



## **CT Real Estate Investment Trust**

### **2017 First Quarter Report to Unitholders** **For the quarter ended March 31, 2017**

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# **CT REAL ESTATE INVESTMENT TRUST MANAGEMENT'S DISCUSSION AND ANALYSIS FIRST QUARTER 2017**

## **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 13.0 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, 2017 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, 2017 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 13.0 of this MD&A. Information about CT REIT, including the 2016 Annual Information Form ("AIF"), 2016 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 2016 Annual Report.

### 1.3 Accounting Estimates and Assumptions

The preparation of the 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 the interim financial statements and the reported amounts of revenue and expenses during the reporting period. Refer to section 9.0 in this MD&A for further information.

Financial data included in this MD&A includes material information as of May 9, 2017. 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 2017 (three months ended March 31, 2017) are against results for Q1 2016 (three months ended March 31, 2016). Certain of the prior period figures have been aligned to management's current view of CT REIT's operations.

All amounts in this MD&A are in thousands of Canadian dollars, except per unit, unit, square foot amounts or unless otherwise indicated.

### 1.5 Key Operating Performance Measures and Additional Non-GAAP Measures

The key operating performance measures 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.

Net operating income ("NOI"), same store NOI, same property NOI, funds from operations ("FFO"), FFO per unit - basic, FFO per unit - diluted (non-GAAP), adjusted funds from operations ("AFFO"), AFFO per unit - basic, AFFO per unit - diluted (non-GAAP), AFFO payout ratio, adjusted cashflow from operations ("ACFO") and earnings before interest and other financing costs, taxes and fair value adjustments ("EBITFV") are measures 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 (referred to as "non-GAAP measures").

For further information on the non-GAAP measures used by management and for reconciliations to the nearest GAAP measures, refer to section 10.0.

### 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 9, 2017.

### 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 owned an 85.2% effective interest in CT REIT as of March 31, 2017, 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<sup>1</sup> 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 approximately 1.5% per year, on average, over the initial term of the leases and have a weighted average remaining lease term of 12.4 years;
2. CT REIT has contractual arrangements with CTC whereby CT REIT has a right of first offer<sup>2</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>Non-GAAP measure. Refer to section 10.0 for further information.

<sup>2</sup>The ROFO Agreement has a remaining initial term of 7 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 Summary of Selected Financial and Operational Information

### Summary of Selected Financial and Operational Information

Readers are reminded that certain key performance measures may not have standardized meanings under GAAP. For further information on the REIT's operating measures and non-GAAP measures, refer to sections 1.0 and 10.0.

(in thousands of Canadian dollars, except unit, per unit and square footage amounts)		Three Months Ended		
For the periods ended March 31,		2017	2016	Change
Property revenue	\$	111,140	\$ 98,496	12.8 %
Income before interest and other financing charges, taxes and fair value adjustments <sup>1</sup>	\$	81,785	\$ 71,781	13.9 %
Net operating income <sup>1</sup>	\$	79,171	\$ 69,131	14.5 %
Net income	\$	75,322	\$ 61,153	23.2 %
Net income per unit (basic) <sup>2</sup>	\$	0.362	\$ 0.321	12.8 %
Net income per unit (diluted) <sup>4</sup>	\$	0.300	\$ 0.260	15.4 %
Funds from operations <sup>1</sup>	\$	58,063	\$ 49,626	17.0 %
FFO per unit (diluted, non-GAAP) <sup>1,2,3</sup>	\$	0.279	\$ 0.260	7.3 %
Adjusted funds from operations <sup>1</sup>	\$	47,221	\$ 39,382	19.9 %
AFFO per unit (diluted, non-GAAP) <sup>1,2,3</sup>	\$	0.227	\$ 0.206	10.2 %
Distributions per unit - paid <sup>2,7</sup>	\$	0.175	\$ 0.170	2.9 %
AFFO payout ratio <sup>1</sup>		77%	83%	(7.2)%
Excess of AFFO over distributions:				
Cash retained from operations before distribution reinvestment <sup>6</sup>	\$	10,932	\$ 7,034	55.4 %
Per unit (diluted, non-GAAP) <sup>1,2,3</sup>	\$	0.053	\$ 0.037	43.2 %
Adjusted cashflow from operations <sup>1,8</sup>	\$	44,540	\$ 42,008	6.0 %
Weighted average number of units outstanding <sup>2</sup>				
Basic		207,809,528	190,701,904	9.0 %
Diluted <sup>4</sup>		308,919,062	308,422,771	0.2 %
Diluted (non-GAAP) <sup>1,3</sup>		207,929,676	190,799,689	9.0 %
Period-end units outstanding <sup>2</sup>		208,762,695	191,606,855	9.0 %
Total assets	\$	5,109,718	\$ 4,433,104	15.3 %
Total indebtedness	\$	2,393,983	\$ 2,112,726	13.3 %
Book value per unit <sup>2</sup>	\$	12.73	\$ 11.84	7.5 %
Market price per Unit - Close (end of period)	\$	15.04	\$ 14.45	4.1 %
<b>OTHER DATA</b>				
Weighted average interest rate		3.96%	4.23%	(6.4)%
Indebtedness ratio		46.9%	47.7%	(1.7)%
Interest coverage (times)		3.43	3.20	7.2 %
Weighted average term to debt maturity (in years)		9.9	10.9	(9.2)%
Gross leasable area (square feet) <sup>5</sup>		24,952,917	21,757,451	14.7 %
Occupancy rate <sup>5</sup>		99.7%	99.9%	(0.2)%

<sup>1</sup> Non-GAAP measure. Refer to section 10.0 for further information.

<sup>2</sup> Total units means 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 7.0.

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

<sup>6</sup> Refer to section 7.0 for further information.

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

<sup>8</sup> New non-GAAP measure adopted for period ending March 31, 2017, refer to section 10.0 for further information.

## 4.0 Overview of the Property Portfolio

### 4.1 Property Profile

The property portfolio as at March 31, 2017 consists of 299 retail properties, four distribution centres ("DC"), one mixed-use commercial property and three properties under development (collectively, 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 25.0 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, 2017, CTC represented 94.0% of total GLA (December 31, 2016 - 94.2%) and 93.6% of annualized base minimum rent (December 31, 2016 - 93.8%).

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

As at March 31, 2017			
(in square feet)	GLA	Occupied GLA	Occupancy
<b>Property Type</b>			
Canadian Tire stores	19,532,049	19,532,049	100%
Distribution centres	3,920,269	3,920,269	100%
Mixed-use property	281,121	277,113	98.6%
Third party tenants	784,348	702,958	89.6%
Other CTC Banners <sup>1</sup>	435,130	435,130	100%
<b>Total</b>	<b>24,952,917</b>	<b>24,867,519</b>	<b>99.7%</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, 2016			
(in square feet)	GLA	Occupied GLA	Occupancy
<b>Property Type</b>			
Canadian Tire stores	19,329,513	19,329,513	100%
Distribution centres	3,920,269	3,920,269	100%
Mixed-use property	281,199	275,781	98.1%
Third party tenants	705,491	629,453	89.2%
Other CTC Banners <sup>1</sup>	422,844	422,844	100%
<b>Total</b>	<b>24,659,316</b>	<b>24,577,860</b>	<b>99.7%</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").

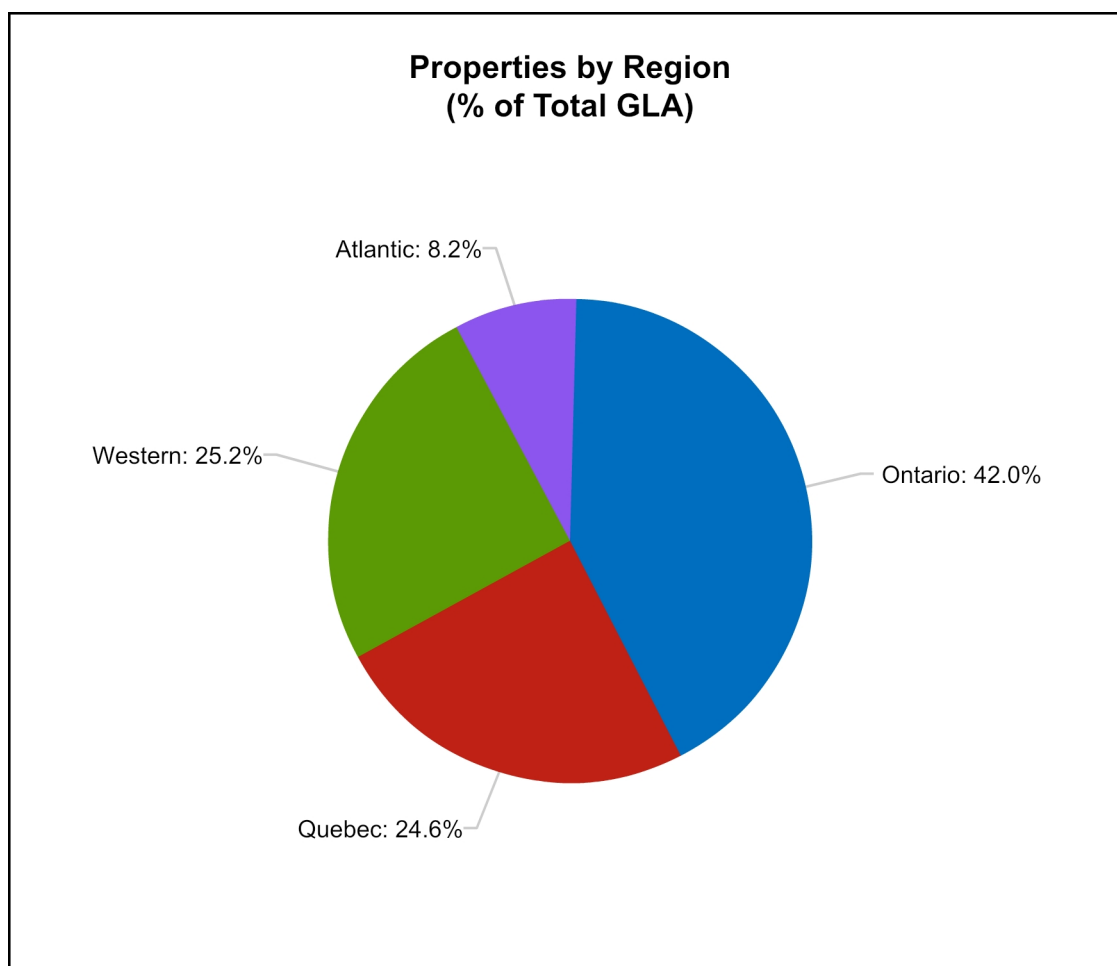


The REIT's property portfolio consists of:

As at	March 31, 2017	December 31, 2016
Single tenant properties	253	254
Multi-tenant properties anchored by Canadian Tire store	42	37
Multi-tenant properties not anchored by Canadian Tire store	4	4
Distribution centres	4	4
Mixed-use property	1	1
<b>Total operating properties</b>	<b>304</b>	<b>300</b>
<b>Development properties</b>	<b>3</b>	<b>3</b>
<b>Total Properties</b>	<b>307</b>	<b>303</b>

As at	March 31, 2017	December 31, 2016
<b>Gas bars at retail properties</b>	<b>96</b>	<b>96</b>

CT REIT's Properties, excluding properties under development, by region, as a percentage of total GLA as at March 31, 2017 are as follows:



