Retail REIT

SLATE

Q4 2017

TSX: SRT.U and SRT.UN

"Stay away from negative people. They have a problem for every solution."

– Albert Einstein

DEAR FELLOW UNITHOLDERS

We can talk about the negative headwinds in retail but there are enough people doing that. In our view, retail will always change. Admittedly, the pace at which it is changing *right now* feels like it is speeding up, in large part due to advances in technology. We are not denying that things will change and we are keeping a watchful eye on trends in the industry. However, what we are seeing is that necessity-based retail, e.g. grocery stores, is still thriving and the importance of well-located brick-and-mortar real estate to these businesses continues to grow. The grocery store is still the cheapest, fastest and safest way to distribute food to over 225 million Americans that live in suburban America. In addition, the other service and necessity based tenants that complement our grocers, e.g. fitness, medical and dental, hardware/DIY, dollar stores, and restaurant/food uses, are also growing their brick and mortar locations as demand for their products grow and cannot be replicated efficiently or at all, online.

We have categorized 2017's results into a few different buckets but all of the results stem from our view that investing in overlooked and capital starved markets and applying hands-on proactive asset management will result in value enhancement for the REIT's portfolio. The results also provides colour on how we expect to achieve earnings and net asset value ("NAV") growth in 2018 and beyond.

Leasing

- Executed over 1.5 million square feet of leases, an increase of 64% year-over-year. Comparatively, the weighted average increase in owned leasable area grew by 19%;
- To support the REIT's defensive asset class strategy, only 0.03% of GLA was impacted by bankruptcy.
- Achieved an increase of 7.6% or $1.30 per square foot in base rent on 377,370 square feet of shop space renewals;
- Achieved an increase of 2.0% or $0.16 per square foot in base rent on 800,393 square feet of anchor and junior anchor renewals;
- Executed 64 new leases totaling 328,725 square feet at an average rental rate of $14.37 an increase of 43.6% over in-place rents for comparable space across the portfolio. The weighted average rental rate for tenants who vacated or were strategically terminated was $8.93 per square foot;
- On new and renewed leases executed, the weighted average rental rate was $12.01 per square foot which compares favorably to the weighted average in-place rent across the portfolio of $10.47, and the weighted average lease term was 6.0 years;
- The REIT completed 497,919 square feet of renewals or 77.8% of the total 640,037 square feet of contractual expiries in the 2018 year;
- An overall tenant retention rate of 88% which comprises 100% anchor retention and 77% shop space retention. Occupancy has averaged 94.1% since listing in April 2014;
- Renewed 10 grocery-anchor tenants totaling 567,005 square feet, representing approximately 14.5% of total grocery-anchor GLA versus 2.4% contractually expiring. There were no contractual grocery anchor tenants expiring in 2017;
- Tenant improvements, leasing costs, and capital totaled $8.7 million. Development and expansion investment totaled $7.2 million. Collectively, reinvestment in the portfolio was $15.9M or $10.60 per square foot over 1.5 million square feet of executed leases; and
- Same-property NOI increased 0.9% year-over-year for the full twelve-month period. Including the impact from completing the redevelopment at North Augusta, same-property NOI increased 1.4%.

Development and re-development

In the 2016 year end Letter to Unitholders we stated that we "expected increased progress and investment heading into 2017" relating to the REIT's redevelopment activities. True to our word, we advanced our progress and increased investment in 2017.

- Grew the pipeline of active development and re-development projects three-fold from 2 to 6 year-over-year and the total expected development spend by 21% from $22.1 million to $26.7 million, with an average expected yield on cost between 9.0%–11.0%; and

- Completed the Kmart redevelopment at North Augusta generating an *unrealized* property-level multiple of 2.1x on $8.8 million of invested equity capital.

Our expectation is that we will continue to increase capital investments in redevelopment and leasing opportunities within the existing portfolio in 2018.

Acquisitions

- Acquired 17 properties for approximately $391 million or $133 per square foot increasing the total portfolio to 86 properties and 11.2 million square feet of gross leasable area ("GLA"); and
- The weighted average cap rate of the properties acquired in 2017 was 7.1% with a weighted average occupancy of 93.9%.

Walmart-anchored and Publix-anchored centres collectively accounted for more than 61% of the 2.9 million square feet acquired. In addition to Kroger, this reflects our belief that these three anchor tenants will continue to thrive by leveraging their scale and distribution and have the ability to capitalize on any weakness experienced by their competitors. Walmart, Kroger and Publix are now the top 3 anchors by GLA and total 17.7% of annual base rent. In addition, acquisitions were largely concentrated in the growing areas (population and income) of the Sunbelt with 11 out of 17 of the acquisitions this year concentrated in Florida, North and South Carolina, and Georgia.

Cost of growth

The accounting treatment of the various costs of growth, including equity issuance costs, debt financing costs, and acquisition fees differ by component. We wanted to simplify it here to highlight the positive impact to NAV in 2018 if these costs are not incurred.

- Debt financing costs of $3.5 million in 2017;
- Acquisition fees of $3.0 million in 2017

At $6.5 million collectively, all else equal, that would add $0.14 per unit to NAV in 2018.

In addition, we raised $118.2 million of equity at an average unit price of $10.94, net of total equity issuance costs which were $5.4 million, or 4.6% of the total equity raised. While the costs to raise equity are not a cash outflow like the costs listed above, the costs do temporarily reduce earnings and NAV *on a per unit basis* until the equity raised is deployed and starts earning a return. As at the end of fourth quarter of 2017, all of the funds from the equity issuance in 2017 have now been fully deployed and the first quarter of 2018 will be the first quarter where the impact from the deployment of the acquisitions will be fully captured. At an average cap rate of approximately 7.1%, the pay-back period on an unlevered basis is less than 8 months. By leveraging the equity we raised, assuming a 55% loan-to-value ratio, the pay-back period drops to less than 5 months, including the interest cost on debt in the calculation.

Further, the return achieved on the investments from the equity raised in 2017 should not only offset the cost of growth but accretively grow earnings and NAV if we can continue to build on the successes highlighted in the leasing and development sections above.

Debt financing

In an effort to mitigate interest rate risk, the REIT entered into interest rate swap contracts. As at December 31, 2017, 57.7% of the REIT's debt was subject to fixed interest rates up from 25.6% at September 30, 2016. The weighted average term remaining on the swap contracts is 3.4 years, which coincides with the floating-rate debt term.

The interest rate swap is an agreement to exchange future interest payments on a specified amount of debt with a counterparty. The REIT has entered into $400 million of 'pay-fixed, receive-float' interest rate swaps. The counterparty in these arrangements pays floating-rate interest payments to the REIT and the REIT pays fixed-rate interest payments to the counterparty. In effect, the swap contract is the same as a traditional fixed-rate mortgage. However, it comes with much more flexibility than traditional fixed-rate debt because the swap contracts can be cancelled at any time prior to expiration, with no penalty. Using the REIT's $300 million swap contract as an example, being in a net receiver position, i.e. we are getting paid for having them, cancelling the swap contract at the end of the fourth quarter would have resulted in a cash payment to the REIT of $10.6 million.

The swaps also ensure that the REIT's conservative FFO and AFFO payout ratios of 65.5% and 81.0%, respectively, do not increase linearly as interest rates rise. At the REIT's current level of fixed rate debt, interest rates could rise by 1.00%, e.g. four 0.25% rate hikes in 2018, and the AFFO payout ratio would still be 88.5%.

Further, it is worth noting the substantial cash flow that the real estate portfolio generates. As a result, the REIT can self-finance organic growth initiatives and not have to rely on future equity issuance. If more opportunities present themselves to spend development capital in excess of operating cash flow, they can be funded through the sale of non-core real estate which we expect to generate $30 million to $50 million in proceeds in 2018.

	December 31, 2017
Net operating income [1]	$ 85,066
Cash interest, net	(22,262)
Other expenses	(7,988)
Capital, leasing costs and tenant improvements	(8,696)
Development and expansion capital	(7,186)
Distributions declared	(36,332)
Retained income	**$ 2,602**
Retained income per unit	**$ 0.06**
Capital as % of net operating income	**10.2%**
Capital as % of net operating income including development and expansion capital	**18.7%**

[1] Refer to non-IFRS financial measures on page 5.

The line item above to note is development and expansion capital. This line is not picked up in AFFO payout ratio calculations. You can see that if development and expansion capital was included, the REIT's payout ratio would still be below 100%, highlighted by the retained income of $2.6 million, after distributions.

The REIT's weighted average interest rate as at December 31, 2017 was 3.36% resulting in an interest coverage ratio of 3.05x. The low cost of debt capital is reflective of the REIT's portfolio quality and diversification. The healthy interest coverage ratio is reflective of the ample cash flow the portfolio generates. This is driven by having purchased properties that generate 7.0% and above unlevered operating cash flow yields and our ability to grow cash flow after acquisition through proactive asset management.

Dispositions

All of the dispositions in 2017 were non-core outparcels, totaling $17.1 million. We sold outparcels with long-term leases where upside is limited. The demand for single-tenant outparcel buildings is strong driven by their valuation being akin to fixed income products (bond yields are trading near all-time lows i.e. prices are near all-time highs). In 2018, we will look to dispose of more non-core outparcels to take advantage of the demand in the single-tenant market. As noted above, we estimate that total dispositions in 2018 will total between $30 million to $50 million.

2018 Outlook

Predicting the future is a fool's errand but it seems likely that the negative sentiment in the retail sector will continue with further store closures and retailer bankruptcies. However, we will ignore the sensationalism and seek out the facts. Further, it is important to differentiate between neighborhood centres, community centres and power centres.

- *Neighbourhood Centre*: convenience-oriented and typically grocery-anchored, 125,000 square feet or less, with no more than 1 non-grocer junior anchor space (>10,000 square foot space);
    - 64 neighbourhood centres: *no more than one* >10,000 square foot non-grocer junior anchor space. Within these 60, only 2 of the non-grocer anchor spaces are apparel retailers. The others are fitness, medical and dental, hardware/DIY, dollar stores, and restaurant/food uses, i.e. necessity-based retail;
- *Community Centre*: convenience and general merchandise, between 125,000 and 250,000 square feet, with no more than 2-3 non-grocer junior anchor spaces (>10,000 square foot space);
    - 10 community centres*: only 2* >10,000 square foot non-grocer junior anchor spaces of which 7 have <150,000 square feet of gross leasable area in total; and
    - 10 community centres*: with 3* >10,000 square foot non-grocer junior anchor spaces;
- *Power Centre*: specialized centre that caters to big-box, national merchandise-based retailers, greater than 250,000 square feet, with at least 3 non-grocer anchor spaces (>10,000 square foot space). These centres often do not include a grocer at all.
    - 2 power centres: They are both anchored by a 200,000 plus square foot Walmart.

All to highlight that the REIT has very limited exposure to power centres that along with shopping malls are by far the most impacted from store closures today (apparel, electronics, book stores, and other out-of-date retailers and department stores). Our view remains that a focus on grocery-anchored shopping centres and every-day-needs tenancies will prove defensible in the ever-changing retail landscape and that store locations serve as local food distribution points. The path for heavy, voluminous, low nominal value items in rural and semi-urban geographies will need to go through store-style locations.

We have updated our investor presentation this quarter here to further articulate the over-looked opportunity we see in certain US markets today. We have also included several case studies which highlight how we execute on our property-level business plans. We are excited about adding to the list of case studies in 2018 as we continue to implement our strategy at the newly acquired properties in the portfolio. We will focus on leasing and being a supportive partner to our tenants so they can continue to thrive at our properties. Capital allocation decisions will be targeted to unlevered return investment opportunities within the existing portfolio that are accretive. Our focus is on per unit growth in earnings and NAV.

Thank you for your continued support. We value your trust in us and look forward to the opportunity to build wealth together in the future.

Sincerely,

Greg Stevenson
Chief Executive Officer
February 16, 2018

Management's Discussion and Analysis

SLATE RETAIL REIT

December 31, 2017

TSX: SRT.U and SRT.UN

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FORWARD-LOOKING STATEMENTS

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

These forward-looking statements are not guarantees of future events or performance and, by their nature, are based on the REIT's current estimates and assumptions, which are subject to significant risks and uncertainties. The REIT believes that these statements are made based on reasonable assumptions; however, there is no assurance that the events or circumstances reflected in these forward-looking statements will occur or be achieved. A number of factors could cause actual results to differ materially from the results discussed in the forward-looking statements including, but not limited to the risks that are more fully discussed under the "*Risk Factors*" section of the annual information form of the REIT for the year ended December 31, 2017 ("Annual Information Form"). Factors that could cause actual results to differ materially from those contemplated or implied by forward-looking statements include, but are not limited to: risks incidental to ownership and operation of real estate properties including local real estate conditions; financial risks related to obtaining available equity and debt financing at reasonable costs and interest rate fluctuations; operational risks including timely leasing of vacant space and re-leasing of occupied space on expiration of current leases on terms at current or anticipated rental rates; tenant defaults and bankruptcies; uncertainties of acquisition activities including availability of suitable property acquisitions and integration of acquisitions; competition including development of properties in close proximity to the REIT's properties; loss of key management and employees; potential environmental liabilities; catastrophic events, such as earthquakes and hurricanes; governmental, taxation and other regulatory risks and litigation risks.

Forward-looking statements included in this MD&A are made as of February 16, 2018, and accordingly are subject to change after such date. The REIT does not undertake to update any forward-looking statements that are included in this MD&A, whether as a result of new information, future events or otherwise, except as expressly required by applicable securities laws. Certain statements included in this MD&A may be considered "financial outlook" for purposes of applicable securities laws, and such financial outlook may not be appropriate for purposes other than this MD&A. Investors are cautioned against placing undue reliance on forward-looking statements.

FINANCIAL AND INFORMATIONAL HIGHLIGHTS

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

	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016
Summary of Portfolio Information						
Number of properties	86	84	73	71	69	64
GLA	11,156,474	10,850,708	9,141,538	8,513,110	8,335,625	7,841,401
GLA occupied by grocery-anchors	5,159,693	4,887,294	4,162,756	3,968,924	3,909,716	3,669,595
Occupancy	93.7%	92.6%	91.7%	93.2%	93.5%	93.6%
Grocery-anchor occupancy	100.0%	100.0%	98.7%	99.1%	99.1%	99.0%
Non-anchor occupancy	88.3%	87.6%	86.4%	87.9%	89.2%	88.7%
Grocery-anchor weighted average lease term (years)	5.8	5.5	5.4	5.4	5.8	5.7
Portfolio weighted average lease term (years)	5.1	4.9	4.9	4.9	5.1	5.1
Square feet ("SF") leased	402,050	490,422	337,706	276,310	258,168	117,805
Summary of Financial Information						
IFRS gross book value ("GBV") (1)	$ 1,499,519	$ 1,476,651	$ 1,225,065	$ 1,158,102	$ 1,114,606	$ 1,076,668
Total debt	883,046	846,325	608,035	597,787	624,892	589,213
Revenue	34,859	30,030	26,614	27,233	25,044	23,699
Net income (loss)	31,421	(8,816)	16,049	8,652	(12,397)	(15,309)
Net operating income ("NOI") (2)	24,592	21,891	19,172	19,411	17,931	17,019
Funds from operations ("FFO") (2) (3)	15,406	14,448	12,741	12,859	8,688	11,193
Adjusted funds from operations ("AFFO") (2) (3) (4)	11,360	11,168	10,713	11,587	7,110	9,114
Distributions declared	$ 9,625	$ 9,381	$ 9,018	$ 8,308	$ 7,179	$ 6,990
Per Unit Financial Information						
Class U equivalent units outstanding	46,411	46,340	46,291	41,031	35,456	35,440
WA class U equivalent units outstanding ("WA units")	46,443	46,372	42,832	39,847	35,494	35,469
FFO per WA units (2) (3)	$ 0.33	$ 0.31	$ 0.30	$ 0.32	$ 0.24	$ 0.32
AFFO per WA units (2) (3) (4)	0.24	0.24	0.25	0.29	0.20	0.26
Declared distributions per unit	$ 0.2075	$ 0.2025	$ 0.2025	$ 0.2025	$ 0.2025	$ 0.1973
Financial Ratios						
FFO payout ratio (2) (3) (5)	62.5%	64.9%	70.8%	64.6%	82.6%	62.4%
AFFO payout ratio (2) (3) (4) (6)	84.7%	84.0%	84.2%	71.7%	101.0%	76.7%
Debt / GBV	58.9%	57.3%	49.6%	51.6%	56.1%	54.7%
Weighted average interest rate (7)	3.36%	3.15%	3.10%	3.20%	3.10%	3.00%
Interest coverage ratio (8)	3.05x	3.36x	3.52x	3.72x	3.35x	3.31x

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

(1) GBV is defined as total assets.

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

(3) In the fourth quarter of 2016, the REIT completed a defeasance of a mortgage at a cost of $4.5 million representing the excess of the U.S. Treasury securities required to be funded over the outstanding principal balance of the mortgage. A $2.8 million charge to income was recorded which was determined as the $4.5 million cost, less $1.7 million, representing the unamortized mark-to-market premium associated with the mortgage. Adjusting to exclude the impact of the defeasance of a mortgage, FFO and FFO payout ratio would be $0.32 per unit and 62.3%, respectively and AFFO and AFFO payout ratio would be $0.28 and 72.2%, respectively.

