SLATE RETAIL REIT

December 31, 2018

Retail REIT
SLATE

Q4 2018

TSX: SRT.U and SRT.UN

"Remember that the Green Bay Packers won because they executed the fundamentals better than their competition. Trick plays make headlines, but winners execute the basics."

– Alan C Greenberg, Chairman of the Executive Committee of Bear Stearns, 1986

DEAR FELLOW UNITHOLDERS

One can make the argument that the best thing about watching sports is that the outcome is unknown. Researchers believe this is because humans find it more enjoyable to think about what could happen than what already did. We want to be more instructive than talking about *what could* happen and instead outline *what is* in fact our plan for the future of Slate Retail REIT ("Slate Retail") as we head into a new year.

Before we look forward, we want to take a brief look back at 2018. We highlighted several initiatives in our year end 2017 *Letter to Unitholders* that can be distilled very simply; after several years growing the company largely through acquisition, the 2018 plan was to focus on organic growth and de-risk our balance sheet. Below are the key performance indicators we used to measure our goal.

1. Total organic portfolio net operating income ("NOI") growth achieved of 3.8% driven purely by leasing and redevelopment activity;
2. Increased occupancy to 94.2% from 93.7% year-over-year;
3. Achieved a 92.1% tenant retention ratio, up from 88.3% in 2017;
4. Reduced debt outstanding by $13.1 million while taking fixed rate debt to 99.2% of total debt, up from 57.7% in 2017; and
5. Reduced units outstanding by approximately 2.2 million units.

As the third and fourth points highlight, NOI growth was largely financed organically through the significant operating cash flow the portfolio generates. The team did a tremendous job executing on what we set out to do and as importantly, we did what we said we would.

The Plan Ahead

Totaling the unit repurchases under both the normal course issuer bid and the substantial issuer bid completed earlier this month, **we have reduced our total units outstanding by 5.5%** from the end of 2017. Existing unitholders that did not sell have been rewarded as they now own 5.8% more of Slate Retail than prior to the unit repurchases taking place. The stock market continues to be one of the only markets where when things go on sale, everybody runs out of the store.

We have an **active property disposition pipeline of approximately $100 million and we have identified another $100 million that we will target for sale in 2019** as well. This capital recycling program will allow us to accretively fund the completed unit repurchases as well as help **take financial leverage down to the longer-term targeted level of approximately 50% debt to total assets.**

Furthermore, what is exciting from a capital allocation perspective, is that we believe we can sell properties that would rank in the bottom tier of the portfolio from a growth and market quality standpoint to fund the completed unit repurchases. Specifically, we believe we can execute on the $200 million pipeline of property sales at 7.5% cap rate and we have repurchased units at an implied cap rate of 8.1%. **Said differently, we can sell properties at book value, i.e. net asset value ("NAV") and have repurchased units at a substantial discount to their book value.**

Repurchasing units has other benefits. Slate Retail's current annual distribution of $0.855 represents an 8.9% yield on units repurchased or $2.2 million of distributions that we can retain to invest in growth opportunities or further reduce leverage as per our plan. As importantly, repurchasing units at such a high yield will be a contributing factor in bringing down our **payout ratio to our 2019 target of ~89% of adjusted funds from operations or 'AFFO'**. We are projecting capital spend to be lower by the second half of 2019 on a year-over-year basis, which will also contribute to a lower payout ratio.

Leasing continues to be robust and **we expect annual total portfolio NOI growth to be in the 2.5% to 3.0% range** driven by redevelopment, leases signed but not yet paying rent, and rental rate increases upon renewal. We continue to have a multi-year runway to increase in-place market rents to market rent levels upon renewal.

NOI growth and a lower payout ratio translates into the ability to continue to increase distributions and continue to deliver excess yield for our investors. Based on our current growth projections, we believe **we can return over $4.45 per unit to investors through distributions over the next 5 years. In addition, we believe we can grow NAV per unit above $13.50.** These projections are useful when thinking about repurchasing units for cancellation below $10.00.

To summarize, we think the future is bright for Slate Retail and here is what we plan on doing:

- Organically grow NOI by 2.5% to 3.0% in 2019 and maintain a 90% tenant retention ratio;

- Recycle proceeds from property sales at or above IFRS net asset value to fund already completed unit repurchases that have been canceled at a substantial discount book value;
- Use the remaining sale proceeds to begin to reduce financial leverage toward the longer-term target level of 50% of debt to total assets;
- Achieve an AFFO payout ratio of ~89% in 2019 and increase distributions to unitholders for the sixth consecutive year;
- Grow net asset value per unit to at least $13.50 (CAD$18.00) and distribute $4.45 (CAD$5.93) per unit to unitholders over the next 5 years (*for our investors who think in Canadian dollar terms, the figures in parenthesis assume an average CAD to USD exchange rate of 0.75*); and
- Continue to monitor Slate Retail's unit price relative to underlying property values to take advantage of mispricings should they continue to persist.

Below are some of the other exciting things we are thinking about in our future:

- Slate Retail currently owns 1,351 acres of land located within close proximity to major urban and suburban neighbourhoods across the United States. 18.6% of this land is covered by our real estate properties and 18.2% is required for parking. We believe some of the remaining 853 acres of land could prove to be a valuable piece of the last mile distribution puzzle as retailers look for ways to get closer to their customers. There is virtually no real estate zoned for commercial use closer to residential housing than strip centres; and
- Given Slate Retail is a publicly listed entity, sentiment can play a big role in our cost of capital and ability to accretively grow. While the current negative sentiment toward retail may persist for some time it has definitely improved over the past year. Private capital is already beginning to form to invest in retail real estate and we believe it will continue to grow as investors look to take advantage of the potential for outsized returns relative to other real estate asset classes. It's also worth noting that debt financing is still abundant for defensive, grocery-anchored properties with service-based tenancies. Our belief is that deals will be more frequent and grow in dollar size over the next few years which could translate into more favorable public market valuations for U.S. strip center REITs.

Finally, thank you again to the Slate Retail team. Congratulations to Will Miller and David Dunn who are now Officers of the REIT. Will and Dave continue to be leaders within the asset management group and bring best in-class pedigree to work every day, in everything they do. John Harricks who joined Slate Retail from the Slate Advisors platform has been a huge boon to the team and signed some of 2018's biggest lease deals for the REIT, including the anchor backfill at North Summit Square. Allen Gordon, who is based in Atlanta, set a record for same-property NOI growth in his portfolio this year, at over 4.0%. Allen has been in strip retail his entire career and his experience and relationships are invaluable. Brittney Finch completed her first full year as an asset manager after supporting the team for a number of years and stepped up like a veteran, growing her portfolio to 12 properties by year end. This was instrumental in freeing up time for some of our larger redevelopment projects that will drive meaningful growth going forward. Brendan Poupore renewed more than 200,000 square feet in 2018 and signed the new anchor lease at Buckeye Plaza which was arguably the most important lease of the year. Buckeye Plaza is now ready for sale in 2019. Ryan Robert, Stelios Mourtzakis, and Scott Dela Cruz who comprise our construction team oversaw all of our capital projects (refer to link here for an example of a capital project) which was the largest year of spend in the REITs history and totaled, at its peak, over 90 separate projects. These projects drive our income growth and value at our properties and we have more in the pipeline for 2019. The team's expertise and quick turnaround on all of our projects is hugely important and at the forefront of Slate Retail's outstanding reputation with our tenants. Robert Armstrong and Andrew Agatep led the reporting and finance team anchored by Katelyn Merchand and Kyli Lane. They are the backbone of everything we measure and their role in providing our unitholders with accurate and timely information is critical. Lastly, Darrell Shipp and Tyler Pridham have been instrumental on our disposition program, maximizing proceeds while minimizing transaction timelines due to their deep relationships and first-hand knowledge of our properties from having bought or managed many of them.

Thank you to our investors for your continued support. We get the unitholders that we deserve and we continue to work diligently to earn your trust.

Sincerely,

Greg Stevenson
Chief Executive Officer
February 26, 2019

Management's Discussion and Analysis

SLATE RETAIL REIT

December 31, 2018

TSX: SRT.U and SRT.UN

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FORWARD-LOOKING STATEMENTS

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

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

Forward-looking statements included in this MD&A are made as of February 26, 2019, and accordingly are subject to change after such date. The REIT does not undertake to update any forward-looking statements that are included in this MD&A, whether as a result of new information, future events or otherwise, except as expressly required by applicable securities laws. Certain statements included in this MD&A may be considered "financial outlook" for purposes of applicable securities laws, and such financial outlook may not be appropriate for purposes other than this MD&A. Investors are cautioned against placing undue reliance on forward-looking statements.

FINANCIAL AND INFORMATIONAL HIGHLIGHTS

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

	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017
Summary of Portfolio Information						
Number of properties	85	86	86	86	86	84
GLA	10,768,319	10,897,059	11,060,145	11,067,372	11,156,474	10,850,708
GLA occupied by grocery-anchors	5,170,584	5,198,055	5,159,693	5,159,693	5,159,693	4,887,294
Occupancy	94.2%	94.3%	93.9%	93.7%	93.7%	92.6%
Grocery-anchor occupancy	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Non-anchor occupancy	88.9%	89.1%	88.6%	88.2%	88.3%	86.8%
Grocery-anchor weighted average lease term (years)	5.4	5.2	5.3	5.6	5.8	5.5
Portfolio weighted average lease term (years)	4.8	4.8	4.9	5.0	5.1	4.9
Square feet ("SF") leased	642,773	258,114	242,401	294,408	402,050	490,422
Summary of Financial Information						
IFRS gross book value ("GBV") (1)	$ 1,416,334	$ 1,472,898	$ 1,474,077	$ 1,478,396	$ 1,499,519	$ 1,476,651
Total debt	871,562	875,227	864,051	872,263	883,046	846,325
Revenue	36,301	35,699	35,669	36,544	34,859	30,030
Net (loss) income	(9,017)	(1,024)	(14,201)	26,703	31,421	(8,816)
Net operating income ("NOI") (2)	25,353	25,551	25,304	24,724	24,592	21,891
Funds from operations ("FFO") (2)	13,536	14,469	14,542	15,227	15,406	14,448
Adjusted funds from operations ("AFFO") (2)	9,201	8,998	9,465	10,987	11,360	11,168
Distributions declared	$ 9,438	$ 9,627	$ 9,670	$ 9,742	$ 9,625	$ 9,381
Per Unit Financial Information						
Class U equivalent units outstanding	44,309	45,674	46,031	46,261	46,411	46,340
WA class U equivalent units outstanding ("WA units")	44,971	45,489	46,153	46,479	46,443	46,372
FFO per WA units (2)	$ 0.30	$ 0.32	$ 0.32	$ 0.33	$ 0.33	$ 0.31
AFFO per WA units (2)	0.20	0.20	0.21	0.24	0.24	0.24
Declared distributions per unit	$ 0.2113	$ 0.2100	$ 0.2100	$ 0.2100	$ 0.2075	$ 0.2025
Financial Ratios						
FFO payout ratio (2) (3)	69.7%	66.5%	66.5%	64.0%	62.5%	64.9%
AFFO payout ratio (2) (4)	102.6%	107.0%	102.2%	88.7%	84.7%	84.0%
Debt / GBV	61.5%	59.4%	58.6%	59.0%	58.9%	57.3%
Weighted average interest rate (5)	4.06%	4.06%	3.70%	3.53%	3.36%	3.15%
Interest coverage ratio (6)	2.41x	2.64x	2.63x	2.78x	3.06x	3.41x

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 equal to total assets.

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

(3) Distributions declared divided by FFO.

(4) Distributions declared divided by AFFO.

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

(6) 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, 2018. 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, 2018 (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 26, 2019, which is also the date the Board of Trustees, upon the recommendation of its Audit Committee, approved the contents of this MD&A.

PROFILE

The REIT is an unincorporated open-ended real estate mutual fund trust constituted in accordance with the laws of the Province of Ontario pursuant to an amended and restated Declaration of Trust dated as of April 15, 2014, as amended on May 11, 2018. As of December 31, 2018, the REIT owns 85 grocery-anchored retail commercial properties located in the United States of America (the "U.S.") comprising 10.8 million square feet of GLA.

The REIT is externally managed and operated by Slate Asset Management L.P. (the "Manager" or "Slate"). The Manager has an experienced and dedicated team of real estate professionals with a proven track record of success in real estate investment and management. Management's interests are aligned with the unitholders of the REIT through its sponsorship and as a significant unitholder of the REIT. Slate is a significant unitholder in the REIT, with an approximate 7.6% interest, and accordingly, is highly motivated to increase the value to unitholders and provide reliable growing returns to the REIT's unitholders.

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

STRATEGY AND OUTLOOK

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

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

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

The REIT's internal growth strategy includes the following:

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

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

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

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

NON-IFRS FINANCIAL MEASURES

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

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

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

RISK AND UNCERTAINTIES

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

RECENT DEVELOPMENTS

The following is a summary of the key financial and operational highlights and recent developments for the REIT for the year ended December 31, 2018:

- Completed 588,211 square feet of lease renewals at a 4.4% weighted average spread above expiring rent and 54,562 square feet of new leasing at a 26.9% premium above the weighted average in-place rent for comparable space.
- Effective for its December 2018 distributions, the REIT approved the increase of its monthly distribution by 1.8% to U.S.$0.07125 per unit, or U.S.$0.855 annually. This increase is the fifth consecutive annual distribution increase since the REIT listed its class U units on the Toronto Stock Exchange in 2014.
- Occupancy increased by 0.5% during the year to 94.2%, with a significant portion of the REIT's leasing activity to still impact future periods.
- The weighted average tenant retention rate for the fourth quarter is 95.8% compared to 90.4% in the fourth quarter of 2017. Since the beginning of 2016, the weighted average retention rate has been 90.7%.
- The REIT continued to actively repurchase units, with 1.4 million class U units purchased and subsequently canceled under the REIT's normal course issuer bid ("NCIB") for a total cost, including transaction costs, of $12.9 million at an average price of $9.47 during the fourth quarter. For the year ended December 31, 2018, the REIT repurchased 2.2 million units which will result in approximately $1.9 million less distributions on an annualized basis.
- On January 16, 2019, the REIT commenced a substantial issuer bid (the "offer"), pursuant to which the REIT offered to purchase up to 4.2 million class U units at a purchase price of C$12.54 (USD$9.51). On February 20, 2019, the offer announced on January 9, 2019 expired and the REIT has taken up and paid for 0.3 million class U units for an aggregate cost of $3.2 million or C$4.2 million, excluding fees and expenses related to the offer. The class U units purchased for cancellation under the offer approximate 0.8% of the REIT's class U units outstanding at December 31, 2018 and 0.8% of class U units outstanding at February 20, 2019, immediately prior to the expiry of the offer. Upon completion of the offer, 44.1 million class U units remain outstanding.
- Rental revenue for the three month period ended December 31, 2018 and 2017 was $36.3 million and $34.9 million respectively, which represents an increase of $1.4 million. The increase is primarily due to rental rate growth from re-leasing at rates above in-place rents and new leasing in addition to net acquisitions. In the last 12 months, the REIT has acquired one property and disposed of two properties and 13 outparcels at certain properties.
- Net loss for the three month period ended December 31, 2018 was $9.0 million, which is a $40.4 million decrease from the same quarter of the prior year. The decrease is attributed to the decrease in deferred income tax recovery of $27.4 million and the decrease in the change in fair value of properties of $6.3 million, partially offset by the aforementioned increases in revenue of $1.4 million.
- NOI was $25.4 million for the three month period ended December 31, 2018, compared to $25.6 million in the third quarter of 2018. The decrease is due to the lost contribution from the sale of one property and seven outparcels during the period, partially offset by a full quarter of NOI contribution from the acquisition of Plymouth Station, located in Plymouth, Minnesota and termination fees related to shop-space tenants and non-rental income totaling of $0.4 million.
- Same-property NOI for the three month period ended December 31, 2018 (comprised of 77 properties) increased by 4.2% over the comparative period. Same-property NOI for the trailing twelve month period ended December 31, 2018 (comprised of 62 properties) increased by 1.7% over the same period in the prior year. Including the impact of the completion of the REIT's redevelopment projects completed from the fourth quarter of 2017, same-property NOI increased by 4.2% and 2.4% for the three and trailing twelve month period ended December 31, 2018, respectively. Of the last 10 quarters, the REIT has now had eight quarters of positive same-property NOI growth.
- FFO per unit was $0.30 for the quarter, which represented a $0.03 decrease from the same period in the prior year primarily due to the $2.0 million increase in cash interest paid as a result of fixing the REIT's debt through interest rate swaps that fixed the rate on 99.2% of debt, partially offset by the aforementioned increases in rental revenue over the prior quarter. On a pro forma basis after taking into account the REIT's repurchases of units in the fourth quarter of 2018 and in early 2019, the REIT's FFO per unit would have been $0.31 for the quarter, and $1.31 for 2018. We expect the full impact of these repurchases to be realized beginning in the second quarter of 2019.
- AFFO per unit was $0.20 for the quarter, which is a $0.04 per unit decrease compared to the same quarter in 2017, mainly due to a $0.6 million increase in leasing and tenant improvement spend to primarily support new leasing over the prior quarter. If the REIT calculated capital, leasing and tenant improvement spend as 10% of NOI in the current quarter, which is representative of the REIT's historical sustaining capital, leasing and tenant improvement costs, the REIT would have a modified AFFO per unit of $0.24.
- The REIT's AFFO payout ratio for the fourth quarter was 102.6%. For the year ended December 31, 2018, the AFFO payout ratio was 99.5%.