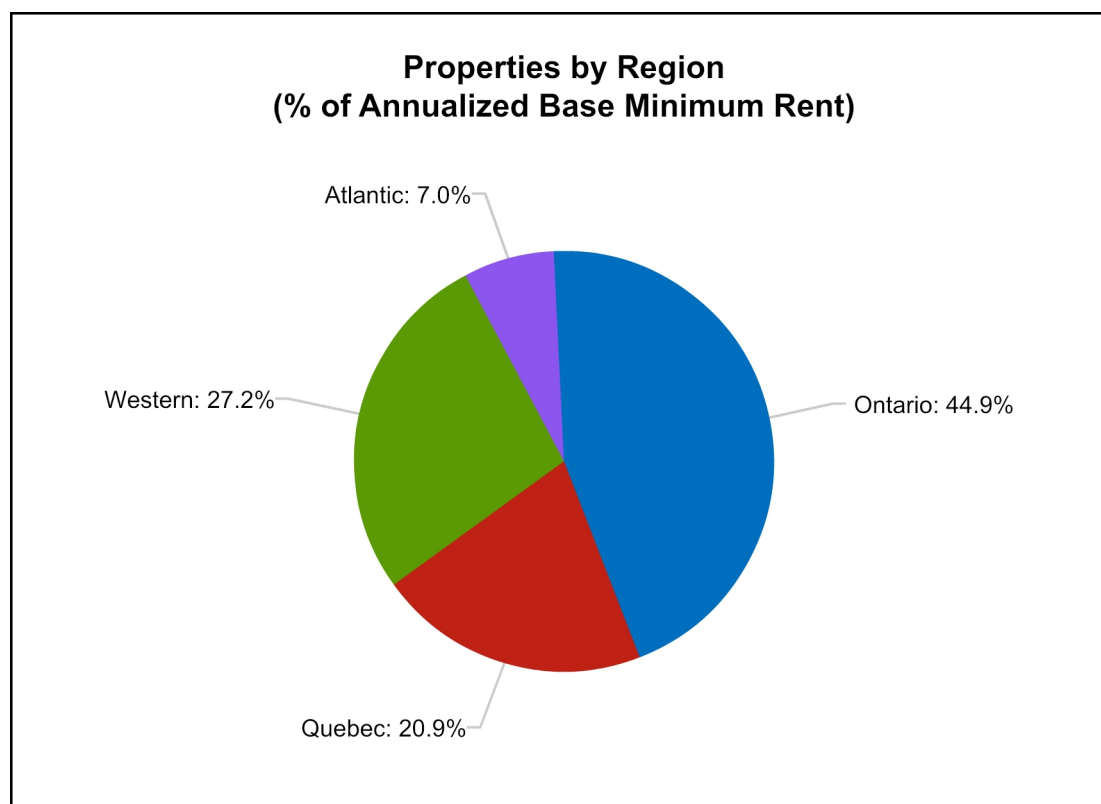
## 4.2 Six Largest Urban Markets

As at March 31, 2017, a significant portion of CT REIT's Properties, excluding properties under development, are located in the following large urban markets:

As at	March 31, 2017	December 31, 2016
Toronto	22.5%	22.6%
Montreal	12.1%	12.2%
Vancouver	3.4%	3.4%
Ottawa	4.4%	4.5%
Calgary	2.8%	2.9%
Edmonton	4.2%	4.2%
<b>Percentage of Annualized Base Minimum Rent</b>	<b>49.4%</b>	<b>49.8%</b>

## 4.3 Revenue by Region

CT REIT's Properties, excluding properties under development, are located across Canada with approximately 65.8% of annualized base minimum rent received in respect of properties in Ontario and Quebec.



#### 4.4 Fair Value of Property Portfolio

The fair value of the Properties represents 99.5% of the total assets of CT REIT as at March 31, 2017.

	March 31, 2017			December 31, 2016		
(in thousands of Canadian dollars)	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>\$ 4,979,231</b>	<b>\$ 21,124</b>	<b>\$ 5,000,355</b>	<b>\$ 4,304,838</b>	<b>\$ 14,223</b>	<b>\$ 4,319,061</b>
Property acquisitions (including transaction costs)	48,533	—	48,533	214,225	—	214,225
Intensifications	—	131	131	—	10,852	10,852
Developments	—	8,296	8,296	—	356,943	356,943
Development land	—	257	257	—	8,744	8,744
Capitalized interest and property taxes	—	181	181	—	6,895	6,895
Transfers	2,023	(2,023)	—	376,533	(376,533)	—
Fair value adjustment on investment properties	17,926	—	17,926	44,549	—	44,549
Straight-line rent	5,792	—	5,792	23,774	—	23,774
Recoverable capital expenditures	348	—	348	15,570	—	15,570
Dispositions	(1)	—	(1)	(258)	—	(258)
<b>Balance, end of period<sup>1</sup></b>	<b>\$ 5,053,852</b>	<b>\$ 27,966</b>	<b>\$ 5,081,818</b>	<b>\$ 4,979,231</b>	<b>\$ 21,124</b>	<b>\$ 5,000,355</b>

<sup>1</sup>Includes purchased land of \$6,915 (December 31, 2016 - \$6,505) held for development.

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, 2017, 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.

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

	Properties valued by the OCR method	Properties valued by the DCF method
Number of properties	263	41
Value at March 31, 2017	\$ 3,995,056	\$ 1,018,817
Discount rate	—%	6.94%
Terminal capitalization rate	—%	6.53%
Overall capitalization rate	6.24%	—%
Hold period (years)	—	10

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	\$ 3,565,667	\$ (429,389)	\$ 922,480	\$ (96,337)
+ 50 basis points	3,698,633	(296,423)	951,529	(67,288)
+ 25 basis points	3,841,865	(153,190)	982,799	(36,018)
Base rate	\$ 3,995,056	\$ —	\$ 1,018,817	\$ —
- 25 basis points	4,164,654	169,598	1,053,095	34,278
- 50 basis points	4,347,583	352,527	1,092,780	73,964
- 75 basis points	\$ 4,547,332	\$ 552,276	\$ 1,136,159	\$ 117,342

Included in CT REIT's Properties are eight buildings which are situated on ground leases with remaining initial terms of between 2 and 39 years, and an average initial term of 16 years. Assuming all extensions are exercised, the ground leases have terms between 26 and 50 years with an average remaining lease term of 36 years.

#### 4.5 2017 Investment Activities

The following table presents income-producing properties acquired, intensified or developed during the three months ended March 31, 2017.

(in thousands of Canadian dollars, except for GLA amounts)	Transaction date	GLA	Total investment cost
<b>Property Location</b>			
Martensville, SK <sup>1</sup>	January 2017	10,380	
Cambridge, ON <sup>2</sup>	February 2017	91,090	
Sainte-Agathe-des-Monts, QC <sup>2</sup>	February 2017	77,506	
Victoria, BC <sup>2</sup>	February 2017	49,707	
Dartmouth, NS <sup>2</sup>	March 2017	62,565	
<b>Total</b>		<b>291,248</b>	<b>\$ 50,556</b>

<sup>1</sup> Intensification of an existing income-producing property.

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

In Q1 2017, CT REIT completed the acquisition from CTC of one single tenant property with a Canadian Tire store located in Dartmouth, Nova Scotia and three multi-tenant properties which are anchored by existing Canadian Tire stores located in Cambridge, Ontario, Sainte-Agathe-des-Monts, Quebec and Victoria, British Columbia. During Q1 2017, CT REIT also intensified an existing income-producing property in Martensville, Saskatchewan.

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

#### 4.6 Development Activities

The following table provides details of the REIT's development activities as at March 31, 2017. 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.

Property	Anticipated date of completion	Building area (in square feet)		Total investment (in thousands of Canadian dollars)				
		Committed to lease	Not committed to lease	Total	Incurred to-date <sup>5</sup>	Committed additional investment <sup>5</sup>	Potential future investment <sup>5</sup>	Total
Bradford, ON <sup>1</sup>	Q2 2017	15,000	—	15,000				
Elmira, ON <sup>2</sup>	Q2 2017	35,000	—	35,000				
Athabasca, AB <sup>1</sup>	Q2 2017	7,000	—	7,000				
Edmundston, NB <sup>1</sup>	Q2 2017	3,000	—	3,000				
Marathon, ON <sup>1</sup>	Q2 2017	2,500	—	2,500				
Elliot Lake, ON <sup>1</sup>	Q3 2017	6,000	—	6,000				
Antigonish, NS <sup>3</sup>	Q4 2017	121,000	58,000	179,000				
New Liskeard, ON <sup>1</sup>	Q4 2017	21,000	—	21,000				
Toronto (Leslie Lakeshore), ON <sup>1</sup>	Q4 2017	20,000	—	20,000				
Amos, QC <sup>2</sup>	Q1 2018	49,000	24,000	73,000				
High River, AB <sup>1</sup>	Q3 2018	—	10,000	10,000				
Martensville, SK <sup>1</sup>	Q3 2018	—	8,000	8,000				
Toronto (Canada Square), ON <sup>4</sup>	TBD	TBD	TBD	TBD				
<b>TOTAL</b>		<b>279,500</b>	<b>100,000</b>	<b>379,500</b>	<b>\$ 27,966</b>	<b>\$ 35,010</b>	<b>\$ 13,853</b>	<b>\$ 76,829</b>

<sup>1</sup> Intensification of an existing income-producing property.

<sup>2</sup> Development property.

<sup>3</sup> Redevelopment property.

<sup>4</sup> Redevelopment property. Potential building area and investment costs to be determined ("TBD")

<sup>5</sup> Includes amounts related to projects in early stages of development.

In Q1 2017, CT REIT acquired development lands in New Liskeard, Ontario for the expansion of an existing Canadian Tire store. During Q1 2017, CT REIT also incurred costs, at its share, to improve property development rights at the Toronto (Canada Square), Ontario property. Potential building area and investment costs are to be determined.

As at March 31, 2017, CT REIT had committed lease agreements for 279,500 square feet, of which 63% has been leased to CTC. A total of \$27,966 has been expended on these developments and CT REIT anticipates investing an additional \$35,010 to complete the committed developments. These commitments exclude the development at the Toronto (Canada Square), Ontario property.

### Investment and Development Activities Completed Subsequent to March 31, 2017

During April 2017, CT REIT completed the acquisition of a ground lease for a property located in Picton, Ontario from a third party for approximately \$3,500. CTC is the tenant under the ground lease assumed by the REIT and operates a Canadian Tire store on the leased lands.

#### 4.7 Investment and Development Funding

Funding for the Q1 2017 investment and development activities was as follows:

Q1 2017 Investment and Development Activity						
(in thousands of Canadian dollars)	Property investments	Development land	Developments	Intensifications	Total	
Funded with working capital to CTC	\$ 19,700	\$ —	\$ 818	\$ —	\$ 20,518	
Funded with working capital to third parties <sup>1</sup>	1,153	257	1,478	131	3,019	
Capitalized interest and property taxes	—	—	181	—	181	
Issuance of Class B LP Units to CTC	27,680	—	—	—	27,680	
Mortgages payable	—	—	6,000	—	6,000	
<b>Total costs</b>	<b>\$ 48,533</b>	<b>\$ 257</b>	<b>\$ 8,477</b>	<b>\$ 131</b>	<b>\$ 57,398</b>	

<sup>1</sup>Includes \$146 for the construction of stores for Other CTC Banners.

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

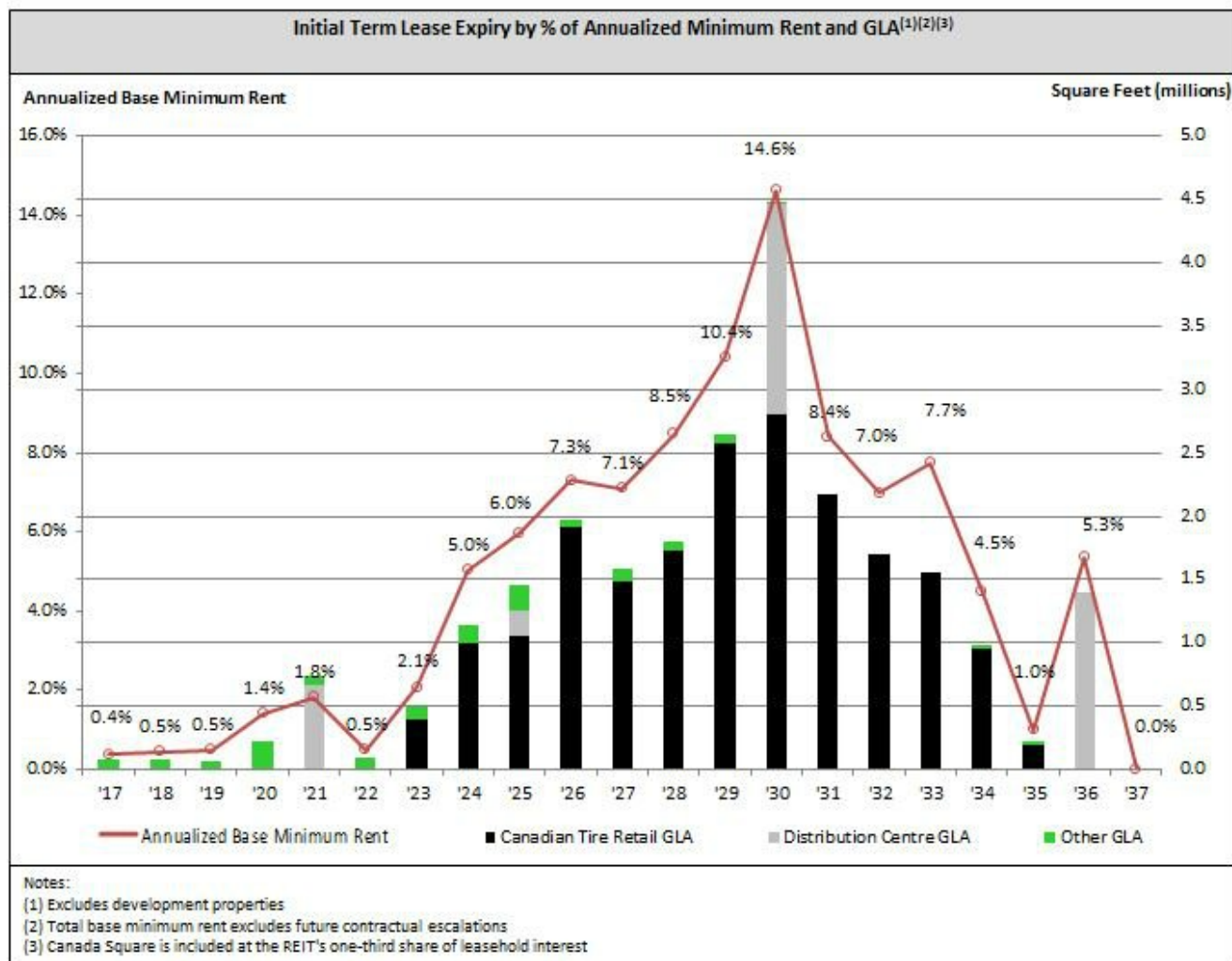
2016 Investment and Development Activity						
(in thousands of Canadian dollars)	Property investments	Development land	Developments	Intensifications	Total	
Funded with working capital to CTC	\$ 5,790	\$ 1,184	\$ 328,039	\$ 6,442	\$ 341,455	
Funded with working capital to third parties <sup>1</sup>	135,265	2,660	18,904	4,410	161,239	
Capitalized interest and property taxes	—	—	6,895	—	6,895	
Issuance of Class B LP Units to CTC	53,070	—	—	—	53,070	
Issuance of Class C LP Units to CTC	20,100	4,900	10,000	—	35,000	
<b>Total costs</b>	<b>\$ 214,225</b>	<b>\$ 8,744</b>	<b>\$ 363,838</b>	<b>\$ 10,852</b>	<b>\$ 597,659</b>	

