

RELIABLE DURABLE GROWING

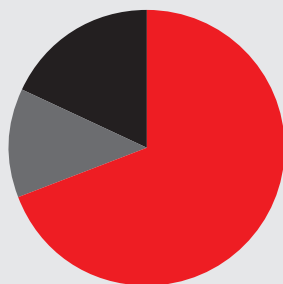


CT REIT

2016 ANNUAL REPORT

Properties by Market Size¹

(% of annualized base minimum rent)



- **69.2%** Large urban
- **12.9%** Medium
- **17.9%** Small

Properties by Region

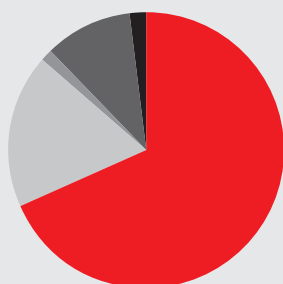
(% of annualized base minimum rent)



- **44.9%** Ontario
- **20.9%** Quebec
- **27.3%** Western
- **6.9%** Atlantic

Properties by Type

(% of annualized base minimum rent)



- **68.5%** Single-tenant properties with a Canadian Tire Retail store
- **17.9%** Properties anchored by Canadian Tire Retail store
- **1.5%** Retail properties not anchored by Canadian Tire Retail store
- **10.2%** Distribution centres
- **1.9%** Mixed-use commercial property

¹ Large urban: population >100,000
Medium: population 20,000–100,000
Small: population <20,000

All figures as of December 31, 2016

ABOUT CT REIT

CT Real Estate Investment Trust (CT REIT) (TSX: CRT.UN) is an unincorporated, closed-end real estate investment trust formed to own income producing commercial properties, primarily located in Canada. Its portfolio consists of 303 properties² totalling over 24.6 million square feet of gross leasable area (GLA), consisting primarily of retail properties located across Canada. Canadian Tire Corporation, Limited (CTC) is CT REIT's most significant tenant.

CT REIT aims to create long-term value by generating reliable and durable growth in adjusted funds from operations (AFFO) per unit, and we benefit from our relationship with CTC, our principal tenant and largest Unitholder. This close alignment with one of Canada's most respected, recognized and durable brands brings CT REIT a competitive advantage, to the benefit of our Unitholders. This advantage extends to the other CTC banners, including Sport Chek and Mark's, and allows Unitholders to participate, together with CTC, in the successful real estate strategy that CTC has been pursuing and continually refining for many decades.

² As of December 31, 2016

BUILDING ON OUR STRENGTHS

CT REIT has a Canada-wide portfolio with a diverse range of assets that includes single-tenant properties with a Canadian Tire store, multi-tenant retail properties anchored by a Canadian Tire store, and other property types including distribution and office. Through our unique relationship with CTC, we have a comprehensive understanding of its real estate and long-term planning. We also benefit from CTC's insights into today's continually evolving retail marketplace. This knowledge helps to shape our strategy and guide our plans.

In 2016, we created value for our Unitholders by expanding our portfolio, increasing our GLA and completing several development and redevelopment projects. We continued to execute on our strategy of combining solid growth with conservative financial management, and were again able to increase our distribution while improving our payout ratio.

STABILITY AND GROWTH

CT REIT owns a national portfolio of well-located, high-value retail properties with a primary tenant that is one of the strongest brands in Canada. In combination with a solid balance sheet, an investment grade credit rating, an outstanding relationship with our largest tenant and Unitholder, and a clear strategy, our portfolio enables us to deliver returns that are reliable, durable and growing.

Reliable

We designed CT REIT with predictability built in – that’s what allows us to provide our Unitholders with reliable cash flows and monthly distributions. Our leases with CTC are long term, triple-net, with a weighted average remaining lease term of 12.6 years. These leases feature an approximate annual average 1.5 per cent rent increase, guaranteeing yearly baseline growth, and we have a 99.7 per cent occupancy rate with almost no lease turnover. All of these factors help us reliably forecast the overall performance of our portfolio.

Durable

The foundation of our portfolio was carefully assembled in keeping with CTC’s successful retail network strategy and features many of the best-located, quality retail properties in the country. Furthermore, the portfolio is diversified by geography, market size and property type, which helps to reduce our exposure to risk and market volatility. In CTC we have an investment grade anchor tenant, which had revenues of \$12.7 billion in 2016 – and that accounts for 91.3 per cent of our annualized base minimum rents. This is what makes durability a defining feature of CT REIT.

Growing

At CT REIT we have several avenues for achieving growth. Growth is assured through our contracted annual rent escalations. We also have secure access to a pipeline of properties through CTC, as we have a right of first offer on any CTC real estate. We also make acquisitions from third parties and have an active development program. We can grow through intensification and redevelopment at our existing properties or by developing completely new properties. In each of these growth activities, we benefit from our access to the unsurpassed market knowledge and retail expertise of CTC, our primary tenant and largest Unitholder.



DEAR FELLOW UNITHOLDERS,



CT REIT offers Unitholders a combination of both offensive and defensive characteristics, which is particularly attractive in the event of a rising interest rate environment.

For CT REIT, 2016 was a year that featured notable acquisitions, successfully realized projects and strong, predictable performance, which fulfilled the promise of our investor proposition: reliable, durable and growing. We also extended our record of annual distribution increases. On November 1, 2016, we announced the third consecutive increase in our annual distribution to \$0.70 per Unit, an increase of 3.0 per cent, starting in January 2017.

At CT REIT, we have structured our portfolio and our balance sheet so we can offer Unitholders a combination of both offensive and defensive characteristics, which is particularly attractive in the event of a rising interest rate environment.

The investment community has recognized the success of this approach, as was reflected in the very favourable response to our May 31, 2016 debt issue, which enabled us to raise \$350 million at extremely favourable interest rates.

Over the year, one very significant transaction was our acquisition and leaseback arrangement for the new Canadian Tire Distribution Centre in Bolton, Ontario, which

adds a state-of-the-art distribution facility to our portfolio and deepens our relationship with our principal tenant.

We also completed the Arnprior Mall redevelopment. At acquisition, in August 2015, it contained 114,022 square feet of gross leasable area (GLA) and was 57 per cent occupied. Today, after converting unproductive mall areas to income generating space, the GLA is 131,078 square feet and occupancy is 98 per cent. This property exemplifies our strategy for creating value in creative ways.

We built CT REIT to deliver attractive returns in almost any economic condition, as our performance in 2016 demonstrates. We are optimistic about the opportunities that lie ahead and would like to thank our Board and our Unitholders for their continued support.

KEN SILVER
President and
Chief Executive Officer

DAVID H. LAIDLEY, FCPA, FCA
Independent Chairman of
the Board

REDEVELOPMENT: ARNPRIOR, ONTARIO



CT REIT acquired Arnprior Mall from a private owner in August 2015. At that time, the mall contained 114,022 square feet of gross leasable area and significant unproductive common areas. While the property contained several high-value tenants, such as Metro, TD Bank and Mark's, it also had significant vacancy. It was adjacent to a small Canadian Tire store, owned by CTC, that had been identified for replacement. Our plan was to relocate the Canadian Tire store to the mall, while also resituating the Mark's and other

tenants and eliminating a significant portion of the common areas. The redeveloped property, completed in the fall of 2016, now features 131,078 square feet of GLA, achieved without expanding the building's footprint. With new tenants such as Dollarama, the mall is now 98 per cent occupied and has become a top retail destination for the community. In just over a year, we were able to profitably turn around a tired property that will contribute value to our portfolio for many years to come.

Management's Discussion and Analysis

CT REIT
Fourth Quarter and Full Year 2016

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Forward-looking Disclaimer

This Management's Discussion and Analysis ("MD&A") contains statements that are forward-looking. Actual results or events may differ materially from those forecasted in this disclosure because of the risks and uncertainties associated with the business of CT Real Estate Investment Trust and its subsidiaries (unless the context requires otherwise referred to herein as "CT REIT", the "Trust" or the "REIT") and the general economic environment. CT REIT cannot provide any assurance that any forecasted financial or operational performance will actually be achieved or, if achieved, that it will result in an increase in the price of CT REIT's units. See section 13.0 in this MD&A for a more detailed discussion of the REIT's use of forward-looking statements.

1.0 Preface

1.1 Basis of Presentation

The following MD&A is intended to provide readers with an assessment of the performance of CT REIT for the year ended December 31, 2016 (also referred to as "2016") and should be read in conjunction with the REIT's audited consolidated financial statements ("consolidated financial statements") and accompanying notes for 2016 which have been prepared in accordance with International Financial Reporting Standards ("IFRS"). In addition, the following MD&A should be read in conjunction with CT REIT's forward-looking information found in section 13.0 of this MD&A. Information about CT REIT, including the Annual Information Form ("AIF"), Annual Report and all other continuous disclosure documents required by the Canadian securities regulators, can be found on the System for Electronic Document Analysis and Retrieval ("SEDAR") website at www.sedar.com and on CT REIT's website in the Investors section at ctreit.com.

1.2 Definitions

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

1.3 Accounting Estimates and Assumptions

The preparation of the consolidated financial statements in accordance with IFRS requires management to make judgements and estimates that affect the application of accounting policies and the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Refer to section 9.0 in this MD&A for further information.

Financial data included in this MD&A includes material information as of February 13, 2017. Disclosure contained in this document is current to that date, unless otherwise noted.

1.4 Quarterly and Annual Comparisons in this MD&A

Unless otherwise indicated, all comparisons of results for Q4 2016 (three months ended December 31, 2016) are against results for Q4 2015 (three months ended December 31, 2015) and comparisons of results for the year ended 2016 are against results for the year ended 2015.

1.5 Key Operating Performance Measures and Additional Non-GAAP Measures

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

Net operating income ("NOI"), same store NOI, same property NOI, funds from operations ("FFO"), FFO per Unit - basic, FFO per Unit - diluted (non-GAAP), adjusted funds from operations ("AFFO"), AFFO per Unit - basic, AFFO per Unit - diluted (non-GAAP), AFFO payout ratio and earnings before interest and other financing costs, taxes and fair value adjustments ("EBITFV") are measures used by management to track and assess CT REIT's performance in meeting its principle objective of creating Unitholder value. These measures are not defined by IFRS, also referred to as GAAP, and therefore should not be construed as alternatives to net income or cash flow from operating activities calculated in accordance with IFRS (referred to as "non-GAAP measures").

For further information on the non-GAAP measures used by management and for reconciliations to the nearest GAAP measures, refer to section 10.0.

1.6 Review and Approval by the Board of Trustees

The Board of Trustees (the "Board"), on the recommendation of its Audit Committee, authorized for issuance the contents of this MD&A on February 13, 2017.

1.7 Nature and Formation

CT REIT is an unincorporated, closed-end real estate investment trust established on July 15, 2013 pursuant to a declaration of trust under, and governed by, the laws of the Province of Ontario as amended and restated as at October 22, 2013 (the "Declaration of Trust"). CT REIT commenced operations on October 23, 2013. The principal, registered and head office of CT REIT is located at 2180 Yonge Street, Toronto, Ontario M4P 2V8. CTC owned an 85.1% effective interest in CT REIT as of December 31, 2016, consisting of 59,711,094 of the issued and outstanding units of CT REIT ("Units") and all of the issued and outstanding Class B limited partnership units ("Class B LP Units") of CT REIT Limited Partnership (the "Partnership"), which are economically equivalent to and exchangeable for Units. CTC also owns all of the Class C limited partnership units ("Class C LP Units") of the Partnership. The Units are listed on the Toronto Stock Exchange ("TSX") under the symbol CRT.UN.

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

2.0 Growth Strategy and Objectives

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

The principal objective of CT REIT is to create Unitholder value over the long-term by generating reliable, durable and growing monthly distributions on a tax-efficient basis. To achieve this objective, management is focused on expanding the REIT's asset base while also increasing its AFFO¹ per Unit.

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

1. The current portfolio of Canadian Tire store leases contain contractual annual rent escalations of approximately 1.5% per year, on average, over the initial term of the leases and have a weighted average remaining lease term of 12.6 years;
2. CT REIT has contractual arrangements with CTC whereby CT REIT has a right of first offer² ("ROFO") on all CTC properties which meet the REIT's investment criteria and preferential rights, subject to certain exceptions, to participate in the development of, and to acquire, certain new retail properties; and
3. CT REIT will continue to seek to use its relationship with CTC to obtain insights into potential real estate acquisitions and development opportunities in markets across Canada.

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

² The ROFO Agreement has a remaining initial term of 7 years and thereafter will continue in effect until such time as CTC ceases to hold a majority of the voting units, being the Units and Special Voting Units.

3.0 Summary of Selected Financial and Operational Information

Summary of Selected Financial and Operational Information

Readers are reminded that certain key performance measures may not have standardized meanings under GAAP. For further information on the REIT's operating measures and non-GAAP measures, refer to sections 1.0 and 10.0.

(in thousands of Canadian dollars, except per unit, or /unit, unit and square footage amounts)

For the periods ended December 31,	Three Months Ended			Year Ended		
	2016	2015	Change	2016	2015	Change
Property revenue	\$ 104,230	\$ 96,599	7.9%	\$ 407,165	\$ 378,180	7.7%
Income before interest and other financing charges, taxes and fair value adjustments ¹	\$ 77,168	\$ 72,137	7.0%	\$ 300,275	\$ 281,968	6.5%
Net operating income ¹	\$ 73,675	\$ 68,130	8.1%	\$ 287,089	\$ 265,350	8.2%
Net income	\$ 65,455	\$ 62,824	4.2%	\$ 259,079	\$ 234,480	10.5%
Net income/unit (basic) ²	\$ 0.317	\$ 0.331	(4.2)%	\$ 1.293	\$ 1.251	3.4%
Net income/unit (diluted) ⁴	\$ 0.269	\$ 0.257	4.7%	\$ 1.079	\$ 0.972	11.0%
Funds from operations ¹	\$ 56,765	\$ 50,027	13.5%	\$ 214,877	\$ 194,711	10.4%
Funds from operations/unit (diluted, non-GAAP) ^{1,2,3}	\$ 0.274	\$ 0.264	3.8%	\$ 1.071	\$ 1.038	3.2%
Adjusted funds from operations ¹	\$ 46,006	\$ 38,995	18.0%	\$ 172,794	\$ 151,660	13.9%
Adjusted funds from operations/unit (diluted, non-GAAP) ^{1,2,3}	\$ 0.222	\$ 0.206	7.8%	\$ 0.862	\$ 0.808	6.7%
Distributions/unit – paid ^{2,7}	\$ 0.170	\$ 0.166	2.6%	\$ 0.680	\$ 0.663	2.6%
AFFO payout ratio ¹	77%	81%	(4.9)%	79%	82%	(3.7)%
Excess of AFFO over distributions:						
Cash retained from operations before distribution reinvestment ⁶	\$ 10,844	\$ 7,572	43.2%	\$ 37,449	\$ 27,588	35.7%
Per unit (diluted, non-GAAP) ^{1,2,3}	\$ 0.052	\$ 0.040	30.0%	\$ 0.187	\$ 0.147	27.2%
Weighted average number of units outstanding ²						
Basic	206,829,040	189,582,380	9.1%	200,439,916	187,511,930	6.9%
Diluted ⁴	308,689,596	318,214,711	(3.0)%	307,219,806	321,729,709	(4.5)%
Diluted (non-GAAP) ^{1,3}	206,949,852	189,674,625	9.1%	200,558,552	187,607,169	6.9%
Period-end units outstanding ²				206,846,799	189,600,687	9.1%
Total assets				\$ 5,014,601	\$ 4,350,903	15.3%
Total indebtedness				\$ 2,383,123	\$ 2,095,045	13.8%
Book value per unit ²				\$ 12.52	\$ 11.67	7.3%
Market price per Unit – Close (end of period)				\$ 15.00	\$ 13.00	15.4%
OTHER DATA						
Weighted average interest rate				3.96%	4.22%	(6.2)%
Indebtedness ratio				47.5%	48.2%	(1.5)%
Interest coverage (times)	3.74	3.26	14.7%	3.49	3.23	8.0%
Weighted average term to debt maturity (in years)				10.1	11.2	(9.8)%
Gross leasable area ⁵				24,659,316	21,512,053	14.6%
Occupancy rate ⁵				99.7%	99.9%	(0.2)%

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

² Total units means REIT Units and Class B LP Units outstanding.

³ Diluted units used in calculating non-GAAP measures include restricted and deferred units issued under various plans and exclude the effect of assuming that all of the Class C LP Units will be settled with Class B LP Units.

⁴ Diluted units determined in accordance with IFRS includes restricted and deferred units issued under various plans and the effect of assuming that all of the Class C LP Units will be settled with Class B LP Units. Refer to section 7.0.

⁵ Refers to retail, mixed-use commercial and distribution centre properties and excludes properties under development.

⁶ Refer to section 7.0 for further information.

⁷ Period-over-period percentage change is calculated based on exact fractional amounts rather than rounded fractional amounts.

4.0 Overview of the Property Portfolio

4.1 Property Profile

The property portfolio as at December 31, 2016 consists of 295 retail properties, four distribution centres ("DC"), one mixed-use commercial property and three development properties acquired for development (collectively, the "Properties"). The Properties are located in each of the provinces and in two territories across Canada. The retail properties, distribution centres and mixed-use commercial property contain approximately 24.7 million square feet of gross leasable area ("GLA").

CT REIT's consolidated financial position, results of operations and property portfolio analyses include the REIT's one-third interest in Canada Square, a mixed-use commercial property in Toronto, ON. CTC is CT REIT's largest tenant. At December 31, 2016, CTC represented 94.2% of total GLA (December 31, 2015 – 98.0%) and 93.8% of annualized base minimum rent (December 31, 2015 – 96.7%).

Occupancy of the REIT's property portfolio, excluding properties under development, is as follows:

(in square feet)	As at December 31, 2016		
	GLA	Occupied GLA	Occupancy
Property Type			
Canadian Tire stores	19,329,513	19,329,513	100%
Distribution centres	3,920,269	3,920,269	100%
Mixed-use property	281,199	275,781	98.1%
Third party tenants	705,491	629,453	89.2%
Other CTC Banners ¹	422,844	422,844	100%
Total	24,659,316	24,577,860	99.7%

¹ Includes Mark's and various FGL Sports banners, including Sport Chek, Sports Experts and Atmosphere (referred to herein as "Other CTC Banners").

(in square feet)	As at December 31, 2015		
	GLA	Occupied GLA	Occupancy
Property Type			
Canadian Tire stores	18,711,312	18,711,312	100%
Distribution centres	1,859,580	1,859,580	100%
Mixed-use property	281,304	274,422	97.6%
Third party tenants	295,816	287,148	97.1%
Other CTC Banners ¹	364,041	364,041	100%
Total	21,512,053	21,496,503	99.9%

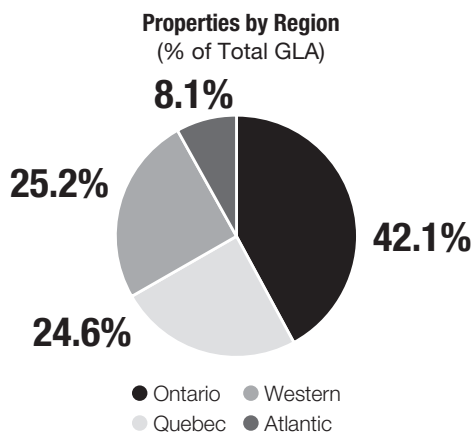
¹ Includes Mark's and various FGL Sports banners, including Sport Chek, Sports Experts and Atmosphere (referred to herein as "Other CTC Banners").

The REIT's property portfolio consists of:

As at	December 31, 2016	December 31, 2015
Single tenant properties	254	247
Multi-tenant properties anchored by Canadian Tire store	37	32
Multi-tenant properties not anchored by Canadian Tire store	4	3
Distribution centres	4	2
Mixed-use property	1	1
Total operating properties	300	285
Development properties	3	2
Total Properties	303	287

As at	December 31, 2016	December 31, 2015
Gas bars at retail properties	96	91

CT REIT's Properties, excluding properties under development, by region, as a percentage of total GLA as at December 31, 2016 are as follows:



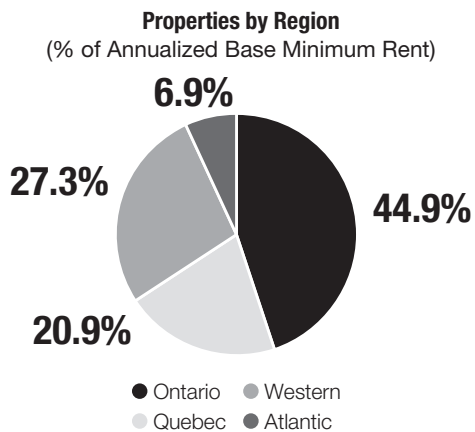
4.2 Six Largest Urban Markets

As at December 31, 2016, a significant portion of CT REIT's Properties, excluding properties under development, are located in the following large urban markets:

As at	December 31, 2016	December 31, 2015
Toronto	22.6%	19.1%
Montreal	12.2%	13.3%
Vancouver	3.4%	3.9%
Ottawa	4.5%	5.0%
Calgary	2.9%	1.6%
Edmonton	4.2%	4.7%
Percentage of Annualized Base Minimum Rent	49.8%	47.6%

4.3 Revenue by Region

CT REIT's Properties, excluding properties under development, are located across Canada with approximately 65.8% of annualized base minimum rent received in respect of properties in Ontario and Quebec.



