Crombie

Q1 FINANCIAL REPORT
MARCH 31, 2021

PROVEN STABILITY AND SUSTAINABLE GROWTH

CONTENTS

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION FOR THE THREE MONTHS ENDED MARCH 31, 2021

INTRODUCTION

The following Management's Discussion and Analysis ("MD&A") of the consolidated financial condition and financial performance of Crombie Real Estate Investment Trust ("Crombie") should be read in conjunction with Crombie's interim condensed consolidated financial statements as at and for the three months ended March 31, 2021 and 2020. This MD&A should also be read in conjunction with Crombie's audited consolidated financial statements as at and for the year ended December 31, 2020 and 2019.

Except for per unit, gross leasable area ("GLA") and square footage ("sq. ft.") amounts and where otherwise noted, all amounts in this MD&A are reported in thousands of Canadian dollars.

The information contained in the MD&A, including forward-looking statements, is based on information available to management as of May 5, 2021, except as otherwise noted.

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.

For definitions of certain acronyms and specialized terms we use in this document, refer to the "Glossary of Terms" on page 9.

FOOTNOTES

(*) NON-GAAP FINANCIAL MEASURES
Some of the financial measures we provide in this document are non-GAAP financial measures that have no standardized meaning under International Financial Reporting Standards (IFRS) and therefore may not be comparable to similar measures presented by other companies. See "Non-GAAP Financial Measures", starting on page 56, for more information on Crombie's non-GAAP financial measures and reconciliations thereof.

FORWARD-LOOKING STATEMENTS
Some of the information we provide in this document is forward-looking and therefore could change over time to reflect changes in the environment in which we operate and compete. See "Forward-looking Information", starting on page 59, for more information.

1. KEY HIGHLIGHTS

We use financial and operational metrics to measure our performance. These key metrics are highlighted below:

FINANCIAL METRICS (in thousands except GLA and per unit amounts)

Property revenue

Q1 2021

$103,537

Q1 2020 $102,252 **+1.26%**

Property revenue has increased slightly compared to the first quarter of 2020. Due to COVID-19, property operating expenses have decreased, resulting in lower tenant recoveries, and lower parking revenue due to decreased demand. Additionally, rental revenue decreased due to lease modifications and tenant incentive amortization offset by increased rental revenue from developments, modernizations, and energy upgrades, as well as higher lease termination income.

Operating income attributable to Unitholders

Q1 2021

$33,215

Q1 2020 $21,324 **+55.76%**

The increase in operating income attributable to Unitholders is driven primarily by gains on disposals of $11,144 from property dispositions in the quarter and a reduction in bad debt expense. The growth in net property income was offset in part by an increase in general and administrative expenses resulting primarily from the higher unit price and its impact on unit-based compensation plans, and increased finance costs from operations primarily due to the addition of new mortgages and unsecured debt since the first quarter of 2020.

Same-asset property cash NOI(*)

+2.22%

Q1 2021 **$63,715**

Q1 2020 $62,331

The increase in same-asset property cash NOI of $1,384 or 2.22% compared to the first quarter of 2020 is primarily due to strong occupancy, higher supplemental rents from modernizations and capital improvements, reduced bad debt expense, and higher lease termination income. This was partially offset by a decrease in parking revenue as a result of reduced demand due to COVID-19.

FFO(*) per unit

Q1 2021

$0.29

Q1 2020 $0.29 **—%**

FFO per unit for the quarter is unchanged from the same period in 2020. FFO increased slightly due to increased net property income, which resulted from development completions and modernizations, decreased bad debt expense, and higher lease termination income. This is offset in part by higher general and administrative costs, primarily the result of the impact of an increased unit price on unit-based compensation plans, and increased finance costs from operations primarily due to the addition of new mortgages and unsecured debt since the first quarter of 2020.

FINANCIAL METRICS (CONTINUED)

FFO(*) payout ratio

Q1 2021

76.4%

Q1 2020 76.0% **+0.40%**

Slightly higher FFO payout ratio for the quarter is a direct result of higher distributions compared to the same period in the prior year due to the Unit issuance in February 2020.

AFFO(*) per Unit

Q1 2021

$0.25

Q1 2020 $0.26 **-3.85%**

The decrease in AFFO is primarily due to higher general and administrative costs resulting primarily from the increased unit price and its impact on unit-based compensation plans, increased finance costs from operations due to the addition of new mortgages and unsecured debt since the first quarter of 2020, and loss from equity accounted investments. This is partially offset by higher net property income.

AFFO(*) payout ratio

Q1 2021

90.8%

Q1 2020 87.4% **+3.40%**

The reduction in AFFO, combined with higher distributions due to the Unit issuance in 2020, resulted in an increase to the payout ratio.

OPERATIONAL METRICS

Renewals (GLA)

Q1 2021

387,000

Q1 2020 156,000 **+231,000**

Renewal activity in the quarter consisted of 156,000 square feet in Rest of Canada, 145,000 square feet in VECTOM, and 86,000 square feet in Major Markets.

Renewal spreads

Q1 2021

3.0%

Q1 2020 4.5% **-1.55%**

The primary driver of the renewal growth in the quarter was retail plaza renewals on approximately 349,000 square feet, at an increase of 3.1% over expiring rental rates.

OPERATIONAL METRICS (CONTINUED)

Committed occupancy and Economic occupancy

Q1 2021

96.3%

Q1 2020 96.2% **+0.10%**

Strong committed occupancy of 96.3% included 147,000 square feet of committed space in the quarter. Approximately 49,000 square feet of committed space is at Avalon Mall, Belmont Market and Davie Street Retail. Additionally, approximately 49,000 square feet has been committed in our office portfolio.

Q1 2021

95.5%

Q1 2020 95.5% **—%**

Stable economic occupancy is primarily due to new leases of 432,000 square feet, largely at our major development projects, outpacing lease expiries and other changes by 331,000 square feet. Additionally, net occupancy impact from acquisition and disposition activity of 162,000 square feet. Notable new leases include Empire's Voilà par IGA Customer Fulfillment Centre ("CFC") in Montreal and the Voilà by Sobeys spoke at The Queensway Commons.

FINANCIAL CONDITION METRICS

Interest coverage ratio(*)

Q1 2021

3.04x

Q1 2020 3.18x **-0.14x**

The decrease in interest coverage ratio compared to Q1 2020 is due to the increase in finance costs from operations primarily due to the addition of new mortgages and unsecured debt since the first quarter of 2020.

Debt to gross fair value(*) (D/GFV)

Q1 2021

48.9%

Q1 2020 **50.0%** **+1.19%**

Increased fair value of investment properties due to continued strong capitalization rates, acquisitions and completed developments, and increased fair value of investment in joint ventures from the completion of Davie Street, offset in part by higher outstanding debt, resulted in the decrease in D/GFV since Q1 2020.

Debt to gross fair value(*), applying cash and cash equivalents to reduce debt, is 48.3% at Q1 2021 (Q1 2020 - 48.8%).

Debt to trailing 12 months EBITDA(*) (D/EBITDA)

Q1 2021

9.80x

Q1 2020 8.86x **-0.94x**

D/EBITDA increased due to additional outstanding mortgages and reduced trailing 12 months EBITDA resulting from property dispositions.

Debt to trailing 12 months EBITDA(*), applying cash and cash equivalents to reduce debt, is 9.58x (Q1 2020 - 8.44x).

Available liquidity - unutilized credit facilities

Q1 2021

$469,548

Q1 2020 $449,898

Available liquidity improved over Q1 2020 primarily as a result of reduced outstanding credit facilities, and increasing the maximum principal amount of the unsecured bilateral credit facility to $130,000 from $100,000 in Q3 2020.

DAVIE STREET

Davie Street is Crombie's first major mixed-use development. A significant milestone was achieved in the first quarter of 2021 as Zephyr, the residential component of the development, reached substantial completion. Zephyr is owned in partnership with Westbank and contains 330 residential rental units.

Initial tenant move-ins began in November 2020 and as of April 30, 2021, 62%, or 204 units, have been leased. COVID-19 has presented challenges with lockdowns and fewer prospective tenants out in the markets on a daily basis, nevertheless, the skilled team at Westbank has been working hard with an expectation to reach stabilization by the end of 2021.

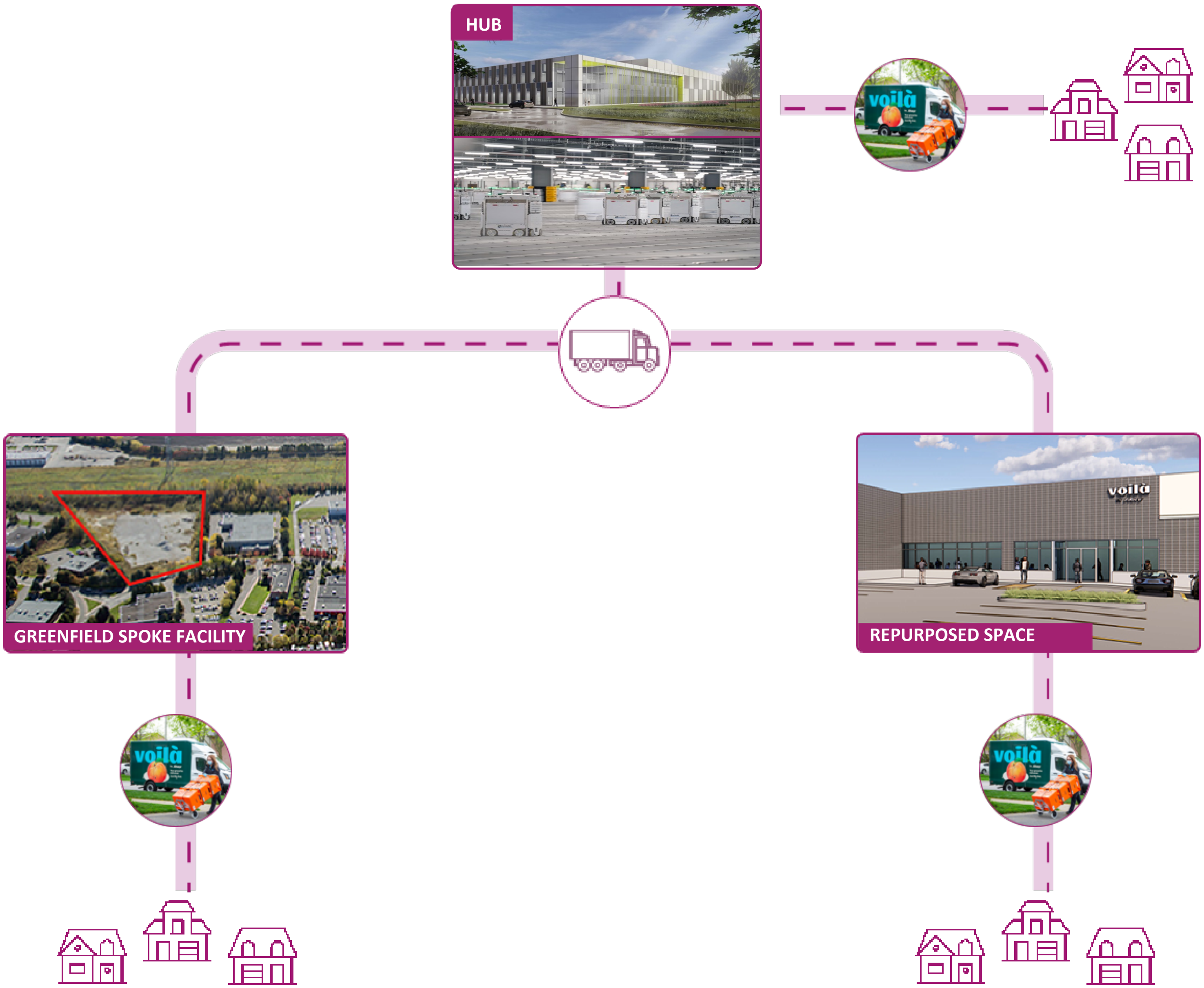
AVALON MALL

Crombie is very pleased with the success of the mall, especially over the past 12 months, and believes it is an extraordinary example of a great team effort. Challenges were present at the onset of the pandemic, as restrictions forced the mall to effectively close from the end of March 2020 to early June 2020. However, from the third quarter of 2020 onwards, traffic counts have been strong with resilient sales, as January 2021 had an increase of over 10% for comparable store sales versus January 2020.

In early 2021, Newfoundland and Labrador experienced an increase in the number of COVID-19 cases. As a result, restrictions were implemented and non-essential services were closed for the majority of February. Fortunately, 99% of tenants re-opened when Avalon Mall was able to operate with capacity restrictions in March. Despite the temporary closure, 90% of rent was collected for the first quarter of 2021.

Phase II of the development at Avalon Mall reached substantial completion in the fourth quarter of 2020. As of March 31, 2021, numerous tenants have opened, all experiencing strong openings. Other tenants are currently in possession of their space with openings expected throughout 2021.

HUB AND SPOKE CONCEPT



OPPORTUNITIES FOR CROMBIE WITHIN THE HUB AND SPOKE NETWORK

Empire Company Limited ("Empire") partnered with Ocado in January 2018 to bring a grocery e-commerce solution to Canada. In May 2019, Empire unveiled Voilà by Sobeys and Voilà par IGA, the name and brand for its online grocery home delivery service for the Greater Toronto Area ("GTA"), Ottawa, Ontario, and major cities in the Province of Quebec. In June 2020, Empire introduced the future of online grocery home delivery to the GTA with its first deliveries to customers.

Voilà is powered by Ocado's industry-leading technology and will operate under a hub and spoke network. Orders are filled through large state-of- the-art automated CFC, the hubs of the system. At the CFCs, robots bring the items to Voilà's personal shoppers to assemble orders efficiently with minimal product handling. To increase efficiency and in some cases expand a CFCs coverage area, smaller cross dock facilities, the spokes of the system, are placed to support each CFC. For customers residing within a certain radius of the CFC, Voilà team members will deliver orders directly from the CFC. For customers residing outside of the CFC radius, orders are put on large delivery trucks and transported to spoke facilities. At the spokes, the frames containing the orders are unloaded from the large delivery truck and are loaded on Voilà delivery vans. From there Voilà team members deliver the orders to the customer's homes.

Crombie has the opportunity to partner with Empire for hub and spoke locations. Crombie developed and owns a CFC, approximately 300,000 square feet, in Pointe-Claire (Montreal), Quebec, for Voilà par IGA. The CFC construction of the base building is substantially completed and Empire's partner Ocado is now building the interior grid. Voilà par IGA is expected to start delivering to customers in early 2022, and will serve major cities in Quebec and Ottawa, Ontario. Empire has also announced it will partner with Crombie to develop the third CFC in Calgary, Alberta, expected to start delivering to customers in the first half of 2023.

There are two opportunities for Crombie to participate in spoke locations. Crombie can (i) purchase land and develop a greenfield spoke facility; or (ii) repurpose existing space within our portfolio into a spoke facility.

COVID-19 IMPACT - FINANCIAL

The duration and impact of the emergency measures which followed the outbreak of the COVID-19 pandemic in 2020, and their impact on Crombie's financial results into the future are still not fully known. To date, Crombie has collected approximately 98% of its total contractual rents for the three months ended March 31, 2021.

In order to ensure Crombie is doing its part to contribute to the resilience of its tenants during the pandemic, management continues to actively work with tenants who are seeking rental concessions or who have stated that they are not able to pay their rent during the pandemic. Most of Crombie's leases require that rent be paid on the first day of each month. During the three months ended March 31, 2021 and for the month of April, we have collected or expect to collect the following approximate contractual rents:

	Three months ended March 31, 2021		April 2021	
	% of Gross Rent Collected	% of Gross Rent, Total Portfolio	% of Gross Rent Collected	% of Gross Rent, Total Portfolio
Retail	98 %	91 %	98 %	91 %
Office	99 %	6 %	100 %	6 %
Retail-related industrial	100 %	3 %	100 %	3 %
Total	98 %	100 %	98 %	100 %

Crombie assesses, on a tenant-by-tenant basis, losses expected with its rent receivables in determining the provision for doubtful accounts. Crombie's assessment is subjective due to the forward-looking nature of the situation. As a result, the provision for doubtful accounts is subject to a high degree of uncertainty and is made based on assumptions which may not prove to be accurate with the unprecedented uncertainty caused by COVID-19.

Based on its review, Crombie recorded a bad debt expense of $648 in the quarter, decreasing property operating income for the three months ended March 31, 2021, compared to $1,087 for the same period in 2020.

The following table further outlines what management estimates to be the material impacts of COVID-19 on Crombie's operating performance for the three months ended March 31, 2021:

(In thousands of CAD dollars, except per unit amounts and as otherwise noted)	**FFO(*)**		**AFFO(*)**		**Same-asset property cash NOI(*)**	**Same-asset property cash NOI(*) growth**	
	$	**Per unit**	**$**	**Per unit**	**$**	**$**	**%**
Actual results - Q1 2021	$ 46,103	$ 0.29	$ 38,779	$ 0.25	$ 63,715	$ 1,384	2.2 %
Adjusted for:							
Bad debt expense	648	—	648	—	227	227	0.4 %
Parking revenue (1)	789	—	789	—	789	789	1.2 %
Adjusted results - Q1 2021	$ 47,540	$ 0.30	$ 40,216	$ 0.25	$ 64,731	$ 2,400	3.8 %
Actual results - Q1 2020	$ 45,661	$ 0.29	$ 39,683	$ 0.26	$ 62,331		

(1) Parking revenue is calculated as the decrease in parking revenue from the same quarter in 2020, which Crombie has attributed to the impact of COVID-19.

2. GLOSSARY OF TERMS

AFFO[*]	Adjusted funds from operations. Crombie follows the recommendations of REALPAC's February 2019 white paper in determining AFFO.
AMR	Annual minimum rent.
CFC	Customer fulfillment centre.
CMA	Census metropolitan area.
Committed occupancy	Represents current economic occupancy plus future occupancy of currently vacant space for which lease contracts are currently in place.
CRU	Commercial rental units.
D/GFV[*]	Debt to gross fair value.
EBITDA[*]	Represents earnings before interest, taxes, depreciation, and amortization excluding certain items such as amortization of tenant incentives, impairment of investment properties and gain (loss) on disposal of investment properties. EBITDA is a non-GAAP measure that is used as an input in several of our debt metrics.
Economic occupancy	Represents space currently occupied (excluding residential).
ESG	Environmental, social, and governance.
Fair value	The amount at which an asset or liability could be exchanged between two knowledgeable, willing and unconnected parties in an arm's length transaction.
FFO[*]	Funds from operations. Crombie follows the recommendations of REALPAC's February 2019 white paper in determining FFO.
Future Estimated Density	Estimated buildable areas or site area multiples based on general community plans, guidelines, or management estimates of same based on area precedents which have not yet been officially approved or endorsed by municipal authorities.
GHG	Greenhouse gas emissions.
GLA	Gross leasable area.
IFRS	International Financial Reporting Standards.
Major Markets	A Crombie-specific definition that includes Abbotsford-Mission, Barrie, Chilliwack, Halifax, Hamilton, Kitchener-Cambridge-Waterloo, Oshawa, Quebec City, Regina, Saskatoon, Victoria, and Winnipeg, as defined by Statistics Canada 2016 CMA/CA boundaries.
Modernization Income	Income earned from a capital investment to modernize/renovate Crombie owned grocery store properties in exchange for a defined return and potential extended lease term.
NAV	Net asset value.
Net property income	Property revenue less property operating expenses, which excludes certain expenses such as interest expense and indirect operating expenses.
Pre-leased space	Refers to GLA of properties under development reserved by prospective tenants for a future rental period.
Property cash NOI[*]	Property NOI on a cash basis, excluding non-cash straight-line rent recognition and non-cash tenant incentive amortization.
Proportionate share basis	Represents Crombie's proportionate interest in the financial position and results of operations of its entire portfolio, taking into account the difference in accounting for joint ventures using proportionate consolidation versus equity accounting.
REALPAC	Real Property Association of Canada.
Rest of Canada ("RoC")	A Crombie-specific definition that includes all remaining geographies outside of VECTOM and Major Markets.
Retail	Includes our substantial retail portfolio with commercial reflecting certain few additional properties which comprise both retail and office space. These properties have been consistently included in our retail category.
Retail-related Industrial	Retail-related Industrial includes retail distribution centres and customer fulfillment centres (CFC) owned in major urban markets.
Same-asset properties[*]	Properties owned and operated throughout the current and comparative reporting periods, excluding any property that was designated for redevelopment during either the current or comparative period.
Sq. ft.	Square footage.
Unencumbered assets	Represents assets that have not been pledged as security or collateral under a credit agreement or mortgage.
VECTOM	Vancouver, Edmonton, Calgary, Toronto, Ottawa-Gatineau, Montreal, as defined by Statistics Canada 2016 CMA/CA boundaries.
WATM	Weighted average term to maturity.
Zoning Applications Submitted	A formal municipal re-zoning application has been submitted for the purpose of achieving a new land use (ie. residential, mixed-use) and generally to obtain higher levels of density and height.
Zoning Approved	Property has received municipal approval for a new land use designation which generally permits different uses (ie. residential, mixed-use) and higher levels of density and height.

[*] See "Non-GAAP Financial Measures", starting on page 56, for more information on Crombie's non-GAAP financial measures and reconciliations thereof.

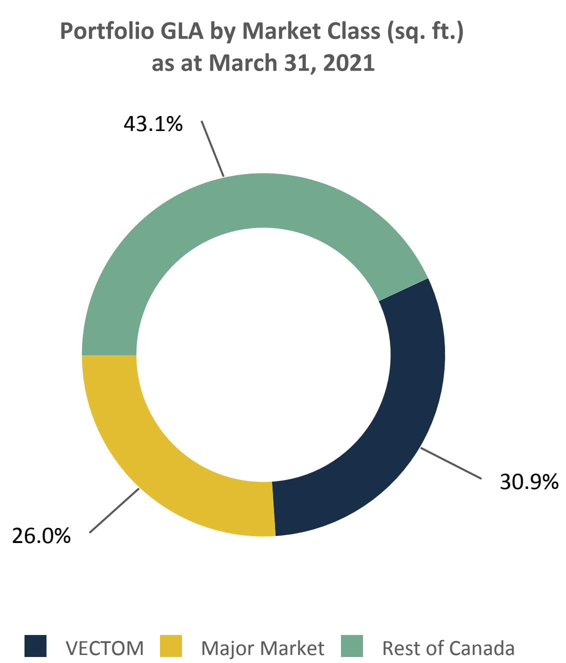
3. PORTFOLIO REVIEW

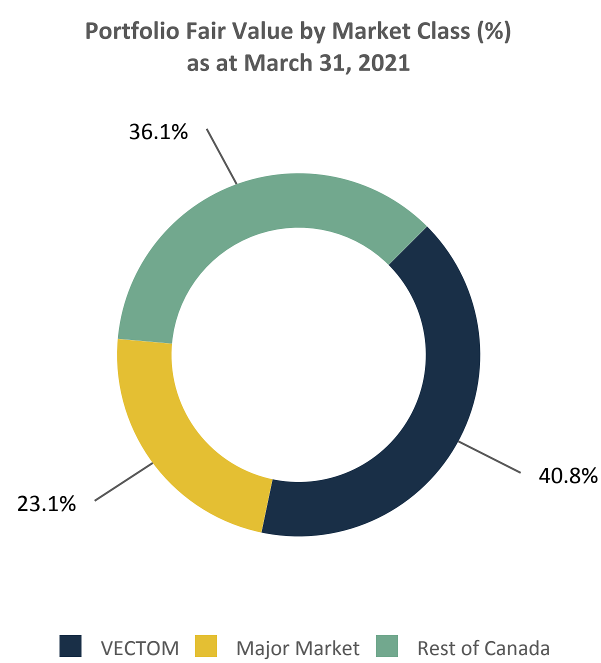
As at March 31, 2021, Crombie's property portfolio consisted of full ownership interests in 228 investment properties, and partial ownership interests in 59 investment properties. The partial ownership interests are subject to proportionate consolidation, the results of which are reflected in our consolidated balance sheet and income statement, based on our proportionate interest in such joint operations. Together these 287 properties contain, at Crombie's share, approximately 18.2 million square feet of GLA in all 10 provinces.

