# CT REAL ESTATE INVESTMENT TRUST
# MANAGEMENT'S DISCUSSION AND ANALYSIS
# SECOND QUARTER 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 three and six months ended June 30, 2018 and should be read in conjunction with the REIT's unaudited condensed consolidated interim financial statements ("interim financial statements") and accompanying notes for the three and six months ended June 30, 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 statement found in section 13.0 of this MD&A. Information about CT REIT, including the 2017 Annual Information Form ("AIF"), its 2017 audited annual consolidated financial statements and all other continuous disclosure documents required by the Canadian securities regulators, can be found on the System for Electronic Document Analysis and Retrieval ("SEDAR") website at www.sedar.com and on CT REIT's website in the Investors section by a link 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.

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

## 1.3 Accounting Estimates and Assumptions

The preparation of the interim financial statements in accordance with IFRS requires management to make judgments and estimates that affect the application of accounting policies and the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the interim financial statements and the reported amounts of 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 August 1, 2018. Disclosure contained in this document is current to that date, unless otherwise noted.

## 1.4 Quarterly Comparisons in this MD&A

Unless otherwise indicated, all comparisons of results for Q2 2018 (three and six months ended June 30, 2018) are against results for Q2 2017 (three and six months ended June 30, 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 (non-GAAP), adjusted funds from operations ("AFFO"), AFFO per unit - basic, AFFO per unit - diluted (non-GAAP), AFFO payout ratio, adjusted cashflow from operations ("ACFO") and earnings before interest and other financing costs, taxes and fair value adjustments ("EBITFV") are measures used by management to track and assess CT REIT's performance in meeting its principle objective of creating Unitholder value (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 August 1, 2018.

**1.7 Nature and Formation**

CT REIT is an unincorporated, closed-end real estate investment trust established on July 15, 2013 pursuant to a declaration of trust under, and governed by, the laws of the Province of Ontario as amended and restated as at October 22, 2013 (the "Declaration of Trust"). CT REIT commenced operations on October 23, 2013. The principal, registered and head office of CT REIT is located at 2180 Yonge Street, Toronto, Ontario M4P 2V8. CTC owned an 85.5% effective interest in CT REIT as of June 30, 2018, consisting of 59,711,094 of the issued and outstanding units of CT REIT ("Units") and all of the issued and outstanding Class B limited partnership units ("Class B LP Units") of CT REIT Limited Partnership (the "Partnership"), which are economically equivalent to and exchangeable for Units. 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 11.2 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) | Three Months Ended | | | Six Months Ended | | |
|---|---|---|---|---|---|---|
| For the periods ended June 30, | **2018** | 2017 | Change | **2018** | 2017 | Change [9] |
| Property revenue | **$ 118,880** | $ 111,609 | 6.5 % | **$ 235,499** | $ 222,749 | 5.7 % |
| Income before interest and other financing charges, taxes and fair value adjustments [1] | **$ 88,791** | $ 83,440 | 6.4 % | **$ 174,397** | $ 165,225 | 5.6 % |
| Net operating income [1] | **$ 86,315** | $ 80,246 | 7.6 % | **$ 170,693** | $ 159,417 | 7.1 % |
| Net income | **$ 74,744** | $ 74,299 | 0.6 % | **$ 147,258** | $ 149,621 | (1.6)% |
| Net income per unit (basic) [2] | **$ 0.350** | $ 0.354 | (1.1)% | **$ 0.689** | $ 0.716 | (3.8)% |
| Net income per unit (diluted) [4] | **$ 0.282** | $ 0.292 | (3.4)% | **$ 0.557** | $ 0.589 | (5.4)% |
| Funds from operations [1] | **$ 62,501** | $ 59,422 | 5.2 % | **$ 121,824** | $ 117,485 | 3.7 % |
| FFO per unit (diluted, non-GAAP) [1,2,3] | **$ 0.292** | $ 0.283 | 3.2 % | **$ 0.569** | $ 0.562 | 1.2 % |
| Adjusted funds from operations [1] | **$ 51,536** | $ 48,630 | 6.0 % | **$ 101,441** | $ 95,851 | 5.8 % |
| AFFO per unit (diluted, non-GAAP) [1,2,3] | **$ 0.241** | $ 0.231 | 4.3 % | **$ 0.474** | $ 0.458 | 3.5 % |
| Distributions per unit - paid [2] | **$ 0.182** | $ 0.175 | 4.0 % | **$ 0.364** | $ 0.350 | 4.0 % |
| AFFO payout ratio [1] | **76%** | 76% | — % | **77%** | 76% | 1.3 % |
| Excess of AFFO [1] over distributions: | | | | | | |
| Cash retained from operations before distribution reinvestment [6] | **$ 12,620** | $ 12,096 | 4.3 % | **$ 23,619** | $ 23,028 | 2.6 % |
| Per unit (diluted, non-GAAP) [2,3,6] | **$ 0.059** | $ 0.058 | 1.7 % | **$ 0.110** | $ 0.110 | — % |
| Cash generated from operating activities | **$ 84,286** | 77,293 | 9.0 % | **$ 164,999** | $ 159,455 | 3.5 % |
| Adjusted cashflow from operations [1] | **$ 52,964** | 49,656 | 6.7 % | **$ 97,854** | $ 94,196 | 3.9 % |
| Weighted average number of units outstanding [2] | | | | | | |
| Basic | **213,829,341** | 210,072,423 | 1.8 % | **213,797,151** | 208,947,227 | 2.3 % |
| Diluted [4] | **325,446,368** | 313,482,816 | 3.8 % | **325,408,860** | 313,139,150 | 3.9 % |
| Diluted (non-GAAP) [1,3] | **214,008,265** | 210,220,411 | 1.8 % | **213,970,757** | 209,081,429 | 2.3 % |
| Period-end units outstanding [2] | | | | **213,865,044** | 213,363,435 | 0.2 % |
| Total assets | | | | **$ 5,592,575** | $ 5,213,930 | 7.3 % |
| Total indebtedness | | | | **$ 2,581,316** | $ 2,381,895 | 8.4 % |
| Book value per unit [2] | | | | **$ 13.71** | $ 12.95 | 5.9 % |
| Market price per Unit - Close (end of period) | | | | **$ 12.90** | $ 14.38 | (10.3)% |
| **OTHER DATA** | | | | | | |
| Weighted average interest rate [7, 9] | | | | **4.07%** | 4.08% | NM |
| Indebtedness ratio [9] | | | | **46.2%** | 45.7% | NM |
| Interest coverage (times) [9] | **3.39** | 3.50 | NM | **3.35** | 3.47 | NM |
| Weighted average term to debt maturity (in years) [7, 9] | | | | **9.5** | 10.4 | NM |
| Gross leasable area (square feet) [5] | | | | **26,271,296** | 25,111,458 | 4.6 % |
| Occupancy rate [5,8,9] | | | | **98.7%** | 99.6% | NM |

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

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

*[3] Diluted units 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 June 30, 2018 and June 30, 2017.*

*[9] NM - not meaningful.*

# 4.0 OVERVIEW OF THE PROPERTY PORTFOLIO

### 4.1 Property Profile

The property portfolio as at June 30, 2018 consists of 322 retail properties, four distribution centres ("DC"), one mixed-use commercial property and eight properties under development (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 26.3 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 June 30, 2018, CTC represented 94.5% of total GLA (December 31, 2017 - 95.3%) and 92.5% 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 June 30, 2018** |
|---|---|---|---|
| (in square feet) | **GLA** | **Occupied GLA** | **Occupancy rate** [2] |
| **Property Type** | | | |
| Canadian Tire stores | **20,151,231** | **20,151,231** | **100%** |
| Distribution centres | **3,914,871** | **3,713,456** | **94.9%** |
| Mixed-use property | **280,386** | **273,326** | **97.5%** |
| Third party tenants | **1,395,999** | **1,269,011** | **90.9%** |
| Other CTC Banners [1] | **528,809** | **528,809** | **100%** |
| **Total** | **26,271,296** | **25,935,833** | **98.7%** |

*[1] May include Mark's and L'Équipeur, various FGL Sports stores, including Sport Chek, Sports Experts and 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 June 30, 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 Mark's and L'Équipeur, various FGL Sports stores, including Sport Chek, Sports Experts and 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, 2017.*

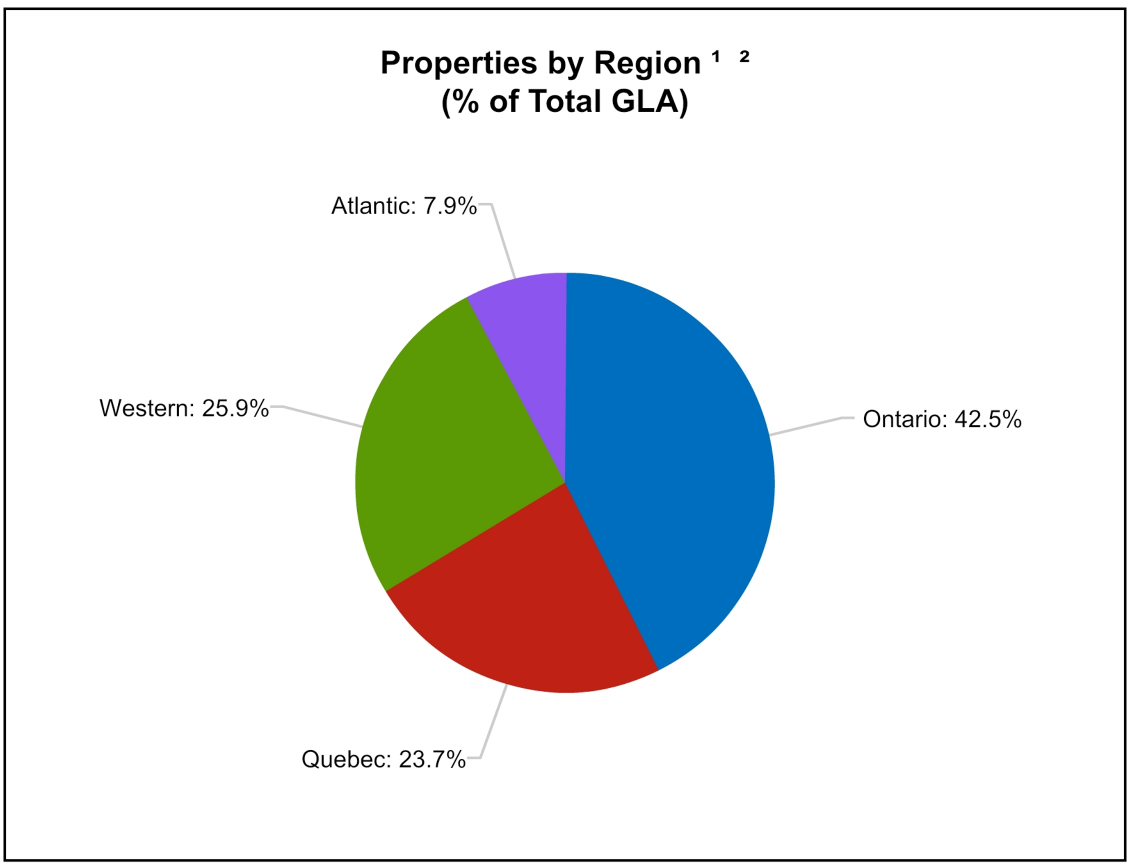
The REIT's property portfolio consists of:

| As at | June 30, 2018 | December 31, 2017 |
|---|---|---|
| Canadian Tire single tenant properties [1] | **255** | 254 |
| Other single tenant properties | **12** | 12 |
| Multi-tenant properties anchored by Canadian Tire store | **50** | 49 |
| Multi-tenant properties not anchored by Canadian Tire store | **5** | 4 |
| Distribution centres | **4** | 4 |
| Mixed-use property | **1** | 1 |
| **Total operating properties** | **327** | 324 |
| **Development properties** | **8** | 7 |
| **Total properties** | **335** | 331 |

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

| As at | June 30, 2018 | December 31, 2017 |
|---|---|---|
| **Gas bars at retail properties** | **101** | 99 |

CT REIT's Properties by region, as a percentage of total GLA as at June 30, 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 June 30, 2018.*

### 4.2 Six Largest Urban Markets

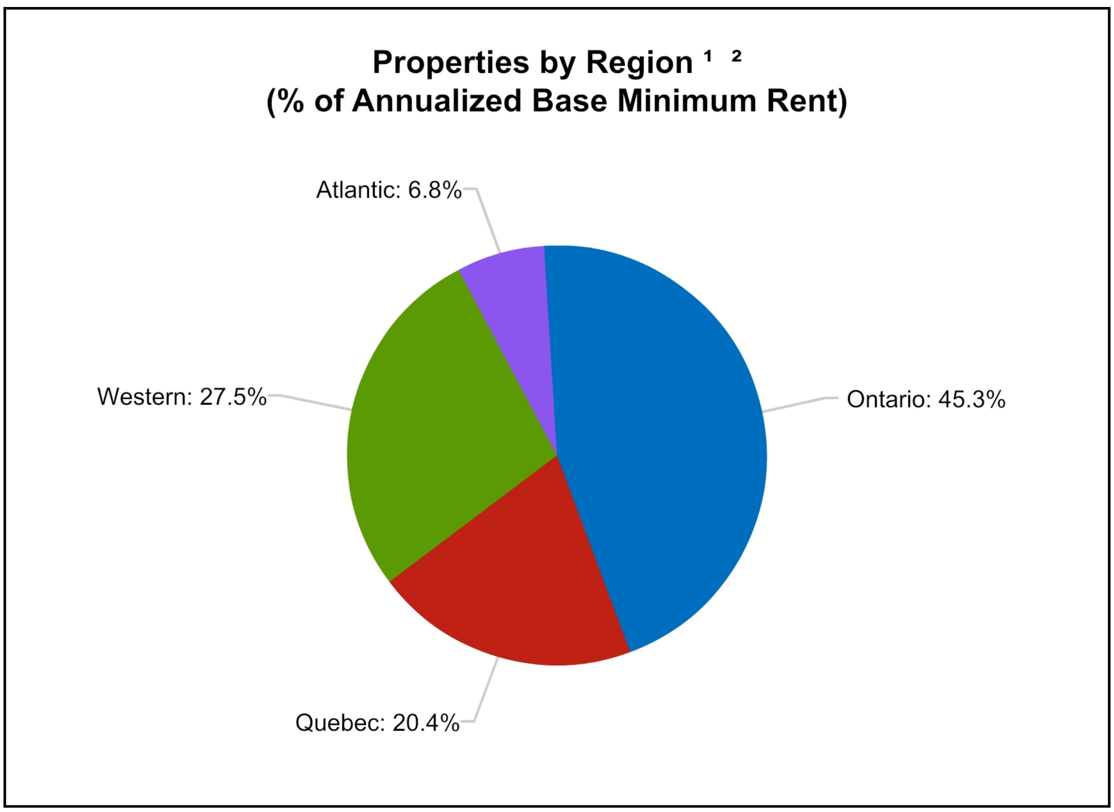
A significant portion of CT REIT's Properties, excluding properties under development, are located in the following large urban markets:

| As at | **June 30, 2018** | December 31, 2017 |
|---|---|---|
| Vancouver | **3.2%** | 3.3% |
| Calgary | **2.5%** | 2.4% |
| Edmonton | **4.1%** | 4.1% |
| Toronto | **22.0%** | 22.5% |
| Ottawa | **4.2%** | 4.3% |
| Montreal | **11.7%** | 11.9% |
| **Percentage of Annualized Base Minimum Rent [1]** | **47.7%** | 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 June 30, 2018 and December 31, 2017.*