(4) In February 2017, the Real Property Association of Canada issued its White Paper on FFO and AFFO for IFRS. Accordingly, the REIT has adopted the definition of AFFO provided by REALPAC for periods beginning on or after January 1, 2017. The REIT has restated prior periods on a retrospective basis in order to maintain comparability.

(5) Distributions declared divided by FFO.

(6) Distributions declared divided by AFFO.

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

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

PART I – OVERVIEW

INTRODUCTION

This MD&A of the financial position and results of operations of Slate Retail REIT (TSX: SRT.U and SRT.UN) and its subsidiaries (collectively, the "REIT") is intended to provide readers with an assessment of performance and summarize the financial position and results of operations of the REIT for the period ended December 31, 2017. The presentation of the REIT's financial results, including the related comparative information, contained in this MD&A are based on the REIT's consolidated financial statements for the year ended December 31, 2017 (the "consolidated financial statements"), which have been prepared by management in accordance with International Financial Reporting Standards ("IFRS"). This MD&A should be read in conjunction with those financial statements. All amounts are in thousands of United States dollars, unless otherwise noted, which is the functional currency of the REIT and all of its subsidiaries.

The information contained in this MD&A is based on information available to the REIT and is dated as of February 16, 2018, which is also the date the Board of Trustees, upon the recommendation of its Audit Committee, approved the contents of this MD&A.

PROFILE

The REIT is an unincorporated open-ended real estate mutual fund trust constituted in accordance with the laws of the Province of Ontario pursuant to an amended and restated Declaration of Trust dated as of April 15, 2014, as amended on May 11, 2016. As of December 31, 2017, the REIT owns 86 grocery-anchored retail commercial properties located in the United States of America (the "U.S.") comprising 11.2 million square feet of GLA.

The REIT is externally managed and operated by Slate Asset Management L.P. (the "Manager" or "Slate"). The Manager has an experienced and dedicated team of real estate professionals with a proven track record of success in real estate investment and management. Management's interests are aligned with the unitholders of the REIT through its sponsorship and as a significant unitholder of the REIT. Slate is the largest unitholder in the REIT, with an approximate 6.7% interest, and accordingly, is highly motivated to increase the value to unitholders and provide reliable growing returns to the REIT's unitholders.

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

STRATEGY AND OUTLOOK

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

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

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

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

NON-IFRS FINANCIAL MEASURES

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

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

- NOI is defined as rental revenue less operating expenses, prior to straight-line rent and IFRIC 21, *Levies* ("IFRIC 21") adjustments. 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.

- FFO is defined as net income (loss) adjusted for certain items including transaction costs, change in fair value of properties, deferred income taxes, unit expense and IFRIC 21 property tax adjustments.
- AFFO is defined as FFO adjusted for straight-line rental revenue and sustaining capital, leasing costs and tenant improvements.
- FFO payout ratio and AFFO payout ratio are defined as distributions declared divided by FFO and AFFO, respectively.
- FFO per WA unit and AFFO per WA unit are defined as FFO and AFFO divided by the weighted average class U equivalent units outstanding, respectively.
- Adjusted EBITDA is defined as NOI less other expenses.
- Interest coverage ratio is defined as adjusted EBITDA divided by cash interest paid.

RISK AND UNCERTAINTIES

The REIT's business is subject to a number of risks and uncertainties which are described in its most recently filed Annual Information Form for the year ended December 31, 2017, available on SEDAR at www.sedar.com. Additional risks and uncertainties not presently known to the REIT or that the REIT currently considers immaterial also may impair its business and operations and cause the price of the REIT's units to decline. If any of the noted risks actually occur, the REIT's business may be harmed and the financial condition and results of operation may suffer significantly. In that event, the trading price of the units could decline, and unitholders may lose all or part of their investment.

RECENT DEVELOPMENTS

The following is a summary of the key financial and operational highlights and recent developments for the REIT for the year ended December 31, 2017:

- On September 1, 2017, the REIT fixed and additional $100 million of its floating rate debt with an interest rate swap through to September 22, 2022. Currently, 57.7% of the REIT's debt is subject to fixed interest rates. The REIT's interest rate swaps had a fair market value of $10.6 million and weighted average remaining term of 3.4 years.
- The REIT continues to execute on its capital deployment program. The REIT acquired a total of 17 properties in 2017 for an aggregate purchase price of $391.1 million ($133 per square foot), at a weighted average capitalization rate of 7.1%. These acquisitions contributed 2.9 million square feet to the REIT's portfolio and fully deployed the $118.2 million of proceeds raised from the sale of class U units completed in 2017.
- On November 15, 2017, the REIT declared a distribution of $0.07 per unit, or $0.84 annually. This distribution was a 3.7% increase in the monthly distribution to unitholders. This increase is the fourth consecutive annual distribution increase since the REIT listed its class U units on the Toronto Stock Exchange in 2014.
- On November 9, 2017, the REIT entered into a new $250.0 million term loan from a syndicate of lenders. This loan bears interest at LIBOR plus 200 bps and matures on February 9, 2023. Proceeds were used to repay the REIT's $50.0 million term loan acquired in the third quarter of 2017 and repay a portion of the revolver. This loan added significant liquidity to the REIT and staggers the current maturity profile of the REIT's debt. The weighted average term of the REIT's debt is now 4.0 years, with no maturities until 2020.
- Completed 290,060 square feet of lease renewals in the fourth quarter at a 5.1% weighted average spread above expiring rent. This includes a 59,431 square foot, five-year Kroger renewal at Douglas Commons in advance of their August 2018 expiry at their existing rental rate, per their contractual renewal option. In addition, Kroger renewed their lease for five years at Mulberry Square in advance of their February 2018 expiry, per their contractual renewal option. This allows Kroger and Slate to continue to work on a redevelopment plan at the property.
- The REIT executed 17 new shop space leases at an average rental rate of $15.75 per square foot, which is $3.21 per square foot or 25.6% higher than the weighted average in-place rent for comparable space.
- The weighted average tenant retention rate for this quarter is 90.4% compared to 89.7% in the third quarter of 2017.
- Rental revenue for the three month period ended December 31, 2017 and 2016 was $34.9 million and $25.0 million, respectively, which represents an increase of $9.8 million. The increase is primarily due to rental rate growth due to re-leasing above in-place rent and new leasing. From December 31, 2016, the REIT acquired 17 properties and 1 property outparcel adjacent to an existing property and disposed of five outparcels at certain properties.
- The REIT's net income for the three month period ended December 31, 2017 was $31.4 million, which represents a $43.8 million increase from the same quarter of the prior year. The increase is mainly due to the aforementioned increase in rental revenue, the decrease in fair value of REIT units and exchangeable units of subsidiaries of $24.8 million and a decrease in deferred income taxes of $32.1 million, partially offset by a decrease of the change in fair value of properties of $18.9 million and an increase in distributions of $2.4 million.
- NOI was $24.6 million for the three month period ended December 31, 2017, compared to $21.9 million in the third quarter of 2017. The increase is the result of a full quarter of NOI results from 11 properties acquired during the September 30, 2017 quarter and partial NOI results from the 2 properties acquired during the fourth quarter of 2017.
- Same-property NOI decreased by 1.7% (comprised of 57 properties) and increased by 0.9% (comprised of 52 properties) from the prior period for the three and twelve months ended December 31, 2017, respectively. Including the impact of the completion of the North Augusta

Plaza anchor redevelopment, same-property NOI increased by 0.2% and 1.4% for the three and twelve months ended December 31, 2017, respectively.

- FFO on a per unit basis has increased by $0.09 to $0.33 per unit compared to $0.24 per unit for the same quarter in the prior year, as a result of the aforementioned increases in NOI, partially offset by increased cash interest paid of $2.4 million.
- AFFO on a per unit basis was $0.24 for the quarter, which represents a $0.04 per unit increase compared to the same quarter in 2016 mainly due to increases in FFO, partially offset by increases in tenant improvements of $1.2 million and capital spend of $1.0 million. Capital expenditures were driven by the high volume of new and renewal lease activity with 73 leases executed in the fourth quarter.
- The AFFO payout ratio for the fourth quarter was 84.7%. For the year ended December 31, 2017, the AFFO payout ratio was 81.0%.

PART II – LEASING AND PROPERTY PORTFOLIO

LEASING

The REIT strives to ensure that the REIT's properties are well tenanted 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 tenant maturities, backfill tenant vacancies for instances where a tenant will not renew, or if there is an opportunity to place a stronger or more suitable tenant in our properties, we endeavor to find a suitable solution.

The following table summarizes our leasing activity for the four most recent quarters:

Square feet	Deal type		Q4 2017	Q3 2017	Q2 2017	Q1 2017
Less than 10,000	Renewal	Leases signed	48	48	40	34
		Total square feet	108,686	91,196	93,195	84,293
		Average base rent	18.36	18.83	19.69	17.19
		Rental spread	8.9%	10.1%	7.8%	2.8%
Greater than 10,000	Renewal	Leases signed	6	5	3	6
		Total square feet	181,374	294,389	164,888	159,742
		Average base rent	10.02	9.84	3.46	6.83
		Rental spread	2.9%	2.5%	(4.2)%	2.6%
Total renewals (square feet)			**290,060**	**385,585**	**258,083**	**244,035**
Less than 10,000	New lease	Leases signed	17	17	14	10
		Total square feet	69,216	32,979	44,229	16,633
		Average base rent	15.75	23.24	17.19	17.00
		Rental spread [(1)]	25.6%	81.3%	39.8%	40.1%
Greater than 10,000	New lease	Leases signed	2	2	1	1
		Total square feet	42,774	71,858	35,394	15,642
		Average base rent	12.63	8.61	13.24	12.60
		Rental spread [(1)]	45.8%	5.0%	52.9%	40.6%
Total new leases (square feet)			**111,990**	**104,837**	**79,623**	**32,275**
Total leasing activity (square feet)			**402,050**	**490,422**	**337,706**	**276,310**

[(1)] The rental spread is calculated based on the average base rent of the new lease term compared to the average in-place rent of the previous lease term.

During the fourth quarter, management completed 290,060 square feet of renewals. The weighted average rental rate increase on renewals completed for leases less than 10,000 square feet was $1.50 per square foot or 8.9% higher than expiring rent. The weighted average rental rate increase on renewals completed for leases greater than 10,000 square feet was $0.28 per square foot or 2.9% higher than expiring rent. The weighted average base rent on all new leases completed less than 10,000 square feet was $15.75 per square foot which is $3.21 per square foot or 25.6% higher than the weighted average in-place rent for comparable space across the portfolio. These transactions compare favorably to the current weighted average in place rent of $10.67.

Notable this quarter was the 59,431 square foot, five-year Kroger renewal at Douglas Commons in advance of their August 2018 expiry. Kroger accounts for 61% of the GLA and renewed at their existing rental rate, per their contractual renewal option. Kroger renewed under Slate Retail's ownership for five years back in 2013 and we are pleased to see them renew again for another five years on the back of continued strong store fundamentals leveraging their position as a market-leading grocer. In addition, Kroger renewed their lease for five years at Mulberry Square in advance of their February 2018 expiry. Kroger accounts for 39% of the GLA and renewed at their existing rental rate, per their contractual renewal option. The renewal allows Kroger and Slate to continue to work on a redevelopment plan at the property.

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 tends to be of a shorter duration between 3 and 5 years. The weighted average remaining term to maturity at December 31, 2017 of the REIT's grocery-anchor and non-grocery-anchor tenants was 5.8 years and 4.3 years, respectively, not including tenants on month-to-month leases. On a portfolio basis, the weighted average remaining term to maturity is 5.1 years.

The following table summarizes the composition of the remaining term to maturity of the REIT's leases at December 31, 2017:

	Weighted average term to maturity	GLA	GLA %
Grocery-anchor	5.8	5,159,693	46.2%
Non-anchor	4.3	5,205,396	46.7%
Total occupied	5.1	10,365,089	92.9%
Month-to-month		87,303	0.8%
Vacant		704,082	6.3%
Total GLA		**11,156,474**	**100.0%**

The following table summarizes the composition of the remaining term to maturity of the REIT's leases at December 31, 2016:

	Weighted average term to maturity	GLA	GLA %
Grocery-anchor	5.8	3,909,716	46.9%
Non-anchor	4.4	3,808,967	45.7%
Total occupied	5.1	7,718,683	92.6%
Month-to-month		76,705	0.9%
Vacant		540,237	6.5%
Total GLA		**8,335,625**	**100.0%**

The following table shows the change in occupancy during the three month period ended December 31, 2017:

	Total GLA	Occupied GLA	Occupancy
September 30, 2017	10,850,708	10,048,614	92.6%
Acquisitions	325,626	309,266	95.0%
Disposition	(22,368)	(10,118)	45.2%
Leasing changes (1)	—	71,906	N/A
Re-measurements	2,508	32,724	N/A
December 31, 2017	**11,156,474**	**10,452,392**	**93.7%**

(1) Leasing changes include new leases, lease buyouts, expirations and terminations.

Occupancy is determined based on lease commencement. Occupancy has increased from 92.6% at September 30, 2017 to 93.7% at December 31, 2017, primarily due to 111,990 square feet of new leasing net of 40,084 square feet of vacancies and higher occupancy rates for properties acquired during the quarter, which include Good Homes Plaza and National Hills with an occupancy rate of 96% and 94%, respectively.

The following table shows the change in occupancy for the year ended December 31, 2017:

	Total GLA	Occupied GLA	Occupancy
December 31, 2016	8,335,625	7,795,388	93.5%
Acquisitions	2,921,601	2,756,377	94.3%
Disposition	(115,351)	(103,101)	89.4%
Leasing changes (1)	–	(20,925)	N/A
Re-measurements	14,599	24,653	N/A
December 31, 2017	**11,156,474**	**10,452,392**	**93.7%**

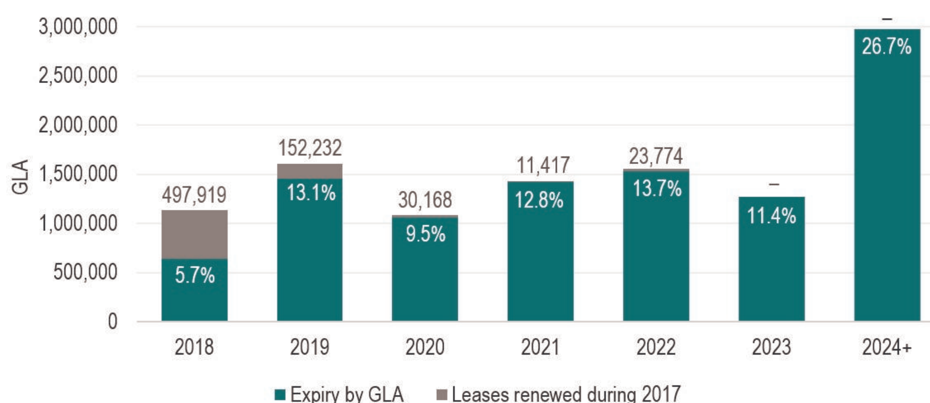
(1) Leasing changes include new leases, lease buyouts, expirations and terminations.

During the year occupancy increased 200 bps to 93.7% at December 31, 2017. The increase is due to a higher occupancy rate of 94.3% from the acquisition of 17 properties during the 2017 year, offset by the disposition of four outparcels at certain properties with 100% occupancy. Total vacancies during the year totaled 165,423 square feet and strategic terminations for redevelopment and re-leasing opportunities totaled 183,864 square feet. These decreases were partially offset by 328,725 square feet of new lease deals completed during the year.

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 occupied portfolio	Average in-place rent	GLA	Percentage of occupied portfolio	Average in-place rent	GLA	Percentage of occupied portfolio	Average in-place rent
Month-to-month	—	—	$ —	87,303	0.8%	$ 16.31	87,303	0.8%	$ 16.31
2018	108,989	1.0%	4.56	531,048	4.7%	14.90	640,037	5.7%	13.14
2019	811,633	7.3%	6.82	645,089	5.8%	14.68	1,456,722	13.1%	10.30
2020	282,033	2.5%	7.26	777,273	7.0%	13.70	1,059,306	9.5%	11.98
2021	587,564	5.3%	7.51	837,013	7.5%	12.31	1,424,577	12.8%	10.33
2022	738,373	6.6%	7.85	793,398	7.1%	13.55	1,531,771	13.7%	10.80
2023 and later	2,631,101	23.6%	9.11	1,621,575	14.5%	11.56	4,252,676	38.1%	10.04
Vacant	—	—	N/A	704,082	6.3%	N/A	704,082	6.3%	N/A
Total / weighted average	**5,159,693**	**46.3%**	**$ 8.19**	**5,996,781**	**53.7%**	**$ 13.08**	**11,156,474**	**100.0%**	**$ 10.67**

The following is a table of lease expiries at December 31, 2017 and pre-existing future maturities that were leased in advance during 2017.



The REIT endeavors to proactively lease upcoming expiries in advance of maturity to maintain high occupancy levels, ensure a proper mix of tenants at each property and certainty in the cash flows of each property. At December 31, 2017, remaining 2018 expiries totaled 640,037 square feet or 5.7% of total GLA related to non-anchor tenants. Comparatively, at September 30, 2017, remaining 2017 expiries totaled 86,141 square feet or 0.8% of total GLA related to non-anchor tenants. At December 31, 2016, remaining 2017 expiries totaled 8.8% of total GLA, with 6.4% related to non-anchor tenants.

