CT REAL ESTATE INVESTMENT TRUST
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2018

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 year ended December 31, 2018 (also referred to as "2018") and should be read in conjunction with the REIT's audited consolidated financial statements ("consolidated financial statements") and accompanying notes for 2018 which have been prepared in accordance with International Financial Reporting Standards ("IFRS"). In addition, the following MD&A should be read in conjunction with CT REIT's forward-looking information found in section 13.0 of this MD&A. Information about CT REIT, including the Annual Information Form ("AIF") 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 or CT REIT's website at www.ctreit.com.

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

Financial data included in this MD&A includes material information as of February 11, 2019. Disclosure contained in this document is current to that date, unless otherwise noted.

1.4 Quarterly and Annual Comparisons in this MD&A

Unless otherwise indicated, all comparisons of results for Q4 2018 (three months ended December 31, 2018) are against results for Q4 2017 (three months ended December 31, 2017) and comparisons of results for the year ended 2018 are against results for the year ended 2017.

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 for issuance this MD&A on February 11, 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 76.2% effective interest in CT REIT as of December 31, 2018, consisting of 44,519,508 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 10.7 years;
2. CT REIT has contractual arrangements with CTC whereby CT REIT has a right of first offer[2] ("ROFO") on all CTC properties which meet the REIT's investment criteria and preferential rights, subject to certain exceptions, to participate in the development of, and to acquire, certain new retail properties; and
3. CT REIT will continue to seek to use its relationship with CTC to obtain insights into potential real estate acquisitions and development opportunities in markets across Canada.

[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)	Year Ended		
For the periods ended December 31,	**2018**	2017	2016
Property revenue	**$ 472,483**	$ 443,303	$ 407,165
Income before interest and other financing charges, taxes and fair value adjustments [1]	**$ 351,876**	$ 334,193	$ 300,275
Net operating income [1]	**$ 345,505**	$ 322,253	$ 287,089
Net income	**$ 300,906**	$ 317,277	$ 259,079
Net income per unit (basic) [2]	**$ 1.401**	$ 1.501	$ 1.293
Net income per unit (diluted) [4]	**$ 1.098**	$ 1.232	$ 1.079
Funds from operations [1]	**$ 246,032**	$ 237,617	$ 214,877
FFO per unit (diluted, non-GAAP) [1,2,3]	**$ 1.144**	$ 1.124	$ 1.071
Adjusted funds from operations [1]	**$ 205,173**	$ 194,371	$ 172,794
AFFO per unit (diluted, non-GAAP) [1,2,3]	**$ 0.954**	$ 0.919	$ 0.862
Distributions per unit - paid [2]	**$ 0.728**	$ 0.700	$ 0.680
AFFO payout ratio [1]	**76%**	76%	79%
Excess of AFFO [1] over distributions:			
Cash retained from operations before distribution reinvestment [6]	**$ 48,845**	$ 46,795	$ 37,449
Per unit (diluted, non-GAAP) [2,3,6]	**$ 0.227**	$ 0.221	$ 0.187
Cash generated from operating activities	**$ 331,722**	$ 317,154	$ 275,584
Adjusted cashflow from operations [1]	**$ 206,056**	$ 195,723	$ 176,355
Weighted average number of units outstanding [2]			
Basic	**214,805,646**	211,310,245	200,439,916
Diluted [4]	**336,142,459**	313,338,770	307,219,806
Diluted (non-GAAP) [1,3]	**215,040,074**	211,456,486	200,558,552
Period-end units outstanding [2]	**220,249,239**	213,738,161	206,846,799
Total assets	**$ 5,708,692**	$ 5,455,398	$ 5,014,601
Total indebtedness	**$ 2,573,489**	$ 2,544,972	$ 2,383,123
Book value per unit [2]	**$ 14.01**	$ 13.39	$ 12.52
Market price per Unit - Close (end of period)	**$ 11.53**	$ 14.50	$ 15.00
OTHER DATA			
Weighted average interest rate [7]	**4.08%**	4.08%	4.06%
Indebtedness ratio	**45.1%**	46.7%	47.5%
Interest coverage (times)	**3.36**	3.46	3.49
Weighted average term to debt maturity (in years) [7]	**9.0**	10.0	10.6
Gross leasable area (square feet) [5]	**26,537,359**	25,849,773	24,659,316
Occupancy rate [5,8]	**98.7%**	98.6%	99.7%

[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 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.

[4] 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.

[5] Refers to retail, mixed-use commercial and distribution centre properties and excludes Properties Under Development.

[6] Refer to section 7.0 for further information.

[7] Excludes the credit facilities.

[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 December 31, 2018, December 31, 2017 and December 31, 2016.

4.0 OVERVIEW OF THE PROPERTY PORTFOLIO

4.1 Property Profile

The property portfolio as at December 31, 2018 consists of 326 retail properties, four distribution centres ("DC"), one mixed-use commercial property and 11 Development Properties (collectively, the "Properties"). The Properties are located in each of the provinces and in two territories across Canada. The properties, DCs and mixed-use commercial property contain approximately 26.5 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 December 31, 2018, CTC represented 94.4% of total GLA (December 31, 2017 - 95.3%) and 92.7% of annualized base minimum rent (December 31, 2017 - 93.2%).

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

	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%**
Distribution centres	**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%**
Total	**26,537,359**	**26,201,993**	**98.7%**

[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 December 31, 2018.

	As at December 31, 2017		
(in square feet)	GLA	Occupied GLA	Occupancy rate [2]
Property Type			
Canadian Tire stores	20,016,117	20,016,117	100%
Distribution centres	3,914,871	3,682,834	94.1%
Mixed-use property	281,280	274,921	97.7%
Third party tenants	1,189,102	1,074,854	90.4%
Other CTC Banners [1]	448,403	448,403	100%
Total	25,849,773	25,497,129	98.6%

[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, 2017.

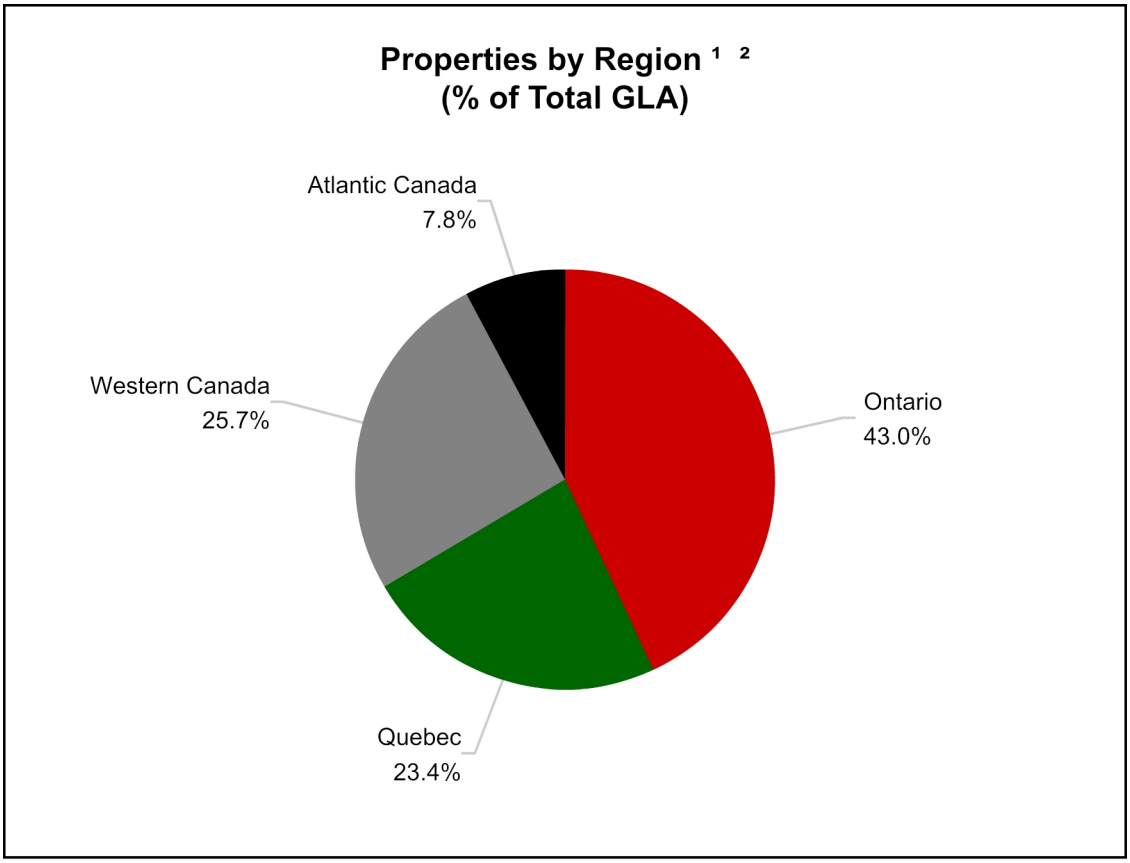
The REIT's property portfolio consists of:

As at	**December 31, 2018**	December 31, 2017 [1]
Canadian Tire single tenant properties	**255**	254
Other single tenant properties	**13**	12
Multi-tenant properties anchored by Canadian Tire store	**52**	49
Multi-tenant properties not anchored by Canadian Tire store	**6**	4
Distribution centres	**4**	4
Mixed-use property	**1**	1
Total operating properties	**331**	324
Development Properties	**11**	7
Total properties	**342**	331

[1]Included in the Canadian Tire single tenant properties is one income-producing property subject to a ground lease.

As at	**December 31, 2018**	December 31, 2017
Gas bars at retail properties	**106**	99

CT REIT's Properties by region, as a percentage of total GLA as at December 31, 2018 are as follows:

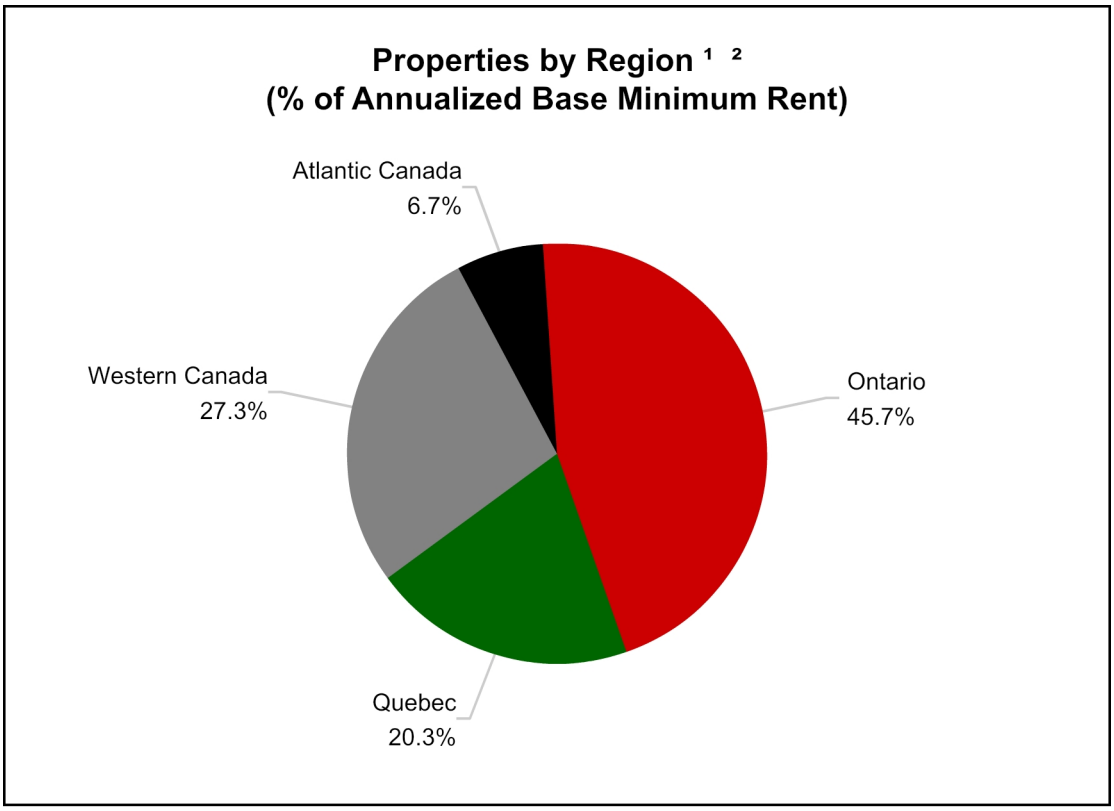


[1] Excluding Properties Under Development.

[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 December 31, 2018.

4.2 Revenue by Region

CT REIT's properties are located across Canada with approximately 66% of annualized base minimum rent in respect of properties in Ontario and Quebec.



[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 December 31, 2018.*

4.3 Six Largest Urban Markets

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

As at	**December 31, 2018**	December 31, 2017
Vancouver	**3.3%**	3.3%
Edmonton	**4.0%**	4.1%
Calgary	**2.4%**	2.4%
Toronto	**21.7%**	22.5%
Ottawa	**4.2%**	4.3%
Montreal	**11.6%**	11.9%
Percentage of Annualized Base Minimum Rent [1]	**47.2%**	48.5%

[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 December 31, 2018 and December 31, 2017.*

4.4 Fair Value of Property Portfolio

The fair value of the Properties represents 99.8% of the total assets of CT REIT as at December 31, 2018.

	December 31, 2018			December 31, 2017		
(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	**$ 5,337,515**	**$ 99,082**	**$ 5,436,597**	$ 4,979,231	$ 21,124	$ 5,000,355
Property acquisitions (including transaction costs)	**89,429**	**—**	**89,429**	209,677	—	209,677
Intensifications	**—**	**18,625**	**18,625**	—	24,893	24,893
Developments	**—**	**47,079**	**47,079**	—	64,882	64,882
Development land	**—**	**12,642**	**12,642**	—	13,380	13,380
Capitalized interest and property taxes	**—**	**2,752**	**2,752**	—	1,957	1,957
Transfers	**52,947**	**(52,947)**	**—**	27,154	(27,154)	—
Fair value adjustment on investment properties	**53,628**	**—**	**53,628**	79,687	—	79,687
Straight-line rent	**18,404**	**—**	**18,404**	22,822	—	22,822
Recoverable capital expenditures	**17,699**	**—**	**17,699**	18,962	—	18,962
Dispositions	**(661)**	**—**	**(661)**	(18)	—	(18)
Balance, end of period [1]	**$ 5,568,961**	**$ 127,233**	**$ 5,696,194**	$ 5,337,515	$ 99,082	$ 5,436,597

[1] Includes purchased lands for $13,911 (December 31, 2017 - $9,209) held for development.

As at December 31, 2018, management's determination of fair value was updated for current market assumptions, informed by market capitalization rates provided by independent appraisal professionals.

CT REIT had obtained independent appraisals such that substantially all of its properties were externally appraised over a four-year period. CT REIT modified its use of independent appraisals in Q4 2018. The scope of properties subject to external appraisals over the four year cycle changed from 100% to approximately 80% of the portfolio's IFRS fair value by excluding any single tenant asset that has a fair value, in management's estimation, below a certain threshold.

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	62
Value at December 31, 2018	$ 4,149,740	$ 1,546,453
Discount rate	—%	6.95%
Terminal capitalization rate	—%	6.54%
Overall capitalization rate	6.17%	—%
Hold period (years)	—	10

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	$ 3,712,280	$ (437,460)	$ 1,398,562	$ (147,891)
+ 50 basis points	3,846,909	(302,831)	1,444,392	(102,061)
+ 25 basis points	3,992,329	(157,411)	1,493,710	(52,743)
December 31, 2018	$ 4,149,740	$ —	$ 1,546,453	$ —
- 25 basis points	4,320,812	171,072	1,604,561	58,107
- 50 basis points	4,507,235	357,495	1,667,187	120,734
- 75 basis points	$ 4,711,459	$ 561,719	$ 1,735,399	$ 188,946

Included in CT REIT's portfolio are 10 properties which are situated on ground leases with remaining initial terms of up to year to 37 years, and an average remaining initial term of 14 years. Assuming all extensions are exercised, the ground leases have remaining terms between up to and 72 years with an average remaining lease term of 37 years.

4.5 2018 Investment Activities

The following table presents income-producing properties acquired, intensified, developed, or redeveloped during the year ended December 31, 2018.

(in thousands of Canadian dollars, except for GLA amounts)	Transaction date	GLA	Total investment cost
Property Location			
St. Catharines, ON [1]	February 2018	144,268	
Collingwood, ON [1]	February 2018	207,033	
La Sarre, QC [2,4,5]	March 2018	—	
Amos, QC [3,6]	April 2018	48,572	
Listowel, ON [2]	May 2018	16,718	
Gananoque, ON [1,6]	July 2018	28,930	
Picton, ON [1,2]	July 2018	34,850	
Belleville, ON [1,6]	July 2018	86,756	
Saint-Hyacinthe, QC [1,4]	November 2018	—	
St. Thomas, ON [2]	December 2018	2,500	
Sudbury, ON [5]	December 2018	83,130	
Winkler, MB [2]	December 2018	23,533	
Miscellaneous free standing buildings	December 2018	5,150	
Total		**681,440**	**$ 142,376**

[1] Acquisition of income-producing property.

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

[3] Development property.

[4] Land lease.

[5] Redevelopment property.

[6] Property includes a Canadian Tire building lease and a Canadian Tire Gas+ gas bar on a land lease.

In Q4 2018, CT REIT completed the acquisition of a Canadian Tire Gas+ gas bar, subject to a ground lease with CTC, from a third party, in Saint-Hyacinthe, Quebec. The REIT also completed the intensification of existing Canadian Tire stores in St. Thomas, Ontario and Winkler, Manitoba, as well as the redevelopment of a redundant Canadian Tire store previously acquired in Sudbury, Ontario.

In Q3 2018, CT REIT completed the acquisition of two properties, from CTC, both leased for a Canadian Tire store and a Canadian Tire Gas+ gas bar, in Belleville and Gananoque, Ontario. The REIT also completed the acquisition, from CTC, of a redeveloped Canadian Tire store, located on a ground lease previously acquired by CT REIT, in Picton, Ontario.

In Q2 2018, CT REIT completed the intensification of an existing Canadian Tire store in Listowel, Ontario and the development of a Canadian Tire store and Canadian Tire Gas+ gas bar in Amos, Quebec.

In Q1 2018, CT REIT completed the acquisition, from a third party, of two multi-tenant properties anchored by existing Canadian Tire tenancies located in Collingwood and St. Catharines, Ontario and the redevelopment of an existing Canadian Tire Gas+ gas bar in La Sarre, Quebec.

In addition, during 2018, CT REIT completed the development of two free standing buildings comprised of 5,150 square feet of GLA and three land leases. The developments occurred at CT REIT's existing retail properties in Ancaster, Dunnville and Waterloo, Ontario and Swift Current, Saskatchewan. These new retail units are a mix of third party and Canadian Tire Corporation Gas+ gas bar/carwash tenancies.