4.4 Fair Value of Property Portfolio

The fair value of the Properties represents 99.7% of the total assets of CT REIT as at December 31, 2016.

	December 31, 2016			December 31, 2015		
	Income-producing properties	Properties under development	Total investment properties	Income-producing properties	Properties under development	Total investment properties
Balance, beginning of period	\$4,304,838	\$ 14,223	\$4,319,061	\$3,995,860	\$ 3,984	\$3,999,844
Property acquisitions (including transaction costs)	214,225	–	214,225	174,430	–	174,430
Intensifications	–	10,852	10,852	–	28,939	28,939
Developments	–	356,943	356,943	–	25,983	25,983
Development land	–	8,744	8,744	–	8,767	8,767
Capitalized interest and property taxes	–	6,895	6,895	–	390	390
Transfers	376,533	(376,533)	–	53,840	(53,840)	–
Fair value adjustment on investment properties	44,549	–	44,549	39,910	–	39,910
Straight-line rent	23,774	–	23,774	26,131	–	26,131
Recoverable capital expenditures	15,570	–	15,570	14,834	–	14,834
Dispositions	(258)	–	(258)	(167)	–	(167)
Balance, end of period¹	\$4,979,231	\$ 21,124	\$5,000,355	\$4,304,838	\$ 14,223	\$4,319,061

¹ Includes purchased land of \$6,505 (2015 – \$780) held for development.

Properties under development ("PUD") include:

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

At December 31, 2016, management's determination of fair value was updated for current market assumptions, utilizing market capitalization rates provided by independent valuation professionals.

On a periodic basis, CT REIT obtains independent valuations such that substantially all of the properties will be externally appraised over a four-year period. During 2016, independent appraisals were completed on 65 properties (2015 – 68 properties) having a fair value of \$880,630.

Valuations determined by the overall capitalization rate ("OCR") method are most sensitive to changes in capitalization rates. Valuations determined by the discounted cash flow ("DCF") method are most sensitive to changes in discount rates.

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

	Properties valued by the OCR method	Properties valued by the DCF method
Number of properties	264	36
Value at December 31, 2016	\$4,004,921	\$938,427
Discount rate	–%	6.93%
Terminal capitalization rate	–%	6.52%
Overall capitalization rate	6.24%	–%
Hold period (years)	–	9

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

Rate sensitivity	OCR Sensitivity		DCF Sensitivity	
	Fair value	Change in fair value	Fair value	Change in fair value
+ 75 basis points	\$ 3,556,843	\$ (448,077)	\$ 850,821	\$ (87,607)
+ 50 basis points	3,689,295	(315,625)	877,793	(60,634)
+ 25 basis points	3,832,142	(172,779)	906,747	(31,680)
Base rate	\$ 4,004,921	\$ –	\$ 938,427	\$ –
- 25 basis points	4,153,923	149,002	971,957	33,530
- 50 basis points	4,336,298	331,377	1,008,815	70,387
- 75 basis points	\$ 4,535,451	\$ 530,530	\$ 1,049,053	\$ 110,626

Included in CT REIT's Properties are eight buildings which are situated on ground leases with remaining initial terms of between 2 and 39 years, and an average initial term of 16 years. Assuming all extensions are exercised, the ground leases have terms between 26 and 50 years with an average remaining lease term of 36 years.

4.5 2016 Investment Activities

The following table presents income-producing properties acquired, intensified or developed during the year ended 2016.

(in thousands of Canadian dollars, except for GLA amounts)	Transaction Date	GLA	Total Investment Cost
Property Location			
Repentigny, QC ¹	January 2016	4,390	
Hanover, ON ²	February 2016	33,907	
Kitchener, ON ²	February 2016	127,609	
Delson, QC ²	February 2016	81,530	
South Edmonton Common, AB ^{1, 3}	April 2016	–	
Calgary, AB ²	April 2016	660,689	
Winkler, MB ²	May 2016	181,567	
Squamish, BC ²	May 2016	35,099	
Rothsay, NB ²	May 2016	38,837	
Alma, QC ²	May 2016	43,871	
Leamington, ON ²	May 2016	54,224	
Innisfil, ON ⁴	June 2016	48,618	
Sherwood Park, AB ¹	June 2016	4,075	
Edson, AB ²	June 2016	39,481	
Fort St. John, BC ²	October 2016	198,247	
Vaudreuil, QC ¹	October 2016	12,000	
La Sarre, QC ¹	November 2016	4,000	
Smithers, BC ¹	November 2016	3,730	
Blenheim, ON ¹	November 2016	2,486	
Wallaceburg, ON ¹	November 2016	3,111	
Hamilton, ON ⁴	November 2016	60,827	
Exeter, ON ¹	December 2016	2,489	
Arnprior, ON ⁴	December 2016	131,078	
Hanover, ON ¹	December 2016	8,343	
Bolton, ON ⁴	December 2016	1,400,000	
Other ⁵	December 2016	–	
Total		3,180,208	\$ 590,758

¹ Intensification of existing asset; rent generally commences on the first day of the month following the transaction date.

² Acquisition of income-producing property.

³ Located on ground lease.

⁴ Development project.

⁵ Total investment by CT REIT on this pad project was \$498.

In Q1 2016, CT REIT completed the acquisition of single tenant Canadian Tire stores in Hanover, Ontario and Delson, Quebec and a multi-tenant property anchored by a Canadian Tire store in Kitchener, Ontario. The REIT also completed the intensification of an existing Canadian Tire store in Repentigny, Quebec.

In Q2 2016, CT REIT completed the acquisition and leaseback of the Sears Canada Inc. ("Sears") distribution centre in Calgary, Alberta ("Sears DC"), which included seven acres of excess land, an enclosed mall in Winkler, Manitoba and five single tenant Canadian Tire stores, some of which include gas bars, located in Squamish, British Columbia, Rothsay, New Brunswick, Alma, Quebec, Leamington, Ontario and Edson, Alberta. The REIT also completed intensifications of existing Canadian Tire stores in South Edmonton Common and Sherwood Park, Alberta. Lastly, the REIT completed the development of a Canadian Tire store in Innisfil, Ontario.

In Q4 2016, CT REIT completed the development of the Canadian Tire distribution centre located in Bolton, Ontario, which was acquired in Q2 2016 for a total investment of \$321,600. In late December 2016, CT REIT paid CTC \$36,000 for further development work completed. During Q4 2016, CT REIT also

completed the acquisition of an enclosed mall and approximately four acres of excess land in Fort St. John, British Columbia. In addition, in Q4 2016, CT REIT completed the redevelopment of Arnprior Mall and the development of a Canadian Tire store in Hamilton, Ontario. The REIT also completed intensifications of existing Canadian Tire stores in Hanover, Exeter, Wallaceburg, Blenheim, Ontario, La Sarre, Vaudreuil, Quebec and Smithers, British Columbia in Q4 2016.

The above investment activities were funded through a combination of the issuance of Class B LP Units and Class C LP Units to CTC, cash on hand, draws on the REIT's Bank Credit Facility and/or proceeds of the new debt financing.

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

4.6 Development Activities

The following table provides details of the REIT's development activities as at December 31, 2016. The total building area represents the maximum anticipated area of the developments. The "Not Committed to Lease" column includes area which may be under construction but not committed to lease, depending on site specific circumstances. The "Committed Additional Investment" column represents the financial commitment required to complete the "Committed to Lease" area and related site works. The "Potential Future Investment" column is an estimate and represents the remaining costs to complete the entire development assuming the "Not Committed to Lease" area is leased and fully constructed.

Property	Anticipated Date of Completion	Building Area (in square feet)			Total investment (in thousands of Canadian dollars)			
		Committed to Lease	Not Committed to Lease	Total	Incurred To-date	Committed Additional Investment	Potential Future Investment	Total
Bradford, ON ¹	Q1 2017	15,000	–	15,000				
Elmira, ON ²	Q2 2017	35,000	–	35,000				
Athabasca, AB ¹	Q2 2017	7,000	–	7,000				
Edmundston, NB ¹	Q2 2017	3,000	–	3,000				
Elliot Lake, ON ¹	Q3 2017	6,000	–	6,000				
Antigonish, NS ³	Q4 2017	121,000	58,000	179,000				
Amos, QC ²	Q1 2018	49,000	24,000	73,000				
High River, AB ¹	Q3 2018	–	10,000	10,000				
Martensville, SK ¹	Q3 2018	11,000	8,000	19,000				
TOTAL		247,000	100,000	347,000	\$ 21,124	\$ 30,470	\$ 17,328	\$ 68,922

¹ Intensification of an existing income-producing property.

² Development.

³ Redevelopment property.

In Q2 2016, CT REIT acquired a mall in Antigonish, Nova Scotia, with an existing GLA of 179,000 square feet and an occupancy rate of 70% including third party tenants and CTC stores of 87,000 square feet and 38,000 square feet, respectively. The mall is being redeveloped to expand the existing CTC stores and ancillary tenants. CT REIT also acquired development lands in Amos, Quebec on which a 49,000 square foot Canadian Tire store is expected to be constructed by Q1 2018.

In Q3 2016, CT REIT completed the acquisition of development lands in Elmira, Ontario from CTC on which a 35,000 square foot Canadian Tire store is expected to be constructed by Q2 2017.

As at December 31, 2016, CT REIT had intensification and development activities occurring at nine properties representing 247,000 square feet, of which 62% has been leased to CTC. A total of \$21,124 has been expended on these developments and CT REIT anticipates investing an additional \$30,470 to complete the developments.

Investment and Development Activities Completed Subsequent to December 31, 2016

During February 2017, CT REIT completed three investment property acquisitions from CTC for a total purchase price of approximately \$37,370. The three properties located in Cambridge, Ontario, Sainte-Agathe-des-Monts, Quebec and Victoria, British Columbia are anchored by existing Canadian Tire stores.

4.7 Investment and Development Funding

Investment and development activity funding for Q4 2016 was as follows:

Q4 2016 Investment and Development Activity					
(in thousands of Canadian dollars)	Property investments	Development land	Developments	Intensifications	Total
Funded with working capital to CTC	\$ –	\$ –	\$ 48,118	\$ 3,714	\$ 51,832
Funded with working capital to third parties ¹	35,620	1,544	4,414	1,420	42,998
Capitalized interest and property taxes	–	–	3,113	–	3,113
Issuance of Class B LP Units to CTC	–	–	–	–	–
Issuance of Class C LP Units to CTC	–	–	–	–	–
Total costs	\$ 35,620	\$ 1,544	\$ 55,645	\$ 5,134	\$ 97,943

¹ Includes \$0.6 million for the construction of stores for Other CTC Banners.

Investment and development activity funding for the year ended December 31, 2016 was as follows:

2016 Investment and Development Activity					
(in thousands of Canadian dollars)	Property investments	Development land	Developments	Intensifications	Total
Funded with working capital to CTC	\$ 5,790	\$ 1,184	\$ 328,039	\$ 6,442	\$ 341,455
Funded with working capital to third parties ¹	135,265	2,660	18,904	4,410	161,239
Capitalized interest and property taxes	–	–	6,895	–	6,895
Issuance of Class B LP Units to CTC	53,070	–	–	–	53,070
Issuance of Class C LP Units to CTC	20,100	4,900	10,000	–	35,000
Total costs	\$ 214,225	\$ 8,744	\$ 363,838	\$ 10,852	\$ 597,659

¹ Includes \$2.0 million for the construction of stores for Other CTC Banners.

Investment and development activity funding for the year ended December 31, 2015 was as follows:

2015 Investment and Development Activity					
(in thousands of Canadian dollars)	Property investments	Development land	Developments	Intensifications	Total
Funded with working capital to CTC	\$ 41,955	\$ 1	\$ 14,060	\$ 15,103	\$ 71,119
Funded with working capital to third parties ¹	1,095	627	8,966	13,836	24,524
Issuance of Class B LP Units to CTC	99,830	–	–	–	99,830
Issuance of Class C LP Units to CTC	31,550	8,139	–	–	39,689
Mortgages assumed	–	–	2,957	–	2,957
Total costs	\$ 174,430	\$ 8,767	\$ 25,983	\$ 28,939	\$ 238,119

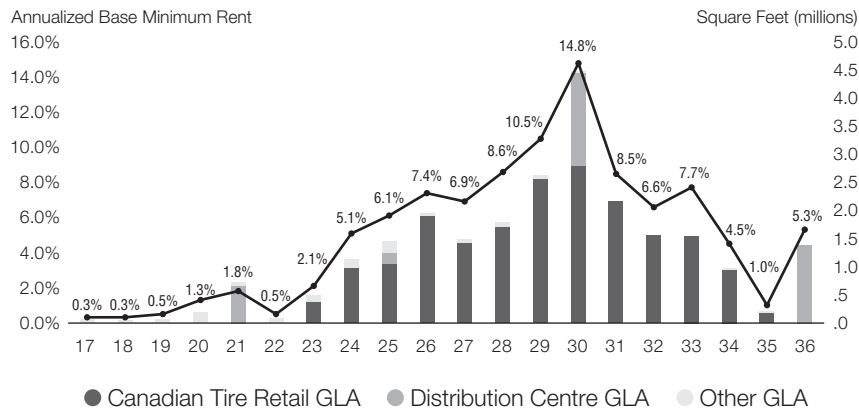
¹ Includes \$17.7 million for the construction of stores for Other CTC Banners.

4.8 Lease Maturities

CTC is CT REIT's largest tenant. As at December 31, 2016, CTC, including Canadian Tire stores and Other CTC Banners, had leased 23.2 million square feet of GLA, with approximately 86% and 14% of the GLA attributable to retail and office, and distribution properties, respectively. The weighted average term of the retail leases with CTC, including Canadian Tire stores and Other CTC Banners, is 12.6 years, excluding the exercise of any renewals. The weighted average term of the Canadian Tire store leases is 12.6 years, with a weighted average rental rate of \$13.31 per square foot. The weighted average lease terms for the CTC distribution centres is 16.1 years. The weighted average lease term of all tenants in the REIT's portfolio, excluding those in development properties, is 12.6 years.

The following graph presents as of December 31, 2016, the lease maturity profile from 2017 to 2036 (assuming tenants do not exercise renewal options or termination rights) as a percentage of annualized base minimum rent and GLA as of the time of expiry.

INITIAL TERM LEASE EXPIRY BY % OF ANNUALIZED MINIMUM RENT AND GLA^{1,2,3}



Notes:

¹ Excludes development properties

² Total base minimum rent excludes contractual escalation

³ Canada Square is included at the REIT's one-third share of leasehold interest

4.9 Top 10 Tenants Excluding CTC Banners

As at December 31, 2016, CT REIT's 10 largest tenants, excluding all CTC Banners and those located in properties under development, as represented by the percentage of total annualized base rental revenue, are:

Rank	Tenant Name	Percentage of Total Annualized Base Minimum Rent
1	Sears Canada Inc. ¹	1.47%
2	Overwaitea Foods	0.29%
3	Shoppers Drug Mart	0.26%
4	Best Buy	0.25%
5	Precise Parklink	0.21%
6	Marshalls	0.21%
7	Royal Bank of Canada	0.18%
8	PetSmart	0.15%
9	Farm Boy	0.15%
10	GoodLife Fitness	0.14%
		3.31%

¹ Distribution centre in Calgary.

4.10 Leasing Activities

The future financial performance of CT REIT will be impacted by occupancy rates, trends in rental rates achieved on leasing or renewing currently leased space, and contractual increases in rent. At December 31, 2016 REIT's occupancy rate was 99.7% (2015 – 99.9%), excluding properties under development. There was no significant leasing activity with tenants not related to CTC during the year ended December 31, 2016.

4.11 Recoverable Capital Costs

Many of the capital costs that will be incurred by CT REIT are recoverable from tenants pursuant to the terms of their leases. The recoveries will occur either in the year in which such expenditures are incurred or, in the case of a major item of repair, maintenance or replacement, on a straight-line basis over the expected useful life thereof together with an imputed rate of interest on the unrecovered balance at any point in time. Capital expenditures of \$1,862 and \$15,570 (Q4 2015 – \$3,591 and YTD 2015 – \$14,834) were incurred during the three months and year ended December 31, 2016, respectively. Most of the REIT's recoverable capital expenditures relate to parking lots, roofs and heating, ventilation and air conditioning activities that are typically seasonal.

5.0 Results of Operations

5.1 Financial Results for the Three Months and Year Ended December 31, 2016

CT REIT's financial results for the three months and year ended December 31, 2016 and three months and year ended December 31, 2015 are summarized below:

(in thousands of Canadian dollars) For the periods ended December 31,	Three Months Ended			Year Ended		
	2016	2015	Change	2016	2015	Change
Property revenue	\$ 104,230	\$ 96,599	7.9%	\$ 407,165	\$ 378,180	7.7%
Property expense	(24,537)	(21,789)	12.6%	(96,388)	(86,856)	11.0%
General and administrative expense	(2,496)	(2,671)	(6.6)%	(10,332)	(9,652)	7.0%
Net interest and other financing charges	(20,620)	(22,046)	(6.5)%	(85,915)	(87,102)	(1.4)%
Fair value adjustment on investment properties	8,878	12,731	(30.3)%	44,549	39,910	11.6%
Net income and comprehensive income	\$ 65,455	\$ 62,824	4.2%	\$ 259,079	\$ 234,480	10.5%

Property Revenue

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

Total revenue for the three months ended December 31, 2016 increased \$7,631 (7.9%) compared to the same period in the prior year primarily due to base rent related to properties acquired and intensification activities completed during 2016 and 2015. Total revenue included expense recoveries in the amount of \$22,678 (Q4 2015 – \$20,861).

Total revenue for the year ended December 31, 2016 was \$407,165 which was \$28,985 (7.7%) higher compared to the same period in the prior year primarily due to base rent related to properties acquired and intensification activities completed during 2016 and 2015. Total revenue included expense recoveries in the amount of \$89,438 (2015 – \$82,083).

The total amount of base rent to be received from operating leases is recognized on a straight-line basis over the term of the lease. For the three months ended December 31, 2016, straight-line rent of \$6,036 (Q4 2015 – \$6,702) was included in total property revenue. For the year ended December 31, 2016, straight-line rent of \$23,774 (2015 – \$26,131) was included in total property revenue.

Property Expense

The major components of property expense consist of property taxes and costs associated with the outsourcing of property management services pursuant to the Property Management Agreement as well as other costs. The majority of expenses are recoverable from tenants, with CT REIT absorbing these expenses to the extent of vacancies. Refer to section 8.0 for additional information on the Property Management Agreement.

Property expenses for the three months ended December 31, 2016 increased \$2,748 (12.6%) compared to the same period in the prior year primarily due to property acquisitions completed during 2016 and 2015.

Property expenses for the year ended December 31, 2016 increased \$9,532 (11.0%) compared to the same period in the prior year primarily due to property acquisitions completed during 2016 and 2015.

General and Administrative Expense

CT REIT has two broad categories of general and administrative expenses: i) personnel and public entity costs, and ii) outsourced costs, which will fluctuate depending on when such costs are incurred. The personnel and public entity costs reflect the expenses related to ongoing operations of CT REIT. The outsourced costs are largely related to the services provided by CTC pursuant to the Services Agreement. Under the Services Agreement, CTC provides the REIT with certain administrative, financial, information technology, internal audit and other support services as may be reasonably required from time to time (the "Services"). CTC provides these Services to the REIT on a cost recovery basis pursuant to which CT REIT reimburses CTC for all costs and expenses

incurred by CTC in connection with providing the Services, plus applicable taxes. The term of the Services Agreement expires on December 31 of each year and is automatically renewable for further one year terms thereafter, unless otherwise terminated. The Services Agreement has been renewed for 2017 and CTC will continue to provide such services on a cost recovery basis. Refer to section 8.0 for additional information on the Services Agreement.

(in thousands of Canadian dollars) For the periods ended December 31,	Three Months Ended			Year Ended		
	2016	2015	Change	2016	2015	Change
Services Agreement with CTC	\$ 779	\$ 834	(6.6)%	\$ 3,116	\$ 3,334	(6.5)%
Personnel expense	1,165	1,099	6.0%	4,539	3,908	16.1%
Other	552	738	(25.2)%	2,677	2,410	11.1%
General and administrative expense	\$ 2,496	\$ 2,671	(6.6)%	\$ 10,332	\$ 9,652	7.0%
As a percent of property revenue	2.4%	2.8%		2.5%	2.6%	

General and administrative expenses amounted to \$2,496 or 2.4% of property revenue for the three months ended December 31, 2016 which is \$175 (6.6%) lower compared to the same period in the prior year primarily due to:

- lower costs pursuant to the Service Agreement as a result of the internalization of certain services;
- lower legal expenses; and
- lower due diligence costs; partially offset by
- increased compensation costs due to the variable component of compensation awards and higher headcount.