Retention rates

The REIT's asset management team strives to maintain strong relationships with all tenants, especially our grocery-anchor tenants. Since inception in 2011, where the REIT has sought a renewal with a grocery-anchor, our asset management team has had a 100% success rate in obtaining a lease extension. In certain cases, management has not sought renewals with larger tenants, including in cases where a better user is available, or a redevelopment opportunity exists. We believe that this success has been as a result of our strong relationships with tenants, but also as a result of our diligent 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. We expect 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 release space, potentially at higher rates, and improve overall credit and tenant mix.

The following are the REIT's retention rates for the three and twelve month period ended December 31, 2017, and twelve month period ended December 31, 2016 for both grocery-anchor and non-grocery-anchor tenants:

Retention rate [1]	**Three months ended December 31, 2017**	**Year ended December 31, 2017**	**Year ended December 31, 2016**
Grocery-anchor	100.0%	100.0%	100.0 %
Non-grocery-anchor	81.0%	76.6%	83.8 %
Net total / weighted average	**90.4%**	**88.3%**	**91.9 %**

[1] Retention rate excludes instances where management has not sought a renewal, which are primarily related to redevelopment or property portfolio management opportunities.

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

	For the three months ended,			
	December 31, 2017	September 30, 2017	June 30, 2017	March 31, 2017
Renewals				
Square feet	290,060	385,585	258,083	244,035
Weighted average expiring rent per SF	$ 12.41	$ 11.38	$ 8.90	$ 10.13
Weighted average rent spread per SF	$ 0.74	$ 0.59	$ 0.42	$ 0.28
Vacated				
Square feet [1]	40,084	25,756	134,218	28,686
Weighted average expiring rent per SF	$ 10.83	$ 13.35	$ 7.85	$ 10.01
New				
Square feet	111,990	104,837	79,623	32,275
Weighted average expiring rent per SF	$ 14.56	$ 13.21	$ 15.43	$ 14.87
Total base rent retained	**$ 3,166**	**$ 4,044**	**$ 1,243**	**$ 2,185**
Incremental base rent	**$ 1,845**	**$ 1,612**	**$ 1,337**	**$ 548**

[1] Adjusted for lease buyouts and vacancies due to redevelopment.

In-place and market rents

The REIT's leasing activity during the three month period ended December 31, 2017 is as follows:

	GLA	Number of units	Weighted average expiring rent	Weighted average new rent
Renewed leases	290,060	54	$ 12.41	$ 13.15
New leases	111,990	19	N/A	14.56
Total / weighted average	**402,050**	**73**	**N/A**	**$ 13.54**
Less, leases not renewed / vacated during term [1]	(40,084)	(10)	10.83	N/A
Net total / weighted average	**361,966**	**63**		**$ 13.54**

[1] Adjusted for lease buyouts and vacancies due to redevelopment.

The REIT's leasing activity during the year ended December 31, 2017 is as follows:

	GLA	Number of units	Weighted average expiring rent	Weighted average new rent
Renewed leases	1,177,763	190	$ 10.83	$ 11.35
New leases	328,725	64	N/A	14.37
Total / weighted average	**1,506,488**	**254**	**N/A**	**$ 12.01**
Less, leases not renewed / vacated during term [1]	(228,744)	(54)	9.26	N/A
Net total / weighted average	**1,277,744**	**200**		**$ 12.01**

[1] Adjusted for lease buyouts and vacancies due to redevelopment

During the fourth quarter of 2017 the REIT completed 402,050 square feet of leasing, which represents 3.6% of the REIT's portfolio. This level of leasing is consistent with our strategy of actively managing our 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:

	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016
Grocery rent	$ 8.19	$ 8.29	$ 8.28	$ 8.38	$ 8.37	$ 8.36	$ 8.40	$ 8.41
Shop space rent	13.08	12.68	12.32	12.22	12.27	12.32	11.97	11.88
Total	**$ 11.27**	**$ 10.55**	**$ 10.31**	**$ 10.30**	**$ 10.32**	**$ 10.34**	**$ 10.19**	**$ 10.13**
Market rent [1]	**$ 11.27**	**$ 11.22**	**$ 10.92**	**$ 10.82**	**$ 10.67**	**$ 10.64**	**$ 10.63**	**$ 10.79**

[1] Market rate represents the REIT's estimate of market rents for its properties on a weighted average basis. Market rents are determined based, in part, on broker feedback, market transactions and completed deals.

The REIT leases 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.

ACQUISITIONS

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

The REIT acquired 17 properties and 1 property outparcel that is adjacent to an existing property during the year ended December 31, 2017, as summarized below:

Property	Purchase date	Metropolitan statistical area ("MSA")	Purchase price	SF	Price per SF	Anchor tenant
Norwin Town Square	January 11, 2017	Pittsburgh	$ 18,925	147,012	$ 129	Shop 'n Save
11 Galleria	February 21, 2017	Greenville	13,650	105,608	129	The Fresh Market
Eustis Village	May 19, 2017	Orlando	23,000	156,927	147	Publix
Mooresville Consumer Square	June 27, 2017	Charlotte	48,230	472,182	102	Walmart
Wedgewood Commons	July 13, 2017	Port St. Lucie	23,182	165,308	140	Publix
Bellview Plaza	July 13, 2017	Pensacola	11,555	82,910	139	Publix
Cordova Commons	July 13, 2017	Pensacola	35,200	164,343	214	The Fresh Market
Shops at Cedar Point	July 13, 2017	Allentown-Bethlehem-Easton	19,117	130,553	146	Weis
Northland Centre	July 13, 2017	State College	15,857	111,496	142	Giant Foods
Battleground Village	July 19, 2017	Greensboro-High Point	14,394	75,407	191	Earth Fare
Mapleridge Centre	August 8, 2017	Minneapolis-St Paul	13,400	114,681	117	Rainbow Foods
Duluth Station	August 31, 2017	Atlanta	9,750	94,966	103	Publix
Summit Ridge outparcel	September 8, 2017	Pittsburgh	290	13,153	22	Walmart
North Lake Commons	September 25, 2017	Chicago-Naperville-Joliet	15,610	127,099	123	Jewel-Osco
West Valley Marketplace	September 27, 2017	Allentown-Bethlehem-Easton	34,500	259,207	133	Walmart
Dorman Centre	September 29, 2017	Greenville-Spartanburg-Anderson	46,000	388,276	118	Walmart
Good Homes Plaza	October 20, 2017	Orlando	23,800	165,741	144	Publix
National Hills	November 13, 2017	Augusta	24,650	159,885	154	The Fresh Market
Total / weighted average			**$ 391,110**	**2,934,754**	**$ 133**	

The aforementioned properties were acquired by the REIT for a total of $391.1 million, totaling 2.9 million square feet ($133 price per square foot) at an estimated weighted average capitalization rate of 7.1%. Consideration for the cost of the acquisitions was funded by the REIT's revolver and cash on hand. Each asset is leased with a strong grocery-anchor tenant.

DISPOSITIONS

The REIT disposed of five property outparcels during the year ended December 31, 2017 as follows:

	Outparcel at North Branch Marketplace [1]	Outparcel at 11 Galleria	Outparcels at Uptown Station	Total
Disposition date	March 1, 2017	June 6, 2017	August 30, 2017	
Number of outparcels	1	1	3	**5**
Location	North Branch, Minnesota	Greenville, North Carolina	Fort Walton Beach, Florida	
Sales price	$ 11,250	$ 1,485	$ 4,375	**$ 17,110**
Working capital	—	(5)	(25)	**(30)**
Disposition costs	(354)	(84)	(297)	**(735)**
Net proceeds	**$ 10,896**	**$ 1,396**	**$ 4,053**	**$ 16,345**

[1] Capital gains related to the outparcel disposition at North Branch Marketplace has been deferred for U.S. tax purposes under Section 1031 of the U.S. Internal Revenue Code (a "Section 1031 Deferral"), whereby the proceeds from the disposition are reinvested in acquisitions of the REIT. Any capital gains deferred for U.S. tax purposes using a Section 1031 Deferral are not deferred for Canadian taxation purposes in determining taxable income allocations for holders of REIT units.

The disposition of outparcels is part of the REIT's strategy to buy-down its basis in certain assets, where management believes the REIT's invested capital can be more opportunistically deployed. Often outparcels are identified for disposition on acquisition at the underwriting stage, or after a period of ownership, where additional value has been created that can be crystallized.

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

PROPERTY PROFILE

Professional management

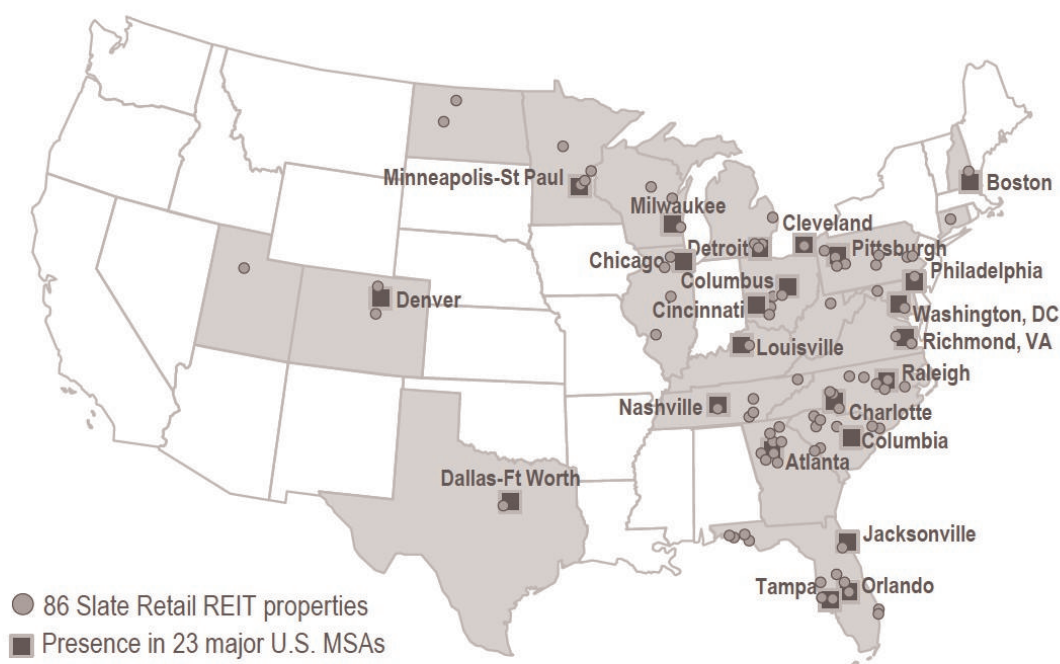
Through professional management of the portfolio, the REIT intends to ensure its properties portray an image that will continue to attract consumers as well as provide preferred locations for its tenants. Well-managed properties enhance the shopping experience and ensure customers continue to visit the centres. Professional management of the portfolio permitted the maintenance of a high occupancy level of 93.7% at December 31, 2017 (September 30, 2017 – 92.6%, June 30, 2017 – 91.7%, March 31, 2017 – 93.2%). Occupancy has increased from 92.6% at September 30, 2017 to 93.7% at December 31, 2017, primarily due to 111,990 square feet of new leasing net of 40,084 square feet of vacancies, and higher occupancy rates for properties acquired during the quarter, which include Good Homes Plaza and National Hills with an occupancy rate of 96% and 94%, respectively. Notable new deals in the fourth quarter of 2017 include HomeGoods and PetSmart at Hocking Valley Mall located in Lancaster, Ohio, for a total of 42,774 square feet. As a result of the REIT's redevelopment strategy at this property, these leasing transactions were completed at $12.63 per square foot which is a 45.8% rental spread above the weighted average in-place rent for comparable space.

Geographic overview

The REIT's portfolio is geographically diversified. As of December 31, 2017, the REIT's 86 properties were located in 21 states with a presence in 23 top MSAs. The REIT has 35 properties, or 40.7% of the total portfolio, located in the U.S. Sunbelt region. Markets within this region benefit from strong underlying demographic trends, above average employment and population growth. This provides the REIT opportunities to progressively drive operational efficiencies and sustainable growth.

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

State	Number of assets	Total SF	Occupied SF	Percentage of revenue	Occupancy
Florida	13	1,512,498	1,421,067	15.2%	94.0%
North Carolina	9	1,410,537	1,305,469	12.1%	92.6%
Pennsylvania	9	1,417,217	1,364,189	11.9%	96.3%
Georgia	9	1,030,702	943,698	9.1%	91.6%
South Carolina	7	969,418	925,158	9.0%	95.4%
Michigan	4	501,359	482,893	4.4%	96.3%
Minnesota	4	456,713	431,264	4.4%	94.4%
Tennessee	5	559,187	541,619	4.1%	96.9%
Ohio	5	688,232	549,024	3.7%	79.8%
Illinois	4	396,946	351,680	3.4%	88.6%
North Dakota	2	261,578	260,287	3.4%	99.5%
Maryland	1	147,803	138,105	2.9%	93.4%
Wisconsin	3	294,233	283,328	2.6%	96.3%
West Virginia	2	387,162	380,302	2.5%	98.2%
Colorado	2	203,391	194,371	2.2%	95.6%
New Hampshire	1	187,001	175,181	1.9%	93.7%
Connecticut	1	142,880	142,880	1.9%	100.0%
Virginia	2	203,434	196,084	1.7%	96.4%
Texas	1	167,961	161,387	1.5%	96.1%
Utah	1	127,231	124,793	1.2%	98.1%
Kentucky	1	90,991	79,613	0.9%	87.5%
Total	**86**	**11,156,474**	**10,452,392**	**100%**	**93.7%**



Tenant categories

As of December 31, 2017, the REIT has the following tenant categories within the portfolio:

Category	Number of stores	Percentage of rent
Supermarkets	75	30%
Medical and personal services	407	14%
Restaurants	276	13%
National and discount retailers	81	17%
Financial institutions	108	4%
Fitness facilities	30	3%
Sporting goods	10	2%
Liquor stores	26	1%
Pharmacies	11	1%
Shoe stores	13	1%
Other tenants	269	14%
Total	**1,306**	**100%**

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, our 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. Wal-Mart Stores Inc. represents the REIT's largest tenant by base rent with a total of 8 stores and 7.7% of base rents.

The largest 15 tenants account for 47.0% of total GLA and 39.8% of base rent as follows:

Parent company	Store brands	Grocery	Stores	% GLA	Base rent	% Base rent
Wal-Mart Stores Inc.	Wal-Mart, Sams Club	Y	8	11.6%	$ 8,549	7.7%
The Kroger Co.	Kroger, Pick 'n Save	Y	18	9.5%	6,701	6.0%
Southeastern Grocers	Winn Dixie, BI-LO	Y	10	4.1%	4,559	4.1%
Publix Supermarkets	Publix	Y	12	4.9%	4,441	4.0%
Koninklijke Ahold Delhaize N.V.	Stop & Shop, GIANT, Food Lion, Hannaford	Y	5	2.7%	4,331	3.9%
SuperValu Inc.	Various [(1)]	Y	8	3.6%	3,967	3.6%
Coborn`s Inc.	CashWise	Y	2	1.1%	1,853	1.7%
Albertsons	Jewel-Osco, Safeway	Y	4	2.2%	1,786	1.6%
Alex Lee Inc.	Lowes Foods	Y	3	1.3%	1,683	1.5%
Beall's, Inc	Bealls, Burkes Outlet	N	4	1.2%	1,252	1.1%
Schnuck Markets, Inc.	Schnucks	Y	2	1.0%	1,099	1.0%
Dollar Tree Inc.	Dollar Tree, Family Dollar	N	11	1.1%	1,089	1.0%
Planet Fitness	Planet Fitness	N	6	1.0%	1,052	1.0%
The Fresh Market	The Fresh Market	Y	4	0.7%	924	0.8%
Weis Markets Inc.	Weis Markets	Y	2	1.0%	862	0.8%
Total			**99**	**47.0%**	**$ 44,148**	**39.8%**

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

Development

The REIT's redevelopment program is focused on growing income and unlocking value by revitalizing tenant uses and creating a better customer experience at select properties. Redevelopment is generally considered to begin when activities that change the condition of the property commence. Redevelopment ceases when the asset is in the condition and has the capability of operating in the manner intended, which is generally at cessation of construction and tenanting. For purposes of reporting Same-property NOI, redevelopment assets are excluded from the same-property portfolio in the period in which they are re-classified as a redevelopment property and are excluded until they are operating as intended in both the current

and comparative periods. The carrying value of properties under redevelopment includes the acquisition cost of property and direct redevelopment costs attributed to the project. Borrowing costs are not capitalized to redevelopment opportunities.

