CT Real Estate Investment Trust

2019 Third Quarter Report to Unitholders

For the quarter ended September 30, 2019

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CT REAL ESTATE INVESTMENT TRUST
MANAGEMENT'S DISCUSSION AND ANALYSIS
THIRD QUARTER 2019

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, (referred to herein as "CT REIT", "Trust" or "REIT", unless the context requires otherwise), 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

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 and nine months ended September 30, 2019 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 and nine months ended September 30, 2019 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 statement found in section 13.0 of this MD&A. Information about CT REIT, including the 2018 Annual Information Form ("AIF"), its 2018 audited annual consolidated financial statements 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 and on CT REIT's website at www.ctreit.com under the Investors section.

1.2 Definitions

In this document, the terms "CT REIT", "REIT", and "Trust", refer to CT Real Estate Investment Trust® and its subsidiaries unless the context requires otherwise. In addition, "Company", "CTC" and "Corporation" refer to Canadian Tire Corporation, Limited, entities that it controls and their collective businesses unless the context requires otherwise.

In this document, the term "Development Properties" means those properties being developed or redeveloped, but excludes properties undergoing intensification activities, consisting of the construction of additional buildings on existing assets and modifications to existing buildings, as well as the redevelopment of mixed-use properties; and "Properties Under Development" means that portion of any (i) Development Property, (ii) properties undergoing intensification activities, consisting of the construction of additional buildings on existing assets and modifications to existing buildings, and (iii) mixed use properties being developed or redeveloped.

This document contains certain trade-marks and trade names of CTC and is the property of CTC. Solely for convenience, the trade-marks and trade names referred to herein may appear without the ® or ™ symbol.

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 revenues 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 November 4, 2019. 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 Q3 2019 (three and nine months ended September 30, 2019) are against results for Q3 2018 (three and nine months ended September 30, 2018).

All amounts in this MD&A are in thousands of Canadian dollars, except per unit, unit, square foot amounts or unless otherwise indicated. Rounded numbers are used in this MD&A and, as such, totals may not add up to 100 percent.

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, adjusted funds from operations (“AFFO”), AFFO per unit - basic, AFFO per unit - diluted, 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 (collectively referred to as "non-GAAP measures"). These non-GAAP measures are not defined by IFRS, also referred to as generally accepted accounting principles ("GAAP"), and therefore should not be construed as alternatives to net income or cash flow from operating activities calculated in accordance with IFRS.

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, approved this MD&A for issuance on November 4, 2019.

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 a 69.3% effective interest in CT REIT as of September 30, 2019, consisting of 33,989,508 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. The holders of Units and Class B LP Units are collectively referred to as "Unitholders". 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 for financial reporting purposes which comprises the ownership and operation of primarily retail investment properties located across Canada.

2.0 GROWTH STRATEGY AND OBJECTIVES

The following section contains forward-looking information and readers 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[1] per unit.

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

1. The portfolio of Canadian Tire store leases generally contains contractual 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 10.1 years;
2. CT REIT has contractual arrangements with CTC whereby CT REIT has a right of first offer ("ROFO")[2] 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.

[1] Non-GAAP measure. Refer to section 10.0 for further information.

[2] The ROFO Agreement shall continue in effect until the later of October 2023 and such time as CTC ceases to hold a majority of the voting units, being the Units and Special Voting Units (as defined in section 7.0).

3.0 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			Nine Months Ended		
For the periods ended September 30,	**2019**	2018	Change [9]	**2019**	2018	Change [9]
Property revenue	**$ 121,763**	$ 117,662	3.5 %	**$ 365,321**	$ 353,161	3.4 %
EBITFV [1]	**$ 94,805**	$ 88,533	7.1 %	**$ 277,007**	$ 262,408	5.6 %
Net operating income [1]	**$ 93,939**	$ 87,758	7.0 %	**$ 275,351**	$ 260,342	5.8 %
Net income	**$ 80,138**	$ 79,147	1.3 %	**$ 230,303**	$ 226,405	1.7 %
Net income per unit - basic [2]	**$ 0.362**	$ 0.369	(1.9)%	**$ 1.043**	$ 1.058	(1.4)%
Net income per unit - diluted [3]	**$ 0.301**	$ 0.296	1.7 %	**$ 0.875**	$ 0.855	2.3 %
Funds from operations [1]	**$ 67,345**	$ 62,171	8.3 %	**$ 195,064**	$ 183,995	6.0 %
FFO per unit - diluted (non-GAAP) [1,2,4]	**$ 0.303**	$ 0.289	4.8 %	**$ 0.882**	$ 0.859	2.7 %
Adjusted funds from operations [1]	**$ 57,855**	$ 51,884	11.5 %	**$ 166,902**	$ 153,325	8.9 %
AFFO per unit - diluted (non-GAAP) [1,2,4]	**$ 0.261**	$ 0.241	8.3 %	**$ 0.755**	$ 0.716	5.4 %
Distributions per unit - paid [2]	**$ 0.189**	$ 0.182	4.0 %	**$ 0.568**	$ 0.546	4.0 %
AFFO payout ratio [1]	**72%**	76%	(5.3)%	**75%**	76%	(1.3)%
Excess of AFFO [1] over distributions:						
Cash retained from operations before distribution reinvestment [5]	**$ 16,053**	$ 12,826	25.2 %	**$ 41,664**	$ 36,445	14.3 %
Per unit - diluted (non-GAAP) [2,4,5]	**$ 0.072**	$ 0.060	20.0 %	**$ 0.188**	$ 0.170	10.6 %
Cash generated from operating activities	**$ 98,035**	$ 82,836	18.3 %	**$ 268,342**	$ 247,835	8.3 %
Adjusted cashflow from operations [1]	**$ 59,440**	$ 55,227	7.6 %	**$ 167,943**	$ 153,081	9.7 %
Weighted average number of units outstanding [2]						
Basic	**221,677,555**	214,654,925	3.3 %	**220,845,368**	214,086,218	3.2 %
Diluted [3]	**322,629,585**	325,372,565	(0.8)%	**321,791,812**	324,794,910	(0.9)%
Diluted (non-GAAP) [1,4]	**221,912,113**	214,842,060	3.3 %	**221,074,340**	214,264,405	3.2 %
Period-end units outstanding [2]				**227,260,990**	214,986,936	5.7 %
Total assets				**$ 6,001,912**	$ 5,676,689	5.7 %
Total indebtedness				**$ 2,570,162**	$ 2,596,482	(1.0)%
Book value per unit [2]				**$ 14.46**	$ 13.90	4.0 %
Market price per Unit - Close (end of period)				**$ 15.03**	$ 12.85	17.0 %
OTHER DATA						
Weighted average interest rate [6]				**4.08%**	4.07%	NM
Indebtedness ratio				**42.8%**	45.7%	NM
Interest coverage (times)	**3.45**	3.36	NM	**3.38**	3.35	NM
Weighted average term to debt maturity (in years) [6]				**8.2**	9.2	NM
Gross leasable area (square feet) [7]				**27,142,110**	26,423,801	2.7 %
Occupancy rate [7,8]				**98.8%**	98.7%	NM

[1] Non-GAAP measure. Refer to section 10.0 for further information.

[2] Total units means Units and Class B LP Units outstanding.

[3] 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.

[4] 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. Refer to section 7.0.

[5] Refer to section 7.0 for further information.

[6] Excludes the Bank Credit Facility.

[7] Refers to retail, mixed-use commercial and industrial properties and excludes Properties Under Development.

[8] Occupancy and other leasing key performance measures have been prepared on a committed basis which includes the impact of existing lease agreements contracted on or before September 30, 2019 and September 30, 2018.

[9] NM - not meaningful.

4.0 OVERVIEW OF THE PROPERTY PORTFOLIO

4.1 Property Profile

The property portfolio as at September 30, 2019 consists of 335 retail properties, four industrial properties, one mixed-use commercial property and five Development Properties (collectively, the "Properties"). The Properties are located in each of the provinces and in two territories across Canada. The retail properties, industrial properties and mixed-use commercial property contain approximately 27.1 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, Ontario. CTC is CT REIT's most significant tenant. At September 30, 2019, CTC represented 93.2% of total GLA (December 31, 2018 - 93.2%) and 92.5% of annualized base minimum rent (December 31, 2018 - 92.7%).

CT REIT's property portfolio's occupancy, excluding Properties Under Development, is as follows:

			As at September 30, 2019
(in square feet)	**GLA**	**Occupied GLA**	**Occupancy rate [2]**
Property Type			
Canadian Tire stores	**20,901,700**	**20,901,700**	**100.0%**
Industrial properties	**3,914,871**	**3,713,456**	**94.9%**
Mixed-use property	**280,386**	**273,693**	**97.6%**
Third party tenants	**1,498,081**	**1,368,365**	**91.3%**
Other CTC Banners [1]	**547,072**	**547,072**	**100.0%**
Total	**27,142,110**	**26,804,286**	**98.8%**

[1] May include Mark's and L'Équipeur, SportChek, Sports Experts, Atmosphere, and Canadian Tire Bank (referred to herein as "Other CTC Banners").

[2] Occupancy and other leasing key performance measures have been prepared on a committed basis which includes the impact of existing lease agreements contracted on or before September 30, 2019.

			As at December 31, 2018
(in square feet)	GLA	Occupied GLA	Occupancy rate [2]
Property Type			
Canadian Tire stores	20,359,163	20,359,163	100.0%
Industrial properties	3,914,871	3,713,456	94.9%
Mixed-use property	280,386	273,044	97.4%
Third party tenants	1,434,622	1,308,013	91.2%
Other CTC Banners [1]	548,317	548,317	100.0%
Total	26,537,359	26,201,993	98.7%

[1] May include Other CTC Banners.

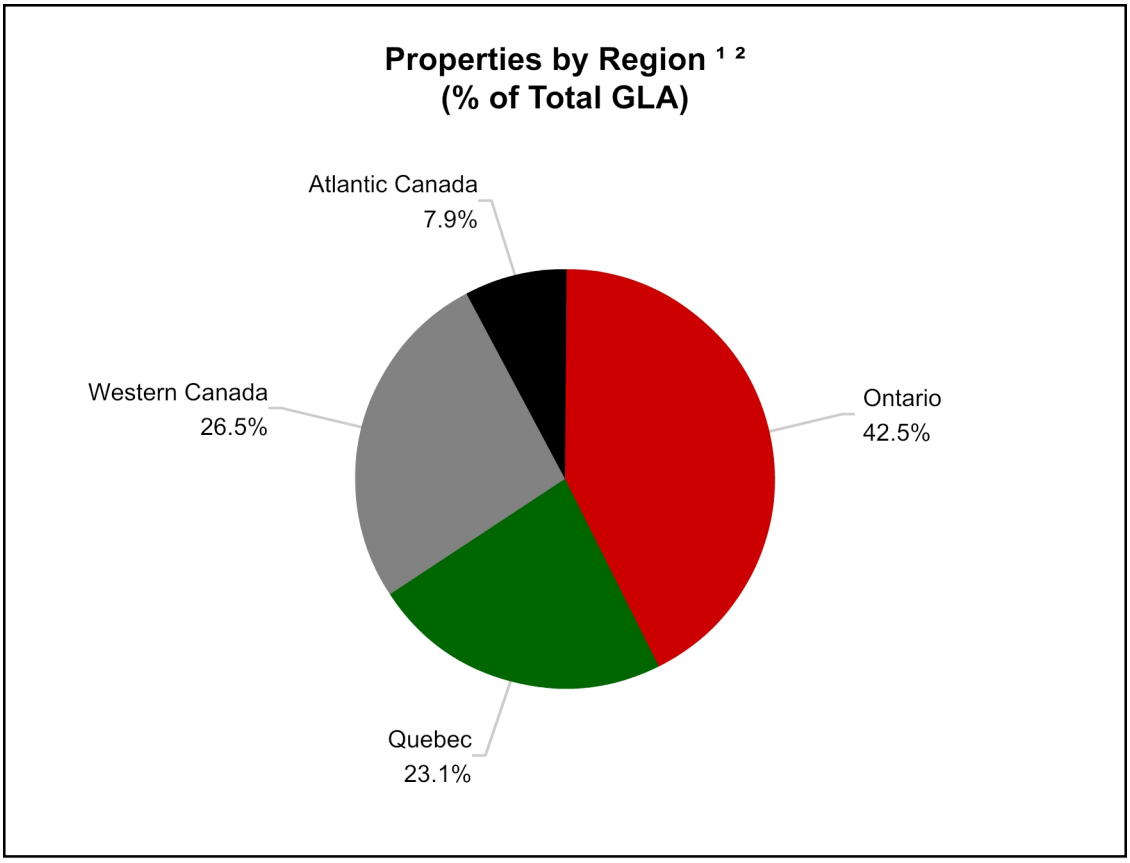
[2] Occupancy and other leasing key performance measures have been prepared on a committed basis which includes the impact of existing lease agreements contracted on or before December 31, 2018.

The REIT's property portfolio consists of:

As at	**September 30, 2019**	December 31, 2018
Canadian Tire single tenant properties	**260**	255
Other single tenant properties	**15**	13
Multi-tenant properties anchored by Canadian Tire store	**54**	52
Multi-tenant properties not anchored by Canadian Tire store	**6**	6
Industrial properties	**4**	4
Mixed-use property	**1**	1
Total operating properties	**340**	331
Development Properties	**5**	11
Total properties	**345**	342

As at	**September 30, 2019**	December 31, 2018
Gas bars at retail properties	**109**	106

CT REIT's Properties by region, as a percentage of total GLA, as at September 30, 2019 are as follows:

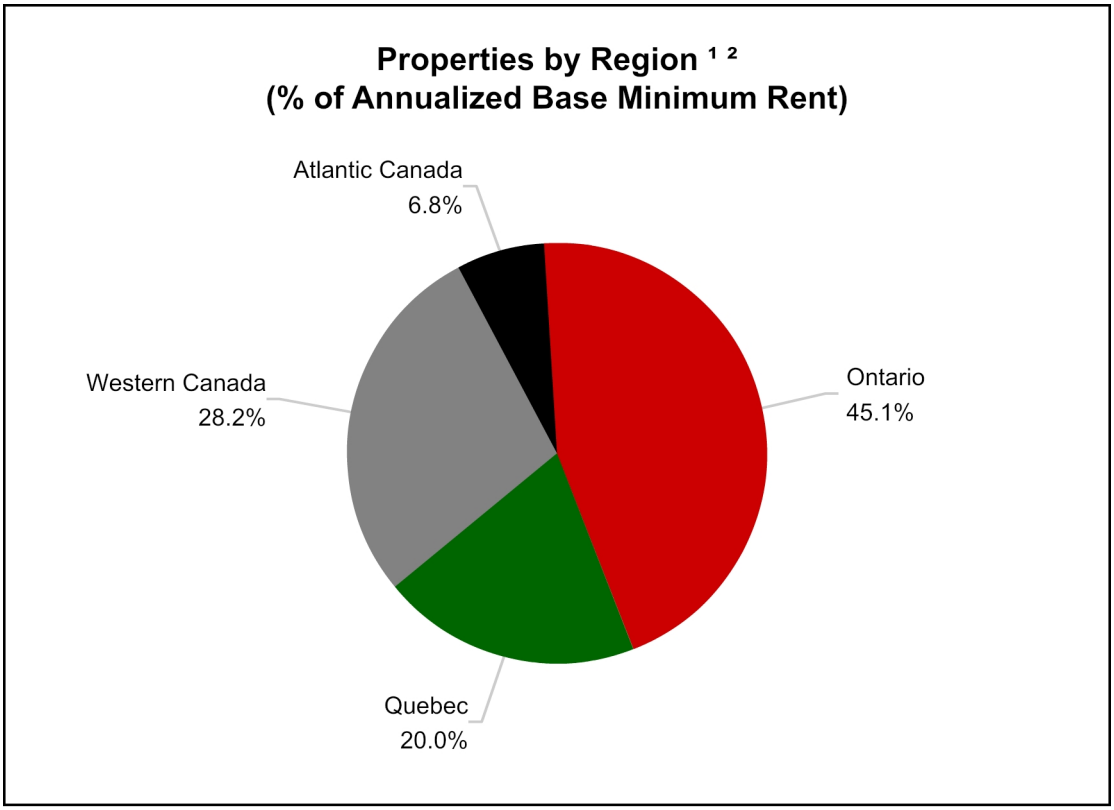


[1] *Excluding Properties Under Development.*

[2] *Occupancy and other leasing key performance measures have been prepared on a committed basis which includes the impact of existing lease agreements contracted on or before September 30, 2019.*

4.2 Revenue by Region

CT REIT's Properties by region, as a percentage of annualized base minimum rent, as at September 30, 2019 are as follows:



[1] Excluding Properties Under Development.