Subsequent to December 31, 2018 CT REIT completed the acquisition of a single tenant property with a Canadian Tire store located in Canmore, Alberta from a third party, for $19,925 that has not been included in the table above.

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 December 31, 2018. 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.

		Building 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 [9]**	**Committed additional investment [9]**	**Total**
Toronto (Leslie Lakeshore), ON [2]	Q1 2019	20,000	—	20,000			
Calgary, AB [2]	Q1 2019	47,000	—	47,000			
Huntsville, ON [3]	Q2 2019	10,000	—	10,000			
Mt. Forest, ON [4]	Q2 2019	34,000	—	34,000			
Grand Falls-Windsor, NL [4]	Q2 2019	65,000	—	65,000			
Sherwood Park North, AB [4]	Q2 2019	120,000	—	120,000			
Grande Prairie, AB [4]	Q2 2019	149,000	—	149,000			
Antigonish, NS [6]	Q2 2019	165,000	14,000	179,000			
Altholville, NB [3]	Q4 2019	21,000	—	21,000			
Hamilton Rymal, ON [3,5]	Q4 2019	—	—	—			
Val-d'Or, QC [3,8]	Q4 2019	26,000	—	26,000			
Fort St. John, BC - Phase 1 [4]	Q4 2019	144,000	10,000	154,000			
Bradford, ON [3]	Q4 2019	20,000	—	20,000			
Kincardine, ON [3]	Q2 2020	29,000	—	29,000			
Midland, ON [3]	Q2 2020	31,000	—	31,000			
Rouyn-Noranda, QC [3]	Q2 2020	10,000	—	10,000			
Orillia, ON - Phase 1/Phase 2 [2]	Q2 2020/Q4 2022	250,000	71,000	321,000			
Niagara Falls, ON [2]	Q2 2020	213,000	11,000	224,000			
Yarmouth, NS [3,8]	Q2 2020	23,000	—	23,000			
Calgary, AB [7]	TBD	TBD	TBD	TBD			
Toronto (Canada Square), ON [6]	TBD	TBD	TBD	TBD			
TOTAL		**1,377,000**	**106,000**	**1,483,000**	**$ 127,233**	**$ 129,163**	**$ 256,396**

[1] Properties Under Development under 5,000 square feet are not included.

[2] Redevelopment property.

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

[4] Development property.

[5] Land lease.

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

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

[8] Acquired, or to be acquired development land for the intensification of an existing income-producing property.

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

As at December 31, 2018, CT REIT had committed lease agreements for 1,377,000 square feet, of which 95.3% has been leased to CTC. A total of $127,233 has been expended to date on the developments described above, and CT REIT anticipates investing an additional $129,163 to complete the committed developments. Included in the commitment is $123,057 due to CTC. These commitments exclude the development activities at the Toronto (Canada Square), Ontario and Calgary, Alberta properties.

In Q4 2018, CT REIT completed the acquisition of a multi-tenant redevelopment property from a third party in Niagara Falls, Ontario. The REIT expects to redevelop an existing vacancy into a 134,000 square foot Canadian Tire store by Q2 2020. The REIT also completed the acquisition of development lands adjoining an existing property in Yarmouth, Nova Scotia for the expansion of an existing Canadian Tire store which is expected to be completed by Q2 2020.

In Q3 2018, CT REIT completed the acquisition of a development property in Grande Prairie, Alberta, from CTC. The REIT expects to construct a 149,000 square foot Canadian Tire store by Q2 2019. CT REIT also completed the acquisition of development lands in Fort St. John, British Columbia, from CTC, for a multi-phased development project which includes the construction of a 126,000 square foot Canadian Tire store by Q2 2020 and the acquisition of development lands adjoining an existing property from a third party in Val-d'Or, Quebec, for the expansion of an existing Canadian Tire store which is expected to be completed by Q4 2019.

In Q2 2018, CT REIT completed the acquisition of development lands from CTC, in Mount Forest, Ontario. The REIT expects to construct a 34,000 square foot Canadian Tire store on the lands by Q2 2019.

In Q1 2018, CT REIT completed the acquisition of development lands from a third party, in Grand Falls-Windsor, Newfoundland. The REIT expects to construct a 65,000 square foot Canadian Tire store on the land by Q2 2019.

4.7 Investment and Development Funding

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

	Q4 2018 Investment and Development Activity				
(in thousands of Canadian dollars)	**Property investments**	**Development land**	**Developments**	**Intensifications**	**Total**
Funded with working capital to CTC	**$ —**	**$ —**	**$ 6,004**	**$ 4,706**	**$ 10,710**
Funded with working capital to third parties [1]	**1,640**	**48**	**12,836**	**2,695**	**17,219**
Capitalized interest and property taxes	**—**	**—**	**644**	**—**	**644**
Issuance of Class B LP Units to CTC	**—**	**—**	**—**	**—**	**—**
Total costs	**$ 1,640**	**$ 48**	**$ 19,484**	**$ 7,401**	**$ 28,573**

[1] *Includes $1,130 for the construction of Other CTC Banner stores.*

	YTD 2018 Investment and Development Activity				
(in thousands of Canadian dollars)	**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.

Funding of investment and development activities for the year ended December 31, 2017 was as follows:

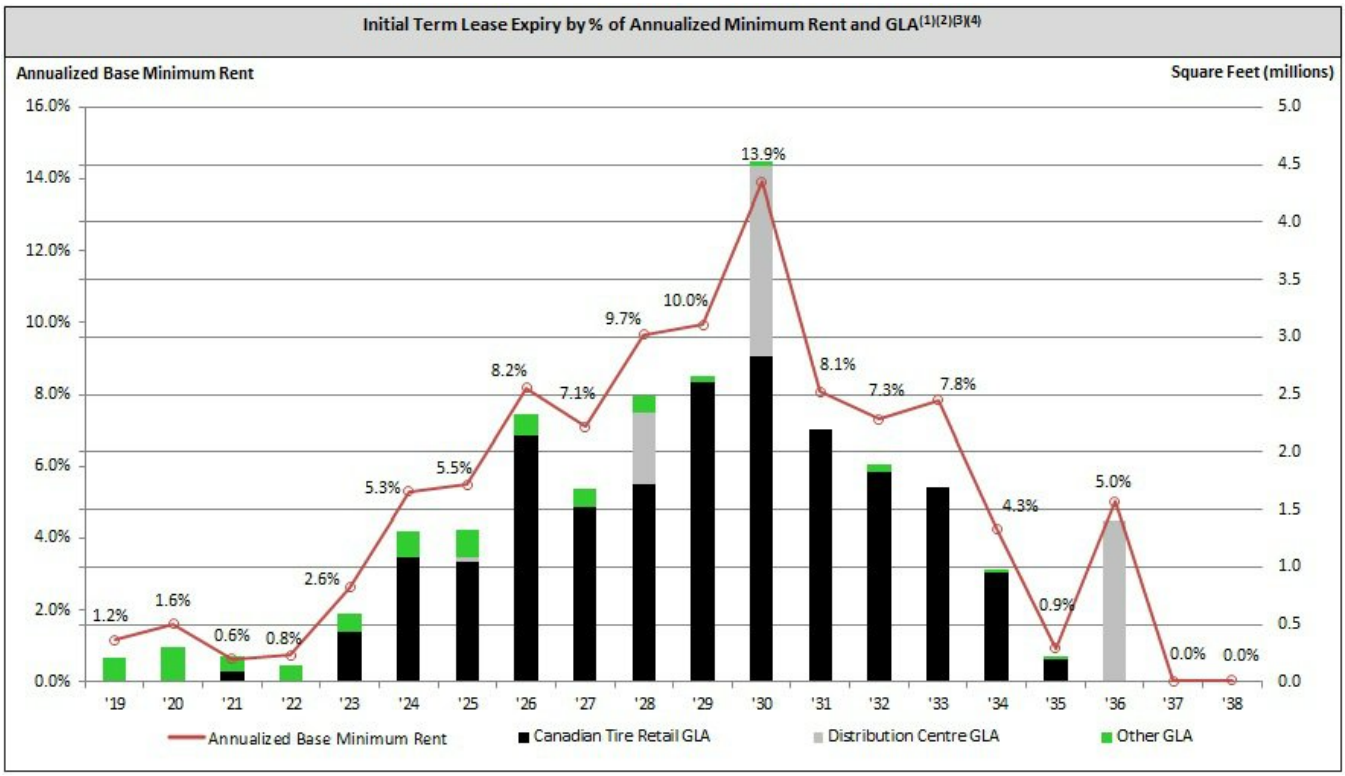
	2017 Investment and Development Activity				
	Property investments	Development land	Developments	Intensifications	Total
Funded with working capital to CTC	$ 28,800	$ 6,640	$ 14,623	$ 16,453	$ 66,516
Funded with working capital to third parties [1]	40,907	4,980	7,566	8,253	61,706
Funded with Bridge Facility	102,382	—	23,618	—	126,000
Capitalized interest and property taxes	—	—	1,957	—	1,957
Issuance of Class B LP Units to CTC	37,588	1,760	13,075	187	52,610
Mortgages payable	—	—	6,000	—	6,000
Total costs	$ 209,677	$ 13,380	$ 66,839	$ 24,893	$ 314,789

[1]Includes $1,839 for the construction of Other CTC Banner stores.

4.8 Lease Maturities

CTC is CT REIT's most significant tenant. As at December 31, 2018, CTC, including Canadian Tire stores and Other CTC Banners, has leased 24.7 million square feet of GLA, with approximately 85.1% and 14.9% of the GLA attributable to retail and office, and DC properties, respectively. The weighted average term of the retail leases with CTC, including Canadian Tire stores and Other CTC Banners, was 10.6 years, excluding the exercise of any renewal options. The weighted average term of the Canadian Tire store leases was 10.7 years, with a weighted average rental rate of $13.62 per square foot. The weighted average lease term for CTC DCs was 14.9 years. The weighted average lease term of all leases in the REIT's portfolio, excluding Properties Under Development, was 10.5 years.

The following graph presents the lease maturity profile from 2019 to 2038 (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 share of 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 December 31, 2018.*

4.9 Top 10 Tenants Excluding CTC Banners

CT REIT's 10 largest tenants, excluding all Canadian Tire stores and Other CTC Banners, as represented by the percentage of total annualized base rental revenue, are:

Rank	Tenant Name	Percentage of total annualized base minimum rent [1]
1	Loblaws/Shoppers Drug Mart/No Frills	0.55%
2	Save-On-Foods/Buy-Low Foods	0.52%
3	Canadian Imperial Bank of Commerce	0.49%
4	Winners/Marshalls	0.44%
5	Metro	0.32%
6	Sobeys/FreshCo/Farm Boy	0.29%
7	Dollarama	0.26%
8	Best Buy	0.24%
9	GoodLife Fitness	0.21%
10	Royal Bank of Canada	0.18%
		3.5%

[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 December 31, 2018.

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 December 31, 2018, the REIT's occupancy rate was 98.7% (Q4 2017 - 98.6%), excluding Properties Under Development, refer to section 4.1 for further details. The REIT continues to actively pursue tenants for occupancy of income-producing and Properties Under Development.

4.11 Recoverable Capital Costs

Many of the capital costs that will be incurred by CT REIT are recoverable from tenants pursuant to the terms of their leases. The recoveries will occur either in the year in which such expenditures are incurred or, in the case of a major item of 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 $5,778 (Q4 2017 - $4,862) and $17,699 (YTD 2017 - $18,962) were incurred during the three months and year ended December 31, 2018. Most of the REIT's recoverable capital expenditures relate to parking lots, roofs and heating, ventilation and air conditioning.

5.0 RESULTS OF OPERATIONS

5.1 Financial Results for the Three Months and Year Ended December 31, 2018

CT REIT's financial results for the three months and year ended December 31, 2018 and December 31, 2017 are summarized below:

(in thousands of Canadian dollars, except per unit amounts)	Three Months Ended			Year Ended		
For the periods ended December 31,	**2018**	2017	Change	**2018**	2017	Change
Property revenue	**$ 119,322**	$ 111,264	7.2 %	**$ 472,483**	$ 443,303	6.6 %
Property expense	**(26,804)**	(23,724)	13.0 %	**(108,636)**	(98,290)	10.5 %
General and administrative expense	**(3,453)**	(2,722)	26.9 %	**(12,189)**	(11,045)	10.4 %
Net interest and other financing charges	**(26,086)**	(24,425)	6.8 %	**(104,380)**	(96,378)	8.3 %
Fair value adjustment on investment properties	**11,522**	36,701	(68.6)%	**53,628**	79,687	(32.7)%
Net income and comprehensive income	**$ 74,501**	$ 97,094	(23.3)%	**$ 300,906**	$ 317,277	(5.2)%
Net income per unit - basic	**$ 0.343**	$ 0.454	(24.4)%	**$ 1.401**	$ 1.501	6.7 %
Net income per unit - diluted	**$ 0.271**	$ 0.364	(25.5)%	**$ 1.098**	$ 1.232	10.9 %

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 December 31, 2018 was $119,322 which was $8,058 (7.2%) higher compared to the same period in the prior year primarily due to base rent related to properties acquired and intensifications completed during 2018 and 2017. Total revenue included expense recoveries in the amount of $24,923 (Q4 2017 - $21,769).

Total revenue for the year ended December 31, 2018 was $472,483 which was $29,180 (6.6%) higher compared to the same period in the prior year primarily due to base rent related to properties acquired and intensifications completed during 2018 and 2017. Total revenue included expense recoveries in the amount of $99,900 (2017 - $90,376).

The total amount of base rent received from operating leases is recognized on a straight-line basis over the term of the lease. For the three months ended December 31, 2018, straight-line rent of $4,535 (Q4 2017 - $5,648) was included in total property revenue. For the year ended December 31, 2018, straight-line rent of $18,404 (2017 - $22,822) was included in total property revenue.

Property Expense

The components of property expense consist primarily of property taxes, other recoverable operating expenses, property management (including the outsourcing of property management services) and ground rent. 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 December 31, 2018 increased $3,080 (13.0%) compared to the same period in the prior year primarily due to property acquisitions completed during 2018 and 2017.

Property expenses for the year ended December 31, 2018 increased $10,346 (10.5%) compared to the same period in the prior year primarily due to property acquisitions completed during 2018 and 2017.

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 land transfer tax; 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			Year Ended		
For the periods ended December 31,	**2018**	2017	Change	**2018**	2017	Change
Personnel expense	**$ 2,177**	$ 1,435	51.7 %	**$ 6,233**	$ 5,291	17.8 %
Services Agreement with CTC	**893**	763	17.0 %	**3,345**	3,014	11.0 %
Public entity and other	**383**	524	(26.9)%	**2,611**	2,740	(4.7)%
General and administrative expense	**$ 3,453**	$ 2,722	26.9 %	**$ 12,189**	$ 11,045	10.4 %
As a percent of property revenue	**2.9%**	2.4%		**2.6%**	2.5%	

The REIT has historically outsourced a number of its functions with respect to property management and support services. Management has commenced the process to insource certain of these functions while maintaining other outsourced relationships. The REIT has contracted to install an information system (“ERP”) by mid-2019. This will change the REIT’s financial reporting system and certain operating systems making it less reliant on CTC's systems. In addition, the scope of services provided by CTC under the Services Agreement may be impacted. It is expected that the REIT will end its relationship with one of its external property management services providers by mid-2019.

The scope of the services under the Property Management Agreement and the Services Agreement with CTC will change once the changes are fully implemented.

The REIT expects that there will be a net positive change related to general and administrative expenses and property operating expenses once the transition is completed.

General and administrative expenses amounted to $3,453 or 2.9% of property revenue for the three months ended December 31, 2018 which is $731 (26.9%) higher compared to the same period in the prior year primarily due to:

- increased personnel expenses due to CFO transition costs and various components of unit based awards; and
- increased consulting and Services Agreement costs related to the new ERP CT REIT expects to implement in 2019; partially offset by
- decreased compensation costs and trustee fees due to the fair value adjustment on unit based awards.

General and administrative expenses amounted to $12,189 or 2.6% of property revenue for the year ended December 31, 2018 which is $1,144 (10.4%) higher compared to the same period in the prior year primarily due to:

- increased personnel expenses due to CFO transition costs, various components of unit based awards and increased headcount; and
- increased consulting and Services Agreement costs related to the new ERP CT REIT expects to implement in 2019; partially offset by
- decreased compensation costs and trustee fees due to the fair value adjustment on unit based awards.

Net Interest and Other Financing Charges

As at December 31, 2018 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 consolidated 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			Year Ended		
For the periods ended December 31,	**2018**	2017	Change	**2018**	2017	Change
Interest on Class C LP Units [1]	**$ 17,055**	$ 17,055	— %	**$ 68,219**	$ 68,826	(0.9)%
Interest and financing costs - debentures	**9,001**	7,010	28.4 %	**35,187**	25,207	39.6 %
Interest and financing costs - Bank Credit Facility	**371**	317	17.0 %	**1,561**	1,972	(20.8)%
Interest on mortgages payable	**408**	511	(20.2)%	**1,532**	1,777	(13.8)%
Interest costs - Bridge Facility [2]	**—**	126	(100.0)%	**351**	126	NM
	$ 26,835	$ 25,019	7.3 %	**$ 106,850**	$ 97,908	9.1 %
Less: capitalized interest	**(643)**	(562)	14.4 %	**(2,245)**	(1,365)	64.5 %
Interest and other financing charges less capitalized interest	**$ 26,192**	$ 24,457	7.1 %	**$ 104,605**	$ 96,543	8.4 %
Less: interest income	**(106)**	(32)	NM	**(225)**	(165)	36.4 %
Net interest and other financing charges	**$ 26,086**	$ 24,425	6.8 %	**$ 104,380**	$ 96,378	8.3 %

[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 months and year ended December 31, 2018 in the amount of $16,916 (Q4 2017 -$16,917) and $62,027 (YTD 2017 - $62,380), respectively, until the first business day following the end of the fiscal year and receive a loan in lieu thereof. The deferred distributions have been netted against interest payable on Class C LP Units and are included under the heading "other liabilities" on the consolidated balance sheets.

[2] Paid to CTC.

Net interest and other financing charges for the three months and year ended December 31, 2018 was $1,661 (6.8%) and $8,002 (8.3%) higher, respectively, compared to the same period in the prior year primarily due to increased interest on the debentures issued in June 2017 and February 2018, partially offset by savings resulting from the redemption of Series 10-15 Class C LP Units in May 2017, changes in the utilization of the Bank Credit Facility and increased interest capitalization on development projects in

2018. The net effect is that the REIT has replaced short term inexpensive variable rate debt with longer term higher fixed rate debt, which has resulted in a reduction in CT REIT's interest rate and refinancing risks.

Fair Value Adjustment on Investment Properties

The fair value gain on investment properties for the three months ended December 31, 2018 decreased by $25,179 compared to the same period in the prior year. The decrease in the fair value adjustment on investment properties is primarily due to net higher gains in the prior year on the distribution centre in Bolton, Ontario.

