80%	41,802	(600)	41,202	41,656
Mortgage	July 1, 2025	4.0	4.14%	39,222	(347)	38,875	39,737
Mortgage	March 18, 2030	9.5	3.48%	81,374	(1,397)	79,977	80,728
Mortgage	January 1, 2031	8.7	5.50%	6,752	112	6,864	7,131
Mortgage	May 1, 2031	9.8	3.75%	167,943	(3,018)	164,925	—
Total / weighted average		**5.2** [5]	**4.14%** [6]	**$ 775,247**	**$ (8,250)**	**$ 766,997**	**$ 726,373**
Share of joint venture investment debt [7]						**6,665**	**6,879**
Total debt including joint venture investment						**$ 773,662**	**$ 733,252**

[1] The weighted average interest rate has been calculated using the June 30, 2021 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 leverage ratio. The applicable spread for the revolver where the consolidated leverage ratio is; (i) less than or equal to 45% is 135 bps; (ii) greater than 45% but less than or equal to 50% is 145 bps; (iii) greater than 50% but less than or equal to 55% is 160 bps (iv) greater than 55% but less than or equal to 60% is 185 bps; and (iv) greater than 60% is 205 bps. The applicable spread for the term loan and term loan 2 where the consolidated leverage ratio is; (i) less than or equal to 45% is 125 bps; (ii) greater than 45% but less than or equal to 50% is 140 bps; (iii) greater than 50% but less than or equal to 55% is 150 bps (iv) greater than 55% but less than or equal to 60% is 175 bps; and (iv) greater than 60% is 195 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 43 of the REIT's properties.
[5] Excludes a two-six month extension options exercisable at the REIT's option. With the two six-month extension options the weighted average debt maturity of the REIT's debt portfolio is 5.4 years.
[6] The weighted average interest rate includes the impact of pay-fixed receive-float swaps.
[7] Bears interest at a rate of 2.84% at June 30, 2021 and has a maturity date of January 28, 2022.

On January 14, 2021, the REIT entered into a $169.0 million 10-year mortgage, bearing interest of 3.75%. The net proceeds from the loan were used to reduce the REIT's term loan to $83.0 million, resulting in an increase of the REIT's debt portfolio to a weighted average term to maturity of 5.5 years.

On February 21, 2020, the REIT refinanced its existing revolving credit facility and term loan (the "credit facility") for four and five-year terms, respectively, for an aggregate of $525.0 million. The REIT has also reduced pricing on its credit facility and $250.0 million term loan. The revolver, term loan and term loan 2 bears interest at U.S. LIBOR plus an applicable margin.

On March 18, 2020, The REIT entered into an $83.3 million 10-year mortgage loan, bearing interest of 3.48%. The loan is secured by a pool of eight properties and is non-recourse to the REIT. Proceeds from the loan were used to reduce borrowings on the REIT's revolver.

On March 20, 2020, the REIT extinguished a mortgage of $10.1 million, bearing interest of 5.75% with borrowings from the REIT's revolver. The REIT recognized a $0.3 million gain on the settlement of the mortgage's deferred financing costs and mark-to-market adjustment.

The carrying amount of debt was $767.0 million at June 30, 2021, which represents an increase of $40.6 million compared to December 31, 2020. The increase is mainly due to the drawdowns on the revolver to fund the acquisition of five grocery-anchored properties, partially offset by the principal repayments on the REIT's revolver funded by cash received from the disposal one property outparcel and cash from operations.

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, 2021	December 31, 2020
Gross book value[1]	$ 1,446,653	$ 1,323,554
Debt	766,997	726,373
Leverage ratio	**53.0%**	**54.9%**

[1] Subscription receipt funds in escrow have been removed from total assets for purposes of calculating the leverage ratio at June 30, 2021. The REIT's leverage ratio including subscription receipt funds in escrow would be 49.4%.

The REIT's leverage ratio has decreased by 1.9% to 53.0% from December 31, 2020 due to an increase in valuation of the REIT's portfolio, partially offset by the drawdowns on the revolver to fund the acquisition of five grocery-anchored properties.

