



CT

REIT



Reliable. Durable. Growing.

2019 ANNUAL REPORT

Key strategic achievements

6x

Distribution increased 6 times in 6 years

6.5%

Adjusted Funds from Operations (AFFO)/unit growth 5-year CAGR

5.8%

Net Asset Value (NAV)/unit growth 5 year CAGR

BBB+ & BBB (high)

Investment grade credit ratings

75%

Reduced AFFO Payout Ratio to 75%

43%

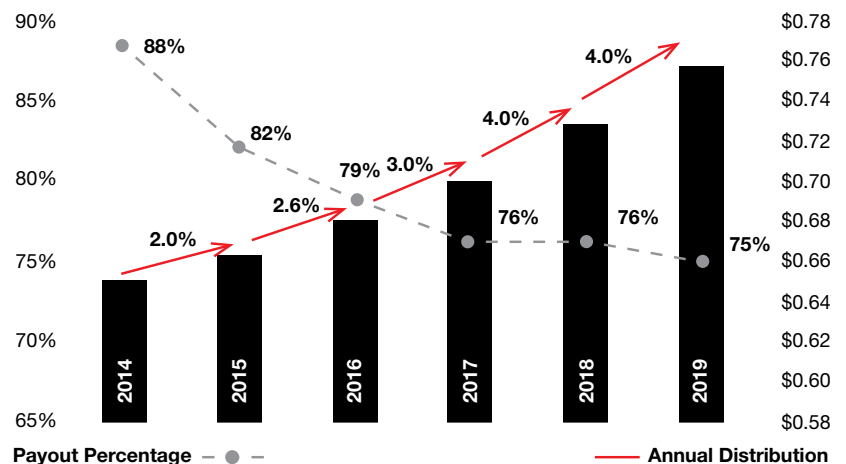
Reduced debt to gross book value to 43%

8+ million sq.ft.

Gross Leaseable Area (GLA) added to portfolio since IPO



Growing distributions and conservatively managing payout ratio



FRONT COVER: Canadian Tire's Bolton Distribution Centre (DC) in Caledon, Ontario. CT REIT acquired the 1.4 million square foot DC from Canadian Tire Corporation in 2016. It was awarded a LEED Gold certification by the Canada Green Building Council for exceptional sustainability efforts in 2018 and is one of the first buildings of this size to be recognized with such an achievement.

BACK COVER: Leslie and Lakeshore, Toronto, Ontario. CT REIT acquired this Canadian Tire anchored property at the time of its initial public offering in 2013. Since then, CT REIT has continually invested in the tenant mix in order to maximize the value of this asset, most recently through the development of new Farm Boy and LCBO locations at the property.

Management's Discussion and Analysis

CT REIT Fourth Quarter and Full Year 2019

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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, (referred to herein as "CT REIT", "Trust" or "REIT", unless the context requires otherwise), and the general economic environment. CT REIT cannot provide any assurance that any forecasted financial or operational performance will actually be achieved or, if achieved, that it will result in an increase in the price of CT REIT's Units. See section 13.0 in this MD&A for a more detailed discussion of the REIT's use of forward-looking statements.

1.0 Preface

1.1 Basis of Presentation

The following MD&A is intended to provide readers with an assessment of the performance of CT REIT[®] for the year ended December 31, 2019 (also referred to as “2019”) and should be read in conjunction with the REIT’s audited consolidated financial statements (“consolidated financial statements”) and accompanying notes for 2019 which have been prepared in accordance with International Financial Reporting Standards (“IFRS”). In addition, the following MD&A should be read in conjunction with CT REIT’s forward-looking information found in section 13.0 of this MD&A. Information about CT REIT, including the Annual Information Form (“AIF”) and all other continuous disclosure documents required by the Canadian securities regulators, can be found on the System for Electronic Document Analysis and Retrieval (“SEDAR”) website at www.sedar.com and on CT REIT’s website at www.ctreit.com under the tab Investors in the Financial Reporting section.

1.2 Definitions

In this document, the terms “CT REIT”, “REIT” and “Trust” refer to CT Real Estate Investment Trust[®] and its subsidiaries unless the context requires otherwise. In addition, “Company”, “CTC” and “Corporation” refer to Canadian Tire Corporation, Limited, entities that it controls and their collective businesses unless the context requires otherwise.

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

Any term not defined in this MD&A can be found in the Glossary of Terms in the 2019 Annual Report filed on SEDAR at www.sedar.com and on CT REIT’s website at www.ctreit.com under the tab Investors in the Financial Reporting section.

1.3 Accounting Estimates and Assumptions

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

Financial data included in this MD&A includes material information as of February 10, 2020. Disclosure contained in this document is current to that date, unless otherwise indicated.

1.4 Quarterly and Annual Comparisons in this MD&A

Unless otherwise indicated, all comparisons of results for Q4 2019 (three months ended December 31, 2019) are against results for Q4 2018 (three months ended December 31, 2018) and comparisons of results for the year ended 2019 are against results for the year ended 2018.

All amounts in this MD&A are in thousands of Canadian dollars, except per unit, unit, square foot amounts or unless otherwise indicated. Rounded numbers are used in this MD&A and, as such, totals may not add up to 100 percent.

1.5 Key Operating Performance Measures and Additional Non-GAAP Measures

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

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

For further information on the non-GAAP measures used by management and for reconciliations to the nearest GAAP measures. Refer to section 10.0 of this MD&A.

1.6 Review and Approval by the Board of Trustees

The Board of Trustees (the "Board"), on the recommendation of its Audit Committee, approved this MD&A for issuance on February 10, 2020.

1.7 Nature and Formation

CT REIT is an unincorporated, closed-end real estate investment trust established on July 15, 2013 pursuant to a declaration of trust under, and governed by, the laws of the Province of Ontario as amended and restated as at October 22, 2013 (the "Declaration of Trust"). CT REIT commenced operations on October 23, 2013. The principal, registered and head office of CT REIT is located at 2180 Yonge Street, Toronto, Ontario M4P 2V8. CTC owned a 69.4% effective interest in CT REIT as of December 31, 2019, consisting of 33,989,508 of the issued and outstanding units of CT REIT ("Units") and all of the issued and outstanding Class B limited partnership units ("Class B LP Units") of CT REIT Limited Partnership (the "Partnership"), which are economically equivalent to and exchangeable for Units. The holders of Units and Class B LP Units are collectively referred to as "Unitholders". CTC also owns all of the Class C limited partnership units ("Class C LP Units") of the Partnership. The Units are listed on the Toronto Stock Exchange ("TSX") under the symbol CRT.UN.

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

2.0 GROWTH STRATEGY AND OBJECTIVES

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

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

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

1. The portfolio of Canadian Tire store leases generally contains contractual rent escalations of approximately 1.5% per year, on average, over the initial term of the leases and have a weighted average remaining lease term of 9.8 years;
2. CT REIT has contractual arrangements with CTC whereby CT REIT has a right of first offer ("ROFO")² on all CTC properties which meet the REIT's investment criteria and preferential rights, subject to certain exceptions, to participate in the development of, and to acquire, certain new retail properties; and
3. CT REIT will continue to seek to use its relationship with CTC to obtain insights into potential real estate acquisitions and development opportunities in markets across Canada.

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

² The ROFO Agreement shall continue in effect until the later of October 2023 and such time as CTC ceases to hold a majority of the voting units, being the Units and Special Voting Units (as defined in section 7.0).

3.0 SUMMARY OF SELECTED FINANCIAL AND OPERATIONAL INFORMATION

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

(in thousands of Canadian dollars, except unit, per unit and square footage amounts) For the periods ended December 31,	Year Ended		
	2019	2018	2017
Property revenue	\$ 489,013	\$ 472,483	\$ 443,303
EBITFV ¹	\$ 370,693	\$ 350,637	\$ 334,160
Net operating income ¹	\$ 368,795	\$ 349,283	\$ 326,018
Net income	\$ 307,193	\$ 300,906	\$ 317,277
Net income per unit - basic ²	\$ 1.380	\$ 1.401	\$ 1.501
Net income per unit - diluted ³	\$ 1.193	\$ 1.098	\$ 1.232
Funds from operations ¹	\$ 261,861	\$ 246,032	\$ 237,617
FFO per unit - diluted (non-GAAP) ^{1,2,4}	\$ 1.175	\$ 1.144	\$ 1.124
Adjusted funds from operations ¹	\$ 224,300	\$ 205,173	\$ 194,371
AFFO per unit - diluted (non-GAAP) ^{1,2,4}	\$ 1.007	\$ 0.954	\$ 0.919
Distributions per unit - paid ²	\$ 0.757	\$ 0.728	\$ 0.700
AFFO payout ratio ¹	75.2%	76.3%	76.2%
Excess of AFFO ¹ over distributions:			
Cash retained from operations before distribution reinvestment ⁵	\$ 55,982	\$ 48,845	\$ 46,795
Per unit - diluted (non-GAAP) ^{2,4,5}	\$ 0.251	\$ 0.227	\$ 0.221
Cash generated from operating activities	\$ 362,328	\$ 331,722	\$ 317,154
Adjusted cashflow from operations ¹	\$ 228,366	\$ 206,056	\$ 195,723
Weighted average number of units outstanding ²			
Basic	222,559,681	214,805,646	211,310,245
Diluted ³	314,615,032	336,142,459	313,338,770
Diluted (non-GAAP) ^{1,4}	222,791,571	215,040,074	211,456,486
Period-end units outstanding ²	228,216,876	220,249,239	213,738,161
Total assets	\$ 6,024,512	\$ 5,708,692	\$ 5,455,398
Total indebtedness	\$ 2,572,294	\$ 2,573,489	\$ 2,544,972
Book value per unit ²	\$ 14.61	\$ 14.01	\$ 13.39
Market price per Unit - Close (end of period)	\$ 16.14	\$ 11.53	\$ 14.50
OTHER DATA			
Weighted average interest rate ⁶	4.08%	4.08%	4.08%
Indebtedness ratio	42.7%	45.1%	46.7%
Interest coverage (times)	3.40	3.35	3.46
Weighted average term to debt maturity (in years) ⁶	8.0	9.0	10.0
Gross leasable area (square feet) ⁷	27,556,341	26,537,359	25,849,773
Occupancy rate ^{7,8}	99.1%	98.7%	98.6%

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

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

³ Diluted units 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.

⁴ Diluted units used in calculating non-GAAP measures include restricted and deferred units issued under various plans and exclude the effect of assuming that all of the Class C LP Units will be settled with Class B LP Units. Refer to section 7.0.

⁵ Refer to section 7.0 for further information.

⁶ Excludes the Credit Facilities. Refer to section 6.10 for definition.

⁷ Refers to retail, mixed-use commercial and industrial properties and excludes Properties Under Development. Refer to the Glossary of Terms in the 2019 Annual Report for definition.

⁸ Occupancy and other leasing key performance measures have been prepared on a committed basis which includes the impact of existing lease agreements contracted on or before December 31, 2019, December 31, 2018 and December 31, 2017.

4.0 OVERVIEW OF THE PROPERTY PORTFOLIO

4.1 Property Profile

The property portfolio as at December 31, 2019 consists of 348 retail properties, four industrial properties, one mixed-use commercial property and four Development Properties (collectively, the "Properties"). The Properties are located in each of the provinces and in two territories across Canada. The retail properties, industrial properties and mixed-use commercial property contain approximately 27.6 million square feet of gross leasable area ("GLA").

CT REIT's consolidated financial position, results of operations and property portfolio metrics include the REIT's one-third interest in Canada Square, a mixed use commercial property in Toronto, Ontario ("Toronto (Canada Square), Ontario"). CTC is CT REIT's most significant tenant. At December 31, 2019, CTC represented 92.5% of total GLA (December 31, 2018 - 93.2%) and 91.7% of annualized base minimum rent (December 31, 2018 - 92.7%).

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

(in square feet)	As at December 31, 2019		
	GLA	Occupied GLA	Occupancy rate ²
Property Type			
Retail			
Canadian Tire stores	21,094,518	21,094,518	100.0%
Other CTC Banners ¹	567,301	567,301	100.0%
Third party retail tenants	1,699,265	1,558,838	91.7%
Industrial properties	3,914,871	3,812,248	97.4%
Mixed-use property	280,386	264,895	94.5%
Total	27,556,341	27,297,800	99.1%

¹ May include Mark's and L'Équipeur, SportChek, Sports Experts, Atmosphere, and Canadian Tire Bank (referred to herein as "Other CTC Banners").

² Occupancy and other leasing key performance measures have been prepared on a committed basis which includes the impact of existing lease agreements contracted on or before December 31, 2019.

(in square feet)	As at December 31, 2018		
	GLA	Occupied GLA	Occupancy rate ²
Property Type			
Retail			
Canadian Tire stores	20,359,163	20,359,163	100.0%
Other CTC Banners ¹	548,317	548,317	100.0%
Third party retail tenants	1,434,622	1,308,013	91.2%
Industrial properties	3,914,871	3,713,456	94.9%
Mixed-use property	280,386	273,044	97.4%
Total	26,537,359	26,201,993	98.7%

¹ May include Other CTC Banners.

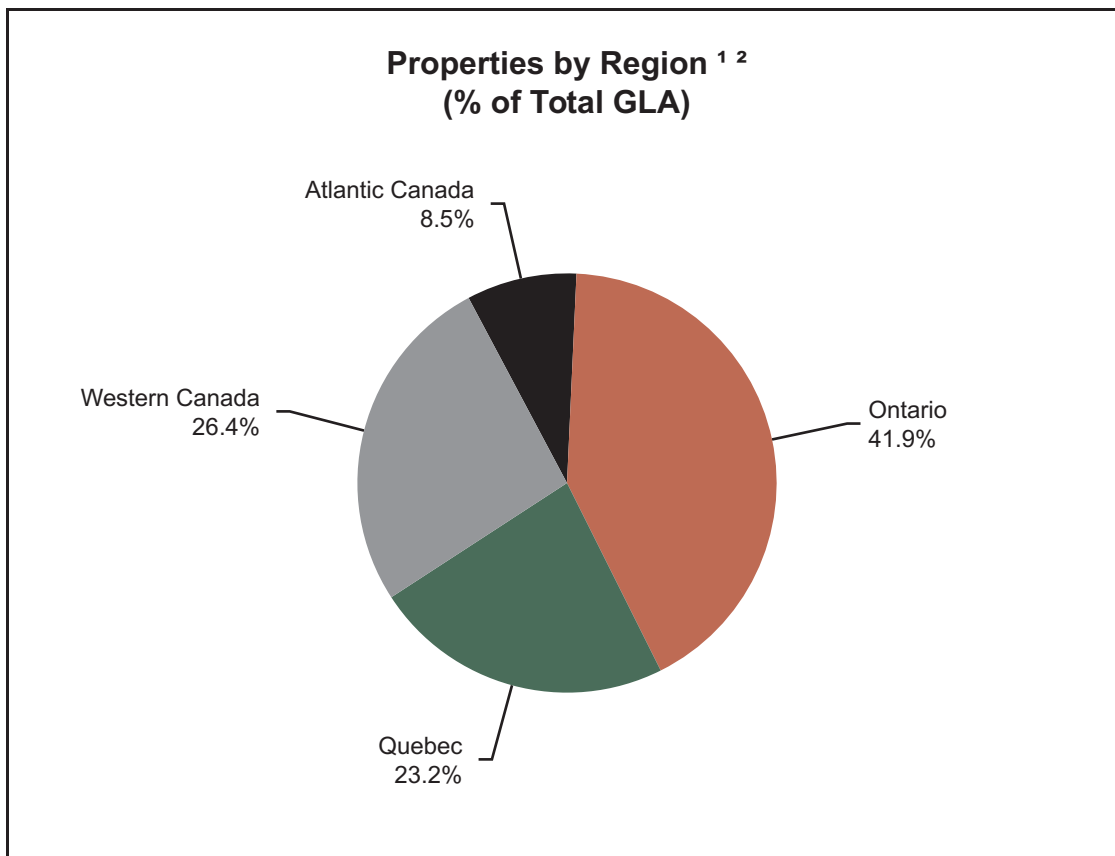
² Occupancy and other leasing key performance measures have been prepared on a committed basis which includes the impact of existing lease agreements contracted on or before December 31, 2018.

The REIT's property portfolio consists of:

As at	December 31, 2019	December 31, 2018
Canadian Tire single tenant properties	257	255
Other single tenant properties	25	13
Multi-tenant properties anchored by Canadian Tire store	60	52
Multi-tenant properties not anchored by Canadian Tire store	6	6
Industrial properties	4	4
Mixed-use property	1	1
Total operating properties	353	331
Development Properties	4	11
Total properties	357	342

As at	December 31, 2019	December 31, 2018
Gas bars at retail properties	109	106

CT REIT's Properties by region, as a percentage of total GLA, as at December 31, 2019 are as follows:

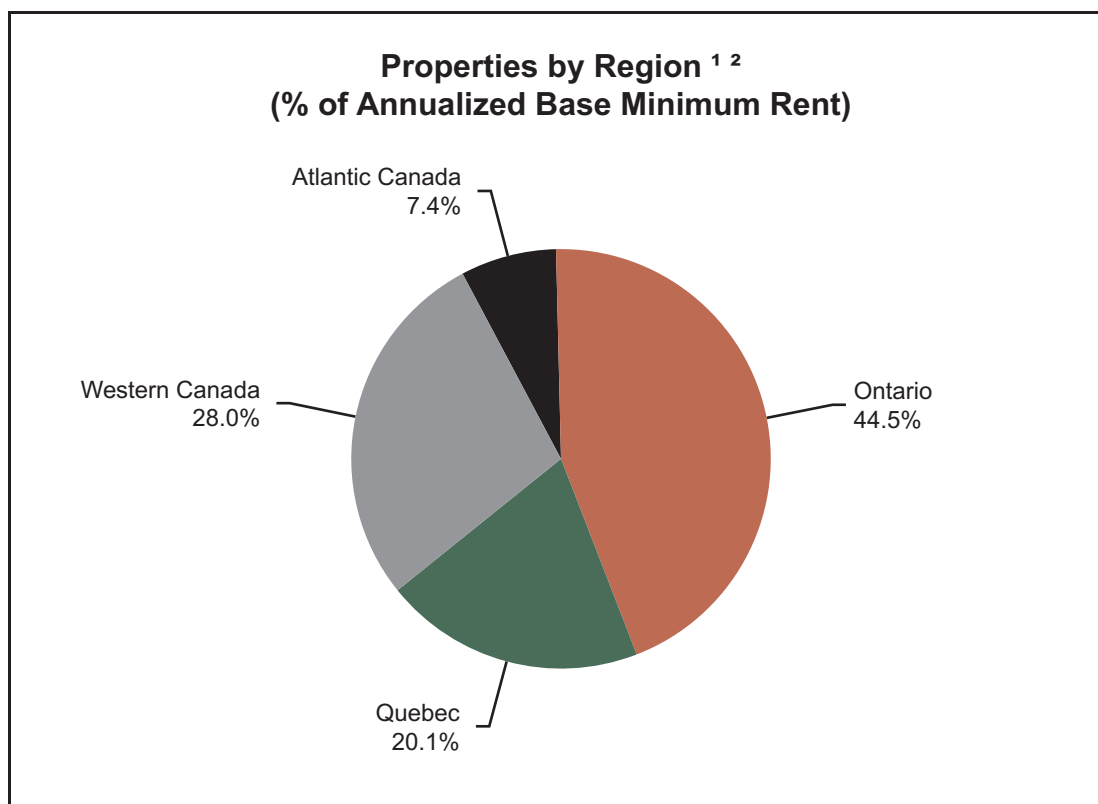


¹ Excluding Properties Under Development.

² Occupancy and other leasing key performance measures have been prepared on a committed basis which includes the impact of existing lease agreements contracted on or before December 31, 2019.

4.2 Revenue by Region

CT REIT's Properties by region, as a percentage of annualized base minimum rent, as at December 31, 2019 are as follows:



¹ Excluding Properties Under Development.

² Occupancy and other leasing key performance measures have been prepared on a committed basis which includes the impact of existing lease agreements contracted on or before December 31, 2019.

4.3 Six Largest Urban Markets

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

As at	December 31, 2019	December 31, 2018
Vancouver	3.2%	3.3%
Edmonton	4.2%	4.0%
Calgary	2.6%	2.4%
Toronto	21.0%	21.7%
Ottawa	4.0%	4.2%
Montreal	11.3%	11.6%
Percentage of Annualized Base Minimum Rent ^{1,2}	46.3%	47.2%

¹ Excluding Properties Under Development.

