



## **CT Real Estate Investment Trust**

### **2016 First Quarter Report to Unitholders** **For the quarter ended March 31, 2016**

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# **CT REAL ESTATE INVESTMENT TRUST**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

### **FIRST QUARTER 2016**

#### **Forward-looking Disclaimer**

This Management's Discussion and Analysis ("MD&A") contains statements that are forward-looking. Actual results or events may differ materially from those forecasted in this disclosure because of the risks and uncertainties associated with the business of CT Real Estate Investment Trust and its subsidiaries, (unless the context requires otherwise referred to herein as "CT REIT", the "Trust" or the "REIT") and the general economic environment. CT REIT cannot provide any assurance that any forecasted financial or operational performance will actually be achieved or, if achieved, that it will result in an increase in the price of CT REIT's units. See section 12.0 in this MD&A for a more detailed discussion of the REIT's use of forward-looking statements.

## 1.0 Preface

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### 1.1 Basis of Presentation

The following MD&A is intended to provide readers with an assessment of the performance of CT REIT for the three months ended March 31, 2016 and should be read in conjunction with the REIT's unaudited condensed consolidated interim financial statements ("interim financial statements") and accompanying notes for the three months ended March 31, 2016 which have been prepared in accordance with International Financial Reporting Standards ("IFRS"). In addition, the following MD&A should be read in conjunction with CT REIT's forward-looking information found in section 12.0 of this MD&A. Information about CT REIT, including the 2015 Annual Information Form ("AIF"), 2015 Annual Report and all other continuous disclosure documents required by the Canadian securities regulators, can be found on the System for Electronic Document Analysis and Retrieval ("SEDAR") website at [www.sedar.com](http://www.sedar.com) and on CT REIT's website in the Investors section by a link at [www.ctreit.com](http://www.ctreit.com).

### 1.2 Definitions

In this document, the terms "CT REIT", "the REIT", and "the Trust", refer to CT Real Estate Investment Trust and its subsidiaries unless the context requires otherwise. In addition, "the Company", "CTC" and the "Corporation" refer to Canadian Tire Corporation, Limited, entities that it controls and their collective businesses unless the context requires otherwise. For commonly used defined terms refer to the glossary of terms in CT REIT's 2015 Annual Report.

### 1.3 Accounting Estimates and Assumptions

The preparation of the interim financial statements in accordance with IFRS requires management to make judgements and estimates that affect the application of accounting policies and the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the interim financial statements and the reported amounts of revenue and expenses during the reporting period. Refer to section 8.0 in this MD&A for further information.

Financial data included in this MD&A includes material information as of May 10, 2016. Disclosure contained in this document is current to that date, unless otherwise noted.

### 1.4 Quarterly Comparisons in this MD&A

Unless otherwise indicated, all comparisons of results for Q1 2016 (three months ended March 31, 2016) are against results for Q1 2015 (three months ended March 31, 2015).

### 1.5 Non-GAAP and Operational Key Performance Indicators

Net operating income ("NOI"), same store NOI, same property NOI, funds from operations ("FFO"), FFO per Unit, adjusted funds from operations ("AFFO"), AFFO per Unit, earnings before interest and other financing costs, taxes and fair value adjustments ("EBITFV"), interest coverage ratio, indebtedness ratio, debt to enterprise value ratio, and book value per Unit are key performance indicators used by management to track and assess CT REIT's performance in meeting its principle objective of creating Unitholder value. These measures are not defined by IFRS, also referred to as GAAP, and therefore should not be construed as alternatives to net income or cash flow from operating activities calculated in accordance with IFRS.

Further, the key performance indicators used by management may not be comparable to similar measures presented by other real estate investment trusts or enterprises. Net income prepared in accordance with IFRS is also subject to varying degrees of judgment, and some meaningful differences in accounting policies exist between publicly traded entities in Canada. Accordingly, net income as presented by CT REIT may not be comparable to net income presented by other real estate investment trusts or enterprises.

For further information on the non-GAAP and operational key performance indicators used by management and for reconciliations to the nearest GAAP measures, refer to section 9.0.

## 1.6 Review and Approval by the Board of Trustees

The Board of Trustees (“the Board”), on the recommendation of its Audit Committee, authorized for issuance the contents of this MD&A on May 10, 2016.

## 1.7 Nature and Formation

CT REIT is an unincorporated, closed-end real estate investment trust established on July 15, 2013 pursuant to a declaration of trust under, and governed by, the laws of the Province of Ontario as amended and restated as at October 22, 2013 (the “Declaration of Trust”). CT REIT commenced operations on October 23, 2013. The principal, registered and head office of CT REIT is located at 2180 Yonge Street, Toronto, Ontario M4P 2V8. CTC owns an 84.0% effective interest in CT REIT as of March 31, 2016, consisting of 59,711,094 of the issued and outstanding units of CT REIT (“Units”) and all of the issued and outstanding Class B limited partnership units (“Class B LP Units”) of CT REIT Limited Partnership (the “Partnership”), which are economically equivalent to and exchangeable for Units. CTC also owns all of the Class C limited partnership units (“Class C LP Units”) of the Partnership. The Units are listed on the Toronto Stock Exchange (“TSX”) under the symbol CRT.UN.

CT REIT has one segment which comprises the ownership and operation of primarily retail investment properties located in Canada.

## 2.0 Growth Strategy and Objectives

*The following section contains forward-looking information and users are cautioned that actual results may vary.*

The principal objective of CT REIT is to create Unitholder value over the long-term by generating reliable, durable and growing monthly distributions on a tax-efficient basis. To achieve this objective, management is focused on expanding the REIT’s asset base while also increasing its AFFO per Unit.

Future growth is expected to be achieved from a number of sources including:

1. The current portfolio of Canadian Tire store leases contain contractual annual rent escalations of 1.5% per year, on average, over the initial term of the leases and have a weighted average remaining lease term of 13.4 years;
2. CT REIT has contractual arrangements with CTC whereby CT REIT has a right of first offer<sup>1</sup> (“ROFO”) on all CTC properties which meet the REIT’s investment criteria and preferential rights, subject to certain exceptions, to participate in the development of, and to acquire, certain new retail properties; and
3. CT REIT will continue to seek to use its relationship with CTC to obtain insights into potential real estate acquisitions and development opportunities in markets across Canada.

<sup>1</sup>The initial term under the ROFO Agreement is 10 years and thereafter will continue in effect until such time as CTC ceases to hold a majority of the voting units, being the Units and Special Voting Units.

## 3.0 Overview of the Property Portfolio

### 3.1 Property Profile

The property portfolio as at March 31, 2016 consists of 285 retail properties, two distribution centres, one mixed-use commercial property and two development properties acquired for future development (the "Properties"). The Properties are located in each of the provinces and in two territories across Canada. The retail properties, distribution centres and mixed-use commercial property contain approximately 21.8 million square feet of gross leasable area ("GLA").

CT REIT's consolidated financial position, results of operations and property portfolio analyses include the REIT's one-third interest in Canada Square, a mixed-use commercial property in Toronto, ON. CTC is CT REIT's largest tenant. At March 31, 2016, CTC represented 97.9% of total operating GLA (December 31, 2015 - 98.0%) and 96.3% of annualized base minimum rent (December 31, 2015 - 96.7%).

Occupancy of the REIT's property portfolio, excluding properties under development, is as follows:

As at March 31, 2016			
(in square feet)	GLA	Occupied GLA	Occupancy
Canadian Tire stores	18,890,120	18,890,120	100%
Distribution centres	1,859,580	1,859,580	100%
Mixed-use property	281,304	275,787	98.0%
Third party tenants	362,406	340,476	93.9%
Other CTC Banners <sup>1</sup>	364,041	364,041	100%
<b>Total</b>	<b>21,757,451</b>	<b>21,730,004</b>	<b>99.9%</b>

<sup>1</sup> Includes Mark's and various FGL Sports banners, including Sport Chek, Sports Experts and Atmosphere (referred to herein as "Other CTC Banners").

As at December 31, 2015			
(in square feet)	GLA	Occupied GLA	Occupancy
Canadian Tire stores	18,711,312	18,711,312	100%
Distribution centres	1,859,580	1,859,580	100%
Mixed-use property	281,304	274,422	97.6%
Third party tenants	295,816	287,148	97.1%
Other CTC Banners <sup>1</sup>	364,041	364,041	100%
<b>Total</b>	<b>21,512,053</b>	<b>21,496,503</b>	<b>99.9%</b>

<sup>1</sup> Includes Mark's and various FGL Sports banners, including Sport Chek, Sports Experts and Atmosphere (referred to herein as "Other CTC Banners").

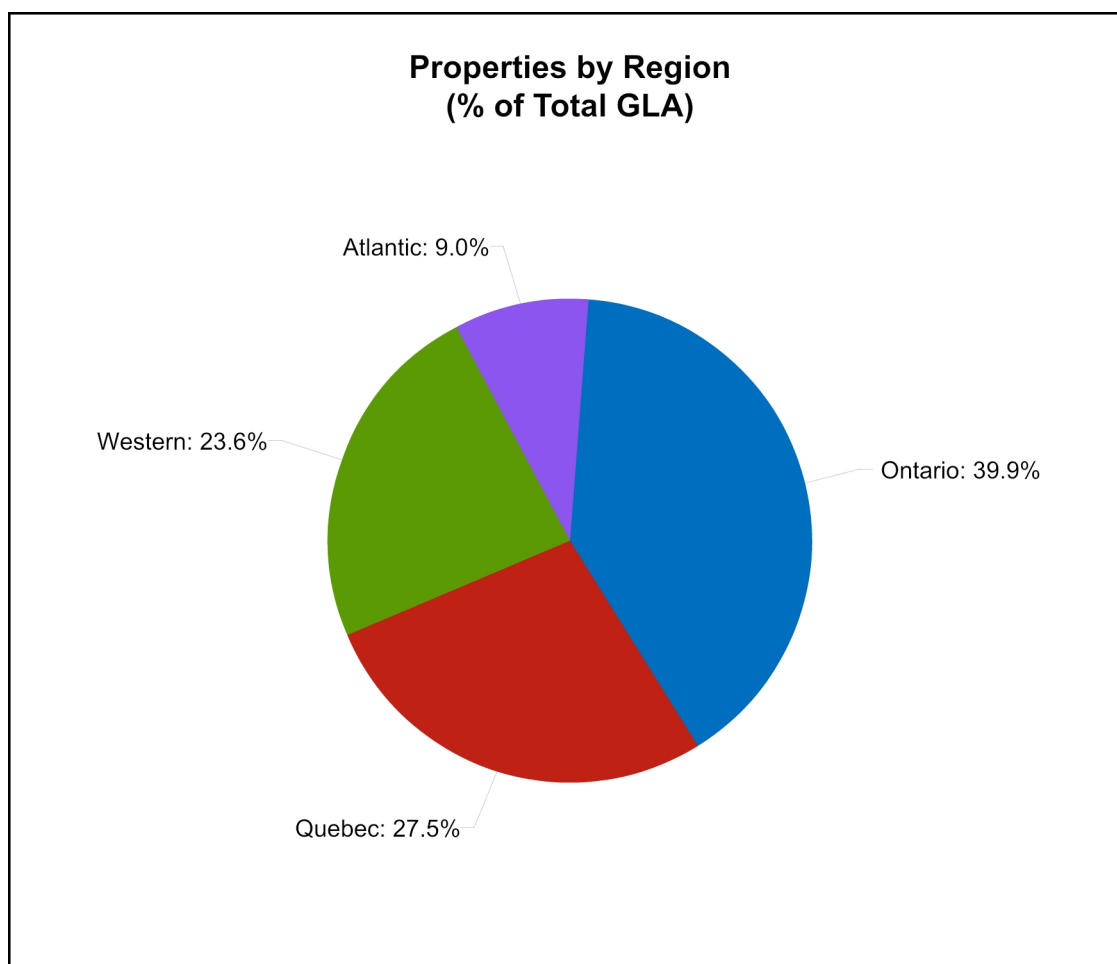


The REIT's property portfolio consists of:

As at	March 31, 2016	December 31, 2015
Stand-alone properties	249	247
Multi-tenant properties anchored by Canadian Tire store	33	32
Multi-tenant properties not anchored by Canadian Tire store	3	3
Distribution centres	2	2
Mixed-use property	1	1
<b>Total operating properties</b>	<b>288</b>	<b>285</b>
<b>Development properties</b>	<b>2</b>	<b>2</b>
<b>Total properties</b>	<b>290</b>	<b>287</b>

As at	March 31, 2016	December 31, 2015
<b>Gas bars at retail properties</b>	<b>92</b>	<b>91</b>

CTREIT's properties, excluding properties under development, by region, as a percentage of total GLA as at March 31, 2016 are as follows:



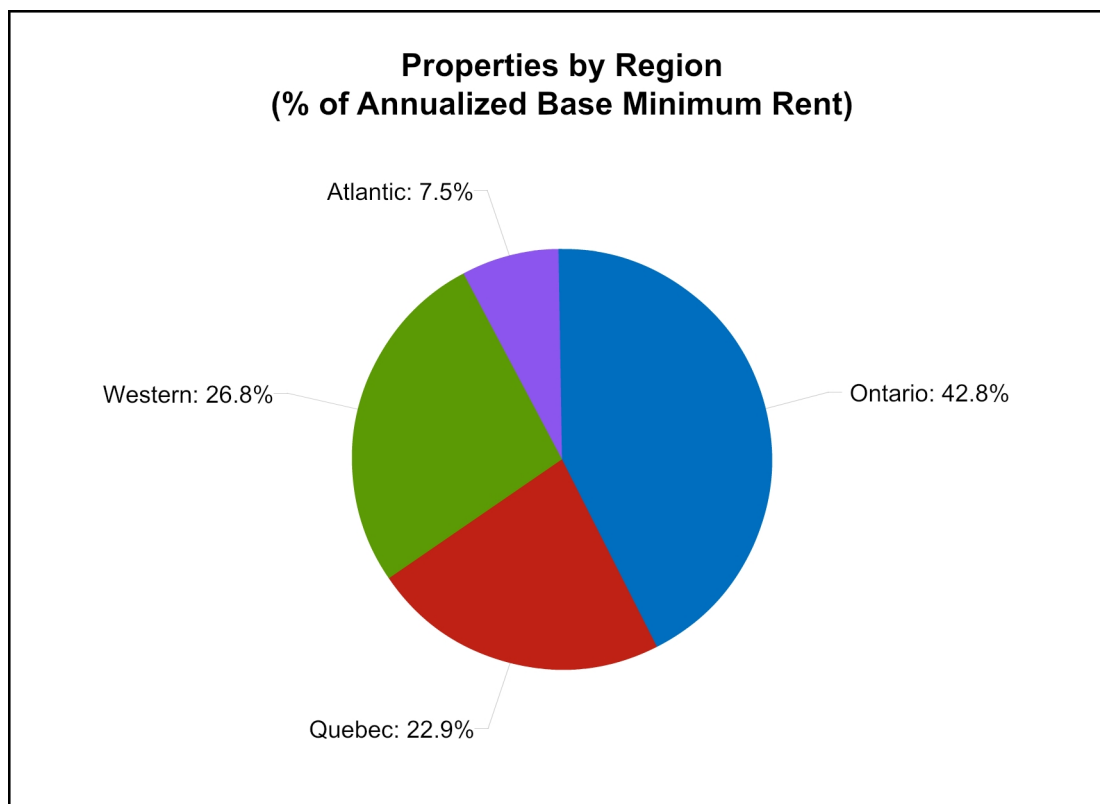
### 3.2 Six Largest Urban Markets

As at March 31, 2016, a significant portion of CT REIT's properties, excluding those under development, are located in the following large urban markets:

As at	March 31, 2016	December 31, 2015
Toronto	18.9%	19.1%
Montreal	13.5%	13.3%
Vancouver	3.8%	3.9%
Ottawa	4.9%	5.0%
Calgary	1.6%	1.6%
Edmonton	4.7%	4.7%
<b>Percentage of Annualized Base Minimum Rent</b>	<b>47.4%</b>	<b>47.6%</b>

### 3.3 Revenue by Region

CT REIT's Properties, excluding properties under development, are located across Canada with approximately 65.7% of annualized base minimum rent received in respect of properties in Ontario and Quebec.



### 3.4 Fair Value of Property Portfolio

The fair value of the Properties represents 98.9% of the total assets of CT REIT as at March 31, 2016.

	March 31, 2016			December 31, 2015		
	Income producing properties	Properties under development	Total investment properties	Income producing properties	Properties under development	Total investment properties
<b>Balance, beginning of period</b>	<b>\$ 4,304,838</b>	<b>\$ 14,223</b>	<b>\$ 4,319,061</b>	<b>\$ 3,995,860</b>	<b>\$ 3,984</b>	<b>\$ 3,999,844</b>
Property acquisitions (including transaction costs)	45,699	—	45,699	174,430	—	174,430
Intensifications	—	436	436	—	28,939	28,939
Developments	—	766	766	—	25,983	25,983
Development land	—	17	17	—	8,767	8,767
Capitalized interest and property taxes	—	128	128	—	390	390
Transfers	436	(436)	—	53,840	(53,840)	—
Fair value adjustment on investment properties	11,946	—	11,946	39,910	—	39,910
Straight-line rent	5,860	—	5,860	26,131	—	26,131
Recoverable capital expenditures	259	—	259	14,834	—	14,834
Dispositions	—	—	—	(167)	—	(167)
<b>Balance, end of period</b>	<b>\$ 4,369,038</b>	<b>\$ 15,134</b>	<b>\$ 4,384,172</b>	<b>\$ 4,304,838</b>	<b>\$ 14,223</b>	<b>\$ 4,319,061</b>

Properties under development ("PUD") include:

- the development of vacant land and building construction,
- intensification activities consisting of the construction of additional buildings on existing assets, and modifications to existing stores, and
- the redevelopment of a property.