The fair value gain on investment properties for the year ended December 31, 2018 decreased by $26,059 compared to the prior year. The decrease is primarily due to the net higher gains recorded for the distribution centre in Bolton, Ontario discussed above.

Income Tax Expense

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

If CT REIT fails to distribute the required amount of taxable income to Unitholders, or if CT REIT fails to qualify as a REIT under the ITA, substantial adverse tax consequences may occur. Refer to section 11.0 for further information.

Net Income

(in thousands of Canadian dollars, except per unit amounts)	Three Months Ended			Year Ended		
For the periods ended December 31,	**2018**	2017	Change	**2018**	2017	Change
Net income and comprehensive income	**$ 74,501**	$ 97,094	(23.3)%	**$ 300,906**	$ 317,277	(5.2)%
Net income per unit - basic	**$ 0.343**	$ 0.454	(24.4)%	**$ 1.401**	$ 1.501	(6.7)%
Net income per unit - diluted	**$ 0.271**	$ 0.364	(25.5)%	**$ 1.098**	$ 1.232	(10.9)%

Net income decreased by $22,593 (23.3%) and $16,371 (5.2%), respectively, for the three months and year ended December 31, 2018 compared to the same periods in the prior year for the reasons discussed previously.

Net income per unit - basic decreased by $0.111 (24.4%) and $0.100 (6.7%) for the three months and year ended December 31, 2018 compared to the same periods in the prior year primarily due to an increase in the weighted average number of units outstanding - basic, partially offset by decreased net income, as discussed previously.

Net income per unit - diluted decreased by $0.093 (25.5%) and $0.134 (10.9%) for the three months and year ended December 31, 2018 compared to the same period in the prior year primarily due to a decrease in net income, as discussed previously, in addition to an increase in the dilutive effect of settling Class C LP Units with Class B LP Units and an increase in the weighted average number of units outstanding - basic.

5.2 Non-GAAP Measures

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

(in thousands of Canadian dollars, except per unit amounts)	Three Months Ended			Year Ended		
For the periods ended December 31,	**2018**	2017	Change	**2018**	2017	Change
Net operating income	**$ 87,998**	$ 81,908	7.4 %	**$ 345,505**	$ 322,253	7.2%
Same store NOI	**$ 83,064**	$ 81,009	2.5 %	**$ 321,926**	$ 316,068	1.9%
Same property NOI	**$ 83,319**	$ 81,009	2.9 %	**$ 323,113**	$ 316,329	2.1%
Funds from operations	**$ 62,037**	$ 60,441	2.6 %	**$ 246,032**	$ 237,617	3.5%
FFO per unit - basic	**$ 0.286**	$ 0.283	1.1 %	**$ 1.145**	$ 1.124	1.9%
FFO per unit - diluted (non-GAAP)	**$ 0.286**	$ 0.283	1.1 %	**$ 1.144**	$ 1.124	1.8%
Adjusted funds from operations	**$ 51,848**	$ 49,636	4.5 %	**$ 205,173**	$ 194,371	5.6%
AFFO per unit - basic	**$ 0.239**	$ 0.232	3.0 %	**$ 0.955**	$ 0.920	3.8%
AFFO per unit - diluted (non-GAAP)	**$ 0.239**	$ 0.232	3.0 %	**$ 0.954**	$ 0.919	3.8%
AFFO payout ratio	**76%**	75%	1.3 %	**76%**	76%	—%
ACFO	**$ 52,975**	$ 53,119	(0.3)%	**$ 206,056**	$ 195,723	5.3%
EBITFV	**$ 88,897**	$ 84,674	5.0 %	**$ 351,876**	$ 334,193	5.3%

Net Operating Income

NOI for the three months ended December 31, 2018 increased $6,090 (7.4%) compared to the same period in the prior year primarily due to the acquisition of income-producing properties and Properties Under Development completed in 2018 and 2017, which contributed $3,780 to NOI growth. NOI for Properties Under Development for the three months ended December 31, 2018 was $968.

Same store NOI and same property NOI for the three months ended December 31, 2018 increased $2,055 (2.5%) and $2,310 (2.9%), respectively, when compared to the prior year primarily for the following reasons:

- contractual rent escalations of 1.5% per year, on average, contained within the Canadian Tire store and CTC's DC leases, which are generally effective January 1st, contributed $1,510 to NOI growth;
- recovery of capital expenditures and interest earned on the unrecovered balance contributed $471 to NOI growth; and
- intensifications completed in 2018 and 2017 contributed to $255 to NOI growth; partially offset by
- the impact of tenancies at 11 Dufferin Place SE and 25 Dufferin Place SE Calgary, Alberta, which decreased NOI by $372.

NOI for the year ended December 31, 2018 increased $23,252 (7.2%) compared to the same period in the prior year primarily due to the acquisition of income-producing properties and Properties Under Development completed in 2018 and 2017, which contributed $16,468 to NOI growth. NOI for Properties Under Development during the year ended December 31, 2018 was $3,572. Same store NOI and same property NOI for the year ended December 31, 2018 increased $5,858 (1.9%) and $6,784 (2.1%), respectively, when compared to the prior year primarily due to the following:

- contractual rent escalations of approximately 1.5% per year, on average, pursuant to the Canadian Tire store and CTC's DC leases, which are generally effective January 1st, contributed $4,721 to NOI growth;

- recovery of capital expenditures and interest earned on the unrecovered balance which contributed $1,627 to NOI growth;
- the adjustment of certain prior period rent charges contributed $690 to NOI growth;
- intensifications completed in 2018 and 2017 contributed $926 to NOI growth; partially offset by
- the impact of tenancies at 11 Dufferin Place SE and 25 Dufferin Place SE Calgary, Alberta, which decreased NOI by $2,500.

Funds From Operations

FFO for the three months ended December 31, 2018 amounted to $62,037 or $0.286 per unit (diluted non-GAAP) which was $1,596 (2.6%) or $0.003 (1.1%) per unit (diluted non-GAAP) higher than the same period in 2017 primarily due to the impact of NOI variances, discussed earlier, partially offset by higher interest expense.

FFO for the year ended December 31, 2018 amounted to $246,032 or $1.144 per unit (diluted non-GAAP) which was $8,415 (3.5%) or $0.020 (1.8%) per unit (diluted non-GAAP) higher than the same period in 2017 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 December 31, 2018 amounted to $51,848 or $0.239 per unit (diluted non-GAAP) which was $2,212 (4.5%) or $0.007 (3.0%) per unit (diluted non-GAAP) higher than the same period in 2017 primarily due to the impact of NOI variances, discussed earlier, partially offset by higher interest expense.

AFFO for the year ended December 31, 2018 amounted to $205,173 or $0.954 per unit (diluted non-GAAP) which was $10,802 (5.6%) or $0.035 (3.8%) per unit (diluted non-GAAP) higher than the same period in 2017 primarily due to the impact of NOI variances, as discussed earlier, partially offset by higher interest expense.

Adjusted Funds From Operations Payout Ratio

The AFFO payout ratio for the three months ended and year ended December 31, 2018 was 76%, which is consistent with the same periods in 2017.

Adjusted Cashflow From Operations

ACFO for the three months ended December 31, 2018 decreased by $144 or 0.3% over the same period in 2017 primarily due to higher interest expense.

ACFO for the year ended December 31, 2018 increased by $10,333 (5.3%) over the same period in 2017 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 months and year ended December 31, 2018 increased by $4,223 (5.0%) and $17,683 (5.3%), respectively, over the same periods in 2017, 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		**December 31, 2018**		December 31, 2017
Cash and cash equivalents	**$**	**4,991**	$	10,902
Unused portion of available credit facilities [1, 2]		**282,633**		267,994
Liquidity	**$**	**287,624**	$	278,896

[1] *See section 6.10 for details on credit facilities.*

[2] *The Bridge Facility was not available to CT REIT at December 31, 2018, see section 6.10.*

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)			**Year Ended**		
For the periods ended December 31,		**2018**		2017	Change [1]
Cash generated from operating activities	**$**	**331,722**	$	317,154	4.6 %
Cash used for investing activities		**(169,154)**		(279,163)	(39.4)%
Cash used for financing activities		**(168,479)**		(33,458)	NM
Cash (used for)/generated from the period	**$**	**(5,911)**	$	4,533	NM

[1] *NM - not meaningful.*

6.2 Discussion of Cash Flows

Cash used for the year ended December 31, 2018 of $5,911 was primarily used for the repayment of credit facilities, distributions and investing activities, being partially offset by cash generated from operating activities and the issuance of debentures and equity.

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 “REIT Offering”) and the sale of 15,936,000 Units by CTC (the “Secondary Offering” and, together with the REIT Offering, referred to as the “Equity Offering”). In connection with the 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 Secondary Offering.

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").

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 current 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	**December 31, 2018**	December 31, 2017
Class C LP Units	**$ 1,451,550**	$ 1,451,550
Mortgages payable	**37,100**	44,010
Debentures	**1,069,844**	869,471
Credit facilities	**14,995**	179,941
Total indebtedness	**$ 2,573,489**	$ 2,544,972
Unitholders' equity	**1,306,355**	1,168,777
Non-controlling interests	**1,778,554**	1,692,664
Total capital under management	**$ 5,658,398**	$ 5,406,413

CT REIT's total indebtedness at December 31, 2018 was higher than at December 31, 2017 primarily due to the issuance of Series F debentures in February 2018, partially offset by a decrease in amounts drawn on the credit facilities, refer to section 6.6 for further details.

CT REIT's Unitholders' equity and non-controlling interests at December 31, 2018 increased as compared to December 31, 2017 primarily as a result of the Equity Offering and net income exceeding distributions.

Future payments in respect of CT REIT's indebtedness as at December 31, 2018 are as follows:

	Mortgages payable					
(in thousands of Canadian dollars)	**Principal amortization**	**Maturities**	**Class C LP Units**	**Debentures**	**Credit facilities**	**Total**
2019	—	37,133	—	—	$ 14,995	52,128
2020	—	—	251,550	—	—	251,550
2021	—	—	—	150,000	—	150,000
2022	—	—	—	150,000	—	150,000
2023 and thereafter	—	—	1,200,000	775,000	—	1,975,000
Total contractual obligation	$ —	$ 37,133	$ 1,451,550	$ 1,075,000	$ 14,995	$ 2,578,678
Unamortized portion of mark to market on mortgages payable assumed in connection with the acquisition of properties	—	—	—	—	—	—
Unamortized transaction costs	—	(33)	—	(5,156)	—	(5,189)
	$ —	**$ 37,100**	**$ 1,451,550**	**$ 1,069,844**	**$ 14,995**	**$ 2,573,489**

Interest rates on CT REIT's indebtedness range from 2.16% to 5.00%. The maturity dates on the indebtedness range from January 2019 to May 2038. Total indebtedness at December 31, 2018 had a weighted average interest rate of 4.08% and a weighted average term to maturity of 9.0 years, excluding the credit facilities, which is consistent with the rate and term as at December 31, 2017.

As at December 31, 2018, floating rate and fixed rate indebtedness were $52,128 and $2,521,361, respectively.

As at	**December 31, 2018**	December 31, 2017
Variable rate debt	**$ 52,128**	$ 217,074
Total indebtedness	**2,573,489**	2,544,972
Variable rate debt / total indebtedness	**2.03%**	8.53%

CT REIT's variable rate debt to total indebtedness ratio as at December 31, 2018 decreased as compared to December 31, 2017 primarily due to the proceeds of the new debenture offering being used to reduce borrowings drawn on the variable rate credit facilities in 2018.

The following table presents the contractual obligations of CT REIT:

		Payments Due by Period					
	Total	**2019**	**2020**	**2021**	**2022**	**2023**	**2024 and thereafter**
Class C LP Units [1]	**$ 1,451,550**	**$ —**	**$ 251,550**	**$ —**	**$ —**	**—**	**$ 1,200,000**
Debentures	**1,075,000**	**—**	**—**	**150,000**	**150,000**	**—**	**775,000**
Payments on Class C LP Units [1]	**784,644**	**68,219**	**62,258**	**58,000**	**58,000**	**58,000**	**480,167**
Interest on debentures	**239,427**	**34,949**	**34,949**	**33,330**	**29,572**	**27,433**	**79,194**
Credit facilities [2]	**14,995**	**—**	**—**	**—**	**—**	**14,995**	**—**
Operating ground lease commitments	**43,761**	**3,487**	**3,434**	**3,134**	**2,790**	**2,543**	**28,373**
Mortgages payable	**37,133**	**37,133**	**—**	**—**	**—**	**—**	**—**
Obligations for the completion of developments	**129,163**	**95,903**	**33,260**	**—**	**—**	**—**	**—**
Other liabilities	**28,303**	**24,955**	**3,348**	**—**	**—**	**—**	**—**
Distributions payable [3]	**13,898**	**13,898**	**—**	**—**	**—**	**—**	**—**
Payable on Class C LP Units, net of loans receivable	**5,685**	**5,685**	**—**	**—**	**—**	**—**	**—**
Interest on Bank Credit Facility	**2,465**	**519**	**519**	**519**	**519**	**389**	**—**
Interest on mortgages payable	**1,430**	**1,430**	**—**	**—**	**—**	**—**	**—**
Total	**$ 3,827,454**	**$ 286,178**	**$ 389,318**	**$ 244,983**	**$ 240,881**		**$ 2,562,734**

[1] Assume redemption on Initial Fixed Rate Period for each series.

[2] The Bank Credit Facility matures in December 2023. However, the borrowings drawn against the Bank Credit Facility as at December 31, 2018 of $14,995 is classified as a current liability as management expects to repay this amount within the next twelve months.

[3] On Units and Class B LP Units.

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 December 31, 2018:

(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	341	$ 5,619,143	98.4%	$ —	—
Encumbered investment properties	1	77,050	1.3%	37,100	48.2%
Total	**342**	**$ 5,696,193**	**99.8%**	**$ 37,100**	**0.7%**

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

(in thousands of Canadian dollars)

As at	**December 31, 2018**	December 31, 2017
Secured debt	**$ 37,100**	$ 44,010
Total indebtedness	**2,573,489**	2,544,972
Secured debt / total indebtedness	**1.44%**	1.73%

CT REIT's secured debt to total indebtedness ratio at December 31, 2018 decreased as compared to December 31, 2017, primarily due to the issuance of Series F debentures in February 2018 as well as repayment of the 11 Dufferin mortgage, this was partially offset by the repayment of borrowings drawn on its credit facilities.

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

(in thousands of Canadian dollars)

As at		**December 31, 2018**		December 31, 2017
Total indebtedness	**$**	**2,573,489**	$	2,544,972
EBITFV [1]	**$**	**351,876**		334,193
Total indebtedness / EBITFV		**7.31**		7.62

[1] Non-GAAP measure. Refer to section 10.0 for further information. 2018 EBITFV is annualized based on EBITFV for the year ended December 31, 2018.

CT REIT's indebtedness to EBITFV ratio at December 31, 2018 decreased as compared to the indebtedness to EBITFV ratio at December 31, 2017 primarily due to the growth of EBITFV exceeding the growth of CT REIT's total indebtedness. The growth in 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**			**Year Ended**		
For the periods ended December 31,		**2018**		2017		**2018**		2017
EBITFV [1] (A)	**$**	**88,897**	$	84,674	**$**	**351,876**	$	334,193
Interest and other financing charges (B)	**$**	**26,192**	$	24,457	**$**	**104,605**	$	96,543
Interest coverage ratio (A)/(B)		**3.39**		3.46		**3.36**		3.46

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

The decrease in the interest coverage ratio for the three months and year ended December 31, 2018, as compared to the same period in 2017, is primarily due to the growth of interest and other financing charges exceeding the growth of CT REIT's EBITFV.

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		**December 31, 2018**		December 31, 2017
Total indebtedness [1] (A)	**$**	**2,573,489**	$	2,544,972
Total assets (B)	**$**	**5,708,692**	$	5,455,398
Indebtedness ratio (A)/(B)		**45.1%**		46.7%

[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 December 31, 2018 decreased compared to the indebtedness ratio as at December 31, 2017 primarily due to CT REIT's 2018 acquisition, intensification and development activities and fair value adjustments made to its investment property portfolio partially offset by an increase in total indebtedness.

6.7 Class C LP Units

As at December 31, 2018 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 ("GP Units")(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, refer to section 7.0, in certain limited circumstances.

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

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.

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 (1.4 years)	13.78%
Series 4	200,000	4.50%	May 31, 2024 (5.4 years)	13.78%
Series 5	200,000	4.50%	May 31, 2028 (9.4 years)	13.78%
Series 6	200,000	5.00%	May 31, 2031 (12.4 years)	13.78%
Series 7	200,000	5.00%	May 31, 2034 (15.4 years)	13.78%
Series 8	200,000	5.00%	May 31, 2035 (16.4 years)	13.78%
Series 9	200,000	5.00%	May 31, 2038 (19.4 years)	13.78%
Series 16	16,550	2.42%	May 31, 2020 (1.4 years)	1.14%
Series 17	18,500	2.39%	May 31, 2020 (1.4 years)	1.27%
Series 18	4,900	2.28%	May 31, 2020 (1.4 years)	0.34%
Series 19	11,600	2.28%	May 31, 2020 (1.4 years)	0.80%
Total / weighted average	**$ 1,451,550**	**4.70%**	**11.1 years**	**100.0%**
Current	$ —			
Non-current	1,451,550			
Total	**$ 1,451,550**			

6.8 Debentures

	December 31, 2018		December 31, 2017	
Series	**Face value**	**Carrying amount**	Face value	Carrying amount
A, 2.85%, June 9, 2022	**$ 150,000**	**$ 149,475**	$ 150,000	$ 149,277
B, 3.53%, June 9, 2025	**200,000**	**198,949**	200,000	198,739
C, 2.16%, June 1, 2021	**150,000**	**149,577**	150,000	149,270
D, 3.29%, June 1, 2026	**200,000**	**198,995**	200,000	198,717
E, 3.47%, June 16, 2027	**175,000**	**174,036**	175,000	173,468
F, 3.87%, December 7, 2027	**200,000**	**198,812**	—	—
	$ 1,075,000	**$ 1,069,844**	$ 875,000	$ 869,471

Debentures as at December 31, 2018 had a weighted average interest rate of 3.25% (December 31, 2017 - 3.11%).

On February 7, 2018 CT REIT issued $200,000 aggregate principal amount of senior unsecured debentures, with an interest rate of 3.87%. The proceeds, net of issuance costs of $1,380, were used to pay down certain amounts outstanding under its credit facilities and the balance of proceeds were retained for general business purposes.

For the three months and year ended December 31, 2018, amortization of the transaction costs of $261 (Q4 2017 - $205) and $1,043 (YTD 2017 - $756) is included in net interest and other financing charges on the consolidated statement of income and comprehensive income (refer to Note 14 to the 2017 audited annual consolidated 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	**December 31, 2018**		December 31, 2017	
	Face value	**Carrying amount**	Face value	Carrying amount
Current	**$ 37,133**	**$ 37,100**	$ 422	$ 415
Non-current	**—**	**—**	43,626	43,595
Total	**$ 37,133**	**$ 37,100**	$ 44,048	$ 44,010

Mortgages payable at December 31, 2018 had a weighted average interest rate of 3.81% (December 31, 2017 – 3.07%).