Crombie also holds partial ownership interests in four joint venture properties that are subject to equity-accounting. As such, the results of these equity-accounted investments are not included in certain financial metrics, such as net property income, property cash NOI[(*)], same-asset property NOI[(*)], or in operating metrics such as occupancy and GLA, unless specifically indicated that such metrics are presented on a proportionate consolidation basis.

Market Class

Crombie's presence in high-growth VECTOM and Major Markets has been increasing through acquisitions and large-scale, mixed-use developments, to strategically elevate portfolio quality and strength.





Crombie's portfolio diversification by market class as at March 31, 2021 and 2020 is as follows:

	GLA (sq. ft.)								
	January 1, 2021	Acquisitions (Dispositions)	Other [(1)]	**March 31, 2021**	Number of Investment Properties	% of AMR	% NOI	Economic Occupancy	Committed Occupancy
VECTOM	5,588,000	40,000	3,000	**5,631,000**	88	34.2 %	33.0 %	99.4 %	99.7 %
Major Markets	4,619,000	111,000	7,000	**4,737,000**	62	26.0 %	26.3 %	94.7 %	95.9 %
Rest of Canada	7,793,000	23,000	45,000	**7,861,000**	137	39.8 %	40.7 %	93.2 %	94.1 %
Total	18,000,000	174,000	55,000	**18,229,000**	287	100.0 %	100.0 %	95.5 %	96.3 %

	GLA (sq. ft.)								
	January 1, 2020	Acquisitions (Dispositions)	Other [(1)]	March 31, 2020	Number of Investment Properties	% of AMR	% NOI	Economic Occupancy	Committed Occupancy
VECTOM	5,295,000	—	18,000	5,313,000	89	32.2 %	32.5 %	98.7 %	98.8 %
Major Markets	4,597,000	—	5,000	4,602,000	60	26.5 %	27.3 %	96.2 %	96.6 %
Rest of Canada	7,666,000	—	2,000	7,668,000	136	41.3 %	40.2 %	92.8 %	94.1 %
Total	17,558,000	—	25,000	17,583,000	285	100.0 %	100.0 %	95.5 %	96.2 %

(1) Changes in GLA included in Other include increases for completed developments and additions/expansions to GLA on existing properties, and decreases primarily related to GLA removal in preparation for property redevelopment.

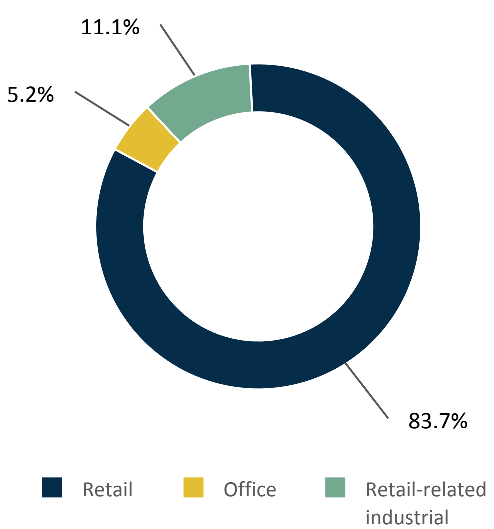
When compared to March 31, 2020, the percentage of total annual minimum rent generated from VECTOM increased by 200 basis points, while Major Market and Rest of Canada total annual minimum rent decreased by 50 basis points and 150 basis points, respectively. The increase in VECTOM is primarily due to the recent completion of the base building for Voilà par IGA CFC in Montreal, the opening of the Voilà by Sobeys spoke at The Queensway Commons in Toronto, and the acquisition of a freestanding Sobeys store in Edmonton.

As at March 31, 2021, committed and economic occupancy stand at 96.3% and 95.5%, respectively. Committed occupancy increased by 10 basis points compared to March 31, 2020. Economic occupancy remained constant compared to March 31, 2020. Throughout the last year, 646,000 net square feet of GLA has been added to the portfolio. A large portion of this relates to development activity. The 300,000 square foot Voilà par IGA CFC is now in economic occupancy and is the primary driver of the 70 basis point economic occupancy increase in VECTOM. New leasing activity in the first quarter totalled 432,000 square feet at an average rate of $23.03 per square foot. Approximately 77.5% of Crombie's new leases and 33.4% of committed leases are at completed major development properties, demonstrating continued progress in leasing our development space.

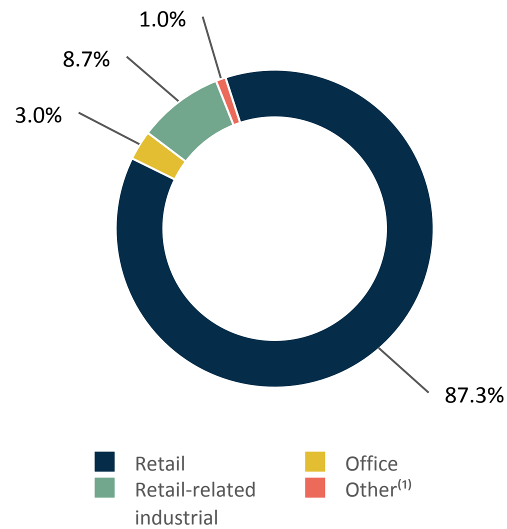
Asset Type

Retail properties represent 83.7% of Crombie's GLA and 89.2% of annual minimum rent at March 31, 2021 compared to 84.9% of GLA and 91.8% of annual minimum rent at March 31, 2020. The main driver of the decrease is due to the addition of 331,000 square feet of GLA to retail-related industrial, as a result of new leases for the Voilà hub and spoke network, which increased from 4.1% to 6.9% as a percentage of total annual minimum rent. The impact of the retail-related industrial additions is partially offset by additions to retail GLA as a result of development and net retail acquisition activity throughout the year.

Portfolio GLA by Asset Type (sq. ft.)
as at March 31, 2021



Portfolio Fair Value by Asset Type (%)
as at March 31, 2021



(1) Other includes Properties Under Development (PUD) and Land.

Crombie's portfolio diversification by asset type as at March 31, 2021 and 2020 is as follows:

	GLA (sq. ft.)							
	January 1, 2021	Acquisitions (Dispositions)	Other (1)	**March 31, 2021**	Number of properties	% of AMR	Economic Occupancy	Committed Occupancy
Retail	15,064,000	174,000	24,000	**15,262,000**	278	89.2 %	95.3 %	96.0 %
Office	953,000	—	—	**953,000**	5	3.9 %	88.9 %	94.1 %
Retail-related industrial	1,983,000	—	31,000	**2,014,000**	4	6.9 %	100.0 %	100.0 %
Total	18,000,000	174,000	55,000	**18,229,000**	287	100.0 %	95.5 %	96.3 %

	GLA (sq. ft.)							
	January 1, 2020	Acquisitions (Dispositions)	Other (1)	March 31, 2020	Number of properties	% of AMR	Economic Occupancy	Committed Occupancy
Retail	14,910,000	—	25,000	14,935,000	277	91.8 %	95.3 %	96.0 %
Office	965,000	—	—	965,000	5	4.1 %	90.5 %	91.9 %
Retail-related industrial	1,683,000	—	—	1,683,000	3	4.1 %	100.0 %	100.0 %
Total	17,558,000	—	25,000	17,583,000	285	100.0 %	95.5 %	96.2 %

(1) Changes in GLA included in Other include increases for additions/expansions to GLA on existing properties and decreases primarily related to GLA removals in preparation for property redevelopment.

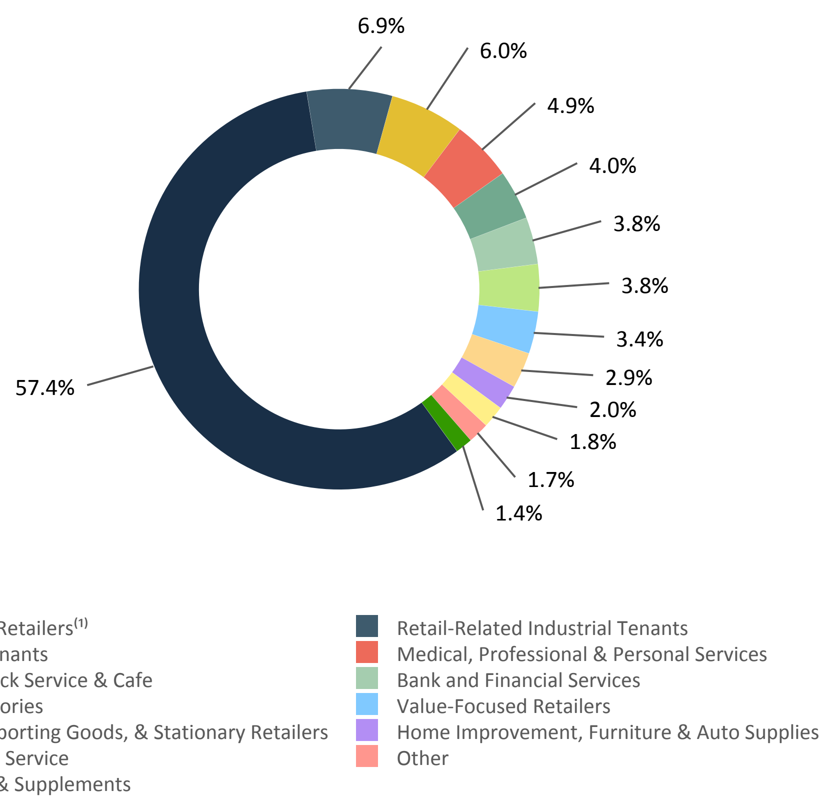
During the three months ended March 31, 2021, economic occupancy improved by 150 basis points compared to December 31, 2020 and remained constant compared to March 31, 2020 while committed occupancy improved by 10 basis points. A significant amount of activity occurred throughout the year resulting in an increase of portfolio GLA due to development activity and net acquisition activity. In the first quarter of 2021, the Voilà par IGA CFC entered economic occupancy from committed occupancy. Their partner Ocado is now building the interior portion. This is the first CFC with Empire in our portfolio, which further diversifies our portfolio mix. Committed occupancy in our office portfolio is at 94.1%, an increase from 91.9% primarily due to the execution of an approximate 49,000 square foot lease with one tenant.

Our mixed-use development strategy enables Crombie to evolve from defensive grocery-anchored retail to a balance of grocery-anchored retail and industrial, as well as large-scale mixed-use properties, creating long-term value for local communities and unitholders. We expect to see a further evolution in our portfolio over time as future developments are completed. Grocery-anchored retail will continue to grow and, as a result of our development strategy, we expect our residential and retail-related industrial asset types will make up an even greater percentage of our total portfolio.

Tenant Profile

We build and own a high-quality, resilient, and diversified portfolio, backed primarily by grocery and pharmacy tenants, that delivers consistent long-term earnings and cash flow stability. As at March 31, 2021, 82% of our annual minimum rent was generated from grocery and pharmacy-anchored properties which includes retail-related industrial compared to 80% at March 31, 2020. The increase is primarily due to the increase of our retail-related industrial tenants, specifically, the CFC supporting Voilà par IGA in Montreal and a spoke for Voilà by Sobeys in Toronto. This highlights the quality and resilience of Crombie's portfolio and the stability of underlying cash flows and income as necessity-based tenants are more resilient to changes in economic cycles and evolving retail trends, and form a solid foundation for organic same-asset property cash NOI(*) and AFFO(*) growth.

Tenants by Industry
(% of AMR)



(1) Necessity-based retailers include tenants that provide essential products and services, and predominantly fall into the following categories: grocery, pharmacy, liquor, cannabis, convenience store, gasoline and pet supplies.

The following table illustrates the 20 largest tenants in Crombie's portfolio of investment properties, as measured by their percentage contribution to total annual minimum rent, as at March 31, 2021.

Tenant	% of AMR	Average Remaining Lease Term	DBRS Credit Rating
Empire Company Limited [(1)]	56.8 %	13.1 years	BBB (low)
Shoppers Drug Mart	3.2 %	7.6 years	BBB(high)
Province of Nova Scotia	1.4 %	6.8 years	A (high)
Dollarama	1.4 %	5.4 years	BBB
Government of Canada	1.2 %	3.2 years	AAA
CIBC	1.2 %	11.8 years	AA
Bank of Nova Scotia	1.1 %	2.4 years	AA
Goodlife Fitness	1.0 %	7.8 years	
Cineplex	1.0 %	9.7 years	
Canadian Tire Corporation	0.9 %	4.3 years	BBB
Leon's Furniture	0.7 %	9.2 years	
Restaurant Brands International	0.6 %	5.1 years	
Bank of Montreal	0.6 %	5.3 years	AA
Royal Bank of Canada	0.6 %	2.6 years	AA (high)
Bell Canada	0.6 %	4.0 years	BBB (high)
Metro	0.6 %	6.3 years	BBB
SAQ/Province of Quebec	0.5 %	6.4 years	AA (low)
Giant Tiger	0.5 %	4.1 years	
TJX Canada	0.5 %	7.4 years	
Staples	0.4 %	2.8 years	
Total	74.8 %		

(1) Includes Sobeys and all other subsidiaries under Empire Company Limited.

Other than Empire, which accounts for 56.8% of annual minimum rent and Shoppers Drug Mart, which accounts for 3.2% of annual minimum rent, no other tenant accounts for more than 1.4% of Crombie's annual minimum rent. The increase in annual minimum rent from Empire is due to the addition of the Voilà par IGA CFC in Montreal, Voilà by Sobeys spoke in Toronto, and the acquisition activity in the quarter.

For the three months ended March 31, 2021, Empire also represents 50.4% 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 9.9 years, which decreased by 0.1 years as compared to March 31, 2020. This remaining lease term is influenced by the average Empire remaining lease term of 13.1 years, which decreased by 0.1 years from March 31, 2020.

Crombie continues to work in partnership with Empire aligning our strategies to maximize value creation through modernizations, store conversions (including the FreshCo discount format in Western Canada and Farm Boy in Ontario), participation in the build-out of Empire's Voilà online grocery home delivery hub and spoke network, land-use intensifications, and the unlocking of major developments. Crombie acknowledges that not all retail is created equal. Recognizing that, Crombie is focused on fostering relationships in our needs-based properties that are performing very well in the evolving retail landscape and are poised for future growth.

Same-asset properties

Same-asset properties are properties owned and operated by Crombie throughout the current and comparative reporting periods, excluding any property that was designated for redevelopment during either the current or comparative period. Same-asset property NOI[(*)] reflects Crombie's proportionate ownership of jointly-operated properties (excludes any properties held in joint ventures).

Crombie measures certain performance and operating metrics on a same-asset basis to evaluate the period-over-period performance of those properties owned and operated by Crombie since January 1, 2020, inclusive. "Same-asset" refers to those properties that were owned and operated by Crombie for the current and comparative reporting periods. Development properties are included in same-asset after completion and once a full year of post-development comparative data is available. Properties that will be undergoing a redevelopment in a future period, including adjacent parcels of land, and those having planning activities underway are also in this category until such development activities commence and/or tenant leasing/renewal activity is suspended.

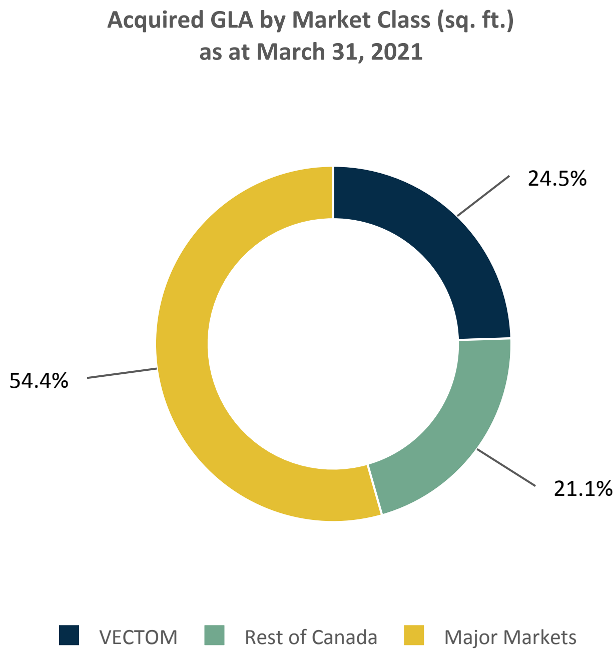
	Crombie Owned Properties				
	Investment Properties ("IP")	**Properties Under Development ("PUD")**	**Sub-total**	**Additional Properties in Joint Ventures ("JV")**	**Total**
Same-asset properties	271	—	271	—	271
Adjustments					
Acquisitions - 2021	6	1	7	—	7
Acquisitions - 2020	3	2	5	—	5
Other[(1)]	3	3	6	1	7
Active and Completed Major Developments[(2)]	4	—	4	3	7
	16	6	22	4	26
Total	287	6	293	4	297

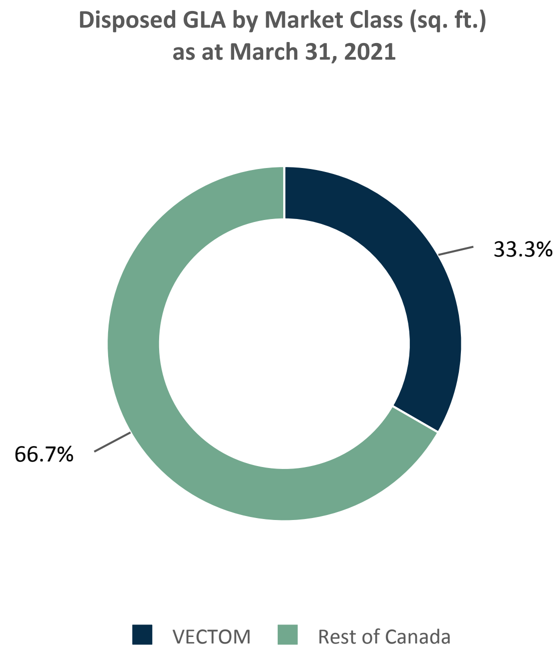
(1) Other includes investment properties that have been designated for repositioning, land parcels included in PUD, or non-active major developments within a JV.
(2) Active and Completed Major Development includes:
- Davie Street retail (IP)
- Avalon Mall retail (IP)
- Belmont Market retail and Office (IP)
- Pointe-Claire (IP)
- Davie Street residential (JV)
- Le Duke (JV)
- Bronte Village (JV)

Davie Street was developed as both a commercial (Crombie owned) and residential (Joint Venture owned) development. Davie Street is treated as two properties, one Crombie owned Investment Property (retail) and a separate Completed Major Development (residential rental property) within the 1600 Davie Limited Partnership Joint Venture (Additional Properties in Joint Ventures - Active and Completed Major Developments).

Strategic Acquisitions and Dispositions

As at March 31, 2021, GLA at Crombie's interest was 18.2 million square feet compared to 17.6 million square feet as at March 31, 2020. The net increase in GLA of approximately 600,000 was driven by 393,000 of development square footage entering GLA, and 329,000 square feet of acquisitions and offset by 124,000 square feet of dispositions.





Strategic Acquisitions

Through strategic and selective acquisitions of high quality assets, Crombie intends to continue to enhance overall portfolio quality in urban and top tier markets. Crombie's acquisitions are intended to add strategic value to the portfolio, while leading to strong AFFO(*) accretion and NAV growth. During the three months ended March 31, 2021, Crombie completed acquisitions of six income-producing properties, and one development (PUD) property for a total aggregate purchase price of $46,292. These acquisitions added 204,000 square feet of income-producing properties and potential for future density to be added to Crombie's GLA. Through these acquisitions, Crombie strengthened its presence in VECTOM and Major Markets in line with our urbanization strategy.

						Ownership		
Date	**Property**	**Location**	**Vendor**	**Strategy**	**Number of Investment Properties**	**Interest**	**Sq. ft.**	**Price (1)**
2021 First Quarter								
February 10, 2021	Grand Bay Plaza	Grand Bay, NB	Related Party	Income-producing	1	100 %	26,000	$ 3,242
February 26, 2021	Harvester Road	Burlington, ON	Third Party	Development	—	100 %	—	6,400
March 18, 2021	Henderson Highway	Winnipeg, MB	Related Party	Income-producing	1	100 %	24,000	6,300
March 18, 2021	Sargent Avenue	Winnipeg, MB	Related Party	Income-producing	1	100 %	33,000	7,800
March 25, 2021	Tamarack	Edmonton, AB	Related Party	Income-producing	1	100 %	50,000	5,260
March 26, 2021	Alpine Avenue	Winnipeg, MB	Related Party	Income-producing	1	100 %	55,000	15,600
March 29, 2021	Coldwater Road	Coldwater, ON	Third Party	Income-producing	1	100 %	16,000	1,690
Total acquisitions for the three months ended March 31, 2021					**6**		**204,000**	**$ 46,292**
Total acquisitions for the three months ended March 31, 2020					—		—	$ 280

(1) Prices are stated before transaction and closing costs

Strategic Dispositions

Over the years, Crombie has worked to optimize our portfolio through traditional dispositions of non-core assets and innovative partnerships. In line with our strategy of recycling capital through dispositions at or above IFRS fair values, we used the proceeds raised to fund major development projects, increasing Crombie's concentration in VECTOM and Major Markets, as well as other higher-value opportunities. Some of these opportunities include supporting Empire's growth into urban markets, acceleration of e-commerce, and major mixed-use developments. This disposition strategy has resulted in a reduction of our in-place mortgage debt, which enabled growth in our unencumbered asset pool.

Crombie has continued as property manager for the properties of which it has sold partial interests.

			Ownership			
Date	**Property**	**Number of properties**	**Interest**	**Sq. ft.**	**Net Property Income(1)**	**Price**
2021 First Quarter						
Total dispositions at 100% interest(2)	Two Retail Freestanding Assets and One Retail Plaza Asset	3	100 %	30,000	$ (11)	$ 41,970
Total dispositions for the three months ended March 31, 2021		**3**		**30,000**	**$ (11)**	**$ 41,970**
Total dispositions for the three months ended March 31, 2020		—		—	$ —	$ 1,000

(1) Reflects actual net property income earned for the year as reflected in our consolidated results, prior to disposition.
(2) Square footage totalling 33,000 for one of the disposition properties was removed from GLA in the second quarter of 2020 as the property was slated for redevelopment.

4. OPERATIONAL PERFORMANCE REVIEW

Occupancy and Leasing Activity

The portfolio occupancy and committed activity by market class and asset type for the three months ended March 31, 2021 was as follows:

	Occupied Space (sq. ft.)									
	January 1, 2021	Acquisitions (Dispositions)	New Leases(1)	Lease Expiries	Other Changes(2)	**March 31, 2021**	Economic Occupancy	Committed Space (sq. ft.)(3)	Total Committed Space (sq. ft.)	Committed Occupancy
VECTOM	5,225,000	40,000	334,000	—	—	**5,599,000**	99.4 %	13,000	5,612,000	99.7 %
Major Markets	4,381,000	99,000	39,000	(1,000)	(31,000)	**4,487,000**	94.7 %	58,000	4,545,000	95.9 %
Rest of Canada	7,310,000	23,000	59,000	(3,000)	(66,000)	**7,323,000**	93.2 %	76,000	7,399,000	94.1 %
Total	16,916,000	162,000	432,000	(4,000)	(97,000)	**17,409,000**	95.5 %	147,000	17,556,000	96.3 %

	Occupied Space (sq. ft.)									
	January 1, 2021	Acquisitions (Dispositions)	New Leases(1)	Lease Expiries	Other Changes(2)	**March 31, 2021**	Economic Occupancy	Committed Space (sq. ft.)(3)	Total Committed Space (sq. ft.)	Committed Occupancy
Retail	14,384,000	162,000	101,000	(4,000)	(97,000)	**14,546,000**	95.3 %	98,000	14,644,000	96.0 %
Office	849,000	—	—	—	—	**849,000**	88.9 %	49,000	898,000	94.1 %
Retail-related industrial	1,683,000	—	331,000	—	—	**2,014,000**	100.0 %	—	2,014,000	100.0 %
Total	16,916,000	162,000	432,000	(4,000)	(97,000)	**17,409,000**	95.5 %	147,000	17,556,000	96.3 %

(1) New leases include new lease 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 overall vacant space.

Overall leased space (occupied plus committed) has increased from 96.2% at March 31, 2020 to 96.3% at March 31, 2021. During the three months ended March 31, 2021, Crombie had a net increase from acquisitions of 162,000 square feet and had new leases outpace lease expiries by 428,000 square feet.