² Occupancy and other leasing key performance measures have been prepared on a committed basis which includes the impact of existing lease agreements contracted on or before December 31, 2019.

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, 2019.

(in thousands of Canadian dollars)	Year Ended December 31, 2019			Year Ended December 31, 2018		
	Income-producing properties	Properties Under Development	Total investment properties	Income-producing properties	Properties Under Development	Total investment properties
Balance, beginning of period, as previously reported	\$ 5,568,961	\$ 127,233	\$ 5,696,194	\$ 5,337,515	\$ 99,082	\$ 5,436,597
Transition adjustment - right-of-use assets ¹	66,589	—	66,589	—	—	—
Restated balance, beginning of period	5,635,550	127,233	5,762,783	5,337,515	99,082	5,436,597
Property acquisitions (including transaction costs)	75,669	—	75,669	89,429	—	89,429
Intensifications	—	39,448	39,448	—	18,625	18,625
Developments	—	48,222	48,222	—	47,079	47,079
Development land	—	1,918	1,918	—	12,642	12,642
Capitalized interest and property taxes	—	2,080	2,080	—	2,752	2,752
Transfers	144,783	(144,783)	—	52,947	(52,947)	—
Right-of-use assets ²	(2,343)	—	(2,343)	—	—	—
Fair value adjustment on investment properties	47,306	—	47,306	53,628	—	53,628
Straight-line rent	14,130	—	14,130	18,404	—	18,404
Recoverable capital expenditures	20,549	—	20,549	17,699	—	17,699
Dispositions	(2,780)	—	(2,780)	(661)	—	(661)
Balance, end of period ³	\$ 5,932,864	\$ 74,118	\$ 6,006,982	\$ 5,568,961	\$ 127,233	\$ 5,696,194

¹ Refer to section 9.2 for further information.

² Reflects impact of ground lease amendments.

³ Includes purchased lands for \$12,946 (December 31, 2018 - \$13,911) held for development.

Included in CT REIT's portfolio are 10 properties which are situated on ground leases with remaining initial terms up to 36 years, and an average remaining initial term of 14 years. Assuming all extensions are exercised, the ground leases have remaining terms between 4 and 51 years with an average remaining lease term of up to 31 years.

As at December 31, 2019, management's determination of fair value was updated for current market assumptions, informed by market capitalization rates provided by independent appraisal professionals. On a periodic basis, CT REIT obtains independent appraisals such that approximately 80% of its properties, by value, will be externally appraised over a four-year period.

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	287	70
Value at December 31, 2019	\$ 4,240,942	\$ 1,766,040
Discount rate ¹	—%	7.01 %
Terminal capitalization rate ¹	—%	6.56%
Overall capitalization rate ¹	6.17%	—%
Hold period (years)	—	10

¹ Weighted average rate based on the fair value as at the period end date

The following table summarizes the sensitivity of the fair value of income-producing 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	\$ 3,795,258	\$ (445,684)	\$ 1,585,694	\$ (180,346)
+ 50 basis points	3,932,504	(308,438)	1,640,800	(125,240)
+ 25 basis points	4,080,638	(160,304)	1,699,732	(66,308)
December 31, 2019	\$ 4,240,942	\$ —	\$ 1,766,040	\$ —
- 25 basis points	4,415,156	174,214	1,830,296	64,256
- 50 basis points	4,605,102	364,160	1,903,008	136,968
- 75 basis points	\$ 4,813,073	\$ 572,131	\$ 1,982,280	\$ 216,240

4.5 2019 Investment Activities

The following table presents income-producing properties acquired, intensified, developed, or redeveloped during the year ended December 31, 2019.

(in thousands of Canadian dollars, except for GLA amounts)	Transaction date	GLA	Total investment cost
Property Location			
Canmore, AB ¹	February 2019	49,927	
Toronto (Leslie Lakeshore), ON ²	February 2019	20,038	
Calgary, AB ³	February 2019	47,000	
Mount Forest, ON ⁴	March 2019	33,609	
Grand Falls-Windsor, NL ⁴	March 2019	71,677	
Grande Prairie, AB ⁴	March 2019	150,774	
Bradford, ON ^{2,5}	March 2019/June 2019	5,317	
Huntsville, ON ²	May 2019	9,710	
Sherwood Park, AB ⁴	May 2019	122,065	
Minden, ON ¹	June 2019	28,833	
Matane, QC ¹	June 2019	53,297	
Brampton Bramalea, ON ²	July 2019	5,507	
Hamilton Rymal, ON ^{2,5}	September 2019	—	
Innisfil, ON ^{2,5}	September 2019	—	
BMO Portfolio ¹	October 2019	82,119	
Thetford Mines, QC ¹	November 2019	57,636	
North Battleford, SK ¹	November 2019	38,233	
Welland, ON ⁶	November 2019	—	
Atholville, NB ²	December 2019	20,616	
Antigonish, NS ³	December 2019	191,562	
Val-d'Or ²	December 2019	25,917	
Pad developments ⁷	Various	11,950	
Total		1,025,787	\$ 209,464

¹ Acquisition of income-producing properties.

² Intensification of an existing income-producing property.

³ Redevelopment property.

⁴ Development property.

⁵ Land lease.

⁶ Acquisition of land.

⁷ Relates to third party pad development projects.

In Q4 2019, CT REIT completed a sale-leaseback transaction to acquire a national portfolio consisting of 11 Bank of Montreal retail bank branches. The REIT also completed the acquisition of existing Canadian Tire stores in North Battleford, Saskatchewan and Thetford Mines, Quebec, the redevelopment of a multi-tenant property anchored by an existing Canadian Tire store in Antigonish, Nova Scotia, the intensifications of two Canadian Tire stores in Atholville, New Brunswick and Val d'Or, Quebec and the disposition of a free standing CIBC bank branch in Calgary, Alberta.

In Q3 2019, CT REIT completed the intensification of a Canadian Tire store in Brampton, Ontario, the development of Canadian Tire Gas+ gas bar in Innisfil, Ontario and the development of Canadian Tire Gas+ gas bar and car wash in Hamilton, Ontario.

In Q2 2019, CT REIT completed the intensification of an existing Canadian Tire store in Huntsville, Ontario and the development of a single tenant Canadian Tire store located in Sherwood Park, Alberta. The REIT also completed the acquisition of two properties, from CTC, located in Minden, Ontario and Matane, Quebec both with a Canadian Tire store and a Canadian Tire Gas+ gas bar and the intensification of three existing properties for third party pad developments.

In Q1 2019, CT REIT completed the acquisition of a single tenant property with a Canadian Tire store located in Canmore, Alberta from a third party. The REIT also completed the development of a third party grocery store in Toronto (Leslie Lakeshore), Ontario and the redevelopment of a previously acquired redundant Canadian Tire store for a third party grocery store in Calgary, Alberta. In addition, CT REIT completed the development of three single tenant Canadian Tire stores located in Mount Forest, Ontario, Grand Falls-Windsor, Newfoundland and Labrador, and Grande Prairie, Alberta and the intensification of a Canadian Tire Gas+ gas bar and carwash in Bradford, Ontario.

Toronto (Canada Square), Ontario

In Q2 2019, CT REIT and its co-owners entered into a conditional Consolidated, Amended and Restated Ground Lease with the Toronto Transit Commission that provides the terms upon which the co-owners can proceed with planning for the redevelopment of the Toronto (Canada Square), Ontario property. The ground lease will provide for an extension of the term and a renewal option and will incorporate an additional two acres of land once the conditions have been satisfied and will bring the total land area to approximately nine acres. A conditional lease agreement was also entered into with CTC for a new head office building to anchor Phase I of the redevelopment.

Subsequent to year end, CT REIT and one of the co-owners of the Toronto (Canada Square), Ontario property increased their respective ownership interests in the property from a 33% interest to a 50% interest. The REIT will recognize an increase in its proportionate share of the assets, liabilities, revenues and expenses of the co-ownership in its financial statements. The transaction closed on January 9, 2020.

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

4.6 Development Activities

The following table provides details of the REIT's development activities as at December 31, 2019. The total building area represents the maximum anticipated area of the developments. The "Not committed to lease" column includes areas which may be under construction but not committed to lease. The "Committed additional investment" column represents the approximate financial commitment required to complete the "Committed to lease" areas and related site works.

Property ¹	Anticipated date of completion	Committed to lease	Not committed to lease	Gross leasable area (in square feet)		Total investment (in thousands of Canadian dollars)	
				Total	Inurred to-date ¹⁰	Committed additional investment ¹⁰	Total
Bradford, ON ²	Q1 2020	10,000	—	10,000			
Kincardine, ON ²	Q2 2020	29,000	—	29,000			
Rouyn-Noranda, QC ²	Q2 2020	13,000	—	13,000			
Orillia, ON - Phase 1/Phase 2 ³	Q2 2020/Q4 2021	286,000	34,000	320,000			
Niagara Falls, ON ³	Q2 2020	214,000	11,000	225,000			
Yarmouth, NS ⁴	Q2 2020	23,000	—	23,000			
Fort St. John, BC - Phase 1 ⁵	Q4 2020	144,000	7,000	151,000			
Buckingham, QC ²	Q4 2020	20,000	—	20,000			
Pad developments ⁶	2020/2021	10,000	5,000	15,000			
Midland, ON ²	Q2 2021	41,000	—	41,000			
Brampton Trinity Commons, ON ²	Q2 2021	16,000	—	16,000			
La Plaine, QC ²	Q4 2021	21,000	—	21,000			
Sept-Iles, QC ²	Q4 2021	18,000	—	18,000			
Mission, BC ²	Q4 2021	7,000	—	7,000			
Brampton McLaughlin, ON ²	Q4 2021	28,000	—	28,000			
Welland, ON ⁴	Q4 2021	79,000	—	79,000			
Fenelon Falls, ON ²	Q2 2022	26,000	—	26,000			
Dryden, ON ²	Q4 2022	43,000	—	43,000			
Calgary, AB ⁷	TBD	TBD	TBD	TBD			
Toronto (Canada Square), ON ^{8,9}	TBD	TBD	TBD	TBD			
TOTAL		1,028,000	57,000	1,085,000	\$ 74,118	\$ 145,667	\$ 219,785

¹ Properties Under Development under 5,000 square feet that are not anticipated to be completed within the next 12 months have not been included.

² Intensification of an existing income-producing property.

³ Redevelopment property.

⁴ Acquired development land for the intensification of an existing income-producing property.

⁵ Development property.

⁶ Relates to third party pad development projects that are estimated to be completed in the next 12 months.

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

⁸ Redevelopment property. Potential building area and investment costs to be determined ("TBD").

⁹ Land lease.

¹⁰ Includes amounts related to projects in early stages of development.

As at December 31, 2019, CT REIT had committed lease agreements for 1,028,000 square feet, representing 94.7% of total GLA under development, of which 79.4% has been leased to CTC. A total of \$74,118 has been expended to date on such developments, and CT REIT anticipates investing an additional \$145,667 to complete the developments of which \$132,607 is due to CTC. These commitments exclude the development activities at the Calgary, Alberta and Toronto (Canada Square), Ontario Properties.

4.7 Investment and Development Funding

Funding of investment and development activities for the three months and year ended December 31, 2019 was as follows:

	Q4 2019 Investment and Development Activity				
(in thousands of Canadian dollars)	Property investments	Development land	Developments	Intensifications	Total
Funded with working capital to CTC	\$ 4,200	\$ 1,900	\$ —	\$ 15,285	\$ 21,385
Funded with working capital to third parties ¹	23,404	18	1,691	6,277	31,390
Capitalized interest and property taxes	—	—	371	—	371
Issuance of Class B LP Units to CTC	10,545	—	—	—	10,545
Total costs	\$ 38,149	\$ 1,918	\$ 2,062	\$ 21,562	\$ 63,691

¹ Includes \$3,025 for the construction of Other CTC Banner stores.

	2019 Investment and Development Activity				
(in thousands of Canadian dollars)	Property investments	Development land	Developments	Intensifications	Total
Funded with working capital to CTC	\$ 15,945	\$ 1,900	\$ 41,276	\$ 22,382	\$ 81,503
Funded with working capital to third parties ¹	35,109	18	6,946	17,066	59,139
Capitalized interest and property taxes	—	—	2,080	—	2,080
Issuance of Class B LP Units to CTC	13,285	—	—	—	13,285
Mortgages payable	11,330	—	—	—	11,330
Total costs	\$ 75,669	\$ 1,918	\$ 50,302	\$ 39,448	\$ 167,337

¹ Includes \$10,735 for the construction of Other CTC Banner stores.

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

	2018 Investment and Development Activity				
	Property investments	Development land	Developments	Intensifications	Total
Funded with working capital to CTC	\$ 7,258	\$ 8,546	\$ 30,155	\$ 8,890	\$ 54,849
Funded with working capital to third parties ¹	68,181	4,096	16,860	9,735	98,872
Capitalized interest and property taxes	—	—	2,752	—	2,752
Issuance of Class B LP Units to CTC	13,990	—	64	—	14,054
Total costs	\$ 89,429	\$ 12,642	\$ 49,831	\$ 18,625	\$ 170,527

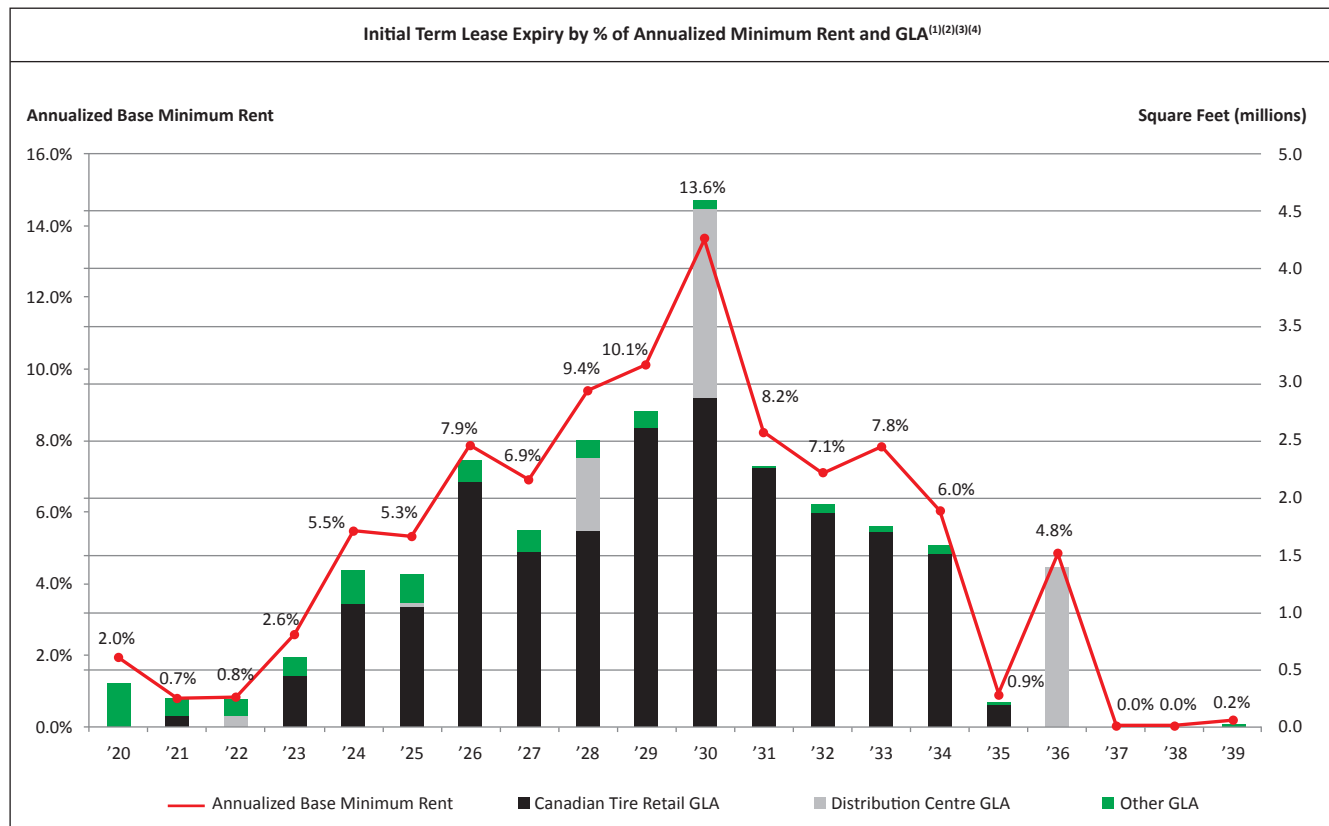
¹ Includes \$4,784 for the construction of Other CTC Banner stores.

4.8 Lease Maturities

CTC is CT REIT's most significant tenant. As at December 31, 2019, CTC, including Canadian Tire stores and Other CTC Banners, had leased 25.5 million square feet of GLA, with approximately 85.6% and 14.4% of the GLA attributable to retail and office, and industrial properties, respectively. The weighted average term of the retail leases with CTC, including Canadian Tire stores and Other CTC Banners, was 9.7 years, excluding the exercise of any renewal options. The weighted average term of the Canadian

Tire store leases was 9.8 years, with a weighted average rental rate of \$13.78 per square foot. The weighted average lease term for the CTC industrial properties was 13.8 years. The weighted average lease term of all leases in the REIT's portfolio, excluding Properties Under Development, was 9.7 years.

The following graph presents the lease maturity profile from 2020 to 2039 (assuming tenants do not exercise renewal options or termination rights, if any) as a percentage of annualized base minimum rent and GLA as of the time of the lease expiry.



¹ Excludes Properties Under Development.

² Total base minimum rent excludes future contractual escalations.

³ Toronto (Canada Square), Ontario is included at the REIT's one-third interest. Refer to section 4.5 for further information.

⁴ Occupancy and other leasing key performance measures have been prepared on a committed basis which includes the impact of existing lease agreements contracted on or before December 31, 2019.

4.9 Top 10 Tenants Excluding CTC Related Tenancies

CT REIT's 10 largest tenants, excluding all CTC related tenancies, as represented by the percentage of total annualized base minimum rent, are:

Rank	Tenant Name	Percentage of total annualized base minimum rent ¹
1	Save-On-Foods/Buy-Low Foods	0.72%
2	Loblaws/Shoppers Drug Mart/No Frills	0.54%
3	Bank of Montreal	0.52%
4	Canadian Imperial Bank of Commerce	0.45%
5	Sobeys/FreshCo/Farm Boy	0.44%
6	Winners/Marshalls	0.43%
7	Metro	0.26%
8	Dollarama	0.24%
9	Best Buy	0.23%
10	GoodLife Fitness	0.21%
		4.04%

¹ Occupancy and other leasing key performance measures have been prepared on a committed basis which includes the impact of existing lease agreements contracted on or before December 31, 2019.

4.10 Leasing Activities

The future financial performance of CT REIT will be impacted by occupancy rates, trends in rental rates achieved on leasing or renewing currently leased space, and contractual increases in rent. As at December 31, 2019, the REIT's occupancy rate was 99.1% (Q4 2018 - 98.7%), excluding Properties Under Development. Refer to section 4.1 for further details.

4.11 Recoverable Capital Costs

Many of the capital costs incurred by CT REIT are recoverable from tenants pursuant to the terms of their leases. These recoveries typically occur either in the year in which such expenditures are incurred or, in the case of a major item of replacement or betterment, on a straight-line basis over the expected useful life thereof together with an imputed rate of interest on the unrecovered balance at any point in time. Capital expenditures of \$4,728 and \$20,549 (Q4 2018 - \$5,778 and YTD 2018 - \$17,699) were incurred during the three months and year ended December 31, 2019, respectively. Most of the REIT's recoverable capital expenditures relate to parking lots, roofs and heating, ventilation and air conditioning. These capital expenditures are typically seasonal in nature and as a result, the actual recoverable capital costs may vary widely from period to period.