At March 31, 2016, management's determination of fair value was updated for current market assumptions, utilizing market capitalization rates provided by independent valuation professionals.

On a periodic basis, CT REIT obtains independent valuations such that substantially all of the properties will be externally appraised over a four-year period.

The significant inputs used to determine the fair value of CT REIT's income producing investment properties are as follows:

	Properties valued by the OCR method	Properties valued by the DCF method
Number of properties	258	30
Value at March 31, 2016	3,547,825	792,035
Discount rate	—	6.79%
Terminal capitalization rate	—	6.39%
Overall capitalization rate	6.31%	—
Hold period (years)	—	9

Valuations determined by the overall capitalization rate ("OCR") method are most sensitive to changes in capitalization rates. Valuations determined by the discounted cash flow ("DCF") method are most sensitive to changes in discount rates.

The following table summarizes the sensitivity of the fair value of investment properties to changes in the capitalization rate and discount rate, respectively:

Rate sensitivity	OCR Sensitivity		DCF Sensitivity	
	Fair value	Change in fair value	Fair value	Change in fair value
+ 75 basis points	\$ 3,193,880	\$ (353,945)	\$ 712,816	\$ (79,219)
+ 50 basis points	3,303,216	(244,609)	737,222	(54,813)
+ 25 basis points	3,420,855	(126,970)	763,588	(28,447)
Base rate	\$ 3,547,825	\$ —	\$ 792,035	\$ —
- 25 basis points	3,685,238	137,413	822,782	30,747
- 50 basis points	3,834,544	286,719	856,250	64,215
- 75 basis points	\$ 3,997,163	\$ 449,338	\$ 892,769	\$ 100,734

Included in CT REIT's investment properties are eight buildings which are situated on ground leases with remaining initial terms of between 3 and 40 years, and an average initial term of 16 years. Assuming all extension periods are exercised, the ground leases have terms between 26 and 51 years with an average remaining lease term of 37 years.

### 3.5 2016 Investment Activities

The following table presents properties acquired, intensified or developed during 2016.

(in thousands of Canadian dollars, except for GLA amounts)	Transaction Date	GLA	Total Investment Cost
<b>Property Location</b>			
Repentigny, QC <sup>1</sup>	January 2016	4,390	
Hanover, ON <sup>2</sup>	February 2016	33,907	
Kitchener, ON <sup>2</sup>	February 2016	127,609	
Delson, QC <sup>2</sup>	February 2016	81,530	
<b>Total</b>		<b>247,436</b>	<b>\$ 46,135</b>

<sup>1</sup> Intensification of existing asset; rent commences on the first day of the month, following the transaction date.

<sup>2</sup> Acquisition of income producing property.

In Q1 2016, CT REIT completed the acquisition of stand-alone Canadian Tire stores in Hanover, Ontario and Delson, Quebec and a multi-tenant property anchored by a Canadian Tire store in Kitchener, Ontario. The REIT also completed the intensification of an existing Canadian Tire store in Repentigny, Quebec.

*The following section contains forward-looking information and users are cautioned that actual results may vary.*

### Commitments as at March 31, 2016

As at March 31, 2016, CT REIT has obligations for \$423,106 (December 31, 2015 - \$63,070) in future payments for committed acquisitions and the completion of developments which are expected to be incurred in 2016. Included in the commitments is \$329,320 due to CTC, as described in section 3.6.

As at March 31, 2016, CT REIT has an agreement with CTC to acquire and leaseback the Canadian Tire Distribution Centre nearing completion in Bolton, Ontario. The transaction is expected to close in June 2016. This transaction to acquire a 1.4 million square foot facility and 81 acres of trailer parking at a purchase price of approximately \$313,500 will be funded through any combination of Class B LP Units, Class C LP Units, cash on hand, draws on the REIT's credit facility and/or proceeds of new debt or equity financings. The initial lease term will be 20 years with annual rent escalations of 1.25%. Rent is to commence on or about January 1, 2017.

During the quarter, the REIT acquired an investment property for which the purchase agreement provided for a \$1,500 holdback pursuant to which certain amounts are to be paid by the REIT if certain leasing conditions are met by the second anniversary of the acquisition date. As at March 31, 2016, CT REIT has not recorded an amount payable in other liabilities on the interim balance sheets.

### Investment Activities Completed Subsequent to March 31, 2016

The following table presents investment activities completed subsequent to March 31, 2016.

(in thousands of Canadian dollars, except for GLA amounts)	Transaction Date	GLA	Total Investment Cost
<b>Property Location</b>			
Hamilton, ON <sup>1</sup>	April 2016	61,000	
Calgary, AB <sup>2</sup>	April 2016	660,000	
Antigonish, NS <sup>1</sup>	May 2016	179,000	
Winkler, MB <sup>2</sup>	May 2016	181,000	
Squamish, BC <sup>2</sup>	May 2016	35,000	
Rothsay, NB <sup>2</sup>	May 2016	39,000	
Alma, QC <sup>2</sup>	May 2016	44,000	
Leamington, ON <sup>2</sup>	May 2016	54,000	
<b>Total</b>		<b>1,253,000</b>	<b>\$ 146,150</b>

<sup>1</sup> Development project.

<sup>2</sup> Acquisition of income producing property.

As at March 31, 2016, the REIT had waived its due diligence conditions in an agreement it entered into with Sears Canada Inc. ("Sears") for the sale and leaseback of the Sears Canada distribution centre in Calgary, Alberta. On April 25, 2016, CT REIT completed the acquisition of this facility of approximately 660,000 square feet and seven acres of excess land at a total cost of \$83,850.

Subsequent to March 31, 2016, the REIT acquired an enclosed mall in Winkler, Manitoba and in Antigonish, Nova Scotia from third party vendors for a total cost of \$22,900. The REIT also completed the acquisition of a stand-alone Canadian Tire store in each of Squamish, British Columbia, Rothsay, New Brunswick, Alma, Quebec and Leamington, Ontario for a total cost of \$26,320 from CTC. In addition, CT REIT completed the acquisition of development land in Hamilton, Ontario from CTC upon which a new Canadian Tire store will be constructed in Q4 2016 at a total cost, including land, of \$13,080 and with an expected GLA of 61,000 square feet.

The above investment activities will be funded through any combination of Class B LP Units, Class C LP Units, cash on hand, draws on the REIT's credit facility and/or proceeds of new debt or equity financings.

### 3.6 Development Activities

The following table provides details of the REIT's development activities as at March 31, 2016. The total building area represents the maximum anticipated area of the developments. The "Not Committed to Lease" column includes area which may be under construction but not committed to lease, depending on site specific circumstances. The "Committed Additional Investment" column represents the financial commitment required to complete the "Committed to Lease" area and related site works. The "Potential Future Investment" column is an estimate and represents the remaining costs to complete the entire development assuming the "Not Committed to Lease" area is leased and fully constructed.

Building Area (in square feet)					Total investment (in thousands of Canadian dollars)				
Property	Anticipated Date of Completion	Committed to Lease	Not Committed to Lease	Total	Incurred To-date	Committed Additional Investment	Potential Future Investment	Total	
Innisfil, ON <sup>1</sup>	Q2 2016	49,000	—	49,000					
La Sarre, QC <sup>2</sup>	Q2 2016	4,000	—	4,000					
Sherwood Park, AB <sup>2</sup>	Q2 2016	4,000	—	4,000					
Martensville, SK <sup>2</sup>	Q4 2016	—	19,000	19,000					
High River, AB <sup>2</sup>	Q4 2016	—	10,000	10,000					
Arnprior, ON <sup>3</sup>	Q4 2016	121,000	12,000	133,000					
Vaudreuil, QC <sup>2</sup>	Q4 2016	12,000	—	12,000					
Hanover, ON <sup>2</sup>	Q4 2016	8,000	—	8,000					
Toronto, ON <sup>2</sup>	Q2 2017	21,000	—	21,000					
Elliot Lake, ON <sup>2</sup>	Q3 2017	6,000	—	6,000					
TOTAL		225,000	41,000	266,000	\$ 15,134	\$ 25,756	\$ 8,759	\$ 49,649	

<sup>1</sup> Development of vacant land.

<sup>2</sup> Intensification of an existing income producing property.

<sup>3</sup> Redevelopment property.

As at March 31, 2016, CT REIT had intensification and development activities occurring at 10 investment properties representing 225,000 square feet, of which 67% has been leased to CTC. A total of \$15,134 has been expended on these developments and CT REIT anticipates investing an additional \$25,756 to complete the development of the 225,000 square feet.

### 3.7 Investment and Development Funding

Funding for the Q1 2016 investment and development activities was as follows:

Q1 2016 Investment and Development Activity						
(in thousands of Canadian dollars)	Property investments	Development land	Developments	Intensifications	Total	
Funded with working capital to CTC	\$ —	\$ —	\$ —	\$ 450	\$ 450	
Funded with working capital to third parties <sup>1</sup>	249	17	766	(14)	1,018	
Issuance of Class B LP Units to CTC	26,950	—	—	—	26,950	
Issuance of Class C LP Units to CTC	18,500	—	—	—	18,500	
<b>Total costs</b>	<b>\$ 45,699</b>	<b>\$ 17</b>	<b>\$ 766</b>	<b>\$ 436</b>	<b>\$ 46,918</b>	

<sup>1</sup> Includes \$nil for the construction of stores for Other CTC Banners.

Funding for the 2015 investment and development activities was as follows:

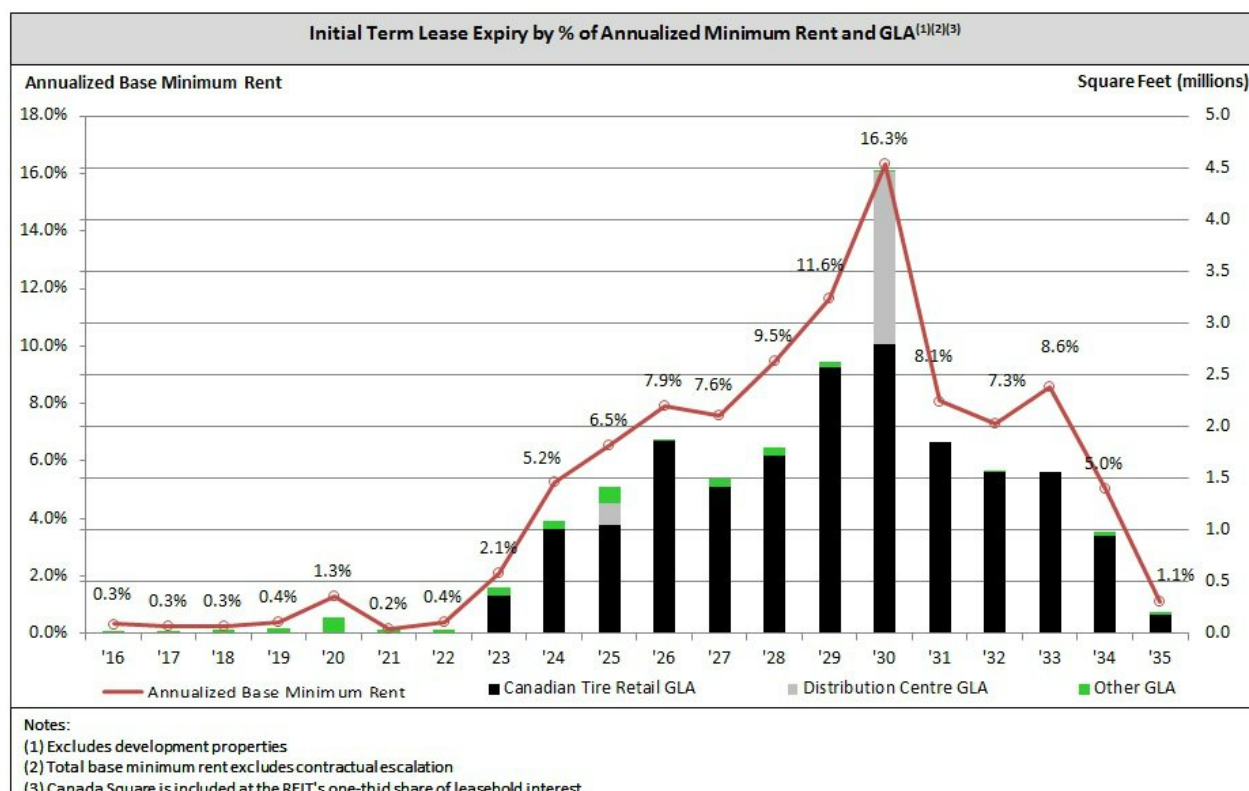
2015 Investment and Development Activity					
(in thousands of Canadian dollars)	Property investments	Development land	Developments	Intensifications	Total
Funded with working capital to CTC	\$ 41,955	\$ 1	\$ 14,060	\$ 15,103	\$ 71,119
Funded with working capital to third parties <sup>1</sup>	1,095	627	8,966	13,836	24,524
Issuance of Class B LP Units to CTC	99,830	—	—	—	99,830
Issuance of Class C LP Units to CTC	31,550	8,139	—	—	39,689
Mortgages assumed	—	—	2,957	—	2,957
<b>Total costs</b>	<b>\$ 174,430</b>	<b>\$ 8,767</b>	<b>\$ 25,983</b>	<b>\$ 28,939</b>	<b>\$ 238,119</b>

<sup>1</sup>Includes \$17.7 million for the construction of stores for Other CTC Banners.

### 3.8 Lease Maturities

CTC is CT REIT's largest tenant. As at March 31, 2016 CTC, including all CTC Banners, had leased over 21.3 million square feet of GLA, with approximately 89% and 9% of the GLA attributable to retail and office, and distribution properties, respectively. The weighted average term of the retail leases with CTC, including all CTC Banners, is 13.3 years, excluding the exercise of any renewals. The weighted average term of the Canadian Tire store leases is 13.4 years, with a weighted average rental rate of \$13.19 per square foot. The weighted average lease term of the distribution centres, which are both leased by CTC, is 14.0 years. The weighted average lease term of all tenants in the REIT's portfolio, excluding those in development properties, is 13.2 years.

The following graph presents as of March 31, 2016, the lease maturity profile from 2016 to 2035 (assuming tenants do not exercise renewal options or termination rights) as a percentage of total base minimum rent and GLA as of the time of expiry.



### 3.9 Top 10 Tenants Excluding CTC Banners

As at March 31, 2016, CT REIT's 10 largest tenants, excluding CTC Banners and those located in properties under development, as represented by the percentage of total annualized base rental revenue, are:

Rank	Tenant Name	Percentage of Total Annualized Base Rental Revenue
1	Overwaitea Foods	0.33%
2	Best Buy	0.28%
3	Precise Parklink	0.24%
4	Marshalls	0.24%
5	RBC Royal Bank	0.21%
6	Shoppers Drug Mart	0.18%
7	PetSmart	0.17%
8	Farm Boy	0.16%
9	Good Life Fitness	0.16%
10	TV Ontario	0.16%
		<b>2.13%</b>



## 4.0 Results of Operations

### 4.1 Summary of Selected Financial and Operational Information

Readers are reminded that certain key performance indicators may not have standardized meanings under GAAP. For further information on the REIT's operating measures and non-GAAP financial measures, refer to sections 1.0 and 9.0.

(in thousands of Canadian dollars, except per Unit, Unit and square footage amounts)				
For the periods ended March 31,				
	Three Months Ended			
	2016	2015		Change
Property revenue	\$ 98,496	\$ 92,448		6.5 %
Income before interest and other financing charges, taxes and fair value adjustments <sup>1</sup>	\$ 71,619	\$ 68,425		4.7 %
Net operating income <sup>1</sup>	\$ 69,131	\$ 64,484		7.2 %
Net income	\$ 61,153	\$ 55,566		10.1 %
Net income/Unit (basic) <sup>2</sup>	\$ 0.321	\$ 0.302		6.3 %
Net income/Unit (diluted) <sup>4</sup>	\$ 0.260	\$ 0.226		15.0 %
Funds from operations <sup>1</sup>	\$ 49,626	\$ 47,448		4.6 %
Funds from operations/Unit (diluted, non-GAAP) <sup>1,2,3</sup>	\$ 0.260	\$ 0.258		0.8 %
Adjusted funds from operations <sup>1</sup>	\$ 39,382	\$ 36,876		6.8 %
Adjusted funds from operations/Unit (diluted, non-GAAP) <sup>1,2,3</sup>	\$ 0.206	\$ 0.200		3.0 %
Distributions/Unit - paid <sup>2,7</sup>	\$ 0.170	\$ 0.166		2.6 %
AFFO payout ratio <sup>1</sup>	83%	83%		— %
Excess of AFFO over distributions:				
Cash retained from operations before distribution reinvestment <sup>6</sup>	\$ 7,034	\$ 6,528		7.8 %
Per Unit (diluted, non-GAAP) <sup>1,2,3</sup>	\$ 0.037	\$ 0.035		5.7 %
Weighted average number of Units outstanding <sup>2</sup>				
Basic	190,701,904	184,011,307		3.6 %
Diluted <sup>4</sup>	308,422,771	325,275,973		(5.2)%
Diluted (non-GAAP) <sup>1,3</sup>	190,799,689	184,074,235		3.7 %
Period-end Units outstanding <sup>2</sup>	191,606,855	186,321,135		2.8 %
Total assets	\$ 4,433,104	\$ 4,113,322		7.8 %
Total indebtedness <sup>1</sup>	\$ 2,112,726	\$ 1,984,131		6.5 %
Book value per Unit <sup>1,2</sup>	\$ 11.84	\$ 11.21		5.6 %
Market price per Unit - Close (end of period)	\$ 14.45	\$ 12.90		12.0 %
<b>OTHER DATA</b>				
Weighted average interest rate	4.23%	4.27%		(0.9)%
Indebtedness ratio <sup>1</sup>	47.7%	48.2%		(1.0)%
Interest coverage (times) <sup>1</sup>	3.20	3.19		0.3 %
Debt / enterprise value ratio <sup>1</sup>	43.3%	45.2%		(4.2)%
Weighted average term to debt maturity (in years)	10.9	11.2		(2.7)%
Gross leaseable area <sup>5</sup>	21,757,451	20,735,950		4.9 %
Occupancy rate <sup>5</sup>	99.9%	99.9%		— %

<sup>1</sup> Non-GAAP key performance indicators. Refer to section 9.0 for further information.