General and administrative expenses amounted to \$10,332 or 2.5% of property revenue for the year ended December 31, 2016 which is \$680 (7.0%) higher compared to the same period in the prior year primarily due to:

- increased compensation costs due to the variable component of compensation awards and higher headcount;
- increased transfer agency and filing fees; and
- land transfer tax expense related to amendments to Regulation 70/91 of the Land Transfer Tax Act (Ontario) that impacts the availability of an exemption from Ontario land transfer tax for certain transactions involving trusts (including real estate investment trusts) and partnerships; partially offset by
- lower legal expenses;
- lower income tax expense recorded in 2016 in connection with CT REIT GP's ("GP") activities which resulted in a drawdown of the deferred tax asset; and
- lower costs pursuant to the Service Agreement as a result of the internalization of certain services.

Net Interest and Other Financing Charges

The Partnership has issued 1,521,968 Class C LP Units with a face value of \$1,521,968 and bearing a weighted average distribution rate of 4.58% per annum. The Class C LP Units are subject to redemption rights. Accordingly, the Class C LP Units are classified as financial liabilities and distributions on the Class C LP Units are presented in the net interest and other financing charges in the consolidated statements of income and comprehensive income.

(in thousands of Canadian dollars) For the periods ended December 31,	Three Months Ended			Year Ended		
	2016	2015	Change ²	2016	2015	Change ²
Interest on Class C LP Units ¹	\$ 17,419	\$ 18,864	(7.7)%	\$ 72,405	\$ 78,318	(7.5)%
Interest on debentures payable	5,287	2,833	86.6%	17,093	6,359	NM
Interest on mortgages payable	391	406	(3.7)%	1,591	1,631	(2.5)%
Interest and financing costs – Bank Credit Facility	459	130	NM	1,242	1,285	(3.3)%
Amortization of debentures payable financing cost	166	56	NM	548	131	NM
	\$ 23,722	\$ 22,289	6.4%	\$ 92,879	\$ 87,724	5.9%
Less: capitalized interest	(3,088)	(157)	NM	(6,752)	(390)	NM
Interest and other financing charges	\$ 20,634	\$ 22,132	(6.8)%	\$ 86,127	\$ 87,334	(1.4)%
Interest income	(14)	(86)	(83.7)%	(212)	(232)	(8.6)%
Net interest and other financing charges	\$ 20,620	\$ 22,046	(6.5)%	\$ 85,915	\$ 87,102	(1.4)%

¹ CTC elected to defer receipt of distributions on the Series 3-12 and Series 16 and Series 19 Class C LP Units for the three months and year ended December 31, 2016 in the amount of \$17,181 (Q4 2015 – \$18,765) and \$65,807 (YTD 2015 – \$68,805), respectively, until the first business day following the end of the fiscal year and receive a loan in lieu thereof. The deferred distributions have been netted against interest payable on Class C LP Units and are included under the heading "other liabilities" on the consolidated balance sheets. These loans were settled on January 3, 2017.

² NM – not meaningful.

Net interest and other financing charges for the three months ended December 31, 2016 was \$1,426 (6.5%) lower compared to the same period in the prior year largely due to higher interest capitalization and the redemption of the Series 2 Class C LP Units, partially offset by the interest on the debentures payable issued in May 2016.

Net interest and other financing charges for the year ended December 31, 2016 was \$1,187 (1.4%) lower compared to the same period in the prior year largely due to higher capitalization of interest, the redemption of Series 1 and Series 2 Class C LP, partially offset by increased interest on the debentures payable issued in May 2016 and June 2015.

Interest capitalized to properties under development increased for the three months and year ended December 31, 2016 mainly due to the investment in June 2016 in the development project for the Canadian Tire distribution centre in Bolton, Ontario. Interest capitalization on the Canadian Tire distribution centre ceased upon completion of the facility in late December. Interest is capitalized to properties under development based on monthly weighted average effective interest rates.

Fair Value Adjustment on Investment Properties

CT REIT recorded a fair value gain on investment properties of \$8,878 for the three months ended December 31, 2016 primarily due to increased cash flows during the time frame of the valuation models partially offset by transaction costs incurred in connection with the acquisition of investment properties. For the year ended December 31, 2016 CT REIT recorded a fair value gain on investment properties of \$44,549 due to increased cash flows during the time frame of the valuation models and a slight decrease in capitalization rates for certain investment properties located in Toronto, partially offset by transaction costs incurred in connection with the acquisition of investment properties.

The fair value gains of \$12,731 and \$39,910 for the three months and year ended December 31, 2015, respectively, were recorded as a result of increased cash flows during the time frame of the valuation models partially offset by transaction costs incurred in connection with the acquisition of investment properties.

Income Tax Expense

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

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

Net Income

(in thousands of Canadian dollars)

For the periods ended December 31,	Three Months Ended			Year Ended		
	2016	2015	Change	2016	2015	Change
Net income and comprehensive income	\$ 65,455	\$ 62,824	4.2%	\$ 259,079	\$ 234,480	10.5%
Net income per Unit – basic	\$ 0.317	\$ 0.331	(4.2)%	\$ 1.293	\$ 1.251	3.4%
Net income per Unit – diluted	\$ 0.269	\$ 0.257	4.7%	\$ 1.079	\$ 0.972	11.0%

Net income increased by \$2,631 (4.2%) for the three months ended December 31, 2016 compared to the same period in the prior year for the reasons discussed above.

Net income increased by \$24,599 (10.5%) for the year ended December 31, 2016 compared to the same period in the prior year for the reasons discussed above.

Net income per Unit – basic decreased by \$(0.014) (4.2)% for the three months ended December 31, 2016 compared to the same period in the prior year. The decrease was primarily due to an increased number of weighted average units outstanding – basic, partially offset by increases in net income as discussed earlier. For the year ended December 31, 2016 the net income per Unit – basic increased by \$0.042 (3.4%) compared to the same period in the prior year primarily due to increased net income as discussed above.

Net income per Unit – diluted increased by \$0.012 (4.7%) and \$0.107 (11.0%) for the three months and year ended December 31, 2016, respectively, compared to the same periods in the prior year. In addition to the explanations above, the increase was primarily due to a reduced number of weighted average units outstanding – diluted resulting from fewer Class C LP Units outstanding in 2016 and a higher closing unit price at December 31, 2016 as compared to December 31, 2015.

5.2 Non-GAAP Measures

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

(in thousands of Canadian dollars, except per unit amounts) For the periods ended December 31,	Three Months Ended			Year Ended		
	2016	2015	Change	2016	2015	Change
Net operating income	\$ 73,675	\$ 68,130	8.1%	\$ 287,089	\$ 265,350	8.2%
Same store NOI	\$ 68,641	\$ 67,444	1.8%	\$ 261,229	\$ 256,920	1.7%
Same property NOI	\$ 68,802	\$ 67,511	1.9%	\$ 263,497	\$ 257,633	2.3%
Funds from operations	\$ 56,765	\$ 50,027	13.5%	\$ 214,877	\$ 194,711	10.4%
FFO per unit – basic	\$ 0.274	\$ 0.264	3.8%	\$ 1.072	\$ 1.038	3.3%
FFO per unit – diluted (non-GAAP)	\$ 0.274	\$ 0.264	3.8%	\$ 1.071	\$ 1.038	3.2%
Adjusted funds from operations	\$ 46,006	\$ 38,995	18.0%	\$ 172,794	\$ 151,660	13.9%
AFFO per unit – basic	\$ 0.222	\$ 0.206	7.8%	\$ 0.862	\$ 0.809	6.6%
AFFO per unit – diluted (non-GAAP)	\$ 0.222	\$ 0.206	7.8%	\$ 0.862	\$ 0.808	6.7%
AFFO payout ratio	77%	81%	(4.9)%	79%	82%	(3.7)%
EBITFV	\$ 77,168	\$ 72,137	7.0%	\$ 300,275	\$ 281,968	6.5%

Net Operating Income

NOI for the three months ended December 31, 2016 increased \$5,545 (8.1%) compared to the same period in the prior year primarily due to the acquisition of income-producing properties and properties under development completed in 2016 and 2015, which contributed \$4,254 to NOI growth. NOI for properties under development for the three months ended December 31, 2016 was \$1,337.

Same store NOI and same property NOI for the three months ended December 31, 2016 increased \$1,197 (1.8%) and \$1,291 (1.9%), respectively, when compared to the prior year for the following reasons:

- contractual rent escalations of 1.5% per year, on average, contained within the Canadian Tire store and CTC's DC leases, which are generally effective January 1st, contributed \$928 to NOI growth;
- recovery of capital expenditures and interest earned on the unrecovered balance contributed \$480 to NOI growth; and
- intensifications completed in 2016 and 2015 contributed to \$94 to NOI growth; partially offset by
- decrease in net recovery of operating expenses and property taxes which reduced NOI by \$284.

NOI for the year ended December 31, 2016 increased \$21,739 (8.2%) compared to the same period in the prior year primarily due to the acquisition of income-producing properties and properties under development completed in 2016 and 2015, which contributed \$15,875 to NOI growth. NOI for properties under development during the year ended December 31, 2016 was \$3,342.

Same store NOI and same property NOI for the year ended December 31, 2016 increased \$4,309 (1.7%) and \$5,864 (2.3%), respectively, when compared to the prior year for the following reasons:

- contractual rent escalations of 1.5% per year, on average, contained within the Canadian Tire store and CTC's DC leases, which are generally effective January 1st, contributed \$3,700 to NOI growth;
- intensifications completed in 2016 and 2015 contributed \$1,555 to NOI growth;
- recovery of capital expenditures and interest earned on the unrecovered balance contributed \$1,434 to NOI growth; partially offset by
- decrease in net recovery of operating expenses and property taxes which decreased NOI by \$682; and
- increase in property management service expenses, pursuant to the Property Management Agreement, which decreased NOI by \$243.

Funds From Operations

FFO for the three months ended December 31, 2016 amounted to \$56,765 or \$0.274 per unit (diluted non-GAAP) which was \$6,738 (13.5%) and \$0.010 (3.8%), respectively, higher than the same period in 2015 primarily due to the impact of NOI variances and higher interest capitalization, discussed earlier.

FFO for the year ended December 31, 2016 amounted to \$214,877 or \$1.071 per unit (diluted non-GAAP) which was \$20,166 (10.4%) and \$0.033 (3.2%), respectively, higher than the same period in 2015 primarily due to the impact of NOI variances and higher interest capitalization, partially offset by higher general and administrative expenses, discussed earlier.

Adjusted Funds From Operations

AFFO for the three months ended December 31, 2016 amounted to \$46,006 or \$0.222 per unit (diluted non-GAAP) which was \$7,011 (18.0%) and \$0.016 (7.8%), respectively, higher than the same period in 2015 primarily due to the impact of NOI variances and higher interest capitalization, discussed earlier.

AFFO for the year ended December 31, 2016 amounted to \$172,794 or \$0.862 per unit (diluted non-GAAP) which was \$21,134 (13.9%) and \$0.054 (6.7%), respectively, higher than the same period in 2015 primarily due to the impact of NOI variances, higher interest capitalization, partially offset by higher general and administrative expenses, discussed earlier.

Adjusted Funds From Operations Payout Ratio

The AFFO payout ratio for the three months ended December 31, 2016 decreased by 4.9% compared to the same period in 2015 primarily due to an increase in AFFO per unit diluted non-GAAP resulting from NOI variances and higher interest capitalization discussed earlier, partially offset by an increase in the weighted average units outstanding – diluted.

The AFFO payout ratio for the year ended December 31, 2016 decreased by 3.7% compared to the same period in 2015 primarily due to an increase in AFFO per unit diluted non-GAAP resulting from NOI variances and higher interest capitalization discussed earlier, partially offset by an increase in the weighted average units outstanding – diluted.

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

EBITFV for the three months ended December 31, 2016 is higher than the same period in 2015 primarily due to the impact of NOI variances, discussed earlier.

EBITFV for the year ended December 31, 2016 is higher than the same period in 2015 primarily due to the impact of NOI variances, partially offset by higher general and administrative expenses, discussed earlier.

6.0 Liquidity and Financial Condition

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

6.1 Liquidity

CT REIT intends to fund capital expenditures for acquisitions and development activities through a combination of (i) cash on hand, (ii) issuances of Class B LP Units and Class C LP Units, (iii) draws on the Bank Credit Facility, (iv) assumption of existing debt, and/or (v) new public debt or equity financings.

(in thousands of Canadian dollars)

As at	December 31, 2016	December 31, 2015
Cash and cash equivalents	\$ 6,369	\$ 24,680
Unused portion of Bank Credit Facility ¹	188,949	199,689
Liquidity	\$ 195,318	\$ 224,369

¹ See section 6.10 Bank Credit Facility.

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

(in thousands of Canadian dollars)

For the periods ended December 31,	Year Ended		
	2016	2015	Change ¹
Cash generated from operating activities	\$ 272,551	\$ 265,168	2.8%
Cash used for investing activities	(519,412)	(102,830)	NM
Cash generated from/(used for) financing activities	228,550	(140,368)	NM
Cash generated from/(used for) the period	\$ (18,311)	\$ 21,970	NM

¹ NM – not meaningful

6.2 Discussion of Cash Flows

Cash used during the year ended December 31, 2016 of \$18,311 is primarily the result of cash used in investing activities, distributions and interest paid partially offset by the residual cash generated from operating activities, proceeds from the issuance of debentures payable and borrowings drawn on the Bank Credit Facility.

6.3 Credit Ratings

The senior unsecured debt of CT REIT is rated by S&P Global Ratings acting through Standard and Poor's Rating Services (Canada), a business unit of S&P Global Canada Corp. ("S&P") and DBRS Limited ("DBRS"), two independent credit rating agencies which provide credit ratings of debt securities for

commercial entities. A credit rating generally provides an indication of the risk that the borrower will not fulfill its full obligations in a timely manner with respect to both interest and principal commitments. Rating categories range from highest credit quality (generally "AAA") to default in payment (generally "D").

In Q3 2016, S&P confirmed CT REIT's credit ratings, while DBRS confirmed CT REIT's credit ratings in Q1 2016.

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

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

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

6.4 Debt and Capital Structure

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

(in thousands of Canadian dollars)

As at	December 31, 2016	December 31, 2015
Class C LP Units	\$ 1,521,968	\$ 1,686,968
Mortgages payable	55,995	60,129
Debentures payable	695,336	347,948
Bank Credit Facility	109,824	–
Total indebtedness	\$ 2,383,123	\$ 2,095,045
Unitholders' equity	1,094,207	1,037,209
Non-controlling interests	1,496,377	1,176,154
Total capital under management	\$ 4,973,707	\$ 4,308,408

CT REIT's total indebtedness at December 31, 2016 is higher than at December 31, 2015 primarily due to the issuance of \$350,000 aggregate principal amount of senior unsecured debentures payable, the issuance of Series 17-19 Class C LP Units and borrowings drawn on the Bank Credit Facility, partially offset by the repayment of Series 2 Class C LP Units and repayment of one of the REIT's mortgages. The net increase in total indebtedness was primarily required to fund investment activities during the year. Refer to section 4.5 of this MD&A for further information.

CT REIT's Unitholders' equity and non-controlling interests at December 31, 2016 increased as compared to December 31, 2015 primarily as a result of net income exceeding distributions and due to the issuance of Class B LP Units.

Future payments in respect of CT REIT's indebtedness are as follows:

(in thousands of Canadian dollars)	Mortgages Payable		Class C LP Units	Debentures Payable	Bank Credit Facility	Total
	Principal Amortization	Maturities				
For the period ending December 31:						
2017	\$ 1,241	\$ –	\$ 70,418	\$ –	\$ 109,824	\$ 181,483
2018	493	16,590	–	–	–	17,083
2019	35	37,590	–	–	–	37,625
2020	–	–	251,550	–	–	251,550
2021	–	–	–	150,000	–	150,000
2022 and thereafter	–	–	1,200,000	550,000	–	1,750,000
Total contractual obligation	\$ 1,769	\$ 54,180	\$ 1,521,968	\$ 700,000	\$ 109,824	\$ 2,387,741
Unamortized portion of mark to market on mortgages payable assumed in connection with the acquisition of properties	–	150	–	–	–	150
Unamortized transaction costs	–	(104)	–	(4,664)	–	(4,768)
	\$ 1,769	\$ 54,226	\$ 1,521,968	\$ 695,336	\$ 109,824	\$ 2,492,947

Interest rates on CT REIT's indebtedness range from 1.65% to 5.00%. The maturity dates on the indebtedness range from May 31, 2017 to May 31, 2038. Total indebtedness at December 31, 2016 has a weighted average interest rate of 3.96% and a weighted average term to maturity of 10.1 years which is consistent with the rate and term as at December 31, 2015. At December 31, 2016, floating rate and fixed rate indebtedness were \$140,957 and \$2,351,990, respectively.

As at	December 31, 2016	December 31, 2015
Variable rate debt	\$ 140,957	\$ 31,133
Total indebtedness	\$ 2,383,123	\$ 2,095,045
Variable rate debt / total indebtedness	5.91%	1.49%

CT REIT's variable rate debt to total indebtedness ratio at December 31, 2016 increased as compared to December 31, 2015 due to borrowings drawn on the Bank Credit Facility in 2016, partially offset by the issuance of Series C and D debentures payable.

The following table presents the contractual obligations of CT REIT:

	Payments Due by Period						2022 and thereafter
	Total	2017	2018	2019	2020	2021	
Class C LP Units ¹	\$ 1,521,968	\$ 70,418	\$ –	\$ –	\$ 251,550	\$ –	\$ 1,200,000
Payments on Class C LP Units ¹	921,688	68,825	68,219	68,219	62,258	58,000	596,167
Debentures payable	700,000	–	–	–	–	150,000	550,000
Interest on debentures payable	160,554	21,149	21,149	21,149	21,149	19,529	56,429
Bank Credit Facility ²	109,824	–	–	–	–	109,824	–
Mortgages payable	55,949	1,241	17,083	37,625	–	–	–
Other liabilities	21,384	18,186	3,198	–	–	–	–
Distributions payable ³	12,065	12,065	–	–	–	–	–
Interest on bank credit facility	8,948	2,065	2,065	2,065	2,065	688	–
Interest on mortgages payable	8,046	3,201	2,655	2,190	–	–	–
Payable on Class C LP Units, net of loans receivable	5,806	5,806	–	–	–	–	–
Total	\$ 3,526,232	\$ 202,956	\$ 114,369	\$ 131,248	\$ 337,022	\$ 338,041	\$ 2,402,596

¹ Assume redemption on expiry of initial fixed rate period for each series.

² The Bank Credit Facility matures in April 2021. However, the borrowings drawn against the Bank Credit Facility as at December 31, 2016 of \$109,824 is classified as a current liability as management expects to repay this amount within the next twelve months.

³ On Units and Class B LP Units.

The table below presents CT REIT's interest in assets at fair value that are available to it to finance and/or refinance its debt as at December 31, 2016:

(in thousands of Canadian dollars, except percentage amounts)	Number of Properties	Fair Value of Investment Properties	Percentage of Total Assets	Mortgages Payable	Loan to Value Ratio
Unencumbered assets	298	\$ 4,874,055	97.2%	\$ –	–
Encumbered assets	5	126,300	2.5%	55,995	44.3%
Total	303	\$ 5,000,355	99.7%	\$ 55,995	1.1%

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

(in thousands of Canadian dollars) As at	December 31, 2016	December 31, 2015
Secured debt	\$ 55,995	\$ 60,129
Total indebtedness	2,383,123	2,095,045
Secured debt / total indebtedness	2.35%	2.87%

CT REIT's secured debt to total indebtedness ratio at December 31, 2016 decreased as compared to December 31, 2015 due to the repayment of one of its mortgages in 2016, the issuance of debentures payable and borrowings drawn on the Bank Credit Facility in 2016.

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

(in thousands of Canadian dollars) As at	December 31, 2016	December 31, 2015
Total indebtedness	\$ 2,383,123	\$ 2,095,045
EBITFV ¹	300,275	281,968
Total indebtedness / EBITFV	7.94	7.43

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

CT REIT's indebtedness to EBITFV ratio at December 31, 2016 increased compared to the indebtedness to EBITFV ratio at December 31, 2015 primarily due to borrowings drawn on the Bank Credit Facility and the issuance of Series C and D debentures payable during 2016, partially offset by increased NOI, discussed earlier.

This ratio at December 31, 2016 has been negatively impacted by the debt issued to fund the Bolton investment, which is reflected on the balance sheet, as the Bolton investment became income-producing late December 2016.

6.5 Interest Coverage Ratio

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

(in thousands of Canadian dollars) For the periods ended December 31,	Three Months Ended		Year Ended	
	2016	2015	2016	2015
EBITFV¹ (A)	\$ 77,168	\$ 72,137	\$ 300,275	\$ 281,968
Interest and other financing charges (B)	\$ 20,634	\$ 22,132	\$ 86,127	\$ 87,334
Interest coverage ratio (A)/(B)	3.74	3.26	3.49	3.23

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

The interest coverage ratio for the three months ended December 31, 2016 increased compared to the same period in the prior year due to higher EBITFV partially offset by a reduction in interest and other financing charges in 2016.