<sup>1</sup>Includes \$2,000 for the construction of stores for Other CTC Banners.

#### 4.8 Lease Maturities

CTC is CTREIT's largest tenant. As at March 31, 2017, CTC, including Canadian Tire stores and Other CTC Banners, had leased 23.4 million square feet of GLA, with approximately 86.1% and 13.9% of the GLA attributable to retail and office, and distribution properties, respectively. The weighted average term of the retail leases with CTC, including Canadian Tire stores and Other CTC Banners, is 12.3 years, excluding the exercise of any renewals. The weighted average term of the Canadian Tire store leases is 12.4 years, with a weighted average rental rate of \$13.30 per square foot. The weighted average lease terms for the CTC distribution centres is 15.8 years. The weighted average lease term of all tenants in the REIT's portfolio, excluding those in development properties, is 12.3 years.

The following graph presents as of March 31, 2017, the lease maturity profile from 2017 to 2037 (assuming tenants do not exercise renewal options or termination rights) as a percentage of annualized base minimum rent and GLA as of the time of expiry.



#### 4.9 Top 10 Tenants Excluding CTC Banners

As at March 31, 2017, CT REIT's 10 largest tenants, excluding all 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 minimum rent
1	Sears Canada Inc. <sup>1</sup>	1.47%
2	Overwaitea Foods	0.29%
3	Shoppers Drug Mart	0.26%
4	Best Buy	0.24%
5	Precise Parklink	0.21%
6	Marshalls	0.21%
7	Royal Bank of Canada	0.18%
8	Dollarama	0.15%
9	PetSmart	0.15%
10	Farm Boy	0.14%
		<b>3.3%</b>

<sup>1</sup> Distribution centre in Calgary.

#### 4.10 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. At March 31, 2017, the REIT's occupancy rate was 99.7% (Q1 2016 - 99.9%), excluding properties under development. There was no significant leasing activity with tenants not related to CTC during the three months ended March 31, 2017.

#### 4.11 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. Capital expenditures of \$348 (Q1 2016 - \$259) were incurred during the three months ended March 31, 2017. Most of the REIT's recoverable capital expenditures relate to parking lots, roofs and heating, ventilation and air conditioning activities, the incurrence of which are typically seasonal in nature. As a result, the actual recoverable capital costs may vary widely from period to period.



## 5.0 Results of Operations

### 5.1 Financial Results for the Three Months Ended March 31, 2017

CT REIT's financial results for the three months ended March 31, 2017 and three months ended March 31, 2016 are summarized below:

(in thousands of Canadian dollars)		Three Months Ended		
For the periods ended March 31,		2017	2016	Change
Property revenue	\$	111,140	\$ 98,496	12.8%
Property expense		(26,192)	(23,528)	11.3%
General and administrative expense		(3,750)	(3,407)	10.1%
Net interest and other financing charges		(23,802)	(22,354)	6.5%
Fair value adjustment on investment properties		17,926	11,946	50.1%
<b>Net income and comprehensive income</b>	<b>\$</b>	<b>75,322</b>	<b>\$ 61,153</b>	<b>23.2%</b>

#### 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 that vacancies exist.

Total revenue for the three months ended March 31, 2017 increased \$12,644 (12.8%) compared to the same period in the prior year primarily due to base rent related to properties acquired and intensification activities completed during 2017 and 2016. Total revenue included expense recoveries in the amount of \$24,000 (Q1 2016 - \$21,678).

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, 2017, straight-line rent of \$5,792 (Q1 2016 - \$5,860) was included in total property revenue.

#### 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 that vacancies exist. Refer to section 8.0 for additional information on the Property Management Agreement.

Property expenses for the three months ended March 31, 2017 increased \$2,664 (11.3%) compared to the same period in the prior year primarily due to property acquisitions completed during 2017 and 2016.

#### General and Administrative Expense

CT REIT has two broad categories of general and administrative expenses: i) personnel and public entity and other costs including external audit fees, trustee compensation expense, legal and professional fees, travel, income tax expense (recovery) related to CT REIT GP Corp's ("GP") activities and land transfer tax ii) outsourced costs, which may fluctuate depending on when such costs are incurred. The personnel, public entity costs and other reflect the expenses related to ongoing operations of CT REIT. 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, 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 term of the Services Agreement expires on December 31 of each year and is automatically renewable for further one year terms thereafter, unless otherwise terminated. The Services Agreement was renewed for 2017 and CTC will continue to provide such services on a cost recovery basis. Refer to section 8.0 for additional information on the Services Agreement.

(in thousands of Canadian dollars)		Three Months Ended		
For the periods ended March 31,		2017	2016	Change
Personnel expense	\$	1,668	\$ 1,310	27.3 %
Public entity and other		1,332	1,390	(4.2)%
Services Agreement with CTC		750	707	6.1 %
<b>General and administrative expense</b>	<b>\$</b>	<b>3,750</b>	<b>\$ 3,407</b>	<b>10.1 %</b>
As a percent of property revenue		3.4%	3.5%	

General and administrative expenses amounted to \$3,750 or 3.4% of property revenue for the three months ended March 31, 2017 which is \$343 (10.1%) higher compared to the same period in the prior year primarily due to:

- increased income tax expense recorded in connection with GP's activities which resulted in a drawdown of the REIT's deferred tax assets; and
- increased compensation costs due to higher headcount and variable compensation awards; partially offset by
- decreased land transfer tax expense related to amendments to Regulation 70/91 of the Land Transfer Tax Act (Ontario) issued in 2016 that impacts the availability of an exemption from Ontario land transfer tax for certain transactions involving trusts (including real estate investments trusts) and partnerships.

### Net Interest and Other Financing Charges

As at March 31, 2017 the Partnership had 1,521,968 Class C LP Units outstanding with a face value of \$1,521,968 and bearing a weighted average distribution rate of 4.58% 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 the net 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,		2017	2016	Change <sup>2</sup>
Interest on Class C LP Units <sup>1</sup>	\$	17,419	\$ 19,044	(8.5)%
Interest on debentures		5,287	2,833	86.6 %
Interest and financing costs - Bank Credit Facility		722	148	NM
Interest on mortgages payable		390	403	(3.2)%
Amortization of debentures financing cost		167	112	49.1 %
	<b>\$</b>	<b>23,985</b>	<b>\$ 22,540</b>	<b>6.4 %</b>
Less: capitalized interest		(169)	(128)	32.0 %
<b>Interest and other financing charges less capitalized interest</b>	<b>\$</b>	<b>23,816</b>	<b>\$ 22,412</b>	<b>6.3 %</b>
Less: interest income		(14)	(58)	(75.9)%
<b>Net interest and other financing charges</b>	<b>\$</b>	<b>23,802</b>	<b>\$ 22,354</b>	<b>6.5 %</b>

<sup>1</sup> CTC elected to defer receipt of distributions on the Series 3-12 and Series 16 and Series 19 Class C LP Units for the three months ended March 31, 2017 in the amount of \$11,454 (Q1 2016 - \$12,596) until the first business day following the end of the fiscal year and receive a loan in lieu thereof. The deferred distributions have been netted against interest payable on Class C LP Units and are included under the heading "other liabilities" on the interim balance sheets.

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

Net interest and other financing charges for the three months ended March 31, 2017 was \$1,448 (6.5%) higher compared to the same period in the prior year largely due to increased interest on the debentures issued in May 2016 and increased financing costs related to the Bank Credit Facility partially offset by the redemption of Series 2 Class C LP Units in June 2016.

### Fair Value Adjustment on Investment Properties

CT REIT recorded a fair value gain on investment properties of \$17,926 for the three months ended March 31, 2017 primarily due to increased cash flows during the time frame of the valuation models and the valuation of completed development projects, partially offset by increased transactions costs incurred in connection with the acquisition of investment properties.

The fair value gain of \$11,946 for the three months ended March 31, 2016 was recorded as a result of increased cash flows during the time frame of the valuation models.

### 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 taxable income to Unitholders or if CT REIT fails to qualify as a REIT under the ITA, substantial adverse tax consequences may occur. Refer to section 11.0 in CT REIT's 2016 Annual Report for further information.

### Net Income

(in thousands of Canadian dollars) For the periods ended March 31,	Three Months Ended		
	2017	2016	Change
Net income and comprehensive income	\$ 75,322	\$ 61,153	23.2%
Net income per unit - basic	\$ 0.362	\$ 0.321	12.8%
Net income per unit - diluted	\$ 0.300	\$ 0.260	15.4%

Net income increased by \$14,169 (23.2%) for the three months ended March 31, 2017 compared to the same period in the prior year for the reasons discussed above.

Net income per unit - basic increased by \$0.041 (12.8%) for the three months ended March 31, 2017 compared to the same period in the prior year primarily due to increased net income, as discussed above, partially offset by an increased number of weighted average units outstanding - basic.

Net income per unit - diluted increased by \$0.040 (15.4%) for the three months ended March 31, 2017 compared to the same period in the prior year primarily due to increased net income, as discussed above, and a decrease in the dilutive effect of settling Class C LP Units with Class B LP Units, partially offset by an increase in the weighted average units outstanding - basic.

## 5.2 Non-GAAP Measures

In addition to the GAAP measures already described, CT REIT management uses non-GAAP measures in assessing the financial performance of CT REIT. Refer to section 1.0 and 10.0 in this MD&A for further information.

(in thousands of Canadian dollars, except per unit amounts)		Three Months Ended		
For the periods ended March 31,		2017	2016	Change
Net operating income	\$	79,171	\$ 69,131	14.5 %
Same store NOI	\$	70,263	\$ 68,650	2.3 %
Same property NOI	\$	70,346	\$ 68,655	2.5 %
Funds from operations	\$	58,063	\$ 49,626	17.0 %
FFO per unit - basic	\$	0.279	\$ 0.260	7.3 %
FFO per unit - diluted (non-GAAP)	\$	0.279	\$ 0.260	7.3 %
Adjusted funds from operations	\$	47,221	\$ 39,382	19.9 %
AFFO per unit - basic	\$	0.227	\$ 0.207	9.7 %
AFFO per unit - diluted (non-GAAP)	\$	0.227	\$ 0.206	10.2 %
AFFO payout ratio		77%	83%	(7.2)%
ACFO <sup>1</sup>	\$	44,540	\$ 42,008	6.0 %
EBITFV	\$	81,785	\$ 71,781	13.9 %

<sup>1</sup>New non-GAAP measure adopted for period ending March 31, 2017, refer to section 10.0 for further information.

