

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Three and Nine Months Ended September 30, 2018

BUILDING A BETTER REIT



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Dear Fellow Unitholders:

Crombie's fundamentals remain strong with record occupancy, solid same-asset NOI growth and robust AFFO growth excluding deferred finance cost write-offs and severance costs incurred in the quarter. The transformation of our REIT, by adding complementary and valuable mixed use residential investments in Canada's major markets to one of the best grocery anchored retail portfolios in Canada, continues to advance with the first revenue from our five active major developments starting in less than 12 months. With this balanced execution, a solid balance sheet, ample liquidity and access to multiple sources of capital as well as one of the best teams in Canadian real estate, I am excited about Crombie's future and confident in our ability to create sustainable NAV and cash flow growth.

During the quarter, FFO and AFFO were negatively impacted by the write-off of deferred financing charges and employee severance costs. Crombie redeemed the \$74.4 million 5.25% Convertible Debentures scheduled to mature March 31, 2021. Due to the early redemption of the Convertible Debentures, Crombie recorded a \$982 thousand write-off of deferred financing charges in the quarter.

Operations and Leasing

Driven by occupancy improvements and rental rate increases, Crombie's same-asset property cash NOI was up 1.9% from the comparable quarter last year. During the quarter Crombie increased economic occupancy to 95.5% and committed occupancy reached 96.2%, the highest in Crombie's history. Renewal activity during the three months ended September 30, 2018 included renewals on 140,000 square feet of 2018 expiring leases with an increase of 3.1% over the expiring lease rate and renewals on 116,000 square feet of future years expiring leases with an increase of 5.3% over the expiring lease rate. New leases and expansions increased occupancy by 231,000 square feet at September 30, 2018 at an average first year rate of \$14.82 per square foot.

Development

Crombie intends to invest approximately \$511 million in its mixed use active major developments, with an estimated yield on cost of 5.2-6.2% over the next four years, at Crombie's share. Upon completion, these projects will total 453,000 square feet of commercial GLA and 976,000 square feet of residential rental GLA. These five projects, totalling approximately 1.4 million square feet, are broken out geographically as follows: 520,000 in Oakville, ON; 306,000 in Vancouver, BC; 277,000 in Montreal, QC; 165,000 in St. John's, NL; and 160,000 in Victoria, BC. To date, these projects are on time and on budget, with the first deliveries of phase I at Belmont in Victoria expected in the fourth quarter of 2018. Crombie expects its capital outlay for the remaining estimated cost to complete of approximately \$351 million will be incurred during the remainder of 2018 and the ensuing three calendar years.

Highlighted Subsequent Event

On October 31, 2018, Crombie issued \$175 million Series E Senior Unsecured Notes maturing on January 31, 2025. The notes bear interest at 4.8%. Net proceeds from the offering were used for the repayment of the \$175 million Series A Notes which matured on October 31, 2018. The Series E Notes are Crombie's first unsecured issuance greater than 5 years, improving our debt ladder and extending weighted average term to maturity.

Strategy

Our strategy is grounded on our three strategic pillars: improving portfolio quality, building financial strength and continuing to develop high grade talent. Improving portfolio quality means that Crombie is focused on growing AFFO and NAV per unit through accretive value-enhancing activities such as improving same-asset property cash NOI and executing on our Active Major Development pipeline. We are building our balance sheet strength and liquidity by funding our growth with a balanced capital allocation plan, including the disposition of lower growth and/or non-core assets. We continue to hire and develop the best and the brightest talent to ensure that our entrepreneurial culture is consistently executed across Canada. Through all of this, and by maximizing our strategic relationship with Sobeys, we intend to create unitholder value for years to come.

Outlook

I am confident in our ability to execute, and expect our operating and development environments to remain favourable. I look forward to updating you on Crombie's continued progress as we transition from a traditional owner/operator of retail and commercial real estate, to an owner, operator and developer of commercial, retail and mixed-use developments.

If you have any questions or comments, please don't hesitate to contact me at 902-755-8100 or email me at don.clow@crombie.ca.

Yours truly,

Don Clow

President and Chief Executive Officer

INTRODUCTION

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

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 three and nine months ended September 30, 2018, with a comparison to the financial condition and results of operations for the comparable periods in 2017.

This MD&A should be read in conjunction with Crombie's interim condensed consolidated financial statements and accompanying notes for the period ended September 30, 2018, prepared in accordance with International Accounting Standards ("IAS") 34, Interim Financial Reporting. This MD&A should also be read in conjunction with Crombie's audited consolidated financial statements and accompanying notes for the year ended December 31, 2017, which were 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 November 7, 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 as well as all cautionary statements included in Crombie's December 31, 2017 MD&A which can be found on SEDAR. Forward-looking statements include:

- (i) 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;
- (ii) statements under the heading "Property Development/Redevelopment" including the locations identified, timing, cost, development size and nature, impact on net asset value, cash flow growth, unitholder value or other financial measures, all of which may be impacted by real estate market cycles, future capitalization rates, 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;
- (iii) 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;
- (iv) generating improved rental income and occupancy levels, which could be impacted by changes in demand for Crombie's properties, tenant bankruptcies, the effects of general economic conditions, e-commerce and supply of competitive locations in proximity to Crombie locations;
- (v) tax exempt status, which can be impacted by regulatory changes enacted by governmental authorities; and,
- (vi) anticipated distributions and payout ratios, which could be impacted by results of operations and capital resource allocation decisions.

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"), 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, debt to EBITDA, 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.

HIGHLIGHTS

FINANCIAL RESULTS

Crombie's key financial metrics for the three and nine months ended September 30, 2018 are as follows:

(In thousands of CAD dollars, except per unit amounts and as otherwise noted)	Three months ended September 30,			
	2018	2017	Change	Change (%)
Property revenue	\$ 100,505	\$ 102,424	\$ (1,919)	(1.9)%
Property operating expenses	27,660	28,259	599	2.1 %
Property NOI	\$ 72,845	\$ 74,165	\$ (1,320)	(1.8)%
NOI margin percentage	72.5%	72.4%	0.1 %	—
Increase (decrease) in net assets attributable to Unitholders	\$ (20,933)	\$ (12,039)	\$ (8,894)	(73.9)%
Same-asset property cash NOI	\$ 62,613	\$ 61,442	\$ 1,171	1.9 %
FFO				
Basic	\$ 45,355	\$ 46,652	\$ (1,297)	(2.8)%
Diluted	\$ 46,019	\$ 47,664	\$ (1,645)	(3.5)%
Per unit - Basic	\$ 0.30	\$ 0.31	\$ (0.01)	(3.8)%
Per unit - Diluted	\$ 0.30	\$ 0.31	\$ (0.01)	(3.5)%
Payout ratio (%)	74.3%	71.6%	(2.7)%	—
AFFO				
Basic	\$ 37,867	\$ 38,713	\$ (846)	(2.2)%
Diluted	\$ 38,531	\$ 39,725	\$ (1,194)	(3.0)%
Per unit - Basic	\$ 0.25	\$ 0.26	\$ (0.01)	(3.2)%
Per unit - Diluted	\$ 0.25	\$ 0.26	\$ (0.01)	(3.0)%
Payout ratio (%)	89.0%	86.2%	(2.8)%	—

(In thousands of CAD dollars, except per unit amounts and as otherwise noted)	Nine months ended September 30,			
	2018	2017	Change	Change (%)
Property revenue	\$ 310,353	\$ 306,146	\$ 4,207	1.4 %
Property operating expenses	90,489	89,447	(1,042)	(1.2)%
Property NOI	\$ 219,864	\$ 216,699	\$ 3,165	1.5 %
NOI margin percentage	70.8%	70.8%	—%	—
Increase (decrease) in net assets attributable to Unitholders	\$ (13,504)	\$ 37,027	\$ (50,531)	(136.5)%
Same-asset property cash NOI	\$ 186,568	\$ 182,204	\$ 4,364	2.4 %
FFO				
Basic	\$ 137,544	\$ 133,915	\$ 3,629	2.7 %
Diluted	\$ 140,150	\$ 138,361	\$ 1,789	1.3 %
Per unit - Basic	\$ 0.91	\$ 0.90	\$ 0.01	1.4 %
Per unit - Diluted	\$ 0.90	\$ 0.89	\$ 0.01	1.7 %
Payout ratio (%)	73.4%	74.5%	1.1%	—
AFFO				
Basic	\$ 116,023	\$ 110,377	\$ 5,646	5.1 %
Diluted	\$ 118,629	\$ 113,298	\$ 5,331	4.7 %
Per unit - Basic	\$ 0.77	\$ 0.74	\$ 0.03	3.8 %
Per unit - Diluted	\$ 0.76	\$ 0.74	\$ 0.02	3.7 %
Payout ratio (%)	87.1%	90.4%	3.3%	—

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

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
Basic number of Units for all measures	151,365,250	149,809,596	151,144,613	149,206,356
Diluted for operating income attributable to Unitholders purposes	151,496,667	149,941,013	151,276,030	155,701,544
Diluted for FFO purposes	154,420,231	154,408,991	155,137,498	155,701,544
Diluted for AFFO purposes	154,420,231	154,408,991	155,137,498	153,678,691

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.

OPERATING RESULTS

	September 30, 2018	June 30, 2018	March 31, 2018	December 31, 2017	September 30, 2017
Number of income-producing properties	289	290	284	286	287
Gross leaseable area	18,759,000	18,778,000	18,858,000	19,201,000	19,453,000
Committed occupancy	96.2%	96.1%	95.7%	95.2%	94.7%
Economic occupancy	95.5%	95.2%	94.9%	94.8%	94.5%

	September 30, 2018	June 30, 2018	March 31, 2018	December 31, 2017	September 30, 2017
Investment properties, fair value	\$ 4,786,000	\$ 4,862,000	\$ 4,943,000	\$ 4,944,000	\$ 4,969,000
Unencumbered investment properties ⁽¹⁾	\$ 1,032,113	\$ 1,092,650	\$ 1,008,057	\$ 953,776	\$ 955,284
Available liquidity ⁽²⁾	\$ 337,154	\$ 358,859	\$ 430,120	\$ 438,113	\$ 291,373
Debt to gross book value - fair value ⁽⁴⁾	50.5%	49.9%	49.6%	50.3%	50.2%
Weighted average interest rate ⁽³⁾	4.14%	4.18%	4.20%	4.21%	4.21%
Debt to trailing 12 months EBITDA ⁽⁴⁾	8.57x	8.50x	8.63x	8.84x	8.83x
Interest coverage ratio ⁽⁴⁾	2.97x	2.92x	2.88x	2.92x	2.93x

⁽¹⁾ Represents fair value of unencumbered properties.

⁽²⁾ Represents the undrawn portion on the credit facilities plus available cash.

⁽³⁾ Weighted average interest rate is calculated based on interest rates for all outstanding fixed rate debt.

⁽⁴⁾ See coverage ratio section.

Available liquidity is the net amount available on Crombie's credit facilities, calculated as follows:

	As at				
	September 30, 2018	June 30, 2018	March 31, 2018	December 31, 2017	September 30, 2017
Revolving credit facility	\$ 400,000	\$ 400,000	\$ 400,000	\$ 400,000	\$ 400,000
Amount drawn	(54,148)	(32,422)	(11,161)	(8,168)	(100,491)
Outstanding letters of credit	(8,698)	(8,719)	(8,719)	(8,719)	(8,136)
Available liquidity	337,154	358,859	380,120	383,113	291,373
Unsecured bilateral credit facility	100,000	100,000	100,000	100,000	100,000
Amount drawn	(100,000)	(100,000)	(50,000)	(45,000)	(100,000)
Available liquidity	—	—	50,000	55,000	—
Cash	—	—	—	—	—
Total available liquidity	\$ 337,154	\$ 358,859	\$ 430,120	\$ 438,113	\$ 291,373

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 September 30, 2018, Crombie owned a portfolio of 289 income-producing properties in 10 provinces, comprising approximately 18.8 million square feet of gross leaseable area ("GLA"). Empire Company Limited ("Empire"), through a subsidiary, holds a 41.5% (fully diluted 41.5%) economic and voting interest in Crombie at September 30, 2018.

Business Objectives and Outlook

Crombie describes its business objectives and outlook in the MD&A for the year ended December 31, 2017.