The interest coverage ratio for the year ended December 31, 2016 increased compared to the same period in the prior year due to higher EBITFV in 2016, partially offset by a reduction in interest and other financing charges.

The interest coverage ratio for both three months ended and year ended December 31, 2016 has been positively impacted by the capitalization of interest on the Bolton development.

6.6 Indebtedness Ratio

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

CT REIT calculates its indebtedness ratio as follows:

(in thousands of Canadian dollars) As at	December 31, 2016	December 31, 2015
Total assets (A)	\$ 5,014,601	\$ 4,350,903
Total indebtedness¹ (B)	\$ 2,383,123	\$ 2,095,045
Indebtedness ratio (B)/(A)	47.5%	48.2%

¹ Total indebtedness reflects the value of the Class C LP Units, mortgages payable, debentures payable and draws on the Bank Credit Facility, if any.

The indebtedness ratio at December 31, 2016 decreased compared to the indebtedness ratio at December 31, 2015 primarily due to CT REIT's 2016 acquisition, intensification and development activities, a decrease in Class C LP Units and fair value adjustments made to its investment property portfolio, partially offset by an increase in indebtedness related to the debentures payable and borrowings drawn on the Bank Credit Facility during 2016.

6.7 Class C LP Units

At December 31, 2016 there were 1,521,968 Class C LP Units outstanding, all of which were held by CTC. The Class C LP Units are designed to provide CTC with an interest in the Partnership that entitles holders to a fixed cumulative monthly payment during the initial fixed rate period for each Series of

Class C LP Units (the "Initial Fixed Rate Period") equal to a weighted average of 4.58% of the aggregate capital amount ascribed to the Class C LP Units, in priority to distributions made to holders of Class B LP Units and GP Units (subject to certain exceptions), if, as and when declared by the Board of Directors of the GP, payable monthly at an annual distribution rate for each series as set out in the table below. In addition, the Class C LP Units are entitled to receive Special Voting Units in certain limited circumstances.

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

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

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

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

Series of Class C LP Units	Initial Subscription Price (\$000)	Annual Distribution Rate During Initial Fixed Rate Period	Expiry of Initial Fixed Rate Period	% of Total Class C LP Units
Series 3	\$ 200,000	4.50%	May 31, 2020 (3.4 years)	13.14%
Series 4	200,000	4.50%	May 31, 2024 (7.4 years)	13.14%
Series 5	200,000	4.50%	May 31, 2028 (11.4 years)	13.14%
Series 6	200,000	5.00%	May 31, 2031 (14.4 years)	13.14%
Series 7	200,000	5.00%	May 31, 2034 (17.4 years)	13.14%
Series 8	200,000	5.00%	May 31, 2035 (18.4 years)	13.14%
Series 9	200,000	5.00%	May 31, 2038 (21.4 years)	13.14%
Series 10	7,130	2.38%	May 31, 2017 (0.4 years)	0.47%
Series 11	20,685	2.20%	May 31, 2017 (0.4 years)	1.36%
Series 12	19,464	2.23%	May 31, 2017 (0.4 years)	1.28%
Series 13	3,789	1.65%	May 31, 2017 (0.4 years)	0.25%
Series 14	15,000	1.71%	May 31, 2017 (0.4 years)	0.99%
Series 15	4,350	1.77%	May 31, 2017 (0.4 years)	0.29%
Series 16	16,550	2.42%	May 31, 2020 (3.4 years)	1.09%
Series 17	18,500	2.39%	May 31, 2020 (3.4 years)	1.22%
Series 18	4,900	2.28%	May 31, 2020 (3.4 years)	0.32%
Series 19	11,600	2.28%	May 31, 2020 (3.4 years)	0.76%
Total / weighted average	\$ 1,521,968	4.58%	12.5 years	100.0%
Current	\$ 70,418			
Non-current	1,451,550			
Total	\$ 1,521,968			

On May 31, 2016, Series 2 of the Class C LP Units was redeemed by the issuance to CTC of \$200,000 of Class B LP Units.

The Initial Fixed Rate Period of Series 10-15 Class C LP Units expire on May 31, 2017. In January 2017, CT REIT had delivered a notice of redemption to CTC, the holder of such Class C LP Units. As a result, Series 10-15 Class C LP Units will either be redeemed or will have their rate reset, in either case effective May 31, 2017.

6.8 Debentures Payable

Series	December 31, 2016		December 31, 2015	
	Face Value	Carrying Amount	Face Value	Carrying Amount
A, 2.85%, June 9, 2022	\$ 150,000	\$ 149,123	\$ 150,000	\$ 149,159
B, 3.53%, June 9, 2025	200,000	198,588	200,000	198,789
C, 2.16%, June 1, 2021	150,000	149,058	–	–
D, 3.29%, June 1, 2026	200,000	198,567	–	–
	\$ 700,000	\$ 695,336	\$ 350,000	\$ 347,948

On May 31, 2016, CT REIT issued \$350,000 aggregate principal amount of senior unsecured debentures payable under CT REIT's short form base shelf prospectus dated March 5, 2015. The proceeds, net of issuance costs of \$2,589, were used to pay down certain amounts outstanding under the Bank Credit Facility, and the balance of the proceeds was retained for general business purposes.

For the three months and year ended December 31, 2016, amortization of the transaction costs of \$166 (Q4 2015 – \$56) and \$548 (YTD 2015 – \$131) is included in net interest and other financing charges on the consolidated statement of income and comprehensive income (refer to Note 15 to the annual consolidated financial statements).

The debentures payable have been rated "BBB+" with a stable trend by S&P and "BBB (high)" trend by DBRS. The debentures payable are direct senior unsecured obligations of CT REIT.

6.9 Mortgages Payable

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

(in thousands of Canadian dollars)

As at	December 31, 2016		December 31, 2015	
	Face value	Carrying amount	Face value	Carrying amount
Current	\$ 1,241	\$ 1,318	\$ 4,074	\$ 4,176
Non-current	54,708	54,677	55,949	55,953
Total	\$ 55,949	\$ 55,995	\$ 60,023	\$ 60,129

During 2016, CT REIT repaid one mortgage.

6.10 Bank Credit Facility

CT REIT has a \$300 million unsecured revolving credit facility ("Bank Credit Facility") available until April 2021. The Bank Credit Facility bears interest at a rate based on the bank's prime rate of interest or bankers' acceptances plus a margin. A standby fee is charged on the Bank Credit Facility.

As at December 31, 2016, \$109,824 (December 31, 2015 – \$nil) of borrowings were drawn on the Bank Credit Facility. The unamortized balance of transaction costs incurred in connection with the arrangement of the Bank Credit Facility of \$67 (December 31, 2015 – \$283) is recorded in other assets on the interim balance sheets.

The table below summarizes the details of the Bank Credit Facility as at December 31, 2016:

(in thousands of Canadian dollars)

Bank Credit Facility	Cash Advances	Letters of Credit	Available to be Drawn
Maximum Loan Amount			
\$ 300,000	\$ 109,824	\$ 1,227	\$ 188,949

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

6.11 Capital Strategy

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

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

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

they become available. The Declaration of Trust and the supplemental indentures thereto (the "Trust Indenture") dated June 9, 2015 pursuant to which the debentures payable were issued, limit the REIT's overall indebtedness ratio to 60% of total aggregate assets, excluding convertible debentures, and 65% including convertible debentures.

CT REIT's indebtedness ratio was 47.5% as at December 31, 2016. Refer to section 6.6 for the definition and calculation of CT REIT's indebtedness ratio.

At December 31, 2016, CT REIT was in compliance with the financial and non-financial covenants contained in the Declaration of Trust, the Trust Indenture, the Bank Credit Facility and the assumed mortgages.

CT REIT has also adopted interest coverage guidelines which provide an indication of the REIT's ability to service or pay the interest charges relating to the underlying debt.

CT REIT will generally operate its affairs and manage its capital structure so that its interest coverage ratio is in a range of 2.4 to 3.8 times. For the three months ended December 31, 2016, CT REIT's interest coverage ratio was 3.7 times. Refer to section 6.5 for the definition and calculation of CT REIT's interest coverage ratio.

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

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

6.12 Commitments and Contingencies

As at December 31, 2016, CT REIT had obligations of \$30,470 (December 31, 2015 – \$63,070) in future payments for the completion of developments which are expected to be incurred by 2018, as described in sections 4.5 and 4.6. Included in the commitment is \$25,470 due to CTC.

CT REIT has sufficient liquidity to fund these future commitments as a result of (i) its conservative use of leverage on the balance sheet, (ii) liquidity on hand, (iii) its Bank Credit Facility, (iv) an investment grade credit rating, (v) unencumbered assets, and (vi) sufficient operating cash flow retained in the business.

6.13 Base Shelf Prospectus

CT REIT filed a base shelf prospectus in Q1 2015 under which it may raise up to \$1.5 billion of debt and equity capital over the 25 month period ending April 4, 2017. In Q2 2016, the REIT issued \$350,000 (2015 – \$350,000) of senior unsecured debentures payable. The shelf also qualifies the sale of Units by CTC.

7.0 Equity

7.1 Authorized Capital and Outstanding Units

CT REIT is authorized to issue an unlimited number of Units. As of December 31, 2016, CT REIT had a total of 90,479,102 Units outstanding, 59,711,094 of which were held by CTC and 116,367,697 Class B LP Units outstanding (together with a corresponding number of Special Voting Units), all of which were held by CTC. As of February 13, 2017, the REIT had a total of 90,492,181 Units outstanding and 117,926,234 Class B LP Units outstanding.

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

The following tables summarize the total number of Units issued:

	As at December 31, 2016		
	Units	Class B LP Units	Total
Total outstanding at beginning of year	90,337,358	99,263,329	189,600,687
Issued ¹	141,744	17,104,368	17,246,112
Total outstanding at end of year	90,479,102	116,367,697	206,846,799

¹ Issued pursuant to the REIT's distribution reinvestment plan.

	As at December 31, 2015		
	Units	Class B LP Units	Total
Total outstanding at beginning of year	90,188,210	91,297,572	181,485,782
Issued ¹	149,148	7,965,757	8,114,905
Total outstanding at end of year	90,337,358	99,263,329	189,600,687

¹ Issued pursuant to the REIT's distribution reinvestment plan.

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

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

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

	Year ended December 31, 2016		
	Units	Class B LP Units	Total
Net income attributable to Unitholders – basic	\$ 116,625	\$ 142,454	\$ 259,079
Income effect of settling Class C LP Units with Class B LP Units			72,405
Net income attributable to Unitholders – diluted			\$ 331,484
Weighted average units outstanding – basic	90,409,304	110,030,612	200,439,916
Dilutive effect of other Unit plans			118,636
Dilutive effect of settling Class C LP Units with Class B LP Units			106,661,254
Weighted average units outstanding – diluted			307,219,806

	Year ended December 31, 2015		
	Units	Class B LP Units	Total
Net income attributable to Unitholders – basic	\$ 112,775	\$ 121,705	\$ 234,480
Income effect of settling Class C LP Units with Class B LP Units			78,318
Net income attributable to Unitholders – diluted			\$ 312,798
Weighted average units outstanding – basic	90,262,679	97,249,251	187,511,930
Dilutive effect of other Unit plans			95,239
Dilutive effect of settling Class C LP Units with Class B LP Units			134,122,540
Weighted average units outstanding – diluted			321,729,709

7.2 Equity

(in thousands of Canadian dollars)

As at

	December 31, 2016	December 31, 2015
Equity – beginning of the year	\$ 2,213,363	\$ 2,002,189
Net income and comprehensive income for the year	259,079	234,480
Issuance of Class B LP Units, net of issue costs	252,799	99,661
Distributions to non-controlling interests	(75,030)	(64,813)
Distributions to Unitholders	(61,636)	(59,976)
Issuance of Units under distribution reinvestment plan	2,009	1,822
Equity – end of the period	\$ 2,590,584	\$ 2,213,363

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

7.3 Distributions

CT REIT's primary business goal is to accumulate a portfolio of high-quality real estate assets and deliver the benefits of such real estate ownership to Unitholders. The primary benefit to Unitholders is expected to be reliable, durable and growing distributions over time.

In determining the amount of the monthly distributions paid to Unitholders, the Board applies discretionary judgment to forward-looking cash flow information, such as forecasts and budgets, and many other factors including provisions in the Declaration of Trust, the macro-economic and industry-specific environment, debt maturities, covenants and taxable income.

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

On November 1, 2016, the Board reviewed the current rate of distribution of \$0.68 per Unit per year and approved an increase in the annual rate of distribution to \$0.70 per Unit per year, or monthly distribution rate of \$0.05833 per Unit, commencing with the December 31, 2016 record date.

On December 15, 2016, CT REIT's Board declared a distribution of \$0.05833 per Unit paid on January 13, 2017 to holders of Units and Class B LP Units of record as of December 31, 2016.

On January 13, 2017, CT REIT's Board declared a distribution of \$0.05833 per Unit payable on February 15, 2017 to holders of Units and Class B LP Units of record as of January 31, 2017.

CT REIT is focused on increasing distributions to its Unitholders on a regular and prudent basis. The distribution increases since December 31, 2014 are presented in the table below:

	2017 ¹	December 31, 2016	December 31, 2015	December 31, 2014
Monthly distribution per Unit	\$ 0.05833	\$ 0.05667	\$ 0.05525	\$ 0.05417
% increase	3.0%	2.6%	2.0%	–
Annualized distribution per Unit	\$ 0.700	\$ 0.680	\$ 0.663	\$ 0.650
Annualized increase per Unit	\$ 0.020	\$ 0.017	\$ 0.013	–

¹ Approved by the Board on November 1, 2016. The Board has discretion over the determination of monthly and annual distributions.

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

(in thousands of Canadian dollars, except per Unit amounts)

For the periods ended December 31,	Three Months Ended		Year Ended	
	2016	2015	2016	2015
Distributions before distribution reinvestment – paid	\$ 35,162	\$ 31,423	\$ 135,345	\$ 124,072
Distribution reinvestment	527	476	2,009	1,822
Distributions net of distribution reinvestment – paid	\$ 34,635	\$ 30,947	\$ 133,336	\$ 122,250
Distributions per unit – paid	\$ 0.170	\$ 0.166	\$ 0.680	\$ 0.663

Distributions for the year ended December 31, 2016 are higher than the same period in the prior year due to the increase in the annual rate of distributions, effective with the first distribution paid in 2016, and higher weighted average number of units outstanding in 2016.

CT REIT's distributions for the year ended December 31, 2016 are less than the REIT's cash generated from operating activities, cash generated from operating activities reduced by interest expense, and less than AFFO, a non-GAAP measure, which is an indicator of the source of funding for and sustainability of distributions.

(in thousands of Canadian dollars, except per Unit amounts)

For the periods ended December 31,	Three Months Ended		Year Ended	
	2016	2015	2016	2015
AFFO ¹	\$ 46,006	\$ 38,995	\$ 172,794	\$ 151,660
Distributions before distribution reinvestment – paid	35,162	31,423	135,345	124,072
Excess of AFFO over distributions paid (A)	\$ 10,844	\$ 7,572	\$ 37,449	\$ 27,588
Weighted average units outstanding – diluted (non-GAAP) ¹ (B)	206,949,852	189,674,625	200,558,552	187,607,169
Excess of AFFO over distributions paid per Unit (A)/(B)¹	\$ 0.052	\$ 0.040	\$ 0.187	\$ 0.147

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

7.4 Book Value per Unit

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

(in thousands of Canadian dollars, except for per Unit amounts)

As at	December 31, 2016	December 31, 2015
Total Equity (A)	\$ 2,590,584	\$ 2,213,363
Period-end Units and Class B LP Units outstanding (B)	206,846,799	189,600,687
Book value per Unit (A)/(B)	\$ 12.52	\$ 11.67

CT REIT's book value per unit at December 31, 2016 increased from the book value per unit at December 31, 2015 primarily due to net income exceeding distributions and the issuance of new equity at a price exceeding the book value per unit.

8.0 Related Party Transactions

Related Party Transactions

CT REIT's controlling Unitholder is CTC, which, on December 31, 2016, held an 85.1% effective interest in the REIT, through the ownership of 59,711,094 Units and all of the issued and outstanding Class B LP Units.

In addition to its ownership interest, CTC is CT REIT's largest tenant representing approximately 93.8% of the annualized base minimum rent earned by CT REIT and occupying 94.2% of its GLA as at December 31, 2016.

In the normal course of its operations, CT REIT enters into various transactions with related parties that have been valued at amounts agreed to between the parties and recognized in the consolidated financial statements. Investment property transactions with CTC amounted to \$429,525 (2015 – \$210,638) for the year ended December 31, 2016. Refer to Note 4 to the consolidated financial statements for additional information.

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

Services Agreement

Under the Services Agreement, CTC provides the REIT with certain administrative, financial, information technology, internal audit and other support services as may be reasonably required from time to time (the "Services"). CTC provides these Services to the REIT on a cost recovery basis pursuant to which CT REIT reimburses CTC for all costs and expenses incurred by CTC in connection with providing the Services, plus applicable taxes. The term of the Services Agreement expires on December 31 of each year and is automatically renewable for further one year terms thereafter, unless otherwise terminated. The Services Agreement has been renewed for 2017 and CTC will continue to provide such services on a cost recovery basis.

Property Management Agreement

Under the Property Management Agreement, CTC provides the REIT with certain customary property management services (the "Property Management Services"). CTC agreed to provide Property Management Services to the REIT on a cost recovery basis pursuant to which the REIT reimburses CTC for all costs and expenses incurred by CTC in connection with providing the Property Management Services, plus applicable taxes. The term of the Property Management Agreement expires on December 31 of each year and is automatically renewable for further one year terms thereafter, unless otherwise terminated. The Property Management Agreement has been renewed for 2017 and CTC will continue to provide such services on a cost recovery basis.

Refer to CT REIT's 2016 AIF available on SEDAR at www.sedar.com for additional information on related party agreements and arrangements with CTC. Refer to section 9, "Arrangements with CTC" in the CT REIT AIF.

CT REIT's policy is to conduct all transactions and settle all balances, with related parties, on market terms and conditions. The following table summarizes CT REIT's related party transactions as of December 31, 2016, excluding acquisition, intensification and development activities which are contained in section 4.7:

(in thousands of Canadian dollars)	Year Ended	
For the periods ended December 31,	2016	2015
Rental revenue	\$ 382,278	\$ 361,873
Property Management and Services Agreements expense	\$ 5,510	\$ 5,670
Distributions on Units	\$ 40,705	\$ 39,673
Distributions on Class B LP Units ¹	\$ 75,030	\$ 64,813
Interest expense on Class C LP Units ²	\$ 72,405	\$ 78,318

¹ Includes distributions deferred at the election of the holders of the Class B LP units.

² Includes interest of \$nil (2015 – \$125) for the bridge loan received for the period from the date that the Series 1 Class C LP Units was redeemed (June 1, 2015) to date of the issuance of the debentures payable (June 9, 2015).

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

(in thousands of Canadian dollars)

As at	December 31, 2016	December 31, 2015
Tenant and other receivables	\$ (404)	\$ (893)
Class C LP Units	1,521,968	1,686,968
Amounts payable on Class C LP Units	71,613	75,093
Loans receivable in lieu of payments on Class C LP Units	(65,807)	(68,805)
Other liabilities	5,199	4,396
Distributions payable on Units and Class B LP Units ¹	18,581	11,115
Loans receivable in lieu of distributions on Class B LP Units	(8,311)	(2,106)
Net due to CTC	\$ 1,542,839	\$ 1,705,768

¹ Includes distributions deferred at the election of the holders of the Class B LP units.

9.0 Accounting Policies and Estimates

9.1 Significant Areas of Estimation

The preparation of the consolidated financial statements requires management to apply judgments, and to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Estimates are based upon historical experience and on various other assumptions that are reasonable under the circumstances. The result of ongoing evaluation of these estimates forms the basis for applying judgment with regards to the carrying values of assets and liabilities and the reported amounts of revenues and expenses. Actual results may differ from estimates. CT REIT's critical judgments and estimates in applying significant accounting policies are described in Note 2 of the consolidated financial statements, the most significant of which is the fair value of investment properties.

Fair Value of Investment Properties

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

Properties under development are recorded at cost and are adjusted to fair value at each balance sheet date with the fair value adjustment recognized in earnings.

9.2 New Standards Implemented

In December 2014, the IASB issued *Disclosure Initiative – Amendments to IAS 1* as part of the IASB's Disclosure Initiative. These amendments encourage entities to apply professional judgment regarding disclosures and presentation in their financial statements. These amendments were effective for annual periods beginning on or after January 1, 2016, and were applied prospectively. The implementation of IAS 1 amendments did not have a significant impact on CT REIT other than immaterial amendments to current and prior-year note disclosure.