[2] Occupancy and other leasing key performance measures have been prepared on a committed basis which includes the impact of existing lease agreements contracted on or before September 30, 2019.

4.3 Six Largest Urban Markets

A significant portion of CT REIT's Properties are located in the following six largest urban markets:

As at	**September 30, 2019**	December 31, 2018
Vancouver	**3.2%**	3.3%
Edmonton	**4.3%**	4.0%
Calgary	**2.6%**	2.4%
Toronto	**21.3%**	21.7%
Ottawa	**4.1%**	4.2%
Montreal	**11.3%**	11.6%
Percentage of Annualized Base Minimum Rent [1,2]	**46.8%**	47.2%

[1] Excluding Properties Under Development.

[2] Occupancy and other leasing key performance measures have been prepared on a committed basis which includes the impact of existing lease agreements contracted on or before September 30, 2019.

4.4 Fair Value of Property Portfolio

The fair value of the Properties represents 98.7% of the total assets of CT REIT as at September 30, 2019.

	Nine Months Ended September 30, 2019			Year Ended December 31, 2018		
(in thousands of Canadian dollars)	**Income-producing properties**	**Properties Under Development**	**Total investment properties**	Income-producing properties	Properties Under Development	Total investment properties
Balance, beginning of period, as previously reported	**$ 5,568,961**	**$ 127,233**	**$ 5,696,194**	$ 5,337,515	$ 99,082	$ 5,436,597
Transition adjustment - right-of-use assets [2]	**66,589**	**—**	**66,589**	—	—	—
Restated balance, beginning of period	**5,635,550**	**127,233**	**5,762,783**	5,337,515	99,082	5,436,597
Property acquisitions (including transaction costs)	**37,520**	**—**	**37,520**	89,429	—	89,429
Intensifications	**—**	**17,886**	**17,886**	—	18,625	18,625
Developments	**—**	**46,531**	**46,531**	—	47,079	47,079
Development land	**—**	**—**	**—**	—	12,642	12,642
Capitalized interest and property taxes	**—**	**1,709**	**1,709**	—	2,752	2,752
Transfers	**97,439**	**(97,439)**	**—**	52,947	(52,947)	—
Right-of-use assets [3]	**(2,664)**	**—**	**(2,664)**	—	—	—
Fair value adjustment on investment properties	**36,665**	**—**	**36,665**	53,628	—	53,628
Straight-line rent	**10,645**	**—**	**10,645**	18,404	—	18,404
Recoverable capital expenditures	**15,821**	**—**	**15,821**	17,699	—	17,699
Dispositions	**(556)**	**—**	**(556)**	(661)	—	(661)
Balance, end of period [1]	**$ 5,830,420**	**$ 95,920**	**$ 5,926,340**	$ 5,568,961	$ 127,233	$ 5,696,194

[1] Includes purchased lands for $10,905 (December 31, 2018 - $13,911) held for development.

[2] Refer to section 9.2 for further information.

[3] Reflects impact of a ground lease amendment

Included in CT REIT's portfolio are 10 properties which are situated on ground leases with remaining initial terms up to 37 years, and an average remaining initial term of 14 years. Assuming all extensions are exercised, the ground leases have remaining terms between 23 and 71 years with an average remaining lease term of 37 years.

As at September 30, 2019, management's determination of fair value was updated for current market assumptions, informed by market capitalization rates provided by independent appraisal professionals. On a periodic basis, CT REIT obtains independent appraisals such that approximately 75% of its 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	280	65
Value at September 30, 2019	$ 4,235,459	$ 1,690,881
Discount rate[1]	—%	6.98%
Terminal capitalization rate[1]	—%	6.54%
Overall capitalization rate[1]	6.17%	—%
Hold period (years)	—	10

[1] Weighted average rate based on the fair value as at the period end date

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

	OCR Sensitivity		DCF Sensitivity	
Rate sensitivity	**Fair value**	**Change in fair value**	**Fair value**	**Change in fair value**
+ 75 basis points	$ 3,787,078	$ (448,381)	$ 1,522,070	$ (168,812)
+ 50 basis points	3,925,154	(310,304)	1,572,549	(118,332)
+ 25 basis points	4,074,081	(161,377)	1,626,868	(64,013)
September 30, 2019	$ 4,235,459	$ —	$ 1,690,881	$ —
- 25 basis points	4,410,567	175,108	1,748,917	58,035
- 50 basis points	4,601,555	366,097	1,817,836	126,954
- 75 basis points	$ 4,810,595	$ 575,136	$ 1,893,041	$ 202,159

4.5 2019 Investment Activities

The following table presents income-producing properties acquired, intensified, developed, or redeveloped during the nine months ended September 30, 2019.

(in thousands of Canadian dollars, except for GLA amounts)	Transaction date	GLA	Total investment cost
Property Location			
Canmore, AB [1]	February 2019	49,927	
Toronto (Leslie Lakeshore), ON [2]	February 2019	20,038	
Calgary, AB [3]	February 2019	47,000	
Mount Forest, ON [4]	March 2019	33,609	
Grand Falls-Windsor, NL [4]	March 2019	71,677	
Grande Prairie, AB [4]	March 2019	150,774	
Bradford, ON [2, 5]	March 2019/June 2019	5,317	
Huntsville, ON [2]	May 2019	9,710	
Sherwood Park, AB [4]	May 2019	122,065	
Minden, ON [1]	June 2019	28,833	
Matane, QC [1]	June 2019	53,297	
Brampton Bramalea, ON [2]	July 2019	5,507	
Hamilton Rymal, ON [2,5]	September 2019	—	
Innisfil, ON [2,5]	September 2019	—	
Pad developments [6]	Various	9,000	
Total		**606,754**	**$ 134,959**

[1] Acquisition of income-producing property.

[2] Intensification of an existing income-producing property.

[3] Redevelopment property.

[4] Development property.

[5] Land lease.

[6] Relates to third party pad development projects.

On October 16, 2019, CT REIT completed a sale-leaseback transaction to acquire a national portfolio consisting of 11 Bank of Montreal retail bank branches.

In Q3 2019, CT REIT completed the intensification of a Canadian Tire store in Brampton, ON, the development of Canadian Tire Gas+ gas bar in Innisfil, ON and the development of Canadian Tire Gas+ gas bar and car wash in Hamilton, ON. In addition, CT REIT and one of its co-owners of the Canada Square property in Toronto, Ontario property committed to increase their ownership interest in the property to 50% from 33% each.

In Q2 2019, CT REIT and its co-owners entered into a conditional Consolidated, Amended and Restated Ground Lease with the Toronto Transit Commission that provides the terms upon which the co-owners can proceed with planning for the redevelopment of the Toronto (Canada Square), Ontario property. The ground lease will provide for an extension of the term and a renewal option and will incorporate an additional two acres of land once the conditions have been satisfied; and will bring the total land area to approximately nine acres. A conditional lease agreement was also entered into with CTC for a new head office building to anchor Phase I of the redevelopment.

Also in Q2 2019, CT REIT completed the intensification of an existing Canadian Tire store in Huntsville, ON and the development of a single tenant Canadian Tire store located in Sherwood Park, AB. The REIT also completed the acquisition of two properties, from CTC, located in Minden, ON and Matane, QC both with a Canadian Tire store and a Canadian Tire Gas+ gas bar and the intensification of three existing properties for third party pad developments.

In Q1 2019, CT REIT completed the acquisition of a single tenant property with a Canadian Tire store located in Canmore, AB from a third party. The REIT also completed the development of a third party grocery store in Toronto (Leslie Lakeshore), ON and the redevelopment of a previously acquired redundant Canadian Tire store for a third party grocery store in Calgary, AB. In addition, CT REIT completed the development of three single tenant Canadian Tire stores located in Mount Forest, ON, Grand Falls-Windsor, NL, and Grande Prairie, AB and the intensification of a Canadian Tire Gas+ gas bar and carwash in Bradford, ON.

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

4.6 Development Activities

The following table provides details of the REIT's development activities as at September 30, 2019. The total building area represents the maximum anticipated area of the developments. The "Not committed to lease" column includes areas which may be under construction but not committed to lease. The "Committed additional investment" column represents the approximate financial commitment required to complete the "Committed to lease" areas and related site works.

		Gross leasable area (in square feet)			Total investment (in thousands of Canadian dollars)		
Property [1]	**Anticipated date of completion**	**Committed to lease**	**Not committed to lease**	**Total**	**Incurred to-date [10]**	**Committed additional investment [10]**	**Total**
Antigonish, NS [2]	Q4 2019	184,000	17,000	201,000			
Altholville, NB [3]	Q4 2019	21,000	—	21,000			
Val-d'Or, QC [5]	Q4 2019	26,000	—	26,000			
Welland, ON [5]	Q4 2019/Q4 2021	79,000	—	79,000			
Pad developments [6]	2019/2020	21,028	4,257	25,285			
Bradford, ON [3]	Q1 2020	10,000	—	10,000			
Kincardine, ON [3]	Q2 2020	29,000	—	29,000			
Rouyn-Noranda, QC [3]	Q2 2020	10,000	—	10,000			
Orillia, ON - Phase 1/Phase 2 [2]	Q2 2020/Q4 2021	286,000	34,000	320,000			
Niagara Falls, ON [2]	Q2 2020	214,000	11,000	225,000			
Yarmouth, NS [5]	Q2 2020	23,000	—	23,000			
Fort St. John, BC - Phase 1 [7]	Q4 2020	144,000	7,000	151,000			
Buckingham, QC [3]	Q4 2020	20,000	—	20,000			
Mission, BC [3]	Q4 2020	7,000	—	7,000			
Midland, ON [3]	Q2 2021	41,000	—	41,000			
Dryden, ON [3]	Q2 2021	43,000	—	43,000			
Brampton Trinity Commons, ON [3]	Q2 2021	16,000	—	16,000			
La Plaine, QC [3]	Q4 2021	21,000	—	21,000			
Sept-Iles, QC [3]	Q4 2021	18,000	—	18,000			
Fenelon Falls, ON [3]	Q4 2021	26,000	—	26,000			
Calgary, AB [8]	TBD	TBD	TBD	TBD			
Toronto (Canada Square), ON [9]	TBD	TBD	TBD	TBD			
TOTAL		**1,239,028**	**73,257**	**1,312,285**	**$ 95,920**	**$ 155,531**	**$ 251,451**

[1] Properties Under Development under 5,000 square feet that are not anticipated to be completed within the next 12 months have not been included herein.

[2] Redevelopment property.

[3] Intensification of an existing income-producing property.

[4] Land lease.

[5] Acquired development land for the intensification of an existing income-producing property.

[6] Relates to third party pad development projects that are estimated to be completed in the next 12 months.

[7] Development property.

[8] Development land. Potential building area and investment costs to be determined ("TBD").

[9] Redevelopment property. Potential building area and investment costs to be determined ("TBD").

[10] Includes amounts related to projects in early stages of development.

As at September 30, 2019, CT REIT had committed lease agreements for 1,239,028 square feet, representing 94.4% of total GLA under development, of which 68.3% has been leased to CTC. A total of $95,920 has been expended to date on such developments, and CT REIT anticipates investing an additional $155,531 to complete the committed developments. Included in the commitment is $142,109 due to CTC. These commitments exclude the development activities at the Calgary, AB and Toronto (Canada Square), ON properties.

4.7 Investment and Development Funding

Funding of investment and development activities for the three and nine months ended September 30, 2019 was as follows:

	Q3 2019 Investment and Development Activity				
(in thousands of Canadian dollars)	**Property investments**	**Development land**	**Developments**	**Intensifications**	**Total**
Funded with working capital to CTC	**$ —**	**$ —**	**$ —**	**$ 4,729**	**$ 4,729**
Funded with working capital to third parties [1]	**928**	**—**	**1,652**	**5,618**	**8,198**
Capitalized interest and property taxes	**—**	**—**	**567**	**—**	**567**
Total costs	**$ 928**	**$ —**	**$ 2,219**	**$ 10,347**	**$ 13,494**

[1] Includes $5,172 for the construction of Other CTC Banner stores.

	YTD 2019 Investment and Development Activity				
(in thousands of Canadian dollars)	**Property investments**	**Development land**	**Developments**	**Intensifications**	**Total**
Funded with working capital to CTC	**$ 11,745**	**$ —**	**$ 41,276**	**$ 7,097**	**$ 60,118**
Funded with working capital to third parties [1]	**11,705**	**—**	**5,255**	**10,789**	**27,749**
Capitalized interest and property taxes	**—**	**—**	**1,709**	**—**	**1,709**
Issuance of Class B LP Units to CTC	**2,740**	**—**	**—**	**—**	**2,740**
Mortgages payable	**11,330**	**—**	**—**	**—**	**11,330**
Total costs	**$ 37,520**	**$ —**	**$ 48,240**	**$ 17,886**	**$ 103,646**

[1] Includes $7,711 for the construction of Other CTC Banner stores.

Funding of investment and development activities for the year ended December 31, 2018 was as follows:

	YTD 2018 Investment and Development Activity				
	Property investments	Development land	Developments	Intensifications	Total
Funded with working capital to CTC	$ 7,258	$ 8,546	$ 30,155	$ 8,890	$ 54,849
Funded with working capital to third parties [1]	68,181	4,096	16,860	9,735	98,872
Capitalized interest and property taxes	—	—	2,752	—	2,752
Issuance of Class B LP Units to CTC	13,990	—	64	—	14,054
Total costs	$ 89,429	$ 12,642	$ 49,831	$ 18,625	$ 170,527

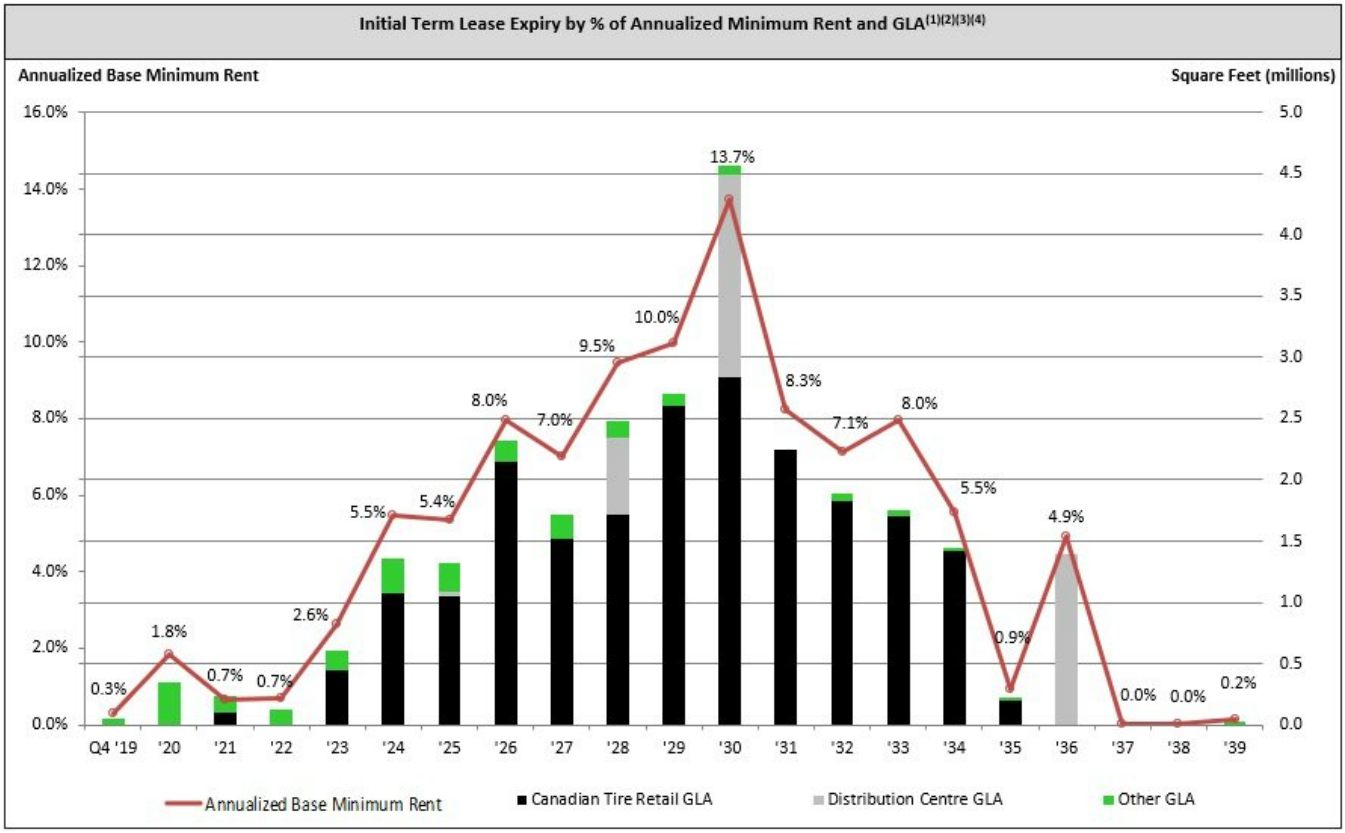
[1]Includes $4,784 for the construction of Other CTC Banner stores.