The REIT has classified the following properties as redevelopment properties:

Property	Location	Nature of redevelopment	Expected completion	Estimated investment Incurred	Remaining	Total
Buckeye Plaza	Ohio	Anchor repositioning	Q2 2018	$ 37	$ 250	**$ 287**
County Line Plaza	Pennsylvania	Anchor repositioning	Q4 2018	1,388	1,624	**3,012**
Hocking Valley	Ohio	Complete redevelopment	Q1 2019	3,515	7,789	**11,304**
Mulberry Square	Ohio	Outparcel development	Q1 2019	156	8,054	**8,210**
North Summit Square	North Carolina	Anchor repositioning	Planning stages	312	1,506	**1,818**
Springboro Plaza	Ohio	Complete redevelopment	Planning stages	4	2,067	**2,071**
Total				**$ 5,412**	**$ 21,290**	**$ 26,702**

Completed redevelopment projects				
Property	**Location**	**Nature of redevelopment**	**Completed**	**Total**
North Augusta Plaza	South Carolina	Anchor redevelopment	Q4 2017	**$ 10,745**

Redevelopment capital spent during the three and twelve month period ended December 31, 2017 is as follows:

	Three months ended December 31, 2017	Year ended December 31, 2017
County Line	$ 1,121	$ 1,373
Hocking Valley	588	783
North Augusta	118	4,468
Other redevelopment costs (1)	176	562
Total	**$ 2,003**	**$ 7,186**

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

Buckeye Plaza is a neighborhood shopping centre located in a densely-populated trade area in close proximity to downtown Cleveland. In March 2017, a termination agreement was reached with the grocery-anchor tenant Giant Eagle who occupied 47.3% of the GLA. The termination agreement was part of a longer-term strategy to re-tenant the Giant Eagle space who had given notice they were not going to extend beyond their 2018 expiry. In September 2017, the REIT executed on a new lease with another grocer on a long-term lease which we believe will be a long-term driver of traffic at the centre. The termination payment from Giant Eagle was in excess of the capital required to re-tenant the former Giant Eagle space. While the total revenue resulting from the redevelopment is insignificant relative to the portfolio as a whole, we believe it highlights the importance of our disciplined approach to finding real estate that will be highly sought after by a wide variety of grocery-anchor tenants over the long run.

County Line is a well located, former grocery-anchored centre in the Philadelphia MSA. The previous grocer vacated the location due to its parent company's bankruptcy. The REIT has finalized a 15 year lease with The Edge Fitness Clubs for the 36,000 square foot space. We expect to invest $3.0 million and be complete in early 2018. The redevelopment, when complete, will significantly increase the weighted average term and result in a 47% increase in base rent relative to what the former grocer was paying prior to termination. In conjunction with the anchor box, management is in the early stages of evaluating the redevelopment of a 5,700 square foot outparcel.

Hocking Valley is a current 179,415 square foot centre located in Lancaster, Ohio, which is anchored by The Kroger Co. in a previously existing 55,160 square foot store layout. The REIT has undertaken a redevelopment of the property in order to expand the existing Kroger format into their new larger format store, characterized by 100,000 plus square foot formats containing multiple departments in addition to a full-service grocer, including pharmacy, health and beauty care, home furnishings, bed and bath, and toys and apparel. The new layout would feature dedicated pharmacy with drive-through and grocery pick-up lanes (ClickList), under a 20-year ground lease. The REIT expects to invest a total of approximately $11.3 million of redevelopment capital in order to complete the redevelopment by early 2019. As of December 31, 2017, $3.5 million has been spent with an estimated $7.8 million remaining. At the end of December 31, 2017, the REIT completed the demolition of the Kmart space and the three adjacent inline units. Kroger has completed the construction of their store in December 2017 and have reported strong initial sales. The REIT will continue the remaining redevelopment work which includes an updated façade, new parking lot and lighting, a new pylon sign and the backfill of the existing Kroger box. Lease negotiations have been finalized with HomeGoods, an investment grade company and subsidiary of the TJX Companies, and PetSmart for the existing Kroger space at significant spreads to Kroger's previous rental rates.

Mulberry Square is a 146,730 square foot centre in the Cincinnati MSA which is anchored by a 56,634 square foot Kroger. The Kroger Co. approached the REIT about a potential 32,930 square foot expansion of their box and feature multiple additional departments as well as drive-through pharmacy and grocery pick-up lanes (ClickList). In addition, the REIT is in lease negotiations with two national junior anchor tenants for a 32,500 square foot ground-up development on excess land at the property. The aforementioned development work will significantly increase the

weighted average term and exposure to investment quality tenants at the centre and allow management to increase rental rates on the inline units and improve overall tenant mix at the centre.

North Summit Square is a 224,530 square foot shopping centre anchored by Sam's Club and shadow anchored by Lowes's Home Improvement. The centre is located in one of the premier retail nodes in Winston-Salem North Carolina and has close proximity to Wake Forest University. In June 2017 management strategically terminated the lease of a 36,862 square foot junior anchor tenant that was paying below market rates. Conversations are currently underway with a number of potential backfill tenants that are expected to lead to significant spreads over previous rental rates.

Springboro Plaza is a well-established community shopping centre anchored by a 56,634 square foot Kroger. The Kroger Co. approached the REIT about the possibility of taking over the existing 91,266 square foot Kmart unit and building an approximately 100,000 square foot Kroger Marketplace store. Subsequent to those discussions, Kmart announced that they will be closing this Kmart store as of June 30, 2017 allowing the REIT the opportunity to execute on this potential redevelopment. Management is working through initial stages of due diligence to determine feasibility with the intent starting construction in 2019.

Completed redevelopment projects

North Augusta is a Publix anchored centre that the REIT purchased at an in-place 8.8% capitalization rate. The property had an existing Kmart whose lease was strategically terminated in 2016 to provide the opportunity to redevelop and release to higher quality tenants. The box was demised into five new spaces and anchored by Ross Dress for Less, a strong investment grade covenant, Burkes Outlet, PetSmart and Rack Room Shoes. The addition of the new junior anchor tenants has spurred interest from other national tenants including Chipotle who opened a 2,300 square foot drive-through restaurant at the entrance of the property. The REIT is also improving the parking lot and lighting which will meaningfully enhance the appearance and layout of the centre. To date, the REIT has spent $10.7 million of redevelopment capital. The redevelopment has increased the weighted average term and result in a 114% increase in aggregate base rents for our new tenants relative to what Kmart was paying prior to termination.

North Augusta Plaza, before and after redevelopment

Refer to the following link here for a time-lapse video of the North Augusta Plaza redevelopment project

IFRS FAIR VALUE

The REIT's property portfolio at December 31, 2017 had an estimated IFRS fair value of $1.5 billion, using a weighted average capitalization rate of 7.25%. Overall, the average estimated IFRS value per square foot of the REIT's portfolio is $130.

The following table presents a summary of the capitalization rates used to estimate the fair value of the REIT's properties at December 31, 2017 and December 31, 2016:

Direct capitalization rates	**December 31, 2017**	December 31, 2016
Minimum	**6.25%**	6.00%
Maximum	**9.50%**	9.00%
Weighted average	**7.25%**	7.12%

The December 31, 2017 weighted average capitalization rate increased to 7.25% from 7.12% at December 31, 2016. The increase in capitalization rates is primarily due to weakened buyer demand in the retail real estate sector. This was partially offset by decreases in capitalization rates driven by value-add asset management activities including anchor tenant renewals, improved credit, higher occupancy and capital spend.

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

The change in properties is as follows:

	Three months ended December 31,		Year ended December 31,	
	2017	2016	**2017**	2016
Beginning of the period	**$ 1,424,049**	$ 1,022,445	**$ 1,072,923**	$ 978,526
Acquisitions	**49,153**	50,899	**397,791**	118,209
Capital	**1,485**	452	**4,382**	2,252
Leasing costs	**390**	351	**1,307**	1,200
Tenant improvements	**1,648**	488	**3,007**	3,581
Development and expansion capital	**2,003**	3,222	**7,186**	8,974
Straight-line rent	**523**	287	**1,930**	1,582
Dispositions	**(2,025)**	—	**(17,110)**	(37,520)
IFRIC 21 property tax adjustment	**4,387**	3,055	**1,956**	414
Change in fair value	**(27,150)**	(8,276)	**(18,909)**	(4,295)
End of the period	**$ 1,454,463**	$ 1,072,923	**$ 1,454,463**	$ 1,072,923

The fair value of the REIT's income-producing properties and properties under redevelopment for the year ended December 31, 2017 is as follows:

	Income-producing properties	**Properties under redevelopment**	**Total**
Balance, December 31, 2016	$ 1,023,424	$ 49,499	$ 1,072,923
Transfers to properties under redevelopment	(49,206)	49,206	—
Transfers to income-producing properties	35,434	(35,434)	—
Change in properties [1]	378,952	2,588	381,540
Balance, December 31, 2017	**$ 1,388,604**	**$ 65,859**	**$ 1,454,463**

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

During the three month period ended December 31, 2017, the REIT incurred $3.5 million of capital, leasing costs and tenant improvements. Such costs are generally expended for purposes of tenanting and extending 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 our properties and tenants, such as the programs we have undertaken at County Line Plaza, Hocking Valley and North Augusta. These expenditures can vary from period to period, at times significantly, depending upon the timing of lease expiries, re-leasing and our capital plan for the period.

Fair value adjustments on properties

For the three month period ended December 31, 2017 and 2016, the REIT recorded a fair value loss on properties of $27.2 million and $8.3 million, respectively. The fair value loss for the three month period ended December 31, 2017 mainly related to valuation parameters and cash flows, and IFRIC 21 property tax adjustments. The fair value loss for the three month period ended December 31, 2016 is primarily due to changes in IFRIC 21 property tax adjustments.

For the year ended December 31, 2017, the fair value loss on properties was $18.9 million, primarily due to valuation parameters and cash flows and transaction costs capitalized. For the comparative period, the fair value loss on properties was $4.3 million mainly due to transaction costs capitalized.

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

	Three months ended December 31,		Year ended December 31,	
	2017	2016	**2017**	2016
Valuation parameters and cash flows	**$ (21,537)**	$ (3,835)	**$ (8,342)**	$ 260
Transaction costs capitalized	**(703)**	(1,099)	**(6,681)**	(2,559)
IFRIC 21 property tax adjustment	**(4,387)**	(3,055)	**(1,956)**	(414)
Adjusted for straight-line rent	**(523)**	(287)	**(1,930)**	(1,582)
Total	**$ (27,150)**	$ (8,276)	**$ (18,909)**	$ (4,295)

The fair value change of properties is impacted by IFRIC 21 property tax adjustments recorded on the REIT's portfolio. The REIT has determined that the obligating event for property taxes is ownership of the property on January 1st of the fiscal year. As a result, the annual property tax liability and expense has been recognized on the properties owned as at January 1 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.

STRATEGIC ACQUISITION LOANS

Management has identified, in consultation with certain of its existing tenants, non-grocery-anchored retail properties that have the potential for a conversion to grocery-anchored retail malls. These acquisition targets are primarily characterized by under-managed properties, often with under-capitalized owners, where the opportunity exists to re-imagine and modernize the asset. This conversion opportunity involves bringing a current grocery store format and size to the property coupled with improvements and re-tenanting of the shop space.

The REIT has undertaken an arrangement to take advantage of these opportunities in conjunction with a U.S. based entity in which Slate has a significant interest. These loans will provide the REIT with the opportunity to earn an 8% return on the capital committed, establish a pipeline of new format grocery-anchored retail assets, strengthen its relationships with tenants as a strategic partner, and limits the risk to the REIT of an unsuccessful conversion and development of an asset from its current format to a modern format and size grocery-anchored retail mall.

Under this arrangement, the REIT has the option to provide loans, secured by the properties, to an entity in which Slate has a significant interest, whereby Slate will undertake the acquisition and conversion of the assets to grocery-anchored retail malls. In cases where the REIT provides a loan in respect of a conversion property it will earn an 8% return on the amount advanced and will, in turn, have the ability, but not the obligation, to purchase the property upon conversion of the property to a grocery-anchored retail mall. Additionally, prior to Slate purchasing any property, the REIT has the right of first refusal to purchase the property and undertake the conversion itself.

One loan has been made to date in the amount of $9.4 million. The loan, advanced in October 2015, is in the amount of $7.7 million, bears interest at 8.0% and matures on October 19, 2020. On March 6, 2017 and August 24, 2017, the REIT advanced an additional $1.2 million and $0.5 million under the loan arrangement, respectively. This loan is recorded as a note receivable within the other assets account balance on the REIT's consolidated statements of financial position.

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	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016
Rental revenue	$ 34,859	$ 30,030	$ 26,614	$ 27,233	$ 25,044	$ 23,699	$ 24,088	$ 24,205
Property operating expenses (1)	(5,357)	(3,988)	(3,532)	(16,907)	(3,771)	(3,221)	(3,158)	(15,425)
Straight-line rent revenue	(523)	(367)	(639)	(401)	(287)	(453)	(415)	(427)
IFRIC 21 property tax adjustment (1)	(4,387)	(3,784)	(3,271)	9,486	(3,055)	(3,006)	(3,077)	8,724
NOI	$ 24,592	$ 21,891	$ 19,172	$ 19,411	$ 17,931	$ 17,019	$ 17,438	$ 17,077
Class U units outstanding	46,411	46,340	46,291	41,031	35,456	35,440	35,425	31,858
WA units	46,443	46,372	42,832	39,847	35,494	35,469	34,627	31,872
Net income (loss)	$ 31,421	$ (8,816)	$ 16,049	$ 8,652	$ (12,397)	$ (15,309)	$ (605)	$ (760)
Net income (loss) per WA units	$ 0.68	$ (0.19)	$ 0.37	$ 0.22	$ (0.35)	$ (0.43)	$ (0.02)	$ (0.02)
IFRS NAV	$ 593,066	$ 606,235	$ 597,403	$ 541,819	$ 473,804	$ 470,565	$ 468,718	$ 427,324
IFRS NAV per unit	$ 12.78	$ 13.08	$ 12.91	$ 13.21	$ 13.36	$ 13.28	$ 13.23	$ 13.41
Distributions	$ 9,625	$ 9,381	$ 9,018	$ 8,308	$ 7,179	$ 6,990	$ 6,894	$ 6,201
Distributions per unit	$ 0.2075	$ 0.2025	$ 0.2025	$ 0.2025	$ 0.2025	$ 0.1973	$ 0.1947	$ 0.1947
FFO (2)	$ 15,406	$ 14,448	$ 12,741	$ 12,859	$ 8,688	$ 11,193	$ 11,998	$ 10,685
FFO per WA units (2)	$ 0.33	$ 0.31	$ 0.30	$ 0.32	$ 0.24	$ 0.32	$ 0.35	$ 0.34
AFFO (2)	$ 11,360	$ 11,168	$ 10,713	$ 11,587	$ 7,110	$ 9,114	$ 10,208	$ 7,517
AFFO per WA units (2)	$ 0.24	$ 0.24	$ 0.25	$ 0.29	$ 0.20	$ 0.26	$ 0.29	$ 0.24
Total assets	$ 1,499,519	$ 1,476,651	$1,225,065	$ 1,158,102	$ 1,114,606	$ 1,076,668	$ 1,072,823	$1,033,985
Debt	$ 883,046	$ 846,325	$ 608,035	$ 597,787	$ 624,892	$ 589,213	$ 589,731	$ 592,297
Debt / GBV	58.9%	57.3%	49.6%	51.6%	56.1%	54.7%	55.0%	57.3%
Number of properties	86	84	73	71	69	64	68	66
% leased	93.7%	92.6%	91.7%	93.2%	93.5%	93.6%	95.0%	94.4%
GLA	11,156,474	10,850,708	9,141,538	8,513,110	8,335,625	7,841,401	7,941,699	7,726,055
Grocery-anchored GLA	5,159,693	4,887,294	4,162,756	3,968,924	3,909,716	3,669,595	3,776,105	3,691,654

(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) In the fourth quarter of 2016, the REIT completed a defeasance of a mortgage at a cost of $4.5 million representing the excess of the U.S. Treasury securities required to be funded over the outstanding principal balance of the mortgage. A $2.8 million charge to income was recorded which was determined as the $4.5 million cost, less $1.7 million, representing the unamortized mark-to-market premium associated with the mortgage. Adjusting to exclude the impact of the defeasance of a mortgage, FFO and FFO payout ratio would be $0.32 per unit and 62.3%, respectively and AFFO and AFFO payout ratio would be $0.28 and 72.2%, respectively.

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 twelve month period ended December 31, 2017 was $34.9 million and $118.7 million, respectively, which represents an increase of $9.8 million and $21.7 million from the same periods in the prior year. The increase is primarily due to the acquisition of 17 properties, increases in rental rates from re-leasing, and new leasing typically above in-place rent. This increase was partially offset by the loss of revenue from the disposition of 5 outparcels at certain properties from December 31, 2016.

The following table is a summary of revenue for the three most recent financial years of the REIT:

	2017	**2016**	**2015**
Revenue	$ 118,736	$ 97,036	$ 79,780

PROPERTY OPERATING EXPENSES

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

Property operating expenses increased by $1.6 million and $4.2 million and for the three and twelve month period ended December 31, 2017, respectively, compared to the same periods in 2016. The increase is primarily due to incremental costs associated with 17 properties acquired and the application of IFRIC 21 property tax adjustments, partially offset by the disposition of 5 outparcels at certain properties from December 31, 2016.

