Crombie REIT

BUILDING A BETTER REIT

2016

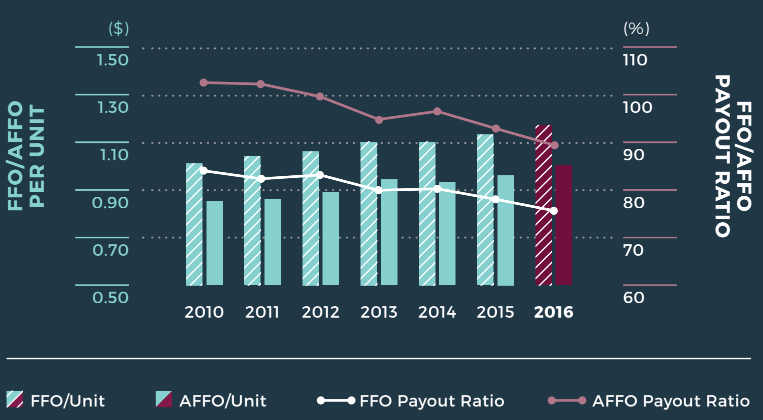
ANNUAL REPORT

Crombie REIT (TSX: CRR.UN, Crombie) is an open-ended real estate investment trust. Established in 2006, we are one of the country's leading national retail property landlords. Our strategy is focused on increasing net asset value and income growth through the acquisition, ownership, management and development of high-quality grocery and drug store anchored shopping centres, freestanding stores and mixed use developments primarily in Canada's top urban and suburban markets.

As of December 31, 2016, Crombie owned a portfolio of 280 retail and office properties across Canada, comprising approximately 19.1 million square feet of gross leasable area (GLA) and approximately $4.8 billion in assets.

IMPROVING FFO/AFFO PAYOUT RATIO

Units of Crombie REIT offer a high yield relative to the dependable, low-risk cash flow generated by our portfolio and the quality of our tenant base and retail assets.

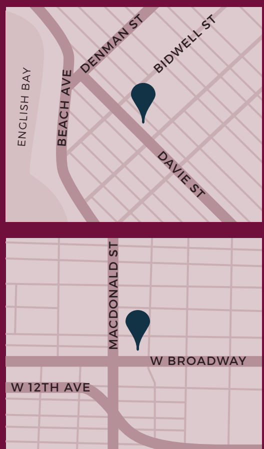


INSIDE THIS REPORT

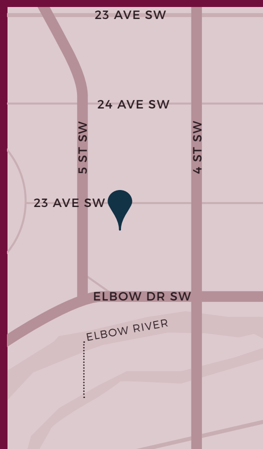
BUILDING A BETTER REIT

In the 11 years since our IPO, Crombie has transformed a small regional portfolio into a geographically diversified, retail-focused national REIT with $4.8 billion in assets across the country and a reputation for creating value by executing on a full range of commercial real estate activities. This year's report shows how we are Building a Better REIT.

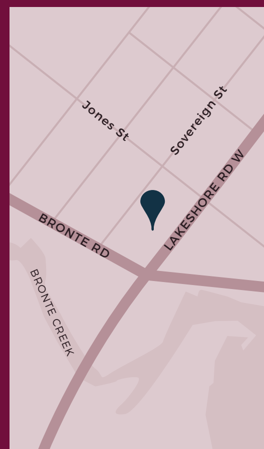
DEVELOPMENT PROPERTIES



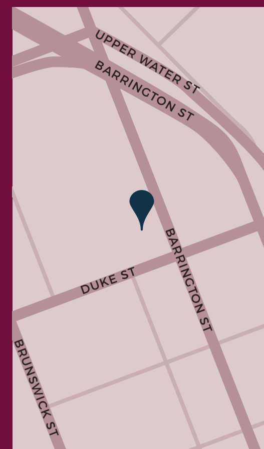
Davie Street (top), **2733 Broadway** (bottom), Vancouver, BC



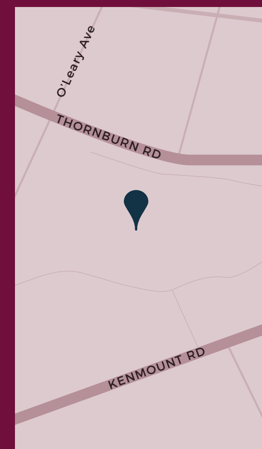
Elbow Drive, Calgary, AB



Bronte Village, Oakville, ON



Scotia Square, Halifax, NS



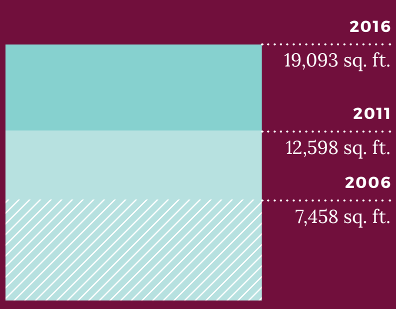
Avalon Mall, St. John's, NL

Crombie's expanding development pipeline includes 19 exceptional properties that are located in the heart of prosperous and growing urban and suburban markets across the country.

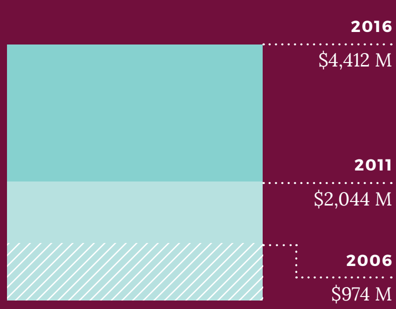
19

Development Properties Across Canada

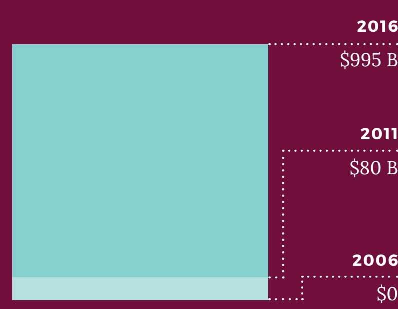
GROSS LEASABLE AREA



ENTERPRISE VALUE



UNENCUMBERED ASSETS



FOR A FULL TABLE OF 2016 HIGHLIGHTS, PLEASE SEE PAGE 22 IN THE MD&A.

PERFORMANCE, OPPORTUNITY AND GROWTH

2016 was a strong year for Crombie REIT on all fronts. We achieved record financial results, improved the quality of our portfolio, expanded and advanced our $2 to $3 billion development pipeline opportunity, and continued to strengthen our platform for sustainable long-term growth.

The past year was one of continued geopolitical and economic uncertainty as reflected by slow GDP growth, historically low interest rates, and signs of political discontent in much of the developed world. Amid this environment, our ability to achieve record financial and operating results was a testament to the soundness of Crombie's strategy and the commitment of our people to Building a Better REIT.

For the 12 months ending December 31, 2016, funds from operations (FFO) on an adjusted basis increased 11.2 percent to $166.2 million; or $1.17 per unit diluted. Adjusted funds from operations (AFFO) increased 12.0 percent to $140.7 million; or $1.00 per unit diluted. Growth in FFO and AFFO was driven by $574 million in new acquisitions, higher renewal rents, higher operating margins and lower financing costs. On a cash basis, same-asset net operating income grew by 4.2 percent in 2016, reflecting increased average rents from leasing activities, improved recovery rates and land-use intensification activities.

Crombie's successful growth strategy starts with the acquisition, management and increasingly, the development of great real estate properties. We continue to work with Sobeys to leverage the sustainable competitive advantage that comes from our relationship with Canada's second largest food retailer. In 2016, we acquired, expanded or renovated more than $444 million of properties from or with Sobeys, several of which contain compelling redevelopment opportunities. Together, these acquisitions have increased our presence in everyday retailing – what we consider to be the most resilient segment in commercial real estate – while increasing the concentration of our portfolio located in Canada's largest urban markets, increasing our geographic diversity and adding to our growing development pipeline.

In 2016, we continued to build a development pipeline that now includes 19 potential projects in various stages of evaluation, planning and development. Thirteen of these properties are prime urban locations that came to us with the 2013 acquisition of the Safeway portfolio. Our most advanced project, Davie Street in Vancouver, is expected to break ground later this year subject to final approvals. Featured on the cover of this annual report, Davie Street will combine 53,000 square feet of retail space with 320 residential suites in one of the city's top urban neighbourhoods. Four similar projects are in the pre-planning stage, including 1780 East Broadway, located at the busiest transit station in Vancouver's SkyTrain system. All of these projects will help satisfy the burgeoning demand for urban rental residential space, diversify Crombie's revenue, and have a positive impact on same-asset income and net asset value per unit.

We also continue to develop relationships in the wider commercial real estate market, as evidenced by more than $189 million in off-market, third-party property acquisitions during the year, and by finding new and creative ways to add value.

The same kind of thinking has led to the acquisition of third-party properties that feature long-term leases with Sobeys stores, where our unique relationship with Sobeys provides the opportunity to unlock value more readily through intensification or development. We are also making more bolt-on acquisitions, as evidenced by asset purchases adjacent to our properties in Beaumont, Alberta, Leduc, Alberta and Halifax, Nova Scotia over the past three years. All of these initiatives reflect a growing spirit of creativity in our relationships to reduce risk, gain access to capital, expertise and the best urban locations.

Crombie's untapped development also extends to our commercial properties portfolio in Atlantic Canada. Scotia Square continues to undergo a three-year $13 million refresh and expansion to strengthen its position as Halifax's premier business location and longer term is estimated to hold approximately one million square feet of residential and commercial development potential. We are also master planning for a major redevelopment of Avalon Mall in St. John's, Newfoundland and Labrador, one of Atlantic Canada's busiest shopping centres.

To help fund our core growth strategies, we have become more active in recycling capital to support our core growth strategy. This included a record $196 million of dispositions, primarily in secondary and tertiary markets this past year.

We also continue to strengthen our operating platform, as evidenced by the strong performance of our property management and leasing teams and our continued progress in filling vacancies from the departure of Target from the Canadian retail landscape. With respect to Target, we have replaced most of the income for one location and are committed to making the right deal at two other locations because these are strong assets in their markets. By the end of 2016, we had successfully replaced 96 percent of Zellers income with tenants occupying 56 percent of the Zellers space, leaving additional income upside at these locations.

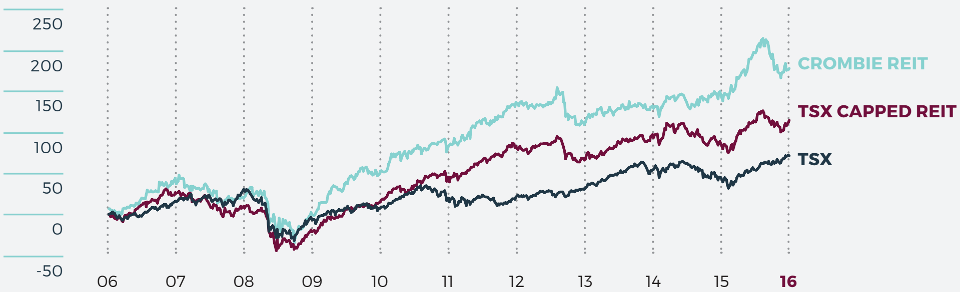
10%

Units in Crombie REIT have generated a compound average annual total return of 10% since our IPO.

TOTAL UNITHOLDER RETURN

(% - March 31, 2006 to December 31, 2016)

Crombie REIT has produced a total unitholder return of 178% since its IPO, compared to 115% total return for the S&P/TSX Capped REIT Index and a 72% total return for the S&P/TSX Composite Index.



In addition to acquiring, managing and developing great real estate, we are also committed to a conservative management approach and strong financial condition. All of our relevant financial key performance indicators improved during the year including FFO per unit, AFFO per unit, AFFO payout ratio and same-asset cash net operating income. We also achieved greater financial flexibility by reducing leverage, improving debt service coverage and interest coverage ratios and increasing unencumbered assets to $995 million by year end.

All of our progress depends, of course, on the talent and dedication of many people, both inside and outside the organization. To keep pace with our development as a leading national REIT, we continue to invest in the development of our people; as you will see on page 14 of this report, our efforts continue to attract the attention of leading awards programs. We also continue to foster our unique and mutually beneficial relationship with Sobeys and Empire, as well as the capable development partners who are helping to advance our progress on major development projects.

As I look back on Crombie's progress over the past 11 years, I cannot help but be proud of how far we've come. Starting with an approximately $800 million property portfolio predominantly located in Eastern Canada, we have grown into a leading national REIT with assets of $4.8 billion and an estimated $2–3 billion in development potential over the next 10 to 15 years. With the continued support of Crombie's employees, our associates at Empire and Sobeys, and other business partners, I am confident we will continue to be Building a Better REIT for many years to come.

Sincerely,

Donald E. Clow, FCPA, FCA
PRESIDENT AND CHIEF EXECUTIVE OFFICER

SENIOR MANAGEMENT TEAM

1 GLENN HYNES
Executive Vice President, Chief Financial Officer and Secretary

2 AARON BRYANT
Vice President, Construction and Design, Eastern Canada

3 DONALD CLOW
President and Chief Executive Officer

4 TREVOR LEE
Senior Vice President, Western Canada

5 CHERYL FRASER
Chief Talent Officer and Vice President, Communications

6 TERRY DORAN
Vice President, Office Properties

7 JOHN BARNOSKI
Senior Vice President, Corporate Development

8 KEN TURPLE
Vice President, Accounting and Financial Reporting

9 STEVE CLEROUX
Vice President, National Leasing and Atlantic Development

10 BRADY LANDRY
Vice President, Financial Analysis and Treasury

11 FRED SANTINI
General Counsel

12 SCOTT MACLEAN
Senior Vice President, Eastern Canada

13 JEFF DOWNS
Vice President, Enterprise Information Systems

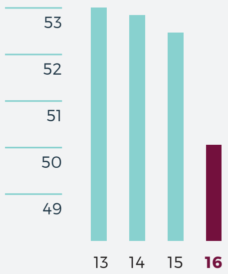
A STRONG NATIONAL PLATFORM

Following $574 million of acquisitions in 2016, Crombie REIT is more urban-focused and geographically diversified than ever before. Today, our $4.8 billion property portfolio consists of 280 commercial assets from coast to coast and a growing development pipeline in Canada's fastest growing metropolitan areas.

DEBT TO GBV (FV)

(%)

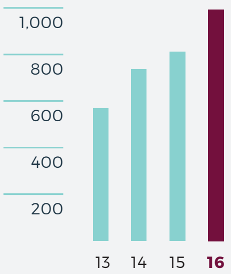
Crombie's debt to gross book value improved to 50.3% in 2016, reflecting the growing strength of the REIT's balance sheet.



UNENCUMBERED ASSETS

(in millions of dollars)

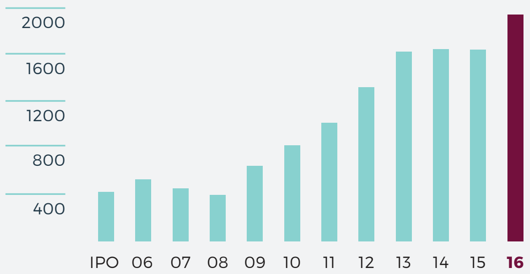
Unencumbered assets in our property portfolio reached a record $1 billion in 2016, reflecting unprecedented liquidity and financial flexibility.



MARKET CAPITALIZATION

(in millions of dollars)

Crombie's market capitalization reached approximately $2 billion, with a public float of approximately $1.2 billion, at the end of 2016.

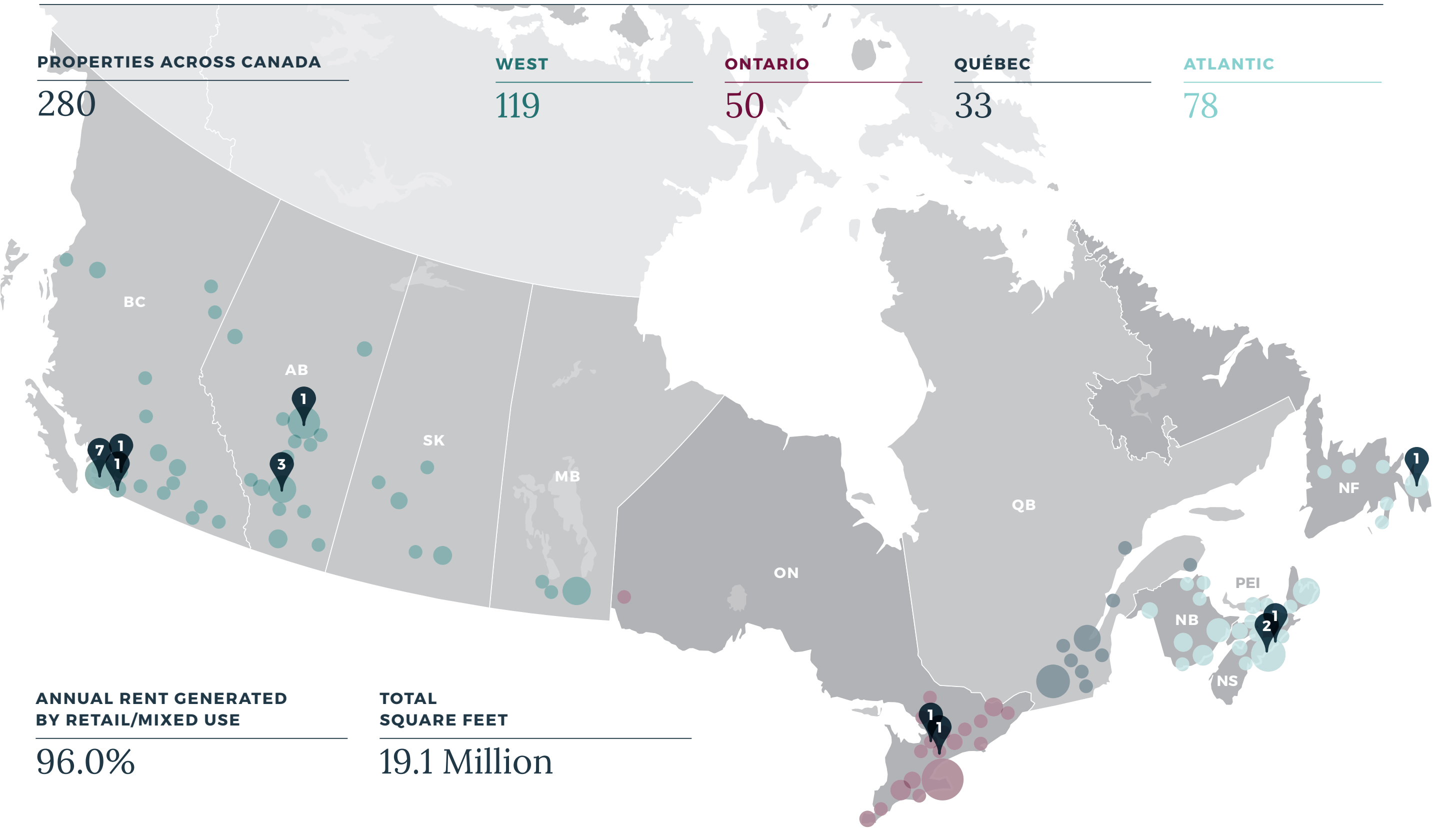


19

Development Properties
Across Canada

Over the past 11 years, Crombie has grown from a small regional property portfolio into one of Canada's larger REITs.

PROPERTIES ACROSS CANADA	WEST	ONTARIO	QUÉBEC	ATLANTIC
280	119	50	33	78

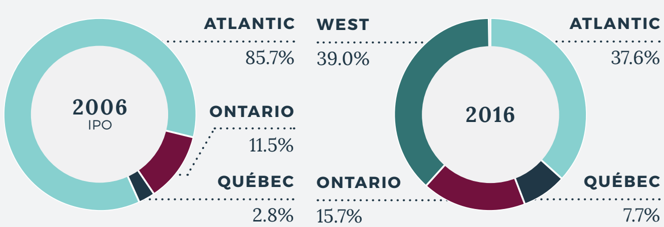


ANNUAL RENT GENERATED BY RETAIL/MIXED USE	TOTAL SQUARE FEET
96.0%	19.1 Million

GEOGRAPHIC DIVERSIFICATION

(% of annual minimum rent)

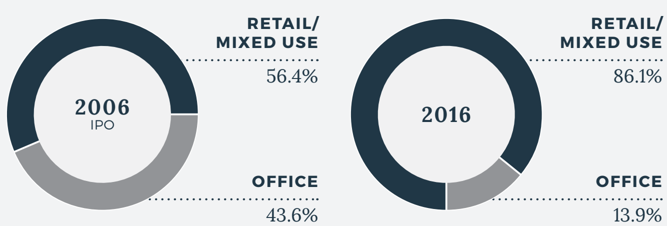
At year-end 2016, 62.4% of the annual minimum rent generated by our portfolio was derived outside of Atlantic Canada compared to 14.3% at the time of our IPO in March 2006.



REVENUE BY PROPERTY TYPE

(%)

At year-end 2016, 86.1% of the revenue from our portfolio was generated by retail assets compared to 56.4% at the time of our IPO.



We acquire high-quality grocery or drug store anchored properties in Canada's top urban and suburban markets

01

8555 GRANVILLE STREET

VANCOUVER, BC

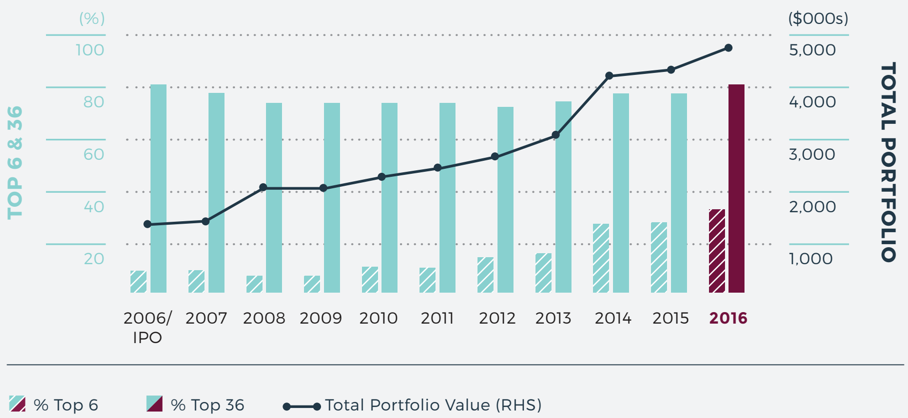
Acquired in 2016, our Safeway property at 8555 Granville Street in Vancouver is located in the heart of one of the city's busiest commercial and residential districts.

Crombie REIT's growth strategy is centred primarily on the acquisition of the steadiest performing assets in commercial real estate – grocery and drug store anchored properties and freestanding stores that serve everyday needs in their communities. Increasingly, they are located in Canada's largest urban markets, which are experiencing faster than average population and per capita income growth. Today, 77 percent of the annual minimum rent from our portfolio is derived from grocery and drug store anchored properties and freestanding stores.

Crombie's growth strategy has also driven our transformation into a geographically diversified Canadian REIT. Since the time of our IPO, we have acquired $2.4 billion in accretive real estate assets through our strategic relationship with Sobeys and Empire, helping to support the expansion and development of Canada's second largest national food retailer. In 2016, Crombie acquired $385 million of real estate properties from Sobeys and Empire with an additional $189 million in acquisitions through third-party relationships.

TOP 6 & TOP 36 MARKETS – TOTAL PORTFOLIO

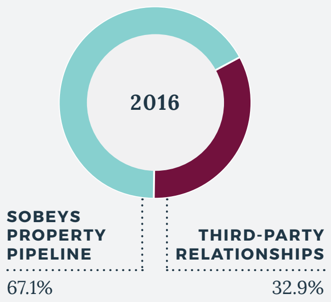
Crombie's growth strategy is successfully increasing our presence in the largest and fastest growing urban and suburban markets across the country.



SOURCE OF RETAIL ASSETS ACQUIRED IN 2016

(%)

Growing relationships in the commercial real estate markets led to $574 million in acquisitions in 2016.



We actively manage and develop our assets to optimize financial performance and create value

02

1641 DAVIE STREET

VANCOUVER, BC

1641 Davie Street in Vancouver – a partnership with Westbank – is the most advanced of Crombie's major developments. It is expected to break ground this year subject to final approvals.

In terms of quality and size as a proportion of enterprise value, Crombie's development pipeline opportunity is one of the best in the industry with 19 potential urban and suburban developments in various stages of evaluation, planning and development.

Thirteen of these prime locations came to Crombie with the acquisition of the Safeway property portfolio in 2013. Together, these major development opportunities hold the potential to add approximately 692,000 square feet of commercial space, and up to 5.7 million square feet of residential GLA. Based on current estimates, the total cost to develop these projects could reach $2 to $3 billion, of which Crombie may enter joint venture or other partnerships arrangements to share cost, revenue, risk and development expertise, depending on the nature of each project.

We also continue to optimize the performance of our existing assets through the strong performance of our property management, leasing and redevelopment teams. The continuous improvement in Crombie's operations was reflected by solid increases in net operating income, FFO, AFFO and EBITDA in 2016.

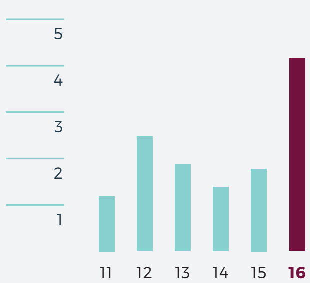
4.2%

Same asset property cash net operating income, an important measure of performance in commercial real estate, increased 4.2% to $235 million in 2016.

SAME ASSET PROPERTY CASH NET OPERATING INCOME GROWTH

(%)

Same-asset property cash net operating income has grown at an average annual rate of 2.4% over the past five years.



TOP PERFORMER

Major redevelopment plans are in store for Avalon Mall in St. John's, one of Atlantic Canada's busiest shopping centres.

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

03

AVALON MALL

ST. JOHN'S, NF

The new proposed parkade at Avalon Mall in St. John's represents Phase I of a masterplanned redevelopment for Newfoundland and Labrador's largest and busiest shopping centre.

The strength of Crombie's foundation is reflected in our balance sheet debt to gross book value, which at 50.3 percent at year end, was well below the 60 to 65 percent maximum permitted by our Declaration of Trust and relatively modest given the steady occupancy of our retail properties and the creditworthiness of our tenants.

We continued to de-risk our business, strengthen our capital structure and lower our cost of capital in 2016. We possess more liquidity and financial flexibility than ever with $278 million of unused credit facilities and $1 billion of unencumbered assets at the end of 2016. The financial covenants and weighted average remaining lease terms of our major tenants, including those of grocery and drug retailers, banks and other high-quality tenants at our properties, allow us to borrow using long debt maturities, which translates into low risk. No more than 4.8 percent of the GLA of our portfolio will be maturing in a single year over the next five years.

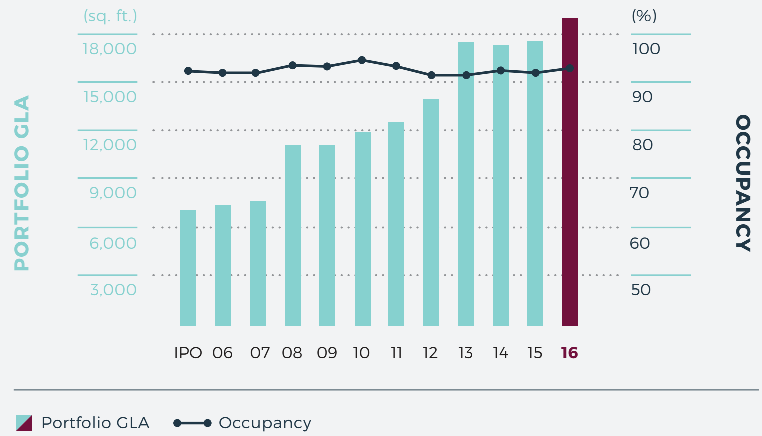
THE PLACE TO BE
Scotia Square, Halifax's premier business location, is in the midst of a $13 million, three-year refresh and expansion.

9.5%

Since Crombie's IPO in March 2006, the gross leasable area in our commercial real estate portfolio has grown at a compound average annual growth rate of 9.5%.

STRONG PROPERTY GROWTH WITH STEADY OCCUPANCY

Crombie REIT's portfolio has experienced strong growth in GLA and steady occupancy rates during challenging economic times.



We attract and develop great talent and foster strong relationships with our real estate partners.

04

AN EXPANDING NATIONAL PLATFORM

Crombie's skilled team of real estate professionals continues to grow as we expand our capabilities and geographic reach across the country.

1 2 3 4 5 6 7 8

Our strategic relationship with Empire and Sobeys has been the primary driver of Crombie's evolution into a geographically diversified, retail-focused REIT over the past 11 years. Today, this relationship continues to grow as we work together to add value through major mixed use developments. As a significant Unitholder of Crombie, Empire shares a common interest in realizing the income potential and long-term asset value of our properties. We also continue to strengthen our relationships with leading residential development partners such as Westbank to engage talent, share risk, and gain access to select development opportunities.

Leading these efforts is a growing team of talented real estate professionals and an expanding national platform that includes our newly opened regional office in Western Canada. We attract and develop great people through our solid talent programs placing a strong focus on leadership development, inclusion and engagement. Over the past year, we have enhanced our talent in analytics, development, and construction to ensure we are well positioned to execute our strategy. Crombie has received Atlantic Canada's and Nova Scotia's Top Employer Award for the past three years.

AWARDS 2016

INDUSTRY RECOGNITION

Crombie's culture of operational excellence, continuous learning and leadership development attracted multiple employer awards in 2016 including, for the 4th year in a row, Crombie CEO Don Clow being named one of *Atlantic Business Magazine*'s Top 50 CEOs.

2016 Nova Scotia's Top Employers

ATLANTIC CANADA'S TOP EMPLOYERS 2016

OUR GROWING TEAM OF TALENTED REAL ESTATE PROFESSIONALS

1 ANGELA CORMIER
Leasing Manager
New Glasgow

Angela joined the Crombie team as a Lease Administrator in 2008 and has since transitioned into the role of Leasing Manager in Atlantic Canada. With her extensive knowledge of the company's properties, Angela continues to advance Crombie's strategy with innovative leasing.

2 KEVIN PRICHARD
Manager Development
Calgary

Kevin joined Crombie in 2015 to grow the development capacity in the Western Region. He is responsible for intensifying existing sites, looking for new development opportunities and working with the team on Crombie's mixed use initiatives to further enhance Crombie's rapidly expanding portfolio.

3 GEORGE DECOFF
Senior Project Manager
New Glasgow

Working as a Senior Project Manager in Atlantic Canada, George is involved with designing, constructing and managing projects that allow him to collaborate with Crombie team members and outside partners throughout the region. In his years with Crombie, George has been involved in projects ranging from site development, property redevelopment, retail and office construction.

4 LESLEY BOWES
Senior Property Accountant
Halifax

Lesley joined Crombie in 2012 as Property Accountant with experience in Real Estate as well as Construction and Steel Fabrication. She currently oversees accounting for Crombie's portfolio of Office properties and plays a vital role on our Operations and Acquisition and Development teams. Lesley is a graduate of St. Xavier University.

5 REBECCA HEBB
Corporate Development Analyst
Toronto

Rebecca joined Crombie in 2015 as an Analyst in the Corporate Development group. She supports the advancement of Crombie's strategy through the analysis and execution of acquisitions, dispositions and other corporate development opportunities. She holds an MBA from Dalhousie University and is currently working towards becoming a CFA charter holder.

