



2018
ANNUAL REPORT

UNLOCKING VALUE

ABOUT CROMBIE REIT

Established in 2006, Crombie REIT invests in high-quality, sustainable real estate where people live, work, shop and play.

With 288 income-producing properties nationwide, Crombie's portfolio of approximately 18.9 million square feet enhances local communities for the long term. We are focused on steady income growth and asset value creation through the ownership, operation and development of high-quality grocery- and drugstore-anchored shopping centres, freestanding stores and mixed use developments, primarily in Canada's top urban and suburban markets.

ABOUT THE COVER

Belmont Market near Victoria, BC is a 160,000 square foot vibrant open-air centre that will feature contemporary west coast themed architecture, an animated streetscape, and will create a leading-edge retail environment.

ABOUT FORWARD-LOOKING STATEMENTS

This document includes statements about our objectives, plans, goals, strategies, future growth, financial condition, results of operations, cash flows, performance, business prospects and opportunities. These statements are forward-looking because they are based on management's expectations about the future – they are not historical facts. Forward-looking statements include statements regarding our development pipeline size, timing and costs, net asset value "NAV" creation, yield on investment of development and intended property dispositions, and statements containing words like anticipates, expects, believes, estimates, could, intends, may, plans, predicts, projects, will, would, foresees and other similar expressions, or the negative of these words. For more information and a caution about using forward-looking information, see the Forward-Looking Information section in the MD&A.

ABOUT NON-GAAP MEASURES

Certain financial measures in this document, including FFO, AFFO, NAV, NOI, SANOI, EBITDA, D/GBV-FV, interest coverage, and yield on cost are not defined terms under GAAP, therefore are not a reliable way to compare us to other companies. See the Non-GAAP Financial Measures section in the MD&A.

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UNLOCKING VALUE

In 13 short years, Crombie has transformed a small regional portfolio into one of Canada's leading retail REITs, with \$4.8 billion of high-quality assets and an extraordinary pipeline of mixed use developments in the country's top urban and suburban markets. This annual report examines the key strategies behind our efforts in **Unlocking Value**.



FINANCIAL HIGHLIGHTS

(In thousands of CAD dollars, except per unit amounts and as otherwise noted)	Year ended December 31,	
	2018	2017
Property revenue	\$ 414,649	\$ 411,813
Property NOI	\$ 293,343	\$ 290,744
Increase (decrease) in net assets attributable to Unitholders	\$ (26,920)	\$ 30,582
Same-asset property cash NOI	\$ 248,599	\$ 242,151
FFO ¹		
Basic	\$ 184,034	\$ 181,152
Diluted	\$ 186,644	\$ 186,582
Per unit – Basic	\$ 1.22	\$ 1.21
Per unit – Diluted	\$ 1.21	\$ 1.20
Payout ratio (%)	73.2%	73.6%
AFFO ¹		
Basic	\$ 155,794	\$ 149,858
Diluted	\$ 158,404	\$ 153,764
Per unit – Basic	\$ 1.03	\$ 1.00
Per unit – Diluted	\$ 1.03	\$ 1.00
Payout ratio (%)	86.5%	88.9%

	December 31, 2018	December 31, 2017
Debt to gross book value – fair value ²	51.0%	50.3%
Weighted average interest rate ³	4.20%	4.21%
Debt to trailing 12 months EBITDA ⁴	8.67x	8.84x
Interest coverage ratio ⁴	2.93x	2.92x

1. FFO and AFFO are non-GAAP measures. See the FFO and AFFO section in the MD&A.
 2. See Debt to Gross Book Value – Fair Value Basis section.
 3. Weighted average interest rate is calculated based on interest rates for all outstanding fixed rate debt.
 4. See coverage ratios section.

96.0%

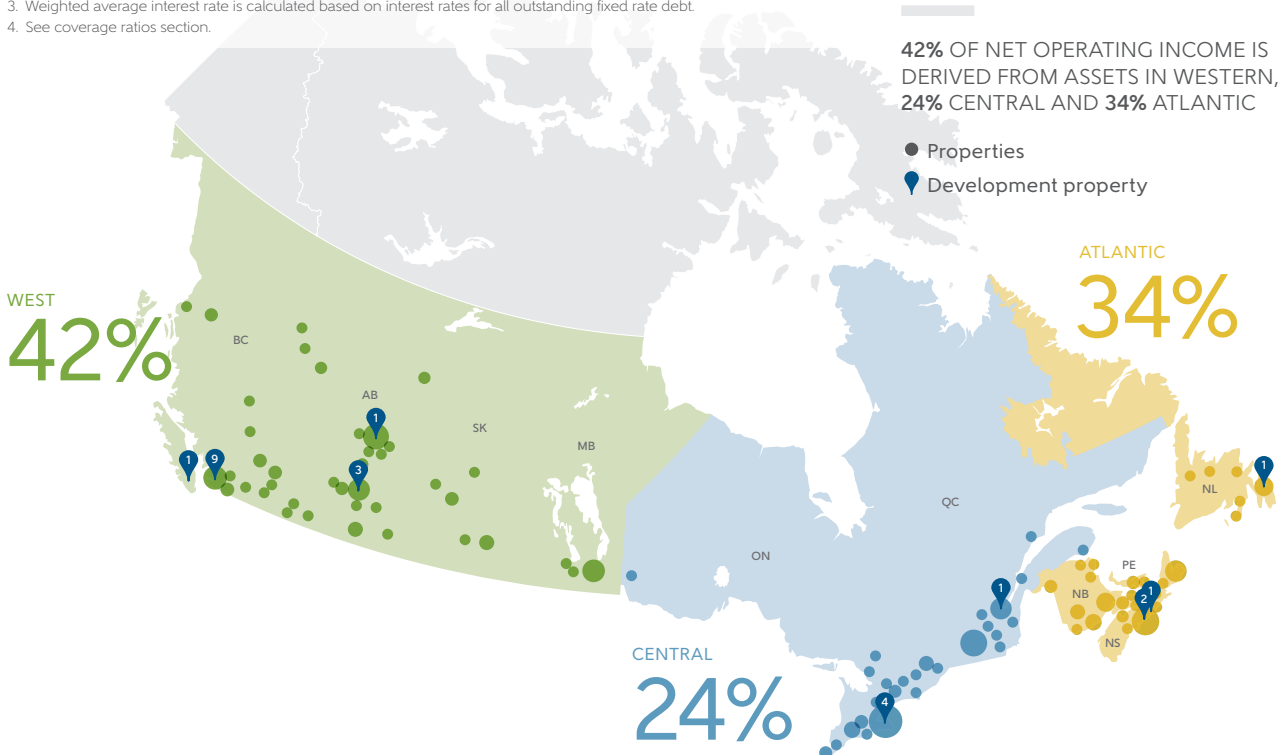
COMMITTED OCCUPANCY

2.7%

SAME-ASSET PROPERTY CASH NOI GROWTH

\$4.8B

INVESTMENT PROPERTIES, FAIR VALUE



STABILITY AND GROWTH

I am very pleased to report that Crombie had a solid 2018, driving performance by staying focused on our strong fundamentals – in fact, our team’s consistent achievement in operations and leasing resulted in AFFO growth of 2.8% and year-end occupancy of 96%.



Crombie’s portfolio quality continued to improve in 2018. Our largest tenant, Sobeys, is successfully adapting and growing their business. Despite the negative narrative that surrounds retail regarding e-commerce risk, it’s becoming common knowledge that everyday-needs retailers, such as grocers, are less susceptible to this risk. Our active development pipeline remains on track. We’ve improved portfolio quality by recycling capital out of lower growth and/or non-core assets and into our mixed use development pipeline.

Crombie has a value proposition. It is as simple as it is powerful. Our core national portfolio of needs-based grocery-anchored retail real estate produces stable cash flow growth and provides a solid foundation from which our development pipeline will grow and expand.

STRONG FUNDAMENTALS

For the year ended December 31, 2018, adjusted funds from operations (AFFO)¹ per unit increased 2.8% to \$1.03. Same-asset property cash NOI (SANOI) growth was 2.7%. AFFO growth was driven by SANOI growth, increased revenue from \$119.2 million in new acquisitions, improved occupancy rates and efficient financing costs. These solid operating results were realized despite over \$220 million

in dispositions during 2018 and approximately \$190 million invested in our five active major development projects since their inception.

SOBEYS

At Crombie, we believe bricks-and-mortar retail has and will continue to hold the “last-mile” advantage by leveraging existing real estate. Our largest tenant, Sobeys, is expanding banners in Western Canada, investing with Ocado’s game-changing e-commerce end-to-end solution, and recently acquired Farm Boy and their laser-like focus on fresh, private label, and prepared foods. With a strong and insightful leadership team and strategy, we have a leading-edge partner/tenant in omni-channel technology.

The Canadian grocery industry continues to experience minimal effect from e-commerce and with Sobeys as our largest tenant, Crombie can continue to manage and mitigate any such risk. We have the unique ability to execute expansions, modernizations, and conversions to other formats, while unlocking major developments and land-use intensification projects. Our relationship with Sobeys is an important piece of our strategy, which we leverage to unlock and create significant value for our Unitholders.

DEVELOPMENT

Crombie is acutely focused on driving Net Asset Value (NAV) creation and long-term AFFO growth through execution of our development program, which we believe is one of the best uses of our capital. We have curated a 23-property development pipeline, representing \$3.0 to \$4.5 billion in potential mixed use development investment over the next 10 to 15 years. Our first five major developments are expected to create one to two dollars of NAV per unit in the next one to two years². With 25 acres in Vancouver and 19 acres in Toronto (Census Metropolitan Areas) of future development land, there is significant value embedded in our portfolio. Davie Street in Vancouver has emerged from the ground and is growing taller as concrete is poured, and Phase I of Belmont Market in Langford, BC is officially producing cash flow, an important development milestone. Our other active developments, Avalon Mall in St. John’s, Bronte Village in Oakville and Le Duke in Montreal are further examples of how, once complete, these assets will contribute to diversifying our portfolio and income stream, increasing our urban presence, and improving overall portfolio quality.

“One of the most powerful forces in the real estate industry, to unlock development value, is the sustainable competitive advantage of a strong retail partner.”

FUNDING

In last year’s letter to you, I stated that we would be accelerating our disposition strategy, and in 2018 we’ve done just that. We sold over \$220 million of lower growth and/or non-core assets in aggregate at pricing in line with IFRS fair values. This shift in our funding strategy has allowed us to redirect capital to higher value opportunities with Sobey’s and major developments. We were more innovative this year by completing our first partial interest disposition. These transactions highlight our desirability as a partner and the attractiveness of our portfolio.

In the second half of the year we balanced our capital structure with two unsecured notes issuances. In August we issued \$75 million of unsecured notes to early redeem the last of our convertible debentures. We also replaced the maturing Series A notes in October by issuing 6.25 year notes, our first-ever unsecured notes greater than five years totalling \$175 million, fitting nicely into our debt ladder.

Our goal remains to reduce leverage over time. Our balance sheet remains strong and flexible, with increasing access to the unsecured bond market and the mortgage and bank markets.

LEADERSHIP RENEWAL

Our renewed senior leadership structure, announced in late 2018, enhances the alignment of our talent with Crombie’s strategic priorities, creating national leadership roles to optimize focus, efficiency, and results. The transition to a national structure realigns responsibilities and enables continued delivery of strong operating performance, an enhanced relationship with Sobey’s, and successful execution of Crombie’s significant mixed use development program. With added analytical capacity, advanced systems, and stronger capital allocation skills, tools and talent, I am very confident and excited about Crombie’s future.

VALUE PROPOSITION

We’ve deliberately raised funds through dispositions at favourable pricing, deploying proceeds into value creating developments. We grew AFFO per unit this year by 2.8%, inclusive of the successful execution of our disposition and development spending programs, both of which are initially dilutive in nature. We’ve proven ourselves as desirable development and property management partners. With solid execution against our strategy, and strong fundamentals, the value to be unlocked is very compelling.

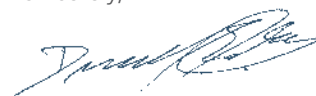
CLOSING

My letter would not be complete without recognizing our dedicated team. The energy, intelligence, resilience, and drive demonstrated by our talented people enable us to thrive in our daily business. Our team values relationships and is committed to the long-term sustainable growth of Crombie. In 2018, these men and women successfully operated and leased our properties, consistently managed our development projects, innovatively sourced capital, introduced dynamic new management information systems, and ensured that we maintained a solid business. I have full confidence in our collective ability to continue unlocking value at Crombie for years to come.

Finally, I would like to take the opportunity to recognize and thank Frank Sobey for the years of governance and leadership he has provided both to this company and me. Although I know all of us will miss his positive presence in the boardroom and the office, he has certainly earned this well-deserved retirement, and we wish him all the best.

With the continued support of my colleagues, the Board, our associates at Sobey’s and Empire, and all our valued business and community partners, I look forward to reporting on our continuing progress.

Sincerely,



DONALD E. CLOW FCPA, FCA
PRESIDENT AND CHIEF EXECUTIVE OFFICER

1. AFFO is not measures recognized under IFRS and do not have standardized meanings prescribed by IFRS. As such, these non-GAAP financial measures should not be considered as an alternative to cash provided from operating activities or any other measure prescribed under IFRS. Please see the section entitled “FFO and AFFO” of the attached Management’s Discussion and Analysis for a discussion of these measures and how we calculate them.
2. Assumes NAV creation equals difference between Crombie’s current estimated stabilized value based on current market cap rates and estimated development cost. Please see the Risk Management section in our MD&A for risks.

STRONG LEADERSHIP WITH DEEP BENCH



DONALD E. CLOW
PRESIDENT & CEO
HALIFAX, NS



GLENN HYNES
EVP, COO, CFO, & SECRETARY
NEW GLASGOW, NS



CHERYL FRASER
CTO & VP COMMUNICATIONS
NEW GLASGOW, NS



JOHN BARNOSKI
SVP, CORPORATE DEVELOPMENT
MISSISSAUGA, ON



TREVOR LEE
SVP, DEVELOPMENT
& CONSTRUCTION
CALGARY, AB



ARIE BITTON
SVP, LEASING &
OPERATIONS
MISSISSAUGA, ON



FRED SANTINI
GENERAL COUNSEL
MISSISSAUGA, ON



AARON BRYANT
VP, CONSTRUCTION EAST
NEW GLASGOW, NS



STEVE CLEROUX
VP, ATLANTIC DEVELOPMENT
NEW GLASGOW, NS



MATT CRAIG
VP, TALENT MANAGEMENT
NEW GLASGOW, NS



TERRY DORAN
VP, OFFICE PROPERTIES
HALIFAX, NS



KARA DORT
VP, ACCOUNTING &
FINANCIAL REPORTING
NEW GLASGOW, NS



JEFF DOWNS
VP, ENTERPRISE
INFORMATION SYSTEMS
NEW GLASGOW, NS



JAYME KRUGER
VP, INVESTMENTS
MISSISSAUGA, ON



BRADY LANDRY
VP, FINANCIAL ANALYSIS
& TREASURY
NEW GLASGOW, NS



JELENA PLECAS
VP, CORPORATE
DEVELOPMENT STRATEGY
MISSISSAUGA, ON



SID SCHRAEDER
VP, CONSTRUCTION WEST
CALGARY, AB



SANDI SHELDON
VP, PROPERTY MANAGEMENT,
INTERIM
MISSISSAUGA, ON

VALUE PROPOSITION

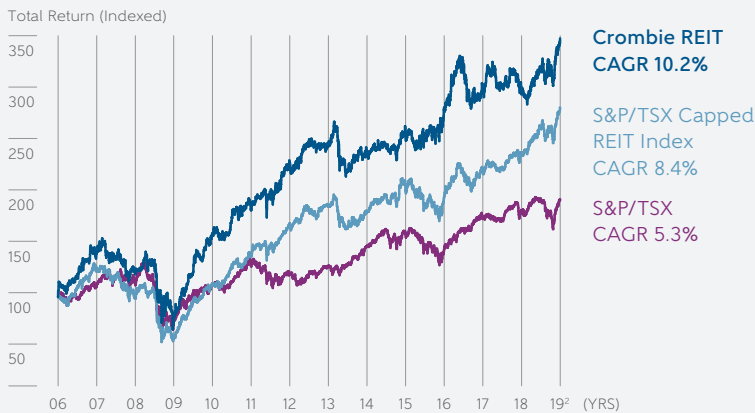
Our core national portfolio of \$4.8 billion of needs-based retail properties produces stable cash flow growth and provides a solid foundation from which our urban-focused value-creating development pipeline will grow and expand.

Our portfolio produced robust results in 2018 and we're executing solidly against our strategy. Our business fundamentals are strong – in fact, our team's consistent achievement in operations and leasing resulted in year-end occupancy of 96%.

Our relationship with Sobeys provides many competitive advantages, including preferred access to top urban markets, a primary tenant whose interests are aligned with our growth strategies and opportunities to invest in new and existing properties.

TOTAL UNITHOLDER RETURN VERSUS TSX AND REIT INDEX SINCE INCEPTION

Crombie has outperformed the sector and the broader Canadian market with total return of 10.2%.



MATERIAL NAV CREATION

Crombie's first five major projects are projected to create \$1 to \$2 of net asset value per unit over the next one to two years¹.



1. Assumes NAV creation equals difference between Crombie's current estimated stabilized value based on current market cap rates, projected NOI and estimated development cost. Please see the Risk Management section in our MD&A for risks.
 2. March 1, 2019

FEATURED DEVELOPMENT PROPERTIES



MONTREAL, QC

Le Duke

Le Duke is adjacent to the Bonaventure Greenway in Old Montreal and is being built as a 25-storey mixed use tower with 390 residential rental units above a 25,000 square foot urban format IGA.



LANGFORD, BC

Belmont Market

Belmont Market near Victoria, BC is a 160,000 square foot vibrant open-air centre that will feature contemporary west coast themed architecture, an animated streetscape, and will create a leading-edge retail environment.



VANCOUVER, BC

Davie Street

Davie Street in Vancouver's West End will be a 306,000 square foot mixed use retail and residential rental structure, built sustainably with 330 residential rental units across two towers above 53,000 square feet of primarily grocery-anchored retail.

HIGHEST AND
BEST USE

SMART CAPITAL ALLOCATION

Crombie's strategy for **Unlocking Value** is aimed at growing Net Asset Value and AFFO per unit over time, while prudently managing risk and maintaining a strong balance sheet.

We seek to derive the highest and best use from existing assets by investing operating cash flow from our everyday retail properties, deploying proceeds from the disposition of lower growth and/or non-core assets and accessing capital markets when appropriate to develop and modernize our portfolio.



CORPORATE DEVELOPMENT



Photo: L-R: Jelena Plecas, Jayme Kruger, Annie Smith and Rebecca Hebb

OUR CORPORATE DEVELOPMENT TEAM

The Corporate Development team evaluates and advises the business on everything from annual capital budgets to asset-by-asset portfolio analysis, with three main areas of responsibility: Corporate Strategy, Acquisitions, and Dispositions. The investments team maximizes value for existing assets through redevelopment to highest and best use, and looks for acquisition and disposition opportunities to complement Crombie's portfolio and overall strategy through full or partial interests. The strategic side of the team aligns Crombie's strategy with evolving consumer and community needs, and retailer strategies, developing solutions that are complementary to all. Team members have diverse backgrounds and skill sets which, when combined, create a great balance, allowing each to lead in their areas of expertise.

"When I drive past my old community shopping centre in Bronte and see what we're creating together – a vibrant Oakville development that will anchor the neighbourhood and bring new life to the surrounding areas – I feel a huge sense of pride and accomplishment!"

Jelena Plecas, VP, Corporate Development Strategy

INTO THE NEXT
DECADE AND BEYOND

UNLOCKING VALUE

- 10 PORTFOLIO QUALITY
- 12 DEVELOPMENT
- 14 SMART FINANCING
- 16 PEOPLE



BELMONT MARKET, LANGFORD, BC

UNLOCKING VALUE:
PORTFOLIO QUALITY



CANMORE, AB

Canmore Safeway

81% of Crombie’s GLA is high-traffic grocery- or drugstore-anchored, thus highly complementary to the impact of e-commerce.

We continuously enhance the quality of our portfolio, with a focus on everyday needs in high-growth urban and suburban markets.

Crombie REIT’s growth strategy focuses on the steadiest performing assets in commercial real estate – grocery- and drugstore-anchored properties and freestanding stores whose tenants provide everyday-needs, e-commerce-complementary goods and services to prosperous and growing communities. Robust fundamentals, high occupancy, and a strong and innovative partner and largest tenant, Sobeys/Empire, have positioned us to create material value through mixed use development and continue to enhance and strengthen our portfolio quality.

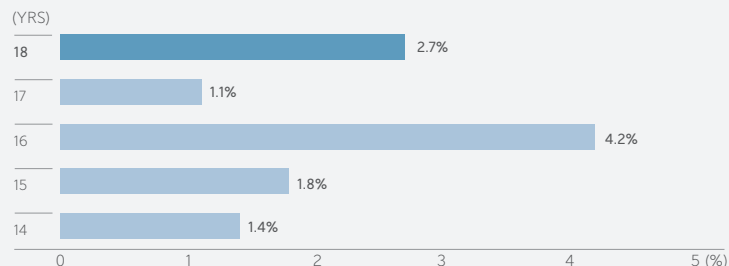
2.7%

2018 SAME ASSET
CASH NOI¹ GROWTH

SAME-ASSET CASH
NOI¹ GROWTH

2018 same-asset cash NOI¹ growth of 2.7% demonstrates resilience against the negative narrative surrounding retail primarily due to e-commerce risk.

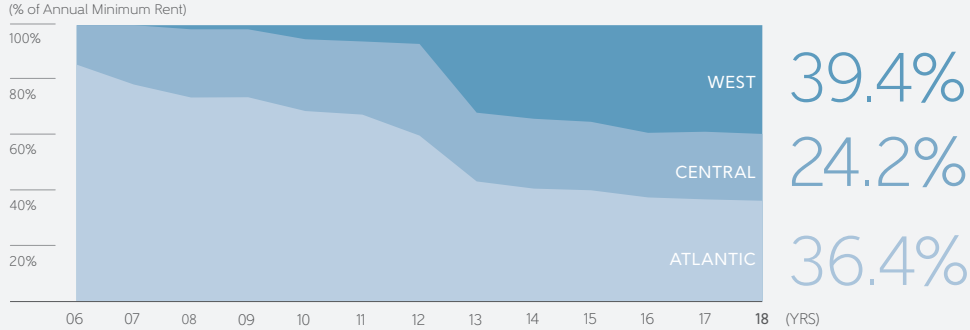
1. NOI and SANOI are not defined terms under GAAP, therefore are not a reliable way to compare us to other companies. See the Non-GAAP Financial Measures section in the MD&A.



2018 PORTFOLIO VALUE

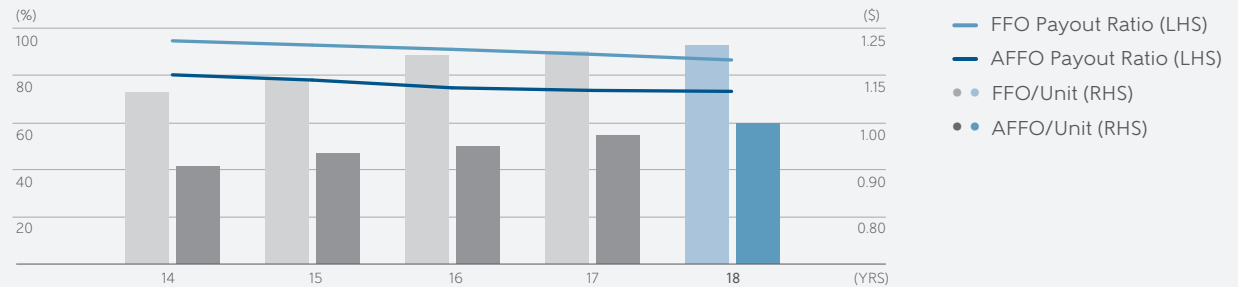
Located in Canada's Top Urban and Suburban Markets

Over the past 13 years, Crombie has successfully increased its presence in Canada's largest and fastest growing urban and suburban markets.



GROWING FFO²/AFFO² PER UNIT

Units of Crombie REIT offer a dependable and well-covered, lower risk distribution generated by our high-quality tenant and asset base.



2. FFO and AFFO are not defined terms under GAAP, therefore are not a reliable way to compare us to other companies. See the Non-GAAP Financial Measures section in the MD&A.



6.1%

LEASE MATURITIES

No more than 6.1% of the rental space in our portfolio will be maturing in a single year over the next 5 years.

ST. JOHN'S, NL

Avalon parkade

In April 2017, Crombie launched a three-year capital investment program to enhance Avalon Mall's position as the dominant retail choice in Newfoundland and Labrador. Upgrades, including the 2018 completion of the 875 space parkade, will enable Avalon Mall to continue to improve tenant mix and drive sales per square foot.



VANCOUVER, BC

Davie Street

Buzzing with activity, our prime Davie Street location is nestled in a vibrant high-density residential area of downtown Vancouver's West End.

We actively manage our properties to maximize their income potential and derive the highest and best use.

Consisting of \$3.0 to \$4.5 billion of potential development investment in 23 prime urban and suburban locations, Crombie's active and potential mixed use development pipeline is a growth driver. Our development pipeline is heavily weighted towards Vancouver and Toronto, with 25 and 19 acres, respectively, located in the Census Metropolitan Areas. These projects, once income-producing, will reduce overall risk in our portfolio by diversifying our income stream and asset mix, and will increase our urban footprint.

Crombie's intention is to create spaces where people want to live, work, shop and play. Placemaking is an integral part of our mixed use development planning, with strategically integrated grocery and rental residential that include desirable common areas.



23

PRIME URBAN LOCATIONS

Comprising \$3.0 - \$4.5 Billion in active and potential future development

\$190M

SPENT TO DATE ON
DEVELOPMENT PIPELINE

DEVELOPMENT TIMELINE

Execution against our active development pipeline remains on track with approximately \$190 million invested to date. We're beginning to see the fruits of our labour with the first phases of Belmont Market generating income during the fourth quarter of 2018 and additional 2019 income on the horizon.

2019

AVALON MALL PHASE I

ESTIMATED Q3 COMPLETION

Development Cost **\$55 M**

2020

AVALON MALL PHASE II

ESTIMATED Q2 COMPLETION

Development Cost **\$58 M**

Expected Yield on Cost¹ **10.0-13.0%**

Current Market Cap Rates **~6.0%**

Potential Value Creation **\$50-60 M**

DAVIE STREET

ESTIMATED Q2 COMPLETION

Development Cost² **\$105 M**

Expected Yield on Cost¹ **5.5-6.0%**

Current Market Cap Rates³

Residential **2.8-3.8%**

Retail **4.0-5.0%**

Potential Value Creation **⬆️ \$100 M**

LE DUKE

ESTIMATED Q3 COMPLETION

Development Cost² **\$62 M**

Expected Yield on Cost¹ **5.0-6.0%**

Current Market Cap Rates³

Residential **3.8-4.8%**

Retail **4.5-5.0%**

BELMONT MARKET

ESTIMATED Q4 COMPLETION

Development Cost **\$93 M**

Expected Yield on Cost¹ **5.5-6.3%**

Current Market Cap Rates³ **4.8-5.3%**

Potential Value Creation **\$17 M**

2021

BRONTE VILLAGE

ESTIMATED Q2 COMPLETION

Development Cost² **\$139 M**

Expected Yield on Cost¹ **5.0-6.0%**

Current Market Cap Rates³

Residential **3.5-4.5%**

Retail **4.0-5.0%**



OAKVILLE, ON

Bronte Village

Located in one of the GTA's most attractive neighbourhoods, the redevelopment of Bronte Village will add luxury rental residential density in a desirable area currently experiencing undersupplied market conditions.



ST. JOHN'S, NL

Avalon Mall

To enhance customer experience, Crombie's three-year, multi-phased, redevelopment of Avalon is well underway and enables Crombie to maximize NOI, improve tenant mix and drive sales per square foot.

1. Expected Yield on Cost equals Estimated Stabilized Annual NOI divided by Estimated Total Cost. Estimated Total Cost includes all costs associated with the development, including but not limited to, estimated value of air rights and/or land value, pre-development costs, construction costs, tenant costs and financing costs. Please see the Risk Management section of our MD&A for additional disclosure.

2. At Crombie's proportionate share.

3. CBRE Q4 2018 Canadian Cap Rate & Investment Insights.

3

UNLOCKING VALUE: SMART FINANCING



LANGFORD, BC

Belmont Market

The immediate trade area has seen exceptional population growth in recent years, and is the third fastest growing community in BC¹.

We optimize liquidity and financial flexibility by maintaining a strong balance sheet and access to multiple sources of capital.

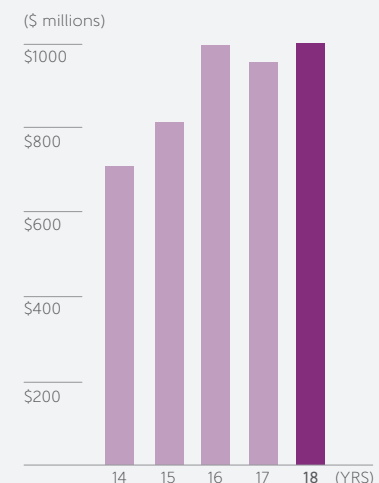
With the benefit of an investment-grade credit rating, we continued to lower our cost of capital, strengthen our balance sheet and de-risk our business in 2018. Our liquidity and financial flexibility continue to grow with approximately \$1 billion of unencumbered assets and our expanding pool of unsecured fixed rate debt totalling \$700 million.

The financial covenants and weighted average remaining lease terms of our major tenants, including grocery and drugstores, banks and other everyday retailers in our properties, allow us to borrow using longer debt maturities, which translates into lower financing risk.

Focused on smart financing, in 2018 we sold over \$220 million of lower growth and/or non-core assets, at pricing in line with IFRS fair values. This funding strategy has allowed Crombie to source more favourably priced capital and redirect this capital to higher value generating developments.

UNENCUMBERED ASSETS

Unencumbered assets in our property portfolio ended 2018 at approximately \$1 billion reflecting strong liquidity and financial flexibility.



1. Stats Canada, 2016 & Environics 2017.

CAPITAL STRUCTURE

We improved our capital structure in 2018 with two unsecured notes issuances during a period of increased market volatility, repriced our bank debt to more favourable terms and paid out the remaining balances of expiring 2018 mortgages.

3.7%

BANK CREDIT FACILITIES¹

14.3%

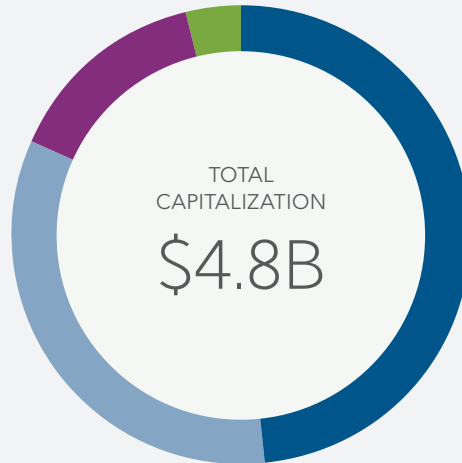
SENIOR UNSECURED NOTES

33.0%

FIXED RATE MORTGAGES

49.0%

EQUITY



1. Utilized portion of the bank credit facility and bilateral credit facility.

\$312M²

GROWING FINANCIAL FLEXIBILITY

\$312 million in available liquidity, with increasing access to the secured and unsecured debt markets

2. Represents the undrawn portion on the credit facilities plus available cash.



ABERDEEN BUSINESS CENTRE, NEW GLASGOW, NS

4

UNLOCKING VALUE: PEOPLE



Photo: L-R: Karen Rhyno, Joan Murray, Nathan Hines, Shelley Atwin, Rebecca MacNeil, and Marcie Kelly

Unlocking value of our talented real estate team by ensuring that every employee can grow their knowledge and experience through informal and formal learning and development, and opportunities to move into new roles across the country.

Crombie's fast-paced, growth mindset drives our people to unlock value every day. New employees are introduced to a warm and dynamic culture, with formal and informal mentors to guide them in their career. Experienced employees are encouraged to build leadership development plans and align their skills with Crombie's strategic initiatives. The Crombie team is committed to building strong relationships – with colleagues, tenants, Unitholders and the communities in which we operate.

We leverage modern tools with the 2019 "go live" of a new ERP management information system. This implementation, named "HighRise", will enable stronger analytics, new reporting systems for key activities and a strong foundation to build on as Crombie evolves over time.

AWARDS 2018

Crombie continued to win industry awards in 2018, including Canada's Top 100 Small & Medium Enterprise award. These awards recognize that we're building a space where talented people want to work, and where they thrive.



THE CROMBIE TEAM

SCOTIA SQUARE CLIENT SERVICES TEAM

The Client Services team provides top-notch services to the tenants and patrons of the Scotia Square complex in Halifax. From building maintenance and stationary engineers, to industrial mechanics, electricians, customer service, and parking, this team is laser-focused on providing a service-driven Scotia Square community.

Photo: L-R: Brandon Wilson, Kate Keenan, Alex Smith, Wade Brooks, and Ray Best



“The most rewarding part of my work is finding solutions to problems. I enjoy helping my coworkers, clients, or even just someone looking for directions. There’s always something to challenge me at Crombie, and plenty of people to learn from.”

Alex Smith, Team Lead, Client Services

DEVELOPMENT AND CONSTRUCTION

Our Development and Construction team improves portfolio quality and unlocks value by designing, building, renovating and developing assets to create an exceptional tenant and customer experience. Our team’s diverse experiences and professional accomplishments allow Crombie to provide creative solutions for a wide variety of projects. Their work creates vibrancy in communities and unlocks value for Crombie and its Unitholders.

Photo: L-R: Kevin Pritchard, Erin Brownlow, Sid Schraeder, Robert Blacklock, Michelle Zunti, Aaron Bryant, and Joseph Driscoll



“Without people there is no use for real estate, and with this in mind our team always looks to do what’s best for the communities in which we work.”

Kevin Pritchard, Director, Development, Western Canada

CROMBIE VALUES COMMUNITY

We know the importance of giving back to the communities in which we operate and live, and have incredible employees who share their talents with charitable organizations across Canada.

Our employees pick up trash, feed stray animals, cook meals for the hungry, chair volunteer boards, pedal bikes, clean shelters and collect money for their communities. We are proud to support these volunteer initiatives, three of which are highlighted below:



FRED SANTINI

Fred's second child, Freddy, was diagnosed with autism at age four and benefited from a one-on-one therapy treatment known as IBI (Intensive Behaviour Intervention) in a privately run centre. When the centre closed a year later, Fred secured a 40-year rent-free lease of city lands and, together with the other parents, worked evenings and weekends remodelling and converting the home into a therapy centre called "Shining Through Centre for Autism". This facility has become one of the province of Ontario's leading centres for children with autism with three locations in the GTA.



SUSAN MACCONNELL

In 2014, Susan joined forces with five other community leaders to form Pictou County 2020 (PC2020), whose purpose is to build a culture of success and positivity in the community. In the years since, PC2020 has convened thousands of citizens in conversations focused on Actions, Leadership, Unity and Connection. The PC2020 story has been told from Province House in Halifax to South Africa, as an example of citizen-led engagement, and has inspired thriving new businesses, bold community actions, and increasingly positive local media voices.



BEN LORD

Ben's daughter's life was saved in 2013 when she received a heart transplant at only three months old. Thanks to the gift of organ donation, Julianne is now a healthy and happy six-year-old. Four years ago, Ben and his wife, Eve-Marie, joined forces with CHAIN OF LIFE, a not-for-profit organization that educates teenagers about organ donation. The entire Lord family, including their children Thomas and Julianne, participate in the CHAIN OF LIFE CHALLENGE, an event that promotes organ donation and the importance of general good health.

In addition to our employees' volunteer actions, Crombie is proud to financially support those organizations that help strengthen the health of our communities.

CROMBIE AND THE YMCA

Crombie supports Y's across Canada in their mission to build healthier communities. We were proud to sponsor a youth leadership exchange between the Pictou County, NS and Oakville, ON organizations in the summer of 2018.



VALUING THE ENVIRONMENT

Crombie's commitment to building better communities extends equally to the environment.

We are proud to develop and manage sustainable and efficient properties that are welcome additions to the neighbourhoods they serve. Environmental responsibility is an integral part of our everyday decision-making and business practices, and we foster a corporate culture where every employee values the environment and understands their role in its protection.

As an example, our team at the Scotia Square complex in Halifax committed, ten years ago, to implement a variety of programs aimed at reducing environmental impact. Since 2015, they have reduced annual electrical consumption by 5.9 million kWh through lighting upgrades, modernizing the main chilled water plant, and installing variable speed technology where possible. They have also successfully reduced annual water consumption by 4.5 million gallons. Our Western Canadian portfolio has recently completed LED lighting upgrades at a number of properties that have reduced electrical consumption by over 34,000 kWh.



Employees from Crombie's New Glasgow office braved the rain to participate in **Go Clean Get Green**, a local Earth Day litter-reduction initiative.

SPOTLIGHT



LANGFORD, BC BELMONT MARKET

New developments offer innovative ways to reduce our environmental footprint. For example, at Belmont Market, all buildings are designed with earth-friendly materials, as well as the following features:

- Drainage designed with bio-swales to capture and filter surface water run-off
- Storm water is further managed through a ground water recharge system which filters the storm water prior to infiltration into the ground water
- A riparian area further filters any run-off prior to entering the City of Langford system
- LED parking lot and exterior building lighting is being incorporated throughout the project
- Installing Heat Recovery Ventilators (HRV) for select tenant HVAC systems



CHARGING STATIONS

At Belmont Market we are providing on-site electric car charging stations

CONTINUING PROGRESS ON ALL FRONTS

Fiscal 2018 was a good year for Crombie REIT. The management team executed well, hit key growth benchmarks and aligned its talent structure with priorities, all while managing and enhancing its real estate portfolio. For that, management and our hundreds of employees should be congratulated, for developing and executing our strategy of enhancing our core business and creating a platform for long term growth.

Corporate relationships are important. In the thirteen years since Crombie's IPO, our partnership with Sobeys has been a key and growing competitive advantage in the Canadian REIT market, allowing Crombie to unlock portfolio value and evolve from a regional focus on freestanding and enclosed centres, to an increasingly national and urban footprint that will soon include mixed use residential properties in some of Canada's largest cities.

A contributing factor in Crombie's success has been the Board's focus on their key responsibilities of solid governance, overseeing and challenging management where appropriate, and acting in the best long-term interest of Crombie. Although Empire maintains a 41.5% (fully diluted) ownership interest in Crombie REIT, the Board of Trustees is structured and operates to represent the interests of all Unitholders. As I have mentioned in many annual letters to Unitholders, the Board consists of both appointed and elected Trustees, as specified in our Declaration of Trust, with a majority being both elected and independent. The elected Trustees hold separate in-camera meetings with and without appointed Trustees and management at each Board meeting. Empire appointed Trustees do not participate in any decisions concerning related party transactions.

The Board is comprised of experienced, competent, and highly skilled individuals, with particular emphasis on finance, capital markets, real estate, governance, and common sense. Crombie's trustees engage in wide-ranging discussions and are encouraged to challenge management's assumptions.

During the year, Debra Hess stepped down from the Board. Despite her short tenure, her financial acumen and perspectives enabled valuable Board discussions and decisions. In February, Paul Beesley, a very experienced CFO and financial expert, joined the Crombie Board.

We also have several longer term trustees retiring as of our AGM. Brian Johnson and Kent Sobeys both joined Crombie's Board 10 years ago. The Board benefited greatly from Kent's entrepreneurial background, his insight, and his capacity to ask good questions, and from Brian's extensive knowledge of finance and real estate, as well as his capacity to understand and analyze real estate transactions. I thank them both for their time on our Board and commitment to Crombie.

The final change is that, after 13 years as chair of Crombie's Board, eight years as chair of Crombie REIT's predecessor, Crombie Properties Limited, and 40 years of being connected in one way or another with Crombie, I have decided it is time to pass the torch and retire from the Board.

It has been a privilege and, with the exception of a few hiccups over the years, a very rewarding experience for me to be involved in the development and growth of Crombie from a small regional company to a real estate investment trust with the national footprint it is today. Crombie's focus of hiring and developing good people, maintaining strong corporate relationships, and executing very well, combined with its solid governance oversight, has worked well to create solid Unitholder returns for the past 13 years. I am confident that Crombie will continue to prosper and grow in the years ahead.

Sincerely,



FRANK C. SOBEY
TRUSTEE AND CHAIR

BOARD OF TRUSTEES



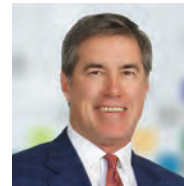
FRANK C. SOBEY
CHAIR

Frank Sobe has been a trustee of Crombie and its predecessors since 1981 and Chair since 1998. He is a director of Empire Company Limited, and former Chair of the Dalhousie Medical Research Foundation. Mr. Sobe is a graduate of the Harvard Business School's Advanced Management Program and, in 2013, received the ICD.D designation.



JOHN C. EBY
INDEPENDENT TRUSTEE & LEAD TRUSTEE

John Eby was Vice-Chairman of Scotia Capital from 2000 until his retirement in 2006 and for 10 years prior had been Senior Vice President, Corporate and Energy Banking, BNS. He is a director of Wajax Corporation, received his BA and MBA in Finance from Queen's University and is founder and CEO of Developing Scholars, a not-for-profit that promotes educational initiatives in Guatemala.



DONALD E. CLOW
TRUSTEE

Donald Clow is President and Chief Executive Officer of Crombie and serves the boards of Granite Real Estate Investment Trust, Acadia University and REALpac. Mr. Clow holds a BBA from Acadia University, earned his CA with KPMG and was designated an FCA in 2002. A graduate of the YPO President's Program at Harvard Business School, he received the ICD.D designation in 2014.



PAUL BEESLEY
INDEPENDENT TRUSTEE

Former Chief Financial Officer at Hudson's Bay Company, Paul sits on the Board of Orlando Corporation. He also holds designations including ICD.D, CPA, MBA from Saint Mary's University and a B.Sc. from Dalhousie University in addition to having completed the Advanced Management Program at Harvard Business School.



