

CT REAL ESTATE INVESTMENT TRUST MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2014

FORWARD-LOOKING DISCLAIMER

This Management's Discussion and Analysis ("MD&A") contains statements that are forward-looking. Actual results or events may differ materially from those forecasted in this disclosure because of the risks and uncertainties associated with the business of CT Real Estate Investment Trust and its subsidiaries, (unless the context requires otherwise referred to herein as "CT REIT", the "Trust" or the "REIT") and the general economic environment. See Part XII in this MD&A for additional important information and a caution on the use of forward-looking statements.

CT REIT cannot provide any assurance that forecasted financial or operational performance will actually be achieved or, if it is, that it will result in an increase in the price of CT REIT's units.

PART I

BASIS OF PRESENTATION

The following MD&A is intended to provide readers with an assessment of the performance of CT REIT for the year ended December 31, 2014 (also referred to as “2014”) and should be read in conjunction with the REIT’s audited consolidated financial statements (“consolidated financial statements”) and accompanying notes for 2014 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 information about and caution with respect to the use of forward-looking statements which can be found in Part XII of this MD&A. Information about CT REIT, including the prospectus dated October 10, 2013 (the “Prospectus”) filed in connection with its initial public offering (the “Offering”), Annual Information Form (“AIF”), Annual Report, and all other continuous disclosure documents required by the Canadian securities regulators, can be found on the System for Electronic Document Analysis and Retrieval (“SEDAR”) website at www.sedar.com and on CT REIT’s website in the Investors section at www.ctreit.com.

DEFINITIONS

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

ACCOUNTING ESTIMATES AND ASSUMPTIONS

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

Financial data included in this MD&A includes material information up to February 23, 2015. Disclosure contained in this document is current to that date, unless otherwise noted.

QUARTERLY AND ANNUAL COMPARISONS IN THIS MD&A

CT REIT was established on July 15, 2013 and commenced operations on October 23, 2013. CT REIT had no operations prior to October 23, 2013. The variances between the three months ended December 31, 2014 (“Q4 2014”) and the three months ended December 31, 2013 as well as the variances between the year ended December 31, 2014 and the period from July 15, 2013 to December 31, 2013 (“2013”) are primarily due to the shorter operating period in 2013.

Unless otherwise indicated, all comparisons of results for Q4 2014 and 2014 are against forecasted results for the respective period.

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

NON-GAAP AND OPERATIONAL KEY PERFORMANCE INDICATORS

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

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

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

REVIEW AND APPROVAL BY THE BOARD OF TRUSTEES

The Board of Trustees (“the Board”), on the recommendation of its Audit Committee, authorized for issuance the contents of this MD&A on February 23, 2015.

NATURE AND FORMATION

CT REIT is an unincorporated, closed-end real estate investment trust established on July 15, 2013 pursuant to a declaration of trust under, and governed by, the laws of the Province of Ontario as amended and restated as at October 22, 2013 (the “Declaration of Trust”). CT REIT commenced operations on October 23, 2013. The principal, registered and head office of CT REIT is located at 2180 Yonge Street, Toronto, Ontario M4P 2V8. CTC owns an 83.2% effective interest in CT REIT as of December 31, 2014, consisting of 59,711,094 of the issued and outstanding units of CT REIT (“Units”) and all of the issued and outstanding Class B limited partnership units (“Class B LP Units”) of CT REIT Limited Partnership (the “Partnership”), which are economically equivalent to and exchangeable for Units. CTC also owns all of the Class C limited partnership units (“Class C LP Units”) of the Partnership. The Units are listed on the Toronto Stock Exchange (“TSX”) under the symbol CRT.UN.

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

PART II

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

GROWTH STRATEGY AND OBJECTIVES

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 focusing on expanding the REIT’s asset base while also increasing its AFFO per Unit.

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

1. The current portfolio of Canadian Tire store leases contain contractual annual rent escalations of 1.5% per year, on average, over the initial term of the leases and have a weighted average remaining lease term of 14.5 years;
2. CT REIT has contractual arrangements with CTC whereby CT REIT has a right of first offer (“ROFO”) on all current and future 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 seek to use its relationship with CTC to obtain insights into potential real estate acquisitions and development opportunities in markets across Canada.

PART III

OVERVIEW OF THE PROPERTY PORTFOLIO

Property Profile

The property portfolio as at December 31, 2014 consists of 268 retail properties, two distribution centres, one mixed-use commercial property and two development properties acquired for future development. These investment properties (the "Properties") are located in each of the provinces and two territories across Canada and the retail properties, distribution centres and mixed-use commercial property contain approximately 20.4 million square feet of gross leasable area ("GLA").

CT REIT's consolidated financial position, results of operations and property portfolio analyses include the REIT's one-third interest in Canada Square, a mixed-use commercial property in Toronto, ON.

CTC is CT REIT's largest tenant. At December 31, 2014, CTC represented 97.9% of total GLA and 96.4% of annual base minimum rent.

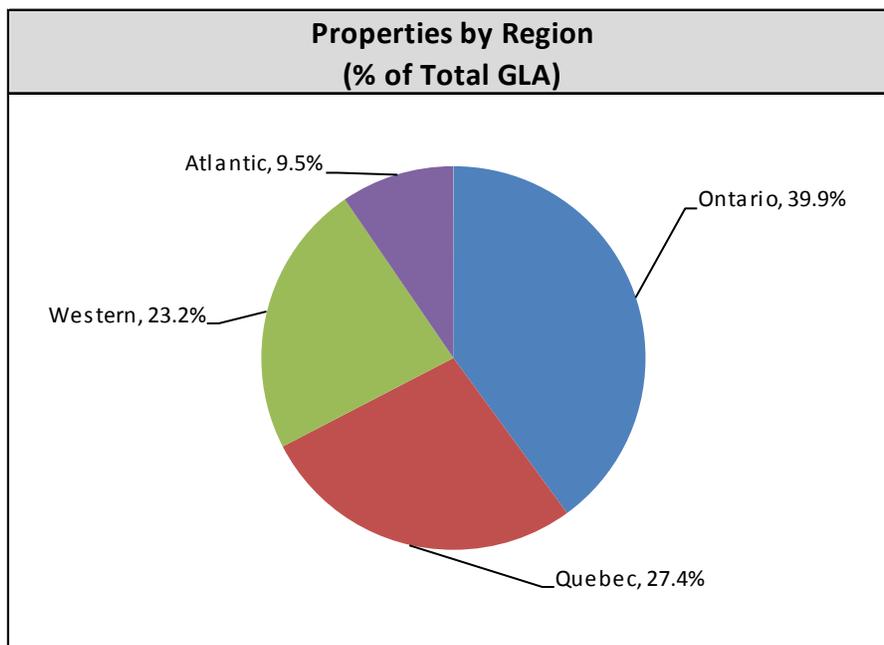
	2014		
(in square feet)	GLA	Occupied GLA	Occupancy
Canadian Tire stores and gas bars	17,642,796	17,642,796	100.0%
Distribution centres	1,859,580	1,859,580	100.0%
Mixed-use property	281,304	270,594	96.2%
Third party tenants (including other CTC banners)	574,440	561,997	97.8%
Total	20,358,120	20,334,967	99.9%

	2013		
(in square feet)	GLA	Occupied GLA	Occupancy
Canadian Tire stores and gas bars	16,792,323	16,792,323	100.0%
Distribution centres	1,658,165	1,658,165	100.0%
Third party tenants (including other CTC banners)	436,670	426,727	97.7%
Total	18,887,158	18,877,215	99.9%

	2014	2013
Number of Properties		
Standalone properties	238	229
Multi-tenant properties anchored by Canadian Tire store	27	26
Multi-tenant properties not anchored by Canadian Tire store	3	0
Distribution centres	2	1
Mixed-use property	1	0
Total Operating properties	271	256
Development properties	2	2
Total properties	273	258

	2014	2013
Number of Gas Bars		
Gas bars at retail properties	87	86

CT REIT's properties by region, as a percentage of total GLA as at December 31, 2014 are as follows:



Six Largest Urban Markets

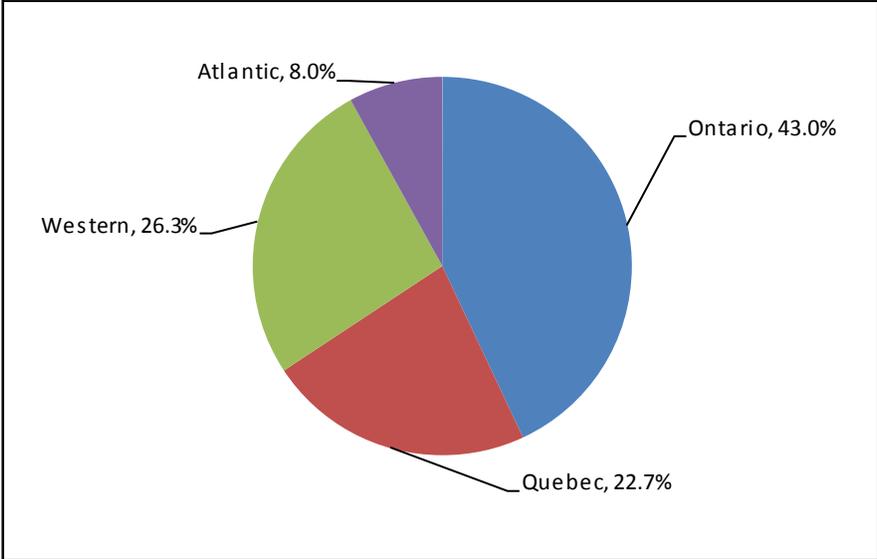
As at December 31, 2014, a significant portion of CT REIT's properties reside in the following large urban markets:

Percentage of Annualized Base Minimum Retail Rent	2014	2013
Toronto	19.1%	17.4%
Montreal	13.0%	13.1%
Vancouver	4.1%	4.5%
Ottawa	5.3%	5.7%
Calgary	1.7%	1.2%
Edmonton	3.9%	4.2%
	47.1%	46.1%

Revenue by Province

CT REIT's portfolio is located across Canada with approximately 65.7% of annual base minimum rent received in respect of properties in Ontario and Quebec.

**Properties by Region
(% of Annualized Base Minimum Rent)**



2014 Investment Activities

(in thousands of Canadian dollars, except for GLA amounts)	Transaction Date	GLA	Total Investment Cost ⁵
Property Location			
Burlington, ON ¹	Feb 27, 2014	63,899	
Camrose, AB ¹	Apr 30, 2014	28,126	
Medicine Hat, AB ¹	Apr 30, 2014	63,023	
Oshawa, ON ¹	Apr 30, 2014	87,532	
Sherbrooke, QC ¹	Jun 20, 2014	97,522	
Stratford, ON ¹	Jun 20, 2014	97,908	
Vaudreuil, QC ¹	Jun 20, 2014	73,965	
Yorkton, SK ¹	Jun 20, 2014	34,621	
Toronto, ON ¹	Jul 17, 2014	281,304	
Calgary, AB ¹	Jul 30, 2014	201,415	
Strathroy, ON ¹	Sep 26, 2014	67,834	
Wasaga Beach, ON ¹	Sep 26, 2014	54,081	
Brockville, ON ¹	Sep 26, 2014	70,380	
Sturgeon Falls, ON ⁴	Nov 19, 2014	8,220	
Thunder Bay, ON ⁴	Nov 19, 2014	17,792	
Oshawa, ON ⁴	Dec 01, 2014	12,000	
Regina, SK ⁴	Dec 01, 2014	7,700	
Swift Current, SK ²	Dec 01, 2014	-	
Charlottetown, PEI ³	Dec 12, 2014	94,704	
St. John's, NL ³	Dec 12, 2014	94,704	
High River, AB ²	Dec 22, 2014	-	
Hull, QC ⁴	Dec 23, 2014	4,433	
Shawinigan, QC ⁴	Dec 23, 2014	3,801	
Total		1,464,964	\$ 264,580

¹ Acquisition of investment property

² Development land acquisition

³ Development

⁴ Intensification of existing asset

⁵ Net of post-closing adjustments

For the three months ended December 31, 2014, two development land acquisitions, two developments and six intensifications were completed at a total cost of \$36,140 and were funded as follows:

Q4 2014 Investment Activity						
(in thousands of Canadian dollars)	Acquisitions of investment properties	Development land acquisition	Developments	Intensifications	Total	
Funded with working capital to CTC	\$ -	\$ -	\$ 19,929	\$ 11,951	\$ 31,880	
Funded with working capital to third parties	244	3,982	34	-	4,260	
Total costs	\$ 244	\$ 3,982	\$ 19,963	\$ 11,951	\$ 36,140	

For the year ended December 31, 2014, thirteen investment property acquisitions, two development land acquisitions, two developments and six intensifications were completed at a total cost of \$264,580 and were funded as follows:

2014 Investment Activity						
(in thousands of Canadian dollars)	Acquisitions of investment properties	Development land acquisition	Developments	Intensifications	Total	
Funded with working capital to CTC ¹	\$ 31,479	\$ -	\$ 19,929	\$ 11,951	\$ 63,359	
Funded with working capital to third parties	71,267	3,982	34	-	75,283	
Issuance of Class B LP Units to CTC	19,464	-	-	-	19,464	
Issuance of Class C LP Units to CTC	47,279	-	-	-	47,279	
Mortgages assumed	59,195	-	-	-	59,195	
Total costs	\$ 228,684	\$ 3,982	\$ 19,963	\$ 11,951	\$ 264,580	

¹ Net of post-closing adjustments.

2013 Investment Activities

At October 23, 2013, the REIT, indirectly, purchased a portfolio of 256 properties (the "Initial Properties") from CTC in exchange for a combination of Class B LP Units (which are accompanied by an equivalent number of special voting units (the "Special Voting Units") of CT REIT; Class A limited partnership units ("Class A LP Units") which were then immediately acquired by CT REIT using the net proceeds from the Offering; and Class C LP Units. The purchase price of the Initial Properties was \$3,533,668 and was supported by independent appraisals. CT REIT incurred costs on the acquisition of the Initial Properties of \$468, which was added to the carrying value of the Initial Properties upon their recognition. The purchase price was satisfied as follows:

(in thousands of Canadian dollars)	2013
Cash ¹	\$ 240,958
Units acquired by CTC	597,111
Class B LP Units	895,599
Class C LP Units	1,800,000
Total consideration paid	\$ 3,533,668

¹ Represents proceeds from the Offering less issuance costs of \$22,074 and property acquisition costs of \$468.

On December 23, 2013, CT REIT completed two development land acquisitions from separate third-party vendors. The total purchase price was approximately \$9,011 including acquisition costs. These acquisitions were funded with cash.

Valuation Method

The fair value of the property portfolio represents 99.6% of the total assets of CT REIT as at December 31, 2014.

(in thousands of Canadian dollars)	2014	2013 ¹
Balance at beginning of year	\$ 3,547,864	\$ -
Acquisitions of investment properties (including acquisition costs) ²	228,684	3,534,136
Development land acquisitions	3,982	9,011
Developments	19,963	-
Intensifications	11,951	-
Recoverable capital expenditures	17,052	-
Capitalized interest and property taxes	442	-
Straight-line rent	28,685	5,185
Fair value adjustment on investment properties	141,221	(468)
Balance at end of year	\$ 3,999,844	\$ 3,547,864

¹ Based on operations beginning October 23, 2013.

² Net of post-closing adjustments.