6 TARA RUSSELL
Director, Financial Analysis
New Glasgow

Tara joined Crombie in 2012 with her CPA, CMA designation as well as her MBA from Saint Mary's University. With her strong background in budgeting, forecasting and analytics, she liaises with development, operations and accounting teams across the country to bring superior budgeting, forecasting and reporting to Crombie.

7 STEPHANIE SMITH
Advisor Talent Management
New Glasgow

Stephanie joined Crombie in 2016 with a diverse background in Talent Management, Compensation and Benefits. Since joining Crombie, Stephanie has been responsible for advancing our Wellness initiatives and the execution and management of our Compensation programs.

8 DAN BOURQUE
Director Operations, Atlantic
Halifax

Dan joined Crombie in 2003 and is responsible for oversight of operations in Atlantic Canada. His progressive leadership style has cultivated an award winning team with a focus on customer service and environmental initiatives at the Scotia Square mixed use complex.

BUILDING BETTER COMMUNITIES

Crombie's commitment to building a better REIT extends to the numerous communities that are home to our commercial real estate properties across the country. This commitment can be seen everyday, from our support for important social causes to the way we build and manage our portfolio.

MAKING A DIFFERENCE
Crombie is a proud supporter of YMCA Strong Kids, an annual fundraising campaign that helps kids live healthier, happier lives.

Each year, we are proud to support numerous charitable causes with direct financial support and through the generosity and volunteer efforts of our employees. These include YMCA Strong Kids, which allows more kids to participate in life-enhancing programs that build a healthy spirit, mind and body and Catapult, a non-profit leadership camp that provides a fun, high-energy learning experience focused on enhancing the leadership, social, problem-solving and decision-making skills of young Nova Scotians. Other important causes we supported in 2016 included: the Canadian Heart and Stroke Foundation, the Alberta Adolescent Recovery Centre, Princess Margaret Hospital's Ride to Conquer Cancer, the Nova Scotia Cancer Society, Dreams Take Flight, the Mental Health Foundation of Nova Scotia, Ronald McDonald House, the Special Olympics of Pictou County and regional health care and recreational facilities.

A similar sense of responsibility extends to the environment. All of the new-build designs in our retail properties match LEEDS® equivalent standards and we continue to earn and upgrade BOMA BEST® certification for our office properties. All of our Scotia Square properties hold BOMA BEST Gold Certification while Park Lane holds a Silver Certification. Avalon Mall received Silver Certification during 2016 following the completion of numerous environmental upgrades.

As always, the year marked a number of important initiatives aimed at reducing our energy consumption and environmental impact at Scotia Square. The most intensive project completed in 2016 was a redesign of the main plant, which included the installation of variable speed drive pumps and flow meters. This project resulted in energy reduction of almost 1.5 million kilowatt hours per year and annual savings of $126,000. In total, projects completed in 2016 bring the total energy saved since we began the process of greening our buildings in 2008 to more than 19.7 million kilowatt hours.

ENVIRONMENTAL LEADERSHIP
The expanded food court at Scotia Square will incorporate state-of-the-art window and lighting technologies to minimize energy consumption.

ADVANCING OUR COMMITMENT TO LONG-TERM, SUSTAINABLE GROWTH

Crombie enjoyed a strong year with solid financial results, a high level of focused acquisitions and dispositions, and enhancements in its key talent while continuing to advance its strategy for sustainable growth and value creation.

Despite an ongoing scarcity of attractive retail assets on the open market, management successfully executed more than $574 million in acquisitions in 2016, a testament to both the competitive advantage of Crombie's strategic relationship with Sobeys and Empire, and the REIT's growing expertise in the country's major commercial real estate markets.

Despite having a very strong year, Crombie REIT's total return of 13 percent trailed the performance of both the S&P/TSX Index and the Canadian REIT Index. Although valuations for REITs in general were dampened by expectations of rising interest rates, Crombie's unit price was also affected by Sobeys' recent operating difficulties. However, we are confident that Sobeys represents an attractive and stable long-term tenant for our grocery anchored retail assets.

Crombie has an engaged Board of Trustees representing a diverse range of backgrounds and experience. We are committed to a strategy of long-term and stable growth with a high standard of corporate governance. Although Empire maintains a 40.3% (fully diluted) ownership interest in Crombie REIT, the Board of Trustees is structured and operates to fairly represent the interests of all Unitholders. The Board consists of both appointed and elected trustees, as specified in our Declaration of Trust, with a majority being elected and independent. The elected Trustees hold separate in-camera meetings with and without the appointed Trustees and management at each Board meeting. Empire appointed Trustees do not participate in any decisions concerning related party transactions or matters.

The Board reviews its Governance Standards regularly. In 2017, the Board will be proposing to Unitholders amendments to its Declaration of Trust that are described in our Proxy material. These amendments are being proposed to better align our Unitholders rights and definitions with those of other REITs and incorporated public companies.

On behalf of the Board, we would like to convey our gratitude to John Latimer, who will be retiring from the Board in May 2017. He has provided great leadership and knowledge to the Board for the past eleven years. Mr. Latimer has served on the Audit Committee and was most recently Chair of the Governance and Nominating Committee. We wish him the very best in the years to come.

Frank C. Sobey
TRUSTEE AND CHAIR

John Eby
LEAD INDEPENDENT TRUSTEE

BOARD OF TRUSTEES

1 FRANK C. SOBEY
Trustee and Chair

Frank Sobey has been a trustee of Crombie and its predecessors since 1981 and Chair since 1998. He is a director of Empire Company Limited, was Chairman of the former Oversight Committee of Empire and served as a trustee of the Wajax Income Fund. Currently Chairman of the Dalhousie Medical Research Foundation, Mr. Sobey is a graduate of the Harvard Business School's Advanced Management Program and received the ICD.D designation in 2013.

2 JOHN EBY
Independent Trustee

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

3 DONALD E. CLOW
Trustee

Donald Clow became President and CEO in 2009 after serving as President, ECL Developments Limited for two years and previously, as President of Southwest Properties. Mr. Clow earned his BBA from Acadia University, his CA designation with KPMG and Fellow Chartered Accountant designation in 2002. He is a graduate of the YPO President's Program at Harvard Business School and received his ICD.D designation in 2014. Mr. Clow is a trustee of Granite REIT.

4 E. JOHN LATIMER
Independent Trustee

John Latimer is the Managing Director of Aldert Chemicals Limited and the former President and CEO of Monarch Corporation, a real estate development company, from which he retired in 2000 after 22 years of service. He also served on the Executive Committee of Taylor Woodrow plc, the London, U.K. based major shareholder of Monarch. Mr. Latimer is the Audit Chairman and Director of R Split III Corp., a managed company of The Bank of Nova Scotia.

5 BARBARA F. PALK
Independent Trustee

Barbara Palk is the former President of TD Asset Management Inc. She serves on the Boards of TD Asset Management USA Funds Inc., Ontario Teachers' Pension Plan, First National Financial Corporation and Queen's University (Chair). Ms. Palk has an Honours BA in Economics from Queen's University, has received the ICD.D and CFA designations and is a Fellow of the Canadian Securities Institute.

6 JASON P. SHANNON
Independent Trustee

Jason Shannon is the President and Chief Operating Officer of Shannex Inc. and previously practised corporate law at Stewart McKelvey Stirling Scales. He serves on the boards of Atlantic Corporation, ITacit Inc., Atlantic Institute on Aging, and the Loran Scholarship Foundation, and as an advisory member on the Sobeys Pension Investment Committee. Mr. Shannon graduated from Dalhousie University with a Bachelor of Commerce (1994) and an LL.B (1997).

7 KENT R. SOBEY
Independent Trustee

Kent Sobey is founder and President of Farmhouse Productions Ltd. He is a corporate director of Blue Ant Media and Hollywood Suite and serves on the board of The North York Harvest Food Bank. Mr. Sobey received his BA from Dalhousie University, is a graduate of The Vancouver Film School and has completed executive development at Rotman School of Management and Queen's University.

8 J. MICHAEL KNOWLTON
Independent Trustee

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

9 ELISABETH STROBACK
Independent Trustee

Elisabeth Stroback is the Managing Principal and Owner of Tanalex Corp. She is the former Executive Lead, Capital Projects and Real Estate for Ryerson University and prior to 1999, served as President of Hammerson Canada Inc. She is Human Resources Compensation Committee Certified (HRCC) from the Director's College. Ms. Stroback also holds a BA as well as an MA in Economics.

10 BRIAN A. JOHNSON
Independent Trustee

Brian Johnson is a partner of Crown Realty Partners. From 1993 to 2007 he was President and Chief Executive Officer of Crown Life Insurance Company. Mr. Johnson received his B. Comm. (Gold Medalist) from the University of Manitoba and his MBA from the University of Pennsylvania. He also holds the Chartered Financial Analyst (CFA) designation.

11 PAUL D. SOBEY
Trustee

Paul Sobey retired as President and Chief Executive Officer of Empire Company Limited in 2013. He sits on the boards of Empire Company Limited, Sobeys Inc., The Bank of Nova Scotia, and is Chancellor of Saint Mary's University. Mr. Sobey received his Bachelor of Commerce from Dalhousie University, attended Harvard University Business School, Advanced Management Program and is a Chartered Accountant. He became a Fellow Chartered Accountant of Nova Scotia in 2006.

12 FRANCOIS VIMARD
Trustee

François Vimard, CPA, CA is the Executive Vice President of Empire Company Limited and served as interim CEO from July 2016 to January 2017. Prior to this he served in various senior positions with both Empire and Sobeys Inc. and provided leadership for the Company's Finance, Information Technology, Distribution & Logistics, Corporate Strategy, Real Estate, and Legal functions. Mr. Vimard earned his BBA degree and Licence in Accounting Sciences from Université Laval. He is a member of the Québec Chartered Accountant Order.

For complete biographical information on Crombie REIT's Trustees and Executive Management, please visit us at crombiereit.ca

EVERYDAY RETAILING
Crombie's grocery and drug store anchored properties serve steady, everyday needs for their communities.

INTRODUCTION

The following is Management's Discussion and Analysis ("MD&A") of the consolidated financial condition and results of operations of Crombie Real Estate Investment Trust ("Crombie") for the year and quarter ended December 31, 2016, with a comparison to the financial condition and results of operations for the comparable periods in 2015.

This MD&A should be read in conjunction with Crombie's audited consolidated financial statements and accompanying notes for the year ended December 31, 2016 and December 31, 2015, prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). Information about Crombie can be found on SEDAR at www.sedar.com.

DATE OF MD&A

The information contained in the MD&A, including forward-looking statements, is based on information available to management as of February 22, 2017, except as otherwise noted.

FORWARD-LOOKING INFORMATION

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

(i) the accretive acquisition of properties and the anticipated extent of the accretion of any acquisitions, which could be impacted by demand for properties and the effect that demand has on acquisition capitalization rates and changes in interest rates;

(ii) the cost and timing of new properties under development and right of first offer ("ROFO") agreements, which development activities are primarily undertaken by related parties and thus are not under the direct control of Crombie and whose activities could be impacted by real estate market cycles, the availability of labour and general economic conditions;

(iii) the disposition of properties and the anticipated reinvestment of net proceeds, which could be impacted by the availability of purchasers, the availability of accretive property acquisitions or other accretive uses for net proceeds and real estate market conditions;

(iv) generating improved rental income and occupancy levels, which could be impacted by changes in demand for Crombie's properties, tenant bankruptcies, the effects of general economic conditions and supply of competitive locations in proximity to Crombie locations;

(v) the anticipated rate of general and administrative expenses as a percentage of property revenue, which could be impacted by changes in property revenue and/or changes in general and administrative expenses;

(vi) overall indebtedness levels and terms and expectations relating to refinancing, which could be impacted by the level of acquisition activity that Crombie is able to achieve, levels of indebtedness, Crombie's ability to maintain and strengthen its investment grade credit rating, future financing opportunities, future interest rates, creditworthiness of major tenants, and market conditions;

(vii) the estimated payments on derivative and non-derivative financial liabilities, which could be impacted by interest rate subsidy payments, conversions of convertible debentures, interest rates on floating rate debt and fluctuations in the settlement value and settlement timing of any derivative financial liabilities;

(viii) asset growth and reinvesting to develop or otherwise make improvements to existing properties, which could be impacted by the availability of labour, capital resource allocation decisions and actual development costs;

(ix) tax exempt status, which can be impacted by regulatory changes enacted by governmental authorities;

(x) anticipated distributions, distribution growth and payout ratios, which could be impacted by results of operations and capital resource allocation decisions;

(xi) the effect that any contingencies would have on Crombie's financial statements, which could be impacted by their eventual outcome;

(xii) anticipated replacement of expiring tenancies, which could be impacted by the effects of general economic conditions and the supply of competitive locations; and,

(xiii) statements under the heading "Property Development/ Redevelopment" including the locations identified, timing, cost, development size and nature, impact on net asset value, cash flow growth, unitholder value or other financial measures, all of which may be impacted by real estate market cycles, the availability of financing opportunities and labour, actual development costs and general economic conditions and factors described under the "Property Development/ Redevelopment" section and which assumes obtaining required municipal zoning and development approvals and successful agreements with development partners and existing tenants.

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

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

NON-GAAP FINANCIAL MEASURES

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

FINANCIAL HIGHLIGHTS

Financial Highlights for the three months and year ended December 31, 2016 and 2015 are as follows:

	As at	
	December 31, 2016	December 31, 2015
Number of properties	280	260
Gross leaseable area (square feet)	19,093,000	17,666,000
Debt to gross book value – fair value basis	50.3%	52.5%

	Three months ended December 31,		Year ended December 31,	
(In thousands of CAD dollars, except per unit amounts and as otherwise noted)	**2016**	2015	**2016**	2015
Property revenue	$ 105,269	$ 92,847	$ 400,001	$ 369,866
Property net operating income	$ 75,874	$ 63,989	$ 284,695	$ 256,605
Operating income attributable to Unitholders	$ 31,478	$ 13,945	$ 125,130	$ 65,729
Operating income attributable to Unitholders per unit – basic	$ 0.21	$ 0.11	$ 0.89	$ 0.50
Operating income attributable to Unitholders per unit – diluted	$ 0.21	$ 0.11	$ 0.89	$ 0.50
FFO, as adjusted – basic	$ 45,452	$ 38,311	$ 166,235	$ 149,474
FFO, as adjusted – diluted	$ 47,193	$ 40,052	$ 173,141	$ 156,720
FFO, as adjusted per unit – basic	$ 0.31	$ 0.29	$ 1.19	$ 1.14
FFO, as adjusted per unit – diluted	$ 0.30	$ 0.29	$ 1.17	$ 1.13
FFO, as adjusted payout ratio (%)	72.6%	76.3%	75.6%	78.0%
AFFO – basic	$ 38,452	$ 32,310	$ 140,739	$ 125,654
AFFO – diluted	$ 40,193	$ 33,295	$ 144,645	$ 129,900
AFFO per unit – basic	$ 0.26	$ 0.25	$ 1.01	$ 0.96
AFFO per unit – diluted	$ 0.26	$ 0.25	$ 1.00	$ 0.96
Distributions per unit	$ 0.22	$ 0.22	$ 0.89	$ 0.89
AFFO payout ratio (%)(1)	85.8%	90.5%	89.3%	92.8%
Interest service coverage			2.97	2.72
Debt service coverage			1.96	1.81

(1) AFFO payout ratio is calculated using a per square foot charge for maintenance expenditures (see "AFFO" section).

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

	Three months ended December 31,		Year ended December 31,	
	2016	2015	**2016**	2015
Basic number of Units for all measures	148,038,591	131,182,278	139,919,678	130,787,712
Diluted for operating income attributable to Unitholders purposes	148,179,446	131,333,794	140,062,763	130,946,425
Diluted for FFO purposes	155,502,713	138,657,061	147,386,030	138,655,853
Diluted for AFFO purposes	155,502,713	135,671,986	144,400,955	135,670,778

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

HIGHLIGHTS

- FFO, as adjusted, for the year ended December 31, 2016 increased 11.2% to $166,235; or $1.17 per unit diluted, an increase of $0.04 or 3.9% per unit from the year ended December 31, 2015.
- FFO, as adjusted, for the three months ended December 31, 2016 increased 18.6% to $45,452; or $0.30 per unit diluted, an increase of $0.01 or 5.1% per unit from the three months ended December 31, 2015.
- AFFO for the year ended December 31, 2016 increased 12.0% to $140,739; or $1.00 per unit diluted, an increase of $0.04 or 4.6% per unit from the AFFO per unit for the year ended December 31, 2015.
- AFFO for the three months ended December 31, 2016 increased 19.0% to $38,452; or $0.26 per unit diluted, an increase of $0.01 or 5.3% per unit from the three months ended December 31, 2015.
- FFO, as adjusted, payout ratio of 75.6% for the year ended December 31, 2016 compared to 78.0% for the same period in 2015. AFFO payout ratio of 89.3% for the year ended December 31, 2016 compared to 92.8% for the same period in 2015. FFO, as adjusted, payout ratio of 72.6% for the three months ended December 31, 2016 compared to 76.3% for the same period in 2015. AFFO payout ratio of 85.8% for the three months ended December 31, 2016 compared to 90.5% for the same period in 2015.
- Same-asset property cash NOI for the year ended December 31, 2016 increased by 4.2% or $9,393 ($234,710 compared to $225,317 for the year ended December 31, 2015). Increase in same-asset property cash NOI for the three months ended December 31, 2016 of 9.2% or $5,203 ($61,785 compared to $56,582 for the three months ended December 31, 2015).
- Completed acquisitions in the year ended December 31, 2016 totalling 2,663,000 square feet for $573,833 before closing and transaction costs, including 38 retail properties; a 50% interest in three distribution centres; two parcels of development land adjacent to existing Crombie properties and a 50% interest in an additional development property; and, invested $58,823 in the renovation and expansion of 10 existing Sobeys anchored properties.
- Completed dispositions of 19 retail properties in the year ended December 31, 2016 totalling 1,210,000 square feet for proceeds of approximately $196,000 before closing and transaction costs.
- 8.1% growth of property revenue for the year ended December 31, 2016 ($400,001 versus $369,866 for the year ended December 31, 2015). Fourth quarter property revenue of $105,269, an increase of $12,422, or 13.4% over fourth quarter 2015.
- Committed occupancy was 94.4% at December 31, 2016 compared with 94.2% at September 30, 2016 and 93.6% at December 31, 2015.
- Crombie's renewal activity during the year ended December 31, 2016 included:
  - Renewals on 499,000 square feet of 2016 expiring leases at an average rate of $16.96 per square foot, an increase of 9.9% over the expiring lease rate.
  - Renewals on 222,000 square feet of 2017 and later expiring leases at an average rate of $17.05 per square foot, an increase of 5.3% over the expiring lease rate.
- New leases and expansions increased occupancy by 290,000 square feet at December 31, 2016 at an average first year rate of $15.05 per square foot. 132,000 square feet of space was committed at December 31, 2016 at an average first year rate of $12.51 per square foot.
- Debt to gross book value (fair value basis) was 50.3% at December 31, 2016, compared to 52.5% at December 31, 2015.
- Crombie's interest service coverage for the year ended December 31, 2016 was 2.97 times EBITDA and debt service coverage was 1.96 times EBITDA, compared to 2.72 times EBITDA and 1.81 times EBITDA, respectively, for the year ended December 31, 2015.
- Recognized $14,172 in property revenue during the year ended December 31, 2016 related to settlement proceeds from Target Canada for three leases vacated in May 2015 and from Best Buy/Future Shop related to one vacated lease. These amounts have been adjusted out of FFO for the year ended December 31, 2016.

BUSINESS OVERVIEW

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

Crombie invests in income-producing retail, office and mixed use properties in Canada, with a growth strategy focused primarily on the acquisition of grocery and drug store anchored retail properties in Canada's top markets. At December 31, 2016, Crombie owned a portfolio of 280 investment properties in 10 provinces, comprising approximately 19.1 million square feet of gross leaseable area ("GLA"). Empire Company Limited ("Empire"), through a subsidiary, holds a 41.5% (fully diluted 40.3%) economic and voting interest in Crombie at December 31, 2016.

BUSINESS OBJECTIVES AND OUTLOOK

The objectives of Crombie are threefold:

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

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

**Enhance value of Crombie`s assets:** Crombie anticipates reinvesting approximately 3% to 5% of its property revenue each year into its properties to maintain their productive capacity and thus overall value. Crombie`s internal growth strategy focuses on generating greater rental income from its existing properties. Crombie plans to achieve this by strengthening its asset base through judicious expansion and improvement of existing properties, leasing vacant space at competitive market rates with the lowest possible transaction costs, and maintaining good relations with tenants. Management will continue to conduct regular reviews of properties and, based on its experience and market knowledge, assess ongoing opportunities within the portfolio.

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

Crombie continues to work closely with Sobeys to identify opportunities that further Crombie's growth strategy. Crombie has a ROFO agreement with Sobeys to acquire both existing income producing commercial properties from Sobeys as well as properties from their development pipeline, subject to certain exceptions. Through these relationships, Crombie expects to have accretive acquisition opportunities which provide many of the benefits associated with property development while limiting its exposure to the inherent risks of development, such as real estate market cycles, cost overruns, labour disputes, construction delays and unpredictable general economic conditions.

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

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

(In thousands of CAD dollars) Transaction date	Number of properties	GLA (sq. ft.)	Acquisition cost (disposition proceeds)(1)
Transactions with Empire and subsidiaries			
2006 through 2014	175	8,740,700	$ 1,955,393
2015	4	232,800	$ 63,158
June 29, 2016	22	2,090,000	$ 348,386
July 15, 2016	(1)	(21,000)	$ (9,057)
July 29, 2016	1	62,000	$ 26,400
Transactions with third party vendors			
2006 through 2014	50	2,409,000	$ 693,812
2015	1	101,000	$ 33,150
February 5, 2016	1	21,000	$ 5,500
March 10, 2016	(10)	(791,000)	$ (143,400)
April 8, 2016	1	58,000	$ 15,700
April 15, 2016	(1)	(8,000)	$ (793)
April 28, 2016	(1)	(47,000)	$ (7,500)
May 3, 2016	2	117,000	$ 46,200
May 16, 2016	9	94,000	$ 32,272
June 1, 2016	1	37,000	$ 7,000
June 9, 2016	1	84,000	$ 29,000
June 23, 2016	1	54,000	$ 14,150
August 15, 2016	(1)	(48,000)	$ (2,300)
November 14, 2016	1	29,000	$ 29,000
November 30, 2016	1	6,000	$ 5,000
December 8, 2016	(1)	(80,000)	$ (10,750)
December 13, 2016	(4)	(215,000)	$ (21,750)

(1) Excluding closing and transaction costs

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

Through its relationships with Sobeys and ECLD, Crombie is provided a preferential right to acquire retail properties developed and/or owned by these entities. There is currently approximately $300,000 – $500,000 of properties which are anticipated to be made available to Crombie over the next four years.

BUSINESS ENVIRONMENT

A significant factor impacting the Canadian economy and its future prospects continues to be the prolonged decrease in the price of oil. While oil has recently found stability and slight price recovery, aided by supply management of OPEC countries, it remains well below previous levels. By way of offset, the Canadian economy has been helped by the lowering of the Canadian dollar relative to our largest trading partner, the United States. A weaker currency is a potential catalyst for Canada's export sectors. Interest rates in Canada and globally remain at all time lows with occasional signs of rate increases as yields have recently started to trend upwards.

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

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

OVERVIEW OF THE PROPERTY PORTFOLIO

PROPERTY PORTFOLIO

At December 31, 2016, Crombie's property portfolio consisted of 280 investment properties that contain approximately 19.1 million square feet of GLA in all 10 provinces.

As at December 31, 2016, the portfolio distribution of the GLA by province was as follows:

	GLA (sq. ft.)						
Province	January 1, 2016	Acquisitions (Dispositions)	Other	December 31, 2016	Number of Properties	% of GLA	% of Annual Minimum Rent
AB	2,386,000	988,000	—	3,374,000	55	17.7%	20.7%
BC	1,416,000	352,000	—	1,768,000	41	9.3%	11.6%
MB	644,000	—	—	644,000	15	3.4%	4.3%
NB	1,582,000	3,000	1,000	1,586,000	20	8.3%	5.7%
NL	1,414,000	—	(31,000)	1,383,000	13	7.2%	9.8%
NS	5,374,000	(29,000)	(25,000)	5,320,000	43	27.9%	21.5%
ON	3,022,000	(197,000)	25,000	2,850,000	50	14.9%	15.7%
PE	128,000	(24,000)	—	104,000	2	0.5%	0.6%
QC	1,246,000	364,000	—	1,610,000	33	8.4%	7.7%
SK	454,000	—	—	454,000	8	2.4%	2.4%
Total	17,666,000	1,457,000	(30,000)	19,093,000	280	100.0%	100.0%

During the year ended December 31, 2016, Crombie had a net increase of 1,457,000 square feet or 8.2% growth of GLA from acquisition and disposition activity consisting of:

- acquisition of nine properties, totalling 951,000 square feet and a 37,000 square foot addition to a property in Alberta;
- acquisition of nine properties in British Columbia totalling 373,000 square feet offset in part by disposition of one property totalling 21,000 square feet;
- acquisition of one property in New Brunswick totalling 11,000 square feet offset in part by disposition of one property totalling 8,000 square feet;
- acquisition of one property totalling 77,000 square feet, an 84,000 square foot addition to a property, and an acquisition of a 54,000 square foot development property, in Nova Scotia. The development property has been excluded from GLA until development plans are finalized. This is offset by disposition of three properties totalling 190,000 square feet;
- acquisition of eight properties in Ontario totalling 587,000 square feet, offset by disposition of 12 properties totalling 784,000 square feet;
- disposition of one property in Prince Edward Island totalling 24,000 square feet; and,
- acquisition of 12 properties in Quebec totalling 547,000 square feet, offset in part by disposition of one property in Quebec totalling 183,000 square feet.

Crombie continues to diversify its geographic concentration through growth and divestiture opportunities. As at December 31, 2016, our allocation of Annual Minimum Rent consists of: Atlantic Canada 37.6%; Central Canada 23.4%; and Western Canada 39.0%.

MANAGEMENT'S DISCUSSION AND ANALYSIS (In thousands of CAD dollars, except per unit amounts)

Crombie believes this diversification adds stability to the portfolio while reducing vulnerability to economic fluctuations that may affect any particular region.

PORTFOLIO OCCUPANCY AND LEASE ACTIVITY

The portfolio occupancy and committed activity for the year ended December 31, 2016 were as follows:

	Occupied Space (sq. ft.)								
Province	January 1, 2016	Acquisitions (Dispositions)	New Leases[1]	Lease Expiries	Other Changes[2]	December 31, 2016	Committed Space (sq. ft.)[3]	Total Leased Space (sq. ft.)	Leased December 31, 2016
AB	2,376,000	984,000	11,000	(7,000)	(2,000)	3,362,000	5,000	3,367,000	99.8%
BC	1,416,000	345,000	2,000	—	1,000	1,764,000	1,000	1,765,000	99.8%
MB	644,000	—	5,000	(1,000)	(4,000)	644,000	—	644,000	100.0%
NB	1,222,000	3,000	70,000	(25,000)	(4,000)	1,266,000	—	1,266,000	79.8%
NL	1,371,000	—	14,000	(17,000)	(31,000)	1,337,000	2,000	1,339,000	96.8%
NS	4,816,000	(29,000)	159,000	(159,000)	(17,000)	4,770,000	93,000	4,863,000	91.4%
ON	2,782,000	(113,000)	17,000	(28,000)	(4,000)	2,654,000	26,000	2,680,000	94.0%
PE	128,000	(24,000)	—	(5,000)	—	99,000	5,000	104,000	100.0%
QC	1,226,000	363,000	6,000	—	—	1,595,000	—	1,595,000	99.1%
SK	448,000	—	6,000	(50,000)	—	404,000	—	404,000	89.0%
Total	16,429,000	1,529,000	290,000	(292,000)	(61,000)	17,895,000	132,000	18,027,000	94.4%

(1) New leases include: new leases and expansions to existing properties.
(2) Other changes include: amendments to existing leases; lease terminations and surrenders; bankruptcies; and space certifications.
(3) Committed space represents lease contracts for future occupancy of currently vacant space. Management believes such reporting, along with reported lease maturities, provides more balanced reporting of potential pending overall vacant space. Committed space increased to 132,000 square feet at December 31, 2016, from 97,000 square feet at December 31, 2015.

Overall leased space (occupied plus committed) increased from 93.6% at December 31, 2015 to 94.4% at December 31, 2016. During 2016, Crombie had a net increase from acquisitions and dispositions of 1,529,000 square feet; had lease expiries outpace new leases by 2,000 square feet, and had committed space increase by 35,000 square feet to 132,000 square feet.

New leases and expansions increased occupancy by 290,000 square feet at December 31, 2016 at an average first year rate of $15.05 per square foot. 267,000 square feet are new leases at an average rate of $15.40 per square foot while the remaining 23,000 square feet are expansions of existing tenants at an average rate of $11.29 per square foot. 132,000 square feet of space was committed at December 31, 2016 at an average first year rate of $12.51 per square foot.

During the year ended December 31, 2016, Crombie renewed 499,000 square feet of 2016 anchor and non-anchor tenant lease maturities at an average rate of $16.96 per square foot, an increase of 9.9% over the expiring lease rate. The renewal activity compares favourably with the average rent per square foot on full year 2016 lease maturities of $13.05 per square foot. Crombie also renewed 222,000 square feet of 2017 and later anchor and non-anchor expiring leases at an average rate of $17.05 per square foot, an increase of 5.3% over the expiring lease rate. In addition, as part of the recent investment in the renovation and expansion of 10 existing Sobeys, leases have been amended with new 20-year terms. These amendments have not been included in the calculation of the renewal activity previously discussed.

SECTOR INFORMATION

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

As at December 31, 2016, the portfolio distribution of the GLA by asset type was as follows:

Asset Type	Number of Properties	GLA (sq. ft.)	% of GLA	% of Annual Minimum Rent	Leased[1]
Retail and Mixed Use	275	18,093,000	94.8%	96.0%	94.7%
Office	5	1,000,000	5.2%	4.0%	89.0%
Total	280	19,093,000	100.0%	100.0%	94.4%

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

As at December 31, 2015, the portfolio distribution of the GLA by asset type was as follows:

Asset Type	Number of Properties	GLA (sq. ft.)	% of GLA	% of Annual Minimum Rent	Leased[1]
Retail and Mixed Use	255	16,677,000	94.4%	95.7%	93.8%
Office	5	989,000	5.6%	4.3%	89.8%
Total	260	17,666,000	100.0%	100.0%	93.6%

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

Retail and mixed use properties represent 94.8% of Crombie's GLA and 96.0% of annual minimum rent at December 31, 2016 compared to 94.4% of GLA and 95.7% of annual minimum rent at December 31, 2015, reflecting Crombie's strategy to focus growth primarily on retail properties.

Leased space in retail and mixed use properties of 94.7% at December 31, 2016, increased from 93.8% at December 31, 2015. Leased space in office properties of 89.0% decreased from 89.8% at December 31, 2015.

LEASE MATURITIES

The following table sets out as of December 31, 2016, the number of leases maturing during the periods indicated (assuming tenants do not holdover on a month-to-month basis or exercise renewal options or termination rights), the renewal area, the percentage of the total GLA of the properties represented by such maturities and the estimated average rent per square foot at the time of expiry.

Year	Number of Leases	Renewal Area (sq. ft.)	% of Total GLA	Average Rent per sq. ft. at Expiry
2017	223	923,000	4.8%	$ 17.43
2018	178	730,000	3.8%	17.92
2019	171	889,000	4.7%	16.84
2020	146	591,000	3.1%	19.31
2021	154	756,000	4.0%	19.06
Thereafter	702	14,138,000	74.0%	18.15
Total	1,574	18,027,000	94.4%	$ 18.11

MD&A

PROPERTY DEVELOPMENT/ REDEVELOPMENT ("DEVELOPMENT")

Property Development is a strategic priority for Crombie to improve net asset value, cash flow growth and Unitholder value. With the acquisition of 70 Safeway properties from Sobeys in November 2013, Crombie added a number of locations in Canada's major cities. With urban intensification becoming an important reality across the country, Crombie management is focused on evaluating and undertaking Major Developments at certain properties, defined as properties where incurred costs are projected to be greater than $50 million and where Development may include a combination of commercial and/or residential uses ("Major Developments").

