Crombie REIT

ANNUAL REPORT 2017

BUILDING A BETTER REIT

ABOUT CROMBIE REIT

Crombie REIT invests in high-quality, sustainable real estate where people live, work, shop and play. With 286 income-producing properties nationwide, Crombie's portfolio of approximately 19.2 million square feet enhances local communities for the long term. We are focused on steady income growth and asset value creation through the ownership, operation and development of high-quality grocery and drugstore anchored shopping centres, freestanding stores and mixed use developments, primarily in Canada's top urban and suburban markets.

ABOUT THE COVER

Work at the Davie Street mixed use development site in downtown Vancouver began in September 2017 with the demolition of the existing Safeway and neighbouring liquor store. The first of 22 potential major developments in major urban and suburban markets across the country, Davie Street is expected to nicely augment Crombie's net asset value and yield between 5.5% and 6.0% annually on Crombie's $104 million investment.

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ABOUT FORWARD-LOOKING STATEMENTS

This document includes statements about our objectives, plans, goals, strategies, future growth, financial condition, results of operations, cash flows, performance, business prospects and opportunities. These statements are forward-looking because they are based on management's expectations about the future – they are not historical facts. Forward-looking statements include statements regarding our development pipeline size, timing and costs, net asset value creation, yield on investment in development and intended property dispositions, and statements containing words like anticipates, expects, believes, estimates, could, intends, may, plans, predicts, projects, will, would, foresees and other similar expressions, or the negative of these words. For more information and a caution about using forward-looking information, see Forward-Looking Information on page 23.

ABOUT NON-GAAP MEASURES

Certain financial measures in this document, including FFO, AFFO and ACFO, are not defined terms under GAAP, so they are not a reliable way to compare us to other companies. See Non-GAAP Financial Measures on page 24 for more information.

BUILDING A BETTER REIT

In 12 short years, Crombie has transformed a small regional portfolio into one of Canada's leading retail REITs, with $4.9 billion in high-quality assets and an extraordinary pipeline of mixed use developments in the country's top urban and suburban markets. This annual report examines the key strategies behind our efforts to continue **Building a Better REIT**.

Financial Highlights

(In thousands of CAD dollars, except per unit amounts and as otherwise noted)	Year ended December 31, 2017	2016
Property revenue	$ 411,813	$ 400,001
Property net operating income	$ 290,744	$ 284,695
Same-asset property cash NOI	$ 243,113	$ 240,541
Operating income attributable to Unitholders	$ 163,696	$ 125,130
Operating income attributable to Unitholders per unit – basic	$ 1.09	$ 0.89
Operating income attributable to Unitholders per unit – diluted	$ 1.09	$ 0.89
FFO, with 2016 "as adjusted" (1)		
Basic	$ 181,152	$ 168,283
Diluted	$ 186,582	$ 175,189
Per unit – basic	$ 1.21	$ 1.20
Per unit – diluted	$ 1.20	$ 1.19
Payout ratio (%)	73.6%	74.7%
AFFO, with 2016 "as adjusted" (1)		
Basic	$ 149,858	$ 138,173
Diluted	$ 153,764	$ 142,079
Per unit – basic	$ 1.00	$ 0.99
Per unit – diluted	$ 1.00	$ 0.98
Payout ratio (%)	88.9%	91.0%
Distributions per unit	$ 0.89	$ 0.89
ACFO, with 2016 "as adjusted" (1)	$ 151,883	$ 141,725
AFFO payout ratio (%)	87.7%	88.7%
Interest service coverage	2.87	2.97
Debt service coverage	1.87	1.96

(1) FFO, AFFO and ACFO are Non-GAAP Measures. See pages 36 and 45 of MD&A.

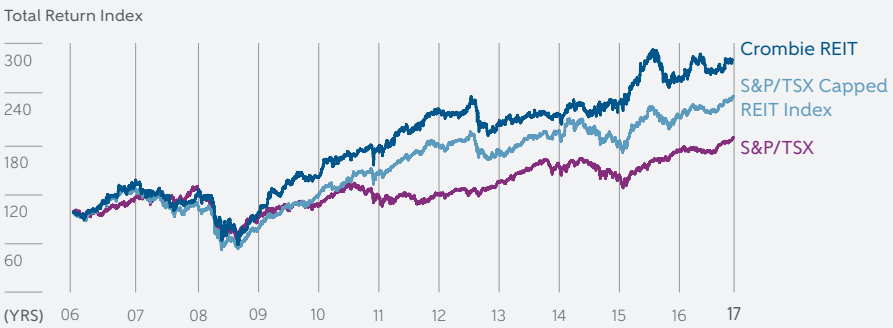
95.2%
Committed Occupancy

$18.36
Average Rent/sq.ft. at Expiry

7.6%
Renewal Leasing Spreads

19.2M
Total sq.ft. of GLA

Total Unitholder Return (% – March 31, 2006 to December 31, 2017)



Crombie REIT has produced a total unitholder return of 9.2% since March 31,2006 compared to 7.6% total return for the S&P/TSX Capped REIT Index and a 5.5% total return for the S&P/TSX Composite Index over the same period.

MESSAGE FROM THE PRESIDENT AND CEO

STABILITY AND PERFORMANCE

DONALD E. CLOW, FCPA, FCA
President and Chief Executive Officer

2017 was another year of steady progress for Crombie REIT in a fast-changing and uncertain world. Amid an environment of global political volatility, slow economic growth and rapid technological change, Crombie achieved stable and consistent performance from its everyday-needs real estate portfolio. We also broke ground on Davie Street, the first of 22 potential major developments that represent one of the most compelling development pipelines in the Canadian REIT industry.

Development Pipeline Creates Accretive Growth Opportunities

- Crombie Fair Value
- Projected Development Cost

($ billions)

83%
Potential Growth

Material Square Footage Growth

- Crombie GLA
- Estimated Incremental GLA from Development

(GLA millions of sq.ft.)

48%
Potential Increase in GLA

For the 12 months ending December 31, 2017, funds from operations (FFO)* increased 7.6% to $181.2 million, or $1.20 per unit diluted, while adjusted funds from operations (AFFO)* increased 8.5% to $149.9 million, or $1.00 per unit diluted. FFO and AFFO growth were driven by same-asset cash net operating income growth, increased revenue from $116.2 million in new acquisitions, higher renewal rents and efficient financing costs. These factors were offset by $195.6 million in dispositions of non-core assets made during the prior year to recycle capital into higher- yielding development opportunities. Our core portfolio remains stable, as evidenced by a 1.5% growth in adjusted same-asset cash net operating income in 2017. This growth reflects increased average rents from leasing activities, improved recovery rates and land-use intensification activities.

Building a Better REIT

While Crombie's size and diversity have increased significantly over the past 12 years, our strategies for Building a Better REIT continue to consist of three basic pillars – improving portfolio quality, enhancing financial strength and developing great talent; all while minimizing risk in every aspect of our business. Our approach to risk management is described on page 51 in the MD&A of this report.

A proven real estate strategy is what drives our stable and improving results. It consists of: leveraging our strategic partnership with Sobeys to acquire assets that fit within our strategy; opportunistically acquiring properties on the third-party market; continuing to execute on our major development and intensification pipelines; and, recycling capital for funding and portfolio quality improvement. Over the past 12 years, we have acquired more than $2.4 billion in properties from Sobeys and Empire as they expanded their presence across the country, transforming Crombie into a geographically diversified, increasingly urban, everyday-needs focused REIT in the process. Today, more than 89% of the annual minimum rent generated by our Top 25 Tenants is derived from e-commerce resilient tenants such as grocers, drugstores, fitness facilities and other service providers that serve everyday-needs in prosperous and growing communities. While such steady-performing properties will continue to be the focus of our acquisition strategy, development potential is an increasingly important consideration. During 2017, Crombie acquired $116.2 million of properties including the magnificent Belmont Market lands near Victoria, BC, and McCowan and Ellesmere, in Toronto. At Belmont, we are developing a mixed use community in one

Minimizing Risk

In a capital-intensive business such as ours, the continuous monitoring, management and mitigation of risk is essential. All of our major business decisions are guided by a disciplined and thoughtful risk assessment and management program to ensure financial and operating strength throughout economic and interest rate cycles.

of the province's most vibrant and fastest-growing regions. The newly acquired property located at McCowan and Ellesmere is adjacent to a major transit node in Toronto, and offers significant development value potential in Canada's largest urban market.

Crombie has increased its focus on driving Net Asset Value ("NAV") creation, which we believe is one of the best uses of our capital. We are creating value by repurposing existing under-utilized urban assets into their highest and best use. Today we are fortunate to own, relative to the value of our existing property portfolio, one of the largest development pipelines in the Canadian REIT industry, with 22 properties representing $3.0 to $4.5 billion in potential mixed use development investment over the next 10 to 15 years. The first development in our pipeline – Davie Street in Vancouver's west end – kicked off in September 2017 with demolition of the existing structure and is scheduled for completion in 2020. Featuring 53,000 square feet of new retail space and up to 330 luxury rental suites, Davie Street answers the growing public demand for live, work, shop, and play communities, while enabling Crombie to generate significant value, income growth and diversification. Crombie's $104 million share of development costs is expected to create significant net asset value with a yield on estimated cost of 5.5% to 6.0% on our investment. This is remarkable given that cap rates in Vancouver currently range from 2.25% to 3.00% for residential and 4.00% to 5.00% for retail properties. You can find out more about Davie Street, and the similar mixed use development opportunities in our pipeline, throughout this report.

While Crombie's highest profile development opportunities are situated in Canada's six largest cities, we also have development opportunities in other urban markets. Many of these communities exhibit similar population and income growth rates and offer superior risk-adjusted returns. Our development pipeline includes Scotia Square in Halifax, NS, where a $12 million modernization has fortified its position as the city's premier business address, and Avalon Mall in St. John's NL, where a $107 million renovation and expansion is underway at the province's only regional enclosed shopping centre. While these high-quality assets differ from the everyday retail properties at the heart of our growth strategy, they occupy dominant positions in their markets, generate consistent income and asset value growth, and hold significant development potential. This two-phased redevelopment plan includes the recently vacated Sears space, which will be partially demolished and reconfigured to host mid-size box tenants aspiring to have an address at Avalon Mall.

"The July 2017 acquisition of the McCowan and Ellesmere property at one of Toronto's major transit hubs is the first evidence of our strategy to purchase third-party owned properties in which Sobeys possesses a valuable long-term leasehold."

The second pillar of our growth strategy is enhancing financial strength. We continued to take advantage of our investment-grade credit rating in 2017 to diversify our sources of financing and lower our cost of capital. We issued $225 million in unsecured notes, and redeemed $60 million of convertible debentures, further increasing our balance sheet strength, liquidity and flexibility. Given the significant value creation opportunity embedded in our current portfolio, we are focused on our capital recycling program and intend to fund a portion of our growth with disposition proceeds. Late in the year we sold a single asset for $16 million and plan to make more use of this funding source into 2018. This shift in our capital allocation focus will allow us to direct capital to higher returning developments. Crombie is well positioned to advance our growth strategy with $954 million of unencumbered assets at year-end and $434 million of unused bank credit at our disposal.

The third strategic pillar for Building a Better REIT is our culture and talent. We are committed to building and maintaining a best-in-class operating platform and high-quality team of real estate professionals across Canada and continue to invest in our development and analytics expertise. Real estate is very much a local business so we are ensuring we have strong regional talent and a deep bench to keep our fingers on the pulse of local markets and better serve the needs of our tenants. We are equally committed to making Crombie a great place to work, as evidenced by the continued recognition of our efforts to foster a culture of operational excellence, continuous learning and leadership development.

In August 2017, we were delighted to welcome Toran Eggert to our team as Executive Vice President of Portfolio Management. An

experienced and highly respected leader in the commercial retail sector, Toran oversees the operational execution of our national business strategy, with responsibility for portfolio management, leasing, construction and major development projects.

2018 and Beyond

While no one can predict the future, it is possible to be ready for it. Crombie is fortunate to have one of the steadiest and most defensive portfolios in Canadian real estate. In the face of retail headwinds such as rising interest rates and the growth of e-commerce, our everyday-needs portfolio is positioned to produce stable and consistent operating and financial performance. Within this portfolio, we also have one of the most compelling development pipelines in the Canadian REIT industry. We are ready to capitalize on this opportunity, through a prudent pace of complementary residential and retail development in the years to come, to deliver solid risk-adjusted returns.

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

Sincerely,

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

89%

of annual minimum rent generated by Top 25 Tenants is derived from e-commerce resilient tenants

* Crombie follows the recommendations of REALpac in determining FFO. Beginning in Q1 2017, Crombie began reporting the newly recommended non-GAAP measure ACFO or adjusted cash flow from operations as per recommendations in the REALpac white paper. Additionally, REALpac developed a white paper for AFFO, clarifying AFFO as an earnings metric and requiring recoverable capital expenditures to be deducted in deriving AFFO. This AFFO white paper has been applied to 2017 and 2016. See MD&A for more detail.

Strong Leadership with Deep Bench

DONALD CLOW
PRESIDENT & CEO

GLENN HYNES
EVP, CFO & SECRETARY

CHERYL FRASER
CHIEF TALENT OFFICER, VP COMMUNICATIONS

TORAN EGGERT
EVP, PORTFOLIO MANAGEMENT

JOHN BARNOSKI
SENIOR VP, CORPORATE DEVELOPMENT

TREVOR LEE
SENIOR VP, WESTERN CANADA

SCOTT MACLEAN
SENIOR VP, EASTERN CANADA

FRED SANTINI
GENERAL COUNSEL

KEN TURPLE
VP, ACCOUNTING & FINANCIAL REPORTING

BRADY LANDRY
VP, FINANCIAL ANALYSIS & TREASURY

JEFF DOWNS
VP, ENTERPRISE INFORMATION SYSTEMS

STEVE CLEROUX
VP, NATIONAL LEASING & ATLANTIC DEVELOPMENT

TERRY DORAN
VP, OFFICE PROPERTIES

AARON BRYANT
VP, CONSTRUCTION & DESIGN, EASTERN CANADA

STRONG NATIONAL PORTFOLIO

AN EXTRAORDINARY DEVELOPMENT PIPELINE

Crombie is one of Canada's leading real estate investment trusts, with a $4.9 billion real estate portfolio and a large pipeline of potential development properties centred in Canada's largest cities. We believe in building high-quality, sustainable real estate that enhances local communities for the long term. We invest in welcoming and convenient properties where people want to live, work, shop and play. With 286 properties nationwide, we're proud of how we're helping shape Canada.

Featured Development Properties

Crombie has begun to capitalize on a pipeline of 22 major development opportunities that represents $3.0 to $4.5 billion of potential development over the next 10 to 15 years

10–15

Year development ladder

$3.0–$4.5B

Potential mixed use development

VANCOUVER, BC

1641 DAVIE STREET

Demolition began in September 2017 to make way for 53,000 square feet of new retail space and up to 330 residential rental units.

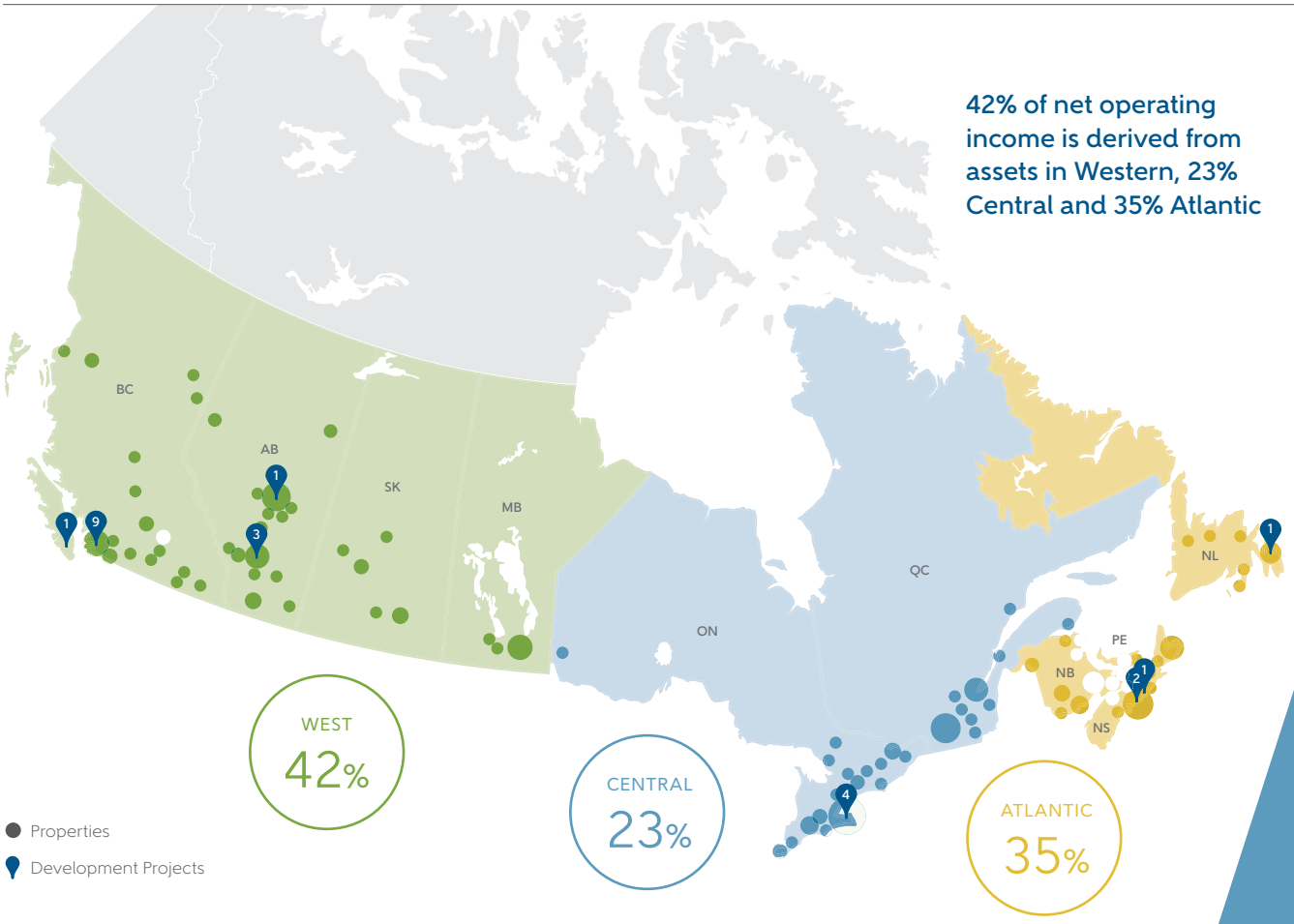
Development cost:	$104 million
Expected yield on cost:	5.5% to 6.0%
Current market cap rates:	
Residential	2.25% to 3.00%
Retail	4.00% to 5.00%
Potential NAV creation:	Upwards of $100 million
Projected annual residential:	
Rental growth rate	2.0% to 3.0%

LANGFORD, BC

BELMONT MARKET

Acquired from Sobeys in 2017, phase one is being developed as a grocery anchored mixed use centre in Greater Victoria and is scheduled to open in the autumn of 2018.

Development cost:	$104 million
Expected yield on cost:	5.5% to 6.3%
Current market cap rate:	5.00% to 5.75%
Potential NAV creation:	$15–20 million



TORONTO, ON

McCOWAN & ELLESMERE

Acquired from a third party in 2017, this future mixed use development site is located at one of Toronto's major transit hubs, where plans are underway for a new subway extension. Together, Crombie and Sobeys (current anchor tenant) are uniquely positioned to unlock the development value embedded in this site.

OAKVILLE, ON

BRONTE VILLAGE

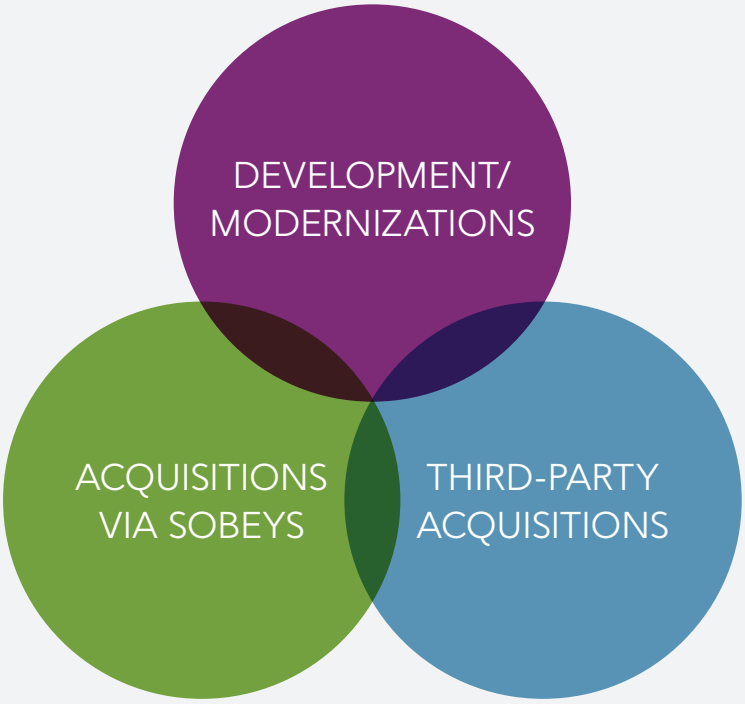
Located in one of the GTA's most attractive neighbourhoods, the redevelopment of Bronte Village will add luxury rental residential density in a desirable area currently experiencing undersupplied market conditions. The redevelopment plan for this 5.66-acre site calls for two 10 to 14 storey towers of residential suites and 15,000 square feet of everyday-needs retail space.

ST. JOHN'S, NL

AVALON MALL

Phase I of Avalon Mall's three-year redevelopment is underway with construction of a four-level 875 space parking structure, redesign and realignment of the main mall vehicular access and renovation of the mall's common areas. Phase II will replace former Sears space with modern tenant spaces, common areas and mall exterior. This multi-phase development will allow us to improve tenant mix, increase sales per square foot, maximize NOI, and further enhance customer experience.

SMART CAPITAL ALLOCATION



Crombie's strategy for **Building a Better REIT** is aimed at growing Net Asset Value and AFFO per unit over time, while prudently managing risk and maintaining a strong balance sheet. We seek to derive the highest and best use from existing assets by investing free cash flow from our everyday retailing properties, deploying proceeds from the disposition of lower-growth and non-core real estate and accessing capital markets when appropriate, to develop and modernize our portfolio. Accretive acquisitions from Sobeys and third parties are a continuing priority, albeit at a more measured pace with consideration of future development potential. Our relationship with Sobeys provides many competitive advantages, including the first right of refusal on new properties, preferred access to top urban markets, and a primary tenant whose interests are aligned with our growth strategies.

INTO THE NEXT DECADE & BEYOND

BUILDING A BETTER REIT

1 High-quality properties 10
2 Active management and development 12
3 A strong balance sheet 14
4 A talented real estate team 16

1

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

For the past 12 years, Crombie REIT's growth strategy has focused on the steadiest performing assets in commercial real estate – grocery and drugstore anchored properties and freestanding stores whose tenants provide everyday, e-commerce resilient goods and services to prosperous and growing communities.

Through the acquisition of such assets, Crombie's portfolio has become more geographically diversified, and concentrated in Canada's top urban and suburban markets. Characterized by strong occupancy and long-term lease agreements, these properties provide steady and predictable income growth, and in select markets, the opportunity to create material value through eventual mixed use development.

Acquired in 2016, this Granville Street Safeway in Vancouver typifies the everyday-needs focus of our retail properties.

VICTORIA, BC

BELMONT MARKET

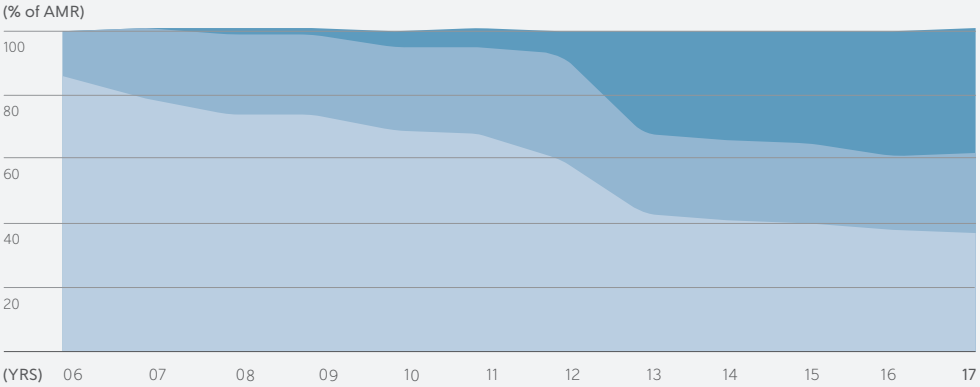
Since our 2006 IPO, Crombie has acquired more than $2.4 billion of high-quality retail assets from Sobeys and Empire, helping to support the expansion of one of Canada's largest national food retailers. In 2017, Crombie acquired Belmont Market from Sobeys. Currently under development as a mixed use property near Victoria, BC, it will be anchored by Thrifty Foods and serve as home for the banner's new regional office.

1%

about 1% of Canadian grocery spend is purchased through e-commerce(1)

(1) Statistics Canada

Growing Exposure to Higher Growth Central & Western Regions



(Fair Value of Assets)

$2.0B Western

$1.2B Central

$1.7B Atlantic

Located in Canada's Top Urban and Suburban Markets

Over the past 12 years, Crombie has successfully increased its presence in Canada's largest and fastest growing urban and suburban markets.

2

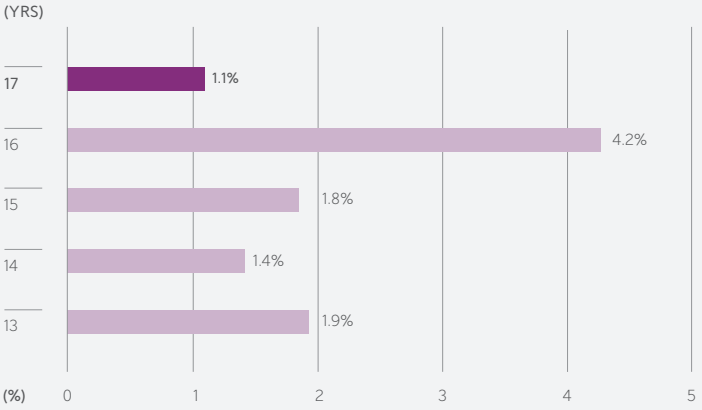
We actively manage and develop our properties to maximize their income potential and property net asset value by emphasizing their highest and best use

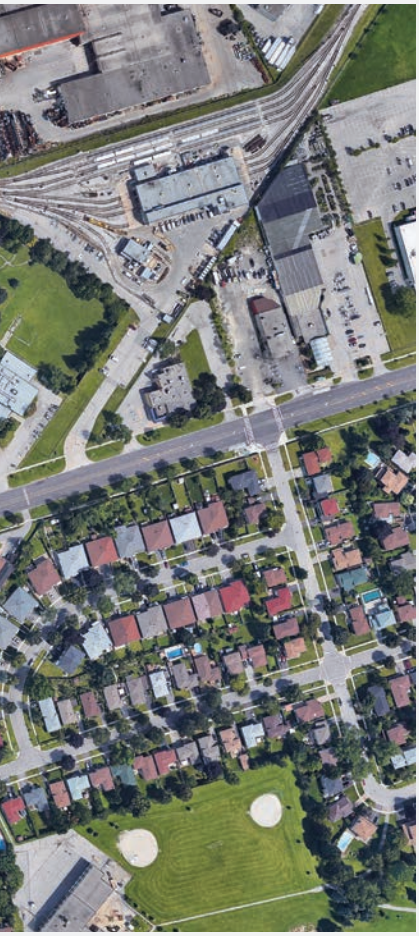
Approximately 86% of properties are high-traffic, steady-performing grocery or drugstore anchored properties. Yet these properties also represent what is proportionately one of the largest pipelines of potential development projects in the Canadian REIT industry.