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

OTHER EXPENSES

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

	Three months ended December 31,			Year ended December 31,		
	2017	2016	**Variance**	**2017**	2016	**Variance**
Asset management and incentive fees	**$ 1,489**	$ 1,002	**$ 487**	**$ 4,978**	$ 4,211	**$ 767**
Professional fees and other	**486**	241	**245**	**2,290**	1,792	**498**
Bad debt expense	**123**	148	**(25)**	**459**	616	**(157)**
Franchise and business taxes	**(136)**	333	**(469)**	**261**	905	**(644)**
Total	**$ 1,962**	$ 1,724	**$ 238**	**$ 7,988**	$ 7,524	**$ 464**
% of total assets	**0.1%**	0.2%	**(0.1)%**	**0.5%**	0.7%	**(0.2)%**
% of total revenue	**5.6%**	6.9%	**(1.3)%**	**6.7%**	7.8%	**(1.1)%**

Other expenses for the three month period ended December 31, 2017 increased by $0.2 million from the comparative quarter in 2016. The increase is mainly due to increases in asset management fees and professional fees from acquisitions, partially offset by a decrease in franchise and business taxes as a result of withholding tax refunds for the 2016 and 2017 year.

Other expenses for the year ended December 31, 2017 was $8.0 million, which represents a $0.5 million increase from the same period in the prior year. The increase in asset management fees and professional fees and other is mainly due to the acquisition and operation of 17 properties, partially offset by the disposition of 5 outparcels at certain properties from December 31, 2016. The decrease in franchise and business taxes is mainly due to withholding tax refunds received.

INTEREST EXPENSE AND OTHER FINANCING COSTS, NET

	Three months ended December 31,			Year ended December 31,		
	2017	2016	**Variance**	**2017**	2016	**Variance**
Interest on debt and finance charges	**$ 7,430**	$ 4,840	**$ 2,590**	**$ 22,903**	$ 18,368	**$ 4,535**
Interest rate swaps, net settlement	**(32)**	164	**(196)**	**186**	164	**22**
Interest income	**(17)**	(16)	**(1)**	**(69)**	(58)	**(11)**
Interest income on notes receivable	**(189)**	(154)	**(35)**	**(708)**	(612)	**(96)**
Amortization of finance charges	**651**	331	**320**	**1,639**	1,143	**496**
Amortization of mark-to-market premium	**(87)**	(188)	**101**	**(347)**	(848)	**501**
Interest income on TIF notes receivable	**(27)**	47	**(74)**	**(117)**	(101)	**(16)**
Interest expense on TIF notes payable	**39**	(38)	**77**	**154**	149	**5**
Amortization of deferred gain on TIF notes receivable	**(21)**	(12)	**(9)**	**(87)**	(78)	**(9)**
Total	**$ 7,747**	$ 4,974	**$ 2,773**	**$ 23,554**	$ 18,127	**$ 5,427**

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

Interest on debt was $2.6 million and $4.5 million higher for the three and twelve month period ended December 31, 2017 respectively, compared to the same periods in 2016. The increase is primarily due to advances on the revolver for the acquisition of certain properties from the comparative period and increase in the cost of floating rate debt. One-month U.S. LIBOR was 0.77% at December 31, 2016 and increased to 1.57% at December 31, 2017. These increases were partially offset by periods of lower indebtedness driven by a $57.8 million repayment in the revolver funded by the REIT's equity offering completed on January 20, 2017 and a $55.0 million repayment in the revolver funded by the REIT's equity offering completed on May 31, 2017. The REIT's revolver is redrawn from time-to-time to fund acquisitions. Over the past 12 months, the REIT has purchased $391.1 million of property.

The REIT's pay-fixed, receive-float interest rate swaps hedge a portion of the cash flow risk associated with monthly U.S. LIBOR based interest payments, with 57.7% of the REIT's debt subject to fixed rates as at December 31, 2017. Under this arrangement the REIT has received $32 thousand and incurred $0.2 million of net interest payments for the three and twelve month period ended December 31, 2017, respectively. The weighted average fixed rate of the REIT's interest rate swaps was 1.26% in comparison to the one-month U.S. LIBOR at 1.57% at December 31, 2017 with a weighted average term to maturity of 3.4 years.

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

FAIR VALUE ADJUSTMENTS ON REIT UNITS AND EXCHANGEABLE UNITS OF SUBSIDIARIES

REIT units and 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 December 31, 2017 was $10.38 (December 31, 2016 – $11.21). Changes in fair value of REIT units and exchangeable units of subsidiaries are non-cash in nature and are required to be recorded in income under IFRS.

For the three month period ended December 31, 2017, the REIT recognized an unrealized fair value gain of $16.0 million and $0.9 million on the REIT units and exchangeable units of subsidiaries respectively, as a result of a decrease in fair value per unit since the comparative period. For the year ended December 31, 2017, the REIT recognized an unrealized fair value gain of $28.0 million and $2.1 million on the REIT units and exchangeable units of subsidiaries respectively, as a result of a decrease in fair value per unit since the year ended December 31, 2016.

NET INCOME (LOSS)

For the three month period ended December 31, 2017, the REIT reported net income of $31.4 million, which represents a $43.8 million increase from the same quarter of the prior year. The increase is attributed to the aforementioned increases in revenue of $9.8 million, the decrease in fair value of REIT units and exchangeable units of subsidiaries of $24.8 million and a decrease in deferred income taxes of $32.1 million, partially offset by a decrease of the change in fair value of properties of $18.9 million and an increase in distributions of $2.4 million.

Net income for the year ended December 31, 2017 was $47.3 million, which resulted in a $76.4 million increase from the comparative period. The increase is mainly due to the decrease in fair value of REIT units and exchangeable units of subsidiaries of $57.7 million, increase in rental revenue of $21.7 million due to the acquisition of 17 properties from December 31, 2016, and a decrease in deferred income taxes of $27.4 million, partially offset by the decrease in the fair value of properties of $14.6 million and increase in distributions of $9.1 million.

The following table is a summary of net income (loss) for the three most recent financial reporting years of the REIT:

	2017	2016	2015
Net income (loss)	$ 47,306	$ (29,071)	$ 465

NOI

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

The following is a calculation of NOI for the three and twelve month period ended December 31, 2017 compared to the same period in the prior year:

	Three months ended December 31,			Year ended December 31,		
	2017	2016	**Variance**	**2017**	2016	**Variance**
Rental revenue	**$ 34,859**	$ 25,044	**$ 9,815**	**$118,736**	$ 97,036	**$ 21,700**
Straight-line rent revenue	**(523)**	(287)	**(236)**	**(1,930)**	(1,582)	**(348)**
Property operating expenses	**(5,357)**	(3,771)	**(1,586)**	**(29,784)**	(25,575)	**(4,209)**
IFRIC 21 property tax adjustment	**(4,387)**	(3,055)	**(1,332)**	**(1,956)**	(414)	**(1,542)**
NOI	**$ 24,592**	$ 17,931	**$ 6,661**	**$ 85,066**	$ 69,465	**$ 15,601**
NOI margin	**70.5%**	71.6%	**(1.1)%**	**71.6%**	71.6%	**—%**

NOI for the three and twelve month period ended December 31, 2017 was $24.6 million and $85.1 million respectively, which represents an increase of $6.7 million and $15.6 million from the same periods in 2016. The increase is primarily due to the acquisition of 17 properties, increases in rental rates from re-leasing, and new leasing typically above in-place rent, partially offset by non-cash straight-line rent impacts because of stepped rent increases and the loss of revenue from the disposition of 5 outparcels at certain properties from December 31, 2016.

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 December 31, 2017, the same-property portfolio is comprised of a portfolio of 57 properties owned and in operation for each of the entire three month periods ended December 31, 2017 and 2016.

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 for the three month period ended December 31, 2017 as compared to the same period in the prior year reconciled to total NOI:

	Number of properties	Three months ended December 31, 2017	2016	Variance	% change
Same-property NOI	57	**$ 15,477**	$ 15,750	**$ (273)**	**(1.7)%**
NOI attributable to redeveloped properties	1	**541**	236	**305**	
NOI attributable to properties under redevelopment	6	**796**	1,147	**(351)**	
NOI attributable to acquisitions	22	**7,771**	534	**7,237**	
NOI attributable to dispositions, including outparcel sales	4	**7**	264	**(257)**	
Total NOI		**$ 24,592**	$ 17,931	**$ 6,661**	**37.1 %**
Occupancy					
Occupancy, same-property	57	**95.3%**	95.5%	**(0.2)%**	
Occupancy, redeveloped properties	1	**91.0%**	91.4%	**(0.4)%**	
Occupancy, properties under redevelopment	6	**79.1%**	80.1%	**(1.0)%**	
Occupancy, acquisitions	22	**94.6%**	92.8%	**1.8 %**	
Occupancy, dispositions, including outparcel sales	4	**93.7%**	93.3%	**0.4 %**	
Total occupancy		**93.7%**	95.0%	**(1.3)%**	

Same-property NOI decreased by $0.3 million or 1.7% for the three month period ended December 31, 2017 over the comparative period. The decrease is attributed to in-line tenant vacancies, termination fees received in the prior quarter and adjustments to recoveries, 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.

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**
Q1 2016	40	$ 10,409	(1.0)%
Q2 2016	41	11,101	(1.0)%
Q3 2016	49	13,791	0.7 %
Q4 2016	49	15,229	2.5 %
Q1 2017	56	16,187	4.5 %
Q2 2017	56	15,980	1.5 %
Q3 2017	56	15,304	0.9 %
Q4 2017	57	15,477	(1.7)%

The following is a summary of same-property NOI and the related occupancy rates on a trailing twelve month basis for the year ended December 31, 2017, as compared to the same period in the prior year reconciled to total NOI:

	Number of properties	Year ended December 31,			
		2017	2016	**Variance**	**% change**
Same-property NOI	52	**$ 57,948**	$ 57,448	**$ 500**	**0.9%**
NOI attributable to redeveloped properties	1	**1,520**	1,238	**282**	
NOI attributable to properties under redevelopment	6	**4,120**	4,718	**(598)**	
NOI attributable to acquisitions	27	**21,148**	3,749	**17,399**	
NOI attributable to dispositions, including outparcel sales	5	**330**	2,312	**(1,982)**	
Total NOI		**$ 85,066**	$ 69,465	**$ 15,601**	**37.1%**
Occupancy					
Occupancy, same-property	52	**95.0%**	95.3%	**(0.3)%**	
Occupancy, redeveloped properties	1	**91.0%**	91.4%	**(0.4)%**	
Occupancy, properties under redevelopment	6	**79.1%**	80.1%	**(0.3)%**	
Occupancy, acquisitions	27	**95.1%**	95.5%	**(0.4)%**	
Occupancy, dispositions, including outparcel sales	5	**93.7%**	93.3%	**0.4 %**	
Total occupancy		**93.7%**	95.0%	**(1.3)%**	

Same-property NOI increased by $0.5 million or 0.9% for the year ended December 31, 2017 over the same period in the prior year. The increase is primarily due to increases in rental rates from re-leasing above average in-place rent and new leasing above comparable market rental rates.

FFO

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

In calculating FFO, the REIT makes adjustments to the change in the fair value of properties, deferred income taxes, unit expense and IFRIC 21.

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

	Three months ended December 31,			Year ended December 31,		
	2017	2016	**Variance**	**2017**	2016	**Variance**
Net income (loss) [1]	**$ 31,421**	$ (12,397)	**$ 43,818**	**$ 47,306**	$ (29,071)	**$ 76,377**
Acquisition and disposition costs	**104**	—	**104**	**735**	1,030	**(295)**
Change in fair value of properties	**27,150**	8,276	**18,874**	**18,909**	4,295	**14,614**
Deferred income taxes	**(31,582)**	504	**(32,086)**	**(15,810)**	11,554	**(27,364)**
Unit expense (income)	**(7,300)**	15,360	**(22,660)**	**6,270**	55,170	**(48,900)**
IFRIC 21 property tax adjustment	**(4,387)**	(3,055)	**(1,332)**	**(1,956)**	(414)	**(1,542)**
FFO	**$ 15,406**	$ 8,688	**$ 6,718**	**$ 55,454**	$ 42,564	**$ 12,890**
FFO per WA unit	**$ 0.33**	$ 0.24	**$ 0.09**	**$ 1.26**	$ 1.24	**$ 0.02**
WA number of units outstanding	**46,443**	35,494	**10,949**	**43,899**	34,371	**9,528**

[1] The REIT completed a defeasance of a mortgage during the fourth quarter of 2016, at a cost of $4.5 million representing the excess of the U.S. Treasury securities required to be funded over the outstanding principal balance of the mortgage. A $2.8 million charge to income was recorded which was determined as the $4.5 million cost, less $1.7 million, representing the unamortized mark-to-market premium associated with the mortgage. FFO was impacted by the $2.8 million charge to income. Adjusting to exclude the impact of the defeasance of the mortgage, FFO would be $11.5 million or $0.32 per unit and $45.4 million or $1.32 per unit for the three and twelve month period ended December 31, 2016, respectively.

The following is a calculation of FFO from NOI:

	Three months ended December 31,			Year ended December 31,		
	2017	2016	**Variance**	**2017**	2016	**Variance**
NOI	**$ 24,592**	$ 17,931	**$ 6,661**	**$ 85,066**	$ 69,465	**$ 15,601**
Straight-line rent revenue	**523**	287	**236**	**1,930**	1,582	**348**
Other expenses	**(1,962)**	(1,724)	**(238)**	**(7,988)**	(7,524)	**(464)**
Debt defeasance loss (1)	**—**	(2,832)	**2,832**	**—**	(2,832)	**2,832**
Cash interest, net (2)	**(7,183)**	(4,831)	**(2,352)**	**(22,262)**	(17,832)	**(4,430)**
Finance charge and mark-to-market adjustments	**(564)**	(143)	**(421)**	**(1,292)**	(295)	**(997)**
FFO	**$ 15,406**	$ 8,688	**$ 6,718**	**$ 55,454**	$ 42,564	**$ 12,890**

(1) The REIT completed a defeasance of a mortgage during the fourth quarter of 2016, at a cost of $4.5 million representing the excess of the U.S. Treasury securities required to be funded over the outstanding principal balance of the mortgage. A $2.8 million charge to income was recorded which was determined as the $4.5 million cost, less $1.7 million, representing the unamortized mark-to-market premium associated with the mortgage. FFO was impacted by the $2.8 million charge to income. Adjusting to exclude the impact of the defeasance of the mortgage, FFO would be $11.5 million or $0.32 per unit and $45.4 million or $1.32 per unit for the three and twelve month period ended December 31, 2016, respectively.
(2) Cash interest, net is comprised of total interest expense less amortization of finance charges and mark-to-market adjustments.

FFO increased by $6.7 million for the three month period ended December 31, 2017 compared to the same quarter in the prior year. FFO for the year ended December 31, 2017 was $55.5 million which represents a $12.9 million increase from the comparative period. Both increases are attributable to the aforementioned increases in NOI, partially offset by increased cash interest, financing costs and other expenses, and the impact of a loss of NOI contribution from the sale of five outparcels at certain properties in 2017.

DEBT DEFEASANCE

On December 15, 2016, the REIT entered into a defeasance agreement providing for the defeasance of $26.7 million of mortgage debt due April 30, 2021 with an annual interest rate of 5.8%. At the inception of such debt, the REIT had pledged to the lender five of its properties as security. The defeasance was completed to facilitate possible dispositions and redevelopment opportunities which were restricted under the terms of the existing debt. The defeasance was financed through a draw on the REIT's revolver and cash on hand and has reduced aggregate interest costs.

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

Under the terms of the defeasance agreement, a third party assumed the REIT's obligation under the mortgage debt, as well as the ownership interest in the related securities. As a result, the REIT recognized a loss on the defeasance of a mortgage due of $2.8 million, which includes the difference between the purchase price of the U.S. Treasury securities and principal balance of the mortgage due of $4.5 million, offset by $1.7 million of unamortized mark-to-market premiums. Adjusting to exclude the impact of the defeasance of a mortgage, the FFO and FFO payout ratio within the fourth quarter of 2016 would be $0.32 per unit and 62.3%, respectively and AFFO and AFFO payout ratio would be $0.28 and 72.2%, respectively.

The defeasance reduced annual interest costs and provides the REIT with the flexibility to potentially dispose of certain properties and undertake redevelopment opportunities that would have been restricted by the lender. Additionally, the REIT received $2.7 million required to be held in escrow that was not otherwise available to the REIT until maturity of the mortgage in 2021.