Potential Major Developments

Crombie's current potential Major Developments have the potential to add up to 692,000 (September 30, 2016 – 839,000) square feet of commercial GLA and up to 5,700,000 square feet (up to 6,500 units) (September 30, 2016 – 5,100,000 square feet and 5,800 units) of residential GLA (which may include either rental or condominium units). Included in Crombie's pipeline of 19 (September 30, 2016 – 19) potential Major Developments are 13 (September 30, 2016 – 13) properties in Western Canada, located primarily in Vancouver, British Columbia (nine) (September 30, 2016 – nine) and Calgary and Edmonton, Alberta (four) (September 30, 2016 – four) and six additional properties located in Central Canada and Atlantic Canada (September 30, 2016 – six).

Based on Crombie's current estimates, total costs to develop these properties could reach $2 to $3 billion (September 30, 2016 – $2 to $3 billion), of which Crombie may enter joint venture or other partnership arrangements to share cost, revenue, risks and development expertise depending upon the nature of each project. Each project remains subject to normal development approvals, achieving required economic hurdles including financial accretion and Board of Trustees approval.

As at December 31, 2016, Crombie has identified the following 19 locations as having potential to become Major Developments. Development of each property is subject to management completing full due diligence on the opportunity, including commercial and residential components, as well as seeking all necessary Board, municipal/provincial and tenant approvals prior to proceeding. While the precise timing of each project is not determinable currently, Crombie expects that a number of these projects could be under construction over the next one to two years and/or complete over the next four to five years. The time horizon for certain of these projects could be longer and Crombie may choose to not proceed with development on some properties after further review and completion of financial accretion projections.

MANAGEMENT'S DISCUSSION AND ANALYSIS (In thousands of CAD dollars, except per unit amounts)

Existing Property	City, Province	Site Size	Existing Tenants	Potential Commercial Expansion	Potential Residential Expansion	Status
1. 1641 Davie Street	Vancouver, BC	1.09 acres	Safeway/Other tenants	Yes	Yes	Development Planning
2. 2733 West Broadway	Vancouver, BC	1.95 acres	Safeway	Yes	Yes	To be determined "TBD"
3. 3410 Kingsway	Vancouver, BC	3.74 acres	Safeway/Other tenants	Yes	Yes	TBD
4. 990 West 25 Avenue (King Edward)	Vancouver, BC	1.80 acres	Safeway	Yes	Yes	TBD
5. 1170 East 27 Street	North Vancouver, BC	2.82 acres	Safeway	Yes	Yes	Pre-planning
6. 1780 East Broadway	Vancouver, BC	2.43 acres	Safeway	Yes	Yes	Pre-planning
7. Royal Oak	Vancouver, BC	2.76 acres	Safeway	Yes	Yes	TBD
8. East Hastings	Burnaby, BC	3.30 acres	Safeway/Other tenants	Yes	Yes	TBD
9. 10355 King George Boulevard	Surrey, BC	5.07 acres	Safeway	Yes	Yes	TBD
10. 813 11 Avenue SW	Calgary, AB	2.59 acres	Safeway	Yes	Yes	TBD
11. 524 Elbow Drive SW	Calgary, AB	1.60 acres	Safeway	Yes	Yes	Pre-planning
12 410 10 Street NW	Calgary, AB	1.73 acres	Safeway	Yes	Yes	TBD
13. 10930 82 Avenue	Edmonton, AB	2.44 acres	Safeway/Other tenants	Yes	Yes	TBD
14. Brampton Mall	Brampton, ON	8.74 acres	Retail	Yes	Yes	TBD
15. Bronte Village	Oakville, ON	5.66 acres	Sobeys/Other tenants	Yes	Yes	Pre-planning
16. Triangle Lands	Halifax, NS	0.68 acres	Land	Yes	Yes	TBD
17. Penhorn Lands	Dartmouth, NS	31.00 acres	Land	Yes	Yes	TBD
18. Scotia Square	Halifax, NS	14.47 acres	Office/Retail	Yes	Yes	In Development
19. Avalon Mall	St. John's, NL	50.91 acres	Retail	Yes	No	Pre-planning

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

Projects described as having a "development planning" status include projects where significant progress has been made in several areas of the pre-planning phase and Crombie is in the process of committing costs to undertake a Major Development.

Projects described as having an "in development' status include projects where internal approvals have been obtained and construction is imminent or underway.

The following section provides more detail for projects that have progressed beyond the pre-planning phase.

Properties in the Development Planning Phase

1641 Davie Street, Vancouver, British Columbia

Davie Street is a single-storey retail plaza located in a high density residential area of downtown Vancouver, British Columbia. The site is currently anchored by a 32,000 square foot Safeway grocery store and a number of additional tenants. Crombie has entered into a partnership agreement with a Vancouver based development partner (Westbank Corp.) for the planned replacement of the existing retail asset with a new mixed use development. The proposed development currently envisions a new, larger approximately 44,000 square foot grocery store with almost 9,000 square feet of ancillary retail, and rental residential totalling up to 252,000 square feet (up to 320 rental units) comprised of two residential towers. Zoning is in place and a development permit application was submitted in December 2015 with approval expected shortly. Under the current project, Crombie would ultimately retain 100% of the new commercial component and jointly own the rental residential component.

Properties in Development Phase

Scotia Square, Barrington Street, Halifax, Nova Scotia

Scotia Square Complex is situated at the entrance to the downtown Halifax business district at the corner of Barrington and Duke Streets. The retail and mixed use portion of the property is comprised of 290,000 square feet and is directly connected to two hotels and nearly 1,300,000 square feet of office space. Phase I of this Major Development involved a complete re-merchandising and renovation of the food court. This project was completed in early 2014 at a construction cost of approximately $3 million. Phase II is a three-level expansion on Barrington Street of approximately 25,000 square feet (gross building area) which includes a new and modern main entrance into the complex. The expansion is comprised of new third floor office space, second floor food court expansion and seating, and new street level retail GLA. The new three-storey glazed facade will modernize the overall image of the facility. The construction cost for Phase II is expected to be approximately $10 million. Crombie is also in the pre-planning stage of a number of other residential and/or office development opportunities at this location for future development phases. The costs disclosed exclude direct tenant costs and include both productive capacity enhancement and recoverable amounts.

OTHER PROPERTY REDEVELOPMENT

On a regular basis, Crombie will complete redevelopment work on properties to enhance the economic viability of a location when the environment in which it operates warrants. Properties currently under redevelopment are included in development property cash NOI and excluded from same-asset operating results until the redevelopment is complete and the operating results from the property are available for the current and comparative reporting years, at which time they are included in same-asset property operating results. Operating results from these properties are included in FFO, AFFO, occupancy, and other measures per normal.

Province	Property	Property GLA
ON	Algonquin Ave Mall	211,000
NS	Amherst Centre	228,000
NB	Uptown Centre	320,000

The redevelopment of Algonquin Avenue Mall, Amherst Centre and Uptown Centre consists of redemising and developing vacant anchor space in readiness for leasing. Construction will be completed in phases in conjunction with leasing. Planning and design work is currently underway and is subject to management review and approval.

Province	Property	Property GLA	Development	Estimated Construction Cost[(1)]	Incurred To Date	Estimated Completion
NS	Aberdeen Business Centre	389,000	Leasing of Anchor Space	$ 3,274	$ 3,005	Q1 2017
NS	County Fair Mall–New Minas	268,000	To be determined	In planning	$ —	To be determined
NS	Downsview Mall	70,000	Phased demolition and development	$ 2,572	$ 379	Q3 2017
NS	Sydney Shopping Centre	186,000	Partial demolition and development	$ 6,909	$ 2,349	Q3 2017
NL	Kenmount Business Centre / Woodgate Plaza	68,000	Avalon Mall Master Plan	In planning	$ —	To be determined
NB	Loch Lomond Place	192,000	To be determined	In planning	$ —	To be determined
NB	Riverview Place	150,000	To be determined	In planning	$ —	To be determined
NB	1234 Main Street / 1222 Main Street	140,000	To be determined	In planning	$ —	To be determined

(1) Excludes direct tenant costs

Aberdeen Business Centre – final lease agreements to replace vacant anchor space have been executed. This property will be included in same-asset results for 2017.

County Fair Mall – New Minas has been designated for redevelopment. Initial planning and design work is currently underway and is subject to management review and approval.

Downsview Mall – currently under redevelopment consisting of phased demolition and development. Zoning approvals have been obtained. Construction and leasing are underway.

Sydney Shopping Centre – currently under redevelopment consisting of partial demolition and redemising of remaining space. Development is under construction and expected to be completed by Q3 2017.

Kenmount Business Centre / Woodgate Plaza – has been designated for redevelopment to facilitate planned Major Development at adjacent property Avalon Mall. As indicated in the previous section this Major Development is in the pre-planning stage.

Loch Lomond Place – has been designated for redevelopment. Initial planning and design work is currently underway and is subject to management review and approval.

Riverview Place – has been designated for redevelopment. Initial planning and design work is currently underway and is subject to management review and approval.

1234 Main Street / 1222 Main Street – Phase I redevelopment of 1234 Main Street has been completed. Initial planning of Phase II involving 1222 Main Street is underway.

Productive Capacity Enhancement

In addition to Major Developments and work done on properties under redevelopment, Crombie also performs productive capacity enhancements on other properties which totals $90,166 of investment for the year ended December 31, 2016. This includes $58,823 of investment in the renovation and expansion of 10 properties anchored by Sobeys. This spending is further discussed in the Maintenance Expenditures section.

LARGEST TENANTS

The following table illustrates the ten largest tenants in Crombie's portfolio of income-producing properties as measured by their percentage contribution to total annual minimum rent as at December 31, 2016.

Tenant	% of Annual Minimum Rent	Average Remaining Lease Term
Sobeys[(1)]	52.9%	15.4 years
Shoppers Drug Mart	5.1%	11.3 years
Cineplex	1.4%	8.6 years
Province of Nova Scotia	1.2%	1.9 years
CIBC	1.1%	14.2 years
Lawtons/Sobeys Pharmacy	1.1%	10.3 years
Dollarama	1.0%	6.4 years
GoodLife Fitness	1.0%	10.3 years
Bank of Nova Scotia	0.9%	4.3 years
Bank of Montreal	0.9%	11.2 years
Total	66.6%	

(1) Excludes Lawtons/Sobeys Pharmacy.

Crombie's portfolio is leased to a wide variety of tenants. The above table is based on the tenant's percentage of annual minimum rent and, other than Sobeys which accounts for 52.9% of annual minimum rent and Shoppers Drug Mart which accounts for 5.1% of annual minimum rent, no other tenant accounts for more than 1.4% of Crombie's annual minimum rent.

For the year ended December 31, 2016, Sobeys also represents 44.8% of total property revenue. Total property revenue includes annual minimum rent as well as operating and realty tax cost recovery income and percentage rent. These additional amounts can vary by property type, specific tenant leases and where tenants may directly incur and pay operating and realty tax costs.

The weighted average remaining term of all Crombie leases is approximately 12.5 years. This lengthy remaining lease term is influenced by the average Sobeys remaining lease term of 15.4 years.

FINANCIAL RESULTS

COMPARISON TO PREVIOUS YEAR

(In thousands of CAD dollars, except per unit amounts and as otherwise noted)	As At **December 31, 2016**	December 31, 2015	December 31, 2014
Total assets	$ 3,963,318	$ 3,472,193	$ 3,413,414
Total investment property debt and unsecured debt	$ 2,396,199	$ 2,170,801	$ 2,073,354
Debt to gross book value – fair value basis(1)	50.3%	52.5%	52.8%

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

	Three months ended December 31,			Year ended December 31,		
	2016	2015	Variance	**2016**	2015	Variance
Property revenue	$ 105,269	$ 92,847	$ 12,422	$ 400,001	$ 369,866	$ 30,135
Property operating expenses	29,395	28,858	(537)	115,306	113,261	(2,045)
Property NOI	75,874	63,989	11,885	284,695	256,605	28,090
NOI margin percentage	72.1%	68.9%	3.2%	71.2%	69.4%	1.8%
Other items:						
Gain on disposal of investment properties	9,761	25	9,736	37,490	23	37,467
Impairment of investment properties	(6,000)	(7,300)	1,300	(6,000)	(12,575)	6,575
Depreciation and amortization	(19,435)	(16,789)	(2,646)	(73,332)	(66,576)	(6,756)
General and administrative expenses	(4,266)	(3,541)	(725)	(16,341)	(14,401)	(1,940)
Finance costs – operations	(25,656)	(24,600)	(1,056)	(100,156)	(98,611)	(1,545)
Operating income before taxes	30,278	11,784	18,494	126,356	64,465	61,891
Taxes – current	—	(39)	39	(26)	(2,936)	2,910
Taxes – deferred	1,200	2,200	(1,000)	(1,200)	4,200	(5,400)
Operating income attributable to Unitholders	31,478	13,945	17,533	125,130	65,729	59,401
Finance costs – distributions to Unitholders	(32,987)	(29,236)	(3,751)	(125,737)	(116,576)	(9,161)
Finance income (costs) – change in fair value of financial instruments	(46)	3,068	(3,114)	312	56	256
Increase (decrease) in net assets attributable to Unitholders	$ (1,555)	$ (12,223)	$ 10,668	$ (295)	$ (50,791)	$ 50,496
Operating income attributable to Unitholders per Unit, Basic	$ 0.21	$ 0.11		$ 0.89	$ 0.50	
Operating income attributable to Unitholders per Unit, Diluted	$ 0.21	$ 0.11		$ 0.89	$ 0.50	
Basic weighted average Units outstanding (in 000's)	148,039	131,182		139,920	130,788	
Diluted weighted average Units outstanding (in 000's)	148,179	131,334		140,063	130,946	
Distributions per Unit to Unitholders	$ 0.22	$ 0.22		$ 0.89	$ 0.89	

Operating Results

For the three months ended December 31, 2016, Operating income before taxes of $30,278 increased by $18,494 or 156.9% compared to the three months ended December 31, 2015. The increase was primarily due to:

- an increase in property revenue of $12,422 or 13.4% which is impacted by:
  - improved leasing activity including increased average rental rates on lease renewals and new leases;
  - acquisition activity since the third quarter of 2015. Acquisitions include approximately $60,825 in the fourth quarter of 2015; $5,500 in the first quarter of 2016; $492,708 in the second quarter of 2016; $26,400 in the third quarter of 2016; and $34,000 in the fourth quarter of 2016;
  - invested $58,823 on June 29, 2016 in the renovation and expansion of 10 existing Sobeys anchored properties which generated $549 in total property revenue; and,
  - an increase in lease termination income of $4,133 over the fourth quarter of 2015, primarily related to $3,000 from Best Buy/Future Shop for one retail location and additional settlement amounts of $828 related to two vacated Target Canada leases.

  offset in part by:
  - reduced property revenue resulting from the disposition of 10 retail properties in the first quarter of 2016, two retail properties in the second quarter of 2016, an additional two retail properties in the third quarter of 2016, and five properties in the fourth quarter of 2016.
- the disposition of five retail properties during the fourth quarter, resulting in a gain on disposal of $9,761.
- the recognition in the fourth quarter of 2015 of $7,300 of impairment related to one office property.

These improvements were partly offset by:

- an increase in depreciation and amortization of $2,646 or 15.8% related to the net acquisition activity as noted above; and,
- an increase in finance costs – operations of $1,056 or 4.3% primarily due to acquisition activity since the third quarter of 2015, offset in part by finance costs savings from proceeds on property dispositions during 2016 and lower rate debt on new and renewal mortgages.

For the year ended December 31, 2016, Operating income before taxes of $126,356 increased by $61,891 or 96.0% compared to the year ended December 31, 2015. In addition to the above variance explanations for the three month period, the year was impacted by:

- higher lease termination income of $14,584 compared to $4,175 for the same period in 2015. During 2016, Crombie recorded receipt from Target Canada of $11,172 in lease termination settlement payments on three leases vacated in May 2015 as well as $3,000 from Best Buy/Future Shop related to one retail location. During 2015, Crombie received termination income of $3,995 primarily related to two vacated long-term leases;
- the disposition of 19 retail properties in the year ended December 31, 2016, resulting in a gain on disposal of $37,490; and,
- a decrease in impairment costs of $6,575. During 2016, Crombie recorded impairment on two retail properties; in 2015, impairment was recorded on three retail properties and one office property.

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

	Three months ended December 31,		Year ended December 31,	
(In thousands of CAD dollars)	**2016**	2015	**2016**	2015
Operating income attributable to Unitholders	$ 31,478	$ 13,945	$ 125,130	$ 65,729
Finance costs – distributions to Unitholders	(32,987)	(29,236)	(125,737)	(116,576)
Finance income (costs) – change in fair value of financial instruments	(46)	3,068	312	56
Increase (decrease) in net assets attributable to Unitholders	$ (1,555)	$ (12,223)	$ (295)	$ (50,791)

Classification of Crombie REIT Units and Class B LP Units with attached Special Voting Units (collectively the "Units")

Crombie has determined that in accordance with IAS 32 Financial Instruments: Presentation, Crombie's Units are to be classified as financial liabilities on the Consolidated Balance Sheet. Each of the REIT Units and Class B LP Units are puttable by the respective holder and meet the definition of financial liabilities under IFRS.

As a result of the Units being classified as financial liabilities on the Consolidated Balance Sheet, distributions on the Units are recognized as a finance charge on the Consolidated Statements of Comprehensive Income (Loss). Had either, or both, of the Units been classified as equity instruments, the related distributions would be recognized as a reduction to equity rather than a charge against income.

PROPERTY NOI

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

Property NOI on a cash basis is as follows:

	Three months ended December 31,			Year ended December 31,		
(In thousands of CAD dollars)	**2016**	2015	Variance	**2016**	2015	Variance
Property NOI	$ 75,874	$ 63,989	$ 11,885	$ 284,695	$ 256,605	$ 28,090
Non-cash straight-line rent	(3,840)	(2,801)	(1,039)	(12,876)	(11,142)	(1,734)
Non-cash tenant incentive amortization	3,328	2,512	816	11,622	9,712	1,910
Property cash NOI	75,362	63,700	11,662	283,441	255,175	28,266
Acquisitions, dispositions and development property cash NOI	13,577	7,118	6,459	48,731	29,858	18,873
Same-asset property cash NOI	$ 61,785	$ 56,582	$ 5,203	$ 234,710	$ 225,317	$ 9,393

Property NOI, on a cash basis, excludes non-cash straight-line rent recognition and amortization of tenant incentive amounts. The $5,203 or 9.2% increase in same-asset cash NOI for the three months ended December 31, 2016 over the same period in 2015 is primarily the result of: higher lease termination income; increased average rent per square foot from leasing activity; rental rate increases in existing leases; improved recovery rates; revenues from land use intensifications at several properties; and, the $58,823 investment in 10 Sobeys anchored properties which generated $1,029 in same-asset property cash NOI.

Acquisitions, dispositions and development property cash NOI increased $6,459 for the three months ended December 31, 2016 over the same period in 2015 primarily due to acquisitions in the fourth quarter of 2015 and in 2016, offset in part by the disposition of 19 retail properties during 2016.

The $9,393 or 4.2% increase in same-asset cash NOI for the year ended December 31, 2016 over the same period in 2015 was impacted by the same factors noted above for the three month period.

Included in same-asset property cash NOI for the three months and year ended December 31, 2016 is $3,000 in lease termination income from Best Buy/Future Shop related to a vacated lease. Excluding this $3,000 amount, same-asset property cash NOI increased $2,203 or 3.9% and $6,393 or 2.8% for the three months and year ended December 31, 2016, respectively, compared to the same period in 2015.

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

Same-asset property cash NOI is as follows:

	Three months ended December 31,				Year ended December 31,			
(In thousands of CAD dollars)	**2016**	2015	Variance	Percent	**2016**	2015	Variance	Percent
Retail and Mixed Use	$ 59,064	$ 53,848	$ 5,216	9.7%	$ 223,633	$ 214,579	$ 9,054	4.2%
Office	2,721	2,734	(13)	(0.5)%	11,077	10,738	339	3.2%
Same-asset property cash NOI	$ 61,785	$ 56,582	$ 5,203	9.2%	$ 234,710	$ 225,317	$ 9,393	4.2%

Variances in same-asset property cash NOI for the three months ended December 31, 2016 compared to the same period in 2015 include:

- Retail and Mixed Use increased $5,216 or 9.7% due to increased base rent and related recoveries driven by new and renewal lease activity as well as continued land use intensification, $1,029 additional same-asset property cash NOI from the $58,823 investment in Sobeys anchored properties on June 29, 2016 and $3,000 in lease termination income.
- Office decreased $13 or 0.5% as a result of changes in occupancy.

Same-asset property cash NOI for the year ended December 31, 2016 compared to the same period in 2015 was impacted by these same factors, offset by lease termination income received in the second quarter of 2015 and the related lost NOI from the resulting transitional vacancy.

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

	Three months ended December 31,			Year ended December 31,		
(In thousands of CAD dollars)	**2016**	2015	Variance	**2016**	2015	Variance
Acquisitions and dispositions property cash NOI	$ 9,907	$ 4,655	$ 5,252	$ 27,214	$ 19,011	$ 8,203
Development property cash NOI	3,670	2,463	1,207	21,517	10,847	10,670
Total acquisitions, dispositions and development property cash NOI	$ 13,577	$ 7,118	$ 6,459	$ 48,731	$ 29,858	$ 18,873

For the three months ended December 31, 2016, acquisitions and dispositions property cash NOI increased $5,252 compared to the three months ended December 31, 2015. The increase was the result of property acquisitions during 2015 and 2016, offset in part by the disposition of 19 retail properties during 2016, including 10 during the first quarter. For the year ended December 31, 2016, acquisitions and dispositions property cash NOI increased $8,203 compared to the year ended December 31, 2015 as a result of the same acquisition and disposition activity.

Change in cash NOI from development properties period-over-period is impacted by the timing of commencement and completion of each development project. The nature and extent of development projects results in operations being impacted minimally in some instances and a significant disruption in others. Consequently, comparison of period-over-period development operating results may not be meaningful. During the second and fourth quarters of 2016, Crombie recorded receipt of lease termination income from Target Canada on three leases vacated in May 2015.

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

Property NOI for the three months and year ended December 31, 2016 by province was as follows:

	Three months ended December 31,			Year ended December 31,		
	2016	2015		**2016**	2015	
(In thousands of CAD dollars)	**Property NOI**	Property NOI	Variance	**Property NOI**	Property NOI	Variance
AB	$ 15,880	$ 13,244	$ 2,636	$ 59,076	$ 51,005	$ 8,071
BC	9,009	6,449	2,560	30,973	25,609	5,364
MB	3,377	3,310	67	13,493	12,988	505
NB	3,637	2,822	815	14,467	12,295	2,172
NL	7,303	7,070	233	28,639	27,933	706
NS	14,631	13,397	1,234	58,045	52,941	5,104
ON	14,314	11,154	3,160	51,923	47,589	4,334
PE	482	347	135	1,835	1,001	834
QC	5,544	4,370	1,174	19,261	17,946	1,315
SK	1,697	1,826	(129)	6,983	7,298	(315)
Total	$ 75,874	$ 63,989	$ 11,885	$ 284,695	$ 256,605	$ 28,090

The significant variances in property NOI for the three months and year ended December 31, 2016 compared to the same periods in 2015 primarily relate to:

- Alberta – property acquisitions including 10 properties acquired during 2016, one in the first quarter and nine in the second quarter; three properties during 2015, two in the fourth quarter and one in the third quarter; and, acquisition of additional development on an existing property during 2015;
- British Columbia – property acquisitions including nine properties during 2016, eight in the second quarter and one in the third quarter, and one property during the fourth quarter of 2015, offset in part by the disposition of one retail property in the third quarter of 2016;
- New Brunswick – lease termination income from Target Canada for one property in the second and fourth quarters of 2016 as well as the acquisition of additional development on existing properties including one each during the first and fourth quarters of 2016 and additional development on three existing properties during 2015, offset in part by the disposition of one retail property in the second quarter of 2016;
- Nova Scotia – property acquisitions including one retail property in the second quarter of 2016; acquisition of additional development on existing retail properties in the fourth quarter of 2015; and, lease termination income from Target Canada for one property in the second and fourth quarters of 2016, offset in part by the disposition of three retail properties in the fourth quarter of 2016;
- Ontario – property acquisitions including six properties during the first six months of 2016 and two properties in the fourth quarter of 2016 as well as lease termination income from Target Canada for one property in the second quarter of 2016 and lease termination income from Best Buy/Future Shop in the fourth quarter of 2016, offset in part by the disposition of 12 properties in 2016, nine in the first quarter, one in the second quarter, one in the third quarter, and one in the fourth quarter;
- Prince Edward Island – acquisition of a retail property in the fourth quarter of 2015, offset in part by the disposition of a retail property in the fourth quarter of 2016; and,
- Quebec – acquisition of 12 properties in the first six months of 2016, offset in part by the disposition of one property in the first quarter of 2016.

FFO AND AFFO

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

FUNDS FROM OPERATIONS (FFO)

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

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

REALpac provides for other adjustments in determining FFO which are currently not applicable to Crombie, therefore not included in the above list. Crombie's expenditures on tenant incentives are capital in nature. Crombie considers these costs comparable to other capital costs incurred to earn property revenue. Whereas the depreciation and amortization of other capital costs is added back in the calculation of FFO as recommended by REALpac, Crombie also adds back the amortization of tenant incentives. Crombie's method of calculating FFO may differ from other issuers' methods and accordingly may not be directly comparable to FFO reported by other issuers. The calculation of FFO for the three months and year ended December 31, 2016 and 2015 is as follows:

	Three months ended December 31,			Year ended December 31,		
(In thousands of CAD dollars)	**2016**	2015	Variance	**2016**	2015	Variance
Increase (decrease) in net assets attributable to Unitholders	$ (1,555)	$ (12,223)	$ 10,668	$ (295)	$ (50,791)	$ 50,496
Add (deduct):						
Amortization of tenant incentives	3,328	2,512	816	11,622	9,712	1,910
Loss (gain) on disposal of investment properties	(9,761)	(25)	(9,736)	(37,490)	(23)	(37,467)
Impairment of investment properties	6,000	7,300	(1,300)	6,000	12,575	(6,575)
Depreciation of investment properties	17,483	15,456	2,027	66,552	60,498	6,054
Amortization of intangible assets	1,791	1,180	611	6,170	5,480	690
Amortization of deferred leasing costs	161	153	8	610	598	12
Taxes – current on disposition of investment properties	—	(10)	10	—	2,066	(2,066)
Taxes – deferred	(1,200)	(2,200)	1,000	1,200	(4,200)	5,400
Finance costs – distributions to Unitholders	32,987	29,236	3,751	125,737	116,576	9,161
Finance costs (income) – change in fair value of financial instruments	46	(3,068)	3,114	(312)	(56)	(256)
FFO as calculated based on REALpac recommendations	49,280	38,311	10,969	179,794	152,435	27,359
Adjustments:						
Net lease termination income from Target Canada and Best Buy/Future Shop	(3,828)	—	(3,828)	(14,172)	—	(14,172)
Subscription Receipts Adjustment Payment	—	—	—	613	—	613
Lease termination income, non-cash	—	—	—	—	(2,961)	2,961
FFO, as adjusted	$ 45,452	$ 38,311	$ 7,141	$ 166,235	$ 149,474	$ 16,761
Lease termination, cash, included in FFO, as adjusted	$ 313	$ 8	$ 305	$ 412	$ 1,214	$ (802)

For the year ended December 31, 2016 and December 31, 2015, Crombie is providing FFO on an adjusted basis by reducing it by $13,559 and $2,961, respectively. The following adjustments are being made:

- During the year ended December 31, 2016, Crombie recorded net lease termination income from Target Canada of $11,172 related to three Target Canada leases vacated in May, 2015 and $3,000 from Best Buy/Future Shop related to one vacated lease. Due to their significant size, these amounts are being deducted from FFO for the year ended December 31, 2016.
- During the year ended December 31, 2016, Crombie issued Subscription Receipts related to a potential property acquisition. While the funds from the Subscription Receipts were held in trust, the Receipt holders were entitled to earn an adjustment payment equivalent to what they would have earned had they owned REIT Units during that same period. On June 29, 2016, the Subscription Receipts were converted to REIT Units and Crombie incurred a finance cost of $613 related to the adjustment payment, which is net of any interest earned on the funds while held in trust. This amount is being added back to FFO for the year ended December 31, 2016.
- During the year ended December 31, 2015, Crombie recognized $2,961 in lease termination income related to a Sobeys store closure. In relation to the closure, Crombie received development activity rights on specific other properties in exchange for a future development right fee which will reduce the actual cash Crombie will receive from the lease termination income. This non-cash lease termination income is being deducted from FFO for the year ended December 31, 2015.

Management believes that FFO, as adjusted, is more reflective of Crombie's ongoing operating results by removing these amounts from FFO as calculated by following REALpac recommendations. All FFO, and by extension AFFO, measures within the MD&A are based on these adjusted amounts.

For the three months ended December 31, 2016, FFO, as adjusted, increased by $7,141 or 18.6% compared to the three months ended December 31, 2015. The increase primarily relates to acquisition activity in the previous 12 months, including the acquisition of 22 properties on June 29, 2016, as well as improved operating results from leasing activity, partially offset by the disposition of 19 retail properties during 2016.

For the year ended December 31, 2016, FFO, as adjusted, increased by $16,761 or 11.2% compared to the year ended December 31, 2015. The increase is impacted by the improved operating results during the fourth quarter of 2016 as discussed above.

ADJUSTED FUNDS FROM OPERATIONS (AFFO)

Crombie considers AFFO to be a useful measure in evaluating the recurring economic performance of its operating activities which will be used to support future distribution payments. AFFO reflects cash available for distributions after the provision for non-cash adjustments to revenue, amortization of effective swap agreements, maintenance capital expenditures, maintenance tenant incentives ("TI") and leasing costs and any settlement of effective interest rate swap agreements.

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

Crombie's policy is to charge AFFO with a normalized rate per square foot for these maintenance expenditures. Crombie uses an annual rate per square foot as a charge against AFFO. On June 29, 2016, Crombie acquired a portfolio of properties which have quad net lease terms making the tenant primarily responsible for maintenance expenses on the property. As a result of the 2,090,000 square foot increase in Crombie's GLA from this acquisition, with minimal additional maintenance expenditures, the per square foot charge has been decreased from $0.87 to $0.78 per square foot effective for the third quarter of 2016. The per square foot rate is a proxy for actual historic costs, anticipated future costs and any significant changes in the nature and age of the properties in the portfolio as it evolves over time. Crombie continues to track and report actual expenditures and the productive capacity enhancement of those expenditures for comparative purposes. The rate will be reviewed periodically and adjusted if required. This per square foot charge removes volatility in reported AFFO results from quarter to quarter as costs are not generally incurred on a consistent basis during the year, or from year to year.

The calculation of AFFO for the three months and year ended December 31, 2016 and 2015 is as follows:

	Three months ended December 31,			Year ended December 31,		
(In thousands of CAD dollars)	**2016**	2015	Variance	**2016**	2015	Variance
FFO, as adjusted	$ 45,452	$ 38,311	$ 7,141	$ 166,235	$ 149,474	$ 16,761
Add (deduct):						
Amortization of effective swap agreements	603	623	(20)	2,440	2,520	(80)
Straight-line rent adjustment	(3,840)	(2,801)	(1,039)	(12,876)	(11,142)	(1,734)
Maintenance expenditures on a square footage basis	(3,763)	(3,823)	60	(15,060)	(15,198)	138
AFFO	$ 38,452	$ 32,310	$ 6,142	$ 140,739	$ 125,654	$ 15,085

For the three months ended December 31, 2016, AFFO increased by $6,142 or 19.0% compared to the three months ended December 31, 2015. The increase relates to the $7,141 increase in FFO as previously discussed less the impact of straight-line rent increases in 2016 compared to 2015.