### Net Operating Income

NOI for the three months ended March 31, 2017 increased \$10,040 (14.5%) compared to the same period in the prior year primarily due to the acquisition of income-producing properties and properties under development completed in 2017 and 2016, which contributed \$8,349 to NOI growth. NOI for properties under development for the three months ended March 31, 2017 was \$641.

Same store NOI and same property NOI for the three months ended March 31, 2017 increased \$1,613 (2.3%) and \$1,691 (2.5%), respectively, when compared to the prior year primarily due to the following reasons:

- contractual rent escalations of 1.5% per year, on average, contained within the Canadian Tire store and CTC's DC leases, which are generally effective January 1<sup>st</sup>, contributed \$950 to NOI growth;
- recovery of capital expenditures and interest earned on the unrecovered balance contributed \$461 to NOI growth;
- recovery of operating expenses and property taxes increased NOI by \$242; and
- intensifications completed in 2017 and 2016 contributed \$78 to NOI growth.

### Funds From Operations

FFO for the three months ended March 31, 2017 amounted to \$58,063 or \$0.279 per unit (diluted non-GAAP) which was \$8,437 (17.0%) and \$0.019 (7.3%), respectively, higher than the same period in 2016 primarily due to the impact of NOI variances, discussed earlier.

### Adjusted Funds From Operations

AFFO for the three months ended March 31, 2017 amounted to \$47,221 or \$0.227 per unit (diluted non-GAAP) which was \$7,839 (19.9%) and \$0.021 (10.2%), respectively, higher than the same period in 2016 primarily due to the impact of NOI variances, discussed earlier.

### Adjusted Funds From Operations Payout Ratio

The AFFO payout ratio for the three months ended March 31, 2017 decreased by 7.2% compared to the same period in 2016 primarily due to an increase in AFFO per unit diluted (non-GAAP) resulting from NOI variances, discussed earlier, partially offset by an increase in the monthly distribution rate commencing January 1, 2017.

### Adjusted Cashflow From Operations

ACFO for the three months ended March 31, 2017 increased by \$2,532 or 6.0% over the same period in 2016 primarily due to the impact of NOI variances, discussed earlier, partially offset by the change in operating working capital balances primarily due to the timing of payments.

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

EBITFV for the three months ended March 31, 2017 increased by \$10,004 or 13.9% over the same period in 2016 primarily due to the impact of NOI variances, discussed earlier.

## 6.0 Liquidity and Financial Condition

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

### 6.1 Liquidity

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

(in thousands of Canadian dollars)			
As at	March 31, 2017		December 31, 2016
Cash and cash equivalents	\$	11,532	\$ 6,369
Unused portion of Bank Credit Facility <sup>1</sup>		183,927	188,949
<b>Liquidity</b>	<b>\$</b>	<b>195,459</b>	<b>\$ 195,318</b>

<sup>1</sup>See section 6.10 for Bank Credit Facility details.

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)			
For the periods ended March 31,	Three Months Ended		
	2017	2016	Change <sup>1</sup>
Cash generated from operating activities	\$ 82,162	\$ 69,659	17.9 %
Cash used for investing activities	(33,515)	(11,664)	NM
Cash used for financing activities	(43,484)	(51,746)	(16.0)%
<b>Cash generated for the period</b>	<b>\$ 5,163</b>	<b>\$ 6,249</b>	<b>(17.4)%</b>

<sup>1</sup>NM - not meaningful

### 6.2 Discussion of Cash Flows

Cash generated for the three months ended March 31, 2017 of \$5,163 is primarily the result of cash generated from operating activities, increased mortgage payable and borrowings drawn on the Bank Credit Facility partially offset by cash used in investing activities and distributions.

### 6.3 Credit Ratings

The senior unsecured debt of CT REIT is rated by S&P Global Ratings acting through Standard and Poor's Rating Services (Canada), a business unit of S&P Global Canada Corp. ("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, as CTC holds a significant ownership position in CT REIT and has a strategic relationship with CT REIT. CTC is expected to continue to be CT REIT's most significant tenant for the foreseeable future.

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

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

### 6.4 Debt and Capital Structure

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

(in thousands of Canadian dollars)			
As at		March 31, 2017	December 31, 2016
Class C LP Units	\$	1,521,968	\$ 1,521,968
Mortgages payable		61,669	55,995
Debentures		695,500	695,336
Bank Credit Facility		114,846	109,824
<b>Total indebtedness</b>	<b>\$</b>	<b>2,393,983</b>	<b>\$ 2,383,123</b>
Unitholders' equity		1,111,728	1,094,207
Non-controlling interests		1,546,036	1,496,377
<b>Total capital under management</b>	<b>\$</b>	<b>5,051,747</b>	<b>\$ 4,973,707</b>

CT REIT's total indebtedness at March 31, 2017 is higher than at December 31, 2016 primarily due to the increase in CT REIT's mortgages payable and borrowings drawn on the Bank Credit Facility. The net increase in total indebtedness was primarily required to fund investment and development activities during the period. Refer to section 4.5 of this MD&A for further information.

CT REIT's Unitholders' equity and non-controlling interests at March 31, 2017 increased as compared to December 31, 2016 primarily as a result of net income exceeding distributions and due to the issuance of Class B LP Units required to fund investment activities during the period.

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

	Mortgages payable		Class C LP Units	Debentures	Bank credit facility	Total
(in thousands of Canadian dollars)	Principal amortization	Maturities				
For the period ending March 31:						
2017	\$ 935	\$ —	\$ 70,418	\$ —	\$ 114,846	\$ 186,199
2018	493	16,590	—	—	—	17,083
2019	35	43,590	—	—	—	43,625
2020	—	—	251,550	—	—	251,550
2021	—	—	—	150,000	—	150,000
2022 and thereafter	—	—	1,200,000	550,000	—	1,750,000
Total contractual obligation	\$ 1,463	\$ 60,180	\$ 1,521,968	\$ 700,000	\$ 114,846	\$ 2,398,457
Unamortized portion of mark to market on mortgages payable assumed in connection with the acquisition of properties	—	121	—	—	—	121
Unamortized transaction costs	—	(95)	—	(4,500)	—	(4,595)
	\$ 1,463	\$ 60,206	\$ 1,521,968	\$ 695,500	\$ 114,846	\$ 2,393,983

Interest rates on CT REIT's indebtedness range from 1.65% to 5.00%. The maturity dates on the indebtedness range from May 31, 2017 to May 31, 2038. Total indebtedness at March 31, 2017 has a weighted average interest rate of 3.96% and a weighted average term to maturity of 9.9 years which is consistent with the rate and term as at December 31, 2016. At March 31, 2017, floating rate and fixed rate indebtedness were \$151,979 and \$2,242,004, respectively.

As at	March 31, 2017	December 31, 2016
Variable rate debt	\$ 151,979	\$ 140,957
Total indebtedness	2,393,983	2,383,123
<b>Variable rate debt / total indebtedness</b>	<b>6.35%</b>	5.91%

CT REIT's variable rate debt to total indebtedness ratio at March 31, 2017 increased as compared to December 31, 2016 due to an increase in CT REIT's variable rate mortgages payable and an increase in the borrowings drawn on the Bank Credit Facility in 2017.

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, 2017:

(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	302	\$ 4,949,011	96.9%	\$ —	—
Encumbered assets	5	132,807	2.6%	61,669	46.4%
<b>Total</b>	<b>307</b>	<b>\$ 5,081,818</b>	<b>99.5%</b>	<b>\$ 61,669</b>	<b>1.2%</b>

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

(in thousands of Canadian dollars)			
As at		March 31, 2017	December 31, 2016
Secured debt	\$	61,669	\$ 55,995
Total indebtedness		2,393,983	2,383,123
<b>Secured debt / total indebtedness</b>		<b>2.58%</b>	2.35%

CT REIT's secured debt to total indebtedness ratio at March 31, 2017 increased as compared to December 31, 2016 due to the increase in CT REIT's mortgages payable partially offset by the increase in borrowings drawn on the Bank Credit Facility.

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

(in thousands of Canadian dollars)			
As at		March 31, 2017	December 31, 2016
Total indebtedness	\$	2,393,983	\$ 2,383,123
EBITFV <sup>1</sup>		327,140	300,275
<b>Total indebtedness / EBITFV</b>		<b>7.32</b>	7.94

<sup>1</sup> Non-GAAP measure. Refer to section 10.0 for further information. 2017 EBITFV is annualized based on EBITFV for the three months ended March 31, 2017.

CT REIT's indebtedness to EBITFV ratio at March 31, 2017 decreased compared to the indebtedness to EBITFV ratio at December 31, 2016 primarily due to increased NOI, discussed earlier, partially offset by an increase in CT REIT's mortgages payable and an increase in the borrowings drawn on the Bank Credit Facility.

## 6.5 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. The ratio is calculated as follows:

(in thousands of Canadian dollars)		Three Months Ended	
For the periods ended March 31,		2017	2016
<b>EBITFV<sup>1</sup> (A)</b>	\$	81,785	\$ 71,781
<b>Interest and other financing charges (B)</b>	\$	23,816	\$ 22,412
<b>Interest coverage ratio (A)/(B)</b>		<b>3.43</b>	3.20

<sup>1</sup> Non-GAAP measure. Refer to section 10.0 for further information.

The interest coverage ratio for the three months ended March 31, 2017 increased compared to the same period in the prior year due to higher EBITFV partially offset by an increase in interest and other financing charges in 2017.

## 6.6 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)			
As at		March 31, 2017	December 31, 2016
<b>Total assets (A)</b>	\$	<b>5,109,718</b>	\$ 5,014,601
<b>Total indebtedness<sup>1</sup> (B)</b>	\$	<b>2,393,983</b>	\$ 2,383,123
<b>Indebtedness ratio (B)/(A)</b>		<b>46.9%</b>	47.5%

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

The indebtedness ratio at March 31, 2017 decreased compared to the indebtedness ratio at December 31, 2016 primarily due to CT REIT's 2017 acquisition, intensification and development activities and fair value adjustments made to its investment property portfolio, partially offset by an increase in indebtedness related to CT REIT's mortgages payable and borrowings drawn on the Bank Credit Facility during 2017.

### 6.7 Class C LP Units

At March 31, 2017 there were 1,521,968 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 4.58% 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 each five-year period 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.

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 3	\$ 200,000	4.50%	May 31, 2020 (3.2 years)	13.14%
Series 4	200,000	4.50%	May 31, 2024 (7.2 years)	13.14%
Series 5	200,000	4.50%	May 31, 2028 (11.2 years)	13.14%
Series 6	200,000	5.00%	May 31, 2031 (14.2 years)	13.14%
Series 7	200,000	5.00%	May 31, 2034 (17.2 years)	13.14%
Series 8	200,000	5.00%	May 31, 2035 (18.2 years)	13.14%
Series 9	200,000	5.00%	May 31, 2038 (21.2 years)	13.14%
Series 10	7,130	2.38%	May 31, 2017 (0.2 years)	0.47%
Series 11	20,685	2.20%	May 31, 2017 (0.2 years)	1.36%
Series 12	19,464	2.23%	May 31, 2017 (0.2 years)	1.28%
Series 13	3,789	1.65%	May 31, 2017 (0.2 years)	0.25%
Series 14	15,000	1.71%	May 31, 2017 (0.2 years)	0.99%
Series 15	4,350	1.77%	May 31, 2017 (0.2 years)	0.29%
Series 16	16,550	2.42%	May 31, 2020 (3.2 years)	1.09%
Series 17	18,500	2.39%	May 31, 2020 (3.2 years)	1.22%
Series 18	4,900	2.28%	May 31, 2020 (3.2 years)	0.32%
Series 19	11,600	2.28%	May 31, 2020 (3.2 years)	0.76%
<b>Total / weighted average</b>	<b>\$ 1,521,968</b>	<b>4.58%</b>	<b>12.2 years</b>	<b>100.0%</b>
Current	\$ 70,418			
Non-current	1,451,550			
<b>Total</b>	<b>\$ 1,521,968</b>			

A notice of redemption was submitted by CT REIT to CTC, the holder of Series 10-15 Class C LP Units. As a result, Series 10-15 Class C LP Units will either be redeemed or will have their rate reset, in either case effective May 31, 2017. If redeemed, it is expected to be funded, subject to TSX approval, by the issuance to CTC of approximately \$47 million of Class B LP Units and \$23 million of cash.