5.0 RESULTS OF OPERATIONS

5.1 Financial Results for the Three Months and Year Ended December 31, 2019

CT REIT's financial results for the three months and year ended December 31, 2019 and December 31, 2018 are summarized below:

(in thousands of Canadian dollars, except per unit amounts) For the periods ended December 31,	Three Months Ended			Year Ended		
	2019	2018	Change	2019	2018	Change
Property revenue	\$ 123,692	\$ 119,322	3.7 %	\$ 489,013	\$ 472,483	3.5 %
Property expense	(26,763)	(26,804)	(0.2)%	(106,088)	(108,636)	(2.3)%
General and administrative expense	(3,647)	(3,453)	5.6 %	(14,285)	(12,189)	17.2 %
Net interest and other financing charges	(27,033)	(26,086)	3.6 %	(108,753)	(104,380)	4.2 %
Fair value adjustment on investment properties	10,641	11,522	(7.6)%	47,306	53,628	(11.8)%
Net income and comprehensive income	\$ 76,890	\$ 74,501	3.2 %	\$ 307,193	\$ 300,906	2.1 %
Net income per unit - basic	\$ 0.338	\$ 0.343	(1.5)%	\$ 1.380	\$ 1.401	(1.5)%
Net income per unit - diluted	\$ 0.294	\$ 0.271	8.5 %	\$ 1.193	\$ 1.098	8.7 %

Property Revenue

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

Total revenue was \$123,692 which was \$4,370 (3.7%) higher compared to the same period in the prior year primarily due to contractual rent escalations, and additional base rent related to properties acquired and intensifications completed during 2019 and 2018. Total revenue for the three months ended December 31, 2019 also included expense recoveries in the amount of \$25,288 (Q4 2018 - \$24,923).

Total revenue was \$489,013 which was \$16,530 (3.5%) higher compared to the same period in the prior year primarily due to contractual rent escalations, and additional base rent related to properties acquired and intensification completed during 2019 and 2018. In addition, the REIT assigned all of its interest in and to its claim against Sears Canada Inc. under the *Companies Creditors Arrangement Act* ("the Assigned Claim") to a third party. The proceeds received from the assignment are non-recurring and are included in property revenue. Total revenue for the year ended December 31, 2019 included expense recoveries in the amount of \$100,378 (2018 - \$99,900).

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, 2019, straight-line rent of \$3,485 (Q4 2018 - \$4,535) was included in total property revenue. For the year ended December 31, 2019, straight-line rent of \$14,130 (2018 - \$18,404) was included in total property revenue.

Property Expense

The components of property expense consist primarily of property taxes, operating costs, property management costs (including the outsourcing of property management services), ground rent and other recoveries. Refer to section 9.2 of this MD&A for further details on changes in ground rent expense. The majority of property expenses are recoverable from tenants, with CT REIT absorbing these expenses to the extent that vacancies exist.

Property expenses for the three months ended December 31, 2019 decreased by \$41 (0.2%) compared to the same period in the prior year primarily due to reduced ground rent expense of \$975 as a result of the adoption of the new lease accounting standard - IFRS 16 partially offset by operating expenses related to property acquisitions completed during 2019 and 2018.

Property expenses for the year ended December 31, 2019 decreased by \$2,548 (2.3%) compared to the same period in the prior year primarily due to reduced ground rent expense of \$3,902 as a result of the adoption of the new lease accounting standard - IFRS 16, partially offset by operating expenses related to property acquisitions completed during 2019 and 2018.

General and Administrative Expense

CT REIT has a number of broad categories of general and administrative expenses: (i) personnel; (ii) public entity and other costs, including external audit fees, trustee compensation expense, legal and professional fees, travel, income tax expense (recovery) related to CT REIT GP Corp.'s ("GP") activities; and (iii) outsourced costs, which may fluctuate depending on when such costs are incurred. The personnel, public entity and other costs reflect the expenses related to ongoing operations of CT REIT. The outsourced costs are largely related to certain administrative, financial, information technology, internal audit and other support services provided by CTC to the REIT pursuant to the Services Agreement, as further described in section 8.0 of this MD&A.

(in thousands of Canadian dollars)	Three Months Ended			Year Ended		
For the periods ended December 31,	2019	2018	Change	2019	2018	Change
Personnel expense ¹	\$ 2,524	\$ 2,177	15.9 %	\$ 7,953	\$ 6,233	27.6 %
Services Agreement with CTC	543	893	(39.2)%	2,500	3,345	(25.3)%
Public entity and other ¹	702	383	83.3 %	4,156	2,611	59.2 %
	\$ 3,769	\$ 3,453	9.2 %	\$ 14,609	\$ 12,189	19.9 %
Less: allocated to property operating costs	(122)	—	— %	(324)	—	— %
General and administrative expense	3,647	3,453	5.6 %	14,285	12,189	17.2 %
As a percent of property revenue	2.9%	2.9%		2.9%	2.6%	
Adjusted general and administrative expense as a percent of property revenue ²	2.4%	3.5%		2.5%	2.8%	

¹ Includes unit-based awards including (gain) loss adjustments as a result of the change in the fair market value of the Units of \$659 (Q4 2018 - \$(668)) and \$2,029 (YTD 2018 - \$(1,239)) for the three months and year ended December 31, 2019.

² Adjusted for fair value adjustments on unit-based awards.

The REIT had historically outsourced a number of its functions with respect to property management and support services. The REIT contracted to install an information system ("ERP"), which became operational as of May 1, 2019. The REIT, in the second half of 2019, realized a positive impact related to general and administrative expenses and property operating expenses related to this initiative.

General and administrative expenses amounted to \$3,647 or 2.9% of property revenue for the three months ended December 31, 2019 which is \$194 (5.6%) higher compared to the same period in the prior year primarily due to:

- increased personnel compensation and increased trustee fees due to the fair value adjustment on unit based awards; partially offset by
- decreased Service Agreement costs as a result of the new ERP CT REIT implemented during 2019;
- decreased personnel expenses due to prior year CFO transition costs; and
- higher income tax recovery recorded in connection with GP's activities which resulted in an increase in the REIT's deferred tax assets.

General and administrative expenses amounted to \$14,285 or 2.9% of property revenue for the year ended December 31, 2019 which is \$2,096 (17.2%) higher compared to the same period in the prior year primarily due to:

- increased personnel compensation and trustee fees due to the fair value adjustment on unit based awards; partially offset by
- decreased Service Agreement costs as a result of the new ERP CT REIT implemented during 2019; and
- decreased personnel expenses due to prior year CFO transition costs.

Net Interest and Other Financing Charges

As at December 31, 2019 the Partnership had 1,451,550 Class C LP Units outstanding with a face value of \$1,451,550 and bearing a weighted average distribution rate of 4.70% per annum. The Class C LP Units are subject to redemption rights. Accordingly, the Class C LP Units are classified as financial liabilities and distributions on the Class C LP Units are presented in the net interest and other financing charges in the Consolidated Statements of Income and Comprehensive Income.

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

(in thousands of Canadian dollars) For the periods ended December 31,	Three Months Ended			Year Ended		
	2019	2018	Change	2019	2018	Change
Interest on Class C LP Units ¹	\$ 17,055	\$ 17,055	— %	\$ 68,219	\$ 68,219	— %
Interest and financing costs - debentures	8,890	9,001	(1.2)%	35,723	35,187	1.5 %
Interest and financing costs - Credit Facilities ²	278	371	(25.1)%	1,466	1,561	(6.1)%
Interest on mortgages payable	440	408	7.8 %	1,763	1,532	15.1 %
Interest on lease liabilities ³	851	—	— %	3,317	—	— %
Interest costs - Bridge Facility ⁴	—	—	— %	—	351	(100.0)%
	\$ 27,514	\$ 26,835	2.5 %	\$ 110,488	\$ 106,850	3.4 %
Less: capitalized interest	(269)	(643)	(58.2)%	(1,351)	(2,245)	(39.8)%
Interest expense and other financing charges	\$ 27,245	\$ 26,192	4.0 %	\$ 109,137	\$ 104,605	4.3 %
Less: interest income	(212)	(106)	100.0 %	(384)	(225)	70.7 %
Net interest and other financing charges	\$ 27,033	\$ 26,086	3.6 %	\$ 108,753	\$ 104,380	4.2 %

¹ CTC elected to defer receipt of distributions on Series 3-9 and Series 16 and 19 of Class C LP Units for the three months and year ended December 31, 2019 in the amount of \$16,916 (Q4 2018 - \$16,916) and \$62,027 (YTD 2018 - \$62,027), respectively, until the first business day following the end of the fiscal year. The deferred distributions have been netted against interest payable on Class C LP Units and are included under the heading "other liabilities" on the Consolidated Balance Sheets.

² See section 6.10 for detailed on Credit Facilities.

³ Refer to section 9.2 for further information.

⁴ Paid to CTC pursuant to a bridge loan facility entered into in December 2017 and used solely for the purpose of facilitating the acquisition of portfolio of certain investment properties ("Bridge Facility").

Net interest and other financing charges for the three months ended December 31, 2019 was \$947 (3.6%) higher compared to the same period in the prior year largely due to increased interest expense on lease liabilities as a result of the adoption of the new lease accounting standard - IFRS 16, as well as decreased interest capitalization on development projects in 2019.

Net interest and other financing charges for the year ended December 31, 2019 was \$4,373 (4.2%) higher compared to the same period in the prior year largely due to increased interest expense on lease liabilities as a result of the adoption of the new lease accounting standard - IFRS 16, decreased interest capitalization on development projects in 2019 and higher interest on debentures issued in February 2018, partially offset by savings resulting from repayment of the Bridge Facility in Q1 2018.

Fair Value Adjustment on Investment Properties

The fair value gain on investment properties for the three months ended December 31, 2019 was \$10,641, a decrease of \$881 compared to the same period in the prior year. The decrease in the fair value adjustment on investment properties is primarily due to higher increases in property values across the portfolio in the prior year.

The fair value gain on investment properties for the year ended December 31, 2019 was \$47,306, a decrease of \$6,322 compared to the same period in the prior year primarily due to higher increases in property values across the portfolio in the prior year.

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. The REIT only records income tax expense or recovery in relation to the GP activities.

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

Net Income

(in thousands of Canadian dollars, except per unit amounts) For the periods ended December 31,	Three Months Ended			Year Ended		
	2019	2018	Change	2019	2018	Change
Net income and comprehensive income	\$ 76,890	\$ 74,501	3.2 %	\$ 307,193	\$ 300,906	2.1 %
Net income per unit - basic	\$ 0.338	\$ 0.343	(1.5)%	\$ 1.380	\$ 1.401	(1.5)%
Net income per unit - diluted	\$ 0.294	\$ 0.271	8.5 %	\$ 1.193	\$ 1.098	8.7 %

Net income increased by \$2,389 (3.2%) for the three months ended December 31, 2019 compared to the same period in the prior year for the reasons previously discussed.

Net income increased by \$6,287 (2.1%) for the year ended December 31, 2019 compared to the same period in the prior year for the reasons previously discussed.

Net income per unit - basic decreased by \$0.005 (1.5%) and \$0.021 (1.5%) for the three months ended and year ended December 31, 2019 compared to the same periods in the prior year primarily due to the growth of the weighted average number of Units outstanding - basic exceeding the increased net income.

Net income per unit - diluted increased by \$0.023 (8.5%) and \$0.095 (8.7%) for the three months ended and year ended December 31, 2019 compared to the same periods in the prior year primarily due to an increase in net income, as previously discussed, as well as by a decrease in the weighted average number of Units outstanding - diluted.

5.2 Non-GAAP Measures

In addition to the GAAP measures previously described, 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		
	2019	2018	Change	2019	2018	Change
Net operating income	\$ 93,444	\$ 88,943	5.1 %	\$ 368,795	\$ 349,283	5.6 %
Same store NOI	\$ 90,223	\$ 88,072	2.4 %	\$ 352,663	\$ 341,957	3.1 %
Same property NOI	\$ 91,031	\$ 88,179	3.2 %	\$ 355,434	\$ 342,733	3.7 %
Funds from operations	\$ 66,797	\$ 62,037	7.7 %	\$ 261,861	\$ 246,032	6.4 %
FFO per unit - basic	\$ 0.293	\$ 0.286	2.4 %	\$ 1.177	\$ 1.145	2.8 %
FFO per unit - diluted (non-GAAP)	\$ 0.293	\$ 0.286	2.4 %	\$ 1.175	\$ 1.144	2.7 %
Adjusted funds from operations	\$ 57,397	\$ 51,848	10.7 %	\$ 224,300	\$ 205,173	9.3 %
AFFO per unit - basic	\$ 0.252	\$ 0.239	5.4 %	\$ 1.008	\$ 0.955	5.5 %
AFFO per unit - diluted (non-GAAP)	\$ 0.252	\$ 0.239	5.4 %	\$ 1.007	\$ 0.954	5.6 %
AFFO payout ratio	75.0%	76.2%	(1.6)%	75.2%	76.3%	(1.4)%
ACFO	\$ 60,422	\$ 52,975	14.1 %	\$ 228,366	\$ 206,056	10.8 %
EBITFV	\$ 93,686	\$ 88,229	6.2 %	\$ 370,693	\$ 350,637	5.7 %

Net Operating Income

NOI for the three months ended December 31, 2019 increased by \$4,501 (5.1%) compared to the same period in the prior year primarily due to the acquisition of income-producing properties and Properties Under Development completed in 2019 and 2018, which contributed \$1,649 to NOI growth. NOI for Properties Under Development for the three months ended December 31, 2019 was \$571.

Same store NOI and same property NOI for the three months ended December 31, 2019 increased by \$2,151 (2.4%) and \$2,852 (3.2%), respectively, when compared to the prior year primarily for the following reasons:

- contractual rent escalations of approximately 1.5% per year, on average, contained within the Canadian Tire store, Canadian Tire Gas+ gas bar and CTC industrial leases, which are generally effective January 1st, contributed \$929 to NOI growth;
- intensifications completed in 2019 and 2018 contributed to \$701 to same property NOI growth;
- recovery of capital expenditures and interest earned on the unrecovered balance contributed \$572 to NOI growth;
- property management expenses, pursuant to Property Management Agreement amounted to \$302 NOI increase; and
- the impact of tenancy changes at 11 Dufferin Place SE and 25 Dufferin Place SE Calgary, Alberta.

NOI for the year ended December 31, 2019 increased by \$19,512 (5.6%) compared to the same period in the prior year primarily due to the acquisition of income-producing properties and Properties Under Development completed in 2019 and 2018, which contributed \$6,811 to NOI growth. NOI for Properties Under Development during the year ended December 31, 2019 was \$2,408.

Same store NOI and same property NOI for the year ended December 31, 2019 increased by \$10,706 (3.1%) and \$12,701 (3.7%), respectively, when compared to the prior year for the following reasons:

- contractual rent escalations of approximately 1.5% per year, on average, contained within the Canadian Tire store, Canadian Tire Gas+ gas bar and CTC industrial leases, which are generally effective January 1st, contributed \$5,563 to NOI growth;
- recovery of capital expenditures and interest earned on the unrecovered balance contributed \$2,243 to NOI growth;
- intensifications completed in 2019 and 2018 contributed \$1,995 to NOI growth;
- the impact of tenancy changes at 11 Dufferin Place SE and 25 Dufferin Place SE Calgary, Alberta, and the proceeds received from the Assigned Claim increased NOI by \$1,553; and
- property management service expenses, pursuant to Property Management Service Agreement, contributed \$769 to the NOI increase.

Funds From Operations

FFO for the three months ended December 31, 2019 amounted to \$66,797 or \$0.293 per unit - diluted (non-GAAP) which was \$4,760 (7.7%) higher or \$0.007 per unit - diluted (non-GAAP) (2.4%) higher than the same period in 2018 primarily due to the impact of NOI variances, discussed earlier, partially offset by higher interest expense.

FFO for the year ended December 31, 2019 amounted to \$261,861 or \$1.175 per unit - diluted (non-GAAP) which was \$15,829 (6.4%) and \$0.031 per unit - diluted (non-GAAP) (2.7%) higher than the same period in 2018 primarily due to the impact of NOI variances, discussed earlier, partially offset by higher interest expense.

Adjusted Funds From Operations

AFFO for the three months ended December 31, 2019 amounted to \$57,397 or \$0.252 per unit - diluted (non-GAAP) which was \$5,549 (10.7%) or \$0.013 per unit - diluted (non-GAAP) (5.4%) higher than the same period in 2018 primarily due to the impact of NOI variances, discussed earlier, partially offset by higher interest expense.

AFFO for the year ended December 31, 2019 amounted to \$224,300 or \$1.007 per unit - diluted (non-GAAP) which was \$19,127 (9.3%) and \$0.053 per unit - diluted (non-GAAP) (5.6%) higher than the same period in 2018 primarily due to the impact of NOI variances, discussed earlier, partially offset by higher interest expense.

Adjusted Funds From Operations Payout Ratio

The AFFO payout ratio for the three months ended December 31, 2019 was 75.0%, which decreased 1.6% from the same periods in 2018 due to higher AFFO per unit for the reasons previously discussed.

The AFFO payout ratio for the year ended December 31, 2019 was 75.2%, which decreased 1.4% from the same periods in 2018 due to higher AFFO per unit for the reasons previously discussed.

Adjusted Cashflow From Operations

ACFO for the three months and year ended December 31, 2019 increased by \$7,447 (14.1%) and \$22,310 (10.8%), respectively, over the same periods in 2018 primarily due to the impact of NOI variances, discussed earlier, partially offset by higher interest expense.

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

EBITFV for the three months and year ended December 31, 2019 increased by \$5,457 (6.2%) and \$20,056 (5.7%), respectively, over the same periods in 2018, primarily due to the impact of NOI variances discussed earlier.

6.0 LIQUIDITY AND FINANCIAL CONDITION

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

6.1 Liquidity

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

(in thousands of Canadian dollars)

As at	December 31, 2019	December 31, 2018
Cash and cash equivalents	\$ 9,734	\$ 4,991
Unused portion of available Credit Facilities ¹	294,442	282,633
Liquidity	\$ 304,176	\$ 287,624

¹ See section 6.10 for details on Credit Facilities.

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		
	2019	2018	Change ¹
Cash generated from operating activities	\$ 362,328	\$ 331,722	9.2 %
Cash used for investing activities	(161,867)	(169,154)	(4.3)%
Cash used for financing activities	(195,718)	(168,479)	16.2 %
Cash generated from (used for) the period	\$ 4,743	\$ (5,911)	NM

¹ NM - not meaningful.

6.2 Discussion of Cash Flows

Cash generated for the year ended December 31, 2019 of \$4,743 was primarily the result of cash generated from operating activities, and the 2019 REIT Offering, partially offset by distribution payments and investing activities.

On September 19, 2019, CT REIT completed a joint equity offering of an aggregate of 16,846,000 Units comprised of the issuance of 6,316,000 Units from treasury for net proceeds of \$86,140 after deducting issuance cost of \$3,863 (the "2019 REIT Offering") and the sale of 10,530,000 Units by CTC (the "2019 Secondary Offering" and, together with the "2019 REIT Offering," hereinafter referred to as the "2019 Equity Offering").

6.3 Credit Ratings

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

These ratings are related to and currently equivalent to those of CTC, as CTC holds a significant ownership position in CT REIT and CTC is CT REIT's most significant tenant.

The following table sets out the 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, 2019	December 31, 2018
Class C LP Units	\$ 1,451,550	\$ 1,451,550
Mortgages payable	48,049	37,100
Debentures	1,070,695	1,069,844
Credit Facilities	2,000	14,995
Total indebtedness	\$ 2,572,294	\$ 2,573,489
Unitholders' equity	1,464,939	1,306,355
Non-controlling interests	1,869,166	1,778,554
Total capital under management	\$ 5,906,399	\$ 5,658,398

CT REIT's total indebtedness at December 31, 2019 was lower than at December 31, 2018 primarily due to lower amounts drawn on the Credit Facilities, partially offset by an increase in mortgages payable. Refer to section 6.6 of this MD&A for further details.

CT REIT's Unitholders' equity and non-controlling interests at December 31, 2019 increased as compared to December 31, 2018 primarily as a result of the 2019 Equity Offering and net income exceeding distributions.

Future payments in respect of CT REIT's indebtedness as at December 31, 2019 are as follows:

(in thousands of Canadian dollars)	Mortgages payable		Class C LP Units	Debentures	Credit facilities	Total
	Principal amortization	Maturities				
2020	400	37,133	251,550	—	\$ 2,000	291,083
2021	419	—	—	150,000	—	150,419
2022	255	9,460	—	150,000	—	159,715
2023	—	—	—	—	—	—
2024 and thereafter	—	—	1,200,000	775,000	—	1,975,000
Total contractual obligation	\$ 1,074	\$ 46,593	\$ 1,451,550	\$ 1,075,000	\$ 2,000	\$ 2,576,217
Unamortized portion of mark to market on mortgages payable assumed on the acquisition of properties	—	358	—	—	—	358
Unamortized transaction costs	—	24	—	(4,305)	—	(4,281)
	\$ 1,074	\$ 46,975	\$ 1,451,550	\$ 1,070,695	\$ 2,000	\$ 2,572,294

Interest rates on CT REIT's indebtedness range from 2.16% to 5.00%. The maturity dates on the indebtedness range from March 2020 to May 2038. Total indebtedness at December 31, 2019 had a weighted average interest rate of 4.08% and a weighted average term to maturity of 8.0 years, excluding the Credit Facilities.