PART II – LEASING AND PROPERTY PORTFOLIO

LEASING

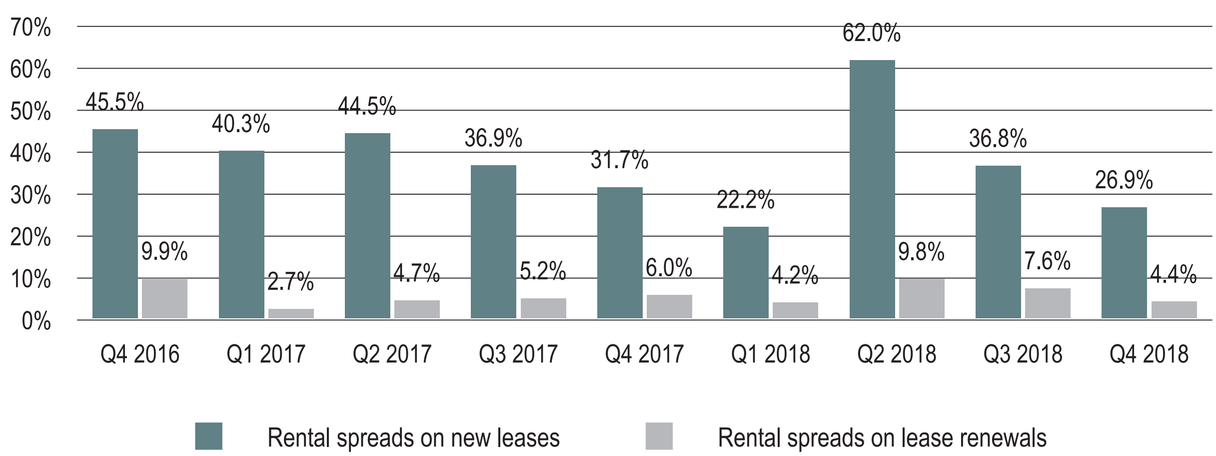
The REIT strives to ensure that its properties are well occupied with tenants who have space that allow them to meet their own business objectives. Accordingly, the REIT proactively monitors its tenant base with the objective to renew in advance of lease maturities, backfill tenant vacancies in instances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

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

Square feet	Deal type		Q4 2018	Q3 2018	Q2 2018	Q1 2018
Less than 10,000	Renewal	Leases signed	46	40	53	49
		Total square feet	111,943	84,156	123,637	128,158
		Average base rent	$ 19.02	$ 18.98	$ 17.31	$ 16.36
		Rental spread	5.8%	9.0%	8.9%	7.8%
Greater than 10,000	Renewal	Leases signed	7	5	3	5
		Total square feet	476,268	93,295	53,800	99,469
		Average base rent	$ 7.42	$ 8.69	$ 7.51	$ 7.29
		Rental spread	3.6%	5.0%	14.8%	(5.0)%
Total renewals (square feet)			**588,211**	**177,451**	**177,437**	**227,627**
Less than 10,000	New lease	Leases signed	9	20	16	22
		Total square feet	26,562	43,800	41,244	56,351
		Average base rent	$ 19.05	$ 19.47	$ 20.91	$ 14.07
		Rental spread [(1)]	44.4%	50.0%	67.0%	12.7%
Greater than 10,000	New lease	Leases signed	1	1	2	1
		Total square feet	28,000	36,863	23,720	10,430
		Average base rent	$ 7.25	$ 8.40	$ 11.92	$ 16.75
		Rental spread [(1)]	(2.6)%	10.1%	48.4%	99.2%
Total new leases (square feet)			**54,562**	**80,663**	**64,964**	**66,781**
Total leasing activity (square feet)			**642,773**	**258,114**	**242,401**	**294,408**

(1) Calculated based on the average base rent of the new lease term compared to the average in-place rent for comparable space across the portfolio.

Leasing Spreads



During the fourth quarter, management completed 588,211 square feet of lease renewals. The weighted average rental rate increase on renewals completed for leases less than 10,000 square feet was $1.04 per square foot or 5.8% higher than expiring rent. The weighted average rental rate increase on renewals completed for leases greater than 10,000 square feet was $0.26 per square foot or 3.6% higher than expiring rent.

The weighted average base rent on all new leases completed less than 10,000 square feet was $19.05 per square foot which is $5.86 per square foot or 44.4% higher than the weighted average in-place rent for comparable space across the portfolio. The weighted average rental rate on all new leases greater than 10,000 square feet was $7.25 which is $0.19 or 2.6% lower 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 $10.79. The single new lease greater than 10,000 square foot was completed at a small negative spread relative to other tenancies in the portfolio, however, represents the leasing of 28,000 square feet of vacancy at Stadium Center, located in Port Huron, Michigan, occurring in July 2018. The new lease was signed with a national retailer and increases Stadium Center to an occupancy of 96.8%. Management expects that the new lease will allow the REIT to explore a sale of the property, monetize the income from the new 28,000 square foot lease, and exit the Port Huron, Michigan market in order to deploy the proceeds into higher growth opportunities.

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 of the REIT's grocery-anchor and non-grocery-anchor tenants as at December 31, 2018 was 5.4 years and 4.2 years respectively, not including tenants on month-to-month leases. On a portfolio basis, the weighted average remaining term to maturity is 4.8 years.

The following table summarizes the composition of the remaining term to maturity of the REIT's leases at December 31, 2018:

	Weighted average term to maturity	GLA	GLA %
Grocery-anchor	5.4	5,170,584	48.0%
Non-anchor	4.2	4,872,909	45.3%
Total occupied	4.8	10,043,493	93.3%
Month-to-month		101,643	0.9%
Vacant		623,183	5.8%
Total GLA		**10,768,319**	**100.0%**

The following table shows the change in occupancy during the three month period ended December 31, 2018:

	Total GLA	Occupied GLA	Occupancy
September 30, 2018	10,897,059	10,273,620	94.3%
Dispositions	(129,272)	(118,367)	91.6%
Leasing changes (1)	—	(785)	N/A
Re-measurements	532	(9,332)	N/A
December 31, 2018	**10,768,319**	**10,145,136**	**94.2%**

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

Occupancy is determined based on lease commencement. Occupancy has decreased by 0.1% to 94.2% from September 30, 2018, primarily due to 55,347 square feet of shop space tenant vacancies, partially offset by 54,562 square feet of new leasing and the disposal of Cudahy Center and seven outparcels at various properties at a weighted occupancy rate of 91.6%.

The following table shows the change in occupancy during the year ended December 31, 2018:

	Total GLA	Occupied GLA	Occupancy
December 31, 2017	11,156,474	10,452,392	93.7%
Acquisitions	114,069	111,584	97.8%
Dispositions	(498,827)	(470,936)	94.4%
Leasing changes (1)	—	83,427	N/A
Re-measurements	(3,397)	(31,331)	N/A
December 31, 2018	**10,768,319**	**10,145,136**	**94.2%**

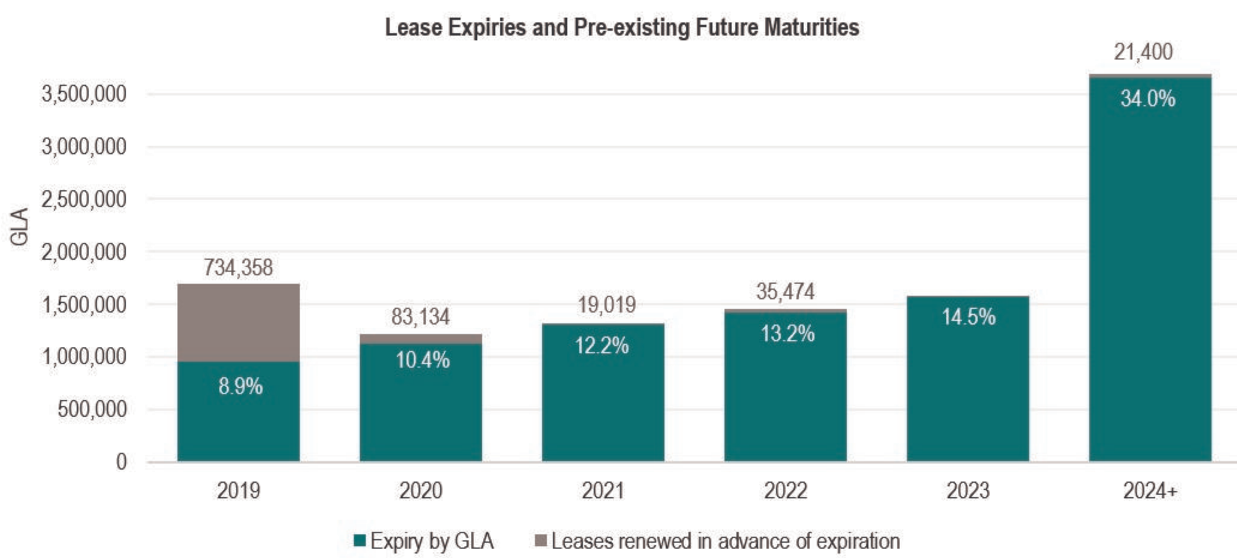
(1) Leasing changes include new leases, lease buyouts, expirations and terminations.

Occupancy increased to 94.2% at December 31, 2018 from 93.7% at December 31, 2017. The increase in occupancy is due to 266,970 square feet of new leasing and the acquisition of Plymouth Station with an occupancy rate of 97.8%, partially offset by vacancies totaling 183,543 square feet and the disposal of two properties and 13 property outparcels at certain properties at a weighted occupancy rate of 94.4%.

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

	Grocery-anchor			Non-anchor			Total		
GLA expiration	GLA	Percentage of portfolio	Average in-place rent	GLA	Percentage of portfolio	Average in-place rent	GLA	Percentage of portfolio	Average in-place rent
Month-to-month	—	—	$ —	101,643	0.9%	$ 17.73	101,643	0.9%	$ 17.73
2019	494,729	4.6%	6.40	463,967	4.3%	16.42	958,696	8.9%	11.25
2020	382,090	3.5%	6.60	748,000	6.9%	11.41	1,130,090	10.4%	9.79
2021	524,699	4.9%	7.89	781,280	7.3%	13.42	1,305,979	12.2%	11.20
2022	699,785	6.5%	7.70	725,932	6.7%	14.56	1,425,717	13.2%	11.19
2023	799,114	7.4%	7.86	766,214	7.1%	13.58	1,565,328	14.5%	10.66
2024 and later	2,270,167	21.0%	9.20	1,387,516	13.0%	12.75	3,657,683	34.0%	10.55
Vacant	—	—	N/A	623,183	5.9%	N/A	623,183	5.9%	N/A
Total / weighted average	**5,170,584**	**47.9%**	**$ 8.20**	**5,597,735**	**52.1%**	**$ 13.49**	**10,768,319**	**100.0%**	**$ 10.79**

The REIT endeavors to proactively lease upcoming expiries in advance of maturity to maintain high occupancy levels, ensure a proper mix of tenants at each property and certainty in cash flows. The following is a table of lease expiries at December 31, 2018 and pre-existing future maturities that were leased in advance during 2018:



The following table summarizes remaining expiries:

	December 31, 2018		September 30, 2018		June 30, 2018		March 31, 2018	
GLA Expiration	Number of tenants	GLA	Number of tenants	GLA	Number of tenants	GLA	Number of tenants	GLA
Anchors	7	494,729	1	56,127	1	56,127	1	56,127
Non-anchors	171	463,967	34	83,697	73	195,840	117	330,555
Remaining expiries	**178**	**958,696**	**35**	**139,824**	**74**	**251,967**	**118**	**386,682**
Percentage of occupied portfolio		**9.4%**		**1.4%**		**2.3%**		**3.5%**

At December 31, 2018, remaining 2019 expiries totaled 958,696 square feet with 4.3% or 463,967 square feet of total GLA related to non-anchor tenants. Comparatively, at September 30, 2018, remaining 2018 expiries totaled 139,824 square feet with 0.8% or 83,697 square feet of total GLA related to non-anchor tenants. At June 30, 2018, remaining 2018 expiries totaled 251,967 square feet with 1.8% or 195,840 square feet of total GLA related to non-anchor tenants. At March 31, 2018, remaining 2018 expiries totaled 386,682 square feet with 3.0% or 330,555 square feet of total GLA related to non-anchor tenants.

Retention rates

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

The following are the REIT's retention rates for the three and twelve month periods ended December 31, 2018, and year ended December 31, 2017 for both grocery-anchor and non-grocery-anchor tenants:

Retention rate (1)	Three months ended December 31, 2018	Year ended December 31, 2018	Year ended December 31, 2017
Grocery-anchor	100.0%	100.0%	100.0%
Non-grocery-anchor	91.4%	84.0%	76.6%
Net total / weighted average	**95.8%**	**92.1%**	**88.3%**

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

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

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

				For the three months ended,
	December 31, 2018	September 30, 2018	June 30, 2018	March 31, 2018
Renewals				
Square feet	588,211	177,451	177,437	227,627
Expiring rent per square foot (1)	$ 9.22	$ 12.64	$ 13.06	$ 11.90
Rent spread per square foot (1)	0.41	0.96	1.28	0.50
Vacated				
Square feet (2)	55,347	36,351	19,220	72,625
Expiring rent per square foot (1)	$ 14.94	$ 10.89	$ 16.26	$ 15.13
New				
Square feet	54,562	80,663	64,964	66,781
New rent per square foot (1)	$ 12.99	$ 14.41	$ 17.63	$ 14.49
Total base rent retained	**$ 4,596**	**$ 1,847**	**$ 2,005**	**$ 1,610**
Incremental base rent	**$ 950**	**$ 1,333**	**$ 1,372**	**$ 1,081**

(1) Weighted average.
(2) 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, 2018 is as follows:

	GLA	Number of tenants	Weighted average expiring rent	Weighted average new rent
Renewed leases	588,211	53	$ 9.22	$ 9.63
New leases	54,562	10	N/A	12.99
Total / weighted average	**642,773**	**63**	**N/A**	**$ 9.91**
Less, leases not renewed / vacated during term (1)	(55,347)	(20)	14.94	N/A
Net total / weighted average	**587,426**	**43**		**$ 9.91**

(1) Adjusted for lease buyouts and vacancies due to redevelopment.

The REIT's leasing activity during the year ended December 31, 2018 is as follows:

	GLA	Number of tenants	Weighted average expiring rent	Weighted average new rent
Renewed leases	1,170,726	208	$ 10.84	$ 11.48
New leases	266,970	72	N/A	14.92
Total / weighted average	**1,437,696**	**280**	**N/A**	**$ 12.12**
Less, leases not renewed / vacated during term (1)	(183,543)	(65)	14.35	N/A
Net total / weighted average	**1,254,153**	**215**		**$ 12.12**

(1) Adjusted for lease buyouts and vacancies due to redevelopment.