<sup>2</sup> Total Units consists of REIT Units and Class B LP Units outstanding.

<sup>3</sup> Diluted Units used in calculating non-GAAP measures include restricted and deferred units issued under various plans and exclude the effect of assuming that all of the Class C LP Units will be settled with Class B LP Units.

<sup>4</sup> Diluted Units determined in accordance with IFRS includes restricted and deferred units issued under various plans and the effect of assuming that all of the Class C LP Units will be settled with Class B LP Units. Refer to section 6.0.

<sup>5</sup> Refers to retail, mixed-use commercial and distribution centre properties and excludes properties under development.

<sup>6</sup> Refer to section 6.0 for further information.

<sup>7</sup> Period-over-period percentage change is calculated based on exact fractional amounts rather than rounded fractional amounts.

## 4.2 Financial Results for the Three Months Ended March 31, 2016

(in thousands of Canadian dollars)		Three Months Ended		
For the periods ended March 31,		2016	2015	Change
Property revenue	\$	98,496	\$ 92,448	6.5%
Property expense		(23,528)	(21,560)	9.1%
General and administrative expense		(3,407)	(2,484)	37.2%
Interest income		58	21	176.2%
Interest and other financing charges		(22,412)	(21,451)	4.5%
Fair value adjustment on investment properties		11,946	8,592	39.0%
<b>Net income and comprehensive income</b>	<b>\$</b>	<b>61,153</b>	<b>\$ 55,566</b>	<b>10.1%</b>

## 4.3 Property Revenue

Property revenue includes all amounts earned from tenants pursuant to lease agreements including property taxes, operating costs and other recoveries. Many of CT REIT's expenses are recoverable from tenants pursuant to their leases, with CT REIT absorbing these expenses to the extent of vacancies.

Total revenue for the three months ended March 31, 2016 was \$98,496 which was \$6,048 (6.5%) higher compared to the same period in the prior year primarily due to base rent related to properties acquired and intensification activities completed during 2016 and 2015. Total revenue included expense recoveries in the amount of \$21,678 (2015 - \$20,150).

The total amount of base rent to be received from operating leases is recognized on a straight-line basis over the term of the lease. For the three months ended March 31, 2016, straight-line rent was \$5,860 (2015 - \$6,449).

## 4.4 Property Expense

The major components of property expense consist of property taxes and costs associated with the outsourcing of property management services pursuant to the Property Management Agreement as well as other costs. The majority of expenses are recoverable from tenants, with CT REIT absorbing these expenses to the extent of vacancies. The Property Management Agreement has been renewed for 2016, and CTC will continue to provide such Property Management Services on a cost recovery basis. Refer to section 7.0 for additional information on the Property Management Agreement.

Property expenses for the three months ended March 31, 2016 increased \$1,968 (9.1%) compared to the same period in the prior year primarily due to property acquisitions.

## 4.5 Net Operating Income

CT REIT defines NOI as property revenue less property expense, adjusted further for straight-line rent and land lease adjustments. Management believes that NOI is a useful key indicator of performance as it represents a measure over which management has control. NOI is also a key input in determining the value of the portfolio.

(in thousands of Canadian dollars)		Three Months Ended		
For the periods ended March 31,		2016	2015	Change
Property revenue	\$	98,496	\$ 92,448	6.5 %
Less:				
Property expense		(23,528)	(21,560)	9.1 %
Property straight-line rent revenue		(5,860)	(6,449)	(9.1)%
Add:				
Straight-line ground lease expense		23	45	(48.9)%
<b>Net operating income<sup>1</sup></b>	<b>\$</b>	<b>69,131</b>	<b>\$ 64,484</b>	<b>7.2 %</b>

<sup>1</sup> Non-GAAP key performance measure. Refer to section 9.0 in this MD&A for further information.

(in thousands of Canadian dollars)		Three Months Ended		
For the periods ended March 31,		2016	2015	Change <sup>2</sup>
Same store	\$	64,805	\$ 63,944	1.3%
Intensifications				
2016		5	—	NM
2015		554	20	NM
Same property	\$	65,364	\$ 63,964	2.2%
Acquisitions				
2016		416	—	NM
2015		3,351	520	NM
Net operating income <sup>1</sup>	\$	69,131	\$ 64,484	7.2%

<sup>1</sup> Non-GAAP key performance measure. Refer to section 9.1 in this MD&A for further information.

<sup>2</sup> NM - not meaningful.

NOI for the three months ended March 31, 2016 increased \$4,647 (7.2%) compared to the same period in the prior year primarily due to acquisition of income producing properties completed in 2016 and 2015, which contributed \$3,247 to NOI growth.

Same store NOI and same property NOI for the three months ended March 31, 2016 increased \$861 (1.3%) and \$1,400 (2.2%), respectively, when compared to the prior year for the following reasons:

- contractual rent escalations of 1.5% per year, on average, contained within the Canadian Tire store and DC leases, which are generally effective January 1<sup>st</sup>, contributed \$1,020 to NOI growth;
- recovery of capital expenditures and interest earned on the unrecovered balance contributed \$126 to NOI growth;
- intensifications completed in 2016 and 2015 contributed \$539 to NOI growth; partially offset by
- decrease in the recovery of operating expenses which reduced NOI by \$218.

#### 4.6 General and Administrative Expense

CT REIT has two broad categories of general and administrative expenses: i) personnel and public entity costs, and ii) outsourced costs. The personnel and public entity costs reflect the expenses related to ongoing operations of CT REIT which will fluctuate depending on when such expenses are incurred. The outsourced costs are largely related to the services provided by CTC pursuant to the Services Agreement. Under the Services Agreement, CTC provides the REIT with certain administrative, legal, financial, information technology, internal audit and other support services as may be reasonably required from time to time (the "Services"). CTC provides these Services to the REIT on a cost recovery basis pursuant to which CT REIT reimburses CTC for all costs and expenses incurred by CTC in connection with providing the Services, plus applicable taxes. The Services Agreement has been renewed for 2016, and CTC will continue to provide such Services on a cost recovery basis. Refer to section 7.0 for additional information on the Services Agreement.

(in thousands of Canadian dollars)		Three Months Ended		
For the periods ended March 31,		2016	2015	Change
Services Agreement with CTC	\$	707	\$ 836	(15.4)%
Personnel expense		1,310	1,191	10.0 %
Other		1,390	457	204.2 %
<b>General and administrative expense</b>	<b>\$</b>	<b>3,407</b>	<b>\$ 2,484</b>	<b>37.2 %</b>
As a percent of property revenue		3.5%	2.7%	29.6 %

General and administrative expenses amounted to \$3,407 or 3.5% of property revenue for the three months ended March 31, 2016 which is \$923 (37.2%) higher compared to the same period in the prior year primarily due to:

- higher transfer agency, filing fees;
- land transfer tax expense related to amendments to Regulation 70/91 of the Land Transfer Tax Act (Ontario) that impacts the availability of an exemption from Ontario land transfer tax for certain transactions involving trusts (including real estate investment trusts) and partnerships;
- higher legal and consulting costs; and
- increased compensation costs due to higher unit prices; partially offset by
- lower income tax expense recorded in 2016 in connection with CT REIT GP Corp's ("GP") activities which resulted in a drawdown of the REIT's deferred tax asset; and
- lower costs under the Service Agreement.

#### 4.7 Interest Income

Interest income for the three months ended March 31, 2016 increased by \$37 (176.2%) as compared to the prior year due to an increase in the average cash balance available to be invested in short-term deposits.

#### 4.8 Interest and Other Financing Charges

The Partnership has issued 1,705,468 Class C LP Units with a face value of \$1,705,468 and bearing a weighted average distribution rate of 4.47% per annum. The Class C LP Units are subject to redemption rights. Accordingly, the Class C LP Units are classified as financial liabilities and distributions on the Class C LP Units are presented in interest and other financing charges in the interim statements of income and comprehensive income.

(in thousands of Canadian dollars)		Three Months Ended		
For the periods ended March 31,		2016	2015	Change <sup>2</sup>
Interest on Class C LP Units <sup>1</sup>	\$	19,044	\$ 20,515	(7.2)%
Interest on debentures payable		2,833	—	NM
Interest on mortgages payable		403	425	(5.2)%
Interest on Bank Credit Facility		2	397	(99.5)%
Bank Credit Facility costs		146	162	(9.9)%
Amortization of debentures payable financing cost		112	—	NM
	\$	22,540	\$ 21,499	4.8 %
Less: capitalized interest		(128)	(48)	166.7 %
<b>Interest and other financing charges</b>	<b>\$</b>	<b>22,412</b>	<b>\$ 21,451</b>	<b>4.5 %</b>

<sup>1</sup>CTC elected to defer receipt of distributions on the Series 2-12 Class C LP Units for the three months ended March 31, 2016 in the amount of \$12,596 (2015 - \$12,510), until the first business day following the end of the fiscal year and receive a loan in lieu thereof, which has been netted against interest payable on Class C LP Units and is included under the heading "other liabilities" on the interim balance sheets.

<sup>2</sup>NM - not meaningful

Interest and other financing charges for the three months ended March 31, 2016 was \$961 (4.5%) higher compared to the prior year largely due to the debentures issued in June 2015 partially offset by the redemption of Series 1 Class C LP Units.

#### 4.9 Fair Value Adjustment on Investment Properties

CT REIT recorded a fair value gain on investment properties of \$11,946 for the three months ended March 31, 2016 principally due to increased cash flows during the time frame of the valuation models.

During the three months ended March 31, 2015, CT REIT recorded a fair value gain of \$8,592 on the portfolio of investment properties as a result of increased cash flows partially offset by transaction costs incurred in connection with the acquisition of investment properties.

#### 4.10 Income Tax Expense

Management operates CT REIT in a manner that enables the REIT to continue to qualify as a real estate investment trust pursuant to the Income Tax Act (Canada) ("ITA"). CT REIT distributes 100% of its taxable income to Unitholders and therefore does not incur income tax expense in relation to its activities.

If CT REIT fails to distribute the required amount of income to Unitholders or if CT REIT fails to qualify as a REIT under the ITA, substantial adverse tax consequences may occur.

#### 4.11 Net Income

(in thousands of Canadian dollars)		Three Months Ended		
For the periods ended March 31,		2016	2015	% Change
Net income and comprehensive income	\$	61,153	\$ 55,566	10.1%
Net income per Unit - basic	\$	0.321	\$ 0.302	6.3%
Net income per Unit - diluted	\$	0.260	\$ 0.226	15.0%

Net income increased by \$5,587 (10.1%) and net income per Unit - diluted increased \$0.034 (15.0%) for the three months ended March 31, 2016 compared to the same period in the prior year primarily due to increased NOI due to acquisitions and an increased fair value adjustment on investment properties.

#### 4.12 Leasing Activities

The future financial performance of CT REIT will be impacted by occupancy rates, trends in rental rates achieved on leasing or renewing currently leased space, and contractual increases in rent. There was no significant leasing activity with tenants not related to CTC during the three months ended March 31, 2016.

#### 4.13 Recoverable Capital Costs

Many of the capital costs that will be incurred by CT REIT are recoverable from tenants pursuant to the terms of their leases. The recoveries will occur either in the year in which such expenditures are incurred or, in the case of a major item of repair, maintenance or replacement, on a straight-line basis over the expected useful life thereof together with an imputed rate of interest on the unrecovered balance at any point in time. From time to time, as a result of specific lease terms which limit the recovery of expenses, CT REIT is unable to recover these costs from certain tenants. Capital expenditures of \$259 (2015 - \$1,025) were incurred during the three months ended March 31, 2016. Most of the REIT's recoverable capital expenditures relate to parking lots, roofs and heating, ventilation and air conditioning activities that are typically seasonal.

## 5.0 Liquidity and Financial Condition

*The following section contains forward-looking information and users are cautioned that actual results may vary.*

### 5.1 Liquidity

CT REIT intends to fund capital expenditures for acquisitions and development activities through (i) cash on hand, (ii) issuances of Units, Class B LP Units and Class C LP Units (iii) draws on the Bank Credit Facility (iv) assumption of existing debt, and/or (v) new debt or equity financings.

(in thousands of Canadian dollars)				
As at	March 31, 2016		December 31, 2015	
Cash and cash equivalents	\$	30,929	\$	24,680
Unused portion of Bank Credit Facility <sup>1</sup>		199,679		199,689
<b>Liquidity</b>	<b>\$</b>	<b>230,608</b>	<b>\$</b>	<b>224,369</b>

<sup>1</sup> Increased subsequent to March 31, 2016 to a committed amount of \$300 million. See Section 5.8 Bank Credit Facility.

Cash flow generated from operating the Property portfolio represents the primary source of liquidity to service debt and to fund planned maintenance expenditures, leasing costs, general and administrative expenses and distributions (other sources being interest income as well as cash on hand).

(in thousands of Canadian dollars)				
Three Months Ended				
For the periods ended March 31,	2016	2015	Change	
Cash generated from operating activities	\$ 65,043	\$ 64,103	1.5 %	
Cash used for investing activities	(7,145)	(10,563)	(32.4)%	
Cash used for financing activities	(51,649)	(54,779)	(5.7)%	
<b>Cash generated/(used) in the period</b>	<b>\$ 6,249</b>	<b>\$ (1,239)</b>	<b>NM</b>	

### 5.2 Discussion of Cash Flows

Cash generated during the three months ended March 31, 2016 of \$6,249, is primarily the result of cash generated from operating activities exceeding distributions, interest paid and investing activities.

### 5.3 Credit Ratings

The senior unsecured debt of CT REIT is rated by Standard & Poor's Financial Services LLC ("S&P") and DBRS Limited ("DBRS"), two independent credit rating agencies which provide credit ratings of debt securities for commercial entities. A credit rating generally provides an indication of the risk that the borrower will not fulfill its full obligations in a timely manner with respect to both interest and principal commitments. Rating categories range from highest credit quality (generally "AAA") to default in payment (generally "D").

These ratings are related to and currently equivalent to those of CTC. CTC being CT REIT's most significant tenant for the foreseeable future. The ratings equivalence is largely based on CTC's significant ownership position in CT REIT and the strategic relationship between CT REIT and CTC.

The following table sets out the current credit ratings of CT REIT's senior unsecured debt:

Credit Ratings (Canadian Standards)	DBRS		S&P	
	Credit Rating	Trend	Credit Rating	Trend
	BBB (high)	Stable	BBB+	Stable

## 5.4 Debt and Capital Structure

CT REIT's debt and capital structure is as follows:

(in thousands of Canadian dollars)		
As at	March 31, 2016	December 31, 2015
Class C LP Units	\$ 1,705,468	\$ 1,686,968
Mortgages payable	59,769	60,129
Debentures payable	347,489	347,948
<b>Total indebtedness</b>	<b>\$ 2,112,726</b>	<b>\$ 2,095,045</b>
Unitholders' equity	1,051,263	1,037,209
Non-controlling interests	1,218,194	1,176,154
<b>Total capital under management</b>	<b>\$ 4,382,183</b>	<b>\$ 4,308,408</b>

CT REIT's total indebtedness at March 31, 2016 is higher than at December 31, 2015 primarily due to the issuance of Series 17 Class C LP Units.

CT REIT's Unitholders' equity and non-controlling interests at March 31, 2016 increased as compared to December 31, 2015 primarily as a result of net income exceeding distributions and due to the issuance of Class B LP Units.

Future payments in respect of CT REIT's indebtedness are as follows:

	Mortgages Payable		Class C LP Units	Debentures Payable	Bank Credit Facility	Total
(in thousands of Canadian dollars)	Principal Amortization	Maturities				
For the period ending December 31:						
2016	\$ 944	\$ 2,764	\$ 200,000	\$ —	\$ —	\$ 203,708
2017	1,241	—	70,418	—	—	71,659
2018	493	16,590	—	—	—	17,083
2019	35	37,590	—	—	—	37,625
2020	—	—	235,050	—	—	235,050
2021 and thereafter	—	—	1,200,000	350,000	—	1,550,000
Total contractual obligation	\$ 2,713	\$ 56,944	\$ 1,705,468	\$ 350,000	\$ —	\$ 2,115,125
Unamortized portion of mark to market on mortgages payable assumed in connection with the acquisition of properties	—	242	—	—	—	242
Unamortized transaction costs	—	(130)	—	(2,511)	—	(2,641)
	\$ 2,713	\$ 57,056	\$ 1,705,468	\$ 347,489	\$ —	\$ 2,112,726

Interest rates on CT REIT's indebtedness range from 1.65% to 5.00%. The maturity dates on the indebtedness range from May 31, 2016 to May 31, 2038. Total indebtedness at March 31, 2016 has a weighted average interest rate of 4.23% and a weighted average term to maturity of 10.9 years which are consistent with the rates as at December 31, 2015. At March 31, 2016, floating rate and fixed rate indebtedness were \$31,133 and \$2,081,593, respectively.

As at	March 31, 2016	December 31, 2015
Variable rate debt	\$ 31,133	\$ 31,133
Total indebtedness	\$ 2,112,726	\$ 2,095,045
<b>Variable rate debt / total indebtedness</b>	<b>1.47%</b>	<b>1.49%</b>

CT REIT's variable rate debt to total indebtedness ratio at March 31, 2016, decreased as compared to December 31, 2015 due to the issuance of Series 17 Class C LP Units.