For the year ended December 31, 2016, AFFO increased by $15,085 or 12.0% compared to the year ended December 31, 2015. The increase relates to the $16,761 increase in FFO as previously discussed less the impact of straight-line rent increases in 2016 compared to 2015.

Pursuant to CSA Staff Notice 52-306 "(Revised) Non-GAAP Financial Measures", non-GAAP measures such as AFFO should be reconciled to the most directly comparable IFRS measure, which is interpreted to be the cash flow from operating activities. The reconciliation is as follows:

	Three months ended December 31,			Year ended December 31,		
(In thousands of CAD dollars)	**2016**	2015	Variance	**2016**	2015	Variance
Cash provided by (used in) operating activities	$ 16,239	$ 17,858	$ (1,619)	$ 66,920	$ 41,114	$ 25,806
Add back (deduct):						
Finance costs – distributions to Unitholders	32,987	29,236	3,751	125,737	116,576	9,161
Change in other non-cash operating items	3,799	(5,125)	8,924	1,686	(1,481)	3,167
Unit-based compensation expense	(10)	(14)	4	(42)	(51)	9
Amortization of deferred financing charges	(877)	(729)	(148)	(3,310)	(3,616)	306
Amortization of issue premium on senior unsecured notes	14	13	1	54	54	—
Non-cash distributions to Unitholders in the form of DRIP Units	(6,109)	(5,141)	(968)	(21,661)	(11,504)	(10,157)
Maintenance expenditures on a square footage basis	(3,763)	(3,823)	60	(15,060)	(15,198)	138
Change in current income taxes	—	45	(45)	(26)	655	(681)
Income taxes – current on disposition of investment properties	—	(10)	10	—	2,066	(2,066)
Lease termination income, non-cash	—	—	—	—	(2,961)	2,961
Adjustments for lease termination income and Subscription Receipts	(3,828)	—	(3,828)	(13,559)	—	(13,559)
AFFO	$ 38,452	$ 32,310	$ 6,142	$ 140,739	$ 125,654	$ 15,085

MAINTENANCE EXPENDITURES

There are two types of TI and capital expenditures:

- maintenance TI and leasing costs and maintenance capital expenditures that maintain existing productive capacity; and,
- productive capacity enhancement expenditures.

Maintenance TI and leasing costs and maintenance capital expenditures are reinvestments in the portfolio to maintain the productive capacity of the existing assets. These costs are capitalized and depreciated or charged against revenue over their useful lives and deducted when calculating AFFO.

Productive capacity enhancements are costs incurred that increase the property NOI, or expand the GLA of a property by a minimum threshold, or otherwise enhance the property's overall value. Productive capacity enhancement expenditures are capitalized and depreciated or charged against revenue over their useful lives, but not deducted when calculating AFFO.

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

	Three months ended December 31,		Year ended December 31,	
(In thousands of CAD dollars)	**2016**	2015	**2016**	2015
Total additions to investment properties	$ 10,821	$ 9,144	$ 29,928	$ 25,684
Less: productive capacity enhancements and recoverable amounts	(7,124)	(5,031)	(21,444)	(17,064)
Maintenance capital expenditures	$ 3,697	$ 4,113	$ 8,484	$ 8,620

	Three months ended December 31,		Year ended December 31,	
(In thousands of CAD dollars)	**2016**	2015	**2016**	2015
Total additions to TI and deferred leasing costs	$ 5,273	$ 5,197	$ 75,119	$ 13,464
Less: productive capacity enhancements	(4,225)	(594)	(68,722)	(2,657)
Maintenance TI and deferred leasing costs	$ 1,048	$ 4,603	$ 6,397	$ 10,807

As maintenance TI and capital expenditures are not incurred or paid for evenly throughout the fiscal year, there can be comparative volatility from period-to-period.

Maintenance capital expenditures for the year ended December 31, 2016, are primarily payments for costs associated with building interior and exterior maintenance, roof repairs and ongoing parking deck and structural maintenance.

Maintenance TI and deferred leasing costs are the result of both lease renewals and new leases and are reflective of the leasing activity during 2015 and 2016.

Productive capacity enhancements during the year ended December 31, 2016 consisted primarily of development work and GLA expansions at: Hamlyn Road Plaza, St. John's, NL; Scotia Square Mall, Halifax, NS; Sydney Shopping Centre, Sydney, NS; Rockhaven Centre, Peterborough, ON; Fort St. John, BC; and, Vaughan Harvey Plaza, Moncton, NB. During the year ended December 31, 2016, Crombie invested $58,823 in TIs for the renovation and expansion of 10 existing Sobeys anchored properties.

DEPRECIATION, AMORTIZATION AND IMPAIRMENT

	Three months ended December 31,			Year ended December 31,		
(In thousands of CAD dollars)	**2016**	2015	Variance	**2016**	2015	Variance
Same-asset depreciation and amortization	$ 14,459	$ 14,949	$ 490	$ 58,410	$ 59,091	$ 681
Acquisitions, dispositions and development depreciation/amortization	4,976	1,840	(3,136)	14,922	7,485	(7,437)
Depreciation and amortization	$ 19,435	$ 16,789	$ (2,646)	$ 73,332	$ 66,576	$ (6,756)

Same-asset depreciation and amortization decreased by $490 for the three months ended December 31, 2016 and decreased by $681 for the year ended December 31, 2016 compared to the same periods in 2015. Same-asset depreciation and amortization will decrease over time as certain components of investment property are amortized over the term of tenant leases and will increase as a result of capital additions and improvements to same-asset investment properties. During the first quarter of 2015, Crombie determined that an investment property previously classified as held for sale no longer met the criteria and the property was reclassified to same-asset and held for use. As a result, depreciation and amortization totalling $673 was recognized in the first quarter of 2015, representing the depreciation and amortization that was not recorded while the property was classified as held for sale.

Acquisitions, dispositions and development depreciation and amortization increased as a result of net acquisition activity during 2016 and 2015, including the acquisition of 41 properties during 2016 and the disposition of 10 properties in March 2016, two properties in April 2016, an additional property in each of July and August 2016, and five in December 2016.

Crombie's total fair value of investment properties, including properties held for sale, exceeds carrying value by $844,033 at December 31, 2016 (December 31, 2015 – $708,949). Crombie uses the cost method for accounting for investment properties, and increases in fair value over carrying value are not recognized until realized through disposition or derecognition of properties, while impairment, if any, is recognized on a property by property basis when circumstances indicate that fair value is less than carrying value.

During the year ended December 31, 2016, Crombie recorded an impairment of $6,000 on two retail properties and during the year ended December 31, 2015, recorded an impairment of $12,575 on three retail properties and an office property. The impairments were the result of the impact on fair value of tenant departures during the year, lower occupancy rates, and slower than expected leasing activity. Impairment was measured on a per property basis and was determined as the amount by which carrying value, using the cost method, exceeded the recoverable amount for that property. The recoverable amount was determined to be each property's fair value, which is the higher of the economic benefits of the continued use of the asset or the selling price less costs to sell.

GENERAL AND ADMINISTRATIVE EXPENSES

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

	Three months ended December 31,			Year ended December 31,		
(In thousands of CAD dollars)	**2016**	2015	Variance	**2016**	2015	Variance
Salaries and benefits	$ 2,476	$ 1,956	$ (520)	$ 10,120	$ 8,202	$ (1,918)
Professional fees	186	329	143	1,253	1,386	133
Public company costs	617	353	(264)	1,892	1,695	(197)
Rent and occupancy	205	181	(24)	838	917	79
Other	782	722	(60)	2,238	2,201	(37)
General and administrative expenses	$ 4,266	$ 3,541	$ (725)	$ 16,341	$ 14,401	$ (1,940)
As a percentage of property revenue	4.1%	3.8%	(0.3)%	4.1%	3.9%	(0.2)%

For the three months ended December 31, 2016, general and administrative expenses, as a percentage of property revenue, were 4.1%, an increase of 0.3% from the same period in 2015, with expenses increasing $725 or 20.5% and property revenue increasing 13.4%. For the year ended December 31, 2016, general and administrative expenses, as a percentage of property revenue, increased 0.2% compared to the year ended December 31, 2015, with expenses increasing $1,940 or 13.5% and property revenue increasing by 8.1%. The increase is impacted by the implementation of Crombie's Restricted Unit Plan in 2015 which recognizes a portion of long-term compensation over a vesting period and the valuation of the Restricted Unit Plan is impacted by mark to market adjustments to the Units which impacts salaries and benefits.

FINANCE COSTS – OPERATIONS

	Three months ended December 31,			Year ended December 31,		
(In thousands of CAD dollars)	**2016**	2015	Variance	**2016**	2015	Variance
Same-asset finance costs	$ 20,607	$ 20,917	$ 310	$ 81,444	$ 84,270	$ 2,826
Acquisitions, dispositions and development finance costs	3,569	2,331	(1,238)	12,349	8,205	(4,144)
Subscription Receipts Adjustment Payment	—	—	—	613	—	(613)
Amortization of effective swaps and deferred financing charges	1,480	1,352	(128)	5,750	6,136	386
Finance costs – operations	$ 25,656	$ 24,600	$ (1,056)	$ 100,156	$ 98,611	$ (1,545)

MD&A

Same-asset finance costs for the three months and year ended December 31, 2016 decreased by $310 and $2,826, respectively, compared to the same periods in 2015. The decreases are primarily due to lower interest rates on new and refinanced debt, regular repayment of existing mortgages and lump sum repayments of mortgages from proceeds received on dispositions. The decrease in same-asset finance costs is partially offset by finance costs associated with the $58,823 invested in the renovation and expansion of 10 existing Sobeys anchored properties on June 29, 2016.

Acquisitions, dispositions and development finance costs for the three months and year ended December 31, 2016 increased by $1,238 and $4,144, respectively, compared to the same periods in 2015 primarily due to acquisition activity during the fourth quarter of 2015 and during 2016, offset in part by finance costs on properties disposed in 2016.

During the year ended December 31, 2016, Crombie issued Subscription Receipts related to a property acquisition. While the funds from the Subscription Receipts were held in trust, the Receipt holders were entitled to earn an adjustment payment equivalent to what they would have earned had they owned REIT Units during that same period. On June 29, 2016, the Subscription Receipts were converted to REIT Units and Crombie incurred a finance cost of $613, which is net of interest earned on the funds while they were held in trust.

FINANCE COSTS – DISTRIBUTIONS

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

Details of distributions to Unitholders are as follows:

	Three months ended December 31,		Year ended December 31,	
(In thousands of CAD dollars, except as otherwise noted)	**2016**	2015	**2016**	2015
Distributions to Unitholders	$ 19,502	$ 17,308	$ 74,375	$ 69,016
Distributions to Special Voting Unitholders	13,485	11,928	51,362	47,560
Total distributions	$ 32,987	$ 29,236	$ 125,737	$ 116,576
FFO payout ratio	72.6%	76.3%	75.6%	78.0%
AFFO payout ratio	85.8%	90.5%	89.3%	92.8%

On June 29, 2016, Crombie issued a total of 15,306,141 REIT and Class B LP Units related to a portfolio acquisition on that date. This resulted in distributions of $1,135 for June 2016, while the property acquisitions generated minimal income for Crombie for June 2016. Excluding the distributions in June 2016 on these new Units, our FFO and AFFO payout ratios for the year ended December 31, 2016 would have been 75.0% and 88.5%, respectively.

INCOME TAXES

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

Crombie has organized its assets and operations to satisfy the criteria contained in the Income Tax Act (Canada) in regard to the definition of a REIT. Crombie's management and its advisors have completed an extensive review of Crombie's organizational structure and operations to support Crombie's assertion that it met the REIT criteria throughout 2016 and continues to do so. The relevant tests apply throughout the taxation year of Crombie and as such the actual status of Crombie for any particular taxation year can only be ascertained at the end of the year.

The deferred tax liability of $75,400 represents the future tax provision relating to the difference in tax and book values offset by non-capital losses for Crombie's wholly-owned corporate subsidiaries which are subject to corporate income taxes.

TAXATION OF DISTRIBUTIONS

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

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

Taxation Year	Return of Capital	Investment Income	Dividend Income	Capital Gains
2015 per $ of distribution	56.3%	28.8%	13.4%	1.5%
2014 per $ of distribution	64.4%	18.1%	0.0%	17.5%
2013 per $ of distribution	90.2%	9.8%	0.0%	0.0%
2012 per $ of distribution	67.1%	32.9%	0.0%	0.0%
2011 per $ of distribution	62.5%	37.5%	0.0%	0.0%

LIQUIDITY AND CAPITAL RESOURCES

The real estate industry is highly capital intensive.

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

Crombie expects to refinance debt obligations as they mature.

Crombie has the following sources of financing available to fund future growth:

(i) secured short-term financing through an authorized three year revolving credit facility, maturing June 30, 2019, of up to $400,000, subject to available borrowing base, of which $120,374 ($125,401 including outstanding letters of credit) was drawn at December 31, 2016;

(ii) unsecured short-term financing through an authorized floating rate revolving credit facility, maturing May 16, 2018, of up to $100,000, of which $100,000 was drawn at December 31, 2016;

(iii) secured mortgage and term debt on unencumbered assets;

(iv) the issuance of additional senior unsecured notes;

(v) the issuance of additional unsecured convertible debentures; and,

(vi) the issuance of new units.

Capital Structure

(In thousands of CAD dollars)	December 31, 2016		December 31, 2015		December 31, 2014	
Investment property debt	$ 1,865,477	49.3%	$ 1,641,203	49.5%	$ 1,624,547	49.9%
Senior unsecured notes	398,588	10.5%	398,080	12.0%	273,592	8.4%
Convertible debentures	132,134	3.5%	131,518	4.0%	175,215	5.4%
Crombie REIT Unitholders	834,203	22.0%	694,484	20.9%	716,025	22.0%
Special Voting Units and Class B Limited Partnership Unitholders	555,943	14.7%	452,746	13.6%	467,289	14.3%
	$ 3,786,345	100.0%	$ 3,318,031	100.0%	$ 3,256,668	100.0%

LIQUIDITY AND FINANCING SOURCES

Revolving credit facility

Crombie has in place an authorized floating rate revolving credit facility of up to $400,000 (the "revolving credit facility"), of which $120,374 ($125,401 including outstanding letters of credit) was drawn as at December 31, 2016. The revolving credit facility is secured by a pool of first and second mortgages on certain properties. The floating interest rate is based on bankers' acceptance rates plus a spread or specified margin over prime rate. The spread or specified margin changes depending on Crombie's unsecured bond rating with DBRS and whether the facility remains secured or migrates to an unsecured status. Funds available for drawdown pursuant to the revolving credit facility are determined with reference to the value of the Borrowing Base (as defined under "Borrowing Capacity and Debt Covenants") relative to certain financial covenants of Crombie. As at December 31, 2016, Crombie had sufficient Borrowing Base to permit $398,007 of funds to be drawn pursuant to the revolving credit facility, subject to certain other financial covenants. See "Borrowing Capacity and Debt Covenants".

Unsecured Bilateral Credit Facility

The unsecured bilateral credit facility has a maximum principal amount of $100,000, the full amount of which was drawn as at December 31, 2016, and matures May 16, 2018. The facility is used by Crombie for working capital purposes and to provide temporary financing for acquisitions and development activity. The floating interest rate is based on bankers' acceptance rates plus a spread or specific margin over prime rate. The specified spread or margin changes depending on Crombie's unsecured bond rating with DBRS.

Mortgage debt

As of December 31, 2016, Crombie had fixed rate mortgages outstanding of $1,652,091 ($1,655,817 after including the fair value debt adjustment of $3,726), carrying a weighted average interest rate of 4.46% (after giving effect to the interest rate subsidy from Empire under an Omnibus Subsidy Agreement) and a weighted average term to maturity of 5.90 years.

From time to time, Crombie has entered into interest rate swap agreements to manage the interest rate profile of its current or future debts without an exchange of the underlying principal amount (see "Risk Management"). Crombie currently has no such outstanding interest rate swap agreements.

Principal repayments of the debt are scheduled as follows:

(In thousands of CAD dollars) 12 Months Ending	Maturing Debt Balances Fixed Rate	Floating Rate	Total	% of Total	Payments of Principal	Total Required Payments	% of Total
December 31, 2017	$ 50,363	$ —	$ 50,363	3.3%	$ 49,290	$ 99,653	5.3%
December 31, 2018	64,666	100,000	164,666	10.8%	48,357	213,023	11.4%
December 31, 2019	124,973	120,374	245,347	16.1%	48,799	294,146	15.7%
December 31, 2020	225,241	—	225,241	14.8%	42,028	267,269	14.3%
December 31, 2021	89,182	—	89,182	5.8%	40,204	129,386	6.9%
Thereafter	750,518	—	750,518	49.2%	118,470	868,988	46.4%
Total[1]	$ 1,304,943	$ 220,374	$ 1,525,317	100.0%	$ 347,148	$ 1,872,465	100.0%

(1) Excludes fair value debt adjustment of $3,726 and deferred financing charges of $10,714.

Of the maturing debt balances, only 18.4% of fixed rate debt, and 30.2% of total maturing debt balances mature over the next three years.

Senior unsecured notes

	Maturity Date	Effective Interest Rate	**December 31, 2016**	December 31, 2015
Series A	October 31, 2018	3.986%	$ 175,000	$ 175,000
Series B	June 1, 2021	3.900%	100,000	100,000
Series C	February 10, 2020	2.775%	125,000	125,000
Unamortized Series B issue premium			240	294
Deferred financing charges			(1,652)	(2,214)
			$ 398,588	$ 398,080

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

Convertible debentures

	Conversion Price	Maturity Date	Interest Rate	**December 31, 2016**	December 31, 2015
Series D (CRR.DB.D)	$ 20.10	September 30, 2019	5.00%	$ 60,000	$ 60,000
Series E (CRR.DB.E)	$ 17.15	March 31, 2021	5.25%	74,400	74,400
Deferred financing charges				(2,266)	(2,882)
				$ 132,134	$ 131,518

Maximum REIT Units issuable at December 31, 2016 was 2,985,074 for Series D Debentures and 4,338,192 for Series E Debentures.

The Series D Debentures (issued July 3, 2012) and the Series E Debentures (issued August 14, 2013) pay interest semi-annually on March 31 and September 30 of each year and Crombie has the option to pay interest on any interest payment date by issuing REIT Units and applying the proceeds to satisfy its interest obligation.

For the first three years from the date of issue, there is no ability to redeem the convertible debentures, after which, each series of convertible debentures has a period, lasting two years, during which the convertible debentures may be redeemed, in whole or in part, on not more than 60 days' and not less than 30 days' prior notice, at a redemption price equal to the principal amount thereof plus accrued and unpaid interest, provided that the volume-weighted average trading price of the REIT Units on the TSX for the 20 consecutive trading days ending on the fifth trading day preceding the date on which notice of redemption is given exceeds 125% of the conversion price. After the end of the five year period from the date of issue, and to the maturity date, the convertible debentures may be redeemed, in whole or in part, at any time at the redemption price equal to the principal amount thereof plus accrued and unpaid interest. Provided that there is not a current event of default, Crombie will have the option to satisfy its obligation to pay the principal amount of the convertible debentures at maturity or upon redemption, in whole or in part, by issuing the number of REIT Units equal to the principal amount of the convertible debentures then outstanding divided by 95% of the volume-weighted average trading price of the REIT Units for a stipulated period prior to the date of redemption or maturity, as applicable. Upon change of control of Crombie, convertible debenture holders have the right to put the convertible debentures to Crombie at a price equal to 101% of the principal amount plus accrued and unpaid interest.

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

On May 31, 2016, Crombie closed a public offering, on a bought deal basis, of 8,952,400 Subscription Receipts, at a price of $14.70 per Subscription Receipt, for gross proceeds of $131,600. On June 29, 2016, in conjunction with the closing of property acquisitions from Empire, each of the 8,952,400 outstanding Subscription Receipts were automatically exchanged for one Crombie REIT Unit.

On June 29, 2016, concurrently with the REIT Units issued on exchange for Subscription Receipts, subsidiaries of Empire received 6,353,741 Class B LP Units and the attached SVUs at a price of $14.70 per Class B LP Unit for gross consideration of $93,400.

For the year ended December 31, 2016, Crombie issued 927,701 REIT Units and 657,901 Class B LP Units under its distribution reinvestment plan (the "DRIP") at a three percent (3%) discount to market prices as determined under the DRIP.

Total units outstanding at January 31, 2017, were as follows:

Units	87,855,116
Special Voting Units[1]	60,753,209

(1) Crombie Limited Partnership, a subsidiary of Crombie, has also issued 60,753,209 Class B LP Units. These Class B LP Units accompany the Special Voting Units, are the economic equivalent of a Unit, and are exchangeable for Units on a one-for-one basis.

In addition to the total units outstanding at January 31, 2017, Crombie has convertible debentures which could result in a total of 7,323,266 REIT Units being issued should all outstanding debentures be converted.

SOURCES AND USES OF FUNDS

	Three months ended December 31,			Year ended December 31,		
(In thousands of CAD dollars)	**2016**	2015	Variance	**2016**	2015	Variance
Cash provided by (used in):						
Operating activities	$ 16,239	$ 17,858	$ (1,619)	$ 66,920	$ 41,114	$ 25,806
Financing activities	(10,475)	59,051	(69,526)	395,384	75,664	319,720
Investing activities	(5,764)	(75,852)	70,088	(463,361)	(116,332)	(347,029)
Net change during the period	$ —	$ 1,057	$ (1,057)	$ (1,057)	$ 446	$ (1,503)

Operating Activities

	Three months ended December 31,			Year ended December 31,		
(In thousands of CAD dollars)	**2016**	2015	Variance	**2016**	2015	Variance
Cash provided by (used in):						
Net assets attributable to Unitholders and non-cash items	$ 20,038	$ 12,817	$ 7,221	$ 68,606	$ 43,224	$ 25,382
Non-cash operating items	(3,799)	5,125	(8,924)	(1,686)	1,481	(3,167)
Income taxes paid	—	(84)	84	—	(3,591)	3,591
Cash provided by (used in) operating activities	$ 16,239	$ 17,858	$ (1,619)	$ 66,920	$ 41,114	$ 25,806

For the three months ended December 31, 2016, cash from operating activities decreased by $1,619 over the same period in 2015. Cash from operations increased $7,221 as a result of the improvement in operating income resulting from growth through acquisitions and stronger results from existing properties as well as an increase in lease termination income. The decrease of $8,924 in non-cash operating items primarily relates to an increase in prepaid expenses and deposits in the quarter.

For the year ended December 31, 2016, cash from operating activities increased $25,806 over the same period in 2015. The increase primarily relates to the improved operating results as noted above as well as an increase of $11,157 in the DRIP participation rate over 2015.

Financing Activities

	Three months ended December 31,			Year ended December 31,		
(In thousands of CAD dollars)	**2016**	2015	Variance	**2016**	2015	Variance
Cash provided by (used in):						
Issuance of new mortgages	$ 123,731	$ 113,650	$ 10,081	$ 193,401	$ 119,134	$ 74,267
Regular principal repayment of mortgages	(12,055)	(12,404)	349	(49,864)	(48,390)	(1,474)
Lump sum principal repayment of mortgages	—	(7,575)	7,575	(49,774)	(58,162)	8,388
Net issue (repayment) on credit facilities	(120,997)	(33,663)	(87,334)	90,374	(15,000)	105,374
Deferred financing charges – investment property debt	(1,099)	(880)	(219)	(2,967)	(1,020)	(1,947)
Net issue of senior unsecured notes	—	—	—	—	124,012	(124,012)
Net issue (redemption) of convertible debentures	—	—	—	—	(44,795)	44,795
Net issue of REIT Units and Class B LP Units	—	—	—	219,111	—	219,111
Other items (net)	(55)	(77)	22	(4,897)	(115)	(4,782)
Cash provided by (used in) financing activities	$ (10,475)	$ 59,051	$ (69,526)	$ 395,384	$ 75,664	$ 319,720

Cash from financing activities for the three months ended December 31, 2016 decreased by $69,526 from the same period in 2015. During the three months ended December 31, 2016, Crombie issued $123,731 (three months ended December 31, 2015 – $113,650) in new mortgages with a weighted average interest rate of 3.72% and utilized the proceeds to reduce floating rate credit facilities. During the three months ended December 31, 2015, Crombie repaid $7,575 in maturing mortgages and utilized a portion of the new mortgage financing to fund property acquisitions in the quarter.

Cash from financing activities for the year ended December 31, 2016 increased by $319,720 over the same period in 2015. During the year ended December 31, 2016, proceeds from the disposition of retail properties were used to reduce the revolving credit facility and repay maturing mortgages. In conjunction with the purchase of properties completed on June 29, 2016, Crombie issued 8,952,400 REIT Units and 6,353,741 Class B LP Units for net proceeds of $219,111 and increased floating rate debt during the period. During the year ended December 31, 2015, Crombie raised funds through the issuance of 2.775% Series C Notes (senior unsecured). The funds raised were used to repay maturing mortgages and the outstanding 5.75% Series C Convertible Unsecured Subordinated Debentures.

Investing Activities

	Three months ended December 31,			Year ended December 31,		
(In thousands of CAD dollars)	**2016**	2015	Variance	**2016**	2015	Variance
Cash provided by (used in):						
Acquisition of investment properties	$ (21,039)	$ (61,511)	$ 40,472	$ (550,863)	$ (79,954)	$ (470,909)
Additions to investment properties	(10,821)	(9,144)	(1,677)	(29,928)	(25,684)	(4,244)
Proceeds on disposal of investment properties	31,369	—	31,369	192,549	2,770	189,779
Additions to tenant incentives	(4,893)	(5,063)	170	(74,071)	(12,638)	(61,433)
Additions to deferred leasing costs	(380)	(134)	(246)	(1,048)	(826)	(222)
Cash provided by (used in) investing activities	$ (5,764)	$ (75,852)	$ 70,088	$ (463,361)	$ (116,332)	$ (347,029)

Cash used in investing activities for the three months ended December 31, 2016 decreased by $70,088 over the same period in 2015. During the three months ended December 31, 2016, Crombie completed two property acquisitions and an addition to an existing property for net cash of $21,039 as well as the disposition of five retail properties for net proceeds of $31,369.

Cash used in investing activities for the year ended December 31, 2016 increased by $347,029 over the same period in 2015. During 2016, Crombie disposed of 19 retail properties for net proceeds of $192,549 as well as completing property acquisitions for net cash of $550,863 and additions to tenant incentives of $74,071, primarily related to the transaction that closed June 29, 2016.

BORROWING CAPACITY AND DEBT COVENANTS

Under the amended terms governing the revolving credit facility, Crombie is entitled to borrow a maximum of 70% of the fair market value of assets subject to a first security position and 60% of the excess of fair market value over first mortgage financing of assets subject to a second security position or a negative pledge (the "Borrowing Base"). The revolving credit facility provides

Crombie with flexibility to add or remove properties from the Borrowing Base, subject to compliance with certain conditions. The terms of the revolving credit facility also require that Crombie must maintain certain covenants:

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

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

At December 31, 2016, the remaining amount available under the revolving credit facility was $278,000 (prior to reduction for standby letters of credit outstanding of $5,027) and was limited by the Aggregate Borrowing Base. At December 31, 2016, Crombie remained in compliance with all debt covenants.

DEBT TO GROSS BOOK VALUE – FAIR VALUE BASIS

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

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

The debt to gross book value on a fair value basis was 50.3% and 52.5% at December 31, 2016 and December 31, 2015, respectively. These leverage ratios are below the maximum 60%, or 65% including convertible debentures, as permitted by Crombie's Declaration of Trust. On a long-term basis, Crombie intends to maintain reasonable overall indebtedness so as to maintain and strengthen its investment grade rating.

During the year ended December 31, 2016, Crombie raised $219,111 through the issuance of REIT Units and Class B LP Units and disposed of 19 retail properties for proceeds of approximately $196,000, before closing and transaction costs, with the proceeds being used to pay down debt. In addition, Crombie's weighted average cap rate used in the determination of the fair value of its investment properties decreased 0.27% to 5.88%. The combination of proceeds from the Units issuance and increased fair value of investment properties resulted in the significant reduction of the debt to gross book value ratio since December 31, 2015.

	As at				
(In thousands of CAD dollars, except as otherwise noted)	**Dec. 31, 2016**	Sep. 30, 2016	Jun. 30, 2016	Mar. 31, 2016	Dec. 31, 2015
Fixed rate mortgages	$ 1,655,817	$ 1,528,048	$ 1,518,846	$ 1,509,925	$ 1,521,079
Senior unsecured notes	400,000	400,000	400,000	400,000	400,000
Convertible debentures	134,400	134,400	134,400	134,400	134,400
Revolving credit facility payable	120,374	241,371	247,340	8,706	130,000
Bilateral credit facility	100,000	100,000	100,000	—	—
Total debt outstanding	2,410,591	2,403,819	2,400,586	2,053,031	2,185,479
Less: Applicable fair value debt adjustment	(1,452)	(1,509)	(1,567)	(1,636)	(1,721)
Debt	$ 2,409,139	$ 2,402,310	$ 2,399,019	$ 2,051,395	$ 2,183,758
Investment properties, at fair value	$ 4,752,000	$ 4,732,000	$ 4,697,000	$ 4,109,000	$ 4,143,000
Long-term receivables	19,969	19,897	14,158	14,039	13,933
Other assets, cost(1)	34,567	28,872	53,224	28,117	23,152
Cash and cash equivalents	—	—	—	—	1,057
Deferred financing charges	14,631	14,409	14,646	14,558	14,972
Investment in joint ventures	815	—	—	—	—
Interest rate subsidy	(1,452)	(1,509)	(1,567)	(1,636)	(1,721)
Fair value adjustment to deferred taxes	(34,120)	(34,299)	(34,299)	(34,299)	(34,645)
Gross book value – fair value basis	$ 4,786,410	$ 4,759,370	$ 4,743,162	$ 4,129,779	$ 4,159,748
Debt to gross book value – fair value basis	50.3%	50.5%	50.6%	49.7%	52.5%

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

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

INTEREST AND DEBT SERVICE COVERAGE RATIOS

Crombie's interest and debt service coverage ratios for the year ended December 31, 2016 were 2.97 times EBITDA and 1.96 times EBITDA, respectively. This compares to 2.72 times EBITDA and 1.81 times EBITDA, respectively, for the year ended December 31, 2015. The improvement in the coverage ratios is attributable to:

- Crombie's improved operating results, with EBITDA increasing $28,060 or 11.1%;
- an increase in adjusted interest expense of $1,931 or 2.1% as Crombie continues to finance new and maturing debt at lower interest rates; and,
- issued $219,111 in new REIT and Class B LP Units during the year ended December 31, 2016 to partially fund acquisitions.