Today, this $3.0 billion to $4.5 billion pipeline includes 22 prime urban and suburban locations, 16 of which are located in Vancouver, Calgary, Edmonton and Toronto. Currently in various stages of evaluation, planning and development, and with the first three projects now under construction, we expect these opportunities to generate significant NAV creation and cash flow growth for our Unitholders.

Same-Asset NOI Growth

Same-asset property cash net operating income has grown at an average annual rate of 2.1% over the past five years.





TORONTO, ON

McCOWAN AND ELLESMERE

The $42 million purchase of the McCowan and Ellesmere property in Toronto from a third party represents the first of several potential opportunities to acquire real estate in which Sobeys is an anchor tenant and long-term leaseholder. Together, we are uniquely positioned to unlock value through high-density residential development at one of Toronto's key transit hubs and planned development sites.

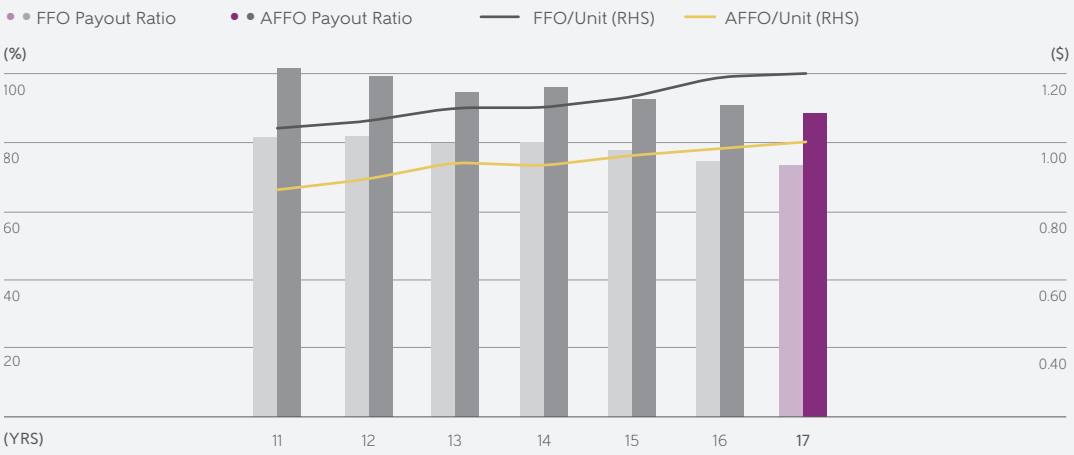
22

Prime urban and suburban development locations in Canada

Crombie's existing portfolio has achieved steady organic growth through the ongoing efforts of our property management, leasing and redevelopment teams. Following a $12 million modernization and expansion, Scotia Square remains Halifax's premier business address and a potential site for future mixed use development.

Improving FFO/AFFO Payout Ratio

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



88.9%

AFFO Payout Ratio offers Unitholders a well-covered distribution

3

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

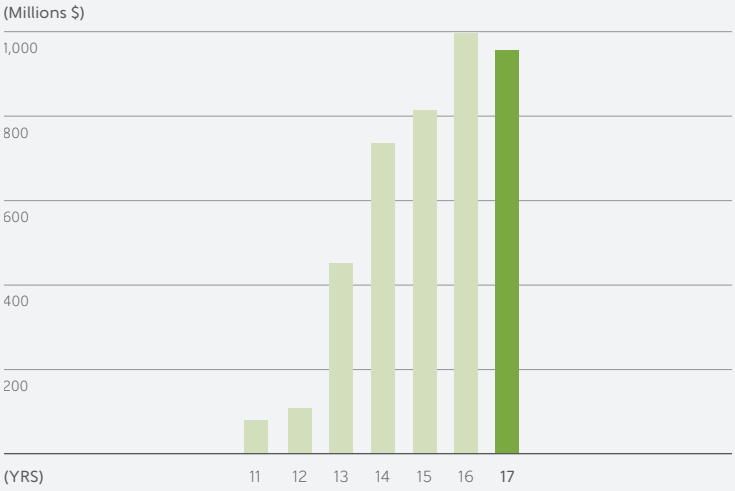
With the benefit of an investment-grade credit rating, we continued to improve our liquidity, optimize our cost of capital, strengthen our balance sheet and de-risk our business in 2017.

Our liquidity and financial flexibility continue to grow with $434 million of unused bank financing capacity, $954 million of unencumbered assets and an expanding pool of unsecured debt totalling $700 million.

The financial covenants and weighted average remaining lease terms of our major tenants, including the grocery and drugstores, banks and other everyday retailers in our properties, allow us to borrow using longer debt maturities, which translates into lower financing risk. No more than 5.1% of the rental space in our portfolio will be maturing in a single year over the next five years.

Unencumbered Assets

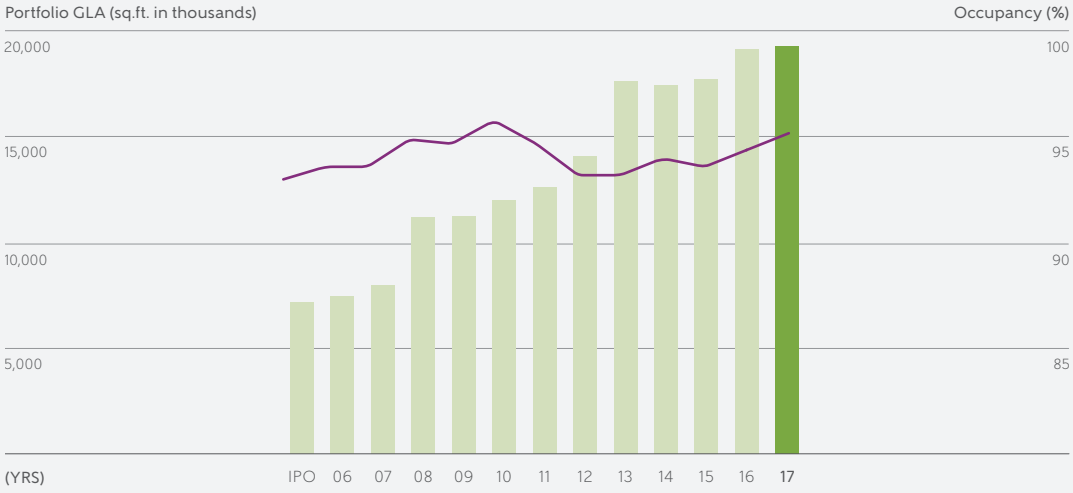
Unencumbered assets in our property portfolio reached $1 billion in 2016 and ended 2017 at $954 million, reflecting strong liquidity and financial flexibility.



Strong Property Growth with Steady Occupancy

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

• Portfolio GLA — Occupancy/Leased (RHS)



95.2%

committed occupancy increased to 95.2% at the end of 2017, highest since 2010

Stittsville Corners is a grocery anchored retail plaza located in one of Ottawa' s fast-growing suburban communities.

HALIFAX, NS

SCOTIA SQUARE

Situated in the heart of the Halifax business district, Scotia Square comprises 1.6 million square feet of prime office and retail space. A recently completed three-level, 25,000 sq.ft. expansion on Barrington Street includes this welcoming main entrance into the complex.

4

Our growing team of talented real estate professionals takes a best-in-class approach to every facet of our business

At Crombie, Building a Better REIT relies on building a team of strong individuals.

As we grow, Crombie continues to add talented team members who strengthen our expertise in an expanding range of real estate activities and share our passion for helping to make the communities in which we operate better places to live, work, shop and play. Working together, we are committed to being the best at everything we do. That's why we foster a diverse and inclusive workplace, recognize the unique contributions of our employees and support their growth through ongoing professional and leadership development programs.

AWARDS 2017

2017 Nova Scotia's Top Employers

ATLANTIC 2017

Crombie's vibrant corporate culture, flexible work conditions, professional development opportunities and care for communities continued to earn industry recognition in 2017.

Featured Employees

We continue to acquire and develop the talent required by our growing business and are proud that so many employees choose to build their careers at Crombie REIT.

CINDY LACIRENO

PROPERTY MANAGER, QUEBEC REGIONAL OFFICE
MONTREAL

Cindy joined Crombie in 2016 with 18 years of experience in the commercial real estate business and manages a 1.2 million square foot property portfolio in Quebec and Eastern Ontario. Cindy and her team of real estate professionals are responsible for customer relations, maintenance and other operations at 38 properties in Quebec and three properties in Eastern Ontario.

WILTON DAMAS

DIRECTOR OF INFORMATION SYSTEMS
NEW GLASGOW

Wilton joined the Crombie team in 2017 to lead Information Systems strategic & operational planning as well as the execution of daily business requirements. A seasoned IT professional with more than 30 years of experience, Wilton holds undergraduate degrees in Computer Science and Business Administration, PMP as well as an MBA.

ERIN BROWNLOW

MANAGER, ESTIMATING
NEW GLASGOW

Erin joined Crombie in 2016 with over 20 years of experience in the construction industry as a cost consultant, estimator, estimating manager, project coordinator and contract manager. A Professional Quantity Surveyor (PQS), Gold Seal Certified Estimator (GSC) and Certified Technician in the building discipline (C.Tech.), Erin is an Architectural Engineering Technician graduate of Nova Scotia Community College (NSCC).

TAMMY GAY

PROPERTY MANAGER
NEW GLASGOW

Tammy joined Crombie predecessor company, Atlantic Shopping Centres, in 1991 as a part-time administrator for Aberdeen Shopping Centre. Over the past 27 years, she has assumed a number of increasingly senior roles and in 2017 was appointed to the position of Property Manager for Aberdeen Shopping Centre and Fundy Trail Centre.

MATTHEW MARCH

SENIOR ANALYST, FINANCIAL REPORTING
NEW GLASGOW

Matthew joined Crombie in 2013 as a Property Accountant with public accounting experience. Today, his critical responsibilities include fixed-asset reporting and analysis, as well as property valuations, tax planning and reporting. Matt holds a CPA, CA designation and is a CFA® charterholder.

RUTH MARTIN

FINANCIAL ANALYST
NEW GLASGOW

Ruth joined Crombie in 2014 as a Property Accountant and today works as a Financial Analyst with many groups across the organization – including development, operations, and leasing – on reporting, budgeting, and analytics. Ruth graduated from STFX University in 2013 with a Bachelor of Business Administration, major in Accounting, and holds a CPA, CA designation.

PAUL EVANS

MANAGER, FACILITIES AND PROCUREMENT
HALIFAX

Paul joined Crombie predecessor company, Atlantic Shopping Centres, more than 40 years ago in maintenance at Halifax Developments (now Scotia Square) and since that time has assumed increasingly senior positions as a foreman, supervisor, residential supervisor and manager at Scotia Square properties.

MIKE SAMSON

PROPERTY MANAGER
HALIFAX

Mike joined Halifax Developments Limited (now Scotia Square) in 1977 as an electrician, transitioning to the role of Property Manager at HDL in 1995. Today, his property management responsibilities extend to other Crombie-owned properties throughout southern Nova Scotia.

KIM ZIRVI

ACCOUNTS RECEIVABLE ADMINISTRATOR
TORONTO

Kim joined Crombie's Ontario Region office in 2006 as Administrative Assistant providing ongoing support to the Operations and Leasing team over the next five years. In 2011, Kim moved into the role of Accounts Receivable Administrator, handling the Ontario portfolio.

TREVOR DEGEER

SENIOR ANALYST, DEVELOPMENT AND ASSET MANAGEMENT
TORONTO

Trevor joined Crombie's Ontario Region Office in 2017 as a Senior Analyst in Development and Asset Management following years in real estate finance at a major Canadian bank. He is part of a team responsible for intensifying sites in our existing portfolio and uncovering new development opportunities.

ELYSE TOMIE

LEASING MANAGER
CALGARY

Elyse Tomie joined Crombie in 2014 as Leasing Manager for our fast-growing retail real estate portfolio in Western Canada. Prior to joining Crombie, Ms. Tomie held roles at First Capital Realty and Canadian Tire Real Estate Limited. She has an Honours of Business Administration from the Richard Ivey School of Business at the University of Western Ontario and a Diploma of Urban Land Economics from the Sauder School of Business at the University of British Columbia.

BUILDING BETTER COMMUNITIES

Building a Better REIT means giving back to the communities that are home to our operations across the country. We live this commitment every day, from our support of the causes we've chosen to champion to the way we build and manage our property portfolio.

Enriching Our Communities

There are people in our communities who need a helping hand to overcome the challenges that affect their daily lives. Crombie helps by supporting charitable organizations across Canada through direct financial support, as well as through the generous volunteer efforts of our employees.

Crombie's Toronto team sorted and bagged over a tonne of fresh vegetables for distribution at the Daily Bread Food Bank during the holiday rush in 2017. The Daily Bread works on long-term solutions to poverty, while providing food to 200 programs across Toronto.

Some of the vital community organizations we support include:

The Alberta Adolescent Recovery Centre, focused on freeing young Canadians from addiction

The Canadian Mental Health Association, a nationwide leader and champion for mental health

Catapult, a non-profit camp that helps build the leadership, problem-solving and decision-making skills of young Nova Scotians

Covenant House, providing services and supports to at-risk, homeless and trafficked youth

Dreams Take Flight, providing trip-of-a-lifetime experiences to physically, mentally, or socially challenged children

Race on the River, a fundraising event for breast and prostate cancer support, for which Crombie employees have raised over $300,000

YMCA Strong Kids, giving kids the opportunity to participate in life-enhancing programs that build body, mind and spirit

RESPECTING THE ENVIRONMENT

Crombie's commitment to building better communities extends equally to the environment. We are proud to develop and manage sustainable and efficient properties that are welcome additions to the neighbourhoods they serve. Environmental responsibility is an integral part of our everyday decision-making and business practices and we are proud to foster a corporate culture where every employee values the environment and understands their role in protecting it.

All of the new-build designs for Crombie's retail properties meet LEED® equivalent standards and we continue to earn and upgrade BOMA BEST® certification for our existing properties. All Scotia Square buildings now hold BOMA BEST® Gold Certification with energy reduction and sustainable initiatives ongoing; Avalon Mall and Park Lane are BOMA BEST® Silver Certified. Both Avalon Mall and Scotia Square have received BOMA Awards of Excellence in their respective provinces. Barrington Place and the CIBC Building, part of Crombie's Scotia Square complex, have both received BOMA Canada's TOBY® Award, (The Outstanding Building of the Year) at the national level.

Avalon Mall in Newfoundland and Labrador is BOMA BEST® Silver Certified. In 2017, Avalon Mall received the BOMA NL Award of Excellence and earned Crombie the title of BOMA NL Company of the Year. The recent parkade lighting upgrade, which will save an estimated 71,000 kWh of electricity per year, is another example of Crombie's commitment to reducing energy consumption.

We began the process of greening our buildings at Scotia Square in 2008. Since then, completed projects have saved Crombie 18.6 million kWh of electricity and 22.5 million gallons of water per year, resulting in savings of over $2.5 million in annual operating costs.

590,220kWh/yr

Our total expected kWh savings. In Western Canada seven properties are slated for exterior lighting LED retrofits. The estimated savings in total for the seven properties is 590,220 kWh per year (savings of over 70%).

MESSAGE FROM THE BOARD

CONTINUING PROGRESS ON ALL FRONTS

Crombie's senior leadership team did a very good job of executing its strategies for sustainable growth in 2017, enhancing the quality of the property portfolio, investing in value creation, maintaining a prudent financial foundation, and strengthening our talent from coast to coast.

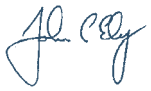
Among the ongoing responsibilities of the Board of Trustees is the approval of management's strategic plan and monitoring its successful execution. The senior management team performed well in their determination to "Build a Better REIT" in 2017, hitting key financial and operating targets and breaking ground on the first multi-residential project in Crombie REIT's impressive development pipeline.

Fulfilling our responsibilities as a Board on behalf of all investors requires the highest standards of corporate governance. Accordingly, while Empire Company maintains a 40.3% (fully diluted) ownership interest in Crombie REIT, the Board is structured and operated to fairly represent the interests of all Unitholders. It consists of both appointed and elected Trustees, as specified in our Declaration of Trust, with a majority being elected and independent. The elected Trustees hold separate in-camera meetings with and without the appointed Trustees and management at each Board meeting. Empire-appointed Trustees also do not participate in any decisions concerning related party transactions with Sobeys or Empire.

Our effectiveness as a Board also depends on the contributions of highly engaged individuals who bring a diversity of experience, expertise, geography and gender to our deliberations. In 2017, we were privileged to welcome Debra Hess, former Chief Financial Officer of NorthStar Asset Management Group and NorthStar Realty Finance Corp in New York, who has brought a wealth of executive experience in commercial real estate and investment banking. The Board has also been strengthened by the addition of Jim Dickson, Chair of Empire Company Limited, who specialized in mergers and acquisitions, corporate finance and securities law before retiring from Stewart McKelvey in 2016.

In closing, we would like to convey our thanks and best wishes to Mr. Francois Vimard, who retired from the Board in June. We would also like to extend our appreciation to Crombie's employees, investors, communities, tenants and business partners for their contributions to Crombie's continuing success. We particularly wish to acknowledge the importance of Crombie REIT's strategic relationship with Sobeys. Sobeys has and will continue to play a major role in the growth of Crombie's property portfolio and as our largest tenant, is key to the steady performance of Crombie's everyday retailing assets. This mutually beneficial relationship will continue to evolve in its importance as Crombie finds new ways to create value through active portfolio management and development of commercial real estate.

Frank C. Sobey
Trustee and Chair



John C. Eby
Lead Independent Trustee

Board of Trustees

FRANK C. SOBEY

CHAIRMAN

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

JOHN C. EBY

INDEPENDENT TRUSTEE & LEAD TRUSTEE

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

DONALD E. CLOW

TRUSTEE

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

JIM M. DICKSON

INDEPENDENT TRUSTEE

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

DEBRA A. HESS

INDEPENDENT TRUSTEE

Debra Hess is the former Chief Financial Officer of Northstar Asset Management Group and has held senior positions at Goldman Sachs & Co. and the Chemical Banking Corporation. She is a member of the board of directors for AG Mortgage Investment Trust, Inc. and holds an MBA in Finance from New York University and a B.S. degree in Accounting from the University of Connecticut.

BRIAN A. JOHNSON

INDEPENDENT TRUSTEE

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

J. MICHAEL KNOWLTON

INDEPENDENT TRUSTEE

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

BARBARA PALK

INDEPENDENT TRUSTEE

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

JASON P. SHANNON

INDEPENDENT TRUSTEE

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

KENT R. SOBEY

INDEPENDENT TRUSTEE

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

PAUL D. SOBEY

TRUSTEE

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

ELISABETH STROBACK

INDEPENDENT TRUSTEE

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

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Management's Discussion and Analysis

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

INTRODUCTION

The following is Management's Discussion and Analysis ("MD&A") of the consolidated financial condition and results of operations of Crombie Real Estate Investment Trust ("Crombie") for the year and quarter ended December 31, 2017, with a comparison to the financial condition and results of operations for the comparable periods in 2016.

This MD&A should be read in conjunction with Crombie's audited consolidated financial statements and accompanying notes for the year ended December 31, 2017 and December 31, 2016, prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). Information about Crombie can be found on SEDAR at www.sedar.com.

DATE OF MD&A

The information contained in the MD&A, including forward-looking statements, is based on information available to management as of February 21, 2018, except as otherwise noted.

FORWARD-LOOKING INFORMATION

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

(i) the accretive acquisition of properties, including the cost and timing of new properties under right of first offer ("ROFO") agreements, and the anticipated extent of the accretion of any acquisitions, which could be impacted by demand for properties and the effect that demand has on acquisition capitalization rates and changes in interest rates;

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

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

(iv) statements and images under the heading "Property Development/Redevelopment" including the locations identified, timing, cost, development size and nature, impact on net asset value, cash flow growth, unitholder value or other financial measures, all of which may be impacted by real estate market cycles, the availability of financing opportunities and labour, actual development costs and general economic conditions and factors described under the "Property Development/Redevelopment" section and which assumes obtaining required municipal zoning and development approvals and successful agreements with existing tenants, and where applicable, successful execution of development activities undertaken by related parties not under the direct control of Crombie;

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

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

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

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

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

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

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

(xii) the effect that any contingencies 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.

NON-GAAP FINANCIAL MEASURES

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

FINANCIAL HIGHLIGHTS

Financial Highlights for the three months and year ended December 31, 2017 and 2016 are as follows:

	As at	
	December 31, 2017	December 31, 2016
Number of income-producing properties	286	280
Gross leaseable area (square feet)	19,201,000	19,093,000
Debt to gross book value – fair value basis	50.3%	50.3%
Weighted average interest rate		
Mortgage debt	4.33%	4.46%
All fixed rate debt	4.21%	4.34%

	Three months ended December 31,		Year ended December 31,	
(In thousands of CAD dollars, except per unit amounts and as otherwise noted)	**2017**	2016	**2017**	2016
Property revenue	$ 105,667	$ 105,269	$ 411,813	$ 400,001
Property net operating income	$ 74,045	$ 75,874	$ 290,744	$ 284,695
Same-asset property cash NOI	$ 61,483	$ 63,195	$ 243,113	$ 240,541
Operating income attributable to Unitholders	$ 27,048	$ 31,478	$ 163,696	$ 125,130
Operating income attributable to Unitholders per unit – basic	$ 0.18	$ 0.21	$ 1.09	$ 0.89
Operating income attributable to Unitholders per unit – diluted	$ 0.18	$ 0.21	$ 1.09	$ 0.89
FFO, with 2016 "as adjusted" (see FFO section)				
Basic	$ 47,237	$ 45,964	$ 181,152	$ 168,283
Diluted	$ 48,222	$ 47,705	$ 186,582	$ 175,189
Per unit – basic	$ 0.31	$ 0.31	$ 1.21	$ 1.20
Per unit – diluted	$ 0.31	$ 0.31	$ 1.20	$ 1.19
Payout ratio (%)	70.9%	71.8%	73.6%	74.7%
AFFO, with 2016 "as adjusted" (see AFFO section)				
Basic	$ 39,481	$ 37,776	$ 149,858	$ 138,173
Diluted	$ 40,466	$ 39,517	$ 153,764	$ 142,079
Per unit – basic	$ 0.26	$ 0.26	$ 1.00	$ 0.99
Per unit – diluted	$ 0.26	$ 0.25	$ 1.00	$ 0.98
Payout ratio (%)[1]	84.9%	87.3%	88.9%	91.0%
Distributions per unit	$ 0.22	$ 0.22	$ 0.89	$ 0.89
ACFO, with 2016 "as adjusted" (see ACFO section)	$ 40,808	$ 39,531	$ 151,883	$ 141,725
ACFO payout ratio (%)[1]	82.1%	83.4%	87.7%	88.7%
Interest service coverage			2.87	2.97
Debt service coverage			1.87	1.96

(1) AFFO and ACFO payout ratios are calculated using a per square foot charge for maintenance expenditures (see "AFFO" and "ACFO" sections).

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

	Three months ended December 31,		Year ended December 31,	
	2017	2016	**2017**	2016
Basic number of Units for all measures	150,401,349	148,038,591	149,507,560	139,919,678
Diluted for operating income attributable to Unitholders purposes	150,532,766	148,179,446	155,492,191	140,062,763
Diluted for FFO purposes	154,870,958	155,502,713	155,492,191	147,386,030
Diluted for AFFO purposes	154,870,958	155,502,713	153,979,208	144,400,955

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

HIGHLIGHTS

- FFO for the three months ended December 31, 2017 increased 2.8% to $47,237; or $0.31 per unit diluted, an increase of 1.5% per unit from the three months ended December 31, 2016.
- AFFO for the three months ended December 31, 2017 increased 4.5% to $39,481; or $0.26 per unit diluted, an increase of 2.8% per unit from the three months ended December 31, 2016.
- ACFO for the three months ended December 31, 2017 increased 3.2% to $40,808 from the three months ended December 31, 2016.
- FFO payout ratio of 70.9% for the three months ended December 31, 2017 compared to 71.8% for the same period in 2016. AFFO payout ratio of 84.9% for the three months ended December 31, 2017 compared to 87.3% for the same period in 2016. ACFO payout ratio of 82.1% for the three months ended December 31, 2017 compared to 83.4% for the same period in 2016.
- Same-asset property cash NOI for the three months ended December 31, 2017 decreased by 2.7% or $1,712 ($61,483 compared to $63,195 for the three months ended December 31, 2016). The three months ended December 31, 2016 included $3,000 of lease termination income from Best Buy Canada; excluding this, same-asset property cash NOI increased 2.1% or $1,288.
- Completed disposition in the three months ended December 31, 2017 of one retail property to a third party consisting of 67,000 square feet in Peterborough, ON for proceeds of $15,600 before closing and transaction costs.
- Fourth quarter property revenue of $105,667, an increase of $398 or 0.4% over fourth quarter 2016.
- Committed occupancy was 95.2% at December 31, 2017 compared with 94.4% at December 31, 2016.
- Crombie's renewal activity during the year ended December 31, 2017 included renewals on 574,000 square feet of 2017 expiring leases at an average rate of $18.73 per square foot, an increase of 10.2% over the expiring lease rate.
- Crombie's renewal activity during the three months ended December 31, 2017 included renewals on 211,000 square feet of 2017 expiring leases with an increase of 32.6% over the expiring lease rate and renewals on 112,000 square feet of future years expiring leases with a decrease of 0.5% over the expiring lease rate.
- New leases and expansions increased occupancy by 358,000 square feet at December 31, 2017 at an average first year rate of $18.30 per square foot.
- Debt to gross book value (fair value basis) was 50.3% at December 31, 2017, compared to 50.3% at December 31, 2016.
- Crombie's interest service coverage for the year ended December 31, 2017 was 2.87 times EBITDA and debt service coverage was 1.87 times EBITDA, compared to 2.97 times EBITDA and 1.96 times EBITDA, respectively, for the year ended December 31, 2016.

BUSINESS OVERVIEW

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

Crombie invests in income-producing retail, office and commercial mixed use properties in Canada, with a growth strategy focused primarily on the acquisition of grocery and drug store-anchored retail properties in Canada's top markets. At December 31, 2017, Crombie owned a portfolio of 286 income-producing properties in 10 provinces, comprising approximately 19.2 million square feet of gross leaseable area ("GLA"). Empire Company Limited ("Empire"), through a subsidiary, holds a 41.5% (fully diluted 40.3%) economic and voting interest in Crombie at December 31, 2017.

BUSINESS OBJECTIVES AND OUTLOOK

The objectives of Crombie are threefold:

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

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

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

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

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

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

The following table outlines the income property transactions completed since the initial public offering ("IPO") with the information for years prior to the current year being the net acquisitions (dispositions).

(In thousands of CAD dollars) Transaction date	Number of properties	GLA (sq. ft.)	Acquisition cost (disposition proceeds)[1]
Transactions with Empire and subsidiaries			
2006 through 2015	179	8,973,500	$ 2,018,551
2016	22	2,131,000	$ 365,729
March 16, 2017	1	50,000	$ 8,320
September 29, 2017	–	31,000	$ 7,671
Transactions with third parties			
2006 through 2015	51	2,510,000	$ 726,962
2016	(1)	(743,000)	$ (16,821)
July 5, 2017	1	64,000	$ 14,100
July 6, 2017	1	61,000	$ 42,000
August 14, 2017	1	52,000	$ 13,207
August 25, 2017	1	44,000	$ 14,950
September 5, 2017	2	79,000	$ 16,000
December 12, 2017	(1)	(67,000)	$ (15,600)

(1) Excluding closing and transaction costs.

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

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

BUSINESS ENVIRONMENT

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

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

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

OVERVIEW OF THE PROPERTY PORTFOLIO

PROPERTY PORTFOLIO

At December 31, 2017, Crombie's property portfolio consisted of 286 income-producing properties that contain approximately 19.2 million square feet of GLA in all 10 provinces.