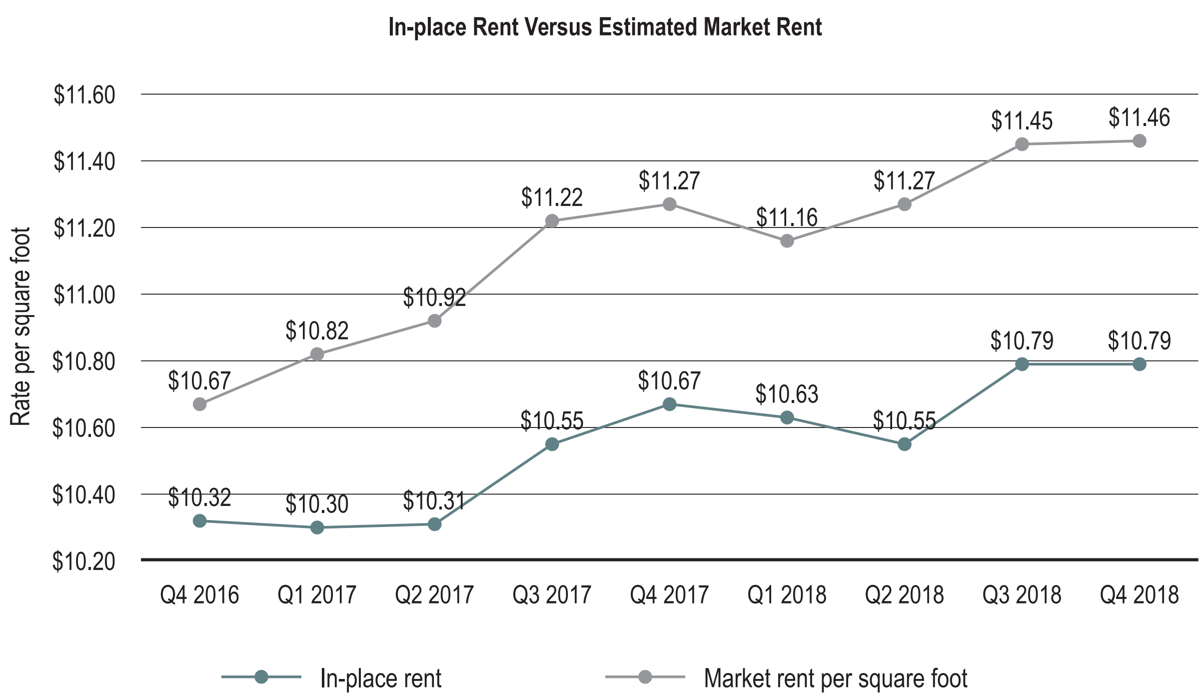
During the fourth quarter of 2018 the REIT completed 642,773 square feet of leasing, which represents 6.0% of the REIT's portfolio. For the year ended December 31, 2018, 1,437,696 square feet of leasing was completed, which represents 13.4% of the REIT's portfolio and compares favorably to the 5.7% that was contractually expiring as of December 31, 2017. This level of leasing is consistent with the REIT's strategy of actively managing the properties to create value through a hands-on approach.

Net rental rates

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

	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017
Grocery rent	$ 8.20	$ 8.10	$ 8.08	$ 8.20	$ 8.19	$ 8.29	$ 8.28	$ 8.38
Shop space rent	13.49	13.44	13.00	13.03	13.08	12.68	12.32	12.22
Total	**$ 10.79**	**$ 10.79**	**$ 10.55**	**$ 10.63**	**$ 10.67**	**$ 10.55**	**$ 10.31**	**$ 10.30**
Market rent (1)	**$ 11.46**	**$ 11.45**	**$ 11.27**	**$ 11.16**	**$ 11.27**	**$ 11.22**	**$ 10.92**	**$ 10.82**

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

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 one property during the year ended December 31, 2018, as summarized below:

Property	Purchase date	Metropolitan statistical area ("MSA")	Purchase price	SF	Price per SF	Anchor tenant
Plymouth Station	August 31, 2018	Minneapolis-St Paul	$ 20,465	114,069	$ 179	Hy-Vee

The aforementioned property was acquired by the REIT for a total of $20.5 million, totaling 0.1 million square feet ($179 price per square foot) at a going-in capitalization rate of 7.3%. Consideration for the cost of the acquisition was funded by the REIT's revolver and cash on hand. The asset is anchored by a market leading grocer with 15.1 years of lease term.

Subsequent to December 31, 2018, the REIT acquired a 50% interest in Windmill Plaza, located in Sterling Heights, Michigan, in a joint-venture partnership with The Kroger Company for $7.3 million, net of settlement of the REIT's note receivable of $9.4 million and an assumed loan and prior to transaction costs. The REIT is planning to invest an additional $5.7 million at our share to redevelop the property and includes a 25 year ground lease with Kroger as the anchor tenant. Construction will commence in the first quarter of 2019 and will include a brand new 129,000 square foot Kroger Marketplace, an improved inline façade and a completely redesigned parking lot, landscaping and lighting system. In addition to Kroger, new leases have been executed with Edge Fitness for 36,576 square feet and Pet Supplies Plus for 7,780 square feet, significantly reducing future leasing risk. The REIT expects completion and rent commencement to be February of 2020. This acquisition is summarized below:

Property	Purchase date	Metropolitan statistical area ("MSA")	Purchase price	SF	Price per SF	Anchor tenant
Windmill Plaza (1)	January 2019	Detroit	$ 7,299	159,854	$ 91	Kroger

(1) Price per square foot is based on a 100% purchase price of the property at $14.8 million.

DISPOSITIONS

Dispositions

The REIT disposed of two properties and 13 property outparcels during the year ended December 31, 2018 as follows:

Property	Tenant	Number of outparcels	Disposition date	Location	Sales price
Westhaven Town Center Outparcel	Various office tenants	1	January 9, 2018	Franklin, TN	$ 9,100
Mooresville Consumer Square Outparcel	Planet Fitness	1	February 15, 2018	Mooresville, NC	6,450
Norwin Town Square Outparcel	Pep Boys	1	March 16, 2018	North Huntingdon, PA	1,360
Waterbury Plaza Outparcel	Webster Bank	1	April 17, 2018	Waterbury, CT	3,300
Mooresville Consumer Square Outparcels	Camping World, Pizza Hut	2	August 22, 2018	Mooresville, NC	12,730
Field Club Commons	Pick 'n Save	N/A	September 26, 2018	New Castle, PA	9,800
Roxborough Marketplace Outparcel	Chase Bank	1	October 11, 2018	Littleton, CO	1,550
Roxborough Marketplace Outparcel	Sonic	1	November 5, 2018	Littleton, CO	710
North Branch Marketplace Outparcel	Holiday Gas	1	November 19, 2018	North Branch, MN	1,760
North Lake Commons Outparcel	O'Reilly Auto Parts	1	December 4, 2018	Lake Zurich, IL	1,252
Cudahy Center	Pick 'n Save	N/A	December 4, 2018	Cudahy, WI	2,075
Battleground Village Outparcel	Starbucks	1	December 13, 2018	Greensboro, NC	1,818
Mooresville Consumer Square Outparcel	Popeyes	1	December 18, 2018	Mooresville, NC	1,491
Stonefield Square Outparcel	CVS Pharmacy	1	December 24, 2018	Louisville, KY	1,700
Total					**$ 55,096**

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

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

PROPERTY PROFILE

Professional management

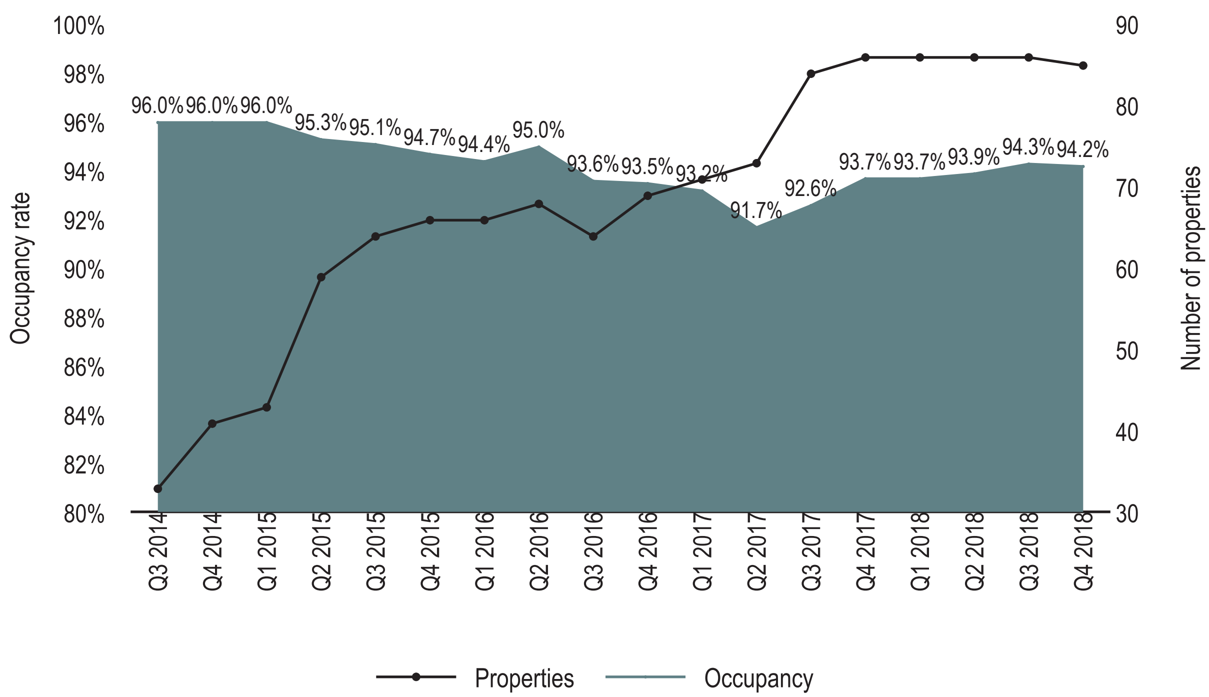
Through professional management of the portfolio, the REIT intends to ensure its properties portray an image that will continue to attract consumers as well as provide preferred locations for its tenants. Well-managed properties enhance the shopping experience and ensure customers continue to visit the centres. Professional management of the portfolio has enabled the REIT to maintain a high occupancy level, currently 94.2% at December 31, 2018 (September, 2018 – 94.3%, June 30, 2018 – 93.9%, March 31, 2018 – 93.7%).

Occupancy has decreased by 0.1% to 94.2% from the most recent quarter due to 55,347 square feet of shop space tenant vacancies, partially offset by new leases in the quarter, which included Ollie's Bargain Outlet at Stadium Center at 28,000 square feet and the disposal of Cudahy Center and seven outparcels at various properties at a weighted occupancy rate of 91.6%.

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

	2014		2015				2016				2017				2018			
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Properties	33	41	43	59	64	66	66	68	64	69	71	73	84	86	86	86	86	85
Occupancy	96%	96%	96%	95%	95%	95%	94%	95%	94%	94%	93%	92%	93%	94%	94%	94%	94%	94%

Historical Occupancy Rates

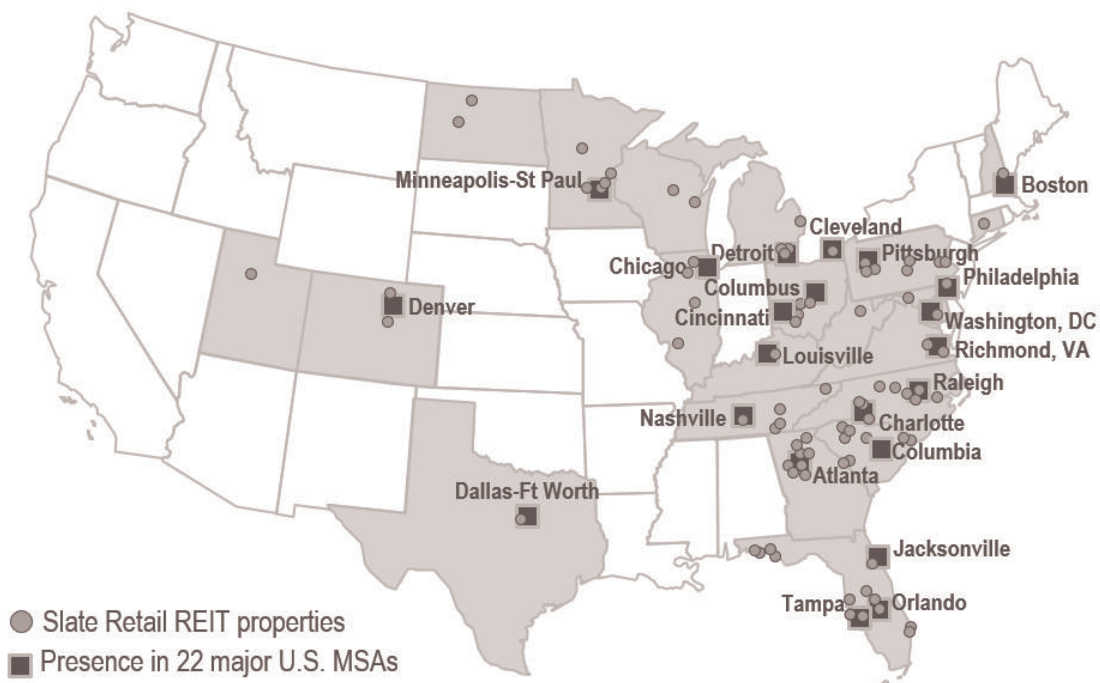


Geographic overview

The REIT's portfolio is geographically diversified. As of December 31, 2018, the REIT's 85 properties were located in 21 states with a presence in 22 MSAs. The REIT has 33 properties, or 38.8% of the total portfolio, located in the U.S. sunbelt region. Markets within this region benefit from strong underlying demographic trends, above average employment and population growth. This provides the REIT opportunities to progressively drive operational efficiencies and sustainable growth.

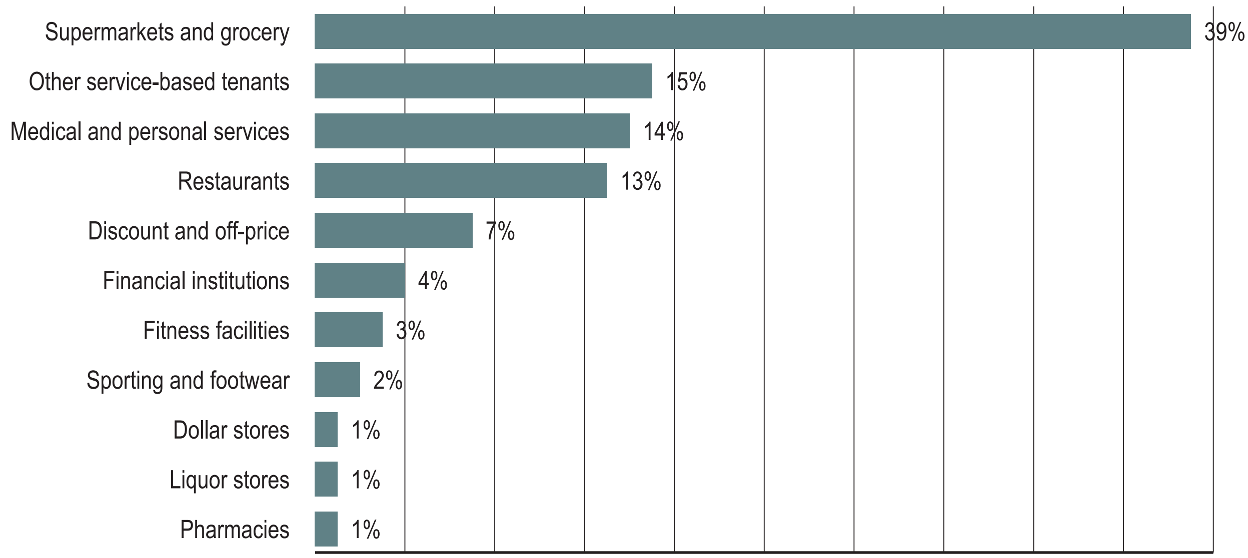
The following is a summary of the geographic location and relative dispersion of the REIT's property portfolio:

State	Number of assets	Total SF	Occupied SF	Percentage of revenue	Occupancy
Florida	13	1,512,498	1,439,463	15.8%	95.2%
North Carolina	9	1,209,013	1,153,229	11.1%	95.4%
Pennsylvania	8	1,280,314	1,210,397	11.0%	94.5%
Georgia	9	1,030,702	962,998	9.6%	93.4%
South Carolina	7	969,644	931,024	8.9%	96.0%
Minnesota	5	566,782	539,077	5.8%	95.1%
Michigan	4	501,378	487,928	4.6%	97.3%
Ohio	5	688,096	546,038	4.0%	79.4%
Tennessee	5	526,641	520,641	3.7%	98.9%
North Dakota	2	261,578	260,287	3.5%	99.5%
Illinois	4	390,946	341,880	3.4%	87.4%
Maryland	1	147,803	136,830	3.0%	92.6%
West Virginia	2	387,162	380,302	2.6%	98.2%
Colorado	2	198,637	188,284	2.2%	94.8%
Wisconsin	2	190,979	188,279	2.0%	98.6%
New Hampshire	1	187,001	181,242	2.0%	96.9%
Virginia	2	203,434	199,234	1.9%	97.9%
Connecticut	1	139,653	139,653	1.7%	100.0%
Texas	1	167,961	142,892	1.3%	85.1%
Utah	1	127,231	123,970	1.2%	97.4%
Kentucky	1	80,866	71,488	0.9%	88.4%
Total	**85**	**10,768,319**	**10,145,136**	**100%**	**94.2%**



Tenant categories

As of December 31, 2018, the REIT has the following tenant categories within the portfolio, allocated by base rent:



Category	Number of stores	Percentage of rent	Key brands [1]
Supermarkets and grocery	101	39%	Walmart, Kroger, Publix, Ahold Delhaize, unfi
Other service-based tenants	258	15%	Lumber Liquidators, metroPCS, Sally Beauty Supply
Medical and personal services	394	14%	Bayada Home Health Care, Great Clips, Hair Cuttery
Restaurants	277	13%	Burger King, Little Caesars, McDonald's, Pizza Hut, Subway
Discount and off-price	52	7%	Bealls, Marshalls, Ross Dress for Less
Financial institutions	101	4%	ascensus, Bank of America, KeyBank, H&R Block
Fitness facilities	37	3%	Anytime Fitness, Planet Fitness, Snap Fitness
Sporting and footwear	22	2%	Play It Again Sports, Dick's Sporting Goods, Dunham's Sports, Rack Room Shoes, Shoe Show
Dollar stores	16	1%	Dollar Tree, Dollar General, Family Dollar
Liquor stores	25	1%	Cash Wise, Winn-Dixie Wine & Spirits, HyVee Wine & Spirits, Smith's Liquor
Pharmacies	9	1%	Walgreens, Rite Aid, CVS pharmacy
Total	**1,292**	**100%**	

[1] All trademarks are the property of their respective owners.