4.8 Lease Maturities

CTC is CT REIT's most significant tenant. As at September 30, 2019, CTC, including Canadian Tire stores and Other CTC Banners, had leased 25.3 million square feet of GLA, with approximately 85.4% and 14.6% of the GLA attributable to retail and office, and industrial properties, respectively. The weighted average term of the retail leases with CTC, including Canadian Tire stores and Other CTC Banners, was 9.9 years, excluding the exercise of any renewal options. The weighted average term of the Canadian

Tire store leases was 10.1 years, with a weighted average rental rate of $13.61 per square foot. The weighted average lease term for the CTC industrial properties was 14.1 years. The weighted average lease term of all leases in the REIT's portfolio, excluding Properties Under Development, was 9.9 years.

The following graph presents the lease maturity profile from 2019 to 2039 (assuming tenants do not exercise renewal options or termination rights, if any) as a percentage of annualized base minimum rent and GLA as of the time of the lease expiry.



[1] *Excludes Properties Under Development.*

[2] *Total base minimum rent excludes future contractual escalations.*

[3] *Canada Square is included at the REIT's one-third leasehold interest.*

[4] *Occupancy and other leasing key performance measures have been prepared on a committed basis which includes the impact of existing lease agreements contracted on or before September 30, 2019.*

4.9 Top 10 Tenants Excluding CTC Related Tenancies

CT REIT's 10 largest tenants, excluding all CTC related tenancies, as represented by the percentage of total annualized base minimum rent, are:

Rank	Tenant Name	Percentage of total annualized base minimum rent [1]
1	Save-On-Foods/Buy-Low Foods	0.74%
2	Loblaws/Shoppers Drug Mart/No Frills	0.55%
3	Canadian Imperial Bank of Commerce	0.48%
4	Sobeys/FreshCo/Farm Boy	0.46%
5	Winners/Marshalls	0.44%
6	Metro	0.27%
7	Dollarama	0.25%
8	Best Buy	0.24%
9	GoodLife Fitness	0.22%
10	SLH Transport	0.17%
		3.8%

[1] Occupancy and other leasing key performance measures have been prepared on a committed basis which includes the impact of existing lease agreements contracted on or before September 30, 2019.

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. As at September 30, 2019, the REIT's occupancy rate was 98.8% (Q4 2018 - 98.7%), excluding Properties Under Development. Refer to section 4.1 for further details.

4.11 Recoverable Capital Costs

Many of the capital costs incurred by CT REIT are recoverable from tenants pursuant to the terms of their leases. These recoveries typically occur either in the year in which such expenditures are incurred or, in the case of a major item of replacement or betterment, 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 $10,311 and $15,821 (Q3 2018 - $9,867 and YTD 2018 - $11,921) were incurred during the three and nine months ended September 30, 2019, respectively. Most of the REIT's recoverable capital expenditures relate to parking lots, roofs and heating, ventilation and air conditioning. These capital expenditures are typically seasonal in nature and 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 and Nine Months Ended September 30, 2019

CT REIT's financial results for the three and nine months ended September 30, 2019 and September 30, 2018 are summarized below:

(in thousands of Canadian dollars, except per unit amounts)	Three Months Ended			Nine Months Ended		
For the periods ended September 30,	**2019**	2018	Change	**2019**	2018	Change
Property revenue	**$ 121,763**	$ 117,662	3.5 %	**$ 365,321**	$ 353,161	3.4 %
Property expense	**(24,218)**	(26,193)	(7.5)%	**(79,325)**	(81,832)	(3.1)%
General and administrative expense	**(2,887)**	(2,780)	3.8 %	**(10,638)**	(8,736)	21.8 %
Net interest and other financing charges	**(27,464)**	(26,325)	4.3 %	**(81,720)**	(78,294)	4.4 %
Fair value adjustment on investment properties	**12,944**	16,783	(22.9)%	**36,665**	42,106	(12.9)%
Net income and comprehensive income	**$ 80,138**	$ 79,147	1.3 %	**$ 230,303**	$ 226,405	1.7 %
Net income per unit - basic	**$ 0.362**	$ 0.369	(1.9)%	**$ 1.043**	$ 1.058	(1.4)%
Net income per unit - diluted	**$ 0.301**	$ 0.296	1.7 %	**$ 0.875**	$ 0.855	2.3 %

Property Revenue

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

Total revenue for the three months ended September 30, 2019 was $121,763 which was $4,101 (3.5%) higher compared to the same period in the prior year primarily due to contractual rent escalations and additional base rent related to properties acquired and intensifications completed during 2019 and 2018. In addition, the REIT assigned all of its interest in and to its claim against Sears Canada Inc. under the *Companies Creditors Arrangement Act* ("the Assigned Claim") to a third party. The proceeds received from the assignment are non-recurring and are included in property revenue. Total revenue also included expense recoveries in the amount of $22,968 (Q3 2018 - $24,392).

Total revenue for the nine months ended September 30, 2019 was $365,321 which was $12,160 (3.4%) higher compared to the same period in the prior year primarily due to contractual rent escalations, and additional base rent related to properties acquired and intensification completed during 2019 and 2018. Total revenue included expense recoveries in the amount of $75,090 (2018 - $74,977).

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 September 30, 2019, straight-line rent of $3,606 (Q3 2018 - $4,671) was included in total property revenue. For the nine months ended September 30, 2019, straight-line rent of $10,645 (2018 - $13,869) was included in total property revenue.

Property Expense

The components of property expense consist primarily of property taxes, operating costs, property management (including the outsourcing of property management services), ground rent and other recoveries. Refer to section 9.2 for further details on changes in ground rent expense. The majority of property expenses are recoverable from tenants, with CT REIT absorbing these expenses to the extent that vacancies exist.

Property expenses for the three months ended September 30, 2019 decreased by $1,975 (7.5%) compared to the same period in the prior year primarily due to reduced ground rent expense of $1,012 as a result of the adoption of the new lease accounting standard - IFRS 16 and operating expenses related to property acquisitions completed during 2019 and 2018.

Property expenses for the nine months ended September 30, 2019 decreased by $2,507 (3.1%) compared to the same period in the prior year primarily due to reduced ground rent expense of $3,038 as a result of the adoption of the new lease accounting standard - IFRS 16, partially offset by operating expenses related to property acquisitions completed during 2019 and 2018.

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

General and Administrative Expense

CT REIT has a number of broad categories of general and administrative expenses: (i) personnel; (ii) 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 (iii) outsourced costs, which may fluctuate depending on when such costs are incurred. The personnel, public entity and other costs reflect the expenses related to ongoing operations of CT REIT. The outsourced costs are largely related to certain administrative, financial, information technology, internal audit and other support services provided by CTC to the REIT pursuant to the Services Agreement, as further described in section 8.0.

(in thousands of Canadian dollars)	Three Months Ended			Nine Months Ended		
For the periods ended September 30,	**2019**	2018	Change	**2019**	2018	Change
Personnel expense [1]	**$ 1,679**	$ 1,369	22.6 %	**$ 5,429**	$ 4,056	33.9 %
Services Agreement with CTC	**649**	908	(28.5)%	**1,957**	2,452	(20.2)%
Public entity and other [1]	**679**	503	35.0 %	**3,454**	2,228	55.0 %
	$ 3,007	$ 2,780	8.2 %	**$ 10,840**	$ 8,736	24.1 %
Less: allocated to property operating costs	**(120)**	—	— %	**(202)**	—	— %
General and administrative expense	**2,887**	2,780	3.8 %	**10,638**	8,736	21.8 %
As a percent of property revenue	**2.4%**	2.4%		**2.9%**	2.5%	
Adjusted general and administrative expense as a percent of property revenue [2]	**2.2%**	2.4%		**2.5%**	2.6%	

[1] Includes unit-based awards including (gain) loss adjustments as a result of the change in the fair market value of the Units of $263 (Q3 2018 - $(49)) and $1,370 (YTD 2018 - $(571)) for the three and nine months ended September 30, 2019.

[2] Adjusted for fair value adjustments on unit-based awards.

The REIT had historically outsourced a number of its functions with respect to property management and support services. In 2018, management commenced the process to insource certain of these functions while maintaining other outsourced relationships.

The REIT contracted to install an information system (“ERP”), which became operational as of May 1, 2019. The REIT in Q3 2019 has started to realize a positive impact related to general and administrative expenses and property operating expenses.

General and administrative expenses amounted to $2,887 or 2.4% of property revenue for the three months ended September 30, 2019 which is $107 (3.8%) higher compared to the same period in the prior year primarily due to:

- increased personnel expenses and trustee fees due to fair value adjustment on unit based awards; partially offset by
- decreased Service Agreement costs as a result of the new ERP CT REIT implemented during 2019.

General and administrative expenses amounted to $10,638 or 2.9% of property revenue for the nine months ended September 30, 2019 which is $1,902 (21.8%) higher compared to the same period in the prior year primarily due to:

- increased personnel compensation and trustee fees due to the fair value adjustment on unit based awards; and
- increased consulting costs related to the new ERP CT REIT implemented during 2019; partially offset by
- lower income tax expense recorded in connection with GP's activities.

Net Interest and Other Financing Charges

As at September 30, 2019 the Partnership had 1,451,550 Class C LP Units outstanding with a face value of $1,451,550 and bearing a weighted average distribution rate of 4.70% 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.

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

(in thousands of Canadian dollars)	Three Months Ended			Nine Months Ended		
For the periods ended September 30,	**2019**	2018	Change	**2019**	2018	Change
Interest on Class C LP Units [1]	**$ 17,054**	$ 17,054	— %	**$ 51,164**	$ 51,164	— %
Interest and financing costs - debentures	**8,938**	9,042	(1.2)%	**26,833**	26,186	2.5 %
Interest and financing costs - Bank Credit Facility	**531**	414	28.3 %	**1,188**	1,190	(0.2)%
Interest on mortgages payable	**437**	385	13.5 %	**1,323**	1,124	17.7 %
Interest on lease liabilities [2]	**834**	—	— %	**2,466**	—	— %
Interest costs - Bridge Facility [3]	**—**	—	— %	**—**	351	(100.0)%
	$ 27,794	$ 26,895	3.3 %	**$ 82,974**	$ 80,015	3.7 %
Less: capitalized interest	**(280)**	(533)	(47.5)%	**(1,082)**	(1,602)	(32.5)%
Interest and other financing charges less capitalized interest	**$ 27,514**	$ 26,362	4.4 %	**$ 81,892**	$ 78,413	4.4 %
Less: interest income	**(50)**	(37)	35.1 %	**(172)**	(119)	44.5 %
Net interest and other financing charges	**$ 27,464**	$ 26,325	4.3 %	**$ 81,720**	$ 78,294	4.4 %

[1] 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 and nine months ended September 30, 2019 in the amount of $16,916 (Q3 2018 -$16,916) and $45,110 (YTD 2018 - $45,110), respectively, until the first business day following the end of the fiscal year and instead obtained a loan. 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.

[2] Refer to section 9.2 for further information.

[3] Paid to CTC pursuant to a bridge loan facility entered into in December 2017 and used solely for the purpose of facilitating the acquisition of portfolio of certain investment properties ("Bridge Facility")

Net interest and other financing charges for the three months ended September 30, 2019 was $1,139 (4.3%) higher compared to the same period in the prior year largely due to increased interest expense on lease liabilities as a result of the adoption of the new lease accounting standard - IFRS 16, as well as decreased interest capitalization on development projects in 2019.

Net interest and other financing charges for the nine months ended September 30, 2019 was $3,426 (4.4%) higher compared to the same period in the prior year largely due to increased interest expense on lease liabilities as a result of the adoption of the new lease accounting standard - IFRS 16, decreased interest capitalization on development projects in 2019 and higher interest on debentures issued in February 2018, partially offset by savings resulting from repayment of the Bridge Facility in Q1 2018.

Fair Value Adjustment on Investment Properties

The fair value gain on investment properties for the three months ended September 30, 2019 was $12,944, a decrease of $3,839 compared to the same period in the prior year. The decrease in the fair value adjustment on investment properties is primarily due to higher increases in property values across the portfolio in the prior year.

The fair value gain on investment properties for the nine months ended September 30, 2019 decreased by $5,441 compared to the same period in the prior year primarily due to higher increases in property values across the portfolio in the prior year.

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. The REIT only records income tax expense or recovery in relation to the GP 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 2018 annual MD&A for further information.

Net Income

(in thousands of Canadian dollars, except per unit amounts)	Three Months Ended			Nine Months Ended		
For the periods ended September 30,	**2019**	2018	Change	**2019**	2018	Change
Net income and comprehensive income	**$ 80,138**	$ 79,147	1.3 %	**$ 230,303**	$ 226,405	1.7 %
Net income per unit - basic	**$ 0.362**	$ 0.369	(1.9)%	**$ 1.043**	$ 1.058	(1.4)%
Net income per unit - diluted	**$ 0.301**	$ 0.296	1.7 %	**$ 0.875**	$ 0.855	2.3 %

Net income increased by $991 (1.3%) for the three months ended September 30, 2019 compared to the same period in the prior year for the reasons discussed previously.

Net income increased by $3,898 (1.7%) for the nine months ended September 30, 2019 compared to the same period in the prior year for the reasons discussed previously.

Net income per unit - basic decreased by $0.007 (1.9%) for the three months ended September 30, 2019 compared to the same period in the prior year primarily due to the growth of weighted average number of units outstanding - diluted exceeding the increased net income.

For the nine months ended September 30, 2019 the net income per unit - basic decreased by $0.015 (1.4%) compared to the same period in the prior year primarily due to the growth of weighted average number of units outstanding - basic exceeding the growth of net income.

Net income per unit - diluted increased by $0.005 (1.7%) for the three months ended September 30, 2019 compared to the same period in the prior year primarily due to an increase in net income, as discussed previously, partially offset by an increase in the weighted average number of units outstanding - diluted.

For the nine months ended September 30, 2019 net income per unit - diluted increased by $0.020 (2.3%) compared to the same period in the prior year. The increase is primarily due to increased net income, as discussed above, as well as a decrease in the weighted average number of units outstanding - diluted.

5.2 Non-GAAP Measures

In addition to the GAAP measures previously described, 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			Nine Months Ended		
For the periods ended September 30,	**2019**	2018	Change	**2019**	2018	Change
Net operating income	**$ 93,939**	$ 87,758	7.0 %	**$ 275,351**	$ 260,342	5.8 %
Same store NOI	**$ 90,847**	$ 87,000	4.4 %	**$ 264,395**	$ 255,713	3.4 %
Same property NOI	**$ 91,510**	$ 87,083	5.1 %	**$ 266,085**	$ 256,118	3.9 %
Funds from operations	**$ 67,345**	$ 62,171	8.3 %	**$ 195,064**	$ 183,995	6.0 %
FFO per unit - basic	**$ 0.304**	$ 0.290	4.8 %	**$ 0.883**	$ 0.859	2.8 %
FFO per unit - diluted (non-GAAP)	**$ 0.303**	$ 0.289	4.8 %	**$ 0.882**	$ 0.859	2.7 %
Adjusted funds from operations	**$ 57,855**	$ 51,884	11.5 %	**$ 166,902**	$ 153,325	8.9 %
AFFO per unit - basic	**$ 0.261**	$ 0.242	7.9 %	**$ 0.756**	$ 0.716	5.6 %
AFFO per unit - diluted (non-GAAP)	**$ 0.261**	$ 0.241	8.3 %	**$ 0.755**	$ 0.716	5.4 %
AFFO payout ratio	**72%**	76%	(5.3)%	**75%**	76%	(1.3)%
ACFO	**$ 59,440**	$ 55,227	7.6 %	**$ 167,943**	$ 153,081	9.7 %
EBITFV	**$ 94,805**	$ 88,533	7.1 %	**$ 277,007**	$ 262,408	5.6 %

Net Operating Income

NOI for the three months ended September 30, 2019 increased by $6,181 (7.0%) compared to the same period in the prior year primarily due to the acquisition of income-producing properties and Properties Under Development completed in 2019 and 2018, which contributed $1,754 to NOI growth. NOI for Properties Under Development for the three months ended September 30, 2019 was $661.