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

	GLA (sq. ft.)						
Province	January 1, 2017	Acquisitions (Dispositions)	Other	December 31, 2017	Number of Income-Producing Properties	% of GLA	% of Annual Minimum Rent
AB	3,374,000	50,000	–	3,424,000	56	17.8%	20.5%
BC	1,768,000	–	11,000	1,779,000	41	9.3%	11.5%
MB	644,000	–	–	644,000	15	3.4%	4.2%
NB	1,586,000	–	(93,000)	1,493,000	20	7.8%	5.6%
NL	1,383,000	–	(54,000)	1,329,000	13	6.9%	9.4%
NS	5,320,000	–	(51,000)	5,269,000	43	27.4%	21.2%
ON	2,850,000	25,000	(39,000)	2,836,000	50	14.8%	15.7%
PE	104,000	–	20,000	124,000	2	0.6%	0.7%
QC	1,610,000	239,000	–	1,849,000	38	9.6%	8.8%
SK	454,000	–	–	454,000	8	2.4%	2.4%
Total	19,093,000	314,000	(206,000)	19,201,000	286	100.0%	100.0%

Crombie continues to diversify its geographic concentration through growth and divestiture opportunities. During the year ended December 31, 2017, Crombie had an increase of 314,000 square feet or 1.6% growth of GLA from net acquisition activity consisting of:

- acquisition of one property in Alberta, totalling 50,000 square feet;
- acquisition of one property totalling 61,000 square feet and a 31,000 square foot addition to a property in Ontario offset in part by disposition of one property totalling 67,000 square feet; and,
- acquisition of five properties in Quebec, totalling 239,000 square feet.

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

As at December 31, 2017, our allocation of Annual Minimum Rent consists of: Atlantic Canada 36.9%; Central Canada 24.5%; and Western Canada 38.6%. Crombie believes this diversification adds stability to the portfolio while reducing vulnerability to economic fluctuations that may affect any particular region.

PROPERTY CATEGORIZATION

Crombie breaks out its property count and square footage by the following categories:

	Q4 2017		Q3 2017		Q4 2016	
	# of Properties	GLA	# of Properties	GLA	# of Properties	GLA
Same-asset	229	14,010,000	229	13,813,000	224	13,627,000
Same-asset Development	1	557,000	2	820,000	1	260,000
Total Same-asset	230	14,567,000	231	14,633,000	225	13,887,000
Major Development	1	37,000	1	37,000	–	–
Other Property Redevelopment	10	1,655,000	10	1,804,000	11	2,233,000
Acquisitions – 2017[1]	7	350,000	7	350,000	–	–
Acquisitions – 2016[1][2]	38	2,592,000	38	2,629,000	39	2,653,000
Acquisitions – 2015[1]	–	–	–	–	5	320,000
Total Non Same-asset	56	4,634,000	56	4,820,000	55	5,206,000
Total Properties	286	19,201,000	287	19,453,000	280	19,093,000

(1) Excludes acquisitions of additions to existing properties.
(2) Reduction in GLA in Q3 and Q4 2017 relates to redevelopment plans for Bronte Village and Penhorn Land as discussed in the Development Planning section.

PORTFOLIO OCCUPANCY AND LEASE ACTIVITY

The portfolio occupancy and committed activity for the year ended December 31, 2017 were as follows:

	Occupied space (sq. ft.)								
Province	January 1, 2017	Acquisitions (Dispositions)	New Leases[1]	Lease Expiries	Other Changes[2]	December 31, 2017	Committed Space (sq. ft.)[3]	Total Leased Space (sq. ft.)	Leased December 31, 2017
AB	3,362,000	50,000	10,000	(3,000)	–	3,419,000	2,000	3,421,000	99.9%
BC	1,764,000	–	11,000	–	–	1,775,000	–	1,775,000	99.8%
MB	644,000	–	3,000	–	(3,000)	644,000	–	644,000	100.0%
NB	1,266,000	–	60,000	(15,000)	(45,000)	1,266,000	3,000	1,269,000	85.0%
NL	1,337,000	–	23,000	(29,000)	(31,000)	1,300,000	5,000	1,305,000	98.2%
NS	4,770,000	–	160,000	(48,000)	(134,000)	4,748,000	57,000	4,805,000	91.2%
ON	2,654,000	25,000	42,000	(3,000)	(53,000)	2,665,000	24,000	2,689,000	94.8%
PE	99,000	–	25,000	–	–	124,000	–	124,000	100.0%
QC	1,595,000	233,000	1,000	(3,000)	–	1,826,000	–	1,826,000	98.8%
SK	404,000	–	23,000	(1,000)	–	426,000	–	426,000	93.8%
Total	17,895,000	308,000	358,000	(102,000)	(266,000)	18,193,000	91,000	18,284,000	95.2%

(1) New leases include new leases and expansions to existing properties.
(2) Other changes include amendments to existing leases; lease terminations and surrenders; bankruptcies; and space certifications.
(3) Committed space represents lease contracts for future occupancy of currently vacant space. Management believes such reporting, along with reported lease maturities, provides more balanced reporting of potential pending overall vacant space. Committed space decreased to 91,000 square feet at December 31, 2017, from 132,000 square feet at December 31, 2016.

Overall leased space (occupied plus committed) increased from 94.4% at December 31, 2016 to 95.2% at December 31, 2017. During 2017, Crombie had a net increase from acquisitions and dispositions of 308,000 square feet and had new leases outpace lease expiries by 256,000 square feet.

New leases and expansions increased occupancy by 358,000 square feet at December 31, 2017 at an average first year rate of $18.30 per square foot. 305,000 square feet are new leases at an average rate of $19.76 per square foot while the remaining 53,000 square feet are expansions of existing tenants at an average rate of $9.80 per square foot. 91,000 square feet of space was committed at December 31, 2017 at an average first year rate of $13.71 per square foot. New leases and expansions increased occupancy in the quarter by 45,000 square feet at an average rate of $33.38 per square foot.

During the year ended December 31, 2017, Crombie renewed 932,000 square feet of anchor and non-anchor tenant lease maturities at an average rate of $17.11 per square foot, an increase of 7.6% over the expiring lease rate. This consisted of:

- 574,000 square feet of 2017 lease maturities at an average rate of $18.73 per square foot, an increase of 10.2% over the expiring lease rate.
- 358,000 square feet of 2018 and later expiring leases at an average rate of $14.51 per square foot, an increase of 2.5% over the expiring lease rate.

During the quarter ended December 31, 2017, Crombie renewed 323,000 square feet of anchor and non-anchor tenant lease maturities at an average rate of $14.12, an increase of 16.0% over the expiring lease rate. This consisted of:

- 211,000 square feet of 2017 lease maturities at an average rate of $12.32 per square foot, an increase of 32.6% over the expiring lease rate.
- 112,000 square feet of 2018 and later expiring leases at an average rate of $17.49 per square foot, a decrease of 0.5% to the expiring lease rate.

SECTOR INFORMATION

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

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

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

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

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

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

Retail and commercial mixed use properties represent 94.8% of Crombie's GLA and 96.3% of annual minimum rent at December 31, 2017 compared to 94.8% of GLA and 96.0% of annual minimum rent at December 31, 2016.

Leased space in retail and commercial mixed use properties of 95.7% at December 31, 2017, increased from 94.7% at December 31, 2016. Leased space in office properties of 87.1% decreased from 89.0% at December 31, 2016.

LEASE MATURITIES

The following table sets out as of December 31, 2017, the number of leases maturing during the periods indicated (assuming tenants do not holdover on a month-to-month basis or exercise renewal options or termination rights), the renewal area, the percentage of the total GLA of the properties represented by such maturities and the estimated average rent per square foot at the time of expiry.

Year	Number of Leases	Renewal Area (sq. ft.)	% of Total GLA	Average Rent per sq. ft. at Expiry
2018	213	972,000	5.1%	$ 16.58
2019	177	829,000	4.3%	17.14
2020	164	694,000	3.6%	19.00
2021	165	793,000	4.1%	19.43
2022	173	776,000	4.0%	20.23
Thereafter	687	14,220,000	74.1%	18.36
Total	1,579	18,284,000	95.2%	$ 18.36

LARGEST TENANTS

The following table illustrates the ten largest tenants in Crombie's portfolio of income-producing properties as measured by their percentage contribution to total annual minimum rent as at December 31, 2017.

Tenant	% of Annual Minimum Rent	Average Remaining Lease Term
Sobeys[1]	53.5%	14.4 years
Shoppers Drug Mart	5.1%	10.1 years
Cineplex	1.3%	7.6 years
Good Life Fitness	1.2%	9.8 years
Province of Nova Scotia	1.1%	1.3 years
CIBC	1.1%	13.4 years
Dollarama	1.1%	6.3 years
Lawtons/Sobeys Pharmacy	1.0%	9.4 years
Bank of Montreal	1.0%	9.6 years
Bank of Nova Scotia	0.8%	3.9 years
Total	67.2%	

(1) Excludes Lawtons/Sobeys Pharmacy.

Crombie's portfolio is leased to a wide variety of tenants. The above table is based on the tenant's percentage of annual minimum rent and, other than Sobeys which accounts for 53.5% of annual minimum rent and Shoppers Drug Mart which accounts for 5.1% of annual minimum rent, no other tenant accounts for more than 1.3% of Crombie's annual minimum rent.

For the year ended December 31, 2017, Sobeys also represents 49.2% of total property revenue. Total property revenue includes annual minimum rent as well as operating and realty tax cost recovery income and percentage rent. These additional amounts can vary by property type, specific tenant leases and where tenants may directly incur and pay operating and realty tax costs.

The weighted average remaining term of all Crombie leases is approximately 12.1 years. This remaining lease term is influenced by the average Sobeys remaining lease term of 14.4 years and CIBC of 13.4 years.

PROPERTY DEVELOPMENT/REDEVELOPMENT ("DEVELOPMENT")

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

Crombie believes it has the potential to unlock significant value within its current pipeline of 22 Major Development properties (three (3) Active Major Developments and 19 Potential Major Developments) over the next decade or longer. Crombie benefits from having solid income (FFO and AFFO) generated by its development pipeline properties while working through the various approvals and advance preparations required before each Major Development can commence. In aggregate, Crombie currently achieves an in-place NOI yield of approximately 5.4% on existing asset cost for its development pipeline properties.

Crombie enjoys value from its strategic relationship with Sobeys. Most of our Major Development properties have Sobeys as an anchor tenant and our strategic relationship should enable us to ensure a seamless transition from existing property / store operations to construction / development of each of these sites.

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

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

In the sections that follow (Active Major Developments and Potential Major Developments), Crombie has identified 22 Major Development projects (September 30, 2017 – 22) with a total projected cost to develop these properties of $3 to $4.5 Billion (September 30, 2017 – $3 to $4.5 Billion).

Active Major Developments

The below table provides additional detail into Crombie's Active Major Developments:

Non Same-asset Development

					At Crombie's Share ($ in millions)			
Property	Use	Commercial GLA on Completion	Residential GLA on Completion	Estimated Final Completion Date	Estimated Annual NOI	Estimated Total Cost[3]	Estimated Yield on Cost[3]	Estimated Cost to Complete
Davie Street[1]	Retail, Residential	53,000	253,000	Q2 2020	$ 5.7-6.2	$ 103.7	5.5%-6.0%	$ 76.8
Belmont Market[2]	Retail, Office	192,000	–	Q4 2018[4]	5.7-6.5	103.8	5.5%-6.3%	60.4
Total		245,000	253,000		$ 11.4-12.7	$ 207.5	5.5%-6.1%	$ 137.2

(1) Crombie has entered into a JV partnership agreement with a Vancouver based development partner (Westbank). Crombie will own 100% of the retail with a total project cost of $28 million and 50% of the residential with a total project cost of $152 million. Sobeys will continue lease payments through the development period to retain the rights under their existing lease.
(2) Belmont is not yet included in property count as it is a greenfield development.
(3) Estimated Total Cost/Yield on Cost includes all costs associated with the development, including but not limited to, estimated value of air rights and/or land value, predevelopment costs, construction costs, tenant costs and financing costs.
(4) Phase I of Belmont Market development is estimated to be complete in Q4 2018. The timing of future phases will depend on pre-leasing activity.

Same-asset Development

Property	Use	Incremental GLA	Estimated Completion Date	($ in millions) Estimated Total Cost[1]	Estimated Cost to Complete
Avalon Mall - Phase I	Retail	–	Q4 2019	$ 54.5	$ 44.8
Avalon Mall - Phase II	Retail	17,000	Q2 2020	53.0	48.0
Total		17,000		$ 107.5	$ 92.8

(1) Estimated Total Cost includes all costs associated with the development, including but not limited to, predevelopment costs, construction costs and financing costs.

Phase II, a three-level, 25,000 square foot expansion of Scotia Square, was completed in 2017 and removed from the Active Major Development section. There is future potential of mixed use development at this downtown Halifax property.

1641 Davie Street, Vancouver, British Columbia

Davie Street is currently under active development, and is being developed in conjunction with our partner, Westbank Corp. as an approximate 306,000 square foot mixed use asset. Demolition of the existing structure is complete with excavation on track to be completed in March 2018. The development will include a new, larger, approximately 44,000 square foot grocery store with almost 9,000 square feet of ancillary retail space, and rental residential space totalling up to 253,000 square feet (up to 330 rental units) in two residential towers with an estimated total project cost of $180 million, $104 million at Crombie's share. Crombie will retain 100% of the new commercial component and own 50% of the rental residential component.

Belmont Market, Victoria (Langford), British Columbia

Belmont Market is being developed as a 192,000 square foot grocery-anchored mixed use centre in Victoria (Langford), BC which is 100% owned by Crombie REIT and under active development. The retail development will include a 53,000 square foot new Thrifty Foods store, and approximately 139,000 square feet of additional retail and office space on 20 acres of land, expected to cost approximately $104 million. An additional 4 acres of land is under agreement to sell to a residential developer who has plans to add 437 units of low rise residential rental and market condos to the immediate area, which will enhance the vibrant new community village that the development is striving to accomplish. Construction has commenced with off-site servicing underway and building construction to start imminently on phase I of the project, which is on track to open in fall 2018. 119,000 square feet or approximately 83% of phase I has committed leases or is in advanced stages of negotiation.

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

Avalon Mall is a regional shopping centre located in St. John's, Newfoundland and Labrador. It is the largest enclosed shopping mall in Newfoundland and Labrador with approximately 557,000 square feet of GLA. Crombie has initiated a three year capital investment program to enhance Avalon Mall's position as the dominant enclosed mall in the province. The investment program began earlier this year and phase I includes construction of a four-level 875 space parking structure, redesign and realignment of the main mall vehicular access, and the redesign and phased renovation of the mall's interior common areas with an initial capital investment of $54.5 million over three years. The parkade is currently under construction and is expected to be complete in October 2018. The redesign and phased renovation of the common areas began in January 2018, with an estimated completion date of the fourth quarter of 2019.

Crombie has negotiated a lease surrender of the 129,000 square foot Sears effective February 2018, enabling acceleration of planning to redevelop this section of the mall. This $53 million phase II redevelopment will involve demolition of a portion of the existing Sears and expanding the existing mall toward Kenmount Road. The redevelopment provides an opportunity to replace the former Sears space with new and/or completely renovated modern tenant spaces, common areas, and mall exterior. Construction of this phase will begin in 2018 with occupancy in early 2019 of the redeveloped Sears. Construction of the expansion area will continue throughout 2019 with occupancy expected in 2020.

The phase III development plan is further described in the Pre-Planning section that follows. The multi-phase redevelopment at this property enables Crombie to maximize NOI, improve tenant mix and increase sales per square foot.

Potential Major Developments

In addition to Active Major Developments previously detailed, Crombie's current Potential Major Developments have the potential to add up to 600,000 square feet (September 30, 2017 – 600,000 square feet) of commercial GLA and up to 8,000,000 square feet (up to 9,500 units) (September 30, 2017 – 8,000,000 square feet and 9,500 units) of residential GLA (which may include a combination of rental or condominium units).

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

As at December 31, 2017, Crombie has identified the following 19 locations as having potential to become Active Major Developments. Development of each property is subject to management completing full due diligence on the opportunity, including commercial and residential components, as well as seeking all necessary Board, municipal/provincial and tenant approvals prior to proceeding. The precise timing of each project is not determinable currently. The time horizon of these projects may change, project scope may change, and/or Crombie may choose to not proceed with development on some properties after further review and completion of financial projections.

Existing Property	City, Province	Site Size (acres)	Existing Tenants	Potential Commercial Expansion	Potential Residential Expansion	Status
1. Bronte Village	Oakville, ON	5.66	Sobeys/Other tenants	Yes	Yes	Development Planning
2. Penhorn Lands – Phase I	Dartmouth, NS	4.88	Land	Yes	Yes	Development Planning
3. 1780 East Broadway (Broadway and Commercial)	Vancouver, BC	2.43	Safeway	Yes	Yes	Pre-planning
4. 1170 East 27 Street (Lynn Valley)	North Vancouver, BC	2.82	Safeway	Yes	Yes	Pre-planning
5. 524 Elbow Drive SW (Mission)	Calgary, AB	1.60	Safeway	Yes	Yes	Pre-planning
6. 5235 Kingsway (Royal Oak)	Burnaby, BC	2.76	Safeway	Yes	Yes	Pre-planning
7. East Hastings	Burnaby, BC	3.30	Safeway/Other tenants	Yes	Yes	TBD[1]
8. 10355 King George Boulevard	Surrey, BC	5.07	Safeway	Yes	Yes	TBD
9. 2733 West Broadway	Vancouver, BC	1.95	Safeway	Yes	Yes	TBD
10. 3410 Kingsway	Vancouver, BC	3.74	Safeway/Other tenants	Yes	Yes	TBD
11. 990 West 25 Avenue (King Edward)	Vancouver, BC	1.80	Safeway	Yes	Yes	TBD
12. 813 11 Avenue SW	Calgary, AB	2.59	Safeway	Yes	Yes	TBD
13. 410 10 Street NW	Calgary, AB	1.73	Safeway	Yes	Yes	TBD
14. 10930 82 Avenue	Edmonton, AB	2.44	Safeway/Other tenants	Yes	Yes	TBD
15. Brampton Mall	Brampton, ON	8.74	Retail	Yes	Yes	TBD
16. Centennial Parkway	Hamilton, ON	2.75	Retail	Yes	Yes	TBD
17. McCowan & Ellesmere	Toronto, ON	4.50	Sobeys/Other tenants	Yes	Yes	TBD
18. Triangle Lands	Halifax, NS	0.68	Land	Yes	Yes	TBD
19. Scotia Square	Halifax, NS	14.47	Office/Retail	Yes	Yes	TBD
Avalon Mall – Phase III[2]	St. John's, NL	50.91	Retail	Yes	No	Pre-planning
Penhorn Lands – Phase II[3]	Dartmouth, NS	26.12	Land	Yes	Yes	Pre-planning

(1) TBD: to be determined.
(2) Avalon Mall Phase I and II are in Active Major Development.
(3) Penhorn Lands Phase I is in Development Planning.

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

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

Properties in the Development Planning Phase

Bronte Village, 2441 Lakeshore Road West, Oakville, Ontario

Bronte Village is located in South Oakville at the intersection of Lakeshore and Bronte Roads. The 5.66 acre property is presently developed with a single storey, multi-tenant commercial retail mall anchored by a 30,000 square foot Sobeys with a total building area of approximately 93,000 square feet. The redevelopment of Bronte Village provides an opportunity to add luxury rental residential density in a desirable area currently experiencing undersupplied market conditions. The redevelopment plan for mixed use residential/retail requires demolition of a portion of the existing retail centre, which is scheduled to commence in 2018 with the existing Sobeys store remaining operational during the redevelopment. In its place two new luxury rental residential towers of 10 and 14 storeys containing 481 suites and 15,000 square feet of retail are proposed to be constructed. Separate site plan applications for residential and commercial components of the project are in progress.

Penhorn Lands – Phase I, Halifax (Dartmouth), Nova Scotia

The Penhorn Lands is a 31 acre development site located at the intersection of Highway 111 and Portland Street in Halifax (Dartmouth), Nova Scotia that was purchased from Empire in 2016. The site is adjacent to Penhorn Plaza, a Crombie-owned 104,000 square foot Sobeys anchored retail plaza. Management expects to undertake the development in two phases. Phase I involves partial demolition of a former Sears store with redevelopment into approximately 43,000 square feet of commercial space on 4.88 acres of the 31 acre development site. This commercial redevelopment will front on Portland street and is designed to integrate with the abutting Penhorn Plaza. Demolition is expected to begin in spring of 2018, followed by redevelopment of the remaining structure into new commercial units, with expected occupancy by the end of 2018. See the pre-planning section for future phases at this property.

Properties in the Pre-Planning Phase

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

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

1170 East 27th Street, North Vancouver (Lynn Valley), British Columbia
Lynn Valley is located in the District of North Vancouver in the popular Lynn Valley Towne Centre. The 2.82 acre site currently has a 36,000 square foot Safeway as the major tenant. Crombie is currently developing plans to accommodate the targeted density and meet the guidelines of the Official Community Plan. Rezoning of this property is required prior to proceeding with any redevelopment.

524 Elbow Drive SW, Calgary (Mission), Alberta
The Mission Safeway located in the affluent Elbow Park area of Calgary currently has a 24,000 square foot grocery store located on the 1.6 acre site. The project will overlook the Elbow River and have exceptional city and mountain views when complete. Preliminary discussions with the City of Calgary will take place when market conditions improve and redevelopment of this site is warranted.

5235 Kingsway (Royal Oak), Burnaby, British Columbia
The Royal Oak Safeway is located in close proximity to Metrotown in Burnaby – an area experiencing significant redevelopment as a result of recently adopted Metrotown Downtown Plan in 2017. The high profile site has the potential for redevelopment to occur in the near future. Initial planning has commenced and a comprehensive rezoning plan is being developed to facilitate discussions with the City of Burnaby.

Penhorn Lands – Phase II, Halifax (Dartmouth), Nova Scotia
The Penhorn Lands is a 31 acre development site located at the intersection of Highway 111 and Portland Street in Halifax (Dartmouth), Nova Scotia that was purchased from Empire in 2016. In addition to the phase I activity described under "Development Planning", Crombie has initiated pre-planning activity for future mixed residential development (phase II) on the remaining 26 acres of this development site.

Avalon Mall – Phase III, St. John's, Newfoundland and Labrador
In addition to the activities described under "Active Major Development", Crombie is also pre-planning the phase III redevelopment of an 8.6 acre property abutting Avalon Mall on Kenmount Road purchased in 2012. This redevelopment will replace two aging buildings with new retail space with modern design, additional parking, and integration of this property with Avalon Mall by significantly improving vehicular and pedestrian connectivity between the two properties.

FINANCIAL RESULTS

COMPARISON TO PREVIOUS YEAR

(In thousands of CAD dollars, except per unit amounts and as otherwise noted)	As At December 31, 2017	December 31, 2016	December 31, 2015
Total assets	$ 4,086,854	$ 3,963,318	$ 3,472,193
Total investment property debt and unsecured debt	$ 2,501,748	$ 2,396,199	$ 2,170,801
Debt to gross book value – fair value basis[1]	50.3%	50.3%	52.5%

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

	Three months ended December 31,			Year ended December 31,		
	2017	2016	Variance	2017	2016	Variance
Property revenue	$ 105,667	$ 105,269	$ 398	$ 411,813	$ 400,001	$ 11,812
Property operating expenses	31,622	29,395	(2,227)	121,069	115,306	(5,763)
Property NOI	74,045	75,874	(1,829)	290,744	284,695	6,049
NOI margin percentage	70.1%	72.1%	(2.0)%	70.6%	71.2%	(0.6)%
Other items:						
Gain on disposal of investment properties	2,474	9,761	(7,287)	2,474	37,490	(35,016)
Impairment of investment properties	–	(6,000)	6,000	–	(6,000)	6,000
Depreciation and amortization	(20,619)	(19,435)	(1,184)	(82,207)	(73,332)	(8,875)
General and administrative expenses	(4,246)	(4,266)	20	(19,077)	(16,341)	(2,736)
Finance costs – operations	(26,681)	(25,656)	(1,025)	(105,777)	(100,156)	(5,621)
Income (loss) from equity accounted investments	(7)	–	(7)	61	–	61
Operating income before taxes	24,966	30,278	(5,312)	86,218	126,356	(40,138)
Taxes – current	2,082	–	2,082	2,078	(26)	2,104
Taxes – deferred	–	1,200	(1,200)	75,400	(1,200)	76,600
Operating income attributable to Unitholders	27,048	31,478	(4,430)	163,696	125,130	38,566
Finance costs – distributions to Unitholders	(33,511)	(32,987)	(524)	(133,259)	(125,737)	(7,522)
Finance income (costs) – change in fair value of financial instruments	18	(46)	64	145	312	(167)
Increase (decrease) in net assets attributable to Unitholders	$ (6,445)	$ (1,555)	$ (4,890)	$ 30,582	$ (295)	$ 30,877
Operating income attributable to Unitholders per Unit, Basic	$ 0.18	$ 0.21		$ 1.09	$ 0.89	
Operating income attributable to Unitholders per Unit, Diluted	$ 0.18	$ 0.21		$ 1.09	$ 0.89	
Basic weighted average Units outstanding (in 000's)	150,401	148,039		149,508	139,920	
Diluted weighted average Units outstanding (in 000's)	150,533	148,179		155,492	140,063	
Distributions per Unit to Unitholders	$ 0.22	$ 0.22		$ 0.89	$ 0.89	

Operating Results

For the three months ended December 31, 2017, Operating income before taxes of $24,966 decreased by $5,312 or 17.5% compared to the three months ended December 31, 2016. The decrease was primarily due to:

- gain on disposal of $9,761 on five properties in the fourth quarter of 2016 which was $7,287 higher than the gain of $2,474 on one property recognized in the fourth quarter of 2017;
- a decrease in Property NOI of $1,829 or 2.4% with lease termination income decreasing by $3,791, primarily related to $3,000 from Best Buy/Future Shop in 2016 for one retail location and increased non-shareable property operating expenses; offset in part by increased net rental revenue; and,
- an increase in depreciation and amortization of $1,184 or 6.1% consisting of the write-off of remaining amortization related to vacated space as well as net acquisition activity during 2017;

offset in part by:

- the recognition in the fourth quarter of 2016 of $6,000 of impairment related to two retail properties.

For the year ended December 31, 2017, Operating income before taxes of $86,218 decreased by $40,138 or 31.8% compared to the year ended December 31, 2016. In addition to the above variance explanations for the three month period, the year was impacted by:

- the disposition of one retail property in the year ended December 31, 2017, resulting in a gain on disposal of $2,474, a decrease of $35,016 compared to the gain on disposal realized in 2016 on the disposition of 19 retail properties; and,
- an increase in 2017 depreciation and amortization of $8,875 or 12.1% related to acquisition activity since the first quarter of 2016 and a change in the economic life of a property designated for development.

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

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

	Three months ended December 31,		Year ended December 31,	
(In thousands of CAD dollars)	**2017**	2016	**2017**	2016
Operating income attributable to Unitholders	$ 27,048	$ 31,478	$ 163,696	$ 125,130
Finance costs - distributions to Unitholders	(33,511)	(32,987)	(133,259)	(125,737)
Finance income (costs) - change in fair value of financial instruments	18	(46)	145	312
Increase (decrease) in net assets attributable to Unitholders	$ (6,445)	$ (1,555)	$ 30,582	$ (295)

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

Crombie has determined that in accordance with IAS 32 Financial Instruments: Presentation, Crombie's Units are to be classified as financial liabilities on the Consolidated Balance Sheet. Each of the REIT Units and Class B LP Units are puttable by the respective holder and meet the definition of financial liabilities under IFRS. As a result of the Units being classified as financial liabilities on the Consolidated Balance Sheet, distributions on the Units are recognized as a finance charge on the Consolidated Statements of Comprehensive Income (Loss). Had either, or both, of the Units been classified as equity instruments, the related distributions would be recognized as a reduction to equity rather than a charge against income.