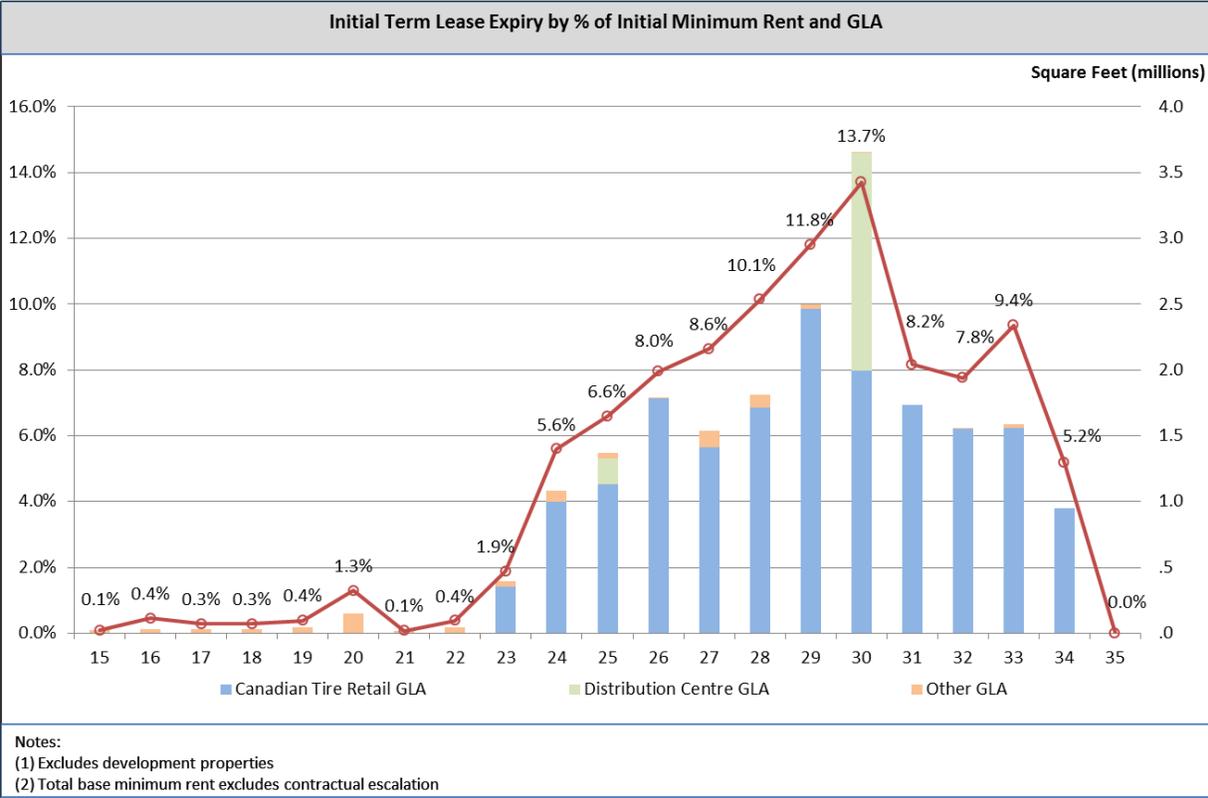
Investment properties were subject to independent valuations when initially acquired in 2013. At December 31, 2014, management's determination of fair value was updated for current market assumptions, utilizing market capitalization rates provided by independent valuation professionals. CT REIT also obtained independent valuations for certain properties based on a four-year rotation cycle during which substantially all of its properties will be independently valued.

Included in CT REIT's property portfolio are seven buildings with a fair value of approximately \$127,926 that are situated on leased land. Assuming all extension periods are exercised, the land leases have terms between 27 and 41 years with an average remaining lease term of 34 years.

Lease Maturities

CTC is CT REIT's largest tenant. As at December 31, 2014 CTC, including all CTC banners, had leased over 20.0 million square feet of GLA, with approximately 90% and 9% of the GLA attributable to retail and distribution properties, respectively. The weighted average term of the retail leases with CTC, including all CTC banners, is 14.5 years, excluding the exercise of any renewals. The weighted average term of the Canadian Tire store leases is 14.5 years, with a weighted average rental rate of \$13.03 per square foot. The weighted average lease term of the distribution centres, which are both leased by CTC, is 15.2 years. The weighted average lease term of the total portfolio, including all tenants, is 14.4 years.

The following graph sets out as of December 31, 2014 the lease maturity profile from 2015 to 2035 (assuming tenants do not exercise renewal options or termination rights) as a percentage of total base minimum rent and GLA as of the time of expiry.



Top 10 Tenants Excluding CTC Banners

As at December 31, 2014, CT REIT’s 10 largest tenants, excluding CTC banners, as represented by the percentage of total annualized base rental revenue, are:

Rank	Tenant Name	Percentage of Total Annualized Base Rental Revenue
1	Overwaitea Foods	0.36%
2	Best Buy	0.30%
3	Precise Parklink	0.26%
4	Marshalls	0.26%
5	RBC Royal Bank	0.22%
6	Shoppers Drug Mart	0.20%
7	PetSmart	0.19%
8	Goodlife Fitness	0.18%
9	TV Ontario	0.17%
10	TD Canada Trust	0.14%
		2.28%

PART IV

RESULTS OF OPERATIONS

This section of the MD&A covers the three months and year ended December 31, 2014 compared to the forecasted information contained in the Prospectus (the "Forecast") for the same time periods.

As of December 31, 2014, management has identified the following items that have caused the actual 2014 results to be different than the Forecast:

- the Forecast did not assume that the over-allotment option would be exercised. Pursuant to the exercise of the over-allotment option, on November 4, 2013 CT REIT issued 3,952,500 additional Units to the public at a price of \$10.00 per unit;
- the Forecast did not assume that CT REIT would complete any property acquisitions following October 23, 2013 and, as such, the Forecast numbers do not reflect this activity;
- the Forecast did not assume a fair value adjustment on the property portfolio. During the quarter, management's determination of fair value incorporated a fair value adjustment of \$7,305. On a year-to-date basis, management's determination of fair value gave rise to a fair value adjustment of \$141,221;
- the Forecast had differing assumptions for certain expenses, such as property taxes and general and administrative expenses; and
- the Forecast assumed a lower rate of recovery of operating expenses from tenants than was realized for 2014.

Summary of Selected Financial and Operational Information

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

(in thousands of Canadian dollars, except per Unit, Unit and square footage amounts)	Q4 2014	Q4 2014 Forecast	Variance	2014	2014 Forecast	Variance
Property revenue	\$ 89,212	\$ 83,110	\$ 6,102	\$ 344,791	\$ 333,510	\$ 11,281
Income before interest and other financing charges, taxes and fair value adjustments ¹	\$ 67,699	\$ 62,877	\$ 4,822	\$ 260,031	\$ 251,088	\$ 8,943
Income before interest and other financing charges, taxes and fair value adjustments/unit (basic) ^{1,2}	\$ 0.373	\$ 0.358	\$ 0.015	\$ 1.440	\$ 1.429	\$ 0.011
Income before interest and other financing charges, taxes and fair value adjustments/unit (diluted, non-GAAP) ^{1,3}	\$ 0.373	\$ 0.358	\$ 0.015	\$ 1.439	\$ 1.429	\$ 0.010
Net operating income ¹	\$ 62,115	\$ 57,903	\$ 4,212	\$ 239,648	\$ 231,196	\$ 8,452
Net income	\$ 53,711	\$ 42,295	\$ 11,416	\$ 318,261	\$ 169,425	\$ 148,836
Net income/Unit (basic) ²	\$ 0.296	\$ 0.241	\$ 0.055	\$ 1.762	\$ 0.965	\$ 0.797
Net income/Unit (diluted) ⁴	\$ 0.222	\$ 0.176	\$ 0.046	\$ 1.203	\$ 0.704	\$ 0.499
Funds from operations ¹	\$ 46,528	\$ 42,295	\$ 4,233	\$ 176,798	\$ 169,425	\$ 7,373
Funds from operations/Unit (diluted, non-GAAP) ^{1,2,3}	\$ 0.256	\$ 0.241	\$ 0.015	\$ 0.979	\$ 0.965	\$ 0.014
Adjusted funds from operations ¹	\$ 34,657	\$ 31,656	\$ 3,001	\$ 132,866	\$ 126,836	\$ 6,030
Adjusted funds from operations/Unit (diluted, non-GAAP) ^{1,2,3}	\$ 0.191	\$ 0.180	\$ 0.011	\$ 0.736	\$ 0.722	\$ 0.014
Distributions/Unit - paid ²	\$ 0.163	\$ 0.163	\$ -	\$ 0.650	\$ 0.650	\$ -
AFFO payout ratio ¹	85%	90%	5%	88%	90%	2%
Excess of AFFO over distributions:						
Cash retained from operations before distribution reinvestment ⁷	\$ 5,170	\$ 3,030	\$ 2,140	\$ 15,520	\$ 12,682	\$ 2,838
Per Unit (diluted, non-GAAP) ^{1,2,3}	\$ 0.028	\$ 0.017	\$ 0.011	\$ 0.086	\$ 0.072	\$ 0.014
Weighted average number of Units outstanding ²						
Basic	181,468,432	175,620,865	5,847,567	180,599,151	175,620,865	4,978,286
Diluted ⁴	334,627,758	355,620,865	(20,993,107)	332,346,061	355,620,865	(23,274,804)
Diluted (non-GAAP) ^{1,3}	181,524,387	175,620,865	5,903,522	180,643,636	175,620,865	5,022,771
Period-end Units outstanding ²	181,485,782	175,620,865	5,864,917	181,485,782	175,620,865	5,864,917
Total assets at December 31, 2014	\$ 4,017,420	\$ 3,596,900	\$ 420,520	\$ 4,017,420	\$ 3,596,900	\$ 420,520
Total debt and Class C LP Units as at December 31, 2014	\$ 1,983,773	\$ 1,800,000	\$ (183,773)	\$ 1,983,773	\$ 1,800,000	\$ (183,773)
Book value per Unit as at December 31, 2014 ^{1,2}	\$ 11.03	\$ 10.23	\$ 0.80	\$ 11.03	\$ 10.23	\$ 0.80
OTHER DATA						
Weighted average interest rate	4.31%	4.50%	0.19%	4.31%	4.50%	0.19%
Indebtedness ratio ¹	49.4%	50.0%	0.6%	49.4%	50.0%	0.6%
Interest coverage (times) ¹	3.18	3.05	0.13	3.13	3.07	0.06
Debt / enterprise value ratio ¹	47.0%	50.6%	3.6%	47.0%	50.6%	3.6%
Gross leaseable area ⁵	20,358,120	18,887,158	1,470,962	20,358,120	18,887,158	1,470,962
Occupancy rate ⁶	99.9%	99.9%	-	99.9%	99.9%	-

¹ Non-GAAP key performance indicators. Refer to Part IX for further information.

² Total Units consists of REIT 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.

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 Part VI.

⁵ Gross leaseable area refers to retail, mixed-use and distribution properties and excludes development lands.

⁶ Refers to retail, mixed-use and distribution properties and excludes development lands.

⁷ Refer to Part VI for further information.

Financial Results for the three months and year ended December 31, 2014

(in thousands of Canadian dollars)	Q4 2014			2014		
	Q4 2014	Forecast	Variance	2014	Forecast	Variance
Property revenue	\$ 89,212	\$ 83,110	\$ 6,102	\$ 344,791	\$ 333,510	\$ 11,281
Property expense	(19,338)	(18,224)	(1,114)	(76,677)	(74,349)	(2,328)
General and administrative expense	(2,196)	(2,009)	(187)	(8,433)	(8,073)	(360)
Interest income	21	-	21	350	-	350
Interest and other financing charges	(21,293)	(20,582)	(711)	(82,991)	(81,663)	(1,328)
Fair value adjustment on investment properties	7,305	-	7,305	141,221	-	141,221
Net income and comprehensive income	\$ 53,711	\$ 42,295	\$ 11,416	\$ 318,261	\$ 169,425	\$ 148,836

Property Revenue

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

Total revenue for CT REIT was \$89,212 for the three months ended December 31, 2014 which was \$6,102 or 7.3% higher than Forecast, mainly due to base rent related to properties acquired since the Offering which were not included in the Forecast and higher than Forecast common area maintenance ("CAM") recoveries, partially offset by lower property tax recoveries than Forecast. Total revenue included expense recoveries in the amount of \$17,946.

Total revenue for the year ended December 31, 2014 was \$344,791 which was \$11,281 or 3.4% higher than Forecast, mainly due to base rent related to properties acquired since the Offering which were not included in the Forecast and higher than Forecast CAM recoveries, partially offset by lower property tax recoveries than Forecast. Total revenue included expense recoveries in the amount of \$71,910.

The total amount of minimum lease payments to be received from operating leases is recognized on a straight-line basis over the term of the lease. For the three months ended December 31, 2014, straight-line rent of \$7,843 was included in total property revenue. For the year ended December 31, 2014, straight-line rent of \$28,685 was included in total property revenue.

Property Expense

The major components of property expense consist of property taxes and costs associated with the Property Management Agreement, as well as other costs, the majority of which are recoverable from tenants, with CT REIT absorbing these expenses to the extent of vacancies.

Property expenses were \$19,338 which is \$1,114 or 6.1% higher than Forecast in the fourth quarter of 2014, largely due to property expenses related to acquisitions, partially offset by lower property tax expense for the Initial Properties. Refer to Part VII for additional information on the Property Management Agreement.

For the year ended December 31, 2014, property expenses were \$76,677 which is \$2,328 or 3.1% higher than Forecast, largely due to property expenses related to acquisitions, partially offset by lower property tax expense for the Initial Properties.

Net Operating Income

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

(in thousands of Canadian dollars)	Q4 2014			2014		
	Q4 2014	Forecast	Variance	2014	Forecast	Variance
Property revenue	\$ 89,212	\$ 83,110	\$ 6,102	\$ 344,791	\$ 333,510	\$ 11,281
Less:						
Property expense	(19,338)	(18,224)	(1,114)	(76,677)	(74,349)	(2,328)
Straight-line rent adjustment	(7,843)	(7,015)	(828)	(28,685)	(28,093)	(592)
Add:						
Straight-line land lease expense adjustment	84	32	52	219	128	91
Net operating income¹	\$ 62,115	\$ 57,903	\$ 4,212	\$ 239,648	\$ 231,196	\$ 8,452

¹ Non-GAAP key performance measure. Refer to Part IX in this MD&A for further information.

For the three months and year ended December 31, 2014, there are two principal reasons for the variance in NOI:

- Acquisitions made to-date contributed \$4,500 to NOI in Q4 2014 and \$8,217 to NOI on a year-to-date basis. The Forecast did not assume any acquisitions in 2014.
- There is a negative variance of approximately \$200 in both the fourth quarter and full year results resulting from the timing of recoverable capital expenditures, partially offsetting the benefit of acquisitions. The Forecast assumed that the capital improvements would be largely completed in the second and third quarter of 2014 and that the run rate of recoveries during the fourth quarter would be close to a full rate of recovery. The actual results reflect the expenditure of recoverable capital amounts in the third and fourth quarter, thereby delaying a full run rate of recovery revenue until the first quarter of 2015.

General and Administrative Expense

CT REIT has two broad categories of general and administrative expenses: i) public entity costs, and ii) outsourcing costs. The public entity costs reflect the expenses related to ongoing operations of CT REIT which will fluctuate depending on when such expenses are incurred. The outsourcing costs are largely related to the services provided by CTC pursuant to the Services Agreement. The Services Agreement provides for services to the REIT to be on a cost-recovery basis with a fixed maximum fee for the first two calendar years. As such, costs did not fluctuate materially from quarter to quarter during 2014 and are not expected to materially fluctuate in 2015. Refer to Part VII for additional information on the Services Agreement.

(in thousands of Canadian dollars)	Q4 2014			2014		
	Q4 2014	Forecast	Variance	2014	Forecast	Variance
Services Agreement	\$ 816	\$ 822	\$ 6	\$ 3,288	\$ 3,288	\$ -
Public entity costs	1,380	1,187	(193)	5,145	4,785	(360)
General and administrative expense	\$ 2,196	\$ 2,009	\$ (187)	\$ 8,433	\$ 8,073	\$ (360)
As a percent of property revenue	2.5%	2.4%	(0.1%)	2.4%	2.4%	-

General and administrative expenses amounted to \$2,196 or 2.5% of property revenue in Q4 2014 which is \$187 or 9.3% higher than the Forecast mainly due to higher legal and consulting costs, which were not included in the Forecast; partially offset by income resulting from the recognition of a deferred tax asset, which was not included in the Forecast.

General and administrative expenses amounted to \$8,433 or 2.4% of property revenue on a year-to-date basis which is \$360 or 4.5% higher than Forecast mainly due to higher legal and consulting costs and a fair value adjustment of equity awards, which were not included in the Forecast; partially offset by income resulting from the recognition of a deferred tax asset, which was not included in the Forecast.

Interest Income

Interest income of \$21 in Q4 2014 and \$350 on a year-to-date basis is attributable to the interest earned from investing the REIT's available cash in short-term marketable securities.

Interest Expense

The Partnership has issued 1,847,279 Class C LP Units with a face value of \$1,847,279 and bearing a weighted average distribution rate of 4.44% per annum. The Class C LP Units are subject to redemption rights. Accordingly, the Class C LP Units are classified as financial liabilities and distributions on the Class C LP Units are presented in interest expense in the consolidated statement of income and comprehensive income.