Business Environment

Crombie describes its business environment in the MD&A for the year ended December 31, 2017.

OVERVIEW OF THE PROPERTY PORTFOLIO

Property Acquisitions and Dispositions

Prices are in thousands of CAD dollars and are stated before transaction and closing costs.

Acquisitions

Date	Property	Location	Vendor	Strategy	Number of properties	Ownership		Price
						Interest	Sq. ft.	
2018 First quarter								
There were no acquisitions during the three months ended March 31, 2018					—		—	\$ —
2018 Second quarter								
April 6, 2018	Edson Sobeys	Edson, AB	Empire	Income-producing	1	100%	33,000	5,300
April 6, 2018	Strathmore NE Sobeys	Strathmore, AB	Empire	Income-producing	1	100%	35,000	10,200
April 6, 2018	Hollick Kenyon Sobeys	Edmonton, AB	Empire	Income-producing	1	100%	30,000	11,800
April 6, 2018	Thornbury Foodland	Thornbury, ON	Empire	Income-producing	1	100%	40,000	11,850
April 6, 2018	Gatineau IGA Extra	Gatineau, QC	Empire	Income-producing	1	100%	71,800	15,550
April 6, 2018	Rimouski IGA Extra	Rimouski, QC	Empire	Income-producing	1	100%	52,700	7,900
April 6, 2018	Baie St-Paul IGA	Baie St-Paul, QC	Empire	Income-producing	1	100%	64,600	8,300
April 6, 2018	Saint-Pie Tradition	Saint-Pie, QC	Empire	Income-producing	1	100%	13,800	2,600
April 6, 2018	Havre St-Pierre Tradition	Havre St-Pierre, QC	Empire	Income-producing	1	100%	26,400	5,000
April 6, 2018	Elmwood Alcool NB Liquor/ Dollarama ⁽¹⁾	Elmwood, NB	Empire	Income-producing	—	100%	20,800	5,170
April 6, 2018	Chateauguay Familiprix ⁽¹⁾	Chateauguay, QC	Empire	Income-producing	—	100%	32,900	4,440
June 29, 2018	Victoria Trail	Edmonton, AB	Empire	Income-producing	1	100%	37,000	12,500
							458,000	100,610
2018 Third quarter								
September 28, 2018	Hemlock Square ⁽¹⁾	Halifax, NS	Empire	Income-producing	—	100%	10,000	3,735
Total acquisitions in 2018 to the date of the MD&A					10		468,000	\$104,345
2017								
March 16, 2017	Walker Sobeys	Edmonton, AB	Empire	Income-producing	1	100%	50,000	\$ 8,320
May 4, 2017	Belmont Market land	Langford, BC	Empire	Development (PUD)	—	100%	—	31,252
July 5, 2017	St-Amable	St-Amable, QC	Third party	Income-producing	1	100%	64,000	14,100
July 6, 2017	McCowan & Ellesmere	Toronto, ON	Third party	Development	1	100%	61,000	42,000
August 14, 2017	Marche Lavaltrie	Lavaltrie, QC	Third party	Income-producing	1	100%	52,000	13,207
August 25, 2017	Centre Lavaltrie	Lavaltrie, QC	Third party	Income-producing	1	100%	44,000	14,950
September 5, 2017	St-Anne-de-Beaupre	St-Anne-de-Beaupre, QC	Third party	Income-producing	1	100%	38,000	6,900
September 5, 2017	Rimouski	Rimouski, QC	Third party	Income-producing	1	100%	41,000	9,100
September 29, 2017	Stittsville ⁽²⁾	Stittsville, ON	Empire	Income-producing	—	100%	31,000	7,671
Total acquisitions for the year ended December 31, 2017					7		381,000	\$147,500

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

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

Dispositions

Date	Property	Location	Number of properties	Ownership		
				Interest	Sq. ft.	Price
2018 First quarter						
February 5, 2018	Whitehorse Plaza	Simcoe, ON	1	100%	92,000	\$ 15,000
February 20, 2018	Perth Mews	Perth, ON	1	100%	103,000	20,627
March 6, 2018	Belmont Market land	Langford, BC	—	100%	—	5,725
					<u>195,000</u>	<u>41,352</u>
2018 Second Quarter						
April 19, 2018	Red Deer Cineplex	Red Deer, AB	1	100%	40,000	14,000
May 11, 2018	10 Alkenbrack St	Napanee, ON	1	100%	25,000	9,000
Northam portfolio ⁽¹⁾						
May 11, 2018	16th Ave Safeway	Calgary, AB	—	50%	21,000	
May 11, 2018	Ancaster Sobeys	Ancaster, ON	—	50%	33,000	
May 11, 2018	Brampton Plaza	Brampton, ON	—	50%	38,000	
May 11, 2018	Danforth	Scarborough, ON	—	50%	3,000	
May 11, 2018	Marpole Safeway	Vancouver, BC	—	50%	24,000	
May 11, 2018	McKenzie Town Dr Shoppers	Calgary, AB	—	50%	9,000	
May 11, 2018	Millwoods Common	Edmonton, AB	—	50%	29,000	
May 11, 2018	Nottingham	Sherwood Park, AB	—	50%	23,000	
May 11, 2018	Southbrook	Edmonton, AB	—	50%	23,000	
May 11, 2018	Northam portfolio total		—		<u>203,000</u>	<u>77,929</u>
June 18, 2018	Park Lane	Halifax, NS	1	100%	273,000	51,250
					<u>541,000</u>	<u>152,179</u>
2018 Third Quarter						
August 16, 2018	Bronte Village ⁽²⁾	Oakville, ON	1	100%	30,000	39,682
Total dispositions in 2018 to the date of the MD&A			6		766,000	\$ 233,213
⁽¹⁾ Represents disposition of 50% interest in a portfolio of nine retail properties. The square footage and price reflect the 50% amounts.						
⁽²⁾ Represents disposition of property to a joint venture in which Crombie holds an interest.						
2017						
December 12, 2017	Willowcreek Plaza	Peterborough, ON	1	100%	67,000	\$ 15,600
Total dispositions for the year ended December 31, 2017			1		67,000	\$ 15,600

Overview of the Property Portfolio

At September 30, 2018, Crombie's property portfolio consisted of 289 income-producing properties that contain approximately 18.8 million square feet of GLA in all 10 provinces.

As at September 30, 2018, the portfolio distribution of the GLA by province was as follows:

Province	GLA (sq. ft.)			September 30, 2018	Number of Income-Producing Properties	% of GLA	% of Annual Minimum Rent
	January 1, 2018	Acquisitions (Dispositions)	Other				
AB	3,424,000	(10,000)	6,000	3,420,000	59	18.2%	20.8%
BC	1,779,000	(24,000)	—	1,755,000	41	9.4%	11.4%
MB	644,000	—	—	644,000	15	3.4%	4.3%
NB	1,493,000	21,000	3,000	1,517,000	20	8.1%	6.0%
NL	1,329,000	—	(138,000)	1,191,000	13	6.3%	9.4%
NS	5,269,000	(263,000)	—	5,006,000	41	26.7%	20.3%
ON	2,836,000	(284,000)	(15,000)	2,537,000	47	13.5%	14.6%
PE	124,000	—	—	124,000	2	0.7%	0.7%
QC	1,849,000	262,000	—	2,111,000	43	11.3%	10.1%
SK	454,000	—	—	454,000	8	2.4%	2.4%
Total	19,201,000	(298,000)	(144,000)	18,759,000	289	100.0%	100.0%

During the nine months ended September 30, 2018, Crombie had a net decrease of 298,000 square feet of GLA from acquisition and disposition activity consisting of:

- Alberta - disposition of 50% interest in five retail properties representing 105,000 square feet and 100% interest in one retail property totalling 40,000 square feet, offset in part by the acquisition of four retail properties totalling 135,000 square feet;
- British Columbia - disposition of 50% interest in one retail property representing 24,000 square feet;
- New Brunswick - acquisition of a 21,000 square foot addition to an existing property;
- Nova Scotia - acquisition of a 10,000 square foot addition to an existing property, offset by the disposition of one mixed use property totalling 273,000 square feet;
- Ontario - disposition of 50% interest in three retail properties representing 74,000 square feet and 100% interest in four retail properties totalling 250,000 square feet, offset in part by the acquisition of one retail property totalling 40,000 square feet; and
- Quebec - acquisition of five retail properties totalling 229,000 square feet and a 33,000 square foot addition to an existing property.

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

As at September 30, 2018, our allocation of Annual Minimum Rent consists of: Atlantic Canada 36.4%; Central Canada 24.7%; and Western Canada 38.9%. Crombie believes this diversification adds stability to the portfolio while reducing vulnerability to economic fluctuations that may affect any particular region.

Property Categorization

As at September 30, 2018:

	Crombie Owned Properties			Additional Properties in Joint Ventures ("JV")	Total
	Income- Producing Properties	Properties Under Development ("PUD")	Sub-total		
Same-asset	261	—	261	—	261
Non Same-Asset					
Acquisitions - 2018	10	—	10		10
Acquisitions - 2017	7	—	7		7
Other ⁽¹⁾	9	3	12	1	13
Active Major Development	2	1	3	2	5
Total Non Same-asset	28	4	32	3	35
Total	289	4	293	3	296

⁽¹⁾ Other includes income-producing properties that have been designated for repositioning, land parcels included in PUD, or non-active major developments within a JV.

Davie Street is being developed as both a commercial (Crombie owned) and residential (JV owned) development. Currently, there is one title and, as such, this is counted as one property above within Crombie owned Active Major Development. Upon reaching a specific milestone in the development, this will be treated as two properties, one Crombie owned and a separate property within the JV.

During the third quarter:

- Bronte Village was transferred to a JV, resulting in a decrease in Active Major Development properties owned by Crombie and a corresponding increase in Active Major Development properties within a JV.
- Crombie acquired a 50% interest in a JV for Le Duke in Montreal, resulting in an increase of Active Major Development properties within a JV.

Portfolio Occupancy and Lease Activity

The portfolio occupancy and committed activity for the nine months ended September 30, 2018 were as follows:

Province	Occupied space (sq. ft.)					September 30, 2018	Economic Occupancy %	Committed Space (sq. ft.) ⁽³⁾	Total Leased Space (sq. ft.)	Leased September 30, 2018
	January 1, 2018	Acquisitions (Dispositions)	New Leases ⁽¹⁾	Lease Expiries	Other Changes ⁽²⁾					
AB	3,419,000	(10,000)	21,000	(5,000)	(7,000)	3,418,000	99.9%	1,000	3,419,000	99.9%
BC	1,775,000	(24,000)	3,000	—	—	1,754,000	99.9%	—	1,754,000	99.9%
MB	644,000	—	—	—	—	644,000	100.0%	—	644,000	100.0%
NB	1,266,000	21,000	94,000	(7,000)	6,000	1,380,000	91.0%	17,000	1,397,000	92.1%
NL	1,300,000	—	8,000	(12,000)	(128,000)	1,168,000	98.1%	6,000	1,174,000	98.6%
NS	4,748,000	(247,000)	62,000	(47,000)	(19,000)	4,497,000	89.8%	65,000	4,562,000	91.1%
ON	2,665,000	(247,000)	21,000	(1,000)	(19,000)	2,419,000	95.3%	36,000	2,455,000	96.8%
PE	124,000	—	—	—	—	124,000	100.0%	—	124,000	100.0%
QC	1,826,000	251,000	1,000	(1,000)	—	2,077,000	98.4%	—	2,077,000	98.4%
SK	426,000	—	21,000	—	(9,000)	438,000	96.5%	—	438,000	96.5%
Total	18,193,000	(256,000)	231,000	(73,000)	(176,000)	17,919,000	95.5%	125,000	18,044,000	96.2%

⁽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 increased to 125,000 square feet at September 30, 2018, from 91,000 square feet at December 31, 2017.

Overall leased space (occupied plus committed) increased from 95.2% at December 31, 2017 to 96.2% at September 30, 2018. During 2018, Crombie had a net decrease from dispositions and acquisitions of 256,000 square feet and had new leases outpace lease expiries by 158,000 square feet.