AFFO

The REIT calculates AFFO in accordance with the definition provided by the REALPAC in its White Paper on FFO and AFFO for IFRS, as revised in February 2017. 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. It is a meaningful measure used to evaluate the cash available for distribution to unitholders. 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 December 31,			Year ended December 31,		
	2017	2016	**Variance**	**2017**	2016	**Variance**
Cash flow from operations	**$ 13,559**	$ 4,922	**$ 8,637**	**$ 49,518**	$ 38,932	**$ 10,586**
Changes in non-cash working capital items	**1,569**	1,753	**(184)**	**3,736**	(1,081)	**4,817**
Acquisition and disposition costs	**104**	—	**104**	**735**	1,030	**(295)**
Finance charge and mark-to-market adjustments	**(564)**	(143)	**(421)**	**(1,292)**	(295)	**(997)**
Interest, net and TIF note adjustments	**215**	173	**42**	**827**	700	**127**
Debt defeasance mark-to-market adjustments [(1)]	**—**	1,696	**(1,696)**	**—**	1,696	**(1,696)**
Capital	**(1,485)**	(452)	**(1,033)**	**(4,382)**	(2,252)	**(2,130)**
Leasing costs	**(390)**	(351)	**(39)**	**(1,307)**	(1,200)	**(107)**
Tenant improvements	**(1,648)**	(488)	**(1,160)**	**(3,007)**	(3,581)	**574**
AFFO	**$ 11,360**	$ 7,110	**$ 4,250**	**$ 44,828**	$ 33,949	**$ 10,879**

[(1)] The REIT completed a defeasance of a mortgage during the fourth quarter of 2016, at a cost of $4.5 million representing the excess of the U.S. Treasury securities required to be funded over the outstanding principal balance of the mortgage. A $2.8 million charge to income was recorded which was determined as the $4.5 million cost, less $1.7 million, representing the unamortized mark-to-market premium associated with the mortgage. AFFO was impacted by the $2.8 million charge to income. Adjusting to exclude the impact of the defeasance of the mortgage, AFFO would be $9.9 million or $0.28 per unit and $36.8 million or $1.07 per unit for the three and twelve month period ended December 31, 2016, respectively.
[(2)] Cash interest, net is comprised of total interest expense excluding amortization of finance charges and mark-to-market adjustments.

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 December 31,			Year ended December 31,		
	2017	2016	**Variance**	**2017**	2016	**Variance**
FFO	**$ 15,406**	$ 8,688	**$ 6,718**	**$ 55,454**	$ 42,564	**$ 12,890**
Straight-line rental revenue	**(523)**	(287)	**(236)**	**(1,930)**	(1,582)	**(348)**
Capital	**(1,485)**	(452)	**(1,033)**	**(4,382)**	(2,252)	**(2,130)**
Leasing costs	**(390)**	(351)	**(39)**	**(1,307)**	(1,200)	**(107)**
Tenant improvements	**(1,648)**	(488)	**(1,160)**	**(3,007)**	(3,581)	**574**
AFFO	**$ 11,360**	$ 7,110	**$ 4,250**	**$ 44,828**	$ 33,949	**$ 10,879**
AFFO per WA unit	**$ 0.24**	$ 0.20	**$ 0.04**	**$ 1.02**	$ 0.99	**$ 0.03**
WA number of units outstanding	**46,443**	35,494	**10,949**	**43,899**	34,371	**9,528**

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

	Three months ended December 31,			Year ended December 31,		
	2017	2016	**Variance**	**2017**	2016	**Variance**
Net income (loss) (1)	**$ 31,421**	$ (12,397)	**$ 43,818**	**$ 47,306**	$ (29,071)	**$ 76,377**
Acquisition and disposition costs	**104**	—	**104**	**735**	1,030	**(295)**
Change in fair value of properties	**27,150**	8,276	**18,874**	**18,909**	4,295	**14,614**
Deferred income taxes	**(31,582)**	504	**(32,086)**	**(15,810)**	11,554	**(27,364)**
Unit expense (income)	**(7,300)**	15,360	**(22,660)**	**6,270**	55,170	**(48,900)**
IFRIC 21 property tax adjustment	**(4,387)**	(3,055)	**(1,332)**	**(1,956)**	(414)	**(1,542)**
FFO	**$ 15,406**	$ 8,688	**$ 6,718**	**$ 55,454**	$ 42,564	**$ 12,890**
Straight-line rental revenue	**(523)**	(287)	**(236)**	**(1,930)**	(1,582)	**(348)**
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Leasing costs	**(390)**	(351)	**(39)**	**(1,307)**	(1,200)	**(107)**
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AFFO	**$ 11,360**	$ 7,110	**$ 4,250**	**$ 44,828**	$ 33,949	**$ 10,879**

(1) The REIT completed a defeasance of a mortgage during the fourth quarter of 2016, at a cost of $4.5 million representing the excess of the U.S. Treasury securities required to be funded over the outstanding principal balance of the mortgage. A $2.8 million charge to income was recorded which was determined as the $4.5 million cost, less $1.7 million, representing the unamortized mark-to-market premium associated with the mortgage. FFO and AFFO was impacted by the $2.8 million charge to income. Adjusting to exclude the impact of the defeasance of the mortgage, FFO would be $11.5 million or $0.32 per unit and $45.4 million or $1.32 per unit for the three and twelve month period ended December 31, 2016, respectively. AFFO would be $9.9 million or $0.28 per unit and $36.8 million or $1.07 per unit for the three and twelve month period ended December 31, 2016, respectively.

The following is a calculation of AFFO from NOI:

	Three months ended December 31,			Year ended December 31,		
	2017	2016	**Variance**	**2017**	2016	**Variance**
NOI	**$ 24,592**	$ 17,931	**$ 6,661**	**$ 85,066**	$ 69,465	**$ 15,601**
Other expenses	**(1,962)**	(1,724)	**(238)**	**(7,988)**	(7,524)	**(464)**
Debt defeasance loss (1)	**—**	(2,832)	**2,832**	**—**	(2,832)	**2,832**
Cash interest, net (2)	**(7,183)**	(4,831)	**(2,352)**	**(22,262)**	(17,832)	**(4,430)**
Finance charge and mark-to-market adjustments	**(564)**	(143)	**(421)**	**(1,292)**	(295)	**(997)**
Capital	**(1,485)**	(452)	**(1,033)**	**(4,382)**	(2,252)	**(2,130)**
Leasing costs	**(390)**	(351)	**(39)**	**(1,307)**	(1,200)	**(107)**
Tenant improvements	**(1,648)**	(488)	**(1,160)**	**(3,007)**	(3,581)	**574**
AFFO	**$ 11,360**	$ 7,110	**$ 4,250**	**$ 44,828**	$ 33,949	**$ 10,879**

(1) The REIT completed a defeasance of a mortgage during the fourth quarter of 2016, at a cost of $4.5 million representing the excess of the U.S. Treasury securities required to be funded over the outstanding principal balance of the mortgage. A $2.8 million charge to income was recorded which was determined as the $4.5 million cost, less $1.7 million, representing the unamortized mark-to-market premium associated with the mortgage. AFFO was impacted by the $2.8 million charge to income. Adjusting to exclude the impact of the defeasance of the mortgage, AFFO would be $9.9 million or $0.28 per unit and $36.8 million or $1.07 per unit for the three and twelve month period ended December 31, 2016, respectively.
(2) Cash interest, net is comprised of total interest expense excluding amortization of finance charges and mark-to-market adjustments.

AFFO was $11.4 million for the three month period ended December 31, 2017, which represents a $4.3 million increase over the same quarter in the prior year driven primarily by a $6.7 million increase in FFO, partially offset by increases in cash interest, net, capital spend of $1.0 million and tenant improvements of $1.2 million. For the year ended December 31, 2017, AFFO increased by $10.9 million to $44.8 million over the comparative period. This increase is due to aforementioned increases in FFO, partially offset by increases in cash interest, net and increased capital spend of $2.1 million.

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, releasing and our 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 our 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 fourth quarter capital improvements were completed across the portfolio. The majority of capital improvements were completed concurrent to leasing at our properties with the remainder as minor improvements. The remaining leasing costs were generally related to the high volume of new and renewal activity, totaling 73 leases executed. Costs were generally spread across all deals with no one lease 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.

DISTRIBUTIONS

The REIT's monthly distribution to unitholders is $0.07 per class U unit or $0.84 per class U unit on an annualized basis. The distribution amount has increased by $2.4 million and $9.1 million over the comparative period primarily due to the 3.7% distribution increase in September 2016 and the equity offerings on January 20, 2017 and May 31, 2017. Distributions paid on REIT units and exchangeable units of subsidiaries are recorded as unit expense.

Distributions were $9.6 million and $36.3 million for the three and twelve month period ended December 31, 2017, respectively.

The following table summarizes the monthly distributions declared to unitholders by year:

Month	2017		2016		2015		2014
January	0.0675	$	0.06489	$	0.06300	$	—
February	0.0675		0.06489		0.06300		—
March	0.0675		0.06489		0.06300		—
April	0.0675		0.06489		0.06300		0.03000
May	0.0675		0.06489		0.06300		0.06000
June	0.0675		0.06489		0.06300		0.06000
July	0.0675		0.06489		0.06300		0.06000
August	0.0675		0.06489		0.06300		0.06000
September	0.0675		0.06750		0.06300		0.06000
October	0.0675		0.06750		0.06300		0.06000
November	0.0700		0.06750		0.06300		0.06300
December	0.0700		0.06750		0.06489		0.06300
Total	**0.81500**	**$**	**0.78912**	**$**	**0.75789**	**$**	**0.51600**

In April of 2014 the REIT listed its class U units on the TSX. In conjunction with the REIT's listing of its class U units on the TSX the REIT commenced a distribution policy, with a monthly distribution of $0.06 per unit. In November 2014, the REIT increased the distribution rate by 5.0% to $0.063 and again in November 2015 increased the distribution 3.0% to $0.06489. Beginning with the September 2016 distribution, the REIT increased the distribution by 4.0% to $0.0675 a month.

On November 15, 2017, the REIT announced a 3.7% increase of its monthly distribution to $0.07 per class U unit or $0.84 per class U unit on an annualized basis. The increased distribution is the fourth consecutive annual distribution increase by the REIT since listing on the TSX in 2014. Class A and I unitholders of REIT units are entitled to a distribution equal to a class U unit distribution multiplied by 1.0078 and 1.0554, respectively. Holders of exchangeable units of subsidiaries are entitled to a distribution equal to a class U unit distribution.

The REIT's Distribution Reinvestment Plan ("DRIP") is a non-cash distribution that has an effect of increasing the number of REIT units outstanding, which will cause cash distributions to increase over time assuming stable per unit cash distribution levels. Management will continue to assess the sustainability of cash and non-cash distributions in each financial reporting period. The REIT has determined it has sufficient cash flow from operations to satisfy distributions declared.

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	Return of capital	Capital gains	Other income
2016 per $ of distribution	35.0%	—	65.0%
2015 per $ of distribution (January to May) (1)	45.0%	—	55.0%
2015 per $ of distribution (June to December) (1)	39.0%	—	61.0%
2014 per $ of distribution	48.0%	—	52.0%

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

Information regarding the REIT's taxation treatment for the 2017 distributions will be made available online via the CDS reporting facility.

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 62.5% and 65.5% for the three and twelve month period ended December 31, 2017, representing a 20.1% decrease and 1.4% increase from the respective comparative periods as a result of FFO growth driven by the acquisition of 17 properties from December 31, 2016.

On a pro forma basis, using annualized fourth quarter FFO and current distribution rate of $0.07 per month, the FFO payout ratio would be 63.6%.

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

	Three months ended December 31,		Year ended December 31,	
	2017	2016	**2017**	2016
FFO (1)	**$ 15,406**	$ 8,688	**$ 55,454**	$ 42,564
Distributions declared (2)	**(9,625)**	(7,179)	**(36,332)**	(27,264)
Excess of FFO over distributions declared	**$ 5,781**	$ 1,509	**$ 19,122**	$ 15,300
FFO payout ratio (1)	**62.5%**	82.6 %	**65.5%**	64.1%

(1) The REIT completed a defeasance of a mortgage during the fourth quarter of 2016, at a cost of $4.5 million representing the excess of the U.S. Treasury securities required to be funded over the outstanding principal balance of the mortgage. A $2.8 million charge to income was recorded which was determined as the $4.5 million cost, less $1.7 million, representing the unamortized mark-to-market premium associated with the mortgage. FFO was impacted by the $2.8 million charge to income. Adjusting to exclude the impact of the defeasance of the mortgage, FFO payout ratio would be 62.3% and 60.1% for the three and twelve month period ended December 31, 2016, respectively.
(2) Distributions declared represent distributions on REIT units and exchangeable units of subsidiaries.

AFFO payout ratio

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

One of the REIT's key objectives is to maintain a conservative AFFO payout ratio to continue to provide 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.

The AFFO payout ratio for the three and twelve month period ended December 31, 2017 was 84.7% and 81.0%, which represents a 16.3% decrease and 0.7% increase compared to the same periods in the 2016 year. On a pro forma basis, using annualized fourth quarter AFFO and the current distribution of $0.07 per month, the AFFO payout ratio would be 87.5%. However, as described in the discussion concerning AFFO above, AFFO was impacted as a result of higher than normal leasing costs, which were the result of a high leasing volume and a number of larger leases being renewed. Leasing costs will fluctuate over time based on such factors.

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 our 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. Management targets an AFFO payout ratio between 70% and 80% over time. The actual ratio may from time-to-time be outside of this range.

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

	Three months ended December 31,		Year ended December 31,	
	2017	2016	**2017**	2016
AFFO [(1)]	**$ 11,360**	$ 7,110	**$ 44,828**	$ 33,949
Distributions declared [(2)]	**(9,625)**	(7,179)	**(36,332)**	(27,264)
Excess of AFFO over distributions declared	**$ 1,735**	$ (69)	**$ 8,496**	$ 6,685
AFFO payout ratio [(1)]	**84.7%**	101.0 %	**81.0%**	80.3%

[(1)] The REIT completed a defeasance of a mortgage during the fourth quarter of 2016, at a cost of $4.5 million representing the excess of the U.S. Treasury securities required to be funded over the outstanding principal balance of the mortgage. A $2.8 million charge to income was recorded which was determined as the $4.5 million cost, less $1.7 million, representing the unamortized mark-to-market premium associated with the mortgage. AFFO was impacted by the $2.8 million charge to income. Adjusting to exclude the impact of the defeasance of the mortgage, AFFO payout ratio would be 72.2% and 74.1% for the three and twelve month period ended December 31, 2016, respectively.
[(2)] Distributions declared represent distributions on REIT units and exchangeable units of subsidiaries.

Impact of interest rate changes

As described above, one of the REIT's key objectives is to maintain a conservative AFFO payout ratio in order to continue to provide steady and reliable distributions to unitholders. Management targets an AFFO payout ratio between 70% and 80% over time. The actual ratio may from time-to-time be outside of this range as a result of operational results, including from changes in interest rates, and the timing of capital and leasing costs. We expect 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. As it relates to potential interest rate changes, management believes that notwithstanding any reasonably expected changes in interest rates, the REIT's AFFO payout ratio should continue to be fully covered.

In order to mitigate interest rate risk, the REIT has entered into two 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, 57.7% of the REIT's debt is now subject to fixed rates. The weighted average fixed rate of the REIT's interest rate swaps was 1.26%in comparison to the one-month U.S. LIBOR at 1.57% at December 31, 2017 with a weighted average term to maturity of 3.4 years.

The terms of the interest rate swaps are as follows:

Effective date	November 2, 2016	September 1, 2017
Pay-fixed rate	1.104%	1.715%
Notional amount	$ 300,000	$ 100,000
Receive-floating rate	One-month U.S. LIBOR	One-month U.S. LIBOR
Maturity date	February 26, 2021	September 22, 2022

The following table provides a sensitivity analysis of the REIT's AFFO payout ratio and interest coverage ratio to changes in interest rates, both prior to and after the interest rate swap. For illustrative purposes, the sensitivity analysis has been calculated using the current quarter's AFFO, interest coverage ratio and distributions:

		Prior to interest rate swaps			**After interest rate swaps**		
Change in interest rates (bps) [(1)]	One-month LIBOR	AFFO	AFFO payout ratio	Interest coverage ratio	**AFFO**	**AFFO payout ratio**	**Interest coverage ratio**
(50)	1.07%	$ 48,708	74.6%	2.88x	**$ 46,695**	**77.8%**	**3.11x**
(25)	1.32%	46,768	77.7%	3.10x	**45,756**	**79.4%**	**3.23x**
—	1.57%	44,828	81.0%	3.37x	**44,816**	**81.1%**	**3.37x**
25	1.82%	42,888	84.7%	3.68x	**43,876**	**82.8%**	**3.51x**
50	2.07%	40,948	88.7%	4.05x	**42,936**	**84.6%**	**3.67x**
100	2.57%	37,068	98.0%	5.09x	**41,056**	**88.5%**	**4.03x**
200	3.57%	29,308	124.0%	10.44x	**37,296**	**97.4%**	**5.01x**

[(1)] Based on a year ended December 31, 2017 AFFO of $44.8 million.

DEFERRED INCOME TAX

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

For the three and twelve month period ended December 31, 2017, the deferred income tax recovery was $31.6 million and $15.8 million, respectively. The REIT's deferred tax recovery 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.

On December 22, 2017, the U.S. tax legislation commonly known as the Tax Cuts and Jobs Act (the "Act") was signed into law. Recognition of the tax effects of the Act is required in the interim and annual periods that include December 22, 2017. As a result of the change in the federal corporate tax rate, which reduced from 35% to 21%, the REIT reduced its deferred income tax liability by $25.1 million for the year ended December 31, 2017.

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 $1.30, subject to ordinary course adjustments for certain transactions affecting the class U units and increasing annually by 50% of the increase in the U.S. consumer price index.

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

	Three months ended December 31,			Year ended December 31,		
	2017	2016	**Variance**	**2017**	2016	**Variance**
Asset management fees	**$ 1,489**	$ 1,096	**$ 393**	**$ 4,978**	$ 4,211	**$ 767**
Acquisition fees	**368**	381	**(13)**	**2,988**	885	**2,103**
Incentive fees	**—**	(94)	**94**	**—**	—	**—**
Total	**$ 1,857**	$ 1,383	**$ 474**	**$ 7,966**	$ 5,096	**$ 2,870**

Related party transactions incurred and payable to Slate for the three and twelve month period ended December 31, 2017 amounted to $1.9 million and $8.0 million respectively. These transactions are in the normal course of operations and are in accordance with the management agreement and are measured at the exchange amount. The exchange amount is the consideration established under contract and as approved by the REIT's Board of Trustees.