The table below presents CT REIT's interest in assets at fair value that are available to it to finance and/or refinance its debt as at March 31, 2016:

(in thousands of Canadian dollars, except percentage amounts)	Number of Properties	Fair Value of Investment Properties	Percentage of Total Assets	Mortgages Payable	Loan to Value Ratio
Unencumbered assets	284	\$ 4,249,049	95.8%	\$ —	—
Encumbered assets	6	135,123	3.1%	59,769	44.2%
<b>Total</b>	<b>290</b>	<b>\$ 4,384,172</b>	<b>98.9%</b>	<b>\$ 59,769</b>	<b>1.4%</b>

The table below presents CT REIT's secured debt as a percentage of total indebtedness:

(in thousands of Canadian dollars)	March 31, 2016	December 31, 2015
As at		
Secured debt	\$ 59,769	\$ 60,129
Total indebtedness	2,112,726	2,095,045
<b>Secured debt / total indebtedness</b>	<b>2.83%</b>	<b>2.87%</b>

The table below presents CT REIT's indebtedness to EBITFV ratio:

(in thousands of Canadian dollars)	March 31, 2016	December 31, 2015
As at		
Total indebtedness	\$ 2,112,726	\$ 2,095,045
EBITFV <sup>1</sup>	286,476	281,904
<b>Total indebtedness / EBITFV</b>	<b>7.37</b>	<b>7.43</b>

<sup>1</sup> Non-GAAP key performance indicator. Refer to section 9.0 for further information.

## 5.5 Class C LP Units

At March 31, 2016 there were 1,705,468 Class C LP Units outstanding, all of which were held by CTC. The Class C LP Units are designed to provide CTC with an interest in the Partnership that entitles holders to a fixed cumulative monthly payment during the initial fixed rate period for each Series of Class C LP Units (the "Initial Fixed Rate Period") equal to a weighted average of 4.47% of the aggregate capital amount ascribed to the Class C LP Units, in priority to distributions made to holders of Class B LP Units and GP Units (subject to certain exceptions), if, as and when declared by the Board of Directors of the GP, payable monthly at an annual distribution rate for each series as set out in the table below. In addition, the Class C LP Units are entitled to receive Special Voting Units in certain limited circumstances.

On expiry of the Initial Fixed Rate Period applicable to each series of Class C LP Units, and every five years thereafter, each such series of Class C LP Units is redeemable at par (together with all accrued and unpaid payments thereon) at the option of the Partnership or the holder, upon giving at least 120 days' prior notice. The Partnership further has the ability to settle any of the Class C LP Units at any time after January 1, 2019 at a price equal to the greater of par and a price to provide a yield equal to the then equivalent Government of Canada bond yield plus a spread, so long as such redemption is in connection with a sale of properties.

Such redemptions of Class C LP Units (other than upon a change of control at CT REIT) can be settled, at the option of the Partnership, in cash or Class B LP Units of equal value.

During the five-year period beginning immediately following the completion of the Initial Fixed Rate Period, and each five-year period thereafter, if not redeemed, the fixed payment rate for Class C LP Units will be reset, and the holders of Class C LP Units will be entitled, subject to certain conditions, to elect either a fixed rate or floating rate option.



The following table presents the details of the Class C LP Units:

Series of Class C LP Units	Initial Subscription Price (\$000)	Annual Distribution Rate During Initial Fixed Rate Period	Expiry of Initial Fixed Rate Period	% of Total Class C LP Units
Series 2	\$ 200,000	3.50%	May 31, 2016 (0.2 years)	11.7%
Series 3	200,000	4.50%	May 31, 2020 (4.2 years)	11.7%
Series 4	200,000	4.50%	May 31, 2024 (8.2 years)	11.7%
Series 5	200,000	4.50%	May 31, 2028 (12.2 years)	11.7%
Series 6	200,000	5.00%	May 31, 2031 (15.2 years)	11.7%
Series 7	200,000	5.00%	May 31, 2034 (18.2 years)	11.7%
Series 8	200,000	5.00%	May 31, 2035 (19.2 years)	11.7%
Series 9	200,000	5.00%	May 31, 2038 (22.2 years)	11.7%
Series 10	7,130	2.38%	May 31, 2017 (1.2 years)	0.5%
Series 11	20,685	2.20%	May 31, 2017 (1.2 years)	1.2%
Series 12	19,464	2.23%	May 31, 2017 (1.2 years)	1.2%
Series 13	3,789	1.65%	May 31, 2017 (1.2 years)	0.2%
Series 14	15,000	1.71%	May 31, 2017 (1.2 years)	0.9%
Series 15	4,350	1.77%	May 31, 2017 (1.2 years)	0.3%
Series 16	16,550	2.42%	May 31, 2020 (4.2 years)	1.0%
Series 17	18,500	2.39%	May 31, 2020 (4.2 years)	1.1%
<b>Total / weighted average</b>	<b>\$ 1,705,468</b>	<b>4.47%</b>	<b>11.8 years</b>	<b>100%</b>
Current	\$ 200,000			
Non-current	1,505,468			
<b>Total</b>	<b>\$ 1,705,468</b>			

CT REIT intends to redeem the Series 2 Class C LP Units which are redeemable or reset on May 31, 2016. The redemption will be funded, subject to TSX approval, by the issuance to CTC of \$200 million of Class B LP units.

## 5.6 Debentures Payable

Series	March 31, 2016		December 31, 2015	
	Face Value	Carrying Amount	Face Value	Carrying Amount
A, 2.85%, June 9, 2022	\$ 150,000	\$ 149,011	\$ 150,000	\$ 149,159
B, 3.53%, June 9, 2025	200,000	198,478	200,000	198,789
	<b>\$ 350,000</b>	<b>\$ 347,489</b>	<b>\$ 350,000</b>	<b>\$ 347,948</b>

For the three months ended March 31, 2016, amortization of the transaction costs of \$112 (2015 - \$nil) is included in interest and other financing charges on the interim statement of income and comprehensive income (see Note 15).

The Debentures have been rated "BBB+" by S&P and "BBB (high)" by DBRS. The Debentures are direct senior unsecured obligations of CT REIT.

## 5.7 Mortgages Payable

Mortgages payable, secured by certain of CT REIT's investment properties, include the following:

(in thousands of Canadian dollars)					
As at	March 31, 2016		December 31, 2015		
	Face value	Carrying amount	Face value	Carrying amount	
Current	\$ 4,014	\$ 4,100	\$ 4,074	\$ 4,176	
Non-current	55,643	55,669	55,949	55,953	
Total	\$ 59,657	\$ 59,769	\$ 60,023	\$ 60,129	

## 5.8 Bank Credit Facility

Subsequent to March 31, 2016, the REIT exercised the accordion feature and increased the committed amount of its revolving credit facility (the "Bank Credit Facility") by \$100 million to \$300 million and extended the term to five years expiring in April 2021. The Bank Credit Facility bears interest at a rate based on the bank's prime rate of interest or bankers' acceptances plus a margin. A standby fee is charged on the Bank Credit Facility.

As at March 31, 2016, there were no cash advances under the Bank Credit Facility (December 31, 2015 - \$nil). The unamortized balance of transaction costs incurred in connection with the arrangement of the Bank Credit Facility of \$255 (December 31, 2015 - \$283) is recorded in other assets on the interim balance sheets.

The table below summarizes the details of the Bank Credit Facility as at March 31, 2016:

(in thousands of Canadian dollars)				
Bank Credit Facility Maximum Loan Amount	Cash Advances	Letters of Credit	Available to be Drawn	
\$ 200,000 <sup>†</sup>	\$ —	\$ 321	\$ 199,679	

<sup>†</sup> Increased subsequent to March 31, 2016 to a committed amount of \$300 million. See above.

*The following section contains forward-looking information and users are cautioned that actual results may vary.*

## 5.9 Capital Strategy

Management expects the REIT's future debt will be in the form of:

- Class C LP Units (treated as debt for accounting purposes);
- funds drawn on the Bank Credit Facility;
- unsecured public debt; and
- limited use of secured debt assumed upon acquisition of properties.

Management's objectives are to access the lowest cost of capital with the most flexible terms, to have a maturity/redemption schedule (for fixed term obligations) spread over a time horizon so as to manage refinancing risk and to be in a position to finance acquisition opportunities when they become available. The Declaration of Trust and the Trust Indenture limit the REIT's overall indebtedness ratio to 60% of total aggregate assets, excluding convertible debentures, and 65% including convertible debentures.

CT REIT's indebtedness ratio was 47.7% as at March 31, 2016. Refer to section 9.0 for the definition and calculation of CT REIT's indebtedness ratio.

At March 31, 2016, CT REIT was in compliance with the financial and non-financial covenants contained in the Declaration of Trust, the Trust Indenture dated June 9, 2015 pursuant to which the Debentures were issued, the Bank Credit Facility and the assumed mortgages.

CT REIT has also adopted interest coverage guidelines which provide an indication of the REIT's ability to service or pay the interest charges relating to the underlying debt.

CT REIT will generally operate its affairs and manage its capital structure so that its interest coverage ratio is in a range of 2.4 to 3.8 times. For the three months ended March 31, 2016, CT REIT's interest coverage ratio was 3.2 times. Refer to section 9.0 for the definition and calculation of CT REIT's interest coverage ratio.

Assuming a future economic environment that is substantially similar to the current environment, management does not foresee any material impediments to refinancing future debt maturities.

*The following section contains forward-looking information and users are cautioned that actual results may vary.*

#### **5.10 Commitments and Contingencies**

As at March 31, 2016, CT REIT has obligations for \$423,106 (December 31, 2015 - \$63,070) in future payments for committed acquisitions and the completion of developments which are expected to be incurred in 2016. Included in the commitments is \$329,320 due to CTC, as described in sections 3.5 and 3.6.

CT REIT has sufficient liquidity to fund these future commitments as a result of (i) its conservative use of leverage on the balance sheet, (ii) liquidity on hand, (iii) its Bank Credit Facility, (iv) an investment grade credit rating, (v) unencumbered assets, and (vi) sufficient operating cash flow retained in the business.

#### **5.11 Subsequent Events**

See section 3.5 for Investment Activities Completed Subsequent to March 31, 2016 and section 5.8 Bank Credit Facility.

#### **5.12 Base Shelf Prospectus**

CT REIT filed a base shelf prospectus in Q1 2015 under which it may raise up to \$1.5 billion of debt and equity capital over the 25 month period ending April 4, 2017. In Q2 2015, the REIT issued \$350,000 of senior unsecured debentures payable. The shelf also qualifies the sale of CT REIT Units by CTC.

## 6.0 Equity

### 6.1 Authorized Capital and Outstanding Units

CT REIT is authorized to issue an unlimited number of Units. As of March 31, 2016, CT REIT had a total of 90,374,649 Units outstanding, 59,711,094 of which were held by CTC and 101,232,206 Class B LP Units outstanding (together with a corresponding number of Special Voting Units), all of which were held by CTC.

Class B LP Units are economically equivalent to Units, are accompanied by a Special Voting Unit and are exchangeable at the option of the holder for Units (subject to certain conditions). Holders of the Class B LP Units are entitled to receive distributions when declared by the Partnership equal to the per Unit amount of distributions payable on the Units. However, Class B LP Units have limited voting rights over the Partnership.

The following tables summarize the total number of Units issued:

As at March 31, 2016			
	Units	Class B LP Units	Total
Total outstanding at beginning of period	90,337,358	99,263,329	189,600,687
Issued	37,291	1,968,877	2,006,168
<b>Total outstanding at end of period</b>	<b>90,374,649</b>	<b>101,232,206</b>	<b>191,606,855</b>

As at December 31, 2015			
	Units	Class B LP Units	Total
Total outstanding at beginning of year	90,188,210	91,297,572	181,485,782
Issued	149,148	7,965,757	8,114,905
<b>Total outstanding at end of year</b>	<b>90,337,358</b>	<b>99,263,329</b>	<b>189,600,687</b>

Each Unit is transferable and represents an equal, undivided beneficial interest in the REIT and any distributions from the REIT. Each Unit entitles the holder to one vote at all meetings of Unitholders.

Special Voting Units are only issued in tandem with Class B LP Units, or in limited circumstances, to holders of the Class C LP Units and are not transferable separately from the Class B LP Units or Class C LP Units to which they relate. Each Special Voting Unit entitles the holder thereof to one vote at all meetings of Unitholders or with respect to any written resolution of Unitholders. Except for the right to attend meetings and vote on resolutions, Special Voting Units do not confer upon the holders thereof any other rights.

Net income attributable to Unitholders and weighted average Units outstanding used in determining basic and diluted net income per Unit are calculated as follows:

Three months ended March 31, 2016				
		Units	Class B LP Units	Total
Net income attributable to Unitholders - basic	\$	28,923	\$ 32,230	\$ 61,153
Income effect of settling Class C LP Units with Class B LP Units				19,044
<b>Net income attributable to Unitholders - diluted</b>				<b>\$ 80,197</b>
Weighted average Units outstanding - basic		90,356,774	100,345,130	190,701,904
Dilutive effect of other Unit plans				97,785
Dilutive effect of settling Class C LP Units with Class B LP Units				117,623,082
<b>Weighted average Units outstanding - diluted</b>				<b>308,422,771</b>

Three months ended March 31, 2015				
		Units	Class B LP Units	Total
Net income attributable to Unitholders - basic	\$	27,186	\$ 28,380	\$ 55,566
Income effect of settling Class C LP Units with Class B LP Units				20,515
Net income attributable to Unitholders - diluted				\$ 76,081
Weighted average Units outstanding - basic		90,207,309	93,803,998	184,011,307
Dilutive effect of other Unit plans				62,928
Dilutive effect of settling Class C LP Units with Class B LP Units				141,201,738
Weighted average Units outstanding - diluted				325,275,973

The calculation of diluted per Unit amounts is determined on a combined basis for the Units and the Class B LP Units given that the Class B LP Units are exchangeable into Units on a one for one basis and are entitled to an equivalent amount of net income per Class B LP Unit as the Units, and to reflect the dilutive effect of potentially settling Class C LP Units with Class B LP Units.

## 6.2 Equity

(in thousands of Canadian dollars)			
As at		March 31, 2016	December 31, 2015
Equity - beginning of the year	\$	2,213,363	\$ 2,002,189
Net income and comprehensive income for the period		61,153	234,480
Issuance of Class B LP Units, net of issue costs		26,909	99,661
Distributions to non-controlling interests		(17,099)	(64,813)
Distributions to Unitholders		(15,363)	(59,976)
Issuance of Units under Distribution Reinvestment Plan		494	1,822
<b>Equity - end of the period</b>	<b>\$</b>	<b>2,269,457</b>	<b>\$ 2,213,363</b>

### 6.3 Distributions

CT REIT's primary business goal is to accumulate a portfolio of high-quality real estate assets and deliver the benefits of such real estate ownership to Unitholders. The primary benefit to Unitholders is expected to be reliable, durable and growing distributions over time.

In determining the amount of the monthly distributions paid to Unitholders, the Board applies discretionary judgment to forward-looking cash flow information, such as forecasts and budgets, and many other factors including provisions in the Declaration of Trust, the macro-economic and industry-specific environment, debt maturities, covenants and taxable income.

The Board regularly reviews CT REIT's rate of distributions to ensure an appropriate level of distributions.

On March 15, 2016, CT REIT's Board declared a distribution of \$0.05667 per Unit paid on April 15, 2016 to holders of Units and Class B LP Units of record as of March 31, 2016.

On April 15, 2016, CT REIT's Board declared a distribution of \$0.05667 per Unit payable on May 16, 2016 to holders of Units and Class B LP Units of record as of April 29, 2016.

Net income prepared in accordance with IFRS recognizes certain revenues and expenses at time intervals that do not match the receipt or payment of cash. Therefore, in applying judgment, consideration is given to AFFO (which is the product of the cash generated from, and required for operating activities) and other factors when establishing distributions to Unitholders.

(in thousands of Canadian dollars, except per Unit amounts)		Three Months Ended	
For the periods ended March 31,		2016	2015
Distributions before distribution reinvestment - paid	\$	32,348	\$ 30,348
Distribution reinvestment		494	441
<b>Distributions net of distribution reinvestment - paid</b>	<b>\$</b>	<b>31,854</b>	<b>\$ 29,907</b>
<b>Distributions per Unit - paid</b>	<b>\$</b>	<b>0.170</b>	<b>\$ 0.166</b>

Distributions for the three months ended March 31, 2016 are higher than the prior year due to the increase in the annual rate of distributions, effective with the first distribution paid in 2016, and higher weighted average number of Units outstanding in 2015.

CT REIT's distributions for the three months ended March 31, 2016 are less than the REIT's cash generated from operating activities, cash generated from operating activities reduced by interest expense, and less than AFFO which is an indicator of the source of funding for and sustainability of distributions.

(in thousands of Canadian dollars)		Three Months Ended	
For the periods ended March 31,		2016	2015
AFFO <sup>1</sup>	\$	39,382	\$ 36,876
Distributions before distribution reinvestment - paid		32,348	30,348
<b>Excess of AFFO over distributions paid</b>	<b>\$</b>	<b>7,034</b>	<b>\$ 6,528</b>

<sup>1</sup> Non-GAAP key performance indicator. Refer to section 9.0 for further information.

## 7.0 Related Party Transactions

### Related Party Transactions

CT REIT's controlling Unitholder is CTC, which, on March 31, 2016, held an approximate 84.0% effective interest in the REIT, through ownership of 59,711,094 Units and all of the issued and outstanding Class B LP Units.

In addition to its ownership interest, CTC is CT REIT's largest tenant representing approximately 96.3% of the annualized base minimum rent earned by CT REIT and approximately 97.9% of its GLA as at March 31, 2016.

In the normal course of its operations, CT REIT enters into various transactions with related parties that have been valued at amounts agreed to between the parties and recognized in the interim financial statements. Investment property transactions with CTC amounted to \$45,900 (2015 - \$75,395) for the three months ended March 31, 2016. Refer to Note 3 to the interim financial statements for additional information.

CT REIT and CTC are parties to a number of commercial agreements which govern the relationships among such parties, including the Service Agreement and the Property Management Agreement which are described below.