New leases and expansions increased occupancy by 231,000 square feet at September 30, 2018 at an average first year rate of \$14.82 per square foot. 211,000 square feet are new leases at an average rate of \$14.81 per square foot while the remaining 20,000 square feet are expansions of existing tenants at an average rate of \$14.95 per square foot. 125,000 square feet of space was committed at September 30, 2018 at an average first year rate of \$15.09 per square foot.

For 2018, renewal activity was as follows:

	Quarter			YTD		
	Square Feet	Rate PSF	Growth%	Square Feet	Rate PSF	Growth %
2018 Renewals	140,000	\$ 14.43	3.1%	506,000	\$ 18.16	2.5%
Future Year Renewals	116,000	10.22	5.3%	175,000	11.35	2.0%
Total	256,000	\$ 12.52	3.9%	681,000	\$ 16.41	2.4%

Crombie's renewal activity for the nine months ending September 30, 2018 included renewals on 681,000 square feet with an increase of 2.4% over expiring rate. 2018 was impacted by renewals on certain office leases at lower rent and future year renewals was negatively impacted by a specific tenant renewal. During the quarter, Crombie renewed 256,000 square feet with an increase of 3.9% over expiring rate.

Sector Information

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

As at September 30, 2018, 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	284	17,760,000	94.7%	96.3%	96.6%
Office	5	999,000	5.3%	3.7%	88.4%
Total	289	18,759,000	100.0%	100.0%	96.2%

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

As at September 30, 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	282	18,454,000	94.9%	96.1%	95.0%
Office	5	999,000	5.1%	3.9%	88.9%
Total	287	19,453,000	100.0%	100.0%	94.7%

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

Retail and commercial mixed use properties represent 94.7% of Crombie's GLA and 96.3% of annual minimum rent at September 30, 2018 compared to 94.9% of GLA and 96.1% of annual minimum rent at September 30, 2017.

Leased space in retail and commercial mixed use properties of 96.6% at September 30, 2018, increased from 95.0% at September 30, 2017. Leased space in office properties of 88.4% decreased from 88.9% at September 30, 2017.

Lease Maturities

The following table sets out, as of September 30, 2018, 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	73	445,000	2.4%	\$ 13.53
2019	171	818,000	4.4%	17.94
2020	165	655,000	3.5%	19.43
2021	165	785,000	4.2%	18.68
2022	178	814,000	4.3%	19.42
Thereafter	781	14,527,000	77.4%	18.44
Total	1,533	18,044,000	96.2%	\$ 18.39

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 September 30, 2018.

Tenant	% of Annual Minimum Rent	Average Remaining Lease Term	DBRS Credit Rating
Sobeys ⁽¹⁾	54.8%	13.9 years	BB (high)
Shoppers Drug Mart	4.9%	9.5 years	BBB
Dollarama	1.1%	5.9 years	BBB
Province of Nova Scotia	1.1%	0.8 years	A (high)
CIBC	1.1%	12.9 years	AA
GoodLife Fitness	1.1%	8.9 years	
Lawtons/Sobeys Pharmacy	1.0%	9.4 years	BB (high)
Bank of Montreal	1.0%	8.9 years	AA
Bank of Nova Scotia	0.8%	3.1 years	AA
Cineplex	0.8%	9.9 years	
Total	67.7%		

⁽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 54.8% of annual minimum rent and Shoppers Drug Mart which accounts for 4.9% of annual minimum rent, no other tenant accounts for more than 1.1% of Crombie's annual minimum rent.

For the nine months ended September 30, 2018, Sobeys also represents 51.5% 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 10.6 years. This remaining lease term is influenced by the average Sobeys remaining lease term of 13.9 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 an important reality across the country, Crombie is focused on evaluating and undertaking major developments at certain properties, where incremental costs to develop are greater than \$50 million and where Development may include a combination of commercial and / or residential uses ("Major Developments").

Crombie believes in the potential to unlock significant value within our current pipeline of 23 Major Development properties (five Active Major Developments and 18 Potential Major Developments) over the next decade or longer. Crombie benefits from having solid income (FFO and AFFO) generated by these 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 5.3% on existing asset cost for our development pipeline properties.

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

Our Major Developments will be planned and executed either alone, or with partners, to complete development of mixed use properties with a focus on grocery anchored retail and primarily purpose built residential rental accommodations that provide 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 our 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 yield 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 23 Major Development projects as at September 30, 2018, (June 30, 2018 - 23) with a total projected cost to develop these properties of \$3 to \$4.5 billion (June 30, 2018 - \$3 to \$4.5 billion). This range represents Crombie at closer to 100% ownership of the projected costs at the top end and lower ownership assumptions at the low end, calculated on a project by project basis.

Development	# of Projects	Total Projected Cost Range (in billions of CAD \$)	Commercial		Residential		# of Units
			GLA on Completion	Incremental GLA	Incremental GLA		
Active Major Development	5	\$ 0.5 - 0.5	453,000	255,000	976,000	1,200	
Potential Major Development	18	2.5 - 4.0	1,177,000	540,000	7,500,000	9,000	
Total Developments	23	\$ 3.0 - 4.5	1,630,000	795,000	8,476,000	10,200	

Active Major Developments

The below table provides additional detail into Crombie's Active Major Developments by property type.

Property	Use	Commercial GLA on Completion	Residential GLA on Completion	Estimated Final Completion Date	At Crombie's Share (\$ in millions)			
					Estimated Annual NOI	Estimated Total Cost (⁽¹⁾)	Estimated Yield on Cost (⁽¹⁾)	Estimated Cost to Complete
Income Properties - Major Development								
Davie Street ⁽²⁾	Retail	53,000	—	Q2 2020	\$ 1.8-2.0	\$ 28.4	6.3%-6.9%	\$ 18.6
Avalon Mall - Phase I	Retail	—	—	Q4 2019	—	54.5	—	28.4
Avalon Mall - Phase II ⁽³⁾	Retail	165,000	—	Q2 2020	5.8-7.5	57.8	10.0%-13.0%	51.3
Subtotal IPP - Major Development		218,000	—		\$ 7.6-9.5	\$ 140.7	5.4%-6.7%	\$ 98.3
Properties Under Development ("PUD")								
Belmont Market ⁽⁴⁾	Retail, Office	160,000	—	Q4 2018 ⁽⁵⁾	\$ 5.1-5.8	\$ 93.1	5.5%-6.3%	\$ 37.1
Subtotal PUD		160,000	—		\$ 5.1-5.8	\$ 93.1	5.5%-6.3%	\$ 37.1
Total Investment Properties		378,000	—		\$ 12.7-15.3	\$ 233.8	5.4%-6.5%	\$ 135.4
Properties Held in Joint Ventures								
Davie Street ⁽²⁾	Residential	—	253,000	Q2 2020	\$ 4.0-4.3	\$ 76.3	5.2%-5.7%	\$ 48.9
Le Duke ⁽⁶⁾	Retail, Residential	26,000	251,000	Q3 2020	3.1-3.7	61.8	5.0%-6.0%	50.0
Bronte Village ⁽⁶⁾	Retail, Residential	48,000	472,000	Q2 2021	6.9-8.3	138.6	5.0%-6.0%	116.4
Total Properties Held in Joint Venture		74,000	976,000		\$ 14.0-16.3	\$ 276.7	5.1%-5.9%	\$ 215.3
Total Active Major Developments		452,000	976,000		\$ 26.7-31.6	\$ 510.5	5.2%-6.2%	\$ 350.7

⁽¹⁾ 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, pre-development costs, construction costs, tenant costs and financing costs.

⁽²⁾ Crombie will own 100% of the retail with a total project cost of \$28 million. Sobeys will continue lease payments through the development period to retain the rights under their existing lease. Crombie has entered into a JV partnership agreement with Vancouver based Westbank Corp. and will own 50% of the residential with a total project cost of \$153 million.

⁽³⁾ Avalon Mall total GLA is expected to be 593,000 square feet when Phase II is complete. 165,000 square feet relates to the expected square footage of the redeveloped portion of the mall.

⁽⁴⁾ Belmont is not yet included in property count as it is a greenfield development.

⁽⁵⁾ Rents from certain leases in Phase I of Belmont Market development commence in Q4 2018. The timing of future phases will depend on pre-leasing activity.

⁽⁶⁾ The development agreement with Prince Developments was executed in April 2018. Under this agreement, Crombie has sold a 50% interest in the Bronte Village development in South Oakville and acquired a 50% interest in Le Duke. Title transfer closed in August 2018.

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 property. Demolition of the existing structure was completed in 2017 and final stages of the excavation were completed in May 2018. Installation of foundations is well underway and both tower cranes are erected signaling Crombie's first major mixed use project which is making an impact on the Vancouver skyline. The project is now at grade with the floor slab poured for the grocery store. This development includes a new grocery store at approximately 44,000 square feet with almost 9,000 square feet of ancillary retail space and rental residential space totalling approximately 253,000 square feet (330 rental units) in two residential towers. Estimated total project cost is \$181 million, \$104.7 million at Crombie's share. Crombie will own 100% of the commercial component and 50% of the rental residential component. The residential component is fully funded within the joint venture partnership with in-place mortgage financing and Crombie is funding its commercial component with available credit facilities.

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

Avalon Mall is the largest enclosed shopping mall in St. John's, Newfoundland and Labrador. 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 in 2017 and phase I includes construction of a four-level 875 space parking structure, redesign and phased renovation of the mall's interior common areas, and the redesign and realignment of the main mall vehicular access with a combined capital investment of \$54.5 million over three years. The parkade is expected to be complete in November 2018. The redesign and renovation of the common areas began in January 2018 and will continue in phases through 2019 and 2020. The redesign and realignment of the main mall vehicular access has been completed and is open.

Crombie obtained possession of the 129,000 square foot space formerly occupied by Sears effective February 2018, enabling the redevelopment of this section of the mall. This \$57.8 million phase II redevelopment involves demolition of approximately 50,000 square feet of the Sears space, renovation of the remaining portion into new mall retail units, and an expansion of 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. This phase of the redevelopment commenced in March 2018 with the start of the Sears demolition, and occupancy of the new retail units is expected to begin in Q3 2019. Construction of the expansion area will continue throughout 2019 with occupancy expected in 2020. Leasing activity has commenced including execution of a lease for a new and expanded Winners HomeSense which will be relocating from another area of the mall. Advanced discussions with other potential national anchor and CRU tenants continue.

A Phase III development is also planned for an 8.6 acre property abutting Avalon Mall, on Kenmount Road, acquired in 2012. The 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.

Belmont Market, Langford (Victoria), British Columbia

Belmont Market is being developed as a grocery anchored mixed use centre in Langford (Victoria), BC. Crombie owns 100% of the 160,000 square foot retail component currently under active development. The retail development is expected to cost approximately \$93.1 million and will include a 53,000 square foot Thrifty Foods store and approximately 107,000 square feet of additional retail and office space on 13 acres of land. The development retains the flexibility to add density in the future on an additional 1.7 acres of land. Phase I of construction has commenced on three retail buildings, which are scheduled to start opening in early 2019. The construction of the grocery store is underway with completion scheduled for early Spring 2019. Phase II of development is also underway which is comprised of four buildings totalling approximately 33,000 square feet, and includes the Thrifty's head office. 107,000 square feet of the overall development has committed leases or is in advanced stages of negotiation, and 94% of Phase I and 70% of Phase II is currently leased.

Crombie has an agreement to sell 5.55 acres of land to Ledcor Developments; over half of which has closed in Q1 2018. Ledcor is planning the construction of 437 units of low rise residential rental and market condos on the site.

Le Duke, 297 Rue Duke, Montreal, Quebec

Le Duke is located near the new Bonaventure Greenway in Old Montreal. The development with partner Prince Developments has total project costs estimated at \$123.5 million, \$61.8 million at Crombie's share, and includes a 25 storey mixed use tower with 251,000 square feet and 390 residential rental units, a 25,000 square foot grocery store, 1,000 square feet of retail space, and 200 underground parking stalls. Development of Le Duke began late in 2017 with demolition of the existing structure. Excavation and shoring work for the below grade structure is currently nearing completion. This development is expected to be complete in Q3 2020.

The development agreement with Prince Developments was executed in April 2018. Under this agreement, Crombie has sold a 50% interest in the Bronte Village development in South Oakville and acquired a 50% interest in Le Duke. Title transfer closed in August 2018.