### 4.3 Revenue by Region

CT REIT's properties are located across Canada with approximately 65.7% 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 June 30, 2018.*

**4.4 Fair Value of Property Portfolio**

The fair value of the Properties represents 99.5% of the total assets of CT REIT as at June 30, 2018.

| | | June 30, 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) | **66,599** | **—** | **66,599** | 209,677 | — | 209,677 |
| Intensifications | **—** | **6,410** | **6,410** | — | 24,893 | 24,893 |
| Developments | **—** | **14,029** | **14,029** | — | 64,882 | 64,882 |
| Development land | **—** | **3,496** | **3,496** | — | 13,380 | 13,380 |
| Capitalized interest and property taxes | **—** | **1,071** | **1,071** | — | 1,957 | 1,957 |
| Transfers | **19,838** | **(19,838)** | **—** | 27,154 | (27,154) | — |
| Fair value adjustment on investment properties | **25,323** | **—** | **25,323** | 79,687 | — | 79,687 |
| Straight-line rent | **9,198** | **—** | **9,198** | 22,822 | — | 22,822 |
| Recoverable capital expenditures | **2,054** | **—** | **2,054** | 18,962 | — | 18,962 |
| Dispositions | **(661)** | **—** | **(661)** | (18) | — | (18) |
| **Balance, end of period [1]** | **$ 5,459,866** | **$ 104,250** | **$ 5,564,116** | $ 5,337,515 | $ 99,082 | $ 5,436,597 |

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

Properties under development include:

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

As at June 30, 2018, management's determination of fair value was updated for current market assumptions, utilizing market capitalization rates provided by independent valuation professionals.

On a periodic basis, CT REIT obtains independent valuations such that substantially all of its properties will be externally appraised over a four-year period. The REIT intends to modify its use of independent valuations in late 2018. The scope of properties subject to external valuations over the four year cycle will be 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 | 277 | 58 |
| Value at June 30, 2018 | $ 4,099,354 | $ 1,464,762 |
| Discount rate | —% | 6.96% |
| Terminal capitalization rate | —% | 6.52% |
| Overall capitalization rate | 6.19% | —% |
| Hold period (years) | — | 11 |

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 | $ 3,664,682 | $ (434,671) | $ 1,336,983 | $ (127,779) |
| + 50 basis points | 3,798,695 | (300,658) | 1,376,492 | (88,270) |
| + 25 basis points | 3,943,195 | (156,158) | 1,418,976 | (45,786) |
| June 30, 2018 | $ 4,099,354 | $ — | $ 1,464,762 | $ — |
| - 25 basis points | 4,269,629 | 170,275 | 1,514,431 | 49,669 |
| - 50 basis points | 4,454,911 | 355,557 | 1,568,242 | 103,480 |
| - 75 basis points | $ 4,657,729 | $ 558,376 | $ 1,627,040 | $ 162,277 |

Included in CT REIT's portfolio are nine buildings which are situated on ground leases with remaining initial terms of between one and 38 years, and an average remaining initial term of 16 years. Assuming all extensions are exercised, the ground leases have remaining terms between 24 and 72 years with an average remaining lease term of 39 years.

### 4.5 2018 Investment Activities

The following table presents income-producing properties acquired, intensified or developed during the six months ended June 30, 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 [2,3] | March 2018 | — | |
| Amos, QC [3] | April 2018 | 48,793 | |
| Listowel, ON [4] | May 2018 | 16,718 | |
| **Total** | | **416,812** | **$ 86,437** |

[1] *Acquisition of income-producing property.*

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

[3] *Development property.*

[4] *Land lease.*

In Q1 2018, CT REIT completed the acquisition, from a third party, of two multi-tenant properties which are anchored by existing Canadian Tire tenancies located in Collingwood and St. Catharines, Ontario. In Q1 2018, CT REIT also completed the intensification of an existing Canadian Tire store anchored property in La Sarre, Quebec.

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

*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 June 30, 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** | **Anticipated date of completion** | **Committed to lease** | **Not committed to lease** | **Total** | **Incurred to-date [7]** | **Committed additional investment [7]** | **Total** |
| Sudbury, ON [1] | **Q3 2018** | 83,000 | — | 83,000 | | | |
| Bradford, ON [2, 4] | **Q3 2018** | — | — | — | | | |
| Toronto (Leslie Lakeshore), ON [2] | **Q4 2018** | 20,000 | — | 20,000 | | | |
| Calgary, AB [1] | **Q1 2019** | 47,000 | — | 47,000 | | | |
| Mount Forest, ON [3] | **Q2 2019** | 34,000 | — | 34,000 | | | |
| Grand Falls - Windsor, NL [3] | **Q2 2019** | 65,000 | — | 65,000 | | | |
| Antigonish, NS [1] | **Q2 2019** | 150,500 | 28,500 | 179,000 | | | |
| Hamilton Rymal, ON [2, 4] | **Q4 2019** | — | — | — | | | |
| Sherwood Park North, AB [3] | **Q4 2019** | 120,000 | — | 120,000 | | | |
| Orillia, ON [5] | **Q4 2020** | 193,000 | 125,000 | 318,000 | | | |
| Amos, QC [3] | **TBD** | — | 24,000 | 24,000 | | | |
| Calgary, AB [6] | **TBD** | TBD | TBD | TBD | | | |
| Toronto (Canada Square), ON [5] | **TBD** | TBD | TBD | TBD | | | |
| **TOTAL** | | **712,500** | **177,500** | **890,000** | **$ 104,250** | **$ 44,182** | **$ 148,432** |

*[1] Redevelopment property.*

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

*[3] Development property.*

*[4] Land lease.*

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

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

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

As at June 30, 2018, CT REIT had committed lease agreements for 712,500 square feet, of which 64% has been leased to CTC. A total of $104,250 has been expended to date on the developments described above, and CT REIT anticipates investing an additional $44,182 to complete the committed developments. Included in the commitment is $33,822 due to CTC. These commitments exclude the redevelopments at the Canada Square and Orillia, Ontario, and Calgary, Alberta properties.

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

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

### 4.7 Investment and Development Funding

Funding of investment and development activities for the three and six months ended June 30, 2018 was as follows:

| | **Q2 2018 Investment and Development Activity** | | | | |
|---|---|---|---|---|---|
| (in thousands of Canadian dollars) | **Property investments** | **Development land** | **Developments** | **Intensifications** | **Total** |
| Funded with working capital to CTC | **$ —** | **$ 700** | **$ 10,715** | **$ 2,295** | **$ 13,710** |
| Funded with working capital to third parties [1] | **827** | **187** | **3,113** | **2,195** | **6,322** |
| Capitalized interest and property taxes | **—** | **—** | **546** | **—** | **546** |
| **Total costs** | **$ 827** | **$ 887** | **$ 14,374** | **$ 4,490** | **$ 20,578** |

[1] *Includes $2,534 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 | **$ 287** | **$ 700** | **$ 10,916** | **$ 4,184** | **$ 16,087** |
| Funded with working capital to third parties [1] | **66,312** | **2,796** | **3,113** | **2,226** | **74,447** |
| Capitalized interest and property taxes | **—** | **—** | **1,071** | **—** | **1,071** |
| **Total costs** | **$ 66,599** | **$ 3,496** | **$ 15,100** | **$ 6,410** | **$ 91,605** |

[1] *Includes $3,033 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 |

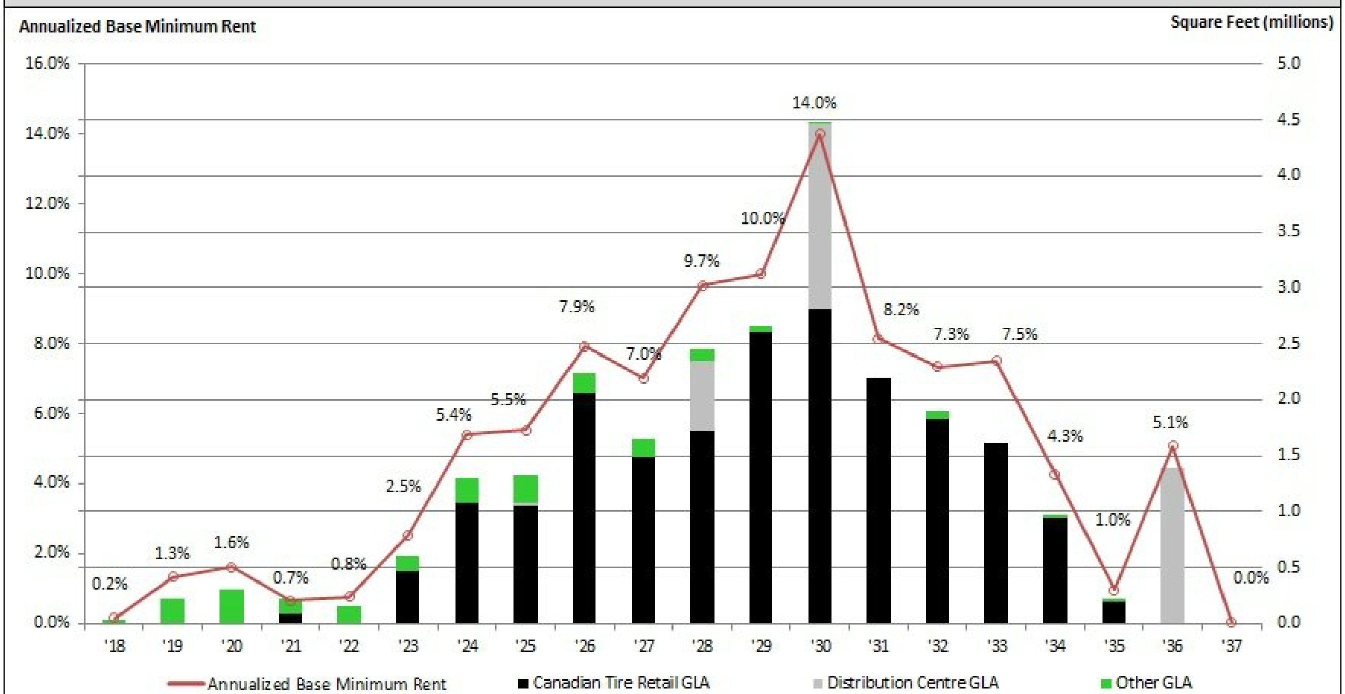
[1] *Includes $1,839 for the construction of Other CTC Banner stores.*

### 4.8 Lease Maturities

CTC is CT REIT's most significant tenant. As at June 30, 2018, CTC, including Canadian Tire stores and Other CTC Banners, had leased 24.5 million square feet of GLA, with approximately 85% and 15% 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 11.1 years, excluding the exercise of any renewal options. The weighted average term of the Canadian Tire store leases was 11.2 years, with a weighted average rental rate of $13.43 per square foot. The weighted average lease term for CTC DCs was 15.3 years. The weighted average lease term of all tenants in the REIT's portfolio, excluding those properties under development, was 11.0 years.

The following graph presents the lease maturity profile from 2018 to 2037 (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.

Initial Term Lease Expiry by % of Annualized Minimum Rent and GLA(1)(2)(3)(4)




Notes:
(1) Excludes development properties
(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 June 30, 2018

### 4.9 Top 10 Tenants Excluding CTC Banners

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

| Rank | Tenant Name | Percentage of total annualized base minimum rent [1] |
|---|---|---|
| 1 | Canadian Imperial Bank of Commerce | 0.51% |
| 2 | TJX Companies | 0.46% |
| 3 | Overwaitea Food Group | 0.39% |
| 4 | Shoppers Drug Mart | 0.37% |
| 5 | Metro | 0.34% |
| 6 | Best Buy | 0.25% |
| 7 | GoodLife Fitness | 0.22% |
| 8 | C.A.T. Inc. | 0.18% |
| 9 | Dollarama | 0.18% |
| 10 | Royal Bank of Canada | 0.18% |
| | | **3.1%** |

*[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 June 30, 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 June 30, 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 development properties.

### 4.11 Recoverable Capital Costs

Many of the capital costs that will be incurred by CT REIT are recoverable from tenants pursuant to the terms of their leases. The recoveries will occur either in the year in which such expenditures are incurred or, in the case of a major item of repair, maintenance or replacement, on a straight-line basis over the expected useful life thereof together with an imputed rate of interest on the unrecovered balance at any point in time. Capital expenditures of $2,425 and $2,054 (Q2 2017 - $5,445 and YTD 2017 - $5,793) were incurred during the three and six months ended June 30, 2018, respectively. It was noted in Q1 2018, that excess amounts had been accrued in 2017 for certain unbilled capital expenditures. The reversal of these over-accruals during Q1 2018 resulted in a net negative expenditure in that period. Most of the REIT's recoverable capital expenditures relate to parking lots, roofs and heating, ventilation and air conditioning, activities that are typically seasonal.