### Services Agreement

Under the Services Agreement, CTC provides the REIT with the "Services" on a cost recovery basis pursuant to which CT REIT reimburses CTC for all costs and expenses incurred by CTC in connection with providing the Services, plus applicable taxes. The Services Agreement has been renewed for 2016, and CTC will continue to provide such Services on a cost recovery basis.

### Property Management Agreement

Under the Property Management Agreement, CTC provides the REIT with customary property management services (the "Property Management Services"). CTC agreed to provide Property Management Services to the REIT on a cost recovery basis pursuant to which the REIT reimburses CTC for all costs and expenses incurred by CTC in connection with providing the Property Management Services, plus applicable taxes. The Property Management Agreement has been renewed for 2016, and CTC will continue to provide such Property Management Services on a cost recovery basis.

Refer to CT REIT's 2015 Annual Information Form available on SEDAR at [www.sedar.com](http://www.sedar.com) for additional information on related party agreements and arrangements with CTC.

CT REIT's policy is to conduct all transactions and settle all balances with related parties on market terms and conditions. The following table summarizes CT REIT's related party transactions as at March 31, 2016:

(in thousands of Canadian dollars) For the periods ended March 31,	Three Months Ended	
	2016	2015
Rental revenue	\$ 94,094	\$ 88,419
Property Management and Services Agreement expense	1,320	1,375
Distributions on Units	10,151	9,897
Distributions on Class B LP Units	17,099	15,663
Interest expense on Class C LP Units	19,044	20,515

The net balance due to CTC is comprised of the following:

(in thousands of Canadian dollars)		
As at	March 31, 2016	December 31, 2015
Tenant and other receivables	\$ (4,633)	\$ (893)
Class C LP Units	1,705,468	1,686,968
Amounts payable on Class C LP Units	18,978	75,093
Loans receivable in lieu of payments on Class C LP Units	(12,596)	(68,805)
Other liabilities	8,674	4,396
Distributions payable on Units and Class B LP Units	9,707	11,115
Loans receivable in lieu of distributions on Class B LP Units	(586)	(2,106)
<b>Net due to CTC</b>	<b>\$ 1,725,012</b>	<b>\$ 1,705,768</b>



## **8.0 Accounting Policies and Estimates**

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### **8.1 Significant Areas of Estimation**

The preparation of the interim financial statements requires management to apply judgments, and to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Estimates are based upon historical experience and on various other assumptions that are reasonable under the circumstances. The result of ongoing evaluation of these estimates forms the basis for applying judgment with regards to the carrying values of assets and liabilities and the reported amounts of revenues and expenses. Actual results may differ from estimates. CT REIT's critical judgments in applying significant accounting policies are described in Note 2 of the annual consolidated financial statements contained in CT REIT's 2015 Annual Report, the most significant of which is the fair value of investment properties.

#### ***Fair Value of Investment Properties***

To determine fair value, CT REIT uses the income approach. Fair value is estimated by capitalizing the cash flows that a property can reasonably be expected to produce over its remaining economic life. The income approach is derived from two methods: the OCR method, whereby the net operating income is capitalized at the requisite OCR, or the DCF method, in which the cash flows are projected over the anticipated term of the investment plus a terminal value discounted using an appropriate discount rate.

Properties under development are recorded at acquisition cost and are adjusted to fair value at each balance sheet date with the fair value adjustment recognized in earnings.

### **8.2 New Standards Implemented**

There were no new standards implemented for the three months ended March 31, 2016.

### **8.3 Standards, Amendments and Interpretations Issued and Adopted**

#### ***Disclosure initiative (IAS 1)***

In December 2014, the International Accounting Standard Board ("IASB") issued Disclosure Initiative Amendments to IAS 1 as part of the IASB's Disclosure Initiative. These amendments encourage entities to apply professional judgment regarding disclosure and presentation in their financial statements.

These amendments are effective for annual periods beginning on or after January 1, 2016. These amendments did not impact CT REIT's interim financial statements and CT REIT is currently assessing the impact on its annual disclosure.

### **8.4 Standards, Amendments and Interpretations Issued and Not Yet Adopted**

Refer to Note 2 of the annual consolidated financial statements for the year ended December 31, 2015 for details on standards, amendments and interpretations issued and not yet adopted.

Details of the standards, amendments and interpretations issued but not yet adopted are described in Note 2 to the annual consolidated financial statements contained in CT REIT's 2015 Annual Report.

## **9.0 Non-GAAP and Operational Key Performance Indicators**

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CT REIT uses non-GAAP key performance indicators including NOI, same store NOI, same property NOI, FFO, FFO per Unit, AFFO, AFFO per Unit, EBITFV, interest coverage ratio, indebtedness ratio, debt to enterprise value ratio and book value per Unit. CT REIT believes these non-GAAP measures and ratios provide useful supplemental information to both management and investors in measuring the financial performance of CT REIT in meeting its principle objective of the creation of Unitholder value by generating reliable, durable and growing monthly distributions. When calculating diluted FFO and AFFO per Unit, management excludes the effect of settling the Class C LP Units with Class B LP Units, which is required when calculating diluted Units in accordance with IFRS.

These measures and ratios do not have a standardized meaning prescribed by GAAP and therefore they may not be comparable to similarly titled measures and ratios presented by other publicly traded entities, and should not be construed as an alternative to other financial measures determined in accordance with GAAP.

### **9.1 Net Operating Income**

CT REIT defines NOI as property revenue less property expense and is adjusted further for straight-line rent and land lease adjustments. Management believes that NOI is a useful key indicator of performance as it represents a measure over which management of property operations has control. NOI is also a key input in determining the value of the portfolio. Refer to section 4.0 for the calculation of NOI.

#### **9.1.1 Same Store NOI**

Same store NOI is a non-GAAP financial measure which reports the period-over-period performance of the same asset base having consistent gross leaseable area in both periods. To calculate same store NOI growth, NOI is further adjusted to remove the impact of lease cancellation fees and other non-recurring items. Refer to section 4.0 for the calculation of same store NOI.

#### **9.1.2 Same Property NOI**

Same property NOI is a non-GAAP financial measure that is consistent with the definition of same store NOI above, except that same property includes the NOI impact of intensifications. Refer to section 4.0 for the calculation of same property NOI.

### **9.2 Funds From Operations**

FFO is a non-GAAP financial measure of operating performance widely used by the real estate industry, particularly by those publicly traded entities that own and operate income-producing properties. FFO should not be considered as an alternative to net income or cash flows provided by operating activities determined in accordance with IFRS. CT REIT calculates its FFO in accordance with the Real Property Association of Canada White Paper on FFO for IFRS issued in April 2014. The purpose of the White Paper was to provide reporting issuers and investors with greater guidance on the definition of FFO and to help promote more consistent disclosure amongst reporting issuers. The use of FFO, combined with the required IFRS presentations, has been included for the purpose of improving the understanding of the operating results of CT REIT.

Management believes that FFO provides an operating performance measure that, when compared period-over-period, reflects the impact on operations of trends in occupancy levels, rental rates, operating costs and property taxes, acquisition activities and interest costs, and provides a perspective of the financial performance that is not immediately apparent from net income determined in accordance with IFRS. FFO adds back to net income items that do not arise from operating activities, such as fair value adjustments.

FFO, however, still includes non-cash revenues related to accounting for straight-line rent and makes no deduction for the recurring capital expenditures necessary to sustain the existing earnings stream.

### 9.3 Adjusted Funds From Operations

AFFO is a supplemental measure of operating performance widely used in the real estate industry to assess an entity's ability to pay distributions. Management believes that AFFO is an effective measure of the cash generated from operations, after providing for operating capital requirements which are referred to as "productive capacity maintenance expenditures".

CT REIT calculates AFFO by adjusting FFO for non-cash income and expense items such as amortization of straight-line rents. FFO is also adjusted for a reserve for maintaining productive capacity required for sustaining property infrastructure and revenue from real estate properties and direct leasing costs. Property capital expenditures do not occur evenly during the fiscal year or from year to year. The property capital reserve in the AFFO calculation is intended to reflect an average annual spending level. The reserve is based on a 15-year average expenditure as determined by building condition reports prepared during 2013 by an independent consultant. The amount is also consistent with actual average amounts spent by CTC prior to October 2013.

There is currently no standard industry-defined measure of AFFO. As such, CT REIT's method of calculating AFFO may differ from that of other real estate entities and, accordingly, may not be comparable to such amounts reported by other issuers.

A reconciliation of the IFRS term "Cash Generated from Operating Activities" (refer to the consolidated statements of cash flow for the three months ended March 31, 2016) to AFFO is as follows:

(in thousands of Canadian dollars)		Three Months Ended		
For the periods ended March 31,		2016	2015	Change
<b>Cash generated from operating activities</b>	<b>\$</b>	<b>65,043</b>	<b>\$ 64,103</b>	<b>1.5 %</b>
Changes in working capital and other		<b>739</b>	(2,082)	(135.5)%
Deferred taxes		<b>162</b>	325	(50.2)%
Fair value adjustment of unit based compensation		<b>257</b>	149	72.5 %
Interest and other financing charges		<b>(22,412)</b>	(21,451)	4.5 %
Capital expenditure reserve		<b>(4,407)</b>	(4,168)	5.7 %
<b>AFFO</b>	<b>\$</b>	<b>39,382</b>	<b>\$ 36,876</b>	<b>6.8 %</b>

The following table reconciles GAAP net income and comprehensive income to FFO and further reconciles FFO to AFFO:

(in thousands of Canadian dollars, except per unit amounts)		Three Months Ended		
For the periods ended March 31,		2016	2015	Change <sup>3</sup>
<b>Net income and comprehensive income</b>	\$	<b>61,153</b>	\$ 55,566	10.1 %
Fair value adjustment of investment property		(11,946)	(8,592)	39.0 %
Deferred taxes		162	325	(50.2)%
Fair value adjustment of unit based compensation		257	149	72.5 %
<b>Funds from operations</b>	\$	<b>49,626</b>	\$ 47,448	4.6 %
Property straight-line rent revenue		(5,860)	(6,449)	(9.1)%
Straight-line ground lease expense		23	45	(48.9)%
Capital expenditure reserve		(4,407)	(4,168)	5.7 %
<b>Adjusted funds from operations</b>	\$	<b>39,382</b>	\$ 36,876	6.8 %
FFO per Unit - basic	\$	<b>0.260</b>	\$ 0.258	0.8 %
FFO per Unit - diluted (non-GAAP) <sup>1</sup>	\$	<b>0.260</b>	\$ 0.258	0.8 %
AFFO per Unit - basic	\$	<b>0.207</b>	\$ 0.200	3.5 %
AFFO per Unit - diluted (non-GAAP) <sup>1</sup>	\$	<b>0.206</b>	\$ 0.200	3.0 %
AFFO payout ratio <sup>2</sup>		83%	83%	— %
Distribution per Unit - paid	\$	<b>0.170</b>	\$ 0.166	2.6 %
Weighted average units outstanding - basic		<b>190,701,904</b>	184,011,307	3.6 %
Weighted average units outstanding - diluted (non-GAAP) <sup>1</sup>		<b>190,799,689</b>	184,074,235	3.7 %
Number of units outstanding, end of period		<b>191,606,855</b>	186,321,135	2.8 %

<sup>1</sup> For the purposes of calculating diluted FFO and AFFO per Unit, diluted Units includes restricted and deferred units issued under various plans and excludes the effects of settling the Class C LP Units with Class B LP Units.

<sup>2</sup> Calculated as Distributions per Unit divided by AFFO per Unit - diluted (non-GAAP).

FFO for the three months ended March 31, 2016 amounted to \$49,626 or \$0.260 per Unit (diluted non-GAAP) and was \$2,178 (4.6%) higher than the same period in 2015 largely due to the impact of NOI variances discussed earlier.

AFFO for the three months ended March 31, 2016 amounted to \$39,382 or \$0.206 per Unit (diluted non-GAAP) and was \$2,506 (6.8%) higher than the same period in 2015 largely due to the impact of NOI variances discussed earlier.

#### 9.4 Earnings Before Interest and Other Financing Costs, Taxes and Fair Value Adjustments

EBITFV is a non-GAAP measure of a REIT's operating cash flow and it is used in addition to IFRS net income because it excludes major non-cash items (including fair value adjustments on investment properties), interest expense and other financing costs, income tax expense, losses or gains on disposition of property, and other non-recurring items that may occur under IFRS that management considers non-operating in nature. EBITFV should not be considered as an alternative to net income or cash flows provided by operating activities determined in accordance with IFRS.

EBITFV is used as an input in some of CT REIT's debt metrics, providing information with respect to certain financial ratios that CT REIT uses in measuring its debt profile and assessing the REIT's ability to satisfy its obligations, including servicing its debt. For the three months ended March 31, 2016, EBITFV was calculated as follows:

(in thousands of Canadian dollars)		Three Months Ended		
For the periods ended March 31,		2016	2015	Change
Net Income and comprehensive income	\$	61,153	\$ 55,566	10.1%
Fair value adjustment on investment properties		(11,946)	(8,592)	39.0%
Interest expense and other financing charges		22,412	21,451	4.5%
<b>EBITFV</b>	<b>\$</b>	<b>71,619</b>	<b>\$ 68,425</b>	<b>4.7%</b>

### 9.5 Interest Coverage Ratio

Interest coverage ratios are used to measure an entity's ability to service its debt. Generally, the higher the ratio is, the lower the risk of default on debt. EBITFV is a generally accepted proxy for operating cash flow. The ratio is calculated as follows:

(in thousands of Canadian dollars)		Three Months Ended	
For the periods ended March 31,		2016	2015
<b>EBITFV (A)</b>	<b>\$</b>	<b>71,619</b>	<b>\$ 68,425</b>
<b>Interest and other financing charges (B)</b>	<b>\$</b>	<b>22,412</b>	<b>\$ 21,451</b>
<b>Interest coverage ratio (A)/(B)</b>		<b>3.20</b>	<b>3.19</b>

The interest coverage ratio for the three months ended March 31, 2016 increased compared to the same period in the prior year due to higher EBITFV in 2016 partially offset by increased interest and other financing charges. Both EBITFV and interest and other financing charges increased due to acquisition and intensification activities completed during 2016 and 2015.

### 9.6 Indebtedness Ratio

CT REIT has adopted an indebtedness ratio guideline which management uses as a measure to evaluate its leverage and the strength of its equity position, expressed as a percentage of financing provided by debt. CT REIT's Declaration of Trust limits its indebtedness (plus the aggregate par value of the Class C LP Units) to a maximum of 60% of the gross book value, excluding convertible debentures, and 65% including convertible debentures. Gross book value is defined as total assets as reported on the latest consolidated balance sheet. CT REIT calculates its indebtedness ratio as follows:

(in thousands of Canadian dollars)		March 31, 2016		December 31, 2015
As at				
<b>Total assets (A)</b>	<b>\$</b>	<b>4,433,104</b>	<b>\$</b>	<b>4,350,903</b>
<b>Total indebtedness <sup>1</sup> (B)</b>	<b>\$</b>	<b>2,112,726</b>	<b>\$</b>	<b>2,095,045</b>
<b>Indebtedness ratio (B)/(A)</b>		<b>47.7%</b>		<b>48.2%</b>

<sup>1</sup> Total indebtedness reflects the value of the Class C LP Units, mortgages payable, debentures payable and draws on the Bank Credit Facility, if any.

The indebtedness ratio at March 31, 2016 has decreased compared to the indebtedness ratio at December 31, 2015 primarily due to the 2016 fair value adjustments made to the investment property portfolio and the 2016 investing activities, partially offset by an increase in indebtedness during 2016.

### 9.7 Debt to Enterprise Value Ratio

CT REIT's debt to enterprise value ratio is a non-GAAP measure and is calculated as total debt divided by enterprise value which is the sum of: i) total indebtedness and ii) period-end Units and Class B LP Units outstanding multiplied by the period end Unit closing price ("Equity Value"). Enterprise value is an economic measure reflecting the market value of an entity. CT REIT's debt to enterprise value ratio is an indicator of how indebted it is relative to its enterprise value.

(in thousands of Canadian dollars, except for per Unit amounts)

As at	March 31, 2016	December 31, 2015
<b>Total indebtedness (A)</b>	<b>\$ 2,112,726</b>	<b>\$ 2,095,045</b>
<b>Equity value</b>		
Period-end Units and Class B LP Units outstanding	<b>191,606,855</b>	189,600,687
Unit closing price	<b>\$ 14.45</b>	\$ 13.00
<b>Equity value (B)</b>	<b>\$ 2,768,719</b>	<b>\$ 2,464,809</b>
<b>Enterprise value (A + B)</b>	<b>\$ 4,881,445</b>	<b>\$ 4,559,854</b>
<b>Debt / Enterprise value (A / (A + B))</b>	<b>43.3%</b>	<b>45.9%</b>

CT REIT's debt to enterprise value ratio at March 31, 2016 decreased compared to the debt to enterprise value ratio at December 31, 2015 as a result of an increased closing Unit price and an increase in equity value due to additional Units and Class B LP Units issued, partially offset by an increase in indebtedness.

### 9.8 Book Value per Unit

Book value per Unit is a non-GAAP measure and represents Total Equity from the consolidated balance sheets divided by the sum of the period end Units and Class B LP Units outstanding. It is an indication of the residual book value available to Unitholders. As well, book value per Unit is compared to the REIT's Unit trading price in order to measure a premium or discount.

(in thousands of Canadian dollars, except for per Unit amounts)

As at	March 31, 2016	December 31, 2015
<b>Total Equity (A)</b>	<b>\$ 2,269,457</b>	<b>\$ 2,213,364</b>
<b>Period-end Units and Class B LP Units outstanding (B)</b>	<b>191,606,855</b>	189,600,687
<b>Book value per Unit (A / B)</b>	<b>\$ 11.84</b>	<b>\$ 11.67</b>

CT REIT's book value per Unit at March 31, 2016 increased from the book value per Unit at December 31, 2015 primarily due to net income exceeding distributions.