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, 2021	December 31, 2020
Maximum leverage ratio: consolidated total indebtedness shall not exceed 65% of gross asset value	< 65%	57.2%	57.5%
Minimum fixed charge coverage ratio: adjusted EBITDA to consolidated fixed charges shall not be less than 1.50x [1]	> 1.50x	2.08x	2.15x

[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.

ADJUSTED EBITDA

Adjusted EBITDA is a non-IFRS measure and is used by the REIT to monitor the REIT's ability to satisfy and service its debt as well as monitor requirements imposed by the REIT's lenders. Specifically, adjusted EBITDA is used to monitor the REIT's leverage ratio and interest coverage ratio, which the REIT uses to measure its debt profile and assess its ability to satisfy its obligations, including servicing its debt. Management views adjusted EBITDA as a proxy for operating cash flow prior to interest costs. Adjusted EBITDA represents earnings before interest, income taxes, fair value gains (losses) from both financial instruments and investment properties, while also excluding non-recurring items such as transaction costs from dispositions, acquisitions or other events.

The following is a reconciliation from net income to adjusted EBITDA:

	Three months ended June 30,			Six months ended June 30,		
	2021	2020	Variance	2021	2020	Variance
Net (loss) income	**$ (3,141)**	**$ 6,888**	**$ (10,029)**	**$ 57,634**	**$ 12,707**	**$ 44,927**
Interest and finance costs	8,701	7,989	712	17,657	16,646	1,011
Change in fair value of financial instruments	14,305	—	14,305	11,287	20	11,267
Transaction costs	176	972	(796)	176	3,094	(2,918)
Change in fair value of properties	1,439	809	630	(77,310)	(3,401)	(73,909)
Deferred income tax expense	1,866	312	1,554	21,314	780	20,534
Current income tax expense	932	2,853	(1,921)	1,617	2,853	(1,236)
Unit expense (income)	1,614	2,987	(1,373)	2,183	(3,096)	5,279
Adjustments for joint venture investment	92	654	(562)	264	886	(622)
Straight-line rent revenue	(276)	(237)	(39)	(441)	(651)	210
IFRIC 21 property tax adjustment	(4,278)	(3,994)	(284)	8,119	8,881	(762)
Adjusted EBITDA	**$ 21,430**	**$ 19,233**	**$ 2,197**	**$ 42,500**	**$ 38,719**	**$ 3,781**

	Three months ended June 30,			Six months ended June 30,		
	2021	2020	Variance	2021	2020	Variance
Rental revenue	$ 33,377	$ 30,255	$ 3,122	$ 65,848	$ 62,297	$ 3,551
Property operating expenses	(4,920)	(3,972)	(948)	(26,480)	(26,468)	(12)
General and administrative expenses	(2,607)	(2,919)	312	(4,822)	(5,504)	682
Adjustments for joint venture investment	134	100	34	276	164	112
Straight-line rent revenue	(276)	(237)	(39)	(441)	(651)	210
IFRIC 21 property tax adjustment	(4,278)	(3,994)	(284)	8,119	8,881	(762)
Adjusted EBITDA	**$ 21,430**	**$ 19,233**	**$ 2,197**	**$ 42,500**	**$ 38,719**	**$ 3,781**

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,	
	2021	2020	2021	2020
NOI	$ 24,037	$ 22,152	$ 47,322	$ 44,223
General and administrative expenses	(2,607)	(2,919)	(4,822)	(5,504)
Adjusted EBITDA	**$ 21,430**	**$ 19,233**	**$ 42,500**	**$ 38,719**
Cash interest paid	(8,263)	(7,641)	(16,678)	(15,641)
Interest coverage ratio	**2.59x**	**2.52x**	**2.55x**	**2.48x**

The interest coverage ratio for the three month period ended June 30, 2021 increased to 2.59x compared to 2.52x in the same quarter of the prior year. For the six month period ended June 30, 2021, the interest coverage ratio was 2.55x compared to 2.48x in the 2020 period. The increases are mainly due to increases in NOI from the aforementioned acquisitions, partially offset by increases in cash interest paid.