Same store NOI and same property NOI for the three months ended September 30, 2019 increased by $3,847 (4.4%) and $4,427 (5.1%), respectively, when compared to the prior year primarily for the following reasons:

- contractual rent escalations of approximately 1.5% per year, on average, contained within the Canadian Tire store, Canadian Tire Gas+ gas bar and CTC industrial leases, which are generally effective January 1st, contributed $1,734 to NOI growth;
- the impact of tenancy changes at 11 Dufferin Place SE and 25 Dufferin Place SE Calgary, Alberta, and the proceeds from the Assigned Claim increased NOI by $1,201;
- recovery of capital expenditures and interest earned on the unrecovered balance contributed $605 to NOI growth; and
- intensifications completed in 2019 and 2018 contributed to $580 to same property NOI growth.

NOI for the nine months ended September 30, 2019 increased by $15,009 (5.8%) compared to the same period in the prior year primarily due to the acquisition of income-producing properties and Properties Under Development completed in 2019 and 2018, which contributed $5,042 to NOI growth. NOI for Properties Under Development during the nine months ended September 30, 2019 was $1,846.

Same store NOI and same property NOI for the nine months ended September 30, 2019 increased by $8,682 (3.4%) and $9,967 (3.9%), respectively, when compared to the prior year for the following reasons:

- contractual rent escalations of approximately 1.5% per year, on average, contained within the Canadian Tire store, Canadian Tire Gas+ gas bar and CTC industrial leases, which are generally effective January 1st, contributed $4,206 to NOI growth;
- the impact of tenancy changes at 11 Dufferin Place SE and 25 Dufferin Place SE Calgary, Alberta, and the proceeds received from the Assigned Claim increased NOI by $2,601;
- recovery of capital expenditures and interest earned on the unrecovered balance contributed $1,672 to NOI growth; and
- intensifications completed in 2019 and 2018 contributed to $1,285 to NOI growth.

Funds From Operations

FFO for the three months ended September 30, 2019 amounted to $67,345 or $0.303 per unit - diluted (non-GAAP) which was $5,174 (8.3%) higher or $0.014 (4.8%) per unit - diluted (non-GAAP) higher than the same period in 2018 primarily due to the impact of NOI variances, discussed earlier, partially offset by higher interest expense.

FFO for the nine months ended September 30, 2019 amounted to $195,064 or $0.882 per unit - diluted (non-GAAP) which was $11,069 (6.0%) and $0.023 (2.7%) per unit - diluted (non-GAAP) higher than the same period in 2018 primarily due to the impact of NOI variances, discussed earlier, partially offset by higher interest expense.

Adjusted Funds From Operations

AFFO for the three months ended September 30, 2019 amounted to $57,855 or $0.261 per unit - diluted (non-GAAP) which was $5,971 (11.5%) or $0.020 (8.3%) per unit - diluted (non-GAAP) higher than the same period in 2018 primarily due to the impact of NOI variances, discussed earlier, partially offset by higher interest expense.

AFFO for the nine months ended September 30, 2019 amounted to $166,902 or $0.755 per unit - diluted (non-GAAP) which was $13,577 (8.9%) and $0.039 (5.4%) per unit - diluted (non-GAAP) higher than the same period in 2018 primarily due to the impact of NOI variances discussed earlier, partially offset by higher interest expense.

Adjusted Funds From Operations Payout Ratio

The AFFO payout ratio for the three months ended September 30, 2019 was 72%, which decreased 5.3% from the same period in 2018 due to higher AFFO per unit for the reasons previously discussed.

The AFFO payout ratio for the nine months ended September 30, 2019 was 75%, which decreased 1.3% from the same period in 2018 due to higher AFFO per unit for the reasons previously discussed.

Adjusted Cashflow From Operations

ACFO for the three and nine months ended September 30, 2019 increased by $4,213 (7.6%) and $14,862 (9.7%), respectively, over the same periods in 2018 primarily due to the impact of NOI variances, discussed earlier, partially offset by higher interest expense.

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

EBITFV for the three and nine months ended September 30, 2019 increased by $6,272 (7.1%) and $14,599 (5.6%), respectively, over the same periods in 2018, primarily due to the impact of NOI variances discussed earlier.

6.0 LIQUIDITY AND FINANCIAL CONDITION

The following section contains forward-looking information and readers 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	**September 30, 2019**	December 31, 2018
Cash and cash equivalents	**$ 47,673**	$ 4,991
Unused portion of available Bank Credit Facility [1]	**294,672**	282,633
Liquidity	**$ 342,345**	$ 287,624

[1] See section 6.10 for details on Bank Credit Facility.

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

(in thousands of Canadian dollars)	**Three Months Ended**			**Nine Months Ended**		
For the periods ended September 30,	**2019**	2018	Change[1]	**2019**	2018	Change [1]
Cash generated from operating activities	**$ 98,035**	$ 82,836	18.3 %	**$ 268,342**	$ 247,835	8.3 %
Cash used for investing activities	**(47,378)**	(36,387)	30.2 %	**(103,978)**	(118,390)	(12.2)%
Cash used for financing activities	**(11,067)**	(40,523)	(72.7)%	**(121,682)**	(132,510)	(8.2)%
Cash generated from (used for) the period	**$ 39,590**	$ 5,926	NM	**$ 42,682**	$ (3,065)	NM

[1] NM - not meaningful.

6.2 Discussion of Cash Flows

Cash generated for the three months ended September 30, 2019 of $39,590 was primarily the result of cash generated from operating activities and the 2019 REIT Offering, partially offset by distribution payments and investing activities.

On September 19, 2019, CT REIT completed a joint equity offering of an aggregate of 16,846,000 Units comprised of the issuance of 6,316,000 Units from treasury for net proceeds of $86,140 after deducting issuance cost of $3,863 (the "2019 REIT Offering") and the sale of 10,530,000 Units by CTC (the "2019 Secondary Offering" and, together with the "2019 REIT Offering", hereinafter referred to as the "2019 Equity Offering").

Cash generated for the nine months ended September 30, 2019 of $42,682 was primarily the result of cash generated from operating activities, repayments on the Bank Credit Facility and the 2019 REIT Offering, partially offset by distribution payments and investing activities.

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 by 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"). On April 2, 2019, DBRS confirmed CT REIT's BBB (high) rating with a Stable trend. On April 15, 2019, S&P confirmed the REIT's BBB+ rating with a Stable trend.

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. In addition, CTC is expected to continue to be CT REIT's most significant tenant for the foreseeable future.

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

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

6.4 Debt and Capital Structure

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

(in thousands of Canadian dollars)

As at	**September 30, 2019**	December 31, 2018
Class C LP Units	**$ 1,451,550**	$ 1,451,550
Mortgages payable	**48,147**	37,100
Debentures	**1,070,465**	1,069,844
Bank Credit Facility	**—**	14,995
Total indebtedness	**$ 2,570,162**	$ 2,573,489
Unitholders' equity	**1,446,010**	1,306,355
Non-controlling interests	**1,840,592**	1,778,554
Total capital under management	**$ 5,856,764**	$ 5,658,398

CT REIT's total indebtedness at September 30, 2019 was lower than at December 31, 2018 primarily due to lower amounts drawn on the Bank Credit Facility, partially offset by an increase in mortgages payable. Refer to section 6.6 for further details.

CT REIT's Unitholders' equity and non-controlling interests at September 30, 2019 increased as compared to December 31, 2018 primarily as a result of the 2019 Equity Offering and net income exceeding distributions.

Future payments in respect of CT REIT's indebtedness as at September 30, 2019 are as follows:

	Mortgages payable					
(in thousands of Canadian dollars)	Principal amortization	Maturities	Class C LP Units	Debentures	Credit facilities	Total
2019 Q4	98	37,133	—	—	$ —	37,231
2020	400	—	251,550	—	—	251,950
2021	419	—	—	150,000	—	150,419
2022	255	9,460	—	150,000	—	159,715
2023 and thereafter	—	—	1,200,000	775,000	—	1,975,000
Total contractual obligation	$ 1,172	$ 46,593	$ 1,451,550	$ 1,075,000	$ —	$ 2,574,315
Unamortized portion of mark to market on mortgages payable assumed on the acquisition of properties	—	392	—	—	—	392
Unamortized transaction costs	—	(10)	—	(4,535)	—	(4,545)
	$ 1,172	**$ 46,975**	**$ 1,451,550**	**$ 1,070,465**	**$ —**	**$ 2,570,162**

Interest rates on CT REIT's indebtedness range from 2.16% to 5.00%. The maturity dates on the indebtedness range from December 2019 to May 2038. Total indebtedness at September 30, 2019 had a weighted average interest rate of 4.08% and a weighted average term to maturity of 8.2 years, excluding the Bank Credit Facility.

As at September 30, 2019, floating rate and fixed rate indebtedness were $37,133 and $2,533,029, respectively.

As at	**September 30, 2019**	December 31, 2018
Variable rate debt	**$ 37,133**	$ 52,128
Total indebtedness	**2,570,162**	2,573,489
Variable rate debt / total indebtedness	**1.44%**	2.03%

CT REIT's variable rate debt to total indebtedness ratio as at September 30, 2019 decreased as compared to December 31, 2018 primarily due to a lower level of borrowing on the Bank Credit Facility, and the assumption of a fixed rate mortgage in connection with a property acquisition in Q1 2019.

The table below presents CT REIT's interest in investment properties at fair value that are available to it to finance and/or refinance its debt as at September 30, 2019:

(in thousands of Canadian dollars)	Number of properties	Fair value of investment properties	Percentage of total assets	Mortgages payable	Loan to value ratio
Unencumbered investment properties	343	$ 5,827,863	97.1%	$ —	—
Encumbered investment properties	2	98,477	1.6%	48,147	48.9%
Total	**345**	**$ 5,926,340**	**98.7%**	**$ 48,147**	**0.8%**

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

(in thousands of Canadian dollars) As at	**September 30, 2019**	December 31, 2018
Secured debt	**$ 48,147**	$ 37,100
Total indebtedness	**2,570,162**	2,573,489
Secured debt / total indebtedness	**1.87%**	1.44%

CT REIT's secured debt to total indebtedness ratio at September 30, 2019 increased as compared to December 31, 2018, primarily due to the assumption of a mortgage in connection with a property acquisition in Q1 2019, and decreased borrowings drawn on its Bank Credit Facility.

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

(in thousands of Canadian dollars) As at	**September 30, 2019**	December 31, 2018
Total indebtedness	**$ 2,570,162**	$ 2,573,489
EBITFV [1]	**369,343**	350,637
Total indebtedness / EBITFV	**6.96**	7.34

[1] Non-GAAP measure. Refer to section 10.0 for further information. 2019 EBITFV is annualized based on EBITFV for the nine months ended September 30, 2019.

CT REIT's indebtedness to EBITFV ratio at September 30, 2019 decreased as compared to the indebtedness to EBITFV ratio at December 31, 2018 primarily due to the growth of EBITFV exceeding the growth of total indebtedness. The growth of EBITFV was primarily due to increased NOI, as discussed earlier.

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**		**Nine Months Ended**	
For the periods ended September 30,	**2019**	2018	**2019**	2018
EBITFV [1] (A)	**$ 94,805**	$ 88,533	**$ 277,007**	$ 262,408
Interest and other financing charges (B)	**$ 27,514**	$ 26,362	**$ 81,892**	$ 78,413
Interest coverage ratio [1] (A)/(B)	**3.45**	3.36	**3.38**	3.35

[1] Non-GAAP measure. Refer to section 10.0 for further information.

The increase in interest coverage ratio for the three and nine months ended September 30, 2019, as compared to the same period in 2019 is primarily due to the growth of EBITFV exceeding the growth of interest and other financing charges.

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	September 30, 2019	December 31, 2018
Total indebtedness [1] (A)	**$ 2,570,162**	$ 2,573,489
Total assets (B)	**$ 6,001,912**	$ 5,708,692
Indebtedness ratio (A)/(B)	**42.8%**	45.1%

[1] Total indebtedness reflects the value of the Class C LP Units, mortgages payable, debentures and draws on the credit facilities.

The indebtedness ratio as at September 30, 2019 decreased compared to the indebtedness ratio as at December 31, 2018 primarily due to CT REIT's 2019 acquisition, intensification and development activities and fair value adjustments made to its investment property portfolio, and a decrease in total indebtedness.

6.7 Class C LP Units

As at September 30, 2019, there were 1,451,550 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 rate of 4.70% of the aggregate capital amount ascribed to the Class C LP Units. Such payments are made in priority to distributions made to holders of Class B LP Units and units representing an interest in the GP (subject to certain exceptions) if, as and when declared by the Board of Directors of the GP and are 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. Refer to section 7.0 for further details.

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 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 of CT REIT) can be settled at the option of the Partnership, in cash or Class B LP Units of equal value.

The Partnership did not settle any Class C LP Units in 2019.

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	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 (0.7 years)	13.78%
Series 4		200,000	4.50%	May 31, 2024 (4.7 years)	13.78%
Series 5		200,000	4.50%	May 31, 2028 (8.7 years)	13.78%
Series 6		200,000	5.00%	May 31, 2031 (11.7 years)	13.78%
Series 7		200,000	5.00%	May 31, 2034 (14.7 years)	13.78%
Series 8		200,000	5.00%	May 31, 2035 (15.7 years)	13.78%
Series 9		200,000	5.00%	May 31, 2038 (18.7 years)	13.78%
Series 16		16,550	2.42%	May 31, 2020 (0.7 years)	1.14%
Series 17		18,500	2.39%	May 31, 2020 (0.7 years)	1.27%
Series 18		4,900	2.28%	May 31, 2020 (0.7 years)	0.34%
Series 19		11,600	2.28%	May 31, 2020 (0.7 years)	0.80%
Total / weighted average	**$**	**1,451,550**	**4.70%**	**10.3 years**	**100.0%**
Current	$	251,550			
Non-current		1,200,000			
Total	**$**	**1,451,550**			

6.8 Debentures

	September 30, 2019		December 31, 2018	
Series	**Face value**	**Carrying amount**	Face value	Carrying amount
A, 2.85%, June 9, 2022	**$ 150,000**	**$ 149,583**	$ 150,000	$ 149,475
B, 3.53%, June 9, 2025	**200,000**	**199,057**	200,000	198,949
C, 2.16%, June 1, 2021	**150,000**	**149,705**	150,000	149,577
D, 3.29%, June 1, 2026	**200,000**	**199,093**	200,000	198,995
E, 3.47%, June 16, 2027	**175,000**	**174,113**	175,000	174,036
F, 3.87%, December 7, 2027	**200,000**	**198,914**	200,000	198,812
	$ 1,075,000	**$ 1,070,465**	$ 1,075,000	$ 1,069,844

Debentures as at September 30, 2019 had a weighted average interest rate of 3.25% (December 31, 2018 - 3.25%).

For the three and nine months ended September 30, 2019, amortization of the transaction costs of $201 (Q3 2018 - $290) and $621 (YTD 2018 - $782) is included in net interest and other financing charges on the interim statement of income and comprehensive income. Refer to Note 12 to the interim financial statements.

The debentures have been rated "BBB+" by S&P and "BBB (high)" by DBRS, both with a stable outlook. The debentures are direct senior unsecured obligations of CT REIT. Refer to section 6.3 for further details.

6.9 Mortgages Payable

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

(in thousands of Canadian dollars)

As at	**September 30, 2019**		December 31, 2018	
	Face value	**Carrying amount**	Face value	Carrying amount
Current	**$ 37,529**	**$ 37,657**	$ 37,133	$ 37,100
Non-current	**10,236**	**10,490**	—	—
Total	**$ 47,765**	**$ 48,147**	$ 37,133	$ 37,100

Mortgages payable at September 30, 2019 had a weighted average interest rate of 3.82% (December 31, 2018 – 3.81%).

6.10 Bank Credit Facility

CT REIT has a $300,000 unsecured revolving credit facility with a syndicate of major Canadian third party banks ("Bank Credit Facility") expiring in December 2023. 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 September 30, 2019, no borrowings were drawn on the Bank Credit Facility. At September 30, 2019, borrowings under the Bank Credit Facility had a weighted average interest rate of nil (December 31, 2018 - 3.46%).

The table below summarizes the details of the Bank Credit Facility as at September 30, 2019:

(in thousands of Canadian dollars)

	Maximum loan amount	**Cash advances**	**Letters of credit**	**Available to be drawn**
Bank Credit Facility	$ 300,000	$ —	$ 5,328	$ 294,672

The following section contains forward-looking information and readers 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
- secured debt.

Management's objectives are to access an optimal 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") limit the REIT's overall indebtedness ratio to 60% of total aggregate assets, excluding convertible debentures, and 65% including convertible debentures.

As at September 30, 2019, CT REIT's indebtedness ratio was 42.8%. Refer to section 6.6 for the definition and calculation of CT REIT's indebtedness ratio.

At September 30, 2019, CT REIT was in compliance with the financial covenants contained in the Declaration of Trust, the Trust Indenture and the Bank Credit Facility.

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.

For the three months ended September 30, 2019, CT REIT's interest coverage ratio was 3.45 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 readers are cautioned that actual results may vary.