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 being redeveloped from a single storey, multi-tenant commercial retail mall, to a mixed use residential property in conjunction with our partner, Prince Developments. This development includes the existing 30,000 square foot grocery store while adding 18,000 square feet of retail and two luxury residential towers totalling 472,000 square feet of residential rental space in up to 480 units. The existing grocery store will remain operational during the development. Demolition of the existing mall was completed in June 2018. Site plan approval and building permits have been obtained for the commercial component and construction of the new retail space is now underway with a completion target of Spring 2019. Site plan approval for the residential component is with the City for review. Total project cost is estimated at \$277.2 million, \$138.6 million at Crombie's share. This development is expected to be complete in Q2 2021.

The development agreement with Prince Developments was executed in April 2018. Under this agreement, Crombie has sold a 50% interest in the Bronte Village development in South Oakville and acquired a 50% interest in Le Duke. Title transfer closed in August 2018.

Potential Major Developments

In addition to Active Major Developments in the previous section, Crombie's current Potential Major Developments have the potential to add up to 540,000 square feet (June 30, 2018 - 540,000 square feet) of commercial GLA and up to 7,500,000 square feet (up to 9,000 units) (June 30, 2018 - 7,500,000 square feet and 9,000 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 September 30, 2018, Crombie has identified the following 18 Potential Major Development 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 at present. The time horizon of these projects may change, project scope may change, and/or Crombie may choose to not proceed with development on some properties after further review and completion of financial projections.

	Existing Property	City, Province	Site Size (acres)	Existing Tenants	Potential Commercial Expansion	Potential Residential Expansion	Status
1.	1780 East Broadway (Broadway and Commercial)	Vancouver, BC	2.43	Safeway	Yes	Yes	Pre-planning
2.	1170 East 27 Street (Lynn Valley)	North Vancouver, BC	2.82	Safeway	Yes	Yes	Pre-planning
3.	524 Elbow Drive SW (Mission)	Calgary, AB	1.60	Safeway	Yes	Yes	Pre-planning
4.	5235 Kingsway (Royal Oak)	Burnaby, BC	2.76	Safeway	Yes	Yes	Pre-planning
5.	Penhorn Lands	Dartmouth, NS	26.12	Land	Yes	Yes	Pre-planning
6.	10355 King George Boulevard	Surrey, BC	5.07	Safeway	Yes	Yes	TBD ⁽¹⁾
7.	2733 West Broadway	Vancouver, BC	1.95	Safeway	Yes	Yes	TBD
8.	3410 Kingsway	Vancouver, BC	3.74	Safeway/Other tenants	Yes	Yes	TBD
9.	990 West 25 Avenue (King Edward)	Vancouver, BC	1.80	Safeway	Yes	Yes	TBD
10.	East Hastings	Burnaby, BC	3.30	Safeway/Other tenants	Yes	Yes	TBD
11.	813 11 Avenue SW	Calgary, AB	2.59	Safeway	Yes	Yes	TBD
12.	410 10 Street NW	Calgary, AB	1.73	Safeway	Yes	Yes	TBD
13.	10930 82 Avenue	Edmonton, AB	2.44	Safeway/Other tenants	Yes	Yes	TBD
14.	Brampton Mall	Brampton, ON	8.74	Retail	Yes	Yes	TBD
15.	Centennial Parkway	Hamilton, ON	2.75	Retail	Yes	Yes	TBD
16.	McCowan & Ellesmere	Toronto, ON	4.48	Sobeys/Other tenants	Yes	Yes	TBD
17.	Triangle Lands	Halifax, NS	0.68	Land	Yes	Yes	TBD
18.	Scotia Square	Halifax, NS	14.47	Office/Retail	Yes	Yes	TBD

⁽¹⁾ TBD: to be determined

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 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 space 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 continue 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 a recently adopted Metrotown Downtown Plan in 2017. The high profile, 2.76 acre 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, Dartmouth (Halifax), Nova Scotia

The Penhorn Lands is a development site located at the intersection of Highway 111 and Portland Street in Dartmouth (Halifax), Nova Scotia that was purchased from Empire in 2016. Crombie has initiated pre-planning activity for future mixed residential development on 26 acres of this development site located adjacent to a Crombie owned grocery anchored property, Penhorn Plaza.

FINANCIAL RESULTS

Comparison to Previous Year

(In thousands of CAD dollars, except per unit amounts and as otherwise noted)	As At		
	September 30, 2018	December 31, 2017	September 30, 2017
Total assets	\$ 4,068,053	\$ 4,086,854	\$ 4,082,257
Total investment property debt and unsecured debt	\$ 2,462,759	\$ 2,501,748	\$ 2,513,180
Debt to gross book value - fair value basis ⁽¹⁾	50.5%	50.3%	50.2%

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

	Three months ended September 30,			Nine months ended September 30,		
	2018	2017	Variance	2018	2017	Variance
Property revenue	\$100,505	\$102,424	\$ (1,919)	\$310,353	\$306,146	\$ 4,207
Property operating expenses	27,660	28,259	599	90,489	89,447	(1,042)
Property NOI	72,845	74,165	(1,320)	219,864	216,699	3,165
NOI margin percentage	72.5%	72.4%	0.1%	70.8%	70.8%	—%
Other items:						
Gain on disposal of investment properties	100	—	100	45,443	—	45,443
Impairment of investment properties	—	—	—	(8,000)	—	(8,000)
Depreciation and amortization	(28,696)	(21,966)	(6,730)	(76,447)	(61,588)	(14,859)
General and administrative expenses	(4,925)	(4,675)	(250)	(14,042)	(14,831)	789
Finance costs – operations	(26,573)	(26,244)	(329)	(79,663)	(79,096)	(567)
Income from equity accounted investments	69	41	28	143	68	75
Operating income before taxes	12,820	21,321	(8,501)	87,298	61,252	26,046
Taxes – current	(2)	—	(2)	(2)	(4)	2
Taxes – deferred	—	—	—	—	75,400	(75,400)
Operating income attributable to Unitholders	12,818	21,321	(8,503)	87,296	136,648	(49,352)
Finance costs – distributions to Unitholders	(33,711)	(33,385)	(326)	(101,005)	(99,748)	(1,257)
Finance income (costs) – change in fair value of financial instruments	(40)	25	(65)	205	127	78
Increase (decrease) in net assets attributable to Unitholders	\$ (20,933)	\$ (12,039)	\$ (8,894)	\$ (13,504)	\$ 37,027	\$ (50,531)
Operating income attributable to Unitholders per Unit, Basic	\$ 0.08	\$ 0.14		\$ 0.58	\$ 0.92	
Operating income attributable to Unitholders per Unit, Diluted	\$ 0.08	\$ 0.14		\$ 0.58	\$ 0.91	
Basic weighted average Units outstanding (in 000's)	151,365	149,810		151,145	149,206	
Diluted weighted average Units outstanding (in 000's)	151,497	149,941		151,276	155,702	
Distributions per Unit to Unitholders	\$ 0.22	\$ 0.22		\$ 0.67	\$ 0.67	

Operating Results

For the three months ended September 30, 2018, Operating income before taxes of \$12,820 decreased by \$8,501 or 39.9% compared to the three months ended September 30, 2017. The decrease was primarily due to:

- an increase in depreciation and amortization of \$6,730 or 30.6% primarily caused by \$8,930 related to the accelerated depreciation on a portion of a building demolished as part of the redevelopment of a retail property, offset in part by dispositions in the first three quarters of 2018 and the fourth quarter of 2017;
- a decrease in Property NOI of \$1,320 or 1.8% which is impacted by dispositions in the first three quarters of 2018 and the fourth quarter of 2017, offset in part by same-asset NOI growth of \$1,171 and acquisitions in the second quarter of 2018 and in the third quarter of 2017; and,
- accelerated write-off of \$982 in deferred financing charges related to the early redemption of \$74,400 5.25% Series E convertible debentures.

For the nine months ended September 30, 2018, Operating income before taxes of \$87,298 increased by \$26,046 or 42.5% compared to the nine months ended September 30, 2017. The nine months were impacted by:

- the disposition of a 50% interest in a portfolio of nine retail properties as well as the disposition of a mixed use property and five additional retail properties and residential lands adjacent to an existing development property during 2018, resulting in a gain on disposal of \$45,443; and,
- an increase in Property NOI of \$3,165 or 1.5% which is impacted by same-asset NOI growth of \$4,364 and the previously mentioned acquisition and disposition activity.

offset in part by:

- an increase in depreciation and amortization of \$14,859, primarily related to accelerated depreciation on portions of three properties on partial demolition of former Target and Sears space for new tenant redevelopment; and,
- the recognition in the second quarter of 2018 of \$8,000 of impairment related to two retail properties.

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 as at March 31, 2017 was reduced to \$NIL and the decrease was recognized as an income tax recovery on Crombie's Consolidated Statement of Comprehensive Income for the nine months ended September 30, 2017. Professional fees of \$1,059 associated with the tax reorganization were recognized as general and administrative expenses for the nine months ended September 30, 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:

<i>(In thousands of CAD dollars)</i>	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
Operating income attributable to Unitholders	\$ 12,818	\$ 21,321	\$ 87,296	\$ 136,648
Finance costs – distributions to Unitholders	(33,711)	(33,385)	(101,005)	(99,748)
Finance income (costs) – change in fair value of financial instruments	(40)	25	205	127
Increase (decrease) in net assets attributable to Unitholders	\$ (20,933)	\$ (12,039)	\$ (13,504)	\$ 37,027

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:

<i>(In thousands of CAD dollars)</i>	Three months ended September 30,			Nine months ended September 30,		
	2018	2017	Variance	2018	2017	Variance
Property NOI	\$ 72,845	\$ 74,165	\$ (1,320)	\$ 219,864	\$ 216,699	\$ 3,165
Non-cash straight-line rent	(3,221)	(3,479)	258	(8,611)	(10,262)	1,651
Non-cash tenant incentive amortization	3,334	2,759	575	9,424	9,261	163
Property cash NOI	72,958	73,445	(487)	220,677	215,698	4,979
Acquisitions, dispositions and development property cash NOI	10,345	12,003	(1,658)	34,109	33,494	615
Same-asset property cash NOI	\$ 62,613	\$ 61,442	\$ 1,171	\$ 186,568	\$ 182,204	\$ 4,364

Property NOI, on a cash basis, excludes non-cash straight-line rent recognition and amortization of tenant incentive amounts. The \$1,171 or 1.9% increase in same-asset cash NOI for the three months ended September 30, 2018 over the same period in 2017 is primarily the result of improved occupancy rates and rental rates and revenues from land use intensifications at certain properties.

The \$4,364 or 2.4% increase in same-asset cash NOI for the nine months ended September 30, 2018 over the same period in 2017 was impacted by the same factors noted above.

Acquisitions, dispositions and development property cash NOI decreased \$1,658 for the three months ended September 30, 2018 compared to the three months ended September 30, 2017 primarily due to lease termination income received in the third quarter of 2017 as well as dispositions in the first and second quarters of 2018 and the fourth quarter of 2017, offset in part by acquisitions in the second quarter of 2018. The increase of \$615 for the nine months ended September 30, 2018 over the same period in 2017 is primarily due to acquisitions in the second quarter of 2018 and the third quarter of 2017, offset in part by the dispositions mentioned above.

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:

<i>(In thousands of CAD dollars)</i>	Three months ended September 30,				Nine months ended September 30,			
	2018	2017	Variance	Percent	2018	2017	Variance	Percent
Retail and Commercial Mixed Use	\$ 60,035	\$ 58,570	\$ 1,465	2.5 %	\$ 179,097	\$ 173,730	\$ 5,367	3.1 %
Office	2,578	2,872	(294)	(10.2)%	7,471	8,474	(1,003)	(11.8)%
Same-asset property cash NOI	\$ 62,613	\$ 61,442	\$ 1,171	1.9 %	\$ 186,568	\$ 182,204	\$ 4,364	2.4 %

Variances in same-asset property cash NOI for the three months ended September 30, 2018 compared to the same period in 2017 include:

- Retail and Commercial Mixed Use increased \$1,465 or 2.5% due to improved occupancy rates.
- Office decreased \$294 or 10.2% primarily as a result of decreases in occupancy to 88.4% at September 30, 2018 from 88.9% at September 30, 2017.