JIM M. DICKSON
INDEPENDENT TRUSTEE

Jim M. Dickson is the Chair of Empire Company Limited, a director of Clearwater Seafoods International and Sobeys Inc., and counsel to Stewart McKelvey. He holds a Certificate in Engineering from Mount Allison University, a BCE from the Technical University of Nova Scotia and an LL.B. from the University of Calgary. He is a professional engineer and was appointed Queen's Counsel in 2010.



BRIAN A. JOHNSON
INDEPENDENT TRUSTEE

Brian Johnson is the former President and CEO of Crown Life Insurance Company, a partner of Crown Realty Partners, and former director and Saskatchewan President of the Canadian Unity Council. Mr. Johnson received his B. Comm from University of Manitoba, his MBA from the University of Pennsylvania and is a CFA® charterholder.



J. MICHAEL KNOWLTON
INDEPENDENT TRUSTEE

Michael Knowlton retired from Dundee Realty Corporation as the President of Dundee REIT in 2011 after 13 years of service. He is a director of Tricon Capital Group Inc. and a trustee of Dream Industrial REIT and Dream Global REIT. Mr. Knowlton received his B.Sc. (Engineering) and MBA from Queen's University, earned his CA designation in 1977 and his ICD.D designation in 2011.



BARBARA PALK
INDEPENDENT TRUSTEE

Former President of TD Asset Management Inc., Ms. Palk serves on the Boards of TD Asset Management USA Funds Inc., Ontario Teachers' Pension Plan, and First National Financial Corporation. She is a member of the Institute of Corporate Directors, a Fellow of the Canadian Securities Institute, a CFA® charterholder, holds a BA in Economics from Queen's University and has received the ICD.D designation.



JASON P. SHANNON
INDEPENDENT TRUSTEE

Jason Shannon has been the President and Chief Operating Officer of Shannex Inc. since 2006. He holds a Bachelor of Commerce and an LL.B. from Dalhousie University and was called to the Nova Scotia bar in 1998. Mr. Shannon is a member of the board of the Atlantic Institute of Aging and is a director of the Loran Scholars Foundation.



KENT R. SOBEY
INDEPENDENT TRUSTEE

Kent Sobe is founder and President of Farmhouse Productions Ltd., and a corporate director of Blue Ant Media, Hollywood Suite and is a trustee of the Frank H. Sobe Awards for Excellence in Business Studies. He received his Bachelor of Arts from Dalhousie University, is a graduate of The Vancouver Film School and has completed executive development at Rotman School of Management and Queen's University.



PAUL D. SOBEY
TRUSTEE

Paul Sobe retired as President and Chief Executive Officer of Empire Company Limited in 2013. He received his Bachelor of Commerce from Dalhousie University, attended Harvard Business School's Advanced Management Program and is a Chartered Accountant and FCA. He sits on the boards of Empire Company Limited, and Sobeys Inc.



ELISABETH STROBACH
INDEPENDENT TRUSTEE

The former President of Hammerson Canada Inc., Elisabeth Strobach provides advice to public institutions on property development and real estate. She received her BA from the University of Western Ontario and Master's Degree in Economics from Queen's University, and is Human Resources Compensation Committee Certified (HRCC) from the Director's College.

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AVALON PARKADE, ST. JOHN'S, NL

MANAGEMENT'S DISCUSSION AND ANALYSIS

(In thousands of CAD dollars, except per unit amounts)

INTRODUCTION

The following is Management's Discussion and Analysis ("MD&A") of the consolidated financial condition and results of operations of Crombie Real Estate Investment Trust ("Crombie") for the year and quarter ended December 31, 2018, with a comparison to the financial condition and results of operations for the comparable periods in 2017.

This MD&A should be read in conjunction with Crombie's audited consolidated financial statements and accompanying notes for the year ended December 31, 2018 and December 31, 2017, prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). Information about Crombie can be found on SEDAR at www.sedar.com.

DATE OF MD&A

The information contained in the MD&A, including forward-looking statements, is based on information available to management as of February 27, 2019, except as otherwise noted.

FORWARD-LOOKING INFORMATION

This MD&A contains forward-looking statements about expected future events and the financial and operating performance of Crombie. These statements include, but are not limited to, statements concerning management's beliefs, plans, estimates, intentions, and similar statements concerning anticipated future events, results, circumstances, performance or expectations that are not historical fact. Forward-looking statements generally can be identified by the use of forward-looking terminology such as "may", "will", "estimate", "anticipate", "believe", "expect", "intend" or similar expressions suggesting future outcomes or events. Such forward-looking statements reflect management's current beliefs and are based on information currently available to management. All forward-looking information in this MD&A is qualified by the following cautionary statements:

- (i) the accretive acquisition of properties, including the cost and timing of new properties under right of first offer ("ROFO") agreements, and the anticipated extent of the accretion of any acquisitions, which could be impacted by demand for properties and the effect that demand has on acquisition capitalization rates and changes in interest rates;
- (ii) the disposition of properties and the anticipated reinvestment of net proceeds, which could be impacted by the availability of purchasers, the availability of accretive property acquisitions, the timing of property development activities or other accretive uses for net proceeds and real estate market conditions;
- (iii) overall indebtedness levels and terms and expectations relating to refinancing, which could be impacted by the level of acquisition and disposition activity that Crombie is able to achieve, levels of indebtedness, Crombie's ability to maintain and strengthen its investment grade credit rating, future financing opportunities, future interest rates, creditworthiness of major tenants, and market conditions;
- (iv) statements in the letter to Unitholders and under the heading "Property Development/Redevelopment" including the locations identified, timing, cost, development size and nature, impact on net asset value, cash flow growth, unitholder value or other financial measures, all of which may be impacted by real estate market cycles, future capitalization rates, the availability of financing opportunities and labour, actual development costs and general economic conditions and factors described under the "Property Development/Redevelopment" section and which assumes obtaining required municipal zoning and development approvals and successful agreements with existing tenants, and where applicable, successful execution of development activities undertaken by related parties not under the direct control of Crombie;
- (v) asset growth and reinvesting to develop or otherwise make improvements to existing properties, which could be impacted by the availability of labour, capital resource availability and allocation decisions as well as actual development costs;
- (vi) generating improved rental income and occupancy levels, including anticipated replacement of expiring tenancies, which could be impacted by changes in demand for Crombie's properties, tenant bankruptcies, the effects of general economic conditions, e-commerce and supply of competitive locations in proximity to Crombie locations;
- (vii) the anticipated rate of general and administrative expenses as a percentage of property revenue, which could be impacted by changes in property revenue and/or changes in general and administrative expenses;
- (viii) the estimated payments on derivative and non-derivative financial liabilities, which could be impacted by interest rate subsidy payments, interest rates on floating rate debt and fluctuations in the settlement value and settlement timing of any derivative financial liabilities;
- (ix) tax exempt status, which can be impacted by regulatory changes enacted by governmental authorities;

- (x) anticipated distributions and payout ratios, which could be impacted by results of operations and capital resource allocation decisions; and,
- (xi) the effect that any contingencies or guarantees would have on Crombie's financial statements which could be impacted by their eventual outcome.

These forward-looking statements are presented for the purpose of assisting Crombie's Unitholders and financial analysts in understanding Crombie's operating environment, and may or may not be appropriate for other purposes. These forward-looking statements are not guarantees of future events or performance and, by their nature, are based on Crombie's current estimates and assumptions. Crombie can give no assurance that actual results will be consistent with these forward-looking statements. A number of factors, including those discussed under "Risk Management" could cause actual results, performance, achievements, prospects or opportunities to differ materially from the results discussed or implied in the forward-looking statements. These factors should be considered carefully and a reader should not place undue reliance on the forward-looking statements.

HIGHLIGHTS

FINANCIAL RESULTS

Crombie's key financial metrics for the three months and year ended December 31, 2018 are as follows:

(In thousands of CAD dollars, except per unit amounts and as otherwise noted)	Three months ended December 31,			
	2018	2017	Change	Change (%)
Property revenue	\$ 104,296	\$ 105,667	\$ (1,371)	(1.3)%
Property operating expenses	30,817	31,622	805	2.5%
Property NOI	\$ 73,479	\$ 74,045	\$ (566)	(0.8)%
NOI margin percentage	70.5%	70.1%	0.4%	—
Increase (decrease) in net assets attributable to Unitholders	\$ (13,416)	\$ (6,445)	\$ (6,971)	(108.2)%
Same-asset property cash NOI	\$ 63,102	\$ 61,058	\$ 2,044	3.3%
FFO				
Basic	\$ 46,490	\$ 47,237	\$ (747)	(1.6)%
Diluted	\$ 46,490	\$ 48,222	\$ (1,732)	(3.6)%
Per unit – Basic	\$ 0.31	\$ 0.31	\$ —	(2.2)%
Per unit – Diluted	\$ 0.31	\$ 0.31	\$ —	(1.5)%
Payout ratio (%)	72.5%	70.9%	(1.6)%	—
AFFO				
Basic	\$ 39,771	\$ 39,481	\$ 290	0.7%
Diluted	\$ 39,771	\$ 40,466	\$ (695)	(1.7)%
Per unit – Basic	\$ 0.26	\$ 0.26	\$ —	0.1%
Per unit – Diluted	\$ 0.26	\$ 0.26	\$ —	0.4%
Payout ratio (%)	84.8%	84.9%	0.1%	—

These forward-looking statements are made as at the date of the MD&A and Crombie assumes no obligation to update or revise them to reflect new or current events or circumstances unless otherwise required by applicable securities legislation.

NON-GAAP FINANCIAL MEASURES

There are financial measures included in this MD&A that do not have a standardized meaning under IFRS as prescribed by the IASB. These measures are property net operating income ("NOI"), same-asset property cash NOI, operating income attributable to Unitholders, funds from operations ("FFO"), adjusted funds from operations ("AFFO"), adjusted cash flow from operations ("ACFO"), debt to gross book value, earnings before interest, taxes, depreciation and amortization ("EBITDA"), interest service coverage, debt service coverage, debt to EBITDA, unencumbered assets, estimated yield on cost and net asset value ("NAV"). Management includes these measures as they represent key performance indicators to management and it believes certain investors use these measures as a means of assessing relative financial performance. These measures as computed by Crombie may differ from similar computations as reported by other entities and, accordingly, may not be comparable to other such entities.

(In thousands of CAD dollars, except per unit amounts and as otherwise noted)

	Year ended December 31,			
	2018	2017	Change	Change (%)
Property revenue	\$ 414,649	\$ 411,813	\$ 2,836	0.7%
Property operating expenses	121,306	121,069	(237)	(0.2)%
Property NOI	\$ 293,343	\$ 290,744	\$ 2,599	0.9%
NOI margin percentage	70.7%	70.6%	0.1%	–
Increase (decrease) in net assets attributable to Unitholders	\$ (26,920)	\$ 30,582	\$ (57,502)	(188.0)%
Same-asset property cash NOI	\$ 248,599	\$ 242,151	\$ 6,448	2.7%
FFO				
Basic	\$ 184,034	\$ 181,152	\$ 2,882	1.6%
Diluted	\$ 186,644	\$ 186,582	\$ 62	–
Per unit – Basic	\$ 1.22	\$ 1.21	\$ 0.01	0.4%
Per unit – Diluted	\$ 1.21	\$ 1.20	\$ 0.01	0.8%
Payout ratio (%)	73.2%	73.6%	0.4%	–
AFFO				
Basic	\$ 155,794	\$ 149,858	\$ 5,936	4.0%
Diluted	\$ 158,404	\$ 153,764	\$ 4,640	3.0%
Per unit – Basic	1.03	1.00	0.03	2.8%
Per unit – Diluted	\$ 1.03	\$ 1.00	\$ 0.03	2.8%
Payout ratio (%)	86.5%	88.9%	2.4%	–

Weighted average number of Units outstanding for per unit measures calculations:

	Three months ended December 31,		Year ended December 31,	
	2018	2017	2018	2017
Basic number of Units for all measures	151,419,487	150,401,349	151,213,896	149,507,560
Diluted for operating income attributable to Unitholders purposes	151,550,904	150,532,766	151,345,313	155,492,191
Diluted for FFO purposes	151,550,904	154,870,958	154,233,479	155,492,191
Diluted for AFFO purposes	151,550,904	154,870,958	154,233,479	153,979,208

The diluted weighted average number of Units outstanding does not include the impact of any series of convertible debentures that would be anti-dilutive for that calculation.

OPERATING RESULTS

	December 31, 2018	September 30, 2018	June 30, 2018	March 31, 2018	December 31, 2017
Number of income-producing properties	288	289	290	284	286
Gross leaseable area	18,896,000	18,759,000	18,778,000	18,858,000	19,201,000
Committed occupancy	96.0%	96.2%	96.1%	95.7%	95.2%
Economic occupancy	95.3%	95.5%	95.2%	94.9%	94.8%

	December 31, 2018	September 30, 2018	June 30, 2018	March 31, 2018	December 31, 2017
Investment properties, fair value	\$ 4,776,000	\$ 4,786,000	\$ 4,862,000	\$ 4,943,000	\$ 4,944,000
Unencumbered investment properties ¹	\$ 998,523	\$ 1,032,113	\$ 1,092,650	\$ 1,008,057	\$ 953,776
Available liquidity ²	\$ 312,459	\$ 337,154	\$ 358,859	\$ 430,120	\$ 438,113
Debt to gross book value – fair value ⁵	51.0%	50.5%	49.9%	49.6%	50.3%
Weighted average interest rate ³	4.20%	4.14%	4.18%	4.20%	4.21%
Debt to trailing 12 months EBITDA ⁴	8.67x	8.57x	8.50x	8.63x	8.84x
Interest coverage ratio ⁴	2.93x	2.97x	2.92x	2.88x	2.92x

1. Represents fair value of unencumbered properties.

2. Represents the undrawn portion on the credit facilities plus available cash.

3. Weighted average interest rate is calculated based on interest rates for all outstanding fixed rate debt.

4. See coverage ratios section.

5. See Debt to Gross Book Value – Fair Value Basis section.

Available liquidity is the net amount available on Crombie's credit facilities, calculated as follows:

	As at				
	December 31, 2018	September 30, 2018	June 30, 2018	March 31, 2018	December 31, 2017
Revolving credit facility	\$ 400,000	\$ 400,000	\$ 400,000	\$ 400,000	\$ 400,000
Amount drawn	(108,843)	(54,148)	(32,422)	(11,161)	(8,168)
Outstanding letters of credit	(8,698)	(8,698)	(8,719)	(8,719)	(8,719)
Available liquidity	282,459	337,154	358,859	380,120	383,113
Unsecured bilateral credit facility	100,000	100,000	100,000	100,000	100,000
Amount drawn	(70,000)	(100,000)	(100,000)	(50,000)	(45,000)
Available liquidity	30,000	–	–	50,000	55,000
Cash	–	–	–	–	–
Total available liquidity	\$ 312,459	\$ 337,154	\$ 358,859	\$ 430,120	\$ 438,113

BUSINESS OVERVIEW

Crombie is an unincorporated, "open-ended" real estate investment trust (REIT) established pursuant to the Declaration of Trust dated January 1, 2006, as amended and restated (the "Declaration of Trust") under, and governed by, the laws of the Province of Ontario. The REIT Units of Crombie trade on the Toronto Stock Exchange ("TSX") under the symbol "CRR.UN".

Crombie invests in income-producing retail, office and commercial mixed use properties in Canada, with a growth strategy focused primarily on the acquisition and development of grocery and drug store-anchored retail properties in Canada's top markets. At December 31, 2018, Crombie owned a portfolio of 288 income-producing properties in 10 provinces, comprising approximately 18.9 million square feet of gross leaseable area ("GLA"). Empire Company Limited ("Empire"), through a subsidiary, holds a 41.5% economic and voting interest in Crombie at December 31, 2018.

BUSINESS OBJECTIVES AND OUTLOOK

The objectives of Crombie are threefold:

1. Generate reliable and growing cash distributions;
2. Enhance the value of Crombie's assets and maximize long-term unitholder value through active asset management and development; and
3. Expand the asset base of Crombie and increase its cash available for distribution through accretive growth.

Generate reliable and growing cash distributions: Management focuses both on improving the same-asset results while expanding the asset base with development of existing properties and accretive acquisitions to grow the cash distributions to unitholders. Crombie's focus on grocery-anchored and drug store-anchored retail properties, a stable and defensive oriented asset class, assists in enhancing the reliability of cash distributions.

Enhance value of Crombie's assets: Crombie anticipates reinvesting approximately 3% to 5% of its property revenue each year into its properties to maintain their productive capacity and thus overall value. Crombie's internal growth strategy focuses on generating greater rental income from its existing properties. Crombie plans to achieve this by strengthening its asset base through judicious expansion and improvement of existing properties, leasing

vacant space at competitive market rates with the lowest possible transaction costs, and maintaining good relations with tenants. Management will continue to conduct regular reviews of properties and, based on its experience and market knowledge, assess ongoing opportunities within the portfolio. Crombie undertakes development of specific properties when it is determined that this provides the best return for Crombie and its unitholders.

Expand asset base with accretive acquisitions: Crombie's external growth strategy focuses primarily on acquisitions of income-producing, grocery-anchored and drugstore-anchored retail properties in Canada's top urban and suburban markets. Crombie pursues two primary sources of acquisitions which are third party acquisitions and the relationship with Sobeys. The relationship with Sobeys includes currently owned and future development properties, as well as opportunities through the rights of first refusal ("ROFR") that Sobeys has negotiated in certain of its third party leases. Crombie will seek to identify future property acquisitions using investment criteria that focuses on the strength of anchor tenancies, market demographics, age of properties, terms of tenancies, proportion of revenue from national and regional tenants, opportunities for expansion, security of cash flow, potential for capital appreciation and potential for increasing value through more efficient management of assets being acquired, including expansion and repositioning.

Crombie continues to work closely with Sobeys to identify opportunities that further Crombie's growth strategy. Crombie has a ROFO agreement with Sobeys to acquire both existing income-producing commercial properties from Sobeys as well as properties from their development pipeline, subject to certain exceptions. Crombie also works closely with Sobeys to unlock potential acquisition opportunities at properties owned by third parties where Sobeys has a long-term leasehold interest. Through this relationship, Crombie expects to have accretive acquisition opportunities as well as future development opportunities.

The agreements provide Crombie with a preferential right to acquire retail properties from Sobeys, subject to approval by Crombie's elected trustees. This relationship between Crombie and Sobeys continues to provide promising opportunities for growth of Crombie's portfolio through future developments on both new and existing sites.

The following table outlines the income property transactions completed since the initial public offering ("IPO").

(In thousands of CAD dollars)

Transaction date	Number of properties	GLA (sq. ft.)	Acquisition cost (disposition proceeds) ¹
Transactions with Empire and subsidiaries			
2006 through 2016	201	11,104,500	\$ 2,384,280
2017 acquisitions ²	1	81,000	\$ 15,991
2018 acquisitions ²	10	468,000	\$ 104,345
Transactions with third parties			
2006 through 2016	50	1,767,000	\$ 710,141
2017 acquisitions	6	300,000	\$ 131,509
2017 dispositions	(1)	(67,000)	\$ (15,600)
2018 acquisitions ²	1	45,000	\$ 14,900
2018 dispositions ^{3,4}	(9)	(817,000)	\$ (259,813)

1. Excluding closing and transaction costs.

2. Includes additions to existing retail properties.

3. Includes disposition of 50% interest in a portfolio of properties.

4. Includes disposition of property to joint venture.

The table highlights the growth opportunities provided through the Empire/Sobeys relationship as well as the growth and recycling opportunities realized through Crombie's expanding base of third party vendors.

Through its relationship with Sobeys, Crombie is provided a preferential right to acquire retail properties developed and/or owned by Sobeys and/or to invest in modernizations or other upgrades to Sobeys occupied properties.

BUSINESS ENVIRONMENT

Significant factors impacting the Canadian economy and its future prospects continue to be the price of oil, interest rates and risk of slowing global economic demand. While oil has found stability and slight price recovery aided by supply management of OPEC countries, it remains well below previous levels. By way of offset, the Canadian economy has been helped by the lowering of the Canadian dollar relative to our largest trading partner, the United States; a trend that recently has somewhat reversed. A weaker currency is a potential catalyst for Canada's export sectors. Interest rates in Canada and globally remain low but in 2018 signs of rate increases existed as yields temporarily trended upwards only to again moderate as concerns over economic slowdown, recession, global trade, debt levels, etc negatively impacted market sentiment.

Within Canada, the key factors of lower oil, pipeline issues and soft Canadian dollar are having mixed results on provincial economies with negative impacts in specific areas such as Alberta and Newfoundland with loss of employment, higher office vacancy and reduced consumer spending and capital investment. Positive impacts from the lower oil price and interest rates are being felt on economies with a heavier reliance on manufacturing and exports such as Ontario.

Capitalization rates in urban markets have continued at record low levels as interest rates remain low and large investors such as REITs and pension funds seek long-term sustainable returns. The bifurcation noted in 2015 continues, with strong assets in urban markets maintaining their historically low cap rates and strong buyer interest while weaker properties in rural and secondary markets continuing to see slight increases in cap rates and sporadic acquisition interest. With low cap rates and interest rates, REITs are continuing to turn inward for accretive growth with a focus on intensifications of existing properties and complete redevelopments to repurpose prime urban properties to take advantage of highest and best use potential.

OVERVIEW OF THE PROPERTY PORTFOLIO

PROPERTY ACQUISITIONS AND DISPOSITIONS

Prices are in thousands of CAD dollars and are stated before transaction and closing costs.

ACQUISITIONS

Date	Property	Location	Vendor	Strategy	Number of properties	Ownership		
						Interest	Sq. ft.	Price
2018 First Quarter								
There were no acquisitions during the three months ended March 31, 2018					–		–	\$ –
2018 Second Quarter								
April 6, 2018	Edson Sobeys	Edson, AB	Empire	Income-producing	1	100%	33,000	5,300
April 6, 2018	Strathmore NE Sobeys	Strathmore, AB	Empire	Income-producing	1	100%	35,000	10,200
April 6, 2018	Hollick Kenyon Sobeys	Edmonton, AB	Empire	Income-producing	1	100%	30,000	11,800
April 6, 2018	Thornbury Foodland	Thornbury, ON	Empire	Income-producing	1	100%	40,000	11,850
April 6, 2018	Gatineau IGA Extra	Gatineau, QC	Empire	Income-producing	1	100%	71,800	15,550
April 6, 2018	Rimouski IGA Extra	Rimouski, QC	Empire	Income-producing	1	100%	52,700	7,900
April 6, 2018	Baie St-Paul IGA	Baie St-Paul, QC	Empire	Income-producing	1	100%	64,600	8,300
April 6, 2018	Saint-Pie Tradition	Saint-Pie, QC	Empire	Income-producing	1	100%	13,800	2,600
April 6, 2018	Havre St-Pierre Tradition	Havre St-Pierre, QC	Empire	Income-producing	1	100%	26,400	5,000
April 6, 2018	Elmwood Alcool NB Liquor/ Dollarama ¹	Moncton, NB	Empire	Income-producing	–	100%	20,800	5,170
April 6, 2018	Chateauguay Familiprix ¹	Chateauguay, QC	Empire	Income-producing	–	100%	32,900	4,440
June 29, 2018	Victoria Trail	Edmonton, AB	Empire	Income-producing	1	100%	37,000	12,500
							458,000	100,610
2018 Third Quarter								
September 28, 2018	Hemlock Square ¹	Halifax, NS	Empire	Income-producing	–	100%	10,000	3,735
2018 Fourth Quarter								
December 5, 2018	Sorel	Sorel, QC	Third Party	Income-producing	1	100%	40,000	9,300
December 13, 2018	Elbow Drive ²	Calgary, AB	Third Party	Income-producing	–	100%	5,000	5,600
							45,000	14,900
Total acquisitions for year ended December 31, 2018					11		513,000	\$ 119,245
2017								
March 16, 2017	Walker Sobeys	Edmonton, AB	Empire	Income-producing	1	100%	50,000	\$ 8,320
May 4, 2017	Belmont Market land	Langford, BC	Empire	Development (PUD)	–	100%	–	31,252
July 5, 2017	St-Amable	St-Amable, QC	Third party	Income-producing	1	100%	64,000	14,100
July 6, 2017	McCowan & Ellesmere	Toronto, ON	Third party	Development	1	100%	61,000	42,000
August 14, 2017	Marche Lavaltrie	Lavaltrie, QC	Third party	Income-producing	1	100%	52,000	13,207
August 25, 2017	Centre Lavaltrie	Lavaltrie, QC	Third party	Income-producing	1	100%	44,000	14,950
September 5, 2017	St-Anne-de-Beaupre	St-Anne-de-Beaupre, QC	Third party	Income-producing	1	100%	38,000	6,900
September 5, 2017	Rimouski	Rimouski, QC	Third party	Income-producing	1	100%	41,000	9,100
September 29, 2017	Stittsville ¹	Stittsville, ON	Empire	Income-producing	–	100%	31,000	7,671
Total acquisitions for the year ended December 31, 2017					7		381,000	\$ 147,500

1. Relates to an acquisition of additional development on a pre-existing retail property

2. Acquisition of an add-on parcel to an existing property

DISPOSITIONS

Date	Property	Location	Number of properties	Ownership		
				Interest	Sq. ft.	Price
2018 First Quarter						
February 5, 2018	Whitehorse Plaza	Simcoe, ON	1	100%	92,000	\$ 15,000
February 20, 2018	Perth Mews	Perth, ON	1	100%	103,000	20,627
March 6, 2018	Belmont Market land	Langford, BC	–	100%	–	5,725
					195,000	41,352
2018 Second Quarter						
April 19, 2018	Red Deer Cineplex	Red Deer, AB	1	100%	40,000	14,000
May 11, 2018	10 Alkenbrack St	Napanee, ON	1	100%	25,000	9,000
Northam portfolio ¹						
May 11, 2018	16th Ave Safeway	Calgary, AB	–	50%	21,000	
May 11, 2018	Ancaster Sobeys	Ancaster, ON	–	50%	33,000	
May 11, 2018	Brampton Plaza	Brampton, ON	–	50%	38,000	
May 11, 2018	Danforth	Scarborough, ON	–	50%	3,000	
May 11, 2018	Marpole Safeway	Vancouver, BC	–	50%	24,000	
May 11, 2018	McKenzie Town Dr Shoppers	Calgary, AB	–	50%	9,000	
May 11, 2018	Millwoods Common	Edmonton, AB	–	50%	29,000	
May 11, 2018	Nottingham	Sherwood Park, AB	–	50%	23,000	
May 11, 2018	Southbrook	Edmonton, AB	–	50%	23,000	
May 11, 2018	Northam portfolio total		–		203,000	77,929
June 18, 2018	Park Lane	Halifax, NS	1	100%	273,000	51,250
					541,000	152,179
2018 Fourth Quarter						
December 18, 2018	Southdale	London, ON	1	100%	17,000	5,400
December 18, 2018	Eglinton Ave	Toronto, ON	1	100%	17,000	15,500
December 18, 2018	Montrose Road	Niagara Falls, ON	1	100%	17,000	5,700
					51,000	26,600
					787,000	220,131
2018 Third Quarter						
August 16, 2018	Bronte Village ²	Oakville, ON	1	100%	30,000	39,682
Total dispositions for the year ended December 31, 2018			9		817,000	\$ 259,813
2017						
December 12, 2017	Willowcreek Plaza	Peterborough, ON	1	100%	67,000	\$ 15,600
Total dispositions for the year ended December 31, 2017			1		67,000	\$ 15,600

1. Represents disposition of 50% interest in a portfolio of nine retail properties. The square footage and price reflect the 50% amounts.

2. Represents disposition of property to a joint venture in which Crombie holds an interest.

OVERVIEW OF THE PROPERTY PORTFOLIO

At December 31, 2018, Crombie's property portfolio consisted of 288 income-producing properties that contain approximately 18.9 million square feet of GLA in all 10 provinces.

As at December 31, 2018, the portfolio distribution of the GLA by province was as follows:

Province	GLA (sq. ft.)			December 31, 2018	Number of Income-Producing Properties	% of GLA	% of Annual Minimum Rent
	January 1, 2018	Acquisitions (Dispositions)	Other				
AB	3,424,000	(5,000)	9,000	3,428,000	59	18.1%	20.9%
BC	1,779,000	(24,000)	74,000	1,829,000	42	9.7%	11.9%
MB	644,000	–	–	644,000	15	3.4%	4.2%
NB	1,493,000	21,000	56,000	1,570,000	20	8.3%	6.2%
NL	1,329,000	–	(126,000)	1,203,000	13	6.3%	9.2%
NS	5,269,000	(263,000)	–	5,006,000	41	26.5%	20.3%
ON	2,836,000	(335,000)	(14,000)	2,487,000	45	13.2%	14.1%
PE	124,000	–	–	124,000	2	0.7%	0.7%
QC	1,849,000	302,000	–	2,151,000	43	11.4%	10.1%
SK	454,000	–	–	454,000	8	2.4%	2.4%
Total	19,201,000	(304,000)	(1,000)	18,896,000	288	100.0%	100.0%

During the twelve months ended December 31, 2018, Crombie had a net decrease of 304,000 square feet of GLA from acquisition and disposition activity consisting of:

- Alberta – disposition of 50% interest in five retail properties representing 105,000 square feet and 100% interest in one retail property totalling 40,000 square feet, offset in part by the acquisition of four retail properties totalling 135,000 square feet and a 5,000 square foot addition to an existing property;
- British Columbia – disposition of 50% interest in one retail property representing 24,000 square feet;
- New Brunswick – acquisition of a 21,000 square foot addition to an existing property;
- Nova Scotia – acquisition of a 10,000 square foot addition to an existing property, offset by the disposition of one mixed use property totalling 273,000 square feet;
- Ontario – disposition of 50% interest in three retail properties representing 74,000 square feet and 100% interest in seven retail

properties totalling 301,000 square feet, offset in part by the acquisition of one retail property totalling 40,000 square feet; and,

- Quebec – acquisition of six retail properties totalling 269,000 square feet and a 33,000 square foot addition to an existing property.

Changes in GLA included in Other in the above table include increases for additions to GLA on existing properties and decreases primarily related to GLA removals in preparation for property redevelopment.

As at December 31, 2018, our allocation of Annual Minimum Rent consists of: Atlantic Canada 36.4%; Central Canada 24.2%; and Western Canada 39.4%. Crombie believes this diversification adds stability to the portfolio while reducing vulnerability to economic fluctuations that may affect any particular region.

PROPERTY CATEGORIZATION

As at December 31, 2018:	Crombie Owned Properties			Additional Properties in Joint Ventures ("JV")	Total
	Income-Producing Properties	Properties Under Development ("PUD")	Sub-total		
Same-asset	258	–	258	–	258
Non Same-Asset					
Acquisitions – 2018	11	–	11		11
Acquisitions – 2017	7	–	7		7
Other ¹	9	3	12	1	13
Active Major Development ²	3	–	3	2	5
Total Non Same-asset	30	3	33	3	36
Total	288	3	291	3	294

1. Other includes income-producing properties that have been designated for repositioning, land parcels included in PUD, or non-active major developments within a JV.

2. Active Major Development includes:

- Davie Street Retail
- Avalon Mall Retail
- Belmont Market Retail and Office
- JV – Davie Street Residential (not currently counted as a separate property)
 - Le Duke
 - Bronte Village

Davie Street is being developed as both a commercial (Crombie owned) and residential (JV owned) development. Currently, there is one title and, as such, this is counted as one property above within Crombie owned Active Major Development. Upon reaching a specific milestone in the development, this will be treated as two properties, one Crombie owned and a separate property within the JV.

During the fourth quarter:

- Belmont was transferred to Income-Producing Properties, resulting in a decrease in PUD Active Major Development properties and a corresponding increase in Active Major Development in Income-Producing Properties.

PORTFOLIO OCCUPANCY AND LEASE ACTIVITY

The portfolio occupancy and committed activity for the twelve months ended December 31, 2018 were as follows:

Province	Occupied space (sq. ft.)					December 31, 2018	Economic Occupancy %	Committed Space (sq. ft.) ³	Total Leased Space (sq. ft.)	Leased December 31, 2018
	January 1, 2018	Acquisitions (Dispositions)	New Leases ¹	Lease Expiries	Other Changes ²					
AB	3,419,000	(10,000)	25,000	(5,000)	(11,000)	3,418,000	99.7%	–	3,418,000	99.7%
BC	1,775,000	(24,000)	55,000	–	(1,000)	1,805,000	98.7%	17,000	1,822,000	99.6%
MB	644,000	–	–	–	(4,000)	640,000	99.4%	–	640,000	99.4%
NB	1,266,000	21,000	110,000	(10,000)	14,000	1,401,000	89.2%	29,000	1,430,000	91.1%
NL	1,300,000	–	14,000	(12,000)	(143,000)	1,159,000	96.3%	30,000	1,189,000	98.8%
NS	4,748,000	(247,000)	125,000	(53,000)	(41,000)	4,532,000	90.5%	26,000	4,558,000	91.1%
ON	2,665,000	(298,000)	41,000	(1,000)	(24,000)	2,383,000	95.8%	22,000	2,405,000	96.7%
PE	124,000	–	–	–	–	124,000	100.0%	–	124,000	100.0%
QC	1,826,000	291,000	1,000	(1,000)	–	2,117,000	98.4%	–	2,117,000	98.4%
SK	426,000	–	21,000	–	(9,000)	438,000	96.5%	–	438,000	96.5%
Total	18,193,000	(267,000)	392,000	(82,000)	(219,000)	18,017,000	95.3%	124,000	18,141,000	96.0%

1. New leases include new leases and expansions to existing properties.

2. Other changes include amendments to existing leases; lease terminations and surrenders; bankruptcies; and space certifications.

3. Committed space represents lease contracts for future occupancy of currently vacant space. Management believes such reporting, along with reported lease maturities, provides more balanced reporting of potential pending overall vacant space. Committed space increased to 124,000 square feet at December 31, 2018, from 91,000 square feet at December 31, 2017.

Overall leased space (occupied plus committed) increased from 95.2% at December 31, 2017 to 96.0% at December 31, 2018. During 2018, Crombie had a net decrease from dispositions and acquisitions of 267,000 square feet and had new leases outpace lease expiries by 310,000 square feet. A net decrease from other changes of 219,000 square feet is primarily due to leases terminated by the landlord primarily related to property redevelopments and tenant relocations.

New leases and expansions increased occupancy by 392,000 square feet at December 31, 2018 at an average first year rate of \$17.28 per square foot. 365,000 square feet are new leases at an average rate of \$17.08 per square foot while the remaining 27,000 square feet are expansions of existing tenants at an average rate of \$19.83 per square foot. 124,000 square feet of space was committed at December 31, 2018 at an average first year rate of \$16.88 per square foot.

For 2018, renewal activity was as follows:

	Quarter			YTD		
	Square Feet	Rate PSF	Growth%	Square Feet	Rate PSF	Growth %
2018 Renewals	116,000	\$ 10.74	6.1%	621,000	\$ 16.78	2.9%
Future Year Renewals	39,000	22.40	5.7%	214,000	13.38	3.1%
Total	155,000	\$ 13.69	6.0%	835,000	\$ 15.91	3.0%

Crombie's renewal activity for the year ended December 31, 2018 included renewals on 835,000 square feet with an increase of 3.0% over expiring rate. 2018 was impacted by renewals on certain office leases at lower rent. During the quarter, Crombie renewed 155,000 square feet with an increase of 6.0% over expiring rate, which was positively impacted by solid leasing results in all asset types.

SECTOR INFORMATION

While Crombie does not distinguish or group its operations on a geographical or other basis, the following sector information is provided as supplemental disclosure.

As at December 31, 2018, the portfolio distribution of the GLA by asset type was as follows:

Asset Type	Number of Income-Producing Properties	GLA (sq. ft.)	% of GLA	% of Annual Minimum Rent	Leased ¹
Retail and Commercial Mixed Use	283	17,896,000	94.7%	96.2%	96.5%
Office	5	1,000,000	5.3%	3.8%	87.9%
Total	288	18,896,000	100.0%	100.0%	96.0%

1. For purposes of calculating leased percentage, Crombie considers GLA covered by head lease agreements as occupied.

As at December 31, 2017, the portfolio distribution of the GLA by asset type was as follows:

Asset Type	Number of Income-Producing Properties	GLA (sq. ft.)	% of GLA	% of Annual Minimum Rent	Leased ¹
Retail and Commercial Mixed Use	281	18,202,000	94.8%	96.3%	95.7%
Office	5	999,000	5.2%	3.7%	87.1%
Total	286	19,201,000	100.0%	100.0%	95.2%

1. For purposes of calculating leased percentage, Crombie considers GLA covered by head lease agreements as occupied.

Retail and commercial mixed use properties represent 94.7% of Crombie's GLA and 96.2% of annual minimum rent at December 31, 2018 compared to 94.8% of GLA and 96.3% of annual minimum rent at December 31, 2017.

Leased space in retail and commercial mixed use properties of 96.5% at December 31, 2018, increased from 95.7% at December 31, 2017. Leased space in office properties of 87.9% increased from 87.1% at December 31, 2017.

LEASE MATURITIES

The following table sets out, as of December 31, 2018, the number of leases maturing during the periods indicated (assuming tenants do not holdover on a month-to-month basis or exercise renewal options or termination rights), the renewal area, the percentage of the total GLA of the properties represented by such maturities and the estimated average rent per square foot at the time of expiry.

Year	Number of Leases	Renewal Area (sq. ft.)	% of Total GLA	Average Rent per sq. ft. at Expiry
2019	211	1,143,000	6.1%	\$ 15.74
2020	166	647,000	3.4%	19.43
2021	162	817,000	4.3%	17.46
2022	176	793,000	4.2%	19.37
2023	138	607,000	3.2%	19.08
Thereafter	688	14,134,000	74.8%	18.52
Total	1,541	18,141,000	96.0%	\$ 18.39

LARGEST TENANTS

The following table illustrates the ten largest tenants in Crombie's portfolio of income-producing properties as measured by their percentage contribution to total annual minimum rent as at December 31, 2018.

Tenant	% of Annual Minimum Rent	Average Remaining Lease Term	DBRS Credit Rating
Sobeys ¹	55.5%	13.7 years	BB (high)
Shoppers Drug Mart	4.4%	9.8 years	BBB
Dollarama	1.2%	5.9 years	BBB
Province of Nova Scotia	1.1%	0.8 years	A (high)
CIBC	1.1%	12.6 years	AA
Lawtons/Sobeys Pharmacy	1.0%	9.1 years	BB (high)
GoodLife Fitness	1.0%	9.1 years	
Bank of Montreal	1.0%	8.6 years	AA
Bank of Nova Scotia	0.9%	2.9 years	AA
Cineplex	0.8%	9.7 years	
Total	68.0%		

1. Excludes Lawtons/Sobeys Pharmacy.

Crombie's portfolio is leased to a wide variety of tenants. The above table is based on the tenant's percentage of annual minimum rent and, other than Sobeys which accounts for 55.5% of annual minimum rent and Shoppers Drug Mart which accounts for 4.4% of annual minimum rent, no other tenant accounts for more than 1.2% of Crombie's annual minimum rent.

For the twelve months ended December 31, 2018, Sobeys also represents 50.6% of total property revenue. Total property revenue includes annual minimum rent as well as operating and realty tax cost recovery income and percentage rent. These additional amounts can vary by property type, specific tenant leases and where tenants may directly incur and pay operating and realty tax costs.

The weighted average remaining term of all Crombie leases is approximately 10.5 years. This remaining lease term is influenced by the average Sobeys remaining lease term of 13.7 years.

PROPERTY DEVELOPMENT/REDEVELOPMENT ("DEVELOPMENT")

Property Development is a strategic priority for Crombie to improve net asset value ("NAV"), cash flow growth and Unitholder value. With urban intensification an important reality across the country, Crombie is focused on evaluating and undertaking major developments at certain properties, where incremental costs to develop are greater than \$50 million and where Development may include a combination of commercial and/or residential uses ("Major Developments").

Crombie believes in the potential to unlock significant value within our current pipeline of 23 Major Development properties (five Active Major Developments and 18 Potential Major Developments) over the next decade or longer. Crombie benefits from having solid income (FFO and AFFO) generated by these properties while working through the various approvals and advance preparations required before each Major Development can commence. In aggregate, Crombie currently achieves an in-place NOI yield of approximately 5.2% on existing asset cost for our development pipeline properties.

Crombie enjoys value from our strategic relationship with Sobeys. Most of our Major Development properties have Sobeys as an anchor tenant and we believe our strategic relationship may assist us with the transition from existing property / store operations to construction / development of each of these sites on mutually agreeable terms.

Our Major Developments will be planned and executed either alone, or with partners, to complete development of mixed use properties with a focus on grocery-anchored retail and primarily purpose built residential rental accommodations that provide both revenue diversification and growth to Crombie. We view this approach as the optimal way to drive both NAV and AFFO growth. In certain cases, residential condominium uses will also be considered, as will certain other uses, to satisfy municipal and/or market requirements. Crombie may also have the option, if desired, to monetize our density value by selling certain air rights, or purpose built rental properties to third parties in lieu of, or after, development.

Our range of options enables us, on a case by case basis, to make choices that optimize Unitholder value. In today's environment where NOI yield on cost for Major Development projects are projected to be in the 5%–6% range and where exit cap rates in markets like Vancouver and Toronto (where Crombie has 12 Major Development properties) are in a current approximate range of 3%–4% for comparable developments, NAV creation through development can be substantial.

In the sections that follow (Active Major Developments and Potential Major Developments), Crombie has identified 23 Major Development projects as at December 31, 2018, (September 30, 2018 – 23) with a total projected cost to develop these properties of \$3 to \$4.5 billion (September 30, 2018 – \$3 to \$4.5 billion). This range represents Crombie at closer to 100% ownership of the projected costs at the top end and lower ownership assumptions at the low end, calculated on a project by project basis.