## 9.9 Selected Quarterly Consolidated Information

(in thousands of Canadian dollars, except per Unit amounts)	2016	2015					2014		
As at and for the quarter ended	Q1	Q4	Q3	Q2	Q1		Q4	Q3	Q2
Property revenue	\$ 98,496	\$ 96,599	\$ 95,916	\$ 93,217	\$ 92,448		\$ 89,212	\$ 89,535	\$ 83,364
Net income	\$ 61,153	\$ 62,824	\$ 58,885	\$ 57,205	\$ 55,566		\$ 53,711	\$ 49,197	\$ 45,689
Net income per Unit									
- basic	\$ 0.321	\$ 0.331	\$ 0.311	\$ 0.306	\$ 0.302		\$ 0.296	\$ 0.271	\$ 0.254
- diluted	\$ 0.260	\$ 0.257	\$ 0.242	\$ 0.233	\$ 0.226		\$ 0.222	\$ 0.202	\$ 0.200
FFO - diluted, non-GAAP <sup>1</sup>	\$ 0.260	\$ 0.264	\$ 0.260	\$ 0.256	\$ 0.258		\$ 0.256	\$ 0.247	\$ 0.238
AFFO - diluted, non-GAAP <sup>1</sup>	\$ 0.206	\$ 0.206	\$ 0.203	\$ 0.199	\$ 0.200		\$ 0.191	\$ 0.185	\$ 0.179
Total assets	\$ 4,433,104	\$ 4,350,903	\$ 4,324,229	\$ 4,291,153	\$ 4,113,322		\$ 4,017,420	\$ 3,974,736	\$ 3,842,218
Total indebtedness	\$ 2,112,726	\$ 2,095,045	\$ 2,078,826	\$ 2,071,737	\$ 1,984,131		\$ 1,983,773	\$ 1,950,346	\$ 1,847,279
Total distributions to Unitholders - paid	\$ 31,854	\$ 30,947	\$ 30,946	\$ 30,450	\$ 29,907		\$ 29,078	\$ 29,081	\$ 28,576
Total distributions to Unitholders per Unit - paid	\$ 0.170	\$ 0.166	\$ 0.166	\$ 0.166	\$ 0.166		\$ 0.163	\$ 0.162	\$ 0.163
Book value per Unit <sup>1</sup>	\$ 11.84	\$ 11.67	\$ 11.51	\$ 11.36	\$ 11.21		\$ 11.03	\$ 10.90	\$ 10.79
Market price per Unit									
- high	\$ 14.76	\$ 13.45	\$ 13.40	\$ 12.96	\$ 13.50		\$ 12.55	\$ 11.96	\$ 11.63
- low	\$ 12.46	\$ 12.50	\$ 11.26	\$ 11.75	\$ 11.70		\$ 10.50	\$ 11.00	\$ 10.81
- close (end of period)	\$ 14.45	\$ 13.00	\$ 12.86	\$ 12.10	\$ 12.90		\$ 12.31	\$ 11.02	\$ 11.40

<sup>1</sup> Non-GAAP key performance indicators. Refer to section 9.0 for further information.

Refer to the applicable MD&A and the quarterly financial statements for discussion and analysis relating to the four quarters of 2015 and the three quarters in 2014.

## 10.0 Enterprise Risk Management

To preserve and enhance Unitholder value over the long term, CT REIT approaches the management of risk strategically through its ERM Program.

The ERM Program provides an integrated approach to the management of risks, supporting the REIT's strategies and objectives, and is described in detail in Section 10.0 in the MD&A contained in the REIT's 2015 Annual Report.

The REIT's ERM Program continues to further enhance risk reporting through developing and refining underlying processes and tools aimed at supporting risk identification and risk monitoring.

## 11.0 Internal Controls and Procedures

Details related to disclosure controls and procedures and internal controls over financial reporting are disclosed in Section 11.0 of the MD&A contained in CT REIT's 2015 Annual Report.

### Changes in Internal Control over Financial Reporting

During the three months ended March 31, 2016, there have been no changes in CT REIT's internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, CT REIT's internal control over financial reporting.

## 12.0 Forward-looking Information

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This MD&A, and the documents incorporated by reference herein, contain forward-looking statements that involve a number of risk and uncertainties, including statements regarding the outlook for CT REIT's business results of operations. Forward-looking statements are provided for the purposes of providing information about CT REIT's future outlook and anticipated events or results and may include statements regarding known and unknown risks and uncertainties and other factors that may cause the actual results to differ materially from those indicated. Such factors include, but are not limited to, general economic conditions, financial position, business strategy, availability of acquisition opportunities, budgets, capital expenditures, financial results including fair value adjustments and cash flow assumptions upon which they are based, cash, taxes, plans and objectives of or involving CT REIT. Particularly, statements regarding future acquisitions, developments, distributions, results, performance, achievements, prospects or opportunities for CT REIT or the real estate industry are forward-looking statements. In some cases, forward-looking information can be identified by such terms such as "may", "might", "will", "could", "should", "would", "occur", "expect", "plan", "anticipate", "believe", "intend", "estimate", "predict", "potential", "continue", "likely", "schedule", "resolved to", or the negative thereof or other similar expressions concerning matters that are not historical facts. Some of the specific forward-looking statements in this document include, but are not limited to, statements with respect to the following:

- CT REIT's growth strategy and objectives under section 2.0;
- CT REIT's fair value of property portfolio under section 3.4;
- CT REIT's 2016 Investment Activities - Commitments as at March 31, 2016 under section 3.5;
- CT REIT's fair value adjustment on investment properties under section 4.9;
- CT REIT's capital expenditures to fund acquisitions and development activities under section 5.1;
- CT REIT's capital strategy under section 5.9; and
- CT REIT's commitments and contingencies under section 5.10;
- CT REIT's access to available sources of debt and/or equity financing;
- CT REIT's principal risks under section 10.0;
- the expected tax treatment of CT REIT and its distributions to Unitholders;
- CT REIT's ability to expand its asset base, make accretive acquisitions, develop or intensify its property and participate with CTC in the development or intensification of the properties; and
- the ability of CT REIT to qualify as a "mutual fund trust", as defined in the Tax Act, and as a "real estate investment trust", as defined in the SIFT Rules.

CT REIT has based these forward-looking statements on factors and assumptions about future events and financial trends that it believes may affect its financial condition, results of operations, business strategy and financial needs, including that the Canadian economy will remain stable over the next 12 months, that inflation will remain relatively low, that tax laws remain unchanged, that conditions within the real estate market, including competition for acquisitions, will be consistent with the current climate, that the Canadian capital markets will provide CT REIT with access to equity and/or debt at reasonable rates when required and that CTC will continue its involvement with CT REIT on the basis described in its 2015 AIF.

Although the forward-looking statements contained in this MD&A are based upon assumptions that management of CT REIT believes are reasonable based on information currently available to management, there can be no assurance that actual results will be consistent with these forward-looking statements. Forward-looking statements necessarily involve known and unknown risks and uncertainties, many of which are beyond the REIT's control, that may cause CT REIT's or the industry's actual results, performance, achievements, prospects and opportunities in future periods to differ materially from those expressed or implied by such forward-looking statements. These risks and uncertainties include, among other things, the factors discussed under the "Risk Factors" section of the 2015 AIF.

For more information on the risks, uncertainties and assumptions that could cause CT REIT's actual results to differ from current expectations, please also refer to CT REIT's public filings available on SEDAR at [www.sedar.com](http://www.sedar.com) and by a link at [www.ctreit.com](http://www.ctreit.com).

CT REIT cautions that the foregoing list of important factors and assumptions is not exhaustive and other factors could also adversely affect its results. Investors and other readers are urged to consider the foregoing risks, uncertainties, factors and assumptions carefully in evaluating the forward-looking information and are cautioned not



to place undue reliance on such forward-looking information. Statements that include forward-looking information do not take into account the effect that transactions or non-recurring or other special items announced or occurring after the statements are made have on CT REIT's business. For example, they do not include the effect of any dispositions, acquisitions, asset write-downs or other charges announced or occurring after such statements are made. The forward-looking information in this MD&A is based on certain factors and assumptions made as of the date hereof or the date of the relevant document incorporated herein by reference, as applicable. CT REIT does not undertake to update the forward-looking information, whether written or oral, that may be made from time to time by it or on its behalf, to reflect new information, future events or otherwise, except as required by applicable securities laws.

Information contained in or otherwise accessible through the websites referenced in this MD&A or the documents incorporated by reference herein (other than CT REIT's profile on SEDAR at [www.sedar.com](http://www.sedar.com)) does not form part of this MD&A or the documents incorporated by reference herein and is not incorporated by reference into this MD&A. All references to such websites are inactive textual references and are for information only.

#### **Commitment to disclosure and investor communication**

The Investor Relations section of the REIT's website by a link at [www.ctreit.com](http://www.ctreit.com) includes the following documents and information of interest to investors:

- Annual Information Form;
- Management Information Circular;
- the Prospectus;
- quarterly reports; and
- conference call webcasts (archived for one year).

Additional information about the REIT has been filed electronically with various securities regulators in Canada through SEDAR and is available online at [www.sedar.com](http://www.sedar.com).

If you would like to contact the Investor Relations department directly, call Andrea Orzech at (416) 480-3195 or email [investor.relations@ctreit.com](mailto:investor.relations@ctreit.com).

May 10, 2016

**FIRST QUARTER 2016**

**CT REAL ESTATE INVESTMENT TRUST**  
**INTERIM FINANCIAL STATEMENTS**  
**(UNAUDITED)**

## Condensed Consolidated Balance Sheets (Unaudited)

(Canadian dollars, in thousands)

As at	Note	March 31, 2016	December 31, 2015
<b>Assets</b>			
<b>Non-current assets</b>			
Investment properties	3	\$ 4,384,172	\$ 4,319,061
Other assets		2,334	2,541
		<b>4,386,506</b>	<b>4,321,602</b>
<b>Current assets</b>			
Tenant and other receivables		5,985	2,511
Other assets		9,684	2,110
Cash and cash equivalents		30,929	24,680
		<b>46,598</b>	<b>29,301</b>
<b>Total assets</b>		<b>\$ 4,433,104</b>	<b>\$ 4,350,903</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Class C LP Units	4	\$ 1,505,468	\$ 1,486,968
Mortgages payable	5	55,669	55,953
Debentures payable	6	347,489	347,948
Other liabilities	8	2,144	1,481
		<b>1,910,770</b>	<b>1,892,350</b>
<b>Current liabilities</b>			
Class C LP Units	4	200,000	200,000
Mortgages payable	5	4,100	4,176
Other liabilities	8	37,919	30,269
Distributions payable	9	10,858	10,745
		<b>252,877</b>	<b>245,190</b>
<b>Total liabilities</b>		<b>2,163,647</b>	<b>2,137,540</b>
<b>Equity</b>			
Unitholders' equity	10	1,051,263	1,037,209
Non-controlling interests	10, 12	1,218,194	1,176,154
<b>Total equity</b>		<b>2,269,457</b>	<b>2,213,363</b>
<b>Total liabilities and equity</b>		<b>\$ 4,433,104</b>	<b>\$ 4,350,903</b>

The related notes form an integral part of these condensed consolidated financial statements.

# Condensed Consolidated Statements of Income and Comprehensive Income (Unaudited)

(Canadian dollars, in thousands, except per unit amounts)

For the three months ended March 31,	Note	2016	2015
Property revenue	13	\$ 98,496	\$ 92,448
Property expense	13	(23,528)	(21,560)
General and administrative expense	14	(3,407)	(2,484)
Interest income		58	21
Interest and other financing charges	15	(22,412)	(21,451)
Fair value adjustment on investment properties	3	11,946	8,592
<b>Net income and comprehensive income</b>		<b>\$ 61,153</b>	<b>\$ 55,566</b>
<b>Net income and comprehensive income attributable to:</b>			
Unitholders		\$ 28,923	\$ 27,186
Non-controlling interests		32,230	28,380
		<b>\$ 61,153</b>	<b>\$ 55,566</b>
<b>Net income per unit - basic</b>	10	<b>\$ 0.32</b>	<b>\$ 0.30</b>
<b>Net income per unit - diluted</b>	10	<b>\$ 0.26</b>	<b>\$ 0.23</b>

The related notes form an integral part of these condensed consolidated financial statements.

## Condensed Consolidated Statements of Changes in Equity (Unaudited)

(Canadian dollars, in thousands)

	Note	Units	Retained Earnings	Unitholders' Equity	Non-controlling interests	Total Equity
<b>Balance at December 31, 2015</b>		<b>\$ 879,727</b>	<b>\$ 157,482</b>	<b>\$ 1,037,209</b>	<b>\$ 1,176,154</b>	<b>\$ 2,213,363</b>
Net income and comprehensive income for the period		—	28,923	28,923	32,230	61,153
Issuance of Class B LP Units, net of issue costs	3	—	—	—	26,909	26,909
Distributions	9	—	(15,363)	(15,363)	(17,099)	(32,462)
Issuance of Units under Distribution Reinvestment Plan	9	494	—	494	—	494
<b>Balance at March 31, 2016</b>		<b>\$ 880,221</b>	<b>\$ 171,042</b>	<b>\$ 1,051,263</b>	<b>\$ 1,218,194</b>	<b>\$ 2,269,457</b>

	Note	Units	Retained Earnings	Unitholders' Equity	Non-controlling interests	Total Equity
<b>Balance at December 31, 2014</b>		<b>\$ 877,905</b>	<b>\$ 104,683</b>	<b>\$ 982,588</b>	<b>\$ 1,019,601</b>	<b>\$ 2,002,189</b>
Net income and comprehensive income for the period		—	27,186	27,186	28,380	55,566
Issuance of Class B LP Units, net of issue costs		—	—	—	61,896	61,896
Distributions	9	—	(14,953)	(14,953)	(15,663)	(30,616)
Issuance of Units under Distribution Reinvestment Plan	9	441	—	441	—	441
<b>Balance at March 31, 2015</b>		<b>\$ 878,346</b>	<b>\$ 116,916</b>	<b>\$ 995,262</b>	<b>\$ 1,094,214</b>	<b>\$ 2,089,476</b>

The related notes form an integral part of these condensed consolidated financial statements.

## Condensed Consolidated Statements of Cash Flows (Unaudited)

(Canadian dollars, in thousands, except per unit amounts)

For the three months ended March 31,	Note	2016	2015
<b>Cash generated from (used for):</b>			
<b>Operating activities</b>			
Net income		\$ 61,153	\$ 55,566
Add (deduct):			
Fair value adjustment on investment properties		(11,946)	(8,592)
Property straight-line rent revenue		(5,860)	(6,449)
Straight-line ground lease expense		23	45
Interest and other financing charges		22,412	21,451
Changes in working capital and other	16	(739)	2,082
<b>Cash generated from operating activities</b>		<b>65,043</b>	<b>64,103</b>
<b>Investing activities</b>			
Income producing property		(249)	(10,190)
Land investments and development activities		(3,695)	(19)
Capital expenditures recoverable from tenants		(3,201)	(354)
<b>Cash used for investing activities</b>		<b>(7,145)</b>	<b>(10,563)</b>
<b>Financing activities</b>			
Unit distributions	9	(14,867)	(14,509)
Class B LP Unit distributions paid or loaned	9	(16,987)	(15,398)
Payments on Class C LP Units paid or loaned	4	(18,950)	(20,515)
Bank Credit Facility draws (repayments)	7	—	(3,110)
Mortgage principal repayments	5	(366)	(286)
Interest paid		(438)	(857)
Class B LP Unit issue costs		(41)	(104)
<b>Cash used for financing activities</b>		<b>(51,649)</b>	<b>(54,779)</b>
<b>Cash generated/(used) in the period</b>		<b>6,249</b>	<b>(1,239)</b>
Cash and cash equivalents, beginning of period		24,680	2,710
<b>Cash and cash equivalents, end of period</b>		<b>\$ 30,929</b>	<b>\$ 1,471</b>

The related notes form an integral part of these condensed consolidated financial statements.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the three months ended March 31, 2016 and 2015  
(All dollar amounts are in thousands, except per unit amounts)

## 1. NATURE OF CT REAL ESTATE INVESTMENT TRUST

CT Real Estate Investment Trust is an unincorporated, closed-end real estate investment trust. CT Real Estate Investment Trust and its subsidiaries, unless the context requires otherwise, are together referred to in these unaudited condensed consolidated financial statements as “CT REIT”. CT REIT commenced operations on October 23, 2013, and was formed to own income-producing commercial properties located primarily in Canada. The principal and registered head office of CT REIT is located at 2180 Yonge Street, Toronto, Ontario M4P 2V8.

Canadian Tire Corporation, Limited (“CTC”) owns an 84.0% effective interest in CT REIT as of March 31, 2016, consisting of 59,711,094 of the issued and outstanding units of CT REIT (“Units”) and all of the issued and outstanding Class B limited partnership units (“Class B LP Units”) of CT REIT Limited Partnership (the “Partnership”), which are economically equivalent to and exchangeable for Units. CTC also owns all of the issued and outstanding Class C limited partnership units (“Class C LP Units”) of the Partnership (see Note 4). The Units are listed on the Toronto Stock Exchange (the “TSX”) under the symbol CRT.UN.

## 2 SIGNIFICANT ACCOUNTING POLICIES

### (a) Statement of compliance

These condensed consolidated interim financial statements (“interim financial statements”) have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). CT REIT prepared these interim financial statements for the three months ended March 31, 2016 in accordance with International Accounting Standard (“IAS”) 34 – *Interim Financial Reporting*. These interim financial statements should be read in conjunction with the annual consolidated financial statements contained in CT REIT’s 2015 Annual Report. They have been prepared using the same accounting policies that were described in Note 3 to the annual consolidated financial statements contained in CT REIT’s 2015 Annual Report.