## 6.8 Debentures

Series	March 31, 2017		December 31, 2016	
	Face value	Carrying amount	Face value	Carrying amount
A, 2.85%, June 9, 2022	\$ 150,000	\$ 149,161	\$ 150,000	\$ 149,123
B, 3.53%, June 9, 2025	200,000	198,626	200,000	198,588
C, 2.16%, June 1, 2021	150,000	149,110	150,000	149,058
D, 3.29%, June 1, 2026	200,000	198,603	200,000	198,567
	<b>\$ 700,000</b>	<b>\$ 695,500</b>	<b>\$ 700,000</b>	<b>\$ 695,336</b>

For the three months ended March 31, 2017, amortization of the transaction costs of \$167 (Q1 2016 - \$112) is included in net interest and other financing charges on the interim statement of income and comprehensive income (refer to Note 12 of the interim consolidated financial statements).

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

## 6.9 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, 2017		December 31, 2016		
	Face value	Carrying amount	Face value	Carrying amount	
Current	\$ 17,699	\$ 17,761	\$ 1,241	\$ 1,318	
Non-current	43,944	43,908	54,708	54,677	
Total	\$ 61,643	\$ 61,669	\$ 55,949	\$ 55,995	

During the three months ended March 31, 2017, CT REIT increased mortgages payable.

## 6.10 Bank Credit Facility

CT REIT has a \$300 million unsecured revolving credit facility ("Bank Credit Facility") available until 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, 2017, \$114,846 (December 31, 2016 - \$109,824) of borrowings were drawn on the Bank Credit Facility.

The table below summarizes the details of the Bank Credit Facility as at March 31, 2017:

(in thousands of Canadian dollars)				
Bank credit facility maximum loan amount	Cash advances	Letters of credit	Available to be drawn	
\$ 300,000	\$ 114,846	\$ 1,227	\$ 183,927	

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

## 6.11 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.

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 and development opportunities when they become available. The Declaration of Trust and the Trust Indenture, dated June 9, 2015, as supplemented by supplemental indentures thereto (the "Trust Indenture") pursuant to which the debentures were issued, 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 46.9% as at March 31, 2017. Refer to section 6.6 for the definition and calculation of CT REIT's indebtedness ratio.

At March 31, 2017, CT REIT was in compliance with the financial and non-financial covenants contained in the Declaration of Trust, the Trust Indenture, the Bank Credit Facility and the mortgages payable agreements.

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, 2017, CT REIT's interest coverage ratio was 3.4 times. Refer to section 6.5 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.*

## **6.12 Commitments and Contingencies**

As at March 31, 2017, CT REIT had obligations of \$35,010 (December 31, 2016 - \$30,470) in future payments for the completion of developments, which are expected to be incurred by 2018, as described in section 4.6. Included in the commitment is \$33,089 due to CTC.

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.

## **6.13 Base Shelf Prospectus**

Subsequent to the period ending March 31, 2017, CT REIT renewed its base shelf prospectus (the "Shelf") under which it may now raise up to \$2.0 billion of debt and equity capital over the 25 month period ending May 3, 2019. The Shelf also qualifies the sale of Units by CTC.

# **7.0 Equity**

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## **7.1 Authorized Capital and Outstanding Units**

CT REIT is authorized to issue an unlimited number of Units. As of March 31, 2017, CT REIT had a total of 90,518,949 Units outstanding, 59,711,094 of which were held by CTC and 118,243,746 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, 2017			
	Units <sup>1</sup>	Class B LP Units	Total
Total outstanding at beginning of year	90,479,102	116,367,697	206,846,799
Issued	39,847	1,876,049	1,915,896
<b>Total outstanding at end of period</b>	<b>90,518,949</b>	<b>118,243,746</b>	<b>208,762,695</b>

<sup>1</sup> 39,847 issued pursuant to the REIT's distribution reinvestment plan.

As at December 31, 2016			
	Units <sup>1</sup>	Class B LP Units	Total
Total outstanding at beginning of year	90,337,358	99,263,329	189,600,687
Issued	141,744	17,104,368	17,246,112
<b>Total outstanding at end of period</b>	<b>90,479,102</b>	<b>116,367,697</b>	<b>206,846,799</b>

<sup>1</sup> 141,744 issued pursuant to the REIT's distribution reinvestment plan.

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, 2017			
(in thousands of Canadian dollars, except unit amounts)	Units	Class B LP Units	Total
Net income attributable to Unitholders - basic	\$ 32,780	\$ 42,542	\$ 75,322
Income effect of settling Class C LP Units with Class B LP Units			17,419
<b>Net income attributable to Unitholders - diluted</b>			<b>\$ 92,741</b>
Weighted average units outstanding - basic	90,499,653	117,309,875	207,809,528
Dilutive effect of other Unit plans			120,148
Dilutive effect of settling Class C LP Units with Class B LP Units			100,989,386
<b>Weighted average units outstanding - diluted</b>			<b>308,919,062</b>

Three months ended March 31, 2016			
(in thousands of Canadian dollars, except unit amounts)	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
Net income attributable to Unitholders - diluted			\$ 80,197
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
Weighted average units outstanding - diluted			308,422,771

## 7.2 Equity

(in thousands of Canadian dollars)		
As at	March 31, 2017	December 31, 2016
Equity - beginning of the year	\$ 2,590,584	\$ 2,213,363
Net income and comprehensive income for the year	75,322	259,079
Issuance of Class B LP Units, net of issue costs	27,680	252,799
Distributions to non-controlling interests	(20,563)	(75,030)
Distributions to Unitholders	(15,838)	(61,636)
Issuance of Units under distribution reinvestment plan	579	2,009
<b>Equity - end of the period</b>	<b>\$ 2,657,764</b>	<b>\$ 2,590,584</b>

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

## 7.3 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, 2017, CT REIT's Board declared a distribution of \$0.05833 per Unit paid on April 17, 2017 to holders of Units and Class B LP Units of record as of March 31, 2017.

On April 13, 2017, CT REIT's Board declared a distribution of \$0.05833 per Unit payable on May 15, 2017 to holders of Units and Class B LP Units of record as of April 30, 2017.

CT REIT is focused on increasing distributions to its Unitholders on a regular and prudent basis. The distribution increases since December 31, 2014 are presented in the table below:

	2017	December 31, 2016	December 31, 2015	December 31, 2014
Monthly distribution per Unit <sup>1</sup>	\$ 0.05833	\$ 0.05667	\$ 0.05525	\$ 0.05417
% increase	2.9%	2.6%	2.0%	—
Annualized distribution per Unit	\$ 0.700	\$ 0.680	\$ 0.663	\$ 0.650
Annualized increase per Unit	\$ 0.020	\$ 0.017	\$ 0.013	—

<sup>1</sup>The Board has discretion over the determination of monthly and annual distributions.

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 (a non-GAAP measure of recurring economic earnings used to assess distribution capacity, refer to section 10.0) 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,	2017	2016
Distributions before distribution reinvestment - paid	\$ 36,289	\$ 32,348
Distribution reinvestment	579	494
<b>Distributions net of distribution reinvestment - paid</b>	<b>\$ 35,710</b>	<b>\$ 31,854</b>
<b>Distributions per unit - paid</b>	<b>\$ 0.175</b>	<b>\$ 0.170</b>

Distributions for the three months ended March 31, 2017 are higher than the same period in the prior year due to the increase in the annual rate of distributions, effective with the first distribution paid in 2017, and higher weighted average number of units outstanding in 2017.

CT REIT's distributions for the three months ended March 31, 2017 are less than the REIT's cash generated from operating activities, cash generated from operating activities reduced by interest expense, and less than AFFO, a non-GAAP measure, which is an indicator of CT REIT's distribution capacity.

(in thousands of Canadian dollars, except per unit amounts)	Three Months Ended	
For the periods ended March 31,	2017	2016
AFFO <sup>1</sup>	\$ 47,221	\$ 39,382
Distributions before distribution reinvestment - paid	36,289	32,348
<b>Excess of AFFO over distributions paid (A)</b>	<b>\$ 10,932</b>	<b>\$ 7,034</b>
Weighted average units outstanding - diluted (non-GAAP) <sup>1</sup> (B)	207,929,676	190,799,689
<b>Excess of AFFO over distributions paid per unit (A)/(B)<sup>1</sup></b>	<b>\$ 0.053</b>	<b>\$ 0.037</b>

<sup>1</sup>Non-GAAP measure. Refer to section 10.0 for further information.

#### 7.4 Book Value per Unit

Book value per unit 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)	March 31, 2017		December 31, 2016
As at			
<b>Total Equity (A)</b>	<b>\$ 2,657,764</b>	<b>\$</b>	2,590,584
<b>Period-end Units and Class B LP Units outstanding (B)</b>	<b>208,762,695</b>		206,846,799
<b>Book value per unit (A)/(B)</b>	<b>\$ 12.73</b>	<b>\$</b>	12.52

CT REIT's book value per unit at March 31, 2017 increased from the book value per unit at December 31, 2016 primarily due to net income exceeding distributions and the issuance of new equity at a price exceeding the book value per unit.

## **8.0 Related Party Transactions**

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### **Related Party Transactions**

CT REIT's controlling Unitholder is CTC, which, on March 31, 2017, held an 85.2% effective interest in the REIT, through the 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 93.6% of the annualized base minimum rent earned by CT REIT and occupying 94.0% of its GLA as at March 31, 2017.

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 \$48,198 (2016 - \$45,900) for the three months ended March 31, 2017. 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 Services Agreement and the Property Management Agreement which are described below.

### ***Services Agreement***

Under the Services Agreement, CTC provides the REIT with certain administrative, 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 term of the Services Agreement expires on December 31 of each year and is automatically renewable for further one year terms thereafter, unless otherwise terminated. The Services Agreement was renewed for 2017 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 certain customary property management services (the "Property Management Services"). CTC provides 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 term of the Property Management Agreement expires on December 31 of each year and is automatically renewable for further one year terms thereafter, unless otherwise terminated. The Property Management Agreement was renewed for 2017 and CTC will continue to provide such services on a cost recovery basis.

Refer to CT REIT's 2016 AIF 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 of March 31, 2017, excluding acquisition, intensification and development activities which are contained in section 4.7:

(in thousands of Canadian dollars)		Three Months Ended	
For the periods ended March 31,		2017	2016
Rental revenue	\$	102,785	\$ 94,094
Property Management and Services Agreements expense	\$	1,412	\$ 1,320
Distributions on Units	\$	10,449	\$ 10,151
Distributions on Class B LP Units <sup>1</sup>	\$	20,563	\$ 17,099
Interest expense on Class C LP Units	\$	17,419	\$ 19,044

<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:

(in thousands of Canadian dollars)		March 31, 2017		December 31, 2016
As at				
Tenant and other receivables	\$	(6,643)	\$	(404)
Class C LP Units		1,521,968		1,521,968
Amounts payable on Class C LP Units		17,260		71,613
Loans receivable in lieu of payments on Class C LP Units		(11,454)		(65,807)
Other liabilities		7,354		5,199
Distributions payable on Units and Class B LP Units <sup>1</sup>		12,784		18,581
Loans receivable in lieu of distributions on Class B LP Units		(2,404)		(8,311)
<b>Net due to CTC</b>	<b>\$</b>	<b>1,538,865</b>	<b>\$</b>	<b>1,542,839</b>

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

## 9.0 Accounting Policies and Estimates

### 9.1 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 2016 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.

## 9.2 Standards, Amendments and Interpretations Issued and Adopted

### **Disclosure initiative (IAS 7)**

In January 2016, the IASB issued Disclosure Initiative Amendments to IAS 7 - *Statement of Cash Flows* as part of the IASB's Disclosure Initiative. These amendments require entities to provide additional disclosures that will enable financial statements users to evaluate changes in liabilities arising from financing activities, including changes arising from cash flows and non-cash changes.

These amendments were effective for annual periods beginning on or after January 1, 2017. The implementation of these amendments has not had a significant impact on CT REIT other than increased disclosure in the annual financial statements.

## 9.3 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 2016 Annual Report.

## 10.0 Non-GAAP Measures

CT REIT uses non-GAAP measures including NOI, same store NOI, same property NOI, FFO, FFO per unit - basic, FFO per unit - diluted (non-GAAP), AFFO, AFFO per unit - basic, AFFO per unit - diluted (non-GAAP), AFFO payout ratio, ACFO and EBITFV. 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.

### 10.1 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 of property operations 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,		2017	2016	Change
Property revenue	\$	111,140	\$ 98,496	12.8 %
Less:				
Property expense		(26,192)	(23,528)	11.3 %
Property straight-line rent revenue		(5,792)	(5,860)	(1.2)%
Add:				
Straight-line ground lease expense		15	23	(34.8)%
<b>Net operating income</b>	<b>\$</b>	<b>79,171</b>	<b>\$ 69,131</b>	<b>14.5 %</b>

### *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 leasable 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. CT REIT management uses this measure to gauge the change in asset productivity and asset value.