The management agreement provides for an incentive fee to be earned based on an FFO per unit target that grows annually, in part, with inflation, whereby the Manager is entitled to 15% of the excess of FFO above the target. For the year ended December 31, 2017, no incentive fee was recognized as the target threshold was not met.

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

MAJOR CASH FLOW COMPONENTS

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

	Three months ended December 31,		Year ended December 31,	
	2017	2016	**2017**	2016
Operating activities	**$ 13,559**	$ 4,922	**$ 49,518**	$ 38,932
Investing activities	**(50,946)**	(37,828)	**(391,352)**	(93,332)
Financing activities	**27,169**	30,267	**335,786**	55,976
(Decrease) increase in cash and cash equivalents	**$ (10,218)**	$ (2,639)	**$ (6,048)**	$ 1,576

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

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

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

PART IV – FINANCIAL CONDITION

DEBT

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

The REIT's acquisition strategy is backed through a growing unencumbered portfolio of properties. The REIT's revolver and term loan (the "credit facility") and term loan 2 provides the required flexibility to support the REIT's acquisition pipeline. The credit facility and term loan 2 represents a significant component of the REIT's funding, which allows the REIT to maintain flexibility in its portfolio by avoiding debt that constricts portfolio capital recycling and redevelopment while minimizing unused cash positions. In addition to the credit facility and term loan 2, the REIT has ready access to alternative funding sources, including financial institutions for financing arrangements and investors at competitive rates. Management continues to monitor interest rate risk of the REIT's debt portfolio. As a result of the interest rate swap, 57.7% of the REIT's debt is now subject to fixed rates.

Debt held by the REIT as of December 31, 2017 and December 31, 2016 is as follows:

						December 31, 2017	December 31, 2016
	Maturity	Weighted average debt maturity (years)	Effective rate	Principal	Mark-to-market adjustments and costs	**Carrying amount**	Carrying amount
Revolver [1] [2] [3] [4] [5]	Feb. 26, 2020	2.2 [5]	2.96%	$ 160,314	$ (1,323)	**$ 158,991**	$ 210,237
Term loan [1] [2] [4]	Feb. 26, 2021	3.2	2.97%	362,500	(2,187)	**360,313**	290,095
Term loan 2 [1] [2] [4]	Feb. 9, 2023	5.1	3.31%	250,000	(1,786)	**248,214**	—
Mortgage	Mar. 1, 2021	3.2	5.75%	11,232	1,012	**12,244**	14,830
Mortgage	Jan. 1, 2025	7.0	3.80%	45,315	(1,241)	**44,074**	49,228
Mortgage	Jun. 15, 2025	7.5	4.14%	56,862	(784)	**56,078**	57,052
TIF notes payable	Feb. 28, 2019	1.2	4.70%	3,173	(41)	**3,132**	3,450
Total / weighted average		**4.0 [5]**	**3.30% [6]**	**$ 889,396**	**$ (6,350)**	**$ 883,046**	$ 624,892

[1] The weighted average interest rate has been calculated using the December 31, 2017 U.S. LIBOR rate for purposes of the revolver, term loan and term loan 2.
[2] Debt available to be drawn is subject to certain covenants as provided in the REIT's lending agreements, including generally, a maximum of 65% Consolidated Total Indebtedness to Gross Asset Value. The revolver, term loan and term loan 2 provide for different spreads over one-month U.S. LIBOR depending on the ratio of the Consolidated Total Indebtedness to Gross Asset Value. The applicable spread where Consolidated Total Indebtedness to Gross Asset Value is; (i) less than or equal to 45% is 155 bps; (ii) greater than 45% but less than or equal to 55% is 175 bps; (iii) greater than 55% but less than or equal to 60% is 200 bps; and (iv) greater than 60% is 225 bps.
[3] The revolver requires a stand-by fee to be paid in an amount equal to 0.25% of the unused portion of the revolver where the unused portion is greater than or equal to 50% of the maximum amount available and 0.15% of the unused portion of the revolver where the unused portion is less than 50% of the maximum amount available, calculated daily.
[4] The revolver, term loan and term loan 2 are secured by a general pledge of equity of certain subsidiaries of the REIT. Collectively, those subsidiaries hold an interest in 76 of the REIT's properties as of December 31, 2017 (59 of the REIT's properties as of December 31, 2016).
[5] Excludes a one-year extension option exercisable at the REIT's option. With the one-year extension the weighted average debt maturity is 4.2 years.
[6] The weighted average interest rate including the impact of pay-fixed receive-float swaps is 3.36%.

The carrying amount of debt was $883.0 million at December 31, 2017, which represents an increase of $258.2 million compared to December 31, 2016. The increase is due to advances on the revolver related to the acquisition of 16 properties and additional funding under the REIT's strategic acquisition loan, partially offset by repayments to the revolver funded by the REIT's equity offerings completed January 20, 2017 and May 31, 2017 for a total of $113.1 million.

On June 9, 2017, the REIT increased the revolver and term loan capacity each to $362.5 million or in aggregate by an additional $140.0 million. Proceeds from the increase in the term loan were used to reduce the outstanding amount on the revolver.

On September 29, 2017, the REIT entered into a $50.0 million term loan at LIBOR plus 200 bps that matured on March 29, 2018. Proceeds from the term loan were used to fund property acquisitions. This term loan was repaid on November 9, 2017 upon the REIT entering into a new $250.0 million term loan. This loan bears interest at LIBOR plus 200 bps and matures on February 9, 2023. The term loan is secured by a general pledge of equity of certain subsidiaries of the REIT, which collectively hold an interest in 76 of the REIT's properties. Proceeds from the term loan were also used to reduce the outstanding amount on the revolver.

During the year ended December 31, 2017, the REIT made principal repayments totaling $4.7 million on its mortgage maturing January 1, 2025, funded by cash received from the disposal of three property outparcels at Uptown Station in the year.

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:

	December 31, 2017	December 31, 2016
GBV	$ 1,499,519	$ 1,114,606
Debt	883,046	624,892
Leverage ratio	**58.9%**	56.1%

The REIT's leverage ratio has increased by 2.8% for the year ended December 31, 2017 to 58.9% from December 31, 2016 due to advances on the revolver related to the acquisition of 16 properties and additional funding under the REIT's strategic acquisition loan, partially offset by repayments to the revolver funded by the REIT's equity offerings completed January 20, 2017 and May 31, 2017 for a total of $113.1 million.

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	December 31, 2017	December 31, 2016
Maximum leverage ratio: consolidated total indebtedness shall not exceed 65% of gross asset value	< 65%	**60.5%**	61.8%
Minimum fixed charge coverage ratio: adjusted EBITDA to consolidated fixed charges shall not be less than 1.50x [(1)]	> 1.50x	**2.74x**	3.16x

[(1)] Adjusted EBITDA is defined as earnings before interest, tax, depreciation and amortization.

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 for the three and twelve month period ended December 31, 2017 and 2016:

	Three months ended December 31,		Year ended December 31,	
	2017	2016	**2017**	2016
NOI	**$ 24,592**	$ 17,931	**$ 85,066**	$ 69,465
Other expenses	**(1,962)**	(1,724)	**(7,988)**	(7,524)
Adjusted EBITDA	**$ 22,630**	$ 16,207	**$ 77,078**	$ 61,941
Cash interest paid	**(7,430)**	(4,840)	**(22,903)**	(18,368)
Interest coverage ratio	**3.05x**	3.35x	**3.37x**	3.37x

The interest coverage ratio decreased to 3.05x for the three month period ended December 31, 2017 compared to 3.35x in the same quarter of the prior period. The decrease is the result of increases in cash interest paid and other expenses, partially offset by increases in NOI. For the year ended December 31, 2017, the interest coverage ratio was 3.37x which is consistent with the coverage ratio in the 2016 period.

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 or 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.

Contractual commitments

The REIT has the following contractual commitments:

	Total contractual cash flow	In one year or less	In more than one year but not more than three years	In more than three years but not more than five years	In more than five years
Accounts payable and accrued liabilities	$ 17,289	$ 17,289	$ —	$ —	$ —
Revolver [1]	160,314	—	160,314	—	—
Revolver interest payable [1] [2]	14,368	6,224	8,144	—	—
Term loan [1]	362,500	—	—	362,500	—
Term loan interest payable [1]	44,839	12,932	29,593	2,314	—
Term loan 2 [3]	250,000	—	—	—	250,000
Term loan 2 interest payable [3]	54,162	9,544	21,660	21,738	1,220
Mortgages	113,410	2,333	5,142	15,130	90,805
Mortgage interest payable	29,470	4,679	9,043	7,597	8,151
Interest rate swaps, net cash outflows	52	52	—	—	—
TIF notes payable	3,173	360	2,813	—	—
TIF notes interest payable	281	149	132	—	—
REIT units	457,590	400	800	800	455,590
Exchangeable units of subsidiaries	24,075	—	—	—	24,075
Total contractual commitments	**$ 1,531,523**	**$ 53,962**	**$ 237,641**	**$ 410,079**	**$ 829,841**

[1] Revolver and term loan interest payable is calculated on $160.3 million and $362.5 million (balance outstanding) using an estimated "all in" interest rate of 3.57% under the "less than one year" column. The average interest rate is based on the 30-day LIBOR forward curve plus the specified margin for the LIBOR rate option under the revolver and term loan resulting in an estimated future "all-in" interest rate of 4.08%. The total revolver and term loan interest payable is calculated until maturity of the initial term.

[2] 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.

[3] Term loan 2 interest payable is calculated on $250.0 million (balance outstanding) using an estimated "all in" Interest rate of 3.8% under the "less than one year" column. The long-term average interest rate is based on the 30-day LIBOR curve plus the specified margin for the LIBOR rate option under the term loan and results in an anticipated increase to the "all-in" interest rate to 4.34%. The total term loan 2 interest payable is calculated until maturity.

REIT UNITS AND EXCHANGEABLE UNITS OF SUBSIDIARIES

The REIT has class A units, class I units and class U units issued and outstanding. Since the REIT units are redeemable and the different classes of units do not have identical features, the REIT is required under IFRS to classify the units as financial liabilities. The exchangeable units of subsidiaries are redeemable for class U units at the option of the holder and are also required to be classified as financial liabilities under IFRS. The REIT units and the exchangeable units of subsidiaries are measured at fair value at each reporting period with any changes in fair value recognized in net and income.

REIT units and exchangeable units of subsidiaries outstanding for the year ended December 31, 2017 and their respective class U equivalent amounts if converted are as follows:

	REIT units			Exchangeable units of subsidiaries			
Class / type	**U**	**A**	**I**	**SR1 (1)**	**SR2 (1)**	**GAR B**	**Total class U units equivalent**
Balance, December 31, 2016	32,267	334	322	220	1,747	545	**35,456**
Issued under the DUP (2)	6	—	—	—	—	—	**6**
Issued under the DRIP	170	—	—	—	—	—	**170**
Issued under equity offerings	10,801	—	—	—	—	—	**10,801**
Redeemed	—	—	—	—	(22)	—	**(22)**
Exchanges	238	(25)	(40)	—	(122)	(49)	**—**
Balance, December 31, 2017	43,482	309	282	220	1,603	496	**46,411**
Conversion ratio to class U units	1.0000	1.0078	1.0554	1.0000	1.0000	1.0000	
Class U units equivalent	**43,482**	**311**	**299**	**220**	**1,603**	**496**	**46,411**

(1) "SR1" and "SR2" means Slate Retail One exchangeable units and Slate Retail Two exchangeable units respectively.
(2) "DUP" refers to deferred units under the REIT's deferred unit plan.

The REIT's DRIP allows holders of class A units, class I units and class U units to elect to receive their distributions in the form of class U units. For the year ended December 31, 2017, 170 thousand class U units were issued for $1.8 million under the DRIP. The average DRIP participation during the twelve months ended December 31, 2017 was 5.0%.

Equity offering

On January 20, 2017, the REIT completed a sale of 5.6 million class U units by way of a public offering of 5.2 million class U units and a private placement to the Manager of 0.4 million class U units, at a price of $10.89 or C$14.35 per unit, for gross proceeds to the REIT of approximately $60.5 million or C$79.8 million. This total includes an over-allotment option that was fully exercised by the REIT's underwriters. The costs related to the offering totaled $2.7 million and are deducted against the cost of units issued. As a result of the issuance, Slate's ownership was approximately unchanged due to their participation. $57.8 million of the net proceeds were used to repay the revolver.

On May 31, 2017, the REIT completed a sale of 5.2 million class U units by way of a public offering of 5.0 million class U units and a private placement to the Manager of 0.2 million class U units, at a price of $11.00 or C$14.75 per unit, for gross proceeds to the REIT of approximately $57.7 million or C$77.3 million. This total includes an over-allotment option that was fully exercised by the REIT's underwriters. The costs related to the offering totaled $2.7 million and are deducted against the cost of units issued. $55.0 million of the net proceeds were used to repay the revolver.

Normal course issuer bid

The REIT renewed its existing NCIB effective May 26, 2017. The NCIB will remain in effect until the earlier of May 25, 2018 or the date on which the REIT has purchased an aggregate of 3.4 million class U units, representing 10% of the REIT's public float of 34.4 million class U units at the time of entering the bid through the facilities of the TSX. The Board of Trustees believe that the purchase by the REIT of a portion of its outstanding class U units at attractive prices where opportunities present themselves will increase unitholder value and that such purchases constitute a desirable use of the REIT's available resources.

ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities are comprised of the following:

	December 31, 2017	December 31, 2016
Trade payables and accrued liabilities	**$ 10,609**	$ 7,540
Prepaid rent	**3,665**	2,557
Tenant improvements payable	**387**	138
Other payables	**2,628**	1,315
Total	**$ 17,289**	$ 11,550

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:

	December 31, 2017	December 31, 2016
Rent receivable	$ 3,519	$ 1,713
Allowance for doubtful accounts	(322)	(212)
Accrued recovery income	5,148	4,208
Other receivables	1,531	1,168
Total	$ 9,876	$ 6,877

Rent receivable consists of base rent and operating expense recoveries. Management has provided for $0.3 million (December 31, 2016 –$0.2 million) as an allowance for doubtful accounts and anticipates that the unprovided balance is collectible.

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

The $1.7 million increase in rent receivable, net of allowance from December 31, 2016 is due to overall growth in the portfolio driven by the acquisition of 17 properties throughout the year, partially offset by collections during the period.

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

	December 31, 2017	December 31, 2016
Current to 30 days	$ 2,404	$ 770
31 to 60 days	223	102
61 to 90 days	65	85
Greater than 90 days	504	544
Total	$ 3,196	$ 1,501

The REIT has maintained a strong focus on the timely collection of outstanding rent receivables and has limited the growth in aged receivables relative to the number of properties acquired from December 31, 2016. The REIT has acquired 17 properties and increased GBV by $384.9 million since December 31, 2016. Over this period, rent receivables have increased by $1.8 million, while the allowance for doubtful accounts has increased by only $0.1 million. Rent receivables outstanding greater than 90 days has increased by only $56 thousand from December 31, 2016. This is a direct result of the REITs ongoing focus on the timely collection and monitoring of aged receivables. The increase in receivables in the current to 30 days category primarily relates to recently acquired properties. Management expects these receivable amounts to decrease once tenants at such properties are established on normal payment terms with the REIT.

	December 31, 2017	December 31, 2016	Variance
Number of properties	86	69	17
GLA	11,156,474	8,335,625	2,820,849
GBV	$ 1,499,519	$ 1,114,606	$ 384,913
Rent receivable, gross	$ 3,519	$ 1,713	$ 1,806
Rent receivable, gross, greater than 90 days	772	716	56
Allowance for doubtful accounts	$ (322)	$ (212)	$ (110)

SUBSEQUENT EVENTS

i. On January 9, 2018, the REIT disposed of an office outparcel at Westhaven located in Franklin, Tennessee. The outparcel was sold for $9.1 million.

ii. On January 15, 2018 and February 15, 2018, the REIT declared monthly distributions of $0.07 per class U unit. Holders of class A units, class I units and units of subsidiaries of the REIT were also entitled to receive a distribution at the respective conversion rate attributable to the units.

iii. On February 15, 2018, the REIT disposed of an outparcel at Mooresville Consumer Square located in Mooresville, North Carolina. The outparcel was sold for $6.5 million.

PART V – ACCOUNTING AND CONTROL

USE OF ESTIMATES

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

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 or 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 December 31, 2017 is included on page 17 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. At December 31, 2017, all valuations were completed by management of the REIT using the overall income capitalization 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

IAS 7, *Statement of Cash Flows* ("IAS 7")

The amendments to IAS 7 require disclosures that enable the evaluation of changes in liabilities arising from financing activities, including both changes arising from cash and non-cash changes. The amendments have been applied prospectively for annual periods beginning on or after January 1, 2017.

The following are the primary disclosures required for changes in liabilities from financing activities: changes from financing cash flows, changes arising from obtaining or losing control of subsidiaries or other businesses, the effect of changes in foreign exchange rates and changes in fair values.

