Slate Grocery REIT

2020 Annual Report

SLATE

Mooresville Town Square, Mooresville, North Carolina

Harper Hill Commons, Winston Salem, North Carolina

About Slate Grocery REIT

(TSX: SGR.U / SGR.UN)

Slate Grocery REIT is an owner and operator of U.S. grocery-anchored real estate. The REIT owns and operates approximately U.S. $1.3 billion of critical real estate infrastructure across major U.S. metro markets that communities rely upon for their daily needs. The REIT's resilient grocery-anchored portfolio and strong credit tenants provide unitholders with durable cash flows and the potential for capital appreciation over the longer term.

Visit slategroceryreit.com to learn more about the REIT.

Slate Grocery REIT is managed by Slate Asset Management. Slate Asset Management is a leading real estate focused alternative investment platform with approximately $6.5 billion in assets under management. Slate is a value-oriented manager and a significant sponsor of all of its private and publicly traded investment vehicles, which are tailored to the unique goals and objectives of its investors. The firm's careful and selective investment approach creates long-term value with an emphasis on capital preservation and outsized returns. Slate is supported by exceptional people, flexible capital and a demonstrated ability to originate and execute on a wide range of compelling investment opportunities. Visit slateam.com to learn more.

Forward-looking Statements

Certain information in this management's discussion and analysis ("MD&A") constitutes "forward-looking statements" within the meaning of applicable securities legislation. These statements reflect management's expectations regarding objectives, plans, goals, strategies, future growth, results of operations, performance and business prospects and opportunities of Slate Grocery REIT (the "REIT") including expectations for the current financial year, and include, but are not limited to, statements with respect to management's beliefs, plans, estimates and intentions, and similar statements concerning anticipated future events, results, circumstances, performance or expectations that are not historical facts. Statements that contain words such as "could", "should", "would", "can", "anticipate", "expect", "does not expect", "believe", "plan", budget", "schedule", "estimate", "intend", "project", "will", "may", "might", "continue" and similar expressions or statements relating to matters that are not historical facts constitute forward-looking statements. Some of the specific forward-looking statements contained herein include, but are not expressions or statements relating to matters that are not historical facts constitute forward-looking statements. Some of the specific forward-looking statements contained herein include, but are not limited to, statements relating to the impact of the COVID-19 pandemic. There can be no assurance regarding the impact of COVID-19 on the business, operations, and financial performance of the REIT and its tenants, as well as on consumer behaviors and the economy in general. Management believes that the expectations reflected in its forward-looking statements are based upon reasonable assumptions, however, management can give no assurance that actual results, performance or achievements will be consistent with these forward-looking statements.

These forward-looking statements are not guarantees of future events or performance and, by their nature, are based on the REIT's current estimates and assumptions, which are subject to significant risks and uncertainties. The REIT believes that these statements are made based on reasonable assumptions; however, there is no assurance that the events or circumstances in these forward-looking statements will occur or be achieved. A number of factors could cause actual results to differ materially from the results discussed in the forward-looking statements including, but not limited to the risks that are more fully discussed under the "Risk Factors" section of the annual information form of the REIT for the year ended December 31, 2020 ("Annual Information Form"). Factors that could cause actual results to differ materially from those contemplated or implied including, but not limited to: financial and operational risks associated with the COVID-19 pandemic; risks incidental to ownership and operation of real estate properties including local real estate conditions; financial risks related to obtaining available equity and debt financing at reasonable costs and interest rate fluctuations; operational risks including timely leasing of vacant space and re-leasing of occupied space on expiration of current leases on terms at current or anticipated rental rates; tenant defaults and bankruptcies; uncertainties of acquisition activities including availability of suitable property acquisitions and in integration of acquisitions; competition including development of properties in close proximity to the REIT's properties; loss of key management and employees; potential environmental liabilities; catastrophic events, such as earthquakes and hurricanes; governmental, taxation and other regulatory risks and litigation risks.

Forward-looking statements included in this MD&A are made as of February 23, 2021, and accordingly are subject to change after such date. The REIT does not undertake to update any forward-looking statements that are included in this MD&A, whether as a result of new information, future events or otherwise, except as expressly required by applicable securities laws. Certain statements included in this MD&A may be considered "financial outlook" for purposes of applicable securities laws, and such financial outlook may not be appropriate for purposes other than this MD&A. Investors are cautioned against placing undue reliance on forward-looking statements.

Highlights

100.0%
Grocery-anchored

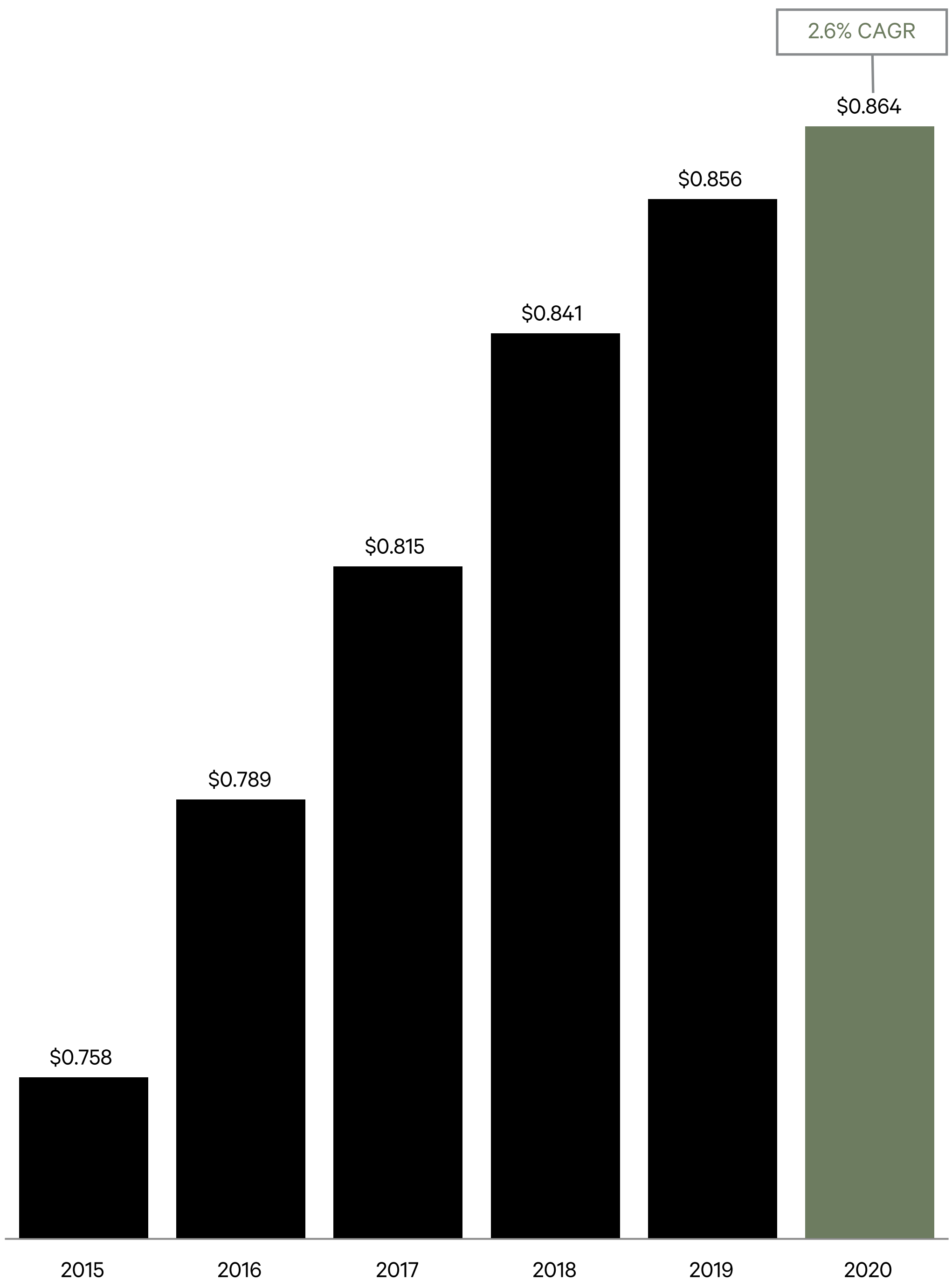
64.6%
Essential tenants

92.9%
Portfolio occupancy

$1.3B
Total asset value in USD

6.1%
Rental spread on lease renewals [1]

Track Record of Distribution Growth



[1] Based on 1,319,504 square feet of lease renewals completed during the year ended December 31, 2020.

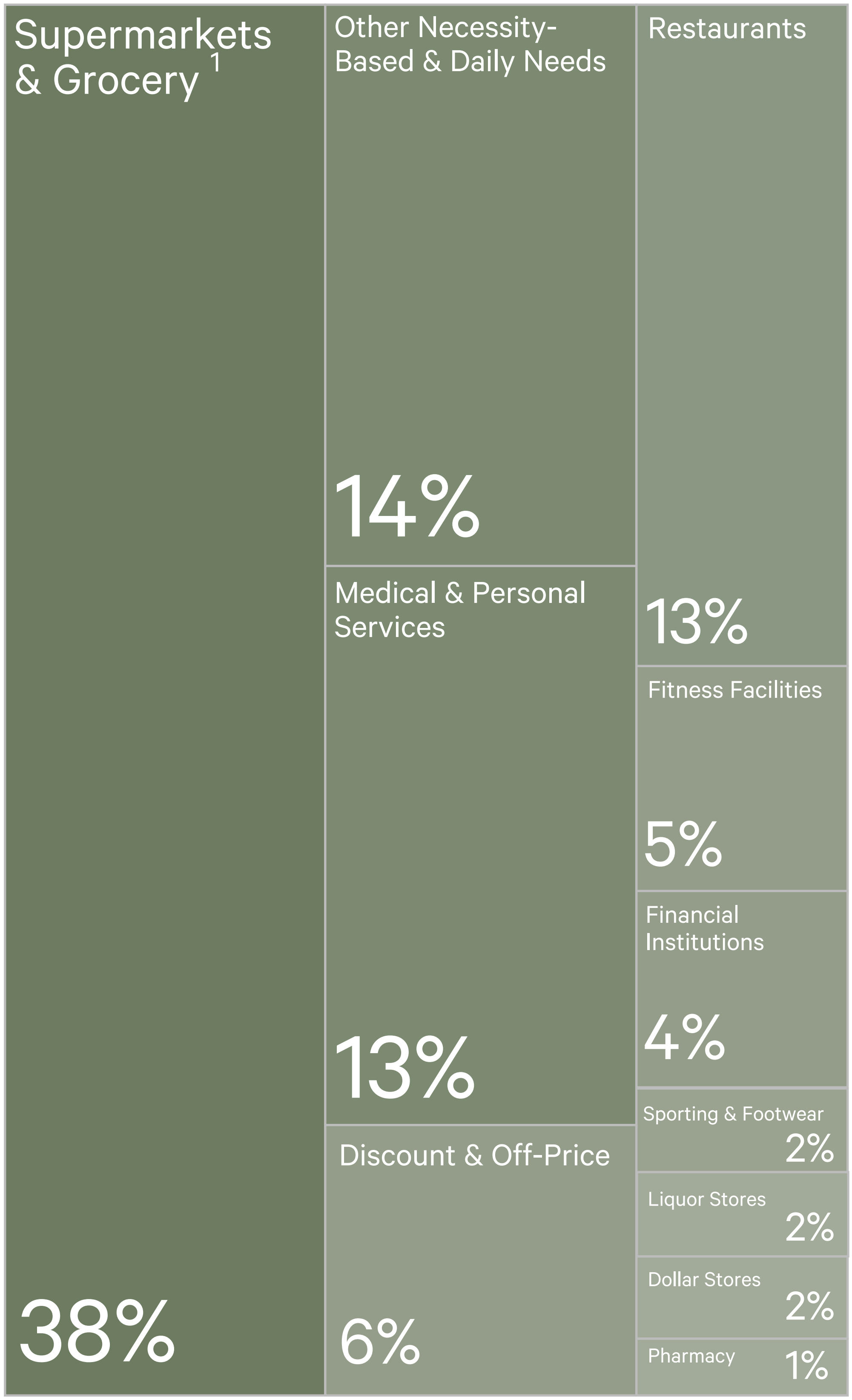
Top 5 Tenants

Ranked by Annual Base Rent

1	8.5%	Walmart
2	8.1%	Kroger
3	4.1%	Publix
4	3.9%	Ahold Delhaize
5	2.5%	Southeastern Grocers

72.9% remaining tenants across 1,082 leases

Necessity Based Tenancy



[1] Includes Walmart

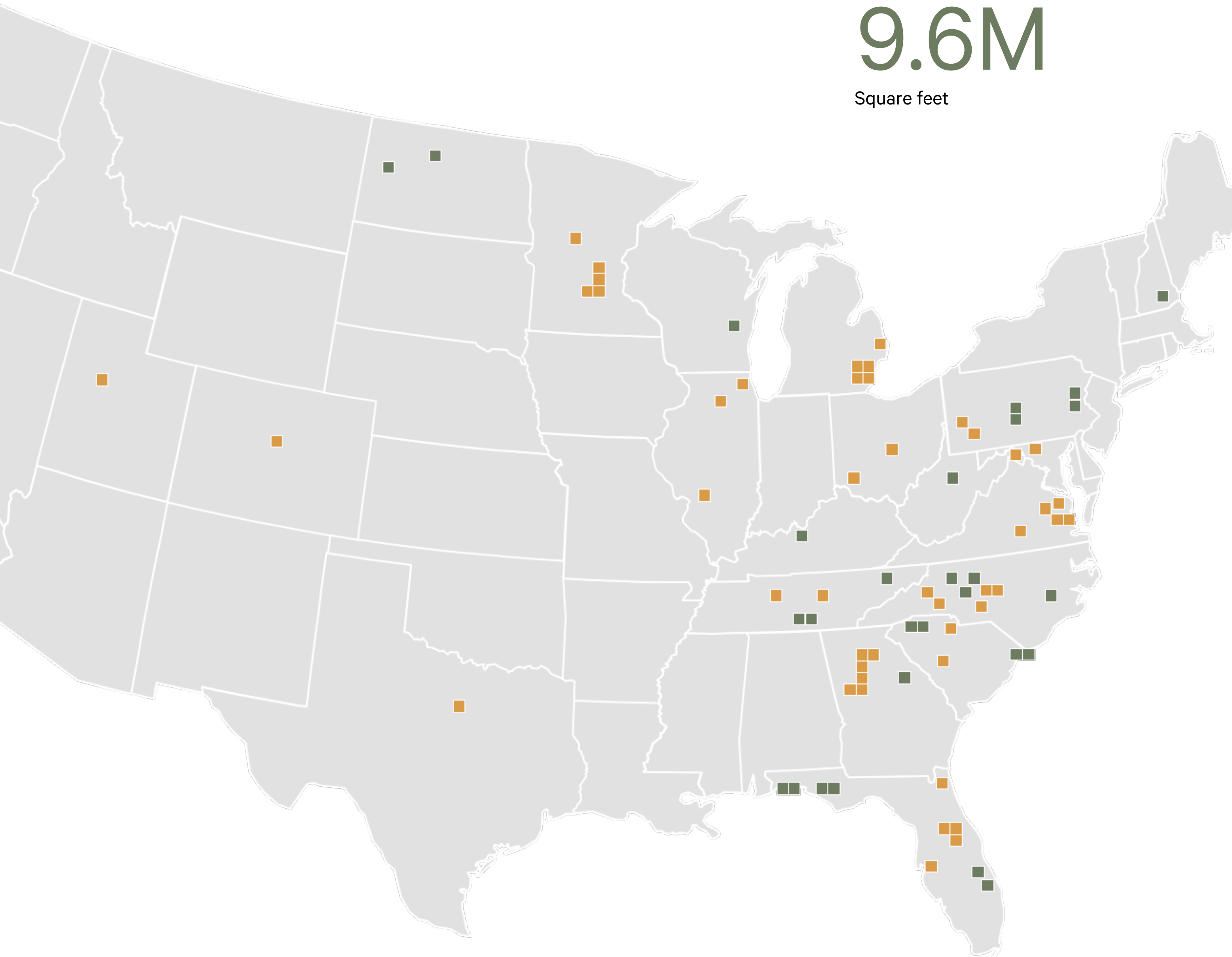

publix
FOOD & PHARMACY

Asset Map

75
Number of properties

20
States

9.6M
Square feet



Legend

Asset
Presence in 20 of the top 50 U.S. Metropolitan Statistical Areas ("MSAs")

Our experience lets us see opportunity clearly.

Letter to Unitholders

Dear Fellow Unitholders,

The COVID-19 pandemic has reinforced that Slate Grocery REIT's property portfolio is an important part of the critical infrastructure that feeds America. Approximately, 65% of our portfolio's revenue is derived from essential tenants with 38% from high-credit grocers. Our entire portfolio is in the United States and is anchored by a grocery store – a statistic that is a clear differentiator from our peers.

> "Our goal is to continue to own the real estate that is critical to delivering food to Americans and support our grocery tenants' omni-channel strategies."

Omni-channel

Our focus will continue to be on great properties, anchored by strong grocers, that are critical to providing for the essential daily needs of Americans. Accordingly, we are focused on owning well located properties that are critical to our grocery tenants' omnichannel strategies - this means owning assets that are close to where Americans live, reducing last-mile logistics costs, that have the capacity to deploy food inventory regardless of whether a purchase is made on-line or in store.

An example of the importance of omni-channel focus is taking place at Walmart Inc., Slate Grocery REIT's largest tenant. Walmart recently introduced several new initiatives to enhance their online fulfillment and in-store customer experience, including Alphabot, an integrated in-store micro fulfillment strategy, Walmart+, same day delivery from its stores, and enhanced automated self-checkout. Additionally, Tom Ward, SVP, Walmart U.S., recently commented:

"It's clear that one of Walmart's competitive advantages is our stores. And today, stores are transforming to serve more and more purposes – we're using them to fill pickup and delivery orders, make Walmart.com deliveries and more."

Currently, 98% of our grocer tenants are executing an omni-channel delivery model. Our goal is to continue to own the real estate that is critical to delivering food to Americans and support our grocery tenants' omni-channel strategies.

Performance

Our business performed extremely well in the fourth quarter and during the full year 2020. We collected more than 95% of rent in cash, which places Slate Grocery REIT at the top of the sector for pandemic performance. For the relatively small amount of rent that was deferred, re-payments have been robust and are nearing completion. As of January 31, 2021, we have collected $1.1 million of deferred amounts, which represents more than 100% of scheduled repayments, meaning several tenants are settling deferral amounts sooner than required. We expect Slate Grocery REIT's re-payment program will be

"We are seeing compelling opportunities to further drive value for unitholders and are excited to put our capital to work in 2021 and beyond."

substantially complete by the second quarter of 2021.

Since the start of the pandemic our occupancy increased by 70 basis points and ended the fourth quarter at 92.9%. We expect our occupancy will continue to trend upward based on our strong leasing pipeline of quality, actionable deals.