## 5.0 RESULTS OF OPERATIONS

### 5.1 Financial Results for the Three and Six Months Ended June 30, 2018

CT REIT's financial results for the three and six months ended June 30, 2018 and June 30, 2017 are summarized below:

| (in thousands of Canadian dollars, except per unit amounts) | Three Months Ended | | | Six Months Ended | | |
|---|---|---|---|---|---|---|
| For the periods ended June 30, | **2018** | 2017 | Change | **2018** | 2017 | Change |
| Property revenue | **$ 118,880** | $ 111,609 | 6.5 % | **$ 235,499** | $ 222,749 | 5.7 % |
| Property expense | **(27,218)** | (25,680) | 6.0 % | **(55,639)** | (51,872) | 7.3 % |
| General and administrative expense | **(2,745)** | (2,406) | 14.1 % | **(5,956)** | (6,156) | (3.2)% |
| Net interest and other financing charges | **(26,188)** | (23,816) | 10.0 % | **(51,969)** | (47,618) | 9.1 % |
| Fair value adjustment on investment properties | **12,015** | 14,592 | (17.7)% | **25,323** | 32,518 | (22.1)% |
| **Net income and comprehensive income** | **$ 74,744** | $ 74,299 | 0.6 % | **$ 147,258** | $ 149,621 | (1.6)% |
| Net income per unit - basic | **$ 0.350** | $ 0.354 | (1.1)% | **$ 0.689** | $ 0.716 | 3.8 % |
| Net income per unit - diluted | **$ 0.282** | $ 0.292 | (3.4)% | **$ 0.557** | $ 0.589 | 5.4 % |

**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 June 30, 2018 increased $7,271 (6.5%) compared to the same period in the prior year primarily due to base rent related to properties acquired and intensification activities completed during 2018 and 2017. Total revenue included expense recoveries in the amount of $25,400 (Q2 2017 - $23,763).

Total revenue for the six months ended June 30, 2018 was $235,499 which was $12,750 (5.7%) higher compared to the same period in the prior year primarily due to base rent related to properties acquired and intensification activities completed during 2018 and 2017. Total revenue included expense recoveries in the amount of $50,585 (2017 - $47,763).

The total amount of base rent to be received from operating leases is recognized on a straight-line basis over the term of the lease. For the three months ended June 30, 2018, straight-line rent of $5,363 (Q2 2017 - $5,699) was included in total property revenue. For the six months ended June 30, 2018, straight-line rent of $9,198 (2017 - $11,491) 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 pursuant to the Property Management Agreement) and ground rent. The majority of expenses are recoverable from tenants, with CT REIT absorbing these expenses to the extent that vacancies exist. Refer to section 8.0 for additional information on the Property Management Agreement.

Property expenses for the three months ended June 30, 2018 increased $1,538 (6.0%) compared to the same period in the prior year primarily due to property acquisitions completed during 2018 and 2017.

Property expenses for the six months ended June 30, 2018 increased $3,767 (7.3%) compared to the same period in the prior year primarily due to property acquisitions completed during 2018 and 2017.

**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** | | | **Six Months Ended** | | |
|---|---|---|---|---|---|---|
| For the periods ended June 30, | **2018** | 2017 | Change | **2018** | 2017 | Change |
| Personnel expense | **$ 1,354** | $ 1,083 | 25.0% | **$ 2,687** | $ 2,751 | (2.3)% |
| Public entity and other | **614** | 573 | 7.2% | **1,725** | 1,905 | (9.4)% |
| Services Agreement with CTC | **777** | 750 | 3.6% | **1,544** | 1,500 | 2.9 % |
| **General and administrative expense** | **$ 2,745** | $ 2,406 | 14.1% | **$ 5,956** | $ 6,156 | (3.2)% |
| As a percent of property revenue | **2.3%** | 2.2% | | **2.5%** | 2.8% | |

General and administrative expenses amounted to $2,745 or 2.3% of property revenue for the three months ended June 30, 2018 which is $339 (14.1%) higher compared to the same period in the prior year primarily due to:

- increased personnel expenses due to the variable components of compensation awards and increased headcount.

General and administrative expenses amounted to $5,956 or 2.5% of property revenue for the six months ended June 30, 2018 which is $200 (3.2%) lower compared to the same period in the prior year primarily due to:

- decreased personnel compensation and trustee fees due to the fair value adjustment on unit based awards; and
- decreased consulting fees due to the internalization of certain services; partially offset by
- increased personnel expenses due to the variable components of compensation awards and increased headcount.

**Net Interest and Other Financing Charges**

As at June 30, 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 interim statements of income and comprehensive income.

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

| (in thousands of Canadian dollars) | Three Months Ended | | | Six Months Ended | | |
|---|---|---|---|---|---|---|
| For the periods ended June 30, | **2018** | 2017 | Change [3] | **2018** | 2017 | Change |
| Interest on Class C LP Units [1] | **$ 17,055** | $ 17,297 | (1.4)% | **$ 34,110** | $ 34,716 | (1.7)% |
| Interest and financing costs - debentures | **8,985** | 5,711 | 57.3 % | **17,144** | 11,165 | 53.6 % |
| Interest and financing costs - Bank Credit Facility | **357** | 656 | (45.6)% | **776** | 1,378 | (43.7)% |
| Interest on mortgages payable | **370** | 426 | (13.1)% | **739** | 816 | (9.4)% |
| Interest costs - Bridge Facility [2] | **—** | — | — % | **351** | — | — % |
| | **$ 26,767** | $ 24,090 | 11.1 % | **$ 53,120** | $ 48,075 | 10.5 % |
| Less: capitalized interest | **(544)** | (244) | NM | **(1,069)** | (413) | NM |
| **Interest and other financing charges less capitalized interest** | **$ 26,223** | $ 23,846 | 10.0 % | **$ 52,051** | $ 47,662 | 9.2 % |
| Less: interest income | **(35)** | (30) | 16.7 % | **(82)** | (44) | 86.4 % |
| **Net interest and other financing charges** | **$ 26,188** | $ 23,816 | 10.0 % | **$ 51,969** | $ 47,618 | 9.1 % |

*[1] CTC elected to defer receipt of distributions on the Series 3-12 and Series 16 and Series 19 Class C LP Units for the three and six months ended June 30, 2018 in the amount of $16,916 (Q2 2017 -$17,093) and $28,194 (YTD 2017 - $28,547), 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 interim balance sheets.*

*[2] Paid or payable to CTC.*

*[3] NM - not meaningful.*

Net interest and other financing charges for the three and six months ended June 30, 2018 was $2,372 (10.0%) and $4,351 (9.1%) 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, savings from reduced 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 served to reduce 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 June 30, 2018 decreased by $2,577 compared to the same period in the prior year. Q2 2017 included a gain in value of an industrial property located in Quebec primarily due to a slight decrease in the capitalization rate. There was no similar gain in Q2 2018.

The fair value gain on investment properties for the six months ended June 30, 2018 decreased by $7,195 compared to the same period in the prior year primarily due to the increase in value of completed developments recorded in Q1 2017 and a gain in value on an industrial property located in Quebec in Q2 2017 primarily due to a slight decrease in the capitalization rate. There were no similar gains in 2018.

**Income Tax Expense**

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

If CT REIT fails to distribute the required amount of taxable income to Unitholders, or if CT REIT fails to qualify as a REIT under the ITA, substantial adverse tax consequences may occur. Refer to section 11.0 in CT REIT's 2017 annual MD&A for further information.

**Net Income**

| (in thousands of Canadian dollars, except per unit amounts) | Three Months Ended | | | Six Months Ended | | |
|---|---|---|---|---|---|---|
| For the periods ended June 30, | **2018** | 2017 | Change | **2018** | 2017 | Change |
| **Net income and comprehensive income** | **$ 74,744** | $ 74,299 | 0.6 % | **$ 147,258** | $ 149,621 | (1.6)% |
| Net income per unit - basic | **$ 0.350** | $ 0.354 | (1.1)% | **$ 0.689** | $ 0.716 | (3.8)% |
| Net income per unit - diluted | **$ 0.282** | $ 0.292 | (3.4)% | **$ 0.557** | $ 0.589 | (5.4)% |

Net income increased by $445 (0.6%) and $2,363 (1.6%), respectively, for the three and six months ended June 30, 2018 compared to the same periods in the prior year for the reasons discussed previously.

Net income per unit - basic decreased by $0.004 (1.1%) for the three months ended June 30, 2018 compared to the same period in the prior year primarily due to an increase in the weighted average number of units outstanding - basic, partially offset by increased net income, as discussed previously. For the six months ended June 30, 2018 the net income per unit - basic decreased by $0.027 (3.8%) compared to the same period in the prior year primarily due to decreased net income, as discussed previously, and an increase in the weighted average number of units outstanding - basic.

Net income per unit - diluted decreased by $0.010 (3.4%) for the three months ended June 30, 2018 compared to the same period in the prior year primarily due to an increase in the weighted average number of units outstanding - basic and an increase in the dilutive effect of settling Class C LP Units with Class B LP Units, partially offset by increased net income, as discussed previously. For the six months ended June 30, 2018 net income per unit - diluted decreased by $0.032 (5.4%) compared to the same period in the prior year primarily due to decreased net income, as discussed previously, an increase in the weighted average number of units outstanding - basic and an increase in the dilutive effect of settling Class C LP Units with Class B LP Units.

### 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 | | | Six Months Ended | | |
|---|---|---|---|---|---|---|
| For the periods ended June 30, | **2018** | 2017 | Change | **2018** | 2017 | Change |
| Net operating income | **$ 86,315** | $ 80,246 | 7.6% | **$ 170,693** | $ 159,417 | 7.1% |
| Same store NOI | **$ 81,168** | $ 79,770 | 1.8% | **$ 160,267** | $ 157,676 | 1.6% |
| Same property NOI | **$ 81,396** | $ 79,828 | 2.0% | **$ 160,647** | $ 157,733 | 1.8% |
| Funds from operations | **$ 62,501** | $ 59,422 | 5.2% | **$ 121,824** | $ 117,485 | 3.7% |
| FFO per unit - basic | **$ 0.292** | $ 0.283 | 3.2% | **$ 0.570** | $ 0.562 | 1.4% |
| FFO per unit - diluted (non-GAAP) | **$ 0.292** | $ 0.283 | 3.2% | **$ 0.569** | $ 0.562 | 1.2% |
| Adjusted funds from operations | **$ 51,536** | $ 48,630 | 6.0% | **$ 101,441** | $ 95,851 | 5.8% |
| AFFO per unit - basic | **$ 0.241** | $ 0.231 | 4.3% | **$ 0.474** | $ 0.459 | 3.3% |
| AFFO per unit - diluted (non-GAAP) | **$ 0.241** | $ 0.231 | 4.3% | **$ 0.474** | $ 0.458 | 3.5% |
| AFFO payout ratio | **76%** | 76% | —% | **77%** | 76% | 1.3% |
| ACFO | **$ 52,964** | $ 49,656 | 6.7% | **$ 97,854** | $ 94,196 | 3.9% |
| EBITFV | **$ 88,791** | $ 83,440 | 6.4% | **$ 174,397** | $ 165,225 | 5.6% |

**Net Operating Income**

NOI for the three months ended June 30, 2018 increased $6,069 (7.6%) 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 $4,501 to NOI growth. NOI for properties under development for the three months ended June 30, 2018 was $845.

Same store NOI and same property NOI for the three months ended June 30, 2018 increased $1,398 (1.8%) and $1,568 (2.0%), respectively, when compared to the prior year for the following reasons:

- contractual rent escalations of 1.5% per year, on average, contained within the Canadian Tire store and CTC's DC leases, which are generally effective January 1st, contributed $1,159 to NOI growth;
- recovery of capital expenditures and interest earned on the unrecovered balance contributed $374 to NOI growth; and
- intensifications completed in 2018 and 2017 contributed to $170 to NOI growth.

NOI for the six months ended June 30, 2018 increased $11,276 (7.1%) 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 $8,362 to NOI growth. NOI for properties under development during the six months ended June 30, 2018 was $1,184.

Same store NOI and same property NOI for the six months ended June 30, 2018 increased $2,591 (1.6%) and $2,914 (1.8%), 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 $2,475 to NOI growth;
- recovery of capital expenditures and interest earned on the unrecovered balance which contributed $779 to NOI growth;
- the adjustment of certain prior period rent charges contributed $690 to NOI growth; partially offset by
- the impacts of tenancies at 25 Dufferin Place SE Calgary, Alberta, which decreased NOI by $1,711.

**Funds From Operations**

FFO for the three months ended June 30, 2018 amounted to $62,501 or $0.292 per unit (diluted non-GAAP) which was $3,079 (5.2%) or $0.009 (3.2%) 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 six months ended June 30, 2018 amounted to $121,824 or $0.569 per unit (diluted non-GAAP) which was $4,339 (3.7%) or $0.007 (1.2%) 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 June 30, 2018 amounted to $51,536 or $0.241 per unit (diluted non-GAAP) which was $2,906 (6.0%) or $0.010 (4.3%) 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 six months ended June 30, 2018 amounted to $101,441 or $0.474 per unit (diluted non-GAAP) which was $5,590 (5.8%) or $0.016 (3.5%) 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 June 30, 2018 is consistent with the same period in 2017. The AFFO payout ratio for the six months ended June 30, 2018 increased by 1.3% compared to the same period in 2017 primarily due to an increase in the monthly distribution rate exceeding the rate of increase of the AFFO per unit - diluted (non-GAAP).

**Adjusted Cashflow From Operations**

ACFO for the three and six months ended June 30, 2018 increased by $3,308 (6.7%) and $3,658 (3.9%), respectively, 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 and six months ended June 30, 2018 increased by $5,351 (6.4% ) and $9,172 (5.6%), 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 | | June 30, 2018 | | December 31, 2017 |
|---|---|---|---|---|
| Cash and cash equivalents | $ | **1,911** | $ | 10,902 |
| Unused portion of available credit facilities [1, 2] | | **279,758** | | 267,994 |
| **Liquidity** | $ | **281,669** | $ | 278,896 |

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

[2] *The Bridge Facility is not available to CT REIT at June 30, 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) | Three Months Ended | | | | | Six Months Ended | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| For the periods ended June 30, | | **2018** | | 2017 | Change[1] | | **2018** | | 2017 | Change [1] |
| Cash generated from operating activities | $ | **84,286** | $ | 77,293 | 9.0 % | $ | **164,999** | $ | 159,455 | 3.5% |
| Cash used for investing activities | | **(7,390)** | | (24,415) | (69.7)% | | **(82,003)** | | (57,930) | 41.6% |
| Cash used for financing activities | | **(87,256)** | | (29,081) | NM | | **(91,987)** | | (72,565) | NM |
| **Cash (used for)/generated from the period** | $ | **(10,360)** | $ | 23,797 | NM | $ | **(8,991)** | $ | 28,960 | NM |

[1] *NM - not meaningful.*

## 6.2 Discussion of Cash Flows

Cash used for the three months ended June 30, 2018 of $10,360 is primarily the result of cash used for distributions, interest payments, and repayment of borrowings drawn on the Bank Credit Facility, being partially offset by cash generated from operating activities.