(in thousands of Canadian dollars)	Q4 2014	Q4 2014 Forecast	Variance	2014	2014 Forecast	Variance
Interest on Class C LP Units ¹	\$ 20,515	\$ 20,416	\$ (99)	\$ 81,643	\$ 81,000	\$ (643)
Mortgage interest	407	-	(407)	652	-	(652)
Bank Credit Facility interest	246	-	(246)	355	-	(355)
Bank Credit Facility costs	162	166	4	674	663	(11)
	21,330	20,582	(748)	83,324	81,663	(1,661)
Less: capitalized interest	(37)	-	37	(333)	-	333
Interest and other financing charges	\$ 21,293	\$ 20,582	\$ (711)	\$ 82,991	\$ 81,663	\$ (1,328)

¹ CTC elected to defer receipt of distributions on the Series 2-12 Class C LP Units for the three months and year ended December 31, 2014 in the amount of \$18,765 and \$68,425, respectively, until the first business day following the end of the fiscal year and receive a loan in lieu thereof, which has been netted against interest payable on Class C LP Units and is included under the heading "other liabilities" on the consolidated balance sheets.

CT REIT recognized interest expense of \$21,293 and \$82,991 during the three months and year ended December 31, 2014, respectively, which is \$711 and \$1,328, respectively, higher than Forecast largely due to mortgages assumed, draws on the bank credit facility ("Bank Credit Facility"), and the issuances of 47,279 Class C LP Units during the first and second quarters, all in connection with acquisitions completed during the year, which were not included in the Forecast. These variances were partially offset by the capitalization of interest in respect of development properties, which was also not included in the Forecast.

During the fourth quarter of 2014, CT REIT recorded \$41 to amortize the facility fee and agency fee and \$121 in standby fees on the REIT's committed Bank Credit Facility. The standby fee is incurred at a rate of 0.24% per annum on the full amount of the Bank Credit Facility. Refer to Part V for additional information on CT REIT's Bank Credit Facility.

Fair Value Adjustment on Investment Properties

During the quarter, CT REIT recorded a fair value gain of \$7,305 on the portfolio of investment properties as a result of increased cash flows during the time frame of the valuation models partially offset by the deduction of transaction costs incurred in connection with the acquisition of investment properties.

For the year ended December 31, 2014, CT REIT recorded a fair value gain of \$141,221 on the portfolio of investment properties. Management's determination of fair value as at March 31, 2014 incorporated valuation parameters used by the independent appraisers, which gave rise to a fair value adjustment of \$126,959; management had previously placed greater weight on the valuations implied by the Offering. Fair value gains of \$14,262 were recorded in the remaining three quarters during 2014 as a result of increased cash flows during the time frames of the valuation models partially offset by the deduction of transaction costs incurred in connection with the acquisition of investment properties.

Income Tax Expense

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

If CT REIT fails to distribute the required amount of income to Unitholders or if CT REIT fails to qualify as a REIT under the ITA, substantial adverse tax consequences may occur. Refer to Part X for additional information on CT REIT's enterprise risk management program.

Leasing Activities

The future financial performance of CT REIT will be impacted by occupancy rates, trends in rental rates achieved on leasing or renewing currently leased space, and contractual increases in rent. There was no new significant leasing activity with tenants not related to CTC during the year ended December 31, 2014.

Recoverable Capital Costs

Many of the capital items 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 together with an imputed rate of interest on the unrecovered balance at any point in time. From time to time, as a result of specific lease terms which limit the recovery of expenses, CT REIT is unable to recover these costs from certain tenants. Capital expenditures of \$6,188 and \$17,052 were incurred during the three months and year ended December 31, 2014, respectively. Management expects that most of the REIT's recoverable capital expenditures should relate to parking lots, roofs and heating, ventilation and air conditioning ("HVAC"), activities that are typically seasonal.

PART V

LIQUIDITY AND FINANCIAL CONDITION

Liquidity

CT REIT intends to fund capital expenditures for acquisitions and development activities through (i) cash on hand, (ii) issuances of Units, Class B LP Units and Class C LP Units (iii) draws on the Bank Credit Facility, and/or (iv) other long-term financing.

(in thousands of Canadian dollars)	As at December 31, 2014	As at December 31, 2013
Cash and cash equivalents	\$ 2,710	\$ 46,999
Unused portion of Bank Credit Facility	122,000	200,000
Liquidity	\$ 124,710	\$ 246,999

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 to Unitholders and distributions on Class B LP Units (other sources being interest income as well as cash on hand).

(in thousands of Canadian dollars)	2014	2013 ¹
Cash generated from operating activities ²	\$ 233,789	\$ 39,775
Cash used for investing activities ²	(157,543)	(250,437)
Cash (used for) generated from financing activities	(120,535)	257,661
Cash (used) generated in the period	\$ (44,289)	\$ 46,999

¹ Based on operations beginning October 23, 2013.

² Prior year figures have been restated. Refer to note 25 of the consolidated financial statements.

Discussion of Cash Flows During the Year

Cash used during the year ended December 31, 2014 in the amount of \$44,289 is primarily the result of investing activity exceeding retained cash flow.

Cash generated during the period ended December 31, 2013 of \$46,999 primarily related to retained cash flow and net proceeds from the Offering offset by 2013 acquisition activity.

Credit Ratings

CT REIT is rated by two independent credit rating agencies: DBRS Limited (“DBRS”) and Standard & Poor’s Financial Services LLC (“S&P”) 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”).

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

The following table sets out the current credit ratings of CT REIT:

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

Debt and Capital Structure

CT REIT’s debt and capital structure as at December 31 is as follows:

(in thousands of Canadian dollars)	As at December 31, 2014	As at December 31, 2013
Class C LP Units	\$ 1,847,279	\$ 1,800,000
Mortgages payable	58,494	-
Bank Credit Facility	78,000	-
Total indebtedness	1,983,773	1,800,000
Unitholders' equity	982,588	880,199
Non-controlling interests	1,019,601	900,187
Total capital under management	\$ 3,985,962	\$ 3,580,386

CT REIT’s total indebtedness at December 31, 2014 is higher than the period ended December 31, 2013 due to the assumption of mortgages, the issuance of the additional Class C LP Units, and draws on its Bank Credit Facility in connection with its 2014 investment activities.

CT REIT’s Unitholders’ equity and non-controlling interest at December 31, 2014 increased as compared to December 31, 2013 as a result of retained cash flow exceeding distributions.

Future payments are as follows:

(in thousands of Canadian dollars)	Mortgages Payable			Class C LP Units	Bank Credit Facility	Total
	Principal Amortization	Maturities				
For the period ending December 31:						
2015 \$	1,158 \$	- \$	200,000 \$	78,000 \$	279,158	
2016	1,199	-	200,000	-	201,199	
2017	1,241	-	47,279	-	48,520	
2018	422	16,661	-	-	17,083	
2019	-	37,625	-	-	37,625	
2020 and thereafter	-	-	1,400,000	-	1,400,000	
Total contractual obligation	4,020	54,286	1,847,279	78,000	1,983,585	
Unamortized portion of mark to market interest rates on liabilities assumed in connection with the acquisition of properties	-	381	-	-	381	
Unamortized debt financing cost	-	(193)	-	-	(193)	
	\$ 4,020	\$ 54,474	\$ 1,847,279	\$ 78,000	\$ 1,983,773	

Interest rates on CT REIT's indebtedness range from 1.28% to 5.00%. The maturity dates on the indebtedness range from May 2015 to May 2038. Indebtedness at December 31, 2014 has a weighted average interest rate of 4.31%. At December 31, 2014, floating rate and fixed rate indebtedness were \$109,133 and \$1,874,640, respectively.

(in thousands of Canadian dollars)	As at December 31, 2014	As at December 31, 2013
Variable rate debt	\$ 109,133	\$ -
Total debt	\$ 1,983,773	\$ 1,800,000
Variable rate debt / total debt	5.50%	-

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

(in thousands of Canadian dollars)	Payments Due By Period				
	Total	1 year	2-3 years	4-5 years	After 5 years
Class C LP Units ¹	\$ 1,847,279	\$ 200,000	\$ 247,279	\$ -	\$ 1,400,000
Payments on Class C LP Units ¹	\$ 1,066,314	\$ 77,977	\$ 138,419	\$ 134,000	\$ 715,918
Other liabilities	\$ 14,593	\$ 14,033	\$ 560	\$ -	\$ -
Payable on Class C LP Units, net of loans receivable	\$ 6,838	\$ 6,838	\$ -	\$ -	\$ -
Distributions payable ²	\$ 10,027	\$ 10,027	\$ -	\$ -	\$ -
Mortgages payable	\$ 58,306	\$ 1,158	\$ 2,440	\$ 54,708	\$ -
Bank Credit Facility	\$ 78,000	\$ 78,000	\$ -	\$ -	\$ -

¹ Assumes redemption on maturity of initial fixed rate period for each series.

² On Units and Class B LP Units.

The table below presents CT REIT's interest in assets at fair value that are available to it to finance and/or refinance its debt as at December 31, 2014:

(in thousands of Canadian dollars, except percentage amounts)	Number of Properties	Fair Value of Income Properties	Percentage of Total Assets	Mortgages Payable	Debt to Book Value Ratio
Unencumbered investment property assets	266	\$ 3,874,371	96.4%	\$ -	-
Unencumbered development property assets	2	3,984	0.1%	-	-
Unencumbered assets	268	3,878,355		-	-
Encumbered assets	5	121,489	3.0%	58,494	0.48
Total	273	\$ 3,999,844	99.5%	\$ 58,494	0.01

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

(in thousands of Canadian dollars)	As at December 31, 2014	As at December 31, 2013
Secured debt	\$ 58,494	\$ -
Total debt	\$ 1,983,773	\$ 1,800,000
Secured debt / total debt	2.95%	-

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

(in thousands of Canadian dollars)	As at December 31, 2014	As at December 31, 2013 ¹
Total debt	\$ 1,983,773	\$ 1,800,000
EBITFV ²	\$ 260,031	\$ 47,113
Total debt / EBITFV	7.63	38.21

¹ CT REIT's debt to EBITFV ratio normalized for 70 operating days in 2013 is 7.33.

² Non-GAAP key performance indicator. Refer to Part IX for further information.

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

Class C LP Units

At December 31, 2014 there were 1,847,279 Class C LP Units outstanding, all of which were held by CTC. The Class C LP Units are designed to provide CTC with an interest in the Partnership that entitles holders to a fixed cumulative monthly payment during the initial fixed rate period for each Series of Class C LP Units (the "Initial Fixed Rate Period") equal to a weighted average of 4.44% of the aggregate capital amount ascribed to the Class C LP Units, in priority to distributions made to holders of the Class A LP Units, Class B LP Units and CT REIT GP Corp. ("GP") Units (subject to certain exceptions), if, as and when declared by the Board of Directors of the GP, payable monthly at an annual distribution rate for each series as set out in the table below. In addition, the Class C LP Units are entitled to receive Special Voting Units in certain limited circumstances.

During the five-year period beginning immediately following the completion of the Initial Fixed Rate Period, and each five-year period thereafter, 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.

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

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

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

Series of Class C LP Units	Initial Subscription Price (\$000)	Annual Distribution Rate During Initial Fixed Rate Period	Expiry of Initial Fixed Rate Period	% of Total Class C LP Units ¹
Series 1	\$ 200,000	3.50%	May 31, 2015 (0.4 years)	10.8%
Series 2	200,000	3.50%	May 31, 2016 (1.4 years)	10.8%
Series 3	200,000	4.50%	May 31, 2020 (5.4 years)	10.8%
Series 4	200,000	4.50%	May 31, 2024 (9.4 years)	10.8%
Series 5	200,000	4.50%	May 31, 2028 (13.4 years)	10.8%
Series 6	200,000	5.00%	May 31, 2031 (16.4 years)	10.8%
Series 7	200,000	5.00%	May 31, 2034 (19.4 years)	10.8%
Series 8	200,000	5.00%	May 31, 2035 (20.4 years)	10.8%
Series 9	200,000	5.00%	May 31, 2038 (23.4 years)	10.8%
Series 10	7,130	2.38%	May 31, 2017 (2.4 years)	0.4%
Series 11	20,685	2.20%	May 31, 2017 (2.4 years)	1.1%
Series 12	19,464	2.23%	May 31, 2017 (2.4 years)	1.1%
Total / weighted average	\$ 1,847,279	4.44%	12.0 years	100%
Current	\$ 200,000			
Non-current	1,647,279			
Total	\$ 1,847,279			

¹ This column adds to 100%, the percentages of individual series have been rounded.

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

Mortgages Payable

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

(in thousands of Canadian dollars)	As at December 31, 2014		As at December 31, 2013	
	Face value	Carrying amount	Face value	Carrying amount
Current	\$ 1,158	\$ 1,275	\$ -	\$ -
Non-current	57,148	57,219	-	-
Total	\$ 58,306	\$ 58,494	\$ -	\$ -

The REIT's one-third interest in a mixed-use commercial property in Toronto, ON, was refinanced in Q4 2014 with no change in the loan amount and a decrease in the credit spread from 3% per annum to 1.65% per annum.

Bank Credit Facility

The Partnership has a \$200,000, revolving Bank Credit Facility, which is available to the Partnership until October 2017, with an option to increase it by an additional \$100,000. 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 stand-by fee is charged on the Bank Credit Facility.

As at December 31, 2014, \$78,000 (2013 – nil) of cash advances had been drawn on the Bank Credit Facility. The unamortized balance of transaction costs incurred in connection with the arrangement of the Bank Credit Facility of \$434 is recorded in other assets on the consolidated balance sheets. For the year ended December 31, 2014, amortization of the transaction costs of \$182, as well as the standby fee of \$492 are included in interest and other financing charges on the consolidated statement of income and comprehensive income.

The table below summarizes the details of the Bank Credit Facility as at December 31, 2014:

(in thousands of Canadian dollars)

Bank Credit Facility			Available to be	
Maximum Loan Amount	Cash Advances	Letters of Credit	Drawn	
\$ 200,000	\$ 78,000	-	\$ 122,000	

The Bank Credit Facility is subject to the maintenance of certain financial covenants and as at December 31, 2014 CT REIT was in compliance with all such financial covenants.

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

Capital Strategy

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

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

Management's objectives are to access the lowest cost of capital with the most flexible terms, to have a maturity/redemption schedule (for fixed term obligations) spread over a time horizon so as to manage refinancing risk, and to be in a position to finance acquisition opportunities when they become available.

The Declaration of Trust limits the REIT's overall indebtedness ratio to 60% of total assets, excluding convertible debentures, and 65% including convertible debentures. This limitation is in relation to the assets of CT REIT in aggregate.

CT REIT's indebtedness ratio was 49.4% as at December 31, 2014. Refer to Part IX for the definition and calculation of CT REIT's indebtedness ratio.

At December 31, 2014 CT REIT was in compliance with all investment guidelines and operating policies contained in the Declaration of Trust.

CT REIT has also adopted interest coverage guidelines which provide an indication of the 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 year ended December 31, 2014, CT REIT's interest coverage ratio was 3.1 times. Refer to Part IX for the definition and calculation of CT REIT's interest coverage ratio.

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

Commitments and Contingencies

CT REIT has committed to expansion or development expenditures representing approximately \$18,530 in payments primarily to CTC, which are expected to be incurred in 2015.

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.

Subsequent Events

A redemption notice was submitted by CT REIT to CTC, the holder of Series 1 of the Class C LP Units, which have a maturity date of May 31, 2015. As a result, this series of Class C LP Units will either be redeemed or will have their rate reset, in either case effective May 31, 2015.

During February 2015, CT REIT completed five investment property acquisitions from CTC including two retail properties in Ontario, two in Quebec and one in Alberta. The total purchase price of approximately \$62,000 was satisfied by an issuance of 4,799,539 Class B LP Units.

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

Base Shelf Prospectus

CT REIT intends to file a base shelf prospectus in Q1 2015 under which it may raise up to \$1.5 billion of debt and equity capital. The shelf also qualifies the sale of CT REIT Units by CTC.

PART VI

EQUITY

Authorized Capital and Outstanding Units

CT REIT is authorized to issue an unlimited number of Units. As of December 31, 2014, CT REIT had a total of 90,188,210 Units outstanding, 59,711,094 of which were held by CTC and 91,297,572 Class B LP Units outstanding (together with a corresponding number of Special Voting Units), all of which were held by CTC.