6.10 Credit Facilities

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") available until 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 December 31, 2018, $14,995 (December 31, 2017 - $53,941) of borrowings were drawn on the Bank Credit Facility. At December 31, 2018, borrowings under the Bank Credit Facility had a weighted average interest rate of 3.46% (December 31, 2017 - 2.33%).

The table below summarizes the details of the Bank Credit Facility as at December 31, 2018:

(in thousands of Canadian dollars)

	Maximum loan amount	**Cash advances**	**Letters of credit**	**Available to be drawn**
Bank Credit Facility	$ 300,000	$ 14,995	$ 2,372	$ 282,633

Bridge Facility

In December 2017, CT REIT entered into a loan agreement with CTC ("Bridge Facility") solely for the purpose of facilitating the acquisition of a portfolio of certain investment properties. The Bridge Facility was repaid in Q1 2018 and was not available to CT REIT at December 31, 2018.

As at December 31, 2018, $nil (December 31, 2017 - $126,000) borrowings were drawn on the Bridge Facility.

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.

CT REIT's indebtedness ratio was 45.1% as at December 31, 2018. Refer to section 6.6 for the definition and calculation of CT REIT's indebtedness ratio.

At December 31, 2018, 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.

CT REIT will generally operate its affairs and manage its capital structure so that its interest coverage ratio is in a range of 2.4 to 3.8 times. For the three months ended December 31, 2018, CT REIT's interest coverage ratio was 3.4 times. Refer to section 6.5 for the definition and calculation of CT REIT's interest coverage ratio.

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

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

6.12 Commitments and Contingencies

As at December 31, 2018, CT REIT had obligations of $129,163 (December 31, 2017 - $39,227) in future payments for the completion of developments, as described in section 4.6. Included in the commitment is $123,057 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 2017 under which it may raise up to $2.0 billion of debt and/or equity over the 25 month period ending May 3, 2019 (the "Base Shelf Prospectus"). The Base Shelf Prospectus also qualifies the sale of Units by CTC. In Q4 2018,the Equity Offering was completed. In connection with the 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 Secondary Offering. In Q1 2018, the REIT issued $200,000 of debentures under a prospectus supplement dated January 24, 2018 to CT REIT's Base Shelf Prospectus, as described in section 6.8.

7.0 EQUITY

7.1 Authorized Capital and Outstanding Units

CT REIT is authorized to issue an unlimited number of Units. As of December 31, 2018, CT REIT had a total of 96,848,606 Units outstanding, 44,519,508 of which were held by CTC, and 123,400,633 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 December 31, 2018
	Units [1]	**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**
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.

			As at December 31, 2017
	Units [1]	Class B LP Units	Total
Total outstanding at beginning of year	90,479,102	116,367,697	206,846,799
Issued	166,193	6,725,169	6,891,362
Total outstanding at end of year	90,645,295	123,092,866	213,738,161

[1] 166,193 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 ("Special Voting Units"). 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 Year ended December 31, 2018		
(in thousands of Canadian dollars, except unit amounts)	**Units**	**Class B LP Units**	**Total**
Net income attributable to Unitholders - basic	**$ 128,030**	**$ 172,876**	**$ 300,906**
Income effect of settling Class C LP Units with Class B LP Units			**68,219**
Net income attributable to Unitholders - diluted			**$ 369,125**
Weighted average units outstanding - basic	**91,326,658**	**123,478,988**	**214,805,646**
Dilutive effect of other Unit plans			**234,427**
Dilutive effect of settling Class C LP Units with Class B LP Units			**121,102,386**
Weighted average units outstanding - diluted			**336,142,459**

	For the Year ended December 31, 2017		
(in thousands of Canadian dollars, except unit amounts)	Units	Class B LP Units	Total
Net income attributable to Unitholders - basic	$ 135,822	$ 181,455	$ 317,277
Income effect of settling Class C LP Units with Class B LP Units			68,826
Net income attributable to Unitholders - diluted			$ 386,103
Weighted average units outstanding - basic	90,561,829	120,748,416	211,310,245
Dilutive effect of other Unit plans			146,241
Dilutive effect of settling Class C LP Units with Class B LP Units			101,882,284
Weighted average units outstanding - diluted			313,338,770

7.2 Equity

(in thousands of Canadian dollars)

As at	December 31, 2018	December 31, 2017
Equity - beginning of the period	**$ 2,861,441**	$ 2,590,584
Net income and comprehensive income for the period	**300,906**	317,277
Issuance of Units from REIT Offering, net of issue costs	**62,276**	—
Issuance of Class B LP Units, net of issue costs	**14,022**	99,705
Distributions to non-controlling interests	**(90,208)**	(84,873)
Distributions to Unitholders	**(67,050)**	(63,606)
Issuance of Units under Distribution Reinvestment Plan and other	**3,522**	2,354
Equity - end of the period	**$ 3,084,909**	$ 2,861,441

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.

On November 5, 2018, the Board reviewed and approved the current rate of distribution of $0.728 per Unit per year and approved an increase in the annual rate of distribution to $0.757 per Unit per year, or monthly distribution rate of $0.0631 per Unit, when declared, commencing with the December 31, 2018 record date.

On December 14, 2018, CT REIT's Board declared a distribution of $0.0631 per Unit paid on January 15, 2019 to holders of Units and Class B LP Units of record as of December 31, 2018.

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

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
2019 [2]	**$ 0.0631**	**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 5, 2018.

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		Year Ended	
For the periods ended December 31,	**2018**	2017	**2018**	2017
Distributions before distribution reinvestment - paid	**$ 39,449**	$ 37,397	**$ 156,328**	$ 147,576
Distribution reinvestment	**996**	592	**3,453**	2,354
Distributions net of distribution reinvestment - paid	**$ 38,453**	$ 36,805	**$ 152,875**	$ 145,222
Distributions per unit - paid	**$ 0.182**	$ 0.175	**$ 0.728**	$ 0.700

Distributions for the three months and year ended December 31, 2018 are higher than the same period in the prior year due to the increase in the annual rate of distributions effective with the first distribution paid in 2018 and higher weighted average number of units outstanding in 2018.

CT REIT's distributions for the three months and year ended December 31, 2018 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		Year Ended	
For the periods ended December 31,	**2018**	2017	**2018**	2017
AFFO [1]	**$ 51,848**	$ 49,636	**$ 205,173**	$ 194,371
Distributions before distribution reinvestment - paid	**39,449**	37,397	**156,328**	147,576
Excess of AFFO over distributions paid (A)	**$ 12,399**	$ 12,239	**$ 48,845**	$ 46,795
Weighted average units outstanding - diluted (non-GAAP)[1](B)	**217,107,359**	213,879,775	**215,040,074**	211,456,486
Excess of AFFO over distributions paid per unit (A)/(B) [1]	**$ 0.057**	$ 0.057	**$ 0.227**	$ 0.221

[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		**December 31, 2018**		December 31, 2017
Total equity (A)	**$**	**3,084,909**	$	2,861,441
Period-end Units and Class B LP Units outstanding (B)		**220,249,239**		213,738,161
Book value per unit (A)/(B)	**$**	**14.01**	$	13.39

CT REIT's book value per unit as at December 31, 2018 increased from the book value per unit as at December 31, 2017 primarily due to net income exceeding distributions.

8.0 RELATED PARTY TRANSACTIONS

CT REIT's controlling Unitholder is CTC, which, on December 31, 2018, held a 76.2% effective interest in the REIT, through the ownership of 44,519,508 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 92.7% of the annualized base minimum rent earned by CT REIT and occupying 94.4% of its GLA as at December 31, 2018.

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 consolidated financial statements. Investment property transactions with CTC amounted to $68,903 (2017 - $245,126) for the year ended December 31, 2018. Refer to Note 4 to the consolidated financial statements for additional information.

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

Services Agreement

Under the services agreement 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.

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.

The following table summarizes CT REIT's related party transactions as at December 31, 2018, excluding acquisition, intensification and development activities which are contained in section 4.0:

(in thousands of Canadian dollars)	Year Ended	
For the periods ended December 31,	**2018**	2017
Rental revenue	**$ 426,104**	$ 408,487
Property Management and Services Agreements expense	**$ 5,383**	$ 5,666
Distributions on Units	**$ 41,737**	$ 41,935
Distributions on Class B LP Units [1]	**$ 90,209**	$ 84,873
Interest expense on Class C LP Units	**$ 68,219**	$ 68,826
Interest expense on the Bridge Facility	**$ 351**	$ 126

[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	**December 31, 2018**	December 31, 2017
Tenant and other receivables	**$ (849)**	$ (1,758)
Class C LP Units	**1,451,550**	1,451,550
Amounts payable on Class C LP Units	**67,712**	68,065
Loans receivable in lieu of payments on Class C LP Units	**(62,027)**	(62,380)
Other liabilities	**9,474**	6,556
Distributions payable on Units and Class B LP Units [1]	**28,634**	26,551
Loans receivable in lieu of distributions on Class B LP Units	**(18,038)**	(15,460)
Bridge Facility	**—**	126,000
Net balance due to CTC	**$ 1,476,456**	$ 1,599,124

[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 consolidated 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 and estimates in applying significant accounting policies are described in Note 2 of the 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 overall capitalization rate ("OCR") method, whereby the net operating income, a non-GAAP measure, 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. Properties Under Development are recorded at 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

The following amendments have been issued and are effective for the fiscal year ended December 31, 2018, and accordingly, have been applied in preparing these consolidated financial statements.

(i) Financial instruments

CT REIT has adopted IFRS 9 - *Financial Instruments* ("IFRS 9"), issued in July 2014, and the related consequential amendments to IFRS 7 - *Financial Instruments: Disclosures*, with a date of initial application of January 1, 2018. IFRS 9 introduces new requirements for 1) classification and measurement of financial assets and financial liabilities, 2) impairment for financial assets and 3) general hedge accounting, which represent a significant change from IAS 39 - *Financial Instruments: Recognition and Measurement* ("IAS 39").

IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income ("FVTOCI") and fair value through profit or loss ("FVTPL"). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

The standard eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale.

Cash and cash equivalents, tenant and other receivables and deposits, which were classified as loans and receivables under IAS 39, are now classified at amortized cost, because their previous category under IAS 39 was eliminated, with no change in the

carrying amounts. There were no further changes to the classification of financial asset and liabilities as a result of the adoption of IFRS 9.

Furthermore, IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortized cost. Under IFRS 9, credit losses are recognized earlier than under IAS 39. The adoption of IFRS 9 did not result in any change to CT REIT's allowance for impairment.

CT REIT also early adopted amendments to IFRS 9 issued in October 2017 on January 1, 2018. The component of the amendments relevant to CT REIT relates to clarifying the accounting for the modification of financial liabilities and requires CT REIT to recognize any adjustments to the amortized cost of the financial liability arising from a modification or exchange in profit or loss at the date of the modification or exchange, regardless of whether the changes are substantial and result in derecognition of the financial liability. The adoption of these amendments to IFRS 9 did not have an impact on the REIT.

(ii) Revenue from contracts with customers

The REIT has adopted IFRS 15 - Revenue from Contracts with Customers ("IFRS 15") as issued in May 2014 with a date of initial application of January 1, 2018. IFRS 15 outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers; except for contracts that are within the scope of the standards on leases, insurance contracts, and financial instruments. IFRS 15 also contains enhanced disclosure requirements.

The adoption of IFRS 15 did not impact the amount or timing of revenue recognized by the REIT from contracts with customers.

9.3 Standards, Amendments and Interpretations Issued but Not Yet Adopted

The following new standards, amendments and interpretations have been issued but are not effective for the fiscal year ended December 31, 2018, and, accordingly, have not been applied in preparing these consolidated financial statements.

(i) Leases

In January 2016, the International Accounting Standards Board ("IASB") issued IFRS 16 - *Leases* ("IFRS 16"), which will replace 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, unless the lease term is 12 months or less or the underlying asset has a low value. IFRS 16 substantially carries forward the lessor accounting in IAS 17, with the distinction between operating leases and finance leases being retained. CT REIT is the lessee for certain ground leases, as disclosed in Note 17 to the financial statements, which are in scope for IFRS 16. The adoption of IFRS 16 will result in the recognition of right-of-use assets and lease liabilities of approximately $60,000 to $70,000 associated with ground leases but is not expected to have a significant impact on CT REIT's income. CT REIT has determined that all of the leases for which it is a lessee are investment properties. Accordingly, the right-of-use asset will be measured at fair value and classified as investment property at the date of initial application on January 1, 2019. Lease-related expenses previously recorded in property expense will now be recorded as fair value adjustment on investment properties and net interest and other financing charges on the Consolidated Statements of Income and Comprehensive Income from unwinding the discount on the lease liabilities. IFRS 16 will change the presentation of cash flows relating to leases as a lessee in CT REIT's Consolidated Statements of Cash Flows, but does not cause a difference in the amount of cash transferred between parties of a lease. IFRS 16 will be applied for the 2019 annual fiscal period using the modified retrospective approach and therefore CT REIT will not be restating comparative figures.

(ii) IASB annual improvements

In December 2017, the IASB issued amendments to four standards, including IFRS 3 - *Business Combinations*, IFRS 11 - *Joint Arrangements*, IAS 12 - *Income Taxes* and IAS 23 - *Borrowing Costs*.

These amendments will be effective for annual periods beginning on or after January 1, 2019. The implementation of these amendments is not expected to have a significant impact on CT REIT.

(iii) Definition of material

In October 2018, the IASB issued amendments to IAS 1 - *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, clarifying the definition of material. Under the amended definition, information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The amendments also clarify the explanations accompanying the definition of material.

The amendments are effective from 1 January 2020 and are required to be applied prospectively. Early application is permitted. The implementation of these amendments is not expected to have a significant impact on CT REIT.

(iv) Definition of business

In October 2018, the IASB issued amendments to IFRS 3 - *Business Combination*. The amendments narrowed and clarified the definition of a business. The amendments will help companies determine whether an acquisition is of a business or a group of assets. They also permit a simplified assessment of whether an acquired set of activities and assets is a group of assets rather than a business. Distinguishing between a business and a group of assets is important because an acquirer recognizes goodwill only when acquiring a business.

The amendments apply to transactions for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020. Earlier adoption is permitted. The implementation of these amendments is not expected to have a significant impact on CT REIT.

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			Year Ended		
For the periods ended December 31,	**2018**	2017	Change	**2018**	2017	Change
Property revenue	**$ 119,322**	$ 111,264	7.2 %	**$ 472,483**	$ 443,303	6.6 %
Less:						
Property expense	**(26,804)**	(23,724)	13.0 %	**(108,636)**	(98,290)	10.5 %
Property straight-line rent revenue	**(4,535)**	(5,648)	(19.7)%	**(18,404)**	(22,822)	(19.4)%
Add:						
Straight-line ground lease expense	**15**	16	(6.3)%	**62**	62	— %
Net operating income	**$ 87,998**	$ 81,908	7.4 %	**$ 345,505**	$ 322,253	7.2 %

Same Store NOI

Same store NOI is a non-GAAP financial measure which reports the period-over-period performance of the same asset base having consistent gross leasable area in both periods. To calculate same store NOI growth, NOI is further adjusted to remove the impact of lease cancellation fees and other non-recurring items. CT REIT management uses this measure to gauge the change in asset productivity and asset value.

Same Property NOI

Same property NOI is a non-GAAP financial measure that is consistent with the definition of same store NOI above, except that same property includes the NOI impact of intensifications. CT REIT management uses the measure to gauge the change in asset productivity and asset value, as well as measure the additional return earned by incremental capital investments in existing assets.

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

(in thousands of Canadian dollars)	Three Months Ended			Year Ended		
For the periods ended December 31,	**2018**	2017	Change [1]	**2018**	2017	Change [1]
Same store	**$ 83,064**	$ 81,009	2.5%	**$ 321,926**	$ 316,068	1.9%
Intensifications						
2018	**255**	—	—%	**776**	—	—%
2017	**—**	—	—%	**411**	261	57.5%
Same property	**$ 83,319**	$ 81,009	2.9%	**$ 323,113**	$ 316,329	2.1%
Acquisitions and developments						
2018	**1,724**	—	—%	**4,795**	—	—%
2017	**2,955**	899	NM	**17,597**	5,924	NM
Net operating income	**$ 87,998**	$ 81,908	7.4%	**$ 345,505**	$ 322,253	7.2%

[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			Year Ended		
For the periods ended December 31,	**2018**	2017	Change	**2018**	2017	Change [1]
Net Income and comprehensive income	**$ 74,501**	$ 97,094	(23.3)%	**$ 300,906**	$ 317,277	(5.2)%
Fair value adjustment on investment property	**(11,522)**	(36,701)	(68.6)%	**(53,628)**	(79,687)	(32.7)%
Deferred taxes	**(274)**	(176)	55.7 %	**(7)**	60	NM
Fair value adjustment of unit based compensation	**(668)**	224	NM	**(1,239)**	(33)	NM
Funds from operations	**$ 62,037**	$ 60,441	2.6 %	**$ 246,032**	$ 237,617	3.5 %
Property straight-line rent revenue	**(4,535)**	(5,648)	(19.7)%	**(18,404)**	(22,822)	(19.4)%
Straight-line ground lease expense	**15**	16	(6.3)%	**62**	62	— %
Normalized capital expenditure reserve	**(5,669)**	(5,173)	9.6 %	**(22,517)**	(20,486)	9.9 %
Adjusted funds from operations	**$ 51,848**	$ 49,636	4.5 %	**$ 205,173**	$ 194,371	5.6 %
FFO per unit - basic	**$ 0.286**	$ 0.283	1.1%	**$ 1.145**	$ 1.124	1.9%
FFO per unit - diluted (non-GAAP) [2]	**$ 0.286**	$ 0.283	1.1%	**$ 1.144**	$ 1.124	1.8%
AFFO per unit - basic	**$ 0.239**	$ 0.232	3.0%	**$ 0.955**	$ 0.920	3.8%
AFFO per unit - diluted (non-GAAP) [2]	**$ 0.239**	$ 0.232	3.0%	**$ 0.954**	$ 0.919	3.8%
Weighted average units outstanding - basic	**216,940,471**	213,717,596	1.5%	**214,805,646**	211,310,245	1.7%
Weighted average units outstanding - diluted (non-GAAP)	**217,107,359**	213,879,775	1.5%	**215,040,074**	211,456,486	1.7%
Number of units outstanding, end of period	**220,249,239**	213,738,161	3.0%	**220,249,239**	213,738,161	3.0%

[1] NM - not meaningful.

[2] For the purposes of calculating diluted per unit amounts, diluted units includes restricted and deferred units issued under various plans and excludes the effects of settling the Class C LP Units with Class B LP Units.