Cash used for the six months ended June 30, 2018 of $8,991 is primarily the result of cash used for the repayment of credit facilities, distributions and investing activities, being partially offset by the issuance of Debentures and cash generated from operating activities.

### 6.3 Credit Ratings

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

These ratings are related to and currently equivalent to those of CTC, as CTC holds a significant ownership position in CT REIT and has a strategic relationship with CT REIT. CTC is expected to continue to be CT REIT's most significant tenant for the foreseeable future.

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

| | DBRS | | S&P | |
|---|---|---|---|---|
| | Credit Rating | Trend | Credit Rating | Trend |
| **Credit Ratings (Canadian Standards)** | **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)<br>As at | June 30, 2018 | December 31, 2017 |
|---|---|---|
| Class C LP Units | $ **1,451,550** | $ 1,451,550 |
| Mortgages payable | **43,805** | 44,010 |
| Debentures | **1,067,984** | 869,471 |
| Credit facilities | **17,977** | 179,941 |
| **Total indebtedness** | $ **2,581,316** | $ 2,544,972 |
| Unitholders' equity | **1,199,869** | 1,168,777 |
| Non-controlling interests | **1,732,638** | 1,692,664 |
| **Total capital under management** | $ **5,513,823** | $ 5,406,413 |

CT REIT's total indebtedness at June 30, 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.

CT REIT's Unitholders' equity and non-controlling interests at June 30, 2018 increased as compared to December 31, 2017 primarily as a result of net income exceeding distributions.

Future payments in respect of CT REIT's indebtedness as at June 30, 2018 are as follows:

| | Mortgages payable | | | | | |
|---|---|---|---|---|---|---|
| (in thousands of Canadian dollars) | Principal amortization | Maturities | Class C LP Units | Debentures | Credit facilities | Total |
| 2018 | $ 249 | $ — | $ — | $ — | $ 17,977 | $ 18,226 |
| 2019 | — | 43,590 | — | — | — | 43,590 |
| 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 | $ 249 | $ 43,590 | $ 1,451,550 | $ 1,075,000 | $ 17,977 | $ 2,588,366 |
| Unamortized portion of mark to market on mortgages payable assumed in connection with the acquisition of properties | — | 17 | — | — | — | 17 |
| Unamortized transaction costs | — | (51) | — | (7,016) | — | (7,067) |
| | **$ 249** | **$ 43,556** | **$ 1,451,550** | **$ 1,067,984** | **$ 17,977** | **$ 2,581,316** |

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 June 30, 2018 had a weighted average interest rate of 4.07% and a weighted average term to maturity of 9.5 years, excluding the credit facilities, which is consistent with the rate and term as at December 31, 2017.

As at June 30, 2018, floating rate and fixed rate indebtedness were $55,110 and $2,526,206, respectively.

| As at | **June 30, 2018** | December 31, 2017 |
|---|---|---|
| Variable rate debt | **$ 55,110** | $ 217,074 |
| Total indebtedness | **2,581,316** | 2,544,972 |
| **Variable rate debt / total indebtedness** | **2.13%** | 8.53% |

CT REIT's variable rate debt to total indebtedness ratio as at June 30, 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 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 June 30, 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 | 333 | $ 5,468,297 | 97.8% | $ — | — |
| Encumbered investment properties | 2 | 95,819 | 1.7% | 43,805 | 45.7% |
| **Total** | **335** | **$ 5,564,116** | **99.5%** | **$ 43,805** | **0.8%** |

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

| (in thousands of Canadian dollars)<br>As at | **June 30, 2018** | December 31, 2017 |
|---|---|---|
| Secured debt | **$ 43,805** | $ 44,010 |
| Total indebtedness | **2,581,316** | 2,544,972 |
| **Secured debt / total indebtedness** | **1.70%** | 1.73% |

CT REIT's secured debt to total indebtedness ratio at June 30, 2018 decreased as compared to December 31, 2017, primarily due to the issuance of Series F debentures in February 2018 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)<br>As at | **June 30, 2018** | December 31, 2017 |
|---|---|---|
| Total indebtedness | **$ 2,581,316** | $ 2,544,972 |
| EBITFV [1] | **348,794** | 334,193 |
| **Total indebtedness / EBITFV** | **7.40** | 7.62 |

*[1] Non-GAAP measure. Refer to section 10.0 for further information. 2018 EBITFV is annualized based on EBITFV for the six months ended June 30, 2018.*

CT REIT's indebtedness to EBITFV ratio at June 30, 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** | | **Six Months Ended** | |
|---|---|---|---|---|
| For the periods ended June 30, | **2018** | 2017 | **2018** | 2017 |
| **EBITFV [1] (A)** | **$ 88,791** | $ 83,440 | **$ 174,397** | $ 165,225 |
| **Interest and other financing charges (B)** | **$ 26,223** | $ 23,846 | **$ 52,051** | $ 47,662 |
| **Interest coverage ratio (A)/(B)** | **3.39** | 3.50 | **3.35** | 3.47 |

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

The decrease in the interest coverage ratio for the three and six months ended June 30, 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 | | June 30, 2018 | | December 31, 2017 |
|---|---|---|---|---|
| **Total indebtedness [1] (A)** | **$** | **2,581,316** | $ | 2,544,972 |
| **Total assets (B)** | **$** | **5,592,575** | $ | 5,455,398 |
| **Indebtedness ratio (A)/(B)** | | **46.2%** | | 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 June 30, 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 June 30, 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 (1.9 years) | 13.78% |
| Series 4 | | 200,000 | 4.50% | May 31, 2024 (5.9 years) | 13.78% |
| Series 5 | | 200,000 | 4.50% | May 31, 2028 (9.9 years) | 13.78% |
| Series 6 | | 200,000 | 5.00% | May 31, 2031 (12.9 years) | 13.78% |
| Series 7 | | 200,000 | 5.00% | May 31, 2034 (15.9 years) | 13.78% |
| Series 8 | | 200,000 | 5.00% | May 31, 2035 (16.9 years) | 13.78% |
| Series 9 | | 200,000 | 5.00% | May 31, 2038 (19.9 years) | 13.78% |
| Series 16 | | 16,550 | 2.42% | May 31, 2020 (1.9 years) | 1.14% |
| Series 17 | | 18,500 | 2.39% | May 31, 2020 (1.9 years) | 1.27% |
| Series 18 | | 4,900 | 2.28% | May 31, 2020 (1.9 years) | 0.34% |
| Series 19 | | 11,600 | 2.28% | May 31, 2020 (1.9 years) | 0.80% |
| **Total / weighted average** | **$** | **1,451,550** | **4.70%** | **11.6 years** | **100.0%** |
| Current | $ | — | | | |
| Non-current | | 1,451,550 | | | |
| **Total** | **$** | **1,451,550** | | | |

### 6.8 Debentures

| | | **June 30, 2018** | | | | December 31, 2017 | | |
|---|---|---|---|---|---|---|---|---|
| Series | | **Face value** | | **Carrying amount** | | Face value | | Carrying amount |
| A, 2.85%, June 9, 2022 | **$** | **150,000** | **$** | **149,355** | $ | 150,000 | $ | 149,277 |
| B, 3.53%, June 9, 2025 | | **200,000** | | **198,816** | | 200,000 | | 198,739 |
| C, 2.16%, June 1, 2021 | | **150,000** | | **149,377** | | 150,000 | | 149,270 |
| D, 3.29%, June 1, 2026 | | **200,000** | | **198,793** | | 200,000 | | 198,717 |
| E, 3.47%, June 16, 2027 | | **175,000** | | **173,624** | | 175,000 | | 173,468 |
| F, 3.87%, December 7, 2027 | | **200,000** | | **198,019** | | — | | — |
| | **$** | **1,075,000** | **$** | **1,067,984** | $ | 875,000 | $ | 869,471 |

Debentures as at June 30, 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 $1,289, 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 and six months ended June 30, 2018, amortization of the transaction costs of $248 (Q2 2017 - $174) and $492 (YTD 2017 - $341) is included in net interest and other financing charges on the interim statement of income and comprehensive income (refer to Note 12 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 of CT REIT's investment properties, include the following:

(in thousands of Canadian dollars)

| As at | **June 30, 2018** | | December 31, 2017 | |
|---|---|---|---|---|
| | **Face value** | **Carrying amount** | Face value | Carrying amount |
| Current | **$ 6,706** | **$ 6,687** | $ 422 | $ 415 |
| Non-current | **37,133** | **37,118** | 43,626 | 43,595 |
| **Total** | **$ 43,839** | **$ 43,805** | $ 44,048 | $ 44,010 |

Mortgages payable at June 30, 2018 had a weighted average interest rate of 3.35% (December 31, 2017 – 3.07%).

### 6.10 Credit Facilities

**Bank Credit Facility**

CT REIT has a $300 million unsecured revolving credit facility with a syndicate of major Canadian third party banks ("Bank Credit Facility") available until September 2022. 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 June 30, 2018, $17,977 (December 31, 2017 - $53,941) of borrowings were drawn on the Bank Credit Facility. At June 30, 2018, borrowings under the Bank Credit Facility had a weighted average interest rate of 2.61% (December 31, 2017 - 2.33%).

The table below summarizes the details of the Bank Credit Facility as at June 30, 2018:

(in thousands of Canadian dollars)

| | **Maximum loan amount** | **Cash advances** | **Letters of credit** | **Available to be drawn** |
|---|---|---|---|---|
| Bank Credit Facility | $ 300,000 | $ 17,977 | $ 2,265 | $ 279,758 |

**Bridge Facility**

CT REIT's loan agreement with CTC ("Bridge Facility") entered into in December 2017 solely for the purpose of facilitating the acquisition of a portfolio of certain investment properties. The Bridge Facility was repaid in Q1 2018.

As at June 30, 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
- limited use of secured debt.

Management's objectives are to access the lowest cost of capital with the most flexible terms, to have a maturity/redemption schedule (for fixed term obligations) spread over a time horizon so as to manage refinancing risk and to be in a position to finance acquisition and development opportunities when they become available. The Declaration of Trust and the trust indenture dated June 9, 2015, as supplemented by supplemental indentures thereto (the "Trust Indenture") limit the REIT's overall indebtedness ratio to 60% of total aggregate assets, excluding convertible debentures, and 65% including convertible debentures.

CT REIT's indebtedness ratio was 46.2% as at June 30, 2018. Refer to section 6.6 for the definition and calculation of CT REIT's indebtedness ratio.

At June 30, 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 June 30, 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 June 30, 2018, CT REIT had obligations of $44,182 (December 31, 2017 - $39,227) in future payments for the completion of developments, as described in section 4.6. Included in the commitment is $33,822 due to CTC.

For a description of the REIT's contractual obligations as at December 31, 2017, refer to section 6.4 Debt and Capital Structure of CT REIT's 2017 annual MD&A. There were no significant changes to the outstanding contractual obligations identified at year end, other than those disclosed in this MD&A.

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 Q1 2018, the REIT issued $200,000 of debentures under a prospectus supplement dated January 24, 2018 to CT REIT's Base Shelf Prospectus dated April 5, 2017, 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 June 30, 2018, CT REIT had a total of 90,772,178 Units outstanding, 59,711,094 of which were held by CTC, and 123,092,866 Class B LP Units outstanding (together with a corresponding number of special voting units), all of which were held by CTC.

Class B LP Units are economically equivalent to Units, are accompanied by a special voting unit ("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 June 30, 2018** |
|---|---|---|---|
| | **Units [1]** | **Class B LP Units** | **Total** |
| Total outstanding at beginning of period | **90,645,295** | **123,092,866** | **213,738,161** |
| Issued | **126,883** | **—** | **126,883** |
| **Total outstanding at end of period** | **90,772,178** | **123,092,866** | **213,865,044** |

*[1] 121,628 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. Each Special Voting Unit entitles the holder thereof to one vote at all meetings of Unitholders or with respect to any written resolution of Unitholders. Except for the right to attend meetings and vote on resolutions, Special Voting Units do not confer upon the holders thereof any other rights.