6.12 Commitments and Contingencies

As at September 30, 2019, CT REIT had obligations of $155,531 (December 31, 2018 - $129,163) in future payments for the completion of developments, as described in section 4.6. Included in the commitment is $142,109 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

CT REIT renewed its short form base shelf prospectus in Q2 2019 under which it could raise up to $2.0 billion of debt and/or equity (including the sale of Units by CTC) over the 25-month period ending May 24, 2021.

7.0 EQUITY

7.1 Authorized Capital and Outstanding Units

CT REIT is authorized to issue an unlimited number of Units. As of September 30, 2019, CT REIT had a total of 103,670,014 Units outstanding, 33,989,508 of which were held by CTC, and 123,590,976 Class B LP Units outstanding (together with a corresponding number of Special Voting Units, as hereinafter defined), all of which were held by CTC.

Class B LP Units are economically equivalent to Units, are accompanied by a special voting unit ("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 September 30, 2019
	Units	**Class B LP Units**	**Total**
Total outstanding at beginning of year	**96,848,606**	**123,400,633**	**220,249,239**
Issued [1]	**505,408**	**190,343**	**695,751**
2019 REIT Offering	**6,316,000**	**—**	**6,316,000**
Total outstanding at end of period	**103,670,014**	**123,590,976**	**227,260,990**

[1] 489,912 issued pursuant to the REIT's distribution reinvestment plan.

			As at December 31, 2018
	Units	Class B LP Units	Total
Total outstanding at beginning of year	90,645,295	123,092,866	213,738,161
Issued [1]	279,897	1,052,181	1,332,078
2018 REIT Offering	5,179,000	—	5,179,000
Exchange of Class B LP Units for Units	744,414	(744,414)	—
Total outstanding at end of year	96,848,606	123,400,633	220,249,239

[1] 274,642 issued pursuant to the REIT's distribution reinvestment plan.

Each Unit is transferable and represents an equal, undivided beneficial interest in the REIT and in 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:

	For the three months ended September 30, 2019		
(in thousands of Canadian dollars, except unit amounts)	Units	Class B LP Units	Total
Net income attributable to Unitholders - basic	$ 35,523	$ 44,615	$ 80,138
Income effect of settling Class C LP Units with Class B LP Units			17,054
Net income attributable to Unitholders - diluted			$ 97,192
Weighted average units outstanding - basic	98,086,579	123,590,976	221,677,555
Dilutive effect of other Unit plans			234,558
Dilutive effect of settling Class C LP Units with Class B LP Units			100,717,472
Weighted average units outstanding - diluted			322,629,585

	For the nine months ended September 30, 2019		
(in thousands of Canadian dollars, except unit amounts)	Units	Class B LP Units	Total
Net income attributable to Unitholders - basic	$ 101,613	$ 128,690	$ 230,303
Income effect of settling Class C LP Units with Class B LP Units			51,164
Net income attributable to Unitholders - diluted			$ 281,467
Weighted average units outstanding - basic	97,370,829	123,474,539	220,845,368
Dilutive effect of other Unit plans			228,972
Dilutive effect of settling Class C LP Units with Class B LP Units			100,717,472
Weighted average units outstanding - diluted			321,791,812

	For the three months ended September 30, 2018		
(in thousands of Canadian dollars, except unit amounts)	Units	Class B LP Units	Total
Net income attributable to Unitholders - basic	$ 33,474	$ 45,673	$ 79,147
Income effect of settling Class C LP Units with Class B LP Units			17,054
Net income attributable to Unitholders - diluted			$ 96,201
Weighted average units outstanding - basic	90,807,233	123,847,692	214,654,925
Dilutive effect of other Unit plans			187,135
Dilutive effect of settling Class C LP Units with Class B LP Units			110,530,505
Weighted average units outstanding - diluted			325,372,565

	For the nine months ended September 30, 2018		
(in thousands of Canadian dollars, except unit amounts)	Units	Class B LP Units	Total
Net income attributable to Unitholders - basic	$ 95,950	$ 130,455	$ 226,405
Income effect of settling Class C LP Units with Class B LP Units			51,164
Net income attributable to Unitholders - diluted			$ 277,569
Weighted average units outstanding - basic	90,738,978	123,347,240	214,086,218
Dilutive effect of other Unit plans			178,187
Dilutive effect of settling Class C LP Units with Class B LP Units			110,530,505
Weighted average units outstanding - diluted			324,794,910

7.2 Equity

(in thousands of Canadian dollars) As at	**September 30, 2019**	December 31, 2018
Equity - beginning of period, as previously reported	**$ 3,084,909**	$ 2,861,441
Transition adjustments - IFRS 16	**1,314**	—
Restated equity - beginning of period	**3,086,223**	2,861,441
Net income and comprehensive income for the period	**230,303**	300,906
Issuance of Units from 2019/2018 REIT Offerings, net of issue costs	**86,140**	62,276
Issuance of Class B LP Units, net of issue costs	**2,740**	14,022
Distributions to non-controlling interests	**(70,128)**	(90,208)
Distributions to Unitholders	**(55,551)**	(67,050)
Issuance of Units under Distribution Reinvestment Plan and other	**6,875**	3,522
Equity - end of the period	**$ 3,286,602**	$ 3,084,909

The following section contains forward-looking information and readers 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. The Board has discretion over the determination of monthly and annual distributions.

On September 13, 2019, CT REIT's Board declared a distribution of $0.0631 per Unit payable on October 15, 2019 to holders of Units and Class B LP Units of record as of September 30, 2019.

On October 15, 2019, CT REIT's Board declared a distribution of $0.0631 per Unit payable on November 15, 2019 to holders of Units and Class B LP Units of record as of October 31, 2019.

On November 4, 2019, CT REIT's Board reviewed the current rate of distribution of $0.757 per Unit per year and approved an increase in the annual rate of distribution to $0.787 per Unit per year, or $0.06562 per Unit monthly, commencing with the December 31, 2019 record date.

One of CT REIT's objectives is to grow monthly distributions. The distribution payments and increases since December 31, 2014 are as follows:

	Monthly distribution per Unit[1]	% increase	Annualized distribution per Unit	Annualized increase per Unit
2020[2]	**$ 0.06562**	**4.0%**	**$ 0.787**	**$ 0.0300**
2019	$ 0.06310	4.0%	$ 0.757	$ 0.0290
2018	$ 0.06067	4.0%	$ 0.728	$ 0.0280
2017	$ 0.05833	2.9%	$ 0.700	$ 0.0200
2016	$ 0.05667	2.6%	$ 0.680	$ 0.0170
2015	$ 0.05525	2.0%	$ 0.663	$ 0.0130
2014	$ 0.05417	—	$ 0.650	$ —

[1] The Board has discretion over the determination of monthly and annual distributions.

[2] Approved by the Board on November 4, 2019.

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		Nine Months Ended	
For the periods ended September 30,	**2019**	2018	**2019**	2018
Distributions before distribution reinvestment - paid	**$ 41,802**	$ 39,058	**$ 125,238**	$ 116,880
Distribution reinvestment	**2,445**	889	**6,667**	2,458
Distributions net of distribution reinvestment - paid	**$ 39,357**	$ 38,169	**$ 118,571**	$ 114,422
Distributions per unit - paid	**$ 0.189**	$ 0.182	**$ 0.568**	$ 0.546

Distributions for the three and nine months ended September 30, 2019 are higher than the same period in the prior year due to higher weighted average number of units outstanding and the increase in the annual rate of distributions effective with the first distribution paid in 2019.

CT REIT's distributions for the three and nine months ended September 30, 2019 are less than the REIT's cash generated from operating activities, cash generated from operating activities reduced by net interest and other financing charges, and 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		Nine Months Ended	
For the periods ended September 30,	**2019**	2018	**2019**	2018
AFFO [1]	**$ 57,855**	$ 51,884	**$ 166,902**	$ 153,325
Distributions before distribution reinvestment - paid	**41,802**	39,058	**125,238**	116,880
Excess of AFFO over distributions paid (A)	**$ 16,053**	$ 12,826	**$ 41,664**	$ 36,445
Weighted average units outstanding - diluted (non-GAAP)[1](B)	**221,912,113**	214,842,060	**221,074,340**	214,264,405
Excess of AFFO over distributions paid per unit (A)/(B) [1]	**$ 0.072**	$ 0.060	**$ 0.188**	$ 0.170

[1] 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)		
As at	**September 30, 2019**	December 31, 2018
Total equity (A)	**$ 3,286,602**	$ 3,084,909
Period-end Units and Class B LP Units outstanding (B)	**227,260,990**	220,249,239
Book value per unit (A)/(B)	**$ 14.46**	$ 14.01

CT REIT's book value per unit as at September 30, 2019 increased from the book value per unit as at December 31, 2018 primarily due to net income exceeding distributions.

8.0 RELATED PARTY TRANSACTIONS

On September 30, 2019, CT REIT's controlling Unitholder, CTC, held a 69.3% effective interest in the REIT, through the ownership of 33,989,508 Units and all of the issued and outstanding Class B LP Units.

In addition to its ownership interest, CTC is CT REIT's most significant tenant representing approximately 92.5% of the annualized base minimum rent earned by CT REIT and 93.2% of total GLA as at September 30, 2019.

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 $62,858 (2018 - $58,193) for the nine months ended September 30, 2019. Refer to Note 3 to the interim financial statements for additional information.

CT REIT's policy is to conduct all transactions and settle all balances, with related parties, on market terms and conditions. Pursuant to the Declaration of Trust, all related party transactions are subject to the approval of the independent trustees of CT REIT.

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 among the Partnership and CTC entered into on October 23, 2013 ("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 Services Agreement is automatically renewable for one year terms, unless otherwise terminated in accordance with its terms. The Services Agreement was automatically renewed for 2019 and CTC will continue to provide such Services on a cost recovery basis.

Property Management Agreement

Under the property management Agreement, among the Partnership and CTC entities entered into on October 23, 2013 ("Property Management Agreement"), CTC provides the REIT with certain customary property management services (the "Property Management Services"). CTC provides these Property Management Services to the REIT on a cost recovery basis pursuant to which the REIT reimburses CTC for all costs and expenses incurred by CTC in connection with providing the Property Management Services, plus applicable taxes. The Property Management Agreement is automatically renewable for one year terms, unless otherwise terminated in accordance with its terms. The Property Management Agreement was automatically renewed for 2019 and CTC will continue to provide such Property Management Services on a cost recovery basis.

Refer to CT REIT's 2018 AIF available on SEDAR at www.sedar.com for additional information on related party agreements and arrangements with CTC.

The following table summarizes CT REIT's related party transactions as at September 30, 2019, excluding acquisition, intensification and development activities which are contained in section 4.0:

(in thousands of Canadian dollars)	Three Months Ended		Nine Months Ended	
For the periods ended September 30,	**2019**	2018	**2019**	2018
Rental revenue	**$ 108,502**	$ 106,380	**$ 327,073**	$ 319,077
Property Management and Services Agreements expense	**$ 965**	$ 1,396	**$ 3,404**	$ 4,039
Distributions on Units	**$ 7,763**	$ 10,868	**$ 24,619**	$ 32,604
Distributions on Class B LP Units [1]	**$ 23,396**	$ 22,595	**$ 70,128**	$ 67,403
Interest expense on Class C LP Units	**$ 17,054**	$ 17,054	**$ 51,164**	$ 51,164
Interest expense on the Bridge Facility	**$ —**	$ —	**$ —**	$ 351

[1] 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)		
As at	**September 30, 2019**	December 31, 2018
Tenant and other receivables	**$ (2,527)**	$ (849)
Class C LP Units	**1,451,550**	1,451,550
Amounts payable on Class C LP Units	**50,795**	67,712
Loans receivable in respect of payments on Class C LP Units	**(45,110)**	(62,027)
Other liabilities	**20,975**	9,474
Distributions payable on Units and Class B LP Units [1]	**23,877**	28,634
Loans receivable in respect of distributions on Class B LP Units	**(13,933)**	(18,038)
Net balance due to CTC	**$ 1,485,627**	$ 1,476,456

[1] 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 CT REIT's 2018 audited annual consolidated financial statements, 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

Leases

Effective in the first quarter of 2019, CT REIT has adopted IFRS 16 - *Leases* ("IFRS 16"), which replaces IAS 17 - *Leases* ("IAS 17") and related interpretations. IFRS 16 provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases. IFRS 16 substantially carries forward the lessor accounting in IAS 17 with the distinction between operating leases and finance leases being retained. The adoption of IFRS 16 has resulted in the recognition of right-of-use assets (classified as investment property) and lease liabilities for all operating leases where CT REIT is a lessee.

As permitted by the transition provisions in IFRS 16, CT REIT has elected not to restate comparative figures with the cumulative effect of initially applying the new standard recognized in retained earnings on January 1, 2019. Accordingly, the information presented in these financial statements for the prior year does not reflect the requirements of IFRS 16 and therefore is not comparable to the information presented in the current period under IFRS 16.

The following table summarizes the cumulative impact of transition adjustments:

	As previously reported under IAS 17 December 31, 2018	IFRS 16 transition adjustments	Restated balance January 1, 2019
Investment properties	$ 5,696,194	$ 66,589	$ 5,762,783
Other assets - Non-current	$ 2,801	$ (1,466)	$ 1,335
Lease liabilities - Current	$ —	$ 5,982	$ 5,982
Lease liabilities - Non-current	$ —	$ 59,141	$ 59,141
Other liabilities - Current	$ 33,048	$ (1,314)	$ 31,734
Equity	$ 3,084,909	$ 1,314	$ 3,086,223

On adoption of IFRS 16, CT REIT recognized lease liabilities in relation to 10 ground leases which were previously classified as 'operating leases' under the principles of IAS 17. Ground rent incurred on these leases was previously included in property expense. The lease liabilities are measured at the present value of the remaining lease payments, discounted using CT REIT's incremental borrowing rate as of January 1, 2019. The weighted average incremental borrowing rate applied to the lease liabilities on January 1, 2019 was 5.0%. On adoption, the ground leases had a weighted average remaining term of 36 years assuming all renewal options are exercised.

The following table reconciles the operating lease commitments disclosed under IAS 17 as at December 31, 2018 to the opening balance for lease liabilities as at January 1, 2019:

Operating lease commitments as at December 31, 2018	**$**	**43,761**
Add: adjustments for extension options reasonably certain to be exercised		**114,895**
Effect of discounting using CT REIT's incremental borrowing rate		**(93,533)**
Lease liability recognized as at January 1, 2019	**$**	**65,123**

The associated right-of-use assets for these leases are accounted for as investment property under IAS 40 - *Investment Property* and are measured at fair value at the date of initial application. Finance costs associated with the lease liabilities are recognized in net interest and financing charges in the Consolidated Statements of Income.

In applying IFRS 16 for the first time, CT REIT has not reassessed, under IFRS 16, contracts that were identified as leases under the previous accounting standard (IAS 17) as a practical expedient permitted by IFRS 16. CT REIT has used hindsight in determining the lease term when the lease contracts contain options to extend or terminate the lease.

9.3 Standards, Amendments and Interpretations Issued but Not Yet Adopted

Details of the standards, amendments and interpretations issued but not yet adopted are described in Note 2 to CT REIT's 2018 audited annual consolidated financial statements.

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 adjusted further for straight-line rent and land lease expense. 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			Nine Months Ended		
For the periods ended September 30,	**2019**	2018	Change	**2019**	2018	Change
Property revenue	**$ 121,763**	$ 117,662	3.5 %	**$ 365,321**	$ 353,161	3.4 %
Less:						
Property expense	**(24,218)**	(26,193)	(7.5)%	**(79,325)**	(81,832)	(3.1)%
Property straight-line rent revenue	**(3,606)**	(4,671)	(22.8)%	**(10,645)**	(13,869)	(23.2)%
Add:						
Straight-line ground lease expense	**—**	16	(100.0)%	**—**	47	(100.0)%
Transition adjustments - IFRS 16: [1]						
Ground lease expense	**—**	960	(100.0)%	**—**	2,882	(100.0)%
Straight-line ground lease expense	**—**	(16)	(100.0)%	**—**	(47)	(100.0)%
Net operating income	**$ 93,939**	$ 87,758	7.0 %	**$ 275,351**	$ 260,342	5.8 %

[1] 2018 net operating income has been adjusted to exclude ground lease expense and straight-line ground lease expense to achieve consistency in reporting under IFRS 16. Refer to section 9.2 for further information.