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, 2021 is 53.0% (December 31, 2020 – 54.9%).

Contractual commitments

The REIT has the following contractual commitments:

	Total contractual cash flow	Remainder of 2021	2022-2023	2024-2025	Thereafter
Accounts payable and accrued liabilities	$ 33,028	$ 33,028	$ —	$ —	$ —
Revolver [1 2]	130,154	—	—	130,154	—
Revolver interest payable [1 2 3]	9,319	1,506	6,896	917	—
Term loan [1 2]	225,000	—	—	225,000	—
Term loan interest payable [1 2]	20,253	2,120	10,007	8,126	—
Term loan 2 [2 4]	83,000	—	83,000	—	—
Term loan 2 interest payable [2 4]	2,649	782	1,867	—	—
Mortgages [5]	343,788	4,139	24,085	85,350	230,214
Mortgage interest payable [5]	92,061	6,436	24,460	21,229	39,936
Letters of credit	117	117	—	—	—
Interest rate swap, net of cash outflows	27,870	5,644	17,241	4,985	—
Exchangeable units of subsidiaries	11,204	—	—	—	11,204
Subscription receipts	118,458	118,458	—	—	—
Foreign exchange forwards	2,414	2,414	—	—	—
Total	**$ 1,099,315**	**$ 174,644**	**$ 167,556**	**$ 475,761**	**$ 281,354**

[1] Revolver and term loan interest payable is calculated on $130.2 million and $225.0 million (balance outstanding) using an estimated "all in" interest rate of 1.97% and 1.87% respectively under the "Remainder of 2021" column. The long-term average interest rate is based on the 30-day LIBOR forward curve plus the specified margin for the LIBOR rate option under the term loan resulting in an "all-in" interest rate of 2.51%. The total revolver and term loan interest payable is calculated until maturity of the initial term.
[2] Excludes the impact of the REIT's $450.0 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 $83.0 million (balance outstanding) using an estimated "all in" Interest rate of 1.87% under the "Remainder of 2021" 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 2.03%. The total term loan 2 interest payable is calculated until maturity.
[5] Includes the REIT's share of debt held in its joint venture.

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, 2021 and their respective class U equivalent amounts if converted are as follows:

	REIT units			Exchangeable units of subsidiaries			
Class / type	U	A	I	SG1 [1]	SG2 [1]	GAR B	Total class U units equivalent
Balance, December 31, 2020	46,865	205	282	28	920	132	48,432
Exchanged	52	(52)	—	—	—	—	—
Class U units equivalent, June 30, 2021	**46,917**	**153**	**282**	**28**	**920**	**132**	**48,432**

[1] "SG1" and "SG2" means Slate Grocery One exchangeable units and Slate Grocery Two exchangeable units, respectively.

Normal course issuer bid

The REIT had a normal course issuer bid ("NCIB") in place between May 26, 2020 to May 26, 2021. No class U units were purchased and subsequently canceled under the NCIB.

Public offerings

On March 31, 2021, the REIT completed a bought deal public offering of 11,420,000 subscription receipts of the REIT ("Subscription Receipts") at a price of C$11.65 per Subscription Receipt, for gross proceeds of C$133.0 million (the "Offering"). Funds received from the Offering are held in escrow and are recognized gross of certain fees. The REIT intends to use the net proceeds from the sale of the subscription receipts to finance the acquisition of a high quality, grocery-anchored portfolio comprising 25 properties and 3.1 million square feet in major metro markets across the U.S. and related expenses.

On closing of the Acquisition, one class U unit of the REIT will be issued in exchange for each Subscription Receipt, without payment of additional consideration. The holders of the Subscription Receipts, on the date upon which the Subscription Receipts are exchanged for units of the REIT, are entitled to receive cash distributions equal to the amount per REIT unit of any cash distributions made by the REIT for which record dates have occurred during the period from and including March 31, 2021 to the date of the exchange.