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

The following table summarizes the total number of Units issued:

As at December 31, 2014			
	Units	Class B LP Units	Total
Total outstanding at beginning of year	90,026,773	89,559,871	179,586,644
Issued	161,437	1,737,701	1,899,138
Total outstanding at end of period	90,188,210	91,297,572	181,485,782

As at December 31, 2013			
	Units	Class B LP Units	Total
Total outstanding at beginning of year	-	-	-
Issued	90,026,773	89,559,871	179,586,644
Total outstanding at end of period	90,026,773	89,559,871	179,586,644

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

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

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

Year ended December 31, 2014			
	Units	Class B LP Units	Total
Net income attributable to Unitholders - basic	\$ 159,282	\$ 158,979	\$ 318,261
Income effect of settling Class C LP Units with Class B LP Units			81,643
Net income attributable to Unitholders - diluted			\$ 399,904
Weighted average Units outstanding - basic	90,110,919	90,488,232	180,599,151
Dilutive effect of other Unit plans			44,485
Dilutive effect of settling Class C LP Units with Class B LP Units			151,702,425
Weighted average Units outstanding - diluted			332,346,061

Period ended December 31, 2013			
	Units	Class B LP Units	Total
Net income attributable to Unitholders - basic	\$ 15,269	\$ 15,727	\$ 30,996
Income effect of settling Class C LP Units with Class B LP Units			15,534
Net income attributable to Unitholders - diluted			\$ 46,530
Weighted average Units outstanding - basic	89,339,035	89,559,871	178,898,906
Dilutive effect of other Unit plans			25,148
Dilutive effect of settling Class C LP Units with Class B LP Units			168,299,232
Weighted average Units outstanding - diluted			347,223,286

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

Equity

	2014		2013	
Equity - beginning of the period	\$	1,780,386	\$	-
Issuance of Trust Units, net of issue costs		-		875,988
Issuance of Class B LP Units, net of issue costs		19,406		895,599
Net income and comprehensive income for the year		318,261		30,996
Issuance of Units under Distribution Reinvestment Plan		1,781		136
Distributions to non-controlling interests		(58,971)		(11,139)
Distributions to Unitholders		(58,674)		(11,194)
Equity - end of the period	\$	2,002,189	\$	1,780,386

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

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 and covenants and taxable income.

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

On November 3, 2014, the Board reviewed the then current rate of distributions of \$0.650 per Unit per year and approved an increase in the annual rate of distribution to \$0.663 effective with the first distribution paid in 2015.

On December 15, 2014, CT REIT's Board declared a distribution of \$0.05525 per Unit paid on January 15, 2015 to holders of Units and Class B LP Units of record as of December 31, 2014.

On January 15, 2015, CT REIT's Board declared a distribution of \$0.05525 per Unit which was paid on February 13, 2015 to holders of Units and Class B LP Units of record as of January 30, 2015.

On February 13, 2015, CT REIT's Board declared a distribution of \$0.05525 per Unit payable on March 13, 2015 to holders of Units and Class B LP Units of record as of February 27, 2015.

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

(in thousands of Canadian dollars, except per Unit amounts)	2014	2013 ¹
Distributions before distribution reinvestment - paid	\$ 117,346	\$ 22,333
Distribution reinvestment	1,781	136
Distributions paid net of distribution reinvestment	\$ 115,565	\$ 22,197
Distributions per Unit - paid	\$ 0.650	\$ 0.124

¹ Based on operations beginning October 23, 2013.

The distributions per unit for the year are higher than 2013 because 2013 reflected a partial period with only 70 days of operations. The distributions match the Forecast.

CT REIT's distributions are less than the REIT's cash generated from operating activities, cash generated from operations reduced by interest expense and AFFO.

(in thousands of Canadian dollars, except per Unit amounts)	2014	2013 ¹
AFFO ²	\$ 132,866	\$ 23,467
Distributions paid before distribution reinvestment	117,346	22,333
Excess of AFFO over distributions paid	\$ 15,520	\$ 1,134

¹ Based on operations beginning October 23, 2013.

² Non-GAAP key performance indicator. Refer to Part IX for further information.

PART VII

RELATED PARTY TRANSACTIONS

CT REIT's controlling Unitholder is CTC, which, on December 31, 2014, held an approximate 83.2% effective interest in the REIT, through ownership of 59,711,094 Units and all of the issued and outstanding Class B LP Units and Class C LP Units.

In addition to its ownership interest, CTC is CT REIT's largest tenant representing approximately 96.4% of the annual base minimum rent earned by CT REIT and approximately 97.9% of its GLA as at December 31, 2014.

In the normal course of its operations, CT REIT enters into various transactions with related parties that have been valued at amounts agreed to between the parties and recognized in the consolidated financial statements. Investment property transactions with CTC amounted to \$31,880 and \$130,102 for the three months and year ended December 31, 2014. Refer to note 4 to the consolidated financial statements for additional information.

Services Agreement

Under the Services Agreement, CTC provides the Partnership and CT REIT with certain administrative, legal, financial, information technology, internal audit and other support services as may be reasonably required from time to time (the "Services"). CTC provides these Services to CT 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, with a fixed maximum fee not to exceed \$3,288 for the year ended December 31, 2014 with adjustments to such fee based on the Consumer Price Index ("CPI") for the following year. The CPI factor for 2015 is 1.4%. The Services Agreement's initial term ends on December 31, 2015 and is renewable for further one year terms thereafter, unless otherwise terminated. The Services Agreement has been renewed for 2016.

Property Management Agreement

Under the Property Management Agreement, CTC provides the Partnership with customary property management services (the "Property Management Services"). CTC agreed to provide Property Management Services to the Partnership on a cost-recovery basis pursuant to which the Partnership reimburses CTC for all costs and expenses incurred by CTC in connection with providing the Property Management Services, plus applicable taxes, with a fixed maximum fee not to exceed \$2,333 for the year ended December 31, 2014, with adjustments to such fee based on the CPI for the following year, which is 1.4% for 2015. The Property Management Agreement's initial term ends on December 31, 2015 and is renewable for further one year terms thereafter, unless otherwise terminated. The Property Management Agreement has been renewed for 2016.

Development Agreement

CT REIT, the Partnership and CTC entered into the Development Agreement for a term expiring on the later of: (i) 10 years from the Closing; (ii) the time when CTC ceases to hold, directly or indirectly, a majority of the Voting Units comprising any combination of Units and Special Voting Units. Pursuant to the Development Agreement CT REIT has a preferential right to participate in property developments that meet CT REIT's investment and other criteria, an option to purchase development properties and an option to provide mezzanine financing for development properties. The Agreement requires CTC to present, in certain circumstances, new shopping centre acquisition opportunities in Canada to the REIT.

Refer to CT REIT's AIF for additional information on related party agreements and arrangements with CTC.

CT REIT's policy is to conduct all transactions and settle all balances with related parties on market terms and conditions. The following table summarizes CT REIT's related party transactions as at December 31, 2014:

(in thousands of Canadian dollars)	2014 ²	2013 ^{1 2}
Rental revenue	\$ 332,212	\$ 61,342
Property Management and Services Agreement expense	5,621	1,090
Distributions on Units	38,877	7,426
Distributions on Class B LP Units	58,971	11,139
Interest expense on Class C LP Units	81,643	15,534

¹ Based on operations beginning October 23, 2013.

² Excludes acquisition activity. See Part III for further information.

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

(in thousands of Canadian dollars)	2014	2013
Tenant and other receivables	\$ (8,505)	\$ (554)
Class C LP Units	1,847,279	1,800,000
Interest payable on Class C LP Units	75,263	14,778
Loans receivable in lieu of payments on Class C LP Units	(68,425)	(7,991)
Other liabilities	6,023	2,503
Loans receivable in lieu of distributions on Class B LP Units	(565)	-
Distributions payable on Units and Class B LP Units	8,908	8,086
Net due to CTC	\$ 1,859,978	\$ 1,816,822

PART VIII

ACCOUNTING POLICIES AND ESTIMATES

Significant Areas of Estimation

The preparation of the consolidated financial statements requires management to apply judgments, and to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Estimates are based upon historical experience and on various other assumptions that are reasonable under the circumstances. The result of ongoing evaluation of these estimates forms the basis for applying judgment with regards to the carrying values of assets and liabilities and the reported amounts of revenues and expenses. Actual results may differ from estimates. CT REIT's significant accounting policies are described in note 3 to the 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 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.

Properties under development are measured using a DCF method, net of costs to complete, as of the balance sheet date. Development sites in the planning phases are measured using comparable market prices for similar assets.

New standards implemented

Financial instruments presentation: Asset and liability offsetting

In December 2011, the IASB amended IAS 32 – *Financial Instruments: Presentation* ("IAS 32") to clarify the requirements which permit offsetting a financial asset and liability in the financial statements. The IAS 32 amendments were effective for annual periods beginning on or after January 1, 2014 and were applied retrospectively. The implementation of the IAS 32 amendments did not have an impact on CT REIT.

Financial instruments: Novation of derivatives and continuation of hedge accounting

In June 2013, the IASB issued *Novation of Derivatives and Continuation of Hedge Accounting – Amendments to IAS 39*. This amendment to IAS 39 – *Financial Instruments: Recognition and Measurement* provides an exception to the requirement to discontinue hedge accounting in situations where over-the-counter derivatives designated in hedging relationships are directly or indirectly novated to a central counterparty as a consequence of laws or regulations, or the introduction of laws or regulations. The IAS 39 amendments were effective for annual periods beginning on or after January 1, 2014 and were applied retrospectively. The implementation of the IAS 39 amendments did not have an impact on CT REIT.

Levies

In May 2013, the IASB issued IFRS Interpretation Committee ("IFRIC") 21 – *Levies* ("IFRIC 21"), which is an interpretation of IAS 37 – *Provisions, Contingent Liabilities and Contingent Assets*. IFRIC 21 clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. IFRIC 21 was effective for annual periods beginning on or after January 1, 2014 and was applied retrospectively. The implementation of IFRIC 21 did not have an impact on CT REIT.

Standards, amendments and interpretations issued and not yet adopted

The following new standards, amendments and interpretations have been issued but are not effective for the fiscal year ended December 31, 2014, and, accordingly, have not been applied in preparing these consolidated financial statements.

Financial instruments

In July 2014, the IASB issued the final version of IFRS 9 – *Financial Instruments* (“IFRS 9”), which brings together the classification and measurement, impairment and hedge accounting phases of the IASB’s project to replace IAS 39.

Classification and measurement – Financial assets are classified and measured based on the business model under which they are managed and the contractual cash flow characteristics of the financial assets. Financial liabilities are classified in a similar manner as under IAS 39, except that financial liabilities measured at fair value will have fair value changes resulting from changes in the entity’s own credit risk recognized in Other Comprehensive Income instead of net income, unless this would create an accounting mismatch.

Impairment – The measurement of impairment of financial assets is based on an expected credit loss model. It is no longer necessary for a triggering event to have occurred before credit losses are recognized. IFRS 9 also includes new disclosure requirements about expected credit losses and credit risk.

Hedge accounting - The new general hedge accounting model more closely aligns hedge accounting with risk management activities undertaken by entities when hedging their financial and non-financial risk exposures. It will provide more opportunities to apply hedge accounting to reflect actual risk management activities.

IFRS 9 will be applied retrospectively for annual periods beginning on or after January 1, 2018. Early adoption is permitted. CT REIT is assessing the potential impact of this standard.

Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15 – *Revenue from Contracts with Customers* (“IFRS 15”), which replaces IAS 11 – *Construction Contracts*, IAS 18 – *Revenue* and IFRIC 13 – *Customer Loyalty Programmes* (“IFRIC 13”), as well as various other interpretations regarding revenue. 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.

IFRS 15 will be applied retrospectively for annual periods beginning on or after January 1, 2017. Early adoption is permitted. CT REIT is assessing the potential impact of this standard.

Disclosure Initiative

In December 2014, the IASB issued *Disclosure Initiative – Amendments* to IAS 1 as part of the IASB’s Disclosure Initiative. These amendments encourage entities to apply professional judgment regarding disclosures and presentation in their financial statements.

These amendments are effective for annual periods beginning on or after January 1, 2016. Earlier application is permitted. CT REIT is assessing the potential impact of these amendments.

PART IX

NON-GAAP AND OPERATIONAL KEY PERFORMANCE INDICATORS

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

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

Net Operating Income

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

Funds From Operations

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

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

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

Adjusted Funds From Operations

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

CT REIT calculates AFFO by adjusting FFO for non-cash income and expense items such as amortization of straight-line rents. FFO is also adjusted for a reserve for maintaining productive capacity required for sustaining property infrastructure and revenue from real estate properties and direct leasing costs. Property capital expenditures do not occur evenly during the fiscal year or from year to year. The

property capital reserve in the AFFO calculation is intended to reflect an average annual spending level. The reserve is based on a 15-year average expenditure as determined by building condition reports prepared during 2013 by an independent consultant. The amount is also consistent with actual average amounts spent by CTC prior to October 2013.

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

A reconciliation of the IFRS term "Cash Generated from Operating Activities" (refer to the consolidated statement of cash flow for the year ended December 31, 2014) to AFFO is as follows:

(in thousands of Canadian dollars)	2014	2013 ¹
Cash generated from operating activities	\$ 233,789	\$ 39,775
Changes in working capital and other ³	(2,224)	2,184
Deferred taxes	(527)	-
Fair value adjustment of equity awards	285	-
Interest and other financing charges	(82,991)	(15,649)
Straight-line rental income	28,685	5,185
Straight-line land lease expense	(219)	(30)
FFO	\$ 176,798	\$ 31,465
Less:		
Straight-line rent adjustment	(28,685)	(5,185)
Straight-line land lease expense adjustment	219	30
Capital expenditure reserve ²	(15,466)	(2,843)
AFFO	\$ 132,866	\$ 23,467

¹ Based on operations beginning October 23, 2013.

² Normalized 2014 maintenance capital expenditure is approximately \$15,466. In 2014, \$14,963 of actual sustaining capital expenditures were paid.

³ Prior year figures have been restated. Refer to note 25 of the consolidated financial statements.

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

(in thousands of Canadian dollars, except per unit amounts)	Q4 2014			2014		
	Q4 2014	Forecast	Variance	2014	Forecast	Variance
Net income and comprehensive income	\$ 53,711	\$ 42,295	\$ 11,416	\$ 318,261	\$ 169,425	\$ 148,836
Fair value adjustment of investment property	(7,305)	-	(7,305)	(141,221)	-	(141,221)
Deferred taxes	(163)	-	(163)	(527)	-	(527)
Fair value adjustment of equity awards	285	-	285	285	-	285
Funds from operations	46,528	42,295	4,233	176,798	169,425	7,373
Properties straight-line rent adjustment	(7,843)	(7,015)	(828)	(28,685)	(28,093)	(592)
Land lease straight-line expense adjustment	84	32	52	219	128	91
Capital expenditure reserve ¹	(4,112)	(3,656)	(456)	(15,466)	(14,624)	(842)
Adjusted funds from operations	\$ 34,657	\$ 31,656	\$ 3,001	\$ 132,866	\$ 126,836	\$ 6,030
FFO per Unit - basic	\$ 0.256	\$ 0.241	\$ 0.015	\$ 0.979	\$ 0.965	\$ 0.014
FFO per Unit - diluted (non-GAAP) ²	\$ 0.256	\$ 0.241	\$ 0.015	\$ 0.979	\$ 0.965	\$ 0.014
AFFO per Unit - basic	\$ 0.191	\$ 0.180	\$ 0.011	\$ 0.736	\$ 0.722	\$ 0.014
AFFO per Unit - diluted (non-GAAP) ²	\$ 0.191	\$ 0.180	\$ 0.011	\$ 0.736	\$ 0.722	\$ 0.014
AFFO payout ratio ³	85%	90%	5%	88%	90%	2%
Distribution per Unit - paid	\$ 0.163	\$ 0.163	\$ -	\$ 0.650	\$ 0.650	\$ -
Weighted average units outstanding - basic	181,468,432	175,620,865		180,599,151	175,620,865	
Weighted average units outstanding - diluted (non-GAAP) ²	181,524,387	175,620,865		180,643,636	175,620,865	
Number of units outstanding, end of period	181,485,782	175,620,865		181,485,782	175,620,865	

¹ Normalized Q4 2014 and 2014 maintenance capital expenditures are approximately \$4,112 and \$15,466, respectively. In Q4 2014 and 2014, \$9,038 and \$14,963, respectively, of actual sustaining capital expenditures were paid.

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

³ Calculated as Distributions per Unit divided by AFFO per Unit - diluted (non-GAAP).

FFO for the three months and year ended December 31, 2014 amounted to \$46,528 or \$0.256 per unit and \$176,798 or \$0.979 per unit, respectively. FFO for the three months and year ended December 31, 2014 was \$4,233 and \$7,373 higher than Forecast largely due to the impact of NOI variances discussed earlier, differing assumptions in the Forecast for general and administrative expenses and interest income earned on investing the REIT's existing cash balances which are higher than Forecast, all partially offset by higher interest expense.