What stands out most about Slate Grocery REIT's 2020 performance is our leasing, including record amounts of both new and total leasing volumes. I've highlighted some leasing statistics that I find particularly compelling below:

- 372,130 square feet of new leasing (annual record)
- 1,691,634 square feet of total leasing (annual record)
- Weighted-average rental spread of 6.1% for all leasing
- 4 new deals and 11 renewals with grocery tenants, totaling 990,265 square feet (and no anchor leases maturing in 2021)
- Only 4.7% of the portfolio's rent roll matures in 2021

Excluding termination fees, which inflated the comparative period, our Same-Property Net Operating Income grew 0.6% in 2020. Embedded within this positive outcome is the foundation for a strong 2021. Our leasing strategy to re-tenant premises that were vacated this past year is progressing well. Coupled with $2.5 million of committed base rent (80% of which is scheduled to come online this year), our NOI is poised to grow in 2021.

Growth

Our team is active and optimistic about growing our portfolio accretively through acquisition. We promptly put the equity raised in December 2020 to good use, having closed on a five-asset portfolio acquisition on February 10, 2021 for $54.3 million. A few key highlights of this transaction include:

- Opportunistic, off-market portfolio acquisition in key growth markets in America's sunbelt
- Anchored by investment grade grocer credit with a higher percentage of revenue from both essential tenants and grocers relative to Slate Grocery's existing portfolio
- Stabilized portfolio is approximately 95% occupied
- Compelling returns that exceed Slate Grocery's cost of capital

This deal aligns with the key components of Slate Grocery REIT's investment thesis which has enabled our portfolio to thrive in recent quarters. Meaningful growth is at the heart of our strategy as we are poised to emerge from the pandemic in a position of strength. We are seeing compelling opportunities to further drive value for unitholders and are excited to put our capital to work in 2021 and beyond.

I'm extremely proud of the dedication and perseverance that our team at Slate Grocery REIT continues to demonstrate on a daily basis. The team's efforts have contributed meaningfully to an impressive quarter and full year performance for our business. We own the critical infrastructure that grocers and other essential tenants need to fulfill their last mile logistics. As such, over the past year, we have demonstrated that our portfolio of exclusively grocery-anchored assets produces durable and resilient cash flows in all market conditions. We remain excited for the future.

On behalf of the entire team at Slate Grocery REIT, we thank you for your continued support.

Sincerely,
David Dunn
Chief Executive Officer
February 23, 2021

Cambridge Crossings, Troy, Michigan

Management's Discussion and Analysis

SLATE GROCERY REIT

TSX: SGR.U and SGR.UN

December 31, 2020

FINANCIAL AND INFORMATIONAL HIGHLIGHTS

(in thousands of United States dollars)

	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019
Summary of Portfolio Information						
Number of properties [1]	75	76	77	72	76	79
Gross leasable area ("GLA") [1]	9,554,679	9,728,179	9,832,109	9,507,881	9,857,715	10,157,833
GLA occupied by grocery-anchors [1]	4,614,178	4,657,213	4,633,340	4,417,825	4,609,287	4,884,476
Occupancy [1]	92.9%	92.5%	92.2%	92.8%	93.0%	94.4%
Grocery-anchor occupancy [1]	98.6%	98.6%	96.8%	97.3%	97.6%	100.0%
Non-anchor occupancy [1]	87.5%	86.8%	87.9%	88.7%	88.7%	89.2%
Grocery-anchor weighted average lease term (years) [1]	6.5	6.4	6.3	5.9	5.8	5.9
Portfolio weighted average lease term (years) [1]	5.3	5.3	5.2	5.0	5.0	5.1
Square feet ("SF") leased [1]	480,738	431,778	518,691	260,427	149,216	745,112
Summary of Financial Information						
IFRS gross book value ("GBV") [2]	$ 1,323,554	$ 1,302,849	$ 1,300,866	$ 1,249,525	$ 1,315,080	$ 1,336,836
Total debt	726,373	777,526	781,002	735,206	789,395	798,147
Revenue	31,872	31,961	30,255	32,042	34,338	34,545
Net income [1]	21,268	7,630	6,888	5,819	14,016	4,513
Net operating income ("NOI") [1 3]	22,583	23,098	22,152	22,071	24,266	24,385
Funds from operations ("FFO") [1 3 4]	11,684	11,487	11,115	11,160	12,650	12,936
Adjusted funds from operations ("AFFO") [1 3 4]	9,651	8,954	9,046	8,748	10,616	11,142
Distributions declared	$ 9,545	$ 9,087	$ 9,087	$ 9,087	$ 9,314	$ 9,399
Per Unit Financial Information						
Class U equivalent units outstanding [5]	48,432	42,072	42,072	42,072	42,072	43,972
WA class U equivalent units outstanding ("WA units")	43,752	42,222	42,208	42,196	43,145	44,107
FFO per WA units [1 3 4]	$ 0.27	$ 0.27	$ 0.26	$ 0.26	$ 0.29	$ 0.29
AFFO per WA units [1 3 4]	0.22	0.21	0.21	0.21	0.25	0.25
Declared distributions per unit	$ 0.2160	$ 0.2160	$ 0.2160	$ 0.2160	$ 0.2145	$ 0.2138
Financial Ratios						
FFO payout ratio [1 3 4 6]	81.7%	79.1%	81.8%	81.4%	72.8%	72.7%
AFFO payout ratio [1 3 4 7]	98.9%	101.5%	100.5%	103.9%	86.8%	84.4%
Debt / GBV	54.9%	59.7%	60.0%	58.8%	60.0%	59.7%
Weighted average interest rate [8]	4.22%	3.98%	3.96%	3.99%	4.06%	4.06%
Interest coverage ratio [9]	2.45x	2.48x	2.52x	2.44x	2.51x	2.46x

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

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

[2] GBV is equal to total assets.

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

[4] In the first quarter of 2020, the REIT refinanced its existing revolving credit facility and term loan ("credit facility") and extinguished a mortgage of $10.1 million, bearing interest of 5.75% ("extinguished mortgage"), resulting in a net charge to income totaling $0.3 million. Adjusting to exclude the impact of the credit facility refinancing and extinguished mortgage in the first quarter of 2020, FFO per unit and FFO payout ratio would be $0.27 and 79.2%, respectively, and AFFO per unit and AFFO payout ratio would be $0.21 and 100.2%, respectively.

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

[6] Distributions declared divided by FFO.

[7] Distributions declared divided by AFFO.

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

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

PART I – OVERVIEW

INTRODUCTION

This MD&A of the financial position and results of operations of Slate Grocery REIT (TSX: SGR.U and SGR.UN) and its subsidiaries (collectively, the "REIT") is intended to provide readers with an assessment of performance and summarize the financial position and results of operations of the REIT for the period ended December 31, 2020. 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 period ended December 31, 2020 (the "consolidated financial statements"), which have been prepared by management in accordance with International Financial Reporting Standards ("IFRS"). This MD&A should be read in conjunction with those financial statements. All amounts are in thousands of United States dollars, which is the functional currency of the REIT and all of its subsidiaries.

The information contained in this MD&A is based on information available to the REIT and is dated as of February 23, 2021, which is also the date the Board of Trustees, upon the recommendation of its Audit Committee, approved the contents of this MD&A.

PROFILE

The REIT is an unincorporated open-ended real estate mutual fund trust constituted in accordance with the laws of the Province of Ontario pursuant to an amended and restated Declaration of Trust dated as of April 15, 2014, as amended on August 17, 2020. As of December 31, 2020, the REIT owns 75 grocery-anchored properties located in the United States of America (the "U.S.") comprising 9.6 million square feet of GLA.

The REIT is externally managed and operated by Slate Asset (Canada) 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 6.9% interest, and accordingly, is highly motivated to increase the value to unitholders and provide reliable growing returns to the REIT's unitholders.

On August 18, 2019, Slate announced a passive, non-voting minority equity investment from Goldman Sachs Asset Management's Petershill program, creating a strategic relationship with one of the world's leading investment managers and positioning Slate for future success. The investment provides capital that Slate will use to enhance its platform and increase its GP investments in current and future businesses and investment vehicles, further strengthening the firm's alignment with its clients and investing partners. The transaction has had no impact on the control or decision making of Slate, and the day-to-day operations and management of Slate have remain unchanged.

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

STRATEGY AND OUTLOOK

Our strategy is to own the last mile of essential logistics that allows our quality grocery-anchored properties to operate and service consumers for their everyday needs. Located in major markets in the U.S., we believe that our diversified portfolio and quality tenant covenants provides a strong basis to continue to grow unitholder distributions and flexibility to capitalize on opportunities that provide value appreciation.

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

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

The REIT's internal growth strategy includes the following:

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

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

- Opportunity to benefit from its relationship with Slate: The REIT anticipates that its continuing relationship with Slate provides opportunities to acquire additional properties. Slate has a strong track record of closing acquisitions and believes that it can grow the asset base of the REIT on an accretive basis in the near to medium term.
- Identify undervalued properties: Slate's extensive relationships with a network of U.S.-based commercial real estate brokers allows it to identify undervalued properties, many of which may be "off-market" or not widely marketed for sale. With over 40,000 grocery stores in the U.S., there are significant opportunities for the REIT to continue its strategy of acquiring attractive, revenue-producing grocery-anchored properties. Slate's familiarity with the REIT's properties allows it to identify complementary acquisition opportunities that are aligned with the REIT's investment criteria and accretive to cash flow. The REIT seeks to acquire properties that are: (i) located in major metropolitan areas in the U.S. that demonstrate favourable population and employment growth dynamics; (ii) located in well-developed sub-markets with limited risk of new development; and (iii) anchored by market dominant grocers and other essential tenants who fulfill the last mile of logistics and have a proven track record of strong sales and profitability. Slate will continue to target major metropolitan areas in the U.S. outside of gateway markets where there is typically more competition and less favourable pricing for quality assets.
- Apply Slate's hands-on asset management philosophy: Even though Slate targets assets that are stable, income producing properties, Slate will continue to assess each property to determine how to optimally refurbish, reposition and re-tenant the property. Slate will continue to work closely with contractors to reduce operating costs and will oversee capital expenditure projects to ensure they are on budget and completed on time. In addition, Slate will continue to: (i) focus on rebuilding and strengthening tenant relationships with a view to gaining incremental business and extending stable tenant leases; and (ii) outsource property management and other real estate property functions to lower the operating costs borne by the tenants. This cost reduction further improves tenant relationships and will increase the net operating income of the REIT's properties.

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

COVID-19

Slate Asset Management (Canada) L.P., as manager of the REIT has a robust COVID-19 response plan in place, with employee and tenant safety as a top priority. This plan is intended to monitor and mitigate the business and health risks posed to the REIT and its stakeholders. The REIT has mandated increased sanitation and health and safety measures at its properties. The REIT continues to monitor direction provided by the World Health Organization, public health authorities and federal and state governments in order to control the spread of COVID-19.

The REIT continues to be actively engaged with tenants and continues to assess tenants adversely affected by COVID-19 and will consider deferral programs on a case by case basis.

No assurance can be made that the plan will mitigate the adverse impacts of COVID-19. A prolonged COVID-19 pandemic could have a material impact on the financial results and cash flows of the REIT, including tenants' ability to pay rent, occupancy, leasing demand, market rents, labor shortages and disruptions, all of which may impact the REIT's valuation of its properties or the ability of the REIT to meet financial obligations.

For further discussion on COVID-19, refer to Part I *Overview*, section *Impact of COVID-19*.

NON-IFRS FINANCIAL MEASURES

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

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

- NOI is defined as rental revenue less operating expenses, prior to straight-line rent, IFRIC 21, *Levies* ("IFRIC 21") property tax adjustments and adjustments for equity investment. Same-property NOI includes those properties owned by the REIT for each of the current period and the relevant comparative period excluding those properties under development. NOI margin is defined as NOI divided by revenue, prior to straight-line rent.
- FFO is defined as net income adjusted for certain items including transaction costs, change in fair value of properties, change in fair value of financial instruments, deferred income taxes, unit income (expense), adjustments for equity investment and IFRIC 21 property tax adjustments.
- AFFO is defined as FFO adjusted for straight-line rental revenue and sustaining capital, leasing costs and tenant improvements.

- FFO payout ratio and AFFO payout ratio are defined as distributions declared divided by FFO and AFFO, respectively.
- FFO per WA unit and AFFO per WA unit are defined as FFO and AFFO divided by the weighted average class U equivalent units outstanding, respectively.
- Adjusted EBITDA is defined as NOI less General and administrative expenses.
- Interest coverage ratio is defined as adjusted EBITDA divided by cash interest paid.
- Net asset value is defined as the aggregate of the carrying value of the REIT's equity, deferred income taxes and exchangeable units of subsidiaries.

ENVIRONMENTAL, SOCIAL AND CORPORATE GOVERNANCE

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

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

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

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

RISKS AND UNCERTAINTIES

In addition to the risks and uncertainties included herein, the REIT's business is subject to a number of risks and uncertainties which are described in its most recently filed Annual Information Form for the year ended December 31, 2020, available on SEDAR at www.sedar.com. Additional risks and uncertainties not presently known to the REIT or that the REIT currently considers immaterial also may impair its business and operations and cause the price of the REIT's units to decline in value. If any of the noted risks actually occur, the REIT's business may be harmed and the financial condition and results of operations may suffer significantly. In that event, the trading price of the units could decline, and unitholders may lose all or part of their investment.

RECENT DEVELOPMENTS

The following is a summary of the key financial and operational highlights and recent developments for the REIT for the year ended December 31, 2020:

- On December 10, 2020, the REIT completed a public offering of 6.4 million class U units, at a price of $9.17 or C$11.80 per unit, for gross proceeds of approximately $58.3 million or C$75.1 million. This financing reduces the REIT's indebtedness and provides further capacity to capitalize on attractive investment opportunities.

  Subsequent to year end, the REIT completed the acquisition of a portfolio of five grocery-anchored properties for $54.3 million ($137 per square foot), deploying proceeds from the capital raised from the December equity offering. These acquisitions contributed 396,471 square feet to the REIT's portfolio and further increase the REIT's concentration of grocery and essential tenants.
- Completed 1,691,634 square feet of leasing during the year ended December 31, 2020 at a 6.1% weighted average rental spread, comprised of 1,319,504 square feet of renewals and 372,130 square feet of new leasing.
- Occupancy increased by 0.4% from the third quarter to 92.9% due to 35,823 square feet of new leasing and the disposition of one property and two outparcels at certain properties which had a weighted average occupancy rate of 70.7%, partially offset by 60,414 square feet of lease expiries.
- On a year-to-date basis, the REIT has completed eight property and two property outparcel dispositions for $133.6 million at a weighted average capitalization rate of 7.3% on trailing twelve-month NOI. The REIT will seek to reinvest net proceeds into accretive investment opportunities that will strengthen the quality of the REIT's portfolio and drive growth in NOI.
- The weighted average tenant retention rate for the fourth quarter was 92.9%. Since the beginning of 2016, the weighted average retention rate has been 92.1%.
- Rental revenue for the fourth quarter was $31.9 million, which represents a $2.5 million decrease over the same period in the prior year. The decrease is primarily due to the disposition of eight properties and two outparcels at certain properties from December 31, 2019, partially offset by increased revenue due to the acquisition of seven properties, rental rate growth from re-leasing at rates above in-place rents and new leasing.

- Net income for the fourth quarter was $21.3 million, which is a $7.3 million increase from the same quarter of the prior year. The increase is attributed to a change in fair value of properties and a decrease in transaction costs, partially offset by the aforementioned decreases in revenue.
- NOI for the fourth quarter decreased by $0.5 million from the third quarter of 2020 to $22.6 million. This is primarily due to a loss in NOI contribution from the aforementioned dispositions and temporary vacancies, partially offset by rental rates from new leasing typically above in-place rent.
- Adjusting for termination fees, same-property NOI for the trailing twelve month period ended December 31, 2020 (comprised of 60 properties) increased by 0.6% over the same period in the prior year. Including the impact of termination fees, same-property NOI for the trailing twelve month period decreased by 0.3%. Same-property NOI for the fourth quarter (comprised of 61 properties) decreased by 0.9% over the comparative period.
- FFO per unit was $0.27 for the quarter, which represented a $0.02 decrease from the same period in the prior year, primarily due to the lost contribution in rental revenue from the disposition of eight properties and two outparcels at certain properties and an increase in current tax expense over the comparative period, partially offset by the aforementioned acquisitions and decreases in cash interest paid. Adjusting for the impact of the equity raise FFO per unit would be $0.28.
- AFFO per unit was $0.22 for the quarter, a $0.03 decrease from the comparative period. Decreases in AFFO were due to the aforementioned decreases in FFO, partially offset by a decrease in capital expenditures. Adjusting for the impact of the equity raise AFFO per unit would be $0.23.

IMPACT OF COVID-19

In response to the pandemic, Slate Asset Management (Canada) L.P., as manager of the REIT, has implemented a COVID-19 response plan, with employee and tenant safety as a top priority. This plan is intended to monitor and mitigate the business and health risks posed to the REIT and its stakeholders. No assurance can be made that such strategies will mitigate the adverse impacts of COVID-19.

Appropriate operational planning and cost-control measures are in place to manage operational and financial risk. The REIT continues to monitor direction provided by the World Health Organization, public health authorities and federal and state governments in order to control the spread of COVID-19.

Management has assessed 65% of the REIT’s tenant portfolio comprises of essential tenants, including grocery-anchored tenants, medical and personal services, financial institutions, and other essential based services. All of our centers are grocery anchored. Rent is typically paid within the first 15 business days of each month.

Since the start of the pandemic, the REIT has collected 96% of contractual rent. For the fourth quarter, the REIT has collected 96% of contractual rent. The REIT expects to substantially collect outstanding billings through immediate cash collection and deferral programs. The REIT continues to assess tenants adversely affected by COVID-19 and will consider deferral programs on a case by case basis. As of December 31, 2020, the REIT has collected $1.0 million of payments under the deferral payback program, representing in excess of 100% of scheduled amounts owed to date. The REIT's total deferral payback program, amounting to $1.3 million, is expected to be substantially completed by April 2021, with 82% of the program completed as at year-end. To date, the REIT has provided $0.1 million in rent abatements during the fourth quarter 2020, which represents 0.4% of the REIT's contractual rent, related to one shop-space tenant. In exchange for rent abatements, management has secured future cash flows by way of lease extensions and contractual rent increases. All of the REIT’s centers have remained open throughout the COVID-19 pandemic, with 99% of tenants in operation.

The REIT is well-positioned from a liquidity perspective to endure negative impacts as a result of COVID-19, however, the REIT will continue to evaluate and monitor this as the situation endures. During the 2020 year, the REIT refinanced over $858 million of total debt resulting in extended term and reduced pricing. On January 14, 2021, the REIT closed a $169.0 million 10 year mortgage, bearing interest of 3.75%. The net proceeds from the loan were used to reduce the REIT's nearest term debt maturity in 2023 to $83.0 million, resulting in an increase of the REIT's debt portfolio to a weighted average term to maturity of 5.9 years.

The duration and impact of the pandemic on the REIT are unknown at this time. As such, it is not possible to reliably estimate the length and severity of COVID-19-related impacts on the financial results and operations of the REIT. A prolonged COVID-19 pandemic could have a material impact on the financial results and cash flows of the REIT, including tenants' ability to pay rent, occupancy, leasing demand, market rents, labor shortages, and disruptions, all of which may impact the REIT's valuation of its properties or the ability of the REIT to meet financial obligations. Based on tenant collections to date and overall property performance, the REIT believes property valuations are appropriate as at December 31, 2020.

Market volatility has resulted and may continue to result in a negative impact on the market price of the REIT’s equity securities. Governments and central banks have intervened through monetary and new fiscal policies, however, it is unknown at this time how these interventions will impact capital markets or the financial stability of the REIT's tenants.

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.