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. 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			Nine Months Ended		
For the periods ended September 30,	**2019**	2018	Change [1]	**2019**	2018	Change [1]
Same store	**$ 90,847**	$ 87,000	4.4%	**$ 264,395**	$ 255,713	3.4%
Intensifications						
2019	**412**	—	—%	**489**	—	—%
2018	**251**	83	NM	**1,201**	405	NM
Same property	**$ 91,510**	$ 87,083	5.1%	**$ 266,085**	$ 256,118	3.9%
Acquisitions and developments						
2019	**1,558**	—	—%	**3,124**	—	—%
2018	**871**	675	29.0%	**6,142**	4,224	45.4%
Net operating income	**$ 93,939**	$ 87,758	7.0%	**$ 275,351**	$ 260,342	5.8%

[1] 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			Nine Months Ended		
For the periods ended September 30,	**2019**	2018	Change [1]	**2019**	2018	Change [1]
Net Income and comprehensive income	**$ 80,138**	$ 79,147	1.3 %	**$ 230,303**	$ 226,405	1.7 %
Fair value adjustment on investment property	**(12,944)**	(16,783)	(22.9)%	**(36,665)**	(42,106)	(12.9)%
GP income tax expense	**(166)**	(144)	15.3 %	**107**	267	(59.9)%
Lease principal payments on right-of-use assets [2]	**(147)**	—	NM	**(372)**	—	NM
Fair value adjustment of unit based compensation	**263**	(49)	NM	**1,370**	(571)	NM
Internal leasing expense	**201**	—	NM	**321**	—	NM
Funds from operations	**$ 67,345**	$ 62,171	8.3 %	**$ 195,064**	$ 183,995	6.0 %
Property straight-line rent revenue	**(3,606)**	(4,671)	(22.8)%	**(10,645)**	(13,869)	(23.2)%
Straight-line ground lease expense	**—**	16	(100.0)%	**—**	47	(100.0)%
Normalized capital expenditure reserve	**(5,884)**	(5,632)	4.5 %	**(17,517)**	(16,848)	4.0 %
Adjusted funds from operations	**$ 57,855**	$ 51,884	11.5 %	**$ 166,902**	$ 153,325	8.9 %
FFO per unit - basic	**$ 0.304**	$ 0.290	4.8%	**$ 0.883**	$ 0.859	2.8%
FFO per unit - diluted (non-GAAP) [3]	**$ 0.303**	$ 0.289	4.8%	**$ 0.882**	$ 0.859	2.7%
AFFO per unit - basic	**$ 0.261**	$ 0.242	7.9%	**$ 0.756**	$ 0.716	5.6%
AFFO per unit - diluted (non-GAAP) [3]	**$ 0.261**	$ 0.241	8.3%	**$ 0.755**	$ 0.716	5.4%
Weighted average units outstanding - basic	**221,677,555**	214,654,925	3.3%	**220,845,368**	214,086,218	3.2%
Weighted average units outstanding - diluted (non-GAAP)	**221,912,113**	214,842,060	3.3%	**221,074,340**	214,264,405	3.2%
Number of units outstanding, end of period	**227,260,990**	214,986,936	5.7%	**227,260,990**	214,986,936	5.7%

[1] NM - not meaningful.

[2] Refer to section 9.2 for further information.

[3] 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.

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 & Adjusted Funds From Operations for IFRS" ("White Paper on FFO & AFFO") issued in February 2019 which replaced REALPAC's "White Paper on FFO" issued in February 2018. 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.

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.

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 normalized capital expenditure reserve in the AFFO calculation, which is used as an input in assessing a REIT's distribution payout ratio, is intended to reflect an average annual spending level. The reserve is primarily based on average expenditures as determined by building condition reports prepared by independent consultants.

The following table compares capital expenditures during the period 2015-2019 to the normalized capital expenditure reserve used in the calculation of AFFO:

(in thousands of Canadian dollars) For the periods indicated	Normalized capital expenditure reserve	Capital expenditures	Variance
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
Year ended December 31, 2015	$ 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
Year ended December 31, 2016	$ 18,395	$ 15,570	$ 2,825
2017			
Q1	$ 5,065	$ 348	$ 4,717
Q2	5,109	5,445	(336)
Q3	5,139	8,307	(3,168)
Q4	5,173	4,862	311
Year ended December 31, 2017	$ 20,486	$ 18,962	$ 1,524
2018			
Q1	$ 5,598	$ (371)	$ 5,969
Q2	5,618	2,425	3,193
Q3	5,632	9,867	(4,235)
Q4	5,669	5,778	(109)
Year ended December 31, 2018	$ 22,517	$ 17,699	$ 4,818
2019			
Q1	**$ 5,779**	**$ 257**	**$ 5,522**
Q2	**$ 5,854**	**$ 5,253**	**$ 601**
Q3	**$ 5,884**	**$ 10,311**	**(4,427)**
Period ended September 30, 2019	**$ 17,517**	**$ 15,821**	**$ 1,696**

The normalized capital expenditure reserve exceeded actual capital expenditures by $11,410 during the four year period of 2015-2018. The normalized capital expenditure reserve per square foot has increased since 2015 which reflects changes in asset mix (primarily due to an increase in multi-tenanted retail investment properties) and inflation in expected costs. Management expects there will be periods in the future where actual capital expenditures will exceed the normalized capital expenditure reserve. The current period reserve is based upon unit costs that are anticipated to be realized in work to be completed in the current period.

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 to be the best measure of the REIT's distribution capacity.

	Three Months Ended			Nine Months Ended		
For the periods ended September 30,	**2019**	2018	Change	**2019**	2018	Change
Distribution per unit - paid (A)	**$ 0.189**	$ 0.182	4.0 %	**$ 0.568**	$ 0.546	4.0 %
AFFO per unit - diluted (non-GAAP) [1] (B)	**$ 0.261**	$ 0.241	8.3 %	**$ 0.755**	$ 0.716	5.4 %
AFFO payout ratio (A)/(B)	**72%**	76%	(5)%	**75%**	76%	(1)%

[1] 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.

10.4 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:

	Three Months Ended		Nine Months Ended	
For the periods ended September 30,	**2019**	2018	**2019**	2018
Weighted average units outstanding - diluted (non-GAAP)	**221,912,113**	214,842,060	**221,074,340**	214,264,405
Dilutive effect of settling Class C LP Units with Class B LP Units	**100,717,472**	110,530,505	**100,717,472**	110,530,505
Weighted average units outstanding - diluted	**322,629,585**	325,372,565	**321,791,812**	324,794,910

10.5 Adjusted Cash Flow From Operations

ACFO is a 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" ("White Paper on ACFO") issued in February 2019 which replaced REALPAC's "White Paper on ACFO" issued in February 2018. The purpose of this white paper is to provide guidance on the definition of ACFO to promote consistent disclosure amongst reporting issuers. Management believes that the use of ACFO, combined with the required IFRS presentations, improves the understanding of the operating cash flow of CT REIT.

CT REIT calculates ACFO from cash flow generated from operating activities by adjusting for non-operating adjustments to changes in working capital and other, net interest and other financing charges and normalized capital expenditure reserve.

A reconciliation from the IFRS term "Cash Generated from Operating Activities" (refer to the Consolidated Statements of Cash Flows for the nine months ended September 30, 2019 and September 30, 2018) to ACFO is as follows:

(in thousands of Canadian dollars)	Three Months Ended			Nine Months Ended		
For the periods ended September 30,	**2019**	2018	Change [1]	**2019**	2018	Change [1]
Cash generated from operating activities	**98,035**	$ 82,836	18.3%	**268,342**	$ 247,835	8.3%
Non-operating adjustments to changes in working capital and other	**(5,100)**	4,348	NM	**(790)**	388	NM
Net interest and other financing charges	**(27,464)**	(26,325)	4.3%	**(81,720)**	(78,294)	4.4%
Normalized capital expenditure reserve	**(5,884)**	(5,632)	4.5%	**(17,517)**	(16,848)	4.0%
Lease principal payments on right-of-use assets [2]	**(147)**	—	NM	**(372)**	—	NM
Adjusted cashflow from operations	**59,440**	$ 55,227	7.6%	**167,943**	$ 153,081	9.7%

[1] NM - not meaningful.

[2] Refer to section 9.2 for further information.

The non-operating adjustments to changes in working capital and other for three months ended September 30, 2019 is primarily due to the payment of accrued property taxes. The non-operating adjustments to changes in working capital and other for nine months ended September 30, 2019 is primarily due to the timing of payments and subsequent recovery of property taxes, offset by accrual of commodity taxes payable.

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), 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 and nine months ended September 30, 2019, EBITFV was calculated as follows:

(in thousands of Canadian dollars)	Three Months Ended			Nine Months Ended		
For the periods ended September 30,	**2019**	2018	Change [1]	**2019**	2018	Change [1]
Net income and comprehensive income	**$ 80,138**	$ 79,147	1.3 %	**$ 230,303**	$ 226,405	1.7 %
Fair value adjustment on investment properties	**(12,944)**	(16,783)	(22.9)%	**(36,665)**	(42,106)	(12.9)%
Fair value adjustment on unit-based awards	**263**	(49)	NM	**1,370**	(571)	NM
Interest expense and other financing charges	**27,514**	26,362	4.4 %	**81,892**	78,413	4.4 %
GP income tax expense	**(166)**	(144)	15.3 %	**107**	267	(59.9)%
EBITFV	**$ 94,805**	$ 88,533	7.1 %	**$ 277,007**	$ 262,408	5.6 %

[1] NM - not meaningful.

10.7 Non-GAAP Measures Referenced in Other Sections of the MD&A

The interest coverage ratio under section 6.5 is calculated using a non-GAAP measure.

10.8 Selected Quarterly Consolidated Information

(in thousands of Canadian dollars, except per unit amounts)	**2019**			2018				2017
As at and for the quarter ended	**Q3**	**Q2**	**Q1**	Q4	Q3	Q2	Q1	Q4
Property revenue	**$ 121,763**	**$ 121,994**	**$ 121,564**	$ 119,322	$ 117,662	$ 118,880	$ 116,619	$ 111,264
Net income	**$ 80,138**	**$ 78,720**	**$ 71,445**	$ 74,501	$ 79,147	$ 74,744	$ 72,514	$ 97,094
Net income per unit								
- basic	**$ 0.362**	**$ 0.357**	**$ 0.324**	$ 0.343	$ 0.369	$ 0.350	$ 0.339	$ 0.454
- diluted	**$ 0.301**	**$ 0.297**	**$ 0.273**	$ 0.271	$ 0.296	$ 0.282	$ 0.276	$ 0.364
FFO per unit - diluted (non-GAAP) [1]	**$ 0.303**	**$ 0.291**	**$ 0.288**	$ 0.286	$ 0.289	$ 0.292	$ 0.277	$ 0.283
AFFO per unit - diluted (non-GAAP) [1]	**$ 0.261**	**$ 0.249**	**$ 0.245**	$ 0.239	$ 0.241	$ 0.241	$ 0.233	$ 0.232
Total assets	**$6,001,912**	**$5,928,005**	**$5,853,296**	$5,708,692	$5,676,689	$5,592,575	$5,555,324	$5,455,398
Total indebtedness	**$2,570,162**	**$2,609,049**	**$2,580,000**	$2,573,489	$2,596,482	$2,581,316	$2,596,152	$2,544,972
Total distributions, net of distribution reinvestment, to Unitholders - paid	**$ 39,357**	**$ 39,337**	**$ 39,877**	$ 38,453	$ 38,169	$ 38,069	$ 38,184	$ 36,805
Total distributions per unit - paid	**$ 0.189**	**$ 0.189**	**$ 0.189**	$ 0.182	$ 0.182	$ 0.182	$ 0.182	$ 0.175
Book value per unit	**$ 14.46**	**$ 14.31**	**$ 14.15**	$ 14.01	$ 13.90	$ 13.71	$ 13.54	$ 13.39
Market price per unit								
- high	**$ 15.05**	**$ 14.77**	**$ 14.45**	$ 13.03	$ 13.72	$ 13.53	$ 14.68	$ 14.96
- low	**$ 13.97**	**$ 13.54**	**$ 11.47**	$ 11.26	$ 12.37	$ 12.80	$ 12.50	$ 13.68
- close (end of period)	**$ 15.03**	**$ 14.22**	**$ 14.36**	$ 11.53	$ 12.85	$ 12.90	$ 13.30	$ 14.50

[1] Non-GAAP measure. Refer to 10.0 section for further information.

Property revenue, distributions and other financial and operational results noted above have grown at a steady rate. However, macroeconomic and market trends may have an influence on the demand for space, occupancy levels, and consequently, the REIT's operating performance.

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 Enterprise Risk Management Program ("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 of CT REIT's 2018 annual MD&A.

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

12.0 INTERNAL CONTROLS AND PROCEDURES

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 2018 annual MD&A.

Changes in Internal Control Over Financial Reporting

During the three months ended September 30, 2019, 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

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 CT REIT's:

- growth strategy and objectives under section 2.0;
- fair value of property portfolio under section 4.4;
- investment activities under section 4.5;
- development activities under section 4.6;
- leasing activities under section 4.10;
- recoverable capital costs under section 4.11;
- installation of the ERP system to insource certain property management and support services under section 5.1;
- fair value adjustment on investment properties under section 5.1;
- capital expenditures to fund acquisitions and development activities under section 6.1;
- capital strategy under section 6.11;
- commitments as at September 30, 2019 under section 6.12;

- distributions under section 7.3;
- capital expenditures under section 10.2;
- access to available sources of debt and/or equity financing;
- expected tax treatment and its distributions to Unitholders;
- 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
- ability to continue to qualify as a "real estate investment trust", as defined pursuant to 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, that CTC will continue its involvement with CT REIT on the basis described in its 2018 AIF, and that the ERP will operate as expected.

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 2018 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 and by a link at 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 does not form part of this MD&A 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 Investors section of the REIT's website by a link at www.ctreit.com includes the following documents and information of interest to investors:

- Annual Information Form;
- Management Information Circular;
- the Base Shelf Prospectus and related prospectus supplements;
- 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.

If you would like to contact the Investor Relations department directly, call Marina Davies (416) 544-6134 or email investor.relations@ctreit.com.

November 4, 2019

THIRD QUARTER 2019

CT REAL ESTATE INVESTMENT TRUST
INTERIM FINANCIAL STATEMENTS
(UNAUDITED)

Condensed Consolidated Balance Sheets (Unaudited)

(Canadian dollars, in thousands)

As at	Note	September 30, 2019	December 31, 2018
Assets			
Non-current assets			
Investment properties	3	**$ 5,926,340**	$ 5,696,194
Other assets		**1,176**	2,801
		5,927,516	5,698,995
Current assets			
Tenant and other receivables		**4,493**	2,145
Other assets		**22,230**	2,561
Cash and cash equivalents		**47,673**	4,991
		74,396	9,697
Total assets		**$ 6,001,912**	$ 5,708,692
Liabilities			
Non-current liabilities			
Class C LP Units	4	**$ 1,200,000**	$ 1,451,550
Mortgages payable	5	**10,490**	—
Debentures	6	**1,070,465**	1,069,844
Lease liabilities	2	**61,221**	—
Other liabilities		**4,139**	3,348
		2,346,315	2,524,742
Current liabilities			
Class C LP Units	4	**251,550**	—
Mortgages payable	5	**37,657**	37,100
Bank Credit Facility	7	**—**	14,995
Lease liabilities	2	**866**	—
Other liabilities		**64,582**	33,048
Distributions payable	8	**14,340**	13,898
		368,995	99,041
Total liabilities		**2,715,310**	2,623,783
Equity			
Unitholders' equity	8	**1,446,010**	1,306,355
Non-controlling interests	8, 9	**1,840,592**	1,778,554
Total equity		**3,286,602**	3,084,909
Total liabilities and equity		**$ 6,001,912**	$ 5,708,692

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)

		Three months ended		Nine months ended	
For the periods ended September 30,	Note	**2019**	2018	**2019**	2018
Property revenue	10	**$ 121,763**	$ 117,662	**$ 365,321**	$ 353,161
Property expense	10	**(24,218)**	(26,193)	**(79,325)**	(81,832)
General and administrative expense	11	**(2,887)**	(2,780)	**(10,638)**	(8,736)
Net interest and other financing charges	12	**(27,464)**	(26,325)	**(81,720)**	(78,294)
Fair value adjustment on investment properties	3	**12,944**	16,783	**36,665**	42,106
Net income and comprehensive income		**$ 80,138**	$ 79,147	**$ 230,303**	$ 226,405
Net income and comprehensive income attributable to:					
Unitholders		**$ 35,523**	$ 33,474	**$ 101,613**	$ 95,950
Non-controlling interests	9	**44,615**	45,673	**128,690**	130,455
		$ 80,138	$ 79,147	**$ 230,303**	$ 226,405
Net income per unit - basic	8	**$ 0.362**	$ 0.369	**$ 1.043**	$ 1.058
Net income per unit - diluted	8	**$ 0.301**	$ 0.296	**$ 0.875**	$ 0.855