AFFO for the three months and year ended December 31, 2014 amounted to \$34,657 or \$0.191 per unit and \$132,866 or \$0.736 per unit, respectively. AFFO for the three months and year ended December 31, 2014 was \$3,001 and \$6,030 higher than Forecast largely due to the reasons noted above.

The AFFO payout ratio for the three months and year ended December 31, 2014 was 85% and 88% which is better than the REIT's forecasted AFFO payout ratio of approximately 90% during 2014.

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

EBITFV is used as an input in some of CT REIT's debt metrics, providing information with respect to certain financial ratios that CT REIT uses in measuring its debt profile and assessing the REIT's ability to satisfy its obligations, including servicing its debt. For the three months and year ended December 31, 2014, EBITFV was calculated as follows:

(in thousands of Canadian dollars)	Q4 2014			2014		
	Q4 2014	Forecast	Variance	2014	Forecast	Variance
Net Income and comprehensive income	\$ 53,711	\$ 42,295	\$ 11,416	\$ 318,261	\$ 169,425	\$ 148,836
Fair value adjustment on investment properties	(7,305)	-	(7,305)	(141,221)	-	(141,221)
Interest expense and other financing charges	21,293	20,582	711	82,991	81,663	1,328
EBITFV	\$ 67,699	\$ 62,877	\$ 4,822	\$ 260,031	\$ 251,088	8,943

Interest Coverage Ratio

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

(in thousands of Canadian dollars)	2014	2013 ¹
EBITFV (A)	\$ 260,031	\$ 47,113
Interest and other financing charges (B)	\$ 82,991	\$ 15,649
Interest coverage (A)/(B)	3.13	3.01
Interest coverage normalized for one-time start-up costs²	3.13	3.06

¹ Based on operations beginning October 23, 2013.

² One-time start-up costs were \$822 and expensed in 2013.

The interest coverage for the year ended December 31, 2014 is comparable against the period ended December 31, 2013.

Indebtedness Ratio

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

(in thousands of Canadian dollars)	As at December 31, 2014	As at December 31, 2013
Total assets¹ (A)	\$ 4,017,420	\$ 3,603,252
Total indebtedness² (B)	\$ 1,983,773	\$ 1,800,000
Indebtedness ratio (B)/(A)	49.4%	50.0%

¹ Prior year figures have been restated. Refer to note 25 of the consolidated financial statements.

² Total indebtedness as at December 31, 2014 and December 31, 2013 reflects the value of the Class C LP Units, the mortgages payable and the Bank Credit Facility.

The indebtedness ratio calculation for the year ended December 31, 2014 is lower than for the period ended December 31, 2013 as the 2014 balance reflects a higher total asset balance due to the fair value adjustments made to the investment property portfolio and the 2014 investing activities, partially offset by an increase in indebtedness during the year.

Debt to Enterprise Value Ratio

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

economic measure reflecting the market value of an entity. CT REIT's debt to enterprise value ratio is an indicator of how indebted it is relative to its enterprise value.

(in thousands of Canadian dollars, except for per Unit amounts)	As at December 31, 2014	As at December 31, 2013
Total debt (A)	\$ 1,983,773	\$ 1,800,000
Equity value		
Period-end Units and Class B LP Units outstanding	181,485,782	179,586,644
Unit closing price	\$ 12.31	\$ 10.92
Equity value (B)	\$ 2,234,090	\$ 1,961,086
Enterprise value (A + B)	\$ 4,217,863	\$ 3,761,086
Debt / Enterprise value (A / (A + B))	47.0%	47.9%

CT REIT's debt to enterprise value ratio at December 31, 2014 decreased slightly as compared to December 31, 2013 as a result of an increase in total debt due to acquisitions made during the year, offset by an increase in equity value as a result of an increased closing Unit price.

Book Value per Unit

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

(in thousands of Canadian dollars, except for per Unit amounts)	As at December 31, 2014	As at December 31, 2013
Total Equity (A)	\$ 2,002,189	\$ 1,780,386
Period-end Units and Class B LP Units outstanding (B)	181,485,782	179,586,644
Book value per Unit (A / B)	\$ 11.03	\$ 9.91

CT REIT's book value per Unit for the year ended December 31, 2014 increased from December 31, 2013 largely due to net income exceeding distributions. This excess is principally the result of fair value adjustments on the property portfolio.

Selected Quarterly Consolidated Information

(in thousands of Canadian dollars, except per Unit amounts)	2014				2013
	Q4	Q3	Q2	Q1	Q4 ¹
As at and for the quarter ended					
Property revenue	\$ 89,212	\$ 89,535	\$ 83,364	\$ 82,680	\$ 63,026
Net income	\$ 53,711	\$ 49,197	\$ 45,689	\$ 169,664	\$ 30,996
Net income per Unit					
- basic	\$ 0.296	\$ 0.271	\$ 0.254	\$ 0.944	\$ 0.173
- diluted	\$ 0.222	\$ 0.202	\$ 0.200	\$ 0.550	\$ 0.134
FFO - diluted, non-GAAP ²	\$ 0.256	\$ 0.247	\$ 0.238	\$ 0.238	\$ 0.176
AFFO - diluted, non-GAAP ²	\$ 0.191	\$ 0.185	\$ 0.179	\$ 0.180	\$ 0.131
Total assets ³	\$ 4,017,420	\$ 3,974,736	\$ 3,842,218	\$ 3,757,682	\$ 3,603,252
Total debt and Class C LP Units payable	\$ 1,983,773	\$ 1,950,346	\$ 1,847,279	\$ 1,807,130	\$ 1,800,000
Total distributions to unitholders - paid	\$ 29,078	\$ 29,081	\$ 28,576	\$ 28,830	\$ 22,197
Total distributions to unitholders per Unit - paid	\$ 0.163	\$ 0.162	\$ 0.163	\$ 0.162	\$ 0.124
Book value per Unit ²	\$ 11.03	\$ 10.90	\$ 10.79	\$ 10.70	\$ 9.91
Market price per Unit					
- high	\$ 12.55	\$ 11.96	\$ 11.63	\$ 11.58	\$ 11.10
- low	\$ 10.50	\$ 11.00	\$ 10.81	\$ 10.61	\$ 10.00
- close	\$ 12.31	\$ 11.02	\$ 11.40	\$ 11.16	\$ 10.92

¹ Based on operations beginning October 23, 2013.

² Non-GAAP key performance indicators. Refer to Part IX for further information.

³ Prior year figures have been restated. Refer to note 25 of the consolidated financial statements.

PART X

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

ENTERPRISE RISK MANAGEMENT

To preserve and enhance Unitholder value over the long term, CT REIT approaches the management of risk strategically through its enterprise risk management program ("ERM Program"). The ERM Program provides an integrated approach to the management of risks, through a disciplined manner that:

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

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

Risk Governance

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

The Board has delegated primary responsibility to the Audit Committee to:

- consider the Principal Risks of the REIT as identified by management and ensure appropriate policies and systems have been implemented to manage these risks;
- review the REIT's ERM Program, including its policies and processes with respect to risk identification, assessment, and management of the REIT's risks;

- receive periodic reports from the head of the risk management function; and
- periodically report to the Board on any major issues arising from the ERM Program.

Principal Risks

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

The following table provides a high-level perspective on each of the identified eight Principal Risks and describes the main strategy that the REIT has in place to mitigate the potential impacts of these risks on its business objectives. Information on the REIT's risk factors is presented in the REIT's AIF.

Principal Risks	Risk Management Strategy
<p>Marketplace</p> <p>Risk due to fluctuations or fundamental changes in the external business environment resulting in financial loss. Fluctuations or fundamental shifts in the market place could include:</p> <ul style="list-style-type: none"> • Changes in macroeconomic conditions (including recession, depression, high inflation, increased unemployment, and increased interest rates) resulting in a reduction in consumer spending; • Changes in the competitive landscape in the retail or real estate sectors impacting the attractiveness and the value of real estate holdings; • Changes in the domestic or international political environments (including new legislation) impacting the ability to do business; and • Shifts in the demographics of the Canadian population reducing the relevance of the products and services offered by key tenants, <p>which may result in a negative impact on the valuation of the REIT or the ability to achieve its strategic objectives.</p>	<p>The REIT regularly monitors and analyzes external economic, political, demographic, consumer behaviour and competitive developments in Canada. Results are shared with the REIT executives, who are accountable for any necessary amendments to the strategic and operational plans and for on-going investment decisions in order to respond to evolving market and economic trends.</p>
<p>Interest Rate</p> <p>Risk associated with fundamental changes in the economic environment, or significant events or volatility in the financial markets resulting in changes in interest rates that affect: the value of real estate, the value of the REIT's Units, the economics of acquisition activity and the availability of capital; resulting in financial loss and resulting in a decrease in or the elimination of distributions to Unitholders.</p>	<p>The indebtedness of the REIT is predominantly at fixed rates and its floating interest rate exposure is minimal. The weighted average term to maturity of the REIT's debt portfolio is managed to align with or be greater than the weighted average term to maturity of the REIT's assets. The REIT manages refinancing risk by maintaining a diversified debt maturity schedule to limit the amount of debt maturing in any one year. The REIT may use interest rate hedges from time to time to manage interest rate risk and to provide more certainty regarding the FFO available to Unitholders, subject to the REIT's investment guidelines and</p>

	operating policies.
<p>Tenant Concentration</p> <p>The REIT's revenues are dependent on the ability of its key tenant, CTC, to meet its rent obligations and renew its tenancies. The future financial performance and operating results of CTC's business are subject to inherent risks and uncertainties, such as general economic conditions, changing consumer preferences, and other strategic, financial, and operational risk factors. A downturn in CTC's business could have a material effect on the financial performance of the REIT, its cash flows, and the ability to make distributions to Unitholders.</p>	<p>The REIT benefits from the stability offered by CTC businesses including Canadian Tire retail, one of Canada's most shopped general merchandise retailers with high recognition and a strong reputation throughout the communities it serves. The Canadian Tire retail leases have a weighted average remaining lease term of 14.5 years, which provides the REIT with reliable, durable, and growing monthly distributions. Management regularly monitors the operating results and credit ratings of CTC.</p>
<p>Significant Ownership by CTC</p> <p>CTC holds the majority interest in the REIT. In situations where the interests of CTC and the REIT are in conflict, CTC may utilize its ownership interest in, and contractual rights with the REIT, to further CTC's own interest which may not be the same as the REIT's interest in all cases, causing the REIT not to be able to operate in a manner that is to its favour, which could adversely affect the REIT's cash flows, operating results, valuation, and overall financial condition.</p>	<p>Appropriate governance structures, including policies, processes and other management activities and practices are in place to maintain and monitor the relationship between the REIT and CTC.</p>
<p>Operations</p> <p>The risk that a direct or indirect loss may result from internal or outsourced business activities, business disruptions, inadequate or failed operations processes (property management, development, redevelopment, and acquisitions), people, and systems to support the REIT's key business objectives. Failed processes in terms of design, integration, and/or execution may result in incremental financial expenditures, theft or fraud, legal or regulatory issues, and materially adversely impact the REIT's financial position and results of operation.</p>	<p>The REIT has appropriate governance structures, including policies, processes, contracts, service agreements and other management activities in place to maintain the operational performance of the REIT, comply with legal and regulatory requirements, and to support the REIT's business and strategic objectives.</p>
<p>Tax</p> <p>Risk related to changes in income tax laws applicable to the REIT such that the REIT would not qualify as a mutual fund trust for purposes of the Tax Act, including the treatment of real estate investment trusts, mutual fund trusts, or the REIT Exception for a taxation year under the Tax Act, which could have a material and adverse impact on the value of the Units, and on distributions to Unitholders.</p>	<p>Management of the REIT ensures that the REIT satisfies the conditions to qualify as a closed-end mutual fund trust by complying with the restrictions in the Tax Act as they are interpreted and applied by the Canada Revenue Agency. No assurance can be given that the REIT will be able to comply with these restrictions at all times. There can be no assurance that income tax laws applicable to the REIT, including the treatment of real estate investment trusts and mutual fund trusts under the Tax Act, will not be changed in a manner which adversely affects the REIT or the Unitholders.</p>
<p>Environmental Matters</p> <p>The REIT is subject to various federal, provincial, territorial and municipal laws relating to environmental</p>	<p>The REIT has allocated the necessary capital and operating expenditures to comply with environmental laws and address any material environmental issues.</p>

<p>matters. Changes in legislation may result in the REIT bearing the risk of cost-intensive assessment, removal of contamination, hazardous or other regulated substances causing an adverse effect on the REIT's financial condition, results of operation, and cash available for distribution to Unitholders.</p>	<p>Additionally, the REIT has limited environmental liability coverage under its general liability insurance policy for third-party bodily injury and property damage claims arising from unexpected and unintentional pollution incidents (commonly referred to as "sudden and accidental" coverage) that are discovered and reported quickly. It also has more extensive coverage under a separate environmental liability insurance policy which adds coverage for certain gradual pollution conditions and first party clean ups. Pursuant to the Canadian Tire Leases, CTC has indemnified the REIT for any environmental issues existing on the initial properties. Furthermore, the REIT's operating policy includes a Phase I environmental site assessment conducted by an independent and experienced environmental consultant prior to acquiring a property.</p>
<p>Financial Reporting Risk of restatement and reissue of CT REIT's financial statements due to:</p> <ul style="list-style-type: none"> • Failure to adhere to financial accounting and presentation standards and securities regulations relevant to financial reporting; • Fraudulent activity and/or failure to maintain an effective system of internal controls; and/or • Inadequate explanation of the REITs operating performance, financial condition, and future prospects, <p>which may result in regulatory related issues or decrease in Unit price.</p>	<p>Internal controls which include policies, processes and procedures, provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements and other disclosure documents. This includes monitoring and responding to changing regulations and standards governing accounting and financial presentation.</p>

PART XI

DISCLOSURE AND INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

As required by CSA National Instrument 52-109 ("NI 52-109"), Certification of Disclosure in Issuers' Annual and Interim Filings, an evaluation of the effectiveness of the design and operation of CT REIT's disclosure controls and procedures was conducted, under the supervision of management, including the CEO and CFO, as of December 31, 2014. The evaluation included documentation review, enquiries and other procedures considered by management to be appropriate in the circumstances. Based on that

evaluation, the CEO and the CFO have concluded that the design and operation of the system of disclosure controls and procedures was effective as at December 31, 2014.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

As required by NI 52-109, management, including the CEO and CFO, evaluated the design and operation of CT REIT's internal control over financial reporting as defined in NI 52-109 as at December 31, 2014. In making this assessment, management, including the CEO and CFO, used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control – Integrated Framework (2013). This evaluation included review of the documentation of controls, evaluation of the design and testing the operating effectiveness of controls and a conclusion about this evaluation. Based on their evaluation, the CEO and the CFO have concluded that, as at December 31, 2014, CT REIT's internal control over financial reporting is effective in providing reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with GAAP.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

During the quarter and year ended December 31, 2014, 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.

PART XII

FORWARD LOOKING INFORMATION

This MD&A, and the documents incorporated by reference herein, contain forward-looking statements that involve a number of risk and uncertainties, including statements regarding the outlook for CT REIT's business results of operations. Forward-looking statements are provided for the purposes of providing information about CT REIT's future outlook and anticipated events or results and may include statements regarding known and unknown risks and uncertainties and other factors that may cause the actual results to differ materially from those indicated. Such factors include, but are not limited to, general economic conditions, financial position, business strategy, availability of acquisition opportunities, budgets, capital expenditures, financial results, 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 Part II;
- CT REIT's ability to refinance a redemption under Part V;
- CT REIT's capital strategy under Part V;

- CT REIT's commitments and contingencies under Part V;
- CT REIT's base shelf prospectus under Part V;
- CT REIT's distributions under Part VI;
- 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 property and participate with CTC in the development or intensification of the properties;
- the ability of CT REIT to qualify as a "mutual fund trust", as defined in the Tax Act, and as a "real estate investment trust", as defined in the SIFT Rules; and
- CT REIT's enterprise risk management under Part X.

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 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 "Risk Factors" section of the AIF and also in Part X of this MD&A.

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 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 Investor Relations section of the REIT's website www.ctreit.com includes the following documents and information of interest to investors:

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

Additional information about the REIT has been filed electronically with various securities regulators in Canada through SEDAR and is available online at www.sedar.com.