9.3 Standards, Amendments and Interpretations Issued and Not Yet Adopted

The following new standards, amendments and interpretations have been issued but are not effective for the fiscal year ended December 31, 2016, and, accordingly, have not been applied in preparing these consolidated financial statements.

Financial instruments

In July 2014, the IASB issued the final version of IFRS 9 – *Financial Instruments* ("IFRS 9"), which brings together the classification and measurement, impairment and hedge-accounting phases of the IASB's project to replace IAS 39 – *Financial Instruments: Recognition and Measurement* ("IAS 39").

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

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

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

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

Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15 – *Revenue from Contracts with Customers* (“IFRS 15”), which replaces IAS 11 – *Construction Contracts*, IAS 18 – *Revenue* and IFRIC 13 – *Customer Loyalty Programmes* (“IFRIC 13”), as well as various other interpretations regarding revenue. IFRS 15 outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers, except for contracts that are within the scope of the standards on leases, insurance contracts and financial instruments. IFRS 15 also contains enhanced disclosure requirements.

In April 2016, the IASB published clarifications to IFRS 15 which address three topics (identifying performance obligations, principal versus agent considerations, and licensing) and provide some transition relief for modified contracts and completed contracts. The amendments are effective for annual periods beginning on or after January 1, 2018. Earlier adoption is permitted. CT REIT is assessing the potential impacts of these amendments.

Disclosure Initiative

In January 2016, the IASB issued *Disclosure Initiative Amendments to IAS 7* also as part of the IASB’s Disclosure Initiative. These amendments require entities to provide additional disclosures that will enable financial statements users to evaluate changes in liabilities arising from financing activities, including changes arising from cash flows and non-cash changes. These amendments are effective for annual periods beginning on or after January 1, 2017. Earlier application is permitted. The implementation of these amendments will not have a significant impact on CT REIT.

Leases

In January 2016, the IASB issued IFRS 16 – *Leases* (“IFRS 16”), which replaced IAS 17 – *Leases* (“IAS 17”) and related interpretations. IFRS 16 provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, unless the lease term is 12 months or less or the underlying asset has a low value. IFRS 16 substantially carries forward the lessor accounting in IAS 17 with the distinction between operating leases and finance leases being retained.

IFRS 16 is effective for annual periods beginning on or after January 1, 2019. Early adoption is permitted if IFRS 15 has also been applied. CT REIT is assessing the potential impact of this standard.

Income Taxes

In January 2016, the IASB issued *Recognition of Deferred Tax Assets for Unrealised Losses* as an amendment to IAS 12 – *Income Taxes*. These amendments address the accounting for deferred tax assets for unrealized losses on debt instruments measured at fair value. These amendments are effective for annual periods beginning on or after January 1, 2017. Earlier application is permitted. The implementation of these amendments will not have a significant impact on CT REIT.

10. Non-GAAP Measures

CT REIT uses non-GAAP measures including NOI, same store NOI, same property NOI, FFO, FFO per unit – basic, FFO per unit – diluted (non-GAAP), AFFO, AFFO per unit – basic, AFFO per unit – diluted (non-GAAP), AFFO payout ratio, and EBITFV. CT REIT believes these non-GAAP measures and ratios provide useful supplemental information to both management and investors in measuring the financial performance of CT REIT in meeting its principle objective of the creation of Unitholder value by generating reliable, durable and growing monthly distributions. When calculating diluted FFO and AFFO per Unit, management excludes the effect of settling the Class C LP Units with Class B LP Units, which is required when calculating diluted Units in accordance with IFRS.

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

10.1 Net Operating Income

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

(in thousands of Canadian dollars) For the periods ended December 31,	Three Months Ended			Year Ended		
	2016	2015	Change	2016	2015	Change
Property revenue	\$ 104,230	\$ 96,599	7.9%	\$ 407,165	\$ 378,180	7.7%
Less:						
Property expense	(24,537)	(21,789)	12.6%	(96,388)	(86,856)	11.0%
Property straight-line rent revenue	(6,036)	(6,702)	(9.9)%	(23,774)	(26,131)	(9.0)%
Add:						
Straight-line ground lease expense	18	22	(18.2)%	86	157	(45.2)%
Net operating income	\$ 73,675	\$ 68,130	8.1%	\$ 287,089	\$ 265,350	8.2%

Same Store NOI

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

Same Property NOI

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

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

(in thousands of Canadian dollars) For the periods ended December 31,	Three Months Ended			Year Ended		
	2016	2015	Change ¹	2016	2015	Change ¹
Same store	\$ 68,641	\$ 67,444	1.8%	\$ 261,229	\$ 256,920	1.7%
Intensifications						
2016	66	–	NM	95	–	NM
2015	95	67	41.8%	2,173	713	NM
Same property	\$ 68,802	\$ 67,511	1.9%	\$ 263,497	\$ 257,633	2.3%
Acquisitions						
2016	3,880	–	NM	9,908	–	NM
2015	993	619	60.4%	13,684	7,717	77.3%
Net operating income	\$ 73,675	\$ 68,130	8.1%	\$ 287,089	\$ 265,350	8.2%

¹ NM – not meaningful.

10.2 Funds From Operations

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

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

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

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

(in thousands of Canadian dollars, except per unit amounts) For the periods ended December 31,	Three Months Ended			Year Ended		
	2016	2015	Change ¹	2016	2015	Change ¹
Net Income and comprehensive income	\$ 65,455	\$ 62,824	4.2%	\$ 259,079	\$ 234,480	10.5%
Fair value adjustment of investment property	(8,878)	(12,731)	(30.3)%	(44,549)	(39,910)	11.6%
Deferred taxes	(43)	(88)	(51.1)%	(382)	64	NM
Fair value adjustment of unit based compensation	231	22	NM	729	77	NM
Funds from operations	\$ 56,765	\$ 50,027	13.5%	\$ 214,877	\$ 194,711	10.4%
FFO per unit – basic	\$ 0.274	\$ 0.264	3.8%	\$ 1.072	\$ 1.038	3.3%
FFO per unit – diluted (non-GAAP) ²	\$ 0.274	\$ 0.264	3.8%	\$ 1.071	\$ 1.038	3.2%
Weighted average units outstanding – basic	206,829,040	189,582,380	9.1%	200,439,916	187,511,930	6.9%
Weighted average units outstanding – diluted (non-GAAP) ²	206,949,852	189,674,625	9.1%	200,558,552	187,607,169	6.9%
Number of units outstanding, end of period	206,846,799	189,600,687	9.1%	206,846,799	189,600,687	9.1%

¹ NM – not meaningful.

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

10.3 Adjusted Funds From Operations

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

CT REIT calculates AFFO by adjusting net income for all adjustments used to calculate FFO as well as adjustments for non-cash income and expense items such as amortization of straight-line rents. Net income is also adjusted for a reserve for maintaining productive capacity required for sustaining property infrastructure and revenue from real estate properties and direct leasing costs. Property capital expenditures do not occur evenly during the fiscal year or from year to year. The property capital reserve in the AFFO calculation is intended to reflect an average annual spending level. The reserve is based on a 15-year average expenditure as determined by building condition reports prepared during 2013 by an independent consultant for Canadian Tire stores and Other CTC Banners.

The following table compares capital expenditures during the three year period 2014-2016 to the normalized capital expenditure reserve used in the calculation of AFFO:

(in thousands of Canadian dollars) For the quarter ended and year to date	Normalized capital expenditure reserve	Capital expenditures	Variance
2014			
Q1	\$ 3,661	\$ 110	\$ 3,551
Q2	3,703	866	2,837
Q3	3,989	9,888	(5,899)
Q4	4,112	6,188	(2,076)
YTD	15,465	17,052	(1,587)
2015			
Q1	\$ 4,168	\$ 1,025	\$ 3,143
Q2	4,230	2,834	1,396
Q3	4,327	7,384	(3,057)
Q4	4,352	3,591	761
YTD	17,077	14,834	2,243
2016			
Q1	\$ 4,407	\$ 259	\$ 4,148
Q2	4,581	4,898	(317)
Q3	4,666	8,551	(3,885)
Q4	4,741	1,862	2,879
YTD	18,395	15,570	2,825

The normalized capital expenditure reserve varies from the capital expenditures incurred due to the seasonal nature of the expenditures. Refer to section 4.11 for additional information.

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

A reconciliation from the IFRS term "Cash Generated from Operating Activities" to AFFO (refer to the consolidated statements of cash flow for the year ended December 31, 2016) is as follows:

(in thousands of Canadian dollars) For the periods ended December 31,	Three Months Ended			Year Ended		
	2016	2015	Change ¹	2016	2015	Change ¹
Cash generated from operating activities	\$ 69,024	\$ 69,082	(0.1)%	\$ 272,551	\$ 265,168	2.8%
Changes in working capital and other	2,155	(3,623)	NM	4,206	(9,470)	NM
Deferred taxes	(43)	(88)	(51.1)%	(382)	64	NM
Fair value adjustment of unit based compensation	231	22	NM	729	77	NM
Net interest and other financing charges	(20,620)	(22,046)	(6.5)%	(85,915)	(87,102)	(1.4)%
Normalized capital expenditure reserve	(4,741)	(4,352)	8.9%	(18,395)	(17,077)	7.7%
Adjusted funds from operations	\$ 46,006	\$ 38,995	18.0%	\$ 172,794	\$ 151,660	13.9%

¹ NM – Not meaningful

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

(in thousands of Canadian dollars) December 31,	Three Months Ended			Year Ended		
	2016	2015	Change ¹	2016	2015	Change ¹
Net income and comprehensive income	\$ 65,455	62,824	4.2%	\$ 259,079	234,480	10.5%
Fair value adjustment on investment property	(8,878)	(12,731)	(30.3)%	(44,549)	(39,910)	11.6%
Deferred taxes	(43)	(88)	(51.1)%	(382)	64	NM
Fair value adjustment of unit based compensation	231	22	NM	729	77	NM
Properties straight-line rent adjustment	(6,036)	(6,702)	(9.9)%	(23,774)	(26,131)	(9.0)%
Straight-line land lease expense adjustment	18	22	(18.2)%	86	157	(45.2)%
Capital expenditure reserve	(4,741)	(4,352)	8.9%	(18,395)	(17,077)	7.7%
Adjusted funds from operations	\$ 46,006	38,995	18.0%	\$ 172,794	151,660	13.9%
AFFO per unit – basic	\$ 0.222	\$ 0.206	7.8%	\$ 0.862	\$ 0.809	6.6%
AFFO per unit – diluted (non-GAAP) ²	\$ 0.222	\$ 0.206	7.8%	\$ 0.862	\$ 0.808	6.7%
Weighted average units outstanding – basic	206,829,040	189,582,380	9.1%	200,439,916	187,511,930	6.9%
Weighted average units outstanding – diluted (non-GAAP) ²	206,949,852	189,674,625	9.1%	200,558,552	187,607,169	6.9%
Number of units outstanding, end of period	206,846,799	189,600,687	9.1%	206,846,799	189,600,687	9.1%

¹ NM – Not meaningful

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

10.4 AFFO Payout Ratio

The AFFO payout ratio is a non-GAAP measure of a REIT's sustainability of a dividend payout. CT REIT uses this metric to provide transparency on performance and the overall management of the existing portfolio assets. Management considers the AFFO payout ratio the best measure of the REIT's ability to fund distributions.

For the periods ended December 31,	Three Months Ended			Year Ended		
	2016	2015	Change	2016	2015	Change
Distribution per unit – paid (A)	\$ 0.170	\$ 0.166	2.6%	\$ 0.680	\$ 0.663	2.6%
AFFO Per unit – Diluted (non-GAAP) (B)	\$ 0.222	\$ 0.206	7.8%	\$ 0.862	\$ 0.808	6.7%
AFFO payout ratio (A)/(B)	77%	81%	(4.9)%	79%	82%	(3.7)%

10.5 Diluted Non-GAAP per Unit Calculations

Management views the diluted non-GAAP per unit measure as a meaningful measure as the full conversion of the Class C LP Units with Class B LP Units is not considered a likely scenario. As such, management calculates the REIT's fully diluted FFO and AFFO amounts excluding the effects of settling the Class C LP Units with Class B LP Units.

The following table reconciles the calculation of the weighted average diluted units non-GAAP:

For the periods ended December 31,	Three Months Ended		Year Ended	
	2016	2015	2016	2015
Weighted average Units outstanding – diluted (non-GAAP)	206,949,852	189,674,625	200,558,552	187,607,169
Dilutive effect of settling Class C LP Units with Class B LP Units	101,739,744	128,540,086	106,661,254	134,122,540
Weighted average Units outstanding – diluted	308,689,596	318,214,711	307,219,806	321,729,709

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

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

EBITFV is used as an input in some of CT REIT's debt metrics, providing information with respect to certain financial ratios that CT REIT uses in measuring its debt profile and assessing the REIT's ability to satisfy its obligations, including servicing its debt. For the three months and year ended December 31, 2016, EBITFV was calculated as follows:

(in thousands of Canadian dollars) For the periods ended December 31,	Three Months Ended			Year Ended		
	2016	2015	Change ¹	2016	2015	Change ¹
Net income and comprehensive income	\$ 65,455	\$ 62,824	4.2 %	\$ 259,079	\$ 234,480	10.5 %
Fair value adjustment on investment properties	\$ (8,878)	(12,731)	(30.3)%	\$ (44,549)	(39,910)	11.6 %
Interest expense and other financing charges	\$ 20,634	22,132	(6.8)%	\$ 86,127	87,334	(1.4)%
Income taxes	\$ (43)	\$ (88)	(51.1)%	\$ (382)	\$ 64	NM
EBITFV	\$ 77,168	\$ 72,137	7.0 %	\$ 300,275	\$ 281,968	6.5 %

¹ NM – Not meaningful

10.7 Selected Quarterly Consolidated Information

(in thousands of Canadian dollars, except per unit amounts)	2016				2015			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
As at and for the quarter ended								
Property revenue	\$ 104,230	\$ 102,932	\$ 101,507	\$ 98,496	\$ 96,599	\$ 95,916	\$ 93,217	\$ 92,448
Net income	\$ 65,455	\$ 72,124	\$ 60,347	\$ 61,153	\$ 62,824	\$ 58,885	\$ 57,205	\$ 55,566
Net income per unit								
– basic	\$ 0.317	\$ 0.349	\$ 0.306	\$ 0.321	\$ 0.331	\$ 0.311	\$ 0.306	\$ 0.302
– diluted	\$ 0.269	\$ 0.290	\$ 0.256	\$ 0.260	\$ 0.257	\$ 0.242	\$ 0.233	\$ 0.226
FFO per unit – diluted, non-GAAP ¹	\$ 0.274	\$ 0.273	\$ 0.263	\$ 0.260	\$ 0.264	\$ 0.260	\$ 0.256	\$ 0.258
AFFO per unit – diluted, non-GAAP ¹	\$ 0.222	\$ 0.222	\$ 0.210	\$ 0.206	\$ 0.206	\$ 0.203	\$ 0.199	\$ 0.200
Total assets	\$ 5,014,601	\$ 4,915,172	\$ 4,874,626	\$ 4,433,104	\$ 4,350,903	\$ 4,324,229	\$ 4,291,153	\$ 4,113,322
Total indebtedness	\$ 2,383,123	\$ 2,290,422	\$ 2,288,626	\$ 2,112,726	\$ 2,095,045	\$ 2,078,826	\$ 2,071,737	\$ 1,984,131
Total distributions, net of distribution reinvestment, to								
Unitholders – paid	\$ 34,635	\$ 34,657	\$ 32,190	\$ 31,854	\$ 30,947	\$ 30,946	\$ 30,450	\$ 29,907
Total distributions per unit – paid	\$ 0.170	\$ 0.170	\$ 0.170	\$ 0.170	\$ 0.166	\$ 0.166	\$ 0.166	\$ 0.166
Book value per unit	\$ 12.52	\$ 12.38	\$ 12.20	\$ 11.84	\$ 11.67	\$ 11.51	\$ 11.36	\$ 11.21
Market price per unit								
– high	\$ 15.65	\$ 15.76	\$ 15.60	\$ 14.76	\$ 13.45	\$ 13.40	\$ 12.96	\$ 13.50
– low	\$ 14.54	\$ 14.55	\$ 14.17	\$ 12.46	\$ 12.50	\$ 11.26	\$ 11.75	\$ 11.70
– close (end of period)	\$ 15.00	\$ 15.40	\$ 14.80	\$ 14.45	\$ 13.00	\$ 12.86	\$ 12.10	\$ 12.90

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

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

11.0 Enterprise Risk Management**Enterprise Risk Management**

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

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

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

Risk Governance

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

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

Principal Risks

A key element of the REIT's ERM Program is the periodic review, identification and assessment of Principal Risks. The REIT defines a Principal Risk as one that, alone or in combination with other interrelated risks, could have a significant adverse impact on the REIT's financial position, and/or ability to achieve its strategic objectives. These Principal Risks are enterprise-wide in scope and represent strategic, financial and operational risks. Management has completed

its formal annual review of its Principal Risks, which has been presented to the Audit Committee and approved by the Board of Trustees. The mitigation and management of Principal Risks is approached holistically with a view to ensuring all risk exposures associated with a Principal Risk are considered.

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

Principal Risks	Risk Management Strategy
<p>Marketplace</p> <p>Risk due to fluctuations or fundamental changes in the external business environment resulting in financial loss. Fluctuations or fundamental shifts in the market place could include:</p> <ul style="list-style-type: none"> • Changes in macroeconomic conditions (including recession, depression, high inflation, increased unemployment, and increased interest rates) resulting in a reduction in consumer spending; • Changes in the competitive landscape in the retail or real estate sectors impacting the attractiveness and the value of real estate holdings; • Changes in the domestic or international political environments (including new legislation) impacting the ability to do business; and • Shifts in the demographics of the Canadian population reducing the relevance of the products and services offered by key tenants, which may result in a negative impact on the valuation of the REIT or the ability to achieve its strategic objectives. 	<p>The REIT regularly monitors and analyzes external economic, political, demographic, consumer behaviour and competitive developments in Canada. Results are shared with the REIT executives, who are accountable for any necessary amendments to the strategic and operational plans and for on-going investment decisions in order to respond to evolving market and economic trends.</p>
<p>Interest Rate</p> <p>Risk associated with fundamental changes with CTC businesses, the economic environment, or significant events or volatility in the financial markets resulting in changes in interest rates that affect: the value of real estate, the value of the REIT's Units, the economics of acquisition activity and the availability of capital; resulting in financial loss and resulting in a decrease in or the elimination of distributions to Unitholders.</p>	<p>The indebtedness and Class C LP Units of the REIT are predominantly at fixed rates and its floating interest rate exposure is minimal. The weighted average term to redemption/maturity of the REIT's debt portfolio is managed to align with or be greater than the weighted average term to maturity of the REIT's assets. The REIT manages refinancing risk by maintaining a diversified debt redeeming/maturity schedule to limit the amount of debt maturing in any one year. The REIT may use interest rate hedges from time to time to manage interest rate risk and to provide more certainty regarding the FFO available to Unitholders, subject to the REIT's investment guidelines and operating policies.</p>
<p>Tenant Concentration</p> <p>The REIT's revenues are dependent on the ability of its key tenant, CTC, to meet its rent obligations and renew its tenancies. The future financial performance and operating results of CTC's business are subject to inherent risks and uncertainties, such as general economic conditions, changing consumer preferences, and other strategic, financial, and operational risk factors. A downturn in CTC's business could have a material effect on the financial performance of the REIT, its cash flows, and the ability to make distributions to Unitholders.</p>	<p>The REIT benefits from the stability offered by CTC businesses including Canadian Tire retail, one of Canada's most shopped general merchandise retailers with high recognition and a strong reputation throughout the communities it serves. The Canadian Tire retail leases have a weighted average lease term of 12.6 years, which provides the REIT with reliable, durable, and growing monthly distributions. Management regularly monitors the operating results and credit ratings of CTC.</p>
<p>Significant Ownership by CTC</p> <p>CTC holds the majority interest in the REIT. In situations where the interests of CTC and the REIT are in conflict, CTC may utilize its ownership interest in, and contractual rights with the REIT, to further CTC's own interest which may not be the same as the REIT's interest in all cases, causing the REIT not to be able to operate in a manner that is to its favour, which could adversely affect the REIT's cash flows, operating results, valuation, and overall financial condition.</p>	<p>Appropriate governance structures, including policies, processes and other management activities and practices are in place to maintain and monitor the relationship between the REIT and CTC.</p>