Leasing activity at major developments continued in the first quarter, with approximately 335,000 square feet of new leases in economic occupancy at Avalon Mall, Belmont Market, and Voilà par IGA CFC. Economic occupancy at March 31, 2021 was 83.6%, 87.0%, and 100.0% respectively for these developments. The decrease in economic occupancy at Avalon Mall and Belmont Market is due to the addition of newly developed vacant square footage in the quarter. Economic occupancy is expected on the majority of vacant the space in the second quarter of 2021.

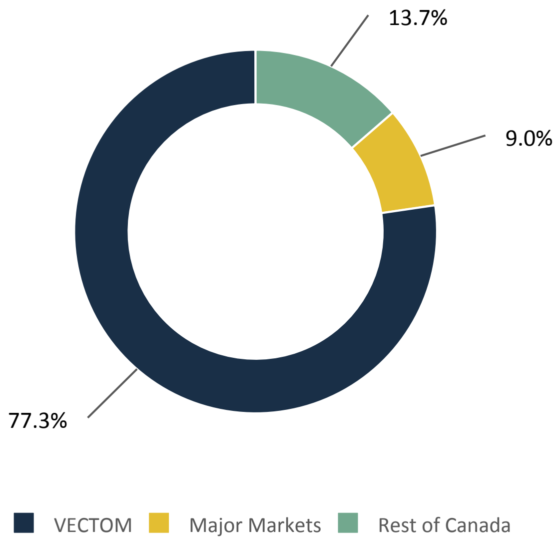
Leased space in our retail properties portfolio was 96.0% at March 31, 2021, which remained constant from March 31, 2020. Leased space in office properties of 94.1% at March 31, 2021, increased from 91.9% at March 31, 2020. This was primarily due to 49,000 square feet committed at our office portfolio in Halifax, Nova Scotia.

Leased space in retail-related industrial properties of 100.0 % at March 31, 2021, remained constant from 100.0 % at March 31, 2020. Retail-related industrial provides stability with solid NOI growth and long lease terms, and also provides growth opportunities through an increased presence in e-commerce. During the first quarter of 2021, Voilà par IGA CFC in Montreal and the Voilà by Sobeys spoke at The Queensway Commons in Toronto moved into economic occupancy.

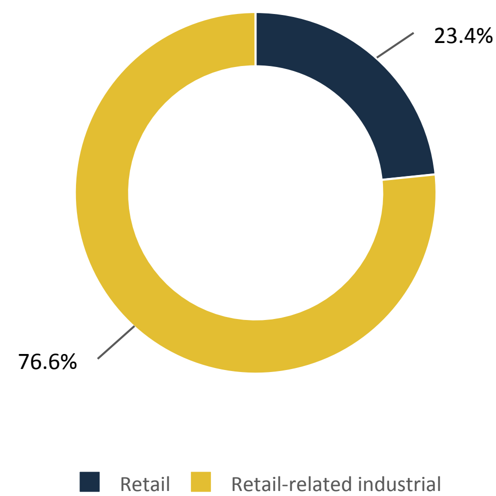
The portfolio weighted average annual minimum rent per occupied square foot for our income-producing properties was $16.87 as at March 31, 2021 compared to $16.68 as at March 31, 2020. The 1.1% increase in average annual minimum rent per occupied square foot was due to Crombie's strong leasing, which consisted of new leases including development space, contractual rent increases within existing leases, and increase in modernization rent. The increase also reflects strategic commitment to portfolio quality improvement through both dispositions of non-core, low growth assets, and a positive return from modernizations with Empire.

New Leasing Activity

**New Leasing by Market Class (sq. ft.)
as at March 31, 2021**



**New Leasing by Asset Type (sq. ft.)
as at March 31, 2021**



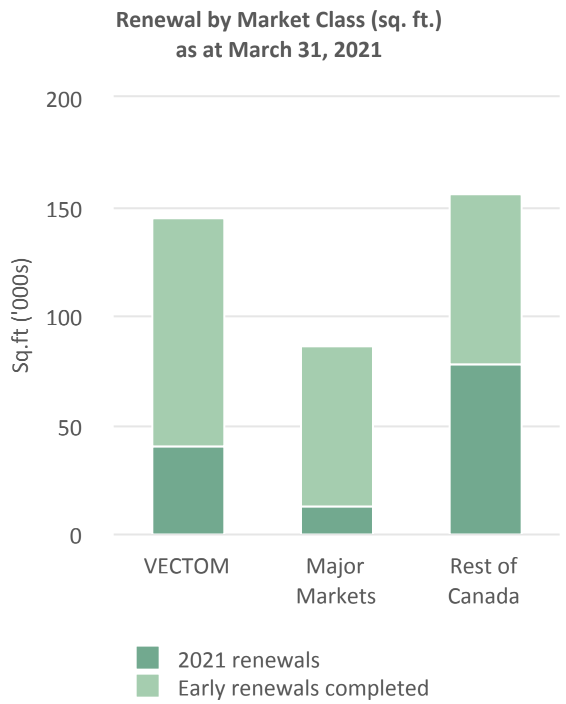
New leases increased occupancy by 432,000 square feet at March 31, 2021, at an average first year rate of $23.03 per square foot.

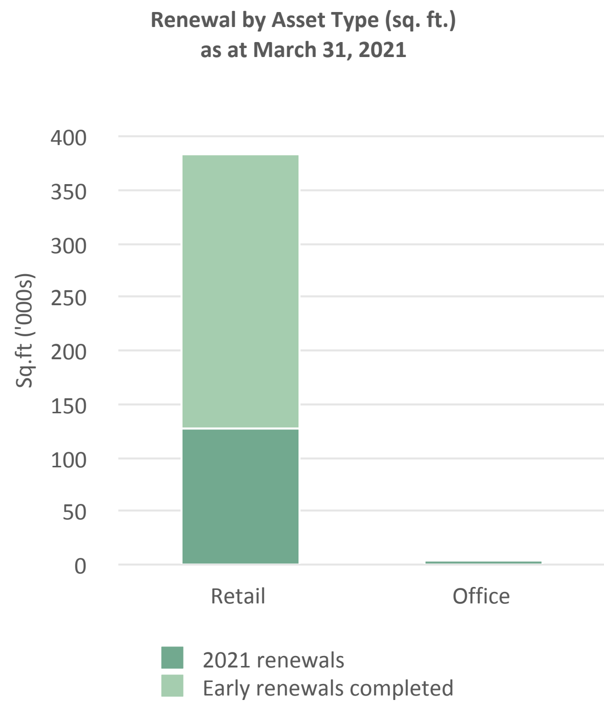
Crombie is focused on increasing its presence in VECTOM and Major Markets. For the three months ended March 31, 2021, 86.3% of new leases, equivalent to 373,000 square feet, were completed in these markets.

New leases of 59,000 square feet occurred in Rest of Canada markets. The vast majority of the portfolio's vacancy is within this market and Crombie is pleased with the new leasing activity throughout the three months ended March 31, 2021.

At March 31, 2021, 147,000 square feet of GLA at an average first year rate of $19.05 was committed with tenants expected to take possession throughout 2021. This includes a 49,000 square foot office lease is committed at our Scotia Square complex in Halifax, Nova Scotia. Leasing on our major developments continues to progress as approximately 49,000 square feet of committed space is at Avalon Mall, Belmont Market and Davie Street Retail. Included in this space is a 26,000 square foot Sport Chek and a 10,000 square foot Tommy Hilfiger at Avalon Mall.

Renewal Activity





For the three months ended March 31, 2021, renewal activity for our portfolio was as follows:

	Three months ended March 31, 2021		
	Sq. ft.	Rate PSF	Growth %
2021 Renewals	131,000	$22.14	4.4 %
Early Renewals Completed	256,000	$18.14	2.1 %
Total	387,000	$19.52	3.0 %

Crombie's renewal activity for the three months ended March 31, 2021 included retail renewals of 383,000 square feet with an increase of 3.0% over expiring rental rates. Driving this growth was 349,000 square feet of renewals at retail plazas, with an increase of 3.1% over expiring rental rates. Office renewals of 4,000 square feet were completed with flat rental rates. Renewal spreads are based on the first year rate and do not factor in any additional rental step-ups that may take place throughout the lease term.

During the three months ended March 31, 2021, Crombie demonstrated portfolio stability with approximately 59.7% of renewals occurring in VECTOM and Major Markets. Total renewal growth was positively impacted by the 145,000 square feet of renewals in VECTOM at an average first year rate of $27.35 per square foot, an increase of 2.7% over expiring rental rates. Major Markets saw renewals of 86,000 square feet, with an increase of 4.6% over expiring rental rates or an average first year rate of $14.85 per square foot. The remaining 156,000 square feet of renewals was in the Rest of Canada at an average first year rate of $14.78, which is an increase of 2.5% over expiring rental rates.

Crombie proactively manages its lease maturities, taking advantage of opportunities to renew tenants prior to expiration. During the three months ended March 31, 2021, approximately 256,000 square feet of renewals related to future year expiries were completed.

Lease Maturities

The following table sets out, as at March 31, 2021, the number of leases maturing during the periods indicated, 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 (1)	Renewal Area (sq. ft.)	% of Total GLA	Average Rent per sq. ft. at Expiry
2021	239	1,051,000	5.8 %	$ 14.78
2022	199	883,000	4.8 %	17.35
2023	147	659,000	3.6 %	19.57
2024	161	821,000	4.5 %	18.62
2025	141	1,147,000	6.3 %	15.62
2026	97	833,000	4.6 %	16.54
2027	79	825,000	4.5 %	18.79
2028	57	713,000	3.9 %	17.36
2029	94	1,097,000	6.0 %	19.41
2030	48	652,000	3.6 %	17.22
Thereafter	297	8,875,000	48.7 %	20.44
Total	1,559	17,556,000	96.3 %	$ 18.94

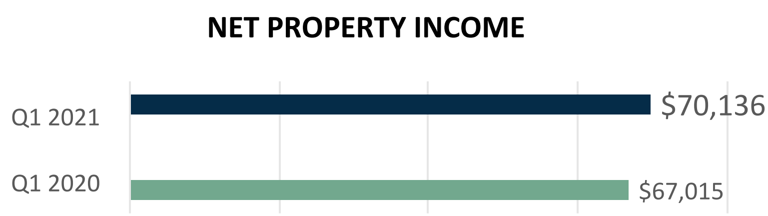
(1) Assuming tenants do not holdover on a month-to-month basis or exercise renewal options or termination rights.

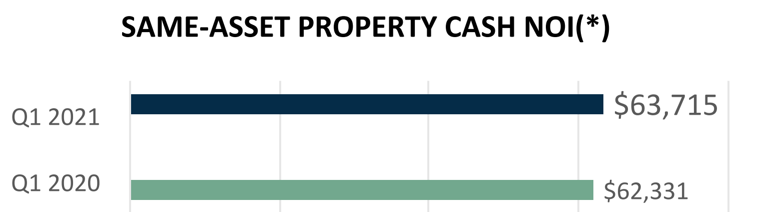
The following table sets out, as at March 31, 2021, the number of Empire leases maturing during the periods indicated, the renewal area, the percentage of the total GLA of the properties represented by such maturities, and the estimated average rent per square foot at the time of expiry.

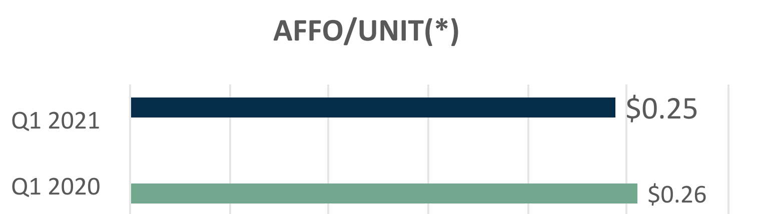
Year	Number of Leases (1)	Renewal Area (sq. ft.)	% of Total GLA	Average Rent per sq. ft. at Expiry
2021	11	169,000	0.9 %	$ 8.17
2022	6	95,000	0.5 %	10.59
2023	3	8,000	0.1 %	32.12
2024	2	68,000	0.4 %	12.59
2025	8	301,000	1.7 %	13.44
2026	12	329,000	1.8 %	13.56
2027	10	335,000	1.8 %	14.09
2028	10	352,000	1.9 %	15.94
2029	17	596,000	3.3 %	16.40
2030	8	294,000	1.6 %	13.62
Thereafter	203	7,919,000	43.4 %	20.23
Total	290	10,466,000	57.4 %	$ 18.76

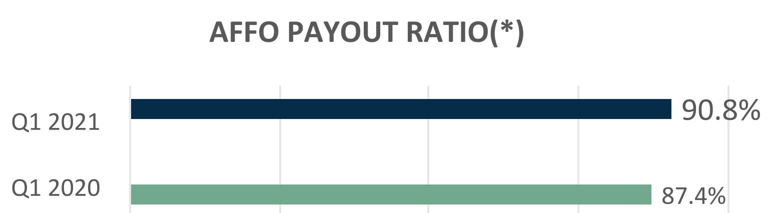
(1) Assuming tenants do not holdover on a month-to-month basis or exercise renewal options or termination rights.

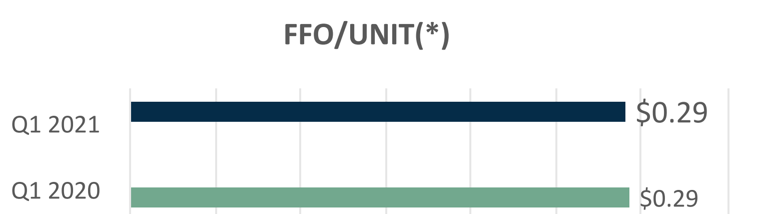
5. FINANCIAL PERFORMANCE REVIEW

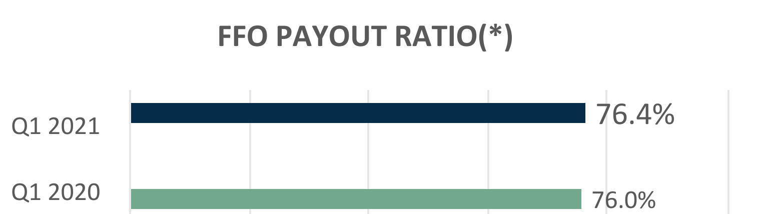












	Three months ended March 31,		
	2021	2020	Variance
Property revenue	**$ 103,537**	$ 102,252	$ 1,285
Property operating expenses	**33,401**	35,237	1,836
Net property income	**70,136**	67,015	3,121
Net property income margin percentage	**67.7 %**	65.5 %	2.2 %
Other items:			
Gain (loss) on disposal of investment properties	**11,144**	(829)	11,973
Depreciation and amortization	**(18,795)**	(19,318)	523
General and administrative expenses	**(5,038)**	(3,019)	(2,019)
Finance costs - operations	**(23,461)**	(22,640)	(821)
Income (loss) from equity accounted investments	**(771)**	115	(886)
Operating income attributable to Unitholders	**33,215**	21,324	11,891
Finance costs - distributions to Unitholders	**(35,220)**	(34,702)	(518)
Finance (costs) income - change in fair value of financial instruments	**(1,026)**	1,929	(2,955)
Decrease in net assets attributable to Unitholders	**$ (3,031)**	$ (11,449)	$ 8,418
Operating income attributable to Unitholders per Unit, Basic	**$ 0.21**	$ 0.14	$ 0.07
Basic weighted average Units outstanding (in 000's)	**158,281**	155,217	3,064
Distributions per Unit to Unitholders	**$ 0.22**	$ 0.22	$ —
Other Non-GAAP Performance Metrics			
Same-asset property cash NOI(*)	**$ 63,715**	$ 62,331	$ 1,384
FFO(*)	**$ 46,103**	$ 45,661	$ 442
FFO(*) per unit - basic	**$ 0.29**	$ 0.29	$ —
FFO(*) payout ratio (%)	**76.4 %**	76.0 %	0.4 %
AFFO(*)	**$ 38,779**	$ 39,683	$ (904)
AFFO(*) per unit - basic	**$ 0.25**	$ 0.26	$ (0.01)
AFFO(*) payout ratio (%)	**90.8 %**	87.4 %	3.4 %

Operating income attributable to Unitholders

Operating income attributable to Unitholders increased by $11,891, or 55.8%, compared to the first quarter of 2020 primarily due to the disposition of investment properties in 2021 with an increased gain on sale of $11,973 and bad debt expense decrease of $439. The growth in net property income was offset in part by an increase in general and administrative expenses of $2,019 resulting primarily from the higher unit price and its impact on unit-based compensation plans, and increased finance costs from operations of $821 primarily due to the addition of new mortgages and unsecured debt since the first quarter of 2020.

Net Property Income

Management uses net property income on a cash basis (property cash NOI(*)) as a measure of performance as it reflects the cash generated by the properties period-over-period. Refer to the "Non-GAAP Financial Measures" section of this MD&A, starting on page 56, for a more detailed discussion on property cash NOI(*).

Net property income on a cash basis(*), which excludes non-cash straight-line rent recognition and amortization of tenant incentive amounts, is as follows:

	Three months ended March 31,		
	2021	2020	Variance
Net Property Income	**$ 70,136**	$ 67,015	$ 3,121
Non-cash straight-line rent	**(2,714)**	(1,931)	(783)
Non-cash tenant incentive amortization	**4,535**	3,819	716
Property cash NOI(*)	**71,957**	68,903	3,054
Acquisitions and dispositions property cash NOI(*)	**629**	956	(327)
Development property cash NOI(*)	**7,613**	5,616	1,997
Acquisitions, dispositions and development property cash NOI(*)	**8,242**	6,572	1,670
Same-asset property cash NOI(*)	**63,715**	62,331	1,384
Adjusted for management's estimate of the material impacts of COVID-19:			
Decrease in parking revenue	**789**	—	789
Bad debt expense	**227**	—	227
Same-asset property cash NOI(*), adjusted for COVID-19	**$ 64,731**	$ 62,331	$ 2,400

Development properties include properties earning cash NOI that are: currently being developed, have recently completed development, and are scheduled for development. Change in cash NOI from development properties period-over-period is impacted by the timing of commencement and completion of each development project. The nature and extent of development projects results in operations being impacted minimally in some instances, and more significantly in others. Consequently, comparison of period-over-period development operating results may not be meaningful. The redevelopment of Avalon Mall was substantially complete in Q4 2020 and its NOI inclusive of COVID-19 impact is reflected in the above table in the development section.

Same-asset property cash NOI(*) by asset type and market class is as follows:

	Three months ended March 31,			
	2021	2020	Variance	%
Retail (1)	**$ 57,637**	$ 56,214	$ 1,423	2.5 %
Office	**3,110**	3,239	(129)	(4.0)%
Retail-related industrial (2)	**2,968**	2,878	90	3.1 %
Same-asset property cash NOI(*)	**$ 63,715**	$ 62,331	$ 1,384	2.2 %

(1) Retail includes our substantial retail portfolio and reflects certain few additional properties which comprise both retail and office space. These properties have been consistently included in our retail category.
(2) Retail-related industrial includes retail distribution centres owned in Toronto (100%), Montreal (50%), and Calgary (50%).

	Three months ended March 31,			
	2021	2020	Variance	%
VECTOM	**$ 21,984**	$ 21,606	$ 378	1.7 %
Major Markets	**17,453**	17,522	(69)	(0.4)%
Rest of Canada	**24,278**	23,203	1,075	4.6 %
Same-asset property cash NOI(*)	**$ 63,715**	$ 62,331	$ 1,384	2.2 %

Same-asset property cash NOI increased by $1,384, or 2.2%, compared to the first quarter of 2020 primarily due to strong occupancy, higher supplemental rents from modernizations and capital improvements, lease termination income from office leases, and reduced bad debt expense. This was partially offset by a decrease in parking revenue of $789 as a result of reduced demand due to COVID-19. Same-asset property cash NOI restated for the removal of COVID-19 related bad debt expense and the decrease in parking revenue is $64,731, an increase of 3.8% compared to the first quarter of 2020.

Compared to the first quarter of 2020, net property income increased by $3,121 and property cash NOI increased by $3,054. In addition to the factors affecting same-asset property cash NOI, the increase was driven by rent from new developments offset in part by lease conversions to a percentage rent only basis, and lease termination income from retail leases.

Funds from Operations (FFO)(*)

Crombie follows the recommendations of the Real Property Association of Canada (“REALPAC”)'s February 2019 white paper in calculating FFO(*). Refer to the "Non-GAAP Financial Measures" section of this MD&A, starting on page 56, for a more detailed discussion on FFO.

The reconciliation of FFO for the three months ended March 31, 2021 and 2020 is as follows:

	Three months ended March 31,		
	2021	2020	Variance
Decrease in net assets attributable to Unitholders	**$ (3,031)**	$ (11,449)	$ 8,418
Add (deduct):			
Amortization of tenant incentives	**4,535**	3,819	716
Loss (gain) on disposal of investment properties	**(11,144)**	829	(11,973)
Depreciation and amortization of investment properties	**18,454**	19,008	(554)
Depreciation of investment properties included in Income from equity accounted investments	**369**	24	345
Principal payments on right of use assets	**54**	53	1
Internal leasing costs	**620**	604	16
Finance costs - distributions to Unitholders	**35,220**	34,702	518
Finance costs (income) - change in fair value of financial instruments	**1,026**	(1,929)	2,955
FFO(*) as calculated based on REALPAC recommendations	**$ 46,103**	$ 45,661	$ 442
Basic weighted average Units (in 000's)	**158,281**	155,217	3,064
FFO(*) per unit - basic	**$ 0.29**	$ 0.29	$ —
FFO(*) payout ratio (%)	**76.4 %**	76.0 %	0.4 %

The increase in FFO is primarily due to increased net property income (an increase of $3,121 quarter over quarter), which resulted from development and modernizations, lease termination income, and reduction in bad debt expense. This is offset in part by higher general and administrative costs of $2,019 resulting primarily from the increased unit price and its impact on unit-based compensation plans, and increased finance costs from operations of $821 due to the addition of new mortgages and unsecured debt since the first quarter of 2020.

Adjusted Funds from Operations (AFFO)(*)

Crombie follows the recommendations of REALPAC's February 2019 white paper in calculating AFFO(*) and has applied these recommendations to the AFFO amounts included in this MD&A. Refer to the "Non-GAAP Financial Measures" section of this MD&A, starting on page 56, for a more detailed discussion.

The reconciliation of AFFO for the three months ended March 31, 2021 and 2020 is as follows:

	Three months ended March 31,		
	2021	2020	Variance
FFO(*) as calculated based on REALPAC recommendations	**$ 46,103**	$ 45,661	$ 442
Add (deduct):			
Amortization of effective swap agreements	**—**	510	(510)
Straight-line rent adjustment	**(2,714)**	(1,931)	(783)
Internal leasing costs	**(620)**	(604)	(16)
Maintenance expenditures on a square footage basis	**(3,990)**	(3,953)	(37)
AFFO(*) as calculated based on REALPAC recommendations	**$ 38,779**	$ 39,683	$ (904)
Basic weighted average Units (in 000's)	**158,281**	155,217	3,064
AFFO(*) per unit - basic	**$ 0.25**	$ 0.26	$ (0.01)
AFFO(*) payout ratio (%)	**90.8 %**	87.4 %	3.4 %

For further details on Crombie's maintenance expenditures, refer to the Non-GAAP Financial Measures section of this MD&A.

The decrease in AFFO is primarily due to higher general and administrative costs (an increase of $2,019 quarter over quarter) resulting primarily from the increased unit price and its impact on unit-based compensation plans, increased finance costs from operations of $821 due to the addition of new mortgages and unsecured debt since the first quarter of 2020, and loss from equity accounted investments of $771 compared to income of $115 in Q1 2020. This is partially offset by the increase in net property income of $3,121. The reduction in AFFO, combined with higher distributions due to the Unit issuance in 2020, resulted in an increase to the payout ratio.

Distributions to Unitholders

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 2020 and continues to do so. The relevant tests apply throughout the taxation year and as such the actual status of Crombie for any particular taxation year can only be ascertained at the end of the year.

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 March 31,	
	2021	2020
Distributions to Unitholders	**$ 20,816**	$ 20,507
Distributions to Class B Voting Unitholder (1)	**14,404**	14,195
Total distributions	**$ 35,220**	$ 34,702
FFO(*) payout ratio	**76.4 %**	76.0 %
AFFO(*) payout ratio	**90.8 %**	87.4 %

(1) Crombie Limited Partnership, a subsidiary of Crombie, has also issued 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.

