ONE REIT™

2016

MANAGEMENT'S DISCUSSION & ANALYSIS

Q1

MARCH 31, 2016

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Management's Discussion and Analysis

Basis of Presentation

This Management's Discussion and Analysis ("MD&A") is intended to provide readers with an assessment of the performance of the REIT over the three months ended March 31, 2016, as well as our financial position and future prospects. In this document, the terms "the Trust", "the REIT", "we", "us" and "our" will refer to OneREIT. This MD&A should be read in conjunction with the Condensed Consolidated Interim Financial Statements for the three months ended March 31, 2016 together with the Consolidated Financial Statements and MD&A for the year ended December 31, 2015. Additional information, including the REIT's Annual Information Form, is available on the SEDAR website at www.sedar.com. This MD&A is based on financial statements prepared in accordance with International Accounting Standard 34, Interim Financial Reporting and includes material information up to **May 5, 2016.**

All dollar amounts in this MD&A are expressed in Canadian dollars.

Financial Measures

Readers are cautioned that certain terms used such as: Funds from Operations ("FFO"), Funds from Operations per unit ("FFO per unit"), Net Operating Income ("NOI"), Interest Coverage Ratio, Debt to Gross Book Value Ratio, Debt Service Coverage Ratio and EBITDA and any related amounts used to measure, compare and explain the operating results and financial performance of the REIT are not recognized terms or amounts under IFRS. The terms are defined in this MD&A and reconciled to the accompanying financial statements. Such terms do not necessarily have a standardized meaning and may not be comparable to similarly titled measures presented by other publicly traded entities.

Forward Looking Statements

This MD&A contains forward-looking statements which reflect management's expectations regarding the REIT's future growth, results of operations, performance, and business prospects and opportunities. These statements relate to, but are not limited to, the REIT's expectations, intentions, plans and beliefs. In some cases, forward-looking statements can be identified by the use of words such as "may", "will", "should", "expect", "plan", "intend", "anticipate", "believe", "estimate", "predict", "potential", "continue" or the negative or grammatical variations of these terms or other comparable terminology. Readers should be aware that these statements are subject to known and unknown risks, uncertainties and other factors, including, but not limited to: those discussed or referenced under the heading "Risk Factors" in this MD&A, as well as competition within the commercial real estate sector, the effective international, national and regional economic conditions and the availability of capital to fund further investments in the REIT's business. Actual events or results may differ materially from those suggested by any forward-looking statements. Readers should not place undue reliance on any forward-looking statements contained in this MD&A. By their nature, forward-looking statements involve numerous assumptions, inherent risks and uncertainties, both general and specific, that contribute to the possibility that the predictions, forecasts, projections and various future events will not occur. Although management of the REIT believes that the expectations reflected in the forward-looking statements are reasonable, there can be no assurance that future results, levels of activity, performance or achievements will occur as anticipated. Neither the REIT nor any other person assumes responsibility for the accuracy and completeness of any forward-looking statements, and no one has any obligation to update or revise any forward-looking statement, whether as a result of new information, future events or such other factors which affect this information, except as required by law.

SELECTED CONSOLIDATED INFORMATION

The table below includes selected information from the MD&A. We encourage you to read the further discussion and definitions contained elsewhere in this MD&A.

$000's, except per unit and other data	Three months ended		Year ended
Financial Information	**March 31 2016**	March 31 2015	December 31 2015
Revenue	**30,272**	31,252	123,270
Net income (loss)	**2,809**	(1,397)	27,209
Net operating income (1)	**18,426**	18,595	74,890
FFO (2)	**9,089**	9,051	37,075
Weighted average number of units (3)	**86,701**	85,588	86,007
FFO, per unit	**0.105**	0.106	0.431
FFO, payout ratio	**71.4%**	106.1%(4)	69.6%(5)

As at	**March 31 2016**	March 31 2015	December 31 2015
Total assets	1,196,032	1,182,513	1,190,154
Mortgages payable, secured bank debt and convertible debentures	694,472	684,976	689,732
Debt to gross book value ratio (excluding convertible debentures) (6)	52.0%	50.8%	52.0%
Debt to gross book value ratio (including convertible debentures) (6)	58.1%	57.9%	58.0%
Interest coverage ratio (6)	2.06	2.13	2.05
Debt service coverage ratio (6)	1.40	1.46	1.40
Weighted average mortgage contractual interest rate	4.50%	4.83%	4.56%

Operational Information	**March 31 2016**	March 31 2015	December 31 2015
Portfolio occupancy	86.2%	84.8%	88.1%
Committed portfolio occupancy	86.9%	85.0%	89.2%
Gross leasable area ("GLA")	6,987,747	7,515,201	6,986,263
Average net rent in place per square foot	$12.87	$ 12.68	$ 12.87
Number of investment properties	57	59	57

Notes:

(1) A non-IFRS measurement, defined as rental revenue (net rents, property tax and operating cost recoveries, as well as other miscellaneous income from tenants) less property operating expenses from rental properties and share of the joint venture property rental revenue less property operating expenses(see Section V. B & C).

(2) A non-IFRS measurement. See Section V. B for definitions of FFO and FFO per unit.

(3) Including Class B units of subsidiary partnerships (the "Class B Units") and Units issued under the REIT's Long Term Incentive Plan ('LTIP") unless they are anti-dilutive.

(4) For the three months ended March 31, 2015 FFO, payout ratio has been calculated based on the REIT's previous annualized distribution rate of $0.45 per unit.

(5) For the year ended December 31, 2015, FFO, payout ratio has been calculated based on the REIT's annualized distribution rate of $0.30 per unit.

(6) Non-IFRS measurement. See Section VI. A for definitions and calculations.

Section I – Overview and Outlook

OneREIT is an unincorporated open-end real estate investment trust created pursuant to a Declaration of Trust dated December 15, 2003, as amended and restated by the Seventh Amended and Restated Declaration of Trust dated October 2, 2014, as amended on June 16, 2015, and as further amended from time to time (the “Declaration of Trust”). The REIT is governed under the laws of the Province of Ontario. Units of the REIT (“Units”) are listed on the Toronto Stock Exchange under the symbol ONR.UN.

As at March 31, 2016 our portfolio of retail properties is geographically diversified across Canada with approximately 54% of gross leasable area ("GLA") in Ontario and 31% of GLA west of Ontario. The majority of the western Canadian portfolio, or 20% of GLA, is located in Saskatchewan.

A. The REIT’s Strategy

The REIT’s goal is to enhance long-term Unitholder value by:

- increasing occupancy through active asset management;
- enhancing the value of our properties through redevelopment, revitalization and marketing;
- growing the asset base through accretive acquisitions;
- pursuing select development projects;
- improving the shopping experience at our properties, which we believe will lead to increased traffic and tenant sales;
- controlling operating costs;
- improving the appearance and maintaining our properties;
- periodically reviewing the portfolio to determine if opportunities exist to re-deploy equity from slow growth and low return properties into higher growth and higher return investments; and
- obtaining financing to ensure funds are available to execute on leasing and redevelopment initiatives and to reduce the interest cost of debt.

Mitchell Goldhar, the owner of Penguin Investments Inc. (“Penguin”), formerly known as the SmartCentres Inc. group of companies, directly and indirectly, and a group associated with Mitchell Goldhar (collectively the “SC/MRR Group”) own as at March 31, 2016, approximately 18% of the issued and outstanding Units and Class B Units. As a result of this relationship, we believe the synergies offered by such association further the REIT's growth and value creation initiatives.

The REIT, with the assistance of the Penguin development and leasing teams, develops and revises, as necessary, strategies to achieve our goals as follows:

- focusing leasing efforts to increase rental and occupancy rates, lengthen lease maturities and strengthen the overall tenant base; and
- developing and executing comprehensive redevelopment plans for certain properties, including adding rentable space where opportunities permit.

Leasing and Asset Management

The REIT's portfolio benefits from focused internal asset management together with the Penguin leasing and development services.

Conditions in the leasing market may impact the speed of portfolio occupancy improvement and planned rental revenue increases. We continue to modify and revisit the REIT’s leasing and asset management plans as circumstances evolve. We remain committed to executing leasing initiatives to improve occupancy**.**

Redevelopment

Management, in collaboration with Penguin, continues to review redevelopment strategies, which may include:

- converting common areas to leasable areas;

- redemising large vacant anchor spaces to attract national retailers who require large store formats, with a view to enhancing the appeal of the shopping centres by better matching the type of tenants to community needs and retail mix of the property; and
- where permitted, building additional free-standing buildings ("pads") on our sites to increase GLA and revenue.

Asset Class

The REIT's core strategy is the ownership and management of retail shopping centres. The assets are categorized as enclosed malls, new format shopping centres and open air plazas.

The specific retail assets in which the REIT currently invests are:

(i) *New Format Shopping Centres*

Unenclosed new format shopping centres include multiple buildings arranged in a campus format. The shopping centres are large aggregations of dominant retailers grouped together at high traffic locations and with easily accessible parking. These unenclosed campus style centres are generally anchored by supermarkets and/or junior department stores.

(ii) *Open Air Plazas*

Open air plazas are typically contained within a single building envelope on a single level. The shopping centre is oriented for an outdoor shopping experience and possesses limited common facilities. The shopping centres are generally anchored by a supermarket, pharmacy or department store alongside an array of small to medium retail and service tenancies. The tenant base appeals to the local or regional base with products and services for frequent and routine shopping.

(iii) *Enclosed Malls*

Enclosed Malls are predominantly contained within a single building envelope. The shopping centre is oriented for an indoor retail experience and possesses many common elements including common entrances, climate controlled corridors, furniture, washrooms and guest services. The shopping centre is typically located on a principal arterial or minor arterial road, situated within a retail agglomeration or serves as one of the dominant offerings in the trade area.

B. Significant Transactions & Management Actions

Internalization of Property Management

The REIT commenced the transition of the property management functions for most of its properties from third parties. The REIT has hired and trained new employees for the internalization of property management functions and has built a team of dedicated internal personnel. The REIT expects to increase cash flow and the value of its portfolio through initiatives to enhance operating performance with its best-in-class property management platform.

Effective January 1, 2016 the REIT completed the transition of property management functions for two properties formerly managed by SmartREIT. On April 1, 2016 the REIT fully internalized the property functions for the 42 properties formerly managed by Arcturus Limited Partnership.

Financing

On March 8, 2016, the REIT refinanced a maturing mortgage loan of $7.7 million bearing an interest rate of 6.5% on Plaza Don Quichotte, in Ile-Perrot, Quebec, with a new mortgage loan of $15.0 million bearing an interest rate of 3.63%

On May 2, 2016, the REIT refinanced a maturing loan of $5.3 million bearing an interest rate of 5.95% on McIntyre Centre, located in Thunder Bay, Ontario, with a new mortgage loan of $12.5 million for 3.21%.

The REIT has reached an agreement with a Canadian chartered bank to amend and extend the revolving line of credit to June 30, 2018. The facility will have availability of $40 million and will be secured by specific charges on certain investment properties, bearing interest at prime plus 100 basis points or at Bankers' Acceptance plus 225 basis points.

C. Development and Redevelopment Activities

Development and redevelopment activities are based on market opportunities and a set of investment criteria. Our current development projects consist of asset repositioning and intensification. All development projects are managed to minimize leasing risk by seeking to ensure space to be developed or redeveloped is substantially leased prior to construction commencement.

Golden Mile, Regina, Saskatchewan

Golden Mile Shopping Centre will be substantially redeveloped with the REIT's planned investment of approximately $30 million into the shopping centre. A new 92,000 square foot Real Canadian Superstore will serve as the anchor tenant and occupy the central portion of the shopping centre with an opening scheduled for spring of 2017. The southern portion has been reformatted to accommodate a new 24,500 square foot Goodlife Fitness which opened in March 2016, along with a variety of new tenants which will occupy another 35,000 square feet of retail space.

On site activities commenced in March 2015 and all phases of redevelopment are expected to be completed by mid-2018. The shopping centre will feature approximately 256,000 square feet upon completion, offering an additional 21,000 square feet of leasable area, along with new exterior entrances and façades.

Creekside Crossing, Mississauga, Ontario

Creekside Crossing will be a 430,000 square foot unenclosed shopping centre upon completion. The shopping centre is being developed by the REIT, together with its joint venture partners. The REIT has a 30% ownership interest in Creekside Crossing.

Currently 366,000 square feet of the development has been completed, with Walmart, Costco, LCBO, The Beer Store, RBC and TD Canada Trust, among others, having opened. Construction on the remaining 64,000 square feet has commenced. The final phase has been predominantly pre-leased to a strong mix of tenants such as Dollarama, CIBC and East Side Mario's.

Orangeville Mall, Orangeville, Ontario

Orangeville Mall is an 184,000 square foot enclosed shopping mall. It is the only enclosed shopping centre in Orangeville and is located in the heart of the region's dominant retail node, at First Street and Highway 10, serving a trade area population of over 50,000.