As at December 31, 2019, floating rate and fixed rate indebtedness were \$39,133 and \$2,533,161, respectively.

As at	December 31, 2019	December 31, 2018
Variable rate debt	\$ 39,133	\$ 52,128
Total indebtedness	2,572,294	2,573,489
Variable rate debt / total indebtedness	1.52%	2.03%

CT REIT's variable rate debt to total indebtedness ratio as at December 31, 2019 decreased as compared to December 31, 2018 primarily due to a lower level of borrowing on the Credit Facilities, and the assumption of a fixed rate mortgage in connection with a property acquisition in Q1 2019.

The following table presents the contractual obligations of CT REIT:

	Payments Due by Period						
	Total	2020	2021	2022	2023	2024	2025 and thereafter
Class C LP Units ¹	\$ 1,451,550	\$ 251,550	\$ —	\$ —	\$ —	\$ —	\$ 1,200,000
Debentures	1,075,000	—	150,000	150,000	—	—	775,000
Payments on Class C LP Units ¹	716,425	62,258	58,000	58,000	58,000	52,750	427,417
Interest on debentures	204,478	34,949	33,330	29,572	27,433	27,433	51,761
Credit Facilities	2,000	2,000	—	—	—	—	—
Undiscounted lease liabilities	152,331	4,033	4,143	4,127	4,076	3,776	132,176
Mortgages payable	47,667	37,533	419	9,715	—	—	—
Obligations for the completion of developments	145,667	84,207	47,640	13,820	—	—	—
Other liabilities	32,979	28,004	4,975	—	—	—	—
Distributions payable ²	14,976	14,976	—	—	—	—	—
Payable on Class C LP Units, net of loans receivable	5,685	5,685	—	—	—	—	—
Interest on mortgages payable	1,406	746	446	214	—	—	—
Total	\$ 3,850,164	\$ 525,941	\$ 298,953	\$ 265,448	\$ 89,509	\$ 83,959	\$ 2,586,354

¹ Assumes redemption on Initial Fixed Rate Period for each series.

² On Units and Class B LP Units.

The table below presents CT REIT's interest in investment properties at fair value that are available to it to finance and/or refinance its debt as at December 31, 2019:

(in thousands of Canadian dollars)	Number of properties	Fair value of investment properties	Percentage of total assets	Mortgages payable	Loan to value ratio
Unencumbered investment properties	355	\$ 5,907,840	98.1%	\$ —	—
Encumbered investment properties	2	99,142	1.6%	48,049	48.5%
Total	357	\$ 6,006,982	99.7%	\$ 48,049	0.8%

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

(in thousands of Canadian dollars)

As at	December 31, 2019	December 31, 2018
Secured debt	\$ 48,049	\$ 37,100
Total indebtedness	2,572,294	2,573,489
Secured debt / total indebtedness	1.87%	1.44%

CT REIT's secured debt to total indebtedness ratio at December 31, 2019 increased as compared to December 31, 2018, primarily due to the assumption of a mortgage in connection with a property acquisition in Q1 2019, which was partially offset by decreased borrowings drawn on the Credit Facilities.

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

(in thousands of Canadian dollars)

As at	December 31, 2019	December 31, 2018
Total indebtedness	\$ 2,572,294	\$ 2,573,489
EBITFV ¹	370,693	350,637
Total indebtedness / EBITFV	6.94	7.34

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

CT REIT's indebtedness to EBITFV ratio at December 31, 2019 decreased as compared to the indebtedness to EBITFV ratio at December 31, 2018 primarily due to the growth of EBITFV exceeding the growth of total indebtedness. The growth of EBITFV was primarily due to increased NOI, as discussed earlier.

6.5 Interest Coverage Ratio

Interest coverage ratios are used to measure an entity's ability to service its debt. Generally, the higher the ratio is, the lower the risk of default on debt. The ratio is calculated as follows:

(in thousands of Canadian dollars)

For the periods ended December 31,	Three Months Ended		Year Ended	
	2019	2018	2019	2018
EBITFV ¹ (A)	\$ 93,686	\$ 88,229	\$ 370,693	\$ 350,637
Interest expense and other financing charges (B)	\$ 27,245	\$ 26,192	\$ 109,137	\$ 104,605
Interest coverage ratio ¹ (A)/(B)	3.44	3.37	3.40	3.35

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

The increase in interest coverage ratio for the three months and year ended December 31, 2019, as compared to the same period in 2018 is primarily due to the growth of EBITFV exceeding the growth of interest and other financing charges.

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 Sheets.

CT REIT calculates its indebtedness ratio as follows:

(in thousands of Canadian dollars)

As at	December 31, 2019	December 31, 2018
Total indebtedness¹ (A)	\$ 2,572,294	\$ 2,573,489
Total assets (B)	\$ 6,024,512	\$ 5,708,692
Indebtedness ratio (A)/(B)	42.7%	45.1%

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

The indebtedness ratio as at December 31, 2019 decreased compared to the indebtedness ratio as at December 31, 2018 primarily due to CT REIT's 2019 acquisition, intensification and development activities and fair value adjustments made to its investment property portfolio, and a decrease in total indebtedness.

6.7 Class C LP Units

As at December 31, 2019, there were 1,451,550 Class C LP Units outstanding, all of which were held by CTC. The Class C LP Units are designed to provide CTC with an interest in the Partnership that entitles holders to a fixed cumulative monthly payment, during the initial fixed rate period for each series of Class C LP Units (the "Initial Fixed Rate Period"), equal to a weighted average rate of 4.70% of the aggregate capital amount ascribed to the Class C LP Units. Such payments are made in priority to distributions made to holders of Class B LP Units and units representing an interest in the GP (subject to certain exceptions) if, as and when declared by the Board of Directors of the GP and are payable monthly at an annual distribution rate for each series as set out in the table below. In addition, the Class C LP Units are entitled to receive Special Voting Units, in certain limited circumstances. Refer to section 7.0 for further details.

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 at a price equal to the greater of par and a price to provide a yield equal to the then equivalent Government of Canada bond yield plus a spread, so long as such redemption is in connection with a sale of properties.

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

The Partnership did not settle any Class C LP Units in 2019.

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

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

Series of Class C LP Units	Initial subscription price	Annual distribution rate during Initial Fixed Rate Period	Expiry of Initial Fixed Rate Period	% of Total Class C LP Units
Series 3	\$ 200,000	4.50%	May 31, 2020 (0.4 years)	13.78%
Series 4	200,000	4.50%	May 31, 2024 (4.4 years)	13.78%
Series 5	200,000	4.50%	May 31, 2028 (8.4 years)	13.78%
Series 6	200,000	5.00%	May 31, 2031 (11.4 years)	13.78%
Series 7	200,000	5.00%	May 31, 2034 (14.4 years)	13.78%
Series 8	200,000	5.00%	May 31, 2035 (15.4 years)	13.78%
Series 9	200,000	5.00%	May 31, 2038 (18.4 years)	13.78%
Series 16	16,550	2.42%	May 31, 2020 (0.4 years)	1.14 %
Series 17	18,500	2.39%	May 31, 2020 (0.4 years)	1.27 %
Series 18	4,900	2.28%	May 31, 2020 (0.4 years)	0.34%
Series 19	11,600	2.28%	May 31, 2020 (0.4 years)	0.80%
Total / weighted average	\$ 1,451,550	4.70%	10.1 years	100.0%
Current	\$ 251,550			
Non-current	1,200,000			
Total	\$ 1,451,550			

6.8 Debentures

Series	December 31, 2019		December 31, 2018	
	Face value	Carrying amount	Face value	Carrying amount
A, 2.85%, June 9, 2022	\$ 150,000	\$ 149,625	\$ 150,000	\$ 149,475
B, 3.53%, June 9, 2025	200,000	199,101	200,000	198,949
C, 2.16%, June 1, 2021	150,000	149,751	150,000	149,577
D, 3.29%, June 1, 2026	200,000	199,130	200,000	198,995
E, 3.47%, June 16, 2027	175,000	174,142	175,000	174,036
F, 3.87%, December 7, 2027	200,000	198,946	200,000	198,812
	\$ 1,075,000	\$ 1,070,695	\$ 1,075,000	\$ 1,069,844

Debentures as at December 31, 2019 had a weighted average interest rate of 3.25% (December 31, 2018 - 3.25%).

For the three months and year ended December 31, 2019, amortization of transaction costs of \$229 (Q4 2018 - \$261) and \$850 (YTD 2018 - \$1,043) is included in net interest and other financing charges on the consolidated statement of income and comprehensive income. Refer to Note 15 of the consolidated financial statements.

The debentures have been rated "BBB+" by S&P and "BBB (high)" by DBRS, both with a stable outlook. The debentures are direct senior unsecured obligations of CT REIT. Refer to section 6.3 for further details.

6.9 Mortgages Payable

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

(in thousands of Canadian dollars)

As at	December 31, 2019		December 31, 2018	
	Face value	Carrying amount	Face value	Carrying amount
Current	\$ 37,533	\$ 37,696	\$ 37,133	\$ 37,100
Non-current	10,134	10,353	—	—
Total	\$ 47,667	\$ 48,049	\$ 37,133	\$ 37,100

Mortgages payable at December 31, 2019 had a weighted average interest rate of 3.82% (December 31, 2018 – 3.81%).

6.10 Credit Facilities

Bank Credit Facility

CT REIT has a committed, unsecured \$300,000 revolving credit facility with a syndicate of major Canadian third party banks ("Bank Credit Facility") expiring in December 2024. 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, 2019, no borrowings were drawn on the Bank Credit Facility. At December 31, 2019, borrowings under the Bank Credit Facility had a weighted average interest rate of nil (December 31, 2018 - 3.46%).

CTC Credit Facility

In Q4 2019, CT REIT entered into an uncommitted, unsecured \$300,000 revolving credit facility with CTC ("CTC Credit Facility") expiring in December 2020. The CTC Credit Facility bears interest at a rate based on the bank's prime rate of interest or bankers' acceptances plus a margin.

As at December 31, 2019, \$2,000 of borrowings were drawn on the CTC Credit Facility. At December 31, 2019, borrowings under the CTC Credit Facility had a weighted average interest rate of 3.95%.

The Bank Credit Facility and the CTC Credit Facility are collectively referred to herein as the "Credit Facilities"

The table below summarizes the details of the Credit Facilities as at December 31, 2019:

(in thousands of Canadian dollars)

	Maximum draw amount	Cash advances	Letters of credit	Available to be drawn
Bank Credit Facility	\$ 300,000	\$ —	\$ 5,558	\$ 294,442
CTC Credit Facility	\$ 300,000	\$ 2,000	\$ —	\$ —

¹uncommitted facility subject to CTC discretion.

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

6.11 Capital Strategy

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

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

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

As at December 31, 2019, CT REIT's indebtedness ratio was 42.7%. Refer to section 6.6 of this MD&A for the definition and calculation of CT REIT's indebtedness ratio.

At December 31, 2019, CT REIT was in compliance with the financial covenants contained in the Declaration of Trust, the Trust Indenture and the Credit Facilities.

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.

For the three months ended December 31, 2019, CT REIT's interest coverage ratio was 3.4 times. Refer to section 6.5 of this MD&A for the definition and calculation of CT REIT's interest coverage ratio.

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

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

6.12 Commitments and Contingencies

As at December 31, 2019, CT REIT had obligations of \$145,667 (December 31, 2018 - \$129,163) in future payments for the completion of developments, as described in section 4.6 of this MD&A. Included in the commitment is \$132,607 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 Credit Facilities, (iv) an investment grade credit rating, (v) unencumbered assets, and (vi) sufficient operating cash flow retained in the business.

6.13 Base Shelf Prospectus

CT REIT renewed its short form base shelf prospectus in Q2 2019 under which it could raise up to \$2.0 billion of debt and/or equity (including the sale of Units by CTC) over the 25-month period ending May 24, 2021.

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, 2019, CT REIT had a total of 103,927,385 Units outstanding, 33,989,508 of which were held by CTC, and 124,289,491 Class B LP Units outstanding (together with a corresponding number of Special Voting Units, as hereinafter defined), all of which were held by CTC.

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

The following tables summarize the total number of Units issued:

	As at December 31, 2019		
	Units	Class B LP Units	Total
Total outstanding at beginning of year	96,848,606	123,400,633	220,249,239
Units issued ¹	762,779	888,858	1,651,637
2019 REIT Offering	6,316,000	—	6,316,000
Total outstanding at end of period	103,927,385	124,289,491	228,216,876

¹ 742,946 issued pursuant to the REIT's distribution reinvestment plan.

	As at December 31, 2018		
	Units	Class B LP Units	Total
Total outstanding at beginning of year	90,645,295	123,092,866	213,738,161
Units issued ¹	279,897	1,052,181	1,332,078
2018 REIT Offering	5,179,000	—	5,179,000
Exchange of Class B LP Units for Units	744,414	(744,414)	—
Total outstanding at end of year	96,848,606	123,400,633	220,249,239

¹ 274,642 issued pursuant to the REIT's distribution reinvestment plan.

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

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

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

(in thousands of Canadian dollars, except unit amounts)	For the Year ended December 31, 2019		
	Units	Class B LP Units	Total
Net income attributable to Unitholders - basic	\$ 136,667	\$ 170,526	\$ 307,193
Income effect of settling Class C LP Units with Class B LP Units			68,219
Net income attributable to Unitholders - diluted			\$ 375,412
Weighted average units outstanding - basic	98,990,726	123,568,955	222,559,681
Dilutive effect of other Unit plans			231,890
Dilutive effect of settling Class C LP Units with Class B LP Units			91,823,461
Weighted average units outstanding - diluted			314,615,032

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

7.2 Equity

(in thousands of Canadian dollars)

As at	December 31, 2019	December 31, 2018
Equity - beginning of period, as previously reported	\$ 3,084,909	\$ 2,861,441
Transition adjustments - IFRS 16	1,314	—
Restated equity - beginning of period	3,086,223	2,861,441
Net income and comprehensive income for the period	307,193	300,906
Issuance of Units from 2019/2018 REIT Offerings, net of issue costs	86,140	62,276
Issuance of Class B LP Units, net of issue costs	13,275	14,022
Distributions to non-controlling interests	(93,925)	(90,208)
Distributions to Unitholders	(75,469)	(67,050)
Issuance of Units under Distribution Reinvestment Plan and other	10,668	3,522
Equity - end of the period	\$ 3,334,105	\$ 3,084,909

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

7.3 Distributions

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

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

The Board regularly reviews CT REIT's rate of distributions to ensure an appropriate level of distributions. The Board has discretion over the determination of monthly and annual distributions.

On November 4, 2019, CT REIT's Board reviewed the current rate of distribution of \$0.757 per Unit per year and approved an increase in the annual rate of distribution to \$0.787 per Unit per year, or \$0.06562 per Unit monthly, commencing with the December 31, 2019 record date

On December 13, 2019, CT REIT's Board declared a distribution of \$0.06562 per Unit payable on January 15, 2020 to holders of Units and Class B LP Units of record as of December 31, 2019.

On January 15, 2020, CT REIT's Board declared a distribution of \$0.06562 per Unit payable on February 18, 2020 to holders of Units and Class B LP Units of record as of January 31, 2020.

One of CT REIT's objectives is to grow monthly distributions. The distribution payments and increases since December 31, 2014 are as follows:

	Monthly distribution per Unit ¹	% increase	Annualized distribution per Unit	Annualized increase per Unit
2020²	\$ 0.06562	4.0%	\$ 0.787	\$ 0.0300
2019	\$ 0.06310	4.0%	\$ 0.757	\$ 0.0290
2018	\$ 0.06067	4.0%	\$ 0.728	\$ 0.0280
2017	\$ 0.05833	2.9%	\$ 0.700	\$ 0.0200
2016	\$ 0.05667	2.6%	\$ 0.680	\$ 0.0170
2015	\$ 0.05525	2.0%	\$ 0.663	\$ 0.0130
2014	\$ 0.05417	—	\$ 0.650	\$ —

¹ The Board has discretion over the determination of monthly and annual distributions.

² Approved by the Board on November 4, 2019.

Net income prepared in accordance with IFRS recognizes certain revenues and expenses at time intervals that do not match the receipt or payment of cash. Therefore, in applying judgment, consideration is given to AFFO (a non-GAAP measure of recurring economic earnings used to assess distribution capacity, refer to section 10.0) and other factors when establishing distributions to Unitholders.

(in thousands of Canadian dollars, except per unit amounts) For the periods ended December 31,	Three Months Ended		Year Ended	
	2019	2018	2019	2018
Distributions before distribution reinvestment - paid	\$ 43,080	\$ 39,449	\$ 168,318	\$ 156,328
Distribution reinvestment	3,728	996	10,395	3,453
Distributions net of distribution reinvestment - paid	\$ 39,352	\$ 38,453	\$ 157,923	\$ 152,875
Distributions per unit - paid	\$ 0.189	\$ 0.182	\$ 0.757	\$ 0.728

Distributions for the three months and year ended December 31, 2019 are higher than the same period in the prior year due to higher weighted average number of units outstanding and the increase in the annual rate of distributions effective with the first distribution paid in 2019.

CT REIT's distributions for the three months and year ended December 31, 2019 are less than the REIT's cash generated from operating activities, cash generated from operating activities reduced by net interest and other financing charges, and AFFO, a non-GAAP measure which is an indicator of CT REIT's distribution capacity.

(in thousands of Canadian dollars, except per unit amounts) For the periods ended December 31,	Three Months Ended		Year Ended	
	2019	2018	2019	2018
AFFO ¹	\$ 57,397	\$ 51,848	\$ 224,300	\$ 205,173
Distributions before distribution reinvestment - paid	43,080	39,449	168,318	156,328
Excess of AFFO over distributions paid (A)	\$ 14,317	\$ 12,399	\$ 55,982	\$ 48,845
Weighted average units outstanding - diluted (non-GAAP) ¹ (B)	227,887,268	217,107,359	222,791,571	215,040,074
Excess of AFFO over distributions paid per unit (A)/(B)¹	\$ 0.063	\$ 0.057	\$ 0.251	\$ 0.227

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, 2019	December 31, 2018
Total equity (A)	\$ 3,334,105	\$ 3,084,909
Period-end Units and Class B LP Units outstanding (B)	228,216,876	220,249,239
Book value per unit (A)/(B)	\$ 14.61	\$ 14.01

CT REIT's book value per unit as at December 31, 2019 increased from the book value per unit as at December 31, 2018 primarily due to net income exceeding distributions.

8.0 RELATED PARTY TRANSACTIONS

On December 31, 2019, CT REIT's controlling Unitholder, CTC, held a 69.4% effective interest in the REIT, through the ownership of 33,989,508 Units and all of the issued and outstanding Class B LP Units.

In addition to its ownership interest, CTC is CT REIT's most significant tenant representing approximately 91.7% of the annualized base minimum rent earned by CT REIT and 92.5% of total GLA as at December 31, 2019.

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 \$94,788 (2018 - 68,903) for the year ended December 31, 2019. Refer to Note 4 to the consolidated financial statements for additional information.

CT REIT entered into the CTC Credit Facility. Refer to section 6.10 of this MD&A for additional information.

CT REIT's policy is to conduct all transactions and settle all balances, with related parties, on market terms and conditions. Pursuant to the Declaration of Trust, all related party transactions are subject to the approval of the independent trustees of CT REIT.

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

Services Agreement

Under the services agreement among the Partnership and CTC entered into on October 23, 2013 ("Services Agreement"), CTC provides the REIT with certain administrative, financial, information technology, internal audit and other support services as may be reasonably required from time to time (the "Services"). CTC provides these Services to the REIT on a cost recovery basis

pursuant to which CT REIT reimburses CTC for all costs and expenses incurred by CTC in connection with providing the Services, plus applicable taxes. The Services Agreement is automatically renewable for one year terms, unless otherwise terminated in accordance with its terms. The Services Agreement was automatically renewed for 2020 and CTC will continue to provide such Services on a cost recovery basis.