On December 10, 2020, the REIT completed a public offering of 6,360,000 class U units, at a price of C$11.80 per unit, for gross proceeds of approximately C$75.1 million. The costs related to the offering totaled $2.4 million and are deducted against the cost of units issued. Net proceeds, totaling $55.4 million were used to repay the revolver.

ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities are comprised of the following:

	June 30, 2021	December 31, 2020
Accounts payable and accrued liabilities	$ 14,942	$ 13,742
Prepaid rent	3,964	2,478
Tenant improvements payable	10,648	318
Other payables	3,474	3,749
Total	**$ 33,028**	**$ 20,287**

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, 2021	December 31, 2020
Rent receivable	$ 6,903	$ 5,140
Allowance	(883)	(852)
Accrued recovery income	5,128	5,087
Other receivables	2,265	3,453
Total	**$ 13,413**	**$ 12,828**

Rent receivable consists of base rent and operating expense recoveries. Management has provided for $0.9 million (December 31, 2020 – $0.9 million) as an allowance for doubtful accounts and anticipates that the unprovided balance is collectible. As a result of the COVID-19 pandemic, the REIT has entered into short-term rent deferral programs, totaling $1.2 million, that have been collected in full as of June 30, 2021.

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 is primarily comprised of the gross amount of consideration for property taxes paid directly by tenants.

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

	June 30, 2021	December 31, 2020
Current to 30 days	$ 838	$ 1,829
31 to 60 days	330	302
61 to 90 days	1,139	626
Greater than 90 days	3,713	1,531
Total	**$ 6,020**	**$ 4,288**

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

JOINT VENTURE INVESTMENT

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 REIT accounts for its investment in the joint-venture partnership using the equity method.

The change in the REIT's joint venture investment is as follows:

	Six months ended June 30,			
		2021		2020
Beginning of the period	$	3,474	$	5,049
Capital contributions		375		—
Share of income (loss) in joint venture investment		12		(722)
End of the period	**$**	**3,861**	**$**	**4,327**

The financial position of the REIT's joint venture investment is as follows:

		June 30, 2021		December 31, 2020
Assets				
Property	$	21,785	$	21,690
Current assets		1,075		1,181
	$	**22,860**	**$**	**22,871**
Liabilities				
Debt [1]	$	13,329	$	13,758
Other non-current liabilities		23		15
Current liabilities		1,786		2,150
	$	**15,138**	**$**	**15,923**
Net assets at 100%	**$**	**7,722**	**$**	**6,948**
At the REIT's 50% interest	**$**	**3,861**	**$**	**3,474**

[1] Bears interest at a rate of 2.84% at June 30, 2021 and has a maturity date of January 28, 2022.

The following represents the summary of income:

	Three months ended June 30,				Six months ended June 30,			
		2021		2020		2021		2020
Rental revenue	$	572	$	230	$	1,070	$	474
Property operating expenses		40		(32)		(304)		(282)
General and administrative expenses		—		(280)		(8)		(280)
Interest and finance costs		(94)		(152)		(222)		(318)
Change in fair value of property		(434)		(874)		(512)		(1,038)
Net income (loss) and comprehensive income (loss) at 100%	**$**	**84**	**$**	**(1,108)**	**$**	**24**	**$**	**(1,444)**
At the REIT's 50% interest	**$**	**42**	**$**	**(554)**	**$**	**12**	**$**	**(722)**

Subsequent to the quarter-end, the REIT refinanced a construction loan at Windmill Plaza for a $15.5 million five-year term mortgage, bearing a fixed interest rate of 3.05%.

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:

- property management fees calculated based on gross income of each tenant;
- development fees for the management of the construction in adherence with the property's development plan; and
- leasing commissions for all executed leases.

Total management fees earned by the REIT under the agreement for the three and six month periods ended June 30, 2021 were $2 thousand and $18 thousand, respectively (three month period ended June 30, 2020 – $0.3 million, six month period ended June 30, 2020 – $0.5 million).