10.2(i) Funds From Operations

FFO is a non-GAAP financial measure of operating performance used by the real estate industry, particularly by those publicly traded entities that own and operate income-producing properties. FFO should not be considered as an alternative to net income or cash flows provided by operating activities determined in accordance with IFRS. CT REIT calculates its FFO in accordance

with Real Property Association of Canada's ("REALPAC") "White Paper on Funds From Operations & Adjusted Funds From Operations for IFRS" ("White Paper on FFO & AFFO") issued in February 2018 which replaced REALPAC's "White Paper on FFO" issued in April 2014. The use of FFO, together with the required IFRS presentations, has been included for the purpose of improving the understanding of the operating results of CT REIT.

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

FFO adds back to net income items that do not arise from operating activities, such as fair value adjustments. FFO, however, still includes non-cash revenues related to accounting for straight-line rent and makes no deduction for the recurring capital expenditures necessary to sustain the existing earnings stream.

10.2(ii) Adjusted Funds From Operations

AFFO is a non-GAAP measure of recurring economic earnings used in the real estate industry to assess an entity's distribution capacity. AFFO should not be considered as an alternative to net income or cash flows provided by operating activities determined in accordance with IFRS. CT REIT calculates its AFFO in accordance with REALPAC's White Paper on FFO & AFFO.

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 a 15-year average expenditure as initially determined by building condition reports prepared during 2013 by an independent consultant for Canadian Tire stores and Other CTC Banners.

The following table compares capital expenditures during the period 2015-2018 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**

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 2013 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 per square foot will exceed the normalized capital expenditure reserve per square foot rate. 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			Year Ended		
For the periods ended December 31,	**2018**	2017	Change	**2018**	2017	Change
Distribution per unit - paid (A)	**$ 0.182**	$ 0.175	4.0%	**$ 0.728**	$ 0.700	4.0%
AFFO per unit - diluted (non-GAAP) [1] (B)	**$ 0.239**	$ 0.232	3.0%	**$ 0.954**	$ 0.919	3.8%
AFFO payout ratio (A)/(B)	**76%**	75%	1.3%	**76%**	76%	—%

[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		Year Ended	
For the periods ended December 31,	**2018**	2017	**2018**	2017
Weighted average units outstanding - diluted (non-GAAP)	**217,107,359**	213,879,775	**215,040,074**	211,456,486
Dilutive effect of settling Class C LP Units with Class B LP Units	**121,102,386**	99,877,790	**121,102,386**	101,882,284
Weighted average units outstanding - diluted	**338,209,745**	313,757,565	**336,142,460**	313,338,770

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" 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 year ended December 31, 2018 and December 31, 2017) to ACFO is as follows:

(in thousands of Canadian dollars)	Three Months Ended			Year Ended		
For the periods ended December 31,	**2018**	2017	Change	**2018**	2017	Change [1]
Cash generated from operating activities	**$ 83,887**	$ 85,472	(1.9)%	**$ 331,722**	$ 317,154	4.6%
Non-operating adjustments to changes in working capital and other	**843**	(2,755)	NM	**1,231**	(4,567)	NM
Net interest and other financing charges	**(26,086)**	(24,425)	6.8 %	**(104,380)**	(96,378)	8.3%
Normalized capital expenditure reserve	**(5,669)**	(5,173)	9.6 %	**(22,517)**	(20,486)	9.9%
Adjusted cashflow from operations	**$ 52,975**	$ 53,119	(0.3)%	**$ 206,056**	$ 195,723	5.3%

[1] *NM - not meaningful.*

The non-operating adjustments to changes in working capital and other for three months ended December 31, 2018 is primarily due to the timing of payment of commodity taxes payable. The non-operating adjustments to changes in working capital and other for year ended December 31, 2018 is primarily due to an adjustment of commodity taxes charged on property tax recovery.

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

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

EBITFV is used as an input in some of CT REIT's debt metrics, providing information with respect to certain financial ratios that CT REIT uses in measuring its debt profile and assessing the REIT's ability to satisfy its obligations, including servicing its debt.

For the three months and year ended December 31, 2018, EBITFV was calculated as follows:

(in thousands of Canadian dollars)	Three Months Ended			Year Ended		
For the periods ended December 31,	**2018**	2017	Change	**2018**	2017	Change
Net income and comprehensive income	**$ 74,501**	$ 97,094	(23.3)%	**$ 300,906**	$ 317,277	(5.2)%
Fair value adjustment on investment properties	**(11,522)**	(36,701)	(68.6)%	**(53,628)**	(79,687)	(32.7)%
Interest expense and other financing charges	**26,192**	24,457	7.1 %	**104,605**	96,543	8.4 %
Deferred taxes	**(274)**	(176)	55.7 %	**(7)**	60	(111.7)%
EBITFV	**$ 88,897**	$ 84,674	5.0 %	**$ 351,876**	$ 334,193	5.3 %

10.7 Selected Quarterly Consolidated Information

(in thousands of Canadian dollars, except per unit amounts)	2018				2017			
As at and for the quarter ended	**Q4**	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Property revenue	**$ 119,322**	$ 117,662	$ 118,880	$ 116,619	$ 111,264	$ 109,290	$ 111,609	$ 111,140
Net income	**$ 74,501**	$ 79,147	$ 74,744	$ 72,514	$ 97,094	$ 70,562	$ 74,299	$ 75,322
Net income per unit								
- basic	**$ 0.343**	$ 0.369	$ 0.350	$ 0.339	$ 0.454	$ 0.330	$ 0.354	$ 0.362
- diluted	**$ 0.271**	$ 0.296	$ 0.282	$ 0.276	$ 0.364	$ 0.275	$ 0.292	$ 0.300
FFO per unit- diluted, non-GAAP [1]	**$ 0.286**	$ 0.289	$ 0.292	$ 0.277	$ 0.283	$ 0.279	$ 0.283	$ 0.279
AFFO per unit - diluted, non-GAAP [1]	**$ 0.239**	$ 0.241	$ 0.241	$ 0.233	$ 0.232	$ 0.229	$ 0.231	$ 0.227
Total assets	**$5,708,692**	$5,676,689	$5,592,575	$5,555,324	$5,455,398	$5,265,077	$5,213,930	$5,109,718
Total indebtedness	**$2,573,489**	$2,596,482	$2,581,316	$2,596,152	$2,544,972	$2,394,785	$2,381,895	$2,393,983
Total distributions, net of distribution reinvestment, to Unitholders - paid	**$ 38,453**	$ 38,169	$ 38,069	$ 38,184	$ 36,805	$ 36,767	$ 35,940	$ 35,710
Total distributions per unit - paid	**$ 0.182**	$ 0.182	$ 0.182	$ 0.182	$ 0.175	$ 0.175	$ 0.175	$ 0.175
Book value per unit	**$ 14.01**	$ 13.90	$ 13.71	$ 13.54	$ 13.39	$ 13.11	$ 12.95	$ 12.73
Market price per unit								
- high	**$ 13.03**	$ 13.72	$ 13.53	$ 14.68	$ 14.96	$ 14.70	$ 15.19	$ 15.60
- low	**$ 11.26**	$ 12.37	$ 12.80	$ 12.50	$ 13.68	$ 13.61	$ 14.01	$ 14.55
- close (end of period)	**$ 11.53**	$ 12.85	$ 12.90	$ 13.30	$ 14.50	$ 13.89	$ 14.38	$ 15.04

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

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

11.0 Enterprise Risk Management

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, through a disciplined manner that:

- aligns key strategies, objectives and related risks;
- considers all forms of risk, specifically strategic, financial and operational risks;
- requires the application of risk mitigation practices which are designed to help support and optimize risk/reward related decisions; and
- integrates with the strategic, planning and reporting processes.

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

Risk Governance

The mandate of the Board includes the responsibility to monitor the REIT's ERM Program and oversee management's implementation of appropriate systems to effectively identify, manage, mitigate and monitor risks inherent in the REIT's business and operations. The Board has delegated primary responsibility to the Audit Committee to:

- consider the Principal Risks of the REIT as identified by management and ensure appropriate policies and systems have been implemented to manage these risks;
- review the REIT's ERM Program, including its policies and processes with respect to risk identification, assessment, and management of the REIT's risks;
- receive periodic reporting from the head of the risk management function; and
- periodically report to the Board on any major issues arising from the ERM Program.

Principal Risks

A key element of the REIT's ERM Program is the periodic review, identification and assessment of Principal Risks. The REIT defines a Principal Risk as one that, alone or in combination with other interrelated risks, could have a significant adverse impact on the REIT's financial position, and/or ability to achieve its strategic objectives. These Principal Risks are enterprise-wide in scope and represent strategic, financial and operational risks. Management has completed its formal annual review of its Principal Risks, which has been presented to the Audit Committee and approved by the Board. The mitigation and management of Principal Risks is approached holistically with a view to ensuring all risk exposures associated with a Principal Risk are considered.

The following table provides a high-level perspective on each of the identified eight Principal Risks and describes the main strategy that the REIT has in place to mitigate the potential impacts of these risks on its business objectives. For further disclosure of the REIT's financial instruments, their impact on financial statements, and determination of fair value refer to Note 19 of the REIT`s consolidated financial statements. More information on the REIT's risk factors is presented in the REIT's AIF.

Principal Risks	Risk Management Strategy
Marketplace Risk due to fluctuations or fundamental changes in the external business environment resulting in financial loss. Fluctuations or fundamental shifts in the market place could include: - Changes in macroeconomic conditions (including recession, depression, high inflation, increased unemployment, and increased interest rates) resulting in a reduction in consumer spending; - Changes in the competitive landscape in the retail or real estate sectors impacting the attractiveness and the value of real estate holdings; - Changes in the domestic or international political environments (including new legislation) impacting the ability to do business; and - Shifts in the demographics of the Canadian population reducing the relevance of the products and services offered by key tenants, which may result in a negative impact on the valuation of the REIT or the ability to achieve its strategic objectives.	The REIT regularly monitors and analyzes external economic, political, demographic, consumer behaviour and competitive developments in Canada. Results are shared with the REIT executives, who are accountable for any necessary amendments to the strategic and operational plans and for on-going investment decisions in order to respond to evolving market and economic trends.

Financial The REIT has a variety of financial risk exposures arising directly or indirectly in the conduct of its business. Financial risks include those related to fluctuations in capital market liquidity, interest rates, access to capital, and the price of the REIT's Units. Failure to develop, implement, and execute effective strategies to monitor and manage these risks may result in insufficient capital to absorb unexpected losses and/or changes in asset value, negatively affecting the REIT's financial position and its ability to achieve its strategic objectives.	The REIT has a Board-approved financial risk management policy in place that governs the management of capital, funding, and other financial risks. The indebtedness and Class C LP Units of the REIT are predominantly at fixed rates and its floating interest rate exposure is minimal. The weighted average term to redemption/maturity of the REIT's debt portfolio is managed to align with or be greater than the weighted average term to maturity of the REIT's assets. The REIT manages refinancing risk by maintaining a diversified debt redeeming/maturity schedule to limit the amount of debt maturing in any one year. The REIT may use interest rate hedges from time to time to manage interest rate risk and to provide more certainty regarding the FFO available to Unitholders, subject to the REIT's investment guidelines and operating policies.
Tenant Concentration The REIT's revenues are dependent on the ability of its key tenant, CTC, to meet its rent obligations and renew its tenancies. The future financial performance and operating results of CTC's business are subject to inherent risks and uncertainties, such as general economic conditions, changing consumer preferences, and other strategic, financial, and operational risk factors. A downturn in CTC's business could have a material effect on the financial performance of the REIT, its cash flows, and the ability to make distributions to Unitholders.	The REIT benefits from the stability offered by CTC businesses including Canadian Tire retail, one of Canada's most shopped general merchandise retailers with high recognition and a strong reputation throughout the communities it serves. The Canadian Tire retail leases have a weighted average lease term of 10.8 years, which provides the REIT with reliable, durable, and growing monthly distributions. Management regularly monitors the operating results and credit ratings of CTC.
Significant Ownership by CTC CTC holds the majority interest in the REIT. In situations where the interests of CTC and the REIT are in conflict, CTC may utilize its ownership interest in, and contractual rights with the REIT, to further CTC's own interest which may not be the same as the REIT's interest in all cases, causing the REIT not to be able to operate in a manner that is to its favour, which could adversely affect the REIT's cash flows, operating results, valuation, and overall financial condition.	Appropriate governance structures, including policies, processes and other management activities and practices are in place to maintain and monitor the relationship between the REIT and CTC.
Operations The risk that a direct or indirect loss may result from internal or outsourced business activities, business disruptions, inadequate or failed operations processes (property management, development, redevelopment, and acquisitions), people, and systems to support the REIT's key business objectives. Failed processes in terms of design, integration, and/or execution may result in incremental financial expenditures, theft or fraud, legal or regulatory issues, and materially adversely impact the REIT's financial position and results of operation.	The REIT has appropriate governance structures, including policies, processes, contracts, service agreements and other management activities in place to maintain the operational performance of the REIT, comply with legal and regulatory requirements, and to support the REIT's business and strategic objectives.

Tax Risk related to changes in income tax laws applicable to the REIT such that the REIT would not qualify as a mutual fund trust for purposes of the Income Tax Act ("ITA"), including the treatment of real estate investment trusts and mutual fund trusts, or the exclusion from the definition of "SIFT TRUST" for a trust qualifying as a "real estate investment trust" (the "REIT Exception"), for a taxation year under the ITA, which could have a material and adverse impact on the value of the Units, and on distributions to Unitholders.	Management ensures that the REIT satisfies the conditions to qualify as a closed-end mutual fund trust by complying with the restrictions in the ITA as they are interpreted and applied by the Canada Revenue Agency. No assurance can be given that the REIT will be able to comply with these restrictions at all times. There can be no assurance that income tax laws applicable to the REIT, including the treatment of real estate investment trusts and mutual fund trusts under the ITA, will not be changed in a manner which adversely affects the REIT or the Unitholders.
Environmental Matters The REIT is subject to various federal, provincial, territorial and municipal laws relating to environmental matters. Changes in legislation may result in the REIT bearing the risk of cost-intensive assessment, removal of contamination, hazardous or other regulated substances causing an adverse effect on the REIT's financial condition, results of operation, and cash available for distribution to Unitholders.	The REIT has allocated the necessary capital and operating expenditures to comply with environmental laws and address any material environmental issues. Additionally, the REIT has limited environmental liability coverage under its general liability insurance policy for third-party bodily injury and property damage claims arising from unexpected and unintentional pollution incidents (commonly referred to as "sudden and accidental" coverage) that are discovered and reported quickly. It also has more extensive coverage under a separate environmental liability insurance policy which adds coverage for certain gradual pollution conditions and first party clean up costs. Pursuant to the Canadian Tire Leases, CTC has indemnified the REIT for certain environmental issues on the initial properties. Furthermore, the REIT's operating policy includes a Phase I environmental site assessment conducted by an independent and experienced environmental consultant prior to acquiring a property.
Financial Reporting Risk of restatement and reissue of CT REIT's financial statements due to: - Failure to adhere to financial accounting and presentation standards and securities regulations relevant to financial reporting; - Fraudulent activity and/or failure to maintain an effective system of internal controls; and/or - Inadequate explanation of the REIT's operating performance, financial condition, and future prospects, which may result in regulatory related issues or decrease in Unit price.	Internal controls which include policies, processes and procedures, provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements and other disclosure documents. This includes monitoring and responding to changing regulations and standards governing accounting and financial presentation.

12.0 Internal Controls and Procedures

12.1 Disclosure Controls and Procedures

Management is responsible for establishing and maintaining a system of controls and procedures over the public disclosure of financial and non-financial information regarding CT REIT. Such controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported, on a timely basis, to senior management, including the Chief

Executive Officer ("CEO") and the Chief Financial Officer ("CFO"), so that they can make appropriate decisions regarding public disclosure.

CT REIT's system of disclosure controls and procedures include, but are not limited to, its Disclosure Policy, its Code of Business Conduct, the effective functioning of its Disclosure Committee, procedures in place to systematically identify matters warranting consideration of disclosure by the Disclosure Committee, verification processes for individual financial and non-financial metrics, and information contained in annual and interim filings, including the consolidated financial statements, MD&A, Annual Information Form and other documents and external communications.

As required by CSA National Instrument 52-109 ("NI 52-109") Certification of Disclosure in Issuers' Annual and Interim Filings, an evaluation of the adequacy of the design (quarterly) and effective operation (annually) of CT REIT's disclosure controls and procedures was conducted, under the supervision of management, including the CEO and CFO, as at December 31, 2018. The evaluation included documentation review, enquiries and other procedures considered by management to be appropriate in the circumstances. Based on that evaluation, the CEO and the CFO have concluded that the design and operation of the system of disclosure controls and procedures were effective as at December 31, 2018.

12.2 Internal Control Over Financial Reporting

Management is also responsible for establishing and maintaining appropriate internal control over financial reporting. CT REIT's internal control over financial reporting include, but are not limited to, detailed policies and procedures related to financial accounting, reporting and controls over systems that process and summarize transactions. CT REIT's procedures for financial reporting also include the active involvement of qualified financial professionals, senior management and its Audit Committee.

All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

As also required by NI 52-109, management, including the CEO and CFO, evaluated the adequacy of the design (quarterly) and effective operation (annually) of CT REIT's internal control over financial reporting as defined in NI 52-109, as at December 31, 2018. In making this assessment, management, including the CEO and CFO, used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control – Integrated Framework (2013). This evaluation included review of the documentation of controls, evaluation of the design and testing the operating effectiveness of controls, and a conclusion about this evaluation. Based on that evaluation, the CEO and the CFO have concluded that the design and operation of the internal control over financial reporting were effective as at December 31, 2018, in providing reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with IFRS.

12.3 Changes in Internal Control Over Financial Reporting

During the quarter and year ended December 31, 2018, 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 the following:

- CT REIT's growth strategy and objectives under section 2.0;
- CT REIT's fair value of property portfolio under section 4.4;
- CT REIT's development activities under section 4.6;
- CT REIT's leasing activities under section 4.10;
- CT REIT's recoverable capital costs under section 4.11;
- CT REIT's initiative to insource certain property management and support services under section 5.1;
- CT REIT's fair value adjustment on investment properties under section 5.1;
- CT REIT's capital expenditures to fund acquisitions and development activities under section 6.1;
- CT REIT's capital strategy under section 6.11;
- CT REIT's commitments as at December 31, 2018 under section 6.12;
- CT REIT's distributions under section 7.3;
- CT REIT's capital expenditures under section 10.2(ii);
- CT REIT's access to available sources of debt and/or equity financing;
- the expected tax treatment of CT REIT and its distributions to Unitholders;
- CT REIT's ability to expand its asset base, make accretive acquisitions, develop or intensify its Properties and participate with CTC in the development or intensification of the Properties; and
- the ability of CT REIT to 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 be implemented and operated 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.

February 11, 2019

CT REAL ESTATE INVESTMENT TRUST

2018 FINANCIAL STATEMENTS

(AUDITED)

Management's Responsibility for Financial Statements

The management of CT Real Estate Investment Trust ("CT REIT") is responsible for the integrity and reliability of the accompanying consolidated financial statements. These consolidated financial statements have been prepared by management in accordance with International Financial Reporting Standards, and include amounts based on judgments and estimates. All financial information in our Management's Discussion and Analysis is consistent with these consolidated financial statements.