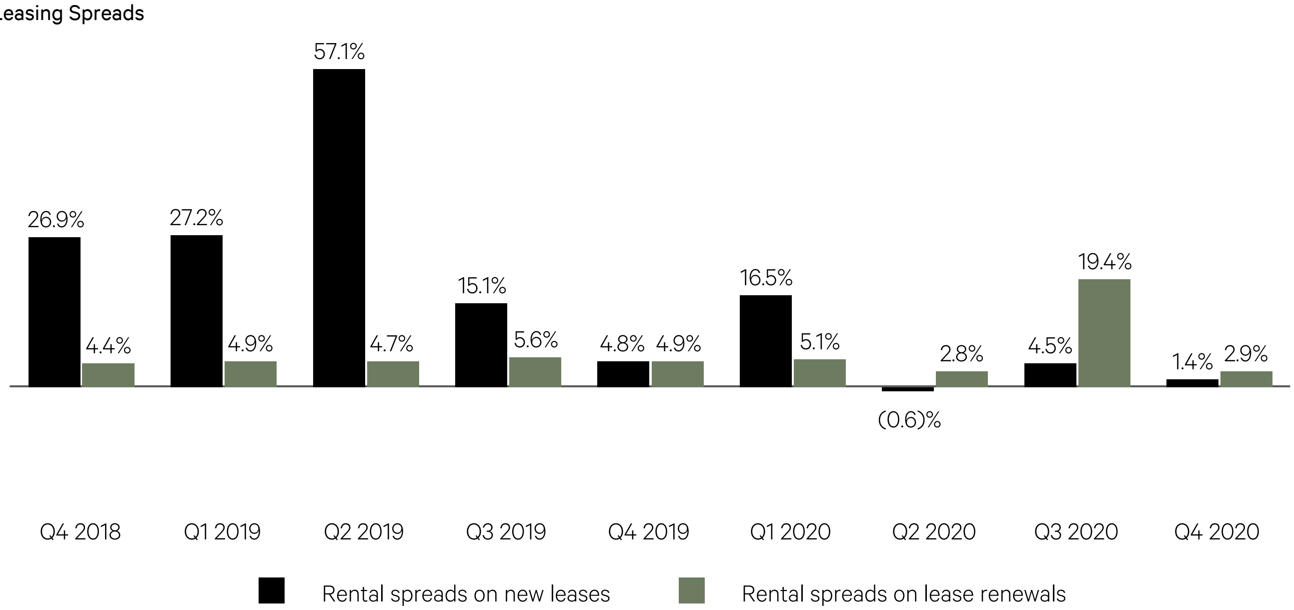
The following table summarizes the REIT's leasing activity for the four most recent quarters:

Square feet	Deal type		Q4 2020	Q3 2020	Q2 2020	Q1 2020
Less than 10,000	Renewal	Leases signed	33	37	13	28
		Total square feet	91,461	108,284	25,290	73,803
		Average base rent	$ 17.11	$ 18.42	$ 21.08	$ 17.24
		Rental spread	5.8%	7.5%	9.3%	5.2%
Greater than 10,000	Renewal	Leases signed	6	5	8	3
		Total square feet	353,454	127,056	439,036	101,120
		Average base rent	$ 8.26	$ 10.68	$ 6.98	$ 10.81
		Rental spread	1.4%	42.6%	1.8%	5.0%
Total renewals (square feet)			**444,915**	**235,340**	**464,326**	**174,923**
Less than 10,000	New lease	Leases signed	12	12	9	13
		Total square feet	35,823	43,319	13,422	29,377
		Average base rent	$ 15.36	$ 17.17	$ 21.28	$ 14.82
		Rental spread[1]	1.4%	(16.2%)	14.5%	2.2%
Greater than 10,000	New lease	Leases signed	—	4	1	1
		Total square feet	—	153,119	40,943	56,127
		Average base rent	$ —	$ 9.17	$ 7.38	$ 11.86
		Rental spread[1]	—%	20.2%	(11.7%)	28.1%
Total new leases (square feet)			**35,823**	**196,438**	**54,365**	**85,504**
Total leasing activity (square feet)[2]			**480,738**	**431,778**	**518,691**	**260,427**

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

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

Leasing Spreads



During the fourth quarter, management completed 444,915 square feet of lease renewals. The weighted average rental rate increases on renewals completed for leases less than 10,000 square feet was $0.94 per square foot or 5.8% higher than expiring rent. The weighted average rental rate increases on renewals completed for leases greater than 10,000 square feet was $0.11 per square foot or 1.4% higher than expiring rent.

The weighted average base rent on all new leases completed less than 10,000 square feet was $15.36 per square foot which is $1.25 per square foot or 1.4% higher than the weighted average in-place rent for comparable space across the portfolio. These transactions compare favorably to the current weighted average in place rent of $11.43.

Lease maturities

The REIT generally enters into leases with initial terms to maturity between 5 and 10 years with our grocery-anchor tenants. The initial terms to maturity for non-anchor space tend to be of a shorter duration between 3 and 5 years. The weighted average remaining term to maturity of the REIT's grocery-anchor and non-grocery-anchor tenants as at December 31, 2020 was 6.5 years and 4.1 years, respectively, not including tenants on month-to-month leases. On a portfolio basis, the weighted average remaining term to maturity is 5.3 years.

The following table summarizes the composition of the remaining term to maturity of the REIT's leases at December 31, 2020:

	Weighted average term to maturity	GLA [1]	GLA %
Grocery-anchor	6.5	4,614,178	48.3%
Non-anchor	4.1	4,133,479	43.3%
Total	**5.3**	**8,747,657**	**91.6%**
Month-to-month		130,360	1.3%
Vacant		676,662	7.1%
Total GLA		**9,554,679**	**100.0%**

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

Occupancy is determined based on lease commencement. The following table shows the change in occupancy during the three month period ended December 31, 2020:

	Total GLA [1]	Occupied GLA [1 2]	Occupancy
September 31, 2020	9,728,179	9,002,777	92.5 %
Dispositions	(136,679)	(96,669)	70.7%
Leasing changes	(3,186)	5,544	N/A
Other	(33,635)	(33,635)	100.0%
December 31, 2020	**9,554,679**	**8,878,017**	**92.9%**

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

Occupancy has increased by 0.4% to 92.9% from September 31, 2020, mainly due to 35,823 square feet of new leasing and the disposition of one property and two property outparcels with a weighted average occupancy rate of 70.7%, partially offset by lease expirations totaling 60,414 primarily relating to Stein Mart's vacancy at Cordova Commons totaling 36,000 square feet and other shop-space tenants across the portfolio.

The following table shows the change in occupancy during the year ended December 31, 2020:

	Total GLA [1]	Occupied GLA [1 2]	Occupancy
December 31, 2019	9,857,715	9,164,897	93.0%
Acquisitions	623,766	572,100	91.7%
Dispositions	(874,768)	(792,106)	90.6%
Leasing changes	(18,442)	(33,282)	N/A
Other	(33,592)	(33,592)	100.0%
December 31, 2020	**9,554,679**	**8,878,017**	**92.9%**

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

Occupancy decreased by 0.1% from December 31, 2019, primarily due to the acquisition of seven properties at a weighted average occupancy rate of 91.7%, partially offset by the disposition of eight properties and two property outparcels at a weighted occupancy rate of 90.6%.

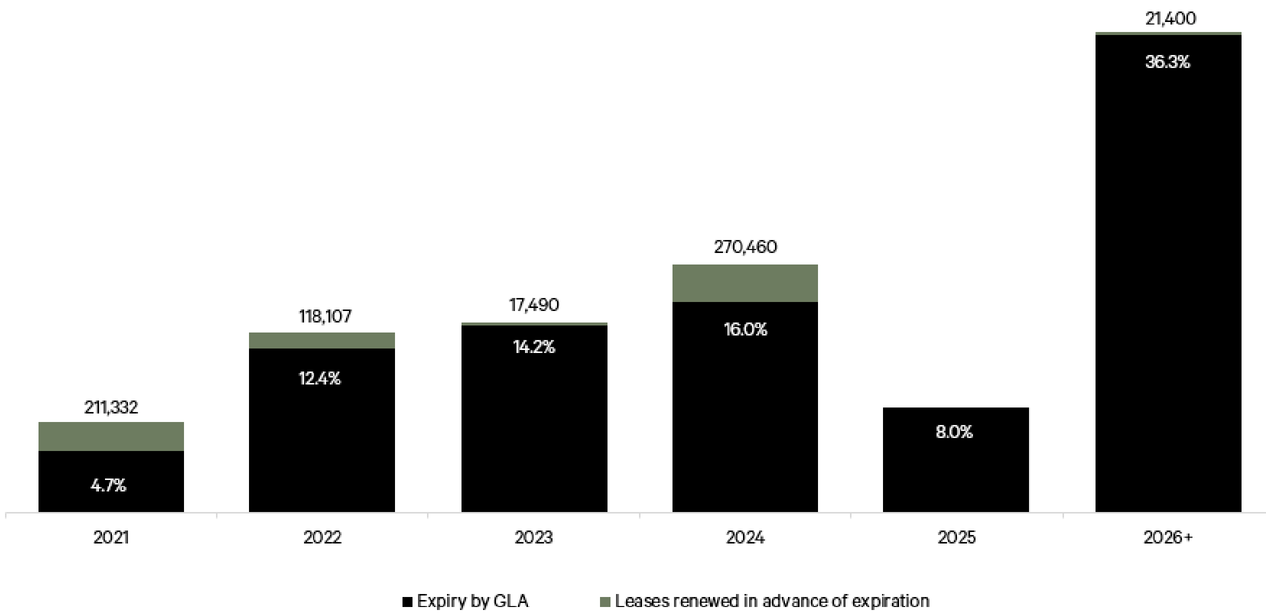
The following is a profile of the REIT's leases excluding the impact of tenant extension options:

	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	—	— %	$ —	130,360	1.3 %	$ 14.32	130,360	1.3 %	$ 14.32
2021	—	— %	—	445,629	4.7 %	15.86	445,629	4.7 %	15.86
2022	477,994	5.0 %	7.55	705,623	7.4 %	14.06	1,183,617	12.4 %	11.43
2023	661,461	6.9 %	6.89	697,943	7.3 %	14.55	1,359,404	14.2 %	10.83
2024	921,232	9.6 %	8.23	604,415	6.3 %	15.16	1,525,647	15.9 %	10.98
2025	282,337	3.0 %	9.19	480,752	5.0 %	15.05	763,089	8.0 %	12.88
2025 and later	2,271,154	23.8 %	8.95	1,199,117	12.6 %	14.50	3,470,271	36.4 %	10.87
Vacant	66,970	0.7 %	N/A	609,692	6.4 %	N/A	676,662	7.1 %	N/A
Total / weighted average [1]	**4,681,148**	**49.0%**	**$ 8.38**	**4,873,531**	**51.0%**	**$ 14.73**	**9,554,679**	**100.0%**	**$ 11.43**

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

The REIT endeavors to proactively lease upcoming expiries in advance of maturity to de-risk the portfolio, maintain high occupancy levels, ensure a proper mix of tenants at each property and certainty in cash flows. The following is a table of lease expiries at December 31, 2020 and pre-existing future maturities that were leased in advance during 2020:

Lease Expiries and Pre-existing Future Maturities



The following table summarizes remaining expiries:

	December 31, 2020		September 30, 2020		June 30, 2020		March 31, 2020	
GLA Expiration	Number of tenants	GLA	Number of tenants	GLA	Number of tenants	GLA	Number of tenants	GLA
Anchors	—	—	—	—	—	—	2	108,451
Non-anchors	159	445,629	23	53,913	70	195,015	95	263,466
Remaining expiries [1]	**159**	**445,629**	**23**	**53,913**	**70**	**195,015**	**97**	**371,917**
Percentage of portfolio [1]		**4.7%**		**0.6%**		**2.0%**		**3.9%**

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

At December 31, 2020, remaining 2020 expiries totaled 445,629 square feet with 4.7% or 445,629 square feet of total GLA related to non-anchor tenants. Comparatively, at September 30, 2020, remaining 2020 expires totaled 53,913 with 0.5% or 53,913 square feet of total GLA related to non-anchor tenants. At June 30, 2020, remaining 2020 expiries totaled 195,015 with 2.0% or 195,015 square feet of total GLA related to non-anchor tenants. At March 31, 2020, remaining 2020 expiries totaled 371,917 with 2.8% or 263,466 square feet of total GLA related to non-anchor tenants.

Retention rates

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

The following are the REIT's retention rates for the three and twelve month periods ended December 31, 2020, and year ended December 31, 2019 for both grocery-anchor and non-grocery-anchor tenants:

Retention rate [1]	Three months ended December 31, 2020	Year ended December 31, 2020	Year ended December 31, 2019
Grocery-anchor	98.6%	97.8%	99.4%
Non-grocery-anchor	87.5%	87.7%	90.1%
Net total / weighted average [2]	**92.9%**	**92.8%**	**94.9%**

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

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

								For the three months ended,
		December 31, 2020		September 30, 2020		June 30, 2020		March 31, 2020
Renewals								
Square feet		444,915		235,340		464,326		174,923
Expiring rent per square foot [1]	$	9.80	$	11.92	$	7.54	$	12.86
Rent spread per square foot [1]		0.28		2.32		0.21		0.66
Vacated								
Square feet [2]		60,414		155,032		51,189		99,651
Expiring rent per square foot [1]	$	13.16	$	9.62	$	12.42	$	9.02
New								
Square feet		35,823		196,438		54,365		85,504
New rent per square foot [1]	$	15.36	$	10.93	$	10.81	$	12.88
Total base rent retained [3]	**$**	**3,565**	**$**	**1,314**	**$**	**2,865**	**$**	**1,351**
Incremental base rent [3]	**$**	**675**	**$**	**2,693**	**$**	**685**	**$**	**1,217**

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

In-place and market rents

The REIT's leasing activity during the three month period ended December 31, 2020 is as follows:

	GLA	Number of tenants		Weighted average expiring rent		Weighted average new rent
Renewed leases	444,915	39	$	9.80	$	10.08
New leases	35,823	12		N/A		15.36
Total / weighted average	**480,738**	**51**		**N/A**	**$**	**10.48**
Less, leases not renewed / vacated during term [1]	(60,414)	12	$	13.16		N/A
Net total / weighted average [2]	**420,324**	**63**		**N/A**	**$**	**10.48**

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

The REIT's leasing activity during the year ended December 31, 2020 is as follows:

	GLA	Number of tenants		Weighted average expiring rent		Weighted average new rent
Renewed leases	1,319,504	133	$	9.79	$	10.46
New leases	372,130	52		N/A		11.79
Total / weighted average	**1,691,634**	**185**		**N/A**	**$**	**10.75**
Less, leases not renewed / vacated during term [1]	366,286	(84)	$	10.43		N/A
Net total / weighted average [2]	**2,057,920**	**101**		**N/A**	**$**	**10.86**

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

During the fourth quarter of 2020, the REIT completed 480,738 square feet of leasing, which represents 5.0% of the REIT's portfolio. For the year ended December 31, 2020, 1,691,634 square feet of leasing was completed, which represents 17.7% of the REIT's portfolio. This level of leasing is consistent with the REIT's strategy of actively managing the properties to create value through a hands-on approach.

Net rental rates

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

	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019
Grocery rent	$ 8.38	$ 8.35	$ 8.28	$ 8.18	$ 8.14	$ 8.05	$ 8.16	$ 8.10
Shop space rent	14.73	14.98	14.64	14.03	14.35	14.04	14.08	13.72
Total [1]	**$ 11.43**	**$ 11.55**	**$ 11.39**	**$ 11.10**	**$ 11.22**	**$ 10.99**	**$ 11.03**	**$ 10.84**
Market rent [2]	**$ 11.69**	**$ 11.81**	**$ 11.71**	**$ 11.69**	**$ 11.82**	**$ 11.80**	**$ 11.73**	**$ 11.61**

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

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

In-place Rent Versus Estimated Market Rent

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

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 seven properties during the year ended December 31, 2020, as summarized below:

Property	Purchase date	Location	Purchase price	SF	Price per SF	Anchor tenant
Alexander Pointe	May 29, 2020	Salisbury, North Carolina	$ 8,060	57,710	$ 140	Harris Teeter
Bermuda Crossroads	May 29, 2020	Chester, Virginia	18,607	122,566	152	Food Lion
Gainsborough Square	May 29, 2020	Chesapeake, Virginia	13,637	88,862	153	Food Lion
Harper Hills Commons	May 29, 2020	Winston-Salem, North Carolina	11,777	96,914	122	Harris Teeter
Indian Lakes Crossing	May 29, 2020	Virginia Beach, Virginia	7,606	64,973	117	Harris Teeter
Renaissance Square	May 29, 2020	Davidson, North Carolina	14,313	80,467	178	Harris Teeter
Stone House Square	May 29, 2020	Hagerstown, Maryland	16,100	112,274	143	Weis Markets
Total / weighted average			**$ 90,100**	**623,766**	**$ 144**	

The aforementioned properties were acquired by the REIT for a total of $90.1 million, totaling 623,766 square feet ($144 price per square foot) at an estimated weighted average capitalization rate of 8.7%. Each asset is leased with strong grocery-anchor tenants with a weighted average essential tenancy of 63.1%.

DISPOSITIONS

During the year ended December 31, 2020 the REIT disposed of eight properties and two property outparcels as follows:

Property	Number of outparcels	Disposition date	Location	Anchor tenant	Sales price
Douglas Commons	N/A	January 17, 2020	Douglasville, Georgia	Kroger	$ 13,550
Meres Town Center	N/A	January 24, 2020	Tarpon Springs, Florida	Winn-Dixie	6,990
Mitchellville Plaza	N/A	January 31, 2020	Mitchellville, Maryland	Weis Markets	34,730
Armstrong Plaza	N/A	March 25, 2020	Wausau, Wisconsin	BI-LO	4,880
Waterbury Plaza	N/A	April 8, 2020	Waterbury, Connecticut	Stop & Shop	21,000
National Hills	N/A	April 13, 2020	Augusta, Georgia	The Fresh Market	26,000
Pinewood Plaza	N/A	August 12, 2020	Dayton, Ohio	Kroger	6,100
Roxborough Marketplace	N/A	October 5, 2020	Littleton, Colorado	Safeway	18,350
Robson Crossing	1	October 5, 2020	Atlanta, Georgia	N/A	600
Derry Meadows Shoppes	1	December 30, 2020	Derry, New Hampshire	N/A	1,435
Total					**$ 133,635**

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 92.9% at December 31, 2020 (September 30, 2020 – 92.5%, June 30, 2020 – 92.2%, March 31, 2020 – 92.8%).