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

February 23, 2015

2014 ANNUAL REPORT

**CT REAL ESTATE INVESTMENT TRUST
FINANCIAL STATEMENTS**

Management's Responsibility for Financial Statements

The management of CT Real Estate Investment Trust is responsible for the accompanying consolidated financial statements. The financial statements have been prepared by management in accordance with International Financial Reporting Standards, which recognize the necessity of relying on some best estimates and informed judgements. All financial information in our Management's Discussion and Analysis is consistent with the consolidated financial statements.

To discharge its responsibilities for financial reporting and safeguarding of assets, management depends on CT REIT's systems of internal accounting control. These systems are designed to provide reasonable assurance that the financial records are reliable and form a proper basis for the timely and accurate preparation of financial statements. Management meets the objectives of internal accounting control on a cost effective basis through the prudent selection and training of personnel, adoption and communication of appropriate policies, and employment of an internal audit program.

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

The consolidated financial statements have been audited by Deloitte LLP. Their report is presented below.

"Kenneth Silver"

Kenneth Silver
Chief Executive Officer

"Louis Forbes"

Louis Forbes
Chief Financial Officer

February 23, 2015

INDEPENDENT AUDITOR'S REPORT

To the Unitholders of CT Real Estate Investment Trust

We have audited the accompanying consolidated financial statements of CT Real Estate Investment Trust, which comprise the consolidated balance sheets as at December 31, 2014 and December 31, 2013, and the consolidated statements of income and comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the year ended December 31, 2014 and the period from July 15, 2013 (date of formation) to December 31, 2013 and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of CT Real Estate Investment Trust as at December 31, 2014 and December 31, 2013, and its financial performance and its cash flows for the year ended December 31, 2014 and the period from July 15, 2013 (date of formation) to December 31, 2013 in accordance with International Financial Reporting Standards.

The image shows a handwritten signature in cursive script that reads "Deloitte LLP".

Chartered Professional Accountants, Chartered Accountants
Licensed Public Accountants

February 23, 2015
Toronto, Ontario

Consolidated Balance Sheets

As at (C\$ in thousands)	Note	December 31, 2014	December 31, 2013
Assets			
			(Note 25)
Non-current assets			
Investment properties	4	\$ 3,999,844	\$ 3,547,864
Other assets	6	2,526	638
		4,002,370	3,548,502
Current assets			
Tenant and other receivables	5	10,349	696
Other assets	6	1,991	7,055
Cash and cash equivalents	7	2,710	46,999
		15,050	54,750
Total assets		\$ 4,017,420	\$ 3,603,252
Liabilities			
Non-current liabilities			
Class C LP Units	8	\$ 1,647,279	\$ 1,800,000
Mortgages payable	9	57,219	-
Other liabilities	11	560	275
		1,705,058	1,800,275
Current liabilities			
Class C LP Units	8	200,000	-
Mortgages payable	9	1,275	-
Bank credit facility	10	78,000	-
Other liabilities	11	20,871	12,864
Distributions payable	12	10,027	9,727
		310,173	22,591
Total liabilities		2,015,231	1,822,866
Equity			
Unitholders' equity	13	982,588	880,199
Non-controlling interests	13,15	1,019,601	900,187
Total equity		2,002,189	1,780,386
Total liabilities and equity		\$ 4,017,420	\$ 3,603,252

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

"David Laidley"

David Laidley
Trustee

"Anna Martini"

Anna Martini
Trustee

Consolidated Statements of Income and Comprehensive Income

(C\$ in thousands, except per unit amounts)	Note	For the year ended December 31, 2014	For the period from July 15, 2013 (date of formation) to December 31, 2013
Property revenue	16	\$ 344,791	\$ 63,026
Property expense	16	(76,677)	(13,773)
General and administrative expense	17	(8,433)	(2,223)
Interest income		350	83
Interest and other financing charges	18	(82,991)	(15,649)
Fair value adjustment on investment properties	4	141,221	(468)
Net income and comprehensive income		\$ 318,261	\$ 30,996
Net income and comprehensive income attributable to:			
Unitholders		\$ 159,282	\$ 15,269
Non-controlling interests		158,979	15,727
		\$ 318,261	\$ 30,996
Net income per unit – basic	13	\$ 1.76	\$ 0.17
Net income per unit – diluted	13	\$ 1.20	\$ 0.13

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

Consolidated Statements of Changes in Equity

(C\$ in thousands)	Note	Units	Retained Earnings	Unitholders' equity	Non-controlling interests	Total Equity
Balance at December 31, 2013		\$ 876,124	\$ 4,075	\$ 880,199	\$ 900,187	\$ 1,780,386
Net income and comprehensive income for the year		-	159,282	159,282	158,979	318,261
Issuance of Class B LP Units, net of issue costs	4	-	-	-	19,406	19,406
Distributions	12	-	(58,674)	(58,674)	(58,971)	(117,645)
Issuance of Units under Distribution Reinvestment Plan	12	1,781	-	1,781	-	1,781
Balance at December 31, 2014		\$ 877,905	\$ 104,683	\$ 982,588	\$ 1,019,601	\$ 2,002,189

(C\$ in thousands)	Note	Units	Retained Earnings	Unitholders' equity	Non-controlling interests	Total Equity
Balance at July 15, 2013		\$ -	\$ -	\$ -	\$ -	\$ -
Net income and comprehensive income for the period		-	15,269	15,269	15,727	30,996
Issuance of Units, net of issue costs		875,988	-	875,988	-	875,988
Issuance of Class B LP Units	4	-	-	-	895,599	895,599
Distributions	12	-	(11,194)	(11,194)	(11,139)	(22,333)
Issuance of Units under Distribution Reinvestment Plan	12	136	-	136	-	136
Balance at December 31, 2013		\$ 876,124	\$ 4,075	\$ 880,199	\$ 900,187	\$ 1,780,386

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

Consolidated Statements of Cash Flows

(C\$ in thousands)	Note	For the year ended December 31, 2014	For the period from July 15, 2013 (date of formation) to December 31, 2013
			(Note 25)
Cash generated from (used for):			
Operating activities			
Net income		\$ 318,261	\$ 30,996
Add (deduct):			
Fair value adjustment on investment properties		(141,221)	468
Straight-line rental income		(28,685)	(5,185)
Straight-line land lease expense		219	30
Interest and other financing charges		82,991	15,649
Changes in working capital and other	19	2,224	(2,183)
Cash generated from operating activities		233,789	39,775
Investing activities			
Acquisition of investment properties		(106,684)	(241,426)
Land acquisitions and development activities		(35,896)	(9,011)
Capital expenditures recoverable from tenants		(14,963)	-
Cash used for investing activities		(157,543)	(250,437)
Financing activities			
Proceeds from issuance of Units		-	303,025
Unit issue costs		-	(24,149)
Class B LP Unit issue costs		(58)	-
Unit distributions	12	(56,786)	(6,182)
Class B LP Unit distributions paid or loaned	12	(58,779)	(6,286)
Payments on Class C LP Units	8	(81,591)	(8,747)
Bank Credit Facility draws	10	78,000	-
Mortgage repayment - Canada Square		(31,133)	-
Mortgage borrowing - Canada Square		31,133	-
Mortgage principal repayments	9	(314)	-
Interest paid		(1,007)	-
Cash (used for) generated from financing activities		(120,535)	257,661
Cash (used) generated in the year		(44,289)	46,999
Cash and cash equivalents, beginning of period		46,999	-
Cash and cash equivalents, end of period		\$ 2,710	\$ 46,999

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2014 and the period from July 15, 2013 (date of formation) to December 31, 2013
(All dollar amounts are in thousands, except per unit amounts)

1. NATURE OF CT REAL ESTATE INVESTMENT TRUST

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

Canadian Tire Corporation, Limited ("CTC") owns an 83.2 per cent effective interest in CT REIT as of December 31, 2014, consisting of 59,711,094 of the issued and outstanding units of CT REIT ("Units"), 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, and all of the issued and outstanding Class C limited partnership units ("Class C LP Units") of the Partnership (see Note 8). CT REIT Units are listed on the Toronto Stock Exchange (the "TSX") under the symbol CRT.UN.

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

2. BASIS OF PRESENTATION

(a) Fiscal Year

The fiscal years for the consolidated financial statements and the notes presented for 2014 are for the year ended December 31, 2014 and for 2013 are for the period from July 15, 2013 (date of formation) to December 31, 2013. CT REIT did not carry on operations prior to October 23, 2013.

(b) Statement of compliance

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

These consolidated financial statements were authorized for issuance by CT REIT's Board of Trustees (the "Board") on February 23, 2015.

(c) Basis of presentation

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

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

(d) Critical judgments in applying significant accounting policies

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

(i) Leases

CT REIT's policy for revenue recognition is described in Note 3(e). In applying this policy, judgments are made with respect to whether tenant improvements provided in connection with a lease enhance the value of the leased property, which determines whether such amounts are treated as additions to investment property as well as the point in time at which revenue recognition under the lease commences. In addition, where a lease allows a tenant to elect to

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2014 and the period from July 15, 2013 (date of formation) to December 31, 2013
(All dollar amounts are in thousands, except per unit amounts)

take all or a portion of any unused tenant improvement allowance as rent abatement, CT REIT must exercise judgment in determining the extent to which the allowance represents an inducement that is amortized as a reduction of lease revenue over the term of the lease.

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

(ii) Investment properties

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

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

At each reporting period, internal valuations are prepared by management for all investment properties. In determining the fair value of investment properties, judgment is applied in selecting the extent and frequency of independent appraisals. Independent valuations are obtained on properties such that substantially all of the properties will be independently appraised over a four-year period.

(iii) Income taxes

CT REIT makes judgments that, with the exception of transactions involving CT REIT GP Corp., deferred income taxes are not recognized in CT REIT's financial statements on the basis that CT REIT can deduct distributions paid such that its liability for income taxes is substantially reduced or eliminated for the period, and CT REIT intends to continue to distribute its taxable income and continue to qualify as a real estate investment trust for the foreseeable future.

(iv) Consolidation of the Partnership

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

(v) Proportionate consolidation of interest in Canada Square

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

(e) Critical accounting estimates and assumptions

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

(f) New standards implemented

(i) Financial instruments presentation: Asset and liability offsetting

In December 2011, the IASB amended IAS 32 – *Financial Instruments: Presentation* ("IAS 32") to clarify the requirements which permit offsetting a financial asset and liability in the financial statements. The IAS 32 amendments were effective for annual periods beginning on or after

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2014 and the period from July 15, 2013 (date of formation) to December 31, 2013
(All dollar amounts are in thousands, except per unit amounts)

January 1, 2014 and were applied retrospectively. The implementation of the IAS 32 amendments did not have a significant impact on CT REIT.

(ii) Financial instruments: Novation of derivatives and continuation of hedge accounting

In June 2013, the IASB issued *Novation of Derivatives and Continuation of Hedge Accounting – Amendments to IAS 39*. This amendment to IAS 39 – *Financial Instruments: Recognition and Measurement* provides an exception to the requirement to discontinue hedge accounting in situations where over-the-counter derivatives designated in hedging relationships are directly or indirectly novated to a central counterparty as a consequence of laws or regulations, or the introduction of laws or regulations. The IAS 39 amendments were effective for annual periods beginning on or after January 1, 2014 and were applied retrospectively. The implementation of the IAS 39 amendments did not have an impact on CT REIT.

(iii) Levies

In May 2013, the IASB issued *IFRS Interpretation Committee (“IFRIC”) 21 – Levies (“IFRIC 21”)*, which is an interpretation of IAS 37 – *Provisions, Contingent Liabilities and Contingent Assets*. IFRIC 21 clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. IFRIC 21 was effective for annual periods beginning on or after January 1, 2014 and was applied retrospectively. The implementation of IFRIC 21 did not have an impact on CT REIT.

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

The following new standards, amendments and interpretations have been issued but are not effective for the fiscal year ended December 31, 2014, and, accordingly, have not been applied in preparing these consolidated financial statements.

(i) Financial instruments

In July 2014, the IASB issued the final version of IFRS 9 – *Financial Instruments* (“IFRS 9”), which brings together the classification and measurement, impairment and hedge accounting phases of the IASB’s project to replace IAS 39.

Classification and measurement – Financial assets are classified and measured based on the business model under which they are managed and the contractual cash flow characteristics of the financial assets. Financial liabilities are classified in a similar manner as under IAS 39, except that financial liabilities measured at fair value will have fair value changes resulting from changes in the entity’s own credit risk recognized in Other Comprehensive Income instead of net income, unless this would create an accounting mismatch.

Impairment – The measurement of impairment of financial assets is based on an expected credit loss model. It is no longer necessary for a triggering event to have occurred before credit losses are recognized. IFRS 9 also includes new disclosure requirements about expected credit losses and credit risk.

Hedge accounting - The new general hedge accounting model more closely aligns hedge accounting with risk management activities undertaken by entities when hedging their financial and non-financial risk exposures. It will provide more opportunities to apply hedge accounting to reflect actual risk management activities.

IFRS 9 will be applied retrospectively for annual periods beginning on or after January 1, 2018. Early adoption is permitted. CT REIT is assessing the potential impact of this standard.

(ii) Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15 – *Revenue from Contracts with Customers* (“IFRS 15”), which replaces IAS 11 – *Construction Contracts*, IAS 18 – *Revenue* and IFRIC 13 – *Customer*

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Loyalty Programmes, as well as various other interpretations regarding revenue. 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.

IFRS 15 will be applied retrospectively for annual periods beginning on or after January 1, 2017. Early adoption is permitted. CT REIT is assessing the potential impact of this standard.

(iii) Disclosure initiative

In December 2014, the IASB issued *Disclosure Initiative – Amendments to IAS 1* as part of the IASB's Disclosure Initiative. These amendments encourage entities to apply professional judgment regarding disclosures and presentation in their financial statements.

These amendments are effective for annual periods beginning on or after January 1, 2016. Earlier application is permitted. CT REIT is assessing the potential impact of these amendments.

3. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of consolidation

These consolidated financial statements include the accounts of CT REIT and its consolidated subsidiaries consisting of the Partnership and CT REIT GP Corp., which are the entities over which CT REIT has control. Control exists when CT REIT has the ability to direct the relevant activities of an entity, has exposure or rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. CT REIT reassesses whether or not it controls an entity if facts and circumstances indicate that there are changes to one or more of the three elements of control.

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

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

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

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

(b) Joint arrangements

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

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that have joint control of the arrangement have rights to the net assets of the arrangement. A party to a joint operation records its interest in the assets, liabilities, revenue and expenses of the joint operation.

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

(c) Investment properties

Investment properties include income-producing properties and properties under development that are held by CT REIT to earn rental income. CT REIT accounts for its investment properties in accordance with IAS 40 – *Investment Property* (“IAS 40”). For acquired investment properties that meet the definition of a business, the acquisition is accounted for as a business combination in accordance with IFRS 3 – *Business Combinations* (“IFRS 3”), otherwise they are initially measured at cost including directly attributable acquisition costs. Subsequent to acquisition, investment properties are carried at fair value, which is determined based on available market evidence at the balance sheet date including, among other things, rental revenue from current leases and reasonable and supportable assumptions that represent what knowledgeable, willing parties would assume about rental revenue from future leases less future cash outflows in respect of capital expenditures. Gains and losses arising from changes in fair value are recognized in net income in the period of change.

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

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

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

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

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(d) Business combinations

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

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

(e) Revenue recognition

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

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

(f) Income taxes

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

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

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

(g) Class C LP Units

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

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(h) Non-controlling interests

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

(i) Provisions

A provision is a liability of uncertain timing or amount. Provisions are recognized when CT REIT has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are not recognized for future operating losses. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. Provisions are remeasured at each balance sheet date using the current discount rate. The increase in the provision due to the passage of time is recognized as interest expense.

(j) Unit based compensation plans

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

DUs, RUs and PUs are recorded as liabilities and expensed as compensation expense over the vesting period based upon the fair value of the respective units granted.

(k) Cash and cash equivalents

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

(l) Financial instruments and derivatives

Financial instruments are classified, at the time of initial recognition, according to their characteristics and management's classifications and intentions related thereto for the purposes of ongoing measurement. Classification choices are: (i) held-to-maturity, (ii) loans and receivables, (iii) fair value through profit or loss ("FVTPL"), (iv) available for sale, or (v) other financial liabilities. Financial assets and liabilities classified as FVTPL are measured at fair value with gains and losses recognized in the consolidated statements of income and comprehensive income. Financial instruments classified as held-to-maturity, loans and receivables or other liabilities are measured at amortized cost, using the effective interest method. Available-for-sale financial instruments are measured at fair value and any unrealized gains and losses will be recognized in other comprehensive income. CT REIT does not hold any held-to-maturity, FVTPL or available for sale financial instruments.