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

	Year ended December 31,	
(In thousands of CAD dollars, except as otherwise noted)	**2016**	2015
Property revenue	$ 400,001	$ 369,866
Amortization of tenant incentives	11,622	9,712
Adjusted property revenue	411,623	379,578
Property operating expenses	(115,306)	(113,261)
General and administrative expenses	(16,341)	(14,401)
EBITDA (1)	$ 279,976	$ 251,916
Finance costs – operations	$ 100,156	$ 98,611
Amortization of deferred financing charges	(3,310)	(3,616)
Amortization of effective swap agreements	(2,440)	(2,520)
Adjusted interest expense (2)	$ 94,406	$ 92,475
Debt repayments (advances)	$ 8,192	$ 121,440
Change in fair value debt premium	39	(837)
Payments relating to interest rate subsidy	(269)	(482)
Advances (payments) relating to credit facilities	90,374	(15,000)
Lump sum payments on mortgages	(49,774)	(58,050)
Adjusted debt repayments (3)	$ 48,562	$ 47,071
Interest service coverage ratio {(1)/(2)}	2.97	2.72
Debt service coverage ratio {(1)/((2)+(3))}	1.96	1.81

ACCOUNTING

RELATED PARTY TRANSACTIONS

As at December 31, 2016, Empire, through its wholly-owned subsidiary ECLD, holds a 41.5% (fully diluted 40.3%) indirect interest in Crombie. Related party transactions primarily include transactions with entities associated with Crombie through Empire's indirect interest. Related party transactions also include transactions with key management personnel and post-employment benefit plans.

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

Crombie's transactions with related parties are as follows:

		Three months ended December 31,				Year ended December 31,			
	Note		**2016**		2015		**2016**		2015
Property revenue									
Property revenue	(a)	$	54,504	$	38,048	$	183,411	$	160,470
Head lease income	(b)	$	170	$	170	$	453	$	736
Lease termination income		$	64	$	—	$	64	$	3,999
Property operating expenses	(c)	$	(19)	$	38	$	(64)	$	242
General and administrative expenses									
Property management services recovered	(d)	$	205	$	231	$	949	$	869
Other general and administrative expenses	(e)	$	(79)	$	(101)	$	(281)	$	(385)
Finance costs – operations									
Interest on convertible debentures	(f)	$	(302)	$	(303)	$	(1,203)	$	(1,200)
Interest rate subsidy	(b)	$	57	$	99	$	269	$	482
Interest income		$	118	$	179	$	651	$	711
Finance costs – distributions to Unitholders		$	(13,687)	$	(12,130)	$	(52,171)	$	(48,369)

(a) Crombie earned property revenue from Sobeys Inc. and other subsidiaries of Empire.

(b) For various periods, ECLD has an obligation to provide rental income and interest rate subsidies pursuant to an Omnibus Subsidy Agreement dated March 23, 2006, between Crombie Developments Limited, Crombie Limited Partnership and ECLD. The rental income is included in Property revenue and the interest rate subsidy is netted against Finance costs – operations.

(c) Certain executive management individuals and other employees of Crombie provide general management, financial, leasing, administrative, and other administration support services to certain subsidiaries of Empire on a cost sharing basis pursuant to a Management Agreement effective January 1, 2016.

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

(e) Crombie previously leased its head office space from ECLD under a lease that ended in May 2015.

(f) Empire holds $24,000 of Series D Convertible Debentures with an annual interest rate of 5.00%.

In addition to the above:

- During the third quarter of 2016, Crombie acquired a retail property in British Columbia from Empire including 61,600 square feet of gross leaseable area for $26,400 before closing and transaction costs. In addition, Crombie closed on the disposition of a retail property in British Columbia to Empire including 21,300 square feet of gross leaseable area for $9,057 before closing and transaction costs. This transaction resulted in a gain on disposal of $959.
- On June 29, 2016, Crombie completed the acquisition of a portfolio of properties and the investment in the renovation and expansion of 10 existing Sobeys anchored properties. The transaction total was approximately $418 million before closing and transaction costs. As partial consideration, Crombie issued to Empire 6,353,741 Class B LP Units and the attached SVUs at a price of $14.70 per Class B LP Unit for gross consideration of $93,400.
- During the year ended December 31, 2016, Crombie issued 657,901 (December 31, 2015 – 383,036) Class B LP Units to ECLD under the DRIP.
- During the fourth quarter of 2015, Crombie acquired four retail properties and additions to two existing retail properties from Empire for $60,825 excluding closing and transactions costs. The properties, located in Alberta, British Columbia, Prince Edward Island, Manitoba and Quebec, contain approximately 225,300 square feet of fully occupied space.
- On April 1, 2015, Crombie acquired additional development space from Empire on a pre-existing retail property for $2,333 excluding closing and transaction costs. The property, located in Nova Scotia, contains approximately 7,500 square feet of fully occupied space.
- During the second quarter of 2015, Sobeys closed two retail stores on Crombie properties for which Crombie recognized lease termination income in the amount of $3,849, a portion of which is non-cash consideration. In relation to one of the store closures, Sobeys has assigned to Crombie future development activity rights in their leases on specific other Crombie properties in exchange for a fee on future developments which will reduce the actual cash Crombie will receive from the lease termination income.
- During the year ended December 31, 2015, Crombie and ECLD negotiated an extension of a rental income guarantee and put option on a property Crombie acquired from ECLD in 2006. The rental income guarantee and put option were originally scheduled to mature in March 2016 and have been extended for a period of five years with either party having the ability to terminate the agreements with written notice. The fixed price put option is in excess of the carrying value of the property.
- During the first quarter of 2015, Crombie acquired development lands in British Columbia with Sobeys Developments Limited Partnership ("SDLP"). Crombie's 50% portion of the acquisition cost was $2,676, including closing and transaction costs.

MANAGEMENT'S DISCUSSION AND ANALYSIS (In thousands of CAD dollars, except per unit amounts)

KEY MANAGEMENT PERSONNEL COMPENSATION

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

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

	Three months ended December 31,		Year ended December 31,	
	2016	2015	**2016**	2015
Salary, bonus and other short-term employee benefits	$ 785	$ 835	$ 3,153	$ 2,860
Other long-term benefits	26	24	112	102
	$ 811	$ 859	$ 3,265	$ 2,962

USE OF ESTIMATES AND JUDGMENTS

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

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

CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

Investment property acquisitions

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

Crombie allocates the purchase price based on the following:

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

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

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

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

Investment properties

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

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

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

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

Change in useful life of investment properties

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

Revenue recognition

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

CRITICAL JUDGMENTS

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

Impairment of long-lived tangible and definite life intangible assets

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

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

Defined benefit liability

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

Investment property valuation

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

Deferred taxes

The assessment of the probability of future taxable income in which deferred tax assets can be utilized is based on Crombie's latest budget forecast, which is adjusted for significant non-taxable income and expenses and specific limits to the use of any unused tax loss or credit. If a positive forecast of taxable income indicates the probable use of a deferred tax asset, especially when it can be used without a time limit, that deferred tax asset is usually recognized in full. The recognition of deferred tax assets that are subject to certain legal or economic limits or uncertainties are assessed individually by management based on the specific facts and circumstances.

Crombie recognizes expected liabilities for tax based on an estimation of the likely taxes due, which requires significant judgment as to the ultimate tax determination of certain items. Where the actual liability arising from these issues differs from these estimates, such differences will have an impact on the income tax and deferred tax balances in the period when such determination is made.

Purchase price allocation

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

Fair value of financial instruments

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

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

FINANCIAL INSTRUMENTS

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

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

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

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

Level 3 – unobservable inputs for the asset or liability.

MANAGEMENT'S DISCUSSION AND ANALYSIS (In thousands of CAD dollars, except per unit amounts)

The following table provides information on financial assets and liabilities measured at fair value as at December 31, 2016:

	Level 1	Level 2	Level 3	Total
Financial assets				
Marketable securities	$ —	$ —	$ 2,290	$ 2,290
Total financial assets measured at fair value	$ —	$ —	$ 2,290	$ 2,290

There were no transfers between Level 1 and Level 2 during the year ended December 31, 2016.

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

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

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

	December 31, 2016		December 31, 2015	
	Fair Value	**Carrying Value**	Fair Value	Carrying Value
Financial assets				
Long-term receivables	$ 19,999	$ 19,969	$ 13,968	$ 13,933
Total other financial assets	$ 19,999	$ 19,969	$ 13,968	$ 13,933
Financial liabilities				
Investment property debt	$ 1,959,091	$ 1,876,191	$ 1,782,776	$ 1,651,079
Senior unsecured notes	402,361	400,000	405,348	400,000
Convertible debentures	139,147	134,400	138,360	134,400
Total other financial liabilities	$ 2,500,599	$ 2,410,591	$ 2,326,484	$ 2,185,479

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

COMMITMENTS AND CONTINGENCIES

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

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

Crombie obtains letters of credit to support its obligations with respect to construction work on its investment properties and satisfying mortgage financing requirements. As at December 31, 2016, Crombie has a total of $5,027 in outstanding letters of credit related to:

	December 31,	
	2016	2015
Construction work being performed on investment properties	$ 2,027	$ 1,425
Mortgage lenders primarily to satisfy mortgage financings on redevelopment properties	3,000	—
Total outstanding letters of credit	$ 5,027	$ 1,425

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

Land leases have varying terms ranging from eight to 73 years including renewal options. For the three months and year ended December 31, 2016, Crombie paid $364 and $1,431, respectively, in land lease payments to third party landlords (three months and year ended December 31, 2015 – $354 and $1,418, respectively).

As at December 31, 2016, Crombie had signed construction contracts totalling $53,310 of which $37,292 has been paid.

RISK MANAGEMENT

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

Real Property Ownership and Tenant Risks

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

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

CREDIT RISK

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

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

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

- Upon completion of the June 29, 2016 property transactions, Crombie's largest tenant, Sobeys, represents 52.9% of annual minimum rent; an increase from 49.9% at December 31, 2015. No other tenant accounts for more than 5.1% of Crombie's annual minimum rent, and;
- Total property revenue includes operating and realty tax cost recovery income and percentage rent. These amounts can vary by property type, specific tenant leases and where tenants may directly incur and pay operating and realty tax costs. Crombie earned total property revenue of $54,504 and $183,411, respectively, for the three months and year ended December 31, 2016 (three months and year ended December 31, 2015 – $38,048 and $160,470, respectively) from Sobeys Inc. and other subsidiaries of Empire.

Over the next five years, leases representing no more than 4.8% of the gross leaseable area of Crombie will expire in any one year.

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

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

	Year ended December 31, 2016	Year ended December 31, 2015
Provision for doubtful accounts, beginning of year	$ 60	$ 59
Additional provision	195	20
Recoveries	(120)	(38)
Write-offs	(8)	19
Provision for doubtful accounts, end of year	$ 127	$ 60

There have been no significant changes to Crombie's credit risk since December 31, 2015.

COMPETITION

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

RISK FACTORS RELATED TO THE BUSINESS OF CROMBIE

Significant Relationship

Crombie's anchor tenants are concentrated in a relatively small number of retail operators. Specifically, 52.9% of the annual minimum rent and 44.8% of total property revenue generated from Crombie's properties is derived from anchor tenants that are owned and/or operated by Sobeys. Therefore, Crombie is reliant on the sustainable operation by Sobeys in these locations.

Retail and Geographic Concentration

Crombie's portfolio of properties is heavily weighted in retail properties. Consequently, changes in the retail environment and general consumer spending could adversely impact Crombie's financial condition. Crombie's portfolio of properties was historically heavily concentrated in Atlantic Canada. Through property acquisitions and dispositions over the last four years, Crombie has reduced its geographic concentration in Atlantic Canada, and reduced the adverse impact an economic downturn any one specific geographic region in Canada could have on Crombie's financial condition. The geographic breakdown of properties and percentage of annual minimum rent of Crombie's properties as at December 31, 2016 is detailed under the Property Portfolio section.

MANAGEMENT'S DISCUSSION AND ANALYSIS (In thousands of CAD dollars, except per unit amounts)

Crombie's growth strategy of expansion outside of Atlantic Canada has been predicated on reducing the geographic concentration risk. The percentage of annual minimum rent to be earned in Atlantic Canada has decreased from 43.4% at December 31, 2013 to 37.6% at December 31, 2016.

INTEREST RATE RISK

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

As at December 31, 2016:

- Crombie's weighted average term to maturity of its fixed rate mortgages was 5.90 years;
- Crombie has a floating rate revolving credit facility available to a maximum of $400,000, subject to available Borrowing Base, with a balance of $120,374 at December 31, 2016;
- Crombie has a floating rate bilateral credit facility available to a maximum of $100,000 with a balance of $100,000 at December 31, 2016; and,
- Crombie has interest rate swap agreements in place on $123,731 of floating rate mortgage debt.

Crombie estimates that $2,348 of accumulated other comprehensive income (loss) will be reclassified to finance costs during the year ending December 31, 2017, based on all settled swap agreements as of December 31, 2016.

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

	Impact of a 0.5% interest rate change			
Impact on operating income attributable to Unitholders of interest rate changes on the floating rate revolving credit facility	Decrease in rate		Increase in rate	
Three months ended December 31, 2016	$	373	$	(373)
Three months ended December 31, 2015	$	172	$	(172)
Year ended December 31, 2016	$	1,130	$	(1,130)
Year ended December 31, 2015	$	635	$	(635)

There have been no significant changes to Crombie's interest rate risk since December 31, 2015.

LIQUIDITY RISK

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

Cash flow generated from operating the property portfolio represents the primary source of liquidity used to service the interest on debt, fund general and administrative expenses, reinvest in the portfolio through capital expenditures, as well as fund tenant incentive costs and make distributions to Unitholders. Debt repayment requirements are primarily funded from refinancing Crombie's maturing debt obligations.

Property acquisition funding requirements are funded through a combination of accessing the debt and equity capital markets and recycling capital from property dispositions.

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

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

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

		Year ending December 31,					
	Contractual Cash Flows(1)	2017	2018	2019	2020	2021	Thereafter
Fixed rate mortgages(2)	$ 2,022,289	$ 170,090	$ 178,077	$ 235,086	$ 313,864	$ 170,736	$ 954,436
Senior unsecured notes	441,079	14,407	188,244	7,431	129,346	101,651	—
Convertible debentures	159,251	6,906	6,906	66,156	3,906	75,377	—
	2,622,619	191,403	373,227	308,673	447,116	347,764	954,436
Floating rate debt	231,647	5,697	104,047	121,903	—	—	—
Total	$ 2,854,266	$ 197,100	$ 477,274	$ 430,576	$ 447,116	$ 347,764	$ 954,436

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

(2) Reduced by the interest rate subsidy payments to be received from ECLD.

There have been no significant changes to Crombie's liquidity risk since December 31, 2015.

ENVIRONMENTAL MATTERS

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

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

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

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

Potential Conflicts of Interest

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

Conflicts may exist due to the fact that certain trustees, senior officers and employees of Crombie are directors and/or senior officers of Empire and/or its affiliates or will provide management or other services to Empire and its affiliates. Empire and its affiliates are engaged in a wide variety of real estate and other business activities. Crombie may become involved in transactions that conflict with the interests of the foregoing. The interests of these persons could conflict with those of Crombie. To mitigate these potential conflicts, Crombie and Empire have entered into a number of agreements to outline how potential conflicts of interest will be dealt with, including a Non-Competition Agreement, Management Agreement and Development Agreement. As well, the Declaration of Trust contains a number of provisions to manage potential conflicts of interest including setting limits to the number of Empire appointees to the Board, "conflict of interest" guidelines, as well as outlining which matters require the approval of a majority of the independent elected trustees such as any property acquisitions or dispositions between Crombie and Empire or another related party.

Reliance on Key Personnel

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

Reliance on Empire, Sobeys and Other Empire Affiliates

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

Prior Commercial Operations

Crombie Limited Partnership ("Crombie LP") acquired from Empire all of the outstanding shares of Crombie Developments Limited ("CDL"). CDL is the company resulting from the amalgamation of predecessor companies which began their operations in 1964 and have since been involved in various commercial activities in the real estate sector. In addition, the share capital of CDL and its predecessors has been subject to various transfers, redemptions and other modifications. Pursuant to the acquisition, Empire made certain representations and warranties to Crombie with respect to CDL, including with respect to the structure of its share capital and the scope and amount of its existing and contingent liabilities. Empire also provided an indemnity to Crombie under the acquisition which provides, subject to certain conditions and thresholds, that Empire will indemnify Crombie for breaches of such representations and warranties. There can be no assurance that Crombie will be fully protected in the event of a breach of such representations and warranties or that Empire will be in a position to indemnify Crombie if any such breach occurs. Empire has not provided any security for its obligations and is not required to maintain any cash within Empire for this purpose.

Crombie LP acquired from Empire directly and indirectly 61 properties on April 22, 2008 (the "Portfolio Acquisition"). Pursuant to the Portfolio Acquisition, Empire made certain representations and warranties to Crombie with respect to the properties, including with respect to the scope and amount of its existing and contingent liabilities. Empire also provided an indemnity to Crombie under the Portfolio Acquisition which provides, subject to certain conditions and thresholds, that Empire will indemnify Crombie for breaches of such representations and warranties. There can be no assurance that Crombie will be fully protected in the event of a breach of such representations and warranties or that Empire will be in a position to indemnify Crombie if any such breach occurs. Empire has not provided any security for its obligations and is not required to maintain any cash within Empire for this purpose.

RISK FACTORS RELATED TO THE UNITS

Cash Distributions Are Not Guaranteed

There can be no assurance regarding the amount of income to be generated by Crombie's properties. The ability of Crombie to make cash distributions and the actual amount distributed are entirely dependent on the operations and assets of Crombie and its subsidiaries, and are subject to various factors including financial performance, obligations under applicable credit facilities, the sustainability of income derived from anchor tenants and capital expenditure requirements. Cash available to Crombie to fund distributions may be limited from time to time because of items such as principal repayments, tenant allowances, leasing commissions, capital expenditures and redemptions of Units, if any. Crombie may be required to use part of its debt capacity or to reduce distributions in order to accommodate such items. The market value of the Units will deteriorate if Crombie is unable to maintain its distribution in the future, and that deterioration may be significant. In addition, the composition of cash distributions for tax purposes may change over time and may affect the after-tax return for investors.

Restrictions on Redemptions

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

Potential Volatility of Unit Prices

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

Tax-Related Risk Factors

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

Income fund or REIT structures in which there is a significant corporate subsidiary such as CDL generally involve a significant amount of inter-company or similar debt, generating substantial interest expense, which reduces earnings and therefore income tax payable. Management believes that the interest expense inherent in the structure of Crombie is supportable and reasonable in the circumstances; however, there can be no assurance that taxation authorities will not seek to challenge the amount of interest expense deducted on the debt owing by CDL to Crombie LP. If such a challenge were to succeed, it could adversely affect the amount of cash available for distribution.

Certain properties have been acquired by Crombie LP on a tax deferred basis, whereby the tax cost of these properties is less than their fair market value. Accordingly if one or more of such properties are disposed of, the gain for tax purposes recognized by Crombie LP will be in excess of that which it would have been if it had acquired the properties at a tax cost equal to their fair market values.

The cost amount for taxation purposes of various properties of CDL will be lower than their fair market value, generally resulting in correspondingly lower deductions for taxation purposes and higher recapture of depreciation or capital gains on their disposition. In addition, CDL (unlike Crombie) may not reduce its taxable income through cash distributions. If CDL should become subject to corporate income tax, the cash available for distribution to Unitholders would likely be reduced.

On June 22, 2007, tax legislation Bill C-52, the Budget Implementation Act, 2007 (the "Act") was passed into law. The Act related to the federal income taxation of publicly traded income trusts and partnerships. The Act subjects all existing income trusts, or specified investment flow-through entities ("SIFTs"), to corporate tax rates, beginning in 2011, subject to an exemption for real estate investment trusts ("REITs"). The exemption for REITs was provided to "recognize the unique history and role of collective real estate investment vehicles," which are well-established structures throughout the world. A trust that satisfies the criteria of a REIT throughout its taxation year will not be subject to income tax in respect of distributions to its unitholders or be subject to the restrictions on its growth that would apply to SIFTs.

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

Crombie and its advisors underwent an extensive review of Crombie's organizational structure and operations to support Crombie's assertion that it meets the REIT technical tests contained in the Act throughout the 2008 through 2016 fiscal years. The relevant tests apply throughout the taxation year of Crombie and, as such, the actual status of Crombie for any particular taxation year can only be ascertained at the end of the year.

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

Indirect Ownership of Units by Empire

Empire holds a 41.5% (fully diluted 40.3%) economic interest in Crombie through the ownership of REIT and Class B LP Units. Pursuant to the Exchange Agreement, each Class B LP Unit will be exchangeable at the option of the holder for one Unit of Crombie and will be attached to a Special Voting Unit of Crombie, providing for voting rights in Crombie. Furthermore, pursuant to the Declaration of Trust, Empire is entitled to appoint a certain number of Trustees based on the percentage of Units held by it. Thus, Empire is in a position to exercise a certain influence with respect to the affairs of Crombie. If Empire sells substantial amounts of its Class B LP Units or exchanges such units for Units and sells these Units in the public market, the market price of the Units could fall. The perception among the public that these sales will occur could also produce such effect.

Ownership of Debentures

The Debentures may trade at lower than issued prices depending on many factors, including liquidity of the Debentures, prevailing interest rates and the markets for similar securities, the market price of the Units, general economic conditions and Crombie's financial condition, historic financial performance and future prospects.

Ownership of Senior Unsecured Notes ("Notes")

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

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

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

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

SUBSEQUENT EVENTS

(a) On January 20, 2017, Crombie declared distributions of 7.417 cents per Unit for the period from January 1, 2017 to and including, January 31, 2017. The distributions were paid on February 15, 2017, to Unitholders of record as of January 31, 2017.

(b) On February 16, 2017, Crombie declared distributions of 7.417 cents per Unit for the period from February 1, 2017 to and including, February 28, 2017. The distributions will be paid on March 15, 2017, to Unitholders of record as of February 28, 2017.

CONTROLS AND PROCEDURES

Crombie maintains a set of disclosure controls and procedures designed to ensure that information required to be disclosed by Crombie in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in the securities legislation and include controls and procedures designed to ensure that information required to be disclosed by Crombie is accumulated and communicated to Crombie's management, including its President and Chief Executive Officer ("CEO") and Executive Vice President, Chief Financial Officer and Secretary ("CFO"), as appropriate, to allow timely decisions regarding disclosure. Our CEO and CFO have evaluated the design and effectiveness of our disclosure controls and procedures as of December 31, 2016. They have concluded that our current disclosure controls and procedures are effective.

In addition, our CEO and CFO have designed, or caused to be designed under their supervision, internal controls over financial reporting ("ICFR") to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes as defined in National Instrument 52-109. The control framework management used to design and assess the effectiveness of ICFR is *Internal Control-Integrated Framework (2013)* issued by The Committee of Sponsoring Organizations of the Treadway Commission (COSO). Further, our CEO and CFO have evaluated, or caused to be evaluated under their supervision, the effectiveness of the design and operation of ICFR as at December 31, 2016, and have concluded that our current ICFR was effective based on that evaluation. There have been no material changes to Crombie's internal controls during the year.

QUARTERLY INFORMATION

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

(In thousands of CAD dollars, except per unit amounts)	Dec. 31, 2016	Sep. 30, 2016	Jun. 30, 2016	Mar. 31, 2016	Dec. 31, 2015	Sep. 30, 2015	Jun. 30, 2015	Mar. 31, 2015
	Three Months Ended							
Property revenue	$ 105,269	$ 98,757	$ 101,031	$ 94,944	$ 92,847	$ 89,611	$ 94,907	$ 92,501
Property operating expenses	29,395	27,732	27,538	30,641	28,858	26,892	27,328	30,183
Property net operating income	75,874	71,025	73,493	64,303	63,989	62,719	67,579	62,318
Gain (loss) on disposal	9,761	1,225	244	26,260	25	—	—	(2)
Expenses:								
General and administrative	(4,266)	(3,546)	(4,122)	(4,407)	(3,541)	(3,923)	(3,463)	(3,474)
Finance costs – operations	(25,656)	(25,342)	(24,793)	(24,365)	(24,600)	(24,306)	(24,287)	(25,418)
Depreciation and amortization	(19,435)	(19,933)	(17,514)	(16,450)	(16,789)	(16,340)	(16,925)	(16,522)
Impairment	(6,000)	—	—	—	(7,300)	—	(5,275)	—
Operating income before taxes	30,278	23,429	27,308	45,341	11,784	18,150	17,629	16,902
Taxes – current	—	(3)	—	(23)	(39)	(621)	(2,276)	—
Taxes – deferred	1,200	(300)	(100)	(2,000)	2,200	400	1,800	(200)
Operating income	31,478	23,126	27,208	43,318	13,945	17,929	17,153	16,702
Finance costs – distributions to Unitholders	(32,987)	(32,890)	(30,538)	(29,322)	(29,236)	(29,153)	(29,111)	(29,076)
Finance income (costs) – change in fair value of financial instruments	(46)	789	(397)	(34)	3,068	(3,112)	368	(268)
Increase (decrease) in net assets attributable to Unitholders	$ (1,555)	$ (8,975)	$ (3,727)	$ 13,962	$ (12,223)	$ (14,336)	$ (11,590)	$ (12,642)
Operating income per unit – Basic	$ 0.21	$ 0.16	$ 0.21	$ 0.33	$ 0.11	$ 0.14	$ 0.13	$ 0.13
Operating income per unit – Diluted	$ 0.21	$ 0.16	$ 0.21	$ 0.33	$ 0.11	$ 0.14	$ 0.13	$ 0.13

(In thousands of CAD dollars, except per unit amounts)	Dec. 31, 2016	Sep. 30, 2016	Jun. 30, 2016	Mar. 31, 2016	Dec. 31, 2015	Sep. 30, 2015	Jun. 30, 2015	Mar. 31, 2015
	Three Months Ended							
Distributions								
Distributions	$ 32,987	$ 32,890	$ 30,538	$ 29,322	$ 29,236	$ 29,153	$ 29,111	$ 29,076
Per unit	$ 0.22	$ 0.22	$ 0.22	$ 0.22	$ 0.22	$ 0.22	$ 0.22	$ 0.22
AFFO								
Basic	$ 38,452	$ 38,808	$ 31,432	$ 32,048	$ 32,310	$ 30,694	$ 32,733	$ 29,917
Per unit – Basic	$ 0.26	$ 0.26	$ 0.24	$ 0.24	$ 0.25	$ 0.23	$ 0.25	$ 0.23
Per unit – Diluted(1)	$ 0.26	$ 0.26	$ 0.24	$ 0.24	$ 0.25	$ 0.23	$ 0.25	$ 0.23
Payout ratio	85.8%	84.8%	97.2%	91.5%	90.5%	95.0%	88.9%	97.2%
FFO, as adjusted								
Basic	$ 45,452	$ 45,567	$ 37,256	$ 37,961	$ 38,311	$ 36,312	$ 39,079	$ 35,772
Per unit – Basic	$ 0.31	$ 0.31	$ 0.28	$ 0.29	$ 0.29	$ 0.28	$ 0.30	$ 0.27
Per unit – Diluted(1)	$ 0.30	$ 0.31	$ 0.28	$ 0.29	$ 0.29	$ 0.28	$ 0.30	$ 0.27
Payout ratio	72.6%	72.2%	82.0%	77.2%	76.3%	80.3%	74.5%	81.3%

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

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

- Property acquisitions and dispositions (excluding closing and transaction costs) for each of the above three month periods were:
  - December 31, 2016 – acquisition of two retail properties and an addition to an existing office property for a total purchase price of $34,000, and disposition of five retail properties for proceeds of $32,500;
  - September 30, 2016 – acquisition of one retail property and one development property for a total purchase price of $32,858, and disposition of two retail properties for proceeds of $11,357;
  - June 30, 2016 – acquisition of 33 retail properties, a 50% interest in three distribution centres, a property for development and two parcels of development land adjacent to existing Crombie properties for a total purchase price of $502,683, and disposition of two retail properties for proceeds of $8,293;
  - March 31, 2016 – acquisition of one retail property for a total purchase price of $5,500 and disposition of 10 retail properties for proceeds of $143,400;
  - December 31, 2015 – acquisition of four retail properties and two additions to existing retail properties for a total purchase price of $60,825;
  - September 30, 2015 – acquisition of one retail property for a total purchase price of $20,500;
  - June 30, 2015 – acquisition of an addition to an existing retail property for a total purchase price of $2,333; and,
  - March 31, 2015 – acquisition of an addition to an existing retail property for a total purchase price of $12,650.
- Property revenue and property operating expenses – Crombie's business is subject to seasonal fluctuations. Property operating expenses during winter months include particular expenses such as snow removal, which is a recoverable expense, thus increasing property revenue during these same periods. Property operating expenses during the summer and fall periods include particular expenses such as paving and roof repairs.
- Per unit amounts for FFO and AFFO are influenced by operating results as detailed above and by the timing of the issuance of REIT Units and Class B LP Units.

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

Dated: February 22, 2017
New Glasgow, Nova Scotia, Canada

MANAGEMENT'S STATEMENT OF RESPONSIBILITY FOR FINANCIAL REPORTING

Preparation of the consolidated financial statements accompanying this annual report and the presentation of all other information in the report is the responsibility of management. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards and reflect management's best estimates and judgments. All other financial information in the report is consistent with that contained in the consolidated financial statements.

Management of the Trust has established and maintains a system of internal control that provides reasonable assurance as to the integrity of the consolidated financial statements, the safeguard of Trust assets, and the prevention and detection of fraudulent financial reporting.

The Board of Trustees, through its Audit Committee, oversees management in carrying out its responsibilities for financial reporting and systems of internal control. The Audit Committee, which is chaired by and composed solely of trustees who are unrelated to, and independent of, the Trust, meet regularly with financial management and external auditors to satisfy itself as to reliability and integrity of financial information and the safeguarding of assets. The Audit Committee reports its findings to the Board of Trustees for consideration in approving the annual consolidated financial statements to be issued to unitholders. The external auditors have full and free access to the Audit Committee.

Donald E. Clow, FCPA, FCA
President and
Chief Executive Officer

February 22, 2017

Glenn R. Hynes, FCPA, FCA
Executive Vice President, Chief Financial Officer
and Secretary

February 22, 2017

TO THE BOARD OF TRUSTEES OF CROMBIE REAL ESTATE INVESTMENT TRUST

We have audited the accompanying consolidated financial statements of Crombie Real Estate Investment Trust ("Crombie") and its subsidiaries, which comprise the consolidated balance sheet as at December 31, 2016 and the consolidated statements of comprehensive income, changes in net assets attributable to unitholders and cash flows for the year then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

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

Auditor's responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Crombie and its subsidiaries as at December 31, 2016 and their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards.

Other matter

The financial statements of Crombie Real Estate Investment Trust for the year ended December 31, 2015 were audited by another auditor who expressed an unmodified opinion on those financial statements on February 24, 2016.

PricewaterhouseCoopers LLP

Chartered Professional Accountants,
Licensed Public Accountants
Halifax, Canada

February 22, 2017

CONSOLIDATED BALANCE SHEETS

(In thousands of CAD dollars)	Note	December 31, 2016	December 31, 2015
Assets			
Non-current assets			
Investment properties	3	$ 3,716,720	$ 3,202,886
Investment in joint ventures	4	815	—
Other assets	5	191,247	100,891
Long-term receivables	6	6,104	600
		3,914,886	3,304,377
Current assets			
Cash and cash equivalents		—	1,057
Other assets	5	34,567	33,978
Long-term receivables	6	13,865	13,333
Investment properties held for sale	7	—	119,448
		48,432	167,816
Total Assets		3,963,318	3,472,193
Liabilities			
Non-current liabilities			
Investment property debt	8	1,765,824	1,548,648
Senior unsecured notes	9	398,588	398,080
Convertible debentures	10	132,134	131,518
Deferred taxes	11	75,400	74,200
Employee future benefits obligation	12	8,110	7,736
Trade and other payables	13	8,493	6,661
		2,388,549	2,166,843
Current liabilities			
Investment property debt	8	99,653	92,555
Employee future benefits obligation	12	282	246
Trade and other payables	13	84,688	65,319
		184,623	158,120
Total liabilities excluding net assets attributable to Unitholders		2,573,172	2,324,963
Net assets attributable to Unitholders		$ 1,390,146	$ 1,147,230
Net assets attributable to Unitholders represented by:			
Crombie REIT Unitholders		$ 834,203	$ 694,484
Special Voting Units and Class B Limited Partnership Unitholders		555,943	452,746
		$ 1,390,146	$ 1,147,230
Commitments and contingencies	23		
Subsequent events	24		

See accompanying notes to the consolidated financial statements.