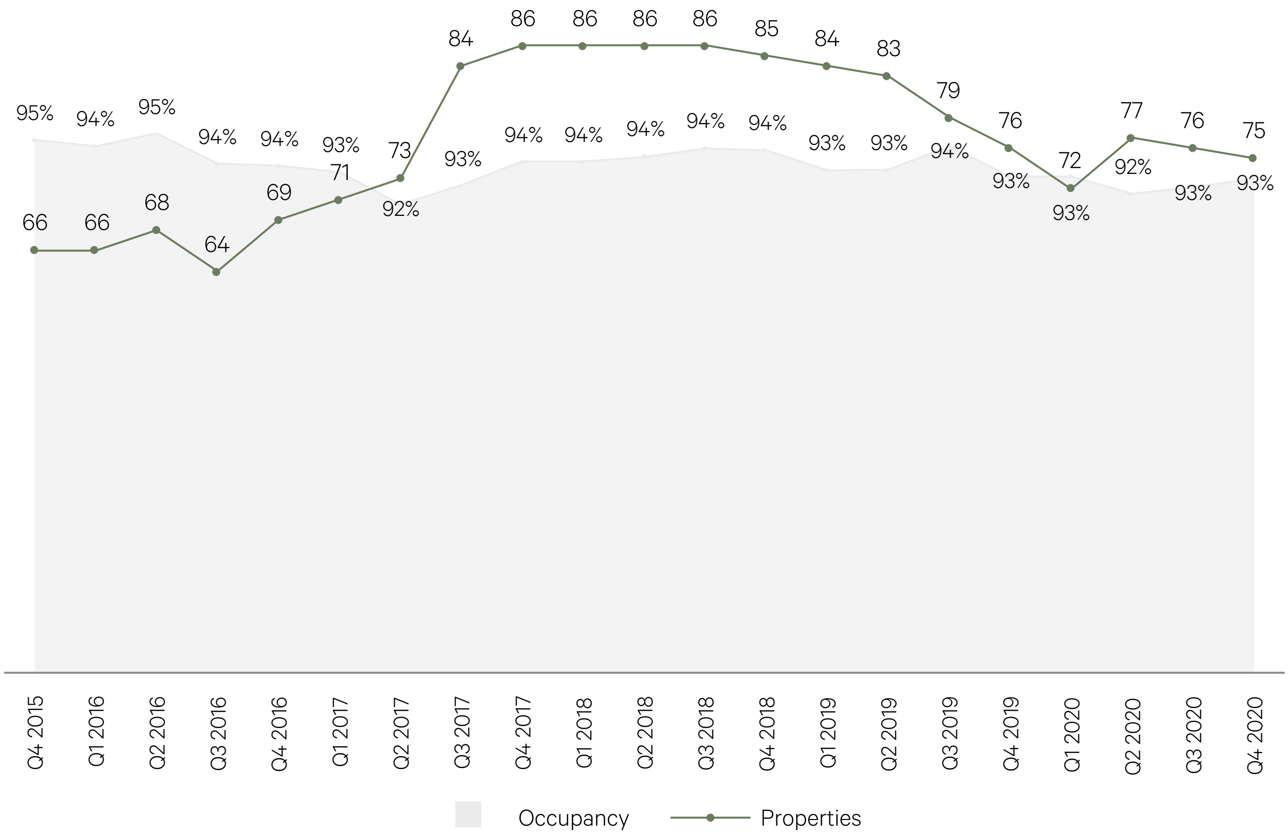
Occupancy has increased by 0.4% to 92.9% from September 31, 2020, mainly due to the disposition of one property and two property outparcels with a weighted average occupancy rate of 70.7%, and 35,823 square feet of new leasing, partially offset by lease expirations totaling 60,414. Lease expirations are mainly due to Stein Mart's vacancy Cordova Commons totaling 36,000 square feet. Management has an active leasing strategy in-place for this location.

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

	2016		2017				2018				2019				2020			
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Properties [1]	64	69	71	73	84	86	86	86	86	85	84	83	79	76	72	77	76	75
Occupancy [1]	93.6%	93.5%	93.2%	91.7%	92.6%	93.7%	93.7%	93.9%	94.3%	94.2%	93.3%	93.3%	94.4%	93.0%	92.8%	92.2%	92.5%	92.9%

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

Historical Occupancy Rates



Geographic overview

The REIT's portfolio is geographically diversified. As of December 31, 2020, the REIT's 75 properties were located in 20 states with a presence in 20 MSAs. The REIT has 37 properties, or 48.7% of the total portfolio, located in the U.S. sunbelt region. Markets within this region benefit from strong underlying demographic trends, above average employment and population growth. This provides the REIT opportunities to progressively drive operational efficiencies and sustainable growth.

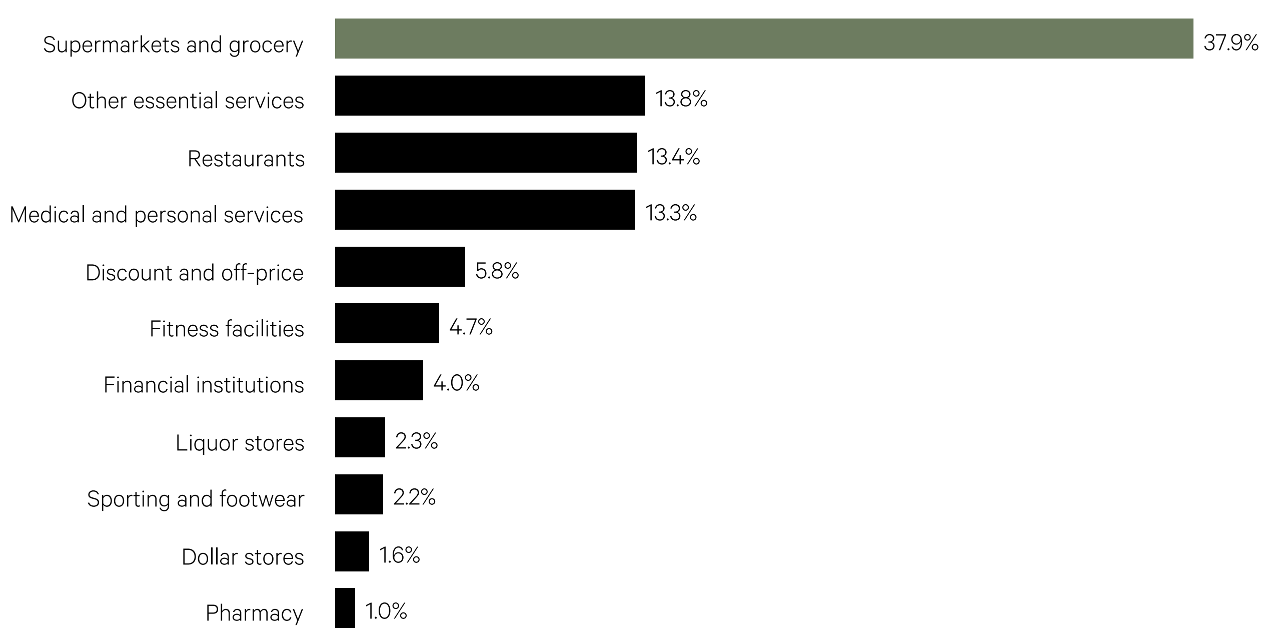
The following is a summary of the geographic location and relative dispersion of the REIT's property portfolio:

State	Number of assets	Total SF	Occupied SF	Percentage of revenue	Occupancy
Florida	11	1,362,280	1,232,985	15.5%	90.5%
North Carolina	11	1,350,057	1,277,165	14.4%	94.6%
Pennsylvania	6	1,024,017	985,255	10.5%	96.2%
South Carolina	5	845,283	800,480	8.6%	94.7%
Georgia	6	654,923	623,535	6.7%	95.2%
Minnesota	5	566,782	539,037	6.2%	95.1%
Virginia	5	479,835	441,435	6.0%	92.0%
Michigan	5	603,143	577,871	5.8%	95.8%
Tennessee	5	526,641	495,111	4.1%	94.0%
North Dakota	2	261,578	209,606	3.5%	80.1%
West Virginia	2	387,162	375,102	3.3%	96.9%
Illinois	3	317,241	265,614	3.0%	83.7%
Ohio	2	328,156	292,630	2.3%	89.2%
Colorado	1	98,999	91,320	1.4%	92.2%
New Hampshire	1	151,946	144,948	1.9%	95.4%
Maryland	1	112,274	102,854	1.8%	91.6%
Wisconsin	1	123,028	123,028	1.5%	100.0%
Texas	1	167,961	140,362	1.4%	83.6%
Utah	1	112,507	109,353	1.4%	97.2%
Kentucky	1	80,866	50,326	0.7%	62.2%
Total [1]	**75**	**9,554,679**	**8,878,017**	**100.0%**	**92.9%**

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

Tenant categories

As of December 31, 2020, the REIT has the following tenant categories within the portfolio, allocated by base rent:



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

Anchor tenants

The REIT endeavors to own properties with anchors who are dominant in their respective regions in terms of operational scale and sales. Accordingly, the REIT's anchor tenants are often either the first or second dominant store in their respective area in terms of market share. The following table identifies the REIT's largest anchor tenants including their annual minimum rent, the number of stores, GLA as a percentage of the total portfolio and the percentage of base rent. Walmart Inc. represents the REIT's largest tenant by base rent with a total of 8 stores and 8.5% of base rents.

The largest 15 tenants account for 49.2% of total GLA and 39.8% of base rent as follows:

Parent company	Store brands	Grocery	Stores	% GLA	Base rent	% Base rent
Walmart Inc.	Wal-Mart, Sams Club	Y	8	13.6%	8,549	8.5%
The Kroger Co.	Kroger, Pick 'n Save, Harris Teeter	Y	19	11.5%	8,067	8.1%
Publix Super Markets, Inc.	Publix	Y	11	5.2%	4,097	4.1%
Koninklijke Ahold Delhaize N.V.	Stop & Shop, GIANT, Food Lion, Hannaford	Y	6	3.3%	3,906	3.9%
Southeastern Grocers	Winn Dixie, BI-LO	Y	6	3.1%	2,516	2.5%
United Natural Foods, Inc.	Various [1]	Y	4	2.2%	2,084	2.1%
Coborn's Inc.	CashWise	Y	2	1.2%	2,038	2.0%
TJX Companies	Marshalls, T.J. Maxx, HomeGoods	N	5	1.4%	1,287	1.3%
Alex Lee Inc.	Lowes Foods	Y	2	1.0%	1,249	1.2%
Weis Markets, Inc.	Weis Markets	Y	2	1.3%	1,203	1.2%
Schnuck Markets, Inc.	Schnucks	Y	2	1.2%	1,099	1.1%
Planet Fitness	Planet Fitness	N	6	1.1%	1,062	1.0%
Hy-Vee, Inc.	Hy-Vee	Y	2	1.4%	1,005	1.0%
Dollar Tree Inc.	Dollar Tree, Family Dollar	N	9	0.9%	879	0.9%
Ross Stores, Inc.	Ross Dress for Less	N	3	0.8%	867	0.9%
Total			**87**	**49.2%**	**$ 39,908**	**39.8%**

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

Development

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

The REIT has classified the following properties as redevelopment properties:

Property	Nature of redevelopment	Expected completion	Estimated incremental NOI[1]	Estimated yield on cost	Pre-leased percentage	Estimated investment Incurred	Remaining	Total
Westminster Plaza[3]	Anchor repositioning	Q1 2021	898	25.4%	100.0%	$ 1,104	$ 2,427	$ 3,531
Windmill Plaza[2]	Anchor repositioning	Q2 2021	690	12.2%	92.5%	4,716	936	5,652
Mapleridge Center	Anchor repositioning	Q2 2021	840	15.0%	90.7%	974	4,626	5,600
Stonefield Square	Anchor repositioning	Q4 2021	358	30.0%	—%	—	1,194	1,194
Eastpointe Shopping Center	Anchor repositioning	Q2 2022	870	16.0%	100.0%	283	5,140	5,423
Wedgewood Commons	Anchor repositioning	Q4 2022	947	7.0%	85.6%	1,494	12,006	13,500
Total			**$ 4,603**	**13.2%**		**$ 8,571**	**$ 26,329**	**$ 34,900**

Completed redevelopment projects

Property	Nature of redevelopment	Completed	Estimated incremental NOI[1]	Yield on cost	Leased percentage	Total invested
North Summit Square	Anchor repositioning	Q3 2020	$ 304	13.8%	100.0%	$ 2,197

[1] Calculated on a trailing twelve month basis as of December 31, 2020.
[2] Amount at the REIT's share of its 50% interest in the property.
[3] Amounts represent development for primary anchor at the property.

Redevelopment capital spent during the three and twelve month periods ended December 31, 2020 is as follows:

	Three months ended December 31, 2020	Year ended December 31, 2020
Canton Shopping Center[1]	$ 323	$ 674
Westminster Plaza[1]	644	1,104
Wedgewood Commons[1]	478	1,884
Windmill Plaza[2]	—	105
Other redevelopment costs[1]	829	2,896
Total redevelopment	**$ 2,274**	**$ 6,663**

[1] Relates to new outparcel development as well as work completed in the planning stages for redevelopment projects.
[2] Amount at the REIT's share of its 50% interest in the property.

In January 2019, the REIT acquired Windmill Plaza, a grocery-anchored shopping centre located in Sterling Heights, Michigan, in a joint-venture partnership with The Kroger Company. The shopping centre includes a brand new 129,000 square foot Kroger Marketplace, an improved in line façade and a completely redesigned parking lot, landscaping and lighting system. Executed leases include a 25-year ground lease with Kroger as the anchor tenant and junior anchor tenants which include Edge Fitness for 37,000 square feet and Pet Supplies Plus for 8,000 square feet. The property is occupied at 92.5%. Kroger and Edge Fitness commenced operations in January 2020. The REIT is planning to invest an additional $0.9 million related to the build-out of in-line units.

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

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

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

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

Wedgewood Commons is a 153,000 square foot shopping centre anchored by a Publix supermarket. The shopping centre is strategically located on U.S. Route 1 Highway at Indian Road, in Stuart, Florida. Key tenants in the development include Beall's Outlet, Dollar Tree and Harbor Freight Tools. The REIT has finalized a 20 year term lease to construct a new 47,000 square foot flagship Publix grocery store. To coincide with the new Publix grocery store, the REIT has secured a 10 year lease extension to relocate and expand the Beall's Outlet to 30,000 square feet which will include a Beall's Home Centric concept store. Furthermore, the REIT is negotiating with several junior anchor prospects to lease the remaining vacancy within the shopping centre. The net result will increase GLA to approximately 166,000 square feet and the weighted average lease term from 3.7 years to 10.8 years. In addition to the construction of the Publix and Beall's Outlet and Home Centric, the REIT will complete an extensive common area refurbishment. The REIT expects to invest $13.5 million in the redevelopment and the overall project should be completed by the fourth quarter of 2022 with the new Publix opening the fourth quarter of 2021.

Completed redevelopment projects

North Summit Square is a 225,000 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 37,000 square foot junior anchor tenant that was paying below market rates. The REIT has finalized a 10 year lease with Urban Air Adventure Park to backfill the junior anchor space. Rent commenced in the third quarter of 2020. The lease resulted in a $58 thousand spread annually over base rental rates paid by the previous tenant. The REIT has invested $2.2 million of capital as part of the transaction, with approximately $1.5 million allocated to parking lot repairs and resurfacing, as required by the Sam's Club waiver of restrictions on the Urban Air Adventure Park use.

IFRS FAIR VALUE

The REIT's property portfolio at December 31, 2020 had an estimated IFRS fair value of $1.3 billion, with a weighted average capitalization rate of 7.34%. Overall, the average estimated IFRS value per square foot of the REIT's portfolio is $135.

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, 2020	December 31, 2019
Minimum	6.00%	6.00%
Maximum	9.50%	9.50%
Weighted average [1]	7.34%	7.45%

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

The December 31, 2020 weighted average capitalization rate decreased to 7.34%. from 7.45% at December 31, 2019. The decrease in the weighted average capitalization rate is driven primarily by value-add asset management activities which include: anchor tenant renewals and repositionings, tenant credit enhancement through strategic leasing, capital investments and improvements, active property management and increased buyer demand for grocery-anchored strip centers.

The fair value of properties is measured individually without consideration to their aggregate value on a portfolio basis. No consideration is given to diversification benefits related to single property tenant risk and geography, the value of assembling a portfolio or to the utilization of a common management platform, amongst other benefits. As a result, the fair value of the REIT's properties taken in aggregate may differ from the fair value of properties measured individually in the REIT's consolidated statements of financial position. Depending on the duration and impacts of the COVID-19 pandemic, certain aspects of the REIT's operations could be affected, including rental and occupancy rates, demand for retail space, capitalization rates, and the resulting value of the REIT's properties. Based on the REIT's operations to date, property valuations have not been materially impacted by the COVID-19 pandemic. The REIT believes property valuations are appropriate as at December 31, 2020.

The change in properties is as follows:

	Three months ended December 31,		Year ended December 31,	
	2020	2019	2020	2019
Beginning of the period	$ 1,274,175	$ 1,307,410	$ 1,288,536	$ 1,382,955
Acquisitions	—	—	91,785	—
Capital expenditures	839	568	2,741	2,514
Leasing costs	293	489	1,341	1,562
Tenant improvements	526	859	3,409	5,290
Development and expansion capital	2,274	573	6,558	6,686
Straight-line rent	375	118	1,556	1,640
Dispositions	(20,385)	(29,430)	(133,635)	(110,665)
IFRIC 21 property tax adjustment	5,568	4,934	802	—
Change in fair value [1]	13,515	3,015	14,087	(1,446)
End of the period	**$ 1,277,180**	**$ 1,288,536**	**$ 1,277,180**	**$ 1,288,536**
Property classified as equity investment	10,845	11,227	10,845	11,227
End of the period, including equity investment	**$ 1,288,025**	**$ 1,299,763**	**$ 1,288,025**	**$ 1,299,763**

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

The following table is a reconciliation of the fair value of the REIT's properties using a non-GAAP measure. The non-GAAP measure includes figures that are recorded as an equity investment, information that is not explicitly disclosed or presented in the consolidated financial statements for the three and twelve month periods ended December 31, 2020.

	Three months ended December 31, 2020			Year ended December 31, 2020		
	Consolidated	Equity investment	Proportionate Share (Non-GAAP)	Consolidated	Equity investment	Proportionate Share (Non-GAAP)
Beginning of the period	$ 1,274,175	$ 11,042	$ 1,285,217	$ 1,288,536	$ 11,227	$ 1,299,763
Acquisitions	—	—	—	91,785	—	91,785
Capital expenditures	839	—	839	2,741	—	2,741
Leasing costs	293	—	293	1,341	—	1,341
Tenant improvements	526	—	526	3,409	—	3,409
Development and expansion capital	2,274	8	2,282	6,558	1,442	8,000
Straight-line rent	375	—	375	1,556	—	1,556
Dispositions	(20,385)	—	(20,385)	(133,635)	—	(133,635)
IFRIC 21 property tax adjustment	5,568	12	5,580	802	—	802
Change in fair value [1]	13,515	(217)	13,298	14,087	(1,824)	12,263
End of the period	**$ 1,277,180**	**$ 10,845**	**$ 1,288,025**	**$ 1,277,180**	**$ 10,845**	**$ 1,288,025**

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

The fair value of the REIT's properties and properties under redevelopment for the three and twelve month periods ended December 31, 2020 is as follows:

	Three months ended December 31, 2020			Year ended December 31, 2020		
	Income-producing properties	Properties under redevelopment	Total	Income-producing properties	Properties under redevelopment	Total
Beginning of the period	$ 1,194,438	$ 79,737	$ 1,274,175	$ 1,204,069	$ 84,467	$ 1,288,536
Transfers to income-producing properties	—	—	—	18,941	(18,941)	—
Acquisitions	—	—	—	91,785	—	91,785
Capital expenditures	792	47	839	2,669	72	2,741
Leasing costs	277	16	293	1,264	77	1,341
Tenant improvements	407	119	526	3,217	192	3,409
Development and expansion capital	196	2,078	2,274	1,378	5,180	6,558
Straight-line rent	90	285	375	647	909	1,556
Dispositions	(20,385)	—	(20,385)	(133,635)	—	(133,635)
IFRIC 21 property tax adjustment	6,716	(1,148)	5,568	1,564	(762)	802
Change in fair value [1]	10,062	3,453	13,515	694	13,393	14,087
End of the period	**$ 1,192,593**	**$ 84,587**	**$ 1,277,180**	**$ 1,192,593**	**$ 84,587**	**$ 1,277,180**
Property classified as equity investment	—	10,845	10,845	—	10,845	10,845
End of the period, including equity investment	**$ 1,192,593**	**$ 95,432**	**$ 1,288,025**	**$ 1,192,593**	**$ 95,432**	**$ 1,288,025**

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

Capital, leasing and tenant improvement costs for the three and twelve month periods ended December 31, 2020 was $1.7 million and $7.5 million, respectively. Such costs are generally expended for purposes of tenanting and renewing existing leases, which maintain and create value at the REIT's properties and the portfolio as a whole by increasing contractual cash flow through new and extended leases. The REIT will continue to capitalize on opportunities to revitalize, undertake space improvements and generally maintain the high quality of the properties and tenants. These expenditures can vary from period to period, at times significantly, depending upon the timing of lease expiries, re-leasing and management's capital plan for the period.