These interim financial statements were authorized for issuance by CT REIT’s Board of Trustees (the “Board”) on May 10, 2016.

### (b) Basis of presentation

These interim financial statements have been prepared on the historical cost basis except for investment properties and liabilities for unit-based compensation plans, which are measured at fair value.

These interim financial statements are presented in Canadian dollars (“C\$”) rounded to the nearest thousand, except per unit amounts.

### (c) Judgements and estimates

The preparation of these interim financial statements in accordance with IFRS requires management to make judgments and estimates that affect the application of accounting policies and the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of these interim financial statements and the reported amounts of revenue and expenses during the reporting periods presented. Actual results may differ from estimates made in these interim financial statements.

Judgments are made in the selection and assessment of CT REIT’s accounting policies. Estimates are used mainly in determining the measurement of recognized transactions and balances. Estimates are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Judgment and estimates are often interrelated. CT REIT’s judgments and estimates are continually re-evaluated to ensure they remain appropriate. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in future periods affected.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the three months ended March 31, 2016 and 2015  
(All dollar amounts are in thousands, except per unit amounts)

Details of the accounting policies subject to judgments and estimates that CT REIT believes could have the most significant impact on the amounts recognized in these interim financial statements are described in Note 2 to the annual consolidated financial statements contained in CT REIT's 2015 Annual Report.

## (d) Standards, amendments and interpretations issued and adopted

### **Disclosure initiative (IAS 1)**

In December 2014, the International Accounting Standard Board ("IASB") issued Disclosure Initiative Amendments to IAS 1 as part of the IASB's Disclosure Initiative. These amendments encourage entities to apply professional judgment regarding disclosure and presentation in their financial statements.

These amendments are effective for annual periods beginning on or after January 1, 2016. These amendments did not impact CT REIT's interim financial statements and CT REIT is currently assessing the impact on its annual disclosure.

## (e) Standards, amendments and interpretations issued but not yet adopted

Details of the standards, amendments and interpretations issued but not yet adopted are described in Note 2 to the annual consolidated financial statements contained in CT REIT's 2015 Annual Report.

## 3. INVESTMENT PROPERTIES

	March 31, 2016			December 31, 2015		
	Income producing properties	Properties under development	Total investment properties	Income producing properties	Properties under development	Total investment properties
<b>Balance, beginning of period</b>	<b>\$ 4,304,838</b>	<b>\$ 14,223</b>	<b>\$ 4,319,061</b>	<b>\$ 3,995,860</b>	<b>\$ 3,984</b>	<b>\$ 3,999,844</b>
Property acquisitions (including transaction costs)	45,699	—	45,699	174,430	—	174,430
Intensifications	—	436	436	—	28,939	28,939
Developments	—	766	766	—	25,983	25,983
Development land	—	17	17	—	8,767	8,767
Capitalized interest and property taxes	—	128	128	—	390	390
Transfers	436	(436)	—	53,840	(53,840)	—
Fair value adjustment on investment properties	11,946	—	11,946	39,910	—	39,910
Straight-line rent	5,860	—	5,860	26,131	—	26,131
Recoverable capital expenditures	259	—	259	14,834	—	14,834
Dispositions	—	—	—	(167)	—	(167)
<b>Balance, end of period</b>	<b>\$ 4,369,038</b>	<b>\$ 15,134</b>	<b>\$ 4,384,172</b>	<b>\$ 4,304,838</b>	<b>\$ 14,223</b>	<b>\$ 4,319,061</b>

To determine fair value, CT REIT uses the income approach. Fair value is estimated by capitalizing the cash flows that the property can reasonably be expected to produce over its remaining economic life. The income approach is derived from two methods: the overall capitalization rate ("OCR") method, whereby the net operating income is capitalized at the requisite OCR, or the discounted cash flow ("DCF") method, in which the cash flows are projected over the anticipated term of the investment plus a terminal value discounted using an appropriate discount rate.

As at March 31, 2016, management's determination of fair value was updated for current market assumptions, utilizing market capitalization rates provided by independent valuation professionals.



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the three months ended March 31, 2016 and 2015  
(All dollar amounts are in thousands, except per unit amounts)

On a periodic basis, CT REIT obtains independent valuations such that substantially all of the properties will be externally appraised over a four-year period.

The fair value of investment properties is based on Level 3 inputs (see Note 24(a) to the annual consolidated financial statements contained in CT REIT's 2015 Annual Report for definition of levels). There have been no transfers during the period between levels.

The significant inputs used to determine the fair value of CT REIT's income producing investment properties are as follows:

	Properties valued by the OCR method	Properties valued by the DCF method
Number of properties	258	30
Value at March 31, 2016	\$ 3,547,825	\$ 792,035
Discount rate	—%	6.79%
Terminal capitalization rate	—%	6.39%
Overall capitalization rate	6.31%	—%
Hold period (years)	—	9

Valuations determined by the OCR method are most sensitive to changes in capitalization rates. Valuations determined by the DCF method are most sensitive to changes in discount rates.

The following table summarizes the sensitivity of the fair value of investment properties to changes in the capitalization rate and discount rate, respectively:

Rate sensitivity	OCR Sensitivity		DCF Sensitivity	
	Fair value	Change in fair value	Fair value	Change in fair value
+ 75 basis points	\$ 3,193,880	\$ (353,945)	\$ 712,816	\$ (79,219)
+ 50 basis points	3,303,216	(244,609)	737,222	(54,813)
+ 25 basis points	3,420,855	(126,970)	763,588	(28,447)
Base rate	\$ 3,547,825	\$ —	\$ 792,035	\$ —
- 25 basis points	3,685,238	137,413	822,782	30,747
- 50 basis points	3,834,544	286,719	856,250	64,215
- 75 basis points	\$ 3,997,163	\$ 449,338	\$ 892,769	\$ 100,734

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the three months ended March 31, 2016 and 2015  
(All dollar amounts are in thousands, except per unit amounts)

## 2016 Investment and Development Activity

Funding of investment and development activities for the three months ended March 31, 2016 was as follows:

2016 Investment and Development Activity					
	Property investments	Development land	Developments	Intensifications	Total
Funded with working capital to CTC	\$ —	\$ —	\$ —	\$ 450	\$ 450
Funded with working capital to third parties	249	17	766	(14)	1,018
Issuance of Class B LP Units to CTC	26,950	—	—	—	26,950
Issuance of Class C LP Units to CTC	18,500	—	—	—	18,500
Mortgages assumed	—	—	—	—	—
<b>Total costs</b>	<b>\$ 45,699</b>	<b>\$ 17</b>	<b>\$ 766</b>	<b>\$ 436</b>	<b>\$ 46,918</b>

## 2015 Investment and Development Activity

Funding of investment and development activities for the year ended December 31, 2015 was as follows:

2015 Investment and Development Activity					
	Property investments	Development land	Developments	Intensifications	Total
Funded with working capital to CTC	\$ 41,955	\$ 1	\$ 14,060	\$ 15,103	\$ 71,119
Funded with working capital to third parties	1,095	627	8,966	13,836	24,524
Issuance of Class B LP Units to CTC	99,830	—	—	—	99,830
Issuance of Class C LP Units to CTC	31,550	8,139	—	—	39,689
Mortgages assumed	—	—	2,957	—	2,957
<b>Total costs</b>	<b>\$ 174,430</b>	<b>\$ 8,767</b>	<b>\$ 25,983</b>	<b>\$ 28,939</b>	<b>\$ 238,119</b>

Included in CT REIT's investment properties are eight buildings which are situated on ground leases with remaining initial terms of between 3 and 40 years, and an average initial term of 16 years.

## 4. CLASS C LP UNITS

The Class C LP Units entitle the holder to a fixed cumulative monthly payment during the initial fixed rate period for each Series of Class C LP Units (the "Initial Fixed Rate Period") equal to a weighted average of 4.47% of the aggregate capital amount ascribed to the Class C LP Units, in priority to distributions made to holders of the Class B LP Units and CT REIT GP Corp. (the "GP") Units, subject to certain exceptions.

On expiry of the Initial Fixed Rate Period applicable to each series of Class C LP Units, and every five years thereafter, each such series of Class C LP Units is redeemable at par (together with all accrued and unpaid payments thereon) at the option of the Partnership or the holder, upon giving at least 120 days' prior notice. The Partnership further has the ability to settle any of the Class C LP Units at any time after January 1, 2019 at a price equal to the greater of par and a price to provide a yield equal to the then equivalent Government of Canada bond yield plus a spread, so long as such redemption is in connection with a sale of properties.

Such redemptions of Class C LP Units (other than upon a change of control at CT REIT) can be settled at the option of the Partnership, in cash or Class B LP Units of equal value.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

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During the five-year period beginning immediately following the completion of the Initial Fixed Rate Period, and each five-year period thereafter, if not redeemed, the fixed payment rate for Class C LP Units will be reset, and the holders of Class C LP Units will be entitled, subject to certain conditions, to elect either a fixed rate or floating rate option.

The following table presents the details of the Class C LP Units:

Series	Expiry of initial fixed rate period	Annual distribution rate during initial fixed rate period	Carrying amount at March 31, 2016	Carrying amount at December 31, 2015
Series 2	May 31, 2016	3.50%	200,000	200,000
Series 3	May 31, 2020	4.50%	200,000	200,000
Series 4	May 31, 2024	4.50%	200,000	200,000
Series 5	May 31, 2028	4.50%	200,000	200,000
Series 6	May 31, 2031	5.00%	200,000	200,000
Series 7	May 31, 2034	5.00%	200,000	200,000
Series 8	May 31, 2035	5.00%	200,000	200,000
Series 9	May 31, 2038	5.00%	200,000	200,000
Series 10	May 31, 2017	2.38%	7,130	7,130
Series 11	May 31, 2017	2.20%	20,685	20,685
Series 12	May 31, 2017	2.23%	19,464	19,464
Series 13	May 31, 2017	1.65%	3,789	3,789
Series 14	May 31, 2017	1.71%	15,000	15,000
Series 15	May 31, 2017	1.77%	4,350	4,350
Series 16	May 31, 2020	2.42%	16,550	16,550
Series 17	May 31, 2020	2.39%	18,500	—
<b>Weighted average / Total</b>		<b>4.47%</b>	<b>\$ 1,705,468</b>	<b>\$ 1,686,968</b>
Current			<b>\$ 200,000</b>	<b>\$ 200,000</b>
Non-current			<b>1,505,468</b>	<b>1,486,968</b>
<b>Total</b>			<b>\$ 1,705,468</b>	<b>\$ 1,686,968</b>

For the three months ended March 31, 2016, interest expense of \$19,044 (2015 - \$20,515) was recognized in respect of the Class C LP Units (see Note 15). The holders of the Class C LP Units may elect to defer receipt of all or a portion of payments declared by CT REIT until the first business day following the end of the fiscal year. If the holder so elects to defer receipt of payments, CT REIT will loan the holder an amount equal to the deferred payment without interest, and the loan will be due and payable in full on the first business day following the end of the fiscal year the loan was advanced, the holder having irrevocably directed that any payment of the deferred payments be applied to repay such loans. At the election of the holder, payments on the Class C LP Units for the three months ended March 31, 2016 of \$12,596 (December 31, 2015 – \$68,805), respectively, were deferred until the first business day following the end of the fiscal year and non-interest bearing loans equal to the deferred payments were advanced in lieu thereof. The loans deferred as at December 31, 2015 were settled on January 4, 2016. The net amount of payments due in respect of the Class C LP Units at March 31, 2016 of \$6,382 (December 31, 2015 – \$6,288) is included in other liabilities on the interim balance sheets (see Note 8).

A redemption notice was submitted by CT REIT to CTC, the holder of Series 2 of the Class C LP Units. CT REIT intends to redeem the Series 2 Class C LP Units which are redeemable or reset on May 31, 2016. The redemption will be funded, subject to TSX approval, by the issuance to CTC of \$200 million of Class B LP units.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

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## 5. MORTGAGES PAYABLE

Mortgages payable, secured by certain of CT REIT's investment properties, include the following:

	March 31, 2016		December 31, 2015	
	Face value	Carrying amount	Face value	Carrying amount
Current	\$ 4,014	\$ 4,100	\$ 4,074	\$ 4,176
Non-current	55,643	55,669	55,949	55,953
<b>Total</b>	<b>\$ 59,657</b>	<b>\$ 59,769</b>	<b>\$ 60,023</b>	<b>\$ 60,129</b>

Future repayments are as follows:		Principal Amortization	Maturities	Total
	2016	\$ 944	\$ 2,764	\$ 3,708
	2017	1,241	—	1,241
	2018	493	16,590	17,083
	2019	35	37,590	37,625
	2020	—	—	—
	2021 and thereafter	—	—	—
Total contractual obligation	\$	2,713	\$ 56,944	\$ 59,657
Unamortized portion of mark to market on mortgages payable assumed at the acquisition of properties				242
Unamortized transaction costs				(130)
			\$	59,769

Mortgages payable have interest rates that range from 2.50% to 3.60%, and have maturity dates that range from May 2016 to December 2019. Mortgages payable at March 31, 2016 had a weighted average interest rate of 3.15% (December 31, 2015 – 3.15%). At March 31, 2016, floating rate and fixed rate mortgages were \$31,133 (December 31, 2015 – \$31,133) and \$28,524 (December 31, 2015 – \$28,890), respectively.

Investment properties having a fair value of \$135,123 (December 31, 2015 – \$132,999), have been pledged as security for mortgages payable.

## 6. DEBENTURES PAYABLE

	March 31, 2016		December 31, 2015	
Series	Face Value	Carrying Amount	Face Value	Carrying Amount
A, 2.85%, June 9, 2022	\$ 150,000	\$ 149,011	\$ 150,000	\$ 149,159
B, 3.53%, June 9, 2025	200,000	198,478	200,000	198,789
	<b>\$ 350,000</b>	<b>\$ 347,489</b>	<b>\$ 350,000</b>	<b>\$ 347,948</b>

For the three months ended March 31, 2016, amortization of the transaction costs of \$112 (2015 - \$nil) is included in interest and other financing charges on the interim statements of income and comprehensive income (see Note 15).

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

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## 7. BANK CREDIT FACILITY

Subsequent to March 31, 2016, the REIT exercised the accordion feature and increased the committed amount of its revolving credit facility (the "Bank Credit Facility") by \$100 million to \$300 million and extended the term to five years expiring in April 2021. The Bank Credit Facility bears interest at a rate based on the bank's prime rate of interest or bankers' acceptances plus a margin. A standby fee is charged on the Bank Credit Facility.

As at March 31, 2016, there were no cash advances under the Bank Credit Facility (December 31, 2015 – \$0) and \$321 (December 31, 2015 – \$311) of letters of credit had been drawn on the Bank Credit Facility. The unamortized balance of transaction costs incurred in connection with the arrangement of the Bank Credit Facility of \$255 (December 31, 2015 – \$283) is recorded in other assets on the interim balance sheets.

For the three months ended March 31, 2016, amortization of the transaction costs of \$28 (2015 - \$38), as well as the standby fee of \$118 (2015 - \$124) are included in interest and other financing charges on the interim statements of income and comprehensive income (see Note 15).

## 8. OTHER LIABILITIES

Other liabilities are comprised of the following:

	March 31, 2016	December 31, 2015
Interest on Class C LP Units <sup>1</sup>	\$ 6,382	\$ 6,288
Property operating costs <sup>2</sup>	8,681	2,899
Capital expenditures payable	2,567	9,630
Deferred revenue <sup>3</sup>	5,423	1,301
Other <sup>4</sup>	17,010	11,632
<b>Other liabilities</b>	<b>\$ 40,063</b>	<b>\$ 31,750</b>
Current	\$ 37,919	\$ 30,269
Non-current	2,144	1,481
<b>Other liabilities</b>	<b>\$ 40,063</b>	<b>\$ 31,750</b>

<sup>1</sup> Net of loans receivable of \$12,596 (December 31, 2015 - \$68,805). See Note 19(b).

<sup>2</sup> Includes \$601 payable to CTC (December 31, 2015 - \$507).

<sup>3</sup> Prepaid rent from CTC.

<sup>4</sup> Includes \$2,650 payable to CTC (December 31, 2015 - \$2,588).

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

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## 9. DISTRIBUTIONS ON UNITS AND CLASS B LP UNITS

The following table presents total distributions declared on Units and Class B LP Units:

Three Months Ended March 31,	2016		2015	
	Total Distributions	Distributions per Unit	Total Distributions	Distributions per Unit
Units <sup>1</sup>	\$ 15,363	\$ 0.17	\$ 14,953	\$ 0.17
Class B LP Units <sup>2</sup>	\$ 17,099	\$ 0.17	\$ 15,663	\$ 0.17

<sup>1</sup> Includes \$10,151 (2015 - \$9,897) paid or payable to CTC.

<sup>2</sup> Paid or payable to CTC.

CT REIT has adopted a distribution reinvestment plan ("DRIP"), which allows certain Canadian resident Unitholders to elect to have all or a portion of their cash distributions reinvested in additional Units (at a price per unit calculated by reference to the five-day volume weighted average for the Units on the TSX for the five business days immediately preceding the distribution payment date). No brokerage commissions or service charges are payable in connection with the purchase of Units under the DRIP and CT REIT pays all administrative costs. The automatic reinvestment of distributions under the DRIP does not relieve holders of Units of any income tax applicable to such distributions. Unitholders who participate in the DRIP receive an additional distribution of units equal to 3.0% of each distribution that was reinvested by them.

For the three months ended March 31, 2016, 37,291 (2015 - 35,814) Units, were issued under the DRIP for \$494 (2015 - \$441).

On March 15, 2016, CT REIT's Board declared a distribution of \$0.05667 per Unit paid on April 15, 2016 to holders of Units and Class B LP Units of record as of March 31, 2016.

On April 15, 2016, CT REIT's Board declared a distribution of \$0.05667 per Unit payable on May 16, 2016 to holders of Units and Class B LP Units of record as of April 29, 2016.