PROPERTY NOI

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

Property NOI on a cash basis is as follows:

	Three months ended December 31,			Year ended December 31,		
(In thousands of CAD dollars)	**2017**	2016	Variance	**2017**	2016	Variance
Property NOI	$ 74,045	$ 75,874	$ (1,829)	$ 290,744	$ 284,695	$ 6,049
Non-cash straight-line rent	(3,280)	(3,840)	560	(13,542)	(12,876)	(666)
Non-cash tenant incentive amortization	3,507	3,328	179	12,768	11,622	1,146
Property cash NOI	74,272	75,362	(1,090)	289,970	283,441	6,529
Acquisitions, dispositions and development property cash NOI	12,789	12,167	622	46,857	42,900	3,957
Same-asset property cash NOI	$ 61,483	$ 63,195	$ (1,712)	$ 243,113	$ 240,541	$ 2,572

Property NOI, on a cash basis, excludes non-cash straight-line rent recognition and amortization of tenant incentive amounts. The $1,712 or 2.7% decrease in same-asset cash NOI for the three months ended December 31, 2017 over the same period in 2016 is primarily the result of higher lease termination income recorded in the fourth quarter of 2016. During the fourth quarter of 2016, Crombie recorded $3,000 related to a vacated lease on a same-asset property. Excluding the impact of that $3,000, same-asset property cash NOI increased by $1,288 or 2.1%.

The $2,572 or 1.1% increase in same-asset cash NOI for the year ended December 31, 2017 over the same period in 2016 was impacted by improved occupancy rates; increased average rent per square foot from leasing activity; and, revenues from land use intensifications at certain properties; offset in part by the factors noted above. In addition, the increase was impacted by the June 2016 $58,823 investment in 10 Sobeys anchored properties which generated an additional $2,058 in same-asset property cash NOI during the year ended December 31, 2017. Excluding this additional $2,058 as well as the above-noted $3,000 in 2016 lease termination income, same-asset property cash NOI for the year increased by $3,514 or 1.5%.

Acquisitions, dispositions and development property cash NOI increased $622 for the three months ended December 31, 2017, and increased $3,957 for the year ended December 31, 2017, over the same periods in 2016 primarily due to acquisitions in the fourth quarter of 2016 and the third quarter of 2017, offset in part by dispositions in the fourth quarter of 2016. Crombie recorded $10,344 net lease termination income from Target Canada during the second quarter of 2016 and $828 during the fourth quarter of 2016, significantly impacting the comparative results.

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

Same-asset property cash NOI is as follows:

	Three months ended December 31,				Year ended December 31,			
(In thousands of CAD dollars)	**2017**	2016	Variance	Percent	**2017**	2016	Variance	Percent
Retail and Commercial Mixed Use	$ 58,941	$ 60,474	$ (1,533)	(2.5)%	$ 232,521	$ 229,464	$ 3,057	1.3%
Office	2,542	2,721	(179)	(6.6)%	10,592	11,077	(485)	(4.4)%
Same-asset property cash NOI	$ 61,483	$ 63,195	$ (1,712)	(2.7)%	$ 243,113	$ 240,541	$ 2,572	1.1%

Variances in same-asset property cash NOI for the three months ended December 31, 2017 compared to the same period in 2016 include:

- Retail and Commercial Mixed Use decreased $1,533 or 2.5% due to the factors noted above, in particular the $3,000 of lease termination income recorded in the fourth quarter of 2016.
- Office decreased $179 or 6.6% as a result of slight decreases in occupancy.

Same-asset property cash NOI for the year ended December 31, 2017 compared to the same period in 2016 was impacted by the factors previously noted.

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

	Three months ended December 31,			Year ended December 31,		
(In thousands of CAD dollars)	**2017**	2016	Variance	**2017**	2016	Variance
Acquisitions and dispositions property cash NOI	$ 9,767	$ 8,578	$ 1,189	$ 35,980	$ 21,954	$ 14,026
Development property cash NOI	3,022	3,589	(567)	10,877	20,946	(10,069)
Total acquisitions, dispositions and development property cash NOI	$ 12,789	$ 12,167	$ 622	$ 46,857	$ 42,900	$ 3,957

For the three months ended December 31, 2017, acquisitions and dispositions property cash NOI increased $1,189 compared to the three months ended December 31, 2016. The increase was the result of property acquisitions during 2016 and 2017, offset in part by property dispositions in the fourth quarter of 2016. For the year ended December 31, 2017, acquisitions and dispositions property cash NOI increased $14,026 compared to the year ended December 31, 2016 with property cash NOI increasing $18,720 as a result of the same acquisition activity and dispositions resulting in a decrease in property cash NOI of $4,694.

Change in cash NOI from development properties period-over-period is impacted by the timing of commencement and completion of each development project. The nature and extent of development projects results in operations being impacted minimally in some instances and a significant disruption in others. Consequently, comparison of period-over-period development operating results may not be meaningful. Lease termination income of $11,172 from Target Canada is included in development property cash NOI for the year ended December 31, 2016.

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

Property NOI for the three months and year ended December 31, 2017 by province was as follows:

	Three months ended December 31,			Year ended December 31,		
	2017	2016		**2017**	2016	
(In thousands of CAD dollars)	**Property NOI**	Property NOI	Variance	**Property NOI**	Property NOI	Variance
AB	$ 16,227	$ 15,880	$ 347	$ 64,660	$ 59,076	$ 5,584
BC	9,176	9,009	167	36,433	30,973	5,460
MB	3,366	3,377	(11)	13,454	13,493	(39)
NB	3,560	3,637	(77)	13,053	14,467	(1,414)
NL	7,170	7,303	(133)	27,778	28,639	(861)
NS	14,500	14,631	(131)	59,022	58,045	977
ON	11,359	14,314	(2,955)	44,167	51,923	(7,756)
PE	396	482	(86)	1,630	1,835	(205)
QC	6,427	5,544	883	23,440	19,261	4,179
SK	1,864	1,697	167	7,107	6,983	124
Total	$ 74,045	$ 75,874	$ (1,829)	$ 290,744	$ 284,695	$ 6,049

The significant variances in property NOI for the three months and year ended December 31, 2017 compared to the same periods in 2016 were impacted by property acquisitions and dispositions as follows:

- Alberta – one acquisition in the first quarter of 2017 and 10 properties acquired during 2016, including nine in the second quarter;
- British Columbia – nine acquisitions during 2016, including eight in the second quarter and one in the third quarter, offset in part by the disposition of one retail property in the third quarter of 2016;
- New Brunswick – acquisition of additional development on an existing office property in the fourth quarter of 2016;
- Nova Scotia – one acquisition in the second quarter of 2016, offset in part by the disposition of three retail properties in the fourth quarter of 2016;
- Ontario – two acquisitions in the fourth quarter of 2016 and one in the third quarter of 2017; and,
- Quebec – 12 acquisitions during 2016 and five in the third quarter of 2017, offset in part by the disposition of one property in the first quarter of 2016.

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

- British Columbia – modernization investment at two Sobeys anchored properties in June 2016;
- New Brunswick – lease termination income from Target Canada in the second and fourth quarters of 2016; and, modernization investment at one Sobeys anchored property in June 2016;
- Newfoundland and Labrador – vacancy increases in the third and fourth quarters of 2017;
- Nova Scotia – lease termination income from Target Canada in the second and fourth quarters of 2016; and, modernization investment at four Sobeys anchored properties in June 2016; and,
- Ontario – lease termination income from Target Canada in the second quarter of 2016 and from Best Buy/Future Shop in the fourth quarter of 2016; and, modernization investment at one Sobeys anchored property in June 2016.

FFO AND AFFO

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

FUNDS FROM OPERATIONS (FFO)

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

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

REALPAC provides for other adjustments in determining FFO which are currently not applicable to Crombie, therefore not included in the above list. FFO for 2016 has been restated to include the add back of incremental internal leasing expenses as recommended in REALPAC's white paper. This amount represents leasing expenses that would otherwise be capitalized if incurred by external sources. Crombie's expenditures on tenant incentives are capital in nature. Crombie considers these costs comparable to other capital costs incurred to earn property revenue. Whereas the depreciation and amortization of other capital costs is added back in the calculation of FFO as recommended by REALPAC, Crombie also adds back the amortization of tenant incentives. Crombie's method of calculating FFO may differ from other issuers' methods and accordingly may not be directly comparable to FFO reported by other issuers. The calculation of FFO for the three months and year ended December 31, 2017 and 2016 is as follows:

	Three months ended December 31,			Year ended December 31,		
(In thousands of CAD dollars)	**2017**	2016	Variance	**2017**	2016	Variance
Increase (decrease) in net assets attributable to Unitholders	$ (6,445)	$ (1,555)	$ (4,890)	$ 30,582	$ (295)	$ 30,877
Add (deduct):						
Amortization of tenant incentives	3,507	3,328	179	12,768	11,622	1,146
Loss (gain) on disposal of investment properties	(2,474)	(9,761)	7,287	(2,474)	(37,490)	35,016
Impairment of investment properties	–	6,000	(6,000)	–	6,000	(6,000)
Depreciation of investment properties	18,674	17,483	1,191	74,845	66,552	8,293
Amortization of intangible assets	1,706	1,791	(85)	6,654	6,170	484
Amortization of deferred leasing costs	239	161	78	708	610	98
Internal leasing costs	606	512	94	2,424	2,048	376
Taxes - current on disposition of investment properties	(2,069)	–	(2,069)	(2,069)	–	(2,069)
Taxes - deferred	–	(1,200)	1,200	(75,400)	1,200	(76,600)
Finance costs - distributions to Unitholders	33,511	32,987	524	133,259	125,737	7,522
Finance costs (income) - change in fair value of financial instruments	(18)	46	(64)	(145)	(312)	167
FFO as calculated based on REALPAC recommendations	47,237	49,792	(2,555)	181,152	181,842	(690)
Adjustments:						
Net lease termination income from Target Canada and Best Buy/Future Shop	–	(3,828)	3,828	–	(14,172)	14,172
Subscription Receipts Adjustment Payment	–	–	–	–	613	(613)
FFO, as adjusted	$ 47,237	$ 45,964	$ 1,273	$ 181,152	$ 168,283	$ 12,869

For the three months ended December 31, 2016, Crombie provided FFO on an adjusted basis by reducing it by $3,828. Crombie received net lease termination income from Target Canada of $828 related to two Target Canada leases vacated in May 2015 and $3,000 from Best Buy/Future Shop related to one vacated lease. Due to their significant size, these amounts were deducted from FFO for the three months ended December 31, 2016.

For the year ended December 31, 2016, Crombie provided FFO on an adjusted basis by reducing it by $13,559. The following adjustments were made in 2016:

- During the year ended December 31, 2016, Crombie recorded net lease termination income from Target Canada of $11,172 related to three Target Canada leases vacated in May, 2015 and $3,000 from Best Buy/Future Shop related to one vacated lease. Due to their significant size, these amounts were deducted from FFO for the year ended December 31, 2016.
- During the year ended December 31, 2016, Crombie issued Subscription Receipts related to a property acquisition. While the funds from the Subscription Receipts were held in trust, Crombie incurred a net finance cost of $613. This amount was added back to FFO for the year ended December 31, 2016.

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

For the three months ended December 31, 2017, FFO, as adjusted, increased by $1,273 or 2.8% compared to the three months ended December 31, 2016. The increase primarily relates to the previously discussed operating results (excluding the above-noted adjustments) which are attributable to improved occupancy rates; increased average rent per square foot from leasing activity; and, revenues from land use intensifications at certain properties.

For the year ended December 31, 2017, FFO, as adjusted, increased by $12,869 or 7.6% compared to the year ended December 31, 2016. The increase primarily relates to the previously discussed operating results (excluding the above-noted adjustments), as well as property NOI increase which is attributable to the previously mentioned June 2016 modernization. This increase is partly offset by increased general and administrative expenses as well as increased finance costs - operations.

ADJUSTED FUNDS FROM OPERATIONS (AFFO)

Crombie follows the recommendations of REALPAC's February 2017 white paper in calculating AFFO and has applied these recommendations to the comparative AFFO amounts included in this MD&A. Crombie considers AFFO to be a useful measure in evaluating the recurring economic performance of its operating results which will be used to support future distribution payments. AFFO reflects earnings after the adjustments in arriving at FFO (excluding internal leasing costs) and the provision for non-cash straight-line rent included in revenue, amortization of effective swap agreements, maintenance capital expenditures, maintenance tenant incentives ("TI") and leasing costs and any settlement of effective interest rate swap agreements.

The calculation of AFFO for the three months and year ended December 31, 2017 and 2016 is as follows:

	Three months ended December 31,			Year ended December 31,		
(In thousands of CAD dollars)	**2017**	2016	Variance	**2017**	2016	Variance
FFO as calculated based on REALPAC recommendations	$ 47,237	$ 49,792	$ (2,555)	$ 181,152	$ 181,842	$ (690)
Add (deduct):						
Amortization of effective swap agreements	580	603	(23)	2,354	2,440	(86)
Straight-line rent adjustment	(3,280)	(3,840)	560	(13,542)	(12,876)	(666)
Internal leasing costs	(606)	(512)	(94)	(2,424)	(2,048)	(376)
Maintenance expenditures on a square footage basis	(4,450)	(4,439)	(11)	(17,682)	(17,626)	(56)
AFFO as calculated based on REALPAC recommendations	39,481	41,604	(2,123)	149,858	151,732	(1,874)
Adjustments:						
Net lease termination income from Target Canada and Best Buy/Future Shop	–	(3,828)	3,828	–	(14,172)	14,172
Subscription Receipts Adjustment Payment	–	–	–	–	613	(613)
AFFO, as adjusted	$ 39,481	$ 37,776	$ 1,705	$ 149,858	$ 138,173	$ 11,685

For the three months ended December 31, 2017, AFFO, as adjusted, increased by $1,705 or 4.5% compared to the three months ended December 31, 2016. The increase primarily relates to the $1,273 or 2.8% increase in FFO as previously discussed.

For the year ended December 31, 2017, AFFO, as adjusted, increased by $11,685 or 8.5% compared to the year ended December 31, 2016. The increase primarily relates to the $12,869 or 7.6% increase in FFO as previously discussed.

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

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

Crombie's policy is to charge AFFO and ACFO with maintenance expenditures based on a normalized rate per square foot as these expenditures are not generally incurred on a consistent basis during the year, or from year to year. Crombie also discloses actual maintenance expenditures for comparative purposes. The rate per square foot is a proxy for actual historic costs, anticipated future costs and any significant changes in the nature and age of the properties in the portfolio as it evolves over time. For 2017, Crombie is applying a rate of $0.92 per square foot of GLA.

Crombie has applied the REALPAC February 2017 white paper on AFFO to the previously reported AFFO for 2016, resulting in an increase of $0.14 per square foot for maintenance expenditures from the previously reported rate. The increase in the previously reported 2016 rate primarily relates to Crombie's treatment of recoverable expenditures and resulted in an increased charge to AFFO of $676 for the three months ended December 31, 2016 and $2,566 for the year ended December 31, 2016 from the previously reported amounts.

MAINTENANCE EXPENDITURES – ACTUAL

		Three months ended					Three months ended			
(In thousands of CAD dollars)	**Year ended Dec. 31, 2017**	**Dec. 31, 2017**	**Sep. 30, 2017**	**Jun. 30, 2017**	**Mar. 31, 2017**	Year ended Dec. 31, 2016	Dec. 31, 2016	Sep. 30, 2016	Jun. 30, 2016	Mar. 31, 2016
Total additions to investment properties	$ 46,800	$ 16,887	$ 13,921	$ 8,751	$ 7,241	$ 29,928	$ 10,821	$ 7,880	$ 4,291	$ 6,936
Less: revenue enhancing expenditures	(34,317)	(12,032)	(11,389)	(6,713)	(4,183)	(18,948)	(6,109)	(5,692)	(2,879)	(4,268)
Maintenance capital expenditures	12,483	4,855	2,532	2,038	3,058	10,980	4,712	2,188	1,412	2,668
Total additions to TI and deferred leasing costs	19,660	6,952	2,476	5,324	4,908	75,119	5,273	4,545	63,237	2,064
Less: revenue enhancing expenditures	(15,160)	(5,233)	(1,754)	(4,157)	(4,016)	(68,722)	(4,225)	(3,350)	(60,526)	(621)
Maintenance TI and deferred leasing costs	4,500	1,719	722	1,167	892	6,397	1,048	1,195	2,711	1,443
Total maintenance expenditures - actual	$ 16,983	$ 6,574	$ 3,254	$ 3,205	$ 3,950	$ 17,377	$ 5,760	$ 3,383	$ 4,123	$ 4,111
Reserve amount charged against AFFO	$ 17,682					$ 17,626				

Maintenance capital expenditures for the year ended December 31, 2017, are primarily payments for costs associated with building interior and exterior maintenance, roof repairs and ongoing parking deck and structural maintenance.

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

Maintenance TI and deferred leasing costs are the result of both lease renewals and new leases and are reflective of the leasing activity during 2016 and 2017.

Revenue enhancing expenditures are capitalized and depreciated or charged against revenue over their useful lives, but not deducted when calculating AFFO or ACFO. Revenue enhancing expenditures during the year ended December 31, 2017 consisted primarily of development work and GLA expansions at: Avalon Mall, St. John's, NL; Sydney Shopping Centre, Sydney, NS; Scotia Square, Halifax, NS; Downsview Mall, Halifax, NS; Kinlock Plaza, Stratford, PE; Vaughan Harvey Plaza, Moncton, NB; Bronte Village, Oakville, ON; Rockhaven Centre, Peterborough, ON; Belmont Market, Victoria, BC; Fort St. John, BC; and, Davie Street, Vancouver, BC.

DEPRECIATION, AMORTIZATION AND IMPAIRMENT

	Three months ended December 31,			Year ended December 31,		
(In thousands of CAD dollars)	**2017**	2016	Variance	**2017**	2016	Variance
Same-asset depreciation and amortization	$ 15,198	$ 15,117	$ (81)	$ 61,043	$ 60,741	$ (302)
Acquisitions, dispositions and development depreciation/amortization	5,421	4,318	(1,103)	21,164	12,591	(8,573)
Depreciation and amortization	$ 20,619	$ 19,435	$ (1,184)	$ 82,207	$ 73,332	$ (8,875)

Same-asset depreciation and amortization increased by $81 for the three months ended December 31, 2017 and increased by $302 for the year ended December 31, 2017 compared to the same periods in 2016. Same-asset depreciation and amortization should remain stable quarter over quarter as certain components of investment property are amortized over the term of tenant leases and will increase as a result of capital additions and improvements to same-asset investment properties.

Acquisitions, dispositions and development depreciation and amortization increased as a result of net acquisition activity during 2017 and 2016, including the acquisition of one property in the first quarter of 2017, six properties in the third quarter of 2017, the disposition of one property in the fourth quarter of 2017, the acquisition of 41 properties during 2016 and the disposition of 19 properties in 2016, including 10 properties in the first quarter of 2016. In the second quarter of 2017, a property in Vancouver was moved from same-asset to acquisitions, dispositions and development to reflect the change in its status. The economic life of the building was also amended resulting in an increase of $3,526 in depreciation and amortization for the year ended December 31, 2017.

Crombie's total fair value of investment properties, including properties held for sale, exceeds carrying value by $900,804 at December 31, 2017 (December 31, 2016 – $844,033). Crombie uses the cost method for accounting for investment properties, and increases in fair value over carrying value are not recognized until realized through disposition or derecognition of properties, while impairment, if any, is recognized on a property by property basis when circumstances indicate that fair value is less than carrying value.

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

GENERAL AND ADMINISTRATIVE EXPENSES

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

	Three months ended December 31,			Year ended December 31,		
(In thousands of CAD dollars)	**2017**	2016	Variance	**2017**	2016	Variance
Salaries and benefits	$ 2,576	$ 2,476	$ (100)	$ 11,175	$ 10,120	$ (1,055)
Professional fees	180	186	6	2,247	1,253	(994)
Public company costs	613	617	4	2,225	1,892	(333)
Rent and occupancy	287	205	(82)	971	838	(133)
Other	590	782	192	2,459	2,238	(221)
General and administrative expenses	$ 4,246	$ 4,266	$ 20	$ 19,077	$ 16,341	$ (2,736)
As a percentage of property revenue	4.0%	4.1%	0.1%	4.6%	4.1%	(0.5)%

For the three months ended December 31, 2017, general and administrative expenses, as a percentage of property revenue, were 4.0%, a decrease of 0.1% from the same period in 2016, with expenses decreasing $20 or 0.5% and property revenue increasing 0.4%. For the year ended December 31, 2017, general and administrative expenses, as a percentage of property revenue, increased 0.5% compared to the year ended December 31, 2016, with expenses increasing $2,736 or 16.7% and property revenue increasing by 3.0%. Effective June 30, 2017, Crombie completed a tax reorganization which resulted in the elimination of the $76,400 deferred tax liability associated with Crombie's most significant corporate subsidiary. Costs related to the reorganization of approximately $1,059 are included in professional fees for the year ended December 31, 2017. Excluding these costs, general and administrative expenses represent 4.4% of property revenue for the year ended December 31, 2017.

General and administrative expenses also increased due to increases in employee recruitment, transition, hiring and personnel development costs.

FINANCE COSTS – OPERATIONS

	Three months ended December 31,			Year ended December 31,		
(In thousands of CAD dollars)	**2017**	2016	Variance	**2017**	2016	Variance
Finance costs	$ 25,105	$ 24,176	$ (929)	$ 98,949	$ 93,793	$ (5,156)
Subscription Receipts Adjustment Payment	–	–	–	–	613	613
Amortization of effective swaps and deferred financing charges	1,576	1,480	(96)	6,828	5,750	(1,078)
Finance costs – operations	$ 26,681	$ 25,656	$ (1,025)	$ 105,777	$ 100,156	$ (5,621)

Finance costs for the three months and year ended December 31, 2017 increased by $929 and $5,156, respectively, compared to the same periods in 2016. The increases relate to the significant acquisition activity in 2017 and 2016 funded with new mortgages, floating rate bank debt, proceeds from dispositions and the issuance of new units, as well as the June 2016 modernization investment in 10 Sobeys anchored properties. The increases were partly offset by lower interest rates on new and refinanced debt. On July 4, 2017, Crombie redeemed $60,000 of 5.00% Convertible Debentures scheduled to mature September 30, 2019. On November 20, 2017, Crombie issued $150,000 aggregate principal amount of 4.066% Series D Notes (senior unsecured) at par, with a maturity date of November 21, 2022 with the funds used to reduce floating rate debt. On March 3, 2017, Crombie issued an additional $75,000 aggregate principal amount of 3.962% Series B Notes (senior unsecured) at a premium, resulting in an effective yield of 3.48% to maturity on June 1, 2021. The funds were used to reduce floating rate debt.

During the year ended December 31, 2016, Crombie issued Subscription Receipts related to a property acquisition transaction. While the funds from the Subscription Receipts were held in trust, Crombie incurred a net finance cost of $613.

Amortization of effective swaps and deferred financing charges increased by $1,078 for the year ended December 31, 2017. The 2017 expense was impacted by the early redemption of Series D Convertible Debentures in July 2017 and the write-off of the remaining deferred financing charges related to the original issuance of the Series D Convertible Debentures.

FINANCE COSTS – DISTRIBUTIONS

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

Details of distributions to Unitholders are as follows:

	Three months ended December 31,		Year ended December 31,	
(In thousands of CAD dollars, except as otherwise noted)	**2017**	2016	**2017**	2016
Distributions to Unitholders	$ 19,809	$ 19,502	$ 78,775	$ 74,375
Distributions to Special Voting Unitholders	13,702	13,485	54,484	51,362
Total distributions	$ 33,511	$ 32,987	$ 133,259	$ 125,737
FFO payout ratio	70.9%	71.8%	73.6%	74.7%
AFFO payout ratio	84.9%	87.3%	88.9%	91.0%
ACFO payout ratio	82.1%	83.4%	87.7%	88.7%

The increase in distributions relates to the issuance of 8,952,400 REIT Units and 6,353,741 Class B LP Units and attached Special Voting Units on June 29, 2016 as well as units issued under Crombie's distribution reinvestment plan (the "DRIP").

INCOME TAXES

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

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

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

TAXATION OF DISTRIBUTIONS

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

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

Taxation Year	Return of Capital	Investment Income	Dividend Income	Capital Gains
2016 per $ of distribution	24.9%	54.5%	0.0%	20.6%
2015 per $ of distribution	56.3%	28.8%	13.4%	1.5%
2014 per $ of distribution	64.4%	18.1%	0.0%	17.5%
2013 per $ of distribution	90.2%	9.8%	0.0%	0.0%
2012 per $ of distribution	67.1%	32.9%	0.0%	0.0%

LIQUIDITY AND CAPITAL RESOURCES

The real estate industry is highly capital intensive.

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

Crombie expects to refinance debt obligations as they mature.

Crombie has the following sources of financing available:

(i) secured short-term financing through an authorized revolving credit facility, maturing June 30, 2021, of up to $400,000, subject to available borrowing base, of which $8,168 ($16,887 including outstanding letters of credit) was drawn at December 31, 2017;

(ii) unsecured short-term financing through an authorized floating rate revolving credit facility, maturing May 16, 2019, of up to $100,000, of which $45,000 was drawn at December 31, 2017;

(iii) secured mortgage and term debt on unencumbered assets, Crombie currently has $953,776 of fair value in unencumbered properties;

(iv) the issuance of additional senior unsecured notes;

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

(vi) the issuance of new units.

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

Capital Structure

(In thousands of CAD dollars)

	December 31, 2017		December 31, 2016		December 31, 2015	
Investment property debt	$ 1,804,264	45.6%	$ 1,865,477	49.3%	$ 1,641,203	49.5%
Senior unsecured notes	624,320	15.8%	398,588	10.5%	398,080	12.0%
Convertible debentures	73,164	1.8%	132,134	3.5%	131,518	4.0%
Crombie REIT Unitholders	873,478	22.1%	834,203	22.0%	694,484	20.9%
Special Voting Units and Class B Limited Partnership Unitholders	583,777	14.7%	555,943	14.7%	452,746	13.6%
	$ 3,959,003	100.0%	$ 3,786,345	100.0%	$ 3,318,031	100.0%

LIQUIDITY AND FINANCING SOURCES

Revolving credit facility

Crombie has in place an authorized floating rate revolving credit facility of up to $400,000 (the "revolving credit facility"), with a maturity date of June 30, 2021, of which $8,168 ($16,887 including outstanding letters of credit) was drawn as at December 31, 2017. The revolving credit facility is secured by a pool of first and second mortgages on certain properties. Borrowings under the revolving credit facility can be by way of Bankers Acceptance or Prime Rate Advances and the Floating interest rate is contingent on the type of advance plus the applicable spread or margin. The respective spread or margin may change depending on Crombie's unsecured bond rating with DBRS and whether the facility remains secured or migrates to an unsecured status. Funds available for drawdown pursuant to the revolving credit facility are determined with reference to the value of the Borrowing Base (as defined under "Borrowing Capacity and Debt Covenants") relative to certain financial covenants of Crombie. As at December 31, 2017, Crombie had sufficient Borrowing Base to permit $396,227 of funds to be drawn pursuant to the revolving credit facility, subject to certain other financial covenants. See "Borrowing Capacity and Debt Covenants".

Unsecured bilateral credit facility

The unsecured bilateral credit facility has a maximum principal amount of $100,000, of which $45,000 was drawn as at December 31, 2017, and matures May 16, 2019. The facility is used by Crombie for working capital purposes and to provide temporary financing for acquisitions and development activity. Borrowings under the bilateral credit facility can be by way of Bankers Acceptance or Prime Rate Advances and the Floating interest rate is contingent on the type of advance plus the applicable spread or margin. The respective spread or margin may change depending on Crombie's unsecured bond rating with DBRS.

Mortgage debt

As of December 31, 2017, Crombie had fixed rate mortgages outstanding of $1,759,984 ($1,762,815 after including the fair value debt adjustment of $2,831), carrying a weighted average interest rate of 4.33% (after giving effect to the interest rate subsidy from Empire under an omnibus subsidy agreement) and a weighted average term to maturity of 5.4 years.

From time to time, Crombie has entered into interest rate swap agreements to manage the interest rate profile of its current or future debts without an exchange of the underlying principal amount (see "Risk Management"). Crombie currently has interest rate swap agreements in place on $120,660 of floating rate mortgage debt.