Pursuant to the requirement of National Policy 41-201, Income Trusts and Other Indirect Offerings, the table below outlines the differences between operating income attributable to Unitholders and cash distributions, in accordance with the policy guidelines.

	Three months ended March 31,	
	2021	2020
Operating income attributable to Unitholders	**$ 33,215**	$ 21,324
Monthly distributions paid and payable	**(35,220)**	(34,702)
Operating income attributable to Unitholders shortfall of distributions paid and payable	**$ (2,005)**	$ (13,378)

Monthly distributions paid for the three months ended March 31, 2021 and 2020 were funded with cash flows from operating activities and borrowing on the revolving credit facility.

On April 15, 2021, Crombie declared distributions of 7.417 cents per Unit for the period from April 1, 2021 to and including April 30, 2021. The distributions will be paid on May 14, 2021, to Unitholders of record as of April 30, 2021.

General and Administrative Expenses

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

	Three months ended March 31,		
	2021	2020	Variance
Salaries and benefits	**$ 3,413**	$ 1,379	$ (2,034)
Professional fees	**607**	356	(251)
Public company costs	**492**	453	(39)
Rent and occupancy	**112**	151	39
Other	**414**	680	266
General and administrative expenses	**$ 5,038**	$ 3,019	$ (2,019)
As a percentage of property revenue	**4.9 %**	3.0 %	(1.9)%

The higher expenses in the quarter are primarily due to increased salaries and benefits of $2,034. The main driver was an increase in unit price and its impact on unit-based compensation plans of $3,700, offset in part by savings related to organizational realignment in the second quarter of 2020 and reduced travel.

Finance Costs - Operations

	Three months ended March 31,		
	2021	2020	Variance
Finance costs	**$ 22,659**	$ 21,889	$ (770)
Amortization of deferred financing charges	**802**	751	(51)
Finance costs - operations	**$ 23,461**	$ 22,640	$ (821)

Finance costs increased by $770 primarily due to the addition of new mortgages since the first quarter of 2020, and reduced capitalized interest on development properties, offset in part by mortgage maturities and lower interest on current debt resulting from lower average outstanding balances of credit facilities in the period.

Depreciation, Amortization and Impairment

Crombie's total fair value of investment properties exceeds carrying value by $955,475 at March 31, 2021 (March 31, 2020 - $713,759). 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 the carrying value may not be recoverable.

	Three months ended March 31,		
	2021	2020	Variance
Same-asset(*) depreciation and amortization	**$ 16,353**	$ 16,530	$ 177
Acquisitions, dispositions and development depreciation/amortization	**2,442**	2,788	346
Depreciation and amortization	**$ 18,795**	$ 19,318	$ 523

The decrease in depreciation and amortization is due most notably to accelerated depreciation relating to the partial demolition of a building in Q1 of 2020 at the Avalon Mall site, offset in part by the commencement of depreciation on substantially completed developments in Q1 of 2021.

Selected Balance Sheet Information

	As at March 31,			
	2021	2020	Variance	2019
Total Assets	**$ 5,155,967**	$ 4,762,225	$ 393,742	$ 4,864,998
Investment properties, carrying value	**$ 3,921,525**	$ 3,805,241	$ 116,284	$ 3,947,145
Investment properties, fair value	**$ 4,877,000**	$ 4,519,000	$ 358,000	$ 4,755,000
Total Debt	**$ 2,667,744**	$ 2,510,025	$ 157,719	$ 2,603,215
Total non-current financial liabilities	**$ 2,189,961**	$ 2,166,047	$ 23,914	$ 2,180,566
Number of Units outstanding (in 000's)	**158,304**	158,059	245	151,633

Total assets include investment properties and Crombie's share of properties in joint ventures measured at fair value with all other components measured at cost, adjusted for interest rate subsidy. Total debt consists of all payables in Crombie's financial statements excluding 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, deferred financing charges on long-term debt, and note issue premium, adjusted for interest rate subsidy.

The higher total assets ($393,742 over Q1 2020) is driven by the increase of $358,000 in fair value of investment properties resulting from continued strong capitalization rates, acquisitions, and completed developments. Acquisitions and completed developments account for the increase of $116,284 in carrying value of investment properties as well. Total debt increased by $157,719 due to the addition of new mortgages since the first quarter of 2020.

6. DEVELOPMENT

Property development is a strategic priority for Crombie to improve NAV, cash flow growth and Unitholder value. With urban intensification an important reality across the country, Crombie is focused on evaluating and undertaking major mixed use developments at certain properties, where incremental costs to develop are greater than $50,000 and where development may include residential, commercial and/or retail-related industrial ("Major Developments"). This discussion of Crombie's development activities contains forward-looking information. Refer to the "Forward-Looking Information" section of this MD&A starting on page 59 for additional information regarding such statements and the related risks and uncertainties.

Crombie has the potential to unlock significant value within its current pipeline of 29 major development owned properties over the next decade or longer. Crombie benefits from having solid income (FFO and AFFO) generated by most of these properties while working through the various approvals, entitlements, and advance preparations required before each major development can commence. In aggregate, Crombie currently achieves an in-place NOI yield of approximately 5.0% (December 31, 2020 - 5.0%) on existing asset cost for properties not yet under construction.

Crombie has a strategic relationship with Empire. The majority of our development properties currently have Empire as an anchor tenant; our strategic relationship enables us to unlock value and transition from existing property/store operations to construction/development of these sites on mutually-agreeable terms.

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

Completed Developments

The table below summarizes projects that have reached substantial completion during the quarter. Crombie recognizes substantial completion when key project milestones are met and/or project spending has reached over 90% of total project costs.

During the quarter ended, March 31, 2021, Crombie has reached substantial completion on the following major development project:

									At Crombie's Share ($ in millions)		
Property	CMA	Use	Ownership	Substantial Completion Date	Completed Residential GLA	Total Units	Leased Units	% of Leased Units[(1)]	Estimated Total Project Cost	Estimated Annual NOI	Estimated Yield on Cost
Davie Street Residential	Vancouver	Residential	50%	Q1 2021	254,000	330	145	43.9 %	$ 80.0	$ 4.0 - 4.4	5.0%-5.5%

(1) As of April 30, 2021, 62%, or 204 units, have been leased

This project has reached substantial completion, thereby reducing the amount of risk remaining in the development. The remaining risk is primarily related to achieving successful lease-up stabilization of vacant units at estimated market rent.

Estimated GLA on completion is based on applicable standards of area measurement determined through internal site plans and drawings, and using external massing studies, where applicable. GLA in the above table is shown at full project density.

Estimated total project cost includes the current carrying costs of development lands, where applicable, net of any reductions from land and air rights dispositions. Total estimated project costs include land costs on existing income producing properties upon transfer to the development, soft and hard construction costs, tenant inducements, external leasing costs, finance costs, capitalized interest and other carrying costs, such as capitalized construction and development staff and property taxes. These costs are determined by using internal knowledge and external professional resources, where applicable.

Estimated annual NOI is calculated using first year stabilized annual rent for each tenant, assuming 100% occupancy. These estimates are established using market rents, Crombie's market knowledge, and/or using externally generated market studies.

Over the past year, Crombie has substantially completed four major developments. While these projects are at varying degrees of stabilization and lease-up, all are in line with previously disclosed estimated costs, and are trending in line with expectations of NOI and yield on cost.

Development Pipeline

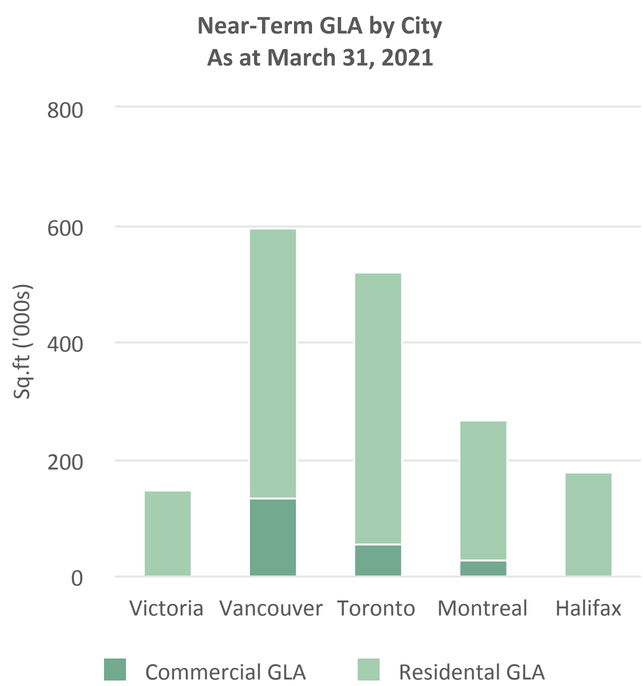
Crombie has identified 29 major development projects as at March 31, 2021 (December 31, 2020 - 30), with a total projected cost to develop these properties of $4,300,000 to $6,200,000 (December 31, 2020 - $4,300,000 to $6,100,000). Crombie may enter joint venture or other partnership arrangements for these properties to share cost, revenue, risk, and development expertise, depending upon the nature of each project. Each selected project remains subject to normal development approvals, achieving required economic hurdles, and Board of Trustees' approval.

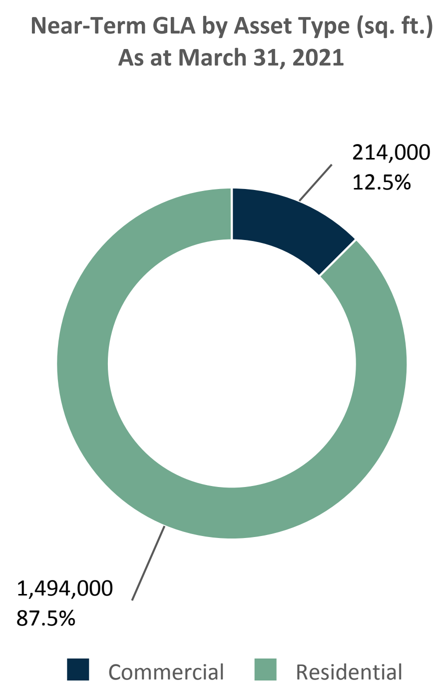
In conjunction with our strategic partner Empire, Crombie management continuously reviews and prioritizes development opportunities that drive NAV and AFFO, including high-density urban re-development, new grocery-anchored retail, retail-related industrial e-commerce facilities, and land-use intensification.

During the quarter, Davie Street Residential was substantially completed while our Royal Oak property was disposed. Bernard Avenue in Kelowna entered the pipeline as a prospective development property. As a result of these activities, the total pipeline was reduced from 30 to 29.

Near-Term Projects

As Crombie nears completion on its initial major development projects, a change in development disclosure has been implemented in the quarter. To emphasize the timing of the next wave of development, Crombie has shifted from an active / future division of its pipeline to a three-tiered timing based approach.Near-term projects are financially committed or expected to be committed within the next two years. Medium-term projects have a timeline of two years to five years and long-term projects are expected to be committed within five to fifteen years. Crombie has five projects in the near-term category.





The below table provides additional detail into Crombie's near-term developments.

			Full Project Density		
Property	City	% Ownership	Commercial GLA on Completion	Residential GLA on Completion	Residential Units
Le Duke (1)	Montreal	50 %	26,000	241,000	387
Bronte Village (1)	Toronto	50 %	54,000	466,000	480
Westhill on Duke	Halifax	100 %	—	179,000	250
1780 East Broadway (Broadway and Commercial)	Vancouver	50% (2)	134,000	460,000	710
Belmont Market - Phase II	Victoria	100 %	—	148,000	200
Total Near-Term Developments			214,000	1,494,000	2,027

(1) These projects are financially committed and under active development
(2) Crombie will own 100% of the commercial portion of this development

In addition to the projects listed above, Crombie is also committed to development of the Calgary CFC. This project is expected to be added to the pipeline later this year upon acquisition of land.

Estimated GLA on completion is based on applicable standards of area measurement determined through internal site plans and drawings, and using external massing studies, where applicable.

Near-Term Project Update

Le Duke, 297 Rue Duke, Montreal, Quebec
Type: Retail / Residential
Ownership: 50%
Construction status: Development of Le Duke began late in 2017. The residential structure and building envelope are now complete. Fixturing of the IGA store is underway and interior residential suite finishing is being completed on a floor by floor basis. This development is expected to be substantially complete in the third quarter of 2021 inclusive of COVID-19 related impacts with initial residential leasing of floors 1 - 13 commencing shortly after. At Crombie's share, project cost is $59,000 with estimated yields in the 5.4%-5.8% range. Estimated cost to complete at Le Duke is $16,000.

Bronte Village, 2441 Lakeshore Road West, Oakville (Toronto), Ontario
Type: Retail / Residential
Ownership: 50%
Construction status: The structure, pre-cast, and glazing are complete on both Building A (west) and Building B (east). Pre-leasing marketing is currently underway and interior finishing work is progressing well with substantial completion scheduled for the fourth quarter of 2021. At Crombie's share, project cost is $139,000 with estimated yields in the 5.4%-6.0% range. Estimated cost to complete at Bronte Village is $31,000.

Estimated total cost includes the current carrying costs of development lands, net of any proceeds from land and air rights dispositions. Total estimated costs include land cost measured at fair value on existing income producing properties upon transfer to the development, soft and hard construction costs, tenant inducements, external leasing costs, finance costs, and capitalized interest and other carrying costs, such as capitalized construction and development staff, and property taxes. These costs are determined by using internal knowledge and external professional resources, where applicable. Project capital cost uncertainty exists and project proformas contain contingency for capital cost exceedances in the ordinary course. Historically, capital cost exceedances in the 5% - 10% range are reflective of such contingencies.

Estimated annual NOI is calculated using first year stabilized annual rent for each tenant, assuming 100% occupancy. These estimates are established by using contracted rents, Crombie’s market knowledge, and/or determined using externally generated market studies. Revenue assumptions are subject to uncertainty and proformas contain provision for revenue risk and/or timing of revenue achieving stabilization. Historically, Revenue risk in the 5% range is reasonable for typical projects and typical valuation appraisals contain provision for vacancy.

Westhill on Duke, Halifax, Nova Scotia
Type: Residential
Ownership: 100%
Project status: Westhill on Duke is a planned 250 unit residential rental project in the heart of downtown Halifax located within the Scotia Square mixed-use retail, office and hotel complex. A development application was submitted to the planning department of the Halifax Regional Municipality in late 2020. The project is expected to be ready for commencement in 2022.

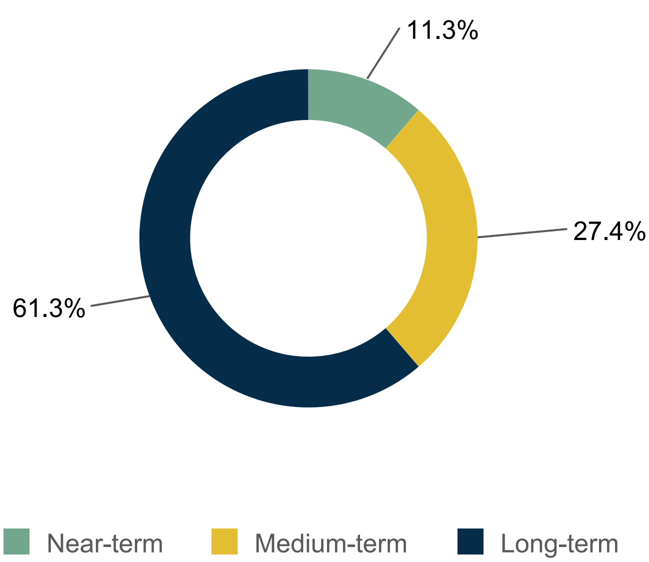
1780 East Broadway (Broadway & Commercial), Vancouver, British Columbia
Type: Retail / Residential
Ownership: 100% retail, 50% commercial and office
Project status: East Broadway is a proposed major mixed-use re-development on 2.43 acres of land located at the busiest transit node in Western Canada. A re-zoning application is in process with the City of Vancouver which comprises a mix of grocery-anchored retail, rental residential, and market condos. Crombie anticipates completion of re-zoning in 2022.

Belmont Market - Phase II, Victoria, British Columbia
Type: Residential
Ownership: 100%
Project status: Belmont Market - Phase II envisions the development of approximately 200 residential units on the remaining 75,000 square feet of land within the Belmont Market development area. The lands are fully zoned and could be ready for development commencement in 2022.

Total Development Pipeline

In addition to near-term projects Crombie is actively working on its pipeline to ensure a consistent inventory of projects. The following table details total project costs by category at March 31, 2021:

Crombie Development Spending by Project Timeline



Project Timeline	Number of Projects	At Crombie's Share ($ in millions) Total Estimated Costs	Total Spend to Date [1]	Estimated Cost to Complete
Near-term	5	$ 600 -700	$ 170	$ 430-530
Medium-term	6	1,100-1,700	60	1,040-1,640
Long-term	18	2,600-3,800	170	2,530-3,530
Total Pipeline	29	$ 4,300-6,200	$ 400	$ 4,000-5,700

(1) Costs include Crombie's total investment in land at these properties

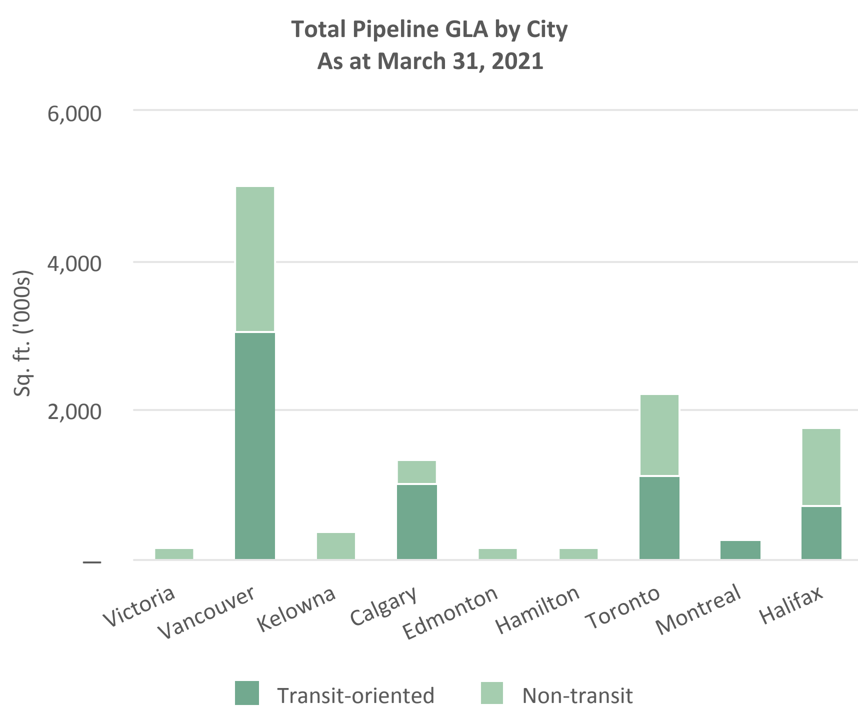
Estimated total cost includes the current carrying costs of development lands, net of any proceeds from land and air rights dispositions. Total estimated costs include land cost measured at fair value on existing income producing properties upon transfer to the development, soft and hard construction costs, tenant inducements, external leasing costs, finance costs, and capitalized interest and other carrying costs, such as capitalized construction and development staff, and property taxes. These costs are determined by using internal knowledge and external professional resources, where applicable. Project capital cost uncertainty exists, and project proformas contain contingency for capital cost exceedances in the ordinary course. Historically, capital cost exceedances in the 5% - 10% range are reflective of such contingencies.

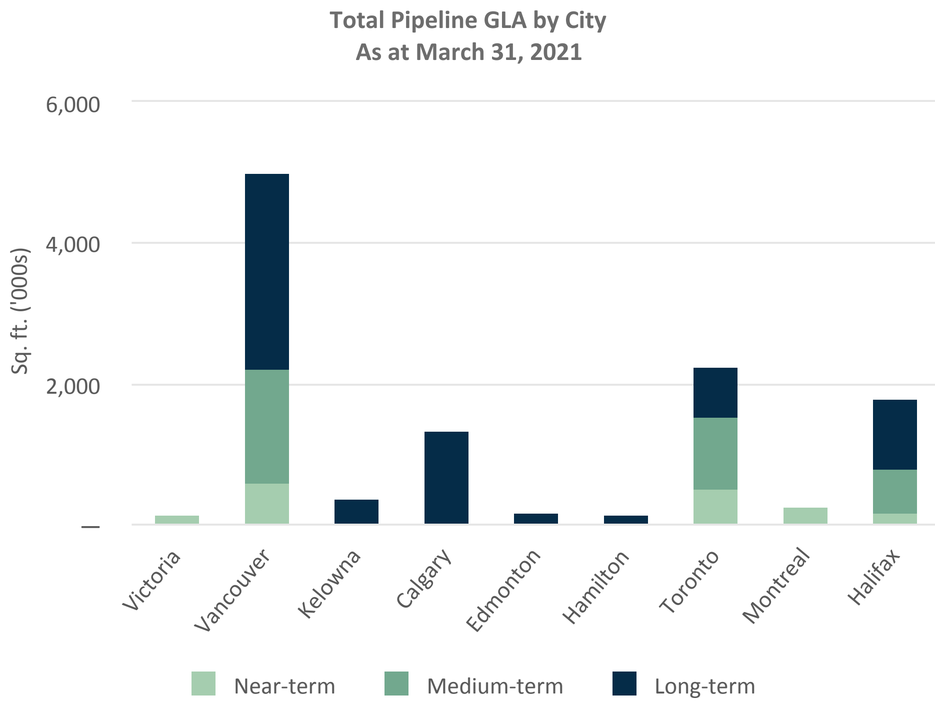
For joint venture projects, our partners may provide estimates which Crombie reviews and analyzes to determine final estimates.

These estimates and assumptions are reviewed and updated regularly and are subject to changes, which could be material. Estimated total costs are based on assumptions that are updated regularly, based on revised site plans, cost tendering processes, market studies and continuing tenant negotiations. These assumptions are based on access to job sites, supplies and labour availability, ability to attract tenants, estimated GLA, and tenant mix among rental, air rights sale, tenant rents, building sizes, and availability and cost of construction financing. Within specific projects, scheduling and/or completion timing uncertainty exists and project economics can handle reasonable delays in the range of 10%. Estimations included in the chart are believed to be reasonable, but there can be no assurance that actual results will be consistent with these projections.

COVID-19 has affected project timelines, cost, and future lease-up schedules. Due to the shutdown of non-essential construction in Quebec during COVID-19, the Le Duke near-term development was shutdown from March 24th to May 11th, 2020. Le Duke's completion date moved from Q2 2021 to Q3 2021.

Crombie's current pipeline has the potential to add up to 1,383,000 square feet of commercial GLA and up to 10,063,000 square feet (up to 12,267 units) of residential GLA (which may include a combination of rental or condominium units).





Total Pipeline Density by Project Timeline

Project Timeline	Commercial GLA	Residential GLA	Residential Units
Near-term	214,000	1,494,000	2,027
Medium-term	295,000	2,955,000	3,540
Long-term	874,000	5,614,000	6,700
Total Pipeline	1,383,000	10,063,000	12,267

Based on Crombie’s current estimates, total costs to develop these properties could reach $4,300,000 to $6,200,000 over ten to fifteen years. Crombie may develop some or all of these properties independently or may enter joint venture or other partnership arrangements for these properties to share cost, revenue, risk, and development expertise, depending upon the nature of each project. Each project remains subject to normal development approvals, achieving required economic hurdles (including financial NAV and AFFO accretion analysis), and Board of Trustees' approval. The precise timing of each project is not determinable at present. The time horizon of these projects may change, project scope may change, and/or Crombie may choose to not proceed with development on some properties after further review, entitlement assessment, and completion of financial projections.