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

Anchor tenants

The REIT endeavors to own properties with anchors who are dominant in their respective regions in terms of operational scale and sales. Accordingly, the REIT's anchor tenants are often either the first or second dominant store in their respective area in terms of market share. The following table identifies the REIT's largest anchor tenants including their annual minimum rent, the number of stores, GLA as a percentage of the total portfolio and the percentage of base rent. Walmart Inc. represents the REIT's largest tenant by base rent with a total of 8 stores and 7.7% of base rents.

The largest 15 tenants account for 47.9% of total GLA and 39.2% of base rent as follows:

Parent company	Store brands	Grocery	Stores	% GLA	Base rent	% Base rent
Walmart Inc.	Wal-Mart, Sams Club	Y	8	12.1%	$ 8,549	7.7%
The Kroger Co.	Kroger, Pick 'n Save, Harris Teeter	Y	19	10.3%	7,496	6.8%
Publix Supermarkets	Publix	Y	12	5.1%	4,492	4.1%
Koninklijke Ahold Delhaize N.V.	Stop & Shop, GIANT, Food Lion, Hannaford	Y	5	2.8%	4,331	3.9%
Southeastern Grocers	Winn Dixie, BI-LO	Y	10	4.3%	3,912	3.5%
United Natural Foods, Inc.	Various (1)	Y	5	2.4%	2,625	2.4%
Coborn`s Inc.	CashWise	Y	2	1.1%	2,038	1.9%
Albertsons	Jewel-Osco, Safeway	Y	4	2.3%	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	1.3%	1,252	1.1%
Dollar Tree Inc.	Dollar Tree, Family Dollar	N	12	1.1%	1,132	1.0%
Schnuck Markets, Inc.	Schnucks	Y	2	1.1%	1,099	1.0%
TJX Companies	Marshalls, T.J. Maxx	N	4	1.0%	1,050	0.9%
The Fresh Market, Inc.	The Fresh Market	Y	4	0.8%	954	0.9%
Planet Fitness	Planet Fitness	N	6	0.9%	942	0.9%
Total			**100**	**47.9%**	**$ 43,341**	**39.2%**

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

Development

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

The REIT has classified the following properties as redevelopment properties:

Property	Nature of redevelopment	Expected completion	Estimated incremental NOI (1)	Yield on cost	Pre-leased percentage	Estimated investment Incurred	Remaining	Total
Hocking Valley Mall	Anchor repositioning	Q1 2019	526	4.5%	93%	$ 11,110	$ 602	**$ 11,712**
North Summit Square	Anchor repositioning	Q3 2019	491	20.6%	100%	$ 312	$ 2,068	**$ 2,380**
Springboro Plaza	Junior anchor repositioning	Q3 2020	531	17.6%	—%	$ 4	$ 3,005	**$ 3,009**
Total			**$ 1,548**	**9.1%**		**$ 11,426**	**$ 5,675**	**$ 17,101**

Completed redevelopment projects						
Property	**Nature of redevelopment**	**Completed**	**Estimated incremental NOI (1)**	**Yield on cost**	**Leased percentage**	**Total invested**
Buckeye Plaza (2)	Anchor repositioning	Q4 2018	$ 209	72.8%	100%	$ 287
County Line Plaza	Anchor repositioning	Q4 2018	530	17.5%	100%	**3,026**
			739	**22.3%**		**$ 3,313**

(1) Calculated on a trailing twelve month basis as of December 31, 2018.

(2) Total invested spend of $287 thousand includes the commitment to deliver a tenant improvement in the amount of $250 thousand following 6 months of tenant operations in the leased space. This capital spend is expected to be incurred in the third quarter of 2019.

Redevelopment capital spent during the three and twelve month periods ended December 31, 2018 is as follows:

	Three months ended December 31, 2018	Year ended December 31, 2018
County Line Plaza	$ 2	$ 1,619
Hocking Valley Mall	100	7,595
Other redevelopment costs (1)	488	650
Total	**$ 590**	**$ 9,864**

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

North Summit Square is a 224,530 square foot shopping centre anchored by Sam’s Club and shadow anchored by Lowes’s Home Improvement. The centre is located in one of the premier retail nodes in Winston-Salem North Carolina and has close proximity to Wake Forest University. In June 2017 management strategically terminated the lease of a 36,862 square foot junior anchor tenant that was paying below market rates. The REIT has now finalized a 10 year lease with Urban Air Adventure Park to backfill the junior anchor space. The lease will result in a $58 thousand spread annually over base rental rates paid by the previous tenant. Rent commencement is targeted for the second quarter of 2019. The REIT expects to invest $2.4 million of capital as part of the transaction, with approximately $1.5 million allocated to parking lot repairs and resurfacing, as required by Sam's Club waive restrictions on the Urban Air Adventure Park use. As of December 31, 2018, $0.3 million has been spent.

Hocking Valley is a 181,727 square foot shopping centre located in the Columbus MSA, anchored by a Kroger grocery store. The REIT has undertaken a redevelopment of the property in order to grow the existing 55,160 square foot Kroger store into their new format, which is over 100,000 square feet. In addition to a full-service grocer, the new format features an array of departments including: pharmacy, health and beauty care, home furnishings, bed and bath, toys and apparel. The initial term of the ground lease with Kroger is for 25 years, ensuring Kroger’s presence at the centre well into the future. The REIT has achieved substantial completion of the project and anticipates the total investment will be approximately $11.7 million. At December 31, 2018, $11.1 million has been spent with an estimated $0.6 million remaining for the lease-up of the balance of the available space. The REIT has leased the majority of the former Kroger box to leading national retailers, HomeGoods and PetSmart. Both tenants have opened for business to the public in the fourth quarter of 2018 and have commenced paying rent, at significant spreads to Kroger’s previous contractual rent.

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

Subsequent to the year end, the REIT acquired Windmill Plaza, a grocery-anchored shopping centre located in Sterling Heights, Michigan, in a joint-venture partnership with The Kroger Company. The REIT is planning to invest an additional $5.7 million at our share to redevelop the property and includes a 25 year ground lease with Kroger as the anchor tenant. Construction will commence in the first quarter of 2019 and will include a brand new 129,000 square foot Kroger Marketplace, an improved inline façade and a completely redesigned parking lot, landscaping and lighting system. In addition to Kroger, new leases have been executed with Edge Fitness for 36,576 square feet and Pet Supplies Plus for 7,780 square feet, significantly reducing future leasing risk. The REIT expects completion and rent commencement to be February of 2020.

IFRS FAIR VALUE

The REIT's property portfolio at December 31, 2018 had an estimated IFRS fair value of $1.4 billion, with a weighted average capitalization rate of 7.50%. Overall, the average estimated IFRS value per square foot of the REIT's portfolio is $127.

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

Direct capitalization rates	**December 31, 2018**	December 31, 2017
Minimum	**6.25%**	6.25%
Maximum	**11.40%**	9.50%
Weighted average	**7.50%**	7.25%

The December 31, 2018 weighted average capitalization rate increased to 7.50% from 7.25% at December 31, 2017. The increase in the weighted average capitalization rate is primarily due to changes in buyer demand in the retail real estate sector for properties similar to the REIT's. 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 improvement.

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,	
	2018	2017	**2018**	2017
Beginning of the period	**$ 1,418,935**	$ 1,424,049	**$ 1,454,463**	$ 1,072,923
Acquisitions	**—**	49,153	**21,087**	397,791
Capital	**1,397**	1,485	**5,555**	4,382
Leasing costs	**621**	390	**2,871**	1,307
Tenant improvements	**1,986**	1,648	**8,125**	3,007
Development and expansion capital	**590**	2,003	**9,864**	7,186
Straight-line rent	**331**	523	**2,572**	1,930
Dispositions	**(12,356)**	(2,025)	**(55,096)**	(17,110)
IFRIC 21 property tax adjustment	**4,870**	4,387	**200**	1,956
Change in fair value (1)	**(33,419)**	(27,150)	**(66,686)**	(18,909)
End of the period	**$ 1,382,955**	$ 1,454,463	**$ 1,382,955**	$ 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

The fair value of the REIT's properties and properties under redevelopment for the year ended December 31, 2018 is as follows:

	Properties	Properties under redevelopment	Total
Balance, December 31, 2017	$ 1,387,660	$ 66,803	$ 1,454,463
Acquisitions	21,087	—	21,087
Capital	5,109	446	5,555
Leasing costs	2,597	274	2,871
Tenant improvements	8,113	12	8,125
Development and expansion capital	2,269	7,595	9,864
Straight-line rent	2,067	505	2,572
Dispositions	(55,096)	—	(55,096)
IFRIC 21 property tax adjustment	200	—	200
Transfers to income-producing properties	30,864	(30,864)	—
Change in properties [(1)]	(89,576)	22,890	(66,686)
Balance, December 31, 2018	**$ 1,315,294**	**$ 67,661**	**$ 1,382,955**

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

Capital, leasing and tenant improvement costs for the three and twelve month periods ended December 31, 2018, was $4.0 million and $16.6 million respectively. Such costs are generally expended for purposes of tenanting and renewing existing leases, which maintain and create value at the REIT's properties and the portfolio as a whole by increasing contractual cash flow through new and extended leases. The REIT will continue to capitalize on opportunities to revitalize, undertake space improvements and generally maintain the high quality of the properties and tenants, such as the programs undertaken at Buckeye Plaza, County Line Plaza, both of which completed in the fourth quarter of 2018, and Hocking Valley and North Summit Square, both of which are expected to be completed in 2019. These expenditures can vary from period to period, at times significantly, depending upon the timing of lease expiries, re-leasing and management's capital plan for the period.

Fair value adjustments on properties

For the three month period ended December 31, 2018, the REIT recorded a fair value loss on properties of $33.4 million, mainly related to valuation parameters and cash flows. The fair value loss on properties of $66.7 million for the year ended December 31, 2018 is due to valuation parameters and cash flows and adjustments for straight-line rent.

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,	
	2018	2017	**2018**	2017
Valuation parameters and cash flows	**$ (28,218)**	$ (21,537)	**$ (63,292)**	$ (8,342)
Transaction costs capitalized	**—**	(703)	**(622)**	(6,681)
IFRIC 21 property tax adjustment	**(4,870)**	(4,387)	**(200)**	(1,956)
Adjusted for straight-line rent	**(331)**	(523)	**(2,572)**	(1,930)
Total	**$ (33,419)**	$ (27,150)	**$ (66,686)**	$ (18,909)

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

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

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.

The loan, originally advanced in October 2015 in the amount of $7.7 million, had a balance of $9.4 million at December 31, 2018, 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.

Subsequent to quarter end, the loan was settled as part of consideration for the acquisition of Windmill Plaza, a grocery-anchored shopping centre located in Sterling Heights, Michigan. Windmill Plaza was acquired on January 25, 2019 in a 50% joint-venture partnership with The Kroger Company for $7.3 million, before transaction costs and an assumed loan. In addition to the settlement of the loan, consideration for the property included cash consideration and an assumed loan. The REIT is planning to invest an additional $5.7 million at our share to redevelop the property and includes a 25 year ground lease with Kroger as the anchor tenant. Construction will commence in the first quarter of 2019 and will include a brand new 129,000 square foot Kroger Marketplace, an improved inline façade and a completely redesigned parking lot, landscaping and lighting system. In addition to Kroger, new leases have been executed with Edge Fitness for 36,576 square feet and Pet Supplies Plus for 7,780 square feet, significantly reducing future leasing risk. The REIT expects completion and rent commencement to be February of 2020.

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 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017
Rental revenue	$ 36,301	$ 35,699	$ 35,669	$ 36,544	$ 34,859	$ 30,030	$ 26,614	$ 27,233
Property operating expenses [1]	(5,747)	(5,126)	(5,117)	(24,519)	(5,357)	(3,988)	(3,532)	(16,907)
Straight-line rent revenue	(331)	(448)	(658)	(1,135)	(523)	(367)	(639)	(401)
IFRIC 21 property tax adjustment [1]	(4,870)	(4,574)	(4,590)	13,834	(4,387)	(3,784)	(3,271)	9,486
NOI	$ 25,353	$ 25,551	$ 25,304	$ 24,724	$ 24,592	$ 21,891	$ 19,172	$ 19,411
Class U units outstanding	44,309	45,674	46,031	46,261	46,410	46,340	46,291	41,031
WA units	44,971	45,489	46,153	46,479	46,443	46,372	42,832	39,847
Net (loss) income	$ (9,017)	$ (1,024)	$ (14,201)	$ 26,703	$ 31,421	$ (8,816)	$ 16,049	$ 8,652
Net (loss) income per WA unit	$ (0.20)	$ (0.02)	$ (0.31)	$ 0.57	$ 0.68	$ (0.19)	$ 0.37	$ 0.22
IFRS NAV	$ 514,329	$ 565,720	$ 580,742	$ 580,345	$ 593,066	$ 606,235	$ 597,403	$ 541,819
IFRS NAV per unit	$ 11.61	$ 12.39	$ 12.62	$ 12.55	$ 12.78	$ 13.08	$ 12.91	$ 13.21
Distributions	$ 9,438	$ 9,627	$ 9,670	$ 9,742	$ 9,625	$ 9,381	$ 9,018	$ 8,308
Distributions per unit	$ 0.2113	$ 0.2100	$ 0.2100	$ 0.2100	$ 0.2075	$ 0.2025	$ 0.2025	$ 0.2025
FFO	$ 13,536	$ 14,469	$ 14,542	$ 15,227	$ 15,406	$ 14,448	$ 12,741	$ 12,859
FFO per WA units	$ 0.30	$ 0.32	$ 0.32	$ 0.33	$ 0.33	$ 0.31	$ 0.30	$ 0.32
AFFO	$ 9,201	$ 8,998	$ 9,465	$ 10,987	$ 11,360	$ 11,168	$ 10,713	$ 11,587
AFFO per WA units	$ 0.20	$ 0.20	$ 0.21	$ 0.24	$ 0.24	$ 0.24	$ 0.25	$ 0.29
Total assets	$ 1,416,334	$ 1,472,898	$ 1,474,077	$ 1,478,396	$ 1,499,519	$ 1,476,651	$1,225,065	$1,158,102
Debt	$ 871,562	$ 875,227	$ 864,051	$ 872,263	$ 883,046	$ 846,325	$ 608,035	$ 597,787
Debt / GBV	61.5%	59.4%	58.6%	59.0%	58.9%	57.3%	49.6%	51.6%
Number of properties	85	86	86	86	86	84	73	71
% leased	94.2%	94.3%	93.9%	93.7%	93.7%	92.6%	91.7%	93.2%
GLA	10,768,319	10,897,059	11,060,145	11,067,372	11,156,474	10,850,708	9,141,538	8,513,110
Grocery-anchored GLA	5,170,584	5,198,055	5,159,693	5,159,693	5,159,693	4,887,294	4,162,756	3,968,924

[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.

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 periods ended December 31, 2018 was $36.3 million and $144.2 million respectively, which represents an increase of $1.4 million and $25.5 million from the same periods in the prior year. The increase is primarily due to a full period of rental revenue contributed from 17 properties acquired in the 2017 year, partial revenue contribution from the acquisition of one property during the current period, increases in rental rates from re-leasing, and new leasing typically above in-place rent, partially offset by the impact of a loss in revenue contribution from the disposition of two properties and 13 outparcels at certain properties since December 31, 2017.

Southeastern Grocers, LLC

On May 31, 2018, Southeastern Grocers, LLC ("SEG"), the parent of Winn-Dixie, BI-LO, Fresco y Más and Harveys Supermarket grocery stores successfully emerged from its restructuring previously announced on March 15, 2018. As a result of the Restructuring Support Agreement ("RSA") entered by SEG, the REIT entered into lease amendments with SEG to modify the terms of certain existing leases of the REIT, effective upon SEG's successful emergence from its restructuring. The impact of the lease amendments included minor rent reductions at 6 of the REIT's 10 properties, which the REIT expects to be $0.7 million in rental revenue during 2019, in return for lease term modifications and certain minimum investments to improve or upgrade the existing format at the REIT's properties. For the three and twelve month periods ended December 31, 2018, the rent reductions had an impact of $0.2 million and $0.4 million, respectively. On a three month same-property NOI basis year-over-year and trailing twelve month basis, the rent reductions resulted in a $0.2 million and $0.4 million lower NOI, respectively.