Supplemental cash flow information disclosures have been included in the REIT's consolidated financial statements.

ACCOUNTING PRONOUNCEMENTS ISSUED BUT NOT YET EFFECTIVE

IFRS 9, Financial Instruments ("IFRS 9")

IFRS 9 replaces IAS 39 effective January 1, 2018. IFRS 9 provides new guidance on the classification and measurement, impairment and hedge accounting for financial instruments in addition to clarification for the treatment of modifications of financial liabilities that do not result in extinguishment. IFRS 9 is required to be adopted retrospectively with certain available transition provisions. The REIT is in the final stages of its evaluation of the impact of this standard on its consolidated financial statements. The REIT will adopt IFRS 9 for the annual period beginning January 1, 2018 and will apply the standard on a retrospective basis using the available transitional provisions.

Classification and measurement:

IFRS 9 requires a new approach for the classification and measurement of financial assets based on the REIT’s business models for managing these financial assets and their contractual cash flow characteristics, this is summarized as follows:

i. Assets held for the purpose of collecting contractual cash flows that represent solely payments of principal and interest will be measured at amortized cost.

ii. Assets held within a business model where assets are both held for the purpose of collecting contractual cash flows or sold prior to maturity and the contractual cash flows represent solely payments of principal and interest will be measured at fair value through other comprehensive income (‘FVTOCI”).

iii. Assets held within another business model or assets that do not have contractual cash flow characteristics that are solely payments of principal and interest will be measured at fair value through profit or loss (“FVTPL”).

The REIT has completed its review of the following financial instruments held and has performed cash flow and business model assessments on the REIT’s financial assets and the impact includes; (i) the REIT’s cash and cash equivalents, accounts receivable, TIF notes receivable, and financial assets within other assets currently measured at amortized cost will continue to be measured at amortized cost; and (ii) the REIT’s interest rate swaps will continue to be measured at FVTPL.The REIT is in the process of evaluating the classification and measurement of its note receivable.

Impairment:

IFRS 9 introduces a new expected credit loss (“ECL”) impairment model for all financial assets measured at amortized cost or debt instruments measured at FVTOCI. The new ECL model will result in an allowance for expected credit losses being recorded regardless of whether or not there has been an actual loss event.

The ECL model is forward looking and requires the use of a reasonable and supportable forecast of future conditions in the determination of whether or not there has been a significant increase in credit risk since origination and measurement of the ECL. The REIT continues to refine certain aspects of the expected credit loss modeling process leading up to its March 31, 2018 first quarter reporting and the expected impact is (i) the REIT does not expect to record a material ECL allowance against TIF notes receivable, financial assets within other assets, and notes receivable as historical experience of loss on these balances is insignificant and based on the assessment of forward looking information, no significant increases in expected losses are expected. The REIT will continue to assess the valuation of these instruments; and (ii) the REIT does not expect to record a material ECL allowances against accounts receivable and has determined that its internal processes of evaluating each receivable on a specific basis for collectability using historical experience and adjusted for forward looking information, would appropriately allow the REIT to determine if there are significant increases in credit risk to then record a corresponding ECL allowance.

Hedge accounting:

IFRS 9 also introduces a new hedge accounting model that expands the scope of hedge items and risks eligible for hedge accounting and aligns hedge accounting more closely with risk management. This new standard does not fundamentally change the types of hedging relationships or the requirement to measure and recognize ineffectiveness, however, it will provide more hedging strategies that are used for risk management to qualify for hedge accounting and introduce more judgment to assess the effectiveness of a hedging relationship. Special transitional requirements have been set for the application of the new general hedging model. The REIT intends to adopt IFRS 9 hedge accounting in its financial statements for the annual period beginning on January 1, 2018 for new hedges entered into after this date.

Financial Liabilities:

Generally, IFRS 9 does not introduce changes to the classification of financial liabilities. The REIT will continue to measure its financial liabilities at amortized cost.

In regards to modifications of financial liabilities, IFRS 9 requires that when a financial liability measured at amortized cost is modified or exchanged, and such modification or exchange does not result in derecognition, the adjustment to the amortized cost of the financial liability is recognized in profit or loss at the date of modification. The REIT continues to refine its calculations of the required adjustments and the expects that the REIT will recognize an increase in the amortized cost of its term loan resulting from the increase of term loan capacity during 2017.

IFRS 15, Revenue from Contracts with Customers ("IFRS 15")

IFRS 15 replaces IAS 18, *Revenue,* and IAS 11, *Construction contracts,* and is effective January 1, 2018. The objective of IFRS 15 is to establish the principles that the REIT will apply to report useful information about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. The REIT has elected to apply the standard on a modified retrospective basis using certain practical expedients.

The REIT is in the final stages of its evaluation of the impact of this standard on its consolidated financial statements.

The adoption of the new standard is not expected to have a material impact to the consolidated statements of income. The REIT's most material revenue stream is base rental revenue, which is outside the scope of IFRS 15. The recovery of costs related to the provision of services is considered within the scope of IFRS 15 and the REIT has concluded that the pattern of revenue recognition will remain unchanged. On the adoption of IFRS 15, the REIT will be required to disclose revenue recognized from contracts with customers separately from other sources of revenue, including those included within gross leases.

No impact on the consolidated statements of cash flow is expected from adoption.

IFRS 16, Leases ("IFRS 16")

IFRS 16 replaces IAS 17, *Leases*, and IFRIC 4, *Determining whether an arrangement contains a lease,* and is effective January 1, 2019. The objective of IFRS 16 is to report information that faithfully represents lease transactions and provides a basis for users of financial statements to assess the amount, timing and uncertainty of cash flows arising from leases. To meet that objective, a lessee should recognize assets and liabilities arising from a lease.

IFRS 16 introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than twelve months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. This standard substantially carries forward the lessor accounting requirements of IAS 17, Leases, while requiring enhanced disclosures to be provided by lessors. Other areas of the lease accounting model have been impacted, including the definition of a lease.

The REIT has established an impact assessment and implementation team to evaluate the impacts of IFRS 16 on its consolidated financial statements. Currently, the REIT has completed the issue identification phase of the transition and has commenced its evaluation of the resulting impact on its consolidated financial statements, reporting system, internal controls and disclosures required by the standard.

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 year ended December 31, 2017.

As required by NI 52-109, the REIT's CEO and CFO have evaluated the effectiveness of the REIT's DC&P and ICFR. Based on such evaluations, we have concluded that the design and operation of the REIT's DC&P and ICFR, as applicable, are adequately designed and effective, as at December 31, 2017.

No changes were made in the REIT’s design of ICFR during the year ended December 31, 2017, 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

As of December 31, 2017, the REIT owns a portfolio of 86 grocery-anchored retail properties. The portfolio consists of 11,156,474 square feet of GLA with a current occupancy rate of 93.7%. The REIT focuses on owning the dominant grocer in each of the associated MSAs in which it invests.

Property	Location	Associated MSA	Area (SF)	% of Total	Occ. %	Anchor
98 Palms	Destin	Crestview-Fort Walton Beach-Destin	84,682		100%	Winn-Dixie
Bellview Plaza	Pensacola	Pensacola	82,910		100%	Publix
Bloomingdale Plaza	Brandon	Tampa-St. Petersburg	83,237		95%	Winn-Dixie
Cordova Commons	Pensacola	Pensacola	164,343		100%	The Fresh Market
Errol Plaza	Orlando	Orlando	72,150		98%	Winn-Dixie
Eustis Village	Eustis	Orlando	156,927		97%	Publix
Good Homes Plaza	Ocoee	Orlando	165,741		96%	Publix
Meres Town Centre	Tarpon Springs	Tampa-St. Petersburg	47,183		100%	Winn-Dixie
Oak Hill Village	Jacksonville	Jacksonville	78,492		100%	Publix
Salerno Village Square	Stuart	Port St. Lucie	77,677		89%	Winn-Dixie
Seminole Oaks	Seminole	Tampa-St. Petersburg	63,572		100%	Winn-Dixie
Uptown Station	Fort Walton	Pensacola	270,276		83%	Winn-Dixie
Wedgewood Commons	Stuart	Port St. Lucie	165,308		88%	Publix
Total Florida			**1,512,498**	**14%**		
County Line Plaza	Philadelphia	Philadelphia	74,968		90%	Unanchored
Field Club Commons	New Castle	Pittsburgh	131,270		100%	Save-A-Lot
Kennywood Shops	Pittsburgh	Pittsburgh	194,823		94%	Giant Eagle
Lake Raystown Plaza	Huntingdon	Harrisburg	140,159		100%	Giant Foods
Northland Centre	State College	State College	111,496		89%	Giant Foods
Norwin Town Square	North Huntingdon	Pittsburgh	147,012		100%	Shop 'n Save
Shops at Cedar Point	Allentown	Allentown-Bethlehem-Easton	130,553		92%	Weis
Summit Ridge	Mount Pleasant	Pittsburgh	227,729		100%	Walmart
West Valley Marketplace	Allentown	Allentown-Bethlehem-Easton	259,207		96%	Walmart
Total Pennsylvania			**1,417,217**	**13%**		
11 Galleria	Greenville	Greenville	105,608		83%	The Fresh Market
Battleground Village	Greensboro	Greensboro-High Point	75,407		98%	Earth Fare
Flowers Plantation	Clayton	Raleigh	53,500		97%	Food Lion
Fuquay Crossing	Fuquay-Varnia	Raleigh	96,638		100%	Kroger
Independence Square	Charlotte	Charlotte	190,361		98%	Walmart
Mooresville Consumer	Mooresville	Charlotte	472,182		97%	Walmart
Mooresville Town Square	Mooresville	Charlotte	89,824		98%	Lowes Foods
North Summit Square	Winston-Salem	Winston-Salem	224,530		78%	Sam's Club
Wellington Park	Cary	Raleigh	102,487		85%	Lowes Foods
Total North Carolina			**1,410,537**	**13%**		
Abbott's Village	Alpharetta	Atlanta	109,586		95%	Publix
Birmingham Shoppes	Milton	Atlanta	82,905		84%	Publix
Douglas Commons	Douglasville	Atlanta	97,027		96%	Kroger
Duluth Station	Duluth	Atlanta	94,966		81%	Publix
Locust Grove	Locust Grove	Atlanta	89,568		81%	Publix
Merchants Crossing	Newnan	Atlanta	174,059		95%	Kroger
Merchants Square	Riverdale	Atlanta	118,986		98%	Kroger
National Hills	Augusta	Augusta-Richmond	159,885		94%	The Fresh Market
Robson Crossing	Flowery Branch	Atlanta	103,720		92%	Publix
Total Georgia			**1,030,702**	**9%**		
Armstrong Plaza	Fountain Inn	Greenville	57,838		97%	BI-LO
Barefoot Commons	North Myrtle	Myrtle Beach-Conway	90,702		93%	BI-LO
Dill Creek Commons	Greer	Greenville-Spartanburg-Anderson	72,526		100%	BI-LO
Dorman Centre	Spartanburg	Greenville-Spartanburg-Anderson	388,276		97%	Walmart
Little River Pavilion	North Myrtle	Myrtle Beach-Conway	63,823		96%	Lowes Foods
North Augusta Plaza	North Augusta	Augusta-Richmond	231,998		91%	Publix
North Pointe	Columbia	Columbia	64,255		100%	Publix
Total South Carolina			**969,418**	**9%**		
Buckeye Plaza	Cleveland	Cleveland	116,905		98%	Simon's Supermarket
Hocking Valley Mall	Lancaster	Columbus	181,863		93%	Kroger
Mulberry Square	Milford	Cincinnati	146,730		84%	Kroger

Property	Location	Associated MSA	Area (SF)	% of Total	Occ. %	Anchor
Pinewood Plaza	Dayton	Dayton	88,700		91%	Kroger
Springboro Plaza	Dayton	Dayton	154,034		41%	Kroger
Total Ohio			**688,232**	**6%**		
Highland Square	Crossville	Nashville	179,243		94%	Kroger
North Hixson	Hixson	Chattanooga	64,254		91%	Food City
St. Elmo Central	Chattanooga	Chattanooga	74,978		100%	Food City
Sunset Plaza	Johnson City	Johnson City	143,752		100%	Kroger
Westhaven Town Centre	Franklin	Nashville	96,960		100%	Kroger
Total Tennessee			**559,187**	**5%**		
Cambridge Crossings	Troy	Detroit	238,963		99%	Walmart
Canton Shopping Centre	Canton	Detroit	72,361		90%	ALDI
City Centre Plaza	Westland	Detroit	97,670		97%	Kroger
Stadium Centre	Port Huron	Detroit-Warren-Dearborn	92,365		93%	Kroger
Total Michigan			**501,359**	**4%**		
East Brainerd Mall	Brainerd	Minneapolis-St Paul	191,459		96%	Cub Foods
Mapleridge Centre	Maplewood	Minneapolis-St Paul	114,681		89%	Rainbow Foods
North Branch	North Branch	Minneapolis-St Paul	76,895		98%	County Market
Phalen Retail Centre	St. Paul	Minneapolis-St Paul	73,678		96%	Cub Foods
Total Minnesota			**456,713**	**4%**		
Glidden Crossing	DeKalb	Chicago-Naperville-Joliet	98,683		95%	Schnucks
North Lake Commons	Lake Zurich	Chicago-Naperville-Joliet	127,099		89%	Jewel-Osco
Oakland Commons	Bloomington	Bloomington	73,705		94%	Jewel-Osco
Plaza St. Clair	Fairview Heights	St. Louis	97,459		78%	Schnucks
Total Illinois			**396,946**	**4%**		
Charles Town Plaza	Charles Town	Washington-Baltimore	206,146		98%	Walmart
Eastpointe Shopping Centre	Clarksburg	Morgantown	181,016		99%	Kroger
Total West Virginia			**387,162**	**3%**		
Cudahy Centre	Milwaukee	Milwaukee	103,254		89%	Pick ‘n Save
Forest Plaza	Fond du Lac	Fond du Lac	123,028		100%	Pick 'n Save
Wausau Pick 'n Save	Wausau	Wausau	67,951		100%	Pick 'n Save
Total Wisconsin			**294,233**	**3%**		
Southgate Crossing	Minot	Minot	159,780		100%	CashWise
Watford Plaza	Watford City	McKenzie	101,798		99%	CashWise
Total North Dakota			**261,578**	**2%**		
East Little Creek	Norfolk	Virginia Beach-Norfolk-Newport	68,770		100%	Farm Fresh
Smithfield Shopping	Smithfield	Virginia Beach-Norfolk-Newport	134,664		95%	Farm Fresh
Total Virginia			**203,434**	**2%**		
Roxborough Marketplace	Littleton	Denver Aurora-Lakewood	106,378		95%	Safeway
Westminster Plaza	Westminster	Denver Aurora-Lakewood	97,013		96%	Safeway
Total Colorado			**203,391**	**2%**		
Derry Meadows Shoppes	Derry	Boston-Cambridge-Quincy	187,001		94%	Hannaford
Total New Hampshire			**187,001**	**2%**		
Alta Mesa Plaza	Fort Worth	Dallas-Ft. Worth	167,961		96%	Kroger
Total Texas			**167,961**	**2%**		
Mitchellville Plaza	Mitchellville	Washington, DC	147,803		93%	Weis
Total Maryland			**147,803**	**1%**		
Waterbury Plaza	Waterbury	New Haven-Milford	142,880		100%	Stop & Shop
Total Connecticut			**142,880**	**1%**		
Taylorsville Town Centre	Salt Lake City	Salt Lake City	127,231		98%	Fresh Market
Total Utah			**127,231**	**1%**		
Stonefield Square	Louisville	Louisville	90,991		87%	The Fresh Market
Total Kentucky			**90,991**	**1%**		
Total / WA			**11,156,474**	**100%**	**94%**	

CORPORATE INFORMATION

Slate Retail REIT is an unincorporated, open-ended investment trust fund under and governed by the laws of the Province of Ontario. The REIT focuses on acquiring, owning and leasing a portfolio of diversified revenue-producing commercial real estate properties in the U.S. with an emphasis on grocery-anchored retail properties. The REIT has a current portfolio that spans 11.2 million square feet of GLA and consists of 86 grocery-anchored retail commercial properties located in the U.S.

Head office

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Independent auditors

Deloitte LLP
Chartered Professional Accountants
Toronto, Canada

Stock exchange listing and symbol

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

Registrar and transfer agent

TMX Trust Company
301 - 100 Adelaide Street West
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The REIT's website www.slateretailreit.com provides additional information regarding the REIT's portfolio, investment strategy, management and corporate governance. Additionally, the Investor section includes news, presentations, events, regulatory filings and stock information.

Trustees

Thomas Farley, Chairman (1)(2)(3)
Corporate Director

Samuel Altman (1)(2)(3)
President, Joddes Limited

Andrea Stephen (1)(2)(3)
Corporate Director

Brady Welch
Partner and Co-founder, Slate Asset Management L.P.

Colum Bastable, FCA (IRL) (1)(2)
Chairman, Cushman & Wakefield Inc.

Patrick Flatley (3)
Senior Vice President, Fidelity National Title Insurance Company

Blair Welch (3)
Partner and Co-founder, Slate Asset Management L.P.

(1) Compensation, Governance and Nomination Committee
(2) Audit Committee
(3) Investment Committee