<p>Operations</p> <p>The risk that a direct or indirect loss may result from internal or outsourced business activities, business disruptions, inadequate or failed operations processes (property management, development, redevelopment, and acquisitions), people, and systems to support the REIT's key business objectives. Failed processes in terms of design, integration, and/or execution may result in incremental financial expenditures, theft or fraud, legal or regulatory issues, and materially adversely impact the REIT's financial position and results of operation.</p>	<p>The REIT has appropriate governance structures, including policies, processes, contracts, service agreements and other management activities in place to maintain the operational performance of the REIT, comply with legal and regulatory requirements, and to support the REIT's business and strategic objectives.</p>
<p>Tax</p> <p>Risk related to changes in income tax laws applicable to the REIT such that the REIT would not qualify as a mutual fund trust for purposes of the Income Tax Act ("ITA"), including the treatment of real estate investment trusts and mutual fund trusts, or the exclusion from the definition of "SIFT TRUST" for a trust qualifying as a "real estate investment trust" (the "REIT Exception"), for a taxation year under the ITA, which could have a material and adverse impact on the value of the Units, and on distributions to Unitholders.</p>	<p>Management ensures that the REIT satisfies the conditions to qualify as a closed-end mutual fund trust by complying with the restrictions in the ITA as they are interpreted and applied by the Canada Revenue Agency. No assurance can be given that the REIT will be able to comply with these restrictions at all times. There can be no assurance that income tax laws applicable to the REIT, including the treatment of real estate investment trusts and mutual fund trusts under the ITA, will not be changed in a manner which adversely affects the REIT or the Unitholders.</p>
<p>Environmental Matters</p> <p>The REIT is subject to various federal, provincial, territorial and municipal laws relating to environmental matters. Changes in legislation may result in the REIT bearing the risk of cost-intensive assessment, removal of contamination, hazardous or other regulated substances causing an adverse effect on the REIT's financial condition, results of operation, and cash available for distribution to Unitholders.</p>	<p>The REIT has allocated the necessary capital and operating expenditures to comply with environmental laws and address any material environmental issues. Additionally, the REIT has limited environmental liability coverage under its general liability insurance policy for third-party bodily injury and property damage claims arising from unexpected and unintentional pollution incidents (commonly referred to as "sudden and accidental" coverage) that are discovered and reported quickly. It also has more extensive coverage under a separate environmental liability insurance policy which adds coverage for certain gradual pollution conditions and first party clean up costs. Pursuant to the Canadian Tire Leases, CTC has indemnified the REIT for certain environmental issues on the initial properties. Furthermore, the REIT's operating policy includes a Phase I environmental site assessment conducted by an independent and experienced environmental consultant prior to acquiring a property.</p>
<p>Financial Reporting</p> <p>Risk of restatement and reissue of CT REIT's financial statements due to:</p> <ul style="list-style-type: none"> • Failure to adhere to financial accounting and presentation standards and securities regulations relevant to financial reporting; • Fraudulent activity and/or failure to maintain an effective system of internal controls; and/or • Inadequate explanation of the REIT's operating performance, financial condition, and future prospects, which may result in regulatory related issues or decrease in Unit price. 	<p>Internal controls which include policies, processes and procedures, provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements and other disclosure documents. This includes monitoring and responding to changing regulations and standards governing accounting and financial presentation.</p>

12.0 Internal Controls and Procedures

12.1 Disclosure Controls and Procedures

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

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

As required by CSA National Instrument 52-109 ("*NI 52-109*") *Certification of Disclosure in Issuers' Annual and Interim Filings*, an evaluation of the adequacy of the design (quarterly) and effective operation (annually) of CT REIT's disclosure controls and procedures was conducted, under the supervision of management, including the CEO and CFO, as of December 31, 2016. The evaluation included documentation review, enquiries and other procedures considered by management to be appropriate in the circumstances. Based on that evaluation, the CEO and the CFO have concluded that the design and operation of the system of disclosure controls and procedures were effective as at December 31, 2016.

12.2 Internal Control Over Financial Reporting

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

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

As also required by NI 52-109, management, including the CEO and CFO, evaluated the adequacy of the design (quarterly) and effective operation (annually) of CT REIT's internal control over financial reporting as defined in NI 52-109, as at December 31, 2016. In making this assessment, management, including the CEO and CFO, used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in *Internal Control – Integrated Framework* (2013). This evaluation included review of the documentation of controls, evaluation of the design and testing the operating effectiveness of controls, and a conclusion about this evaluation. Based on that evaluation, the CEO and the CFO have concluded that the design and operation of the internal controls over financial reporting were effective as at December 31, 2016, in providing reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with IFRS.

12.3 Changes in Internal Control Over Financial Reporting

During the quarter and year ended December 31, 2016, there have been no changes in CT REIT's internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, CT REIT's internal control over financial reporting.

13.0 Forward-looking Information

This MD&A, and the documents incorporated by reference herein, contain forward-looking statements that involve a number of risks and uncertainties, including statements regarding the outlook for CT REIT's business results of operations. Forward-looking statements are provided for the purposes of providing information about CT REIT's future outlook and anticipated events or results and may include statements regarding known and unknown risks and uncertainties and other factors that may cause the actual results to differ materially from those indicated. Such factors include, but are not limited to, general economic conditions, financial position, business strategy, availability of acquisition opportunities, budgets, capital expenditures, financial results including fair value adjustments and cash flow assumptions upon which they are based, cash, taxes, plans and objectives of or involving CT REIT. Particularly, statements regarding future acquisitions, developments, distributions, results, performance, achievements, prospects or opportunities for CT REIT or the real estate industry are forward-looking statements. In some cases, forward-looking information can be identified by such terms such as "may", "might", "will", "could", "should", "would", "occur", "expect", "plan", "anticipate", "believe", "intend", "estimate", "predict", "potential", "continue", "likely", "schedule", "resolved to", or the negative thereof or other similar expressions concerning matters that are not historical facts. Some of the specific forward-looking statements in this document include, but are not limited to, statements with respect to the following:

- CT REIT's growth strategy and objectives under section 2.0;
- CT REIT's fair value of property portfolio under section 4.4;
- CT REIT's development activities under section 4.6;
- CT REIT's leasing activities under section 4.10;
- CT REIT's 2016 Investment Activities - Commitments as at December 31, 2016 under section 6.12;
- CT REIT's fair value adjustment on investment properties under section 5.1;
- CT REIT's capital expenditures to fund acquisitions and development activities under section 6.1;
- CT REIT's capital strategy under section 6.11;
- CT REIT's distributions under section 7.3;
- CT REIT's access to available sources of debt and/or equity financing;
- CT REIT's principal risks under section 11.0;
- the expected tax treatment of CT REIT and its distributions to Unitholders;

- CT REIT's ability to expand its asset base, make accretive acquisitions, develop or intensify its Properties and participate with CTC in the development or intensification of the Properties; and
- the ability of CT REIT to qualify as a "mutual fund trust", as defined in the ITA, and as a "real estate investment trust", as defined in the rules applicable to SIFT Trusts and SIFT Partnerships under the ITA.

CT REIT has based these forward-looking statements on factors and assumptions about future events and financial trends that it believes may affect its financial condition, results of operations, business strategy and financial needs, including that the Canadian economy will remain stable over the next 12 months, that inflation will remain relatively low, that tax laws remain unchanged, that conditions within the real estate market, including competition for acquisitions, will be consistent with the current climate, that the Canadian capital markets will provide CT REIT with access to equity and/or debt at reasonable rates when required and that CTC will continue its involvement with CT REIT on the basis described in its 2016 AIF.

Although the forward-looking statements contained in this MD&A are based upon assumptions that management of CT REIT believes are reasonable based on information currently available to management, there can be no assurance that actual results will be consistent with these forward-looking statements. Forward-looking statements necessarily involve known and unknown risks and uncertainties, many of which are beyond the REIT's control, that may cause CT REIT's or the industry's actual results, performance, achievements, prospects and opportunities in future periods to differ materially from those expressed or implied by such forward-looking statements. These risks and uncertainties include, among other things, the factors discussed under the "Risk Factors" section of the 2016 AIF.

For more information on the risks, uncertainties and assumptions that could cause CT REIT's actual results to differ from current expectations, please also refer to CT REIT's public filings available on SEDAR at www.sedar.com and by a link at www.ctreit.com.

CT REIT cautions that the foregoing list of important factors and assumptions is not exhaustive and other factors could also adversely affect its results. Investors and other readers are urged to consider the foregoing risks, uncertainties, factors and assumptions carefully in evaluating the forward-looking information and are cautioned not to place undue reliance on such forward-looking information. Statements that include forward-looking information do not take into account the effect that transactions or non-recurring or other special items announced or occurring after the statements are made have on CT REIT's business. For example, they do not include the effect of any dispositions, acquisitions, asset write-downs or other charges announced or occurring after such statements are made. The forward-looking information in this MD&A is based on certain factors and assumptions made as of the date hereof or the date of the relevant document incorporated herein by reference, as applicable. CT REIT does not undertake to update the forward-looking information, whether written or oral, that may be made from time to time by it or on its behalf, to reflect new information, future events or otherwise, except as required by applicable securities laws.

Information contained in or otherwise accessible through the websites referenced in this MD&A or the documents incorporated by reference herein (other than CT REIT's profile on SEDAR at www.sedar.com) does not form part of this MD&A or the documents incorporated by reference herein and is not incorporated by reference into this MD&A. All references to such websites are inactive textual references and are for information only.

Commitment to disclosure and investor communication

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

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

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

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

February 13, 2017

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Management's Responsibility for Financial Statements

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

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

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

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



Kenneth Silver
Chief Executive Officer

February 13, 2017



Louis Forbes
Chief Financial Officer

Independent Auditor's Report

To the Unitholders of CT Real Estate Investment Trust

We have audited the accompanying consolidated financial statements of CT Real Estate Investment Trust, which comprise the consolidated balance sheets as at December 31, 2016 and December 31, 2015, and the consolidated statements of income and comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of CT Real Estate Investment Trust as at December 31, 2016 and December 31, 2015, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.



Chartered Professional Accountants
Licensed Public Accountants

February 13, 2017
Toronto, Ontario

Consolidated Balance Sheets

(Canadian dollars, in thousands)

As at	Note	December 31, 2016	December 31, 2015
Assets			
Non-current assets			
Investment properties	4	\$ 5,000,355	\$ 4,319,061
Other assets		3,101	2,541
		5,003,456	4,321,602
Current assets			
Tenant and other receivables		2,407	2,511
Other assets		2,369	2,110
Cash and cash equivalents		6,369	24,680
		11,145	29,301
Total assets		\$ 5,014,601	\$ 4,350,903
Liabilities			
Non-current liabilities			
Class C LP Units	5	\$ 1,451,550	\$ 1,486,968
Mortgages payable	6	54,677	55,953
Debentures payable	7	695,336	347,948
Other liabilities	9	3,198	1,481
		2,204,761	1,892,350
Current liabilities			
Class C LP Units	5	70,418	200,000
Mortgages payable	6	1,318	4,176
Bank Credit Facility	8	109,824	—
Other liabilities	9	25,631	30,269
Distributions payable	10	12,065	10,745
		219,256	245,190
Total liabilities		2,424,017	2,137,540
Equity			
Unitholders' equity	10	1,094,207	1,037,209
Non-controlling interests	10, 12	1,496,377	1,176,154
Total equity		2,590,584	2,213,363
Total liabilities and equity		\$ 5,014,601	\$ 4,350,903

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



David Laidley
Trustee



Anna Martini
Trustee

Consolidated Statements of Income and Comprehensive Income

(Canadian dollars, in thousands, except per unit amounts)
For the year ended December 31,

	Note	2016	2015
Property revenue	13	\$ 407,165	\$ 378,180
Property expense	13	(96,388)	(86,856)
General and administrative expense	14	(10,332)	(9,652)
Net interest and other financing charges	15	(85,915)	(87,102)
Fair value adjustment on investment properties	4	44,549	39,910
Net income and comprehensive income		\$ 259,079	\$ 234,480
Net income and comprehensive income attributable to:			
Unitholders		\$ 116,625	\$ 112,775
Non-controlling interests		142,454	121,705
		\$ 259,079	\$ 234,480
Net income per unit — basic	10	\$ 1.29	\$ 1.25
Net income per unit — diluted	10	\$ 1.08	\$ 0.97

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

Consolidated Statements of Changes in Equity

(Canadian dollars, in thousands)	Note	Units	Retained Earnings	Unitholders' Equity	Non-controlling interests	Total Equity
Balance at December 31, 2015		\$ 879,727	\$ 157,482	\$ 1,037,209	\$1,176,154	\$ 2,213,363
Net income and comprehensive income for the period		—	116,625	116,625	142,454	259,079
Issuance of Class B LP Units, net of issue costs	4,5	—	—	—	252,799	252,799
Distributions	10	—	(61,636)	(61,636)	(75,030)	(136,666)
Issuance of Units under Distribution Reinvestment Plan	10	2,009	—	2,009	—	2,009
Balance at December 31, 2016		\$ 881,736	\$ 212,471	\$ 1,094,207	\$1,496,377	\$ 2,590,584

	Note	Units	Retained Earnings	Unitholders' Equity	Non-controlling interests	Total Equity
Balance at December 31, 2014		\$ 877,905	\$ 104,683	\$ 982,588	\$1,019,601	\$ 2,002,189
Net income and comprehensive income for the period		—	112,775	112,775	121,705	234,480
Issuance of Class B LP Units, net of issue costs	4	—	—	—	99,661	99,661
Distributions	10	—	(59,976)	(59,976)	(64,813)	(124,789)
Issuance of Units under Distribution Reinvestment Plan	10	1,822	—	1,822	—	1,822
Balance at December 31, 2015		\$ 879,727	\$157,482	\$ 1,037,209	\$1,176,154	\$ 2,213,363

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

Consolidated Statements of Cash Flows

(Canadian dollars, in thousands, except per unit amounts)
For the year ended December 31,

	Note	2016	2015
Cash generated from (used for):			
Operating activities			
Net income		\$ 259,079	\$ 234,480
Add/(deduct):			
Fair value adjustment on investment properties		(44,549)	(39,910)
Property straight-line rent revenue		(23,774)	(26,131)
Straight-line ground lease expense		86	157
Net interest and other financing charges		85,915	87,102
Changes in working capital and other	16	(4,206)	9,470
Cash generated from operating activities		\$ 272,551	\$ 265,168
Investing activities			
Income-producing property		(141,055)	(43,050)
Development activities and land investments		(360,648)	(49,523)
Capital expenditures recoverable from tenants		(17,967)	(10,424)
Proceeds of disposition		258	167
Cash used for investing activities		\$ (519,412)	\$ (102,830)
Financing activities			
Proceeds from issuance of debentures payable	7	350,000	350,000
Debenture issue costs		(1,954)	(2,052)
Redemption of Class C LP Units	5	—	(200,000)
Unit distributions		(59,468)	(58,018)
Class B LP Unit distributions paid or loaned		(73,868)	(64,232)
Payments on Class C LP Units paid or loaned	5	(72,888)	(78,232)
Bank Credit Facility draws (repayments), net	8	109,824	(78,000)
Mortgage principal repayments	6	(4,074)	(1,244)
Net interest paid		(18,751)	(8,486)
Class B LP Unit issue costs		(271)	(104)
Cash generated from/(used for) financing activities		\$ 228,550	\$ (140,368)
Cash generated from/(used for) the period		\$ (18,311)	\$ 21,970
Cash and cash equivalents, beginning of period		24,680	2,710
Cash and cash equivalents, end of period		\$ 6,369	\$ 24,680

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

Notes to the Consolidated Financial Statements

For the years ended December 31, 2016 and 2015

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

1. NATURE OF CT REAL ESTATE INVESTMENT TRUST

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

Canadian Tire Corporation, Limited ("CTC") owned an 85.1% effective interest in CT REIT as of December 31, 2016, consisting of 59,711,094 of the issued and outstanding units of CT REIT ("Units") and all of the issued and outstanding Class B limited partnership units ("Class B LP Units") of CT REIT Limited Partnership (the "Partnership"), which are economically equivalent to and exchangeable for Units. CTC also owns all of the issued and outstanding Class C limited partnership units ("Class C LP Units") of the Partnership (see Note 5). The Units are listed on the Toronto Stock Exchange (the "TSX") under the symbol CRT.UN.

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

2. BASIS OF PRESENTATION

(a) Fiscal year

The fiscal years for the consolidated financial statements and the notes presented for 2016 are for the years ended December 31, 2016 and 2015.

(b) Statement of compliance

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

These consolidated financial statements were authorized for issuance by CT REIT's Board of Trustees (the "Board") on February 13, 2017.

(c) Basis of presentation

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

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

(d) Critical judgments in applying significant accounting policies

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

(i) Leases

CT REIT's policy for revenue recognition is described in Note 3(e). In applying this policy, judgments are made with respect to whether tenant improvements provided in connection with a lease enhance the value of the leased property, which determines whether such amounts are treated as additions to investment property as well as the point in time at which revenue recognition under the lease commences. In addition, where a lease allows a tenant to elect to take all or a portion of any unused tenant improvement allowance as rent abatement, CT REIT must exercise judgment in determining the extent to which the allowance represents an inducement that is amortized as a reduction of lease revenue over the term of the lease.

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

(ii) Investment properties

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

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

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

(iii) Income taxes

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

(iv) Consolidation of the Partnership

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

(v) Proportionate consolidation of interest in Canada Square

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

(e) Critical accounting estimates and assumptions

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

(f) Standards, amendments and interpretations issued and adopted

The following amendments have been issued and are effective for the fiscal year ended December 31, 2016, and accordingly, have been applied in preparing these consolidated financial statements.

(i) Disclosure initiative

In December 2014, the IASB issued *Disclosure Initiative – Amendments to IAS 1* as part of the IASB's Disclosure Initiative. These amendments encourage entities to apply professional judgment regarding disclosures and presentation in their financial statements. These amendments were effective for annual periods beginning on or after January 1, 2016, and were applied prospectively. The implementation of IAS 1 amendments did not have a significant impact on CT REIT other than immaterial amendments to current and prior-year note disclosure.

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

The following new standards, amendments and interpretations have been issued but are not effective for the fiscal year ended December 31, 2016, and accordingly, have not been applied in preparing these consolidated financial statements.

(i) Financial instruments

In July 2014, the IASB issued the final version of IFRS 9 – *Financial Instruments* ("IFRS 9"), which brings together the classification and measurement, impairment and hedge-accounting phases of the IASB's project to replace IAS 39 – *Financial Instruments: Recognition and Measurement* ("IAS 39").

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

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

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

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

(ii) Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15 – *Revenue from Contracts with Customers* (“IFRS 15”), which replaces IAS 11 – *Construction Contracts*, IAS 18 – *Revenue* and IFRIC 13 – *Customer Loyalty Programmes*, as well as various other interpretations regarding revenue. IFRS 15 outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers, except for contracts that are within the scope of the standards on leases, insurance contracts and financial instruments. IFRS 15 also contains enhanced disclosure requirements.

In April 2016, the IASB published clarifications to IFRS 15 which address three topics (identifying performance obligations, principal versus agent considerations, and licensing) and provide some transition relief for modified contracts and completed contracts. The amendments are effective for annual periods beginning on or after January 1, 2018. Earlier adoption is permitted. CT REIT is assessing the potential impacts of these amendments.

(iii) Disclosure initiative

In January 2016, the IASB issued *Disclosure Initiative Amendments to IAS 7* also as part of the IASB’s Disclosure Initiative. These amendments require entities to provide additional disclosures that will enable financial statements users to evaluate changes in liabilities arising from financing activities, including changes arising from cash flows and non-cash changes. These amendments are effective for annual periods beginning on or after January 1, 2017. Earlier application is permitted. The implementation of these amendments will not have a significant impact on CT REIT.

(iv) Leases

In January 2016, the IASB issued IFRS 16 - *Leases* (“IFRS 16”), which replaced IAS 17 - *Leases* (“IAS 17”) and related interpretations. IFRS 16 provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, unless the lease term is 12 months or less or the underlying asset has a low value. IFRS 16 substantially carries forward the lessor accounting in IAS 17 with the distinction between operating leases and finance leases being retained.

IFRS 16 is effective for annual periods beginning on or after January 1, 2019. Early adoption is permitted if IFRS 15 has also been applied. CT REIT is assessing the potential impact of this standard.

(v) Income taxes

In January 2016, the IASB issued Recognition of Deferred Tax Assets for Unrealised Losses as an amendment to IAS 12 - *Income Taxes*. These amendments address the accounting for deferred tax assets for unrealized losses on debt instruments measured at fair value. These amendments are effective for annual periods beginning on or after January 1, 2017. Earlier application is permitted. The implementation of these amendments will not have a significant impact on CT REIT.

3. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of consolidation

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

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

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

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

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

(b) Joint arrangements

A joint arrangement is an arrangement in which two or more parties have joint control. Joint control is the contractually agreed sharing of control whereby decisions about relevant activities require unanimous consent of the parties sharing control. A joint arrangement is classified as a joint operation when the

parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities related to the arrangement. A joint arrangement is classified as a joint venture when the parties that have joint control of the arrangement have rights to the net assets of the arrangement. A party to a joint operation records its interest in the assets, liabilities, revenue and expenses of the joint operation.