An important part of creating a sustainable development program is a systematic approach to proactively moving potential development lands through the entitlement process to obtain zoning approvals. Crombie currently has 7 of these 29 potential major projects identified for near-term re-zoning and is currently in various stages of entitlement pursuit as noted in the following chart:

	Crombie's Entitled Projects				
	Number of Projects	Estimated Commercial Sq. ft. (1)	Estimated Residential Sq. ft. (1)	Estimated Total Sq. ft. (1)	Residential Units (1)
Near-term:					
Zoned	4	80	1,034	1,114	1,317
Application Submitted	1	134	460	594	710
Total Near-term	5	214	1,494	1,708	2,027
Medium / Long-term:					
Zoned	1	20	420	440	480
Application Submitted (2)	1	—	—	—	—
Total Medium / Long-term	2	20	420	440	480
Total Entitled	7	234	1,914	2,148	2,507

(1) Square footage and unit information presented in the table are estimates only and are subject to change. Design, municipal approvals and market conditions may influence estimates provide

(2) Re-zoning application related to 26 acres of land at Penhorn in Halifax, NS, involves the re-zoning and sale or development of multi-family parceled lots

Zoning is in place for the following development sites: Le Duke (Montreal), Bronte Village (Toronto), Westhill on Duke (Halifax), Belmont Market - Phase II (Victoria), and Triangle Lands (Halifax). Rezoning applications have been submitted and are in process for Broadway and Commercial (Vancouver) and Penhorn Lands (Halifax).

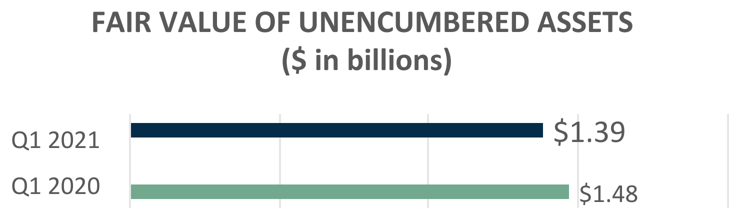
The following table lists the 29 identified Potential Major Development locations and certain key features of each property. Potential developments in the table following are organized in order of potential construction commencement:

Major Development Pipeline

	Existing Property	CMA	Site Size (acres)	Transit Oriented	Existing Tenants	Potential Commercial Expansion	Potential Residential Expansion	Entitlement Status	Project Timing
1	Le Duke	Montreal	0.77	Yes	Land	Yes	Yes	Zoned	Near-term
2	Bronte Village	Toronto	5.66	No	Sobeys	Yes	Yes	Zoned	Near-term
3	Westhill on Duke (1)	Halifax	0.46 (2)	Yes	n/a	Yes	Yes	Zoned	Near-term
4	Belmont Market - Phase II	Victoria	1.70	No	Land	No	Yes	Zoned	Near-term
5	1780 East Broadway (Broadway and Commercial)	Vancouver	2.43	Yes	Safeway	Yes	Yes	Application Submitted	Near-term
6	Penhorn Lands	Halifax	26.12	No	Land	Yes	Yes	Application Submitted	Medium-term
7	Park West	Halifax	6.44	No	Retail	Yes	Yes	Pre-Planning	Medium-term
8	1170 East 27 Street (Lynn Valley)	Vancouver	2.82	No	Safeway	Yes	Yes	Pre-Planning	Medium-term
9	McCowan & Ellesmere	Toronto	4.48	Yes	FreshCo/ Other tenants	Yes	Yes	Pre-Planning	Medium-term
10	10355 King George Boulevard - Multi-phased	Vancouver	5.07	Yes	Safeway	Yes	Yes	Pre-Planning	Medium/Long-term
11	Triangle Lands	Halifax	0.68	No	Land	Yes	Yes	Zoned	Long-term
12	1818 Centre Street	Calgary	2.18	Yes	Safeway	Yes	Yes	Future	Long-term
13	3130 Danforth	Toronto	0.79	Yes	Store	Yes	Yes	Pre-Planning	Long-term
14	2733 West Broadway	Vancouver	1.95	Yes	Safeway	Yes	Yes	Future	Long-term
15	Centennial Parkway	Hamilton	2.75	No	Retail	Yes	Yes	Future	Long-term
16	990 West 25 Avenue (King Edward)	Vancouver	1.80	No	Safeway	Yes	Yes	Future	Long-term
17	524 Elbow Drive SW (Mission)	Calgary	1.60	No	Safeway	Yes	Yes	Future	Long-term
18	Fleetwood	Vancouver	4.45	Yes	Safeway	Yes	Yes	Future	Long-term
19	Brunswick Place	Halifax	0.75(3)	Yes	n/a	Yes	Yes	Future	Long-term
20	Robson Street	Vancouver	1.15	No	Safeway	Yes	Yes	Future	Long-term
21	Port Coquitlum	Vancouver	5.31	No	Safeway	Yes	Yes	Future	Long-term
22	410 10 Street NW (Kensington)	Calgary	1.73	Yes	Safeway	Yes	Yes	Future	Long-term
23	813 11 Avenue SW (Beltline)	Calgary	2.59	Yes	Safeway	Yes	Yes	Future	Long-term
24	3410 Kingsway (Kingsway +Tyne)	Vancouver	3.74	Yes	Safeway/ Other tenants	Yes	Yes	Future	Long-term
25	East Hastings	Vancouver	3.30	No	Safeway/ Other tenants	Yes	Yes	Future	Long-term
26	Bernard Ave	Kelowna	1.83	No	Safeway	Yes	Yes	Future	Long-term
27	10930 82 Avenue (Whyte Ave)	Edmonton	2.44	No	Safeway/ Other tenants	Yes	Yes	Future	Long-term
28	New Westminister	Vancouver	2.82	No	Safeway	Yes	Yes	Future	Long-term
29	Brampton Mall	Toronto	8.74	No	Office/Retail	Yes	Yes	Future	Long-term

(1) Westhill on Duke was formerly referred to as Westhill and Scotia Square residential
(2) Westhill on Duke can be developed through densification on 0.46 acres of the existing 9.05 acre Scotia Square site
(3) Brunswick Place can be developed through densification on the existing 0.75 acre Brunswick Place Parkade

7. CAPITAL MANAGEMENT



We continue to reduce risk and build financial strength by strategically managing our capital structure and optimizing capital allocation to generate long-term value for our stakeholders. Our continued success is underpinned by a strong balance sheet and more than adequate liquidity, and an investment-grade credit profile providing the company with a solid financial foundation and great financial flexibility.

Capital Management Framework

The real estate industry is highly capital intensive.

Crombie's strategic capital management objective consists of three main priorities:

1. to maintain multiple sources of both debt and equity financing;
2. to reduce risk by pre-funding its capital commitments; and
3. to source capital with the lowest cost on a long-term basis and to maintain overall indebtedness at reasonable levels, utilize staggered debt maturities, minimize long-term exposure to excessive levels of floating rate debt, and maintain conservative payout ratios.

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

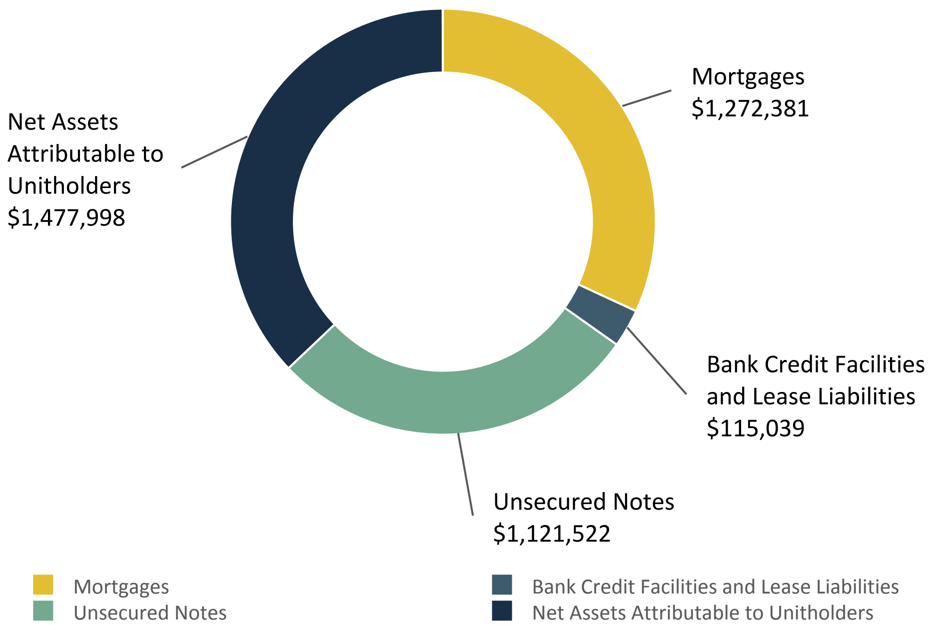
Crombie's Declaration of Trust sets out the investment guidelines for Crombie's capital deployment. The Declaration of Trust outlines the minimum due diligence that must be completed prior to a project being approved by the Board. Crombie's Board ensures continued compliance with the Declaration of Trust through the review and approval of the annual operating and capital budgets, annual confirmation of Crombie's strategic plan, and through the approval of individual projects. The annual budget will detail the level of projected capital spend for a given year and how the required capital will be funded, as well as various key performance indicators and impacts on debt covenants. The Board monitors performance quarterly or on a more frequent basis, if needed. In addition, the Board and Management regularly review unspent committed capital (i.e. unfunded capital requirements of partially completed projects) with a lens towards Crombie's available liquidity, leverage metrics and sources of financing.

Crombie expects to be able to satisfy all of its financing requirements through the use of some or all of the following:

- Cash on hand;
- Cash flow generated from operating the property portfolio;
- Bank credit facilities;
- Proceeds from partial or full disposition of select non-core investment properties;
- Traditional construction financing;
- CMHC insured mortgages on residential properties;
- Secured mortgages and term debt on unencumbered properties;
- Issuance of senior unsecured notes;
- The issuance of new units; and
- The issuance of units under its distribution reinvestment plan ("DRIP").

Strong Capital Structure

Capital Structure as at March 31, 2021



Crombie's capital structure consists of the following carrying values, net of deferred financing costs where applicable:

		March 31, 2021			December 31, 2020	
Fixed rate mortgages	**$**	**1,272,381**	**31.9 %**	$	1,267,044	32.0 %
Drawn credit facilities		**79,588**	**2.0 %**		62,256	1.6 %
Senior unsecured notes		**1,121,522**	**28.1 %**		1,121,398	28.3 %
Lease liabilities		**35,451**	**0.9 %**		29,914	0.7 %
Net assets attributable to Crombie REIT Unitholders		**881,350**	**22.1 %**		881,511	22.3 %
Net assets attributable to Special Voting Units and Class B Limited Partnership Unitholders		**596,648**	**15.0 %**		596,795	15.1 %
	$	**3,986,940**	**100.0 %**	$	3,958,918	100.0 %

Debt Metrics

We monitor our debt by utilizing a number of key metrics, including the following:

	March 31, 2021	December 31, 2020	March 31, 2020
Unencumbered investment properties (1)	**$ 1,388,141**	$ 1,366,258	$ 1,479,211
Unencumbered investment properties (1) as a % of unsecured debt	**119.7 %**	117.8 %	153.3 %
Debt to gross fair value(*)	**48.9 %**	49.4 %	50.0 %
Weighted average interest rate (2)	**3.9 %**	3.9 %	4.1 %
Debt to trailing 12 months EBITDA(*)	**9.80x**	9.73x	8.86x
Interest coverage ratio(*)	**3.04x**	2.77x	3.18x

(1) Represents fair value of unencumbered properties.
(2) Weighted average interest rate is calculated based on interest rates for all outstanding fixed rate debt.

Crombie has continued to grow its unencumbered asset pool, increasing it from fair value of $1,366,258 as at December 31, 2020 to $1,388,141 as at March 31, 2021. This increase is primarily due to mortgage maturities and acquisitions, offset in part by dispositions.

Debt to Gross Fair Value(*)

The debt to gross fair value(*) was 48.9% at March 31, 2021 (48.3% after applying cash and cash equivalents to reduce debt) compared to 49.4% at December 31, 2020 (48.8% after applying cash and cash equivalents to reduce debt). This leverage ratio is below the maximum 60%, or 65% including convertible debentures, as permitted by Crombie's Declaration of Trust. For details of the calculation of debt to gross fair value(*), see the "Debt to Gross Fair Value(*)" section in the 2020 Annual MD&A.

The increased fair value of investment properties due to continued strong capitalization rates, acquisitions and completed developments, and increased fair value of investment in joint ventures from the completion of Davie Street, offset in part by higher outstanding debt, resulted in the decrease in leverage ratio during the quarter.

The fair value included in this calculation reflects the fair value of the properties as at March 31, 2021 and December 31, 2020, respectively, based on each property's current use as a revenue generating investment property. During the three months ended March 31, 2021, Crombie's weighted average capitalization rate used in the determination of the fair value of its investment properties remained at 5.86%, unchanged from December 31, 2020.

		March 31, 2021		December 31, 2020
Fixed rate mortgages	$	**1,279,384**	$	1,274,304
Senior unsecured notes		**1,125,000**		1,125,000
Revolving credit facility		**35,000**		17,712
Joint operation credit facility		**9,588**		9,544
Bilateral credit facility		**35,000**		35,000
Lease liabilities		**35,451**		29,914
Total debt outstanding		**2,519,423**		2,491,474
Less: Applicable fair value debt adjustment		**(223)**		(283)
Debt	$	**2,519,200**	$	2,491,191
Investment properties, fair value	$	**4,877,000**	$	4,815,000
Other assets, cost (1)		**108,579**		100,206
Cash and cash equivalents		**56,523**		63,293
Deferred financing charges		**10,526**		10,972
Investment in joint ventures, fair value (2)		**103,562**		51,043
Interest rate subsidy		**(223)**		(283)
Gross fair value	$	**5,155,967**	$	5,040,231
Debt to gross fair value(*)		**48.9 %**		49.4 %

(1) Other assets exclude tenant incentives and accumulated amortization, and accrued straight-line rent receivable.
(2) Investment in joint ventures using fair value accounting.

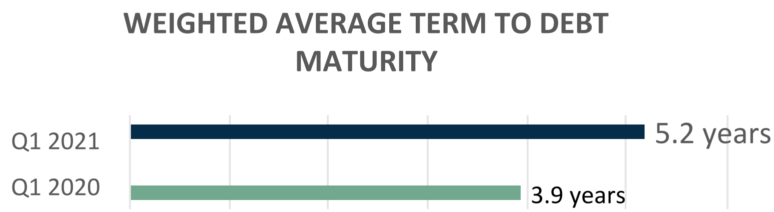
The debt to gross fair value(*), applying cash and cash equivalents to reduce debt, is 48.3% at March 31, 2021 (December 31, 2020 - 48.8%).

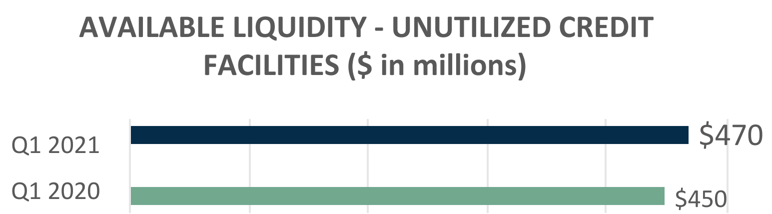
Debt to EBITDA(*) and Interest Coverage(*) Ratios:

The following table presents a reconciliation of property revenue to EBITDA. EBITDA is a non-GAAP measure and should not be considered an alternative to operating income attributable to Unitholders and may not be comparable to that used by other entities. Refer to the "Non-GAAP Financial Measures" section of this MD&A, starting on page 56, for more information.

	Three months ended							
	Mar. 31, 2021	Dec. 31, 2020	Sep. 30, 2020	Jun. 30, 2020	Mar. 31, 2020	Dec. 31, 2019	Sep. 30, 2019	Jun. 30, 2019
Property revenue	**$ 103,537**	$ 97,060	$ 92,920	$ 96,501	$ 102,252	$ 96,823	$ 97,346	$ 99,332
Amortization of tenant incentives	**4,535**	4,859	4,752	4,419	3,819	3,598	3,515	3,411
Adjusted property revenue	**108,072**	101,919	97,672	100,920	106,071	100,421	100,861	102,743
Property operating expenses	**(33,401)**	(29,245)	(27,503)	(37,887)	(35,237)	(29,852)	(27,205)	(28,222)
General and administrative expenses	**(5,038)**	(5,493)	(5,062)	(6,960)	(3,019)	(5,855)	(6,112)	(5,970)
Income (loss) from equity accounted investments	**(771)**	(411)	101	123	115	(8)	125	123
EBITDA(*) (1)	**$ 68,862**	$ 66,770	$ 65,208	$ 56,196	$ 67,930	$ 64,706	$ 67,669	$ 68,674
Trailing 12 months EBITDA(*) (4)	**$ 257,036**	$ 256,104	$ 254,040	$ 256,501	$ 268,979	$ 271,848	$ 278,999	$ 282,653
Finance costs - operations	**$ 23,461**	$ 24,912	$ 22,250	$ 22,006	$ 22,640	$ 22,810	$ 24,504	$ 24,335
Amortization of deferred financing charges	**(802)**	(835)	(737)	(683)	(751)	(827)	(922)	(913)
Amortization of effective swap agreements	**—**	—	—	—	(510)	(356)	(226)	(544)
Adjusted interest expense (2)	**$ 22,659**	$ 24,077	$ 21,513	$ 21,323	$ 21,379	$ 21,627	$ 23,356	$ 22,878
Debt principal repayments (3)	**$ 10,548**	$ 10,715	$ 10,786	$ 10,395	$ 10,790	$ 12,167	$ 12,773	$ 12,917
Debt outstanding (see Debt to Gross Fair Value(*)) (5)	**$ 2,519,200**	$ 2,491,191	$ 2,373,623	$ 2,338,288	$ 2,383,451	$ 2,317,265	$ 2,329,039	$ 2,319,410
Interest service coverage(*) ratio {(1)/(2)}	**3.04x**	2.77x	3.03x	2.64x	3.18x	2.99x	2.90x	3.00x
Debt service coverage(*) ratio {(1)/((2)+(3))}	**2.07x**	1.92x	2.02x	1.77x	2.11x	1.91x	1.87x	1.92x
Debt to trailing 12 months EBITDA(*) {(5)/(4)}	**9.80x**	9.73x	9.34x	9.12x	8.86x	8.52x	8.35x	8.21x

Debt Profile





Mortgages

Crombie had outstanding fixed rate mortgages consisting of:

		March 31, 2021		December 31, 2020
Fixed rate mortgages	$	**1,278,829**	$	1,273,674
Unamortized fair value debt adjustment and interest rate subsidy		**555**		630
		1,279,384		1,274,304
Deferred financing charges on fixed rate mortgages		**(7,003)**		(7,260)
Total mortgage debt	$	**1,272,381**	$	1,267,044
Long-term portion	$	**1,076,379**	$	1,139,798
Current portion	$	**196,002**	$	127,246
Weighted average interest rate		**3.96 %**		3.98 %

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 "Interest Rate Risk"). Crombie currently has interest rate swap agreements in place on $111,731 of floating rate debt.

Senior Unsecured Notes

The following series of senior unsecured debentures were outstanding as at March 31, 2021 and December 31, 2020:

	Maturity Date	Interest Rate		March 31, 2021		December 31, 2020
Series B	June 1, 2021	3.962 %	$	150,000	$	150,000
Series D	November 21, 2022	4.066 %		150,000		150,000
Series E	January 31, 2025	4.802 %		175,000		175,000
Series F	August 26, 2026	3.677 %		200,000		200,000
Series G	June 21, 2027	3.917 %		150,000		150,000
Series H	March 31, 2028	2.686 %		150,000		150,000
Series I	October 9, 2030	3.211 %		150,000		150,000
Unamortized Series B issue premium				45		110
Deferred financing charges				(3,523)		(3,712)
Total senior unsecured notes			$	1,121,522	$	1,121,398
Long-term portion			$	971,522	$	971,398
Current portion			$	150,000	$	150,000
Weighted average interest rate				3.78 %		3.78 %

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

Credit Facilities

The following floating-rate credit facilities had balances drawn as at March 31, 2021 and December 31, 2020 :

		Available Facility	Weighted average term to maturity		March 31, 2021		December 31, 2020
Revolving credit facility	$	400,000	2.2 years	$	35,000	$	17,712
Unsecured bilateral credit facility	$	130,000	2.2 years		35,000		35,000
Joint operation credit facility I	$	68,050	3.1 years		7,138		7,188
Joint operation credit facility II	$	32,000	3.5 years		2,450		2,356
Total credit facilities	$	630,050	2.4 years	$	79,588	$	62,256

The revolving credit facility is secured by a pool of first mortgages on certain properties. The unsecured bilateral credit facility is used by Crombie for working capital purposes and to provide temporary financing for acquisitions and development activity. The unsecured bilateral credit facility has been renewed and the maturity date has been extended to June 30, 2023. Joint operation credit facility I consists of term loan and revolving credit facilities which are secured by first mortgages on select properties. Joint operation credit facility II also consists of term loan and revolving credit facilities which are secured by first and second mortgages on select properties. Crombie and its co-owner entered into a fixed for floating interest rate swap, effectively fixing the interest rate on both joint operation facilities. Borrowings under all credit facilities can be by way of Bankers' Acceptance or prime rate advance, and the floating interest rate is contingent on the type of advance plus the applicable spread or margin.

For information on the amended terms governing the revolving credit facility, see the "Available Credit Line Liquidity" section in the 2020 Annual MD&A.

At March 31, 2021, the remaining amount available under the revolving credit facility was approximately $364,000 (prior to reduction for standby letters of credit outstanding of $6,014).

Crombie has remained in compliance with all debt covenants.

Our liquidity is impacted by contractual debt commitments. Our contractual debt commitments for the next five years are as follows:

	Twelve months ending March 31,						
	Contractual Cash Flows (1)	2022	2023	2024	2025	2026	Thereafter
Fixed rate mortgages - principal and interest (2)	$ 484,465	$ 93,046	$ 78,644	$ 60,274	$ 39,198	$ 32,684	$ 180,619
Fixed rate mortgages - maturities	1,025,421	151,503	133,170	342,288	82,872	20,476	295,112
Senior unsecured notes	1,318,544	187,566	184,374	30,476	204,076	22,076	689,976
Trade and other payables	121,667	102,257	3,700	2,441	1,478	1,173	10,618
Lease liabilities	155,870	2,924	2,881	2,774	2,651	2,620	142,020
	3,105,967	537,296	402,769	438,253	330,275	79,029	1,318,345
Credit facilities	83,848	1,727	1,727	70,684	9,710	—	—
Total	$ 3,189,815	$ 539,023	$ 404,496	$ 508,937	$ 339,985	$ 79,029	$ 1,318,345

(1) Contractual cash flows include principal and interest and exclude extension options.
(2) Reduced by the interest rate subsidy payments to be received from Empire.

Crombie’s contractual debt obligations and projected development expenditures can be funded from the following financing sources:

- secured and unsecured short-term financing subject to available borrowing base;
- recycling capital through the disposition of investment properties;
- secured mortgage and term debt on unencumbered properties;
- the issuance of additional senior unsecured notes;
- the issuance of new units; and
- entering into new joint arrangements.

Debt Maturities

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

	Maturing Debt Balances							
12 Months Ending	Mortgages	Senior Unsecured Notes	Credit Facilities	Total	% of Total	Payments of Principal	Total Required Payments	% of Total
Remainder of 2021	$ 75,142	$ 150,000	$ —	$ 225,142	10.1 %	$ 33,736	$ 258,878	10.4 %
December 31, 2022	159,451	150,000	—	309,451	13.9 %	39,987	349,438	14.1 %
December 31, 2023	238,384	—	70,000	308,384	13.8 %	33,424	341,808	13.8 %
December 31, 2024	226,268	—	9,588	235,856	10.6 %	21,636	257,492	10.3 %
December 31, 2025	30,596	175,000	—	205,596	9.2 %	17,751	223,347	9.0 %
Thereafter	295,580	650,000	—	945,580	42.4 %	106,874	1,052,454	42.4 %
Total (1)	$ 1,025,421	$ 1,125,000	$ 79,588	$ 2,230,009	100.0 %	$ 253,408	$ 2,483,417	100.0 %

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

Outstanding Unit Data

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

For the three months ended March 31, 2021, Crombie issued 24,280 REIT Units and 17,203 Class B LP Units under its DRIP. Units issued under the DRIP are issued at a price equal to 100% of the volume-weighted average trading price of the REIT Units on the TSX for the five trading days immediately preceding the relevant distribution payment date.

Throughout the quarter, Crombie issued 4,817 REIT Units under its unit based compensation plans.