### 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. CT REIT management uses the measure to gauge the change in asset productivity and asset value, as well as measure the additional return earned by incremental capital investments in existing assets.

The following table summarizes the same store and same property components of NOI:

(in thousands of Canadian dollars)		Three Months Ended		
For the periods ended March 31,		2017	2016	Change <sup>1</sup>
Same store	\$	70,263	\$ 68,650	2.3%
Intensifications				
2017		—	—	NM
2016		83	5	NM
Same property	\$	70,346	\$ 68,655	2.5%
Acquisitions and developments				
2017		361	—	NM
2016		8,274	416	NM
2015		190	60	NM
<b>Net operating income</b>	<b>\$</b>	<b>79,171</b>	<b>\$ 69,131</b>	<b>14.5%</b>

<sup>1</sup> NM - not meaningful.

## 10.2 Funds From Operations and Adjusted Funds From Operations

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,		2017	2016	Change <sup>1</sup>
<b>Net Income and comprehensive income</b>	<b>\$</b>	<b>75,322</b>	<b>\$ 61,153</b>	<b>23.2 %</b>
Fair value adjustment of investment property		(17,926)	(11,946)	50.1 %
Deferred taxes		573	162	NM
Fair value adjustment of unit based compensation		94	257	(63.4)%
<b>Funds from operations</b>	<b>\$</b>	<b>58,063</b>	<b>\$ 49,626</b>	<b>17.0 %</b>
Property straight-line rent revenue		(5,792)	(5,860)	(1.2)%
Straight-line ground lease expense		15	23	(34.8)%
Normalized capital expenditure reserve		(5,065)	(4,407)	14.9 %
<b>Adjusted funds from operations</b>	<b>\$</b>	<b>47,221</b>	<b>\$ 39,382</b>	<b>19.9 %</b>
FFO per unit - basic	\$	0.279	\$ 0.260	7.3%
FFO per unit - diluted (non-GAAP) <sup>2</sup>	\$	0.279	\$ 0.260	7.3%
AFFO per unit - basic	\$	0.227	\$ 0.207	9.7%
AFFO per unit - diluted (non-GAAP) <sup>2</sup>	\$	0.227	\$ 0.206	10.2%
Weighted average units outstanding - basic		207,809,528	190,701,904	9.0%
Weighted average units outstanding - diluted (non-GAAP)		207,929,676	190,799,689	9.0%
Number of units outstanding, end of period		208,762,695	191,606,855	9.0%

<sup>1</sup> NM - not meaningful.

<sup>2</sup> For the purposes of calculating diluted per unit amounts, 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.

### **10.2(i) Funds From Operations**

FFO is a non-GAAP financial measure of operating performance 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 *Real Property Association of Canada's* ("REALPAC") "White Paper on Funds From Operations for IFRS & Adjusted Funds From Operations for IFRS" ("White Paper on FFO & AFFO") issued in February 2017 which replaced REALPAC's "White Paper on FFO" issued in April 2014. The White Paper on FFO & AFFO did not impact the calculation of FFO for CT REIT. The purpose of the White Paper on FFO & AFFO is 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, together 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.

### **10.2(ii) Adjusted Funds From Operations**

AFFO is a non-GAAP measure of recurring economic earnings used in the real estate industry to assess an entity's distribution capacity. AFFO 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 AFFO in accordance with REALPAC's White Paper on FFO & AFFO. The White Paper on FFO & AFFO did not impact the calculation of AFFO for CT REIT.

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. As 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 for Canadian Tire stores and Other CTC Banners.

The following table compares capital expenditures during the period 2014-2017 to the normalized capital expenditure reserve used in the calculation of AFFO:

(in thousands of Canadian dollars)	Normalized capital expenditure reserve		Capital expenditures		Variance
For the quarter ended and year to date					
2014					
Q1	\$	3,661	\$	110	\$ 3,551
Q2		3,703		866	2,837
Q3		3,989		9,888	(5,899)
Q4		4,112		6,188	(2,076)
YTD	\$	15,465	\$	17,052	\$ (1,587)
2015					
Q1	\$	4,168	\$	1,025	\$ 3,143
Q2		4,230		2,834	1,396
Q3		4,327		7,384	(3,057)
Q4		4,352		3,591	761
YTD	\$	17,077	\$	14,834	\$ 2,243
2016					
Q1	\$	4,407	\$	259	\$ 4,148
Q2		4,581		4,898	(317)
Q3		4,666		8,551	(3,885)
Q4		4,741		1,862	2,879
YTD	\$	18,395	\$	15,570	\$ 2,825
2017					
Q1	\$	5,065	\$	348	\$ 4,717

The normalized capital expenditure reserve varies from the capital expenditures incurred due to the seasonal nature of the expenditures. As such, CT REIT views the normalized capital expenditure reserve as a more meaningful measure. Refer to section 4.11 for additional information.

### 10.3 AFFO Payout Ratio

The AFFO payout ratio is a non-GAAP measure of the sustainability of the REIT's distribution payout. CT REIT uses this metric to provide transparency on performance and the overall management of the existing portfolio assets. Management considers the AFFO payout ratio the best measure of the REIT's distribution capacity.

For the periods ended March 31,	Three Months Ended			Change
	2017	2016		
Distribution per unit - paid (A)	\$ 0.175	\$ 0.170		2.9 %
AFFO per unit - diluted (non-GAAP) (B)	\$ 0.227	\$ 0.206		10.2 %
AFFO payout ratio (A)/(B)	77%	83%		(7.2)%

### 10.4 Diluted Non-GAAP per Unit Calculations

Management views the diluted non-GAAP per unit measure as a meaningful measure as the full conversion of the Class C LP Units with Class B LP Units is not considered a likely scenario. As such, management calculates the REIT's fully diluted per unit FFO and AFFO amounts excluding the effects of settling the Class C LP Units with Class B LP Units.

The following table reconciles the calculation of the weighted average diluted units non-GAAP:

For the periods ended March 31,	Three Months Ended	
	2017	2016
Weighted average Units outstanding - diluted (non-GAAP)	<b>207,929,676</b>	190,799,689
Dilutive effect of settling Class C LP Units with Class B LP Units	<b>100,989,386</b>	117,623,082
Weighted average Units outstanding - diluted	<b>308,919,062</b>	308,422,771

## 10.5 Adjusted Cashflow From Operations

ACFO is a new non-GAAP financial measure developed by REALPAC for use by the real estate industry as a sustainable economic cash flow metric. ACFO should not be considered as an alternative to cash flows provided by operating activities determined in accordance with IFRS. CT REIT calculates its ACFO in accordance with REALPAC's "White Paper on Adjusted Cashflow from Operations for IFRS" issued in February 2017. The purpose of this white paper is to provide guidance on the definition of ACFO to promote consistent disclosure amongst reporting issuers. The use of ACFO, combined with the required IFRS presentations, has been included for the purpose of improving the understanding of operating cash flow of CT REIT.

Management believes that ACFO is a sustainable economic cash flow metric that, when compared period-over-period, reflects the impact on cash flow generated from operating activities after providing for net interest and other financing charges and operating capital requirements.

A reconciliation from the IFRS term "Cash Generated from Operating Activities" (refer to the consolidated statements of cash flow for the three months ended March 31, 2017 and March 31, 2016) to ACFO is as follows:

(in thousands of Canadian dollars)		Three Months Ended		
For the periods ended March 31,		2017	2016	Change <sup>1</sup>
<b>Cash generated from operating activities</b>	<b>\$</b>	<b>82,162</b>	<b>\$ 69,659</b>	17.9%
Non-operating adjustments to changes in working capital and other		<b>(8,755)</b>	(890)	NM
Net interest and other financing charges		<b>(23,802)</b>	(22,354)	6.5%
Normalized capital expenditure reserve		<b>(5,065)</b>	(4,407)	14.9%
<b>Adjusted cashflow from operations</b>	<b>\$</b>	<b>44,540</b>	<b>\$ 42,008</b>	6.0%

<sup>1</sup> NM - not meaningful.

The non-operating adjustments to changes in working capital consist primarily of the recovery of year end input tax credits in connection with development activities and net increase in the accrued statutory payroll taxes.

## 10.6 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, 2017, EBITFV was calculated as follows:

(in thousands of Canadian dollars)		Three Months Ended		
For the periods ended March 31,		2017	2016	Change <sup>1</sup>
Net income and comprehensive income	\$	75,322	\$ 61,153	23.2%
Fair value adjustment on investment properties		(17,926)	(11,946)	50.1%
Interest expense and other financing charges		23,816	22,412	6.3%
Income taxes		573	162	NM
<b>EBITFV</b>	<b>\$</b>	<b>81,785</b>	<b>\$ 71,781</b>	<b>13.9%</b>

<sup>1</sup>NM - Not meaningful

## 10.7 Selected Quarterly Consolidated Information

(in thousands of Canadian dollars, except per unit amounts)		2016					2015		
As at and for the quarter ended	2017								
	Q1	Q4	Q3	Q2	Q1		Q4	Q3	Q2
Property revenue	\$ 111,140	\$ 104,230	\$ 102,932	\$ 101,507	\$ 98,496	\$	96,599	\$ 95,916	\$ 93,217
Net income	\$ 75,322	\$ 65,455	\$ 72,124	\$ 60,347	\$ 61,153	\$	62,824	\$ 58,885	\$ 57,205
Net income per unit									
- basic	\$ 0.362	\$ 0.317	\$ 0.349	\$ 0.306	\$ 0.321	\$	0.331	\$ 0.311	\$ 0.306
- diluted	\$ 0.300	\$ 0.269	\$ 0.290	\$ 0.256	\$ 0.260	\$	0.257	\$ 0.242	\$ 0.233
FFO per unit- diluted, non-GAAP <sup>1</sup>	\$ 0.279	\$ 0.274	\$ 0.273	\$ 0.263	\$ 0.260	\$	0.264	\$ 0.260	\$ 0.256
AFFO per unit - diluted, non-GAAP <sup>1</sup>	\$ 0.227	\$ 0.222	\$ 0.222	\$ 0.210	\$ 0.206	\$	0.206	\$ 0.203	\$ 0.199
Total assets	\$ 5,109,718	\$ 5,014,601	\$ 4,915,172	\$ 4,874,626	\$ 4,433,104	\$	4,350,903	\$ 4,324,229	\$ 4,291,153
Total indebtedness	\$ 2,393,983	\$ 2,383,123	\$ 2,290,422	\$ 2,288,626	\$ 2,112,726	\$	2,095,045	\$ 2,078,826	\$ 2,071,737
Total distributions, net of distribution reinvestment, to Unitholders - paid	\$ 35,710	\$ 34,635	\$ 34,657	\$ 32,190	\$ 31,854	\$	30,947	\$ 30,946	\$ 30,450
Total distributions per unit - paid	\$ 0.175	\$ 0.170	\$ 0.170	\$ 0.170	\$ 0.170	\$	0.166	\$ 0.166	\$ 0.166
Book value per unit	\$ 12.73	\$ 12.52	\$ 12.38	\$ 12.20	\$ 11.84	\$	11.67	\$ 11.51	\$ 11.36
Market price per unit									
- high	\$ 15.60	\$ 15.65	\$ 15.76	\$ 15.60	\$ 14.76	\$	13.45	\$ 13.40	\$ 12.96
- low	\$ 14.55	\$ 14.54	\$ 14.55	\$ 14.17	\$ 12.46	\$	12.50	\$ 11.26	\$ 11.75
- close (end of period)	\$ 15.04	\$ 15.00	\$ 15.40	\$ 14.80	\$ 14.45	\$	13.00	\$ 12.86	\$ 12.10

<sup>1</sup>Non-GAAP measure. Refer to 10.0 section for further information.

Refer to CT REIT's respective annual and interim MD&A's issued for a discussion and analysis relating to those periods.

## 11.0 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 11.0 in the MD&A contained in the REIT's 2016 Annual Report.

The REIT continues to further develop and refine processes and tools underlying the ERM Program.

## **12.0 Internal Control and Procedures**

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Details related to disclosure controls and procedures and internal control over financial reporting are disclosed in section 12.0 of the MD&A contained in CT REIT's 2016 Annual Report.

### **Changes in Internal Control Over Financial Reporting**

During the three months ended March 31, 2017, 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.