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

| | Three months ended June 30, 2018 | | |
|---|---|---|---|
| (in thousands of Canadian dollars, except unit amounts) | Units | Class B LP Units | Total |
| Net income attributable to Unitholders - basic | $ 31,575 | $ 43,169 | $ 74,744 |
| Income effect of settling Class C LP Units with Class B LP Units | | | 17,055 |
| **Net income attributable to Unitholders - diluted** | | | **$ 91,799** |
| Weighted average units outstanding - basic | 90,736,475 | 123,092,866 | 213,829,341 |
| Dilutive effect of other Unit plans | | | 178,924 |
| Dilutive effect of settling Class C LP Units with Class B LP Units | | | 111,438,103 |
| **Weighted average units outstanding - diluted** | | | **325,446,368** |

| | Six months ended June 30, 2018 | | |
|---|---|---|---|
| (in thousands of Canadian dollars, except unit amounts) | Units | Class B LP Units | Total |
| Net income attributable to Unitholders - basic | $ 62,476 | $ 84,782 | $ 147,258 |
| Income effect of settling Class C LP Units with Class B LP Units | | | 34,110 |
| **Net income attributable to Unitholders - diluted** | | | **$ 181,368** |
| Weighted average units outstanding - basic | 90,704,285 | 123,092,866 | 213,797,151 |
| Dilutive effect of other Unit plans | | | 173,606 |
| Dilutive effect of settling Class C LP Units with Class B LP Units | | | 111,438,103 |
| **Weighted average units outstanding - diluted** | | | **325,408,860** |

| | Three months ended June 30, 2017 | | |
|---|---|---|---|
| (in thousands of Canadian dollars, except unit amounts) | Units | Class B LP Units | Total |
| Net income attributable to Unitholders - basic | $ 31,941 | $ 42,358 | $ 74,299 |
| Income effect of settling Class C LP Units with Class B LP Units | | | 17,297 |
| Net income attributable to Unitholders - diluted | | | $ 91,596 |
| Weighted average units outstanding - basic | 90,539,628 | 119,532,795 | 210,072,423 |
| Dilutive effect of other Unit plans | | | 147,988 |
| Dilutive effect of settling Class C LP Units with Class B LP Units | | | 103,262,405 |
| Weighted average units outstanding - diluted | | | 313,482,816 |

| | Six months ended June 30, 2017 | | |
|---|---|---|---|
| (in thousands of Canadian dollars, except unit amounts) | Units | Class B LP Units | Total |
| Net income attributable to Unitholders - basic | $ 64,721 | $ 84,900 | $ 149,621 |
| Income effect of settling Class C LP Units with Class B LP Units | | | 34,716 |
| Net income attributable to Unitholders - diluted | | | $ 184,337 |
| Weighted average units outstanding - basic | 90,519,751 | 118,427,476 | 208,947,227 |
| Dilutive effect of other Unit plans | | | 134,202 |
| Dilutive effect of settling Class C LP Units with Class B LP Units | | | 104,057,721 |
| Weighted average units outstanding - diluted | | | 313,139,150 |

### 7.2 Equity

| (in thousands of Canadian dollars)<br>As at | **June 30, 2018** | December 31, 2017 |
|---|---|---|
| Equity - beginning of the period | **$ 2,861,441** | $ 2,590,584 |
| Net income and comprehensive income for the period | **147,258** | 317,277 |
| Issuance of Class B LP Units, net of issue costs | **—** | 99,705 |
| Distributions to non-controlling interests | **(44,808)** | (84,873) |
| Distributions to Unitholders | **(33,021)** | (63,606) |
| Issuance of Units under Distribution Reinvestment Plan and other | **1,637** | 2,354 |
| **Equity - end of the period** | **$ 2,932,507** | $ 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 June 15, 2018, CT REIT's Board declared a distribution of $0.06067 per Unit paid on July 16, 2018 to holders of Units and Class B LP Units of record as of June 29, 2018.

On July 13, 2018, CT REIT's Board declared a distribution of $0.06067 per Unit payable on August 15, 2018 to holders of Units and Class B LP Units of record as of July 31, 2018.

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 |
|---|---|---|---|---|---|---|---|
| **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.*

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 | | | Six Months Ended | | |
|---|---|---|---|---|---|---|---|
| For the periods ended June 30, | | **2018** | | 2017 | | **2018** | 2017 |
| Distributions before distribution reinvestment - paid | **$** | **38,916** | $ | 36,534 | **$** | **77,822** | $ 72,823 |
| Distribution reinvestment | | **847** | | 594 | | **1,569** | 1,173 |
| **Distributions net of distribution reinvestment - paid** | **$** | **38,069** | $ | 35,940 | **$** | **76,253** | $ 71,650 |
| **Distributions per unit - paid** | **$** | **0.182** | $ | 0.175 | **$** | **0.364** | $ 0.350 |

Distributions for the three and six months ended June 30, 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 and six months ended June 30, 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 | | Six Months Ended | |
|---|---|---|---|---|
| For the periods ended June 30, | **2018** | 2017 | **2018** | 2017 |
| AFFO [1] | **$ 51,536** | $ 48,630 | **$ 101,441** | $ 95,851 |
| Distributions before distribution reinvestment - paid | **38,916** | 36,534 | **77,822** | 72,823 |
| **Excess of AFFO over distributions paid (A)** | **$ 12,620** | $ 12,096 | **$ 23,619** | $ 23,028 |
| Weighted average units outstanding - diluted (non-GAAP)[1](B) | **214,008,265** | 210,220,411 | **213,970,757** | 209,081,429 |
| **Excess of AFFO over distributions paid per unit (A)/(B) [1]** | **$ 0.059** | $ 0.058 | **$ 0.110** | $ 0.110 |

*[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 | **June 30, 2018** | December 31, 2017 |
| **Total equity (A)** | **$ 2,932,507** | $ 2,861,441 |
| **Period-end Units and Class B LP Units outstanding (B)** | **213,865,044** | 213,738,161 |
| **Book value per unit (A)/(B)** | **$ 13.71** | $ 13.39 |

CT REIT's book value per unit as at June 30, 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 June 30, 2018, held an 85.5% effective interest in the REIT, through the ownership of 59,711,094 Units and all of the issued and outstanding Class B LP Units.

In addition to its ownership interest, CTC is CT REIT's most significant tenant representing approximately 92.5% of the annualized base minimum rent earned by CT REIT and occupying 94.5% of its GLA as at June 30, 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 interim financial statements. Investment property transactions with CTC amounted to $13,710 (2017 - $48,198) for the six months ended June 30, 2018. Refer to Note 3 to the interim financial statements for additional information.

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

***Services Agreement***

Under the Services Agreement, CTC provides the REIT with certain administrative, financial, information technology, internal audit and other support services as may be reasonably required from time to time (the "Services"). CTC provides these Services to the REIT on a cost recovery basis pursuant to which CT REIT reimburses CTC for all costs and expenses incurred by CTC in connection with providing the Services, plus applicable taxes. The Services Agreement is automatically renewable for one year terms, unless otherwise terminated in accordance with its terms. The Services Agreement was automatically renewed for 2018 and CTC will continue to provide such Services on a cost recovery basis.

***Property Management Agreement***

Under the Property Management Agreement, CTC provides the REIT with certain customary property management services (the "Property Management Services"). CTC provides 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 2018 and CTC will continue to provide such Property Management Services on a cost recovery basis.

Refer to CT REIT's 2017 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 June 30, 2018, excluding acquisition, intensification and development activities which are contained in section 4.0:

| (in thousands of Canadian dollars) | Three Months Ended | | Six Months Ended | |
|---|---|---|---|---|
| For the periods ended June 30, | **2018** | 2017 | **2018** | 2017 |
| Rental revenue | **$ 107,246** | $ 103,152 | **$ 212,697** | $ 205,937 |
| Property Management and Services Agreements expense | **$ 1,323** | $ 1,415 | **$ 2,643** | $ 2,827 |
| Distributions on Units | **$ 10,868** | $ 10,449 | **$ 21,736** | $ 20,898 |
| Distributions on Class B LP Units [1] | **$ 22,404** | $ 20,958 | **$ 44,808** | $ 41,521 |
| Interest expense on Class C LP Units | **$ 17,055** | $ 17,297 | **$ 34,110** | $ 34,716 |
| Interest expense on the Bridge Facility | **$ —** | $ — | **$ 351** | $ — |

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

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

(in thousands of Canadian dollars)

| As at | | **June 30, 2018** | | December 31, 2017 |
|---|---|---|---|---|
| Tenant and other receivables | **$** | **(6,839)** | $ | (1,758) |
| Class C LP Units | | **1,451,550** | | 1,451,550 |
| Amounts payable on Class C LP Units | | **33,879** | | 68,065 |
| Loans receivable in lieu of payments on Class C LP Units | | **(28,194)** | | (62,380) |
| Other liabilities | | **27,514** | | 6,556 |
| Distributions payable on Units and Class B LP Units [1] | | **19,145** | | 26,551 |
| Loans receivable in lieu of distributions on Class B LP Units | | **(8,054)** | | (15,460) |
| Bridge Facility | | **—** | | 126,000 |
| **Net balance due to CTC** | **$** | **1,489,001** | $ | 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 interim financial statements requires management to apply judgments, and to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Estimates are based upon historical experience and on various other assumptions that are reasonable under the circumstances. The result of ongoing evaluation of these estimates forms the basis for applying judgment with regards to the carrying values of assets and liabilities and the reported amounts of revenues and expenses. Actual results may differ from estimates. CT REIT's critical judgments in applying significant accounting policies are described in Note 2 of CT REIT's 2017 audited annual consolidated financial statements, the most significant of which is the fair value of investment properties.

***Fair Value of Investment Properties***

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

### 9.2 Standards, Amendments and Interpretations Issued and Adopted

***(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 - F*inancial 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.

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.

***(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

Details of the standards, amendments and interpretations issued but not yet adopted are described in Note 2 to CT REIT's 2017 audited annual consolidated financial statements. The following provides an update on the expected impacts to CT REIT's 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 CT REIT's 2017 audited annual consolidated 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 associated with ground leases but is not expected to have a significant impact on CT REIT's Income. IFRS 16 will be applied for the 2019 annual fiscal period.

## 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** | | | **Six Months Ended** | | |
|---|---|---|---|---|---|---|
| For the periods ended June 30, | **2018** | 2017 | Change | **2018** | 2017 | Change |
| Property revenue | **$ 118,880** | $ 111,609 | 6.5 % | **$ 235,499** | $ 222,749 | 5.7 % |
| Less: | | | | | | |
| Property expense | **(27,218)** | (25,680) | 6.0 % | **(55,639)** | (51,872) | 7.3 % |
| Property straight-line rent revenue | **(5,363)** | (5,699) | (5.9)% | **(9,198)** | (11,491) | (20.0)% |
| Add: | | | | | | |
| Straight-line ground lease expense | **16** | 16 | — % | **31** | 31 | — % |
| **Net operating income** | **$ 86,315** | $ 80,246 | 7.6 % | **$ 170,693** | $ 159,417 | 7.1 % |

*Same Store NOI*

Same store NOI is a non-GAAP financial measure which reports the period-over-period performance of the same asset base having consistent gross 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 | | | Six Months Ended | | |
|---|---|---|---|---|---|---|
| For the periods ended June 30, | **2018** | 2017 | Change [1] | **2018** | 2017 | Change [1] |
| Same store | **$ 81,168** | $ 79,770 | 1.8% | **$ 160,267** | $ 157,676 | 1.6% |
| Intensifications | | | | | | |
| 2018 | **125** | — | —% | **174** | — | —% |
| 2017 | **103** | 58 | 77.6% | **206** | 57 | NM |
| Same property | **$ 81,396** | $ 79,828 | 2.0% | **$ 160,647** | $ 157,733 | 1.8% |
| Acquisitions and developments | | | | | | |
| 2018 | **1,279** | — | —% | **1,690** | — | —% |
| 2017 | **3,640** | 418 | NM | **8,356** | 1,684 | NM |
| **Net operating income** | **$ 86,315** | $ 80,246 | 7.6% | **$ 170,693** | $ 159,417 | 7.1% |

*[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 | | | Six Months Ended | | |
|---|---|---|---|---|---|---|
| For the periods ended June 30, | **2018** | 2017 | Change [1] | **2018** | 2017 | Change [1] |
| **Net Income and comprehensive income** | **$ 74,744** | $ 74,299 | 0.6 % | **$ 147,258** | $ 149,621 | (1.6)% |
| Fair value adjustment on investment property | **(12,015)** | (14,592) | (17.7)% | **(25,323)** | (32,518) | (22.1)% |
| Deferred taxes | **(161)** | (113) | 42.5 % | **411** | 460 | (10.7)% |
| Fair value adjustment of unit based compensation | **(67)** | (172) | (61.0)% | **(522)** | (78) | NM |
| **Funds from operations** | **$ 62,501** | $ 59,422 | 5.2 % | **$ 121,824** | $ 117,485 | 3.7 % |
| Property straight-line rent revenue | **(5,363)** | (5,699) | (5.9)% | **(9,198)** | (11,491) | (20.0)% |
| Straight-line ground lease expense | **16** | 16 | — % | **31** | 31 | — % |
| Normalized capital expenditure reserve | **(5,618)** | (5,109) | 10.0 % | **(11,216)** | (10,174) | 10.2 % |
| **Adjusted funds from operations** | **$ 51,536** | $ 48,630 | 6.0 % | **$ 101,441** | $ 95,851 | 5.8 % |
| | | | | | | |
| FFO per unit - basic | **$ 0.292** | $ 0.283 | 3.2% | **$ 0.570** | $ 0.562 | 1.4% |
| FFO per unit - diluted (non-GAAP) [2] | **$ 0.292** | $ 0.283 | 3.2% | **$ 0.569** | $ 0.562 | 1.2% |
| AFFO per unit - basic | **$ 0.241** | $ 0.231 | 4.3% | **$ 0.474** | $ 0.459 | 3.3% |
| AFFO per unit - diluted (non-GAAP) [2] | **$ 0.241** | $ 0.231 | 4.3% | **$ 0.474** | $ 0.458 | 3.5% |
| Weighted average units outstanding - basic | **213,829,341** | 210,072,423 | 1.8% | **213,797,151** | 208,947,227 | 2.3% |
| Weighted average units outstanding - diluted (non-GAAP) | **214,008,265** | 210,220,411 | 1.8% | **213,970,757** | 209,081,429 | 2.3% |
| Number of units outstanding, end of period | **213,865,044** | 213,363,435 | 0.2% | **213,865,044** | 213,363,435 | 0.2% |

*[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 2017 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 2014-2018 to the normalized capital expenditure reserve used in the calculation of AFFO:

| (in thousands of Canadian dollars)<br>For the periods indicated | Normalized capital expenditure reserve | Capital expenditures | Variance |
|---|---|---|---|
| Year ended December 31, 2014 | $ 15,465 | $ 17,052 | $ (1,587) |
| 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** |
| **Period ended June 30, 2018** | **$ 11,216** | **$ 2,054** | **$ 9,162** |

The normalized capital expenditure reserve exceeded actual capital expenditures by $5,005 during the four year period of 2014-2017. 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 | | | Six Months Ended | | |
|---|---|---|---|---|---|---|
| For the periods ended June 30, | **2018** | 2017 | Change | **2018** | 2017 | Change |
| **Distribution per unit - paid (A)** | **$ 0.182** | $ 0.175 | 4.0% | **$ 0.364** | $ 0.350 | 4.0% |
| **AFFO per unit - diluted (non-GAAP) [1] (B)** | **$ 0.241** | $ 0.231 | 4.3% | **$ 0.474** | $ 0.458 | 3.5% |
| **AFFO payout ratio (A)/(B)** | **76%** | 76% | —% | **77%** | 76% | 1.3% |

[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 | | Six Months Ended | |
|---|---|---|---|---|
| For the periods ended June 30, | **2018** | 2017 | **2018** | 2017 |
| Weighted average units outstanding - diluted (non-GAAP) | **214,008,265** | 210,220,411 | **213,970,757** | 209,081,429 |
| Dilutive effect of settling Class C LP Units with Class B LP Units | **111,438,103** | 103,262,405 | **111,438,103** | 104,057,721 |
| **Weighted average units outstanding - diluted** | **325,446,368** | 313,482,816 | **325,408,860** | 313,139,150 |

### 10.5 Adjusted Cashflow 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 2017. 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 condensed consolidated statements of cash flows (unaudited) for the three and six months ended June 30, 2018 and June 30, 2017) to ACFO is as follows:

| (in thousands of Canadian dollars) | Three Months Ended | | | Six Months Ended | | |
|---|---|---|---|---|---|---|
| For the periods ended June 30, | **2018** | 2017 | Change | **2018** | 2017 | Change |
| Cash generated from operating activities | **$ 84,286** | $ 77,293 | 9.0 % | **$ 164,999** | $ 159,455 | 3.5 % |
| Non-operating adjustments to changes in working capital and other | **484** | 1,288 | (62.4)% | **(3,960)** | (7,467) | (47.0)% |
| Net interest and other financing charges | **(26,188)** | (23,816) | 10.0 % | **(51,969)** | (47,618) | 9.1 % |
| Normalized capital expenditure reserve | **(5,618)** | (5,109) | 10.0 % | **(11,216)** | (10,174) | 10.2 % |
| **Adjusted cashflow from operations** | **$ 52,964** | $ 49,656 | 6.7 % | **$ 97,854** | $ 94,196 | 3.9 % |

The non-operating adjustments to changes in working capital and other for three months ended June 30, 2018 is primarily due to the payment of accrued statutory payroll taxes. The non-operating adjustments to changes in working capital and other for six months ended June 30, 2018 is primarily due to the recognition of net commodity taxes payable.