Management is responsible for establishing and maintaining adequate systems of internal control over financial reporting. These systems are designed to provide reasonable assurance that the financial records are reliable and form a proper basis for the timely and accurate preparation of financial statements. Management has assessed the effectiveness of CT REIT's internal control over financial reporting based on the framework in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and concluded that CT REIT's internal control over financial reporting was effective as at the date of these consolidated statements.

The Board of Trustees oversees management's responsibilities for the consolidated financial statements primarily through the activities of its Audit Committee, which is comprised solely of trustees who are neither officers nor employees of CT REIT. This Committee meets with management and CT REIT's independent auditors, Deloitte LLP, to review the consolidated financial statements and recommend approval to the Board of Trustees. The Audit Committee is responsible for making recommendations to the Board of Trustees with respect to the appointment of and, subject to the approval of the Unitholders authorizing the Board of Trustees to do so, approving the remuneration and terms of engagement of CT REIT's auditors. The Audit Committee also meets with the auditors, without the presence of management, to discuss the results of their audit.

The consolidated financial statements have been audited by Deloitte LLP, in accordance with Canadian generally accepted auditing standards. Their report is presented below.

Kenneth Silver
Chief Executive Officer

Lesley Gibson
Chief Financial Officer

February 11, 2019

Independent Auditor's Report

To the Unitholders of CT Real Estate Investment Trust

Opinion

We have audited the consolidated financial statements of CT Real Estate Investment Trust (the "Trust"), which comprise the consolidated balance sheets as at December 31, 2018 and 2017, and the consolidated statements of income and comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Trust as at December 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Trust in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises:

- Management's Discussion and Analysis
- The information, other than the financial statements and our auditor's report thereon, in the CT REIT 2018 Annual Report (the "Annual Report")

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

The Annual Report is expected to be made available to us after the date of the auditor's report. If, based on the work we will perform on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Trust's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Trust or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Trust's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Trust's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Trust to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Timothy Wilson.

/s/ Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Ontario

February 11, 2019

Consolidated Balance Sheets

(Canadian dollars, in thousands)

As at	Note	December 31, 2018	December 31, 2017
Assets			
Non-current assets			
Investment properties	4	**$ 5,696,194**	$ 5,436,597
Other assets		**2,801**	2,929
		5,698,995	5,439,526
Current assets			
Tenant and other receivables		**2,145**	1,966
Other assets		**2,561**	3,004
Cash and cash equivalents		**4,991**	10,902
		9,697	15,872
Total assets		**$ 5,708,692**	$ 5,455,398
Liabilities			
Non-current liabilities			
Class C LP Units	5	**$ 1,451,550**	$ 1,451,550
Mortgages payable	6	**—**	43,595
Debentures	7	**1,069,844**	869,471
Other liabilities		**3,348**	3,410
		2,524,742	2,368,026
Current liabilities			
Mortgages payable	6	**37,100**	415
Credit facilities	8	**14,995**	179,941
Other liabilities		**33,048**	32,608
Distributions payable	9	**13,898**	12,967
		99,041	225,931
Total liabilities		**2,623,783**	2,593,957
Equity			
Unitholders' equity	9	**1,306,355**	1,168,777
Non-controlling interests	9, 11	**1,778,554**	1,692,664
Total equity		**3,084,909**	2,861,441
Total liabilities and equity		**$ 5,708,692**	$ 5,455,398

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

"David Laidley"

David Laidley
Trustee

"Anna Martini"

Anna Martini
Trustee

Consolidated Statements of Income and Comprehensive Income

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

For the year ended December 31,	Note		**2018**		2017
Property revenue	12	**$**	**472,483**	$	443,303
Property expense	12		**(108,636)**		(98,290)
General and administrative expense	13		**(12,189)**		(11,045)
Net interest and other financing charges	14		**(104,380)**		(96,378)
Fair value adjustment on investment properties	4		**53,628**		79,687
Net income and comprehensive income		**$**	**300,906**	$	317,277
Net income and comprehensive income attributable to:					
Unitholders		**$**	**128,030**	$	135,822
Non-controlling interests	11		**172,876**		181,455
		$	**300,906**	$	317,277
Net income per unit - basic	9	**$**	**1.401**	$	1.501
Net income per unit - diluted	9	**$**	**1.098**	$	1.232

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

Consolidated Statements of Changes in Equity

(Canadian dollars, in thousands)

	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		**—**	**128,030**	**128,030**	**172,876**	**300,906**
Issuance of Class B LP Units, net of issue costs	4	**—**	**—**	**—**	**14,022**	**14,022**
Exchange of Class B LP Units for Units	9	**10,800**	**—**	**10,800**	**(10,800)**	**—**
Distributions	9	**—**	**(67,050)**	**(67,050)**	**(90,208)**	**(157,258)**
Issuance of Units from REIT Offering, net of issue costs	9	**62,276**	**—**	**62,276**	**—**	**62,276**
Issuance of Units under Distribution Reinvestment Plan and other	9	**3,522**	**—**	**3,522**	**—**	**3,522**
Balance at December 31, 2018		**$ 960,688**	**$ 345,667**	**$ 1,306,355**	**$ 1,778,554**	**$ 3,084,909**

	Note	Units	Retained Earnings	Unitholders' Equity	Non-controlling interests	Total Equity
Balance at December 31, 2016		**$ 881,736**	**$ 212,471**	**$ 1,094,207**	**$ 1,496,377**	**$ 2,590,584**
Net income and comprehensive income for the period		—	135,822	135,822	181,455	317,277
Issuance of Class B LP Units, net of issue costs	4	—	—	—	99,705	99,705
Distributions	9	—	(63,606)	(63,606)	(84,873)	(148,479)
Issuance of Units under Distribution Reinvestment Plan and other	9	2,354	—	2,354	—	2,354
Balance at December 31, 2017		**$ 884,090**	**$ 284,687**	**$ 1,168,777**	**$ 1,692,664**	**$ 2,861,441**

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

Consolidated Statements of Cash Flows

(Canadian dollars, in thousands)

For the year ended December 31,	Note	2018	2017
Cash generated from (used for):			
Operating activities			
Net income		**$ 300,906**	$ 317,277
Add/(deduct):			
Fair value adjustment on investment properties	4	**(53,628)**	(79,687)
Property straight-line rent revenue	12	**(18,404)**	(22,822)
Deferred income tax		**(7)**	60
Straight-line ground lease expense		**62**	62
Net interest and other financing charges		**104,380**	96,378
Changes in working capital and other	15	**(1,587)**	5,886
Cash generated from operating activities		**$ 331,722**	$ 317,154
Investing activities			
Income-producing property		**(75,187)**	(172,485)
Development activities and land investments		**(75,516)**	(90,196)
Capital expenditures recoverable from tenants		**(19,112)**	(16,500)
Proceeds of disposition		**661**	18
Cash used for investing activities		**$ (169,154)**	$ (279,163)
Financing activities			
Proceeds from REIT Offering, net	9	**62,348**	—
Proceeds from issuance of debentures, net	7	**198,661**	173,844
Redemption of Class C LP Units	5	**—**	(23,139)
Unit distributions		**(62,985)**	(61,029)
Class B LP Unit distributions paid or loaned		**(89,890)**	(84,193)
Payments on Class C LP Units paid or loaned	5	**(68,219)**	(68,947)
Credit facilities draws (repayments), net	8	**(164,946)**	70,117
Mortgage principal repayments	6	**(6,915)**	(17,901)
Mortgage borrowing	6	**—**	6,000
Net interest paid		**(36,501)**	(28,026)
Class B LP Unit issuance costs		**(32)**	(184)
Cash used for financing activities		**$ (168,479)**	$ (33,458)
Cash (used for)/generated from the period		**$ (5,911)**	$ 4,533
Cash and cash equivalents, beginning of period		**10,902**	6,369
Cash and cash equivalents, end of period		**$ 4,991**	$ 10,902

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

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018 and 2017

(All dollar amounts are in thousands, except unit and per unit amounts)

1. NATURE OF CT REAL ESTATE INVESTMENT TRUST

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

Canadian Tire Corporation, Limited (“CTC”) owned a 76.2% effective interest in CT REIT as of December 31, 2018, consisting of 44,519,508 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 5). The Units are listed on the Toronto Stock Exchange (the “TSX”) under the symbol CRT.UN.

2. BASIS OF PRESENTATION

(a) Fiscal year

The fiscal years for the consolidated financial statements and the notes presented for 2018 are for the years ended December 31, 2018 and 2017.

(b) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) using the accounting policies that are described herein.

These consolidated financial statements were approved for issuance by CT REIT’s Board of Trustees (the “Board”), on the recommendation of its Audit Committee, on February 11, 2019.

(c) Basis of presentation

These consolidated 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 financial statements are presented in Canadian dollars (“C$”), which is CT REIT's functional currency, rounded to the nearest thousand, except per unit amounts.

(d) Critical judgments in applying significant accounting policies

The following are the critical judgments that have been made in applying CT REIT’s accounting policies and that have the most significant effect on the amounts in the consolidated financial statements:

(i) Leases

CT REIT as a lessor

CT REIT’s policy for revenue recognition is described in Note 3(e). In applying this policy, judgments are made with respect to whether tenant improvements provided in connection with a lease enhance the value of the leased property, which determines whether such amounts are treated as additions to investment property as well as the point in time at which revenue recognition under the lease commences, or constitutes a tenant incentive that is amortized as a reduction of lease revenue over the initial term of the lease.

CT REIT also makes judgments in assessing the classification of its leases with tenants as operating leases, in particular long-term leases in single tenant properties. CT REIT has determined that all of its leases are operating leases.

CT REIT as a lessee

Judgment is applied to determine whether a lease is classified as either a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to CT REIT is classified as a finance lease. CT REIT does not have any finance leases.

An operating lease is a lease other than a finance lease. Operating lease payments are recognized as an operating expense in the statement of income on a straight-line basis over the lease term (see Note 17).

(ii) Investment properties

CT REIT applies judgment in determining whether the properties it acquires are considered to be asset acquisitions or business combinations. CT REIT considers all properties acquired to date to be asset acquisitions.

Judgment is applied in determining whether certain costs are additions to the carrying amount of the investment property.

CT REIT had obtained independent appraisals such that substantially all of its properties were externally appraised over a four-year period. CT REIT modified its use of independent appraisals in Q4 2018. The scope of properties subject to external appraisals over the four year cycle changed from 100% to approximately 80% of the portfolio's IFRS fair value by excluding any single tenant asset that has a fair value, in management’s estimation, below a certain threshold.

(iii) Income taxes

CT REIT makes judgments that, with the exception of transactions involving CT REIT GP Corp. (the "GP"), deferred income taxes are not recognized in CT REIT’s financial statements on the basis that CT REIT can deduct distributions paid such that its liability for income taxes is substantially reduced or eliminated for the period, and CT REIT intends to

continue to distribute its taxable income and continue to qualify as a real estate investment trust for the foreseeable future.

(iv) Consolidation of the Partnership

CT REIT makes judgments in the application of IFRS 10 - *Consolidated Financial Statements* in its assessment of control over the Partnership, including the purpose for which the Partnership was created, the power to direct the relevant activities of the Partnership, its exposure or rights to the variable returns of the Partnership and its ability to use its power to affect its returns.

(v) Proportionate consolidation of interest in Canada Square

CT REIT makes judgments in the application of IFRS 11 - *Joint Arrangements* in its assessment of joint control over the interest held in Canada Square, a mixed-use commercial property in Toronto, Ontario (the "Co-Ownership"), and its rights to the assets and obligations for the liabilities related to the Co-Ownership.

(e) Critical accounting estimates and assumptions

CT REIT makes estimates and assumptions that affect the carrying amounts of assets and liabilities, disclosure of contingent assets and liabilities, and the reported amount of earnings for the period. Actual results may differ from estimates. The estimates and assumptions underlying the valuation of investment properties, as set out in Note 4, are considered critical.

(f) Standards, amendments and interpretations issued and adopted

The following amendments have been issued and are effective for the fiscal year ended December 31, 2018, and accordingly, have been applied in preparing these consolidated financial statements.

(i) Financial instruments

CT REIT has adopted IFRS 9 - *Financial Instruments* ("IFRS 9"), issued in July 2014, and the related consequential amendments to IFRS 7 - *Financial Instruments: Disclosures*, with a date of initial application of January 1, 2018. IFRS 9 introduced new requirements for 1) classification and measurement of financial assets and financial liabilities, 2) impairment for financial assets and 3) general hedge accounting, which represent a significant change from IAS 39 - *Financial Instruments: Recognition and Measurement* ("IAS 39").

IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income ("FVTOCI") and fair value through profit or loss ("FVTPL"). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

The standard eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale.

Cash and cash equivalents, tenant and other receivables and deposits, which were classified as loans and receivables under IAS 39, are now classified at amortized cost, because their previous category under IAS 39 was eliminated, with no change in the carrying amounts. There were no further changes to the classification of financial asset and liabilities as a result of the adoption of IFRS 9.

Furthermore, IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortized cost. Under IFRS 9, credit losses are recognized earlier than under IAS 39. The adoption of IFRS 9 did not result in any change to CT REIT's allowance for impairment.

CT REIT also early adopted amendments to IFRS 9 issued in October 2017 on January 1, 2018. The component of the amendments relevant to CT REIT relates to clarifying the accounting for the modification of financial liabilities and requires CT REIT to recognize any adjustments to the amortized cost of the financial liability arising from a modification or exchange in profit or loss at the date of the modification or exchange, regardless of whether the changes are substantial and result in derecognition of the financial liability. The adoption of these amendments to IFRS 9 did not have an impact on the REIT.

(ii) Revenue from contracts with customers

The REIT has adopted IFRS 15 - *Revenue from Contracts with Customers* ("IFRS 15") as issued in May 2014 with a date of initial application of January 1, 2018. IFRS 15 outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers; except for contracts that are within the scope of the standards on leases, insurance contracts, and financial instruments. IFRS 15 also contains enhanced disclosure requirements.

The adoption of IFRS 15 did not impact the amount or timing of revenue recognized by the REIT from contracts with customers.

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

The following new standards, amendments and interpretations have been issued but are not effective for the fiscal year ended December 31, 2018, and accordingly, have not been applied in preparing these consolidated financial statements.

(i) Leases

In January 2016, the International Accounting Standards Board ("IASB") issued IFRS 16 - *Leases* ("IFRS 16"), which will replace 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, unless the lease term is 12 months or less or the underlying asset has a low value. IFRS 16 substantially carries forward the lessor accounting in IAS 17, with the distinction between operating leases and finance leases being retained. CT REIT is the lessee for certain ground leases, as disclosed in Note 17 to the financial statements, which are in scope for IFRS 16. The adoption of IFRS 16 will result in the recognition of right-of-use assets and lease liabilities of approximately $60,000 to $70,000 associated with ground leases but is not expected to have a significant impact on CT REIT's income. CT REIT has determined that all of the leases for which it is a lessee are investment properties. Accordingly, the right-of-use asset will be measured at fair value and classified as investment property at the date of initial application on January 1, 2019. Lease-related expenses previously recorded in property expense will now be recorded as fair value adjustment on investment properties and net interest and other financing charges on the Consolidated Statements of Income and Comprehensive Income from unwinding the discount on the lease liabilities. IFRS 16 will change the presentation of cash flows relating to leases as a lessee in CT REIT's Consolidated Statements of Cash Flows, but does not cause a difference in the amount of cash transferred between

parties of a lease. IFRS 16 will be applied for the 2019 annual fiscal period using the modified retrospective approach and therefore CT REIT will not be restating comparative figures.

(ii) IASB annual improvements

In December 2017, the IASB issued amendments to four standards, including IFRS 3 - *Business Combinations*, IFRS 11 - *Joint Arrangements*, IAS 12 - *Income Taxes* and IAS 23 - *Borrowing Costs*.

These amendments will be effective for annual periods beginning on or after January 1, 2019. The implementation of these amendments is not expected to have a significant impact on CT REIT.

(iii) Definition of material

In October 2018, the IASB issued amendments to IAS 1 - *Presentation of Financial Statements* and IAS - 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, clarifying the definition of material. Under the amended definition, information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The amendments also clarify the explanations accompanying the definition of material.

The amendments are effective from January 1, 2020 and are required to be applied prospectively. Early application is permitted. The implementation of these amendments is not expected to have a significant impact on CT REIT.

(iv) Definition of business

In October 2018, the IASB issued amendments to IFRS 3 - *Business Combination*. The amendments narrowed and clarified the definition of a business. The amendments will help companies determine whether an acquisition is of a business or a group of assets. They also permit a simplified assessment of whether an acquired set of activities and assets is a group of assets rather than a business. Distinguishing between a business and a group of assets is important because an acquirer recognizes goodwill only when acquiring a business.

The amendments apply to transactions for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020. Earlier adoption is permitted. The implementation of these amendments is not expected to have a significant impact on CT REIT.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, except as noted below.

(a) Basis of consolidation

These consolidated financial statements include the accounts of CT REIT and its consolidated subsidiaries consisting of the Partnership and the GP, which are the entities over which CT REIT has control. Control exists when CT REIT has the ability to

direct the relevant activities of an entity, has exposure or rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. CT REIT reassesses whether or not it controls an entity if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Consolidation of a subsidiary begins when CT REIT obtains control over the subsidiary and ceases when CT REIT loses control of the subsidiary. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between CT REIT and its subsidiaries, and among subsidiaries of CT REIT, are eliminated on consolidation.

Net income and comprehensive income are attributed to the Unitholders of CT REIT and to the non-controlling interest even if this results in the non-controlling interest having a deficit balance.

CT REIT holds all of the Class A limited partnership units ("Class A LP Units") of the Partnership, which are the sole class of Partnership units that carry voting rights. In addition, CT REIT holds all of the shares of the GP, the general partner of the Partnership, which has the power to direct the relevant activities of the Partnership. Accordingly, CT REIT is exposed to variable returns from its interest in the Partnership and has the ability to direct the relevant activities thereof to affect its returns. Therefore CT REIT consolidates the Partnership.

Non-controlling interests in the equity of the Partnership, which consists of Class B LP Units held by a wholly owned subsidiary of CTC, are shown separately in equity on the consolidated balance sheet.

(b) Joint arrangements

A joint arrangement is an arrangement in which two or more parties have joint control. Joint control is the contractually agreed sharing of control whereby decisions about relevant activities require unanimous consent of the parties sharing control. A joint arrangement is classified as a joint operation when the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities related to the arrangement. A joint arrangement is classified as a joint venture when the parties that have joint control of the arrangement have rights to the net assets of the arrangement. A party to a joint operation records its interest in the assets, liabilities, revenue and expenses of the joint operation.