## **13.0 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 risks 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 4.4;
- CT REIT's development activities under section 4.6;
- CT REIT's leasing activities under section 4.10;
- CT REIT's fair value adjustment on investment properties under section 5.1;
- CT REIT's capital expenditures to fund acquisitions and development activities under section 6.1;
- CT REIT's capital strategy under section 6.11;
- CT REIT's 2017 Investment Activities - Commitments as at March 31, 2017 under section 6.12;
- CT REIT's distributions under section 7.3;
- CT REIT's access to available sources of debt and/or equity financing;
- CT REIT's principal risks under section 11.0;
- 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 Properties 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 ITA, and as a "real estate investment trust", as defined in the rules applicable to SIFT Trusts and SIFT Partnerships under the ITA.



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 2016 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 2016 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 9, 2017

**FIRST QUARTER 2017**

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

# Condensed Consolidated Balance Sheets (Unaudited)

(Canadian dollars, in thousands)

As at	Note	March 31, 2017	December 31, 2016
<b>Assets</b>			
<b>Non-current assets</b>			
Investment properties	3	\$ 5,081,818	\$ 5,000,355
Other assets		2,500	3,101
		<b>5,084,318</b>	<b>5,003,456</b>
<b>Current assets</b>			
Tenant and other receivables		6,837	2,407
Other assets		7,031	2,369
Cash and cash equivalents		11,532	6,369
		<b>25,400</b>	<b>11,145</b>
<b>Total assets</b>		<b>\$ 5,109,718</b>	<b>\$ 5,014,601</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Class C LP Units	4	\$ 1,451,550	\$ 1,451,550
Mortgages payable	5	43,908	54,677
Debentures	6	695,500	695,336
Other liabilities		2,199	3,198
		<b>2,193,157</b>	<b>2,204,761</b>
<b>Current liabilities</b>			
Class C LP Units	4	70,418	70,418
Mortgages payable	5	17,761	1,318
Bank Credit Facility	7	114,846	109,824
Other liabilities		43,595	25,631
Distributions payable	8	12,177	12,065
		<b>258,797</b>	<b>219,256</b>
<b>Total liabilities</b>		<b>2,451,954</b>	<b>2,424,017</b>
<b>Equity</b>			
Unitholders' equity	8	1,111,728	1,094,207
Non-controlling interests	8, 9	1,546,036	1,496,377
<b>Total equity</b>		<b>2,657,764</b>	<b>2,590,584</b>
<b>Total liabilities and equity</b>		<b>\$ 5,109,718</b>	<b>\$ 5,014,601</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	2017	2016
Property revenue	10	\$ 111,140	\$ 98,496
Property expense	10	(26,192)	(23,528)
General and administrative expense	11	(3,750)	(3,407)
Net interest and other financing charges	12	(23,802)	(22,354)
Fair value adjustment on investment properties	3	17,926	11,946
<b>Net income and comprehensive income</b>		<b>\$ 75,322</b>	<b>\$ 61,153</b>
<b>Net income and comprehensive income attributable to:</b>			
Unitholders		\$ 32,780	\$ 28,923
Non-controlling interests		42,542	32,230
		<b>\$ 75,322</b>	<b>\$ 61,153</b>
<b>Net income per unit - basic</b>	8	<b>\$ 0.36</b>	<b>\$ 0.32</b>
<b>Net income per unit - diluted</b>	8	<b>\$ 0.30</b>	<b>\$ 0.26</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, 2016</b>		<b>\$ 881,736</b>	<b>\$ 212,471</b>	<b>\$ 1,094,207</b>	<b>\$ 1,496,377</b>	<b>\$ 2,590,584</b>
Net income and comprehensive income for the period		—	32,780	32,780	42,542	75,322
Issuance of Class B LP Units, net of issue costs	3	—	—	—	27,680	27,680
Distributions	8	—	(15,838)	(15,838)	(20,563)	(36,401)
Issuance of Units under Distribution Reinvestment Plan	8	579	—	579	—	579
<b>Balance at March 31, 2017</b>		<b>\$ 882,315</b>	<b>\$ 229,413</b>	<b>\$ 1,111,728</b>	<b>\$ 1,546,036</b>	<b>\$ 2,657,764</b>

	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	8	—	(15,363)	(15,363)	(17,099)	(32,462)
Issuance of Units under Distribution Reinvestment Plan	8	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>

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	2017	2016
<b>Cash generated from (used for):</b>			
<b>Operating activities</b>			
Net income		\$ 75,322	\$ 61,153
Add/(deduct):			
Fair value adjustment on investment properties		(17,926)	(11,946)
Property straight-line rent revenue		(5,792)	(5,860)
Deferred income tax		573	162
Straight-line ground lease expense		15	23
Net interest and other financing charges		23,802	22,354
Changes in working capital and other	13	6,168	3,773
<b>Cash generated from operating activities</b>		<b>\$ 82,162</b>	<b>\$ 69,659</b>
<b>Investing activities</b>			
Income-producing property		(21,098)	(2,684)
Development activities and land investments		(10,585)	(4,109)
Capital expenditures recoverable from tenants		(1,833)	(4,871)
Proceeds of disposition		1	—
<b>Cash used for investing activities</b>		<b>\$ (33,515)</b>	<b>\$ (11,664)</b>
<b>Financing activities</b>			
Debenture issue costs		(6)	—
Unit distributions		(15,255)	(14,867)
Class B LP Unit distributions paid or loaned		(20,455)	(16,987)
Payments on Class C LP Units paid or loaned	4	(17,419)	(18,950)
Bank Credit Facility draws (repayments), net	7	5,022	—
Mortgage principal repayments	5	(306)	(366)
Mortgage borrowing	5	6,000	—
Net interest paid		(1,065)	(535)
Class B LP Unit issue costs		—	(41)
<b>Cash used for financing activities</b>		<b>\$ (43,484)</b>	<b>\$ (51,746)</b>
<b>Cash generated for the period</b>		<b>\$ 5,163</b>	<b>\$ 6,249</b>
Cash and cash equivalents, beginning of period		6,369	24,680
<b>Cash and cash equivalents, end of period</b>		<b>\$ 11,532</b>	<b>\$ 30,929</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, 2017 and 2016  
(All dollar amounts are in thousands, except unit and 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 consolidated financial statements as “CT REIT” or “the 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”) owned an 85.2% effective interest in CT REIT as of March 31, 2017, 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, 2017 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 2016 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 2016 Annual Report other than standards, amendments and interpretations adopted as disclosed in Note 2(d).

These interim financial statements were authorized for issuance by CT REIT’s Board of Trustees (the “Board”) on May 9, 2017.

### (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\$”), which is CT REIT’s functional currency, rounded to the nearest thousand, except per unit amounts.

### (c) Judgments 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)

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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 2016 Annual Report.

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

### Disclosure initiative (IAS 7)

In January 2016, the IASB issued Disclosure Initiative Amendments to IAS 7 - *Statement of Cash Flows* as part of the IASB's Disclosure Initiative. These amendments require entities to provide additional disclosures that will enable financial statements users to evaluate changes in liabilities arising from financing activities, including changes arising from cash flows and non-cash changes.

These amendments were effective for annual periods beginning on or after January 1, 2017. The implementation of these amendments has not had a significant impact on CT REIT other than increased disclosure in the annual financial statements.

## (e) 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 2016 Annual Report.

## 3. INVESTMENT PROPERTIES

The following table summarizes CT REIT's investment property portfolio holdings:

	March 31, 2017			December 31, 2016		
	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>\$ 4,979,231</b>	<b>\$ 21,124</b>	<b>\$ 5,000,355</b>	<b>\$ 4,304,838</b>	<b>\$ 14,223</b>	<b>\$ 4,319,061</b>
Property acquisitions (including transaction costs)	48,533	—	48,533	214,225	—	214,225
Intensifications	—	131	131	—	10,852	10,852
Developments	—	8,296	8,296	—	356,943	356,943
Development land	—	257	257	—	8,744	8,744
Capitalized interest and property taxes	—	181	181	—	6,895	6,895
Transfers	2,023	(2,023)	—	376,533	(376,533)	—
Fair value adjustment on investment properties	17,926	—	17,926	44,549	—	44,549
Straight-line rent	5,792	—	5,792	23,774	—	23,774
Recoverable capital expenditures	348	—	348	15,570	—	15,570
Dispositions	(1)	—	(1)	(258)	—	(258)
<b>Balance, end of period<sup>1</sup></b>	<b>\$ 5,053,852</b>	<b>\$ 27,966</b>	<b>\$ 5,081,818</b>	<b>\$ 4,979,231</b>	<b>\$ 21,124</b>	<b>\$ 5,000,355</b>

<sup>1</sup> Includes purchased land of \$6,915 (December 31, 2016 - \$6,505) held for development.

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.



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

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As at March 31, 2017, 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 fair value of investment properties is based on Level 3 inputs (see Note 20.(a) to the annual consolidated financial statements contained in CT REIT's 2016 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 properties are as follows:

	Properties valued by the OCR method	Properties valued by the DCF method
Number of properties	263	41
Value at March 31, 2017	\$ 3,995,056	\$ 1,018,817
Discount rate	—%	6.94%
Terminal capitalization rate	—%	6.53%
Overall capitalization rate	6.24%	—%
Hold period (years)	—	10

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	\$ 3,565,667	\$ (429,389)	\$ 922,480	\$ (96,337)
+ 50 basis points	3,698,633	(296,423)	951,529	(67,288)
+ 25 basis points	3,841,865	(153,190)	982,799	(36,018)
Base rate	\$ 3,995,056	\$ —	\$ 1,018,817	\$ —
- 25 basis points	4,164,654	169,598	1,053,095	34,278
- 50 basis points	4,347,583	352,527	1,092,780	73,964
- 75 basis points	\$ 4,547,332	\$ 552,276	\$ 1,136,159	\$ 117,342

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

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## 2017 Investment and Development Activity

Funding of investment and development activities for the three months ended March 31, 2017 was as follows:

	<b>2017 Investment and Development Activity</b>				
	<b>Property investments</b>	<b>Development land</b>	<b>Developments</b>	<b>Intensifications</b>	<b>Total</b>
Funded with working capital to CTC	\$ 19,700	\$ —	\$ 818	\$ —	\$ 20,518
Funded with working capital to third parties	1,153	257	1,478	131	3,019
Capitalized interest and property taxes	—	—	181	—	181
Issuance of Class B LP Units to CTC	27,680	—	—	—	27,680
Mortgages payable	—	—	6,000	—	6,000
<b>Total costs</b>	<b>\$ 48,533</b>	<b>\$ 257</b>	<b>\$ 8,477</b>	<b>\$ 131</b>	<b>\$ 57,398</b>

## 2016 Investment and Development Activity

Funding of investment and development activities for the year ended December 31, 2016 was as follows:

	<b>2016 Investment and Development Activity</b>				
	<b>Property investments</b>	<b>Development land</b>	<b>Developments</b>	<b>Intensifications</b>	<b>Total</b>
Funded with working capital to CTC	\$ 5,790	\$ 1,184	\$ 328,039	\$ 6,442	\$ 341,455
Funded with working capital to third parties	135,265	2,660	18,904	4,410	161,239
Capitalized interest and property taxes	—	—	6,895	—	6,895
Issuance of Class B LP Units to CTC	53,070	—	—	—	53,070
Issuance of Class C LP Units to CTC	20,100	4,900	10,000	—	35,000
<b>Total costs</b>	<b>\$ 214,225</b>	<b>\$ 8,744</b>	<b>\$ 363,838</b>	<b>\$ 10,852</b>	<b>\$ 597,659</b>

Included in CT REIT's investment properties are eight buildings which are situated on ground leases with remaining initial terms of between 2 and 39 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 4.58% 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 each five-year period 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, 2017	Carrying amount at December 31, 2016
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	18,500
Series 18	May 31, 2020	2.28%	4,900	4,900
Series 19	May 31, 2020	2.28%	11,600	11,600
<b>Weighted average / Total</b>		<b>4.58%</b>	<b>\$ 1,521,968</b>	<b>\$ 1,521,968</b>
Current			<b>\$ 70,418</b>	<b>\$ 70,418</b>
Non-current			<b>1,451,550</b>	<b>1,451,550</b>
<b>Total</b>			<b>\$ 1,521,968</b>	<b>\$ 1,521,968</b>

For the three months ended March 31, 2017, interest expense of \$17,419 (Q1 2016 – \$19,044) was recognized in respect of the Class C LP Units (see Note 12). 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, 2017 of \$11,454 (December 31, 2016 – \$65,807) 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 net amount of payments due in respect of the Class C LP Units at March 31, 2017 of \$5,806 (December 31, 2016 – \$5,806) is included in other liabilities on the interim balance sheets.