Principal repayments of the debt are scheduled as follows:

	Maturing Debt Balances						
(In thousands of CAD dollars) 12 Months Ending	Fixed Rate	Floating Rate	Total	% of Total	Payments of Principal	Total Required Payments	% of Total
December 31, 2018	$ 64,666	$ –	$ 64,666	4.4%	$ 53,999	$ 118,665	6.5%
December 31, 2019	126,978	45,000	171,978	11.8%	54,579	226,557	12.5%
December 31, 2020	225,241	–	225,241	15.4%	47,994	273,235	15.1%
December 31, 2021	89,182	8,168	97,350	6.6%	46,382	143,732	7.9%
December 31, 2022	200,884	–	200,884	13.7%	39,883	240,767	13.3%
Thereafter	703,152	–	703,152	48.1%	107,044	810,196	44.7%
Total[1]	$ 1,410,103	$ 53,168	$ 1,463,271	100.0%	$ 349,881	$ 1,813,152	100.0%

(1) Excludes fair value debt adjustment of $2,831 and deferred financing charges of $11,719.

Of the maturing debt balances, only 29.6% of fixed rate debt and 31.6% of total maturing debt balances mature over the next three years.

Senior unsecured notes

	Maturity Date	Effective Interest Rate	December 31, 2017	December 31, 2016
Series A	October 31, 2018	3.986%	$ 175,000	$ 175,000
Series B	June 1, 2021	3.720%	175,000	100,000
Series C	February 10, 2020	2.775%	125,000	125,000
Series D	November 21, 2022	4.066%	150,000	–
Unamortized Series B issue premium			1,323	240
Deferred financing charges			(2,003)	(1,652)
			$ 624,320	$ 398,588

On March 3, 2017, Crombie issued, on a private placement basis, an additional $75,000 aggregate principal amount of 3.962% Series B Notes (senior unsecured) (the "Additional Notes"), maturing June 1, 2021. The Additional Notes were priced with an effective yield to maturity of 3.48% and sold at a price of $1,018.84 per $1,000 principal amount plus accrued interest.

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

There are no required periodic principal payments, with the full face value of the Notes due on their respective maturity dates. In December 2017, Crombie entered into a $175,000 delayed draw unsecured non-revolving credit facility with two Canadian Schedule 1 financial institutions. The facility can only be drawn upon to refinance the $175,000 of Series A Unsecured Notes maturing October 31, 2018 and has an outside maturity date of October 31, 2020.

Convertible debentures

	Conversion Price	Maturity Date	Interest Rate	December 31, 2017	December 31, 2016
Series D	$ 20.10	July 4, 2017	5.00%	$ –	$ 60,000
Series E (CRR.DB.E)	$ 17.15	March 31, 2021	5.25%	74,400	74,400
Deferred financing charges				(1,236)	(2,266)
				$ 73,164	$ 132,134

Maximum REIT Units issuable at December 31, 2017 was 4,338,192 for Series E Debentures.

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

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

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

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

For the year ended December 31, 2017, Crombie issued 1,377,619 REIT Units and 977,009 Class B LP Units under its DRIP at a three percent (3%) discount to market prices as determined under the DRIP.

Total units outstanding at January 31, 2018, were as follows:

Units	89,199,846
Special Voting Units[1]	61,706,893

(1) Crombie Limited Partnership, a subsidiary of Crombie, has also issued 61,706,893 Class B LP Units. These Class B LP Units accompany the Special Voting Units, are the economic equivalent of a Unit, and are exchangeable for Units on a one-for-one basis.

In addition to the total units outstanding at January 31, 2018, Crombie has convertible debentures which could result in a total of 4,338,192 REIT Units being issued should all outstanding debentures be converted.

SOURCES AND USES OF FUNDS

	Three months ended December 31,			Year ended December 31,		
(In thousands of CAD dollars)	2017	2016	Variance	2017	2016	Variance
Cash provided by (used in):						
Operating activities	$ 21,349	$ 16,239	$ 5,110	$ 91,145	$ 66,920	$ 24,225
Financing activities	(12,305)	(10,475)	(1,830)	82,648	395,384	(312,736)
Investing activities	(9,044)	(5,764)	(3,280)	(173,793)	(463,361)	289,568
Net change during the period	$ –	$ –	$ –	$ –	$ (1,057)	$ 1,057

Operating Activities

	Three months ended December 31,			Year ended December 31,		
(In thousands of CAD dollars)	2017	2016	Variance	2017	2016	Variance
Cash provided by (used in):						
Net assets attributable to Unitholders and non-cash items	$ 17,821	$ 20,038	$ (2,217)	$ 69,741	$ 68,606	$ 1,135
Non-cash operating items	1,459	(3,799)	5,258	19,335	(1,686)	21,021
Income taxes refund	2,069	–	2,069	2,069	–	2,069
Cash provided by (used in) operating activities	$ 21,349	$ 16,239	$ 5,110	$ 91,145	$ 66,920	$ 24,225

For the three months ended December 31, 2017, cash from operating activities increased by $5,110 over the same period in 2016. Cash from operations decreased $2,217 primarily due to lease termination income recorded in the fourth quarter of 2016 related to a vacated lease. During the fourth quarter of 2016, Crombie increased prepaid expenses and deposits, which is the primary reason for the increase of $5,258 in non-cash operating items when compared to the same period in 2016.

For the year ended December 31, 2017, cash from operating activities increased $24,225 over the same period in 2016. The increase primarily relates to the decrease in prepaid expenses and deposits as Crombie received $8,600 in mortgage proceeds held back from December 2016 as well as cash generated from a decrease in trade receivables.

Financing Activities

	Three months ended December 31,			Year ended December 31,		
(In thousands of CAD dollars)	**2017**	2016	Variance	**2017**	2016	Variance
Cash provided by (used in):						
Issuance of new mortgages	$ –	$ 123,731	$ (123,731)	$ 192,783	$ 193,401	$ (618)
Regular principal repayment of mortgages	(13,901)	(12,055)	(1,846)	(53,803)	(48,792)	(5,011)
Lump sum principal repayment of mortgages	–	–	–	(50,379)	(49,774)	(605)
Net issue (repayment) on credit facilities	(147,323)	(120,997)	(26,326)	(167,206)	90,374	(257,580)
Deferred financing charges – investment property debt	(456)	(1,099)	643	(3,802)	(2,967)	(835)
Issuance of senior unsecured notes	150,000	–	150,000	226,413	–	226,413
Deferred financing charges – senior unsecured notes	(652)	–	(652)	(999)	–	(999)
Redemption of convertible debentures	–	–	–	(60,000)	–	(60,000)
Net issue of REIT Units and Class B LP Units	–	–	–	–	219,111	(219,111)
Other items (net)	27	(55)	82	(359)	(5,969)	5,610
Cash provided by (used in) financing activities	$ (12,305)	$ (10,475)	$ (1,830)	$ 82,648	$ 395,384	$ (312,736)

Cash used in financing activities for the three months ended December 31, 2017 increased by $1,830 from the same period in 2016. During the three months ended December 31, 2017, Crombie decreased the balance of its floating rate credit facilities by $147,323 (three months ended December 31, 2016 – decrease of $120,997) with proceeds from the issue of $150,000 aggregate principal amount of 4.066% Series D Notes (senior unsecured). The reduction in the floating rate credit facilities in the same period in 2016 was funded by proceeds from new mortgages.

Cash from financing activities for the year ended December 31, 2017 decreased by $312,736 over the same period in 2016. During the year ended December 31, 2017, Crombie issued $192,783 (year ended December 31, 2016 – $193,401) in new mortgages with a weighted average interest rate of 3.43% and utilized the proceeds for property acquisitions and to reduce floating rate credit facilities. Crombie also repaid $50,379 (year ended December 31, 2016 – $49,774) in maturing mortgages. On March 3, 2017, Crombie issued an additional $75,000 of the 3.962% Series B Notes (senior unsecured) for gross proceeds of $76,413, resulting in an effective yield to maturity of 3.48%. The proceeds were used to reduce floating rate credit facilities. On November 20, 2017, Crombie issued the above-mentioned Series D Notes (senior unsecured) at par, with a maturity date of November 21, 2022. During the year ended December 31, 2016, Crombie disposed of 19 retail properties with the proceeds used to pay out maturing mortgages and reduce floating rate credit facilities. In conjunction with the purchase of properties completed on June 29, 2016, Crombie issued 8,952,400 REIT Units and 6,353,741 Class B LP Units for net proceeds of $219,111 and increased floating rate debt during the period.

Investing Activities

	Three months ended December 31,			Year ended December 31,		
(In thousands of CAD dollars)	**2017**	2016	Variance	**2017**	2016	Variance
Cash provided by (used in):						
Acquisition of investment properties	$ –	$ (21,039)	$ 21,039	$ (119,357)	$ (550,863)	$ 431,506
Additions to investment properties	(16,887)	(10,821)	(6,066)	(46,800)	(29,928)	(16,872)
Proceeds on disposal of investment properties	15,645	31,369	(15,724)	15,645	192,549	(176,904)
Additions to tenant incentives	(6,580)	(4,893)	(1,687)	(18,381)	(74,071)	55,690
Additions to deferred leasing costs	(372)	(380)	8	(1,279)	(1,048)	(231)
Other items (net)	(850)	–	(850)	(3,621)	–	(3,621)
Cash provided by (used in) investing activities	$ (9,044)	$ (5,764)	$ (3,280)	$ (173,793)	$ (463,361)	$ 289,568

Cash used in investing activities for the three months ended December 31, 2017 increased by $3,280 over the same period in 2016. During the three months ended December 31, 2017, Crombie completed the disposition of one retail property for net proceeds of $15,645. During the three months ended December 31, 2016, Crombie completed two property acquisitions and an addition to an existing property for net cash of $21,039 as well as the disposition of five retail properties for net proceeds of $31,369.

Cash used in investing activities for the year ended December 31, 2017 decreased by $289,568 over the same period in 2016. During the year ended December 31, 2016, including the above noted transactions completed in the fourth quarter, Crombie completed property acquisitions for cash consideration of $550,863; and, disposed of 19 retail properties for net proceeds of $192,549, realizing a gain on disposal of $37,490, utilizing the proceeds to pay down debt.

ADJUSTED CASH FLOW FROM OPERATIONS (ACFO)

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

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

REALPAC provides for other adjustments in determining ACFO which are currently not applicable to Crombie, therefore not included in the above list. The calculation of ACFO for the three months and year ended December 31, 2017 and 2016 is as follows:

	Three months ended December 31,		Year ended December 31,	
(In thousands of CAD dollars)	**2017**	2016	**2017**	2016
Cash flow from operations	$ 21,349	$ 16,239	$ 91,145	$ 66,920
Adjusted for:				
Distributions to unitholders included in cash flow from operations	33,511	32,987	133,259	125,737
Non-cash DRIP amount included in above distributions	(6,568)	(6,109)	(31,353)	(21,661)
Change in non-cash working capital balances not indicative of sustainable cash flows	31	5,558	(16,943)	5,224
Reserve for maintenance expenditures	(4,450)	(4,439)	(17,682)	(17,626)
Taxes related to non-operating activities	(2,069)	–	(2,069)	–
Amortization of deferred financing charges	(996)	(877)	(4,474)	(3,310)
ACFO as calculated based on REALPAC recommendations	40,808	43,359	151,883	155,284
Adjustments:				
Net lease termination income from Target Canada and Best Buy/Future Shop	–	(3,828)	–	(14,172)
Subscription Receipts Adjustment Payment	–	–	–	613
ACFO, as adjusted	40,808	39,531	151,883	141,725
Total distributions declared during the period	33,511	32,987	133,259	125,737
Excess of ACFO over total distributions	$ 7,297	$ 6,544	$ 18,624	$ 15,988
ACFO payout ratio	82.1%	83.4%	87.7%	88.7%

Crombie has made the above-noted adjustments to ACFO as calculated based on REALPAC recommendations. These adjustments were made to better reflect sustainable, economic cash flows to fund distributions.

BORROWING CAPACITY AND DEBT COVENANTS

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

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

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

At December 31, 2017, the remaining amount available under the revolving credit facility was $388,000 (prior to reduction for standby letters of credit outstanding of $8,719) and was not limited by the Aggregate Borrowing Base. At December 31, 2017, Crombie remained in compliance with all debt covenants.

DEBT TO GROSS BOOK VALUE – FAIR VALUE BASIS

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

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

The debt to gross book value on a fair value basis was 50.3% at December 31, 2017 compared to 50.3% at December 31, 2016. This leverage ratio is below the maximum 60%, or 65% including convertible debentures, as permitted by Crombie's Declaration of Trust. On a long-term basis, Crombie intends to maintain reasonable overall indebtedness so as to maintain and strengthen its investment grade rating.

During the year ended December 31, 2017, Crombie's weighted average cap rate used in the determination of the fair value of its investment properties decreased 0.08% to 5.80%.

	As at				
(In thousands of CAD dollars, except as otherwise noted)	**Dec. 31, 2017**	Sep. 30, 2017	Jun. 30, 2017	Mar. 31, 2017	Dec. 31, 2016
Fixed rate mortgages	$ 1,762,815	$ 1,776,716	$ 1,783,294	$ 1,738,431	$ 1,655,817
Senior unsecured notes	625,000	475,000	475,000	475,000	400,000
Convertible debentures	74,400	74,400	134,400	134,400	134,400
Revolving credit facility payable	8,168	100,491	12,058	31,766	120,374
Bilateral credit facility	45,000	100,000	30,000	20,000	100,000
Total debt outstanding	2,515,383	2,526,607	2,434,752	2,399,597	2,410,591
Less: Applicable fair value debt adjustment	(1,117)	(1,194)	(1,273)	(1,352)	(1,452)
Debt	$ 2,514,266	$ 2,525,413	$ 2,433,479	$ 2,398,245	$ 2,409,139
Investment properties, at fair value	$ 4,944,000	$ 4,969,000	$ 4,817,000	$ 4,767,000	$ 4,752,000
Other assets, cost[1]	41,056	38,409	54,707	42,093	54,536
Deferred financing charges	14,958	14,847	14,641	15,281	14,631
Investment in joint ventures	2,602	5,213	2,940	1,339	815
Interest rate subsidy	(1,117)	(1,194)	(1,273)	(1,352)	(1,452)
Fair value adjustment to deferred taxes	–	–	–	(34,120)	(34,120)
Gross book value – fair value basis	$ 5,001,499	$ 5,026,275	$ 4,888,015	$ 4,790,241	$ 4,786,410
Debt to gross book value – fair value basis	50.3%	50.2%	49.8%	50.1%	50.3%

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

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

INTEREST AND DEBT SERVICE COVERAGE RATIOS

Crombie's interest and debt service coverage ratios for the year ended December 31, 2017 were 2.87 times EBITDA and 1.87 times EBITDA, respectively. This compares to 2.97 times EBITDA and 1.96 times EBITDA, respectively, for the year ended December 31, 2016. The decrease in the coverage ratios is attributable to:

- an increase in adjusted interest expense of $4,543 or 4.8% as Crombie increased fixed rate mortgage debt by $106,998 and senior unsecured notes by $225,000 since December 31, 2016 and reduced lower cost floating rate debt by $167,206 over that same period; and,
- Crombie's improved operating results, with EBITDA increasing $4,459 or 1.6%.

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

(In thousands of CAD dollars, except as otherwise noted)	Year ended December 31, 2017	2016
Property revenue	$ 411,813	$ 400,001
Amortization of tenant incentives	12,768	11,622
Adjusted property revenue	424,581	411,623
Property operating expenses	(121,069)	(115,306)
General and administrative expenses	(19,077)	(16,341)
EBITDA (1)	$ 284,435	$ 279,976
Finance costs – operations	$ 105,777	$ 100,156
Amortization of deferred financing charges	(4,474)	(3,310)
Amortization of effective swap agreements	(2,354)	(2,440)
Adjusted interest expense (2)	$ 98,949	$ 94,406
Debt repayments (advances)	$ 271,388	$ 8,192
Change in fair value debt premium	(560)	39
Payments relating to interest rate subsidy	(335)	(269)
Advances (payments) relating to credit facilities	(167,206)	90,374
Lump sum payments on mortgages	(50,379)	(49,774)
Adjusted debt repayments (3)	$ 52,908	$ 48,562
Interest service coverage ratio {(1)/(2)}	2.87	2.97
Debt service coverage ratio {(1)/((2)+(3))}	1.87	1.96

ACCOUNTING

RELATED PARTY TRANSACTIONS

As at December 31, 2017, Empire, through its wholly-owned subsidiary ECLD, holds a 41.5% (fully diluted 40.3%) indirect interest in Crombie. Related party transactions primarily include transactions with entities associated with Crombie through Empire's indirect interest. Related party transactions also include transactions with key management personnel and post-employment benefit plans.

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

Crombie's transactions with related parties are as follows:

(In thousands of CAD dollars)	Note	Three months ended December 31, 2017	2016	Year ended December 31, 2017	2016
Property revenue					
Property revenue	(a)	$ 50,766	$ 54,504	$ 208,083	$ 183,411
Head lease income	(b)	$ 390	$ 170	$ 922	$ 453
Lease termination income		$ (2)	$ 64	$ 100	$ 64
Property operating expenses	(c)	$ (18)	$ (19)	$ (47)	$ (64)
General and administrative expenses					
Property management services recovered	(d)	$ 161	$ 205	$ 645	$ 949
Other general and administrative expenses		$ (91)	$ (79)	$ (295)	$ (281)
Finance costs – operations					
Interest on convertible debentures	(e)	$ –	$ (302)	$ (608)	$ (1,203)
Interest rate subsidy	(b)	$ 77	$ 57	$ 335	$ 269
Interest income		$ –	$ 118	$ –	$ 651
Finance costs – distributions to Unitholders		$ (13,905)	$ (13,687)	$ (55,293)	$ (52,171)

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

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

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

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

(e) Empire held $24,000 of Series D Convertible Debentures with an annual interest rate of 5.00% until their redemption on July 4, 2017.

In addition to the above:

- On September 29, 2017, Crombie acquired approximately 31,000 square feet of additional gross leaseable area from a subsidiary of Empire for $7,671 before closing and transaction costs.
- On May 4, 2017, Crombie acquired a development property in British Columbia for $31,136 before closing and transaction costs and settled the long-term receivable previously advanced to a subsidiary of Empire as part of the transaction.
- On March 16, 2017, Crombie acquired a retail property in Alberta and assumed the related land lease from Empire including approximately 50,000 square feet of gross leaseable area for $8,320 before closing and transaction costs.
- During the year ended December 31, 2017, Crombie issued 977,009 (December 31, 2016 – 657,901) Class B LP Units to ECLD under the DRIP.
- During the third quarter of 2016, Crombie acquired a retail property in British Columbia from Empire including 61,600 square feet of gross leaseable area for $26,400 before closing and transaction costs. In addition, Crombie closed on the disposition of a retail property in British Columbia to Empire including 21,300 square feet of gross leaseable area for $9,057 before closing and transaction costs. This transaction resulted in a gain on disposal of $959.
- On June 29, 2016, Crombie completed the acquisition of a portfolio of properties and the investment in the renovation and expansion of 10 existing Sobeys anchored properties. The transaction total was approximately $418 million before closing and transaction costs. As partial consideration, Crombie issued to Empire 6,353,741 Class B LP Units and the attached SVUs at a price of $14.70 per Class B LP Unit for gross consideration of $93,400.

KEY MANAGEMENT PERSONNEL COMPENSATION

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

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

	Year ended December 31,	
	2017	2016
Salary, bonus and other short-term employee benefits	$ 4,469	$ 4,460
Other long-term benefits	98	112
	$ 4,567	$ 4,572

USE OF ESTIMATES AND JUDGMENTS

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

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

CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

Investment property acquisitions

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

Crombie allocates the purchase price based on the following:

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

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

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

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

Investment properties

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

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

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

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

Change in useful life of investment properties

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

Revenue recognition

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

CRITICAL JUDGMENTS

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

Impairment of long-lived tangible and definite life intangible assets

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

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

Defined benefit liability

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

Investment property valuation

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

Purchase price allocation

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

Fair value of financial instruments

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

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

FINANCIAL INSTRUMENTS

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

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

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

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

Level 3 – unobservable inputs for the asset or liability.

The following table provides information on financial assets and liabilities measured at fair value as at December 31, 2017:

(In thousands of CAD dollars)	Level	December 31, 2017	December 31, 2016
Financial assets			
Marketable securities	1	$ 1,285	$ –
Marketable securities	3	–	2,290
Total financial assets measured at fair value		$ 1,285	$ 2,290

During the first quarter of 2017, Crombie transferred marketable securities with a fair value of $2,290 from Level 3 into Level 1. The transfer related to reduced price volatility and increased trading volume of the marketable securities held. There were no other transfers during the year ended December 31, 2017.

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

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

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

	December 31, 2017		December 31, 2016	
(In thousands of CAD dollars)	Fair Value	Carrying Value	Fair Value	Carrying Value
Financial assets				
Long-term receivables[1]	$ 6,642	$ 6,628	$ 19,999	$ 19,969
Total other financial assets	$ 6,642	$ 6,628	$ 19,999	$ 19,969
Financial liabilities				
Investment property debt	$ 1,846,029	$ 1,815,983	$ 1,959,091	$ 1,876,191
Senior unsecured notes	627,120	625,000	402,361	400,000
Convertible debentures	76,818	74,400	139,147	134,400
Total other financial liabilities	$ 2,549,967	$ 2,515,383	$ 2,500,599	$ 2,410,591

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

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

COMMITMENTS AND CONTINGENCIES

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

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

Crombie obtains letters of credit to support its obligations with respect to construction work on its investment properties and satisfying mortgage financing requirements. As at December 31, 2017, Crombie has a total of $8,719 in outstanding letters of credit related to:

(In thousands of CAD dollars)	December 31, 2017	December 31, 2016
Construction work being performed on investment properties	$ 3,879	$ 2,027
Mortgage lenders primarily to satisfy mortgage financings on redevelopment properties	4,840	3,000
Total outstanding letters of credit	$ 8,719	$ 5,027

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

Land leases have varying terms ranging from seven to 72 years including renewal options. For the three months and year ended December 31, 2017, Crombie paid $445 and $1,685 in land lease payments to third party landlords (three months and year ended December 31, 2016 – $364 and $1,431).

As at December 31, 2017, Crombie had signed construction contracts totalling $112,211 of which $92,930 has been paid.

RISK MANAGEMENT

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

Real Property Ownership and Tenant Risks

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

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

CREDIT RISK

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

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

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

- Crombie's largest tenant, Sobeys, represents 53.5% of annual minimum rent; no other tenant accounts for more than 5.1% of Crombie's annual minimum rent, and;
- Total property revenue includes operating and realty tax cost recovery income and percentage rent. These amounts can vary by property type, specific tenant leases and where tenants may directly incur and pay operating and realty tax costs. Crombie earned total property revenue of $50,766 and $208,083, respectively, for the three months and year ended December 31, 2017 (three months and year ended December 31, 2016 – $54,504 and $183,411, respectively) from Sobeys Inc. and other subsidiaries of Empire.

Over the next five years, leases representing no more than 5.1% of the gross leaseable area of Crombie will expire in any one year.

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

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

	Year ended December 31, 2017	Year ended December 31, 2016
Provision for doubtful accounts, beginning of year	$ 127	$ 60
Additional provision	455	195
Recoveries	(165)	(120)
Write-offs	(223)	(8)
Provision for doubtful accounts, end of year	$ 194	$ 127

There have been no significant changes to Crombie's credit risk since December 31, 2016.

COMPETITION

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

RISK FACTORS RELATED TO THE BUSINESS OF CROMBIE

Development Risk

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

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

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

Joint Arrangement Risk

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

Significant Relationship

Crombie's anchor tenants are concentrated in a relatively small number of retail operators. Specifically, 53.5% of the annual minimum rent and 49.2% of total property revenue generated from Crombie's properties is derived from anchor tenants that are owned and/or operated by Sobeys. Therefore, Crombie is reliant on the sustainable operation by Sobeys in these locations.

Retail and Geographic Concentration

Crombie's portfolio of properties is heavily weighted in retail properties. Consequently, changes in the retail environment and general consumer spending, including the growing trend in e-commerce, could adversely impact Crombie's financial condition. Crombie's portfolio of properties was historically heavily concentrated in Atlantic Canada. Through property acquisitions and dispositions over the last four years, Crombie has reduced its geographic concentration in Atlantic Canada, and reduced the adverse impact an economic downturn any one specific geographic region in Canada could have on Crombie's financial condition. The geographic breakdown of properties and percentage of annual minimum rent of Crombie's properties as at December 31, 2017 is detailed under the Property Portfolio section.

Crombie's growth strategy of expansion outside of Atlantic Canada has been predicated on reducing the geographic concentration risk. The percentage of annual minimum rent to be earned in Atlantic Canada has decreased from 43.4% at December 31, 2013 to 36.9% at December 31, 2017.

Cyber Security Risk

A cyber security incident includes any material adverse event that threatens the confidentiality, integrity and/or availability of Crombie's information resources. Such events, intentional or unintentional, could include malicious software attacks, unauthorized access to confidential data or information systems or security breaches and could lead to a disruption of operations or unauthorized access to, and release of, confidential information. The results could be reputational damage with tenants and suppliers as well as financial costs or a disruption to Crombie's business.

Crombie has implemented processes, procedures and controls to help mitigate these risks, but these measures, as well as its increased awareness of a risk of a cyber incident, do not guarantee that its financial results will not be negatively impacted by the occurrence of any such event.

INTEREST RATE RISK

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

As at December 31, 2017:

- Crombie's weighted average term to maturity of its fixed rate mortgages was 5.4 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 $8,168 at December 31, 2017;
- Crombie has a floating rate bilateral credit facility available to a maximum of $100,000 with a balance of $45,000 at December 31, 2017; and,
- Crombie has interest rate swap agreements in place on $120,660 of floating rate mortgage debt.

Crombie estimates that $2,263 of accumulated other comprehensive income (loss) will be reclassified to finance costs during the year ending December 31, 2018, based on all settled swap agreements as of December 31, 2017.

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

(In thousands of CAD dollars)	Impact of a 0.5% interest rate change	
Impact on operating income attributable to Unitholders of interest rate changes on the floating rate revolving credit facility	Decrease in rate	Increase in rate
Three months ended December 31, 2017	$ 124	$ (124)
Three months ended December 31, 2016	$ 373	$ (373)
Year ended December 31, 2017	$ 468	$ (468)
Year ended December 31, 2016	$ 1,130	$ (1,130)

There have been no significant changes to Crombie's interest rate risk since December 31, 2016.

LIQUIDITY RISK

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

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

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

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

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

		Year ending December 31,					
(In thousands of CAD dollars)	Contractual Cash Flows[1]	2018	2019	2020	2021	2022	Thereafter
Fixed rate mortgages[2]	$ 2,109,420	$ 190,770	$ 249,668	$ 326,416	$ 183,289	$ 278,985	$ 880,292
Senior unsecured notes	691,963	197,315	16,502	138,417	183,986	155,743	–
Convertible debentures	87,095	3,906	3,906	3,906	75,377	–	–
	2,888,478	391,991	270,076	468,739	442,652	434,728	880,292
Floating rate debt	55,979	1,661	45,778	248	8,292	–	–
Total	$ 2,944,457	$ 393,652	$ 315,854	$ 468,987	$ 450,944	$ 434,728	$ 880,292

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

There have been no significant changes to Crombie's liquidity risk since December 31, 2016.

ENVIRONMENTAL MATTERS

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

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

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

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

Potential Conflicts of Interest

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

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

Reliance on Key Personnel

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

Reliance on Empire, Sobeys and Other Empire Affiliates

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

RISK FACTORS RELATED TO THE UNITS

Cash Distributions Are Not Guaranteed

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

Restrictions on Redemptions

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

Potential Volatility of Unit Prices

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

Tax-Related Risk Factors

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

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

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

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

Crombie and its advisors underwent an extensive review of Crombie's organizational structure and operations to support Crombie's assertion that it meets the REIT technical tests contained in the Act throughout the 2008 through 2017 fiscal years. The relevant tests apply throughout the taxation year of Crombie and, as such, the actual status of Crombie for any particular taxation year can only be ascertained at the end of the year.

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

Indirect Ownership of Units by Empire

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

Ownership of Debentures

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

Ownership of Senior Unsecured Notes ("Notes")

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

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

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

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

SUBSEQUENT EVENTS

(a) On January 19, 2018, Crombie declared distributions of 7.417 cents per Unit for the period from January 1, 2018 to and including, January 31, 2018. The distributions were paid on February 15, 2018, to Unitholders of record as of January 31, 2018.