Approved on behalf of the Board of Trustees

"Signed John Eby" "Signed J. Michael Knowlton"

John Eby
Lead Trustee

J. Michael Knowlton
Audit Committee Chair

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(In thousands of CAD dollars)	Note	Year ended December 31, 2016	Year ended December 31, 2015
Property revenue	14	$ 400,001	$ 369,866
Property operating expenses		115,306	113,261
Net property income		284,695	256,605
Gain on disposal of investment properties	3	37,490	23
Impairment of investment properties	3	(6,000)	(12,575)
Depreciation of investment properties	3	(66,552)	(60,498)
Amortization of intangible assets	3	(6,170)	(5,480)
Amortization of deferred leasing costs	3	(610)	(598)
General and administrative expenses	16	(16,341)	(14,401)
Finance costs – operations	17	(100,156)	(98,611)
Operating income before taxes		126,356	64,465
Taxes – current	11	(26)	(2,936)
Taxes – deferred	11	(1,200)	4,200
Operating income attributable to Unitholders		125,130	65,729
Finance costs – other			
Distributions to Unitholders		(125,737)	(116,576)
Change in fair value of financial instruments	13	312	56
		(125,425)	(116,520)
Increase (decrease) in net assets attributable to Unitholders		(295)	(50,791)
Other comprehensive income			
Items that will not be subsequently reclassified to Increase (decrease) in net assets attributable to Unitholders:			
Unamortized actuarial gains (losses) in employee future benefit obligation	12	(110)	352
Items that will be subsequently reclassified to Increase (decrease) in net assets attributable to Unitholders:			
Costs incurred on derivatives designated as cash flow hedges transferred to finance costs – operations		2,440	2,520
Other comprehensive income		2,330	2,872
Comprehensive income (loss)		$ 2,035	$ (47,919)

See accompanying notes to the consolidated financial statements.

FINANCIAL STATEMENTS

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

(In thousands of CAD dollars)	REIT Units, Special Voting Units and Class B LP Units	Net Assets Attributable to Unitholders	Accumulated Other Comprehensive Income (Loss)	Total	Attributable to REIT Units	Attributable to Class B LP Units
	(Note 18)					
Balance, January 1, 2016	$ 1,473,885	$ (315,750)	$ (10,905)	$ 1,147,230	$ 694,484	$ 452,746
Adjustments related to EUPP	67	42	—	109	109	—
Statements of comprehensive income (loss)	—	(295)	2,330	2,035	973	1,062
Units issued under Distribution Reinvestment Plan ("DRIP")	21,661	—	—	21,661	12,666	8,995
Unit issue proceeds, net of costs of $5,889	219,111	—	—	219,111	125,971	93,140
Balance, December 31, 2016	$ 1,714,724	$ (316,003)	$ (8,575)	$ 1,390,146	$ 834,203	$ 555,943

(In thousands of CAD dollars)	REIT Units, Special Voting Units and Class B LP Units	Net Assets Attributable to Unitholders	Accumulated Other Comprehensive Income (Loss)	Total	Attributable to REIT Units	Attributable to Class B LP Units
	(Note 18)					
Balance, January 1, 2015	$ 1,462,101	$ (265,010)	$ (13,777)	$ 1,183,314	$ 716,025	$ 467,289
Adjustments related to EUPP	75	51	—	126	126	—
Conversion of debentures	205	—	—	205	205	—
Statements of comprehensive income (loss)	—	(50,791)	2,872	(47,919)	(28,595)	(19,324)
Units issued under DRIP	11,504	—	—	11,504	6,723	4,781
Balance, December 31, 2015	$ 1,473,885	$ (315,750)	$ (10,905)	$ 1,147,230	$ 694,484	$ 452,746

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands of CAD dollars)	Note	Year ended December 31, 2016	Year ended December 31, 2015
Cash flows provided by (used in)			
Operating Activities			
Increase (decrease) in net assets attributable to Unitholders		$ (295)	$ (50,791)
Items not affecting operating cash	19	68,901	94,015
Change in other non-cash operating items	19	(1,686)	1,481
Income taxes paid		—	(3,591)
Cash provided by (used in) operating activities		66,920	41,114
Financing Activities			
Issue of mortgages		193,401	119,134
Deferred financing charges – investment property debt		(2,967)	(1,020)
Repayment of mortgages		(98,566)	(106,440)
Advance (repayment) of floating rate credit facilities		90,374	(15,000)
Issue of senior unsecured notes		—	125,000
Deferred financing charges – senior unsecured notes		—	(988)
Redemption of convertible debentures		—	(44,795)
REIT Units and Class B LP Units issued		225,000	—
REIT Units and Class B LP Units issue costs		(5,889)	—
Repayment of EUPP loans receivable		67	75
Collection of (increase in) long-term receivables		(6,036)	(302)
Cash provided by (used in) financing activities		395,384	75,664
Investing Activities			
Acquisition of investment properties and intangible assets		(550,863)	(79,954)
Additions to investment properties		(29,928)	(25,684)
Proceeds on disposal of investment properties		192,549	2,770
Additions to tenant incentives		(74,071)	(12,638)
Additions to deferred leasing costs		(1,048)	(826)
Cash provided by (used in) investing activities		(463,361)	(116,332)
Net change in cash and cash equivalents		(1,057)	446
Cash and cash equivalents, beginning of year		1,057	611
Cash and cash equivalents, end of year		$ —	$ 1,057

See accompanying notes to the consolidated financial statements.

FINANCIAL STATEMENTS

1 GENERAL INFORMATION AND NATURE OF OPERATIONS

Crombie Real Estate Investment Trust ("Crombie") is an unincorporated "open-ended" real estate investment trust created pursuant to the Declaration of Trust dated January 1, 2006, as amended. The principal business of Crombie is investing in income-producing retail, office and mixed use properties in Canada. Crombie is registered in Canada and the address of its registered office is 610 East River Road, Suite 200, New Glasgow, Nova Scotia, Canada, B2H 3S2. The consolidated financial statements for the years ended December 31, 2016 and December 31, 2015 include the accounts of Crombie and all of its subsidiary entities. The units of Crombie are traded on the Toronto Stock Exchange ("TSX") under the symbol "CRR.UN".

The consolidated financial statements were authorized for issue by the Board of Trustees on February 22, 2017.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

(b) Basis of presentation

The consolidated financial statements are presented in Canadian dollars ("CAD"); Crombie's functional and reporting currency, rounded to the nearest thousand. The consolidated financial statements are prepared on a historical cost basis except for any financial assets and liabilities classified as fair value with changes in fair value recognized in Increase (decrease) in net assets attributable to Unitholders ("FVTPL" classification) or designated as available for sale ("AFS") that have been measured at fair value.

(c) Presentation of financial statements

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

(d) Basis of consolidation

(i) Subsidiaries

Crombie's financial statements consolidate those of Crombie and all of its subsidiary entities as at December 31, 2016. Subsidiaries are all entities over which Crombie has control. All subsidiaries have a reporting date of December 31, 2016.

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

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

(ii) Joint arrangements

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

Joint operations

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

Joint ventures

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

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

(e) Investment properties

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

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

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

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

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

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

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

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

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

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

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

Change in useful life of investment properties

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

(f) Cash and cash equivalents

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

(g) Assets held for sale and discontinued operations

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

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

(h) Convertible debentures

Convertible debentures issued by Crombie are convertible into a fixed number of REIT Units (a liability) at the option of the holder and are redeemable by the issuer under certain conditions (Note 10).

Upon issuance, convertible debentures are separated into their debt component and embedded derivative features. The debt component of the convertible debentures is recognized initially at the fair value of a similar debt instrument without the embedded derivative features. Subsequent to initial recognition, the debt component is measured at amortized cost using the effective interest method.

The embedded derivative features include a holder conversion option at any time and an issuer redemption option under certain conditions. The multiple embedded derivative features are treated as a single compound embedded derivative liability and initially recognized at fair value. Subsequent to initial recognition, changes in fair value are recognized in the Consolidated Statements of Comprehensive Income (Loss).

Upon issuance, any directly attributable costs are allocated to the debt component and embedded derivative liability in proportion to their initial carrying amounts. For the debt component, the transaction costs are reflected in the determination of the effective interest rate. For the embedded derivative liability, the transaction costs are immediately expensed in the Consolidated Statements of Comprehensive Income (Loss).

Upon conversion, the carrying amount of the debt component and the related fair value of the derivative liability as of the date of conversion are transferred to Net assets attributable to Unitholders in the Consolidated Balance Sheets. Upon redemption, the redemption proceeds are compared to the carrying amount of the debt component and the related fair value of the embedded derivative extinguished as of the date of redemption, and any gain or loss on redemption is recognized in the Consolidated Statements of Comprehensive Income (Loss).

(i) Employee future benefits obligation

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

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

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

(j) Unit based compensation plans

(i) Deferred Unit Plan ("DU Plan")

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

(ii) Restricted Unit Plan ("RU Plan")

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

(k) Distribution reinvestment plan ("DRIP")

Crombie has a DRIP which is described in Note 18.

(l) Revenue recognition

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

(m) Leasing

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

Operating leases

(i) Crombie as lessor

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

(ii) Crombie as lessee

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

(n) Deferred financing charges

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

(o) Finance costs – operations

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

(p) Finance costs – distributions to Unitholders

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

(q) Income taxes

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

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

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

(r) Hedges

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

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

(s) Comprehensive income (loss)

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

(t) Provisions

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

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

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

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

(u) Financial instruments

Crombie classifies financial assets and liabilities according to their characteristics and management's choices and intentions related thereto for the purpose of ongoing measurement. Classification choices for financial assets include: a) FVTPL – measured at fair value with changes in fair value recognized in increase (decrease) in net assets attributable to Unitholders for the period; b) held to maturity – recorded at amortized cost with gains and losses recognized in increase (decrease) in net assets attributable to Unitholders in the period that the asset is derecognized or impaired; c) available-for-sale – measured at fair value with changes in fair value recognized in other comprehensive income (loss) for the current period until realized through disposal or impairment; and, d) loans and receivables – recorded at amortized cost with gains and losses recognized in increase (decrease) in net assets attributable to Unitholders in the period that the asset is no longer recognized or impaired. Classification choices for financial liabilities include: a) FVTPL – measured at fair value with changes in fair value recognized in increase (decrease) in net assets attributable to Unitholders for the period; and, b) other – measured at amortized cost with gains and losses recognized in comprehensive income (loss) in the period that the liability is no longer recognized. Subsequent measurement for these assets and liabilities is based on either fair value or amortized cost using the effective interest method, depending upon their classification.

Crombie's financial assets and liabilities are generally classified and measured as follows:

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

Other balance sheet accounts, including, but not limited to, prepaid expenses, accrued straight-line rent receivable, tenant incentives, investment properties, deferred taxes and employee future benefits obligation are not financial instruments.

Transaction costs, other than those related to financial instruments classified as FVTPL that are expensed as incurred, are added to the fair value of the financial asset or financial liability on initial recognition and amortized using the effective interest method. Financing costs incurred to establish revolving credit facilities are deferred and amortized on a straight-line basis over the term of the facilities. In the event any debt is extinguished, the associated unamortized financing costs are expensed immediately.

Embedded derivatives are required to be separated and measured at fair values if certain criteria are met. The holder conversion option and issuer redemption options in Crombie's convertible debentures are considered to be embedded derivatives. Crombie's accounting policies relating to convertible debentures are described in Note 2(h).

(v) Fair value measurement

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

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

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

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

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

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

(w) Impairment of long-lived tangible and definite life intangible assets

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

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

(x) Net assets attributable to Unitholders

(i) Balance Sheet presentation

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

(ii) Balance Sheet measurement

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

(iii) Statement of Comprehensive Income (Loss) presentation

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

(iv) Presentation of per unit measures

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

(v) Allocation of Comprehensive income (loss)

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

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

(y) Critical judgments in applying accounting policies

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

(i) Investment properties

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

(ii) Investment in joint ventures

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

(iii) Leases

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

(iv) Classifications of Units as liabilities

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

(v) Income taxes

The assessment of the probability of future taxable income in which deferred tax assets can be utilized is based on Crombie's latest budget forecast, which is adjusted for significant non-taxable income and expenses and specific limits to the use of any unused tax loss or credit. If a positive forecast of taxable income indicates the probable use of a deferred tax asset, especially when it can be used without a time limit, that deferred tax asset is usually recognized in full. The recognition of deferred tax assets that are subject to certain legal or economic limits or uncertainties are assessed individually by management based on the specific facts and circumstances.

Crombie recognizes expected liabilities for tax based on an estimation of the likely taxes due, which requires significant judgment as to the ultimate tax determination of certain items. Where the actual liability arising from these issues differs from these estimates, such differences will have an impact on the income tax and deferred tax balances in the period when such determination is made.

(z) Critical accounting estimates and assumptions

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

(i) Fair value measurement

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

In estimating the fair value of an asset or a liability, Crombie uses market-observable data to the extent it is available. Where Level 1 inputs are not available, Crombie estimates the fair value based on discounted future cash flows using discount rates that reflect current market conditions for instruments with similar terms and risks. Such fair value estimates are not necessarily indicative of the amounts Crombie might pay or receive in actual market transactions. The significant methods and assumptions used in estimating fair value are set out in Notes 3 and 21.

(ii) Investment in joint arrangements

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

(iii) Investment properties

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

(iv) Impairment of long-lived tangible and definite life intangible assets

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

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

(v) Investment property valuation

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

(vi) Defined benefit liability

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

(vii) Purchase price allocation

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

(aa) Future changes in accounting standards

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

(i) IFRS 9 – Financial Instruments

In July 2014, the IASB issued IFRS 9 Financial Instruments which replaces IAS 39 – Financial Instruments: Recognition and Measurement. IFRS 9 has three main phases: classification and measurement, impairment and general hedging.

The new standard requires assets to be classified based on the business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Financial assets will be measured at FVTPL unless certain conditions are met which permit measurement at amortized cost or fair value through other comprehensive income. The classification and measurement of financial liabilities remain generally unchanged, with the exception of financial liabilities recorded at FVTPL. For financial liabilities designated at FVTPL, IFRS 9 requires the presentation of the effects of changes in our own credit risk in other comprehensive income instead of increase (decrease) in net assets attributable to Unitholders. IFRS 9 also introduces an impairment model for financial instruments not measured at FVTPL that requires recognition of expected losses at initial recognition of a financial instrument and the recognition of full lifetime expected losses if certain criteria are met. A new model for hedge accounting expands the scope of eligible hedged items and risks eligible for hedge accounting and aligns hedge accounting more closely with risk management. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. Management is currently assessing the impact the adoption of this standard will have on Crombie's consolidated financial statements.

(ii) IFRS 15 – Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15 which replaces IAS 11 Construction Contracts, IAS 18 Revenue and IFRIC 13 Customer Loyalty Programmes. This standard outlines a single comprehensive model for entities to account for revenue arising from contracts with customers. IFRS 15 is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted and is to be applied retrospectively. Management is currently assessing the impact the adoption of this standard will have on Crombie's consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (In thousands of CAD dollars)

(iii) IFRS 16 – Leases

In January 2016, the IASB issued IFRS 16 which replaces IAS 17, "Leases" and its associated interpretative guidance. IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract on the basis of whether the customer controls the asset being leased. For those assets determined to meet the definition of a lease, IFRS 16 introduces significant changes to the accounting by lessees, introducing a single, on-balance sheet accounting model that is similar to current finance lease accounting, with limited exceptions for short-term leases or leases of low value assets. Lessor accounting remains similar to current accounting practice. The standard is effective for annual periods beginning on or after January 1, 2019, with early application permitted for entities that apply IFRS 15. Management is currently assessing the impact of IFRS 16 on Crombie's consolidated financial statements.

3 INVESTMENT PROPERTIES

	Land	Buildings	Intangibles	Deferred Leasing Costs	Total
Cost					
Opening balance, January 1, 2016	$ 976,002	$ 2,500,700	$ 98,136	$ 6,780	$ 3,581,618
Acquisitions	259,796	312,684	18,285	—	590,765
Additions	1,310	30,849	—	1,185	33,344
Disposition	(13,503)	(23,572)	(1,846)	(165)	(39,086)
Transfer to investment properties held for sale (Note 7)	(164)	(468)	(26)	—	(658)
Balance, December 31, 2016	1,223,441	2,820,193	114,549	7,800	4,165,983
Accumulated depreciation and amortization and impairment					
Opening balance, January 1, 2016	—	322,625	52,529	3,578	378,732
Depreciation and amortization	—	66,552	6,170	610	73,332
Disposition	—	(7,020)	(1,591)	(111)	(8,722)
Impairment	2,357	3,643	—	—	6,000
Transfer to investment properties held for sale (Note 7)	—	(69)	(10)	—	(79)
Balance, December 31, 2016	2,357	385,731	57,098	4,077	449,263
Net carrying value, December 31, 2016	$ 1,221,084	$ 2,434,462	$ 57,451	$ 3,723	$ 3,716,720

	Land	Buildings	Intangibles	Deferred Leasing Costs	Total
Cost					
Opening balance, January 1, 2015	$ 977,895	$ 2,479,018	$ 99,019	$ 5,540	$ 3,561,472
Acquisitions	20,503	74,229	3,457	—	98,189
Additions	3,537	23,155	—	1,118	27,810
Disposition	(1,453)	(706)	—	—	(2,159)
Transfer to investment properties held for sale (Note 7)	(31,619)	(103,315)	(4,432)	(332)	(139,698)
Transfer from investment properties held for sale (Note 7)	7,139	28,319	92	454	36,004
Balance, December 31, 2015	976,002	2,500,700	98,136	6,780	3,581,618
Accumulated depreciation and amortization and impairment					
Opening balance, January 1, 2015	—	263,391	50,913	2,965	317,269
Depreciation and amortization	—	60,498	5,480	598	66,576
Disposition	—	(23)	—	—	(23)
Impairment	—	12,575	—	—	12,575
Transfer to investment properties held for sale (Note 7)	—	(18,424)	(3,956)	(217)	(22,597)
Transfer from investment properties held for sale (Note 7)	—	4,608	92	232	4,932
Balance, December 31, 2015	—	322,625	52,529	3,578	378,732
Net carrying value, December 31, 2015	$ 976,002	$ 2,178,075	$ 45,607	$ 3,202	$ 3,202,886

Crombie's total fair value of investment properties, including properties held for sale, exceeds carrying value by $844,033 at December 31, 2016 (December 31, 2015 – $708,949). Crombie uses the cost method for accounting for investment properties, and increases in fair value over carrying value are not recognized until realized through disposition or derecognition of properties, while impairment is recognized at the time of impairment.

During the year ended December 31, 2016, Crombie recorded an impairment of $6,000 on two retail properties and during the year ended December 31, 2015, recorded an impairment of $12,575 on three retail properties and an office property. The impairments were the result of the fair value impact of tenant departures during the year; lower occupancy rates; and slower than expected leasing activity. Impairment was measured on a per property basis and was determined as the amount by which carrying value, using the cost method, exceeded the recoverable amount for that property. The recoverable amount was determined to be each property's fair value which is the higher of the economic benefits of the continued use of the asset or the selling price less costs to sell.

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

	Fair Value	Carrying Value
December 31, 2016	$ 4,752,000	$ 3,907,967
December 31, 2015	$ 4,143,000	$ 3,434,051

Carrying value consists of the net carrying value of:

	Note	**December 31, 2016**	December 31, 2015
Investment properties	3	$ 3,716,720	$ 3,202,886
Accrued straight-line rent receivable	5	59,225	50,050
Tenant incentives	5	132,022	61,667
Investment properties held for sale	7	—	119,448
Total carrying value		$ 3,907,967	$ 3,434,051

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

The fair value included in this summary reflects the fair value of the properties as at December 31, 2016 and 2015, respectively, based on each property's current use as a revenue generating investment property. Crombie owns several properties where the highest and best use as a development property would result in higher fair values.

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

(i) The capitalized net operating income method – Under this method, capitalization rates are applied to net operating income (property revenue less property operating expenses). The key assumption is the capitalization rates for each specific property. Crombie receives quarterly capitalization rate reports from external, knowledgeable property valuators. The capitalization rate reports provide a range of rates for various geographic regions and for various types and qualities of properties within each region. Management selects the appropriate rate for each property from the range provided. Crombie generally employs this method to determine fair value.

(ii) The discounted cash flow method – Under this method, discount rates are applied to the forecasted cash flows reflecting the initial terms of the lease or leases for that specific property and assumptions as to renewal and new leasing activity. The key assumptions are the discount rate applied over the initial term of the lease, as well as lease renewals and new leasing activity. Crombie employs this method when the capitalized net operating income method indicates a risk of impairment or when a property is or will be undergoing redevelopment.

(iii) External appraisals – Crombie has external, independent appraisals performed on all properties on a rotational basis over a period of not more than four years.

As at December 31, 2016, all properties have been subjected to external, independent appraisal over the past four years.

Crombie utilizes capitalization and discount rates within the ranges provided by external valuations. To the extent that the externally provided capitalization rate ranges change from one reporting period to the next, or should another rate within the provided ranges be more appropriate than the rate previously used, the fair value of the investment properties would increase or decrease accordingly.

Crombie has utilized the following weighted average capitalization rates and has determined that an increase (decrease) in this applied capitalization rate of 0.25% would result in an increase (decrease) in the fair value of the investment properties as follows:

	Impact of a 0.25% Change in Capitalization Rate		
	Weighted Average Capitalization Rate	Increase in Rate	Decrease in Rate
December 31, 2016	5.88%	$ (191,000)	$ 208,000
December 31, 2015	6.15%	$ (163,000)	$ 177,000

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (In thousands of CAD dollars)

Investment Property Acquisitions and Dispositions

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

2016

Transaction Date	Vendor/Purchaser	Properties Acquired (Disposed)	Approximate Square Footage	Initial Acquisition (Disposition) Price	Assumed Mortgages
February 5, 2016	Third party	1	21,000	$ 5,500	$ —
March 10, 2016	Third party	(10)	(791,000)	(143,400)	—
April 8, 2016	Third party	1	58,000	15,700	—
April 15, 2016	Third party	(1)	(8,000)	(793)	—
April 28, 2016	Third party	(1)	(47,000)	(7,500)	—
May 3, 2016	Third party	2	117,000	46,200	8,041
May 16, 2016	Third party	9	94,000	32,272	—
June 1, 2016	Third party	1	37,000	7,000	3,751
June 9, 2016	Third party	1	84,000	29,000	12,017
June 23, 2016	Third party	1	54,000	14,150	—
June 29, 2016	Empire(1)	22	2,090,000	348,386	—
July 15, 2016	Empire(1)	(1)	(21,000)	(9,057)	—
July 29, 2016	Empire(1)	1	62,000	26,400	—
August 15, 2016	Third party	(1)	(48,000)	(2,300)	—
November 14, 2016	Third party	1	29,000	29,000	16,093
November 30, 2016	Third party	1	6,000	5,000	—
December 8, 2016	Third party	(1)	(80,000)	(10,750)	—
December 13, 2016	Third party	(4)	(215,000)	(21,750)	—
			1,442,000	**$ 363,058**	**$ 39,902**

(1) Empire includes Empire Company Limited, a related party, and its subsidiaries.

On July 8, 2016, Crombie acquired a 50% interest in a development property with a third party for an initial acquisition price of $5,250 which is not included in the above schedule. This investment is being accounted for as a joint operation.

The disposition on July 15, 2016 and the acquisitions on July 29, 2016 and June 29, 2016 were transacted with Empire Company Limited or its subsidiaries ("Empire"), a related party. The June 29, 2016 acquisition included 19 retail properties and a 50% interest in three distribution centres. In addition to the 22 properties included in the above schedule were two parcels of development land adjacent to existing Crombie properties, with an initial acquisition price of $9,975.

The remaining acquisitions and dispositions were transacted with third parties. The acquisition on June 23, 2016 was a vacant building which has since been demolished as part of a redevelopment plan for the property.

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

2015

Transaction Date	Vendor/Purchaser	Properties Acquired (Disposed)	Approximate Square Footage	Initial Acquisition (Disposition) Price	Assumed Mortgages
February 2, 2015(1)	Third party	—	51,000	$ 12,650	$ 5,479
April 1, 2015(1)	Empire(2)	—	7,500	2,333	—
August 18, 2015	Third party	1	50,000	20,500	12,077
November 3, 2015(1)	Empire(2)	—	34,800	8,450	—
November 3, 2015	Empire(2)	4	183,800	48,845	—
December 23, 2015(1)	Empire(2)	—	6,700	3,530	—
			333,800	$ 96,308	$ 17,556

(1) Relates to an acquisition of an addition to a pre-existing retail property.

(2) Empire includes Empire Company Limited, a related party, and its subsidiaries.

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

During the first quarter of 2015, Crombie disposed of a portion of one property's land and building through a partial expropriation. The carrying value of the portion disposed was derecognized at that time. During the fourth quarter of 2015, Crombie disposed of a portion of one property's land through a partial expropriation. The carrying value of the portion disposed was derecognized at that time.

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

Investment property acquired, net:	Year ended December 31, 2016	Year ended December 31, 2015
Land	$ 259,796	$ 20,503
Buildings	312,684	74,229
Intangibles	18,285	3,457
Fair value debt adjustment on assumed mortgages	(1,072)	(679)
Net purchase price	589,693	97,510
Assumed mortgages	(39,902)	(17,556)
	$ 549,791	$ 79,954

Investment property disposed:	Year ended December 31, 2016	Year ended December 31, 2015
Gross proceeds	$ 195,621	$ 3,323
Selling costs	(3,072)	(553)
	192,549	2,770
Carrying values derecognized		
Land	(45,288)	(1,453)
Buildings	(101,842)	(683)
Intangibles	(747)	—
Deferred leasing costs	(173)	—
Tenant Incentives	(3,434)	540
Accrued straight-line rent	(3,701)	—
Provisions	126	(1,151)
Gain on disposal	$ 37,490	$ 23

4 INVESTMENT IN JOINT VENTURES

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

	December 31, 2016
1600 Davie Limited Partnership	50.0%

The entity, which was created on January 19, 2016, is engaged in the development of a mixed use (retail and residential) property located at Davie Street, Vancouver, BC.

The following table represents 100% of the financial results of the equity accounted entities as at December 31, 2016:

	1600 Davie Limited Partnership
Non-current assets	$ 1,849
Current assets	573
Non-current liabilities	—
Current liabilities	793
Net assets	$ 1,629
Crombie's investment in joint ventures	$ 815

The entity had no operating results during the reporting periods.

5 OTHER ASSETS

	December 31, 2016			December 31, 2015		
	Current	Non-current	Total	Current	Non-current	Total
Trade receivables	$ 11,625	$ —	$ 11,625	$ 10,624	$ —	$ 10,624
Provision for doubtful accounts	(127)	—	(127)	(60)	—	(60)
Net trade receivables	11,498	—	11,498	10,564	—	10,564
Marketable securities	2,290	—	2,290	1,965	—	1,965
Prepaid expenses and deposits	12,104	—	12,104	10,548	—	10,548
Restricted cash	8,675	—	8,675	75	—	75
Accrued straight-line rent receivable	—	59,225	59,225	2,874	47,176	50,050
Tenant incentives	—	132,022	132,022	7,952	53,715	61,667
	$ 34,567	$ 191,247	$ 225,814	$ 33,978	$ 100,891	$ 134,869

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Tenant Incentives	Cost	Accumulated Amortization	Net Carrying Value
Balance, January 1, 2016	$ 107,122	$ 45,455	$ 61,667
Additions	83,092	—	83,092
Amortization	—	11,622	(11,622)
Disposition	(3,049)	(1,936)	(1,113)
Transfer to investment properties held for sale (Note 7)	(3)	(1)	(2)
Balance, December 31, 2016	$ 187,162	$ 55,140	$ 132,022
Balance, January 1, 2015	$ 94,825	$ 35,574	$ 59,251
Additions	12,509	—	12,509
Amortization	—	9,712	(9,712)
Disposition	—	540	(540)
Transfer to investment properties held for sale (Note 7)	(4,625)	(2,278)	(2,347)
Transfer from investment properties held for sale (Note 7)	4,413	1,907	2,506
Balance, December 31, 2015	$ 107,122	$ 45,455	$ 61,667

On June 29, 2016, Crombie invested $58,823 in the renovation and expansion of 10 existing Sobeys anchored properties. The amount is included in tenant incentive additions and is being amortized over the 20 year amended lease terms.

See Note 21(a) for fair value information.

6 LONG-TERM RECEIVABLES

	December 31, 2016			December 31, 2015		
	Current	Non-current	Total	Current	Non-current	Total
Capital expenditure program	$ —	$ 105	$ 105	$ —	$ 105	$ 105
Interest rate subsidy	103	392	495	222	495	717
Amount receivable from related party	13,762	—	13,762	13,111	—	13,111
Amount receivable from third party	—	5,607	5,607	—	—	—
	$ 13,865	$ 6,104	$ 19,969	$ 13,333	$ 600	$ 13,933

The amount receivable from a third party pertains to a development property which was acquired on July 8, 2016.

During March 2014, Crombie advanced $11,856 to a subsidiary of Empire to partially finance their acquisition of development lands. The loan is repayable March 31, 2017.

See Note 21(a) for fair value information.

7 INVESTMENT PROPERTIES HELD FOR SALE

	Land	Buildings	Intangibles	Deferred Leasing Costs	Tenant Incentives	Total
Balance, January 1, 2016	$ 31,619	$ 84,891	$ 476	$ 115	$ 2,347	$ 119,448
Additions	2	—	—	4	(28)	(22)
Assets transferred to held for sale	164	399	16	—	2	581
Derecognition through disposition	(31,785)	(85,290)	(492)	(119)	(2,321)	(120,007)
Net carrying value, December 31, 2016	$ —	$ —	$ —	$ —	$ —	$ —

	Land	Buildings	Intangibles	Deferred Leasing Costs	Tenant Incentives	Total
Balance, January 1, 2015	$ 7,139	$ 23,711	$ —	$ 222	$ 2,506	$ 33,578
Assets transferred to held for sale	31,619	84,891	476	115	2,347	119,448
Assets transferred from held for sale	(7,139)	(23,711)	—	(222)	(2,506)	(33,578)
Net carrying value, December 31, 2015	$ 31,619	$ 84,891	$ 476	$ 115	$ 2,347	$ 119,448

On March 10, 2016, Crombie disposed of 10 retail properties to a third party. The remaining property which was classified as held for sale as at December 31, 2015 was disposed of on April 28, 2016. As at December 31, 2016, no properties met the criteria for classification as held for sale.

During the first quarter of 2015, Crombie determined that an investment property previously classified as held for sale no longer met the criteria and was reclassified to in use. The determination was based on the decision to defer the sale to maximize Crombie's return on the property. As a result, depreciation and amortization totalling $673 was recognized in the first quarter of 2015, representing the depreciation and amortization not recorded during the period the property was classified as held for sale.