Development	# of Projects	Total Projected Cost Range (in billions of CAD \$)	Commercial		Residential	
			GLA on Completion	Incremental GLA	Incremental GLA	# of Unit
Active Major Development	5	\$ 0.5–0.5	452,000	255,000	976,000	1,200
Potential Major Development	18	2.5–4.0	1,177,000	540,000	7,500,000	9,000
Total Developments	23	\$ 3.0–4.5	1,629,000	795,000	8,476,000	10,200

Active major developments

The below table provides additional detail into Crombie's Active Major Developments by property type.

Property	Use	Commercial GLA on Completion	Residential GLA on Completion	Estimated Final Completion Date	At Crombie's Share (\$ in millions)				
					Estimated Annual NOI	Estimated Total Cost ¹	Estimated Yield on Cost ¹	Estimated Cost to Complete	
Income Properties – Major Development									
Davie Street ²	Retail	53,000	–	Q2 2020	\$ 1.8–2.0	\$ 28.4	6.3%–6.9%	\$ 16.6	
Avalon Mall – Phase I	Retail	–	–	Q3 2019	–	54.5	–	20.6	
Avalon Mall – Phase II ³	Retail	165,000	–	Q2 2020	5.8–7.5	57.8	10.0%–13.0%	47.3	
Subtotal IPP – Major Development		218,000	–		\$ 7.6–9.5	\$ 140.7	5.4%–6.7%	\$ 84.5	
Properties Under Development ("PUD")									
Belmont Market ⁴	Retail, Office	160,000	–	Q4 2020 ⁵	\$ 5.1–5.8	\$ 93.0	5.5%–6.3%	\$ 29.8	
Subtotal PUD		160,000	–		\$ 5.1–5.8	\$ 93.0	5.5%–6.3%	\$ 29.8	
Total Investment Properties		378,000	–		\$ 12.7–15.3	\$ 233.7	5.4%–6.5%	\$ 114.3	
Properties Held in Joint Ventures									
Davie Street ²	Residential	–	253,000	Q2 2020	\$ 4.0–4.3	\$ 76.4	5.2%–5.7%	\$ 45.7	
Le Duke ⁶	Retail, Residential	26,000	251,000	Q3 2020	3.1–3.7	61.8	5.0%–6.0%	48.9	
Bronte Village ⁶	Retail, Residential	48,000	472,000	Q2 2021	6.9–8.3	138.6	5.0%–6.0%	115.1	
Total Properties Held in Joint Venture		74,000	976,000		\$ 14.0–16.3	\$ 276.8	5.1%–5.9%	\$ 209.7	
Total Active Major Developments		452,000	976,000		\$ 26.7–31.6	\$ 510.5	5.2%–6.2%	\$ 324.0	

1. Estimated Total Cost and Estimated Yield on Cost includes all costs associated with the development, including but not limited to, estimated value of air rights and/or land value, pre-development costs, construction costs, tenant costs and financing costs.
2. Crombie will own 100% of the retail with a total project cost of \$28 million. Sobeys will continue lease payments through the development period to retain the rights under their existing lease. Crombie has entered into a JV partnership agreement with Vancouver based Westbank Corp. and will own 50% of the residential with a total project cost of \$153 million.
3. Avalon Mall total GLA is expected to be 593,000 square feet when Phase II is complete. 165,000 square feet relates to the expected square footage of the redeveloped portion of the mall.
4. Costs related to completed phases have been transferred out of Properties under Development and into Income-Producing Properties in Q4 2018. Full project costs are shown in chart above.
5. Rents from certain leases in Phase I of Belmont Market development commenced in Q4 2018 and the remaining phases will be completed throughout 2019 and 2020 and will depend on pre-leasing activity.
6. The development agreement with Princedev Inc. was executed in April 2018. Under this agreement, Crombie has sold a 50% interest in the Bronte Village development in South Oakville and acquired a 50% interest in Le Duke. Title transfer closed in August 2018.

1641 Davie Street, Vancouver, British Columbia

Davie Street is currently under active development, and is being developed in conjunction with our partner, Westbank Corp., as an approximate 306,000 square foot mixed use property. Demolition of the existing structure was completed in 2017 and final stages of the excavation were completed in May 2018. Installation of foundations is well underway and both tower cranes are erected signaling Crombie's first major mixed use project which is making an impact on the Vancouver skyline. The project is now above grade with the roof slab poured for the grocery store. This development includes a new grocery store at approximately 44,000 square feet with almost 9,000 square feet of ancillary retail space and rental residential space totalling approximately 253,000 square feet (330 rental units) in two residential towers. Estimated total project cost is \$181 million, \$104.8 million at Crombie's share. Crombie will own 100% of the commercial component and 50% of the rental residential component. The residential component is fully funded within the joint venture partnership with in-place mortgage financing and Crombie has in-place mortgage financing on the commercial component.

Avalon Mall – Phase I & II, St. John's, Newfoundland and Labrador

Avalon Mall is the largest enclosed shopping mall in St. John's, Newfoundland and Labrador. Crombie has initiated a three year capital investment program to enhance Avalon Mall's position as the dominant enclosed mall in the province. The investment program began in 2017 and Phase I includes construction of a four-level 875 space parking structure, redesign and phased renovation of the mall's interior common areas, and the redesign and realignment of the main mall vehicular access with a combined capital investment of \$54.5 million over three years. The parkade was completed in November 2018. The redesign and renovation of the common areas began in January 2018 and will continue in phases through 2019 and 2020. The redesign and realignment of the main mall vehicular access has been completed and is open.

Crombie obtained possession of the 129,000 square foot space formerly occupied by Sears effective February 2018, enabling the redevelopment of this section of the mall. This \$57.8 million Phase II

redevelopment involves demolition of approximately 50,000 square feet of the Sears space, renovation of the remaining portion into new mall retail units, and an expansion of the existing mall toward Kenmount Road. The redevelopment provides an opportunity to replace the former Sears space with new and/or completely renovated modern tenant spaces, common areas, and mall exterior. This phase of the redevelopment commenced in March 2018 with the start of the Sears demolition, and occupancy of the new retail units is expected to begin in Q3 2019. Construction of the expansion area will continue throughout 2019 with occupancy expected in 2020. Leasing activity has commenced including execution of a lease for a new and expanded Winners Homesense which will be relocating from another area of the mall. Advanced discussions with other potential national anchor and CRU tenants continue.

A Phase III development is also planned for an 8.6 acre property abutting Avalon Mall, on Kenmount Road, acquired in 2012. The redevelopment will replace two aging buildings with new retail space with modern design, additional parking, and integration of this property with Avalon Mall by significantly improving vehicular and pedestrian connectivity between the two properties.

Belmont Market, Langford (Victoria), British Columbia

Belmont Market is being developed as a grocery-anchored mixed use centre in Langford (Victoria), BC. Crombie owns 100% of the 160,000 square foot retail component currently under active development. The retail development is expected to cost approximately \$93.0 million and will include a 53,000 square foot Thrifty Foods store and approximately 107,000 square feet of additional retail and office space on 13 acres of land. The development retains the flexibility to add density in the future on an additional 1.7 acres of land. Phase I of construction saw the completion of three retail buildings in Q4 2018, with tenants scheduled to start opening in early 2019. The construction of the grocery store is underway with completion scheduled for early spring 2019. Phase II of development is also underway which is comprised of four buildings totalling approximately 33,000 square feet, and includes the Thrifty's head office. 107,000 square feet of the overall development has committed leases or is in advanced stages of negotiation, and 94% of Phase I and 70% of Phase II is currently leased.

Crombie has an agreement to sell 5.55 acres of land to Ledcor Developments; over half of which closed in Q1 2018. Ledcor is planning the construction of 437 units of low rise residential rental and market condos on the site.

Le Duke, 297 Rue Duke, Montreal, Quebec

Le Duke is located near the new Bonaventure Greenway in Old Montreal. The development with partner PrinceDev Inc. has total project costs estimated at \$123.5 million, \$61.8 million at Crombie's share, and includes a 25-storey mixed use tower with 251,000 square feet and 390 residential rental units, a 25,000 square foot grocery store, 1,000 square feet of retail space, and 200 underground parking stalls. Development of Le Duke began late in 2017 with demolition of the existing structure. Excavation and shoring work for the below grade structure is currently nearing completion. This development is expected to be complete in Q3 2020.

The development agreement with PrinceDev Inc. was executed in April 2018. Under this agreement, Crombie sold a 50% interest in the Bronte Village development in South Oakville and acquired a 50% interest in Le Duke. Title transfer closed in August 2018.

Bronte Village, 2441 Lakeshore Road West, Oakville, Ontario

Bronte Village is located in South Oakville at the intersection of Lakeshore and Bronte Roads. The 5.66 acre property is being redeveloped from a single storey, multi-tenant commercial retail mall, to a mixed use residential property in conjunction with our partner, PrinceDev Inc. This development includes the existing 30,000 square foot grocery store while adding 18,000 square feet of retail and two luxury residential towers totalling 472,000 square feet of residential rental space in up to 480 units. The existing grocery store will remain operational during the development. Demolition of the existing mall was completed in June 2018. Site plan approval and building permits have been obtained for the commercial component and construction of the new retail space is now underway with a completion target of spring 2019. Site plan approval for the residential component is with the City for final approval. Total project cost is estimated at \$277.2 million, \$138.6 million at Crombie's share. This development is expected to be completed in Q2 2021.

The development agreement with PrinceDev Inc. was executed in April 2018. Under this agreement, Crombie sold a 50% interest in the Bronte Village development in South Oakville and acquired a 50% interest in Le Duke. Title transfer closed in August 2018.

Potential Major Developments

In addition to Active Major Developments in the previous section, Crombie's current Potential Major Developments have the potential to add up to 540,000 square feet (September 30, 2018 – 540,000 square feet) of commercial GLA and up to 7,500,000 square feet (up to 9,000 units) (September 30, 2018 – 7,500,000 square feet and 9,000 units) of residential GLA (which may include a combination of rental or condominium units).

Based on Crombie's current estimates, total costs to develop these properties could reach \$2.5 to \$4 billion (\$3 to \$4.5 billion including Active Major Developments). Crombie may enter joint venture or other partnership arrangements for these properties to share cost, revenue, risks and development expertise depending upon the nature of each project. Each project remains subject to normal development approvals, achieving required economic hurdles including financial accretion analysis and Board of Trustees approval.

As at December 31, 2018, Crombie has identified the following 18 Potential Major Development locations as having potential to become Active Major Developments. Development of each property is subject to management completing full due diligence on the opportunity, including commercial and residential components, as well as seeking all necessary Board, municipal/provincial and tenant approvals prior to proceeding. The precise timing of each project is not determinable at present. The time horizon of these projects may change, project scope may change, and/or Crombie may choose to not proceed with development on some properties after further review and completion of financial projections.

	Existing Property	City, Province	Site Size (acres)	Existing Tenants	Potential Commercial Expansion	Potential Residential Expansion	Status
1.	1780 East Broadway (Broadway and Commercial)	Vancouver, BC	2.43	Safeway	Yes	Yes	Pre-planning
2.	1170 East 27 Street (Lynn Valley)	North Vancouver, BC	2.82	Safeway	Yes	Yes	Pre-planning
3.	5235 Kingsway (Royal Oak)	Burnaby, BC	2.76	Safeway	Yes	Yes	Pre-planning
4.	Penhorn Lands	Dartmouth, NS	26.12	Land	Yes	Yes	Pre-planning
5.	10355 King George Boulevard	Surrey, BC	5.07	Safeway	Yes	Yes	Pre-planning
6.	2733 West Broadway	Vancouver, BC	1.95	Safeway	Yes	Yes	TBD ¹
7.	524 Elbow Drive SW (Mission)	Calgary, AB	1.60	Safeway	Yes	Yes	TBD
8.	3410 Kingsway	Vancouver, BC	3.74	Safeway/Other tenants	Yes	Yes	TBD
9.	990 West 25 Avenue (King Edward)	Vancouver, BC	1.80	Safeway	Yes	Yes	TBD
10.	East Hastings	Burnaby, BC	3.30	Safeway/Other tenants	Yes	Yes	TBD
11.	813 11 Avenue SW	Calgary, AB	2.59	Safeway	Yes	Yes	TBD
12.	410 10 Street NW	Calgary, AB	1.73	Safeway	Yes	Yes	TBD
13.	10930 82 Avenue	Edmonton, AB	2.44	Safeway/Other tenants	Yes	Yes	TBD
14.	Brampton Mall	Brampton, ON	8.74	Retail	Yes	Yes	TBD
15.	Centennial Parkway	Hamilton, ON	2.75	Retail	Yes	Yes	TBD
16.	McCowan & Ellesmere	Toronto, ON	4.48	Sobeys/Other tenants	Yes	Yes	TBD
17.	Triangle Lands	Halifax, NS	0.68	Land	Yes	Yes	TBD
18.	Scotia Square	Halifax, NS	14.47	Office/Retail	Yes	Yes	TBD

1. TBD: to be determined

Projects described as having a “pre-planning” status include projects that Crombie has undertaken potential development planning, which could include seeking municipal approvals for zoning, developing image renderings, seeking potential commercial and/or residential development partners, evaluation of financing options and other activities required to determine viability of the opportunity.

Properties in the Pre-Planning Phase

1780 East Broadway (Broadway and Commercial), Vancouver, British Columbia

1780 East Broadway is located at the intersection of Commercial Drive and East Broadway in Vancouver, British Columbia. The single storey 38,000 square foot Safeway grocery store is situated at one of the busiest transit nodes in Western Canada. Crombie is currently working through the rezoning process to capitalize on the recently adopted community plan which permits up to 24 storeys above the retail podium and a floor to space ratio of 5.7 times.

1170 East 27th Street, North Vancouver (Lynn Valley), British Columbia

Lynn Valley is located in the District of North Vancouver in the popular Lynn Valley Towne Centre. The 2.82 acre site currently has a 36,000 square foot Safeway as the major tenant. Crombie is currently developing plans to accommodate the targeted density and meet the guidelines of the Official Community Plan. Rezoning of this property is required prior to proceeding with any redevelopment.

5235 Kingsway (Royal Oak), Burnaby, British Columbia

The Royal Oak site is located in close proximity to Metrotown in Burnaby – an area experiencing significant redevelopment as a result of a recently adopted Metrotown Downtown Plan in 2017. The high profile, 2.76 acre site has the potential for redevelopment to occur in the near future. Initial planning has commenced and a comprehensive rezoning plan is being developed to facilitate discussions with the City of Burnaby.

10355 King George Boulevard, Surrey, British Columbia

King George is located in Surrey, BC, in a prime location within Surrey City Centre and immediately adjacent the King George SkyTrain stop. The approximate 5 acre site is within the City of Surrey Official Community Plan and the Surrey City Centre Plan, which both designate the site for high-density development of floor to space ratio of up to 7.5 times. Rezoning of the site is required in order to proceed with any future redevelopment, and preliminary development analysis is currently underway.

Penhorn Lands, Dartmouth (Halifax), Nova Scotia

The Penhorn Lands is a development site located at the intersection of Highway 111 and Portland Street in Dartmouth (Halifax), Nova Scotia that was purchased from Empire in 2016. Crombie has initiated pre-planning activity for future mixed residential development on 26 acres of this development site located adjacent to a Crombie owned grocery-anchored property, Penhorn Plaza.

FINANCIAL RESULTS

COMPARISON TO PREVIOUS YEAR

(In thousands of CAD dollars, except per unit amounts and as otherwise noted)	As At			
	December 31, 2018	December 31, 2017		December 31, 2016
Total assets	\$ 4,071,074	\$ 4,086,854	\$ 3,963,318	
Total investment property debt and unsecured debt	\$ 2,479,143	\$ 2,501,748	\$ 2,396,199	
Debt to gross book value – fair value basis ¹	51.0%	50.3%	50.3%	

1. See "Debt to Gross Book Value – Fair Value Basis" for detailed calculation.

	Three months ended December 31,			Year ended December 31,		
	2018	2017	Variance	2018	2017	Variance
Property revenue	\$ 104,296	\$ 105,667	\$ (1,371)	\$ 414,649	\$ 411,813	\$ 2,836
Property operating expenses	30,817	31,622	805	121,306	121,069	(237)
Property NOI	73,479	74,045	(566)	293,343	290,744	2,599
NOI margin percentage	70.5%	70.1%	0.4%	70.7%	70.6%	0.1%
Other items:						
Gain on disposal of investment properties	4,580	2,474	2,106	50,023	2,474	47,549
Impairment of investment properties	(7,000)	–	(7,000)	(15,000)	–	(15,000)
Depreciation and amortization	(19,906)	(20,619)	713	(96,353)	(82,207)	(14,146)
General and administrative expenses	(5,184)	(4,246)	(938)	(19,226)	(19,077)	(149)
Finance costs – operations	(25,968)	(26,681)	713	(105,631)	(105,777)	146
Income from equity accounted investments	111	(7)	118	254	61	193
Operating income before taxes	20,112	24,966	(4,854)	107,410	86,218	21,192
Taxes – current	(1)	2,082	(2,083)	(3)	2,078	(2,081)
Taxes – deferred	–	–	–	–	75,400	(75,400)
Operating income attributable to Unitholders	20,111	27,048	(6,937)	107,407	163,696	(56,289)
Finance costs – distributions to Unitholders	(33,724)	(33,511)	(213)	(134,729)	(133,259)	(1,470)
Finance income (costs) – change in fair value of financial instruments	197	18	179	402	145	257
Increase (decrease) in net assets attributable to Unitholders	\$ (13,416)	\$ (6,445)	\$ (6,971)	\$ (26,920)	\$ 30,582	\$ (57,502)
Operating income attributable to Unitholders per Unit, Basic	\$ 0.13	\$ 0.18		\$ 0.71	\$ 1.09	
Operating income attributable to Unitholders per Unit, Diluted	\$ 0.13	\$ 0.18		\$ 0.71	\$ 1.09	
Basic weighted average Units outstanding (in 000's)	151,419	150,401		151,214	149,508	
Diluted weighted average Units outstanding (in 000's)	151,551	150,533		151,345	155,492	
Distributions per Unit to Unitholders	\$ 0.22	\$ 0.22		\$ 0.89	\$ 0.89	

Operating Results

For the three months ended December 31, 2018, Operating income before taxes of \$20,112 decreased by \$4,854 or 19.4% compared to the three months ended December 31, 2017. The decrease was primarily due to:

- the recognition in the fourth quarter of 2018 of \$7,000 of impairment related to an office property;
- increased general and administrative expenses of \$938 primarily related to increased wage costs; and,
- a decrease in total Property NOI of \$566 or 0.8% which is impacted by dispositions in the first three quarters of 2018 and the fourth quarter of 2017. This decrease in total Property NOI was reduced in part by same-asset NOI growth of \$2,044 and NOI from acquisitions in the second quarter of 2018 and in the third quarter of 2017;

offset in part by:

- gain on disposal of \$4,580 on three properties in the fourth quarter which was \$2,106 higher than the gain of \$2,474 on disposition of one property in the fourth quarter of 2017;
- a decrease in depreciation and amortization of \$713 or 3.5% which is impacted by net disposition activity in 2018 and the fourth quarter of 2017; and,
- a decrease in finance costs – operations re lower interest and deferred financing charges of \$713 or 2.7% related to the net disposition activity in 2018 as well as the early redemption of \$74,400 5.25% Series E convertible debentures in the third quarter of 2018 refinanced with \$75,000 of additional Series B Notes issued with an effective yield to maturity of 3.882%. During the fourth quarter of 2018, Crombie also issued \$175,000 Series E Notes with an effective yield of 4.802% with the proceeds used to fund the repayment of the maturing \$175,000 3.986% Series A Notes.

For the year ended December 31, 2018, Operating income before taxes of \$107,410 increased by \$21,192 or 24.6% compared to the year ended December 31, 2017. The year was impacted by:

- the disposition of a 50% interest in a portfolio of nine retail properties as well as the disposition of a mixed use property and eight additional retail properties and residential lands adjacent to an existing development property during 2018, resulting in a gain on disposal of \$50,023 compared to a gain on disposal of \$2,474 in 2017; and,
- an increase in Property NOI of \$2,599 or 0.9% which is impacted by same-asset cash NOI growth of \$6,448 and the previously mentioned acquisition and disposition activity.

offset in part by:

- the recognition of \$15,000 of impairment, \$8,000 in the second quarter of 2018 related to two retail properties and \$7,000 in the fourth quarter of 2018 related to an office property; and,
- an increase in depreciation and amortization of \$14,146, primarily related to accelerated depreciation on portions of three properties on partial demolition of former Target and Sears space for new tenant redevelopment.

On June 30, 2017, Crombie completed a tax reorganization, as approved by unitholders, resulting in, amongst other structural changes, the winding up of its most significant, wholly-owned corporate subsidiary. Through the tax reorganization, all property within the corporate entity was transferred to a limited partnership, resulting in the elimination of Crombie's obligation for deferred income taxes related to this corporate subsidiary. The deferred tax liability of \$76,400 as at March 31, 2017 was reduced to \$NIL and the decrease was recognized as an income tax recovery on Crombie's Consolidated Statement of Comprehensive Income for the year ended December 31, 2017. Professional fees of \$1,059 associated with the tax reorganization were recognized as general and administrative expenses for the year ended December 31, 2017.

Pursuant to CSA Staff Notice 52-306 "(Revised) Non-GAAP Financial Measures", non-GAAP measures should be reconciled to the most directly comparable GAAP measure, which, in the case of Operating income attributable to Unitholders, is Increase (decrease) in net assets attributable to Unitholders from the Statement of Comprehensive Income (Loss). The reconciliation is as follows:

(In thousands of CAD dollars)	Three months ended December 31,		Year ended December 31,	
	2018	2017	2018	2017
Operating income attributable to Unitholders	\$ 20,111	\$ 27,048	\$ 107,407	\$ 163,696
Finance costs – distributions to Unitholders	(33,724)	(33,511)	(134,729)	(133,259)
Finance income (costs) – change in fair value of financial instruments	197	18	402	145
Increase (decrease) in net assets attributable to Unitholders	\$ (13,416)	\$ (6,445)	\$ (26,920)	\$ 30,582

PROPERTY NOI

Same-asset properties are properties owned and operated by Crombie throughout the current and comparative reporting periods, excluding any property that is classified as held for sale or that was designated for redevelopment during either the current or comparative period.

Property NOI on a cash basis is as follows:

(In thousands of CAD dollars)	Three months ended December 31,			Year ended December 31,		
	2018	2017	Variance	2018	2017	Variance
Property NOI	\$ 73,479	\$ 74,045	\$ (566)	\$ 293,343	\$ 290,744	\$ 2,599
Non-cash straight-line rent	(2,429)	(3,280)	851	(11,040)	(13,542)	2,502
Non-cash tenant incentive amortization	3,451	3,507	(56)	12,875	12,768	107
Property cash NOI	74,501	74,272	229	295,178	289,970	5,208
Acquisitions, dispositions and development property cash NOI	11,399	13,214	(1,815)	46,579	47,819	(1,240)
Same-asset property cash NOI	\$ 63,102	\$ 61,058	\$ 2,044	\$ 248,599	\$ 242,151	\$ 6,448

Property NOI, on a cash basis, excludes non-cash straight-line rent recognition and amortization of tenant incentive amounts. The \$2,044 or 3.3% increase in same-asset cash NOI for the three months ended December 31, 2018 over the same period in 2017 is primarily the result of improved occupancy rates and revenues from land use intensifications at certain properties.

The \$6,448 or 2.7% increase in same-asset cash NOI for the year ended December 31, 2018 over the same period in 2017 was impacted by the same factors noted above.

Acquisitions, dispositions and development property cash NOI decreased \$1,815 for the three months ended December 31, 2018 compared to the three months ended December 31, 2017 primarily due to dispositions in the first three quarters of 2018 and the fourth quarter of 2017, offset in part by acquisitions in the second quarter of 2018. The decrease of \$1,240 for the year ended December 31, 2018 over the same period in 2017 is primarily due to lease termination income received in the third quarter of 2017 as well as the dispositions mentioned above.

Management emphasizes property NOI on a cash basis as it reflects the cash generated by the properties period-over-period.

Same-asset property cash NOI is as follows:

(In thousands of CAD dollars)	Three months ended December 31,				Year ended December 31,			
	2018	2017	Variance	Percent	2018	2017	Variance	Percent
Retail and Commercial Mixed Use	\$ 60,353	\$ 58,305	\$ 2,048	3.5%	\$ 238,379	\$ 230,924	\$ 7,455	3.2%
Office	2,749	2,753	(4)	(0.1)%	10,220	11,227	(1,007)	(9.0)%
Same-asset property cash NOI	\$ 63,102	\$ 61,058	\$ 2,044	3.3%	\$ 248,599	\$ 242,151	\$ 6,448	2.7%

Variances in same-asset property cash NOI for the three months ended December 31, 2018 compared to the same period in 2017 include:

- Retail and Commercial Mixed Use increased \$2,048 or 3.5% due to increased occupancy.

- Office decreased \$4 or 0.1% as tenants began occupying previously vacant space.

Same-asset property cash NOI for the year ended December 31, 2018 compared to the same period in 2017 were impacted by these same factors.

Acquisitions, dispositions and development property cash NOI is as follows:

(In thousands of CAD dollars)	Three months ended December 31,			Year ended December 31,		
	2018	2017	Variance	2018	2017	Variance
Acquisitions and dispositions property cash NOI	\$ 3,395	\$ 5,151	\$ (1,756)	\$ 16,063	\$ 17,266	\$ (1,203)
Development property cash NOI	8,004	8,063	(59)	30,516	30,553	(37)
Total acquisitions, dispositions and development property cash NOI	\$ 11,399	\$ 13,214	\$ (1,815)	\$ 46,579	\$ 47,819	\$ (1,240)

For the three months ended December 31, 2018, acquisitions and dispositions property cash NOI decreased \$1,756 and decreased \$1,203 for the year ended December 31, 2018 compared to the same periods in 2017 as a result of the acquisition and disposition activity discussed above.

Development properties include properties earning cash NOI that are: currently being developed; with recently completed development; and, properties scheduled for development. Change in cash NOI from development properties period-over-period is

impacted by the timing of commencement and completion of each development project. The nature and extent of development projects results in operations being impacted minimally in some instances and a significant disruption in others. Consequently, comparison of period-over-period development operating results may not be meaningful.

Crombie undertakes development of properties to position them for long-term sustainability and growth in cash NOI resulting in improvement in value.

Property NOI for the three months and year ended December 31, 2018 by province was as follows:

(In thousands of CAD dollars)	Three months ended December 31,			Year ended December 31,		
	2018 Property NOI	2017 Property NOI	Variance	2018 Property NOI	2017 Property NOI	Variance
AB	\$ 16,145	\$ 16,227	\$ (82)	\$ 64,960	\$ 64,660	\$ 300
BC	9,797	9,176	621	37,168	36,433	735
MB	3,341	3,366	(25)	13,446	13,454	(8)
NB	3,623	3,560	63	14,315	13,053	1,262
NL	7,081	7,170	(89)	26,767	27,778	(1,011)
NS	13,385	14,500	(1,115)	56,715	59,022	(2,307)
ON	10,522	11,359	(837)	42,809	44,167	(1,358)
PE	425	396	29	1,702	1,630	72
QC	7,332	6,427	905	28,226	23,440	4,786
SK	1,828	1,864	(36)	7,235	7,107	128
Total	\$ 73,479	\$ 74,045	\$ (566)	\$ 293,343	\$ 290,744	\$ 2,599

The significant variances in property NOI for the three months and year ended December 31, 2018 compared to the same period in 2017 were impacted by property acquisitions and dispositions as follows:

- New Brunswick – acquisition of an addition to an existing retail property in the second quarter of 2018;
- Nova Scotia – disposition of one mixed use property in the second quarter of 2018, offset in part by the addition to an existing retail property in the third quarter of 2018;

- Ontario – disposition of seven retail properties in 2018, two in the first quarter, one in the second quarter, one in the third quarter and three in the fourth quarter; disposition of 50% interest in three retail properties in the second quarter of 2018; and one disposition in the fourth quarter of 2017, offset in part by one acquisition in the second quarter of 2018 and one in the third quarter of 2017; and,

- Quebec – acquisition of six retail properties in 2018, one in the fourth quarter and five in the second quarter, additions to an existing retail property in the second quarter of 2018 and acquisition of five retail properties in the third quarter of 2017.

In addition to the acquisition and disposition activity, the following also impacted comparative property NOI results:

- New Brunswick – leasing activity, including expansions of Sobeys stores in two properties;
- Newfoundland and Labrador – vacancy increases in the third and fourth quarters of 2017 primarily related to property redevelopment at Avalon Mall, including the termination of Sears in the first quarter of 2018; and,
- Nova Scotia – reduced property revenue in 2018 from leasing activity primarily in office properties and lease termination income from Target Canada in the third quarter of 2017.

FFO AND AFFO

FFO and AFFO are not measures recognized under IFRS and do not have standardized meanings prescribed by IFRS. As such, these non-GAAP financial measures should not be considered as an alternative to cash provided from operating activities or any other measure prescribed under IFRS. Management uses FFO as a supplemental non-GAAP, industry-wide financial measure of a real estate organization's operating performance. AFFO is presented in this MD&A because management believes this non-GAAP earnings amount is a measure of Crombie's ability to generate cash from earnings. FFO and AFFO as computed by Crombie may differ from similar computations as reported by other REITs and, accordingly, may not be comparable to other such issuers.

FUNDS FROM OPERATIONS (FFO)

Crombie follows the recommendations of the Real Property Association of Canada ("REALPAC") (February 2017 white paper) in calculating FFO and defines FFO as increase (decrease) in net assets attributable to Unitholders (computed in accordance with IFRS), adjusted for the following applicable amounts:

- Gain or loss on disposal of investment properties and related income tax;
- Impairment charges and recoveries;
- Depreciation and amortization expense of investment properties, including amortization of tenant incentives charged against property revenue;
- Incremental internal leasing expenses;
- Deferred taxes;
- Finance costs – distributions on Crombie's REIT and Class B LP Units classified as financial liabilities; and,
- Change in fair value of financial instruments.

REALPAC provides for other adjustments in determining FFO which are currently not applicable to Crombie, therefore not included in the above list. Crombie's expenditures on tenant incentives are capital in nature. Crombie considers these costs comparable to other capital costs incurred to earn property revenue. Whereas the depreciation and amortization of other capital costs is added back in the calculation of FFO as recommended by REALPAC, Crombie also adds back the amortization of tenant incentives ("TI"). Crombie's method of calculating FFO may differ from other issuers' methods and accordingly may not be directly comparable to FFO reported by other issuers. The calculation of FFO for the three months and year ended December 31, 2018 and 2017 is as follows:

(In thousands of CAD dollars)	Three months ended December 31,			Year ended December 31,		
	2018	2017	Variance	2018	2017	Variance
Increase (decrease) in net assets attributable to Unitholders	\$ (13,416)	\$ (6,445)	\$ (6,971)	\$ (26,920)	\$ 30,582	\$ (57,502)
Add (deduct):						
Amortization of tenant incentives	3,451	3,507	(56)	12,875	12,768	107
Loss (gain) on disposal of investment properties	(4,580)	(2,474)	(2,106)	(50,023)	(2,474)	(47,549)
Impairment of investment properties	7,000	–	7,000	15,000	–	15,000
Depreciation of investment properties	17,945	18,674	(729)	88,818	74,845	13,973
Amortization of intangible assets	1,688	1,706	(18)	6,701	6,654	47
Amortization of deferred leasing costs	261	239	22	792	708	84
Depreciation of investment properties included in Income from equity accounted investments	5	–	5	28	–	28
Internal leasing costs	609	606	3	2,436	2,424	12
Taxes – current on disposition of investment properties	–	(2,069)	2,069	–	(2,069)	2,069
Taxes – deferred	–	–	–	–	(75,400)	75,400
Finance costs – distributions to Unitholders	33,724	33,511	213	134,729	133,259	1,470
Finance costs (income) – change in fair value of financial instruments	(197)	(18)	(179)	(402)	(145)	(257)
FFO as calculated based on REALPAC recommendations	\$ 46,490	\$ 47,237	\$ (747)	\$ 184,034	\$ 181,152	\$ 2,882

For the three months ended December 31, 2018, FFO decreased by \$747 or 1.6% compared to the three months ended December 31, 2017. The decrease primarily relates to the previously discussed lower property NOI offset in part by reduced finance costs – operations.

For the year ended December 31, 2018, FFO increased by \$2,882 or 1.6% compared to the year ended December 31, 2017. The increase relates to higher property NOI from same-asset cash NOI growth as previously discussed and lower general and administrative costs primarily related to 2017 professional fees for the completed tax reorganization.

ADJUSTED FUNDS FROM OPERATIONS (AFFO)

Crombie follows the recommendations of REALPAC's February 2017 white paper in calculating AFFO and has applied these recommendations to the comparative AFFO amounts included in this MD&A. Crombie considers AFFO to be a useful measure in evaluating the recurring economic performance of its operating results which will be used to support future distribution payments.

AFFO reflects earnings after the adjustments in arriving at FFO (excluding internal leasing costs) and the provision for non-cash straight-line rent included in revenue, amortization of effective swap agreements, maintenance capital expenditures, maintenance tenant incentives and leasing costs and any settlement of effective interest rate swap agreements.

The calculation of AFFO for the three months and year ended December 31, 2018 and 2017 is as follows:

(In thousands of CAD dollars)	Three months ended December 31,			Year ended December 31,		
	2018	2017	Variance	2018	2017	Variance
FFO as calculated based on REALPAC recommendations	\$ 46,490	\$ 47,237	\$ (747)	\$ 184,034	\$ 181,152	\$ 2,882
Add (deduct):						
Amortization of effective swap agreements	557	580	(23)	2,263	2,354	(91)
Straight-line rent adjustment	(2,429)	(3,280)	851	(11,040)	(13,542)	2,502
Internal leasing costs	(609)	(606)	(3)	(2,436)	(2,424)	(12)
Maintenance expenditures on a square footage basis	(4,238)	(4,450)	212	(17,027)	(17,682)	655
AFFO as calculated based on REALPAC recommendations	\$ 39,771	\$ 39,481	\$ 290	\$ 155,794	\$ 149,858	\$ 5,936

For the three months ended December 31, 2018, AFFO increased by \$290 or 0.7% compared to the three months ended December 31, 2017. The increase primarily relates to the reduced impact of straight-line rent on operating results, offset in part by the \$747 or 1.6% decrease in FFO as previously discussed.

For the year ended December 31, 2018, AFFO increased by \$5,936 or 4.0% compared to the year ended December 31, 2017. The increase primarily relates to the \$2,882 or 1.6% increase in FFO as previously discussed and the reduced impact of straight-line rent on operating results.

MAINTENANCE CAPITAL EXPENDITURES, MAINTENANCE TENANT INCENTIVES AND LEASING COSTS ("MAINTENANCE EXPENDITURES")

Maintenance expenditures represent costs incurred in sustaining and maintaining existing space and exclude expenditures that are revenue enhancing. Crombie considers revenue enhancing expenditures to be costs that expand the GLA of a property, increase the property NOI by a minimum threshold, or otherwise enhance the property's overall value.

Crombie's policy is to charge AFFO and ACFO with maintenance expenditures based on a normalized rate per square foot as these expenditures are not generally incurred on a consistent basis during the year, or from year to year. Crombie also discloses actual maintenance expenditures for comparative purposes. The rate per square foot is a proxy for actual historic costs, anticipated future costs and any significant changes in the nature and age of the properties in the portfolio as it evolves over time. For 2018, Crombie has reduced the normalized rate to \$0.90 per square foot of GLA from the previous rate of \$0.92 per square foot based on the actual spend for 2017 and 2016 and estimated spend for 2018. Additionally, Crombie combines maintenance capital expenditures with maintenance TI and deferred leasing costs in arriving at the normalized per square foot charge to AFFO based on the fact that in years where TI and leasing expenditures are reduced, spending on maintenance capital expenditures may be accelerated and vice versa.

Maintenance Expenditures – Actual

(In thousands of CAD dollars)	Three months ended					Three months ended				
	Year ended Dec. 31, 2018	Dec. 31, 2018	Sep. 30, 2018	Jun. 30, 2018	Mar. 31, 2018	Year ended Dec. 31, 2017	Dec. 31, 2017	Sep. 30, 2017	Jun. 30, 2017	Mar. 31, 2017
Total additions to investment properties	\$ 91,211	\$ 29,716	\$ 21,616	\$ 16,877	\$ 23,002	\$ 46,800	\$ 16,887	\$ 13,921	\$ 8,751	\$ 7,241
Less: revenue enhancing expenditures	(82,647)	(26,488)	(19,982)	(15,316)	(20,861)	(34,317)	(12,032)	(11,389)	(6,713)	(4,183)
Maintenance capital expenditures	8,564	3,228	1,634	1,561	2,141	12,483	4,855	2,532	2,038	3,058
Total additions to TI and deferred leasing costs	17,488	3,099	3,629	2,779	7,981	19,660	6,952	2,476	5,324	4,908
Less: revenue enhancing expenditures	(10,936)	(2,295)	(940)	(1,267)	(6,434)	(15,160)	(5,233)	(1,754)	(4,157)	(4,016)
Maintenance TI and deferred leasing costs	6,552	804	2,689	1,512	1,547	4,500	1,719	722	1,167	892
Total maintenance expenditures – actual	\$ 15,116	\$ 4,032	\$ 4,323	\$ 3,073	\$ 3,688	\$ 16,983	\$ 6,574	\$ 3,254	\$ 3,205	\$ 3,950
Reserve amount charged against AFFO and ACFO	\$ 17,027	\$ 4,238				\$ 17,682	\$ 4,450			

Maintenance capital expenditures for the year ended December 31, 2018, are primarily payments for costs associated with building interior and exterior maintenance, roof repairs and ongoing parking deck and structural maintenance.

Obligations for expenditures for TIs occur when renewing existing tenant leases or for new tenants occupying a space. Typically, leasing costs for existing tenants are lower on a per square foot basis than for new tenants. However, new tenants may provide more overall cash flow to Crombie through higher rents or improved traffic to a property. The timing of such expenditures fluctuates depending on the satisfaction of contractual terms contained in the leases.

Maintenance TI and deferred leasing costs are the result of both lease renewals and new leases and are reflective of the leasing activity during 2017 and 2018.

Revenue enhancing expenditures are capitalized and depreciated or charged against revenue over their useful lives, but not deducted when calculating AFFO or ACFO. Revenue enhancing expenditures during the year ended December 31, 2018 consisted primarily of development work and GLA expansions at: Avalon Mall, St. John's, NL; Belmont Market, Victoria, BC; Cassils Road, Brooks, AB; Edmundston Plaza, Edmundston, NB; Uptown Centre, Fredericton, NB; Algonquin Avenue Mall, North Bay, ON; Scotia Square, Halifax, NS; Deer Lake, NL; Kinlock Plaza, Stratford, PE; and, Penhorn lands, Halifax, NS.

DEPRECIATION, AMORTIZATION AND IMPAIRMENT

(In thousands of CAD dollars)	Three months ended December 31,			Year ended December 31,		
	2018	2017	Variance	2018	2017	Variance
Same-asset depreciation and amortization	\$ 16,618	\$ 16,506	\$ (112)	\$ 65,957	\$ 67,089	\$ 1,132
Acquisitions, dispositions and development depreciation/amortization	3,288	4,113	825	30,396	15,118	(15,278)
Depreciation and amortization	\$ 19,906	\$ 20,619	\$ 713	\$ 96,353	\$ 82,207	\$ (14,146)

Same-asset depreciation and amortization increased by \$112 for the three months ended December 31, 2018 and decreased by \$1,132 for the year ended December 31, 2018 compared to the same periods in 2017. The decrease is due primarily to the expiry of the initial term of tenant leases since the first quarter of 2017. Same-asset depreciation and amortization should remain stable quarter over quarter as certain components of investment property are amortized over the term of tenant leases and will increase as a result of capital additions and improvements to same-asset investment properties.

Acquisitions, dispositions and development depreciation and amortization increased for the year ended December 31, 2018 primarily as a result of the partial demolitions of buildings at two redevelopment properties in the first quarter of 2018 and one property in the third quarter of 2018. Accelerated depreciation of \$8,444 in the first quarter and \$8,930 in the third quarter was realized in relation to the partial demolitions. The decrease of \$825 in the three months ended December 31, 2018 over the same period in 2017 relates to the net disposition activity.

During the year ended December 31, 2018, Crombie recorded impairments totalling \$15,000, \$8,000 on two retail properties in the second quarter and \$7,000 on an office property in the fourth quarter. The impairments were the result of the fair value impact of tenant lease expiries and departures and slower than expected leasing activity. Impairment was measured on a per property basis and was determined as the amount by which carrying value, using the cost method, exceeded the recoverable amount for that property. The recoverable amount was determined to be each property's fair value which is the higher of the economic benefits of the continued use of the asset or the selling price less costs to sell.

Crombie's total fair value of investment properties, including properties held for sale, exceeds carrying value by \$797,088 at December 31, 2018 (December 31, 2017 – \$900,804). Crombie uses the cost method for accounting for investment properties, and increases in fair value over carrying value are not recognized until realized through disposition or derecognition of properties, while impairment, if any, is recognized on a property by property basis when circumstances indicate that fair value is less than carrying value.

GENERAL AND ADMINISTRATIVE EXPENSES

The following table outlines the major categories of general and administrative expenses:

(In thousands of CAD dollars)	Three months ended December 31,			Year ended December 31,		
	2018	2017	Variance	2018	2017	Variance
Salaries and benefits	\$ 3,511	\$ 2,576	\$ (935)	\$ 13,111	\$ 11,175	\$ (1,936)
Professional fees	97	180	83	924	2,247	1,323
Public company costs	612	613	1	2,161	2,225	64
Rent and occupancy	206	229	23	728	816	88
Other	758	648	(110)	2,302	2,614	312
General and administrative expenses	\$ 5,184	\$ 4,246	\$ (938)	\$ 19,226	\$ 19,077	\$ (149)
As a percentage of property revenue	5.0%	4.0%	(1.0)%	4.6%	4.6%	0.0%

For the three months ended December 31, 2018, general and administrative expenses, as a percentage of property revenue, were 5.0%, an increase of 1.0% from the same period in 2017, with expenses increasing \$938 or 22.1% and property revenue decreasing 1.3%. The increase in expenses is primarily due to higher salary and benefit costs. For the year ended December 31, 2018, general and administrative expenses, as a percentage of property revenue, remained the same compared to the year ended December 31, 2017, with expenses decreasing \$149 or 0.8% and property revenue increasing 0.7%. Salaries and benefits increased

\$1,936 on higher wage costs and employee severance costs. Effective June 30, 2017, Crombie completed a tax reorganization which resulted in the elimination of the \$76,400 deferred tax liability associated with Crombie's most significant corporate subsidiary. Costs related to the reorganization of approximately \$1,059 were included in professional fees for the year ended December 31, 2017. Excluding these costs, general and administrative expenses represented 4.4% of property revenue for the year ended December 31, 2017.