(b) On February 16, 2018, Crombie declared distributions of 7.417 cents per Unit for the period from February 1, 2018 to and including, February 28, 2018. The distributions will be paid on March 15, 2018, to Unitholders of record as of February 28, 2018.

CONTROLS AND PROCEDURES

Crombie maintains a set of disclosure controls and procedures designed to ensure that information required to be disclosed by Crombie in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in the securities legislation and include controls and procedures designed to ensure that information required to be disclosed by Crombie is accumulated and communicated to Crombie's management, including its President and Chief Executive Officer ("CEO") and Executive Vice President, Chief Financial Officer and Secretary ("CFO"), as appropriate, to allow timely decisions regarding disclosure. Our CEO and CFO have evaluated the design and effectiveness of our disclosure controls and procedures as of December 31, 2017. They have concluded that our current disclosure controls and procedures are effective.

In addition, our CEO and CFO have designed, or caused to be designed under their supervision, internal controls over financial reporting ("ICFR") to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes as defined in National Instrument 52-109. The control framework management used to design and assess the effectiveness of ICFR is "Internal Control-Integrated Framework (2013)" issued by The Committee of Sponsoring Organizations of the Treadway Commission (COSO). Further, our CEO and CFO have evaluated, or caused to be evaluated under their supervision, the effectiveness of the design and operation of ICFR as at December 31, 2017, and have concluded that our current ICFR was effective based on that evaluation. There have been no material changes to Crombie's internal controls during the year.

QUARTERLY INFORMATION

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

	Three Months Ended							
(In thousands of CAD dollars, except per unit amounts)	**Dec. 31, 2017**	**Sep. 30, 2017**	**Jun. 30, 2017**	**Mar. 31, 2017**	Dec. 31, 2016	Sep. 30, 2016	Jun. 30, 2016	Mar. 31, 2016
Property revenue	$ 105,667	$ 102,424	$ 101,591	$ 102,131	$ 105,269	$ 98,757	$ 101,031	$ 94,944
Property operating expenses	31,622	28,259	29,793	31,395	29,395	27,732	27,538	30,641
Property net operating income	74,045	74,165	71,798	70,736	75,874	71,025	73,493	64,303
Gain on disposal	2,474	–	–	–	9,761	1,225	244	26,260
Expenses:								
General and administrative	(4,246)	(4,675)	(5,160)	(4,996)	(4,266)	(3,546)	(4,122)	(4,407)
Finance costs - operations	(26,681)	(26,244)	(26,892)	(25,960)	(25,656)	(25,342)	(24,793)	(24,365)
Income from equity accounted investments	(7)	41	27	–	–	–	–	–
Depreciation and amortization	(20,619)	(21,966)	(19,826)	(19,796)	(19,435)	(19,933)	(17,514)	(16,450)
Impairment	–	–	–	–	(6,000)	–	–	–
Operating income before taxes	24,966	21,321	19,947	19,984	30,278	23,429	27,308	45,341
Taxes - current	2,082	–	(4)	–	–	(3)	–	(23)
Taxes - deferred	–	–	76,400	(1,000)	1,200	(300)	(100)	(2,000)
Operating income	27,048	21,321	96,343	18,984	31,478	23,126	27,208	43,318
Finance costs - distributions to Unitholders	(33,511)	(33,385)	(33,248)	(33,115)	(32,987)	(32,890)	(30,538)	(29,322)
Finance income (costs) - change in fair value of financial instruments	18	25	1	101	(46)	789	(397)	(34)
Increase (decrease) in net assets attributable to Unitholders	$ (6,445)	$ (12,039)	$ 63,096	$ (14,030)	$ (1,555)	$ (8,975)	$ (3,727)	$ 13,962
Operating income per unit - Basic	$ 0.18	$ 0.14	$ 0.65	$ 0.13	$ 0.21	$ 0.16	$ 0.21	$ 0.33
Operating income per unit - Diluted	$ 0.18	$ 0.14	$ 0.63	$ 0.13	$ 0.21	$ 0.16	$ 0.21	$ 0.33

	Three Months Ended							
(In thousands of CAD dollars, except per unit amounts)	**Dec. 31, 2017**	**Sep. 30, 2017**	**Jun. 30, 2017**	**Mar. 31, 2017**	Dec. 31, 2016	Sep. 30, 2016	Jun. 30, 2016	Mar. 31, 2016
Distributions								
Distributions	$ 33,511	$ 33,385	$ 33,248	$ 33,115	$ 32,987	$ 32,890	$ 30,538	$ 29,322
Per unit	$ 0.22	$ 0.22	$ 0.22	$ 0.22	$ 0.22	$ 0.22	$ 0.22	$ 0.22
AFFO[1], as adjusted								
Basic	$ 39,481	$ 38,713	$ 35,532	$ 36,132	$ 37,776	$ 38,131	$ 30,833	$ 31,436
Per unit - Basic	$ 0.26	$ 0.26	$ 0.24	$ 0.24	$ 0.26	$ 0.26	$ 0.23	$ 0.24
Per unit - Diluted[3]	$ 0.26	$ 0.26	$ 0.24	$ 0.24	$ 0.25	$ 0.26	$ 0.23	$ 0.24
Payout ratio	84.9%	86.2%	93.6%	91.6%	87.3%	86.3%	99.0%	93.3%
FFO[2], as adjusted								
Basic	$ 47,237	$ 46,652	$ 43,335	$ 43,928	$ 45,964	$ 46,079	$ 37,768	$ 38,473
Per unit - Basic	$ 0.31	$ 0.31	$ 0.29	$ 0.30	$ 0.31	$ 0.31	$ 0.29	$ 0.29
Per unit - Diluted[3]	$ 0.31	$ 0.31	$ 0.29	$ 0.29	$ 0.31	$ 0.31	$ 0.28	$ 0.29
Payout ratio	70.9%	71.6%	76.7%	75.4%	71.8%	71.4%	80.9%	76.2%

(1) AFFO for 2016 is now calculated based on REALPAC's February 2017 white paper.
(2) FFO for 2016 has been restated to include add back of incremental internal leasing costs.
(3) FFO and AFFO per unit are calculated on a diluted basis. The diluted weighted average number of total Units and Special Voting Units included the conversion of all series of convertible debentures outstanding during the period, excluding any series that is anti-dilutive. Distributions per unit for each period are based on the total distributions per unit declared during the specific period.

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

- Property acquisitions and dispositions (excluding closing and transaction costs) for each of the above three month periods were:
  - December 31, 2017 – disposition of one retail property for proceeds of $15,600;
  - September 30, 2017 – acquisition of six retail properties for a total purchase price of $100,257, and acquisition of additional development on a pre-existing retail property for a total purchase price of $7,671;
  - March 31, 2017 – acquisition of one retail property for a total purchase price of $8,320;
  - December 31, 2016 – acquisition of two retail properties and an addition to an existing office property for a total purchase price of $34,000, and disposition of five retail properties for proceeds of $32,500;
  - September 30, 2016 – acquisition of one retail property and one development property for a total purchase price of $32,858, and disposition of two retail properties for proceeds of $11,357;
  - June 30, 2016 – acquisition of 33 retail properties, a 50% interest in three distribution centres, a property for development and two parcels of development land adjacent to existing Crombie properties for a total purchase price of $502,683, and disposition of two retail properties for proceeds of $8,293; and,
  - March 31, 2016 – acquisition of one retail property for a total purchase price of $5,500 and disposition of 10 retail properties for proceeds of $143,400.
- Property revenue and property operating expenses – Crombie's business is subject to seasonal fluctuations. Property operating expenses during winter months include particular expenses such as snow removal, which is a recoverable expense, thus increasing property revenue during these same periods. Property operating expenses during the summer and fall periods include particular expenses such as paving and roof repairs.
- On June 30, 2017, Crombie completed a tax reorganization, as approved by unitholders, resulting in, amongst other structural changes, the winding up of its most significant, wholly-owned corporate subsidiary. Through the tax reorganization, all property within the corporate entity was transferred to a limited partnership resulting in the elimination of Crombie's obligation for deferred income taxes related to this corporate subsidiary. The deferred tax liability of $76,400 at the time of the tax reorganization has been reduced to $NIL and the decrease has been recognized as an income tax recovery on Crombie's Consolidated Statement of Comprehensive Income for the year ended December 31, 2017.
- Per unit amounts for FFO and AFFO are influenced by operating results as detailed above and by the timing of the issuance of REIT Units and Class B LP Units.

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

Dated: February 21, 2018
New Glasgow, Nova Scotia, Canada

Management's Statement of Responsibility for Financial Reporting

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

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

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

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

February 21, 2018

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

February 21, 2018

Independent Auditor's Report

TO THE BOARD OF TRUSTEES OF CROMBIE REAL ESTATE INVESTMENT TRUST

We have audited the accompanying consolidated financial statements of Crombie Real Estate Investment Trust ("Crombie") and its subsidiaries, which comprise the consolidated balance sheets as at December 31, 2017 and December 31, 2016 and the consolidated statements of comprehensive income, changes in net assets attributable to unitholders and cash flows for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

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

Auditor's responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Crombie and its subsidiaries as at December 31, 2017 and December 31, 2016 and their financial performance and their cash flows for the years then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers LLP

Chartered Professional Accountants,
Licensed Public Accountants
Halifax, Nova Scotia, Canada

February 21, 2018

Consolidated Balance Sheets

(In thousands of CAD dollars)	Note	December 31, 2017	December 31, 2016
Assets			
Non-current assets			
Investment properties	3	$ 3,826,961	$ 3,716,720
Investment in joint ventures	4	2,602	815
Other assets	5	225,908	197,351
		4,055,471	3,914,886
Current assets			
Other assets	5	31,383	48,432
Total Assets		4,086,854	3,963,318
Liabilities			
Non-current liabilities			
Investment property debt	6	1,685,599	1,765,824
Senior unsecured notes	7	449,320	398,588
Convertible debentures	8	73,164	132,134
Deferred taxes	9	–	75,400
Employee future benefits obligation	10	8,849	8,110
Trade and other payables	11	9,558	8,493
		2,226,490	2,388,549
Current liabilities			
Investment property debt	6	118,665	99,653
Senior unsecured notes	7	175,000	–
Employee future benefits obligation	10	282	282
Trade and other payables	11	109,162	84,688
		403,109	184,623
Total liabilities excluding net assets attributable to Unitholders		2,629,599	2,573,172
Net assets attributable to Unitholders		$ 1,457,255	$ 1,390,146
Net assets attributable to Unitholders represented by:			
Crombie REIT Unitholders		$ 873,478	$ 834,203
Special Voting Units and Class B Limited Partnership Unitholders		583,777	555,943
		$ 1,457,255	$ 1,390,146
Commitments and contingencies	21		
Subsequent events	22		

See accompanying notes to the consolidated financial statements.

Approved on behalf of the Board of Trustees

signed (John Eby)

John Eby
Lead Trustee

signed (J. Michael Knowlton)

J. Michael Knowlton
Audit Committee Chair

Consolidated Statements of Comprehensive Income

(In thousands of CAD dollars)	Note	Year ended December 31, 2017	Year ended December 31, 2016
Property revenue	12	$ 411,813	$ 400,001
Property operating expenses		121,069	115,306
Net property income		290,744	284,695
Gain on disposal of investment properties	3	2,474	37,490
Impairment of investment properties	3	–	(6,000)
Depreciation of investment properties	3	(74,845)	(66,552)
Amortization of intangible assets	3	(6,654)	(6,170)
Amortization of deferred leasing costs	3	(708)	(610)
General and administrative expenses	14	(19,077)	(16,341)
Finance costs - operations	15	(105,777)	(100,156)
Income from equity accounted investments	4	61	–
Operating income before taxes		86,218	126,356
Taxes - current	9	2,078	(26)
Taxes - deferred	9	75,400	(1,200)
Operating income attributable to Unitholders		163,696	125,130
Finance costs – other			
Distributions to Unitholders		(133,259)	(125,737)
Change in fair value of financial instruments	11	145	312
		(133,114)	(125,425)
Increase (decrease) in net assets attributable to Unitholders		30,582	(295)
Other comprehensive income			
Items that will be subsequently reclassified to Increase (decrease) in net assets attributable to Unitholders:			
Costs incurred on derivatives designated as cash flow hedges transferred to finance costs - operations		2,354	2,440
Net change in derivatives designated as cash flow hedges		3,204	–
Items that will not be subsequently reclassified to Increase (decrease) in net assets attributable to Unitholders:			
Unamortized actuarial gains (losses) in employee future benefit obligation		(479)	(110)
Other comprehensive income		5,079	2,330
Comprehensive income		$ 35,661	$ 2,035

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Changes in Net Assets Attributable to Unitholders

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

(In thousands of CAD dollars)	REIT Units, Special Voting Units and Class B LP Units	Net Assets Attributable to Unitholders	Accumulated Other Comprehensive Income (Loss)	Total	Attributable to REIT Units	Attributable to Class B LP Units
	(Note 16)					
Balance, January 1, 2016	$ 1,473,885	$ (315,750)	$ (10,905)	$ 1,147,230	$ 694,484	$ 452,746
Adjustments related to EUPP	67	42	–	109	109	–
Statements of comprehensive income (loss)	–	(295)	2,330	2,035	973	1,062
Units issued under DRIP	21,661	–	–	21,661	12,666	8,995
Unit issue proceeds, net of costs of $ 5,889	219,111	–	–	219,111	125,971	93,140
Balance, December 31, 2016	$ 1,714,724	$ (316,003)	$ (8,575)	$ 1,390,146	$ 834,203	$ 555,943

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Cash Flows

(In thousands of CAD dollars)	Note	Year ended December 31, 2017	Year ended December 31, 2016
Cash flows provided by (used in)			
Operating Activities			
Increase (decrease) in net assets attributable to Unitholders		$ 30,582	$ (295)
Items not affecting operating cash	17	39,159	68,901
Change in other non-cash operating items	17	19,335	(1,686)
Income taxes recovered		2,069	–
Cash provided by (used in) operating activities		91,145	66,920
Financing Activities			
Issue of mortgages		192,783	193,401
Deferred financing charges - investment property debt		(3,802)	(2,967)
Repayment of mortgages		(104,182)	(98,566)
Advance (repayment) of floating rate credit facilities		(167,206)	90,374
Issue of senior unsecured notes		226,413	–
Deferred financing charges - senior unsecured notes		(999)	–
Redemption of convertible debentures		(60,000)	–
REIT Units and Class B LP Units issued		–	225,000
REIT Units and Class B LP Units issue costs		–	(5,889)
Repayment of EUPP loans receivable		62	67
Collection of (advances on) long-term receivables		(421)	(6,036)
Cash provided by (used in) financing activities		82,648	395,384
Investing Activities			
Acquisition of investment properties and intangible assets		(119,357)	(550,863)
Additions to investment properties		(46,800)	(29,928)
Proceeds on disposal of investment properties		15,645	192,549
Acquisition of interest in joint ventures		(1,701)	–
Additions to fixtures and computer equipment		(3,140)	–
Proceeds on disposal of marketable securities		1,220	–
Additions to tenant incentives		(18,381)	(74,071)
Additions to deferred leasing costs		(1,279)	(1,048)
Cash provided by (used in) investing activities		(173,793)	(463,361)
Net change in cash and cash equivalents		–	(1,057)
Cash and cash equivalents, beginning of year		–	1,057
Cash and cash equivalents, end of year		$ –	$ –

See accompanying notes to the consolidated financial statements.

Notes to the Consolidated Financial Statements

(In thousands of CAD dollars)

NOTE 1. GENERAL INFORMATION AND NATURE OF OPERATIONS

Crombie Real Estate Investment Trust ("Crombie") is an unincorporated "open-ended" real estate investment trust created pursuant to the Declaration of Trust dated January 1, 2006, as amended. The principal business of Crombie is investing in income-producing retail, office and mixed use properties in Canada. Crombie is registered in Canada and the address of its registered office is 610 East River Road, Suite 200, New Glasgow, Nova Scotia, Canada, B2H 3S2. The consolidated financial statements for the years ended December 31, 2017 and December 31, 2016 include the accounts of Crombie and all of its subsidiary entities. The units of Crombie are traded on the Toronto Stock Exchange ("TSX") under the symbol "CRR.UN".

The consolidated financial statements were authorized for issue by the Board of Trustees on February 21, 2018.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

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

(b) Basis of presentation

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

(c) Presentation of financial statements

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

(d) Basis of consolidation

(i) Subsidiaries

Crombie's financial statements consolidate those of Crombie and all of its subsidiary entities as at December 31, 2017. Subsidiaries are all entities over which Crombie has control. All subsidiaries have a reporting date of December 31, 2017.

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

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

(ii) Joint arrangements

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

Joint operations

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

Joint ventures

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

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

(e) Investment properties

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

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

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

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

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

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

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

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

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

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

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

Change in useful life of investment properties

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

(f) Cash and cash equivalents

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

(g) Assets held for sale and discontinued operations

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

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

(h) Convertible debentures

Convertible debentures issued by Crombie are convertible into a fixed number of REIT Units (a liability) at the option of the holder and are redeemable by the issuer under certain conditions (Note 8).

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

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

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

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

(i) Employee future benefits obligation

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

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

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

(j) Unit based compensation plans

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

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

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

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

(iii) Performance Unit Plan ("PU Plan")

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

(k) Distribution reinvestment plan ("DRIP")

Crombie has a DRIP which is described in Note 16.

(l) Revenue recognition

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

(m) Leasing

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

Operating leases

(i) Crombie as lessor

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

(ii) Crombie as lessee

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

(n) Deferred financing charges

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

(o) Finance costs – operations

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

(p) Finance costs – distributions to Unitholders

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

(q) Income taxes

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

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

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

(r) Hedges

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

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

(s) Comprehensive income (loss)

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

(t) Provisions

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

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

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

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

(u) Financial instruments

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

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

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

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

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

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

(v) Fair value measurement

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

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

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

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

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

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

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

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

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

(x) Net assets attributable to Unitholders

(i) Balance Sheet presentation

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

(ii) Balance Sheet measurement

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

(iii) Statement of Comprehensive Income (Loss) presentation

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

(iv) Presentation of per unit measures

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

(v) Allocation of Comprehensive income (loss)

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

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

(y) Critical judgments in applying accounting policies

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

(i) Investment properties

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

(ii) Investment in joint ventures

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

(iii) Leases

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

(iv) Classifications of Units as liabilities

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

(z) Critical accounting estimates and assumptions

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

(i) Fair value measurement

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

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

(ii) Investment in joint arrangements

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

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

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

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

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

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

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

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

(i) IFRS 9 – Financial Instruments
IFRS 9 Financial Instruments: Classification and Measurement("IFRS 9") issued, on July 24, 2014 is the International Accounting Standard Board's (IASB's) replacement of IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39"). The Standard includes requirements for classification and measurement of financial instruments, impairment, derecognition and general hedge accounting.

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

(b) Impairment

IFRS 9 requires impairment of financial assets based on an expected credit loss model and also has additional disclosure requirements regarding expected credit losses and credit risk. Crombie expects to apply the simplified approach to providing expected credit losses for trade and other short-term receivables, which requires the use of the lifetime expected loss provision.

(c) Derecognition

The principles from IAS 39 for derecognition of financial asset and liabilities are carried forward to IFRS 9. IFRS 9 explicitly states that write-offs constitute a derecognition event.

(d) Hedge accounting

IFRS 9 is intended to simplify the application of hedge accounting by more closely aligning hedging with actual risk management activities. Crombie has determined that all existing hedge relationships that are currently designated in effective hedging relationships will continue to qualify for hedge accounting under IFRS 9.

IFRS 9 is effective for periods beginning on or after January 1, 2018 and Crombie intends to adopt the new standard on the effective date. The standard will be applied on a retrospective basis using the available transition provisions which will result in no restatement of the 2017 comparative period and a cumulative transitional adjustment to the opening net assets attributable to unitholders as at January 1, 2018. Crombie has performed an assessment of IFRS 9 and does not expect any significant impact from the adoption of the standard.

(ii) IFRS 15 – Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15 which replaces IAS 11 Construction Contracts, IAS 18 Revenue and IFRIC 13 Customer Loyalty Programmes. This standard outlines a single comprehensive model for entities to account for revenue arising from contracts with customers. To assess the application and impact of this new standard, Crombie completed a review of all revenue streams and the impact of IFRS 15 on Crombie's Consolidated Financial Statements. Based on the analysis completed Crombie does not anticipate adoption of the new standard will have a material impact on reported financial results. IFRS 15 is effective for annual periods beginning on or after January 1, 2018 and Crombie intends to adopt the new standard on the effective date.

(iii) IFRS 16 – Leases

In January 2016, the IASB issued IFRS 16 which replaces IAS 17, "Leases" and its associated interpretative guidance. IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract on the basis of whether the customer controls the asset being leased. For those assets determined to meet the definition of a lease, IFRS 16 introduces significant changes to the accounting by lessees, introducing a single, on-balance sheet accounting model that is similar to current finance lease accounting, with limited exceptions for short-term leases or leases of low value assets. Lessor accounting remains similar to current accounting practice. The standard is effective for annual periods beginning on or after January 1, 2019, with early application permitted for entities that apply IFRS 15. Management is not planning to early adopt this standard and expects to complete the assessment of the impact of IFRS 16 on Crombie's consolidated financial statements in time for reporting for the period ending September 30, 2018.

NOTE 3. INVESTMENT PROPERTIES

	December 31, 2017	December 31, 2016
Income properties	$ 3,751,262	$ 3,683,278
Properties under development	75,699	33,442
	$ 3,826,961	$ 3,716,720

Income properties

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

	Land	Buildings	Intangibles	Deferred Leasing Costs	Total
Cost					
Opening balance, January 1, 2016	$ 973,378	$ 2,500,700	$ 98,136	$ 6,780	$ 3,578,994
Acquisitions	229,662	312,684	18,285	–	560,631
Additions	626	30,849	–	1,185	32,660
Dispositions	(13,503)	(23,572)	(1,846)	(165)	(39,086)
Transfer to investment properties held for sale	(164)	(468)	(26)	–	(658)
Balance, December 31, 2016	1,189,999	2,820,193	114,549	7,800	4,132,541
Accumulated depreciation and amortization and impairment					
Opening balance, January 1, 2016	–	322,625	52,529	3,578	378,732
Depreciation and amortization	–	66,552	6,170	610	73,332
Dispositions	–	(7,020)	(1,591)	(111)	(8,722)
Impairment	2,357	3,643	–	–	6,000
Transfer to investment properties held for sale	–	(69)	(10)	–	(79)
Balance, December 31, 2016	2,357	385,731	57,098	4,077	449,263
Net carrying value, December 31, 2016	$ 1,187,642	$ 2,434,462	$ 57,451	$ 3,723	$ 3,683,278

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

Properties under development

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

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

	Land	Buildings	Deferred Leasing Costs	Total
Opening balance, January 1, 2016	$ 2,624	$ –	$ –	$ 2,624
Acquisitions	30,134	–	–	30,134
Additions	684	–	–	684
Balance, December 31, 2016	$ 33,442	$ –	$ –	$ 33,442

On June 29, 2016 Crombie acquired two parcels of development land adjacent to existing Crombie properties, with an initial acquisition price of $9,975 from Empire.

On June 23, 2016 Crombie acquired a vacant building which has since been demolished as part of a redevelopment plan for the property. The initial acquisition price was $14,150. On July 8, 2016, Crombie acquired a 50% interest in a development property with an initial acquisition price of $5,250. Both the June 23 and July 8 acquisitions were transacted with third parties.

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

Fair value

Crombie's total fair value of investment properties exceeds carrying value by $900,804 at December 31, 2017 (December 31, 2016 – $844,033). Crombie uses the cost method for accounting for investment properties, and increases in fair value over carrying value are not recognized until realized through disposition or derecognition of properties, while impairment is recognized at the time of impairment.

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

	Fair Value	Carrying Value
December 31, 2017	$ 4,944,000	$ 4,043,196
December 31, 2016	$ 4,752,000	$ 3,907,967

Carrying value consists of the net carrying value of:

	Note	December 31, 2017	December 31, 2016
Income properties	3	$ 3,751,262	$ 3,683,278
Properties under development	3	75,699	33,442
Accrued straight-line rent receivable	5	72,743	59,225
Tenant incentives	5	143,492	132,022
Total carrying value		$ 4,043,196	$ 3,907,967

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

The fair value included in this summary reflects the fair value of the properties as at December 31, 2017 and 2016, respectively, based on each property's current use as a revenue generating investment property. Crombie owns several properties where the highest and best use as a development property would result in higher fair values.

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

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

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

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

As at December 31, 2017, all properties have been subjected to external, independent appraisal over the past four years.

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

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

		Impact of a 0.25% Change in Capitalization Rate	
	Weighted Average Capitalization Rate	Increase in Rate	Decrease in Rate
December 31, 2017	5.80%	$ (198,000)	$ 217,000
December 31, 2016	5.88%	$ (191,000)	$ 208,000

Income Property Acquisitions and Dispositions

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

2017

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

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

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

2016

Transaction Date	Vendor/ Purchaser	Properties Acquired (Disposed)	Approximate Square Footage	Initial Acquisition (Disposition) Price	Assumed Mortgages
February 5, 2016	Third party	1	21,000	$ 5,500	$ –
March 10, 2016	Third party	(10)	(791,000)	(143,400)	–
April 8, 2016	Third party	1	58,000	15,700	–
April 15, 2016	Third party	(1)	(8,000)	(793)	–
April 28, 2016	Third party	(1)	(47,000)	(7,500)	–
May 3, 2016	Third party	2	117,000	46,200	8,041
May 16, 2016	Third party	9	94,000	32,272	–
June 1, 2016	Third party	1	37,000	7,000	3,751
June 9, 2016	Third party	1	84,000	29,000	12,017
June 29, 2016	Empire	22	2,090,000	348,386	–
July 15, 2016	Empire	(1)	(21,000)	(9,057)	–
July 29, 2016	Empire	1	62,000	26,400	–
August 15, 2016	Third party	(1)	(48,000)	(2,300)	–
November 14, 2016	Third party	1	29,000	29,000	16,093
November 30, 2016	Third party	1	6,000	5,000	–
December 8, 2016	Third party	(1)	(80,000)	(10,750)	–
December 13, 2016	Third party	(4)	(215,000)	(21,750)	–
			1,388,000	$ 348,908	$ 39,902

The disposition on July 15 and the acquisitions on June 29, 2016 and July 29, 2016 were transacted with Empire, a related party. The June 29, 2016 acquisition included 19 retail properties and a 50% interest in three distribution centres.

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

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

	Year ended	
Income property acquired, net:	**December 31, 2017**	December 31, 2016
Land	$ 20,981	$ 229,662
Buildings	93,298	312,684
Intangibles	6,832	18,285
Fair value debt adjustment on assumed mortgages	(436)	(1,072)
Net purchase price	120,675	559,559
Assumed mortgages	(18,397)	(39,902)
	$ 102,278	$ 519,657

Investment property disposed:	Year ended December 31, 2017	Year ended December 31, 2016
Gross proceeds	$ 16,077	$ 195,621
Selling costs	(432)	(3,072)
	15,645	192,549
Carrying values derecognized		
Land	(4,522)	(45,288)
Buildings	(8,569)	(101,842)
Intangibles	(35)	(747)
Deferred leasing costs	–	(173)
Tenant Incentives	(1)	(3,434)
Accrued straight-line rent	(24)	(3,701)
Provisions	(20)	126
Gain on disposal	$ 2,474	$ 37,490

NOTE 4. INVESTMENT IN JOINT VENTURES

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

	December 31, 2017	December 31, 2016
1600 Davie Limited Partnership	50.0%	50.0%
140 Centennial Parkway North	50.0%	–

1600 Davie Limited Partnership was created on January 19, 2016 and is engaged in the development of a mixed use (retail and residential) property located at Davie Street, Vancouver, BC. For the year ended December 31, 2017, the partnership incurred development management fees and administrative costs totalling $291 (December 31, 2016, $9) payable to a company associated with Crombie's partner.