SUBSEQUENT EVENTS

The following events have occurred subsequent to June 30, 2021:

i. On July 2, 2021, the REIT's joint venture investment refinanced a construction loan for a $15.5 million five-year term mortgage, bearing a fixed interest rate of 3.05%.

ii. On July 15, 2021, the REIT completed the acquisition of Glenlake Plaza, a grocery-anchored shopping center located in Indianapolis, Indiana for $8.5 million ($81 per square foot), before transaction costs. The property is 85.0% occupied and is anchored by Kroger. The property was purchased using funds drawn from the REIT's revolver and cash on hand.

iii. On July 15, 2021, the REIT declared monthly distributions of $0.072 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.

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, 2021 is included on page 29 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 ACCOUNTING POLICIES

i. Application of new and revised IFRS

Application of Interest Rate Benchmark Reform

In August 2020, the IASB issued *IBOR Reform and the Effects on Financial Reporting – Phase II (amendments to IFRS 9 – Financial Instruments ("IFRS 9"), IFRS 7 – Financial Instruments: Disclosures ("IFRS 7"), IAS 39 – Financial Instruments: Recognition and Measurement ("IAS 39"), IFRS 4 – Insurance Contracts ("IFRS 4") and IFRS 16 – Leases ("IFRS 16"))*. The objective of the second phase of the IASB's project was to assist entities in providing useful information about the effects of the transition to alternative benchmark rates and support preparers in applying the requirements of the IFRS Standards when changes are made to contractual cash flows or hedging relationships as a result of the transition to an alternative benchmark interest rate. The amendments affect the basis for determining the contractual cash flows as a result of benchmark interest rate reform, hedge accounting and disclosures. The REIT has adopted the amendments on January 1, 2021. Adopting these amendments has allowed the REIT to continue hedge accounting during the period of uncertainty arising from interest rate benchmark reforms.

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, 2021.

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, as at June 30, 2021.

No changes were made in the REIT's design of ICFR during the six month period ended June 30, 2021, 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, 2021, the REIT owns a portfolio of 80 grocery-anchored properties. The portfolio consists of 9,916,435 square feet of GLA with an occupancy rate of 93.2%.