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
December 31, 2018, as previously reported		**$ 960,688**	**$ 345,667**	**$ 1,306,355**	**$ 1,778,554**	**$ 3,084,909**
Transition adjustments - IFRS 16	2	**—**	**578**	**578**	**736**	**1,314**
Restated balance at January 1, 2019		**960,688**	**346,245**	**1,306,933**	**1,779,290**	**3,086,223**
Net income and comprehensive income for the period		**—**	**101,613**	**101,613**	**128,690**	**230,303**
Issuance of Class B LP Units, net of issue costs	8	**—**	**—**	**—**	**2,740**	**2,740**
Distributions	8	**—**	**(55,551)**	**(55,551)**	**(70,128)**	**(125,679)**
Issuance of Units from 2019 REIT Offering, net of issue costs	9	**86,140**	**—**	**86,140**	**—**	**86,140**
Issuance of Units under Distribution Reinvestment Plan and other	8	**6,875**	**—**	**6,875**	**—**	**6,875**
Balance at September 30, 2019		**$ 1,053,703**	**$ 392,307**	**$ 1,446,010**	**$ 1,840,592**	**$ 3,286,602**

	Note	Units	Retained Earnings	Unitholders' Equity	Non-controlling interests	Total Equity
Balance at December 31, 2017		**$ 884,090**	**$ 284,687**	**$ 1,168,777**	**$ 1,692,664**	**$ 2,861,441**
Net income and comprehensive income for the period		—	95,950	95,950	130,455	226,405
Issuance of Class B LP Units, net of issue costs	4	—	—	—	14,022	14,022
Distributions	8	—	(49,551)	(49,551)	(67,403)	(116,954)
Issuance of Units under Distribution Reinvestment Plan and other	8	2,526	—	2,526	—	2,526
Balance at September 30, 2018		**$ 886,616**	**$ 331,086**	**$ 1,217,702**	**$ 1,769,738**	**$ 2,987,440**

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

Condensed Consolidated Statements of Cash Flows (Unaudited)

(Canadian dollars, in thousands)

		Three months ended		Nine months ended	
For the periods ended September 30,	Note	**2019**	2018	**2019**	2018
Cash generated from (used for):					
Operating activities					
Net income		**$ 80,138**	$ 79,147	**$ 230,303**	$ 226,405
Add/(deduct):					
Fair value adjustment on investment properties	3	**(12,944)**	(16,783)	**(36,665)**	(42,106)
Property straight-line rent revenue	10	**(3,606)**	(4,671)	**(10,645)**	(13,869)
GP income tax expense		**(166)**	(144)	**107**	267
Straight-line ground lease expense	2	**—**	16	**—**	47
Net interest and other financing charges		**27,464**	26,325	**81,720**	78,294
Changes in working capital and other	13	**7,149**	(1,054)	**3,522**	(1,203)
Cash generated from operating activities		**$ 98,035**	$ 82,836	**$ 268,342**	$ 247,835
Investing activities					
Income-producing property		**(5,446)**	(7,339)	**(28,604)**	(73,839)
Development activities and land investments		**(34,379)**	(25,684)	**(63,290)**	(37,530)
Capital expenditures recoverable from tenants		**(7,553)**	(3,364)	**(12,640)**	(7,682)
Proceeds of disposition		**—**	—	**556**	661
Cash used for investing activities		**$ (47,378)**	$ (36,387)	**$ (103,978)**	$ (118,390)
Financing activities					
Proceeds from 2019 REIT Offering, net	8	**86,377**	—	**86,255**	—
Proceeds from issuance of debentures, net	6	**—**	(28)	**—**	198,661
Unit distributions		**(15,961)**	(15,637)	**(48,456)**	(47,082)
Class B LP Unit distributions paid or loaned		**(23,396)**	(22,532)	**(70,115)**	(67,340)
Payments on Class C LP Units paid or loaned	4	**(17,054)**	(17,054)	**(51,164)**	(51,164)
Bank Credit Facility (repayments) draws, net	7	**(38,970)**	15,005	**(14,995)**	(146,959)
Lease principal payments on right-of-use assets	2	**(147)**	—	**(372)**	—
Mortgage principal repayments	5	**(97)**	(106)	**(226)**	(315)
Net interest paid		**(1,819)**	(139)	**(22,609)**	(18,279)
Class B LP Unit issuance costs		**—**	(32)	**—**	(32)
Cash used for financing activities		**$ (11,067)**	$ (40,523)	**$ (121,682)**	$ (132,510)
Cash generated from (used for) the period		**$ 39,590**	$ 5,926	**$ 42,682**	$ (3,065)
Cash and cash equivalents, beginning of period		**8,083**	1,911	**4,991**	10,902
Cash and cash equivalents, end of period		**$ 47,673**	$ 7,837	**$ 47,673**	$ 7,837

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

Notes to the Condensed Consolidated Financial Statements (Unaudited)

For the three and nine months ended September 30, 2019 and 2018

(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 unaudited condensed consolidated interim financial statements ("interim 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 a 69.3% effective interest in CT REIT as of September 30, 2019, consisting of 33,989,508 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 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 and nine months ended September 30, 2019 in accordance with International Accounting Standard (“IAS”) 34 – *Interim Financial Reporting*. These interim financial statements should be read in conjunction with the REIT's 2018 audited annual consolidated financial statements. Other than standards, amendments and interpretations adopted as disclosed in Note 2(d), these interim financial statements have been prepared using the accounting policies that were described in Note 3 to the REIT's 2018 audited annual consolidated financial statements.

These interim financial statements were approved for issuance by CT REIT’s Board of Trustees (the “Board”), on the recommendation of its Audit Committee, on November 4, 2019.

(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 revenues 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.

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 CT REIT's 2018 audited annual consolidated financial statements.

(d) Standards, amendments and interpretations issued and adopted

Leases

Effective in the first quarter of 2019, CT REIT has adopted IFRS 16 - *Leases* ("IFRS 16"), which replaces IAS 17 - *Leases* ("IAS 17") and related interpretations. IFRS 16 provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases. IFRS 16 substantially carries forward the lessor accounting in IAS 17 with the distinction between operating leases and finance leases being retained. The adoption of IFRS 16 has resulted in the recognition of right-of-use assets (classified as investment property) and lease liabilities for all operating leases where CT REIT is a lessee.

As permitted by the transition provisions in IFRS 16, CT REIT has elected not to restate comparative figures with the cumulative effect of initially applying the new standard recognized in retained earnings on January 1, 2019. Accordingly, the information presented in these financial statements for the prior year does not reflect the requirements of IFRS 16 and therefore is not comparable to the information presented in the current period under IFRS 16.

The following table summarizes the cumulative impact of transition adjustments:

	As previously reported under IAS 17 December 31, 2018	IFRS 16 transition adjustments	Restated balance January 1, 2019
Investment properties	$ 5,696,194	$ 66,589	$ 5,762,783
Other assets - Non-current	$ 2,801	$ (1,466)	$ 1,335
Lease liabilities - Current	$ —	$ 5,982	$ 5,982
Lease liabilities - Non-current	$ —	$ 59,141	$ 59,141
Other liabilities - Current	$ 33,048	$ (1,314)	$ 31,734
Equity	$ 3,084,909	$ 1,314	$ 3,086,223

On adoption of IFRS 16, CT REIT recognized lease liabilities in relation to 10 ground leases which were previously classified as 'operating leases' under the principles of IAS 17. Ground rent incurred on these leases was previously included in property expense. The lease liabilities are measured at the present value of the remaining lease payments, discounted using CT REIT's incremental borrowing rate as of January 1, 2019. The weighted average incremental borrowing rate applied to the lease liabilities on January 1, 2019 was 5.0%. On adoption, the ground leases had a weighted average remaining term of 36 years assuming all renewal options are exercised.

The following table reconciles the operating lease commitments disclosed under IAS 17 as at December 31, 2018 to the opening balance for lease liabilities as at January 1, 2019:

Operating lease commitments as at December 31, 2018	$ 43,761
Add: adjustments for extension options reasonably certain to be exercised	114,895
Effect of discounting using CT REIT's incremental borrowing rate	(93,533)
Lease liability recognized as at January 1, 2019	$ 65,123

The associated right-of-use assets for these leases are accounted for as investment property under IAS 40 - *Investment Property* and are measured at fair value at the date of initial application. Finance costs associated with the lease liabilities are recognized in net interest and financing charges in the Consolidated Statements of Income.

In applying IFRS 16 for the first time, CT REIT has not reassessed, under IFRS 16, contracts that were identified as leases under the previous accounting standard (IAS 17) as a practical expedient permitted by IFRS 16. CT REIT has used hindsight in determining the lease term when the lease contracts contain options to extend or terminate the lease.

(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 CT REIT's 2018 audited annual consolidated financial statements.

3. INVESTMENT PROPERTIES

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

	Nine Months Ended September 30, 2019			Year Ended December 31, 2018		
	Income-producing properties	**Properties Under Development**	**Total investment properties**	Income-producing properties	Properties Under Development	Total investment properties
Balance, beginning of period, as previously reported	**$ 5,568,961**	**$ 127,233**	**$ 5,696,194**	$ 5,337,515	$ 99,082	$ 5,436,597
Transition adjustment - right-of-use assets [2]	**66,589**	**—**	**66,589**	—	—	—
Restated balance, beginning of period	**5,635,550**	**127,233**	**5,762,783**	5,337,515	99,082	5,436,597
Property acquisitions (including transaction costs)	**37,520**	**—**	**37,520**	89,429	—	89,429
Intensifications	**—**	**17,886**	**17,886**	—	18,625	18,625
Developments	**—**	**46,531**	**46,531**	—	47,079	47,079
Development land	**—**	**—**	**—**	—	12,642	12,642
Capitalized interest and property taxes	**—**	**1,709**	**1,709**	—	2,752	2,752
Transfers	**97,439**	**(97,439)**	**—**	52,947	(52,947)	—
Right-of-use assets [3]	**(2,664)**	**—**	**(2,664)**	—	—	—
Fair value adjustment on investment properties	**36,665**	**—**	**36,665**	53,628	—	53,628
Straight-line rent	**10,645**	**—**	**10,645**	18,404	—	18,404
Recoverable capital expenditures	**15,821**	**—**	**15,821**	17,699	—	17,699
Dispositions	**(556)**	**—**	**(556)**	(661)	—	(661)
Balance, end of period [1]	**$ 5,830,420**	**$ 95,920**	**$ 5,926,340**	$ 5,568,961	$ 127,233	$ 5,696,194

[1] Includes purchased lands for $10,905 (December 31, 2018 - $13,911) held for development.

[2] See Note 2(d).

[3] Reflects impact of a ground lease amendment.

Included in CT REIT's portfolio are 10 (December 31, 2018 – 10) properties which are situated on ground leases with remaining initial terms up to 37 years (December 31, 2018 – up to 37 years), and an average remaining initial term of 14 years (December 31, 2018 – 14 years).

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

As at September 30, 2019, management's determination of fair value was updated for current market assumptions, informed by market capitalization rates provided by independent appraisal professionals.

On a periodic basis, CT REIT obtains independent appraisals such that approximately 75% of its properties will be externally appraised over a four-year period.

The fair value of investment properties is based on Level 3 inputs (see Note 19 to CT REIT's 2018 audited annual consolidated financial statements for definition of levels). There have been no transfers between levels during the period.

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	280	65
Value at September 30, 2019	$4,235,459	$1,690,881
Discount rate[1]	—%	6.98%
Terminal capitalization rate[1]	—%	6.54%
Overall capitalization rate[1]	6.17%	—%
Hold period (years)	—	10

[1] Weighted average rate based on the fair value as at the period end date

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 income-producing properties to changes in the capitalization rate and discount rate, respectively:

	OCR Sensitivity		DCF Sensitivity	
Rate sensitivity	**Fair value**	**Change in fair value**	**Fair value**	**Change in fair value**
+ 75 basis points	$ 3,787,078	$ (448,381)	$ 1,522,070	$ (168,812)
+ 50 basis points	3,925,154	(310,304)	1,572,549	(118,332)
+ 25 basis points	4,074,081	(161,377)	1,626,868	(64,013)
September 30, 2019	$ 4,235,459	$ —	$ 1,690,881	$ —
- 25 basis points	4,410,567	175,108	1,748,917	58,035
- 50 basis points	4,601,555	366,097	1,817,836	126,954
- 75 basis points	$ 4,810,595	$ 575,136	$ 1,893,041	$ 202,159

2019 Investment and Development Activity

Funding of investment and development activities for the three and nine months ended September 30, 2019 was as follows:

	Q3 2019 Investment and Development Activity				
(in thousands of Canadian dollars)	**Property investments**	**Development land**	**Developments**	**Intensifications**	**Total**
Funded with working capital to CTC	**$ —**	**$ —**	**$ —**	**$ 4,729**	**$ 4,729**
Funded with working capital to third parties	**928**	**—**	**1,652**	**5,618**	**8,198**
Capitalized interest and property taxes	**—**	**—**	**567**	**—**	**567**
Total costs	**$ 928**	**$ —**	**$ 2,219**	**$ 10,347**	**$ 13,494**

	YTD 2019 Investment and Development Activity				
	Property investments	**Development land**	**Developments**	**Intensifications**	**Total**
Funded with working capital to CTC	**$ 11,745**	**$ —**	**$ 41,276**	**$ 7,097**	**$ 60,118**
Funded with working capital to third parties	**11,705**	**—**	**5,255**	**10,789**	**27,749**
Capitalized interest and property taxes	**—**	**—**	**1,709**	**—**	**1,709**
Issuance of Class B LP Units to CTC	**2,740**	**—**	**—**	**—**	**2,740**
Mortgages payable	**11,330**	**—**	**—**	**—**	**11,330**
Total costs	**$ 37,520**	**$ —**	**$ 48,240**	**$ 17,886**	**$ 103,646**

2018 Investment and Development Activity

Funding of investment and development activities for the year ended December 31, 2018 was as follows:

	YTD 2018 Investment and Development Activity				
	Property investments	Development land	Developments	Intensifications	Total
Funded with working capital to CTC	$ 7,258	$ 8,546	$ 30,155	$ 8,890	$ 54,849
Funded with working capital to third parties	68,181	4,096	16,860	9,735	98,872
Capitalized interest and property taxes	—	—	2,752	—	2,752
Issuance of Class B LP Units to CTC	13,990	—	64	—	14,054
Total costs	$ 89,429	$ 12,642	$ 49,831	$ 18,625	$ 170,527

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 rate of 4.70% 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 units representing an interest in CT REIT GP Corp. ("GP"), 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 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 of CT REIT) can be settled at the option of the Partnership, in cash or Class B LP Units of equal value.

The Partnership did not settle any Class C LP Units in 2019.

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 September 30, 2019**	Carrying amount at December 31, 2018
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 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
Weighted average / Total		4.70%	**$ 1,451,550**	$ 1,451,550
Current			**251,550**	$ —
Non-current			**1,200,000**	1,451,550
Total			**$ 1,451,550**	$ 1,451,550

For the three and nine months ended September 30, 2019, interest expense of $17,054 (Q3 2018 – $17,054) and $51,164 (YTD 2018 - $51,164), respectively, 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 distributions 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 in which 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 and nine months ended September 30, 2019 of $16,916 (Q3 2018 – $16,916) and $45,110 (YTD 2018 – $45,110), respectively, were deferred until the first business day following the end of the fiscal year and non-interest bearing loans equal to the deferred payments were advanced. The net amount of payments due in respect of the Class C LP Units at September 30, 2019 of $5,685 (December 31, 2018 – $5,685) is included in other liabilities on the interim balance sheets.

5. MORTGAGES PAYABLE

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

	September 30, 2019		December 31, 2018	
	Face value	**Carrying amount**	Face value	Carrying amount
Current	**$ 37,529**	**$ 37,657**	$ 37,133	$ 37,100
Non-current	**10,236**	**10,490**	—	—
Total	**$ 47,765**	**$ 48,147**	$ 37,133	$ 37,100

Future repayments are as follows:	**Principal amortization**	**Maturities**	**Total**
2019 Q4	$ 98	$ 37,133	$ 37,231
2020	400	—	400
2021	419	—	419
2022	255	9,460	9,715
2023 and thereafter	—	—	—
Total contractual obligation	$ 1,172	$ 46,593	$ 47,765
Unamortized portion of mark to market on mortgages payable assumed on the acquisition of properties			392
Unamortized transaction costs			(10)
			$ 48,147

Mortgages payable have interest rates that range from 3.61% to 4.50%, and have maturity dates that range from December 2019 to July 2022. Mortgages payable at September 30, 2019 had a weighted average interest rate of 3.82% (December 31, 2018 – 3.81%). At September 30, 2019, floating rate and fixed rate mortgages were $37,133 (December 31, 2018 – $37,133) and $10,632 (December 31, 2018 – $0), respectively.