FINANCE COSTS – OPERATIONS

(In thousands of CAD dollars)	Three months ended December 31,			Year ended December 31,		
	2018	2017	Variance	2018	2017	Variance
Finance costs	\$ 24,481	\$ 25,105	\$ 624	\$ 98,210	\$ 98,949	\$ 739
Amortization of effective swaps and deferred financing charges	1,487	1,576	89	7,421	6,828	(593)
Finance costs – operations	\$ 25,968	\$ 26,681	\$ 713	\$ 105,631	\$ 105,777	\$ 146

Finance costs for the three months and year ended December 31, 2018 decreased by \$624 and \$739, respectively, compared to the same periods in 2017. The decreases relate to property acquisitions and dispositions, mortgage payouts and increased utilization of floating rate credit facilities. Significant refinancings during the year included: the early redemption of \$74,400 of 5.25% Convertible Debentures refinanced with \$75,000 of additional Series B Unsecured Notes issued with an effective interest rate of 3.882%; and, maturity of \$175,000 of 3.986% Series A Unsecured Notes refinanced with \$175,000 of Series E Unsecured Notes with an effective interest rate of 4.802%. The early redemption of the

Convertible Debentures resulted in the accelerated write-off of \$982 of deferred financing charges.

FINANCE COSTS – DISTRIBUTIONS

Pursuant to Crombie's Declaration of Trust, cash distributions are to be determined by the Trustees at their discretion. Crombie intends, subject to approval of the Board of Trustees, to make distributions to Unitholders of not less than the amount equal to the net income and net realized capital gains of Crombie, to ensure that Crombie will not be liable for income taxes.

Details of distributions to Unitholders are as follows:

(In thousands of CAD dollars, except as otherwise noted)	Three months ended December 31,		Year ended December 31,	
	2018	2017	2018	2017
Distributions to Unitholders	\$ 19,934	\$ 19,809	\$ 79,638	\$ 78,775
Distributions to Special Voting Unitholders	13,790	13,702	55,091	54,484
Total distributions	\$ 33,724	\$ 33,511	\$ 134,729	\$ 133,259
FFO payout ratio	72.5%	70.9%	73.2%	73.6%
AFFO payout ratio	84.8%	84.9%	86.5%	88.9%
ACFO payout ratio	85.7%	82.1%	85.7%	87.7%

The increase in distributions relates to units issued under Crombie's distribution reinvestment plan (the "DRIP").

INCOME TAXES

A trust that satisfies the criteria of a REIT throughout its taxation year will not be subject to income tax in respect of distributions to its unitholders that would otherwise apply to trusts classified as specified investment flow-through entities ("SIFTs").

Crombie has organized its assets and operations to satisfy the criteria contained in the Income Tax Act (Canada) in regard to the definition of a REIT. Crombie's management and its advisors have completed an extensive review of Crombie's organizational structure and operations to support Crombie's assertion that it met the REIT criteria throughout 2017 and continues to do so. The relevant tests apply throughout the taxation year of Crombie and as such the actual status of Crombie for any particular taxation year can only be ascertained at the end of the year.

Effective June 30, 2017, Crombie completed a tax reorganization, as approved by unitholders, which resulted in the elimination of the deferred tax liability of \$76,400 associated with its most significant corporate subsidiary.

TAXATION OF DISTRIBUTIONS

Crombie, through its subsidiaries, has a large asset base that is depreciable for Canadian income tax purposes. Consequently, certain of the distributions from Crombie are treated as returns of capital and are not taxable to Canadian resident Unitholders for Canadian income tax purposes. The composition for tax purposes of distributions from Crombie may change from year to year, thus affecting the after-tax return to Unitholders.

The following table summarizes the last five years of the taxation of distributions from Crombie:

Taxation Year	Return of Capital	Investment Income	Dividend Income	Capital Gains
2017 per \$ of distribution	51.8%	48.0%	0.0%	0.2%
2016 per \$ of distribution	24.9%	54.5%	0.0%	20.6%
2015 per \$ of distribution	56.3%	28.8%	13.4%	1.5%
2014 per \$ of distribution	64.4%	18.1%	0.0%	17.5%
2013 per \$ of distribution	90.2%	9.8%	0.0%	0.0%

LIQUIDITY AND CAPITAL RESOURCES

The real estate industry is highly capital intensive.

Cash flow generated from operating the property portfolio represents the primary source of liquidity used to fund the finance costs on debt, general and administrative expenses, reinvestment in the portfolio through capital expenditures, as well as funding TI costs and distributions to Unitholders.

Crombie expects to refinance debt obligations as they mature and has the following sources of financing available:

- (i) secured short-term financing through an authorized revolving credit facility, maturing June 30, 2022, of up to \$400,000, subject to available borrowing base, of which \$108,843 (\$117,541 including outstanding letters of credit) was drawn at December 31, 2018;
- (ii) unsecured short-term financing through an authorized floating rate revolving credit facility, maturing May 16, 2020, of up to \$100,000, of which \$70,000 was drawn at December 31, 2018;

- (iii) recycling capital through the disposition of select investment properties;
- (iv) secured mortgage and term debt on unencumbered properties, Crombie currently has \$998,523 of fair value in unencumbered properties, which is defined as those properties that are free and clear of any encumbrances, including mortgages and pledging as security for floating rate revolving credit facility;
- (v) the issuance of additional senior unsecured notes;
- (vi) the issuance of additional unsecured convertible debentures; and,
- (vii) the issuance of new units.

In addition to the above, Crombie has a number of active major developments and potential major developments as discussed under the Property Development/Redevelopment ("Development") section of this MD&A. Financing for these Development projects is expected to include specific project/construction financing in place before significant incurrence of project expenditures as well as financing from the various above-noted sources.

Capital Structure

(In thousands of CAD dollars)	December 31, 2018		December 31, 2017		December 31, 2016	
Mortgages	\$ 1,601,584	40.8%	\$ 1,751,096	44.2%	\$ 1,645,103	43.5%
Credit facilities	178,843	4.6%	53,168	1.4%	220,374	5.8%
Senior unsecured notes	698,716	17.8%	624,320	15.8%	398,588	10.5%
Convertible debentures	—	—%	73,164	1.8%	132,134	3.5%
Crombie REIT Unitholders	864,779	22.1%	873,478	22.1%	834,203	22.0%
Special Voting Units and Class B Limited Partnership Unitholders	578,061	14.7%	583,777	14.7%	555,943	14.7%
	\$ 3,921,983	100.0%	\$ 3,959,003	100.0%	\$ 3,786,345	100.0%

LIQUIDITY AND FINANCING SOURCES

Revolving credit facility

Crombie has in place an authorized floating rate revolving credit facility of up to \$400,000 (the "revolving credit facility"), with a maturity date of June 30, 2022, of which \$108,843 (\$117,541 including outstanding letters of credit) was drawn as at December 31, 2018.

The revolving credit facility is secured by a pool of first and second mortgages on certain properties. Borrowings under the revolving credit facility can be by way of Bankers Acceptance or Prime Rate Advances and the Floating interest rate is contingent on the type of advance plus the applicable spread or margin. The respective spread or margin may change depending on Crombie's unsecured bond rating with DBRS and whether the facility remains secured or migrates to an unsecured status. Funds available for drawdown pursuant to the revolving credit facility are determined with reference to the value of the Borrowing Base (as defined under "Borrowing Capacity and Debt Covenants") relative to certain

financial covenants of Crombie. As at December 31, 2018, Crombie had sufficient Borrowing Base to permit \$400,000 of funds to be drawn pursuant to the revolving credit facility, subject to certain other financial covenants. See "Borrowing Capacity and Debt Covenants".

Unsecured Bilateral Credit Facility

The unsecured bilateral credit facility has a maximum principal amount of \$100,000, of which \$70,000 was drawn as at December 31, 2018, and matures May 16, 2020. The facility is used by Crombie for working capital purposes and to provide temporary financing for acquisitions and development activity. Borrowings under the bilateral credit facility can be by way of Bankers Acceptance or Prime Rate Advances and the Floating interest rate is contingent on the type of advance plus the applicable spread or margin. The respective spread or margin may change depending on Crombie's unsecured bond rating with DBRS.

Mortgage debt and credit facilities

Crombie had fixed rate mortgages outstanding consisting of:

	December 31, 2018	December 31, 2017	December 31, 2016
Fixed rate mortgages	\$ 1,608,749	\$ 1,759,984	\$ 1,652,091
Unamortized fair value debt adjustment	1,891	2,831	3,726
	1,610,640	1,762,815	1,655,817
Deferred financing charges	(9,056)	(11,719)	(10,714)
Total mortgage debt	\$ 1,601,584	\$ 1,751,096	\$ 1,645,103

The mortgages carry a weighted average interest rate of 4.30% (after giving effect to the interest rate subsidy from Empire under an omnibus subsidy agreement) and a weighted average term to maturity of 4.6 years.

From time to time, Crombie has entered into interest rate swap agreements to manage the interest rate profile of its current or future debts without an exchange of the underlying principal amount (see "Risk Management"). Crombie currently has interest rate swap agreements in place on \$109,295 of floating rate mortgage debt.

Principal repayments of the fixed rate mortgages and credit facilities are scheduled as follows:

12 Months Ending	Maturing Debt Balances				Payments of Principal	Total Required Payments	% of Total
	Mortgages	Credit Facilities	Total	% of Total			
December 31, 2019	\$ 126,978	\$ —	\$ 126,978	8.5%	\$ 53,544	\$ 180,522	10.1%
December 31, 2020	225,241	70,000	295,241	19.7%	46,912	342,153	19.1%
December 31, 2021	89,182	—	89,182	5.9%	45,250	134,432	7.5%
December 31, 2022	194,868	108,843	303,711	20.2%	38,829	342,540	19.2%
December 31, 2023	252,932	—	252,932	16.9%	31,557	284,489	15.9%
Thereafter	432,861	—	432,861	28.8%	70,595	503,456	28.2%
Total ¹	\$ 1,322,062	\$ 178,843	\$ 1,500,905	100.0%	\$ 286,687	\$ 1,787,592	100.0%

1. Excludes fair value debt adjustment and deferred financing charges.

Of the maturing debt balances, only 33.4% of mortgages and 34.1% of total maturing debt balances mature over the next three years.

Senior unsecured notes

	Maturity Date	Effective Interest Rate	December 31, 2018	December 31, 2017
Series A	October 31, 2018	3.986%	\$ —	\$ 175,000
Series B	June 1, 2021	3.769%	250,000	175,000
Series C	February 10, 2020	2.775%	125,000	125,000
Series D	November 21, 2022	4.066%	150,000	150,000
Series E	January 31, 2025	4.802%	175,000	—
Unamortized Series B issue premium			1,068	1,323
Deferred financing charges			(2,352)	(2,003)
			\$ 698,716	\$ 624,320

On October 31, 2018, Crombie issued \$175,000 of 4.8% Series E Senior Unsecured Notes maturing January 31, 2025. The Notes were priced at \$999.96 per \$1,000.00 of principal amount, resulting in an effective yield to maturity of 4.802%. The net proceeds were used to fund the \$175,000 of 3.986% Series A Senior Unsecured Notes which matured on October 31, 2018.

On August 31, 2018, Crombie issued, on a private placement basis, an additional \$75,000 aggregate principal amount of 3.962% Series B Notes (senior unsecured) (the "Additional Notes"), maturing June 1, 2021. The Additional Notes were priced with an effective

yield to maturity of 3.882% and sold at a price of \$1,002.02 per \$1,000.00 principal amount plus accrued interest.

On November 20, 2017, Crombie issued, on a private placement basis, a \$150,000 aggregate principal amount of 4.066% Series D Notes (senior unsecured), maturing November 21, 2022.

There are no required periodic principal payments, with the full face value of the Notes due on their respective maturity dates.

Convertible debentures

	Conversion Price	Maturity Date	Interest Rate	December 31, 2018	December 31, 2017
Series D	\$ 20.10	July 4, 2017	5.00%	\$ —	\$ —
Series E	\$ 17.15	August 31, 2018	5.25%	—	74,400
Deferred financing charges				—	(1,236)
				\$ —	\$ 73,164

On August 31, 2018, Crombie exercised its right to redeem its 5.25% Series E Convertible Unsecured Subordinated Debentures originally scheduled to mature on March 31, 2021 (the "Debentures") in accordance with the terms of the supplemental trust indenture. Upon redemption, Crombie paid the holders of Debentures \$1,022.01 per \$1,000 principal amount of Debentures, representing the principal amount plus accrued and unpaid interest.

On July 4, 2017, Crombie exercised its right to redeem its 5.00% Series D Convertible Unsecured Subordinated Debentures originally scheduled to mature on September 30, 2019 (the "Debentures") in accordance with the terms of the supplemental trust indenture. Upon redemption, Crombie paid the holders of Debentures \$1,013.01 per \$1,000 principal amount of Debentures, representing the principal amount plus accrued and unpaid interest.

REIT Units and Class B LP Units and the attached Special Voting Units

For the year ended December 31, 2018, Crombie issued 469,649 REIT Units and 333,058 Class B LP Units under its DRIP. Until May 22, 2018, Units were issued under the DRIP at a three percent (3%) discount to market prices. Effective on that date, Crombie amended the DRIP to eliminate the discount such that future Units issued under the DRIP are issued at a price equal to 100% of the volume-weighted average trading price of the REIT Units on the TSX for the five trading days immediately preceding the relevant distribution payment date.

Total units outstanding at January 31, 2019, were as follows:

Units	89,608,850
Special Voting Units ¹	61,987,986

1. Crombie Limited Partnership, a subsidiary of Crombie, has also issued 61,987,986 Class B LP Units. These Class B LP Units accompany the Special Voting Units, are the economic equivalent of a Unit, and are exchangeable for Units on a one-for-one basis.

SOURCES AND USES OF FUNDS

(In thousands of CAD dollars)	Three months ended December 31,			Year ended December 31,		
	2018	2017	Variance	2018	2017	Variance
Cash provided by (used in):						
Operating activities	\$ 10,401	\$ 21,349	\$ (10,948)	\$ 54,270	\$ 91,145	\$ (36,875)
Financing activities	8,955	(12,305)	21,260	(174)	82,648	(82,822)
Investing activities	(19,356)	(9,044)	(10,312)	(54,096)	(173,793)	119,697
Net change during the period	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —

Operating Activities

(In thousands of CAD dollars)	Three months ended December 31,			Year ended December 31,		
	2018	2017	Variance	2018	2017	Variance
Cash provided by (used in):						
Net assets attributable to Unitholders and non-cash items	\$ 11,682	\$ 17,821	\$ (6,139)	\$ 52,727	\$ 69,741	\$ (17,014)
Non-cash operating items	(1,280)	1,459	(2,739)	1,546	19,335	(17,789)
Income taxes paid	(1)	2,069	(2,070)	(3)	2,069	(2,072)
Cash provided by (used in) operating activities	\$ 10,401	\$ 21,349	\$ (10,948)	\$ 54,270	\$ 91,145	\$ (36,875)

For the three months ended December 31, 2018, cash from operating activities decreased by \$10,948 over the same period in 2017. During the quarter, distributions reinvested through the DRIP decreased \$5,891. The decrease of \$2,739 in non-cash operating items primarily relates to the timing of payments on prepaid expenses and payables.

For the year ended December 31, 2018, cash from operating activities decreased by \$36,875 over the same period in 2017. The decrease primarily relates to a reduction of \$21,253 in distributions reinvested through the DRIP and to the reduced cash from non-cash operating items of \$17,789. This is impacted by \$8,600 received in the first quarter of 2017 for mortgage proceeds held back from December 2016 as well as year over year fluctuations in the timing of payments for expenses.

Financing Activities

(In thousands of CAD dollars)	Three months ended December 31,			Year ended December 31,		
	2018	2017	Variance	2018	2017	Variance
Cash provided by (used in):						
Issuance of new mortgages	\$ —	\$ —	\$ —	\$ —	\$ 192,783	\$ (192,783)
Regular principal repayment of mortgages	(13,108)	(13,661)	553	(53,145)	(52,479)	(666)
Lump sum principal repayment of mortgages	—	—	—	(64,713)	(50,379)	(14,334)
Net issue (repayment) on credit facilities	24,695	(147,323)	172,018	125,675	(167,206)	292,881
Deferred financing charges – investment property debt	(458)	(456)	(2)	(742)	(3,802)	3,060
Issuance of senior unsecured notes	175,000	150,000	25,000	250,152	226,413	23,739
Deferred financing charges – senior unsecured notes	(841)	(652)	(189)	(1,169)	(999)	(170)
Redemption of senior unsecured notes	(175,000)	—	(175,000)	(175,000)	—	(175,000)
Redemption of convertible debentures	—	—	—	(74,400)	(60,000)	(14,400)
Other items (net)	(1,333)	(213)	(1,120)	(6,832)	(1,683)	(5,149)
Cash provided by (used in) financing activities	\$ 8,955	\$ (12,305)	\$ 21,260	\$ (174)	\$ 82,648	\$ (82,822)

Cash provided by financing activities for the three months ended December 31, 2018 increased by \$21,260 from the same period in 2017. During the three months ended December 31, 2018, Crombie increased floating rate credit facilities by \$24,695 (three months ended December 31, 2017 – decrease of \$147,323) primarily related to property acquisitions and additions. On October 31, 2018, \$175,000 of 3.986% Series A Notes (senior unsecured) matured and were refinanced with \$175,000 of Series E Notes (senior unsecured) with an effective interest rate of 4.802%. During the three months ended December 31, 2017, Crombie decreased the balance of its floating rate credit facilities with proceeds from the issue of \$150,000 aggregate principal amount of 4.066% Series D Notes (senior unsecured).

Cash provided by financing activities for the year ended December 31, 2018 decreased by \$82,822 from the same period in 2017. During the year ended December 31, 2018, Crombie repaid

\$64,713 (year ended December 31, 2017 – \$50,379) in maturing mortgages and increased floating rate credit facilities by \$125,675. In addition to the refinancing in the fourth quarter of 2018 noted above, Crombie issued \$75,000 of additional Series B Notes (senior unsecured) with an effective interest rate of 3.882% with proceeds used to fund the early redemption of \$74,400 of 5.25% Convertible Debentures. During the year ended December 31, 2017, Crombie issued \$192,783 in new mortgages with a weighted average interest rate of 3.43% and utilized the proceeds for property acquisitions and to reduce floating rate credit facilities. On March 3, 2017, Crombie issued an additional \$75,000 of the 3.962% Series B Notes (senior unsecured) for gross proceeds of \$76,413, resulting in an effective yield to maturity of 3.48%. The proceeds were used to reduce floating rate credit facilities.

Investing Activities

(In thousands of CAD dollars)	Three months ended December 31,			Year ended December 31,		
	2018	2017	Variance	2018	2017	Variance
Cash provided by (used in):						
Acquisition of investment properties	\$ (9,630)	\$ —	\$ (9,630)	\$ (118,184)	\$ (119,357)	\$ 1,173
Additions to investment properties	(29,716)	(16,887)	(12,829)	(91,211)	(46,800)	(44,411)
Proceeds on disposal of investment properties	26,186	15,645	10,541	190,013	15,645	174,368
Proceeds on disposal of marketable securities	—	—	—	1,252	1,220	32
Additions to tenant incentives	(2,873)	(6,580)	3,707	(16,505)	(18,381)	1,876
Additions to deferred leasing costs	(226)	(372)	146	(983)	(1,279)	296
Additions to fixtures and computer equipment	(1,092)	(850)	(242)	(4,248)	(3,140)	(1,108)
Acquisition of interest in joint ventures	—	—	—	(10,210)	(1,701)	(8,509)
Additions to investment in joint ventures	(2,005)	—	(2,005)	(4,020)	—	(4,020)
Cash provided by (used in) investing activities	\$ (19,356)	\$ (9,044)	\$ (10,312)	\$ (54,096)	\$ (173,793)	\$ 119,697

Cash used in investing activities for the three months ended December 31, 2018 increased by \$10,312 over the same period in 2017. During the three months ended December 31, 2018, Crombie acquired one retail property and an addition to an existing retail property for net cash of \$9,630 and completed the disposition of three retail properties for net proceeds of \$26,186. During the three months ended December 31, 2017, Crombie completed the disposition of one retail property for net proceeds of \$15,645.

Cash used in investing activities for the year ended December 31, 2018 decreased by \$119,697 over the same period in 2017. During the year ended December 31, 2018, Crombie completed the acquisitions and dispositions noted above as well as the acquisition of 10 retail properties and additions to three existing retail properties and the disposition of five retail properties and one mixed use property, disposition of a 50% interest in nine retail properties and disposition of vacant land adjacent to a mixed use development property.

ADJUSTED CASH FLOW FROM OPERATIONS (ACFO)

Crombie considers ACFO to be a useful measure in evaluating its ability to generate sustainable, economic cash flows from operating activities to fund distributions to unitholders. ACFO is not a measure recognized under IFRS and does not have a standardized meaning prescribed by IFRS. As such, this non-GAAP financial measure should not be considered as an alternative to cash provided from operating activities or any other measure prescribed under IFRS. ACFO as computed by Crombie may differ from similar computations as reported by other REITs and, accordingly, may not be comparable to other such issuers. Crombie follows the recommendations of REALPAC's February 2017 white paper in calculating ACFO and defines ACFO as cash flow from operations (computed in accordance with IFRS), adjusted for the following applicable amounts:

- Distributions to unitholders included in cash flow from operations;
- Non-cash DRIP amounts included in distributions;
- Change in working capital;
- Capital expenditures;
- Taxes related to non-operating activities; and,
- Deferred financing charges.

REALPAC provides for other adjustments in determining ACFO which are currently not applicable to Crombie, therefore not included in the above list. The calculation of ACFO for the three months and year ended December 31, 2018 and 2017 is as follows:

(In thousands of CAD dollars)	Three months ended December 31,		Year ended December 31,	
	2018	2017	2018	2017
Cash flow from operations	\$ 10,401	\$ 21,349	\$ 54,270	\$ 91,145
Add (deduct):				
Distributions to unitholders included in cash flow from operations	33,724	33,511	134,729	133,259
Non-cash DRIP amount included in above distributions	(677)	(6,568)	(10,100)	(31,353)
Change in non-cash working capital balances not indicative of sustainable cash flows	1,070	31	541	(16,943)
Reserve for maintenance expenditures	(4,238)	(4,450)	(17,027)	(17,682)
Taxes related to non-operating activities	—	(2,069)	—	(2,069)
Amortization of deferred financing charges	(930)	(996)	(5,158)	(4,474)
ACFO as calculated based on REALPAC recommendations	39,350	40,808	157,255	151,883
Total distributions declared during the period	33,724	33,511	134,729	133,259
Excess of ACFO over total distributions	\$ 5,626	\$ 7,297	\$ 22,526	\$ 18,624
ACFO payout ratio	85.7%	82.1%	85.7%	87.7%

BORROWING CAPACITY AND DEBT COVENANTS

Under the amended terms governing the revolving credit facility, Crombie is entitled to borrow a maximum of 70% of the fair market value of assets subject to a first security position and 60% of the excess of fair market value over first mortgage financing of assets subject to a second security position or a negative pledge (the "Borrowing Base"). The revolving credit facility provides Crombie with flexibility to add or remove properties from the Borrowing Base, subject to compliance with certain conditions. The terms of the revolving credit facility also require that Crombie must maintain certain covenants:

- annualized NOI for the prescribed properties must be a minimum of 1.4 times the coverage of the related annualized debt service requirements;
- annualized NOI on all properties must be a minimum of 1.4 times the coverage of all annualized debt service requirements; and,
- distributions to Unitholders are limited to 100% of distributable income as defined in the revolving credit facility.

The revolving credit facility also contains a covenant limiting the amount which may be utilized under the revolving credit facility at any time. This covenant provides that the aggregate of amounts drawn under the revolving credit facility plus any outstanding letters of credit, may not exceed the "Aggregate Borrowing Base", which is based on a modified calculation of the Borrowing Base, as defined in the revolving credit facility.

At December 31, 2018, the remaining amount available under the revolving credit facility was approximately \$291,000 (prior to reduction for standby letters of credit outstanding of \$8,698) and was not limited by the Aggregate Borrowing Base. At December 31, 2018, Crombie remained in compliance with all debt covenants.

DEBT TO GROSS BOOK VALUE – FAIR VALUE BASIS

When calculating debt to gross book value, debt is defined under the terms of the Declaration of Trust as obligations for borrowed money including obligations incurred in connection

with acquisitions, excluding specific deferred taxes payable, trade payables and accruals in the ordinary course of business and distributions payable. Gross book value is, at any time, the book value of the assets of Crombie and its consolidated subsidiaries plus deferred financing charges, accumulated depreciation and amortization in respect of Crombie's properties and cost of any below-market component of properties less (i) the amount of any receivable reflecting interest rate subsidies on any debt assumed by Crombie and (ii) the amount of deferred tax liability arising out of the fair value adjustment in respect of the indirect acquisitions of certain properties. If approved by a majority of the independent trustees, the appraised value of the assets of Crombie and its consolidated subsidiaries may be used instead of book value.

Debt to gross book value on a fair value basis includes investment properties measured at fair value with all other components of gross book value measured at the carrying value included in Crombie's financial statements. Crombie's methodology for

determining fair value includes capitalization of net operating income using quarterly capitalization rates from external property valuers. All income properties are also subject to external, independent appraisals on a rotational basis over a period of not more than four years. The valuation techniques are more fully described in Crombie's year end audited financial statements.

The debt to gross book value on a fair value basis was 51.0% at December 31, 2018 compared to 50.3% at December 31, 2017. This leverage ratio is below the maximum 60%, or 65% including convertible debentures, as permitted by Crombie's Declaration of Trust. On a long-term basis, Crombie intends to maintain reasonable overall indebtedness so as to maintain and strengthen its investment grade rating.

During the year ended December 31, 2018, Crombie's weighted average cap rate used in the determination of the fair value of its investment properties increased 0.17% to 6.10%.

(In thousands of CAD dollars, except as otherwise noted)	As at				
	Dec. 31, 2018	Sep. 30, 2018	Jun. 30, 2018	Mar. 31, 2018	Dec. 31, 2017
Fixed rate mortgages	\$ 1,610,640	\$ 1,618,489	\$ 1,631,707	\$ 1,718,804	\$ 1,762,815
Senior unsecured notes	700,000	700,000	625,000	625,000	625,000
Convertible debentures	—	—	74,400	74,400	74,400
Revolving credit facility	108,843	54,148	32,422	11,161	8,168
Bilateral credit facility	70,000	100,000	100,000	50,000	45,000
Total debt outstanding	2,489,483	2,472,637	2,463,529	2,479,365	2,515,383
Less: Applicable fair value debt adjustment	(818)	(891)	(965)	(1,040)	(1,117)
Debt	\$ 2,488,665	\$ 2,471,746	\$ 2,462,564	\$ 2,478,325	\$ 2,514,266
Investment properties, at fair value	\$ 4,776,000	\$ 4,786,000	\$ 4,862,000	\$ 4,943,000	\$ 4,944,000
Other assets, cost ¹	52,677	57,181	60,354	33,469	41,056
Deferred financing charges	11,408	11,058	12,815	14,095	14,958
Investment in joint ventures	39,485	37,578	2,715	2,711	2,602
Interest rate subsidy	(818)	(891)	(965)	(1,040)	(1,117)
Gross book value – fair value basis	\$ 4,878,752	\$ 4,890,926	\$ 4,936,919	\$ 4,992,235	\$ 5,001,499
Debt to gross book value – fair value basis	51.0%	50.5%	49.9%	49.6%	50.3%

1. Other assets exclude Tenant incentives and Accrued straight-line rent receivable

Crombie's management believes that through the issuance of Notes, convertible debentures, mortgage financings, refinancings and bank debt, Crombie continues to maintain leverage at an appropriate level while staying conservatively within its maximum borrowing capacity.

COVERAGE RATIOS

EBITDA is a non-GAAP measure and should not be considered an alternative to operating income attributable to Unitholders, cash provided by operating activities or any other measure of operations as prescribed by IFRS. Crombie believes EBITDA is an indicative measure of its ability to service debt requirements, fund capital projects and acquire properties. Crombie's measurement of EBITDA may not be comparable to that used by other entities.

	Three months ending							
	Dec. 31, 2018	Sep. 30, 2018	Jun. 30, 2018	Mar. 31, 2018	Dec. 31, 2017	Sep. 30, 2017	Jun. 30, 2017	Mar. 31, 2017
Property revenue	\$ 104,296	\$ 100,505	\$ 104,143	\$ 105,705	\$ 105,667	\$ 102,424	\$ 101,591	\$ 102,131
Amortization of tenant incentives	3,451	3,334	2,468	3,622	3,507	2,759	2,960	3,542
Adjusted property revenue	107,747	103,839	106,611	109,327	109,174	105,183	104,551	105,673
Property operating expenses	(30,817)	(27,660)	(29,925)	(32,904)	(31,622)	(28,259)	(29,793)	(31,395)
General and administrative expenses	(5,184)	(4,925)	(4,626)	(4,491)	(4,246)	(4,675)	(5,160)	(4,996)
EBITDA (1)	\$ 71,746	\$ 71,254	\$ 72,060	\$ 71,932	\$ 73,306	\$ 72,249	\$ 69,598	\$ 69,282
Trailing 12 months EBITDA (4)	\$ 286,992	\$ 288,552	\$ 289,547	\$ 287,085	\$ 284,435			
Finance costs – operations	\$ 25,968	\$ 26,573	\$ 26,381	\$ 26,709	\$ 26,681	\$ 26,244	\$ 26,892	\$ 25,960
Amortization of deferred financing charges	(930)	(2,019)	(1,093)	(1,116)	(996)	(1,010)	(1,521)	(947)
Amortization of effective swap agreements	(557)	(563)	(568)	(575)	(580)	(586)	(591)	(597)
Adjusted interest expense (2)	\$ 24,481	\$ 23,991	\$ 24,720	\$ 25,018	\$ 25,105	\$ 24,648	\$ 24,780	\$ 24,416
Debt principal repayments (3)	\$ 13,108	\$ 13,033	\$ 13,124	\$ 13,880	\$ 13,661	\$ 13,078	\$ 13,056	\$ 12,684
Debt outstanding (see Debt to Gross Book Value) (5) ¹	\$ 2,488,665	\$ 2,471,746	\$ 2,462,564	\$ 2,478,325	\$ 2,514,266			
Interest service coverage ratio ((1)/(2))	2.93x	2.97x	2.92x	2.88x	2.92x	2.93x	2.81x	2.84x
Debt service coverage ratio ((1)/((2)+(3)))	1.91x	1.92x	1.90x	1.85x	1.89x	1.92x	1.84x	1.87x
Debt to trailing 12 months EBITDA ((5)/(4))	8.67x	8.57x	8.50x	8.63x	8.84x			

1. Outstanding debt previously calculated as part of the Debt to Gross Book Value – Fair Value Basis calculation.

ACCOUNTING

RELATED PARTY TRANSACTIONS

As at December 31, 2018, Empire, through its wholly-owned subsidiary ECLD, holds a 41.5% indirect interest in Crombie. Related party transactions primarily include transactions with entities associated with Crombie through Empire's indirect interest. Related party transactions also include transactions with key management personnel and post-employment benefit plans.

Related party transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Crombie's transactions with related parties are as follows:

(In thousands of CAD dollars)	Note	Three months ended December 31,		Year ended December 31,	
		2018	2017	2018	2017
Property revenue					
Property revenue	(a)	\$ 51,241	\$ 50,766	\$ 214,565	\$ 208,083
Head lease income	(b)	\$ 254	\$ 390	\$ 730	\$ 922
Lease termination income		\$ –	\$ (2)	\$ –	\$ 100
Property operating expenses					
	(c)	\$ (18)	\$ (18)	\$ (58)	\$ (47)
General and administrative expenses					
Property management services recovered	(d)	\$ 189	\$ 161	\$ 611	\$ 645
Other general and administrative expenses		\$ (53)	\$ (91)	\$ (203)	\$ (295)
Finance costs – operations					
Interest on convertible debentures	(e)	\$ –	\$ –	\$ –	\$ (608)
Interest rate subsidy	(b)	\$ 73	\$ 77	\$ 299	\$ 335
Finance costs – distributions to Unitholders					
		\$ (13,992)	\$ (13,905)	\$ (55,900)	\$ (55,293)

- (a) Crombie earned property revenue from Sobeys Inc. and other subsidiaries of Empire.
- (b) For various periods, ECLD has an obligation to provide rental income and interest rate subsidies pursuant to an Omnibus Subsidy Agreement dated March 23, 2006, between Crombie Developments Limited, Crombie Limited Partnership and ECLD. The rental income is included in Property revenue and the interest rate subsidy is netted against Finance costs – operations.
- (c) Certain executive management individuals and other employees of Crombie provide general management, financial, leasing, administrative, and other administration support services to certain subsidiaries of Empire on a cost sharing basis pursuant to a Management Agreement effective January 1, 2016.
- (d) Crombie provides property management, leasing services and environmental management to specific properties owned by certain subsidiaries of Empire on a fee for service basis pursuant to a Management Agreement effective January 1, 2016. Revenue generated from the Management Agreement is being recognized as a reduction of General and administrative expenses. This Agreement replaces the previous cost sharing arrangement covered by a Management Cost Sharing Agreement.
- (e) Empire held \$24,000 of Series D Convertible Debentures with an annual interest rate of 5.00% until their redemption on July 4, 2017.

In addition to the above:

- On September 28, 2018, Crombie acquired an addition to an existing property representing approximately 10,000 square feet of gross leaseable area from a subsidiary of Empire for \$3,735 before closing and transaction costs.

- On June 29, 2018, Crombie acquired one retail property in Alberta for \$12,500 before closing and transaction costs.
- On April 6, 2018, Crombie acquired a portfolio of nine retail properties and additions to two existing retail properties for \$88,110 before closing and transaction costs.
- During the year ended December 31, 2018, Crombie issued 333,058 (December 31, 2017 – 977,009) Class B LP Units to ECLD under the DRIP.
- On September 29, 2017, Crombie acquired an addition to an existing property representing approximately 31,000 square feet of gross leaseable area from a subsidiary of Empire for \$7,671 before closing and transaction costs.
- On May 4, 2017, Crombie acquired a development property in British Columbia for \$31,136 before closing and transaction costs and settled the long-term receivable previously advanced to a subsidiary of Empire as part of the transaction.
- On March 16, 2017, Crombie acquired a retail property in Alberta and assumed the related land lease from Empire including approximately 50,000 square feet of gross leaseable area for \$8,320 before closing and transaction costs.

KEY MANAGEMENT PERSONNEL COMPENSATION

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of Crombie. The following are considered to be Crombie's key management personnel: the Chief Executive Officer, Chief Financial Officer and the three other highest compensated executives.

The remuneration of members of key management during the period was approximately as follows:

(In thousands of CAD dollars)	Year ended December 31,	
	2018	2017
Salary, bonus and other short-term employee benefits	\$ 5,865	\$ 4,389
Other long-term benefits	106	98
	\$ 5,971	\$ 4,487

USE OF ESTIMATES AND JUDGMENTS

The preparation of consolidated financial information requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Significant judgment, estimate and assumption items include impairment, employee future benefits, investment properties, purchase price allocations and fair value of financial instruments. These estimates are based on historical experience and management's best knowledge of current events and actions that Crombie may undertake in the future. Actual results could differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revisions affect only that period or in the period of the revision and future periods if the revision affects both current and future periods.

CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

Investment property acquisitions

Upon acquisition, Crombie performs an assessment of investment properties being acquired to determine whether the acquisition is to be accounted for as an asset acquisition or a business combination. A transaction is considered to be a business combination if the acquired property meets the definition of a business; being an integrated set of activities and assets that are capable of being managed for the purpose of providing a return to the Unitholders. Crombie performs an assessment of the fair value of the properties' related tangible and intangible assets and liabilities and allocates the purchase price to the acquired assets and liabilities. Crombie assesses and considers fair value based on cash flow projections that take into account relevant discount and capitalization rates and any other relevant sources of market information available. Estimates of future cash flow are based on factors that include historical operating results, if available, and anticipated trends, local markets and underlying economic conditions.

Crombie allocates the purchase price based on the following:

Land – The amount allocated to land is based on an appraisal estimate of its fair value.

Buildings – Buildings are recorded at the estimated fair value of the building and its components and significant parts.

Intangible Assets – Intangible assets are recorded for tenant relationships, based on estimated costs avoided should the respective tenants renew their leases at the end of the initial lease term, adjusted for the estimated probability of renewal.

Fair value of debt – Values ascribed to fair value of debt are determined based on the differential between contractual and market interest rates on long-term liabilities assumed at acquisition.

Investment properties

Investment properties are properties which are held to earn rental income.

Investment properties include land, buildings and intangible assets. Investment properties are carried at cost less accumulated depreciation and are reviewed periodically for impairment.

Depreciation of buildings is calculated using the straight-line method with reference to each property's cost, the estimated useful life of the building (not exceeding 40 years) and its components, significant parts and residual value.

Repairs and maintenance improvements are expensed as incurred or, in the case of major items that constitute a capital asset, are capitalized to the building and amortized on a straight-line basis over the expected useful life of the improvement.

Change in useful life of investment properties

The estimated useful lives of significant investment properties are reviewed whenever events or circumstances indicate a change in useful life. Estimated useful lives of significant investment properties are based on management's best estimate and the actual useful lives may be different. Revisions to the estimated useful lives of investment properties constitute a change in accounting estimate and are accounted for prospectively by amortizing the cumulative changes over the remaining estimated useful life of the related assets.

Revenue recognition

Property revenue includes rents earned from tenants under lease agreements, percentage rent, realty tax and operating cost recoveries, and other incidental income. Certain leases have rental payments that change over their term due to changes in rates. Crombie records the rental revenue from leases on a straight-line basis over the term of the lease. Accordingly, an accrued rent receivable is recorded for the difference between the straight-line rent recorded as property revenue and the rent that is contractually due from the tenants. In addition, tenant incentives are amortized on a straight-line basis over the term of existing leases and the amortization is shown as a reduction in property revenue. Percentage rents are recognized when tenants are obligated to pay such rent under the terms of the related lease agreements. Realty tax and operating cost recoveries, and other incidental income, are recognized on an accrual basis.

CRITICAL JUDGMENTS

Judgments made by management in the preparation of these financial statements that have significant effect and estimates with a significant risk of material adjustment to the carrying amount of assets and liabilities are as follows:

Impairment of long-lived tangible and definite life intangible assets

Long-lived tangible and definite life intangible assets are reviewed for impairment at each reporting period for events or changes in circumstances that indicate that the carrying value of the assets may not be recoverable. If such an indication exists, the recoverable amount of the asset is estimated in order to determine the extent of impairment loss (if any). The recoverable amount is the higher of fair value less costs to sell and value in use. Where the asset does not generate cash flows that are independent from other assets, Crombie estimates the recoverable amount of the cash generating unit(s) to which the asset belongs. When

the recoverable amount of an asset (or cash generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash generating unit) is reduced to the recoverable amount. An impairment loss is recognized as an expense immediately in operating income.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate, but is limited to the carrying amount that would have been determined if no impairment loss had been recognized in prior periods. A reversal of impairment loss is recognized immediately in operating income.

Defined benefit liability

Management estimates the defined benefit liability annually with the assistance of independent actuaries; however, the actual outcome may vary due to estimation uncertainties. The estimate of Crombie's defined benefit liability is based on standard rates of inflation, medical cost trends and mortality. It also takes into account Crombie's specific anticipation of future salary increases. Discount factors are determined each reporting period by reference to high quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension liability. Estimation uncertainties exist particularly with regard to medical cost trends, which may vary significantly in future appraisals of Crombie's defined benefit obligations.

Investment property valuation

External, independent valuation companies, having appropriate recognized professional qualifications and recent experience in the location and category of properties being valued, value Crombie's investment property portfolio on a rotating basis over a maximum period of four years. The fair values, based on the date of the valuation, represent an estimate of the price that would be agreed upon between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. Internal quarterly revaluations are performed using internally generated valuation models prepared by considering the aggregate cash flows received from leasing the property. A yield obtained from an independent valuation company, which reflects the specific risks inherent in the net cash flows, is then applied to the net annual cash flows to arrive at the property valuation. Net annual cash flows are primarily determined using the trailing 12 months actual results.

Purchase price allocation

Investment properties are properties which are held to earn rental income. Investment properties include land, buildings and intangible assets. Upon acquisition, management allocates the purchase price of the acquisition. This allocation contains a number of estimates and underlying assumptions including, but not limited to, estimated cash flows, discount rates, lease-up rates, inflation rates, renewal rates and leasing costs.

Fair value of financial instruments

The fair value of marketable financial instruments is the estimated amount for which an instrument could be exchanged, or a liability settled, by Crombie and a knowledgeable, willing party in an arm's length transaction.

The fair value of other financial instruments is based upon discounted future cash flows using discount rates that reflect current market conditions for instruments with similar terms and risks. Such fair value estimates are not necessarily indicative of the amounts Crombie might pay or receive in actual market transactions.

FINANCIAL INSTRUMENTS

The fair value of a financial instrument is the estimated amount that Crombie would receive to sell a financial asset or pay to transfer a financial liability in an orderly transaction between market participants at the measurement date.

Fair value determination is classified within a three-level hierarchy, based on observability of significant inputs, as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 – unobservable inputs for the asset or liability.