Total units outstanding at April 30, 2021, were as follows:

Units	93,569,702
Special Voting Units [1]	64,747,332

(1) Crombie Limited Partnership, a subsidiary of Crombie, has issued 64,747,332 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.

Cash Flows

	Three months ended March 31,		
	2021	2020	Variance
Cash provided by (used in):			
Operating activities	**$ 40,408**	$ 36,840	$ 3,568
Financing activities	**(32,873)**	89,905	(122,778)
Investing activities	**(14,305)**	(14,088)	(217)
Net change during the period	**$ (6,770)**	$ 112,657	$ (119,427)

Operating Activities

The increase in cash provided by operating activities in the quarter compared to the same quarter in 2020 is primarily due to a decrease in trade receivables of $8,462 in 2021, partially offset by additions to tenant incentives of $29,957 compared to $24,291 in Q1 2020.

Financing Activities

The decrease in cash provided by financing activities is due to the net amount drawn on floating rate credit facilities of $19,927 compared to $231,802 during the first quarter of 2020, and the Unit issuance of $97,422 net of costs in the first quarter of 2020. This is partially offset by mortgage issues of $25,550 in 2021 and repayment of mortgages of $20,395 compared to $168,420 in the first quarter of 2020, and payment of the special cash distribution of $14,857 in the first quarter of 2020.

Investing Activities

The increase in cash used in investing activities in the quarter results primarily from additions to investment properties of $8,381, and the acquisition of investment properties of $46,044, offset in part by proceeds from disposition of $41,561. The investment property activity in the same period in 2020 was comprised of additions of $14,139 and acquisitions of $317, partially offset by proceeds from disposition of $901.

Off-Balance Sheet Commitments and Guarantees

There are claims and litigation in which Crombie is involved, 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 standby letters of credit to support its obligations with respect to construction work on its investment properties and satisfying mortgage financing requirements. As at March 31, 2021, Crombie has a total of $6,014 in outstanding letters of credit related to:

		March 31, 2021		December 31, 2020
Construction work being performed on investment properties	**$**	**4,174**	$	3,740
Mortgage lenders primarily to satisfy mortgage financings on redevelopment properties		**1,840**		1,840
Total outstanding letters of credit	**$**	**6,014**	$	5,580

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

As at March 31, 2021, Crombie had signed construction contracts totaling $288,469 of which $232,782 has been paid. This includes contracts signed within joint ventures at Crombie's ownership percentage.

Crombie has 100% guarantees on mortgages related to properties in which it has less than a 100% interest. The mortgages payable related to these guarantees are secured by specific charges against the properties. As at March 31, 2021, Crombie has provided guarantees of approximately $139,258 (December 31, 2020 - $140,577) on mortgages in excess of their ownership interest in the properties. Responsibility for ongoing payments of principal and interest on these mortgages remains with the joint owners of the properties. The mortgages have a weighted average term to maturity of 3.6 years.

Under the terms of head leases with certain of Crombie's joint operation partners, Crombie guarantees its joint operation partners their portion of any uncollected rent receivable from the sub-tenant.

Crombie has committed to purchasing a vacant parcel of land for future development. This transaction is expected to close later this year.

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.

There were no transfers between levels of the fair value during the three months ended March 31, 2021 .

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
- Trade and other payables.

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:

	March 31, 2021		December 31, 2020	
	Fair Value	**Carrying Value**	Fair Value	Carrying Value
Financial assets				
Long-term receivables [1]	**$ 38,635**	**$ 38,647**	$ 25,042	$ 25,051
Financial liabilities				
Investment property debt	**$ 1,439,870**	**$ 1,358,972**	$ 1,427,367	$ 1,336,560
Senior unsecured notes	**1,173,526**	**1,125,000**	1,206,285	1,125,000
Total other financial liabilities	**$ 2,613,396**	**$ 2,483,972**	$ 2,633,652	$ 2,461,560

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

Financial assets are derecognized when the contractual rights to benefits from the financial asset expire. The difference between the asset's carrying value and the consideration received or receivable is recognized as a charge to the statement of comprehensive income.

The fair value of the long-term receivables, investment property debt and senior unsecured notes are Level 2 measurements.

8. RISK MANAGEMENT

Risk Management Framework

Management of the REIT is vested in the Board of Trustees, subject to the provisions of applicable statutes and the Declaration of Trust. The Board of Trustees of the REIT shall have explicit responsibility for the stewardship of the REIT including the strategic planning process, approval of the strategic plan, the identification of principal risks and implementation of systems to manage these risks, succession planning, operations, communications and reporting, and the integrity of the REIT’s internal control and management information systems. The Board discharges certain of its responsibilities through delegation to its committees as more particularly set out in the committee mandates.

Risk Factors Related to the Business of Crombie

In the normal course of business, Crombie is exposed to a number of financial risks that can affect its operating performance.

In addition to the more fulsome description of Crombie's risk discussion under the "Risk Management" section in the 2020 Annual MD&A, Crombie is providing the following specific risk update for March 31, 2021.

Enterprise Risk Management

Markets have been impacted by COVID-19, which was declared a pandemic by the World Health Organization ("WHO") on March 11, 2020. The continued spread of COVID-19 and the actions being taken by governments, businesses and individuals to limit this pandemic, including business closures and physical distancing, and the effects of resulting layoffs and other job losses on the available income of retail customers, may adversely impact our operations and development activities including, among others, increasing the credit risk associated with our receivables, limiting our ability to quickly respond to changes in credit risk, extending the time to completion and occupancy of our major developments, and limiting our ability to serve our tenants. There is also increased risk as to the extent of the impact of COVID-19 on leasing, occupancy, tenant inducements, land use intensifications, market rents, and capital expenditures if the current economic slowdown continues long-term, potentially impacting future operational expectations and valuation of assets. This has resulted in significant economic uncertainty, of which the potential impact on Crombie's future financial results is difficult to reliably measure.

Significant Relationship

As at March 31, 2021, Empire, through its wholly-owned subsidiary ECL Developments (ECLD), holds a 41.5% indirect interest in Crombie. Crombie’s anchor tenants are concentrated in a relatively small number of retail operators. Specifically, 56.8% of the annual minimum rent and 50.4% of total property revenue generated from Crombie’s properties is derived from anchor tenants that are owned and/or operated by Empire (including Sobeys and all other subsidiaries of Empire). Therefore, Crombie is reliant on the sustainable operation by Empire in these locations.

Financial Risk Management

The following table outlines our financial risks, how we manage these risks, and whether there was a change in risk exposure compared to the prior year.

Credit Risk

Risk Description	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 and other adjustments to net property income are taken for all anticipated collectability risks.
Risk Management	Crombie mitigates credit risk by geographical diversification, diversifying both its tenant mix and asset mix and conducting credit assessments for new and renewing tenants. In measuring tenant concentration, Crombie considers both the annual minimum rent and total property revenue of major tenants. • Crombie's largest tenant, Empire (including Sobeys and all other subsidiaries of Empire), represents 56.8% of annual minimum rent. No other tenant accounts for more than 3.2% of Crombie's total 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 $52,181 for the three months ended March 31, 2021 (three months ended March 31, 2020 - $49,370) from Sobeys Inc. and other subsidiaries of Empire. Receivables are substantially comprised of current balances due from tenants and past due receivables. The balance of accounts receivable past due is usually not significant; however, historically low receivable balances have increased significantly over the past year as a result of the impacts of the COVID-19 pandemic. Generally, rents are due the first of each month and other tenant billings are due 30 days after invoicing, and in general, balances over 30 days are considered past due. Crombie determines the expected credit loss in accordance with IFRS 9's simplified approach for amounts receivable where its loss allowance is measured at initial recognition and throughout the life of the receivable. Trade receivables are written off when there is no reasonable expectation of recovery. Crombie assesses, on a forward-looking basis, the expected credit losses associated with its rent receivables. In determining the expected credit losses, Crombie takes into account, on a tenant-by-tenant basis, the payment history, future expectations, and knowledge gathered through discussions for rental concessions, applications for rental relief through government programs, and ongoing discussions with tenants. Crombie’s assessment of expected credit losses is subjective and, due to the impacts of COVID-19, the degree of uncertainty in our assessments has increased. During the three months ended March 31, 2021, Crombie has recorded a bad debt expense of $648. Our trade receivables and allowance for doubtful accounts balances at March 31, 2021 were $31,963 and $(6,169) respectively (March 31, 2020 - $21,008 and $(1,423) respectively). Crombie manages its residual risk in its investment properties through an active capital expenditure program and actively leasing any vacant spaces. The residual risk throughout Crombie's portfolio is not considered significant although a prolonged state of economic shutdown can impact Crombie's ability to execute on its capital expenditure program and leasing activity.

Liquidity Risk

Risk Description	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.
Risk Management	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 issuance from Crombie with financial terms acceptable to Crombie. Access to debt and equity capital markets may also be affected by national and international events, and economic conditions beyond Crombie's control. Crombie mitigates its exposure to liquidity risk utilizing a disciplined approach to capital management. Access to the $400,000 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. Refer to section “Debt Profile” of this MD&A for a maturity analysis of our recognized financial liabilities and purchase obligations.

Interest Rate Risk

Risk Description	Interest rate risk is the potential for financial loss arising from increases in interest rates.
Risk Management	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 March 31, 2021: • Crombie's weighted average term to maturity of its fixed rate mortgages is 5.7 years; • Crombie's weighted average term to maturity of its unsecured notes was 4.8 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 $35,000 outstanding; • Crombie has a floating rate bilateral credit facility available to a maximum of $130,000 with a balance of $35,000 outstanding; and • Crombie has interest rate swap agreements in place on $111,731 of floating rate debt. A fluctuation in interest rates would have had an impact on Crombie’s operating income related to the use of floating rate debt. The following table looks at the impacts of selected interest rate moves on operating income:

Impact on operating income attributable to Unitholders of interest rate changes on the revolving credit facility	Three months ended March 31, 2021 Decrease in rate	Increase in rate
Impact of a 0.5% interest rate change	$ 80	$ (80)
Impact of a 1.0% interest rate change	$ 161	$ (161)

9. OTHER DISCLOSURES

Related Party Transactions

As at March 31, 2021, Empire, through its wholly-owned subsidiary ECLD, holds a 41.5% indirect interest in Crombie. Related party transactions primarily include transactions with entities associated with Crombie through Empire's indirect interest. Related party transactions also include transactions with joint venture entities in which Crombie has a 50% interest, as well as transactions with key management personnel and post-employment benefit plans.

Related party transactions are measured at the amount of consideration established and agreed by the related parties.

Crombie's transactions with related parties are as follows:

	Three months ended March 31,			
		2021		2020
Property revenue				
Property revenue	**$**	**52,181**	$	49,370
Head lease income	**$**	**246**	$	368
Lease termination income	**$**	**34**	$	34
Property operating expenses	**$**	**(5)**	$	(7)
General and administrative expenses				
Property management services recovered	**$**	**50**	$	39
Other general and administrative expenses	**$**	**(65)**	$	(59)
Finance costs - operations				
Interest rate subsidy	**$**	**60**	$	66
Finance costs - distributions to Unitholders	**$**	**(14,607)**	$	(14,397)

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. Revenue generated from the Management Agreement is being recognized as a reduction of general and administrative expenses.

Included in the above, during the three months ended March 31, 2021, Crombie issued 17,203 (March 31, 2020 - 26,738) Class B LP Units to ECLD under the DRIP.

During the three months ended March 31, 2021, Crombie purchased five properties from a subsidiary of Empire for a total purchase price of $38,202 before transaction costs.

During the three months ended March 31, 2021, Crombie invested $16,060 in properties anchored by subsidiaries of Empire, which resulted in amended lease terms. These amounts have been included in tenant incentive additions or income property additions depending on the nature of the work completed. The costs are being amortized over the amended lease terms or the useful life of the projects, as applicable.

Crombie has a mortgage payable of $25,526 (December 31, 2020 - $25,526) due to 1600 Davie Limited Partnership. This mortgage relates to the commercial component of the Davie Street development, 100% of which is included in Crombie's financial statements.

Amounts due from related parties include $15,533 (December 31, 2020 - $15,533) in 6% subordinated notes receivable due from Bronte Village Limited Partnership and The Duke Limited Partnership.

Use of Estimates and Judgments

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

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

Critical accounting estimates and assumptions are discussed under the "Critical Accounting Estimates and Assumptions" section of the 2020 Annual MD&A. The estimates and assumptions that are critical to the determination of the amounts reported in the interim condensed consolidated financial statements relate to the following:

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 market-observable data is 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.

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.

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 substantially all of Crombie's investment property portfolio on a rotating basis over a maximum period of four years. On a periodic basis, Crombie obtains independent appraisals such that approximately 85% of our properties, by value, will be externally appraised over a four year period. 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 trailing annual net property income recognized from leasing the property, that is stabilized for any major tenant movement. Crombie has adjusted net property income for expected impacts related to COVID-19 by looking at potential bad debts or other income implications at each property, and applying probability to several potential scenarios and, where appropriate, normalized the COVID-19 impact on net operating income. Biannual yields are obtained from an independent valuation company, which reflects the specific risks inherent in the net property income, to arrive at property valuations. As at March 31, 2021, management’s determination of fair value was updated for current market assumptions, informed by property income, market capitalization rates, and recent appraisals provided by independent appraisal professionals.

Expected Credit Loss

Crombie assesses, on a tenant-by-tenant basis, losses expected with its rent receivables. In determining the provision for doubtful accounts, Crombie takes into account the payment history and future expectations of likely default events (tenants asking for rental concessions/abatements, applications for rental relief through government programs such as the Canada Emergency Commercial Rent Assistance ("CECRA") program and Canada Emergency Rent Subsidy ("CERS"), or stating they will not be making rental payments on the due date) based on actual or expected insolvency filings or company voluntary arrangements and likely deferrals of payments due, and potential abatements to be granted by the landlord through tenant negotiations or under CECRA. Crombie’s assessment is subjective due to the forward-looking nature of the situation. As a result, the provision for doubtful accounts is subject to a degree of uncertainty and is made based on assumptions which may not prove to be accurate with the unprecedented uncertainty caused by COVID-19.

Critical Judgments

Critical judgments are discussed under the "Critical Judgments" section of the 2020 Annual MD&A.

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. Controls and procedures are 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 March 31, 2021. 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 March 31, 2021, 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 period.

Quarterly Information

	Three months ended							
	Mar. 31, 2021	Dec. 31, 2020	Sep. 30, 2020	Jun. 30, 2020	Mar. 31, 2020	Dec. 31, 2019	Sep. 30, 2019	Jun. 30, 2019
Property revenue	**$ 103,537**	$ 97,060	$ 92,920	$ 96,501	$ 102,252	$ 96,823	$ 97,346	$ 99,332
Property operating expenses	**33,401**	29,245	27,503	37,887	35,237	29,852	27,205	28,222
Net property income	**70,136**	67,815	65,417	58,614	67,015	66,971	70,141	71,110
Operating income	**33,215**	17,157	19,734	9,393	21,324	44,149	30,049	39,449
Finance costs - distributions to Unitholders	**(35,220)**	(35,211)	(35,202)	(35,187)	(34,702)	(48,936)	(33,753)	(33,744)
Finance income (costs) - change in fair value of financial instruments	**(1,026)**	(725)	(187)	(212)	1,929	(70)	(264)	(332)
Increase (decrease) in net assets attributable to Unitholders	**$ (3,031)**	$ (18,779)	$ (15,655)	$ (26,006)	$ (11,449)	$ (4,857)	$ (3,968)	$ 5,373
Operating income per unit - Basic	**$ 0.21**	$ 0.11	$ 0.12	$ 0.06	$ 0.14	$ 0.29	$ 0.20	$ 0.26
Distributions								
Distributions	**$ 35,220**	$ 35,211	$ 35,202	$ 35,187	$ 34,702	$ 48,936	$ 33,753	$ 33,744
Per unit	**$ 0.22**	$ 0.22	$ 0.22	$ 0.22	$ 0.22	$ 0.22	$ 0.22	$ 0.22
AFFO(*)								
Basic	**$ 38,779**	$ 35,679	$ 35,494	$ 28,107	$ 39,683	$ 36,006	$ 36,417	$ 37,549
Per unit - Basic	**$ 0.25**	$ 0.23	$ 0.22	$ 0.18	$ 0.26	$ 0.24	$ 0.24	$ 0.25
Payout ratio (1)	**90.8 %**	98.7 %	99.2 %	125.2 %	87.4 %	93.8 %	92.7 %	89.9 %
FFO(*)								
Basic	**$ 46,103**	$ 42,305	$ 43,327	$ 34,557	$ 45,661	$ 42,132	$ 43,380	$ 44,567
Per unit - Basic	**$ 0.29**	$ 0.27	$ 0.27	$ 0.22	$ 0.29	$ 0.28	$ 0.29	$ 0.29
Payout ratio (2)	**76.4 %**	83.2 %	81.2 %	101.8 %	76.0 %	80.1 %	77.8 %	75.7 %
Operating information								
Number of investment properties	**287**	284	286	286	285	285	284	284
Gross leasable area	**18,229,000**	18,000,000	17,684,000	17,614,000	17,583,000	17,558,000	17,732,000	17,746,000
Economic occupancy	**95.5 %**	94.0 %	94.7 %	95.1 %	95.5 %	95.4 %	95.6 %	95.2 %
Committed occupancy	**96.3 %**	96.4 %	95.3 %	95.6 %	96.2 %	96.1 %	96.1 %	95.9 %
Debt metrics								
Unencumbered investment properties (3)	**$1,388,141**	$1,366,258	$1,460,152	$1,461,970	$1,479,211	$1,223,452	$ 960,275	$ 953,738
Available liquidity	**$ 469,548**	$ 471,708	$ 370,885	$ 406,303	$ 449,898	$ 449,016	$ 450,967	$ 413,087
Debt to gross fair value(*)	**48.9 %**	49.4 %	49.8 %	49.2 %	50.0 %	48.9 %	48.9 %	49.1 %
Weighted average interest rate (4)	**3.9 %**	3.9 %	4.1 %	4.1 %	4.1 %	4.2 %	4.2 %	4.2 %
Debt to trailing 12 months EBITDA(*)	**9.80x**	9.73x	9.34x	9.12x	8.86x	8.52x	8.35x	8.21x
Interest coverage ratio(*)	**3.04x**	2.77x	3.03x	2.64x	3.18x	2.99x	2.90x	3.00x

(1) Excludes special distribution December 31, 2019. Payout ratio including total distributions is 135.9%.
(2) Excludes special distribution December 31, 2019. Payout ratio including total distributions is 116.1%.
(3) Represents fair value of unencumbered properties.
(4) Weighted average interest rate is calculated based on interest rates for all outstanding fixed rate debt.

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

- Property acquisitions and dispositions (gross proceeds excluding closing and transaction costs) for each of the above three month periods were:

  March 31, 2021 - acquisition of six retail properties and one development property for a total purchase price of $46,292 and disposition of three retail properties for proceeds of $41,970;

  December 31, 2020 - acquisition of two retail properties and one development property for a total purchase price of $31,400 and disposition of five retail properties for proceeds of $37,010;

  September 30, 2020 - acquisition of one development property for a total purchase price of $4,575;

  June 30, 2020 - acquisition of one retail property for a total purchase price of $4,535;

  March 31, 2020 - acquisition of a parcel of land adjacent to an existing retail property for a total purchase price of $280 and disposition of a parcel of land adjacent to an existing retail property for proceeds of $1,000;

  December 31, 2019 - acquisition of one retail property, additions to one existing retail property and one existing retail-related industrial property for a total purchase price of $114,933, and disposition of an 89% interest in 15 retail properties for proceeds of $193,333;

  September 30, 2019 - acquisition of a 50% interest in one retail property for a total purchase price of $9,500, disposition of an 89% interest in one retail property for proceeds of $9,750, disposition of 100% of one retail property for proceeds of $12,255, disposition of air rights to a joint venture for proceeds of $27,379, and disposition of a freestanding building adjacent to a retail property for proceeds of $175; and

  June 30, 2019 - disposition of one retail property for proceeds of $21,500, disposition of residential lands adjacent to a development property for proceeds of $3,275 and disposition of an 89% interest in 26 retail properties for proceeds of $161,589.

- 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.

10. 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. 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. These measures are defined below and are cross referenced, as applicable, to a reconciliation elsewhere in this MD&A to the most comparable IFRS measure.

Non-GAAP Measure	**Description and Purpose**	**Reconciliation**
Property NOI on a cash basis	• Property NOI on a cash basis, which excludes non-cash straight-line rent recognition and non-cash tenant incentive amortization. • Management believes that Property NOI on a cash basis is an important measure of operating performance as it reflects the cash generated by the properties period-over-period.	"Net Property Income" starting on page 23
Same-asset property cash NOI	• Same-asset properties are properties owned and operated by Crombie throughout the current and comparative reporting periods, excluding any property that was designated for redevelopment during either the current or comparative period. Same-asset property cash NOI includes Crombie's proportionate ownership of jointly operated properties. • Management believes this is a useful measure in understanding period-over-period changes in property cash NOI before considering the changes in NOI that can be attributed to the certain transactions such as acquisitions and dispositions. • The number of same-asset properties was 271 as at March 31, 2021.	"Net Property Income" starting on page 23
Funds from Operations ("FFO")	• Crombie follows the recommendations of the Real Property Association of Canada ("REALPAC")'s February 2019 white paper in calculating FFO, and defines FFO as increase (decrease) in net assets attributable to Unitholders (computed in accordance with IFRS), adjusted for the following applicable amounts: ◦ Gain or loss on disposal of investment properties and related income tax; ◦ Impairment charges and recoveries; ◦ Depreciation and amortization expense of investment properties, including amortization of tenant incentives charged against property revenue; ◦ Adjustments for equity accounted entities; ◦ Operational expenses from right of use assets; ◦ Incremental internal leasing expenses; ◦ 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 and Crombie considers these costs comparable to other capital costs incurred to earn property revenue. As a result, where 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.	"Funds from Operations (FFO)(*)" starting on page 25

Non-GAAP Measure	Description and Purpose	Reconciliation
Adjusted Funds from Operations ("AFFO")	• Crombie considers AFFO to be a useful measure in evaluating the recurring economic performance of its operating results which will be used to support future distribution payments. • Crombie follows the recommendations of REALPAC's February 2019 white paper in calculating AFFO. • AFFO reflects earnings after the adjustments in arriving at FFO (excluding internal leasing costs) and the provision for non-cash straight-line rent included in revenue, amortization of effective swap agreements, maintenance capital expenditures, maintenance tenant incentives and leasing costs, and any settlement of effective interest rate swap agreements.	"Adjusted Funds from Operations (AFFO)(*)" starting on page 25
Debt to gross fair value	• Used to evaluate Crombie's flexibility to incur additional financial leverage.	"Debt Metrics" starting on page 39
Earnings before interest, taxes, depreciation and amortization ("EBITDA")	• Represents earnings before interest, taxes, depreciation, and amortization adjusted for certain items such as amortization of tenant incentives, impairment of investment properties, and gain (loss) on disposal of investment properties. • EBITDA is used as an input in several of our debt metrics, providing information with respect to certain financial ratios that we use in measuring our debt profile and assessing our ability to satisfy obligations, including servicing our debt. • Crombie believes EBITDA is an indicative measure of its ability to service debt requirements, fund capital projects and acquire properties.	"Debt Metrics" starting on page 39
Debt to EBITDA	• Used to assess Crombie's financial leverage, to measure its ability to meet financial obligations and measure its balance sheet strength.	"Debt Metrics" starting on page 39
Interest service coverage Debt service coverage	• These ratios are useful in determining the Crombie's ability to service the interest requirements of its outstanding debt.	"Debt Metrics" starting on page 39

Maintenance Capital Expenditures, Maintenance Tenant Incentives and Leasing Costs ("Maintenance Expenditures")

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

Crombie's policy is to charge AFFO(*) with maintenance expenditures based on a normalized rate per square foot applied to the weighted average GLA, as these expenditures are not generally incurred on a consistent basis during the year, or from year to year. Crombie excludes newly constructed and developed properties from its maintenance charge for the first year until a baseline of actual expenditures is obtained. Crombie also discloses actual maintenance expenditures for comparative purposes. The rate per square foot is a proxy for actual historic costs, anticipated future costs, and any significant changes in the nature and age of the properties in the portfolio as it evolves over time. For 2021, Crombie has maintained the normalized rate of $0.90 per square foot of weighted average GLA, based on the actual spend for the previous three years and estimated spend for 2021. Additionally, Crombie combines maintenance capital expenditures with maintenance tenant incentive ("TI") and deferred leasing costs in arriving at the normalized per square foot charge to AFFO, based on the fact that in years where TI and leasing expenditures are reduced, spending on maintenance capital expenditures may be accelerated and vice versa.