CT REIT acquired a one-third interest in a co-ownership, pursuant to a co-ownership arrangement. The co-ownership is a joint arrangement as the material decisions about relevant activities require unanimous consent of the co-owners. This joint arrangement is a joint operation as each co-owner has rights to the assets and obligations for the liabilities related to the Co-ownership. Accordingly, CT REIT recognizes its proportionate share of the assets, liabilities, revenue and expenses of the Co-Ownership in its financial statements.

(c) Investment properties

Investment properties include income-producing properties and properties under development that are held by CT REIT to earn rental income. CT REIT accounts for its investment properties in accordance with IAS 40 - *Investment Property* ("IAS 40"). For acquired investment properties that meet the definition of a business, the acquisition is accounted for as a business combination in accordance with IFRS 3 - *Business Combinations* ("IFRS 3"), otherwise they are initially measured at cost including directly attributable acquisition costs. Subsequent to acquisition, investment properties are carried at fair value, which is determined based on available market evidence at the balance sheet date including, among other things, rental revenue from current leases and

reasonable and supportable assumptions that represent what knowledgeable, willing parties would assume about rental revenue from future leases less future cash outflows in respect of capital expenditures. Gains and losses arising from changes in fair value are recognized in net income in the period of change.

The initial cost of properties under development includes the acquisition cost of the properties, direct development costs, realty taxes and borrowing costs attributable to properties under development. Borrowing costs associated with direct expenditures on properties under development are capitalized. The amount of capitalized borrowing costs is determined first by reference to property-specific borrowings, where relevant, and otherwise by applying a weighted average cost of borrowings to eligible expenditures after adjusting for borrowings associated with other specific developments. Where borrowings are associated with specific developments, the amount capitalized is the gross cost incurred on those borrowings less any investment income arising on their temporary investment. Borrowing costs are capitalized from the commencement of the development until the date of practical completion. The capitalization of borrowing costs is suspended if there are prolonged periods when development activity is interrupted. Practical completion is when the property is capable of operating in the manner intended by management. Generally, this occurs on completion of construction and receipt of all necessary occupancy and other material permits.

If considered reliably measurable, properties under development are carried at fair value. Properties under development are measured at cost if fair value is not reliably measurable. In determining the fair value of properties under development, management considers, among other things, the development risk of the property, the provisions of the construction contract, the stage of completion and the level of reliability of cash inflows after completion.

Leasing costs incurred by CT REIT in negotiating and arranging tenant leases are added to the carrying amount of investment properties. Payments to tenants under lease contracts are characterized as either capital expenditures in the form of tenant improvements that enhance the value of the property or as lease inducements. Tenant improvements are capitalized as part of investment properties. Lease inducements are capitalized as a component of investment properties and are amortized over the term of the lease as a reduction of revenue.

When an investment property is sold, the gain or loss is determined as the difference between the net disposal proceeds and the carrying amount of the property, and is recognized in net income in the period of disposal.

(d) Business combinations

CT REIT accounts for investment property acquisitions as a business combination if the particular assets and set of activities acquired can be operated and managed as a business in its current state. CT REIT applies the acquisition method to account for business combinations. The consideration transferred for a business combination is the fair value of the assets transferred, the liabilities assumed from or incurred to the former owners of the acquiree and the equity interests issued by CT REIT. The total consideration includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired as well as liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition related costs incurred in a business combination are expensed as incurred.

CT REIT recognizes any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of the acquiree's identifiable net assets.

(e) Revenue recognition

CT REIT has retained substantially all of the risks and benefits of ownership of its investment properties and therefore accounts for leases with its tenants as operating leases. Revenue recognition under a lease commences when the tenant has a right to use the leased asset. Generally, this occurs on the lease inception date or, where CT REIT is required to make additions to the property in the form of tenant improvements that enhance the value of the property, upon substantial completion of those improvements. Property revenue includes all amounts earned from tenants related to lease agreements including property tax, operating cost and other recoveries.

The total amount of minimum lease payments to be received from operating leases is recognized on a straight-line basis over the term of the lease. A straight-line rent receivable, which is included in the carrying amount of investment properties, is recorded for the difference between the rental revenue recorded and the contractual amount of minimum base rent received or receivable.

(f) Income taxes

CT REIT is a "mutual fund trust" under the Income Tax Act (Canada). The Trustees intend to distribute or designate all taxable income directly earned by CT REIT to Unitholders and to deduct such distributions for income tax purposes.

Legislation relating to the federal income taxation of Specified Investment Flow Through ("SIFT") trusts or partnerships provide that certain distributions from a SIFT will not be deductible in computing the SIFT's taxable income and that the SIFT will be subject to tax on such distributions at a rate that is substantially equivalent to the general tax rate applicable to Canadian corporations. However, distributions paid by a SIFT as a return of capital should generally not be subject to tax.

Under the SIFT rules, the taxation regime will not apply to a real estate investment trust that meets prescribed conditions relating to the nature of its assets and revenue (the "REIT Exception"). CT REIT has reviewed the SIFT rules and has assessed their interpretation and application to CT REIT's assets and revenue. While there are uncertainties in the interpretation and application of the SIFT rules, CT REIT believes that it meets the REIT Exception. Accordingly, with the exception of transactions with the GP, no net current income tax expense or deferred income tax assets or liabilities have been recorded in the consolidated financial statements.

(g) Class C LP Units

Each series of the Class C LP Units are redeemable, at the option of the holder, at a specified future date and can be settled at the option of the Partnership in cash or a variable number of Class B LP Units. Accordingly, the Class C LP Units are classified as financial liabilities and fixed payments on the Class C LP Units are presented as interest expense in the consolidated statement of income and comprehensive income using the effective interest method.

(h) Non-controlling interests

Class B LP Units are classified as non-controlling interests and are presented as a component of equity as they represent equity interests in the Partnership not attributable, directly or indirectly, to CT REIT.

(i) Provisions

A provision is a liability of uncertain timing or amount. Provisions are recognized when CT REIT has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the

amount can be reliably estimated. Provisions are not recognized for future operating losses. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. Provisions are remeasured at each balance sheet date using the then current discount rate. The increase in the provision due to the passage of time is recognized as interest expense.

(j) Unit based compensation plans

CT REIT offers a Deferred Unit Plan (the "DU Plan") for trustees who are not employees or officers of CT REIT or its affiliates, whereby such trustees may elect to receive all or a portion of their annual compensation in deferred units ("DUs"). CT REIT has a Restricted Unit Plan (the "RU Plan") for executives, whereby the executives of CT REIT may be issued discretionary grants or may elect to receive all or a portion of their annual short-term incentive plan awards in restricted units ("RUs"), and a Performance Unit Plan (the "PU Plan") whereby the performance units ("PUs") are granted to employees of CT REIT as part of their long-term incentive plan.

DUs, RUs and PUs are recorded as liabilities and expensed as compensation expense over the vesting period. Accrued compensation costs under the plans are adjusted to the fair value of the vested units at each reporting date.

(k) Cash and cash equivalents

Cash and cash equivalents include cash and short-term investments with original maturities of three months or less.

(l) Financial instruments and derivatives

The accounting policies applied from January 1, 2018 onwards are in compliance with IFRS 9. The policies applied under the previous accounting standard (IAS 39) were applied in the accounting for the comparative period results.

As a result of adopting IFRS 9, the REIT updated its accounting policies for the recognition, classification and impairment of financial instruments, which are as follows:

Recognition and initial measurement - Financial assets and financial liabilities are recognized in the consolidated balance sheets when the REIT becomes a party to the contractual provisions of a financial instrument or non-financial derivative contract. All financial instruments are measured at fair value on initial recognition.

Transaction costs that are directly attributable to the acquisition or issuance of financial assets and financial liabilities, other than financial assets and financial liabilities classified as FVTPL, are added to or deducted from the fair value on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities classified as FVTPL are recognized immediately in net income.

Classification and subsequent measurement - The REIT classifies financial assets, at the time of initial recognition, according to the REIT's business model for managing the financial assets and the contractual terms of the cash flows.

Financial assets are subsequently measured at amortized cost if both of the following conditions are met and they are not designated as at FVTPL: a) the financial asset is held within a business model whose objective is to hold financial assets to collect contractual

cash flows; and b) the contractual terms of the financial asset give rise to cash flows on specified dates that are solely payments of principal and interest on the principal amount outstanding. These assets are subsequently measured at amortized cost using the effective interest rate method, less any impairment, with gains and losses recognized in net income in the period that the asset is derecognized or impaired.

Financial liabilities are subsequently measured at amortized cost using the effective interest rate method with gains and losses recognized in net income in the period that the liability is derecognized.
The REIT measures all financial instruments at amortized cost, except for liabilities for unit based compensation plans which are included in other liabilities and carried at fair value.

Impairment of financial instruments - The REIT recognizes a loss allowance on a forward looking basis at an amount equal to the lifetime ECL on its financial assets measured at amortized cost. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument.

4. INVESTMENT PROPERTIES

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

	December 31, 2018			December 31, 2017		
	Income-producing properties	**Properties Under Development**	**Total investment properties**	Income-producing properties	Properties Under Development	Total investment properties
Balance, beginning of period	**$ 5,337,515**	**$ 99,082**	**$ 5,436,597**	$ 4,979,231	$ 21,124	$ 5,000,355
Property acquisitions (including transaction costs)	**89,429**	**—**	**89,429**	209,677	—	209,677
Intensifications	**—**	**18,625**	**18,625**	—	24,893	24,893
Developments	**—**	**47,079**	**47,079**	—	64,882	64,882
Development land	**—**	**12,642**	**12,642**	—	13,380	13,380
Capitalized interest and property taxes	**—**	**2,752**	**2,752**	—	1,957	1,957
Transfers	**52,947**	**(52,947)**	**—**	27,154	(27,154)	—
Fair value adjustment on investment properties	**53,628**	**—**	**53,628**	79,687	—	79,687
Straight-line rent	**18,404**	**—**	**18,404**	22,822	—	22,822
Recoverable capital expenditures	**17,699**	**—**	**17,699**	18,962	—	18,962
Dispositions	**(661)**	**—**	**(661)**	(18)	—	(18)
Balance, end of period [1]	**$ 5,568,961**	**$ 127,233**	**$ 5,696,194**	$ 5,337,515	$ 99,082	$ 5,436,597

[1] Includes purchased lands for $13,911 (December 31, 2017 - $9,209) held for development.

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

As at December 31, 2018, management's determination of fair value was updated for current market assumptions, informed by market capitalization rates provided by independent appraisal professionals.

CT REIT had obtained independent appraisals such that substantially all of its properties were externally appraised over a four-year period. CT REIT modified its use of independent appraisals in Q4 2018. The scope of properties subject to external appraisals over the four year cycle changed from 100% to approximately 80% of the portfolio's IFRS fair value by excluding any single tenant asset that has a fair value, in management's estimation, below a certain threshold.

The fair value of investment properties is based on Level 3 inputs (see Note 19(a) 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	62
Value at December 31, 2018	$ 4,149,740	$ 1,546,453
Discount rate	—%	6.95%
Terminal capitalization rate	—%	6.54%
Overall capitalization rate	6.17%	—%
Hold period (years)	—	10

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

The following table summarizes the sensitivity of the fair value of 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	$ 3,712,280	$ (437,460)	$ 1,398,562	$ (147,891)
+ 50 basis points	3,846,909	(302,831)	1,444,392	(102,061)
+ 25 basis points	3,992,329	(157,411)	1,493,710	(52,743)
December 31, 2018	$ 4,149,740	$ —	$ 1,546,453	$ —
- 25 basis points	4,320,812	171,072	1,604,561	58,107
- 50 basis points	4,507,235	357,495	1,667,187	120,734
- 75 basis points	$ 4,711,459	$ 561,719	$ 1,735,399	$ 188,946

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**

2017 Investment and Development Activity

Funding of investment and development activities for the year ended December 31, 2017 was as follows:

	YTD 2017 Investment and Development Activity				
	Property investments	Development land	Developments	Intensifications	Total
Funded with working capital to CTC	$ 28,800	$ 6,640	$ 14,623	$ 16,453	$ 66,516
Funded with working capital to third parties	40,907	4,980	7,566	8,253	61,706
Funded with Bridge Facility	102,382	—	23,618	—	126,000
Capitalized interest and property taxes	—	—	1,957	—	1,957
Issuance of Class B LP Units to CTC	37,588	1,760	13,075	187	52,610
Mortgages payable	—	—	6,000	—	6,000
Total costs	$ 209,677	$ 13,380	$ 66,839	$ 24,893	$ 314,789

Included in CT REIT's portfolio are 10 (2017 – nine) properties which are situated on ground leases with remaining initial terms of up to 37 years (December 31, 2017 – up to 38 years), and an average remaining initial term of 14 years (December 31, 2017 – 16 years).

5. 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 the GP shares, subject to certain exceptions.

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

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

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

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

Series	**Expiry of Initial Fixed Rate Period**	**Annual distribution rate during Initial Fixed Rate Period**	**Carrying amount at December 31, 2018**	Carrying amount at December 31, 2017
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			**$ —**	$ —
Non-current			**1,451,550**	1,451,550
Total			**$ 1,451,550**	$ 1,451,550

For the year ended December 31, 2018, interest expense of $68,219 (2017 - $68,826) was recognized in respect of the Class C LP Units (see Note 14). 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 year ended December 31, 2018 of $62,027 (2017 – $62,380), were deferred until the first business day following the end of the fiscal year and non-interest bearing loans equal to the deferred payments were advanced in lieu thereof. The net amount of payments due in respect of the Class C LP Units at December 31, 2018 of $5,685 (2017 – $5,685) is included in other liabilities on the consolidated balance sheets. The loans deferred as at December 31, 2018 were settled on January 2, 2019.

6. MORTGAGES PAYABLE

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

	December 31, 2018		December 31, 2017	
	Face value	**Carrying amount**	Face value	Carrying amount
Current	**$ 37,133**	**$ 37,100**	$ 422	$ 415
Non-current	**—**	**—**	43,626	43,595
Total	**$ 37,133**	**$ 37,100**	$ 44,048	$ 44,010

Future repayments are as follows:	**Principal amortization**	**Maturities**	**Total**
2019	—	37,133	37,133
Total contractual obligation	$ —	$ 37,133	$ 37,133
Unamortized transaction costs			(33)
			$ 37,100

Mortgages payable at December 31, 2018 had a weighted average interest rate of 3.81% (December 31, 2017 – 3.07%) and a maturity date of December 2019. At December 31, 2018, floating rate and fixed rate mortgages were $37,133 (December 31, 2017 – $37,133) and $0 (December 31, 2017 – $6,915), respectively.

Investment properties having a fair value of $77,050 (December 31, 2017 – $95,704) have been pledged as security for mortgages payable.

7. DEBENTURES

	December 31, 2018		December 31, 2017	
Series	**Face value**	**Carrying amount**	Face value	Carrying amount
A, 2.85%, June 9, 2022	**$ 150,000**	**$ 149,475**	$ 150,000	$ 149,277
B, 3.53%, June 9, 2025	**200,000**	**198,949**	200,000	198,739
C, 2.16%, June 1, 2021	**150,000**	**149,577**	150,000	149,270
D, 3.29%, June 1, 2026	**200,000**	**198,995**	200,000	198,717
E, 3.47%, June 16, 2027	**175,000**	**174,036**	175,000	173,468
F, 3.87%, December 7, 2027	**200,000**	**198,812**	—	—
	$ 1,075,000	**$ 1,069,844**	$ 875,000	$ 869,471

Debentures as at December 31, 2018, had a weighted average interest rate of 3.25% (December 31, 2017 – 3.11%).

On February 7, 2018 CT REIT issued $200,000 aggregate principal amount of senior unsecured debentures, with an interest rate of 3.87%.

For the year ended December 31, 2018, amortization of the transaction costs of $1,043 (December 31, 2017 – $756) are included in net interest and other financing charges on the consolidated statements of income and comprehensive income (see Note 14).

8. CREDIT FACILITIES

CT REIT's credit facilities are comprised of the following:

	December 31, 2018	December 31, 2017
Bank Credit Facility	**$ 14,995**	$ 53,941
Bridge Facility	**—**	126,000
	$ 14,995	$ 179,941

(a) 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") available until 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 December 31, 2018, $14,995 (December 31, 2017 – $53,941) of borrowings were drawn on the Bank Credit Facility and $2,372 (December 31, 2017 – $2,065) of letters of credit were outstanding under the Bank Credit Facility. At December 31, 2018, borrowings under the Bank Credit Facility had a weighted average interest rate of 3.46% (December 31, 2017 – 2.33%).

(b) Bridge Facility

In December 2017, CT REIT entered into a loan agreement with CTC ("Bridge Facility") solely for the purpose of facilitating the acquisition of a portfolio of certain investment properties. The Bridge Facility was repaid in Q1 2018 and was not available to CT REIT at December 31, 2018.

As at December 31, 2018, $nil (December 31, 2017 – $126,000) borrowings were drawn on the Bridge Facility.

9. EQUITY

Authorized and outstanding units

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

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 "REIT Offering") and the sale of 15,936,000 Units by CTC (the "Secondary Offering" and, together with the REIT Offering, referred to as the "Equity Offering"). In connection with the 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 Secondary Offering.

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

			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**
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**

			As at December 31, 2017
	Units	Class B LP Units	Total
Total outstanding at beginning of year	90,479,102	116,367,697	206,846,799
Issued	166,193	6,725,169	6,891,362
Total outstanding at end of year	90,645,295	123,092,866	213,738,161

Net income attributable to Unitholders and weighted average units outstanding used in determining basic and diluted net income per unit for the year ended December 31, 2018 and 2017, are calculated as follows, respectively:

	For the Year ended December 31, 2018		
	Units	**Class B LP Units**	**Total**
Net income attributable to Unitholders - basic	**$ 128,030**	**$ 172,876**	**$ 300,906**
Income effect of settling Class C LP Units with Class B LP Units			**68,219**
Net income attributable to Unitholders - diluted			**$ 369,125**
Weighted average units outstanding - basic	**91,326,658**	**123,478,988**	**214,805,646**
Dilutive effect of other Unit plans			**234,427**
Dilutive effect of settling Class C LP Units with Class B LP Units			**121,102,386**
Weighted average units outstanding - diluted			**336,142,459**

	For the Year ended December 31, 2017		
	Units	Class B LP Units	Total
Net income attributable to Unitholders - basic	$ 135,822	$ 181,455	$ 317,277
Income effect of settling Class C LP Units with Class B LP Units			68,826
Net income attributable to Unitholders - diluted			$ 386,103
Weighted average units outstanding - basic	90,561,829	120,748,416	211,310,245
Dilutive effect of other Unit plans			146,241
Dilutive effect of settling Class C LP Units with Class B LP Units			101,882,284
Weighted average units outstanding - diluted			313,338,770

Distributions on Units and Class B LP Units

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

For the year ended December 31,	**2018**	2017
	Distributions per unit	Distributions per unit
Units	**$ 0.728**	$ 0.700
Class B LP Unit	**$ 0.728**	$ 0.700

On November 5, 2018, the Board reviewed and approved the current rate of distribution of $0.728 per Unit per year and approved an increase in the annual rate of distribution to $0.757 per Unit per year, or monthly distribution rate of $0.0631 per Unit, when declared, commencing with the December 31, 2018 record date.