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

(c) Investment properties

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

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

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

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

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

(d) Business combinations

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

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

(e) Revenue recognition

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

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

(f) Income taxes

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

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

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

(g) Class C LP Units

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

(h) Non-controlling interests

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

(i) Provisions

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

(j) Unit based compensation plans

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

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

(k) Cash and cash equivalents

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

(l) Financial instruments and derivatives

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

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

Financial assets and liabilities	Classification	Measurement
Cash and cash equivalents	Loans and receivables	Amortized cost
Other assets ¹	Loans and receivables	Amortized cost
Tenant and other receivables	Loans and receivables	Amortized cost
Bank Credit Facility	Loans and receivables	Amortized cost
Mortgages payable	Loans and receivables	Amortized cost
Debentures payable	Loans and receivables	Amortized cost
Class C LP Units	Other liabilities	Amortized cost
Other liabilities ²	Other liabilities	Amortized cost
Distributions payable	Other liabilities	Amortized cost

¹ Financial instruments included in other assets consist of deposits.

² Except for DUs, RUs and PUs which are carried at fair value.

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

4. INVESTMENT PROPERTIES

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

	December 31, 2016			December 31, 2015		
	Income-producing properties	Properties under development	Total investment properties	Income-producing properties	Properties under development	Total investment properties
Balance, beginning of period	\$ 4,304,838	\$ 14,223	\$ 4,319,061	\$ 3,995,860	\$ 3,984	\$ 3,999,844
Property acquisitions (including transaction costs)	214,225	–	214,225	174,430	–	174,430
Intensifications	–	10,852	10,852	–	28,939	28,939
Developments	–	356,943	356,943	–	25,983	25,983
Development land	–	8,744	8,744	–	8,767	8,767
Capitalized interest and property taxes	–	6,895	6,895	–	390	390
Transfers	376,533	(376,533)	–	53,840	(53,840)	–
Fair value adjustment on investment properties	44,549	–	44,549	39,910	–	39,910
Straight-line rent	23,774	–	23,774	26,131	–	26,131
Recoverable capital expenditures	15,570	–	15,570	14,834	–	14,834
Dispositions	(258)	–	(258)	(167)	–	(167)
Balance, end of period¹	\$ 4,979,231	\$ 21,124	\$ 5,000,355	\$ 4,304,838	\$ 14,223	\$ 4,319,061

¹ Includes purchased land of \$6,505 (2015 - \$780) held for development.

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

As at December 31, 2016, management's determination of fair value was updated for current market assumptions, utilizing market capitalization rates provided by independent valuation professionals.

On a periodic basis, CT REIT obtains independent valuations such that substantially all of the properties will be externally appraised over a four-year period.

The fair value of investment properties is based on Level 3 inputs (see Note 20.(a)). There have been no transfers during the period between levels.

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

	Properties valued by the OCR method	Properties valued by the DCF method
Number of properties	264	36
Value at December 31, 2016	\$ 4,004,921	\$ 938,427
Discount rate	—%	6.93%
Terminal capitalization rate	—%	6.52%
Overall capitalization rate	6.24%	—%
Hold period (years)	—	9

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

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

Rate sensitivity	OCR Sensitivity		DCF Sensitivity	
	Fair value	Change in fair value	Fair value	Change in fair value
+ 75 basis points	\$ 3,556,843	\$ (448,077)	\$ 850,821	\$ (87,607)
+ 50 basis points	3,689,295	(315,625)	877,793	(60,634)
+ 25 basis points	3,832,142	(172,779)	906,747	(31,680)
Base rate	\$ 4,004,921	\$ —	\$ 938,427	\$ —
- 25 basis points	4,153,923	149,002	971,957	33,530
- 50 basis points	4,336,298	331,377	1,008,815	70,387
- 75 basis points	\$ 4,535,451	\$ 530,530	\$ 1,049,053	\$ 110,626

2016 Investment and Development Activity

Funding of investment and development activities for the year ended December 31, 2016 was as follows:

	2016 Investment and Development Activity				
	Property investments	Development land	Developments	Intensifications	Total
Funded with working capital to CTC	\$ 5,790	\$ 1,184	\$ 328,039	\$ 6,442	\$ 341,455
Funded with working capital to third parties ¹	135,265	2,660	18,904	4,410	161,239
Capitalized interest and property taxes	—	—	6,895	—	6,895
Issuance of Class B LP Units to CTC	53,070	—	—	—	53,070
Issuance of Class C LP Units to CTC	20,100	4,900	10,000	—	35,000
Total costs	\$ 214,225	\$ 8,744	\$ 363,838	\$ 10,852	\$ 597,659

2015 Investment and Development Activity

Funding of investment and development activities for the year ended December 31, 2015 was as follows:

	2015 Investment and Development Activity				
	Property investments	Development land	Developments	Intensifications	Total
Funded with working capital to CTC	\$ 41,955	\$ 1	\$ 14,060	\$ 15,103	\$ 71,119
Funded with working capital to third parties ¹	1,095	627	8,966	13,836	24,524
Issuance of Class B LP Units to CTC	99,830	—	—	—	99,830
Issuance of Class C LP Units to CTC	31,550	8,139	—	—	39,689
Mortgages assumed	—	—	2,957	—	2,957
Total costs	\$ 174,430	\$ 8,767	\$ 25,983	\$ 28,939	\$ 238,119

Included in CT REIT's investment properties are eight buildings which are situated on ground leases with remaining initial terms of between 2 and 39 years, and an average initial term of 16 years.

5. CLASS C LP UNITS

The Class C LP Units entitle the holder to a fixed cumulative monthly payment during the initial fixed rate period for each Series of Class C LP Units (the "Initial Fixed Rate Period") equal to a weighted average of 4.58% of the aggregate capital amount ascribed to the Class C LP Units, in priority to distributions made to holders of the Class B LP Units and the GP Units, subject to certain exceptions.

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

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

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

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

Series	Expiry of initial fixed rate period	Annual distribution rate during initial fixed rate period	Carrying amount at December 31, 2016	Carrying amount at December 31, 2015
Series 2	May 31, 2016	3.50%	\$ –	\$ 200,000
Series 3	May 31, 2020	4.50%	200,000	200,000
Series 4	May 31, 2024	4.50%	200,000	200,000
Series 5	May 31, 2028	4.50%	200,000	200,000
Series 6	May 31, 2031	5.00%	200,000	200,000
Series 7	May 31, 2034	5.00%	200,000	200,000
Series 8	May 31, 2035	5.00%	200,000	200,000
Series 9	May 31, 2038	5.00%	200,000	200,000
Series 10	May 31, 2017	2.38%	7,130	7,130
Series 11	May 31, 2017	2.20%	20,685	20,685
Series 12	May 31, 2017	2.23%	19,464	19,464
Series 13	May 31, 2017	1.65%	3,789	3,789
Series 14	May 31, 2017	1.71%	15,000	15,000
Series 15	May 31, 2017	1.77%	4,350	4,350
Series 16	May 31, 2020	2.42%	16,550	16,550
Series 17	May 31, 2020	2.39%	18,500	–
Series 18	May 31, 2020	2.28%	4,900	–
Series 19	May 31, 2020	2.28%	11,600	–
Weighted average / Total		4.58%	\$ 1,521,968	\$ 1,686,968
Current			\$ 70,418	\$ 200,000
Non-current			1,451,550	1,486,968
Total			\$ 1,521,968	\$ 1,686,968

For the year ended December 31, 2016, interest expense of \$72,405 (2015 - \$78,318) was recognized in respect of the Class C LP Units (see Note 15). The holders of the Class C LP Units may elect to defer receipt of all or a portion of payments declared by CT REIT until the first business day following the end of the fiscal year. If the holder so elects to defer receipt of payments, CT REIT will loan the holder an amount equal to the deferred payment without interest, and the loan will be due and payable in full on the first business day following the end of the fiscal year the loan was advanced, the holder having irrevocably directed that any payment of the deferred payments be applied to repay such loans. At the election of the holder, payments on the Class C LP Units for the year ended December 31, 2016 of \$65,807 (2015 - \$68,805), were deferred until the first business day following the end of the fiscal year and non-interest bearing loans equal to the deferred payments were advanced in lieu thereof. The loans deferred as at December 31, 2016 were settled on January 3, 2017. The net amount of payments due in respect of the Class C LP Units at December 31, 2016 of \$5,806 (2015 - \$6,288) is included in other liabilities on the consolidated balance sheets (see Note 9). These loans were settled on January 3, 2017.

On May 31, 2016, Series 2 of the Class C LP Units was redeemed by the issuance to CTC of \$200,000 of Class B LP Units.

The Initial Fixed Rate Period of Series 10-15 Class C LP Units expire on May 31, 2017. In January 2017, CT REIT had delivered a notice of redemption to CTC, the holder of such Class C LP Units. As a result, Series 10-15 Class C LP Units will either be redeemed or will have their rate reset, in either case effective May 31, 2017.

6. MORTGAGES PAYABLE

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

	December 31, 2016		December 31, 2015	
	Face value	Carrying amount	Face value	Carrying amount
Current	\$ 1,241	\$ 1,318	\$ 4,074	\$ 4,176
Non-current	54,708	54,677	55,949	55,953
Total	\$ 55,949	\$ 55,995	\$ 60,023	\$ 60,129

Future repayments are as follows:	Principal Amortization	Maturities	Total
2017	\$ 1,241	\$ –	\$ 1,241
2018	493	16,590	17,083
2019	35	37,590	37,625
2020	–	–	–
2021	–	–	–
2022 and thereafter	–	–	–
Total contractual obligation	\$ 1,769	\$ 54,180	\$ 55,949
Unamortized portion of mark to market on mortgages payable assumed at the acquisition of properties			150
Unamortized transaction costs			(104)
			\$ 55,995

Mortgages payable have interest rates that range from 2.93% to 3.60%, and have maturity dates that range from January 2018 to December 2019. Mortgages payable at December 31, 2016 had a weighted average interest rate of 3.16% (December 31, 2015 – 3.15%). At December 31, 2016, floating rate and fixed rate mortgages were \$31,133 (December 31, 2015 – \$31,133) and \$24,816 (December 31, 2015 – \$28,890), respectively.

Investment properties having a fair value of \$126,300 (December 31, 2015 – \$132,999), have been pledged as security for mortgages payable.

7. DEBENTURES PAYABLE

Series	December 31, 2016		December 31, 2015	
	Face Value	Carrying Amount	Face Value	Carrying Amount
A, 2.85%, June 9, 2022	\$ 150,000	\$ 149,123	\$150,000	\$149,159
B, 3.53%, June 9, 2025	200,000	198,588	200,000	198,789
C, 2.16%, June 1, 2021	150,000	149,058	–	–
D, 3.29%, June 1, 2026	200,000	198,567	–	–
	\$ 700,000	\$ 695,336	\$350,000	\$347,948

On May 31, 2016, CT REIT issued \$350,000 aggregate principal amount of senior unsecured debentures payable under CT REIT's short form base shelf prospectus dated March 5, 2015. The proceeds, net of issuance costs of \$2,589, were used to pay down certain amounts outstanding under the Bank Credit Facility, as defined below, and the balance of the proceeds was retained for general business purposes.

For the year ended December 31, 2016, amortization of the transaction costs of \$548 (2015 – \$131) are included in net interest and other financing charges on the consolidated statements of income and comprehensive income (see Note 15).

8. BANK CREDIT FACILITY

CT REIT has a \$300 million unsecured revolving credit facility ("Bank Credit Facility") available until April 2021. The Bank Credit Facility bears interest at a rate based on the bank's prime rate of interest or bankers' acceptances plus a margin. A standby fee is charged on the Bank Credit Facility.

As at December 31, 2016, \$109,824 (2015 – \$nil) of borrowings were drawn on the Bank Credit Facility and \$1,227 (2015 – \$311) of letters of credit were outstanding under the Facility. The unamortized balance of transaction costs incurred in connection with the arrangement of the Bank Credit Facility of \$67 (2015 – \$283) is recorded in other assets on the consolidated balance sheets.

For the year ended December 31, 2016, amortization of the transaction costs of \$216 (2015 – \$151), as well as the standby fee of \$646 (2015 – \$487) are included in interest and other financing charges on the consolidated statements of income and comprehensive income (see Note 15).

9. OTHER LIABILITIES

Other liabilities are comprised of the following:

	December 31, 2016	December 31, 2015
Interest on Class C LP Units ¹	\$ 5,806	\$ 6,288
Interest on debentures payable	1,511	693
Property operating costs ²	5,262	2,899
Capital expenditures payable ³	9,440	13,056
Compensation payable	5,226	3,574
Deferred revenue ⁴	1,264	1,301
Other ⁵	320	3,939
Other liabilities	\$ 28,829	\$ 31,750
Current	\$ 25,631	\$ 30,269
Non-current	3,198	1,481
Other liabilities	\$ 28,829	\$ 31,750

¹ Net of loans receivable of \$65,807 (2015 – \$68,805). See Notes 5, 19(b).

² Includes \$804 payable to CTC (2015 – \$507).

³ Includes \$3,113 payable to CTC (2015 – \$2,719).

⁴ Prepaid rent from CTC.

⁵ Includes \$18 payable to CTC (2015 – \$(131)).

10. EQUITY

Authorized and outstanding units

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

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

	As at December 31, 2016		
	Units	Class B LP Units	Total
Total outstanding at beginning of year	90,337,358	99,263,329	189,600,687
Issued	141,744	17,104,368	17,246,112
Total outstanding at end of year	90,479,102	116,367,697	206,846,799

	As at December 31, 2015		
	Units	Class B LP Units	Total
Total outstanding at beginning of year	90,188,210	91,297,572	181,485,782
Issued	149,148	7,965,757	8,114,905
Total outstanding at end of year	90,337,358	99,263,329	189,600,687

Net income attributable to Unitholders and weighted average units outstanding used in determining basic and diluted net income per unit for the year ended December 31, 2016 and 2015, are calculated as follows, respectively:

	For the year ended December 31, 2016		
	Units	Class B LP Units	Total
Net income attributable to Unitholders – basic	\$ 116,625	\$ 142,454	\$ 259,079
Income effect of settling Class C LP Units with Class B LP Units			72,405
Net income attributable to Unitholders – diluted			\$ 331,484
Weighted average Units outstanding – basic	90,409,304	110,030,612	200,439,916
Dilutive effect of other Unit plans			118,636
Dilutive effect of settling Class C LP Units with Class B LP Units			106,661,254
Weighted average Units outstanding – diluted			307,219,806

	For the year ended December 31, 2015		
	Units	Class B LP Units	Total
Net income attributable to Unitholders – basic	\$ 112,775	\$ 121,705	\$ 234,480
Income effect of settling Class C LP Units with Class B LP Units			78,318
Net income attributable to Unitholders – diluted			\$ 312,798
Weighted average Units outstanding – basic	90,262,679	97,249,251	187,511,930
Dilutive effect of other Unit plans			95,239
Dilutive effect of settling Class C LP Units with Class B LP Units			134,122,540
Weighted average Units outstanding – diluted			321,729,709

Distributions on Units and Class B LP Units

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

For the year ended December 31,	2016	2015
	Distributions per unit	Distributions per unit
Units	\$ 0.68	\$ 0.66
Class B LP Unit	\$ 0.68	\$ 0.66

On November 1, 2016, the Board reviewed the current rate of distribution of \$0.68 per Unit per year and approved an increase in the annual rate of distribution to \$0.70 per Unit per year, or monthly distribution rate of \$0.05833 per Unit, commencing with the December 31, 2016 record date.

On December 15, 2016, CT REIT's Board declared a distribution of \$0.05833 per Unit paid on January 13, 2017 to holders of Units and Class B LP Units of record as of December 31, 2016.

On January 13, 2017, CT REIT's Board declared a distribution of \$0.05833 per Unit payable on February 15, 2017 to holders of Units and Class B LP Units of record as of January 31, 2017.

Units

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

Non-controlling interests

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

Special Voting Units

Special Voting Units are only issued (i) in tandem with Class B LP Units of the Partnership or (ii) in limited circumstances to holders of the Class C LP Units and are not transferable separately from the Class B LP Units or Class C LP Units, as the case may be, to which they relate. Upon any transfer of Class B

LP Units or Class C LP Units, as the case may be, such Special Voting Units will automatically be transferred to the transferee of the Class B LP Units. As Class B LP Units are exchanged for Units or purchased for cancellation, the corresponding Special Voting Units will be cancelled for no consideration.

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

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

11. UNIT BASED COMPENSATION PLANS

Deferred Unit Plan for Trustees

CT REIT offers a Deferred Unit ("DU") Plan for members of its Board of Trustees. Under this plan, eligible trustees may elect to receive all or a portion of their annual trustee fees in DUs. DUs are paid out in equivalent Units of CT REIT or, at the election of the trustee, in cash, following the trustee's departure from the Board.

As at December 31, 2016, accrued DU compensation costs, which is included in other liabilities, totaled \$1,193 (2015 – \$726). Compensation expense recorded related to DU's for the year ended December 31, 2016 was \$162 (2015 – \$57). The fair value of DUs is equal to the trading price of Units, which is a Level 1 input (see Note 20.(a)).

Performance Unit Plan for Employees

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

As at December 31, 2016, the accrued PU compensation costs, which is included in other liabilities, totaled \$2,390 (2015 - \$917). Compensation expense recorded for the year ended December 31, 2016 for PUs granted to executive officers was \$1,473 (2015 - \$685). The fair value of PUs is equal to the trading price of Units, which is a Level 1 input (see Note 20.(a)).

Restricted Unit Plan for Executives

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

As at December 31, 2016, the accrued RU compensation costs, which is included in other liabilities, totaled \$509 (2015 – \$537). Compensation expense for the year ended December 31, 2016 was \$166 (2015 – \$41). The fair value of RUs is equal to the trading price of Units, which is a Level 1 input (see Note 20.(a)).

12. NON-CONTROLLING INTERESTS

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

As at	Proportion of ownership interests held by non-controlling interests		Net income and comprehensive income allocated to non-controlling interests	
	December 31, 2016	December 31, 2015	For the year ended December 31, 2016	For the year ended December 31, 2015
Name of Subsidiary				
CT REIT Limited Partnership	56.26%	52.35%	\$ 142,454	\$ 121,705

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

13. REVENUE AND EXPENSES

(a) Property revenue

CT REIT leases income-producing commercial properties to tenants under operating leases. The CTC leases have staggered initial terms ranging from 1 to 20 years, with a weighted average remaining initial term of approximately 12.6 years. Annual base minimum rent for CTC leases had weighted average annual rent escalations of approximately 1.5% per year which commenced on January 1, 2015.

The components of property revenue are as follows:

For the year ended December 31, 2016	CTC	Other	Total
Base minimum rent	\$ 273,083	\$ 16,524	\$ 289,607
Straight-line rent	23,102	672	23,774
Subtotal base rent	\$ 296,185	\$ 17,196	\$ 313,381
Property operating expense recoveries	82,334	7,104	89,438
Capital expenditure and interest recovery charge	3,756	74	3,830
Other revenues	3	513	516
Property revenue	\$ 382,278	\$ 24,887	\$ 407,165

For the year ended December 31, 2015	CTC	Other	Total
Base minimum rent	\$ 257,458	\$ 9,688	\$ 267,146
Straight-line rent	25,703	428	26,131
Subtotal base rent	\$ 283,161	\$ 10,116	\$ 293,277
Property operating expense recoveries	76,421	5,662	82,083
Capital expenditure and interest recovery charge	2,289	77	2,366
Other revenues	2	452	454
Property revenue	\$ 361,873	\$ 16,307	\$ 378,180

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

	December 31, 2016
Less than one year	\$ 309,249
Between one and five years	1,263,600
More than five years	2,744,787
Total	\$ 4,317,636

(b) Property expense

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

For the year ended December 31,	2016	2015
Property taxes	\$ 81,250	\$ 74,876
Other recoverable operating costs	7,312	5,592
Property management ¹	3,630	2,729
Ground rent	4,037	3,345
Property insurance	159	144
Other non-recoverable costs	—	170
Property expense	\$ 96,388	\$ 86,856

¹ Includes \$2,394 (2015 - \$2,151) with CTC. See Note 19.

14. GENERAL AND ADMINISTRATIVE EXPENSE

General and administrative expense is comprised of the following:

For the year ended December 31,	2016	2015
Services Agreement with CTC ¹	\$ 3,116	\$ 3,334
Personnel expense ²	4,539	3,908
Other ²	2,677	2,410
General and administrative expense	\$ 10,332	\$ 9,652

¹ See Note 19.

² Includes unit-based awards, as described in Note 11, including (gain) loss adjustments as a result of the change in the fair market value of the Units of \$729 (2015 – \$77) for the year ended December 31, 2016.

15. NET INTEREST AND OTHER FINANCING CHARGES

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

For the year ended December 31,	2016	2015
Interest on Class C LP Units ¹	\$ 72,405	\$ 78,318
Interest on debentures payable	17,093	6,359
Interest on mortgages payable	1,591	1,631
Interest and financing costs – Bank Credit Facility	1,242	1,285
Amortization of debentures payable financing cost	548	131
	92,879	87,724
Less: capitalized interest	(6,752)	(390)
Interest and other financing charges	\$ 86,127	\$ 87,334
Interest income	\$ (212)	\$ (232)
Net interest and other financing charges	\$ 85,915	\$ 87,102

¹ Paid or payable to CTC.