Fair value adjustments on properties

For the three and twelve month periods ended December 31, 2020, the REIT recorded a fair value gain on properties of $13.5 million and $14.1 million, respectively. This is mainly due to valuation parameters and cash flows, partially offset by IFRIC 21 property tax adjustments and straight-line rent adjustments.

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

	Three months ended December 31,		Year ended December 31,	
	2020	2019	2020	2019
Valuation parameters and cash flows	$ 19,458	$ 8,067	$ 18,130	$ 194
Transaction costs capitalized	—	—	(1,685)	—
IFRIC 21 property tax adjustment	(5,568)	(4,934)	(802)	—
Adjusted for straight-line rent	(375)	(118)	(1,556)	(1,640)
Total	**$ 13,515**	**$ 3,015**	**$ 14,087**	**$ (1,446)**

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

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

PART III – RESULTS OF OPERATIONS

SUMMARY OF SELECTED QUARTERLY INFORMATION

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

Quarter ended	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019
Rental revenue	$ 31,872	$ 31,961	$ 30,255	$ 32,042	$ 34,338	$ 34,545	$ 36,016	$ 36,416
Property operating expenses [1]	(3,512)	(4,649)	(3,972)	(22,496)	(5,029)	(5,287)	(5,323)	(25,392)
Straight-line rent revenue	(375)	(530)	(237)	(414)	(118)	(323)	(415)	(784)
IFRIC 21 property tax adjustment [1]	(5,568)	(4,115)	(3,994)	12,875	(4,934)	(4,675)	(4,763)	14,372
Adjustments for equity investment	166	431	100	64	9	125	(8)	(43)
NOI [2]	$ 22,583	$ 23,098	$ 22,152	$ 22,071	$ 24,266	$ 24,385	$ 25,507	$ 24,569
Class U units outstanding	48,597	42,226	42,217	42,203	42,207	44,110	44,102	44,096
WA units	43,752	42,222	42,208	42,196	43,145	44,107	44,101	44,208
Net income [3]	$ 21,268	$ 7,630	$ 6,888	$ 5,819	$ 14,016	$ 4,513	$ 5,934	$ 1,601
Net income per WA unit [3]	$ 0.49	$ 0.18	$ 0.16	$ 0.14	$ 0.32	$ 0.10	$ 0.13	$ 0.04
IFRS NAV	$ 532,155	$ 449,858	$ 445,189	$ 445,383	$ 476,612	$ 480,454	$ 485,270	$ 498,922
IFRS NAV per unit	$ 10.95	$ 10.65	$ 10.55	$ 10.55	$ 11.29	$ 10.89	$ 11.04	$ 11.35
Distributions declared	$ 9,545	$ 9,087	$ 9,087	$ 9,087	$ 9,314	$ 9,399	$ 9,399	$ 9,424
Distributions per unit	$ 0.2160	$ 0.2160	$ 0.2160	$ 0.2160	$ 0.2145	$ 0.2138	$ 0.2138	$ 0.2138
FFO [3]	$ 11,684	$ 11,487	$ 11,115	$ 11,160	$ 12,650	$ 12,936	$ 13,622	$ 13,387
FFO per WA units [3 4]	$ 0.27	$ 0.27	$ 0.26	$ 0.26	$ 0.29	$ 0.29	$ 0.31	$ 0.30
AFFO [3]	$ 9,651	$ 8,954	$ 9,046	$ 8,748	$ 10,616	$ 11,142	$ 10,694	$ 9,137
AFFO per WA units [3 4]	$ 0.22	$ 0.21	$ 0.21	$ 0.21	$ 0.25	$ 0.25	$ 0.24	$ 0.21
Total assets	$1,323,554	$ 1,302,849	$ 1,300,866	$ 1,249,525	$ 1,315,080	$ 1,336,836	$ 1,375,824	$ 1,388,403
Debt	$ 726,373	$ 777,526	$ 781,002	$ 735,206	$ 789,395	$ 798,147	$ 838,126	$ 849,498
Debt / GBV	54.9%	59.7%	60.0%	58.8%	60.0%	59.7%	60.9%	61.2%
Number of properties [3]	75	76	77	72	76	79	83	84
% leased [3]	92.9%	92.5%	92.2%	92.8%	93.0%	94.4%	93.3%	93.3%
GLA [3]	9,554,679	9,728,179	9,832,109	9,507,881	9,857,715	10,157,833	10,536,332	10,709,564
Grocery-anchored GLA [3]	4,614,178	4,724,183	4,785,050	4,417,825	4,722,267	4,884,476	5,058,302	5,118,919

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

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

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

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

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, 2020 decreased by $2.5 million and $15.2 million, respectively, compared to the same periods in the prior year. The decrease is primarily due to the disposition of eight properties and two outparcels at certain properties from December 31, 2019, partially offset by increases in revenue due to the acquisition of seven properties, increases in rental rates from re-leasing and new leasing typically above in-place rent.

PROPERTY OPERATING EXPENSES

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

Property operating expenses decreased by $1.5 million and $6.4 million for the three and twelve month periods ended December 31, 2020, respectively, driven by the disposition of eight properties and two outparcels at certain properties since December 31, 2019.

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

GENERAL AND ADMINISTRATIVE EXPENSES

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

	Three months ended December 31,			Year ended December 31,		
	2020	2019	Variance	2020	2019	Variance
Asset management fees	1,310	$ 1,347	$ (37)	5,169	$ 5,516	$ (347)
Professional fees and other	817	813	4	3,089	3,138	(49)
Bad debt expense	230	215	15	1,868	883	985
Franchise and business taxes	(643)	104	(747)	385	1,180	(795)
Total	**$ 1,714**	**$ 2,479**	**$ (765)**	**$ 10,511**	**$ 10,717**	**$ (206)**
% of total assets	**0.1%**	**0.2%**	**(0.1)%**	**0.8%**	**0.8%**	**—%**
% of total revenue	**5.4%**	**7.2%**	**(1.8)%**	**8.3%**	**7.6%**	**0.7%**

General and administrative expenses for the three month period ended December 31, 2020 decreased by $0.8 million from the comparative quarter in 2019, mainly due to a decrease in franchise and business taxes. General and administrative expenses for the year ended December 31, 2020 was $10.5 million, which represents a $0.2 million decrease from the same period in the prior year. The decrease is attributed to the decreases in asset management fees and franchise and business taxes, partially offset by an increase in bad debt expense mainly driven by shop space tenants affected by the COVID-19 pandemic.

INTEREST AND FINANCE COSTS

	Three months ended December 31,			Year ended December 31,		
	2020	2019	Variance	2020	2019	Variance
Interest on debt and finance charges	$ 5,049	$ 8,352	$ (3,303)	$ 22,134	$ 37,190	$ (15,056)
Interest rate swaps, net settlement	3,189	344	2,845	9,733	(1,790)	11,523
Foreign exchange forward contract, net settlement	270	—	270	270	(24)	294
Interest income	—	(4)	4	(5)	(19)	14
Interest income on notes receivable	—	—	—	—	(51)	51
Amortization of finance charges [1]	402	501	(99)	2,298	2,062	236
Amortization of mark-to-market premium [1]	(4)	(91)	87	(422)	(364)	(58)
Interest income on TIF notes receivable	(11)	(17)	6	(52)	(74)	22
Amortization of deferred gain on TIF notes	(22)	(21)	(1)	(88)	(87)	(1)
Total	**$ 8,873**	**$ 9,064**	**$ (191)**	**$ 33,868**	**$ 36,843**	**$ (2,975)**

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

The following shows the change in interest on debt and finance charges, net of interest rate swaps for the three month period ended December 31, 2020 compared to the same period in the prior year:

Interest on debt and finance charges, net of interest rate swaps, December 31, 2019	$ 8,696
Change in interest rates, net of interest rate hedges [1 2]	(830)
Change in debt spreads	(96)
Increase in fixed rate debt	528
Decrease in standby fee	(60)
Interest on debt and finance charges, net of interest rate swaps, December 31, 2020	**$ 8,238**
Year-over-year change – $	**$ (458)**
Year-over-year change – %	**(5.3%)**

[1] The weighted average interest rate cost of the REIT's floating rate debt, net of interest rate swaps for the three month period ended December 31, 2020 is 4.22% (December 31, 2019 – 4.06%).

[2] The average U.S. LIBOR for the three month period ended December 31, 2020 was 0.16%, which represents a 1.59% decrease from the same period in 2019. At December 31, 2020, the REIT fixed 105.3% of its floating rate debt, compared to 107.6% at December 31, 2019.

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

Interest on debt, net of interest rate swaps decreased by $0.5 million and $3.5 million for the three and twelve month periods ended December 31, 2020 compared to the same periods in 2019 respectively, primarily due to reduced pricing on its credit facility and $250.0 million term loan, and a decrease in debt levels. The REIT's revolver is redrawn from time-to-time to fund operating and investing activities.

The REIT's pay-fixed, receive-float interest rate swaps hedge the cash flow risk associated with one-month U.S. LIBOR based interest payments, with 105.3% of the REIT's debt subject to fixed rates at December 31, 2020. The weighted average fixed rate of the REIT's interest rate swaps was 2.205% compared to the one-month U.S. LIBOR at 0.14% at December 31, 2020, with a weighted average term to maturity of 2.5 years. Under this arrangement, the REIT has paid $3.2 million and received $0.3 million of net interest payments in current quarter and comparative period, respectively.

On February 4, 2020, the REIT terminated $150.0 million of its $300.0 million interest rate swap, with an effective date of November 22, 2016. The realized gain as a result of the termination was blended into the pay-fixed rate of the REIT's $100.0 million interest rate swap, with a maturity date of September 22, 2022, which was reduced to 1.41% and resulted in an increase to the weighted average pay-fixed rate of the REIT's swap portfolio to 2.205%.

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

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

FAIR VALUE ADJUSTMENTS ON REIT UNITS AND EXCHANGEABLE UNITS OF SUBSIDIARIES

Class B units of Slate Grocery One L.P. and Slate Grocery Two L.P. and exchangeable limited partnership units of GAR B all of which are issued by subsidiaries of the REIT (collectively, the "exchangeable units of subsidiaries") are classified as financial liabilities under IFRS and are measured at fair value with any changes in fair value recognized in unit expense in the consolidated statements of income. The fair value is re-measured at the end of each reporting period. An unrealized gain represents a decrease in the fair value per unit whereas an unrealized loss represents an increase in the fair value per unit. The fair value per unit on December 31, 2020 was $8.85 (December 31, 2019 – $10.11). Changes in fair value of exchangeable units of subsidiaries are non-cash in nature and are required to be recorded in income under IFRS.

For the three and twelve month periods ended December 31, 2020 the REIT recognized an unrealized fair value loss of $1.1 million and an unrealized fair value gain of $1.4 million, respectively, on the exchangeable units of subsidiaries as a result of the change in fair value per unit over the respective comparative period.

NET INCOME

For the three and twelve month periods ended December 31, 2020 net income increased by $7.3 million and $15.3 million, respectively, compared to the same period in the prior year. The increase is primarily driven by an increase in the change in the fair value of properties and a decrease in interest and finance costs and, partially offset by the aforementioned decrease in revenue.

NOI

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

The following is a calculation of NOI:

	Three months ended December 31,			Year ended December 31,		
	2020	2019	Variance	2020	2019	Variance
Rental revenue	$ 31,872	$ 34,338	$ (2,466)	$ 126,130	$ 141,315	$ (15,185)
Straight-line rent revenue	(375)	(118)	(257)	(1,556)	(1,640)	84
Property operating expenses	(3,512)	(5,029)	1,517	(34,629)	(41,031)	6,402
IFRIC 21 property tax adjustment	(5,568)	(4,934)	(634)	(802)	—	(802)
Adjustments for equity investment	166	9	157	761	83	678
NOI	**$ 22,583**	**$ 24,266**	**$ (1,683)**	**$ 89,904**	**$ 98,727**	**$ (8,823)**
NOI margin	**71.7%**	**70.9%**	**0.8%**	**72.2%**	**70.7%**	**1.5%**

The following shows the change in NOI for the three month period ended December 31, 2020 compared to the same period in the prior year:

NOI, December 31, 2019	$ 24,266
Change in same-property NOI	(178)
Increased contribution from redeveloped properties	130
Loss of contribution from properties under redevelopment	(494)
Contribution from acquisitions	1,998
Loss of contribution from dispositions, including outparcel sales	(3,139)
NOI, December 31, 2020	**$ 22,583**
Year-over-year change – $	**$ (1,683)**
Year-over-year change – %	**(6.9%)**

NOI for the three month period ended December 31, 2020 was $22.6 million, which represents a decrease of $1.7 million from the same period in 2019. The decrease is primarily due to the loss in NOI contribution from the disposition of eight properties and two outparcels at certain properties, partially offset by NOI contribution from the seven properties acquired and uplifts in rental rates from re-leasing and new leasing typically above in-place rent over the period.

The following shows the change in NOI for the three month period ended December 31, 2020 compared to the immediately preceding quarter:

NOI, September 30, 2020	$	23,098
Change in same-property NOI		(370)
Increased contribution from redeveloped properties		83
Contribution from properties under redevelopment		(29)
Loss of contribution from dispositions, including outparcel sales		(199)
NOI, December 31, 2020	**$**	**22,583**
Quarter-over-quarter change – $	**$**	**(515)**
Quarter-over-quarter change – %		**(2.2%)**

NOI for the current quarter decreased by $0.5 million from the third quarter of 2020 to $22.6 million. This is mainly due to the disposition of properties and temporary vacancies, partially offset by uplifts in rental rates from 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, 2020, the same-property portfolio is comprised of a portfolio of 61 properties owned and in operation for each of the entire three month periods ended December 31, 2020 and 2019.

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

The following is a summary of same-property NOI and the related occupancy rates for the three month period ended December 31, 2020 as compared to the same period in the prior year, reconciled to total NOI:

	Number of properties	Three months ended December 31, 2020	2019	Variance	% change
Same-property NOI	**61**	**$ 18,961**	**$ 19,139**	**$ (178)**	**(0.9%)**
NOI attributable to redeveloped properties	1	391	261	130	
NOI attributable to properties under redevelopment [1]	6	1,097	1,591	(494)	
NOI attributable to acquisitions	7	1,998	—	1,998	
NOI attributable to dispositions, including outparcel sales	11	136	3,275	(3,139)	
Total NOI [1]		**$ 22,583**	**$ 24,266**	**$ (1,683)**	**(6.9%)**
Occupancy, same-property	**61**	**93.1%**	**95.2%**	**(2.1%)**	
Occupancy, redeveloped properties	1	96.1%	96.1%	—%	
Occupancy, properties under redevelopment [1]	6	89.9%	66.0%	23.9%	
Occupancy, acquisitions	7	92.5%	—%	92.5%	
Occupancy, dispositions, including outparcel sales	11	91.6%	91.6%	—%	
Occupancy, portfolio [1]		**92.9%**	**93.3%**	**(0.4%)**	

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

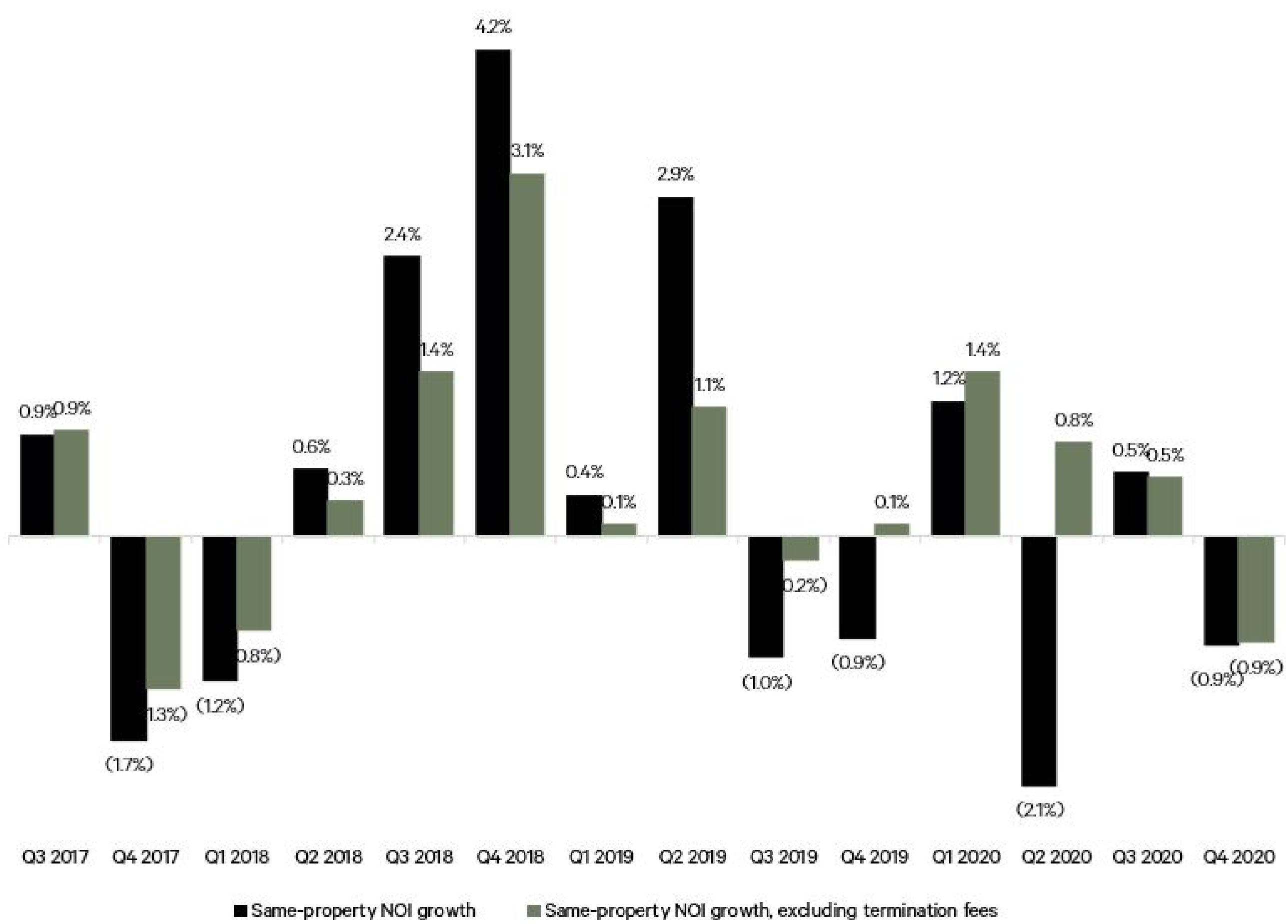
Same-property NOI for the current quarter decreased by $0.2 million to $19.0 million over the comparative period. The decrease was primarily attributed to temporary vacancies, partially offset by increases in rental rates from re-leasing above average in-place rent of the properties and new leasing above comparable market rental rates.