The following summarizes CT REIT's classification and measurement of financial instruments:

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Financial assets and liabilities	Classification	Measurement
Cash and cash equivalents	Loans and receivables	Amortized cost
Other assets	Loans and receivables	Amortized cost
Tenant and other receivables	Loans and receivables	Amortized cost
Mortgages payable	Loans and receivables	Amortized cost
Class C LP Units	Other liabilities	Amortized cost
Accounts payable and other liabilities	Other liabilities	Amortized cost
Distributions payable	Other liabilities	Amortized cost

Transaction costs, other than those related to financial instruments classified as FVTPL, which are expensed as incurred, are capitalized to the carrying amount of the instrument and amortized using the effective interest method. These costs include interest, discounts or premiums relating to borrowings, fees and commissions paid to agents, brokers and advisers and transfer taxes and duties incurred in connection with the arrangement of borrowings.

4. INVESTMENT PROPERTIES

	December 31, 2014	December 31, 2013
Balance at beginning of year	\$ 3,547,864	\$ -
Acquisitions of investment properties (including acquisition costs) ⁽¹⁾	228,684	3,534,136
Development land acquisitions	3,982	9,011
Developments	19,963	-
Intensifications	11,951	-
Recoverable capital expenditures	17,052	-
Capitalized interest and property taxes	442	-
Straight-line rent	28,685	5,185
Fair value adjustment on investment properties	141,221	(468)
Balance at end of year	\$ 3,999,844	\$ 3,547,864

⁽¹⁾ Net of post-closing adjustments

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.

Properties under development are measured using a DCF model, net of costs to complete, as of the balance sheet date. Development sites in the planning phases are measured using comparable market prices for similar assets.

Investment properties were subject to independent appraisals when initially acquired in 2013. At December 31, 2014, management's determination of fair value was updated for current market assumptions, utilizing market capitalization rates provided by independent valuation professionals.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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CT REIT also obtained independent valuations for certain properties based on a four-year rotation cycle during which substantially all of its properties will be independently valued. During 2014, independent appraisals were obtained on a total of 68 properties, 34 were completed in Q2 having a fair value of \$615,360 effective June 30, 2014 and 34 were completed in Q4 having a fair value of \$560,890 effective December 31, 2014.

The fair value of investment properties is based on Level 3 inputs (see Note 23(a) 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 investment properties are as follows:

	Properties valued by the OCR method	Properties valued by the DCF method
Number of properties	227	44
Value as at December 31, 2014	\$ 3,127,673	\$ 851,137
Discount rate	-	6.91%
Terminal capitalization rate	-	6.50%
Overall capitalization rate	6.34%	-
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 investment properties to changes in the capitalization rate:

Rate sensitivity	OCR Sensitivity		DCF Sensitivity	
	Fair value	Change in fair value	Fair value	Change in fair value
+ 75 basis points	\$ 2,810,215	\$ (317,458)	\$ 809,752	\$ (41,385)
+ 50 basis points	2,908,248	(219,425)	823,222	(27,915)
+ 25 basis points	3,013,768	(113,905)	837,022	(14,115)
Base rate	3,127,673	-	851,137	-
- 25 basis points	3,251,006	123,333	865,647	14,510
- 50 basis points	3,384,994	257,321	880,491	29,354
- 75 basis points	3,531,086	403,413	895,704	44,567

2014 Acquisition Activity

For the year ended December 31, 2014, thirteen investment property acquisitions and two development land acquisitions were completed at a total cost of \$228,684 and \$3,982 respectively. In addition, two development and six intensification projects were completed at a total cost of \$19,963 and \$11,951 respectively. The costs for these acquisitions were funded as follows:

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	2014 Acquisition Activity			
	Acquisitions of investment properties	Development land acquisitions	Developments	Intensifications
Funded with working capital to CTC ⁽¹⁾	\$ 31,479	\$ -	\$ 19,929	\$ 11,951
Funded with working capital to third parties	71,267	3,982	34	-
Issuance of Class B LP Units to CTC	19,464	-	-	-
Issuance of Class C LP Units to CTC	47,279	-	-	-
Mortgages assumed	59,195	-	-	-
Total Costs	\$ 228,684	\$ 3,982	\$ 19,963	\$ 11,951

⁽¹⁾ Net of post-closing adjustments

2013 Acquisition Activity

CT REIT acquired a portfolio of 256 properties (the "Initial Properties") from CTC in exchange for a combination of Class B LP Units (which are accompanied by an equivalent number of special voting units in CT REIT (the "Special Voting Units"), Class A LP Units, which were immediately acquired by CT REIT using the net proceeds from the Offering, and Class C LP Units. The purchase price of the Initial Properties was \$3,533,668 and was supported by independent appraisals. CT REIT incurred costs on the acquisition of the Initial Properties of \$468, which was added to the carrying value of the Initial Properties upon their recognition. The purchase of the Initial Properties was accounted for as an asset acquisition.

The purchase price was satisfied as follows:

Cash ⁽¹⁾	\$ 240,958
Units acquired by CTC	597,111
Class B LP Units	895,599
Class C LP Units	1,800,000
	\$ 3,533,668

⁽¹⁾ Represents proceeds from the Offering less issuance costs of \$22,074 and property acquisition costs of \$468.

Development properties represent \$3,984 (2013 – \$9,011) of the total value of investment properties including capitalized interest of \$2 (2013 – nil).

Investment properties with a fair value of approximately \$127,926 (2013 – \$60,658) are situated on land held under leases with remaining initial terms of between 4 and 41 years, and an average initial term of 17 years.

5. TENANT AND OTHER RECEIVABLES

The components of tenant and other receivables were as follows:

	December 31, 2014	December 31, 2013
Rent and other receivables ⁽¹⁾	\$ 10,429	\$ 696
Allowance for doubtful accounts	(80)	-
Tenant and other receivables	\$ 10,349	\$ 696

⁽¹⁾ Includes \$8,505 receivable from CTC (2013 - \$554).

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6. OTHER ASSETS

	December 31, 2014		December 31, 2013	
Prepaid expenses and deposits	\$	3,420	\$	6,859
Deferred assets		1,097		834
Less: non-current portion of other assets		(2,526)		(638)
Other assets	\$	1,991	\$	7,055

Deferred assets include the costs incurred in connection with the arrangement of the Bank Credit Facility, which are being amortized over 48 months (see Note 10).

7. CASH AND CASH EQUIVALENTS

At December 31, 2014, CT REIT did not have any short-term deposits (2013 – \$44,065). For the year ended December 31, 2014, interest income of \$350 (2013 – \$83) was earned on cash and cash equivalents and is recorded as interest income in the statements of income and comprehensive income.

8. CLASS C LP UNITS

The Class C LP Units entitle the holder to a fixed cumulative monthly payment during the initial fixed rate period for each Series of Class C LP Units (the “Initial Fixed Rate Period”) equal to a weighted average of 4.44 per cent of the aggregate capital amount ascribed to the Class C LP Units, in priority to distributions made to holders of the Class A LP Units, Class B LP Units and GP Units, subject to certain exceptions. During the five-year period beginning immediately following the completion of the Initial Fixed Rate Period, and each five-year period thereafter, 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.

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

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

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

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Series	Expiry of initial fixed rate period	Annual distribution rate during initial fixed par value	Carrying amount at December 31, 2014	Carrying amount at December 31, 2013
Series 1	May 31, 2015	3.50%	\$ 200,000	\$ 200,000
Series 2	May 31, 2016	3.50%	200,000	200,000
Series 3	May 31, 2020	4.50%	200,000	200,000
Series 4	May 31, 2024	4.50%	200,000	200,000
Series 5	May 31, 2028	4.50%	200,000	200,000
Series 6	May 31, 2031	5.00%	200,000	200,000
Series 7	May 31, 2034	5.00%	200,000	200,000
Series 8	May 31, 2035	5.00%	200,000	200,000
Series 9	May 31, 2038	5.00%	200,000	200,000
Series 10	May 31, 2017	2.38%	7,130	-
Series 11	May 31, 2017	2.20%	20,685	-
Series 12	May 31, 2017	2.23%	19,464	-
Weighted average / Total		4.44%	\$ 1,847,279	\$ 1,800,000
Current			\$ 200,000	\$ -
Non-current			1,647,279	1,800,000
Total			\$ 1,847,279	\$ 1,800,000

There are no principal payments on the Class C LP Units during the Initial Fixed Rate Period. For the year ended December 31, 2014, interest expense of \$81,643 (2013 – \$15,534) was recognized in respect of the Class C LP Units (see Note 18). The holders of the Class C LP Units may elect to defer receipt of all or a portion of payments declared by CT REIT until the first day following the end of the fiscal year. If the holder so elects to defer receipt of payments, CT REIT will loan the holder the amount equal to the deferred payment without interest, and the loan will be due and payable in full on the first business day following the end of the fiscal year the loan was advanced, the holder having irrevocably directed that any payment of the deferred payments be applied to repay such loans. At the election of the holder, payments on the Class C LP Units for the year ended December 31, 2014 of \$68,425 (2013 – \$7,991) were deferred until the first day following the end of the fiscal year and non-interest bearing loans equal to the deferred payments were advanced in lieu thereof. The net amount of payments due in respect of the Class C LP Units at December 31, 2014 of \$6,838 (2013 – \$6,787) is included in other liabilities on the consolidated balance sheet (see Note 11). These loans were settled on January 2, 2015.

9. MORTGAGES PAYABLE

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

	December 31, 2014		December 31, 2013	
	Face value	Carrying amount	Face value	Carrying amount
Current	\$ 1,158	\$ 1,275	\$ -	\$ -
Non-current	57,148	57,219	-	-
Total	\$ 58,306	\$ 58,494	\$ -	\$ -

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Future repayments are as follows:	Principal Amortization	Maturities	Total
For the period ending December 31:			
2015	\$ 1,158	-	1,158
2016	1,199	-	1,199
2017	1,241	-	1,241
2018	422	16,661	17,083
2019	-	37,625	37,625
2020 and thereafter	-	-	-
Total contractual obligation	4,020	54,286	58,306
Unamortized portion of mark to market interest rates on liabilities assumed at the acquisition of properties			381
Unamortized debt financing cost			(193)
			<u>58,494</u>

Mortgages payable have interest rates that range from 2.95% to 3.60%, and have maturity dates that range from January 2018 to December 2019. Mortgages payable at December 31, 2014 had a weighted average interest rate of 3.19% (2013 – nil). At December 31, 2014, floating rate and fixed rate mortgages were \$31,133 (2013 – nil) and \$27,173 (2013 – nil), respectively.

Investment properties having a fair value of \$121,489 have been pledged as security for mortgages payable.

10. BANK CREDIT FACILITY

The Partnership has a \$200,000, revolving credit facility (the “Bank Credit Facility”), which is available to the Partnership until October 2017, with an option to increase it by an additional \$100,000. The Bank Credit Facility bears interest at a rate based on the bank’s prime rate of interest or bankers’ acceptances plus a margin. A standby fee is charged on the Bank Credit Facility.

As at December 31, 2014, \$78,000 (2013 – nil) of cash advances had been drawn on the Bank Credit Facility. The unamortized balance of transaction costs incurred in connection with the arrangement of the Bank Credit Facility of \$434 (2013 – \$616) is recorded in other assets on the consolidated balance sheets. For the year ended December 31, 2014, amortization of the transaction costs of \$182 (2013 – \$35), as well as the standby fee of \$492 (2013 – \$80) are included in interest and other financing charges on the consolidated statement of income and comprehensive income (see Note 18).

The following table summarizes the details of Bank Credit Facility as at December 31, 2014:

Bank Credit Facility Maximum Loan Amount	Cash Advances	Letters of Credit	Available to be Drawn
\$ 200,000	\$ 78,000	\$ -	\$ 122,000

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11. OTHER LIABILITIES

Other liabilities are comprised of the following:

	December 31, 2014		December 31, 2013	
Property operating costs ⁽¹⁾	\$	3,188	\$	2,751
Recoverable capital expenditures		2,089		-
Construction holdbacks ⁽²⁾		3,515		-
Interest on Class C LP Units ⁽³⁾		6,838		6,787
Deferred revenue ⁽⁴⁾		2,238		-
Other ⁽⁵⁾		3,563		3,601
Less: non-current portion of other liabilities		(560)		(275)
Other liabilities	\$	20,871	\$	12,864

⁽¹⁾ Includes \$496 payable to CTC (2013 - \$2,483).

⁽²⁾ Includes \$3,188 payable to CTC (2013 - nil).

⁽³⁾ Net of loans receivable of \$68,425 (2013 - \$7,991). See Note 22.

⁽⁴⁾ Prepaid rent from CTC.

⁽⁵⁾ Includes \$101 payable to CTC (2013 - \$20).

12. DISTRIBUTIONS ON UNITS AND CLASS B LP UNITS

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

	For the year ended December 31, 2014				For the period from July 15, 2013 to December 31, 2013			
		Total Distributions		Distributions per Unit		Total Distributions		Distributions per Unit
Units ⁽¹⁾	\$	58,674	\$	0.65	\$	11,194	\$	0.12
Class B LP Units ⁽²⁾	\$	58,971	\$	0.65	\$	11,139	\$	0.12

⁽¹⁾ Includes \$38,877 (2013 - \$7,426) paid or payable to CTC.

⁽²⁾ Paid or payable to CTC.

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

For the year ended December 31, 2014 161,437 (2013 – 13,179) Units were issued under the DRIP for \$1,781 (2013 – \$136).

On November 3, 2014, the Board approved an increase in the annual rate of distribution to \$0.663 effective with the first distribution paid in 2015.

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On December 15, 2014, CT REIT's Board declared a distribution of \$0.05525 per Unit paid on January 15, 2015 to holders of Units and Class B LP Units of record as of December 31, 2014.

On January 15, 2015, CT REIT's Board declared a distribution of \$0.05525 per Unit paid on February 13, 2015 to holders of Units and Class B LP Units of record as of January 30, 2015.

On February 13, 2015, CT REIT's Board declared a distribution of \$0.05525 per Unit payable on March 13, 2015 to holders of Units and Class B LP Units of record as of February 27, 2015.

The holders of the Class B LP Units may elect to defer receipt of all or a portion of distributions declared by CT REIT until the first day following the end of the fiscal year. If the holder so elects to defer receipt of distributions, CT REIT will loan the holder the amount equal to the deferred distribution without interest, and the loan will be due and payable in full on the first business day following the end of the fiscal year the loan was advanced, the holder having irrevocably directed that any payment of the deferred distributions be applied to repay such loans. For the year ended December 31, 2014, the holders of the Class B LP Units elected to defer distributions in the amount of \$565 (2013 – nil). See Note 22(b). These loans were settled on January 2, 2015.

13. EQUITY

Authorized and outstanding units

CT REIT is authorized to issue an unlimited number of Units. As of December 31, 2014, CT REIT had 90,188,210 (2013 – 90,026,773) Units outstanding, 59,711,094 (2013 – 59,711,094) of which were held by CTC and 91,297,572 (2013 – 89,559,871) Class B LP Units outstanding (together with a corresponding number of Special Voting Units), all of which were held by CTC.

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

	For the year ended December 31, 2014		
	Units	Class B LP Units	Total
Total outstanding at beginning of year	90,026,773	89,559,871	179,586,644
Issued	161,437	1,737,701	1,899,138
Total outstanding at end of period	90,188,210	91,297,572	181,485,782

	For the period from July 15, 2013 to December 31, 2013		
	Units	Class B LP Units	Total
Total outstanding at beginning of period	-	-	-
Issued	90,026,773	89,559,871	179,586,644
Total outstanding at end of period	90,026,773	89,559,871	179,586,644

Net income attributable to Unitholders and weighted average units outstanding used in determining basic and diluted net income per unit for the year ended December 31, 2014 and period from July 15, 2013 to December 31, 2013, are calculated as follows, respectively:

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	For the year ended December 31, 2014		
	Units	Class B LP Units	Total
Net income attributable to unitholders - basic	\$ 159,282	\$ 158,979	\$ 318,261
Income effect of settling Class C LP Units with Class B LP Units			81,643
Net income attributable to unitholders - diluted			\$ 399,904
Weighted average Units outstanding - basic	90,110,919	90,488,232	180,599,151
Dilutive effect of other Unit plans			44,485
Dilutive effect of settling Class C LP Units with Class B LP Units			151,702,425
Weighted average Units outstanding - diluted			332,346,061

	For the period from July 15, 2013 to December 31, 2013		
	Units	Class B LP Units	Total
Net income attributable to unitholders - basic	\$ 15,269	\$ 15,727	\$ 30,996
Income effect of settling Class C LP Units with Class B LP Units			15,534
Net income attributable to unitholders - diluted			\$ 46,530
Weighted average Units outstanding - basic	89,339,035	89,559,871	178,898,906
Dilutive effect of other Unit plans			25,148
Dilutive effect of settling Class C LP Units with Class B LP Units			168,299,232
Weighted average Units outstanding - diluted			347,223,286

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

Units

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

Non-controlling interests

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

Special Voting Units

Special Voting Units are only issued (i) in tandem with Class B LP Units of the Partnership or (ii) in limited circumstances to holders of the Class C LP Units and are not transferable separately from the Class B LP Units or Class C LP Units, as the case may be, to which they relate. Upon any transfer of Class B LP Units or Class C LP Units, as the case maybe, such Special Voting Units will automatically be transferred to the transferee of the Class B LP Units. As Class B LP Units are exchanged for Units or purchased for cancellation, the corresponding Special Voting Units will be cancelled for no consideration.