Property Management Agreement

Under the property management agreement, among the Partnership and CTC entities entered into on October 23, 2013 (“Property Management Agreement”), CTC provides the REIT with certain customary property management services (the “Property Management Services”). CTC provides these Property Management Services to the REIT on a cost recovery basis pursuant to which the REIT reimburses CTC for all costs and expenses incurred by CTC in connection with providing the Property Management Services, plus applicable taxes. The Property Management Agreement is automatically renewable for one year terms, unless otherwise terminated in accordance with its terms. The Property Management Agreement was automatically renewed for 2020 and CTC will continue to provide such Property Management Services on a cost recovery basis.

Refer to CT REIT’s 2019 AIF available on SEDAR at www.sedar.com for additional information on related party agreements and arrangements with CTC.

The following table summarizes CT REIT’s related party transactions as at December 31, 2019, excluding acquisition, intensification and development activities which are contained in section 4.0:

(in thousands of Canadian dollars) For the periods ended December 31,	Year Ended	
	2019	2018
Rental revenue	\$ 437,391	\$ 426,104
Property Management and Services Agreements expense	\$ 4,253	\$ 5,383
Distributions on Units	\$ 31,139	\$ 41,737
Distributions on Class B LP Units ¹	\$ 93,925	\$ 90,209
Interest expense on Class C LP Units	\$ 68,219	\$ 68,219
Interest expense on the Bridge Facility	\$ —	\$ 351

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

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

(in thousands of Canadian dollars)

As at	December 31, 2019	December 31, 2018
Tenant and other receivables	\$ (1,890)	\$ (849)
Class C LP Units	1,451,550	1,451,550
Amounts payable on Class C LP Units	67,712	67,712
Loans receivable in respect of payments on Class C LP Units	(62,027)	(62,027)
Other liabilities	6,695	9,474
Distributions payable on Units and Class B LP Units ¹	29,589	28,634
Loans receivable in respect of distributions on Class B LP Units	(19,202)	(18,038)
CTC Credit Facility ²	2,000	—
Net balance due to CTC	\$ 1,474,427	\$ 1,476,456

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

² See Note 9 of the consolidated financial statements.

9.0 Accounting Policies and Estimates

9.1 Significant Areas of Estimation

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

Fair Value of Investment Properties

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

9.2 Standards, Amendments and Interpretations Issued and Adopted

The following amendments have been issued and are effective for the fiscal year ended December 31, 2019, and accordingly, have been applied in preparing these consolidated financial statements.

(i) Leases

Effective in the first quarter of 2019, CT REIT adopted 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. IFRS 16 substantially carries forward the lessor accounting in IAS 17 with the distinction between operating leases

and finance leases being retained. The adoption of IFRS 16 has resulted in the recognition of right-of-use assets (classified as investment property) and lease liabilities for all operating leases where CT REIT is a lessee.

As permitted by the transition provisions in IFRS 16, CT REIT has elected not to restate comparative figures with the cumulative effect of initially applying the new standard recognized in retained earnings on January 1, 2019. Accordingly, the information presented in these financial statements for the prior year does not reflect the requirements of IFRS 16 and therefore is not comparable to the information presented in the current period under IFRS 16.

The following table summarizes the cumulative impact of transition adjustments:

	As previously reported under IAS 17 December 31, 2018	IFRS 16 transition adjustments	Restated balance January 1, 2019
Investment properties	\$ 5,696,194	\$ 66,589	\$ 5,762,783
Other assets - Non-current	\$ 2,801	\$ (1,466)	\$ 1,335
Lease liabilities - Current	\$ —	\$ 5,982	\$ 5,982
Lease liabilities - Non-current	\$ —	\$ 59,141	\$ 59,141
Other liabilities - Current	\$ 33,048	\$ (1,314)	\$ 31,734
Equity	\$ 3,084,909	\$ 1,314	\$ 3,086,223

On adoption of IFRS 16, CT REIT recognized lease liabilities in relation to 10 ground leases which were previously classified as 'operating leases' under the principles of IAS 17. Ground rent incurred on these leases was previously included in property expense. The lease liabilities are measured at the present value of the remaining lease payments, discounted using CT REIT's incremental borrowing rate as of January 1, 2019. The weighted average incremental borrowing rate applied to the lease liabilities on January 1, 2019 was 5.0%. On adoption, the ground leases had a weighted average remaining term of 36 years assuming all renewal options are exercised.

The following table reconciles the operating lease commitments disclosed under IAS 17 as at December 31, 2018 to the opening balance for lease liabilities as at January 1, 2019:

Operating lease commitments as at December 31, 2018	\$ 43,761
Add: adjustments for extension options reasonably certain to be exercised	114,895
Effect of discounting using CT REIT's incremental borrowing rate	(93,533)
Lease liability recognized as at January 1, 2019	\$ 65,123

The associated right-of-use assets for these leases are accounted for as investment property under IAS 40 - *Investment Property* and are measured at fair value at the date of initial application. Finance costs associated with the lease liabilities are recognized in net interest and financing charges in the Consolidated Statements of Income.

In applying IFRS 16 for the first time, CT REIT has not reassessed, under IFRS 16, contracts that were identified as leases under the previous accounting standard (IAS 17) as a practical expedient permitted by IFRS 16. CT REIT has used hindsight in determining the lease term when the lease contracts contain options to extend or terminate the lease.

(ii) IASB annual improvements

In December 2017, the IASB issued amendments to four standards, including IFRS 3 - *Business Combinations*, IFRS 11 - *Joint Arrangements*, IAS 12 - *Income Taxes* and IAS 23 - *Borrowing Costs*. These amendments became effective for annual periods beginning on or after January 1, 2019. The implementation of these amendments did not have a significant impact on CT REIT.

9.3 Standards, Amendments and Interpretations Issued but Not Yet Adopted

The following new standards, amendments and interpretations have been issued but are not effective for the fiscal year ended December 31, 2019, and, accordingly, have not been applied in preparing these consolidated financial statements.

(i) IASB annual improvements

In 2019, the IASB amended IFRS 10 - *Consolidated Financial Statements* and IAS 28 - *Investments in Associates and Joint Ventures* with respect to accounting for loss in control of subsidiary. This amendment is effective for reporting years yet to be determined by the IASB and the impact on CT REIT is currently being assessed.

In 2019, the IASB amended IFRS 9 - *Financial Instruments* and IFRS 7 - *Financial Instruments Disclosure* regarding interest rate benchmarks used for hedge accounting. These amendments are effective for reporting years starting January 2020 and the impact on CT REIT is currently being assessed.

(ii) Definition of material

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

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

(iii) Definition of business

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

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

10.0 NON-GAAP MEASURES

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

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

10.1 Net Operating Income

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

(in thousands of Canadian dollars) For the periods ended December 31,	Three Months Ended			Year Ended		
	2019	2018	Change	2019	2018	Change
Property revenue	\$ 123,692	\$ 119,322	3.7 %	\$ 489,013	\$ 472,483	3.5 %
Less:						
Property expense	(26,763)	(26,804)	(0.2)%	(106,088)	(108,636)	(2.3)%
Property straight-line rent revenue	(3,485)	(4,535)	(23.2)%	(14,130)	(18,404)	(23.2)%
Add:						
Straight-line ground lease expense	—	15	(100.0)%	—	62	(100.0)%
Transition adjustments - IFRS 16: ¹						
Ground lease expense	—	960	(100.0)%	—	3,840	(100.0)%
Straight-line ground lease expense	—	(15)	(100.0)%	—	(62)	(100.0)%
Net operating income	\$ 93,444	\$ 88,943	5.1 %	\$ 368,795	\$ 349,283	5.6 %

¹ 2018 net operating income has been adjusted to exclude ground lease expense and straight-line ground lease expense to achieve consistency in reporting under IFRS 16. Refer to section 9.2 for further information.

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. 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 this measure to gauge the change in asset productivity and asset value, as well as measure the additional return earned by incremental capital investments in existing assets.

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

(in thousands of Canadian dollars)	Three Months Ended			Year Ended		
For the periods ended December 31,	2019	2018	Change ¹	2019	2018	Change ¹
Same store	\$ 90,223	\$ 88,072	2.4 %	\$ 352,663	\$ 341,957	3.1%
Intensifications						
2019	682	—	— %	1,171	—	—%
2018	126	107	17.8 %	1,600	776	NM
Same property	\$ 91,031	\$ 88,179	3.2 %	\$ 355,434	\$ 342,733	3.7%
Acquisitions, developments and dispositions						
2019	2,013	20	NM	5,206	80	NM
2018	400	744	(46.2)%	8,156	6,471	26.0%
Net operating income	\$ 93,444	\$ 88,943	5.1 %	\$ 368,796	\$ 349,284	5.6%

¹ NM - not meaningful.

10.2 Funds From Operations and Adjusted Funds From Operations

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

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

For the periods ended December 31,	Three Months Ended			Year Ended		
	2019	2018	Change ¹	2019	2018	Change ¹
Net Income and comprehensive income	\$ 76,890	\$ 74,501	3.2 %	\$ 307,193	\$ 300,906	2.1 %
Fair value adjustment on investment property	(10,641)	(11,522)	(7.6)%	(47,306)	(53,628)	(11.8)%
GP income tax expense	(467)	(274)	70.4 %	(360)	(7)	NM
Lease principal payments on right-of-use assets ²	171	—	NM	(201)	—	NM
Fair value adjustment of unit based compensation	659	(668)	NM	2,029	(1,239)	NM
Internal leasing expense	185	—	NM	506	—	NM
Funds from operations	\$ 66,797	\$ 62,037	7.7 %	\$ 261,861	\$ 246,032	6.4 %
Property straight-line rent revenue	(3,485)	(4,535)	(23.2)%	(14,130)	(18,404)	(23.2)%
Straight-line ground lease expense	—	15	(100.0)%	—	62	(100.0)%
Normalized capital expenditure reserve	(5,915)	(5,669)	4.3 %	(23,431)	(22,517)	4.1 %
Adjusted funds from operations	\$ 57,397	\$ 51,848	10.7 %	\$ 224,300	\$ 205,173	9.3 %
FFO per unit - basic	\$ 0.293	\$ 0.286	2.4%	\$ 1.177	\$ 1.145	2.8%
FFO per unit - diluted (non-GAAP) ³	\$ 0.293	\$ 0.286	2.4%	\$ 1.175	\$ 1.144	2.7%
AFFO per unit - basic	\$ 0.252	\$ 0.239	5.4%	\$ 1.008	\$ 0.955	5.5%
AFFO per unit - diluted (non-GAAP) ³	\$ 0.252	\$ 0.239	5.4%	\$ 1.007	\$ 0.954	5.6%
Weighted average units outstanding - basic	227,646,716	216,940,471	4.9%	222,559,681	214,805,646	3.6%
Weighted average units outstanding - diluted (non-GAAP)	227,887,268	217,107,359	5.0%	222,791,571	215,040,074	3.6%
Number of units outstanding, end of period	228,216,876	220,249,239	3.6%	228,216,876	220,249,239	3.6%

¹ NM - not meaningful.

² Refer to section 9.2 for further information.

³ For the purposes of calculating diluted per unit amounts, diluted units includes restricted and deferred units issued under various plans and excludes the effects of settling the Class C LP Units with Class B LP Units.

Funds From Operations

FFO is a non-GAAP financial measure of operating performance used by the real estate industry, particularly by those publicly traded entities that own and operate income-producing properties. FFO should not be considered as an alternative to net income or cash flows provided by operating activities determined in accordance with IFRS. CT REIT calculates its FFO in accordance with Real Property Association of Canada's ("REALPAC") "White Paper on Funds From Operations & Adjusted Funds From Operations for IFRS" ("White Paper on FFO & AFFO") issued in February 2019. The use of FFO, together with the required IFRS presentations, has been included for the purpose of improving the understanding of the operating results of CT REIT.

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

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

Adjusted Funds From Operations

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

CT REIT calculates AFFO by adjusting FFO for non-cash income and expense items such as amortization of straight-line rents. FFO is also adjusted for a reserve for maintaining productive capacity required for sustaining property infrastructure and revenue from real estate properties and direct leasing costs. As property capital expenditures do not occur evenly during the fiscal year or from year to year, the normalized capital expenditure reserve in the AFFO calculation, which is used as an input in assessing a REIT's distribution payout ratio, is intended to reflect an average annual spending level. The reserve is primarily based on average expenditures as determined by building condition reports prepared by independent consultants.

The following table compares capital expenditures during the period 2015-2019 to the normalized capital expenditure reserve used in the calculation of AFFO:

(in thousands of Canadian dollars)

For the periods indicated		Normalized capital expenditure reserve	Capital expenditures	Variance
	2016			
Q1	\$	4,407	\$ 259	\$ 4,148
Q2		4,581	4,898	(317)
Q3		4,666	8,551	(3,885)
Q4		4,741	1,862	2,879
Year ended December 31, 2016	\$	18,395	\$ 15,570	\$ 2,825
	2017			
Q1	\$	5,065	\$ 348	\$ 4,717
Q2		5,109	5,445	(336)
Q3		5,139	8,307	(3,168)
Q4		5,173	4,862	311
Year ended December 31, 2017	\$	20,486	\$ 18,962	\$ 1,524
	2018			
Q1	\$	5,598	\$ (371)	\$ 5,969
Q2		5,618	2,425	3,193
Q3		5,632	9,867	(4,235)
Q4		5,669	5,778	(109)
Year ended December 31, 2018	\$	22,517	\$ 17,699	\$ 4,818
	2019			
Q1	\$	5,779	\$ 257	\$ 5,522
Q2		5,854	5,253	601
Q3		5,883	10,311	(4,428)
Q4		5,915	4,728	1,187
Year ended December 31, 2019	\$	23,431	\$ 20,549	\$ 2,882

The normalized capital expenditure reserve exceeded actual capital expenditures by \$12,049 during the four year period of 2016-2019. The normalized capital expenditure reserve per square foot has increased since 2015 which reflects changes in asset mix (primarily due to an increase in multi-tenanted retail investment properties) and inflation in expected costs. Management expects there will be periods in the future where actual capital expenditures will exceed the normalized capital expenditure reserve. The current period reserve is based upon unit costs that are anticipated to be realized in work to be completed in the current period.

The normalized capital expenditure reserve varies from the capital expenditures incurred due to the seasonal nature of the expenditures. As such, CT REIT views the normalized capital expenditure reserve as a more meaningful measure. Refer to section 4.11 for additional information.

10.3 AFFO Payout Ratio

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

For the periods ended December 31,	Three Months Ended			Year Ended		
	2019	2018	Change	2019	2018	Change
Distribution per unit - paid (A)	\$ 0.189	\$ 0.182	4.0 %	\$ 0.757	\$ 0.728	4.0 %
AFFO per unit - diluted (non-GAAP)¹ (B)	\$ 0.252	\$ 0.239	5.4 %	\$ 1.007	\$ 0.954	5.6 %
AFFO payout ratio (A)/(B)	75%	76%	(1)%	75%	76%	(1)%

¹ For the purposes of calculating diluted per unit amounts, diluted units includes restricted and deferred units issued under various plans and excludes the effects of settling the Class C LP Units with Class B LP Units.

10.4 Diluted Non-GAAP per Unit Calculations

Management calculates the weighted average units outstanding - diluted (non-GAAP) by excluding the full conversion of the Class C LP Units with Class B LP Units which is not considered a likely scenario. As such, the REIT's fully diluted per unit FFO and AFFO amounts are calculated excluding the effects of settling the Class C LP Units with Class B LP Units, which management considers as a more meaningful measure.

The following table reconciles the calculation of the weighted average units outstanding - diluted (non-GAAP) to weighted average units outstanding - diluted:

For the periods ended December 31,	Three Months Ended		Year Ended	
	2019	2018	2019	2018
Weighted average units outstanding - diluted (non-GAAP)	227,887,268	217,107,359	222,791,571	215,040,074
Dilutive effect of settling Class C LP Units with Class B LP Units	91,823,461	121,102,386	91,823,461	121,102,386
Weighted average units outstanding - diluted	319,710,729	338,209,745	314,615,032	336,142,460

10.5 Adjusted Cash Flow From Operations

ACFO is a non-GAAP financial measure developed by REALPAC for use by the real estate industry as a sustainable economic cash flow metric. ACFO should not be considered as an alternative to cash flows provided by operating activities determined in accordance with IFRS. CT REIT calculates its ACFO in accordance with REALPAC's "White Paper on Adjusted Cashflow from Operations for IFRS" ("White Paper on ACFO") issued in February 2019. The purpose of the White Paper on ACFO is to provide guidance on the definition of ACFO to promote consistent disclosure amongst reporting issuers. Management believes that the use of ACFO, combined with the required IFRS presentations, improves the understanding of the operating cash flow of CT REIT.

CT REIT calculates ACFO from cash flow generated from operating activities by adjusting for non-operating adjustments to changes in working capital and other, net interest and other financing charges and normalized capital expenditure reserve.

A reconciliation from the IFRS term “Cash Generated from Operating Activities” (refer to the Consolidated Statements of Cash Flows for the year ended December 31, 2019 and December 31, 2018) to ACFO is as follows:

(in thousands of Canadian dollars)	Three Months Ended			Year Ended		
For the periods ended December 31,	2019	2018	Change ¹	2019	2018	Change ¹
Cash generated from operating activities	93,986	\$ 83,887	12.0%	362,328	\$ 331,722	9.2%
Non-operating adjustments to changes in working capital and other	(787)	843	NM	(1,577)	1,231	NM
Net interest and other financing charges	(27,033)	(26,086)	3.6%	(108,753)	(104,380)	4.2%
Normalized capital expenditure reserve	(5,915)	(5,669)	4.3%	(23,431)	(22,517)	4.1%
Lease principal payments on right-of-use assets ²	171	—	NM	(201)	—	NM
Adjusted cashflow from operations	60,422	\$ 52,975	14.1%	228,366	\$ 206,056	10.8%

¹ NM - not meaningful.

² Refer to section 9.2 for further information.

The non-operating adjustments to changes in working capital and other for three months ended and year ended December 31, 2019 is primarily due to the timing of commodity taxes payable.

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

EBITFV is a non-GAAP measure of a REIT's operating cash flow and it is used in addition to IFRS net income because it excludes major non-cash items (including fair value adjustments), 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 its ability to satisfy its obligations, including servicing its debt.

For the three months and year ended December 31, 2019, EBITFV was calculated as follows:

(in thousands of Canadian dollars)	Three Months Ended			Year Ended		
For the periods ended December 31,	2019	2018	Change ¹	2019	2018	Change ¹
Net income and comprehensive income	\$ 76,890	\$ 74,501	3.2 %	\$ 307,193	\$ 300,906	2.1 %
Fair value adjustment on investment properties	(10,641)	(11,522)	(7.6)%	(47,306)	(53,628)	(11.8)%
Fair value adjustment on unit-based awards	659	(668)	NM	2,029	(1,239)	NM
Interest expense and other financing charges	27,245	26,192	4.0 %	109,137	104,605	4.3 %
GP income tax expense	(467)	(274)	70.4 %	(360)	(7)	NM
EBITFV	\$ 93,686	\$ 88,229	6.2 %	\$ 370,693	\$ 350,637	5.7 %

¹ NM - not meaningful.

10.7 Non-GAAP Measures Referenced in Other Sections of the MD&A

The interest coverage ratio under section 6.5 is calculated using a non-GAAP measure.