The holders of the Class B LP Units may elect to defer receipt of all or a portion of distributions declared by CT REIT until the first day following the end of the fiscal year. If the holder so elects to defer receipt of distributions, CT REIT will loan the holder the amount equal to the deferred distribution without interest, and the loan will be due and payable in full on the first business day following the end of the fiscal year the loan was advanced, the holder having irrevocably directed that any payment of the deferred distributions be applied to repay such loans. For the three months ended March 31, 2016, the holders of the Class B LP Units elected to defer distributions in the amount of \$586 (2015 - \$288). See Note 19(b).

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

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## 10. EQUITY

### Authorized and outstanding units

CT REIT is authorized to issue an unlimited number of Units.

The following tables summarize the changes in Units and Class B LP Units:

As at March 31, 2016			
	Units	Class B LP Units	Total
Total outstanding at beginning of period	90,337,358	99,263,329	189,600,687
Issued	37,291	1,968,877	2,006,168
<b>Total outstanding at end of period</b>	<b>90,374,649</b>	<b>101,232,206</b>	<b>191,606,855</b>

As at December 31, 2015			
	Units	Class B LP Units	Total
Total outstanding at beginning of year	90,188,210	91,297,572	181,485,782
Issued	149,148	7,965,757	8,114,905
Total outstanding at end of year	90,337,358	99,263,329	189,600,687

Net income attributable to Unitholders and weighted average units outstanding used in determining basic and diluted net income per unit for the three months ended March 31, 2016 and 2015, are calculated as follows, respectively:

For the three months ended March 31, 2016			
	Units	Class B LP Units	Total
Net income attributable to Unitholders - basic	\$ 28,923	\$ 32,230	\$ 61,153
Income effect of settling Class C LP Units with Class B LP Units			19,044
<b>Net income attributable to Unitholders - diluted</b>			<b>\$ 80,197</b>

Weighted average Units outstanding - basic	90,356,774	100,345,130	190,701,904
Dilutive effect of other Unit plans			97,785
Dilutive effect of settling Class C LP Units with Class B LP Units			117,623,082
<b>Weighted average Units outstanding - diluted</b>			<b>308,422,771</b>

For the three months ended March 31, 2015			
	Units	Class B LP Units	Total
Net income attributable to Unitholders - basic	\$ 27,186	\$ 28,380	\$ 55,566
Income effect of settling Class C LP Units with Class B LP Units			20,515
Net income attributable to Unitholders - diluted			\$ 76,081
Weighted average Units outstanding - basic	90,207,309	93,803,998	184,011,307
Dilutive effect of other Unit plans			62,928
Dilutive effect of settling Class C LP Units with Class B LP Units			141,201,738
Weighted average Units outstanding - diluted			325,275,973

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The calculation of diluted per unit amounts is determined on a combined basis for the Units and Class B LP Units as the Class B LP Units are exchangeable into Units on a one-for-one basis and are entitled to an equivalent amount of net income per unit as the Units.

Details and descriptions of the Units, and Class B LP Units are available in Note 14 to the annual consolidated financial statements contained in the CT REIT's 2015 Annual Report.

## 11. UNIT BASED COMPENSATION PLANS

### Deferred Unit Plan for Trustees

CT REIT offers a deferred unit ("DU") Plan for members of its Board of Trustees who are not employees or officers of CT REIT or its affiliates. Under this plan, trustees may elect to receive all or a portion of their annual compensation, which is paid quarterly, in DUs. The number of DUs to be issued is determined by dividing the quarterly compensation amount the trustee has elected to defer by the volume weighted average price at which Units of CT REIT trade on the Toronto Stock Exchange during the five trading days immediately preceding the end of the calendar quarter. The DU account of each trustee includes the value of distributions, if any, which are reinvested in additional DUs. DUs represent the right to receive an equivalent number of Units issued by CT REIT or, at the trustee's election, the cash equivalent thereof, upon the trustee's departure from the Board. DUs that are converted to cash will be equivalent to the fair market value of Units of CT REIT at the time the conversion takes place pursuant to the terms of the DU Plan.

### Performance Unit Plan

CT REIT offers performance units ("PUs") to its executives. Each PU entitles the executive to receive a cash payment equal to the volume weighted average trading price of a Unit of CT REIT on the TSX during the 10-calendar day period commencing on the first business day following the end of the performance period, multiplied by a factor determined by specific performance-based criteria, as set out in CT REIT's PU Plan. The performance period of each PU award is approximately three years from the date of issuance.

### Restricted Unit Plan for Executives

CT REIT offers a restricted unit ("RU") Plan for its executives. Under this plan, executives of CT REIT may elect to receive all or a portion of their annual bonus in RUs which entitle the executive to receive an equivalent number of Units issued by CT REIT or, at the executive's election, the cash equivalent thereof, at the end of the vesting period which is generally five years from the annual bonus payment date. The number of RUs to be issued is determined by dividing the annual bonus amount the executive has elected to defer by the volume weighted average price at which Units of CT REIT trade on the Toronto Stock Exchange during the five trading days immediately prior to the tenth business day following the release of CT REIT's financial statements for the year in which the annual bonus was earned. The RU Plan also provides for discretionary grants of RUs which entitle the executive to receive an equivalent number of Units of CT REIT or, at the executive's election, the cash equivalent thereof, at the end of the vesting period which is generally three years from the date of issuance. RUs that are converted to cash will be equivalent to the market value of Units of CT REIT on the conversion date pursuant to the terms of the RU Plan. The RU account for each executive includes the value of distributions, if any, which are reinvested in additional RUs.



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

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## 12. NON-CONTROLLING INTERESTS

Details of non-wholly owned subsidiaries of CT REIT that have material non-controlling interests are as follows:

As at	Proportion of ownership interests held by non-controlling interests		Net income and comprehensive income allocated to non-controlling interests	
	March 31, 2016	December 31, 2015	2016	2015
<b>Name of Subsidiary</b>				
CT REIT Limited Partnership	52.83%	52.35%	\$ 32,230	\$ 28,380

There are no restrictions on CT REIT's ability to access or use the assets and settle the liabilities of its subsidiaries and there are no contractual arrangements that could require CT REIT to provide financial support.

## 13. REVENUE AND EXPENSES

### (a) Property revenue

CT REIT leases income-producing commercial properties to tenants under operating leases. The CTC leases have staggered initial terms ranging from 1 to 20 years, with a weighted average remaining initial term of approximately 13.3 years. Annual base minimum rent for CTC leases had weighted average annual rent escalations of approximately 1.5% per year commencing January 1, 2015.

The components of revenue are as follows:

For the three months ended March 31, 2016		CTC		Other		Total
Base minimum rent	\$	67,366	\$	2,681	\$	70,047
Straight-line rent		5,752		108		5,860
Subtotal base rent	\$	73,118	\$	2,789	\$	75,907
Property operating expense recoveries		20,210		1,468		21,678
Capital expenditure and interest recovery charge		766		19		785
Other revenues		—		126		126
<b>Property revenue</b>	<b>\$</b>	<b>94,094</b>	<b>\$</b>	<b>4,402</b>	<b>\$</b>	<b>98,496</b>

For the three months ended March 31, 2015		CTC		Other		Total
Base minimum rent	\$	62,737	\$	2,365	\$	65,102
Straight-line rent		6,309		140		6,449
Subtotal base rent	\$	69,046	\$	2,505	\$	71,551
Property operating expense recoveries		18,733		1,417		20,150
Capital expenditure and interest recovery charge		640		—		640
Other revenues		—		107		107
<b>Property revenue</b>	<b>\$</b>	<b>88,419</b>	<b>\$</b>	<b>4,029</b>	<b>\$</b>	<b>92,448</b>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

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## (b) Property expense

The major components of property expense consist of property taxes and other recoverable costs:

For the three months ended March 31,	2016	2015
Property taxes	\$ 19,895	\$ 18,680
Other recoverable operating costs	1,691	1,538
Ground lease	1,001	632
Property management <sup>1</sup>	918	684
Property insurance	23	57
Other non-recoverable costs (income)	—	(31)
<b>Property expense</b>	<b>\$ 23,528</b>	<b>\$ 21,560</b>

<sup>1</sup> Includes \$613 (2015 - \$539) with CTC. See Note 19.

## 14. GENERAL AND ADMINISTRATIVE EXPENSE

General and administrative expense is comprised of the following:

For the three months ended March 31,	2016	2015
Services Agreement with CTC <sup>1</sup>	\$ 707	\$ 836
Personnel expense <sup>2</sup>	1,310	1,191
Other	1,390	457
<b>General and administrative expense</b>	<b>\$ 3,407</b>	<b>\$ 2,484</b>

<sup>1</sup> See Note 19.

<sup>2</sup> Includes unit-based awards, as described in Note 11, including (gain) loss adjustments as a result of the change in the fair market value of the Units of \$257 (2015 - \$149).

## 15. INTEREST AND OTHER FINANCING CHARGES

Interest and other financing charges are comprised of the following:

For the three months ended March 31,	2016	2015
Interest on Class C LP Units <sup>1</sup>	\$ 19,044	\$ 20,515
Interest on debentures payable	2,833	—
Interest on mortgages payable	403	425
Interest on Bank Credit Facility	2	397
Standby fees - Bank Credit Facility	118	124
Amortization of financing costs - Bank Credit Facility	28	38
Amortization of debentures payable financing cost	112	—
	<b>\$ 22,540</b>	<b>\$ 21,499</b>
Capitalized interest	(128)	(48)
<b>Interest and other financing charges</b>	<b>\$ 22,412</b>	<b>\$ 21,451</b>

<sup>1</sup> Paid or payable to CTC.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

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## 16. CHANGES IN WORKING CAPITAL AND OTHER

Changes in working capital are comprised of the following:

For the three months ended March 31,	2016	2015
Changes in working capital and other		
Tenant and other receivables	\$ (3,474)	\$ (706)
Other assets	(6,781)	(4,628)
Other liabilities	10,217	7,624
Other	(701)	(208)
<b>Changes in working capital and other</b>	<b>\$ (739)</b>	<b>\$ 2,082</b>

## 17. SEGMENTED INFORMATION

CT REIT has one reportable segment, which comprises the ownership and operation of primarily retail investment properties located in Canada.

## 18. COMMITMENTS AND CONTINGENCIES

CT REIT has agreed to indemnify, in certain circumstances, the trustees and officers of CT REIT and its subsidiaries.

As at March 31, 2016, CT REIT has obligations for \$423,106 (December 31, 2015 – \$63,070) in future payments for committed acquisitions and the completion of developments which are expected to be incurred in 2016. Included in the commitments is \$329,320 to CTC.

During the quarter, the REIT acquired an investment property for which the purchase agreement provided for a \$1,500 holdback pursuant to which certain amounts are to be paid by the REIT if certain leasing conditions are met by the second anniversary of the acquisition date. As at March 31, 2016, CT REIT has not recorded an amount payable in other liabilities on the interim balance sheets.

## 19. RELATED-PARTY TRANSACTIONS

In the normal course of operations, CT REIT enters into various transactions with related parties that have been measured at amounts agreed to between the parties and are recognized in the consolidated financial statements.

### (a) Arrangements with CTC

#### *Services Agreement*

Under the Services Agreement, CTC provides the REIT with certain administrative, legal, financial, information technology, internal audit and other support services as may be reasonably required from time to time (the "Services"). CTC provides these Services to the REIT on a cost recovery basis pursuant to which CT REIT reimburses CTC for all costs and expenses incurred by CTC in connection with providing the Services, plus applicable taxes. The Services Agreement has been renewed for 2016, and CTC will continue to provide such Services on a cost recovery basis.

#### *Property Management Agreement*

Under the Property Management Agreement, CTC provides the REIT with customary property management services (the "Property Management Services"). CTC agreed to provide Property Management Services to the REIT on a

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

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cost recovery basis pursuant to which the REIT reimburses CTC for all costs and expenses incurred by CTC in connection with providing the Property Management Services, plus applicable taxes. The Property Management Agreement has been renewed for 2016, and CTC will continue to provide such Property Management Services on a cost recovery basis.

## (b) Transactions and balances with related parties

Transactions with CTC are comprised of the following, excluding acquisition and intensification activities with CTC which are contained in Note 3:

For the three months ended March 31,	2016	2015
Rental revenue	\$ 94,094	\$ 88,419
Property Management and Services Agreement expense	1,320	1,375
Distributions on Units	10,151	9,897
Distributions on Class B LP Units <sup>1</sup>	17,099	15,663
Interest expense on Class C LP Units	19,044	20,515

<sup>1</sup> Includes distributions deferred at the election of the holders of the Class B LP Units

The net balance due to CTC is comprised of the following:

	March 31, 2016	December 31, 2015
Tenant and other receivables	\$ (4,633)	\$ (893)
Class C LP Units	1,705,468	1,686,968
Amounts payable on Class C LP Units	18,978	75,093
Loans receivable in lieu of payments on Class C LP Units	(12,596)	(68,805)
Other liabilities	8,674	4,396
Distributions payable on Units and Class B LP Units <sup>1</sup>	9,707	11,115
Loans receivable in lieu of distributions on Class B LP Units	(586)	(2,106)
<b>Net due to CTC</b>	<b>\$ 1,725,012</b>	<b>\$ 1,705,768</b>

<sup>1</sup> Includes distributions deferred at the election of the holders of the Class B LP Units.

## 20. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The fair value of the Class C LP Units is determined by discounting contractual principal and interest payments at estimated current market interest rates for the instrument. Current market interest rates are determined with reference to current benchmark rates for a similar term and current credit spreads for debt with similar terms and risks.

The fair value of the Class C LP Units, debentures payable and mortgages payable at March 31, 2016, is \$1,803,211, \$354,708 and \$61,021 respectively. The fair value measurement of the Class C LP Units, debentures payable and mortgages payable is based on Level 2 inputs. The significant inputs used to determine the fair value of the Class C LP Units, debentures payable and mortgages payable are interest rates, interest rate volatility, and credit spreads. There have been no transfers during the period between levels.

Financial assets consist of cash and cash equivalents, tenant and other receivables, and deposits, which are classified as loans and receivables and carried at amortized cost. Financial liabilities, other than those discussed in the preceding paragraph, consist of other liabilities and distributions payable, which are classified as other liabilities and carried at amortized cost, except for DUs, RUs and PUs which are included in other liabilities and carried at fair value. The carrying amounts approximate their fair value due to their short-term nature.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

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## 21. CAPITAL MANAGEMENT AND LIQUIDITY

CT REIT's objectives when managing capital are to ensure access to capital and sufficient liquidity is available to support ongoing property operations, developments and acquisitions while generating reliable, durable and growing monthly cash distributions on a tax-efficient basis to maximize long-term Unitholder value.

The definition of capital varies from entity to entity, industry to industry and for different purposes. CT REIT's strategy and process for managing capital is driven by requirements established under the Declaration of Trust, the Trust Indenture dated June 9, 2015 pursuant to which the Series A and B unsecured debentures were issued, and the Bank Credit Facility.

As at March 31, 2016, CT REIT was in compliance with all of its financial covenants. Under these financial covenants, CT REIT has sufficient flexibility to fund business growth and maintain or amend distribution rates within its existing distribution policy.

## 22. SUBSEQUENT EVENTS

As at March 31, 2016, the REIT had waived its due diligence conditions in an agreement it entered into with Sears Canada Inc. ("Sears") for the sale and leaseback of the Sears Canada distribution centre in Calgary, Alberta. On April 25, 2016, CT REIT completed the acquisition of this facility of approximately 660,000 square feet and seven acres of excess land at a total cost of \$83,850.

Subsequent to March 31, 2016, the REIT acquired an enclosed mall in Winkler, Manitoba and in Antigonish, Nova Scotia from third party vendors for a total cost of \$22,900. The REIT also completed the acquisition of a stand-alone Canadian Tire store in each of Squamish, British Columbia, Rothesay, New Brunswick, Alma, Quebec and Leamington, Ontario for a total cost of \$26,320 from CTC. In addition, CT REIT completed the acquisition of development land in Hamilton, Ontario from CTC upon which a new Canadian Tire store will be constructed in Q4 2016 at a total cost, including land, of \$13,080.

Subsequent to March 31, 2016, the REIT exercised the accordion feature and increased the committed amount of its revolving credit facility (the "Bank Credit Facility") by \$100 million to \$300 million and extended the term to five years expiring in April 2021.

## CORPORATE INFORMATION

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### Home Office

CT REIT  
2180 Yonge Street  
P.O. Box 770, Station K  
Toronto, Ontario M4P 2V8  
Canada  
Telephone: 416-480-2029  
Toll-free: 1-855-770-7348 (REIT)  
Website: [www.ctreit.com](http://www.ctreit.com)

### Registrar and Transfer Agent

Computershare Trust Company of  
Canada  
100 University Avenue, 8<sup>th</sup> Floor  
Toronto, Ontario M5J 2Y1  
Canada  
Telephone: 514-982-7555  
Toll-free: 1-877-982-8768  
Fax: 1-866-249-7775  
Email: [service@computershare.com](mailto:service@computershare.com)

### Exchange Listings

The Toronto Stock Exchange  
(CRT.UN)

### Corporate and Unitholder Information

Andrea Orzech  
Associate Vice President, Investor  
Relations  
[Andrea.orzech@cantire.com](mailto:Andrea.orzech@cantire.com)

Investor Relations email:  
[investor.relations@ctreit.com](mailto:investor.relations@ctreit.com)

Website:  
[www.ctreit.com](http://www.ctreit.com)

For Unitholder inquiries related to participation in the distribution reinvestment plan, electronic delivery of Unitholder documents, distribution payments or direct deposit of distributions into your Canadian bank account, change of address, transfer of Units, consolidation of multiple mailings to one Unitholder, estate settlements or for other Unitholder account inquiries, please contact the principal offices of Computershare Trust Company of Canada in Halifax, Montreal, Toronto, Calgary or Vancouver.