Property	Location	Associated MSA	Area (SF)	% of Total	Occ. %	Anchor
11 Galleria	Greenville	Greenville	55,608		71.2%	The Fresh Market
Battleground Village	Greensboro	Greensboro-High Point	73,207		98.0%	Aldi
Flowers Plantation	Clayton	Raleigh	53,500		92.1%	Food Lion
Fuquay Crossing	Fuquay-Varnia	Raleigh	96,638		96.1%	Harris Teeter
Independence Square	Charlotte	Charlotte	190,361		99.4%	Super Global Mart
Mooresville Consumer Square	Mooresville	Charlotte	272,860		96.7%	Walmart
Mooresville Town Square	Mooresville	Charlotte	98,262		99.0%	Lowe's Foods
Harper Hills Commons	Winston-Salem	Winston-Salem	96,914		87.0%	Harris Teeter
Renaissance Square	Davidson	Charlotte	80,467		89.2%	Harris Teeter
Alexander Pointe	Salisbury	Charlotte	57,710		97.6%	Harris Teeter
North Summit Square	Winston-Salem	Winston-Salem	224,530		95.7%	Sam's Club
Bells Fork Square	Greenville	Greenville	71,666		95.7%	Harris Teeter
Tanglewood Commons	Clemmons	Winston-Salem	78,520		92.9%	Harris Teeter
Westin Centre	Fayetteville	Fayetteville	66,890		97.9%	Food Lion
Total North Carolina			**1,517,133**	**15.3%**		
98 Palms	Destin	Crestview-Fort Walton Beach-Destin	84,682		100.0%	Winn-Dixie
Bellview Plaza	Pensacola	Pensacola	82,910		96.4%	Publix
Bloomingdale Plaza	Brandon	Tampa-St. Petersburg	83,237		36.7%	Vacant
Cordova Commons	Pensacola	Pensacola	164,343		78.1%	The Fresh Market
Errol Plaza	Orlando	Orlando	76,582		100.0%	Winn-Dixie
Eustis Village	Eustis	Orlando	156,927		100.0%	Publix
Good Homes Plaza	Ocoee	Orlando	165,741		100.0%	Publix
Oak Hill Village	Jacksonville	Jacksonville	78,492		93.8%	Publix
Salerno Village Square	Stuart	Port St. Lucie	77,677		93.5%	Winn-Dixie
Uptown Station	Fort Walton Beach	Pensacola	272,616		92.6%	Winn-Dixie
Wedgewood Commons	Stuart	Port St. Lucie	119,073		94.4%	Publix
Mission Hills Shopping Center	Naples	Naples	85,078		100.0%	Winn-Dixie
Total Florida			**1,447,358**	**14.6%**		
Lake Raystown Plaza	Huntingdon	Harrisburg	140,159		97.3%	Giant Food Store
Northland Center	State College	State College	111,718		94.4%	Giant Food Store
Norwin Town Square	North Huntingdon	Pittsburgh	141,466		93.8%	Shop n' Save
Shops at Cedar Point	Allentown	Allentown-Bethlehem-Easton	130,583		94.5%	Weis Markets
Summit Ridge	Mount Pleasant	Pittsburgh	240,884		95.1%	Walmart
West Valley Marketplace	Allentown	Allentown-Bethlehem-Easton	259,207		95.0%	Walmart
Total Pennsylvania			**1,024,017**	**10.3%**		
Barefoot Commons	North Myrtle Beach	Myrtle Beach-Conway	90,702		90.0%	BI-LO
Dill Creek Commons	Greer	Greenville-Spartanburg-Anderson	72,526		100.0%	BI-LO
Dorman Centre	Spartanburg	Greenville-Spartanburg-Anderson	388,502		94.3%	Walmart
Little River Pavilion	North Myrtle Beach	Myrtle Beach-Conway	63,823		100.0%	Lowe's Foods
North Augusta Plaza	North Augusta	Augusta-Richmond	229,730		95.2%	Publix
Total South Carolina			**845,283**	**8.5%**		
Abbott's Village	Alpharetta	Atlanta	109,586		100.0%	Publix
Birmingham Shoppes	Milton	Atlanta	82,905		92.5%	Publix
Duluth Station	Duluth	Atlanta	94,966		84.5%	Publix
Locust Grove	Locust Grove	Atlanta	89,567		96.9%	Publix
Merchants Crossing	Newnan	Atlanta	174,059		98.1%	Kroger
Robson Crossing	Flowery Branch	Atlanta	103,840		97.5%	Publix
Parkway Station	Warner Robins	Atlanta	94,317		100.0%	Kroger
Total Georgia			**749,240**	**7.6%**		