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

EBITFV is a non-GAAP measure of a REIT's operating cash flow and it is used in addition to IFRS net income because it excludes major non-cash items (including fair value adjustments 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 and six months ended June 30, 2018, EBITFV was calculated as follows:

| (in thousands of Canadian dollars) | Three Months Ended | | | Six Months Ended | | |
|---|---|---|---|---|---|---|
| For the periods ended June 30, | **2018** | 2017 | Change [1] | **2018** | 2017 | Change [1] |
| Net income and comprehensive income | **$ 74,744** | $ 74,299 | 0.6 % | **$ 147,258** | $ 149,621 | (1.6)% |
| Fair value adjustment on investment properties | **(12,015)** | (14,592) | (17.7)% | **(25,323)** | (32,518) | (22.1)% |
| Interest expense and other financing charges | **26,223** | 23,846 | 10.0 % | **52,051** | 47,662 | 9.2 % |
| Deferred taxes | **(161)** | (113) | 42.5 % | **411** | 460 | (10.7)% |
| **EBITFV** | **$ 88,791** | $ 83,440 | 6.4 % | **$ 174,397** | $ 165,225 | 5.6 % |

[1] *NM - Not meaningful*

**10.7 Selected Quarterly Consolidated Information**

| (in thousands of Canadian dollars, except per unit amounts) | **2018** | | 2017 | | | | 2016 | |
|---|---|---|---|---|---|---|---|---|
| As at and for the quarter ended | **Q2** | Q1 | Q4 | Q3 | Q2 | Q1 | Q4 | Q3 |
| Property revenue | **$ 118,880** | $ 116,619 | $ 111,264 | $ 109,290 | $ 111,609 | $ 111,140 | $ 104,230 | $ 102,932 |
| Net income | **$ 74,744** | $ 72,514 | $ 97,094 | $ 70,562 | $ 74,299 | $ 75,322 | $ 65,455 | $ 72,124 |
| Net income per unit | | | | | | | | |
| - basic | **$ 0.350** | $ 0.339 | $ 0.454 | $ 0.330 | $ 0.354 | $ 0.362 | $ 0.317 | $ 0.349 |
| - diluted | **$ 0.282** | $ 0.276 | $ 0.364 | $ 0.275 | $ 0.292 | $ 0.300 | $ 0.269 | $ 0.290 |
| FFO per unit- diluted, non-GAAP [1] | **$ 0.292** | $ 0.277 | $ 0.283 | $ 0.279 | $ 0.283 | $ 0.279 | $ 0.274 | $ 0.273 |
| AFFO per unit - diluted, non-GAAP [1] | **$ 0.241** | $ 0.233 | $ 0.232 | $ 0.229 | $ 0.231 | $ 0.227 | $ 0.222 | $ 0.222 |
| Total assets | **$5,592,575** | $5,555,324 | $5,455,398 | $5,265,077 | $5,213,930 | $5,109,718 | $5,014,601 | $4,915,172 |
| Total indebtedness | **$2,581,316** | $2,596,152 | $2,544,972 | $2,394,785 | $2,381,895 | $2,393,983 | $2,383,123 | $2,290,422 |
| Total distributions, net of distribution reinvestment, to Unitholders - paid | **$ 38,069** | $ 38,184 | $ 36,805 | $ 36,767 | $ 35,940 | $ 35,710 | $ 34,635 | $ 34,657 |
| Total distributions per unit - paid | **$ 0.182** | $ 0.182 | $ 0.175 | $ 0.175 | $ 0.175 | $ 0.175 | $ 0.170 | $ 0.170 |
| Book value per unit | **$ 13.71** | $ 13.54 | $ 13.39 | $ 13.11 | $ 12.95 | $ 12.73 | $ 12.52 | $ 12.38 |
| Market price per unit | | | | | | | | |
| - high | **$ 13.53** | $ 14.68 | $ 14.96 | $ 14.70 | $ 15.19 | $ 15.60 | $ 15.65 | $ 15.76 |
| - low | **$ 12.80** | $ 12.50 | $ 13.68 | $ 13.61 | $ 14.01 | $ 14.55 | $ 14.54 | $ 14.55 |
| - close (end of period) | **$ 12.90** | $ 13.30 | $ 14.50 | $ 13.89 | $ 14.38 | $ 15.04 | $ 15.00 | $ 15.40 |

*[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

To preserve and enhance Unitholder value over the long term, CT REIT approaches the management of risk strategically through its Enterprise Risk Management Program ("ERM Program").

The ERM Program provides an integrated approach to the management of risks, supporting the REIT's strategies and objectives, and is described in detail in section 11.0 of CT REIT's 2017 annual MD&A.

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

## 12.0 INTERNAL CONTROL AND PROCEDURES

Details related to disclosure controls and procedures and internal control over financial reporting are disclosed in section 12.0 of the MD&A contained in CT REIT's 2017 annual MD&A.

**Changes in Internal Control Over Financial Reporting**

During the three months ended June 30, 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 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 June 30, 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 and that CTC will continue its involvement with CT REIT on the basis described in its 2017 AIF.

Although the forward-looking statements contained in this MD&A are based upon assumptions that management of CT REIT believes are reasonable, based on information currently available to management, there can be no assurance that actual results will be consistent with these forward-looking statements. Forward-looking statements necessarily involve known and unknown risks and uncertainties, many of which are beyond the REIT's control, that may cause CT REIT's, or the industry's, actual results, performance, achievements, prospects and opportunities in future periods to differ materially from those expressed or implied by such forward-looking statements. These risks and uncertainties include, among other things, the factors discussed under the "Risk Factors" section of the 2017 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 or the documents incorporated by reference herein (other than CT REIT's profile on SEDAR at www.sedar.com) does not form part of this MD&A or the documents incorporated by reference herein and is not incorporated by reference into this MD&A. All references to such websites are inactive textual references and are for information only.

**Commitment to disclosure and investor communication**

The 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.

August 1, 2018

# SECOND QUARTER 2018

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

# Condensed Consolidated Balance Sheets (Unaudited)

(Canadian dollars, in thousands)

| As at | Note | June 30, 2018 | December 31, 2017 |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Investment properties | 3 | **$ 5,564,116** | $ 5,436,597 |
| Other assets | | **2,390** | 2,929 |
| | | **5,566,506** | 5,439,526 |
| **Current assets** | | | |
| Tenant and other receivables | | **7,637** | 1,966 |
| Other assets | | **16,521** | 3,004 |
| Cash and cash equivalents | | **1,911** | 10,902 |
| | | **26,069** | 15,872 |
| **Total assets** | | **$ 5,592,575** | $ 5,455,398 |
| **Liabilities** | | | |
| **Non-current liabilities** | | | |
| Class C LP Units | 4 | **$ 1,451,550** | $ 1,451,550 |
| Mortgages payable | 5 | **37,118** | 43,595 |
| Debentures | 6 | **1,067,984** | 869,471 |
| Other liabilities | | **2,528** | 3,410 |
| | | **2,559,180** | 2,368,026 |
| **Current liabilities** | | | |
| Mortgages payable | 5 | **6,687** | 415 |
| Credit facilities | 7 | **17,977** | 179,941 |
| Other liabilities | | **63,249** | 32,608 |
| Distributions payable | 8 | **12,975** | 12,967 |
| | | **100,888** | 225,931 |
| **Total liabilities** | | **2,660,068** | 2,593,957 |
| **Equity** | | | |
| Unitholders' equity | 8 | **1,199,869** | 1,168,777 |
| Non-controlling interests | 8, 9 | **1,732,638** | 1,692,664 |
| **Total equity** | | **2,932,507** | 2,861,441 |
| **Total liabilities and equity** | | **$ 5,592,575** | $ 5,455,398 |

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

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

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

| For the periods ended June 30, | Note | Three months ended 2018 | Three months ended 2017 | Six months ended 2018 | Six months ended 2017 |
|---|---|---|---|---|---|
| Property revenue | 10 | **$ 118,880** | $ 111,609 | **$ 235,499** | $ 222,749 |
| Property expense | 10 | **(27,218)** | (25,680) | **(55,639)** | (51,872) |
| General and administrative expense | 11 | **(2,745)** | (2,406) | **(5,956)** | (6,156) |
| Net interest and other financing charges | 12 | **(26,188)** | (23,816) | **(51,969)** | (47,618) |
| Fair value adjustment on investment properties | 3 | **12,015** | 14,592 | **25,323** | 32,518 |
| **Net income and comprehensive income** | | **$ 74,744** | $ 74,299 | **$ 147,258** | $ 149,621 |
| **Net income and comprehensive income attributable to:** | | | | | |
| Unitholders | | **$ 31,575** | $ 31,941 | **$ 62,476** | $ 64,721 |
| Non-controlling interests | 9 | **43,169** | 42,358 | **84,782** | 84,900 |
| | | **$ 74,744** | $ 74,299 | **$ 147,258** | $ 149,621 |
| **Net income per unit - basic** | 8 | **$ 0.350** | $ 0.354 | **$ 0.689** | $ 0.716 |
| **Net income per unit - diluted** | 8 | **$ 0.282** | $ 0.292 | **$ 0.557** | $ 0.589 |

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

# Condensed Consolidated Statements of Changes in Equity (Unaudited)

(Canadian dollars, in thousands)

| | Note | Units | Retained Earnings | Unitholders' Equity | Non-controlling interests | Total Equity |
|---|---|---|---|---|---|---|
| **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 | | **—** | **62,476** | **62,476** | **84,782** | **147,258** |
| Distributions | 8 | **—** | **(33,021)** | **(33,021)** | **(44,808)** | **(77,829)** |
| Issuance of Units under Distribution Reinvestment Plan and other | 8 | **1,637** | **—** | **1,637** | **—** | **1,637** |
| **Balance at June 30, 2018** | | **$ 885,727** | **$ 314,142** | **$ 1,199,869** | **$ 1,732,638** | **$ 2,932,507** |

| | 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 | | — | 64,721 | 64,721 | 84,900 | 149,621 |
| Issuance of Class B LP Units, net of issue costs | 3 | — | — | — | 95,546 | 95,546 |
| Distributions | 8 | — | (31,682) | (31,682) | (41,521) | (73,203) |
| Issuance of Units under Distribution Reinvestment Plan and other | 8 | 1,173 | — | 1,173 | — | 1,173 |
| **Balance at June 30, 2017** | | **$ 882,909** | **$ 245,510** | **$ 1,128,419** | **$ 1,635,302** | **$ 2,763,721** |

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

# Condensed Consolidated Statements of Cash Flows (Unaudited)

(Canadian dollars, in thousands)

| | | Three months ended | | Six months ended | |
|---|---|---|---|---|---|
| For the periods ended June 30, | Note | **2018** | 2017 | **2018** | 2017 |
| **Cash generated from (used for):** | | | | | |
| **Operating activities** | | | | | |
| Net income | | **$ 74,744** | $ 74,299 | **$ 147,258** | $ 149,621 |
| Add/(deduct): | | | | | |
| Fair value adjustment on investment properties | | **(12,015)** | (14,592) | **(25,323)** | (32,518) |
| Property straight-line rent revenue | | **(5,363)** | (5,699) | **(9,198)** | (11,491) |
| Deferred income tax | | **(161)** | (113) | **411** | 460 |
| Straight-line ground lease expense | | **16** | 16 | **31** | 31 |
| Net interest and other financing charges | | **26,188** | 23,816 | **51,969** | 47,618 |
| Changes in working capital and other | 13 | **877** | (434) | **(149)** | 5,734 |
| **Cash generated from operating activities** | | **$ 84,286** | $ 77,293 | **$ 164,999** | $ 159,455 |
| | | | | | |
| **Investing activities** | | | | | |
| Income-producing property | | **(876)** | (12,985) | **(66,500)** | (34,083) |
| Development activities and land investments | | **(5,661)** | (9,536) | **(11,846)** | (20,121) |
| Capital expenditures recoverable from tenants | | **(853)** | (1,899) | **(4,318)** | (3,732) |
| Proceeds of disposition | | **—** | 5 | **661** | 6 |
| **Cash used for investing activities** | | **$ (7,390)** | $ (24,415) | **$ (82,003)** | $ (57,930) |
| | | | | | |
| **Financing activities** | | | | | |
| Proceeds from issuance of debentures | 6 | **—** | 175,000 | **200,000** | 175,000 |
| Debenture issuance costs | | **(25)** | (700) | **(1,311)** | (706) |
| Redemption of Class C LP Units | 4 | **—** | (23,139) | **—** | (23,139) |
| Unit distributions | | **(15,665)** | (15,249) | **(31,445)** | (30,504) |
| Class B LP Unit distributions paid or loaned | | **(22,404)** | (20,691) | **(44,808)** | (41,146) |
| Payments on Class C LP Units paid or loaned | 4 | **(17,055)** | (17,418) | **(34,110)** | (34,837) |
| Credit facilities draws (repayments), net | 7 | **(14,977)** | (114,846) | **(161,964)** | (109,824) |
| Mortgage principal repayments | 5 | **(105)** | (309) | **(209)** | (615) |
| Mortgage borrowing | 5 | **—** | — | **—** | 6,000 |
| Net interest paid | | **(17,025)** | (11,588) | **(18,140)** | (12,653) |
| Class B LP Unit issuance costs | | **—** | (141) | **—** | (141) |
| **Cash used for financing activities** | | **$ (87,256)** | $ (29,081) | **$ (91,987)** | $ (72,565) |
| **Cash (used for)/generated from the period** | | **$ (10,360)** | $ 23,797 | **$ (8,991)** | $ 28,960 |
| Cash and cash equivalents, beginning of period | | **12,271** | 11,532 | **10,902** | 6,369 |
| **Cash and cash equivalents, end of period** | | **$ 1,911** | $ 35,329 | **$ 1,911** | $ 35,329 |

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

# Notes to the Condensed Consolidated Financial Statements (Unaudited)

For the three and six months ended June 30, 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 unaudited condensed consolidated interim financial statements ("interim financial statements") as "CT REIT" or the "REIT". CT REIT commenced operations on October 23, 2013, and was formed to own income-producing commercial properties located primarily in Canada. The principal and registered head office of CT REIT is located at 2180 Yonge Street, Toronto, Ontario M4P 2V8.