On December 14, 2018, CT REIT's Board declared a distribution of $0.0631 per Unit paid on January 15, 2019 to holders of Units and Class B LP Units of record as of December 31, 2018.

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

Units

Each Unit is transferable and represents an equal, undivided, beneficial interest in CT REIT and any distributions from the REIT, whether of net income, net realized capital gains, or other amounts, and in the event of the termination or winding-up of CT REIT, in CT REIT's net assets remaining after satisfaction of all liabilities. All Units rank among themselves equally and ratably without discrimination, preference or priority. Each Unit entitles the holder thereof to one vote at all meetings of Unitholders or with respect to any written resolution of Unitholders. The Units have no conversion, retraction or redemption rights.

Non-controlling interests

The Class B LP Units are exchangeable on a one-for-one basis (subject to customary anti-dilution provisions) for Units at the option of the holder. Each Class B LP Unit is accompanied by a Special Voting Unit. The holders of Class B LP Units are entitled to receive distributions when declared by the Partnership equal to the per Unit amount of distributions payable to each holder of Units. However, the Class B LP Units have limited voting rights over the Partnership.

Special Voting Units

Special Voting Units are only issued (i) in tandem with Class B LP Units of the Partnership or (ii) 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, as the case may be, to which they relate. Upon any transfer of Class B LP Units or Class C LP Units, as the case may be, such Special Voting Units will automatically be transferred to the transferee of the Class B LP Units. As Class B LP Units are exchanged for Units or purchased for cancellation, the corresponding Special Voting Units will be cancelled for no consideration.

Each Special Voting Unit entitles the holder thereof to one vote at all meetings of Unitholders or with respect to any resolution in writing of Unitholders. Except for the right to attend and vote at meetings of the Unitholders or with respect to written resolutions of the Unitholders, Special Voting Units do not confer upon the holders thereof any other rights. A Special Voting Unit does not entitle its holder to any economic interest in CT REIT, or to any interest or share in CT REIT, or to any interest in any distributions (whether of net income, net realized capital gains, or other amounts), or to any interest in any net assets in the event of termination or winding-up.

CT REIT's Board retains full discretion with respect to the timing and quantum of distributions. Declared distributions are paid to Unitholders of record at the close of business on the last day of the month on or about the 15th day of the following month.

10. UNIT BASED COMPENSATION PLANS

Deferred Unit Plan for Trustees

CT REIT offers a Deferred Unit ("DU") Plan for members of its Board who are not also employees or officers of the REIT or CTC. Under this plan, eligible trustees may elect to receive all or a portion of their annual trustee fees in DUs. DUs are paid out in equivalent Units of CT REIT or, at the election of the trustee, in cash, following the trustee's departure from the Board.

As at December 31, 2018, accrued DU compensation costs, which are included in other liabilities, totaled $1,384 (2017 – $1,515). Compensation expense recorded related to DU's for the year ended December 31, 2018 was $(386) (2017 - $15). The fair value of DUs is equal to the trading price of Units, which is a Level 1 input (see Note 19(a)).

Performance Unit Plan for Employees

CT REIT offers Performance Units ("PUs") to certain employees that generally vest after three years. Each PU entitles the employee to receive a cash payment equal to the fair market value of Units of CT REIT, multiplied by a factor determined by specific performance-based criteria, as set out in the Performance Unit Plan.

As at December 31, 2018, accrued PU compensation costs, which are included in other liabilities, totaled $2,030 (2017 - $2,290). Compensation expense recorded for the year ended December 31, 2018 for PUs granted to employees was $1,027 (2017 - $1,309). The fair value of PUs is equal to the trading price of Units, which is a Level 1 input (see Note 19(a)).

Restricted Unit Plan for Executives

CT REIT offers a Restricted Unit ("RU") Plan for its executives. RUs may be issued as discretionary grants or executives may elect to receive all or a portion of their short term incentive plan in RUs. At the end of the vesting period which is generally three years from the date of grant (in the case of discretionary grants) or five years from the short term incentive plan bonus payment date (in the case of deferred bonus grants), the executives will receive an equivalent number of Units issued by CT REIT or, at the executive's election, the cash equivalent thereof.

As at December 31, 2018, accrued RU compensation costs, which are included in other liabilities, totaled $1,150 (2017 - $867). Compensation expense for the year ended December 31, 2018 was $282 (2017 - $34). The fair value of RUs is equal to the trading price of Units, which is a Level 1 input (see Note 19(a)).

11. 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 December 31, 2018	As at December 31, 2017	**For the year ended December 31, 2018**	For the year ended December 31, 2017
Name of Subsidiary				
CT REIT Limited Partnership	**56.03%**	57.59%	**$ 172,876**	$ 181,455

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.

12. REVENUE AND EXPENSES

(a) Property revenue

CT REIT leases income-producing commercial properties to tenants under operating leases. The CTC leases have staggered initial terms ranging from one to 20 years, with a weighted average remaining initial term of approximately 11 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 Year ended December 31, 2018**
Base minimum rent	**$ 316,342**	**$ 30,312**	**$ 346,654**
Straight-line rent	**18,298**	**106**	**18,404**
Subtotal base rent	**$ 334,640**	**$ 30,418**	**$ 365,058**
Property operating expense recoveries	**84,347**	**15,553**	**99,900**
Capital expenditure and interest recovery charge	**7,110**	**102**	**7,212**
Other revenues	**7**	**306**	**313**
Property revenue	**$ 426,104**	**$ 46,379**	**$ 472,483**

	CTC	Other	For the Year ended December 31, 2017
Base minimum rent	$ 300,724	$ 23,286	$ 324,010
Straight-line rent	21,945	877	22,822
Subtotal base rent	$ 322,669	$ 24,163	$ 346,832
Property operating expense recoveries	80,331	10,045	90,376
Capital expenditure and interest recovery charge	5,483	79	5,562
Other revenues	4	529	533
Property revenue	$ 408,487	$ 34,816	$ 443,303

Future base minimum rental revenue commitments on non-cancellable tenant operating leases are as follows:

	December 31, 2018
Less than one year	**$ 346,544**
Between one and five years	**1,385,403**
More than five years	**2,221,715**
Total	**$ 3,953,662**

(b) Property expense

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

For the year ended December 31,	**2018**	2017
Property taxes	**$ 86,643**	$ 79,987
Other recoverable operating costs	**13,360**	9,787
Property management [1]	**4,583**	4,479
Ground rent	**4,050**	4,037
Property expense	**$ 108,636**	$ 98,290

[1] Includes $2,038 (2017 - $2,652) payable to CTC. See Note 18.

13. GENERAL AND ADMINISTRATIVE EXPENSE

General and administrative expense is comprised of the following:

For the year ended December 31,	**2018**	2017
Personnel expense [1]	**$ 6,233**	$ 5,291
Services Agreement with CTC [2]	**3,345**	3,014
Public entity and other [1]	**2,611**	2,740
General and administrative expense	**$ 12,189**	$ 11,045

[1] Includes unit-based awards, including reduction in expense as a result of the change in the fair market value of the Units of $1,239 (2017 - $33) for the year ended December 31, 2018.

[2] See Note 18.

14. NET INTEREST AND OTHER FINANCING CHARGES

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

For the year ended December 31,		**2018**		2017
Interest on Class C LP Units [1]	**$**	**68,219**	$	68,826
Interest and financing costs - debentures		**35,187**		25,207
Interest and financing costs - Bank Credit Facility		**1,561**		1,972
Interest on mortgages payable		**1,532**		1,777
Interest costs - Bridge Facility [1]		**351**		126
	$	**106,850**	$	97,908
Less: capitalized interest		**(2,245)**		(1,365)
Interest and other financing charges less capitalized interest	**$**	**104,605**	$	96,543
Less: interest income		**(225)**		(165)
Net interest and other financing charges	**$**	**104,380**	$	96,378

[1] *Paid or payable to CTC.*

15. CHANGES IN WORKING CAPITAL AND OTHER

Changes in working capital are comprised of the following:

For the year ended December 31,		**2018**		2017
Changes in working capital and other				
Tenant and other receivables	**$**	**(179)**	$	441
Other assets		**230**		(112)
Other liabilities		**(1,115)**		5,688
Other		**(523)**		(131)
Changes in working capital and other	**$**	**(1,587)**	$	5,886

16. 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.

17. COMMITMENTS AND CONTINGENCIES

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

As at December 31, 2018, CT REIT had obligations of $129,163 (December 31, 2017 – $39,227) in future payments for the completion of developments. Included in the commitments is $123,057 due to CTC.

Operating ground lease commitments

CT REIT has entered into various ground leases with third parties, which are accounted for as operating leases. The remaining non-cancellable initial terms of the ground leases are up to 37 years, with an average remaining initial term of 14 years. The majority of the ground lease agreements are renewable at the end of the current lease term. Assuming all extensions are exercised, the ground leases have remaining terms up to 72 years with an average remaining lease term of 37 years.

The ground rent expense charged to the statement of income and comprehensive income during the year is disclosed in Note 12.

The future aggregate minimum ground lease payments under the non-cancellable operating leases terms are as follows:

	December 31, 2018	December 31, 2017
Less than one year	**$ 3,487**	$ 3,704
Between one and five years	**11,901**	12,864
More than five years	**28,373**	30,625
Total	**$ 43,761**	$ 47,193

18. 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 4:

For the year ended December 31,	Note	**2018**	2017
Rental revenue	12	**$ 426,104**	$ 408,487
Property Management and Services Agreement expense		**$ 5,383**	$ 5,666
Distributions on Units		**$ 41,737**	$ 41,935
Distributions on Class B LP Units [1]		**$ 90,209**	$ 84,873
Interest expense on Class C LP Units	14	**$ 68,219**	$ 68,826
Interest expense on the Bridge Facility	14	**$ 351**	$ 126

[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	**December 31, 2018**	December 31, 2017
Tenant and other receivables	**$ (849)**	$ (1,758)
Class C LP Units	**1,451,550**	1,451,550
Amounts payable on Class C LP Units	**67,712**	68,065
Loans receivable in lieu of payments on Class C LP Units	**(62,027)**	(62,380)
Other liabilities	**9,474**	6,556
Distributions payable on Units and Class B LP Units [1]	**28,634**	26,551
Loans receivable in lieu of distributions on Class B LP Units	**(18,038)**	(15,460)
Bridge Facility	**—**	126,000
Net balance due to CTC	**$ 1,476,456**	$ 1,599,124

[1] *Includes distributions deferred at the election of the holders of the Class B LP Units.*

(c) Compensation of executives and independent trustees

The remuneration of the chief executive officer, chief financial officer, senior vice president and the trustees who were not employees or officers of the REIT or any of its affiliates, is as follows:

For the year ended December 31,		**2018**		2017
Salaries and short-term employee benefits		**2,975**	$	2,588
Unit-based awards [1]		**491**		1,067
Total	**$**	**3,466**	$	3,655

[1] Unit-based awards, as described in Note 10, includes reduction in expense as a result of the change in the fair market value of the Units of $1,239 (2017 - $33).

The remuneration of the chief executive officer, chief financial officer and senior vice president consist principally of base salary, short-term cash incentives and long-term incentives (in the form of unit-based awards). The remuneration is determined by CT REIT's Board of Trustees, on the recommendation of the Governance, Compensation and Nominating Committee.

The compensation of trustees, who are not employees or officers of CT REIT or any of its affiliates, consists of an annual retainer and meeting fees.

19. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

(a) Fair value of financial instruments

For financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs: Are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs: Are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs: Are unobservable inputs for the asset or liability.

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 December 31, 2018, is $1,480,510, $1,043,218 and $37,381 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, Bridge 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.

(b) Financial risk management

In the normal course of business, CT REIT has exposure to risks from its use of financial instruments. CT REIT is exposed to liquidity and credit risk in connection with its financial instruments. Financial risk management policies are established for CT REIT to identify and analyze the risks faced by CT REIT, to set acceptable risk tolerance limits and controls and to monitor risks and adherence to limits. CT REIT is not exposed to significant currency or market risk arising from financial instruments. Additionally, CT REIT's exposure to interest rate changes is limited as a significant portion of its indebtedness is at fixed interest rates. Exposure to interest rate changes is dependent on the extent to which CT REIT has short term borrowings under its credit facilities, any new debt is issued or assumed on acquisitions, new series of Class C LP Units are issued to finance future real estate transactions or any existing Class C LP Units being re-priced or redeemed, as all are market dependent (see Note 5).

Liquidity risk

Liquidity risk is the risk that CT REIT will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. CT REIT's approach to managing liquidity is to ensure that it has sufficient liquidity available through cash, assets readily convertible to cash and committed bank lines of credit to support its monthly cash distributions to Unitholders, meet operating and strategic plan requirements and meet unexpected financial challenges. CT REIT has in place a leverage and liquidity policy to manage its exposure to liquidity risk.

Management has identified key financial credit metric ratios and calculates these ratios in a manner to approximate the methodology of debt rating agencies. Management monitors these metrics against industry-accepted targets to maintain investment-grade ratings from two credit rating agencies.

CT REIT uses a detailed consolidated cash flow forecast model to regularly monitor its near-term and longer-term cash flow requirements, which assists in optimizing its cash distributions to Unitholders and evaluating longer-term funding strategies.

CT REIT has access to the following financing sources to ensure that the appropriate level of liquidity is available to meet its monthly distributions and strategic objectives: committed Bank Credit Facility totaling $300,000, direct access to debt and equity markets subject to consent from CTC, and contributions from CTC to the extent cash flows from property operations are not sufficient.

Credit risk

Credit risk is the risk of financial loss if a counterparty to a financial instrument fails to meet its contractual obligations and arises principally from CT REIT's tenants and from investment securities counterparties. Credit risk arises from the possibility that CT REIT's tenants may experience financial difficulty and be unable to meet their lease obligations. CTC is CT REIT's most significant tenant and will be for the foreseeable future with Canadian Tire retail stores and distribution centres. CT REIT's revenues will be dependent on the ability of CTC to meet its rent obligations and CT REIT's ability to collect rent from CTC.

CT REIT has a Financial Risk Management Board Policy in place for management of counterparty risk related to investing activity. The overall credit risk compliance mechanisms established in this policy include credit rating requirements, approval authorities, counterparty limits, notional limits, term to maturity and portfolio diversification requirements. CT REIT limits its exposure to credit risk by investing only in highly liquid and rated term deposits, bankers' acceptances or other approved securities and only with highly rated financial institutions and government counterparties.

Interest rate risk

Interest rate risk is the potential for financial loss arising from increases in interest rates. CT REIT has minimal exposure to interest rate changes as the initial rate on the Class C LP Units, debentures and certain mortgages payable are at fixed interest rates and CT REIT currently has $14,995 (2017 - $179,941) in short-term borrowings outstanding under its credit facilities.

20. 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.

The following schedule details the capitalization of CT REIT:

As at	**December 31, 2018**	December 31, 2017
Liabilities		
Class C LP Units	**$ 1,451,550**	$ 1,451,550
Mortgages payable	**37,100**	44,010
Debentures	**1,069,844**	869,471
Credit facilities	**14,995**	179,941
Equity		
Unitholders' equity	**1,306,355**	1,168,777
Non-controlling interests	**1,778,554**	1,692,664
Total	**$ 5,658,398**	$ 5,406,413

CT REIT's Class C LP Units have a fixed, cumulative, preferential cash distribution, if, as and when declared by the board of directors of the GP.

Under the Declaration of Trust, the Trust Indenture, and the credit facilities, key financial covenants are reviewed on an ongoing basis by management to monitor compliance with the agreements. The key financial covenants for CT REIT are as follows:

- a requirement to maintain, at all times:
  - a specified maximum ratio of total indebtedness of CT REIT (plus the aggregate par value of the Class C LP Units) to gross book value of assets
  - a specified maximum ratio of total secured indebtedness of CT REIT (plus the aggregate par value of the Class C LP Units) to gross book value of assets
  - a minimum Unitholders' equity
  - a ratio of unencumbered assets to unconsolidated unsecured indebtedness
  - a specified minimum debt service coverage ratio defined as earnings before interest and taxes as a percentage of interest expense, which for greater clarity includes payments on the Class C LP Units

As at December 31, 2018, 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.

CT REIT's strategy is to satisfy its liquidity needs using cash flows generated from operating activities and cash provided by financing activities. Rental income, recoveries from tenants, interest and other income, draws on the Bank Credit Facility and further issuance of debt and equity are CT REIT's principal sources of liquidity used to pay operating expenses, distributions, debt service, and recurring capital and leasing costs in its investment property portfolio.

The principal liquidity needs for periods beyond the next year are for Unit distributions, redemptions of Class C LP Units upon scheduled expiry of the Initial Fixed Rate Period and capital expenditures. CT REIT's strategy is to meet these needs through cash flows generated from operating activities and further issuance of debt and equity.

The following table presents the contractual maturities of CT REIT's financial liabilities:

		Payments Due by Period					
	Total	**2019**	**2020**	**2021**	**2022**	**2023**	**2024 and thereafter**
Class C LP Units [1]	**$ 1,451,550**	**$ —**	**$ 251,550**	**$ —**	**$ —**	**—**	**$ 1,200,000**
Debentures	**1,075,000**	**—**	**—**	**150,000**	**150,000**	**—**	**775,000**
Payments on Class C LP Units [1]	**784,644**	**68,219**	**62,258**	**58,000**	**58,000**	**58,000**	**480,167**
Interest on debentures	**239,427**	**34,949**	**34,949**	**33,330**	**29,572**	**27,433**	**79,194**
Credit facilities [2]	**14,995**	**—**	**—**	**—**	**—**	**14,995**	**—**
Mortgages payable	**37,133**	**37,133**	**—**	**—**	**—**	**—**	**—**
Other liabilities	**28,303**	**24,955**	**3,348**	**—**	**—**	**—**	**—**
Distributions payable [3]	**13,898**	**13,898**	**—**	**—**	**—**	**—**	**—**
Payable on Class C LP Units, net of loans receivable	**5,685**	**5,685**	**—**	**—**	**—**	**—**	**—**
Interest on Bank Credit Facility	**2,465**	**519**	**519**	**519**	**519**	**389**	**—**
Interest on mortgages payable	**1,430**	**1,430**	**—**	**—**	**—**	**—**	**—**
TOTAL	**$ 3,654,530**	**$ 186,788**	**$ 352,624**	**$ 241,849**	**$ 238,091**	**$ 100,817**	**$ 2,534,361**

[1] Assume redemption on Initial Fixed Rate Period for each series.

[2] The Bank Credit Facility matures in December 2023. However, the borrowings drawn against the Bank Credit Facility as at December 31, 2018 of $14,995 is classified as a current liability as management expects to repay this amount within the next twelve months.

[3] On Units and Class B LP Units.

21. SUBSEQUENT EVENTS

On February 8, 2019, CT REIT completed a $19,925 acquisition, from a third party, of a single tenant property with a Canadian Tire store located in Canmore, Alberta.