Same-asset property cash NOI for the nine months ended September 30, 2018 compared to the same period in 2017 were impacted by these same factors.

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

<i>(In thousands of CAD dollars)</i>	Three months ended September 30,			Nine months ended September 30,		
	2018	2017	Variance	2018	2017	Variance
Acquisitions and dispositions property cash NOI	\$ 2,907	\$ 4,316	\$ (1,409)	\$ 11,528	\$ 11,005	\$ 523
Development property cash NOI	7,438	7,687	(249)	22,581	22,489	92
Total acquisitions, dispositions and development property cash NOI	\$ 10,345	\$ 12,003	\$ (1,658)	\$ 34,109	\$ 33,494	\$ 615

For the three months ended September 30, 2018, acquisitions and dispositions property cash NOI decreased \$1,409 and increased \$523 for the nine months ended September 30, 2018 compared to the same periods in 2017 as a result of the acquisition and disposition activity discussed above.

Development properties include properties earning cash NOI that are: currently being developed; with recently completed development; and, properties scheduled for development. Change in cash NOI from development properties period-over-period is impacted by the timing of commencement and completion of each development project. The nature and extent of development projects results in operations being impacted minimally in some instances and a significant disruption in others. Consequently, comparison of period-over-period development operating results may not be meaningful.

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 and nine months ended September 30, 2018 by province was as follows:

<i>(In thousands of CAD dollars)</i>	Three months ended September 30,			Nine months ended September 30,		
	2018	2017	Variance	2018	2017	Variance
	Property NOI	Property NOI		Property NOI	Property NOI	
AB	\$ 16,177	\$ 16,168	\$ 9	\$ 48,815	\$ 48,433	\$ 382
BC	9,024	9,125	(101)	27,371	27,257	114
MB	3,366	3,365	1	10,105	10,088	17
NB	3,852	3,545	307	10,692	9,493	1,199
NL	6,413	6,578	(165)	19,686	20,608	(922)
NS	13,764	15,885	(2,121)	43,330	44,522	(1,192)
ON	10,763	11,265	(502)	32,287	32,808	(521)
PE	420	447	(27)	1,277	1,234	43
QC	7,253	5,970	1,283	20,894	17,013	3,881
SK	1,813	1,817	(4)	5,407	5,243	164
Total	\$ 72,845	\$ 74,165	\$ (1,320)	\$ 219,864	\$ 216,699	\$ 3,165

The significant variances in property NOI for the three months ended September 30, 2018 compared to the same period in 2017 were impacted by property acquisitions and dispositions as follows:

- Nova Scotia - disposition of one mixed use property in the second quarter of 2018; and,
- Quebec - acquisition of five retail properties in the second quarter of 2018, additions to an existing retail property in the second quarter of 2018 and acquisition of five retail properties in the third quarter of 2017.

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

- Nova Scotia - reduced property revenue in 2018 from leasing activity primarily in office properties and lease termination income from Target Canada in the third quarter of 2017.

In addition to the factors above, the variances in property NOI for the nine months ended September 30, 2018 compared to the same period in 2017 were impacted as follows:

- New Brunswick - leasing activity, including expansions of Sobeys stores in two properties, and acquisition of an addition to an existing retail property in the second quarter of 2018; and,
- Newfoundland and Labrador - vacancy increases in the third and fourth quarters of 2017 primarily related to property redevelopment at Avalon Mall, including the termination of Sears in the first quarter of 2018.

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 of investment properties, 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. 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 ("TI"). 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 and nine months ended September 30, 2018 and 2017 is as follows:

<i>(In thousands of CAD dollars)</i>	Three months ended September 30,			Nine months ended September 30,		
	2018	2017	Variance	2018	2017	Variance
Increase (decrease) in net assets attributable to Unitholders	\$ (20,933)	\$ (12,039)	\$ (8,894)	\$ (13,504)	\$ 37,027	\$ (50,531)
Add (deduct):						
Amortization of tenant incentives	3,334	2,759	575	9,424	9,261	163
Loss (gain) on disposal of investment properties	(100)	—	(100)	(45,443)	—	(45,443)
Impairment of investment properties	—	—	—	8,000	—	8,000
Depreciation of investment properties	26,814	20,217	6,597	70,873	56,171	14,702
Amortization of intangible assets	1,697	1,579	118	5,013	4,948	65
Amortization of deferred leasing costs	175	170	5	531	469	62
Depreciation of investment properties included in Income from equity accounted investments	8	—	8	23	—	23
Internal leasing costs	609	606	3	1,827	1,818	9
Taxes – deferred	—	—	—	—	(75,400)	75,400
Finance costs – distributions to Unitholders	33,711	33,385	326	101,005	99,748	1,257
Finance costs (income) – change in fair value of financial instruments	40	(25)	65	(205)	(127)	(78)
FFO as calculated based on REALPAC recommendations	\$ 45,355	\$ 46,652	\$ (1,297)	\$ 137,544	\$ 133,915	\$ 3,629

For the three months ended September 30, 2018, FFO decreased by \$1,297 or 2.8% compared to the three months ended September 30, 2017. The decrease primarily relates to the previously discussed operating results which are attributable to acquisition and disposition activity, leasing activity, write-off of deferred financing charges and employee severance costs.

For the nine months ended September 30, 2018, FFO increased by \$3,629 or 2.7% compared to the nine months ended September 30, 2017. The increase relates to the same factors noted above for the three month results.

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 and leasing costs and any settlement of effective interest rate swap agreements.

The calculation of AFFO for the three and nine months ended September 30, 2018 and 2017 is as follows:

<i>(In thousands of CAD dollars)</i>	Three months ended September 30,			Nine months ended September 30,		
	2018	2017	Variance	2018	2017	Variance
FFO as calculated based on REALPAC recommendations	\$ 45,355	\$ 46,652	\$ (1,297)	\$ 137,544	\$ 133,915	\$ 3,629
Add (deduct):						
Amortization of effective swap agreements	563	586	(23)	1,706	1,774	(68)
Straight-line rent adjustment	(3,221)	(3,479)	258	(8,611)	(10,262)	1,651
Internal leasing costs	(609)	(606)	(3)	(1,827)	(1,818)	(9)
Maintenance expenditures on a square footage basis	(4,221)	(4,440)	219	(12,789)	(13,232)	443
AFFO as calculated based on REALPAC recommendations	\$ 37,867	\$ 38,713	\$ (846)	\$ 116,023	\$ 110,377	\$ 5,646

For the three months ended September 30, 2018, AFFO decreased by \$846 or 2.2% compared to the three months ended September 30, 2017. The decrease primarily relates to the \$1,297 or 2.8% decrease in FFO as previously discussed, offset in part by the reduced impact of straight-line rent on operating results.

For the nine months ended September 30, 2018, AFFO increased by \$5,646 or 5.1% compared to the nine months ended September 30, 2017. The increase primarily relates to the \$3,629 or 2.7% increase in FFO as previously discussed and the reduced impact of straight-line rent on operating results.

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 2018, Crombie has reduced the normalized rate to \$0.90 per square foot of GLA from the previous rate of \$0.92 per square foot based on the actual spend for 2017 and 2016 and estimated spend for 2018. Additionally, Crombie combines maintenance capital expenditures with maintenance TI and deferred leasing costs in arriving at the normalized per square foot charge to AFFO based on the fact that in years where TI and leasing expenditures are reduced, spending on maintenance capital expenditures may be accelerated and vice versa.

Maintenance Expenditures - Actual

<i>(In thousands of CAD dollars)</i>	Nine months ended		Three months ended			Year ended Dec. 31, 2017	Three months ended			
	Sep. 30, 2018	Sep. 30, 2017	Sep. 30, 2018	Jun. 30, 2018	Mar. 31, 2018		Dec. 31, 2017	Sep. 30, 2017	Jun. 30, 2017	Mar. 31, 2017
Total additions to investment properties	\$ 61,495	\$ 29,913	\$ 21,616	\$ 16,877	\$ 23,002	\$ 46,800	\$ 16,887	\$ 13,921	\$ 8,751	\$ 7,241
Less: revenue enhancing expenditures	(56,159)	(22,285)	(19,982)	(15,316)	(20,861)	(34,317)	(12,032)	(11,389)	(6,713)	(4,183)
Maintenance capital expenditures	5,336	7,628	1,634	1,561	2,141	12,483	4,855	2,532	2,038	3,058
Total additions to TI and deferred leasing costs	14,389	12,708	3,629	2,779	7,981	19,660	6,952	2,476	5,324	4,908
Less: revenue enhancing expenditures	(8,641)	(9,927)	(940)	(1,267)	(6,434)	(15,160)	(5,233)	(1,754)	(4,157)	(4,016)
Maintenance TI and deferred leasing costs	5,748	2,781	2,689	1,512	1,547	4,500	1,719	722	1,167	892
Total maintenance expenditures - actual	<u>\$ 11,084</u>	<u>\$ 10,409</u>	<u>\$ 4,323</u>	<u>\$ 3,073</u>	<u>\$ 3,688</u>	<u>\$ 16,983</u>	<u>\$ 6,574</u>	<u>\$ 3,254</u>	<u>\$ 3,205</u>	<u>\$ 3,950</u>
Reserve amount charged against AFFO and ACFO	<u>\$ 12,789</u>	<u>\$ 13,232</u>	<u>\$ 4,221</u>			<u>\$ 17,682</u>		<u>\$ 4,440</u>		

Maintenance capital expenditures for the nine months ended September 30, 2018, 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 2017 and 2018.

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 nine months ended September 30, 2018 consisted primarily of development work and GLA expansions at: Avalon Mall, St. John's, NL; Belmont Market, Victoria, BC; Cassils Road, Brooks, AB; Edmundston Plaza, Edmundston, NB; Uptown Centre, Fredericton, NB; Algonquin Avenue Mall, North Bay, ON; and, Penhorn lands, Halifax, NS.

Depreciation, Amortization and Impairment

<i>(In thousands of CAD dollars)</i>	Three months ended September 30,			Nine months ended September 30,		
	2018	2017	Variance	2018	2017	Variance
Same-asset depreciation and amortization	\$ 16,691	\$ 16,668	\$ (23)	\$ 49,855	\$ 51,099	\$ 1,244
Acquisitions, dispositions and development depreciation/amortization	12,005	5,298	(6,707)	26,592	10,489	(16,103)
Depreciation and amortization	<u>\$ 28,696</u>	<u>\$ 21,966</u>	<u>\$ (6,730)</u>	<u>\$ 76,447</u>	<u>\$ 61,588</u>	<u>\$ (14,859)</u>

Same-asset depreciation and amortization increased by \$23 for the three months ended September 30, 2018 and decreased by \$1,244 for the nine months ended September 30, 2018 compared to the same periods in 2017. The decrease is due primarily to the expiry of the initial term of tenant leases since the first quarter of 2017. 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 primarily as a result of the partial demolitions of buildings at two redevelopment properties in the first quarter of 2018 and one property in the third quarter of 2018. Accelerated depreciation of \$8,444 in the first quarter and \$8,930 in the third quarter was realized in relation to the partial demolitions.

During the quarter ended June 30, 2018, Crombie recorded impairments totalling \$8,000 on two retail properties. The impairments were the result of the fair value impact of tenant lease expiries and departures 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.

Crombie's total fair value of investment properties, including properties held for sale, exceeds carrying value by \$812,706 at September 30, 2018 (September 30, 2017 - \$930,365). 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.

General and Administrative Expenses

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

<i>(In thousands of CAD dollars)</i>	Three months ended September 30,			Nine months ended September 30,		
	2018	2017	Variance	2018	2017	Variance
Salaries and benefits	\$ 3,562	\$ 3,022	\$ (540)	\$ 9,600	\$ 8,599	\$ (1,001)
Professional fees	270	301	31	827	2,067	1,240
Public company costs	447	574	127	1,549	1,612	63
Rent and occupancy	169	197	28	522	587	65
Other	477	581	104	1,544	1,966	422
General and administrative expenses	\$ 4,925	\$ 4,675	\$ (250)	\$ 14,042	\$ 14,831	\$ 789
As a percentage of property revenue	4.9%	4.6%	(0.3)%	4.5%	4.8%	0.3%

For the three months ended September 30, 2018, general and administrative expenses, as a percentage of property revenue, were 4.9%, an increase of 0.3% from the same period in 2017, with expenses increasing \$250 or 5.3% and property revenue decreasing 1.9%. The increase in expenses is primarily related to higher wage costs and employee severance costs. For the nine months ended September 30, 2018, general and administrative expenses, as a percentage of property revenue, decreased 0.3% compared to the nine months ended September 30, 2017, with expenses decreasing \$789 or 5.3% and property revenue increasing 1.4%. 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 were included in professional fees for the nine months ended September 30, 2017. Excluding these costs, general and administrative expenses represented 4.5% of property revenue for the nine months ended September 30, 2017.