The following table provides information on financial assets and liabilities measured at fair value as at December 31, 2018:

(In thousands of CAD dollars)	Level	December 31, 2018	December 31, 2017
Financial assets			
Marketable securities	1	\$ —	\$ 1,285
Total financial assets measured at fair value		\$ —	\$ 1,285

There were no transfers between levels of the fair value hierarchy during the year ended December 31, 2018. During the three months ended March 31, 2018, Crombie sold the marketable securities.

Due to their short-term nature, the carrying value of the following financial instruments approximates their fair value at the balance sheet date:

- Cash and cash equivalents
- Trade receivables
- Restricted cash
- Trade and other payables (excluding embedded derivatives).

The fair value of other financial instruments is based on discounted cash flows using discount rates that reflect current market conditions for instruments with similar terms and risks. The following table summarizes the estimated fair value of other financial instruments which have a fair value different from their carrying value:

(In thousands of CAD dollars)	December 31, 2018		December 31, 2017	
	Fair Value	Carrying Value	Fair Value	Carrying Value
Financial assets				
Long-term receivables ¹	\$ 21,885	\$ 21,882	\$ 6,642	\$ 6,628
Total other financial assets	\$ 21,885	\$ 21,882	\$ 6,642	\$ 6,628
Financial liabilities				
Investment property debt	\$ 1,829,772	\$ 1,789,483	\$ 1,846,029	\$ 1,815,983
Senior unsecured notes	702,893	700,000	627,120	625,000
Convertible debentures	—	—	76,818	74,400
Total other financial liabilities	\$ 2,532,665	\$ 2,489,483	\$ 2,549,967	\$ 2,515,383

1. Long-term receivables include amounts in other assets for capital expenditure program, interest rate subsidy and receivable from related parties.

The fair value of convertible debentures is a Level 1 measurement and the long-term receivables, investment property debt and senior unsecured notes are Level 2.

COMMITMENTS, CONTINGENCIES AND GUARANTEES

There are various claims and litigation which Crombie is involved with arising out of the ordinary course of business operations. In the opinion of management, any liability that would arise from such contingencies would not have a significant adverse effect on these operating results.

Crombie has agreed to indemnify its trustees and officers, and particular employees, in accordance with Crombie's policies. Crombie maintains insurance policies that may provide coverage against certain claims.

Crombie obtains letters of credit to support its obligations with respect to construction work on its investment properties and satisfying mortgage financing requirements. As at December 31, 2018, Crombie has a total of \$8,698 in outstanding letters of credit related to:

(In thousands of CAD dollars)	December 31,	
	2018	2017
Construction work being performed on investment properties	\$ 3,858	\$ 3,879
Mortgage lenders primarily to satisfy mortgage financings on redevelopment properties	4,840	4,840
Total outstanding letters of credit	\$ 8,698	\$ 8,719

Crombie does not believe that any of these standby letters of credit are likely to be drawn upon.

Land leases have varying terms ranging from six to 71 years including renewal options. For the three months and year ended December 31, 2018, Crombie paid \$465 and \$1,864 in land lease payments to third party landlords (three months and year ended December 31, 2017 – \$445 and \$1,685).

As at December 31, 2018, Crombie had signed construction contracts totalling \$206,295 of which \$165,120 has been paid.

Crombie has 100% guarantees on mortgages related to properties in which it has less than a 100% interest. The mortgages payable related to these guarantees are secured by specific charges against the properties. As at December 31, 2018, Crombie has provided guarantees of approximately \$38,245 (December 31, 2017 – \$NIL) on mortgages in excess of their ownership interest in the properties. The mortgages have a weighted average term to maturity of 5.9 years.

RISK MANAGEMENT

In the normal course of business, Crombie is exposed to a number of financial risks that can affect its operating performance. The more significant risks, and the action taken to manage them, are as follows:

Real Property Ownership and Tenant Risks

All real property investments are subject to elements of risk. The value of real property and any improvements thereto depend on the credit and financial stability of tenants and upon the vacancy rates of the properties. In addition, certain significant expenditures, including property taxes, ground rent, mortgage payments, insurance costs and related charges must be made throughout the period of ownership of real property regardless of whether a property is producing any income. Cash available for distribution will be adversely affected if a significant number of tenants are unable to meet their obligations under their leases or if a significant amount of available space in the properties becomes vacant and cannot be leased on economically favourable lease terms.

Upon the expiry of any lease, there can be no assurance that the lease will be renewed or the tenant replaced. The terms of any subsequent lease may be less favourable to Crombie than those of an existing lease. The ability to rent unleased space in the properties in which Crombie has an interest will be affected by many factors, including general economic conditions, local real estate markets, changing demographics, supply and demand for leased premises, competition from other available premises and various other factors. Management utilizes staggered lease maturities so that Crombie is not required to lease unusually large amounts of space in any given year. In addition, the diversification of our property portfolio by geographic location, tenant mix and asset type also helps to mitigate this risk.

CREDIT RISK

Credit risk arises from the possibility that tenants may experience financial difficulty and be unable to fulfill their lease commitments. A provision for doubtful accounts is taken for all anticipated collectability risks.

Crombie mitigates credit risk by geographical diversification, diversifying both its tenant mix and asset mix and conducting credit assessments for new and renewing tenants.

In measuring tenant concentration, Crombie considers both the annual minimum rent and total property revenue of major tenants.

- Crombie's largest tenant, Sobeys, represents 55.5% of annual minimum rent; no other tenant accounts for more than 4.4% of Crombie's annual minimum rent, and;
- Total property revenue includes operating and realty tax cost recovery income and percentage rent. These amounts can vary by property type, specific tenant leases and where tenants may directly incur and pay operating and realty tax costs. Crombie earned total property revenue of \$51,241 and \$214,565 respectively for the three months and year ended December 31, 2018 (three months and year ended December 31, 2017 – \$50,766 and \$208,083 respectively) from Sobeys Inc. and other subsidiaries of Empire.

Over the next five years, leases representing no more than 6.1% of the gross leaseable area of Crombie will expire in any one year.

Receivables are substantially comprised of current balances due from tenants. The balance of accounts receivable past due is not significant. Generally, rents are due the first of each month and other tenant billings are due 30 days after invoiced, and in general, balances over 30 days are considered past due. None of the receivable balances are considered impaired.

At each balance sheet date, Crombie assesses whether there is objective evidence that a financial asset carried at amortized cost is impaired. If such evidence exists, Crombie recognizes an impairment loss, as the difference between the carrying value of the instrument and the present value of the estimated future cash flows, discounted using the instrument's original effective interest rate or a discount rate based on the risk associated with the financial asset being tested. The carrying amount of the asset is reduced by this amount through a charge to the statement of comprehensive income.

There have been no significant changes to Crombie's credit risk since December 31, 2017.

COMPETITION

The real estate business is competitive. Numerous other developers, managers and owners of properties compete with Crombie in seeking tenants. Some of the properties located in the same markets as Crombie's properties are newer, better located, less levered or have stronger anchor tenants than Crombie's properties. Some property owners with properties located in the same markets as Crombie's properties may be better capitalized and may be stronger financially and hence better able to withstand an economic downturn. Competitive pressures in such markets could have a negative effect on Crombie's ability to lease space in its properties and on the rents charged or concessions granted.

RISK FACTORS RELATED TO THE BUSINESS OF CROMBIE

Development Risk

Crombie owns a number of investment properties at varying stages of development as well as a significant pipeline of potential future development properties.

Development risk associated with development projects underway include: construction delays and their impact on financing and related costs as well as commitments from tenants for occupancy; cost overruns which could impact the profitability and/or financial viability of a project; and, the inability to meet revenue projections upon completion, which could be impacted by unmet leasing assumptions on timing of tenant occupancy or rent per square foot. Management strives to mitigate these risks by undertaking certain projects with partners (see Joint Arrangement Risk); entering into fixed cost construction contracts with reputable contractors; entering into long-term financing at the most appropriate stage possible; and, entering into long-term leases with reputable commercial tenants prior to construction wherever possible.

Development risks associated with potential future development properties include all of the above risks as well as the risks associated with the ability to develop the property at all. This may include waiting for all current leases to expire or negotiating favourable terms with current tenants which could include costs associated with lease interruptions to permit development; and, inability to receive various required municipal / provincial approvals for site plan, development, zoning, construction, etc.

Joint Arrangement Risk

Crombie has entered into joint arrangements or partnerships with other third party entities. Risks associated with these arrangements include risk of default by a partner on financing obligations or non-performance of a partner's obligations on a project, which may include development, construction, management or leasing. Crombie attempts to mitigate these risks by entering into arrangements with financially stable, reputable partners with a proven track record and by negotiating contractual rights in the event of a default.

Significant Relationship

Crombie's anchor tenants are concentrated in a relatively small number of retail operators. Specifically, 55.5% of the annual minimum rent (56.5% including Lawton's) and 50.6% of total property revenue (51.4% including Lawton's) generated from Crombie's properties is derived from anchor tenants that are owned and/or operated by Sobeys. Therefore, Crombie is reliant on the sustainable operation by Sobeys in these locations.

Retail and Geographic Concentration

Crombie's portfolio of properties is heavily weighted in retail properties. Consequently, changes in the retail environment and general consumer spending, including the growing trend in e-commerce, could adversely impact Crombie's financial condition. Crombie's portfolio of properties was historically heavily concentrated in Atlantic Canada. Through property acquisitions and dispositions over the last four years, Crombie has reduced its geographic concentration in Atlantic Canada, and reduced the adverse impact an economic downturn any one specific geographic region in Canada could have on Crombie's financial condition. The geographic breakdown of properties and percentage of annual minimum rent of Crombie's properties as at December 31, 2018 is detailed under the Property Portfolio section.

Crombie's growth strategy of expansion outside of Atlantic Canada has been predicated on reducing the geographic concentration risk. The percentage of annual minimum rent to be earned in Atlantic Canada has decreased from 43.4% at December 31, 2013 to 36.4% at December 31, 2018.

Cyber Security Risk

A cyber security incident includes any material adverse event that threatens the confidentiality, integrity and/or availability of Crombie's information resources. Such events, intentional or unintentional, could include malicious software attacks, unauthorized access to confidential data or information systems or security breaches and could lead to a disruption of operations or unauthorized access to, and release of, confidential information. The results could be reputational damage with tenants and suppliers as well as financial costs or a disruption to Crombie's business. Crombie has implemented processes, procedures and controls to help mitigate these risks, but these measures, as well as its increased awareness of a risk of a cyber incident, do not guarantee that its financial results will not be negatively impacted by the occurrence of any such event.

INTEREST RATE RISK

Interest rate risk is the potential for financial loss arising from increases in interest rates. Crombie mitigates this risk by utilizing staggered debt maturities and limiting the use of permanent

floating rate debt and, on occasion, utilizing interest rate swap agreements. Crombie does not enter into interest rate swaps on a speculative basis.

As at December 31, 2018:

- Crombie's weighted average term to maturity of its fixed rate mortgages was 4.6 years;
- Crombie has a floating rate revolving credit facility available to a maximum of \$400,000, subject to available Borrowing Base, with a balance of \$108,843 at December 31, 2018;
- Crombie has a floating rate bilateral credit facility available to a maximum of \$100,000 with a balance of \$70,000 at December 31, 2018; and,
- Crombie has interest rate swap agreements in place on \$109,295 of floating rate mortgage debt.

Crombie estimates that \$2,165 of accumulated other comprehensive income (loss) will be reclassified to finance costs during the year ended December 31, 2019, based on all settled swap agreements as of December 31, 2018.

A fluctuation in interest rates would have had an impact on Crombie's operating income related to the use of floating rate debt. Based on the previous year's rate changes, a 0.5% interest rate change would reasonably be considered possible. The changes would have had the following impact:

(In thousands of CAD dollars)

Impact on operating income attributable to Unitholders of interest rate changes on the floating rate revolving credit facility	Impact of a 0.5% interest rate change	
	Decrease in rate	Increase in rate
Three months ended December 31, 2018	\$ 214	\$ (214)
Three months ended December 31, 2017	\$ 124	\$ (124)
Year ended December 31, 2018	\$ 611	\$ (611)
Year ended December 31, 2017	\$ 468	\$ (468)

There have been no significant changes to Crombie's interest rate risk since December 31, 2017.

LIQUIDITY RISK

The real estate industry is highly capital intensive. Liquidity risk is the risk that Crombie may not have access to sufficient debt and equity capital to fund its growth program, refinance debt obligations as they mature or meet its ongoing obligations as they arise.

Cash flow generated from operating the property portfolio represents the primary source of liquidity used to service the interest on debt, fund general and administrative expenses, reinvest in the portfolio through capital expenditures, as well as fund tenant incentive costs and make distributions to Unitholders.

Debt repayment requirements are primarily funded from refinancing Crombie's maturing debt obligations. Property acquisition funding requirements are funded through a

combination of accessing the debt and equity capital markets and recycling capital from property dispositions.

There is a risk that the debt capital markets may not refinance maturing fixed rate and floating rate debt on terms and conditions acceptable to Crombie or at any terms at all. Crombie seeks to mitigate this risk by staggering its debt maturity dates. There is also a risk that the equity capital markets may not be receptive to a REIT unit offering issue from Crombie with financial terms acceptable to Crombie. Crombie mitigates its exposure to liquidity risk utilizing a conservative approach to capital management.

Access to the revolving credit facility is limited by the amount utilized under the facility and the amount of any outstanding letters of credit, and cannot exceed the borrowing base security provided by Crombie.

The estimated payments, including principal and interest, on non-derivative financial liabilities to maturity date are as follows:

(In thousands of CAD dollars)	Year ending December 31,						
	Contractual Cash Flows ¹	2019	2020	2021	2022	2023	Thereafter
Fixed rate mortgages ²	\$ 1,878,846	\$ 247,213	\$ 323,962	\$ 180,834	\$ 270,926	\$ 312,584	\$ 543,327
Senior unsecured notes	802,610	27,873	149,788	268,626	163,823	8,400	184,100
	2,681,456	275,086	473,750	449,460	434,749	320,984	727,427
Floating rate credit facilities	196,966	6,877	75,128	4,079	110,882	–	–
Total	\$ 2,878,422	\$ 281,963	\$ 548,878	\$ 453,539	\$ 545,631	\$ 320,984	\$ 727,42

1. Contractual cash flows include principal and interest and ignore extension options.

2. Reduced by the interest rate subsidy payments to be received from Empire.

There have been no significant changes to Crombie's liquidity risk since December 31, 2017.

ENVIRONMENTAL MATTERS

Environmental legislation and regulations have become increasingly important in recent years. As an owner of interests in real property in Canada, Crombie is subject to various Canadian federal, provincial and municipal laws relating to environmental matters.

Such laws provide that Crombie could become liable for environmental harm, damage or costs, including with respect to the release of hazardous, toxic or other regulated substances into the environment, and the removal or other remediation of hazardous, toxic or other regulated substances that may be present at or under its properties. The failure to remove or otherwise address such substances, if any, may adversely affect Crombie's ability to sell such property, realize the full value of such property or borrow using such property as collateral security, and could potentially result in claims against Crombie by public or private parties by way of civil action.

Crombie's operating policy is to obtain a Phase I environmental site assessment, conducted by an independent and experienced environmental consultant, prior to acquiring a property and to have Phase II environmental site assessment work completed where recommended in a Phase I environmental site assessment.

Crombie is not aware of any material non-compliance with environmental laws at any of its properties, and is not aware of any pending or threatened investigations or actions by environmental regulatory authorities in connection with any of its properties. Crombie has implemented policies and procedures to assess, manage and monitor environmental conditions at its properties to manage exposure to liability.

Potential Conflicts of Interest

The trustees will, from time to time, in their individual capacities, deal with parties with whom Crombie may be dealing, or may be seeking investments similar to those desired by Crombie. The interests of these persons could conflict with those of Crombie. The Declaration of Trust contains conflict of interest provisions requiring the trustees to disclose their interests in certain contracts and transactions and to refrain from voting on those matters. In addition, certain decisions regarding matters that may give rise to a conflict of interest must be made by a majority of independent elected trustees only.

Conflicts may exist due to the fact that certain trustees, senior officers and employees of Crombie are directors and/or senior officers of Empire and/or its affiliates or will provide management or other services to Empire and its affiliates. Empire and its affiliates are engaged in a wide variety of real estate and other business

activities. Crombie may become involved in transactions that conflict with the interests of the foregoing. The interests of these persons could conflict with those of Crombie. To mitigate these potential conflicts, Crombie and Empire have entered into a number of agreements to outline how potential conflicts of interest will be dealt with, including a Non-Competition Agreement, Management Agreement and Development Agreement. As well, the Declaration of Trust contains a number of provisions to manage potential conflicts of interest including setting limits to the number of Empire appointees to the Board, "conflict of interest" guidelines, as well as outlining which matters require the approval of a majority of the independent elected trustees such as any property acquisitions or dispositions between Crombie and Empire or another related party.

Reliance on Key Personnel

The management of Crombie depends on the services of certain key personnel. The loss of the services of any key personnel could have an adverse effect on Crombie and adversely impact Crombie's financial condition. Crombie does not have key-man insurance on any of its key employees.

Reliance on Empire, Sobeys and Other Empire Affiliates

Empire has agreed to support Crombie under an omnibus subsidy agreement and to pay ongoing rent pursuant to a head lease and a ground lease. Empire and specific subsidiaries have provided the Omnibus Environmental Indemnity described above under "Related Party Transactions". In addition, a significant portion of Crombie's rental income will be received from tenants that are affiliates of Empire. Finally, Empire has obligations to indemnify Crombie in respect to the cost of environmental remediation of certain properties acquired by Crombie from Empire to a maximum permitted amount. There is no certainty that Empire will be able to perform its obligations to Crombie in connection with these agreements. Empire and specific subsidiaries have not provided any security to guarantee these obligations. If Empire, Sobeys or such affiliates are unable or otherwise fail to fulfill their obligations to Crombie, such failure could adversely impact Crombie's financial condition.

RISK FACTORS RELATED TO THE UNITS

Cash Distributions Are Not Guaranteed

There can be no assurance regarding the amount of income to be generated by Crombie's properties. The ability of Crombie to make cash distributions and the actual amount distributed are

entirely dependent on the operations and assets of Crombie and its subsidiaries, and are subject to various factors including financial performance, obligations under applicable credit facilities, the sustainability of income derived from anchor tenants and capital expenditure requirements. Cash available to Crombie to fund distributions may be limited from time to time because of items such as principal repayments, tenant allowances, leasing commissions, capital expenditures and redemptions of Units, if any. Crombie may be required to use part of its debt capacity or to reduce distributions in order to accommodate such items. The market value of the Units will deteriorate if Crombie is unable to maintain its distribution in the future, and that deterioration may be significant. In addition, the composition of cash distributions for tax purposes may change over time and may affect the after-tax return for investors.

Restrictions on Redemptions

It is anticipated that the redemption of Units will not be the primary mechanism for holders of Units to liquidate their investments. The entitlement of Unitholders to receive cash upon the redemption of their Units is subject to the following limitations: (i) the total amount payable by Crombie in respect of such Units and all other Units tendered for redemption in the same calendar month must not exceed \$50 (provided that such limitation may be waived at the discretion of the Trustees); (ii) at the time such Units are tendered for redemption, the outstanding Units must be listed for trading on a stock exchange or traded or quoted on another market which the Trustees consider, in their sole discretion, provides fair market value prices for the Units; and, (iii) the trading of Units is not suspended or halted on any stock exchange on which the Units are listed (or, if not listed on a stock exchange, on any market on which the Units are quoted for trading) on the redemption date for more than five trading days during the 10-day trading period commencing immediately after the redemption date.

Potential Volatility of Unit Prices

One of the factors that may influence the market price of the Units is the annual yield on the Units. An increase in market interest rates may lead purchasers of Units to demand a higher annual yield, which accordingly could adversely affect the market price of the Units. In addition, the market price of the Units may be affected by changes in general market conditions, fluctuations in the markets for equity securities and numerous other factors beyond the control of Crombie.

Tax-Related Risk Factors

Crombie intends to make distributions not less than the amount necessary to eliminate Crombie's liability for tax under Part I of the Income Tax Act (Canada). Where the amount of net income and net realized capital gains of Crombie in a taxation year exceeds the cash available for distribution in the year, such excess net income and net realized capital gains will be distributed to Unitholders and such additional distributions may be in the form of cash and/or additional Units. Unitholders will generally be required to include an amount equal to the fair market value of any additional Units in their taxable income, notwithstanding that they do not directly receive a cash distribution.

Certain properties have been acquired by Crombie LP on a tax deferred basis, whereby the tax cost of these properties is less than their fair market value. Accordingly if one or more of such

properties are disposed of, the gain for tax purposes recognized by Crombie LP will be in excess of that which it would have been if it had acquired the properties at a tax cost equal to their fair market values.

Publicly traded income trusts, or specified investment flow-through entities ("SIFTs"), are subject to income taxation at corporate tax rates, subject to an exemption for real estate investment trusts ("REITs"). The exemption for REITs was provided to "recognize the unique history and role of collective real estate investment vehicles," which are well-established structures throughout the world. A trust that satisfies the criteria of a REIT throughout its taxation year will not be subject to income tax in respect of distributions to its unitholders or be subject to the restrictions on its growth that would apply to SIFTs.

While REITs were exempted from the SIFT taxation, a number of technical tests apply to determine which entities would qualify as a REIT. These technical tests did not fully accommodate the business structures used by many Canadian REITs.

Crombie and its advisors underwent an extensive review of Crombie's organizational structure and operations to support Crombie's assertion that it meets the REIT technical tests contained in the Act throughout the 2008 through 2018 fiscal years. The relevant tests apply throughout the taxation year of Crombie and, as such, the actual status of Crombie for any particular taxation year can only be ascertained at the end of the year.

Notwithstanding that Crombie may meet the criteria for a REIT and thus be exempt from the distribution tax, there can be no assurance that the Department of Finance (Canada) or other governmental authority will not undertake initiatives which have an adverse impact on Crombie or its Unitholders.

Indirect Ownership of Units by Empire

Empire holds a 41.5% economic interest in Crombie through the ownership of REIT and Class B LP Units. Pursuant to the Exchange Agreement, each Class B LP Unit will be exchangeable at the option of the holder for one Unit of Crombie and will be attached to a Special Voting Unit of Crombie, providing for voting rights in Crombie. Furthermore, pursuant to the Declaration of Trust, Empire is entitled to appoint a certain number of Trustees based on the percentage of Units held by it. Thus, Empire is in a position to exercise a certain influence with respect to the affairs of Crombie. If Empire sells substantial amounts of its Class B LP Units or exchanges such units for Units and sells these Units in the public market, the market price of the Units could fall. The perception among the public that these sales will occur could also produce such effect.

Ownership of Senior Unsecured Notes ("Notes")

There is no public market through which the Notes may be sold. Crombie does not intend to list the Notes on any securities exchange or include the Notes in any automated quotation system.

Therefore, an active market for the Notes may not develop or be maintained, which would adversely affect the market price and liquidity of the Notes. In such case, the holders of the Notes may not be able to sell their Notes at a particular time or at a favourable price. If a public trading market were to develop, future trading prices of the Notes may be volatile and will depend on many factors, including:

- the number of holders of Notes;
- prevailing interest rates;
- Crombie's operating performance and financial condition;
- Crombie's credit rating;
- the interest of securities dealers in making a market for them; and,
- the market for similar securities.

Even if an active trading market for the Notes does develop, there is no guarantee that it will continue. The Notes may trade at a discount from their initial offering price, depending upon prevailing interest rates, the market for similar Notes, Crombie's performance and other factors.

SUBSEQUENT EVENTS

- On January 21, 2019, Crombie declared distributions of 7.417 cents per Unit for the period from January 1, 2019 to and including, January 31, 2019. The distributions were paid on February 15, 2019, to Unitholders of record as of January 31, 2019.
- On February 19, 2019, Crombie declared distributions of 7.417 cents per Unit for the period from February 1, 2019 to and including February 28, 2019. The distributions will be paid on March 15, 2019, to Unitholders of record as of February 28, 2019.
- On February 5, 2019, Crombie disposed of a 50% interest in seven retail properties totalling 296,376 square feet of gross leaseable area. Total proceeds, before closing adjustments and transaction costs, were approximately \$41,600.
- Since December 31, 2018, Crombie also disposed of a 100% interest in three retail properties totalling 182,800 square feet of gross leaseable area. Total proceeds, before closing adjustments and transaction costs, were approximately \$64,800.

CONTROLS AND PROCEDURES

Crombie maintains a set of disclosure controls and procedures designed to ensure that information required to be disclosed by Crombie in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in the securities legislation and include controls and procedures designed to ensure that information required to be disclosed by Crombie is accumulated and communicated to Crombie's management, including its President and Chief Executive Officer ("CEO") and Executive Vice President, Chief Financial Officer and Secretary ("CFO"), as appropriate, to allow timely decisions regarding disclosure. Our CEO and CFO have evaluated the design and effectiveness of our disclosure controls and procedures as of December 31, 2018. They have concluded that our current disclosure controls and procedures are effective.

In addition, our CEO and CFO have designed, or caused to be designed under their supervision, internal controls over financial reporting ("ICFR") to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes as defined in National Instrument 52-109. The control framework management used to design and assess the effectiveness of ICFR is *Internal Control-Integrated Framework* (2013) issued by The Committee of Sponsoring Organizations of the Treadway Commission (COSO). Further, our CEO and CFO have evaluated, or caused to be evaluated under their supervision, the effectiveness of the design and operation of ICFR as at December 31, 2018, and have concluded that our current ICFR was effective based on that evaluation. There have been no material changes to Crombie's internal controls during the year.

QUARTERLY INFORMATION

The following table shows information for revenues, expenses, increase (decrease) in net assets attributable to Unitholders, AFFO, FFO, distributions and per unit amounts for the eight most recently completed quarters.

(In thousands of CAD dollars, except per unit amounts)	Three months ended							
	Dec. 31, 2018	Sep. 30, 2018	Jun. 30, 2018	Mar. 31, 2018	Dec. 31, 2017	Sep. 30, 2017	Jun. 30, 2017	Mar. 31, 2017
Property revenue	\$ 104,296	\$ 100,505	\$ 104,143	\$ 105,705	\$ 105,667	\$ 102,424	\$ 101,591	\$ 102,131
Property operating expenses	30,817	27,660	29,925	32,904	31,622	28,259	29,793	31,395
Property net operating income	73,479	72,845	74,218	72,801	74,045	74,165	71,798	70,736
Gain on disposal	4,580	100	33,502	11,841	2,474	–	–	–
Expenses:								
General and administrative	(5,184)	(4,925)	(4,626)	(4,491)	(4,246)	(4,675)	(5,160)	(4,996)
Finance costs – operations	(25,968)	(26,573)	(26,381)	(26,709)	(26,681)	(26,244)	(26,892)	(25,960)
Income (loss) from equity accounted investments	111	69	39	35	(7)	41	27	–
Depreciation and amortization	(19,906)	(28,696)	(19,719)	(28,032)	(20,619)	(21,966)	(19,826)	(19,796)
Impairment	(7,000)	–	(8,000)	–	–	–	–	–
Operating income before taxes	20,112	12,820	49,033	25,445	24,966	21,321	19,947	19,984
Taxes – current	(1)	(2)	–	–	2,082	–	(4)	–
Taxes – deferred	–	–	–	–	–	–	76,400	(1,000)
Operating income	20,111	12,818	49,033	25,445	27,048	21,321	96,343	18,984
Finance costs – distributions to Unitholders	(33,724)	(33,711)	(33,688)	(33,606)	(33,511)	(33,385)	(33,248)	(33,115)
Finance income (costs) – change in fair value of financial instruments	197	(40)	(50)	295	18	25	1	101
Increase (decrease) in net assets attributable to Unitholders	\$ (13,416)	\$ (20,933)	\$ 15,295	\$ (7,866)	\$ (6,445)	\$ (12,039)	\$ 63,096	\$ (14,030)
Operating income per unit – Basic	\$ 0.13	\$ 0.08	\$ 0.32	\$ 0.17	\$ 0.18	\$ 0.14	\$ 0.65	\$ 0.13
Operating income per unit – Diluted	\$ 0.13	\$ 0.08	\$ 0.32	\$ 0.17	\$ 0.18	\$ 0.14	\$ 0.63	\$ 0.13

(In thousands of CAD dollars, except per unit amounts)	Three months ended							
	Dec. 31, 2018	Sep. 30, 2018	Jun. 30, 2018	Mar. 31, 2018	Dec. 31, 2017	Sep. 30, 2017	Jun. 30, 2017	Mar. 31, 2017
Distributions								
Distributions	\$ 33,724	\$ 33,711	\$ 33,688	\$ 33,606	\$ 33,511	\$ 33,385	\$ 33,248	\$ 33,115
Per unit	\$ 0.22	\$ 0.22	\$ 0.22	\$ 0.22	\$ 0.22	\$ 0.22	\$ 0.22	\$ 0.22
AFFO								
Basic	\$ 39,771	\$ 37,867	\$ 39,492	\$ 38,664	\$ 39,481	\$ 38,713	\$ 35,532	\$ 36,132
Per unit – Basic	\$ 0.26	\$ 0.25	\$ 0.26	\$ 0.26	\$ 0.26	\$ 0.26	\$ 0.24	\$ 0.24
Per unit – Diluted ¹	\$ 0.26	\$ 0.25	\$ 0.26	\$ 0.26	\$ 0.26	\$ 0.26	\$ 0.24	\$ 0.24
Payout ratio	84.8%	89.0%	85.3%	86.9%	84.9%	86.2%	93.6%	91.7%
FFO								
Basic	\$ 46,490	\$ 45,355	\$ 46,325	\$ 45,864	\$ 47,237	\$ 46,652	\$ 43,335	\$ 43,928
Per unit – Basic	\$ 0.31	\$ 0.30	\$ 0.31	\$ 0.30	\$ 0.31	\$ 0.31	\$ 0.29	\$ 0.30
Per unit – Diluted ¹	\$ 0.31	\$ 0.30	\$ 0.30	\$ 0.30	\$ 0.31	\$ 0.31	\$ 0.29	\$ 0.29
Payout ratio	72.5%	74.3%	72.7%	73.3%	70.9%	71.6%	76.7%	75.4%

1. FFO and AFFO per unit are calculated on a diluted basis. The diluted weighted average number of total Units and Special Voting Units included the conversion of all series of convertible debentures outstanding during the period, excluding any series that is anti-dilutive. Distributions per unit for each period are based on the total distributions per unit declared during the specific period.

Variations in quarterly results over the past eight quarters have been influenced by the following specific transactions and ongoing events:

- Property acquisitions and dispositions (excluding closing and transaction costs) for each of the above three month periods were:
 - December 31, 2018 – acquisition of one retail property and an addition to an existing retail property for a total purchase price of \$14,900 and disposition of three retail properties for proceeds of \$26,600;
 - September 30, 2018 – acquisition of an addition to an existing retail property for a total purchase price of \$3,735 and disposition of one retail property for proceeds of \$39,682;
 - June 30, 2018 – acquisition of 10 retail properties and additions to two existing retail properties for a total purchase price of \$100,610, disposition of two retail properties and one mixed use property for proceeds of \$74,250 and disposition of a 50% interest in nine retail properties for proceeds of \$77,929;
 - March 31, 2018 – disposition of two retail properties for proceeds of \$35,627 and the disposition of residential lands adjacent to a development property for proceeds of \$5,725;
 - December 31, 2017 – disposition of one retail property for proceeds of \$15,600;
 - September 30, 2017 – acquisition of six retail properties for a total purchase price of \$100,257, and acquisition of additional development on a pre-existing retail property for a total purchase price of \$7,671; and,
 - March 31, 2017 – acquisition of one retail property for a total purchase price of \$8,320.
- Property revenue and property operating expenses – Crombie's business is subject to seasonal fluctuations. Property operating expenses during winter months include particular expenses such as snow removal, which is a recoverable expense, thus increasing property revenue during these same periods. Property operating expenses during the summer and fall periods include particular expenses such as paving and roof repairs.
- On June 30, 2017, Crombie completed a tax reorganization, as approved by unitholders, resulting in, amongst other structural changes, the winding up of its most significant, wholly-owned corporate subsidiary. Through the tax reorganization, all property within the corporate entity was transferred to a limited partnership resulting in the elimination of Crombie's obligation for deferred income taxes related to this corporate subsidiary. The deferred tax liability of \$76,400 at the time of the tax reorganization was reduced to \$NIL and the decrease was recognized as an income tax recovery on Crombie's Consolidated Statement of Comprehensive Income for the three months ended June 30, 2017.
- Per unit amounts for FFO and AFFO are influenced by operating results as detailed above and by the timing of the issuance of REIT Units and Class B LP Units.

Additional information relating to Crombie, including its latest Annual Information Form, can be found on the SEDAR website for Canadian regulatory filings at www.sedar.com.

Dated: February 27, 2019
New Glasgow, Nova Scotia, Canada

MANAGEMENT'S STATEMENT OF RESPONSIBILITY FOR FINANCIAL REPORTING

The management of Crombie Real Estate Investment Trust ("Crombie") is responsible for the preparation and fair presentation of the accompanying annual consolidated financial statements and Management's Discussion and Analysis ("MD&A"). The annual consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. The annual consolidated financial statements and information in the MD&A include amounts based on best estimates and judgments by management of the expected effects of current events and transactions. In preparing this financial information, we make determinations about the relevancy of information to be included, and estimates and assumptions that affect the reported information. The MD&A also includes information regarding the impact of current transactions and events, sources of liquidity and capital resources, operating trends, risks and uncertainties. Actual results in the future may vary materially from our present assessment of this information as future events and circumstances may not occur as expected.

In meeting our responsibility for the fair presentation of the annual consolidated financial statements and MD&A and for the accounting systems from which they are derived, management has established internal controls designed to ensure that our financial records are reliable for preparing consolidated financial statements and other financial information, transactions are properly authorized and recorded, and assets are safeguarded against unauthorized use or disposition.

As at December 31, 2018, our Chief Executive Officer and Chief Financial Officer evaluated, or caused an evaluation under their direct supervision, the design and operation of our internal controls over financial reporting and, based on that assessment, determined that our internal controls over financial reporting were appropriately designed and operating effectively.

The Board of Trustees oversees management's responsibility for financial reporting through an Audit Committee. This committee reviews Crombie's annual consolidated financial statements and MD&A with both management and the independent auditor before such statements are approved by the Board of Trustees. The Audit Committee also recommends the appointment of independent external auditors to the Unitholders. The Audit Committee meets regularly with senior management and the independent auditor to discuss internal controls, audit activities and financial reporting results. The independent auditor has full and free access to, and meets regularly with, the Audit Committee to discuss their audits and related matters.



DONALD E. CLOW, FCPA, FCA
PRESIDENT AND CHIEF EXECUTIVE OFFICER

February 27, 2019



GLENN R. HYNES, FCPA, FCA
EXECUTIVE VICE PRESIDENT, COO, CFO
AND SECRETARY

February 27, 2019

INDEPENDENT AUDITOR'S REPORT

TO THE UNITHOLDERS OF CROMBIE REAL ESTATE INVESTMENT TRUST

OUR OPINION

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

What we have audited

The Trust's consolidated financial statements comprise:

- the consolidated balance sheets as at December 31, 2018 and 2017;
- the consolidated statements of comprehensive income (loss) for the years then ended;
- the consolidated statements of changes in net assets attributable to unitholders for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

BASIS FOR OPINION

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

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

Independence

We are independent of the Trust in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

OTHER INFORMATION

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis, which we obtained prior to the date of this auditor's report and the information, other than the consolidated financial statements and our auditor's report thereon, included in the annual report, which is expected to be made available to us after that date.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express an opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard. When we read the information, other than the consolidated financial statements and our auditor's report thereon, included in the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, 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.

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are

considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Donald M. Flinn.



**CHARTERED PROFESSIONAL ACCOUNTANTS,
LICENSED PUBLIC ACCOUNTANTS**

Halifax, Nova Scotia, Canada
February, 27, 2019

CONSOLIDATED BALANCE SHEETS

(In thousands of CAD dollars)	Note	December 31, 2018	December 31, 2017
ASSETS			
Non-current assets			
Investment properties	3	\$ 3,759,643	\$ 3,826,961
Investment in joint ventures	4	39,485	2,602
Other assets	5	248,818	225,908
		4,047,946	4,055,471
Current assets			
Other assets	5	23,128	31,383
Total Assets		4,071,074	4,086,854
LIABILITIES			
Non-current liabilities			
Fixed rate mortgages	6	1,421,062	1,632,431
Credit facilities	6	178,843	53,168
Senior unsecured notes	7	698,716	449,320
Convertible debentures	8	—	73,164
Employee future benefits obligation	9	8,824	8,849
Trade and other payables	10	11,488	9,558
		2,318,933	2,226,490
Current liabilities			
Fixed rate mortgages	6	180,522	118,665
Senior unsecured notes	7	—	175,000
Employee future benefits obligation	9	296	282
Trade and other payables	10	128,483	109,162
		309,301	403,109
Total liabilities excluding net assets attributable to Unitholders		2,628,234	2,629,599
Net assets attributable to Unitholders		\$ 1,442,840	\$ 1,457,255
Net assets attributable to Unitholders represented by:			
Crombie REIT Unitholders		\$ 864,779	\$ 873,478
Special Voting Units and Class B Limited Partnership Unitholders		578,061	583,777
		\$ 1,442,840	\$ 1,457,255
Commitments, contingencies and guarantees	21		
Subsequent events	22		

See accompanying notes to the consolidated financial statements.

Approved on behalf of the Board of Trustees

Signed (John Eby)

JOHN EBY

LEAD TRUSTEE

Signed (J. Michael Knowlton)

J. MICHAEL KNOWLTON

AUDIT COMMITTEE CHAIR

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(In thousands of CAD dollars)	Note	Year ended	
		December 31, 2018	December 31, 2017
Property revenue	11	\$ 414,649	\$ 411,813
Property operating expenses		121,306	121,069
Net property income		293,343	290,744
Gain on disposal of investment properties	3	50,023	2,474
Impairment of investment properties	3	(15,000)	–
Depreciation of investment properties	3	(88,818)	(74,845)
Amortization of intangible assets	3	(6,701)	(6,654)
Amortization of deferred leasing costs	3	(792)	(708)
Depreciation of fixtures and computer equipment	5	(42)	–
General and administrative expenses	13	(19,226)	(19,077)
Finance costs – operations	14	(105,631)	(105,777)
Income from equity accounted investments	4	254	61
Operating income before taxes		107,410	86,218
Taxes – current	15	(3)	2,078
Taxes – deferred	15	–	75,400
Operating income attributable to Unitholders		107,407	163,696
Finance costs – other			
Distributions to Unitholders		(134,729)	(133,259)
Change in fair value of financial instruments	13	402	145
		(134,327)	(133,114)
Increase (decrease) in net assets attributable to Unitholders		(26,920)	30,582
Other comprehensive income			
Items that will be subsequently reclassified to Increase (decrease) in net assets attributable to Unitholders:			
Costs incurred on derivatives designated as cash flow hedges transferred to finance costs – operations		2,263	2,354
Net change in derivatives designated as cash flow hedges		(364)	3,204
Items that will not be subsequently reclassified to Increase (decrease) in net assets attributable to Unitholders:			
Unamortized actuarial gains (losses) in employee future benefits obligation		266	(479)
Other comprehensive income		2,165	5,079
Comprehensive income (loss)		\$ (24,755)	\$ 35,661

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

(In thousands of CAD dollars)	REIT Units, Special Voting Units and Class B LP Units (Note 16)	Net Assets (Liabilities) Attributable to Unitholders	Accumulated Other Comprehensive Income (Loss)	Total	Attributable to	
					REIT Units	Class B LP Units
Balance, January 1, 2018	\$ 1,746,139	\$ (285,388)	\$ (3,496)	\$ 1,457,255	\$ 873,478	\$ 583,777
Adjustments related to EUPP	61	21	–	82	82	–
Statements of comprehensive income (loss)	–	(26,920)	2,165	(24,755)	(14,841)	(9,914)
Units issued under Distribution Reinvestment Plan ("DRIP")	10,100	–	–	10,100	5,902	4,198
Units issued under unit based compensation plan	158	–	–	158	158	–
Balance, December 31, 2018	\$ 1,756,458	\$ (312,287)	\$ (1,331)	\$ 1,442,840	\$ 864,779	\$ 578,061

(In thousands of CAD dollars)	REIT Units, Special Voting Units and Class B LP Units (Note 16)	Net Assets (Liabilities) Attributable to Unitholders	Accumulated Other Comprehensive Income (Loss)	Total	Attributable to	
					REIT Units	Class B LP Units
Balance, January 1, 2017	\$ 1,714,724	\$ (316,003)	\$ (8,575)	\$ 1,390,146	\$ 834,203	\$ 555,943
Adjustments related to EUPP	62	33	–	95	95	–
Statements of comprehensive income	–	30,582	5,079	35,661	20,844	14,817
Units issued under DRIP	31,353	–	–	31,353	18,336	13,017
Balance, December 31, 2017	\$ 1,746,139	\$ (285,388)	\$ (3,496)	\$ 1,457,255	\$ 873,478	\$ 583,777

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands of CAD dollars)	Note	Year ended	
		December 31, 2018	December 31, 2017
CASH FLOWS PROVIDED BY (USED IN)			
Operating Activities			
Increase (decrease) in net assets attributable to Unitholders		\$ (26,920)	\$ 30,582
Items not affecting operating cash	17	79,647	39,159
Change in other non-cash operating items	17	1,546	19,335
Income taxes paid		(3)	2,069
Cash provided by operating activities		54,270	91,145
Financing Activities			
Issue of mortgages		–	192,783
Deferred financing charges – investment property debt		(742)	(3,802)
Repayment of mortgages – principal		(53,145)	(52,479)
Repayment of mortgages – maturity		(64,713)	(50,379)
Advance (repayment) of floating rate credit facilities		125,675	(167,206)
Issue of senior unsecured notes		250,152	226,413
Deferred financing charges – senior unsecured notes		(1,169)	(999)
Redemption of senior unsecured notes		(175,000)	–
Redemption of convertible debentures		(74,400)	(60,000)
Amortization of fair value debt adjustment		(482)	(996)
Acquisition of fair value debt adjustment		(160)	–
Recognition of interest rate subsidy		(299)	(328)
Repayment of EUPP loans receivable		61	62
Collection of (advances on) long-term receivables		(5,952)	(421)
Cash provided by (used in) financing activities		(174)	82,648
Investing Activities			
Acquisition of investment properties and intangible assets		(118,184)	(119,357)
Additions to investment properties		(91,211)	(46,800)
Proceeds on disposal of investment properties	3	190,013	15,645
Acquisition of interest in joint ventures		(10,210)	(1,701)
Contributions to Joint Ventures		(4,020)	–
Additions to fixtures and computer equipment		(4,248)	(3,140)
Proceeds on disposal of marketable securities		1,252	1,220
Additions to tenant incentives		(16,505)	(18,381)
Additions to deferred leasing costs		(983)	(1,279)
Cash used in investing activities		(54,096)	(173,793)
Net change in cash and cash equivalents		–	–
Cash and cash equivalents, beginning of year		–	–
Cash and cash equivalents, end of year		\$ –	\$ –

See accompanying notes to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of CAD dollars)

1) GENERAL INFORMATION AND NATURE OF OPERATIONS

Crombie Real Estate Investment Trust ("Crombie") is an unincorporated "open-ended" real estate investment trust created pursuant to the Declaration of Trust dated January 1, 2006, as amended. The principal business of Crombie is investing in income-producing retail, office and mixed use properties in Canada. Crombie is registered in Canada and the address of its registered office is 610 East River Road, Suite 200, New Glasgow, Nova Scotia, Canada, B2H 3S2. The consolidated financial statements for the years ended December 31, 2018 and December 31, 2017 include the accounts of Crombie and all of its subsidiary entities. The units of Crombie are traded on the Toronto Stock Exchange ("TSX") under the symbol "CRR.UN".