140 Centennial Parkway North was created as a joint venture on April 7, 2017 and acquired a retail property in Hamilton, Ontario on April 21, 2017. Crombie's share of the operating results are reported as Income from equity accounted investments on the Statement of Comprehensive Income. For the period ended December 31, 2017, the joint venture incurred management fees of $14 payable to a company associated with Crombie's partner.

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

	December 31, 2017	December 31, 2016
Non-current assets	$ 18,743	$ 1,849
Current assets	16,782	573
Non-current liabilities	26,982	–
Current liabilities	3,339	793
Net assets	$ 5,204	$ 1,629
Crombie's investment in joint ventures	$ 2,602	$ 815

	Year ended December 31, 2017	Year ended December 31, 2016
Revenue	$ 394	$ –
Property operating expenses	(135)	–
General and administrative expenses	(54)	–
Finance costs - operations	(83)	–
Net income	$ 122	$ –
Crombie's income from equity accounted investments	$ 61	$ –

NOTE 5. OTHER ASSETS

	December 31, 2017			December 31, 2016		
	Current	Non-current	Total	Current	Non-current	Total
Trade receivables	$ 8,741	$ –	$ 8,741	$ 11,625	$ –	$ 11,625
Provision for doubtful accounts	(194)	–	(194)	(127)	–	(127)
Net trade receivables	8,547	–	8,547	11,498	–	11,498
Marketable securities	1,285	–	1,285	2,290	–	2,290
Prepaid expenses and deposits	18,177	–	18,177	12,104	–	12,104
Fixtures and computer equipment	–	3,140	3,140	–		–
Restricted cash	75	–	75	8,675	–	8,675
Accrued straight-line rent receivable	–	72,743	72,743	–	59,225	59,225
Tenant incentives	–	143,492	143,492	–	132,022	132,022
Capital expenditure program	–	105	105	–	105	105
Interest rate subsidy	95	297	392	103	392	495
Fair value of interest rate swap agreements	3,204	–	3,204	–	–	–
Amount receivable from related party	–	–	–	13,762	–	13,762
Amount receivable from third parties	–	6,131	6,131	–	5,607	5,607
	$ 31,383	$ 225,908	$ 257,291	$ 48,432	$ 197,351	$ 245,783

Tenant Incentives	Cost	Accumulated Amortization	Net Carrying Value
Balance, January 1, 2017	$ 187,162	$ 55,140	$ 132,022
Additions	24,239	–	24,239
Amortization	–	12,768	(12,768)
Disposition	(7)	(6)	(1)
Balance, December 31, 2017	$ 211,394	$ 67,902	$ 143,492
Balance, January 1, 2016	$ 107,122	$ 45,455	$ 61,667
Additions	83,092	–	83,092
Amortization	–	11,622	(11,622)
Disposition	(3,049)	(1,936)	(1,113)
Transfer to investment properties held for sale	(3)	(1)	(2)
Balance, December 31, 2016	$ 187,162	$ 55,140	$ 132,022

See Note 19(a) for fair value information.

NOTE 6. INVESTMENT PROPERTY DEBT

	Range	Weighted Average Interest Rate	Weighted Average Term to Maturity	December 31, 2017
Fixed rate mortgages	2.35 - 6.90%	4.33%	5.4 years	$ 1,762,815
Floating rate revolving credit facility			3.5 years	8,168
Unsecured bilateral credit facility			1.4 years	45,000
Deferred financing charges				(11,719)
				$ 1,804,264

	Range	Weighted Average Interest Rate	Weighted Average Term to Maturity	December 31, 2016
Fixed rate mortgages	2.35 - 6.90%	4.46%	5.9 years	$ 1,655,817
Floating rate revolving credit facility			2.5 years	120,374
Unsecured bilateral credit facility			1.4 years	100,000
Deferred financing charges				(10,714)
				$ 1,865,477

As at December 31, 2017, debt retirements for the next five years are:

12 Months Ending	Fixed Rate Principal Payments	Fixed Rate Maturities	Floating Rate Maturities	Total
December 31, 2018	$ 53,999	$ 64,666	$ –	$ 118,665
December 31, 2019	54,579	126,978	45,000	226,557
December 31, 2020	47,994	225,241	–	273,235
December 31, 2021	46,382	89,182	8,168	143,732
December 31, 2022	39,883	200,884	–	240,767
Thereafter	107,044	703,152	–	810,196
	$ 349,881	$ 1,410,103	$ 53,168	1,813,152
Deferred financing charges				(11,719)
Unamortized fair value debt adjustment				2,831
				$ 1,804,264

Specific investment properties with a carrying value of $3,145,224 as at December 31, 2017 (December 31, 2016 – $2,974,237) are currently pledged as security for mortgages or provided as security for the floating rate revolving credit facility. Carrying value includes investment properties, investment properties held for sale, as well as accrued straight-line rent receivable and tenant incentives which are included in other assets.

Mortgage Activity

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

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

Floating Rate Revolving Credit Facility

The floating rate revolving credit facility has a maximum principal amount of $400,000 (December 31, 2016 – $400,000) and matures June 30, 2021. The facility is used by Crombie for working capital purposes and to provide temporary financing for acquisitions and development activity. It is secured by a pool of first and second mortgages on certain properties and the maximum principal amount is subject to available borrowing base (December 31, 2017 – borrowing base of $396,227). Borrowings under the revolving credit facility can be by way of Bankers Acceptance or Prime Rate Advance and the Floating interest rate is contingent on the type of advance plus the applicable spread or margin. The respective spread or margin may change depending on Crombie's unsecured bond rating with DBRS and whether the facility remains secured or migrates to an unsecured status.

Unsecured Bilateral Credit Facility

The unsecured bilateral credit facility has a maximum principal amount of $100,000 and matures May 16, 2019.The facility is used by Crombie for working capital purposes and to provide temporary financing for acquisitions and development activity. Borrowings under the bilateral credit facility can be by way of Bankers Acceptance or Prime Rate Advance and the Floating interest rate is contingent on the type of advance plus the applicable spread or margin. The respective spread or margin may change depending on Crombie's unsecured bond rating with DBRS.

See Note 19(a) for fair value information.

NOTE 7. SENIOR UNSECURED NOTES

	Maturity Date	Interest Rate	December 31, 2017	December 31, 2016
Series A	October 31, 2018	3.986%	$ 175,000	$ 175,000
Series B	June 1, 2021	3.962%	175,000	100,000
Series C	February 10, 2020	2.775%	125,000	125,000
Series D	November 21, 2022	4.066%	150,000	–
Unamortized Series B issue premium			1,323	240
Deferred financing charges			(2,003)	(1,652)
			$ 624,320	$ 398,588

On March 3, 2017, Crombie issued an additional $75,000 aggregate principal amount of 3.962% Series B Notes (senior unsecured) (the "Additional Notes") maturing June 1, 2021. The Additional Notes were priced with an effective yield to maturity of 3.48% and sold at a price of $1,018.84 per $1,000 principal amount plus accrued interest.

On November 20, 2017, Crombie issued $150,000 aggregate principal amount of 4.066% Series D Notes (senior unsecured) (the "Notes") at par, with a maturity date of November 21, 2022. The Notes pay interest semi-annually on May 21 and November 21 each year.

12 Months Ending	Series A	Series B	Series C	Series D	Total
December 31, 2018	$ 175,000	$ –	$ –	$ –	$ 175,000
December 31, 2019	–	–	–	–	–
December 31, 2020	–	–	125,000	–	125,000
December 31, 2021	–	175,000	–	–	175,000
December 31, 2022	–	–	–	150,000	150,000
	$ 175,000	$ 175,000	$ 125,000	$ 150,000	625,000
Unamortized Series B issue premium					1,323
Deferred financing charges					(2,003)
					$ 624,320

See Note 19(a) for fair value information.

NOTE 8. CONVERTIBLE DEBENTURES

	Conversion Price	Maturity Date	Interest Rate	December 31, 2017	December 31, 2016
Series D	$ 20.10	July 4, 2017	5.00%	$ –	$ 60,000
Series E (CRR.DB.E)	$ 17.15	March 31, 2021	5.25%	74,400	74,400
Deferred financing charges				(1,236)	(2,266)
				$ 73,164	$ 132,134

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

The Series E Debentures (issued August 14, 2013) pay interest semi-annually on March 31 and September 30 each year. Crombie has the option to pay interest on any interest payment date by issuing REIT units and applying the proceeds to satisfy its interest obligation. The Series E Convertible Debentures (the "Debentures") are convertible into REIT Units at the option of the debenture holder at any time up to the maturity date, at the conversion price indicated in the table above, being a conversion rate per one thousand dollars of principal amount of approximately 58.3090 REIT Units for Series E Convertible Debentures. If all conversion rights attaching to the Series E Convertible Debentures were exercised, as at December 31, 2017, Crombie would be required to issue approximately 4,338,192 REIT Units, subject to anti-dilution adjustments.

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

See Note 19(a) for fair value information.

NOTE 9. INCOME TAXES

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

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

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

	December 31, 2017	December 31, 2016
Tax liabilities relating to difference in tax and book value	$ –	$ 82,486
Tax asset relating to non-capital loss carry-forward	–	(7,086)
Deferred tax liability	$ –	$ 75,400

The tax recovery (expense) consists of the following:

	Year ended	
	December 31, 2017	December 31, 2016
Taxes – current		
Taxes – operating income earned in corporate subsidiaries	$ 9	$ (26)
Recovery of taxes previously paid on dispositions of investment properties	2,069	–
Total current taxes	$ 2,078	$ (26)
Taxes – deferred		
Provision for income taxes at the expected rate	$ (6,067)	$ (38,339)
Tax effect of income attribution to Crombie's Unitholders	5,067	37,139
Impact of tax reorganization	76,400	–
Total deferred taxes	$ 75,400	$ (1,200)

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

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

NOTE 10. EMPLOYEE FUTURE BENEFITS

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

Defined contribution pension plans

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

Defined benefit plans

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

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

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

The total defined benefit cost related to pension plans and post-employment benefit plans for the year ended December 31, 2017 was $541 (year ended December 31, 2016 – $546).

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

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

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

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

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

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

	December 31, 2017		December 31, 2016	
	Senior Management Pension Plan	**Post-employment Benefit Plans**	Senior Management Pension Plan	Post-employment Benefit Plans
Discount rate – accrued benefit obligation	3.40%	3.40%	3.75%	3.75%
Rate of compensation increase	3.00%	N/A	3.50%	N/A

For measurement purposes, a 5.50% (2016 – 5.75%) annual rate increase in the per capita cost of covered health care benefits was assumed. The cumulative rate is expected to decrease 0.25% annually to 5.00% in 2020.

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

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

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

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

	December 31, 2017		December 31, 2016	
	Senior Management Pension Plan	**Post-Employment Benefit Plans**	Senior Management Pension Plan	Post-Employment Benefit Plans
Accrued benefit obligation				
Balance, beginning of year	$ 4,533	$ 3,859	$ 4,258	$ 3,724
Current service cost	191	33	179	44
Interest cost	173	144	173	150
Actuarial losses (gains)	134	345	123	(13)
Benefits paid	(200)	(82)	(200)	(46)
Balance, end of year	4,831	4,299	4,533	3,859
Plan Assets				
Fair value, beginning of year	–	–	–	–
Employer contributions	200	82	200	46
Benefits paid	(200)	(82)	(200)	(46)
Fair value, end of year	–	–	–	–
Funded status – deficit	4,831	4,299	4,533	3,859
Current portion	200	82	200	82
Non-current portion	4,631	4,218	4,333	3,777
Accrued benefit obligation recorded as a liability	$ 4,831	$ 4,300	$ 4,533	$ 3,859
Net expense				
Current service cost	$ 191	$ 33	$ 179	$ 44
Interest cost	173	144	173	150
Net expense	$ 364	$ 177	$ 352	$ 194

The table below outlines the sensitivity of the fiscal 2017 key economic assumptions used in measuring the accrued benefit plan obligations and related expenses of Crombie's pension and other benefit plans. The sensitivity of each key assumption has been calculated independently. Changes to more than one assumption simultaneously may amplify or reduce the impact on the accrued benefit obligation or benefit plan expenses. There was no change to the method and assumptions used in preparing the sensitivity analysis from prior years.

		Senior Management Pension Plan		Post-Employment Benefit Plans	
		Benefit Obligations	Benefit Cost[1]	Benefit Obligations	Benefit Cost[1]
Discount Rate		3.40%	3.40%	3.40%	3.40%
Impact of:	1% increase	$ (564)	$ (9)	$ (588)	$ 10
	1% decrease	$ 689	$ 9	$ 728	$ (17)
Growth rate of health costs[2]				5.50%	5.50%
Impact of:	1% increase			$ 632	$ 29
	1% decrease			$ (520)	$ (24)

(1) Reflects the impact on the current service costs, the interest cost and the expected return on assets.
(2) Gradually decreasing to 5.0% in 2020 and remaining at that level thereafter.

For the year ended December 31, 2017, the net defined contribution pension plans expense was $800 (year ended December 31, 2016 – $756).

NOTE 11. TRADE AND OTHER PAYABLES

	December 31, 2017			December 31, 2016		
	Current	**Non-current**	**Total**	Current	Non-current	Total
Tenant incentives and capital expenditures	$ 40,317	$ –	$ 40,317	$ 28,894	$ –	$ 28,894
Property operating costs	38,300	–	38,300	29,457	–	29,457
Prepaid rents	7,205	–	7,205	4,827	–	4,827
Finance costs on investment property debt, notes and debentures	10,629	–	10,629	10,385	–	10,385
Distributions payable	11,182	–	11,182	11,007	–	11,007
Unit based compensation plans	1,351	4,978	6,329	–	3,846	3,846
Deferred revenue	178	4,580	4,758	118	4,647	4,765
	$ 109,162	$ 9,558	$ 118,720	$ 84,688	$ 8,493	$ 93,181

Unit based compensation plans

(i) Deferred Unit Plan

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

(ii) Restricted Unit Plan

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

(iii) Preferred Unit Plan

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

Deferred Revenue

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

Change in fair value of financial instruments:

	Year ended	
	December 31, 2017	December 31, 2016
Deferred Unit ("DU") Plan	$ (54)	$ (13)
Marketable securities	199	325
Total change in fair value of financial instruments	$ 145	$ 312

NOTE 12. PROPERTY REVENUE

	Year ended	
	December 31, 2017	December 31, 2016
Rental revenue contractually due from tenants	$ 408,031	$ 382,428
Contingent rental revenue	1,750	1,735
Straight-line rent recognition	13,542	12,876
Tenant incentive amortization	(12,768)	(11,622)
Lease terminations	1,258	14,584
	$ 411,813	$ 400,001

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

	Year ended			
	December 31, 2017		December 31, 2016	
	Revenue	**Percentage**	Revenue	Percentage
Sobeys Inc.	$ 202,593	49.2%	$ 179,166	44.8%

NOTE 13. OPERATING LEASES

Crombie as a Lessor

Crombie's operations include leasing commercial real estate. Future minimum rental income under non-cancellable tenant leases as at December 31, 2017, is as follows:

	Year ending December 31,						
	2018	2019	2020	2021	2022	Thereafter	Total
Future minimum rental income	$ 286,690	$ 275,115	$ 263,908	$ 250,830	$ 238,045	$ 2,057,197	$ 3,371,785

Crombie as a Lessee

Operating lease payments primarily represent rentals payable by Crombie for all of its land leases. These land leases have varying terms ranging from seven to 72 years including renewal options:

	Year ending December 31,						
	2018	2019	2020	2021	2022	Thereafter	Total
Future minimum lease payments	$ 1,932	$ 1,946	$ 2,008	$ 2,027	$ 2,065	$ 141,081	$ 151,059

NOTE 14. CORPORATE EXPENSES

(a) General and administrative expenses

	Year ended	
	December 31, 2017	December 31, 2016
Salaries and benefits	$ 11,175	$ 10,120
Professional and public company costs	4,472	3,145
Occupancy and other	3,430	3,076
	$ 19,077	$ 16,341

(b) Employee benefit expense

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

	Year ended	
	December 31, 2017	December 31, 2016
Wages and salaries	$ 25,369	$ 24,003
Post-employment benefits	800	756
	$ 26,169	$ 24,759

NOTE 15. FINANCE COSTS – OPERATIONS

	Year ended	
	December 31, 2017	December 31, 2016
Fixed rate mortgages	$ 79,484	$ 72,289
Floating rate term, revolving and demand facilities	1,957	4,816
Senior unsecured notes	17,876	14,915
Convertible debentures	6,460	7,523
Subscription receipts payment	–	613
Finance costs – operations	105,777	100,156
Amortization of fair value debt adjustment and accretion income	1,366	1,349
Change in accrued finance costs	(244)	(222)
Amortization of effective swap agreements	(2,354)	(2,440)
Capitalized interest[1]	2,388	501
Amortization of issue premium on senior unsecured notes	330	54
Amortization of deferred financing charges	(4,474)	(3,310)
Finance costs – operations, paid	$ 102,789	$ 96,088

(1) For the three months ended December 31, 2017, interest was capitalized to qualifying development projects based on a weighted average interest rate of 3.45% (December 31, 2016 – 3.09%).

NOTE 16. UNITS OUTSTANDING

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

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

Crombie REIT Units

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

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

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

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

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

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

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

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

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

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

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

Employee Unit Purchase Plan ("EUPP")

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

As at December 31, 2017, there are loans receivable from executives of $1,728 under Crombie's EUPP, representing 131,417 REIT Units, which are classified as a reduction to net assets attributable to Unitholders. The loans are being repaid through the application of the after-tax amounts of all distributions received on the REIT Units, as payments on interest and principal. The loans are required to be repaid by December 31, 2023. Loan repayments will result in a corresponding increase to net assets attributable to Unitholders. Market value of the REIT Units held as collateral at December 31, 2017 was $1,814.

The compensation expense related to the EUPP for the year ended December 31, 2017 was $33 (year ended December 31, 2016 - $42).

Distribution Reinvestment Plan

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

NOTE 17. SUPPLEMENTARY CASH FLOW INFORMATION

a) Items not affecting operating cash

	Year ended	
	December 31, 2017	December 31, 2016
Items not affecting operating cash:		
Straight-line rent recognition	$ (13,542)	$ (12,876)
Amortization of tenant incentives	12,768	11,622
Gain on disposal of investment properties	(2,474)	(37,490)
Impairment of investment properties	–	6,000
Depreciation of investment properties	74,845	66,552
Amortization of intangible assets	6,654	6,170
Amortization of deferred leasing costs	708	610
Unit based compensation	33	42
Amortization of effective swap agreements	2,354	2,440
Amortization of deferred financing charges	4,474	3,310
Amortization of issue premium on senior unsecured notes	(330)	(54)
Income from equity accounted investments	(61)	–
Non-cash distributions to Unitholders in the form of DRIP Units	31,353	21,661
Taxes - deferred	(75,400)	1,200
Income tax expense	(2,078)	26
Change in fair value of financial instruments	(145)	(312)
	$ 39,159	$ 68,901

b) Change in other non-cash operating items

	Year ended	
	December 31, 2017	December 31, 2016
Cash provided by (used in):		
Trade receivables	$ 1,669	$ (934)
Prepaid expenses and deposits and other assets	2,608	(10,156)
Payables and other liabilities	15,058	9,404
	$ 19,335	$ (1,686)

c) Reconciliation between the opening and closing balances for liabilities from financing activities

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

NOTE 18. RELATED PARTY TRANSACTIONS

As at December 31, 2017, Empire, through its wholly-owned subsidiary ECLD, holds a 41.5% (fully diluted 40.3%) indirect interest in Crombie. Related party transactions primarily include transactions with entities associated with Crombie through Empire's indirect interest. Related party transactions also include transactions with key management personnel and post-employment benefit plans.

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

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

		Year ended	
		December 31, 2017	December 31, 2016
Property revenue			
Property revenue	(a)	$ 208,083	$ 183,411
Head lease income	(b)	$ 922	$ 453
Lease termination income		$ 100	$ 64
Property operating expenses	(c)	$ (47)	$ (64)
General and administrative expenses			
Property management services recovered	(d)	$ 645	$ 949
Other general and administrative expenses		$ (295)	$ (281)
Finance costs – operations			
Interest on convertible debentures	(e)	$ (608)	$ (1,203)
Interest rate subsidy	(b)	$ 335	$ 269
Interest income		$ –	$ 651
Finance costs – distributions to Unitholders		$ (55,293)	$ (52,171)

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

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

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

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

(e) Empire held $24,000 of Series D Convertible Debentures with an annual interest rate of 5.00% until their redemption on July 4, 2017.

In addition to the above:

- On September 29, 2017, Crombie acquired approximately 31,000 square feet of additional gross leaseable area from a subsidiary of Empire for $7,671 before closing and transaction costs.
- On May 4, 2017, Crombie acquired a development property in British Columbia for $31,136 before closing and transaction costs and settled the long-term receivable previously advanced to a subsidiary of Empire as part of the transaction.
- On March 16, 2017, Crombie acquired a retail property in Alberta and assumed the related land lease from Empire including approximately 50,000 square feet of gross leaseable area for $8,320 before closing and transaction costs.
- During the year ended December 31, 2017, Crombie issued 977,009 (December 31, 2016 – 657,901) Class B LP Units to ECLD under the DRIP (Note 16).

Key management personnel compensation

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

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

	Year ended	
	December 31, 2017	December 31, 2016
Salary, bonus and other short-term employee benefits	$ 4,469	$ 4,460
Other long-term benefits	98	112
	$ 4,567	$ 4,572

NOTE 19. FINANCIAL INSTRUMENTS

a) Fair value of financial instruments

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

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

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

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

Level 3 – unobservable inputs for the asset or liability.

The following table provides information on financial assets and liabilities measured at fair value as at December 31, 2017:

Financial assets	Level	**December 31, 2017**	December 31, 2016
Marketable securities	1	$ 1,285	$ –
Marketable securities	3	–	2,290
Total financial assets measured at fair value		$ 1,285	$ 2,290

During the first quarter of 2017, Crombie transferred marketable securities with a fair value of $2,290 from Level 3 into Level 1. The transfer related to reduced price volatility and increased trading volume of the marketable securities held. There were no other transfers during the year ended December 31, 2017.

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

	December 31, 2017		December 31, 2016	
	Fair Value	**Carrying Value**	Fair Value	Carrying Value
Financial assets				
Long-term receivables[1]	$ 6,642	$ 6,628	$ 19,999	$ 19,969
Total other financial assets	$ 6,642	$ 6,628	$ 19,999	$ 19,969
Financial liabilities				
Investment property debt	$ 1,846,029	$ 1,815,983	$ 1,959,091	$ 1,876,191
Senior unsecured notes	627,120	625,000	402,361	400,000
Convertible debentures	76,818	74,400	139,147	134,400
Total other financial liabilities	$ 2,549,967	$ 2,515,383	$ 2,500,599	$ 2,410,591

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

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

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

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

b) Risk Management

In the normal course of business, Crombie is exposed to a number of financial risks that can affect its operating performance. There has been no significant change in Crombie's risk management during the year ended December 31, 2017. The more significant risks, and the actions taken to manage them, are as follows:

Credit risk

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

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

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

- Crombie's largest tenant, Sobeys, represents 53.5% of annual minimum rent; excluding Sobeys, no other tenant accounts for more than 5.1% of Crombie's minimum rent.
- Total property revenue includes operating and realty tax cost recovery income and percentage rent. These amounts can vary by property type, specific tenant leases and where tenants may directly incur and pay operating and realty tax costs. For the year ended December 31, 2017, Sobeys represents 49.2% of total property revenue. Excluding Sobeys, no other tenant accounts for more than 4.8% of Crombie's total property revenue.
- Over the next five years, no more than 5.1% of the gross leaseable area of Crombie will expire in any one year.

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

	Year ended	
	December 31, 2017	December 31, 2016
Provision for doubtful accounts, beginning of year	$ 127	$ 60
Additional provision	455	195
Recoveries	(165)	(120)
Write-offs	(223)	(8)
Provision for doubtful accounts, end of year	$ 194	$ 127

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

Interest rate risk

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

As at December 31, 2017:

- Crombie's weighted average term to maturity of its fixed rate mortgages was 5.4 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 $8,168 at December 31, 2017;
- Crombie has an unsecured bilateral credit facility available to a maximum of $100,000 with a balance of $45,000 at December 31, 2017; and,
- Crombie has interest rate swap agreements in place on $120,660 of floating rate mortgage debt.

Crombie estimates that $2,263 of accumulated other comprehensive income (loss) will be reclassified to finance costs during the year ending December 31, 2018, based on all settled swap agreements as of December 31, 2017.

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

	Impact of a 0.5% interest rate change	
Impact on operating income attributable to Unitholders of interest rate changes on the floating rate revolving credit facility and unsecured bilateral credit facility	Decrease in rate	Increase in rate
Year ended December 31, 2017	$ 468	$ (468)
Year ended December 31, 2016	$ 1,130	$ (1,130)

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

Liquidity risk

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

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

There is a risk that the debt capital markets may not refinance maturing fixed rate and floating rate debt on terms and conditions acceptable to Crombie or at any terms at all. Crombie seeks to mitigate this risk by staggering its debt maturity dates. There is also a risk that the equity capital markets may not be receptive to a REIT unit offering issue from Crombie with financial terms acceptable to Crombie. As discussed in Note 20, Crombie mitigates its exposure to liquidity risk utilizing a conservative approach to capital management.

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

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

		Year ending December 31,					
	Contractual Cash Flows[1]	2018	2019	2020	2021	2022	Thereafter
Fixed rate mortgages[2]	$ 2,109,420	$ 190,770	$ 249,668	$ 326,416	$ 183,289	$ 278,985	$ 880,292
Senior unsecured notes	691,963	197,315	16,502	138,417	183,986	155,743	–
Convertible debentures	87,095	3,906	3,906	3,906	75,377	–	–
	2,888,478	391,991	270,076	468,739	442,652	434,728	880,292
Floating rate debt	55,979	1,661	45,778	248	8,292	–	–
Total	$ 2,944,457	$ 393,652	$ 315,854	$ 468,987	$ 450,944	$ 434,728	$ 880,292

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

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

NOTE 20. CAPITAL MANAGEMENT

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

Crombie's capital structure consists of the following:

	December 31, 2017	December 31, 2016
Investment property debt	$ 1,804,264	$ 1,865,477
Senior unsecured notes	624,320	398,588
Convertible debentures	73,164	132,134
Crombie REIT Unitholders	873,478	834,203
SVU and Class B LP Unitholders	583,777	555,943
	$ 3,959,003	$ 3,786,345

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

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

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

	December 31, 2017	December 31, 2016
Fixed rate mortgages	$ 1,762,815	$ 1,655,817
Senior unsecured notes	625,000	400,000
Convertible debentures	74,400	134,400
Revolving credit facility	8,168	120,374
Bilateral credit facility	45,000	100,000
Total debt outstanding	2,515,383	2,410,591
Less: Applicable fair value debt adjustment	(1,117)	(1,452)
Debt	$ 2,514,266	$ 2,409,139
Income properties, cost	$ 4,280,433	$ 4,132,541
Properties under development, cost	75,699	33,442
Below-market lease component, cost[1]	86,885	85,946
Investment in joint ventures	2,602	815
Other assets, cost (see below)	325,193	300,923
Deferred financing charges	14,958	14,631
Interest rate subsidy	(1,117)	(1,452)
Fair value adjustment to deferred taxes	–	(34,120)
Gross book value	$ 4,784,653	$ 4,532,726
Debt to gross book value – cost basis	52.5%	53.1%

(1) Below-market lease component is included in the carrying value of investment properties.

Other assets are calculated as follows:

	December 31, 2017	December 31, 2016
Other assets per Note 5	$ 257,291	$ 245,783
Add:		
Tenant incentive accumulated amortization	67,902	55,140
Other assets, cost	$ 325,193	$ 300,923

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

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

As at December 31, 2017, Crombie is in compliance with all externally imposed capital requirements and all covenants relating to its debt facilities.