PROPERTY OPERATING EXPENSES

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

Property operating expenses increased by $0.9 million and $9.0 million for the three and twelve month periods ended December 31, 2018, respectively. The increase is primarily due to a full period of operating expenses associated with properties acquired from the prior year, the acquisition of one property in the current year and the application of IFRIC 21 property tax adjustments, partially offset by the disposition of two properties and 13 outparcels at certain properties from December 31, 2017.

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

OTHER EXPENSES

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

	Three months ended December 31,			Year ended December 31,		
	2018	2017	**Variance**	**2018**	2017	**Variance**
Asset management fees	**$ 1,485**	$ 1,489	**$ (4)**	**$ 5,925**	$ 4,978	**$ 947**
Professional fees and other	**655**	486	**169**	**2,773**	2,290	**483**
Bad debt expense	**306**	123	**183**	**1,105**	459	**646**
Franchise and business taxes	**94**	(136)	**230**	**503**	261	**242**
Total	**$ 2,540**	$ 1,962	**$ 578**	**$ 10,306**	$ 7,988	**$ 2,318**
% of total assets	**0.2%**	0.1%	**0.1%**	**0.7%**	0.5%	**0.2%**
% of total revenue	**7.0%**	5.6%	**1.4%**	**7.1%**	6.7%	**0.4%**

Other expenses for the three month period ended December 31, 2018 increased by $0.6 million from the comparative quarter in 2017. The increase is mainly due to increases in bad debt expense and increases in franchise and business taxes as a result of withholding tax refunds received in the prior period.

Other expenses for the year ended December 31, 2018 was $10.3 million, which represents a $2.3 million increase from the same period in the prior year. The increases in asset management fees and professional fees and other are mainly due to the acquisition and operation of 17 properties during the 2017 period and the acquisition of one property in the current year, partially offset by the impact of a loss in contribution from the disposition of two properties and 13 outparcels at certain properties from December 31, 2017. The increase in bad debt expense of $0.6 million to $1.1 million was driven by an increase in the allowance for doubtful accounts as management anticipates certain amounts from shop space tenants will be uncollectible. Total bad debt expense for the year ended December 31, 2018 was 0.8% of revenue which represents an increase of 0.4% from prior year.

INTEREST EXPENSE AND OTHER FINANCING COSTS, NET

	Three months ended December 31,			Year ended December 31,		
	2018	2017	**Variance**	**2018**	2017	**Variance**
Interest on debt and finance charges	**$ 9,983**	$ 7,430	**$ 2,553**	**$ 36,805**	$ 22,903	**$ 13,902**
Interest rate swaps, net settlement	**(518)**	(32)	**(486)**	**(2,067)**	186	**(2,253)**
Interest income	**(23)**	(17)	**(6)**	**(95)**	(69)	**(26)**
Interest income on notes receivable	**(190)**	(189)	**(1)**	**(752)**	(708)	**(44)**
Amortization of finance charges	**493**	651	**(158)**	**1,950**	1,639	**311**
Amortization of mark-to-market premium	**(92)**	(87)	**(5)**	**(353)**	(347)	**(6)**
Interest income on TIF notes receivable	**(24)**	(27)	**3**	**(99)**	(117)	**18**
Interest expense on TIF notes payable	**—**	39	**(39)**	**122**	154	**(32)**
Amortization of deferred gain on TIF notes	**(21)**	(21)	**—**	**(87)**	(87)	**—**
Total	**$ 9,608**	$ 7,747	**$ 1,861**	**$ 35,424**	$ 23,554	**$ 11,870**

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

Interest on debt increased by $2.6 million and $13.9 million for the three and twelve month periods ended December 31, 2018, respectively, compared to the same period in 2017. The increases are primarily due to advances on the revolver for the acquisition of certain properties and increased costs of the REIT's floating rate debt driven by higher one-month U.S. LIBOR rates over the comparative periods. One-month U.S. LIBOR at December 31, 2017 was 1.57%, increasing to 2.52% at December 31, 2018. This increase was partially offset by periods of lower indebtedness from $56.5 million in repayments from the disposition of two properties and 13 outparcels at certain properties from the fourth quarter of 2017 and cash on hand. The REIT's revolver is redrawn from time-to-time to fund acquisitions.

The REIT's pay-fixed, receive-float interest rate swaps hedge a portion of the cash flow risk associated with one-month U.S. LIBOR based interest payments, with 99.2% of the REIT's debt subject to fixed rates at December 31, 2018. The weighted average fixed rate of the REIT's interest rate swaps was 2.03% compared to the one-month U.S. LIBOR at 2.52% at December 31, 2018 with a weighted average term to maturity of 3.9 years. Under this arrangement, the REIT has received $0.5 million and $32 thousand of net interest payments in current quarter and comparative period, respectively. Based on current one-month U.S. LIBOR, the REIT expects to receive $3.7 million annually.

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

FAIR VALUE ADJUSTMENTS ON REIT UNITS AND EXCHANGEABLE UNITS OF SUBSIDIARIES

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, 2018 was $8.61 (December 31, 2017 – $10.38). Changes in fair value of exchangeable units of subsidiaries are non-cash in nature and are required to be recorded in income under IFRS.

Subdivision

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

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

For the three month period ended December 31, 2018, the REIT recognized an unrealized fair value gain of $2.7 million on the exchangeable units of subsidiaries. For the year ended December 31, 2018, the REIT recognized an unrealized fair value gain of $19.5 million and $4.0 million on the REIT units and exchangeable units of the subsidiaries respectively, as a result of a decrease in fair value per unit from $10.38 at the 2017 year end.

NET (LOSS) INCOME

For the three month period ended December 31, 2018, the REIT incurred a net loss of $9.0 million which represented a $40.4 million decrease from the same quarter of the prior year. The decrease is attributed to a decrease in deferred income tax recovery of $27.4 million and a decrease in the change in fair value of properties of $6.3 million, partially offset by the aforementioned increases in revenue of $1.4 million. Total REIT distributions for the quarter recognized as a decrease to equity was $9.0 million.

Net income for the year ended December 31, 2018 was $2.5 million, which was a $44.8 million decrease from the comparative period. The decrease is mainly due to the change in fair value of properties of $47.8 million and increased interest expense and other financing costs of $11.9 million from the prior period.

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 periods ended December 31, 2018 compared to the same period in the prior year:

	Three months ended December 31,			Year ended December 31,		
	2018	2017	**Variance**	**2018**	2017	**Variance**
Rental revenue	**$ 36,301**	$ 34,859	**$ 1,442**	**$ 144,213**	$ 118,736	**$ 25,477**
Straight-line rent revenue	**(331)**	(523)	**192**	**(2,572)**	(1,930)	**(642)**
Property operating expenses	**(5,747)**	(5,357)	**(390)**	**(40,509)**	(29,784)	**(10,725)**
IFRIC 21 property tax adjustment	**(4,870)**	(4,387)	**(483)**	**(200)**	(1,956)	**1,756**
NOI	**$ 25,353**	$ 24,592	**$ 761**	**$ 100,932**	$ 85,066	**$ 15,866**
NOI margin	**70.5%**	71.6%	**(1.1)%**	**71.3%**	72.8%	**(1.5)%**

NOI for the three and twelve month periods ended December 31, 2018 was $25.4 million and $100.9 million respectively, which represents an increase of $0.8 million and $15.9 million from the same periods in 2017. The increase is primarily due uplifts in rental rates from re-leasing and new leasing typically above in-place rent.

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, 2018, the same-property portfolio is comprised of a portfolio of 77 properties owned and in operation for each of the entire three month periods ended December 31, 2018 and 2017.

Same-property NOI is an important measure of the income generated from the REIT's properties period-over-period, but without consideration of acquisition and disposition activity, and is used by the REIT in evaluating the performance of its properties. The REIT seeks to increase or maintain same-property NOI through high-occupancy, increasing rents on renewal to market rents and by signing leases with embedded rent increases throughout the term of the lease. For the 10 most recently completed quarters, the REIT has achieved eight positive same-property NOI growth quarters therein.

The following is a summary of same-property NOI and the related occupancy rates for the three month period ended December 31, 2018 as compared to the same period in the prior year, reconciled to total NOI:

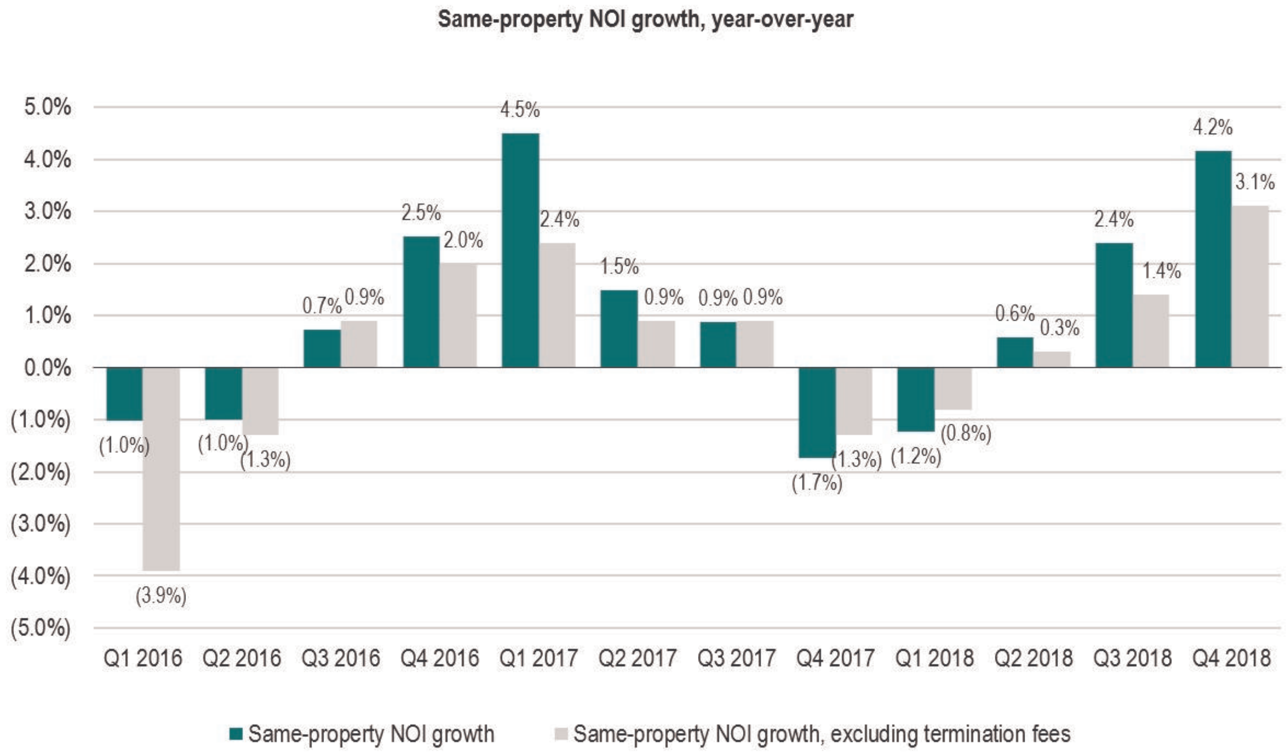
	Number of properties	Three months ended December 31,			
		2018	2017	**Variance**	**% change**
Same-property NOI	77	**$ 22,691**	$ 21,786	**$ 905**	**4.2%**
NOI attributable to redeveloped properties	3	**671**	628	**43**	
NOI attributable to properties under redevelopment	3	**507**	461	**46**	
NOI attributable to acquisitions	2	**1,312**	645	**667**	
NOI attributable to dispositions, including outparcel sales	17	**172**	1,072	**(900)**	
Total NOI		**$ 25,353**	$ 24,592	**$ 761**	**3.1%**
Occupancy, same-property	77	**95.2%**	95.0%	**0.2 %**	
Occupancy, redeveloped properties	3	**90.1%**	90.4%	**(0.3)%**	
Occupancy, properties under redevelopment	3	**79.7%**	72.5%	**7.2 %**	
Occupancy, acquisitions	2	**96.6%**	95.0%	**1.6 %**	
Occupancy, dispositions, including outparcel sales	17	**94.5%**	94.5%	**— %**	
Occupancy, portfolio		**94.2%**	93.7%	**0.5 %**	

Same-property NOI increased by $0.9 million or 4.2% for the three month period ended December 31, 2018 over the comparative period. The increase is primarily attributed to increases in rental rates from re-leasing above average in-place rent of the properties, new leasing above comparable market rental rates and 0.2% increase in occupancy over the comparative period. The current quarter impact of the Winn-Dixie and BI-LO rent reductions at 6 of the REIT's 10 properties, as a result of SEG's successful emergence from restructuring, resulted in a $0.2 million decrease to same-property NOI. Including the impact of completion of redevelopment projects, same-property NOI increased by 4.2% over the period.

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

	Number of properties	**Same-property NOI**	**Same-property % change**	**Same-property % change, excluding termination fees**
Q1 2016	40	$ 10,409	(1.0)%	(3.9)%
Q2 2016	41	11,101	(1.0)%	(1.3)%
Q3 2016	49	13,791	0.7 %	0.9 %
Q4 2016	49	15,229	2.5 %	2.0 %
Q1 2017	56	16,187	4.5 %	2.4 %
Q2 2017	56	15,980	1.5 %	0.9 %
Q3 2017	56	15,304	0.9 %	0.9 %
Q4 2017	57	15,477	(1.7)%	(1.3)%
Q1 2018	62	16,555	(1.2)%	(0.8)%
Q2 2018	64	17,403	0.6 %	0.3 %
Q3 2018	65	18,226	2.4 %	1.4 %
Q4 2018	77	22,691	4.2 %	3.1 %

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



The following is a summary of same-property NOI and the related occupancy rates on a trailing twelve month basis as at December 31, 2018, as compared to the same period in the prior year reconciled to total NOI:

	Number of properties	Trailing twelve months, December 31, 2018	2017	Variance	% change
Same-property NOI	62	**$ 66,292**	$ 65,213	**$ 1,079**	**1.7%**
NOI attributable to redeveloped properties	3	**2,012**	1,520	**492**	
NOI attributable to properties under redevelopment	3	**1,704**	2,100	**(396)**	
NOI attributable to acquisitions	17	**29,480**	13,167	**16,313**	
NOI attributable to dispositions, including outparcel sales	12	**1,445**	3,025	**(1,580)**	
Total NOI		**$ 100,933**	$ 85,025	**$ 15,908**	**18.7%**
Occupancy, same-property	62	**95.9%**	95.3%	**0.6 %**	
Occupancy, redeveloped properties	3	**90.1%**	90.4%	**(0.3)%**	
Occupancy, properties under redevelopment	3	**79.7%**	72.5%	**7.2 %**	
Occupancy, acquisitions	17	**93.9%**	94.1%	**(0.2)%**	
Occupancy, dispositions, including outparcel sales	12	**94.5%**	94.5%	**— %**	
Occupancy, portfolio		**94.2%**	93.7%	**0.5 %**	

Same-property NOI increased by $1.1 million or 1.7% for the trailing twelve month period ended December 31, 2018 over the same period in the prior year. This is primarily due to increases in rental rates from re-leasing above average in-place rent and new leasing above comparable market rental rates, partially offset by the $0.4 million decrease as a result of the Winn-Dixie and BI-LO rent reductions due to SEG's successful emergence from restructuring and free rent of $0.3 million for Stop & Shop at Waterbury Plaza from January 2018 to March 2018. Including the impact of the completion of redevelopment projects during the period, same-property NOI increased by 2.4% over the period.