The consolidated financial statements were authorized for issue by the Board of Trustees on February 27, 2019.

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) 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").

(b) BASIS OF PRESENTATION

These consolidated financial statements are presented in Canadian dollars ("CAD"); Crombie's functional and reporting currency, rounded to the nearest thousand. The consolidated financial statements are prepared on a historical cost basis except for any financial assets and liabilities classified as fair value with changes in fair value either recognized as an Increase (decrease) in net assets attributable to Unitholders ("FVTPL" classification) or fair value through other comprehensive income ("FVOCI" classification).

(c) PRESENTATION OF FINANCIAL STATEMENTS

When Crombie: (i) applies an accounting policy retrospectively; (ii) makes a retrospective restatement of items in its financial statements; or (iii) reclassifies items on the balance sheet, it will present an additional balance sheet as at the beginning of the earliest comparative period.

(d) BASIS OF CONSOLIDATION

(i) SUBSIDIARIES

Crombie's financial statements consolidate those of Crombie and all of its subsidiary entities as at December 31, 2018. Subsidiaries are all entities over which Crombie has control. All subsidiaries have a reporting date of December 31, 2018.

All intercompany transactions, balances, income and expenses are eliminated in preparing the consolidated financial statements. Where unrealized losses on intercompany asset sales are reversed on consolidation, the underlying asset is also tested for impairment from an entity perspective.

Operating income (loss) and other comprehensive income (loss) of subsidiaries acquired or disposed of during the period are recognized from the effective date of acquisition, or up to the effective date of disposal, as applicable.

(ii) JOINT ARRANGEMENTS

Joint arrangements are business arrangements whereby two or more parties have joint control. Joint control is based on the contractual sharing of control over the decisions related to the relevant activities. Joint arrangements are classified as either joint operations or joint ventures depending on the contractual arrangements related to the rights and obligations of the parties to the arrangement.

Joint operations

A joint operation is an arrangement wherein the parties to the arrangement have rights to the assets and obligations for the liabilities related to the arrangement. For joint operations, Crombie recognizes its proportionate share of the assets, liabilities, revenues and expenses of the joint operation in the relevant categories of Crombie's financial statements.

Joint ventures

A joint venture is an entity over which Crombie shares joint control with other parties and where the joint venture parties have rights to the net assets of the joint venture. Joint control exists where there is a contractual agreement for shared control and wherein decisions about the significant relevant activities of the arrangement require unanimous consent of the parties sharing control.

Investment in joint ventures is accounted for using the equity method. Under the equity method, the investment is initially recorded at cost with subsequent adjustments for Crombie's share of the results of operations and any change in net assets. Crombie's joint venture entities have the same reporting period as Crombie and adjustments, if any, are made to bring the accounting policies of joint venture entities in line with the policies of Crombie.

(e) INVESTMENT PROPERTIES

Investment properties are properties which are held to earn rental income. Investment properties include land, buildings and intangible assets. Investment properties are carried at cost less accumulated depreciation and are reviewed for impairment as described in Note 2(v).

Depreciation of buildings is calculated using the straight-line method with reference to each property's cost, the estimated useful life of the building (not exceeding 40 years) and its components, significant parts and residual value.

Amortization of intangible assets is calculated using the straight-line method over the term of the tenant lease.

Repairs and maintenance items are expensed as incurred or, in the case of major items that constitute a capital asset, are capitalized to the building and amortized on a straight-line basis over the estimated useful life of the improvement.

Upon acquisition, Crombie performs an assessment of investment properties being acquired to determine whether the acquisition is to be accounted for as an asset acquisition or a business combination. A transaction is considered to be a business combination if the acquired property meets the definition of a business under IFRS 3 – Business Combinations; being an integrated set of activities and assets that are capable of being managed for the purpose of providing a return to the Unitholders.

For asset acquisitions, the total cost is allocated to the identifiable assets and liabilities on the basis of their relative fair values on the acquisition date. Asset acquisitions do not give rise to goodwill. Fair value of such assets and liabilities is determined based on the following:

Land – the amount allocated to land is based on an appraisal estimate of its fair value.

Buildings – are recorded at the estimated fair value of the building and its components and significant parts.

Intangible assets – are recorded for tenant relationships, based on estimated costs avoided should the respective tenants renew their leases at the end of the initial lease term, adjusted for the estimated probability of renewal.

Fair value of debt – values ascribed are determined based on the differential between contractual and market interest rates on long-term liabilities assumed at acquisition.

For business combinations, the acquisition method is used wherein the components of the business combination (assets acquired, liabilities assumed, consideration transferred and any goodwill or bargain purchase) are recognized and measured. The assets acquired and liabilities assumed from the acquiree are measured at their fair value on the acquisition date.

Change in useful life of investment properties

The estimated useful lives of significant investment properties are reviewed whenever events or circumstances indicate a change in useful life. Estimated useful lives of significant investment properties are based on management's best estimate and the actual useful lives may be different. Revisions to the estimated useful lives of investment properties constitute a change in accounting estimate and are accounted for prospectively by amortizing the cumulative changes over the remaining estimated useful life of the related assets.

(f) CASH AND CASH EQUIVALENTS

Cash and cash equivalents are defined as cash on hand, cash in bank and guaranteed investments with a maturity less than 90 days at date of acquisition.

(g) ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

A non-current asset is classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than continuing use. A property is classified as held for sale at the point in time when it is available for immediate sale, management has committed to a plan to sell the property and is actively locating a purchaser for the property at a sales price that is reasonable in relation to the current estimated fair value of the property, and the sale is expected to be completed within a one year period. Properties held for sale are carried at the lower of their carrying values and estimated fair value less costs to sell. In addition, assets classified as held for sale are not depreciated and amortized. A property that is subsequently reclassified as held and in use is measured at the lower of its carrying value amount before it was classified as held for sale, adjusted for any depreciation and amortization expense that would have been recognized had it been continuously classified as held and in use, and its estimated fair value at the date of the subsequent decision not to sell.

Assets that are classified as held for sale and that constitute a component of Crombie are presented as discontinued operations and their operating results are presented separately in the Consolidated Statements of Comprehensive Income (Loss). A component of Crombie includes a property type or geographic area of operations.

(h) EMPLOYEE FUTURE BENEFITS OBLIGATION

The cost of Crombie's pension benefits for defined contribution plans is expensed for employees in respect of the period in which they render services. The cost of defined benefit pension plans and other benefit plans is accrued based on estimates, using actuarial techniques, of the amount of benefits employees have earned in return for their services in the current and prior periods. The present value of the defined benefit obligation and current service cost is determined by discounting the estimated benefits using the projected unit credit method to determine the fair value of the plan assets and total actuarial gains and losses and the proportion thereof which will be recognized. Other factors considered for other benefit plans include assumptions regarding salary escalation, retirement ages and expected growth rate of health care costs. The fair value of any plan assets is based on current market values. The present value of the defined benefit obligation is based on the discount rate determined by reference to the yield of high quality corporate bonds of similar currency, having terms of maturity which align closely with the period of maturity of the obligation. The defined benefit plan and post-employment benefit plan are unfunded.

The impact of changes in plan provisions will be recognized in benefit costs on a straight-line basis over a period not exceeding the average period until the benefit becomes vested. To the extent that the benefits are already vested immediately following the introduction of, or changes to, the plan, the past service cost will be recognized immediately.

In measuring its defined benefit liability, Crombie recognizes actuarial gains and losses directly to other comprehensive income (loss).

(i) UNIT BASED COMPENSATION PLANS

(i) DEFERRED UNIT PLAN ("DU PLAN")

Crombie provides a voluntary DU Plan whereby eligible trustees, officers and employees (the "Participants") may elect to receive all or a portion of their eligible compensation in deferred units ("DUs"). The Board (or its designated Committee) may determine that special compensation will be provided in the form of DUs. Unless otherwise determined by the Board (or its designated Committee), DUs are fully vested at the time they are allocated, with the value of the award recorded as a liability and expensed as general and administrative expenses. A Participant may redeem their vested DUs in whole or in part by filing a written notice of redemption; redemption will also occur as the result of specific events such as the retirement of a Participant. Upon redemption, a Participant will receive the net value of the vested DUs being redeemed, with the net value determined by multiplying the number of DUs redeemed by the REIT Unit's market price on redemption date, less applicable withholding taxes. The Participant may elect to receive this net amount as a cash payment or instead receive Crombie REIT Units for redeemed DU's after deducting applicable withholding taxes. For fair value measurement purposes, each DU is measured based on the market value of a REIT Unit at the balance sheet date with changes in fair value recognized in the Consolidated Statements of Comprehensive Income (Loss).

(ii) RESTRICTED UNIT PLAN ("RU PLAN")

Crombie has an RU Plan for certain eligible executives and employees ("RU Participants"), whereby the RU Participants will receive all or a portion of their annual long-term incentive plan awards in restricted units ("RUs"). The RUs are accounted for under IAS 19 Employee benefits and the liability and expense are recognized over the service period which ends on the vesting date. On the vesting date, each eligible RU Participant shall be entitled to receive a cash amount (net of any applicable withholding taxes) equal to the number of vested RUs held by the RU Participant multiplied by the market value (as defined in the RU Plan) on the vesting date. No REIT Units or other securities of Crombie will be issued from treasury. Alternatively, an RU Participant may elect to convert their RUs to DUs under Crombie's DU Plan.

(iii) PERFORMANCE UNIT PLAN ("PU PLAN")

Crombie has a PU Plan for certain eligible executives and employees ("PU Participants"), whereby the PU Participants may elect each year to participate in the PU Plan and receive all or a portion of their of their eligible remuneration in the form of an allocation of performance units ("PUs"). The PUs are accounted for under IAS 19 Employee benefits and the liability and expense are recognized over the service period which ends on the vesting date. On the vesting date, each eligible PU Participant shall be entitled to receive a cash amount (net of any applicable withholding taxes) equal to the number of vested PUs held by the PU Participant multiplied by the market value (as defined in the PU Plan) on the vesting date. No REIT Units or other securities of Crombie will be issued from treasury. Alternatively, a PU Participant may elect to convert their PUs to DUs under Crombie's DU Plan.

(j) DISTRIBUTION REINVESTMENT PLAN ("DRIP")

Crombie has a DRIP which is described in Note 16.

(k) REVENUE RECOGNITION

(i) LEASE REVENUE

Revenue earned from tenants under lease agreements includes base rent, realty tax recoveries, percentage rent, and other incidental income. Certain leases have rental payments that change over their term due to changes in rates. Crombie records the rental revenue from leases on a straight-line basis over the term of the lease. Accordingly, an accrued rent receivable is recorded for the difference between the straight-line rent recorded as property revenue and the rent that is contractually due from the tenants. In addition, tenant incentives are amortized on a straight-line basis over the term of existing leases and the amortization is shown as a reduction in property revenue. Percentage rents are recognized when tenants are obligated to pay such rent under the terms of the related lease agreements. Realty tax recoveries, and other incidental income, are recognized on an accrual basis as they become due.

(ii) REVENUE FROM CONTRACTS WITH CUSTOMERS

In May 2014, the IASB issued IFRS 15 "Revenue from Contracts with Customers", which replaces IAS 11 Construction Contracts, IAS 18 Revenue and IFRIC 13 Customer Loyalty Programmes. This standard outlines a single comprehensive model for entities to account for revenue arising from contracts with customers. The new standard excludes contracts within the scope of the accounting standards on leases, insurance contracts and financial instruments. Crombie adopted the standard on January 1, 2018 and applied the requirements of the standard retrospectively. In accordance with the transition guidance, IFRS 15 has only been applied to contracts that are incomplete as at January 1, 2017. The implementation of IFRS 15 did not have a significant impact on the timing or amount of revenue recognized by Crombie in any year. The presentation of Crombie's property revenue disclosed in Note 11 has been modified to disclose amounts from revenue from contracts with customers separately from operating lease revenue.

Certain lease agreements with tenants establish obligations for Crombie to incur property operating expenses and to invoice and recover these expenses. These recoveries are recognized as revenue over the period in which the service is provided and subject to collectability of the recoverable amount.

(l) LEASING

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

OPERATING LEASES

(i) Crombie as lessor

Crombie has determined that all of its leases with its tenants are operating leases. Revenue is recorded in accordance with Crombie's revenue recognition policy (Note 2(k)).

(ii) Crombie as lessee

Operating leases consist mainly of land leases which are expensed to property operating costs as incurred. Crombie also has equipment and vehicle leases that are expensed to general and administrative expenses as incurred.

(m) DEFERRED FINANCING CHARGES

Deferred financing charges consist of costs directly attributable to the issuance of debt. These charges are amortized in finance costs – operations using the effective interest method, over the term of the related debt.

(n) FINANCE COSTS – OPERATIONS

Finance costs – operations primarily comprise interest on Crombie's borrowings. Finance costs directly attributable to the acquisition, redevelopment, construction or production of a qualifying asset are capitalized as a component of the cost of the asset to which it is related. All other finance costs – operations are expensed in the period in which they are incurred.

(o) FINANCE COSTS – DISTRIBUTIONS TO UNITHOLDERS

The determination to declare and make payable distributions from Crombie is at the discretion of the Board of Trustees and, until declared payable by the trustees, Crombie has no contractual obligation to pay cash distributions to Unitholders.

(p) INCOME TAXES

Crombie is taxed as a "mutual fund trust" for income tax purposes. It is the intention of Crombie, subject to approval of the trustees, to make distributions not less than the amount necessary to ensure that Crombie will not be liable to pay income tax, except for the amounts incurred in its incorporated subsidiaries.

Deferred tax assets and/or liabilities of Crombie relate to tax and accounting basis differences of all incorporated subsidiaries of Crombie. Income taxes are accounted for using the liability method. Under this method, deferred taxes are recognized for the expected deferred tax consequences of differences between the carrying amount of balance sheet items and their corresponding tax values. Deferred taxes are computed using substantively enacted corporate income tax rates for the years in which tax and accounting basis differences are expected to reverse.

Deferred tax assets and/or liabilities are offset only when Crombie has a right and intention to set off tax assets and liabilities from the same taxation authority. Changes in deferred tax assets or liabilities are recognized as a component of income or expense in operations, except where they relate to items that are recognized in other comprehensive income (loss) (such as the unrealized gains and losses on cash flow hedges) or directly in change in net assets, in which case the related deferred tax is also recognized in other comprehensive income (loss) or change in net assets, respectively.

(q) HEDGES

Crombie may use cash flow hedges to manage exposures to increases in variable interest rates. Cash flow hedges are recognized on the balance sheet at fair value with the effective portion of the hedging relationship recognized in other comprehensive income (loss). Any ineffective portion of the cash flow hedge is recognized in operating income. Amounts recognized in accumulated other comprehensive income (loss) are reclassified to operating income in the same periods in which the hedged item is recognized in operating income. Fair value hedges and the related hedged items are recognized on the balance sheet at fair value with any changes in fair value recognized in operating income. To the extent the fair value hedge is effective, the changes in the fair value of the hedge and the hedged item will offset each other.

Crombie assesses on an ongoing basis whether any existing derivative financial instrument continues to be effective in offsetting changes in interest rates on the hedged items.

(r) COMPREHENSIVE INCOME (LOSS)

Comprehensive income (loss) is the change in net assets attributable to Unitholders during a period from transactions and other events and circumstances from non-Unitholder sources. Crombie reports a consolidated statement of comprehensive income (loss), comprising changes in net assets attributable to Unitholders and other comprehensive income (loss) for the year. Accumulated other comprehensive income (loss), has been included in the Consolidated Statements of Changes in Net Assets Attributable to Unitholders.

(s) PROVISIONS

Provisions are recognized when: Crombie has a present obligation (legal or constructive) as a result of a past event; it is probable that Crombie will be required to settle the obligation; and, a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows, where the time value of money is material. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably. Provisions reflect Crombie's best estimate at the reporting date.

Environmental liabilities are recognized when Crombie has an obligation relating to site closure or rehabilitation. The extent of the work required and the associated costs are dependent on the requirements of the relevant authorities and Crombie's environmental policies. Provisions for the cost of each closure and rehabilitation program are recognized at the time of occurrence and when Crombie has a reliable estimate of the obligation. Changes in the provision are recognized in the period of the change.

Crombie's provisions are immaterial and are included in trade and other payables.

(t) FINANCIAL INSTRUMENTS

IFRS 9 Financial Instruments: Classification and Measurement ("IFRS 9") issued on July 24, 2014, is the International Accounting Standard Board's (IASB's) replacement of IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39"). The Standard includes requirements for classification and measurement of financial instruments, impairment, derecognition and general hedge accounting, and introduces a forward-looking expected loss impairment model. Crombie adopted the standard on January 1, 2018. The adoption of this standard has not had a material impact on Crombie's financial statements.

Financial assets are classified and measured based on the business model used for management of them and the contractual cash flow characteristics of each financial asset. The classification categories for financial assets under IAS 39 are replaced in IFRS 9 with categories that reflect measurement; amortized cost, FVOCI and FVTPL. The IFRS 9 requirements for the classification and measurement of financial liabilities are substantially unchanged from IAS 39. IFRS 9 requires that when a financial liability measured at amortized cost is modified or exchanged, and such a modification or exchange does not result in derecognition, the adjustment to the amortized cost will be recognized in operating income at that time.

The following table summarizes the classification and measurement changes for each class of Crombie's financial assets and financial liabilities upon adoption at January 1, 2018:

Financial Asset/Liability	IAS 39		IFRS 9	
	Category	Measurement	Category	Measurement
Cash and cash equivalents	Loans and receivables	Amortized cost	Assets at amortized cost	Amortized cost
Trade receivables	Loans and receivables	Amortized cost	Assets at amortized cost	Amortized cost
Restricted cash	Loans and receivables	Amortized cost	Assets at amortized cost	Amortized cost
Long-term receivables	Loans and receivables	Amortized cost	Assets at amortized cost	Amortized cost
Marketable securities	FVTPL	Fair value	FVTPL	Fair value
Derivative financial assets and liabilities	FVTPL	Fair value	FVTPL	Fair value
Accounts payable and other liabilities (excluding convertible debentures embedded derivatives and interest rate swaps)	Other liabilities	Amortized cost	Financial liabilities at amortized cost	Amortized cost
Investment property debt	Other liabilities	Amortized cost	Financial liabilities at amortized cost	Amortized cost
Convertible debentures (excluding embedded derivatives)	Other liabilities	Amortized cost	Financial liabilities at amortized cost	Amortized cost
Senior unsecured notes	Other liabilities	Amortized cost	Financial liabilities at amortized cost	Amortized cost

Crombie has adopted the new general hedge accounting model in IFRS 9. The adoption of IFRS 9 did not result in any changes in the eligibility of existing hedge relationships, the accounting for derivative financial instruments designated as effective hedging instruments or the line items in which they are included in the statement of financial position. In accordance with the transitional provisions of IFRS 9, changes to hedge accounting policies have been applied prospectively.

At each reporting date, Crombie assesses whether there is objective evidence that a financial asset carried at amortized cost is impaired. If such evidence exists, Crombie recognizes an impairment loss, as the difference between the carrying value of the instrument and the present value of the estimated future cash flows, discounted using the instrument's original effective interest rate or a discount rate based on the risk associated with the financial asset being tested. The carrying amount of the asset is reduced by this amount through a charge to the statement of comprehensive income.

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively.

(u) FAIR VALUE MEASUREMENT

The fair value of financial instruments is the estimated amount that Crombie would receive to sell a financial asset or pay to transfer a financial liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or, in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by Crombie.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

Crombie uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs. The fair value of any interest rate swap is estimated by discounting net cash flows of the swaps using forward interest rates for swaps of the same remaining maturities.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

When determining the highest and best use of non-financial assets Crombie takes into account the following:

- use of the asset that is physically possible – Crombie assesses the physical characteristics of the asset that market participants would take into account when pricing the asset;
- use that is legally permissible – Crombie assesses any legal restrictions on the use of the asset that market participants would take into account when pricing the asset; and
- use that is financially feasible – Crombie assesses whether a use of the asset that is physically possible and legally permissible generates adequate income or cash flows to produce an investment return that market participants would require from an investment in that asset put to that use.

(v) IMPAIRMENT OF LONG-LIVED TANGIBLE AND DEFINITE LIFE INTANGIBLE ASSETS

Long-lived tangible and definite life intangible assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value of the assets may not be recoverable. When such an indication exists, the recoverable amount of the asset is estimated in order to determine the extent of impairment loss (if any). The recoverable amount is the higher of fair value less costs to sell and value in use. Where the asset does not generate cash flows that are independent from other assets, Crombie estimates the recoverable amount of the cash generating unit(s) to which the asset belongs. When the recoverable amount of an asset (or cash generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash generating unit) is reduced to the recoverable amount. An impairment loss is recognized as an expense immediately in operating income.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate, but is limited to the carrying amount that would have been determined if no impairment loss had been recognized in prior periods. A reversal of impairment loss is recognized immediately in operating income.

(w) NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

(i) BALANCE SHEET PRESENTATION

In accordance with International Accounting Standard ("IAS") 32 Financial Instruments: Presentation, puttable instruments are generally classified as financial liabilities. Crombie's REIT Units and Class B LP Units with attached Special Voting Units ("SVU") are both puttable instruments, meeting the definition of financial liabilities in IAS 32. There are exception tests within IAS 32 which could result in classification as equity; however, Crombie's units do not meet the exception requirements. Therefore, Crombie has no instrument qualifying for equity classification on its Balance Sheet pursuant to IFRS. The classification of all units as financial liabilities with presentation as net assets attributable to Unitholders does not alter the underlying economic interest of the Unitholders in the net assets and net operating results attributable to Unitholders.

(ii) BALANCE SHEET MEASUREMENT

REIT Units and Class B LP Units with attached SVUs are carried on the Balance Sheet at net asset value. Although puttable instruments classified as financial liabilities are generally required to be remeasured to fair value at each reporting period, the alternative presentation as net assets attributable to Unitholders reflects that, in total, the interests of the Unitholders is limited to the net assets of Crombie.

(iii) STATEMENT OF COMPREHENSIVE INCOME (LOSS) PRESENTATION

As a result of the classification of all units as financial liabilities, the Statement of Comprehensive Income (Loss) recognizes distributions to Unitholders as a finance cost. In addition, terminology such as net income has been replaced by Increase (decrease) in net assets attributable to Unitholders to reflect the absence of an equity component on the Balance Sheet.

(iv) PRESENTATION OF PER UNIT MEASURES

As a result of the classification of all units as financial liabilities, Crombie has no equity instrument; therefore, in accordance with IAS 33 Earnings per Share, there is no denominator for purposes of calculation of per unit measures.

(v) ALLOCATION OF COMPREHENSIVE INCOME (LOSS)

The components of Comprehensive income (loss) are allocated between REIT Units and Class B LP Units as follows:

- Operating income – based on the weighted average number of units outstanding during the reporting period.
- Distributions to Unitholders – based on the actual distributions paid to each separate unit class.
- Accumulated other comprehensive income (loss) – increases are allocated based on the weighted average number of units outstanding during the reporting period, decreases in previously accumulated amounts are drawn down based on the average accumulation allocation rate.

(x) CRITICAL JUDGMENTS IN APPLYING ACCOUNTING POLICIES

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

(i) INVESTMENT PROPERTIES

Crombie's accounting policies relating to investment properties are described in Note 2(e). In applying these policies, judgment is applied in determining whether certain costs are additions to the carrying amount of an investment property and whether properties acquired are considered to be asset acquisitions or business combinations. Crombie has determined that all properties acquired to date are asset acquisitions.

(ii) INVESTMENT IN JOINT VENTURES

Crombie makes judgments in determining the appropriate accounting for investments in other entities. Such judgments include: determining the significant relevant activities and assessing the level of influence Crombie has over such activities through agreements and contractual arrangements.

(iii) LEASES

Crombie makes judgments in determining whether certain leases, in particular long-term ground leases where Crombie is the lessee and the property meets the definition of investment property, are operating or finance leases. Crombie determined that all long-term ground leases where Crombie is the lessee are operating leases. All tenant leases where Crombie is a lessor have been determined to be operating leases.

(iv) CLASSIFICATIONS OF UNITS AS LIABILITIES

Crombie's accounting policies relating to the classification of Units as liabilities are described in Note 2(w). The critical judgments inherent in this policy relate to applying the criteria set out in IAS 32, "Financial Instruments: Presentation", relating to the puttable instrument exception.

(y) CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from these estimates. The estimates and assumptions that are critical to the determination of the amounts reported in the consolidated financial statements relate to the following:

(i) FAIR VALUE MEASUREMENT

A number of assets and liabilities included in Crombie's consolidated financial statements require measurement at, and/or disclosure of, fair value.

In estimating the fair value of an asset or a liability, Crombie uses market-observable data to the extent it is available. Where Level 1 inputs are not available, Crombie estimates the fair value based on discounted future cash flows using discount rates that reflect current market conditions for instruments with similar terms and risks. Such fair value estimates are not necessarily indicative of the amounts Crombie might pay or receive in actual market transactions. The significant methods and assumptions used in estimating fair value are set out in Notes 2(i), 3 and 19.

(ii) INVESTMENT IN JOINT ARRANGEMENTS

Crombie makes judgments in determining the appropriate accounting for investments in other entities. Such judgments include: determining the significant relevant activities and assessing the level of control or influence Crombie has over such activities through agreements and contractual arrangements; and, determining whether Crombie's rights and obligations are directly related to the assets and liabilities of the arrangement or to the net assets of the joint arrangement.

(iii) INVESTMENT PROPERTIES

Investment properties are carried at cost less accumulated depreciation. Crombie estimates the residual value and useful lives of investment properties and the significant components thereof to calculate depreciation and amortization.

(iv) IMPAIRMENT OF LONG-LIVED TANGIBLE AND DEFINITE LIFE INTANGIBLE ASSETS

Long-lived tangible and definite life intangible assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value of the assets may not be recoverable. When such an indication exists, the recoverable amount of the asset is estimated in order to determine the extent of impairment loss (if any). The recoverable amount is the higher of fair value less costs to sell and value in use. Where the asset does not generate cash flows that are independent from other assets, Crombie estimates the recoverable amount of the cash generating unit(s) to which the asset belongs. When the recoverable amount of an asset (or cash generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash generating unit) is reduced to the recoverable amount. An impairment loss is recognized as an expense immediately in operating income.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate, but is limited to the carrying amount that would have been determined if no impairment loss had been recognized in prior periods. A reversal of impairment loss is recognized immediately in operating income.

(v) INVESTMENT PROPERTY VALUATION

External, independent valuation companies, having appropriate recognized professional qualifications and recent experience in the location and category of properties being valued, value Crombie's investment property portfolio on a rotating basis over a maximum period of four years. The fair values, based on the measurement date, represent the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Internal quarterly valuations are performed using internally generated valuation models prepared by considering the aggregate net property income received from leasing the property. A yield obtained from an independent valuation company, which reflects the specific risks inherent in the net property income, is then applied to the net annual property income to arrive at the property valuation.

(vi) DEFINED BENEFIT LIABILITY

Management estimates the defined benefit liability annually with the assistance of independent actuaries; however, the actual outcome may vary due to estimation uncertainties. The estimate of Crombie's defined benefit liability is based on standard rates of inflation, medical cost trends and mortality. It also takes into account Crombie's specific anticipation of future salary increases. Discount factors are determined each reporting period by reference to high quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension liability. Estimation uncertainties exist particularly with regard to medical cost trends, which may vary significantly in future appraisals of Crombie's defined benefit obligations.

(vii) PURCHASE PRICE ALLOCATION

Investment properties are properties which are held to earn rental income. Investment properties include land, buildings and intangible assets. Upon acquisition, management allocates the purchase price of the acquisition as described in Note 2(e). This allocation contains a number of estimates and underlying assumptions including, but not limited to, highest and best use and fair value of the properties, estimated cash flows, discount rates, lease-up rates, inflation rates, renewal rates, tenant incentive allowances, cost recoveries and leasing costs and termination costs.

(z) FUTURE CHANGES IN ACCOUNTING STANDARDS

The IASB has issued a number of standards and interpretations with an effective date after the date of these financial statements. Set out below are only those standards that may have a material impact on the consolidated financial statements in future periods. Management is currently evaluating the impact of these future policies on its consolidated financial statements.

(i) IFRS 16 – LEASES

In January 2016, the IASB issued IFRS 16 "Leases" which replaces IAS 17 and its associated interpretative guidance. The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. A lessee is required to recognize a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Assets and liabilities arising from a lease are initially measured on a present value basis. Lessor accounting remains largely unchanged with the distinction between operating and finance leases retained.

Entities have the option of adopting a full retrospective approach or a modified retrospective approach on transition to IFRS 16. The new standard will be effective January 1, 2019 and Crombie is transitioning using the modified retrospective approach. On transition, Crombie will elect the practical expedient to not reassess prior conclusions related to contracts containing leases. In addition, Crombie will apply the recognition exemptions for all classes of assets under short term leases and all leases of low value assets on an ongoing basis.

Crombie has several investment properties located on land that is leased from third parties. Lease payments under these leases are currently expensed under property operating expenses. Under the new lease standard, Crombie will recognize a right-of-use asset which will be amortized over the lease term and interest costs will be recognized on the lease liability.

Certain of Crombie's land leases have extended lease terms which will result in a material amount being recognized on the balance sheet as a right-of-use asset and related lease obligation. The new standard is not expected to have a material impact on the comprehensive income (loss) or cash flows.

3) INVESTMENT PROPERTIES

	December 31, 2018	December 31, 2017
Income properties	\$ 3,693,464	\$ 3,751,262
Properties under development	66,179	75,699
	\$ 3,759,643	\$ 3,826,961

Income properties

	Land	Buildings	Intangibles	Deferred Leasing Costs	Total
Cost					
Opening balance, January 1, 2018	\$ 1,208,424	\$ 2,942,538	\$ 120,650	\$ 8,821	\$ 4,280,433
Acquisitions	33,192	84,167	6,420	–	123,779
Additions	1,361	78,917	–	1,545	81,823
Dispositions	(82,191)	(132,704)	(5,681)	(681)	(221,257)
Write-off fully depreciated assets	–	(24,637)	(208)	(2,876)	(27,721)
Reclassification from properties under development	15,959	19,935	–	201	36,095
Balance, December 31, 2018	1,176,745	2,968,216	121,181	7,010	4,273,152
Accumulated depreciation and amortization and impairment					
Opening balance, January 1, 2018	2,357	458,973	63,056	4,785	529,171
Depreciation and amortization	–	88,818	6,701	792	96,311
Dispositions	–	(28,850)	(3,772)	(451)	(33,073)
Impairment	–	15,000	–	–	15,000
Write-off fully depreciated assets	–	(24,637)	(208)	(2,876)	(27,721)
Balance, December 31, 2018	2,357	509,304	65,777	2,250	579,688
Net carrying value, December 31, 2018	\$ 1,174,388	\$ 2,458,912	\$ 55,404	\$ 4,760	\$ 3,693,464

During the year ended December 31, 2018, Crombie recorded impairments totalling \$15,000 on three properties. The impairments were the result of the fair value impact of tenant lease expiries and departures and slower than expected leasing activity. Impairment was measured on a per property basis and was determined as the amount by which carrying value, using the cost method, exceeded the recoverable amount for that property. The recoverable amount was determined to be each property's fair value which is the higher of the economic benefits of the continued use of the asset or the selling price less costs to sell.

During the year ended December 31, 2018, Crombie commenced redevelopment of three properties which included partial demolition of the existing structures. As a result, accelerated depreciation of \$17,353 related to the buildings was recognized.

	Land	Buildings	Intangibles	Deferred Leasing Costs	Total
Cost					
Opening balance, January 1, 2017	\$ 1,189,999	\$ 2,820,193	\$ 114,549	\$ 7,800	\$ 4,132,541
Acquisitions	20,981	93,298	6,832	–	121,111
Additions	1,966	39,219	–	1,021	42,206
Dispositions	(4,522)	(10,172)	(731)	–	(15,425)
Balance, December 31, 2017	1,208,424	2,942,538	120,650	8,821	4,280,433
Accumulated depreciation and amortization and impairment					
Opening balance, January 1, 2017	2,357	385,731	57,098	4,077	449,263
Depreciation and amortization	–	74,845	6,654	708	82,207
Dispositions	–	(1,603)	(696)	–	(2,299)
Balance, December 31, 2017	2,357	458,973	63,056	4,785	529,171
Net carrying value, December 31, 2017	\$ 1,206,067	\$ 2,483,565	\$ 57,594	\$ 4,036	\$ 3,751,262

Properties under development

	Land	Buildings	Deferred Leasing Costs	Total
Opening balance, January 1, 2018	\$ 68,725	\$ 6,858	\$ 116	\$ 75,699
Additions	2,981	29,172	202	32,355
Dispositions	(5,780)	–	–	(5,780)
Reclassification to income producing properties	(15,959)	(19,935)	(201)	(36,095)
Balance, December 31, 2018	\$ 49,967	\$ 16,095	\$ 117	\$ 66,179

On March 6, 2018, Crombie disposed of 1.47 hectares of residential lands adjacent to a commercial development project in Langford, British Columbia. The transaction was completed with a third party.

During the year, Crombie reclassified completed phases of two development properties to income properties.

	Land	Buildings	Deferred Leasing Costs	Total
Opening balance, January 1, 2017	\$ 33,442	\$ –	\$ –	\$ 33,442
Acquisitions	31,252	–	–	31,252
Additions	4,031	6,858	116	11,005
Balance, December 31, 2017	\$ 68,725	\$ 6,858	\$ 116	\$ 75,699

On May 4, 2017, Crombie acquired the remaining portion of a development property in Langford, British Columbia, from a subsidiary of Empire Company Limited ("Empire"), a related party.

Fair value

Crombie's total fair value of investment properties exceeds carrying value by \$797,088 at December 31, 2018 (December 31, 2017 – \$900,804). Crombie uses the cost method for accounting for investment properties, and increases in fair value over carrying value are not recognized until realized through disposition or derecognition of properties, while impairment is recognized at the time of impairment.

The estimated fair values of Crombie's investment properties are as follows:

	Fair Value	Carrying Value
December 31, 2018	\$ 4,776,000	\$ 3,978,912
December 31, 2017	\$ 4,944,000	\$ 4,043,196

Carrying value consists of the net carrying value of:

	Note	December 31, 2018	December 31, 2017
Income properties	3	\$ 3,693,464	\$ 3,751,262
Properties under development	3	66,179	75,699
Accrued straight-line rent receivable	5	81,689	72,743
Tenant incentives	5	137,580	143,492
Total carrying value		\$ 3,978,912	\$ 4,043,196

The fair value of investment properties is a Level 3 fair value measurement. The fair value represents the estimated price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value included in this summary reflects the fair value of the properties as at December 31, 2018 and 2017, respectively, based on each property's current use as a revenue generating investment property. Crombie owns several properties where the highest and best use as a development property would result in higher fair values.

The valuation techniques and significant unobservable inputs used in determining the fair value of investment properties are set out below:

- (i) The capitalized net operating income method – Under this method, capitalization rates are applied to net operating income (property revenue less property operating expenses). The key assumption is the capitalization rates for each specific property. Crombie receives quarterly capitalization rate reports from external, knowledgeable property valuers. The capitalization rate reports provide a range of rates for various geographic regions and for various types and qualities of properties within each region. Management selects the appropriate rate for each property from the range provided. Crombie generally employs this method to determine fair value.
- (ii) The discounted cash flow method – Under this method, discount rates are applied to the forecasted cash flows reflecting the initial terms of the lease or leases for that specific property and assumptions as to renewal and new leasing activity. The key assumptions are the discount rate applied over the initial term of the lease, as well as lease renewals and new leasing activity. Crombie employs this method when the capitalized net operating income method indicates a risk of impairment or when a property is, or will be, undergoing redevelopment.
- (iii) External appraisals – Crombie has external, independent appraisals performed on all properties on a rotational basis over a maximum period of four years.

As at December 31, 2018, all properties have been subjected to external, independent appraisal over the past four years.

Crombie has utilized the following weighted average capitalization rates on its income properties. Related to the growth in properties under development, Crombie reports the weighted average capitalization rate excluding the value of properties under development with the comparative rates adjusted to reflect this change. Crombie has determined that an increase (decrease) in this applied capitalization rate of 0.25% would result in an increase (decrease) in the fair value of the investment properties as follows:

	Impact of a 0.25% Change in Capitalization Rate		
	Weighted Average Capitalization Rate	Increase in Rate	Decrease in Rate
December 31, 2018	6.10%	\$ (186,000)	\$ 203,000
December 31, 2017	5.93%	\$ (198,000)	\$ 217,000

INCOME PROPERTY ACQUISITIONS AND DISPOSITIONS

The operating results of acquired properties are included from the respective date of acquisition and for disposed properties up to the date of disposition.

2018

Transaction Date	Vendor/Purchaser	Properties Acquired (Disposed)	Approximate Square Footage	Initial Acquisition (Disposition) Price	Assumed Mortgages
February 5, 2018	Third party	(1)	(92,000)	\$ (15,000)	\$ —
February 20, 2018	Third party	(1)	(103,000)	(20,627)	—
April 6, 2018 ¹	Related party	9	421,000	88,110	—
April 19, 2018	Third party	(1)	(40,000)	(14,000)	—
May 11, 2018	Third party	(1)	(25,000)	(9,000)	—
May 11, 2018 ²	Third party	(9)	(203,000)	(77,929)	—
June 18, 2018	Third party	(1)	(273,000)	(51,250)	—
June 29, 2018	Related party	1	37,000	12,500	—
August 16, 2018 ³	Joint venture	(1)	(30,000)	(39,682)	—
September 28, 2018 ¹	Related party	—	10,000	3,735	—
December 5, 2018	Third party	1	40,000	9,300	5,595
December 13, 2018 ¹	Third party	—	5,000	5,600	—
December 18, 2018	Third parties	(3)	(51,000)	(26,600)	—
			(304,000)	\$ (134,843)	\$ 5,595

1. Includes additions to existing retail properties.

2. Represents disposition of 50% interest in a portfolio of properties.

3. Represents disposition of property to joint venture.

All the dispositions in 2018, excluding the August 16, 2018 transaction, were transacted with third parties. The property disposed on August 16, 2018 was sold to a joint venture Partnership in which Crombie is a 50% partner. The properties disposed of during the year had a total fair value of \$246,218 at the end of the quarter preceding the date of disposition resulting in a fair value gain of \$7,870 before closing and transaction costs. Acquisitions completed on April 6, 2018, June 29, 2018 and September 28, 2018 were transacted with Empire, a related party.

2017

Transaction Date	Vendor/Purchaser	Properties Acquired (Disposed)	Approximate Square Footage	Initial Acquisition (Disposition) Price	Assumed Mortgages
March 16, 2017	Related party	1	50,000	\$ 8,320	\$ —
July 5, 2017	Third party	1	64,000	14,100	—
July 6, 2017	Third party	1	61,000	42,000	—
August 14, 2017	Third party	1	52,000	13,207	8,741
August 25, 2017	Third party	1	44,000	14,950	9,656
September 5, 2017	Third party	2	79,000	16,000	—
September 29, 2017 ¹	Related party	—	31,000	7,671	—
December 12, 2017	Third party	(1)	(67,000)	(15,600)	—
			314,000	\$ 100,648	\$ 18,397

1. Relates to an acquisition of additional development on a pre-existing retail property.

The acquisitions on March 16, 2017 and September 29, 2017 were transacted with Empire, a related party.

The initial acquisition (disposition) prices stated above exclude closing and transaction costs.