The REIT has entered into a binding lease agreement for a 19,000 square foot Michaels at Orangeville Mall, with an initial term of 10 years with additional renewal options. Michaels anticipated opening is September 2016. With the recent addition of Sportchek and Homesense, this completes the re-tenanting of the former Zellers space at the shopping centre.

Section II – Portfolio Summary

A. Property Profiles

The table below provides a summary of the properties in the REIT's portfolio as at March 31, 2016.

Property	Location	Type	Weighted Avg. Remaining Lease Term	Key Tenants	GLA (sq. ft.)	Occupancy (%)
British Columbia						
Chilliwack Mall	Chilliwack	Enclosed Mall	3.3	Safeway, Sport Chek, Winners, Reitmans, Chevron, Liquor Store	166,714	83.5%
Mission Shopping Centre	Mission	New Format	14.8	Walmart, Dollarama	113,222	100.0%
South Fraser Gate	Abbotsford	Open Air Plaza	6.0	Shoppers Drug Mart, Original Joe's	32,458	92.1%
Alberta						
Carry Plaza	Medicine Hat	Open Air Plaza	4.8	Rexall, Earl's Restaurant, Bank of Montreal	59,131	89.7%
Cochrane Centre	Cochrane	Open Air Plaza	4.0	Shoppers Drug Mart, CIBC, Starbucks	59,987	89.6%
Eastview Centre	Red Deer	Open Air Plaza	2.8	Sobeys, Bank of Montreal	35,211	97.3%
Saskatchewan						
Golden Mile Shopping Centre	Regina	Enclosed Mall	9.2	Extra Foods, Goodlife Fitness, Rainbow Cinemas, Royal Bank of Canada	175,573	95.7%
Kindersley Mall	Kindersley	Enclosed Mall	7.9	Extra Foods, Home Hardware Building Centre, Sask. Liquor & Gaming	143,140	77.6%
South Hill Mall	Prince Albert	Enclosed Mall	5.4	Safeway(1), Good Life Fitness, Winners, Galaxy Cinemas, Shoppers Drug Mart, Sask. Liquor & Gaming	174,593	88.5%
Southland Mall	Regina	Enclosed Mall	7.7	Canadian Tire, Sport Chek, Mark's, Atmosphere, Safeway, Cineplex Odeon, Chapters	436,459	92.5%
Town 'N' Country Mall	Moose Jaw	Enclosed Mall	3.6	Galaxy Cinemas, Sport Chek, Dollarama, Sears	340,036	49.8%
Wheatland Mall	Swift Current	Enclosed Mall	3.5	Pioneer Co-Op(1), Dollarama, Giant Tiger, Bulk Barn, Peavey Mart	131,860	72.0%
Manitoba						
City Centre Mall	Thompson	Enclosed Mall	3.2	Walmart, Safeway, Mark's, TD Canada Trust, Vantis Credit Union	183,300	92.9%
Ontario						
1100-1170 Burnhamthorpe Rd. W.	Mississauga	Open Air Plaza	3.9	Re/Max, Swiss Chalet	199,849	83.6%
1224 Dundas St. E.	Mississauga	Open Air Plaza	2.0	Deeper Life Ministries, Canadian Tire(2)	203,185	63.0%
681-691 Gardiners Rd.	Kingston	Open Air Plaza	1.1	Goldspan Furniture, Bay Bros, Speedy Muffler, Hakim Optical	48,040	91.4%
750-760 Birchmount Rd.	Toronto	Open Air Plaza	2.6	Pillar Direct Marketing, Baskits, United Auto Parts	66,277	100.0%
Bowmanville Mall	Bowmanville	Enclosed Mall	6.1	Metro, Shoppers Drug Mart, Goodlife Fitness, Dollarama	123,676	97.3%
Bowmanville Square	Bowmanville	Open Air Plaza	7.0	Staples, The Beer Store, RBC	29,548	100.0%
Burlington Shopping Centre	Burlington	New Format	1.5	Bad Boy Furniture, Staples, Lee Valley Tools	134,225	59.6%
Creekside Crossing	Mississauga	New Format	15.6	Walmart, Costco, LCBO, The Beer Store, TD Canada Trust, RBC	110,879(4)	100.0%
Elgin Mall	St. Thomas	Enclosed Mall	3.4	Metro, Galaxy Cinemas, Goodlife Fitness	262,513	48.9%
Fergus Shopping Centre	Fergus	New Format	15.8	Walmart, LCBO	109,652	100.0%
Hartzel Plaza	St. Catharines	Open Air Plaza	5.4	Metro, Niagara Community Care Access Centre, St. Catharines Public Library	67,972	100.0%
Kapuskasing Shopping Centre	Kapuskasing	New Format	4.9	Walmart, Dollar Tree	71,306	100.0%
Kenora Shopping Centre	Kenora	New Format	8.8	Walmart	80,881	100.0%
Kingspoint Plaza	Brampton	Open Air Plaza	5.4	Shoppers Drug Mart, Goodlife Fitness, Giant Tiger, Long & McQuade	202,173	97.7%
Lincoln Value Centre	St. Catharines	Open Air Plaza	6.0	Walmart, Canadian Tire, No Frills, Dollarama	365,851	88.1%
McIntyre Centre	Thunder Bay	Open Air Plaza	3.6	Shoppers Drug Mart, Goodlife Fitness, Fabricland, Bulk Barn	66,081	96.5%
Midland Shopping Centre	Midland	New Format	1.5	Mark's, Dollar Tree, Boston Pizza, Walmart(2), Home Depot(2)	35,594	100.0%

Property	Location	Type	Weighted Avg. Remaining Lease Term	Key Tenants	GLA (sq. ft.)	Occupancy (%)
Napanee Shopping Centre	Napanee	New Format	8.4	Walmart, Dollarama, Mark's	109,383	100.0%
Norfolk Mall	Tillsonburg	Open Air Plaza	2.9	Dollarama, Swiss Chalet, Pet Valu, Fabricland	87,979	99.0%
Orangeville Mall	Orangeville	Enclosed Mall	4.5	Metro, Shoppers Drug Mart, Home Sense, Sport Chek	162,684	73.4%
Orillia Shopping Centre	Orillia	New Format	10.9	Walmart, Staples, Winners, Michaels, Dollarama, SleepCountry	241,516	100.0%
Peterborough Crossing	Peterborough	New Format	4.3	Home Outfitters, Jysk Linen 'N Furniture, Boston Pizza	58,355	100.0%
Renfrew Shopping Centre	Renfrew	New Format	8.1	Mark's, LCBO	17,414	85.5%
Red River Plaza	Thunder Bay	Open Air Plaza	2.4	Salvation Army, Anytime Fitness	19,025	100.0%
Rockland Shopping Centre	Rockland	New Format	10.7	Walmart, Dollarama, LCBO, Boston Pizza, Bulk Barn	147,358	100.0%
Scarborough Shopping Centre	Toronto	New Format	5.1	Staples, Fabricland, Pharmacentre, Fit 4 Less, The Beer Store, Swiss Chalet, RBC	101,966	88.4%
Simcoe Shopping Centre	Simcoe	New Format	15.9	Walmart, LCBO, Dollar Tree	129,876	100.0%
Tillsonburg Town Centre	Tillsonburg	Enclosed Mall	5.0	Walmart, Canadian Tire, Shoppers Drug Mart, Staples, Mark's, LCBO, CIBC, TDCanada Trust, Dollar Tree	281,260	94.7%
Yorkgate Mall	Toronto	Enclosed Mall	3.0	No Frills, Seneca College, Dollarama, IDA Drug Mart, LCBO	217,339	67.6%
Quebec						
Carrefour des Forges	Drummondville	Open Air Plaza	2.4	IGA Extra, SAQ, National Bank, Dollarama	74,782	100.0%
Carrefour Don Quichotte	Ile-Perrot	Open Air Plaza	2.2	Giant Tiger, CIBC, Starbucks	71,406	65.2%
Drummondville Shopping Centre	Drummondville	New Format	3.3	Addition-Elle, Dormez-Vous Sleep Centres, CIBC, Walmart(2)	51,186	93.9%
Galeries Don Quichotte	Ile-Perrot	Open Air Plaza	0.7	Laurentian Bank	26,742	18.8%
IGA Tremblant	Mont-Tremblant	Open Air Plaza	4.8	IGA Extra	37,549	100.0%
Magog Shopping Centre	Magog	New Format	11.0	Walmart, TD Bank, Bulk Barn	113,039	100.0%
Plaza Don Quichotte	Ile-Perrot	Open Air Plaza	2.1	IGA Extra, SAQ, Desjardins, Tim Hortons	107,101	94.1%
New Brunswick						
600 Fairville Blvd	Saint John	Open Air Plaza	9.7	Global Pet Foods	3,515	100.0%
Harding Street Property(3)	Saint John	Development Land	N/A	N/A	N/A	N/A
Lancaster Mall	Saint John	Enclosed Mall	9.4	Walmart, No Frills, Shoppers Drug Mart, McDonalds, BMO, Urban Planet	235,070	90.2%
Nova Scotia						
New Minas Shopping Centre	New Minas	New Format	3.4	Sport Chek, Mark's, Bank of Nova Scotia, Bulk Barn	45,561	95.5%
Truro Shopping Centre	Truro	New Format	5.4	Walmart, Dollarama, Reitmans	132,851	95.4%
Woodlawn Shopping Centre	Dartmouth	Open Air Plaza	4.1	Staples, Atlantic Fabrics, Taylor Flooring, Giant Tiger	157,722	85.8%
Yukon Territory						
Qwanlin Mall	Whitehorse	Open Air Plaza	4.1	Extra Foods, Shoppers Drug Mart, Staples, Ashley Furniture	102,447	100.0%
Newfoundland and Labrador						
Gander Shopping Centre	Gander	New Format	1.3	Bank of Nova Scotia, Buck or Two, The Source	25,235	91.8%
TOTALS			**6.3**		**6,987,747**	**86.2%**

Notes:

(1) Shadow anchor with interior access to the mall.

(2) Standalone shadow anchor.

(3) Vacant development land neighboring 600 Fairville and Lancaster Mall.

(4) The GLA represents the REIT's 30% interest in Creekside Crossing. An increase of 1,350 sq.ft. in GLA from Q4 2015 to Q1 2016 is due to new development.

B. Occupancy

As at March 31, 2016, the REIT's portfolio was comprised of 7.0 million square feet of GLA, of which 6.0 million square feet was occupied, equating to an 86.2% occupancy rate, compared to 88.1% at the end of Q4 2015.

The following table illustrates our historical occupancy rates:

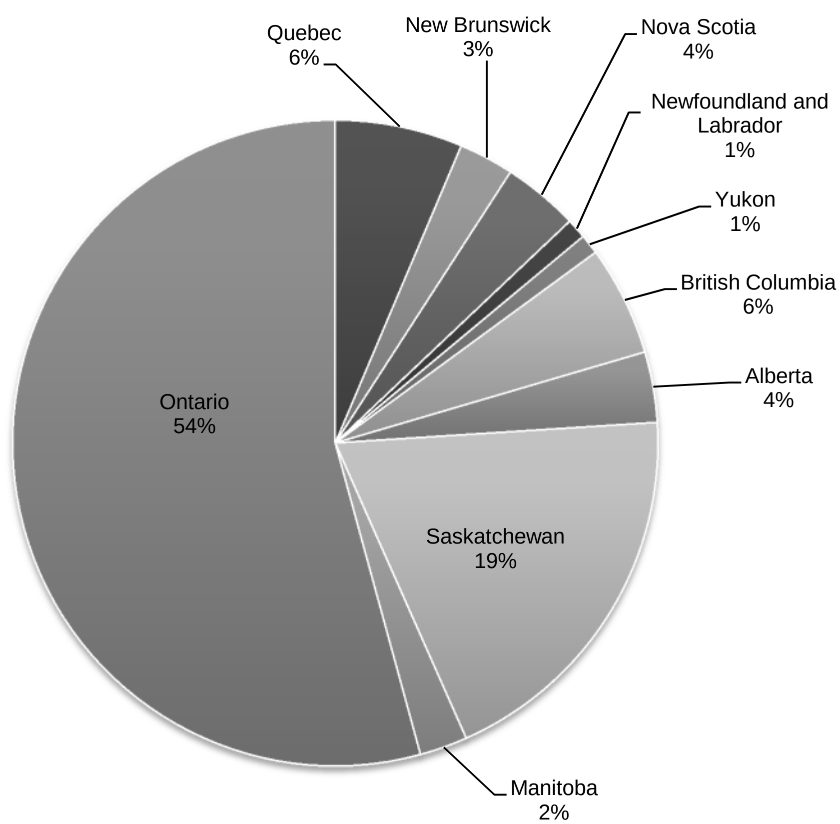
Quarter End	Portfolio Occupancy %	Committed Occupancy[(1)] %
Q1 2016	86.2%	86.9%
Q4 2015	88.1%	89.2%
Q3 2015	88.3%	88.9%
Q2 2015	88.1%	88.6%
Q1 2015	84.8%	85.0%
Q4 2014	85.6%	85.7%
Q3 2014	84.6%	85.2%
Q2 2014	84.3%	85.0%
Q1 2014	85.5%	86.2%

(1) Committed occupancy is calculated by adding portfolio occupancy to the GLA with respect to fully executed agreements that have no unusual conditions and under which management expects the tenants will take possession as planned.