8 INVESTMENT PROPERTY DEBT

	Range	Weighted Average Interest Rate	Weighted Average Term to Maturity	December 31, 2016
Fixed rate mortgages	2.35 – 6.90%	4.46%	5.90 years	$ 1,655,817
Floating rate revolving credit facility		2.54%	2.50 years	120,374
Unsecured bilateral credit facility		2.64%	1.37 years	100,000
Deferred financing charges				(10,714)
				$ 1,865,477

	Range	Weighted Average Interest Rate	Weighted Average Term to Maturity	December 31, 2015
Fixed rate mortgages	2.70 – 6.90%	4.62%	6.6 years	$ 1,521,079
Floating rate revolving credit facility		2.48%	2.5 years	130,000
Deferred financing charges				(9,876)
				$ 1,641,203

As at December 31, 2016, debt retirements for the next five years are:

12 Months Ending	Fixed Rate Principal Payments	Fixed Rate Maturities	Floating Rate Maturities	Total
December 31, 2017	$ 49,290	$ 50,363	$ —	$ 99,653
December 31, 2018	48,357	64,666	100,000	213,023
December 31, 2019	48,799	124,973	120,374	294,146
December 31, 2020	42,028	225,241	—	267,269
December 31, 2021	40,204	89,182	—	129,386
Thereafter	118,470	750,518	—	868,988
	$ 347,148	$ 1,304,943	$ 220,374	1,872,465
Deferred financing charges				(10,714)
Unamortized fair value debt adjustment				3,726
				$ 1,865,477

Specific investment properties with a carrying value of $2,974,237 as at December 31, 2016 (December 31, 2015 – $2,686,589) are currently pledged as security for mortgages or provided as security for the floating rate revolving credit facility. Carrying value includes investment properties, investment properties held for sale, as well as accrued straight-line rent receivable and tenant incentives which are included in other assets.

Mortgage Activity

			Weighted Average			
For the year ended:	Type	Number of Mortgages	Rates	Terms in Years	Amortization Period in Years	Proceeds (Repayments)
December 31, 2016	New	11	3.48%	6.7	24.9	$ 193,402
	Assumed	4	4.02%	3.5	21.3	39,902
	Repayment	10	4.81%	—	—	(49,774)
						$ 183,530

			Weighted Average			
For the year ended:	Type	Number of Mortgages	Rates	Terms in Years	Amortization Period in Years	Proceeds (Repayments)
December 31, 2015	New	12	2.85%	4.9	24.8	$ 119,134
	Assumed	2	4.88%	4.7	12.6	17,556
	Repayment	11	4.85%	—	—	(58,162)
						$ 78,528

Floating Rate Revolving Credit Facility

The floating rate revolving credit facility has a maximum principal amount of $400,000 (December 31, 2015 – $300,000) and matures June 30, 2019. The facility is used by Crombie for working capital purposes and to provide temporary financing for acquisitions and development activity. It is secured by a pool of first and second mortgages on certain properties and the maximum principal amount is subject to available borrowing base (December 31, 2016 – borrowing base of $398,007). The floating interest rate is based on bankers' acceptance rates plus a spread or specific margin over prime rate. The specified spread or margin changes depending on Crombie's unsecured bond rating with DBRS and whether the facility remains secured or migrates to an unsecured status.

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Unsecured Bilateral Credit Facility

The unsecured bilateral credit facility has a maximum principal amount of $100,000 and matures May 16, 2018. The facility is used by Crombie for working capital purposes and to provide temporary financing for acquisitions and development activity. The floating interest rate is based on bankers' acceptance rates plus a spread or specific margin over prime rate. The specified spread or margin changes depending on Crombie's unsecured bond rating with DBRS.

See Note 21(a) for fair value information.

9 SENIOR UNSECURED NOTES

	Maturity Date	Interest Rate	**December 31, 2016**	December 31, 2015
Series A	October 31, 2018	3.986%	$ 175,000	$ 175,000
Series B	June 1, 2021	3.962%	100,000	100,000
Series C	February 10, 2020	2.775%	125,000	125,000
Unamortized Series B issue premium			240	294
Deferred financing charges			(1,652)	(2,214)
			$ 398,588	$ 398,080

See Note 21(a) for fair value information.

10 CONVERTIBLE DEBENTURES

	Conversion Price	Maturity Date	Interest Rate	**December 31, 2016**	December 31, 2015
Series D (CRR.DB.D)	$ 20.10	September 30, 2019	5.00%	$ 60,000	$ 60,000
Series E (CRR.DB.E)	$ 17.15	March 31, 2021	5.25%	74,400	74,400
Deferred financing charges				(2,266)	(2,882)
				$ 132,134	$ 131,518

Debenture Conversions	Conversion Price	**Year ended December 31, 2016**	Year ended December 31, 2015
Series C	$ 15.30	$ —	$ 205
		$ —	$ 205
REIT Units Issued		—	13,398

The Series D (issued July 3, 2012) and Series E (issued August 14, 2013) Debentures pay interest semi-annually on March 31 and September 30 each year. Crombie has the option to pay interest on any interest payment date by issuing REIT units and applying the proceeds to satisfy its interest obligation. The Series D and Series E Convertible Debentures (collectively the "Debentures") are convertible into REIT Units at the option of the debenture holder at any time up to the maturity date, at the conversion price indicated in the table above, being a conversion rate per one thousand dollars of principal amount of approximately: 49.7512 REIT Units for Series D Convertible Debentures and 58.3090 REIT Units for Series E Convertible Debentures. If all conversion rights attaching to the Series D Convertible Debentures and the Series E Convertible Debentures were exercised, as at December 31, 2016, Crombie would be required to issue approximately 2,985,074 REIT Units and 4,338,192 REIT Units, respectively, subject to anti-dilution adjustments.

For the first three years from the date of issue, there is no ability to redeem the Debentures, after which, each series of convertible debentures has a period, lasting two years, during which the Debentures may be redeemed, in whole or in part, on not more than 60 days' and not less than 30 days' prior notice, at a redemption price equal to the principal amount thereof plus accrued and unpaid interest, provided that the volume-weighted average trading price of the REIT Units on the TSX for the 20 consecutive trading days ending on the fifth trading day preceding the date on which notice of redemption is given exceeds 125% of the conversion price. After the end of the five year period from the date of issue, and to the maturity date, the Debentures may be redeemed, in whole or in part, at any time at the redemption price equal to the principal amount thereof plus accrued and unpaid interest. Provided that there is not a current event of default, Crombie will have the option to satisfy its obligation to pay the principal amount of the Debentures at maturity or upon redemption, in whole or in part, by issuing the number of REIT Units equal to the principal amount of the Debentures then outstanding divided by 95% of the volume-weighted average trading price of the REIT Units for a stipulated period prior to the date of redemption or maturity, as applicable. Upon change of control of Crombie, Debenture holders have the right to put the Debentures to Crombie at a price equal to 101% of the principal amount plus accrued and unpaid interest.

See Note 21(a) for fair value information.

11 INCOME TAXES

On September 22, 2007, tax legislation Bill C-52, the Budget Implementation Act, 2007 (the "Act") was passed into law. The Act related to the federal income taxation of publicly traded income trusts and partnerships. The Act subjects all existing income trusts, or specified investment flow-through entities ("SIFTs"), to corporate tax beginning in 2011, subject to an exemption for real estate investment trusts ("REITs"). A trust that satisfies the criteria of a REIT throughout its taxation year will not be subject to income tax in respect of distributions to its Unitholders or be subject to the restrictions on its growth that would apply to SIFTs.

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

The deferred tax liability of the wholly-owned corporate subsidiaries which are subject to income taxes consist of the following:

		December 31, 2016		December 31, 2015
Tax liabilities relating to difference in tax and book value	$	82,486	$	85,815
Tax asset relating to non-capital loss carry-forward		(7,086)		(11,615)
Deferred tax liability	$	75,400	$	74,200

The tax recovery (expense) consists of the following:

		Year ended December 31, 2016		Year ended December 31, 2015
Taxes – current				
Taxes – gains on disposal of investment properties	$	—	$	(2,066)
Taxes – operating income earned in corporate subsidiaries		(26)		(870)
Total current taxes	$	(26)	$	(2,936)
Taxes – deferred				
Provision for income taxes at the expected rate	$	(38,339)	$	(19,362)
Tax effect of income attribution to Crombie's Unitholders		37,139		21,496
		(1,200)		2,134
Taxes – gains on disposal of investment properties		—		2,066
Total deferred taxes	$	(1,200)	$	4,200

There are no corporate tax implications to Crombie from any of the components of accumulated other comprehensive income.

12 EMPLOYEE FUTURE BENEFITS

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

Defined contribution pension plans

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

Defined benefit plans

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

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

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

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The total defined benefit cost related to pension plans and post-employment benefit plans for the year ended December 31, 2016 was $546 (year ended December 31, 2015 – $531).

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

(i) Interest rate risk – The present value of the defined benefit liability is calculated using discount rates that reflect the average yield, as at the measurement date, on high quality corporate bonds of similar duration to the plans' liabilities. A decrease in the market yield on high quality corporate bonds will increase Crombie's defined benefit liability.

(ii) Mortality risk – The present value of the defined benefit plan is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan's liability.

(iii) Salary risk – The present value of the defined benefit plan liability is calculated by reference to the anticipated future salary of the plan participants. As such, an increase in the salary of plan participants over that anticipated will increase the plan's liability.

	Most recent valuation date	Next required valuation date
Senior Management Pension Plan	December 31, 2016	December 31, 2017
Post-Employment Benefit Plans	January 1, 2016	December 31, 2018

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

	December 31, 2016		December 31, 2015	
	Senior Management Pension Plan	**Post-Employment Benefit Plans**	Senior Management Pension Plan	Post-Employment Benefit Plans
Discount rate – accrued benefit obligation	3.75%	3.75%	4.00%	4.00%
Rate of compensation increase	3.50%	N/A	3.50%	N/A

For measurement purposes, a 5.75% (2015 – 6.50%) annual rate increase in the per capita cost of covered health care benefits was assumed. The cumulative rate is expected to decrease 0.25% annually to 5.00% in 2020.

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

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

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

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

	December 31, 2016		December 31, 2015	
	Senior Management Pension Plan	**Post-Employment Benefit Plans**	Senior Management Pension Plan	Post-Employment Benefit Plans
Accrued benefit obligation				
Balance, beginning of year	$ 4,258	$ 3,724	$ 4,160	$ 3,882
Current service cost	179	44	171	45
Interest cost	173	150	159	156
Actuarial losses (gains)	123	(13)	(32)	(320)
Benefits paid	(200)	(46)	(200)	(39)
Balance, end of year	4,533	3,859	4,258	3,724
Plan Assets				
Fair value, beginning of the year	—	—	—	—
Employer contributions	200	46	200	39
Benefits paid	(200)	(46)	(200)	(39)
Fair value, end of year	—	—	—	—
Funded status – deficit	4,533	3,859	4,258	3,724
Current portion	200	82	200	46
Non-current portion	4,333	3,777	4,058	3,678
Accrued benefit obligation recorded as a liability	$ 4,533	$ 3,859	$ 4,258	$ 3,724
Net expense				
Current service cost	$ 179	$ 44	$ 171	$ 45
Interest cost	173	150	159	156
Net expense	$ 352	$ 194	$ 330	$ 201

The table below outlines the sensitivity of the fiscal 2016 key economic assumptions used in measuring the accrued benefit plan obligations and related expenses of Crombie's pension and other benefit plans. The sensitivity of each key assumption has been calculated independently. Changes to more than one assumption simultaneously may amplify or reduce the impact on the accrued benefit obligation or benefit plan expenses. There was no change to the method and assumptions used in preparing the sensitivity analysis from prior years.

		Senior Management Pension Plan		Post-Employment Benefit Plans	
		Benefit Obligations	Benefit Cost[1]	Benefit Obligations	Benefit Cost[1]
Discount Rate		3.75%	3.75%	3.75%	3.75%
Impact of:	1% increase	$ (529)	$ (12)	$ (543)	$ 7
	1% decrease	$ 646	$ 13	$ 675	$ (12)
Growth rate of health costs[2]				5.75%	5.75%
Impact of:	1% increase			$ 548	$ 27
	1% decrease			$ (452)	$ (22)

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

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

For the year ended December 31, 2016, the net defined contribution pension plans expense was $756 (year ended December 31, 2015 – $689).

13 TRADE AND OTHER PAYABLES

	December 31, 2016			December 31, 2015		
	Current	**Non-current**	**Total**	Current	Non-current	Total
Tenant incentives and capital expenditures	$ 28,894	$ —	$ 28,894	$ 16,648	$ —	$ 16,648
Property operating costs	29,457	—	29,457	23,858	—	23,858
Prepaid rents	4,827	—	4,827	4,782	—	4,782
Finance costs on investment property debt, notes and debentures	10,385	—	10,385	10,163	—	10,163
Distributions payable	11,007	—	11,007	9,755	—	9,755
Unit based compensation plans	—	3,846	3,846	—	1,947	1,947
Deferred revenue	118	4,647	4,765	113	4,714	4,827
	$ 84,688	$ 8,493	$ 93,181	$ 65,319	$ 6,661	$ 71,980

Unit based compensation plans

(i) Deferred Unit Plan

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

(ii) Restricted Unit Plan

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (In thousands of CAD dollars)

Deferred Revenue

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

Change in fair value of financial instruments:

	Year ended December 31, 2016	Year ended December 31, 2015
Deferred Unit ("DU") Plan	$ (13)	$ (18)
Marketable securities	325	74
Total change in fair value of financial instruments	$ 312	$ 56

14 PROPERTY REVENUE

	Year ended December 31, 2016	Year ended December 31, 2015
Rental revenue contractually due from tenants	$ 382,428	$ 362,699
Contingent rental revenue	1,735	1,562
Straight-line rent recognition	12,876	11,142
Tenant incentive amortization	(11,622)	(9,712)
Lease terminations	14,584	4,175
	$ 400,001	$ 369,866

Lease terminations include $11,172 related to three leases vacated by Target Canada in 2015. The amount, if any, of additional settlement will be recognized as revenue when the amount is determinable and there is certainty of receipt.

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

	Year ended			
	December 31, 2016		December 31, 2015	
	Revenue	**Percentage**	Revenue	Percentage
Sobeys Inc.	$ 179,166	44.8%	$ 156,289	42.3%

15 OPERATING LEASES

Crombie as a Lessor

Crombie's operations include leasing commercial real estate. Future minimum rental income under non-cancellable tenant leases as at December 31, 2016, is as follows:

	Year Ending December 31,						
	2017	2018	2019	2020	2021	Thereafter	Total
Future minimum rental income	$ 274,648	$ 264,622	$ 254,235	$ 243,108	$ 231,599	$ 2,173,805	$ 3,442,017

Crombie as a Lessee

Operating lease payments primarily represent rentals payable by Crombie for all of its land leases. These land leases have varying terms ranging from eight to 73 years including renewal options:

	Year Ending December 31,						
	2017	2018	2019	2020	2021	Thereafter	Total
Future minimum lease payments	$ 1,508	$ 1,548	$ 1,562	$ 1,576	$ 1,595	$ 136,811	$ 144,600

16 CORPORATE EXPENSES

(a) General and administrative expenses

	Year ended December 31, 2016	Year ended December 31, 2015
Salaries and benefits	$ 10,120	$ 8,202
Professional and public company costs	3,145	3,081
Occupancy and other	3,076	3,118
	$ 16,341	$ 14,401

(b) Employee benefit expense

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

	Year ended December 31, 2016	Year ended December 31, 2015
Wages and salaries	$ 24,003	$ 22,906
Post-employment benefits	756	689
	$ 24,759	$ 23,595

17 FINANCE COSTS – OPERATIONS

	Year ended December 31, 2016	Year ended December 31, 2015
Fixed rate mortgages	$ 72,289	$ 71,871
Floating rate term, revolving and demand facilities	4,816	3,685
Senior unsecured notes	14,915	14,506
Convertible debentures	7,523	8,549
Subscription receipts payment	613	—
Finance costs – operations	100,156	98,611
Amortization of fair value debt adjustment and accretion income	1,349	1,391
Change in accrued finance costs	(222)	(1,272)
Amortization of effective swap agreements	(2,440)	(2,520)
Amortization of issue premium on senior unsecured notes	54	54
Amortization of deferred financing charges	(3,310)	(3,616)
Finance costs – operations, paid	$ 95,587	$ 92,648

18 UNITS OUTSTANDING

	Crombie REIT Units		Class B LP Units and attached Special Voting Units		Total	
	Number of Units	Amount	Number of Units	Amount	Number of Units	Amount
Balance, January 1, 2016	77,857,608	$ 877,581	53,658,302	$ 596,304	131,515,910	$ 1,473,885
Net change in EUPP loans receivable	—	67	—	—	—	67
Units issued under DRIP	927,701	12,666	657,901	8,995	1,585,602	21,661
Units issued (proceeds are net of issue costs)	8,952,400	125,971	6,353,741	93,140	15,306,141	219,111
Balance, December 31, 2016	87,737,709	$ 1,016,285	60,669,944	$ 698,439	148,407,653	$ 1,714,724

	Crombie REIT Units		Class B LP Units and attached Special Voting Units		Total	
	Number of Units	Amount	Number of Units	Amount	Number of Units	Amount
Balance, January 1, 2015	77,304,079	$ 870,578	53,275,266	$ 591,523	130,579,345	$ 1,462,101
Net change in EUPP loans receivable	—	75	—	—	—	75
Units issued under DRIP	540,131	6,723	383,036	4,781	923,167	11,504
Conversion of debentures	13,398	205	—	—	13,398	205
Balance, December 31, 2015	77,857,608	$ 877,581	53,658,302	$ 596,304	131,515,910	$ 1,473,885

NOTES

Crombie REIT Units

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

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

(i) the total amount payable by Crombie in respect of such REIT Units and all other REIT Units tendered for redemption, in the same calendar month must not exceed $50 (provided that such limitation may be waived at the discretion of the Trustees);

(ii) at the time such REIT Units are tendered for redemption, the outstanding REIT Units must be listed for trading on the TSX or traded or quoted on any other stock exchange or market which the Trustees consider, in their sole discretion, provides representative fair market value prices for the REIT Units; and,

(iii) the normal trading of REIT Units is not suspended or halted on any stock exchange on which the REIT Units are listed (or if not listed on a stock exchange, in any market where the REIT Units are quoted for trading) on the Redemption Date or for more than five trading days during the 10 day trading period commencing immediately after the Redemption Date.

On May 31, 2016, Crombie closed a public offering, on a bought deal basis, of 8,952,400 Subscription Receipts, at a price of $14.70 per Subscription Receipt, for gross proceeds of $131,600. On June 29, 2016, in conjunction with the closing of property acquisitions from Empire, each of the 8,952,400 outstanding Subscription Receipts were automatically exchanged for one Crombie REIT Unit.

During the year ended December 31, 2015, $205 of Series C Convertible Debentures were converted for a total of 13,398 REIT Units at the conversion price of $15.30 per unit.

Crombie REIT Special Voting Units ("SVU") and Class B LP Units

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

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

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

On June 29, 2016, concurrently with the REIT Units issued on exchange for Subscription Receipts, subsidiaries of Empire received 6,353,741 Class B LP Units and the attached SVUs at a price of $14.70 per Class B LP Unit for gross proceeds of $93,400 which formed part of the consideration for property acquisitions completed on that same date.

Employee Unit Purchase Plan ("EUPP")

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

As at December 31, 2016, there are loans receivable from executives of $1,789 under Crombie's EUPP, representing 140,855 REIT Units, which are classified as a reduction to net assets attributable to Unitholders. The loans are being repaid through the application of the after-tax amounts of all distributions received on the REIT Units, as payments on interest and principal. The loans are required to be repaid by December 31, 2023. Loan repayments will result in a corresponding increase to net assets attributable to Unitholders. Market value of the REIT Units held as collateral at December 31, 2016 was $1,913.

The compensation expense related to the EUPP for the year ended December 31, 2016 was $42 (year ended December 31, 2015 – $42).

Distribution Reinvestment Plan

During the fourth quarter of 2014, Crombie instituted a DRIP whereby Canadian resident REIT unitholders may elect to automatically have their distributions reinvested in additional REIT units. Units issued under the DRIP will be issued directly from the treasury of Crombie REIT at a price equal to 97% of the volume-weighted average trading price of the REIT units on the TSX for the five trading days immediately preceding the relevant distribution payment date, which is typically on or about the 15th day of the month following the declaration. Crombie recognizes the net proceeds in Net assets attributable to Unitholders.

19 SUPPLEMENTARY CASH FLOW INFORMATION

a) Items not affecting operating cash

	Year ended December 31, 2016	Year ended December 31, 2015
Items not affecting operating cash:		
Straight-line rent recognition	$ (12,876)	$ (11,142)
Amortization of tenant incentives	11,622	9,712
Loss (gain) on disposal of investment properties	(37,490)	(23)
Impairment of investment properties	6,000	12,575
Depreciation of investment properties	66,552	60,498
Amortization of intangible assets	6,170	5,480
Amortization of deferred leasing costs	610	598
Unit based compensation	42	51
Amortization of effective swap agreements	2,440	2,520
Amortization of deferred financing charges	3,310	3,616
Amortization of issue premium on senior unsecured notes	(54)	(54)
Non-cash distributions to Unitholders in the form of DRIP Units	21,661	11,504
Taxes – deferred	1,200	(4,200)
Income tax expense	26	2,936
Change in fair value of financial instruments	(312)	(56)
	$ 68,901	$ 94,015

b) Change in other non-cash operating items

	Year ended December 31, 2016	Year ended December 31, 2015
Cash provided by (used in):		
Trade receivables	$ (934)	$ (1,989)
Prepaid expenses and deposits and other assets	(10,156)	3,130
Payables and other liabilities	9,404	340
	$ (1,686)	$ 1,481

20 RELATED PARTY TRANSACTIONS

As at December 31, 2016, Empire, through its wholly-owned subsidiary ECLD, holds a 41.5% (fully diluted 40.3%) indirect interest in Crombie. Related party transactions primarily include transactions with entities associated with Crombie through Empire's indirect interest. Related party transactions also include transactions with key management personnel and post-employment benefit plans.

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

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

	Note	Year ended December 31, 2016	Year ended December 31, 2015
Property revenue			
Property revenue	(a)	$ 183,411	$ 160,470
Head lease income	(b)	$ 453	$ 736
Lease termination income		$ 64	$ 3,999
Property operating expenses	(c)	$ (64)	$ 242
General and administrative expenses			
Property management services recovered	(d)	$ 949	$ 869
Other general and administrative expenses	(e)	$ (281)	$ (385)
Finance costs – operations			
Interest on convertible debentures	(f)	$ (1,203)	$ (1,200)
Interest rate subsidy	(b)	$ 269	$ 482
Interest income		$ 651	$ 711
Finance costs – distributions to Unitholders		$ (52,171)	$ (48,369)

NOTES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (In thousands of CAD dollars)

(a) Crombie earned total property revenue from Sobeys Inc. and other subsidiaries of Empire.

(b) For various periods, ECLD has an obligation to provide rental income and interest rate subsidies pursuant to an Omnibus Subsidy Agreement dated March 23, 2006, between Crombie Developments Limited, Crombie Limited Partnership and ECLD.

(c) Certain executive management individuals and other employees of Crombie provide general management, financial, leasing, administrative, and other administration support services to certain subsidiaries of Empire on a cost sharing basis pursuant to a Management Agreement effective January 1, 2016.

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

(e) Crombie previously leased its head office space from ECLD under a lease that ended in May 2015.

(f) Empire holds $24,000 of Series D Convertible Debentures with an annual interest rate of 5.00%.

In addition to the above:

- On July 29, 2016, Crombie acquired a retail property in British Columbia from Empire including approximately 62,000 square feet of gross leaseable area for $26,400 before closing and transaction costs.
- On July 15, 2016, Crombie disposed of a retail property in British Columbia to Empire including approximately 21,000 square feet of gross leaseable area for $9,057 before closing and transaction costs.
- On June 29, 2016, Crombie completed the acquisition of a portfolio of properties and the investment in the renovation and expansion of 10 existing Sobeys anchored properties. The transaction total was approximately $418 million before closing and transaction costs. As partial consideration, Crombie issued to Empire 6,353,741 Class B LP Units and the attached SVUs at a price of $14.70 per Class B LP Unit for gross consideration of $93,400.
- During the year ended December 31, 2016, Crombie issued 657,901 (December 31, 2015 – 383,036) Class B LP Units to ECLD under the DRIP (Note 18).
- During the fourth quarter of 2015, Crombie acquired four retail properties and additions to two existing retail properties from Empire for $60,825, before closing and transactions costs. The properties, located in Alberta, British Columbia, Prince Edward Island, Manitoba and Quebec, contain approximately 225,300 square feet of fully occupied space.
- On April 1, 2015, Crombie acquired additional development space from Empire on a pre-existing retail property for $2,333, before closing and transaction costs. The property, located in Nova Scotia, contains approximately 7,500 square feet of fully occupied space.
- During the second quarter of 2015, Sobeys closed two retail stores on Crombie properties for which Crombie recognized lease termination income in the amount of $3,849, a portion of which is non-cash consideration. In relation to one of the store closures, Sobeys has assigned to Crombie future development activity rights in their leases on specific other Crombie properties in exchange for a fee on future developments which will reduce the actual cash Crombie will receive from the lease termination income.
- During the year ended December 31, 2015, Crombie and ECLD negotiated an extension of a rental income guarantee and put option on a property Crombie acquired from ECLD in 2006. The extension ends in 2021 with either party having the ability to terminate the agreements with written notice. The fixed price put option is in excess of the carrying value of the property.
- During the first quarter of 2015, Crombie acquired development lands in British Columbia with Sobeys Developments Limited Partnership ("SDLP"). Crombie's 50% portion of the acquisition cost was $2,676, including closing and transaction costs.

Key management personnel compensation

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

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

	Year ended December 31, 2016	Year ended December 31, 2015
Salary, bonus and other short-term employee benefits	$ 3,153	$ 2,860
Other long-term benefits	112	102
	$ 3,265	$ 2,962

NOTES

21 FINANCIAL INSTRUMENTS

a) Fair value of financial instruments

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

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

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

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

Level 3 – unobservable inputs for the asset or liability.

The following table provides information on financial assets and liabilities measured at fair value as at December 31, 2016:

	Level 1	Level 2	Level 3	Total
Financial assets				
Marketable securities	$ —	$ —	$ 2,290	$ 2,290
Total financial assets measured at fair value	$ —	$ —	$ 2,290	$ 2,290

There were no transfers between Level 1 and Level 2 during the year ended December 31, 2016.

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

	December 31, 2016		December 31, 2015	
	Fair Value	**Carrying Value**	Fair Value	Carrying Value
Financial assets				
Long-term receivables	$ 19,999	$ 19,969	$ 13,968	$ 13,933
Total other financial assets	$ 19,999	$ 19,969	$ 13,968	$ 13,933
Financial liabilities				
Investment property debt	$ 1,959,091	$ 1,876,191	$ 1,782,776	$ 1,651,079
Senior unsecured notes	402,361	400,000	405,348	400,000
Convertible debentures	139,147	134,400	138,360	134,400
Total other financial liabilities	$ 2,500,599	$ 2,410,591	$ 2,326,484	$ 2,185,479

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

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

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

b) Risk Management

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

Credit risk

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

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

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

- Upon completion of the June 29, 2016 property transactions, Crombie's largest tenant, Sobeys, represents 52.9% of annual minimum rent; an increase from 49.9% at December 31, 2015. Excluding Sobeys, no other tenant accounts for more than 5.1% of Crombie's minimum rent.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (In thousands of CAD dollars)

- Total property revenue includes operating and realty tax cost recovery income and percentage rent. These amounts can vary by property type, specific tenant leases and where tenants may directly incur and pay operating and realty tax costs. For the year ended December 31, 2016, Sobeys represents 44.8% of total property revenue. Excluding Sobeys, no other tenant accounts for more than 4.4% of Crombie's total property revenue.
- Over the next five years, no more than 4.8% of the gross leasable area of Crombie will expire in any one year.

Receivables are substantially comprised of current balances due from tenants. The balance of accounts receivable past due is not significant. Generally, rents are due the first of each month and other tenant billings are due 30 days after invoiced, and in general, balances over 30 days are considered past due. None of the receivable balances are considered impaired. The provision for doubtful accounts is reviewed at each balance sheet date. A provision is taken on accounts receivable from independent accounts and is recorded as a reduction to its respective receivable account on the balance sheet. Crombie updates its estimate of provision for doubtful accounts based on past due balances on accounts receivable. Current and long-term accounts receivable are reviewed on a regular basis and are provided for when collection is considered uncertain.

	Year ended December 31, 2016	Year ended December 31, 2015
Provision for doubtful accounts, beginning of year	$ 60	$ 59
Additional provision	195	20
Recoveries	(120)	(38)
Write-offs	(8)	19
Provision for doubtful accounts, end of year	$ 127	$ 60

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

Interest rate risk

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

As at December 31, 2016:

- Crombie's weighted average term to maturity of its fixed rate mortgages was 5.90 years;
- Crombie has a floating rate revolving credit facility available to a maximum of $400,000, subject to available borrowing base, with a balance of $120,374 at December 31, 2016;
- Crombie has an unsecured bilateral credit facility available to a maximum of $100,000 with a balance of $100,000 at December 31, 2016; and,
- Crombie has interest rate swap agreements in place on $123,731 of floating rate mortgage debt.

Crombie estimates that $2,348 of accumulated other comprehensive income (loss) will be reclassified to finance costs during the year ending December 31, 2017, based on all settled swap agreements as of December 31, 2016.

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

	Impact of a 0.5% interest rate change	
Impact on operating income attributable to Unitholders of interest rate changes on the floating rate revolving credit facility	**Decrease in rate**	**Increase in rate**
Year ended December 31, 2016	$ 1,130	$ (1,130)
Year ended December 31, 2015	$ 635	$ (635)

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

NOTES

Liquidity risk

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

Cash flow generated from operating the property portfolio represents the primary source of liquidity used to service the interest on debt, fund general and administrative expenses, reinvest in the portfolio through capital expenditures, as well as fund tenant incentive costs and make distributions to Unitholders. Debt repayment requirements are primarily funded from refinancing Crombie's maturing debt obligations. Property acquisition funding requirements are funded through a combination of accessing the debt and equity capital markets and recycling capital from property dispositions.

There is a risk that the debt capital markets may not refinance maturing fixed rate and floating rate debt on terms and conditions acceptable to Crombie or at any terms at all. Crombie seeks to mitigate this risk by staggering its debt maturity dates. There is also a risk that the equity capital markets may not be receptive to a REIT unit offering issue from Crombie with financial terms acceptable to Crombie. As discussed in Note 21, Crombie mitigates its exposure to liquidity risk utilizing a conservative approach to capital management.

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

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

		Year ending December 31,					
	Contractual Cash Flows[1]	2017	2018	2019	2020	2021	Thereafter
Fixed rate mortgages[2]	$ 2,022,289	$ 170,090	$ 178,077	$ 235,086	$ 313,864	$ 170,736	$ 954,436
Senior unsecured notes	441,079	14,407	188,244	7,431	129,346	101,651	—
Convertible debentures	159,251	6,906	6,906	66,156	3,906	75,377	—
	2,622,619	191,403	373,227	308,673	447,116	347,764	954,436
Floating rate debt	231,647	5,697	104,047	121,903	—	—	—
Total	$ 2,854,266	$ 197,100	$ 477,274	$ 430,576	$ 447,116	$ 347,764	$ 954,436

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

(2) Reduced by the interest rate subsidy payments to be received from ECLD.

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

22 CAPITAL MANAGEMENT

Crombie's objective when managing capital on a long-term basis is to maintain overall indebtedness, including convertible debentures, at reasonable levels, utilize staggered debt maturities, minimize long-term exposure to excessive levels of floating rate debt and maintain conservative payout ratios.