The allocation of the total cost of the acquisitions (including closing and transaction costs) is as follows:

	Year ended December 31,	
	2018	2017
Income property acquired, net:		
Land	\$ 33,192	\$ 20,981
Buildings	84,167	93,298
Intangibles	6,420	6,832
Fair value debt adjustment on assumed mortgages	160	(436)
Net purchase price	123,939	120,675
Assumed mortgages	(5,595)	(18,397)
	\$ 118,344	\$ 102,278

	Year ended December 31,	
	2018	2017
Investment property disposed:		
Gross proceeds	\$ 260,647	\$ 16,077
Selling costs	(3,831)	(432)
	256,816	15,645
Carrying values derecognized		
Land	(87,971)	(4,522)
Buildings	(103,854)	(8,569)
Intangibles	(1,909)	(35)
Deferred leasing costs	(230)	–
Tenant Incentives	(7,760)	(1)
Accrued straight-line rent	(2,094)	(24)
Development costs	(2,561)	–
Provisions	(414)	(20)
Gain on disposal	\$ 50,023	\$ 2,474

On disposition of the 50% interest in a portfolio of properties, the joint partner assumed \$38,971 of the related mortgages:

	Year ended December 31,	
	2018	2017
Proceeds per above	\$ 256,816	\$ 15,645
Mortgages assumed	(38,971)	–
Non-cash consideration, acquisition of investment in joint venture	(27,832)	–
Cash proceeds	\$ 190,013	\$ 15,645

4) INVESTMENT IN JOINT VENTURES

The following represents Crombie's interest in its equity accounted investments:

	December 31, 2018	December 31, 2017
1600 Davie Limited Partnership	50.0%	50.0%
140 CPN Limited	50.0%	50.0%
Bronte Village Limited Partnership	50.0%	–%
The Duke Limited Partnership	50.0%	–%

On April 3, 2018 Crombie entered into a joint venture Partnership with Montreal-based Prncedev Inc. As a result of the partnerships, Crombie became 50% partner in the new Le Duke mixed use development at 297 Rue Duke in Montreal, Quebec and Prncedev Inc. became a 50% partner in Crombie's Oakville, Ontario Bronte Village mixed use development. The transfers of title occurred on August 16, 2018.

The following table represents 100% of the financial results of the equity accounted entities:

	December 31, 2018	December 31, 2017
Non-current assets	\$ 112,581	\$ 18,743
Current assets	30,043	16,782
Non-current liabilities	(68,166)	(26,982)
Current liabilities	(10,125)	(3,339)
Net assets	\$ 64,333	\$ 5,204
Crombie's investment in joint ventures	\$ 39,485	\$ 2,602

	Year ended	
	December 31, 2018	December 31, 2017
Revenue	\$ 1,184	\$ 394
Property operating expenses	(507)	(135)
General and administrative expenses	(75)	(54)
Depreciation of investment properties	(55)	–
Finance costs – operations	(39)	(83)
Net income	\$ 508	\$ 122
Crombie's income from equity accounted investments	\$ 254	\$ 61

5) OTHER ASSETS

	December 31, 2018			December 31, 2017		
	Current	Non-current	Total	Current	Non-current	Total
Trade receivables	\$ 8,682	\$ –	\$ 8,682	\$ 8,741	\$ –	\$ 8,741
Provision for doubtful accounts	(345)	–	(345)	(194)	–	(194)
Net trade receivables	8,337	–	8,337	8,547	–	8,547
Prepaid expenses and deposits	11,857	–	11,857	18,177	–	18,177
Fair value of interest rate swap agreements	2,840	–	2,840	3,204	–	3,204
Marketable securities	–	–	–	1,285	–	1,285
Fixtures and computer equipment ¹	–	7,761	7,761	–	3,140	3,140
Restricted cash	–	–	–	75	–	75
Accrued straight-line rent receivable	–	81,689	81,689	–	72,743	72,743
Tenant incentives	–	137,580	137,580	–	143,492	143,492
Capital expenditure program	–	105	105	–	105	105
Interest rate subsidy	94	203	297	95	297	392
Amounts receivable from related parties	–	21,480	21,480	–	6,131	6,131
	\$ 23,128	\$ 248,818	\$ 271,946	\$ 31,383	\$ 225,908	\$ 257,291

1. For the year ended December 31, 2018, depreciation of fixtures and computer equipment was \$42 (December 31, 2017 – nil).

Amounts due from related parties include \$14,636 in 6% Subordinated Notes Receivable due from Bronte Village Limited Partnership and The Duke Limited Partnership.

Tenant Incentives		Cost	Accumulated Amortization	Net Carrying Value
Balance, January 1, 2018	\$	211,394	\$ 67,902	\$ 143,492
Additions		14,723	–	14,723
Amortization		–	12,875	(12,875)
Disposition		(12,739)	(4,979)	(7,760)
Write-off fully depreciated assets		(9,128)	(9,128)	–
Balance, December 31, 2018	\$	204,250	\$ 66,670	\$ 137,580
Balance, January 1, 2017	\$	187,162	\$ 55,140	\$ 132,022
Additions		24,239	–	24,239
Amortization		–	12,768	(12,768)
Disposition		(7)	(6)	(1)
Balance, December 31, 2017	\$	211,394	\$ 67,902	\$ 143,492

See Note 19(a) for fair value information.

6) INVESTMENT PROPERTY DEBT

	Range	Weighted Average Interest Rate	Weighted Average Term to Maturity	December 31, 2018	December 31, 2017
Fixed rate mortgages	2.35–6.90%	4.30%	4.6 years	\$ 1,610,640	\$ 1,762,815
Floating rate revolving credit facility			3.5 years	108,843	8,168
Unsecured bilateral credit facility			1.4 years	70,000	45,000
Deferred financing charges				(9,056)	(11,719)
				\$ 1,780,427	\$ 1,804,264
Mortgages					
Non-current				\$ 1,421,062	\$ 1,632,431
Current				180,522	118,665
Credit facilities					
Non-current				178,843	53,168
Current				–	–
				\$ 1,780,427	\$ 1,804,264

As at December 31, 2018, mortgage retirements on a calendar year basis are:

12 Months Ending	Weighted average interest rates on maturing mortgages	Maturities	Principal payments	Total
December 31, 2019	4.46%	\$ 126,978	\$ 53,544	\$ 180,522
December 31, 2020	4.96%	225,241	46,912	272,153
December 31, 2021	3.91%	89,182	45,250	134,432
December 31, 2022	3.92%	194,868	38,829	233,697
December 31, 2023	4.17%	252,932	31,557	284,489
Thereafter	4.27%	432,861	70,595	503,456
		\$ 1,322,062	\$ 286,687	1,608,749
Deferred financing charges				(9,056)
Unamortized fair value debt adjustment				1,891
				\$ 1,601,584

Specific investment properties with a carrying value of \$3,002,822 as at December 31, 2018 (December 31, 2017 – \$3,145,224) are currently pledged as security for mortgages or provided as security for the floating rate revolving credit facility. Carrying value includes investment properties, as well as accrued straight-line rent receivable and tenant incentives which are included in other assets.

Mortgage Activity

For the year ended:	Type	Number of Mortgages	Weighted Average			Amortization Period in Years	Proceeds (Repayments)
			Rates	Terms in Years			
December 31, 2018	Assumed	1	3.52%	6.3	25.0	\$ 5,595	
	Repaid	11	4.98%	–	–	(64,713)	
	Disposition ¹	9	4.27%	–	–	(38,971)	
						\$ (98,089)	

1. Represents disposition of 50% interest in mortgages related to partial disposition of a portfolio of properties.

For the year ended:	Type	Number of Mortgages	Weighted Average			Amortization Period in Years	Proceeds (Repayments)
			Rates	Terms in Years			
December 31, 2017	New	6	3.43%	8.1	25.0	\$ 192,783	
	Assumed	3	3.81%	6.8	25.0	18,397	
	Repaid	8	5.14%	–	–	(50,379)	
						\$ 160,801	

FLOATING RATE REVOLVING CREDIT FACILITY

The floating rate revolving credit facility has a maximum principal amount of \$400,000 (December 31, 2017 – \$400,000) and matures June 30, 2022. The facility is used by Crombie for working capital purposes and to provide temporary financing for acquisitions and development activity. It is secured by a pool of first and second mortgages on certain properties and the maximum principal amount is subject to available borrowing base (December 31, 2018 – borrowing base of \$400,000). Borrowings under the revolving credit facility can be by way of Bankers Acceptance or Prime Rate Advance and the Floating interest rate is contingent on the type of advance plus the applicable spread or margin. The respective spread or margin may change depending on Crombie's unsecured bond rating with DBRS and whether the facility remains secured or migrates to an unsecured status.

UNSECURED BILATERAL CREDIT FACILITY

The unsecured bilateral credit facility has a maximum principal amount of \$100,000 and matures May 16, 2020. The facility is used by Crombie for working capital purposes and to provide temporary financing for acquisitions and development activity. Borrowings under the bilateral credit facility can be by way of Bankers Acceptance or Prime Rate Advance and the Floating interest rate is contingent on the type of advance plus the applicable spread or margin. The respective spread or margin may change depending on Crombie's unsecured bond rating with DBRS.

See Note 19(a) for fair value information.

7) SENIOR UNSECURED NOTES

	Maturity Date	Interest Rate	December 31, 2018	December 31, 2017
Series A	October 31, 2018	3.986%	\$ —	\$ 175,000
Series B	June 1, 2021	3.962%	250,000	175,000
Series C	February 10, 2020	2.775%	125,000	125,000
Series D	November 21, 2022	4.066%	150,000	150,000
Series E	January 31, 2025	4.800%	175,000	—
Unamortized Series B issue premium			1,068	1,323
Deferred financing charges			(2,352)	(2,003)
			\$ 698,716	\$ 624,320

12 Months Ending	Series B	Series C	Series D	Series E	Total
December 31, 2019	\$ —	\$ —	\$ —	\$ —	\$ —
December 31, 2020	—	125,000	—	—	125,000
December 31, 2021	250,000	—	—	—	250,000
December 31, 2022	—	—	150,000	—	150,000
December 31, 2023	—	—	—	—	—
Thereafter	—	—	—	175,000	175,000
	\$ 250,000	\$ 125,000	\$ 150,000	\$ 175,000	\$ 700,000
Unamortized Series B issue premium					1,068
Deferred financing charges					(2,352)
					\$ 698,716

On August 31, 2018 Crombie issued, on a private placement basis, an additional \$75,000 Series B Notes (senior unsecured) maturing June 1, 2021. The proceeds were used to fund the redemption of the Series E Convertible Debentures. The Additional Notes were priced with an effective yield to maturity of 3.882% and sold at a price of \$1,002.02 per \$1,000.00 principal amount plus accrued interest. Interest is payable in equal semi-annual installments in arrears on June 1 and December 1.

On October 31, 2018 Crombie issued, on a private placement basis, \$175,000 Series E Notes (senior unsecured) maturing January 31, 2025. The proceeds were used to fund the repayment of the Series A Notes. The notes were priced with an effective yield to maturity of 4.802% and sold at a price of \$999.96 per \$1,000.00 principal amount. Interest is payable in equal semi-annual installments on January 31 and July 31.

See Note 19(a) for fair value information.

8) CONVERTIBLE DEBENTURES

	Conversion Price	Maturity Date	Interest Rate	December 31, 2018	December 31, 2017
Series E (CRR.DB.E)	\$ 17.15	August 31, 2018	5.25%	\$ —	\$ 74,400
Deferred financing charges				—	(1,236)
				\$ —	\$ 73,164

On August 31, 2018, Crombie exercised its right to redeem its 5.25% Series E Extendible Convertible Unsecured Subordinated Debentures originally maturing on March 31, 2021 (the "Debentures") in accordance with the terms of the supplemental trust indenture dated August 14, 2013. Upon redemption, Crombie paid to the holders of Debentures the redemption price equal to the outstanding principal amount of the Debentures redeemed, together with all accrued and unpaid interest thereon, for a total of \$1,022.01 per \$1,000 principal amount of Debentures, less any taxes required to be deducted or withheld.

See Note 19(a) for fair value information.

9) EMPLOYEE FUTURE BENEFITS

Crombie has a number of defined benefit and defined contribution plans providing pension and other retirement benefits to most of its employees.

DEFINED CONTRIBUTION PENSION PLANS

The contributions required by the employee and the employer are specified. The employee's pension depends on what level of retirement income (for example, annuity purchase) can be achieved with the combined total of employee and employer contributions and investment returns over the period of plan membership, and the annuity purchase rates at the time of the employee's retirement.

DEFINED BENEFIT PLANS

The retirement benefit provides pension benefits to members designated in writing by the Board of Trustees based on a formula recognizing length of service and final average earnings. The annual pension payable at age 65 is equal to 2% of the final average base earnings multiplied by years of credited service (to a maximum of 30 years), offset by the deemed retirement income provided under the defined contribution pension plan and deferred profit sharing plan. For the purpose of calculating the deemed retirement income provided under the defined contribution pension plan and deferred profit sharing plan, the assumptions stipulated in the SERP plan text are used, including an assumed annuity conversion discount rate of 7.0%. The final average earnings are 12 times the average of the 60 highest months of eligible earnings. Employee contributions, if required, pay for part of the cost of the benefit, and the employer contributions fund the balance. The employer contributions are not specified or defined within the plan text; they are based on the result of actuarial valuations which determine the level of funding required to meet the total obligation as estimated at the time of the valuation. Crombie's defined benefit plans are unfunded.

Once participants attain age 55 and 5 years of continuous service, they can retire. The total pension payable is reduced by 5/12% for each month by which the early retirement precedes age 60 (62 for a member who was designated as a member on or after June 25, 2009). The normal form of pension payment is a 60% joint and survivor pension.

The post-employment benefits program offered to Crombie employees and retirees in Canada is an open plan that provides life and medical benefits for grandfathered employees and employees retired prior to May 1, 2011 as well as critical illness coverage for other employees. Full-time employees must be over age 55 to be eligible for the post-employment benefits program.

The total defined benefit cost related to pension plans and post-employment benefit plans for the year ended December 31, 2018 was \$551 (year ended December 31, 2017 – \$541).

The plan typically exposes Crombie to actuarial risks such as: interest rate risk, mortality risk and salary risk.

- (i) Interest rate risk – The present value of the defined benefit liability is calculated using discount rates that reflect the average yield, as at the measurement date, on high quality corporate bonds of similar duration to the plans' liabilities. A decrease in the market yield on high quality corporate bonds will increase Crombie's defined benefit liability.
- (ii) Mortality risk – The present value of the defined benefit plan is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan's liability.
- (iii) Salary risk – The present value of the defined benefit plan liability is calculated by reference to the anticipated future salary of the plan participants. As such, an increase in the salary of plan participants over that anticipated will increase the plan's liability.

	Most recent valuation date	Next required valuation date
Senior Management Pension Plan	December 31, 2018	December 31, 2019
Post-Employment Benefit Plans	January 1, 2016	December 31, 2019

The significant actuarial assumptions adopted in measuring the Company's accrued benefit obligations and pension costs are as follows:

	December 31, 2018		December 31, 2017	
	Senior Management Pension Plan	Post-Employment Benefit Plans	Senior Management Pension Plan	Post-Employment Benefit Plans
Discount rate – accrued benefit obligation	3.60%	3.70%	3.40%	3.40%
Rate of compensation increase	3.00%	N/A	3.00%	N/A

For measurement purposes, a 5.25% (2017 – 5.50%) annual rate increase in the per capita cost of covered health care benefits was assumed. The cumulative rate is expected to decrease 0.25% annually to 5.00% in 2020.

These assumptions were developed by management with the assistance of independent actuaries. Discount factors are determined close to year-end by reference to market yields of high quality corporate bonds that have a maturity approximating the terms of the related pension obligation. Other assumptions are based on current actuarial benchmarks and management's historical experience.

The projected unit credit method is used to determine the present value of the defined benefit obligation and the related current service cost for all active members.

Crombie uses December 31 as a measurement date for accounting purposes for its defined benefit pension plans.

Information about Crombie's defined benefit plans are as follows:

	December 31, 2018		December 31, 2017	
	Senior Management Pension Plan	Post-Employment Benefit Plans	Senior Management Pension Plan	Post-Employment Benefit Plans
Accrued benefit obligation				
Balance, beginning of year	\$ 4,831	\$ 4,299	\$ 4,533	\$ 3,859
Current service cost	200	38	191	33
Interest cost	168	146	173	144
Actuarial losses (gains)	(81)	(185)	134	345
Benefits paid	(200)	(96)	(200)	(82)
Balance, end of year	4,918	4,202	4,831	4,299
Plan Assets				
Fair value, beginning of year	–	–	–	–
Employer contributions	200	96	200	82
Benefits paid	(200)	(96)	(200)	(82)
Fair value, end of year	–	–	–	–
Funded status – deficit	4,918	4,202	4,831	4,299
Current portion	200	96	200	82
Non-current portion	4,718	4,106	4,631	4,218
Accrued benefit obligation recorded as a liability	\$ 4,918	\$ 4,202	\$ 4,831	\$ 4,300
Net expense				
Current service cost	\$ 200	\$ 38	\$ 191	\$ 33
Interest cost	168	146	173	144
Net expense	\$ 368	\$ 184	\$ 364	\$ 177

The table below outlines the sensitivity of the fiscal 2018 key economic assumptions used in measuring the accrued benefit plan obligations and related expenses of Crombie's pension and other benefit plans. The sensitivity of each key assumption has been calculated independently. Changes to more than one assumption simultaneously may amplify or reduce the impact on the accrued benefit obligation or benefit plan expenses. There was no change to the method and assumptions used in preparing the sensitivity analysis from prior years.

	Senior Management Pension Plan		Post-Employment Benefit Plans	
	Benefit Obligations	Benefit Cost ¹	Benefit Obligations	Benefit Cost ¹
Discount Rate	3.60%	3.60%	3.70%	3.70%
Impact of:				
1% increase	\$ (557)	\$ (7)	\$ (544)	\$ 10
1% decrease	\$ 677	\$ 7	\$ 667	\$ (16)
Growth rate of health costs ²			5.25%	5.25%
Impact of:				
1% increase			\$ 624	\$ 31
1% decrease			\$ (514)	\$ (25)

1. Reflects the impact on the current service costs, the interest cost and the expected return on assets.

2. Gradually decreasing to 5.0% in 2020 and remaining at that level thereafter.

For the year ended December 31, 2018, the net defined contribution pension plans expense was \$873 (year ended December 31, 2017 – \$800).

10) TRADE AND OTHER PAYABLES

	December 31, 2018			December 31, 2017		
	Current	Non-current	Total	Current	Non-current	Total
Tenant incentives and capital expenditures	\$ 60,549	\$ –	\$ 60,549	\$ 40,317	\$ –	\$ 40,317
Property operating costs	30,872	–	30,872	38,300	–	38,300
Prepaid rents	8,555	–	8,555	7,205	–	7,205
Finance costs on investment property debt, notes and debentures	9,561	–	9,561	10,629	–	10,629
Amounts payable to related party	6,217	–	6,217	–	–	–
Distributions payable	11,243	–	11,243	11,182	–	11,182
Unit based compensation plans	1,355	7,056	8,411	1,351	4,978	6,329
Deferred revenue	131	4,432	4,563	178	4,580	4,758
	\$ 128,483	\$ 11,488	\$ 139,971	\$ 109,162	\$ 9,558	\$ 118,720

UNIT BASED COMPENSATION PLANS

(i) Deferred Unit Plan ("DU")

Crombie has a DU Plan available to eligible Participants, which is designed to promote a greater alignment of interests between the Trustees, officers and employees of Crombie and its Unitholders. Participation in the DU Plan is voluntary unless Crombie's Board of Trustees (the "Board") or Human Resources Committee ("HRC") decides that special compensation is to be provided in the form of DUs. Unless otherwise determined by the Board or HRC, DUs granted under the DU Plan are fully vested at the time they are awarded. DUs are not Crombie REIT Units and do not entitle a Participant to any Unitholder rights, including voting rights, distribution entitlements (other than those noted below) or rights on liquidation. During the time that a Participant has outstanding DUs, whenever cash distributions are paid on REIT Units, additional DUs will be credited to the Participant's DU account, determined by multiplying the number of DUs in the Participant's DU account on the REIT distribution record date by the distribution paid per REIT Unit, and dividing the result by the market value of a Unit as determined in accordance with the DU Plan. Additional DUs issued as a result of distributions vest on the same basis as noted above and the value of the additional DUs credited is expensed to general and administrative expenses on allocation. Upon redemption, a Participant will receive the net value of the vested DUs being redeemed, with the net value determined by multiplying the number of DUs redeemed by the REIT Unit's market price on redemption date, less applicable withholding taxes. The Participant may elect to receive this net amount as a cash payment or instead receive Crombie REIT Units after deducting applicable withholding taxes.

(ii) Restricted Unit Plan ("RU")

Crombie has an RU Plan available to eligible RU Participants, which is designed to: promote a greater alignment of interests between the specific employees of Crombie and its Unitholders; and assist Crombie in attracting, retaining and rewarding specific employees. RU Participants will receive their long-term incentive plan awards in RUs. The RUs vest over a period of not more than three years, ending on the final day of the third quarter of the third calendar year of the RU term. The RUs are subject to vesting conditions including continuing employment. The number of RUs which fully vest is determined by: (a) the dollar amount of the award divided by the market value of a REIT Unit on the award grant date, plus (b) deemed distributions on RUs during the vesting period at a rate equivalent to the number of REIT Units that would have been issued had the vested RUs been treated as a REIT Unit. The value of these additional RUs from deemed distributions are expensed to general and administrative expenses at the time of allocation. On the vesting date, each participant shall be entitled to receive a cash amount (net of any applicable withholding taxes) equal to the number of vested RUs held by the RU Participant multiplied by the market value on the vesting date, as determined by the market value of a REIT Unit. Alternatively, a RU Participant who is an eligible employee on the vesting date may elect to convert their vested RUs to DUs under Crombie's DU Plan. No REIT Units or other securities of Crombie will be issued from treasury as settlement of any obligation under the RU Plan.

(iii) Performance Unit Plan ("PU")

Crombie introduced a PU Plan in 2017. The PU Plan, in conjunction with the RU Plan, is designed to: promote a greater alignment of interests between the executives and employees of Crombie and/or its subsidiaries and the holders of REIT Units; and assist Crombie in attracting, retaining and rewarding key executives. Eligible employees may elect each calendar year to participate in the PU Plan and receive all, or if permitted by the HRC, a portion at the participation level of their choice, of their eligible remuneration in the form of an allocation of PUs. The PUs vest over a period of not more than three years, ending on the final day of the third quarter of the third calendar year of the PUs term. The PUs are subject to vesting conditions including continuing employment. The number of PUs which vest for each participant shall be determined by (a) multiplying the number of PUs granted under the award by an adjustment factor applicable to the performance level achieved, and (b) adding the number of PUs or fractions thereof that would be credited to such participant upon the payment of distributions by Crombie on the REIT Units, based on the number of additional REIT Units a participant would have received had the vested PUs been treated as REIT Units under a distribution reinvestment plan during the PU Term. Alternatively, a PU Participant who is an eligible employee on the vesting date may elect to convert their vested PUs to DUs under Crombie's DU Plan. A PU is not considered to be a REIT Unit or entitle any participant to exercise voting rights or any other rights or entitlements associated with a REIT Unit.

DEFERRED REVENUE

During 2014, Crombie completed a sale-leaseback of the land component of an investment property. The proceeds received in excess of fair value of the land have been deferred and is being recognized as a reduction in property operating expenses over the term of the land lease. In addition, Crombie received a prepayment, from a related party, of their future obligation under a land sub-lease. This prepayment has also been deferred and is being recognized as a reduction in property operating expenses over the term of the land lease.

11) PROPERTY REVENUE

	Year ended	
	December 31, 2018	December 31, 2017
Operating lease revenue		
Rental revenue contractually due from tenants ¹	\$ 359,878	\$ 353,804
Contingent rental revenue	2,064	1,750
Straight-line rent recognition	11,040	13,542
Tenant incentive amortization	(12,875)	(12,768)
Lease termination income	710	1,258
Revenue from Contracts with Customers		
Common area cost recoveries	48,425	48,113
Parking revenue	5,407	6,114
	\$ 414,649	\$ 411,813

1. Includes reimbursement of Crombie's property tax expense.

The following table sets out tenants that contributed in excess of 10% of total property revenue:

	Year ended			
	December 31, 2018		December 31, 2017	
	Revenue	Percentage	Revenue	Percentage
Sobeys Inc.	\$ 209,814	50.6%	\$ 202,593	49.2%

12) OPERATING LEASES

CROMBIE AS A LESSOR

Crombie's operations include leasing commercial real estate. Future minimum rental income under non-cancellable tenant leases as at December 31, 2018, is as follows:

	Year Ending December 31,							Total
	2019	2020	2021	2022	2023	Thereafter		
Future minimum rental income	\$ 289,391	\$ 276,812	\$ 264,694	\$ 252,885	\$ 243,054	\$ 1,925,119	\$ 3,251,955	

CROMBIE AS A LESSEE

Operating lease payments primarily represent rentals payable by Crombie for all of its land leases. These land leases have varying terms ranging from six to 71 years including renewal options:

	Year Ending December 31,							Total
	2019	2020	2021	2022	2023	Thereafter		
Future minimum lease payments	\$ 1,939	\$ 2,001	\$ 2,021	\$ 2,058	\$ 2,083	\$ 138,774	\$ 148,876	

13) CORPORATE EXPENSES AND CHANGE IN FAIR VALUE OF FINANCIAL INSTRUMENTS

(a) General and administrative expenses

	Year ended	
	December 31, 2018	December 31, 2017
Salaries and benefits	\$ 13,111	\$ 11,175
Professional and public company costs	3,085	4,472
Occupancy and other	3,030	3,430
	\$ 19,226	\$ 19,077

(b) Employee benefit expense

Crombie's payroll expenses are included in property operating expenses and in general and administrative expenses.

	Year ended	
	December 31, 2018	December 31, 2017
Wages and salaries	\$ 26,572	\$ 25,369
Post-employment benefits	873	800
	\$ 24,445	\$ 26,169

(c) Change in fair value of financial instruments

	Year ended	
	December 31, 2018	December 31, 2017
Deferred Unit ("DU") Plan	\$ 402	\$ (54)
Marketable securities	—	199
Total change in fair value of financial instruments	\$ 402	\$ 145

14) FINANCE COSTS – OPERATIONS

	Year ended	
	December 31, 2018	December 31, 2017
Fixed rate mortgages	\$ 75,454	\$ 79,484
Floating rate term, revolving and demand facilities	5,316	4,345
Capitalized interest	(4,104)	(2,388)
Senior unsecured notes	25,119	17,876
Convertible debentures	3,846	6,460
Finance costs – operations, expense	105,631	105,777
Amortization of fair value debt adjustment and accretion income	808	1,366
Change in accrued finance costs	1,068	(244)
Amortization of effective swap agreements	(2,263)	(2,354)
Capitalized interest ¹	4,104	2,388
Amortization of issue premium on senior unsecured notes	407	330
Amortization of deferred financing charges	(5,158)	(4,474)
Finance costs – operations, paid	\$ 104,597	\$ 102,789

1. As at December 31, 2018, interest was capitalized to qualifying development projects based on a weighted average interest rate of 3.72% (December 31, 2017 – 3.45%).

15) INCOME TAXES

The tax recovery (expense) consists of the following:

	Year ended	
	December 31, 2018	December 31, 2017
Taxes – current		
Taxes – operating income earned in corporate subsidiaries	\$ (3)	\$ 9
Recovery of taxes previously paid on dispositions of investment properties	–	2,069
Total current taxes	\$ (3)	\$ 2,078
Taxes – deferred		
Provision for income taxes at the expected rate	\$ –	\$ (6,067)
Tax effect of income attribution to Crombie's Unitholders	–	5,067
Impact of tax reorganization	–	76,400
Total deferred taxes	\$ –	\$ 75,400

On June 30, 2017, Crombie completed a tax reorganization, as approved by Unitholders, resulting in, amongst other structural changes, the winding up of its most significant, wholly-owned corporate subsidiary. Through the tax reorganization, all property within the corporate entity was transferred to a limited partnership resulting in the elimination of Crombie's obligation for deferred income taxes related to this corporate subsidiary.

16) UNITS OUTSTANDING

	Crombie REIT Units		Class B LP Units and attached Special Voting Units		Total	
	Number of Units	Amount	Number of Units	Amount	Number of Units	Amount
Balance, January 1, 2018	89,115,328	\$ 1,034,683	61,646,953	\$ 711,456	150,762,281	\$ 1,746,139
Net change in EUPP loans receivable	–	61	–	–	–	61
Units issued under DRIP	469,649	5,902	333,058	4,198	802,707	10,100
Units issued under unit based compensation plan	12,627	158	–	–	12,627	158
Balance, December 31, 2018	89,597,604	\$ 1,040,804	61,980,011	\$ 715,654	151,577,615	\$ 1,756,458

	Crombie REIT Units		Class B LP Units and attached Special Voting Units		Total	
	Number of Units	Amount	Number of Units	Amount	Number of Units	Amount
Balance, January 1, 2017	87,737,709	\$ 1,016,285	60,669,944	\$ 698,439	148,407,653	\$ 1,714,724
Net change in EUPP loans receivable	–	62	–	–	–	62
Units issued under DRIP	1,377,619	18,336	977,009	13,017	2,354,628	31,353
Balance, December 31, 2017	89,115,328	\$ 1,034,683	61,646,953	\$ 711,456	150,762,281	\$ 1,746,139

CROMBIE REIT UNITS

Crombie is authorized to issue an unlimited number of REIT Units and an unlimited number of SVU and Class B LP Units. Issued and outstanding REIT Units may be subdivided or consolidated from time to time by the Trustees without the approval of the Unitholders. REIT Units are redeemable at any time on demand by the holders at a price per REIT Unit equal to the lesser of: (i) 90% of the weighted average price per Crombie REIT Unit during the period of the last ten days during which Crombie's REIT Units traded; and (ii) an amount equal to the price of Crombie's REIT Units on the date of redemption, as defined in the Declaration of Trust.

The aggregate redemption price payable by Crombie in respect of any REIT Units surrendered for redemption during any calendar month will be satisfied by way of a cash payment in Canadian dollars within 30 days after the end of the calendar month in which the REIT Units were tendered for redemption, provided that the entitlement of Unitholders to receive cash upon the redemption of their REIT Units is subject to the limitation that:

- (i) the total amount payable by Crombie in respect of such REIT Units and all other REIT Units tendered for redemption, in the same calendar month must not exceed \$50 (provided that such limitation may be waived at the discretion of the Trustees);
- (ii) at the time such REIT Units are tendered for redemption, the outstanding REIT Units must be listed for trading on the TSX or traded or quoted on any other stock exchange or market which the Trustees consider, in their sole discretion, provides representative fair market value prices for the REIT Units; and
- (iii) the normal trading of REIT Units is not suspended or halted on any stock exchange on which the REIT Units are listed (or if not listed on a stock exchange, in any market where the REIT Units are quoted for trading) on the Redemption Date or for more than five trading days during the 10 day trading period commencing immediately after the Redemption Date.

CROMBIE REIT SPECIAL VOTING UNITS ("SVU") AND CLASS B LP UNITS

The Declaration of Trust and the Exchange Agreement provide for the issuance of SVUs to the holders of Class B LP Units used solely for providing voting rights proportionate to the votes of Crombie's REIT Units. The SVUs are not transferable separately from the Class B LP Units to which they are attached and will be automatically transferred upon the transfer of such Class B LP Unit. If the Class B LP Units are exchanged in accordance with the Exchange Agreement, a like number of SVUs will be redeemed and cancelled for no consideration by Crombie.

The Class B LP Units issued by a subsidiary of Crombie to ECL Developments Limited ("ECLD") are indirectly exchangeable on a one-for-one basis for Crombie's REIT Units at the option of the holder, under the terms of the Exchange Agreement.

Each Class B LP Unit entitles the holder to receive distributions from Crombie, pro rata with distributions made by Crombie on REIT Units.

EMPLOYEE UNIT PURCHASE PLAN ("EUPP")

Crombie previously provided for REIT Unit purchase entitlements under the EUPP for certain senior executives. As at December 31, 2014, the EUPP was replaced with an RU Plan with a specific vesting period and no employee loans.

As at December 31, 2018, there are loans receivable from executives of \$1,667 under Crombie's EUPP, representing 131,417 REIT Units, which are classified as a reduction to net assets attributable to Unitholders. The loans are being repaid through the application of the after-tax amounts of all distributions received on the REIT Units, as payments on interest and principal. The loans are required to be repaid by December 31, 2023. Loan repayments will result in a corresponding increase to net assets attributable to Unitholders. Market value of the REIT Units held as collateral at December 31, 2018 was \$1,645.

The compensation expense related to the EUPP for the year ended December 31, 2018 was \$21 (year ended December 31, 2017 – \$33).

DISTRIBUTION REINVESTMENT PLAN ("DRIP")

Crombie has a DRIP whereby Canadian resident REIT Unitholders may elect to automatically have their distributions reinvested in additional REIT units. Units issued under the DRIP will be issued directly from the treasury of Crombie REIT at a price equal to the volume-weighted average trading price of the REIT units on the TSX for the five trading days immediately preceding the relevant distribution payment date, which is typically on or about the 15th day of the month following the declaration. Crombie recognizes the net proceeds in Net assets attributable to Unitholders.

17) SUPPLEMENTARY CASH FLOW INFORMATION

A) ITEMS NOT AFFECTING OPERATING CASH

	Year ended	
	December 31, 2018	December 31, 2017
Items not affecting operating cash:		
Straight-line rent recognition	\$ (11,040)	\$ (13,542)
Amortization of tenant incentives	12,875	12,768
Gain on disposal of investment properties	(50,023)	(2,474)
Impairment of investment properties	15,000	–
Depreciation of investment properties	88,818	74,845
Amortization of intangible assets	6,701	6,654
Amortization of deferred leasing costs	792	708
Depreciation of fixtures and computer equipment	42	–
Unit based compensation	21	33
Amortization of effective swap agreements	2,263	2,354
Amortization of deferred financing charges	5,158	4,474
Amortization of issue premium on senior unsecured notes	(407)	(330)
Income from equity accounted investments	(254)	(61)
Non-cash distributions to Unitholders in the form of DRIP Units	10,100	31,353
Taxes – deferred	–	(75,400)
Income tax expense	3	(2,078)
Change in fair value of financial instruments	(402)	(145)
	\$ 79,647	\$ 39,159

B) CHANGE IN OTHER NON-CASH OPERATING ITEMS

	Year ended	
	December 31, 2018	December 31, 2017
Cash provided by (used in):		
Trade receivables	\$ 211	\$ 1,669
Prepaid expenses and deposits and other assets	725	2,608
Payables and other liabilities	610	15,058
	\$ 1,546	\$ 19,335

C) RECONCILIATION BETWEEN THE OPENING AND CLOSING BALANCES FOR LIABILITIES FROM FINANCING ACTIVITIES

	Mortgages		Floating rate credit facilities		Senior unsecured notes		Convertible debentures		
	Face value	Deferred financing costs	Face value	Deferred financing costs	Face value	Premium on debt issue	Deferred financing costs	Face value	Deferred financing costs
Balance, January 1, 2018	\$ 1,762,815	\$ 10,288	\$ 53,168	\$ 1,431	\$ 625,000	\$ 1,323	\$ 2,003	\$ 74,400	\$ 1,236
Repayment of mortgages	(118,018)	—	—	—	—	—	—	—	—
Issue of floating credit facilities	—	—	125,675	—	—	—	—	—	—
Issue of senior unsecured notes	—	—	—	—	250,000	152	—	—	—
Redemption of senior unsecured notes	—	—	—	—	(175,000)	—	—	—	—
Redemption of convertible debentures	—	—	—	—	—	—	—	(74,400)	—
Additions to deferred financing costs	—	402	—	340	—	—	1,169	—	—
Total financing cash flow activities	1,644,797	10,690	178,843	1,771	700,000	1,475	3,172	—	1,236
Assumed mortgages	5,595	—	—	—	—	—	—	—	—
Assumed by joint operation partner	(38,971)	—	—	—	—	—	—	—	—
Amortization of issue premium	—	—	—	—	—	(407)	—	—	—
Amortization of deferred financing charges	—	(2,116)	—	(986)	—	—	(820)	—	(254)
Write-off deferred financing charges	—	(303)	—	—	—	—	—	—	(982)
Amortization of fair value debt adjustment	(482)	—	—	—	—	—	—	—	—
Recognition of interest rate subsidy	(299)	—	—	—	—	—	—	—	—
Total financing non-cash activities	(34,157)	(2,419)	—	(986)	—	(407)	(820)	—	(1,236)
Balance, December 31, 2018	\$ 1,610,640	\$ 8,271	\$ 178,843	\$ 785	\$ 700,000	\$ 1,068	\$ 2,352	\$ —	\$ —

	Mortgages		Floating rate credit facilities		Senior unsecured notes		Convertible debentures		
	Face value	Deferred financing costs	Face value	Deferred financing costs	Face value	Premium on debt issue	Deferred financing costs	Face value	Deferred financing costs
Balance, January 1, 2017	\$ 1,655,817	\$ 9,859	\$ 220,374	\$ 855	\$ 400,000	\$ 240	\$ 1,652	\$ 134,400	\$ 2,266
Issue of mortgages	192,783	—	—	—	—	—	—	—	—
Repayment of mortgages	(104,182)	—	—	—	—	—	—	—	—
Repayment of floating credit facilities	—	—	(167,206)	—	—	—	—	—	—
Issue of senior unsecured notes	—	—	—	—	225,000	1,413	—	—	—
Redemption of convertible debentures	—	—	—	—	—	—	—	(60,000)	—
Additions to deferred financing costs	—	2,674	—	1,128	—	—	999	—	—
Total financing cash flow activities	1,744,418	12,533	53,168	1,983	625,000	1,653	2,651	74,400	2,266
Assumed mortgages	18,397	—	—	—	—	—	—	—	—
Amortization of issue premium	—	—	—	—	—	(330)	—	—	—
Amortization of deferred financing charges	—	(2,245)	—	(552)	—	—	(648)	—	(1,030)
Amortization of fair value debt adjustment	—	—	—	—	—	—	—	—	—
Recognition of interest rate subsidy	—	—	—	—	—	—	—	—	—
Total financing non-cash activities	18,397	(2,245)	—	(552)	—	(330)	(648)	—	(1,030)
Balance, December 31, 2017	\$ 1,762,815	\$ 10,288	\$ 53,168	\$ 1,431	\$ 625,000	\$ 1,323	\$ 2,003	\$ 74,400	\$ 1,236

18) RELATED PARTY TRANSACTIONS

As at December 31, 2018, Empire, through its wholly-owned subsidiary ECLD, holds a 41.5% indirect interest in Crombie. Related party transactions primarily include transactions with entities associated with Crombie through Empire's indirect interest. Related party transactions also include transactions with key management personnel and post-employment benefit plans.

Related party transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Crombie's revenue (expense) transactions with related parties are as follows:

	Year ended	
	December 31, 2018	December 31, 2017
Property revenue		
Property revenue	\$ 214,565	\$ 208,083
Head lease income	\$ 730	\$ 922
Lease termination income	\$ —	\$ 100
Property operating expenses	\$ (58)	\$ (47)
General and administrative expenses		
Property management services recovered	\$ 611	\$ 645
Other general and administrative expenses	\$ (203)	\$ (295)
Finance costs – operations		
Interest on convertible debentures	\$ —	\$ (608)
Interest rate subsidy	\$ 299	\$ 335
Finance costs – distributions to Unitholders	\$ (55,900)	\$ (55,293)

Crombie provides property management, leasing services and environmental management to specific properties owned by certain subsidiaries of Empire on a fee for service basis pursuant to a Management Agreement effective January 1, 2016. Revenue generated from the Management Agreement is being recognized as a reduction of General and administrative expenses. This Agreement replaces the previous cost sharing arrangement covered by a Management Cost Sharing Agreement.

In addition to the above:

During the year ended December 31, 2018, Crombie issued 333,058 (December 31, 2017 – 977,009) Class B LP Units to ECLD under the DRIP (Note 16).

On April 6, 2018, Crombie acquired nine retail properties and two additions to existing retail properties from Sobeys. The properties, totalling 421,000 square feet, were acquired for \$88,110, excluding closing and transaction costs.

On June 29, 2018, Crombie acquired one retail property from Sobeys. The property, totalling 37,000 square feet, was acquired for \$12,500, excluding closing and transaction costs.

On September 28, 2018, Crombie acquired an addition to an existing retail property from Sobeys. The property addition, totalling 10,000 square feet, was acquired for \$3,735, excluding closing and transaction costs.

KEY MANAGEMENT PERSONNEL COMPENSATION

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of Crombie. The following are considered to be Crombie's key management personnel: the Chief Executive Officer, Chief Financial Officer and the three other highest compensated executives.

The remuneration of members of key management during the year was approximately as follows:

	Year ended	
	December 31, 2018	December 31, 2017
Salary, bonus and other short-term employee benefits	\$ 5,865	\$ 4,389
Other long-term benefits	106	98
	\$ 5,971	\$ 4,487

19) FINANCIAL INSTRUMENTS

A) FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of a financial instrument is the estimated amount that Crombie would receive to sell a financial asset or pay to transfer a financial liability in an orderly transaction between market participants at the measurement date.

Fair value determination is classified within a three-level hierarchy, based on observability of significant inputs, as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 – unobservable inputs for the asset or liability.

The following table provides information on financial assets and liabilities measured at fair value as at December 31, 2018:

	Level	December 31, 2018	December 31, 2017
Financial assets			
Marketable securities	1	\$ —	\$ 1,285
Total financial assets measured at fair value		\$ —	\$ 1,285

There were no transfers between levels of the fair value hierarchy during the year ended December 31, 2018. During the year ended December 31, 2018, Crombie sold the marketable securities.

The fair value of other financial instruments is based on discounted cash flows using discount rates that reflect current market conditions for instruments with similar terms and risks. The following table summarizes the estimated fair value of other financial instruments which have a fair value different from their carrying value:

	December 31, 2018		December 31, 2017	
	Fair Value	Carrying Value	Fair Value	Carrying Value
Financial assets				
Long-term receivables ¹	\$ 21,885	\$ 21,882	\$ 6,642	\$ 6,628
Total other financial assets	\$ 21,885	\$ 21,882	\$ 6,642	\$ 6,628
Financial liabilities				
Investment property debt	\$ 1,829,772	\$ 1,789,483	\$ 1,846,029	\$ 1,815,983
Senior unsecured notes	702,893	700,000	627,120	625,000
Convertible debentures	—	—	76,818	74,400
Total other financial liabilities	\$ 2,532,665	\$ 2,489,483	\$ 2,549,967	\$ 2,515,383

1. Long-term receivables include amounts in other assets for capital expenditure program, interest rate subsidy and receivable from related parties.