Finance Costs - Operations

<i>(In thousands of CAD dollars)</i>	Three months ended September 30,			Nine months ended September 30,		
	2018	2017	Variance	2018	2017	Variance
Finance costs	\$ 23,991	\$ 24,648	\$ 657	\$ 73,729	\$ 73,844	\$ 115
Amortization of effective swaps and deferred financing charges	2,582	1,596	(986)	5,934	5,252	(682)
Finance costs – operations	\$ 26,573	\$ 26,244	\$ (329)	\$ 79,663	\$ 79,096	\$ (567)

Finance costs for the three and nine months ended September 30, 2018 decreased by \$657 and \$115, respectively, compared to the same periods in 2017. The decreases relate to property acquisitions and dispositions, mortgage payouts and increased utilization of floating rate credit facilities. On August 31, 2018, Crombie redeemed \$74,400 of 5.25% Convertible Debentures scheduled to mature March 31, 2021. The early redemption resulted in the accelerated write-off of \$982 of deferred financing charges.

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:

<i>(In thousands of CAD dollars, except as otherwise noted)</i>	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
Distributions to Unitholders	\$ 19,927	\$ 19,735	\$ 59,704	\$ 58,966
Distributions to Special Voting Unitholders	13,784	13,650	41,301	40,782
Total distributions	\$ 33,711	\$ 33,385	\$ 101,005	\$ 99,748
FFO payout ratio	74.3%	71.6%	73.4%	74.5%
AFFO payout ratio	89.0%	86.2%	87.1%	90.4%
ACFO payout ratio	91.3%	91.1%	85.7%	89.8%

The increase in distributions relates to 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
2017 per \$ of distribution	51.8 %	48.0 %	0.0 %	0.2 %
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 %

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 and 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 \$54,148 (\$62,846 including outstanding letters of credit) was drawn at September 30, 2018;
- (ii) unsecured short-term financing through an authorized floating rate revolving credit facility, maturing May 16, 2019, of up to \$100,000, of which \$100,000 was drawn at September 30, 2018;
- (iii) recycling capital through the disposition of select investment properties;
- (iv) secured mortgage and term debt on unencumbered properties, Crombie currently has \$1,032,113 of fair value in unencumbered properties, which is defined as those properties that are free and clear of any encumbrances, including mortgages and pledging as security for floating rate revolving credit facility;
- (v) the issuance of additional senior unsecured notes;
- (vi) the issuance of additional unsecured convertible debentures; and,
- (vii) 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/construction financing in place before significant incurrence of project expenditures as well as financing from the various above-noted sources.

Capital Structure

<i>(In thousands of CAD dollars)</i>	September 30, 2018		December 31, 2017		September 30, 2017	
Mortgages	\$ 1,609,154	41.1%	\$ 1,751,096	44.2%	\$ 1,764,730	44.4%
Credit facilities	154,148	3.9%	53,168	1.4%	200,491	5.1%
Senior unsecured notes	699,457	17.8%	624,320	15.8%	474,890	12.0%
Convertible debentures	—	—%	73,164	1.8%	73,069	1.8%
Crombie REIT Unitholders	873,089	22.3%	873,478	22.1%	873,232	22.0%
Special Voting Units and Class B Limited Partnership Unitholders	584,139	14.9%	583,777	14.7%	583,456	14.7%
	\$ 3,919,987	100.0%	\$ 3,959,003	100.0%	\$ 3,969,868	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 \$54,148 (\$62,846 including outstanding letters of credit) was drawn as at September 30, 2018. Subsequent to September 30, 2018, Crombie renewed the revolving credit facility, extending the maturity date to June 30, 2022. 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 September 30, 2018, Crombie had sufficient Borrowing Base to permit \$400,000 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 \$100,000 was drawn as at September 30, 2018, and matures May 16, 2019. Subsequent to September 30, 2018, Crombie renewed the unsecured bilateral credit facility, extending the maturity date to May 16, 2020. 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 and credit facilities

Crombie had fixed rate mortgages outstanding consisting of:

	September 30, 2018	December 31, 2017	September 30, 2017
Fixed rate mortgages	\$ 1,616,263	\$ 1,759,984	\$ 1,773,646
Unamortized fair value debt adjustment	2,226	2,831	3,070
	<u>1,618,489</u>	<u>1,762,815</u>	<u>1,776,716</u>
Deferred financing charges	(9,335)	(11,719)	(11,986)
Total mortgage debt	<u>\$ 1,609,154</u>	<u>\$ 1,751,096</u>	<u>\$ 1,764,730</u>

The mortgages carry a weighted average interest rate of 4.30% (after giving effect to the interest rate subsidy from Empire under an omnibus subsidy agreement) and a weighted average term to maturity of 4.8 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 \$104,413 of floating rate mortgage debt.

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

12 Months Ending	Maturing Debt Balances				Payments of Principal	Total Required Payments	% of Total
	Mortgages	Credit Facilities	Total	% of Total			
Remainder of 2018	\$ —	\$ —	\$ —	—%	\$ 13,188	\$ 13,188	0.8%
December 31, 2019	126,978	100,000	226,978	15.4%	53,345	280,323	15.8%
December 31, 2020	225,241	—	225,241	15.3%	46,706	271,947	15.4%
December 31, 2021	89,182	54,148	143,330	9.7%	45,037	188,367	10.6%
December 31, 2022	194,868	—	194,868	13.3%	38,609	233,477	13.2%
Thereafter	681,418	—	681,418	46.3%	101,691	783,109	44.2%
Total ⁽¹⁾	<u>\$ 1,317,687</u>	<u>\$ 154,148</u>	<u>\$ 1,471,835</u>	<u>100.0%</u>	<u>\$ 298,576</u>	<u>\$ 1,770,411</u>	<u>100.0%</u>

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

Of the maturing debt balances, only 26.7% of mortgages and 30.7% of total maturing debt balances mature during this and the next two calendar years.

Senior unsecured notes

	Maturity Date	Effective Interest Rate	September 30, 2018	December 31, 2017	September 30, 2017
Series A	October 31, 2018	3.986%	\$ 175,000	\$ 175,000	\$ 175,000
Series B	June 1, 2021	3.769%	250,000	175,000	175,000
Series C	February 10, 2020	2.775%	125,000	125,000	125,000
Series D	November 21, 2022	4.066%	150,000	150,000	—
Unamortized Series B issue premium			1,180	1,323	1,420
Deferred financing charges			(1,723)	(2,003)	(1,530)
			<u>\$ 699,457</u>	<u>\$ 624,320</u>	<u>\$ 474,890</u>

On October 31, 2018, Crombie issued \$175,000 of 4.8% Series E Senior Unsecured Notes maturing January 31, 2025. The Notes were priced at \$999.96 per \$1,000.00 of principal amount, resulting in an effective yield to maturity of 4.802%. The net proceeds were used to fund the \$175,000 of 3.986% Series A Senior Unsecured Notes which matured on October 31, 2018.

On August 31, 2018, 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 3.882% and sold at a price of \$1,002.02 per \$1,000.00 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.

Convertible debentures

	Conversion Price	Maturity Date	Interest Rate	September 30, 2018	December 31, 2017	September 30, 2017
Series D	\$ 20.10	July 4, 2017	5.00%	\$ —	\$ —	\$ —
Series E	\$ 17.15	August 31, 2018	5.25%	—	74,400	74,400
Deferred financing charges				—	(1,236)	(1,331)
				<u>\$ —</u>	<u>\$ 73,164</u>	<u>\$ 73,069</u>

On August 31, 2018, Crombie exercised its right to redeem its 5.25% Series E Convertible Unsecured Subordinated Debentures originally scheduled to mature on March 31, 2021 (the "Debentures") in accordance with the terms of the supplemental trust indenture. Upon redemption, Crombie paid the holders of Debentures \$1,022.01 per \$1,000 principal amount of Debentures, representing the principal amount plus accrued and unpaid interest.

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.

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

For the nine months ended September 30, 2018, Crombie issued 439,069 REIT Units and 311,374 Class B LP Units under its DRIP. Until May 22, 2018, Units were issued under the DRIP at a three percent (3%) discount to market prices. Effective on that date, Crombie amended the DRIP to eliminate the discount such that future Units issued under the DRIP are issued at a price equal to 100% of the volume-weighted average trading price of the REIT Units on the TSX for the five trading days immediately preceding the relevant distribution payment date.

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

Units	89,575,415
Special Voting Units ⁽¹⁾	61,974,277

⁽¹⁾ Crombie Limited Partnership, a subsidiary of Crombie, has also issued 61,974,277 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.

Sources and Uses of Funds

<i>(In thousands of CAD dollars)</i>	Three months ended September 30,			Nine months ended September 30,		
	2018	2017	Variance	2018	2017	Variance
Cash provided by (used in):						
Operating activities	\$ 26,335	\$ 38,343	\$ (12,008)	\$ 43,869	\$ 69,796	\$ (25,927)
Financing activities	4,161	72,281	(68,120)	(9,129)	94,953	(104,082)
Investing activities	(30,496)	(110,624)	80,128	(34,740)	(164,749)	130,009
Net change during the period	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —

Operating Activities

<i>(In thousands of CAD dollars)</i>	Three months ended September 30,			Nine months ended September 30,		
	2018	2017	Variance	2018	2017	Variance
Cash provided by (used in):						
Net assets attributable to Unitholders and non-cash items	\$ 11,042	\$ 19,159	\$ (8,117)	\$ 41,045	\$ 51,852	\$ (10,807)
Non-cash operating items	15,295	19,184	(3,889)	2,826	17,944	(15,118)
Income taxes paid	(2)	—	(2)	(2)	—	(2)
Cash provided by (used in) operating activities	\$ 26,335	\$ 38,343	\$ (12,008)	\$ 43,869	\$ 69,796	\$ (25,927)

For the three months ended September 30, 2018, cash from operating activities decreased by \$12,008 over the same period in 2017. During the quarter, distributions reinvested through the DRIP decreased \$7,703. The increase of \$3,889 in non-cash operating items primarily relates to the timing of receipts on trade receivables and payments on prepaid expenses and payables.

For the nine months ended September 30, 2018, cash from operating activities decreased by \$25,927 over the same period in 2017. The decrease primarily relates to a reduction of \$15,362 in distributions reinvested through the DRIP and to the reduced cash from non-cash operating items of \$15,118. This is impacted by \$8,600 received in the first quarter of 2017 for mortgage proceeds held back from December 2016 as well as year over year fluctuations in the timing of payments for expenses.

Financing Activities

<i>(In thousands of CAD dollars)</i>	Three months ended September 30,			Nine months ended September 30,		
	2018	2017	Variance	2018	2017	Variance
Cash provided by (used in):						
Issuance of new mortgages	\$ —	\$ —	\$ —	\$ —	\$ 192,783	\$(192,783)
Regular principal repayment of mortgages	(13,033)	(13,078)	45	(40,037)	(38,818)	(1,219)
Lump sum principal repayment of mortgages	—	(11,573)	11,573	(64,713)	(50,379)	(14,334)
Net issue (repayment) on credit facilities	21,727	158,433	(136,706)	100,981	(19,883)	120,864
Deferred financing charges - investment property debt	(53)	(1,216)	1,163	(284)	(3,346)	3,062
Issuance of senior unsecured notes	75,152	—	75,152	75,152	76,413	(1,261)
Deferred financing charges - senior unsecured notes	(210)	—	(210)	(328)	(347)	19
Redemption of convertible debentures	(74,400)	(60,000)	(14,400)	(74,400)	(60,000)	(14,400)
Other items (net)	(5,022)	(285)	(4,737)	(5,500)	(1,470)	(4,030)
Cash provided by (used in) financing activities	\$ 4,161	\$ 72,281	\$ (68,120)	\$ (9,129)	\$ 94,953	\$(104,082)

Cash provided by financing activities for the three months ended September 30, 2018 decreased by \$68,120 from the same period in 2017. During the three months ended September 30, 2018, Crombie increased floating rate credit facilities by \$21,727 (three months ended September 30, 2017 - \$158,433) related to property acquisitions and additions. On August 31, 2018 Crombie issued an additional \$75,000 of the 3.962%

Series B Notes (senior unsecured) for gross proceeds of \$75,152, resulting in an effective yield to maturity of 3.882%. The proceeds were used to fund the redemption of the Series E Convertible Debentures. During the three months ended September 30, 2017, Crombie redeemed \$60,000 Series D Convertible Debentures using its credit facilities.