NOTE 21. COMMITMENTS AND CONTINGENCIES

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

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

Crombie obtains letters of credit to support its obligations with respect to construction work on its investment properties and satisfying mortgage financing requirements. As at December 31, 2017, Crombie has a total of $8,719 in outstanding letters of credit related to:

	December 31, 2017	December 31, 2016
Construction work being performed on investment properties	$ 3,879	$ 2,027
Mortgage lenders primarily to satisfy mortgage financings on redevelopment properties	4,840	3,000
Total outstanding letters of credit	$ 8,719	$ 5,027

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

Land leases have varying terms ranging from seven to 72 years including renewal options. For the year ended December 31, 2017, Crombie paid $1,685 in land lease payments to third party landlords (year ended December 31, 2016 – $1,431). Crombie's commitments under the land leases are disclosed in Note 13.

As at December 31, 2017, Crombie had signed construction contracts totalling $112,211 of which $92,930 has been paid.

NOTE 22. SUBSEQUENT EVENTS

(a) On January 19, 2018, Crombie declared distributions of 7.417 cents per Unit for the period from January 1, 2018 to and including, January 31, 2018. The distributions were paid on February 15, 2018, to Unitholders of record as of January 31, 2018.

(b) On February 16, 2018, Crombie declared distributions of 7.417 cents per Unit for the period from February 1, 2018 to and including, February 28, 2018. The distributions will be paid on March 15, 2018, to Unitholders of record as of February 28, 2018.

NOTE 23. SEGMENT DISCLOSURE

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

NOTE 24. INDEMNITIES

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

City	Property	Description	GLA (approx. sq. ft.)	% Occupancy
NEWFOUNDLAND & LABRADOR				
Random Square	Clarenville	Retail – Enclosed	108,000	99.0
Conception Bay Plaza	Conception Bay	Retail – Plazas	65,000	100.0
2A Commerce Street	Deer Lake	Retail – Plazas	18,000	100.0
71 Grand View Blvd	Grand Bank	Retail – Freestanding	19,000	100.0
21 Cromer Avenue	Grand Falls	Retail – Freestanding	27,000	100.0
69 Blockhouse Rd	Placentia	Retail – Freestanding	20,000	100.0
10 Elizabeth Avenue	St John's	Retail – Freestanding	80,000	100.0
45 Ropewalk Lane	St John's	Retail – Freestanding	50,000	100.0
Avalon Mall	St John's	Retail – Enclosed	557,000	98.2
Hamlyn Road Plaza	St John's	Retail – Plazas	38,000	70.2
Kenmount Woodgate	St John's	Mixed Use	50,000	100.0
Topsail Road Plaza	St John's	Retail – Plazas	158,000	100.0
Torbay Road Plaza	St John's	Retail – Plazas	139,000	98.9
			1,329,000	**98.2**
PRINCE EDWARD ISLAND				
400 University Avenue	Charlottetown	Retail – Freestanding	50,000	100.0
Kinlock Plaza	Stratford	Retail – Plaza	74,000	100.0
			124,000	**100.0**
NOVA SCOTIA				
Amherst Centre	Amherst	Retail – Enclosed	228,000	44.7
Amherst Plaza	Amherst	Retail – Plazas	25,000	100.0
133 Church Street	Antigonish	Retail – Freestanding	51,000	100.0
Hemlock Square	Bedford	Retail – Plazas	159,000	100.0
Mill Cove Plaza	Bedford	Retail – Plazas	150,000	100.0
2 Forest Hills Parkway	Cole Harbour	Retail – Freestanding	44,000	100.0
Dartmouth Crossing – Cineplex	Dartmouth	Retail – Freestanding	45,000	100.0
Panavista Drive	Dartmouth	Retail – Freestanding	48,000	100.0
Penhorn Mall	Dartmouth	Retail – Freestanding	43,000	76.3
Penhorn Plaza	Dartmouth	Retail – Plazas	104,000	100.0
Russell Lake	Dartmouth	Retail – Plazas	62,000	100.0
Elmsdale Plaza	Elmsdale	Retail – Plazas	147,000	97.9
Fall River Plaza	Fall River	Retail – Plazas	98,000	98.1
North & Windsor Street	Halifax	Retail – Freestanding	50,000	100.0
Park Lane	Halifax	Mixed Use	273,000	93.8
Park West Plaza	Halifax	Retail – Plaza	143,000	93.3
Queen St Plaza	Halifax	Retail – Freestanding	54,000	100.0
Downsview Mall	Lower Sackville	Retail – Plazas	80,000	99.1
Downsview Plaza	Lower Sackville	Retail – Plazas	226,000	96.3
Aberdeen Business Centre	New Glasgow	Mixed Use	387,000	100.0
Highland Square	New Glasgow	Retail – Enclosed	200,000	100.0
West Side Plaza	New Glasgow	Retail – Plazas	71,000	95.2
County Fair Mall	New Minas	Retail – Enclosed	237,000	56.7
75 Emerald Street	New Waterford	Retail – Freestanding	26,000	100.0
Blink Bonnie Plaza	Pictou	Retail – Plazas	45,000	93.7
634 Reeves Street	Port Hawkesbury	Retail – Freestanding	34,000	100.0
22579 Hwy #7	Sheet Harbour	Retail – Freestanding	9,000	100.0
279 Herring Cove Road	Spryfield	Retail – Freestanding	73,000	100.0
293 Foord Street	Stellarton	Retail – Freestanding	24,000	100.0
Prince Street Plaza	Sydney	Retail – Plazas	71,000	98.7
Sydney Shopping Centre	Sydney	Retail – Plazas	188,000	93.9
39 Pitt Street	Sydney Mines	Retail – Freestanding	18,000	100.0
North Shore Centre	Tatamagouche	Retail – Plazas	17,000	100.0
Fundy Trail Centre	Truro	Retail – Plaza	125,000	97.5
Tantallon Plaza	Upper Tantallon	Retail – Plazas	157,000	98.3
Scotia Square Properties				
Barrington Place	Halifax	Mixed Use	191,000	99.5
Barrington Tower	Halifax	Office	186,000	98.7
Brunswick Place	Halifax	Mixed Use	255,000	97.7
CIBC Building	Halifax	Office	207,000	77.9
Cogswell Tower	Halifax	Office	204,000	94.4
Duke Tower	Halifax	Office	251,000	84.9
Scotia Square Mall	Halifax	Mixed Use	263,000	78.8
Scotia Square Parkade	Halifax	Mixed Use		
			5,269,000	**91.2**
NEW BRUNSWICK				
850 St. Peters Avenue	Bathurst	Retail – Freestanding	18,000	100.0
477 Paul Street	Dieppe	Retail – Freestanding	52,000	100.0
501 Regis Street	Dieppe	Retail – Freestanding	25,000	100.0
Edmundston	Edmundston	Retail – Freestanding	42,000	100.0
Brookside Mall	Fredericton	Retail – Freestanding	43,000	100.0
Prospect Street Plaza	Fredericton	Retail – Plazas	22,000	100.0
Uptown Centre	Fredericton	Retail – Plazas	212,000	87.8
1234 Main Street	Moncton	Office	151,000	79.4
Elmwood Drive	Moncton	Retail – Plazas	74,000	100.0
Mountain Road	Moncton	Retail – Plazas	17,000	100.0
Northwest Centre, Mountain Road	Moncton	Retail – Freestanding	52,000	100.0
Vaughan Harvey Plaza	Moncton	Retail – Plazas	103,000	100.0
273 Pleasant Street	Newcastle	Retail – Freestanding	20,000	100.0
Riverview – Findlay Blvd	Riverview	Retail – Plazas	66,000	98.3
Riverview Place	Riverview	Mixed Use	147,000	44.7
Fairvale Plaza	Rothesay	Retail – Freestanding	52,000	100.0
Catherwood Street	Saint John	Retail – Freestanding	46,000	100.0
Loch Lomond Place	Saint John	Mixed Use	192,000	62.7
Charlotte Mall	St Stephen	Retail – Plazas	119,000	95.6
Tracadie	Tracadie	Retail – Plazas	40,000	83.8
			1,493,000	**85.0**
QUÉBEC				
1500 rue Bretagne	Baie Comeau	Retail – Freestanding	50,000	100.0
Beauport Plaza	Beauport	Retail – Plazas	68,000	96.5
50 Rue Bourgeoys	Bromptonville	Retail – Plazas	27,000	84.6
3260 boul. Lapiniere	Brossard	Retail – Plazas	48,000	94.1
645 rue Thibeau	Cap-de-la-Madeleine	Retail – Freestanding	49,000	100.0
Lebourgneuf	Charlesbourg	Retail – Freestanding	59,000	100.0
88-90 boul. D'Anjou	Chateauguay	Retail – Freestanding	58,000	100.0
Marché St-Charles-de-Drummond	Drummondville	Retail – Plazas	48,000	100.0
1205 rue de Neuville	Gatineau	Retail – Plazas	31,000	100.0
2195 Chemin Ridge	Huntingdon	Retail – Freestanding	19,000	100.0
Ile Perrot	Ile Perrot	Retail – Freestanding	24,000	100.0
Centre Lavaltrie	Lavaltrie	Retail – Plazas	43,000	100.0
Marché Lavaltrie	Lavaltrie	Retail – Plazas	52,000	97.8
Les Saules	Les Saules	Retail – Plazas	69,000	100.0
714 boul. St-Laurent O.	Louiseville	Retail – Freestanding	23,000	100.0
1450 rue Royale	Malartic	Retail – Plaza	29,000	100.0
551 Avenue du Phare Est	Matane	Retail – Freestanding	30,000	100.0
McMasterville	McMasterville	Retail – Plazas	55,000	100.0
Mercier	Mercier	Retail – Plazas	58,000	94.1
Marché St-Augustin	Mirabel	Retail – Plazas	38,000	100.0
1 Avenue Westminster	Montreal	Retail – Freestanding	21,000	100.0
5651 rue de Verdun	Montreal	Retail – Freestanding	6,000	100.0
Paspebiac Plaza	Paspebiac	Retail – Plazas	73,000	93.7
375 boul. Jessop	Rimouski	Retail – Freestanding	41,000	100.0
254 de l'Hotel de Ville	Riviere du Loup	Retail – Plazas	72,000	100.0
680 Avenue Chausse	Rouyn-Noranda	Retail – Freestanding	43,000	100.0
Saint-Apollinaire Plaza	Saint Apollinaire	Retail – Plazas	62,000	100.0
867 rue Principale	Saint-Donat	Retail – Freestanding	34,000	100.0
Saint Romuald Plaza	Saint Romuald	Retail – Plazas	70,000	100.0
10505 boul. Sainte-Anne	Sainte-Anne-de-Beaupré	Retail – Freestanding	38,000	100.0
Shawinigan	Shawinigan	Retail – Plazas	67,000	100.0
2959 rue King Quest	Sherbrooke	Retail – Freestanding	13,000	100.0
3950 rue King Quest	Sherbrooke	Retail – Freestanding	52,000	100.0
Carrefour Bourgeois	St-Amable	Retail – Plaza	64,000	93.6
8980 boul Lacroix	St Georges de Beauce	Retail – Freestanding	44,000	100.0
St Lambert	St Lambert	Retail – Freestanding	19,000	100.0
101 boul. de la Piniere Quest	Terrebonne	Retail – Freestanding	235,000	100.0
Vanier	Vanier	Retail – Freestanding	17,000	100.0
			1,849,000	**98.8**
ONTARIO				
977 Golf Links Road	Ancaster	Retail – Freestanding	65,000	100.0
409 Bayfield Street	Barrie	Retail – Freestanding	48,000	100.0
680 Longworth Avenue	Bowmanville	Retail – Plazas	42,000	100.0
20 Melbourne Drive	Bradford	Retail – Freestanding	35,000	100.0
Brampton Mall	Brampton	Retail – Plazas	103,000	88.6
Brampton Plaza	Brampton	Retail – Plazas	76,000	100.0
Burlington Plaza	Burlington	Retail – Plazas	56,000	100.0
Milltowne Plaza	Burlington	Retail – Plazas	11,000	100.0
142 Dundas Street South	Cambridge	Retail – Freestanding	4,000	100.0
807 King Street East	Cambridge	Retail – Freestanding	9,000	100.0
215 Park Ave West	Chatham	Retail – Freestanding	48,000	100.0
Dorchester Road Centre	Dorchester	Retail – Freestanding	18,000	100.0
Village Square Centre	Dorchester	Retail – Plazas	32,000	100.0
Lindsay Street Centre	Fenelon Falls	Retail – Freestanding	35,000	100.0
417 Scott Street	Fort Frances	Retail – Freestanding	43,000	100.0
Sinclair Place	Georgetown	Retail – Plazas	28,000	100.0
44 Livingston Avenue	Grimbsy	Retail – Freestanding	36,000	100.0
Grimsby Centre	Grimsby	Retail – Freestanding	29,000	100.0
Grimsby Mews	Grimsby	Retail – Plaza	34,000	100.0
Upper James Square	Hamilton	Retail – Plazas	114,000	100.0
Havelock Centre	Havelock	Retail – Freestanding	15,000	100.0
400 First Avenue South	Kenora	Retail – Freestanding	37,000	100.0
Southdale	London	Retail – Plazas	17,000	100.0
Milligan Corners	Napanee	Retail – Plazas	25,000	100.0
5931 Kalar Road	Niagara Falls	Retail – Freestanding	36,000	100.0
Niagara Falls Centre	Niagara Falls	Retail – Freestanding	17,000	100.0
Niagara Plaza	Niagara Falls	Retail – Plazas	64,000	100.0
Village Square Mall	Nepean	Retail – Plazas	91,000	100.0
Algonquin Avenue Mall	North Bay	Retail – Plazas	170,000	55.6
Bronte Village	Oakville	Retail – Plazas	47,000	100.0
500 Riddell Road	Orangeville	Retail – Freestanding	46,000	100.0
Orleans – 5150 Innes Road	Orleans	Retail – Plazas	63,000	100.0
Taunton and Wilson Plaza	Oshawa	Retail – Plazas	107,000	100.0
Parry Sound	Parry Sound	Retail – Plazas	46,000	100.0

Property	City	Description	GLA (approx. sq. ft.)	% Occupancy
Perth Mews	Perth	Retail – Plazas	103,000	96.0
Lansdowne Centre Rockhaven	Peterborough	Retail – Plazas	60,000	93.3
3130 Danforth Avenue	Scarborough	Retail – Freestanding	6,000	100.0
White Horse Plaza	Simcoe	Retail – Plazas	93,000	85.0
London Pine Valley	South London	Retail – Plazas	39,000	100.0
Glendale Avenue Mountain Locks Plaza	St Catharines	Retail – Plazas	85,000	100.0
Stittsville Corner	Stittsville	Retail – Plazas	111,000	98.2
Stoney Creek Plaza	Stoney Creek	Retail – Plazas	12,000	100.0
1995 Weston Road	Toronto	Retail – Freestanding	16,000	100.0
3362-3370 Yonge Street	Toronto	Retail – Freestanding	28,000	100.0
Eglinton Centre	Toronto	Retail – Freestanding	17,000	100.0
Markham Plaza	Toronto	Retail – Plazas	39,000	88.6
McCowan Square	Toronto	Retail – Plaza	61,000	100.0
Queensway Plaza	Toronto	Retail – Plazas	67,000	54.3
8265 Huntington Road	Woodbridge	Retail – Freestanding	397,000	100.0
385 Springbank Avenue	Woodstock	Retail – Plazas	55,000	96.7
			2,836,000	**94.8**

MANITOBA

498 Mountain Avenue	Neepawa	Retail – Freestanding	18,000	100.0
124 E Saskatchewan Avenue	Portage la Prairie	Retail – Freestanding	20,000	100.0
318 Manitoba Avenue	Selkirk	Retail – Freestanding	42,000	100.0
3128 Bird's Hill Road E.	St. Paul	Retail – Freestanding	39,000	100.0
285 Marion Street	Winnipeg	Retail – Freestanding	38,000	100.0
469-499 River Avenue	Winnipeg	Retail – Plazas	59,000	100.0
594 Mountain Avenue	Winnipeg	Retail – Freestanding	18,000	100.0
654 Kildare Avenue	Winnipeg	Retail – Freestanding	43,000	100.0
655 Osborne Street	Winnipeg	Retail – Freestanding	20,000	100.0
920 Jefferson Avenue	Winnipeg	Retail – Freestanding	55,000	100.0
1305-1321 Pembina Highway	Winnipeg	Retail – Plazas	39,000	100.0
2155 Pembina Highway	Winnipeg	Retail – Freestanding	46,000	100.0
3381 & 3393 Portage Avenue	Winnipeg	Retail – Freestanding	55,000	100.0
Kildonan Green	Winnipeg	Retail – Plaza	74,000	100.0
River East Plaza	Winnipeg	Retail – Plaza	78,000	100.0
			644,000	**100.0**

SASKATCHEWAN

200 1 Avenue NW	Moose Jaw	Retail – Freestanding	39,000	100.0
9801 Territorial Drive	North Battleford	Retail – Plazas	30,000	100.0
2895 2 Avenue W	Prince Albert	Retail – Freestanding	56,000	100.0
2231 East Quance Street	Regina	Retail – Freestanding	37,000	100.0
2915 13th Avenue	Regina	Retail – Plazas	41,000	100.0
4250 Albert Street	Regina	Retail – Plazas	41,000	97.6
1860 McOrmond Drive	Saskatoon	Retail – Freestanding	50,000	100.0
River City Centre	Saskatoon	Retail – Plazas	160,000	83.4
			454,000	**93.8**

ALBERTA

318 Marten Street	Banff	Retail – Freestanding	19,000	100.0
5700 50th Street	Beaumont	Retail – Plazas	21,000	100.0
Beaumont Shopping Centre	Beaumont	Retail – Plazas	59,000	100.0
550 Cassils Road W. & 645 4 Street W.	Brooks	Retail – Plazas	54,000	100.0
55 Castleridge Boulevard NE	Calgary	Retail – Freestanding	56,000	100.0
99 Crowfoot Crescent NW	Calgary	Retail – Plazas	75,000	100.0
101 Crowfoot Way NW	Calgary	Retail – Freestanding	10,000	100.0
110-620 McKenzie Towne Drive	Calgary	Retail – Freestanding	19,000	100.0
410 10 Street NW	Calgary	Retail – Freestanding	38,000	100.0
511 17 Avenue SE	Calgary	Retail – Freestanding	42,000	100.0
524 Elbow Drive	Calgary	Retail – Freestanding	25,000	100.0
813 11 Avenue SW	Calgary	Retail – Freestanding	40,000	100.0
850 Saddletowne Circle NE	Calgary	Retail – Freestanding	51,000	100.0
1818 Centre St NE & 134 17th Avenue NE	Calgary	Retail – Freestanding	35,000	100.0
2425 34 Avenue SW	Calgary	Retail – Plazas	48,000	100.0
3550 32 Avenue NE	Calgary	Retail – Freestanding	69,000	100.0
5048 16 Avenue NW	Calgary	Retail – Freestanding	42,000	100.0
5607 4th Street NW	Calgary	Retail – Plazas	48,000	100.0
South Trail Plaza	Calgary	Retail – Plazas	79,000	100.0
Strathcona Square	Calgary	Retail – Plaza	80,000	100.0
1110 Gateway Avenue	Canmore	Retail – Freestanding	50,000	100.0
1200 Railway Avenue	Canmore	Retail – Freestanding	53,000	100.0
135 Chestermere Station Way	Chestermere	Retail – Freestanding	43,000	100.0
304 5 Avenue West	Cochrane	Retail – Freestanding	54,000	100.0
400 & 500 Manning Crossing	Edmonton	Retail – Freestanding	49,000	100.0
2304 109 Street NW	Edmonton	Retail – Freestanding	48,000	100.0
2534 Guardian Road NW	Edmonton	Retail – Freestanding	49,000	100.0
5309 Ellerslie Road	Edmonton	Retail – Freestanding	50,000	100.0
8118 – 118 Avenue NW	Edmonton	Retail – Freestanding	44,000	100.0
8204 109 Street NW	Edmonton	Retail – Plazas	34,000	100.0
9611 167 Avenue NW	Edmonton	Retail – Freestanding	37,000	100.0
10907 82 Avenue	Edmonton	Retail – Freestanding	21,000	100.0
12950 137 Avenue NW	Edmonton	Retail – Freestanding	55,000	100.0
Millwood Commons	Edmonton	Retail – Plazas	58,000	100.0
Namao Centre	Edmonton	Retail – Plazas	34,000	100.0
9601 Franklin Avenue & 160 J.W. Mann Drive	Fort McMurray	Retail – Freestanding	40,000	100.0
Clearwater Landing	Fort McMurray	Retail – Plazas	143,000	100.0
8100-8300 100 Street	Grande Prairie	Retail – Plazas	66,000	100.0
9925 114 Avenue	Grand Prairie	Retail – Plazas	62,000	100.0
Leduc Centre	Leduc	Retail – Plazas	138,000	100.0
606 4th Avenue South	Lethbridge	Retail – Freestanding	20,000	100.0
1702 23 Street North	Lethbridge	Retail – Freestanding	45,000	100.0
2440, 2605 & 2750 Fairway Plaza Road S	Lethbridge	Retail – Plazas	64,000	100.0
West Highlands Towne Centre	Lethbridge	Retail – Plazas	29,000	100.0
West Lethbridge Towne Centre	Lethbridge	Retail – Plazas	105,000	96.8
615 Division Avenue	Medicine Hat	Retail – Freestanding	43,000	100.0
410 & 610 Big Rock Lane	Okotoks	Retail – Freestanding	42,000	100.0
Gaetz South Plaza	Red Deer	Retail – Plazas	74,000	100.0
Highway II	Red Deer	Retail – Freestanding	40,000	100.0
260199 High Plains Boulevard	Rocky View	Retail – Freestanding	655,000	100.0
688 Wye Road	Sherwood Park	Retail – Freestanding	46,000	100.0
1109 James Mowatt Trail	Southbrook	Retail – Freestanding	45,000	100.0
94 MacLeod Avenue	Spruce Grove	Retail – Freestanding	51,000	100.0
395 St. Albert Street	St. Albert	Retail – Freestanding	52,000	100.0
4607 50 Street	Stettler	Retail – Freestanding	31,000	100.0
4202 South Park Drive	Stony Plain	Retail – Freestanding	44,000	100.0
			3,424,000	**99.9**

BRITISH COLUMBIA

575 Alder Avenue	100 Mile House	Retail – Plazas	28,000	100.0
4454 Hastings Street	Burnaby	Retail – Freestanding	4,000	100.0
5235 Kingsway	Burnaby	Retail – Plazas	33,000	100.0
Burnaby Heights	Burnaby	Retail – Plazas	61,000	97.9
1721 Columbia Avenue	Castlegar	Retail – Freestanding	27,000	100.0
45850 Yale Road	Chilliwack	Retail – Freestanding	52,000	100.0
Crown Isle Shopping Centre	Courtenay	Retail – Plazas	97,000	96.8
934 Baker Street	Cranbrook	Retail – Freestanding	8,000	100.0
1200 Baker Street	Cranbrook	Retail – Freestanding	48,000	100.0
11200 8th Street	Dawson Creek	Retail – Freestanding	43,000	96.8
9123 100 Street	Fort St. John	Retail – Freestanding	66,000	98.1
750 Fortune Drive	Kamloops	Retail – Freestanding	56,000	100.0
945 Columbia Street W.	Kamloops	Retail – Freestanding	50,000	100.0
294 Bernard Avenue	Kelowna	Retail – Freestanding	19,000	100.0
697 Bernard Avenue	Kelowna	Retail – Freestanding	30,000	100.0
20871 Fraser Highway	Langley	Retail – Freestanding	48,000	100.0
27566 Fraser Highway	Langley	Retail – Freestanding	45,000	100.0
32520 Lougheed Highway	Mission	Retail – Plazas	55,000	100.0
800 McBride Boulevard	New Westminster	Retail – Freestanding	43,000	100.0
1170 27 Street East	North Vancouver	Retail – Freestanding	37,000	100.0
1175 Mount Seymour Road	North Vancouver	Retail – Freestanding	36,000	100.0
1303 Main Street	Penticton	Retail – Plazas	59,000	100.0
2850 Shaughnessy Street	Port Coquitlam	Retail – Freestanding	49,000	100.0
200 2 Avenue West	Prince Rupert	Retail – Plazas	52,000	100.0
445 Reid Street	Quesnel	Retail – Freestanding	30,000	100.0
6140 Blundell Road	Richmond	Retail – Freestanding	28,000	100.0
3664 Yellowhead Highway	Smithers	Retail – Freestanding	43,000	100.0
7450 120 Street	Surrey	Retail – Plazas	53,000	100.0
8860 152 Street	Surrey	Retail – Freestanding	56,000	100.0
10355 King George Boulevard	Surrey	Retail – Freestanding	62,000	100.0
4655 Lakelse Avenue	Terrace	Retail – Freestanding	43,000	100.0
1599 Second Avenue	Trail	Retail – Plazas	32,000	100.0
990 King Edward Avenue West	Vancouver	Retail – Freestanding	28,000	100.0
1641 & 1653 Davie Street	Vancouver	Retail – Plazas	37,000	100.0
1766 Robson Street	Vancouver	Retail – Freestanding	41,000	100.0
1780 East Broadway	Vancouver	Retail – Freestanding	42,000	100.0
2733 West Broadway	Vancouver	Retail – Plazas	55,000	100.0
3410 Kingsway	Vancouver	Retail – Plazas	51,000	100.0
8475 Granville Street	Vancouver	Retail – Freestanding	47,000	100.0
3417 30 Avenue	Vernon	Retail – Freestanding	29,000	100.0
4300 32 Street	Vernon	Retail – Freestanding	56,000	100.0
			1,779,000	**99.8**
TOTAL			**19,201,000**	**95.2**

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AUDITOR

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

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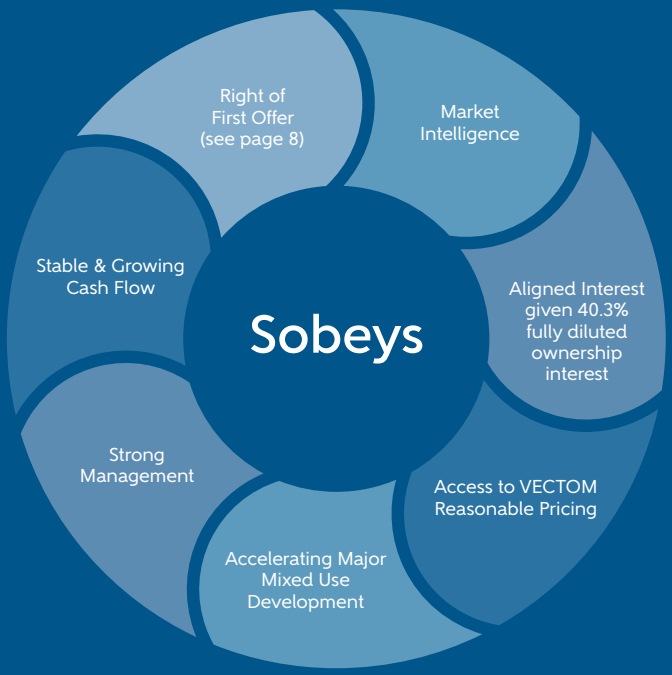
TOP 10 TENANTS

Crombie's portfolio is home to a diversity of national and regional tenants, most of whom serve the everyday needs of Canadian consumers.

Tenant	% of AMR	DBRS Rating
Sobeys	53.5%	BB (high)
Shoppers Drug Mart	5.1%	BBB
Cineplex	1.3%	NR[1]
GoodLife Fitness	1.2%	NR
Province of Nova Scotia	1.1%	A (high)
CIBC	1.1%	AA
Dollarama	1.1%	BBB
Lawtons/Sobeys Pharmacy	1.0%	BB (high)
Bank of Montreal	1.0%	AA
Bank of Nova Scotia	0.8%	AA

(1) Not rated

Our relationship with Sobeys provides many competitive advantages.



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WHY CROMBIE?

- High-quality, everyday-needs anchored portfolio with strong, stable net operating income and cash flow growth
- Materially accretive development pipeline opportunities
- Experienced management team with strong expertise in real estate portfolio management, development and ownership
- Strong capital structure with moderate leverage and ample liquidity
- Total return on investment superior to S&P/TSX Capped REIT Index and S&P/TSX Composite Index since March 2006 IPO

Crombie REIT

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