Maintenance Expenditures - Actual

	Three months ended	Year ended	Three months ended				Year ended
	Mar. 31, 2021	Dec. 31, 2020	Dec. 31, 2020	Sep. 30, 2020	Jun. 30, 2020	Mar. 31, 2020	Dec. 31, 2019
Total additions to investment properties	**$ 8,381**	$ 109,668	$ 49,797	$ 30,913	$ 14,819	$ 14,139	$ 94,769
Less: revenue enhancing expenditures	**(7,232)**	(103,982)	(47,692)	(29,887)	(13,890)	(12,513)	(86,807)
Maintenance capital expenditures	**1,149**	5,686	2,105	1,026	929	1,626	7,962
Total additions to TI and deferred leasing costs	**$ 30,051**	64,971	12,716	3,682	23,944	24,629	61,035
Less: revenue enhancing expenditures	**(27,265)**	(51,464)	(9,557)	(1,585)	(18,947)	(21,375)	(53,564)
Maintenance TI and deferred leasing costs	**2,786**	13,507	3,159	2,097	4,997	3,254	7,471
Total maintenance expenditures - actual	**$ 3,935**	$ 19,193	$ 5,264	$ 3,123	$ 5,926	$ 4,880	$ 15,433
Reserve amount charged against AFFO(*)	**$ 3,990**	$ 15,869	$ 3,986	$ 3,963	$ 3,967	$ 3,953	$ 16,113

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

Maintenance TI and deferred leasing costs are the result of both lease renewals and new leases and are reflective of the leasing activity during 2021, 2020, and 2019.

Revenue enhancing expenditures are capitalized and depreciated or charged against revenue over their useful lives, but not deducted when calculating AFFO(*). Revenue enhancing expenditures during the three months ended March 31, 2021 consisted primarily of development work, modernization investments, and land use intensifications.

Crombie uses a normalized rate of $0.90 per square foot of weighted average GLA for the reserve amount charged against AFFO(*).

11. FORWARD-LOOKING INFORMATION

This MD&A contains forward-looking statements about expected future events and the financial and operating performance of Crombie. These statements, and the related estimates and assumptions used by management, can be found in several sections of the MD&A, including, but not limited to, "Portfolio Review - Strategic Acquisitions", "Portfolio Review - Strategic Dispositions", "Development", "Capital Management", and "Other Disclosures." Forward-looking 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 cautionary statements under "Risk Factors Related to the Business of Crombie" above and in the 2020 Annual MD&A, as well as the additional statements in the "Risks" section of Crombie's Annual Information Form available at www.sedar.com. Forward-looking statements in this MD&A and principle related risks include statements regarding:

(i) AFFO accretion and NAV growth from strategic acquisitions, which may be affected by future occupancy and rental performance, and/or redevelopment activity of acquired properties;
(ii) disposition of properties and the anticipated reinvestment of net proceeds, which could be impacted by the availability of purchasers, the availability of accretive property acquisitions, the timing of property development activities or other accretive uses for net proceeds and real estate market conditions;
(iii) statements under the heading "Development" including the locations identified, timing, cost, development size and nature, and anticipated impact on portfolio quality and diversification, estimated yield on cost, cash flow growth, unitholder value, or other financial measures, all of which may be impacted by real estate market cycles, future capitalization rates, the availability of financing opportunities and labour, actual development costs, and general economic conditions and factors described under the "Development" section and which assumes obtaining required municipal zoning and development approvals and successful agreements with existing tenants, and where applicable, successful execution of development activities undertaken by related parties not under the direct control of Crombie;
(iv) fair value of investment properties, which is based on assumptions regarding the short and potential long-term impacts of COVID-19, cash flow projections, and estimates of future cash flows and anticipated trends and economic conditions;
(v) overall indebtedness levels and terms, and expectations relating to refinancing, which could be impacted by the level of acquisition and disposition activity that Crombie is able to achieve, levels of indebtedness, Crombie's ability to maintain and strengthen its investment grade credit rating, future financing opportunities, future interest rates, creditworthiness of major tenants and joint arrangement partners, and market conditions;
(vi) estimated GLA, estimated completion dates, estimated total costs, and estimated yields for Near-Term Major Developments, which are subject to changes in site plans, cost tendering processes, and continuing tenant negotiations, as well as access to job sites, supplies and labour availability, ability to attract tenants, tenant mix, building sizes, and availability and cost of construction financing;
(vii) asset growth and reinvesting to develop or otherwise make improvements to existing properties, which could be impacted by the availability of labour, capital resource availability and allocation decisions, as well as actual development costs;
(viii) generating improved rental income and occupancy levels, including anticipated replacement of expiring tenancies, which could be impacted by changes in demand for Crombie's properties, tenant bankruptcies, the effects of general economic conditions, e-commerce, and supply of competitive locations in proximity to Crombie locations;
(ix) estimated payments on derivative and non-derivative financial liabilities, which could be impacted by interest rate subsidy payments, interest rates on floating rate debt, and fluctuations in the settlement value and settlement timing of any derivative financial liabilities;
(x) pending acquisitions or dispositions, which remain subject to satisfaction of customary closing conditions;
(xi) investment in joint ventures and the income contributed by those investments, which could be impacted by the risk and uncertainty from dependence on partners that are not under Crombie's control, including risk of default by a partner on financing obligations or non-performance of a partner's obligations on a project, which may include development, construction, management or leasing;
(xii) tax exempt status, which can be impacted by regulatory changes enacted by governmental authorities;
(xiii) anticipated distributions and payout ratios, which could be impacted by results of operations and capital resource allocation decisions; and
(xiv) effect that any contingencies or guarantees would have on Crombie's financial statements which could be impacted by their eventual outcome.

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

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.

CROMBIE REAL ESTATE INVESTMENT TRUST
Interim Condensed Consolidated Financial Statements
March 31, 2021

CROMBIE REAL ESTATE INVESTMENT TRUST
Unaudited Interim Condensed Consolidated Balance Sheets
(in thousands of CAD dollars)

	Note	March 31, 2021	December 31, 2020
Assets			
Non-current assets			
Investment properties	3	$ 3,601,766	$ 3,583,939
Investment in joint ventures	4	51,255	51,043
Other assets	5	353,812	307,724
		4,006,833	3,942,706
Current assets			
Cash and cash equivalents	16	56,523	63,293
Other assets	5	72,128	69,540
Investment properties held for sale	6	—	29,899
		128,651	162,732
Total Assets		4,135,484	4,105,438
Liabilities			
Non-current liabilities			
Fixed rate mortgages	7	1,076,379	1,139,798
Credit facilities	7	79,588	27,256
Senior unsecured notes	8	971,522	971,398
Employee future benefits obligation		8,445	8,378
Trade and other payables	9	19,410	15,975
Lease liabilities	20	34,617	29,242
		2,189,961	2,192,047
Current liabilities			
Fixed rate mortgages	7	196,002	127,246
Credit facilities	7	—	35,000
Senior unsecured notes	8	150,000	150,000
Employee future benefits obligation		279	279
Trade and other payables	9	120,410	121,888
Lease liabilities	20	834	672
		467,525	435,085
Total liabilities excluding net assets attributable to Unitholders		2,657,486	2,627,132
Net assets attributable to Unitholders		$ 1,477,998	$ 1,478,306
Net assets attributable to Unitholders represented by:			
Crombie REIT Unitholders		$ 881,350	$ 881,511
Special Voting Units and Class B Limited Partnership Unitholders		596,648	596,795
		$ 1,477,998	$ 1,478,306
Commitments, contingencies and guarantees	21		
Subsequent events	22		

See accompanying notes to the interim condensed consolidated financial statements.

(in thousands of CAD dollars)

		Three months ended	
	Note	**March 31, 2021**	March 31, 2020
Property revenue	10	**$ 103,537**	$ 102,252
Property operating expenses	11	**33,401**	35,237
Net property income		**70,136**	67,015
Gain (loss) on disposal of investment properties	3	**11,144**	(829)
Depreciation and amortization	3,5	**(18,795)**	(19,318)
General and administrative expenses	13	**(5,038)**	(3,019)
Finance costs - operations	14	**(23,461)**	(22,640)
Income (loss) from equity accounted investments	4	**(771)**	115
Operating income attributable to Unitholders		**33,215**	21,324
Finance costs - other			
Distributions to Unitholders		**(35,220)**	(34,702)
Change in fair value of financial instruments	13	**(1,026)**	1,929
		(36,246)	(32,773)
Decrease in net assets attributable to Unitholders		**(3,031)**	(11,449)
Other comprehensive income (loss)			
Items that will be subsequently reclassified to (decrease) increase in net assets attributable to Unitholders:			
Costs incurred on derivatives designated as cash flow hedges transferred to finance costs - operations		**—**	510
Net change in derivatives designated as cash flow hedges		**2,032**	(6,120)
Other comprehensive income (loss)		**2,032**	(5,610)
Comprehensive loss		**$ (999)**	$ (17,059)

See accompanying notes to the interim condensed consolidated financial statements.

Unaudited Interim Condensed 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 (Liabilities) Attributable to Unitholders	Accumulated Other Comprehensive Income (Loss)	Total	Attributable to REIT Units	Attributable to Class B LP Units
	(Note 15)					
Balance, January 1, 2021	$ 1,860,237	$ (376,301)	$ (5,630)	$ 1,478,306	$ 881,511	$ 596,795
Adjustments related to EUPP	9	—	—	9	9	—
Comprehensive income (loss)	—	(3,031)	2,032	(999)	(598)	(401)
Units issued under Distribution Reinvestment Plan ("DRIP")	612	—	—	612	358	254
Units issued under unit based compensation plan	70	—	—	70	70	—
Balance, March 31, 2021	$ 1,860,928	$ (379,332)	$ (3,598)	$ 1,477,998	$ 881,350	$ 596,648

	REIT Units, Special Voting Units and Class B LP Units	Net Assets (Liabilities) Attributable to Unitholders	Accumulated Other Comprehensive Income (Loss)	Total	Attributable to REIT Units	Attributable to Class B LP Units
	(Note 15)					
Balance, January 1, 2020	$ 1,759,324	$ (304,412)	$ 131	$ 1,455,043	$ 870,792	$ 584,251
Adjustments related to EUPP	12	—	—	12	12	—
Comprehensive loss	—	(11,449)	(5,610)	(17,059)	(11,765)	(5,294)
Units issued under DRIP	979	—	—	979	573	406
Unit issue proceeds, net of costs	97,422	—	—	97,422	55,997	41,425
Balance, March 31, 2020	$ 1,857,737	$ (315,861)	$ (5,479)	$ 1,536,397	$ 915,609	$ 620,788

See accompanying notes to the interim condensed consolidated financial statements.

CROMBIE REAL ESTATE INVESTMENT TRUST
Unaudited Interim Condensed Consolidated Statements of Cash Flows
(In thousands of CAD dollars)

		Three months ended	
	Note	March 31, 2021	March 31, 2020
Cash flows provided by (used in)			
Operating Activities			
Decrease in net assets attributable to Unitholders		$ (3,031)	$ (11,449)
Additions to tenant incentives		(29,957)	(24,291)
Items not affecting operating cash	16	10,723	20,300
Change in other non-cash operating items	16	3,992	(5,062)
Finance costs on debt	17	23,461	22,640
Distributions to Unitholders		35,220	34,702
Cash provided by operating activities		40,408	36,840
Financing Activities			
Issue of mortgages	7	25,550	—
Financing - other		(507)	(253)
Repayment of mortgages - principal		(10,548)	(10,790)
Repayment of mortgages - maturity	7	(9,847)	(157,630)
Finance costs paid on debt	17	(23,461)	(22,640)
Advance of floating rate credit facilities		19,883	231,660
Advance of joint operation credit facilities	7	44	142
Distributions to Unitholders		(35,220)	(34,702)
Special cash distribution		—	(14,857)
REIT Units and Class B LP Units issued	15	—	100,012
REIT Units and Class B LP Units issue costs	15	—	(2,590)
Payments of lease liabilities		(181)	(177)
Items not affecting financing cash	16	1,414	1,730
Cash used in (provided by) financing activities		(32,873)	89,905
Investing Activities			
Acquisition of investment properties and intangible assets		(46,044)	(317)
Additions to investment properties		(8,381)	(14,139)
Proceeds on disposal of investment properties	3	41,561	901
Contributions to joint ventures	4	(1,000)	—
Distributions from joint ventures	4	17	17
Additions to fixtures and computer equipment		(73)	(161)
Additions to deferred leasing costs		(94)	(338)
Advances on long-term receivables		(291)	(51)
Cash used in investing activities		(14,305)	(14,088)
Net change in cash and cash equivalents		(6,770)	112,657
Cash and cash equivalents, beginning of period		63,293	—
Cash and cash equivalents, end of period		$ 56,523	$ 112,657

See accompanying notes to the interim condensed consolidated 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, retail-related industrial, mixed-use, and office 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 interim condensed consolidated financial statements for the period ended March 31, 2021 and March 31, 2020 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 three months ended March 31, 2021 interim condensed consolidated financial statements were authorized for issue by the Board of Trustees on May 5, 2021.

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Except as otherwise indicated hereunder, these financial statements have been prepared using the same policies and methods of computation as the audited consolidated financial statements for the year ended December 31, 2020.

(a) Statement of compliance

These interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting, and do not contain all of the information required by IAS 1, Presentation of Financial Statements. Therefore, they should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2020.

(b) Basis of presentation

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

(c) Critical accounting estimates and assumptions

The preparation of the interim condensed 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 interim condensed consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Critical estimates and judgements disclosed in the annual financial statements also apply to these interim financial statements. As of March 31, 2021, there continues to be increased measurement uncertainty due to the outbreak of the novel strain of coronavirus ("COVID-19"). The estimates and assumptions that are critical to the determination of the amounts reported in the interim condensed consolidated financial statements relate to the following:

(i) Fair value measurement

A number of assets and liabilities included in Crombie's interim condensed 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 market-observable data is 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.

(ii) 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.

(iii) 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 substantially all of 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 trailing annual net property income recognized from leasing the property, that is stabilized for any major tenant movement. Crombie has adjusted net property income for expected impacts related to COVID-19 by looking at potential bad debts or other income implications at each property, and applying probability to several potential scenarios and, where appropriate, normalized the COVID-19 impact on net operating income. Biannual yields are obtained from an independent valuation company, which reflects the specific risks inherent in the net property income, to arrive at property valuations. As at March 31, 2021, management's determination of fair value was updated for current market assumptions, informed by property income, market capitalization rates, and recent appraisals provided by independent appraisal professionals.

(iv) Lease modifications

From time to time, Crombie may agree with tenants to modify the terms of lease agreements, including changes to the consideration under the lease. When the changes result in a reduction in amounts receivable relating to past lease periods, Crombie applies IFRS 9 in determining whether to partially or fully derecognize those receivables. Other changes to the terms and conditions of the lease are treated as lease modifications in accordance with IFRS 16, and the modified lease is accounted for as a new lease from the effective date of the modification, with any prepaid or accrued lease payments relating to the original lease included as part of the lease payments for the new lease.

(v) Risk management

Markets have been impacted by COVID-19, which was declared a pandemic by the World Health Organization ("WHO") on March 11, 2020. The continued spread of COVID-19 and the actions being taken by governments, businesses and individuals to limit this pandemic, including business closures and physical distancing, and the effects of resulting layoffs and other job losses on the available income of retail customers, may adversely impact our operations and development activities including, among others, increasing the credit risk associated with our receivables, limiting our ability to quickly respond to changes in credit risk, extending the time to completion and occupancy of major developments, and limiting our ability to serve our tenants. This has resulted in significant economic uncertainty, of which the potential impact on our future financial results is difficult to reliably measure.

(vi) Expected credit loss

Crombie assesses, on a tenant-by-tenant basis, losses expected with its rent receivables. In determining the provision for doubtful accounts, Crombie takes into account the payment history and future expectations of likely default events (tenants asking for rental concessions/abatements, applications for rental relief through government programs such as Canada Emergency Commercial Rent Assistance program ("CECRA") and Canada Emergency Rent Subsidy ("CERS") or stating they will not be making rental payments on the due date) based on actual or expected insolvency filings or company voluntary arrangements and likely deferrals of payments due, and potential abatements to be granted by the landlord through tenant negotiations or under CECRA. Crombie's assessment is subjective due to the forward-looking nature of the situation. As a result, the provision for doubtful accounts is subject to a degree of uncertainty and is made based on assumptions which may not prove to be accurate with the unprecedented uncertainty caused by COVID-19.

(In thousands of CAD dollars)

(d) Changes in accounting policies

Crombie has amended its accounting policy for the presentation of finance costs on debt and distributions to Unitholders in the consolidated statements of cash flows. Effective January 1, 2021, Crombie has elected to present these items as cash flows arising from financing activities, where they were previously included in cash flows from operating activities. Crombie has made this change in order to better reflect cash flows related to debt transactions. As a result of this change in presentation, cash flows provided by (used in) operating activities for the prior year quarter ended March 31, 2020 have increased by $70,469 with a corresponding reduction to cash flows provided by (used in) financing activities.

3) INVESTMENT PROPERTIES

	March 31, 2021	December 31, 2020
Income properties	$ 3,544,827	$ 3,520,562
Properties under development	56,939	63,377
	$ 3,601,766	$ 3,583,939

Income properties

	Land	Buildings	Intangibles	Deferred Leasing Costs	Total
Cost					
Opening balance, January 1, 2021	$ 1,147,608	$ 2,921,305	$ 73,318	$ 10,078	$ 4,152,309
Acquisitions	11,253	27,404	2,321	—	40,978
Additions	215	(980)	—	134	(631)
Reclassification from properties under development	—	2,372	—	—	2,372
Balance, March 31, 2021	1,159,076	2,950,101	75,639	10,212	4,195,028
Accumulated depreciation, amortization, and impairment					
Opening balance, January 1, 2021	6,290	590,366	31,211	3,880	631,747
Depreciation and amortization	79	16,923	1,213	239	18,454
Balance, March 31, 2021	6,369	607,289	32,424	4,119	650,201
Net carrying value, March 31, 2021	$ 1,152,707	$ 2,342,812	$ 43,215	$ 6,093	$ 3,544,827

Included in land are right of use assets of $16,010 net of accumulated depreciation of $712 for land held under lease.

Properties under development

	Land	Buildings	Total
Opening balance, January 1, 2021	$ 46,225	$ 17,152	$ 63,377
Acquisitions	6,674	—	6,674
Additions	429	212	641
Reclassification to income-producing properties (1)	—	(13,753)	(13,753)
Balance, March 31, 2021	$ 53,328	$ 3,611	$ 56,939

(1) During the quarter, $11,381 was moved out of properties under development and into tenant incentives. Refer to Note 5 of the financial statements.

(In thousands of CAD dollars)

Fair value

Crombie's total fair value of investment properties exceeds carrying value by $955,475 at March 31, 2021 (December 31, 2020 - $921,974). 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. As of March 31, 2021, there continues to be increased measurement uncertainty around valuation regarding COVID-19. Crombie has disclosed increased sensitivity around capitalization rates and continues to monitor the ongoing potential impacts on valuation.

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

	Fair Value	Carrying Value
March 31, 2021	**$ 4,877,000**	**$ 3,921,525**
December 31, 2020	$ 4,815,000	$ 3,893,026

Carrying value consists of the net carrying value of:

	Note	March 31, 2021	December 31, 2020
Income properties	3	$ 3,544,827	$ 3,520,562
Properties under development	3	56,939	63,377
Accrued straight-line rent receivable	5	90,512	88,299
Tenant incentives	5	229,247	190,889
Investment properties held for sale	6	—	29,899
Total carrying value		$ 3,921,525	$ 3,893,026

Crombie has utilized the following weighted average capitalization rate on its income properties. Related to the growth in properties under development, Crombie reports the weighted average capitalization rate excluding the value of properties under development with comparative rates adjusted to reflect this change.

	March 31, 2021	December 31, 2020
Weighted average capitalization rate	5.86 %	5.86 %

Crombie has determined that an increase (decrease) in this applied capitalization rate at March 31, 2021 would result in an increase (decrease) in the fair value of the investment properties as follows:

Capitalization Rate Sensitivity		Increase In Rate	Decrease in Rate
March 31, 2021			
	0.25 %	$ (202,000)	$ 215,000
	0.50 %	$ (384,000)	$ 455,000
	0.75 %	$ (552,000)	$ 722,000

(In thousands of CAD dollars)

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.

Transaction Date	Vendor/Purchaser	Properties Acquired (Disposed)	Approximate Square Footage	Initial Acquisition (Disposition) Price
January 29, 2021	Third Party	(2)	(30,000)	$ (17,570)
February 10, 2021	Related Party	1	26,000	3,242
February 26, 2021	Third Party	—	—	6,400
March 18, 2021	Related Party	2	57,000	14,100
March 25, 2021	Related Party	1	50,000	5,260
March 26, 2021	Related Party	1	55,000	15,600
March 29, 2021	Third Party	1	16,000	1,690
March 31, 2021	Third Party	(1)	(33,000)	(24,400)

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

	Three months ended March 31,	
Investment property disposals	**2021**	2020
Gross proceeds	$ 41,970	$ 1,000
Selling costs	(409)	(99)
	41,561	901
Carrying values derecognized		
Land	(15,147)	(1,730)
Buildings	(14,539)	—
Intangibles	(213)	—
Accrued straight-line rent	(501)	—
Provisions	(17)	—
Gain (loss) on disposal	$ 11,144	$ (829)

4) INVESTMENT IN JOINT VENTURES

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

	March 31, 2021	December 31, 2020
1600 Davie Limited Partnership	50.0 %	50.0 %
Bronte Village Limited Partnership	50.0 %	50.0 %
The Duke Limited Partnership	50.0 %	50.0 %
140 CPN Limited	50.0 %	50.0 %

(In thousands of CAD dollars)

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

	March 31, 2021			December 31, 2020		
	Davie LP	Other	Total	Davie LP	Other	Total
Non-current assets	$ 187,130	$ 307,550	$ 494,680	$ 187,100	$ 288,680	$ 475,780
Current assets	6,802	1,009	7,811	7,187	800	7,987
Non-current liabilities	(153,601)	(3,450)	(157,051)	(141,362)	(3,479)	(144,841)
Current liabilities	(5,240)	(238,341)	(243,581)	(18,057)	(219,433)	(237,490)
Net Assets	$ 35,091	$ 66,768	$ 101,859	$ 34,868	$ 66,568	$ 101,436
Crombie's investment in joint ventures	$ 10,104	$ 41,151	$ 51,255	$ 9,993	$ 41,050	$ 51,043

	Three months ended March 31,					
			2021			2020
	Davie LP	Other	Total	Davie LP	Other	Total
Revenue	$ 405	$ 478	$ 883	$ —	$ 430	$ 430
Property Operating expenses	(270)	(135)	(405)	—	(126)	(126)
General and administrative expenses	(187)	(4)	(191)	—	—	—
Depreciation and amortization	(696)	(42)	(738)	—	(48)	(48)
Finance costs - operations	(1,030)	(61)	(1,091)	—	(26)	(26)
Net (loss) income	$ (1,778)	$ 236	$ (1,542)	$ —	$ 230	$ 230
Crombie's (loss) income from equity accounted investments	$ (889)	$ 118	$ (771)	$ —	$ 115	$ 115

The following table shows the changes in the total carrying value of Crombie's investment in joint ventures for the three months and year ended:

	March 31, 2021	December 31, 2020
Opening balance	$ 51,043	$ 45,123
Contributions	1,000	6,061
Distributions	(17)	(69)
Share of (loss) income	(771)	(72)
Closing balance	$ 51,255	$ 51,043

Fair Value

The estimated fair value of the investment properties in Crombie's equity accounted joint ventures at 100% is as follows:

	Fair Value	Carrying Value
March 31, 2021	$ 600,000	$ 494,680
December 31, 2020	$ 475,780	$ 475,780

The fair value of joint venture 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 March 31, 2021 and December 31, 2020, respectively, based on each property's current use as a revenue generating property or property under development. The fair value of properties under development is assumed to equal cost until the property is substantially completed.