C. Portfolio Distribution – By Province

The chart below summarizes the REIT's properties by geographic location as at March 31, 2016.

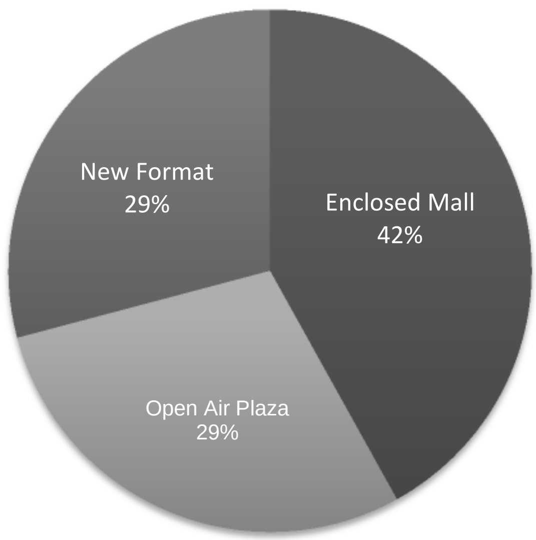
GROSS RENT BY PROVINCE



D. Portfolio Distribution – By Property Type

The chart below summarizes the REIT's portfolio by property type as at March 31, 2016.

GROSS RENT BY PROPERTY TYPE



PORTFOLIO DISTRIBUTION BY PROPERTY TYPE

The tables below summarize the REIT's portfolio by property type as at March 31, 2016 and 2015.

As at March 31, 2016:

Property Type	GLA (sq. ft.)	Occupancy (sq. ft.)	Occupancy Rate	Annualized Gross Rent*
Enclosed Mall	3,034,217	2,404,554	79.2%	51,793,385
Open Air Plaza	2,124,031	1,869,283	88.0%	36,332,246
New Format	1,829,499	1,747,568	95.5%	36,072,064
TOTAL	**6,987,747**	**6,021,405**	**86.2%**	**$124,197,695**

** As at March 31, 2016 rent rolls, annualized*

As at March 31, 2015:

Property Type	GLA (sq. ft.)	Occupancy (sq. ft.)	Occupancy Rate	Annualized Gross Rent*
Enclosed Mall	3,587,173	2,730,961	76.1%	57,276,195
Open Air Plaza	2,114,972	1,873,444	88.6%	36,109,341
New Format	1,813,056	1,766,983	97.5%	36,444,454
TOTAL	**7,515,201**	**6,371,388**	**84.8%**	**$129,829,990**

** As at March 31, 2015 rent rolls, annualized*

E. Top 20 Tenants

The REIT strives to diversify its tenant base with quality retailers. Walmart Canada is currently the REIT's largest tenant.

The following table provides information relating to the REIT's top 20 tenants, as measured by gross rent, as at March 31, 2016.

TOP 20 TENANTS BY ANNUALIZED GROSS RENT

Rank	Tenant	# of Stores	Occupied Area (sq. ft.)	% of Total GLA	Gross Rent*	% of Annualized Gross Rent*	Weighted Avg. Lease Term Remaining
1	Walmart	16	1,517,439	21.7%	$23,507,412	18.9%	10.5
2	Loblaw Companies	18	385,627	5.5%	8,255,702	6.6%	7.1
3	Canadian Tire Companies	14	416,087	6.0%	7,569,851	6.1%	7.4
4	Sobeys	7	283,662	4.1%	3,688,300	3.0%	2.8
5	Metro Companies	4	152,514	2.2%	2,971,763	2.4%	5.2
6	Staples	7	156,347	2.2%	2,750,270	2.2%	4.1
7	Goodlife	6	129,937	1.9%	2,734,094	2.2%	7.6
8	Dollarama	12	116,601	1.7%	2,464,661	2.0%	3.9
9	Cineplex Companies	4	101,625	1.5%	2,034,802	1.6%	5.4
10	Giant Tiger	4	103,436	1.5%	1,604,874	1.3%	3.3
11	LCBO	7	51,719	0.7%	1,510,449	1.2%	10.4
12	TJX Companies	4	93,760	1.3%	1,496,281	1.2%	5.8
13	Cara Restaurants	7	41,743	0.6%	1,469,131	1.2%	5.9
14	Royal Bank of Canada	5	27,585	0.4%	1,239,299	1.0%	5.8
15	CIBC	5	26,963	0.4%	1,047,353	0.8%	3.3
16	Ardene	9	29,762	0.4%	984,541	0.8%	2.9
17	Smitty's	4	25,178	0.4%	942,730	0.8%	4.2
18	TD Canada Trust	7	25,091	0.4%	896,985	0.7%	3.8
19	The Source	10	24,025	0.3%	853,109	0.7%	2.9
20	Beer Store	4	22,190	0.3%	834,015	0.7%	6.2
Top 20 Tenants		**154**	**3,731,291**	**53.5%**	**$68,855,622**	**55.4%**	**7.6**
Top 5 Tenants		**59**	**2,755,329**	**39.5%**	**45,993,028**	**37.0%**	**8.5**

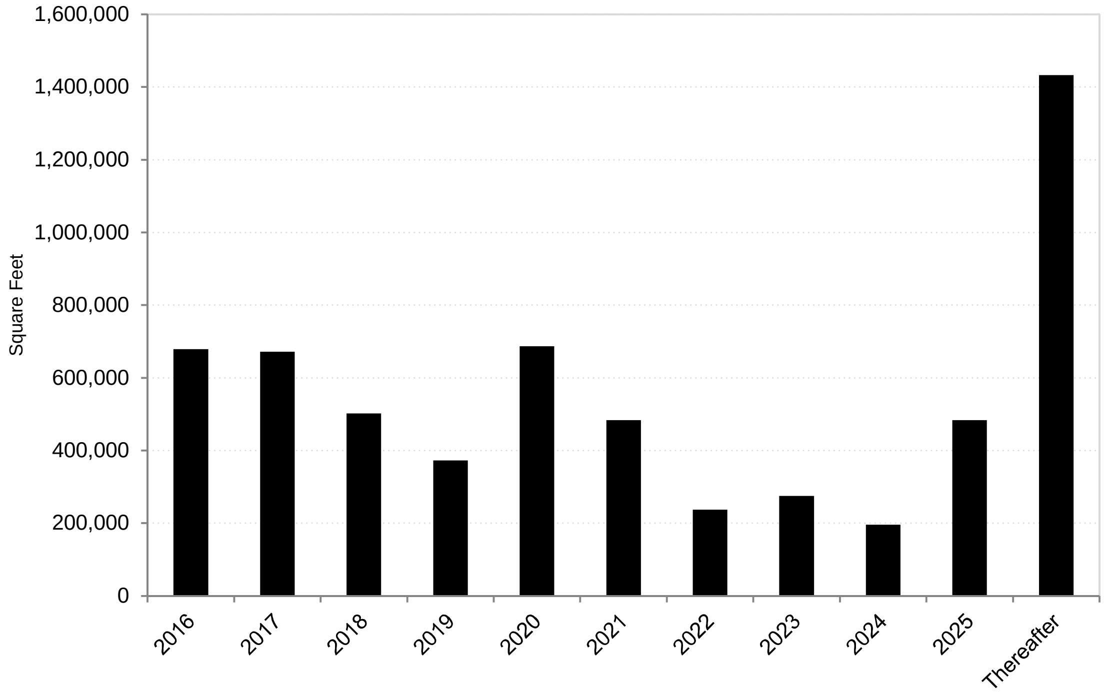
** As at March 31, 2016 rent rolls, annualized.*

Canadian chartered banks account for 3.7% of annualized gross rent as at March 31, 2016.

F. Lease Expiry Data

The following graph and tables show lease expiries by year and by province, as at March 31, 2016.

LEASE EXPIRY BY YEAR



LEASE EXPIRY BY YEAR

Year	Area (sq. ft)	% Total GLA
2016	679,348	9.7%
2017	671,979	9.6%
2018	501,809	7.2%
2019	373,017	5.4%
2020	687,061	9.8%
2021	483,931	6.9%
2022	236,971	3.4%
2023	275,192	4.0%
2024	196,287	2.8%
2025	483,228	6.9%
Thereafter	1,432,582	20.5%
Vacancy	966,342	13.8%
Total	**6,987,747**	**100.0%**

LEASE EXPIRY BY PROVINCE AND YEAR*

Province		GLA	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
British Columbia	Sq. Ft.	312,394	49,856	19,143	2,999	13,749	1,814	7,649	33,426	54,099	3,628	1,066
	% of GLA		16.0%	6.1%	1.0%	4.4%	0.6%	2.4%	10.7%	17.3%	1.2%	0.3%
Alberta	Sq. Ft.	154,329	14,456	23,440	16,857	13,060	31,292	13,953	960	-	20,073	5,434
	% of GLA		9.4%	15.2%	10.9%	8.5%	20.3%	9.0%	0.6%	0.0%	13.0%	3.5%
Saskatchewan	Sq. Ft.	1,401,661	124,284	91,159	117,598	50,783	128,744	125,918	88,110	24,045	14,934	49,253
	% of GLA		8.9%	6.5%	8.4%	3.6%	9.2%	9.0%	6.3%	1.7%	1.1%	3.5%
Manitoba	Sq. Ft.	183,300	14,156	92,441	5,898	5,841	8,958	3,688	-	-	39,251	-
	% of GLA		7.7%	50.4%	3.2%	3.2%	4.9%	2.0%	0.0%	0.0%	21.4%	0.0%
Ontario	Sq. Ft.	3,751,857	326,782	310,495	274,918	178,072	492,225	156,357	57,660	162,294	117,036	367,389
	% of GLA		8.7%	8.3%	7.3%	4.7%	13.1%	4.2%	1.5%	4.3%	3.1%	9.8%
New Brunswick	Sq. Ft.	238,585	8,663	6,057	8,773	22,055	9,638	-	-	17,277	-	40,884
	% of GLA		3.6%	2.5%	3.7%	9.2%	4.0%	0.0%	0.0%	7.2%	0.0%	17.1%
Nova Scotia	Sq. Ft.	336,134	53,410	4,909	32,435	18,798	2,323	120,495	40,880	17,477	1,365	7,829
	% of GLA		15.9%	1.5%	9.6%	5.6%	0.7%	35.8%	12.2%	5.2%	0.4%	2.3%
Yukon	Sq. Ft.	102,447	-	19,775	-	64,182	-	-	-	-	-	-
	% of GLA		0.0%	19.3%	0.0%	62.6%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Quebec	Sq. Ft.	481,805	68,577	104,560	42,331	6,477	12,067	51,879	15,935	-	-	11,373
	% of GLA		14.2%	21.7%	8.8%	1.3%	2.5%	10.8%	3.3%	0.0%	0.0%	2.4%
Newfoundland and Labrador	Sq. Ft.	25,235	19,164	-	-	-	-	3,992	-	-	-	-
	% of GLA		75.9%	0.0%	0.0%	0.0%	0.0%	15.8%	0.0%	0.0%	0.0%	0.0%
TOTAL	**Sq. Ft.**	**6,987,747**	**679,348**	**671,979**	**501,809**	**373,017**	**687,061**	**483,931**	**236,971**	**275,192**	**196,287**	**483,228**
	% of GLA		**9.7%**	**9.6%**	**7.2%**	**5.4%**	**9.8%**	**6.9%**	**3.4%**	**4.0%**	**2.8%**	**6.9%**

** As at March 31, 2016*

LEASE EXPIRY BY PROPERTY TYPE AND YEAR*

Province		GLA	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Enclosed Mall	Sq. Ft.	3,034,217	288,075	346,111	196,300	162,462	297,791	154,598	150,097	104,371	80,844	180,690
	% of GLA		9.5%	11.4%	6.5%	5.4%	9.8%	5.1%	4.9%	3.4%	2.7%	6.0%
Open Air Plaza	Sq. Ft.	2,124,031	311,234	239,783	227,904	154,711	251,467	176,763	71,162	100,924	101,481	190,548
	% of GLA		14.7%	11.3%	10.7%	7.3%	11.8%	8.3%	3.4%	4.8%	4.8%	9.0%
New Format	Sq. Ft.	1,829,499	80,039	86,085	77,605	55,844	137,803	152,570	15,712	69,897	13,962	111,990
	% of GLA		4.4%	4.7%	4.2%	3.1%	7.5%	8.3%	0.9%	3.8%	0.8%	6.1%
TOTAL	**Sq. Ft.**	**6,987,747**	**679,348**	**671,979**	**501,809**	**373,017**	**687,061**	**483,931**	**236,971**	**275,192**	**196,287**	**483,228**
	% of GLA		**9.7%**	**9.6%**	**7.2%**	**5.4%**	**9.8%**	**6.9%**	**3.4%**	**4.0%**	**2.8%**	**6.9%**

** As at March 31, 2016*

Section III - Leasing

The REIT may experience short-term fluctuations in occupancy and leasing costs from quarter to quarter as some tenants vacate leased premises and others take possession. It is our objective to increase the term of our leases. Although many retailers remain cautious, several national retailers are expected to continue to upgrade or expand existing stores, and open new locations. The REIT, with Penguin's leasing team, continues to work with retailers to seek new tenancies, expansions and renewals.