Canadian Tire Corporation, Limited ("CTC") owned an 85.5% effective interest in CT REIT as of June 30, 2018, consisting of 59,711,094 of the issued and outstanding units of CT REIT ("Units") and all of the issued and outstanding Class B limited partnership units ("Class B LP Units") of CT REIT Limited Partnership (the "Partnership"), which are economically equivalent to and exchangeable for Units. CTC also owns all of the issued and outstanding Class C limited partnership units ("Class C LP Units") of the Partnership (see Note 4). The Units are listed on the Toronto Stock Exchange (the "TSX") under the symbol CRT.UN.

## 2. SIGNIFICANT ACCOUNTING POLICIES

### (a) Statement of compliance

These interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). CT REIT prepared these interim financial statements for the three and six months ended June 30, 2018 in accordance with International Accounting Standard ("IAS") 34 – *Interim Financial Reporting*. These interim financial statements should be read in conjunction with the REIT's 2017 audited annual consolidated financial statements. Other than standards, amendments and interpretations adopted as disclosed in Note 2(d), these interim financial statements have been prepared using the accounting policies that were described in Note 3 to the REIT's 2017 audited annual consolidated financial statements.

These interim financial statements were approved for issuance by CT REIT's Board of Trustees (the "Board"), on the recommendation of its Audit Committee, on August 1, 2018.

### (b) Basis of presentation

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

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

**(c) Judgments and estimates**

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

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

Details of the accounting policies subject to judgments and estimates that CT REIT believes could have the most significant impact on the amounts recognized in these interim financial statements are described in Note 2 to CT REIT's 2017 audited annual consolidated financial statements.

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

***(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 - F*inancial 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.

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.

***(ii) <u>Revenue from contracts with customers</u>***

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.

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

Details of the standards, amendments and interpretations issued but not yet adopted are described in Note 2 to CT REIT's 2017 audited annual consolidated financial statements. The following provides an update on the expected impacts to CT REIT's 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 CT REIT's 2017 audited annual consolidated 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 associated with ground leases but is not expected to have a significant impact on CT REIT's Income. IFRS 16 will be applied for the 2019 annual fiscal period.

## 3. INVESTMENT PROPERTIES

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

| | | | **June 30, 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) | **66,599** | **—** | **66,599** | 209,677 | — | 209,677 |
| Intensifications | **—** | **6,410** | **6,410** | — | 24,893 | 24,893 |
| Developments | **—** | **14,029** | **14,029** | — | 64,882 | 64,882 |
| Development land | **—** | **3,496** | **3,496** | — | 13,380 | 13,380 |
| Capitalized interest and property taxes | **—** | **1,071** | **1,071** | — | 1,957 | 1,957 |
| Transfers | **19,838** | **(19,838)** | **—** | 27,154 | (27,154) | — |
| Fair value adjustment on investment properties | **25,323** | **—** | **25,323** | 79,687 | — | 79,687 |
| Straight-line rent | **9,198** | **—** | **9,198** | 22,822 | — | 22,822 |
| Recoverable capital expenditures | **2,054** | **—** | **2,054** | 18,962 | — | 18,962 |
| Dispositions | **(661)** | **—** | **(661)** | (18) | — | (18) |
| **Balance, end of period [1]** | **$ 5,459,866** | **$ 104,250** | **$ 5,564,116** | $ 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 June 30, 2018, management's determination of fair value was updated for current market assumptions, utilizing market capitalization rates provided by independent valuation professionals.

On a periodic basis, CT REIT obtains independent valuations such that substantially all of its properties will be externally appraised over a four-year period. The REIT intends to modify its use of independent valuations in late 2018. The scope of properties subject to external valuations over the four year cycle will be 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 to CT REIT's 2017 audited annual consolidated financial statements for definition of levels). There have been no transfers during the period between levels.

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

| | Properties valued by the OCR method | Properties valued by the DCF method |
|---|---|---|
| Number of properties | 277 | 58 |
| Value at June 30, 2018 | $ 4,099,354 | $ 1,464,762 |
| Discount rate | —% | 6.96% |
| Terminal capitalization rate | —% | 6.52% |
| Overall capitalization rate | 6.19% | —% |
| Hold period (years) | — | 11 |

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 | $ 3,664,682 | $ (434,671) | $ 1,336,983 | $ (127,779) |
| + 50 basis points | 3,798,695 | (300,658) | 1,376,492 | (88,270) |
| + 25 basis points | 3,943,195 | (156,158) | 1,418,976 | (45,786) |
| June 30, 2018 | $ 4,099,354 | $ — | $ 1,464,762 | $ — |
| - 25 basis points | 4,269,629 | 170,275 | 1,514,431 | 49,669 |
| - 50 basis points | 4,454,911 | 355,557 | 1,568,242 | 103,480 |
| - 75 basis points | $ 4,657,729 | $ 558,376 | $ 1,627,040 | $ 162,277 |

*2018 Investment and Development Activity*

Funding of investment and development activities for the three and six months ended June 30, 2018 was as follows:

| | Q2 2018 Investment and Development Activity | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| (in thousands of Canadian dollars) | | Property investments | | Development land | | Developments | | Intensifications | | Total |
| Funded with working capital to CTC | $ | — | $ | 700 | $ | 10,715 | $ | 2,295 | $ | 13,710 |
| Funded with working capital to third parties | | 827 | | 187 | | 3,113 | | 2,195 | | 6,322 |
| Capitalized interest and property taxes | | — | | — | | 546 | | — | | 546 |
| **Total costs** | $ | 827 | $ | 887 | $ | 14,374 | $ | 4,490 | $ | 20,578 |

| | YTD 2018 Investment and Development Activity | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Property investments | | Development land | | Developments | | Intensifications | | Total |
| Funded with working capital to CTC | $ | 287 | $ | 700 | $ | 10,916 | $ | 4,184 | $ | 16,087 |
| Funded with working capital to third parties | | 66,312 | | 2,796 | | 3,113 | | 2,226 | | 74,447 |
| Capitalized interest and property taxes | | — | | — | | 1,071 | | — | | 1,071 |
| **Total costs** | $ | 66,599 | $ | 3,496 | $ | 15,100 | $ | 6,410 | $ | 91,605 |

*2017 Investment and Development Activity*

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 | | 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 investment properties are nine (2017 – nine) buildings which are situated on ground leases with remaining initial terms of between one and 38 years (December 31, 2017 – one and 38 years), and an average remaining initial term of 16 years (December 31, 2017 – 16 years).

## 4. CLASS C LP UNITS

The Class C LP Units entitle the holder to a fixed cumulative monthly payment, during the initial fixed rate period for each Series of Class C LP Units (the "Initial Fixed Rate Period"), equal to a weighted average 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** | **Carrying amount at June 30, 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 three and six months ended June 30, 2018, interest expense of $17,055 (Q2 2017 – $17,297) and $34,110 (YTD 2017 - $34,716), respectively, was recognized in respect of the Class C LP Units (see Note 12). The holders of the Class C LP Units may elect to defer receipt of all or a portion of distributions declared by CT REIT until the first business day following the end of the fiscal year. If the holder so elects to defer receipt of payments, CT REIT will loan the holder an amount equal to the deferred payment without interest, and the loan will be due and payable in full on the first business day following the end of the fiscal year in which the loan was advanced, the holder having irrevocably directed that any payment of the deferred payments be applied to repay such loans. At the election of the holder, payments on the Class C LP Units for the three and six months ended June 30, 2018 of $16,916 (Q2 2017 – $17,093) and $28,194 (YTD 2017 – $28,547), respectively, were deferred until the first business day following the end of the fiscal year and non-interest bearing loans equal to the deferred payments were advanced in lieu thereof. The net amount of payments due in respect of the Class C LP Units at June 30, 2018 of $5,685 (December 31, 2017 – $5,685) is included in other liabilities on the interim balance sheets.

## 5. MORTGAGES PAYABLE

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

| | **June 30, 2018** | | December 31, 2017 | |
|---|---|---|---|---|
| | **Face value** | **Carrying amount** | Face value | Carrying amount |
| Current | **$ 6,706** | **$ 6,687** | $ 422 | $ 415 |
| Non-current | **37,133** | **37,118** | 43,626 | 43,595 |
| **Total** | **$ 43,839** | **$ 43,805** | $ 44,048 | $ 44,010 |

| Future repayments are as follows: | **Principal amortization** | **Maturities** | **Total** |
|---|---|---|---|
| 2018 | $ 249 | $ — | $ 249 |
| 2019 | — | 43,590 | 43,590 |
| 2020 and thereafter | — | — | — |
| Total contractual obligation | $ 249 | $ 43,590 | $ 43,839 |
| Unamortized portion of mark to market on mortgages payable assumed at the acquisition of properties | | | 17 |
| Unamortized transaction costs | | | (51) |
| | | | $ 43,805 |

Mortgages payable have interest rates that range from 3.30% to 3.60%, and have maturity dates that range from January 2019 to December 2019. Mortgages payable at June 30, 2018 had a weighted average interest rate of 3.35% (December 31, 2017 – 3.07%). At June 30, 2018, floating rate and fixed rate mortgages were $37,133 (December 31, 2017 – $37,133) and $6,706 (December 31, 2017 – $6,915), respectively.

Investment properties having a fair value of $95,819 (December 31, 2017 – $95,704) have been pledged as security for mortgages payable.

## 6. DEBENTURES

| | June 30, 2018 | | December 31, 2017 | |
|---|---|---|---|---|
| Series | **Face value** | **Carrying amount** | Face value | Carrying amount |
| A, 2.85%, June 9, 2022 | **$ 150,000** | **$ 149,355** | $ 150,000 | $ 149,277 |
| B, 3.53%, June 9, 2025 | **200,000** | **198,816** | 200,000 | 198,739 |
| C, 2.16%, June 1, 2021 | **150,000** | **149,377** | 150,000 | 149,270 |
| D, 3.29%, June 1, 2026 | **200,000** | **198,793** | 200,000 | 198,717 |
| E, 3.47%, June 16, 2027 | **175,000** | **173,624** | 175,000 | 173,468 |
| F, 3.87%, December 7, 2027 | **200,000** | **198,019** | — | — |
| | **$ 1,075,000** | **$ 1,067,984** | $ 875,000 | $ 869,471 |

Debentures as at June 30, 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 three and six months ended June 30, 2018, amortization of the transaction costs of $248 (Q2 2017 - $174) and $492 (YTD 2017 - $341) are included in interest and other financing charges on the interim statements of income and comprehensive income (see Note 12).

## 7. CREDIT FACILITIES

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

| | June 30, 2018 | December 31, 2017 |
|---|---|---|
| Bank Credit Facility | **$ 17,977** | $ 53,941 |
| Bridge Facility | **—** | 126,000 |
| | **$ 17,977** | $ 179,941 |

**(a) Bank Credit Facility**

CT REIT has a $300 million unsecured revolving credit facility with a syndicate of major Canadian third party banks ("Bank Credit Facility") available until September 2022. 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 June 30, 2018, $17,977 (December 31, 2017 – $53,941) of borrowings were drawn on the Bank Credit Facility and $2,265 (December 31, 2017 – $2,065) of letters of credit were outstanding under the Bank Credit Facility. At June 30, 2018, borrowings under the Bank Credit Facility had a weighted average interest rate of 2.61% (December 31, 2017 – 2.33%).

**(b) Bridge Facility**

CT REIT's loan agreement with CTC ("Bridge Facility") entered into in December 2017 solely for the purpose of facilitating the acquisition of a portfolio of certain investment properties. The Bridge Facility was repaid in Q1 2018.

As at June 30, 2018, $nil (December 31, 2017 – $126,000) borrowings were drawn on the Bridge Facility.