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 2017	56	16,187	4.5%	2.4%
Q2 2017	56	15,980	1.5%	0.9%
Q3 2017	56	15,304	0.9%	0.9%
Q4 2017	57	15,477	(1.7%)	(1.3%)
Q1 2018	62	16,555	(1.2%)	(0.8%)
Q2 2018	64	17,403	0.6%	0.3%
Q3 2018	65	18,226	2.4%	1.4%
Q4 2018	77	22,691	4.2%	3.1%
Q1 2019	76	22,908	0.4%	0.1%
Q2 2019	75	23,816	2.9%	1.1%
Q3 2019	72	22,246	(1.0%)	(0.2%)
Q4 2019	68	21,511	(0.9%)	0.1%
Q1 2020	64	20,180	1.2%	1.5%
Q2 2020	63	19,985	(2.1%)	0.8%
Q3 2020	62	19,565	0.5%	0.5%
Q4 2020	61	18,961	(0.9%)	(0.9%)

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

Same-property NOI Growth, Year-over-Year



The following is a summary of same-property NOI and the related occupancy rates on a trailing twelve month basis as at December 31, 2020, as compared to the same period in the prior year reconciled to total NOI:

	Number of properties	Trailing twelve months, December 31, 2020	2019	Variance	% change
Same-property NOI	**60**	**$ 76,238**	**$ 76,450**	**$ (212)**	**(0.3%)**
NOI attributable to redeveloped properties	2	2,240	1,944	296	
NOI attributable to properties under redevelopment [1]	5	3,023	5,125	(2,102)	
NOI attributable to acquisitions	8	6,049	263	5,786	
NOI attributable to dispositions, including outparcel sales	21	2,354	14,945	(12,591)	
Total NOI [1]		**$ 89,904**	**$ 98,727**	**$ (8,823)**	**(8.9%)**
Occupancy, same-property	**60**	**93.1%**	**95.1%**	**(2.0%)**	
Occupancy, redeveloped properties	2	96.2%	94.0%	2.2%	
Occupancy, properties under redevelopment [1]	5	91.3%	71.5%	19.8%	
Occupancy, acquisitions	8	92.5%	92.5%	—%	
Occupancy, dispositions, including outparcel sales	21	91.6%	91.6%	—%	
Occupancy, portfolio [1]		**92.9%**	**94.4%**	**(1.5%)**	

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

Adjusting for termination fees, same-property NOI for the trailing twelve month period ended December 31, 2020 (comprised of 60 properties) increased by 0.6% over the same period in the prior year. Including the impact of termination fees, same-property NOI for the trailing twelve month period decreased by 0.3%. The decrease was primarily attributed to a $0.7 million decrease in termination fees related to shop space tenants, partially offset by increases in rental rates from re-leasing above average in-place rent and new leasing above comparable market rental rates.

FFO

FFO is a non-IFRS measure and real estate industry standard for evaluating operating performance. The REIT calculates FFO in accordance with the definition provided by the REALPAC in its White Paper on FFO and AFFO for IFRS, as revised in February 2019. FFO is an important measure of the operating performance of REITs and is used by the REIT in evaluating the combined performance of its operations and the impact of its capital structure.

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

The following is a reconciliation of net income to FFO:

	Three months ended December 31, 2020	2019	Variance	Year ended December 31, 2020	2019	Variance
Net income	**$ 21,268**	**$ 14,016**	**$ 7,252**	**$ 41,605**	**$ 26,323**	**$ 15,282**
Change in fair value of financial instruments	437	(284)	721	457	4,374	(3,917)
Transaction costs	803	1,331	(528)	3,913	6,698	(2,785)
Change in fair value of properties	(13,515)	(3,015)	(10,500)	(14,087)	1,446	(15,533)
Deferred income tax expense	8,730	5,045	3,685	11,587	9,565	2,022
Unit expense (income)	1,539	676	863	(342)	4,469	(4,811)
Adjustments for equity investment	217	(185)	402	1,892	(280)	2,172
Taxes on dispositions	(2,227)	—	(2,227)	1,223	—	1,223
IFRIC 21 property tax adjustment	(5,568)	(4,934)	(634)	(802)	—	(802)
FFO [1]	**$ 11,684**	**$ 12,650**	**$ (966)**	**$ 45,446**	**$ 52,595**	**$ (7,149)**
FFO per WA unit [1]	**$ 0.27**	**$ 0.29**	**$ (0.02)**	**$ 1.07**	**$ 1.20**	**$ (0.13)**
WA number of units outstanding	**43,752**	**43,145**	**607**	**42,595**	**43,906**	**(1,311)**

[1] Adjusting to exclude the impact of the refinanced credit facility and extinguished mortgage during the first quarter of 2020, FFO and FFO per unit for the year ended December 31, 2020 would be $45.8 million and $1.07, respectively.

The following is a calculation of FFO from NOI:

	Three months ended December 31,			Year ended December 31,		
	2020	2019	Variance	2020	2019	Variance
NOI	$ 22,583	$ 24,266	$ (1,683)	$ 89,904	$ 98,727	$ (8,823)
Straight-line rent revenue	375	118	257	1,556	1,640	(84)
General and administrative expenses	(1,714)	(2,479)	765	(10,511)	(10,717)	206
Cash interest, net [1]	(8,475)	(8,654)	179	(31,992)	(35,145)	3,153
Finance charge and mark-to-market adjustments	(398)	(410)	12	(1,876)	(1,698)	(178)
Adjustments for equity investment	(78)	(77)	(1)	(444)	(212)	(232)
Current income tax expense	(609)	(114)	(495)	(1,191)	—	(1,191)
FFO [2]	**$ 11,684**	**$ 12,650**	**$ (966)**	**$ 45,446**	**$ 52,595**	**$ (7,149)**

[1] Cash interest, net is comprised of total interest expense less amortization of finance charges and mark-to-market adjustments.
[2] Adjusting to exclude the impact of the refinanced credit facility and extinguished mortgage during the first quarter of 2020, FFO for the year ended December 31, 2020 would be $45.8 million.

FFO for the three month period ended December 31, 2020 decreased by $1.0 million compared to the same quarter in the prior year. The decrease is primarily due to the aforementioned decreases to NOI and increases to current income tax expense, partially offset by decreases in general and administrative expenses. FFO for the year ended December 31, 2020 was $45.4 million which represents a $7.1 million decrease from the comparative period, primarily driven by the aforementioned decreases to NOI and increases in current income tax, partially offset by a $3.2 million decrease in cash interest, net.

AFFO

AFFO is a non-IFRS measure that is used by management of the REIT, certain of the real estate industry and investors to measure recurring cash flows, including certain capital costs, leasing costs, tenant improvements and the impact of non-cash revenue. As described above, the REIT calculates AFFO as FFO adjusted for capital expenditures, leasing costs, tenant improvements and straight-line rent. The REIT's calculation is consistent with AFFO as calculated by REALPAC in its White Paper on FFO and AFFO for IFRS, as revised in February 2019. However, the REIT uses AFFO as a cash flow measure and considers it a meaningful measure used to evaluate the cash available for distribution to unitholders, while REALPAC considers AFFO as a recurring economic earnings measure. Accordingly, the REIT's use and calculation of AFFO may be different than the use or as disclosed by other businesses, and as a result, may not be comparable to similar measures presented by others.

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

	Three months ended December 31,			Year ended December 31,		
	2020	2019	Variance	2020	2019	Variance
Cash flow from operations	**$ 8,049**	**$ 9,533**	**$ (1,484)**	**$ 39,351**	**$ 44,478**	**$ (5,127)**
Changes in non-cash working capital items	4,961	2,104	2,857	817	1,375	(558)
Transaction costs	803	1,331	(528)	3,913	6,698	(2,785)
Finance charge and mark-to-market adjustments	(398)	(410)	12	(1,876)	(1,698)	(178)
Interest, net and TIF note adjustments	33	42	(9)	145	231	(86)
Adjustments for equity investment	88	(68)	156	317	(129)	446
Taxes on dispositions	(2,227)	—	(2,227)	1,223	—	1,223
Capital expenditures	(839)	(568)	(271)	(2,741)	(2,514)	(227)
Leasing costs	(293)	(489)	196	(1,341)	(1,562)	221
Tenant improvements	(526)	(859)	333	(3,409)	(5,290)	1,881
AFFO [1]	**$ 9,651**	**$ 10,616**	**$ (965)**	**$ 36,399**	**$ 41,589**	**$ (5,190)**

[1] Adjusting to exclude the impact of the refinanced credit facility and extinguished mortgage during the first quarter of 2020, AFFO for the year ended December 31, 2020 would be $36.7 million.

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

The following is a reconciliation of FFO to AFFO:

	Three months ended December 31,			Year ended December 31,		
	2020	2019	Variance	2020	2019	Variance
FFO	$ 11,684	$ 12,650	$ (966)	$ 45,446	$ 52,595	$ (7,149)
Straight-line rental revenue	(375)	(118)	(257)	(1,556)	(1,640)	84
Capital expenditures	(839)	(568)	(271)	(2,741)	(2,514)	(227)
Leasing costs	(293)	(489)	196	(1,341)	(1,562)	221
Tenant improvements	(526)	(859)	333	(3,409)	(5,290)	1,881
AFFO [1]	**$ 9,651**	**$ 10,616**	**$ (965)**	**$ 36,399**	**$ 41,589**	**$ (5,190)**
AFFO per WA unit [1]	**$ 0.22**	**$ 0.25**	**$ (0.03)**	**$ 0.85**	**$ 0.95**	**$ (0.10)**
WA number of units outstanding	**43,752**	**43,145**	**607**	**42,595**	**43,906**	**(1,311)**

[1] Adjusting to exclude the impact of the refinanced credit facility and extinguished mortgage during the first quarter of 2020, AFFO and AFFO per unit for the year ended December 31, 2020 would be $36.7 million and $0.86, respectively.

The following is a reconciliation of net income to AFFO:

	Three months ended December 31,			Year ended December 31,		
	2020	2019	Variance	2020	2019	Variance
Net income	**$ 21,268**	**$ 14,016**	**$ 7,252**	**$ 41,605**	**$ 26,323**	**$ 15,282**
Change in fair value of financial instruments	437	(284)	721	457	4,374	(3,917)
Transaction costs	803	1,331	(528)	3,913	6,698	(2,785)
Change in fair value of properties	(13,515)	(3,015)	(10,500)	(14,087)	1,446	(15,533)
Deferred income tax expense	8,730	5,045	3,685	11,587	9,565	2,022
Unit expense (income)	1,539	676	863	(342)	4,469	(4,811)
Adjustments for equity investment	217	(185)	402	1,892	(280)	2,172
Taxes on dispositions	(2,227)	—	(2,227)	1,223	—	1,223
IFRIC 21 property tax adjustment	(5,568)	(4,934)	(634)	(802)	—	(802)
FFO [1]	**$ 11,684**	**$ 12,650**	**$ (966)**	**$ 45,446**	**$ 52,595**	**$ (7,149)**
Straight-line rental revenue	(375)	(118)	(257)	(1,556)	(1,640)	84
Capital expenditures	(839)	(568)	(271)	(2,741)	(2,514)	(227)
Leasing costs	(293)	(489)	196	(1,341)	(1,562)	221
Tenant improvements	(526)	(859)	333	(3,409)	(5,290)	1,881
AFFO [1]	**$ 9,651**	**$ 10,616**	**$ (965)**	**$ 36,399**	**$ 41,589**	**$ (5,190)**

[1] Adjusting to exclude the impact of the refinanced credit facility and extinguished mortgage during the first quarter of 2020, FFO and AFFO for the year ended December 31, 2020 would be $45.8 million and $36.7 million, respectively.

The following is a calculation of AFFO from NOI:

	Three months ended December 31,			Year ended December 31,		
	2020	2019	Variance	2020	2019	Variance
NOI	$ 22,583	$ 24,266	$ (1,683)	$ 89,904	$ 98,727	$ (8,823)
General and administrative expenses	(1,714)	(2,479)	765	(10,511)	(10,717)	206
Cash interest, net [1]	(8,475)	(8,654)	179	(31,992)	(35,145)	3,153
Finance charge and mark-to-market adjustments	(398)	(410)	12	(1,876)	(1,698)	(178)
Current income tax expense	(609)	(114)	(495)	(1,191)	—	(1,191)
Adjustments for equity investment	(78)	(77)	(1)	(444)	(212)	(232)
Capital expenditures	(839)	(568)	(271)	(2,741)	(2,514)	(227)
Leasing costs	(293)	(489)	196	(1,341)	(1,562)	221
Tenant improvements	(526)	(859)	333	(3,409)	(5,290)	1,881
AFFO [2]	**$ 9,651**	**$ 10,616**	**$ (965)**	**$ 36,399**	**$ 41,589**	**$ (5,190)**

[1] Cash interest, net is comprised of total interest expense less amortization of finance charges and mark-to-market adjustments.
[2] Adjusting to exclude the impact of the refinanced credit facility and extinguished mortgage during the first quarter of 2020, AFFO for the year ended December 31, 2020 would be $36.7 million.

AFFO for the three and twelve month periods ended December 31, 2020 was $9.7 million and $36.4 million, which represents a decrease of $1.0 million and $5.2 million, respectively. The decrease is primarily due to the aforementioned decreases to FFO, partially offset by a decrease in leasing costs and tenant improvements.

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

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

	Three months ended December 31, 2020			Year ended December 31, 2020		
	Consolidated	Equity investment	Proportionate Share (Non-GAAP)	Consolidated	Equity investment	Proportionate Share (Non-GAAP)
Rental revenue	$ 31,872	$ 212	$ 32,084	$ 126,130	$ 902	$ 127,032
Property operating expenses	(3,512)	(46)	(3,558)	(34,629)	(209)	(34,838)
General and administrative expenses	(1,714)	—	(1,714)	(10,511)	(140)	(10,651)
Interest and finance costs	(8,873)	(78)	(8,951)	(33,868)	(304)	(34,172)
Transaction costs	(803)	—	(803)	(3,913)	—	(3,913)
Change in fair value of financial instruments	(437)	—	(437)	(457)	—	(457)
Change in fair value of properties	13,515	(217)	13,298	14,087	(1,824)	12,263
Deferred income tax expense	(8,730)	—	(8,730)	(11,587)	—	(11,587)
Current income tax recovery (expense)	1,618	—	1,618	(2,414)	—	(2,414)
Unit (expense) income	(1,539)	—	(1,539)	342	—	342
Net income (loss)	**$ 21,397**	**$ (129)**	**$ 21,268**	**$ 43,180**	**$ (1,575)**	**$ 41,605**
Transaction costs	803	—	803	3,913	—	3,913
Change in fair value of financial instruments	437	—	437	457	—	457
Change in fair value of properties	(13,515)	217	(13,298)	(14,087)	1,824	(12,263)
Deferred income tax expense	8,730	—	8,730	11,587	—	11,587
Unit (expense) income	1,539	—	1,539	(342)	—	(342)
Taxes on dispositions	(2,227)	—	(2,227)	1,223	—	1,223
IFRIC 21 property tax adjustment	(5,568)	—	(5,568)	(802)	68	(734)
FFO [1]	**$ 11,596**	**$ 88**	**$ 11,684**	**$ 45,129**	**$ 317**	**$ 45,446**
Straight-line rental revenue	(375)	—	(375)	(1,556)	—	(1,556)
Capital expenditures	(839)	—	(839)	(2,741)	—	(2,741)
Leasing costs	(293)	—	(293)	(1,341)	—	(1,341)
Tenant improvements	(526)	—	(526)	(3,409)	—	(3,409)
AFFO [1]	**$ 9,563**	**$ 88**	**$ 9,651**	**$ 36,082**	**$ 317**	**$ 36,399**

[1] Adjusting to exclude the impact of the refinanced credit facility and extinguished mortgage during the first quarter of 2020, FFO and AFFO for the year ended December 31, 2020 be $45.8 million and $36.7 million, respectively.

DISTRIBUTIONS

The REIT's current monthly distribution to unitholders is $0.072 per class U unit or $0.864 per class U unit on an annualized basis. Distributions increased by $0.2 million for the three month period ended December 31, 2020 from the comparative period, due to the December 10, 2020 equity offering. For the year ended December 31, 2020 distributions decreased by $1.2 million from the prior year. The decrease is due to the 1.9 million units repurchased under the REIT's normal course issuer bid ("NCIB") during the fourth quarter of 2019, partially offset by an increase in distributions of $0.5 million due to the REIT's equity offering completed on December 10, 2020.

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

	Three months ended December 31,			Year ended December 31,		
	2020	2019	Variance	2020	2019	Variance
Declared						
REIT units distributions	$ 9,312	$ 8,978	$ 334	$ 35,874	$ 35,862	$ 12
Exchangeable units of subsidiaries distributions	233	232	1	932	1,569	(637)
	$ 9,545	**$ 9,210**	**$ 335**	**$ 36,806**	**$ 37,431**	**$ (625)**
Add: Distributions payable, beginning of period	3,029	3,133	(104)	3,029	3,157	(128)
Less: Distributions payable, end of period	(3,487)	(3,029)	(458)	(3,487)	(3,029)	(458)
Distributions paid or settled	**$ 9,087**	**$ 9,314**	**$ (227)**	**$ 36,348**	**$ 37,559**	**$ (1,211)**

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

Month	2020	2019	2018	2017	2016	2015	2014
January	$ 0.07200	$ 0.07125	$ 0.07000	$ 0.06750	$ 0.06489	$ 0.06300	$ —
February	0.07200	0.07125	0.07000	0.06750	0.06489	0.06300	—
March	0.07200	0.07125	0.07000	0.06750	0.06489	0.06300	—
April	0.07200	0.07125	0.07000	0.06750	0.06489	0.06300	0.03000
May	0.07200	0.07125	0.07000	0.06750	0.06489	0.06300	0.06000
June	0.07200	0.07125	0.07000	0.06750	0.06489	0.06300	0.06000
July	0.07200	0.07125	0.07000	0.06750	0.06489	0.06300	0.06000
August	0.07200	0.07125	0.07000	0.06750	0.06489	0.06300	0.06000
September	0.07200	0.07125	0.07000	0.06750	0.06750	0.06300	0.06000
October	0.07200	0.07125	0.07000	0.06750	0.06750	0.06300	0.06000
November	0.07200	0.07125	0.07000	0.07000	0.06750	0.06300	0.06300
December	0.07200	0.07200	0.07125	0.07000	0.06750	0.06489	0.06300
Total	**$ 0.86400**	**$ 0.85575**	**$ 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. In December 2018 the REIT increased the distribution rate by 1.8% to $0.07125. On December 16, 2019, the REIT announced a 1.1% increase of its monthly distribution to $0.072 per class U unit or $0.864 per class U unit on an annualized basis. 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.