Significant leasing activity during the first quarter of 2016 and up to the date of this MD&A includes:

1. At 750-760 Birchmount Rd., UAP renewed its lease for 13,438 square feet for an additional 5 year term.
2. At Napanee Shopping Centre, Dollarama renewed its lease for 8,365 square feet for an additional 5 year term and Marks renewed its lease for 6,005 square feet for an additional 5 year term.
3. At Tillsonburg Town Centre, CIBC renewed its lease for 6,482 square feet for an additional 5 year term.
4. At Carry Plaza, Medicine Hat Buffet renewed its lease for 6,000 square feet for an additional 5 year term.
5. At Chilliwack Mall, The Liquor Store renewed its lease for 6,285 square feet for an additional 5 year term.
6. At Woodlawn Shopping Centre, Staples renewed its lease for 25,815 square feet for an additional 5 year term.
7. At Carrefour Don Quichotte, CIBC renewed its lease for 3,551 square feet for an additional 5 year term.
8. At Galeries Don Quichotte, the Laurentian Bank renewed its lease for 3,577 square feet for an additional 5 year term.
9. At Gander Shopping Centre, ScotiaBank renewed its lease for 6,610 square feet for an additional 5 year term.

Leasing activity is categorized as (i) renewals (ii) new leases, or (iii) expired leases. Renewals include any renewal, amendment or holdovers of lease agreements that change the lease expiry date, the square footage or the rent payable by the tenant.

New lease agreements taking effect in the first quarter of 2016 include 12 new tenancies representing 38,343 square feet of GLA at a weighted average base rent of $6.27 per square foot. Also taking effect in the first quarter of 2016 were lease renewals for 37 tenants representing 103,154 square feet of GLA at a weighted average base rent of $12.35 per square foot, a $0.45 increase over the base rents payable under the expiring leases.

Lease renewals taking effect in 2016, include 58 tenants representing 210,300 square feet of GLA at a weighted average base rent of $13.12 per square foot, an increase of $0.54 from weighted average base rent of $12.58 payable under the expiring leases.

The REIT has entered into 19 new leases taking effect in 2016, for 190,712 square feet of GLA, at a weighted average base rent of $14.69 per square foot.

Excluding the impact of planned vacancies to accommodate the redevelopment of Golden Mile Shopping Centre, leasing activity completed by the REIT as at March 31, 2016 is set out in the tables below.

LEASING ACTIVITY TO MARCH 31, 2016 BECOMING EFFECTIVE

Q1-2016	# of tenants	Square footage	Weighted avg. old base rent	Weighted avg. new base rent	Weighted avg. rent change
Renew/Amend/Month-to-month	37	103,154	$11.90	$12.35	$0.45
New Leasing	12	38,343	-	6.27	6.27
Expired	16	177,210	10.48	-	(10.48)
Absorption		**(138,867)**			

Q2-2016	# of tenants	Square footage	Weighted avg. old base rent	Weighted avg. new base rent	Weighted avg. rent change
Renew/Amend/Month-to-month	11	80,590	$12.57	$13.34	$0.77
New Leasing	4	35,069	-	12.79	12.79
Expired	0	-	-	-	-
Absorption		**35,069**			

Q3-2016	# of tenants	Square footage	Weighted avg. old base rent	Weighted avg. new base rent	Weighted avg. rent change
Renew/Amend/Month-to-month	5	13,384	$18.13	$17.29	($0.84)
New Leasing	2	24,919	-	16.20	16.20
Expired	0	-	-	-	-
Absorption		**24,919**			

Q4-2016	# of tenants	Square footage	Weighted avg. old base rent	Weighted avg. new base rent	Weighted avg. rent change
Renew/Amend/Month-to-month	5	13,172	$12.44	$13.57	$1.13
New Leasing	1	92,381	-	18.50	18.50
Expired	0	-	-	-	-
Absorption		**92,381**			

2016	# of tenants	Square footage	Weighted avg. old base rent	Weighted avg. new base rent	Weighted avg. rent change
Renew/Amend/Month-to-month	58	210,300	$12.58	$13.12	$0.54
New Leasing	19	190,712	-	14.69	14.69
Expired	16	177,210	10.48	-	(10.48)
Absorption		**13,502**			

2017	# of tenants	Square footage	Weighted avg. old base rent	Weighted avg. new base rent	Weighted avg. rent change
Renew/Amend/Month-to-month	1	36,165	$17.00	$13.25	($3.75)
New Leasing	0	-	-	-	-

Section IV – Investment Properties

A. Investment Properties

The change in the fair value of the REIT's investment properties during the period is detailed below:

(all amounts in $000's)	**Three months ended March 31, 2016**	Year ended December 31, 2015
Opening fair value	**1,153,300**	1,149,209
Dispositions	**-**	(16,050)
Redevelopment and portfolio improvement	**2,738**	23,789
Leasing costs	**406**	1,329
Tenant inducements	**121**	(119)
Straight line rent	**215**	343
Fair value losses	**(1,280)**	(5,201)
Closing fair value	**1,155,500**	1,153,300

The key valuation metrics utilized to value the investment properties are set out below:

	March 31, 2016	December 31, 2015
Weighted average discount rate	**7.61%**	7.61%
Range of discount rates	**6.25% – 13.00%**	6.25% – 13.00%
Weighted average terminal capitalization rate	**6.86%**	6.86%
Range of terminal capitalization rate	**6.00% -13.00%**	6.00% -13.00%

Valuation of investment properties

The fair value of each investment property is determined internally by discounting the expected future cash flows, generally over a term of 10 or 11 years, including a terminal value, based on the application of a terminal capitalization rate to the estimated final year of cash flows. The expected future cash flows reflect, among other things, rental income from current leases and assumptions about rental income from future leases in light of current market conditions. The cash flows also reflect estimated cash outflows with respect to the property. To supplement the internally generated fair value, the REIT also engages external appraisers to complete appraisals for approximately one third of the portfolio by value on an annual rotation basis to ensure substantially all of the portfolio is appraised externally over a three-year period. The value determined by the external appraisers is compared to the internally generated fair value.

For the three months ended March 31, 2016, the REIT recorded a fair value loss on investment properties of $1.3 million. The weighted average discount rate remained consistent at 7.61% at March 31, 2016 and December 31, 2015.

Costs capitalized to investment properties

Included in investment properties are redevelopments and portfolio improvements. During the three months ended March 31, 2016, the REIT capitalized $1.9 million (March 31, 2015 – $1.0 million) of costs related to investment properties under development including $0.2 million (March 31, 2015 - $0.1 million) of borrowing costs and $0.1 million (March 31, 2015 - $0.1 million) of realty taxes. The weighted average interest rate used for capitalization of borrowing costs to investment property under development for the period ended March 31, 2016 was 4.50%.

B. Maintenance of Productive Capacity

Maintaining and improving the productive capacity of the REIT's portfolio requires significant ongoing expenditures, categorized as leasing costs and maintenance expenditures.

Leasing Costs

Leasing costs, which include leasing commissions and tenant allowances, are costs incurred with respect to obtaining new tenants and renewing leases with existing tenants. These costs are dependent upon many factors and vary with the timing of lease renewals, vacancies, tenant mix and market conditions. The accounting for leasing costs varies depending on the nature of the costs incurred. Direct leasing costs incurred in negotiating and arranging tenant leases are added to the carrying amount of investment properties. Tenant allowances that enhance the value of the property are determined to be tenant improvements and are capitalized as part of investment property. Where the tenant allowance is determined to be a lease inducement, the amount is recognized as an asset and is amortized as a reduction to revenue on a straight line basis over the term of the related lease.

The following table summarizes the leasing costs incurred during the three months March 31, 2016 and 2015:

	Three months ended March 31	
(all amounts in $000's)	**2016**	2015
Tenant improvements	**260**	1,296
Tenant inducements	**149**	5
Leasing commissions	**406**	261
	815	1,562

Maintenance Expenditures

On a continuous basis, the REIT invests in its properties with significant expenditures on roofs, HVAC systems and parking lots. Certain of these amounts are recoverable from tenants. The REIT differentiates these expenditures between those incurred as operating expenses and those incurred to achieve improvements to the investment properties.

The following table summarizes the expenditures to achieve improvements to investment properties incurred during the three months ended March 31, 2016 and 2015:

	Three months ended March 31	
(all amounts in $000's)	**2016**	2015
Roofs	**326**	40
Heating, ventilation and air conditioning ("HVAC")	**122**	21
Parking lots	**59**	22
Other	**53**	7
	560	90

Section V – Financial Results

A. Funds From Operations

In Management's view, Funds From Operations ("FFO") is a meaningful measure of financial performance and unitholders, financial analysts and investors are well served when FFO disclosures are provided. FFO is a measure which should not be considered as an alternative to net income, cash flow from operations or any other operating or liquidity measures prescribed under IFRS. The REIT's method of calculating FFO may be different from methods used by others and, accordingly, may not be comparable.

FFO is a non-IFRS measure of the REIT's operating performance. The REIT calculates FFO in accordance with the Real Property Association of Canada ("REALpac") White Paper on Funds from Operations dated April, 2014.

The reconciliation of net income to FFO is set out below.

	Three months ended March 31	
(all amounts in $000's)	**2016**	2015
Net income (loss) for the period	**2,809**	(1,397)
Fair value losses on investment properties	**1,280**	755
Fair value losses associated with financial instruments	**4,457**	8,482
Fair value (gains) from joint venture	**(315)**	(58)
Finance costs- distributions on Class B Units	**830**	1,240
Tenant inducements amortized as a reduction to revenue	**28**	29
FFO	**9,089**	9,051

The comparison of the components of FFO for the three months ended March 31, 2016 and 2015 are set out below.

	Three months ended March 31			
(all amounts in $000's, except per unit and ratio amounts)	**2016**	2015	Change	% Change
Net operating income (1)	**18,426**	18,595	(170)	-0.9%
Trust expenses	**(1,245)**	(1,039)	(206)	19.8%
Finance cost - joint venture operations	**(183)**	(198)	15	-7.6%
Finance costs - operations	**(7,937)**	(8,336)	399	-4.8%
Tenant inducements amortized as a reduction to revenue	**28**	29	(1)	-4.6%
FFO	**9,089**	9,051	37	0.4%
Weighted average number of units (2)	**86,701**	85,588	1,113	1.3%
FFO, per unit	**$ 0.105**	$0.106	($ 0.001)	-0.9%
FFO, payout ratio	**71.4%**(3)	106.1%(4)		

Notes:

1. *A non-IFRS measurement, calculated by the REIT as rental revenue (net rents, property tax and operating cost recoveries, as well as other miscellaneous income from tenants) less operating expenses from rental properties and its share of the joint venture property rental revenue less property operating expenses.*
2. *Including Class B Units and Units issued under the LTIP unless they are anti-dilutive.*
3. *FFO, payout ratio for the three months ended March 31, 2016 has been calculated based on the REIT's new annualized distribution rate of $0.30 per unit. (see Section V. A & E)*
4. *FFO, payout ratio for the three months ended March 31, 2015 has been calculated based on the REIT's previous annualized distribution rate of $0.45 per unit.*

FFO for the three months ended March 31, 2016 was $9.1 million, which is consistent with FFO for the comparable period in 2015.

FFO per unit for the three month periods ended March 31, 2016 and 2015 was $0.105 and $0.106 per unit respectively, representing a $0.001 decrease. This decrease in FFO per unit is due to the increase in the number of units outstanding for the three months ended March 31, 2016 compared to the same period in 2015.

B. Results of Operations

The following sets out financial results for the three months ended March 31, 2016 and the comparable period.