Cash provided by financing activities for the nine months ended September 30, 2018 decreased by \$104,082 from the same period in 2017. During the nine months ended September 30, 2018, Crombie repaid \$64,713 (nine months ended September 30, 2017 - \$50,379) in maturing mortgages and increased floating rate credit facilities by \$100,981. During the nine months ended September 30, 2017, Crombie issued \$192,783 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. 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.

Investing Activities

<i>(In thousands of CAD dollars)</i>	Three months ended September 30,			Nine months ended September 30,		
	2018	2017	Variance	2018	2017	Variance
Cash provided by (used in):						
Acquisition of investment properties	\$ (3,759)	\$ (93,533)	\$ 89,774	\$(108,554)	\$(119,357)	\$ 10,803
Additions to investment properties	(21,616)	(13,921)	(7,695)	(61,495)	(29,913)	(31,582)
Proceeds on disposal of investment properties	11,850	—	11,850	163,827	—	163,827
Proceeds on disposal of marketable securities	—	—	—	1,252	1,220	32
Additions to tenant incentives	(3,370)	(2,190)	(1,180)	(13,632)	(11,801)	(1,831)
Additions to deferred leasing costs	(259)	(286)	27	(757)	(907)	150
Additions to fixtures and computer equipment	(1,230)	(694)	(536)	(3,156)	(2,290)	(866)
Acquisition of interest in joint ventures	(10,210)	—	(10,210)	(10,210)	(1,701)	(8,509)
Additions to investment in joint ventures	(1,902)	—	(1,902)	(2,015)	—	(2,015)
Cash provided by (used in) investing activities	\$ (30,496)	\$(110,624)	\$ 80,128	\$(34,740)	\$(164,749)	\$ 130,009

Cash used in investing activities for the three months ended September 30, 2018 decreased by \$80,128 over the same period in 2017. During the three months ended September 30, 2018, Crombie acquired additions to an existing retail property for net cash of \$3,759 and completed the disposition of one retail property for net proceeds of \$11,850. During the three months ended September 30, 2017, Crombie completed six property acquisitions and acquisition of additional development on a pre-existing retail property for net cash of \$93,533.

Cash used in investing activities for the nine months ended September 30, 2018 decreased by \$130,009 over the same period in 2017. During the nine months ended September 30, 2018, Crombie completed the acquisitions and dispositions noted above as well as the acquisition of 10 retail properties and additions to two existing retail properties and the disposition of four retail properties and one mixed use property, disposition of a 50% interest in nine retail properties and disposition of vacant land adjacent to a mixed use development property.

Adjusted Cash Flow from Operations (ACFO)

Crombie considers ACFO to be a useful measure in evaluating its 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 and nine months ended September 30, 2018 and 2017 is as follows:

<i>(In thousands of CAD dollars)</i>	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
Cash flow from operations	\$ 26,335	\$ 38,343	\$ 43,869	\$ 69,796
Add (deduct):				
Distributions to unitholders included in cash flow from operations	33,711	33,385	101,005	99,748
Non-cash DRIP amount included in above distributions	(810)	(8,513)	(9,423)	(24,785)
Change in non-cash working capital balances not indicative of sustainable cash flows	(16,068)	(21,104)	(529)	(16,974)
Reserve for maintenance expenditures	(4,221)	(4,440)	(12,789)	(13,232)
Amortization of deferred financing charges	(2,019)	(1,010)	(4,228)	(3,478)
ACFO as calculated based on REALPAC recommendations	36,928	36,661	117,905	111,075
Total distributions declared during the period	33,711	33,385	101,005	99,748
Excess of ACFO over total distributions	\$ 3,217	\$ 3,276	\$ 16,900	\$ 11,327
ACFO payout ratio	91.3%	91.1%	85.7%	89.8%

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 September 30, 2018, the remaining amount available under the revolving credit facility was approximately \$346,000 (prior to reduction for standby letters of credit outstanding of \$8,698) and was not limited by the Aggregate Borrowing Base. At September 30, 2018, 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 is, 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. Crombie's methodology for determining fair value includes capitalization of net operating income using quarterly capitalization rates from external property valuers. All income properties are also subject to external, independent appraisals on a rotational basis over a period of not more than four years. The valuation techniques are more fully described in Crombie's year end audited financial statements.

The debt to gross book value on a fair value basis was 50.5% at September 30, 2018 compared to 50.2% at September 30, 2017. 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 nine months ended September 30, 2018, Crombie's weighted average cap rate used in the determination of the fair value of its investment properties increased 0.13% to 6.06%.

<i>(In thousands of CAD dollars, except as otherwise noted)</i>	As at				
	Sep. 30, 2018	Jun. 30, 2018	Mar. 31, 2018	Dec. 31, 2017	Sep. 30, 2017
Fixed rate mortgages	\$ 1,618,489	\$ 1,631,707	\$ 1,718,804	\$ 1,762,815	\$ 1,776,716
Senior unsecured notes	700,000	625,000	625,000	625,000	475,000
Convertible debentures	—	74,400	74,400	74,400	74,400
Revolving credit facility	54,148	32,422	11,161	8,168	100,491
Bilateral credit facility	100,000	100,000	50,000	45,000	100,000
Total debt outstanding	2,472,637	2,463,529	2,479,365	2,515,383	2,526,607
Less: Applicable fair value debt adjustment	(891)	(965)	(1,040)	(1,117)	(1,194)
Debt	\$ 2,471,746	\$ 2,462,564	\$ 2,478,325	\$ 2,514,266	\$ 2,525,413
Investment properties, at fair value	\$ 4,786,000	\$ 4,862,000	\$ 4,943,000	\$ 4,944,000	\$ 4,969,000
Other assets, cost ⁽¹⁾	57,181	60,354	33,469	41,056	38,409
Deferred financing charges	11,058	12,815	14,095	14,958	14,847
Investment in joint ventures	37,578	2,715	2,711	2,602	5,213
Interest rate subsidy	(891)	(965)	(1,040)	(1,117)	(1,194)
Gross book value - fair value basis	\$ 4,890,926	\$ 4,936,919	\$ 4,992,235	\$ 5,001,499	\$ 5,026,275
Debt to gross book value - fair value basis	50.5%	49.9%	49.6%	50.3%	50.2%

⁽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.

Coverage Ratios

EBITDA is a non-GAAP measure and 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. Crombie believes EBITDA 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.

	Three months ended							
	Sep. 30, 2018	Jun. 30, 2018	Mar. 31, 2018	Dec. 31, 2017	Sep. 30, 2017	Jun. 30, 2017	Mar. 31, 2017	Dec. 31, 2016
Property revenue	\$ 100,505	\$ 104,143	\$ 105,705	\$ 105,667	\$ 102,424	\$ 101,591	\$ 102,131	\$ 105,269
Amortization of tenant incentives	3,334	2,468	3,622	3,507	2,759	2,960	3,542	3,328
Adjusted property revenue	103,839	106,611	109,327	109,174	105,183	104,551	105,673	108,597
Property operating expenses	(27,660)	(29,925)	(32,904)	(31,622)	(28,259)	(29,793)	(31,395)	(29,395)
General and administrative expenses	(4,925)	(4,626)	(4,491)	(4,246)	(4,675)	(5,160)	(4,996)	(4,266)
EBITDA (1)	\$ 71,254	\$ 72,060	\$ 71,932	\$ 73,306	\$ 72,249	\$ 69,598	\$ 69,282	\$ 74,936
Trailing 12 months EBITDA (4)	\$ 288,552	\$ 289,547	\$ 287,085	\$ 284,435	\$ 286,065			
Finance costs – operations	\$ 26,573	\$ 26,381	\$ 26,709	\$ 26,681	\$ 26,244	\$ 26,892	\$ 25,960	\$ 25,656
Amortization of deferred financing charges	(2,019)	(1,093)	(1,116)	(996)	(1,010)	(1,521)	(947)	(877)
Amortization of effective swap agreements	(563)	(568)	(575)	(580)	(586)	(591)	(597)	(603)
Adjusted interest expense (2)	\$ 23,991	\$ 24,720	\$ 25,018	\$ 25,105	\$ 24,648	\$ 24,780	\$ 24,416	\$ 24,176
Debt principal repayments (3)	\$ 13,033	\$ 13,124	\$ 13,880	\$ 13,661	\$ 13,078	\$ 13,056	\$ 12,684	\$ 11,671
Debt outstanding (see Debt to Gross Book Value) (5) ⁽¹⁾	\$ 2,471,746	\$ 2,462,564	\$ 2,478,325	\$ 2,514,266	\$ 2,525,413			
Interest service coverage ratio {(1)/(2)}	2.97x	2.92x	2.88x	2.92x	2.93x	2.81x	2.84x	3.10x
Debt service coverage ratio {(1)/((2)+(3))}	1.92x	1.90x	1.85x	1.89x	1.92x	1.84x	1.87x	2.09x
Debt to trailing 12 months EBITDA {(5)/(4)}	8.57x	8.50x	8.63x	8.84x	8.83x			

⁽¹⁾ Outstanding debt previously calculated as part of the Debt to Gross Book Value - Fair Value Basis calculation.

ACCOUNTING

Related Party Transactions

As at September 30, 2018, Empire, through its wholly-owned subsidiary ECLD, holds a 41.5% (fully diluted 41.5%) indirect interest in Crombie. Related party transactions primarily include transactions with entities associated with Crombie through Empire's indirect interest. Related party transactions also include transactions with 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:

<i>(In thousands of CAD dollars)</i>	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
Property revenue				
Property revenue	\$ 53,335	\$ 50,787	\$ 163,324	\$ 157,317
Head lease income	\$ 136	\$ 170	\$ 476	\$ 532
Lease termination income	\$ —	\$ 61	\$ —	\$ 102
Property operating expenses	\$ (16)	\$ (16)	\$ (40)	\$ (29)
General and administrative expenses				
Property management services recovered	\$ 139	\$ 165	\$ 422	\$ 484
Other general and administrative expenses	\$ (57)	\$ (67)	\$ (150)	\$ (204)
Finance costs - operations				
Interest on convertible debentures	\$ —	\$ (13)	\$ —	\$ (608)
Interest rate subsidy	\$ 74	\$ 79	\$ 226	\$ 258
Finance costs - distributions to Unitholders	\$ (13,987)	\$ (13,853)	\$ (41,908)	\$ (41,388)

Crombie provides property management, leasing services and environmental management to specific properties owned by certain subsidiaries of Empire on a fee for service basis pursuant to a Management Agreement. Revenue generated from the Management Agreement is being recognized as a reduction of General and administrative expenses. In addition to the above:

- On September 28, 2018, Crombie acquired an addition to an existing property representing approximately 10,000 square feet of gross leaseable area from a subsidiary of Empire for \$3,735 before closing and transaction costs.
- On June 29, 2018, Crombie acquired one retail property in Alberta for \$12,500 before closing and transaction costs.
- On April 6, 2018, Crombie acquired a portfolio of nine retail properties and additions to two existing retail properties for \$88,110 before closing and transaction costs.
- During the nine months ended September 30, 2018, Crombie issued 311,374 (September 30, 2017 - 771,981) Class B LP Units to ECLD under the DRIP.
- On September 29, 2017, Crombie acquired an addition to an existing property representing approximately 31,000 square feet of 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.

Additional details on Crombie's related party transactions are described in the MD&A for the year ended December 31, 2017.

Use of Estimates and Judgments

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

Critical accounting estimates and assumptions are discussed under the section "Critical Accounting Estimates and Assumptions" in the 2017 Annual MD&A.