Each Special Voting Unit entitles the holder thereof to one vote at all meetings of Unitholders or with respect to any resolution in writing of Unitholders. Except for the right to attend and vote at meetings of

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the Unitholders or with respect to written resolutions of the Unitholders, Special Voting Units do not confer upon the holders thereof any other rights. A Special Voting Unit does not entitle its holder to any economic interest in CT REIT, or to any interest or share in CT REIT, or to any interest in any distributions (whether of net income, net realized capital gains, or other amounts), or to any interest in any net assets in the event of termination or winding-up.

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

14. UNIT BASED COMPENSATION PLANS

Deferred Unit Plan for Trustees

Under the DU Plan, trustees who are eligible to participate in the DU Plan may elect to receive all or a portion of their annual compensation, which is paid quarterly, in DUs. The number of DUs to be issued is determined by dividing the quarterly compensation amount the trustee has elected to receive in DUs by the weighted average price at which Units trade on the TSX during the five trading days immediately preceding the end of the calendar quarter. The DU account of each trustee includes the value of distributions, if any, which are reinvested in additional DUs. DUs represent a right to receive an equivalent number of Units or, at the trustee's election, the cash equivalent thereof, upon the trustee's departure from the Board. DUs that are converted to cash will be equivalent to the market value of Units at the time the conversion takes place pursuant to the terms of the DU Plan.

As at December 31, 2014, accrued Trustee compensation costs relating to the DU Plan totaled \$440 (2013 – \$79). The fair value of DUs is equal to the trading price of Units. Compensation expense recorded for the year ended December 31, 2014 was \$51 (2013 – \$1) for DUs issued to Trustees and is included in general and administrative expense.

Performance Unit Plan

Each PU award entitles the executive to receive a cash payment equal to the weighted average price of Units traded on the TSX during the 10 calendar day period commencing the first business day following the end of the performance period, multiplied by a factor determined by specific performance-based criteria, as set out in the performance unit plan. The performance period of each PU award is approximately three years from the date of issuance.

As at December 31, 2014, the accrued compensation costs relating to the PU Plan totaled \$232 (2013 – nil). Compensation expense recorded for the year ended December 31, 2014 for PUs granted to executive officers was \$232 (2013 – nil), and is included in general and administrative expense.

Restricted Unit Plan for Executives

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

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As at December 31, 2014, accrued RU compensation costs relating to the RU Plan totaled \$328 (2013 – \$275). The fair value of RUs is equal to the trading price of Units. Compensation expense recorded for the year ended December 31, 2014 for RUs issued to executive officers was \$53 (2013 – \$275), and is included in general and administrative expense.

15. NON-CONTROLLING INTERESTS

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

Name of subsidiary	Proportion of ownership interests held by non-controlling interests		Net income and comprehensive income allocated to non-controlling interests		Accumulated non-controlling interests	
	December 31, 2014	December 31, 2013	For the year ended December 31, 2014	For the period ended December 31, 2013	December 31, 2014	December 31, 2013
CT REIT Limited Partnership	50.31%	49.87%	\$ 158,979	\$ 15,727	\$ 1,019,601	\$ 900,187

The following is a continuity of non-controlling interests:

	For the year ended December 31, 2014	For the period ended December 31, 2013
Balance at beginning of year	\$ 900,187	\$ -
Non-controlling interests arising on the issuance of Class B LP Units, net of issue costs	19,406	895,599
Share of net income and comprehensive income	158,979	15,727
Distributions	(58,971)	(11,139)
Balance at end of period	\$ 1,019,601	\$ 900,187

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.

16. 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 5.8 to 20.1 years, with a weighted average remaining initial term of approximately 14.5 years. Annual base minimum rent for CTC leases will have weighted average annual rent escalations of approximately 1.5% per year, commencing January 1, 2015.

The components of revenue are as follows:

	CTC	Other	For the year ended December 31, 2014
Base minimum rent	\$ 235,851	\$ 7,867	\$ 243,718
Straight-line rental	28,104	581	28,685
Subtotal base rent	263,955	8,448	272,403
Property tax and operating expense recoveries	68,092	3,818	71,910
Capital expenditure and interest recovery charge	165	-	165
Other revenues	-	313	313
Property revenue	\$ 332,212	\$ 12,579	\$ 344,791

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	CTC		Other		For the period from July 15, 2013 to December 31, 2013
Base minimum rent	\$	43,881	\$	1,172	\$ 45,053
Straight-line rental		5,134		51	5,185
Subtotal base rent		49,015		1,223	50,238
Property tax and operating expense recoveries		12,327		461	12,788
Property revenue	\$	61,342	\$	1,684	\$ 63,026

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

	December 31, 2014
Less than one year	\$ 258,453
Between one and five years	1,063,500
More than five years	2,767,588
Total	4,089,541

(b) Property expense

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

	For the year ended December 31, 2014		For the period from July 15, 2013 to December 31, 2013	
Property taxes	\$	68,615	\$	12,644
Property management ⁽¹⁾		2,515		463
Other recoverable operating costs		3,225		303
Other non-recoverable costs		80		-
Ground rent		2,147		347
Property insurance		95		16
Property expense	\$	76,677	\$	13,773

⁽¹⁾ Includes \$2,333 (2013 - \$405) with CTC. See Note 22.

17. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses are comprised of the following:

	For the year ended December 31, 2014		For the period from July 15, 2013 to December 31, 2013	
Services Agreement with CTC ⁽¹⁾	\$	3,288	\$	627
Personnel expense		2,134		809
Other		3,011		787
General and administrative expenses	\$	8,433	\$	2,223

⁽¹⁾ See Note 22.

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18. INTEREST AND OTHER FINANCING CHARGES

Interest and other financing charges are comprised of the following:

	For the year ended December 31, 2014		For the period from July 15, 2013 to December 31, 2013
Interest on Class C LP Units	\$ 81,643	\$	15,534
Interest on Mortgages Payable	652		-
Interest on Bank Credit Facility	355		-
Standby fees - Bank Credit Facility	492		80
Amortization of financing costs - Bank Credit Facility	153		28
Amortization of agency fees - Bank Credit Facility	29		7
	<u>83,324</u>		<u>15,649</u>
Capitalized interest	(333)		-
Interest and other financing charges	<u>\$ 82,991</u>	<u>\$</u>	<u>15,649</u>

19. CHANGES IN WORKING CAPITAL AND OTHER

Changes in working capital are comprised of the following:

	For the year ended December 31, 2014		For the period from July 15, 2013 to December 31, 2013
Changes in working capital and other			
Tenant and other receivables	\$ (9,653)	\$	(696)
Other assets	3,176		(7,728)
Other liabilities	8,701		6,241
Changes in working capital and other	<u>\$ 2,224</u>	<u>\$</u>	<u>(2,183)</u>

20. SEGMENTED INFORMATION

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

21. COMMITMENTS AND CONTINGENCIES

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

CT REIT has committed to development expenditures representing approximately \$18,530 (2013 – \$19,997) in future payments.

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22. 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 CT REIT with certain administrative, legal, financial, information technology, internal audit and other support services as may be reasonably required from time to time (the "Services"). CTC provides these Services to CT 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, with a fixed maximum fee not to exceed \$3,288 for the year ended December 31, 2014 with adjustments to such fee based on the Consumer Price Index ("CPI"), for the following year. The CPI factor for 2015 is 1.4%. The Services Agreement's initial term ends on December 31, 2015 and is renewable for further one year terms thereafter, unless otherwise terminated. The Services Agreement has been renewed for 2016.

Property Management Agreement

Under the Property Management Agreement, CTC provides the Partnership with customary property management services (the "Property Management Services"). CTC agreed to provide Property Management Services to the Partnership on a cost recovery basis pursuant to which the Partnership reimburses CTC for all costs and expenses incurred by CTC in connection with providing the Property Management Services, plus applicable taxes, with a fixed maximum fee not to exceed \$2,333 for the year ended December 31, 2014, with adjustments to such fee based on the CPI for the following year, which is 1.4% for 2015. The Property Management Agreement's initial term ends on December 31, 2015 and is renewable for further one year terms thereafter, unless otherwise terminated. The Property Management Agreement has been renewed for 2016.

Development Agreement

CT REIT, the Partnership and CTC entered into the Development Agreement for a term expiring on the later of: (i) 10 years from the Closing; (ii) the time when CTC ceases to hold, directly or indirectly, a majority of the Voting Units comprising any combination of Units and Special Voting Units. Pursuant to the Development Agreement CT REIT has a preferential right to participate in property developments that meet CT REIT's investment and other criteria, an option to purchase development properties and an option to provide mezzanine financing for developments. The Agreement requires CTC to present, in certain circumstances, new shopping centre acquisition opportunities in Canada to CT REIT.

(b) Transactions and balances with related parties

Transactions with CTC are comprised of the following:

	For the year ended	For the period from
	December 31, 2014 ⁽¹⁾	July 15, 2013 to
		December 31, 2013 ⁽¹⁾
Rental revenue	\$ 332,212	\$ 61,342
Property Management and Services Agreement expense	5,621	1,090
Distributions on Units	38,877	7,426
Distributions on Class B LP Units	58,971	11,139
Interest expense on Class C LP Units	81,643	15,534

⁽¹⁾ Excludes acquisition activity. See Note 4.

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

	December 31, 2014	December 31, 2013
Tenant and other receivables	\$ (8,505)	\$ (554)
Class C LP Units	1,847,279	1,800,000
Interest payable on Class C LP Units	75,263	14,778
Loans receivable in lieu of distributions on Class C LP Units	(68,425)	(7,991)
Other liabilities	6,023	2,503
Loans receivable in lieu of distributions on Class B LP Units	(565)	-
Distributions payable on Units and Class B LP Units	8,908	8,086
Net due to CTC	\$ 1,859,978	\$ 1,816,822

(c) Compensation of executives and independent trustees

The remuneration of management personnel including the chief executive officer, chief financial officer and the trustees who were not employees or officers of the REIT or any of its affiliates was as follows:

	For the year ended December 31, 2014	For the period from July 15, 2013 to December 31, 2013
Salaries and short-term employee benefits	\$ 2,226	\$ 603
Unit-based awards	336	276
Total	\$ 2,562	\$ 879

The remuneration of management consists principally of base salary, short-term cash incentives and long-term incentives (in the form of Unit-based awards). The remuneration is determined by CT REIT's Board of Trustees, on the recommendation of the Governance, Compensation and Nominating Committee.

The compensation of trustees, excluding employees and officers of the REIT or any of its affiliates, consists of annual retainer and meeting fees.

23. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

(a) Fair value of financial instruments

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

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

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

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The fair value of the Class C LP Units and mortgages payable at December 31, 2014, was \$1,931,316 and \$59,452 respectively (2013 – \$1,691,100 and nil, respectively). The fair value measurement of the Class C LP Units and mortgages payables was 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, interest rate volatility, and credit spreads. There have been no transfers during the period between levels.

Current financial assets consist of cash and cash equivalents and tenant and other receivables and loans receivable, which are classified as loans and receivables and carried at amortized cost. Current financial liabilities consist of accounts payable, Bank Credit Facility, other liabilities and distributions payable, which are classified as other liabilities and carried at amortized cost. The carrying amounts approximate their fair value due to their short-term nature.

(b) Financial risk management

In the normal course of business, CT REIT has exposure to risks from its use of financial instruments. CT REIT is exposed to liquidity and credit risk in connection with its financial instruments. Financial risk management policies are established for CT REIT to identify and analyze the risks faced by CT REIT, to set acceptable risk tolerance limits and controls and to monitor risks and adherence to limits. CT REIT is not exposed to significant currency or market risk arising from financial instruments. Additionally, CT REIT currently does not have any significant direct exposure to interest rate risk in respect of the Class C LP Units during the Initial Fixed Rate Term, the earliest of which expires on May 31, 2015 (see Note 8).

Liquidity risk

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

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

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

CT REIT has access to the following financing sources to ensure that the appropriate level of liquidity is available to meet its monthly distributions and strategic objectives: committed bank lines totaling \$200,000, direct access to debt and equity markets subject to consent from CTC, and contributions from CTC to the extent cash flows from property operations are not sufficient.

Credit risk

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

CT REIT has a Securities and Counterparty Risk Management Policy in place for management of counterparty risk related to investing activity. The overall credit risk compliance mechanisms established in this policy include credit rating requirements, approval authorities, counterparty limits, notional limits,

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term to maturity and portfolio diversification requirements. CT REIT limits its exposure to credit risk by investing only in highly liquid and rated term deposits, bankers' acceptances or other approved securities and only with highly rated financial institutions and government counterparties.

Interest rate risk

Interest rate risk is the potential for financial loss arising from increases in interest rates. CT REIT has minimal exposure to interest rate changes as the initial rate on the Class C LP units is at fixed interest rates and CT REIT currently has \$78,000 (2013 – nil) in short-term borrowings outstanding under its Bank Credit Facility.

24. CAPITAL MANAGEMENT AND LIQUIDITY

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

The definition of capital varies from entity to entity, industry to industry and for different purposes. CT REIT's strategy and process for managing capital is driven by requirements established under the Declaration of Trust and the Bank Credit Facility.

The following schedule details the capitalization of CT REIT:

	December 31, 2014		December 31, 2013	
Liabilities				
Class C LP Units	\$	1,847,279	\$	1,800,000
Mortgages payable		58,494		-
Bank Credit Facility		78,000		-
Equity				
Unitholders' equity		982,588		880,199
Non-controlling interest		1,019,601		900,187
Total	\$	3,985,962	\$	3,580,386

CT REIT's Class C LP Units have a fixed, cumulative, preferential cash distribution, if, as and when declared by the board of directors of the GP, beginning on October 23, 2013 and ending, for each series, on the date set out in the Initial Fixed Rate Period for such series, which is payable monthly at an annual distribution rate for each series.

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

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

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As at December 31, 2014, CT REIT was in compliance with all of its financial covenants. Under these financial covenants, CT REIT has sufficient flexibility to fund business growth and maintain or amend distribution rates within its existing distribution policy.

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

The principal liquidity needs for periods beyond the next year are for unit distributions, scheduled debt maturities and capital expenditures. CT REIT's strategy is to meet these needs through cash flows generated from operating activities and further issuance of debt and equity.

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

	Total	Payments Due By Period			
		1 year	2-3 years	4-5 years	After 5 years
Class C LP Units ⁽¹⁾	\$ 1,847,279	\$ 200,000	\$ 247,279	\$ -	\$ 1,400,000
Payments on Class C LP Units ⁽¹⁾	1,066,314	77,977	138,419	134,000	715,918
Other liabilities	14,593	14,033	560	-	-
Payable on Class C LP Units, net of loans receivable	6,838	6,838	-	-	-
Distributions payable ⁽²⁾	10,027	10,027	-	-	-
Mortgages payable	58,306	1,158	2,440	54,708	-
Bank Credit Facility	78,000	78,000	-	-	-

⁽¹⁾ Assumes redemption on expiry of initial fixed rate period for each series.

⁽²⁾ On Units and Class B LP Units.

25. COMPARATIVE FIGURES

Certain of the prior period's figures have been restated to correspond to the current period presentation.

26. SUBSEQUENT EVENTS

A redemption notice was submitted by CT REIT to CTC, the holders of Series 1 of the Class C LP Units, which have a maturity date of May 31, 2015. As a result, this series of Class C LP Units will either be redeemed or will have their rate reset, in either case effective May 31, 2015.

During February 2015, CT REIT completed five investment property acquisitions from CTC including two retail properties in Ontario, two in Quebec and one in Alberta. The total purchase price of approximately \$62,000 was satisfied by an issuance of 4,799,539 Class B LP Units.