Crombie's capital structure consists of the following:

	December 31, 2016	December 31, 2015
Investment property debt	$ 1,865,477	$ 1,641,203
Senior unsecured notes	398,588	398,080
Convertible debentures	132,134	131,518
Crombie REIT Unitholders	834,203	694,484
SVU and Class B LP Unitholders	555,943	452,746
	$ 3,786,345	$ 3,318,031

At a minimum, Crombie's capital structure is managed to ensure that it complies with the limitations pursuant to Crombie's Declaration of Trust, the criteria contained in the Income Tax Act (Canada) in regard to the definition of a REIT and existing debt covenants. Some of the restrictions pursuant to Crombie's Declaration of Trust would include, among other items:

- A restriction that Crombie shall not incur indebtedness (other than by the assumption of existing indebtedness) where the indebtedness would exceed 75% of the market value of an individual property; and,
- A restriction that Crombie shall not incur indebtedness of more than 60% of gross book value (65% including any convertible debentures).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (In thousands of CAD dollars)

For debt to gross book value calculation, Crombie does not include in total debt the financial liabilities to REIT Unitholders and to holders of Class B LP Units, as shown on the balance sheet as Net assets attributable to Unitholders. Crombie's debt to gross book value as defined in Crombie's Declaration of Trust is as follows:

	December 31, 2016	December 31, 2015
Fixed rate mortgages	$ 1,655,817	$ 1,521,079
Senior unsecured notes	400,000	400,000
Convertible debentures	134,400	134,400
Revolving credit facility	120,374	130,000
Bilateral credit facility	100,000	—
Total debt outstanding	2,410,591	2,185,479
Less: Applicable fair value debt adjustment	(1,452)	(1,721)
Debt	$ 2,409,139	$ 2,183,758
Investment properties, cost	$ 4,165,983	$ 3,581,618
Below-market lease component, cost[(1)]	85,946	72,634
Long-term receivables	19,969	13,933
Other assets, cost (see below)	280,954	180,324
Cash and cash equivalents	—	1,057
Deferred financing charges	14,631	14,972
Investment in joint ventures	815	—
Investment properties held for sale, cost	—	144,323
Interest rate subsidy	(1,452)	(1,721)
Fair value adjustment to deferred taxes	(34,120)	(34,645)
Gross book value	$ 4,532,726	$ 3,972,495
Debt to gross book value	53.1%	55.0%

(1) Below-market lease component is included in the carrying value of investment properties and assets held for sale.

Other assets are calculated as follows:

	December 31, 2016	December 31, 2015
Other assets per Note 5	$ 225,814	$ 134,869
Add:		
Tenant incentive accumulated amortization	55,140	45,455
Other assets, cost	$ 280,954	$ 180,324

Under the amended terms governing the revolving credit facility, Crombie is entitled to borrow a maximum of 70% of the fair market value of assets subject to a first security position and 60% of the excess fair market value over first mortgage financing of assets subject to a second security position or a negative pledge. The terms of the revolving credit facility also require that Crombie must maintain certain covenants:

- annualized net operating income for the prescribed properties must be a minimum of 1.4 times the coverage of the related annualized debt service requirements;
- annualized net operating income on all properties must be a minimum of 1.4 times the coverage of all annualized debt service requirements;
- access to the revolving credit facility is limited by the amount utilized under the facility and the amount of any outstanding letters of credit not to exceed the borrowing base security provided by Crombie; and,
- distributions to Unitholders are limited to 100% of distributable income as defined in the revolving credit facility.

As at December 31, 2016, Crombie is in compliance with all externally imposed capital requirements and all covenants relating to its debt facilities.

23 COMMITMENTS AND CONTINGENCIES

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

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

Crombie obtains letters of credit to support its obligations with respect to construction work on its investment properties and satisfying mortgage financing requirements. As at December 31, 2016, Crombie has a total of $5,027 in outstanding letters of credit related to:

	December 31,	
	2016	2015
Construction work being performed on investment properties	$ 2,027	$ 1,425
Mortgage lenders primarily to satisfy mortgage financings on redevelopment properties	3,000	—
Total outstanding letters of credit	$ 5,027	$ 1,425

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

Land leases have varying terms ranging from eight to 73 years including renewal options. For the year ended December 31, 2016, Crombie paid $1,431 in land lease payments to third party landlords (year ended December 31, 2015 – $1,418). Crombie's commitments under the land leases are disclosed in Note 15.

As at December 31, 2016, Crombie had signed construction contracts totalling $53,310 of which $37,292 has been paid.

24 SUBSEQUENT EVENTS

(a) On January 20, 2017, Crombie declared distributions of 7.417 cents per Unit for the period from January 1, 2017 to and including, January 31, 2017. The distributions were paid on February 15, 2017, to Unitholders of record as of January 31, 2017.

(b) On February 16, 2017, Crombie declared distributions of 7.417 cents per Unit for the period from February 1, 2017 to and including, February 28, 2017. The distributions will be paid on March 15, 2017, to Unitholders of record as of February 28, 2017.

25 SEGMENT DISCLOSURE

Crombie owns and operates primarily retail and office real estate assets located in Canada. Management, in measuring Crombie's performance or making operating decisions, does not distinguish or group its operations on a geographical or other basis. Accordingly, Crombie has a single reportable segment for disclosure purposes.

26 INDEMNITIES

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

Property	City	Description	GLA (approx. sq. ft.)	% Occupancy
NEWFOUNDLAND & LABRADOR				
2A Commerce St.	Deer Lake	Retail – Plazas	18,000	100.0
10 Elizabeth Ave	St John's	Retail – Freestanding	80,000	100.0
21 Cromer Ave	Grand Falls	Retail – Freestanding	27,000	100.0
45 Ropewalk Lane	St John's	Retail – Freestanding	50,000	100.0
69 Blockhouse Rd	Placentia	Retail – Freestanding	20,000	100.0
71 Grand View Blvd	Grand Bank	Retail – Freestanding	19,000	100.0
Avalon Mall	St John's	Retail – Enclosed	572,000	98.5
Conception Bay Plaza	Conception Bay	Retail – Plazas	65,000	100.0
Hamlyn Road Plaza	St John's	Retail – Plazas	38,000	65.2
Kenmount Woodgate	St John's	Mixed Use	66,000	100.0
Random Square	Clarenville	Retail – Enclosed	108,000	99.9
Topsail Rd Plaza	St John's	Retail – Plazas	158,000	99.3
Torbay Rd Plaza	St John's	Retail – Plazas	162,000	86.3
			1,383,000	96.8
PRINCE EDWARD ISLAND				
Kinlock Plaza	Stratford	Retail – Plazas	54,000	100.0
University Avenue	Charlottetown	Retail – Freestanding	50,000	100.0
			104,000	100.0
NOVA SCOTIA				
2 Forest Hills Parkway	Dartmouth	Retail – Freestanding	44,000	100.0
293 Foord Street	Stellarton	Retail – Freestanding	24,000	100.0
39 Pitt St.	Sydney Mines	Retail – Freestanding	18,000	100.0
75 Emerald St	New Waterford	Retail – Freestanding	26,000	100.0
133 Church St.	Antigonish	Retail – Freestanding	51,000	100.0
Russell Lake	Dartmouth	Retail – Plazas	62,000	100.0
279 Herring Cove Road	Spryfield	Retail – Freestanding	73,000	100.0
634 Reeves Street	Port Hawkesbury	Retail – Freestanding	34,000	100.0
22579 Hwy #7	Sheet Harbour	Retail – Freestanding	9,000	100.0
Aberdeen Business Centre	New Glasgow	Mixed Use	390,000	89.4
Amherst Centre	Amherst	Retail – Enclosed	228,000	45.0
Amherst Plaza	Amherst	Retail – Plazas	25,000	100.0
Blink Bonnie Plaza	Pictou	Retail – Plazas	45,000	93.7
County Fair Mall	New Minas	Retail – Enclosed	268,000	50.2
Dartmouth Crossing – Cineplex	Dartmouth	Retail – Freestanding	45,000	100.0
Downsview Mall	Lower Sackville	Retail – Plazas	71,000	100.0
Downsview Plaza	Lower Sackville	Retail – Plazas	226,000	96.3
Elmsdale Plaza	Elmsdale	Retail – Plazas	147,000	97.9
Fall River Plaza	Fall River	Retail – Plazas	98,000	97.8
Fundy Trail Centre	Truro	Retail – Enclosed	125,000	97.5
Hemlock Square	Bedford	Retail – Plazas	159,000	99.3
Highland Square	New Glasgow	Retail – Enclosed	201,000	100.0
Park West Plaza	Halifax	Retail – Plazas	143,000	96.5
Mill Cove Plaza	Bedford	Retail – Plazas	144,000	95.2
North & Windsor Streets	Halifax	Retail – Freestanding	50,000	100.0
North Shore Centre	Tatamagouche	Retail – Plazas	17,000	100.0
Panavista Dr	Dartmouth	Retail – Freestanding	48,000	100.0
Park Lane	Halifax	Mixed Use	273,000	86.9
Penhorn Plaza	Dartmouth	Retail – Plazas	104,000	100.0
Penhorn Plaza	Dartmouth	Retail – Freestanding	77,000	100.0
Prince Street Plaza	Sydney	Retail – Plazas	71,000	98.7
Queen St Plaza	Halifax	Retail – Freestanding	54,000	87.8
Sydney Shopping Centre	Sydney	Retail – Plazas	186,000	75.9
Tantallon Plaza	Tantallon	Retail – Plazas	157,000	96.2
West Side Plaza	New Glasgow	Retail – Plazas	71,000	92.4
Scotia Square Properties				
Barrington Place	Halifax	Mixed Use	191,000	100.0
Barrington Tower	Halifax	Office	186,000	98.7
Brunswick Place	Halifax	Mixed Use	256,000	100.0
CIBC Building	Halifax	Office	208,000	84.8
Cogswell Tower	Halifax	Office	204,000	98.0
Duke Tower	Halifax	Office	251,000	89.5
Scotia Square Mall	Halifax	Mixed Use	260,000	79.7
Scotia Square Parkade	Halifax	Mixed Use		
			5,320,000	91.4
NEW BRUNSWICK				
273 Pleasant St	Newcastle	Retail – Freestanding	20,000	100.0
501 Regis St.	Dieppe	Retail – Freestanding	25,000	100.0
850 St. Peters Avenue	Bathurst	Retail – Freestanding	18,000	100.0
1234 Main Street	Moncton	Office	151,000	69.9
Brookside Mall	Fredericton	Retail – Freestanding	43,000	100.0
Catherwood St	Saint John	Retail – Freestanding	46,000	100.0
Champlain Place Sobeys	Dieppe	Retail – Freestanding	52,000	100.0
Charlotte Mall	St Stephen	Retail – Plazas	119,000	92.9
Edmundston	Edmundston	Retail – Freestanding	42,000	100.0
Elmwood Drive	Moncton	Retail – Plazas	74,000	100.0
Fairvale Plaza	Rothesay	Retail – Freestanding	52,000	100.0
Loch Lomond Place	Saint John	Mixed Use	192,000	67.1
Mountain Road	Moncton	Retail – Plazas	17,000	100.0
Northwest Centre, Mountain Road	Moncton	Retail – Freestanding	52,000	100.0
Prospect St Plaza	Fredericton	Retail – Plazas	22,000	100.0
Riverview – Findlay Blvd	Riverview	Retail – Plazas	66,000	98.3
Riverview Place	Riverview	Mixed Use	150,000	50.1
Tracadie	Tracadie	Retail – Plazas	40,000	83.8
Uptown Centre	Fredericton	Retail – Plazas	320,000	62.5
Vaughan Harvey Plaza	Moncton	Retail – Plazas	85,000	100.0
			1,586,000	79.8
QUÉBEC				
50 Rue Bourgeoys	Bromptonville	Retail – Plazas	27,000	84.6
88-90 Boul. D'Anjou	Chateauguay	Retail – Freestanding	58,000	100.0
254 del'Hotel de Ville	Riviere du Loup	Retail – Plazas	72,000	100.0
1450 rue Royale	Malartic	Retail – Plaza	29,000	100.0
551 du Phare Est	Matane	Retail – Freestanding	30,000	100.0
645 rue Thibeau	Cap de la Madeleine	Retail – Freestanding	49,000	100.0
680 avenue Chaussee	Rouyn-Noranda	Retail – Freestanding	43,000	100.0
714 boul St-Laurent	Louiseville	Retail – Freestanding	23,000	100.0
871 rue Principale	Saint-Donat	Retail – Freestanding	34,000	100.0
1101 Blvd Piniere Ou	Terrebonne	Retail – Freestanding	235,000	100.0
1205 rue de Neuville	Gatineau	Retail – Plazas	31,000	100.0
1295 Chemin Ridge	Huntingdon	Retail – Freestanding	19,000	100.0
1500 Rue Bretagne	Baie Comeau	Retail – Freestanding	50,000	100.0
2959 rue King Ouest	Sherbrooke	Retail – Freestanding	13,000	100.0
3260 Blvd, Lapiniere	Brossard	Retail – Plazas	48,000	94.1
3950 Rue King Ouest	Sherbrooke	Retail – Freestanding	52,000	100.0
5651 rue de Verdun	Montreal	Retail – Freestanding	6,000	100.0
8980 Boul Lacroix	St Georges de Beauce	Retail – Freestanding	44,000	100.0
Beauport Plaza	Beauport	Retail – Plazas	68,000	96.5
Ile Perrot	Ile Perrot	Retail – Freestanding	24,000	100.0
Lebourgneuf	Charlesbourg	Retail – Freestanding	59,000	100.0
Les Saules, DeLormiere	Quebec	Retail – Plazas	69,000	100.0
McMasterville, Laurier Blvd	McMasterville	Retail – Plazas	54,000	98.7
Mercier blvd	Mercier	Retail – Plazas	58,000	100.0
Paspebiac Plaza	Paspebiac	Retail – Plazas	73,000	92.9
Saint Apollinaire Plaza	Saint Apollinaire	Retail – Plazas	62,000	100.0
Shawinigan	Shawinigan	Retail – Plazas	67,000	100.0
Marche St-Augustin	Mirabel	Retail – Plazas	38,000	100.0
Marche St-Charles-de-Drummond	Drummondville	Retail – Plazas	48,000	100.0
St Lambert	St Lambert	Retail – Freestanding	19,000	100.0
Saint Romuald Plaza	Saint Romuald	Retail – Plazas	70,000	100.0
Vanier	Vanier	Retail – Freestanding	17,000	100.0
1 Westminster Ave N	Montreal	Retail – Freestanding	21,000	100.0
			1,610,000	99.1
ONTARIO				
34 Livingstone Ave	Grimsby	Retail – Freestanding	36,000	100.0
142 Dundas Street	Cambridge	Retail – Freestanding	4,000	100.0
215 Park Ave W.	Chatham	Retail – Freestanding	48,000	100.0
385 Springbank	Woodstock	Retail – Plazas	55,000	94.6
400 First Ave South	Kenora	Retail – Freestanding	36,000	100.0
409 Bayfield Street	Barrie	Retail – Freestanding	48,000	100.0
417 Scott Street	Fort Frances	Retail – Freestanding	43,000	100.0
680 Longworth	Bowmanville	Retail – Plazas	42,000	100.0
807 King Street East	Cambridge	Retail – Freestanding	9,000	100.0
977 Golf Links Road	Ancaster	Retail – Freestanding	65,000	100.0
3130 Danforth Avenue	Scarborough	Retail – Freestanding	6,000	100.0
3362-3370 Yonge Street	Toronto	Retail – Freestanding	28,000	100.0
5931 Kalar Rd	Niagara Falls	Retail – Freestanding	36,000	100.0
8265 Huntington	Woodbridge	Retail – Freestanding	397,000	100.0
Algonquin Avenue Mall	North Bay	Retail – Plazas	211,000	44.8
Bradford	Bradford	Retail – Freestanding	35,000	100.0
Brampton Mall	Brampton	Retail – Plazas	103,000	89.8
Brampton Plaza	Brampton	Retail – Plazas	76,000	100.0
Bronte Village	Oakville	Retail – Plazas	54,000	100.0
Burlington Plaza	Burlington	Retail – Plazas	56,000	100.0
Dorchester Road Centre	Dorchester	Retail – Freestanding	18,000	100.0
Village Square Centre	Dorchester	Retail – Plazas	32,000	100.0
Eglinton Centre	Toronto	Retail – Freestanding	17,000	100.0
Glendale Ave Mountain Locks Plaza	St Catharines	Retail – Plazas	85,000	98.2
Grimsby Centre	Grimsby	Retail – Freestanding	29,000	100.0
Grimsby Mews	Grimsby	Retail – Plazas	34,000	100.0
Havelock Centre	Havelock	Retail – Freestanding	15,000	100.0
Lansdowne Centre Rockhaven	Peterborough	Retail – Plazas	48,000	49.4
Lansdowne Plaza	Peterborough	Retail – Plazas	67,000	100.0
Lindsay Street Centre	Fenelon Falls	Retail – Freestanding	35,000	100.0
London Pine Valley	South London	Retail – Plazas	39,000	100.0
Markham Plaza	Toronto	Retail – Plazas	39,000	89.3
Milltowne Plaza	Burlington	Retail – Plazas	11,000	100.0

Property	City	Description	GLA (approx. sq. ft.)	% Occupancy
Milligan Corners	Napanee	Retail – Plazas	25,000	100.0
Niagara Falls Centre	Niagara Falls	Retail – Freestanding	17,000	100.0
Niagara Plaza	Niagara Falls	Retail – Plazas	64,000	100.0
Orleans – 5150 Innes Rd	Orleans	Retail – Plazas	63,000	100.0
Parry Sound	Parry Sound	Retail – Plazas	46,000	100.0
Perth Mews	Perth	Retail – Plazas	103,000	79.0
Queensway Plaza	Toronto	Retail – Plazas	67,000	100.0
Riddell Rd	Orangeville	Retail – Freestanding	46,000	100.0
Sinclair Place	Georgetown	Retail – Plazas	28,000	100.0
Southdale	London	Retail – Plazas	20,000	100.0
Stittsville Corner	Stittsville	Retail – Plazas	80,000	97.4
Stoney Creek Plaza	Stoney Creek	Retail – Plazas	12,000	100.0
Taunton & Wilson Plaza	Oshawa	Retail – Plazas	107,000	100.0
Upper James Square	Hamilton	Retail – Plazas	114,000	100.0
Village Square Mall	Nepean	Retail – Plazas	92,000	99.1
Weston Rd Shoppers	Toronto	Retail – Freestanding	16,000	100.0
White Horse Plaza	Simcoe	Retail – Plazas	93,000	86.7
			2,850,000	**94.0**

MANITOBA

Property	City	Description	GLA (approx. sq. ft.)	% Occupancy
498 Mountain Avenue Safeway	Neepawa	Retail – Freestanding	18,000	100.0
594 Mountain Avenue Safeway	Winnipeg	Retail – Freestanding	18,000	100.0
1305-1321 Pembina Highway Safeway	Winnipeg	Retail – Plazas	39,000	100.0
2155 Pembina Highway	Winnipeg	Retail – Freestanding	46,000	100.0
Bird's Hill Road Plaza	Birds Hill	Retail – Freestanding	39,000	100.0
Jefferson Avenue	Winnipeg	Retail – Freestanding	55,000	100.0
Kildare Avenue East	Winnipeg	Retail – Freestanding	43,000	100.0
Kildonan Green	Winnipeg	Retail – Plazas	74,000	100.0
Marion Street	Winnipeg	Retail – Freestanding	38,000	100.0
Manitoba Avenue	Selkirk	Retail – Freestanding	42,000	100.0
Osborne Street Safeway	Winnipeg	Retail – Freestanding	20,000	100.0
Portage La Praire Shoppers	Portage la Prairie	Retail – Freestanding	20,000	100.0
Portage Avenue Safeway	Winnipeg	Retail – Freestanding	55,000	100.0
River Avenue Safeway	Winnipeg	Retail – Plazas	59,000	100.0
River East Plaza	Winnipeg	Retail – Plazas	78,000	100.0
			644,000	**100.0**

SASKATCHEWAN

Property	City	Description	GLA (approx. sq. ft.)	% Occupancy
1 Avenue NW Safeway	Moose Jaw	Retail – Freestanding	39,000	100.0
2 Avenue West Safeway	Prince Albert	Retail – Freestanding	56,000	100.0
13th Avenue	Regina	Retail – Plazas	41,000	100.0
McOrmond Drive Safeway	Saskatoon	Retail – Freestanding	50,000	100.0
Albert Street South	Regina	Retail – Plazas	41,000	100.0
River City Center	Saskatoon	Retail – Plazas	160,000	69.0
Territorial Drive Plaza	North Battleford	Retail – Plazas	30,000	100.0
University Park	Regina	Retail – Freestanding	37,000	100.0
			454,000	**89.0**

ALBERTA

Property	City	Description	GLA (approx. sq. ft.)	% Occupancy
606 4th Avenue South	Lethbridge	Retail – Freestanding	20,000	100.0
4th Street NW Safeway	Calgary	Retail – Plazas	48,000	100.0
304 5 Avenue West	Cochrane	Retail – Freestanding	54,000	100.0
10 Street NW Safeway	Calgary	Retail – Freestanding	38,000	100.0
11th Avenue SW Safeway	Calgary	Retail – Freestanding	40,000	100.0
16th Avenue NW Safeway	Calgary	Retail – Freestanding	42,000	100.0
23rd Street North Safeway	Lethbridge	Retail – Freestanding	45,000	100.0
32nd Avenue NE Safeway	Calgary	Retail – Freestanding	69,000	100.0
34th Avenue SW Safeway	Calgary	Retail – Plazas	48,000	100.0
4607 50th Street	Stettler	Retail – Freestanding	31,000	100.0
5700 50th Street	Beaumont	Retail – Plazas	21,000	100.0
Leduc Centre	Leduc	Retail – Plazas	138,000	99.2
100 Street Safeway	Grande Prairie	Retail – Plazas	66,000	100.0
2304 109 Street NW Safeway	Edmonton	Retail – Freestanding	48,000	100.0
8204 109 Street NW Safeway	Edmonton	Retail – Plazas	34,000	100.0
114th Avenue Safeway	Grand Prairie	Retail – Plazas	62,000	100.0
118th Avenue NW	Edmonton	Retail – Freestanding	44,000	100.0
South Trail Plaza	Calgary	Retail – Plazas	79,000	100.0
137th Avenue NW Safeway	Edmonton	Retail – Freestanding	55,000	100.0
94 MacLeod Ave	Spruce Grove	Retail – Freestanding	51,000	100.0
395 St. Albert St.	St. Albert	Retail – Freestanding	52,000	100.0
Strathcona Square	Calgary	Retail – Plazas	80,000	95.5
615 Division Ave	Medicine Hat	Retail – Freestanding	43,000	100.0
688 Wye Road, Nottingham	Sherwood Park	Retail – Freestanding	46,000	100.0
1109 James Mowatt Trail Southbrook Sobeys	Edmonton	Retail – Freestanding	45,000	100.0
1200 Railway Ave	Canmore	Retail – Freestanding	53,000	100.0
1818 Centre St NE	Calgary	Retail – Freestanding	35,000	100.0
260199 High Plains Blvd.	Rocky View	Retail – Freestanding	655,000	100.0
Beaumont Plaza	Beaumont	Retail – Plazas	59,000	100.0
Big Rock Lane Safeway	Okotoks	Retail – Freestanding	42,000	100.0
McKenzie Towne Drive	Calgary	Retail – Freestanding	19,000	100.0
Cassils Road West Safeway	Brooks	Retail – Plazas	54,000	100.0
Castleridge Boulevard NE Safeway	Calgary	Retail – Freestanding	56,000	100.0
Chestermere Station Way Safeway	Chestermere	Retail – Freestanding	43,000	100.0
Clearwater Landing	Fort McMurray	Retail – Plazas	143,000	100.0
Crowfoot Cresent NW Safeway	Calgary	Retail – Plazas	75,000	100.0
Crowfoot Way NW	Calgary	Retail – Freestanding	10,000	100.0
Elbow Drive Safeway	Calgary	Retail – Freestanding	25,000	100.0
Fairway Plaza Road South Safeway	Lethbridge	Retail – Plazas	64,000	100.0
Forest Lawn Sobeys	Calgary	Retail – Freestanding	42,000	100.0
Franklin Avenue & JW Mann Drive Safeway	Fort McMurray	Retail – Freestanding	40,000	100.0
Gaetz South Plaza	Red Deer	Retail – Plazas	74,000	100.0
Gateway Ave	Canmore	Retail – Freestanding	50,000	100.0
Guardian Road NW Safeway	Edmonton	Retail – Freestanding	49,000	100.0
Marten Street Safeway	Banff	Retail – Freestanding	19,000	100.0
Manning Crossing	Edmonton	Retail – Freestanding	49,000	100.0
Millwood Commons	Edmonton	Retail – Plazas	58,000	100.0
Namao Centre	Edmonton	Retail – Freestanding	37,000	100.0
Namao Centre 167 Ave. 95 St	Edmonton	Retail – Plazas	34,000	94.5
Saddletowne Circle NE	Calgary	Retail – Freestanding	51,000	100.0
South Park Drive Safeway	Stony Plain	Retail – Freestanding	44,000	100.0
Red Deer Cineplex Hwy II	Red Deer	Retail – Freestanding	40,000	100.0
Town Centre	Lethbridge	Retail – Plazas	29,000	100.0
West Lethbridge	Lethbridge	Retail – Plazas	105,000	93.8
10907 82 Avenue	Edmonton	Retail – Freestanding	21,000	100.0
			3,374,000	**99.8**

BRITISH COLUMBIA

Property	City	Description	GLA (approx. sq. ft.)	% Occupancy
2nd Avenue West Safeway	Prince Rupert	Retail – Plazas	52,000	100.0
8th Street Safeway	Dawson Creek	Retail – Freestanding	43,000	100.0
27 Street East Safeway	North Vancouver	Retail – Freestanding	37,000	100.0
30 Avenue Safeway	Vernon	Retail – Freestanding	29,000	100.0
32 Street Safeway	Vernon	Retail – Freestanding	56,000	100.0
100 Street Safeway	Fort St. John	Retail – Freestanding	55,000	100.0
120 Street Safeway	Surrey	Retail – Plazas	53,000	100.0
152nd Street Safeway	Surrey	Retail – Freestanding	56,000	100.0
4655 Lakelse Avenue	Terrace	Retail – Freestanding	43,000	100.0
20871 Fraser Highway Safeway	Langley	Retail – Freestanding	48,000	100.0
27566 Fraser Highway Safeway	Langley	Retail – Freestanding	45,000	100.0
8475 Granville Street	Vancouver	Retail – Freestanding	47,000	100.0
Alder Avenue	100 Mile House	Retail – Plazas	28,000	100.0
Baker Street Safeway	Cranbrook	Retail – Freestanding	48,000	100.0
Baker Street	Cranbrook	Retail – Freestanding	8,000	100.0
Bernard Avenue Safeway	Kelowna	Retail – Freestanding	30,000	100.0
Bernard Avenue	Kelowna	Retail – Freestanding	19,000	100.0
Blundell Road	Richmond	Retail – Freestanding	28,000	100.0
Columbia Avenue Safeway	Castlegar	Retail – Freestanding	27,000	100.0
Columbia Street West Safeway	Kamloops	Retail – Freestanding	50,000	100.0
Davie Street Safeway	Vancouver	Retail – Plazas	37,000	100.0
East Hastings	Burnaby	Retail – Freestanding	4,000	100.0
East Broadway Safeway	Vancouver	Retail – Freestanding	42,000	100.0
Hastings Street	Burnaby	Retail – Plazas	61,000	97.9
King Edward Avenue West	Vancouver	Retail – Freestanding	28,000	100.0
King George Blvd.	Surrey	Retail – Freestanding	62,000	100.0
Kingsway	Burnaby	Retail – Plazas	33,000	100.0
Fortune Drive Safeway	Kamloops	Retail – Freestanding	56,000	100.0
Kingsway Safeway	Vancouver	Retail – Plazas	51,000	100.0
Lerwick Road	Courtenay	Retail – Plazas	97,000	96.8
Lougheed Highway Safeway	Mission	Retail – Plazas	55,000	100.0
McBride Boulevard Safeway	New Westminster	Retail – Freestanding	43,000	100.0
Mount. Seymour Rd Safeway	North Vancouver	Retail – Freestanding	36,000	100.0
Main Street Safeway	Penticton	Retail – Plazas	59,000	100.0
Robson Street	Vancouver	Retail – Freestanding	41,000	100.0
Reid Street Safeway	Quesnel	Retail – Freestanding	30,000	100.0
Second Avenue Safeway	Trail	Retail – Plazas	32,000	100.0
Shaughnessy Street Safeway	Port Coquitlam	Retail – Freestanding	49,000	100.0
West Broadway Safeway	Vancouver	Retail – Plazas	55,000	100.0
Yale Road Safeway	Chilliwack	Retail – Freestanding	52,000	100.0
Yellowhead Highway Safeway	Smithers	Retail – Freestanding	43,000	100.0
			1,768,000	**99.8**
TOTAL			**19,093,000**	**94.4**

Board of Trustees

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Crombie REIT

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Unit Symbol

REIT Trust Units – CRR.UN

Stock Exchange Listing

Toronto Stock Exchange

Investor Relations and Inquiries

Unitholders, analysts, and investors should direct their financial inquiries or requests to:

Glenn R. Hynes, FCPA, FCA
Executive Vice President,
Chief Financial Officer and Secretary
Email: investing@crombie.ca

Communication regarding investor records, including changes of address or ownership, lost certificates or tax forms, should be directed to the company's transfer agent and registrar, CST Trust Company.

Distribution Record and Payment Dates for Fiscal 2016

Record Date	Payment Date
January 31, 2016	February 13, 2016
February 29, 2016	March 15, 2016
March 31, 2016	April 15, 2016
April 30, 2016	May 13, 2016
May 31, 2016	June 15, 2016
June 30, 2016	July 15, 2016
July 31, 2016	August 15, 2016
August 31, 2016	September 15, 2016
September 30, 2016	October 14, 2016
October 31, 2016	November 15, 2016
November 30, 2016	December 15, 2016
December 31, 2016	January 13, 2017

Transfer Agent

CST Trust Company
Investor Correspondence
P.O. Box 700
Montreal, Quebec, H3B 3K3
Telephone: (800) 387-0825
Email: inquiries@canstockta.com
Website: www.canstockta.com

Counsel

Stewart McKelvey
Halifax, Nova Scotia

Auditors

PricewaterhouseCoopers, LLP
Halifax, Nova Scotia

Multiple Mailings

If you have more than one account, you may receive a separate mailing for each.

If this occurs, please contact CST Trust Company at (800) 387-0825 or (416) 682-3860 to eliminate multiple mailings.

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Crombie's portfolio is home to a wide diversity of regional and national tenants, most of whom serve the everyday needs of Canadian consumers. Also characterized by long average lease terms, such properties are among the steadiest performing assets in commercial real estate.

Tenant (As at December 31, 2016)	% of Annual Minimum Rent	Average Remaining Lease Term
Sobeys [1][2]	52.9%	15.4 years
Shoppers Drug Mart	5.1%	11.3 years
Cineplex	1.4%	8.6 years
Province of Nova Scotia	1.2%	1.9 years
CIBC	1.1%	14.2 years
Lawtons/Sobeys Pharmacy	1.1%	10.3 years
Dollarama	1.0%	6.4 years
GoodLife Fitness	1.0%	10.3 years
Bank of Nova Scotia	0.9%	4.3 years
Bank of Montreal	0.9%	11.2 years
Mark's Work Wearhouse	0.7%	2.3 years
Canadian Tire	0.6%	11.4 years
Public Works Canada	0.6%	1.1 years
Royal Bank of Canada	0.5%	3.1 years
Winners	0.5%	5.4 years
Reitmans (Canada)	0.5%	2.4 years
Tim Hortons	0.6%	6.9 years
Best Buy	0.5%	3.0 years
The Brick Warehouse	0.5%	8.8 years
Staples	0.4%	4.1 years

(1) Excludes Lawtons/Sobeys Pharmacy

(2) Represents 44.8% of total property revenue

An investment in Crombie REIT provides the opportunity to achieve steady income growth and capital appreciation in one of the most reliable and defensive segments in commercial real estate.

- Strong Unitholder Return
- High quality, diversified and defensive grocery anchored retail portfolio
- Proven growth and value creation track record
- Large development pipeline opportunity
- Investment grade rating – strong and improving fundamentals
- Strong capital structure, moderate leverage and ample liquidity
- Strong management