FFO

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

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

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

	Three months ended December 31,			Year ended December 31,		
	2018	2017	**Variance**	**2018**	2017	**Variance**
Net (loss) income	**$ (9,017)**	$ 31,421	**$ (40,438)**	**$ 2,461**	$ 47,306	**$ (44,845)**
Disposition costs	**575**	104	**471**	**2,201**	735	**1,466**
Change in fair value of properties	**33,419**	27,150	**6,269**	**66,686**	18,909	**47,777**
Deferred income tax recovery	**(4,223)**	(31,582)	**27,359**	**(4,021)**	(15,810)	**11,789**
Unit (income) expense	**(2,348)**	(7,300)	**4,952**	**(9,353)**	6,270	**(15,623)**
IFRIC 21 property tax adjustment	**(4,870)**	(4,387)	**(483)**	**(200)**	(1,956)	**1,756**
FFO	**$ 13,536**	$ 15,406	**$ (1,870)**	**$ 57,774**	$ 55,454	**$ 2,320**
FFO per WA unit	**$ 0.30**	$ 0.33	**$ (0.03)**	**$ 1.27**	$ 1.26	**$ 0.01**
WA number of units outstanding	**44,971**	46,443	**(1,472)**	**45,639**	43,899	**1,740**

The following is a calculation of FFO from NOI:

	Three months ended December 31,			Year ended December 31,		
	2018	2017	**Variance**	**2018**	2017	**Variance**
NOI	**$ 25,353**	$ 24,592	**$ 761**	**$ 100,932**	$ 85,066	**$ 15,866**
Straight-line rent revenue	**331**	523	**(192)**	**2,572**	1,930	**642**
Other expenses	**(2,540)**	(1,962)	**(578)**	**(10,306)**	(7,988)	**(2,318)**
Cash interest, net (1)	**(9,207)**	(7,183)	**(2,024)**	**(33,827)**	(22,262)	**(11,565)**
Finance charge and mark-to-market adjustments	**(401)**	(564)	**163**	**(1,597)**	(1,292)	**(305)**
FFO	**$ 13,536**	$ 15,406	**$ (1,870)**	**$ 57,774**	$ 55,454	**$ 2,320**

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

FFO for the three month period ended December 31, 2018 decreased by $1.9 million compared to the same quarter in the prior year. The decrease is attributable to increases in interest cash paid, professional fees and bad debt expense, partially offset by the aforementioned increases in NOI. FFO for the year ended December 31, 2018 was $57.8 million which represents a $2.3 million increase from the comparative period. The increase is due to the aforementioned increases in NOI, partially offset by increases in interest cash paid, professional fees and bad debt expense, and the loss of NOI contribution from the sale of two properties and 13 property outparcels from December 31, 2017.

On a pro forma basis after taking into account the REIT's repurchases of units in the fourth quarter of 2018 and in early 2019, the REIT's FFO per unit would have been $0.31 for the quarter, and $1.31 for 2018. We expect the full impact of these repurchases to be realized beginning in the second quarter of 2019.

AFFO

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

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

	Three months ended December 31,			Year ended December 31,		
	2018	2017	**Variance**	**2018**	2017	**Variance**
Cash flow from operations	**$ 9,065**	$ 13,559	**$ (4,494)**	**$ 57,823**	$ 49,518	**$ 8,305**
Changes in non-cash working capital items	**3,708**	1,569	**2,139**	**(4,136)**	3,736	**(7,872)**
Disposition costs	**575**	104	**471**	**2,201**	735	**1,466**
Finance charge and mark-to-market adjustments	**(401)**	(564)	**163**	**(1,597)**	(1,292)	**(305)**
Interest, net and TIF note adjustments	**258**	215	**43**	**911**	827	**84**
Capital	**(1,397)**	(1,485)	**88**	**(5,555)**	(4,382)	**(1,173)**
Leasing costs	**(621)**	(390)	**(231)**	**(2,871)**	(1,307)	**(1,564)**
Tenant improvements	**(1,986)**	(1,648)	**(338)**	**(8,125)**	(3,007)	**(5,118)**
AFFO	**$ 9,201**	$ 11,360	**$ (2,159)**	**$ 38,651**	$ 44,828	**$ (6,177)**

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,		
	2018	2017	**Variance**	**2018**	2017	**Variance**
FFO	**$ 13,536**	$ 15,406	**$ (1,870)**	**$ 57,774**	$ 55,454	**$ 2,320**
Straight-line rental revenue	**(331)**	(523)	**192**	**(2,572)**	(1,930)	**(642)**
Capital	**(1,397)**	(1,485)	**88**	**(5,555)**	(4,382)	**(1,173)**
Leasing costs	**(621)**	(390)	**(231)**	**(2,871)**	(1,307)	**(1,564)**
Tenant improvements	**(1,986)**	(1,648)	**(338)**	**(8,125)**	(3,007)	**(5,118)**
AFFO	**$ 9,201**	$ 11,360	**$ (2,159)**	**$ 38,651**	$ 44,828	**$ (6,177)**
AFFO per WA unit	**$ 0.20**	$ 0.24	**$ (0.04)**	**$ 0.85**	$ 1.02	**$ (0.17)**
WA number of units outstanding	**44,971**	46,443	**(1,472)**	**45,639**	43,899	**1,740**

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

	Three months ended December 31,			Year ended December 31,		
	2018	2017	**Variance**	**2018**	2017	**Variance**
Net (loss) income	**$ (9,017)**	$ 31,421	**$ (40,438)**	**$ 2,461**	$ 47,306	**$ (44,845)**
Disposition costs	**575**	104	**471**	**2,201**	735	**1,466**
Change in fair value of properties	**33,419**	27,150	**6,269**	**66,686**	18,909	**47,777**
Deferred income tax recovery	**(4,223)**	(31,582)	**27,359**	**(4,021)**	(15,810)	**11,789**
Unit (income) expense	**(2,348)**	(7,300)	**4,952**	**(9,353)**	6,270	**(15,623)**
IFRIC 21 property tax adjustment	**(4,870)**	(4,387)	**(483)**	**(200)**	(1,956)	**1,756**
FFO	**$ 13,536**	$ 15,406	**$ (1,870)**	**$ 57,774**	$ 55,454	**$ 2,320**
Straight-line rental revenue	**(331)**	(523)	**192**	**(2,572)**	(1,930)	**(642)**
Capital	**(1,397)**	(1,485)	**88**	**(5,555)**	(4,382)	**(1,173)**
Leasing costs	**(621)**	(390)	**(231)**	**(2,871)**	(1,307)	**(1,564)**
Tenant improvements	**(1,986)**	(1,648)	**(338)**	**(8,125)**	(3,007)	**(5,118)**
AFFO	**$ 9,201**	$ 11,360	**$ (2,159)**	**$ 38,651**	$ 44,828	**$ (6,177)**

The following is a calculation of AFFO from NOI:

	Three months ended December 31,			Year ended December 31,		
	2018	2017	**Variance**	**2018**	2017	**Variance**
NOI	**$ 25,353**	$ 24,592	**$ 761**	**$ 100,932**	$ 85,066	**$ 15,866**
Other expenses	**(2,540)**	(1,962)	**(578)**	**(10,306)**	(7,988)	**(2,318)**
Cash interest, net (1)	**(9,207)**	(7,183)	**(2,024)**	**(33,827)**	(22,262)	**(11,565)**
Finance charge and mark-to-market adjustments	**(401)**	(564)	**163**	**(1,597)**	(1,292)	**(305)**
Capital	**(1,397)**	(1,485)	**88**	**(5,555)**	(4,382)	**(1,173)**
Leasing costs	**(621)**	(390)	**(231)**	**(2,871)**	(1,307)	**(1,564)**
Tenant improvements	**(1,986)**	(1,648)	**(338)**	**(8,125)**	(3,007)	**(5,118)**
AFFO	**$ 9,201**	$ 11,360	**$ (2,159)**	**$ 38,651**	$ 44,828	**$ (6,177)**

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

AFFO was $9.2 million for the three month period ended December 31, 2018, which represents a $2.2 million decrease over the same quarter in the prior year, driven primarily by increases in cash interest paid of $2.0 million over the prior quarter and a $0.6 million increase in leasing and tenant improvement spend to primarily support new leasing, partially offset by increases in NOI over the comparative period. For the year ended December 31, 2018, AFFO decreased by $6.2 million to $38.7 million over the comparative period. This decrease is due to a $11.6 million increase in cash interest paid and a $7.9 million increase in capital, leasing and tenant improvement spend.

If the REIT calculated capital, leasing and tenant improvement spend as 10% of NOI in the current quarter, which is representative of the REIT's historical sustaining capital, leasing and tenant improvement costs, the REIT would have a modified AFFO per unit of $0.24.

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

Capital, leasing costs and tenant improvements

During the fourth quarter capital improvements were completed across the portfolio. The majority of capital improvements were completed concurrent to leasing at the REIT's properties with the remainder as minor improvements. The remaining leasing costs were generally related to the high volume of new and renewal activity, totaling 63 leases executed. Leasing costs were well spread out across each deal with no one deal representing a large percentage of the total expenditure. Leasing costs to secure new tenants are generally higher than the costs to renew in-place tenants. In addition to property reinvestment, the leasing capital was comprised of fees related to tenant improvement allowances and other direct leasing costs, such as broker commissions and legal costs. To date the REIT has funded capital and leasing costs using cash flows from operations.

DISTRIBUTIONS

The REIT's current monthly distribution to unitholders is $0.07125 per class U unit or $0.855 per class U unit on an annualized basis. Distributions were $9.4 million and $38.5 million for the three and twelve month periods ended December 31, 2018, respectively. The distribution amount has increased by $0.2 million and $2.1 million over the respective comparative periods, primarily due to the 3.7% distribution increase in November 2017, partially offset by 2.2 million units repurchased under the REIT's NCIB program during the period.

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

	Three months ended December 31,			Year ended December 31,		
	2018	2017	Variance	**2018**	2017	Variance
Declared						
REIT units distributions [1] [2]	**$ 8,971**	$ 9,134	$ (163)	**$ 36,606**	$ 34,326	$ 2,280
Exchangeable units of subsidiaries distributions	**467**	491	(24)	**1,871**	2,006	(135)
	9,438	9,625	(187)	**38,477**	36,332	2,145
Add: Distributions payable, beginning of period	**3,198**	3,128	70	**3,249**	2,393	856
Less: Distributions payable, end of period [1]	**(3,157)**	(3,249)	92	**(3,157)**	(3,249)	92
Distributions paid or settled [2]	**$ 9,479**	$ 9,504	$ (25)	**$ 38,569**	$ 35,476	$ 3,093
Paid in cash	**$ 9,479**	$ 8,568	$ 911	**$ 37,422**	$ 33,679	$ 3,743
Reinvested in units	**$ —**	$ 936	$ (936)	**$ 1,147**	$ 1,797	$ (650)

[1] Effective May 11, 2018, the class A, class I and class U units of the REIT have been presented within unitholders' equity.
[2] Excludes amounts payable to taxation authorities for branch profit taxes in the amount of $1.4 million.

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

Month	**2018**	**2017**	**2016**	**2015**	**2014**
January	$ 0.07000	$ 0.06750	$ 0.06489	$ 0.06300	$ —
February	0.07000	0.06750	0.06489	0.06300	—
March	0.07000	0.06750	0.06489	0.06300	—
April	0.07000	0.06750	0.06489	0.06300	0.03000
May	0.07000	0.06750	0.06489	0.06300	0.06000
June	0.07000	0.06750	0.06489	0.06300	0.06000
July	0.07000	0.06750	0.06489	0.06300	0.06000
August	0.07000	0.06750	0.06489	0.06300	0.06000
September	0.07000	0.06750	0.06750	0.06300	0.06000
October	0.07000	0.06750	0.06750	0.06300	0.06000
November	0.07000	0.07000	0.06750	0.06300	0.06300
December	0.07125	0.07000	0.06750	0.06489	0.06300
Total	**$ 0.84125**	**$ 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 December 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 and in November 2017, the REIT increased the distribution rate by 3.7% to $0.07.

On December 17, 2018, the REIT announced a 1.8% increase of its monthly distribution to $0.07125 per class U unit or $0.855 per class U unit on an annualized basis. The increased distribution is the fifth consecutive annual distribution increase by the REIT since listing on the TSX in 2014. Class A and I unitholders of REIT units and holders of exchangeable units of subsidiaries are entitled to a distribution equal to a class U unit distribution.

Effective March 15, 2018 the REIT elected to suspend its distribution reinvestment plan ("DRIP"), which allowed holders of REIT units to elect to receive their distributions in the form of class U units for holders of class A units, class I units and class U units. The REIT undertook this course of action given the dilutive impact at current market trading levels.

Taxation of distributions

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

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

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

Information regarding the REIT's taxation treatment for the 2018 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 69.7% for the three month period ended December 31, 2018, representing a 7.2% increase over the same period in the prior year as a result of decreases in FFO due to the disposition of two properties and 13 outparcels at certain properties. For the year ended December 31, 2018, the FFO payout ratio increased by 1.1% over the comparative period to 66.6% due to FFO growth driven by the acquisition of properties, partially offset by increased distributions, net of unit repurchases.

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,	
	2018	2017	**2018**	2017
FFO	**$ 13,536**	$ 15,406	**$ 57,774**	$ 55,454
Distributions declared (1)	**(9,438)**	(9,625)	**(38,477)**	(36,332)
Excess of FFO over distributions declared	**$ 4,098**	$ 5,781	**$ 19,297**	$ 19,122
FFO payout ratio	**69.7%**	62.5%	**66.6%**	65.5%

(1) Distributions declared represent distributions on REIT units and exchangeable units of subsidiaries and excludes amounts payable to taxation authorities for branch profit taxes in the amount of $1.4 million.

On a pro forma basis, using annualized fourth quarter FFO and the current distribution rate of $0.07125 per month, the FFO payout ratio would be 71.3%. Following the completion of the offer, on a pro forma basis as at December 31, 2018, the FFO payout ratio would be 65.1%.

AFFO payout ratio

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

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

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. Currently, the REIT's monthly distribution to unitholders was $0.07125 per class U unit or $0.855 on an annualized basis.

The AFFO payout ratio for the three and twelve month periods ended December 31, 2018 was 102.6% and 99.5% respectively, which represents a 17.9% and 18.5% increase over the respective comparative periods. On a pro forma basis, using annualized fourth quarter AFFO and the current distribution of $0.07125 per month, the AFFO payout ratio would be 106.9%. However, as described in the discussion concerning AFFO above, AFFO was impacted by higher interest costs and larger 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.

Following the completion of the offer, on a pro forma basis as at December 31, 2018, the AFFO payout ratio would be 97.3%.

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,	
	2018	2017	**2018**	2017
AFFO	**$ 9,201**	$ 11,360	**$ 38,651**	$ 44,828
Distributions declared [(1)]	**(9,438)**	(9,625)	**(38,477)**	(36,332)
Excess of AFFO over distributions declared	**$ (237)**	$ 1,735	**$ 174**	$ 8,496
AFFO payout ratio	**102.6%**	84.7%	**99.5%**	81.0%

(1) Distributions declared represent distributions on REIT units and exchangeable units of subsidiaries and excludes amounts payable to taxation authorities for branch profit taxes in the amount of $1.4 million.

The REIT's distributions declared were in excess of AFFO of $0.2 million and $0.2 million for the three and twelve month periods ended December 31, 2018. The REIT has maintained a consistent distribution rate despite period over period variances in cash from operating activities.

Impact of interest rate changes

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

In order to mitigate interest rate risk, the REIT has entered into $750.0 million notional amount pay-fixed receive-float interest rate swap contracts to hedge the cash flow risk associated with monthly U.S. LIBOR based interest payments on a portion of the REIT's floating rate debt. As a result of the interest rate swaps, 99.2% of the REIT's debt is now subject to fixed rates. The weighted average fixed rate of the REIT's interest rate swaps was 2.03% in comparison to one-month U.S. LIBOR at 2.52% at December 31, 2018 with a weighted average term to maturity of 3.9 years.

The terms of the interest rate swaps are as follows:

					Total/ Weighted average
Effective date	November 2, 2016	September 1, 2017	August 22, 2018	August 22, 2018	
Pay-fixed rate	1.104%	1.715%	2.884%	2.925%	**2.0257%**
Notional amount	$ 300,000	$ 100,000	$ 175,000	$ 175,000	**$ 750,000**
Receive-floating rate	One-month LIBOR	One-month LIBOR	One-month LIBOR	One-month LIBOR	
Maturity date	February 26, 2021	September 22, 2022	August 22, 2023	August 22, 2025	
Remaining term (years)	2.2	3.1	4.6	6.6	**3.9**

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

		Prior to interest rate swaps			**After interest rate swaps**		
Change in interest rates (bps)	One-month LIBOR	AFFO [(1)]	AFFO payout ratio	Cash interest paid	**AFFO [(1)]**	**AFFO payout ratio**	**Interest coverage ratio**
(50)	2.02%	$ 11,616	81.3%	$ 8,519	**$ 11,605**	**81.3%**	**2.67x**
(25)	2.27%	11,143	84.7%	8,992	**11,601**	**81.4%**	**2.67x**
—	2.52%	10,670	88.5%	9,465	**11,597**	**81.4%**	**2.67x**
25	2.77%	10,197	92.6%	9,938	**11,592**	**81.4%**	**2.67x**
50	3.02%	9,724	97.1%	10,411	**11,588**	**81.4%**	**2.67x**
100	3.52%	8,777	107.5%	11,358	**11,579**	**81.5%**	**2.67x**
200	4.52%	6,885	137.1%	13,250	**11,561**	**81.6%**	**2.66x**

(1) AFFO is based on a three month period ended December 31, 2018 FFO of $13.5 million adjusted for straight-line rent and average historical capital, leasing costs and tenant improvements. Average historical capital, leasing costs and tenant improvements are determined as 10% of NOI for the quarter and represents the normalized on-going costs required to maintain existing space of a stabilized property. Actual amounts will vary from period to period depending on various factors, including but not limited to, the timing of expenditures made and contractual lease obligations.

DEFERRED INCOME TAX

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

For the three month period ended December 31, 2018, the deferred income tax recovery was $4.2 million and for the year ended December 31, 2018, the deferred income tax recovery was $4.0 million. The REIT's deferred income 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.