(In thousands of CAD dollars)

Crombie has utilized the following weighted average capitalization rates on its joint venture properties.

	March 31, 2021	December 31, 2020
Weighted average capitalization rate	3.07 %	—

5) OTHER ASSETS

	March 31, 2021			December 31, 2020		
	Current	Non-current	Total	Current	Non-current	Total
Trade receivables	$ 31,963	$ —	$ 31,963	$ 42,211	$ —	$ 42,211
Provision for doubtful accounts	(6,169)	—	(6,169)	(7,955)	—	(7,955)
Net trade receivables	25,794	—	25,794	34,256	—	34,256
Prepaid expenses and deposits	16,886	—	16,886	19,271	—	19,271
Other fixed assets [(1)] [(2)]	—	11,351	11,351	—	11,373	11,373
Finance lease receivable	522	12,981	13,503	391	7,734	8,125
Accrued straight-line rent receivable	—	90,512	90,512	—	88,299	88,299
Tenant incentives	—	229,247	229,247	—	190,889	190,889
Other	88	105	193	89	127	216
Amounts receivable from related parties	28,838	9,616	38,454	15,533	9,302	24,835
	$ 72,128	$ 353,812	$ 425,940	$ 69,540	$ 307,724	$ 377,264

[(1)] For the three months ended March 31, 2021, depreciation of other fixed assets was $341 (March 31, 2020 - $310).
[(2)] Other fixed assets include right of use assets of $2,236 (December 31, 2020 - $2,136) net of accumulated depreciation of $892 (December 31, 2020 - $818) relating to office and vehicle leases.

Tenant Incentives	Cost	Accumulated Amortization	Net Carrying Value
Balance, January 1, 2021	$ 275,194	$ 84,305	$ 190,889
Additions	31,512	—	31,512
Amortization	—	4,535	(4,535)
Transfer from properties under development	11,381	—	11,381
Balance, March 31, 2021	$ 318,087	$ 88,840	$ 229,247

6) INVESTMENT PROPERTIES HELD FOR SALE

	Land	Buildings	Intangibles	Total
Balance, January 1, 2021	$ 15,147	$ 14,539	$ 213	$ 29,899
Derecognition through disposition	(15,147)	(14,539)	(213)	(29,899)
Net carrying value, March 31, 2021	$ —	$ —	$ —	$ —

	Land	Buildings	Intangibles	Total
Assets transferred to held for sale	$ 16,219	$ 20,028	$ 306	$ 36,553
Derecognition through disposition	(1,072)	(5,489)	(93)	(6,654)
Net carrying value, December 31, 2020	$ 15,147	$ 14,539	$ 213	$ 29,899

(In thousands of CAD dollars)

7) INVESTMENT PROPERTY DEBT

	Range	Weighted Average Interest Rate	Weighted Average Term to Maturity	March 31, 2021	December 31, 2020
Fixed rate mortgages	**2.70 - 6.44 %**	**3.96 %**	**5.7 years**	**$ 1,279,384**	$ 1,274,304
Revolving credit facility			**2.2 years**	**35,000**	17,712
Joint operation credit facility I			**3.1 years**	**7,138**	7,188
Joint operation credit facility II			**3.5 years**	**2,450**	2,356
Unsecured bilateral credit facility			**2.2 years**	**35,000**	35,000
Deferred financing charges on fixed rate mortgages				**(7,003)**	(7,260)
				$ 1,351,969	$ 1,329,300
Mortgages					
Non-current				**$ 1,076,379**	$ 1,139,798
Current				**196,002**	127,246
Credit facilities					
Non-current				**79,588**	27,256
Current				**—**	35,000
				$ 1,351,969	$ 1,329,300

Specific investment properties with a carrying value of $2,738,859 as at March 31, 2021 (December 31, 2020 - $2,743,270) are currently pledged as security for mortgages or provided as security for the revolving credit facility. Carrying value includes investment properties, as well as accrued straight-line rent receivable and tenant incentives which are included in other assets.

Mortgage Activity

			Weighted Average			
For the three months ended:	Type	Number of Mortgages	Rates	Terms in Years	Amortization Period in Years	Proceeds (Repayments)
March 31, 2021	Addition	—	2.87 %			**$ 25,000**
	New	1	2.70 %	5.0	25.0	**550**
	Repaid	3	2.77 %			**(9,847)**
						$ 15,703

Unsecured bilateral credit facility

The unsecured bilateral credit facility agreement was extended in the first quarter of 2021. The unsecured bilateral credit facility has a maximum principal amount of $130,000 and matures June 30, 2023. The facility is used by Crombie for working capital purposes and to provide temporary financing for acquisitions and development activity. Borrowings under the bilateral credit facility can be by way of Bankers' Acceptance or prime rate advance and the floating interest rate is contingent on the type of advance, plus the applicable spread or margin. The respective spread or margin may change depending on Crombie's unsecured bond rating with DBRS.

(In thousands of CAD dollars)

8) SENIOR UNSECURED NOTES

	Maturity Date [1]	Interest Rate	March 31, 2021	December 31, 2020
Series B	June 1, 2021	3.962 %	$ 150,000	$ 150,000
Series D	November 21, 2022	4.066 %	150,000	150,000
Series E	January 31, 2025	4.800 %	175,000	175,000
Series F	August 26, 2026	3.677 %	200,000	200,000
Series G	June 21, 2027	3.917 %	150,000	150,000
Series H	March 31, 2028	2.686 %	150,000	150,000
Series I	October 9, 2030	3.211 %	150,000	150,000
Unamortized Series B issue premium			45	110
Deferred financing charges			(3,523)	(3,712)
			$ 1,121,522	$ 1,121,398

[1] For the three months ended March 31, 2021, the weighted average term to maturity was 4.8 years.

Senior unsecured notes are presented in the consolidated balance sheet as follows:

	March 31, 2021	December 31, 2020
Non-current	$ 971,522	$ 971,398
Current	150,000	150,000
Total	$ 1,121,522	$ 1,121,398

9) TRADE AND OTHER PAYABLES

	March 31, 2021			December 31, 2020		
	Current	Non-current	Total	Current	Non-current	Total
Tenant incentives and capital expenditures	$ 60,873	$ —	$ 60,873	$ 51,960	$ —	$ 51,960
Property operating costs	16,260	—	16,260	19,548	—	19,548
Prepaid rents	11,340	—	11,340	15,938	—	15,938
Finance costs on investment property debt and notes	13,869	—	13,869	13,010	—	13,010
Amounts payable to related party	660	—	660	1,008	—	1,008
Fair value of interest rate swap agreements	3,231	—	3,231	5,263	—	5,263
Distributions payable	11,741	—	11,741	11,738	—	11,738
Unit-based compensation plans	2,110	15,061	17,171	3,165	11,575	14,740
Deferred revenue	326	4,349	4,675	258	4,400	4,658
	$ 120,410	$ 19,410	$ 139,820	$ 121,888	$ 15,975	$ 137,863

(In thousands of CAD dollars)

10) PROPERTY REVENUE

	Three months ended March 31, 2021	2020
Operating lease revenue		
Rental revenue contractually due from tenants [1]	$ 87,967	$ 86,790
Contingent rental revenue	677	362
Straight-line rent recognition	2,714	1,931
Tenant incentive amortization	(4,535)	(3,819)
Lease termination income	1,561	91
Revenue from contracts with customers		
Common area cost recoveries	14,544	15,499
Parking revenue	609	1,398
	$ 103,537	$ 102,252

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

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

	Three months ended March 31, 2021		2020	
Sobeys Inc. (including all subsidiaries of Empire)	$ 52,181	50.4 %	$ 49,370	48.3 %

11) PROPERTY OPERATING EXPENSES

	Three months ended March 31, 2021	2020
Recoverable property taxes	$ 16,638	$ 16,999
Recoverable operating expenses	15,206	16,315
Other operating costs	1,557	1,923
	$ 33,401	$ 35,237

Bad debt expense recognized in property operating expenses for the three months ended March 31, 2021 was $648 (March 31, 2020 - $1,087).

12) OPERATING LEASES

Crombie as a Lessor

Crombie's operations include leasing commercial real estate. Future minimum rental income under non-cancellable tenant leases as at March 31, 2021, is as follows:

	Remaining 2021	Year ending December 31, 2022	2023	2024	2025	Thereafter	Total
Future minimum rental income	$ 210,641	$ 272,080	$ 259,529	$ 248,545	$ 232,949	$ 1,867,054	$ 3,090,798

Crombie manages its residual risk in its investment properties through an active capital expenditure program and actively leasing any vacant spaces. The residual risk throughout Crombie's portfolio is not considered significant.

(In thousands of CAD dollars)

13) GENERAL AND ADMINISTRATION EXPENSES AND CHANGE IN FAIR VALUE OF FINANCIAL INSTRUMENTS

(a) General and administrative expenses

	Three months ended March 31,	
	2021	2020
Salaries and benefits	**$ 3,413**	$ 1,379
Professional and public company costs	**1,099**	809
Occupancy and other	**526**	831
	$ 5,038	$ 3,019

(b) Decrease (increase) in fair value of financial instruments

	Three months ended March 31,	
	2021	2020
Deferred Unit ("DU") Plan	**$ (1,026)**	$ 1,929

14) FINANCE COSTS - OPERATIONS

	Three months ended March 31,	
	2021	2020
Fixed rate mortgages	**$ 12,914**	$ 12,847
Floating rate term, revolving, and demand facilities	**477**	1,259
Capitalized interest	**(886)**	(1,249)
Senior unsecured notes	**10,580**	9,420
Interest income on finance lease receivable	**(101)**	(98)
Interest on lease liability	**477**	461
Finance costs - operations, expense	**23,461**	22,640
Amortization of fair value debt adjustment and accretion income	**77**	112
Change in accrued finance costs	**(859)**	(532)
Amortization of effective swap agreements	**—**	(510)
Capitalized interest [1]	**886**	1,249
Amortization of issue premium on senior unsecured notes	**65**	110
Amortization of deferred financing charges	**(802)**	(751)
Finance costs - operations, paid	**$ 22,828**	$ 22,318

[1] For the three months ended March 31, 2021, interest was capitalized to qualifying development projects based on a weighted average interest rate of 3.46% (March 31, 2020 - 3.67%).

(In thousands of CAD dollars)

15) 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, 2021	93,533,246	$ 1,100,999	64,724,915	$ 759,238	158,258,161	$ 1,860,237
Net change in EUPP loans receivable	—	9	—	—	—	9
Units issued under DRIP	24,280	358	17,203	254	41,483	612
Units issued under unit based compensation plan	4,817	70	—	—	4,817	70
Balance, March 31, 2021	93,562,343	$ 1,101,436	64,742,118	$ 759,492	158,304,461	$ 1,860,928

	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, 2020	89,697,623	$ 1,042,696	62,045,732	$ 716,628	151,743,355	$ 1,759,324
Net change in EUPP loans receivable	—	12	—	—	—	12
Units issued under DRIP	37,711	573	26,738	406	64,449	979
Units issued (proceeds are net of issue costs)	3,657,000	55,997	2,593,750	41,425	6,250,750	97,422
Balance, March 31, 2020	93,392,334	$ 1,099,278	64,666,220	$ 758,459	158,058,554	$ 1,857,737

(In thousands of CAD dollars)

16) SUPPLEMENTARY CASH FLOW INFORMATION

a) Items not affecting operating cash

	Three months ended March 31,	
	2021	2020
Items not affecting operating cash:		
Straight-line rent recognition	**$ (2,714)**	$ (1,931)
Amortization of tenant incentives	**4,535**	3,819
Loss (gain) on disposal of investment properties	**(11,144)**	829
Depreciation and amortization	**18,795**	19,318
Amortization of effective swap agreements and issue premium	**(65)**	400
Loss (income) from equity accounted investments	**771**	(115)
Non-cash lease termination income	**(481)**	(91)
Change in fair value of financial instruments	**1,026**	(1,929)
	$ 10,723	$ 20,300

b) Items not affecting financing cash

	Three months ended March 31,	
	2021	2020
Amortization of financing charges	**$ 802**	$ 751
Non-cash distributions to Unitholders in the form of DRIP Units	**612**	979
	$ 1,414	$ 1,730

c) Change in other non-cash operating items

	Three months ended March 31,	
Cash provided by (used in):	**2021**	2020
Trade receivables	**$ 8,462**	$ 1,092
Prepaid expenses and deposits and other assets	**2,366**	2,411
Payables and other liabilities	**(6,836)**	(8,565)
	$ 3,992	$ (5,062)

d) Cash and cash equivalents

	March 31, 2021	December 31, 2020
Restricted cash [(1)]	**$ 39,807**	$ 63,293
Cash	**16,716**	—
Total cash and cash equivalents	**$ 56,523**	$ 63,293

[(1)] Crombie recently closed on a construction mortgage in which the proceeds were placed in escrow and will be drawn down once certain conditions are satisfied.

17) RELATED PARTY TRANSACTIONS

As at March 31, 2021, Empire, through its wholly-owned subsidiary ECLD, holds a 41.5% indirect interest in Crombie. Related party transactions primarily include transactions with entities associated with Crombie through Empire's indirect interest. Related party transactions also include transactions with joint venture entities in which Crombie has a 50% interest, as well as transactions with key management personnel and post-employment benefit plans.

(In thousands of CAD dollars)

Related party transactions are measured at the amount of consideration established and agreed by the related parties.

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

	Three months ended March 31,	
	2021	2020
Property revenue		
Property revenue	**$ 52,181**	$ 49,370
Head lease income	**$ 246**	$ 368
Lease termination income	**$ 34**	$ 34
Property operating expenses	**$ (5)**	$ (7)
General and administrative expenses		
Property management services recovered	**$ 50**	$ 39
Other general and administrative expenses	**$ (65)**	$ (59)
Finance costs - operations		
Interest rate subsidy	**$ 60**	$ 66
Finance costs - distributions to Unitholders	**$ (14,607)**	$ (14,397)

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. Revenue generated from the Management Agreement is being recognized as a reduction of general and administrative expenses.

During the three months ended March 31, 2021, Crombie issued 17,203 (March 31, 2020 - 26,738) Class B LP Units to ECLD under the DRIP (Note 15).

During the three months ended March 31, 2021, Crombie purchased five properties from a subsidiary of Empire for a total purchase price of $38,202 before transaction costs.

During the three months ended March 31, 2021, Crombie invested $16,060 in properties anchored by subsidiaries of Empire, which resulted in amended lease terms. These amounts have been included in tenant incentive additions or income property additions depending on the nature of the work completed. The costs are being amortized over the amended lease terms or the useful life of the projects, as applicable.

Amounts due from related parties include $15,533 (December 31, 2020 - $15,533) in 6% subordinated notes receivable due from Bronte Village Limited Partnership and The Duke Limited Partnership.

Crombie has a mortgage payable due to 1600 Davie Limited Partnership of $25,526 (December 31, 2020 - $25,526). This mortgage relates to the commercial component of the Davie Street development, 100% of which is included in Crombie's financial statements.

(In thousands of CAD dollars)

18) 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.

There were no transfers between levels of the fair value hierarchy during the period ended March 31, 2021.

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:

	March 31, 2021		December 31, 2020	
	Fair Value	Carrying Value	Fair Value	Carrying Value
Financial assets				
Long-term receivables[1]	$ 38,635	$ 38,647	$ 25,042	$ 25,051
Financial liabilities				
Investment property debt	$ 1,439,870	$ 1,358,972	$ 1,427,367	$ 1,336,560
Senior unsecured notes	1,173,526	1,125,000	1,206,285	1,125,000
Total other financial liabilities	$ 2,613,396	$ 2,483,972	$ 2,633,652	$ 2,461,560

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

The fair value of 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
- Trade and other payables (excluding any embedded derivatives).

b) Risk Management

In the normal course of business, Crombie is exposed to a number of financial risks that can affect its operating performance. More information on the significant risks, and the actions taken to manage them, are discussed in our annual report.

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 and other NOI adjustments are taken for all anticipated collectability risks.

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

(In thousands of CAD dollars)

Receivables are substantially comprised of current balances due from tenants and past due receivables. The balance of accounts receivable past due is usually not significant; however, historically low receivable balances have increased significantly over the past year as a result of the impacts of the COVID-19 pandemic. 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. The total provision for doubtful accounts is reviewed at each balance sheet date and current and long-term accounts receivable are reviewed on a regular basis.

Crombie assesses, on a forward-looking basis, the expected credit losses associated with its rent receivables. In determining the expected credit losses, Crombie takes into account, on a tenant-by-tenant basis, the payment history, future expectations, and knowledge gathered through discussions for rental concessions, applications for rental relief through government programs, and ongoing discussions with tenants.

Crombie's assessment of expected credit losses is subjective and, due to the impacts of COVID-19, the degree of uncertainty in our assessments has increased. During the three months ended March 31, 2021, Crombie has recorded a bad debt expense of $648.

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 issuance from Crombie with financial terms acceptable to Crombie. Crombie mitigates its exposure to liquidity risk utilizing a conservative approach to capital management (see Note 19). Access to the $400,000 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 financial liabilities to maturity date are as follows:

		Twelve months ending March 31,					
	Contractual Cash Flows[1]	**2022**	**2023**	**2024**	**2025**	**2026**	**Thereafter**
Fixed rate mortgages[2]	$ 1,509,886	$ 244,549	$ 211,814	$ 402,562	$ 122,070	$ 53,160	$ 475,731
Senior unsecured notes	1,318,544	187,566	184,374	30,476	204,076	22,076	689,976
Trade and other payables	121,667	102,257	3,700	2,441	1,478	1,173	10,618
Lease liabilities	155,870	2,924	2,881	2,774	2,651	2,620	142,020
	3,105,967	537,296	402,769	438,253	330,275	79,029	1,318,345
Credit facilities	83,848	1,727	1,727	70,684	9,710	—	—
Total	$ 3,189,815	$ 539,023	$ 404,496	$ 508,937	$ 339,985	$ 79,029	$ 1,318,345

(1) Contractual cash flows include principal and interest and ignore extension options.
(2) Reduced by the interest rate subsidy payments to be received from Empire.

19) CAPITAL MANAGEMENT

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

(In thousands of CAD dollars)

Crombie's capital structure consists of the following:

		March 31, 2021		December 31, 2020
Fixed rate mortgages	$	1,272,381	$	1,267,044
Credit facilities		79,588		62,256
Senior unsecured notes		1,121,522		1,121,398
Crombie REIT Unitholders		881,350		881,511
SVU and Class B LP Unitholders [1]		596,648		596,795
Lease liabilities		35,451		29,914
	$	3,986,940	$	3,958,918

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

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.

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:

		March 31, 2021		December 31, 2020
Fixed rate mortgages	$	1,279,384	$	1,274,304
Senior unsecured notes		1,125,000		1,125,000
Revolving credit facility		35,000		17,712
Joint operation credit facilities		9,588		9,544
Bilateral credit facility		35,000		35,000
Lease liabilities		35,451		29,914
Total debt outstanding		2,519,423		2,491,474
Less: Applicable fair value debt adjustment		(223)		(283)
Debt	$	2,519,200	$	2,491,191
Income properties, cost [1]	$	4,189,371	$	4,146,652
Properties under development, cost		56,939		63,377
Below-market lease component, cost [2]		65,067		64,873
Investment in joint ventures		51,255		51,043
Other assets, cost		517,178		463,699
Cash and cash equivalents		56,523		63,293
Deferred financing charges		10,526		10,972
Investment properties held for sale, cost		—		33,263
Interest rate subsidy		(223)		(283)
Gross book value	$	4,946,636	$	4,896,889
Debt to gross book value - cost basis		50.9 %		50.9 %

[1] Includes impairments on land of $5,657.
[2] Below-market lease component is included in the carrying value of investment properties.

(In thousands of CAD dollars)

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
- annual cash distributions to Unitholders are limited to 100% of funds from operations.

As at March 31, 2021, Crombie is in compliance with all externally imposed capital requirements and all covenants relating to its debt facilities.

20) LEASE LIABILITIES

Crombie's future minimum lease payments as a lessee are as follows:

	Twelve months ending March 31,						
	Total	**2022**	**2023**	**2024**	**2025**	**2026**	**Thereafter**
Future minimum lease payments	$ 155,870	$ 2,924	$ 2,881	$ 2,774	$ 2,651	$ 2,620	$ 142,020
Finance charges	(120,419)	(2,090)	(2,053)	(2,033)	(2,016)	(2,001)	(110,226)
Present value of lease payments	$ 35,451	$ 834	$ 828	$ 741	$ 635	$ 619	$ 31,794

Lease liabilities are presented in the interim condensed consolidated balance sheet as follows:

	March 31, 2021	December 31, 2020
Current	**$ 834**	$ 672
Non-current	**34,617**	29,242
Total	**$ 35,451**	$ 29,914

Some of Crombie's lease agreements contain contingent rent clauses. Contingent rental payments are recognized in the interim condensed consolidated statements of comprehensive income as required when contingent criteria are met. The lease agreements contain renewal options and purchase options. For the three months ended March 31, 2021, minimum lease payments of $658 were paid by Crombie.

21) COMMITMENTS, CONTINGENCIES, AND GUARANTEES

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

Crombie obtains letters of credit to support its obligations with respect to construction work on its investment properties and satisfying mortgage financing requirements. As at March 31, 2021, Crombie has a total of $6,014 in outstanding letters of credit related to:

(In thousands of CAD dollars)

	March 31, 2021	December 31, 2020
Construction work being performed on investment properties	$ 4,174	$ 3,740
Mortgage lenders primarily to satisfy mortgage financings on redevelopment properties	1,840	1,840
Total outstanding letters of credit	$ 6,014	$ 5,580

As at March 31, 2021, Crombie had signed construction contracts totalling $288,469 of which $232,782 has been paid. This includes contracts signed within joint ventures at Crombie's ownership percentage.

Crombie has 100% guarantees on mortgages related to properties in which it has less than a 100% interest. The mortgages payable related to these guarantees are secured by specific charges against the properties. As at March 31, 2021, Crombie has provided guarantees of approximately $139,258 (December 31, 2020 - $140,577) on mortgages in excess of their ownership interest in the properties. Responsibility for ongoing payments of principal and interest on these mortgages remains with the joint owners of the properties. The mortgages have a weighted average term to maturity of 3.6 years.

Under the terms of head leases with certain of Crombie's joint operation partners, Crombie guarantees its joint operation partners their portion of any uncollected rent receivable from the sub-tenant.

Crombie has committed to purchasing a vacant parcel of land for future development. This transaction is expected to close later this year.

22) SUBSEQUENT EVENTS

(a) On April 15, 2021, Crombie declared distributions of 7.417 cents per Unit for the period from April 1, 2021 to and including April 30, 2021. The distributions will be paid on May 14, 2021, to Unitholders of record as of April 30, 2021.

23) SEGMENT DISCLOSURE

Crombie owns and operates primarily retail, retail-related industrial, office, and mixed-use 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.

UNITHOLDERS' INFORMATION

BOARD OF TRUSTEES

OFFICERS

J. Michael Knowlton
Chair

Donald E. Clow
President and Chief Executive Officer

Clinton D. Keay
Chief Financial Officer and Secretary

Glenn R. Hynes
Executive Vice President and Chief Operating Officer

Cheryl Fraser
Chief Talent Officer and Vice President Communications

John Barnoski
Executive Vice President Corporate Development

Trevor Lee
Senior Vice President Construction and Development

Arie Bitton
Senior Vice President Leasing and Operations

Fred Santini
General Counsel

CROMBIE REIT

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610 East River Road, Suite 200

New Glasgow, Nova Scotia, B2H 3S2

Telephone: (902) 755-8100

Fax (902) 755-6477

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INVESTOR RELATIONS AND INQUIRIES

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

Clinton D. Keay, CPA, CA
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, AST Trust Company (Canada).

UNIT SYMBOL

REIT Trust Units – CRR.UN

STOCK EXCHANGE LISTING

Toronto Stock Exchange

TRANSFER AGENT

AST Trust Company (Canada)
Investor Correspondence
P.O. Box 700
Montreal, Quebec, H3B 3K3

Telephone: (800) 387-0825
Email: inquiries@astfinancial.com
Website: www.astfinancial.com/ca

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