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
2019	35.2%	11.6%	53.2%
2018	78.0%	—	22.0%
2017	44.0%	—	56.0%
2016	35.0%	—	65.0%
2015 (January to May)[1]	45.0%	—	55.0%
2015 (June to December)[1]	39.0%	—	61.0%
2014	48.0%	—	52.0%

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

FFO payout ratio

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

The FFO payout ratio was 81.7% and 81.0% for the three and twelve month periods ended December 31, 2020, representing a 8.9% and 9.8% increase from the respective comparative periods. The increase is mainly due to the disposition of eight properties and two outparcels at certain properties, an increase in distributions declared due to the issuance of 6.4 million units from the REIT's equity raise completed December 10, 2020, and the 1.1% distribution rate increase in December 2019, partially offset by repurchases over the period.

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,	
	2020	2019	2020	2019
FFO	$ 11,684	$ 12,650	$ 45,446	$ 52,595
Distributions declared [1]	(9,545)	(9,210)	(36,806)	(37,431)
Excess of FFO over distributions declared	**$ 2,139**	**$ 3,440**	**$ 8,640**	**$ 15,164**
FFO payout ratio [2]	**81.7%**	**72.8%**	**81.0%**	**71.2%**

[1] Distributions declared represent distributions on REIT units and exchangeable units of subsidiaries.
[2] Adjusting to exclude the impact of the refinanced credit facility and extinguished mortgage during the first quarter of 2020, the FFO payout ratio for the year ended December 31, 2020 would be 80.4%.

AFFO payout ratio

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

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

The REIT strives to maintain an AFFO payout ratio that provides steady and reliable distributions to unitholders. As a result, the REIT is focused on maintaining a policy that provides a high level of certainty that the distribution will be maintained over time. Currently, the REIT's monthly distribution to unitholders was $0.072 per class U unit or $0.864 on an annualized basis.

The AFFO payout ratio for the twelve month periods ended December 31, 2020 and December 31, 2019 was 101.1% and 90.0%, respectively, which represents an 11.1% increase. On a pro forma basis, using annualized fourth quarter AFFO and the current distribution of $0.072 per month, the AFFO payout ratio would be 98.2%.

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,	
	2020	2019	2020	2019
AFFO	$ 9,651	$ 10,616	$ 36,399	$ 41,589
Distributions declared [1]	(9,545)	(9,210)	(36,806)	(37,431)
Excess of AFFO over distributions declared	**$ 106**	**$ 1,406**	**$ (407)**	**$ 4,158**
AFFO payout ratio [2]	**98.9%**	**86.8%**	**101.1%**	**90.0%**

[1] Distributions declared represent distributions on REIT units and exchangeable units of subsidiaries.
[2] Adjusting to exclude the impact of the refinanced credit facility and extinguished mortgage during the first quarter of 2020, AFFO payout ratio for the year ended December 31, 2020 would be 100.2%.

The REIT's distributions declared were in excess of AFFO of $0.4 million for the year ended December 31, 2020. The REIT has maintained a consistent distribution rate despite period over period variances in cash from operating activities.

For the year ended December 31, 2020 the REIT's cash flow from operating activities exceeded distributions paid by $2.5 million. For the year ended December 31, 2019 and 2018, the REIT's cash flow from operating activities exceeded distributions paid by $6.9 million and $20.4 million, respectively.

	Year ended December 31, 2020	Year ended December 31, 2019	2018
Cash flows from operating activities	$ 39,351	$ 44,478	$ 57,823
Net income	41,605	26,323	2,461
Cash distributions paid or payable relating to the period	(36,806)	(37,559)	(37,422)
Excess of cash flows from operating activities over cash distributions paid	**$ 2,545**	**$ 6,919**	**$ 20,401**
Excess (shortfall) of net income over cash distributions paid	**$ 4,799**	**$ (11,236)**	**$ (34,961)**

The REIT's distributions paid in the year ended December 31, 2020 were funded by the REIT's revolver and cash from operations. The REIT believes the current shortfall does not impact the sustainability of the REIT's future distributions and that the REIT expects distributions will continue to be funded through cash flows from operating activities.

Impact of interest rate changes

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

In order to mitigate interest rate risk, the REIT has entered into notional amount pay-fixed receive-float interest rate swap contracts to hedge the cash flow risk associated with monthly U.S. LIBOR based interest payments on a portion of the REIT's floating rate debt. As a result of the interest rate swaps, 105.3% of the REIT's debt is now subject to fixed rates. The weighted average fixed rate of the REIT's interest rate swaps was 2.21% in comparison to one-month U.S. LIBOR at 0.14% at December 31, 2020 with a weighted average term to maturity of 2.45 years.

On February 4, 2020, the REIT terminated $150.0 million of its $300.0 million interest rate swap, with an effective date of November 22, 2016. The realized gain as a result of the termination was blended into the pay-fixed rate of the REIT's $100.0 million interest rate swap, with a maturity date of September 22, 2022, which was reduced to 1.41% and resulted in an increase to the weighted average pay-fixed rate of the REIT's swap portfolio to 2.205%.

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

The terms of the interest rate swaps are as follows:

					Total/ Weighted average
Pay-fixed rate	1.104%	1.411%	2.884%	2.925%	**2.205%**
Notional amount	$ 150,000	$ 100,000	$ 175,000	$ 175,000	**$ 600,000**
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)	0.16	1.7	2.6	4.6	**2.5**

INCOME TAX

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

For the three and twelve month periods ended December 31, 2020 the deferred income tax expense was $8.7 million and $11.6 million, respectively (three month period ended December 31, 2019 – $5.0 million, year ended December 31, 2019 – $9.6 million). The REIT's deferred income tax expense relates mainly to changes in the differences between the fair value of the REIT's properties and the corresponding undepreciated value for income tax purposes.

Total branch profit taxes paid as of December 31, 2020 was nil (December 31, 2019 – $1.0 million). Branch profit tax is tax imposed on U.S. earned income that is repatriated to Canada.

RELATED PARTY TRANSACTIONS

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

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

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

iii. an annual incentive fee, calculated in arrears, in an aggregate amount equal to 15% of the REIT's funds from operation per class U unit as derived from the annual financial statements of the REIT in excess of $1.34, subject to ordinary course adjustments for certain transactions affecting the class U units and increasing annually by 50% of the increase in the U.S. consumer price index.

	Three months ended December 31,		Year ended December 31,	
	2020	2019	2020	2019
Asset management	$ 1,310	$ 1,347	$ 5,169	$ 5,516
Acquisition	—	—	685	—
Total	**$ 1,310**	**$ 1,347**	**$ 5,854**	**$ 5,516**

Related party transactions incurred and payable to the Manager for the three and twelve month periods ended December 31, 2020 was $1.3 million and $5.9 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, 2020, no incentive fee was recognized as the target threshold was not met.

MAJOR CASH FLOW COMPONENTS

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

	Year ended December 31,	
	2020	2019
Operating activities	$ 39,351	$ 44,478
Investing activities	5,793	100,544
Financing activities	(45,194)	(143,720)
(Decrease) increase in cash	**$ (50)**	**$ 1,302**

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 $91.0 million to fund the acquisition of seven properties and $133.2 million of proceeds on the disposition of eight properties and two property outparcels, 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:

	2020	2019	2018
Rental revenue	$ 126,130	$ 141,315	$ 144,213
Net income	41,605	26,323	2,461
Total assets	1,323,554	1,315,080	1,416,334
Non-current debt	721,260	708,940	868,517
Total debt	726,373	789,395	871,562
Distribution rate, per unit [1 2]	0.8640	0.8550	0.8400

[1] On December 16, 2019, the REIT announced a 1.1% increase of its monthly distribution to $0.072 per class U unit or $0.864 per class U unit on an annualized basis, commencing with the month of December 2019 distribution.
[2] On December 17, 2018, the REIT announced a 1.8% increase of its monthly distribution to $0.071 per class U unit or $0.855 per class U unit on an annualized basis, commencing with the month of December 2018 distribution.

PART IV – FINANCIAL CONDITION

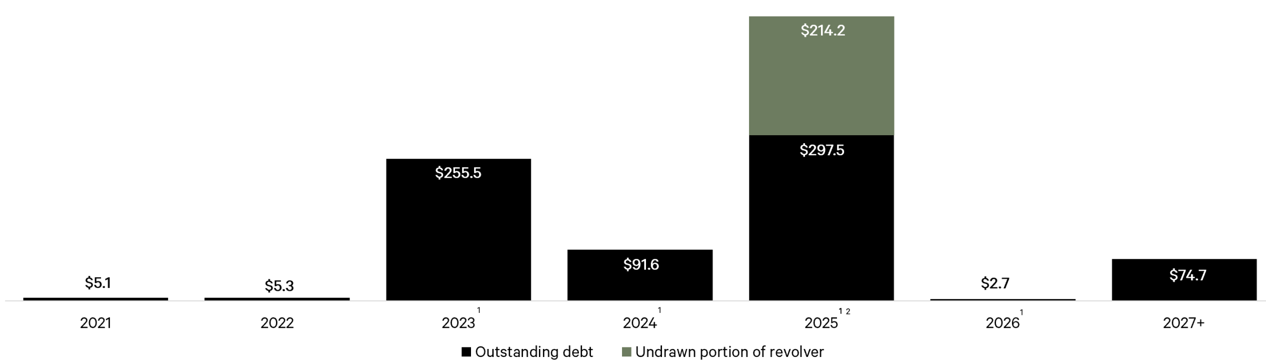
DEBT

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, term loan and term loan 2 provide the required flexibility to support the REIT's acquisition pipeline. The credit facility and term loan 2 represents a significant component of the REIT's funding, which allows the REIT to maintain flexibility in its portfolio by avoiding debt that constricts portfolio capital recycling and redevelopment while minimizing unused cash positions. In addition to the credit facility and term loan 2, the REIT has ready access to alternative funding sources, including financial institutions for financing arrangements and investors at competitive rates. Management continues to monitor interest rate risk of the REIT's debt portfolio. As a result of the interest rate swap, 105.3% of the REIT's debt is now subject to fixed rates.

The weighted-average term of the REIT's debt is 4.0 years at a weighted average cost of 4.22%.

Debt Maturity Profile
(in $US millions)



[1] Debt available to be drawn is subject to certain covenants as provided in the REIT's lending agreements, including generally, a maximum of 65% Consolidated Total Indebtedness to Gross Asset Value. The 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 for the term loan and term loan 2 where Consolidated Total Indebtedness to Gross Asset Value is; (i) less than or equal to 45% is 125 bps; (ii) greater than 45% but less than or equal to 50% is 140 bps; (iii) greater than 50% but less than or equal to 55% is 150 bps (iv) greater than 55% but less than or equal to 60% is 175 bps; and (iv) greater than 60% is 195 bps. The applicable spread for the revolver where Consolidated Total Indebtedness to Gross Asset Value is; (i) less than or equal to 45% is 135 bps; (ii) greater than 45% but less than or equal to 50% is 145 bps; (iii) greater than 50% but less than or equal to 55% is 160 bps (iv) greater than 55% but less than or equal to 60% is 185 bps; and (iv) greater than 60% is 205 bps.

[2] Excludes two six-month extension options exercisable at the REIT's option for the revolver. With the two six-month extension options the weighted average debt maturity of the REIT's debt portfolio is 4.1 years.

Debt held by the REIT is as follows:

	Maturity	Term to maturity (years)	Effective rate		Principal		Mark-to-market adjustments and costs	December 31, 2020 Carrying amount		December 31, 2019 Carrying amount
Revolver [1,2,3,4,5]	March 21, 2024	3.2	2.50%	$	85,851	$	(1,470)	$	84,381	$ 76,800
Term loan [1,2,4]	March 21, 2025	4.2	2.45%		225,000		(1,162)		223,838	361,776
Term loan 2 [1,2,4]	February 9, 2023	2.1	2.44%		250,000		(1,098)		248,902	248,872
Mortgage	March 1, 2021	N/A	5.75%		—		—		—	10,511
Mortgage	January 1, 2025	4.0	3.80%		42,345		(689)		41,656	42,532
Mortgage	July 1, 2025	4.5	4.14%		40,132		(395)		39,737	41,259
Mortgage	January 1, 2031	10.0	5.50%		7,016		115		7,131	7,645
Mortgage	March 18, 2030	9.2	3.48%		82,187		(1,459)		80,728	—
Total / weighted average		**4.0** [5]	**4.22%** [6]	**$**	**732,531**	**$**	**(6,158)**	**$**	**726,373**	**$ 789,395**
Share of debt classified as equity investment [7]									**6,879**	**5,733**
Total debt including equity investment								**$**	**733,252**	**$ 795,128**

[1] The weighted average interest rate has been calculated using the December 31, 2020 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 "consolidated leverage ratio"). The applicable spread for the revolver where the consolidated leverage ratio is; (i) less than or equal to 45% is 135 bps; (ii) greater than 45% but less than or equal to 50% is 145 bps; (iii) greater than 50% but less than or equal to 55% is 160 bps (iv) greater than 55% but less than or equal to 60% is 185 bps; and (iv) greater than 60% is 205 bps. The applicable spread for the term loan and term loan 2 where the consolidated leverage ratio is; (i) less than or equal to 45% is 125 bps; (ii) greater than 45% but less than or equal to 50% is 140 bps; (iii) greater than 50% but less than or equal to 55% is 150 bps (iv) greater than 55% but less than or equal to 60% is 175 bps; and (iv) greater than 60% is 195 bps.
[3] The revolver requires a stand-by fee to be paid in an amount equal to 0.25% of the unused portion of the revolver where the unused portion is greater than or equal to 50% of the maximum amount available and 0.15% of the unused portion of the revolver where the unused portion is less than 50% of the maximum amount available, calculated daily.
[4] The revolver, term loan and term loan 2 are secured by a general pledge of equity of certain subsidiaries of the REIT. Collectively, those subsidiaries hold an interest in 57 of the REIT's properties.
[5] Excludes a two-six month extension options exercisable at the REIT's option. With the two-six month extensions the weighted average debt maturity of the REIT's debt portfolio is 4.1 years.
[6] The weighted average interest rate includes the impact of pay-fixed receive-float swaps.
[7] Bears interest at a rate of 2.90% at December 31, 2020 and has a maturity date of January 28, 2022.

On February 21, 2020, the REIT refinanced its existing revolving credit facility and term loan (the “credit facility”) for four and five-year terms, respectively, for an aggregate of $525.0 million. The REIT has also reduced pricing on its credit facility and $250.0 million term loan. The revolver, term loan and term loan 2 bears interest at U.S. LIBOR plus an applicable margin. The refinancing resulted in a $0.6 million charge to income which represents the unamortized finance costs associated with revolver and term loan.

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

On March 20, 2020, the REIT extinguished a mortgage of $10.1 million, bearing interest of 5.75% with borrowings from the REIT's revolver. The REIT recognized a $0.3 million gain on extinguishment related to unamortized financing costs and mark-to-market adjustments. No prepayment penalty was incurred.

The carrying amount of debt was $726.4 million at December 31, 2020, which represents a decrease of $63.0 million compared to December 31, 2019. The decrease is mainly due to principal repayments on the REIT's revolver funded by cash received from the disposal of ten properties, the equity offering completed on December 10, 2020 and cash generated from operations, partially offset by drawdowns on the revolver to fund the acquisition of seven properties during the period.

On January 14, 2021, the REIT closed a $169.0 million 10 year mortgage, bearing interest of 3.75%. The net proceeds from the loan were used to reduce the REIT's nearest term debt maturity in 2023 to $83.0 million, resulting in an increase of the REIT's debt portfolio to a weighted average term to maturity of 5.9 years.

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, 2020	December 31, 2019
Gross book value	$ 1,323,554	$ 1,315,080
Debt	726,373	789,395
Leverage ratio	**54.9%**	**60.0%**

The REIT's leverage ratio has decreased by 5.1% for the year ended December 31, 2020 to 54.9% from December 31, 2019 due to repayments on the revolver as a result of the disposal of eight properties and two property outparcels and the REIT's equity offering completed December 10, 2020, partially offset by drawdowns on the revolver to fund the acquisition of seven properties during the period.

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, 2020	December 31, 2019
Maximum leverage ratio: consolidated total indebtedness shall not exceed 65% of gross asset value	< 65%	57.5%	58.8%
Minimum fixed charge coverage ratio: adjusted EBITDA to consolidated fixed charges shall not be less than 1.50x [1]	> 1.50x	2.15x	2.25x

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

ADJUSTED EBITDA

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

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

	Three months ended December 31,			Year ended December 31,		
	2020	2019	Variance	2020	2019	Variance
Net income	**$ 21,268**	**$ 14,016**	**$ 7,252**	**$ 41,605**	**$ 26,323**	**$ 15,282**
Interest and finance costs	8,873	9,064	(191)	33,868	36,843	(2,975)
Change in fair value of financial instruments	437	(284)	721	457	4,374	(3,917)
Transaction costs	803	1,331	(528)	3,913	6,698	(2,785)
Change in fair value of properties	(13,515)	(3,015)	(10,500)	(14,087)	1,446	(15,533)
Deferred income tax expense	8,730	5,045	3,685	11,587	9,565	2,022
Current income tax expense (recovery)	(1,618)	114	(1,732)	2,414	—	2,414
Unit expense (income)	1,539	676	863	(342)	4,469	(4,811)
Adjustments for equity investment	295	(108)	403	2,336	(68)	2,404
Straight-line rent revenue	(375)	(118)	(257)	(1,556)	(1,640)	84
IFRIC 21 property tax adjustment	(5,568)	(4,934)	(634)	(802)	—	(802)
Adjusted EBITDA	**$ 20,869**	**$ 21,787**	**$ (918)**	**$ 79,393**	**$ 88,010**	**$ (8,617)**

	Three months ended December 31,			Year ended December 31,		
	2020	2019	Variance	2020	2019	Variance
Rental revenue	$ 31,872	$ 34,338	$ (2,466)	$ 126,130	$ 141,315	$ (15,185)
Property operating expenses	(3,512)	(5,029)	1,517	(34,629)	(41,031)	6,402
General and administrative expenses	(1,714)	(2,479)	765	(10,511)	(10,717)	206
Adjustments for equity investment	166	9	157	761	83	678
Straight-line rent revenue	(375)	(118)	(257)	(1,556)	(1,640)	84
IFRIC 21 property tax adjustment	(5,568)	(4,934)	(634)	(802)	—	(802)
Adjusted EBITDA	**$ 20,869**	**$ 21,787**	**$ (918)**	**$ 79,393**	**$ 88,010**	**$ (8,617)**

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,	
	2020	2019	2020	2019
NOI	$ 22,583	$ 24,266	$ 89,904	$ 98,727
General and administrative expenses	(1,714)	(2,479)	(10,511)	(10,717)
Adjusted EBITDA	**$ 20,869**	**$ 21,787**	**$ 79,393**	**$ 88,010**
Cash interest paid	(8,508)	(8,696)	(32,137)	(35,376)
Interest coverage ratio	**2.45x**	**2.51x**	**2.47x**	**2.49x**

The interest coverage ratio for the three and twelve month periods ended December 31, 2020 was 2.45x and 2.47x, which represents a decrease from the same periods in the prior year. The decrease is mainly due to the decreases in cash interest paid, partially offset by decrease in NOI from the aforementioned dispositions.

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, 2020 is 54.9% (December 31, 2019 – 60.0%). Refer to the Overview section of this MD&A for various initiatives the REIT is undertaking to conserve cash and enhance liquidity under the current COVID-19 pandemic.