10.8 Selected Quarterly Consolidated Information

(in thousands of Canadian dollars, except per unit amounts)	2019				2018			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
As at and for the quarter ended								
Property revenue	\$ 123,692	\$ 121,763	\$ 121,994	\$ 121,564	\$ 119,322	\$ 117,662	\$ 118,880	\$ 116,619
Net income	\$ 76,890	\$ 80,138	\$ 78,720	\$ 71,445	\$ 74,501	\$ 79,147	\$ 74,744	\$ 72,514
Net income per unit								
- basic	\$ 0.338	\$ 0.362	\$ 0.357	\$ 0.324	\$ 0.343	\$ 0.369	\$ 0.350	\$ 0.339
- diluted	\$ 0.294	\$ 0.301	\$ 0.297	\$ 0.273	\$ 0.271	\$ 0.296	\$ 0.282	\$ 0.276
FFO per unit - diluted (non-GAAP) ¹	\$ 0.293	\$ 0.303	\$ 0.291	\$ 0.288	\$ 0.286	\$ 0.289	\$ 0.292	\$ 0.277
AFFO per unit - diluted (non-GAAP) ¹	\$ 0.252	\$ 0.261	\$ 0.249	\$ 0.245	\$ 0.239	\$ 0.241	\$ 0.241	\$ 0.233
Total assets	\$6,024,512	\$6,001,912	\$5,928,005	\$5,853,296	\$5,708,692	\$5,676,689	\$5,592,575	\$5,555,324
Total indebtedness	\$2,572,294	\$2,570,162	\$2,609,049	\$2,580,000	\$2,573,489	\$2,596,482	\$2,581,316	\$2,596,152
Total distributions, net of distribution reinvestment, to Unitholders - paid	\$ 39,352	\$ 39,337	\$ 39,337	\$ 39,877	\$ 38,453	\$ 38,169	\$ 38,069	\$ 38,184
Total distributions per unit - paid	\$ 0.189	\$ 0.189	\$ 0.189	\$ 0.189	\$ 0.182	\$ 0.182	\$ 0.182	\$ 0.182
Book value per unit	\$ 14.61	\$ 14.46	\$ 14.31	\$ 14.15	\$ 14.01	\$ 13.90	\$ 13.71	\$ 13.54
Market price per unit								
- high	\$ 16.30	\$ 15.05	\$ 14.77	\$ 14.45	\$ 13.03	\$ 13.72	\$ 13.53	\$ 14.68
- low	\$ 14.51	\$ 13.97	\$ 13.54	\$ 11.47	\$ 11.26	\$ 12.37	\$ 12.80	\$ 12.50
- close (end of period)	\$ 16.14	\$ 15.03	\$ 14.22	\$ 14.36	\$ 11.53	\$ 12.85	\$ 12.90	\$ 13.30

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

Property revenue, distributions and other financial and operational results noted above have grown at a steady rate. However, macroeconomic and market trends may have an influence on the demand for space, occupancy levels, and consequently, the REIT's operating performance.

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 Framework

To preserve and enhance Unitholder value over the long term, CT REIT takes a balanced approach to risk taking together with effective risk management. The effective management of risk within CT REIT is a key priority for the Board of Trustees and senior management, as such the REIT has adopted an Enterprise Risk Management Framework ("ERM Framework") for identifying, assessing, monitoring, mitigating and reporting key risks.

The ERM Framework is designed to provide an integrated approach to the management of risks, through a disciplined manner that:

- Safeguards the REIT's reputation;
- Supports the achievement of the REIT's growth strategy and objectives;
- Preserves and enhances Unitholder value; and
- Supports business planning and operations by providing a cross-functional perspective to risk management, integrated with strategic planning and reporting processes.

Risk Governance

Through the ERM Framework, there is oversight over key risks and emerging risks. The foundation of the REIT's ERM Framework is a governance approach that includes a set of policies approved by the Board of Trustees together with the following key elements; the Board of Trustees and Chief Executive Officer ("CEO"), supported by the senior leadership team and a three-lines of defence operating model. Clearly defined roles and responsibilities, coupled with timely monitoring and reporting, assist in supporting a strong risk culture and effective governance of risk.

The CEO is supported in discharging his responsibilities with respect to managing strategies in alignment with the REIT's risk appetite, identifying various risk related policies for the Board's approval and evaluating the effectiveness of the REIT's processes and controls that aim to mitigate risk and support strategic objectives. The REIT monitors its risk exposures to assess that it is operating within approved limits, strategies and risk appetite.

Key Risks

CT REIT monitors its business to identify and assess key risks 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. The key risks are enterprise-wide in scope and represent strategic, financial and operational risks. The mitigation and management of key risks is approached holistically with a view to ensuring all risk exposures are considered. Although the REIT believes the measures taken to mitigate risks are reasonable, there can be no assurance that they will effectively control all risks that may have a negative impact. In addition, there are numerous other risk factors that are difficult to predict and could adversely affect the REIT's financial results, operations and strategic objectives.

The following table provides an overview of each of the REIT's key risks and related risk management strategies. Further information on the REIT's key risks is presented in the REIT's 2019 Annual Information Form ("2019 AIF"). CT REIT cautions that the discussion of risks, including those risks described in the REIT's 2019 AIF, is not exhaustive. When considering whether to purchase or sell Units of the REIT, investors and others should carefully consider these factors as well as other uncertainties, potential events and industry specific factors that may adversely impact the REIT's future results.

Key Risks	Risk Management Strategy
<p>External Economic Environment</p> <p>The REIT is subject to risks resulting from fluctuations or fundamental changes in the external business environment. These fluctuations or fundamental shifts in the macroeconomic environment as well as the regions and local marketplaces where the REIT conducts its business could include:</p> <ul style="list-style-type: none"> • changes in the current economic environment and uncertainty with respect to potential future economic disruption including recession, depression, or high inflation impacting business and consumer confidence and spending; • changes in the economic stability of local markets such as business layoffs, industry slow-downs, changing demographics and other factors impacting tenants' revenues and their ability to pay rent, and the REIT's ability to lease space, renew leases and derive income from the properties in the affected market; • changes in the economic condition and regulatory environment of the regions in which the REIT's properties are concentrated, which may have a material adverse effect on the REIT's business, cash flows, financial condition, results of operations and ability to make distributions to Unitholders; • changes in retail shopping behaviours and habits of consumers and the introduction of new "technologies" and competitors impacting the relevance of the products, sales channels, or services offered by the REIT's key tenant, which may result in a negative impact on their financial position culminating in a decrease in the demand for physical space, which could adversely affect the REIT's financial performance; and • increased competition amongst investors, developers, owners and operators of properties similar to those of the REIT could negatively impact the availability of suitable acquisition opportunities thereby increasing the REIT's cost of acquisition as well as its' ability to lease properties, renew leases and achieve rental increases, which may adversely impact the REIT's financial condition and results of operations. 	<p>The REIT regularly monitors and analyzes external economic, demographic, consumer behaviour and competitive developments in Canada related to its business. 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>Key Business Relationship</p> <p>The REIT's relationship with its majority Unitholder, CTC, is integral to its business strategy and could affect the REIT's cash flows, operating results, overall financial performance and its ability to make distributions. Key factors inherent to this relationship include:</p> <ul style="list-style-type: none"> • 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; • the dependence of the REIT's revenues on the ability of its key tenant, CTC, to meet its rent obligations and renew its tenancies. While CTC has held investment grade credit ratings for over 20 years, there is no assurance that it will maintain such ratings or that its financial position will not change over time. The future financial performance and operating results of CTC's business are subject to inherent risks, perceptions and uncertainties. A downturn in CTC's business resulting in an inability to meet their obligations under their leases or if a significant amount of available space in the properties was not able to be leased on economically favourable lease terms could have a material effect on the financial performance of the REIT, its cash flows, and the REIT's ability to make distributions to Unitholders; and • the REIT's dependency on the services of key personnel including certain CTC personnel who supply necessary services to operate the REIT for its effective management and governance. Failure to receive these services or the need to replace the service provider in a short period of time could have a material adverse effect on the REIT. 	<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. 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. In addition, Management regularly monitors the operating results and credit ratings of CTC.</p>
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<p>Financial</p> <p>Risks associated with macroeconomic conditions which are highly cyclical and volatile could have a material effect on the REIT's financial position and its ability to achieve its strategic goals and aspirations. Such risks include:</p> <ul style="list-style-type: none"> • fundamental changes in the economic environment, 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 impacting the financial position of the REIT and its ability to make distributions to its Unitholders; and • the REIT's ability to manage fluctuations in interest rates, access to capital and liquidity, the price of the REIT's Units and the REIT's degree of leverage. Failure to develop, implement, and execute effective strategies to manage these risks may result in insufficient capital to absorb unexpected losses and/or changes in asset value negatively affecting the REIT's financial performance and increasing the REIT's vulnerability to a downturn in business or the economy. 	<p>The REIT has a Board-approved financial risk management policy in place that governs the management of capital, funding, and other financial risks. The indebtedness and Class C LP Units of the REIT are predominantly at fixed rates and its floating interest rate exposure is minimal. The weighted average term to redemption/maturity of the REIT's debt portfolio is managed to align with 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 and guidelines and operating policies.</p>
<p>Legal and Regulatory Compliance</p> <p>Failure to adhere to laws and regulations by the REIT may result in regulatory related issues or decrease investor confidence and a decline in the REIT's Unit price. Changes to laws and regulations applicable to the REIT may adversely affect the REIT's financial condition, results of operation, and distributions to Unitholders, including:</p> <ul style="list-style-type: none"> • changes in income tax laws 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" 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; • changes in various federal, provincial, territorial and municipal laws relating to environmental matters, including climate change, which may result in the REIT bearing the risk of cost-intensive assessment, technologies, and the removal of contamination, hazardous or other regulated substances causing an adverse effect on the REIT's financial condition, results of operation, cash available for distribution to Unitholders. 	<p>The REIT has appropriate governance structures, including policies, processes and controls in place to comply with legal and regulatory requirements, including but not limited to the REIT's ability to continue to satisfy the conditions to qualify as a closed end mutual fund trust and to comply with environmental laws and address any material environmental issues, including climate change. Processes are also in place to monitor any legal and regulatory changes that may impact the REIT.</p>

<p>Operations</p> <p>The REIT is subject to the risk that a direct or indirect loss of operating capabilities may occur due to:</p> <ul style="list-style-type: none"> • inadequate or failed operations processes (property management, development, redevelopment and renovation risks such as substantial unanticipated delays and expenses or the inability to initiate or complete activities) that could have an adverse effect on the REIT's reputation, financial condition, results of operations, cash flow, trading price of the Units, distributions to Unitholders and the ability of the REIT to satisfy its principal and interest obligations; • internal or outsourced business activities and business disruptions (such as disasters, cyber incidents, climate change) and ineffective business continuity and contingency planning, which could adversely affect the reputation, operations and financial performance of the REIT; and • talent shortages due to external pressure or the inability to effectively attract and retain talented and experienced employees, which may negatively impact the REIT's ability to operate its business and execute its strategy. 	<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 and to support the REIT's business and strategic objectives.</p>
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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 CEO and the Chief Financial Officer ("CFO"), so that they can make appropriate decisions regarding public disclosure.

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

As required by CSA National Instrument 52-109 ("NI 52-109") Certification of Disclosure in Issuers' Annual and Interim Filings, an evaluation of the adequacy of the design (quarterly) and effective operation (annually) of CT REIT's disclosure controls and procedures was conducted, under the supervision of management, including the CEO and CFO, as at December 31, 2019. 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, 2019.

12.2 Internal Control Over Financial Reporting

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

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

As also required by NI 52-109, management, including the CEO and CFO, evaluated the adequacy of the design (quarterly) and effective operation (annually) of CT REIT's internal control over financial reporting as defined in NI 52-109, as at December 31, 2019. In making this assessment, management, including the CEO and CFO, used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control – Integrated Framework (2013). This evaluation included review of the documentation of controls, evaluation of the design and testing the operating effectiveness of controls, and a conclusion about this evaluation. Based on that evaluation, the CEO and the CFO have concluded that the design and operation of the internal control over financial reporting were effective as at December 31, 2019, 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, 2019, 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" 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 CT REIT's:

- growth strategy and objectives under section 2.0;
- fair value of property portfolio under section 4.4;
- investment activities under section 4.5;
- development activities under section 4.6;
- leasing activities under section 4.10;
- recoverable capital costs under section 4.11;
- fair value adjustment on investment properties under section 5.1;
- capital expenditures to fund acquisitions and development activities under section 6.1;
- capital strategy under section 6.11;
- commitments as at December 31, 2019 under section 6.12;
- distributions under section 7.3;
- capital expenditures under section 10.2;
- access to available sources of debt and/or equity financing;
- expected tax treatment and its distributions to Unitholders;
- 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
- ability to continue to qualify as a "real estate investment trust", as defined pursuant to the ITA.

CT REIT has based these forward-looking statements on factors and assumptions about future events and financial trends that it believes may affect its financial condition, results of operations, business strategy and financial needs, including that the Canadian economy will remain stable over the next 12 months, that inflation will remain relatively low, that tax laws remain unchanged, that conditions within the real estate market, including competition for acquisitions, will be consistent with the current climate, that the Canadian capital markets will provide CT REIT with access to equity and/or debt at reasonable rates when required, that CTC will continue its involvement with CT REIT on the basis described in its 2019 AIF, and that the ERP will operate as expected.

Although the forward-looking statements contained in this MD&A are based upon assumptions that management of CT REIT believes are reasonable, based on information currently available to management, there can be no assurance that actual results will be consistent with these forward-looking statements. Forward-looking statements necessarily involve known and unknown risks and uncertainties, many of which are beyond the REIT's control, that may cause CT REIT's, or the industry's, actual results, performance, achievements, prospects and opportunities in future periods to differ materially from those expressed or implied by such forward-looking statements. These risks and uncertainties include, among other things, the factors discussed under the "Risk Factors" section of the 2019 AIF.

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

CT REIT cautions that the foregoing list of important factors and assumptions is not exhaustive and other factors could also adversely affect its results. Investors and other readers are urged to consider the foregoing risks, uncertainties, factors and

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

Information contained in or otherwise accessible through the websites referenced in this MD&A does not form part of this MD&A and is not incorporated by reference into this MD&A. All references to such websites are inactive textual references and are for information only.

Commitment to disclosure and investor communication

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

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

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

If you would like to contact the Investor Relations department directly, call Marina Davies (416) 544-6134 or email investor.relations@ctreit.com.

February 10, 2020

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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 >>

<< Lesley Gibson >>

Kenneth Silver
Chief Executive Officer

Lesley Gibson
Chief Financial Officer

February 10, 2020

Independent Auditor's Report

To the Unitholders of CT Real Estate Investment Trust

Opinion

We have audited the consolidated financial statements of CT Real Estate Investment Trust (the "REIT"), which comprise the consolidated balance sheets as at December 31, 2019 and 2018, and the consolidated statements of income and comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the REIT as at December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

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

Other Information

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

- Management's Discussion and Analysis
- The information, other than the financial statements and our auditor's report thereon, in the CT REIT 2019 Annual Report (the "Annual Report").

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

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

/s/ Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Ontario

February 10, 2020

Consolidated Balance Sheets

(Canadian dollars, in thousands)

As at	Note	December 31, 2019	December 31, 2018
Assets			
Non-current assets			
Investment properties	4	\$ 6,006,982	\$ 5,696,194
Other assets		1,674	2,801
		6,008,656	5,698,995
Current assets			
Tenant and other receivables		2,882	2,145
Other assets		3,240	2,561
Cash and cash equivalents		9,734	4,991
		15,856	9,697
Total assets		\$ 6,024,512	\$ 5,708,692
Liabilities			
Non-current liabilities			
Class C LP Units	5	\$ 1,200,000	\$ 1,451,550
Mortgages payable	6	10,353	—
Debentures	7	1,070,695	1,069,844
Lease liabilities	8	61,374	—
Other liabilities		4,975	3,348
		2,347,397	2,524,742
Current liabilities			
Class C LP Units	5	251,550	—
Mortgages payable	6	37,696	37,100
Credit Facilities	9	2,000	14,995
Lease liabilities	8	884	—
Other liabilities		35,904	33,048
Distributions payable	10	14,976	13,898
		343,010	99,041
Total liabilities		2,690,407	2,623,783
Equity			
Unitholders' equity	10	1,464,939	1,306,355
Non-controlling interests	10, 12	1,869,166	1,778,554
Total equity		3,334,105	3,084,909
Total liabilities and equity		\$ 6,024,512	\$ 5,708,692

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

<< David Laidley >>

David Laidley
Trustee

<< Anna Martini >>

Anna Martini
Trustee

Consolidated Statements of Income and Comprehensive Income

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

For the year ended December 31,	Note	2019		2018
Property revenue	13	\$	489,013	\$ 472,483
Property expense	13		(106,088)	(108,636)
General and administrative expense	14		(14,285)	(12,189)
Net interest and other financing charges	15		(108,753)	(104,380)
Fair value adjustment on investment properties	4		47,306	53,628
Net income and comprehensive income		\$	307,193	\$ 300,906
Net income and comprehensive income attributable to:				
Unitholders		\$	136,667	\$ 128,030
Non-controlling interests	12		170,526	172,876
		\$	307,193	\$ 300,906
Net income per unit - basic	10	\$	1.380	\$ 1.401
Net income per unit - diluted	10	\$	1.193	\$ 1.098

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
December 31, 2018, as previously reported		\$ 960,688	\$ 345,667	\$ 1,306,355	\$ 1,778,554	\$ 3,084,909
Transition adjustments - IFRS 16	2	—	578	578	736	1,314
Restated balance at January 1, 2019		\$ 960,688	\$ 346,245	\$ 1,306,933	\$ 1,779,290	\$ 3,086,223
Net income and comprehensive income for the period		—	136,667	136,667	170,526	307,193
Issuance of Class B LP Units, net of issue costs	10	—	—	—	13,275	13,275
Distributions	10	—	(75,469)	(75,469)	(93,925)	(169,394)
Issuance of Units from 2019 REIT Offering, net of issue costs	10	86,140	—	86,140	—	86,140
Issuance of Units under Distribution Reinvestment Plan and other	11	10,668	—	10,668	—	10,668
Balance at December 31, 2019		\$ 1,057,496	\$ 407,443	\$ 1,464,939	\$ 1,869,166	\$ 3,334,105

	Note	Units	Retained Earnings	Unitholders' Equity	Non-controlling interests	Total Equity
Balance at December 31, 2017		\$ 884,090	\$ 284,687	\$ 1,168,777	\$ 1,692,664	\$ 2,861,441
Net income and comprehensive income for the period		—	128,030	128,030	172,876	300,906
Issuance of Class B LP Units, net of issue costs	10	—	—	—	14,022	14,022
Exchange of Class B LP Units for Units	10	10,800	—	10,800	(10,800)	—
Distributions	10	—	(67,050)	(67,050)	(90,208)	(157,258)
Issuance of Units from 2018 REIT Offering, net of issue costs	10	62,276	—	62,276	—	62,276
Issuance of Units under Distribution Reinvestment Plan and other	11	3,522	—	3,522	—	3,522
Balance at December 31, 2018		\$ 960,688	\$ 345,667	\$ 1,306,355	\$ 1,778,554	\$ 3,084,909

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

Consolidated Statements of Cash Flows

(Canadian dollars, in thousands)

For the year ended December 31,	Note	2019	2018
Cash generated from (used for):			
Operating activities			
Net income		\$ 307,193	\$ 300,906
Add/(deduct):			
Fair value adjustment on investment properties	4	(47,306)	(53,628)
Property straight-line rent revenue	13	(14,130)	(18,404)
Deferred income tax		(360)	(7)
Straight-line ground lease expense	2	—	62
Net interest and other financing charges		108,753	104,380
Changes in working capital and other	16	8,178	(1,587)
Cash generated from operating activities		\$ 362,328	\$ 331,722
Investing activities			
Income-producing property		(52,002)	(75,187)
Development activities and land investments		(90,197)	(75,516)
Capital expenditures recoverable from tenants		(22,448)	(19,112)
Proceeds of disposition		2,780	661
Cash used for investing activities		\$ (161,867)	\$ (169,154)
Financing activities			
Proceeds from REIT Offerings, net	10	86,255	62,348
Proceeds from issuance of debentures, net	7	—	198,661
Unit distributions		(64,368)	(62,985)
Class B LP Unit distributions paid or loaned		(93,555)	(89,890)
Payments on Class C LP Units paid or loaned	5	(68,219)	(68,219)
Credit Facilities (repayments) draws, net	9	(12,995)	(164,946)
Lease principal payments on right-of-use assets	3	(778)	—
Mortgage principal repayments	6	(323)	(6,915)
Net interest paid		(41,735)	(36,501)
Class B LP Unit issuance costs		—	(32)
Cash used for financing activities		\$ (195,718)	\$ (168,479)
Cash generated from (used for) the period		\$ 4,743	\$ (5,911)
Cash and cash equivalents, beginning of period		4,991	10,902
Cash and cash equivalents, end of period		\$ 9,734	\$ 4,991

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

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019 and 2018

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

1. NATURE OF CT REAL ESTATE INVESTMENT TRUST

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

Canadian Tire Corporation, Limited (“CTC”) owned a 69.4% effective interest in CT REIT as of December 31, 2019, consisting of 33,989,508 of the issued and outstanding units of CT REIT (“Units”) and all of the issued and outstanding Class B limited partnership units (“Class B LP Units”) of CT REIT Limited Partnership (the “Partnership”), which are economically equivalent to and exchangeable for Units. CTC also owns all of the issued and outstanding Class C limited partnership units (“Class C LP Units”) of the Partnership (see Note 5). The Units are listed on the Toronto Stock Exchange (the “TSX”) under the symbol CRT.UN.