Property	Location	Associated MSA	Area (SF)	% of Total	Occ. %	Anchor
Cambridge Crossings	Troy	Detroit	238,963		93.4%	Walmart
Canton Shopping Center	Canton	Detroit	72,631		94.9%	ALDI
City Center Plaza	Westland	Detroit	97,670		97.2%	Kroger
Stadium Center	Port Huron	Detroit-Warren-Dearborn	92,538		92.4%	Kroger
Windmill Plaza	Sterling Heights	Detroit	101,611		92.5%	Kroger
Total Michigan			**603,413**	**6.1%**		
East Brainerd Mall	Brainerd	Minneapolis-St Paul	191,459		95.6%	Cub Foods
Mapleridge Center	Maplewood	Minneapolis-St Paul	114,681		90.7%	Hy-Vee
North Branch Marketplace	North Branch	Minneapolis-St Paul	72,895		100.0%	County Market
Phalen Retail Center	St Paul	Minneapolis-St Paul	73,678		97.8%	Cub Foods
Plymouth Station	Plymouth	Minneapolis-St Paul	114,069		97.2%	Hy-Vee
Total Minnesota			**566,782**	**5.7%**		
Highland Square	Crossville	Nashville	179,732		98.2%	Kroger
North Hixson Marketplace	Hixson	Chattanooga	64,254		92.5%	Food City
St. Elmo Central	Chattanooga	Chattanooga	74,999		100.0%	Food City
Sunset Plaza	Johnson City	Johnson City	143,752		100.0%	Kroger
Westhaven Town Center	Franklin	Nashville	63,904		100.0%	Kroger
Total Tennessee			**526,641**	**5.4%**		
East Little Creek	Norfolk	Virginia Beach-Norfolk-Newport News	68,770		100.0%	Kroger
Bermuda Crossroads	Chester	Richmond	122,566		98.4%	Food Lion
Gainsborough Square	Chesapeake	Virginia Beach-Norfolk-Newport News	88,862		92.8%	Food Lion
Indian Lakes Crossings	Virginia Beach	Virginia Beach-Norfolk-Newport News	64,973		100.0%	Harris Teeter
Smithfield Shopping Plaza	Smithfield	Virginia Beach-Norfolk-Newport News	134,664		79.8%	Kroger
Total Virginia			**479,835**	**4.8%**		
Charles Town Plaza	Charles Town	Washington-Baltimore	206,146		97.6%	Walmart
Eastpointe Shopping Center	Clarksburg	Morgantown	181,016		96.0%	Kroger
Total West Virginia			**387,162**	**3.9%**		
Hocking Valley Mall	Lancaster	Columbus	181,393		96.2%	Kroger
Mulberry Square	Milford	Cincinnati	146,763		76.7%	Kroger
Total Ohio			**328,156**	**3.3%**		
Glidden Crossing	DeKalb	Chicago-Naperville-Joliet	98,683		88.4%	Schnucks
North Lake Commons	Lake Zurich	Chicago-Naperville-Joliet	121,099		86.8%	Jewel-Osco
Plaza St. Clair	Fairview Heights	St. Louis	97,459		71.1%	Schnucks
Total Illinois			**317,241**	**3.2%**		
Southgate Crossing	Minot	Minot	159,780		78.4%	Cash Wise
Watford Plaza	Watford City	Williston	101,798		98.7%	Cash Wise
Total North Dakota			**261,578**	**2.6%**		
Alta Mesa Plaza	Fort Worth	Dallas-Ft Worth	167,961		83.6%	Kroger
Total Texas			**167,961**	**1.7%**		
Derry Meadows Shoppes	Derry	Manchester-Nashua	151,946		95.4%	Hannaford Brothers
Total New Hampshire			**151,946**	**1.5%**		
Taylorsville Town Center	Taylorsville	Salt Lake City	127,522		85.8%	Macey's Fresh
Total Utah			**127,522**	**1.3%**		
Forest Plaza	Fond du Lac	Fond du Lac	123,028		100.0%	Pick 'n Save
Total Wisconsin			**123,028**	**1.3%**		
Stone House Square	Hagerstown	Washington-Baltimore	112,274		91.6%	Weis Markets
Total Maryland			**112,274**	**1.1%**		
Westminster Plaza	Westminster	Denver Aurora-Lakewood	98,999		92.4%	VASA Fitness
Total Colorado			**98,999**	**1.0%**		
Stonefield Square	Louisville	Louisville	80,866		62.2%	Vacant
Total Kentucky			**80,866**	**0.8%**		
Total / WA			**9,916,435**	**100.0%**	**93.2%**	

Corporate Information

Slate Grocery 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 grocery-anchored real estate properties. The REIT has a current portfolio that spans 9.9 million square feet of GLA and consists of 80 grocery-anchored properties located in the U.S.

Trustees
Andrea Stephen, Chairman [1,2,3]
Corporate Director

Thomas Farley [1,2,3]
Corporate Director

Marc Rouleau [1,2]
Corporate Director

Colum Bastable, FCA (IRL) [1,2,3]
Corporate Director

Patrick Flatley [3]
Partner,
Lincoln Land Services

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

Brady Welch
Partner and Co-founder,
Slate Asset Management

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

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Independent Auditors
Deloitte LLP
Chartered Professional Accountants
Toronto, Canada

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

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The REIT's website www.slategroceryreit.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.

SLATE

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