	Three months ended March 31		Change	% Change
(all amounts in $000's)	**2016**	2015		
Total rental revenue	**30,272**	31,252	(980)	-3.1%
Total property operating expense	**12,303**	13,109	(806)	-6.1%
Net operating income [1]	**17,969**	18,143	(174)	-2.1%
Share of joint venture net operating income	**457**	452	5	1.0%
Total net operating income	**18,426**	18,595	(170)	-0.9%
Trust expenses	**1,245**	1,039	206	19.8%
Finance cost - joint venture operations	**183**	198	(15)	-7.6%
Finance costs-operations	**7,937**	8,336	(399)	-4.8%
Finance costs-distributions on Class B Units	**830**	1,240	(410)	-33.1%
Income before fair value gains (losses) and loss on sale of investment property	**8,231**	7,782	449	5.8%
Fair value (losses) associated with financial instruments	**(4,457)**	(8,482)	4,025	
Fair value (losses) on investment property	**(1,280)**	(755)	(525)	
Fair value gains on joint venture	**315**	58	257	
Net income (loss) for the period	**2,809**	(1,397)	4,205	

Notes:

(1) A non-IFRS measurement, calculated by the REIT as rental revenue (net rents, property tax and operating cost recoveries, as well as other miscellaneous income from tenants) less operating expenses from rental properties and its share of the joint venture property rental revenue less property operating expenses.

Rental Revenue

Rental revenue is comprised of net rents, property tax recoveries and operating cost recoveries and other income from tenants. For the three months ended March 31, 2016 rental revenue was $30.3 million, $1.0 million lower than the comparative period in 2015, of which $0.8 million is attributable to the two properties sold 2015.

Property Operating Expenses

Property operating expenses are comprised of property taxes, repairs and maintenance, utilities, insurance, property management fees and provision for bad debt. Operating expense fluctuations throughout the year due to a number of factors including usage of utilities, timing of repairs and the amount of snow removal and landscaping services required. For the three months ended March 31, 2016 property operating expenses were $12.3 million, $0.8 million lower than the comparative period in 2015, of which $0.6 million is attributable to the two properties sold in 2015.

Net Operating Income

Net operating income (“NOI”) is a non-IFRS measure of the REIT’s operating performance, defined as rental revenue less property expenses and its share of the joint venture property rental revenue less property operating expenses. For the three months ended March 31, 2016, NOI was $18.4 million compared to $18.6 million for the comparative period in 2015. NOI was lower by $0.2 million due to the disposition of two properties in 2015.

Trust Expenses

	Three months ended March 31			
(all amounts in $000's)	**2016**	2015	Change	% Change
Compensation costs	**723**	565	158	27.9%
Trustee fees	**134**	116	18	15.5%
Professional fees	**179**	176	3	1.7%
Other G & A	**209**	182	27	14.8%
Trust expenses	**1,245**	1,039	206	19.8%
As a percentage of rental revenue	**4.11%**	3.33%		

Trust expenses are comprised of employee remuneration, trustee fees, legal, audit, insurance and administrative expenses associated with the operation of the REIT. Trust expenses increased $0.2 million for the three months ended March 31, 2016 mainly due to increased compensation expense associated with additional employees compared to the same period in 2015 as a result of the internalization of property management.

Finance Costs – Operations

	Three months ended March 31			
(all amounts in $000's)	2015	2015	$ Change	% Change
Mortgage interest	**5,874**	6,215	(341)	-5.5%
Interest on vendor take back loan (“VTB”)	**680**	580	100	17.2%
Interest on convertible debentures	**1,043**	1,251	(208)	-16.6%
Other	**340**	290	50	17.2%
Finance costs-operations	**7,937**	8,336	(399)	-4.8%

Finance costs - operations represents costs and interest incurred on debt. Finance costs – operations for the three months ended March 31, 2016 were $7.9 million, $0.4 million lower than for the same period in 2015. The lower finance costs are due to lower interest rates on mortgage loans and lower interest on convertible debentures due to the redemption of the 6.75% convertible debentures in 2015, offset by higher interest on the VTB.

Finance Costs – Distributions on Class B Units

Finance costs – distributions on Class B Units for the three months ended March 31, 2016 were $0.8 million compared to $1.2 million for the three months ended March 31, 2015. The decrease in distributions on Class B Units is attributable to the reduction in annualized distribution from $0.45 per unit to $0.30 per unit, effective as of the July 2015 distribution.

Fair Value Gains (Losses) Associated with Financial Instruments

The fair value changes for the three months ending March 31, 2016, and the comparable period in 2015 reported in profit and loss were as follows:

	Three months ended March 31		
(all amounts in $000's)	**2016**	2015	Change
Fair value gains (losses) on convertible debentures	**(893)**	(1,974)	1,081
Fair value gains (losses) on Class B Units	**(1,162)**	(331)	(831)
Fair value gains (losses) on interest rate swaps	**(2,402)**	(6,177)	3,775
Fair value gains (losses) associated with financial instruments	**(4,457)**	(8,482)	4,025

Note:

(1) Pursuant to a development agreement, Penguin retained the responsibility for completing on behalf of the REIT the development and leasing with respect to certain premises located on four investment properties (the "Earnout").

Convertible Debentures

The fair value of convertible debentures is based on the market price for the respective debentures where, if the market price of the debentures increases, a fair value loss will be recognized and where, if the market price of the debentures decreases, a fair value gain will be recognized.

Class B Units

The change in fair value of Class B Units correlates to the fluctuations of the market price of the REIT Units. A fair value loss will be recognized on the Class B Units if the market price of the REIT Unit increases and a fair value gain will be recognized if the REIT Unit market price decreases.

Interest Rate Swaps

As a requirement to enter into long term mortgage financing with certain Canadian chartered banks, the effect of a fixed rate mortgage loan was obtained by entering into a variable rate mortgage loan together with a swap agreement fixing the interest. This was completed concurrently and was administered by the Canadian chartered bank.

The REIT has entered into interest rate swap agreements with a Canadian chartered bank to fix the interest rates payable under directly related mortgage loans provided by the same Canadian chartered bank for an original term of 10 years, which are repayable by monthly installments of principal and interest based on a 25 year amortization.

The interest rate swap agreements are directly matched to mortgage loans with the same Canadian chartered bank. Pursuant to IFRS, the REIT records the changes in fair value of the underlying interest rate swap agreements. The fair value of interest rate swap agreements is dependent on both the applicable market fixed interest rates and the market variable interest rates. The resulting unrealized fair value gains or losses for a period are primarily driven by changes to market interest rates over that period.

Fair Value Gains (Losses) on Investment Properties

Investment properties are measured at fair value. The fair value loss for the three months ended March 31, 2016, was $1.3 million compared to the fair value loss of $0.8 million for the comparative period in 2015. See "Section IV. Investment Properties" above for analysis.

C. Joint Venture Operations

Creekside Crossing joint venture

The REIT owns a 30% interest in a joint venture developing one investment property. The joint venture currently has 366,000 square feet of GLA with 100% occupancy. Construction on the remaining 64,000 square feet has commenced. The REIT is contingently liable for certain obligations of the joint venture and the assets of the joint venture are sufficient to satisfy its obligations and guarantees.

The REIT accounts for its interest in the joint venture using the equity method. The assets and liabilities of the joint venture are as follows:

(all amounts in $000's)	**March 31, 2016**	December 31, 2015
Total assets	**123,419**	120,633
Total Liabilities	**62,004**	63,181
Net assets	**61,415**	57,452

Income recognized from the REIT's interest in the joint venture is as follows:

	Three months ended March 31	
(all amounts in $000's)	**2016**	2015
Revenue	**639**	631
Expenses	**182**	179
Net operating income	**457**	452
Less: finance cost – operations	**183**	198
Add: fair value gain on investment property	**(315)**	(58)
Income from investment in joint venture	**589**	312

D. Distributions to Unitholders

Distributions Compared to Funds From Operations and Cash Flows From Operating Activities

The REIT adjusted its annualized distribution from $0.45 per unit to $0.30 per unit, effective as of its July 2015 distribution. The new distribution policy represents a FFO payout ratio 70.1% for the three months ended March 31, 2016 and a pro forma FFO payout ratio of 70.8% for the three months ended March 31, 2015. Management made the decision to reduce the distribution to be at a level that was more in line with the more conservative payout ratio of certain leaders in the Canadian REIT sector.

The tables below summarize distributions made in the three months ended March 31, 2016 and 2015, compared to Funds From Operations and cash flows from operating activities:

(all amounts in $000's)	Three months ended March 31	
	2016	2015
FFO	**9,089**	9,051
Distributions (1)	**5,729**	9,632
Excess (shortfall) of FFO, over distributions	**3,360**	(581)
Distributions reinvested through the Distribution Reinvestment Plan ("DRIP")	**777**	1,000
Excess of FFO over distributions net of DRIP	**4,137**	419

Note (1) includes distribution on Class B units of subsidiary partnerships.

(all amounts in $000's)	Three months ended March 31	
	2016	2015
Cash flows from operating activities	**2,829**	7,351
Distributions (1)	**5,729**	9,632
Shortfall of cash flows from operating activities over distributions to unitholders	**(2,900)**	(2,281)
Distributions reinvested through the DRIP	**777**	1,000
Excess (shortfall) of cash flows from operating activities over distributions to unitholders, net of DRIP	**(2,123)**	(1,281)

FFO is a non-IFRS measures of the REIT’s operating performance. The REIT calculates FFO in accordance with the Real Property Association of Canada ("REALpac") White Paper on Funds from Operations dated April, 2014.

Management believes that FFO is an important measure of our economic performance. As an alternative measure to cash flow from operations, FFO is indicative of the REIT’s ability to generate cash flow from its properties and to pay distributions to its Unitholders. FFO is a non-GAAP measure which does not have a standard meaning as defined by IFRS and therefore it may not be comparable to FFO as presented by other entities. FFO by its definition does not include deductions for cash required to fund maintenance capital expenditures, tenant improvements and leasing costs.

Cash flow from operations by its definition does not include deductions for cash required to fund maintenance capital expenditures and tenant improvements.

Distributions for the three months ended March 31, 2016 were $5.7 million, compared to $9.6 million for the same period in 2015. Distributions exceeded cash flows from operations by $2.9 million and $2.3 million for the three months ended March 31, 2016 and 2015 respectively. At the option of individual Unitholders, the REIT makes non-cash distributions pursuant to the DRIP which reduces the amount of cash flow from operating activities and FFO required to fund the payment of the REIT's distributions. The excess distributions for the three months ended March 31, 2016 have been primarily financed by Units issued pursuant to the DRIP and debt financing.

Distributions in excess of cash flow from operations and FFO represents a return of capital, rather than a return on capital, since they represent amounts in excess of cash generated by the REIT's operations during the period.

For the three months ended March 31, 2016, the REIT has declared monthly distributions of $0.025 per unit ($0.075 on a quarterly basis). There can be no assurance regarding the amount of cash flow from operations and FFO to be generated by the REIT's properties. Please refer to Section XI. E. for further discussion regarding risks and uncertainties regarding distributions.

The declaration and payment of distributions is subject to the discretion of the Board of Trustees. The REIT relies upon forward-looking cash flow information including budgets, forecasts and the future business prospects of the REIT to establish the level of its monthly distribution to Unitholders.

Distributions Compared to Net Income

The following table summarizes distributions made in the three months ended March 31, 2016 and 2015:

	Three months ended March 31	
(all amounts in $000's)	**2016**	2015
Net income (loss)	**2,809**	(1,397)
Distributions to Trust unitholders (1)	**5,676**	8,392
Shortfall of net income over distributions to Trust unitholders	**(2,867)**	(9,789)

Note (1) Excludes distribution on Class B Units classified as liabilities and distributions treated as an expense.

Net income is not relied upon as a measure of the REIT's ability to pay distributions as it includes, among other items, non-cash fair value adjustments related to its property portfolio and financial instruments, which are not reflective of the REIT's ability to make distributions.