A notice of redemption was submitted by CT REIT to CTC, the holder of Series 10-15 Class C LP Units. As a result, Series 10-15 Class C LP Units will either be redeemed or will have their rate reset, in either case effective May 31, 2017. If redeemed, it is expected to be funded, subject to TSX approval, by the issuance to CTC of approximately \$47 million of Class B LP Units and \$23 million of cash.

# 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, 2017		December 31, 2016	
	Face value	Carrying amount	Face value	Carrying amount
Current	\$ 17,699	\$ 17,761	\$ 1,241	\$ 1,318
Non-current	43,944	43,908	54,708	54,677
<b>Total</b>	<b>\$ 61,643</b>	<b>\$ 61,669</b>	<b>\$ 55,949</b>	<b>\$ 55,995</b>

Future repayments are as follows:	Principal amortization		Maturities		Total
2017	\$	935	\$	—	\$ 935
2018		493		16,590	17,083
2019		35		43,590	43,625
2020		—		—	—
2021		—		—	—
2022 and thereafter		—		—	—
Total contractual obligation	\$	1,463	\$	60,180	\$ 61,643
Unamortized portion of mark to market on mortgages payable assumed at the acquisition of properties					121
Unamortized transaction costs					(95)
				\$	61,669

Mortgages payable have interest rates that range from 2.93% to 3.60%, and have maturity dates that range from January 2018 to December 2019. Mortgages payable at March 31, 2017 had a weighted average interest rate of 3.14% (December 31, 2016 – 3.16%). At March 31, 2017, floating rate and fixed rate mortgages were \$37,133 (December 31, 2016 – \$31,133) and \$24,510 (December 31, 2016 – \$24,816), respectively.

Investment properties having a fair value of \$132,807 (December 31, 2016 – \$126,300) have been pledged as security for mortgages payable.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

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## 6. DEBENTURES

Series	March 31, 2017		December 31, 2016	
	Face value	Carrying amount	Face value	Carrying amount
A, 2.85%, June 9, 2022	\$ 150,000	\$ 149,161	\$ 150,000	\$ 149,123
B, 3.53%, June 9, 2025	200,000	198,626	200,000	198,588
C, 2.16%, June 1, 2021	150,000	149,110	150,000	149,058
D, 3.29%, June 1, 2026	200,000	198,603	200,000	198,567
	<b>\$ 700,000</b>	<b>\$ 695,500</b>	<b>\$ 700,000</b>	<b>\$ 695,336</b>

For the three months ended March 31, 2017, amortization of the transaction costs of \$167 (2016 - \$112) are included in net interest and other financing charges on the interim statements of income and comprehensive income (see Note 12).

## 7. BANK CREDIT FACILITY

CT REIT has a \$300 million unsecured revolving credit facility ("Bank Credit Facility") available until 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, 2017, \$114,846 (December 31, 2016 - \$109,824) of borrowings were drawn on the Bank Credit Facility and \$1,227 (December 31, 2016 - \$1,227) of letters of credit were outstanding under the Bank Credit Facility.

## 8. 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, 2017		
	Units	Class B LP Units	Total
Total outstanding at beginning of year	90,479,102	116,367,697	206,846,799
Issued	39,847	1,876,049	1,915,896
<b>Total outstanding at end of period</b>	<b>90,518,949</b>	<b>118,243,746</b>	<b>208,762,695</b>

	As at December 31, 2016		
	Units	Class B LP Units	Total
Total outstanding at beginning of year	90,337,358	99,263,329	189,600,687
Issued	141,744	17,104,368	17,246,112
<b>Total outstanding at end of period</b>	<b>90,479,102</b>	<b>116,367,697</b>	<b>206,846,799</b>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the three months ended March 31, 2017 and 2016  
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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, 2017 and 2016, are calculated as follows, respectively:

For the three months ended March 31, 2017			
	Units	Class B LP Units	Total
Net income attributable to Unitholders - basic	\$ 32,780	\$ 42,542	\$ 75,322
Income effect of settling Class C LP Units with Class B LP Units			17,419
<b>Net income attributable to Unitholders - diluted</b>			<b>\$ 92,741</b>
Weighted average units outstanding - basic	90,499,653	117,309,875	207,809,528
Dilutive effect of other Unit plans			120,148
Dilutive effect of settling Class C LP Units with Class B LP Units			100,989,386
<b>Weighted average Units outstanding - diluted</b>			<b>308,919,062</b>

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>

## Distributions on Units and Class B LP Units

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

For the three months ended March 31,	2017		2016
	Distributions per unit		Distributions per unit
Units	\$ 0.175	\$	0.170
Class B LP Unit	\$ 0.175	\$	0.170

On March 15, 2017, CT REIT's Board declared a distribution of \$0.05833 per Unit paid on April 17, 2017 to holders of Units and Class B LP Units of record as of March 31, 2017.

On April 13, 2017, CT REIT's Board declared a distribution of \$0.05833 per Unit payable on May 15, 2017 to holders of Units and Class B LP Units of record as of April 30, 2017.

Details and descriptions of the Units, and Class B LP Units are available in Note 10 to the annual consolidated financial statements contained in the CT REIT's 2016 Annual Report.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

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## 9. NON-CONTROLLING INTERESTS

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

Name of Subsidiary	Proportion of ownership interests held by non-controlling interests		Net income and comprehensive income allocated to non-controlling interests	
	As at March 31, 2017	As at December 31, 2016	For the three months ended March 31, 2017	For the three months ended March 31, 2016
CT REIT Limited Partnership	56.64%	56.26%	\$ 42,542	\$ 32,230

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 to its subsidiaries.

## 10. 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 12.4 years. Annual base minimum rent for CTC leases had weighted average annual rent escalations of approximately 1.5% per year which commenced on January 1, 2015.

The components of property revenue are as follows:

For the three months ended March 31, 2017	CTC	Other	Total
Base minimum rent	\$ 74,500	\$ 5,468	\$ 79,968
Straight-line rent	5,460	332	5,792
Subtotal base rent	\$ 79,960	\$ 5,800	\$ 85,760
Property operating expense recoveries	21,596	2,404	24,000
Capital expenditure and interest recovery charge	1,227	19	1,246
Other revenues	2	132	134
<b>Property revenue</b>	<b>\$ 102,785</b>	<b>\$ 8,355</b>	<b>\$ 111,140</b>

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>\$ 94,094</b>	<b>\$ 4,402</b>	<b>\$ 98,496</b>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the three months ended March 31, 2017 and 2016  
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## (b) Property expense

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

For the three months ended March 31,		2017		2016
Property taxes	\$	21,319	\$	19,895
Other recoverable operating costs		2,737		1,691
Property management <sup>1</sup>		1,083		918
Ground rent		1,009		1,001
Property insurance		44		23
Other non-recoverable costs		—		—
<b>Property expense</b>	<b>\$</b>	<b>26,192</b>	<b>\$</b>	<b>23,528</b>

<sup>1</sup> Includes \$662 (2016 - \$613) with CTC. See Note 16.

## 11. GENERAL AND ADMINISTRATIVE EXPENSE

General and administrative expense is comprised of the following:

For the three months ended March 31,		2017		2016
Personnel expense <sup>1</sup>	\$	1,668	\$	1,310
Public entity and other <sup>1</sup>		1,332		1,390
Services Agreement with CTC <sup>2</sup>		750		707
<b>General and administrative expense</b>	<b>\$</b>	<b>3,750</b>	<b>\$</b>	<b>3,407</b>

<sup>1</sup> Includes unit-based awards, including (gain) loss adjustments as a result of the change in the fair market value of the Units of \$94 (2016 - \$257) for the three months ended March 31, 2017.

<sup>2</sup> See note 16.

## 12. NET INTEREST AND OTHER FINANCING CHARGES

Net interest and other financing charges are comprised of the following:

For the three months ended March 31,		2017		2016
Interest on Class C LP Units <sup>1</sup>	\$	17,419	\$	19,044
Interest on debentures		5,287		2,833
Interest and financing costs - Bank Credit Facility		722		148
Interest on mortgages payable		390		403
Amortization of debentures financing cost		167		112
	<b>\$</b>	<b>23,985</b>	<b>\$</b>	<b>22,540</b>
Less: capitalized interest		(169)		(128)
<b>Interest and other financing charges less capitalized interest</b>	<b>\$</b>	<b>23,816</b>	<b>\$</b>	<b>22,412</b>
Less: interest income		(14)		(58)
<b>Net interest and other financing charges</b>	<b>\$</b>	<b>23,802</b>	<b>\$</b>	<b>22,354</b>

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



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

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## 13. CHANGES IN WORKING CAPITAL AND OTHER

Changes in working capital are comprised of the following:

For the three months ended March 31,	2017	2016
Changes in working capital and other		
Tenant and other receivables	\$ (4,430)	\$ (3,474)
Other assets	(4,404)	(5,128)
Other liabilities	14,999	12,331
Other	3	44
<b>Changes in working capital and other</b>	<b>\$ 6,168</b>	<b>\$ 3,773</b>

## 14. SEGMENTED INFORMATION

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

## 15. 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, 2017, CT REIT had obligations of \$35,010 (December 31, 2016 – \$30,470) in future payments for the completion of developments, which are expected to be incurred by 2018. Included in the commitments is \$33,089 due to CTC.

## 16. 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, 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 term of the Services Agreement expires on December 31 of each year and is automatically renewable for further one year terms thereafter, unless otherwise terminated. The Services Agreement was renewed for 2017 and CTC will continue to provide such services on a cost recovery basis.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

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## *Property Management Agreement*

Under the Property Management Agreement, CTC provides the REIT with certain customary property management services (the "Property Management Services"). CTC provides 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 term of the Property Management Agreement expires on December 31 of each year and is automatically renewable for further one year terms thereafter, unless otherwise terminated. The Property Management Agreement was renewed for 2017 and CTC will continue to provide such services on a cost recovery basis.

## **(b) Transactions and balances with related parties**

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

For the three months ended March 31,	Note	2017	2016
Rental revenue	10	\$ 102,785	\$ 94,094
Property Management and Services Agreement expense		\$ 1,412	\$ 1,320
Distributions on Units		\$ 10,449	\$ 10,151
Distributions on Class B LP Units <sup>1</sup>		\$ 20,563	\$ 17,099
Interest expense on Class C LP Units	12	\$ 17,419	\$ 19,044

<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:

As at	March 31, 2017	December 31, 2016
Tenant and other receivables	\$ (6,643)	\$ (404)
Class C LP Units	1,521,968	1,521,968
Amounts payable on Class C LP Units	17,260	71,613
Loans receivable in lieu of payments on Class C LP Units	(11,454)	(65,807)
Other liabilities	7,354	5,199
Distributions payable on Units and Class B LP Units <sup>1</sup>	12,784	18,581
Loans receivable in lieu of distributions on Class B LP Units	(2,404)	(8,311)
<b>Net due to CTC</b>	<b>\$ 1,538,865</b>	<b>\$ 1,542,839</b>

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

## **17. 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 and mortgages payable at March 31, 2017, is \$1,650,881, \$705,348 and \$62,879 respectively. The fair value measurement of the Class C LP Units, debentures 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 and mortgages payable are interest rates, interest rate volatility, and credit spreads. There have been no transfers during the period between levels.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the three months ended March 31, 2017 and 2016  
(All dollar amounts are in thousands, except unit and per unit amounts)

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, Bank Credit Facility and distributions payable, which are classified as other liabilities and carried at amortized cost, except for liabilities for unit based compensation plans which are included in other liabilities and are carried at fair value, equivalent to the trading price of Units, which is a Level 1 input. The carrying amounts of the liabilities for the unit based compensation plans approximate their fair value due to their short-term nature.

## 18. 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 its Declaration of Trust and the Trust Indenture dated June 9, 2015, as supplemented by supplemental indentures, pursuant to which the debentures were issued, and the Bank Credit Facility.

As at March 31, 2017, 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.

## 19. COMPARATIVE FIGURES

Certain of the prior period figures have been aligned to management's current view of CT REIT's operations.

## 20. SUBSEQUENT EVENTS

On April 5, 2017, CT REIT renewed its base shelf prospectus (the "Shelf") under which it may now raise up to \$2.0 billion of debt and equity capital over the 25 month period ending May 3, 2019. The Shelf also qualifies the sale of Units by CTC.

During April 2017, CT REIT completed the acquisition of a ground lease for a property located in Picton, Ontario from a third party for approximately \$3,500. CTC is the tenant under the ground lease assumed by the REIT and operates a Canadian Tire store on the leased lands.

## CORPORATE INFORMATION

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Toll-free: 1-877-982-8768  
Fax: 1-866-249-7775  
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### Exchange Listings

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### Corporate and Unitholder Information

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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.