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 $1.31, 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,		
	2018	2017	**Variance**	**2018**	2017	**Variance**
Asset management fees	**$ 1,485**	$ 1,489	**$ (4)**	**$ 5,925**	$ 4,978	**$ 947**
Acquisition fees	**—**	368	**(368)**	**158**	2,988	**(2,830)**
Total	**$ 1,485**	$ 1,857	**$ (372)**	**$ 6,083**	$ 7,966	**$ (1,883)**

Related party transactions incurred and payable to the Manager for the three and twelve month periods ended December 31, 2018 amounted to $1.5 million and $6.1 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, 2018, 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,	
	2018	2017	**2018**	2017
Operating activities	**$ 9,065**	$ 13,559	**$ 57,823**	$ 49,518
Investing activities	**7,978**	(50,946)	**15,779**	(391,352)
Financing activities	**(24,571)**	27,169	**(79,875)**	335,786
Decrease in cash and cash equivalents	**$ (7,528)**	$ (10,218)	**$ (6,273)**	$ (6,048)

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

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

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

SELECTED ANNUAL INFORMATION

The following table provides selected financial information for the past three years:

	2018	2017	2016
Rental revenue	**$ 144,213**	$ 118,736	$ 97,036
Net income (loss)	**2,461**	47,306	(29,071)
Total assets	**1,416,334**	1,499,519	1,114,606
Non-current debt	**868,517**	880,353	620,023
Total debt	**871,562**	883,046	621,442
Distribution rate, per unit (1) (2) (3)	**0.8400**	0.8100	0.7787

(1) On December 17, 2018, the REIT announced a 1.8% increase of its monthly distribution to $0.07125 per class U unit or $0.855 per class U unit on an annualized basis, commencing with the month of December 2018 distribution.

(2) On November 15, 2017, the REIT announced a 3.7% increase of its monthly distribution to $0.07000 per class U unit or $0.840 per class U unit on an annualized basis, commencing with the month of November 2017 distribution.

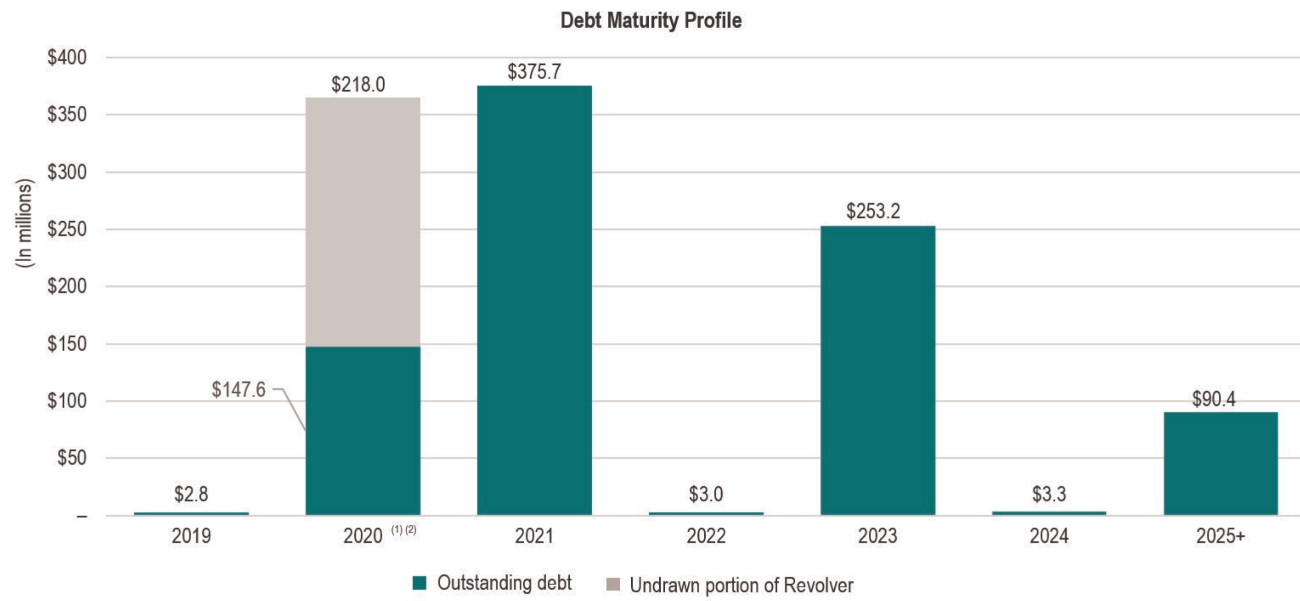
(3) On September 15, 2016, the REIT announced a 4.0% increase of its monthly distribution to $0.06750 per class U unit or $0.810 per class U unit on an annualized basis, commencing with the month of September 2016 distribution.

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, 99.2%of the REIT's debt is now subject to fixed rates.



(1) Debt available to be drawn is subject to certain covenants as provided in the REIT's lending agreements, including generally, a maximum of 65% Consolidated Total Indebtedness to Gross Asset Value. The 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.

(2) Excludes a one-year extension option exercisable at the REIT's option for the revolver. With the one-year extension the weighted average debt maturity of the REIT's debt portfolio is 3.3 years.

Debt held by the REIT as of December 31, 2018 and December 31, 2017 is as follows:

						December 31, 2018	December 31, 2017
	Maturity	Term to maturity (years)	Effective rate	Principal	Mark-to-market adjustments and costs	**Carrying amount**	Carrying amount
Revolver [1] [2] [3] [4] [5]	February 26, 2020	1.4 [5]	4.01%	$ 144,543	$ (721)	**$ 143,822**	$ 158,991
Term loan [1] [2] [4]	February 26, 2021	2.4	4.14%	362,500	(1,414)	**361,086**	360,313
Term loan 2 [1] [2] [4]	February 9, 2023	4.4	4.00%	250,000	(1,467)	**248,533**	248,214
Mortgage	March 1, 2021	2.4	5.75%	10,931	693	**11,624**	12,244
Mortgage	January 1, 2025	6.3	3.80%	44,417	(1,054)	**43,363**	44,074
Mortgage	June 15, 2025	6.7	4.14%	55,728	(683)	**55,045**	56,078
Mortgage	January 1, 2031	12.3	5.50%	7,964	125	**8,089**	—
TIF notes payable	February 28, 2019	—	5.19%	—	—	**—**	3,132
Total / weighted average		**3.1 [5]**	**4.06% [6]**	**$ 876,083**	**$ (4,521)**	**$ 871,562**	$ 883,046

(1) The weighted average interest rate has been calculated using the December 31, 2018 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 74 of the REIT's properties.

(5) Excludes a one-year extension option exercisable at the REIT's option. With the one-year extension the weighted average debt maturity is 3.3 years.

(6) The weighted average interest rate includes the impact of pay-fixed receive-float swaps.

On August 16, 2018, the REIT extinguished the TIF notes payable in the amount of $2.8 million, bearing interest of 5.19%, with borrowings from the REIT's revolver.

On August 31, 2018, in connection with the acquisition of Plymouth Station at Plymouth, Minnesota, the REIT assumed a mortgage of $8.2 million, bearing interest of 5.50%.

The carrying amount of debt was $871.6 million at December 31, 2018, which represents a decrease of $11.5 million compared to December 31, 2017. The decrease is due to principal repayments totaling $56.5 million on its revolver and mortgages funded by cash received from the disposal of two properties and 13 property outparcels, as well as cash on hand, partially offset by the acquisition of Plymouth Station and the assumed mortgage of $8.2 million.

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, 2018	December 31, 2017
Gross book value	**$ 1,416,334**	$ 1,499,519
Debt	**871,562**	883,046
Leverage ratio	**61.5%**	58.9%

The REIT's leverage ratio has increased by 2.6% for the year ended December 31, 2018 to 61.5% from December 31, 2017 due to a decrease in gross book value as a result of changes in fair value of properties, partially offset by net repayments on the revolver funded by the disposition of two properties and thirteen property outparcels during the period and cash on hand.

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

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

	Threshold	**December 31, 2018**	December 31, 2017
Maximum leverage ratio: consolidated total indebtedness shall not exceed 65% of gross asset value	< 65%	**59.6%**	60.5%
Minimum fixed charge coverage ratio: adjusted EBITDA to consolidated fixed charges shall not be less than 1.50x (1)	> 1.50x	**2.40x**	2.74x

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

INTEREST COVERAGE RATIO

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

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

	Three months ended December 31,		Year ended December 31,	
	2018	2017	**2018**	2017
NOI	**$ 25,353**	$ 24,592	**$ 100,932**	$ 85,066
Other expenses	**(2,540)**	(1,962)	**(10,306)**	(7,988)
Adjusted EBITDA	**$ 22,813**	$ 22,630	**$ 90,626**	$ 77,078
Cash interest paid	**(9,465)**	(7,430)	**(34,738)**	(22,903)
Interest coverage ratio	**2.41x**	3.05x	**2.61x**	3.37x

The interest coverage ratio decreased to 2.41x for the three month period ended December 31, 2018 compared to 3.05x in the same quarter of the prior period. For the year ended December 31, 2018, the interest coverage ratio was 2.61x compared to 3.37x in the 2017 period. The decreases were the result of increases in interest costs due to one-month U.S. LIBOR rates going from 1.57% at December 31, 2017 to 2.52% for the current period and increases in other expenses, partially offset by increase in NOI and receipt of net payments on the REIT's interest rate swaps.

LIQUIDITY AND CAPITAL RESOURCES

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

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

The REIT manages its cash flow from operating activities by maintaining a target debt level. The debt to gross book value, as defined in the Declaration of Trust, as at December 31, 2018 is 61.5% (December 31, 2017 – 58.9%). With available liquidity, the REIT could invest in an additional $225.0 million and remain within the permitted limit under the Declaration of Trust.

Contractual commitments

The REIT has the following contractual commitments:

	Total contractual cash flow	In one year or less	In more than one year but not more than three years	In more than three years but not more than five years	In more than five years
Accounts payable and accrued liabilities	$ 22,948	$ 22,948	$ —	$ —	$ —
Revolver (1) (2)	144,543	—	144,543	—	—
Revolver interest payable (1) (2) (3)	8,349	7,251	1,098	—	—
Term loan (1) (2)	362,500	—	362,500	—	—
Term loan interest payable (1) (2)	35,674	16,817	18,857	—	—
Term loan 2 (2) (4)	250,000	—	—	250,000	—
Term loan 2 interest payable (2) (4)	46,681	11,598	22,475	12,608	—
Mortgages	119,040	3,045	16,328	6,224	93,443
Mortgage interest payable	27,742	4,968	9,308	7,898	5,568
Letters of credit	393	—	393	—	—
Interest rate swap, net of cash outflows	3,152	—	—	2,354	798
Exchangeable units of subsidiaries	19,045	—	—	—	19,045
Committed property acquisitions	7,299	7,299	—	—	—
Total contractual commitments	**$ 1,047,366**	**$ 73,926**	**$ 575,502**	**$ 279,084**	**$ 118,854**

(1) Revolver and term loan interest payable is calculated on $144.5 million and $362.5 million (balance outstanding) using an estimated "all in" interest rate of 4.64% under the "less than one year" column. The long-term average interest rate is based on the 30-day LIBOR forward curve plus the specified margin for the LIBOR rate option under the revolver and term loan resulting in an anticipated increase to the "all-in" interest rate to 4.49%. The total revolver and term loan interest payable is calculated until maturity of the initial term.
(2) Excludes the impact of the REIT's $750.0 million pay-fixed, receive-float interest rate swaps that hedge a portion of the cash flow risk associated with one-month U.S. LIBOR based interest payments.
(3) Includes stand-by fee on the revolver to be paid in an amount equal to 0.25% of the unused portion of the revolver where the unused portion is greater than or equal to 50% of the maximum amount available and 0.15% of the unused portion of the revolver where the unused portion is less than 50% of the maximum amount available, calculated daily.
(4) Term loan 2 interest payable is calculated on $250.0 million (balance outstanding) using an estimated "all in" Interest rate of 4.64% under the "less than one year" column. The long-term average interest rate is based on the 30-day LIBOR curve plus the specified margin for the LIBOR rate option under the term loan 2 and results in an anticipated increase to the "all-in" interest rate to 4.51%. The total term loan 2 interest payable is calculated until maturity.

REIT UNITS AND EXCHANGEABLE UNITS OF SUBSIDIARIES

The units of the REIT are presented as equity instruments while Class B units of Slate Retail One L.P. and Slate Retail Two L.P. and exchangeable limited partnership units of GAR B all of which are issued by subsidiaries of the REIT (collectively, the "exchangeable units of subsidiaries") are presented as financial liabilities in accordance with IAS 32, *Financial Instruments: Presentation*.

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

REIT units and exchangeable units of subsidiaries outstanding for the year ended December 31, 2018 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, 2017	43,482	309	282	220	1,603	496	**46,410**
Issued under the DRIP	117	—	—	—	—	—	**117**
Repurchases	(2,218)	—	—	—	—	—	**(2,218)**
Issued under the subdivision	—	3	15	—	—	—	**—**
Exchanges	143	(20)	(15)	—	—	(108)	**—**
Class U units equivalent, December 31, 2018	**41,524**	**292**	**282**	**220**	**1,603**	**388**	**44,309**

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

Effective March 15, 2018 the REIT elected to suspend its DRIP, which allowed holders of REIT units to elect to receive their distributions in the form of class U units for holders of class A units, class I units and class U units due to the dilutive impact of issuing units at the current market price. For the year ended December 31, 2018, 0.1 million class U units for $1.1 million were issued under the DRIP.

Normal course issuer bid

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

For the three month period ended December 31, 2018, 1.4 million class U units have been purchased and subsequently canceled under the NCIB for a total cost, including transaction costs, of $12.9 million at an average price of $9.47. For the year ended December 31, 2018, 2.2 million class U units have been purchased and subsequently canceled under the NCIB for a total cost, including transaction costs, of $21.2 million at an average price of $9.57.

Substantial course issuer bid

On January 16, 2019, the REIT commenced the offer, pursuant to which the REIT offered to purchase up to 4.2 million class U units at a purchase price of C$12.54 (USD$9.50). On February 20, 2019, the offer announced on January 9, 2019 expired and the REIT has taken up and paid for 0.3 million class U units for an aggregate cost of $3.2 million or C$4.2 million, excluding fees and expenses related to the offer. The class U units purchased for cancellation under the offer approximate 0.8% of the REIT's class U units outstanding at December 31, 2018 and 0.8% of class U units outstanding at February 20, 2019, immediately prior to the expiry of the offer. Upon completion of the offer, 44.0 million class U units remain outstanding.

ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities are comprised of the following:

	December 31, 2018	December 31, 2017
Trade payables and accrued liabilities	$ 14,500	$ 10,609
Prepaid rent	3,656	3,665
Tenant improvements payable	186	387
Other payables	4,606	2,628
Total	$ 22,948	$ 17,289

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, 2018	December 31, 2017
Rent receivable	$ 3,748	$ 3,519
Allowance for doubtful accounts	(741)	(322)
Accrued recovery income	6,101	5,148
Other receivables	2,877	1,531
Total	$ 11,985	$ 9,876

Rent receivable consists of base rent and operating expense recoveries. Management has provided for $0.7 million (December 31, 2017 – $0.3 million) as an allowance for doubtful accounts and anticipates that the unprovided balance is collectible. The $0.2 million decrease in rent receivable, net of allowance from December 31, 2017 is due to increased collections during the period and increases in the allowance for doubtful accounts.

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

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

	December 31, 2018	December 31, 2017
Current to 30 days	$ 2,128	$ 2,405
31 to 60 days	492	223
61 to 90 days	125	65
Greater than 90 days	262	504
Total	$ 3,007	$ 3,197

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

SUBSEQUENT EVENTS

i. On January 11, 2019, the REIT completed the disposition of a 5,460 square feet non-core outparcel at Eastpointe Shopping Center located in Clarksburg, West Virginia. The outparcel was sold for $1.5 million ($275 per square foot).

ii. On January 15, 2018, the REIT declared monthly distributions of $0.07125 per class U unit. Holders of class A units, class I units and units of subsidiaries of the REIT were also entitled to receive a distribution at the respective conversion rate attributable to the units.

iii. On January 16, 2019, the REIT commenced the offer, pursuant to which the REIT offered to purchase up to 4.2 million class U units at a purchase price of C$12.54 (USD$9.50). On February 20, 2019, the offer announced on January 9, 2019 expired and the REIT has taken up and paid for 0.3 million class U units for an aggregate cost of $3.2 million or C$4.2 million, excluding fees and expenses related to the offer. The class U units purchased for cancellation under the offer approximate 0.8% of the REIT's class U units outstanding at December 31, 2018 and 0.8% of class U units outstanding at February 20, 2019, immediately prior to the expiry of the offer. Upon completion of the offer, 44.0 million class U units remain outstanding.

iv. On January 25, 2019, the REIT completed the acquisition of Windmill Plaza, a grocery-anchored shopping centre located in Sterling Heights, Michigan. Windmill Plaza was acquired in a 50% joint-venture partnership with The Kroger Company for $7.3 million, before transaction costs and net of the REIT's note receivable settled in the amount of $9.4 million and interest receivable of $2.2 million. The property will be anchored by Kroger. Consideration for the property includes cash consideration and an assumed loan.

v. On January 22, 2019, the REIT completed the disposition of a 3,910 square foot non-core outparcel at Locus Grove, located in Locust Grove, Georgia. The outparcel was sold for $1.7 million ($441 per square foot).