Reconciliation of consolidated cash flows provided by operating activities to FFO:

(all amount in $000s)	**March 31, 2016**	March 31, 2015
Cash flows from operating activities	**2,829**	7,351
Add back (deduct):		
Change in other non-cash operating items	**5,188**	1,505
Share of net earnings from joint venture	**274**	254
Distribution to joint venture	**600**	-
Leasing costs	**555**	266
Interest paid	**(572)**	(421)
Straight-line rent	**215**	115
Amortization of other assets	**-**	(19)
FFO	**9,089**	9,051

E. Financial Results of Previous 8 Quarters

Income (Loss) For The Quarter Ended (all amounts in $000's, except for unit, per unit and ratio amounts)	**March 31, 2016**	December 31, 2015	September, 30, 2015	June 30, 2015	March 31, 2015	December 31, 2014	September 30, 2014	June 30, 2014
Rental revenue	**30,272**	30,742	30,463	30,813	31,252	31,472	27,151	27,303
Property operating expenses	**12,303**	12,393	12,185	12,515	13,109	12,821	11,289	11,246
Property operating income	**17,969**	18,349	18,278	18,298	18,143	18,651	15,862	16,057
Trust expenses	**1,245**	1,156	1,112	1,215	1,039	964	1,137	1,372
Finance costs – operations	**7,937**	7,941	8,132	8,217	8,336	7,937	6,714	6,804
Finance costs – distributions on Class B Units	**830**	826	827	1,244	1,240	1,240	1,161	1,085
Income before fair value gains (losses), income (losses) from joint venture and other income	**7,957**	8,426	8,207	7,626	7,528	8,510	6,850	6.796
Fair value gains (losses) associated with financial instruments	**(4,457)**	(4,053)	4,725	7,876	(8,482)	4,549	3,813	(66)
Fair value gains (losses) on investment property	**(1,280)**	340	(2,571)	(2,215)	(755)	(13,936)	(5,101)	(2,323)
Loss from sale of investment property	**-**	-	(712)	–	–	–	–	–
Income (loss) from joint venture	**589**	216	(104)	844	312	(1,249)	581	535
Net income (loss)	**2,809**	4,929	9,546	14,131	(1,397)	(2,126)	6,143	4,942
FFO [1]	**9,089**	9,543	9,323	9,157	9,051	10,039	8,292	8,174
FFO per unit [1]	**$0.105**	$0.111	$0.108	$0.107	$0.106	$0.118	$0.104	$0.114
Weighted average number of units [2]	**86,701**	86,407	86,168	85,853	85,588	85,319	79,470	71,675

OTHER DATA

(all amounts in $000's, except for unit, per unit and ratio amounts)	**March 31, 2016**	December 31, 2015	September 30, 2015	June 30, 2015	March 31, 2015	December 31, 2014	September 30, 2014	June 30, 2014
Total assets	**1,196,032**	1,190,154	1,186,038	1,194,799	1,182,513	1,179,651	1,085,510	1,008,099
Mortgages payable, VTB, convertible debentures and secured bank Debt	**694,472**	689,732	686,211	695,430	684,976	680,257	570,866	545,614
Debt to gross book value ratio (excluding convertible debentures)	**52.0%**	52.0%	52.0%	52.2%	50.8%	50.7%	44.7%	45.5%
Debt to gross book value ratio (including convertible debentures)	**58.1%**	58.0%	57.9%	58.2%	57.9%	57.7%	52.6%	54.1%
Interest coverage ratio [3]	**2.06**	2.05	2.07	2.10	2.13	2.14	2.36	2.35
Debt service coverage ratio [3]	**1.40**	1.40	1.41	1.43	1.46	1.47	1.63	1.64
Weighted average mortgage contract rate	**4.50%**	4.56%	4.56%	4.61%	4.83%	4.83%	4.87%	4.97%
Committed portfolio occupancy	**86.9%**	89.2%	88.9%	88.6%	85.0%	85.7%	85.2%	85.0%
Portfolio occupancy	**86.2%**	88.1%	88.3%	88.1%	84.8%	85.6%	84.6%	84.3%
Gross leasable area	**6,988**	6,986	6,954	6,982	7,515	7,515	6,884	6,511

Notes:

(1) *A non-IFRS measurement. See Section V. B for definitions of FFO and FFO per unit.*

(2) *Including Class B Units and Units issued under the LTIP unless they are anti-dilutive.*

(3) *Calculated using the rolling twelve months as per revolving operating line requirements.*

Section VI – Liquidity and Capital Resources

The REIT's primary sources of capital are cash generated from operating activities, credit facilities, mortgage financing, convertible debentures, Class B Units and equity.

At March 31, 2016 and December 31, 2015, the REIT had the following liquidity available:

(all amounts in $000's)	**March 31, 2016**	December 31, 2015
Availability under the operating line of credit	**32,750**	32,750
Outstanding amount	**(8,500)**	(9,000)
Outstanding letters of credit	**(846)**	(846)
Unused operating facility (net of letters of credit)	**23,404**	22,904
Cash and cash equivalents	**4,060**	3,515
Total available liquidity	**27,464**	26,419

The Trust utilized a non-revolving credit facility obtained with a Canadian chartered bank to finance the redevelopment of the Golden Mile Shopping Centre.

A. Financial Covenants

The REIT's financial covenants include interest and debt coverage ratios calculated as follows:

Interest and Debt Coverage Ratios

Pursuant to the credit facility agreement with a chartered Canadian bank ("the Credit Facility"), the REIT is required to maintain its interest coverage ratio above 1.65 times and its debt service ratio above 1.25 times. The interest and debt coverage ratios are calculated as follows:

(all amounts in $000's)	**Twelve months ended March 31, 2016**	Year ended December 31, 2015
Net income	**31,414**	27,209
Interest expense	**32,227**	32,626
Distribution to Class B unitholders	**3,723**	4,133
Loss on sale of investment property	**712**	712
Income from Joint Venture	**(1,544)**	(1,268)
Fair value loss on investment properties	**5,726**	5,201
Fair value gain on financial instruments	**(4,092)**	(67)
EBITDA (1)	**68,166**	68,546
Finance cost operations	**32,227**	32,626
Amortization of deferred financing charges	**(679)**	(689)
Amortization of mortgage premium	**990**	1,000
Interest capitalized to properties under development	**589**	457
Adjusted interest expense	**33,127**	33,394
Interest coverage ratio	**2.06x**	2.05x
Minimum covenant under Credit Facility	**1.65x**	1.65x
Debt repayments	**15,606**	15,675
Debt service coverage ratio	**1.40x**	1.40x
Minimum covenant under Credit Facility	**1.25x**	1.25x

Notes

(1) A non-IFRS measurement as defined by the Credit Facility agreement as consolidated net income determined in accordance with IFRS adjusted so that all amounts deducted in respect of depreciation, income taxes, amortization, outlays for items that are not cash, interest and loss on diminution in value of assets are added back and gains and losses from extraordinary events are eliminated.

Debt to Gross Book Value Ratio

The REIT's Declaration of Trust and the existing terms under the Credit Facility set forth a maximum debt to gross book value ratio of 70% and 67.5% respectively. Subject to the Trustees' unanimous approval, the 70% threshold set forth in the Declaration of Trust may be exceeded, as a result of an acquisition, for no more than a year.

(all amounts in $000's – except %'s)	**March 31, 2016**	December 31, 2015
Debt (per Balance Sheet):		
Mortgages	**552,045**	548,994
Vendor take back loan ("VTB")	**40,314**	40,314
Secured bank debt	**29,815**	29,019
Convertible debentures	**72,298**	71,405
Debt	**694,472**	689,732
Total assets (per Balance Sheet):	**1,196,032**	1,190,154
Gross book value	**1,196,032**	1,190,154
Debt to gross book value ratio including convertible debentures	**58.1%**	58.0%
Debt to gross book value ratio excluding convertible debentures	**52.0%**	52.0%

The debt to gross book value ratio is sensitive to changes in the fair value of investment properties and convertible debentures. For example, if discount rates and terminal capitalization rates used in the valuation of investment properties increased by 0.5%, the debt to gross book value ratio (including convertible debentures) would increase to 62.4%.

B. Cash Flow Information

The following table details the changes in cash and cash equivalents.

	Three months ended March 31	
(all amounts in $000's)	**2016**	2015
Cash provided by operating activities	**2,829**	6,622
Cash provided (used) in financing activities	**(1,964)**	(5,740)
Cash used in investing activities	**(320)**	(1,984)
Increase (decrease) in cash	**545**	(1,102)

Operating Activities

For the three months ended March 31, 2016, operating activities provided approximately $2.8 million of cash as compared to providing $6.6 million for the comparative period in 2015. Cash provided by operating activities is impacted by changes in operating items, including accounts receivable, prepaid expenses and accounts payable.

Financing Activities

Financing activities for the three months ended March 31, 2016 resulted in the use of cash of $2.0 million. Net cash of $7.3 million was provided by mortgage loan refinancing and $1.3 million drawn on the operating line. The main uses of cash were scheduled mortgage loan repayments of $3.9 million, financing costs of $0.2 million, secured bank debt repayment of $0.5 million and distributions to unitholders and holders of Class B Units of $6.0 million.

Investing Activities

Investing activities for the three months ended March 31, 2016 resulted in the use of cash of $0.3 million. The use of cash was due to improvements made to investment properties of $0.3 million.

Section VII – Indebtedness and Other Obligations

A. Total Indebtedness

As at March 31, 2016, indebtedness totaling $694.5 million was outstanding, compared to $689.7 million as at December 31, 2015.

(all amounts in $000's)	**March 31, 2016**	December 31, 2015
Mortgages	**552,045**	548,994
Vendor take back loan	**40,314**	40,314
Convertible debentures	**72,298**	71,405
Secured bank debt	**29,815**	29,019
Total debt	**694,472**	689,732

The table below outlines the future repayments on indebtedness as at March 31, 2016:

(all amounts in $000's)	**2016**	**2017**	**2018**	**2019**	**2020**	**Thereafter**	**Total**
Mortgages *	67,461	63,466	30,142	23,808	49,374	317,906	552,157
Vendor take back loan	40,314		-	-	-	-	40,314
Convertible debentures	-	-	38,948	-	33,350	-	72,298
Secured bank debt	16,000	-	-	13,815	-	-	29,815
Total debt	123,775	63,466	69,090	37,623	82,724	317,906	694,584

** Balance represents principal amounts of mortgages as at March 31, 2016 and does not include mark to market adjustments and financing costs*

B. Mortgages

The table below outlines the future principal repayments on outstanding mortgages and their respective weighted average interest rates as at March 31, 2016.

(all amounts in $000's)	**Scheduled Mortgage Repayment**	**Maturing Mortgages**	**Total Mortgages**	**% of Total Mortgages**	**Weighted Average Mortgage Interest rate**
2016	10,556	56,905	67,461	12.22%	5.41%
2017	13,134	50,332	63,466	11.49%	4.90%
2018	12,408	17,734	30,142	5.46%	5.48%
2019	12,826	10,982	23,808	4.31%	4.45%
2020	12,751	36,623	49,374	8.94%	4.56%
Thereafter	34,299	283,607	317,906	57.58%	3.13%
Total	95,974	456,183	552,157	100.00%	
Mark to market adjustments on assumed mortgages			2,394		
Financing costs			(2,506)		
Total Mortgage Debt			**552,045**		

The mortgages bear interest at a weighted average contractual interest rate of 4.50% (December 31, 2015 – 4.56%) and mature at various dates from 2016 to 2026. As at March 31, 2016, the weighted average term to maturity was 5.7 years (December 31, 2015 – 5.7 years).

C. Vendor Take Bank Loan

As part of the financing in the acquisition of the seven properties from SmartREIT (formerly known as Calloway REIT) in 2014, a portion of the purchase price was satisfied by the issuance of a VTB of $40.3 million. The VTB matures on October 30, 2016, bears interest at 6.75% and is fully open for prepayment at any time and is secured by charges over certain investment properties.

D. Convertible Debentures

At March 31, 2016, the REIT had the following convertible debentures outstanding:

(all amounts in $000's)	March 31, 2016		December 31, 2015	
	Principal	**Fair value**	Principal	Fair value
5.45% convertible debentures, due on June 30, 2018	**40,000**	**38,948**	40,000	38,780
5.50% convertible debentures, due on June 30, 2020	**36,250**	**33,350**	36,250	32,625
	76,250	**72,298**	76,250	71,405

The 5.45% convertible debentures may be redeemed by the REIT on or after June 30, 2016 without premium.

The 5.50% convertible debentures may be redeemed by the REIT on or after June 30, 2018 without premium.

E. Secured bank debt

As at March 31, 2016, the REIT had the following secured bank debt outstanding:

(all amounts in $000's)	Interest rate	Maturity	**March 31, 2016**	December 31, 2015
Revolving line of credit	Bank's prime rate plus 100 basis points or Bankers Acceptance plus 225 basis points	June 5, 2016	**8,500**	9,000
Non-revolving line of credit	Bank's prime rate plus 125 basis points or Bankers Acceptance plus 250 basis points	June 5, 2016	**7,500**	7,500
Non-revolving line of credit (Golden Mile)	Bank's prime rate plus 100 basis points or Bankers Acceptance plus 200 basis points	April 6, 2019	**13,815**	12,519
		Total secured bank debt	**29,815**	29,019

The revolving line of credit is secured by charges on four investment properties and as at the date of this MD&A, has an outstanding balance of $ nil.

The non-revolving line of credit is secured by specific charges on certain properties. This credit facility is open for repayment and contains certain repayment obligations from net proceeds of property sales and financings. This credit facility matures on June 5, 2016. As at the date of this MD&A, the amount outstanding under this non-revolving credit facility was $7.5 million.

The REIT has reached an agreement with a Canadian chartered bank to amend and extend the revolving line of credit to June 30, 2018. The facility will have availability of $40.0 million and will be secured by specific charges on certain investment properties, bearing interest at prime plus 100 basis points or at Bankers' Acceptance plus 225 basis points.

The REIT obtained a non-revolving credit facility with a Canadian chartered bank to finance the redevelopment of a property in the amount of $35.5 million. The facility bears interest at prime plus 100 basis points or at Bankers' Acceptance plus 200 basis points and matures on April 6, 2019. As at the date of this MD&A, the amount outstanding under this non-revolving credit facility was $13.8 million.