2. BASIS OF PRESENTATION

(a) Fiscal year

The fiscal years for the consolidated financial statements and the notes presented for 2019 are for the years ended December 31, 2019 and 2018.

(b) Statement of compliance

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

These consolidated financial statements were approved for issuance by CT REIT’s Board of Trustees (the “Board”), on the recommendation of its Audit Committee, on February 10, 2020.

(c) Basis of presentation

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

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

(d) Critical judgments in applying significant accounting policies

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

(i) Leases

CT REIT as a lessor

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

The 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. The REIT has determined that all of its leases are operating leases.

CT REIT as a lessee

For the measurement of lease liabilities with respect to the ground leases with third party landlords, the REIT considers all factors that create an economic incentive to exercise extension options, or not exercise termination options available in its leasing arrangements. Extension options, or periods subject to termination options, are only included in the lease term if the REIT determines it is reasonably certain to be extended or not terminated. The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

The REIT uses its incremental borrowing rate to account for the ground leases with third party landlords. The implicit rates in the ground leases, fair value of the underlying value and the initial direct costs incurred by the lessor related to the leased assets are not readily available information from the lessor. The REIT determines the incremental borrowing rate as the rate of interest that it would pay to borrow over a similar term and with a similar security the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

(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.

On a periodic basis, CT REIT obtains independent appraisals such that approximately 80% of its properties, by value, will be externally 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, Ontario (the “Co-Ownership”), and its rights to the assets and obligations for the liabilities related to the Co-Ownership.

(e) Critical accounting estimates and assumptions

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

(f) Standards, amendments and interpretations issued and adopted

The following amendments have been issued and are effective for the fiscal year ended December 31, 2019, and accordingly, have been applied in preparing these consolidated financial statements.

In December 2017, the IASB issued amendments to four standards, including IFRS 3 - *Business Combinations*, IFRS 11 - *Joint Arrangements*, IAS 12 - *Income Taxes* and IAS 23 - *Borrowing Costs*. These amendments were effective for annual periods beginning on or after January 1, 2019. The implementation of these amendments did not have a significant impact on CT REIT.

Leases

Effective in the first quarter of 2019, CT REIT adopted 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. IFRS 16 substantially carries forward the lessor accounting in IAS 17 with the distinction between operating leases and finance leases being retained. The adoption of IFRS 16 has resulted in the recognition of right-of-use assets (classified as investment property) and lease liabilities for all operating leases where CT REIT is a lessee.

As permitted by the transition provisions in IFRS 16, CT REIT has elected not to restate comparative figures with the cumulative effect of initially applying the new standard recognized in retained earnings on January 1, 2019. Accordingly, the information

presented in these financial statements for the prior year does not reflect the requirements of IFRS 16 and therefore is not comparable to the information presented in the current period under IFRS 16.

The following table summarizes the cumulative impact of transition adjustments:

	As previously reported under IAS 17 December 31, 2018	IFRS 16 transition adjustments	Restated balance January 1, 2019
Investment properties	\$ 5,696,194	\$ 66,589	\$ 5,762,783
Other assets - Non-current	\$ 2,801	\$ (1,466)	\$ 1,335
Lease liabilities - Current	\$ —	\$ 5,982	\$ 5,982
Lease liabilities - Non-current	\$ —	\$ 59,141	\$ 59,141
Other liabilities - Current	\$ 33,048	\$ (1,314)	\$ 31,734
Equity	\$ 3,084,909	\$ 1,314	\$ 3,086,223

On adoption of IFRS 16, CT REIT recognized lease liabilities in relation to 10 ground leases which were previously classified as 'operating leases' under the principles of IAS 17. Ground rent incurred on these leases was previously included in property expense. The lease liabilities are measured at the present value of the remaining lease payments, discounted using CT REIT's incremental borrowing rate as of January 1, 2019. The weighted average incremental borrowing rate applied to the lease liabilities on January 1, 2019 was 5.0%. On adoption, the ground leases had a weighted average remaining term of 36 years assuming all renewal options are exercised.

The following table reconciles the operating lease commitments disclosed under IAS 17 as at December 31, 2018 to the opening balance for lease liabilities as at January 1, 2019:

Operating lease commitments as at December 31, 2018	\$ 43,761
Add: adjustments for extension options reasonably certain to be exercised	114,895
Effect of discounting using CT REIT's incremental borrowing rate	(93,533)
Lease liability recognized as at January 1, 2019	\$ 65,123

The associated right-of-use assets for these leases are accounted for as investment property under IAS 40 - *Investment Property* and are measured at fair value at the date of initial application. Finance costs associated with the lease liabilities are recognized in net interest and financing charges in the Consolidated Statements of Income.

In applying IFRS 16 for the first time, CT REIT has not reassessed, under IFRS 16, contracts that were identified as leases under the previous accounting standard (IAS 17) as a practical expedient permitted by IFRS 16. CT REIT has used hindsight in determining the lease term when the lease contracts contain options to extend or terminate the lease.

(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, 2019, and accordingly, have not been applied in preparing these consolidated financial statements.

(i) IASB annual improvements

In 2019, the IASB amended IFRS 10 - *Consolidated Financial Statements* and IAS 28 - *Investments in Associates* and Joint Ventures with respect to accounting for loss in control of subsidiary. This amendment is effective for reporting years yet to be determined by the IASB and the impact on CT REIT is currently being assessed.

In 2019, the IASB amended IFRS 9 - *Financial Instruments* and IFRS 7 - *Financial Instruments Disclosure* regarding interest rate benchmarks used for hedge accounting. These amendments are effective for reporting years starting January 2020 and the impact on CT REIT is currently being assessed.

(ii) Definition of material

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

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

(iii) Definition of business

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of consolidation

These consolidated financial statements include the accounts of CT REIT and its consolidated subsidiaries consisting of the Partnership and the GP and its subsidiaries, 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 Sheets.

(b) Joint arrangements

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

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

ownership. Accordingly, CT REIT recognizes its proportionate share of the assets, liabilities, revenue and expenses of the Co-Ownership in its financial statements.

(c) Investment properties

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

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

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

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

Lessee

The REIT assesses whether a contract is or contains a lease, at inception of the contract. Leases are recognized as a right-of-use asset and corresponding liability at the commencement date. Each lease payment included in the lease liability is apportioned between the repayment of the liability and a finance cost. The finance cost is recognized in net interest and other financing charges in the Consolidated Statements of Income and Comprehensive Income over the lease period, so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Lease liabilities include the net present value of fixed payments (including in-substance fixed payments), variable lease payments that are based on an index or a rate or subject to a fair market value renewal, amounts expected to be payable by the lessee under residual value guarantees, the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option. The REIT allocates the consideration in the contract to each lease component on the basis of the relative standalone price of the lease component and the aggregate stand-alone price of the non-lease components. The lease liability is net of lease incentives receivable. The lease payments are discounted using the interest rate implicit in the lease or, if that rate cannot be determined, the lessee's incremental borrowing rate. The period over which the lease payments are discounted is the reasonably certain lease term, including renewal options that the REIT is reasonably certain to exercise. Renewal options are included in a number of leases across the REIT.

Payments associated with short-term leases and leases of low-value assets are recognized as an expense on a straight-line basis in General and Administrative Expenses in the Consolidated Statements of Income and Comprehensive Income. Short-term leases are leases with a lease term of 12 months or less. Variable lease payments that do not depend on an index or a rate or subject to a fair market value renewal are expensed as incurred and recognized in General and Administrative Expenses in the Consolidated Statements of Income and Comprehensive Income.

Right-of-use assets are measured at fair value and are included in Investment Properties in the Consolidated Balance Sheets; and corresponding fair value adjustments are reflected in Fair Value Adjustment on Investment Properties in the Consolidated Statements of Income and Comprehensive Income.

Sale and Leaseback

The accounting treatment of a sale and leaseback transaction is assessed based upon the substance of the transaction and whether the transfer of an asset is considered as a sale when the control of the asset has been transferred to the purchaser.

If the transfer of the asset to the REIT as buyer-lessor is considered a sale, the REIT assesses the classification of the lease as a finance or operating lease; and follows IFRS 16 lessor accounting accordingly. If the transfer is not considered a sale, the REIT does not recognize the underlying asset and records a financial asset under IFRS 9 for amounts paid to the seller-lessee.

(f) 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 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.

(g) 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.

(h) 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.

(i) 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.

(j) 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.

(k) 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 any of its Affiliates, whereby such trustees may elect to receive all or a portion of their annual compensation in deferred units (“DUs”). CT REIT has a Restricted Unit Plan (the “RU Plan”) for executives, whereby the executives of CT REIT may be issued discretionary grants or may elect to receive all or a portion of their annual short-term incentive plan awards in restricted units (“RUs”), and a Performance Unit Plan (the “PU Plan”) whereby the performance units (“PUs”) are granted to certain 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.

(l) Cash and cash equivalents

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

(m) Financial instruments and derivatives

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

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

Transaction costs directly attributable to the acquisition of financial assets or financial liabilities classified as FVTPL are recognized immediately in net income.

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

Financial assets are subsequently measured at amortized cost if both of the following conditions are met and they are not designated as at FVTPL: a) the financial asset is held within a business model whose objective is to hold financial assets to collect contractual cash flows; and b) the contractual terms of the financial asset give rise to cash flows on specified dates that are solely payments of principal and interest on the principal amount outstanding. These assets are subsequently measured at amortized cost using the effective interest rate method, less any impairment, with gains and losses recognized in net income in the period that the asset is derecognized or impaired.

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

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

4. INVESTMENT PROPERTIES

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

	Year Ended December 31, 2019			Year Ended December 31, 2018		
	Income-producing properties	Properties Under Development	Total investment properties	Income-producing properties	Properties Under Development	Total investment properties
Balance, beginning of period, as previously reported	\$ 5,568,961	\$ 127,233	\$ 5,696,194	\$ 5,337,515	\$ 99,082	\$ 5,436,597
Transition adjustment - right-of-use assets ¹	66,589	—	66,589	—	—	—
Restated balance, beginning of period	5,635,550	127,233	5,762,783	5,337,515	99,082	5,436,597
Property acquisitions (including transaction costs)	75,669	—	75,669	89,429	—	89,429
Intensifications	—	39,448	39,448	—	18,625	18,625
Developments	—	48,222	48,222	—	47,079	47,079
Development land	—	1,918	1,918	—	12,642	12,642
Capitalized interest and property taxes	—	2,080	2,080	—	2,752	2,752
Transfers	144,783	(144,783)	—	52,947	(52,947)	—
Right-of-use assets ²	(2,343)	—	(2,343)	—	—	—
Fair value adjustment on investment properties	47,306	—	47,306	53,628	—	53,628
Straight-line rent	14,130	—	14,130	18,404	—	18,404
Recoverable capital expenditures	20,549	—	20,549	17,699	—	17,699
Dispositions	(2,780)	—	(2,780)	(661)	—	(661)
Balance, end of period ³	\$ 5,932,864	\$ 74,118	\$ 6,006,982	\$ 5,568,961	\$ 127,233	\$ 5,696,194

¹ See Note 2(f).

² Reflects impact of ground lease amendments.

³ Includes purchased lands for \$12,946 (December 31, 2018 - \$13,911) held for development.

Included in CT REIT's portfolio are 10 (December 31, 2018 – 10) properties which are situated on ground leases with remaining initial terms up to 36 years (December 31, 2018 – up to 37 years), and an average remaining initial term of 14 years (December 31, 2018 – 14 years).

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, 2019, management's determination of fair value was updated for current market assumptions, informed by market capitalization rates provided by independent appraisal professionals.

On a periodic basis, CT REIT obtains independent appraisals such that approximately 80% of its properties, by value, 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) for definition of levels). There have been no transfers between levels during the period.

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

	Properties valued by the OCR method	Properties valued by the DCF method
Number of properties	287	70
Value at December 31, 2019	\$4,240,942	\$1,766,040
Discount rate ¹	—%	7.01 %
Terminal capitalization rate ¹	—%	6.56%
Overall capitalization rate ¹	6.17%	—%
Hold period (years)	—	10

¹ Weighted average rate based on the fair value as at the period end date

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

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

Rate sensitivity	OCR Sensitivity		DCF Sensitivity	
	Fair value	Change in fair value	Fair value	Change in fair value
+ 75 basis points	\$ 3,795,258	\$ (445,684)	\$ 1,585,694	\$ (180,346)
+ 50 basis points	3,932,504	(308,438)	1,640,800	(125,240)
+ 25 basis points	4,080,638	(160,304)	1,699,732	(66,308)
December 31, 2019	\$ 4,240,942	\$ —	\$ 1,766,040	\$ —
- 25 basis points	4,415,156	174,214	1,830,296	64,256
- 50 basis points	4,605,102	364,160	1,903,008	136,968
- 75 basis points	\$ 4,813,073	\$ 572,131	\$ 1,982,280	\$ 216,240

2019 Investment and Development Activity

Funding of investment and development activities for the year ended December 31, 2019 was as follows:

	YTD 2019 Investment and Development Activity					Total
	Property investments	Development land	Developments	Intensifications		
Funded with working capital to CTC	\$ 15,945	\$ 1,900	\$ 41,276	\$ 22,382	\$	81,503
Funded with working capital to third parties	35,109	18	6,946	17,066		59,139
Capitalized interest and property taxes	—	—	2,080	—		2,080
Issuance of Class B LP Units to CTC	13,285	—	—	—		13,285
Mortgages payable	11,330	—	—	—		11,330
Total costs	\$ 75,669	\$ 1,918	\$ 50,302	\$ 39,448	\$	167,337

2018 Investment and Development Activity

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

	YTD 2018 Investment and Development Activity					Total
	Property investments	Development land	Developments	Intensifications		
Funded with working capital to CTC	\$ 7,258	\$ 8,546	\$ 30,155	\$ 8,890	\$	54,849
Funded with working capital to third parties	68,181	4,096	16,860	9,735		98,872
Capitalized interest and property taxes	—	—	2,752	—		2,752
Issuance of Class B LP Units to CTC	13,990	—	64	—		14,054
Total costs	\$ 89,429	\$ 12,642	\$ 49,831	\$ 18,625	\$	170,527

5. CLASS C LP UNITS

The Class C LP Units entitle the holder to a fixed cumulative monthly payment, during the initial fixed rate period for each Series of Class C LP Units (the “Initial Fixed Rate Period”), equal to a weighted average rate of 4.70% of the aggregate capital amount ascribed to the Class C LP Units, in priority to distributions made to holders of the Class B LP Units and units representing an interest in CT REIT GP Corp. (“GP”), 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 at a price equal to the greater of par and a price to provide a yield equal to the then equivalent Government of Canada bond yield plus a spread, so long as such redemption is in connection with a sale of properties.

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

The Partnership did not settle any Class C LP Units in 2019.

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, 2019	Carrying amount at December 31, 2018
Series 3	May 31, 2020	4.50%	\$ 200,000	\$ 200,000
Series 4	May 31, 2024	4.50%	200,000	200,000
Series 5	May 31, 2028	4.50%	200,000	200,000
Series 6	May 31, 2031	5.00%	200,000	200,000
Series 7	May 31, 2034	5.00%	200,000	200,000
Series 8	May 31, 2035	5.00%	200,000	200,000
Series 9	May 31, 2038	5.00%	200,000	200,000
Series 16	May 31, 2020	2.42%	16,550	16,550
Series 17	May 31, 2020	2.39%	18,500	18,500
Series 18	May 31, 2020	2.28%	4,900	4,900
Series 19	May 31, 2020	2.28%	11,600	11,600
Weighted average / Total		4.70%	\$ 1,451,550	\$ 1,451,550
Current			\$ 251,550	\$ —
Non-current			1,200,000	1,451,550
Total			\$ 1,451,550	\$ 1,451,550

For the year ended December 31, 2019, interest expense of \$68,219 (2018 - \$68,219) 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 distributions declared by CT REIT until the first business day following the end of the fiscal year. If the holder so elects to defer receipt of payments, CT REIT will loan the holder an amount equal to the deferred payment without interest, and the loan will be due and payable in full on the first business day following the end of the fiscal year in which the loan was advanced, the holder having irrevocably directed that any payment of the deferred payments be applied to repay such loans. At the election of the holder, payments on the Class C LP Units for the year ended December 31, 2019 of \$62,027 (2018 – \$62,027), 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. The net amount of payments due in respect of the Class C LP Units at December 31, 2019 of \$5,685 (2018 – \$5,685) is included in other liabilities on the Consolidated Balance Sheets. The loans deferred as at December 31, 2019 were settled on January 2, 2020.

6. MORTGAGES PAYABLE

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

	December 31, 2019		December 31, 2018	
	Face value	Carrying amount	Face value	Carrying amount
Current ¹	\$ 37,533	\$ 37,696	\$ 37,133	\$ 37,100
Non-current ¹	10,134	10,353	—	—
Total	\$ 47,667	\$ 48,049	\$ 37,133	\$ 37,100

¹ Includes the fair value of the \$11,330 mortgage assumed in connection with Property investments. See Note 4.

Future repayments are as follows:	Principal amortization	Maturities	Total
2020	\$ 400	\$ 37,133	\$ 37,533
2021	419	—	419
2022	255	9,460	9,715
Total contractual obligation	\$ 1,074	\$ 46,593	\$ 47,667
Unamortized portion of mark to market on mortgages payable assumed on the acquisition of properties			358
Unamortized transaction costs			24
			\$ 48,049

Mortgages payable have interest rates that range from 3.62% to 4.50%, and have maturity dates that range from March 2020 to July 2022. Mortgages payable at December 31, 2019 had a weighted average interest rate of 3.82% (December 31, 2018 – 3.81%). At December 31, 2019, floating rate and fixed rate mortgages were \$37,133 (December 31, 2018 – \$37,133) and \$10,534 (December 31, 2018 – \$0), respectively.

Investment properties having a fair value of \$99,142 (December 31, 2018 – \$77,050) have been pledged as security for mortgages payable.

7. DEBENTURES

Series	December 31, 2019		December 31, 2018	
	Face value	Carrying amount	Face value	Carrying amount
A, 2.85%, June 9, 2022	\$ 150,000	\$ 149,625	\$ 150,000	\$ 149,475
B, 3.53%, June 9, 2025	200,000	199,101	200,000	198,949
C, 2.16%, June 1, 2021	150,000	149,751	150,000	149,577
D, 3.29%, June 1, 2026	200,000	199,130	200,000	198,995
E, 3.47%, June 16, 2027	175,000	174,142	175,000	174,036
F, 3.87%, December 7, 2027	200,000	198,946	200,000	198,812
	\$ 1,075,000	\$ 1,070,695	\$ 1,075,000	\$ 1,069,844

Debentures as at December 31, 2019, had a weighted average interest rate of 3.25% (December 31, 2018 – 3.25%).

For the year ended December 31, 2019, amortization of transaction costs of \$850 (December 31, 2018 – \$1,043) are included in net interest and other financing charges on the Consolidated Statements of Income and Comprehensive Income (see Note 15).

8. LEASES

(a) CT REIT as lessee

CT REIT has entered into 10 ground leases with third party landlords. The remaining initial terms of the ground leases are between two and 36 years, with an average remaining initial term of 14 years. The majority of the ground lease agreements are renewable at the end of the current lease term. Assuming all extensions are exercised, the ground leases have remaining terms between 4 and 51 years with an average remaining lease term of 31 years. For the calculation of lease liabilities, it was determined that all lease renewal options are reasonably certain to be exercised. There are no variable lease payments or guaranteed residual payments with respect to the ground leases.

	December 31, 2019
Current	\$ 884
Non-current	61,374
Total	\$ 62,258

The contractual undiscounted cash flows of CT REIT lease liabilities are as follows:

	December 31, 2019
Less than one year	\$ 4,033
Between one and five years	16,123
More than five years	132,176
Total	\$ 152,332

CT REIT has in place a leverage and liquidity policy to manage its exposure to liquidity risk associated with the contractual lease liabilities. Details of how CT REIT manages this risk are further discussed under Note 20.

There were no expenses in 2019 relating to leases of low-value assets or short-term leases. As well, there were no variable lease payments included in lease liabilities at any time during 2019.

The total cash outflow for leases in 2019 was \$4,095. There were no gains or losses arising from sale and leaseback transactions in 2019.

(b) CT REIT as a lessor

CT REIT leases income-producing properties (investment properties) to tenants under operating leases. The leases have staggered initial terms ranging from 1 to 20 years, with a weighted average remaining initial term of approximately 10.0 years. Annual base minimum rent for leases have weighted average annual rent escalations of approximately 1.5% per year.