## 8. EQUITY

**Authorized and outstanding units**

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

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

| | **As at June 30, 2018** | | |
|---|---|---|---|
| | **Units** | **Class B LP Units** | **Total** |
| Total outstanding at beginning of period | **90,645,295** | **123,092,866** | **213,738,161** |
| Issued | **126,883** | **—** | **126,883** |
| **Total outstanding at end of period** | **90,772,178** | **123,092,866** | **213,865,044** |

| | 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 three and six months ended June 30, 2018 and 2017, are calculated as follows, respectively:

| | Three months ended June 30, 2018 | | |
|---|---|---|---|
| | Units | Class B LP Units | Total |
| Net income attributable to Unitholders - basic | $ 31,575 | $ 43,169 | $ 74,744 |
| Income effect of settling Class C LP Units with Class B LP Units | | | 17,055 |
| **Net income attributable to Unitholders - diluted** | | | $ 91,799 |
| Weighted average units outstanding - basic | 90,736,475 | 123,092,866 | 213,829,341 |
| Dilutive effect of other Unit plans | | | 178,924 |
| Dilutive effect of settling Class C LP Units with Class B LP Units | | | 111,438,103 |
| **Weighted average units outstanding - diluted** | | | 325,446,368 |

| | For the six months ended June 30, 2018 | | |
|---|---|---|---|
| | Units | Class B LP Units | Total |
| Net income attributable to Unitholders - basic | $ 62,476 | $ 84,782 | $ 147,258 |
| Income effect of settling Class C LP Units with Class B LP Units | | | 34,110 |
| **Net income attributable to Unitholders - diluted** | | | $ 181,368 |
| Weighted average units outstanding - basic | 90,704,285 | 123,092,866 | 213,797,151 |
| Dilutive effect of other Unit plans | | | 173,606 |
| Dilutive effect of settling Class C LP Units with Class B LP Units | | | 111,438,103 |
| **Weighted average units outstanding - diluted** | | | 325,408,860 |

| | For the three months ended June 30, 2017 | | |
|---|---|---|---|
| | Units | Class B LP Units | Total |
| Net income attributable to Unitholders - basic | $ 31,941 | $ 42,358 | $ 74,299 |
| Income effect of settling Class C LP Units with Class B LP Units | | | 17,297 |
| Net income attributable to Unitholders - diluted | | | $ 91,596 |
| Weighted average units outstanding - basic | 90,539,628 | 119,532,795 | 210,072,423 |
| Dilutive effect of other Unit plans | | | 147,988 |
| Dilutive effect of settling Class C LP Units with Class B LP Units | | | 103,262,405 |
| Weighted average units outstanding - diluted | | | 313,482,816 |

| | For the six months ended June 30, 2017 | | |
|---|---|---|---|
| | Units | Class B LP Units | Total |
| Net income attributable to Unitholders - basic | $ 64,721 | $ 84,900 | $ 149,621 |
| Income effect of settling Class C LP Units with Class B LP Units | | | 34,716 |
| Net income attributable to Unitholders - diluted | | | $ 184,337 |
| Weighted average units outstanding - basic | 90,519,751 | 118,427,476 | 208,947,227 |
| Dilutive effect of other Unit plans | | | 134,202 |
| Dilutive effect of settling Class C LP Units with Class B LP Units | | | 104,057,721 |
| Weighted average units outstanding - diluted | | | 313,139,150 |

**Distributions on Units and Class B LP Units**

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

| For the periods ended June 30, | **2018** | 2017 |
|---|---|---|
| | **Distributions per unit** | Distributions per unit |
| Units | **$ 0.364** | $ 0.350 |
| Class B LP Unit | **$ 0.364** | $ 0.350 |

On June 15, 2018, CT REIT's Board declared a distribution of $0.06067 per Unit paid on July 16, 2018 to holders of Units and Class B LP Units of record as of June 29, 2018.

On July 13, 2018, CT REIT’s Board declared a distribution of $0.06067 per Unit payable on August 15, 2018 to holders of Units and Class B LP Units of record as of July 31, 2018.

Details and descriptions of the Units, and Class B LP Units are available in Note 9 of CT REIT's 2017 audited annual consolidated financial statements.

## 9. NON-CONTROLLING INTERESTS

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

| | Proportion of ownership interests held by non-controlling interests | | Net income and comprehensive income allocated to non-controlling interests | | | |
|---|---|---|---|---|---|---|
| | **As at June 30, 2018** | As at June 30, 2017 | **For the three months ended June 30, 2018** | For the three months ended June 30, 2017 | **For the six months ended June 30, 2018** | For the three months ended June 30, 2017 |
| **Name of Subsidiary** | | | | | | |
| CT REIT Limited Partnership | **57.56%** | 57.56% | **$ 43,169** | $ 42,358 | **$ 84,782** | $ 84,900 |

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

## 10. REVENUE AND EXPENSES

### (a) Property revenue

CT REIT leases income-producing commercial properties to tenants under operating leases. The CTC leases have staggered initial terms ranging from 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 three months ended June 30, 2018** |
|---|---|---|---|
| Base minimum rent | **$ 78,819** | **$ 7,491** | **$ 86,310** |
| Straight-line rent | **5,232** | **131** | **5,363** |
| Subtotal base rent | **$ 84,051** | **$ 7,622** | **$ 91,673** |
| Property operating expense recoveries | **21,487** | **3,913** | **25,400** |
| Capital expenditure and interest recovery charge | **1,707** | **22** | **1,729** |
| Other revenues | **1** | **77** | **78** |
| **Property revenue** | **$ 107,246** | **$ 11,634** | **$ 118,880** |

| | CTC | Other | **For the six months ended June 30, 2018** |
|---|---|---|---|
| Base minimum rent | **$ 157,104** | **$ 15,067** | **$ 172,171** |
| Straight-line rent | **9,361** | **(163)** | **9,198** |
| Subtotal base rent | **$ 166,465** | **$ 14,904** | **$ 181,369** |
| Property operating expense recoveries | **42,889** | **7,696** | **50,585** |
| Capital expenditure and interest recovery charge | **3,340** | **44** | **3,384** |
| Other revenues | **3** | **158** | **161** |
| **Property revenue** | **$ 212,697** | **$ 22,802** | **$ 235,499** |

| | | CTC | | Other | | For the three months ended June 30, 2017 |
|---|---|---|---|---|---|---|
| Base minimum rent | $ | 75,026 | $ | 5,624 | $ | 80,650 |
| Straight-line rent | | 5,488 | | 211 | | 5,699 |
| Subtotal base rent | $ | 80,514 | $ | 5,835 | $ | 86,349 |
| Property operating expense recoveries | | 21,304 | | 2,459 | | 23,763 |
| Capital expenditure and interest recovery charge | | 1,334 | | 19 | | 1,353 |
| Other revenues | | — | | 144 | | 144 |
| Property revenue | $ | 103,152 | $ | 8,457 | $ | 111,609 |

| | | CTC | | Other | | For the six months ended June 30, 2017 |
|---|---|---|---|---|---|---|
| Base minimum rent | $ | 149,526 | $ | 11,092 | $ | 160,618 |
| Straight-line rent | | 10,948 | | 543 | | 11,491 |
| Subtotal base rent | $ | 160,474 | $ | 11,635 | $ | 172,109 |
| Property operating expense recoveries | | 42,900 | | 4,863 | | 47,763 |
| Capital expenditure and interest recovery charge | | 2,561 | | 38 | | 2,599 |
| Other revenues | | 2 | | 276 | | 278 |
| Property revenue | $ | 205,937 | $ | 16,812 | $ | 222,749 |

### (b) Property expense

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

| | Three months ended | | | | Six months ended | | | |
|---|---|---|---|---|---|---|---|---|
| For the periods ended June 30, | | **2018** | | 2017 | | **2018** | | 2017 |
| Property taxes | **$** | **22,262** | $ | 21,193 | **$** | **44,467** | $ | 42,512 |
| Other recoverable operating costs | | **2,769** | | 2,324 | | **6,726** | | 5,061 |
| Property management [1] | | **1,181** | | 1,111 | | **2,358** | | 2,194 |
| Ground rent | | **1,012** | | 1,009 | | **2,026** | | 2,018 |
| Property insurance | | **(6)** | | 43 | | **62** | | 87 |
| **Property expense** | **$** | **27,218** | $ | 25,680 | **$** | **55,639** | $ | 51,872 |

[1] *Includes $546 (Q2 2017 - $665) and $1,099 (YTD 2017 - $1,327), respectively, with CTC. See Note 16.*

## 11. GENERAL AND ADMINISTRATIVE EXPENSE

General and administrative expense is comprised of the following:

| | Three months ended | | Six months ended | |
|---|---|---|---|---|
| For the periods ended June 30, | **2018** | 2017 | **2018** | 2017 |
| Personnel expense [1] | **$ 1,354** | $ 1,083 | **$ 2,687** | $ 2,751 |
| Public entity and other [1] | **614** | 573 | **1,725** | 1,905 |
| Services Agreement with CTC [2] | **777** | 750 | **1,544** | 1,500 |
| **General and administrative expense** | **$ 2,745** | $ 2,406 | **$ 5,956** | $ 6,156 |

*[1] Includes unit-based awards, including (gain) loss adjustments as a result of the change in the fair market value of the Units of $(67) (Q2 2017 - $(172)) and $(522) (YTD 2017 - $(78)) for the three and six months ended June 30, 2018.*

*[2] See Note 16.*

## 12. NET INTEREST AND OTHER FINANCING CHARGES

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

| | Three months ended | | Six months ended | |
|---|---|---|---|---|
| For the periods ended June 30, | **2018** | 2017 | **2018** | 2017 |
| Interest on Class C LP Units [1] | **$ 17,055** | $ 17,297 | **$ 34,110** | $ 34,716 |
| Interest and financing costs - debentures | **8,985** | 5,711 | **17,144** | 11,165 |
| Interest and financing costs - Bank Credit Facility | **357** | 656 | **776** | 1,378 |
| Interest on mortgages payable | **370** | 426 | **739** | 816 |
| Interest costs - Bridge Facility [1] | **—** | — | **351** | — |
| | **$ 26,767** | $ 24,090 | **$ 53,120** | $ 48,075 |
| Less: capitalized interest | **(544)** | (244) | **(1,069)** | (413) |
| **Interest and other financing charges less capitalized interest** | **$ 26,223** | $ 23,846 | **$ 52,051** | $ 47,662 |
| Less: interest income | **(35)** | (30) | **(82)** | (44) |
| **Net interest and other financing charges** | **$ 26,188** | $ 23,816 | **$ 51,969** | $ 47,618 |

*[1] Paid or payable to CTC.*

## 13. CHANGES IN WORKING CAPITAL AND OTHER

Changes in working capital are comprised of the following:

| | Three months ended | | Six months ended | |
|---|---|---|---|---|
| For the periods ended June 30, | **2018** | 2017 | **2018** | 2017 |
| Changes in working capital and other | | | | |
| Tenant and other receivables | **$ 2,397** | $ 937 | **$ (5,671)** | $ (3,493) |
| Other assets | **(9,497)** | (7,843) | **(13,575)** | (12,247) |
| Other liabilities | **7,643** | 6,473 | **18,531** | 21,472 |
| Other | **334** | (1) | **566** | 2 |
| **Changes in working capital and other** | **$ 877** | $ (434) | **$ (149)** | $ 5,734 |

## 14. SEGMENTED INFORMATION

CT REIT has one segment for financial reporting purposes which comprises the ownership and operation of primarily retail investment properties located across Canada.

## 15. COMMITMENTS AND CONTINGENCIES

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

As at June 30, 2018, CT REIT had obligations of $44,182 (December 31, 2017 – $39,227) in future payments for the completion of developments. Included in the commitments is $33,822 due to CTC.

## 16. RELATED-PARTY TRANSACTIONS

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

### (a) Arrangements with CTC

*Services Agreement*

Under the Services Agreement, CTC provides the REIT with certain administrative, financial, information technology, internal audit and other support services as may be reasonably required from time to time (the "Services"). CTC provides these Services to the REIT on a cost recovery basis pursuant to which CT REIT reimburses CTC for all costs and expenses incurred by CTC in connection with providing the Services, plus applicable taxes. The Services Agreement is automatically renewable for one year terms, unless otherwise terminated in accordance with its terms. The Services Agreement was automatically renewed for 2018 and CTC will continue to provide such Services on a cost recovery basis.

*Property Management Agreement*

Under the Property Management Agreement, CTC provides the REIT with certain customary property management services (the "Property Management Services"). CTC provides 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 2018 and CTC will continue to provide such Property Management Services on a cost recovery basis.

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

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

| | | Three months ended | | Six months ended | |
|---|---|---|---|---|---|
| For the periods ended June 30, | Note | **2018** | 2017 | **2018** | 2017 |
| Rental revenue | 10 | **$ 107,246** | $ 103,152 | **$ 212,697** | $ 205,937 |
| Property Management and Services Agreement expense | | **$ 1,323** | $ 1,415 | **$ 2,643** | $ 2,827 |
| Distributions on Units | | **$ 10,868** | $ 10,449 | **$ 21,736** | $ 20,898 |
| Distributions on Class B LP Units [1] | | **$ 22,404** | $ 20,958 | **$ 44,808** | $ 41,521 |
| Interest expense on Class C LP Units | 12 | **$ 17,055** | $ 17,297 | **$ 34,110** | $ 34,716 |
| Interest expense on the Bridge Facility | 12 | **$ —** | $ — | **$ 351** | $ — |

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

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

| As at | **June 30, 2018** | December 31, 2017 |
|---|---|---|
| Tenant and other receivables | **$ (6,839)** | $ (1,758) |
| Class C LP Units | **1,451,550** | 1,451,550 |
| Amounts payable on Class C LP Units | **33,879** | 68,065 |
| Loans receivable in lieu of payments on Class C LP Units | **(28,194)** | (62,380) |
| Other liabilities | **27,514** | 6,556 |
| Distributions payable on Units and Class B LP Units [1] | **19,145** | 26,551 |
| Loans receivable in lieu of distributions on Class B LP Units | **(8,054)** | (15,460) |
| Bridge Facility | **—** | 126,000 |
| **Net balance due to CTC** | **$ 1,489,001** | $ 1,599,124 |

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

## 17. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

The fair value of the Class C LP Units, debentures and mortgages payable at June 30, 2018, is $1,539,688, $1,058,151 and $44,243 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 classified as other liabilities and carried at amortized cost, except for liabilities for unit based compensation plans which are included in other liabilities and are carried at fair value, equivalent to the trading price of Units, which is a Level 1 input. The carrying amounts of the liabilities for the unit based compensation plans approximate their fair value due to their short-term nature.

## 18. CAPITAL MANAGEMENT AND LIQUIDITY

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

The definition of capital varies from entity to entity, industry to industry and for different purposes. CT REIT's strategy and process for managing capital is driven by requirements established under its Declaration of Trust and the trust indenture dated June 9, 2015, as supplemented by supplemental indentures, pursuant to which the debentures were issued, and the Bank Credit Facility.

As at June 30, 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.