Critical Judgments

Critical judgments are discussed under the section "Critical Judgments" in the 2017 Annual MD&A.

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 September 30, 2018:

<i>(In thousands of CAD dollars)</i>		September 30, 2018	December 31, 2017	September 30, 2017
Financial assets	Level			
Marketable securities	1	\$ —	\$ 1,285	\$ 1,224
Total financial assets measured at fair value		<u>\$ —</u>	<u>\$ 1,285</u>	<u>\$ 1,224</u>

There were no transfers between levels of the fair value hierarchy during the nine months ended September 30, 2018. During the three months ended March 31, 2018, Crombie sold the marketable securities.

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:

<i>(In thousands of CAD dollars)</i>	September 30, 2018		December 31, 2017		September 30, 2017	
	Fair Value	Carrying Value	Fair Value	Carrying Value	Fair Value	Carrying Value
Financial assets						
Long-term receivables ⁽¹⁾	\$ 20,876	\$ 21,799	\$ 6,642	\$ 6,628	\$ 6,698	\$ 6,652
Total other financial assets	\$ 20,876	\$ 21,799	\$ 6,642	\$ 6,628	\$ 6,698	\$ 6,652
Financial liabilities						
Investment property debt	\$ 1,799,397	\$ 1,772,637	\$ 1,846,029	\$ 1,815,983	\$ 2,012,445	\$ 1,977,207
Senior unsecured notes	699,330	700,000	627,120	625,000	474,668	475,000
Convertible debentures	—	—	76,818	74,400	76,632	74,400
Total other financial liabilities	\$ 2,498,727	\$ 2,472,637	\$ 2,549,967	\$ 2,515,383	\$ 2,563,745	\$ 2,526,607

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

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 September 30, 2018, Crombie has a total of \$8,698 in outstanding letters of credit related to:

<i>(In thousands of CAD dollars)</i>	September 30,	
	2018	2017
Construction work being performed on investment properties	\$ 3,858	\$ 3,879
Mortgage lenders primarily to satisfy mortgage financings on redevelopment properties	4,840	4,840
Total outstanding letters of credit	\$ 8,698	\$ 8,719

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 71 years including renewal options. For the three and nine months ended September 30, 2018, Crombie paid \$466 and \$1,399 in land lease payments to third party landlords (three and nine months ended September 30, 2017 - \$463 and \$1,240).

As at September 30, 2018, Crombie had signed construction contracts totalling \$226,369 of which \$136,510 has been paid.

Crombie has 100% guarantees on mortgages related to properties in which it has less than a 100% interest. The mortgages payable related to these guarantees are secured by specific charges against the properties. As at September 30, 2018, Crombie has provided guarantees of approximately \$38,546 (September 30, 2017 - \$NIL) on mortgages in excess of their ownership interest in the properties. The mortgages have a weighted average term to maturity of 6.1 years.

RISK MANAGEMENT

In the normal course of business, Crombie is exposed to a number of financial risks that can affect its operating performance. These risks are discussed more fully under the section "Risk Management" in the 2017 Annual MD&A. There has been no significant change in Crombie's risk management since that time. Crombie is providing specific risk updates for September 30, 2018 for dollar amount changes during the current quarter:

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, 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 54.8% of annual minimum rent; no other tenant accounts for more than 4.9% 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 \$53,335 and \$163,324 respectively for the three and nine months ended September 30, 2018 (three and nine months ended September 30, 2017 - \$50,787 and \$157,317 respectively) from Sobeys Inc. and other subsidiaries of Empire.

Over the next five years, leases representing no more than 4.4% 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.

At each balance sheet date, Crombie assesses whether there is objective evidence that a financial asset carried at amortized cost is impaired. If such evidence exists, Crombie recognizes an impairment loss, as the difference between the carrying value of the instrument and the present value of the estimated future cash flows, discounted using the instrument's original effective interest rate or a discount rate based on the risk associated with the financial asset being tested. The carrying amount of the asset is reduced by this amount through a charge to the statement of comprehensive income.

There have been no significant changes to Crombie's credit risk since December 31, 2017.

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 September 30, 2018:

- Crombie's weighted average term to maturity of its fixed rate mortgages was 4.8 years;
- Crombie has a floating rate revolving credit facility available to a maximum of \$400,000, subject to available Borrowing Base, with a balance of \$54,148 at September 30, 2018;
- Crombie has a floating rate bilateral credit facility available to a maximum of \$100,000 with a balance of \$100,000 at September 30, 2018; and,
- Crombie has interest rate swap agreements in place on \$104,413 of floating rate mortgage debt.

Crombie estimates that \$557 of accumulated other comprehensive income (loss) will be reclassified to finance costs during the remaining quarter of 2018, based on all settled swap agreements as of September 30, 2018.

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:

<i>(In thousands of CAD dollars)</i>	Impact of a 0.5% interest rate change	
	Decrease in rate	Increase in rate
Impact on operating income attributable to Unitholders of interest rate changes on the floating rate revolving credit facility		
Three months ended September 30, 2018	\$ 164	\$ (164)
Three months ended September 30, 2017	\$ 216	\$ (216)
Nine months ended September 30, 2018	\$ 397	\$ (397)
Nine months ended September 30, 2017	\$ 344	\$ (344)

There have been no significant changes to Crombie's interest rate risk since December 31, 2017.

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:

<i>(In thousands of CAD dollars)</i>	Twelve months ending September 30,						
	Contractual Cash Flows ⁽¹⁾	2019	2020	2021	2022	2023	Thereafter
Fixed rate mortgages ⁽²⁾	\$ 1,902,375	\$ 136,622	\$ 386,849	\$ 155,721	\$ 327,409	\$ 260,659	\$ 635,115
Senior unsecured notes	756,960	195,054	142,256	262,702	6,099	150,849	—
	2,659,335	331,676	529,105	418,423	333,508	411,508	635,115
Floating rate credit facilities	161,704	104,152	1,945	55,607	—	—	—
Total	\$ 2,821,039	\$ 435,828	\$ 531,050	\$ 474,030	\$ 333,508	\$ 411,508	\$ 635,115

⁽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, 2017.

SUBSEQUENT EVENTS

- (a) On October 19, 2018, Crombie declared distributions of 7.417 cents per Unit for the period from October 1, 2018 to and including, October 31, 2018. The distributions will be paid on November 15, 2018, to Unitholders of record as of October 31, 2018.
- (b) On October 31, 2018, Crombie issued \$175,000 of 4.8% Series E Senior Unsecured Notes maturing January 31, 2025. The Notes were priced at \$999.96 per \$1,000.00 of principal amount, resulting in an effective yield to maturity of 4.802%. The net proceeds were used to fund the \$175,000 of 3.986% Series A Senior Unsecured Notes which matured on October 31, 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 September 30, 2018. 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 quarter.

QUARTERLY INFORMATION

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

<i>(In thousands of CAD dollars, except per unit amounts)</i>	Three Months Ended							
	Sep. 30, 2018	Jun. 30, 2018	Mar. 31, 2018	Dec. 31, 2017	Sep. 30, 2017	Jun. 30, 2017	Mar. 31, 2017	Dec. 31, 2016
Property revenue	\$ 100,505	\$ 104,143	\$ 105,705	\$ 105,667	\$ 102,424	\$ 101,591	\$ 102,131	\$ 105,269
Property operating expenses	27,660	29,925	32,904	31,622	28,259	29,793	31,395	29,395
Property net operating income	72,845	74,218	72,801	74,045	74,165	71,798	70,736	75,874
Gain on disposal	100	33,502	11,841	2,474	—	—	—	9,761
Expenses:								
General and administrative	(4,925)	(4,626)	(4,491)	(4,246)	(4,675)	(5,160)	(4,996)	(4,266)
Finance costs - operations	(26,573)	(26,381)	(26,709)	(26,681)	(26,244)	(26,892)	(25,960)	(25,656)
Income (loss) from equity accounted investments	69	39	35	(7)	41	27	—	—
Depreciation and amortization	(28,696)	(19,719)	(28,032)	(20,619)	(21,966)	(19,826)	(19,796)	(19,435)
Impairment	—	(8,000)	—	—	—	—	—	(6,000)
Operating income before taxes	12,820	49,033	25,445	24,966	21,321	19,947	19,984	30,278
Taxes - current	(2)	—	—	2,082	—	(4)	—	—
Taxes - deferred	—	—	—	—	—	76,400	(1,000)	1,200
Operating income	12,818	49,033	25,445	27,048	21,321	96,343	18,984	31,478
Finance costs - distributions to Unitholders	(33,711)	(33,688)	(33,606)	(33,511)	(33,385)	(33,248)	(33,115)	(32,987)
Finance income (costs) - change in fair value of financial instruments	(40)	(50)	295	18	25	1	101	(46)
Increase (decrease) in net assets attributable to Unitholders	\$ (20,933)	\$ 15,295	\$ (7,866)	\$ (6,445)	\$ (12,039)	\$ 63,096	\$ (14,030)	\$ (1,555)
Operating income per unit - Basic	\$ 0.08	\$ 0.32	\$ 0.17	\$ 0.18	\$ 0.14	\$ 0.65	\$ 0.13	\$ 0.21
Operating income per unit - Diluted	\$ 0.08	\$ 0.32	\$ 0.17	\$ 0.18	\$ 0.14	\$ 0.63	\$ 0.13	\$ 0.21

<i>(In thousands of CAD dollars, except per unit amounts)</i>	Three Months Ended							
	Sep. 30, 2018	Jun. 30, 2018	Mar. 31, 2018	Dec. 31, 2017	Sep. 30, 2017	Jun. 30, 2017	Mar. 31, 2017	Dec. 31, 2016
Distributions								
Distributions	\$ 33,711	\$ 33,688	\$ 33,606	\$ 33,511	\$ 33,385	\$ 33,248	\$ 33,115	\$ 32,987
Per unit	\$ 0.22	\$ 0.22	\$ 0.22	\$ 0.22	\$ 0.22	\$ 0.22	\$ 0.22	\$ 0.22
AFFO ⁽¹⁾ , as adjusted								
Basic	\$ 37,867	\$ 39,492	\$ 38,664	\$ 39,481	\$ 38,713	\$ 35,532	\$ 36,132	\$ 37,776
Per unit - Basic	\$ 0.25	\$ 0.26	\$ 0.26	\$ 0.26	\$ 0.26	\$ 0.24	\$ 0.24	\$ 0.26
Per unit - Diluted ⁽³⁾	\$ 0.25	\$ 0.26	\$ 0.26	\$ 0.26	\$ 0.26	\$ 0.24	\$ 0.24	\$ 0.25
Payout ratio	89.0%	85.3%	86.9%	84.9%	86.2%	93.6%	91.7%	87.3%
FFO ⁽²⁾ , as adjusted								
Basic	\$ 45,355	\$ 46,325	\$ 45,864	\$ 47,237	\$ 46,652	\$ 43,335	\$ 43,928	\$ 45,964
Per unit - Basic	\$ 0.30	\$ 0.31	\$ 0.30	\$ 0.31	\$ 0.31	\$ 0.29	\$ 0.30	\$ 0.31
Per unit - Diluted ⁽³⁾	\$ 0.30	\$ 0.30	\$ 0.30	\$ 0.31	\$ 0.31	\$ 0.29	\$ 0.29	\$ 0.31
Payout ratio	74.3%	72.7%	73.3%	70.9%	71.6%	76.7%	75.4%	71.8%

⁽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:
 - September 30, 2018 - acquisition of an addition to an existing retail property for a total purchase price of \$3,735 and disposition of one retail property for proceeds of \$39,682;
 - June 30, 2018 - acquisition of 10 retail properties and additions to two existing retail properties for a total purchase price of \$100,610, disposition of two retail properties and one mixed use property for proceeds of \$74,250 and disposition of a 50% interest in nine retail properties for proceeds of \$77,929;
 - March 31, 2018 - disposition of two retail properties for proceeds of \$35,627 and the disposition of residential lands adjacent to a development property for proceeds of \$5,725;
 - 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; and,
 - 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.
- 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 was reduced to \$NIL and the decrease was recognized as an income tax recovery on Crombie's Consolidated Statement of Comprehensive Income for the three months ended June 30, 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: November 7, 2018

New Glasgow, Nova Scotia, Canada