For all income-producing properties, the rental income is fixed under the contracts, but some leases require the lessee to reimburse certain cost incurred by CT REIT, such as tax and insurance costs of CT REIT. When this is the case, these amounts are determined annually.

The following table sets out a maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date.

	2020	2021	2022	2023	2024	Thereafter	Total
Minimum lease receivable	\$ 367,375	368,111	370,088	365,897	353,283	2,014,262	\$ 3,839,016

9. CREDIT FACILITIES

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

	December 31, 2019	December 31, 2018
Bank Credit Facility	\$ —	\$ 14,995
CTC Credit Facility	2,000	—
	\$ 2,000	\$ 14,995

(a) Bank Credit Facility

CT REIT has a committed, unsecured \$300,000 revolving credit facility with a syndicate of major Canadian third party banks ("Bank Credit Facility") expiring in December 2024. 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, 2019 no borrowings were drawn on the Bank Credit Facility and \$5,558 (December 31, 2018 – \$2,372) of letters of credit were outstanding under the Bank Credit Facility. At December 31, 2019, borrowings under the Bank Credit Facility had a weighted average interest rate of nil (December 31, 2018 – 3.46%).

(b) CTC Credit Facility

In Q4 2019, CT REIT entered into an uncommitted, unsecured \$300,000 revolving credit facility with CTC ("CTC Credit Facility") expiring in December 2020. The CTC Credit Facility bears interest at a rate based on the bank's prime rate of interest or bankers' acceptances plus a margin.

As at December 31, 2019, \$2,000 of borrowings were drawn on the CTC Credit Facility. At December 31, 2019, borrowings under the CTC Credit Facility had a weighted average interest rate of 3.95%.

The Bank Credit Facility and the CTC Credit Facility are collectively referred to herein as the "Credit Facilities."

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, 2019		
	Units	Class B LP Units	Total
Total outstanding at beginning of year	96,848,606	123,400,633	220,249,239
Units issued ¹	762,779	888,858	1,651,637
2019 REIT Offering	6,316,000	—	6,316,000
Total outstanding at end of period	103,927,385	124,289,491	228,216,876

¹ 742,946 issued pursuant to the REIT's distribution reinvestment plan.

	As at December 31, 2018		
	Units	Class B LP Units	Total
Total outstanding at beginning of year	90,645,295	123,092,866	213,738,161
Units issued ¹	279,897	1,052,181	1,332,078
2018 REIT Offering	5,179,000	—	5,179,000
Exchange of Class B LP Units for Units	744,414	(744,414)	—
Total outstanding at end of year	96,848,606	123,400,633	220,249,239

¹ 274,642 issued pursuant to the REIT's distribution reinvestment plan.

On September 19, 2019, CT REIT completed a joint equity offering of an aggregate of 16,846,000 Units comprised of the issuance of 6,316,000 Units from treasury for net proceeds of \$86,140 after deducting issuance cost of \$3,863 (the "2019 REIT Offering") and the sale of 10,530,000 Units by CTC (the "2019 Secondary Offering" and, together with the "2019 REIT Offering," hereinafter referred to as the "2019 Equity Offering").

On November 28, 2018, CT REIT completed a joint equity offering of an aggregate of 21,115,000 Units comprised of the issuance of 5,179,000 Units from treasury for net proceeds of \$62,276 after deducting issuance costs of \$2,720 (the "2018 REIT Offering") and the sale of 15,936,000 Units by CTC (the "2018 Secondary Offering" and, together with the 2018 REIT Offering, referred to as the "2018 Equity Offering"). In connection with the 2018 Secondary Offering, CTC exchanged 744,414 Class B LP Units for 744,414 Units, in accordance with the terms of the Class B LP Units, which were then sold pursuant to the 2018 Secondary Offering.

Net income attributable to Unitholders and weighted average units outstanding used in determining basic and diluted net income per unit for years December 31, 2019 and 2018, are calculated as follows, respectively:

	For the Year ended December 31, 2019		
	Units	Class B LP Units	Total
Net income attributable to Unitholders - basic	\$ 136,667	\$ 170,526	\$ 307,193
Income effect of settling Class C LP Units with Class B LP Units			68,219
Net income attributable to Unitholders - diluted			\$ 375,412
Weighted average units outstanding - basic	98,990,726	123,568,955	222,559,681
Dilutive effect of other Unit plans			231,890
Dilutive effect of settling Class C LP Units with Class B LP Units			91,823,461
Weighted average units outstanding - diluted			314,615,032

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

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,	2019		2018
	Distributions per unit		Distributions per unit
Units	\$ 0.757	\$	0.728
Class B LP Unit	\$ 0.757	\$	0.728

On November 4, 2019, CT REIT's Board reviewed the current rate of distribution of \$0.757 per Unit per year and approved an increase in the annual rate of distribution to \$0.787 per Unit per year, or \$0.06562 per Unit monthly, commencing with the December 31, 2019 record date.

On December 13, 2019, CT REIT's Board declared a distribution of \$0.06562 per Unit payable on January 15, 2020 to holders of Units and Class B LP Units of record as of December 31, 2019.

On January 15, 2020, CT REIT's Board declared a distribution of \$0.06562 per Unit payable on February 18, 2020 to holders of Units and Class B LP Units of record as of January 31, 2020.

Units

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

Non-controlling interests

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

Special Voting Units

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

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

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

11. UNIT BASED COMPENSATION PLANS

Deferred Unit Plan for Trustees

CT REIT offers a Deferred Unit (“DU”) Plan for members of its Board who are not also employees or officers of the REIT or any of its Affiliates. 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, 2019, accrued DU compensation costs, which are included in other liabilities, totaled \$2,589 (2018 – \$1,384). Compensation expense recorded related to DU's for the year ended December 31, 2019 was \$715 (2018 - \$(386)). 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 offers Performance Units (“PUs”) to certain employees that generally vest after three years. Each PU entitles the employee to receive a cash payment equal to the fair market value of Units of CT REIT, multiplied by a factor determined by specific performance-based criteria, as set out in the Performance Unit Plan.

As at December 31, 2019, accrued PU compensation costs, which are included in other liabilities, totaled \$3,555 (2018 - \$2,030). Compensation expense recorded for the year ended December 31, 2019 for PUs granted to employees was \$2,425 (2018 - \$1,027). 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 short term incentive plan in RUs. At the end of the vesting period which is generally three years from the date of grant (in the case of discretionary grants) or five years from the short term incentive plan bonus payment date (in the case of deferred bonus grants), the executives will receive an equivalent number of Units issued by CT REIT or, at the executive's election, the cash equivalent thereof.

As at December 31, 2019, accrued RU compensation costs, which are included in other liabilities, totaled \$1,360 (2018 - \$1,150). Compensation expense for the year ended December 31, 2019 was \$537 (2018 - \$282). 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:

Name of Subsidiary	Proportion of ownership interests held by non-controlling interests		Net income and comprehensive income allocated to non-controlling interests	
	As at December 31, 2019	As at December 31, 2018	For the year ended December 31, 2019	For the year ended December 31, 2018
CT REIT Limited Partnership	54.46%	56.03%	\$ 170,526	\$ 172,876

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

13. REVENUES AND EXPENSES

(a) Property revenue

The components of property revenue are as follows:

	CTC		Other	For the Year ended December 31, 2019
Base minimum rent	\$ 330,468	\$	\$ 32,190	\$ 362,658
Straight-line rent	13,612		518	14,130
Subtotal base rent	\$ 344,080	\$	\$ 32,708	\$ 376,788
Property operating expense recoveries	83,979		16,399	100,378
Capital expenditure and interest recovery charge	9,325		131	9,456
Other revenues	7		2,384	2,391
Property revenue	\$ 437,391	\$	\$ 51,622	\$ 489,013

	CTC		Other	For the Year ended December 31, 2018
Base minimum rent	\$ 316,342	\$	\$ 30,312	\$ 346,654
Straight-line rent	18,298		106	18,404
Subtotal base rent	\$ 334,640	\$	\$ 30,418	\$ 365,058
Property operating expense recoveries	84,347		15,553	99,900
Capital expenditure and interest recovery charge	7,110		102	7,212
Other revenues	7		306	313
Property revenue	\$ 426,104	\$	\$ 46,379	\$ 472,483

(b) Property expense

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

For the year ended December 31,	Year ended	
	2019	2018
Property taxes	\$ 88,056	\$ 86,643
Recoverable operating costs	14,202	13,360
Property management ¹	3,830	4,583
Ground rent ²	—	4,050
Property expense	\$ 106,088	\$ 108,636

¹ Includes \$1,753 (2018 - \$2,038) payable to CTC. See Note 19.

² See Note 2(f).

14. GENERAL AND ADMINISTRATIVE EXPENSE

General and administrative expense is comprised of the following:

For the year ended December 31,	Year ended	
	2019	2018
Personnel expense ¹	\$ 7,953	\$ 6,233
Services Agreement with CTC ²	2,500	3,345
Public entity and other ¹	4,156	2,611
	\$ 14,609	\$ 12,189
Less: allocated to property operating costs	(324)	—
General and administrative expense	\$ 14,285	\$ 12,189

¹ Includes unit-based awards including (gain) loss adjustments as a result of the change in the fair market value of the Units of \$2,029 (2018 - \$(1,239)) for year ended December 31, 2019.

² See Note 19.

15. NET INTEREST AND OTHER FINANCING CHARGES

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

For the year ended December 31,	Year ended	
	2019	2018
Interest on Class C LP Units ¹	\$ 68,219	\$ 68,219
Interest and financing costs - debentures	35,723	35,187
Interest and financing costs - Bank Credit Facility	1,466	1,561
Interest on mortgages payable	1,763	1,532
Interest on lease liabilities ²	3,317	—
Interest costs - Bridge Facility ¹	—	351
	\$ 110,488	\$ 106,850
Less: capitalized interest	(1,351)	(2,245)
Interest and other financing charges	\$ 109,137	\$ 104,605
Less: interest income	(384)	(225)
Net interest and other financing charges	\$ 108,753	\$ 104,380

¹ Paid or payable to CTC.

² See Note 2(f).

16. CHANGES IN WORKING CAPITAL AND OTHER

Changes in working capital are comprised of the following:

For the year ended December 31,	Year ended	
	2019	2018
Changes in working capital and other		
Tenant and other receivables	\$ (737)	\$ (179)
Other assets	446	230
Other liabilities	8,269	(1,115)
Other	200	(523)
Changes in working capital and other	\$ 8,178	\$ (1,587)

17. SEGMENTED INFORMATION

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

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, 2019, CT REIT had obligations of \$145,667 (December 31, 2018 – \$129,163) in future payments for the completion of developments. Included in the commitments is \$132,607 due to CTC.

In Q3 2019, CT REIT and one of its co-owners of the Toronto (Canada Square), Ontario property committed to increase their ownership interest in the property to 50% from 33%. Refer to Subsequent event Note 22.

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 among the Partnership and CTC entered into on October 23, 2013 (“Services Agreement”), CTC provides the REIT with certain administrative, financial, information technology, internal audit and other support services as may be reasonably required from time to time (the “Services”). CTC provides these Services to the REIT on a cost recovery basis pursuant to which CT REIT reimburses CTC for all costs and expenses incurred by CTC in connection with providing the Services, plus applicable taxes. The Services Agreement is automatically renewable for one year terms, unless otherwise terminated in accordance with its terms. The Services Agreement was automatically renewed for 2020 and CTC will continue to provide such Services on a cost recovery basis.

Property Management Agreement

Under the property management agreement, among the Partnership and CTC entities entered into on October 23, 2013 (“Property Management Agreement”), CTC provides the REIT with certain customary property management services (the “Property Management Services”). CTC provides these Property Management Services to the REIT on a cost recovery basis pursuant to which the REIT reimburses CTC for all costs and expenses incurred by CTC in connection with providing the Property Management Services, plus applicable taxes. The Property Management Agreement is automatically renewable for one year terms, unless otherwise terminated in accordance with its terms. The Property Management Agreement was automatically renewed for 2020 and CTC will continue to provide such Property Management Services on a cost recovery basis.

CTC Credit Facility

In Q4 2019, CT REIT entered into the CTC Credit Facility expiring in December 2020. The CTC Credit Facility bears interest at a rate based on the bank's prime rate of interest or bankers' acceptances plus a margin.

(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	Year ended	
		2019	2018
Rental revenue	13	\$ 437,391	\$ 426,104
Property Management and Services Agreement expense		\$ 4,253	\$ 5,383
Distributions on Units		\$ 31,139	\$ 41,737
Distributions on Class B LP Units ¹		\$ 93,925	\$ 90,209
Interest expense on Class C LP Units	15	\$ 68,219	\$ 68,219
Interest expense on the Bridge Facility	15	\$ —	\$ 351

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

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

As at	December 31, 2019	December 31, 2018
Tenant and other receivables	\$ (1,890)	\$ (849)
Class C LP Units	1,451,550	1,451,550
Amounts payable on Class C LP Units	67,712	67,712
Loans receivable in respect of payments on Class C LP Units	(62,027)	(62,027)
Other liabilities	6,695	9,474
Distributions payable on Units and Class B LP Units ¹	29,589	28,634
Loans receivable in respect of distributions on Class B LP Units	(19,202)	(18,038)
CTC Credit Facility ²	2,000	—
Net balance due to CTC	\$ 1,474,427	\$ 1,476,456

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

² See Note 9.

(c) Compensation of executives and independent trustees

The remuneration of (i) the chief executive officer, chief financial officer, chief operating officer, and (ii) 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,	2019	2018
Salaries and short-term employee benefits	\$ 2,674	\$ 2,975
Unit-based awards ¹	2,642	491
Total	\$ 5,316	\$ 3,466

¹ Unit-based awards, as described in Note 11, includes increase (reduction) in expense as a result of the change in the fair market value of the Units of \$2,029 (2018 - \$(1,239)).

The remuneration of the chief executive officer, chief financial officer and chief operating officer 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 and mortgages payable at December 31, 2019, is \$1,602,884, \$1,098,627 and \$48,301 respectively. The fair value measurement of the Class C LP Units and mortgages payable is based on Level 2 inputs. The significant inputs used to determine the fair value of the Class C LP Units and mortgages payable are interest rates, term to maturity, and credit spreads. The debentures are actively traded on the secondary market and the fair value is determined using Level 1 inputs. There have been no transfers during the period between levels.

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

(b) Financial risk management

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

Liquidity risk

Liquidity risk is the risk that CT REIT will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. CT REIT's approach to managing liquidity is to ensure that it has sufficient liquidity available through cash, assets readily convertible to cash and committed bank lines of credit to support its monthly cash distributions to Unitholders, meet operating and 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 objectives: committed Bank Credit Facility totaling \$300,000, direct access to debt and equity markets subject to consent from CTC, and contributions from CTC to the extent cash flows from property operations are not sufficient.

Credit risk

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

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

Interest rate risk

Interest rate risk is the potential for financial loss arising from increases in interest rates. CT REIT has minimal exposure to interest rate changes as the initial rate on the Class C LP Units, debentures and certain mortgages payable are at fixed interest rates and variable rates, and CT REIT currently has \$2,000 (2018 - \$14,995) in short-term borrowings outstanding under its Credit Facilities.

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 and the trust indenture dated June 9, 2015, as supplemented by supplemental indentures (collectively, the Trust Indenture), pursuant to which the debentures were issued, and the Credit Facilities.

The following schedule details the capitalization of CT REIT:

As at	December 31, 2019	December 31, 2018
Liabilities		
Class C LP Units	\$ 1,451,550	\$ 1,451,550
Mortgages payable	48,049	37,100
Debentures	1,070,695	1,069,844
Credit Facilities	2,000	14,995
Equity		
Unitholders' equity	1,464,939	1,306,355
Non-controlling interests	1,869,166	1,778,554
Total	\$ 5,906,399	\$ 5,658,398

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

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

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

As at December 31, 2019, 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 Credit Facilities and further issuance of debt and equity are CT REIT's principal sources of liquidity used to pay operating expenses, distributions, debt service, and recurring capital and leasing costs in its investment property portfolio.

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

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

	Payments Due by Period						
	Total	2020	2021	2022	2023	2024	2025 and thereafter
Class C LP Units ¹	\$1,451,550	\$ 251,550	\$ —	\$ —	\$ —	\$200,000	\$ 1,000,000
Debentures	1,075,000	—	150,000	150,000	—	—	775,000
Payments on Class C LP Units ¹	716,425	62,258	58,000	58,000	58,000	52,750	427,417
Interest on debentures	204,478	34,949	33,330	29,572	27,433	27,433	51,761
Credit Facilities	2,000	2,000	—	—	—	—	—
Mortgages payable	47,667	37,533	419	9,715	—	—	—
Other liabilities	32,979	28,004	4,975	—	—	—	—
Distributions payable ²	14,976	14,976	—	—	—	—	—
Payable on Class C LP Units, net of loans receivable	5,685	5,685	—	—	—	—	—
Interest on mortgages payable	1,406	746	446	214	—	—	—
TOTAL	\$3,552,166	\$ 437,701	\$247,170	\$ 247,501	\$ 85,433	\$ 280,183	\$ 2,254,178

¹ Assumes redemption on Initial Fixed Rate Period for each series.

² On Units and Class B LP Units.

22. SUBSEQUENT EVENT

Subsequent to year end, CT REIT and one of the co-owners of the Toronto (Canada Square), Ontario property increased their respective ownership interests in the property from a 33% interest to a 50% interest. The REIT will recognize an increase in its proportionate share of the assets, liabilities, revenues and expenses of the co-ownership in its financial statements. The transaction closed on January 9, 2020.

Glossary of Terms

“**Affiliate**” means an affiliate, as such term is defined in the Securities Act (Ontario) of CT REIT (including a partnership or trust controlled by the REIT).

“**AFFO**” is a non-GAAP financial measure and has the meaning given to that term in Real Property Association of Canada’s white paper titled “White Paper on Funds From Operations & Adjusted Funds from Operations for IFRS” (the “White Paper on FFO & AFFO”) issued in February 2019. It is calculated as FFO subject to certain adjustments to remove the impact of recognizing property rental revenues or expenses on a straight-line basis, and the deduction of 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.

“**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.

“**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, Sport Chek, Sports Experts and Atmosphere, names or trademarks.

“**CTREL**” means Canadian Tire Real Estate Limited, a wholly-owned Subsidiary of CTC.

“Development Agreement” means the development agreement among the REIT, the Partnership, CTREL and CTC entered into on October 23, 2013, as further described under “Arrangements with CTC - Commercial Agreements with CTC - Development Agreement” of the AIF.

“Development Properties” means those Properties being developed or redeveloped, but excludes properties undergoing intensification activities, consisting of the construction of additional buildings on existing assets and modifications to existing buildings, as well as the redevelopment of mixed-use properties.

“EBITFV” is a non-GAAP measure of operating cash flow. It is calculated as net income in accordance with GAAP, adjusted by removing the impact of: (i) non-cash adjustments including fair value adjustments on investment properties; (ii) interest expense and other financing costs; (iii) income tax expense; (iv) gains or losses the sale of investment properties; and (v) non-recurring items that may occur under IFRS.

“ECL” means expected credit losses.

“FFO” is a non-GAAP financial measure and has the meaning given to it in the White Paper on FFO & AFFO. It 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) incremental leasing costs; (v) operational revenue and expenses from right-of-use assets; and (vi) deferred taxes.

“FVTPL” means fair value through profit or loss.

“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 Sheets.

“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.

“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 the REIT

“NOI” means property revenue less property expense and is further adjusted for straight-line rent.

“Property Management Agreement” means the property management agreement among the Partnership, CTC and CTREL entered into on October 23, 2013, as further described under “Arrangements with CTC - Commercial Agreements with CTC - Property Management Agreement” of the AIF.

“Properties Under Development” means that portion of any (i) Development Property, (ii) Properties undergoing intensification activities, consisting of the construction of additional buildings on existing assets and modifications to existing buildings, and (iii) mixed use properties being developed or redeveloped.

“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 on October 23, 2013, as described under “Arrangements with CTC - Commercial Agreements with CTC” of the AIF.

“Services Agreement” means the services agreement among the REIT, the Partnership and CTC entered into on October 23, 2013 pursuant to which CTC or certain of its Subsidiaries provide the Services, as further described under “Arrangements with CTC - Commercial Agreements with CTC - Services Agreement” of the AIF.

“SIFT Rules” means the specified investment flow-through rules applicable to SIFT trusts and SIFT partnerships in the Tax Act.

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

“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.



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