Section VIII – Related Party Transactions and Agreements

A. SC/MRR Group's Minimum Voting Entitlement

Pursuant to the REIT's Declaration of Trust, if in any given 365 day period commencing on July 8, 2008 and ending on July 8, 2018, the average weighted aggregate number of special voting units of the REIT (the "Special Voting Units") plus Units held or controlled by Mitchell Goldhar, entities controlled by Mr. Goldhar or affiliates of such entities is equal to or greater than 9,110,269, then so long as a nominee of Mr. Goldhar remains a trustee of the REIT and the SC/MRR Group directly or indirectly beneficially owns or controls less than 25% of the voting rights attached to all voting securities of the REIT, the REIT shall issue such number of additional Special Voting Units which will entitle the SC/MRR Group to cast 25% of the votes attached to all voting securities of the REIT at a meeting of the holders of Units and Special Voting Units (the "Minimum Voting Entitlement").

The Minimum Voting Entitlement was originally in effect for a period of five years from July 8, 2008, and extendible for a period of an additional five years (i.e., to July, 8, 2018) subject to the following conditions (the "Extension Conditions") being met:

(i) the SC/MRR Group sells or originates the sale of in aggregate at least $300 million of freehold and leasehold interests in assets to the REIT;

(ii) the SC/MRR Group holds or controls a weighted average number of Units and Special Voting Units of 9,110,269 in any 365-day period during the initial six-year period from July 8, 2008, representing no less than 10% of voting rights of all voting securities of the REIT (excluding, for the purposes of calculating such percentage, all Special Voting Units issued to the SC/MRR Group pursuant to the Minimum Voting Entitlement); and

(iii) a nominee of Mitchell Goldhar is a trustee of the REIT.

At the meeting of Unitholders and Special Unitholders held on June 27, 2013, Unitholders approved an extension to July 8, 2014 of the time to satisfy the conditions to the extension of the Minimum Voting Entitlement. At the meeting of Unitholders and Special Unitholders held on June 25, 2014, Unitholders approved an extension to October 6, 2014 of the time to satisfy the conditions to the extension of the Minimum Voting Entitlement, and authorized the Trustees to further extend the time for satisfaction of the conditions to January 4, 2015 under certain conditions. Pursuant to such authorization, the time to satisfy the conditions to the extension of the Minimum Voting Entitlement was subsequently extended to January 4, 2015. Upon completion of the acquisition of the SmartREIT Properties, all conditions to the extension of the Minimum Voting Entitlement were satisfied and the Minimum Voting Entitlement was extended to July 8, 2018 pursuant to the terms of the Declaration of Trust.

B. Related Party Approvals

The REIT completed the acquisition of two properties from Walmart Canada Realty Inc. and Penguin, and the SmartREIT Properties on September 16, 2014 and October 30, 2014 (the "Acquisitions") respectively. As a result of the completion of the Acquisitions and the satisfaction of the Extension Conditions, the Minimum Voting Entitlement has been extended to July 8, 2018.

Under IFRS, SmartREIT is not a related party of the REIT. However, SmartREIT and Penguin may each be considered to be a "related party" of the REIT under Multilateral Instrument 61-101 Protection of Minority Security Holders in Special Transactions ("MI 61-101"), as Mitchell Goldhar is deemed to be a "control person" of each of SmartREIT and the REIT because of his beneficial ownership of, or control or direction over, directly or indirectly, voting securities in SmartREIT and the REIT, and because of his beneficial ownership interest in the Walmart/Penguin Properties. The Acquisitions were approved by (i) the REIT's Unitholders holding at least a majority of the votes cast; and (ii) the REIT's Unitholders holding at least a majority of the votes cast (excluding Mitchell Goldhar, the SC/MRR Group, and their affiliates and associates), at a special meeting of holders of Units and Special Voting Units held on September 10, 2014.

The REIT incurred $0.9 million of costs in connection with obtaining Unitholders' approval of the Acquisitions, which have been capitalized to investment properties acquired.

C. Other Related Party Activities

As at March 31, 2016, the SC/MRR Group owns or controls approximately 4,929,600 Units and 11,071,560 Special Voting Units, which represent in total approximately 18% of the Units and Special Voting Units of the REIT.

Pursuant to the terms of the original purchase transaction completed with Penguin in July 2008, Mitchell Goldhar will continue to have an ongoing right to appoint: (i) three of the Board members of the REIT while the SC/MRR Group holds at least 25% of the REIT's total aggregate issued and outstanding Units and Special Voting Units; (ii) two of the Board members of the REIT while the SC/MRR Group holds at least 15% but less than 25% of the Units and Special Voting Units; and (iii) one of the Board members of the REIT while the SC/MRR Group holds at least 5% but less than 15% of the Units and Special Voting Units. Special Voting Units, if any that are issued pursuant to the Minimum Voting Entitlement, are included for purposes of determining the number of Board members Mitchell Goldhar is entitled to appoint.

In connection with Earnout agreements with Penguin entered into in 2013 and 2014 in connection with the acquisition of the Walmart/Penguin properties, Penguin retained the responsibility for completing the development and leasing with respect to certain premises, on behalf of the REIT. As part of the consideration for the Earnout, the REIT granted Penguin the option to receive cash or Class B Units at fair value in satisfaction of the Earnout obligation payable to Penguin.

As at March 31, 2016, the Earnout obligation was estimated to be $1.7 million, of which approximately 40% is payable to Penguin. During the three months ended March 31, 2016, 49,830 Class B Units were issued pursuant to the Earnout.

Penguin provides the REIT property management services for three properties, and provides leasing, construction and development services for all of the REIT's properties. The REIT entered into agreements dated July 8, 2008 in relation to these services, and on February 8, 2013, the agreements were amended to extend the term from July 7, 2013 until July 7, 2016 with termination rights for no further consideration for either party on six months' notice.

The REIT's head office is located at the Penguin's building in Vaughan, Ontario and the REIT pays rent to Penguin and the REIT's proportionate share of costs for administrative services.

In addition to the related party transaction and balances disclosed above, the following amounts are included in the REIT's financial statements for the three months ended March 31, and summarizes related party transactions with Penguin.

	Three months ended March 31	
(all amounts in $000's)	**2016**	2015
Finance costs - distributions on Class B Units	**830**	1,240
Property management fees	**56**	55
Construction management fees	**64**	50
Reimbursement of property operating costs	**32**	59
Leasing fees	**237**	330
Rent	**56**	67

As at March 31, 2016, $1.8 million (December 31, 2015 - $1.8 million) was included in accounts payable and other liabilities owing to Penguin.

Section IX – Commitments and Contingencies

The REIT has the following commitments and contingencies:

(a) The REIT is involved in litigation and claims in relation to the investment properties that arise from time to time in the normal course of business. In the opinion of management, any liabilities that may arise from such contingencies would not have a material adverse effect to the REIT.

(b) As at March 31, 2016, the REIT was contingently liable for letters of credit in the amount of $0.8 million.

(c) The REIT has entered into commitments with respect to construction contracts and leasing agreements totaling $17.1 million of which $1.4 million is committed to be paid to Penguin.

Section X – Unitholders' Equity, Class B Units and Convertible Debentures

Details with respect to Unitholders' equity and Units issued under the LTIP, Class B Units and convertible debentures can be found in Notes 8, 9, 10 and 11, respectively, of the REIT's condensed consolidated interim financial statements for the three months ended March 31, 2016. As at March 31, 2016, the REIT had:

- 75,767,909 Units outstanding;
- 706,500 Units issued under the LTIP;
- 11,071,560 Class B Units that are exchangeable on a one-for-one basis, at the option of the holder, into Units;
- $40.0 million 5.45% convertible unsecured subordinated debentures that are convertible at the debenture holder's option into Units at conversion price of $8.10 per Unit; and

- $36.3 million 5.50% convertible unsecured subordinated debentures that are convertible at the debenture holder's option into Units at conversion price of $7.20 per Unit.

Section XI – Risks and Uncertainties

Certain risks are inherent in operating and maintaining a retail real estate portfolio. Significant risk factors and the corresponding management plan to mitigate these risks, where possible, relating to the REIT and its business are as follows. For a discussion of additional risks and uncertainties associated with the REIT's activities, see the REIT's most recent Annual Information Form available on SEDAR at www.sedar.com.

A. Real Property Ownership

All real estate investments are subject to elements of risk. Such investments are affected by general economic conditions, local real estate markets, changing demographics, supply and demand for leased premises, and competition from other available premises and various other factors.

The value of real property and any improvements thereto depends on the credit and financial stability of the tenants. The REIT's revenue may be adversely affected if tenants become unable to meet their obligations under their leases or if a significant amount of available space in the properties in which the REIT has an interest becomes vacant and is not able to be leased on economically favorable lease terms.

Upon the expiry of any lease, there can be no assurance that the lease will be renewed or the tenant replaced. The terms of any subsequent lease may be less favorable to the REIT than the existing lease. In the event of default by a tenant, delays or limitations in enforcing rights as lessor may be experienced and substantial costs in protecting the REIT's investment may be incurred. Furthermore, at any time, a tenant of any of the properties in which the REIT has an interest may seek the protection of bankruptcy, insolvency or similar laws that could result in the rejection and termination of such tenant's lease and thereby cause a reduction in the cash flow available to the REIT.

The ability to rent unleased space in the properties in which the REIT has an interest will be affected by many factors. Costs may be incurred in making improvements or repairs to the property required by a new tenant and will be incurred if it is necessary to reconfigure space in a property if, for example, an anchor tenant vacates a large area that must be re-leased to two or more tenants requiring less square footage. Work required to re-lease space may also result in a delay in the realization of replacement rental revenue for the vacating tenant.

Certain of the major tenants are permitted to cease operating from their leased premises at any time at their option. Other major tenants are permitted to cease operating from their leased premises or to terminate their leases if certain events occur. Some tenants have a right to cease operating from their premises if certain other major tenants cease operating from their premises. In most cases, the landlord then has the right, under certain conditions, to terminate the lease and thus be in a position to re-let the space. The exercise of such rights by a tenant may have a negative effect on a property. There can be no assurance that such rights will not be exercised in the future.

Certain significant expenditures, including property taxes, ground rent, maintenance costs, mortgage payments, insurance costs and related charges must be made throughout the period of ownership of real property regardless of whether the property is producing any income. If the REIT is unable to meet mortgage payments on any property, losses could be sustained as a result of the mortgagee's exercise of its rights of foreclosure or sale or the landlord's exercise of remedies.

Real property investments tend to be relatively illiquid, with the degree of liquidity generally fluctuating in relation to demand for and the perceived desirability of such investments. Such illiquidity may tend to limit the REIT's ability to vary its portfolio promptly in response to changing economic or investment conditions. If the REIT were to be required to liquidate its real property investments, the proceeds to the REIT might be significantly less than the aggregate carrying value of its properties.

B. Leasing

The REIT is subject to leasing risks as tenants may experience financial difficulties during their lease terms, which could cause them to be unable to fulfill their lease commitments. Also, as leases expire, tenants may not renew their leases or may renew at reduced rents, which may impact the financial results of the REIT.

The REIT attempts, where possible, to minimize the risks involved in leasing space within its portfolio by negotiating lease terms that are typically five or more years, and in instances where certain tenants are critical to the viability of a property, the REIT endeavors to lease space to such tenants for longer terms with pre-negotiated minimum rent escalations and/or percentage rent clauses. In assessing a proposed real property investment, the REIT will consider the status of current leases and their expiry terms, as properties with staggered lease expiry dates are preferred.

C. Retail Concentration

The REIT's portfolio is comprised of 57 properties. Consequently, the market value of the properties and income generated from them could be negatively affected by changes in the retail environment.

Retail shopping centres have traditionally relied on there being a number of anchor tenants (department stores, grocery stores and discount department stores) in the centre and therefore they are subject to the risk of those anchor tenants either moving out of the property or going out of business. Significant deterioration of the financial health of an anchor tenant could have an adverse effect on the REIT's business, financial condition or results of operations.

D. Financing Risk, Leverage & Restrictive Covenants

A number of the REIT's properties are financed, in part, through the use of long-term debt. The REIT is subject to financing risks as lenders may not renew debt as the term expires, or renewals may be at interest rates which are higher than in the original term. In order to minimize the REIT's exposure under any of its obligations for borrowed money, the Declaration of Trust provides for specific restrictions relating to the incurring or assuming of indebtedness under a mortgage, both on an individual mortgage basis and in respect of the total indebtedness of the REIT.

The degree to which the REIT is leveraged could have important consequences to the Unitholders including: (i) the REIT's ability to obtain additional financing for working capital in the future may be limited; (ii) a portion of the REIT's cash flow may be dedicated to the payment of the principal of and interest on its indebtedness, thereby reducing funds available for distribution to Unitholders; (iii) certain of the REIT's borrowings are at variable rates of interest, which exposes the REIT to the risk of increased interest rates; and (iv) certain of the REIT's borrowings are comprised of unsecured convertible debentures which could have significant impact on the debt and equity components of the REIT when due or converted. The REIT's ability to make scheduled payments of the principal of or interest on, or to refinance, its indebtedness will depend on its future cash flow, which is subject to the financial performance of properties in the portfolio, prevailing economic conditions, prevailing interest rate levels, and financial, competitive, business and other factors, many of which are beyond its control. The REIT plans to minimize its exposure to floating interest rates, except at certain times where circumstances may necessitate higher levels for short periods. If so, such floating rate debt will typically be replaced with fixed term debt when possible.