Investment properties having a fair value of $98,477 (December 31, 2018 – $77,050) have been pledged as security for mortgages payable.

6. DEBENTURES

	September 30, 2019		December 31, 2018	
Series	**Face value**	**Carrying amount**	Face value	Carrying amount
A, 2.85%, June 9, 2022	**$ 150,000**	**$ 149,583**	$ 150,000	$ 149,475
B, 3.53%, June 9, 2025	**200,000**	**199,057**	200,000	198,949
C, 2.16%, June 1, 2021	**150,000**	**149,705**	150,000	149,577
D, 3.29%, June 1, 2026	**200,000**	**199,093**	200,000	198,995
E, 3.47%, June 16, 2027	**175,000**	**174,113**	175,000	174,036
F, 3.87%, December 7, 2027	**200,000**	**198,914**	200,000	198,812
	$ 1,075,000	**$ 1,070,465**	$ 1,075,000	$ 1,069,844

Debentures as at September 30, 2019, had a weighted average interest rate of 3.25% (December 31, 2018 - 3.25%).

For the three and nine months ended September 30, 2019, amortization of transaction costs of $201 (Q3 2018 - $290) and $621 (YTD 2018 - $782) are included in 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 $300,000 unsecured revolving credit facility with a syndicate of major Canadian third party banks ("Bank Credit Facility") expiring in December 2023. 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 September 30, 2019 no borrowings were drawn on the Bank Credit Facility and $5,328 (December 31, 2018 – $2,372) of letters of credit were outstanding under the Bank Credit Facility. At September 30, 2019, borrowings under the Bank Credit Facility had a weighted average interest rate of nil (December 31, 2018 – 3.46%).

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 September 30, 2019		
	Units	**Class B LP Units**	**Total**
Total outstanding at beginning of year	**96,848,606**	**123,400,633**	**220,249,239**
Issued	**505,408**	**190,343**	**695,751**
2019 REIT Offering	**6,316,000**	**—**	**6,316,000**
Total outstanding at end of period	**103,670,014**	**123,590,976**	**227,260,990**

	As at December 31, 2018		
	Units	Class B LP Units	Total
Total outstanding at beginning of year	90,645,295	123,092,866	213,738,161
Issued	279,897	1,052,181	1,332,078
2018 REIT Offering	5,179,000	—	5,179,000
Exchange of Class B LP Units for Units	744,414	(744,414)	—
Total outstanding at end of year	96,848,606	123,400,633	220,249,239

On September 19, 2019, CT REIT completed a joint equity offering of an aggregate of 16,846,000 Units comprised of the issuance of 6,316,000 Units from treasury for net proceeds of $86,140 after deducting issuance cost of $3,863 (the "2019 REIT Offering") and the sale of 10,530,000 Units by CTC (the "2019 Secondary Offering" and, together with the "2019 REIT Offering", hereinafter referred to as the "2019 Equity Offering").

On November 28, 2018, CT REIT completed a joint equity offering of an aggregate of 21,115,000 Units comprised of the issuance of 5,179,000 Units from treasury for net proceeds of $62,276 after deducting issuance costs of $2,720 (the "2018 REIT Offering") and the sale of 15,936,000 Units by CTC (the "2018 Secondary Offering" and, together with the 2018 REIT Offering, referred to as the "2018 Equity Offering"). In connection with the 2018 Secondary Offering, CTC exchanged 744,414 Class B LP Units for 744,414 Units, in accordance with the terms of the Class B LP Units, which were then sold pursuant to the 2018 Secondary Offering.

Net income attributable to Unitholders and weighted average units outstanding used in determining basic and diluted net income per unit for the three and nine months ended September 30, 2019 and 2018, are calculated as follows, respectively:

	For the three months ended September 30, 2019		
	Units	Class B LP Units	Total
Net income attributable to Unitholders - basic	$ 35,523	$ 44,615	$ 80,138
Income effect of settling Class C LP Units with Class B LP Units			17,054
Net income attributable to Unitholders - diluted			$ 97,192
Weighted average units outstanding - basic	98,086,579	123,590,976	221,677,555
Dilutive effect of other Unit plans			234,558
Dilutive effect of settling Class C LP Units with Class B LP Units			100,717,472
Weighted average units outstanding - diluted			322,629,585

	For the nine months ended September 30, 2019		
	Units	Class B LP Units	Total
Net income attributable to Unitholders - basic	$ 101,613	$ 128,690	$ 230,303
Income effect of settling Class C LP Units with Class B LP Units			51,164
Net income attributable to Unitholders - diluted			$ 281,467
Weighted average units outstanding - basic	97,370,829	123,474,539	220,845,368
Dilutive effect of other Unit plans			228,972
Dilutive effect of settling Class C LP Units with Class B LP Units			100,717,472
Weighted average units outstanding - diluted			321,791,812

	For the three months ended September 30, 2018		
	Units	Class B LP Units	Total
Net income attributable to Unitholders - basic	$ 33,474	$ 45,673	$ 79,147
Income effect of settling Class C LP Units with Class B LP Units			17,054
Net income attributable to Unitholders - diluted			$ 96,201
Weighted average units outstanding - basic	90,807,233	123,847,692	214,654,925
Dilutive effect of other Unit plans			187,135
Dilutive effect of settling Class C LP Units with Class B LP Units			110,530,505
Weighted average units outstanding - diluted			325,372,565

	For the nine months ended September 30, 2018		
	Units	Class B LP Units	Total
Net income attributable to Unitholders - basic	$ 95,950	$ 130,455	$ 226,405
Income effect of settling Class C LP Units with Class B LP Units			51,164
Net income attributable to Unitholders - diluted			$ 277,569
Weighted average units outstanding - basic	90,738,978	123,347,240	214,086,218
Dilutive effect of other Unit plans			178,187
Dilutive effect of settling Class C LP Units with Class B LP Units			110,530,505
Weighted average units outstanding - diluted			324,794,910

Distributions on Units and Class B LP Units

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

For the periods ended September 30,	**2019**	2018
	Distributions per unit	Distributions per unit
Units	**$ 0.568**	$ 0.546
Class B LP Unit	**$ 0.568**	$ 0.546

On September 13, 2019, CT REIT's Board declared a distribution of $0.0631 per Unit payable on October 15, 2019 to holders of Units and Class B LP Units of record as of September 30, 2019.

On October 15, 2019, CT REIT's Board declared a distribution of $0.0631 per Unit payable on November 15, 2019 to holders of Units and Class B LP Units of record as of October 31, 2019.

On November 4, 2019, CT REIT's Board reviewed the current rate of distribution of $0.757 per Unit per year and approved an increase in the annual rate of distribution to $0.787 per Unit per year, or $0.06562 per Unit monthly, commencing with the December 31, 2019 record date.

Details and descriptions of the Units, and Class B LP Units are available in Note 9 of CT REIT's 2018 audited annual consolidated financial statements.

9. NON-CONTROLLING INTERESTS

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

	Proportion of ownership interests held by non-controlling interests		**Net income and comprehensive income allocated to non-controlling interests**			
	As at September 30, 2019	As at September 30, 2018	**For the three months ended September 30, 2019**	For the three months ended September 30, 2018	**For the nine months ended September 30, 2019**	For the nine months ended September 30, 2018
Name of Subsidiary						
CT REIT Limited Partnership	**54.38%**	57.75%	**$ 44,615**	$ 45,673	**$ 128,690**	$ 130,455

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. REVENUES 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 one to 20 years, with a weighted average remaining initial term of approximately 10 years. Annual base minimum rent for CTC leases have weighted average annual rent escalations of approximately 1.5% per year.

The components of property revenue are as follows:

	CTC	Other	**For the three months ended September 30, 2019**
Base minimum rent	**$ 83,123**	**$ 7,863**	**$ 90,986**
Straight-line rent	**3,407**	**199**	**3,606**
Subtotal base rent	**$ 86,530**	**$ 8,062**	**$ 94,592**
Property operating expense recoveries	**19,610**	**3,358**	**22,968**
Capital expenditure and interest recovery charge	**2,361**	**34**	**2,395**
Other revenues	**1**	**1,807**	**1,808**
Property revenue	**$ 108,502**	**$ 13,261**	**$ 121,763**

	CTC	Other	**For the nine months ended September 30, 2019**
Base minimum rent	**$ 246,898**	**$ 23,900**	**$ 270,798**
Straight-line rent	**10,255**	**390**	**10,645**
Subtotal base rent	**$ 257,153**	**$ 24,290**	**$ 281,443**
Property operating expense recoveries	**63,168**	**11,922**	**75,090**
Capital expenditure and interest recovery charge	**6,747**	**98**	**6,845**
Other revenues	**5**	**1,938**	**1,943**
Property revenue	**$ 327,073**	**$ 38,248**	**$ 365,321**

	CTC	Other	For the three months ended September 30, 2018
Base minimum rent	$ 79,309	$ 7,426	$ 86,735
Straight-line rent	4,532	139	4,671
Subtotal base rent	$ 83,841	$ 7,565	$ 91,406
Property operating expense recoveries	20,772	3,620	24,392
Capital expenditure and interest recovery charge	1,765	24	1,789
Other revenues	2	73	75
Property revenue	$ 106,380	$ 11,282	$ 117,662

	CTC	Other	For the nine months ended September 30, 2018
Base minimum rent	$ 236,413	$ 22,493	$ 258,906
Straight-line rent	13,893	(24)	13,869
Subtotal base rent	$ 250,306	$ 22,469	$ 272,775
Property operating expense recoveries	63,661	11,316	74,977
Capital expenditure and interest recovery charge	5,105	68	5,173
Other revenues	5	231	236
Property revenue	$ 319,077	$ 34,084	$ 353,161

(b) Property expense

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

	Three months ended		Nine months ended	
For the periods ended September 30,	**2019**	2018	**2019**	2018
Property taxes	**$ 20,601**	$ 21,158	**$ 66,168**	$ 65,625
Recoverable operating costs	**2,858**	2,895	**10,101**	9,683
Property management [1]	**759**	1,128	**3,056**	3,486
Ground rent [2]	**—**	1,012	**—**	3,038
Property expense	**$ 24,218**	$ 26,193	**$ 79,325**	$ 81,832

[1] Includes $316 (Q3 2018 - $488) and $1,447 (YTD 2018 - $1,587), for the three and nine months ended September 30, 2019 respectively, with CTC. See Note 16.

[2] See Note 2(d).

11. GENERAL AND ADMINISTRATIVE EXPENSE

General and administrative expense is comprised of the following:

	Three months ended		Nine months ended	
For the periods ended September 30,	**2019**	2018	**2019**	2018
Personnel expense [1]	**$ 1,679**	$ 1,369	**$ 5,429**	$ 4,056
Services Agreement with CTC [2]	**649**	908	**1,957**	2,452
Public entity and other [1]	**679**	503	**3,454**	2,228
	$ 3,007	$ 2,780	**$ 10,840**	$ 8,736
Less: allocated to property operating costs	**(120)**	—	**(202)**	—
General and administrative expense	**$ 2,887**	$ 2,780	**$ 10,638**	$ 8,736

[1] Includes unit-based awards including (gain) loss adjustments as a result of the change in the fair market value of the Units of $263 (Q3 2018 - $(49)) and $1,370 (YTD 2018 - $(571)) for the three and nine months ended September 30, 2019.

[2] See Note 16.

12. NET INTEREST AND OTHER FINANCING CHARGES

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

	Three months ended		Nine months ended	
For the periods ended September 30,	**2019**	2018	**2019**	2018
Interest on Class C LP Units [1]	**$ 17,054**	$ 17,054	**$ 51,164**	$ 51,164
Interest and financing costs - debentures	**8,938**	9,042	**26,833**	26,186
Interest and financing costs - Bank Credit Facility	**531**	414	**1,188**	1,190
Interest on mortgages payable	**437**	385	**1,323**	1,124
Interest on lease liabilities [2]	**834**	—	**2,466**	—
Interest costs - Bridge Facility [1]	**—**	—	**—**	351
	$ 27,794	$ 26,895	**$ 82,974**	$ 80,015
Less: capitalized interest	**(280)**	(533)	**(1,082)**	(1,602)
Interest and other financing charges less capitalized interest	**$ 27,514**	$ 26,362	**$ 81,892**	$ 78,413
Less: interest income	**(50)**	(37)	**(172)**	(119)
Net interest and other financing charges	**$ 27,464**	$ 26,325	**$ 81,720**	$ 78,294

[1] *Paid or payable to CTC.*

[2] *See Note 2(d).*

13. CHANGES IN WORKING CAPITAL AND OTHER

Changes in working capital are comprised of the following:

	Three months ended		Nine months ended	
For the periods ended September 30,	**2019**	2018	**2019**	2018
Changes in working capital and other				
Tenant and other receivables	**3,302**	$ 5,543	**(2,348)**	$ (128)
Other assets	**7,408**	(1,623)	**(14,495)**	(15,198)
Other liabilities	**295**	(3,927)	**23,956**	14,604
Other	**(3,856)**	(1,047)	**(3,591)**	(481)
Changes in working capital and other	**7,149**	$ (1,054)	**3,522**	$ (1,203)

14. SEGMENTED INFORMATION

CT REIT has one segment for financial reporting purposes which comprises the ownership and operation of primarily retail investment properties located across 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 September 30, 2019, CT REIT had obligations of $155,531 (December 31, 2018 – $129,163) in future payments for the completion of developments. Included in the commitments is $142,109 due to CTC.

Also in Q3 2019, CT REIT and one of its co-owners of the Canada Square property in Toronto, Ontario property committed to increase their ownership interest in the property to 50% from 33% each.

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 among the Partnership and CTC entered into on October 23, 2013 ("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 Services Agreement is automatically renewable for one year terms, unless otherwise terminated in accordance with its terms. The Services Agreement was automatically renewed for 2019 and CTC will continue to provide such Services on a cost recovery basis.

Property Management Agreement

Under the property management Agreement, among the Partnership and CTC entities entered into on October 23, 2013 ("Property Management Agreement"), CTC provides the REIT with certain customary property management services (the “Property Management Services”). CTC provides these Property Management Services to the REIT on a cost recovery basis pursuant to which the REIT reimburses CTC for all costs and expenses incurred by CTC in connection with providing the Property Management Services, plus applicable taxes. The Property Management Agreement is automatically renewable for one year terms, unless otherwise terminated in accordance with its terms. The Property Management Agreement was automatically renewed for 2019 and CTC will continue to provide such Property Management Services on a cost recovery basis.

(b) Transactions and balances with related parties

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

		Three months ended		Nine months ended	
For the periods ended September 30,	Note	**2019**	2018	**2019**	2018
Rental revenue	10	**$ 108,502**	$ 106,380	**$ 327,073**	$ 319,077
Property Management and Services Agreement expense		**$ 965**	$ 1,396	**$ 3,404**	$ 4,039
Distributions on Units		**$ 7,763**	$ 10,868	**$ 24,619**	$ 32,604
Distributions on Class B LP Units [1]		**$ 23,396**	$ 22,595	**$ 70,128**	$ 67,403
Interest expense on Class C LP Units	12	**$ 17,054**	$ 17,054	**$ 51,164**	$ 51,164
Interest expense on the Bridge Facility	12	**$ —**	$ —	**$ —**	$ 351

[1] 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	**September 30, 2019**	December 31, 2018
Tenant and other receivables	**$ (2,527)**	$ (849)
Class C LP Units	**1,451,550**	1,451,550
Amounts payable on Class C LP Units	**50,795**	67,712
Loans receivable in respect of payments on Class C LP Units	**(45,110)**	(62,027)
Other liabilities	**20,975**	9,474
Distributions payable on Units and Class B LP Units [1]	**23,877**	28,634
Loans receivable in respect of distributions on Class B LP Units	**(13,933)**	(18,038)
Net balance due to CTC	**$ 1,485,627**	$ 1,476,456

[1] 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 September 30, 2019, is $1,618,839, $1,107,166 and $48,399 respectively. The fair value measurement of the Class C LP Units and mortgages payable is based on Level 2 inputs. The significant inputs used to determine the fair value of the Class C LP Units and mortgages payable are interest rates, term to maturity, and credit spreads. The debentures are actively traded on the secondary market and the fair value is determined using Level 1 inputs. There have been no transfers during the period between levels.

Financial assets consist of cash and cash equivalents, tenant and other receivables and deposits which are classified 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 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 (collectively, the Trust Indenture), pursuant to which the debentures were issued, and the Bank Credit Facility.

As at September 30, 2019, 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. SUBSEQUENT EVENT

On October 16, 2019, CT REIT completed a sale-leaseback transaction to acquire a national portfolio consisting of 11 Bank of Montreal retail bank branches.

CORPORATE 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.