The fair value of convertible debentures is a Level 1 measurement and the long-term receivables, investment property debt and senior unsecured notes are Level 2.

Due to their short-term nature, the carrying value of the following financial instruments approximates their fair value at the balance sheet date:

- Cash and cash equivalents
- Trade receivables
- Restricted cash
- Trade and other payables (excluding any embedded derivatives).

B) RISK MANAGEMENT

In the normal course of business, Crombie is exposed to a number of financial risks that can affect its operating performance. There has been no significant change in Crombie's risk management during the year ended December 31, 2018. The more significant risks, and the actions taken to manage them, are as follows:

Credit risk

Credit risk arises from the possibility that tenants may experience financial difficulty and be unable to fulfill their lease commitments. A provision for doubtful accounts is taken for all anticipated collectability risks (Note 5).

Crombie mitigates credit risk by geographical diversification, diversifying both its tenant mix and asset mix and conducting credit assessments for new and renewing tenants.

In measuring tenant concentration, Crombie considers both the annual minimum rent and total property revenue of major tenants:

- Crombie's largest tenant, Sobeys, represents 55.5% of annual minimum rent; excluding Sobeys, no other tenant accounts for more than 4.4% of Crombie's minimum rent.
- Total property revenue includes operating and realty tax cost recovery income and percentage rent. These amounts can vary by property type, specific tenant leases and where tenants may directly incur and pay operating and realty tax costs. For the year ended December 31, 2018, Sobeys represents 50.6% of total property revenue. Excluding Sobeys, no other tenant accounts for more than 4.6% of Crombie's total property revenue.
- Over the next five years, leases on no more than 6.1% of the gross leaseable area of Crombie will expire in any one year.

Receivables are substantially comprised of current balances due from tenants. The balance of accounts receivable past due is not significant. Generally, rents are due the first of each month and other tenant billings are due 30 days after invoiced, and in general, balances over 30 days are considered past due. None of the receivable balances are considered impaired. The provision for doubtful accounts is reviewed at each balance sheet date. A provision is taken on accounts receivable from independent accounts and is recorded

as a reduction to its respective receivable account on the balance sheet. Crombie updates its estimate of provision for doubtful accounts based on past due balances on accounts receivable. Current and long-term accounts receivable are reviewed on a regular basis and are provided for when collection is considered uncertain.

	Year ended	
	December 31, 2018	December 31, 2017
Provision for doubtful accounts, beginning of year	\$ 194	\$ 127
Additional provision	399	455
Recoveries	(85)	(165)
Write-offs	(163)	(223)
Provision for doubtful accounts, end of year	\$ 345	\$ 194

There have been no significant changes to Crombie's credit risk.

Interest rate risk

Interest rate risk is the potential for financial loss arising from increases in interest rates. Crombie mitigates this risk by utilizing staggered debt maturities and limiting the use of permanent floating rate debt and, on occasion, utilizing interest rate swap agreements. Crombie does not enter into interest rate swaps on a speculative basis.

As at December 31, 2018

- Crombie's weighted average term to maturity of its fixed rate mortgages was 4.6 years;
- Crombie has a floating rate revolving credit facility available to a maximum of \$400,000, subject to available borrowing base, with a balance of \$108,843 at December 31, 2018;
- Crombie has an unsecured bilateral credit facility available to a maximum of \$100,000 with a balance of \$70,000 at December 31, 2018; and,
- Crombie has interest rate swap agreements in place on \$109,295 of floating rate mortgage debt.

Crombie estimates that \$2,165 of accumulated other comprehensive income (loss) will be reclassified to finance costs during the year ending December 31, 2019, based on all settled swap agreements as of December 31, 2018.

A fluctuation in interest rates would have had an impact on Crombie's operating income related to the use of floating rate debt. Based on recent years' rate changes, a 0.5% interest rate change would reasonably be considered possible. The changes would have had the following impact:

Impact on operating income attributable to Unitholders of interest rate changes on the floating rate revolving credit facility and unsecured bilateral credit facility	Impact of a 0.5% interest rate change	
	Decrease in rate	Increase in rate
Twelve months ended December 31, 2018	\$ 611	\$ (611)
Twelve months ended December 31, 2017	\$ 468	\$ (468)

There have been no significant changes to Crombie's interest rate risk.

Liquidity risk

The real estate industry is highly capital intensive. Liquidity risk is the risk that Crombie may not have access to sufficient debt and equity capital to fund its growth program, refinance debt obligations as they mature or meet its ongoing obligations as they arise.

Cash flow generated from operating the property portfolio represents the primary source of liquidity used to service the interest on debt, fund general and administrative expenses, reinvest in the portfolio through capital expenditures, as well as fund tenant incentive costs and make distributions to Unitholders. Debt repayment requirements are primarily funded from refinancing Crombie's maturing debt obligations. Property acquisition funding requirements are funded through a combination of accessing the debt and equity capital markets and recycling capital from property dispositions.

There is a risk that the debt capital markets may not refinance maturing fixed rate and floating rate debt on terms and conditions acceptable to Crombie or at any terms at all. Crombie seeks to mitigate this risk by staggering its debt maturity dates. There is also a risk that the equity capital markets may not be receptive to a REIT unit offering issue from Crombie with financial terms acceptable to Crombie. As discussed in Note 20, Crombie mitigates its exposure to liquidity risk utilizing a conservative approach to capital management.

Access to the revolving credit facility is limited by the amount utilized under the facility and the amount of any outstanding letters of credit, and cannot exceed the borrowing base security provided by Crombie.

The estimated payments, including principal and interest, on non-derivative financial liabilities to maturity date are as follows:

	Twelve months ending December 31,						
	Contractual Cash Flows ¹	2019	2020	2021	2022	2023	Thereafter
Fixed rate mortgages ²	\$ 1,878,846	\$ 247,213	\$ 323,962	\$ 180,834	\$ 270,926	\$ 312,584	\$ 543,327
Senior unsecured notes	802,610	27,873	149,788	268,626	163,823	8,400	184,100
	2,681,456	275,086	473,750	449,460	434,749	320,984	727,427
Floating rate credit facilities	196,966	6,877	75,128	4,079	110,882	–	–
Total	\$ 2,878,422	\$ 281,963	\$ 548,878	\$ 453,539	\$ 545,631	\$ 320,984	\$ 727,427

1. Contractual cash flows include principal and interest and ignore extension options.

2. Reduced by the interest rate subsidy payments to be received from Empire.

There have been no significant changes to Crombie's liquidity risk.

20) CAPITAL MANAGEMENT

Crombie's objective when managing capital on a long-term basis is to maintain overall indebtedness, including convertible debentures, at reasonable levels, utilize staggered debt maturities, minimize long-term exposure to excessive levels of floating rate debt and maintain conservative payout ratios.

Crombie's capital structure consists of the following:

	December 31, 2018	December 31, 2017
Fixed rate mortgages	\$ 1,601,584	\$ 1,751,096
Credit facilities	178,843	53,168
Senior unsecured notes	698,716	624,320
Convertible debentures	–	73,164
Crombie REIT Unitholders	864,779	873,478
SVU and Class B LP Unitholders	578,061	583,777
	\$ 3,921,983	\$ 3,959,003

At a minimum, Crombie's capital structure is managed to ensure that it complies with the limitations pursuant to Crombie's Declaration of Trust, the criteria contained in the Income Tax Act (Canada) in regard to the definition of a REIT and existing debt covenants. Some of the restrictions pursuant to Crombie's Declaration of Trust would include, among other items:

- A restriction that Crombie shall not incur indebtedness (other than by the assumption of existing indebtedness) where the indebtedness would exceed 75% of the market value of an individual property; and,
- A restriction that Crombie shall not incur indebtedness of more than 60% of gross book value (65% including any convertible debentures).

For debt to gross book value calculation, Crombie does not include in total debt the financial liabilities to REIT Unitholders and to holders of Class B LP Units, as shown on the balance sheet as Net assets attributable to Unitholders. Crombie's debt to gross book value as defined in Crombie's Declaration of Trust is as follows:

	December 31, 2018	December 31, 2017
Fixed rate mortgages	\$ 1,610,640	\$ 1,762,815
Senior unsecured notes	700,000	625,000
Convertible debentures	—	74,400
Revolving credit facility	108,843	8,168
Bilateral credit facility	70,000	45,000
Total debt outstanding	2,489,483	2,515,383
Less: Applicable fair value debt adjustment	(818)	(1,117)
Debt	\$ 2,488,665	\$ 2,514,266
Income properties, cost	\$ 4,273,152	\$ 4,280,433
Properties under development, cost	66,179	75,699
Below-market lease component, cost ¹	66,319	86,885
Investment in joint ventures	39,485	2,602
Other assets, cost (see below)	338,616	325,193
Deferred financing charges	11,408	14,958
Interest rate subsidy	(818)	(1,117)
Gross book value	\$ 4,794,341	\$ 4,784,653
Debt to gross book value – cost basis	51.9%	52.5%

1. Below-market lease component is included in the carrying value of investment properties.

Other assets are calculated as follows:

	December 31, 2018	December 31, 2017
Other assets per Note 5	\$ 271,946	\$ 257,291
Add:		
Tenant incentive accumulated amortization	66,670	67,902
Other assets, cost	\$ 338,616	\$ 325,193

Under the amended terms governing the revolving credit facility, Crombie is entitled to borrow a maximum of 70% of the fair market value of assets subject to a first security position and 60% of the excess fair market value over first mortgage financing of assets subject to a second security position or a negative pledge. The terms of the revolving credit facility also require that Crombie must maintain certain covenants:

- annualized net operating income for the prescribed properties must be a minimum of 1.4 times the coverage of the related annualized debt service requirements;
- annualized net operating income on all properties must be a minimum of 1.4 times the coverage of all annualized debt service requirements;
- access to the revolving credit facility is limited by the amount utilized under the facility and the amount of any outstanding letters of credit not to exceed the borrowing base security provided by Crombie; and,
- distributions to Unitholders are limited to 100% of distributable income as defined in the revolving credit facility.

As at December 31, 2018, Crombie is in compliance with all externally imposed capital requirements and all covenants relating to its debt facilities.

21) COMMITMENTS, CONTINGENCIES, AND GUARANTEES

There are various claims and litigation which Crombie is involved with arising out of the ordinary course of business operations. In the opinion of management, any liability that would arise from such contingencies in excess of existing accruals would not have a significant adverse effect on these financial statements.

Crombie has agreed to indemnify its trustees and officers, and particular employees, in accordance with Crombie's policies. Crombie maintains insurance policies that may provide coverage against certain claims.

Crombie obtains letters of credit to support its obligations with respect to construction work on its investment properties and satisfying mortgage financing requirements. As at December 31, 2018, Crombie has a total of \$8,698 in outstanding letters of credit related to:

	December 31, 2018	December 31, 2017
Construction work being performed on investment properties	\$ 3,858	\$ 3,879
Mortgage lenders primarily to satisfy mortgage financings on redevelopment properties	4,840	4,840
Total outstanding letters of credit	\$ 8,698	\$ 8,719

Crombie does not believe that any of these standby letters of credit are likely to be drawn upon.

Land leases have varying terms ranging from six to 71 years including renewal options. For the year ended December 31, 2018 Crombie paid \$1,864 in land lease payments to third party landlords (year ended December 31, 2017 – \$1,685). Crombie's commitments under the land leases are disclosed in Note 12.

As at December 31, 2018, Crombie had signed construction contracts totalling \$206,295 of which \$165,120 has been paid.

Crombie has 100% guarantees on mortgages related to properties in which it has less than a 100% interest. The mortgages payable related to these guarantees are secured by specific charges against the properties. As at December 31, 2018, Crombie has provided guarantees of approximately \$38,245 (December 31, 2017 – \$NIL) on mortgages in excess of their ownership interest in the properties. The mortgages have a weighted average term to maturity of 5.9 years.

22) SUBSEQUENT EVENTS

- (a) On January 21, 2019, Crombie declared distributions of 7.417 cents per Unit for the period from January 1, 2019 to and including, January 31, 2019. The distributions were paid on February 15, 2019, to Unitholders of record as of January 31, 2019.
- (b) On February 19, 2019, Crombie declared distributions of 7.417 cents per Unit for the period from February 1, 2019 to and including February 28, 2019. The distributions will be paid on March 15, 2019, to Unitholders of record as of February 28, 2019.
- (c) On February 5, 2019, Crombie disposed of a 50% interest in seven retail properties totalling 296,376 square feet of gross leaseable area. Total proceeds, before closing adjustments and transaction costs, were approximately \$41,600.
- (d) Since December 31, 2018, Crombie also disposed of a 100% interest in three retail properties totalling 182,800 square feet of gross leaseable area. Total proceeds, before closing adjustments and transaction costs, were approximately \$64,800.

23) SEGMENT DISCLOSURE

Crombie owns and operates primarily retail and office real estate assets located in Canada. Management, in measuring Crombie's performance or making operating decisions, does not distinguish or group its operations on a geographical or other basis. Accordingly, Crombie has a single reportable segment.

24) INDEMNITIES

Crombie has agreed to indemnify its trustees and officers, and particular employees, in accordance with Crombie's policies. Crombie maintains insurance policies that may provide coverage against certain claims.

PROPERTY PORTFOLIO

Retail – Plazas	Property	Description	GLA (approx. sq. ft.)	% Occu- pancy
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NEWFOUNDLAND & LABRADOR

Random Square	Clarenville	Retail – Enclosed	108,000	99.0
Conception Bay Plaza	Conception Bay	Retail – Plazas	65,000	98.6
2A Commerce Street	Deer Lake	Retail – Plazas	29,000	100.0
71 Grandview Boulevard	Grand Bank	Retail – Freestanding	19,000	100.0
21 Cromer Avenue	Grand Falls	Retail – Freestanding	27,000	100.0
69 Blockhouse Road	Placentia	Retail – Freestanding	20,000	100.0
10 Elizabeth Avenue	St John's	Retail – Freestanding	80,000	100.0
45 Ropewalk Lane	St John's	Retail – Freestanding	50,000	100.0
Avalon Mall	St John's	Retail – Enclosed	420,000	99.6
Hamlyn Road Plaza	St John's	Retail – Plazas	38,000	78.0
Kenmount Woodgate	St John's	Mixed Use	50,000	100.0
Topsail Road Plaza	St John's	Retail – Plazas	158,000	100.0
Torbay Road Plaza	St John's	Retail – Plazas	139,000	98.9
			1,203,000	98.8

PRINCE EDWARD ISLAND

400 University Avenue	Charlottetown	Retail – Freestanding	50,000	100.0
Kinlock Plaza	Stratford	Retail – Plaza	74,000	100.0
			124,000	100.0

NOVA SCOTIA

Amherst Centre	Amherst	Retail – Enclosed	228,000	44.7
Amherst Plaza	Amherst	Retail – Plazas	25,000	100.0
151 Church Street	Antigonish	Retail – Freestanding	51,000	100.0
Hemlock Square	Bedford	Retail – Plazas	169,000	100.0
Mill Cove Plaza	Bedford	Retail – Plazas	150,000	98.8
2 Forest Hills Parkway	Cole Harbour	Retail – Freestanding	44,000	100.0
Dartmouth Crossing – Cineplex	Dartmouth	Retail – Freestanding	45,000	100.0
Panavista Drive	Dartmouth	Retail – Freestanding	48,000	100.0
Penhorn Plaza	Dartmouth	Mixed Use	145,000	91.1
Russell Lake	Dartmouth	Retail – Plazas	62,000	100.0
Elmsdale Plaza	Elmsdale	Retail – Plazas	148,000	98.6
Fall River Plaza	Fall River	Retail – Plazas	98,000	100.0
North & Windsor Street	Halifax	Retail – Freestanding	50,000	100.0
Park West Plaza	Halifax	Retail – Plaza	143,000	98.7
Queen Steel Plaza	Halifax	Retail – Freestanding	55,000	100.0
Downsview Mall	Lower Sackville	Retail – Plazas	80,000	98.5
Downsview Plaza	Lower Sackville	Retail – Plazas	226,000	97.2
Aberdeen Business Centre	New Glasgow	Mixed Use	387,000	100.0
Highland Square	New Glasgow	Retail – Enclosed	200,000	100.0
West Side Plaza	New Glasgow	Retail – Plazas	71,000	94.3
County Fair Mall	New Minas	Retail – Enclosed	237,000	57.1
75 Emerald Street	New Waterford	Retail – Freestanding	26,000	100.0
Blink Bonnie Plaza	Pictou	Retail – Plazas	45,000	100.0
622 Reeves Street	Port Hawkesbury	Retail – Freestanding	34,000	100.0
22579 Highway 7	Sheet Harbour	Retail – Freestanding	9,000	100.0
279, 289 & 303 Herring Cove Road	Spryfield	Retail – Freestanding	73,000	100.0
293 Foord Street	Stellarton	Retail – Freestanding	24,000	100.0
Prince Street Plaza	Sydney	Retail – Plazas	71,000	100.0
Sydney Shopping Centre	Sydney	Retail – Plazas	189,000	93.9
39 Pitt Street	Sydney Mines	Retail – Freestanding	18,000	100.0
North Shore Centre	Tatamagouche	Retail – Plazas	17,000	100.0
Fundy Trail Centre	Truro	Retail – Plaza	125,000	96.5
Tantallon Plaza	Upper Tantallon	Retail – Plazas	157,000	99.1
			5,006,000	91.1

Scotia Square Properties

Barrington Place	Halifax	Mixed Use	191,000	99.5
Barrington Tower	Halifax	Office	186,000	99.4
Brunswick Place	Halifax	Mixed Use	255,000	97.7
CIBC Building	Halifax	Office	207,000	79.7
Cogswell Tower	Halifax	Office	204,000	96.2
Duke Tower	Halifax	Office	251,000	77.2
Scotia Square	Halifax	Mixed Use	262,000	78.2
Scotia Square Parkade	Halifax	Mixed Use		

NEW BRUNSWICK

850 Saint Peters Avenue	Bathurst	Retail – Freestanding	18,000	100.0
477 Paul Street	Dieppe	Retail – Freestanding	52,000	100.0
501 Regis Street	Dieppe	Retail – Freestanding	25,000	100.0
Edmundston	Edmundston	Retail – Freestanding	42,000	100.0
Brookside Mall	Fredericton	Retail – Freestanding	43,000	100.0
Prospect Street Plaza	Fredericton	Retail – Plazas	22,000	100.0
Uptown Centre	Fredericton	Retail – Plazas	265,000	87.2
1234 Main Street	Moncton	Office	151,000	92.1
Elmwood Drive	Moncton	Retail – Plazas	95,000	100.0
Mountain Road	Moncton	Retail – Plazas	17,000	100.0
Northwest Centre, Mountain Road	Moncton	Retail – Freestanding	52,000	100.0
Vaughan Harvey Plaza	Moncton	Retail – Plazas	103,000	100.0

Retail – Plazas	Property	Description	GLA (approx. sq. ft.)	% Occu- pancy
273 Pleasant Street	Newcastle	Retail – Freestanding	20,000	100.0
Riverview – Findlay Boulevard	Riverview	Retail – Plazas	66,000	94.8
Riverview Place	Riverview	Mixed Use	149,000	78.8
Fairvale Plaza	Rothesay	Retail – Freestanding	52,000	100.0
Catherwood Street	Saint John	Retail – Freestanding	46,000	100.0
Loch Lomond Place	Saint John	Mixed Use	193,000	75.7
Charlotte Mall	St Stephen	Retail – Plazas	119,000	95.8
Tracadie	Tracadie	Retail – Plazas	40,000	83.8
			1,570,000	91.1

QUÉBEC

1490-1500 rue de Bretagne	Baie Comeau	Retail – Freestanding	50,000	100.0
1020 boul. Monseigneur-de-Laval	Baie Saint Paul	Retail – Plazas	64,000	100.0
Beauport Plaza	Beauport	Retail – Plazas	68,000	96.5
50 rue Bourgeois	Bromptonville	Retail – Plazas	27,000	84.6
3260 boul. Lapiniere & 3305 Broadway	Brossard	Retail – Plazas	48,000	94.1
635-645 boul. Thibeau	Cap-de-la-Madeleine	Retail – Freestanding	49,000	100.0
80-90 boul. d'Anjou	Chateauguay	Retail – Plazas	91,000	100.0
Marché St-Charles-de-Drummond	Drummondville	Retail – Plazas	48,000	100.0
1205 rue de Neuville	Gatineau	Retail – Plazas	31,000	100.0
1238-1320 boul. de la Verendrye Est	Gatineau	Retail – Plazas	72,000	91.6
1298 rue de la Digue	Havre-Saint-Pierre	Retail – Freestanding	26,000	100.0
2195 Chemin Ridge	Huntingdon	Retail – Freestanding	19,000	100.0
Ile Perrot	Ile Perrot	Retail – Freestanding	24,000	100.0
Centre Lavaltrie	Lavaltrie	Retail – Plazas	43,000	100.0
Marché Lavaltrie	Lavaltrie	Retail – Plazas	52,000	97.8
Les Saules	Les Saules	Retail – Plazas	69,000	100.0
714 boul. St-Laurent O	Louiseville	Retail – Freestanding	23,000	100.0
1450 & 1454 rue Royale	Malartic	Retail – Plaza	29,000	100.0
551 Avenue du Phare Est	Matane	Retail – Freestanding	30,000	100.0
McMasterville	McMasterville	Retail – Plazas	55,000	100.0
Mercier	Mercier	Retail – Plazas	58,000	94.1
Marché St-Augustin	Mirabel	Retail – Plazas	38,000	100.0
1 Avenue Westminster N	Montreal	Retail – Freestanding	21,000	100.0
5651 rue de Verdun	Montreal	Retail – Freestanding	6,000	100.0
Paspebiac Plaza	Paspebiac	Retail – Plazas	73,000	91.7
Lebourgneuf	Quebec City	Retail – Freestanding	59,000	100.0
395 Avenue Sirois	Rimouski	Retail – Freestanding	53,000	89.4
375 boul. Jessop	Rimouski	Retail – Freestanding	41,000	100.0
254 de l'hotel de ville	Riviere du Loup	Retail – Plazas	72,000	100.0
680 Avenue Chausse	Rouyn-Noranda	Retail – Freestanding	43,000	100.0
Carrefour Bourgeois	Saint-Armand	Retail – Plaza	64,000	95.6
Saint-Apollinaire Plaza	Saint-Apollinaire	Retail – Plazas	62,000	100.0
867-871 rue Principale	Saint-Donat	Retail – Freestanding	34,000	100.0
Saint Romuald Plaza	Saint Romuald	Retail – Plazas	70,000	100.0
10505 boul. Sainte-Anne	Sainte-Anne -de-Beaupré	Retail – Freestanding	38,000	100.0
131-A Avenue Sainte-Cecile	Saint-Pie	Retail – Freestanding	14,000	100.0
Shawinigan	Shawinigan	Retail – Plazas	67,000	100.0
2959 rue King Ouest	Sherbrooke	Retail – Freestanding	13,000	100.0
3950 rue King Ouest	Sherbrooke	Retail – Freestanding	52,000	100.0
411 boul. Poliquin	Sorel-Tracy	Retail – Freestanding	40,000	100.0
8980 boul. Lacroix	St Georges de Beauce	Retail – Freestanding	44,000	100.0
St. Lambert	St. Lambert	Retail – Freestanding	19,000	100.0
1101 boul. de la Piniere Ouest	Terrebonne	Retail – Freestanding	235,000	100.0
Vanier	Vanier	Retail – Freestanding	17,000	100.0
			2,151,000	98.4

ONTARIO

977 Golf Links Road	Ancaster	Retail – Freestanding	32,000	100.0
409 Bayfield Street	Barrie	Retail – Freestanding	48,000	100.0
680 Longworth Avenue	Bowmanville	Retail – Plazas	42,000	100.0
20 Melbourne Drive	Bradford	Retail – Freestanding	35,000	100.0
Brampton Mall	Brampton	Retail – Plazas	103,000	93.7
Brampton Plaza	Brampton	Retail – Plazas	38,000	100.0
Burlington Plaza	Burlington	Retail – Plazas	56,000	100.0
Milltowne Plaza	Burlington	Retail – Plazas	11,000	100.0
142 Dundas Street	Cambridge	Retail – Freestanding	4,000	100.0
807 King Street	Cambridge	Retail – Freestanding	9,000	100.0
215 Park Avenue West	Chatham	Retail – Freestanding	48,000	100.0
Dorchester Road Centre	Dorchester	Retail – Freestanding	18,000	100.0
Village Square Centre	Dorchester	Retail – Plazas	32,000	100.0
Lindsay Street Centre	Fenelon Falls	Retail – Freestanding	35,000	100.0
417 Scott Street	Fort Frances	Retail – Freestanding	43,000	100.0
Sinclair Place	Georgetown	Retail – Plazas	28,000	100.0
44 Livingston Avenue	Grimbsy	Retail – Freestanding	36,000	100.0
Grimbsy Centre	Grimbsy	Retail – Freestanding	29,000	100.0
Grimbsy Mews	Grimbsy	Retail – Plazas	36,000	100.0
Upper James Square	Hamilton	Retail – Plazas	114,000	100.0
Havelock Centre	Havelock	Retail – Freestanding	15,000	100.0
400 First Avenue South	Kenora	Retail – Freestanding	37,000	100.0
London Pine Valley	London	Retail – Plazas	39,000	100.0

			GLA	%				GLA	%
			(approx.	Occu-				(approx.	Occu-
Retail – Plazas	Property	Description	sq. ft.)	pancy	Retail – Plazas	Property	Description	sq. ft.)	pancy
5931 Kalar Road	Niagara Falls	Retail – Freestanding	36,000	100.0	2304 109 Street NW	Edmonton	Retail – Freestanding	48,000	100.0
Niagara Plaza	Niagara Falls	Retail – Plazas	64,000	100.0	2534 Guardian Road NW	Edmonton	Retail – Freestanding	49,000	100.0
Village Square Mall	Nepean	Retail – Plazas	91,000	100.0	5119 167 Avenue NW	Edmonton	Retail – Freestanding	30,000	100.0
Algonquin Avenue Mall	North Bay	Retail – Plazas	172,000	80.5	5309 Eilerslie Road	Edmonton	Retail – Freestanding	50,000	100.0
500 Riddell Road	Orangeville	Retail – Freestanding	46,000	100.0	8118 118 Avenue NW	Edmonton	Retail – Freestanding	44,000	100.0
5150 Innes Road	Orleans	Retail – Plazas	63,000	100.0	8204 109 Street NW	Edmonton	Retail – Plazas	34,000	100.0
Taunton and Wilson Plaza	Oshawa	Retail – Plazas	107,000	98.8	9611 167 Avenue NW	Edmonton	Retail – Freestanding	37,000	100.0
Parry Sound	Parry Sound	Retail – Plazas	46,000	100.0	10907 82 Avenue NW	Edmonton	Retail – Freestanding	21,000	100.0
Lansdowne Centre					12950 137 Avenue NW	Edmonton	Retail – Freestanding	55,000	100.0
Rockhaven	Peterborough	Retail – Plazas	60,000	93.3	13550 Victoria Trail	Edmonton	Retail – Freestanding	37,000	100.0
3130 Danforth Avenue	Scarborough	Retail – Freestanding	3,000	100.0	Millwood Commons	Edmonton	Retail – Plazas	29,000	100.0
Glendale Avenue					Namoo Centre	Edmonton	Retail – Plazas	34,000	100.0
Mountain Locks Plaza	St Catharines	Retail – Plazas	85,000	100.0	304 54th Street	Edson	Retail – Freestanding	33,000	100.0
Stittsville Corner	Stittsville	Retail – Plazas	111,000	98.2	9601 Franklin Avenue	Fort McMurray	Retail – Freestanding	40,000	100.0
Stoney Creek Plaza	Stoney Creek	Retail – Plazas	12,000	100.0	Clearwater Landing	Fort McMurray	Retail – Plazas	143,000	97.2
105 Arthur Street West	Thornbury	Retail – Plazas	40,000	100.0	8100-8300 100 Street	Grand Prairie	Retail – Plazas	66,000	100.0
1995 Weston Road	Toronto	Retail – Freestanding	16,000	100.0	9925 114 Avenue	Grand Prairie	Retail – Plazas	62,000	100.0
3362-3370 Yonge Street	Toronto	Retail – Freestanding	28,000	100.0	Leduc Centre	Leduc	Retail – Plazas	138,000	100.0
Markham Plaza	Toronto	Retail – Plazas	39,000	96.8	606 4th Avenue S	Lethbridge	Retail – Freestanding	20,000	100.0
McCowan Square	Toronto	Retail – Plazas	61,000	100.0	1760 23 Street	Lethbridge	Retail – Freestanding	45,000	100.0
Queensway Plaza	Toronto	Retail – Plazas	67,000	54.3	2750 Fairway Plaza Road S	Lethbridge	Retail – Plazas	64,000	100.0
8265 Huntington Road	Woodbridge	Retail – Freestanding	397,000	100.0	West Highlands Towne Centre	Lethbridge	Retail – Plazas	29,000	100.0
385 Springbank Avenue North	Woodstock	Retail – Plazas	55,000	94.6	West Lethbridge Towne Centre	Lethbridge	Retail – Plazas	104,000	99.1
			2,487,000	96.7	615 Division Avenue S	Medicine Hat	Retail – Freestanding	43,000	100.0
MANITOBA					410 & 610 Big Rock Lane	Okotoks	Retail – Freestanding	42,000	100.0
498 Mountain Avenue	Neepawa	Retail – Freestanding	18,000	100.0	Gætz South Plaza	Red Deer	Retail – Plazas	74,000	100.0
123-132 Saskatchewan Avenue E	Portage la Prairie	Retail – Freestanding	20,000	100.0	260199 High Plains Boulevard	Rocky View	Retail – Freestanding	655,000	100.0
318 Manitoba Avenue	Selkirk	Retail – Freestanding	42,000	100.0	688 Wye Road	Sherwood Park	Retail – Freestanding	23,000	100.0
3156 Bird's Hill Road E	St Paul	Retail – Freestanding	39,000	100.0	1109 James Mowatt Trail SW	Southbrook	Retail – Freestanding	24,000	100.0
285 Marion Street	Winnipeg	Retail – Freestanding	38,000	100.0	94 McLeod Avenue	Spruce Grove	Retail – Freestanding	51,000	100.0
469-499 River Avenue	Winnipeg	Retail – Plazas	59,000	100.0	395 St. Albert Trail	St. Albert	Retail – Freestanding	52,000	100.0
594 Mountain Avenue	Winnipeg	Retail – Freestanding	18,000	100.0	4607 50 Street	Stettler	Retail – Freestanding	31,000	100.0
654 Kildare Avenue	Winnipeg	Retail – Freestanding	43,000	100.0	100 Ranch Market	Strathmore	Retail – Freestanding	35,000	100.0
655 Osborne Street	Winnipeg	Retail – Freestanding	20,000	100.0	4202 South Park Drive	Stony Plain	Retail – Freestanding	44,000	100.0
920 Jefferson Avenue	Winnipeg	Retail – Freestanding	55,000	100.0				3,428,000	99.7
1305-1321 Pembina Highway	Winnipeg	Retail – Plazas	39,000	100.0	BRITISH COLUMBIA				
2155 Pembina Highway	Winnipeg	Retail – Freestanding	46,000	100.0	575 Alder Avenue	100 Mile House	Retail – Plazas	28,000	100.0
3381 & 3393 Portage Avenue	Winnipeg	Retail – Freestanding	55,000	100.0	4454 East Hastings Street	Burnaby	Retail – Freestanding	4,000	100.0
Kildonan Green	Winnipeg	Retail – Plazas	74,000	94.3	5235 Kingsway	Burnaby	Retail – Plazas	33,000	100.0
River East Plaza	Winnipeg	Retail – Plazas	78,000	100.0	Burnaby Heights	Burnaby	Retail – Plazas	61,000	100.0
			644,000	99.4	1721 Columbia Avenue	Castlegar	Retail – Freestanding	27,000	100.0
SASKATCHEWAN					45850 Yale Road	Chilliwack	Retail – Freestanding	52,000	100.0
200 1st Avenue NW	Moose Jaw	Retail – Freestanding	39,000	100.0	Crown Isle Shopping Centre	Courtenay	Retail – Plazas	97,000	98.9
9801 Territorial Drive	North Battleford	Retail – Freestanding	30,000	100.0	934 Baker Street	Cranbrook	Retail – Freestanding	8,000	100.0
2895 2nd Avenue W	Prince Albert	Retail – Freestanding	56,000	100.0	1200 Baker Street	Cranbrook	Retail – Freestanding	47,000	100.0
2231 East Quance Street	Regina	Retail – Freestanding	37,000	100.0	11200 8th Street	Dawson Creek	Retail – Freestanding	43,000	100.0
2915 13th Avenue	Regina	Retail – Plazas	41,000	100.0	9123 100 Street	Fort St. John	Retail – Freestanding	66,000	98.1
4250 Albert Street	Regina	Retail – Plazas	41,000	97.6	750 Fortune Drive	Kamloops	Retail – Freestanding	56,000	100.0
1860 McOrmond Drive	Saskatoon	Retail – Freestanding	50,000	100.0	945 Columbia Street W	Kamloops	Retail – Freestanding	50,000	100.0
River City Centre	Saskatoon	Retail – Plazas	160,000	90.9	294 Bernard Avenue	Kelowna	Retail – Freestanding	19,000	100.0
			454,000	96.5	697 Bernard Avenue	Kelowna	Retail – Freestanding	30,000	100.0
ALBERTA					Belmont Market	Langford	Mixed Use	74,000	93.9
318 Marten Street	Banff	Retail – Freestanding	19,000	100.0	20871 Fraser Highway	Langley	Retail – Freestanding	48,000	100.0
5700 50th Street	Beaumont	Retail – Plazas	21,000	100.0	27566 Fraser Highway	Langley	Retail – Freestanding	45,000	100.0
Beaumont Shopping Centre	Beaumont	Retail – Plazas	59,000	100.0	32520 Lougheed Highway	Mission	Retail – Plazas	55,000	100.0
550 Cassils Road & 4 Street W	Brooks	Retail – Plazas	60,000	100.0	800 McBride Boulevard	New Westminster	Retail – Freestanding	43,000	100.0
55 Castleridge Boulevard NE	Calgary	Retail – Freestanding	56,000	100.0	1170 27 Street E	North Vancouver	Retail – Freestanding	37,000	100.0
99 Crowfoot Crescent NW	Calgary	Retail – Plazas	75,000	100.0	1175 Mount Seymour Road	North Vancouver	Retail – Freestanding	36,000	100.0
101 Crowfoot Way	Calgary	Retail – Freestanding	10,000	100.0	1303 Main Street	Penticton	Retail – Plazas	59,000	100.0
620 McKenzie Towne Gate SE	Calgary	Retail – Freestanding	9,000	100.0	2850 Shaughnessy Street	Port Coquitlam	Retail – Freestanding	49,000	100.0
410 10 Street NW	Calgary	Retail – Freestanding	38,000	100.0	200 2 Avenue W	Prince Rupert	Retail – Plazas	52,000	100.0
511 17 Avenue SE	Calgary	Retail – Freestanding	42,000	100.0	445 Reid Street	Quesnel	Retail – Freestanding	30,000	100.0
504 & 524 Elbow Drive SW	Calgary	Retail – Freestanding	30,000	82.3	6140 Blundell Road	Richmond	Retail – Freestanding	28,000	100.0
813 11 Avenue SW	Calgary	Retail – Freestanding	40,000	100.0	3664 Yellowhead Highway	Smithers	Retail – Freestanding	43,000	100.0
850 Saddletowne Circle NE	Calgary	Retail – Freestanding	51,000	100.0	7450 120 Street	Surrey	Retail – Plazas	53,000	100.0
1818 Centre Street NE & 134 17th Avenue NE	Calgary	Retail – Freestanding	35,000	100.0	8860 152 Street	Surrey	Retail – Freestanding	56,000	100.0
2425 34 Avenue SW	Calgary	Retail – Plazas	48,000	100.0	10355 King George Boulevard	Surrey	Retail – Freestanding	62,000	100.0
3550 32 Avenue NE	Calgary	Retail – Freestanding	69,000	100.0	4655 Lakelse Avenue	Terrace	Retail – Freestanding	43,000	100.0
5048 16 Avenue NW	Calgary	Retail – Freestanding	21,000	100.0	1599 Second Avenue	Trail	Retail – Plazas	32,000	100.0
5607 4 Street NW	Calgary	Retail – Plazas	51,000	100.0	990 King Edward Avenue W	Vancouver	Retail – Freestanding	28,000	100.0
South Trail Plaza	Calgary	Retail – Plazas	79,000	100.0	1641 & 1653 Davie Street	Vancouver	Retail – Plazas	37,000	100.0
Strathcona Square	Calgary	Retail – Plazas	80,000	100.0	1766 Robson Street	Vancouver	Retail – Freestanding	41,000	100.0
1110 Gateway Avenue	Canmore	Retail – Freestanding	50,000	100.0	1780 East Broadway	Vancouver	Retail – Freestanding	42,000	100.0
1200 Railway Avenue	Canmore	Retail – Freestanding	53,000	100.0	2733 West Broadway	Vancouver	Retail – Plazas	55,000	100.0
135 Chestermere Station Way	Chestermere	Retail – Freestanding	43,000	100.0	3410 Kingsway	Vancouver	Retail – Plazas	51,000	100.0
304 5 Avenue W	Cochrane	Retail – Freestanding	54,000	100.0	8475 Granville Street	Vancouver	Retail – Freestanding	24,000	100.0
400 & 500 Manning Crossing N	Edmonton	Retail – Freestanding	49,000	100.0	3417 30 Avenue	Vernon	Retail – Freestanding	29,000	100.0
					4300 32 Street	Vernon	Retail – Freestanding	56,000	100.0
								1,829,000	99.6
					TOTAL			18,896,000	96.0

UNITHOLDERS' INFORMATION

BOARD OF TRUSTEES

Frank C. Sobey

Trustee and Chairman

John Eby

Independent Trustee and Lead Trustee

Donald E. Clow

Trustee, President and Chief Executive Officer

Paul Beesley

Independent Trustee

James M. Dickson

Independent Trustee

Brian A. Johnson

Independent Trustee

J. Michael Knowlton

Independent Trustee

Barbara Palk

Independent Trustee

Jason P. Shannon

Independent Trustee

Kent R. Sobey

Independent Trustee

Paul D. Sobey

Trustee

Elisabeth Stroback

Independent Trustee

OFFICERS

Frank C. Sobey

Chairman

Donald E. Clow

President and Chief Executive Officer

Glenn R. Hynes

Executive Vice President, COO, CFO
and Secretary

Cheryl Fraser

Chief Talent Officer and Vice President Communications

John Barnoski

Senior Vice President Corporate Development

Trevor Lee

Senior Vice President Development and Construction

Arie Bitton

Senior Vice President Leasing and Operations

Fred Santini

General Counsel

CROMBIE REIT

Head Office:

610 East River Road, Suite 200
New Glasgow, Nova Scotia
B2H 3S2

Telephone: (902) 755-8100

Fax: (902) 755-6477

Internet: www.crombiereit.com

INVESTOR RELATIONS AND INQUIRIES

Unitholders, analysts, and investors should direct their financial inquiries or request to:

Glenn R. Hynes, FCPA, FCA

Executive Vice President, COO, CFO
and Secretary

Email: investing@crombie.ca

Communication regarding investor records, including changes of address or ownership, lost certificates or tax forms, should be directed to the company's transfer agent and registrar, AST Trust Company (Canada).

UNIT SYMBOL

REIT Trust Units – CRR.UN

STOCK EXCHANGE LISTING

Toronto Stock Exchange

TRANSFER AGENT

AST Trust Company (Canada)
Investor Correspondence
P.O. Box 700
Montreal, Quebec
H3B 3K3

Telephone: (800) 387-0825

Email: inquiries@astfinancial.com

Website: www.astfinancial.com/ca

COUNSEL

Stewart McKelvey

Halifax, Nova Scotia

AUDITORS

PricewaterhouseCoopers, LLP

Halifax, Nova Scotia

MULTIPLE MAILINGS

If you have more than one account, you may receive a separate mailing for each.

If this occurs, please contact AST Trust Company (Canada) at (800) 387-0825 or (416) 682-3860 to eliminate multiple mailings.

TOP 10 TENANTS

Crombie's portfolio is home to a diversity of national and regional tenants, most of whom serve the everyday needs of Canadian consumers.

TENANT	% of Annual Minimum Rent	Average Remaining Lease Term	DBRS Credit Rating
Sobeys ¹	55.5%	13.7 years	BB (high)
Shoppers Drug Mart	4.4%	9.8 years	BBB
Dollarama	1.2%	5.9 years	BBB
Province of Nova Scotia	1.1%	0.8 years	A (high)
CIBC	1.1%	12.6 years	AA
Lawtons/Sobeys Pharmacy	1.0%	9.1 years	BB (high)
GoodLife Fitness	1.0%	9.1 years	
Bank of Montreal	1.0%	8.6 years	AA
Bank of Nova Scotia	0.9%	2.9 years	AA
Cineplex	0.8%	9.7 years	
TOTAL	68.0%		

1. Excludes Lawtons/Sobeys Pharmacy

SOBEYS

Our relationship with Sobeys provides many competitive advantages.

RIGHT OF
FIRST OFFER

ACCESS TO
URBAN MARKETS
AT REASONABLE
PRICING

MARKET
INTELLIGENCE

ACCELERATING
MAJOR MIXED USE
DEVELOPMENT

STRONG
MANAGEMENT

STABLE &
GROWING
CASH FLOW

ALIGNED INTEREST GIVEN 41.5%
FULLY DILUTED OWNERSHIP INTEREST

WHY CROMBIE?

High-quality, everyday-needs oriented portfolio with steady net operating income and cash flow growth

Materially accretive development pipeline focused on Canada's top urban markets with the expectation to create \$1-2 of NAV/unit over the next one to two years

Experienced management team with strong expertise in real estate portfolio management, ownership and development

Strong capital structure with moderate leverage and ample liquidity

Total return on investment superior to S&P/TSX Capped REIT Index and S&P/TSX Composite Index since March 2006 IPO