The REIT is subject to numerous restrictive covenants relating to its indebtedness that limit the REIT's discretion with respect to certain business matters, including the ability to create liens or other encumbrances, to pay distributions, to make certain other investments and loans, to sell or otherwise dispose of assets and to merge or consolidate with another entity. In addition, the REIT is subject to a number of financial covenants that require it to meet certain financial ratios and financial condition tests.

A failure by the REIT to comply with these obligations may trigger acceleration of the debt, or other circumstances where the REIT requires cash flow that it is unable to acquire elsewhere. This may result in the reduction or termination of distributions by the REIT.

In addition, the REIT's indebtedness will need to be renewed or refinanced from time to time. There can be no assurance that the REIT's indebtedness will be renewed or that future borrowings will be available to the REIT, or available on acceptable terms, in an amount sufficient to fund the REIT's needs, which could have a negative impact on distributable cash of the REIT. As stated above, the REIT intends to maintain a staggered debt maturity portfolio to reduce these risks.

Management believes that maintaining a conservative leverage ratio and stronger financial position will better serve Unit holder interests for the long-term. A certain level of leverage is however necessary to invest in our properties and to achieve higher returns to the Unitholders. We strive to ensure that financing is in place to fund our strategic plans. The timing of our strategic plans may be affected by our ability to source funds on a timely basis and on favorable terms.

E. Distributions

Distributions in excess of cash flow from operations and FFO represents a return of capital, rather than a return on capital, since they represent amounts in excess of cash generated by the REIT's operations during the period.

The declaration and payment of distributions is subject to the discretion of the Board of Trustees. The REIT relies upon forward-looking cash flow information including budgets, forecasts and the future business prospects of the REIT to establish the level of its monthly distribution to Unitholders.

There can be no assurance regarding the amount of cash flow from operations and FFO to be generated by the REIT's properties. The continued ability of the REIT to make cash distributions, and the actual amount distributed to Unitholders will depend on numerous factors, including the REIT's operating performance from the REIT's properties derived from the tenant profile, the rental rates on its leases, collectability of rent from tenants, the occupancy level of its properties, operating expenses, interest expenses, obligations and restrictive covenants under applicable credit facilities, debt repayment obligations, fluctuations in working capital requirements, capital expenditures, tenant improvements, leasing costs and other factors. The market value of the Units may deteriorate if the REIT is unable to meet its distribution targets in the future, and that deterioration may be significant.

In determining the monthly level of distributions to Unitholders, the REIT may also consider non-cash distributions, such as the issuance of Units under the DRIP. Such non-cash distributions have the effect of increasing the number of Units outstanding which may cause cash distributions to increase over time assuming stable per Unit cash distribution levels. In the event that the REIT may be required to fund any excess distributions, net of the impact of the DRIP, this may be financed by drawing upon the REIT's existing revolving credit facility, bearing interest at prime plus 100 basis points or at Banker's Acceptance plus 225 basis points, which had an original maturity date on March 31, 2016 and was extended to June 5, 2016 subsequent to year end, as supplemented by other issuances of debt and equity.

F. Diversification of Investments & Market Concentration

Geographic and tenant risk in the property portfolio is mitigated as the REIT has approximately 901 tenants in 57 properties across Canada.

G. Government Regulation & Environmental Matters

There can be no assurance that the operations of the REIT will not be affected adversely by changes in the economic or other policies of government. Environmental and ecological related policies have become increasingly important and, generally, more restrictive in recent years. Under various federal, provincial and municipal laws, the REIT, as an owner or operator of real property, could become liable for the costs of removal or remediation of certain hazardous or toxic substances released on or in its properties or disposed of at other locations. The failure to remove or remediate such substances, if any, may adversely affect the REIT's ability to sell such real estate or to borrow using such real estate as collateral, and could potentially result in claims against the REIT. The existence of an adverse environmental impact on a property can negatively affect the ability of the REIT to obtain financing on such a property and may result in the REIT expending unanticipated funds to remediate the land.

Where appropriate, and always on the acquisition of a new property the REIT obtains an environmental assessment and the REIT requires that leases with tenants specify that the tenant will conduct its business in accordance with environmental regulations and be responsible for any liabilities arising out of infractions under such regulations.

H. General Uninsured Losses

The REIT carries insurance with policy specifications, limits and deductibles customarily carried for similar properties. There are, however, certain types of risks (generally of a catastrophic nature such as war), which are either uninsurable or not economically insurable. Should an uninsured or underinsured loss occur, the REIT could suffer a loss in its investment in, and anticipated profits and cash flows from, one or more of its properties, and would continue to be obligated to repay any recourse mortgage indebtedness on such properties.

I. Nature of Units

The Units represent a fractional interest in the REIT. The Units are not "deposits" within the meaning of the Canada Deposit Insurance Corporation Act (Canada) and are not insured under the provisions of that Act or any other legislation. Furthermore, the REIT is not a trust company and, accordingly, is not registered under any trust or loan company legislation as it does not carry on or intend to carry on the business of a trust company.

As holders of Units issued by an unincorporated trust, Unitholders do not have all of the same protections, rights and remedies that a shareholder of a corporation incorporated under the Canada Business Corporations Act or similar provincial statutes governing corporations would have. For example, shareholders of a corporation incorporated under the Canada Business Corporations Act have statutory rights that include: (i) the right to vote in respect of certain fundamental changes proposed to be made to the corporation (including a proposed change to the attributes of its shares and a sale of all or substantially all of its assets outside of the ordinary course of business); (ii) the right to elect the directors and to appoint the auditor of the corporation annually; (iii) the right of holders of not less than five per cent of the issued voting shares of the corporation to requisition the directors to call a meeting of shareholders; (iv) the right to apply to a court for an order directing an investigation; (v) the right to dissent from certain fundamental changes to the corporation and to be paid the fair value for their shares; and (vi) the right to bring “oppression” or “derivative” actions.

The Unitholders have several rights under the Declaration of Trust with respect to notices of certain events, and the right to vote in certain circumstances. However, Unitholders will not have the statutory right to apply to court for an order directing an investigation and will not have the right to dissent from certain fundamental changes to the REIT and to be paid the fair value for their Units or the statutory right to bring “oppression” or “derivative” actions.

J. Market for Units

The REIT is an open-end real estate investment trust and its Units are listed on the TSX. There can be no assurance that an active public market for Units will be sustained. One of the factors that may influence the market price of the Units is the annual yield on the Unit price from distributions by the REIT. A change in interest rates may cause negative or positive leverage to occur on the real property investments of the REIT.

Accordingly, an increase in market interest rates may lead purchasers of Units to demand a higher annual yield which could adversely affect the market price of the Units. In addition, the market price for the Units may be affected by changes in general market conditions, fluctuations in the markets for equity securities and numerous other factors which are outside the control of the REIT and which may cause the market price of the Units to change in a manner which is different from the change in the value of the underlying real estate assets.

K. Tax Related Risks

The Tax Act contains provisions affecting the tax treatment of certain publicly traded trusts and partnerships (referred to herein as the ‘‘SIFT Rules’’). The SIFT Rules effectively tax certain income of a publicly traded trust or partnership that is distributed to its investors on the same basis as would have applied had the income been earned through a taxable corporation and distributed by way of dividend to its shareholders. A real estate investment trust and its investors will not be subject to the SIFT Rules provided that it continues to meet prescribed conditions under the Tax Act relating to the nature of its assets and revenue (the “REIT Conditions”) at all times throughout a taxation year.

The REIT qualifies as a mutual fund trust and as a real estate investment trust pursuant to the Income Tax Act (Canada). Under current tax legislation, a real estate investment trust is entitled to deduct distributions to determine its taxable income. The REIT intends to continue to qualify as a real estate investment trust and to make distributions not less than the amount necessary to ensure that the REIT will not be liable to pay income taxes; however, as the REIT Conditions include complex revenue and asset tests, no assurances can be provided that the REIT will in fact so qualify at any time. No current or deferred income taxes have been recorded in the March 31, 2016 financial statements.

L. Unitholder Liability

The Trust Beneficiaries’ Liability Act, 2004 was enacted in Ontario in December 2004. That statute provides that Unitholders of the REIT are not liable, as beneficiaries of a trust, for any act, default, obligation or liability of the REIT or any of its Trustees arising after December 16, 2004. Because of the uncertainty of the law, and that the statute has not been judicially considered, it is possible that reliance on the statute by a Unitholder could be successfully challenged on jurisdictional or other grounds. Similar legislation now exists in other provinces.

In order to further protect the Unitholders, the REIT may require provisions in agreements to the effect that an obligation will not be personally binding upon and resort shall not be had to, nor shall recourse or satisfaction be sought from, the private property of any Unitholder, but the property of the REIT or a specific portion thereof only shall be bound. However, in conducting its affairs, the REIT has acquired and may acquire real property investments subject to existing contractual obligations, including obligations under mortgages and leases, which do not include such provisions.

M. Unitholder Holding a Significant Number of Units

Mitchell Goldhar beneficially owns or controls Units of the REIT representing approximately 18% economic interest in the REIT. However, the Declaration of Trust provides that until July 8, 2018, provided that number of Units and Special Voting Units held or controlled by members of the SC/MRR Group shall be not less than 9,110,269 of the aggregate issued and outstanding Units plus Special Voting Units and so long as a nominee of Mitchell Goldhar remains a Trustee, if the SC/MRR Group directly or indirectly beneficially owns or controls less than 25% of the voting rights attached to all voting securities of the REIT, the REIT shall issue such number of additional Special Voting Units which will entitle the SC/MRR Group to cast 25% of the votes attached to all voting securities of the REIT at a meeting of the holders of Units and Special Voting Units.

If Mr. Goldhar sells substantial amounts of Units in the public market, the market price of the Units could fall. The perception among the public that these sales may occur could also produce such an effect. As a result of his voting interest in the REIT, Mr. Goldhar may be able to exert significant influence over matters that are to be determined by votes of the Unitholders and Special Unitholders of the REIT. The timing and receipt of any takeover or control premium by Unitholders could depend on the determination of Mr. Goldhar as to if and when to sell Units. This could delay or prevent a change of control that might be attractive to, and provide liquidity for, Unitholders, and could limit the price that investors are willing to pay in the future for Units.

Section XII – Accounting Policies

A. Significant Accounting Policies & Estimates

A detailed description of the REIT's accounting policies is set out in Note 2 to the REIT's consolidated financial statements for the year ended December 31, 2015. Management believes that the policies outlined below are those most subject to estimation and Management's judgment.

Section XIII – Controls and Procedures

Disclosure Controls and Procedures and Internal Controls Over Financial Reporting – National Instrument 52-109 Compliance

A. Disclosure Controls and Procedures

The REIT's Chief Executive Officer and Chief Financial Officer have designed, or caused to be designed under their supervision, the REIT's disclosure controls and procedures (as defined by National Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings, adopted by the Canadian Securities Administrators) to provide reasonable assurance that (i) material information relating to the REIT, including its consolidated subsidiaries, is made known to them by others within those entities, particularly during the period in which the interim or annual filings are being prepared, and (ii) material information required to be disclosed in the annual filings, interim filings or other reports filed or submitted by the REIT under securities legislation is recorded, processed, summarized and reported on a timely basis and within the time period specified by securities legislation.

B. Internal Controls Over Financial Reporting

The REIT's Chief Executive Officer and Chief Financial Officer have designed, or caused to be designed under their supervision, the REIT's internal control over financial reporting (as defined in National Instrument 52-109, Certification of Disclosure in Issuer's Annual and Interim Filings) to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

C. Changes in Internal Controls Over Financial Reporting

There were no changes made in internal controls over financial reporting during the three month period ended March 31, 2016 that have materially affected, or are reasonably likely to materially affect, the REIT's internal controls over financial reporting.

D. Inherent Limitation

Disclosure controls and procedures and internal controls over financial reporting cannot provide absolute assurance of achieving financial reporting objectives because of their inherent limitations. Disclosure controls and procedures and internal controls over financial reporting are processes that involve human diligence and compliance and are subject to lapses in judgment and breakdowns resulting from human failures. Disclosure controls and procedures and internal controls over financial reporting also can be circumvented by collusions or improper management override. Because of such limitations, there is risk that material misstatements may not be prevented or detected on a timely basis by disclosure controls and procedures and internal controls over financial reporting. However, these inherent limitations are known features of the disclosure and financial reporting process. Therefore, it is possible to design into the process safeguards to reduce, though not eliminate, this risk.

Section XIV – Additional Information

Additional information relating to OneREIT, including the REIT's Annual Information Form, is available on the REIT's web site at www.onereit.ca, or SEDAR at www.sedar.com.

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