16. CHANGES IN WORKING CAPITAL AND OTHER

Changes in working capital are comprised of the following:

For the year ended December 31,	2016	2015
Changes in working capital and other		
Tenant and other receivables	\$ 104	\$ 7,838
Other assets	(819)	1,972
Other liabilities	(3,081)	(340)
Other	(410)	—
Changes in working capital and other	\$ (4,206)	\$ 9,470

17. SEGMENTED INFORMATION

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

18. COMMITMENTS AND CONTINGENCIES

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

As at December 31, 2016, CT REIT had obligations of \$30,470 (December 31, 2015 – \$63,070) in future payments for the completion of developments which are expected to be incurred by 2018. Included in the commitments is \$25,470 to CTC.

19. RELATED-PARTY TRANSACTIONS

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

(a) Arrangements with CTC

Services Agreement

Under the Services Agreement, CTC provides the REIT with certain administrative, financial, information technology, internal audit and other support services as may be reasonably required from time to time (the "Services"). CTC provides these Services to the REIT on a cost recovery basis pursuant to which CT REIT reimburses CTC for all costs and expenses incurred by CTC in connection with providing the Services, plus applicable taxes. The term of the Services Agreement expires on December 31 of each year and is automatically renewable for further one year terms thereafter, unless otherwise terminated. The Services Agreement has been renewed for 2017 and CTC will continue to provide such services on a cost recovery basis.

Property Management Agreement

Under the Property Management Agreement, CTC provides the REIT with certain customary property management services (the "Property Management Services"). CTC agreed to provide Property Management Services to the REIT on a cost recovery basis pursuant to which the REIT reimburses CTC for all costs and expenses incurred by CTC in connection with providing the Property Management Services, plus applicable taxes. The term of the Property Management Agreement expires on December 31 of each year and is automatically renewable for further one year terms thereafter, unless otherwise terminated. The Property Management Agreement has been renewed for 2017 and CTC will continue to provide such services on a cost recovery basis.

(b) Transactions and balances with related parties

Transactions with CTC are comprised of the following, excluding acquisition, intensification and development activities with CTC which are contained in Note 4:

For the year ended December 31,	Note	2016	2015
Rental revenue	13	\$ 382,278	\$ 361,873
Property Management and Services Agreement expense		\$ 5,510	\$ 5,670
Distributions on Units		\$ 40,705	\$ 39,673
Distributions on Class B LP Units ¹		\$ 75,030	\$ 64,813
Interest expense on Class C LP Units ²	15	\$ 72,405	\$ 78,318

¹ Includes distributions deferred at the election of the holders of the Class B LP units.

² Includes interest of \$nil (2015 - \$125) for the bridge loan received for the period from the date that the Series 1 Class C LP Units was redeemed (June 1, 2015) to date of the issuance of the debentures payable (June 9, 2015).

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

	December 31, 2016	December 31, 2015
Tenant and other receivables	\$ (404)	\$ (893)
Class C LP Units	1,521,968	1,686,968
Amounts payable on Class C LP Units	71,613	75,093
Loans receivable in lieu of payments on Class C LP Units	(65,807)	(68,805)
Other liabilities	5,199	4,396
Distributions payable on Units and Class B LP Units ¹	18,581	11,115
Loans receivable in lieu of distributions on Class B LP Units	(8,311)	(2,106)
Net due to CTC	\$1,542,839	\$ 1,705,768

¹ Includes distributions deferred at the election of the holders of the Class B LP units.

(c) Compensation of executives and independent trustees

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

For the year ended December 31,	2016	2015
Salaries and short-term employee benefits	\$ 2,421	\$ 3,595
Unit-based awards ¹	1,609	783
Total	\$ 4,030	\$ 4,378

¹ Unit-based awards, as described in Note 11, includes (gain) loss adjustments as a result of the change in the fair market value of the Units of \$729 (2015 - \$77).

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

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

20. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

(a) Fair value of financial instruments

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

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

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

The fair value of the Class C LP Units, debentures payable and mortgages payable at December 31, 2016, is \$1,607,133, \$694,813 and \$56,943 respectively. The fair value measurement of the Class C LP Units, debentures payable and mortgages payable is based on Level 2 inputs. The significant inputs used to determine the fair value of the Class C LP Units, debentures payable and mortgages payable are interest rates, interest rate volatility, and credit spreads. There have been no transfers during the period between levels.

Financial assets consist of cash and cash equivalents, tenant and other receivables, and deposits, which are classified as loans and receivables and carried at amortized cost. Financial liabilities, other than those discussed in the preceding paragraph, consist of other liabilities, Bank Credit Facility and distributions payable, which are classified as other liabilities and carried at amortized cost, except for DUs, RUs and PUs which are included in other liabilities and carried at fair value, equivalent to the trading price of Units, which is a Level 1 input. The carrying amounts approximate their fair value due to their short-term nature.

(b) Financial risk management

In the normal course of business, CT REIT has exposure to risks from its use of financial instruments. CT REIT is exposed to liquidity and credit risk in connection with its financial instruments. Financial risk management policies are established for CT REIT to identify and analyze the risks faced by CT REIT, to set acceptable risk tolerance limits and controls and to monitor risks and adherence to limits. CT REIT is not exposed to significant currency or market risk arising from financial instruments. Additionally, CT REIT's exposure to interest rate changes is limited as a significant portion of its indebtedness is at fixed interest rates. Exposure to interest rate changes is dependent on the extent to which CT REIT has short term borrowings under its Bank Credit Facility, any new debt is issued or assumed on acquisitions, new series of Class C LP Units are issued to finance future real estate transactions or any existing Class C LP Units being re-priced or redeemed, as all are market dependent (see Note 8).

Liquidity risk

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

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

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

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

Credit risk

Credit risk is the risk of financial loss if a counterparty to a financial instrument fails to meet its contractual obligations and arises principally from CT REIT's tenants and from investment securities counterparties. Credit risk arises from the possibility that CT REIT's tenants may experience financial difficulty and be

unable to meet their lease obligations. CTC is CT REIT's most significant tenant and will be for the foreseeable future with Canadian Tire Retail stores and the distribution centres. CT REIT's revenues will be dependent on the ability of CTC to meet its rent obligations and CT REIT's ability to collect rent from CTC.

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

Interest rate risk

Interest rate risk is the potential for financial loss arising from increases in interest rates. CT REIT has minimal exposure to interest rate changes as the initial rate on the Class C LP Units, debentures payable and certain mortgages payable are at fixed interest rates and CT REIT currently has \$109,824 (2015 – \$nil) in short-term borrowings outstanding under its Bank Credit Facility.

21. CAPITAL MANAGEMENT AND LIQUIDITY

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

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

As at December 31, 2016, CT REIT was in compliance with all of its financial covenants. Under these financial covenants, CT REIT has sufficient flexibility to fund business growth and maintain or amend distribution rates within its existing distribution policy.

The following schedule details the capitalization of CT REIT:

	December 31, 2016	December 31, 2015
Liabilities		
Class C LP Units	\$ 1,521,968	\$ 1,686,968
Mortgages payable	55,995	60,129
Debentures payable	695,336	347,948
Bank Credit Facility	109,824	–
Equity		
Unitholders' equity	1,094,207	1,037,209
Non-controlling interests	1,496,377	1,176,154
Total	\$ 4,973,707	\$ 4,308,408

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

Under the Declaration of Trust, the trust indenture as supplemented (the "Trust Indenture") and the Bank Credit Facility, key financial covenants are reviewed on an ongoing basis by management to monitor compliance with the agreements. The key financial covenants for CT REIT are as follows:

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

As at December 31, 2016, CT REIT was in compliance with all of its financial covenants. Under these financial covenants, CT REIT has sufficient flexibility to fund business growth and maintain or amend distribution rates within its existing distribution policy.

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

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

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

	Payments Due by Period						
	Total	2017	2018	2019	2020	2021	2022 and thereafter
Class C LP Units ¹	\$ 1,521,968	\$ 70,418	\$ –	\$ –	\$ 251,550	\$ –	\$ 1,200,000
Payments on Class C LP Units ¹	921,688	68,825	68,219	68,219	62,258	58,000	596,167
Debentures payable	700,000	–	–	–	–	150,000	550,000
Interest on debentures payable	160,554	21,149	21,149	21,149	21,149	19,529	56,429
Bank Credit Facility ²	109,824	–	–	–	–	109,824	–
Mortgages payable	55,949	1,241	17,083	37,625	–	–	–
Other liabilities	21,384	18,186	3,198	–	–	–	–
Distributions payable ³	12,065	12,065	–	–	–	–	–
Interest on bank credit facility	8,948	2,065	2,065	2,065	2,065	688	–
Interest on mortgages payable	8,046	3,201	2,655	2,190	–	–	–
Payable on Class C LP Units, net of loans receivable	5,806	5,806	–	–	–	–	–
TOTAL	\$ 3,526,232	\$ 202,956	\$ 114,369	\$ 131,248	\$ 337,022	\$ 338,041	\$ 2,402,596

¹ Assume redemption on expiry of initial fixed rate period for each series.

² The Bank Credit Facility matures in April 2021. However, the borrowings drawn against the Bank Credit Facility as at December 31, 2016 of \$109,824 is classified as a current liability as management expects to repay this amount within the next twelve months.

³ On Units and Class B LP Units.

22. SUBSEQUENT EVENTS

During February 2017, CT REIT completed three investment property acquisitions from CTC for a total purchase price of approximately \$37,370. The three properties located in Cambridge, Ontario, Sainte-Agathe-des-Monts, Quebec and Victoria, British Columbia are anchored by existing Canadian Tire stores.

CT REIT

Glossary of Terms

“**AFFO**” is funds from operation (“FFO”) subject to certain adjustments to (a) remove the impact of: (i) adjusting for any differences resulting from recognizing property rental revenues or expenses on a straight-line basis; and (ii) initial one-time costs to establish the REIT; and (b) deduct a reserve for normalized maintenance capital expenditures, tenant inducements and leasing commissions.

“**Atlantic Canada**” means the provinces of New Brunswick, Newfoundland and Labrador, Nova Scotia and Prince Edward Island.

“**Board**” means the Board of Trustees of the REIT.

“**Capitalization Rate**” refers to a rate of return calculated by dividing the expected net operating income of a property by its total value.

“**Change of Control**” means the acquisition by a person, or group of persons acting jointly or in concert, directly or indirectly, other than CTC or any of its Subsidiaries, of more than 50% of the aggregate voting rights attached to the Units and Special Voting Units of the REIT (taking into account (i) full dilution from the exchange of all then-outstanding Class B LP Units into Units of the REIT; and (ii) in respect of any other securities that are convertible or exchangeable into Units of the REIT, only dilution resulting from the conversion or exercise of such other convertible or exchangeable securities held by such person or group of persons).

“**Class A LP Units**” means, collectively, the Class A limited partnership units of the Partnership. “**Class A LP Unit**” means any one of them.

“**Class B LP Units**” means, collectively, the Class B limited partnership units of the Partnership, and “**Class B LP Unit**” means any one of them.

“**Class C LP Units**” means, collectively, the Class C limited partnership units of the Partnership, and “**Class C LP Unit**” means any one of them.

“**Closing**” means the closing of the REIT’s Initial Public Offering, Acquisition and other related transactions on October 23, 2013.

“**Competitor**” means a person who carries on business, or any person who controls or is controlled by such person, in one or more of the following categories: hardware, automotive, sporting goods, apparel and housewares.

“**CTC**” means Canadian Tire Corporation, Limited together with its Subsidiaries (excluding the REIT and the REIT’s Subsidiaries), or, as the context requires, any of them.

“**CTC Banner**” means a CTC name or trademark, including the Canadian Tire, Mark’s and FGL Sports banners, including Sport Chek, Sports Experts and Atmosphere, names or trademarks.

“**Development Agreement**” means the development agreement among the REIT, the Partnership, CTREL and CTC entered into at Closing, as described under “Arrangements with CTC — Commercial Agreements with CTC” of the AIF.

“**Development Lands**” means, collectively, a property located at 22 Rue Principale South, in the City of Amos, Quebec acquired by the REIT on May 25, 2016 and a property located at 325 Arthur Street South, Elmira, Ontario acquired by the REIT on July 29, 2016.

“**EBITFV**” represents earnings before interest expense and other financing costs, income tax expense, fair value adjustments on investment properties, losses or gains on disposition of property, and excludes other non-recurring items that may occur under IFRS.

“**FFO**” has the meaning given in the white paper on funds from operations prepared by the Real Property Association of Canada (“REALpac”), and is calculated as net income in accordance with GAAP, adjusted by removing the impact of (i) fair value adjustments on investment properties; (ii) other fair value adjustments; (iii) gains and losses on the sale of investment properties; (iv) change in fair value of non cash compensation incentive plans; and (v) amortization of tenant incentives.

“**GAAP**” means generally accepted accounting principles in Canada (which for Canadian reporting issuers is IFRS) as in effect from time to time and as adopted by the REIT from time to time for the purposes of its public financial reporting.

“**GLA**” means gross leasable area.

“**Gross Book Value**” means at any time the total assets of the REIT as shown in its then most recent consolidated balance sheet.

“**IFRS**” means International Financial Reporting Standards as issued by the International Accounting Standards Board and as adopted by the Chartered Professional Accountants of Canada in Part I of The CPA Canada Handbook – Accounting, as amended from time to time.

“**Indebtedness**” of any Person means (without duplication) (i) any obligation of such Person for borrowed money (including, for greater certainty, the full principal amount of convertible debt, notwithstanding its presentation under GAAP), (ii) any obligation of such Person incurred in connection with the acquisition of property, assets or businesses, (iii) any obligation of such Person issued or assumed as the deferred purchase price of property, (iv) any Capital Lease Obligation of such Person, and (v) any obligations of the type referred to in clauses (i) through (iv) of another Person the payment of which such Person has guaranteed or for which such Person is responsible or liable; provided that, (A) for the purpose of clauses (i) through (v) (except in respect of convertible debt, as described above), an obligation will constitute Indebtedness of a Person only to the extent that it would appear as a liability on the consolidated balance sheet of such Person in accordance with generally accepted accounting principles, (B) obligations referred to in clauses (i) through (iii) exclude trade accounts payable, distributions payable to holders of the Units, accrued liabilities arising in the ordinary course of business which are not overdue or which are being contested in good faith, deferred revenues, intangible liabilities, deferred income taxes, deferred financing costs, tenant deposits and indebtedness with respect to the unpaid balance of installment receipts where such indebtedness is presented as a current liability on the balance sheet, and (C) Units, Class A LP Units, Class B LP Units, Class C LP Units, Class D Units and exchangeable securities do not constitute Indebtedness. Furthermore, obligations referred to in clauses (i) through (v) shall be adjusted, as and to the extent applicable, for (a) any adjustments which correspond to those made in accordance with the definition of Consolidated EBITDA, and (b) Proportionate Consolidation Adjustments.

“Initial Public Offering” refers to the distribution to the public of the Units pursuant to the Prospectus.

“Intensification” means the development of a property, site or area at a higher density than currently exists, through development, redevelopment, infill and expansion or conversion of existing buildings.

“Investment Properties” means the portfolio of properties owned by CT REIT.

“Net Income Per Unit – Basic” is calculated by dividing net income attributable to the Unitholders and Class B LP Unitholders by the weighted average number of Units and Class B LP Units outstanding during the reporting period.

“Net Income Per Unit – Diluted” is calculated by adjusting net income attributable to the Unitholders and the weighted average numbers of units outstanding for the effects of all dilutive potential equity instruments, which comprises settling the Class C LP Units with Class B LP Units, as well as restricted and deferred Units issued under various plans.

“NOI” means property revenue less property expense (including property management fees).

“Non-Controlling Interest” refers to the classification of Class B LP Units, which are presented as a component of equity as they represent equity interests in the Partnership not attributable to CT REIT.

“Operating Leases” refers to the lease agreements of the Investment Properties treated in accordance with IAS 17, Leases.

“Property Management Agreement” means the property management agreement among the Partnership, CTC and CTREL entered into at Closing, pursuant to which CTC provides the Partnership with customary Property Management Services.

“Prospectus” means the final prospectus filed in respect of the REIT’s initial public offering dated October 10, 2013.

“REIT Exception” means the exclusion from the definition of “SIFT trust” in the Tax Act for a trust qualifying as a “real estate investment trust” under the Tax Act.

“ROFO Agreement” means the right of first offer agreement among the REIT, the Partnership and CTC entered into at Closing. Pursuant to the agreement, CTC has provided the REIT with a right of first offer to acquire any interest of CTC in the properties it owns after Closing, which meet the REIT’s investment criteria, prior to the disposition of any such property to third parties, on terms no less favourable to the REIT than those offered by or to such third party.

“Services Agreement” means the services agreement among the REIT, the Partnership and CTC entered into at Closing pursuant to which CTC or certain of its Subsidiaries provide the REIT with certain administrative, legal, financial, information technology, human resources and ancillary services.

The Services are provided to the REIT on a cost-recovery basis only, pursuant to which the REIT reimburses CTC for all costs and expenses incurred by CTC in connection with providing the Services.

“SIFT Rules” means the rules applicable to SIFT trusts and SIFT partnerships in the Tax Act.

“Special Voting Units” means, collectively, special voting units of the REIT, and **“Special Voting Unit”** means any one of them.

“Straight-Line Rent” refers to the recognition of rental revenue on a straight-line basis over the lease term in accordance with IAS 17, Leases.

“Unitholders” means holders of Units, and **“Unitholder”** means any one of them.

“Units” means trust units in the capital of the REIT, other than Special Voting Units, and **“Unit”** means any one of them.

“Western Canada” means the provinces of British Columbia, Alberta, Saskatchewan and Manitoba, and the Northwest Territories and Yukon Territory.

Corporate Information

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Annual Meeting of Unitholders

St. Andrew's Club & Conference Centre
150 King Street West
16th Floor
Toronto, Ontario
Tuesday, May 9, 2017
10:00 a.m. (EDT)

Exchange Listings

The Toronto Stock Exchange (CRT.UN)

Auditors

Deloitte LLP,
Chartered Professional Accountants

Bankers

Bank of Montreal
Caisse Centrale Desjardins
Canadian Imperial Bank of Commerce
National Bank of Canada
Royal Bank of Canada
The Bank of Nova Scotia
The Toronto-Dominion Bank

Registrar and Transfer Agent

Computershare Trust Company of Canada
100 University Avenue, 8th Floor
Toronto, Ontario M5J 2Y1
Canada
Telephone: 514-982-7555
Toll-free: 1-800-564-6253
Fax: 1-866-249-7775
Email: service@computershare.com

For Unitholder inquiries related to participation in the distribution reinvestment plan, electronic delivery of Unitholder documents, distribution payments or direct deposit of distributions into your Canadian bank account, change of address, transfer of Units, consolidation of multiple mailings to one Unitholder, estate settlements or for other Unitholder account inquiries, please contact the principal offices of Computershare Trust Company of Canada in Halifax, Montreal, Toronto, Calgary or Vancouver.

Disclosure Documents

Corporate governance disclosure and other investor information are available online on CT REIT's website at www.ctreit.com.

Additional copies of the Annual Report and other disclosure documents, such as CT REIT's Management Information Circular, the Annual Information Form and quarterly reports, can be downloaded or requested in print form from the same website.

Version Française du Rapport

Pour télécharger la version française du rapport annuel de CT Real Estate Investment Trust ou demander un exemplaire, veuillez consulter le site Web de la fiducie, à l'adresse www.ctreit.com/fr.

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KEY ACHIEVEMENTS FOR 2016

DELIVERED 6.7% GROWTH

in AFFO per unit
compared to 2015

INCREASED DISTRIBUTIONS

by 3.0% to \$0.70 per
Unit¹ – the third increase
in three years

¹ On an annualized basis

IMPROVED PAYOUT RATIO

to 79% (2016) from
82% (2015)

INCREASED GLA

by over 3 million
square feet

INVESTED NEARLY \$600 MILLION

in 2016

REACHED \$5 BILLION

in assets across
Canada

COMPLETED 13 PROJECTS:

three developments and
10 intensifications

MADE 16 ACQUISITIONS,

expanding portfolio to
303 properties from 287

RAISED \$350 MILLION IN UNSECURED DEBT

through two series of
debentures: a five-year
\$150 million series at
2.159% and a 10-year
\$200 million series
at 3.289%



CANADIAN TIRE DISTRIBUTION CENTRE, BOLTON, ONTARIO



A sophisticated and efficient supply chain is at the heart of any successful retailer. In June 2016, CT REIT completed an agreement with CTC for the acquisition and leaseback of the Canadian Tire Distribution Centre, then under construction, in Bolton, Ontario. In addition to state-of-the-art systems and infrastructure, the 1.4 million square foot facility features 81 acres of improved trailer parking.

At an approximate cost of \$325 million, it is our largest single investment to date. This acquisition adds a marquee asset to CT REIT's portfolio, strengthens our ties with our major tenant and allows us to expand our footprint in the key distribution sector in an increasingly multi-channel retail world.