Contractual commitments

The REIT has the following contractual commitments:

	Total contractual cash flow	2021	2022-2023	2024-2025	Thereafter
Accounts payable and accrued liabilities	$ 20,287	$ 20,287	$ —	$ —	$ —
Revolver [1 2]	85,851	—	—	85,851	—
Revolver interest payable [1 2 3]	7,898	2,400	4,921	577	—
Term loan [1 2]	225,000	—	—	225,000	—
Term loan interest payable [1 2]	20,975	4,664	9,639	6,672	—
Term loan 2 [2 4]	250,000	—	250,000	—	—
Term loan 2 interest payable [2 4]	11,004	5,182	5,822	—	—
Mortgages [5]	171,680	5,113	17,792	78,308	70,467
Mortgage interest payable [5]	39,143	6,424	12,213	9,490	11,016
Letters of credit	117	117	—	—	—
Interest rate swap, net of cash outflows	37,009	11,417	18,609	6,983	—
Exchangeable units of subsidiaries	9,566	—	—	—	9,566
Total	**$ 878,530**	**$ 55,604**	**$ 312,061**	**$ 412,881**	**$ 97,984**

[1] Revolver and term loan interest payable is calculated on $85.9 million and $225.0 million (balance outstanding) using an estimated "all in" interest rate of 2.17% and 2.07% respectively 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 term loan resulting in an "all-in" interest rate of 2.25%. The total revolver and term loan interest payable is calculated until maturity of the initial term.
[2] Excludes the impact of the REIT's $600.0 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 2.07% 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 2.10%. The total term loan 2 interest payable is calculated until maturity.
[5] Includes the REIT's share of debt held in its equity accounted property investment.

REIT UNITS AND EXCHANGEABLE UNITS OF SUBSIDIARIES

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

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

REIT units and exchangeable units of subsidiaries outstanding for the year ended December 31, 2020 and their respective class U equivalent amounts if converted are as follows:

	REIT units			Exchangeable units of subsidiaries			
Class / type	U	A	I	SG1 [1]	SG2 [1]	GAR B	Total class U units equivalent
Balance, December 31, 2019	40,463	247	282	28	920	132	42,072
Issued under equity offering	6,360	—	—	—	—	—	6,360
Exchanged	42	(42)	—	—	—	—	—
Class U units equivalent, December 31, 2020	**46,865**	**205**	**282**	**28**	**920**	**132**	**48,432**

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

Normal course issuer bid

The REIT has an NCIB which was most recently renewed on May 26, 2019. The NCIB remains in effect until the earlier of May 25, 2021 or the date on which the REIT has purchased an aggregate of 3.7 million class U units, representing 10% of the REIT's public float of 36.7 million class U units at the time of entering the NCIB through the facilities of the TSX.

For the year ended December 31, 2020, no class U units have been purchased and subsequently canceled under the NCIB.

Equity offering

On December 10, 2020, the REIT completed a public offering of 6.4 million class U units, at a price of $9.17 or C$11.80 per unit, for gross proceeds of approximately $58.3 million or C$75.1 million. The costs related to the offering totaled $2.9 million and are deducted against the cost of units issued. Net proceeds, totaling $55.4 million were used to repay the revolver.

ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities are comprised of the following:

	December 31, 2020	December 31, 2019
Accounts payable and accrued liabilities	$ 13,742	$ 11,366
Prepaid rent	2,478	5,126
Tenant improvements payable	318	103
Other payables	3,749	4,802
Total	**$ 20,287**	**$ 21,397**

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, 2020	December 31, 2019
Rent receivable	$ 5,140	$ 3,475
Allowance	(852)	(673)
Accrued recovery income	5,087	5,751
Other receivables	3,453	3,172
Total	**$ 12,828**	**$ 11,725**

Rent receivable consists of base rent and operating expense recoveries. Management has provided for $0.9 million (December 31, 2019 – $0.7 million) as an allowance for doubtful accounts and anticipates that the unprovided balance is collectible. As a result of the COVID-19 pandemic, the REIT has entered into short-term rent deferral programs with certain tenants of which $0.3 million remains outstanding at December 31, 2020.

Accrued recovery income represents amounts that have not yet been billed to tenants for operating expenses, mainly real estate taxes, and are generally billed and paid in the following year. Other receivables represent non-operating amounts.

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

	December 31, 2020	December 31, 2019
Current to 30 days	$ 1,829	$ 1,629
31 to 60 days	302	273
61 to 90 days	626	190
Greater than 90 days	1,531	710
Total	**$ 4,288**	**$ 2,802**

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

EQUITY INVESTMENT

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

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

	Year ended December 31, 2020	Year ended December 31, 2019
Beginning of the period	$ 5,049	$ —
Contribution of note receivable and accrued interest	—	11,644
Cash contributions	—	3,131
Distribution of financing proceeds	—	(2,551)
Proceeds from partner investment	—	(7,476)
Net cost of equity investment	**$ 5,049**	**$ 4,748**
Capital contributions	—	150
Share of (loss) income in equity investment	(1,575)	151
End of the period	**$ 3,474**	**$ 5,049**

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

	December 31, 2020	December 31, 2019
Assets		
Property	$ 21,690	$ 22,454
Current assets	1,181	1,296
	$ 22,871	**$ 23,750**
Liabilities		
Debt [1]	$ 13,758	$ 11,466
Other non-current liabilities	15	15
Current liabilities	2,150	2,171
	$ 15,923	**$ 13,652**
Net assets at 100%	**$ 6,948**	**$ 10,098**
At the REIT's 50% interest	**$ 3,474**	**$ 5,049**

[1] Bears interest at a rate of 2.90% at December 31, 2020 and has a maturity date of January 28, 2022.

The following represents the summary of income:

	Three months ended December 31, 2020	Three months ended December 31, 2019	Year ended December 31, 2020	Year ended December 31, 2019
Rental revenue	$ 424	$ 108	$ 1,804	$ 524
Property operating expenses	(92)	(58)	(418)	(274)
General and administrative expenses	—	—	(280)	30
Interest and finance costs	(156)	(154)	(608)	(454)
Change in fair value of property	(434)	338	(3,648)	476
Net (loss) income and comprehensive (loss) income at 100%	**$ (258)**	**$ 234**	**$ (3,150)**	**$ 302**
At the REIT's 50% interest	**$ (129)**	**$ 117**	**$ (1,575)**	**$ 151**

Management fees

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

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

Total management fees earned by the REIT under the agreement were $0.2 million for the year ended December 31, 2020 (December 31, 2019 - $0.3 million).

SUBSEQUENT EVENTS

The following events have occurred subsequent to December 31, 2020:

i. On January 14, 2021, the REIT closed a $169.0 million mortgage loan with a 2031 maturity. The net proceeds from the loan were used to reduce the REIT's nearest term debt maturity in 2023 to $83.0 million, resulting in an increase of the REIT's debt portfolio to a weighted average term to maturity of 5.9 years. In conjunction with the mortgage loan transaction, the REIT terminated its $150.0 million interest rate swap, with an effective date of November 22, 2016. This resulted in an increase to the weighted average pay-fixed rate of the REIT's swap portfolio to 2.573%.

ii. On January 14, 2021 and February 18, 2021, the REIT declared monthly distributions of $0.072 per class U unit. Holders of class A units, class I units and units of subsidiaries of the REIT were also entitled to receive an equivalent distribution.

iii. On February 10, 2021, the REIT completed the acquisition of a portfolio of five grocery-anchored properties, located in the Southeastern United States for $54.3 million.

PART V – ACCOUNTING AND CONTROL

USE OF ESTIMATES

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

CRITICAL ACCOUNTING ESTIMATES

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

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

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

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

Overall income capitalization approach

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

Direct comparison approach

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

A summary of the significant assumptions used in the REIT's estimate of fair value as at December 31, 2020 is included on page 30 of this MD&A. Changes in these assumptions would have a significant impact on the REIT's estimate of fair value, which can be impacted by changes in demand for properties similar to those owned by the REIT, expectations of market rents, the covenant quality of tenants and the general economic environment.

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

NEW ACCOUNTING POLICIES

i. Application of new and revised IFRS

IFRS 3, Business Combinations ("IFRS 3")

The REIT has adopted the amendments to IFRS 3 on January 1, 2020. The amendments have narrowed and clarified the definition of a business. The objective of the amendment is to assist companies in determining whether an acquisition made is of a business or a group of assets. It also permits a simplified assessment of whether an acquired set of activities and assets is a group of assets rather than a business. These amendments have been applied to the REIT's acquisition transactions during the year. The adoption of the amended standard did not have an impact on the REIT's consolidated financial statements.

Interest Rate Benchmark Reform

In September 2019, the IASB issued *Interest Rate Benchmark Reform – Amendments to IFRS 9, IAS 39 – Financial Instruments: Recognition and Measurement ("IAS 39") and IFRS 7 – Financial Instruments: Disclosures ("IFRS 7").* These amendments modify specific hedge accounting requirements to allow hedge accounting to continue for affected hedges during the period of uncertainty before the hedged items or hedging instruments affected by the current interest rate benchmarks are amended as a result of the on-going interest rate benchmark reforms. The REIT chose to early apply the amendments to IFRS 9 for the reporting period ended December 31, 2019, which were mandatory for annual reporting periods beginning on or after January 1, 2020. Adopting these amendments has allowed the REIT to continue hedge accounting during the period of uncertainty arising from interest rate benchmark reforms.

ii. Future accounting policies

Application of Interest Rate Benchmark Reform

In August 2020, the IASB issued *IBOR Reform and the Effects on Financial Reporting – Phase II (amendments to IFRS 9, IFRS 7, IAS 39, IFRS 4 – Insurance Contracts ("IFRS 4") and IFRS 16).* The objective of the second phase of the IASB's project was to assist entities in providing useful information about the effects of the transition to alternative benchmark rates and support preparers in applying the requirements of the IFRS Standards when changes are made to contractual cash flows or hedging relationships as a result of the transition to an alternative benchmark interest rate. The amendments affect the basis for determining the contractual cash flows as a result of benchmark interest rate reform, hedge accounting and disclosures. The amendments are effective for annual periods beginning on or after January 1, 2021 with early application permitted and include retrospective application with reinstatement of hedge relationships. The REIT is currently in the process of assessing the impact of adopting the amendments in Phase II on its consolidated financial statements.

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, 2020.

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

As 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, the CEO and CFO 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, 2020.

No changes were made in the REIT's design of ICFR during the three and twelve month periods ended December 31, 2020, 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, 2020, the REIT owns a portfolio of 75 grocery-anchored properties. The portfolio consists of 9,554,679 square feet of GLA with an occupancy rate of 92.9%.

Property	Location	Associated MSA	Area (SF)	% of Total	Occ. %	Anchor
98 Palms	Destin	Crestview-Fort Walton Beach-Destin	84,682		100.0%	Winn-Dixie
Bellview Plaza	Pensacola	Pensacola	82,910		100.0%	Publix
Bloomingdale Plaza	Brandon	Tampa-St. Petersburg	83,237		36.7%	Vacant
Cordova Commons	Pensacola	Pensacola	164,343		78.1%	The Fresh Market
Errol Plaza	Orlando	Orlando	76,582		100.0%	Winn-Dixie
Eustis Village	Eustis	Orlando	156,927		100.0%	Publix
Good Homes Plaza	Ocoee	Orlando	165,741		100.0%	Publix
Oak Hill Village	Jacksonville	Jacksonville	78,492		93.8%	Publix
Salerno Village Square	Stuart	Port St. Lucie	77,677		93.5%	Winn-Dixie
Uptown Station	Fort Walton Beach	Pensacola	272,616		91.2%	Winn-Dixie
Wedgewood Commons	Stuart	Port St. Lucie	119,073		94.4%	Publix
Total Florida			**1,362,280**	**14.3%**		
Lake Raystown Plaza	Huntingdon	Harrisburg	140,159		97.3%	Giant Foods
Northland Center	State College	State College	111,718		97.1%	Giant Foods
Norwin Town Square	North Huntingdon	Pittsburgh	141,466		96.7%	Shop 'n Save
Shops at Cedar Point	Allentown	Allentown-Bethlehem-Easton	130,583		94.5%	Weis
Summit Ridge	Mount Pleasant	Pittsburgh	240,884		95.1%	Walmart
West Valley Marketplace	Allentown	Allentown-Bethlehem-Easton	259,207		96.9%	Walmart
Total Pennsylvania			**1,024,017**	**10.7%**		
11 Galleria	Greenville	Greenville	105,608		84.8%	The Fresh Market
Battleground Village	Greensboro	Greensboro-High Point	73,207		98.0%	Aldi
Flowers Plantation	Clayton	Raleigh	53,500		92.1%	Food Lion
Fuquay Crossing	Fuquay-Varnia	Raleigh	96,638		94.6%	Harris Teeter
Independence Square	Charlotte	Charlotte	190,361		99.4%	Super Global Mart
Mooresville Consumer Square	Mooresville	Charlotte	272,860		96.7%	Walmart
Mooresville Town Square	Mooresville	Charlotte	98,262		99.0%	Lowe's Foods
Harper Hills Commons	Winston-Salem	Winston-Salem	96,914		85.0%	Harris Teeter
Renaissance Square	Davidson	Charlotte	80,467		89.2%	Harris Teeter
Alexander Pointe	Salisbury	Charlotte	57,710		95.1%	Harris Teeter
North Summit Square	Winston-Salem	Winston-Salem	224,530		96.1%	Sam's Club
Total North Carolina			**1,350,057**	**14.1%**		
Abbott's Village	Alpharetta	Atlanta	109,586		98.9%	Publix
Birmingham Shoppes	Milton	Atlanta	82,905		95.7%	Publix
Duluth Station	Duluth	Atlanta	94,966		81.6%	Publix
Locust Grove	Locust Grove	Atlanta	89,567		93.7%	Publix
Merchants Crossing	Newnan	Atlanta	174,059		98.7%	Kroger
Robson Crossing	Flowery Branch	Atlanta	103,840		98.8%	Publix
Total Georgia			**654,923**	**6.9%**		
Barefoot Commons	North Myrtle Beach	Myrtle Beach-Conway	90,702		91.8%	BI-LO
Dill Creek Commons	Greer	Greenville-Spartanburg-Anderson	72,526		100.0%	BI-LO
Dorman Centre	Spartanburg	Greenville-Spartanburg-Anderson	388,502		94.3%	Walmart
Little River Pavilion	North Myrtle Beach	Myrtle Beach-Conway	63,823		100.0%	Lowe's Foods
North Augusta Plaza	North Augusta	Augusta-Richmond	229,730		93.4%	Publix
Total South Carolina			**845,283**	**8.8%**		
Cambridge Crossings	Troy	Detroit	238,963		100.0%	Walmart
Canton Shopping Center	Canton	Detroit	72,361		87.7%	ALDI
City Center Plaza	Westland	Detroit	97,670		97.2%	Kroger
Stadium Center	Port Huron	Detroit-Warren-Dearborn	92,538		93.5%	Kroger
Windmill Plaza	Sterling Heights	Detroit	101,611		92.5%	Kroger
Total Michigan			**603,143**	**6.3%**		

Property	Location	Associated MSA	Area (SF)	% of Total	Occ. %	Anchor
East Brainerd Mall	Brainerd	Minneapolis-St Paul	191,459		95.6%	Cub Foods
Mapleridge Center	Maplewood	Minneapolis-St Paul	114,681		90.7%	Hy-Vee
North Branch Marketplace	North Branch	Minneapolis-St Paul	72,895		100.0%	County Market
Phalen Retail Center	St Paul	Minneapolis-St Paul	73,678		93.9%	Cub Foods
Plymouth Station	Plymouth	Minneapolis-St Paul	114,069		96.4%	Hy-Vee
Total Minnesota			**566,782**	**5.9%**		
Highland Square	Crossville	Nashville	179,732		85.1%	Kroger
North Hixson Marketplace	Hixson	Chattanooga	64,254		92.5%	Food City
St. Elmo Central	Chattanooga	Chattanooga	74,999		100.0%	Food City
Sunset Plaza	Johnson City	Johnson City	143,752		100.0%	Kroger
Westhaven Town Center	Franklin	Nashville	63,904		100.0%	Kroger
Total Tennessee			**526,641**	**5.6%**		
Hocking Valley Mall	Lancaster	Columbus	181,393		96.2%	Kroger
Mulberry Square	Milford	Cincinnati	146,763		80.5%	Kroger
Total Ohio			**328,156**	**3.4%**		
Charles Town Plaza	Charles Town	Washington-Baltimore	206,146		97.6%	Walmart
Eastpointe Shopping Center	Clarksburg	Morgantown	181,016		96.0%	Kroger
Total West Virginia			**387,162**	**4.1%**		
Glidden Crossing	DeKalb	Chicago-Naperville-Joliet	98,683		92.4%	Schnucks
North Lake Commons	Lake Zurich	Chicago-Naperville-Joliet	121,099		86.8%	Jewel-Osco
Plaza St. Clair	Fairview Heights	St. Louis	97,459		71.1%	Schnucks
Total Illinois			**317,241**	**3.3%**		
Southgate Crossing	Minot	Minot	159,780		68.3%	Cash Wise
Watford Plaza	Watford City	Williston	101,798		98.7%	Cash Wise
Total North Dakota			**261,578**	**2.7%**		
East Little Creek	Norfolk	Virginia Beach-Norfolk-Newport News	68,770		100.0%	Kroger
Bermuda Crossroads	Chester	Richmond	122,566		97.4%	Food Lion
Gainsborough Square	Chesapeake	Virginia Beach-Norfolk-Newport News	88,862		92.8%	Food Lion
Indian Lakes Crossings	Virginia Beach	Virginia Beach-Norfolk-Newport News	64,973		97.5%	Harris Teeter
Smithfield Shopping Plaza	Smithfield	Virginia Beach-Norfolk-Newport News	134,664		79.8%	Kroger
Total Virginia			**479,835**	**5.0%**		
Stone House Square	Hagerstown	Washington-Baltimore	112,274		91.6%	Weis
Total Maryland			**112,274**	**1.2%**		
Westminster Plaza	Westminster	Denver Aurora-Lakewood	98,999		92.2%	VASA
Total Colorado			**98,999**	**1.0%**		
Derry Meadows Shoppes	Derry	Manchester-Nashua	151,946		95.4%	Hannaford
Total New Hampshire			**151,946**	**1.6%**		
Alta Mesa Plaza	Fort Worth	Dallas-Ft Worth	167,961		83.6%	Kroger
Total Texas			**167,961**	**1.9%**		
Taylorsville Town Center	Taylorsville	Salt Lake City	112,507		97.2%	Macey's Fresh
Total Utah			**112,507**	**1.2%**		
Forest Plaza	Fond du Lac	Fond du Lac	123,028		100.0%	Pick 'N Save
Total Wisconsin			**123,028**	**1.2%**		
Stonefield Square	Louisville	Louisville	80,866		62.2%	Vacant
Total Kentucky			**80,866**	**0.8%**		
Total / WA			**9,554,679**	**100.0%**	**92.9%**	

Corporate Information

Slate Grocery REIT is an unincorporated. open-ended investment trust fund under and governed by the laws of the Province of Ontario. The REIT focuses on acquiring, owning and leasing a portfolio of grocery-anchored real estate properties. The REIT has a current portfolio that spans 9.6 million square feet of GLA and consists of 75 grocery-anchored properties located in the U.S.

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

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