PART V – ACCOUNTING AND CONTROL

USE OF ESTIMATES

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

CRITICAL ACCOUNTING ESTIMATES

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

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

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

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

Overall income capitalization approach

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

Direct comparison approach

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

A summary of the significant assumptions used in the REIT's estimate of fair value as at December 31, 2018 is included on page 19 of this MD&A. Changes in these assumptions would have a significant impact on the REIT's estimate of fair value, which can be impacted by changes in demand for properties similar to those owned by the REIT, expectations of market rents, the covenant quality of tenants and the general economic environment.

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

NEW AND FUTURE ACCOUNTING POLICIES

i. Application of new and revised IFRSs

The REIT has adopted the following new accounting standards:

IFRS 9, Financial Instruments ("IFRS 9")

The REIT has applied IFRS 9 effective January 1, 2018. IFRS 9 replaces IAS 39, *Financial Instruments: Recognition and Measurement* ("IAS 39") and 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.

Details of these new requirements as well as their impact on the REIT's consolidated financial statements are described below. The REIT has applied the standard on a retrospective basis using the available transitional provision to not restate comparatives. Accordingly, an adjustment has been made to retained earnings at January 1, 2018 as described below.

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 approach is summarized as follows:

- Assets held for the purpose of collecting contractual cash flows that represent solely payments of principal and interest are measured at amortized cost.
- 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 are measured at fair value through other comprehensive income ("FVTOCI”).
- Assets held within another business model or assets that do not have contractual cash flow characteristics that are solely payments of principal and interest are measured at fair value through profit or loss (“FVTPL”).

The REIT has completed a review of its financial instruments held including performing a cash flow and business model assessment. As a result, the REIT determined that cash and cash equivalents, accounts receivable, tax incremental financing ("TIF") notes receivable, financial assets within other assets, and notes receivable currently measured at amortized cost will continue to be measured at amortized cost, and that the REIT’s interest rate swaps will continue to be measured at FVTPL.

Impairment

IFRS 9 requires the use of an expected credit loss (“ECL”) impairment model for financial assets measured at amortized cost or debt instruments measured at FVTOCI. The ECL model uses an allowance for expected credit losses being recorded regardless of whether or not there has been an actual loss event.

The REIT measures the loss allowance at an amount equal to lifetime ECL for trade receivables. The loss allowance for the TIF receivable and notes receivable is also measured at an amount equal to lifetime expected losses. The REIT evaluates each receivable on a specific basis for collectability in addition to the ECL model in general. The REIT's measurement of financial assets primarily related to accounts receivables resulted in a reduction of retained earnings at January 1, 2018 in the amount of $6 thousand.

Hedge accounting

IFRS 9 expands the scope of hedge items and risks eligible for hedge accounting and aligns hedge accounting more closely with risk management. This new standard did not fundamentally change the types of hedging relationships or the requirement to measure and recognize ineffectiveness, however, it allows 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.

In accordance with IFRS 9’s transition provisions for hedge accounting, the REIT has applied the IFRS 9 hedge accounting requirements prospectively from the date of initial application on July 30, 2018. The REIT's qualifying hedging relationships in place as at July 30, 2018 also qualified for hedge accounting in accordance with IFRS 9 and were therefore regarded as continuing hedging relationships. No rebalancing of any of the hedging relationships was necessary on July 30, 2018. As the critical terms of the hedging instruments match those of their corresponding hedged items, all hedging relationships continue to be effective under IFRS 9's effectiveness assessment requirements. The REIT has also not designated any hedging relationships under IFRS 9 that would not have met the qualifying hedge accounting criteria under IAS 39.

Financial liabilities

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

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. This did not have a material impact on the REIT's measurement of its financial liabilities. The REIT's measurement of financial liabilities resulted in a reduction to retained earnings at January 1, 2018 in the amount of $113 thousand.

Disclosures in relation to the initial application of IFRS 9

The table below illustrates the classification and measurement of financial assets and financial liabilities under IFRS 9 and IAS 39 at the date of initial application, January 1, 2018.

Financial instrument	IAS 39 measurement category	IFRS 9 measurement category	Carrying amount under IAS 39	Carrying amount under IFRS 9
Financial assets				
Cash	Loans and receivables	Amortized cost	$ 5,380	$ 5,380
Cash equivalents	FVTPL	FVTPL	2,003	2,003
Interest rate swaps (1)	FVTPL	FVTPL	10,607	10,607
Accounts receivable	Loans and receivables	Amortized cost	9,876	9,870
TIF notes receivable	Loans and receivables	Amortized cost	3,312	3,312
Financial assets within other assets	Loans and receivables	Amortized cost	118	118
Notes receivable	Loans and receivables	Amortized cost	10,841	10,841
Financial liabilities				
Accounts payable and accrued liabilities	Amortized cost	Amortized cost	17,289	17,289
Distributions payable	Amortized cost	Amortized cost	3,249	3,249
Revolver, term loans and mortgages	Amortized cost	Amortized cost	879,914	880,027
TIF notes payable	Amortized cost	Amortized cost	3,132	3,132
Financial liabilities within other liabilities	Amortized cost	Amortized cost	2,869	2,869
REIT units (2)	FVTPL	FVTPL	457,590	457,590
Exchangeable units of subsidiaries	FVTPL	FVTPL	24,075	24,075

(1) Interest rate swaps are held in a hedge relationship, such that fair value movements are recognized in other comprehensive income as opposed to profit or loss.
(2) Effective May 11, 2018, the class A, class I and class U units of the REIT have been presented within unitholders' equity.

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 REIT has elected to apply the standard on a modified retrospective basis.

The adoption of the new standard did not have a material impact to the REIT's consolidated statements of income. The recovery of costs related to common area maintenance services is considered within the scope of IFRS 15 and the REIT has concluded that the pattern of revenue recognition remains unchanged. As a result of the adoption of IFRS 15, the REIT discloses revenue recognized from contracts with customers related to common area maintenance recoveries separately from other sources of revenue, including those included within gross leases.

In addition, the REIT assessed that it is a principal in relation to property taxes that are paid directly by the tenants to the relevant taxing authority as the REIT is primarily responsible for fulfilling the promise to satisfy its property tax obligations. As a result, the REIT recognizes the gross amount of consideration for property taxes paid directly by tenants. There was no adjustment to opening retained earnings on the date of adoption of this standard.

There was no impact on the consolidated statements of cash flow as a result of the adoption of IFRS 15.

ii. Future accounting policies

IFRS 16, Leases ("IFRS 16")

IFRS 16 replaces IAS 17, *Leases* ("IAS 17"), and IFRIC 4, *Determining whether an arrangement contains a lease,* and is effective January 1, 2019. 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 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 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. All of the REIT's leases are considered operating leases under IFRS 16.

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, 2018.

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, 2018.

No changes were made in the REIT’s design of ICFR during the year ended December 31, 2018, that have materially affected, or are reasonably likely to materially affect, the REIT’s ICFR.

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

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

PART VI – PROPERTY TABLES

At December 31, 2018, the REIT owns a portfolio of 85 grocery-anchored retail properties. The portfolio consists of 10,768,319 square feet of GLA with an occupancy rate of 94.2%.

Property	Location	Associated MSA	Area (SF)	% of Total	Occ. %	Anchor
98 Palms	Destin	Crestview-Fort Walton Beach-Destin	84,682		98%	Winn-Dixie
Bellview Plaza	Pensacola	Pensacola	82,910		100%	Publix
Bloomingdale Plaza	Brandon	Tampa-St. Petersburg	83,237		97%	Winn-Dixie
Cordova Commons	Pensacola	Pensacola	164,343		100%	The Fresh Market
Errol Plaza	Orlando	Orlando	72,150		93%	Winn-Dixie
Eustis Village	Eustis	Orlando	156,927		97%	Publix
Good Homes Plaza	Ocoee	Orlando	165,741		99%	Publix
Meres Town Center	Tarpon Springs	Tampa-St. Petersburg	47,183		100%	Winn-Dixie
Oak Hill Village	Jacksonville	Jacksonville	78,492		100%	Publix
Salerno Village Square	Stuart	Port St. Lucie	77,677		93%	Winn-Dixie
Seminole Oaks	Seminole	Tampa-St. Petersburg	63,572		98%	Winn-Dixie
Uptown Station	Fort Walton Beach	Pensacola	270,276		89%	Winn-Dixie
Wedgewood Commons	Stuart	Port St. Lucie	165,308		87%	Publix
Total Florida			**1,512,498**	**14.0**		
County Line Plaza	Philadelphia	Philadelphia	74,968		90%	The Edge Fitness
Kennywood Shops	Pittsburgh	Pittsburgh	194,823		93%	Giant Eagle
Lake Raystown Plaza	Huntingdon	Harrisburg	140,159		100%	Giant Foods
Northland Center	State College	State College	111,409		81%	Giant Foods
Norwin Town Square	North Huntingdon	Pittsburgh	141,466		100%	Shop 'n Save
Shops at Cedar Point	Allentown	Allentown-Bethlehem-Easton	130,553		93%	Weis
Summit Ridge	Mount Pleasant	Pittsburgh	227,729		98%	Walmart
West Valley Marketplace	Allentown	Allentown-Bethlehem-Easton	259,207		94%	Walmart
Total Pennsylvania			**1,280,314**	**11.9**		
11 Galleria	Greenville	Greenville	105,608		86%	The Fresh Market
Battleground Village	Greensboro	Greensboro-High Point	73,207		100%	Earth Fare
Flowers Plantation	Clayton	Raleigh	53,500		100%	Food Lion
Fuquay Crossing	Fuquay-Varnia	Raleigh	96,638		99%	Harris Teeter
Independence Square	Charlotte	Charlotte	190,361		99%	Walmart
Mooresville Consumer Square	Mooresville	Charlotte	272,858		94%	Walmart
Mooresville Town Square	Mooresville	Charlotte	89,824		100%	Lowes Foods
North Summit Square	Winston-Salem	Winston-Salem	224,530		96%	Sam's Club
Wellington Park	Cary	Raleigh	102,487		88%	Lowes Foods
Total North Carolina			**1,209,013**	**11.2**		
Abbott's Village	Alpharetta	Atlanta	109,586		98%	Publix
Birmingham Shoppes	Milton	Atlanta	82,905		89%	Publix
Douglas Commons	Douglasville	Atlanta	97,027		98%	Kroger
Duluth Station	Duluth	Atlanta	94,966		83%	Publix
Locust Grove	Locust Grove	Atlanta	89,568		89%	Publix
Merchants Crossing	Newnan	Atlanta	174,059		98%	Kroger
Merchants Square	Riverdale	Atlanta	118,986		96%	Kroger
National Hills	Augusta	Augusta-Richmond	159,885		94%	The Fresh Market
Robson Crossing	Flowery Branch	Atlanta	103,720		92%	Publix
Total Georgia			**1,030,702**	**9.6%**		
Armstrong Plaza	Fountain Inn	Greenville	57,838		97%	BI-LO
Barefoot Commons	North Myrtle Beach	Myrtle Beach-Conway	90,702		93%	BI-LO
Dill Creek Commons	Greer	Greenville-Spartanburg-Anderson	72,526		100%	BI-LO
Dorman Center	Spartanburg	Greenville-Spartanburg-Anderson	388,502		97%	Walmart
Little River Pavilion	North Myrtle Beach	Myrtle Beach-Conway	63,823		98%	Lowes Foods
North Augusta Plaza	North Augusta	Augusta-Richmond	231,998		92%	Publix
North Pointe	Columbia	Columbia	64,255		100%	Publix
Total South Carolina			**969,644**	**9.0%**		

Property	Location	Associated MSA	Area (SF)	% of Total	Occ. %	Anchor
Buckeye Plaza	Cleveland	Cleveland	116,905		95%	Simon's Supermarket
Hocking Valley Mall	Lancaster	Columbus	181,727		93%	Kroger
Mulberry Square	Milford	Cincinnati	146,730		84%	Kroger
Pinewood Plaza	Dayton	Dayton	88,700		91%	Kroger
Springboro Plaza	Dayton	Dayton	154,034		41%	Kroger
Total Ohio			**688,096**	**6.4%**		
East Brainerd Mall	Brainerd	Minneapolis-St Paul	191,459		96%	Cub Foods
Mapleridge Center	Maplewood	Minneapolis-St Paul	114,681		88%	Rainbow Foods
North Branch Marketplace	North Branch	Minneapolis-St Paul	72,895		100%	County Market
Phalen Retail Center	St. Paul	Minneapolis-St Paul	73,678		96%	Cub Foods
Plymouth Station	Plymouth	Minneapolis-St Paul	114,069		98%	Hy-Vee
Total Minnesota			**566,782**	**5.3%**		
Highland Square	Crossville	Nashville	179,732		100%	Kroger
North Hixson Marketplace	Hixson	Chattanooga	64,254		91%	Food City
St. Elmo Central	Chattanooga	Chattanooga	74,999		100%	Food City
Sunset Plaza	Johnson City	Johnson City	143,752		100%	Kroger
Westhaven Town Center	Franklin	Nashville	63,904		100%	Kroger
Total Tennessee			**526,641**	**4.9%**		
Cambridge Crossings	Troy	Detroit	238,963		100%	Walmart
Canton Shopping Center	Canton	Detroit	72,361		89%	ALDI
City Center Plaza	Westland	Detroit	97,670		97%	Kroger
Stadium Center	Port Huron	Detroit-Warren-Dearborn	92,384		97%	Kroger
Total Michigan			**501,378**	**4.7%**		
Glidden Crossing	DeKalb	Chicago-Naperville-Joliet	98,683		92%	Schnucks
North Lake Commons	Lake Zurich	Chicago-Naperville-Joliet	121,099		88%	Jewel Osco
Oakland Commons	Bloomington	Bloomington	73,705		94%	Jewel Osco
Plaza St. Clair	Fairview Heights	St. Louis	97,459		77%	Schnucks
Total Illinois			**390,946**	**3.6%**		
Charles Town Plaza	Charles Town	Washington	206,146		98%	Walmart
Eastpointe Shopping Center	Clarksburg	Morgantown	181,016		99%	Kroger
Total West Virginia			**387,162**	**3.6%**		
Southgate Crossing	Minot	Minot	159,780		100%	CashWise
Watford Plaza	Watford City	Williston	101,798		99%	CashWise
Total North Dakota			**261,578**	**2.4%**		
East Little Creek	Norfolk	Virginia Beach-Norfolk-Newport News	68,770		100%	Kroger
Smithfield Shopping Plaza	Smithfield	Virginia Beach-Norfolk-Newport News	134,664		97%	Kroger
Total Virginia			**203,434**	**1.9%**		
Roxborough Marketplace	Littleton	Denver Aurora-Lakewood	101,624		98%	Safeway
Westminster Plaza	Westminster	Denver Aurora-Lakewood	97,013		91%	Safeway
Total Colorado			**198,637**	**1.8%**		
Forest Plaza	Fond du Lac	Fond du Lac	123,028		98%	Pick 'N Save
Wausau Pick 'n Save	Wausau	Wausau	67,951		100%	Pick 'N Save
Total Wisconsin			**190,979**	**1.7%**		
Derry Meadows Shoppes	Derry	Manchester-Nashua	187,001		97%	Hannaford
Total New Hampshire			**187,001**	**1.7%**		
Alta Mesa Plaza	Fort Worth	Dallas-Ft. Worth	167,961		85%	Kroger
Total Texas			**167,961**	**1.6%**		
Mitchellville Plaza	Mitchellville	Washington	147,803		93%	Weis
Total Maryland			**147,803**	**1.4%**		
Waterbury Plaza	Waterbury	New Haven-Milford	139,653		100%	Stop & Shop
Total Connecticut			**139,653**	**1.3%**		
Taylorsville Town Center	Salt Lake City	Salt Lake City	127,231		97%	Fresh Market
Total Utah			**127,231**	**1.2%**		
Stonefield Square	Louisville	Louisville	80,866		88%	The Fresh Market
Total Kentucky			**80,866**	**0.8%**		
Total / WA			**10,768,319**	**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 10.8 million square feet of GLA and consists of 85 grocery-anchored retail commercial properties located in the U.S.

Head office

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Independent auditors

Deloitte LLP
Chartered Professional Accountants
Toronto, Canada

Stock exchange listing and symbol

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

Registrar and transfer agent

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